NSW BUDGET 2024-25

Budget Paper No.01
Budget Statement

2024-25

Budget Statement

NSW

Budget Paper No. 1

Circulated by The Hon. Daniel Mookhey MLC, Treasurer

STATEMENT OF THE SECRETARY

The 2024-25 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 3 June 2024, including information provided in the 2024-25 Australian Government Budget released on 14 May 2024.

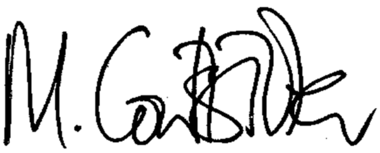
Any estimates or assumptions made in calculating revenues, expenses, other economic flows, assets or liabilities are based on the latest information available at the time.

Professional judgement

The Estimated Financial Statements contain projections for the Budget year (2024-25) and the three following years (2025-26 to 2027-28).

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
18 June 2024

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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 2023-24 Half-Yearly Review.

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 audited financial statements for the GGS as presented in the Total State Sector Accounts 2022-23.

The Estimated Financial Statements of the general government sector (2024-25 to 2027-28) 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 2024-25, while the forward estimates period refers to 2025-26, 2026-27 and 2027-28. 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 Building a better New South Wales

The people of New South Wales are doing it tough.

Household budgets are under pressure. Inflation has continued to ease over the past year but remains high. Growth in the price of essentials continues to outstrip discretionary items. Inflation, increasing mortgage repayments and tax bracket creep are all straining household budgets.

Western Sydney has been particularly hard hit. Since April 2022, the cost of servicing a median new mortgage for dwellings in Western Sydney rose by 55.0 per cent. Across the rest of New South Wales, many households are also being forced to make difficult choices.

Since coming into office, the Government has made difficult choices to repair the NSW Budget. This includes stabilising the State's debt trajectory with the suspension of NSW Generations Fund (NGF) contributions in 2023-24, reform of the Transport Asset Holding Entity (TAHE), and more than $13 billion in budget improvement and reprioritisation measures.

In the 2024-25 Budget, the Government continues to deal with the consequences of record public debt. At June 2023, general government gross debt was $132.9 billion or 17.1 per cent of gross state product (GSP). This is more than 500 per cent higher than the level reached during the Global Financial Crisis in 2009-10.

Since the 2023-24 Half-Yearly Review, the distribution of Goods and Services Tax (GST) to New South Wales has been impacted by revised relativities from the Commonwealth Grants Commission (CGC), with an estimated $11.9 billion impact over four years to 2027-28 (see Box 1.2). This is the latest challenge facing a State that has been hit hard by bushfires, floods and the COVID-19 pandemic, leaving families with significant uncertainty in a cost-of-living crisis.

A calm and measured response is required.

The Government's fiscal strategy prioritises stabilising the State's gross debt trajectory to keep interest expenses manageable and support the State's operating position.

This Budget introduces a new contributions framework for the NGF. The Government will contribute to the Fund only when it can responsibly do so. This means the $16.3 billion in contributions previously budgeted to go into the NGF will be suspended and redirected towards infrastructure investment and essential services (see Box 1.1). This has allowed the Government to limit the fiscal impact of changed GST relativities on the State's health, education, police and transport services.

While debt and interest expenses remain broadly in line with the 2023-24 Half-Yearly Review, the Government has needed to take a more deliberate approach to stabilising its operating position.

The State's budget deficit of $9.7 billion in 2023-24 will more than halve in 2024-25 before gradually reducing to a deficit of $1.5 billion in 2027-28.

The GST decision, just weeks out from this Budget, reallocated significant amounts of GST funding to other States. Funding that would have otherwise been directed towards the Government's aim of investing in essential services while stabilising the State Budget.

By keeping the State's debt trajectory broadly in line with the 2023-24 Half-Yearly Review, the Government has been able to invest in housing and repairing essential services without placing undue pressure on the State's interest expenses. The stabilisation of the State's debt trajectory is being achieved without privatisation or unfair wage constraint.

The 2024-25 Budget invests an additional $555.5 million to speed up the planning system and construct more housing enabling infrastructure. It also includes $200 million for the Faster Assessments program to incentivise councils to meet and exceed their targets by providing grants for infrastructure that supports housing.

The Building Homes for NSW package will unlock 30,000 new homes, including up to 21,000 new market and affordable homes, as well as 8,400 social homes including priority homes for victim-survivors of domestic and family violence. A further 33,500 homes will be repaired. At a time of the greatest housing crisis in a generation, this investment can't wait.

The 2024-25 Budget continues to invest in our health system. New hospitals across New South Wales will receive $274.7 million of investment to ensure health services are equipped to meet the needs of the population as costs rise and new hospitals come online.

This Budget invests $245.6 million over four years to 2027-28 on programs aimed at reducing the rate of violence against women and children and enhancing support for domestic, family and sexual violence victim-survivors.

To continue building for the future, the 2024-25 Budget will deliver $119.4 billion in infrastructure investment over the next four years to 2027-28. New initiatives include funding for houses and hospitals and $2.1 billion set aside for Parramatta Light Rail Stage 2. The Government's overall approach to the infrastructure program is to prioritise essential infrastructure including new and upgraded schools and hospitals and to focus effort on delivery of the considerable program already underway.

Box 1.1: Building Better Communities

The Government is prioritising investment in essential services and addressing the most critical challenges facing the people of New South Wales, including housing, homelessness, rental housing pressures, and the planning system.

The 2024-25 Budget provides $5.1 billion to build social homes, including 8,400 social homes, of which 6,200 will be new homes and 2,200 are replacement homes (with priority homes for victim-survivors of domestic and family violence). This program also invests $1 billion to repair 33,500 existing social homes.

The Government will provide $655.1 million for key worker and rental housing, including:

- $450.0 million for a Key Worker Build to Rent Program to be delivered by Landcom across metropolitan areas of the State
- $200.1 million for key health worker accommodation across rural and regional areas of the State.

This Budget provides $555.5 million to speed up the planning system and construct more housing enabling infrastructure, including:

- $253.7 million to bolster the State's planning system, including to assess more development applications and deliver additional State-led rezonings
- $246.7 million for enabling infrastructure, conservation activities and land acquisitions to accelerate the delivery of more housing in Western Sydney and across the regions.

The 2024-25 Budget also invests in a better system for renters, including:

- $11.8 million to support the growing number of renters in apartments with an expanded Strata & Property Services Commissioner to regulate strata schemes
- $8.4 million for the Rental Commissioner to develop and enforce renter protections.

This Budget also provides $527.6 million for emergency housing and homelessness support services, including:

- $260.0 million to provide homeless people and families who need safe shelter with crisis accommodation and support to move to more stable housing
- $250.0 million for funding to support people at risk of homelessness, including those leaving correctional centres and mental health services.

1.2 Economic outlook and position

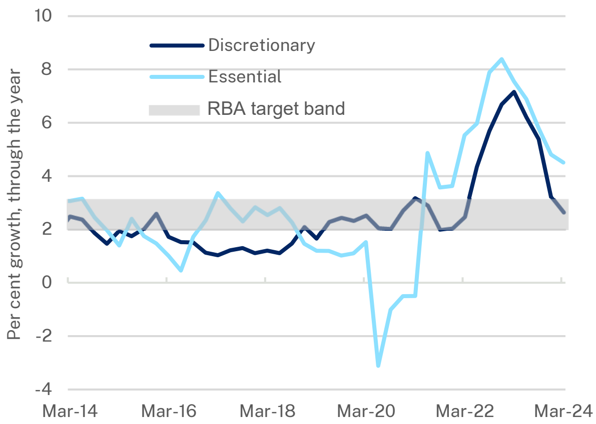
Inflation has continued to ease over the past year, easing pressure on interest rates and helping to address cost-of-living pressures. However, inflation remains high with growth in the price of essentials continuing to outstrip discretionary items (Chart 1.1).

Elevated inflation, high interest rates and tax bracket creep have offset the strong growth in labour income over the last year, curbing household spending. This has seen domestic economic growth slow sharply on a per capita basis (Chart 1.2).

Public demand is providing some offset for slower activity. Over the year to the March quarter 2024, public demand made a larger contribution to growth in state final demand than private demand. Additionally, despite weakness at the household level, the overall economy has been supported by strong population growth through ongoing international migration.

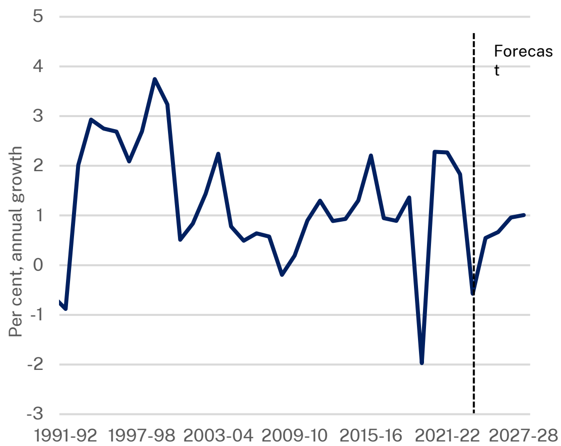
Businesses have responded to continued growth in aggregate spending with solid investment growth and continued strong demand for labour, driving up employment. Nevertheless, the unemployment rate has gradually increased from a low of 3.0 per cent in June 2023 to 3.8 per cent in May 2024, as international migration has also boosted the supply of labour.

Chart 1.1: Sydney CPI by spending category



Source: ABS and NSW Treasury

Chart 1.2: NSW real gross state product (GSP) per capita



Source: ABS and NSW Treasury

New South Wales outlook

Cost-of-living pressures remain sufficiently elevated to suggest the slowdown in economic activity, particularly on a per capita basis, will continue in the short term. Along with a gradual rise in unemployment and uncertainty over the timing of interest rate cuts, households are expected to remain cautious with their spending.

This weakness in activity is expected to see employment growth slow further, with job creation failing to keep pace with the growth in the supply of labour. Accordingly, the unemployment rate is forecast to continue to rise to a peak of 4½ per cent in mid-2025. By historical standards, this peak in the unemployment rate is relatively low. Alongside an elevated employment-to-population ratio this suggests labour market conditions will remain relatively tight for some time.

Inflation is forecast to maintain its path back toward the Reserve Bank of Australia's (RBA) target supported by a continued easing in goods inflation and domestic demand. However, elevated labour costs in the near term are expected to underpin persistent higher services inflation. This is expected to keep inflation above its target range until 2025.

Momentum is anticipated to shift in 2024-25, as conditions allow the RBA to start lowering interest rates in the first half of 2025. This, as well as support to incomes from stage 3 income tax cuts, and falling inflation, will ease cost-of-living pressures for households and should provide a boost to consumption. Resilient labour demand will also support a recovery in activity. Overall, this outlook is consistent with a soft landing for the economy.

1.3 Financial position and outlook

Following the worst of the COVID-19 pandemic, the State faces another significant fiscal shock. This time, it is the reallocation of $11.9 billion in GST grant revenue away from New South Wales. This is compounded by further fiscal pressures, such as higher costs of workers' compensation and higher depreciation expenses from the revaluation of non-financial assets.

The Government continues to put the people of New South Wales and the essential services they rely on first. Rather than make large cuts to essential services, the Government is managing this fiscal shock over the medium to longer-term.

The Government remains committed the two key fiscal principles adopted in the 2023-24 Budget:

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

This Budget focuses on the key areas of housing, health and cost-of-living pressures, while keeping the State's debt trajectory broadly in line with the 2023-24 Half-Yearly Review by suspending NGF contributions to free up more funding to be spent on infrastructure and essential services.

The Government is also strengthening valuation approaches of non-financial assets and improving the management of the Treasury Managed Fund (TMF). See Chapter 6 Managing the State's Assets and Liabilities for further information.

Table 1.1: Key Budget aggregates for the general government sector

	2022-23 Actual	2023-24 Revised	2024-25 Budget	2025-26	2026-27 Forward Estimates	2027-28
Budget Result ($m)	(10,565)	(9,676)	(3,633)	(2,489)	(2,364)	(1,518)
Per cent of GSP	(1.4)	(1.2)	(0.4)	(0.3)	(0.3)	(0.2)
Net debt ($m)	74,873	96,833	110,523	121,935	130,965	139,497
Per cent of GSP	9.6	11.9	12.8	13.5	13.9	14.2
Gross debt ($m)	132,914	155,516	166,885	178,889	188,505	199,883
Per cent of GSP	17.1	19.0	19.3	19.8	20.0	20.3

Fiscal position

The 2024-25 Budget projects a deficit of $3.6 billion in 2024-25, down from the $0.5 billion surplus projected in the 2023-24 Half-Yearly Review (see Chart 1.3). Changes to GST relativities, weaker payroll tax, and higher depreciation and interest costs have contributed materially to this deterioration, alongside essential new funding to alleviate cost-of-living pressures and rebuild essential services.

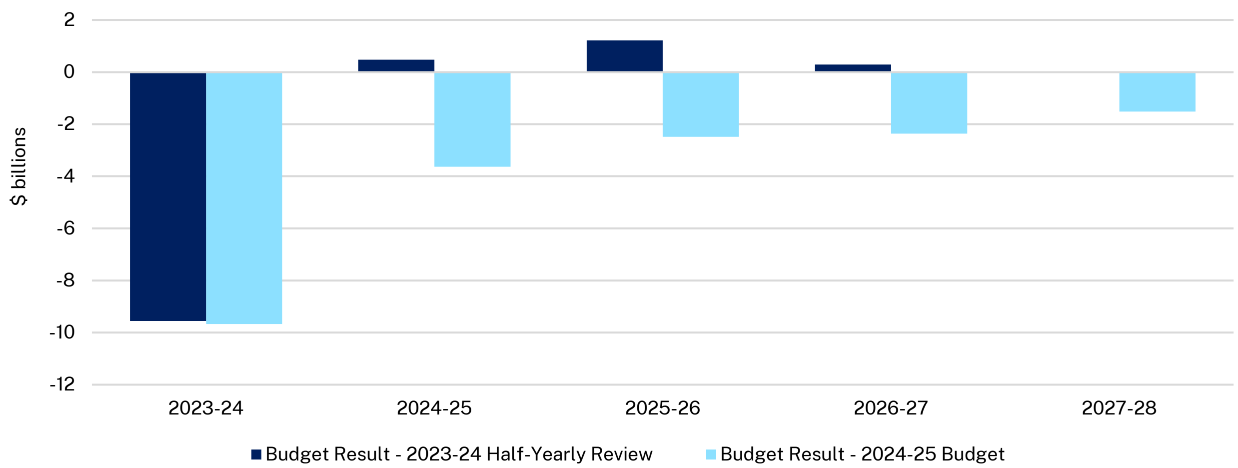
Across the forward estimates, deficits are projected to reduce (see Table 1.1). The Government is expected to return to a net cash operating surplus in 2024-25, for the first time in three years.

Since the 2023-24 Half-Yearly Review, total general government sector revenue is forecast to be $5.1 billion higher over the four years to 2026-27 as the reduction in GST and payroll tax revenue is netted out by improved stamp duty and land tax projections.

Total general government sector expenses are projected to increase from $120.5 billion in 2023-24 to $129.1 billion in 2027-28, growing at an average rate of 1.7 per cent per year, well below the average expense growth from 2018-19 to 2022-23 of 9.7 per cent.

The 2024-25 Budget provides for a $119.4 billion public infrastructure investment over four years to 2027-28, including funding for new houses, schools and hospitals.

Chart 1.3: NSW Budget result: 2023-24 Half-Yearly Review compared to the 2024-25 Budget



Over the period to June 2027, general government gross debt is projected to be broadly in line with the 2023-24 Half-Yearly Review as the Government redirects the suspended NGF contributions towards infrastructure investment and essential services (see Chapter 3 Fiscal Strategy and Outlook for more information).

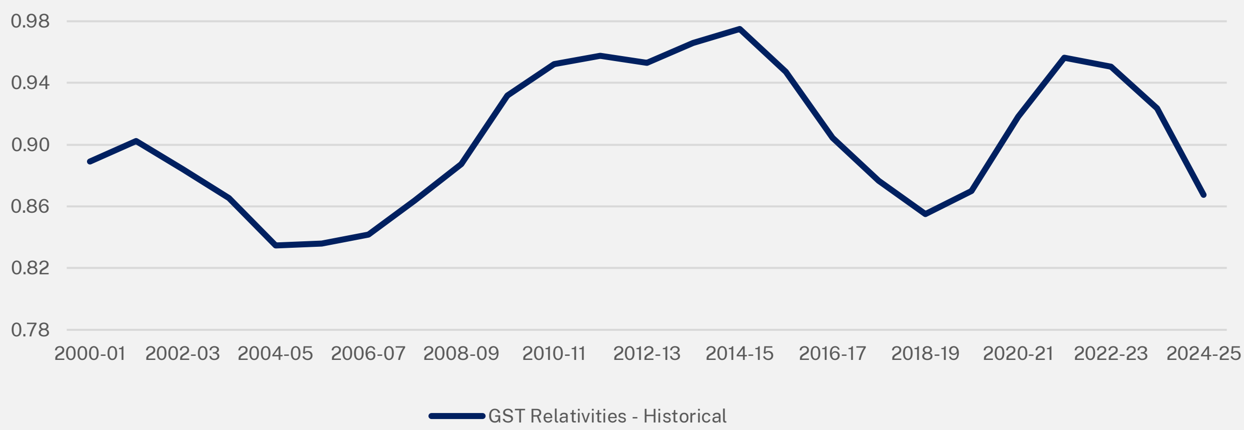
The Government's net debt as a percentage of GSP at June 2024 is broadly in line with the 2023-24 Half-Yearly Review at 11.9 per cent and is projected to increase to 14.2 per cent at June 2028.

Box 1.2: Commonwealth Grants Commission's 2024 Update

Following the Commonwealth Grants Commission's 2024 Update, a lower share of national GST pool will be distributed to New South Wales due to a lower GST relativity.

The relativity will fall from 0.92 in 2023-24 to 0.87 in 2024-25 represents the largest single-year fall in NSW's share of the GST pool since the introduction of the GST. Part of this change reflects increased NSW fiscal capacity, driven by land tax and royalties revenue and lower expenditure and investment needs relative to other states and territories.

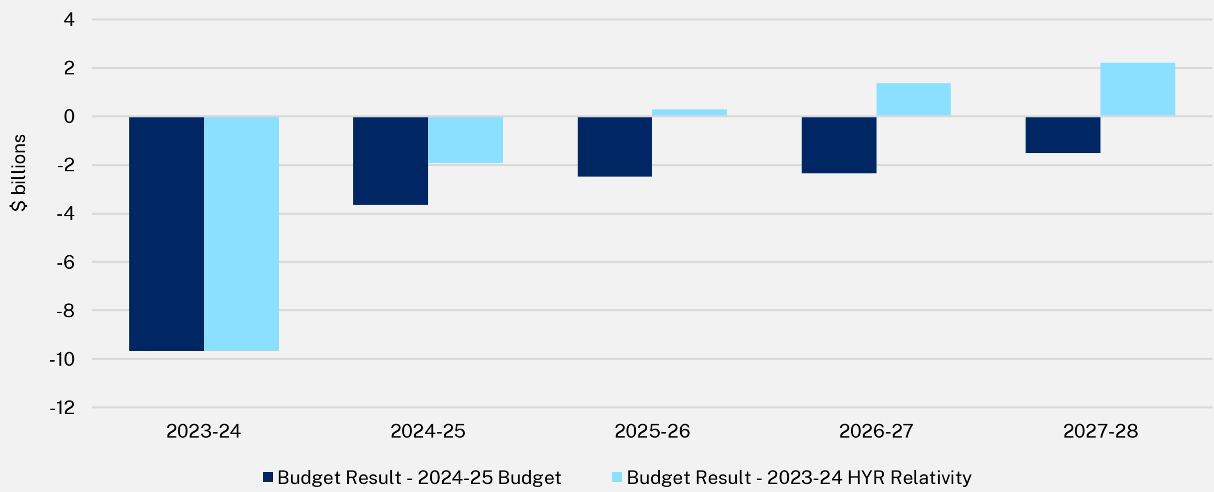
Chart 1.4: Historical GST relativities (2000-01 to 2024-25)[1]



This places significant pressure on the recovery of the State's fiscal position. As a result of the Commonwealth Grants Commission's 2024 Update, the forecast for NSW GST payments was revised down by $11.9 billion over the four years to 2027-28.

Separately, the national GST pool has been revised upwards to reflect stronger dwelling investment.

Chart 1.5: Budget result impact of GST relativity change



1 Relativities from 2000-01 to 2020-21 represent those under the original equalisation arrangements. In 2018, the Australian Parliament legislated a new way to distribute GST revenue among the states and territories. Relativities from 2021-22 to 2024-25 represent those under the transition period, which are a blend of the original and new arrangements.

1.4 Budget priorities

Despite the challenges facing New South Wales, the Government is making the decision to protect household budgets and invest in essential services that cannot wait. As a result, this Budget is making substantial investment in areas such as housing, education, supporting those impacted by domestic and family violence (see Box 1.3), and rebuilding essential services.

See Chapter 5 Expenditure or Appendix A5 Measures Statement for a detailed list of the Government's investment decisions.

Building A Better New South Wales

The building better schools and hospitals program will deliver $22.9 billion in funding for healthcare and education capital projects over the next four years.

Education

The Government is delivering the largest ever investment in public preschools by establishing 100 public preschools. The first preschool at Gulyangarri Public School is set to open later this year.

The 2024-25 Budget invests $8.9 billion in the Rebuilding Public Education Program, including funding to build five new schools (in addition to the Government's record 45 in the pipeline) and seven additional upgrades on top of the 73 in progress.

Health

The NSW Government is investing $480.7 million to ease pressure on emergency department wait times, through funding for urgent care services and enhanced discharge services.

Maternal and child health has been boosted, with the $130.9 million Family Start Package, alongside further investment in mental health care, First Nations women and Local Health Districts.

The Building Better Hospitals Package invests $265.0 million for an upgrade of Port Macquarie Hospital and $395.3 million to deliver ongoing hospital developments at Eurobodalla, Ryde, Temora, Mental Health Complex at Westmead, Liverpool, Moree, Nepean, Cessnock and Shellharbour.

Box 1.3: Investing to reduce domestic and family violence

Domestic, family and sexual violence (DFSV) is serious and widespread. It has severe and long-term effects on victim-survivors, their families, and the broader community.

This Budget provides $245.6 million over four years for a coordinated, multi-pronged response that seeks to disrupt the cycle of DFV early and permanently, while optimising crisis response services to support victim-survivors.

The 2024-25 Budget includes the following support in this area:

- $48.1 million to secure funding for specialist workers who support children accompanying their mothers to refuges, expanding their presence from 20 to 30 refuges across New South Wales
- $48.0 million to roll out the Staying Home Leaving Violence program state-wide and to expand the Integrated Domestic and Family Violence Service
- $45.0 million to improve bail laws and justice system responses to domestic violence
- $38.3 million to implement NSW's first dedicated Domestic, Family and Sexual Violence Primary Prevention Strategy, which will fund a range of initiatives to address the drivers of gendered violence
- $29.6 million for the Women's Domestic Violence Court Advocacy Service to provide support for victim-survivors requiring support to navigate the justice system
- $10.0 million to support Men's Behaviour Change Programs to enable men to recognise their violent behaviour and develop strategies to prevent the use of violence
- $13.6 million for research into perpetrators and effective interventions, workforce training on the implementation of a newly developed risk assessment framework, and expanding Domestic Violence NSW, which is the peak body for specialist services in New South Wales.

Of the 6,200 net new social homes that will be built as part of the "Building Homes for NSW" program, at least 50 percent will be prioritised for victim-survivors of domestic and family-violence.

Caring for Our Communities

Delivering essential services

This Budget continues to rebuild public services by supporting essential workers, addressing critical staff vacancies, collaborating with the State's workforce and delivering long-term wage growth.

The Government has already delivered professional rates of pay for paramedics in recognition of the move towards university qualification and increased registration requirements, plus expansion of the scope of paramedicine.

Building on the Government's 4.5 per cent wage offer in 2023-24, the 2024-25 Budget provides for a 10.5 per cent wage increase over three years to benefit NSW public sector workers (inclusive of superannuation). It is an offer that provides real wage increases, and is designed to attract, reward and retain essential workers.

Table 1.2: New South Wales public sector is projected to receive real wages growth to 2026-27[a]

	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
Sydney consumer price index	4¼	3	2¾	2½
Public sector base wage offer (excluding superannuation)	4	3.5[b][c]	3[c]	3

(a) Forecasts are rounded to the nearest quarter point and are annual average per cent change, unless otherwise indicated.
(b) Includes a 0.5 per cent increase to salary and salary related allowances available for workers who have not received structural adjustment in the past 12 months, subject to conditions.
(c) The Government's 10.5 per cent three-year wages offer includes the compulsory 0.5 per cent increase to superannuation in both 2024-25 and 2025-26.

In addition, a $1,000 cost-of-living adjustment is included to protect essential workers against any unexpected substantial increases in inflation.

In a constrained fiscal environment, supporting essential workers continues to be this Government's priority, and a critical part of our effort to reduce workforce vacancies and re-build our essential services.

Box 1.4: Investing in disaster response and recovery

The NSW Government is investing $5.7 billion over four years to 2027-28, including Australian Government co-contributions, to continue natural disaster support and response programs.

This includes $3.3 billion for restoration works to repair local and state roads damaged in major flood events. Nearly 90 per cent of local road restoration costs are in Northern NSW, and approximately half of these costs relate to local roads around Armidale Regional Council, Lismore City Council, and Tweed Shire Council.

A further $2 billion has been allocated for other disaster relief and recovery programs funded through the Disaster Relief Account (DRA). This includes:

- $525.0 million for the Resilient Homes Program across the Northern Rivers and Central West, to support voluntary buybacks, and increase the flood resilience of existing homes
- $282.7 million for the Regional Roads and Transport Recovery Package for priority local and state transport infrastructure resiliency works
- $159.3 million from the Infrastructure Betterment Fund to rebuild and improve the resilience of state and local infrastructure to future natural disasters
- $24.5 million for the Community Assets Program to repair and restore community infrastructure.

Other investments in this Budget for disaster recovery and support include:

- $116.7 million to repair critical water and sewerage infrastructure
- $87.4 million for the Resilient Lands Program to unlock new home and land options in the Northern Rivers
- $20.0 million to continue to deliver social housing across flood impacted locations in Northern NSW.

Cost-of-living support

In 2024-25, the Government will provide around $8.7 billion to households to assist with growing cost-of-living pressures. The support measures include:

- introduction of the Bulk-Billing Support Initiative to protect the cost of seeing a GP, at a total cost of $188.8 million over four years
- the $60 weekly toll cap that began on 1 January 2024 will continue, with an investment of $561.0 million over two years
- the expanded energy social program, includes a $100.0 million increase in 2024-25, will support up to 1 million NSW households with energy bill relief, bringing the total program to $435.4 million in 2024-25. This is in addition to the Australian Government's $300 energy bill relief payment
- concession and exemptions on property duty will continue to support more people to get their first home through the First Home Buyer Assistance Scheme
- up to $4,220 per year in fee relief is available to parents and carers of children aged 3-5 years attending eligible preschool programs, with an estimated 200,000 enrolments eligible for fee relief in 2024.

Box 1.5: Reforming the State's tolls

Tolls cost motorists in Sydney around $2.5 billion each year and escalate year on year putting family budgets for motorists under significant pressure. The Government is committed to making the toll network more equitable for all and reducing cost-of-living pressure. The Government has engaged experts Professor Allan Fels and Doctor David Cousins to conduct the Independent Toll Review to explore how best to reform this complex tolling system.

To demonstrate the Government's commitment to toll reform, this Budget invests $16.6 million to support tolling reform initiatives arising from the Independent Toll Review.

As part of this investment, Government will establish a NSW motorway entity and introduce associated legislation for the purpose of driving tolling reform in New South Wales.

The Independent Toll Review is expected to release its Final Report in the third quarter this year, which the Government will respond to later in 2024.

2. THE ECONOMY

- Inflation has continued to ease over the past year with softening activity and a gradual rise in the unemployment rate, though elevated services inflation is delaying the easing in overall inflation.
- Cost-of-living pressures have weighed on household spending and slowed growth in the New South Wales domestic economy.
- Public demand is providing some offset, while strong population growth is supporting business investment and continued employment growth.
- The slowdown in economic activity is expected to continue in the short term, driving a relatively modest lift in the unemployment rate and a further easing in inflation.
- Momentum in activity is anticipated to recover in 2024-25 as cost-of-living pressures ease.
- Overall, the outlook is consistent with a soft landing for the economy.
- The risks to the outlook centre primarily on geopolitical risks and uncertainty around the path for global inflation and interest rates.

Table 2.1: New South Wales economic performance and outlook[a]

	2022-23 Outcome	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast
Real state final demand[b]	4.8	1 (1½)	1¼ (1½)	2¼ (2)	2½ (2¾)	2½
Real gross state product	3.7	1½	2 (1¼)	2	2¼ (2½)	2¼
Employment	6	2½ (1½)	1 (½)	1	1½	1½
Unemployment rate[c]	3.2	4 (3¾)	4½	4½	4¼	4
Sydney consumer price index	7.1	4¼ (4½)	3 (3¼)	2¾	2½	2½
Wage price index	3.3	4	3¾	3½ (3¼)	3¼	3½
Nominal gross state product	10	5 (3¾)	5¾ (3)	4¾ (4)	4½ (5¼)	4¼
Population[d]	2.2	2.1 (1.7)	1.2 (1.3)	1.2 (1.3)	1.1 (1.2)	1.1

(a) Forecasts are rounded to the nearest quarter point and are annual average per cent change, unless otherwise indicated. 2023-24 Half-Yearly Review forecasts in parentheses where different.
(b) Forecasts completed prior to publication of the March quarter 2024 National Accounts by the Australian Bureau of Statistics (ABS).
(c) June quarter, per cent.
(d) Per cent change through the year to 30 June. Forecasts rounded to nearest 0.1 percentage point.

Note: Commodity prices are assumed to follow Consensus Economics forecasts as of April 2024. Broadly consistent with market expectations, the RBA cash rate is assumed to decline from early 2025 and steadily move back toward a more neutral setting within the forward estimates. The Australian dollar trade-weighted index is assumed to average 65.1 across the forecast period.

Source: ABS and NSW Treasury

2.1 The New South Wales economy is slowing

Cost-of-living pressures have slowed domestic spending

Growth in the New South Wales domestic economy has slowed following the post-pandemic recovery as cost-of-living pressures have weighed on consumers, offsetting the strong growth in labour income over the last year.

The initial driver of these pressures was high inflation. In particular, growth in the prices of essential goods and services have continued to outstrip price growth for discretionary items. Within essentials, insurance and financial services, housing, education and health saw the highest price growth through the year to the March quarter 2024.

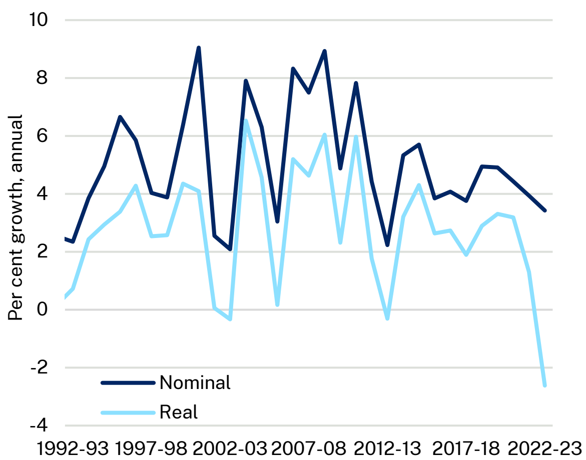
This has constrained households' real purchasing power and slowed growth in real consumer purchases, particularly for discretionary items, even as households maintained solid growth in nominal spending.

More recently, nominal disposable income has been weighed down by the combination of tax bracket creep and higher interest rates (Chart 2.1). The latter reflects the Reserve Bank of Australia's (RBA) actions to bring inflation back down to its target range.

The softening in spending would have been greater were it not for households absorbing some of these pressures by saving less of their income. The national savings rate, which measures the additional amount households save each quarter, fell in the September quarter 2023 to its lowest level since 2007, and has remained low since then.

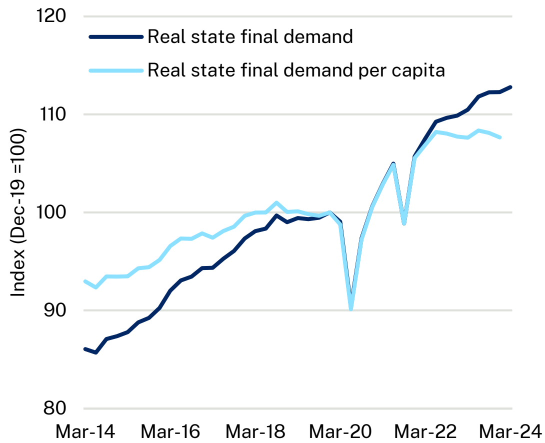
Notwithstanding this weakness at the household level, aggregate demand in the economy, as measured by state final demand (SFD), still managed to grow by 2.1 per cent through the year to the March quarter 2024 (Chart 2.2). This relative resilience in aggregate demand is due to ongoing strength in international migration and support from public demand.

Chart 2.1: NSW gross household disposable income



Source: ABS and NSW Treasury

Chart 2.2: NSW state final demand



Source: ABS and NSW Treasury

Box 2.1: Economic performance has been uneven across the states

Cost-of-living pressures have been evident across the country. High inflation and rising interest rates have an inherently broad-based impact.

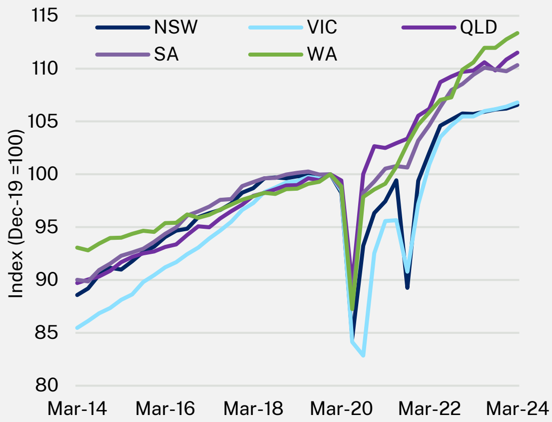
Nevertheless, economic performance across the country has been uneven since these pressures emerged, especially in the household sector.

For New South Wales and Victoria, these pressures occurred following the Delta lockdowns, a headwind unique to these states, putting them at a weaker starting position.

Interest rates have risen across all states, but the increase has especially impacted the disposable income of households in New South Wales, Victoria, Queensland and South Australia. At the aggregate level, these states saw the greatest increase in the share of gross income going to dwelling interest in 2022-23 compared to 2021-22.

Given this, household consumption growth has slowed in these states, particularly New South Wales, which has seen the weakest growth in household consumption since the June quarter 2022 at 1.9 per cent. This is compared to 2.6 per cent in Queensland, 3.2 per cent in Victoria and 3.7 per cent in South Australia (Chart 2.3).

Chart 2.3: Real household consumption



Source: ABS and NSW Treasury

Newer borrowers in New South Wales have been particularly squeezed. The share of household earnings going to mortgage payments on new loans in the State has increased more than in all other states since May 2022. This is in part because the median dwelling price in New South Wales is the highest across the country.

Outside the consumer sector, business investment has been a strong performer across most states. Tight labour markets and continued spending at the aggregate level has supported business activity relatively broadly.

Public demand has also supported growth across the country.

Additionally, while population growth has been strong for most states due to net overseas migration, New South Wales has seen large outward migration to other states, which weighs on overall demand.

Housing construction has been weak despite price growth

Higher interest rates and construction costs, combined with delays due to a lack of labour and materials, are compressing construction sector margins, especially for larger residential projects. These factors have negatively impacted the feasibility of new residential projects, contributing to a sharp decline in the number of dwelling approvals, on a trend basis, over the past year to their lowest level in a decade. These pressures have also seen a rise in construction insolvencies, which may delay any recovery in construction activity.

Meanwhile, demand from strong population growth has seen house prices continue to rise through the first few months of 2024, despite high interest rates constraining affordability for prospective first home buyers. As of November 2023, it would take an average earner in New South Wales around 13 years to save for a deposit on a dwelling of median value.[1] Existing homeowners have likely fared better as relatively healthy equity levels and strong wages growth have helped counter the significant rise in mortgage payments.

Renters have also faced significant increases in housing costs, in large part due to the substantial imbalance between demand and supply in the rental market. Strong demand has kept the rental vacancy rate in Greater Sydney at a very low level of around 1.0 per cent, supporting strong growth in rents.

Box 2.2: Housing affordability concerns persist, exacerbating cost-of-living pressures, particularly in Western Sydney

New South Wales faces the twin challenges of higher costs of housing, and of living expenses more broadly. This is making it increasingly difficult for families to meet basic needs, with some areas hit harder than others.

As higher construction costs and labour shortages have constrained investment in new dwellings, dwelling rents have continued to rise in the State. Since the month prior to the RBA's current cycle of rate increases, the median advertised rental price for dwellings has risen by approximately 25.8 per cent in Western Sydney, compared to 18.9 per cent across the rest of the State (Chart 2.4).

This has come at a time when residents face mounting pressure from escalating living costs. The Sydney consumer price index (CPI) indicates that essential goods and services prices surged by 4.5 per cent over the year to the March quarter 2024, compared to a modest 2.6 per cent increase in prices of discretionary items.

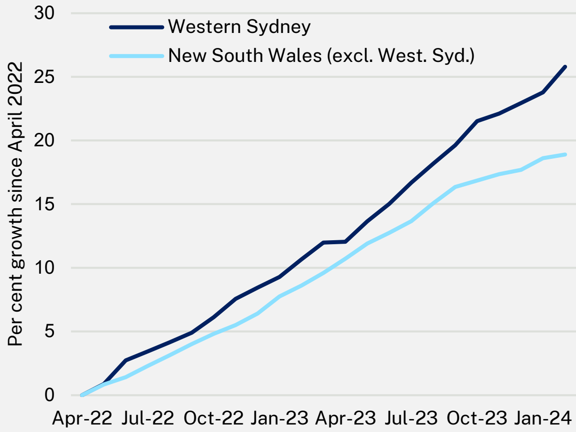
Lower-income households have been disproportionately affected, as they typically allocate a larger portion of their income to essential goods. Western Sydney is particularly hard hit, with latest records putting median household incomes for renters in the region around 27 per cent lower than those across metropolitan Sydney.

For those looking to move from renting to owning, the cost of servicing a new mortgage remains high. Treasury analysis using CoreLogic data shows that the cost of servicing a mortgage taken out in April 2022 on a median dwelling in Western Sydney has risen by 55.0 per cent, compared to 49.5 per cent in the rest of New South Wales (Chart 2.5).

First-time buyers are increasingly relying on financial assistance from parents to afford a deposit, though not all families are in a position to do this. This creates disparities for those without such support, and risks worsening wealth inequality among future generations.

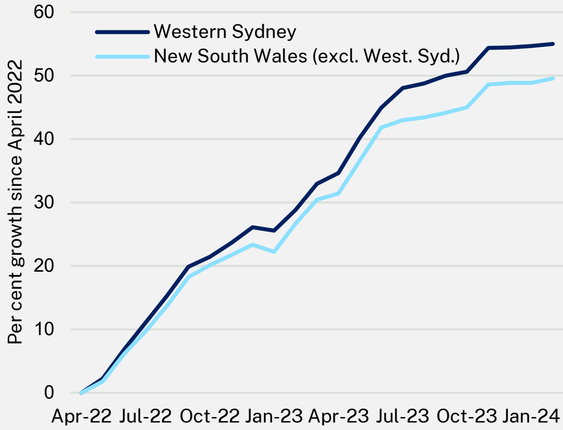
[1] Based on a household with one full-time adult receiving average ordinary-time earnings and generating no non-wage or non-salary income. Assumes 15 per cent of pre-tax earnings are saved and a 20 per cent deposit.

Chart 2.4: Cumulative growth in median advertised rental prices for dwellings since April 2022



Source: CoreLogic and NSW Treasury

Chart 2.5: Cumulative growth in repayments for a new mortgage on a median dwelling since April 2022



Source: CoreLogic and NSW Treasury

Growth in aggregate demand is supporting business and labour conditions

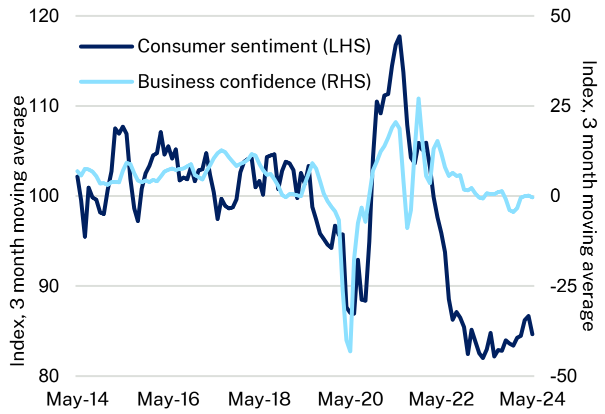
The divergence between individual household spending and aggregate demand in the economy has seen different experiences for businesses and consumers. Individuals have felt the brunt of cost-of-living pressures. In comparison, continued growth in aggregate spending has supported business trading conditions and income. Alongside elevated capacity utilisation, these conditions have supported business investment growth, and continued strength in labour demand at an aggregate level. Reflecting this, business confidence has been more resilient compared with consumer sentiment but both remain below their pre-COVID average (Chart 2.6).

