NSW BUDGET 2025–26

Budget Paper No.01
Budget Statement




2025-26

Budget Statement

NSW

Budget Paper No. 1

Circulated by The Hon. Daniel Mookhey MLC, Treasurer

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STATEMENT OF THE SECRETARY

The 2025-26 Budget Papers incorporate the requirements of the *Government Sector Finance Act 2018* and the *Fiscal Responsibility Act 2012*.

Best available information

The Estimated Financial Statements have been prepared to reflect economic and financial data and estimates of Government policy decisions up to 11 June 2025, including information provided in the 2025-26 Australian Government Budget released on 25 March 2025.

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

Professional judgement

The Estimated Financial Statements contain projections for the Budget year (2025-26) and the three following years (2026-27 to 2028-29).

The forward-looking nature of these projections means it is necessary to apply professional judgement in their preparation. That judgement includes an informed assessment of the most likely economic and financial outcomes including spending and revenue profiles. Differences between underlying assumptions and eventual outcomes can reflect the reality of an uncertain operating environment and the impact of many variables over which the Government has little or no control.

Treasury has exercised its best professional judgement in preparing the Estimated Financial Statements. These Statements have been prepared in accordance with the Statement of Significant Accounting Policies and Forecast Assumptions.

M. Coutts-Trotter

Michael Coutts-Trotter
Secretary, NSW Treasury
24 June 2025

Chart, Figure and Table List

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ABOUT THIS BUDGET PAPER

Purpose and scope

Budget Paper No. 1 *Budget Statement* provides information on the State finances in aggregate. The objectives of this paper are to:

- inform citizens of the State's fiscal position and the Government's fiscal strategy
- meet requirements under the *Government Sector Finance Act 2018*, which prescribes the content of the budget papers, including providing four-year projections of all major economic and financial variables, revised estimates for the preceding budget year and explanations of any significant variations
- meet requirements under s.8 of *the Fiscal Responsibility Act 2012*, including providing a statement of the Government's fiscal strategy, a report on performance against the fiscal objectives, targets and principles contained in the Act and an assessment of the impact of any budget measures on the State's long-term fiscal gap
- enable interstate comparisons by reporting in line with the Australian Bureau of Statistics Government Finance Statistics framework.

The scope of the Budget is the general government sector (GGS). However, this budget paper also includes estimated financial statements for the public non-financial corporations (PNFC) and the non-financial public sector (NFPS). The statements provide a comprehensive picture of the State's fiscal position and strategy.

Where comparisons are made to previously published estimates, unless otherwise stated, the comparison is to the 2024-25 Half-Yearly Review.

For a list of definitions used in the budget papers, please see *How to Read the Budget Papers*.

Reporting of Actual and Budget data

The actual results for 2023-24 reflect the audited financial statements for the GGS as presented in the Total State Sector Accounts 2023-24.

The Estimated Financial Statements of the general government sector (2025-26 to 2028-29) in these budget papers are prepared on an accrual basis of accounting, in accordance with Australian Accounting Standards, the Uniform Presentation Framework and the principles and rules contained in the Australia Bureau of Statistics, Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (Cat. No. 5514) (ABS-GFS Manual).

Aggregated financial data is presented on an eliminated basis – that is, intra government transactions between entities are eliminated.

Notes

The budget year refers to 2025-26, while the forward estimates period refers to 2026-27, 2027-28 and 2028-29. Figures in tables, charts and text may have been rounded. Discrepancies between totals and the sum of components reflect rounding:

- estimates under $100,000 are rounded to the nearest thousand
- estimates midway between rounding points are rounded up
- percentages are based on the underlying unrounded values.

For the budget result, parentheses indicate a deficit, while no sign indicates a surplus.

One billion equals one thousand million.

The following notations are used:

- n.a. means data is not available
- N/A means not applicable
- no. means number
- 0 means not zero, but rounded to zero
- … means zero
- ‘000 means thousand
- $m means millions of dollars
- $b means billions of dollars.

Differences between harmonised government finance statistics (GFS) and generally accepted accounting principles (GAAP) information, as shown in the budget papers, and pure GFS information, as reported by the Australian Bureau of Statistics, are known as convergence differences. Such differences are not departures from Accounting Standards but merely variations in measurement or treatments between GAAP and GFS frameworks.

Unless otherwise indicated, the data source for tables and charts is NSW Treasury.

1. BUDGET OVERVIEW

- The Government's efforts to repair the budget and make it more resilient to continued risks and pressures are taking effect. Debt levels are stabilising and the economy is normalising following the COVID-19 pandemic.
- This Budget demonstrates continued progress, returning the budget to a sustainable position. The State's operating position has improved from a $10.7 billion deficit in 2023-24 to an expected $5.7 billion deficit in 2024-25. The Budget projects a further improvement in 2025-26, to a deficit of $3.4 billion, followed by a surplus of $1.1 billion in each of 2027-28 and 2028-29.
- Alongside the improved operating position, the State's balance sheet is projected to strengthen. Gross debt is projected to be $178.8 billion by June 2026, which is $9.4 billion below the $188.2 billion projected at the 2023 Pre-election Budget Update. Gross debt as a per cent of gross state product is projected to fall from a peak of 20.4 per cent by June 2027 to 19.6 per cent by June 2029.
- This measured and responsible approach to financial management has also enabled the Government to make significant investments to rebuild essential services and support the long-term prosperity of the State.
- This Budget continues to rebuild essential services with critical investments in:
  - supporting children and young people in out-of-home care
  - facilities and staff at TAFE NSW
  - measures that support victim-survivors of domestic, family and sexual violence in the courts and justice system.
- The Government's economic growth agenda prioritises focused interventions to improve productivity and facilitate private sector investment.
- The Government will support growth through investment in:
  - housing, by accelerating development and enabling more new dwellings
  - the new Investment Delivery Authority – modelled on the successful Housing Delivery Authority – to identify and clear barriers to significant economic investments
  - manufacturing and innovation, to support investment in research into products and services, and the development of new products and techniques
  - technology, delivering cost-effective, secure access to services
  - energy, to enable the transition to renewable energy through instigating investment in network, generation, and storage infrastructure.

The 2025-26 Budget outlines a responsible path back to a moderate surplus, after the largest ever deficit of $15.3 billion in 2021-22.

The budget turnaround is supported by a $9.4 billion reduction in the debt projected relative to the 2023 Pre-election Budget Update, saving around $400 million in interest payments every year. These savings have allowed the NSW Government to make investments to rebuild essential services while outlining a sustainable pathway to surplus.

The 2025-26 Budget also lays the foundation for our future economic growth with measures that facilitate rapid investment, create jobs, and accelerate the delivery of new homes.

Following a global pandemic, bushfires, floods, high inflation and interest rates, families and businesses in New South Wales are under pressure. We are now seeing the first signs that the NSW Government's fiscal consolidation strategy has avoided additional pressure on inflation without restricting wage growth or increasing joblessness. Inflation declined to 2.3 per cent in the March quarter of 2025. Having made progress to address inflation and fiscal repair, New South Wales enters a new economic challenge. The 2025-26 Budget outlines new investments designed to reduce regulation, fast track investment and generate the jobs and prosperity of the future.

The NSW Government's commitment to responsible budget management has allowed for the next step towards rebuilding our essential services after a decade of rising demand. Major investments in child protection, TAFE, education and healthcare headline the 2025-26 Budget.

1.1 Economic context

The economy is normalising following the COVID-19 pandemic. Despite a gradual slowdown, the NSW economy has avoided recession. Cost-of-living pressures are easing. Inflation is back around the Reserve Bank of Australia's target, supported by the NSW Government's fiscal consolidation strategy. This has allowed for a pickup in real wages growth without a significant deterioration in the labour market.

Household consumption is beginning to recover despite uncertainty over the global economy impacting consumer sentiment. This recovery is supported by cost-of-living relief measures, real wages growth, and the continued moderation of inflation. The labour market remains resilient and is broadly consistent with full employment.

Residential construction has been slower to recover due to material costs and labour constraints. Despite the challenges, there are signs of improvement as new planning reforms begin to take effect, with dwelling approvals at an almost two-year high in the March quarter 2025. Nonetheless, housing affordability is expected to remain constrained from a historical perspective.

Despite elevated global uncertainty, the NSW economy is well-positioned for an increase in economic growth. Consumer spending is expected to lift as cost-of-living pressures continue to ease, supported by real wages growth. Meanwhile, fiscal consolidation is expected to free up resources for private infrastructure investment, including housing. NSW state final demand is expected to grow by 2¼ per cent in 2025-26. However, weaker exports weigh on the economy, meaning that overall gross state product (GSP) growth is expected to be a more subdued 1¾ per cent in 2025-26.

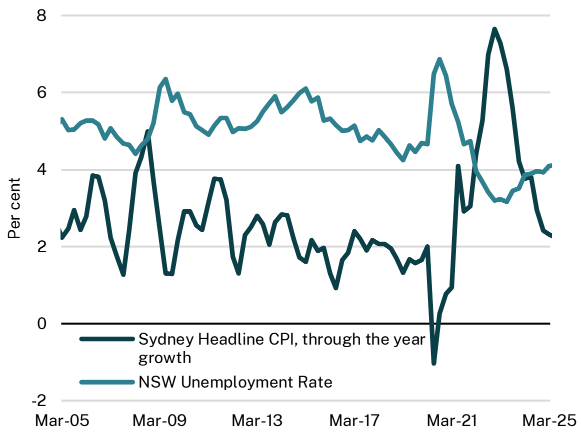
Productivity growth is expected to pick up over the next two to three years, albeit to a lower level than previously expected. Unlocking productivity growth is vital as the NSW economy evolves and is central to the Government's growth agenda.

Table 1.1: New South Wales forecasts for real gross state product, Sydney consumer price index and the unemployment rate[(a)]

	2023-24 Outcome	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Real gross state product	1.2	1¾ (¾)	1¾ (2½)	2 ¼	2 (2¼)	2
Sydney consumer price index	4.3	2½ (3)	3	2½	2½	2½
Unemployment rate[(b)]	3.9	4 (4½)	4¼ (4 ½)	4¼	4	4

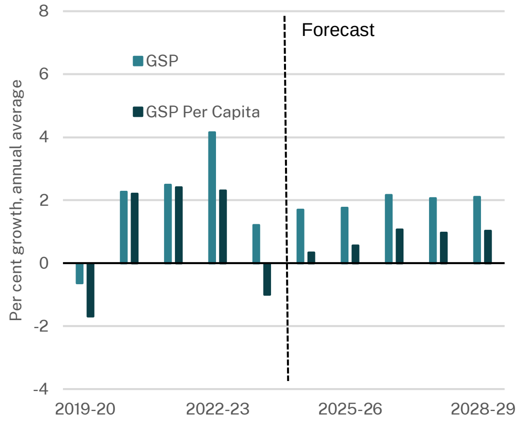
(a) Forecasts are rounded to the nearest quarter point and are annual average per cent change, unless otherwise indicated. 2024-25 Half-Yearly Review forecasts in parentheses where different.
(b) June quarter, per cent.

Chart 1.1: Sydney CPI and NSW Unemployment Rate



Source: ABS and NSW Treasury

Chart 1.2: NSW real gross state product



Source: ABS and NSW Treasury

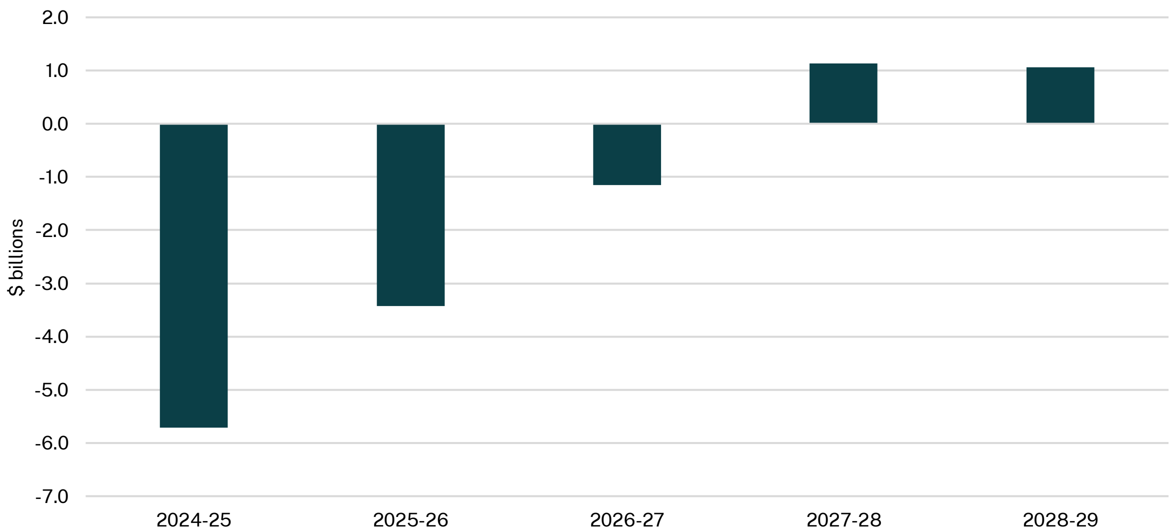
Further details on the movements in the key economic indicators between the 2024-25 Half-Yearly Review and 2025-26 Budget are outlined in Chapter 2 The economy.

1.2 Fiscal context

The 2025-26 Budget projects a return to a surplus in 2027-28 (see Chart 1.3), which would be the State's first surplus since the COVID-19 pandemic. This marks a significant fiscal milestone for the State, achieved despite pressures from a lower GST revenue share and the investment required to rebuild essential services after years of underfunding.

However, New South Wales is facing more frequent and costly natural disasters, posing significant additional costs. Reprofiling of disaster expenses, primarily due to timing differences between expenditure and recognition of Australian Government co-funding under the Disaster Recovery Funding Arrangements, and approval of new funding for disaster assistance since the Half-Yearly Review has worsened the budget result by $920.9 million in 2024-25 and $980.9 million in 2025-26.

Chart 1.3: General government budget result: 2025-26 Budget

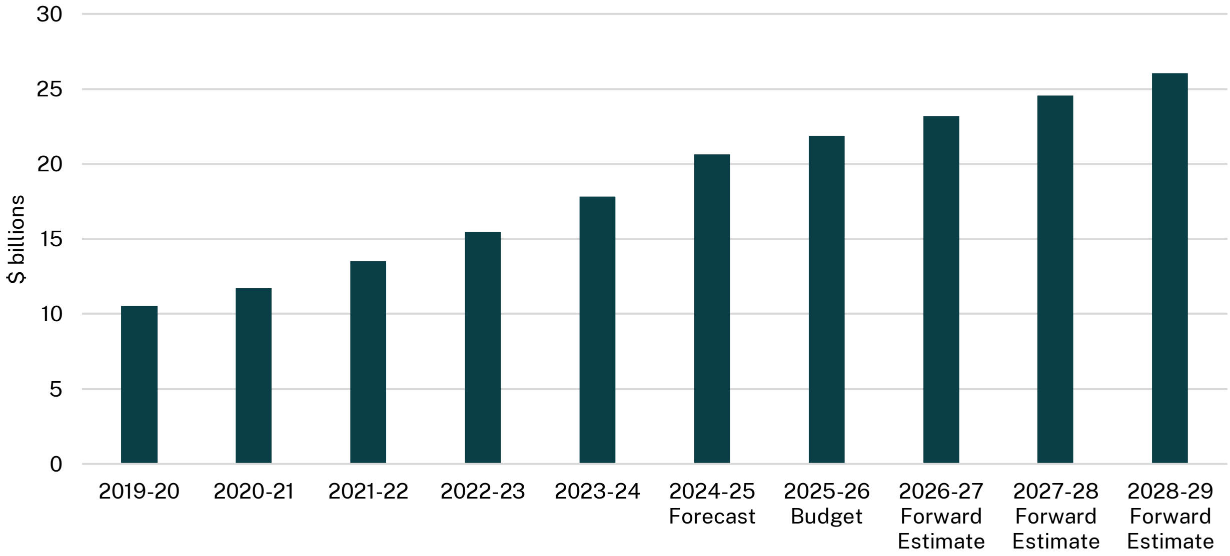


Source: NSW Treasury

The budget result shows improvement, with the deficit improved from 2023-24 to 2024-25 and projected to reach surplus in 2027-28 (see Table 1.2). The forecast surplus would represent the first since 2018-19, but faces significant pressures such as:

- $3.4 billion increase in insurance expenses over five years, of which $2.6 billion relates to the deteriorating performance of the workers' compensation scheme (see Chart 1.4 below for increasing Treasury Managed Fund liabilities), with $879.6 million of this deterioration occurring in 2024-25 since the Half-Yearly Review[1]
- increased costs from natural disasters and uncertainty over the timing of Australian Government contributions
- expenditure on natural disasters has increased more than 1,000 per cent in the six years since the 2019-20 bushfires compared to the six years prior. Since 2019-20, the NSW and Australian Governments have spent an average of $1.6 billion per year on disaster relief, compared to $154.0 million per year in the prior six years. The measures below form part of a further $4.2 billion of disaster relief across the forward estimates:
  - $154.5 million for disaster recovery and relief measures in response to ex-Tropical Cyclone Alfred
  - $358.3 million for disaster recovery and relief measures in response to the May 2025 East Coast floods
  - $27.0 million for repair and restoration of water and sewer infrastructure in the Central West, damaged by 2022 severe weather and flooding
- $790.7 million in rising depreciation and amortisation expenses due to growth in the asset base.

Chart 1.4: Treasury Managed Funds (TMF) liability valuations from 2019-20 to 2028-29



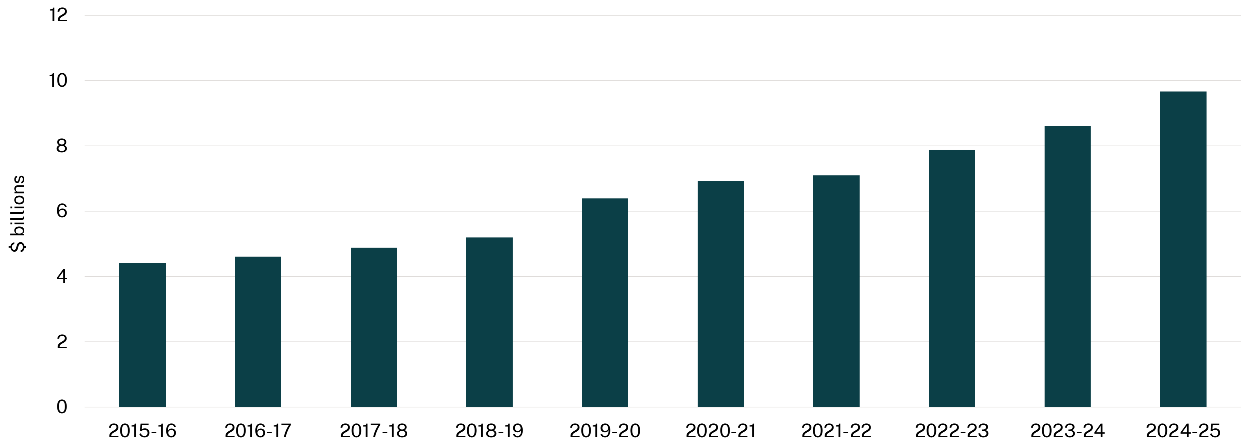
Source: icare

Note: Actuals from 2019-20 to 2023-24 are based on published financial statements for SiCorp at each balance date. Forecast and Budget are based on the latest 2025-26 Statement of Business Intent Budget. The Pre-Managed Fund Reserve, Government Workers Compensation Account, and Residual Workers Compensation Liabilities of the Crown were amalgamated into TMF on 7 August 2024.

As the State's infrastructure program has expanded in recent years, the State has seen a commensurate increase in depreciation and amortisation expenses. As seen in Chart 1.5, depreciation and amortisation expenses have more than doubled between 2015-16 ($4.4 billion) and 2024-25 ($9.7 billion). See Chapter 8 Balance sheet for information on revaluation and depreciation reforms.

[1] These figures exclude provisions taken at the 2024-25 Half-Yearly Review to account for the impacts on workers' compensation expenses associated with the police wage increase and reforms to the Police Officer Support Scheme. Reforms to workers' compensation being considered by Parliament will impact the reporting of these figures.

Chart 1.5: Depreciation and amortisation expenses



Source: NSW Treasury

Responsible budget management

Despite significant fiscal challenges and pressures, the Government remains committed to the two fiscal principles adopted in the 2023-24 Budget to guide the State's fiscal strategy:

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

Responsible budget management ensures the NSW Government can continue to invest in rebuilding essential services while laying the foundation for our future economic growth.

The State's overall fiscal position has improved over medium to longer term with:

- budget surpluses projected in 2027-28 and 2028-29
- gross debt projected to be $178.8 billion by June 2026, which is $9.4 billion lower than the $188.2 billion projected in the 2023 Pre-election Budget Update
- gross debt to GSP projected to be 19.5 per cent by June 2025 (0.3 per cent lower than the 2024-25 Half-Yearly Review) and remain relatively stable at around 20 per cent of GSP over the four years to June 2029. Further balance sheet movements are outlined in Chapter 8 Balance sheet
- net debt projected to be $130.7 billion by June 2028 which is $6.5 billion lower compared to the 2024-25 Half-Yearly Review. This is mainly driven by a stronger cash operating position over the forward estimates
- The improved fiscal position is supported by an improved revenue outlook while maintaining historically low expense growth
- In 2025-26, revenue from the Australian Government is expected to increase by $1.7 billion to $49.8 billion compared to the 2024-25 Half-Yearly Review. This is mainly driven by the agreement of the landmark Better and Fairer Schools Agreement, a one-year extension of the National Health Reform Agreement and improvements to the national GST pool. Further details on Australian Government revenue are outlined in Chapter 6 Federal financial relations.

Reducing debt to GSP

The Government has stabilised the State's debt position while maintaining a large infrastructure program to meet the service needs of a growing population. Infrastructure investment in the non-financial public sector (NFPS) is projected to be $118.3 billion over the four years to 2028-29, with:

- additional funding for schools' infrastructure helping maintain the general government infrastructure program at $86.0 billion. An overview of the State's infrastructure program can be found in Budget Paper No.3 *Infrastructure Statement*
- a public non-financial corporation infrastructure program of $32.6 billion. An overview of the government businesses' infrastructure programs can be found in Chapter 9 Government businesses.

Table 1.2: Key budget aggregates for the general government sector

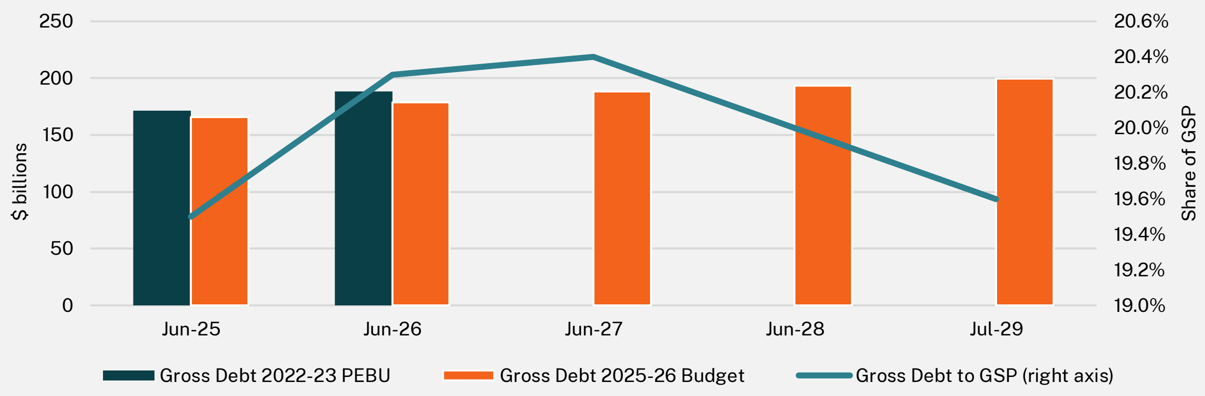
	2023-24 Actual	2024-25 Revised	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29
Revenue ($m)	110,219	118,090	124,154	128,038	133,232	137,135
Per cent of GSP	13.4	13.9	14.1	13.9	13.8	13.5
Expenses ($m)	120,909	123,805	127,581	129,186	132,101	136,078
Per cent of GSP	14.7	14.5	14.5	14.0	13.6	13.4
Budget result ($m)	(10,690)	(5,715)	(3,427)	(1,148)	1,132	1,058
Per cent of GSP	(1.3)	(0.7)	(0.4)	(0.1)	0.1	0.1
Cash operating position ($m)	378	2,892	7,384	10,401	12,548	12,490
Per cent of GSP	0.1	0.3	0.8	1.1	1.3	1.2
Gross debt ($m)	154,276	166,012	178,755	188,340	193,609	199,680
Per cent of GSP	18.8	19.5	20.3	20.4	20.0	19.6
Capital expenditure ($m)	22,919	22,315	22,343	22,043	21,480	20,111
Per cent of GSP	2.8	2.6	2.5	2.4	2.2	2.0
NFPS capital expenditure ($m)	31,059	28,646	30,816	30,353	29,336	27,829

Box 1.1: New South Wales keeping debt in check

While New South Wales' gross debt ratio rose sharply during the pandemic, more than doubling from 6.2 per cent of GSP at June 2019 to 14.1 per cent in June 2021. This Budget shows a turnaround with growth in debt levelling off and gross debt maintained at around 20 per cent of GSP over the forward estimates to June 2029. The projected reduction in gross debt to GSP has been achieved without compromising the delivery of the State's infrastructure program, with continued investment in essential services that support long-term economic growth.

This takes pressure off the State's interest expenses and helps maintain a triple-A credit rating. Reducing the June 2026 projected gross debt by $9.4 billion in comparison to the 2023 Pre-election Budget Update, the NSW Government will save around $400 million in interest expenses per annum. These savings are driving new investments to rebuild essential services and contribute to budget repair.

Chart 1.6: General government gross debt



Source: NSW Treasury

1.3 Delivery on government priorities

Within the economic and fiscal context outlined in the sections above, the 2025-26 Budget builds on the Government's work over the past two years. Chapter 3 Budget priorities details how this Budget invests in new and expanded measures to support NSW families across priority areas, including the critical areas of:

- rebuilding essential services
- investment in the future of the State with economic growth and prosperity-focused measures
- access to quality housing.

Box 1.2: Delivering on our election commitments

Since the Government was elected in March 2023, significant progress has been made in prioritising the needs of essential workers, ensuring safety and justice, providing essential care for communities, and fostering a vibrant future.

From improving housing supply to upgrading essential healthcare facilities, the Government is working to address the challenges faced by NSW residents and prioritise the wellbeing of the community.

The Government has delivered:

- lower gross debt, at $9.4 billion less than the Pre-election Budget Update projection of $188.2 billion by June 2026
- a stronger teaching workforce and support for students by:
  - banning mobile phones in all public high schools, designed to improve the classroom environment and student outcomes
  - the establishment of an ongoing, targeted literacy and numeracy tutoring program operating in both primary and high schools, focusing on students who need additional support
  - converting 10,000 teaching roles and 5,000 school administrative roles from temporary to permanent positions, with the goal of improving educational outcomes for students in the State's public schools
- support for health services and women's health, including:
  - funding for Women's Health Centres under the Women's Health Program, to provide a range of health, mental health and social support services for women
  - 29 new McGrath Breast Care Nurses, providing free support to breast cancer patients in metro, regional and remote communities
  - expanded pharmacists' scope of practice, beyond assessment and treatment for urinary tract infections, to also provide people in New South Wales with access to treatment for ear infections, wound management, nausea, gastro, acne, muscle and joint pain at their local pharmacy
- transfer duty support for first home buyers by exempting transfer duty for first home buyers purchasing a home worth up to $800,000 and providing a concessional rate of transfer duty to first home buyers purchasing a property valued up to $1.0 million
- energy bill relief to eligible households and over 300,000 small businesses
- reforms for renters in New South Wales, including:
  - appointing a NSW Rental Commissioner who is a voice for renters, working closely with the Government, stakeholders and industry
  - protecting renters from unfair evictions by creating reasonable grounds for owners to end a tenancy
  - making it easier for renters to have pets in homes
- a pilot program of sexual violence liaison officers in five police area commands. These positions will be trained in culturally sensitive practice to work specifically with survivors of sexual violence and act as support officers to allegations of sexual violence.

Rebuilding essential services

In the 2025-26 Budget, rebuilding essential services and providing cost-of-living support remain a focus. Key initiatives and programs supported in the Budget include:

- $12.4 billion of capital investment to build and upgrade health infrastructure over the next four years, with $3.3 billion in 2025-26
- the Essential Health Services package, which invests $836.4 million in 2025-26 to support core health services and reduce overdue surgeries
- a critical $9.0 billion investment in the school infrastructure pipeline over four years, including new schools and upgrades, and a $50.0 million investment in expanding high potential and gifted student opportunities across New South Wales
- a 10-year agreement with the Australian Government to fully fund schools under the Student Resource Standard (SRS) model, delivering 100 per cent of the SRS by 2035
- $1.2 billion over four years for TAFE to promote ongoing skills development
- $10.0 million in 2025-26 to progress work on expanding the public provision of early childhood education and care in New South Wales
- $1.2 billion child protection package, providing more support for children and young people in out-of-home care
- $272.7 million for domestic, family and sexual violence services, aiming to reduce violence against women and children
- $226.8 million to address the increases in demand for the Victims Support Scheme, to ensure continued access to counselling and financial support for victims of violent crime and modern slavery.

Economic growth and prosperity

- With the Government's measures to repair the budget and make it more resilient to continued risks and pressures taking effect, the 2025-26 Budget expands the Government's focus to the future of the State, setting a platform for growth and prosperity centred on adaptability, innovation and productivity. This is exemplified in key initiatives including:
- Investment Delivery Authority to fast-track economic investments and lift productivity
- $512.3 million to grow the creative economy and restore Sydney as a vibrant world-class city, including:
  - the $380.6 million package to support the NSW screen and digital games sector, to grow more local jobs and secure the future of the industry
  - $20.6 million for the Office of the 24-Hour Economy Commissioner to support the nighttime economy and local councils through regulatory reform, precinct-based initiatives and other support
  - $20.0 million for Sound NSW to continue to support the local music scene.
- $135.0 million for Destination NSW events, promotion and industry support to grow the New South Wales visitor economy
- $100.0 million to enhance biosecurity measures and $41.2 million for primary industries research, in addition to the Government delivering $59.6 million of upgrades to regional research facilities to support regional economic growth

- the $79.2 million Innovation Blueprint package, designed to support innovative businesses to connect with investors and researchers, and to scale opportunities to drive economic growth
- $27.3 million to establish the Future Jobs and Investment Authority to coordinate new economic opportunities in coal-producing regions in the Hunter, Illawarra, Central West and North West.

Access to quality housing

Support for the housing system and enabling access to quality housing remains a priority. In addition to the measures funded over the last two years, this Budget includes key initiatives such as:

- $1.2 billion injection into TAFE training, including funding to accelerate the delivery of 4,800 construction trades workers to support our home building agenda
- $145.1 million to support the ongoing work of the Building Commission NSW to reform the residential building and construction industry and improve consumer outcomes
- $83.4 million to accelerate planning approvals, including for large-scale market, social and affordable housing. This includes $10.6 million for additional resources for the newly established Housing Delivery Authority
- $20.9 million to support regional councils to bring forward critical enabling infrastructure for new homes during the National Housing Accord period by funding interest on loans
- $20.0 million to ease pressure on the crisis accommodation system. This is in addition to the $527.6 million support package for homelessness services announced in the 2024-25 Budget.

Further details on measures supported in this Budget are outlined in Chapter 3 Budget priorities.

