

2024-25

How to Read the Budget Papers



FOREWORD

The Budget is the NSW Government's principal financial, economic and policy statement and is released once a year. It focuses on the next four years, with a particular analysis on the year ahead (the Budget year).

The Budget itself is made up of four individual budget papers, one of which is the Appropriation Bills presented to NSW Parliament.

The budget papers are an important resource for the community. They provide insight into how the NSW Government is allocating taxpayer dollars, what new and existing services, programs and infrastructure are being delivered and how government spending is performing.

How to Read the Budget Papers has been prepared to help readers get the most from the Budget. It explains where to locate key information and provides an overview of key concepts and terminology.

This document is structured to serve a dual purpose:

- it is a plain English guide for readers to aid interpretation of key economic, financial and performance information in the budget papers
- it is also a technical accompaniment for the Estimated Financial Statements for the general government sector – including how they are prepared in accordance with principles and rules established by the Australian Accounting Standards Board and the Australian Bureau of Statistics.

This document concludes with a glossary of key terms used across the budget papers.

The full range of budget papers and associated products can be found on the NSW Budget website, www.budget.nsw.gov.au.

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OUTLINE OF 2024-25 BUDGET PAPERS

The budget papers for 2024-25 are:

- Budget Paper No. 1 *Budget Statement*
- Budget Paper No. 2 *Agency Financial Statements*
- Budget Paper No. 3 *Infrastructure Statement*
- Budget Paper No. 4 *Appropriation Bills*.

In addition to the papers listed above, the NSW Government prepares supporting products including the Budget Overview, Gender Equality Budget Statement, Our plan for Regional NSW, Our plan for Western Sydney, the Budget Speech and the Performance and Wellbeing Consultation Paper.

All budget papers and associated products can be found on the NSW Budget website, www.budget.nsw.gov.au. The website also includes key interactive dashboards.

Budget Paper No. 1 Budget Statement

Budget Paper No. 1 *Budget Statement* presents ‘whole of government’ information. It contains the NSW Government’s economic and fiscal position and outlook. It also details the NSW Government’s fiscal strategy and presents a consolidation of the main expense, revenue and balance sheet measures.

Budget Paper No. 2 Agency Financial Statements

Budget Paper No. 2 *Agency Financial Statements* presents agency performance information in a dedicated performance chapter. In addition, it presents an operating statement, balance sheet and cash flow statement for each principal department and material agency in the general government sector for the 2023-24 full year projections as at 30 April 2024, and 2024-25 Budget year.

Budget Paper No. 3 Infrastructure Statement

Budget Paper No. 3 *Infrastructure Statement* provides detailed information on the NSW Government’s infrastructure investment program and projects such as roads, schools and hospitals. The budget paper includes the infrastructure investment of agencies that are material to the general government and public non-financial corporation sectors.

Budget Paper No. 4 Appropriation Bills

Budget Paper No. 4 *Appropriation Bills* sets out the amount to be appropriated to each Coordinating Minister, along with the purpose for which it is to be spent.

The Appropriation Bills includes two bills which are presented to NSW Parliament. The first bill allocates funds for expenditure for the provision of services for the departments and Special Offices. The second bill, which is presented cognate (meaning two or more bills are considered in detail at the same time) details the amount allocated for the services of the Legislature.

BASIS AND SCOPE OF THE BUDGET PAPERS

The budget papers deliver several objectives. They:

- inform the public of the State's economic and fiscal position
- set out the NSW Government's fiscal strategy
- provide Parliament with financial and service delivery information to inform consideration of the Appropriation Bills
- provide a clear and detailed report on the State's infrastructure expenditure strategy, covering both new works and works-in-progress
- provide advice and insight on how resources are expected to deliver outcomes
- fulfil additional legal requirements (the *Government Sector Finance Act 2018* and the *Fiscal Responsibility Act 2012*).

Sector classifications in the NSW Government

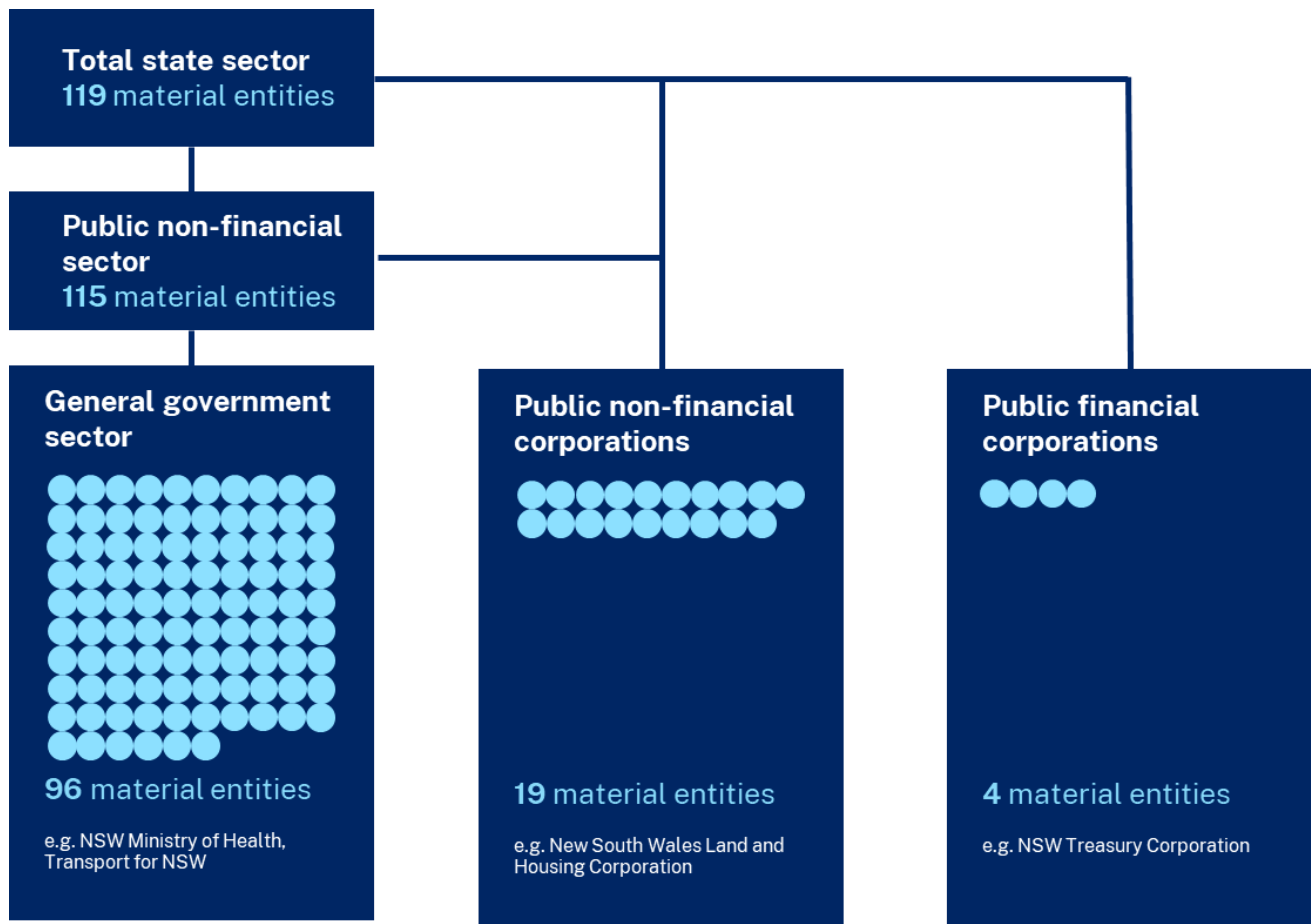
The entities in the NSW Government are classified into three categories in accordance with the principles and rules contained in the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* (ABS cat. No. 5514).