Support for activity has also come from public demand, which was the largest contributor to growth in state final demand over the past year.

Ongoing labour demand has seen employment rise by 2.0 per cent over the year to May 2024. Falling employment in sectors that are exposed to weak consumer spending, including retail and hospitality, has been more than offset by rising employment, in net terms, in the rest of the economy.

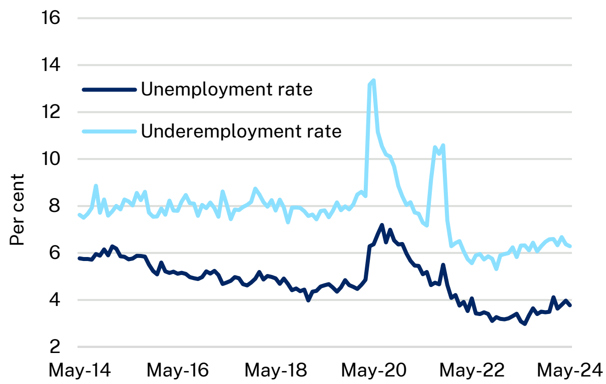
Nevertheless, the unemployment rate has gradually increased from a low of 3.0 per cent in June 2023 to 3.8 per cent in May 2024, as international migration has boosted the supply of labour (Chart 2.7). Other indicators also signal a slackening in the labour market, with the underemployment rate trending upwards, albeit from low levels, while job advertisements have fallen from their peak.

Chart 2.6: NSW consumer sentiment and business confidence



Source: Westpac-Melbourne Institute, NAB and NSW Treasury

Chart 2.7: NSW unemployment rate and underemployment rate



Source: ABS and NSW Treasury

Slowing activity is helping to bring down inflation

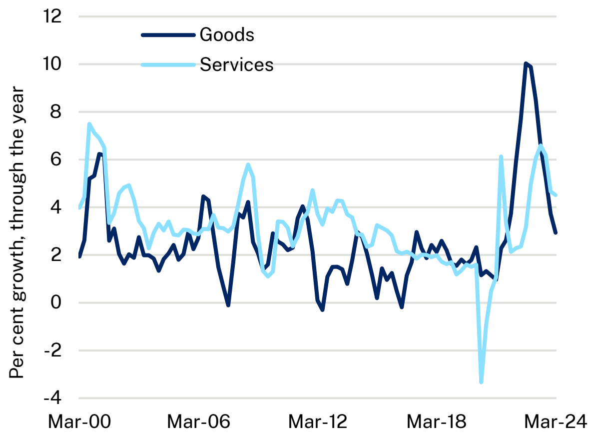
The softening in both spending growth and the labour market has helped bring down inflation. Over the year to the March quarter, Sydney CPI inflation rose by 3.8 per cent, which is half the rate seen over the year to the December 2022 quarter.

Slower inflation initially reflected lower commodity prices and the unwinding of international supply pressures. This saw goods inflation drop from a peak of 10.0 per cent in late 2022 to 2.9 per cent through the year to the March quarter 2024 (Chart 2.8).

Although services inflation has also eased, in part due to Government cost-of-living supports for rents and childcare, it remains relatively elevated at 4.5 per cent as at the March quarter 2024. Inflation across most services categories indicates that strong domestic price pressures remain. This is primarily due to high domestic unit labour cost growth, which itself reflects the combination of faster nominal wage growth and weak productivity growth, on average, since the onset of the pandemic.

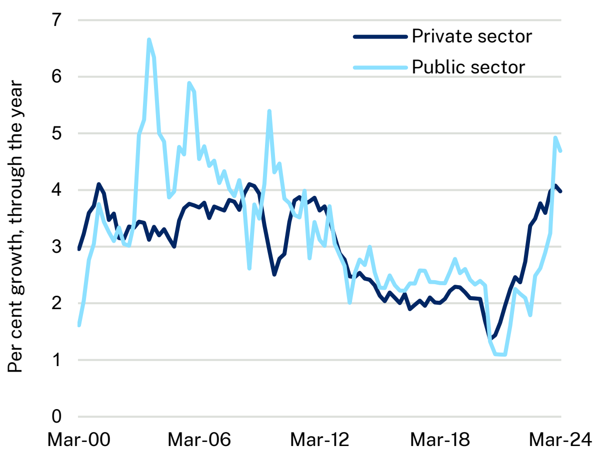
Previous tightness in the labour market and elevated levels of inflation have seen private sector wages over the year to the March quarter 2024, as measured by the New South Wales wage price index (WPI), rise by 4.0 per cent, their fastest pace in more than a decade. Public sector wages have also risen over the past year, due to newly implemented enterprise bargaining agreements, notably for those in the health and education sectors (Chart 2.9).

Chart 2.8: Sydney CPI



Source: ABS and NSW Treasury

Chart 2.9: NSW public and private sector WPI



Source: ABS and NSW Treasury

2.2 Outlook for the New South Wales economy

Overall, the outlook is consistent with a soft landing for the New South Wales economy. Economic growth is forecast to be subdued in the very near term, before accelerating through the course of 2024-25 as cost-of-living pressures ease.

A similar soft landing is expected for the Australian and global economies. The International Monetary Fund's (IMF) latest outlook for the global economy in April reaffirmed the expectation for a soft landing, despite the aggressive increase in interest rates by major central banks, and concerns around the outlook for the Chinese economy. Central to this outlook was an expected continued easing in global inflation, reflecting the impacts of coordinated monetary policy tightening.

Weaker demand in the near term to loosen the labour market further

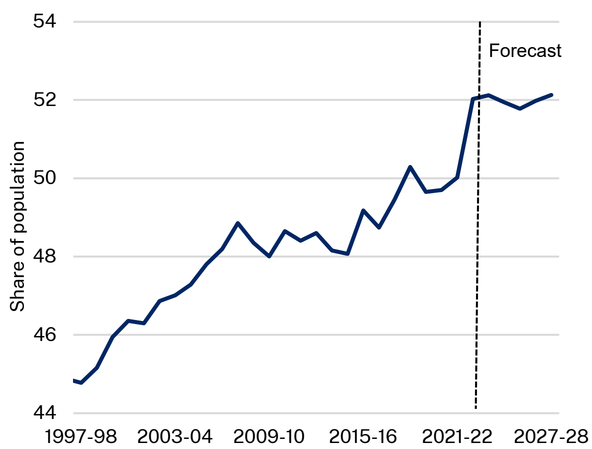
Cost-of-living pressures remain sufficiently elevated to suggest households will remain cautious with their spending in the near term. The gradual rise in unemployment is expected to add further weight to this cautiousness, as is uncertainty over the timing for when household finances will see relief via interest rate cuts.

Investment in new dwellings is also expected to remain weak over the next year, despite continued strength in population growth and the resilience of house prices. This reflects the ongoing impact of tight capacity and elevated costs within the construction industry.

Employment growth is expected to slow further, in line with economic activity. Job creation is forecast to not keep pace with the growth in the supply of labour, causing the unemployment rate to continue to rise to a peak of 4½ per cent in the second half of 2025.

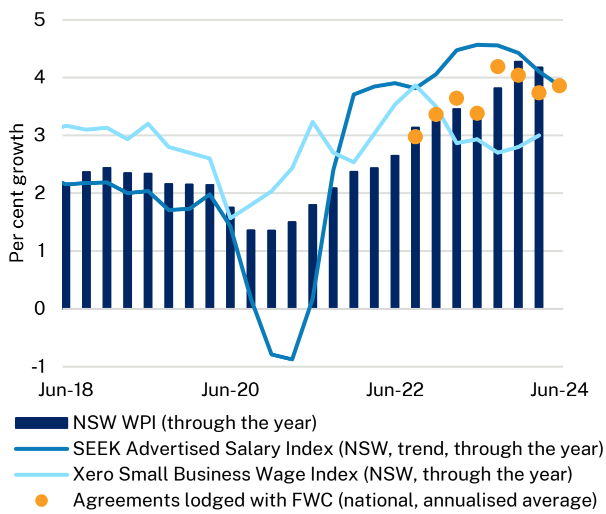
Despite this deterioration, the anticipated peak in the unemployment rate is well below the average of recent decades, and the employment to population ratio is forecast to remain high (Chart 2.10).

Chart 2.10: NSW employment to population ratio



Source: ABS and NSW Treasury

Chart 2.11: Leading indicators of wages



Source: ABS, SEEK, Xero Small Business Insights and NSW Treasury
Note: June quarter 2024 data for FWC agreement approval applications is to 3 May and SEEK data is to April.

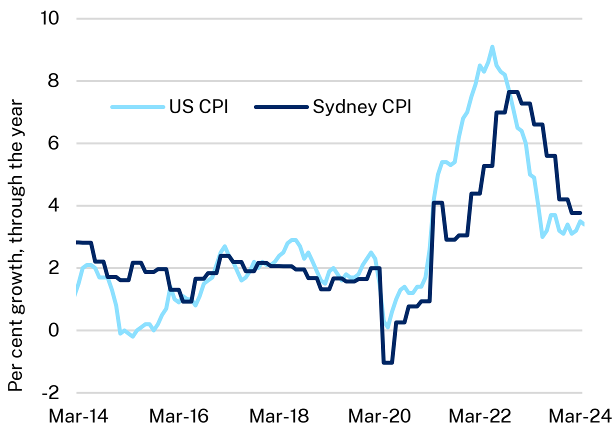
Although this environment suggests wages growth will stay elevated in the near term, a range of timely indicators, including Enterprise Bargaining Agreements lodged with the Fair Work Commission (FWC), suggest that wages growth has reached its peak and should moderate from the latter half of 2024 (Chart 2.11). Nonetheless, annual real wages growth, as measured by the WPI adjusted for the Sydney CPI, is expected to remain in positive territory throughout the forecast horizon.

Inflation expected to continue drifting lower, but services inflation is lagging

National inflation is forecast to maintain its path back towards the RBA's inflation target. Goods inflation is expected to ease further in 2024, driven by sustained improvement in global supply chains. Elevated labour costs in the near term will keep broader services inflation high, although cost-of-living measures such as the Electricity Bill Rebate will suppress headline inflation in 2024-25. Underlying inflation is expected to remain above the RBA's target range until mid-2025.

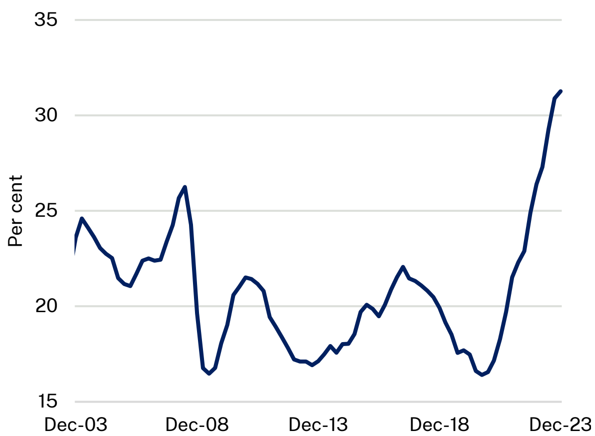
The recent lack of improvement in inflation for the United States has highlighted the risks of declaring success over inflation pressures too early (Chart 2.12). Reflecting this, the RBA's monetary policy committee has noted that greater confidence in inflation's sustainable return to the target range is required before the cash rate can be lowered.

Chart 2.12: United States CPI and Sydney CPI



Source: Bloomberg, ABS and NSW Treasury

Chart 2.13: Servicing costs on a new mortgage as a proportion of owner-occupier earnings in NSW



Source: ABS, CoreLogic, HILDA Survey, RBA and NSW Treasury
Note: Mortgage repayments on a recently purchased NSW dwelling of median value. Assumes a household with two full-time adults on average post-tax earnings for owner-occupiers, with a 20 per cent average tax rate, 20 per cent deposit and a variable rate 30-year loan.

Economy to strengthen through 2024-25 as cost of living comes under control

As inflation continues to move gradually lower against the backdrop of weak growth in demand, conditions are expected to be in place to allow the RBA to start lowering interest rates in the first half of 2025. This is broadly in line with market expectations at the time forecasts were finalised.

The relief given to households should see real consumer spending start to recover. Even before interest rates are cut, low- and middle-income households will receive additional support in the form of the revamped stage 3 income tax cuts. These are expected to provide a modest boost to consumption, relative to the previous structure of these tax cuts, from July 2024. While there is uncertainty around how much of the tax savings will be spent by households, the rebound will be further facilitated by the resilience in labour demand.

New dwelling investment is also forecast to turn around as supply responds to the added demand from recent population growth. This pick-up in construction activity is expected to be supported by higher dwelling prices, and an improvement in developers' profitability, as construction costs and capacity constraints stabilise and potentially ease.

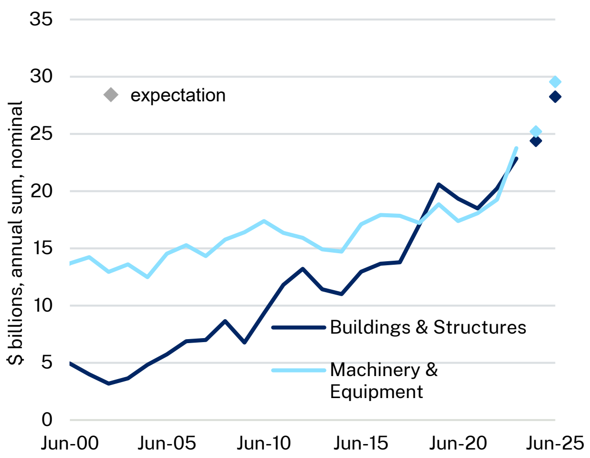
The large existing pipeline of outstanding construction projects is also expected to support dwelling investment as construction backlogs progressively ease, while Government housing reforms should assist supply late in the forward years. Notwithstanding this, on current expectations, achieving the aspirational housing completions target for New South Wales under the 2023 National Housing Accord is likely to prove very challenging.

Despite lower interest rates supporting housing market activity, Sydney dwelling price growth is expected to be modest. The medium-term outlook for dwelling prices reflects both an easing of demand and supply imbalances as construction activity eventually improves, and the impact of affordability constraints (Chart 2.13), with valuations remaining stretched even as interest rates fall.

Business investment, meanwhile, is expected to remain robust. Labour costs are growing strongly, and with capacity utilisation elevated by historical standards, conditions are optimal for capital investment. According to the ABS Private New Capital Expenditure and Expected Expenditure release, businesses expect solid growth in capital expenditure over the rest of 2023-24 and throughout 2024-25 (Chart 2.14). This is further supported by an elevated stock of non-residential construction projects already in the pipeline.

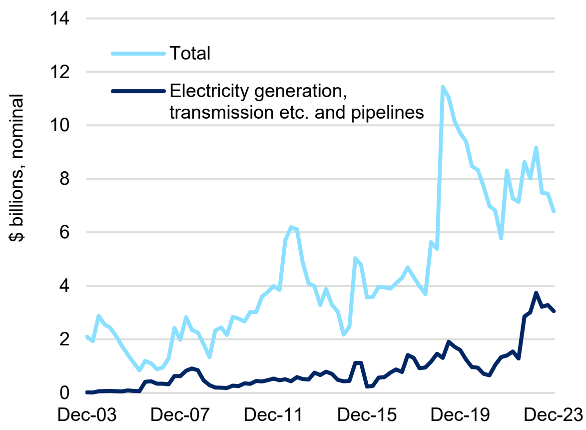
Looking further ahead, while business investment growth is expected to ease, there will be continued support from the ongoing New South Wales energy transition, which is driving significant investment in renewable energy generation (Chart 2.15). Recently announced policies by the Australian Government are also expected to help support businesses with investments in the transition to renewable energy.

Chart 2.14: NSW capital expenditure expectations



Source: ABS and NSW Treasury

Chart 2.15: Existing pipeline of private engineering construction work in NSW



Source: ABS and NSW Treasury

By contrast, public demand, which had been a strong driver of growth during the pandemic, will provide less impetus to economic growth in future years as Governments seek to improve their budget positions. This will help facilitate the transition towards more private sector driven growth in New South Wales.

In terms of the external environment facing businesses, a soft landing for the global economy should lend support to exports. That said, the outlook is more tenuous for commodities, with Chinese authorities yet to undertake sufficient support measures that will definitively stem the weakening in its property sector.

2.3 Long-term drivers of growth

Improving productivity is key to long-term economic growth

In the long run, economic growth in New South Wales will be determined by three factors:

- the size and age structure of our population
- the proportion of people actively engaged in or looking for work
- the level of productivity - that is, how efficiently we produce goods and services, given resources and effort invested.

While rapid population growth is supporting the economy in the short term, it is expected to decline as a driver of economic growth in the long term. Falling fertility rates are slowing natural population growth, which will see our population age over the next 40 years. Migration into New South Wales will become increasingly important for population growth, and for slowing population ageing, though it is not projected to fully offset these trends.

Population ageing will also lead to declining participation rates in the long-term, as higher shares of the population will move into older age groups and retire. This decline is expected to be softened by growing participation rates among women and those aged over 65.

As a result of these trends, productivity growth will become the key driver of prosperity in New South Wales. Over the last 20 years, labour productivity growth has slowed, a result that is consistent with the trend observed across most advanced economies. Declining dynamism and competition, slow technology adoption and low innovation are potential contributors in the Australian context. The *2021-22 NSW Intergenerational Report* also identified climate change as a drag on potential future productivity, including days of work lost to heatwaves and the impacts on agricultural production.

Labour productivity is determined by the personal characteristics of workers in the economy, including their health and education (Box 2.3), as well as broad economic and regulatory settings. This means that people, employers, and governments all play a role in supporting productivity growth.

As our economy evolves, new opportunities will be created. In particular, the transition to net zero and the technological transformation (including the advancement of generative artificial intelligence) present opportunities for productivity growth through improved efficiency and innovation. Risks must be carefully managed in order to reap the benefits of these transitions.

Box 2.3: Returns to health and education

Good health and a quality education enable people to thrive at home and at work. This is foundational for a strong economy. In return, a sustainable and growing economy delivers higher real wages and standards of living, and stronger government revenues that can be reinvested in delivering high quality public services.

Investments in an individual's health and education not only directly improve their wellbeing, but also add to their capacity to engage in work and their stock of human capital - the knowledge, skills and personal characteristics that make an individual more productive and determine the quality of labour. The Australian Government Productivity Commission (2023) found that in Australia, labour quality has generated around 20 per cent of labour productivity growth in recent decades.[2]

Education equips people with the necessary knowledge and tools for engaging in society and employment. It covers the whole lifespan from early childhood through to on-the-job learning.

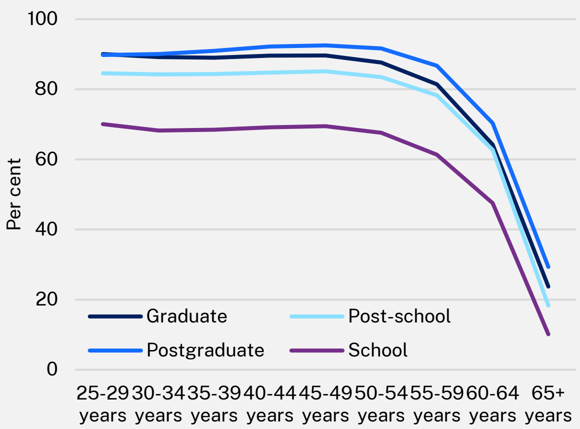
Individuals with higher educational attainment tend to have higher labour force participation, employment and wages, as well as more resilience to economic shocks (Chart 2.16).[3]

Education also provides societal benefits: a more educated workforce enables more innovation and the development of advanced, higher-value industries.

Having good physical and mental health also enables people to participate in society and contribute to the State's economy. Improved health outcomes mean people are more likely to participate in the labour force and spend less time absent from work due to illness. It also means people are more productive while they are working because they can work at their full potential.

Health and education outcomes have been shown to be linked with each other. On the one hand, good health supports a person's ability to engage in education, as well as to gain and retain knowledge more easily; on the other, there is evidence that higher levels of education are associated with greater health literacy and therefore healthier behaviour.

Chart 2.16: NSW labour force participation by 5-age group and level of educational attainment, 2021



Source: ABS and NSW Treasury

[2] Productivity Commission (2023), 5-year Productivity Inquiry: From learning to growth.
[3] Educational attainment is an incomplete measure of the knowledge and skills attributable to education.

2.4 Key risks to the outlook

Risks remain unusually elevated

Many of the risks to the outlook have not changed over the past year. The main source of uncertainties currently facing the outlook revolve around:

- the path of inflation back to central bank targets, and the resulting impact for the path of interest rates
- the potential escalation of geopolitical tensions and their impact on financial markets, trade and the global economy.

While the prospects of a soft landing for the global economy have risen, if recent elevated inflation in the United States were to persist and be replicated elsewhere, central banks may be forced to maintain tighter monetary policy for longer than currently expected.

Domestically, it is also possible that the lagged effects of higher interest rates are yet to fully play out. While some households remain resilient to higher interest rates and inflation, others are doing it tough. As real incomes rise and interest rates fall, these households may remain focused on balance sheet repair, which could constrain the recovery in consumer spending.

Abroad, geopolitical tensions have deteriorated, particularly in the Middle East. A further escalation of these tensions has the potential to weaken confidence, disrupt energy markets (contributing to inflation) and global trade, prolonging shipping times and raising freight costs. Appendix F Economic Scenario Analysis considers the economic impacts from a scenario where geopolitical tensions escalate, disrupting global trade.

Some of the other most notable risks relate to the housing market. On the downside, while house prices have so far proven somewhat resilient to higher interest rates, a deterioration cannot be ruled out given the corrosion in housing affordability. This would become more likely should the labour market weaken materially.

Conversely, it is similarly possible that recent resilience will manifest into stronger-than-expected dwelling prices, once interest rates start to fall, with positive spillovers to household consumption and dwelling investment. Stronger net overseas migration, if it were to persist, would produce a similar outcome.

3. FISCAL STRATEGY AND OUTLOOK

- This Budget balances the needs of the community by investing in essential services and supporting housing while managing significant fiscal challenges.
- The Government is providing new funding for essential services including establishing a $274.7 million Essential Health Services Fund to improve the capacity of our public health system, $245.6 million to prevent and respond to domestic, family and sexual violence, and $5.1 billion to address the current housing shortage and improve housing affordability.
- Facing significant revisions to Goods and Services Tax (GST) relativities following the Commonwealth Grants Commission's 2024 Update (with an estimated impact of $11.9 billion over four years to 2027-28), this Government is taking a more deliberate and considered path to fiscal recovery. The budget deficit is projected to reduce significantly from $9.7 billion in 2023-24 to $1.5 billion by 2027-28.
- In addition to the $13 billion in budget improvement and reprioritisation measures in the 2023-24 Budget, this Budget outlines several measures to help improve the sustainability of the State's finances. This includes a new contributions framework for the NSW Generations Fund (NGF).
- To help stabilise the State's gross debt trajectory and taking pressure off interest expenses this Budget suspends the remaining contributions to the NGF and redirects the funding towards infrastructure investment and essential services.
- The Government will continue to work constructively with the Australian Government to negotiate for the State's fair share of GST funding. This Budget includes $3.1 billion in additional investment for transport projects from the Australian Government. Work also continues on negotiations for health, education and National Disability Insurance Scheme (NDIS) agreements.
- The State is expected to return to a net cash operating surplus of $4.9 billion in 2024-25 and remain in surplus across the forward estimates (for more information see Chapter 6 Managing the State's Assets and Liabilities).
- The State's infrastructure program is projected to be $119.4 billion across the four years to 2027-28. This includes investing in initiatives such as new social housing, delivering new preschools, critical health infrastructure upgrades and setting aside funding for Stage 2 of the Parramatta Light Rail. The overall program is expected to settle over the coming years as mega projects, such as the Sydney Metro City and Southwest, are completed.
- In line with the Government's efforts to stabilise gross debt (by suspending NGF contributions and initiating OneFund), gross debt is now projected to be $188.5 billion by June 2027 broadly in line with the 2023-24 Half-Yearly Review. According to the projections in the 2023 Pre-Election Budget Update, gross debt would have reached $188.2 billion by June 2026.

3.1 Balancing fiscal pressures while supporting essential services

The Government is balancing the delivery of targeted cost-of-living relief and bolstering essential services for the people of New South Wales against the significant fiscal pressures the State continues to face.

The 2023-24 Budget introduced two key fiscal principles to guide the State's fiscal strategy:

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

The Government remains committed to these principles while ensuring much needed investment is made in infrastructure and high quality service delivery is prioritised.

Since the 2023-24 Half-Yearly Review, the State's challenging fiscal position has been worsened by updated GST relativities, which is projected to cost the State $11.9 billion over the four years to 2027-28 following the Commonwealth Grants Commission's 2024 Update.

New South Wales' share of the GST pool was reduced from 92.4 per cent of our per capita share in 2023-24 to 86.7 per cent per capita in 2024-25. The new relativity is below the historical average for New South Wales and represents the largest single-year fall in New South Wales' share of the GST pool since the introduction of the GST.

Taxation revenue has been revised up by $9.6 billion over the four years to 2027-28 since the 2023-24 Half-Yearly Review. The NSW property market continues to remain strong, resulting in upward revisions to transfer duty and land tax of $4.1 billion and $5.6 billion respectively over the four years to 2027-28. This is partially offset by downward revisions to payroll tax primarily driven by weaker collections year-to-date on the back of slower growth in private sector employment as well as a weaker outlook for growth in the average compensation of employees.

The Government is targeting new spending in areas where it is most needed, including in housing, health and cost of living, without making disruptive cuts to the State's expenses in the short term. The Government will build 8,400 new and upgraded homes as it invests in NSW Social Housing with its $5.1 billion social housing program.

The Government is also investing $480.7 million in new initiatives to ease pressure on emergency departments, reduce wait times and improve patient outcomes. Support for the most vulnerable is also bolstered in this Budget, including $527.6 million for homelessness services along with $224.1 million in 2024-25 to build a better foster care system, including reforming the Out-of-Home-Care sector.

The Government will provide around $8.7 billion in 2024-25 to households to assist with growing cost-of-living pressures. This includes an additional $828 million for the Australian Government's energy bill relief to households and small businesses. The budget includes funding for rental support, energy and water bill relief, preschool support and toll relief.

Further information on revenue and expense measures are outlined in Chapter 4 Revenue and Chapter 5 Expenditure.

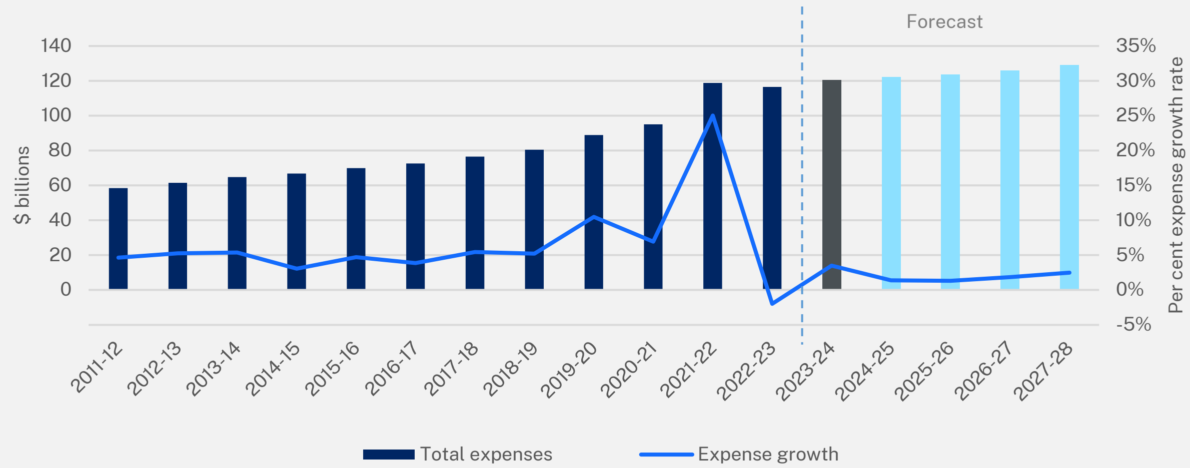
Box 3.1: The path to fiscal sustainability

This Budget outlines a number of measures to help improve the sustainability of the State's finances, including changes to land tax (see Chapter 4 Revenue) and a new NGF contributions framework (see Chapter 6 Managing the State's Assets and Liabilities). These changes have allowed the Government to invest in essential services and infrastructure, while keeping the State's debt trajectory broadly in line with the 2023-24 Half-Yearly Review.

One of the main reasons to stabilise gross debt is to take pressure off the State's interest expenses. From 2011-12 to 2022-23, interest expenses more than doubled from $2.1 billion to $4.2 billion. By 2027-28, interest expenses are projected to rise to $8.6 billion. The State's largely debt-funded infrastructure program is not only contributing to rising interest expenses, but also to rising depreciation expenses. From 2011-12 to 2022-23, depreciation expenses increased from $3.0 billion to $7.9 billion and are projected to rise to $10.8 billion by 2027-28.

With the significant rising pressure from unavoidable expenses such as interest and depreciation expenses, it is important for the Government to keep control on overall expenses. Over the four years to 2027-28, this Budget keeps expense growth below 3 per cent, well below the average annual expense growth of 6 per cent between 2011-12 to 2022-23 (see Chart 3.1).

Chart 3.1: General government expenses and expense growth



Stabilising debt is critical to the longer-term fiscal sustainability of the State, helping ensure the State's interest expenses remain manageable (See Box 3.2).

Net debt to gross state product (GSP) is projected to be 11.9 per cent by June 2024, broadly in line with the 2023-24 Half-Yearly Review. Over the forward estimates, net debt to GSP is projected to grow broadly in line with most other states, but well below the projection for Victoria at 25.1 per cent by June 2028.

The State remains exposed to interest rate and refinancing risks (see Chapter 6 Managing the State's Assets and Liabilities), with the outlook for interest rates remaining uncertain. The broader economic outlook (see Chapter 2 The Economy) is also contributing to a volatile fiscal environment, with the future path of inflation and economic growth unlikely to be smooth.

Box 3.2: Continuing to stabilise the trajectory of gross debt

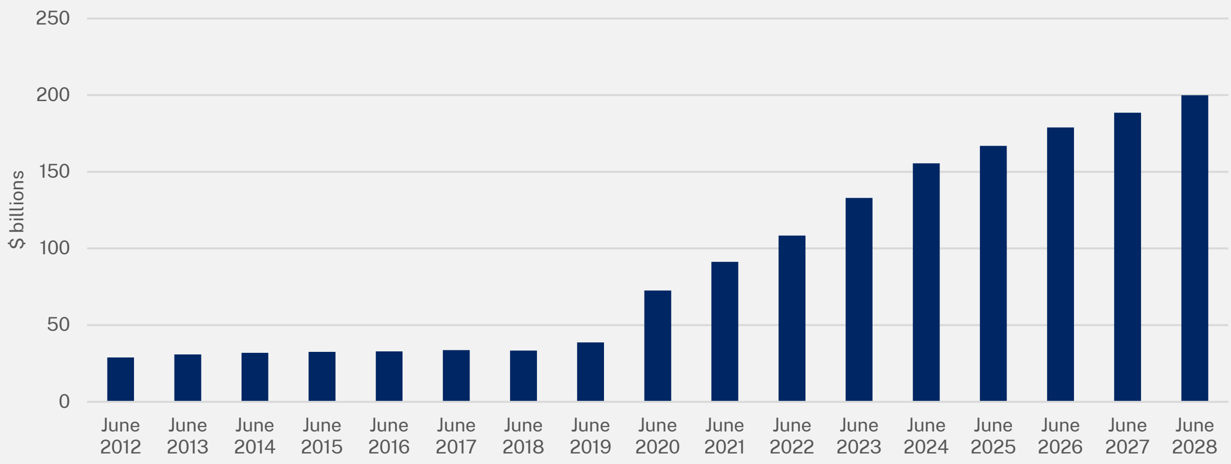
Since 2012, the State has faced significant fiscal challenges, including a surging housing market throughout the 2010s, 2019 bushfires, the COVID-19 pandemic, the 2022 floods, and recent surging inflation.

The State's gross debt levels increased from $28.9 billion at June 2012 to $132.9 billion at June 2023 (see Chart 3.2) primarily driven by significant investment in infrastructure over the past decade.

The Government took a number of steps to stabilise gross debt in the 2023-24 Budget, including the suspension of NGF contributions in 2023-24, reform of the Transport Asset Holding Entity (TAHE), and more than $13 billion in budget savings and reprioritisation measures.

This Budget, contributions previously budgeted to go into the NGF will be suspended and redirected towards infrastructure investment and essential services. This will keep the State's gross debt trajectory broadly in line with the 2023-24 Half-Yearly Review while facilitating essential initiatives such as significant housing investments in this Budget.

Chart 3.2: General government gross debt



3.2 The State's operating position remains challenging

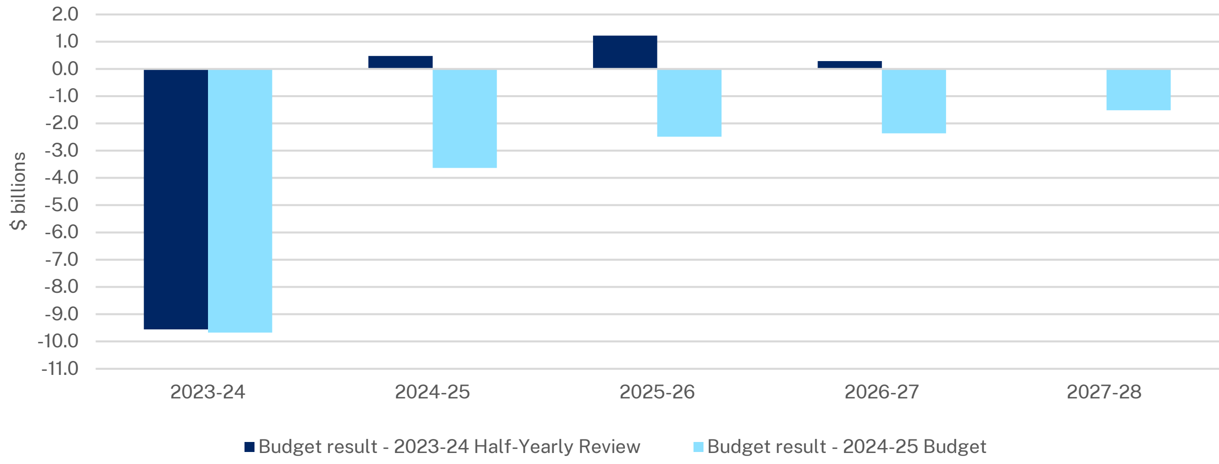
Since the 2023-24 Half-Yearly Review, the State is facing another significant fiscal challenge. The reduction in New South Wales' GST relativities presents a revenue shock comparable to the COVID-19 pandemic.

In the face of the fiscal pressures, the Government is balancing the need to maintain essential services and protect household budgets. While the State's operating position has deteriorated since the 2023-24 Half-Yearly Review, the Government has managed to keep gross debt and net debt broadly in line with previous projections.

This Budget projects a deficit of $3.6 billion in 2024-25, a $6.1 billion improvement from the expected $9.7 billion deficit in 2023-24. The Budget projects the State will remain in deficit across the forward estimates as the State invests in essential priorities, including housing and new programs to address domestic and family violence.

The Government is projected to return to a net cash operating surplus in 2024-25 and maintain surpluses across the forward estimates. This means the Government will no longer be borrowing to fund its operating expenses, for the first time since 2020-21. See Chapter 6 Managing the State's Assets and Liabilities for additional information on the State's cash operating position.

Chart 3.3: General government budget result, relative to the 2023-24 Half-Yearly Review



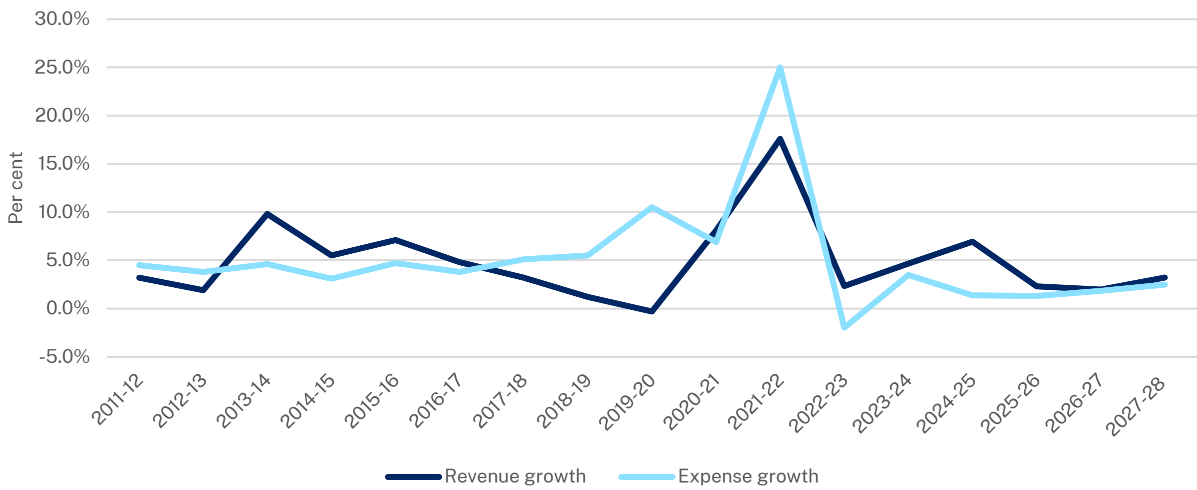
Expense and revenue growth projections to 2027-28

One indicator of a sustainable operating position is expense growth remaining in line with long-term average revenue growth. In this Budget, expense growth is projected to moderate to 2.5 per cent in 2027-28. This is lower than the long-term average revenue growth rate of around 5.6 per cent from 2000-01 to 2023-24.

In this Budget, revenue growth is projected to moderate to 3.2 per cent by 2027-28 (see Chapter 4 Revenue for detailed analysis). This is significantly lower than the long-term average growth rate.

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 provides a reconciliation of the budget result movements between the 2023-24 Budget and this Budget. Changes in revenues from the 2023-24 Half-Yearly Review to the 2024-25 Budget reflect the changes of all the State's revenue sources, including GST. Further details of revenue and expense movements are set out in Chapter 4 Revenue and Chapter 5 Expenditure.

Table 3.1: Reconciliation of 2023-24 Budget to 2024-25 Budget[(a)]

	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Budget result: 2023-24 Budget	**(7,847)**	**844**	**1,582**	**1,508**	**N/A**
Changes from the 2023-24 Budget to 2023-24 Half-Yearly Review					
Revenues	(1,325)	490	506	(491)	N/A
Expenses	(383)	(859)	(869)	(729)	N/A
Total budget result impact	(1,708)	(369)	(363)	(1,220)	N/A
Budget result: 2023-24 Half-Yearly Review	**(9,555)**	**475**	**1,219**	**288**	**N/A**
Changes from the 2023-24 Half-Yearly Review to 2024-25 Budget					
Revenues	(213)	733	2,047	2,569	N/A
Expenses	92	(4,841)	(5,755)	(5,221)	N/A
Total budget result impact	(121)	(4,108)	(3,708)	(2,652)	N/A
Budget result: 2024-25 Budget	**(9,676)**	**(3,633)**	**(2,489)**	**(2,364)**	**(1,518)**
Underlying Budget Result ($m) (without net impact of NGF investment returns)	*(9,580)*	*(4,436)*	*(3,359)*	*(3,309)*	*(2,543)*

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

3.3 Delivering the Government's essential infrastructure plan

By suspending NGF contributions, the Government has been able to invest in infrastructure while keeping gross debt broadly in line with the 2023-24 Half-Yearly Review.

In this Budget, the Government continues the work of prioritising critical infrastructure investments to support the delivery of additional housing and the energy transition roadmap.

The State's infrastructure program is projected to be $119.4 billion across the four years to 2027-28 which includes investing in initiatives such as new social housing, delivering new preschools, critical health infrastructure upgrades and setting aside funding for Stage 2 of the Parramatta Light Rail. The overall program is expected to moderate over the coming years as transport mega projects, such as the Sydney Metro City and Southwest, are completed.

Funding for the infrastructure program is comprised of state funding, public non-financial corporations own source revenue, and Australian Government grants. The majority of state funding is through borrowings, with approximately 71 per cent of the infrastructure program from 2023-24 to 2027-28 projected to be funded by borrowings. See Box 3.3 and Chapter 6 Managing the State's Assets and Liabilities for more information on the State's approach to debt management.

The Government is lifting the freeze on the sale of surplus land and property. Where suitable, surplus Government land will be prioritised for use as social, affordable and market housing, subject to a Government Property Framework currently being developed by Property and Development NSW.