2. THE ECONOMY

- The NSW economy is gradually returning to normal following the significant disruptions primarily caused by the COVID-19 pandemic. For most of the last three years, the rising cost of living and higher interest rates have put pressure on households.
- Cost-of-living pressures have begun to ease, with inflation back within the Reserve Bank of Australia's (RBA) target range. Confidence that inflation would move sustainably towards their target has allowed the RBA to commence lowering interest rates.
- The unemployment and underemployment rates have stayed low by historical standards.
- Residential construction has been the slowest sector to normalise, given post-COVID population growth and the long lead times to build new dwellings. However, dwelling completions over the next four years are expected to outpace population growth.
- The United States of America's (US) tariff policies are expected to have modest direct implications for the NSW economy. However, their effect on business and consumer confidence over the next year or two is expected to slightly lower economic growth.
- While global developments always pose economic risks, unpredictable US policies and the potential for retaliatory actions by other countries are increasing uncertainty and the risks around economic forecasts.
- Overall, underlying economic fundamentals point to a pick-up in growth as cost-of-living pressures ease and the RBA lowers rates further. This should help keep the unemployment rate low.

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

	2023-24 Outcome	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Real state final demand[(b)]	1.3	1¼ (¾)	2¼	2¼	2¼ (2½)	2½
Real gross state product	1.2	1¾ (¾)	1¾ (2½)	2¼	2(2¼)	2
Employment	2.1	2	1 (1½)	1¼ (1½)	1½	1¼
Unemployment rate[(c)]	3.9	4(4½)	4¼ (4½)	4¼	4	4
Sydney consumer price index	4.3	2½ (3)	3	2½	2½	2½
Wage price index	4.1	3¼ (3½)	3½ (3¼)	3(3¼)	3(3½)	3
Nominal gross state product	5.3	3¾ (3¼)	3¼ (5¼)	5 (4¼)	5 (4½)	5¼
Population[(d)]	1.7	1.3	1.1 (1.3)	1.1 (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 Half-Yearly Review forecasts in parentheses where different.
(b) Forecasts completed prior to publication of the March quarter 2025 National Accounts by the Australian Bureau of Statistics (ABS).
(c) June quarter, per cent.
(d) Per cent change through the year to 30 June. Forecasts rounded to nearest 0.1 percentage point.

Note: Forecasts finalised 12 May reflecting data up to 30 April.

Source: ABS and NSW Treasury

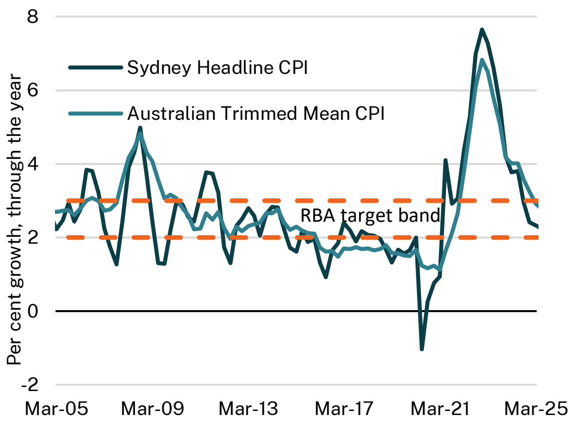
2.1 The New South Wales economy is on track to recover

Growth in New South Wales domestic spending has been subdued for most of the past three years, especially on a per capita basis, reflecting the rising cost of living and higher interest rates.

Cost-of-living pressures have eased over the past year. Inflation, as measured by the Sydney consumer price index (CPI), declined to 2.3 per cent over the year to the March quarter 2025, broadly in line with the RBA's inflation target. This is down from 3.8 per cent a year earlier. A similar decline in inflation has occurred nationally.

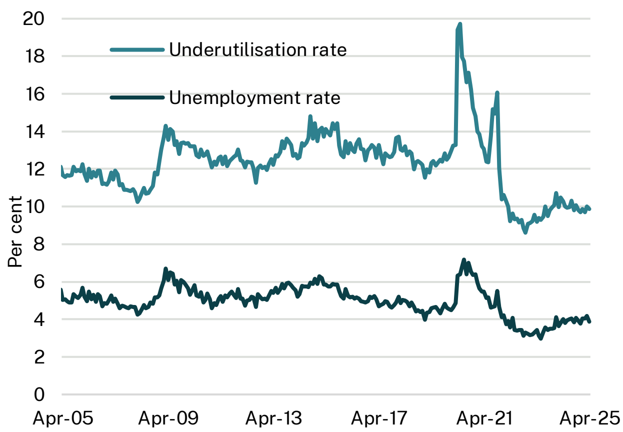
Government electricity rebates and lower fuel prices have helped to curb headline inflation. In the March quarter 2025, national trimmed mean inflation, at 2.9 per cent, also fell within the RBA's target range for the first time in three years (Chart 2.1). While progress on inflation has been supported by slower goods prices inflation for some time, services inflation (usually considered more 'sticky') is now also showing signs of deceleration.

Chart 2.1: Sydney headline and national trimmed mean CPI



Source: ABS, RBA and NSW Treasury

Chart 2.2: NSW unemployment and underutilisation rate



Source: ABS and NSW Treasury

Continued strength in the labour market

Lower inflation has occurred despite continued strength in the labour market, which has remained remarkably resilient and broadly consistent with full employment. Strong and sustained labour demand has underpinned solid employment growth, with trend employment rising by 2.4 per cent over the year to April 2025.

The supply of labour has been helped by an elevated participation rate, which has remained near its record high over most of the past year. This largely reflects an increase in the female participation rate to a record high. The NSW population has grown at 1.4 per cent through the year to the September quarter 2024, which is slightly above its long-run average growth. However, employment growth has slightly outpaced population growth, with the employment-to-population ratio rising modestly over the past year to a historically high rate of 63.8 per cent in April 2025.

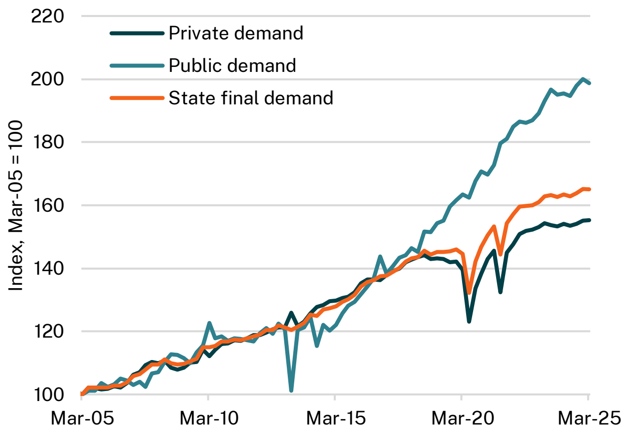
As labour supply has largely been absorbed by labour demand, the unemployment rate has remained steady at around 4.0 per cent. Broader measures of labour market slack have, if anything, pointed to some tightening in labour market conditions over the past year. Notably, the underutilisation rate has not only stayed well below pre-COVID levels, but it has declined from an average of 10.2 per cent in the first half of 2024 to 9.9 per cent as at April 2025 (Chart 2.2).

Public demand has helped smooth growth in the economy

Much of the recent strength in employment has been concentrated in the non-market sector, particularly in health and education, of which the public sector makes up a significant share. This reflects continued strong growth in public spending in these areas.

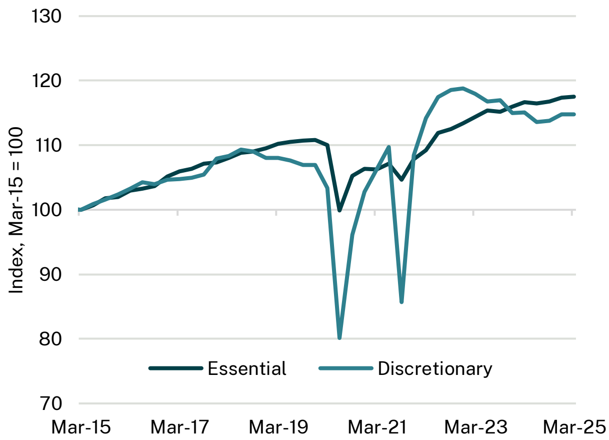
Alongside targeted investment in key areas such as the State's essential infrastructure program, public demand grew by 2.1 per cent over the first three quarters of 2024-25. This was despite a contraction in public demand in the March quarter 2025, reflecting a fall in both public consumption and investment. Over the last three quarters, public demand contributed more than 40 per cent to growth in total state final demand (compared to the pre-COVID historical average of under 25 per cent). This continues the strong contribution from public demand seen over the past five years (Chart 2.3).

Chart 2.3: NSW real state final demand



Source: ABS and NSW Treasury

Chart 2.4: NSW real discretionary and essential consumption



Source: ABS and NSW Treasury

Easing cost-of-living pressures are supporting a recovery in private demand

Private demand has been supported in 2024-25 by an easing of cost-of-living pressures, reflecting cuts to personal income tax and more moderate inflation. The resulting increase in real disposable household incomes has bolstered savings and helped to stabilise discretionary spending, which had previously been in steady decline. Spending on essential consumer goods and services has continued to increase at a modest pace (Chart 2.4).

Having declined by 0.5 per cent over the year to the June quarter 2024, real household consumption has increased by 1.0 per cent over the first three quarters of the 2024-25 financial year. Much of this strength occurred in the second half of 2024, with large retail sales events and seller discounting bringing forward discretionary spending from the early part of 2025. Adverse weather conditions may have also slightly curtailed consumer spending in the early part of 2025.

For now, the pace of growth in consumer spending remains subdued relative to history, particularly on a per capita basis. While consumer sentiment improved earlier in the year with expectations of interest rates cuts, it remains below historical averages. Sentiment has dipped slightly in more recent months in response to uncertainty over the global economy.

The renewable energy transition is helping business investment

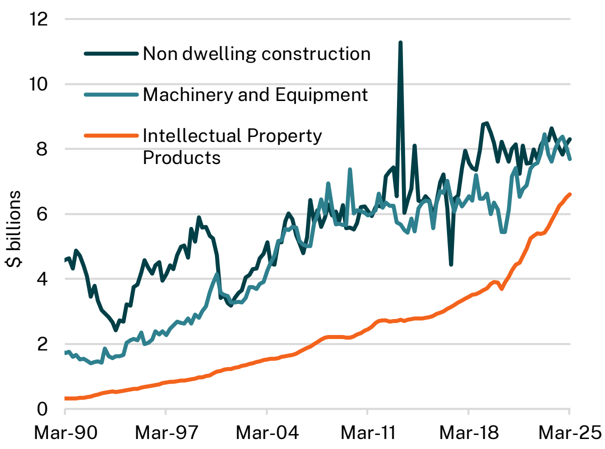
Businesses have faced tight capacity in recent years, providing a catalyst for higher rates of business investment. However, after posting solid growth in 2023–24, business investment rose by a relatively subdued 1.0 per cent through the year to the March quarter 2025.

Investment in intellectual property products, such as computer software, has been a key driver of growth and has accounted for a steadily increasing share of the economy in recent years. In contrast, investment in new machinery and equipment fell over the year, down by 3.3 per cent (Chart 2.5).

Non-dwelling construction was broadly flat through the year to March quarter 2025, which likely reflects persistently high input costs, despite recent signs that some construction-related input costs are beginning to stabilise.

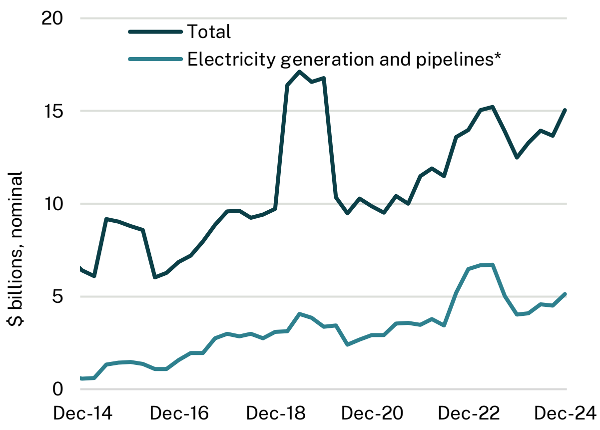
Against this, renewables remain a bright spot. According to ABS data, investment in renewable energy construction rose by 4.7 per cent in 2023–24. New South Wales has recorded a solid increase in private engineering commencements in electricity and utilities, much of which is related to the transformation of the State's energy system (Chart 2.6). The NSW Government is assisting the transformation through Renewable Energy Zones.

Chart 2.5: NSW real business investment



Source: ABS and NSW Treasury

Chart 2.6: NSW private engineering work commenced



Source: ABS and NSW Treasury

**Includes electricity generation, transmission and distribution*

Residential construction activity has been the slowest sector to normalise

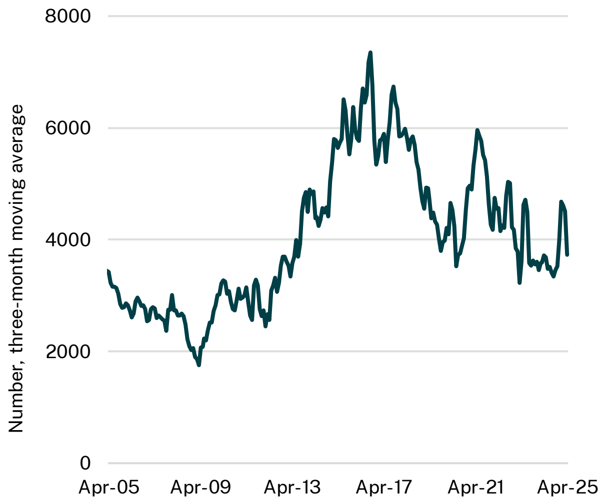
Following the COVID-19 pandemic, significant increases in construction input prices due to global supply chain issues, along with competition for resources from public infrastructure investment, placed pressure on the residential sector, leading to a significant surge in construction prices and increasing insolvencies. In addition, the increase in interest rates by the RBA adversely affected the profitability of developments. The re-opening of Australia's international border following the pandemic was an additional factor interacting with these pressures.

As a result of these factors, residential construction activity has been slower to pick up compared to other sectors. Some of the factors holding back dwelling investment showed signs of easing in the second half of 2024. Notably, construction cost inflation eased while capacity utilisation in the construction sector fell to its historical average level. This allowed residential projects already in the pipeline to move closer to completion. Dwelling approvals rose in the March quarter 2025 to an almost two-year high. However, approvals have fallen back in recent months as elevated construction costs continue to impact the profitability of apartment projects (Chart 2.7).

The same cyclical forces that restrained dwelling construction also affected the established dwelling market. Strong population growth against the backdrop of constrained housing supply has worked to support prices. Conversely, high interest rates have worsened affordability for new borrowers, contributing to a modest downturn in prices in late 2024.

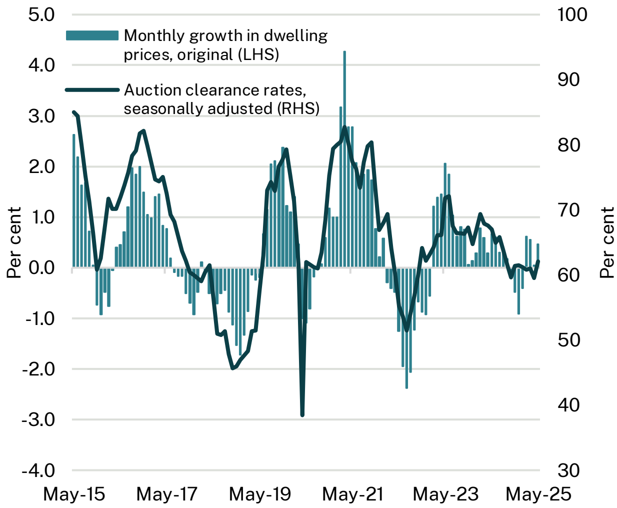
Sydney dwelling prices have risen modestly in the months since the commencement of the cash rate easing cycle in February. Interest rate cuts have supported buyer sentiment, with auction clearance rates rising in May to a level consistent with modest price growth (Chart 2.8). Recent dwelling price growth has been strongest in those segments that are typically more rate sensitive, such as detached housing, reflecting increased borrowing capacity as rates decline. In contrast, price growth in less rate-sensitive segments has been slower to recover.

Chart 2.7: NSW residential construction approvals



Source: ABS and NSW Treasury

Chart 2.8: NSW auction clearance rates and monthly growth in dwelling prices



Source: Cotality and NSW Treasury

Net exports have supported aggregate growth

Growth in gross state product (GSP) is expected to have outpaced the subdued increase in state final demand (SFD). GSP is estimated to grow by 1¾ per cent in 2024-25, compared to growth of 1¼ for SFD.

NSW GSP growth has been supported by a strong rise in exports, particularly through the earlier part of 2024-25, underpinned by increases in both rural and resource commodities. The lift in rural exports was driven by higher shipments of vegetables, fruits, oilseeds and chickpeas. This was supported by favourable weather, increased domestic production, and strong overseas demand, particularly following a temporary removal of Indian tariffs on chickpea imports. Coal exports also rose sharply in early 2024-25, as China boosted purchases ahead of winter due to lower hydropower generation. The positive impact to growth from these factors are expected to be temporary and somewhat unwound in the March quarter 2025.

Interest rate cuts are now supporting activity, with more rate cuts expected

Cost-of-living pressures have been further helped by the recent easing in monetary policy. The RBA has reduced interest rates twice since February, from a peak of 4.35 per cent to the current 3.85 per cent, a slightly earlier decline than expected at the time of the 2024-25 Half-Yearly Review. A NSW borrower who took out an average-sized new mortgage (around $810,000 in the December quarter 2024) would have seen their monthly repayments on a 30-year loan fall by a little under $260 per month, or around $3,100 a year.

Consistent with market expectations at the time the forecasts were finalised, two further rate cuts are expected over the remainder of 2025, with one further rate cut in the first half of 2026, which would bring the cash rate to 3.1 per cent. However, the RBA has noted that it will be attentive to the data and the evolving assessment of risks to guide its decisions. The profile for the interest rate assumption is broadly in line with the RBA's assumptions at the time of the May 2025 Statement on Monetary Policy.

2.2 Outlook for the New South Wales economy

Uncertainty around the global backdrop is likely to weigh on the domestic economy

Recent events have made the global environment more challenging for the NSW economy. In addition to broader geopolitical unrest, recent developments in US trade policy have been a standout as US President Trump followed through on his rhetoric leading up to the Presidential election with a range of announcements levying tariffs on almost all countries exporting to the US.

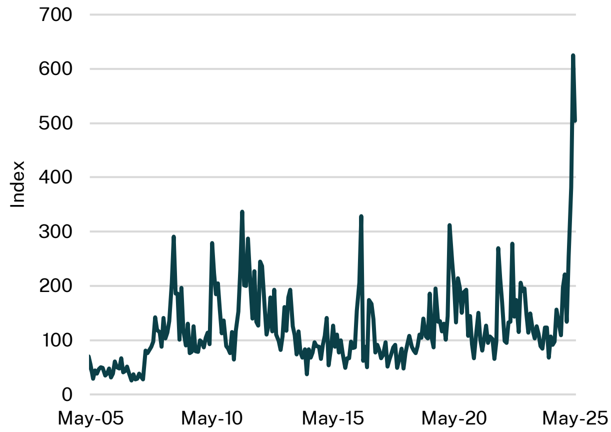
In particular, financial markets were initially thrown into turmoil following the "Liberation Day" tariff announcements of a minimum 10 per cent tariff on all goods imported (and a much higher tariff rate on imports from China) into the US economy. The resulting sharp spike in global policy uncertainty (Chart 2.9) coincided with share markets falling abruptly while the Australian dollar fell to below US60 cents, as these policies were seen as having a marked impact on global trade and growth.

In response, the International Monetary Fund (IMF) downgraded its expectations for global growth in 2025 and 2026 by a cumulative 0.8 percentage points from its forecast in January. The IMF expects the global economy to grow by 2.8 per cent in 2025 and 3.0 per cent in 2026. This is significantly below the average growth rate of 3.7 per cent in the two decades prior to COVID-19.

The subsequent pause in the implementation of higher tariff rates alongside announcements of a trade deal between the US and the UK, and progress in trade negotiations between the US and China, have seen financial markets recover. Notwithstanding this, uncertainty around the global policy outlook remains unusually elevated.

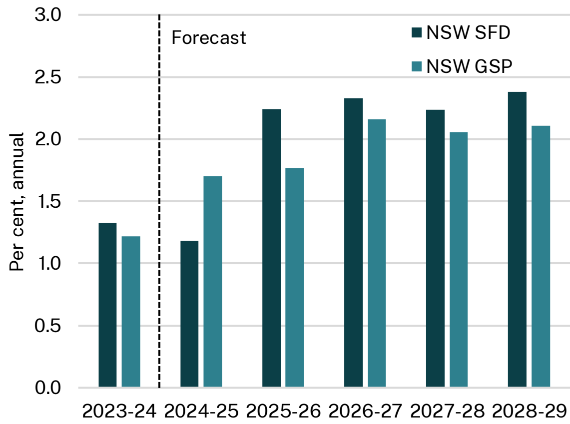
Several institutions, including the World Bank and the RBA, have followed the IMF's lead and subsequently downgraded the outlook for growth. NSW Treasury has undertaken modelling of the impacts on the NSW economy, detailed in Box 2.1.

Chart 2.9: Economic policy uncertainty index (Australia)



Index based on the degree of news coverage of policy-related economic uncertainty.
Source: 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com

Chart 2.10: NSW real economic growth 2023-24 to 2028-29



Source: ABS and NSW Treasury

Box 2.1: US tariff impacts on the NSW economy

There has been an increase in protectionist trade policies globally in recent years. Trade tensions present uncertainty and volatility for the global economy.

Tariffs increase the cost of imported goods and services. This can reduce demand for foreign exports. Trade barriers, including tariffs, can have negative flow-on effects. These include lower business and consumer confidence, and higher inflation.

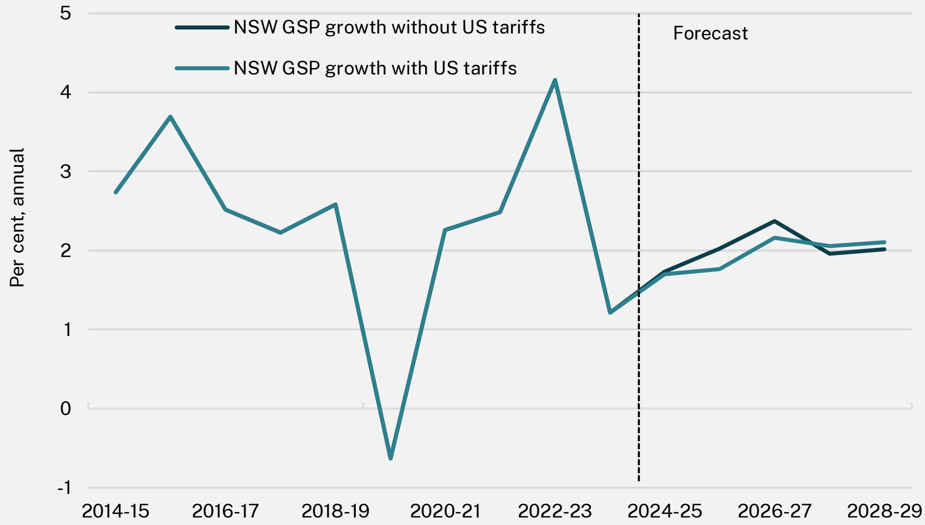
The direct impact of announced US tariffs on New South Wales is expected to be modest. In 2023-24, goods exports to the US represented 0.6 per cent of NSW nominal GSP. If tariffs result in reduced demand from the US, NSW exporters will likely find alternative markets for selling their products.

The indirect effects of these tariffs are likely to be larger than the direct effects. In particular, frequent changes to the scope and extent of tariffs are contributing to increased global uncertainty. This was reflected in the RBA's recent forecast downgrades to Australian gross domestic product growth.

NSW Treasury expects that the resulting delay to investment and consumer decisions will lead to a small decrease of around ½ a per cent from the level of GSP over two years, with more than two thirds of that coming from weaker business investment (Chart 2.11). The remainder stems from consumption, although with some offset from lower imports.

For now, these shocks are expected to be temporary and to unwind somewhat as either the political situation stabilises or consumers and businesses adjust to this environment. As such, only minimal effects on NSW GSP and employment are expected in the medium term.

Chart 2.11: Impact of US tariffs on NSW real GSP growth



Source: ABS and NSW Treasury

Fundamentals remain supportive of a gradual improvement in the NSW economy

Notwithstanding the risks from global uncertainty, the outlook remains consistent with a gradual pick-up in the pace of growth in the NSW economy.

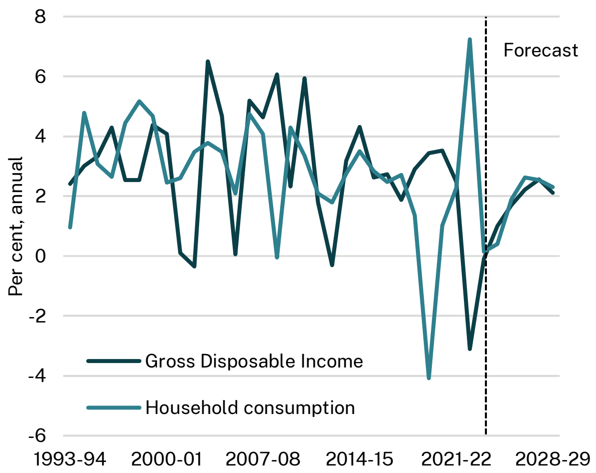
With cost-of-living pressures likely to ease further as the RBA continues to lower interest rates, real wages increasing, and conditions in the labour market remaining solid, the NSW economy is well positioned for a lift in economic growth. Shifts in global supply chains due to US tariffs may also present new opportunities, potentially presenting new markets for NSW exporters, particularly in the Asia-Pacific region. Domestic spending is expected to pick up, with SFD expected to grow by 2¼ per cent in 2025-26. However, weaker exports will mean this does not fully translate into stronger GSP. GSP growth in 2025-26 is expected to be 1¾ per cent, broadly in line with growth in 2024-25 (Chart 2.10).

Central to the outlook is an expected rotation of growth from the public sector to the private sector. This will be aided by an expected slower pace of growth in public demand as governments seek to improve their fiscal positions. Consumer spending is expected to lead the recovery in private sector activity, though this will take time as elevated policy uncertainty weighs further on a still cautious consumer in the next few months. As 2025 progresses, household consumption is expected to gradually improve as interest rate cuts ease household financial burdens, particularly for mortgage holders. In conjunction with further tax cuts, extended energy rebates, steady employment growth, and rising real incomes, these are expected to strengthen household disposable income and support consumption growth throughout the forecast period (Chart 2.12).

Business investment is also expected to be supported by positive fundamentals. Strong business balance sheets, a tight labour market and elevated capacity utilisation will provide an incentive for businesses to keep the overall level of business investment elevated, particularly as consumer spending recovers and concerns over the global and domestic growth outlook fade.

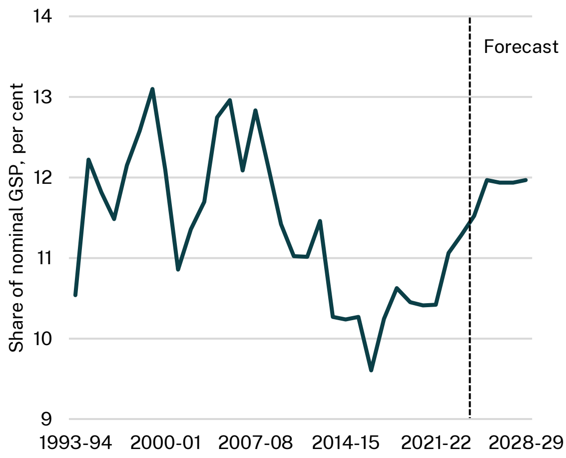
Recent trends are indicating a shift in the capital expenditure pipeline from the public to the private sector, particularly within engineering construction. The pipeline of engineering construction activity in the private sector is being led by industries such as electricity utilities and heavy industry. This uplift is being supported by a continued increase in renewables investment, underpinned by the ongoing transition to renewable energy. NSW's strong focus on the renewable energy and technology sectors may position it to attract investment as the global economy adjusts to these changes. Overall, business investment is expected to grow broadly in line with its historical average over the next four years. This would result in its share of GSP returning to its average level prior to the Global Financial Crisis (Chart 2.13).

Chart 2.12: NSW real household income and consumption growth



Source: ABS and NSW Treasury

Chart 2.13: NSW business investment



Source: ABS and NSW Treasury

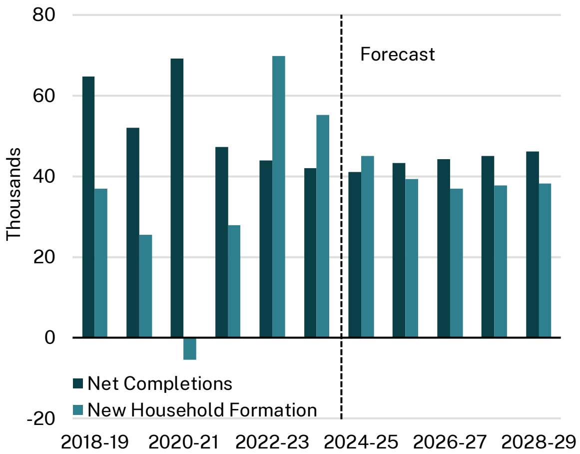
Housing completions will outpace underlying demand for housing over the forecast period, but affordability remains stretched

New dwelling investment is forecast to rise as the cyclical headwinds that have weighed on the sector subside to an extent. Lower interest rates are expected to support greater development feasibility via reduced financing costs and dwelling price appreciation. In addition, inflation in the price of construction materials has fallen and the availability of suitable labour is beginning to improve. Over the forecast period, both labour and raw material availability are expected to further benefit from the unwinding of the large public sector construction pipeline, increasing the capacity for residential construction, particularly in the higher-density segment.

Despite this, low levels of dwelling approvals in recent years mean that a significant uplift in dwelling completions will likely take several years to eventuate. Currently, the lead times between approvals and completions for housing is two years, while for apartments it averages around three years. Recent changes in planning regulations designed to lift approvals will further encourage housing completions. Around 240,000 dwelling completions are forecast for New South Wales over the five years to the end of 2028-29 (Chart 2.14).

At the same time, while lower interest rates are expected to help mortgagees, housing affordability is expected to remain constrained compared to its historical level (Chart 2.15). Lower interest rates and improved market sentiment are expected to see growth in Sydney dwelling prices pick up in the near term. The Westpac-Melbourne Institute Time to Buy a Dwelling Index has trended upwards since mid-2024 amid increased optimism around family finances and future rate cuts. This is expected to translate into increased buyer demand. From late 2026, dwelling prices are projected to grow broadly in line with household incomes, once interest rates have stabilised at long-run neutral levels.

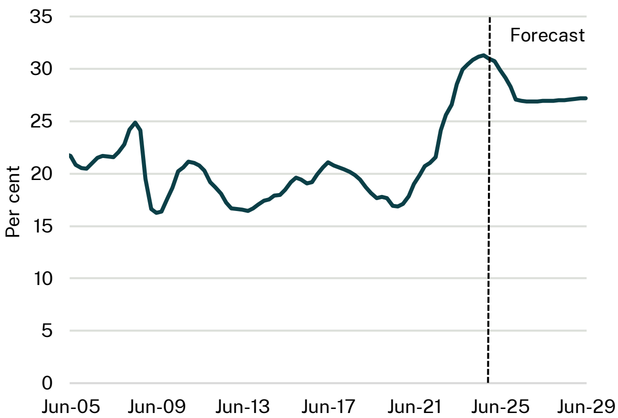
Chart 2.14: Net completions vs underlying demand for housing



Source: ABS and NSW Treasury

Note: New household formation is the change in the year-average population divided by an assumed average household size of 2.5. Net completions forecasts use twenty-year average demolition rates.

