

HALF-YEARLY REVIEW 2024-25



Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:
Regeneration by Josie Rose



Regeneration

Josie Rose is a Gumbaynggirr woman who expresses her contemporary Gumbaynggirr cultural heritage through art. For *Regeneration* her chosen medium is acrylic paint on canvas and the design embodies both creative and cultural expression. The inspiration for her artworks comes from a deep place of spiritual connection to her family, community, culture and respect for Mother Earth. Gumbaynggirr Country is beautiful land with both freshwater and saltwater waterways which inspire her holistic connection to the Ancestors.

Josie Rose
Artist

2024-25 Half-Yearly Review

NSW Budget



Released by The Hon. Daniel Mookhey MLC, Treasurer

The 2024-25 Half-Yearly Review

The *Government Sector Finance Act 2018* requires the Treasurer to release a Half-Yearly Review by 31 December each year. The Half-Yearly Review should be presented in a consistent manner to the preceding Budget to allow for ease of comparison.

Best available information

Actual financial statements have been prepared based on financial information for the year ending 30 June 2024.

The Estimated Financial Statements have been prepared to take account of economic and financial data including Government policy decisions taken up to 17 December 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.

The Estimated Financial Statements have been prepared in accordance with Appendix A *Statement of Significant Accounting Policies and Forecast Assumptions*.

Notes when reading this report

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 have been rounded and any discrepancies between totals and sums of components reflect rounding. Percentage changes are based on unrounded estimates.

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1. OVERVIEW

Half-Yearly Review Highlights

- The Government's fiscal strategy outlined in the 2024-25 Budget prioritises stabilising the State's gross debt trajectory to keep interest expenses manageable and support the State's operating position and rebuild our essential services.
- The 2024-25 Half-Yearly Review is broadly in line with budget expectations. A deterioration of \$1.3 billion in the 2024-25 budget result is offset by some improvement in the remaining three years of the forward estimates.
- The operating position is projected to improve over the forward estimates in line with the Government's fiscal repair strategy. The projected deficit in 2027-28 has reduced to \$1.3 billion, from \$1.5 billion at the 2024-25 Budget
- Expense growth which is projected to rise at an average of 1.8 per cent per year over the Budget and forward estimates period, which is broadly consistent with the 2024-25 Budget and significantly below the 9.7 per cent average annual expense growth between 2018-19 and 2022-23.
- A key driver of revenue and expense growth changes in the 2024-25 Half-Yearly Review are National Funding Agreements, including funding to support disaster recovery.
- Employee related expenses are broadly in line with the 2024-25 Budget, projected to increase at around 1 per cent relative to Budget, including higher liabilities associated with Treasury Managed Fund (TMF), a self-insurance scheme to manage NSW Government agency risk. Public sector wage increases have been accompanied by savings and mutual gains, including Police Blue Ribbon Insurance Scheme reform, and have been largely managed within existing provisions.
- In the short-term, known risks continue to place pressure on the 2024-25 budget result, projected to be \$4.98 billion in deficit driven by:
 - insurance and compensation scheme expenses increased by \$995.1 million to 2027-28 due to updated liability valuations
 - interest expenses for borrowings increased by \$453.6 million to 2027-28
 - a short-term decline in State taxation revenue receipts of \$458.6 million in 2024-25.
- Total revenue is projected to be 1.2 per cent higher over the four years to 2027-28. The upward revision is largely driven by upgrades to Commonwealth payments (which are offset by associated expenditure), GST revenue and payroll tax, partly offset by lower sale of goods and services, and dividends and income tax equivalents.
- Revisions to GST revenue over the four years to 2027-28 of \$2.5 billion reflect a combination of a stronger GST pool, updated budget data, anticipated changes to Commonwealth Grants Commission (CGC) distribution methodology and changes to GST forecasting methodology. This uplift partially offsets the CGC 2024 Update in the 2024-25 Budget, which resulted in an \$11.9 billion downward revision in forecast GST revenue over the four years to 2027-28.
- In December 2024, the Government announced successful resolution with the private health insurance industry with all 53 funds now paying single room rates from 1 January 2025. As included in the 2024-24 Budget, this is expected to restore \$490.0 million revenue, supporting investment in our world class public hospitals and public health system.

- In November 2024, Sydney Water acknowledged a prior period error whereby \$440.8 million of deferred tax payments were incorrectly classified as current tax payments. Correction of this error has resulted in a reduction in distributions revenue.
- The Government is committed to maintaining debt at sustainable levels. Since the Budget net debt has fallen by \$2.3 billion to \$137.2 billion by June 2028.
- To support the NSW Government in making better-informed and equitable decisions when designing policy and allocating resources, the Government has introduced:
 - Gender Impact and First Nations Impact Assessment Policies. These will support government decision making and equitable resource allocation for the 2025-26 Budget and into the future
 - updated business case guidelines to simplify and streamline business case development.

1.1 The NSW economic outlook

The level of real GSP in New South Wales for 2023-24 exceeded expectations from the 2024-25 Budget. Upward revisions to activity in 2022-23 more than offset slightly weaker than projected growth in 2023-24, despite a strong contribution from public demand.

Aggregate growth was supported by historically high population growth (Chart 1.1). The positive result masked weaker momentum in state final demand at the end of the financial year as household spending was constrained by high interest rates and elevated inflation.

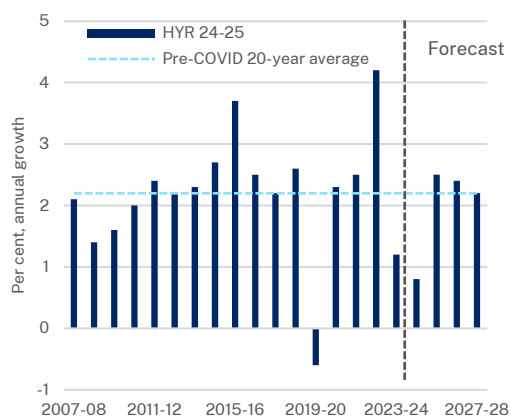
The labour market has been stronger than expected on balance, with the unemployment rate rising only gradually to a still low level of 3.9 per cent in November 2024 (Chart 1.2). Meanwhile inflation has continued to ease.

The unemployment rate is expected to rise gradually further to a forecast peak of 4½ per cent. This will assist a further softening in underlying inflation.

On balance, the forecast for economic growth for New South Wales has been revised lower in 2024-25 to ¾ per cent, reflecting in part the weaker momentum in state final demand witnessed in the final quarter of 2023-24. This obscures an expected gradual, but sustained, improvement in economic momentum over the course of the coming year.

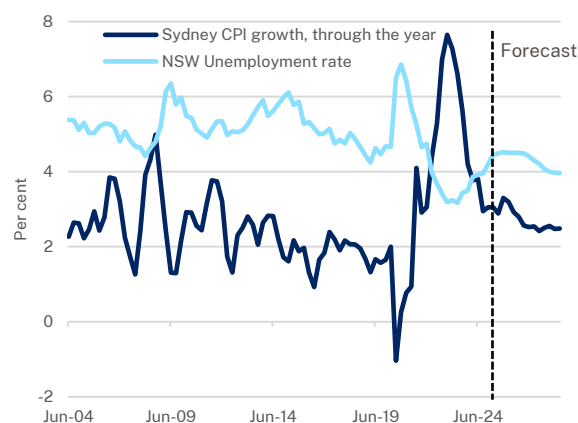
Risks to the outlook are currently centred on geopolitical tensions, possible US-China trade issues, and the potential that persistent inflation pressures could impact growth.

Chart 1.1: New South Wales Real Gross State Product (GSP)



Source: ABS and NSW Treasury

Chart 1.2: NSW Prices and Unemployment



Source: ABS and NSW Treasury

1.2 Revenue growth remains modest, despite upgrades

Since the 2024-25 Budget, total revenue is projected to be \$89.5 million higher in 2024-25 and 1.2 per cent higher over the four years to 2027-28. Despite this improvement, revenue is forecast to grow slower than the economy over this period, reflecting weak growth in GST, royalties and sales of goods and services revenue, and a decline in interest income alongside expected falls in interest rates.

The largest component of revenue improvement is driven from Federal Funding Agreements (up \$3.1 billion), which are accompanied by offsetting increases in expenditure.

The remaining improvement in revenue expectations since the 2024-25 Budget largely reflects upward revisions to GST (up \$2.5 billion) reflecting a stronger GST pool, the implementation of recommendations from an independent external review of GST forecasting and the latest CGC methodological review. This uplift partially offsets the CGC 2024 Update in the 2024-25 Budget, which resulted in an \$11.9 billion downward revision in forecast GST revenue in the four years to 2027-28.

In the short term these increased forecast revenues have been offset in part by a reduction of \$458.6 million in taxation revenue in 2024-25 alone, largely driven by transfer duty receipts.

Taxation revenue is also driven by stronger-than-expected labour market conditions and higher housing prices from 2026-27. For more information, please see section 3.2 Revenue outlook.

In December 2024, the Government announced successful resolution with the private health insurance industry with all 53 funds now paying single room rates from 1 January 2025. The \$490.0 million included in the 2024-25 Budget is supporting investment in our world class public hospitals and public health system.

1.3 More sustainable expenses management to support essential services investment

Over the budget and forward estimates, expense growth is projected to average 1.8 per cent per annum, up by 0.1 per cent since the Budget but significantly below the 9.7 per cent annual average expense growth between 2018-19 and 2022-23.

Expenses in 2024-25 are projected to be 1.2 per cent higher than at Budget, mainly attributed to increased expenses relating to Federal Funding Agreements (offset by higher Australian Government revenue in future years) and changes to insurance and compensation scheme valuations. Total expenses are forecast at \$123.6 billion in 2024-25.

To date, more than two-thirds of the NSW public sector have reached wage agreements with the Government, including police, teachers, health workers such as allied health workers, hospital cleaners, scientists, security officers and patient transport officers, Transport for NSW employees and employees covered by Crown and related awards.

Employee related expenses are broadly in line with the 2024-25 Budget, projected to increase at around 1 per cent relative to the Budget, including higher liabilities associated with the TMF, a self-insurance scheme to manage NSW Government agency risk.

Wages increases have been accompanied by savings and mutual gains, including reforms to the Police Blue Ribbon Insurance Scheme, and have largely been managed within existing provisions.

1.4 Fiscal outlook and strategy update

The NSW Government continues to focus on strengthening the State's finances to ensure steady growth in service delivery can be maintained while addressing the State's fiscal challenges and managing uncertainty in the revenue outlook. This involves controlling expense growth and strengthening the State's balance sheet by maintaining sustainable debt.

Over the forward estimates, the operating position is projected to improve as the Government's responsible budget repair continues.

The projected deficit in 2027-28 has reduced to \$1.3 billion, from \$1.5 billion at the 2024-25 Budget. This is due to continued discipline in management of agency expenses, improvements in GST grant revenue and payroll tax forecasts despite some higher worker's compensation and interest expenses.

Expenses are projected to grow at an average of 1.8 per cent across the Budget and forward estimates period, driven by \$995.1 million in higher projected expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations, \$776.3 million increased Transport for NSW recurrent expenses associated with disaster recovery, and \$453.6 million in higher interest expenses due to higher projected bond yields and changes in borrowing requirements.

Since the Budget, the June 2028 projection for net debt has improved by \$2.3 billion to \$137.2 billion (14.1 per cent of GSP). The projection for gross debt is in line with the 2024-25 Budget at \$199.9 billion by June 2028. For more information, see section 3.5 Managing the State's assets and liabilities.

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 is firmly committed to these principles while addressing budget pressures and prioritising the delivery of high-quality services.

2. ECONOMIC OUTLOOK

Key points

- The outlook for the NSW economy is for a continued gradual easing in inflation without a significant deterioration in the labour market. This is broadly consistent with expectations at the time of the 2024-25 Budget.
- Economic growth is likely to remain subdued in the near term. Momentum in economic activity is anticipated to recover over the course of 2024-25 as cost-of-living pressures ease.
- Inflation has continued to ease as expected over the past six months, despite elevated services inflation, while the labour market has remained resilient.
- Stronger-than-expected annual growth in state final demand in 2023-24 concealed a more pronounced slow-down towards the end of the financial year. This recent slowdown will weigh on forecast annual growth in 2024-25.
- Risks to the outlook are currently centered on geopolitical tensions, possible US-China trade issues, and the potential that persistent inflation pressures could impact growth.

Table 2.1: Economic performance and outlook^(a)

	2023-24 Outcome	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast
Real state final demand	1.5	¾ (1¼)	2¼	2¼ (2½)	2½
Real gross state product	1.2	¾ (2)	2½ (2)	2¼	2¼
Employment	2.1	2 (1)	1½ (1)	1½	1½
Unemployment rate ^(b)	3.9	4½	4½	4¼	4
Sydney consumer price index	4.3	3	3 (2¾)	2½	2½
Wage price index	4.1	3½ (3¾)	3¼ (3½)	3¼	3½
Nominal gross state product	5.3	3¼ (5¾)	5¼ (4¾)	4¼ (4½)	4½ (4¼)
Population ^(c)	1.7	1.3 (1.2)	1.3 (1.2)	1.2 (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. 2024-25 Budget forecasts in parenthesis where different. Forecasts completed prior to publication of the 2023-24 Annual State Accounts by the Australian Bureau of Statistics (ABS).

(b) June quarter, per cent.

(c) Per cent change through the year to 30 June and rounded to the nearest 0.1 percentage point. The assumptions for net overseas migration are consistent with assumptions in the 2024-25 Australian Government Budget.

Source: ABS and NSW Treasury

2.1 Aggregate demand in the NSW economy has slowed

Economic activity was stronger than expected in 2023-24

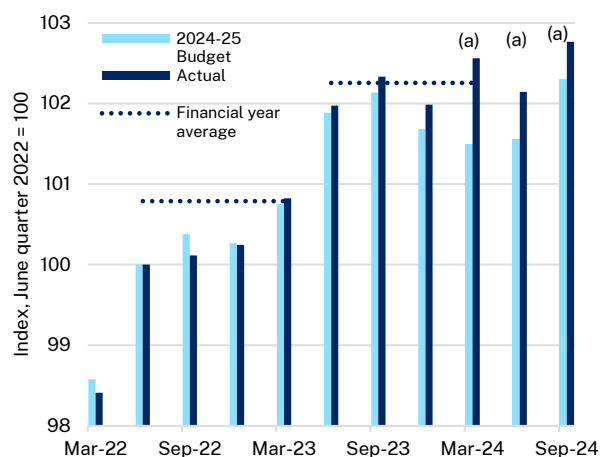
Growth in aggregate Gross State Product (GSP) slowed in 2023-24 to 1.2 per cent, following the rapid 4.2 per cent increase recorded in the prior year. While this was marginally weaker than expected at the time of the 2024-25 Budget, upward revisions to growth in the prior year meant that the level of GSP was slightly higher than was previously expected.

Real NSW State Final Demand (SFD) grew 1.5 per cent in 2023-24, stronger than forecast at the time of Budget (+1 per cent). Much of the improvement relative to the Budget forecast was the result of significant upward revisions in the official statistics for international travel in the first half of the financial year (Chart 2.1). While this resulted in stronger household consumption, it was offset by an associated upward revision to international travel imports (with no material impact on overall GSP growth).

Public demand continued to support the economy in the face of subdued growth in private demand. In 2023-24, public demand contributed around three-quarters of total GSP growth. Meanwhile, growth in business investment, which was already forecast to rise solidly in the 2024-25 Budget, also exceeded expectations, despite more recent reports of declining business confidence.

In contrast, dwelling investment has contracted broadly as expected, with elevated construction costs, skills shortages and higher interest rates presenting strong headwinds as anticipated (Chart 2.2).