These three categories include the following sectors:

- **general government sector (GGS)** – this includes all government-controlled entities that perform regulatory functions, redistribute income and wealth and deliver non-market goods and services. Non-market goods and services include policy advice, regulatory and service delivery functions. Examples of entities in this sector includes the Ministry of Health, Transport for NSW, and NSW Police Force.
- **public non-financial corporations (PNFC)** – this covers all government-controlled entities that provide market goods or services and have a relatively higher share of own-source revenue. The NSW Government chooses to further classify entities in this sector as commercial or non-commercial.
 - Commercial entities deliver services to customers from which they receive income. An example is Sydney Water.
 - Non-commercial entities address social objectives and levy subsidised charges to their customers. An example is New South Wales Land and Housing Corporation.
- **public financial corporations (PFC)** – entities in this sector are government-controlled entities involved in providing financial services. An example is New South Wales Treasury Corporation.

When combined, these three sectors make up the **total state sector**, which is also referred to as whole of government. For further information, refer to Appendix A4 of Budget Paper No. 1 *Budget Statement*.

Figure 1: The total state sector is comprised of 119 material entities



Scope of the budget papers

The budget papers primarily examine the activities, new measures, financial statements, financial aggregates, and performance information for the general government sector, unless it is explicitly stated otherwise.

Appendix A1 of Budget Paper No. 1 *Budget Statement* includes financial statements for the public non-financial corporations sector and the non-financial public sector (which is the combined general government *and* public non-financial corporations sectors). These statements give readers a comprehensive insight into the State's fiscal performance and position.

IMPORTANT CONCEPTS

The Budget is based on economic forecasts and assumptions

The Budget is a forward-looking document, so it relies on economic forecasts and assumptions. These are based on professional judgement and reflect information available at the time.

Some economic parameters are heavily influenced by the Australian Government's policy settings and are largely underpinned by their assumptions. For example, the impact of the Australian Government's migration and border policies can impact NSW population growth.

Readers that are interested in the underlying forecasts and assumptions for this Budget can read further at page xxii of this document, which outlines the material economic assumptions used in the 2024-25 Budget, such as population and gross state product.

Accrual basis of accounting

The financial statements presented in the budget papers are prepared using an accrual basis of accounting in accordance with Australian Accounting Standards (AAS). Accrual accounting is different from cash accounting, which is the basis used by many households.

Under the accrual accounting method, revenue or expenses are recorded when a transaction occurs, not just when cash payment is received or made. Accrual accounting is the standard method of accounting for most governments and large organisations.

The Statement of Finances in Appendix A1 of Budget Paper No. 1 *Budget Statement* is prepared in accordance with the Uniform Presentation Framework (UPF) and AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

AASB 1049 harmonises the application of accounting standards with the principles and rules contained in the Australian Bureau of Statistics (ABS), *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* (Cat. No. 5514) (ABS-GFS Manual). This aids transparency and integrity in public reporting and facilitates comparison across jurisdictions.

Performance and Wellbeing Framework

The Performance and Wellbeing Framework is introduced in the Performance and Wellbeing Consultation Paper as an accountability approach that puts the needs of the people at the centre of government decision-making. It recognises that the allocation of public resources should be based on how it enhances the quality of life of NSW residents (e.g. all school students are supported to reach their full potential), rather than the value of expenditure or the volume of services delivered.

The Framework uses wellbeing metrics and performance indicators to measure the success of the NSW Outcomes and the Wellbeing themes.

See the Performance and Wellbeing Consultation Paper for more information.

In New South Wales, there are 12 principal departments

The general government sector is made up of around 100 agencies of a material size.¹ All agencies are grouped by policy area and are affiliated with one of 12 principal departments. The 12 principal departments are:

- Department of Climate Change, Energy, the Environment and Water (newly created department effective from 1 January 2024)
- Department of Communities and Justice
- Department of Customer Service
- Department of Education
- Department of Enterprise, Investment and Trade
- Department of Planning, Housing and Infrastructure (was renamed from Department of Planning and Environment from 1 January 2024)
- Department of Regional NSW
- Ministry of Health
- Premier's Department
- Transport for NSW
- The Cabinet Office
- Treasury.

Further information about agency financial statements, capital investment plans and performance information can be found in Budget Paper No. 2 *Agency Financial Statements* and Budget Paper No. 3 *Infrastructure Statement*. Budget Paper No. 4 *Appropriation Bills* outlines the amount of Consolidated Fund required by each Coordinating Minister for service delivery and infrastructure projects.

How to interpret aggregated data

Like large private sector businesses, entities within the NSW Government transact with each other throughout the year. For example, many agencies use Property NSW for property transactions and the Audit Office of New South Wales for auditing services.

The aggregate financial data presented in Budget Paper No. 1 *Budget Statement* is presented on a 'sector eliminated basis'. This means consolidated, whole of government expenditure and revenue removes (or eliminates) intra-government transactions. This approach ensures there is no double counting and it provides an accurate picture of the size of the government as a single entity. The benefit is that citizens can see the total expenditure of the government as a sector and whole unit, alongside the total revenue of the government.

¹ There are also a number of smaller service agencies and trusts.

In Budget Paper No. 2 *Agency Financial Statements*, recurrent expenses and capital expenditure are presented on an uneliminated basis. Uneliminated basis refers to the full value of the transactions and balances of the agency, including those that relate to transactions with other government agencies.

Reflecting the latest changes in accounting standards

There have been no new or revised accounting standards which materially impact the budget estimates in 2024-25.

Several amendments and interpretations applied for the first time in 2023-24. However, these will not have a material impact on the balances reported for the 2023-24 consolidated financial statements of the GGS. For further information on the impact of changes to accounting standards on the Estimated Financial Statements for the general government sector, see the Statement of Significant Accounting Policy and Forecast Assumptions section later on in this document.

Actual data in the budget papers

Actual financial information represents financial data for the year ending 30 June 2023. This information is contained in the audited *Total State Sector Accounts 2022-23* in the *Report on State Finances 2022-23* that were tabled in Parliament on 22 January 2024. It has not been restated to reflect any changes that may arise due to the adoption, or repeal, of accounting standards and policies in subsequent reporting periods. This is consistent with section 4.2(3A) of the *Government Sector Finance Act 2018* (GSF Act).

EXPLAINING KEY TERMS AND PHRASES

This section explains key concepts that are frequently used throughout the budget papers, and relate to the Budget's analysis of the economy and fiscal outlook. It assists readers who do not have previous knowledge of finance or economics.

The Glossary at the end of this guide also provides an exhaustive list of terms used throughout the budget papers.

Concepts used to measure production and spending

Gross domestic product

Gross domestic product (GDP) is one way to measure economic performance. It measures the value-added of goods and services produced by a country. GDP can be presented in either nominal or real terms.

- Nominal GDP measures GDP in current (original) market prices, which does not include the impact of inflation/deflation.
- Real GDP measures GDP adjusted for the impact of inflation/deflation. Movements in real GDP is the preferred indicator of how fast economic activity is growing.

The ABS releases updates to national GDP both quarterly and annually.

Gross state product

The equivalent measure of GDP at a state or territory level is known as gross state product (GSP). It measures the value-added of goods and services produced within a state. GSP is released annually by the ABS. For example, the *2022-23 Australian National Accounts: State Accounts* (previously *Cat: 5220.0 Australian National Accounts: State Accounts*) showed New South Wales GSP increased by 3.7 per cent in 2022-23.

State final demand

State final demand (SFD) is a measure of economic demand for goods and services in the economy. It is different to GSP in that it measures the total value of goods and services that are sold in a state or territory to buyers who either consume them or retain them in the form of capital assets.

Consumer price index

The consumer price index (CPI) is designed to provide a general measure of inflation of the household sector. It measures the change in the price for a basket of goods and services over a period of time. The CPI is compiled separately for each capital city and the national measure is presented as the weighted average of eight capital cities. In addition to a national CPI, a Sydney CPI is also published.

Concepts used to measure the State's overall financial position and performance

Revenue

Revenue is defined as net income received from all sources. These sources of income include taxation (e.g. transfer duty), sales of goods and services, interest income, other recurrent income and capital revenue.

