

How to Read the Budget Papers

2023-24



FOREWORD

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

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

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

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

This document is structured to serve a dual purpose:

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

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

In the year following an election, the Government is able to defer delivery of the Budget. This enables the new Government to more thoroughly examine the State's resources and their presentation. Importantly, the 2023-24 Budget includes transitional presentation of both agency finances and public sector performance reporting:

- Agency finances are presented on the basis of new administrative arrangements announced since the 2022-23 Budget, aligned with the NSW Governance Arrangements Chart
- Reporting of public sector performance begins the transition away from agency-based 'outcomes', towards a broader set of wellbeing and performance measures in the future.

For more details, see Budget Paper No. 2 *Agency Financial Statements* 'About This Budget paper'.

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

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OUTLINE OF 2023-24 BUDGET PAPERS

The budget papers for 2023-24 are:

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

In addition to the papers listed above, the NSW Government prepares supporting products including Budget Overview: Our plan for NSW (glossy), the Gender Equality Budget Statement (glossy), Our plan for Regional NSW (glossy), Our plan for Western Sydney (glossy) and the Budget Speech.

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

Budget Paper No. 1 Budget Statement

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

Budget Paper No. 2 Agency Financial Statements

Budget Paper No. 2 *Agency Financial Statements* presents agency performance information in a dedicated performance chapter. In addition, it presents an operating statement, balance sheet and cash flow statement for each principal department and agency for the 2022-23 estimated actuals and 2023-24 Budget year.

Budget Paper No. 3 Infrastructure Statement

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

Budget Paper No. 4 Appropriation Bills

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

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

BASIS AND SCOPE OF THE BUDGET PAPERS

The budget papers deliver several objectives. They:

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

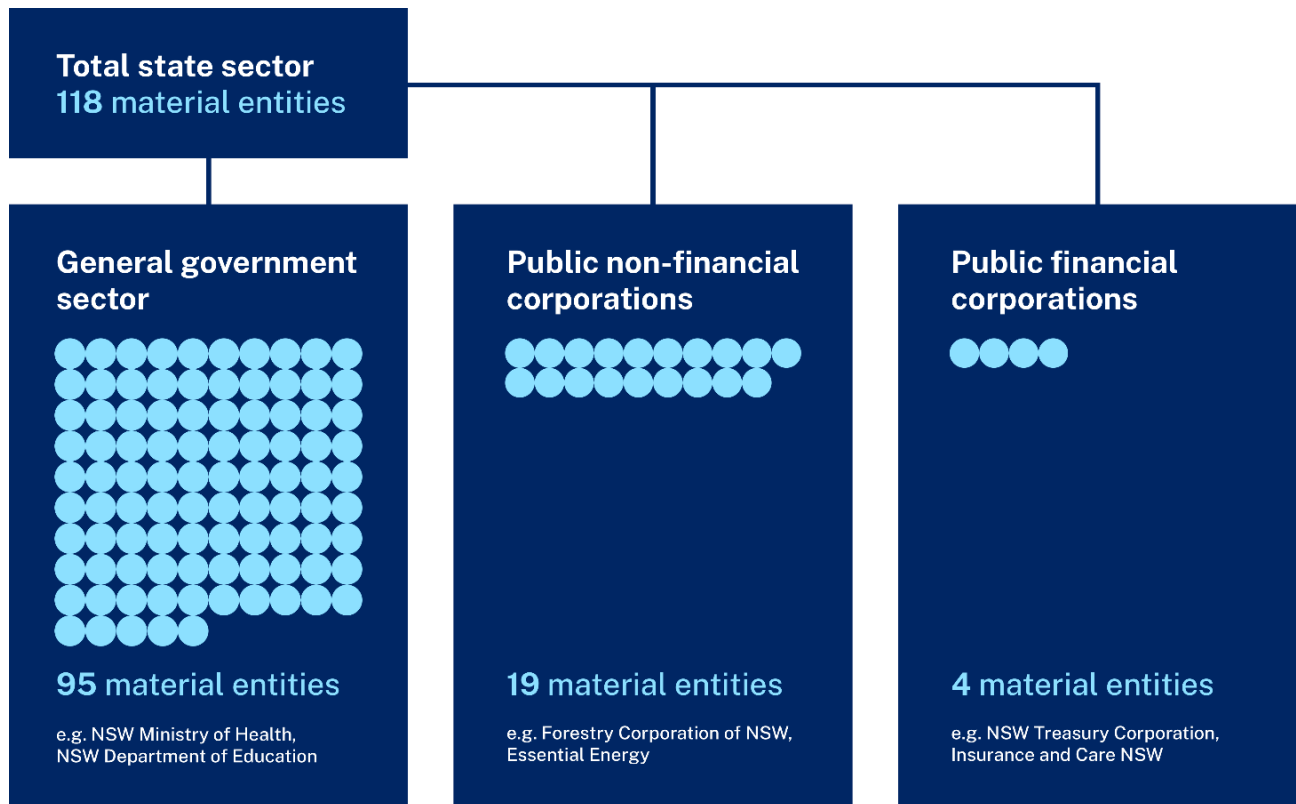
What is ‘The Government’ and what is the scope of the budget papers

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

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

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

Figure 1: The total state sector is comprised of 118 material entities



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

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

IMPORTANT CONCEPTS

The Budget is based on economic forecasts and assumptions

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

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

Readers that are interested in the underlying forecasts and assumptions for this Budget can read further at Page xxii of this document, which outlines the material economic assumptions used in the 2023-24 Budget, such as population and gross state product.