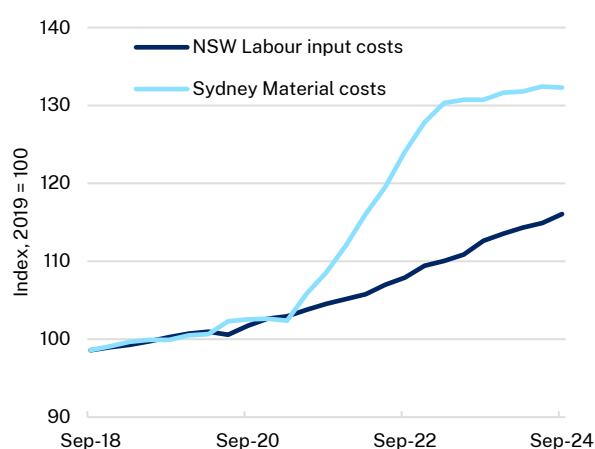
Chart 2.1: NSW real state final demand



Source: ABS and NSW Treasury

(a) 2024-25 Budget forecast

Chart 2.2: Construction costs



Source: ABS and NSW Treasury

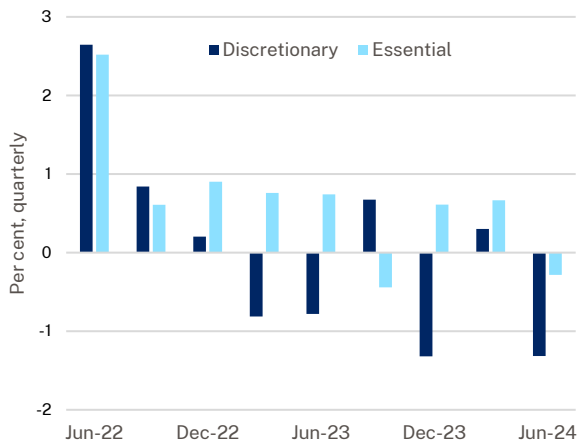
Growth slowed as the year progressed

Growth in NSW SFD slowed as the 2023-24 year progressed. As noted at the time of the 2024-25 Budget, this reflected a squeeze on household spending from cost-of-living pressures caused by the combination of high inflation and increased mortgage interest rates. Private demand drove this weakness, reflecting declines in household consumption and dwelling investment.

The decline in household consumption in the June quarter was seen across both discretionary and essential spending, as the effects of cost-of-living pressures, including high interest rates, continued to weigh on household budgets (Chart 2.3).

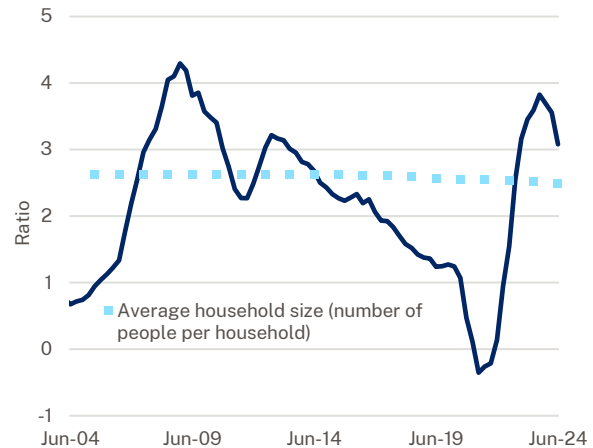
For dwelling investment, a key constraint has been supply-side pressures on capacity and costs in the construction sector. This helps to explain the resilience of Sydney dwelling prices, despite the relatively high-interest rate environment.

Chart 2.3: NSW real consumer spending growth



Source: ABS and NSW Treasury

Chart 2.4: Annual change in population to annual dwelling completions (NSW)



Source: ABS and NSW Treasury. Note: 4-quarter sum completions, population at quarter, original. Average household size is June figure for each year.

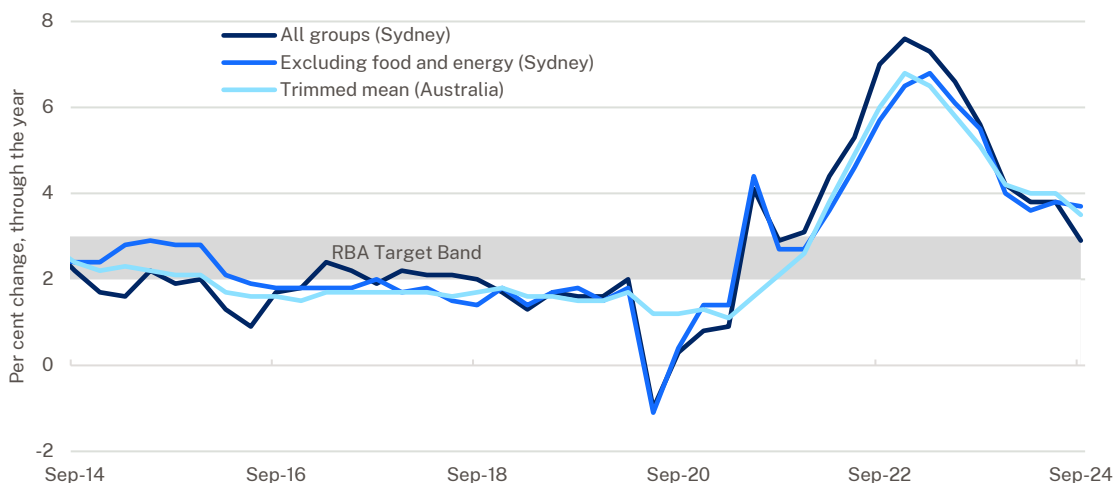
Inflation has shifted lower in-line with expectations

Inflation has continued to soften. Through the year growth in the Sydney consumer price index stood at 2.9 per cent in the September quarter 2024 (Chart 2.5). Meanwhile, national headline inflation eased to 2.8 per cent over the same period to be back within the Reserve Bank of Australia’s (RBA’s) 2-3 per cent target band.

Notably, the RBA’s preferred measure of inflation, the national trimmed mean inflation rate, remains above the RBA’s target range, at 3.5 per cent through the year to the September quarter. This divergence between headline and underlying inflation measures is also evident in the Sydney CPI, with Sydney inflation excluding volatile food and energy prices remaining elevated at 3.7 per cent.

Against this backdrop, the RBA has left the cash rate unchanged over the course of 2024. This was expected at the time of the Budget. The RBA has indicated that it needs further confidence that inflation is moving sustainably into the target range before considering any cuts to the cash rate.

Chart 2.5: Measures of consumer prices



Source: ABS and NSW Treasury

The labour market has remained resilient

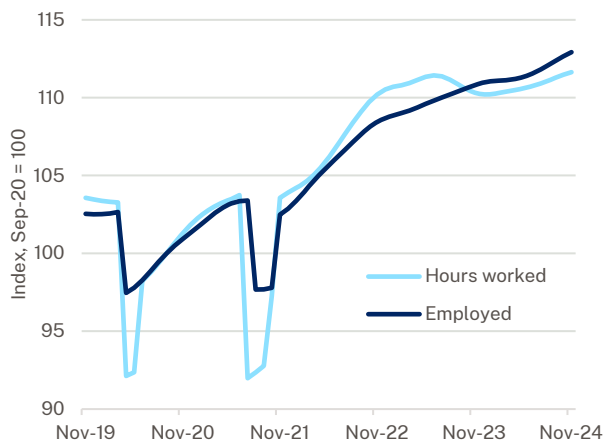
While SFD growth has weakened, its level continues to exceed the economy’s capacity to supply desired goods and services at prevailing prices. This is evident in a rate of underlying inflation that is higher than the Reserve Bank’s target band, as discussed above. Capacity constraints on the supply side of the economy are also evident in the NSW labour market, where conditions remain tight.

The unemployment rate, at 3.9 per cent in November, is largely unchanged since Budget. Employment growth over recent months has been marginally stronger than forecast at Budget. Lower average hours worked and muted productivity growth have meant that firms have had to increase headcount in order to fulfil demand for their goods and services (Chart 2.6). Growth in labour supply has also expanded faster than previously anticipated due to strong population growth and higher labour force participation.

Broader measures of the labour market, meanwhile, not only add further weight to the view that the labour market remains tight but suggest that conditions are not loosening as much as expected. The underutilisation rate has come down a little since the end of 2023, as the underemployment rate, which reflects people who are working but want to work more hours, has fallen (Chart 2.7). This has offset the uptrend seen in the unemployment rate. Furthermore, the youth unemployment rate, which is often considered to be a good measure of cyclical unemployment, has declined since Budget.

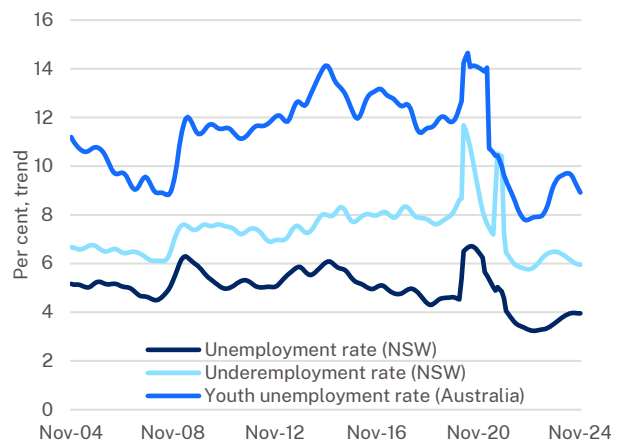
The Wage Price Index (WPI) has moderated to 3.6 per cent through the year to September quarter this year, from a peak of 4.3 per cent at the end of 2023.

Chart 2.6: NSW hours worked and employment (trend)



Source: ABS and NSW Treasury

Chart 2.7: Indicators of labour market slack



Source: ABS and NSW Treasury

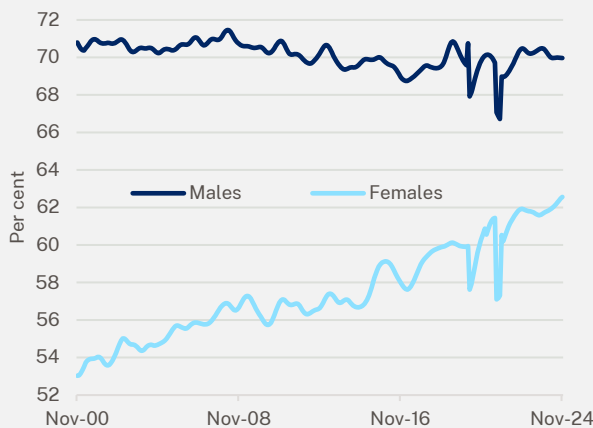
Box 2.1: Labour market performance has been uneven across males and females

On a trend basis, the unemployment rate has risen since early 2023. At face value, the rise in unemployment appears to have been driven to a greater extent by weaker outcomes for females compared to their male counterparts. Since January 2023, the female unemployment rate, on a trend basis, has increased 0.9 percentage points, compared to an increase of 0.6 percentage points for males.

However, further analysis of the data shows that employment outcomes have been very similar between males and females over this period. Instead, the main driver of the differences in labour market slack has been the strong increase in the workforce participation of females. This large influx of women into the labour force has not been fully met by the demand for labour.

The NSW female trend participation rate has risen 0.7 percentage points since January 2023. By contrast, over the same period the male trend participation rate has declined by 0.4 percentage points. This reflects a continuation of historical trends toward higher female participation, as well as more recent cyclical factors including cost of living pressures (Chart 2.8).

Chart 2.8: NSW trend participation rate by gender

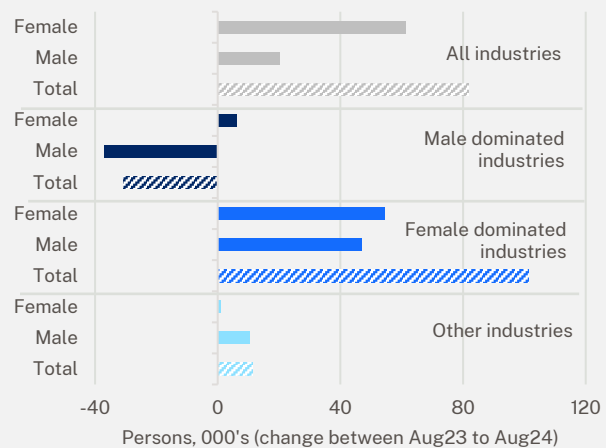


Source: ABS and NSW Treasury

More recently, since the end of last year female employment has increased more significantly than males. This has equated to a broadly similar change in the unemployment rate, despite very different trends in the participation rates of males and females.

The recent trends in labour market outcomes between males and females in part reflect the relative weakness in traditionally male dominated industries versus the traditionally female dominated industries (Chart 2.9). Male dominated industries like manufacturing and construction have seen large declines in employment. Whereas the strongest contributions to male employment growth have come from health care and social assistance and education and training – these are traditionally more female dominated.

Chart 2.9: NSW employment change by industries dominated by males and females^{(a)(b)}



Source: ABS and NSW Treasury

- (a) Respective genders represent at least two-third of total employment in an industry. Based on shares of annual average employment as at August 2024.
- (b) Quarterly data is used due to availability of industry level labour market data.

2.2 The NSW economic outlook

Economic growth expected to remain subdued in 2024-25

Economic growth for New South Wales has been revised lower in 2024-25, with real GDP growth forecast to be ¾ per cent in 2024-25, down from the 2 per cent forecast in the Budget. Thereafter, growth is expected to pick up, to be broadly in line with its pre-COVID average (Chart 2.10).

This downward revision to growth in 2024-25 reflects in part the weaker momentum witnessed in the final quarter of 2023-24. The recovery in consumer spending in 2024-25 is also expected to be slower than was forecast at Budget.

Household consumption growth is expected to strengthen gradually over the course of 2025 as cost-of-living pressures subside (Chart 2.11). Momentum in consumer spending is then expected to increase in 2025-26 as cost-of-living pressures are anticipated to ease as interest rates are reduced by the RBA.

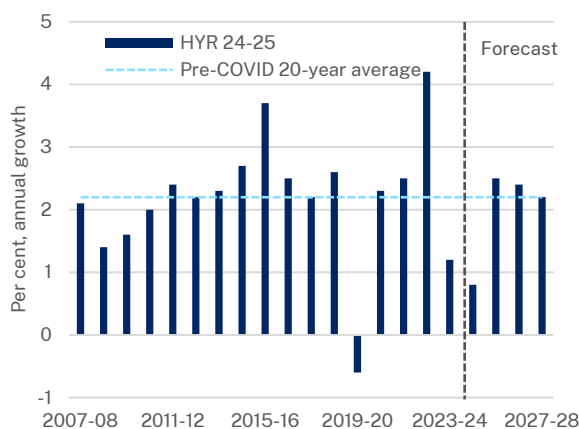
Dwelling investment has been revised lower in the near term from a combination of elevated raw materials prices and labour costs. Elevated interest rates are contributing to higher developer financing costs, while also weighing on the demand for housing.

Further out, residential construction activity is still expected to pick up, supported by a stronger medium-term outlook for dwelling prices and improved development profitability as construction cost pressures ease and capacity constraints unwind.

Business investment has been revised lower in 2024-25 but is still expected to grow solidly. The downward revision reflects the combination of lingering cost pressures, and limited labour availability which has hindered non-dwelling construction. Moderating profits have also recently weighed on business confidence, softening appetite for machinery and equipment investment.