Chart 2.15: NSW mortgage payments as a share of household income

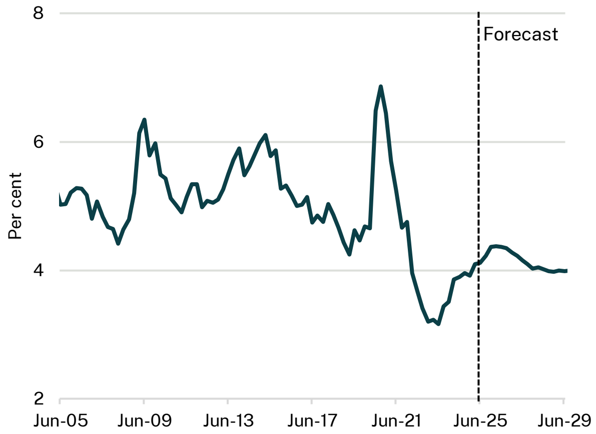


Source: ABS, RBA, Cotality, HILDA and NSW Treasury

Unemployment will remain low by historical standards

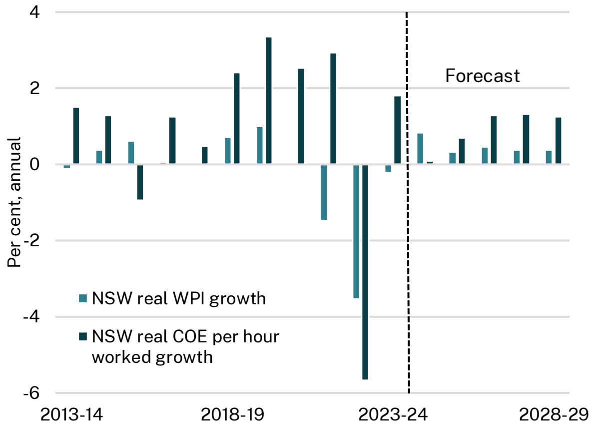
The expected strengthening in economic growth momentum should see the labour market remain resilient in the face of the uncertain global environment. Nevertheless, a slowing in non-market sector employment growth is expected to drive a softening in aggregate employment. This will be accentuated by business efforts to drive a pick-up in market sector productivity following the weakness of recent years which should see the unemployment rate lift modestly in the period ahead. Despite this, the expected peak in the unemployment rate of around 4.4 per cent remains very low by historical standards (Chart 2.16).

Chart 2.16: NSW unemployment rate forecasts



Source: ABS and NSW Treasury

Chart 2.17: Growth in NSW real wages



Source: ABS and NSW Treasury

Continued tightness in the labour market should see wages growth remain somewhat elevated in 2025-26, albeit down from the pace seen in the past two years. The NSW wage price index (WPI) is forecast to grow by 3½ per cent in 2025-26 before slowing to around 3 per cent in 2026-27.

The forecast for WPI is above our base case forecast for headline inflation, which is expected to remain within the RBA's 2–3 per cent target range over the remainder of 2025. As electricity rebates expire, headline inflation is expected to temporarily rise above the target range in the first half of 2026. Broader inflationary pressures are better reflected in underlying inflation, which at the national level is expected to remain sustainably within the RBA's target band and continue easing, reaching the mid-point of the range by early 2026.

The combination of solid nominal wages growth, lower inflation within the RBA's target band and a pick-up in productivity growth is expected to result in continued real wages growth (Chart 2.17). Over the five years to June 2029 real wages, as measured by the average compensation of employees, are expected to grow by an average of 0.6 per cent per year. This compares to an estimated -0.1 per cent over the five years to June 2025. This solid growth in real wages is key to ensuring self-sustaining growth in the economy over the forecast period.

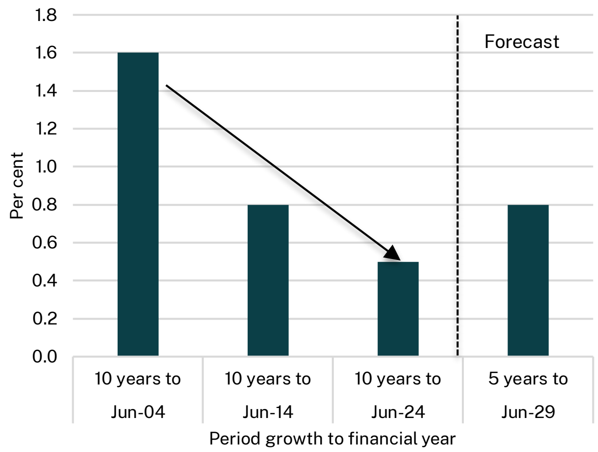
2.3 Productivity as a driver of growth and living standards

Unlocking productivity growth is vital as the NSW economy evolves

Productivity growth is a key determinant of living standards and an important driver of economic growth in the long term.

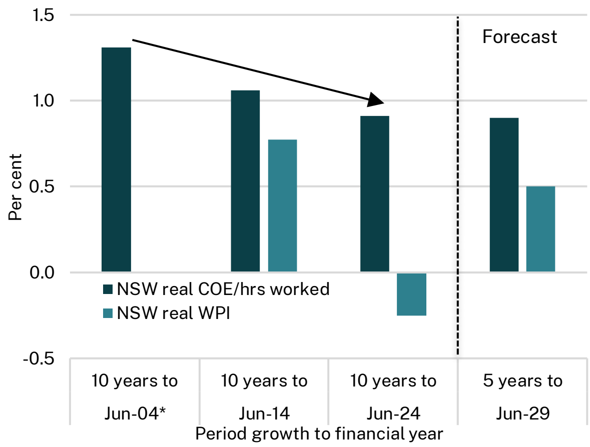
Box 2.2 outlines recent developments in productivity. Reflecting this, the current expectation is that long-run productivity growth will reflect the 20-year Australian average of around 0.8 per cent (Chart 2.18). When combined with population growth of around 1.1 per cent, long-run potential economic growth in New South Wales is likely to settle around 1.9 per cent.

Chart 2.18: NSW productivity growth



Source: ABS and NSW Treasury

Chart 2.19: NSW real wages growth



Source: ABS and NSW Treasury

**WPI data is not available*

Over the long run, real wages are expected to increase in line with productivity growth (Chart 2.19). To be consistent with the RBA's inflation target, nominal employee incomes are expected to grow over the long run at around 3.3 per cent (2.5 per cent inflation plus 0.8 per cent average productivity growth).

Lifting productivity growth is the key to lifting real household incomes and economic growth. Most productivity growth is generated by private sector decisions. Nevertheless, governments can encourage productivity growth by improving the efficiency of the public sector, by setting appropriate regulatory environments, and by helping to ensure that workers are equipped with the skills, technology and infrastructure to do their jobs more efficiently.

To boost productivity and support long-term economic growth, the NSW Government is investing in infrastructure, education, innovation, and regulatory reform. The State has also established the Investment Delivery Authority to help increase productivity growth and investment in New South Wales.

Box 2.2: Recent developments in productivity and impact on forecast growth

Productivity growth has slowed in domestic and global economies

Labour productivity growth has been weak since the onset of COVID-19, averaging just 0.4 per cent per year in New South Wales in the past five years.

This weakness was evident even prior to COVID-19. Over the 10 years to 2023-24 productivity growth in New South Wales averaged 0.5 per cent per year. This compares to an average of 0.8 per cent per year in the 10 years to 2013-14 and 1.6 per cent over the decade to 2003-04.

This declining trend in productivity growth has been observed both nationally and globally (see Table 2.2).

Table 2.2: Average productivity growth in Australia and advanced economies[(a)]

(CAGR)	1994 to 2004	2004 to 2014	2014 to 2024
NSW	1.6	0.8	0.5
AUS	2.2	1.2	0.5
Advanced economies[(b)]	1.9	1.0	0.9

(a) Growth is for fiscal years for New South Wales and Australia, and for calendar years for advanced economies.
(b) Advanced economies include Australia, USA, Euro Area, Canada, Japan, UK and NZ.

Source: ABS, Long term Productivity Database, International Monetary Fund and NSW Treasury

Given productivity growth was weak even before COVID-19, it is unlikely cyclical factors alone are to blame. Work by the RBA indicates that the slowing in productivity growth in Australia primarily reflects structural factors, including:

- increasing demand for non-market services (and persistent mismeasurement of non-market sector output)
- a lack of capital deepening
- declining economic dynamism
- increasing regulatory barriers
- slowing human capital accumulation
- less trade integration.

This suggests that in the absence of meaningful reforms or a major technological breakthrough, low productivity growth will continue.

Over the next 2-3 years, productivity growth should pick up as the cyclical factors that have accentuated the trend decline fade.

However, it is expected that this will still leave productivity growth well below the level of earlier decades. The most recent 20-year average for Australia suggests this will be around 0.8 per cent.

The NSW Government can make meaningful changes to the structural barriers to productivity with investments in education and skills, more effective regulatory regimes, and efficient rebuilding of essential non-market services.

2.4 Key risks to the outlook

Risks remain unusually elevated

Uncertainty around the economic outlook remains unusually elevated.

Relative to the baseline forecasts, there is still a downside risk from tariffs. Counter to this, the potential for greater policy stimulus in China to combat against the impacts of a US-China trade war could see an unexpected lift in demand for NSW exports, especially in markets where tariffs on other countries' production make Australian exporters more competitive.

Additionally, another risk with upside potential is if the current policy uncertainty in the US leads to either a lower global cost of capital (as investment falls in the US), or Australia becoming a more desirable destination for foreign investors. Both outcomes would lead to a boost in onshore investment which could also support productivity over the forecast period. This risk is explored in Appendix F Economic *s*cenario analysis.

The housing market remains a notable source of risk to the outlook, in either direction. While dwelling prices have steadily recovered after falling for most of the second half of 2024, affordability challenges are still constraining buyers, amid slowing approvals for residential dwellings. On the upside, easing monetary policy to support the economy could improve buyer sentiment and support price growth, with positive spillovers to household consumption and dwelling investments.

There are upside inflationary risks that not only stem from the fragmentation of global supply chains and inefficiencies generated from protectionist policies, but also ongoing conflicts in the Middle East and Ukraine. Domestically, the continued strength in nominal wages growth over the coming year poses a potential upside risk to inflation if productivity fails to lift as quickly as expected.

3. BUDGET PRIORITIES

- The Government has made tough decisions so it can invest more in improving essential services for the people of New South Wales. It is investing more in health, education, social justice and support for children in out-of-home care.
- The 2025–26 Budget is continuing to support NSW households with the impacts of cost of living through measures such as energy bill relief, expanded support for first home buyers and reforms to create a better and fairer system for renters.
- This Budget also invests in initiatives that will support economic growth and help achieve a more diverse and strengthened economy that is able to adapt to future economic shocks and opportunities.

3.1 Building a platform for future growth and prosperity

The 2025-26 Budget builds on the work of the Government over the past two years. It delivers more of the essential services that underpin the health and prosperity of people in New South Wales and targets investments that will strengthen and diversify our economy.

This Budget reaffirms the Government's commitment to building a better New South Wales through:

- fiscal repair and responsible fiscal management
- delivering high quality services and outcomes that support communities
- investing in the drivers of future economic growth.

Refer to Box 1.2 of Chapter 1 Budget overview for further detail on the Government's delivery of its election commitments.

The 2025-26 Budget invests in new and expanded measures to support NSW families across priority areas such as health, education, transport and protecting the most vulnerable in the community.

3.2 Continuing fiscal repair and responsible financial management

This Government continues to focus on returning the State's finances to a stable footing. This gives the Government the ability to rebuild and enhance the delivery of essential services to the community, in areas such as health, education and transport.

Responsible management of the State's finances

This Budget builds on the Government's successful work to improve the fiscal position and outlook, with initiatives that aim to ensure the financial strength of the State into the future.

These initiatives include:

- completed a Comprehensive Expenditure Review, which identified $13.0 billion in savings, reprioritisation and other budget improvement measures. More than $11.0 billion of these measures are complete or on track for completion, with the remaining underway or in planning
- undertook a Strategic Infrastructure Review which identified and prioritised projects the Government should continue, delay or descope

- ceased contributions into the NSW Generations (Debt Retirement) Fund in March 2024 and approved the NGF Management Framework to establish principles for any future NGF contributions
- collated several of the State's investment funds into a single master fund known as OneFund.

As part of the 2025-26 Budget, the Government has introduced additional measures that build on these to ensure the future financial strength of the State, including:

- implementation of Phase 2 of OneFund, which includes pooling the Lifetime Care and Support Authority Fund, Workers Compensation (Dust Diseases) Fund and Motor Accidents Injury Treatment and Care Benefits Fund into the master fund structure
- a Contributions and Transfers Framework that minimises the need to fund schemes via debt by making use of available resources within OneFund to manage scheme liabilities more efficiently on a portfolio basis.

Building public sector capability and capacity

Since 2023, the Government has delivered significant industrial relations reforms, including:

- abolishing the wages cap
- introducing a mutual gains bargaining approach through the *Fair Pay and Bargaining Policy*
- delivering the biggest pay increase to essential workers in over a decade
- record pay increases for paramedics in recognition of the move towards university qualifications and professional registration requirements
- introducing the Safe Staffing Levels Policy in NSW Health.

Enhancing workforce pay and conditions

The mutual gains bargaining framework introduced by the Government is delivering pay increases for essential workers while driving productivity and efficiency in public sector workplaces, including:

- a pay increase for more than 90,000 Crown employees (including corrections officers, transport workers, school assistants and other essential workers) in exchange for overhauling redeployment policies to reduce redundancy costs, and modernising awards to remove outdated allowances
- an historic pay increase for NSW Police officers offset by savings from reforms to the Police Blue Ribbon Insurance Scheme, plus improved flexibility arrangements
- multi-year pay increases for teachers in our public schools and TAFE teachers, combined with conversion of temporary to permanent staffing.

Better pay and conditions provide certainty and financial security to our essential public sector workforces. This helps to attract and retain highly skilled and qualified workers and reduce vacancies, supporting:

- enhanced safety for our community by ensuring we have police on our streets
- quality education and support for our students by providing permanent teachers and support staff in our classrooms, ultimately benefitting students and educational outcomes
- improved patient care through the roll out of minimum staffing levels in hospitals, particularly in emergency departments and critical care units
- timely emergency response by accredited paramedics receiving professional rates of pay.

Box 3.1: The benefits of the Government's investment in essential workers with the *Fair Pay and Bargaining Policy*

The Government's *Fair Pay and Bargaining Policy* and investments in essential workers has delivered benefits, including:

- rebuilding the teaching workforce and reducing administrative burden: with public school teacher vacancies falling to a four-year low at the start of the 2025 school year, teacher resignations falling for the first time in 13 years and the number of merged and cancelled classes halved
- enhancing job security for TAFE teachers: with more than 3,000 casual TAFE teachers and delivery support staff made permanent
- bolstering the police's frontline capabilities: with applications to join the NSW Police Force increasing by over 70 per cent over the last two years and the largest class of NSW Police Force recruits in 11 years attesting at the Police Academy in May 2025
- securing essential workers in regional areas through initiatives such as:
  - the key worker housing program that provides workers with stable and affordable housing, and
  - various allowances and incentive schemes to support regional workers, including the Regional Skills Relocation Grant, Rural Health Workforce Incentive Scheme and remote area living allowances.

These programs help attract and retain talent, particularly to regional areas, in sectors like healthcare, education and emergency services.

The Government has also introduced a range of reforms that enhance job security of community service workers in New South Wales by:

- providing greater funding certainty and job security to community service organisations by offering longer-term arrangements up to five years
- introducing the Community Services Industry scheme, a new portable long service leave scheme allowing eligible workers to accrue long service leave after seven years of service regardless of the number of employers.

3.3 Delivering on our priorities

The Government is continuing to deliver on its priorities, including housing, essential services and infrastructure and cost-of-living support. The investment in this Budget builds on the support provided over the last two years and looks to the future economic prosperity of the State.

Jobs and industry

The Budget provides support to ensure New South Wales can attract investment and take advantage of the technology needed to help our businesses grow, including:

- creation of a new Investment Delivery Authority to fast-track proposals valued over $1.0 billion through the planning system
- $512.3 million to grow the creative economy and restore Sydney as a vibrant world-class city, including:
  - the $380.6 million package to support the NSW screen and digital games sector, to grow more local jobs and secure the future of the industry to strengthen the NSW music industry

  - $20.6 million for the Office of the 24-Hour Economy Commissioner to support the night-time economy and local councils through regulatory reform, precinct-based initiatives and other support
  - $20 million for Sound NSW to implement the NSW Contemporary Music Strategy
- $100 million to sustain critical biosecurity functions
- $79.2 million Innovation Blueprint package to cement New South Wales as the best place to innovate, including $20 million for the Emerging Technology Commercialisation Fund to help businesses commercialise research into marketable products and services
- $59.6 million of upgrades to regional research facilities to support regional economic growth
- $41.2 million to enhance and modernise primary industries research and development
- $38.5 million investment in Tech Central including the relocation of the Sydney Startup Hub and an enhanced collaboration hub
- $27.3 million to establish a new Future Jobs and Investment Authority to coordinate new economic opportunities in coal-producing regions in the Hunter, Illawarra, Central West and North West.

Refer to Section 3.4 of this chapter for further information.

Housing and planning

To address ongoing pressures faced by households in the State's housing system, the Government is investing in initiatives to improve access to quality housing.

New support for the housing system and housing projects include:

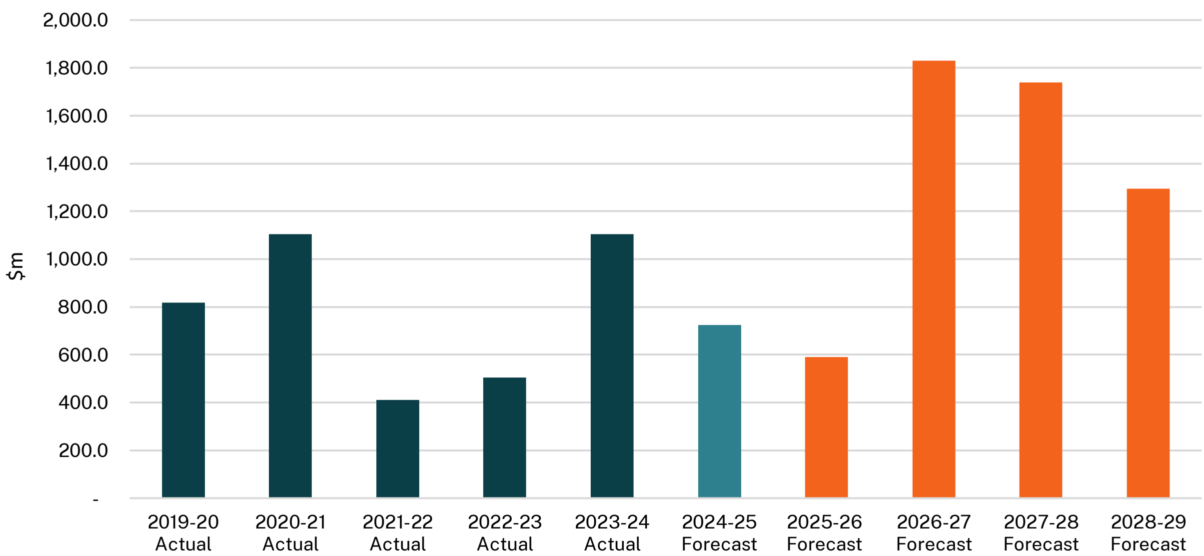
- Pre-Sale Finance Guarantee to support the accelerated commencement and early completion of up to $1 billion of residential development projects at a time on a rolling basis during the National Housing Accord period
- allowing developers to build infrastructure instead of paying the Housing and Productivity Contribution where approved, as part of a new works in kind (WIK) framework
- a permanent land tax concession of a 50 per cent reduction in assessed land value for new build-to-rent developments (the temporary land tax concession was due to expire in December 2039). Build-to-rent developers will also be able to apply for exemptions from foreign purchaser duty and land tax surcharges (or a refund of surcharges paid)
- $145.1 million to support the ongoing work of the Building Commission NSW to reform the residential building and construction industry and improve consumer outcomes
- $83.4 million to accelerate planning approvals, including for large-scale market, social and affordable housing. This includes $10.6 million additional resources for the newly established Housing Delivery Authority
- $20.9 million to support regional councils to bring forward critical enabling infrastructure for new homes during the National Housing Accord period by funding interest on loans
- $20 million to ease pressure on the crisis accommodation system. This is in addition to the $527.6 million support package for homelessness services announced in the 2024-25 Budget
- $13.8 million to the Department of Education to accelerate the delivery of 4,800 construction trades workers to support our home building agenda.

Transport and roads

The Government is investing in a range of projects to provide safe and accessible transport, improve road safety and upgrade roads across the State, including:

- $1.0 billion for the first stage of the Fifteenth Avenue Upgrade between Liverpool and the new airport, jointly funded by the NSW and Australian Governments
- $500.0 million for Mona Vale Road West – Upgrade
- $369.9 million to maintain and uplift bus services, including bus service improvements, improved connections to train and metro services and increased school services in priority areas
- $115.0 million for Terrigal Drive Upgrade
- $200.0 million for Homebush Bay Drive
- $56.3 million to deliver 50 articulated diesel buses to address the bus shortages within the Sydney Metropolitan bus network
- $52.2 million for Peak Hill Road Upgrade, Tooraweenah Road Upgrade, Central Coast Roads Package, Coreen Avenue and Coombes Drive Upgrades, Kurrajong Road Intersection Upgrade at Beech Road and Lyn Parade, and Coreen Avenue and Lemongrove Road Signals
- $40.0 million for upgrades to Wentworth Park Light Rail stop to improve accessibility and amenity.

Chart 3.1: Western Sydney roads capital expenditure, 2019-20 to 2028-29



Education and training

The 2025-26 Budget includes a range of initiatives aimed at improving educational outcomes and enhancing training opportunities, including:

- $3.0 billion in 2025-26 to maintain, upgrade and build new public schools, public preschools and TAFEs across New South Wales
- $1.2 billion over four years for TAFE to promote ongoing skills development
- additional NSW funding to reflect the Better and Fairer Schools Agreement. The NSW Government will provide additional funding by removing the 4 per cent provision of indirect school costs which will achieve the Australian and NSW Government's commitment to funding 100 per cent of the Schooling Resource Standard

- $40.2 million to deliver the ongoing commitment to Fee Free Apprenticeships and Traineeships for priority qualifications balanced with maintaining a supply of high-quality training and improving the sector's performance
- $10.0 million in 2025-26 to progress work on expanding the public provision of early childhood education and care in New South Wales.

Health

The Essential Health Services package invests $836.4 million in 2025-26 to support core health services and reduce overdue surgeries. It also funds the opening of new and upgraded hospitals including the Sydney Children's Hospitals at Randwick and Westmead, Gunnedah Hospital and the Statewide Mental Health Infrastructure Program.

Other significant measures include:

- $158.8 million on top of $126.6 million already invested to deliver three new regional helicopter bases to improve ambulance and paramedic response times
- $83.8 million for a Maternity Care and First 2,000 Days package that includes measures to grow and upskill the maternity workforce, and increase midwifery continuity of care and parenting support in regional areas
- $23.1 million over three years for Building on Aboriginal Communities Resilience to expand community-led suicide prevention and wellbeing support programs that are culturally responsive
- $15.4 million in 2025-26 to boost the community mental health workforce, enhance support for young people with severe and complex mental illness and provide regional communities with mental health support.

The NSW Government will deliver $12.4 billion of capital investment to build and upgrade health infrastructure over the next four years, with $3.3 billion in 2025-26. The total capital program includes:

- an additional $700.0 million for the New Bankstown Hospital to integrate hospital inpatient services bringing the total investment in the New Bankstown Hospital to $2.0 billion – the largest ever investment in a new hospital in New South Wales
- $492.0 million to develop a Statewide Pathology Hub on the Westmead Health campus
- an additional $90.0 million to provide the full range of maternity and birthing services at the new Rouse Hill Hospital, with a further $120 million also announced by the Australian Government. These two funding commitments increase the total investment for the new Rouse Hill Hospital project to $910.0 million.

Social, community and justice investment

The Government continues to focus on building stronger, safer communities across the State and supporting the most vulnerable in our community in areas such as:

- the out-of-home care system, including a $1.2 billion child protection package to provide more support for children and young people in out-of-home care (see Box 3.2)
- $731.8 million over four years for First Nations initiatives, including $202.4 million of additional investment in Closing the Gap provided in this Budget, to deliver 14 initiatives co-designed with the NSW Coalition of Aboriginal Peak Organisations and the NSW Closing the Gap Joint Council (see Box 7.2 in Chapter 7 Recurrent expenditure)
- $272.7 million for domestic, family and sexual violence services to continue work on reducing violence against women and children and supporting victim-survivors

- $226.8 million for the Victims Support Scheme, ensuring continued access to counselling and financial support for victims of violent crime and modern slavery
- $49.4 million for a new hub to support victim-survivors to participate in legal proceedings in a trauma-safe environment, allowing witnesses to give evidence remotely via video link
- $34.5 million for upgrades to the Downing Centre and John Maddison Tower, allowing for the creation of 15 new courtrooms to improve time to justice for victims and their families.

Box 3.2: Reforming the child protection system in New South Wales

The Government is embarking on major reform of the out-of-home care (OOHC) system in New South Wales. A reform plan has been developed, which sets out the vision to rebuild a world class OOHC system that enables children to thrive in supportive, stable environments and sees recovery and restoration for more children and families.

Urgent work has been undertaken to stabilise the OOHC system and improve system performance. Achievements to date include:

- reducing the number of children in high-cost emergency arrangements by 35 per cent since November 2023 and ending the use of unaccredited emergency accommodation for vulnerable children as of April 2025
- recruiting more foster carers, with more than 240 government recruited emergency carer households who have kept hundreds of children out of emergency arrangements
- standing up government-run Waratah Care Cottages to better support children and sibling groups and to be less reliant on emergency arrangements.

The 2025-26 Budget provides $1.2 billion to further support this reform plan by investing:

- $797.6 million to continue supporting children and young people in OOHC while reforms are designed and implemented, and setting aside investment for a reformed OOHC program. This will improve the OOHC system and ensure all children and young people can thrive in supportive and stable environments
- $191.5 million to support recruitment of more than 200 new and retention of 2,126 caseworkers with higher pay and more specialised training, including 100 new leading caseworker roles
- $143.9 million for a major increase of 20 per cent to the foster care allowance to recognise the critical role of foster carers to keep children safe
- $49.2 million for government-owned, purpose built or upgraded residential OOHC housing that will deliver safe and stable housing for children over 12 years of age with high and complex needs
- $10 million to support the Office of the Children’s Guardian to continue to oversee organisations and uphold children’s rights to be safe.

These reforms will ensure that every dollar spent delivers better outcomes for vulnerable families.

Emergency services and police

This Budget invests in services which help keep our community safe, particularly in times of crisis, including:

- $46.3 million for a new replacement Police Class 1 Ocean Patrol Vessel, the Nemesis, to ensure the NSW Police Force can continue to conduct extended offshore operations
- $35.9 million for Fire and Rescue NSW to maintain critical frontline fire, rescue and hazardous materials response services
- $34.4 million for the NSW Rural Fire Service to continue leasing its essential fixed wing aircraft and helicopters for emergencies
- $33.9 million to strengthen the Public Safety Network to better support Emergency Services Organisations, government agencies and local councils in delivering critical services that protect communities and infrastructure
- $11.5 million to expand Fire and Rescue NSW's Class 3 Appliance Renewal program which will deliver an additional 10 firefighting vehicles over the next two years. The program accelerates the replacement of ageing pumpers to maintain a target service life of 15 years, thereby helping to keep emergency response vehicles fit for purpose
- $6.0 million for the NSW Police Force to purchase critical communications and analysis equipment to assist in specialist investigations to disrupt crime and keep citizens of New South Wales safe
- $5.5 million to deliver eight Class 1 vehicles to enhance Fire and Rescue NSW operational flexibility, support regional response capacity, strengthen community resilience and meet increased demand for emergency services.

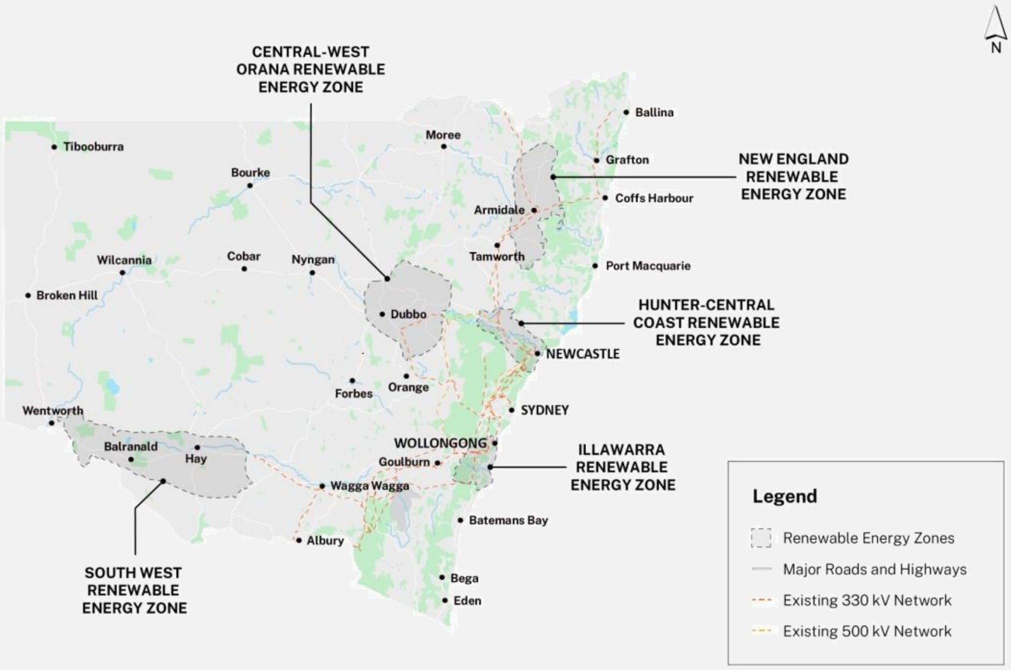
Environment, water and energy

The Government remains committed to a sustainable and healthy environment, through investment in protecting and restoring our environment through:

- $472.9 million over four years for long lasting biodiversity protections and environmental management through improving the Biodiversity Offset Scheme, nature protection, visitor infrastructure in national parks, biodiversity conservation and environmental water management
- $319.1 million for the Sustainable Diversion Limit Adjustment Mechanism Program to improve river health and increase the amount of water returned to the environment
- $21.5 million for the Stockton Beach Repair Project to nourish sand on the beach to protect assets, rehabilitate the coast and restore beach useability
- $5.3 million to allow free entry for eligible veterans into national parks and reserves
- $3.0 million in 2025-26 for the installation of new pumps to improve water quality for Coogee stormwater and to divert stormwater flows from the northern drain to the old wastewater outfall at Dolphin Point.

Box 3.3: Energy Infrastructure Roadmap

The Roadmap is NSW's 20-year plan to transform our electricity system to provide affordable, clean and reliable energy. It is based on developing five Renewable Energy Zones (REZs) across New South Wales that have the benefit of favourable network access and/or ideal opportunities for renewable generation.



Just over half of the minimum 12 gigawatts of renewable generation and 40 per cent of the two gigawatts of long duration storage required by 2030 is locked in. This year's highlights include the following:

- Central West Orana REZ: contracted for the delivery of the new transmission link, with construction to start in mid-2025, and awarded access rights to ten projects totalling 7.15 gigawatts of generation and storage.
- South West REZ: awarded access rights to four projects with a combined generation capacity of 3.56 gigawatts and continued construction of *EnergyConnect* (by Transgrid), a new 900km transmission line connecting the three state energy grids.
- Hunter – Central Coast REZ: appointed AusGrid as the preferred network operator to upgrade the existing network, minimising impacts on communities and the environment.
- Waratah Super Battery: one of the largest batteries in the world finished construction in October 2024 and is undergoing final testing.
- Hunter Transmission Project: appointed Transgrid as the preferred network operator.
- New England REZ: launched a registration of interest process for a network operator for the new transmission line.
- Illawarra REZ: announced as an urban renewable zone focusing on local energy solutions.
- Broken Hill: The Silver City Energy Storage Centre has received planning approval. It will transform a mine site into a first-of-its-kind compressed air energy storage system.
- Secured Australian Government support for 3.7 gigawatts of renewable generation in the Capacity Investment Scheme, in the Central-West Orana, New England and South-West REZs.
- Committed $115.5 million to build the Newcastle Logistics Precinct, a critical new hub to manage the movement of large renewable components.