Accrual basis of accounting

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

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

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

In New South Wales, there are 11 principal departments

The general government sector is made up of around 95 material-sized agencies¹. All agencies are grouped by policy area and fall under one of 11 principal departments. The 11 principal departments within the framework are:

- The Cabinet Office
- Department of Communities and Justice
- Department of Customer Service
- Department of Education
- Department of Planning and Environment
- Ministry of Health

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

- Department of Enterprise, Investment and Trade
- Premier's Department
- Department of Regional NSW
- Transport for NSW
- The Treasury

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

How to interpret aggregated data

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

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

In Budget Paper No. 2 *Agency Financial Statements*, recurrent expenses and capital expenditure are presented on an uneliminated basis.

Reflecting the latest changes in accounting standards

There have been no new or revised accounting standards which materially impact the budget estimates in 2023-24.

Several amendments and interpretations applied for the first time in the 2022-23 financial year. However, these will not have a material impact on the balances reported for the 2022-23 consolidated financial statements of the GGS. For further information on the impact of changes to accounting standards on the Estimated Financial Statements for the general government sector, see the Statement of Significant Accounting Policy and Forecast Assumptions section later on in this document.

Estimated actual for the 2022-23 financial year

The budget papers do contain some historical data, particularly to help readers understand year-on-year changes.

Where actuals for the 2022-23 financial year are published in the budget papers, they present estimated actuals as the audited actuals were not available yet.

EXPLAINING KEY TERMS AND PHRASES

An understanding of the concepts in this section will help readers better interpret the Budget's analysis of the economy and fiscal outlook. This section does not require previous knowledge of finance or economics.

This section explains frequently used concepts or those sometimes less understood. There is a Glossary at the end of this guide which provides an exhaustive list of terms used throughout the budget papers.

Concepts used to measure production and spending

Gross domestic product

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

- Nominal GDP measures GDP in current (original) market prices, which includes the impact of inflation/deflation.
- Real GDP measures GDP adjusted for the impact of inflation/deflation. Movements in real GDP is the preferred indicator of how fast economic activity is growing.

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

Gross state product

The equivalent measure of GDP at a state or territory level is known as gross state product (GSP). It measures the value-added of goods and services produced within a state. GSP is released annually by the ABS. For example, the 2021-22 Australian National Accounts: State Accounts (previously *Cat:5220.0 Australian National Accounts: State Accounts*) showed New South Wales GSP increased by 1.8 per cent in 2021-22.

State final demand

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

Consumer price index

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

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

Revenue

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

Expenses

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

Budget result (also called the net operating balance)

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

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

Capital expenditure

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

Net lending/borrowing

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

Gross debt

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

Net debt

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

Net worth

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

READING AND UNDERSTANDING FINANCIAL STATEMENTS

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

- Operating Statement
- Balance Sheet
- Cash Flow Statement.

These statements cover a number of years:

- Actual audited financial performance and position for the year ending 30 June 2022. This is referred to as an ‘actual’ position because the year is complete and the results have been audited.
- Actual unaudited financial performance and position for the year ending 30 June 2023. This financial information is currently being reviewed by the NSW Auditor-General.
- Estimated financial performance and position for the year ending 30 June 2024. This is called the Budget year.
- Estimated financial performance and position for the years ending 30 June 2025, 2026 and 2027. These are called the forward years.

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

- the Uniform Presentation Framework (UPF) endorsed by the Council on Federal Financial Relations (further background on the UPF can be found in Appendix A1. Statement of Finances in Budget Paper No.1 *Budget Statement*)
- the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which adopts a harmonised Government Finance Statistics (GFS)/Generally Accepted Accounting Principles (GAAP) reporting basis.

Differences between harmonised GFS and GAAP information, as shown in the budget papers and pure GFS information, as reported by the ABS, are known as convergence differences. Such differences are not departures from Accounting Standards but merely variations in measurement or treatments between GAAP and GFS frameworks.

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

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

Financial statements presented in the budget papers

While the Budget does contain some historical data, the bulk of analysis is forward looking. The sections below help readers understand how to read the different statements in the Budget, keeping in mind that the numbers presented for 2023-24 and beyond remain estimates because they are prospective.

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

Operating Statement

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

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

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

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

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

Below is an example of an Operating Statement, detailing the above concepts for clarity.

Figure 2: Exemplar Operating Statement

Table A1.1 in Budget Paper No. 1

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

Sum of expenses

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

Figure 2: Operating Statement (cont.)