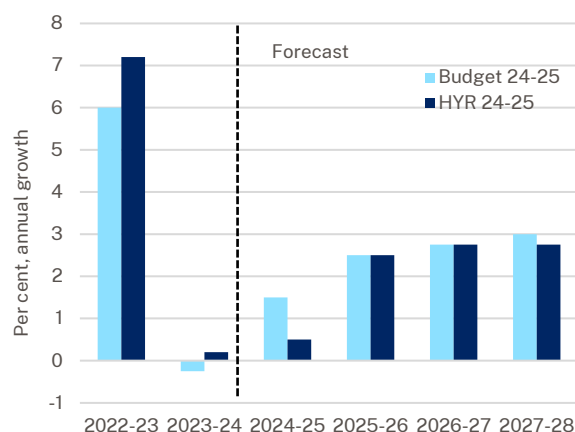
The unemployment rate is expected to move to a peak of 4½ per cent in 2025-26, in-line with expectations at Budget before declining to 4 per cent by 2027-28. Inflation is expected to gradually ease, sustainably returning to the RBA’s target band in early 2026, slightly later than at Budget.

Chart 2.10: NSW GSP



Source: ABS and NSW Treasury

Chart 2.11: NSW real consumption



Source: ABS and NSW Treasury

The outlook for the economy is broadly unchanged from Budget

Despite the contractionary force of elevated interest rates, economic growth is expected to be positive, but weak, in the near term. Growth is expected to gradually strengthen as the year progresses and cost-of-living pressures ease.

In aggregate, real GSP growth is forecast to average 2 per cent per annum over the four years to 2027-28, broadly unchanged from the Budget. This forecast incorporates weaker near-term momentum followed by a stronger period of growth in the 2025-26 financial year.

The outlook for the Australian and global economies, is similarly unchanged from Budget. The International Monetary Fund's latest forecasts for world economic growth remained broadly unchanged from the forecast in April. However, risks have increased due partly to the uncertainty caused by the Presidential election in the United States (see section 2.3).

2.3 Risks to the economic outlook

As was the case at Budget, the main risks to the outlook centre on:

- the potential for a further escalation of geopolitical tensions; and
- the path of inflation, both globally and in Australia, back to central bank targets, and the impact this will have on the path of interest rates.

Geopolitical tensions surrounding the conflicts in Ukraine and the Middle East have heightened further since Budget. A further escalation in these conflicts could negatively affect confidence, global trade and energy prices, particularly oil prices. It remains to be seen how the forthcoming change in US Government leadership will influence these conflicts, and the impact this could have on the geopolitical environment more generally.

Falling inflation across most major economies has lowered inflationary risks in Australia. Many major central banks, including in the US, have reduced interest rates in the months since Budget. A faster than anticipated easing of inflation may allow for an earlier, and faster, than expected cut to domestic interest rates. This would provide some cost-of-living relief for consumers and more opportunity for investment.

However, the outcome of the recent US election poses upward risks for inflation. There is considerable uncertainty at this stage over the extent to which president-elect Trump's policies will be implemented. However, as currently proposed his expansionary fiscal policy and broad-based tariff on imports to the US, including a tariff of 60 per cent on imports from China, are generally expected to heighten the risk of higher inflation. This is especially true if the latter leads to an escalating US-China trade war or results in a fragmentation of global supply chains.

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3. FISCAL POSITION AND OUTLOOK

3.1 Fiscal and budget overview

The NSW Government continues to focus on strengthening the State's finances so that steady growth in service delivery can be maintained while addressing fiscal challenges and uncertainty in the revenue outlook. This involves controlling expenses growth and strengthening the State's balance sheet by maintaining sustainable levels of debt.

Over the forward estimates to 2027-28, the operating position is projected to improve as the Government's responsible budget repair continues. The projected deficit in 2027-28 has reduced to \$1.3 billion, from \$1.5 billion at the 2024-25 Budget. This is due to continued discipline in management of agency expenses, improvements in GST grant revenue and payroll tax forecasts despite higher workers compensation and interest expenses (see section 3.2 for further information on the State's revenue forecasts).

In the short-term, a \$458.6 million reduction in taxation revenue forecasts in 2024-25 and higher projected insurance, workers compensation and interest expenses continue to exert pressure on the budget result, which is projected to be a deficit of \$4.98 billion in 2024-25.

While higher than projected at the 2024-25 Budget, the deficit is approximately half of the \$10.57 billion deficit recorded in 2022-23 and the \$9.68 billion deficit for 2023-24 projected in the 2024-25 Budget.

Higher forecast revenues continue to be directed towards management of some of the State's fiscal risks and deliver budget repair.

Expenses are projected to grow at an average of 1.8 per cent per year (up by 0.1 per cent since the Budget), driven by \$995.1 million in higher projected expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations, \$776.3 million increased Transport for NSW recurrent expenses associated with disaster recovery, and \$453.6 million in higher interest expenses due to higher projected bond yields and changes in borrowing requirements.

Overall, expense growth from 2024-25 to 2027-28 remains well below the 9.7 per cent average annual expense growth between 2018-19 and 2022-23 (see section 3.3 for further information on expenses).

Table 3.1 presents an overview of revised projections reconciled to the 2024-25 Budget.

Table 3.1: General government sector operating position and outlook reconciliation – 2024-25 Budget to 2024-25 Half-Yearly Review^(a)

	2024-25 Budget \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 \$m
Budget result - 2024-25 Budget	(3,633)	(2,489)	(2,364)	(1,518)
<i>Changes from 2024-25 Budget to 2024-25 Half-Yearly Review</i>				
Revenue (\$m)	90	2,089	3,018	794
Expenses (\$m)	(1,440)	(1,818)	(2,390)	(584)
<i>Total budget result impact</i>	<i>(1,350)</i>	<i>271</i>	<i>628</i>	<i>211</i>
Budget result - 2024-25 Half-Yearly Review	(4,983)	(2,218)	(1,737)	(1,307)

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

The State's infrastructure program (including State-Owned Corporations) is projected to be \$118.3 billion over the four years to 2027-28, which is a decrease of \$1.1 billion since the 2024-25 Budget driven by changes in delivery of transport projects, including Sydney Metro.

Despite gross debt remaining stable since the Budget, interest expenses are projected to be \$1.2 billion higher over the four years to 2027-28, relative to expectations at the 2024-25 Budget (see section 3.5 for more information).

3.2 Revenue outlook

Since the 2024-25 Budget, total revenue is projected to be 1.2 per cent higher over the four years to 2027-28. Federal Funding Agreements are the key drivers of the change, which will be offset by corresponding increases in expenditure. The remaining modest revenue uplift is driven by an increase in expected GST revenue and increases in payroll tax.

Table 3.2 provides a summary of revenue in the general government sector.

Table 3.2: General government sector revenue

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward \$m	2026-27 Estimates \$m	2027-28 Estimates \$m	% Average growth p.a. 2023-24 to 2027-28
Revenue from transactions							
Taxation	44,603	48,345	47,886	51,340	53,800	56,503	6.1
Grant revenue (including GST)	46,069	47,934	48,426	48,819	49,735	48,683	1.4
Sales of goods and services	10,156	10,344	10,163	10,771	10,828	10,510	0.9
Interest income	768	645	675	580	594	591	(6.3)
Dividends and income tax equivalents from other sectors	679	786	628	1,044	1,028	1,121	13.4
Other dividends and distributions	1,432	3,074	3,356	3,369	3,415	3,681	26.6
Royalties	3,053	3,815	3,778	3,487	3,093	3,023	(0.2)
Fines, regulatory fees and other revenues	3,459	3,587	3,708	3,937	4,175	4,301	5.6
Total revenue	110,219	118,530	118,620	123,348	126,668	128,414	3.9
Annual change	4.1%	7.5%	7.6%	4.0%	2.7%	1.4%	

Policy measures affecting revenue since the 2024-25 Budget

Since the 2024-25 Budget, the Government has introduced a new tobacco licensing scheme to ensure greater oversight of the tobacco retail industry in New South Wales. Revenue from license fees paid by retailers and wholesalers of tobacco and non-tobacco smoking products is used to fund associated compliance activity.

The NSW Government has also made expenditure and capital decisions that increase revenue by a further \$1.2 billion over the four years to 2027-28 partly relating to revised Federal Funding Arrangements (see Grant revenue in section 3.2 below). The revenue impact of these Agreements is offset by matching or higher expenditures.

Table 3.3: Revenue reconciliation – 2024-25 Budget to 2024-25 Half-Yearly Review

	2024-25 Revised \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m	Four years to 2027-28 \$m
Revenue - 2024-25 Budget	118,530	121,259	123,650	127,619	491,059
<i>Policy changes since 2024-25 Budget</i>					
Revenue measures	...	11	11	12	34
Revenue related to expense and capital measures	182	281	350	358	1,171
Total policy measures	182	292	362	370	1,205
<i>Parameter changes since 2024-25 Budget</i>					
Taxation					
Transfer duty	(392)	(112)	335	597	429
Payroll tax	32	182	296	416	924
Land tax	65	66	38	1	170
Other taxes	(164)	71	131	15	53
Grant revenue					
GST	85	921	805	705	2,516
Other general purpose grants	...	...	...	...	...
National Agreement payments	...	...	...	...	...
Federation Funding Agreement payments	388	976	1,634	(539)	2,459
Other grant revenue	(57)	(106)	(129)	(121)	(412)
Sale of goods and services	(288)	(119)	(211)	(475)	(1,094)
Interest income	30	22	(8)	(6)	38
Dividends and income tax equivalents	(158)	(163)	(184)	(194)	(699)
Other dividends and distributions	282	(98)	(138)	(104)	(58)
Royalties	(37)	133	(23)	2	74
Fines, regulatory fees and other revenues	122	25	110	128	385
Total parameter changes and other variations	(92)	1,797	2,656	424	4,785
Total changes since 2024-25 Budget	90	2,089	3,018	794	5,990
Revenue - 2024-25 Half-Yearly Review	118,620	123,348	126,668	128,414	497,049

Taxation revenue

Since the 2024-25 Budget, forecast state taxation revenue has been lowered by \$458.6 million in 2024-25 primarily due to weaker residential transaction volumes in recent months reducing forecasted transfer duty. Taxation revenue has been revised up by \$1.6 billion over the four years to 2027-28 mainly resulting from stronger-than-expected labour market conditions and higher housing prices from 2026-27.

Table 3.4: Taxation revenue

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 \$m	% Average growth p.a. 2023-24 to 2027-28
Stamp duties							
Transfer duty	11,415	12,981	12,589	13,515	13,667	14,190	5.6
Insurance	1,575	1,643	1,686	1,789	1,896	2,009	6.3
Motor vehicles	1,197	1,307	1,242	1,322	1,420	1,523	6.2
Other	0	0	0	0	0	0	...
	14,188	15,931	15,517	16,626	16,983	17,722	5.7
Payroll tax	12,486	12,938	12,970	13,782	14,746	15,774	6.0
Taxes on Land							
Land tax	7,084	8,169	8,234	8,771	9,347	9,842	8.6
Property tax	13	12	14	13	12	10	(4.8)
	7,097	8,181	8,248	8,784	9,359	9,852	8.5
Taxes on motor vehicle ownership and operation							
Weight tax	3,002	3,263	3,266	3,477	3,669	3,860	6.5
Vehicle transfer fees	58	63	61	63	66	68	4.1
Road User Charge	-	-	-	-	-	54	...
Other motor vehicle taxes	48	52	52	55	57	60	5.8
	3,108	3,378	3,379	3,595	3,792	4,042	6.8
Gambling and betting taxes							
Wagering	61	65	63	64	66	68	2.5
Point of Consumption Tax	285	320	300	301	316	332	3.8
Club gaming devices	956	1,000	1,000	1,044	1,092	1,142	4.6
Hotel gaming devices	1,353	1,474	1,450	1,553	1,665	1,783	7.1
Lotteries and lotto	631	543	543	557	575	592	(1.6)
Casino	203	205	210	208	196	209	0.8
Other gambling & betting	18	18	19	20	21	23	6.0
	3,507	3,623	3,584	3,748	3,931	4,149	4.3
Other taxes and levies							
Health insurance levy	257	269	268	282	298	315	5.2
Parking space levy	114	119	120	124	127	131	3.5
Emergency services levy contributions	1,389	1,327	1,327	1,385	1,425	1,274	(2.1)
Emergency services council contributions	210	203	219	226	202	205	(0.7)
Waste and environment levy	850	940	846	971	998	998	4.1
Government guarantee fee	373	409	396	460	521	587	12.0
Passenger services levy	94	79	79	84	89	92	(0.5)
Pollution control licences	17	18	16	18	18	18	1.5
Other taxes	913	930	916	1,255	1,311	1,344	10.2
	4,218	4,294	4,187	4,805	4,990	4,965	4.2
Total taxation revenue	44,603	48,345	47,886	51,340	53,800	56,503	6.1
<i>Annual change</i>	12.2%	8.4%	7.4%	7.2%	4.8%	5.0%	

Transfer duty

Transfer duty has been revised down by \$391.7 million in 2024-25 but up by \$428.9 million over the four years to 2027-28. Downgrades in 2024-25 are driven by weaker-than-anticipated residential transaction volumes over recent months. Volumes are expected to increase gradually over the coming year before peaking in late 2025 and returning to long-term averages by mid-2027. The peak in volumes is expected to be lower than in previous cycles, reflecting the impact of affordability constraints and a modest expected decline in interest rates.

Price growth is expected to remain soft until 2026, consistent with the recent level of momentum in the housing market, with home buyers facing affordability constraints and high interest rates. However, the outlook for prices from 2026-27 is higher than at the 2024-25 Budget.

Motor vehicle stamp duty

Motor vehicle registration duty has been revised down by \$190.0 million over the four years to 2027-28. This is largely due to a significant decline in new motor vehicle registrations in 2024, partly offset by stronger-than-expected vehicle prices.

Payroll tax

Forecasted payroll tax has been revised up by \$924.4 million over the four years to 2027-28. Weaker-than-expected private sector wages have offset the recent strength in employment, although the continued resilience in the labour market is expected to support stronger payroll tax over the forward estimates.

Land tax

Forecasted land tax revenue has been revised upward by \$170.4 million over the four years to 2027-28, largely reflecting stronger-than-expected revenue in 2023-24.

Taxes on motor vehicle ownership and operation

Taxes on motor vehicle ownership and operation have been revised up by \$42.9 million over the four years to 2027-28, driven by stronger-than-expected weight tax collections and supported by expectations of slightly higher growth in the consumer price index from 2026-27.

Gambling and betting taxes

Gambling and betting taxes have been revised down by \$185.2 million over the four years to 2027-28 driven by weaker than expected point of consumption and casino gaming activity in 2024-25.

Other taxes and levies

The 2024-25 Budget stated that 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 were paying less than half the gazetted rate for a private patient. This resumption of the single room rate payment was expected to restore revenue by \$490.0 million over the four years to 2027-28. Since the Budget, the NSW Government engaged with private health insurers over months of negotiations on the single room rate. In October 2024, the Government passed the *Health Insurance Levies Amendment Act 2024* which gave the Treasurer and the Minister for Finance regulation making power to amend the Health Insurance Levy in the event that an agreement was not reached with the major funds.

In December 2024, the Government announced successful resolution with the private health insurance industry with all 53 funds now paying single room rates from 1 January 2025.

The \$490.0 million included in the 2024-25 Budget is supporting investment in our world class public hospitals and public health system.

Grant revenue

GST revenue

NSW Treasury have undertaken an independent external review into the GST relativities forecasting methodology. Recommendations from the independent review, including on the modelling of states' investment needs, have been included in the 2024-25 Half-Yearly Review forecasts.