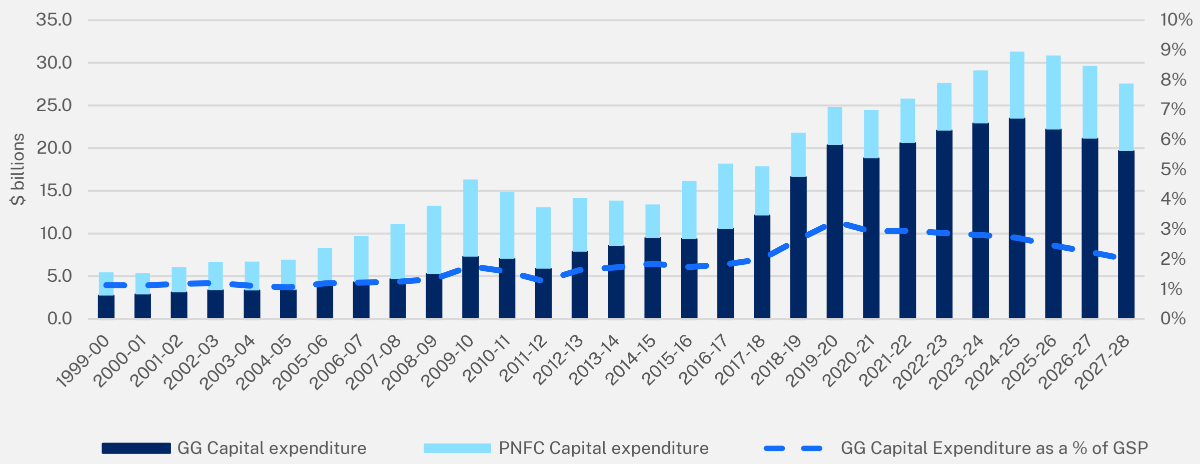
Box 3.3 provides more information on the Government's approach to a sustainable infrastructure program.

Box 3.3: 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. There have been high levels of capital slippage and significant cost escalation pressures. The program continues to pressure the State's balance sheet, with the 2024-25 Budget projecting gross debt to rise to $199.9 billion by June 2028 and interest expenses to $8.6 billion by 2027-28.

In response, the Government's ongoing infrastructure program is designed to be sustainable and well targeted to deliver the essential services the State needs. This will contribute to stabilising debt while providing the infrastructure needed for a growing population (see Chart 3.5).

Chart 3.5: Infrastructure program as a per cent of gross state product (GSP)



Infrastructure investment in the 2024-25 Budget

The general government capital expenditure is projected to be $23.5 billion for 2024-25, an increase of 2.5 per cent from 2023-24. General government investment excludes the investment program of State-Owned Corporations, such as Sydney Water.

Since the 2023-24 Half-Yearly Review the Government has allocated new funding in transport, health, education and the State's largest ever investment in social housing, with major new investments including:

- $4.0 billion over four years for new social housing. This will fund the land purchase and construction of 5,400 new social homes, which includes 1,300 replacement dwellings
- $118.0 million over four years to the Aboriginal Housing Office to support critical capital maintenance of First Nations social housing.

Funding has also been provided to establish 100 new public preschools along with $2.1 billion set aside for Parramatta Light Rail Stage 2.

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

Table 3.2 outlines the profile over the four years to 2027-28 as well as changes since the 2023-24 Half-Yearly Review.

Table 3.2: Capital expenditure reconciliation

	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m
Capital – 2023-24 Half-Yearly Review	**22,296**	**23,029**	**20,624**	**19,930**	**N/A**
Capital measures	(1,130)	2,608	2,315	2,438	2,133
Parameter and other variations	1,743	(2,161)	(742)	(1,247)	N/A
Capital – 2024-25 Budget	**22,909**	**23,476**	**22,197**	**21,121**	**19,653**

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 2024-25 Budget, this allowance for capital slippage is set at $5.6 billion in 2024-25 reducing to $0.8 billion in 2027-28.

4. REVENUE

- New South Wales will receive a lower share of the national GST pool than expected at the 2023-24 Half-Yearly Review. As a result of the Commonwealth Grants Commission's 2024 Update, the forecast for NSW GST payments was revised down by $11.9 billion over the four years to 2027-28.
- Despite high interest rates, the property market remains resilient, with higher-than-anticipated growth in both dwelling prices and transaction volumes contributing to an upgrade to forecast transfer duty revenue. Flow on impacts to unimproved land values see similar upgrades to land tax.
- Estimated revenue has been revised up by $10.7 billion over the four years to 2027-28 since the 2023-24 Half-Yearly Review. This upward revision includes a net $2.4 billion in revenue measures. The key drivers of the revisions to estimated revenue are increased taxation revenue from transfer duty and land tax, off the back of a strong property market.
- From the 2025 land tax year, administrative indexation arrangements will be aligned with most other jurisdictions by fixing the land tax thresholds at their 2024 land tax year values.
- The NSW Government will work with private health insurers to ensure that correct room rates are being paid to public hospitals.
- The Government will increase the foreign owner land tax surcharge from 4 per cent to 5 per cent from the 2025 land tax year onwards. Commencing 1 January 2025, the foreign purchaser duty surcharge will also increase from 8 per cent to 9 per cent.
- The Bulk-Billing Support Initiative provides payroll tax relief to certain medical centres, expected to reduce payroll tax revenue by $180.8 million over the four years to 2027-28.

4.1 Revenue

General government sector revenue is projected to increase by 6.9 per cent in 2024-25 to $118.5 billion. This is $732.9 million higher than forecast at the 2023-24 Half-Yearly Review. This revision is largely due to policy changes, increased Federation Funding Agreement payments including restoration of previously cancelled infrastructure funding, as well as higher transfer duty and land tax revenue. Total revenue is expected to grow at an average annual rate of 3.6 per cent over the four years to 2027-28 (Table 4.1).

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Revenue from transactions							
Taxation	39,747	44,503	48,345	51,123	52,977	55,466	5.7
Grant revenue (including GST)	45,572	47,019	47,934	46,786	47,162	48,380	0.7
Sale of goods and services	9,700	9,869	10,344	10,877	11,024	10,969	2.7
Interest income	545	738	645	545	564	534	(7.8)
Dividends and income tax equivalents from other sectors	483	675	786	1,208	1,212	1,315	18.1
Other dividends and distributions	1,467	1,456	3,074	3,467	3,553	3,786	27.0
Royalties	4,658	2,932	3,815	3,355	3,116	3,021	0.8
Fines, regulatory fees and other revenues	3,730	3,650	3,587	3,898	4,043	4,149	3.3
Total revenue	**105,901**	**110,842**	**118,530**	**121,259**	**123,650**	**127,620**	**3.6**
Annual change	*2.3%*	*4.7%*	*6.9%*	*2.3%*	*2.0%*	*3.2%*	

Over the four years to 2027-28, forecast revenue is expected to be $10.7 billion higher than forecast at the 2023-24 Half-Yearly Review.

The main drivers of this upward revision are:

- a strong property market and the decision to align the administrative indexation arrangements with most other jurisdictions by fixing the land tax thresholds at their 2024 levels, leading to a $4.1 billion upgrade to transfer duty revenue and a $5.6 billion upgrade (of which $1.5 billion relates to new policy measures) to land tax revenue over the four years to 2027-28
- increases in funding from the Australian Government under the Disaster Recovery Funding Arrangements, extension of the Energy Bill Relief Fund and additional funding for road infrastructure projects
- higher thermal coal prices and export volumes, contributing to an increase in mineral royalties of $481.6 million (accounting for a decrease of $15.4 million relating to new policy measures).

These upward revisions are partially offset by:

- decreases to GST revenue, driven by revised relativity forecasts following the Commonwealth Grants Commission's 2024 Update
- lower other dividends and distributions from the Government's decision to cease contributing to the NSW Generations (Debt Retirement) Fund
- downgrades to payroll tax revenue due to weaker collections year-to-date and a weaker outlook for average compensation of employees.

Table 4.2: Revenue reconciliation

	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Four years to 2027-28 $m
Revenue – 2023-24 Half-Yearly Review	**111,054**	**117,797**	**119,212**	**121,081**	**122,254**	**480,344**
Policy changes since 2023-24 Half-Yearly Review						
Revenue measures	5	437	551	610	766	**2,364**
Revenue related to expense and capital measures	(211)	540	659	1,480	959	**3,638**
Total policy measures	**(206)**	**977**	**1,210**	**2,090**	**1,725**	**6,002**
Parameter changes since 2023-24 Half-Yearly Review						
Taxation						
Payroll tax	(198)	(283)	(431)	(379)	(479)	**(1,574)**
Transfer duty	(219)	849	1,458	911	913	**4,131**
Land tax	(8)	99	569	1,269	1,809	**3,745**
Motor vehicle stamp duty	(30)	(7)	(3)	1	3	**(6)**
Motor vehicle weight tax	30	29	23	21	24	**97**
Casino	5	(2)	(1)	(2)	1	**(5)**
Other taxes	(78)	13	32	57	149	**250**
Grant revenue						
GST	867	(1,042)	(1,863)	(2,473)	(817)	**(6,195)**
National Agreement payments	100	185	89	63	196	**533**
Federation Funding Agreement payments	183	710	336	157	138	**1,341**
Other grant revenue	159	(160)	(194)	(86)	(134)	**(575)**
Sale of goods and services	(615)	(449)	423	402	1,357	**1,733**
Interest income	74	87	65	37	7	**196**
Dividends and income tax equivalents	(99)	(96)	(129)	(105)	(95)	**(425)**
Other dividends and distributions	(412)	(314)	62	144	6	**(102)**
Royalties	(125)	80	119	172	126	**497**
Fines, regulatory fees and other revenues	358	59	284	291	435	**1,069**
Total parameter changes and other variations	**(7)**	**(244)**	**837**	**479**	**3,640**	**4,712**
Total changes since 2023-24 Half-Yearly Review	**(213)**	**733**	**2,047**	**2,569**	**5,365**	**10,715**
Revenue – 2024-25 Budget	**110,842**	**118,530**	**121,259**	**123,650**	**127,620**	**491,059**

4.2 Revenue measures since the 2023-24 Half-Yearly Review

New revenue measures since the 2023-24 Half-Yearly Review are forecast to improve revenue by $436.8 million in 2024-25 and by $2.4 billion over the five years to 2027-28.

Expenditure and capital decisions (with an indirect impact on revenue) are forecast to have a net positive impact of $3.4 billion over the five years to 2027-28. This is primarily due additional funding under the Disaster Recovery Fund Arrangements, the establishment of a portable long service leave scheme for the community services sector and additional Australia Government funding for land transport projects.

Key revenue decisions since the 2023-24 Half-Yearly Review are set out below.

Land tax thresholds administrative indexation arrangements

The land tax threshold and premium rate threshold are indexed based on annual growth in average land values across New South Wales over the previous three years. In the 2024 land tax year, the land tax threshold was set at $1,075,000 and the premium rate threshold was set at $6,571,000. No other state, except South Australia, has a form of indexation.

From the 2025 land tax year, administrative indexation arrangements will be aligned with most other jurisdictions by fixing the land tax thresholds at their 2024 land tax year values. This is expected to increase revenue by $1.5 billion over the four years to 2027-28.

Private health insurers to pay correct room rates to public hospitals

The NSW Government will work with private health insurers to ensure that they pay the NSW gazetted single room rate to public hospitals for patients that receive a single room. Under existing arrangements, some private health insurers are paying less than half the gazetted rate for a private patient. This is expected to restore revenue by $490.0 million over the four years to 2027-28.

Increase in foreign investor surcharges

From the 2025 land tax year, the Government will increase the foreign owner land tax surcharge from 4 per cent to 5 per cent. From 1 January 2025, the Government will also increase the foreign purchaser duty surcharge from 8 per cent to 9 per cent. Together, these measures will raise an estimated $187.5 million in additional revenue over the four years to 2027-28.

Revenue NSW compliance investments

The Government will invest in opportunities to identify additional revenue by expanding three existing project areas within Revenue NSW. This investment will increase land tax compliance revenue, reduce the write-off of tax debts, and increase prosecutions and enforcement to reduce tax avoidance. This measure is expected to increase revenue by $51.0 million in 2024-25 and $61.0 million in 2025-26.

Office of the Children’s Guardian fee increase

The Working With Children Check fee and the NDIS Worker Check fee will be re-baselined from $80 to $105 in 2024-25 and then be indexed by the consumer price index (CPI) annually thereafter. This measure is expected to increase revenue by $46.5 million over the four years to 2027-28 to support the activities of the Office of the Children’s Guardian.

Strategic Biodiversity Component charge

A Strategic Biodiversity Component charge will be introduced in 2024-25 to fund conservation measures under the Cumberland Plain Conservation Plan (CPCP), which will support biodiversity, housing and jobs growth in Western Sydney. The new charge will be applied to development applications on new residential, commercial and industrial development on CPCP-certified land under the Housing and Productivity Contribution framework.

Increase in annual liquor license fees

Annual liquor licence fees have increased from May 2024. This is forecast to generate an additional $25.5 million over five years to 2027-28. The additional revenue will fund the implementation of reforms that aim to support and generate more activity within the night-time economy across New South Wales.

Additional assurance activities on wagering and gaming operators

The Government has committed $3.2 million in 2024-25 for additional Point of Consumption Tax and gaming machine tax compliance activities. This is estimated to increase gaming tax revenue by $14.8 million in 2024-25.

Royalty deduction rates

Following the decision in the 2023-24 Budget to increase coal royalty rates from 1 July 2024, royalty deduction rates for coal beneficiation will be indexed to the annual change in the Sydney CPI over the next three years from 2024-25 to 2026-27. After 2026-27, coal beneficiation deduction rates will remain constant at their new, higher level. This increase in deduction rates will reduce revenue from coal royalties by $15.4 million over the four years to 2027-28. The increase in coal royalty rates in the 2023-24 Budget added $2.4 billion over the three years to 2026-27.

Bulk-Billing Support Initiative – payroll tax relief

The Government will exempt past, unpaid payroll tax liabilities for payments made to general practitioner (GP) contractors up to 4 September 2024. From 4 September 2024, medical centres that meet requisite bulk-billing thresholds will be eligible for a payroll tax rebate associated with payments to contractor GPs. This will support accessibility and affordability of primary healthcare. This is expected to reduce payroll tax revenues by $180.8 million over four years. The total cost of the measure is $188.8 million over four years, factoring in $7.9 million in implementation costs.

This cost is partially offset by recognition in the revenue forecasts of payroll tax revenue totalling $149.7 million over four years.

The net impact on payroll tax revenue is a reduction of $8.7 million in 2024-25 and $31.1 million over the four years to 2027-28.

Table 4.3: New revenue measures

	2023-24 $m	2024-25 $m	2025-26 $m	2026-27 $m	2027-28 $m	Five years to 2027-28 $m
Land tax thresholds administrative indexation arrangements	0	222	291	412	564	1,489
Private health insurers to pay correct room rates to public hospitals	0	70	140	140	140	490
Increase in foreign investor surcharges	0	76	50	37	25	188
Revenue NSW compliance investments	0	51	61	0	0	112
Office of the Children's Guardian fee increase	0	9	11	13	14	47
Strategic Biodiversity Component charge	0	0	4	16	31	50
Increase in annual liquor licence fees	5	5	5	5	5	26
Additional assurance activities on wagering and gaming operators	0	15	0	0	0	15
Royalty deduction rates	0	(2)	(4)	(5)	(5)	(15)
Bulk-Billing Support Initiative	0	(9)	(7)	(7)	(8)	(31)
Total - Revenue measures	**5**	**437**	**551**	**610**	**766**	**2,369**

4.3 Taxation revenue

Taxation revenue is expected to be $48.3 billion in 2024-25 (see Table 4.4), which is $1.1 billion higher than forecast at the 2023-24 Half-Yearly Review. The upgrade is largely driven by higher transfer duty and land tax.

Over the four years to 2027-28, taxation revenue has been revised up by $9.6 billion. The upgrade is largely due to increases to transfer duty and land tax revenue, reflecting strength in the NSW property market. This is partially offset by downgrades to payroll tax.

Table 4.4: General government sector – summary of taxation revenue

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Stamp duties							
Transfer duty	9,712	11,607	12,981	13,627	13,332	13,593	4.0
Insurance	1,465	1,552	1,643	1,738	1,838	1,944	5.8
Motor vehicles	1,076	1,224	1,307	1,376	1,461	1,553	6.1
Other	...	...	0	0	0	0	...
	12,253	**14,383**	**15,931**	**16,741**	**16,631**	**17,090**	**4.4**
Payroll tax	**11,551**	**12,375**	**12,938**	**13,601**	**14,450**	**15,358**	**5.5**
Taxes on land							
Land tax	5,999	7,040	8,169	8,705	9,309	9,840	8.7
Property tax	2	13	12	11	10	9	(8.8)
	6,001	**7,052**	**8,181**	**8,716**	**9,319**	**9,849**	**8.7**
Taxes on motor vehicle ownership and operation							
Weight tax	2,682	3,002	3,263	3,469	3,652	3,839	6.3
Vehicle transfer fees	53	58	63	65	67	70	4.7
Road User Charge	...	...	...	...	...	54	...
Other motor vehicle taxes	45	48	52	55	57	60	5.7
	2,780	**3,108**	**3,378**	**3,589**	**3,777**	**4,023**	**6.7**
Gambling and betting taxes							
Wagering	61	62	65	67	69	71	3.3
Point of Consumption Tax	310	287	320	323	340	358	5.7
Club gaming devices	939	941	1,000	1,027	1,054	1,082	3.6
Hotel gaming devices	1,293	1,348	1,474	1,586	1,705	1,832	8.0
Lotteries and lotto	561	622	543	557	572	586	(1.5)
Casino	195	190	205	216	227	244	6.4
Other gambling & betting	17	16	18	19	20	21	6.3
	3,374	**3,467**	**3,623**	**3,794**	**3,986**	**4,193**	**4.9**
Other taxes and levies							
Health insurance levy	236	258	269	284	301	319	5.4
Parking space levy	95	113	119	122	126	129	3.4
Emergency services levy contributions	1,171	1,392	1,327	1,278	1,226	1,247	(2.7)
Emergency services council contributions	220	210	203	195	198	203	(0.9)
Waste and environment levy	873	854	940	971	998	998	4.0
Government guarantee fee	324	366	409	464	525	575	12.0
Passenger Services Levy	64	75	79	84	89	92	5.4
Pollution control licences	19	35	18	18	18	18	(15.1)
Other taxes	785	815	930	1,267	1,334	1,373	13.9
	3,789	**4,118**	**4,294**	**4,683**	**4,815**	**4,954**	**4.7**
Total taxation revenue	**39,747**	**44,503**	**48,345**	**51,123**	**52,977**	**55,466**	**5.7**
Annual change	*1.9%*	*12.0%*	*8.6%*	*5.7%*	*3.6%*	*4.7%*	

Payroll tax

Revenue from payroll tax is expected to be $12.4 billion in 2023-24 and is forecast to grow by an average of 5.5 per cent per year over the forward estimates. Payroll tax is being supported by continued resilience in the labour market. Employment is expected to grow by 2.4 per cent in 2023-24. Growth in average compensation of employees is expected to be 4.3 per cent in 2023-24, which is markedly higher than the decade average. Employment and wage growth have been supported by strong population growth from international migration.

Since the 2023-24 Half-Yearly Review, payroll tax has been revised down by $198.2 million in 2023-24 and by $1.6 billion over the four years to 2027-28, despite stronger than expected total employment growth since the 2023-24 Half-Yearly Review. Weaker payroll tax receipts in the current fiscal year largely reflect the differing employment outcomes of the public and private sectors. Private sector employment has lagged as cost-of-living pressures slow consumption, particularly for discretionary goods and services.

Over the forward estimates, a weaker outlook for average compensation of employees has contributed to further downgrades. Despite standard wage measures remaining elevated in the near term, the average compensation of employees is expected to weaken further due to lower expectations for bonuses as employment weakens.

Transfer duty

Despite higher interest rates, the NSW property market has remained strong. Growth in property prices has reflected a shortage of new housing supply relative to recent population growth. Transaction volumes have also been increasing since reaching a cyclical low in the December quarter 2022.

Since the 2023-24 Half-Yearly Review, transfer duty revenue in 2023-24 has been revised down by $219.0 million due to lower-than-expected residential transaction volumes. However, over the four years to 2027-28, transfer duty revenues have been revised up by $4.1 billion reflecting an expected uplift in both residential property prices and transaction volumes relative to the 2023-24 Half-Yearly Review.

The improved outlook is the result of strong population growth, leading to an imbalance between housing demand and supply. Reflecting ongoing elevated interest rates, house price growth is anticipated to be lower than the growth of average household incomes. Transaction volumes are expected to continue to grow over the next two years, with a likely increased share of investor purchases, attracted by price growth and strong rental yields.

Land tax

Land tax revenue is estimated to reach $7.0 billion in 2023-24, broadly in line with expectations. However, over the four years to 2027-28, land tax revenue forecasts have been upgraded by $5.6 billion. This is primarily due to stronger land values, based on anticipated price growth in both the residential and commercial sectors. This upgrade to forecast land tax revenue includes $1.5 billion in additional revenue from the Government’s decision to update administrative land tax thresholds arrangements to align with most other jurisdictions.

Gambling and betting taxes

Gambling tax revenue is forecast to be $3.5 billion in 2023-24. This is $131.0 million higher than forecast at the 2023-24 Half-Yearly Review, due largely to a one-off increase in revenue from lotteries induced by a number of above-average jackpots. Over the four years to 2027-28, forecast gambling tax revenue has been revised up by $359.2 million, reflecting increased gaming machine activity.

Taxes on motor vehicle ownership and operation

Motor vehicle taxes are expected to be $3.1 billion in 2023-24, which is 11.8 per cent higher than 2022-23. Strong growth in 2023-24 is largely due to higher inflation contributing to indexation of weight tax fees. Projections for motor vehicle taxes are expected to be $32.6 million higher in 2023-24 and $106.5 million higher over the four years to 2027-28, compared to the 2023-24 Half-Yearly Review. This revision is primarily due to stronger-than-expected growth in the vehicle fleet.

Other stamp duties

Insurance duty has been revised down by $7.0 million in 2023-24 and $34.0 million over the four years to 2027-28 since the 2023-24 Half-Yearly Review, due to weaker year-to-date collections.

Motor vehicle registration duty has been revised down by $30.0 million in 2023-24 and $6.0 million over the four years to 2027-28. Weak new vehicle sales have contributed to weaker registration duty in the short-term, partially offset by higher vehicle prices. Supply-chain issues, exacerbated by the conflict in the Middle East, have continued to disrupt the car manufacturing sector, resulting in car prices not moderating at the rate previously anticipated at the 2023-24 Half-Yearly Review.

Other taxes and levies

Parking Space Levy is forecast to be $9.0 million lower in 2023-24 and $41.0 million lower over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review. This is primarily due to weaker-than-expected collections in 2023-24.

Revenue from the Emergency Services Levy insurer contributions and the Emergency Services council contributions are forecast to increase by $205.6 million over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review. This increase is driven primarily by additional funding to maintain and improve emergency services provided to NSW communities.

Long Service Levy is forecast to increase by $806.5 million over the four years to 2027-28. This is due to the establishment of a portable long service leave scheme for the community services sector to be administered by Long Service Corporation.

Revenue from WorkCover Levy Contributions is forecast to be $234.3 million higher over the four years to 2027-28. This is primarily driven by increased support to meet demand for the Independent Legal Assistance and Review Service provided to injured workers with an insurer dispute.

Box 4.1: Emergency services funding reform

In November 2023, the NSW Government committed to reform the emergency services funding system. The resourcing requirements for the State's emergency services agencies, largely funded by the Emergency Services Levy (ESL), are increasing with climate change and the growing instances of natural disasters, making insurance more unaffordable.

Under this reform, the Government will remove the ESL on insurers and instead spread a replacement levy across a broad base of property owners. Since the announcement, the Government has taken a number of important steps to advance the reform.

- The Independent Pricing and Regulatory Tribunal has been legislatively appointed as the Insurance Monitor to oversee the transition from the ESL to a replacement levy once the final policy is implemented. This will protect policy holders by ensuring that insurers pass on the savings from removing the ESL.
- Legislation has been passed to enable the collection of information needed to design and implement the reform. Amendments to the *Emergency Services Levy Act 2017* authorise the Treasurer to request data from insurers about current ESL payments from policy holders and require councils to perform preliminary land classification activities.

To help shape the reform, the Government is engaging with key stakeholders and the wider community, including the establishment of a Stakeholder Reference Group and holding a six-week public consultation which closed on 22 May 2024.

The Government will consider the views of the public as it develops options for the transition of insurance prices and for the establishment of a replacement levy.

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
- Federation Funding Agreements.

Table 4.5: Grant revenue

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	% Average growth p.a. 2023-24 to 2027-28
Australian Government - general purpose grants	26,024	26,674	25,878	25,486	25,614	26,664	(0.0)
GST revenue (including "no worse off" payments)	26,024	26,660	25,872	25,481	25,611	26,661	0.0
Other general purpose grants	0	14	6	5	3	3	(32.7)
Australian Government - National Agreements	12,286	12,744	13,536	14,153	14,884	15,667	5.3
Australian Government - Federation Funding Agreements	5,837	5,983	7,271	5,855	5,296	4,647	(6.1)
Other Australian Government payments	459	442	510	526	570	610	8.4
Total Australian Government grants	**44,605**	**45,843**	**47,195**	**46,022**	**46,364**	**47,588**	0.9
Annual change in Australian Government grants	*1.2%*	*2.8%*	*2.9%*	*-2.5%*	*0.7%*	*2.6%*	
Other grants	967	1,175	739	765	798	791	(9.4)
Total grant revenue	**45,572**	**47,019**	**47,934**	**46,786**	**47,162**	**48,380**	**0.7**

GST revenue

GST revenue is expected to be $26.7 billion in 2023-24 and is forecast to remain relatively flat over the forward estimates, despite forecast growth in the national GST pool. This is largely due to the Commonwealth Grant Commission’s (CGC) recommendation to reduce NSW’s share of the national GST pool (relativity) in 2024-25.

The relativity fall from 0.92 in 2023-24 to 0.87 in 2024-25 represents the largest single-year fall in NSW’s share of the GST pool since the introduction of the GST. This significantly impacts the Government’s ability to deliver essential services across health, education and transport. Part of this change reflects increased NSW revenue-raising capacity, due to above-average growth in taxable land values and increases in coal prices contributing to increased capacity to raise royalty revenue.

In addition, New South Wales was assessed as having lower expenditure and investment needs relative to other states and territories. This largely reflects the NSW population becoming relatively less dense, less dispersed and less disadvantaged, according to the CGC’s analysis of 2021 Census data.

The downgrade to the NSW relativity following the CGC’s recommendation initially resulted in an $11.9 billion downward revision in forecast GST revenue over the four years to 2027-28, compared to the 2023-24 Half-Yearly Review. Improvements in the NSW transfer duty and land tax outlook have further increased forecasts for NSW’s relative fiscal advantage, leading to a total downward revision of $12.6 billion relating to changes in the NSW relativity since the 2023-24 Half-Yearly Review (see Table 4.6).

The impacts of a worsening GST relativity are partially offset by an increased GST pool and an increased NSW share of Australia’s population. Increases in the national GST pool are supported by strong population growth at the national level, higher consumer prices, and higher dwelling investment, reflecting higher construction costs and a stronger housing market.

Since the 2023-24 Half-Yearly Review, GST revenue in 2023-24 has been revised up by $867.3 million, reflecting stronger-than-expected GST collections year-to-date.

Over the four years to 2027-28, GST revenue has been revised down by $6.2 billion.

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

	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	Four years to 2027-28 $m
2023-24 Half-Yearly Review	**25,793**	**26,914**	**27,344**	**28,084**	**27,478**	**109,820**
Updates since 2023-24 Half-Yearly Review:						
No worse off extension[(a)]	0	0	0	0	1,575	1,575
Change in relativities[(b)]	0	(1,726)	(2,819)	(3,879)	(4,200)	(12,624)
Change in pool	839	600	837	1,141	1,272	3,850
Change in population	28	84	122	268	535	1,009
2024-25 Budget	**26,660**	**25,872**	**25,481**	**25,611**	**26,661**	**103,625**
Change since 2023-24 Half-Yearly Review	**867**	**(1,042)**	**(1,863)**	**(2,473)**	**(817)**	**(6,195)**

(a) The revenue impact of the no worse off extension was estimated following the decision made in December 2023. Since then, updates to NSW relativity forecasts following the CGC 2024 Update have affected the amount of no worse off payment New South Wales receives, which are included in the financial impacts for "Change in relativities".
(b) The revenue impact includes changes to NSW no worse off payments associated with lower relativity forecasts, which occurred after the original decision to extend the no worse off guarantee payments.

Box 4.2: Australian Government funding to New South Wales

New South Wales partners with the Australian Government to deliver a range of vital services. Australian Government payments to New South Wales include untied GST revenues and other payments under various national agreements and partnerships.

The NSW and Australian Governments have worked collaboratively to ensure the return of billions of dollars in infrastructure funding to vital projects across New South Wales. Existing agreements across health and education that have left New South Wales worse off are being addressed.

Despite accounting for 32.1 per cent of the population, New South Wales will receive 29.5 per cent of total payments made under the National Health Reform Agreement, 29.5 per cent of the National School Reform Agreement payments for government schools, and 30.3 per cent of the available National Agreement on Social Housing and Homelessness funding in 2024-25. In total, New South Wales will receive only 28.1 per cent of all Australian Government transfers to the states[1]. This reflects a longstanding pattern.

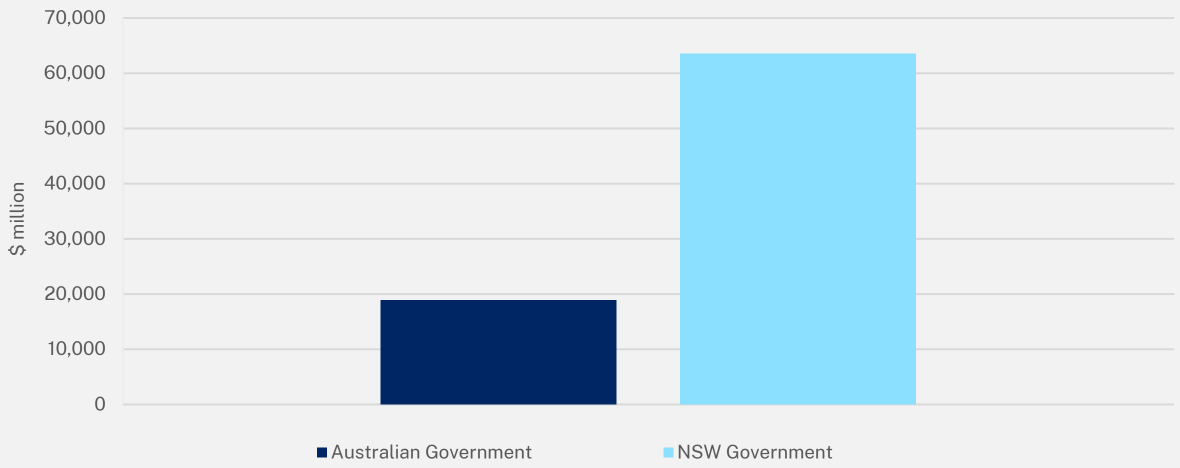
The Australian Government's share of costs for public hospital services in New South Wales funded under the National Health Reform Agreement has been around 40 per cent or lower across the 10 years to 2023-24.

Over the same period, the NSW Government has budgeted an average $11.5 billion per year to operate our government schools compared to the Australian Government's $2.5 billion per year contribution.

Between 2015-16 and 2022-23, over $82 billion has been spent on transport infrastructure by New South Wales transport entities[2]. Of this, 77.1 per cent or $63.5 billion has been funded by the NSW Government and 22.9 per cent or $18.9 billion has come from the Australian Government.

[1] Including the GST and excluding pass through payments.
[2] This is a high-level number which does not account for various 'machinery of government' changes.

Chart 4.1: NSW transport capital expenditure, 2015-16 to 2022-23



New South Wales is committed to working productively with the Australian Government to ensure we get our fair share of funding.

New South Wales is currently negotiating with the Australian Government and other states on important national agreements and funding models across a range of services that Australians value.

The Australian Government is not responsible for the CGC's recommendations but has been working productively to address some of these historic under-investments.

National Agreements

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

- National Health Reform Agreement (NHRA)
- National School Reform Agreement (NSRA)
- National Housing and Homelessness Agreement (NHHA)
- National Skills Agreement (NSA).

Revenue across all National Agreements in the four years to 2027-28 has increased by $838.9 million relative to the 2023-24 Half-Yearly Review. The largest driver of the increase is the adjustment to NHRA revenue, which reflects higher-than-expected Australian Government funding for NSW public hospitals driven by increased price forecasts. Similarly, NSRA revenue has been revised up based on adjustments announced in the Australian Government's 2024-25 Budget. The additional revenue for the National Skills Agreement (NSA) will be used to fund different skills initiatives.

The NSRA is due to expire at the end of 2024 and the NHRA will expire in June 2025. Negotiation of these National Agreements is ongoing, and the terms of the new agreements may have significant implications for grant revenue and key public service delivery over the forward estimates. The NSA was renewed at the start of 2024 and the new NHHA was agreed to by New South Wales on 31 May 2024.

Table 4.7: National Agreement payments to New South Wales

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	% Average growth p.a. 2023-24 to 2027-28
Health	8,192	8,385	8,889	9,466	10,082	10,737	6.4
Education	3,101	3,248	3,389	3,501	3,625	3,761	3.7
Skills and workforce development	499	594	719	634	613	594	(0.0)
Affordable housing	493	516	540	552	564	575	2.8
Other	...	1	...	...	...	...	...
Total National Agreements	**12,286**	**12,744**	**13,536**	**14,153**	**14,884**	**15,667**	**5.3**

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 $4.7 billion higher over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review.

This increase is mainly due to:

- expected additional Australian Government funding of $2.1 billion between 2023-24 and 2027-28 to meet additional NSW expenditure under the Disaster Recovery Funding Arrangements (DRFA)
- $1.3 billion in additional revenue driven by additional and reprofiled funding for new and existing land transport programs (including for Mamre Road Stage 2, priority sections of Elizabeth Drive, and upgrading Richmond Road between the M7 Motorway and Townson Road)
- $1.1 billion to extend the Energy Bill Relief Fund for the 2024-25 year, as announced in the Australian Government Budget. The program will provide electricity bill rebates of up to $300 for households and $325 for eligible small businesses
- an additional $196.9 million to deliver NSW initiatives to support long stay older patients as part of the Strengthening Medicare Package announced in the 2024-25 Australian Government Budget.

Table 4.8: Funding Agreement payments to New South Wales

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward estimates $m	2027-28 $m	% Average growth p.a. 2023-24 to 2027-28
Transport	2,522	3,741	3,937	3,633	3,041	1,889	(15.7)
Education and skills	391	256	164	164	57	...	(100.0)
Disability	350	362	...	...	...	...	(100.0)
Health	142	120	257	124	61	56	(17.1)
Environment	1,309	218	1,549	1,376	1,234	807	38.7
Other	1,122	1,287	1,365	559	903	1,895	10.2
Total Federation Funding Agreement payments	**5,837**	**5,983**	**7,271**	**5,855**	**5,296**	**4,647**	**(6.1)**

4.5 Non-tax revenue

Sale of goods and services

Sale of goods and services revenue is estimated to reach $9.9 billion in 2023-24. This is $609.5 million lower than expected at the 2023-24 Half-Yearly Review, mainly reflecting updated project timelines managed by the Transport Asset Holding Entity (TAHE) and the corresponding fee for service revenues. Over the four years to 2027-28, revenue in this category has been revised up by a total of $2.0 billion, reflecting:

- $453.9 million due to the deferred fee for service revenues from TAHE
- $440.0 million for additional highly specialised drugs under the Pharmaceutical Benefits Scheme (PBS), subsidised by the Australian Government
- $271.3 million increase in expected reinsurance and other recoveries revenue in the Treasury Managed Fund mainly relating to the March 2022 flood event
- $89.3 million increase in fees associated with higher volumes of special number plate transactions.

Sale of goods and services is also impacted by a reclassification of other grants revenue following machinery of government changes.

Table 4.9: Sale of goods and services

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Rents and leases	304	295	309	333	325	332	3.0
Fee for service	2,644	2,370	2,268	2,400	2,434	2,065	(3.4)
Entry fees	59	73	69	84	86	79	2.0
Patient fees and hospital charges	1,228	1,259	1,261	1,330	1,381	1,434	3.3
Department of Veterans' Affairs	138	132	108	98	88	80	(11.8)
Court fees	161	172	170	175	179	195	3.2
Road tolls	136	150	153	177	191	198	7.2
Other sales of goods and services	5,031	5,419	6,006	6,280	6,338	6,587	5.0
Sale of goods and services	**9,700**	**9,869**	**10,344**	**10,877**	**11,024**	**10,969**	**2.7**

Interest income

Interest income includes returns on managed bond investments, including investments made by NSW Treasury Corporation (TCorp), and interest earned on bank deposits and funding facilities. Interest revenue is expected to be $311.9 million higher over the four years to 2027-28 compared to the 2023-24 Half-Yearly Review.

This largely reflects interest earned on the State's bank balances, which has been revised up relative to the 2023-24 Half-Yearly Review, following an upward revision in the cash rate forecast over the longer-term.

Dividends and income tax equivalents

State Owned Corporations (SOCs) and NSW TCorp 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 $424.5 million lower over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This is driven by a reduction in Sydney Water's income tax equivalents, due to lower revenue from infrastructure contributions related to the reprofiling of Sydney Water's capital expenditure program. In addition, Essential Energy recently completed a review of its taxation affairs that changes the way it treats certain expenditures for tax purposes.

Other dividends and distributions

Other dividends and distributions are received from entities other than SOCs, as well as the State's equity investment in associated entities such as Ausgrid and Endeavour Energy. Over the four years to 2027-28, other dividends and distributions have been downgraded by $1.7 billion.

The key driver of this downgrade is the Government's decision to cease contributing to the NSW Generations (Debt Retirement) Fund. This is partially offset by additional expected distributions from the Government implementing the OneFund initiative.

Fines, regulatory fees and other revenue (excluding royalties)

Fines, regulatory fees and other revenue forecast has been revised up by $1.6 billion over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This primarily reflects:

- revenue recognised for the sale of development zones within Barangaroo at the projected commencement of construction for each zone
- the decision to work with private health insurers to ensure that they pay the single room rate for privately insured patients in single rooms at public hospitals, which increases other revenues by $490.0 million over the four years to 2027-28
- income from trust accounts were revised up by $444.3 million over the four years to 2027-28 relative to the 2023-24 Half-Yearly Review. This is largely due to higher forecast earnings following an update to interest rate assumptions at the Department of Customer Service.

This is partially offset by lower forecast revenue from the Housing and Productivity Contribution due to revenue only accruing on Construction Certificates where development applications were lodged after 1 October 2023. This design element was not included when revenues were originally budgeted.

Table 4.10: Fines, regulatory fees and other revenues

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m	% Average growth p.a. 2023-24 to 2027-28
Fines	800	702	753	760	765	782	2.7
Regulatory fees	138	178	190	192	193	196	2.4
Other revenues	2,793	2,769	2,644	2,946	3,085	3,172	3.4
Total fines, regulatory fees and other revenues	**3,730**	**3,650**	**3,587**	**3,898**	**4,043**	**4,149**	3.3

Royalties

Since falling sharply in early 2023, thermal coal prices have been relatively stable, averaging around $US 130 per tonne since the middle of 2023, with variability being explained by seasonal factors in the lead up to peak demand periods in the Northern Hemisphere. Nevertheless, the outlook for international market conditions and mineral royalties continues to be volatile. Rising geopolitical risks saw China increase its demand for thermal coal towards the end of 2023. This trend shifted in early 2024, with Chinese coal end-users relying on existing stockpiles purchased during 2023. More recently, Chinese export demand has picked up again, due to decreased Chinese production, putting upward pressure on prices.

Mineral royalties revenue has been revised down by $125.0 million in 2023-24 due to weaker export volumes following several one off events affecting output at some ports. An appreciation of the Australian dollar since the 2023-24 Half-Yearly Review also explains some of the downgrade.

Going forward, mineral royalties have been revised up by $481.6 million over the four years to 2027-28. This is primarily due to higher price forecasts for thermal coal following price growth experienced in April 2024. Stronger export volumes are also expected to contribute to royalties revenue, with signalling from key Asian markets of continued reliance on thermal coal to meet energy demand.

5. EXPENDITURE

- General government sector expenses are projected to be $122.2 billion in 2024-25.
- Over the budget and forward estimates, expense growth is projected to average 1.7 per cent per annum, down from 9.7 per cent in the four years to 2022-23.
- Expenses as a per cent of gross state product (GSP) is trending back to pre-COVID levels, having peaked at 17 per cent in 2021-22. The projection for 2024-25 is 14 per cent, before falling further towards 12 per cent over the forward estimates.
- The new expense measures in the Budget focus on building a better New South Wales, including:
  - the Government's commitment to abolish the wages cap for public sector workers across the State and deliver wages growth to address vacancies and rebuild essential services
  - support for people to help address housing affordability including first home buyers, renters, women leaving domestic and family violence and people accessing homelessness services.
- The Budget continues the Government's focus on expense management. Many of the new expense measures are partially or completely offset by expense reductions or revenue.
- Of the $13 billion in savings, reprioritisation and other budget improvement measures identified as part of the 2023-24 Budget, $10 billion are on track for completion just one year into delivery.