Expenses

Expenses are defined as decreases in net worth resulting from transactions. Common types of expenses include employee expenses, depreciation and amortisation, interest, grants and subsidies, and other operating expenses.

Budget result (also called the net operating balance)

Represents the difference between revenue and expenses from operating transactions in the general government sector. It is important to keep in mind:

- It is a 'flow' measure because it covers a period of time (12 months).
- It measures activity from 'transactions'. It excludes changes to assets/liabilities that occur through other means (e.g. revaluations, purchases and sales of non-financial assets).
- Page xii of this guide shows a marked-up operating statement, highlighting what is included in the budget result.

Capital expenditure

This is money spent on acquiring or enhancing assets that are expected to provide benefits over multiple years. This usually refers to money spent on property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems), and intangibles (including computer software and easements). In New South Wales, capital expenditure also includes leases and assets acquired using service concession arrangements, as required under Australian Accounting Standards. As page xii illustrates, the budget result does not include capital expenditure – it includes depreciation.

Net lending/borrowing

This measure shows the financing requirement of the government over a one-year period (i.e. the draw on the balance sheet through either a lower cash balance or higher borrowings). It is measured as the net operating balance (excluding non-cash items such as depreciation), less the net acquisition of non-financial assets.

Gross debt

Gross debt is the sum of deposits held, advances received, borrowings at amortised costs and borrowings and derivatives at fair value. High levels of gross debt can impose a call on future revenue flows to service that debt (e.g. interest expenses).

Net debt

Net debt comprises the stock of gross debt less selected financial assets. The stock of net debt is one (but not the only) common measure used to assess the overall strength of a jurisdiction's fiscal position. High levels of net debt can impose a call on future revenue flows to service that debt and if unchecked can limit government flexibility to adjust expenditure.

Net worth

Net worth is a measure of the strength of the government's financial position at a point in time, usually at the end of a financial year (30 June). It represents the value of all assets, minus the value of all outstanding liabilities.

READING AND UNDERSTANDING FINANCIAL STATEMENTS

Budget Paper No. 1 *Budget Statement* includes the consolidated² financial statements for the general government sector, public non-financial corporation sector and the non-financial public sector. There are three primary statements:

- Operating Statement
- Balance Sheet
- Cash Flow Statement.

These statements cover a number of years:

- the year ending 30 June 2023. This is referred to as an ‘actual’ position because the year is complete and the results have been audited
- the year ending 30 June 2024. This is called a ‘revised estimated’ position because it has been revised compared to the Budget that was originally handed down last September, based on agencies’ latest projections of current year financial performance. It is ‘estimated’ because the year is still underway
- the year ending 30 June 2025. This is called the Budget year
- the years ending 30 June 2026, 2027 and 2028. These are called the ‘forward years’ or ‘forward estimates’.

These statements contain common financial aggregates that are reported consistently across governments in Australia and internationally, in line with best practice. These aggregates are detailed further below. The NSW aggregates are prepared in line with:

- the Uniform Presentation Framework (UPF) endorsed by the Council on Federal Financial Relations (further background on the UPF can be found in Appendix A1 - Statement of Finances in Budget Paper No. 1 *Budget Statement*)
- the 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.

Differences between harmonised GFS and GAAP information, as shown in the budget papers and pure GFS information, as reported by the ABS, 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.

Budget Paper No. 2 *Agency Financial Statements* provides financial statements for each principal department and material agency within the general government sector. These are prepared consistent with Australian Accounting Standards AASB 101 *Presentation of Financial Statements*.

² Consolidated means the combined activities of all those entities in the sector.

Financial statements presented in the budget papers

While the Budget does contain some historical data, the bulk of analysis is forward looking. The sections below help readers understand how to read the different statements in the Budget, keeping in mind that the numbers presented for 2024-25 and beyond remain estimates because they are prospective.

At their heart, the financial statements are about economic value. Some statements show the change in value over a financial year (flows), some statements measure the economic value at a point in time (stocks).

Operating Statement

The Operating Statement shows the revenue and expenditure of the relevant sector. It also shows the net cost of government activities (budget result or net operating balance) within a financial year. It reflects the impact of government measures and actions during that time.

The Operating Statement reports against several major fiscal measures, including:

- net operating balance (budget result)
- operating result
- comprehensive result – total change in net worth
- net lending/borrowing (fiscal balance)
- capital expenditure.

The following pages provide an example of an Operating Statement. It is important to recognise the Operating Statement, which runs over two pages:

- captures changes in economic value (*economic flows*) over a 12 month period.
- breaks down economic flows into two main categories:
 - **transactions** – an economic flow that is an interaction between institutional units by mutual agreement or through the operation of the law.
 - **other economic flows** – which are changes in the volume or value of assets or liabilities that do not result from transactions. For example, there may be changes due to natural events, such as an earthquake or a flood, or there may be other re-valuations.

The following pages are an example of an Operating Statement, detailing the above concepts for clarity.

Figure 2: Exemplar Operating Statement

Table A1.1 in Budget Paper No. 1

	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
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			
Total Expenses from Transactions	116,467	120,518	122,163			
BUDGET RESULT - SURPLUS/(DEFICIT)					(2,364)	
[Net Operating Balance]	(10,565)	(9,676)	(3,633)			

Current year (revised estimates)

Budget year

Sum of expenses

Budget Result is Revenue minus Expenses. It is one measure of the sustainability of the State's operations. It is also known as the Net Operating Balance.

Figure 2: Operating Statement (cont.)

Table A1.1 in Budget Paper No. 1 (cont.)

	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
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(186)	(365)	(71)			
Other Net Gains/(Losses)	2,215	1,805	762			
Share of Earnings/(Losses) from Equity Investments (excluding Dividends)	(13)	(7)	(81)			
Dividends from Asset Sale Proceeds	120	40	40			
Deferred Income Tax from Other Sectors	129	92	17			
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	(2,622)	(145)	6,113
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth	36,072	43,886	2,979			
Less: Net Other Economic Flows	(46,638)	(53,562)	(6,612)			
Equals: Budget Result - Net Operating Balance	(10,565)	(9,676)	(3,633)			
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets	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	37	1,073	796	795	843	802
- Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model	827	896	336			
- Grant of Right to the Operator Model	273	441	620			
- Other	31	(652)	(1,243)			
Equals: Total Net Acquisition of Non-Financial Assets	14,005	14,047	13,122			
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(24,570)	(23,723)	(16,755)	(2,622)	(145)	6,113
OTHER FISCAL AGGREGATES						
Capital Expenditure	22,071	22,909	23,476	22,197	21,121	19,653

Other economic flows
This section captures changes in the volume or value of assets and liabilities that are not a result of transactions.

Comprehensive result - Total Change in Net Worth
Is a similar measure to the Net Operating Balance but it also includes 'Other economic flows'.

Net lending
Represents the change in how much the Government can lend or needs to borrow from others.

Balance Sheet

The Balance Sheet records the value of financial and non-financial assets and liabilities of the government at the end of the financial year. It is a stock measure – highlighting the fiscal position of the NSW Government at a point in time.

The balance sheet details the following fiscal aggregates:

- total assets and liabilities
- net assets
- net worth
- net financial worth
- net financial liabilities
- net debt.

The table on the following page provides an example of a Balance Sheet, detailing the concepts listed above.