Stronger-than-expected GST collections in the September quarter of 2024 have increased the expected national GST pool, which is expected to grow faster than projected. As a result, GST revenue forecasts have been revised up by \$85.0 million in 2024-25, and a further \$2.5 billion over four years.

Notwithstanding the increase in the GST pool, New South Wales is forecast to receive its lowest ever share of GST revenue in 2026-27 and remain there for several years. This is driven by a continued decline in NSW population share, the CGC's decision in the 2024 Update to lower NSW's assessed needs and the impact of the 2018 legislative changes being phased in over time.

The CGC's 2025 Methodology Review (see Box 3.1 below) is expected to reduce NSW GST revenue by \$212.0 million in the four years to 2027-28. This follows the impact of the CGC's 2024 Update in the 2024-25 Budget, which resulted in an \$11.9 billion downward revision in forecast GST revenue over the four years to 2027-28.

Box 3.1: Commonwealth Grants Commission (CGC) 2025 Methodology Review

The CGC undertakes a review of its methodology for calculating state and territory GST relativities every five years. The methodology will then apply over the following five years. Between the five yearly reviews, changes in state and territory GST relativities are driven largely by data updates. In the 2024 Update, the CGC recommended a lower GST relativity for New South Wales in 2024 driven largely by revisions to data provided by states and the CGC's analysis of 2021 Census data. This resulted in a \$1.7 billion downgrade in NSW GST payments in 2024-25 and prompted a downward revision in GST payments of \$11.9 billion over the four years to 2027-28 partly offset by upgrades to the national GST pool.

In February 2025, the CGC will release the *Final Report on its 2025 Methodology Review* into GST relativities. The Final Report will determine the methodologies the CGC will adopt to calculate state and territory GST relativities for 2025-26 to 2029-30.

The Final Report will also recommend the GST relativities for 2025-26. The relativity determined through the Final Report will be incorporated into the 2025-26 Budget.

In the interim, the CGC published its Draft Report in July 2024 and its *Significant changes since the Draft Report* paper in November 2024. These publications reflect the preliminary methodologies the CGC will use to calculate relativities for the next five years, subject to any Final Report changes. The publications will also estimate how NSW GST revenue would have been affected if these methods were used in 2024-25.

There are material movements for New South Wales across multiple CGC assessments, including mining revenue, stamp duty on motor vehicles, urban transport, and COVID-19 related spending, among others. The preliminary assessments are available on the CGC's website.

These changes are forecasted to decrease NSW GST revenue by \$212.0 million in the four years to 2027-28. An increase of \$268.0 million in 2025-26 is primarily driven by COVID-19 impacts. GST revenue has been revised down by \$122.0 million and \$358.0 million in 2026-27 and 2027-28 respectively. These forecasted impacts are broadly consistent with the indicative impacts for 2024-25, provided by the CGC.

The final impact from the CGC's Final Report will be subject to updated data for the assessment years up to 2023-24. In recent years, these data updates have resulted in large variations in GST revenue, which remains a risk to the 2024-25 Half-Yearly Review forecasts.

Federation Funding Agreement payments

Revenue from Federation Funding Agreements is estimated to be \$3.1 billion higher than estimated in the 2024-25 Budget over the four years to 2027-28. This increase is driven largely by:

- additional \$1.8 billion of Australian Government funding within the four years to 2027-28 for natural disaster recovery programs under the Disaster Recovery Funding Arrangements which includes some reprofiling of Commonwealth revenue previously expected after 2027-28. In total, Australian Government funding under this agreement has increased by \$984.9 million to 2030-31, offset by higher forecast expenses.
- \$594.6 million in additional funding for frontline legal assistance services under the newly signed National Access to Justice Partnership
- \$319.1 million for variations to the Reconnecting River Country Program and Resilient Rivers Water Infrastructure Program.

Non-taxation revenue

Sales of goods and services

Sales of goods and services has been revised down by \$943.0 million over the four years to 2027–28. This is partly due to a reduction in Sales of Other Services revenue driven by accounting changes in how maintenance revenue recovers and offsetting expenses on behalf of NSW Trains, to have nil net impact to the fiscal aggregates.

Interest income

Interest income has been revised up by \$152.8 million over the four years to 2027-28 compared to the 2024-25 Budget, reflecting higher cash balances.

Dividends and income tax equivalents

Over the four years to 2027-28, dividends and income tax equivalents are forecast to be \$699.3 million lower than at the 2024-25 Budget. These variances are primarily driven by the correction of a prior period error, that resulted from a misclassification between current and deferred tax expenses included in Sydney Water's 2023-24 half-yearly review forecast. The forecast incorrectly inflated current tax payments to the State. See section 3.6 for further information.

Other dividends and distributions

Estimated revenue from other dividends and distributions has been revised down by \$57.8 million over the four years to 2027-28, mainly reflecting a decision by Ausgrid to reinvest funds that would have otherwise been paid as distributions to the NSW Government.

Fines, regulatory fees and other revenue (excluding royalties)

Fines, regulatory fees and other revenue forecast have been revised up by \$444.7 million over the four years to 2027-28 since the 2024-25 Budget, driven largely by an increase in non-cash donations to NSW Health partly associated with a change in the accounting treatment of the Australian Government's provision of in-kind vaccines. They have now been reclassified from Australian Government grant revenue to non-cash donations.

In addition to the reclassification, the number of in-kind vaccines expected to be provided to NSW Health has also increased since the 2024-25 Budget, due to the inclusion of additional vaccines on the National Immunisation Program.

Mineral royalties

Mineral royalties have been revised up by \$74.4 million over the four years to 2027-28 since the 2024-25 Budget.

A warmer-than-expected Asian summer has driven up energy demand, resulting in a stronger outlook for thermal coal prices. This has been partly offset by a forecast appreciation of the Australian dollar relative to the 2024-25 Budget and weaker outlook for coal export volumes.

3.3 Expenses outlook

Over the budget and forward estimates, expense growth is projected to average 1.8 per cent per annum, which is broadly consistent with the 2024-25 Budget and significantly below the 9.7 per cent average annual expense growth over four years to 2022-23.

Expenses are projected to be 1.2 per cent higher in 2024-25 than the 2024-25 Budget. Key drivers of this increase include expenses associated with Federation Funding Agreements, which are offset by higher Australian Government revenue in future years, and higher expenses due to changes to insurance and compensation scheme valuations. Total expenses are forecast at \$123.6 billion in 2024-25.

Employee related expenses are broadly in line with the 2024-25 Budget, projected to increase at around 1 per cent relative to Budget, including higher liabilities associated with Treasury Managed Fund (TMF), a self-insurance scheme to manage NSW Government agency risk. Public sector wage increases have been accompanied by savings and mutual gains, including Police Blue Ribbon Insurance Scheme reform, and have been largely managed within existing provisions.

Table 3.5: General government sector expenses by category and year

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 \$m	% Average growth p.a. 2023-24 to 2027-28
Employee	46,131	47,781	48,185	49,260	51,830	52,637	3.4
Superannuation	6,280	6,185	6,304	6,456	6,576	6,579	1.2
Depreciation and Amortisation	8,601	9,278	9,339	9,845	10,523	10,780	5.8
Interest	6,019	6,887	7,157	7,653	8,242	8,971	10.5
Other Operating Expense	27,994	27,013	28,189	26,538	26,603	27,442	(0.5)
Grants, Subsidies, and Other Transfers	25,883	25,019	24,428	25,815	24,629	23,311	(2.6)
Total Expenses	120,909	122,163	123,603	125,566	128,404	129,721	1.8
Annual change %	3.8%	1.0%	2.2%	1.6%	2.3%	1.0%	n.a.

Table 3.6: Expense reconciliation – 2024-25 Budget to 2024-25 Half-Yearly Review

	2024-25 Revised \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 \$m
Expenses – 2024-25 Budget	122,163	123,748	126,014	129,138
Policy measures – new expenses ^(a)	327	1,140	2,667	1,012
Policy measures – savings and offsets ^(b)	(154)	(190)	(245)	(288)
Parameter and other budget variations	1,266	868	(31)	(141)
Expenses – 2024-25 Half-Yearly Review	123,603	125,566	128,404	129,721

(a) This captures the expense impact of new policies as well as the offsetting impact of central risk reservations.

(b) This captures the expense impacts from savings to programs and initiatives since the 2024-25 Budget and offsets for new expense measures.

Over four years to 2027-28, expenses are projected to increase by \$6.2 billion compared to the 2024-25 Budget. This increase is partially due to \$1.8 billion higher expenses associated with Federation Funding Agreements. This includes:

- increased Transport for NSW recurrent expenses associated with the reprioritisation and reprofiling of existing programs and additional forecast revenue from the Australian Government for expenditure eligible under the Disaster Recovery Fund Arrangement (\$776.3 million to 2027-28). In total, these expenses have increased by \$984.9 million to 2030-31, offset by higher forecast Australian Government revenue
- additional funding for frontline legal assistance services under the newly signed National Access to Justice Partnership. The Australian Government will contribute an additional \$594.6 million over three years to 2027-28, with the NSW Government to invest an additional \$19.5 million to 2027-28
- higher expenses for the Reconnecting River Country Program and Resilient Rivers Water Infrastructure Program to support the Murray and Murrumbidgee River Constraints Measures and the Murrumbidgee Irrigation Urban Channel Pipelines Project (\$266.5 million to 2027-28)¹
- funding to deliver the Australian Government's Sustainable Communities Program to support Murray Darling Basin communities impacted by water recovery measures (\$176.0 million to 2027-28), fully offset by revenue from the Australian Government.

A large proportion of the remaining increase is associated with additional funding to support the Government manage known future expenditure risks and pressures, and parameter and other budget variations. The largest parameter and other budget variations include:

- higher projected expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations (\$995.1 million to 2027-28). This is driven by higher liabilities associated with the Treasury Managed Fund, including workers compensation and child abuse claims
- higher interest expenses due to movements in projected bond yields and borrowings (\$453.6 million to 2027-28), with further increases in interest expenses from changes to insurance and compensation scheme valuations for NSW Self Insurance Corporation.

3.4 Capital expenditure outlook

The State's Essential Infrastructure Plan is forecast to be \$118.3 billion over the four years to 2027-28.

General government capital expenditure in 2024-25 is forecast to be \$23.2 billion, which is broadly in line with forecast expenditure at the Budget.

Table 3.7: General government capital investment reconciliation – 2024-25 Budget to 2024-25 Half-Yearly Review

	2024-25 Revised \$m	2025-26 \$m	2026-27 Forward Estimates \$m	2027-28 \$m
Capital – 2024-25 Budget	23,476	22,197	21,121	19,653
Variations since 2024-25 Budget	(257)	(124)	53	(62)
Capital – 2024-25 Half-Yearly Review^(a)	23,220	22,073	21,175	19,591

(a) Includes reprofiling of capital expenditure across years to align with revised project delivery schedules. This also includes an allowance for the established tendency for capital expenditure to slip each year due to multiple factors including market capacity constraints and supply chain disruptions.

¹ This proposal also includes an additional \$52.5 million capital expenditure over four years to 2027-28, with the recurrent and capital expenditure fully offset by \$319.1 million in revenue from the Australian Government.

Box 3.2: Infrastructure Coordinator General

In June 2024, the Government announced an expanded role for the Infrastructure Coordinator General, within Infrastructure NSW, to better coordinate infrastructure delivery for the Government's strategic priorities of housing, employment in Western Sydney and the Aerotropolis, and the energy transition.

As part of this role, a whole-of government prioritisation of infrastructure and asset-related investments will be undertaken by Infrastructure NSW for the 2025-26 Budget.

The prioritisation process will consider funding requests across all portfolios and assess how infrastructure projects can best achieve the Government's strategic priorities within the available fiscal capacity. This includes foundational priorities of safety, compliance, and asset system integrity so the existing asset portfolio can effectively support ongoing service delivery.

3.5 Managing the State's assets and liabilities

Net debt at June 2028 has been revised down by \$2.3 billion to \$137.2 billion (14.1 per cent of GSP), mainly because of the higher projected balance of the State's managed funds due to stronger investment returns.

Gross debt is projected to be \$199.9 billion by June 2028, in line with 2024-25 Budget projections. This is due to higher operating expenses mostly offset by a better-than-expected revenue forecast over the four years to 2027-28.

Gross debt at June 2026 is projected to be \$179.5 billion, remaining lower than the \$188.2 billion previously projected at the 2023 Pre-election Budget Update, due to suspension of contributions to the NSW Generations Fund and reform of the Transport Asset Holding Entity.

Interest expenses are projected to be \$1.2 billion higher over four years to 2027-28, totaling \$32.0 billion. This reflects the increased cost of borrowings since the Budget, with the TCorp 10-year bond yield remaining elevated at around 5.1 per cent in October and November 2024 (see more details in Box 3.3 The State's interest expenses), and changes to insurance and compensation scheme valuations for NSW Self Insurance Corporation.

At the 2024-25 Budget, the Government announced the implementation of OneFund to streamline the management of the State's financial assets by pooling several of the State's investment funds together through a master fund structure, with a single risk and return setting. OneFund has performed positively over its first few months of operation.

Net cash flows from operating activities in 2024-25 are projected to deteriorate by \$1.8 billion to a \$3.0 billion surplus. Net cash flows from operating activities are projected to increase to a \$7.6 billion surplus in 2027-28. This strong cash operating surplus helps fund the Government's infrastructure investment program.

Net worth continues to grow steadily from \$369.5 billion at June 2025 to \$375.8 billion at June 2028.

Employee provisions at June 2025 are projected to be \$1.1 billion higher than the 2024-25 Budget. This is primarily driven by higher liabilities associated with the Treasury Managed Fund (TMF), a self-insurance scheme to manage NSW Government agency risk. The current deterioration represents a continuation of trends seen over recent years.

Table 3.8: Net debt reconciliation

	June 2025 \$m	June 2026 \$m	June 2027 \$m	June 2028 \$m
Net debt – 2024-25 Budget	110,523	121,935	130,965	139,497
Variations in gross debt	612	644	403	1
Variations in financial assets included in the calculation of net debt	(1,218)	(1,788)	(2,480)	(2,285)
Net Debt – 2024-25 Half-Yearly Review	109,917	120,791	128,888	137,212
<i>Per cent of GSP</i>	<i>13.0</i>	<i>13.5</i>	<i>13.8</i>	<i>14.1</i>
Gross Debt – 2024-25 Half-Yearly Review	167,497	179,533	188,908	199,884
<i>Per cent of GSP</i>	<i>19.8</i>	<i>20.1</i>	<i>20.3</i>	<i>20.5</i>

Box 3.3: The State's interest expenses

The interest rate that New South Wales pays on its debt borrowings is primarily driven by the rate that the Australian Government pays, which in turn is influenced by domestic and global economic developments. New South Wales pays a premium (or 'spread') above the interest rate paid by the Australian Government.

In recent years spreads have widened due to substantial increases in borrowing requirements and outstanding debt for most Australian states. These increases are driven by higher state infrastructure investment, governments' responses to natural disasters and pandemic-related spending. Additionally, a reduction in demand for Australian state government bonds by domestic banks is contributing to wider spreads.

Looking ahead, spreads are expected to remain elevated in line with higher Australian state borrowing requirements. However, other factors could alter the outlook, such as higher or lower demand from other investors and unpredictable global events. The impact of these factors would flow through to the State's borrowing costs and interest expenses.

3.6 Commercial performance in the broader public sector

The Commercial Policy Framework guides the commercial operations of the NSW public sector which are delivered through entities in the public non-financial corporation (PNFC) sector and the public financial corporation (PFC) sector.