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

	2021-22 Actual \$m	2022-23 Est. Actual \$m	2023-24 Budget \$m	2024-25 Forward Estimates \$m	2025-26 Forward Estimates \$m	2026-27 Forward Estimates \$m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	2,862	14	(667)			
Other Net Gains/(Losses)	932	2,215	1,218			
Share of Earnings/Losses from Equity Investments (excluding Dividends)	273	(13)	(25)			
Dividends from Asset Sale Proceeds	85	42	39			
Allowance for Impairment of Receivables	(81)	(90)	(42)	(42)	(42)	(42)
Deferred Income Tax from Other Sectors	191	129	(103)	47	181	69
Other	...	...	...	...	...	...
Other Economic Flows - included in Operating Result	4,261	2,297	421	1,237	566	758
Operating Result	(11,068)	(7,807)	(7,426)	2,082	2,148	2,267
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result						
Revaluations	19,782	32,754	4,907	1,918	1,979	1,859
Actuarial Gain/(Loss) from Superannuation	15,108	3,230	(1,819)	955	919	882
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	28,705	10,645	(1,312)	786	6,975	3,407
Deferred Tax Direct to Equity	492	495	136	66	65	68
Other	(317)	60	20	20	19	19
Items that may be Reclassified Subsequently to Operating Result	959	2	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	0	0	...	...	...	...
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	959	2	...	...	...	...
Other Economic Flows - Other Comprehensive Income	64,729	47,186	1,931	3,744	9,957	6,234
Comprehensive Result - Total Change in Net Worth	53,661	39,379	(5,495)	3,744	9,957	6,234
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth	53,661	39,379	(5,495)	3,744	9,957	6,234
Less: Net Other Economic Flows	(68,990)	(49,483)	(2,352)	(9,535)	(9,267)	(9,878)
Equals: Budget Result - Net Operating Balance	(15,329)	(10,104)	(7,847)	(9,535)	(9,267)	(9,878)
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets ^(a)	18,853	20,882	20,329	21,500	20,456	19,919
Sales of Non-Financial Assets	(476)	(369)	(1,267)	(2,686)	(733)	(563)
Less: Depreciation	(7,101)	(7,837)	(8,551)	(8,829)	(9,267)	(9,878)
Plus: Change in Inventories	(819)	(117)	(50)	(41)	9	(15)
Plus: Other Movements in Non-Financials Assets						
- Assets Acquired Using Leases ^(a)	1,499	37	809	872	528	995
- Assets Acquired Using Service Concession Arrangements under						
- Financial Liability Model ^(a)	248	827	1,089			
- Grant of Right to the Operator Model	517	273	441			
- Other	(1,098)	31	(1,005)			
Equals: Total Net Acquisition of Non-Financial Assets	11,624	13,726	11,794	(9,535)	(9,267)	(9,878)
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(26,953)	(23,830)	(19,642)	(9,535)	(9,267)	(9,878)
OTHER FISCAL AGGREGATES						
Capital Expenditure ^(a)	20,600	21,746	22,227	22,973	20,456	19,919

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

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

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

Balance Sheet

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

The balance sheet details the following fiscal aggregates:

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

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

Figure 3: Exemplar Balance Sheet

Table A1.2 in Budget Paper No. 1

	June 2022 Actual \$m	June 2023 Est. Actual \$m	June 2024 Budget \$m	June 2025 Forward \$m	June 2026 Estimates \$m	June 2027 Estimates \$m
End of Budget year						
Assets						
Financial Assets						
Cash and Cash Equivalents	3,216	6,344	244	262	271	263
Receivables	12,093	12,161	11,691	12,224	14,772	14,617
Investments, Loans and Placements						
Financial Assets at Fair Value	44,572	48,383	49,393	54,454	61,570	69,567
Other Financial Assets	3,598	2,378	2,533	2,774	2,734	2,347
Advances Paid	1,185	936	995	1,045	983	940
Tax Equivalents Receivable	29	94	61	82	74	92
Deferred Tax Equivalents	2,985	3,607	3,407	3,478	3,550	3,628
Equity						
Investments in Other Public Sector Entities	117,025	127,384	125,876	125,728	132,703	136,110
Investments in Associates	8,805	8,841	8,831	8,598	8,477	8,245
Other	6	15	15	15	15	15
Total Financial Assets	193,513	210,143	203,046	208,662	225,149	235,824
Non-Financial Assets						
Contract Assets	53	77	499			
Inventories	1,307	1,088	1,148			
Forestry Stock and Other Biological Assets	23	16	16			
Assets Classified as Held for Sale	62	151	151			
Property, Plant and Equipment						
Land and Buildings	116,737	130,360	134,858			
Plant and Equipment	13,530	14,894	15,097			
Infrastructure Systems	171,990	204,162	216,252			
Right of Use Assets	7,174	6,185	6,174			
Intangibles	4,774	5,176	5,472			
Other	1,386	2,073	1,906			
Total Non-Financial Assets	317,036	364,183	381,572	397,429	407,205	417,779
Total Assets	510,549	574,325	584,618	604,275	632,355	653,603
Liabilities						
Deposits Held	353	327	328			
Payables	9,700	9,956	9,876			
Contract Liabilities	873	858	848			
Borrowings and Derivatives at Fair Value	14	17	17			
Borrowings at Amortised Cost	107,441	132,079	144,999			
Advances Received	545	492	445			
Employee Provisions	23,603	25,402	27,198			
Superannuation Provision ^(a)	43,556	40,804	42,686			
Tax Equivalents Payable	57	73	0			
Deferred Tax Equivalent Provision	50	42	48			
Other Provisions	15,355	16,572	16,225			
Other	22,282	21,603	21,342			
Total Liabilities	223,828	248,224	264,011	277,843	293,818	306,566
NET ASSETS	286,722	326,101	320,606	326,432	338,537	347,037
NET WORTH						
Accumulated Funds	24	72,606	63,348	66,371	69,423	72,557
Reserves	8	253,495	257,258	260,061	269,114	274,481
TOTAL NET WORTH	12	326,101	320,606	326,432	338,537	347,037
OTHER FISCAL AGGREGATES						
Net Debt^(b)		74,873	92,624	99,429	101,557	106,557
Net Financial Liabilities^(c)		165,465	186,841	194,909	201,372	206,852
Net Financial Worth^(d)		(38,081)	(60,966)	(69,181)	(68,668)	(70,742)