Cost-of-living support

The Government has responded to the financial burden confronting NSW households arising from a unique range of circumstances that have placed cost-of-living pressure on household budgets.

This Budget provides cost-of-living support to households in 2025-26, including:

- an extension of the National Energy Bill Relief Fund of $150 to the electricity bills of all households and eligible small businesses from 1 July 2025 to the end of 2025 – delivered by the NSW Government with Australian Government funding
- increased battery discount from 1 July 2025 through the Cheaper Homes Batteries Program (administered by the Australian Government)
- double the current incentive from 1 July 2025 through the Virtual Power Plant scheme.

Box 3.4: Toll reform

Since January 2024, NSW motorists have saved $139 million through the Government's $60 toll cap scheme. However, toll costs continue to contribute to cost-of-living pressure for NSW households.

Acknowledging significant reform is highly complex and will take time, the 2025-26 Budget commits funding that can be used over the next five years to continue supporting important toll reform initiatives and restore fairness, simplicity and transparency.

This includes $15.4 million allocated in 2025-26 to the stand-up of NSW Motorways to spearhead the reform, and the provision of $9.8 million over five years for the Independent Pricing and Regulatory Tribunal to facilitate its ongoing toll price monitoring role and improve transparency for motorists.

The 2025-26 Budget also provides funding for continuation of initiatives such as motorist improvements, and $9.4 million to continue the Government's negotiations with private toll operators to secure a better deal for drivers.

Effective public services

This Budget invests in the public service to make it more efficient and effective, including:

- $104.1 million for the Government Technology Platform operating model to deliver cost-effective, reusable and secure digital platforms products and services for all NSW Government entities
- $160.4 million for the Shared Services Optimisation (GovConnect onboarding) program which consolidates multiple Shared Services Hubs within a single ERP platform and service model to support more than 100 agencies across eight NSW Government departments servicing more than 81,000 staff
- $87.7 million for Cyber Security NSW's work with NSW Government entities to prevent, detect and recover from cyber incidents
- $46.8 million for All-of-Government Communication Services, providing governance and policy guidance for advertising, as well as government's largest shared communication and engagement channels
- $5.6 million over two years to support the Government's Workforce Mobility Placement program, supporting the attraction, retention and redeployment of skilled public servants, ensuring talent remains within the public sector
- $2.6 million to recruit and train additional legislative drafters, allowing the Parliamentary Counsel's Office to support the delivery of the NSW Government's legislative program

- $1.3 million to expand the team reviewing Unsolicited Proposals, providing capacity to receive and execute complex commercial proposals that unlock innovative ideas and solutions.

3.4 Growth opportunities for our State

Productivity growth has declined in New South Wales since the early 1990s. When productivity growth is low, the economy slows, putting downward pressure on wage growth and living standards.

Higher productivity supports higher wages, and better public services. Rising productivity depends on a culture of adaptability and innovation. Businesses and individuals, through their efforts to innovate, create new products, improve processes and adopt new technologies, are the main forces behind increasing productivity.

The Government's role in increasing productivity involves investing in infrastructure, education and regulatory reforms, as well as focusing on the efficiency of government services.

Investments in productivity-enhancing infrastructure will continue to directly underpin the State's economic growth opportunities while helping to increase overall living standards. The Government also continues to invest significantly in emerging technology, water infrastructure, planning reforms and other opportunities to increase the capacity of the economy to respond to future challenges.

The 2025-26 Budget maintains the Government's focus on investing in key enablers of economic growth to support the State's ongoing commitment to productivity and income growth, and delivering a more diversified and sustainable economy that is able to adapt to future opportunities and challenges.

Innovation and emerging technology

By investing and delivering new, innovative and clean technologies, the State is investing in a diversified and agile economy, alongside traditional sectors, such as manufacturing, agriculture and finance.

To support and unlock the State's future economic growth, the new Investment Delivery Authority has been established to run an expression of interest to identify investment proposals and clear barriers to major investments valued at over $1 billion (see Box 3.5 for more information).

The Government is investing in the development of the innovation ecosystem, making New South Wales the best place to innovate. The NSW Government's $79.2 million Innovation Blueprint package is designed to support innovative businesses to connect with investors and researchers, and to scale opportunities to drive economic growth. Measures include:

- $38.5 million investment in Tech Central including the relocation of the Sydney Startup Hub and an enhanced collaboration hub at the centre of NSW's innovation ecosystem
- $20.0 million over four years for the Emerging Technology Commercialisation Fund, including the BioSciences Fund and Physical Sciences Fund, to support NSW businesses to commercialise research into marketable products and services
- $6.0 million over three years to establish the Innovative Manufacturing Adoption Fund, supporting NSW-based businesses to diversify and expand manufacturing capabilities through the use of innovative technologies
- $6.0 million to continue the Minimum Viable Product Ventures Program, supporting businesses to increase the commercialisation of innovative products
- $4.0 million to establish the Diversity Pre-accelerator Program supporting founders from diverse backgrounds with tools to develop their business models and secure seed investment

- $2.0 million over two years for the Housing Innovation Network to connect researchers, start-ups and industry to support the delivery of housing through new technologies and applied research
- $2.0 million to establish a Housing Innovation in Construction program to support the delivery of housing by introducing innovative solutions such as industrialised construction facilities and advanced manufacturing processes
- $700,000 for the extension of the National Space Industry Hub, supporting the growth of the space sector in New South Wales with targeted infrastructure, mentorship and connections to global partnerships and supply chains.

The NSW Government is also introducing a critical minerals royalty deferral scheme to support new mining projects, attract additional investment to regional areas and support the development of an industry segment crucial to the energy transition.

Box 3.5: Investment Delivery Authority

The NSW Government is committed to lifting productivity and encouraging more private investment in New South Wales. To assist in unlocking the State's future economic growth, the Government is creating a new Investment Delivery Authority (IDA). The Authority has two clear objectives, to:

- identify and clear barriers to major private investment projects
- advise on broader system reforms that promote investment, competition and support productivity in New South Wales.

The IDA will draw on the success and lessons from the Housing Delivery Authority and Housing Taskforce, helping to resolve delays that arise from the planning system and reduce project uncertainty.

The IDA will advise the Treasurer, Minister for Planning and Minister for Industry and Trade on planning support and options for non-planning support to remove barriers to major non-residential projects selected through an expression of interest process. It will also identify system-wide reforms to remove barriers to investment, competition and productivity in New South Wales.

Projects eligible for consideration by the IDA must demonstrate capability to commence development quickly, be aligned with the Government's priorities and have capital investment values above $1 billion.

Tourism and the arts

The Government is also investing in tourism, the arts and the night-time economy, including additional funding of:

- $280.6 million for Screen NSW to support the Made in NSW and Post, Digital and Visual Effects Rebate programs
- $135.0 million for Destination NSW events, promotion and industry support to grow the NSW visitor economy
- $100 million capital funding to locate a new screen production space
- $20.6 million for the Office of the 24-Hour Economy Commissioner to support the night-time economy and local councils through regulatory reform, precinct-based initiatives and other support
- $20.0 million for Sound NSW to implement the NSW Contemporary Music Strategy through grants programs, capacity-building initiatives and regulatory reform to strengthen the NSW music industry.

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4. FISCAL STRATEGY AND OUTLOOK

- To support continued investment in re-building our essential services and infrastructure, the Government remains committed to the two fiscal principles introduced in the 2023-24 Budget to return the State's operating and debt position to a more sustainable footing.
- The 2025-26 Budget sets a path to a modest surplus in 2027-28 without privatisation or an unfair wages cap. If realised, it will be the first budget surplus since 2018-19.
- The operating position is projected to improve from a deficit of $5.7 billion in 2024-25 to a surplus of $1.1 billion in 2027-28.
- The 2025-26 Budget demonstrates the Government's resolve to improve the State's fiscal sustainability and protect essential services by:
  – reducing gross debt by $9.4 billion by June 2026, relative to the 2023 Pre-election Budget Update
  – gross debt to gross state product is projected to be 19.5 per cent by June 2025 and remaining relatively stable over the four years to June 2029
  – the cash operating position is projected to grow from a surplus of $2.9 billion in 2024-25 to $12.5 billion in 2028-29.
- The State's fiscal position continues to face multiple fiscal risks and pressures, including:
  – additional insurance expenses including workers' compensation
  – increased costs of natural disasters and uncertainty over the timing of Australian Government contributions
  – rising depreciation and amortisation expenses
  – increasing interest expenses
  – significant volatility in the State's bond yields and equity markets.

4.1 Returning to a sustainable fiscal position

The State's pathway to budget surplus reflects a significant turnaround in fiscal performance. The operating deficit narrowed from $15.3 billion in 2021-22 to $10.7 billion in 2023-24, then improving to $5.7 billion by 2024-25, with a return to a budget surplus of $1.1 billion expected by 2027-28.

This progress builds on the return to a cash operating surplus achieved in 2023-24 and reflects the Government's commitment to stabilising the fiscal position while maintaining investment in essential services (see section 4.3 for more details).

The Government remains committed to investing in high-quality services, including those supporting vulnerable people, over the four years to 2028-29, including:

- additional expenditure for NSW public schools following the NSW and Australian Government signing the Better and Fairer Schools Agreement ($4.8 billion from the Australian Government plus additional NSW funded expenditure over ten years to 2034-35)
- $1.2 billion child protection package to support major reform of the out-of-home care system

- $1.2 billion investment in TAFE NSW to bring forward thousands of new construction trades and train the workforce for the growing care economy
- $836.4 million in 2025-26 for an Essential Health Services package to support core health services across the State
- over $650 million to support victim survivors and provide better access to justice across New South Wales.

The State is also continuing to invest in outcome-based partnerships with regional First Nations organisations to advance education and cultural connection outcomes for First Nations girls and partnering with the Australian Government to co-fund an initiative supporting the entry of disengaged youth into education, training and employment.

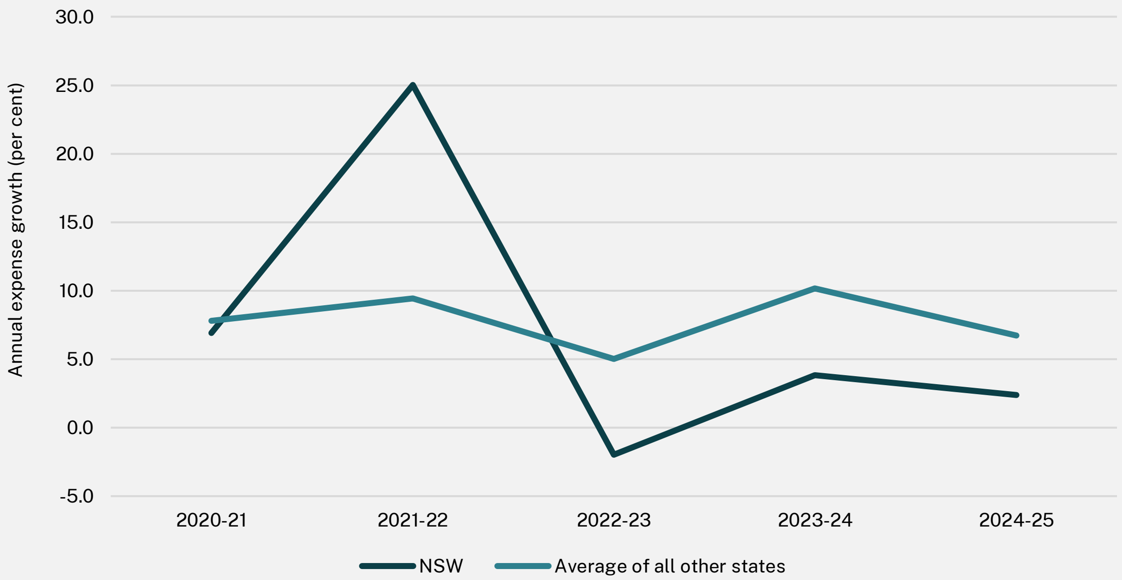
The NSW Government has been able to make record investments in rebuilding essential services by maintaining responsible expense growth (see Chapter 7 Recurrent expenditure), while managing budget pressures.

Box 4.1: Managing expense growth

Between 2011-12 and 2023-24, expenses grew at an average rate of 6.3 per cent. In contrast, expense growth is projected to average 2.4 per cent over the five years to 2028-29. Managing expense growth is a primary lever in returning the Budget to a more sustainable position, while still accommodating insurance and natural disaster expenses.

In the first half of 2025, legislation to reduce claims farming has had some impact on insurance expenses. Future reforms to workers' compensation, if accepted, are likely to reduce future deterioration in the workers' compensation scheme. New investments in the Reconstruction Authority will support increased confidence in the profile of Australian Government reimbursements under the Disaster Recovery Funding Arrangements. This strong focus will see expense growth in New South Wales fall below other states (see Chart 4.1).

Chart 4.1: Annual expense growth (NSW and average of all other Australian states)



Source: Latest Budget Papers or Half-Yearly Reviews of Australian States as at 11 June 2025; NSW Treasury

The 2024-25 budget result has been reduced relative to the 2024-25 Half-Yearly Review due to an $879.6 million increase in insurance expenses[1] as well as a $530.1 million decrease in revenues primarily driven by the reprofiling of Australian Government funding for natural disaster relief.

[1] This figure excludes provisions taken at the 2024-25 Half-Yearly Review to account for the impacts on workers' compensation expenses associated with the police wage increase and reforms to the Police Officer Support Scheme.

Over the forward estimates, revenues are projected to improve supported by a better outlook for GST. The State's GST relativity will fall from 0.87 in 2024-25 to 0.86 in 2025-26, but this fall is less than previously forecast at the 2024-25 Half-Yearly Review. For more detail, see Chapter 6 Federal financial relations.

The budget result in 2026-27 and 2027-28 is projected to improve since both the 2024-25 Budget and 2024-25 Half-Yearly Review (see Table 4.1).

Table 4.1: Reconciliation of 2024-25 Budget to 2025-26 Budget[(a)]

	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	2028-29 Forward Estimates $m
Budget result: 2024-25 Budget	**(3,633)**	**(2,489)**	**(2,364)**	**(1,518)**	**N/A**
Changes from the 2024-25 Budget to 2024-25 Half-Yearly Review					
Revenues	90	2,089	3,018	794	N/A
Expenses	1,440	1,818	2,390	584	N/A
Total budget result impact	(1,350)	271	628	211	N/A
Budget result: 2024-25 Half-Yearly Review	**(4,983)**	**(2,218)**	**(1,737)**	**(1,307)**	**N/A**
Changes from the 2024-25 Half-Yearly Review to 2025-26 Budget					
Revenues	(530)	806	1,370	4,818	N/A
Expenses	202	2,015	782	2,379	N/A
Total budget result impact	(733)	(1,209)	589	2,439	N/A
Budget result: 2025-26 Budget	**(5,715)**	**(3,427)**	**(1,148)**	**1,132**	**1,058**

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

Since the 2024-25 Half-Yearly Review, the State's budget result has been impacted by several fiscal pressures, including an increase in funds for natural disaster response (see Box 4.2) and $790.7 million increase in depreciation and amortisation expenses over the four years to 2027-28. For more details, see Chapter 7 Recurrent expenditure.

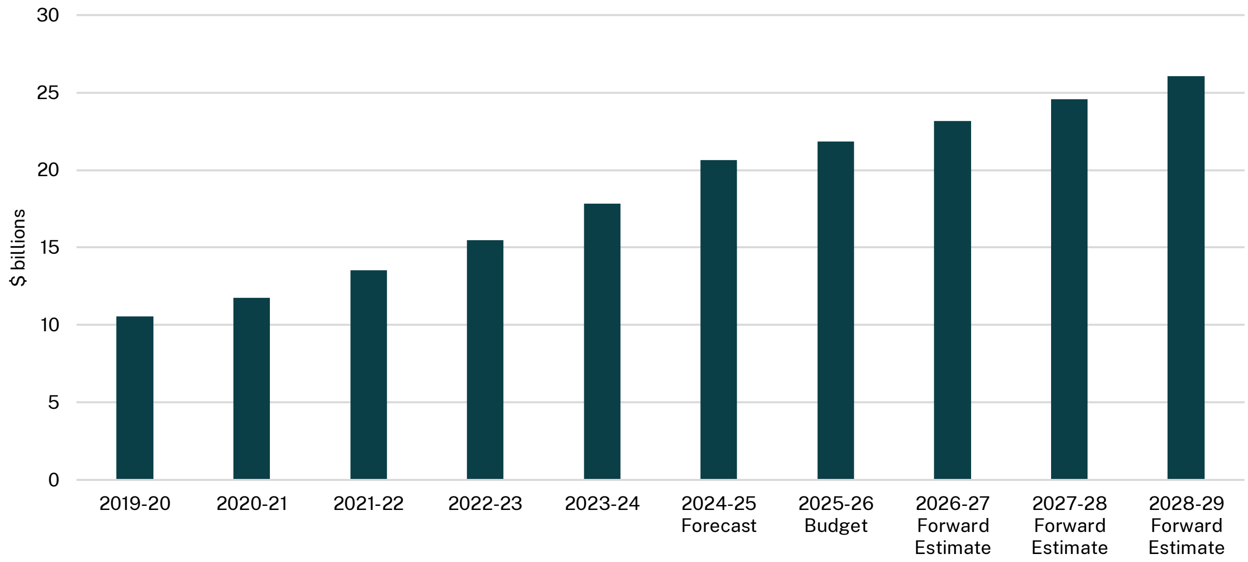
The 2024-25 Budget result was significantly impacted by the following pressures:

- $3.4 billion increase in insurance expenses over five years, of which $2.6 billion relates to the deteriorating performance of workers' compensation scheme (see Chart 4.2 below for increasing Treasury Managed Fund liabilities), with $879.6 million of this deterioration occurring in 2024-25 since the Half-Yearly Review[2]
- increase in costs from natural disasters and uncertainty around the timing of Australian Government contributions
- rise in depreciation and amortisation expenses (see Chart 4.3), with further information on depreciation, and valuation reforms found in Chapter 8 Balance sheet
- significant volatility in the State's bond yields and equity markets
- lower transfer duty (see Chapter 5 Revenue).

Notably, the 2024-25 Budget result has been achieved despite New South Wales receiving a lower GST revenue share, with the largest single-year drop in the GST relativity since the introduction of the tax.

[2] These figures exclude provisions taken at the 2024-25 Half-Yearly Review to account for the impacts on workers' compensation expenses associated with the police wage increase and reforms to the Police Officer Support Scheme. Reforms to workers' compensation being considered by Parliament will impact the reporting of these figures.

Chart 4.2: Treasury Managed Funds liability valuations from 2019-20 to 2028-29



Source: iCare

Note: Actuals from 2019-20 to 2023-24 are based on published financial statements for SiCorp at each balance date. Forecast and Budget are based on the latest 2025-26 Statement of Business Intent Budget. The Pre-Managed Fund Reserve, Government Workers Compensation Account, and Residual Workers Compensation Liabilities of the Crown were amalgamated into TMF on 7 August 2024.

Box 4.2: Addressing natural disaster impacts

Since March 2023, the NSW Government has committed an extra $8.2 billion to support communities affected by natural disasters and to strengthen the State’s resilience to future events. In the six years since the unprecedented 2019-20 bushfires, the NSW and Australian Governments have spent $9.5 billion providing disaster relief and recovery across the State. The costs of responding to natural disasters are rising:

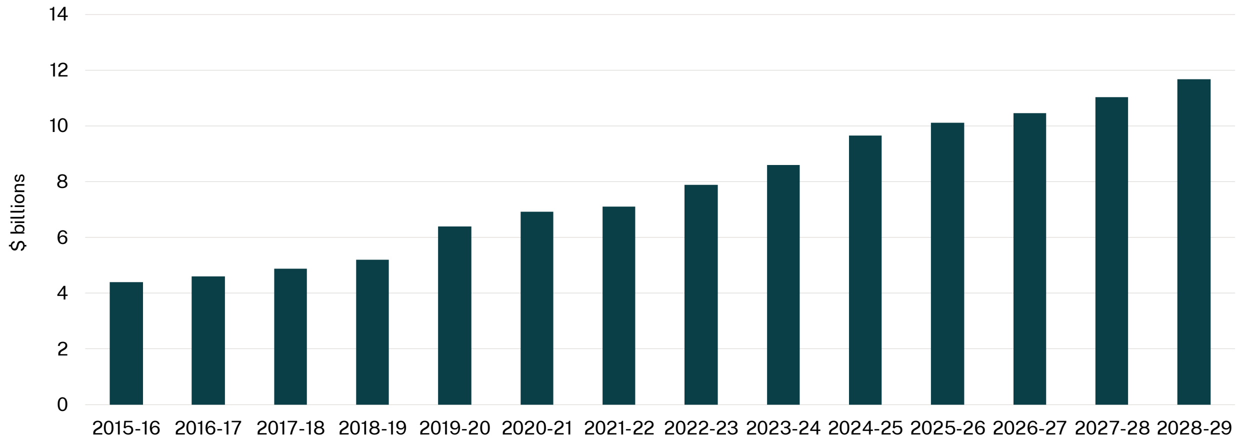
- $1.6 billion average annual expenditure in the six years from 2019-20
- $154 million average annual expenditure in the six years prior to 2019-20.

The 2025-26 Budget allocates $4.2 billion to disaster relief across the forward estimates, including Australian Government contributions.

This investment responds to the increased prevalence and severity of natural disasters, which is resulting in escalating costs in New South Wales, which have increased by over 1,000 per cent in recent years. These events represent a material fiscal risk, reinforcing the importance of proactive resilience investment and long-term recovery planning.

From 2015-16 to 2023-24, depreciation and amortisation expenses nearly doubled from $4.4 billion to $8.6 billion and are projected to rise to $11.7 billion by 2028-29 (see Chart 4.3). This growth in depreciation is broadly in line with the expansion of the State’s infrastructure program (see Chart 4.5).

Chart 4.3: Depreciation and amortisation expenses



Source: NSW Treasury

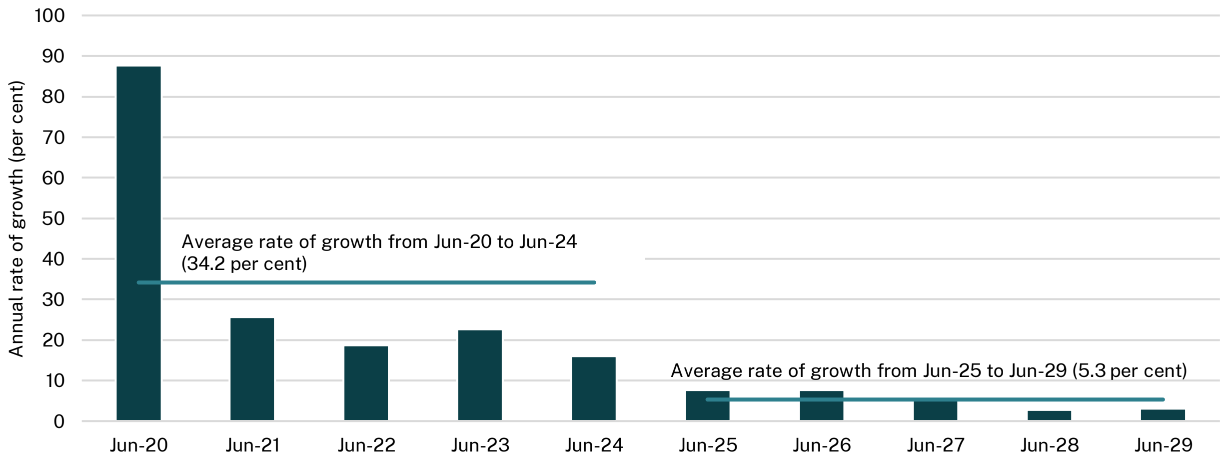
The 2025-26 Budget is also impacted by significant volatility in the State's bond yields and equity markets. The volatility has led to interest expenses being $279.8 million higher over the four years to 2027-28 compared with the 2024-25 Half-Yearly Review.

Despite recent volatility in global financial markets, OneFund has demonstrated good resilience generating a net return of 4 per cent per annum in the eight months since its inception (31 August 2024) and outperforming several global equity markets.

4.2 Keeping the State's debt in check

This Budget continues to move the State's finances to a more sustainable footing while safeguarding essential services. Gross debt is projected to be $9.4 billion lower by June 2026 than forecast in the 2023 Pre-election Budget Update (equivalent to around $1,000 per person in New South Wales or around 1 per cent of gross state product (GSP)) and the rate of new borrowings has moderated significantly (see Chart 4.4).

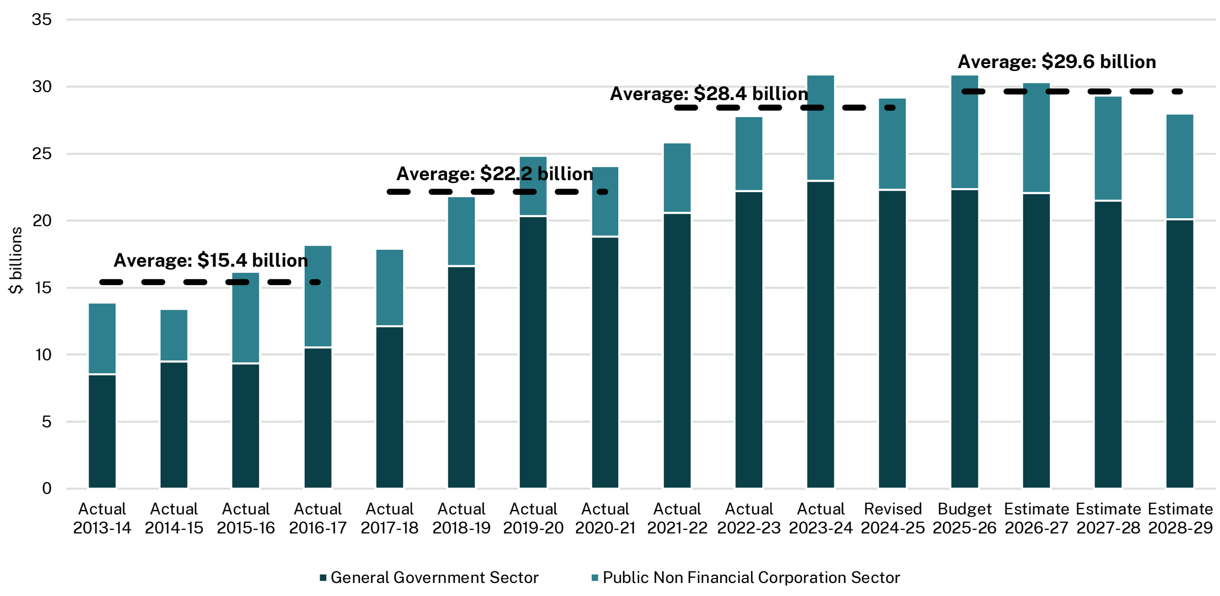
Chart 4.4: Annual change in NSW's gross debt



Source: NSW Treasury

The reduction in gross debt has been achieved while still delivering on the general government's infrastructure program and investment in essential services that support long-term economic growth (see Chart 4.5).

Chart 4.5: Infrastructure investment program



Source: NSW Treasury

Box 4.3: Keeping the State's debt in check

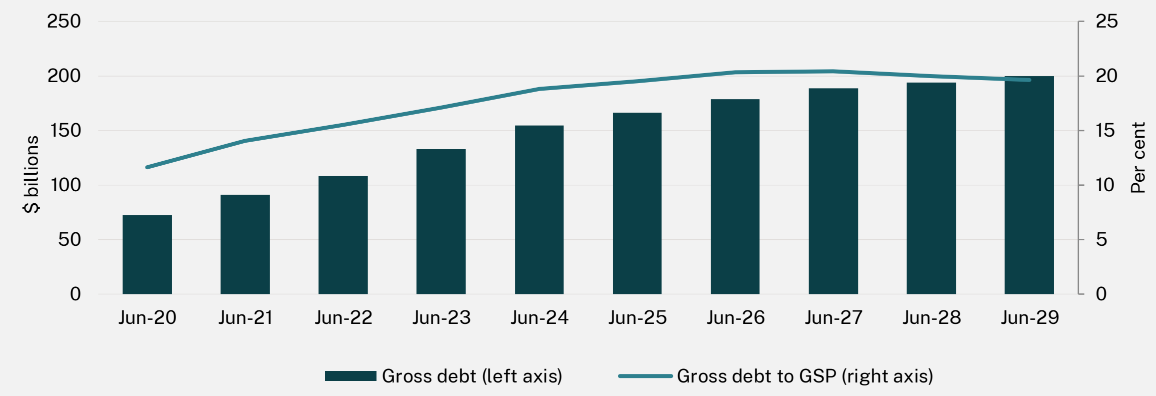
To help stabilise the State's gross debt at around 20 per cent of GSP over the four years to June 2029 (see Chart 4.6), the Government is focused on:

- returning the operating position to balance and maintaining a strong cash operating position to reduce pressure on the State's borrowing requirements
- resetting the State's infrastructure program to be around 2 per cent of GSP over the forward estimates. This will help relieve market capacity pressures and reduce borrowing requirements.

In this Budget, the operating position is projected to improve from a $10.7 billion deficit in 2023-24 to return to a surplus of $1.1 billion by 2027-28. This reflects the Government's intention to balance the need for prudent fiscal management with continued investment in the delivery of essential services. The State's cash operating position is projected to grow from a surplus of $377.8 million in 2023-24 to $12.5 billion in 2028-29. This improvement means the State is less reliant on borrowings to fund its infrastructure program. Debt-funding of the State's infrastructure program has reduced from a peak of 83.4 per cent of debt in the 2020-21 Budget to 53.1 per cent in this Budget.

The State's infrastructure program has expanded significantly in recent years and has been impacted by high inflation, market capacity constraints and delivery delays. The Government is resetting the State's infrastructure program to more sustainable levels of around 2 per cent of GSP, which will also take pressure off the State's borrowing requirements.

Chart 4.6: NSW's gross debt from June 2020 to June 2029



Source: NSW Treasury

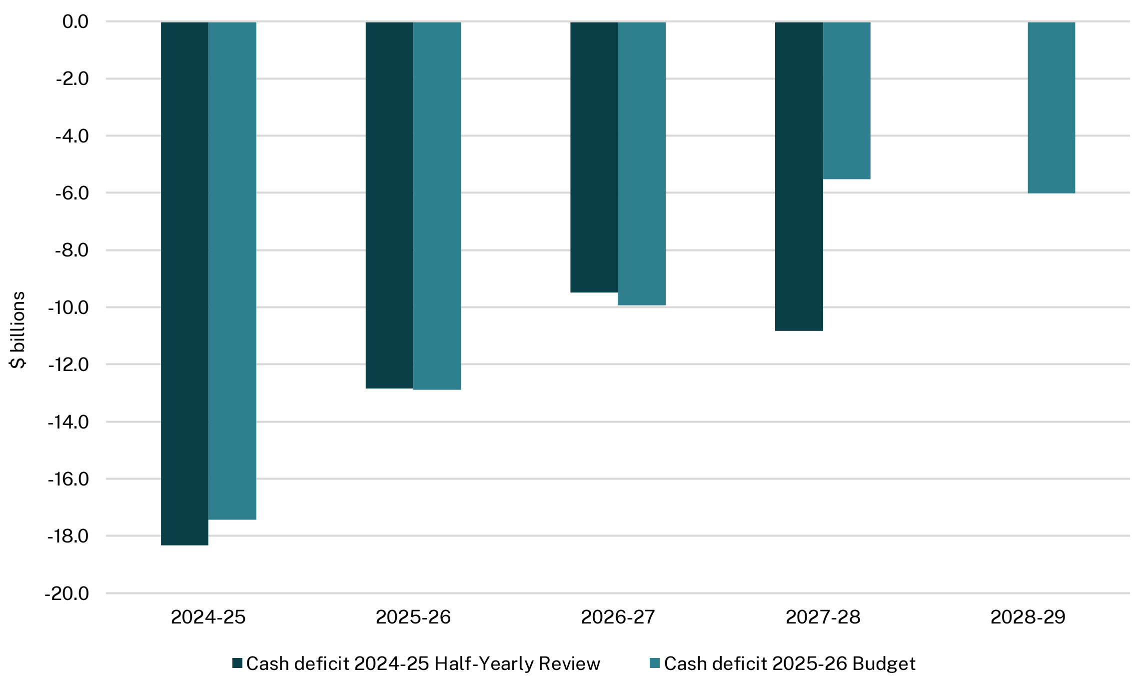
4.3 Efficiently managing the State's cash flows

The Government is efficiently managing the State's cash operating position to free up resources to invest in infrastructure and take pressure off the State's borrowing requirements.