Figure 3: Exemplar Balance Sheet

Table A1.2 in Budget Paper No. 1

	June 2023 Actual \$m	June 2024 Revised \$m	June 2025 Budget \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
End of Budget year						
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			996
Inventories	1,088	1,375	1,830			123
Forestry Stock and Other Biological Assets	16	19	19			19
Assets Classified as Held for Sale	151	226	394			108
Property, Plant and Equipment						
Land and Buildings	129,648	136,238	140,901			297
Plant and Equipment	15,161	15,442	15,650			446
Infrastructure Systems	204,909	221,811	231,044			641
Right-of-Use Assets	6,185	6,375	6,324			305
Intangibles	5,176	5,623	5,868			213
Other Non-Financial Assets	2,009	1,962	1,905			903
Total Non-Financial Assets	364,419	389,554	403,995	411,113	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
Payables	9,963	9,449	9,478			253
Contract Liabilities	858	789	781			788
Borrowings and Derivatives at Fair Value	17	10	10			9
Borrowings at Amortised Cost	132,079	154,605	166,023			1,145
Advances Received	492	440	392			270
Employee Benefits Liabilities	25,971	28,538	30,059			474
Superannuation Provision	41,678	38,228	36,761			7,191
Tax Equivalents Payable	73	59	66			76
Deferred Tax Equivalent Provision	42	42	41			43
Other Provisions	16,614	16,672	16,083			16,677
Other Liabilities	21,603	21,406	21,355		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	3	69,787	69,601	66,807	66,026	67,426
Reserves	4	296,056	299,222	297,045	295,936	299,830
TOTAL NET WORTH	7	365,844	368,823	363,852	361,961	367,255
OTHER FISCAL AGGREGATES						
Net Debt		96,833	110,523			97
Net Financial Liabilities		184,170	197,880	212,188	223,543	231,574
Net Financial Worth	(2)	(23,710)	(35,172)	(51,425)	(63,998)	(68,795)

Assets at end of year
An asset is a store of value. It represents a benefit (or series of benefits) accruing to the owner by holding or using it.

Broken down by

- Financial Assets
- Non-Financial Assets.

Liabilities at end of year
Often established through contract, a liability is when the Government (the debtor) is obliged, under specific circumstances, to provide funds or other resources to another unit (the creditor).

Net debt
The stock of selected financial liabilities less selected financial assets. It is one measure of the financial position of the State.

Net worth
Assets minus liabilities.

Cash Flow Statement

The Cash Flow Statement shows how the NSW Government obtains and spends cash. It records the government's cash inflows and outflows. The Cash Flow Statement reports against two fiscal measures:

- net increase in cash held
- cash surplus/(deficit).³

The Cash Flow statement is categorised into three main sections:

- cash flow from operating activities
- cash flow from investing activities
- cash flow from financing activities.

Cash flow from operations

This section contains the main cash generating activities of the NSW Government. Any money earned or spent in the normal day-to-day running of the government will appear in the operations section of the cash flow statement.

Cash flow from financing

Financing activities refers to activities related to raising finance, other than from operations or investments. This includes activities such as borrowing, repayments of borrowing, or issuance of shares or bonds.

Cash flow from investment

Investing activities included in this section generally include purchases or sales of long-term assets, such as property, plant, and equipment. The sale or purchase of other investments would also be included here.

The table on the following page provides an example of a Cash Flow Statement and explains some of the main concepts.

³ It is important to keep in mind that when the NSW Government reports a surplus, deficit or balanced budget it is referring to the Operating Statement not the Cash Flow Statement.

Figure 4: Exemplar Cash Flow Statement

Table A1.3 in Budget Paper No. 1

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	Revised	Budget	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m	\$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)	(112,004)	(114,408)	(119,821)
Net Cash Flows from Operating Activities	(160)	(1,597)	4,857	7,648	7,842	6,132
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	280	564	1,274	1,274	1,274	669
Purchases	(22,056)	(20,964)	(22,208)	(22,208)	(22,208)	(939)
Net Cash Flows from Investments in Non-Financial Assets	(21,777)	(20,400)	(20,935)	(20,935)	(20,935)	(270)
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
Net Cash Flows from Financing Activities	23,370	19,117	9,638	9,820	7,472	9,543
Net Increase/(Decrease) in Cash Held	3,126	(1,049)	(4,107)	(860)	(656)	(648)
Derivation of Cash Result						
Net Cash Flows from Operating Activities	(160)	(1,597)	4,857	7,648	7,842	6,132
Net Cash Flows from Investments in Non-Financial Assets	(21,777)	(20,400)	(20,935)	(20,935)	(20,935)	(270)
Cash Surplus/(Deficit)	(21,936)	(21,997)	(16,078)	(13,287)	(13,093)	(16,548)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

Scope of the Actual Financial Statements and Estimated Financial Statements for the general government sector

This Statement of Significant Accounting Policies and Forecast Assumptions applies to the actual and estimated financial statements of the general government sector (GGS) for the 2024-25 Budget publications.

The GGS comprises government agencies controlled by the State that:

- undertake regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community and/or provide other services to general government agencies.

The scope of the GGS is determined in accordance with the principles and rules contained in the Australian Bureau of Statistics, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* (Cat. No. 5514) (ABS-GFS Manual).

The Financial Statements of the GGS include:

- the GGS operating statement
- the GGS balance sheet
- the GGS cash flow statement.

The Financial Statements for the GGS include:

- the actual financial results (audited financial statements) for the GGS for the financial year ending 30 June 2023
- the revised budget estimates for the GGS for the current year ending 30 June 2024
- the Estimated Financial Statements for the GGS for the budget year ending 30 June 2025 and three forward years ending 30 June 2026, 2027 and 2028.

Basis of preparation

The GGS Actual and Estimated Financial Statements are prepared using the accrual basis of accounting. This basis recognises the effect of transactions and events when they are forecast to occur.

The GGS Actual Financial Statements

The actual results for 2022-23 reflect the audited financial statements for the GGS as presented in the *Report on the State Finances 2022-23*.

The GGS Estimated Financial Statements

The GGS Estimated Financial Statements are prepared in accordance with this Statement of Significant Accounting Policies and Forecast Assumptions and include:

- revised estimates for the current budget year ending 30 June 2024
- estimates for the budget year ending 30 June 2025
- estimates for the three forward years ending 30 June 2026, 2027 and 2028.

The GGS Estimated Financial Statements for the budget and forward years are prepared to reflect existing operations and the impact of new policy decisions taken by the NSW Government, where their financial effect can be reliably estimated.

They take into account other economic and financial data available to Treasury up to 3 June 2024, including Australian Government funding decisions announced in the 2024-25 Australian Government Budget.

In keeping with these principles, where the impact of a policy decision or planned event cannot be reliably estimated, the impact is not reflected within the GGS Estimated Financial Statements (e.g. due to uncertainties regarding the timing and amount of future cash flows).

Additionally, they do **not** include the impact of major asset transactions until they are finalised. The estimated financial impact of these future planned discontinuing operations or restructuring transactions are not recognised due to their commercial, in-confidence nature.

In the GGS Estimated Financial Statements, any estimates or assumptions made in measuring revenue, expenses, other economic flows, assets or liabilities are based on:

- the latest information available at the time
- professional judgements derived from experience
- other factors considered to be reasonable under the circumstances.

Actual results may differ from such estimates. Key assumptions are detailed below in the sections: *Material economic assumptions* and *Summary of other key assumptions*.

Accounting policies

Australian Accounting Standards (AAS) do not include requirements for, or provide guidance on, the preparation or presentation of prospective financial information, such as that included in the GGS Estimated Financial Statements. However, recognition and measurement principles within AAS have been applied in the presentation of the GGS Estimated Financial Statements to the maximum extent possible.

The GGS Actual Financial Statements for 2022-23 reflect the audited financial statements for the GGS as presented in the *Report on the State Finances 2022-23*. This report contains the *Total State Sector Accounts*.

The GGS Estimated Financial Statements for 2023-24 reflect the revised estimated information of the GGS that is expected to be presented in the *Total State Sector Accounts 2023-24* when published. They have been prepared using the accounting policies which will be used to prepare the *Total State Sector Accounts 2023-24*.

The GGS Estimated Financial Statements adopt the accounting policies expected to be used in preparing the *Total State Sector Accounts* for 2024-25.

The GGS Estimated Financial Statements have been prepared consistently with the GGS Actual Financial Statements for 2022-23. Refer to the matters discussed below under *Changes in accounting policies*.

The significant accounting policies (including the principles of consolidation), significant accounting judgements and estimates, and the recognition and measurement policies for revenue, expenses, other economic flows, assets and liabilities are outlined within Note 1 Statement of Significant Accounting Policies in the *Total State Sector Accounts 2022-23*.