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

Broken down by

- Financial Assets
- Non-Financial Assets.

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

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

Net worth
Assets minus liabilities.

Cash Flow Statement

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

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

The Cash Flow statement is categorised into three main sections:

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

Cash flow from operations

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

Cash flow from financing

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

Cash flow from investment

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

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

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

Figure 4: Exemplar Cash Flow Statement

Table A1.3 in Budget Paper No. 1

	2021-22 Actual \$m	2022-23 Est. Actual \$m	2023-24 Budget \$m	2024-25 \$m	2025-26 Forward Estimates \$m	2026-27 \$m
Cash Receipts from Operating Activities						
Taxation	38,275	39,841	44,825	46,438	47,720	49,281
Sales of Goods and Services	9,696	10,629	10,993	11,117	10,762	10,979
Grant and Subsidies Received	45,082	45,234	45,963	48,008	48,576	49,342
Interest	195	464	458	354	310	337
Dividends and Income Tax Equivalents from Other Sectors	536	507	933	741	1,063	1,351
Other	10,957	13,873	11,140	12,062	11,340	11,326
Total Cash Receipts from Operating Activities	104,742	110,549	114,312	118,719	119,771	122,616
Cash Payments from Operating Activities						
Employee Related	(38,405)	(40,035)	(42,569)	(45,220)	(46,539)	(48,728)
Superannuation	(3,521)	(5,128)	(5,717)	(6,003)	(6,211)	(6,470)
Payments for Goods and Services	(26,614)	(27,512)	(27,966)	(25,319)	(25,499)	(25,497)
Grants and Subsidies	(33,039)	(26,433)	(26,838)	(22,190)	(20,975)	(20,475)
Interest	(2,543)	(3,163)	(4,356)	(4,485)	(4,875)	(5,637)
Other	(5,554)	(8,689)	(6,770)	(6,230)	(6,028)	(6,115)
Total Cash Payments from Operating Activities	(109,677)	(110,969)	(114,210)			
Net Cash Flows from Operating Activities	(4,935)	(420)	102			
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	493	280	1,895			
Purchases of Non-Financial Assets	(19,881)	(21,731)	(18,845)			
Net Cash Flows from Investments in Non-Financial Assets	(19,387)	(21,451)	(16,950)			
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	10,794	190	192	227	242	718
Payments	(2,436)	(127)	(362)	(143)	(42)	(46)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	8,358	63	(170)	83	201	673
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	3,158	4,860	2,372	3,861	2,802	1,894
Purchase of Investments	(3,807)	(3,295)	(223)	(5,616)	(5,765)	(5,582)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(650)	1,565	2,149	(1,756)	(2,963)	(3,688)
Net Cash Flows from Investing Activities	(11,679)	(19,824)	(14,971)	(19,985)	(21,501)	(21,032)
Cash Flows from Financing Activities						
Advances (Net)	(109)	(78)	(55)	(78)	(164)	(68)
Proceeds from Borrowings	27,011	28,457	12,174	12,317	14,144	13,800
Repayment of Borrowings	(10,921)	(4,983)	(3,350)	(1,510)	(2,115)	(2,407)
Deposits Received (Net)	70	(26)	...	...	...	...
Other (Net)	(0)	0	(0)	...	...	...
Net Cash Flows from Financing Activities	16,051	23,370	8,769			
Net Increase/(Decrease) in Cash Held	(563)	3,126	(6,100)			
Derivation of Cash Result						
Net Cash Flows from Operating Activities	(4,935)	(420)	102			
Net Cash Flows from Investments in Non-Financial Assets	(19,387)	(21,451)	(16,950)			
Cash Surplus/(Deficit)	(24,322)	(21,871)	(16,848)	(9,128)	(19,702)	(20,676)

Cash changes from operating activities

Cash from asset sales minus asset purchases (incl. new infrastructure)

Cash result

Is a key measure of the Government's call on financial markets. It comprises net cash from operating activities, plus net cash flows from sales and disposals of non-financial assets.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND FORECAST ASSUMPTIONS

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

This Statement of Significant Accounting Policies and Forecast Assumptions applies to the actual and estimated financial statements of the general government sector (GGS) for the 2023-24 Budget publications.