5.1 Alleviating cost-of-living pressures and rebuilding essential services

Government expenses are projected to be $122.2 billion in 2024-25. This is an upward revision to the outlook in the 2023-24 Half-Yearly Review ($117.3 billion). The material drivers of the 2024-25 uplift are:

- an increase in demand and costs for existing government programs
- timing adjustments to initiatives and the carrying forward of unspent expenses from 2023-24 to 2024-25
- disaster recovery measures
- targeted investments in essential services and areas of acute need including:
  - housing and community-building infrastructure
  - roads and public transport, public school and hospital expansions and maintenance
  - domestic and family violence responses.

The expense profile for the forward estimates is outlined in Tables 5.1 and 5.2.

Over the budget and forward estimates, expenses are projected to grow at an average rate of just 1.7 per cent per annum. While it is a higher rate than projected at the Half-Yearly Review, total expenses as a proportion of GSP is on a downward trajectory (see Chart 5.1). The projection is for expenses to trend down to 12 per cent of GSP, in line with pre-COVID levels.

The previous budget announced $13 billion[1] in savings, reprioritisation and other budget improvement measures as part of a Comprehensive Expenditure Review. Over $10 billion of these measures are complete or on track, with the remaining measures underway or in planning.

Chart 5.1: Expenses relative to gross state product

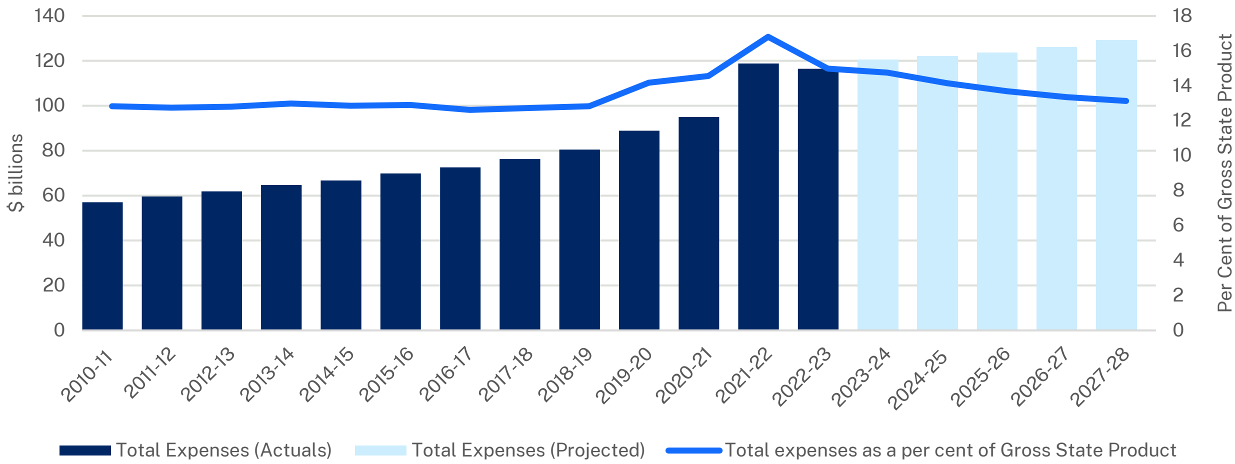


Table 5.1: Expense reconciliation since the 2023-24 Half-Yearly Review

	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m
Expenses – 2023-24 Half Yearly Review	120,610	117,322	117,993	120,793	n.a.
Policy measures - new expenses[(a)]	206	5,449	5,228	4,789	4,458
Reforms, savings and offsets[(b)]	(795)	(2,353)	(2,102)	(1,732)	(1,620)
Parameter and other budget variations	497	1,745	2,629	2,164	n.a.
Expenses – 2024-25 Budget	**120,518**	**122,163**	**123,748**	**126,014**	**129,138**

(a) This row should be read in conjunction with the reforms and offsets row. For many new policies, the impact in this row is offset in the below row (for example, the higher wages for public sector workers is offset by a reduction in the Essential Services Fund). Further information on new measures is provided in Appendix A5 Measures Statement.
(b) This captures the expense impacts from (i) savings to programs and initiatives since the 2023-24 Half-Yearly Review, (ii) offsets for new expense measures, (iii) the offsetting impact where new expenses are being resourced from central reservations and (iv) adjustment to the profile of spending or Australian Government contributions.
(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, cost of statutory services, or accounting adjustments. In the 2024-25 Budget, the allowance is set at a level equivalent to 0.4 per cent of total expenses, increasing total estimated expenses across the budget and forward years. This allowance is for estimate 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 2024-25 Budget, the allowance is set at the equivalent of 2.6 per cent in 2024-25. In setting the allowance it is assumed that 96 per cent of under expenditures are carried forward into future years.

1 Over five years to 2026-27.

Significant new expense measures since the 2023-24 Half-Yearly Review include:

- a new three-year wage offer for public sector workers ($4.5 billion over the four years to 2027-28, which is largely offset by the Essential Services Fund)[2]
- disaster relief measures to repair and rebuild local and State roads and other community infrastructure, support flood-impacted businesses and communities and continue voluntary buybacks, house raisings, repairs and retrofits through the Resilient Homes Program ($4.0 billion over the four years to 2027-28, including Australian Government co-contributions and reprioritised expenses)
- establishing a portable long service leave entitlements scheme for the community services sector ($864 million over four years to 2027-28, which is fully offset by revenue)
- additional support for out-of-home care services ($224.1 million in 2024-25)
- expanding and improving homelessness support programs ($527.6 million over the four years to 2027-28)
- supporting domestic, family and sexual violence victim-survivors and expanding programs that reduce violence against women and children ($245.6 million over the four years to 2027-28)
- permanently funding 286 existing firefighter positions that were previously unfunded ($189.5 million over the four years to 2027-28 for Fire and Rescue NSW)
- bolstering the State's planning system, including to assess more development applications and to deliver additional State-led rezonings ($253.7 million over the four years to 2027-28).

Box 5.1: Addressing housing access and affordability

The housing crisis affects everyone including mortgage holders dealing with high interest rates, renters managing rising rents, women leaving domestic and family violence and those facing homelessness.

The 2024-25 Budget includes measures to increase supply. This includes more planners, plans for new and growing communities, grant incentives for councils that meet housing targets, key worker housing, renters rights and much more.

Women-led families leaving domestic and family violence are some of the most in need and they cannot wait. This Budget provides significant investment for the delivery of more social housing with at least half dedicated to these women and their young families.

This investment forms part of the NSW Government's "Building Homes for NSW" Program which will help tackle the State's housing crisis and unlock up to 30,000 new homes.

The Budget includes:

- $5.1 billion in capital expenditure over four years for new social housing. This will fund the land purchase and construction of 8,400 new social homes
- $810.0 million for critical maintenance and minor works that bring homes back online and prevent disrepair
- $202.6 million[3] over four years to the Aboriginal Housing Office (AHO) to support critical capital maintenance of First Nations social housing
- further crisis support will be provided as part of a $527.6 million support package for homelessness services.

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2 This figure is in addition to the $2.5 billion expense over four years in the 2023-24 Budget, which provided a 4.5 per cent wage increase for public sector workers (including superannuation) in 2023-24.

3 In capital expenditure and recurrent expenses.

Box 5.2: Delivering higher wages for public sector workers

This Budget continues to rebuild public services through supporting essential workers, addressing critical staff vacancies, collaborating with the State's workforce and delivering long-term wage growth and improved services.

The 2024-25 Budget provides for a 10.5 per cent increase to renumeration over three years (inclusive of superannuation) for NSW public sector workers. The offer provides three years of real wage growth that will help attract, reward and retain essential workers.

This wage offer is in addition to the 2023-24 Budget's $2.5 billion investment in essential workers which provided a 4.5 per cent wage increase for public sector workers.

The measures follow this Government's industrial relations reforms, which included scrapping the former Government's wages cap and introducing a bargaining approach across the public sector that allows for genuine negotiation. This new framework will be supported by an independent Industrial Relations Commission and an Industrial Court.

The wage freeze for Members of Parliament and Public Service Senior Executives continues to apply in 2024-25.

In a constrained fiscal environment, supporting essential workers continues to be this Government's priority.

Box 5.3: Health

Caring for our communities and ensuring that health care in this State is accessible and high quality is a priority for the NSW Government. The health initiatives in this Budget will ease pressure on emergency departments and support our front-line health care workers. This will improve timely access to treatment for patients.

New policies in the 2024-25 Budget include:

- $480.7 million over four years for an Emergency Department Relief Package[4]. The package will ease pressure on emergency departments, reduce wait times and improve patient outcomes. This includes funding for urgent care services, an expanded capacity for ambulance paramedics to receive live data guiding them to the best available health facility and enhanced discharge services
- $111.8 million over four years for initiatives to support community mental health and wellbeing
- $200.1 million in capital expenditure over four years to increase health worker accommodations across rural and regional areas
- $130.9 million over four years for early intervention programs to boost lifelong maternal and child health. The Family Start Package includes:
  - support services for new parents and babies provided by Tresillian and Karitane
  - enhanced allied health care services and juvenile arthritis services
  - support to the Waminda Birth Centre and Community Hub for First Nations women and families on the South Coast to give birth in line with traditional cultural practice.

[4] The Mental Health Single Front Door $39 million is part of both the Emergency Department and Mental Health total.

Box 5.4: Improving First Nations Outcomes and Closing the Gap

First Nations people should have the most say in decisions that affect them. As a signatory to the National Agreement on Closing the Gap, the NSW Government is committed to working in a genuine partnership to support the self-determination of First Nations communities. The 2024-25 Budget continues the NSW's Government's support for shared decision-making, including:

- $4.9 million additional funding to invest in Local Decision Making with First Nations community bodies
- $3.5 million additional support for the continued implementation of Closing the Gap initiatives
- $5.0 million to deliver the Government's commitment to consult with First Nations communities about a treaty process.

Connection to Country and culture is a key pillar in improving outcomes for First Nations Australians. The NSW Government acknowledges the importance of harnessing and preserving these connections. The 2024-25 Budget includes over the four years:

- $118.0 million to support critical capital maintenance of social housing for First Nations communities across New South Wales
- $45.4 million of additional funding (as part of a $73.4 million package) to support the continued implementation of the Keeping Places program, establishing places of reconciliation with Stolen Generation Survivors
- $37.8 million to deliver on the Government's obligations under Indigenous Land Use Agreements entered into with Native Title holders
- $21.3 million for the Waminda Gudjaga Gunyahlamai Birth Centre and Community Hub in Nowra (Waminda)
- $16.3 million to deliver Aboriginal Cultural Heritage reforms, including standalone legislation
- $9.2 million to conduct on-site assessments of the infrastructure needs in 61 discrete Aboriginal Communities across the State
- $4.0 million to deliver the Digital Songlines project, to capture stories of Stolen Generations survivors for future generations
- $1.5 million to strategically investigate the settlement of Aboriginal Land claims.

New South Wales continues to regularly report on First Nations expenditure and have this embedded as part of our core business. This information improves transparency and accountability around government investment decisions and empowers First Nations communities to participate in shared decision making from an informed position. Detailed expenditure information can be found in the *2023-24 NSW Indigenous Expenditure Report*.

Progress is also being made on the design and development of a First Nations budget model, which will provide a holistic, First Nations-led approach to the process, assessment, evidence and reporting for funding and investment decisions impacting First Nations communities. As a first step, First Nations Impact Assessments were piloted as part of the 2024-25 Budget process. Findings from the pilot will be used to inform the final design of the model.

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.

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

Major variations since the 2023-24 Half-Yearly Review include:

- the reprofiling of budgets where there were timing delays in 2023-24 and expenses have been reallocated into the budget and forward estimate years
- higher depreciation and amortisation expenses across the general government sector, these are largely flow on expenses driven by recent asset revaluations
- higher public transport fuel prices, bus contract escalations and rail cost pressures[5] ($300.2 million over four years to 2027-28)
- higher projected licensing costs associated with GovConnect and higher projected costs for the Public Safety Network, due to an increase in the number of sites coming onto the network ($190.2 million over four years to 2027-28).

5.2 Expense trends and further analysis

Table 5.2: General government sector expenses

	2023-24 Estimate $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	% Average growth p.a. 2023-24 to 2027-28
Employee	46,135	47,781	48,915	50,718	52,368	3.2
Superannuation	6,126	6,185	6,335	6,445	6,442	1.3
Depreciation & Amortisation	8,517	9,278	9,842	10,521	10,777	6.1
Interest	6,087	6,887	7,373	7,959	8,629	9.1
Other Operating Expense	28,120	27,013	26,615	26,451	27,838	-0.3
Grants, Subsidies, and Other Transfers	25,533	25,019	24,668	23,920	23,084	-2.5
Total Expenses	**120,518**	**122,163**	**123,748**	**126,014**	**129,138**	1.7
Annual change	*3.5%*	*1.4%*	*1.3%*	*1.8%*	*2.5%*	n.a

[5] Largely due to higher electricity, steel and maintenance costs of the Waratah fleet.

Employee expenses

Employee expenses are the largest component of the Budget. They are projected to be $47.8 billion in 2024-25, which is an upward revision since the 2023-24 Half-Yearly Review ($46.0 billion).

This is driven primarily by higher projected insurance expenses, new policy decisions that increase the number of essential workers and other variations.

The upwards revision in employee expenses in 2024-25 is not driven by the Government's higher wage offer. That is because the 2024-25 impact of the Government's wages offer is offset by the previously budgeted Essential Services Fund. From 2025-26 onwards, only a portion of higher projected employee expenses is associated with the wages offer as the Essential Services Fund continues to provide a partial offset.

Over the budget and forward estimates, employee expenses are projected to grow by an average of 3.2 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 $6.2 billion in 2024-25, or 5.1 per cent of total expenses. This is a minor upward revision on the outlook at the 2023-24 Half-Yearly Review ($6.0 billion) and mainly due to superannuation revaluations and the increase in compulsory superannuation to 11.5 per cent in 2024-25.

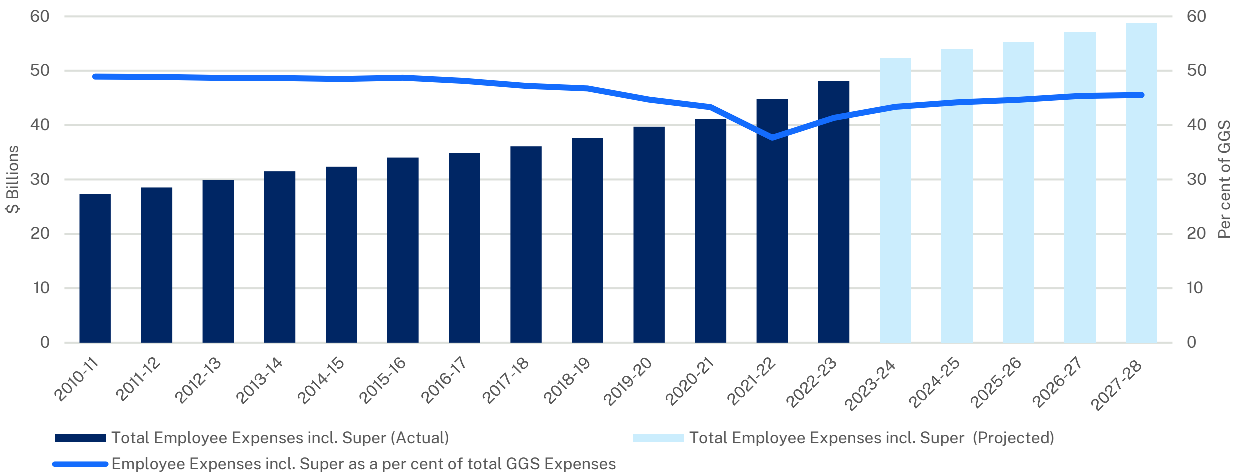
Over the budget and forward estimates, superannuation expenses are projected to increase at an average rate of 1.3 per cent per annum.

Given the State's role as a major service provider, employee-related expenses[6] have historically comprised almost half of total expenses (49 per cent).

From 2019-20 the State responded to COVID-19 and a series of natural disasters. This led to a larger share of expenses being allocated to grants, subsidies and other operating expenses. In 2021-22, employee-related expenses comprised just 37.7 per cent of total expenses.

The projection over the forward estimates is for employee-related expenses to trend back towards historical levels, at around 45 per cent.

Chart 5.2: Employee expenses including superannuation (LHS) and percentage of total expenses (RHS) since 2010-11



6 Employee expenses and superannuation.

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 $27.0 billion in 2024-25, or 22.1 per cent of total expenses.

Other operating expenses have been revised up for 2024-25, relative to the projection in the 2023-24 Half-Yearly Review ($26.1 billion). This is largely driven by the National Energy Bill Relief package, which the NSW Government is delivering for the Australian Government. For this measure, New South Wales expenses are offset by Australian Government revenue[7].

Over the budget and forward estimates, other operating expenses are projected to fall marginally (0.3 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 $25.0 billion in 2024-25, or 20.5 per cent of total expenses. This is an upward revision relative to the 2023-24 Half-Yearly Review ($23.8 billion). The upwards revision is driven by new policy measures that support the most vulnerable, including homelessness support, out-of-home care and disaster relief measures.

Over the budget and forward estimates, grants, subsidies and other transfer expenses are projected to reduce by an average of 2.5 per cent per annum.

Depreciation and amortisation

Depreciation and amortisation expenses are forecast to be $9.3 billion in 2024-25, or 7.6 per cent of total expenses. This is an upward revision relative to the 2023-24 Half-Yearly Review ($8.8 billion), largely as a result of recent asset revaluations. The increase includes:

- $206.3 million for the Department of Education, primarily relating to asset value increases across buildings, room fit-outs and soft landscaping
- $116.9 million for the Ministry of Health, largely as a result of revaluations under its rolling revaluation program.

Over the budget and forward estimates, depreciation and amortisation expenses are forecast to grow by an average rate of 6.1 per cent per annum.

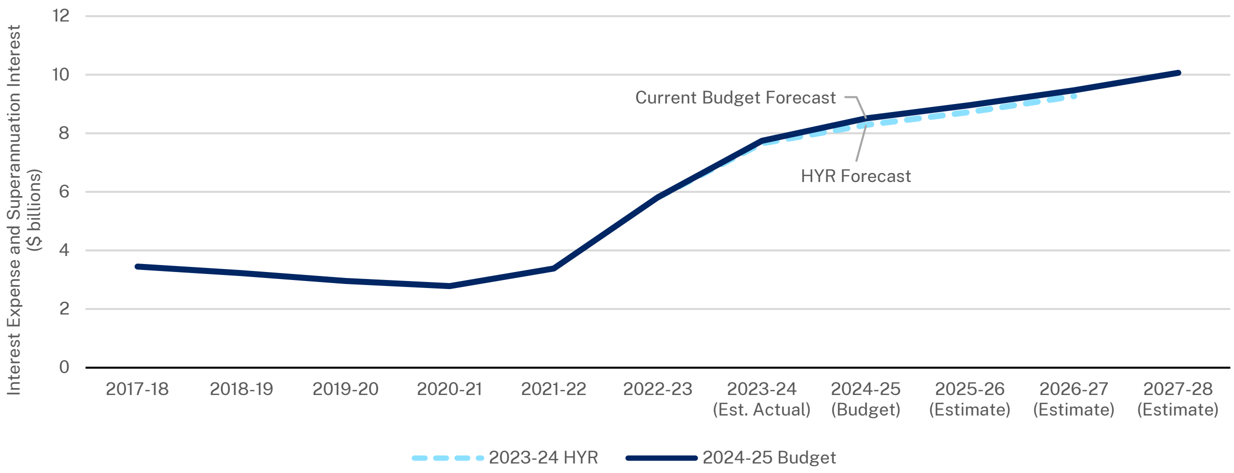
Interest

Interest expenses are projected to be $6.9 billion in 2024-25 (5.6 per cent of total expenses). This is a small upwards revision relative to projections in the 2023-24 Half-Yearly Review ($6.6 billion).

Over the budget and forward estimates, interest expenses are projected to increase at an average rate of 9.1 per cent per annum.

[7] The expense of this program is categorised under “other operating expenses”, rather than “grants” because it is primarily a concession program.

Chart 5.3: Change in interest expense forecasts (borrowings and superannuation interest expense) since the 2023-24 Half-Yearly Review



6. MANAGING THE STATE'S ASSETS AND LIABILITIES

- The Government is continuing its efforts to stabilise the State's gross debt trajectory, strengthen the balance sheet against future economic shocks, and keep the State's interest expense manageable.
- Following the Upper House review of the NSW Generations' Debt Retirement Fund (DRF)[1], previously budgeted contributions have been suspended. This will avoid unnecessary borrowings and interest expenses. The Government is also implementing a new DRF management framework to ensure any future contributions align with the State's fiscal position.
- To help strengthen the balance sheet, the Government is implementing OneFund (a more integrated approach to financial asset management) by pooling several of the State's investment funds together. At a value of $46.7 billion[2], OneFund will result in a more efficient and diversified investment portfolio, with improved risk adjusted-returns over the long-term (see Box 6.1).
- Insurance for NSW (IfNSW) schemes will now be considered within a new contributions and transfers framework. A contribution of $925 million in 2023-24 will be the last under the existing Net Asset Holding Level Policy (NAHLP), to ensure there are sufficient assets to meet expected liabilities.
- The Government is undertaking other reforms, including developing improvements to valuation processes for property, plant and equipment, to better manage the impact of the State's balance sheet on depreciation expenses.
- The Government is projected to return to a net cash operating surplus of $4.9 billion in 2024-25. The first net cash operating surplus since 2020-21.
- Looking across the balance sheet:
  - The State's total assets are projected to be $636.5 billion at June 2024 and are projected to grow to $686.4 billion by June 2028
  - By June 2027, gross debt[3] is projected to be $188.5 billion, which is $1.4 billion lower than at 2023-24 Half-Yearly Review. This is primarily driven by the suspension of NSW Generations Fund (NGF) contributions offset by additional investment in health, housing and education.
  - Net debt to GSP is projected to be 11.9 per cent by June 2024, broadly in line with the 2023-24 Half-Yearly Review. Over the forward estimates, net debt to GSP is projected to grow broadly in line with most other states, but well below the projection for Victoria at 25.1 per cent by June 2028.
  - Net worth is projected to be $365.8 billion at June 2024 and remain broadly the same by June 2028.
- New South Wales is one of the largest government issuers of Green and Sustainability Bonds in Australia, with $11.4 billion in net proceeds raised across five bonds since 2018.

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[1] New South Wales Parliament Legislative Council, Standing Committee on State Development Report no. 50 Debt Retirement Fund, tabled August 2023.

[2] Value as at 30 April 2024.

[3] Gross debt comprises the sum of deposits held, borrowings and advances received.

6.1 Stabilising the State's debt trajectory

One of the key fiscal principles adopted in the 2023-24 Budget was to stabilise the State's debt position.

Stabilising gross debt helps manage both the State's interest expenses and interest rate risk/refinancing risk. It helps take pressure off the State's operating position, freeing up fiscal capacity to support service delivery across the state.

In the 2024-25 Budget, the State's gross debt levels are projected to be $188.5 billion by June 2027, which is $1.4 billion lower than the 2023-24 Half-Yearly Review projection. The Government has used the debt capacity from ceasing DRF contributions to help support additional investment in housing, health and education, including investment in social housing ($5.1 billion) and establishing 100 new public pre-schools.

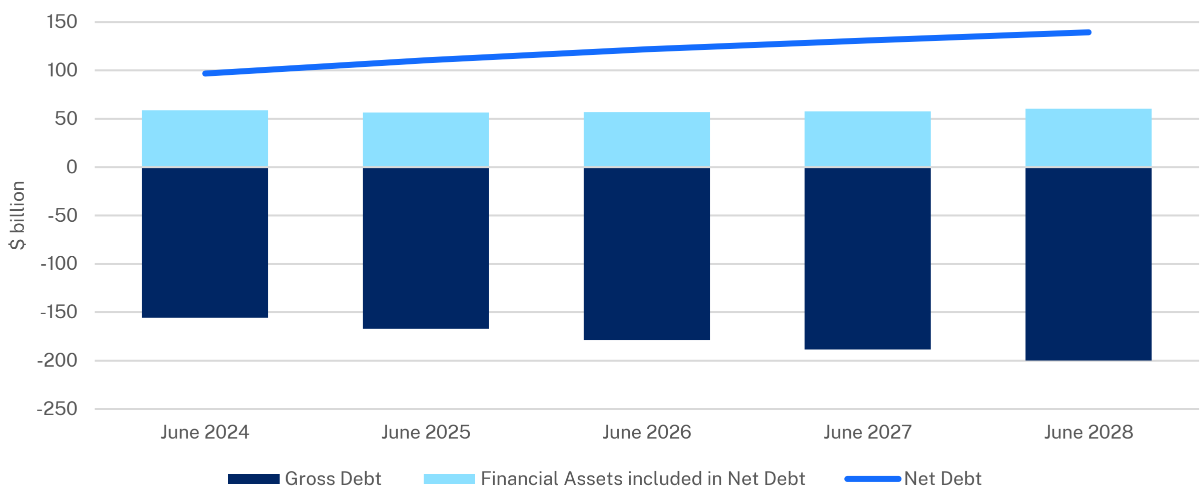
The Government is building upon previous reforms to help stabilise gross debt, including suspending DRF contributions in 2023-24, restructuring the Transport Asset Holding Entity (TAHE), and undertaking a Strategic Infrastructure Review.

In this Budget, the Government has taken a number of steps to invest the State's funds more efficiently and better manage interest revenues, including:

- ceasing $16.3 billion in previously budgeted DRF contributions, while introducing a new framework for contributions, or redemptions to pay back debt
- implementing OneFund, and developing an associated contributions and transfers framework (see Box 6.1)
- bringing IfNSW schemes into the new contributions and transfers framework
- more efficient management of the State's interest revenues, which will allow the State to retain $851 million of interest income over the forward estimates.

The main driver of the borrowing program is the State's infrastructure program (see Budget Paper No. 3 *Infrastructure Statement* for further information). Gross debt is now projected to rise from $155.5 billion by June 2024 to $199.9 billion by June 2028. Net debt (which is the sum of gross debt and selected financial assets) is projected to reach $139.5 billion or 14.2 per cent of GSP by June 2028 (see Chart 6.1).

Chart 6.1: General government sector net debt[4]



[4] The estimates of net debt at June 2025 and beyond do not include the impact of the recycling of the investment for developing the Central West Orana transmission project (CWO). The anticipated cash payment will be recognised upon finalisation of the CWO project contract. The estimates also do not include the recently approved finance facility from the Clean Energy Finance Corporation for the CWO, which will also be recognised upon finalisation of the CWO transaction.

Financial assets included in net debt

Except for the DRF[5], the State's investment funds generate returns that can either be spent or reinvested. As part of this Budget, the Government is reforming its approach to managing the State's financial assets, through the OneFund initiative (see Box 6.1).

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

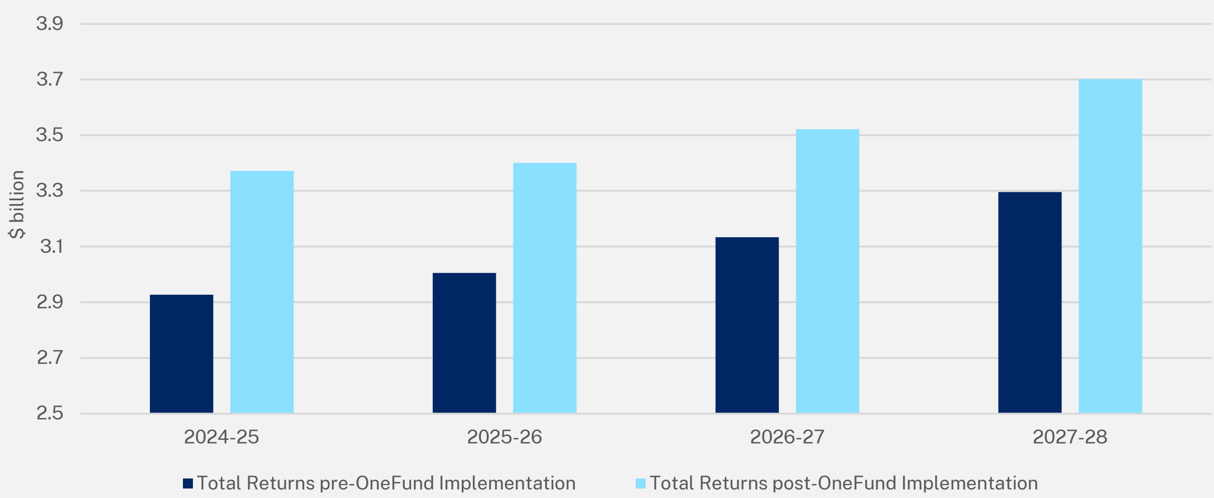
Over time, the State has set up various investment funds, each with its own specific legislated purpose. This includes funds such as the Treasury Managed Fund (the State's self-insurance fund), the DRF, and the NSW Infrastructure Future Fund (NIFF) among others.

The OneFund initiative will see these funds and several other funds (including the Social and Affordable Housing Fund, Long Service Corporation funds and Snowy Hydro Legacy Fund) which TCorp currently manages individually, be managed instead *as if* they are a single fund. These funds, amounting to approximately $46.7 billion, will invest through the same master fund structure, adopting the same risk and return settings. The master fund structure will then invest in the underlying assets (e.g., equities, bonds).

The various investment funds will keep operating to support their legislated purposes (e.g., the DRF will remain ring-fenced for debt retirement). However, pooling their resources through a master fund structure can help enable a broader range of investment opportunities and the possibility to invest more efficiently. OneFund will be complemented by a new framework, which will enable a more efficient way of keeping the investment funds in OneFund appropriately funded to meet their policy requirements.

OneFund is expected to earn around CPI + 4.5 per cent per year, on average, over rolling 10-year periods. As some investment risk needs to be taken in pursuing this rate of return, performance and fund balances will fluctuate periodically. The risk parameters have been set from a whole of State perspective, taking into account the various investment funds' needs.

Chart 6.2: Total annual OneFund investment returns



5 The DRF is hypothecated solely towards debt retirement.

Financial assets included in the calculation of net debt are financial assets at fair value (e.g., DRF, TMF, NIFF), other financial assets, and cash and cash equivalents.

Financial assets at fair value are projected to grow to $52.4 billion by June 2027, which is $15.9 billion lower than projected at the 2023-24 Half-Yearly Review. This projected reduction in financial assets is due to the suspension of DRF contributions, offset somewhat by the expected higher returns from the OneFund initiative.

The funding ratio for IfNSW funds was 101 per cent based on 31 December 2023 valuations. This is below the 105 per cent threshold set in the Net Asset Holding Level Policy. The decline is driven by:

- worsening physical and psychological injury claims performance
- liability discount rate changes
- initial recognition of costs relating to the Christmas/New Year storms.

In its last determination under the NAHLP, the Government will contribute $925 million in 2023-24 to bring funding levels back up. A new contribution and transfers framework based on OneFund, which will replace the NAHLP, will now apply to most of the IfNSW funds. Key principles of the framework include:

- where possible, reallocating money between investment funds in OneFund to meet short-term funding adequacy needs
- contributing if the ratio of OneFund assets to liabilities backed by these assets falls below a certain threshold
- the DRF remaining ring-fenced, to be used for debt retirement only.

In line with the Government's decision to cease contributions to the DRF, this fund is now projected to grow at a more sustainable rate (see Box 6.2).

Cash and cash equivalents are projected to be $5.3 billion at June 2024, $5.0 billion higher than projected in the 2023-24 Half-Yearly Review. This is primarily driven by pre-funding for 2024-25 cash requirements. Cash and cash equivalents are expected to decrease to $1.2 billion by June 2025 and remain around $1 billion across the forward estimates.

Box 6.2: NSW Debt Retirement Fund management framework

Following reviews into the DRF by both EY-Port Jackson Partners and the Legislative Council's State Development Committee, the NSW Government has decided to suspend previously budgeted contributions to the DRF. It has also developed a framework for determining when money should be contributed to the DRF or redeemed from it to retire debt.

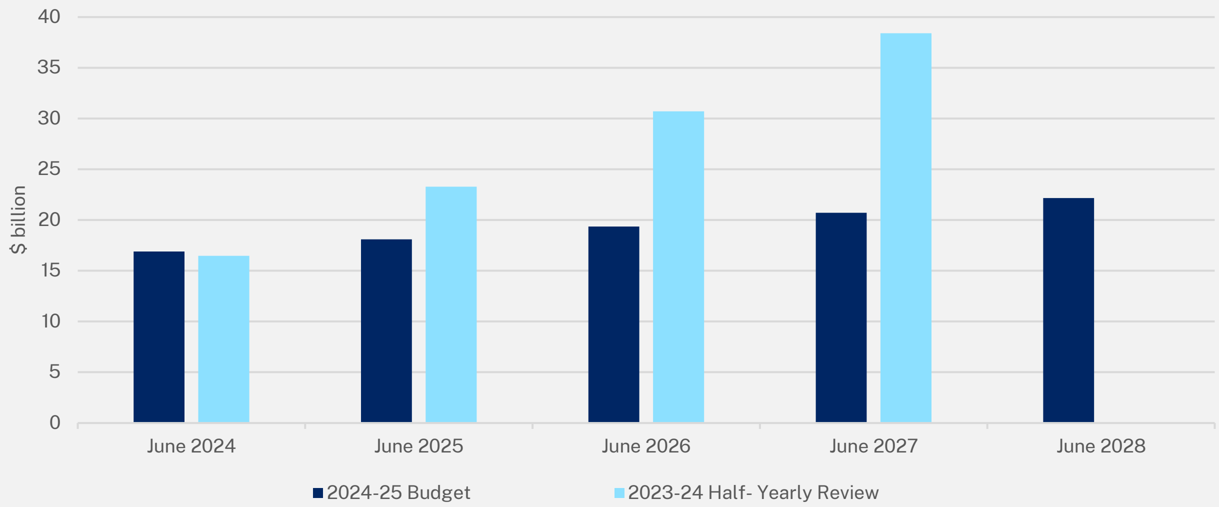
This framework has been developed to manage the DRF more sustainably (see Chart 6.3), taking into account the potential budget result, balance sheet impacts and economic conditions.

Key contribution principles include:

- contributing only when the Budget is in surplus, net of DRF impacts (an 'underlying' surplus)
- limiting contributions to the value of the underlying surplus.

Significant redemption considerations include the State's interest expenses and how much a severe fall in the DRF's value could affect the State's balance sheet.

Chart 6.3: NSW Generations Fund balance projections[6]



Gross Debt (the financial liabilities included in net debt)

Gross debt is the sum of borrowings (including leases), advances received[7], and deposits held[8], with borrowings making up 99.4 per cent of gross debt.

Since the 2023-24 Half-Yearly Review, gross debt at June 2024 is projected to increase by $7.9 billion to $155.5 billion. This increase is primarily the result of pre-funding and changes in the cash operating position.

Gross debt is projected to increase from $166.9 billion by June 2025 to $199.9 billion by June 2028, primarily driven by the Government's infrastructure program.

All key balance sheet measures, including gross debt and net debt, are shown in Table 6.1.

[6] Projections for the 2027-28 financial year are not included in the 2023-24 Budget and 2023-24 Half-Yearly Review.
[7] 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.
[8] Deposits Held are cash and deposits held at banks and other financial institutions on behalf of entities and individuals external to the State.

Table 6.1: Key balance sheet aggregates of the general government sector

	June 2023 Actual	June 2024 Est. Actual	June 2025 Budget	June 2026	June 2027 Forward Estimates	June 2028
Total Assets ($m)	571,674	636,543	650,333	660,470	670,340	686,374
Financial Assets ($m)	207,255	246,989	246,338	245,193	244,381	250,324
Non-Financial Assets ($m)	364,419	389,554	403,995	415,277	425,959	436,050
Total Liabilities ($m)	249,717	270,699	281,510	296,618	308,379	319,119
Net Worth ($m)	321,957	365,844	368,823	363,852	361,961	367,255
Net Worth as a per cent of GSP[a]	41.4	44.8	42.7	40.2	38.3	37.3
Net Debt ($m)	74,873	96,833	110,523	121,935	130,965	139,497
Net Debt as a per cent of GSP	9.6	11.9	12.8	13.5	13.9	14.2
Gross Debt ($m)	132,914	155,516	166,885	178,889	188,505	199,883
Gross Debt as a per cent of GSP	17.1	19.0	19.3	19.8	20.0	20.3

(a) Nominal gross state product (GSP) for New South Wales for 2023-24 to 2027-28 is forecast by NSW Treasury.

Box 6.3: Interest expense affordability and refinancing risk

The Government continues to place a strong emphasis on managing the affordability of the State's interest expenses and its refinancing risk.

Since January 2020, TCorp 10-year bond yields have ranged from a low of around 1.0 per cent (in November 2020) to approximately 5.2 per cent on 31 May 2024. This is primarily due to the rapid change in monetary policy with the Reserve Bank of Australia raising its cash rate 12 times since May 2022. The cash rate is currently at 4.35 per cent in June 2024.

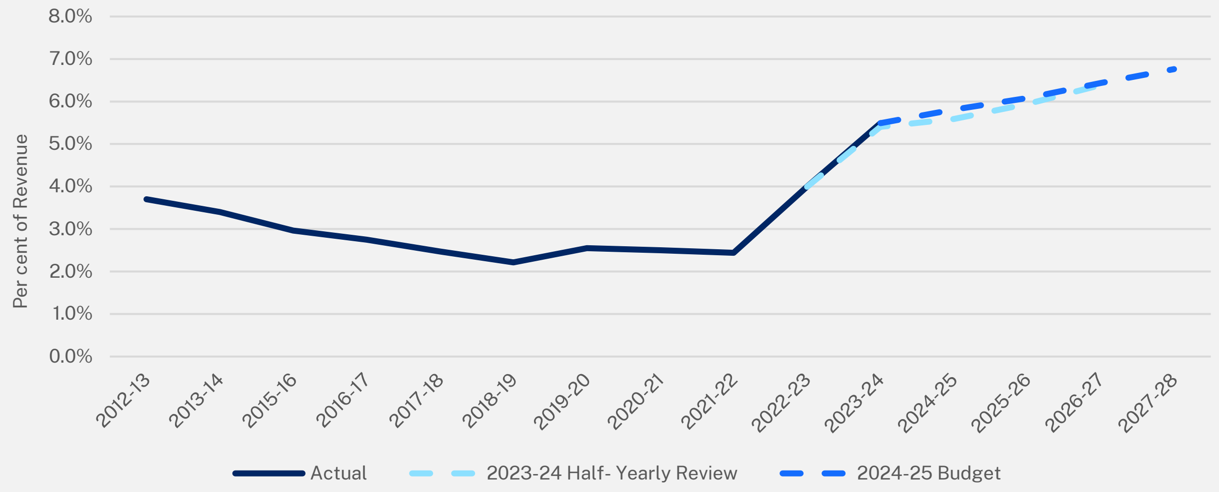
The average interest rate payable on new Crown borrowings was around 5.0 per cent during 2023-24 and is expected to remain around the same level during 2024-25. The average interest rate on new borrowings is forecast to decline over the forward estimates as rates across the economy normalise and the interest rate difference between Australian Government bond yields and NSW Government bond yields are also expected to revert to historic levels.

Interest expenses continue to place significant pressure on the Government's operating position. Increased debt is driving greater interest rate and refinancing risk. As debt grows, the State's fiscal position is more vulnerable to small movements in bond yields and adverse impacts of higher interest rates.

The Government's interest expenses as a percentage of revenue is estimated to be 6.4 per cent in 2026-27. This is in line with the projection at the 2023-24 Half-Yearly Review (see Chart 6.4).

See Appendix B Fiscal Risks and Budget Sensitivities for more information on interest rate risk.