Dividends and tax equivalent payments

Dividends received by the general government sector from the PNFC and PFC sectors are based on the operating performance and credit worthiness of those businesses. To ensure competitive neutrality with private sector counterparts, some of these corporations make tax equivalent payments and, with respect to the cost of debt, pay debt neutrality charges (government guarantee fees).

In 2024-25, dividend and tax equivalent payments are forecast to be \$668.2 million, which is \$158.1 million lower compared to the 2024-25 Budget. Over the budget and forward estimates, dividends and tax equivalent payments are forecast to be \$4.0 billion, which is \$706.3 million lower compared with the 2024-25 Budget.

Sydney Water error has driven reduction in forecast distributions

\$555.2 million of the reduction in forecast distributions is a result of Sydney Water, largely due to a significant error in classification of tax payments, with the remainder due to a reduction in infrastructure contributions.

Sydney Water incorrectly classified \$440.8 million of deferred tax payments as current tax payments in their submission to the 2023-24 Half-Yearly Review.

Following inquiries by Treasury, in November 2024, Sydney Water acknowledged that the classification was a prior period error.

The prior period error is corrected in the 2024-25 Half-Yearly Review, driving a significant reduction in forecast income tax equivalents. Treasury is working with Sydney Water to improve processes and prevent future errors.

Table 3.9 below shows the dividend and tax equivalent payments of the PNFC and PFC sectors from 2024-25 to 2027-28.

Table 3.9: Dividend and tax equivalent payments from the PNFC and PFC sectors

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forecast \$m	2026-27 Estimates \$m	2027-28 Estimates \$m
Public non-financial corporation					
Essential Energy	-	-	40	28	36
Forestry Corporation of NSW	1	-	-	-	-
Hunter Water Corporation	48	48	68	90	105
Landcom ^(a)	18	9	18	23	23
Port Authority of NSW	56	57	44	37	32
Sydney Water Corporation	408	270	616	559	595
WaterNSW	40	40	40	45	72
Public financial corporation					
NSW Treasury Corporation	216	204	219	246	257
Total Dividend and Tax Equivalent Payments in Revenue from Transactions section	786	628	1,044	1,028	1,121
Public non-financial corporation					
Landcom	40	40	29	38	37
Total Dividends in Other Economic Flows section^(b)	40	40	29	38	37
TOTAL DIVIDEND AND TAX EQUIVALENT PAYMENTS	826	668	1,073	1,066	1,158

(a) Landcom's returns classified under the 'Revenue from Transactions' section in the General Government Operating Statement relate to tax equivalent payments.

(b) Dividends paid by Landcom across the four years to 2027-28 are classified as income within the 'Other Economic Flows' section of the General Government Operating Statement, rather than the 'Revenue from Transactions' section.

Capital expenditure

In 2024-25, capital expenditure within the PNFC sector is forecast to be \$7.3 billion, which is \$392.0 million lower than the 2024-25 Budget. This variance is primarily attributable to reprofiling of Sydney Water and Transport Asset Holding Entity projects.

Capital expenditure within the sector over the budget and forward estimates period is estimated to be \$32.7 billion, in line with the 2024-25 Budget.

Box 3.4: Landcom improving housing supply in New South Wales

The Government is committed to increasing the supply of affordable and well-located homes for the people of New South Wales.

Landcom has been instrumental in unlocking sites to deliver market and affordable housing in metropolitan and regional areas of New South Wales.

Progress has been made on the Regional Build to Rent projects, with sites acquired in East Lismore and Bomaderry, with construction to commence in early 2025. These projects will deliver at least 20 per cent for affordable housing.

The Build to Rent program for Essential Workers is at the stage of identifying appropriate sites in metropolitan Sydney. Sites currently being investigated are in very close proximity to major Health infrastructure and would provide key workers with homes close to their jobs.

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

A.1 Scope of the Estimated Financial Statements for the General Government Sector

This Statement of Significant Accounting Policies and Forecast Assumptions applies to the Half-Yearly Review of the estimated financial statements for the general government sector (GGS).

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 Estimated Financial Statements of the GGS (GGS Estimated Financial Statements) presented in *Appendix B Uniform Financial Reporting* include the:

- GGS operating statement (Table B.1)
- GGS balance sheet (Table B.2)
- GGS cash flow statement (Table B.3).

The 2024-25 Budget information included in the GGS Estimated Financial Statements reflects the original budget tabled in Parliament on 18 June 2024. The revised budget estimates relate to the current year ending 30 June 2025, and estimates for the three forward years ending 30 June 2026, 2027 and 2028.

Basis of preparation

The GGS Estimated Financial Statements are prepared and presented consistent with the principles adopted in the 2024-25 Budget and based on the assumptions outlined below.

The GGS 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 Estimated Financial Statements have been prepared to reflect existing operations, the impact of new policy decisions taken by the NSW Government, where their financial effect can be reliably estimated, as well as known Australian Government funding revisions and known circumstances that may have a material effect on the Half-Yearly Review.

The revised GGS estimates for the 2024-25 financial year are based on updated year-end projections provided by agencies. They have been prepared to take into account economic and financial data available to NSW Treasury as at 17 December 2024.

In keeping with these principles, where the impact of a policy decision or a planned event cannot be reliably measured, the impact is not reflected within the GGS Estimated Financial Statements (for example, 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, under the headings: *Material economic and other assumptions* and *Summary of other key assumptions*.

Accounting policies

Australian Accounting Standards (AAS) do not include requirements for, or provide guidance on, the preparation and presentation of prospective financial statements, 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 Estimated Financial Statements follow the presentation and principles in the 2024-25 Budget. The revised estimates have been prepared in accordance with the accounting policies expected to be used in the preparation of the Total State Sector Accounts for 2024-25.

Except for the matters set out below under: *Changes in accounting policies*, the accounting policies applied in preparing the GGS Estimated Financial Statements are not materially different from those applied in the audited 2023-24 *Consolidated Financial Statements of the New South Wales General Government and Total State Sectors*.

Note 1 Statement of Significant Accounting Policies of the 2023-24 Consolidated Financial Statements of the New South Wales General Government and Total State Sectors includes information on the principles of consolidation, significant accounting judgements and estimates, and the recognition and measurement policies for revenue, expenses, other comprehensive income, assets and liabilities.

Changes in accounting policies

Changes in AAS are considered when preparing the GGS Estimated Financial Statements.

The accounting policies applied in the 2024-25 Budget are consistent with those of the previous 2023-24 Budget and the 2023-24 Consolidated Financial Statements of the New South Wales General Government and Total State Sectors.

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. At this stage, Treasury has not identified anything to suggest that the estimated impact of AASB 2022-10 on GGS Estimated Financial Statements will be material.

There are no other significant changes to AAS or accounting policies adopted in 2024-25 that materially impact the GGS Estimated Financial Statements.

New accounting standards issued but not effective

AASB 17 *Insurance Contracts* 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 AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* to include modifications that apply to public sector entities. AASB 17 is effective for public sector entities from 1 July 2026, with earlier application permitted. The estimated impact of AASB 2022-9 on the GGS Estimated Financial Statements has not been sufficiently identified and quantified at this stage and thus not disclosed.

There are no other standards and interpretations that are issued and not yet effective, or that have been adopted early, that are expected to have a material impact on the GGS Estimated Financial Statements.

Definitions

Key technical terms and key fiscal aggregates used in this report are defined in Note 39 of the *2023-24 Total State Sector Accounts* and in the Glossary to the *2024-25 Budget How to Read the Budget Papers*.

Presentation of the GGS Estimated Financial Statements

The GGS Estimated Financial Statements follow the presentation requirements for GGS reporting contained in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

AASB 1049 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 (that is, the 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 income and expenses as either transactions or other economic flows 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. It excludes other economic flows, which represents 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 Estimated 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 Estimated 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 (4) of the *Government Sector Finance Act 2018* that does not require the budget papers to be presented to include notes within the meaning of 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.

Presentation changes

There have been no significant presentation changes since the release of the 2024-25 Budget Papers. The presentation of information in the financial estimates remains consistent with GAAP and GFS presentation requirements.

Material economic and other assumptions

The GGS Estimated Financial Statements included in the Half-Yearly Review have been prepared using the material economic and other assumptions as set out below.

Table A.1: Key economic performance assumptions^(a)

	2023-24 Outcomes	2024-25 Forecasts	2025-26 Forecasts	2026-27 Projections	2027-28 Projections
New South Wales population (persons) ^(b)	8,484,400	8,591,600	8,702,300	8,806,100	8,909,500
Nominal gross state product (\$million)	820,800	847,800	892,500	931,300	973,300
Real gross state product (per cent)	1.2	¾	2½	2¼	2¼
Real state final demand (per cent)	1.5	¾	2¼	2¼	2½
Employment (per cent)	2.1	2	1½	1½	1½
Unemployment rate (per cent) ^(c)	3.9	4½	4½	4¼	4
Sydney consumer price index (per cent)	4.3	3	3	2½	2½
Sydney consumer price index excluding tobacco excise effect (per cent)	4.2	3	3	2½	2½
Wage price index (per cent) ^(d)	4.1	3½	3¼	3¼	3½
Nominal gross state product (per cent)	5.3	3¼	5¼	4¼	4½

(a) Forecasts are rounded to the nearest quarter point and are annual average per cent change, unless otherwise indicated. Forecasts completed prior to publication of the 2023-24 Annual State Accounts by the Australian Bureau of Statistics (ABS).

(b) As at 30 June each year.

(c) As at June quarter, per cent.

(d) Weighted average of 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 takes into account 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 revenue

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 take into account 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 Half-Yearly Review. This takes into account the conditions, payment timetable, 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 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 forecast relativities, national GST pool estimates, and the Australian Government's state population projections. NSW Treasury's forecast per capita annual 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 taking into account 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 PNFC and public financial corporations (PFC) sectors. These forecasts are based on expected profitability and the agreed dividend policy at the time of the Half-Yearly Review.

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 TCorp, with the revenue recognised when the right to receive payment is expected to be established based on advice from 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 Half-Yearly Review estimates, consistent with longstanding practice and reflecting historic trends, the GGS Estimated Financial Statements include adjustments that:

- 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
- 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*
- 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 forecast based on expected staffing profiles, salaries, conditions, workers compensation insurance and on-costs.

Factors that can impact the employee expense estimates are:

- new initiatives
- productivity enhancing reforms
- workers compensation valuations
- final approved wage agreements or determinations
- other policy or parameter changes.

Superannuation expense (and liabilities)

Superannuation expense comprises:

- defined contribution plans, the forecast accrued contributions for the period
- 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 Australian Government Securities (AGS) 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 AGS 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 AGS 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 Half-Yearly Review and forward estimates period.

Table A.2: Superannuation assumptions – pooled fund / state super schemes

	2024-25 Forecast %	2025-26 Forecast %	2026-27 Forecast %	2027-28 Forecast %
Liability discount rate ^(a)	4.4	4.0	3.8	3.8
Expected return on investments ^(b)	8.7/8.0	7.0/6.2	7.0/6.2	7.0/6.2
Expected salary increases ^(c)	4.8	3.7	3.8	3.8
Expected rate of CPI	3.0	3.0	2.5	2.5

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

(b) The expected long-term return on investments is 7.0 per cent on assets backing pension liabilities and 6.2 per cent on assets backing non-pension liabilities.

(c) Note that this input includes promotions and other factors, in addition to the expected increase in base salary.

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 forecast on:

- the basis of known asset valuations
- the expected economic life of assets
- assumed new asset investment
- asset sale programs.

The depreciation expense assumes 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, 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 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 cash 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 which are often outside the control of government).

Revaluations

The budget and forward estimates include the impact of any revaluations of property, plant and equipment since the 2024-25 Budget, but 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 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 typically 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 and Half-Yearly Review 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*
- reflect government decisions on capital expenditure that are not yet included in agency estimates, for example due to timing, or 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 expected to be 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, and annual 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 claims 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.

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B. UNIFORM FINANCIAL REPORTING

B.1 Uniform Presentation Framework tables

The NSW Government's 2024-25 Half-Yearly Review presents revised fiscal estimates for the current Budget year and the three following years for the NSW general government sector (GGS), public non-financial corporation (PNFC) sector and non-financial public sector (NFPS). These revised estimates consider fiscal and economic developments since the Budget.

The Uniform Presentation Framework (UPF) tables have been prepared consistent with the 2024-25 Budget, in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard adopts a harmonised GFS-AAS reporting basis. The main differences in reporting on an AASB 1049 basis compared with a GFS basis are outlined on pages A1-1 to A1-5 of 2024-25 Budget Paper No.1 *Budget Statement*.

The objective of the UPF is to facilitate a better understanding of an individual government's financial results and projections through the provision of a common 'core' of financial information. As part of the Framework, each jurisdiction publishes a mid-year report, that is a half-yearly review of the budget, by the end of February each year.

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.

Table B.1: General government sector operating statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Revenue from Transactions					
Taxation	48,345	47,886	51,340	53,800	56,503
Grants and Subsidies	47,934	48,426	48,819	49,735	48,683
Sale of Goods and Services	10,344	10,163	10,771	10,828	10,510
Interest	645	675	580	594	591
Dividend and Income Tax Equivalents from Other Sectors	786	628	1,044	1,028	1,121
Other Dividends and Distributions	3,074	3,356	3,369	3,415	3,681
Fines, Regulatory Fees and Other	7,402	7,486	7,424	7,268	7,324
Total Revenue from Transactions	118,530	118,620	123,348	126,668	128,414
Expenses from Transactions					
Employee	47,781	48,185	49,260	51,830	52,637
Superannuation					
Superannuation Interest Cost	1,620	1,623	1,603	1,531	1,459
Other Superannuation	4,565	4,681	4,852	5,045	5,120
Depreciation and Amortisation	9,278	9,339	9,845	10,523	10,780
Interest	6,887	7,157	7,653	8,242	8,971
Other Operating Expense	27,013	28,189	26,538	26,603	27,442
Grants and Subsidies	25,019	24,428	25,815	24,629	23,311
Total Expenses from Transactions	122,163	123,603	125,566	128,404	129,721
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	(3,633)	(4,983)	(2,218)	(1,737)	(1,307)

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

	2024-25 Budget \$m	2024-25 Revised \$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	(71)	24	(276)	(199)	(1)
Other Net Gains/(Losses)	762	682	504	1,134	1,131
Share of Earnings/Losses from Equity Investments (excluding Dividends)	(81)	(81)	(91)	(170)	(320)
Dividends from Asset Sale Proceeds	40	40	29	38	37
Deferred Income Tax from Other Sectors	17	74	159	162	163
Other	(40)	(45)	(40)	(40)	(40)
Other Economic Flows - included in Operating Result	627	694	285	925	970
Operating Result	(3,006)	(4,289)	(1,933)	(811)	(337)
Other Economic Flows - Other Comprehensive Income Items that will not be Reclassified to Operating Result					
Revaluations	1,968	2,115	1,979	1,859	1,957
Remeasurements of Post-Employment Benefits	1,417	212	(1,245)	(446)	861
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	2,485	4,128	(708)	549	4,197
Deferred Tax Direct to Equity	78	78	70	65	68
Other	37	139	50	50	50
Other Economic Flows - Other Comprehensive Income	5,985	6,672	146	2,077	7,133
Comprehensive Result - Total Change in Net Worth	2,979	2,383	(1,787)	1,266	6,797
Key Fiscal Aggregates					
Comprehensive Result - Total Change in Net Worth	2,979	2,383	(1,787)	1,266	6,797
Less: Net Other Economic Flows	(6,612)	(7,366)	(431)	(3,002)	(8,104)
Equals: Budget Result - Net Operating Balance	(3,633)	(4,983)	(2,218)	(1,737)	(1,307)
Less: Net Acquisition of Non-Financials Assets					
Purchases of Non-Financials Assets ^(a)	22,344	21,989	21,183	20,086	18,789
Sales of Non-Financial Assets	(856)	(698)	(1,229)	(2,664)	(562)
Less: Depreciation	(9,278)	(9,339)	(9,845)	(10,523)	(10,780)
Plus: Change in Inventories	403	132	(997)	(80)	(181)
Plus: Other Movements in Non-Financials Assets					
Assets Acquired Using Leases ^(a)	796	744	725	863	802
Assets Acquired Using Service Concession Finance Liability Model ^(a)	336	487	165	226	...
Grant of Right to the Operator Model	620	620	230	...	...
Other	(1,243)	(1,063)	(919)	(1,035)	163
Equals: Total Net Acquisition of Non-Financial Assets	13,122	12,871	9,312	6,872	8,231
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(16,755)	(17,854)	(11,530)	(8,609)	(9,538)
OTHER FISCAL AGGREGATES					
Capital Expenditure ^(a)	23,476	23,220	22,073	21,175	19,591

(a) Capital expenditure comprises purchases of non-financial assets, assets acquired using leases and assets acquired using service concession arrangements under the financial liability model.