The *Government Sector Finance Act 2018* does not require that the presentation of prior years' Actual Financial Statements be restated to include the impacts of the adoption of new accounting standards.

Changes in accounting policies

Changes in Australian Accounting Standards (AAS) are taken into account when preparing the GGS Estimated Financial Statements.

The accounting policies applied in 2024-25 Budget year are consistent with those of the previous budget year. There are no significant changes to AAS or accounting policies in 2023-24 that materially impact the GGS Estimated Financial Statements.

New Accounting Standards issued but not effective

AASB 17 *Insurance Contracts* (AASB 17) replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.

In December 2022, the Australian Accounting Standards Board (AASB) issued a number of new amending standards.

AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* (AASB 2022-9) includes modifications that apply to public sector entities. The estimated impact of AASB 2022-9 on GGS Estimated Financial Statements has not been sufficiently identified and quantified at this stage and thus not disclosed.

AASB 17 is effective for public sector entities from 1 July 2026, with earlier application permitted.

AASB 2022-10 *Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* (AASB 2022-10) amends AASB 13 *Fair Value Measurement* (AASB 13), adds authoritative implementation guidance, and provides related illustrative examples for application by not-for-profit public sector entities. AASB 2022-10 is effective for not-for-profit public sector entities from 1 July 2024. The estimated impact of AASB 2022-10 on GGS Estimated Financial Statements has not been sufficiently identified and quantified at this stage. However, it is not expected to be material.

AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants* (AASB 2022-6) amends AASB 101 *Presentation of Financial Statements* regarding classification of long term liabilities with debt covenants. AASB 2022-6 was effective from 1 July 2023. The impact of AASB 2022-6 on GGS Estimated Financial Statements is not expected to be material.

There are no other standards that are issued and not yet effective, or that have been adopted early, that are expected to have a material impact on the GGS Actual or Estimated Financial Statements presented in the 2024-25 Budget papers.

Presentation of the GGS Estimated Financial Statements

The *Statement of Finances* follows the presentation requirements for GGS reporting contained in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

This accounting standard harmonises Generally Accepted Accounting Principles (GAAP) with Government Financial Statistics (GFS) principles in accordance with the GFS framework adopted by the Australian Bureau of Statistics (ABS).

The net operating balance (or budget result) presented in accordance with AASB 1049 is the net result of harmonised GFS-GAAP transactions for the GGS.

AASB 1049 requirements include the following:

- The statement of comprehensive income (referred to as the operating statement) classifies amounts into transactions or other economic flows, in order to be consistent with GFS principles, applied from a GAAP perspective
- In the operating statement:
 - the *net operating balance* is the net result of *revenue and expenses from transactions*. Transactions are the result of mutually agreed interactions between parties. This excludes *other economic flows*, that represent changes in the volume or value of assets or liabilities that do not arise from transactions with other entities (and which are often outside the control of government)
 - the *operating result* includes the *net operating balance* and certain *other economic flows*. It is the same under both the harmonised GFS-GAAP and pure GAAP presentations.

The GGS financial statements adopt the recognition, measurement and disclosure requirements of GAAP, consistent with the following principles in AASB 1049:

- where options exist in GAAP, the GGS financial statements adopt the option that is aligned with GFS, to minimise differences between GAAP and GFS and/or
- where only one approach is allowed in GAAP and there is conflict between GAAP and GFS, GAAP prevails.

Due to the prospective nature of the GGS Estimated Financial Statements, detailed notes to the GGS Estimated Financial Statements are not required to be included. This is consistent with Section 4.2 of the *Government Sector Finance Act 2018*, that does not require the budget

papers to be presented to include notes within the meaning of the Australian Accounting Standards.

Each year ends on 30 June, all monetary amounts are presented in Australian dollars and rounded to the nearest million dollars (\$m).

Use of a zero ("0") represents amounts rounded to zero. Use of three dots ("...") represents nil amounts.

Tables may not add in all instances due to rounding to the nearest million dollars.

Presentation changes

There have been no significant presentation changes since the release of the 2023-24 *Statement of Finances* appendix in Budget Paper No.1 *Budget Statement*. The presentation of information in the financial estimates remains consistent with GAAP and GFS presentation requirements.

Definitions

Key technical terms, including fiscal aggregates, are defined in the Glossary to this document and Note 40 of the *Total State Sector Accounts 2022-23*.

Material economic assumptions and forecasts

The GGS Estimated Financial Statements have been prepared using the material economic assumptions and forecasts that underpin the 2024-25 Budget, as set out below.

Table 1: Key economic performance assumptions and forecasts^(a)

	2021-22 Outcome	2022-23 Outcome	2023-24 Forecasts	2024-25 Forecasts	2025-26 Forecasts	2026-27 Forecasts	2027-28 Forecasts
New South Wales population (persons) ^(b)	8,167,000	8,345,000	8,517,000	8,618,000	8,724,000	8,823,000	8,921,000
Nominal gross state product (\$million)	706,700	777,300	816,700	863,500	904,200	944,100	983,600
Real gross state product (per cent)	2.6	3.7	1½	2	2	2¼	2½
Real state final demand (per cent)	3.8	4.8	1	1¼	2¼	2½	2½
Employment (per cent)	1.0	6.0	2½	1	1	1½	1½
Unemployment rate (per cent) ^(c)	3.7	3.2	4	4½	4½	4¼	4
Sydney consumer price index (per cent) ^(d)	3.9	7.1	4¼	3	2¾	2½	2½
Sydney consumer price index excluding tobacco excise effect (per cent)	3.8	7.1	4¼	2¾	2¾	2½	2½
Wage price index (per cent) ^(e)	2.4	3.3	4	3¾	3½	3¼	3½
Nominal gross state product (per cent)	8.3	10.0	5	5¾	4¾	4½	4¼

(a) Per cent change, year average, unless otherwise indicated.

(b) As at 30 June each year.

(c) As at June quarter, per cent.

(d) Includes the impact from tobacco excise increases.

(e) Weighted private and public sector wages.

Source: ABS 3101.0, 5206.0, 5220.0, 6202.0, 6401.0, 6345.0 and NSW Treasury

Summary of other key assumptions

The following section outlines the other key assumptions used in the preparation of the GGS Estimated Financial Statements. The summary considers materiality in relation to the GGS's overall financial position and sensitivity to changes in key economic assumptions.

Notwithstanding these key assumptions, agency finance officers apply appropriate professional judgement in determining estimated financial information.

Revenue from transactions

Taxation

Taxation revenue is forecast by assessing economic and other factors that influence the various taxation bases. Payroll tax, for example, involves an assessment of the outlook for employment and wages, and builds upon NSW Treasury's own forecasts of the relevant macroeconomic indicators. Forecasts of government debt guarantee fees consider an assessment of the level of debt of public non-financial corporations (PNFCs) and their credit rating differential compared with the State as a whole. The forecasts of taxation revenue also involve the analysis of historical information and relationships (using econometric and other statistical methods), and consultation with relevant government agencies.

Grants and subsidies revenue

Forecast grants from the Australian Government are based on the latest available information from the Australian Government and projections of timing of payments at the time of preparation of the Budget. This considers the conditions, payment timetable, and escalation factors relevant to each type of grant and where relevant, estimated progress against grant obligations.

Goods and Services Tax (GST) grants are forecast based on estimates of the national GST pool by NSW Treasury. For 2024-25, the GST forecast is based on the assessed GST sharing relativity for New South Wales in 2024-25 and the Australian Government's population projections. The assessed relativity is based on the three-year average of actual data (2020-21, 2021-22 and 2022-23) as published by the Commonwealth Grants Commission.

Beyond 2024-25, the State's share of GST is based on NSW Treasury's forecasts of state relativities and the national GST pool, and on the Australian Government's state population projections. NSW Treasury's forecasts of annual per capita relativities are based on its forecasts of the projected fiscal capacity of New South Wales compared with other states and territories.

Sale of goods and services

Revenue from the sale of goods and services is forecast by considering all known factors, including:

- estimates of changes in demand for services provided
- expected unit price variations based on proposed fee increases imposed by general government agencies and/or indexation.