Chart 6.4: Interest expenses to revenue

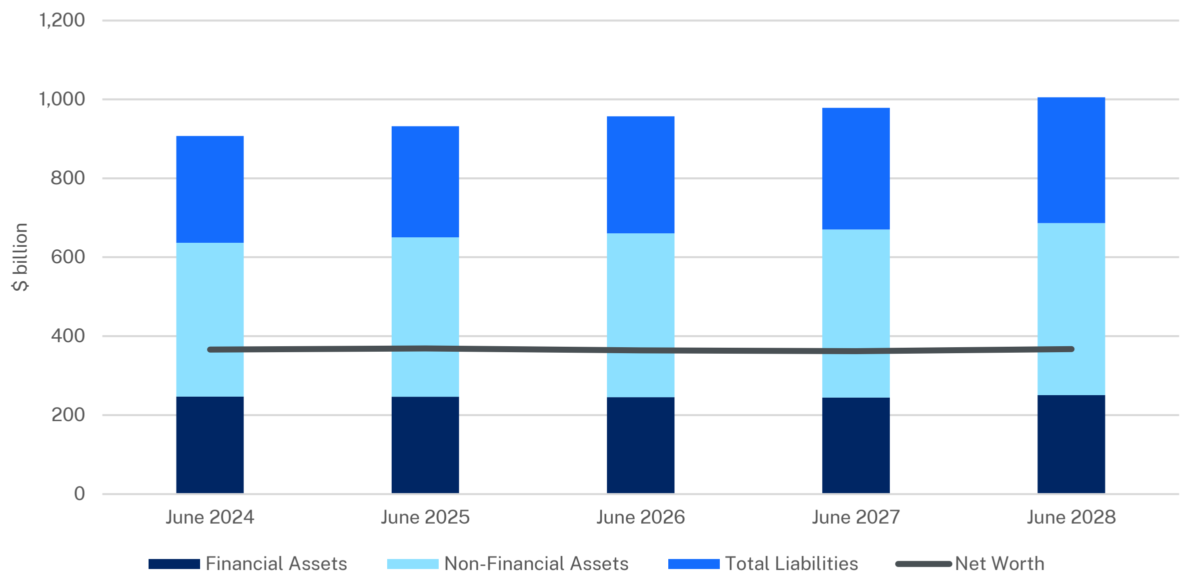


6.2 Net worth projections remain steady

General government sector net worth is projected to reach $365.8 billion at June 2024, $10.1 billion higher than the projection in the 2023-24 Half-Yearly Review, primarily driven by higher equity investments in other public sector entities and revaluations of plant, property and equipment. This has been offset somewhat by an increase in borrowings. Further detail is provided below.

By June 2028, net worth is projected to be $367.3 billion, broadly in line with the June 2024 projections.

Chart 6.5: General government sector net worth to remain steady over the next four years

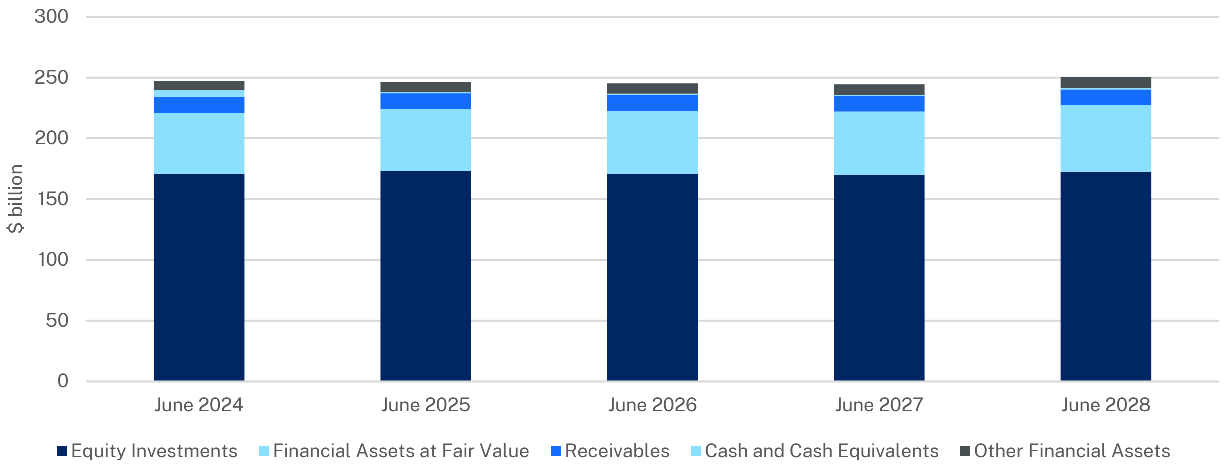


Financial assets included in net worth

The State's total financial assets are projected to be $247.0 billion at June 2024, $13.0 billion higher than the projection in the 2023-24 Half-Yearly Review. This is mainly driven by a temporarily higher cash balance and increases in equity investments in other public sector entities (driven by TAHE revaluations, additional investments in housing through the NSW Land and Housing Corporation, and changes in the net assets of the Public Financial Corporation Sector entities).

Across the budget and forward estimates, financial assets are forecast to remain broadly unchanged, with a projection of $250.3 billion by June 2028 (see Chart 6.6).

Chart 6.6: General government sector financial assets

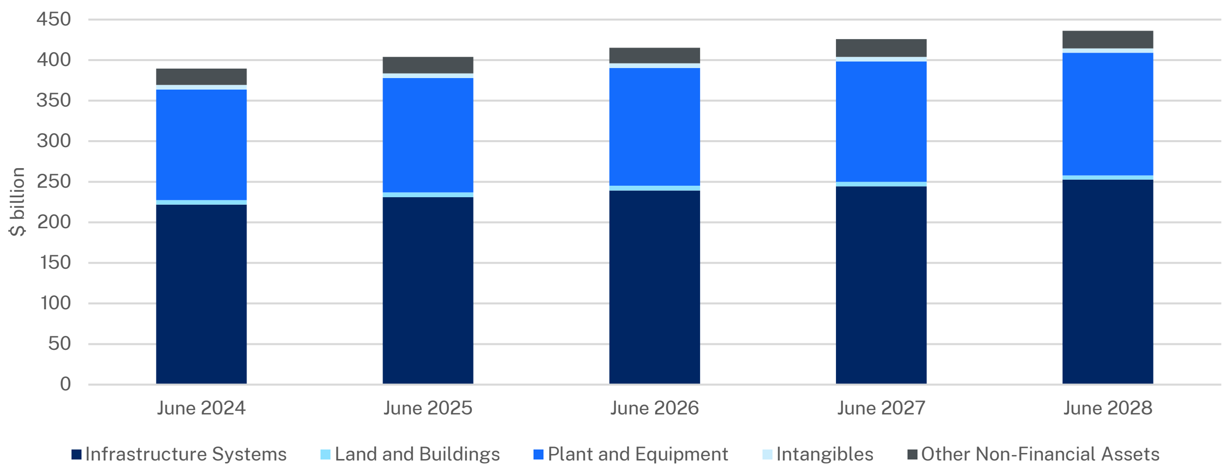


Non-financial assets included in net worth

The State's non-financial assets are projected to be $389.6 billion at June 2024, this is $8.1 billion higher than projected at the 2023-24 Half-Yearly Review due to revaluations of plant, property and equipment based on the latest estimates of the current cost to replace those assets (as required by accounting standards). Recent relatively high levels of inflation have led to higher-than-usual revaluation increases in this and the prior year.

Non-financial assets are estimated to grow to $436.1 billion by June 2028, primarily driven by the State's infrastructure program (see Chart 6.7).

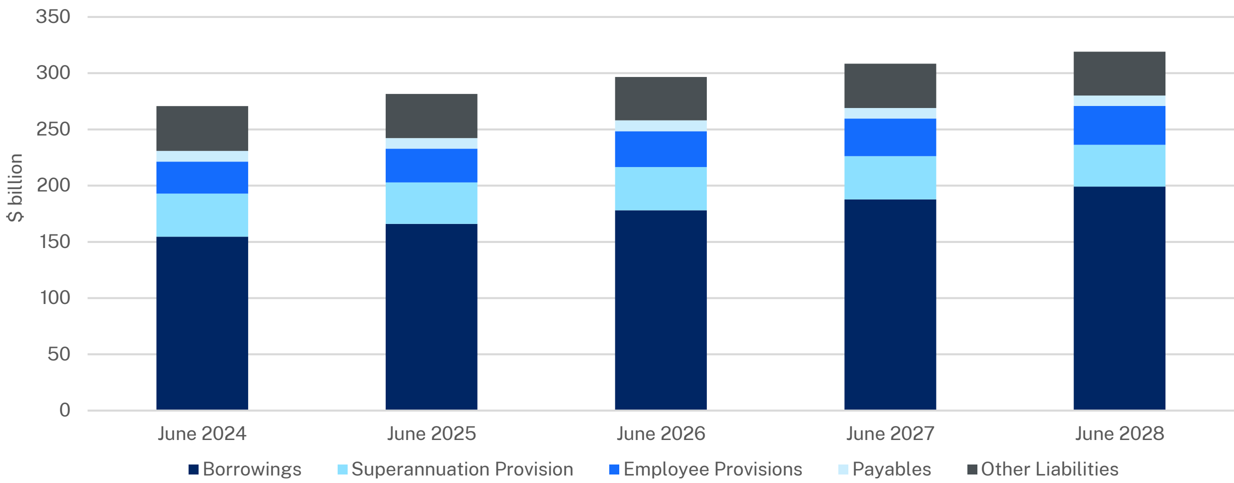
Chart 6.7: General government sector non-financial assets



Liabilities included in net worth

Total liabilities are projected to be $270.7 billion at June 2024, increasing to $319.1 billion by June 2028 (see Chart 6.8). This is predominately due to an increase in borrowings to fund the State's infrastructure program.

Chart 6.8: State liabilities projected to increase across 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 $154.6 billion at June 2024 to $199.1 billion by June 2028.

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 Program, lengthening the maturity profile and issuing different types of debt instruments to appeal to a broader set of investors.

The second largest liability of the Government is its defined benefit superannuation liability[9]. The liability is projected to be $38.2 billion at June 2024 and is expected to remain broadly stable over the forward estimates.

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.

Since the 2023-24 Half-Yearly Review, the net cash operating position deficit has deteriorated by $1.1 billion to $1.6 billion in 2023-24, primarily driven by lower-than-expected underspends.

A return to a net operating cash surplus is now projected in 2024-25, estimated to be $4.9 billion. The net cash operating surplus is projected to increase to $7.1 billion in 2027-28.

[9] 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 remained unchanged since last year at a net projected liability of $19.8 billion as of 30 June 2024 under AASB1056 basis.

Over the four years to 2026-27, net cash requirements from investing in non-financial assets is $4.2 billion higher than the projection in the 2023-24 Half-Yearly Review as the Government increases its investment in essential infrastructure such as housing and preschools.

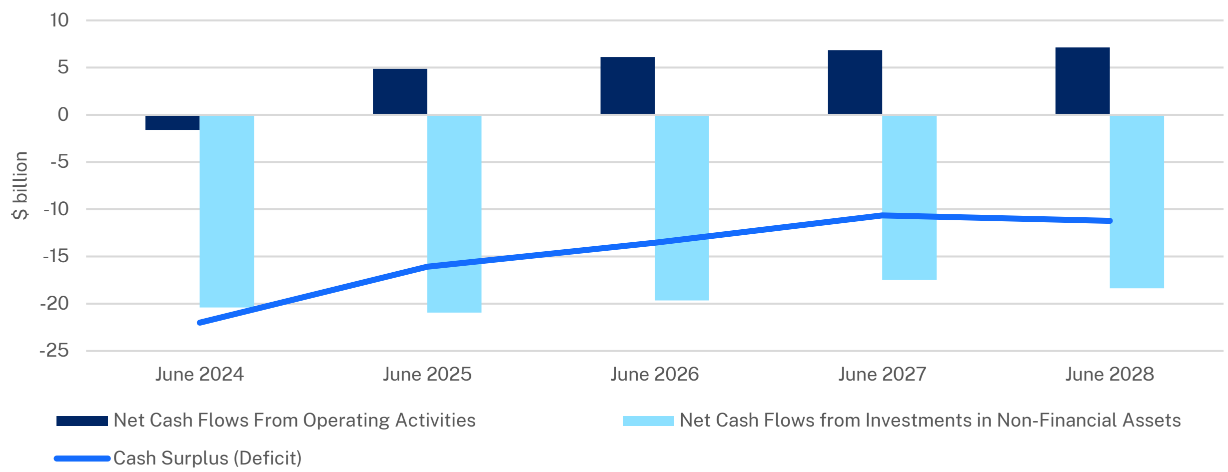
There is a technical correction of approximately $387.9 million in sales of non-financial assets over the four years to 2027-28 associated with Sydney Metro. This correction will result in higher borrowings over the same period.

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). The Government is providing an equity investment into Landcom which will flow through these net cash flows (see Chapter 7 Commercial Performance in the Broader Public Sector for more information).

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 DRF and NIFF. Over the four years to 2026-27, payment for purchases of investments is projected to be $13.5 billion lower than projected in the 2023-24 Half-Yearly Review. This is primarily driven by the Government's suspension of NGF contributions offset by the $925 million contribution for IfNSW schemes.

Since the 2023-24 Half-Yearly Review, the general government sector cash deficit has worsened by $14.2 billion over the four years to 2026-27 as the Government increases its investment in essential services and infrastructure (e.g., housing, health). However, this increase has been offset by the suspension of NGF contributions, resulting in gross debt projections by June 2027 remaining broadly in line with the 2023-24 Half-Yearly Review.

Chart 6.9: General government sector cash surplus/(deficits)



7. COMMERCIAL PERFORMANCE IN THE BROADER PUBLIC SECTOR

- 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.
- These commercial operations are delivered through 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). These commercial entities operate at arm's length from the Government and are guided by Treasury's Commercial Policy Framework.
- The Government has safeguarded Sydney Water Corporation (Sydney Water) and Hunter Water Corporation (Hunter Water) from privatisation through an amendment to the *Constitution Act 1902* (NSW).
- 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, energy storage and efficient connections to the network.
- icare has focused on fixing the foundations of its business and stabilising operations. Significant progress has been made and icare is now shifting focus towards improving outcomes for its customers – the people and businesses of New South Wales and NSW Government agencies.
- The total dividend and tax equivalent payments by entities in the PNFC and PFC sectors were $714.8 million in 2023-24 and are forecast to be $4.7 billion over the budget year and forward estimates to 2027-28.

7.1 Reforms and initiatives of State Owned Corporations

Water

The New South Wales Government owns three water businesses – Sydney Water, Hunter Water and WaterNSW. 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 committed to safeguarding the State's essential water assets from privatisation. The *Constitutional Amendment (Sydney Water and Hunter Water) Bill 2023* was passed on 1 June 2023. The legislative changes ensures that essential water assets continue to belong to the people of New South Wales.

Sydney Water Corporation (Sydney Water)

Sydney Water's capital program focuses on the need to support the State's growth and maintain safe, resilient and reliable water. More specifically, Sydney Water is heavily focused on the Transport Oriented Development (TOD) Program which is a key Government policy to deliver housing around transport hubs.

Sydney Water is working with the Department of Planning, Housing and Infrastructure on servicing part 1 of the TOD Program, which covers the accelerated precincts within the Government's Housing Accord period. Sydney Water can also service part 2 of the TOD program, which includes locations within Sydney Water's area of operations that are reformed through new planning controls.

As part of Sydney Water's commitment to reaching net-zero emissions across the business by 2030, it will procure renewable energy to meet its electricity needs. Sydney Water is also assisting its suppliers in meeting net-zero emissions across its supply chain by 2040, including working to reduce carbon emissions per dollar of capital expenditure.

Among Sydney Water's range of net-zero programs, it is exploring delivery of lower-cost, zero-carbon emission energy across the industry. As part of its Malabar gas-to-grid partnership with Jemena and in collaboration with the Australian Renewable Energy Agency, Sydney Water is pioneering Australia's first biomethane-to-gas-pipeline. Biogas removed from wastewater at the Malabar Water Resource Recovery Facility is expected to power 6,300 homes in 2023-24. By 2030, that figure is set to double.

Hunter Water Corporation (Hunter Water)

Hunter Water is investing in water security and growth infrastructure, while balancing customer affordability. Major investments include:

- upgrades to the Farley, Belmont and Raymond Terrace Wastewater Treatment Works
- upgrades at the Grahamstown Water Treatment Plant
- water distribution and wastewater network upgrades to support growth and meet regulatory and environmental compliance.

Hunter Water and the NSW Government continue to support the Lower Hunter residents experiencing vulnerability and financial hardship. Hunter Water's assistance programs support:

- more than 47,000 pensioners and concession card holders
- eligible customers, including tenants experiencing financial hardship.

Hunter Water is reducing the carbon footprint of its operations. Hunter Water continues to roll out its onsite renewable energy generation program, with 6.5 megawatts of renewable energy capacity to be installed across its treatment plants and pump stations by the end of 2024. In addition, Hunter Water has entered into a renewable power purchase agreement that will transition its large sites to 100 per cent renewable electricity by 2030.

WaterNSW

WaterNSW supports the implementation of the NSW Government's Town Water Risk Reduction Program. The program brings the strengths and expertise of major entities in the water sector to help NSW regional towns improve water security, quality, and reliability. WaterNSW is working collaboratively with the local water utilities on dam safety risk assessments and catchment and source water quality management.

WaterNSW continues to progress its Renewable Energy and Storage Program. This program identifies opportunities to use WaterNSW's land and assets to facilitate private sector investment in renewable energy generation and storage projects in New South Wales. The first agreement under the program for a pumped hydro scheme was executed between WaterNSW and ACEN Australia in December 2022. In early 2024, WaterNSW announced another two agreements for renewable energy and storage projects. They are:

- pumped hydro projects at the Glenbawn and Glennies Creek Dams with Upper Hunter Hydro
- a major pumped hydro project in Western Sydney with Zen Energy, capable of powering half a million homes or almost 30 per cent of Sydney households, if successfully delivered.

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. 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 2024-25 as part of its network resilience program. This will contribute towards its strategy of replacing 11,000 poles with fire resistant composite poles in high-risk areas over the period of 2024-25 to 2028-29 and introducing 1,123 portable community resilience assets by 2028-29.

Essential Energy is working with stakeholders to explore opportunities to materially increase renewable connections. For Essential Energy, this will utilise significant available capacity that exists in Essential Energy's high-voltage network. This will connect more wind, solar and storage in the short to medium term so that NSW consumers can benefit from cheaper and cleaner electricity as larger-scale network projects are developed.

Essential Energy has a focus in supporting regional development in New South Wales through undertaking works for the special activation precincts of Parkes, Wagga Wagga and Moree. 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 supported by the customer, and economically and technically feasible. This includes a target to deliver up to 400 stand-alone power systems by 2028-29 that will provide safe and reliable power to customers in remote, or in difficult to access, flood or bushfire-prone locations.

Over the regulatory period from 1 July 2024 to 30 June 2029, Essential Energy's revenue will increase, in real terms, by 1.3 per cent a year on average (excluding metering). For a typical residential customer in Essential Energy's network, their distribution network charge will increase by around 1 per cent in 2024-25 compared to current charges.

Transport

Transport Asset Holding Entity of NSW (TAHE)

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

TAHE will transition from its current operating model as a statutory state-owned corporation with a commercial imperative to a non-commercial statutory corporation. Legislative amendment to remove TAHE's status as a state owned corporation and establish TAHE's new operating structure was introduced into Parliament in June 2024.

As part of the transition, the Government no longer requires TAHE to provide returns to Government in the form of dividends and income tax equivalents from 2023-24 onwards.

Port Authority of NSW (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. These include the statutory Harbour Master's function, pilotage and navigation services, port safety functions, and port and terminal operations.

In 2024-25, Port Authority will:

- continue to work with key stakeholders to identify how the future Bays Port can support the Government's strategic priorities including affordable housing and Shore Power
- undertake further economic analysis and cruise market research to understand future demand and cruise capacity for New South Wales.

Port Authority is working towards meeting the net zero target of a 75 per cent reduction in Scope 1 and 2 carbon emissions. Key programs include:

- trialling a vessel energy efficiency program
- alternative fuel and propulsion technology research
- behind the meter solar installations
- LED replacement in passenger terminals.

Subject to meeting funding requirements, Port Authority is committed to the installation of shore power infrastructure within the Bays Port Precinct which is a key component in achieving Scope 3 carbon emission reductions.

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 is committed to improving the supply of affordable housing in New South Wales. Key initiatives being delivered include:

- two pilot Build to Rent projects in the South Coast and Northern Rivers regions. Landcom will deliver 60 dwellings in Bomaderry and 50 dwellings in Lismore, with 20 per cent affordable housing onsite
- continuing to acquire projects under the $300.0 million dividend reinvestment to deliver 4,697 dwellings, including a minimum 30 per cent or 1,409 affordable housing dwellings
- partnering with Orange City Council to deliver 330 dwellings in regional New South Wales, with 20 per cent affordable housing
- delivering 65 affordable dwellings at Schofields together with a community housing provider.

Landcom is also focused on incorporating sustainability initiatives in new projects and developments, including:

- designing the two pilot Build to Rent projects with measures to reduce water and energy usage to reduce tenants' cost-of-living pressures
- targeting net zero energy usage on the Wilton project, with the development fully electrified
- offering sustainability rebates on the Wilton and Macarthur Heights projects to reduce cost-of-living pressures through reduced energy usage and supporting the energy transition to renewables.

Box 7.1: Landcom key worker Build to Rent Program

The NSW Government will provide Landcom with a $450.0 million equity injection to purchase sites and construct between 400 to 450 new Build to Rent dwellings for key workers.

The program will increase the supply of well built, secure and accessible rental accommodation for the key public sector workers who keep Sydney running but find it difficult to find accommodation close to work and are being priced out of the market.

Forestry

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

Forestry Corporation has been progressing work to explore the opportunity of locating wind farms for renewable electricity generation within the State forest pine plantations. They have issued investigation permits in four locations across New South Wales to four successful proponents.

The permits will allow proponents to carry out detailed wind testing, environmental studies and community engagement ahead of seeking development approvals from the Government. This opportunity will have the potential to deliver significant energy resources and financial returns to New South Wales.

In 2024-25, Forestry Corporation will continue to support the Government, which is working to deliver the Great Koala National Park and NSW Forestry Industry Roadmap to support the delivery of the Government's environmental, economic and social priorities for the forestry sector.

7.2 Capital expenditure

In 2023-24, capital expenditure within the PNFC sector is projected to be $6.0 billion, which is $1.3 billion lower than projected in the 2023-24 Half-Yearly Review.

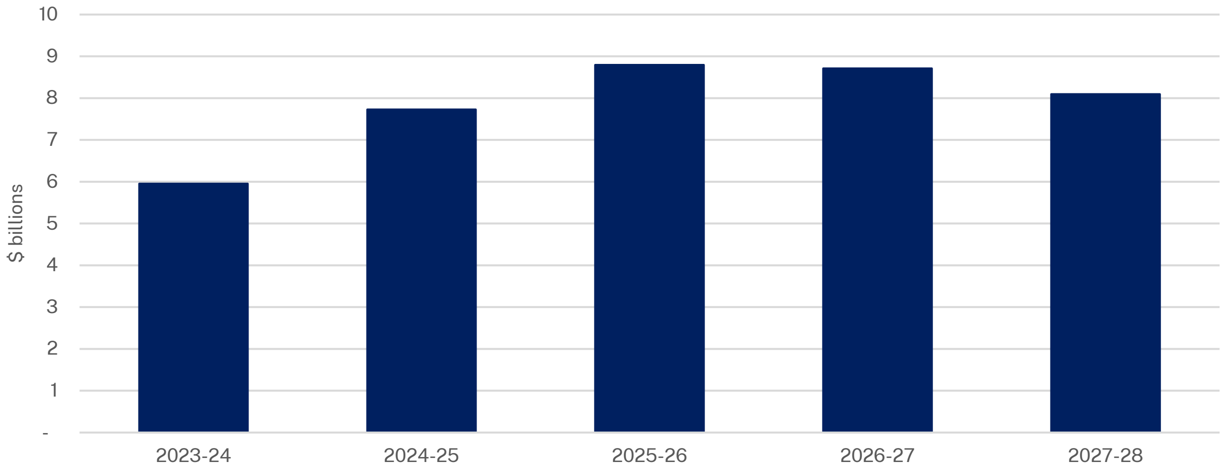
Over the four years to 2027-28, capital expenditure within the PNFC sector is projected to be $33.3 billion. This is $3.1 billion higher than projected in the comparative forecast periods in the 2023-24 Half-Yearly Review. The major drivers of this increase are:

- $1.1 billion increase from Land and Housing Corporation over the next four years reflects significantly increased capital maintenance expenditure across a significant portion of their social housing portfolio
- $607.3 million increase from Essential Energy related to expenditure on delivering connection services, unregulated business growth and replacement of water sewer treatment plant within the Essential Water business
- $420.1 million increase from WaterNSW is related to investments in regulatory projects and updates to its asset renewals and replacements program based on identified needs.

Chart 7.1 shows capital expenditure in the PNFC sector from 2023-24 to 2027-28.

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 $109.0 billion as at 30 April 2024, making it one of Australia's largest fund managers. TCorp raised $34.0 billion face value in debt funding and retired $7.8 billion during 2023-24. This includes raising $2.7 billion in sustainability bonds, taking the program to $11.9 billion and making TCorp one of the largest government issuers of sustainability bonds in Australia.

TCorp has been working to implement the Government's policy to centralise the investment management for six NSW Treasury controlled funds into a single whole-of-state fund, OneFund which is expected to deliver higher investment returns on behalf of the State. OneFund is expected to include approximately $46.7 billion in assets under management.

Further detail on TCorp's investment and financial risk management activities are outlined in Chapter 6 Managing the State's Assets and Liabilities and Appendix B Fiscal Risks and Budget Sensitivities. These activities 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 insurer and its aim is to protect, insure and care for people injured at work and on the road, businesses, government agencies, builders and homeowners.

icare is currently undertaking a multi-year strategic transformation program to deliver long-term benefits for those they serve, such as improved return to work outcomes and improved service experience for employers and injured workers. The initial focus of this program has been to fix the foundations and stabilise the schemes.

The Enterprise Improvement Program is designed to promote efficiency, transparency, and accountability in the conduct of icare operations, as per legislative objectives. It will also respond to *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* conducted by PwC.

icare is increasing its focus on those they serve. This includes refreshed strategic priorities to deliver fair and empathetic interactions, enhanced experiences using digital and data, driving better performance through their partnerships, efficient, effective and focused on what matters, and strengthening the culture of collaboration, growth and achievement.

Box 7.2: Enhancing experiences using digital and data

icare has refreshed its strategic priorities and will focus on delivering digital products and automation, driving services aligned to the NSW Government's Digital Strategy. This is highlighted in the following three initiatives.

- Improving payment capability – icare will enable and drive broader adoption of digital invoicing and payment capability across its provider network. Rollout of these capabilities will commence before the end of 2024.
- Enhanced digital experience – icare will develop an improved digital experience supporting injured workers and businesses to self-service, enabling fast, frictionless, transparent and equitable interactions for all, aimed at returning workers to health in a more timely manner. The first improvements will be rolled out before 30 June 2025.
- Refreshed website – icare is updating its public website for improved communication and engagement, with the current refresh to be implemented during the remainder of 2024.

7.4 Returns to the Government from the PNFC and PFC sectors

SOCs and TCorp pay dividends to the State as a return on the Government's 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 are projected to be $366.0 million in 2023-24 and are forecast to total $2.0 billion over the budget year and forward estimates.

Total dividend and tax equivalent payments from the PNFC and PFC sectors are forecast to be $714.8 million for 2023-24, which is $100.4 million lower than the comparative forecast in the 2023-24 Half-Yearly Review.

Over the four years to 2027-28, total dividend and tax equivalent payments to the Government from the PNFC and PFC sector are forecast to be $4.7 billion, which is $439.5 million lower than the comparative forecast in the 2023-24 Half-Yearly Review.

Key movements include:

- a $272.4 million reduction in Sydney Water's income tax equivalents, which were caused by a reduction in profit before tax and from revenue expected due to lower infrastructure contributions of $1.0 billion. This is driven by a deferral in investments and a consequential reprofiling of Sydney Water's capital expenditure to later years and a reprofiling of infrastructure contributions to cover growth expenditure
- a $139.3 million decrease in Essential Energy's income tax equivalents after a review of its taxation affairs was completed. Following the review, several changes have been made to the way Essential Energy treats certain expenditures for tax purposes. The largest of these changes includes the claiming of immediate deductions for certain replacement expenditures relating to poles, crossarms and conductors. The changes bring the tax practices of Essential Energy in line with industry peers and would have the potential to put downward pressure on network prices for customers in future regulatory periods
- a $102.3 million decrease in dividends and income tax equivalents from Forestry Corporation, due to:
  - a drop in softwood revenues from a softening housing market
  - end of sustainable softwood supply from the Walcha to Tumut rail initiative in 2026-27
  - litigation/regulatory issues in native forestry disrupting hardwood operations
- an increase of $59.2 million in dividends and tax equivalents from TCorp due to higher revenues mainly from TCorp's borrowing program.

Table 7.1 below shows the dividend and tax equivalent payments from the PNFC and PFC sectors across 2023-24 to 2027-28.

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

	2023-24 Projection $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m
Public non-financial corporations					
Essential Energy	-	-	40	28	36
Forestry Corporation of NSW	-	1	5	4	11
Hunter Water Corporation	63	48	68	90	105
Landcom[(a)]	24	18	21	21	26
Port Authority of NSW	52	56	42	35	32
Sydney Water Corporation	290	408	722	700	766
Water NSW	57	40	77	88	82
Public financial corporations					
NSW Treasury Corporation[(b)]	189	216	234	246	257
Total Dividend and Tax Equivalent Payments in Revenue from Transactions section	675	786	1,208	1,212	1,315
Public non-financial corporations					
Landcom	40	40	34	35	43
Total Dividends in Other Economic Flows section[(c)]	40	40	34	35	43
TOTAL DIVIDEND AND TAX EQUIVALENT PAYMENTS	715	826	1,241	1,246	1,359

(a) Landcom's returns classified under the 'Revenue from Transactions' section in the General Government Operating Statement relate to tax equivalent payments.
(b) Following finalisation of the budget aggregates, an error was identified in the NSW Treasury Corporation total dividend and tax equivalent figures. The error results in an overstatement of revenue in the table above of $12 million in 2024-25 and $15 million in 2025-26. This error will be corrected for the 2024-25 Half-Yearly Review.
(c) Dividends paid by Landcom across the five years to 2027-28 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 2024-25 Budget.

Financial aggregates in this appendix are prepared in line with:

- the Uniform Presentation Framework (UPF) administered by the Council on Federal Financial Relations (CFFR)
- 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 2022-23 to 2027-28 for the general government sector (GGS), public nonfinancial corporations (PNFC) sector, and consolidated nonfinancial public sector (NFPS).

An analysis of general government expenses is presented in Chapter 5: Expenditure and looks at each element of expenses by 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 2024-25 to 2027-28.

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 in February 2019.

The objective of the UPF is to facilitate a better understanding of an 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 2022-23 convergence differences, refer to *Note 38: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics* in the *2022-23 Report on State Finances*.

[1] The complete Uniform Presentation Framework is available on the Commonwealth 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 and Balance Sheet

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 nonfinancial 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 nonfinancial 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 nonfinancial 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)
- purchase of non-financial assets by function (COFOG-A).

Table A1.1: General government sector operating statement

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Revenue from Transactions						
Taxation	39,747	44,503	48,345	51,123	52,977	55,466
Grants and Subsidies	45,572	47,019	47,934	46,786	47,162	48,380
Sale of Goods and Services	9,700	9,869	10,344	10,877	11,024	10,969
Interest	545	738	645	545	564	534
Dividend and Income Tax Equivalents from Other Sectors	483	675	786	1,208	1,212	1,315
Other Dividends and Distributions	1,467	1,456	3,074	3,467	3,553	3,786
Fines, Regulatory Fees and Other	8,388	6,582	7,402	7,253	7,159	7,170
Total Revenue from Transactions	**105,901**	**110,842**	**118,530**	**121,259**	**123,650**	**127,620**
Expenses from Transactions						
Employee	42,490	46,135	47,781	48,915	50,718	52,368
Superannuation						
Superannuation Interest Cost	1,583	1,656	1,620	1,591	1,510	1,437
Other Superannuation	4,059	4,470	4,565	4,744	4,935	5,005
Depreciation and Amortisation	7,884	8,517	9,278	9,842	10,521	10,777
Interest	4,232	6,087	6,887	7,373	7,959	8,629
Other Operating Expense	28,765	28,120	27,013	26,615	26,451	27,838
Grants, Subsidies and Other Transfers	27,454	25,533	25,019	24,668	23,920	23,084
Total Expenses from Transactions	**116,467**	**120,518**	**122,163**	**123,748**	**126,014**	**129,138**
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	**(10,565)**	**(9,676)**	**(3,633)**	**(2,489)**	**(2,364)**	**(1,518)**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(186)	(365)	(71)	(354)	(196)	(0)
Other Net Gains/(Losses)	2,215	1,805	762	549	1,000	976
Share of Earnings/(Losses) from Equity Investments (excluding Dividends)	(13)	(7)	(81)	(120)	(233)	(329)
Dividends from Asset Sale Proceeds	120	40	40	34	35	43
Deferred Income Tax from Other Sectors	129	92	17	72	54	50
Other	(90)	(146)	(40)	(41)	(42)	(42)
Other Economic Flows - included in Operating Result	**2,175**	**1,419**	**627**	**140**	**619**	**699**
Operating Result	**(8,390)**	**(8,257)**	**(3,006)**	**(2,349)**	**(1,746)**	**(819)**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**44,463**	**52,144**	**5,985**	**(2,622)**	**(145)**	**6,113**
Revaluations	33,225	9,698	1,968	1,979	1,859	1,957
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	1,706	...	...	...	...	...
Remeasurements of Post-Employee Benefits	2,369	3,552	1,417	(1,847)	(436)	819
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	6,265	38,651	2,485	(2,860)	(1,668)	3,235
Deferred Tax Direct to Equity	495	131	78	70	65	68
Other	403	113	37	35	36	35
Items that may be Reclassified Subsequently to Operating Result	**0**	**(0)**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	0	(0)	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**44,463**	**52,144**	**5,985**	**(2,622)**	**(145)**	**6,113**
Comprehensive Result - Total Change in Net Worth	**36,072**	**43,886**	**2,979**	**(4,971)**	**(1,891)**	**5,294**
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth	**36,072**	**43,886**	**2,979**	**(4,971)**	**(1,891)**	**5,294**
Less: Net Other Economic Flows	(46,638)	(53,562)	(6,612)	2,482	(474)	(6,812)
Equals: Budget Result - Net Operating Balance	**(10,565)**	**(9,676)**	**(3,633)**	**(2,489)**	**(2,364)**	**(1,518)**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	21,208	20,940	22,344	21,170	20,189	18,851
Sales of Non-Financial Assets	(369)	(276)	(856)	(1,228)	(2,665)	(561)
Less: Depreciation	(7,884)	(8,517)	(9,278)	(9,842)	(10,521)	(10,777)
Plus: Change in Inventories	(117)	143	403	(822)	99	1
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(a)]	37	1,073	796	795	843	802
- Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	827	896	336	232	90	...
- Grant of Right to the Operator Model	273	441	620	230	...	...
- Other	31	(652)	(1,243)	(990)	(1,046)	165
Equals: Total Net Acquisition of Non-Financial Assets	**14,005**	**14,047**	**13,122**	**9,544**	**6,989**	**8,481**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**(24,570)**	**(23,723)**	**(16,755)**	**(12,033)**	**(9,353)**	**(9,999)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	22,071	22,909	23,476	22,197	21,121	19,653

(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 2023 Actual $m	June 2024 Revised $m	June 2025 Budget $m	June 2026 Forward Estimates $m	June 2027 $m	June 2028 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	6,344	5,294	1,189	1,081	1,044	1,040
Receivables	12,001	13,588	12,885	13,031	12,778	12,684
Investments, Loans and Placements						
Financial Assets at Fair Value	48,383	49,800	51,113	51,668	52,432	54,927
Other Financial Assets	2,378	2,647	2,983	2,964	2,662	2,943
Advances Paid	936	942	1,077	1,242	1,402	1,478
Tax Equivalents Receivable	43	65	192	72	99	77
Deferred Tax Equivalents	3,607	3,781	3,845	4,146	4,368	4,598
Equity Investments						
Investments in Other Public Sector Entities	123,003	160,460	162,708	160,763	159,545	162,779
Investments in Associates	10,545	10,397	10,331	10,211	10,036	9,783
Other Equity Investments	15	15	15	15	15	15
Total Financial Assets	**207,255**	**246,989**	**246,338**	**245,193**	**244,381**	**250,324**
Non-Financial Assets						
Contract Assets	77	481	58	59	1,985	1,996
Inventories	1,088	1,375	1,830	1,020	1,119	1,123
Forestry Stock and Other Biological Assets	16	19	19	19	19	19
Assets Classified as Held for Sale	151	226	394	264	274	108
Property, Plant and Equipment						
Land and Buildings	129,648	136,238	140,901	145,122	148,524	151,297
Plant and Equipment	15,161	15,442	15,650	15,440	15,834	15,446
Infrastructure Systems	204,909	221,811	231,044	239,365	244,393	252,641
Right-of-Use Assets	6,185	6,375	6,324	6,311	6,359	6,305
Intangibles	5,176	5,623	5,868	5,777	5,561	5,213
Other Non-Financial Assets	2,009	1,962	1,905	1,900	1,890	1,903
Total Non-Financial Assets	**364,419**	**389,554**	**403,995**	**415,277**	**425,959**	**436,050**
Total Assets	**571,674**	**636,543**	**650,333**	**660,470**	**670,340**	**686,374**
Liabilities						
Deposits Held	327	460	460	460	460	460
Payables	9,963	9,449	9,478	9,615	9,462	9,253
Contract Liabilities	858	789	781	782	785	788
Borrowings and Derivatives at Fair Value	17	10	10	9	9	9
Borrowings at Amortised Cost	132,079	154,605	166,023	178,067	187,723	199,145
Advances Received	492	440	392	353	313	270
Employee Benefits Liabilities	25,971	28,538	30,059	31,888	33,342	34,474
Superannuation Provision[(a)]	41,678	38,228	36,761	38,437	38,532	37,191
Tax Equivalents Payable	73	59	66	66	73	76
Deferred Tax Equivalent Provision	42	42	41	42	42	43
Other Provisions	16,614	16,672	16,083	16,095	16,269	16,677
Other Liabilities	21,603	21,406	21,355	20,805	21,369	20,734
Total Liabilities	**249,717**	**270,699**	**281,510**	**296,618**	**308,379**	**319,119**
NET ASSETS	**321,957**	**365,844**	**368,823**	**363,852**	**361,961**	**367,255**
NET WORTH						
Accumulated Funds	72,533	69,787	69,601	66,807	66,026	67,426
Reserves	249,424	296,056	299,222	297,045	295,936	299,830
TOTAL NET WORTH	**321,957**	**365,844**	**368,823**	**363,852**	**361,961**	**367,255**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**74,873**	**96,833**	**110,523**	**121,935**	**130,965**	**139,497**
Net Financial Liabilities[(c)]	**165,465**	**184,170**	**197,880**	**212,188**	**223,543**	**231,574**
Net Financial Worth[(d)]	**(42,462)**	**(23,710)**	**(35,172)**	**(51,425)**	**(63,998)**	**(68,795)**

(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 A1.3: General government sector cash flow statement

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Cash Receipts from Operating Activities						
Taxation	39,831	44,369	48,342	51,121	52,943	55,440
Sales of Goods and Services	10,627	9,802	10,833	11,124	11,390	11,337
Grant and Subsidies Received	45,236	46,613	48,009	46,667	46,525	48,361
Interest	464	662	561	468	470	435
Dividends and Income Tax Equivalents from Other Sectors	421	723	607	920	1,248	1,237
Other	13,874	9,801	10,019	9,352	9,674	9,142
Total Cash Receipts from Operating Activities	**110,453**	**111,971**	**118,372**	**119,652**	**122,250**	**125,952**
Cash Payments from Operating Activities						
Employee Related	(40,003)	(44,075)	(46,671)	(47,771)	(49,828)	(51,659)
Superannuation	(5,137)	(6,030)	(6,235)	(6,506)	(6,786)	(6,964)
Payments for Goods and Services	(27,448)	(27,466)	(27,418)	(26,621)	(26,213)	(27,331)
Grants and Subsidies	(26,205)	(24,811)	(23,545)	(23,000)	(22,231)	(22,454)
Interest	(3,163)	(4,401)	(4,989)	(5,363)	(5,962)	(6,667)
Other	(8,656)	(6,785)	(4,657)	(4,274)	(4,389)	(3,745)
Total Cash Payments from Operating Activities	**(110,613)**	**(113,567)**	**(113,515)**	**(113,534)**	**(115,408)**	**(118,821)**
Net Cash Flows from Operating Activities	**(160)**	**(1,597)**	**4,857**	**6,117**	**6,841**	**7,132**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	280	564	1,274	1,446	2,757	669
Purchases	(22,056)	(20,964)	(22,208)	(21,110)	(20,245)	(19,039)
Net Cash Flows from Investments in Non-Financial Assets	**(21,777)**	**(20,400)**	**(20,935)**	**(19,664)**	**(17,488)**	**(18,370)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	268	194	250	247	655	332
Payments	(127)	(214)	(276)	(146)	(520)	(123)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**140**	**(20)**	**(26)**	**101**	**134**	**209**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	4,847	3,481	3,482	3,894	3,425	1,877
Purchase of Investments	(3,295)	(1,629)	(1,122)	(380)	(419)	(396)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**1,552**	**1,851**	**2,359**	**3,514**	**3,006**	**1,481**
Net Cash Flows from Investing Activities	**(20,084)**	**(18,569)**	**(18,601)**	**(16,048)**	**(14,348)**	**(16,680)**
Cash Flows from Financing Activities						
Advances (Net)	(78)	(65)	(88)	(53)	(54)	(56)
Proceeds from Borrowings	28,457	21,082	10,843	11,758	9,659	10,856
Repayment of Borrowings	(4,983)	(2,033)	(1,118)	(1,885)	(2,138)	(1,258)
Deposits (Net)	(26)	133	1	...	...	...
Other (Net)	0	0	0	0	0	0
Net Cash Flows from Financing Activities	**23,370**	**19,117**	**9,638**	**9,820**	**7,468**	**9,543**
Net Increase/(Decrease) in Cash Held	**3,126**	**(1,049)**	**(4,107)**	**(111)**	**(39)**	**(6)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	(160)	(1,597)	4,857	6,117	6,841	7,132
Net Cash Flows from Investments in Non-Financial Assets	(21,777)	(20,400)	(20,935)	(19,664)	(17,488)	(18,370)
Cash Surplus/(Deficit)	**(21,936)**	**(21,997)**	**(16,078)**	**(13,547)**	**(10,647)**	**(11,238)**