Table B.2: General government sector balance sheet

	June 2025 Budget \$m	June 2025 Revised \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
Assets					
Financial Assets					
Cash and Cash Equivalents	1,189	956	973	1,039	981
Receivables	12,885	13,839	14,005	13,816	13,872
Investments, Loans and Placements					
Financial Assets at Fair Value	51,113	52,588	53,713	55,151	57,709
Other Financial Assets	2,983	2,971	2,711	2,426	2,525
Advances Paid	1,077	1,065	1,345	1,405	1,458
Tax Equivalents Receivable	192	18	32	21	50
Deferred Tax Equivalent Assets	3,845	4,075	4,306	4,537	4,770
Equity Investments					
Investments in Other Public Sector Entities	162,708	159,478	159,686	160,684	164,882
Investments in Associates	10,331	10,306	10,215	10,104	9,860
Other Equity Investments	15	15	15	15	15
Total Financial Assets	246,338	245,312	247,001	249,198	256,121
Non-Financial Assets					
Contract Assets	58	71	72	1,998	2,009
Inventories	1,830	1,630	827	930	935
Forestry Stock and Other Biological Assets	19	17	17	17	17
Assets Classified as Held for Sale	394	358	227	238	72
Property, Plant and Equipment					
Land and Buildings	140,901	144,151	148,627	152,383	155,331
Plant and Equipment	15,650	15,647	15,442	15,834	15,437
Infrastructure Systems	231,044	233,840	241,903	246,655	254,686
Right-of-Use Assets	6,324	6,415	6,332	6,400	6,345
Intangibles	5,868	5,872	5,817	5,608	5,254
Other Non-Financial Assets	1,905	1,704	1,513	1,450	1,442
Total Non-Financial Assets	403,995	409,705	420,777	431,513	441,528
Total Assets	650,333	655,017	667,779	680,711	697,648
Liabilities					
Deposits Held	460	344	344	344	344
Payables	9,478	9,200	9,363	9,192	8,822
Contract Liabilities	781	762	763	767	770
Borrowings and Derivatives at Fair Value	10	11	11	10	10
Borrowings at Amortised Cost	166,023	166,559	178,764	188,193	199,229
Advances Received	392	584	414	361	301
Employee Benefit Liabilities	30,059	31,121	32,995	34,513	35,644
Superannuation Provision ^(a)	36,761	37,883	38,989	39,131	37,786
Tax Equivalents Payable	66	27	59	73	103
Deferred Tax Equivalent Provision	41	27	27	27	27
Other Provisions	16,083	17,675	17,736	18,002	18,490
Other Liabilities	21,355	21,288	20,562	21,080	20,307
Total Liabilities	281,510	285,478	300,027	311,693	321,834
NET ASSETS	368,823	369,539	367,752	369,018	375,814

Table B.2: General government sector balance sheet (cont)

	June 2025 Budget \$m	June 2025 Revised \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
NET WORTH					
Accumulated Funds	69,601	66,619	64,858	65,016	66,955
Reserves	299,222	302,919	302,894	304,002	308,859
TOTAL NET WORTH	368,823	369,539	367,752	369,018	375,814
OTHER FISCAL AGGREGATES					
Net Debt^(b)	110,523	109,917	120,791	128,888	137,212
Net Financial Liabilities^(c)	197,880	199,645	212,711	223,180	230,595
Net Financial Worth^(d)	(35,172)	(40,167)	(53,025)	(62,495)	(65,714)

(a) The superannuation provision is reported net of the fair value of fund 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 B.3: General government sector cash flow statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Cash Receipts from Operating Activities					
Taxation	48,342	47,825	51,320	53,762	56,462
Sales of Goods and Services	10,833	10,668	11,207	11,271	10,939
Grant and Subsidies Received	48,009	48,259	48,612	49,098	48,664
Interest	561	604	492	468	449
Dividends and Income Tax Equivalents from Other Sectors	607	629	827	1,182	1,142
Other	10,019	10,981	9,998	10,039	10,007
Total Cash Receipts from Operating Activities	118,372	118,967	122,456	125,820	127,663
Cash Payments from Operating Activities					
Employee Related	(46,671)	(46,662)	(48,076)	(50,938)	(51,981)
Superannuation	(6,235)	(6,343)	(6,594)	(6,880)	(7,064)
Payments for Goods and Services	(27,418)	(27,827)	(26,301)	(26,107)	(26,682)
Grants and Subsidies	(23,545)	(23,136)	(24,217)	(22,948)	(22,679)
Interest	(4,989)	(5,162)	(5,401)	(6,109)	(6,988)
Other	(4,657)	(6,797)	(5,038)	(4,934)	(4,674)
Total Cash Payments from Operating Activities	(113,515)	(115,926)	(115,626)	(117,916)	(120,068)
Net Cash Flows from Operating Activities	4,857	3,041	6,830	7,904	7,595
Cash Flows from Investments in Non-Financial Assets					
Proceeds from Sale of Non-Financial Assets	1,274	1,142	1,436	2,756	561
Purchases	(22,208)	(22,520)	(21,104)	(20,141)	(18,976)
Net Cash Flows from Investments in Non-Financial Assets	(20,935)	(21,378)	(19,669)	(17,385)	(18,416)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	250	107	229	651	351
Payments	(276)	(267)	(146)	(520)	(123)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(26)	(159)	83	131	228
Cash Flows from Investments in Financial Assets for Liquidity Purposes					
Proceeds from Sale of Investments	3,482	3,873	4,804	4,092	3,296
Purchase of Investments	(1,122)	(2,114)	(1,795)	(1,674)	(1,758)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	2,359	1,759	3,009	2,418	1,538
Net Cash Flows from Investing Activities	(18,601)	(19,778)	(16,576)	(14,837)	(16,650)
Cash Flows from Financing Activities					
Advances (Net)	(88)	109	(350)	(150)	(164)
Proceeds from Borrowings	10,843	11,649	11,988	9,281	10,449
Repayment of Borrowings	(1,118)	(952)	(1,876)	(2,136)	(1,289)
Deposits (Net)	1	(0)	...	...	...
Other (Net)	0	0	0	0	0
Net Cash Flows from Financing Activities	9,638	10,807	9,761	6,995	8,997
Net Increase/(Decrease) in Cash Held	(4,107)	(5,930)	15	62	(59)
Derivation of Cash Result					
Net Cash Flows from Operating Activities	4,857	3,041	6,830	7,904	7,595
Net Cash Flows from Investments in Non-Financial Assets	(20,935)	(21,378)	(19,669)	(17,385)	(18,416)
Cash Surplus/(Deficit)	(16,078)	(18,337)	(12,839)	(9,481)	(10,821)

Table B.4: Public non-financial corporation sector operating statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Revenue from Transactions					
Grants and Subsidies	5,304	5,173	5,644	5,493	5,334
Sale of Goods and Services	9,079	9,045	10,180	10,719	11,362
Interest	123	148	98	77	67
Other Dividends and Distributions	21	12	12	12	12
Fines, Regulatory Fees and Other	821	767	1,281	1,532	1,752
Total Revenue from Transactions	15,348	15,145	17,214	17,833	18,526
Expenses from Transactions					
Employee	2,865	2,873	3,083	3,069	3,192
Personnel Services Expense	145	146	134	137	140
Superannuation					
Superannuation Interest Cost	45	42	38	38	36
Other Superannuation	314	324	340	347	355
Depreciation and Amortisation	4,095	4,146	4,282	4,382	4,491
Interest	1,623	1,594	1,805	1,991	2,174
Income Tax Expense	216	70	234	356	468
Other Operating Expense	6,632	6,800	7,019	7,123	7,330
Grants and Subsidies	62	64	66	68	70
Total Expenses from Transactions	15,997	16,059	17,002	17,511	18,255
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	(649)	(914)	212	322	271

Table B.4: Public non-financial corporation sector operating statement (cont)

	2024-25 Budget \$m	2024-25 Revised \$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	(0)	(1)	(0)	(0)	(0)
Other Net Gains/(Losses)	(100)	(137)	(308)	(319)	(109)
Deferred Income Tax from Other Sectors	(17)	(74)	(159)	(162)	(163)
Other	(3)	(3)	(3)	(3)	(3)
Other Economic Flows - included in Operating Result	(120)	(215)	(469)	(485)	(275)
Operating Result	(769)	(1,129)	(257)	(163)	(4)
Other Economic Flows - Other Comprehensive Income					
Items that will not be Reclassified to Operating Result					
Revaluations	2,749	3,586	3,591	4,094	4,122
Remeasurements of Post-Employment Benefits	66	213	(87)	(37)	33
Deferred Tax Direct to Equity	(78)	(78)	(70)	(65)	(68)
Other	0	92	...	...	...
Other Economic Flows - Other Comprehensive Income	2,737	3,812	3,435	3,992	4,086
Comprehensive Result - Before Transactions with Owners in their capacity as Owners					
	1,968	2,683	3,178	3,829	4,083
Dividends Distributed	(395)	(394)	(620)	(464)	(434)
Net Equity Injections	(237)	(616)	915	450	...
Total Change in Net Worth	1,337	1,674	3,473	3,815	3,649
Key Fiscal Aggregates					
Comprehensive Result - Before Transactions with Owners in their capacity as Owners					
	1,968	2,683	3,178	3,829	4,083
Less: Net Other Economic Flows	(2,617)	(3,597)	(2,965)	(3,507)	(3,812)
Equals: Budget Result - Net Operating Balance	(649)	(914)	212	322	271
Less: Net Acquisition of Non-Financials Assets					
Purchases of Non-Financials Assets ^(a)	7,653	7,254	8,761	8,235	8,053
Sales of Non-Financial Assets	(458)	(620)	(339)	(653)	(509)
Less: Depreciation	(4,095)	(4,146)	(4,282)	(4,382)	(4,491)
Plus: Change in Inventories	304	309	143	141	303
Plus: Other Movements in Non-Financials Assets					
Assets Acquired Using Leases ^(a)	54	61	63	66	88
Assets Acquired Using Service Concession Finance Liability Model ^(a)	21	20	21	21	22
Grant of Right to the Operator Model	...	...	...	...	...
Other	417	386	422	436	447
Equals: Total Net Acquisition of Non-Financial Assets	3,896	3,264	4,788	3,863	3,912
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(4,544)	(4,178)	(4,576)	(3,541)	(3,641)
OTHER FISCAL AGGREGATES					
Capital Expenditure ^(a)	7,728	7,336	8,845	8,323	8,163
Dividends Accrued ^(b)	395	394	620	464	434

(a) Capital expenditure comprises purchases of non-financial assets, 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 B.5: Public non-financial corporation sector balance sheet

	June 2025 Budget \$m	June 2025 Revised \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
Assets					
Financial Assets					
Cash and Cash Equivalents	2,201	2,761	1,603	1,703	850
Receivables	1,497	1,389	1,581	1,716	1,830
Investments, Loans and Placements					
Financial Assets at Fair Value	520	503	503	503	503
Other Financial Assets	783	748	677	598	601
Advances Paid	19	49	...	...	...
Tax Equivalents Receivable	66	22	59	67	94
Deferred Tax Equivalent Assets	45	29	30	29	29
Total Financial Assets	5,130	5,501	4,453	4,616	3,907
Non-Financial Assets					
Contract Assets	...	...	...	...	...
Inventories	1,063	1,101	1,244	1,384	1,687
Forestry Stock and Other Biological Assets	781	781	781	781	781
Assets Classified as Held for Sale	9	74	74	75	75
Investment Properties	629	609	609	609	609
Property, Plant and Equipment					
Land and Buildings	96,333	98,394	101,242	104,015	106,212
Plant and Equipment	6,474	7,218	7,966	8,664	8,847
Infrastructure Systems	78,489	73,940	79,303	83,870	89,179
Right-of-Use Assets	3,935	4,093	3,884	3,679	3,496
Intangibles	1,248	1,169	1,404	1,544	1,692
Other Non-Financial Assets	612	696	693	454	380
Total Non-Financial Assets	189,573	188,075	197,199	205,074	212,956
Total Assets	194,702	193,576	201,652	209,690	216,863
Liabilities					
Deposits Held	35	42	42	42	42
Payables	2,638	2,652	2,956	3,089	3,088
Contract Liabilities	98	169	194	213	181
Borrowings and Derivatives at Fair Value	3	2	2	2	2
Borrowings at Amortised Cost	39,441	39,595	43,523	47,510	50,889
Advanced Received	267	267	250	232	215
Employee Benefit Liabilities	1,292	1,339	1,348	1,364	1,382
Superannuation Provision ^(a)	983	916	971	977	909
Tax Equivalents Payable	180	2	19	1	27
Deferred Tax Equivalent Provision	3,840	4,078	4,309	4,539	4,772
Other Provisions	678	671	874	722	704
Other Liabilities	465	362	212	229	234
Total Liabilities	49,919	50,095	54,699	58,921	62,445
NET ASSETS	144,783	143,480	146,953	150,768	154,418
NET WORTH					
Accumulated Funds	50,660	51,937	52,053	52,158	51,999
Reserves	94,124	91,543	94,900	98,611	102,419
TOTAL NET WORTH	144,783	143,480	146,953	150,768	154,418
OTHER FISCAL AGGREGATES					
Net Debt^(b)	36,224	35,844	41,034	44,982	49,194
Net Financial Liabilities^(c)	44,789	44,595	50,246	54,305	58,539
Net Financial Worth^(d)	(44,789)	(44,595)	(50,246)	(54,305)	(58,539)