Over the four years to 2028-29, the net cash operating position is projected to improve from $7.4 billion in 2025-26 to $12.5 billion in 2028-29. This is primarily due to the Government's careful management of cash payments by keeping expense growth low across the forward estimates and projecting stronger cash receipts (including GST).

By maintaining a strong cash operating surplus, the Government can use the $42.8 billion to invest in infrastructure over the four years to 2028-29 (see Chart 4.7). This allows for a record essential infrastructure program without privatisation. Debt will now be used to fund just 53.1 per cent in this Budget, down from a peak of 83.4 per cent in the 2020-21 Budget.

Chart 4.7: General government sector cash deficit



Source: NSW Treasury

4.4 Delivering the Government's essential infrastructure plan

The 2025-26 Budget provides $118.3 billion in capital expenditure over four years to 2028-29, towards the State's essential infrastructure, with investment prioritised in schools, hospitals, housing, and critical services like water and energy.

Funding for the infrastructure program is comprised of state funding, public non-financial corporations own source revenue, and Australian Government grants. The majority of state funding is through borrowings, with 53.1 per cent of the infrastructure program from 2024-25 to 2028-29 projected to be funded by borrowings.

Box 4.4 provides more information on the Government's approach to a sustainable infrastructure program.

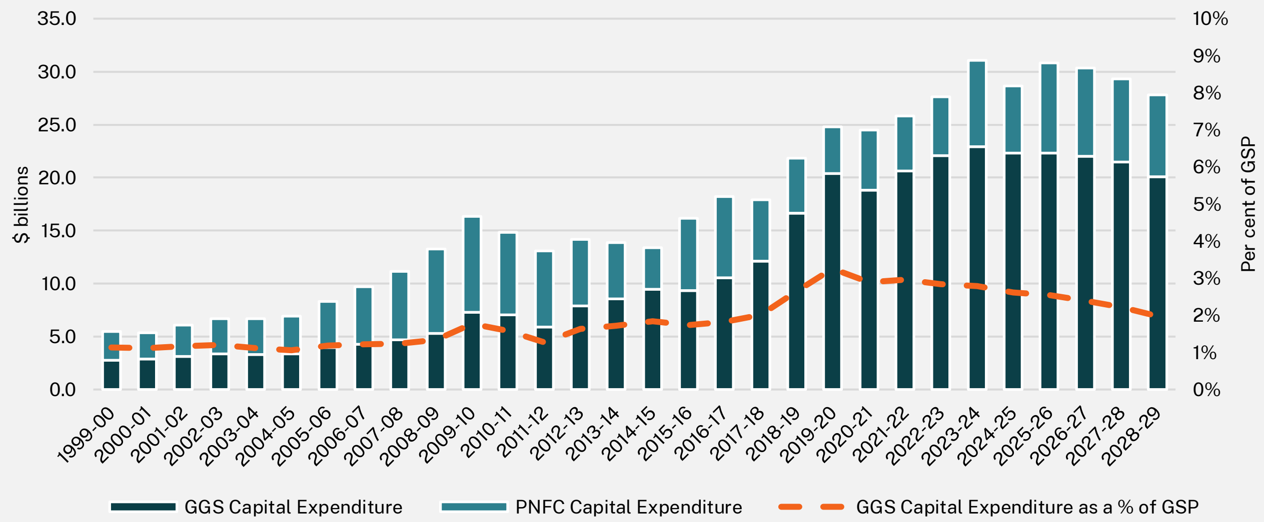
Box 4.4: Fiscally responsible approach to the State's infrastructure program

The State's infrastructure program has expanded in recent years and is projected to reach $30.8 billion in 2025-26, one of the largest years on record for New South Wales.

While the Government has been able to lower debt funding for the State's infrastructure program from its peak of 83.4 per cent of debt in the 2020-21 Budget to 53.1 per cent in this Budget, high inflation and market capacity constraints are still putting pressure on both cost and delivery of infrastructure projects.

The Government is focused on resetting the State's infrastructure program to more sustainable levels of around 2 per cent of GSP over the forward estimates through targeting the delivery of essential infrastructure for the State, while also ensuring that existing infrastructure is maintained.

Chart 4.8: Infrastructure program as a percentage of GSP



Source: NSW Treasury

Infrastructure investment in the 2025-26 Budget

The general government capital expenditure is projected to be $22.3 billion for 2025-26, broadly in line with 2024-25. General government investment excludes the investment program of State-Owned Corporations, such as Sydney Water.

Since the 2024-25 Half-Yearly Review, new funding for infrastructure includes additional funding of $700.0 million for the New Bankstown Hospital to integrate inpatient services, bringing total investment to $2.0 billion – the largest ever investment in a new hospital in New South Wales. This Budget also includes a record $9.0 billion school infrastructure investment pipeline over four years.

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

Table 4.2 outlines the profile over the four years to 2028-29 as well as changes since the 2024-25 Half-Yearly Review.

Table 4.2: Capital expenditure reconciliation[3]

	2024-25	2025-26	2026-27	2027-28	2028-29
	Revised	Budget	Forward Estimates		
	$m	$m	$m	$m	$m
Capital – 2024-25 Half-Yearly Review	**23,220**	**22,073**	**21,175**	**19,591**	**n.a.**
Capital measures	(64)	1,022	2,585	1,954	2,620
Parameter and other variations	(840)	(751)	(1,717)	(64)	n.a.
Capital – 2025-26 Budget	**22,315**	**22,343**	**22,043**	**21,480**	**20,111**

n.a = not available

[3] Total estimated capital expenditure includes an allowance for the established tendency for capital expenditure to slip each year. The extent of slippage has been increasing in recent years due to market capacity constraints and supply chain disruptions. In setting the allowance, observed past slippage and broad assessments of market capacity are considered. In the 2025-26 Budget, this allowance for capital slippage is set at $2.5 billion in 2025-26 reducing to $1.5 billion in 2028-29.

5. REVENUE

- Forecast revenue has been revised down by $530.1 million (-0.4 per cent) in 2024-25 and upward by $11.3 billion over the four years to 2028-29 since the 2024-25 Half-Yearly Review.
- The NSW GST relativity will decline from 0.87 in 2024-25 to 0.86 in 2025-26. While New South Wales is forecast to receive a historically low share of the national GST pool, the release of the Commonwealth Grants Commission's 2025 Methodology Review and near-term strength in national GST collections have increased forecast GST revenue by $1.5 billion in 2025-26 compared to the 2024-25 Half-Yearly Review.
- Total revenue has been revised down by $530.1 million in 2024-25 due primarily to the reprofiling of Australian Government funding for natural disaster relief. This is partially offset by an increase in other dividends and distributions, driven by the management of recent financial market volatility.
- Taxation revenue has been revised up by $546.8 million over the four years to 2028-29 due to an improved outlook for the property market. This is partially offset by downgrades to payroll tax revenue resulting from weaker employment and wages growth.
- Royalties revenue has been revised down by $453.0 million in 2024-25 due primarily to a decrease in the thermal coal price resulting from a global oversupply. However, revenue has been revised up by $374.0 million over the four years to 2028-29 largely due to a downward revision in the exchange rate.
- The 2025-26 Budget includes land tax cuts for owners of eligible new build-to-rent developments. Owners can apply to receive a permanent land tax concession of a 50 per cent reduction in assessed land value. This extends the existing concession that currently has an end date of 31 December 2039.

5.1 Revenue

General government sector revenue is projected at $118.1 billion in 2024-25. This is $530.1 million lower than forecast at the 2024-25 Half-Yearly Review. This revision is largely due to the reprofiling of natural disaster payments from the Australian Government, partially offset by an increase in other dividends and distributions driven by the management of recent financial market volatility.

Total revenue is expected to grow at an average annual rate of 3.8 per cent over the four years to 2028-29 (Table 5.1). This is below trend growth of around 5.5 per cent, largely due to a further deterioration in New South Wales' share of the national GST distribution.

Table 5.1: General government sector – summary of revenue and its components

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	2028-29 Forward Estimates $m	% Average growth p.a. 2024-25 to 2028-29
Revenue from transactions							
Taxation	44,603	47,599	51,318	54,138	56,668	59,541	5.8
Grant revenue (including GST)	46,069	47,576	50,686	50,599	52,918	53,128	2.8
Sale of goods and services	10,156	10,419	11,086	11,157	11,442	11,838	3.2
Interest income	768	801	573	598	589	541	(9.3)
Dividends and income tax equivalents from other sectors	679	630	874	919	995	1,139	16.0
Other dividends and distributions	1,432	4,035	2,796	3,176	3,354	3,623	(2.7)
Royalties	3,053	3,325	3,253	3,297	3,297	3,272	(0.4)
Fines, regulatory fees and other revenues	3,459	3,706	3,569	4,153	3,969	4,053	2.3
Total revenue	**110,219**	**118,090**	**124,154**	**128,038**	**133,232**	**137,135**	**3.8**
Annual change	*4.1%*	*7.1%*	*5.1%*	*3.1%*	*4.1%*	*2.9%*	

Over the four years to 2028-29, forecast revenue is expected to be $11.3 billion higher than at the 2024-25 Half-Yearly Review.

The main drivers of this upward revision are:

- increases to GST revenue, driven by revised relativity forecasts following the Commonwealth Grants Commission's 2025 Methodology Review (refer to Box 6.5 in Chapter 6 Federal financial relations for further details on GST)
- stronger National Agreement payments, reflecting new schools funding under the Better and Fairer Schools Agreement and increased skills funding
- an uplift in Federation Funding Agreement payments, underpinned by reprofiling of disaster recovery and transport infrastructure funding
- higher transfer duty reflecting an improved outlook for residential property prices in response to further easing of monetary policy.

These upward revisions are partially offset by:

- weaker revenue from other dividends and distributions from reprofiled investment fund distributions
- downgrades to payroll tax revenue due to a weaker outlook for both employment and wages growth
- lower dividends and income tax equivalents from the water and energy sectors
- downward revisions to the recognition and timing of revenue associated with the sale of development zones within Barangaroo dating back to 2019 and 2022 respectively.

Table 5.2: Revenue reconciliation

	2024-25 Revised $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	Four years to 2028-29 $m
Revenue – 2024-25 Half-Yearly Review	**118,620**	**123,348**	**126,668**	**128,414**	**132,879**	**511,308**
Policy changes since 2024-25 Half-Yearly Review						
Revenue measures	...	199	193	183	174	**748**
Revenue related to expense, capital and other measures	266	1,225	1,444	1,016	1,196	**4,881**
Total policy measures	**266**	**1,424**	**1,637**	**1,199**	**1,370**	**5,629**
Parameter changes since 2024-25 Half-Yearly Review						
Taxation						
Transfer duty	(284)	(215)	304	255	306	**650**
Insurance duty	10	12	13	15	17	**57**
Motor vehicle stamp duty	(58)	(60)	(78)	(110)	(144)	**(392)**
Payroll tax	65	68	(75)	(180)	(325)	**(512)**
Land tax	(30)	(120)	(141)	(143)	(42)	**(445)**
Taxes on motor vehicles	15	14	13	39	48	**113**
Gambling and betting taxes	24	(28)	(32)	(53)	(70)	**(183)**
Other taxes	(29)	40	67	78	29	**214**
Grant revenue						
GST revenue	142	1,531	1,720	1,611	1,892	**6,754**
National Agreement payments	55	47	82	89	393	**612**
Federation Funding Agreement payments	(1,301)	(859)	(1,812)	1,860	332	**(478)**
Other grant revenue	(15)	68	(96)	(127)	(180)	**(335)**
Sale of goods and services	257	252	112	816	779	**1,959**
Interest income	137	31	46	48	24	**148**
Dividends and income tax equivalents	2	(171)	(109)	(126)	(102)	**(508)**
Other dividends and distributions	678	(575)	(242)	(330)	(39)	**(1,185)**
Royalties	(453)	(234)	204	274	130	**374**
Fines, regulatory fees and other revenues	(10)	(419)	(242)	(397)	(162)	**(1,220)**
Total parameter changes and other variations	**(796)**	**(618)**	**(266)**	**3,620**	**2,886**	**5,622**
Total changes since 2024-25 Half-Yearly Review	**(530)**	**806**	**1,370**	**4,818**	**4,256**	**11,251**
Revenue – 2025-26 Budget	**118,090**	**124,154**	**128,038**	**133,232**	**137,135**	**522,559**

5.2 Revenue measures since the 2024-25 Half-Yearly Review

New revenue measures since the 2024-25 Half-Yearly Review are forecast to improve revenue by $747.8 million over the four years to 2028-29.

Expenditure and capital decisions (with an indirect impact on revenue) are forecast to have a net positive impact of $4.9 billion over the four years to 2028-29. This is primarily due to decisions relating to Australian Government payments. For further detail see Chapter 6 Federal financial relations.

Key revenue decisions since the 2024-25 Half-Yearly Review are set out below.

Extend Revenue NSW tax integrity program

Revenue NSW integrity funding was forecast to decline from 2025-26. The NSW Government has agreed to extend the Revenue NSW funding which is supporting an increased level of tax compliance.

Extending the build-to-rent land tax concession

Owners of new build-to-rent (BTR) developments will be able to apply for a 50 per cent reduction in land value for land tax purposes. This concession applies indefinitely (previously the concession was set to end 31 December 2039) from the 2026 land tax year, subject to eligibility requirements. The requirement that a proportion of labour force hours for construction be performed by specified classes of workers will also be removed. BTR developers will also be able to apply for exemptions from foreign purchaser duty and land tax surcharges (or a refund of surcharges paid). Developments that are already receiving, or applied for, the BTR land tax concession for the 2025 land tax year or prior years are ineligible to receive the extended concession. This measure is estimated to generally provide more favourable tax treatment for BTR projects compared to build-to-sell projects and have no revenue impact over the forward estimates as the existing concession is already in place.

Table 5.3: Revenue measures

	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	Four years to 2028-29 $m
Extend Revenue NSW tax integrity program	195	193	183	174	744
Extending the build-to-rent land tax concession	...	...	...	...	...
Additional assurance activity on gambling operators	4	...	...	...	4
Total – revenue measures	**199**	**193**	**183**	**174**	**748**

5.3 Taxation revenue

Taxation revenue is expected to be $47.6 billion in 2024-25 which is $287.1 million lower than forecast at the 2024-25 Half-Yearly Review. The downgrade is largely driven by reduced transfer duty.

Over the four years to 2028-29, taxation revenue has been revised up by $546.8 million. The upgrade is mostly due to improvements in the property market, partially offset by weaker payroll tax and motor vehicle stamp duty.

Table 5.4: General government sector – summary of taxation revenue

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	% Average growth p.a. 2024-25 to 2028-29
Stamp duties							
Transfer duty	11,415	12,305	13,355	14,026	14,500	15,269	5.5
Insurance	1,575	1,696	1,801	1,909	2,024	2,146	6.1
Motor vehicles	1,197	1,184	1,262	1,342	1,413	1,481	5.8
Other	0	0	0	0	0	0	...
	14,188	**15,185**	**16,418**	**17,277**	**17,937**	**18,896**	**5.6**
Payroll tax	**12,486**	**13,035**	**13,851**	**14,670**	**15,593**	**16,495**	**6.1**
Taxes on land							
Land tax	7,084	8,205	8,792	9,343	9,827	10,324	5.9
Property tax	13	14	13	12	10	9	(9.6)
	7,097	**8,219**	**8,804**	**9,355**	**9,837**	**10,333**	**5.9**
Taxes on motor vehicle ownership and operation							
Weight tax	3,002	3,276	3,486	3,677	3,875	4,076	5.6
Vehicle transfer fees	58	63	65	67	69	71	3.0
Road User Charge	...	...	...	...	73	141	...
Other motor vehicle taxes	48	55	58	61	64	67	4.9
	3,108	**3,394**	**3,609**	**3,805**	**4,081**	**4,355**	**6.4**
Gambling and betting taxes							
Wagering	61	63	65	66	68	70	2.4
Point of consumption tax	285	284	283	295	309	325	3.4
Club gaming devices	956	1,016	1,060	1,084	1,113	1,145	3.0
Hotel gaming devices	1,353	1,449	1,552	1,663	1,784	1,915	7.2
Lotteries and lotto	631	553	577	595	613	631	3.4
Casino	203	223	165	174	186	197	(3.1)
Other gambling & betting	18	20	21	21	22	23	3.8
	3,507	**3,608**	**3,723**	**3,899**	**4,095**	**4,306**	**4.5**
Other taxes and levies							
Health insurance levy	257	212	267	277	290	301	9.2
Parking space levy	114	122	132	127	131	134	2.4
Emergency services levy contributions	1,389	1,319	1,396	1,496	1,402	1,353	0.6
Emergency services council contributions	210	221	236	223	215	220	(0.1)
Waste and environment levies	850	853	971	998	998	998	4.0
Government guarantee fee	373	370	403	462	515	574	11.6
Passenger services levy	94	97	99	100	100	72	(7.4)
Pollution control licences	17	20	18	18	18	18	(2.4)
Other taxes	913	944	1,390	1,433	1,457	1,486	12.0
	4,218	**4,158**	**4,913**	**5,133**	**5,125**	**5,156**	**5.5**
Total taxation revenue	**44,603**	**47,599**	**51,318**	**54,138**	**56,668**	**59,541**	**5.8**
Annual change	*12.2%*	*6.7%*	*7.8%*	*5.5%*	*4.7%*	*5.1%*	

Payroll tax

Revenue from payroll tax is expected to be $13.0 billion in 2024-25. Recently, payroll tax has been supported by tight labour market conditions and higher average compensation of employee growth when compared to historical trends. These factors have resulted in a $65.0 million upgrade to payroll tax revenue in 2024-25 since the 2024-25 Half-Yearly Review.

Dampening business sentiment resulting from greater uncertainty from United States of America (US) trade policies is expected to put downward pressure on employment growth, resulting in some easing in labour market conditions.

Overall, these impacts result in a $512.3 million downgrade to payroll tax revenue over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review.

Transfer duty

Since the 2024-25 Half-Yearly Review, transfer duty revenue in 2024-25 has been revised down by $284.0 million due to weaker-than-anticipated residential transaction volumes. Transaction volumes are expected to improve as buyers become more certain about the easing of monetary policy. Nevertheless, transaction volumes are not expected to reach the peaks observed in previous cycles, primarily due to prevailing affordability constraints.

Over the four years to 2028-29, transfer duty revenue has been revised up by $899.0 million in aggregate, of which $650.0 million is related to underlying macroeconomic assumptions. This reflects an improved outlook for residential property prices in response to further easing of monetary policy.

Land tax

Land tax revenue is estimated to be $8.2 billion in 2024-25, broadly in line with expectations at the 2024-25 Half-Yearly Review.

Over the four years to 2028-29, land tax has been revised up by $49.7 million in aggregate. Notwithstanding this, updated land value assumptions are weighing down land tax revenue by $445.3 million over the four years. This is due largely to preliminary commercial sector land values for 2025 being significantly lower than previous expectations.

Gambling and betting taxes

Gambling and betting taxes have been revised up by $23.6 million in 2024-25 to reflect changed timing of recognition of underpaid casino duty.

Over the four years to 2028-29, revenue has been revised down by $179.6 million compared to the 2024-25 Half-Yearly Review. This is primarily due to softer growth in online wagering activity as consumers transition back to physical locations following the pandemic and weaker forecast casino activity.

Taxes on motor vehicle ownership and operation

Compared to the 2024-25 Half-Yearly Review, motor vehicle taxes have been revised up by $15.0 million in 2024-25 and by $113.2 million over the four years to 2028-29. The upward revision reflects stronger-than-expected weight tax collections year-to-date.

An increase to the estimates of electric vehicle road user charge (RUC) revenue in 2027-28 and 2028-29 also contributes to the revision. This upgrade largely reflects a change in the forecast to accurately reflect the annual indexation of the RUC rate from the 2022-23 financial year.

Other stamp duties

Insurance duty has been revised up by $10.0 million in 2024-25 and $57.0 million over the four years to 2028-29 since the 2024-25 Half-Yearly Review. This is largely attributed to stronger year-to-date collections. Rising premiums across most insurance categories due to higher labour and material costs, increased occurrences of climate-related events and growing reinsurance costs support strong growth of 6.1 per cent per annum over the four years to 2028-29.

Motor vehicle registration duty has been revised down by $58.0 million in 2024-25 and by $392.0 million over the four years to 2028-29. The downgrade reflects weaker new vehicle sales.

Other taxes and levies

Health insurance levy is forecast to be $56.0 million lower in 2024-25, reflecting the impact of a court decision in August 2024 relating to the onus on health funds to substantiate a policy holder’s entitlement to receive a health insurance levy exemption. Over the four years to 2028-29, revenue is expected to be $90.0 million lower compared to the 2024-25 Half-Yearly Review. This reflects a lower-than-expected health insurance levy rate from 1 April 2025 and the ongoing impact of the 2024 court decision.

Revenue from the emergency services levy insurer contribution and the emergency services council contribution is forecast to increase by $324.7 million over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review. This increase is primarily driven by additional expenditures to strengthen the frontline response to emergencies and natural disasters.

The government guarantee fee has been revised down by $261.4 million over the four years to 2028-29. This is primarily due to lower fees paid by Sydney Water and Essential Energy, driven by higher NSW Treasury Corporation (TCorp) rates resulting in a narrower yield spread and an improved credit rating, respectively.

The workers contribution levy has been revised up by $294.6 million over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review predominantly to establish the standalone SafeWork NSW agency and to meet the demand of the Independent Legal Assistance and Review Services Program.

Compulsory third party premium levy is forecast to increase by $289.0 million over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review to reflect the increased funding required under the motor vehicle compulsory third party scheme to cover higher hospital and ambulance costs and other revised scheme regulatory costs.

Box 5.1: Emergency services funding reform

The NSW Government continues to invest in NSW emergency services to enhance the frontline response to natural disasters and keep the people of New South Wales safe. The 2025–26 Budget includes additional funding of $34.4 million for the Rural Fire Service to continue leasing its fixed wing aircraft and helicopters, $42.2 million for Fire and Rescue NSW to hire 52 staff at the new 24-hour Badgerys Creek Fire Station, and $17.0 million for the renewal of Fire and Rescue's fire-fighting fleet.

The NSW Government is committed to reforming the emergency services funding system. The State's emergency services agencies are largely funded by the Emergency Services Levy (ESL). The ESL paid through residential property insurance premiums has increased by $222.0 million (or 48 per cent) from 2017-18 to 2023-24.

In the last year, the Government took several important steps to advance the reform.

- The Independent Pricing and Regulatory Tribunal has progressed its work as the Insurance Monitor to prepare its approach for monitoring the removal of the ESL from insurance premiums. This includes developing an approach to monitor insurers' over-collections of ESL and prohibited conduct in relation to the reform, engaging insurers to access data to monitor insurance price changes, and preparing a strategy and operating model for investigations and enforcement actions.
- To inform policy development, the Treasurer requested ESL-related data on insurance policies from insurers and local councils performed preliminary land classifications, to derive detailed property level data. Treasury has compiled data from insurers, local councils and other sources to develop a database representative of all NSW properties.

Data shows that while residential property land values in 2023-24 were generally higher in Greater Sydney relative to the rest of New South Wales, Greater Sydney units represent a significant share of properties with lower land values (Chart 5.1).

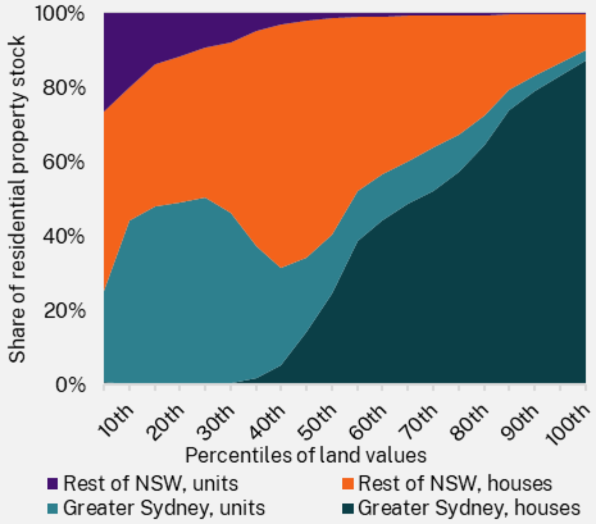
In 2023-24, almost half of all ESL was passed on to insurance premiums associated with residential property, with around 44 per cent passed on to non-residential property insurance premiums and around 6 per cent on motor vehicle insurance premiums.

GST and stamp duty are charged on top of ESL, compounding the ESL-related costs for policyholders. The average ESL-related cost per insured residential property in New South Wales was around $285 in 2023-24.

ESL-related costs associated with residential property generally increase with land values but can vary around similar land values. For example, around the 50th percentile in land values in 2023-24, ESL costs ranged from $107 to $461 for most policyholders (Chart 5.2). Factors contributing to these variations include the property's replacement value, location, risk exposure, use and the level of insurance a policyholder chooses to take.

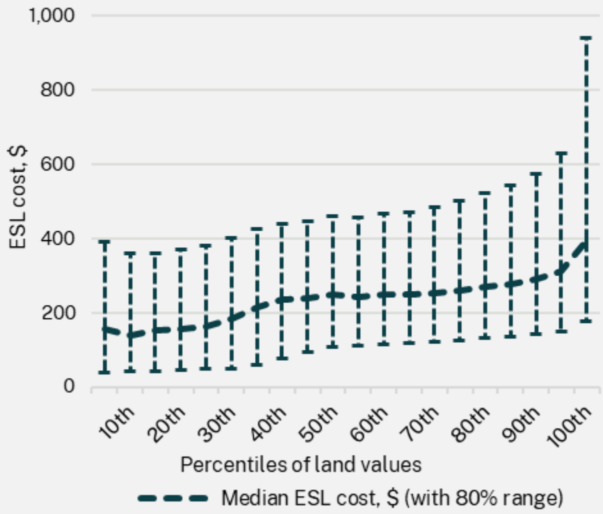
The NSW Government continues to work to design a replacement levy that is budget neutral, informed by detailed tax modelling and the views of industry and stakeholders in the wider community.

Chart 5.1: Residential property stock 2023-24



Source: NSW Treasury and Valuer-General

Chart 5.2: ESL-related costs per residential property 2023-24



Source: Insurers, NSW Treasury and Valuer-General

5.4 Grant revenue

Grant revenue is primarily from the Australian Government and consists of:

- general purpose grants (including GST)
- specific purpose payments, in the form of National Agreement payments
- Federation Funding Agreement payments.

Table 5.5: Grant revenue

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	% Average growth p.a. 2024-25 to 2028-29
Australian Government - general purpose grants	26,665	26,105	27,957	28,144	28,978	30,022	3.6
GST revenue (including "no worse off" payments)	26,660	26,099	27,933	28,136	28,977	30,022	3.6
Other general purpose grants	5	6	24	8	1	0	(63.9)
Australian Government - National Agreement payments	12,958	13,591	14,311	15,497	16,264	17,158	6.0
Australian Government - Federation Funding Agreement payments	4,988	6,615	7,006	5,692	6,464	4,809	(7.7)
Other Australian Government payments	491	310	503	450	373	325	1.1
Total Australian Government grants	**45,103**	**46,621**	**49,776**	**49,782**	**52,079**	**52,314**	2.9
Annual change in Australian Government grants	*1.1%*	*3.4%*	*6.8%*	*0.0%*	*4.6%*	*0.5%*	
Other grants	966	954	909	818	839	814	(3.9)
Total grant revenue	**46,069**	**47,576**	**50,686**	**50,599**	**52,918**	**53,128**	**2.8**

GST revenue

GST revenue including “no worse off” payments is estimated to be $26.1 billion in 2024-25, a decline of 2.1 per cent from the prior year. This reflects a lower GST relativity for New South Wales, with the largest single-year drop in the State’s share of GST since the introduction of the tax. Strong growth is expected in 2025-26, following recent strength in national GST collections. Over the forward estimates, GST revenue is forecast to grow modestly as growth in the national GST pool is partially offset by a declining share of payments made to New South Wales.

Over the four years to 2028-29, GST revenue has been revised up by $6.8 billion compared to the 2024-25 Half-Yearly Review. For more information on GST revenue see Chapter 6 Federal financial relations.

National Agreements

Revenue from all National Agreement payments in the four years to 2028-29 has increased by $2.4 billion relative to the 2024-25 Half-Yearly Review. The largest driver of the increase is new schools funding under the Better and Fairer Schools Agreement along with uplifts in skills funding. Further information is provided in Chapter 6 Federal financial relations.

Federation Funding Agreements

NSW Government revenue from Federation Funding Agreement payments is expected to be $1.5 billion higher over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review. This increase primarily reflects the reprofiling of disaster recovery funding and transport infrastructure funding. Refer to Chapter 6 Federal financial relations for more information.

5.5 Non-tax revenue

Sale of goods and services

Sale of goods and services revenue is estimated to reach $10.4 billion in 2024-25. This is $256.9 million higher than expected at the 2024-25 Half-Yearly Review, mainly reflecting a reclassification of Ministry of Health revenue from fines, regulatory fees and other revenue to patient fees under the sales of goods and services, and additional Transport for NSW recoupment revenue from Sydney Trains, Transport Asset Manager and NSW TrainLink, related to the delivery of capital projects. Over the four years to 2028-29, revenue in this category has been revised up by $2.4 billion in total, of which $2.0 billion is associated with parameter changes, including:

- the reclassification of Ministry of Health revenue from fines, regulatory fees and other revenue to patient fees under the sale of goods and services
- the transfer of replacement bus management from Sydney Trains to Transport for NSW, resulting in the recognition of sale of other services revenue and corresponding operating expenses
- an increase in NSW Self Insurance Corporation revenue in 2025-26 due to reinsurance and other recoveries previously expected in 2024-25.

Revenue related to expense, capital and other measures increase the sale of goods and services revenue by $471.2 million over the four years to 2028-29 largely due to adjustments to Transport Asset Manager fees for services associated with its forecast project delivery schedules. This is offset by a corresponding movement in capital program delivery expenses.

Table 5.6: Sale of goods and services

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	2028-29 Forward Estimates $m	% Average growth p.a. 2024-25 to 2028-29
Sale of goods	583	532	572	683	699	805	10.9
Rents and leases	465	441	411	409	418	460	1.0
Fee for service	2,455	2,245	2,321	2,258	2,295	2,183	(0.7)
Entry fees	66	57	83	86	81	82	9.6
Patient fees and hospital charges	1,273	1,398	1,510	1,560	1,612	1,666	4.5
Department of Veterans' Affairs	158	120	112	105	99	93	(6.3)
Court fees	176	185	187	179	195	191	0.8
Road tolls	138	139	159	160	180	283	19.4
Licences	793	930	998	1,031	1,074	1,114	4.6
Other sales of goods and services	4,049	4,372	4,731	4,684	4,789	4,963	3.2
Sale of goods and services	**10,156**	**10,419**	**11,086**	**11,157**	**11,442**	**11,838**	**3.2**

Interest income

Interest income includes returns on managed bond investments, including investments made by NSW Treasury Corporation (TCorp), and interest earned on bank deposits and funding facilities. Interest revenue has been revised up by $125.1 million in 2024-25 due to higher cash balances in the State's interest-earning bank accounts. Interest income is broadly unchanged over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review.