Table A1.4: General government sector taxes

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m
Taxes on Employers' Payroll and Labour Force	**11,736**	**12,526**	**13,101**
Taxes on Property			
Land Taxes	5,999	7,040	8,169
Other	169	202	209
Total Taxes on Property	**6,168**	**7,242**	**8,378**
Taxes on the Provision of Goods and Services			
Excises and Levies	...	...	...
Taxes on Gambling	3,374	3,467	3,623
Taxes on Insurance	3,525	3,937	4,072
Stamp Duties on Financial and Capital Transactions	10,036	11,973	13,390
Total Taxes on the Provision of Goods and Services	**16,935**	**19,376**	**21,085**
Taxes on Use of Goods and Performance of Activities			
Motor Vehicle Taxes	3,858	4,332	4,685
Franchise Taxes	...	...	0
Other	1,050	1,027	1,096
Total Taxes on Use of Goods and Performance of Activities	**4,908**	**5,359**	**5,781**
Total Taxation Revenue	**39,747**	**44,503**	**48,345**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m
Current Grants and Subsidies			
Current Grants from the Commonwealth[(a)]			
General Purpose Grants	26,024	26,674	25,878
Specific Purpose Payments	12,286	12,744	13,536
National Partnership Payments	3,230	2,179	3,203
Other Commonwealth Payments	449	442	510
Total	**41,988**	**42,039**	**43,127**
Other Grants and Subsidies	952	1,126	712
Total Current Grants and Subsidies Revenue	**42,939**	**43,165**	**43,839**
Capital Grants and Subsidies			
Capital Grants from the Commonwealth[(a)]			
General Purpose Payments	...	...	...
Specific Purpose Payments	...	...	...
National Partnership Payments	2,607	3,804	4,068
Other Commonwealth Payments	10	...	...
Total	**2,617**	**3,804**	**4,068**
Other Grants and Subsidies	16	49	26
Total Capital Grants and Subsidies Revenue	**2,633**	**3,854**	**4,094**
Total Grants and Subsidies Revenue	**45,572**	**47,019**	**47,934**
Current Grants, Subsidies and Transfer Payments Expense to:			
State/Territory Government	10	0	0
Local Government [(a)]	3,122	2,958	2,273
Private and Not-for-Profit Sector[(a)]	12,716	12,582	11,826
Other Sectors of Government	8,530	7,758	8,168
Total Current Grants, Subsidies and Transfer Payments Expense	**24,378**	**23,298**	**22,267**
Capital Grants, Subsidies and Transfer Payments to:			
State/Territory Government	0	0	0
Local Government[(a)]	315	533	1,125
Private and Not-for-Profit Sector[(a)]	396	711	723
Other Sectors of Government	2,365	992	904
Total Capital Grants, Subsidies and Transfer Payments Expense	**3,076**	**2,235**	**2,752**
Total Grants and Subsidies Expense	**27,454**	**25,533**	**25,019**
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	6,748	5,992	6,830
Total Receipts	**6,748**	**5,992**	**6,830**
Current Transfer Payments to:			
Local Government	1,188	34	1,001
Private and Not-For-Profit Sector	5,560	5,958	5,829
Capital Transfer Payments to:			
Local Government	...	...	...
Private and Not-For-Profit Sector	...	...	...
Total Payments	**6,748**	**5,992**	**6,830**

(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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m
Dividend and Income Tax Revenue from the PNFC Sector	322	486	570
Dividend and Income Tax Revenue from the PFC Sector	161	189	216
Other Dividend Income	1,467	1,456	3,074
Total Dividend and Income Tax Equivalent Income	**1,950**	**2,131**	**3,860**

Table A1.7: General government sector expenses by function

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m
General public services[(a)]	12,954	13,282	13,654
Defence	...	...	...
Public Order and Safety	11,107	12,083	12,318
Economic Affairs	6,138	6,562	6,098
Environmental Protection	2,436	1,958	1,964
Housing and Community Amenities	2,255	2,440	2,801
Health	29,167	30,842	31,122
Recreation, Culture and Religion	1,691	1,526	1,648
Education	21,924	22,821	23,723
Social Protection	9,096	10,856	10,868
Transport	19,698	18,148	17,967
Total Expenses	**116,467**	**120,518**	**122,163**

(a) 2024-25 Budget includes a special appropriation of $177.9 million to the Treasurer for expenditure related to the Government’s conditional offer of an additional 0.5 per cent increase to salary and salary related allowances for eligible workers. There is also a $20 million appropriation to the Treasurer for the purposes of contingencies in relation to integrity agencies and a special appropriation of $322.7 million to the Treasurer for expenditure related to the Government’s response to State contingencies, expenditure related to the Government’s election commitments and essential services that is not otherwise covered by an appropriation under the *Appropriation Act 2024* or the *Appropriation (Parliament) Act 2024.*

Table A1.8: General government sector purchases of non-financial assets by function

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m
General public services	122	763	713
Defence	...	...	...
Public order and safety	711	798	1,635
Economic affairs	600	880	1,907
Environmental protection	17	262	459
Housing and community amenities	513	273	333
Health	2,340	2,828	2,621
Recreation, culture and religion	208	144	128
Education	2,656	2,685	2,640
Social protection	115	196	267
Transport	14,790	14,080	12,772
Total Purchases	**22,071**	**22,909**	**23,476**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m
Revenue from Transactions						
Grants and Subsidies	7,401	5,263	5,304	5,615	5,495	5,528
Sale of Goods and Services	7,989	8,739	9,079	10,120	10,693	11,335
Interest	144	200	123	94	77	72
Other Dividends and Distributions	21	21	21	21	21	21
Fines, Regulatory Fees and Other	639	756	821	1,312	1,582	1,794
Total Revenue from Transactions	**16,195**	**14,979**	**15,348**	**17,163**	**17,869**	**18,750**
Expenses from Transactions						
Employee	2,606	2,682	2,865	2,932	2,939	3,066
Personnel Services Expense	134	142	145	140	143	147
Superannuation						
Superannuation Interest Cost	38	51	45	42	42	41
Other Superannuation	262	283	314	328	334	342
Depreciation and Amortisation	2,833	3,459	4,095	4,325	4,513	4,583
Interest	1,043	1,382	1,623	1,810	1,999	2,149
Income Tax Equivalents	107	201	216	379	537	655
Other Operating Expense	6,171	6,554	6,632	6,876	7,058	7,239
Grants, Subsidies and Other Transfers	76	73	62	63	65	66
Total Expenses from Transactions	**13,270**	**14,826**	**15,997**	**16,896**	**17,630**	**18,289**
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	**2,925**	**153**	**(649)**	**267**	**239**	**460**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	0	(1)	(0)	(0)	(0)	(0)
Other Net Gains/(Losses)	(1,490)	(66)	(100)	(246)	(155)	(43)
Deferred Income Tax	(84)	(93)	(17)	(72)	(54)	(50)
Other	0	(4)	(3)	(3)	(3)	(3)
Other Economic Flows - included in Operating Result	**(1,573)**	**(164)**	**(120)**	**(321)**	**(213)**	**(96)**
Operating Result	**1,351**	**(12)**	**(769)**	**(54)**	**26**	**364**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**2,802**	**35,733**	**2,737**	**1,825**	**1,329**	**2,755**
Revaluations	3,118	35,663	2,749	2,022	2,356	2,801
Remeasurements of Post-Employee Benefits	158	220	66	(127)	(46)	22
Deferred Tax Direct to Equity	(495)	(131)	(78)	(70)	(65)	(68)
Other	20	(19)	0	...	(915)	...
Items that may be Reclassified Subsequently to Operating Result	**(9)**	**(0)**	**...**	**...**	**(0)**	**(0)**
Net Gain/(Loss) on Financial Instruments at Fair Value	(9)	...	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**2,792**	**35,733**	**2,737**	**1,825**	**1,329**	**2,755**
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**4,144**	**35,722**	**1,968**	**1,771**	**1,355**	**3,120**
Dividends Distributed	(333)	(324)	(395)	(628)	(463)	(446)
Net Equity Injections	(287)	(1,183)	(237)	915	450	...
Total Change in Net Worth	**3,524**	**34,214**	**1,337**	**2,059**	**1,342**	**2,673**
Key Fiscal Aggregates						
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**4,144**	**35,722**	**1,968**	**1,771**	**1,355**	**3,120**
Less: Net Other Economic Flows	(1,219)	(35,569)	(2,617)	(1,504)	(1,116)	(2,659)
Equals: Budget Result - Net Operating Balance	**2,925**	**153**	**(649)**	**267**	**239**	**460**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	5,515	5,857	7,653	8,732	8,617	8,026
Sales of Non-Financial Assets	(293)	(158)	(458)	(572)	(613)	(537)
Less: Depreciation	(2,833)	(3,459)	(4,095)	(4,325)	(4,513)	(4,583)
Plus: Change in Inventories	(70)	125	304	184	204	(12)
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(a)]	63	76	54	43	71	69
- Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	...	20	21	21	22	...
- Grant of Right to the Operator Model	...	...	...	...	...	...
- Other	411	430	417	425	436	448
Equals: Total Net Acquisition of Non-Financial Assets	**2,794**	**2,892**	**3,896**	**4,508**	**4,224**	**3,411**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**131**	**(2,739)**	**(4,544)**	**(4,241)**	**(3,985)**	**(2,951)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	5,578	5,954	7,728	8,796	8,709	8,095
Dividends Accrued[(b)]	333	324	395	628	463	446

(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 2023 Actual $m	June 2024 Revised $m	June 2025 Budget $m	June 2026 Forward Estimates $m	June 2027 $m	June 2028 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	4,134	3,153	2,201	1,426	1,175	759
Receivables	1,485	1,528	1,497	1,683	1,818	1,928
Investments, Loans and Placements						
Financial Assets at Fair Value	571	520	520	520	520	520
Other Financial Assets	785	791	783	703	636	639
Advances Paid	31	34	19	...	...	...
Tax Equivalents Receivable	73	59	66	62	69	71
Deferred Tax Equivalents Asset	42	45	45	46	46	46
Total Financial Assets	**7,121**	**6,130**	**5,130**	**4,439**	**4,264**	**3,963**
Non-Financial Assets						
Contract Assets	12	17	...	...	...	...
Inventories	634	759	1,063	1,247	1,451	1,439
Forestry Stock and Other Biological Assets	626	781	781	781	781	781
Assets Classified as Held for Sale	9	9	9	9	9	9
Investment Properties	611	640	629	629	1,079	1,079
Property, Plant and Equipment						
Land and Buildings	83,922	94,155	96,333	98,133	99,669	101,333
Plant and Equipment	4,210	5,822	6,474	7,067	7,500	7,532
Infrastructure Systems	50,092	75,261	78,489	83,414	86,622	91,212
Right-of-Use Assets	2,483	4,137	3,935	3,721	3,535	3,345
Intangibles	937	1,069	1,248	1,454	1,597	1,727
Other Non-Financial Assets	585	618	612	513	389	319
Total Non-Financial Assets	**144,123**	**183,267**	**189,573**	**196,968**	**202,633**	**208,776**
Total Assets	**151,244**	**189,397**	**194,702**	**201,407**	**206,896**	**212,739**
Liabilities						
Deposits Held	35	35	35	35	35	35
Payables	2,388	2,263	2,638	2,887	2,987	2,934
Contract Liabilities	143	86	98	95	114	86
Borrowings and Derivatives at Fair Value	3	3	3	3	3	3
Borrowings at Amortised Cost	31,905	35,990	39,441	43,488	47,414	50,516
Advances Received	297	282	267	250	232	215
Employee Benefits Liabilities	1,262	1,281	1,292	1,309	1,326	1,344
Superannuation Provision[(a)]	1,289	1,073	983	1,079	1,093	1,035
Tax Equivalents Payable	31	55	180	63	90	67
Deferred Tax Equivalent Provision	3,607	3,785	3,840	4,136	4,358	4,588
Other Provisions	710	673	678	915	755	753
Other Liabilities	342	424	465	305	305	305
Total Liabilities	**42,012**	**45,951**	**49,919**	**54,565**	**58,713**	**61,882**
NET ASSETS	**109,232**	**143,446**	**144,783**	**146,842**	**148,184**	**150,857**
NET WORTH						
Accumulated Funds	52,962	51,784	50,660	51,033	50,368	50,557
Reserves	56,270	91,662	94,124	95,810	97,815	100,300
TOTAL NET WORTH	**109,232**	**143,446**	**144,783**	**146,842**	**148,184**	**150,857**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**26,719**	**31,813**	**36,224**	**41,127**	**45,353**	**48,852**
Net Financial Liabilities[(c)]	**34,890**	**39,821**	**44,789**	**50,126**	**54,449**	**57,919**
Net Financial Worth[(d)]	**(34,890)**	**(39,821)**	**(44,789)**	**(50,126)**	**(54,449)**	**(57,919)**

(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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Cash Receipts from Operating Activities						
Sales of Goods and Services	7,978	9,046	9,396	10,036	10,936	11,956
Grant and Subsidies	7,395	5,265	5,292	5,605	5,491	5,524
Interest	118	174	94	64	45	39
Dividends and Income Tax Equivalents from Other Sectors	(11)	...	...	...	...	...
Other	1,728	1,334	1,616	2,913	2,980	3,055
Total Cash Receipts from Operating Activities	**17,208**	**15,819**	**16,398**	**18,618**	**19,453**	**20,574**
Cash Payments from Operating Activities						
Employee Related	(2,739)	(2,885)	(3,042)	(3,106)	(3,116)	(3,248)
Personnel Services	(285)	(309)	(334)	(336)	(346)	(358)
Superannuation	(278)	(271)	(382)	(400)	(408)	(419)
Payments for Goods and Services	(5,759)	(6,507)	(6,753)	(7,019)	(7,228)	(7,463)
Grants and Subsidies	(70)	(79)	(61)	(63)	(65)	(66)
Interest	(948)	(1,344)	(1,465)	(1,632)	(1,817)	(1,995)
Distributions Paid	(90)	(178)	(138)	(338)	(415)	(568)
Other	(1,435)	(1,088)	(1,047)	(1,957)	(1,834)	(1,745)
Total Cash Payments from Operating Activities	**(11,605)**	**(12,662)**	**(13,222)**	**(14,851)**	**(15,228)**	**(15,863)**
Net Cash Flows from Operating Activities	**5,603**	**3,157**	**3,176**	**3,767**	**4,224**	**4,711**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	292	158	458	572	613	537
Purchases	(5,490)	(5,843)	(7,288)	(8,509)	(8,613)	(8,112)
Net Cash Flows from Investments in Non-Financial Assets	**(5,198)**	**(5,684)**	**(6,830)**	**(7,937)**	**(8,000)**	**(7,575)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	0	0	15	14	0	0
Payments	(10)	(2)	0	0	0	0
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(10)**	**(2)**	**15**	**14**	**...**	**...**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	7	10	35	111	41	30
Purchase of Investments	(137)	...	...	...	...	...
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(131)**	**10**	**35**	**111**	**41**	**30**
Net Cash Flows from Investing Activities	**(5,339)**	**(5,677)**	**(6,780)**	**(7,812)**	**(7,958)**	**(7,545)**
Cash Flows from Financing Activities						
Advances (Net)	(31)	(31)	(30)	(31)	417	(31)
Proceeds from Borrowings	1,810	2,352	3,597	4,326	4,902	3,678
Repayment of Borrowings	(631)	(499)	(591)	(631)	(1,205)	(765)
Dividends Paid	(286)	(333)	(324)	(392)	(630)	(463)
Deposits (Net)	9	0	...	(0)	...	...
Other (Net)	(16)	(3)	0	(0)	(0)	(0)
Net Cash Flows from Financing Activities	**855**	**1,487**	**2,652**	**3,270**	**3,483**	**2,418**
Net Increase/(Decrease) in Cash Held	**1,120**	**(1,032)**	**(952)**	**(775)**	**(251)**	**(416)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	5,603	3,157	3,176	3,767	4,224	4,711
Net Cash Flows from Investments in Non-Financial Assets	(5,198)	(5,684)	(6,830)	(7,937)	(8,000)	(7,575)
Dividends Paid	(286)	(333)	(324)	(392)	(630)	(463)
Cash Surplus/(Deficit)	**119**	**(2,860)**	**(3,979)**	**(4,562)**	**(4,406)**	**(3,327)**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m
Revenue from Transactions						
Taxation	39,199	43,906	47,677	50,409	52,196	54,628
Grants and Subsidies	45,385	46,882	47,855	46,716	47,087	48,308
Sale of Goods and Services	14,563	15,677	16,588	17,867	18,714	19,665
Interest	525	720	632	506	518	477
Dividend and Income Tax Equivalents from Other Sectors	162	189	216	234	246	257
Other Dividends and Distributions	1,488	1,477	3,095	3,488	3,574	3,807
Fines, Regulatory Fees and Other	8,884	7,200	8,158	8,507	8,683	8,904
Total Revenue from Transactions	**110,207**	**116,050**	**124,220**	**127,727**	**131,017**	**136,047**
Expenses from Transactions						
Employee	45,085	48,776	50,622	51,828	53,637	55,414
Superannuation						
Superannuation Interest Cost	1,621	1,708	1,665	1,633	1,552	1,478
Other Superannuation	4,320	4,752	4,878	5,071	5,269	5,346
Depreciation and Amortisation	10,694	11,951	13,349	14,144	15,011	15,343
Interest	5,111	7,250	8,374	9,050	9,834	10,649
Other Operating Expense	31,220	31,234	30,453	29,959	30,044	31,923
Grants, Subsidies and Other Transfers	20,003	20,220	19,550	18,880	18,237	17,368
Total Expenses from Transactions	**118,052**	**125,892**	**128,891**	**130,567**	**133,585**	**137,521**
NET OPERATING BALANCE - SURPLUS/(DEFICIT)	**(7,845)**	**(9,842)**	**(4,671)**	**(2,840)**	**(2,568)**	**(1,474)**

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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 $m	2027-28 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(186)	(366)	(71)	(354)	(196)	(0)
Other Net Gains/(Losses)	727	1,739	662	304	845	933
Share of Earnings/Losses from Equity Investments (excluding Dividends)	(13)	(7)	(81)	(120)	(233)	(329)
Deferred Income Tax from Other Sectors	0	(0)	(0)	0	0	(0)
Other	(89)	(150)	(44)	(44)	(44)	(45)
Other Economic Flows - included in Operating Result	**438**	**1,216**	**467**	**(214)**	**371**	**559**
Operating Result	**(7,407)**	**(8,626)**	**(4,204)**	**(3,054)**	**(2,197)**	**(915)**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**43,489**	**52,512**	**7,183**	**(1,917)**	**306**	**6,209**
Revaluations	36,343	45,361	4,717	4,001	4,215	4,758
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	1,706	...	...	...	...	...
Remeasurements of Post-Employee Benefits	2,527	3,772	1,484	(1,973)	(483)	841
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	2,483	3,249	942	(3,984)	(2,550)	571
Deferred Tax Direct to Equity	0	0	(0)	(0)	0	0
Other	429	131	41	39	(876)	39
Items that may be Reclassified Subsequently to Operating Result	**(9)**	**(0)**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	(9)	(0)	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**43,480**	**52,512**	**7,183**	**(1,917)**	**306**	**6,209**
Total Change in Net Worth	**36,072**	**43,886**	**2,979**	**(4,971)**	**(1,891)**	**5,294**
Key Fiscal Aggregates						
Total Change in Net Worth	**36,072**	**43,886**	**2,979**	**(4,971)**	**(1,891)**	**5,294**
Less: Net Other Economic Flows	(43,918)	(53,728)	(7,650)	2,131	(677)	(6,769)
Equals: Budget Result - Net Operating Balance	**(7,846)**	**(9,842)**	**(4,671)**	**(2,840)**	**(2,568)**	**(1,474)**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	26,723	27,044	30,101	29,771	28,628	26,700
Sales of Non-Financial Assets	(661)	(435)	(1,137)	(1,623)	(3,101)	(920)
Less: Depreciation	(10,694)	(11,951)	(13,349)	(14,144)	(15,011)	(15,343)
Plus: Change in Inventories	(187)	21	425	(684)	303	(11)
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases[(a)]	95	1,149	850	837	912	871
- Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	827	916	357	253	112	...
- Grant of Right to the Operator Model	273	441	620	230	...	...
- Other	453	(249)	(855)	(594)	(639)	583
Equals: Total Net Acquisition of Non-Financial Assets	**16,830**	**16,936**	**17,012**	**14,045**	**11,205**	**11,880**
Equals: Net Lending/(Borrowing) [Fiscal Balance][(a)]	**(24,676)**	**(26,778)**	**(21,683)**	**(16,885)**	**(13,773)**	**(13,355)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(b)]	27,645	29,109	31,308	30,861	29,652	27,571

(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 2023 Actual $m	June 2024 Revised $m	June 2025 Budget $m	June 2026 Forward Estimates $m	June 2027 $m	June 2028 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	10,490	8,459	3,402	2,519	2,231	1,811
Receivables	12,277	14,034	13,188	13,210	13,218	13,237
Investments, Loans and Placements						
Financial Assets at Fair Value	48,954	50,319	51,633	52,187	52,951	55,446
Other Financial Assets	2,569	2,676	2,794	2,592	2,699	3,001
Advances Paid	671	694	829	992	1,170	1,263
Tax Equivalents Receivable	11	10	11	5	5	6
Deferred Tax Equivalents	(0)	1	9	15	15	15
Equity Investments						
Investments in Other Public Sector Entities	13,834	17,072	18,014	14,030	11,479	12,051
Investments in Associates	10,545	10,397	10,331	10,211	10,036	9,783
Other Equity Investments	15	15	15	15	15	15
Total Financial Assets	**99,367**	**103,678**	**100,226**	**95,775**	**93,820**	**96,627**
Non-Financial Assets						
Contract Assets	90	498	58	58	1,985	1,996
Inventories	1,722	1,547	2,024	2,267	2,570	2,563
Forestry Stock and Other Biological Assets	642	799	799	799	799	799
Assets Classified as Held for Sale	161	235	403	273	283	117
Investment Properties	611	640	629	629	1,079	1,079
Property, Plant and Equipment						
Land and Buildings	213,570	230,393	237,234	243,255	248,193	252,629
Plant and Equipment	19,419	21,310	22,171	22,553	23,381	23,024
Infrastructure Systems	255,000	297,634	310,350	322,700	330,910	343,720
Right-of-Use Assets	8,434	10,304	10,075	9,871	9,754	9,527
Intangibles	6,113	6,692	7,117	7,231	7,158	6,941
Other Non-Financial Assets	2,581	2,576	2,514	2,411	2,277	2,219
Total Non-Financial Assets	**508,343**	**572,629**	**593,375**	**612,048**	**628,390**	**644,614**
Total Assets	**607,710**	**676,307**	**693,601**	**707,823**	**722,209**	**741,242**
Liabilities						
Deposits Held	362	495	495	495	495	495
Payables	11,467	10,949	11,302	11,613	11,517	11,239
Contract Liabilities	989	873	877	875	898	872
Borrowings and Derivatives at Fair Value	20	14	13	13	12	12
Borrowings at Amortised Cost	163,336	189,786	204,452	220,444	234,507	249,051
Advances Received	492	440	392	353	313	270
Employee Benefits Liabilities	27,221	29,807	31,339	33,184	34,655	35,806
Superannuation Provision[(a)]	42,966	39,301	37,744	39,516	39,625	38,225
Deferred Tax Equivalent Provision	16,989	17,018	16,364	16,377	16,559	16,982
Other Provisions	21,909	21,779	21,800	21,101	21,667	21,034
Total Liabilities	**285,752**	**310,463**	**324,778**	**343,971**	**360,248**	**373,986**
NET ASSETS	**321,957**	**365,844**	**368,823**	**363,852**	**361,961**	**367,255**
NET WORTH						
Accumulated Funds	116,288	113,554	112,443	109,081	107,171	108,744
Reserves	205,669	252,290	256,380	254,770	254,790	258,511
TOTAL NET WORTH	**321,957**	**365,844**	**368,823**	**363,852**	**361,961**	**367,255**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**101,526**	**128,586**	**146,694**	**163,015**	**176,276**	**188,306**
Net Financial Liabilities[(c)]	**200,220**	**223,857**	**242,566**	**262,226**	**277,908**	**289,409**
Net Financial Worth[(d)]	**(186,386)**	**(206,785)**	**(224,552)**	**(248,196)**	**(266,428)**	**(277,359)**

(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

	2022-23 Actual $m	2023-24 Revised $m	2024-25 Budget $m	2025-26 Forward Estimates $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m
Cash Receipts from Operating Activities						
Taxation	39,300	43,806	47,715	50,461	52,224	54,656
Sales of Goods and Services	15,385	15,851	17,463	18,102	19,373	20,702
Grant and Subsidies	45,057	46,471	47,928	46,594	46,447	48,287
Interest	434	633	534	414	406	360
Dividends and Income Tax Equivalents	148	218	194	220	237	249
Other	15,581	11,024	11,612	12,250	12,638	12,180
Total Cash Receipts from Operating Activities	**115,905**	**118,003**	**125,445**	**128,040**	**131,325**	**136,434**
Cash Payments from Operating Activities						
Employee Related	(42,547)	(46,740)	(49,501)	(50,667)	(52,730)	(54,687)
Superannuation	(5,415)	(6,301)	(6,617)	(6,906)	(7,194)	(7,383)
Payments for Goods and Services	(29,804)	(30,947)	(31,421)	(30,560)	(30,457)	(32,143)
Grants and Subsidies	(18,839)	(19,497)	(18,075)	(17,213)	(16,547)	(16,738)
Interest	(3,963)	(5,542)	(6,333)	(6,877)	(7,670)	(8,547)
Other	(10,131)	(7,775)	(5,744)	(6,270)	(6,269)	(5,542)
Total Cash Payments from Operating Activities	**(110,699)**	**(116,803)**	**(117,692)**	**(118,492)**	**(120,868)**	**(125,041)**
Net Cash Flows from Operating Activities	**5,206**	**1,200**	**7,753**	**9,547**	**10,458**	**11,393**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	571	721	1,556	1,841	3,193	1,028
Purchases	(27,487)	(26,741)	(29,326)	(29,464)	(28,669)	(26,944)
Net Cash Flows from Investments in Non-Financial Assets	**(26,916)**	**(26,020)**	**(27,770)**	**(27,623)**	**(25,476)**	**(25,916)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	117	85	128	129	58	217
Payments	(137)	(217)	(276)	(146)	(70)	(123)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(21)**	**(132)**	**(148)**	**(17)**	**(13)**	**94**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	4,848	3,485	3,514	4,003	3,464	1,904
Purchase of Investments	(3,432)	(1,630)	(1,122)	(380)	(419)	(396)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**1,416**	**1,855**	**2,392**	**3,623**	**3,044**	**1,508**
Net Cash Flows from Investing Activities	**(25,521)**	**(24,298)**	**(25,526)**	**(24,017)**	**(22,445)**	**(24,314)**
Cash Flows from Financing Activities						
Advances (Net)	(78)	(26)	(21)	14	476	(15)
Proceeds from Borrowings	30,267	23,434	14,432	16,058	14,080	14,517
Repayment of Borrowings	(5,608)	(2,525)	(1,698)	(2,488)	(2,859)	(2,004)
Deposits (Net)	(17)	133	1	(0)	...	...
Other (Net)	0	0	0	0	0	0
Net Cash Flows from Financing Activities	**24,564**	**21,017**	**12,714**	**13,584**	**11,696**	**12,499**
Net Increase/(Decrease) in Cash Held	**4,250**	**(2,081)**	**(5,059)**	**(885)**	**(291)**	**(422)**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	5,206	1,200	7,753	9,547	10,458	11,393
Net Cash Flows from Investments in Non-Financial Assets	(26,916)	(26,020)	(27,770)	(27,623)	(25,476)	(25,916)
Cash Surplus/(Deficit)	**(21,710)**	**(24,820)**	**(20,017)**	**(18,076)**	**(15,018)**	**(14,522)**

A2. TAX EXPENDITURE AND CONCESSIONAL CHARGES STATEMENT

The Tax Expenditure and Concessional Charges Statement provides estimates of revenue forgone from tax expenditure and concessional charges.

A tax expenditure refers to favourable tax treatment granted to certain individuals, groups, or organisations to support policy objectives. This may take the form of specific tax exemptions, allowances and deductions, reduced tax rates, deferral of tax liabilities or tax credits. The revenue forgone is estimated by measuring 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.

A concessional charge refers to lower fees or service charges provided to certain users for goods and services provided by government agencies to achieve 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. The revenue forgone is estimated with reference to the fee or charge that is payable by the wider community.

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 represent the additional revenues that could be expected if the concessional treatment was 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 different in their absence.

This Appendix is structured as follows:

- Section A2.1 provides an overview of total tax expenditures and concessions for 2024-25
- Section A2.2 provides tax expenditure estimates, including a breakdown by taxation line
- Section A2.3 provides a distributional analysis of certain tax expenditures
- Section A2.4 provides estimates of concessional charges, including a breakdown by policy function line.

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. 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.

A2.1 Overview

In 2024-25, total tax expenditures and concessions provided by the NSW Government are estimated at $13.9 billion, equivalent to 11.7 per cent of total NSW revenue.

This comprises:

- $11.2 billion in tax expenditures and
- $2.7 billion in concessional charges.

A2.2 Tax expenditures

Overview of tax expenditures

Table A2.1 provides a summary of the total estimated 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 2022-23, 2023-24 and 2024-25. The total value of major quantifiable tax expenditures is an estimated $11.2 billion or 23.1 per cent of taxation revenue in 2024-25.

Table A2.1: Major tax expenditures by type

	2022-23		2023-24		2024-25	
Tax	Tax Exp. $m	Tax Exp. as % of tax revenue	Tax Exp. $m	Tax Exp. as % of tax revenue	Tax Exp. $m	Tax Exp. as % of tax revenue
Transfer Duty	934	9.6	1,068	9.2	2,112	16.3
General and Life Insurance Duty	1,304	89.0	1,405	90.5	1,476	89.8
Payroll Tax	3,392	29.4	3,646	29.5	3,921	30.3
Land Tax	1,446	24.1	1,640	23.3	1,787	21.8
Taxes on Motor Vehicles	636	22.9	689	22.2	698	20.7
Gambling and Betting Taxes	1,025	30.4	1,037	29.9	1,093	30.2
Parking Space Levy	93	97.5	86	76.1	91	76.5
Total	8,830	22.2	9,571	21.5	11,179	23.1

Table A2.2 shows a breakdown of the total value of tax expenditures for the financial years 2022-23, 2023-24, and 2024-25, by the broad category of recipient obtaining the benefit of the tax exemption.

Table A2.2: Tax expenditure by primary recipient category

	2022-23		2023-24		2024-25	
Primary recipient category	Tax Exp. $m	Per cent of total %	Tax Exp. $m	Per cent of total %	Tax Exp. $m	Per cent of total %
Individuals / families	1,565	17.7	1,776	18.6	2,231	20.0
Government / public entities	1,727	19.6	1,864	19.5	1,959	17.5
Charitable / non-profit organisations / clubs	2,692	30.5	2,820	29.5	2,944	26.3
Rural	1,144	13.0	1,384	14.5	1,390	12.4
Business	989	11.2	963	10.1	1,839	16.5
Pensioners / concession card holders / disadvantaged	614	7.0	655	6.8	701	6.3
Religious institutions	99	1.1	109	1.1	115	1.0
Total	8,830	100.0	9,571	100.0	11,179	100.0

Policy changes relating to tax expenditures

The 2024-25 Budget includes the below policy measure for a new tax expenditure.

- Bulk-Billing Support Initiative. The Government will exempt past, unpaid payroll tax liabilities for payments made to general practitioner (GP) contractors up to 4 September 2024. From 4 September 2024, GP clinics centres that meet requisite bulk-billing thresholds will be eligible for a payroll tax rebate associated with payments to contractor GPs.

Table A2.3 sets out the top 10 tax expenditures by recipient category, based on the estimated sum of tax expenditures for the financial years 2022-23, 2023-24, and 2024-25. The table also indicates the tax expenditures for which distributional analysis is presented in Section A2.3 *Distributional analysis of tax expenditures.*

Table A2.3: Top 10 tax expenditures

#	Tax Expenditure	Tax	Category of primary recipient	2022-23 ($m)	2023-24 ($m)	2024-25 ($m)	Distributional analysis included
1	Payroll tax exemption to non-profit charitable institutions	Payroll tax	Charitable / non-profit organisations / clubs	1,545	1,658	1,729	
2	Land tax exemption granted for land used for primary production	Land tax	Rural	993	1,129	1,229	Yes
3	Payroll tax exemption to public hospitals, Local Health Districts and Ambulance Service of NSW	Payroll tax	Government / public entities	1,000	1,069	1,109	
4	Concessional taxes for gaming machines installed in clubs	Gambling and betting taxes	Charitable / non-profit organisations / clubs	953	964	1,016	Yes
5	First Home Buyer Assistance Scheme	Transfer duty	Individuals / families	390	571	969	Yes
6	General insurance duty exemption for workers compensation premiums	General insurance duty	Business	362	414	438	
7	Concessional rates for Type B general insurance	General insurance duty	Individuals / families	363	384	407	
8	Vehicle weight tax exemption to selected social security recipients	Vehicle weight tax	Pensioners / concession card holders / disadvantaged	342	349	368	
9	Payroll tax exemption to not-for-profit schools and colleges	Payroll tax	Government / public entities	327	356	374	
10	Payroll tax exemption to local councils	Payroll tax	Government / public entities	278	297	309	

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.

Under the benchmark tax base, fixed or nominal duties are imposed on various transactions, including duplicates of instruments and certain transfers eligible for concessional duty rates (such as transfers related to trusts, superannuation, and deceased estates). Effective from 1 February 2024, the fixed duty charges of $10 increased to $20, charges of $50 increased to $100 (excluding those associated with Managed Investment Schemes, which have risen to $500), and charges of $500 increased to $750.

Surcharge purchaser duty applies to purchases of residential land by foreign persons at a rate of 8 per cent. From 1 January 2025, the surcharge purchaser duty rate will increase to 9 per cent.

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. Exemptions that fall under this category 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.

Table A2.4: Transfer duty – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $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*.	73	71	64
Government / public entities			
Councils and county councils The transfer of property to a council or county council is exempt under the *Local Government Act 1993*.	27	34	49
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 a concession rate applied to land valued between $350,000 and $450,000.	390	571	969
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.	58	52	58
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)*.	136	117	149

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

	2022-23 $m	2023-24 $m	2024-25 $m
Purchases by tenants of Housing NSW and Aboriginal Housing Office An exemption is provided for purchases of a principal place of residence.	...	1	2
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.	129	...	...
Corporate reconstructions Prior to 1 February 2024, corporate reconstruction transactions were 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.	...[(a)]	...[(a)]	694
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.	106	67	69
Interest in a primary producer Acquisition of an interest in a primary producer that is not 'land rich'.	15	155	58

(a) Historical figures are zero, because prior to 1 February 2024, exemption to these transactions was considered to be part of the underlying structure of transfer duty.

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

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

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 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
- 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.

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 A2.5: General insurance duty – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $m
Business			
Exemption for workers compensation premiums	362	414	438
Marine and cargo insurance An exemption is provided for marine insurance covering hulls of commercial ships and cargo carried by land, sea, or air.	11	11	12
Small business exemptions An insurance duty exemption is provided to small businesses for commercial vehicles, commercial aviation, professional indemnity, and product and public liability.	85	90	95
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).	363	384	407
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.*	199	203	208

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.

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 five 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 A2.6: Life insurance duty – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $m
Individuals/ families			
Superannuation			
An exemption is granted to all group superannuation investment policies that benefit more than one member.	251	268	279
Annuities			
An exemption is granted to annuities.	33	35	37

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 the vehicle's value over $45,000 for vehicles valued at $45,000 or more.

Table A2.7: Motor vehicle stamp duty – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $m
Business			
New demonstrator motor vehicle An exemption is granted to licensed motor dealers and wholesalers under the *Motor Dealers Act 1974.*	78	104	112
Individuals / families			
Caravans and camper trailers An exemption is provided for transfers of registration of caravans and camper trailers.	62	82	87
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.	3	4	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.	13	13	14
Electric and hydrogen vehicles An exemption was available for certain electric vehicles and hydrogen fuel cell vehicles purchased between 1 September 2021 and 31 January 2023.	42	31[(a)]	... [(a)]
Government / public entities			
Local councils An exemption is granted for the transfer of registration into the name of a local council, not for a trading undertaking.	9	11	12
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	1
Charitable / non-profit organisations / clubs			
Charitable institutions An exemption is granted to non-profit organisations that have a charitable, benevolent, patriotic, or philanthropic purpose.	6	6	7
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

(a) Transitional arrangements apply to people who purchased or placed a deposit on their vehicle before or on 31 December 2023, to receive an exemption upon application. The estimates for 2023-24 are based on the actual number of exemptions granted to 31 May 2024, and an estimated number of exemptions for the month of June 2024 based on the average between February 2024 and May 2024. Future tax expenditures have not been estimated as there is insufficient data to estimate the number of vehicles that would be eligible and apply for the transitional arrangements going forward.

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 250kg 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.

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 is 5.45 per cent.

Table A2.8: Payroll tax – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $m
Business			
Bulk Billing Support Initiative From 4 September 2024, a new payroll tax rebate will be available to medical centres in respect of contractor GP wages, if they meet specified bulk-billing thresholds. Past payroll tax liabilities of medical centres with respect to contractor general practitioner wages that have been incurred but unpaid up to 4 September 2024 are exempt.	...	...	122
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 New South Wales or 20 net new jobs in non-metropolitan New South Wales.	4	9	9
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.	57	64	68
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.	46	49	51
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.	39	41	43
Redundancy payments An exemption is provided for the Australian Government tax-free part of a genuine redundancy or approved early retirement scheme payment.	5	5	5
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.	1,545	1,658	1,729
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.	23	25	26

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

	2022-23 $m	2023-24 $m	2024-25 $m
Government / public entities			
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.	1,000	1,069	1,109
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*.	278	297	309
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 New South Wales) which provide education at or below, but not above, the secondary level of education.	327	356	374
Religious institutions An exemption is granted for wages paid to persons engaged exclusively in work of a kind ordinarily performed by religious bodies.	68	73	76

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 non-diplomatic 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.

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 2024 land tax year is $100 plus 1.6 per cent of the land value between the thresholds of $1,075,000 and $6,571,000, and $88,036 plus 2 per cent of land value thereafter. From the 2025 land tax year, the land tax thresholds will be permanently frozen at the 2024 amounts.

Surcharge land tax applies to residential land owned by foreign persons at the rate of 4 per cent per year. From the 2025 land tax year surcharge land tax will increase to 5 per cent per year. The benchmark tax base for surcharge land tax excludes certain commercial residential property.

Table A2.9: Land tax – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $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.	20	23	25
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.	6	7	8
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*.	22	25	28
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*.	10	11	12
Government / public entities			
Cemeteries and crematoriums An exemption is provided for land owned by or in trust for use as a cemetery or crematorium.	35	39	43
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.	44	50	55

Table A2.9: Land tax – major tax expenditures (cont)

	2022-23 $m	2023-24 $m	2024-25 $m
Individuals / families			
Early payment discount A discount is available where the full amount of land tax is paid within 60 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.	15	16	17
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.	252	286	311
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.	16	17	18
Low-cost rental accommodation An exemption is provided for low-cost rental accommodation within a 5km radius of 1 Martin Place, Sydney.	2	1	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.	31	36	39
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.	993	1,129	1,229

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.

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 Returned & Services League of Australia (New South Wales Branch), being Anzac House.

A concession is provided for unoccupied flood-liable land.

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 2024, 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:

- $255 (0 – 975 kg) to $1,397 (4,325 - 4,500 kgs) for private use vehicles
- $411 (0 – 975 kg) to $2,328 + $314 (4,325 - 4,500 kgs) for business use vehicles.