The GGS comprises government agencies controlled by the State that:

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

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

The Financial Statements of the GGS include:

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

The Financial Statements for the GGS include:

- the Actual audited Financial Statements for the GGS for the financial year ending 30 June 2022
- the Actual unaudited Financial Statements for the GGS for the financial year ending 30 June 2023. This financial information is currently being audited by the NSW Auditor-General
- the Estimated Financial Statements for the GGS for the budget year ending 30 June 2024 and three forward years ending 30 June 2025, 2026 and 2027.

Basis of preparation

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

The GGS Actual Financial Statements

The actual results for 2021-22 reflect the audited financial statements for the GGS as presented in the *Total State Sector Accounts 2021-22*.

The actual results for the GGS in 2022-23 are currently being audited by the Auditor-General. The audited results will be reflected in the *Total State Sector Accounts 2022-23*. The actual results for the GGS for 2022-23 may therefore differ from the audited results.

The GGS Estimated Financial Statements

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

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

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

They take into account other economic and financial data available to Treasury up to 14 September 2023, including Australian Government funding decisions announced in the 2023-24 Australian Government Budget.

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

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

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

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

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

Accounting policies

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

The GGS Actual Financial Statements for 2021-22 reflect the audited financial statements for the GGS as presented in the *Total State Sector Accounts 2021-22*.

The GGS Actual Financial Statements for 2022-23 reflect the unaudited financial information of the GGS that is expected to be presented in the *Total State Sector Accounts 2022-23* when published. They have been prepared using the accounting policies to be used in preparing the *Total State Sector Accounts 2022-23*.

The GGS Estimated Financial Statements adopt the accounting policies expected to be used in preparing the *Total State Sector Accounts* for 2023-24.

The GGS Estimated Financial Statements have been prepared consistently with the GGS Actual Financial Statements for 2021-22, except for the matters described below under *Changes in accounting policies*.

The significant accounting policies (including the principles of consolidation), significant accounting judgements and estimates, and the recognition and measurement policies for revenue, expenses, other economic flows, assets and liabilities are outlined within Note 1 Statement of Significant Accounting Policies in the *Total State Sector Accounts 2021-22*.

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

Changes in accounting policies

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

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

New Accounting Standards issued but not effective

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

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

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

There are no other standards that are issued and not yet effective, or that have been adopted early, that are expected to have a material impact on the GGS Actual or Estimated Financial Statements presented in the 2023-24 Budget papers.

Presentation of the GGS Estimated Financial Statements

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

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

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

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

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

Due to the prospective nature of the GGS Estimated Financial Statements, detailed notes to the GGS Estimated Financial Statements are not required to be included. This is consistent with Section 4.2 of the *Government Sector Finance Act 2018*, that does not require the budget papers to be presented so as to include notes within the meaning of the Australian Accounting Standards.

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

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

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

Presentation changes

There have been no significant presentation changes since the release of the 2021-22 Statement of Finances publication. The presentation of information in the financial estimates remains consistent with GAAP and GFS presentation requirements.

Definitions

Key technical terms, including fiscal aggregates, are defined in the Glossary to this document and Note 39 of the *Total State Sector Accounts 2021-22*.

Material economic assumptions and forecasts

The GGS Estimated Financial Statements have been prepared using the material economic assumptions and forecasts that underpin the 2023-24 Budget, as set out below:

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

	2020-21 Outcome	2021-22 Outcome	2022-23 Outcome ^(f)	2023-24 Forecasts	2024-25 Forecasts	2025-26 Forecasts	2026-27 Forecasts
New South Wales population (persons) ^(b)	8,097,000	8,167,000	8,312,000	8,432,000	8,539,000	8,645,000	8,750,000
Nominal gross state product (\$million)	649,200	697,400	767,900	794,200	822,400	859,400	901,100
Real gross state product (per cent)	2.6	1.8	3¾	1¼	1¼	2	2¼
Real state final demand (per cent)	4.4	3.2	4.3	1¼	1½	2¼	2¾
Employment (per cent)	0.0	1.0	5.8	1¾	¼	1	1½
Unemployment rate (per cent) ^(c)	5.2	3.7	3.1	3¾	4¾	4½	4¼
Sydney consumer price index (per cent) ^(d)	1.5	3.9	7.1	4¾	3	2¾	2½
Sydney consumer price index excluding tobacco excise effect (per cent)	1.2	3.8	7.1	4½	3	2½	2½
Wage price index (per cent) ^(e)	1.5	2.4	3.3	4	3¾	3¼	3¼
Nominal gross state product	3.9	7.4	10	3½	3½	4½	4¾

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

(b) As at 30 June each year

(c) As at June quarter, per cent

(d) Includes the impact from tobacco excise increases

(e) Weighted private and public sector wages

(f) 2022-23 figures are outcomes for all metrics except real gross state product, nominal gross state product and population, which remain NSW Treasury estimates.