Dividends and income tax equivalents

State Owned Corporations (SOCs) and TCorp pay dividends that provide appropriate returns on the Government's equity investment in these entities. They also make income tax equivalent payments to ensure competitive neutrality. Over the four years to 2028-29, dividends and income tax equivalents revenue has been revised down by a total of $507.7 million since the 2024-25 Half-Yearly Review which primarily reflects the anticipated impacts of the upcoming Independent Pricing and Regulatory Tribunal determination on prices that water entities will charge customers between 1 July 2025 and 30 June 2030, project delays and increased costs.

Other dividends and distributions

Other dividends and distributions are received from entities other than SOCs, as well as the State's equity investment in associated entities such as Ausgrid and Endeavour Energy. Revenue from other dividends and distributions in 2024-25 has been revised up by $678.3 million since the 2024-25 Half-Yearly Review. Meanwhile, revenue forecasts over the four years to 2028-29 have been downgraded by $1.2 billion. These movements mainly reflect the smoothing of investment fund distributions.

Fines, regulatory fees and other revenue (excluding royalties)

Fines, regulatory fees and other revenue has been revised down by $830.2 million over the four years to 2028-29 compared to the 2024-25 Half-Yearly Review. Parameter changes contribute $1.2 billion to this movement and reflect:

- changes to the recognition and timing of revenue for the sale of development zones within Barangaroo dating back to 2019 and 2022 respectively
- Ministry of Health revenue reclassified from other revenue to patient fees under the sale of goods and services
- weaker revenue from the Housing and Productivity Contribution (introduced in the 2022-23 Half-Yearly Review) due to lower-than-expected building approvals and weaker collections year-to-date, resulting in further shifting out of revenue over the forward estimates as the new contribution transitions towards maturity.

Revenue related to expense, capital and other measures partially offset the downgrades to fines, regulatory fees and other revenue by $389.8 million.

Table 5.7: Fines, regulatory fees and other revenue

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	% Average growth p.a. 2024-25 to 2028-29
Fines	713	779	781	772	791	793	0.4
Regulatory fees	214	200	243	240	252	244	5.1
Developer and industry contributions	753	760	845	1,172	1,230	1,262	13.5
Other revenues	1,779	1,967	1,700	1,970	1,696	1,754	(2.8)
Total fines, regulatory fees and other revenues	**3,459**	**3,706**	**3,569**	**4,153**	**3,969**	**4,053**	**2.3**

Royalties

Since the 2024-25 Half-Yearly Review forecasts were finalised in October 2024, thermal coal prices have fallen sharply. The thermal coal spot price has fallen from around US$145 per tonne in October 2024 to a low of US$96 per tonne in April 2025. A warmer-than-anticipated Northern Hemisphere winter has reduced energy demand among key Asian export partners. Coupled with an increase in domestic coal production in China, this has led to a global oversupply of thermal coal placing downward pressure on prices.

The sharp fall in the thermal coal prices has driven a $453.0 million downward revision in royalties revenue in 2024-25. This has been partially offset by a depreciation of the AUD/USD exchange rate.

Going forward, royalties have been revised up by $374.0 million over the four years to 2028-29. This is primarily driven by a downward revision in the Australian dollar forecast (which increases royalties revenue) due to a decrease in the spread between long-term Australian and US government bonds and weaker commodity prices.

6. FEDERAL FINANCIAL RELATIONS

- All Australian states and territories (the states), including NSW, rely on the Australian Government to fund essential public services, primarily through National Agreements, partnerships and GST payments.
- New South Wales revenue from National Agreements has increased over the forward estimates relative to the forecast at the 2024-25 Half-Yearly Review, driven by the landmark Better and Fairer Schools Agreement and a one-year extension of the National Health Reform Agreement.
- Several key national partnerships are also scheduled to be agreed over 2025-26, including a long-term National Health Reform Agreement and a new Preschool Reform Agreement.
- The Better and Fairer Schools Agreement, agreed in March 2025, will fully fund NSW Government schools by delivering 100 per cent of the Student Resource Standard. This represents a $10.4 billion funding injection, comprising $5.6 billion from the NSW Government and $4.8 billion from the Australian Government.
- NSW GST relativity will decline from 0.87 in 2024-25 to 0.86 in 2025-26. While New South Wales is forecast to receive a historically low share of the national GST pool, the release of the Commonwealth Grants Commission's 2025 Methodology Review and near-term strength in national GST collections have increased forecast GST revenue by $1.5 billion in 2025-26 compared to the 2024-25 Half-Yearly Review.

6.1 Introduction

Australia's federal system, as set out in the Constitution, confers specific powers on the Commonwealth but leaves the states with full powers with respect to any matters other than those taken from them by the Consitution. These include the provision of essential services such as schools, hospitals, transport, and emergency services.

Due to the Vertical Fiscal Imbalance (refer to Box 6.1 below), New South Wales relies on the Australian Government to assist in funding essential public services. The Intergovernmental Agreement on Federal Financial Relations guides this relationship across governments.

Box 6.1: Vertical Fiscal Imbalance and the role of the Australian Government

Vertical Fiscal Imbalance arises because the states have close to equal share of spending responsibilities under Federation, while the Australian Government has most of the revenue raising power. Limits on the ways in which the states can raise revenue constrains their ability to meet the costs of education and training, health, public transport, police and emergency services, courts and correctional facilities, and other vital public services.

While the states deliver almost half of all government operating expenditure, the Australian Government raises more than 80 per cent of tax revenue and provides around 45 per cent of state revenues. The disproportion in revenue collection and spending responsibilities means that the financial capacity across the Australian governments is imbalanced.

The Australian Government provides two primary forms of financial assistance to states to fill this funding gap – tied grants and general revenue assistance (the latter mostly comprised of GST). For New South Wales, the Australian Government provided 39.5 per cent of the NSW Government's total estimated revenue in 2024-25.

It is estimated the Australian Government will provide the NSW Government with $49.8 billion in 2025-26 ($1.7 billion more than forecast in the 2024–25 Half-Yearly Review).

Australian Government payments to New South Wales are expected to be 40.1 per cent of total NSW revenue in 2025-26 and are received through:

- tied funding for core public services and specific program delivery. This tied funding is provided through National Agreements, summarised in Table 6.1 and discussed in detail in section 6.2, and Federation Funding Agreement schedules, summarised in Table 6.2 and discussed in detail in section 6.3
- GST payments, which account for virtually all untied Australian Government payments. GST payments are determined by the size of the total GST pool, the NSW GST relativity recommended by the Commonwealth Grants Commission (CGC) and the NSW population share. GST revenue payments to New South Wales are discussed in detail in section 6.4.

The 2025-26 Australian Government Budget adjusted the amount, profile, and composition of Australian Government funding to New South Wales over the forward estimates.

The Australian Government is expected to deliver $95.9 billion in tied funding to support areas such as health, education and concessions across the states in 2025-26. This is an increase of $3.5 billion, or 3.8 per cent, compared to the 2024-25 Australian Government Budget forecast.

6.2 National Agreements

The NSW and Australian Governments partner through National Agreements to deliver key public services and infrastructure. These agreements are typically long-term, enduring and usually negotiated and renewed before expiration to support reliable and uninterrupted delivery of public services. National Agreements will make up $14.3 billion, or over 67.1 per cent of all tied Australian Government funding to New South Wales and roughly 28.8 per cent of total Australian Government funding received in 2025-26.

Recently negotiated major national agreements include the following:

- Better and Fairer Schools Agreement (BFSA) – the landmark 10-year funding agreement was reached in March 2025 and will inject $10.4 billion into NSW public schools by 2035:
  - $5.6 billion from the NSW Government
  - $4.8 billion from the Australian Government
- National Health Reform Agreement (NHRA) – a one-year extension of the NHRA was signed in February 2025 to facilitate the negotiation of a new long-term NHRA deal throughout the remainder of 2025. This will deliver $9.5 billion in 2025-26, plus an additional $407.0 million in additional one-time funding under the interim agreement
- National Skills Agreement (NSA) – a five-year deal signed in October 2023, which commenced in 2024 and will deliver $727.8 million in 2025-26
- National Agreement on Social Housing and Homelessness (NASHH) – a five-year agreement successfully finalised in June 2024 which will deliver $550.9 million in 2025-26.

Negotiation of several National Agreements including a long-term NHRA and the Preschool Reform Agreement will either commence or continue throughout late 2025 and the first half of 2026. The terms of these new agreements will have significant implications for grant revenue and key public service delivery over NSW's forward estimates.

Revenue across all National Agreements in the four years to 2028-29 has increased by $2.4 billion relative to the 2024-25 Half-Yearly Review. This is largely driven by additional schools funding from the new BFSA ($4.8 billion additional Australian Government funding over 10 years) which replaces the one-year Interim School Funding Agreement, and an uplift in skills funding announced at the 2024-25 Australian Government Mid-Year Economic and Fiscal Outlook (MYEFO) and 2025-26 Australian Government Budget. This funding supports the delivery of high-quality vocational education and training (VET) in New South Wales ($312.8 million over four years).

Table 6.1: National Agreement payments to New South Wales[(a)(b)]

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward estimates $m	2027-28 Forward estimates $m	2028-29 Forward estimates $m	% Average growth p.a. 2024-25 to 2028-29
Health	8,380	8,897	9,477	10,489	11,144	11,842	7.4
Education	3,304	3,440	3,555	3,710	3,891	4,127	4.7
Skills and workforce development	595	715	728	734	653	601	(4.2)
Affordable housing	516	540	551	564	575	588	2.2
Other	164	...	...	...	...	...	...
Total National Agreement payments	**12,958**	**13,591**	**14,311**	**15,497**	**16,264**	**17,158**	**6.0**

(a) Total National Agreements payments include the BFSA, NHRA, NSA and the NASHH.
(b) Forecast National Agreement payments for years following the expiry of an agreement are provisional based on historic trends and subject to future negotiations with the Australian Government.

Box 6.2: Better and Fairer Schools Agreement

The 10-year BFSA, agreed in March 2025, will fully fund NSW Government schools by delivering 100 per cent of the Student Resource Standard (SRS) by 2035. The Australian Government's increased funding share to 25.0 per cent of the Government school SRS will mark the first time that the funding standard developed as part of the Gonski Review is met.

New South Wales will invest an additional $5.6 billion alongside $4.8 billion from the Australian Government in NSW public schools over 10 years to 2034-35. In total, this funding injection is the largest uplift in public school funding in NSW history.

The previous version of the school agreement signed in 2018, and the subsequent extension in 2024, included non-cash expenses like depreciation towards the NSW share of the SRS. This led to a reduction in funding for public schools in New South Wales. Under the current agreement, New South Wales will progressively remove these provisions to boost funding for standard expenses that impact learning outcomes. This will ensure the full SRS contribution is directed towards funding improved outcomes for students.

The BFSA commits the NSW and Australian Governments to 10 National Reform Directions targeting three priority areas:

- equity and excellence
- wellbeing for learning and engagement
- a strong and sustainable workforce.

These National Reform Directions range from Year 1 phonics checks and initiatives to encourage the early uptake of Science, Technology, Engineering, and Mathematics subjects, to programs which recognise and reward high performing teachers, and to support student wellbeing by creating safe and respectful environments.

By achieving 100 per cent of SRS funding, the NSW Government will deliver on its 2023 election commitment to fully fund NSW Government schools.

Box 6.3: National Health Reform Agreement

In February 2025, the Australian Government and all states and territories agreed to a one-year interim NHRA, effective from 1 July 2025 to 30 June 2026. This interim agreement provides continuity in hospital funding while longer-term NHRA arrangements are negotiated.

Under the interim agreement, hospital funding is capped at a 6.5 per cent annual growth rate and provides approximately $32.2 billion in national funding for public hospital services in 2025-26 (up from $30.2 billion in 2024-25). In addition, the Australian Government has committed $1.7 billion in one-time, fixed funding nationally for hospitals and related health services.

New South Wales will receive an estimated $407.0 million share in the additional one-time funding in 2025-26 under this interim agreement.

Negotiations are underway between the Australian Government and states and territories on a new five-year NHRA, linked to negotiations on disability reforms. As part of the National Cabinet commitments made in 2023, the Australian Government agreed to progressively increase its hospital funding contribution to 42.5 per cent by 2030 and 45.0 per cent by 2035 alongside commitments to progress disability reforms. The current Australian Government Contribution Rate is 37.6 per cent, the lowest since 2015-16.

Achieving the 42.5 per cent target expenditure by 2030 will require significant new investment from the Australian Government.

These funding commitments are critical to ensuring the sustainability and responsiveness of the New South Wales public hospital system.

National Agreement on Social Housing and Homelessness

The NSW and Australian Governments agreed to the NASHH, which superseded the outgoing National Housing and Homelessness Agreement from July 2024, and expires in June 2029. The NASHH delivers funding to assist people who are experiencing, or at risk of experiencing, homelessness and supports the provision of social housing across New South Wales.

Initiatives delivered through the NASHH includes crisis and transition accommodation, the construction of new social housing, repairs to existing social housing, and programs for boosting the supply of community housing. The NASHH is supported by annual reporting against the National Outcomes Framework to track progress in reducing the risk of homelessness and equitable social housing provision.

New South Wales is boosting funding by $114.3 million in 2024-25 and $482.8 million over the four years to 2028-29 to dedicated homelessness services. NSW support for homelessness is expected to be matched with $539.6 million in funding provided by the Australian Government through the NASHH in 2024-25, and $2.3 billion over the four years to 2028-29.

National Skills Agreement

The five-year NSA is a landmark funding agreement between the NSW and Australian Governments which is delivering improvements to the equity, accessibility and quality of NSW’s vocational education and training sector. The funding delivered through the NSA is building TAFE NSW’s capability to respond to the demand for skills in the labour market by delivering high-quality tertiary training to boost NSW’s productivity over the medium and long-term.

Initiatives under the NSA include the Improved Completions for Priority Groups and the NSW TAFE Centres of Excellence which are industry-leading education facilities such as the Western Sydney Advanced Manufacturing Centre of Excellence in Wetherill Park and the Hunter Net Zero Manufacturing Centre of Excellence in Tighes Hill.

New South Wales is expected to receive $2.7 billion over the four years to 2028-29. This includes an additional $187.1 million in Australian Government flexible funding under the agreement based on increased New South Wales eligible expenditure of $377.4 million for skills measures in the 2025-26 Budget.

National Disability Insurance Scheme

The bilateral agreement between the NSW and the Australian Government on the National Disability Insurance Scheme (NDIS) remains in place until 30 June 2028. This agreement secures NSW's contribution at approximately $38.0 billion over 10 years (2018-19 to 2027-28), with a fixed annual indexation rate of 4.0 per cent.

The National Partnership on DisabilityCare Australia Fund Payments expired at the end of 2024. It facilitated the payment of funds from the Australian Government to states for expenditure incurred in relation to implementation of the NDIS. Over the life of the agreement, New South Wales received $3.1 billion.

Negotiations on a longer-term agreement on disability reform will continue throughout 2025. The Disability Reform Ministerial Council recently reaffirmed the 2023 National Cabinet commitment that the combined disability and health reforms will see all states and territories better off.

Upcoming National Agreement Negotiations

Several other National Agreements are set to be negotiated between the NSW and Australian Government ahead of their expiry over the next 18 months.

- The Preschool Reform Agreement (PRA) supports the delivery of 15 hours of preschool a week, or 600 hours per year, for all children in the year before they commence primary school. Initiatives under the PRA are also in place to boost attendance and better prepare children to transition into school. The PRA is due to expire in December 2025.
- The National Mental Health and Suicide Prevention Agreement, due to expire on 30 June 2026, funds vital support services to improve general mental health, reduce the risk of suicide, and improve the quality and capacity of the mental health and suicide prevention system.

6.3 Federation Funding Agreements

The Australian Government provides payments to support specified projects, ongoing service delivery, or service delivery improvements which fall outside of the core public services delivered through National Agreements.

NSW total Federation Funding Agreement (FFA) funding in 2024-25 is expected to be $1.1 billion lower than forecast at the 2024-25 Half-Yearly Review, and $1.5 billion higher over the four years to 2028-29.

This increase over the forward estimates has largely been driven by:

- reprofiling of expected payments under the Disaster Recovery Funding Arrangements due to timing adjustments in the associated expenditure profiles and additional expected payments for natural disaster events experienced in New South Wales in 2025
- an upward revision to the FFA Schedule on Land Transport Infrastructure Projects 2024-2029, largely driven by new funding commitments including the Fifteenth Avenue upgrade in Western Sydney. This is partially offset by reprofiling of revenue for joint Australian Government projects to align with updated project schedules into the forward and planning years
- $407.0 million for the additional one-time funding in 2025–26 under the interim one-year NHRA.

Table 6.2: Federation Funding Agreement payments to New South Wales

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward estimates $m	2027-28 Forward estimates $m	2028-29 Forward estimates $m	% Average growth p.a. 2024-25 to 2028-29
Transport	3,413	3,637	3,122	2,974	2,494	2,257	(11.2)
Education and skills	138	287	162	50	...	...	(100.0)
Disability	362	...	...	...	...	...	...
Health	118	198	634	87	106	1	(76.1)
Housing	13	5	6	...	...	...	...
Environment	105	319	1,815	1,447	2,360	663	20.0
Other	840	2,169	1,267	1,133	1,504	1,889	(3.4)
Total Federation Funding Agreement payments	**4,988**	**6,615**	**7,006**	**5,692**	**6,464**	**4,809**	**(7.7)**

Of all FFA funding received by New South Wales, infrastructure funding will comprise 56.4 per cent in 2024-25. The 2025-26 Australian Government Budget allocated New South Wales $4.5 billion in total Australian Government infrastructure funding in 2024-25 and $14.1 billion over the four years to 2028-29.[1] This equates to 28.7 per cent of total Australian Government infrastructure funding in 2024-25 and 24.1 per cent over the forward estimates. NSW's share of the national population is forecast to average 31.0 per cent over the same period.

Chart 6.1 compares each state's share of total Australian Government infrastructure expenditure relative to their share of the national population.

Chart 6.1: State infrastructure funding share vs population share over the four years to 2028-29[(a)]

(a) Data sourced from the 2025-26 Australian Government Budget.

[1] Data sourced from the 2025-26 Australian Government Budget.

6.4 GST revenue

The Australian Government distributes GST revenue to the states and territories based on a combination of their population share, expenses associated with providing public services, and their capacity to raise revenue. The CGC assesses the revenue and expense needs of each jurisdiction and assigns them a relativity which determines their share of the GST pool each year.

Table 6.3 shows the impact that changes to NSW's population, relativity, and the national GST pool is expected to have on GST revenue over the forward estimates.

Table 6.3: GST (including "no worse off") revenues to New South Wales – reconciliation statement

	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	2028-29 Forward Estimates $m	Four years to 2028-29 $m
2024-25 Half-Yearly Review	**25,957**	**26,402**	**26,416**	**27,366**	**28,130**	**108,314**
Updates since 2024-25 Half-Yearly Review:						
Change in relativities	...	966	1,594	1,601	2,008	6,169
Change in pool	196	620	386	428	434	1,868
Change in population	(54)	(55)	(260)	(418)	(550)	(1,283)
2025-26 Budget	**26,099**	**27,933**	**28,136**	**28,977**	**30,022**	**115,068**
Change since 2024-25 Half-Yearly Review	**142**	**1,531**	**1,720**	**1,611**	**1,892**	**6,754**

Box 6.4: Horizontal Fiscal Equalisation and GST Distribution

GST is distributed upon the basis of Horizontal Fiscal Equalisation, which is the principle that all jurisdictions should be able to provide the same level of public services to their residents regardless of where they live in Australia.

The CGC assesses whether states have above or below average capacity to raise revenue, and whether they have above or below average costs, compared to other states. States that have an above average capacity to raise revenue or lower costs relative to other states will receive less GST per capita than other states.

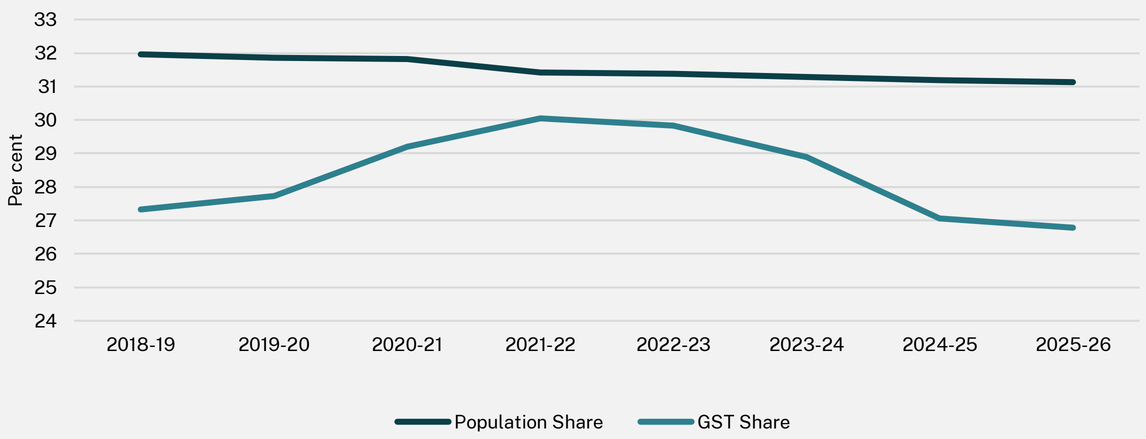
GST redistribution

In 2018, the principle underpinning GST distribution was changed so that the capacity of states to deliver public services does not have to be fully equalised, but instead reasonably equalised. This departs from horizontal fiscal equalisation.

The 2018 reforms included benchmarking other states and territories to the stronger of New South Wales or Victoria as well as implementing a relativity floor, which solely benefits Western Australia. These reforms effectively exclude Western Australia from the equalisation process at the expense of other states.

Since the introduction of the GST in 2000, New South Wales has never received as much as its population share of the GST pool. If GST was distributed on a per capita basis, from 2025-26 onwards New South Wales would receive an additional $12.7 billion over the four years to 2028-29.

Chart 6.2: 2018-19 to 2025-26 Population vs GST distribution share



While the GST share for New South Wales has fluctuated over time, New South Wales has always been a donor state. Over the past few years, New South Wales has faced declines in relativity, significantly tightening the State's fiscal capacity.

New South Wales submissions to the 2018 Productivity Commission Review highlighted concerns that the current distribution system is complex, opaque, and understood by the states to be unfair. It is also volatile, meaning every year states' positions improve and worsen, creating unnecessary tension.

GST revenue including “no worse off” payments is estimated to be $26.1 billion in 2024-25 and is forecast to grow modestly over the forward estimates.

Following the 2025 Review (see Box 6.5), the CGC recommended a GST relativity for New South Wales in 2025-26 of 0.86. This means that New South Wales will only receive 86 per cent of its population share of GST. Had the 2018 reforms not been implemented, New South Wales would receive 94.6 per cent of its population share from GST distribution, which equates to an extra $2.2 billion in 2025-26. This loss has been offset by the temporary no-worse off payments.

The CGC’s recommendation of 0.86 represents a slight decline from 0.87 in 2024-25, but is higher than the 0.84 expected at the 2024-25 Half-Yearly Review. The main driver of this upgrade is data revisions, including natural disaster relief expenses in New South Wales which were revised up as costs relating to floods in the Northern Rivers region were finalised.

GST revenue has been revised up by $142.0 million in 2024-25 and $6.8 billion over the four years to 2028-29.

National GST collections have been significantly stronger than expected since the 2024-25 Half-Yearly Review. As a result, the national GST pool is estimated to grow by 6.3 per cent in 2024-25. The outlook for consumption and dwelling investment is slightly weaker compared to previous forecasts as a result of tariff uncertainty. However, growth is expected to remain resilient, averaging 5.0 per cent per annum over the four years to 2028-29. Upgrades to the national GST pool since the 2024-25 Half-Yearly Review contribute to an additional $1.9 billion in GST revenue for New South Wales over the four years to 2028-29.

NSW’s share of the national population has steadily declined over the past decade, dropping from 32 per cent in 2014-15 to an estimate of 31 per cent in 2024-25. A further decline relative to other states and territories over the forward estimates is expected, consistent with projections in the Australian Government’s 2025-26 Budget. Overall, a lower NSW population share is forecast to reduce GST revenue by $1.3 billion over the four years to 2028-29 compared to 2024-25 Half-Yearly Review.

Box 6.5: The 2025 Methodology Review and Update

The CGC conducts five-yearly methodology reviews to ensure GST distribution reflect states' circumstances. Annual updates are conducted every year to recommend relativities, refresh data and manage new and emerging issues. The most recent methodology review concluded in March 2025, with the release of the outcomes and the 2025-26 relativities.

The CGC estimates its method changes have improved NSW's 2025-26 total GST distribution by $237.0 million. Method changes which resulted in improvements in NSW's GST receipt include:

- COVID-19 expenditure will now be assessed on an actual per capita basis, meaning that needs assessed will reflect what each state actually spent. This has significantly improved NSW's GST for 2025-26 in the services to industry assessment (driven by business support payments) by $456.0 million and health assessment by $209.0 million
- recognising differences in metallurgical and thermal coal, and state royalty raising potential, results in a material gain of $59.0 million for New South Wales
- the inclusion of a new assessment of state revenue capacity related to stamp duty for motor vehicles improved NSW's GST distribution by $51.0 million.

Table 6.4: Impact of the 2025 Methodology Review on GST distribution for New South Wales by category[(a)]

Assessment Category	Indicative Impact $m
Revenue	
Land tax	(22)
Motor taxes	51
Mining	59
Expenses	
Schools	(50)
Health (Other)	71
Health (COVID-19)	209
Housing	22
Roads	21
Transport	(267)
Services to industry (Other)	(160)
Services to industry (COVID-19)	456
Other expenses	34
Wage costs	(194)
Other	
Investment	76
Commonwealth payments	(23)

(a) Table 6.4 only includes method change impacts where change was over $20 million. Summation will therefore not add to $237 million.

Working cooperatively across the Federation

As part of the Federal Financial Relations framework, the Council on Federal Financial Relations, a forum comprising all state Treasurers and the Australian Treasurer, oversees the development and negotiation of national agreements, joint-policy challenges and other key partnerships between the Australian Government and states.

The Board of Treasurers (the Board) was established for states to collaborate on policy issues of common interest, progress national reform priorities, and foster constructive and strategic engagement with the Australian Government. The Board is chaired by a state Treasurer on a rotational basis for a calendar year.

The NSW Treasurer is the Board Chair in 2025. This provides the NSW Treasurer an opportunity to progress and lead on key priorities for collaboration between the states and the Australian Government.

The key priority areas in 2025 for the Board are health and disability funding and reform, the Productivity Commission's review of the 2018 amendments to GST legislation, road user charging and disaster recovery and resilience funding.

7. RECURRENT EXPENDITURE

- General government expenses are projected to be $127.6 billion in 2025-26.
- Over the budget and forward estimates, expense growth is projected to average 2.4 per cent per annum, down from the 8 per cent average annual expense growth over four years to 2023-24.
- The new measures in this Budget extend the Government's previous investments to rebuild essential services, including to:
  - help address the housing crisis
  - provide better education and more schools
  - invest in the State's health system
  - deliver high quality public transport across the State.
- The Government is also investing in initiatives for vulnerable members of the community to access quality support and services, including to:
  - support children and young people through additional funding for the out-of-home care system
  - address domestic, family and sexual violence, building on the Government's significant investment in the 2024-25 Budget
  - support victims of acts of violence, modern slavery and road crime by increasing funding for the Victims Support Scheme to address the increase in demand.
- The Government's industrial relations framework is delivering real wages growth for the public sector workforce, while ensuring employee expense growth remains in check. Investing in essential workers is helping to attract and retain skilled workforces, reduce vacancies and deliver improved services to the community.
- The Government is also continuing the task of fiscal repair and reform, with a further $2.0 billion in savings and offset measures identified in this Budget over four years to 2028-29. This is in addition to savings and reform measures announced in previous Budgets:
  - The 2023-24 Budget Comprehensive Expenditure Review identified $13.0 billion in savings, reprioritisation and other budget improvement measures. More than $11.0 billion of these measures are complete or on track for completion, with the remaining underway or in planning.
  - The Government is on track to deliver its election commitment savings for 2024-25 following delivery of $450.0 million in savings on external consultants and individual contractors in 2023-24 alone.

7.1 Investing in essential services and a better New South Wales

Government expenses are projected to be $127.6 billion in 2025-26. Investments are targeted towards rebuilding essential services and securing our future economic growth, including to:

- rebuild and enhance the delivery of essential services to the community, including in areas such as health, education and transport
- improve access to quality housing and reduce pressure on housing affordability
- build stronger and safer communities, including better child protection
- lay the foundation for economic growth, including investments in skills, education, planning and regulatory reform, and innovation
- provide cost-of-living support, including the extension of the Australian Government's National Energy Bill Relief Fund
- support communities affected by natural disasters, including the May 2025 East Coast floods.

Higher projected expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations are materially contributing to increased general government expenses. This is driven by increased psychological injury and child abuse claims, and more claims reaching whole person impairment thresholds.

Despite these pressures, expenses are projected to grow at an average rate of 2.4 per cent per annum over the budget and forward estimates, down from the 8 per cent average annual expense growth over the four years to 2023-24. Total expenses as a proportion of gross state product (GSP) continue to be on a downward trajectory (see Chart 7.1).

Chart 7.1: Expenses relative to gross state product

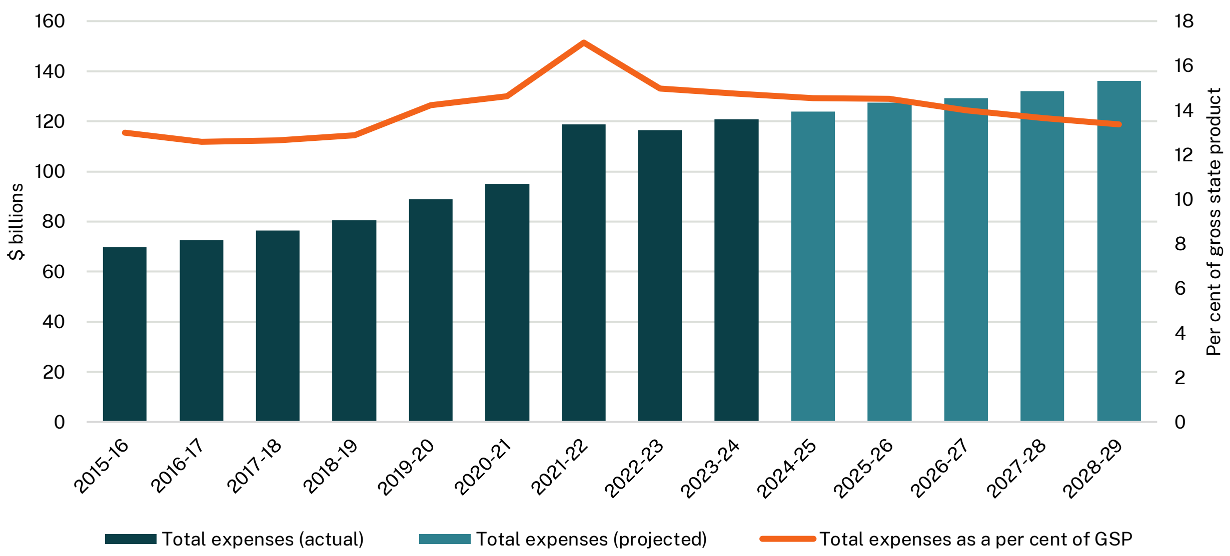


Table 7.1: Expense reconciliation since the 2024-25 Half-Yearly Review

	2024-25 Revised $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m
Expenses – 2024-25 Half-Yearly Review	123,603	125,566	128,404	129,721	n.a.
Policy measures - new expenses[(a)]	585	5,059	3,116	2,345	2,341
Reforms, savings and offsets[(b)]	(386)	(499)	(608)	(374)	(487)
Central provision unwind[(c)]	-	(1,432)	(3,019)	(1,294)	(999)
Other budget variations	3	(1,114)	1,294	1,703	n.a.
Expenses – 2025-26 Budget[(d)(e)]	123,805	127,581	129,186	132,101	136,078

(a) Further information on new measures is provided in Appendix B Measures Statement.
(b) This captures the expense impacts from (i) savings to programs and initiatives since the 2024-25 Half-Yearly Review, (ii) offsets for new expense measures.
(c) A central provision was established in prior periods for anticipated risks and cost pressures, which has been unwound to offset new expense measures.
(d) Total estimated expenses include an annual allowance for the established tendency for parameter and technical adjustments to increase expenses over time. These can be the result of changes in demand, cost of statutory services, or accounting adjustments. In the 2025-26 Budget, the allowance is set at a level equivalent to 0.4 per cent of total expenses, increasing total estimated expenses across the budget and forward years. This allowance is for estimate purposes only. It is not a provision for future new policy spending.
(e) Total estimated expenses include an allowance for the established tendency of expenditure to slip and be carried forward to future years. The allowance is based on observed trends. In the 2025-26 Budget, the allowance is set at the equivalent of 2.8 per cent in 2025-26. In setting the allowance it is assumed that 95.5 per cent of under expenditures are carried forward into future years.