Dividend and income tax equivalents from other sectors

Dividend and income tax equivalent revenue from other sectors are estimated by the PNFC and public financial corporations (PFC) sectors. These forecasts are based on expected profitability and the agreed dividend policy at the time of the Budget.

Other dividends and distributions

Other dividends include estimates of dividends to be received from investments in entities other than the PNFC and PFC sectors, with the revenue recognised when the right to receive payment is expected to be established. Estimates are based on advice from external parties.

Distributions are mainly from managed fund investments administered by NSW TCorp, with the revenue recognised when the right to receive payment is expected to be established based on advice from NSW TCorp. It excludes estimated fair value movements in the unit price of the investments, which are recognised as 'other economic flows – included in the operating result'.

Fines, regulatory fees and other revenues

Fines, regulatory fees and other revenues include estimates of fines issued by the courts, estimated traffic infringement fines, estimated revenue from enforcement orders and regulatory fees and contributions. It also includes estimated royalty revenue based on assessments of coal volumes and prices and the Australian dollar exchange rate. Other revenue forecasts are adjusted for indexation where appropriate.

Expenses from transactions

To improve the accuracy of budget estimates, consistent with longstanding practice and reflecting historic trends, the GGS Estimated Financial Statements includes adjustments:

- to account for parameter and technical adjustments expected to be required to maintain service provision on a no policy change basis, consistent with the policy set out in [TPG21-11 NSW Treasury Policy and Guidelines: Parameter and Technical Adjustments and New Policy Proposals \(Measures\)](#) reflecting the historic conservative bias in aggregate spending estimates
- to account for expenses expected to be carried forward into future years reflecting changes in timing of delivery of government activity, consistent with the policy set out in [TPG22-05 NSW Treasury Policy and Guidelines: Carry Forwards Policy](#)
- to reflect government decisions not yet included in agency estimates, for example due to timing or because they are commercial in confidence or subject to further requirements.

Employee expenses

Employee expenses are projected based on expected staffing profiles, salaries, conditions, workers compensation insurance and on-costs.

Where an industrial instrument is due for renewal, such as an expired award, the budget includes the financial impact of the Government's approved bargaining parameters.

Factors that can impact the employee expense estimates are:

- final approved wage agreements
- determinations by the Industrial Relations Commission, Industrial Relations Court or Fair Work Commission
- future wage policies
- productivity enhancing reforms
- new initiatives
- other policy or parameter changes.

Superannuation expense (and liabilities)

Superannuation expense comprises:

- for defined contribution plans, the forecast accrued contributions for the period
- for defined benefit plans, the forecast service cost and the net interest expense. This excludes the re-measurements (i.e. actuarial gains and losses and return on plan assets in excess of the long-term Commonwealth Government Securities (CGS) rate, which are classified as 'other economic flows – other comprehensive income').

Superannuation expenses for defined contribution plans are based on assumptions regarding future salaries and contribution rates.

Superannuation expenses for defined benefit plans are estimated based on actuarial advice, applying the long-term CGS yield as at 30 June in the prior year to the opening value of net liabilities (gross superannuation liabilities less assets), less benefit payments at the mid-point of the contribution year, plus any accruing liability for the year.

Forecasts of defined benefit superannuation liabilities are based on actuarial estimates of cash flows for the various defined benefit superannuation schemes, discounted using a nominal long-term CGS yield as at 30 June. Gross liability estimates are based on a number of demographic and financial assumptions.

The table below sets out the major financial assumptions used to estimate the superannuation expense and liability in respect of defined benefit superannuation for the Budget and forward estimates period.

Table 2: Superannuation assumptions – Pooled Fund / State super schemes

	2023-24 %	2024-25 %	2025-26 %	2026-27 %	2027-28 %
Liability discount rate ^(a)	4.07	4.35	4.45	4.04	3.84
Expected return on investments ^(b)	7.10/6.90	7.00/6.20	7.00/6.20	7.00/6.20	7.00/6.20
Expected salary increases ^(c)	5.46	4.56	3.80	3.78	3.80
Expected rate of CPI	4.25	3.00	2.75	2.50	2.50

(a) The liability discount rate is as at 30 June for each financial year.

(b) The expected return on SAS Trustee Corporation's Pooled Fund is 7.0 per cent on assets backing pension liabilities and 6.2 per cent on assets backing non-pension liabilities. The expected long-term investment return is 5.6 per cent (after fees and charges) for Cbus (which has replaced EISS as the trustee of the fund related to former employees of the electricity industry) and 6.5 per cent for the Parliamentary Contributory Superannuation Fund.

(c) Note that salary increase forecasts capture a range of factors beyond the Government's announced salary increase policy, such as the effects of promotions.

Depreciation and amortisation

Property, plant and equipment are depreciated (net of residual value) over their respective useful lives. Right-of-use assets are generally depreciated over their respective lease term. Depreciation is generally allocated on a straight-line basis.

Depreciation is projected on:

- the basis of known asset valuations
- the expected economic life of assets
- assumed new asset investment
- sales of non-financial assets.

The depreciation expense is based on the assumption that there will be no change in depreciation rates over the forecast period. The depreciation expense may also be impacted by future changes in useful lives, residual value or revaluations.

Certain heritage assets, including original artworks and collections and heritage buildings, may not have limited useful lives because appropriate custodial and preservation policies are adopted. Such assets are not subject to depreciation. Land is not a depreciable asset.

Intangible assets with finite lives are amortised using the straight-line method. Intangible assets with indefinite lives are not amortised but tested for impairment annually.

Interest expense

The forecasts for the interest expense are based on:

- payments required on outstanding borrowings (e.g. debt facilities with NSW TCorp and lease liabilities), other long-term financial liabilities and provisions
- expected payments on any new borrowings (including any refinancing of existing borrowings) required to finance general government activities based on forward contracts for NSW TCorp bonds
- the unwinding of discounts on non-employee provisions.

Other operating expenses

Other operating expenses mainly represent the day-to-day running costs incurred in the normal operations of agencies and include the cost of supplies and services.

Grants, subsidies and other transfers expenses

Grants, subsidies and other transfers expenses generally comprise contributions to local government authorities, non-government organisations and the PNFC and PFC sectors.

The forecast grant payments are determined by taking into account current and past policy decisions, the forecast payment schedules and escalation factors relevant to each type of grant.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions (and these changes are often outside the control of government).

Revaluations

The budget and forward estimates years do not generally include the estimated impact of future revaluations of property, plant and equipment.

Superannuation actuarial gains/losses

The forecast actuarial gains or losses on defined benefit superannuation liabilities are based on the revised estimates of the margin of forecast fund earnings in excess of the expected discount rate.

Net gain/(loss) on equity investments in other sectors

The net gain/(loss) on equity investments in other sectors is based on estimates of the PNFC and PFC sectors' forward comprehensive results adjusted for transactions with owners. The underlying management estimates of future comprehensive results are based on current Statements of Intent. Future distributions to equity holders are based on Treasury's *Commercial Policy Framework*.

Net acquisition of non-financial assets

This is purchases (or acquisitions) less sales (or disposals) of non-financial assets less depreciation, plus changes in inventory and other movements in non-financial assets.

Purchases and sales of non-financial assets generally include accrued expenses and payables for capital items. Other movements in non-financial assets include non-cash capital grant revenue/expense such as assets contributed by developers.

Assets

Property, plant and equipment

The estimates of property, plant and equipment over the forecast period are at fair value and take into account planned acquisitions, disposals, and the impact of depreciation. New investments in assets are valued at the forecast purchase price and where appropriate, recognised progressively over the estimated construction period.

Right-of-use assets are based on the State's best estimate of the timing of renewals of lease arrangements and the impact of depreciation. Service concession assets are measured at estimated current replacement cost.