(a) The superannuation provision is reported net of the fair value of fund 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 B.6: Public non-financial corporation sector cash flows statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Cash Receipts from Operating Activities					
Sales of Goods and Services	9,396	9,210	10,088	10,970	11,855
Grant and Subsidies	5,292	5,166	5,633	5,482	5,330
Interest	94	120	68	45	35
Other	1,616	1,492	2,149	2,399	2,588
Total Cash Receipts from Operating Activities	16,398	15,988	17,938	18,897	19,808
Cash Payments from Operating Activities					
Employee Related	(3,042)	(3,044)	(3,274)	(3,254)	(3,382)
Personnel Services	(334)	(340)	(342)	(349)	(360)
Superannuation	(382)	(343)	(410)	(415)	(425)
Payments for Goods and Services	(6,753)	(6,966)	(7,007)	(7,300)	(7,724)
Grants and Subsidies	(61)	(64)	(66)	(68)	(69)
Interest	(1,465)	(1,457)	(1,557)	(1,750)	(1,956)
Distributions Paid	(138)	(144)	(252)	(379)	(467)
Other	(1,047)	(1,176)	(1,252)	(1,310)	(1,329)
Total Cash Payments from Operating Activities	(13,222)	(13,533)	(14,159)	(14,825)	(15,713)
Net Cash Flows from Operating Activities	3,176	2,454	3,779	4,072	4,095
Cash Flows from Investments in Non-Financial Assets					
Proceeds from Sale of Non-Financial Assets	458	620	339	653	509
Purchases	(7,288)	(7,085)	(8,469)	(8,190)	(8,096)
Net Cash Flows from Investments in Non-Financial Assets	(6,830)	(6,465)	(8,130)	(7,537)	(7,586)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	15	3	47	...	...
Payments	...	...	0	...	...
Net Cash Flows from Investments in Financial Assets for Policy Purposes	15	3	47	0	0
Cash Flows from Investments in Financial Assets for Liquidity Purposes					
Proceeds from Sale of Investments	35	48	101	53	29
Purchase of Investments	...	...	...	...	...
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	35	48	101	53	29
Net Cash Flows from Investing Activities	(6,780)	(6,414)	(7,981)	(7,484)	(7,557)
Cash Flows from Financing Activities					
Advances (Net)	(30)	(30)	(31)	417	(31)
Proceeds from Borrowings	3,597	3,817	4,101	4,975	3,981
Repayment of Borrowings	(591)	(486)	(630)	(1,262)	(877)
Dividends Paid	(324)	(324)	(394)	(620)	(464)
Deposits (Net)	...	0	...	...	...
Other (Net)	0	(3)	(1)	1	(0)
Net Cash Flows from Financing Activities	2,652	2,974	3,045	3,512	2,608
Net Increase/(Decrease) in Cash Held	(952)	(986)	(1,158)	100	(853)
Derivation of Cash Result					
Net Cash Flows from Operating Activities	3,176	2,454	3,779	4,072	4,095
Net Cash Flows from Investments in Non-Financial Assets	(6,830)	(6,465)	(8,130)	(7,537)	(7,586)
Dividends Paid	(324)	(324)	(394)	(620)	(464)
Cash Surplus/(Deficit)	(3,979)	(4,335)	(4,744)	(4,085)	(3,955)

Table B.7: Non-financial public sector operating statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Revenue from Transactions					
Taxation	47,677	47,224	50,615	53,004	55,627
Grants and Subsidies	47,855	48,343	48,770	49,685	48,624
Sale of Goods and Services	16,588	16,435	17,871	18,809	19,610
Interest	632	670	557	566	553
Dividend and Income Tax Equivalents from Other Sectors	216	204	219	246	257
Other Dividends and Distributions	3,095	3,368	3,381	3,428	3,693
Fines, Regulatory Fees and Other	8,158	8,153	8,621	8,715	8,990
Total Revenue from Transactions	124,220	124,397	130,034	134,452	137,355
Expenses from Transactions					
Employee	50,622	51,044	52,329	54,884	55,814
Superannuation					
Superannuation Interest Cost	1,665	1,665	1,642	1,569	1,495
Other Superannuation	4,878	5,004	5,192	5,391	5,475
Depreciation and Amortisation	13,349	13,463	14,104	14,883	15,254
Interest	8,374	8,620	9,337	10,128	11,040
Other Operating Expense	30,453	31,825	30,053	30,500	31,945
Grants and Subsidies	19,550	19,074	20,013	18,982	17,805
Total Expenses from Transactions	128,891	130,695	132,670	136,339	138,828
NET OPERATING BALANCE - SURPLUS/(DEFICIT)	(4,671)	(6,298)	(2,636)	(1,887)	(1,473)

Table B.7: Non-financial public sector operating statement (cont)

	2024-25 Budget \$m	2024-25 Revised \$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	(71)	23	(276)	(199)	(1)
Other Net Gains/(Losses)	662	545	196	814	1,022
Share of Earnings/Losses from Equity Investments (excluding Dividends)	(81)	(81)	(91)	(170)	(320)
Other	(44)	(48)	(43)	(43)	(43)
Other Economic Flows - included in Operating Result	467	439	(213)	403	658
Operating Result	(4,204)	(5,859)	(2,849)	(1,484)	(814)
Other Economic Flows - Other Comprehensive Income					
Items that will not be Reclassified to Operating Result					
Revaluations	4,717	5,700	5,570	5,953	6,078
Remeasurements of Post-Employment Benefits	1,484	425	(1,331)	(483)	894
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	942	1,882	(3,230)	(2,774)	585
Other	41	235	54	54	54
Other Economic Flows - Other Comprehensive Income	7,183	8,242	1,062	2,750	7,611
Total Change in Net Worth	2,979	2,383	(1,787)	1,266	6,797
Key Fiscal Aggregates					
Total Change in Net Worth	2,979	2,383	(1,787)	1,266	6,797
Less: Net Other Economic Flows	(7,650)	(8,681)	(849)	(3,153)	(8,269)
Equals: Budget Result - Net Operating Balance	(4,671)	(6,298)	(2,636)	(1,887)	(1,473)
Less: Net Acquisition of Non-Financials Assets					
Purchases of Non-Financials Assets ^(a)	30,101	29,038	29,943	28,267	26,664
Sales of Non-Financial Assets	(1,137)	(839)	(1,569)	(3,264)	(893)
Less: Depreciation	(13,349)	(13,463)	(14,104)	(14,883)	(15,254)
Plus: Change in Inventories	425	165	(854)	61	122
Plus: Other Movements in Non-Financials Assets					
Assets Acquired Using Leases ^(a)	850	805	788	929	890
Assets Acquired Using Service Concession Finance Liability Model ^(a)	357	507	185	247	22
Grant of Right to the Operator Model	620	620	230	...	...
Other	(855)	(732)	(552)	(655)	554
Equals: Total Net Acquisition of Non-Financial Assets	17,012	16,102	14,068	10,702	12,104
Equals: Net Lending/(Borrowing) [Fiscal Balance]^(b)	(21,683)	(22,400)	(16,704)	(12,589)	(13,577)
OTHER FISCAL AGGREGATES					
Capital Expenditure ^(a)	31,308	30,350	30,917	29,443	27,576

(a) Capital expenditure comprises purchases of non-financial assets, assets acquired using leases and assets acquired using service concession arrangements under the financial liability model.

(b) 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.

Table B.8: Non-financial public sector balance sheet

	June 2025 Budget \$m	June 2025 Revised \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
Assets					
Financial Assets					
Cash and Cash Equivalents	3,402	3,717	2,577	2,742	1,831
Receivables	13,188	14,063	14,149	14,195	14,337
Investments, Loans and Placements					
Financial Assets at Fair Value	51,633	53,065	54,216	55,636	58,200
Other Financial Assets	2,794	2,793	2,464	2,490	2,599
Advances Paid	829	873	956	1,142	1,225
Tax Equivalents Receivable	11	11	12	13	14
Deferred Tax Equivalents	9	...	...	...	...
Equity Investments					
Investments in Other Public Sector Entities	18,014	16,102	12,872	10,098	10,683
Investments in Associates	10,331	10,306	10,215	10,104	9,860
Other Equity Investments	15	15	15	15	15
Total Financial Assets	100,226	100,946	97,476	96,436	98,763
Non-Financial Assets					
Contract Assets	58	71	71	1,998	2,009
Inventories	2,024	1,913	1,254	1,497	1,804
Forestry Stock and Other Biological Assets	799	798	798	798	798
Assets Classified as Held for Sale	403	433	302	313	146
Investment Properties	629	609	609	609	609
Property, Plant and Equipment					
Land and Buildings	237,234	242,545	249,869	256,398	261,543
Plant and Equipment	22,171	22,865	23,408	24,497	24,284
Infrastructure Systems	310,350	308,526	321,898	331,165	344,451
Right-of-Use Assets	10,075	10,369	10,100	9,984	9,764
Intangibles	7,117	7,041	7,220	7,152	6,946
Other Liabilities	2,514	2,398	2,204	1,901	1,819
Total Non-Financial Assets	593,375	597,566	617,732	636,311	654,172
Total Assets	693,601	698,512	715,208	732,747	752,935
Liabilities					
Deposits Held	495	386	386	386	386
Payables	11,302	11,070	11,476	11,377	10,945
Contract Liabilities	877	929	955	979	950
Borrowings and Derivatives at Fair Value	13	13	12	12	12
Borrowings at Amortised Cost	204,452	205,186	221,188	235,089	249,529
Advanced Received	392	584	414	361	301
Employee Benefits Liabilities	31,339	32,448	34,331	35,865	37,014
Superannuation Provision ^(a)	37,744	38,799	39,960	40,108	38,696
Other Provisions	16,364	17,951	17,988	18,258	18,759
Other Liabilities	21,800	21,609	20,747	21,294	20,529
Total Liabilities	324,778	328,973	347,456	363,729	377,121
NET ASSETS	368,823	369,539	367,752	369,018	375,814

Table B.8: Non-financial public sector balance sheet (cont)

	June 2025 Budget \$m	June 2025 Revised \$m	June 2026 \$m	June 2027 Forward Estimates \$m	June 2028 \$m
NET WORTH					
Accumulated Funds	112,443	109,698	107,101	106,872	108,616
Reserves	256,380	259,841	260,651	262,146	267,199
TOTAL NET WORTH	368,823	369,539	367,752	369,018	375,814
OTHER FISCAL AGGREGATES					
Net Debt^(b)	146,694	145,719	161,788	173,837	186,374
Net Financial Liabilities^(c)	242,566	244,129	262,853	277,391	289,040
Net Financial Worth^(d)	(224,552)	(228,027)	(249,981)	(267,293)	(278,358)

(a) The superannuation provision is reported net of the fair value of fund 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 B.9: Non-financial public sector cash flow statement

	2024-25 Budget \$m	2024-25 Revised \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m	2027-28 Forward Estimates \$m
Cash Receipts from Operating Activities					
Taxation	47,715	47,176	50,658	53,029	55,654
Sales of Goods and Services	17,463	17,046	18,277	19,580	20,620
Grant and Subsidies	47,928	48,177	48,553	49,045	48,603
Interest	534	586	454	423	392
Dividends and Income Tax Equivalents	194	198	209	222	249
Other	11,612	12,450	12,131	12,422	12,579
Total Cash Receipts from Operating Activities	125,445	125,632	130,282	134,722	138,096
Cash Payments from Operating Activities					
Employee Related	(49,501)	(49,492)	(51,137)	(53,974)	(55,140)
Superannuation	(6,617)	(6,686)	(7,004)	(7,295)	(7,489)
Payments for Goods and Services	(31,421)	(32,022)	(30,284)	(30,688)	(32,103)
Grants and Subsidies	(18,075)	(17,781)	(18,415)	(17,301)	(17,173)
Interest	(6,333)	(6,503)	(6,852)	(7,770)	(8,852)
Other	(5,744)	(7,953)	(6,347)	(6,299)	(6,075)
Total Cash Payments from Operating Activities	(117,692)	(120,435)	(120,038)	(123,326)	(126,832)
Net Cash Flows from Operating Activities	7,753	5,197	10,244	11,396	11,264
Cash Flows from Investments in Non-Financial Assets					
Proceeds from Sale of Non-Financial Assets	1,556	1,280	1,777	3,356	892
Purchases	(29,326)	(29,112)	(29,575)	(28,279)	(26,895)
Net Cash Flows from Investments in Non-Financial Assets	(27,770)	(27,831)	(27,798)	(24,923)	(26,002)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	128	28	158	58	215
Payments	(276)	(267)	(146)	(70)	(123)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(148)	(238)	12	(13)	92
Cash Flows from Investments in Financial Assets for Liquidity Purposes					
Proceeds from Sale of Investments	3,514	3,913	4,898	4,137	3,317
Purchase of Investments	(1,122)	(2,114)	(1,795)	(1,674)	(1,758)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	2,392	1,799	3,104	2,463	1,559
Net Cash Flows from Investing Activities	(25,526)	(26,270)	(24,683)	(22,473)	(24,351)
Cash Flows from Financing Activities					
Advances (Net)	(21)	121	(293)	373	(97)
Proceeds from Borrowings	14,432	15,484	16,063	13,775	14,412
Repayment of Borrowings	(1,698)	(1,448)	(2,474)	(2,909)	(2,141)
Deposits (Net)	1	0	...	...	...
Other (Net)	0	0	0	0	0
Net Cash Flows from Financing Activities	12,714	14,157	13,297	11,239	12,176
Net Increase/(Decrease) in Cash Held	(5,059)	(6,916)	(1,142)	162	(912)
Derivation of Cash Result					
Net Cash Flows from Operating Activities	7,753	5,197	10,244	11,396	11,264
Net Cash Flows from Investments in Non-Financial Assets	(27,770)	(27,831)	(27,798)	(24,923)	(26,002)
Cash Surplus/(Deficit)	(20,017)	(22,634)	(17,555)	(13,527)	(14,739)

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C. VARIATIONS ON REVISED 2024-25 BUDGET

C.1 Revised 2024-25 Budget

The revised budget result for 2024-25 is a deficit of \$5.0 billion, an increase of \$1.4 billion compared to a forecast deficit of \$3.6 billion at the time of the 2024-25 Budget.

Total revenue in 2024-25 is estimated to be \$118.6 billion, which is \$90 million higher than the Budget estimate of \$118.5 billion.

Total expenses in 2024-25 are estimated to be \$123.6 billion, which is \$1.4 billion higher than the Budget estimate of \$122.2 billion.

C.2 Operating statement

Total revenue in 2024-25 is estimated to be \$90 million higher than forecast in the 2024-25 Budget.

Key increases to estimated revenue include:

- grants and subsidies have been revised up by \$492 million in 2024-25, mainly in Australian Government National Partnership Payments
- other dividends and distributions have been revised up by \$282 million in 2024-25 due to improved forecast financial market performance, leading to higher than expected returns.

These increases are partially offset by:

- lower taxation revenue by \$459 million mainly resulting from lower stamp duties driven by lower-than-expected transaction volumes
- lower sale of goods and services by \$182 million.

Total expenses in 2024-25 are estimated to be \$1.4 billion higher than the budget estimate. This is primarily due to:

- an increase in other operating expenses of \$1.2 billion mainly due to increased demand and costs to deliver existing government programs, and larger than expected National Energy Bill Relief payments which are expected to be offset by lower payments in 2025-26
- an increase in employee expenses of \$403 million mainly due to higher workers compensation and wages and salaries
- an increase in interest expenses of \$270 million due to higher interest rates on borrowings and change in discount rates for outstanding claims liabilities by NSW Self Insurance Corporation.

These increases have been partially offset by lower grants and subsidies expenses of \$591 million across the government sector.

C.3 Balance sheet

Net debt is estimated to be \$109.9 billion at June 2025, a decrease of \$605 million compared to the Budget estimate. This is primarily due to the \$536 million increase in borrowings at amortised cost and the \$233 million decrease in cash and cash equivalent offset by the \$1.5 billion increase in financial assets at fair value.

The State's net worth is estimated to increase to \$369.5 billion at June 2025. This represents an increase of \$716 million since the Budget, primarily due to the \$5.7 billion increase in non-financial assets partially offset by the \$4.0 billion increase in liabilities and the \$1.0 billion decrease in financial assets.

C.4 Cash flow statement

The State's forecast cash deficit is \$18.3 billion, which is an increase of \$2.3 billion since the time of the Budget. The increase is due to the \$1.8 billion decrease in the net cash flows from operating activities and the \$443 million decrease in the net cash flows from investments in non-financial assets.