New expense measures since the 2024-25 Half-Yearly Review include:

- additional expenditure for NSW public schools following the NSW Government and Australian Government signing the Better and Fairer Schools Agreement ($4.8 billion from the Australian Government plus additional New South Wales funded expenditure over ten years to 2034-35)
- a $1.2 billion[1] package to reform the out-of-home care (OOHC) system, including the following expense measures:
  - continuing to support children and young people in OOHC while reforms are designed and implemented, and setting aside investment for a reformed OOHC program ($797.6 million over four years to 2028-29)
  - to recruit and retain more than 200 new and 2,126 existing caseworkers with higher pay and more specialised training, including 100 new leading caseworker roles ($191.5 million over four years to 2028-29)
  - a major increase of 20 per cent to the foster care allowance to recognise the critical role of foster carers to keep children safe ($143.9 million over four years to 2028-29)
  - supporting the Office of the Children's Guardian to continue to oversee organisations and uphold children's rights to be safe ($10.0 million over four years to 2028-29)
- an Essential Health Services package, to support core health services across the State ($836.4 million in 2025-26)
- an investment of over $650.0 million[1] to support victim-survivors and provide better access to justice across New South Wales, including the following expense measures:
  - additional funding for domestic, family and sexual violence services to continue work on reducing violence against women and children ($272.7 million over four years to 2028-29)
  - responding to increases in demand for the Victims Support Scheme ($269.1 million over four years to 2028-29, offset by $42.3 million revenue into the Victims Support Fund)

[1] This package includes both recurrent and capital expenditure.

  - for the Office of the Director of Public Prosecutions to keep pace with the growing volume and complexity of cases and maintain an efficient, fair and just prosecution service ($48.3 million over four years to 2028-29)
- long lasting biodiversity protections and environmental management through improving the Biodiversity Offset Scheme, nature protection, visitor infrastructure in national parks, biodiversity conservation and environmental water management ($400.0 million over four years to 2028-29)[2]
- an investment of $1.2 billion[3] in TAFE NSW to bring forward thousands of new construction trades and train the workforce for the growing care economy, including the following expense measures:
  - providing greater job security and converting TAFE NSW teachers and staff to permanent roles ($324.7 million over four years to 2028-29)
  - targeted repairs and maintenance of TAFE NSW facilities to allow students and staff to enjoy a seamless experience for work and learning ($55.9 million over four years to 2028-29)
- urgent and targeted recovery measures to support communities on the east coast of New South Wales affected by the May 2025 floods ($358.3 million over four years to 2027-28, including Australian Government contributions)
- continuing Screen NSW's Made in NSW and Post, Digital and Visual Effects rebate programs ($280.6 million over four years to 2028-29)
- significant further investment in Closing the Gap ($202.4 million over four years to 2028-29) (see Box 7.2 for further details)
- providing priority bus service improvements, including improved connections, increased school services and new bus networks, in priority areas across the State ($150.0 million over four years to 2028-29, as part of a $369.9 million total additional investment in bus services).

This Budget also includes the extension of the National Energy Bill Relief Fund, which provides bill relief of $150 to the electricity bills of all households and eligible small businesses. This measure is fully funded by the Australian Government and increases recurrent expenses by $579.0 million in 2025-26.

2 This Budget includes a further $72.9 million capital expenditure for this measure over four years to 2028-29.
3 This investment includes both recurrent and capital expenditure.

This Budget also includes additional investment to increase housing supply and improve housing affordability, which builds on the Building Homes for NSW Program announced in the 2024-25 Budget. These investments are detailed in Box 7.1.

Box 7.1: Addressing housing access and affordability

The NSW Government is committed to reducing pressure on housing affordability by improving planning assessment times and increasing housing supply in well-located areas.

To achieve this, the 2025-26 Budget includes $83.4 million in additional planning resources to speed up planning approvals, including for the Housing Delivery Authority. Since the Housing Delivery Authority commenced operations in January 2025, 136 projects have been progressed through the new streamlined State Significant Development pathway with the potential to unlock 53,500 new homes. Other investments in the Budget over four years to 2028-29 include:

- $1.2 billion to accelerate the training of thousands of new trades people to address skills shortages, including through expanded Fee Free Apprenticeships and Traineeships
- $145.1 million to support the ongoing work of the Building Commission NSW to reform the building and construction industry and improve consumer outcomes
- extending the land tax concession, of a 50 per cent reduction in assessed land value, for eligible new build-to-rent developments
- offsets on housing and productivity contributions for eligible developers who build approved infrastructure to enable housing.

As part of the 2025-26 Budget, the Government is also establishing the Pre-Sale Finance Guarantee. This program is an innovative supply side response to the housing crisis, designed to accelerate delivery of up to $1.0 billion of approved housing projects on a rolling basis.

The measures in the 2025-26 Budget build on the Government’s implementation of the Transport Orientated Development (TOD) program, Low and Mid-Rise Housing Policy and the Building Homes for NSW Program, announced in the 2024-25 Budget.

The Government is continuing implementation of the landmark record investment in social housing as part of the Building Homes for NSW program. This package included over the four years to 2027-28:

- $5.1 billion capital expenditure for new social housing, which will fund the land purchase and construction of an estimated 8,400 new social homes
- further crisis support as part of a $527.6 million support package for homelessness services.

This Budget continues to support First Nations communities across New South Wales. This includes additional investment in Closing the Gap (CTG) initiatives, as detailed in Box 7.2.

Box 7.2: Closing the Gap

This Budget includes $731.8 million to improve outcomes for First Nations people in New South Wales.

The 2025-26 Budget includes $202.4 million of new funding to deliver 14 initiatives that have been co-designed with NSW Coalition of Aboriginal Peak Organisations (NSW CAPO) and the NSW CTG Joint Council. This approach reflects a shift towards funding initiatives codesigned to support First Nation-led approaches that aligns with the needs, aspirations and priorities of First Nations communities in New South Wales. Key investments over four years to 2028-29 include:

- $33.4 million for community-led justice initiatives to reduce recidivism and contact with the justice system, including developing Therapeutic Pathways for Children and an Aboriginal Throughcare Strategy
- $31.5 million to improve shared access to data and empower First Nations communities to use data to drive decision-making
- $23.8 million to revitalise First Nations languages through investment in community-led language programs across New South Wales
- $23.1 million for culturally responsive community-led suicide prevention initiatives
- $21.9 million for the Aboriginal Families First 2,000 Days measure to provide culturally responsive care during pregnancy and the first five years of life
- $18.4 million for NSW CAPO to support existing partnerships and participate in Closing the Gap governance
- $12.1 million for the Aboriginal Employment and Outcomes Program to enable First Nations people in regional communities to work on country and practice sustainable natural resource management
- $11.8 million to continue the Community Connectors programs and expand Aboriginal Language and Culture Nests to improve education outcomes for First Nations students.

In addition to the CTG package, this Budget includes $484.9 million over four years to 2028-29 of additional specific investments for First Nations people, including:

- $200.9 million to improve access to culturally safe, high quality early childhood education, including through a refreshed First Steps Strategy and $6.9 million for culturally responsive support in public preschools
- $61.9 million to support and improve whole-of-government native title claims management, policy and governance, supporting land justice and cultural and economic aspirations for native title groups
- $5.2 million to finalise the State’s first Aboriginal Water Strategy
- $1.8 million to improve access to identity cards for First Nations people exiting a correctional facility.

These investments reflect the Government’s ongoing commitment to improving outcomes for First Nations communities through shared decision-making, culturally responsive services, and sustained funding for community-led initiatives.

The NSW Government has also introduced First Nations impact assessments this Budget for proposals that are First Nations specific or have a significant or disproportionate impact on First Nations people or communities. This delivers part of the Government’s Closing the Gap commitment to better capture the perspectives of First Nations people on where funding should be directed, to support better, more effective investment decisions.

Budget variations

Budget variations are changes to the cost and timing of existing projects and services, including changes in demand, the timing of project delivery (for example, construction delays due to weather events), input costings, variations in Australian Government grants, technical accounting and actuarial adjustments.

Major variations since the 2024-25 Half-Yearly Review include:

- higher projected expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations ($1.7 billion over four years to 2028-29). This is driven by increased psychological injury and child abuse claims, and more claims reaching whole-person-impairment thresholds
- higher depreciation and amortisation expenses across the general government sector, which are mostly driven by asset revaluations ($1.0 billion over four years to 2028-29)
- higher expenses for NSW Government schools, including changes in the projected enrolment and loadings as part of the Schooling Resource Standard (SRS) (approximately $700.0 million over four years to 2028-29)
- higher expenditure for the recognition of the service concession accounting impacts following the Government entering into a Project Deed with an external network operator for the delivery and operation of the Central-West Orana Renewable Energy Zone Transmission Project ($430.6 million over four years to 2028-29)
- higher expenses related to the reprofiling of non-cash asset transfers from Transport for NSW to third parties, due to revised project delivery schedules ($253.7 million over four years to 2028-29).

For further detail on movements to interest, workers compensation and depreciation expenses, please refer to section 7.2 below.

7.2 Expense trends and further analysis

Table 7.2: General government sector expenses

	2024-25 Estimate $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	% Average growth p.a. 2024-25 to 2028-29
Employee	48,514	50,307	51,913	53,129	56,206	3.7
Superannuation	6,459	6,706	6,825	6,790	6,976	1.9
Depreciation and amortisation	9,658	10,112	10,470	11,039	11,682	4.9
Interest	7,144	7,746	8,387	9,026	9,518	7.4
Other operating expense	27,192	27,776	26,154	27,806	27,497	0.3
Grants, subsidies, and other transfers	24,837	24,934	25,437	24,310	24,198	(0.6)
Total expenses	**123,805**	**127,581**	**129,186**	**132,101**	**136,078**	**2.4**
Annual change	2.4%	3.0%	1.3%	2.3%	3.0%	n/a

Employee expenses

The NSW public sector is the largest single employer within New South Wales, equating to around 10.4 per cent of employed persons as at June 2024.

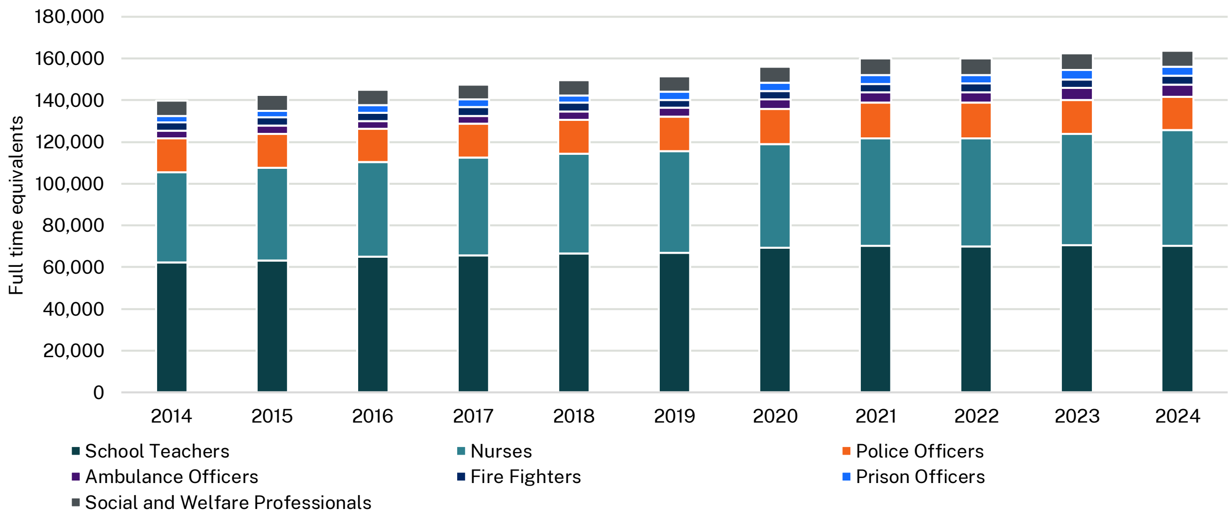
Employee expenses are the largest component of recurrent expenses and include wages and salaries, long service leave and workers' compensation. Employee expenses are projected to be $50.3 billion in 2025-26.

The change in employee expenses since the 2024-25 Half-Yearly Review is driven by new investments in essential workers, including to deliver health and education services, and higher expenses for NSW Self Insurance Corporation insurance and compensation scheme valuations. Over the budget and forward estimates, these insurance expenses account for more than 40 per cent of the increase in projected employee expenses since the 2024-25 Half-Yearly Review.

Over the budget and forward estimates, employee expenses are projected to grow by an average of 3.7 per cent per annum. This growth is broadly consistent with the 2024-25 Half-Yearly Review, which forecast that employee expenses would increase by 3.4 per cent per annum on average over four years to 2027-28. This growth has stabilised from an average of 6.7 per cent per annum over the four years to 2023-24.

A significant portion of employee costs are for the essential workforces that deliver frontline services across New South Wales. Around 84 per cent of the public sector delivers services directly to the community. Chart 7.2 shows the growth in key essential workforces since 2014.

Chart 7.2: Essential workforce full time equivalents (FTE) since 2014



Source: Workforce Profile Reports 2014-2024

Superannuation expenses

Superannuation expenses include defined contribution plans (such as compulsory superannuation), as well as defined benefit plans and their associated interest costs.

Superannuation expenses are projected to be $6.7 billion in 2025-26, or 5.3 per cent of total expenses. This is a slight upward revision on the outlook at the 2024-25 Half-Yearly Review ($6.5 billion) reflecting increased investments in services for the community, including in health and education.

Over the budget and forward estimates, superannuation expenses are projected to grow at an average annual rate of 1.9 per cent. This represents a slowdown compared to the high growth rate of 10.8 per cent per annum over four years to 2023-24. The earlier rapid growth was due to a number of factors, including increases in workforce size, wage increases, changes in bond rates, and the annual 0.5 percentage point increases to the compulsory Superannuation Guarantee, which began in 2021 and will culminate in the Guarantee reaching its final legislated rate of 12 per cent on 1 July 2025.

Other operating expenses

Other operating expenses are mainly the day-to-day running costs incurred in the delivery of government services and programs.

This is the second largest category of expenses and is projected to be $27.8 billion in 2025-26, or 21.8 per cent of total expenses. This is an upward revision on the outlook at the 2024-25 Half-Yearly Review ($26.5 billion). Key drivers of this increase include the delivery of the Australian Government's Energy Bill Relief Fund, and investments to maintain essential services.

Over the budget and forward estimates, other operating expenses are projected to grow at an average rate of 0.3 per cent per annum.

Grants, subsidies and other transfer expenses

Grants, subsidies and transfer expenses include payments to other government sectors (for example State Owned Corporations), the Australian Government, local government, individuals, households, community groups and non-government organisations. They also support the delivery of services and infrastructure projects.

Grants, subsidies and transfers are projected to be $24.9 billion in 2025-26, or 19.5 per cent of total expenses. This is a downward revision since the 2024-25 Half-Yearly Review ($25.8 billion). A key driver of this reduction is the reprofiling of grants into the forward estimates to match changes in the timing of delivery of projects.

Over the budget and forward estimates, grants, subsidies and other transfer expenses are projected to decrease by an average of 0.6 per cent per annum.

Depreciation and amortisation

Depreciation and amortisation are accounting methods used to systematically allocate the cost of assets over their useful life.

Depreciation and amortisation expenses are projected to be $10.1 billion in 2025-26, or 7.9 per cent of total expenses. This is a slight upward revision relative to the 2024-25 Half-Yearly Review ($9.8 billion). Relative to that outlook, key drivers of increased depreciation and amortisation expenses over the budget and forward estimates include asset revaluations, as well as changes in the expected timing to deliver capital projects.

Over the budget and forward estimates, depreciation and amortisation expenses are projected to grow by an average rate of 4.9 per cent per annum. This growth has stabilised from an average of 7.7 per cent per annum over the four years to 2023-24.

Interest

Interest expenses are the costs incurred by the State for borrowing funds to support public spending, including investment in infrastructure.

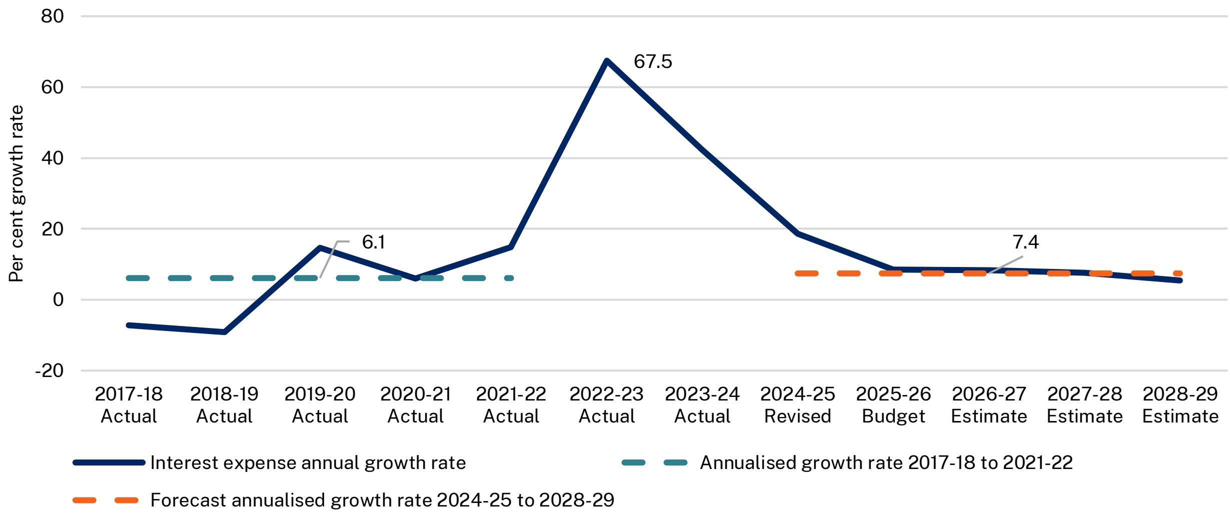
Interest expenses are projected to be $7.7 billion in 2025-26 (6.1 per cent of total expenses). This is in line with projections in the 2024-25 Half-Yearly Review ($7.7 billion), as bond yields have been stable and the change in borrowings has been constrained.

Over the budget and forward estimates, interest expenses (excluding superannuation interest) are projected to increase by an average rate of 7.4 per cent per annum.

The growth in interest expenses in recent years peaked in 2022-23 at 67.5 per cent. This reflected additional borrowings and increases in interest rates following the COVID-19 pandemic. The projected average annual growth rate of 7.4 per cent over the budget and forward estimates sees a return towards pre-COVID-19 growth rates.

Stabilising the State's gross debt trajectory has helped constrain the growth in interest expenses, with the Government on track to achieve its commitment to keep gross debt below the 2023 Pre-election Budget Update of $188.2 billion by June 2026. Currently, gross debt is projected to be $9.4 billion below the Pre-election Budget Update projection, which has saved the Government approximately $0.4 billion in interest expenses in 2025-26. See Chart 7.3 for the actual and projected growth in interest expenses since 2017-18.

Chart 7.3: Actual and projected growth in interest expenses since 2017-18



8. BALANCE SHEET

- The Government is committed to stabilising the State’s gross debt trajectory, strengthening the balance sheet to protect against future economic shocks and keeping the State’s interest expenses at a manageable level.
- Net debt is projected to be $130.7 billion by June 2028 which is $6.5 billion lower compared to the 2024-25 Half-Yearly Review projection. This is mainly driven by a stronger cash operating position over the forward estimates.
- The Government is undertaking several reforms, to help strengthen the State’s balance sheet, including:
  - continuing the implementation of OneFund, with $79.1 billion now projected to be under management by June 2029 (see Box 8.2)
  - improving the management of the Crown debt portfolio to better manage interest rate and refinancing risk
  - further diversifying the State’s sources of debt funding with green and sustainability bonds, with $11.2 billion in net proceeds raised across the bonds on issue and a further $10.5 billion currently available for ongoing issuance
  - implementing a Liquidity Framework that supports more effective and efficient allocation of liquid assets across Government to manage risks, opportunities, and ensure the State’s debtors are paid on time
  - enhancing guidance on asset revaluation and depreciation for government agencies, simplifying current practices and providing more responsibility to Value NSW to generate efficiencies and drive consistency in approaches across agencies.
- Key balance sheet movements are:
  - total assets are projected to be $651.0 billion at June 2025 and to grow to $708.7 billion by June 2029 as the State continues to invest in essential infrastructure
  - gross debt is projected to be $178.8 billion by June 2026, which is $9.4 billion below the 2023 Pre-election Budget Update projection of $188.2 billion (see Box 8.1)
  - gross debt to gross state product is projected to be 19.5 per cent by June 2025 (0.3 per cent lower than projected at Half-Yearly Review) and remain relatively stable at around 20 per cent of gross state product over the four years to June 2029
  - net worth is projected to be $362.7 billion at June 2025 and increasing to $376.8 billion by June 2029, supported by growth in financial assets and asset revaluations.

8.1 Stabilising the State's gross debt trajectory

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

This Budget continues to move the State's finances to a more sustainable footing while investing in essential services.

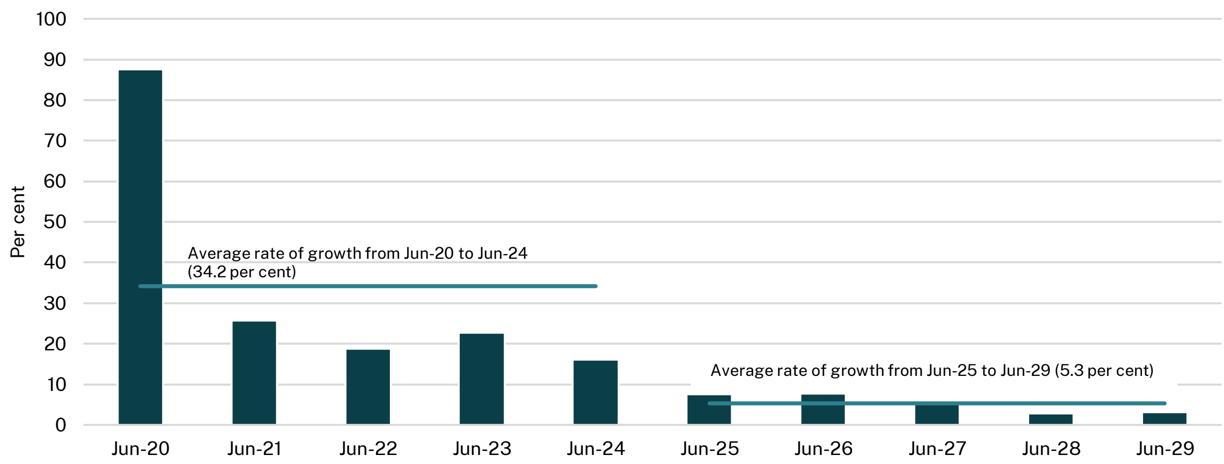
Gross debt is projected to be $9.4 billion lower by June 2026 than projected in the 2023 Pre-election Budget Update (equivalent to around $1,000 per person in New South Wales or around 1 per cent of gross state product (GSP)).

In this Budget, the State's gross debt levels are projected to be $166.0 billion by June 2025, which is $1.5 billion lower than the 2024-25 Half-Yearly Review projection.

Over the four years to June 2029, gross debt as a percentage of GSP is projected to remain relatively stable. This is the first time since the 2015-16 Budget that the State's gross debt as a percentage of GSP has been projected to remain stable across the forward estimates.

The main driver of the State's gross debt levels is the State's infrastructure program, which is investing in essential public transport, schools and health projects (see Budget Paper No.3 *Infrastructure Statement* for further information).

Chart 8.1: Annual change in the State's gross debt



Box 8.1: Managing the State's debt portfolio to manage interest expenses and refinancing risk

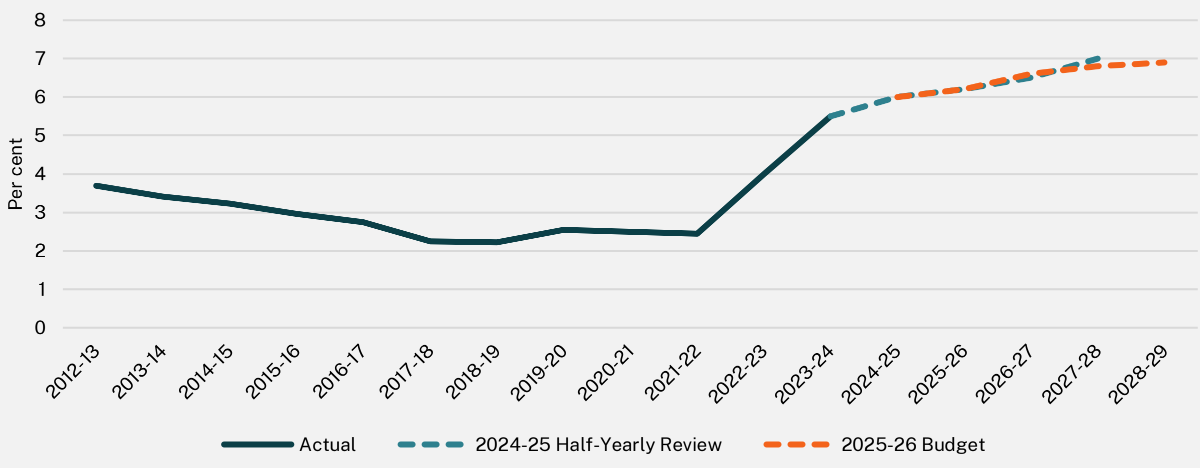
The Government places a strong emphasis on managing the affordability of the State's interest expenses and its refinancing risk. Between 2022-23 and 2024-25 interest expenses grew from $4.2 billion to $7.1 billion and are projected to grow further to $9.5 billion by June 2029.

Since January 2020, TCorp 10-year bond yields have ranged from a low of around 1.0 per cent (in November 2020) to approximately 4.9 per cent on 31 May 2025, primarily driven by the Reserve Bank of Australia adjusting the cash rate to respond to prevailing and expected economic conditions. The average interest rate payable on new Crown borrowings was around 5.2 per cent during 2024-25 and is forecast to decline over the forward estimates as economic conditions are forecast to stabilise.

Increased debt is driving greater interest rate and refinancing risk. As debt grows, the State's fiscal position is more vulnerable to small movements in bond yields and higher interest rates. Reducing gross debt by $9.4 billion below the 2023 Pre-election Budget Update projection is expected to avoid approximately $0.4 billion in interest expense in 2026-27.

The Government's interest expense as a percentage of revenue is estimated to be 6.8 per cent in 2027-28, broadly in line with the 2024-25 Half-Yearly Review (see Chart 8.2). See Appendix E Fiscal reporting and sensitivities for more information on interest rate risk. The Government has been actively managing the debt portfolio maturity profile to mitigate future funding and refinancing risk through extending the tenor of new debt and strategically refinancing upcoming maturities.

Chart 8.2: Interest expense to revenue



8.2 The State's net worth remains strong

General government sector net worth is projected to be $362.7 billion at June 2025, $6.9 billion lower than the projection in the 2024-25 Half-Yearly Review. This is primarily driven by the decrease in the State's equity investments in other public sector entities including revaluations of Transport Asset Manager's property, plant and equipment and a decrease in net assets within the Public Financial Corporation (PFC) sector as lower forecast interest rates since the 2024-25 Half-Yearly Review impact the market value of government bonds on issue.

Over the four years to June 2029, net worth is projected to grow from $362.7 billion at June 2025 to $376.8 billion by June 2029 supported by growth in financial assets and asset revaluations.

All key balance sheet metrics, including gross debt and net debt, are shown in Table 8.1.

Table 8.1: Key balance sheet aggregates of the general government sector

	June 2024 Actual	June 2025 Revised	June 2026 Budget	June 2027	June 2028 Forward Estimates	June 2029
Total Assets ($m)	639,128	651,028	665,195	679,488	693,985	708,690
Financial Assets ($m)	245,034	236,129	236,297	239,004	243,666	249,605
Non-Financial Assets ($m)	394,094	414,899	428,898	440,484	450,318	459,085
Total Liabilities ($m)	271,973	288,372	307,712	319,288	325,679	331,874
Net Worth ($m)	367,156	362,657	357,482	360,200	368,306	376,816
Net Worth as a per cent of GSP[(a)]	44.7	42.6	40.6	39.1	38.1	37.0
Net Debt ($m)	93,365	109,238	120,275	127,766	130,700	133,816
Net Debt as a per cent of GSP	11.4	12.8	13.7	13.9	13.5	13.1
Gross Debt ($m)	154,276	166,012	178,755	188,340	193,609	199,680
Gross Debt as a per cent of GSP	18.8	19.5	20.3	20.4	20.0	19.6

(a) Nominal GSP for New South Wales for 2024-25 to 2028-29 is forecast by NSW Treasury.

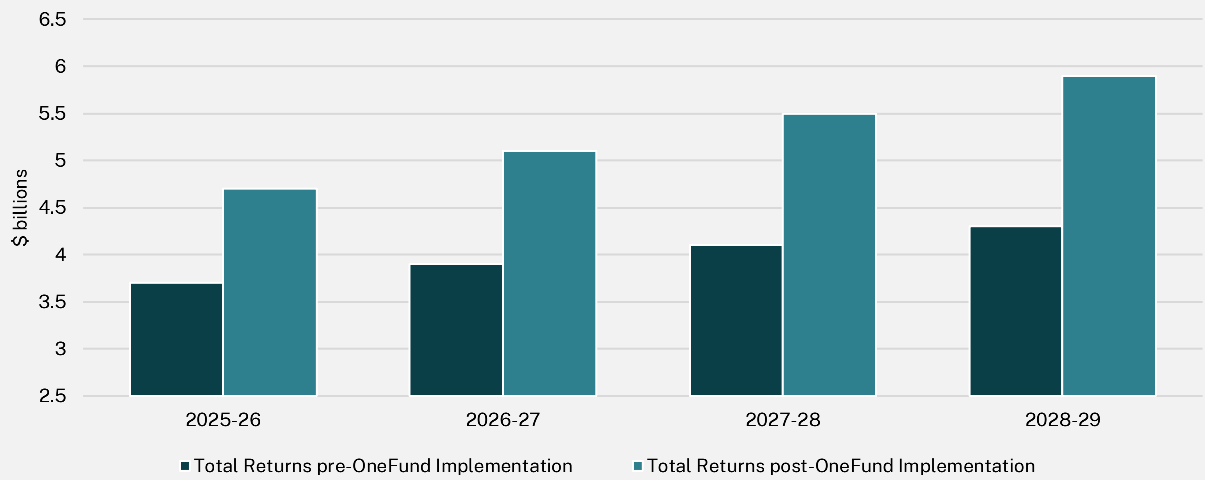
As seen in Table 8.1, the State's total assets are projected to grow by $43.5 billion to $708.7 billion between June 2026 and June 2029, driven by a $13.3 billion increase in financial assets (supported by OneFund – see Box 8.2) and a $30.2 billion increase in non-financial assets (supported by the Government's infrastructure program – see Budget Paper No.3 *Infrastructure Statement*).