To improve the accuracy of budget estimates, consistent with longstanding practice and reflecting historic trends, the Budget includes adjustments:

- to account for capital expenses expected to be carried forward into future years reflecting changes in timing of delivery of government activity, consistent with the policy set out in TPG22-05 NSW Treasury Policy and Guidelines: Carry Forwards Policy.
- to reflect government decisions on capital expenditure that are not yet included in agency estimates, for example due to timing, because they are commercial in confidence or subject to further requirements.

Liabilities

Borrowings

Estimates for borrowings are based on current debt levels (including lease liabilities), amortisation of any premiums or discounts, and the cash flows required to fund future government activities.

Employee provisions

Employee provisions are forecast based on estimated future cash outflows to settle employees' entitlements, such as unused long service leave, annual leave and paid parental leave.

Superannuation provisions

Refer to section: *Superannuation expense (and liabilities)* above for information on assumptions that also impact the measurement of the superannuation provisions.

Other provisions

Other provisions include the State's obligations for several insurance schemes. To estimate future claim liabilities, actuarial assumptions have been applied for future claims to be incurred, claim payments, inflation and liability discount rates. Actual liabilities may differ from estimates.

GLOSSARY

Please note a glossary of terms can also be found in Note 40 of *Total State Sector Accounts 2022-23*.

ABS Government Finance Statistics Manual (ABS GFS Manual)	The ABS publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods</i> as updated from time to time.
Act	A statute or law passed by both Houses of Parliament.
Appropriation	The authority given by Parliament for the expenditure of monies from the consolidated fund for the annual services of government and the Legislature.
Bill	A proposed law presented to Parliament for debate prior to becoming an Act. Most bills originate in the Legislative Assembly in New South Wales.
Budget result (net operating balance)	The budget result represents the difference between expenses and revenues from transactions for the general government sector. This measure is equivalent to the net operating balance adopted in accounting standard AASB 1049 <i>Whole-of-Government and General Government Sector Financial Reporting</i> .
Capital expenditure	Expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements). In New South Wales, capital expenditure also includes leases and assets acquired using service concession arrangements under the financial liability model.
Capital grants	Amounts paid or received for capital purposes for which no economic benefits of equal value are receivable or payable in return.
Cash flows from financing activities	Refers to cash receipts from borrowing by public sector units less cash repayments or redemption of such borrowing in the past.
Cash flows from investments in financial assets for liquidity management	Refers to cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.
Cash flows from transactions in financial assets for policy purposes	Refers to cash receipts from the repayment and liquidation of investments in financial assets for policy purposes, less cash payments for acquiring financial assets for policy purposes. Acquisitions of financial assets for policy purposes are distinguished from investments by the underlying government motivation for acquiring the assets. Where assets are acquired for the purpose of implementing or promoting government policy, the acquisition of the assets is treated as being for policy purposes.
Cash surplus/(deficit)	Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).

Classification of the functions of government – Australia (COFOG-A)	A system of classification of the functions that government units aim to achieve through different kinds of expenditure. The classification is applied to government expenses, selected revenue items, and net acquisition of non-financial assets, according to the primary purpose for the outlay (e.g. health, education, transport). This replaces the former government purpose classification (GPC) breakdown.
Commitments ^(a) (Restart NSW)	Inflows that are committed to be spent on an individual project. A Restart NSW commitment can only be recognised once the Treasurer has accepted a specific funding recommendation from Infrastructure NSW for an individual project, as required by the <i>Restart NSW Fund Act 2011</i> .
Comprehensive Result (Change in net worth)	Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows. It measures the variation in a government's accumulated assets and liabilities.
Contingent assets	Possible future assets that arise 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 in control of the State.
Contingent liabilities	Possible future liabilities that arise 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 in control of the State. It also includes present liabilities that arise from past events where it is not probable the State will be required to settle the liability or the amount of the obligation cannot be reliably estimated.
Concessional charges	Concessional charges apply to goods and services provided by government agencies at a lower fee or charge to certain members of the community, compared to the wider population, to pursue an economic or social policy goal such as reducing the cost of living.
Consolidated Fund	The fund is established under s39 of the <i>Constitution Act 1902</i> which includes all public monies collected, received or held by any person for or on behalf of the State.
Coordinating Minister	Minister which receives the appropriation as detailed in the Appropriation Bill and authorises the Department to spend those funds.
Current grants	Amounts paid or received for current purposes for which no economic benefits of equal value are receivable or payable in return.
Elimination	Removes the impact of transactions between government entities when preparing consolidated financial statements.
Environmental, social and governance (ESG)	ESG stands for Environmental, Social, and Governance. It is a set of principles, criteria, standards or benchmarks applied by governments and businesses to promote sustainable approaches to growth, investment and governance.
Estimated total cost (ETC)	Represents the current cost estimate of planning, procuring and delivering the infrastructure/project/asset. The ETC may change as more detailed planning is undertaken and further information on market conditions becomes available. Due to commercial sensitivities, the ETC for some major works is not included.

Federation Funding Agreement Payment	An Australian Government grant to states and territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each payment is supported by a Federation Funding Agreement Schedule which defines mutually agreed objectives, outputs and performance benchmarks.
Fiscal aggregates	These are analytical balances that are useful for macroeconomic purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 <i>Whole-of-Government and General Government Sector Financial Reporting</i> specifies the key fiscal aggregates as: net operating balance (budget result), net lending/borrowing, change in net worth (comprehensive result), net debt, net worth and cash surplus/(deficit).
Fiscal gap	The fiscal gap measures how fiscal pressures might build in the long term under current policy settings. It measures the projected change in revenues less recurrent and capital expenditures (excluding interest) as a percentage of gross state product (GSP). The change is measured between the base year and the end of the 40-year projection period. A positive gap implies that fiscal pressures will be building over the projection period.
<i>Fiscal Responsibility Act 2012 (FRA)</i>	The Act sets out both medium-term and long-term fiscal targets and principles providing a framework for budgeting in New South Wales.
Forward estimates	Refers to the period from 2025-26 to 2027-28.
Funding distribution from department / to agencies (previously Cluster grants)	This represents the monies received by principal departments from NSW Treasury and distributed to agencies to fund their services, under the authority of the principal department's appropriation.
General government sector (GGS)	This is an ABS classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General government agencies are funded mainly by taxation (directly or indirectly).
Goods	Represent any object or product that can be used to satisfy human wants and has a value.
Government finance statistics (GFS)	A system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.
government/Government	'government' refers to the institution of government and is used as a pronoun in these budget papers (e.g. government department). The 'Government' refers to the present Government constituted by the Executive.
<i>Government Sector Audit Act 1983</i>	An Act to establish and empower the role of the Auditor-General and Audit Office in NSW. It also establishes and empowers the Public Accounts Committee, a statutory committee of Parliament which examines the financial and audit reports of the State and oversees the role of the Auditor-General.

Government Sector Finance Act 2018 (GSF Act)	<p>The <i>Government Sector Finance Act 2018</i> (GSF Act) creates the financial management framework for the government sector in New South Wales that promotes and supports sound financial management, budgeting, performance, financial risk management, transparency and accountability in the government sector. This Act has replaced four other Acts:</p> <ul style="list-style-type: none"> • the <i>Public Authorities (Financial Arrangements) Act 1987</i> from 1 December 2018 • the <i>Public Finance and Audit Act 1983</i> (PF&A Act) financial reporting provisions have been repealed. • the <i>Annual Reports (Departments) Act 1985</i> • the <i>Annual Reports (Statutory Bodies) Act 1984</i>.
Grants for on-passing	<p>All grants paid to one institutional sector (for example, a state government) to be passed on to another institutional sector (for example, local government or a non-profit institution). For New South Wales, these primarily comprise grants from the Australian Government to be on-passed to specified private schools and to specified local government authorities.</p>
Gross debt	<p>The total value of money borrowed by the government. It is the sum of deposits held, advances received, borrowings at amortised costs, and borrowings and derivatives at fair value.</p>
Gross state product (GSP)	<p>The total market value of final goods and services produced within a state.</p>
Half-Yearly Review	<p>Required under the <i>Government Sector Finance Act 2018</i>, the Half-Yearly Review provides an update to the economic and financial assumptions released in the Budget.</p>
Inflows ^(a) (Restart NSW)	<p>Funds deposited into Restart NSW, including proceeds from asset recycling transactions, Australian Government Asset Recycling Initiative payments, proceeds from Waratah Bonds, windfall tax revenue and investment earnings, which are then invested into Rebuilding NSW and other Restart NSW projects.</p>
Interest expense	<p>Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense.</p>
Machinery of Government (MoG)	<p>MoG changes vary in scope and can involve: the abolition or creation of new government entities; the merger or absorption of entities; and small or large transfers of policy, program or service delivery responsibilities to other entities.</p>
Major works	<p>Refers to projects with an estimated total cost of \$250,000 or above, subdivided into new projects (approved to begin in 2024-25) and works in progress (commenced before 2024-25 but not yet completed).</p>
Measure	<p>Refers to government decisions, either as recurrent or capital expenditure, revenue or savings decisions.</p>