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

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 Budget. 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 New South Wales Treasury. For 2023-24, the GST forecast is based on the assessed relativity for New South Wales in 2023-24 and the Australian Government's population projections. The assessed relativity is based on the three-year average of actual data (2019-20, 2020-21 and 2021-22) as published by the Commonwealth Grants Commission.

Beyond 2023-24, the State's share of GST is based on NSW Treasury's forecasts of relativities and national GST pool estimates, and on the Australian Government's state population projections. NSW Treasury's forecasts of 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 by taking into account all known factors, including:

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

Dividend and income tax equivalents from other sectors

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

Other dividends and distributions

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

Distributions are mainly from managed fund investments administered by 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 budget estimates, consistent with longstanding practice and reflecting historic trends, the GGS Estimated Financial Statements includes adjustments:

- to account for parameter and technical adjustments expected to be required to maintain service provision on a no policy change basis, consistent with the policy set out in [TPG21-11 NSW Treasury Policy and Guidelines: Parameter and Technical Adjustments and New Policy Proposals \(Measures\)](#), reflecting the historic conservative bias in aggregate spending estimates
- to account for expenses expected to be carried forward into future years reflecting changes in timing of delivery of government activity, consistent with the policy set out in [TPG22-05 NSW Treasury Policy and Guidelines: Carry Forwards Policy](#)

- to reflect government decisions not yet included in agency estimates, for example due to timing or because they are commercial in confidence or subject to further requirements.

Employee expenses

Employee expenses are forecast based on expected staffing profiles, salaries, conditions and on-costs. These can vary depending on:

- approved wage agreements and other wage determinations in place
- future wage agreements
- new initiatives
- other policy changes.

Superannuation expense (and liabilities)

Superannuation expense comprises:

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

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

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

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

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

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

	2023-24 %	2024-25 %	2025-26 %	2026-27 %
Liability discount rate ^(a)	3.73	3.73	3.73	3.73
Expected return on investments ^(b)	7.70/7.00	7.00/6.20	7.00/6.20	7.00/6.20
Expected salary increases ^(c)	5.74	3.65	3.20	3.20
Expected rate of CPI	4.75	3.00	2.75	2.50

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

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

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

Depreciation and amortisation

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

Depreciation is forecast on:

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

The depreciation expense is based on the assumption that there will be no change in depreciation rates over the forecast period but includes the estimated impact of the current and future revaluation of assets over the forecast period. The depreciation expense may also be impacted by future changes in useful lives, residual value or valuation methodology.

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

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

Interest expense

The forecasts for the interest expense are based on:

- payments required on outstanding borrowings (e.g. debt facilities with NSW TCorp and lease liabilities), other long-term financial liabilities and provisions
- expected payments on any new borrowings (including any refinancing of existing borrowings) required to finance general government activities based on forward contracts for 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. They are forecast by applying appropriate economic parameters and known activity changes. This includes planned changes in the method of service delivery and the application of government policies.

Other operating expenses also reflect the impact of government efficiency strategies, such as efficiency dividends.

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 these changes are often outside the control of government).

Revaluations

The estimates are based on an examination and extrapolation of historical trends in the valuation of property, plant and equipment. The budget and forward estimates years include the estimated impact of revaluations of property, plant and equipment.

Superannuation actuarial gains/losses

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

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

The net gain/(loss) on equity investments in other sectors is based on estimates of the PNFC and PFC sectors' forward comprehensive results adjusted for transactions with owners. The underlying management estimates of future comprehensive results are based on current Statements of Corporate 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, impairment and revaluations. 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.

The forward estimates include the estimated impact of revaluations of property, plant and equipment. These estimates are based on an examination of expected cost trends.

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

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

Liabilities

Borrowings

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

Employee provisions

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

Superannuation provisions

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

Other provisions

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

GLOSSARY

Please note a glossary of terms can also be found in Note 39 of the *Report on State Finances 2021-22*.

ABS Government Finance Statistics GFS Manual (ABS GFS)	The ABS publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods</i> as updated from time to time.
Act	A statute or law passed by both Houses of Parliament.
Appropriation	The authority given by Parliament for the expenditure of monies from the consolidated fund for the annual services of government and the Legislature.
Bill	Is a proposed law presented to Parliament for debate prior to becoming an Act. Most bills originate in the Legislative Assembly in New South Wales.
Budget result (net operating balance)	The budget result represents the difference between expenses and revenues from transactions for the general government sector. This measure is equivalent to the net operating balance adopted in accounting standard AASB 1049 <i>Whole-of-Government and General Government Sector Financial Reporting</i> .
Capital expenditure	Expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements). In NSW capital expenditure also includes leases and assets acquired using service concession arrangements under the financial liability model. This makes NSW unique compared to all other states in Australia who do not include leases.
Capital grants	Amounts paid or received for capital purposes for which no economic benefits of equal value are receivable or payable in return.
Cash flows from transactions in financial assets for policy purposes	Refers to cash receipts from the repayment and liquidation of investments in financial assets for policy purposes, less cash payments for acquiring financial assets for policy purposes. Acquisitions of financial assets for policy purposes are distinguished from investments by the underlying government motivation for acquiring the assets. Where assets are acquired for the purpose of implementing or promoting government policy, the acquisition of the assets is treated as being for policy purposes.
Cash flows from investments in financial assets for liquidity management	Refers to cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.
Cash flows from financing activities	Refers to cash receipts from borrowing by public sector units less cash repayments or redemption of such borrowing in the past.
Cash surplus/(deficit)	Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).
Classification of the functions of government – Australia (COFOG-A)	A system of classification for revenue, expenses and transactions in non-financial assets, according to the primary purpose for the outlay (e.g.