From 1 January 2024, charges for trailers and caravans up to 4.5 tonnes Gross Vehicle Mass are based on a 14-step graduated weight scale, ranging from:

- $0 (0 – 254 kg) to $1,397 (4,325 - 4,500 kgs) for private use vehicles
- $126 (0 – 254 kg) to $2,328 (4,325 - 4,500 kgs) for business use vehicles.

Table A2.10: Vehicle weight tax – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $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.	40	45	48
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 entities			
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* (Clth).	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.	342	349	368
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.	30	33	34

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 NSW Department of Education.

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.

Table A2.11: Gambling and betting taxes – major tax expenditures[(a)]

	2022-23 $m	2023-24 $m	2024-25 $m
Charitable / non-profit organisations / clubs			
Club gaming machines			
Gaming machines installed in clubs registered under the *Registered Clubs Act 1976* are taxed at lower rates than gaming machines installed in hotels.	953	964	1,016
Registered clubs may receive a tax rebate on eligible ClubGRANTS expenditure of up to 1.85 per cent of a club's gaming machine profits over $1 million during a tax year.	72	73	77

(a) In previous years, the tax expenditure from concessional rates for registered clubs and the ClubGRANTS tax rebate available to eligible clubs was combined in the major tax expenditures. This year, the ClubGRANTS tax rebate has been excluded from the benchmark for the club tax concessions and added as a separate tax expenditure.

Gambling and betting taxes – other tax expenditures[2]

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

Parking space levy

The benchmark tax base 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.

[2] Items listed under the 'other tax expenditures' heading are those where there is insufficient data available on which to base a reliable estimate.

Table A2.12: Parking space levy – major tax expenditures

	2022-23 $m	2023-24 $m	2024-25 $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.	82	74	78
Additional exempt parking spaces in Category 1 and 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	12	13

A2.3 Distributional analysis of tax expenditures

This section provides information on the types of recipients or transactions that benefit from large tax expenditures, to provide an indication of how the benefits of these tax expenditures are distributed. The analysis presented in this section is intended to enhance the transparency with regards to the distribution of tax expenditures across different recipient groups.

The scope of distributional analysis is limited by the availability of data. The NSW Government generally does not collect information on the individuals that benefit from tax expenditures, and therefore is unable to undertake distributional analysis according to income levels and other factors such as gender, age and occupation.

Distributional analysis is presented for the following three tax expenditures (where there is sufficient data to provide meaningful analysis):

- land tax exemption for land used for primary production
- concessional tax rates for gaming machines installed in clubs
- the First Home Buyers Assistance Scheme.

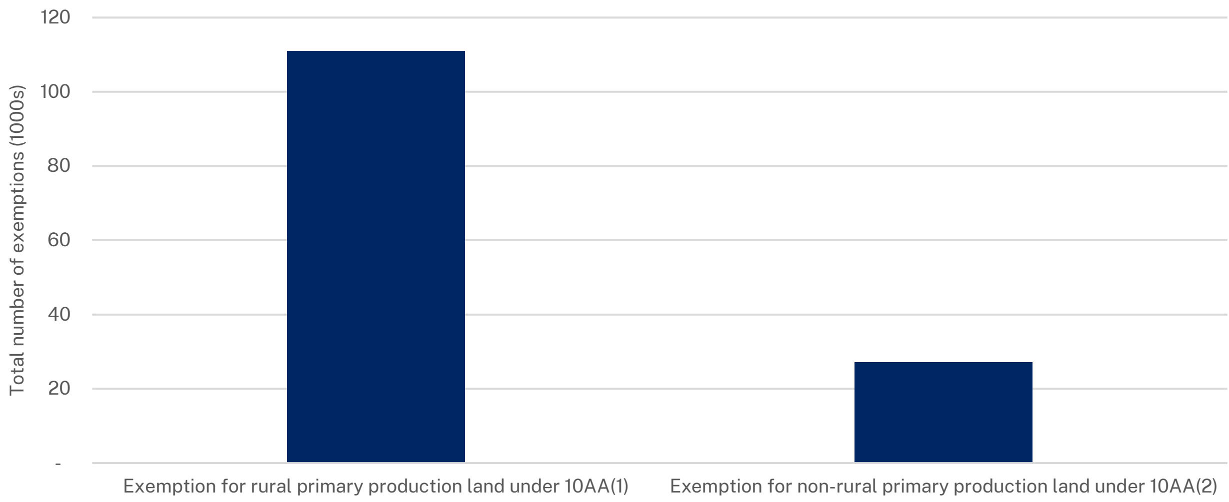
Land tax exemption for land used for primary production

Under Section 10AA of *Land Tax Management Act 1956* (the Act), primary production land is generally exempt from land tax. Section 10AA(1) specifies that rural land used for primary production is exempt from land tax. Under Section 10AA(2), non-rural land used for primary production is also exempt if it is used for significant commercial purposes and aims to make a profit on a continuous basis.

For the 2024 land tax year,[3] more than 138,100 exemptions were claimed under the Act. Roughly 80 per cent of these exemptions were granted to rural land under section 10AA(1). The remaining 20 per cent of exemptions were claimed for non-rural land under section 10AA(2). Chart A2.1 below shows the distribution of the tax exemption by rural and non-rural primary production land.

[3] Land tax is levied on the owners of land in New South Wales as at 31 December of each year. For land tax year 2024, the assessment of land tax liability is based on land holdings as of 31 December 2023.

Chart A2.1: Total number of primary production land tax exemption by exemption type, 2024



Tax concessions for gaming machines located in registered clubs

Registered clubs in New South Wales pay concessional rates of tax on their gaming machine profits compared to the tax rates levied on hotel gaming machine profits. Tax rates for clubs and hotels are based on a progressive scale depending on the level of annual profits from gaming machines.

Chart A2.2 shows the proportion of the total value of the tax concession provided to clubs by annual gaming machine profit bands (left axis) and the proportion of clubs within each of the annual gaming machine profit bands (right axis) for 2022-23 (the chart does not include the ClubGRANTS tax rebate). It shows that five per cent of clubs (not including clubs with nil or negative gaming machine profits) receive about half of the total concession provided to clubs of around $485.3 million. Clubs with gaming profits less than $200,000 do not receive any concession as both clubs and hotels do not pay tax on gaming machine profits below $200,000.

Chart A2.2: Proportion of total concessions and proportion of total number of clubs by annual gaming machine profit, 2022-23[4]

[4] Data only includes clubs with positive gaming machine profits

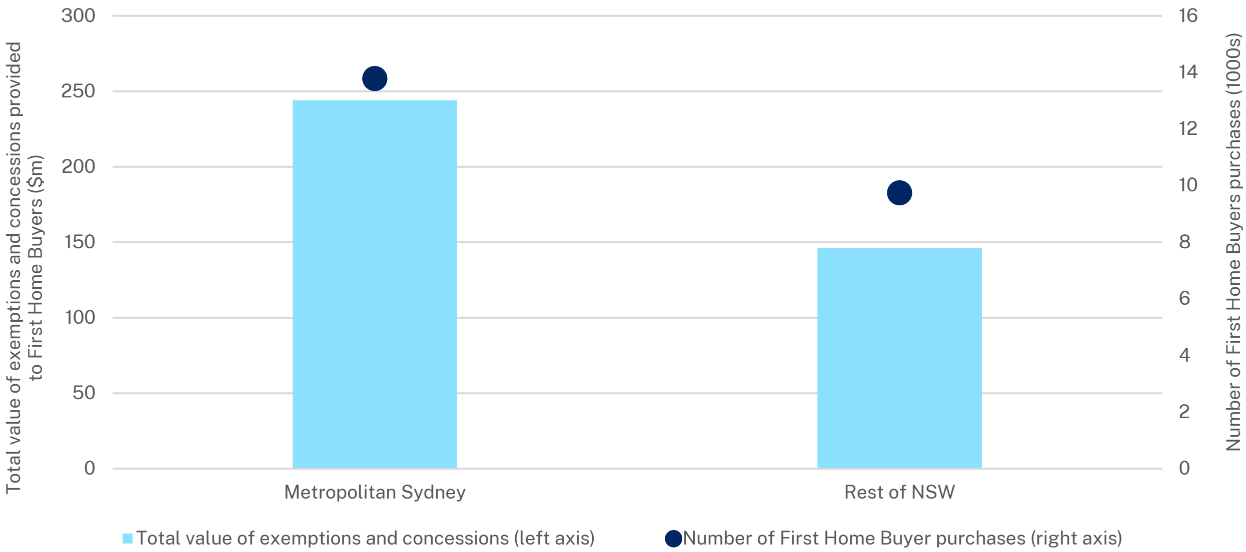
First Home Buyers Assistance Scheme

Under the First Home Buyers Assistance Scheme (FHBAS) in 2022-23, eligible first home buyers were provided a full exemption from transfer duty when purchasing a new or existing home valued up to $650,000, and a concessional rate of transfer duty when purchasing a home valued between $650,000 and $800,000. For vacant land intended to build a home, first home buyers received an exemption for land valued up to $350,000, and a concessional rate applied to land valued between $350,000 and $450,000.

In 2022-23, more than 23,500 first home transactions in New South Wales received transfer duty exemptions and concessions, amounting to around $390 million, with an average value of around $16,600.

Chart A2.3 shows the distribution of the tax exemptions and concessions under the FHBAS between metropolitan Sydney and the rest of New South Wales. Of the total exemptions and concessions under the FHBAS, first home buyer purchases in metropolitan Sydney received 59 per cent (totalling $244 million) and those in the rest of New South Wales received 41 per cent (totalling $146 million).

Chart A2.3: Distribution of First Home Buyers Assistance Scheme exemptions and concessions in metropolitan Sydney and the rest of New South Wales, 2022-23

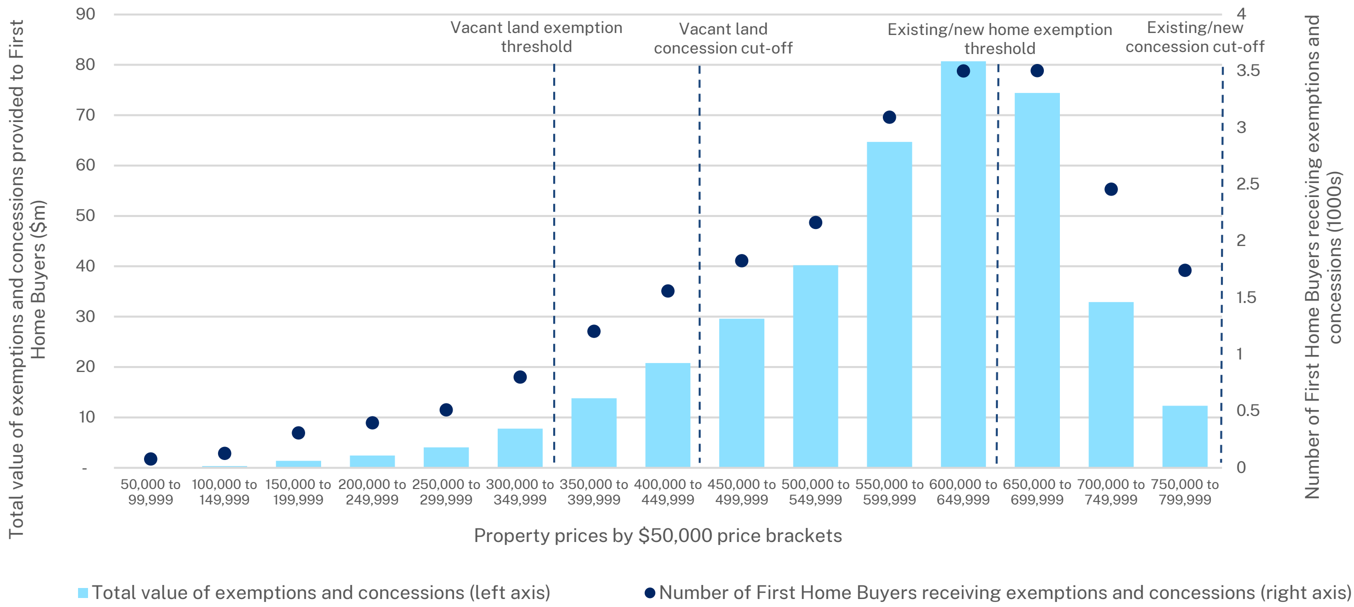


Note: Categorisation by geographical area is based on Local Government Areas (LGAs) based on classifications of the NSW Office of Local Government. Metropolitan Sydney includes LGAs classified as 'Metropolitan' and 'Metropolitan Fringe', which includes Blue Mountains and Central Coast.

Chart A2.4 below shows the distribution of the tax exemptions and concessions across property prices by $50,000 bands. First home buyer purchases valued between $600,000 and $650,000 received the greatest share of transfer duty exemptions and concessions by $50,000 bands in 2022-23, where approximately 3,500 first home buyer transactions obtained exemptions with a total value of $80.7 million.

The second largest band was first home buyer purchases valued between $650,000 and $700,000 where approximately 3,500 first home buyers received a total of $74.4 million in concessions.

Chart A2.4: Total value of exemptions and concessions for first home buyer purchases across different price brackets in New South Wales, 2022-23



Note: The above chart is for 2022-23, as it is the last financial year for which a full year of actuals data is available. From 1 July 2023, the transfer duty exemption threshold increased from $650,000 to $800,000 and the concessional transfer duty threshold increased from $800,000 to $1 million.

A2.4 Concessional charges

Overview of concessional charges

Table A2.13 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 $2.7 billion in 2024-25.

Table A2.13: Concessions by function

Function	2022-23 $m	2023-24 $m	2024-25 $m
Public Order and Safety	17	17	17
Education	821	801	781
Health	330	343	360
Transport	678	955	942
Housing and Community	526	567	564
Social Protection	11	13	15
Economic Affairs	15	11	13
Recreation, Culture and Religion	10	8	5
Environmental Protection	11	12	11
Total	2,418	2,725	2,708

The following sections provide a breakdown by policy function line. Details of 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.

Public order and safety

Table A2.14: Public order and safety – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Pensioners / concession card holders / disadvantaged			
Court interpreting and translation services Multicultural NSW provides translation and interpreting services in NSW courts.	8	9	9
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 entities			
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.	6	5	5

Education

Table A2.15: Education – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Individuals / families			
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.	608	626	653
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.	91	99	98
Smart and Skilled – VET concessions and exemptions			
Skilling for Recovery – Additional full qualifications fee free training places.	9	2	1
Skilling for Recovery – Additional fee gap on existing full qualification training places.	24	9	5
NSW Fee Free Tranche 1 – Existing fee free full qualification and part qualification.	89	50	...[(a)]
NSW Fee Free Tranche 2 – Existing fee free full qualification and part qualification.	...[(b)]	16	24

(a) Nil in 2024-25 given that NSW Fee Free Tranche 1 concession reach completion in 2023-24.
(b) Nil in 2022-23 given that NSW Fee Free Tranche 2 commenced early 2024.

Health

Table A2.16: Health – major concessions

	2022-23 $m	2023-24 $m	2024-25 $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.	242	274	287
Ambulance service for COVID affected patients From March 2020, free ambulance treatment and/or transport for suspected COVID or COVID vaccination reactions.	8	3	2
Ambulance service for corrective services Free ambulance transport is provided for patients being transferred to or from a correctional institution.	1	1	1
Ambulance service for police custody Free ambulance transport is provided for patients in police custody.	3	4	4
Ambulance service provided under Section 20, *Mental Health Act 2007* Free ambulance transport is provided to patients experiencing mental illness.	6	7	9
Ambulance service provided under Section 22, *Mental Health Act 2007*, Free ambulance transport is provided to patients experiencing mental illness.	5	7	7
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	2	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	8	9
Concessional car parking fees at NSW public hospitals Eligible for patients who are required to attend a hospital facility for a course of treatment, those who hold specific concessions cards, and for carers of long-term patients who visit frequently.	15	15	16
Rapid Antigen Testing Concessional Access Program Free Rapid Antigen Tests (RAT) were available to eligible Australian Government Concession card holders. This commenced on 24 January 2022 and ended on 31 July 2022. The program allowed eligible concession card holders to access up to 20 RATs over this period (no more than 5 per month).	19	...	...
Life Support Rebate Assistance is provided for households that use electricity to run equipment to sustain life.	11	12	14
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	2
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.	5	6	6

Transport

Table A2.17: Transport – major concessions

	2022-23 $m	2023-24 $m	2024-25 $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.	235	269	289
Driver's Licence – Selected social security recipients 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.	26	34	62
Taxi Transport Subsidy Scheme To provide transport support for NSW residents who cannot use public transport because of a severe and permanent disability.	42	42	43
Commonwealth 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.	89	95	96
Motor Vehicle Registration Fees - Selected social security recipients An exemption is granted to holders of Pensioner Concession Cards, Department of Veterans' Affairs (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 substantially for social or domestic purposes.	60	61	63
Individual / families			
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	215	39
Weekly Toll Cap and Truck Multiplier Relief From 1 January 2024, a two-year toll relief program for private motorists and truck drivers, with the introduction of:			
a) $60 weekly cap for NSW residents who spend more than $60 on eligible toll roads	0	120	257
b) a one third toll rebate for heavy vehicles using the M5 and M8 tunnels.	0	12	24

Table A2.17: Transport – major concessions (cont)

	2022-23 $m	2023-24 $m	2024-25 $m
Motor Vehicle Tax – Low Emission Vehicles Transport for NSW provides owners of vehicles with low emissions a concession on motor vehicle tax.	7	8	13
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.	25	19	...[(a)]
Opal Card Travel Cap From 1 July 2019, adults are eligible for a $50 weekly cap, and child/youth and concession Opal customers for a $25 weekly cap respectively on all travel by trains, buses, ferries and light rails in New South Wales.	20	49	52
Rural			
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.	102	30	3[(b)]
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	0	0

(a) The Fair Go for Safe Drivers concession ended as of February 2024.
(b) Program closed. Existing cardholders can continue to use their travel card until it expires.

Transport – minor concessions (< $1 million)

- Transport for NSW 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).
- NSW 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. The course combines theory and practical lessons for eligible drivers under 25 years old and includes 20 hours of logbook credit on completion.
- Large Towed Recreational Vehicle Toll Rebates are given on Sydney motorways to drivers towing certain privately registered caravans, boats, and horse floats (in line the toll charge to those travelling in a regular car). The rebate is capped at eight tolled trips per monthly billing period.

Housing and community

Table A2.18: Housing and Community – major concessions

	2022-23 $m	2023-24 $m	2024-25 $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.	14	18	13
Crown rent rebates and waivers Parties that are eligible for concessions include community groups, registered clubs, local councils providing services at no charge on their holding and eligible pensioners. The concession aims to support activities that provides benefits to local environment, community, protection of Aboriginal cultural heritage values or economy.	2	3	3
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	16	16	17
• Hunter Water Corporation	2	2	3
• 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.	219	231	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.	116	123	130
• Hunter Water pensioners receive concessions on water, sewerage, and stormwater service charges.	15	16	18
Local council rates concession Local council rates are reduced for holders of Pensioner Concession Cards.	72	73	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.	22	33	24
Family Energy Rebate Energy bill rebates are available to families with dependent children who have received the Family Tax Benefit.	5	5	8

Table A2.18: Housing and Community – major concessions (cont)

	2022-23 $m	2023-24 $m	2024-25 $m
Gas Rebate A rebate is provided to eligible households to assist with gas bills.	31	32	31
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.	9	12	11

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

- Department of Planning, Housing and Infrastructure 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 provide concessions on water, sewerage, and drainage charges to eligible customers.

Social protection

Table A2.19: Social protection – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Individuals / families			
Working with Children Check concession Volunteers, students on a professional placement, potential adoptive parents or authorised carers are entitled to free Working with Children Checks.	11	13	15

Economic affairs

Table A2.20: Economic affairs – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Pensioners / concession card holders / disadvantaged			
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.[(a)]	6	2	4

(a) In 2022-23 the Jobs for NSW Fund funded subsidies for July-September only.

Recreation, culture and religion

Table A2.21: Recreation, culture, and religion – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Pensioners / concession card holders / disadvantaged			
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.	3	3	3
Individuals / families			
Museum of Applied Arts and Sciences			
The Museum of Applied Arts and Sciences provides free general admission into the Ultimo Powerhouse.	6	4	1
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 New South Wales 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 New South Wales, 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.

Environmental protection

Table A2.22: Environmental protection – major concessions

	2022-23 $m	2023-24 $m	2024-25 $m
Pensioners / concession card holders / disadvantaged			
Entry fee to national parks Holders of Pensioner Concession Cards, seniors, volunteers, and community groups receive free or discounted entry to national parks.	11	12	11

A3. VARIATION DETAILS OF APPROPRIATIONS DURING 2023-24

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 2023-24 reporting period.

Table A3.1: Details of appropriations affected by transfer of functions between Ministers or GSF agencies during 2023-24

	Sec. 4.9 GSF Act Amount $'000
Attorney General	
Net appropriation transfer to Department of Communities and Justice	141,503
Total – Attorney General	**141,503**
Minister for Climate Change	
Net appropriation transfer to Department of Climate Change, Energy, the Environment and Water	3,777,086
Total – Minister for Climate Change	**3,777,086**
Minister for Customer Service and Digital Government	
Net appropriation transfer from Department of Customer Service	(3,395)
Total – Minister for Customer Service and Digital Government	**(3,395)**
Minister for Health	
Net appropriation transfer to Ministry of Health	4,500
Total – Minister for Health	**4,500**
Minister for Jobs and Tourism	
Net appropriation transfer from Department of Enterprise, Investment and Trade	(6,045)
Total – Minister for Jobs and Tourism	**(6,045)**
Minister for Planning and Public Spaces	
Net appropriation transfer from Department of Planning, Housing and Infrastructure	(1,612,732)
Total – Minister for Planning and Public Spaces	**(1,612,732)**
Minister for Regional New South Wales	
Net appropriation transfer from Department of Regional NSW	(3,901)
Total – Minister for Regional New South Wales	**(3,901)**
Premier	
Net appropriation transfer to Premier's Department	19,268
Net appropriation transfer from The Cabinet Office	(16,828)
Total – Premier	**2,440**
Treasurer	
Net appropriation transfer from Treasury	(2,299,456)
Total – Treasurer	**(2,299,456)**
TOTAL – SECTION 4.9 GSF ACT	**0**

Table A3.2: Variation details of annual appropriations for Commonwealth Grants during 2023-24

	Sec. 4.11 GSF Act Amount $'000
Attorney General	
Department of Communities and Justice	
Commonwealth Funding Adjustment	44,926
Total – Department of Communities and Justice	**44,926**
Total – Attorney General	**44,926**
Deputy Premier	
Department of Education	
Commonwealth Funding Adjustment	169,077
Total – Department of Education	**169,077**
Total – Deputy Premier	**169,077**
Minister for Climate Change	
Department of Climate Change, Energy, the Environment and Water	
Commonwealth Funding Adjustment	(92,292)
Total – Department of Climate Change, Energy, the Environment and Water	**(92,292)**
Total – Minister for Climate Change	**(92,292)**
Minister for Families and Communities	
Office of the Children's Guardian	
Commonwealth Funding Adjustment	175
Total – Office of the Children's Guardian	**175**
Total – Minister for Families and Communities	**175**
Minister for Health	
Ministry of Health	
Commonwealth Funding Adjustment	4,229
Total – Ministry of Health	**4,229**
Total – Minister for Health	**4,229**
Minister for Regional New South Wales	
Department of Regional NSW	
Commonwealth Funding Adjustment	19,573
Total – Department of Regional NSW	**19,573**
Total – Minister for Regional New South Wales	**19,573**
Minister for Transport	
Department of Transport	
Commonwealth Funding Adjustment	(98,251)
Total – Department of Transport	**(98,251)**
Total – Minister for Transport	**(98,251)**
TOTAL – SECTION 4.11 GSF ACT	**47,437**

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 Climate Change, Energy, the Environment and Water(b)	•		
Department of Communities and Justice	•		
Department of Customer Service	•		
Department of Education	•		
Department of Enterprise, Investment and Trade	•		
Department of Planning, Housing and Infrastructure(c)	•		
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	•		
Energy Corporation of New South Wales(d)	•		
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(e)	•		
Greater Sydney Parklands Trust	•		
Health Care Complaints Commission	•		
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	•		

Material Agencies	General government sector	Public non-financial corporations sector	Public financial corporations sector
Information and Privacy Commission	•		
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	•		
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	•		
NSW Police Force	•		
NSW Reconstruction Authority	•		
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	•		

Material Agencies	General government sector	Public non-financial corporations sector	Public financial corporations sector
Parliamentary Counsel's Office	•		
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	•		
Property and Development NSW(f)	•		
Public Service Commission	•		
Regional Growth NSW Development Corporation	•		
Rental Bond Board	•		
Royal Botanic Gardens and Domain Trust	•		
Service NSW	•		
State Insurance Regulatory Authority	•		
State Library of New South Wales	•		
State Records Authority NSW	•		
State Sporting Venues Authority		•	
State Transit Authority of New South Wales(g)		•	
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	•		
The Legislature	•		
The Treasury(h)	•		
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) Cabinet approved the decision to dissolve Building Insurers' Guarantee Corporation on 27 May 2024 and the Miscellaneous Amendment Bill which contained the dissolution provision is scheduled to be introduced into Parliament for debate in the week commencing 17 June 2024. Once it is assented in both Houses, the dissolution provision will come into force 28 days thereafter.
(b) Department of Climate Change, Energy, the Environment and Water was established on 1 January 2024.
(c) Department of Planning, Housing and Infrastructure was renamed from Department of Planning and Environment on 1 January 2024.
(d) Energy Corporation of New South Wales was previously reported within The Treasury.
(e) Greater Cities Commission was abolished and functions transferred to Department of Planning, Housing and Infrastructure and Hunter and Central Coast Development Corporation on 1 January 2024.
(f) Property and Development NSW was renamed from Property NSW on 31 May 2024.
(g) 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.
(h) 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 The Treasury.

A5. MEASURES STATEMENT

This Appendix lists new policy measures since the 2023-24 Half-Yearly Review. It categorises new measures by portfolio, with whole-of-government measures detailed in the final table.

This Appendix is not exhaustive of all new measures, and it does not include non-discretionary adjustments for existing programs and projects, known as Parameter and Technical Adjustments. Some measures in this statement are partially or fully funded from offsets and savings.

The reconciliation tables include the impacts of the Government wages offer. Further detail on new 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 2023-24 Half-Yearly Review

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Grand Total[(a)]						
Expense	**(589.7)**	**3,096.3**	**3,126.5**	**3,057.1**	**2,837.7**	**11,525.9**
Revenue	**(205.6)**	**977.1**	**1,209.7**	**2,090.1**	**1,725.4**	**5,795.8**
Capital	**(1,129.7)**	**2,608.3**	**2,315.2**	**2,437.5**	**2,133.2**	**8,364.7**

(a) The aggregates in this table take into account the net impact of both additional expenses, savings and offsets. See Table 5.1 in Chapter 5 Expenditure.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
The Cabinet Office and Integrity Agencies, all new measures						
Expense	**0.0**	**16.8**	**17.7**	**16.4**	**9.0**	**59.8**
Revenue	**0.0**	**0.5**	**1.0**	**1.2**	**1.3**	**3.9**
Capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Material Measures

- Electoral Commission Cyber Uplift.
- Funding to the Integrity Agencies to help maintain the accountability of the NSW Government and its institutions.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Customer Service, all new measures						
Expense	**6.7**	**258.8**	**350.4**	**351.7**	**358.9**	**1,326.5**
Revenue	**0.0**	**0.1**	**275.1**	**281.6**	**288.2**	**844.8**
Capital	**(26.1)**	**39.6**	**14.6**	**8.6**	**(0.8)**	**36.2**

Material Measures

- Funding for Service NSW, including uplift for Business Bureau.
- Portable Long Service Leave Entitlements for the Community Services Sector.
- Funding for cyber security and ID Support NSW to build cyber resilience and help people affected by a data breach.
- Funding to extend pager coverage for the Rural Fire Service.
- Funding for the Government Technology Platform (GTP) operating model to provide cost-effective, reusable digital assets and capability, ensuring secure and highly available services.
- Funding to roll out digital licensing to 80 NSW schemes, making applications faster and more convenient.
- Resourcing the Building Commission NSW to support its ongoing efforts to reform the building and construction industry and improve consumer outcomes.
- Funding for silicosis reform.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Education, all new measures						
Expense	**0.0**	**213.6**	**271.0**	**339.6**	**445.4**	**1,269.7**
Revenue	**0.0**	**36.0**	**24.8**	**18.7**	**14.3**	**93.8**
Capital	**0.0**	**404.9**	**64.6**	**157.9**	**1,188.1**	**1,815.2**

Material Measures

- Delivering 100 public preschools.
- Funding for a schools maintenance blitz.
- Human Capital Management Program – Release 3.
- Funding for the Smart and Skilled Program.
- Funding to TAFE NSW to support development and delivery of training packages.
- Funding to support increased permanency within TAFE NSW through the conversion of 500 casual teachers into permanent employment.
- Improving TAFE NSW facilities and upgrading teaching equipment to support overall sustainability of TAFE NSW assets.
- Investing in TAFE NSW's digital transformation to ensure access to a high quality and digitally enabled learning experience.
- Additional funding for TAFE NSW's major and minor capital works.
- Additional funding for Department of Education's minor capital works.
- Building new schools and upgrades in the following areas:
  - Austral
  - Box Hill
  - Calderwood
  - Googong
  - Huntlee
  - Leppington
  - Riverbank and The Ponds
  - Jindabyne Education Campus
  - Other rural and regional locations
  - Other Western Sydney locations.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Jobs and Tourism, all new measures						
Expense	**0.0**	**145.2**	**19.1**	**18.7**	**19.3**	**202.3**
Revenue	**5.0**	**21.5**	**6.7**	**6.8**	**7.0**	**47.1**
Capital	**0.0**	**7.0**	**0.0**	**0.0**	**0.0**	**7.0**

Material Measures

- Funding for Destination NSW events, promotion and industry support to grow the NSW visitor economy.
- Funding for the Office of the 24-Hour Economy Commissioner to empower the night-time economy and local councils through regulatory reform, grants programs, precinct-based initiatives, digital tools and other support to help create diverse, safe, and vibrant communities across New South Wales.
- Funding for Sound NSW to continue to support the role that the contemporary music industry plays in the night-time economy.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Health, all new measures						
Expense	**74.3**	**728.4**	**775.5**	**937.2**	**936.8**	**3,451.9**
Revenue	**0.0**	**77.5**	**86.7**	**116.4**	**151.4**	**431.5**
Capital	**0.0**	**100.6**	**110.7**	**163.8**	**34.3**	**409.6**

Material Measures

- Emergency Department Relief Package, including additional short stay treatment spaces, expansion of Hospital in the Home services, and a 'Single Front Door' to provide virtual care for patients.
- Family Start Package that includes Essential Services to Support Vulnerable Children, extension of the fertility treatment rebate for women and families, Waminda Birthing on Country, boosting vaccine coverage in hard-to-reach communities, and the enhancement of the Gender Centre.
- Community mental health and wellbeing initiatives including, Community Mental Health Teams, the Pathways to Community Living Initiative, the Mental Health Single Front Door and the Mental Health Review Tribunal.
- Expanding the Key Health Worker Accommodation Program to support the recruitment and retention of health workers in rural and regional NSW.
- Additional funding to support the operation of completed infrastructure projects.
- Expansion of health capital works program including:
  - Eurobodalla Regional Hospital
  - Ryde Hospital Redevelopment
  - Temora Hospital Redevelopment
  - Mental Health Complex at Westmead
  - Liverpool Hospital
  - Moree Hospital
  - Nepean Hospital
  - Cessnock Hospital
  - Shellharbour Hospital.
- Funding for the continued development of the new Single Digital Patient Record which will improve care and access to timely treatment and patient information.
- Funding critical mechanical and clinical infrastructure upgrades for Port Macquarie Base Hospital.
- Delivering professional rates of pay for 5,000 paramedics.
- Operational funding to support new regional helicopter bases.
- Funding to enable critical maintenance at hospitals and health facilities in New South Wales.
- Investing to ensure health services are equipped to meet the demands of a growing and ageing population.
- Australian Government funding to deliver the Strengthening Medicare Package including NSW Services for Older Patients and Comprehensive Palliative Care.
- Funding to scope the establishment of an internal locum agency for medical services.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
The Legislature, all new measures						
Expense	**0.0**	**1.5**	**3.0**	**3.9**	**4.5**	**12.8**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**0.2**	**0.7**	**6.0**	**0.0**	**7.0**

Material Measures

- Macquarie Street accessibility works for Parliament.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Planning, Housing and Infrastructure, all new measures						
Expense	**(551.5)**	**769.7**	**308.7**	**158.2**	**150.9**	**835.8**
Revenue	**(340.4)**	**584.2**	**37.2**	**846.8**	**664.9**	**1,792.5**
Capital	**(34.3)**	**123.6**	**59.7**	**23.8**	**0.9**	**173.8**

Material Measures

- Additional funding for the State's planning system to accelerate the delivery of planning approvals.
- Disaster Relief – Additional funding for the Disaster Relief Account for natural disaster assistance measures.
- Disaster Relief – Resilient Homes Program Northern Rivers – Tranche 2.
- Disaster Relief – Resilient Homes Program Central West.
- Strategic cyber security funding to strengthen information systems.
- Funding for the Government's obligations under Indigenous Land Use Agreements entered into, or to be entered into, with native title holders.
- Continuing conservation activities under the Cumberland Plain Conservation Plan.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Premier's Department, all new measures						
Expense	**0.0**	**28.0**	**34.7**	**29.6**	**28.8**	**120.8**
Revenue	**0.0**	**0.0**	**1.0**	**2.0**	**3.0**	**4.0**
Capital	**0.0**	**7.0**	**13.5**	**1.5**	**0.0**	**22.0**

Material Measures

- Funding to establish Keeping Places at the sites of former children's homes, to support reconciliation with Stolen Generations survivors.
- Reduction to the Public Service Commission in line with transfer of functions to the Premier's Department.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Regional NSW, all new measures						
Expense	**398.2**	**142.5**	**55.4**	**54.2**	**69.1**	**719.5**
Revenue	**0.0**	**18.6**	**5.3**	**5.3**	**6.3**	**33.5**
Capital	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**

Material Measures

- Additional investment into the Regional Development Trust established in 2023-24 to guarantee a pipeline of investment across regional communities.
- Funding to establish a modern animal welfare framework, including additional support for Approved Charitable Organisations.
- Biosecurity Laboratory Defence Funding to support specialist scientific skills to boost the State’s frontline surveillance and preventative capabilities to defend against biosecurity risks.
- Transfer of completed assets in Parkes and Wagga Wagga precincts to local councils and utility providers to correct an omission to account for the transfer at the time of contract.
- Community Assets Program, co-funded by the Australian Government, to repair community infrastructure in disaster impacted regional communities.
- Additional funding to assist regional communities with disaster recovery clean-up efforts.
- Additional funding for pest control.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Communities and Justice, all new measures						
Expense	**53.7**	**865.4**	**613.5**	**590.5**	**604.5**	**2,726.9**
Revenue	**0.0**	**56.5**	**58.2**	**57.5**	**61.4**	**233.3**
Capital	**7.4**	**1,089.3**	**1,119.8**	**1,092.3**	**1,057.5**	**4,366.0**

Material Measures

- Investment in new social housing.
- Establish the Industrial Court of NSW.
- Domestic, Family and Sexual Violence Primary Prevention Strategy.
- Specialist workers for children and young people in refuges.
- Statewide rollout of the Staying Home Leaving Violence (SHLV) Program and expansion of the Integrated Domestic and Family Violence Service.
- Women's Domestic Violence Court Advocacy Service (WDVCAS) specialist support workers.
- Funding to build a better foster care system including reforming the Out-of-Home Care sector.
- Funding to support the Bondi Coronial Inquest.
- Increased funding for 286 firefighting positions that were not previously funded.
- Funding for new fire station at Badgerys Creek.
- Sustaining the NSW State Emergency Service's Flood Rescue and Response Capability.
- Implement the National Firearms Registry jointly with the Australian Government.
- Upgrades and refurbishments at Waverley and Rose Bay Police Stations.
- Victims Support Scheme funding.
- Additional funding for Office of the Director of Public Prosecutions.
- Youth Justice initiatives aimed at diverting young people away from police and courts through community programs.
- Funding to support community safety and wellbeing, particularly in regional NSW, with a focus on strengthening early intervention and prevention programs for young people.
- Department of Communities and Justice minor capital works program funding enhancement.
- Justice system improvements to better protect domestic violence victim-survivors.
- Corrections system funding to reduce deaths in custody.
- Additional funding for emergency housing and homelessness support services.
- Maintenance of social housing for First Nations communities across New South Wales.
- Rebase worker check fees, and increased funding for the Office of the Children's Guardian.
- Additional ongoing funding for Multicultural NSW.
- Additional ongoing funding for service capacity for Legal Aid NSW.
- Additional ongoing funding for NSW Office of Sport.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Transport and Infrastructure, all new measures						
Expense	**(3.6)**	**160.8**	**344.2**	**658.8**	**731.3**	**1,891.4**
Revenue	**(312.3)**	**(583.6)**	**52.1**	**144.8**	**187.0**	**(512.0)**
Capital	**(54.0)**	**385.5**	**750.1**	**705.8**	**38.7**	**1,826.2**

Material Measures

- Improving the resilience of roads and bridges through the Regional Transport Resilience Fund.
- Funding for the Bus Transport Management System which will replace the current legacy system and improve real-time information provision to customers.
- Targeting the upgrade and construction of heavy vehicle rest stop sites across the regional and outer metropolitan network to improve safety, compliance, and productivity.
- M7 – M12 Interchange now fully State funded.
- Additional funding for Towards Zero Road Safety initiatives to build safer roads, reduce fatalities and serious injuries.
- Digital Restart funding for the Regstar Program to modernise Transport for NSW's Driver and Vehicle System.
- Strategic cyber security funding to strengthen information systems.
- Disaster Relief restoration works to repair local and State roads damaged in major flood events, including in the Northern Rivers.
- Funding for the Parramatta Light Rail Stage 2 final business case update.
- Funding for the Medium-Term Bus Plan.
- Funding for bus services uplift.
- Funding for the Train Crew Task Assigner technology upgrade.
- Funding to deliver Stage 1 of the Western Sydney Rapid Bus, which will see dedicated bus services connecting Penrith, Campbelltown and Liverpool to the new Western Sydney Airport.
- Annual public transport fares consumer price index (CPI) adjustment.
- Additional funding to support lower than projected patronage.
- Funding adjustments and enhancements for the following projects:[(a)]
  - Richmond Road Stage 1 – Elara Boulevard to Heritage Road, Marsden Park
  - M5 Motorway - Moorebank Avenue – Hume Highway Intersection Upgrade
  - Western Distributor Smart Motorway
  - Elizabeth Drive
  - Garfield Road East
  - Western Sydney Rapid Bus Stage 1 infrastructure and operations
  - Western Sydney Freight Line Stage 1: Final Business Case
  - South West Sydney Roads - Planning
  - M1 Pacific Motorway Extension to Raymond Terrace
  - Parkes Bypass
  - Nowra Bridge
  - Mamre Road Stage 2
  - Western Sydney Roads – Planning
  - Richmond Road Upgrade, M7 to Townson Road
  - Circular Quay Renewal Program
  - Memorial Avenue
  - Coxs River Road Upgrade
  - Zero Emission Buses Tranche 1 Infrastructure – Macquarie Park Depot
  - Mount Ousley Interchange
  - Appin Road Upgrade
  - Medlow Bath Upgrade
  - Dubbo Bridge
  - Newcastle Inner City Bypass, Rankin Park to Jesmond
  - Barton Highway Upgrade Program
  - South West Sydney Rail Planning – Business Case
  - Mulgoa Road Stage 2, 5A and 5B
  - Inland Rail.
- Funding for Illawarra Rail Resilience Plan.

(a) These projects are a mix of State funding, joint Australian Government Funding and Australian Government contributions.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Treasury, all new measures						
Expense	**0.0**	**22.4**	**21.3**	**22.2**	**23.2**	**89.2**
Revenue	**0.0**	**5.5**	**12.5**	**14.5**	**16.3**	**47.0**
Capital	**0.0**	**3.2**	**4.0**	**3.9**	**3.5**	**14.5**

Material Measures

- Additional investment in Budget Systems and Financial Management.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Climate Change, Energy, Environment, all new measures						
Expense	**(155.1)**	**105.9**	**235.9**	**155.7**	**136.4**	**478.7**
Revenue	**0.0**	**28.0**	**40.1**	**46.0**	**43.6**	**157.8**
Capital	**(921.3)**	**582.7**	**403.3**	**396.9**	**(69.1)**	**392.6**

Material Measures

- Continuing conservation activities under the Cumberland Plain Conservation Plan (National Parks and Wildlife Service).
- Consumer Energy Strategy.
- Extension of Transmission Acceleration Fund Temporary Funding.
- National Parks visitor infrastructure maintenance and improvement.
- Port to Project – Road upgrades and Newcastle Port Logistics Precinct to support renewable energy zones.