Minor works	Refers to projects with an estimated total cost below \$250,000, such as minor plant and equipment or annual provisions for replacements.
National Agreement (please also see National Specific Purpose Payments)	National Agreements define the objectives, outcomes, outputs and performance indicators and clarify the roles and responsibilities that guide the Australian Government and the States in the delivery of services across a particular sector. The sectors include Health, Education, Skills and Workforce, Disability and Housing.
National Specific Purpose Payments (SPP)	An Australian Government grant made to the states and territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Housing) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement.
Net acquisition of non-financial assets	This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movements in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.
Net debt	Net debt equals the sum of financial liabilities (deposits held, advances received, borrowings and derivatives) less the sum of financial assets (cash and deposits, advances paid and investments, loans and placements).
Net financial assets	See 'net financial worth' definition.
Net financial liabilities (NFL)	This is the total liabilities less financial assets, other than equity in PNFCs and PFCs. It is a more accurate indicator than net debt of a jurisdiction's fiscal position. This is because it is a broader measure than net debt in that it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth. For the general government sector NFL, excluding the net worth of other sectors results in a purer measure than net financial worth as, in general, the net worth of other sectors of government is backed up by physical assets.
Net financial worth	Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets less financial liabilities. It is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. It includes all classes of financial assets and liabilities, only some of which are included in net debt.
Net interest on the net defined benefit liability/asset	This is the change during the period to the net defined benefit liability/asset that arises from the passage of time.
Net lending/(borrowing)	This is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance (budget result)	This is calculated as revenue from transactions less expenses from transactions.
Net worth	This is an economic measure of wealth and is equal to total assets less liabilities.
Nominal dollars/prices	This shows the dollars of the relevant period. No adjustment is made each time period for inflation.
Non-financial public sector (NFPS)	This is a sub-sector formed by the consolidation of the general government sector (GGS) and public non-financial corporations (PNFC) sector.
NSW Generations Fund (NGF)	The NGF comprises two funds, the Debt Retirement Fund (DRF) and the Community Services and Facilities Fund (CSFF). Assets in the DRF are dedicated to retiring State debt. The CSFF is used to fund a range of facilities and services designed to improve the wellbeing and lives of the people of New South Wales.
OneFund	Onefund is a more integrated approach to managing the State's investment funds by pooling financial investments into a master fund structure. The OneFund is designed to result in a more efficient, diversified investment portfolio.
Operating result	This is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.
Other economic flows	These are the changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).
Other superannuation expense	This includes all superannuation expenses from transactions except superannuation interest cost. It generally includes all employer contributions to accumulation schemes and the current service cost, which is the increase in defined benefit entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are disclosed as an 'other economic flow'.
Payables	A liability that includes short and long-term trade creditors and accounts payable.
Program	The collection of activities, tasks, divisions or functions of an agency, designed to deliver specific outputs that contribute towards achieving a positive purpose.
Public financial corporations (PFC)	An ABS classification of agencies that have one, or more, of the following functions: <ul style="list-style-type: none"> • that of a central bank • the acceptance of demand time or savings deposits or • the authority to incur liabilities and acquire financial assets in the market on their own account.
Public non-financial corporations (PNFC)	An ABS classification of government controlled agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation.

Public Private Partnerships (PPP)	The creation of an infrastructure asset through private sector financing and private ownership for a concession period (usually long term). The government may contribute to the project by providing land or capital works, through risk sharing, revenue diversion or purchase of the agreed services.
Receivables	An asset that includes short and long-term trade debtors, accounts receivable and interest accrued.
Recurrent expenditure	*see total expenses (from transactions)
Restart NSW	A fund established by the NSW Government in 2011. Funds deposited into Restart NSW come from asset recycling transactions, Australian Government asset recycling initiative payments, proceeds from Waratah Bonds, windfall tax revenue and investment earnings. Restart NSW also includes projects funded by Rebuilding NSW.
Reservations ^(a) (Restart NSW)	Inflows that are reserved with a view to a future commitment. A Restart NSW reservation can only become a commitment once the Treasurer has accepted a specific Infrastructure NSW recommendation for each individual project.
Services	These are the 'end products' or direct services that are delivered to clients or recipients, the broader community or another government agency. They are expected to contribute to government priorities and the delivery of outcomes.
Service concession arrangement	Contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.
Slippage (capital)	This is an allowance for the established tendency for capital expenditure to slip and be carried forward into the future years. This can be due to factors such as market capacity constraints and supply chain disruptions.
Social Impact Investments (SII)	Social impact investments aim to achieve social and financial returns, with measurement of both. For government, partnering in such transactions is a way of harnessing capital and expertise from across public, private and not-for-profit sectors in order to tackle social challenges.
Special deposits account	A special deposits account is created by the <i>Government Sector Finance Act 2018</i> , section 4.15, and consists of: <ul style="list-style-type: none"> • all accounts of money that the Treasurer is, under statutory authority, required to hold otherwise than for or on account of the Consolidated Fund and • all accounts of money that are directed or authorised to be paid to the special deposits account by or under legislation.
State Owned Corporation (SOC)	Government entities (mostly PNFCs) which have been established with a governance structure mirroring as far as possible that of a publicly listed company. NSW state owned corporations are scheduled under the <i>State Owned Corporations Act 1989</i> (Schedule 5).
Superannuation interest cost	This is the net interest on the net defined benefit liability/asset determined by multiplying the net defined benefit liability/asset by the discount rate (government bond rate).

Surplus/deficit (net result)	This is the agency accounting result which corresponds to profit or loss in private sector financial reports. It equals the net cost of services adjusted for government contributions. This is not the same as the budget result or the GFS cash surplus/(deficit).
Tax expenditure	Measures the additional tax that would have been payable if standard (or benchmark) tax rates had been applied to all taxpayers. Expenditures can include specific exemptions, reduced tax rates, allowances, deductions and deferral of tax liabilities. Equivalent amounts may be paid as rebates.
Total expenses (from transactions)	The total amount of expenses incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year. It does not include expenditure on the purchase of assets. It also excludes losses, which are classified as other economic flows.
Total revenues (from transactions)	This is the total amount of revenue due by way of taxation, Australian Government grants and from other sources (excluding asset sales) regardless of whether a cash payment is received. It excludes gains, which are classified as other economic flows.
Total state sector	This represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public non-financial corporations and public financial corporations.
Transport Asset Holding Entity (TAHE)	TAHE is a State Owned Corporation that owns an extensive asset portfolio of property, stations, rollingstock and rail infrastructure across the Sydney metropolitan area, the country regional network and other limited locations in New South Wales. TAHE is also the strategic asset manager of these assets.
Underlying budget result	This represents the budget result excluding the investment returns of the NSW Generations Fund (Debt Retirement Fund) net of notional interest costs.
Uniform Presentation Framework (UPF)	The Uniform Presentation Framework provides uniformity in presentation of financial information so that users of the information can make valid comparisons between jurisdictions. A new framework was introduced in February 2019 which aligns the UPF with the ABS GFS Manual updates.

(a) Terms used when referring to the Restart NSW and Rebuilding NSW programs.