	health, education, transport). This replaces the former government purpose classification (GPC) breakdown.
Contingent assets	Possible future assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the State.
Contingent liabilities	Possible future liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in control of the State. It also includes present liabilities that arise from past events where it is not probable the State will be required to settle the liability or the amount of the obligation cannot be reliably estimated.
Commitments ^(a) (Restart NSW)	Inflows that are committed to be spent on an individual project. A Restart NSW commitment can only be recognised once the Treasurer has accepted a specific funding recommendation from Infrastructure NSW for an individual project, as required by the <i>Restart NSW Fund Act 2011</i> .
Comprehensive Result (Change in net worth)	Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities.
Concessional charges	Concessional charges apply to goods and services provided by government agencies at a lower fee or charge to certain members of the community, compared to the wider population, to pursue an economic or social policy goal such as reducing the cost of living.
Consolidated Fund	The fund is established under s39 of the <i>Constitution Act 1902</i> which includes all public monies collected, received or held by any person for or on behalf of the State.
Current grants	Amounts paid or received for current purposes for which no economic benefits of equal value are receivable or payable in return.
Elimination	Removes the impact of transactions between government entities when preparing consolidated financial statements.
Environmental, social and governance (ESG)	ESG stands for Environmental, Social, and Governance. It is a set of principles, criteria, standards or benchmarks applied by governments and businesses to promote sustainable approaches to growth, investment and governance.
Estimated total cost (ETC)	Represents the current cost estimate of planning, procuring and delivering the infrastructure/project/asset. The ETC may change as more detailed planning is undertaken and further information on market conditions becomes available. Due to commercial sensitivities, the ETC for some major works is not included.
Fiscal aggregates	These are analytical balances that are useful for macroeconomic purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 <i>Whole-of-Government and General Government Sector Financial Reporting</i> prescribes the net operating balance (budget result), net lending/borrowing, change in net worth (comprehensive result), net debt, net worth and cash surplus/(deficit).

Fiscal gap	The fiscal gap is the difference between the base period primary balance as a share of gross state product (GSP) and the primary balance as a share of GSP at the end of the projection period, on a no policy change basis. The primary balance is the gap between spending and revenue excluding interest transactions but including net capital expenditure. A positive gap implies that fiscal pressures will be building over the projection period.
<i>Fiscal Responsibility Act 2012 (FRA)</i>	The Act sets out both medium-term and long-term fiscal targets and principles providing a framework for budgeting in New South Wales.
Forward estimates	Refers to the period from 2024-25 to 2026-27.
Funding distribution from department / to agencies (previously Cluster grants)	This represents the monies received by principal departments from the Consolidated Fund under appropriation being distributed to agencies to fund their services.
General government sector (GGS)	This is an ABS classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General government agencies are funded in the main by taxation (directly or indirectly).
Goods	Represent any object or product that can be used to satisfy human wants and has a value.
government/Government	‘government’ refers to the institution of government and is used as a pronoun in these budget papers (e.g. government department). The ‘Government’ refers to the present Government constituted by the Executive.
Government finance statistics (GFS)	A system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.
<i>Government Sector Finance Act 2018</i>	The <i>Government Sector Finance Act 2018</i> (GSF Act) creates the financial management framework for the government sector in New South Wales that promotes and supports sound financial management, budgeting, performance, financial risk management, transparency and accountability in the government sector. This Act has replaced four other Acts: <ul style="list-style-type: none"> • The GSF Act replaced the <i>Public Authorities (Financial Arrangements) Act 1987</i> from 1 December 2018. • With the commencement of the GSF Act financial reporting provisions on 1 July 2021, the <i>Public Finance and Audit Act 1983</i> (PF&A Act) financial reporting provisions have been repealed. Remaining provisions of the PF&A Act relate to the powers and functions of the Auditor-General and establishing the Audit Office, and the Public Accounts Committee. On 1 July 2021 the PF&A Act was renamed as the <i>Government Sector Audit Act 1983</i>. The GSF Act replaced the <i>Annual Reports (Departments) Act 1985</i> and the <i>Annual Reports (Statutory Bodies) Act 1984</i> from 1 July 2023.
Grants for on-passing	All grants paid to one institutional sector (for example, a state government) to be passed on to another institutional sector (for example, local government or a non-profit institution). For New South Wales, these primarily comprise grants from the Australian Government to be on-passed to specified private schools and to specified local government authorities.