Table C.1: General government sector operating statement

	2023-24	2024-25		Variance \$m	Variance %
	Actual \$m	Budget \$m	Revised \$m		
Revenue from Transactions					
Taxation	44,603	48,345	47,886	(459)	(0.9)
Grants and Subsidies	46,069	47,934	48,426	492	1.0
Sale of Goods and Services	10,156	10,344	10,163	(182)	(1.8)
Interest	768	645	675	30	4.7
Dividend and Income Tax Equivalents from Other Sectors	679	786	628	(158)	(20.1)
Other Dividends and Distributions	1,432	3,074	3,356	282	9.2
Fines, Regulatory Fees and Other	6,512	7,402	7,486	84	1.1
Total Revenue from Transactions	110,219	118,530	118,620	90	0.1
Expenses from Transactions					
Employee	46,131	47,781	48,185	403	0.8
Superannuation					
Superannuation Interest Cost	1,661	1,620	1,623	3	0.2
Other Superannuation	4,619	4,565	4,681	116	2.5
Depreciation and Amortisation	8,601	9,278	9,339	62	0.7
Interest	6,019	6,887	7,157	270	3.9
Other Operating Expense	27,994	27,013	28,189	1,177	4.4
Grants and Subsidies	25,883	25,019	24,428	(591)	(2.4)
Total Expenses from Transactions	120,909	122,163	123,603	1,440	1.2
BUDGET RESULT - SURPLUS/(DEFICIT)					
[Net Operating Balance]	(10,690)	(3,633)	(4,983)	(1,350)	37.2

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

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	Variance \$m	Variance %		
Other Economic Flows - Included in the Operating Result							
Gain/(Loss) from Other Liabilities			(106)	(71)	24	95	(133.9)
Other Net Gains/(Losses)			2,110	762	682	(80)	(10.5)
Share of Earnings/Losses from Equity Investments (excluding Dividends)			(169)	(81)	(81)	(0)	0.6
Dividends from Asset Sale Proceeds			40	40	40	...	...
Deferred Income Tax from Other Sectors			67	17	74	57	332.6
Other			(129)	(40)	(45)	(4)	11.0
Other Economic Flows - included in Operating Result			1,813	627	694	67	10.7
Operating Result			(8,877)	(3,006)	(4,289)	(1,283)	42.7
Other Economic Flows - Other Comprehensive Income							
Items that will not be Reclassified to Operating Result							
Revaluations			15,681	1,968	2,115	147	7.5
Share of Earnings from Associates from Revaluations that will not be Reclassified Subsequently to Operating Result			138	...	...	...	...
Remeasurements of Post-Employment Benefits			3,649	1,417	212	(1,205)	(85.0)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income			34,104	2,485	4,128	1,643	66.1
Deferred Tax direct to Equity			271	78	78	0	0.1
Other			232	37	139	102	276.3
Other Economic Flows - Other Comprehensive Income			54,075	5,985	6,672	687	11.5
Comprehensive Result - Total Change in Net Worth			45,198	2,979	2,383	(596)	(20.0)
Key Fiscal Aggregates							
Comprehensive Result - Total Change in Net Worth			45,198	2,979	2,383	(596)	(20.0)
Less: Net Other Economic Flows			(55,888)	(6,612)	(7,366)	(754)	11.4
Equals: Budget Result - Net Operating Balance			(10,690)	(3,633)	(4,983)	(1,350)	37.2
Less: Net Acquisition of Non-Financials Assets							
Purchases of Non-Financials Assets			20,881	22,344	21,989	(355)	(1.6)
Sales of Non-Financial Assets			(337)	(856)	(698)	158	(18.5)
Less: Depreciation			(8,601)	(9,278)	(9,339)	(62)	0.7
Plus: Change in Inventories			143	403	132	(271)	(67.2)
Plus: Other Movements in Non-Financials Assets							
Assets Acquired Using Leases			1,131	796	744	(52)	(6.5)
Assets Acquired Using Service Concession Finance Liability Model			907	336	487	151	44.9
Grant of Right to the Operator Model			282	620	620	...	...
Other			(744)	(1,243)	(1,063)	180	(14.5)
Equals: Total Net Acquisition of Non-Financial Assets			13,662	13,122	12,871	(251)	(1.9)
Equals: Net Lending/(Borrowing) [Fiscal Balance]			(24,351)	(16,755)	(17,854)	(1,099)	6.6
OTHER FISCAL AGGREGATES							
Capital Expenditure ^(a)			22,919	23,476	23,220	(257)	(1.1)

(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 C.2: General government sector balance sheet

	2023-24 Actual \$m	2024-25 Budget \$m		Revised \$m	Variance \$m	Variance %
Assets						
Financial Assets						
Cash and Cash Equivalents	6,886	1,189	956	(233)	(19.6)	
Receivables	13,759	12,885	13,839	954	7.4	
Investments, Loans and Placements						
Financial Assets at Fair Value	50,460	51,113	52,588	1,475	2.9	
Other Financial Assets	2,633	2,983	2,971	(12)	(0.4)	
Advances Paid	930	1,077	1,065	(12)	(1.1)	
Tax Equivalents Receivable	98	192	18	(173)	(90.4)	
Deferred Tax Equivalent	3,915	3,845	4,075	231	6.0	
Equity						
Investments in Other Public Sector Entities	155,966	162,708	159,478	(3,229)	(2.0)	
Investments in Associates	10,372	10,331	10,306	(25)	(0.2)	
Other Equity Investments	15	15	15	0	0.1	
Total Financial Assets	245,034	246,338	245,312	(1,026)	(0.4)	
Non- Financial Assets						
Contract Assets	73	58	71	13	22.6	
Inventories	1,280	1,830	1,630	(201)	(11.0)	
Forestry Stock and Other Biological Assets	17	19	17	(2)	(10.0)	
Assets Classified as Held for Sale	190	394	358	(36)	(9.2)	
Property, Plant and Equipment						
Land and Buildings	139,379	140,901	144,151	3,250	2.3	
Plant and Equipment	15,662	15,650	15,647	(4)	(0.0)	
Infrastructure Systems	223,829	231,044	233,840	2,796	1.2	
Right-of-Use Assets	6,288	6,324	6,415	91	1.4	
Intangibles	5,647	5,868	5,872	4	0.1	
Other Non-Financial Assets	1,729	1,905	1,704	(201)	(10.6)	
Total Non- Financial Assets	394,094	403,995	409,705	5,710	1.4	
Total Assets	639,128	650,333	655,017	4,684	0.7	
Liabilities						
Deposits Held	344	460	344	(116)	(25.3)	
Payables	9,691	9,478	9,200	(279)	(2.9)	
Contract Liabilities	864	781	762	(19)	(2.5)	
Borrowings and Derivatives at Fair Value	9	10	11	1	9.2	
Borrowings at Amortised Cost	153,485	166,023	166,559	536	0.3	
Advances Received	438	392	584	192	49.0	
Employee Benefit Liabilities	29,267	30,059	31,121	1,062	3.5	
Superannuation Provision ^(a)	38,134	36,761	37,883	1,121	3.1	
Tax Equivalents Payable	4	66	27	(39)	(59.4)	
Deferred Tax Equivalent Provision	40	41	27	(15)	(35.6)	
Other Provisions	18,430	16,083	17,675	1,592	9.9	
Other Liabilities	21,268	21,355	21,288	(67)	(0.3)	
Total Liabilities	271,973	281,510	285,478	3,968	1.4	
NET ASSETS	367,156	368,823	369,539	716	0.2	

Table C.2: General government sector balance sheet (cont)

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	Variance \$m	Variance %
NET WORTH					
Accumulated Funds	69,270	69,601	66,619	(2,981)	(4.3)
Reserves	297,885	299,222	302,919	3,697	1.2
TOTAL NET WORTH	367,156	368,823	369,539	716	0.2
OTHER FISCAL AGGREGATES					
Net Debt^(b)	93,365	110,523	109,917	(605)	(0.5)
Net Financial Liabilities^(c)	182,904	197,880	199,645	1,765	0.9
Net Financial Worth^(d)	(26,938)	(35,172)	(40,167)	(4,994)	14.2

(a) The superannuation provision is reported net of the fair value of fund 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 C.3: General government sector cash flow statement

	2023-24 Actual \$m	2024-25 Budget \$m	2024-25 Revised \$m	Variance \$m	Variance %
Cash Receipts from Operating Activities					
Taxation	43,182	48,342	47,825	(517)	(1.1)
Sales of Goods and Services	10,054	10,833	10,668	(165)	(1.5)
Grant and Subsidies Received	46,154	48,009	48,259	250	0.5
Interest	666	561	604	44	7.8
Dividends and Income Tax Equivalents from other sectors	537	607	629	22	3.6
Other	12,325	10,019	10,981	962	9.6
Total Cash Receipts from Operating Activities	112,919	118,372	118,967	595	0.5
Cash Payments from Operating Activities					
Employee Related	(43,245)	(46,671)	(46,662)	9	(0.0)
Superannuation	(6,181)	(6,235)	(6,343)	(108)	1.7
Payments for Goods and Services	(26,306)	(27,418)	(27,827)	(409)	1.5
Grants and Subsidies Paid	(24,687)	(23,545)	(23,136)	409	(1.7)
Interest	(4,294)	(4,989)	(5,162)	(173)	3.5
Other	(7,827)	(4,657)	(6,797)	(2,140)	45.9
Total Cash Payments from Operating Activities	(112,541)	(113,515)	(115,926)	(2,411)	2.1
Net Cash Flows from Operating Activities	378	4,857	3,041	(1,816)	(37.4)
Cash Flows from Investments in Non-Financial Assets					
Proceeds from Sales of Non-Financial Assets	597	1,274	1,142	(132)	(10.3)
Purchases	(20,696)	(22,208)	(22,520)	(311)	1.4
Net Cash Flows from Investments in Non-Financial Assets	(20,099)	(20,935)	(21,378)	(443)	2.1
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	175	250	107	(143)	(57.1)
Payments	(235)	(276)	(267)	9	(3.4)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(60)	(26)	(159)	(133)	515.5
Cash Flows from Investments in Financial Assets for Liquidity Purposes					
Proceeds from Sale of Investments	3,135	3,482	3,873	391	11.2
Purchase of Investments	(1,662)	(1,122)	(2,114)	(991)	88.3
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	1,474	2,359	1,759	(600)	(25.4)
Net Cash Flows from Investing Activities	(18,686)	(18,601)	(19,778)	(1,176)	6.3
Cash Flows from Financing Activities					
Advances (Net)	(77)	(88)	109	198	(224.1)
Proceeds from Borrowings	21,040	10,843	11,649	806	7.4
Repayment of Borrowings	(2,122)	(1,118)	(952)	166	(14.9)
Deposits (Net)	9	1	(0)	(1)	(102.4)
Other (Net)	0	0	0	0	...
Net Cash Flows from Financing Activities	18,850	9,638	10,807	1,169	12.1
Net Increase/(Decrease) in Cash Held	542	(4,107)	(5,930)	(1,823)	44.4
Derivation of Cash Result					
Net Cash Flows from Operating Activities	378	4,857	3,041	(1,816)	(37.4)
Net Cash Flows from Investments in Non-Financial Assets	(20,099)	(20,935)	(21,378)	(443)	2.1
Cash Surplus/(Deficit)	(19,721)	(16,078)	(18,337)	(2,259)	14.0

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D. FISCAL RISKS

This Appendix:

- focuses on updates to fiscal risks and sensitivities, and recent economic movements that have changed since the Budget, and
- does not consider policy risks associated with future changes to financial decisions and agreements made by the New South Wales or the Australian Government.

D.1 Operating statement risks

Upcoming industrial relations bargaining

Employee-related expenses are influenced by award and enterprise bargaining agreements, public sector wages policy, workers compensation and other insurance costs, conditions of employment and workforce size and composition.

The 2024-25 Half-Yearly Review incorporates the Government's wage agreements since the 2024-25 Budget. To date, agreements have been reached for instruments covering over two thirds of the public sector workforce.

As bargaining progresses under the Government's mutual gains bargaining framework, there may be amendments to the 2024-25 Budget and forward estimates. Savings and productivity enhancements, as well as provisions like the Essential Services Fund, are expected to support outcomes with minimal budget impact.

Investment revenue and borrowing costs

Investment revenue

Investment returns vary with the performance of financial markets. In 2024-25 so far, financial markets remain volatile due to ongoing uncertainty about global geopolitical risk and the economic outlook, including inflation. NSW Treasury works closely with TCorp to manage risk and navigate through the current volatile financial market environment.

Investment returns may be above or below estimates which would impact revenue. In addition, the relationship between investment returns and distributions (the component of investment returns accounted for as income) is complex and subject to other factors beyond financial market performance. 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 can have a material impact on the Government's budget result.

Borrowing costs

The Government's interest expenses are partially a function of the interest rates it must pay on its new and refinanced borrowings. While most of the Government's existing debt portfolio is fixed-rate debt (and hence, not affected by movements in interest rates), new and refinanced debt will be adversely affected by rising interest rates.

D.2 Balance sheet risks

Renewable Energy Zones

The NSW Government continues to deliver the Electricity Infrastructure Roadmap, led by the Central-West Orana Renewable Energy Zone. The estimates of net debt at June 2025 and beyond do not include the impact of Central West Orana transmission project (CWO) transaction once finalised. As the transaction will be recognised as a service concession arrangement, the anticipated cash payment along with the associated balance sheet impacts of service concession accounting 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. The effect of financial close of the CWO may be a reduction in debt that is not currently accounted for in forecasts.

D.3 Specific fiscal risks

Lagged impacts of high interest rate

The Reserve Bank of Australia (RBA) remains committed to returning inflation to its target, as highlighted following its recent decision to leave the cash rate unchanged. This is reflected in the current restrictive stance of monetary policy.

According to the RBA's September Financial Stability review, most households have been able to service their debts and have either maintained or even increased savings buffers. This conceals, however, a small but rising share that are experiencing financial stress. With interest rates poised to remain elevated for longer, this raises concerns that consumer spending may not recover as expected, or indeed might even decline. This would be exacerbated if businesses were to respond by reducing employment.

Any prolonged financial stress among households could have fiscal implications, affecting both government revenues and expenses.

Uncertainty over the path of inflation back to the RBA's target

The RBA's latest forecasts see inflation sustainably back to the centre of its target band by the end of 2026, though the Bank notes uncertainty remains around this path. Heightened geopolitical risks and potential changes to trade and fiscal policies globally add further uncertainty to the outlook.

Global risks

Geopolitical tensions from conflicts in the Ukraine and the Middle East have intensified since the Budget. A further escalation in these conflicts carries potential risks to confidence, global trade and energy prices, particularly for oil. The impact of the incoming US administration on these conflicts and the broader geopolitical environment remains uncertain.

The US President-elect Trump's expansionary fiscal policy and broad-based tariff on imports to the US, including elevated tariffs on imports from China, are generally expected to heighten global inflationary risks. This is particularly the case if China responds with its own protectionist measures (it triggers a US-China trade war) or causes a fragmentation in global supply chains.

Extreme weather events and impacts of climate change

New South Wales has experienced a series of severe natural disasters in recent years, including droughts, bushfires, and floods. These climate-driven natural hazards are expected to become more frequent and intense, amplifying their economic and social impacts.

Climate change poses significant challenges to governments, communities, and businesses through three key types of risks.

- *Physical risk*: the direct impacts of changing climate conditions and extreme weather events.
- *Transition risk*: changes driven by shifts in domestic and international policy and regulatory settings, technological innovation, social adaptation and market changes.
- *Liability risk*: the potential for climate-related litigation.

This increase in natural hazards poses a substantial downside risk to the State's budget. Future response and recovery efforts will likely require significant government expense, underscoring the need for proactive planning and investment in climate resilience.

NSW Treasury

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