	2023-24 $m	2024-25 Budget $m	2025-26 $m	2026-27 Forward Estimates $m	2027-28 $m	Five year Total $m
Whole of Government, all new measures						
Expense	**(412.4)**	**(362.8)**	**76.0**	**(279.7)**	**(680.6)**	**(1,659.4)**
Revenue	**442.1**	**732.3**	**609.0**	**548.5**	**280.8**	**2,618.6**
Capital	**(101.4)**	**(135.4)**	**(225.8)**	**(123.1)**	**(119.9)**	**(705.5)**

Material Measures

- A 10.5 per cent increase to remuneration over three years (inclusive of superannuation) for more than 400,000 public sector workers.
- The provision of a payroll tax exemption to medical centres that have unpaid payroll tax liabilities relating to contractor GPs and ongoing payroll tax rebates to medical centres to protect bulk billing rates.
- An increase to the foreign owner land tax surcharge and foreign purchaser transfer duty surcharge.
- Revenue NSW operational efficiencies that also achieve greater compliance and enforcement revenue.
- Alignment of administrative indexation arrangements with most interstate jurisdictions by fixing the land tax thresholds at their 2024 land tax year values.
- NSW Generations Debt Retirement Fund – new framework.
- TAHE Access and License fees
- Investment in a Key Worker Build-to-Rent Program to be delivered by Landcom.
- New funds currently not allocated to an agency, including:
  - The NSW Digital Planning Environment
  - Parramatta Light Rail Stage 2
  - Treasurer’s disbursement for decisions and payments finalised after the Budget.
- New reservations and the release of centrally held funds for:
  - Digital Restart Fund
  - Restart NSW Fund
  - Snowy Hydro Legacy Fund
  - Essential Services Fund
  - Northern Rivers Disaster Relief
  - Universal Preschool.

B. FISCAL RISKS AND BUDGET SENSITIVITIES

The preparation of the 2024-25 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 NSW 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[(a)(b)]

	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 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. A resilient labour market has continued to support payroll tax revenue throughout 2023-24. Employment and wage growth have been supported by strong population growth from international migration.

Payroll tax revenues are 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	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Average compensation of employees	152	158	166	175	Single percentage point increase in factor
Employment	154	160	169	177	

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 is expected to pick up strongly in 2024-25, supported by an uplift in both residential property prices and transaction volumes. 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	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Residential prices (average transacted price)	123	134	129	131	Single percentage point increase in factor
Residential transaction volumes	108	115	112	113	

Other state taxes are typically less volatile than those mentioned above and generally correlate to changes in the broader economy. For example, revenue from motor vehicle taxes, gambling taxes and other stamp duties typically rise and fall with consumption patterns.

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)
- the proportion of the pool that 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	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Taxable consumption	60	60	65	71	Single percentage point increase in factor
Dwelling investment	17	17	19	21	
Population share	848	859	881	920	

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:

- a change in the CGC's assessment of how much revenue New South Wales could generate, relative to other states, if it followed average revenue policies
- 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 Federation Funding Agreement 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 New South Wales relativities are subject to a high degree of uncertainty. The forecasts in this Budget take into account expected National Agreement and Federation Funding Agreement 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.

In addition to GST, the Australian Government provides funding to all states and territories through National Agreements and Federation Funding Agreements to assist in the delivery of key public services. Several significant National Agreements, including agreements on education, health, and a new Foundational Support System are currently under negotiation. Depending on the outcomes of these negotiations, additional NSW Government funding or capital expenditure may be required to maintain service delivery standards, impacting the State's fiscal position over the forward estimates.

Royalties

A large share of revenue from royalties 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 United States (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	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Coal prices	34	30	28	22	Single percentage point increase in factor
Coal volumes	33	29	27	26	
Exchange rate ($A vs $US)	(35)	(30)	(28)	(28)	

General expense risks[1]

Some expense risks are largely within the NSW 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[2], which includes salaries, wages, worker's compensation and employment on-cost expenses. Employee-related expenses are impacted by factors including new industrial instruments, public sector wages policy and the workforce size and composition. Changes in these parameters can impact the budget result.

The Budget contains the impact of the NSW Government's updated wages offer to employees. As the Government shifts to a more consultative mutual-based bargaining approach for industrial relations matters, it is possible that final industrial agreement outcomes may vary from employee expense forecasts in the Budget. It is possible additional enhancements to wages and conditions above the Government's wages offer could be made in exchange for productivity-enhancing reforms and/or cost savings. There could be additional costs where enhanced wages and conditions are exchanged for significant improvements to service delivery, or where productivity enhancing reforms come with upfront costs.

In addition, following recent amendments to the *Industrial Relations Act 1996*, the Industrial Relations Commission (Commission) and the Industrial Court (Court) are now empowered to arbitrate wage claims without the restriction of a wages cap. When considering wage claims, the Commission and Court will need to also have regard to the fiscal position and outlook of the Government. As the scope of any decision by the Commission or the Court is unknown, the impact on the Budget is also unknown.

Budget forecasts may need to be updated to reflect variations to employee expenses that arise from negotiation of final industrial agreements and/or decisions by the Commission or the Court.

Health and education services represent a significant proportion of public sector expenses in New South Wales. Any increase in demand for or cost pressures on these services can worsen the budget result.

Agency budgets are prepared with consideration of the Government's forecast of inflation at the time of Budget. Once agency budgets are finalised for the budget 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 Bills, 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.

Should events unfold in the coming months which lead to a further upward revision of inflation at the next budget, there would be a higher projection for expenses across the forward estimates. Conversely, if events unfold over the next 12 months and the Government believes it would be appropriate to revise down its inflation forecasts relative to what is in this Budget, there would be a reduction in projected expenses across the forward estimates.

[1] The Budget includes allowances for Parameter and Technical Adjustments and anticipated timing changes. See Chapter 5 Expenditure for more information.

[2] Superannuation expenses are reflected in the Superannuation Interest Cost and Other Superannuation expenses lines on the operating statement.

Table B.6: Expense sensitivities

Factors affecting expenses	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Expenses					
Employee Expenses (excl super)[(a)]	(477.8)	(489.2)	(507.2)	(523.7)	Single percentage point increase in factor
Government services demand growth					
Health and education expenses[(b)]	(531.0)	(549.6)	(558.5)	(578.9)	

(a) Sensitivities are modelled using a 1 per cent increase in general government employee expenses (excluding super).
(b) Sensitivities are modelled using a 1 per cent increase in the combined expenses for health and education.

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)
- higher than budgeted depreciation expenses as a result of unforeseen impacts of future years' revaluations of property, plant and equipment
- a spike in energy and fuel prices driven by geopolitical risks may hold up inflation
- 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.

Investment Revenue

Financial markets have generally been positive during 2023-24. This positive performance in turn drove solid investment return outcomes for State funds.

Financial markets remain somewhat volatile however, as the ongoing uncertainty about the global economic outlook, including for inflation and monetary policy, 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 may impact investment 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 may materially impact the Government's budget result (see Table B.7).

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.

Movements in interest rates, debt levels or cash balances would change interest and interest revenue, impacting on the budget result.

Table B.7: Financial markets and interest sensitivities

Financial markets and interest rate sensitivities	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Investment revenue[(a)]	235	251	271	300	Single percentage point increase in factor
Interest revenue[(b)]	11.9	10.8	10.4	10.4	
Interest expenses[(c)]	(154)	(247)	(431)	(655)	

(a) Potential investment revenue impact of a single percentage point increase in the expected investment rate of return (NIFF, SAHF, NGF and SHLF only).
(b) Sensitivities are modelled using a 1 per cent increase in general government cash balance.
(c) Sensitivities are modelled using 100 bps increase in the State's bond yields.

B.2 Commercial and balance sheet sensitivities

Risks to the State's balance sheet include unanticipated changes:

- to the value of existing assets and liabilities. Comprehensive revaluations, which are required to be conducted only once every three years for land and buildings and once every five years for all other classes of assets, may result in significant, unanticipated changes to asset values. This can impact depreciation expenses, the operating position and net worth.
- from the potential realisation of contingent assets and liabilities (those not shown on the balance sheet as the accounting recognition criteria are not yet met).
- to the timing and quantum of cash payments from the Australian Government which may temporarily impact the State's borrowing requirements.

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 preexisting contamination at several power station sites. For more information, see Appendix C Contingent Assets and Liabilities.

Periodic revaluation of the State's physical assets can have both positive and negative impacts on various financial aggregates. Whereas an upward revaluation will, all else equal, improve net worth, the higher asset value could also result in increased depreciation expense, depending on whether or not there are also changes to an asset's useful life. Higher depreciation expense negatively impacts the net operating balance (budget result). A downward revaluation would have the opposite impact on net worth and the net operating balance.

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 changing the way in which its investment funds are managed, with a view to doing so more efficiently. This will be achieved through the establishment of OneFund. OneFund will bring together several of the State's investment funds, to manage these as if they are one. This initiative is expected to achieve higher risk-adjusted investment returns, as well as operational and risk management efficiencies.

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 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]	2024-25 Budget $m	2025-26 Forward estimates $m	2026-27 $m	2027-28 $m	Sensitivity
Change in public sector wages and salaries	50	80	120	160	Single percentage point increase in factor
Change in Sydney CPI	570	1,160	1,720	2,410	
Change in investment return	(290)	(620)	(980)	(1,350)	
Change in discount rate	(5,900)				
Change in public sector wages and salaries	(50)	(80)	(110)	(150)	Single percentage point decrease in factor
Change in Sydney CPI	(570)	(1,150)	(1,700)	(2,370)	
Change in investment return	290	610	960	1,300	
Change in discount rate	6,600				

(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, with the largest being the TMF, and commercial reinsurance. There are increasing pressures on the State's insurance liabilities, driven by rising costs and claims relating to psychological injury, medical discharge, historic sexual abuse, cyber, climate risk, contractual liability risks, 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 $119.4 billion over the four years to 2027-28, 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).

The construction market is facing constraints including supply chain pressures. The construction sector has been under considerable stress over the last two years as elevated demand came up against severe supply shortages and constraints. The construction industry is facing a shortage of workers and complex projects are inhibiting the ability of the sector to deliver projects on time and on budget leading to capital slippage.

In December 2023, Infrastructure Australia released its *2023 Infrastructure Market Capacity* report. The report highlights the following market capacity constraints:

- the supply of labour remains heavily constrained, with labour shortages estimated at 229,000 full time workers (October 2023)
- while Sydney will face the deepest labour shortage until 2026, NSW regional areas are also expected to experience labour shortages (i.e., Murray, Mid North Coast and Riverina)
- long wait times remain for materials, plant, and equipment inputs that are in high demand such as trucks and site equipment
- construction cost escalation remains elevated around 7–10 per cent, with individual inputs such as sand, glass, reinforcing steel, aluminium products, insulation, and tiles reaching around 20–30 per cent (additional cost escalation pressures may arise from changes to the Australian Governments industrial relations legislative framework)
- energy investments that will increase four-fold in the next five years.

B.3 Specific fiscal risks

Uncertainty over the path of inflation back to central bank targets

While the prospects of a soft landing for the global economy have risen, the path of inflation back to target remains uncertain. Services inflation has been slow to ease in some countries, including Australia. Factors such as volatility in commodity prices and recent increases in container shipping costs suggests ongoing risk around the inflation outlook that could prompt central banks to maintain tighter monetary policy for longer.

Persistently elevated inflation weakens confidence, particularly for consumers. This has flow on effects on the outlook for economic growth. Additionally, elevated inflation places a further direct strain on household budgets, especially for those with a mortgage if central banks maintain higher rates. This would lead to a weaker fiscal position than expected in the form of a lower GST pool and revenues, via weaker household consumption.

An escalation of geopolitical tensions

Geopolitical tensions have generally deteriorated, particularly in the Middle East, with the outlook increasingly uncertain. A further escalation of these tensions has the potential to significantly disrupt global energy markets, as the region accounts for a large share of global oil production. This could prolong the current period of elevated inflation, and further undermine business and consumer confidence.

Additionally, the region's proximity to major shipping routes, including the Suez Canal, has the potential to generate additional supply shocks. The effect that this could have on global supply chains include extending shipping times and raising freight costs. As was seen through the COVID-19 pandemic, compromised global supply chains can have a severe impact on inflation and international trade. Higher inflation, and hence interest rates, would slow economic activity, and impact consumption and investment leading to lower GST revenues.

Appendix F Economic Scenario Analysis considers a scenario where geopolitical tensions escalate, disrupting global trade.

The support of migration

The NSW population has recently grown at an elevated rate, with much of this attributed to the large increase in net overseas migration following the reopening of international borders. These migration flows are expected to normalise over the coming years, however there are risks if flows are substantially different to expectations.

If the recent strength in net migration growth continued, this could create further cost-of-living pressures through increased demand-pull on inflation. Further, upward pressure on dwelling prices would negatively affect housing affordability. Increased dwelling prices and greater transaction volumes, however, would lead to higher transfer duty revenue.

If migration was to slow more than expected, aggregate economic activity would be weaker. The current level of migration is supporting aggregate demand in a period where, per person, the economy has been contracting. Weaker economic activity will likely result in lower household consumption and GST revenues.

Other risks

The outlook for China remains important to the NSW economy. The weakness in the real estate sector, should it persist or intensify, has the potential to drag investment and subdue foreign demand. Uncertainty over the outlook for Chinese growth could unsettle commodity markets and impact prices or the demand for key NSW exports (including coal).

The outcome of the US election is also a key consideration for the outlook of the global economy. Talks of adding large tariffs to all US imports, as well as escalating trade tensions with China and other major trading partners, could have serious impacts on supply chains and inflation. Proposed policies to extend existing tax cuts and cut interest rates prematurely would add fuel to already resilient demand. If these measures are enacted, it could have wide-reaching impacts for prices and global supply chains and see the domestic economy exposed to higher inflation.

Domestically, some of the most notable risks, both to the upside and downside, relate to the housing market. On the downside, while the housing market has so far proven somewhat resilient to higher interest rates, a sharper deterioration cannot be ruled out given the corrosion in housing affordability. This would decrease transfer duty revenue. Conversely, it is similarly possible that the recent resilience will manifest into stronger-than-expected dwelling prices, once interest rates start to fall, with positive spillovers to household consumption and dwelling investment. Stronger net overseas migration, if it were to persist, would produce a similar outcome.

Another domestic risk is the potential for a spike in energy and fuel prices holding up inflation. This could be driven by the geopolitical risks mentioned above. Energy and fuel are key inputs for production and so higher prices can also flow through to other categories of inflation. They are also typical drivers of inflation expectations.

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 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 Reserve Bank of Australia has noted the heightened uncertainty around how the climate will change and how this will impact the economy and financial system.[3]

Governments are also exposed to the increasing risk of climate change litigation in Australia and globally. In October 2023, the Australian Government made a statement in settlement of the *Kathleen O'Donnell v. Commonwealth of Australia* (filed in July 2020). In this statement, the Australian Government acknowledged climate change as a systemic risk which presents significant risks and opportunities for Australia's economy, regions, industries, and communities. It also noted there is uncertainty about whether the fiscal impacts of climate change may affect the value of government securities.[4]

In late 2023, the *Climate Change (Net Zero Future) Act 2023* was passed through Parliament with multi-party support. This Act sets out a path to net zero by 2050, including interim emission reduction targets and an adaptation objective for New South Wales. It also enshrines whole-of-government climate action to deliver net zero by 2050, providing greater certainty to the community, businesses and other market participants.

Cybersecurity risks

NSW Government agencies must adhere to the mandatory requirements set out in the NSW Cyber Security Policy to ensure cyber security risks to their information and systems are appropriately managed. However, the volume and sophistication of cyber-attacks are increasing. In March 2020, Service NSW was the victim of a criminal cyber-attack which resulted in personal information being compromised. The timing and financial impact of a cyber-attack is uncertain, and can be significant.

[3] Climate Change and Central Banks, 29 August 2023, Reserve Bank of Australia.
[4] Statement on O'Donnell v Commonwealth, 16 October 2023, The Treasury.

C. CONTINGENT ASSETS AND LIABILITIES

To support its focus on sound financial management and budgeting, the NSW Government monitors and reports on its contingent assets and liabilities. 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 accounting definitions of contingent assets and liabilities). For some 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, wheconre possible, quantifying these contingent assets and liabilities, the NSW Government can better assess the full scope of its financial responsibilities and potential future costs. It can also take proactive measures to effectively manage these 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* 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
- 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 an inflow of economic benefits from them is probable. This means the uncertain future event that they are contingent upon is more likely than not to occur. A contingent asset will subsequently 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 April 2024 (and for comparison, 30 June 2023).

Table C.1: General government quantifiable contingent assets

As at:	General Government Sector 30 June 2023 $m	 30 April 2024 $m
Service NSW[(a)]	103	109
Other Agencies	0	2
	103	**111**

(a) Service NSW is seeking the recovery of funds relating to various COVID-19 and Disaster Recovery measures that were paid out through fraud or error with an estimated value of $108.9 million as at 31 March 2024.

Table C.2 lists the general government sector's non-quantifiable contingent assets as at 30 April 2024.

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 damage to physical assets caused by floods.
Litigation claims	The State has commenced various legal actions in the normal course of business. The type and amount of compensation depends on the outcome of the legal processes.
Rural Fires Amendment (Red Fleet) Bill 2024	The Bill to amend the *Rural Fires Act 1997* proposes certain fire fighting equipment vesting in the Commissioner of the NSW Rural Fire Service rather than the current arrangement of vesting in councils. There is uncertainty whether the Bill will become law by 30 June 2024.
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 April 2024 (and for comparison, 30 June 2023). Several of these contingent liabilities involve ongoing Government schemes and initiatives, and as a result, the reported amounts fluctuate with changing circumstances. For some agencies, a revised estimate of their quantifiable contingent liabilities was not available at time of reporting. Where this is the case, it has been noted accordingly.

Table C.3: General government quantifiable contingent liabilities

As at:	General Government Sector 30 June 2023 $m	30 April 2024 $m
Department of Communities and Justice[(a)] (Claims in respect of compensation)	1,225	1,638
Department of Customer Service[(b)]	3	7
Department of Planning and Environment[(c)]	100	0
Department of Planning, Housing and Infrastructure[(d)]	0	25
Office of the Independent Review Officer[(e)]	135	146
Planning Ministerial Corporation[(f)] (Land acquisitions)	64	0
Premier's Department[(g)] (Stolen Generations Reparations Scheme)	0	12
Sydney Metro[(h)] (Land acquisitions)	1,327	0
Transport for NSW[(i)] (Land acquisitions, contractual disputes)	859	0
Other Agencies	0	3
	3,714	**1,831**

(a) The Victims' Support Scheme was created on 3 June 2013 through the *Victims' Rights and Support Act 2013*. A revised estimate of this contingent liability has been provided as at 31 March 2024. Additionally, various claims had been made against the Department (totaling $56.1 million as at 30 June 2023), which, if successful, would be met from the NSW Treasury Managed Fund (TMF) and Solvency Fund. An estimate of these contingent liabilities as at 30 April 2024 was not provided by the Department of Communities and Justice.

(b) The Torrens Assurance Fund (TAF) 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* operated by the Department of Customer Service. There are currently 12 claims against the TAF.

(c) The Department of Planning, Housing and Infrastructure had provided support for the obligations of a third party where it may have been called upon to settle a debt obligation, if the borrower was not able to service its debt. The borrower has now fully serviced the debt. Please note, there was a change in agency names.

(d) The Department of Planning, Housing and Infrastructure has a contingent liability relating to an Indigenous Land Use Agreement (ILUA). While the ILUA is agreed in principle and authorised by the claim group, there was no executed agreement at the reporting date.

(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. A revised estimate of $146 million in respect of this contingent liability has been provided as at 31 March 2024.

(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. The Corporation had no current offers to purchase properties as at 30 April 2024.

(g) Potential ex-gratia payments arising from yet to be determined claims, under the Stolen Generations Reparations Scheme. These are listed as contingent liabilities due to the ex-gratia nature of the payments, which rely upon Ministerial decisions, and cannot be fettered. Previously, a reliable quantification was not able to be calculated. Based on claims experience, an estimated amount for successful claims is approximately $12 million.

(h) Sydney Metro had an estimated contingent liability of $1,327 million as at 30 June 2023 due to a number of compulsory property acquisition matters under litigation where claims differed from the Valuer General's determined amount. This contingent liability was not reported in the 2023-24 Budget. Sydney Metro reported a nil return as at 30 April 2024.

(i) Transport for NSW (TfNSW) reported several contingent liabilities in relation to contractual disputes and compulsory acquisition matters under litigation as at 30 June 2023. TfNSW reported a nil return as at 30 April 2024.

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 preexisting 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 • 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. The State is also liable to compensate NSW Ports, which owns Port Botany and Port Kembla, if the Port of Newcastle develops a competing container terminal and certain contractual conditions are satisfied.
Transactions related to Sydney Ferries, Eraring, Vales Point, Macquarie Generation 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*.
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.
Government wages offer: Cost of living adjustment	The Government has made a three-year wages offer which includes a $1,000 taxable, one-off cost of living adjustment, plus superannuation for public sector workers (excluding senior executives). This annual payment is conditional on the 12-month annual average Sydney Consumer Price Index rate exceeding 4.5 per cent in the year to the March quarter (commencing March quarter 2025), and on the offer being accepted. The payment would be pro-rated for employees who do not work full time and, if triggered, would be paid in July of the relevant year.
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.
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 cost 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 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.

Table C.5: Other non-quantifiable contingent liabilities (cont)

Contingent liabilities	Nature of the contingent liabilities
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.
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.

Note that the following contingent liability did not exist as at the reporting date of 30 April 2024. Given its sensitivity to the State, however, it is being acknowledged in this Appendix.

Table C.6: Significant contingent liabilities arising post-reporting date

Transaction	Nature of the contingent liability
Agreement with Origin Energy to operate the Eraring Power Station until August 2027	Underwriting up to 80 per cent of any operating losses for Eraring capped at $225 million each year, should Origin choose to be covered, in any year.

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 outcome reports and budget papers. As outcome reports and budget papers prior to 2008-09 were prepared in accordance with Government Finance Statistics, historical data prior to 2008-09 reflects data that has 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	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[c]	39,747	5.1	1.9	105,901	13.6	2.3	116,467	15.0	(2.0)	(10,565)	(1.4)	22,071	2.8	(24,570)	(3.2)	777,300
2023-24[d]	44,503	5.4	12.0	110,842	13.6	4.7	120,518	14.8	3.5	(9,676)	(1.2)	22,909	2.8	(23,723)	(2.9)	816,700
2024-25[e]	48,345	5.6	8.6	118,530	13.7	6.9	122,163	14.1	1.4	(3,633)	(0.4)	23,476	2.7	(16,755)	(1.9)	863,500
2025-26[e]	51,123	5.7	5.7	121,259	13.4	2.3	123,748	13.7	1.3	(2,489)	(0.3)	22,197	2.5	(12,033)	(1.3)	904,200
2026-27[e]	52,977	5.6	3.6	123,650	13.1	2.0	126,014	13.3	1.8	(2,364)	(0.3)	21,121	2.2	(9,353)	(1.0)	944,100
2027-28[e]	55,466	5.6	4.7	127,620	13.0	3.2	129,138	13.1	2.5	(1,518)	(0.2)	19,653	2.0	(9,999)	(1.0)	983,600

(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. Figures prior to and including 2022-23 reflect actual outcomes, which are not impacted by Sydney Metro budget projection errors.
(d) Revised.
(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	107,454	15.4	2,527	2.4	55,781	8.0	147,340	21.1
2022-23[e]	132,096	17.0	4,232	4.0	74,873	9.6	165,465	21.3
2023-24[f]	154,616	18.9	6,087	5.5	96,833	11.9	184,170	22.6
2024-25[g]	166,033	19.2	6,887	5.8	110,523	12.8	197,880	22.9
2025-26[g]	178,076	19.7	7,373	6.1	121,935	13.5	212,188	23.5
2026-27[g]	187,732	19.9	7,959	6.4	130,965	13.9	223,543	23.7
2027-28[g]	199,153	20.2	8,629	6.8	139,497	14.2	231,574	23.5

(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. Figures prior to and including 2022-23 reflect actual outcomes, which are not impacted by Sydney Metro budget projection errors.
(f) Revised.
(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	106,197	120,531	(14,334)	(2.1)	25,820	3.7	(29,206)	(4.2)	697,400
2022-23[(c)]	110,207	118,052	(7,845)	(1.0)	27,645	3.6	(24,676)	(3.2)	777,300
2023-24[(d)]	116,050	125,892	(9,842)	(1.2)	29,109	3.6	(26,778)	(3.3)	816,700
2024-25[(e)]	124,220	128,891	(4,671)	(0.5)	31,308	3.6	(21,683)	(2.5)	863,500
2025-26[(e)]	127,727	130,567	(2,840)	(0.3)	30,861	3.4	(16,885)	(1.9)	904,200
2026-27[(e)]	131,017	133,585	(2,568)	(0.3)	29,652	3.1	(13,773)	(1.5)	944,100
2027-28[(e)]	136,047	137,521	(1,474)	(0.1)	27,571	2.8	(13,355)	(1.4)	983,600

(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. Figures prior to and including 2022-23 reflect actual outcomes, which are not impacted by Sydney Metro budget projection errors.
(d) Revised.
(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	137,238	19.7	3,398	3.2	82,213	11.8	181,411	26.0
2022-23[e]	163,356	21.0	5,111	4.6	101,526	13.1	200,220	25.8
2023-24[f]	189,800	23.2	7,250	6.2	128,586	15.7	223,857	27.4
2024-25[g]	204,465	23.7	8,374	6.7	146,694	17.0	242,566	28.1
2025-26[g]	220,456	24.4	9,050	7.1	163,015	18.0	262,226	29.0
2026-27[g]	234,519	24.8	9,834	7.5	176,276	18.7	277,908	29.4
2027-28[g]	249,062	25.3	10,649	7.8	188,306	19.1	289,409	29.4

(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.
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(f) Revised.
(g) Forecast estimate.

E. PERFORMANCE AND REPORTING UNDER THE FISCAL RESPONSIBILITY ACT 2012

The *Fiscal Responsibility Act 2012* (FRA) requires the Government to report on its performance against the Act's object, targets, and principles. The FRA sets two fiscal targets and three principles to support the Government's sound financial management (see Table E.1).

The FRA's object is to maintain the State's triple-A credit ratings, in order to:

- limit the cost of government borrowing
- enable access to the broadest possible investor base for government borrowing
- maintain business and consumer confidence, thereby sustaining economic activity and employment in the State.

The State's credit rating is assessed by independent credit rating agencies, who will publish their assessment in late 2024.

Table E.1: Performance against the FRA object, targets, and principles

Fiscal object, targets, and principles	Comments
Object: Maintain the triple-A credit rating	Fitch reaffirmed triple-A (AAA) rating in October 2023. Moody's reaffirmed triple-A (Aaa) rating in October 2023. In May 2024, Moody's published a new methodology to assess regional and local governments, which includes all Australian States. New South Wales's next scheduled annual review is after the 2024-25 Budget, when the State will be rated under the new methodology for the first time. S&P Global maintained double-A plus (AA+) rating in November 2023. 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.
Target 1: Annual expense growth less than long term average revenue growth (5.6 per cent)	Across the budget and forward estimates, the Government is forecasting annual expense growth to remain below the long-term revenue growth rate. Expense growth is projected to decrease to 1.4 per cent in 2024-25 from 3.5 per cent in 2023-24.
Target 2: Elimination of the State's unfunded superannuation liabilities by 2030.	In 2021, New South Wales re-anchored its superannuation liability target to 2040, freeing up fiscal capacity to address the COVID pandemic.
Principle 1. Responsible and sustainable spending, taxation, and infrastructure investment.	The State aims to align its revenue and expenditure policies with best practices. Taxation policies have been broadly stable. The infrastructure program was reviewed as part of the 2023-24 Budget.
Principle 2. Effective financial and asset management, including sound policies and processes.	The Government has actively managed the State's balance sheet, investment decisions and risk management supported by advice from the Treasury-chaired Asset and Liability Committee. See Chapter 6 Managing the State's Assets and Liabilities for more details.
Principle 3. Achieving intergenerational equity.	The *2021-22 NSW Intergenerational Report* projected that the long-term structural imbalance between revenue and expenditure growth will lead to a fiscal gap of 2.6 per cent of gross state product (GSP) by 2060-61. This assumes no change in current government policy and the continuation of economic and demographic trends. At the 2023-24 Budget, the fiscal gap was projected to be 3.0 per cent of GSP by 2060-61. The measures announced in this Budget are projected to further deteriorate the fiscal gap by 0.1 percentage points to 3.1 per cent.

F. ECONOMIC SCENARIO ANALYSIS

The 2024-25 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 likely result in different impacts on the economic and revenue outlook.

F.1 Impact of variations in key forecast assumptions

The economic impact of the scenarios below was modelled using the Oxford Economics (OE) suite of models including the Global Economic Model and Australia in Detail model.[1] The results are presented as deviations from baseline forecasts. The economic results were then used to estimate the revenue impact of the scenarios using NSW Treasury's revenue model.

Scenario 1: Positive economic backdrop spurs business innovation

Productivity is a key driver of economic growth and stronger real wages. Slowing productivity growth was a global phenomenon leading up to the COVID-19 pandemic potentially due to a lack of major economic reforms and the shift to the services sector. More recently, the disruptions from the COVID-19 pandemic along with trade disruptions have also hurt short-term productivity growth in Australia and globally. Combined with a tight labour market, this has resulted in higher labour costs that are partially responsible for keeping inflation above the 2 to 3 per cent target range.

In this scenario, we assess the potential (upside) implications for our forecasts should businesses prove more successful, through investing in technologies and better utilising their existing workforce, in boosting productivity in the near term. This scenario also assumes that improvements in business conditions (including global conditions) provide businesses with the certainty needed to undertake these innovations.

[1] The suite of OE models are whole-of-economy econometric models with linkages through trade, competitiveness, capital markets, interest rates and commodity prices. They are Keynesian in the short run ensuring that shocks to demand generate economic cycles that can be influenced by fiscal and monetary policy. Long-run output is determined by supply side factors including investment, demographics, labour participation, human capital and productivity. Behavioural equations are estimated in error-correction form to model long term equilibrium relationships which are based on economic theory.

The subsequent increase to Australia's economic capacity supports stronger consumption and investment activity without stoking inflationary pressures. This allows the cash rate to fall earlier and faster than expected under the baseline.

Macroeconomic impact on the Budget and over the forward estimates

In this scenario, businesses increase investment in new technologies and their workforce in the near term. Improved productivity lowers unit labour costs and employment increases 0.3 percentage points above baseline in the first two years, leaving the unemployment rate lower. Despite the additional tightening in the labour market, the improved productivity does not flow into average nominal wages as businesses look to contain costs. Higher productivity allows businesses to lower their product prices which increases real wages and sees inflation reaching the Reserve Bank of Australia's 2 to 3 per cent target band earlier than expected.

Improvements in labour productivity support stronger real wages growth through lower prices relative to baseline. This supports real household spending, which alongside improvements in business investment, drives real state final demand above baseline in 2024-25 and 2025-26. Spare capacity in the economy is slowly diminished as the output gap closes with state final demand still 1.0 per cent above the baseline by 2027-28.

The overall impact on gross state product (GSP) in the scenario is muted somewhat by weaker net exports. Real GSP rises above baseline in 2024-25 and 2025-26. This initial boost to real GSP is slowly reduced over the forecast period as global demand moderates. In comparison, domestic conditions hold up relatively well due to domestic productivity improvements.

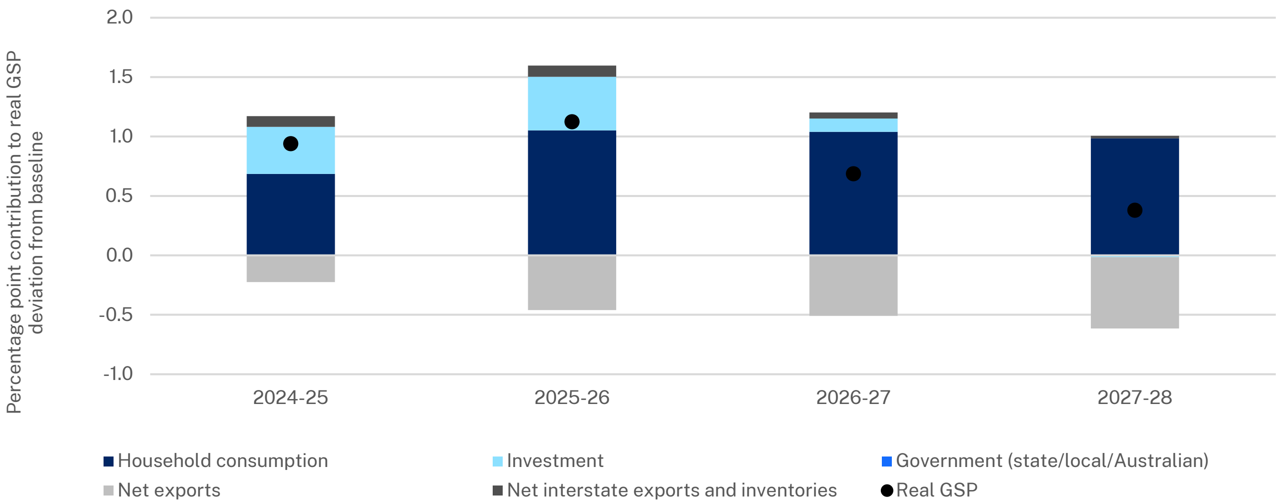
Table F.1: Effect on major economic parameters from improved business productivity[(a)]

Financial year estimate[(a)]	2024-25	2025-26	2026-27	2027-28
State final demand	1.1	1.5	1.2	1.0
Gross state product	0.9	1.1	0.7	0.4
Employment	0.3	0.3	0.1	0.0
Unemployment rate	(0.3)	(0.4)	(0.1)	0
Consumer price index	(0.8)	(0.7)	(0.6)	(0.6)
Compensation of employees	0.2	0.3	0.1	0.0
Productivity	0.7	0.8	0.6	0.4

(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: Oxford Economics and NSW Treasury

Chart F.1: Higher household consumption and investment lift domestic activity



Source: Oxford Economics and NSW Treasury

Revenue impact on the Budget and over the forward estimates

Under this scenario, stronger domestic economic activity flows through to higher tax collections across most categories of government revenue. Payroll tax is supported by a boost in employment in the medium-term. Both commercial and residential transfer duty revenues increase, with transaction volumes and property prices elevated relative to the baseline. Stronger property prices also feed into improvements in land tax revenue. The State's GST revenue also increases bolstered by robust consumer spending and dwelling investment. Royalties revenue is higher in the near term due to higher coal prices as stronger global conditions increase demand for coal, with the impact declining from 2026-27 due to a stronger Australian dollar.

Table F.2: Effect on major revenue parameters from improved business productivity[a]

Financial year estimate[a] ($, million)	2024-25 $m	2025-26 $m	2026-27 $m	2027-28 $m
Payroll tax	28	48	12	0
Transfer duty	339	758	361	352
Land tax	0	27	105	206
Royalties	22	38	18	0
GST revenue	389	647	577	587
Total revenue	**778**	**1,518**	**1,073**	**1,145**

(a) Figures reported are the change in the level of each parameter relative to the baseline.

Source: NSW Treasury

Scenario 2: An escalation of geopolitical tensions

The geopolitical environment in 2024 is volatile with the ongoing war in Ukraine, and increased tensions in the Middle East and South China Sea. An escalation in tensions related to any of these factors could have a significant impact on the global economy through both real effects (disrupted trade routes) and global sentiment.

In this scenario, we assess the potential downside implications for our forecasts should geopolitical tensions escalate. This scenario assumes an escalation in geopolitical tensions disrupts global supply chains through interruptions to global trade. Meanwhile, increased fear of conflict causes a deterioration in investor sentiment. Initially, fiscal policy is loosened to support demand in major economies, mitigating near-term weakness. But ultimately the global recovery falters as sentiment deteriorates and asset prices weaken.

The challenging global environment hampers Australian economic activity. Investment and trade are hit hardest, with household consumption facing a more modest growth outlook as unemployment rises. Inflation is lower as the weaker domestic environment puts downward pressure on prices. This offsets the upward pressure on inflation from supply chain disruptions in the near term.

Macroeconomic impact on the budget and over the forward estimates

Worsening investor sentiment against a weaker global backdrop results in a significant pullback in investment activity in New South Wales. The uncertain outlook also reduces demand for labour with the unemployment rate higher, particularly in the near-term.

A weaker labour market, in turn, weighs on households with real consumption declining in the first two years. The pull back in consumer spending and business investment drags real state final demand below baseline in 2024-25 and 2025-26.

Inflationary pressures ease as underlying demand within the NSW economy weakens. Higher global prices due to supply chain disruptions provide a short-term partial offset to the weaker underlying demand. Overall, prices fall below the baseline and remain constrained as economic growth remains below potential.

Weaker global conditions and trade immediately reduce export demand in the NSW economy, and this falls below baseline in 2024-25 before deteriorating further in the following two years. While global conditions stabilise, the decoupling of trade results in a permanently lower level of export demand within the NSW economy, with exports remaining below baseline over the forward estimates.

Overall, real GSP declines below baseline in 2024-25 and deteriorates further in 2025-26. This is driven by weakness in both domestic and global conditions. Interest rate cuts combined with an improvement in real wages support the domestic recovery with state final demand above baseline by 2027-28. However, the ongoing weakness in the global economy results in a weaker net exports position with real GSP remaining below baseline by the end of the projection period.

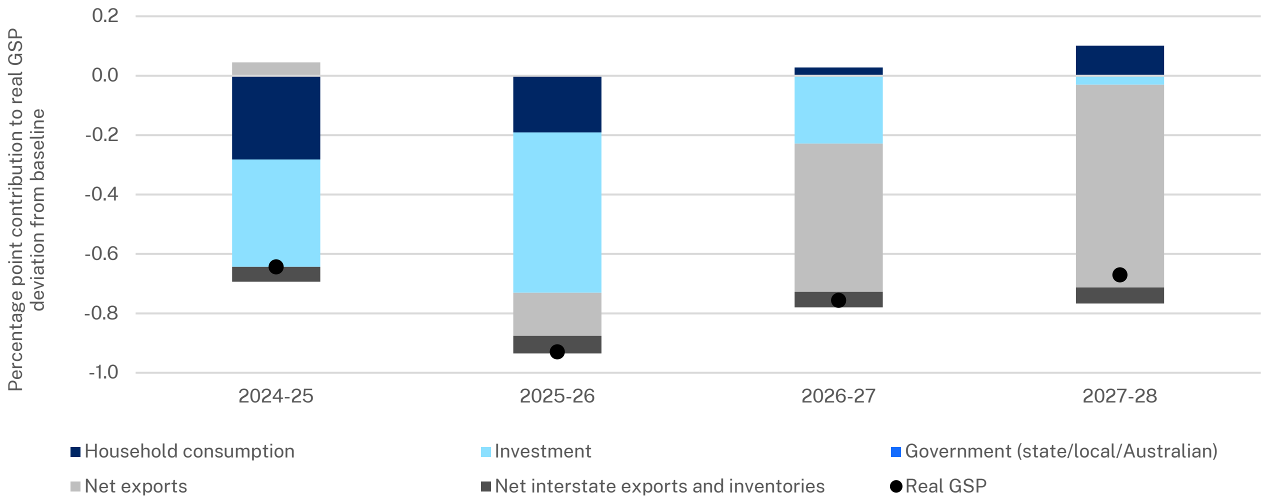
Table F.3: Effect on major economic parameters from an escalation in geopolitical tensions[(a)]

Financial year estimate[(a)]	2024-25	2025-26	2026-27	2027-28
State final demand	(0.7)	(0.7)	(0.2)	0.1
Gross state product	(0.6)	(0.9)	(0.8)	(0.7)
Employment	(0.4)	(0.6)	(0.3)	(0.3)
Unemployment rate	0.4	0.6	0.3	0.3
Consumer price index	(0.5)	(1.3)	(1.7)	(1.9)
Compensation of employees	(0.7)	(1.4)	(1.5)	(1.9)

(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: Oxford Economics and NSW Treasury

Chart F.2: Decoupling of trade results in a lower level of export demand



Source: Oxford Economics 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 and dwelling investment reduces the national GST pool, leading to a decrease in NSW GST revenue. Lower employment and wages over the forecast horizon also leads to lower payroll tax collections. Residential and commercial transfer duty collections are particularly impacted, as housing prices fall and transaction volumes contract. This also flows through to weaker land tax revenue. Coal royalties also fall due to lower levels of export demand.

Table F.4: Effect on major revenue parameters from an escalation in geopolitical tensions[(a)]

Financial year estimate[(a)] ($, million)	2024-25 $m	2025-26 $m	2026-27 $m	2027-28 $m
Payroll tax	(113)	(225)	(255)	(350)
Transfer duty	(535)	(738)	(258)	(233)
Land tax	0	(24)	(95)	(172)
Royalties	(179)	(273)	(252)	(231)
GST revenue	(237)	(380)	(367)	(384)
Total revenue	**(1,064)**	**(1,640)**	**(1,227)**	**(1,370)**

(a) Figures reported are the change in the level of each parameter relative to the baseline.

Source: NSW Treasury