Gross debt	The total value of money borrowed by the government. It is the sum of deposits held, borrowings at amortised costs, and borrowings and derivatives at fair value.
Gross state product (GSP)	The total market value of final goods and services produced within a state.
Half-Yearly Review	Required under the <i>Government Sector Finance Act 2018</i> , the Half-Yearly Review provides an update to the economic and financial assumptions released in the Budget.
Inflows ^(a) (Restart NSW)	Funds deposited into Restart NSW, including proceeds from asset recycling transactions, Australian Government Asset Recycling Initiative payments, proceeds from Waratah Bonds, windfall tax revenue and investment earnings, which are then invested into Rebuilding NSW and other Restart NSW projects.
Interest expense	Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense.
Machinery of Government (MoG)	MoG changes vary in scope and can involve: the abolition or creation of new government entities; the merger or absorption of entities; and small or large transfers of policy, program or service delivery responsibilities to other entities.
Major works	Refers to projects with an estimated total cost of \$250,000 or above, subdivided into new projects (approved to begin in 2023-24) and works in progress (commenced before 2023-24 but not yet completed).
Measure	Refers to government decisions, either as recurrent or capital expenditure, revenue or savings decisions.
Minor works	Refers to projects with an estimated total cost below \$250,000, such as minor plant and equipment or annual provisions for replacements.
National Agreement (please also see National Specific Purpose Payments)	National Agreements define the objectives, outcomes, outputs and performance indicators and clarify the roles and responsibilities that guide the Australian Government and the States in the delivery of services across a particular sector. The sectors include Health, Education, Skills and Workforce, Disability and Indigenous.
National Partnership Payment (NPP)	An Australian Government grant to states and territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.
National Specific Purpose Payments (SPP)	An Australian Government grant made to the states and territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Indigenous) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement.

Net acquisition of non-financial assets	This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movements in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.
Net financial assets	See 'net financial worth' definition.
Net debt	Net debt equals the sum of financial liabilities (deposits held, advances received, borrowings and derivatives) less the sum of financial assets (cash and deposits, advances paid and investments, loans and placements).
Net financial liabilities (NFL)	This is the total liabilities less financial assets, other than equity in PNFCs and PFCs. It is a more accurate indicator than net debt of a jurisdiction's fiscal position. This is because it is a broader measure than net debt in that it includes significant liabilities other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth. For the general government sector NFL, excluding the net worth of other sectors results in a purer measure than net financial worth as, in general, the net worth of other sectors of government is backed up by physical assets.
Net financial worth	Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets less financial liabilities. It is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. It includes all classes of financial assets and liabilities, only some of which are included in net debt.
Net interest on the net defined benefit liability/asset	This is the change during the period to the net defined benefit liability/asset that arises from the passage of time.
Net lending/(borrowing)	This is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.
Net operating balance (budget result)	This is calculated as revenue from transactions less expenses from transactions.
Net worth	This is an economic measure of wealth and is equal to total assets less liabilities.
Nominal dollars/prices	This shows the dollars of the relevant period. No adjustment is made each time period for inflation.
Non-financial public sector (NFPS)	This is a sub-sector formed by the consolidation of the general government sector and public non-financial corporations (PNFC) sector.

NSW Generations Fund (NGF)	The NGF comprises two funds, the Debt Retirement Fund (DRF) and the Community Services and Facilities Fund (CSFF). Assets in the DRF are dedicated to retiring State debt. The CSFF is used to fund a range of facilities and services designed to improve the wellbeing and lives of the people of New South Wales.
Operating Result	This is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.
Other economic flows	These are the changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).
Other superannuation expense	This includes all superannuation expenses from transactions except superannuation interest cost. It generally includes all employer contributions to accumulation schemes and the current service cost, which is the increase in defined benefit entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are disclosed as an 'other economic flow'.
Payables	A liability that includes short and long-term trade creditors and accounts payable.
Pre-election Budget Update (PEBU)	The Secretary of NSW Treasury is required, under section 24 of the <i>Parliamentary Budget Officer Act 2010</i> , to release a NSW Pre-election Budget Update after the commencement of the caretaker period. The report provides the latest information on the current and projected financial position of the New South Wales general government sector.
Program	The collection of activities, tasks, divisions or functions of an agency, designed to deliver specific outputs that contribute towards achieving a positive purpose.
Program Performance Measure	Measure the performance of each Program and are used to assess efficiency, effectiveness and equity in delivering the Program objectives.
<i>Public Finance and Audit Act 1983</i>	An Act to make provision with respect to the administration and audit of public finances and for other purposes. On 1 July 2021 the <i>Public Finance and Audit Act 1983</i> was renamed as the <i>Government Sector Audit Act 1983</i> , with the elements relating to the financial matters of the State replaced by the <i>Government Sector Finance Act 2018</i> .
Public Private Partnerships (PPP)	The creation of an infrastructure asset through private sector financing and private ownership for a concession period (usually long term). The government may contribute to the project by providing land or capital works, through risk sharing, revenue diversion or purchase of the agreed services.
Public financial corporations (PFC)	An ABS classification of agencies that have one, or more, of the following functions: <ul style="list-style-type: none"> - that of a central bank - the acceptance of demand time or savings deposits or - the authority to incur liabilities and acquire financial assets in the market on their own account.

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

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

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