Box 8.2: Managing the balance sheet better - OneFund and other reforms

In the 2024-25 Budget, the Government announced the OneFund initiative, whereby the State's investment funds would be pooled together through a 'master fund' structure, with all funds sharing a common risk appetite statement and investment strategy. OneFund aims for more efficient investment arrangements and enables greater investment opportunities by removing liquidity constraints of individual portfolios. The Government has now implemented Phase Two of OneFund, which includes pooling the Lifetime Care and Support Authority Fund, Workers' Compensation (Dust Diseases) Fund and Motor Accident Injuries Treatment and Care Benefits into the master fund structure.

Despite recent volatility in global financial markets, OneFund has demonstrated resilience generating a net return of 4.0 per cent per annum in the eight months since its inception (31 August 2024) and outperforming several global equity markets. OneFund is diversified across various markets asset classes and defensive levers to help ensure it is designed to withstand stressed market conditions.

Chart 8.3: Total annual OneFund investment returns



The Government will continue reforms to improve the overall efficiency and resilience of the balance sheet.

Total liabilities are projected to increase by $24.2 billion between June 2026 and June 2029. Borrowings are the largest liability category on the general government sector balance sheet and are projected to increase from $178.2 billion at June 2026 to $199.3 billion by June 2029 as the State uses its balance sheet to help fund its essential infrastructure program.

TCorp is the State's central borrowing authority and seeks to mitigate financing risk through diversification of funding sources and funding types. This includes the issuance of green and sustainability bonds through the NSW Sustainability Bond Programme (see Box 8.3), lengthening the maturity profile and issuing different types of debt instruments to appeal to a broader set of investors.

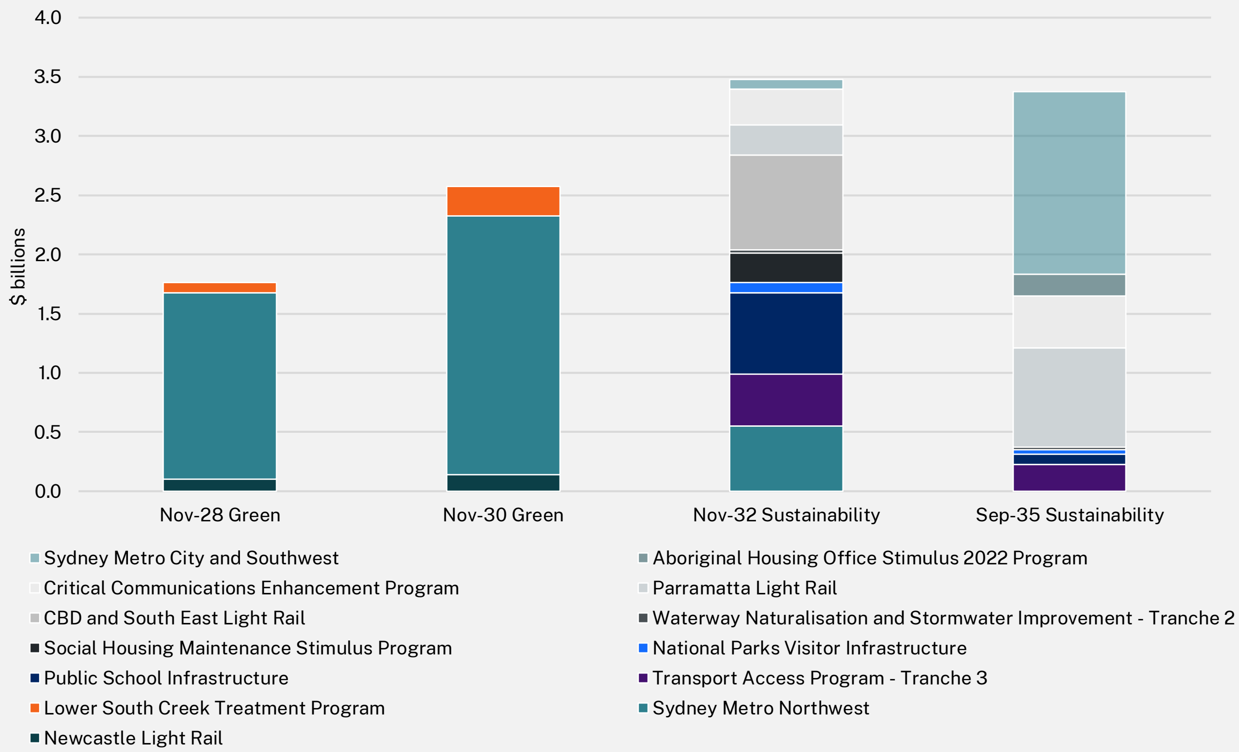
The second largest liability for the Government is its defined benefit superannuation liability[1]. The liability is projected to be $39.6 billion at June 2026 and is expected to decline over the forward estimates to $36.3 billion as the Government continues progressing towards fully funding this liability by 2040.

Box 8.3: NSW Sustainability Bond Programme

The NSW Sustainability Bond Programme enables the NSW Government to diversify the State's investor base and facilitate capital flows towards its environmental and social commitments that are aligned with the United Nations Sustainable Development Goals.

To date, $11.2 billion in total net proceeds has been raised across the green and sustainability bonds on issue with a further $10.5 billion currently available for ongoing issuance. Proceeds are earmarked to finance or refinance eligible projects with positive environmental and / or social outcomes, including low carbon transport, sustainable water and wastewater management, access to essential services, affordable basic infrastructure and affordable housing.

Chart 8.4: The State's net proceeds allocated by project



[1] The superannuation liability can be measured using two Australian Accounting Standards Board (AASB) standards: *AASB119 Employee Benefits* and *AASB1056 Superannuation Entities*. The superannuation liability reported on the State's balance sheet is the unfunded component and is reported according to AASB119. It should be noted that this Accounting Standard creates a larger and more volatile liability than under AASB1056 due to the use of a more conservative and variable valuation discount rate. AASB1056 is the standard used when assessing the Government's funding position. The expected defined benefit superannuation liability for 30 June 2025 is unchanged since last year at a projected net $37.8 billion.

9. GOVERNMENT BUSINESSES

- The NSW Government operates a range of public sector commercial entities that play a critical role in delivering essential services and supporting the State's economic development. These entities balance public policy objectives with commercial performance and accountability.
- The commercial entities include State Owned Corporations (SOCs), as well as other public non-financial corporations (PNFCs) and public financial corporations (PFCs). They operate at arm's length from the Government and are guided by Treasury's Commercial Policy Framework.
- Government businesses are supporting the State's commitment to increasing housing supply. Landcom is working to unlock development in metropolitan and regional areas of New South Wales, with a focus on expanding the stock of affordable housing. Sydney Water and Hunter Water are focused on delivering essential water, wastewater and stormwater infrastructure for housing.
- Sydney Water, Hunter Water and WaterNSW are currently undergoing pricing reviews by the Independent Pricing and Regulatory Tribunal. These reviews are expected to result in lower customer price increases than the businesses had anticipated in their pricing submissions, and a reduction in forecast revenues to government.
- SOCs are evolving to align with the State's energy transition, playing a key role in decarbonising the energy sector and supporting the shift to renewable energy. They are exploring a wide spectrum of renewable energy solutions, including renewable energy generation, energy storage and efficient connections to the network.
- The total dividend and tax equivalent payments by entities in the PNFC and PFC sectors were $669.8 million in 2024-25 and are forecast to be $4.1 billion over the budget year and forward estimates to 2028-29.

9.1 Reforms and initiatives of State Owned Corporations

Property

Landcom

Landcom is the State's land and property development organisation that develops land to achieve both public outcomes and financial benefits for the State and people of New South Wales. Over recent years, the Government has provided additional funding to Landcom in order to meet various housing targets including:

- $450.0 million equity injection in the 2024-25 Budget for the Essential Workers Build to Rent program
- $300.0 million dividend reinvestment in the 2023-24 Budget to accelerate investment in affordable and market housing
- $60.0 million in the 2023-24 Budget, and an additional $5.0 million in the 2024-25 Budget, to deliver 110 build-to-rent homes on the South Coast and Northern Rivers regions.

Over the forward estimate years, Landcom is focused on the following areas:

- increasing market housing supply
- leading in the delivery of affordable housing
- delivering built form faster and in more innovative ways
- impactful presence in regional New South Wales.

Key initiatives being delivered include:

- accelerating the development of projects in the portfolio to achieve settlement of lots for 22,000 dwellings from 2023-24 to 2028-29 (2025-26 Target: 3,010 dwellings)
- growing the affordable housing pipeline to deliver at least 1,800 affordable homes from 2023-24 to 2028-29
- pilot Build to Rent projects in Bomaderry and Lismore – construction works on the 60 dwelling Bomaderry project have commenced and the construction tender is underway on the 50 dwelling Lismore project, with anticipated completion at the end of 2026. 20 per cent of the target dwellings in these projects will be affordable housing dwellings.

All new projects are required to enable carbon neutral, zero waste, water positive and net positive ecological outcomes by 2028.

Box 9.1: Build to Rent program

Landcom is making progress on delivering 400 new build-to-rent dwellings for essential workers, using the $450.0 million equity injection provisioned in the 2024-25 Budget.

The first site in the program was announced in February 2025 for at least 200 Essential Workers build-to-rent apartments, as part of an overall development of approximately 500 apartments. The site is located at the former WestConnex dive site on Parramatta Road, Camperdown. Landcom is currently progressing the required planning submissions, with construction expected to commence in early 2026.

Further sites are being investigated for the Essential Workers Build to Rent program. Pending acquisition of the sites and respective design and planning approvals, construction is expected to commence in 2026-27.

‘Keys in doors’ for these dwellings are anticipated in late 2028.

Water

The NSW Government owns three SOCs in the water sector – Sydney Water Corporation (Sydney Water), Hunter Water Corporation (Hunter Water) and WaterNSW. Sydney Water and Hunter Water deliver essential water and wastewater services to households in Greater Sydney, Illawarra and the Lower Hunter. WaterNSW supplies bulk water to metropolitan and regional areas. These businesses play a pivotal role in safeguarding public health and the environment through sustainable water management.

The revenues for these businesses are subject to regulation by the Independent Pricing and Regulatory Tribunal (IPART), which hands down Pricing Determinations every five years.

Box 9.2: Independent Pricing and Regulatory Tribunal water pricing determinations

- The forecast financial results of the water businesses, and the distributions they make to the NSW Government, will be impacted by the outcome of the ongoing IPART review of water prices for the 2025-26 to 2029-30 determination period.
- In September 2024, each of the water SOCs submitted a pricing proposal to IPART and the forecast financial results and shareholder distributions included in the 2024-25 Half-Yearly Review were based on these submissions. The Government wrote to IPART during this time requesting the tribunal prioritise consideration of cost-of-living pressures for customers during its deliberations.
- IPART has released:
  - the final report of their pricing determination for Hunter Water
  - the draft report of their pricing determination for Sydney Water
  - an Information Paper on the draft decisions for WaterNSW's bulk water services.
- IPART's Final Determinations for Sydney Water and WaterNSW will not be available until after the 2025-26 Budget is released.
- These final and draft decisions indicate that IPART is seeking to limit bill increases and manage cost-of-living pressures for customers in its determinations. However, the pricing decisions will also result in lower government revenue than previously forecast by the water businesses in the form of lower dividends, income tax expenses and government guarantee fees. The Government will continue to monitor IPART's determinations closely, with a view to managing emerging fiscal risks over the coming months.

Sydney Water Corporation

Sydney Water's planning and delivery of strategic investments is directed at ensuring a resilient and safe water supply for a growing city. Sydney Water is focused on the delivery of essential infrastructure needed to enable housing and support public and waterway health while maintaining affordability for customers.

Water services are crucial for economic development and enabling growth. Key projects underway include the following:

- Upper South Creek Advanced Water Recycling Centre (Stage 1) is nearing completion and is expected to generate $10.0 billion in social and economic benefits. It will support the opening of Western Sydney International Airport in 2026 and enable 130,000 new dwellings by 2056.
- Continued delivery of the new $756.9 million Prospect Pretreatment Plant. This project will enable the continued supply of safe, secure and reliable drinking water to a growing population in Greater Sydney particularly during events that impact the quality of raw water.
- Commencement of $644.1 million investment in the integrated stormwater and recycled water scheme needed to deliver 850 hectares of industrial land in the Mamre Road Precinct and support the 22,200 Western Sydney jobs alongside it.
- The Housing Approval Reform Action Plan developed in partnership between the NSW Department of Climate Change, Energy, the Environment and Water, Sydney Water and WaterNSW aims to accelerate infrastructure delivery by enhancing workforce and industry capability with a focus on improving application turnaround time through a digital platform transformation program. Progress has already been made, with the time taken for Sydney Water to issue a Notice of Requirements down 50 per cent, and design approval times down 25 per cent.

Sydney Water is committed to net zero emissions by 2030 through negotiating renewable power purchase agreements, offsets and increasing renewable generation, supported by assets like biogas cogeneration, hydro power, and new solar generation.

Hunter Water Corporation

Hunter Water forecasts capital investment of $1.6 billion over IPART's 2025-2030 regulatory period. Hunter Water's capital program supports the sustainable and resilient water supply for the region. A key project is the construction of a permanent 30 megalitre per day desalination plant at Belmont. The plant is scheduled to be operational in 2028. This new facility will provide the region's first drought-resilient water source.

To support the region's growth, Hunter Water is investing $32.0 million in 2025-26 on infrastructure projects that facilitate new housing developments and economic prosperity.

Recognising the cost-of-living pressures faced by its community, Hunter Water is committed to balancing the need for critical infrastructure investments with the affordability of customer bills. This consideration has been reflected in Hunter Water's pricing proposal submitted to IPART in September 2024. Hunter Water continues to enhance its customer support and hardship assistance programs to assist those experiencing difficulties in paying their bills, ensuring equitable access to essential water services across the community.

In line with its commitment to environmental sustainability and the views of its customers and community, Hunter Water is progressing towards achieving net zero carbon emissions by 2035. A significant milestone is the commencement of a renewable energy power purchase agreement from January 2025. This initiative will transition Hunter Water's electricity usage at all its large sites to 100 per cent renewable energy by 2030.

WaterNSW

By leveraging the organisation's existing asset base, WaterNSW's Renewable Energy Storage Program and Long Duration Storage Program support the development of renewable energy projects, contributing to the NSW Government's net zero targets. Throughout 2024-25, progress has continued to be made on key deliverables including the commencement of long duration storage pre-feasibility studies and the delivery of an option assessment report. WaterNSW continues to facilitate private sector-led developments at key sites, including:

- ZEN Energy's proposed Western Sydney Pumped Hydro project at Lake Burragorang
- AGL Energy's development of pumped hydro projects in the Upper Hunter region at Glenbawn Dam and Glennies Creek Dam.

WaterNSW continues to support the NSW Government's Town Water Risk Reduction Program, by partnering with local water utilities to share WaterNSW's knowledge and expertise around water quality monitoring and dam safety.

Energy

Essential Energy

Essential Energy operates and maintains one of Australia's largest electricity distribution networks and focuses on the future needs of customers in regional, rural and remote communities. It seeks to optimise asset investment and usage, and facilitate new ways for customers to connect to the network and use services, while keeping network prices as low as possible.

Essential Energy facilitates utility scale renewable generation and firming capacity connections to its distribution network, in the Dubbo region and across other parts of New South Wales. One such project involves a market process for the deployment of high voltage battery storage on land adjacent to Essential Energy zone substations. Increasing use of the network will help to maintain reliability and security of supply and to put downward pressure on network prices.

Essential Energy is actively supporting the transition to electric vehicles across New South Wales by using capacity across its network to dramatically increase the availability of electric vehicle charging infrastructure, particularly in regional, rural and remote areas. This could encourage more people to buy and use electric vehicles and deliver far-reaching benefits across New South Wales. Expanding the availability of charging infrastructure will enable low and zero-emissions vehicles to travel further and more frequently across more of the State. This can have broad-ranging benefits, including reducing carbon emissions, improving air quality, and delivering a boost in tourism and economic activity across the regions.

Ports

Port Authority of NSW (Port Authority)

Port Authority is responsible for all commercial marine functions in the ports of Sydney Harbour, Port Botany, Newcastle Harbour, Port Kembla, Port of Eden and Port of Yamba. These include the statutory Harbour Master’s function, pilotage and navigation services, port safety functions, and port and terminal operations.

Port Authority is committed to embedding sustainability across the organisation, guided by its Net Zero implementation pathway to 75 per cent reduction in scope 1 and scope 2 emissions by 2030 and overall net zero balance by 2040. Key initiatives include:

- delivery of the Vehicle Fleet EV Transition Strategy
- continuing to reduce vessel emissions through operational efficiencies and long-term decarbonisation of the vessel fleet
- developing best practice methods for the biocultural restoration of the endangered seagrass Posidonia australis in Botany Bay
- installation of Shore Power at the White Bay Cruise Terminal by 2026-27.

In 2025-26, Port Authority will also publish its first standalone Sustainability Report (with reference to the Global Reporting Initiative).

In 2025-26, Port Authority will enhance cruise infrastructure by continuing Stage 2 of the Berthing Infrastructure Project at the Overseas Passenger Terminal and participating in the Cruise Industry Advisory Panel to identify options for long-term growth in New South Wales.

Forestry

Forestry Corporation of NSW (Forestry Corporation)

Forestry Corporation manages state forests. It delivers a range of other public services including recreation, tourism, conservation and firefighting.

Forestry Corporation continues to progress explorations of wind farms for renewable electricity generation within the State Forest Pine Plantations. It has issued investigation permits to successful proponents in four locations across New South Wales who are engaging with local communities and completing environmental feasibility before submitting development applications in coming years.

Since the 2019-20 Black Summer Fires, Forestry Corporation continues to make substantial investments in regrowing and expanding its State Forest Pine Plantations, producing enough renewable timber to build approximately 40,000 homes annually.

9.2 Capital expenditure

In 2024-25, capital expenditure within the PNFC sector is projected to be $6.9 billion, which is $441.8 million lower than projected in the 2024-25 Half-Yearly Review.

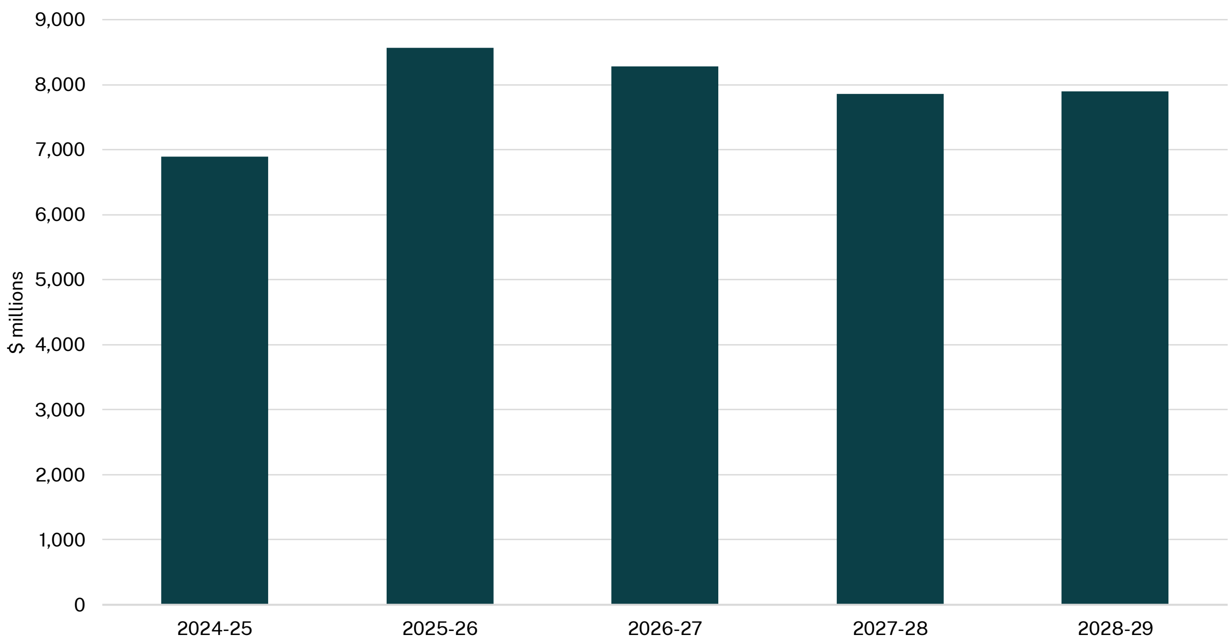
Over the budget year and forward estimates, capital expenditure within the PNFC sector is projected to be $32.6 billion. This is $818.2 million lower than projected in the comparative forecast periods in the 2024-25 Half-Yearly Review.

Key drivers include a:

- $2.0 billion decrease resulting from the conversion of the Transport Asset Holding Entity of NSW from a for-profit SOC into a not-for-profit statutory authority named Transport Asset Manager of NSW, and a change in its asset valuation methodology accordingly
- $376.2 million decrease from Sydney Water following a reduction in the forecast cost of stormwater infrastructure in the Mamre Road and Aerotropolis precincts
- partially offset by a:
  - $626.9 million increase from Essential Energy related to ongoing investment in the network and increased expenditure to deliver major connection projects
  - $480.1 million increase from Landcom due to the capitalisation of the previously funded build-to-rent properties on Landcom's balance sheet.

The Final IPART determinations are likely to result in a reduction in the forecast capital expenditure for both Sydney Water and WaterNSW (see Box 9.2 for details).

Chart 9.1: Capital expenditure of the PNFC sector



9.3 Major public financial corporations

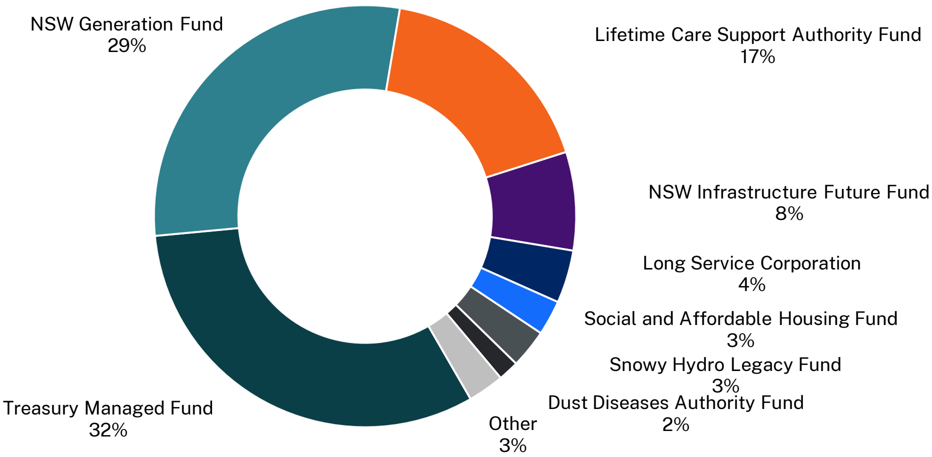
NSW Treasury Corporation (TCorp)

TCorp is the State's investment management agency and central financing authority. TCorp's total funds under management was around $114.7 billion as at 30 April 2025, making it one of Australia's largest fund managers.

As at 30 April 2025, TCorp has raised $25.6 billion face value in debt funding and had maturities of $8.9 billion face value during 2024-25. The NSW Sustainability Bond Programme remains at $11.9 billion face value outstanding, making TCorp one of the largest government issuers of sustainability bonds in Australia.

TCorp implemented the Government's policy to centralise the investment management for four NSW Treasury controlled funds, two icare[1] portfolios, and others into a single whole-of-state fund, OneFund, during 2024-25. OneFund is expected to deliver higher investment returns on behalf of the State. OneFund held $62.1 billion in assets under management as at 30 April 2025.

Chart 9.2: Composition of OneFund as at 30 April 2025



icare

icare is the State's insurer and its aim is to protect, insure and care for people injured at work and on the road, businesses, government agencies, builders and homeowners.

Following passage of legislative amendments to the *State Insurance and Care Governance Act 2015* in 2024, and completion of its Enterprise Improvement Program, icare continues to transform and build on solid foundations designed to promote efficiency, transparency, and accountability in the conduct of its operations. This includes the roll out of a new and upgraded Lung Bus (see Box 9.3) to improve ongoing essential health screening services for workers in dust industries.

Another major focus for 2025-26 will be supporting the Government's commitment to ensuring the State's insurance schemes are sustainable and fit for purpose.

[1] Insurance and Care NSW (icare).

Box 9.3: Upgrade of icare's Dust Diseases Care Lung Bus – mobile lung-testing clinic

Each year, approximately 26,000 workers are exposed to hazardous dust in NSW workplaces and should be screened for lung health. Dust Diseases Care currently screens and monitors approximately 5,000 workers annually, with its popular mobile testing clinic (the Lung Bus) operating at 112 per cent capacity.

To ensure continuity of service across regional areas, a new and upgraded Lung Bus was built and commenced operations in February 2025. The new Bus has been designed with service continuity, customer experience and staff wellbeing in mind, including:

- larger consultation and clinical spaces to accommodate carers and translators
- updated medical equipment
- onboard facilities management systems
- back-up power generators
- satellite internet for improved regional network connectivity.

The popular service's regional schedule has already been fully booked for 2025. In June, icare will commence planning for 2026, centring its planning around waitlisted employers.

The mobile clinic will help ensure dust industry employers meet their health monitoring obligations and will be essential in monitoring the health of those workers for years to come.

The investment in the building of the replacement mobile clinic demonstrates icare's commitment to providing ongoing essential health screening services to the people of New South Wales.

9.4 Returns to the Government from the PNFC and PFC sectors

SOCs and TCorp pay dividends to the State as a return on the Government's investments in these entities. These entities also pay tax equivalents and debt neutrality charges (government guarantee fees) to ensure competitive neutrality.

Government guarantee fees are projected to be $369.9 million in 2024-25 and are forecast to total $2.0 billion over the budget year and forward estimates. This is a $261.4 million decrease from the 2024-25 Half-Yearly Review.

Key movements over the budget year and forward estimates include:

- $195.0 million reduction in Sydney Water's government guarantee fees due to refinanced borrowings at a higher TCorp rate. TCorp's rate increase was influenced by macroeconomic factors, which reduced the yield spread resulting in lower government guarantee fees from Sydney Water
- $47.3 million reduction in Essential Energy's government guarantee fees due to an improvement in Essential Energy's credit rating from BBB to BBB+, again resulting in a reduced yield spread.

Total dividend and tax equivalent payments from the PNFC and PFC sectors are forecast to be $669.8 million for 2024-25, which is $1.7 million higher than the comparative forecast in the 2024-25 Half-Yearly Review.

Over the budget year and forward estimates, total dividend and tax equivalent payments to the Government from the PNFC and PFC sector are forecast to be $4.1 billion, which is $510.9 million lower than the comparative forecast in the 2024-25 Half-Yearly Review.

Key movements include:

- $133.7 million reduction in Sydney Water's income tax equivalents, which was caused by:
  - a reduction in profit before tax due to forecast revenue decreases to reflect the delayed commencement date for new prices to 1 October 2025
  - a reduction in infrastructure contributions due to delayed capital projects
- $126.3 million reduction in Essential Energy's dividends primarily due to a revision of the major connections pipeline, higher vegetation costs and increased labour costs following the approved 2024 Enterprise Agreement
- $44.2 million decrease in Hunter Water's dividends as a result of lower forecast revenue from customers following IPART's pricing determination for Hunter Water
- the inclusion of an IPART Determinations risk adjustment totalling $289.0 million to reflect reductions to tax equivalents from Final Determinations for Sydney Water and WaterNSW. These estimates will be updated in the 2025-26 Half-Yearly Review once the Final Determinations have been handed down.

Table 9.1: Total dividend and tax equivalent payments from the PNFC and PFC sectors

	2024-25 Projection $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Public non-financial corporations					
Essential Energy	-	-	-	-	27
Forestry Corporation of NSW	-	-	-	-	-
Hunter Water Corporation	26	48	70	94	112
Landcom[(a)]	19	9	38	40	35
Port Authority of NSW	59	39	33	37	39
Sydney Water Corporation	280	552	513	544	630
WaterNSW	40	40	46	76	102
Public financial corporations					
NSW Treasury Corporation[(b)]	205	235	269	286	302
Less: IPART Determinations risk adjustment	-	(50)	(51)	(81)	(107)
Total Dividend and Tax Equivalent Payments in Revenue from Transactions section	630	874	919	995	1,139
Public non-financial corporations					
Landcom	40	14	62	65	57
Total Dividends in Other Economic Flows section[(c)]	40	14	62	65	57
TOTAL DIVIDEND AND TAX EQUIVALENT PAYMENTS	670	888	981	1,060	1,196

(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 five years to 2028-29 are classified as income within the 'Other Economic Flows' section of the General Government Operating Statement.

A. STATEMENT OF FINANCES

This appendix presents the financial aggregates for the 2025-26 Budget.

Financial aggregates in this appendix are prepared in line with:

- the Uniform Presentation Framework (UPF) administered by the Council on Federal Financial Relations (CFFR)
- Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which adopts a harmonised Government Finance Statistics (GFS)/Generally Accepted Accounting Principles (GAAP) reporting basis.

A six-year time series is provided from 2023-24 to 2028-29 for the general government sector (GGS), public non-financial corporations (PNFC) sector, and consolidated non-financial public sector (NFPS).

An analysis of general government expenses is presented in Chapter 7 Recurrent expenditure and looks at each element of expenses by COFOG-A category.

How to Read the Budget Papers outlines the accounting policies and forecast assumptions adopted in the Budget. The UPF tables quantify the impact of these policies and assumptions on the forward estimates from 2025-26 to 2028-29.

A.1 Introduction

This appendix presents financial aggregates for the GGS, PNFC sector and NFPS. These aggregates are prepared in line with the revised UPF agreed by the Council on Federal Financial Relations in February 2019.

The objective of the UPF is to facilitate a better understanding of an individual government's budget and provide for more meaningful comparisons of each government's financial results and projections.

The format of the aggregates is based on reporting standards set out by the Australian Accounting Standards Board – AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which adopts a harmonised GFS/GAAP reporting basis.

The UPF financial aggregates:

- allow consistent comparisons between the financial positions 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.

A.2 Uniform Presentation Framework

The NSW Government financial tables in this appendix are prepared under the UPF[1]. Additional disclosures explain matters specific to New South Wales.

Framework

The UPF tables are in line with AASB 1049 which:

- adopts GAAP definitions, including recognition and measurement principles in almost all cases
- amends presentation requirements to encompass a comprehensive result that retains the GAAP classification system but overlays it with the transactions and other economic flows classification system based on GFS
- expands the disclosure requirements to include key fiscal aggregates required by GFS.

Due to differences in reporting classifications, GFS financial aggregates released by the Australian Bureau of Statistics (ABS) will differ from UPF aggregates. For more information on other differences, see the primary financial statements later in this appendix. For details and amounts of the key 2023-24 convergence differences, refer to *Note 37: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics* in the *2023-24 Report on State Finances*.

[1] The complete Uniform Presentation Framework is available on the Commonwealth Treasury website www.treasury.gov.au. Extracts from the manual are included in this appendix to explain key concepts while the glossary to "*How to Read the Budget Papers*" also includes key UPF terms.

Historical series

To ensure a consistent historical series of fiscal aggregates, all jurisdictions have agreed to back cast published historical data on a best endeavours basis. For example, historical information in the consolidated operating statements has been recast on the basis of available dissections between GFS transactions and other economic flows.

Fiscal measures

UPF reporting measures evaluate the soundness of a government's fiscal position and the effect of fiscal policy on the economy. The fiscal measures in the UPF framework are:

- net operating balance
- net lending/borrowing (fiscal balance)
- net worth
- change in net worth (comprehensive result)
- net debt
- net financial worth
- net financial liabilities
- cash surplus/(deficit).

Definitions of these measures are set out in the glossary in the *How to Read the Budget Papers* guide.

Flow measures (net operating balance, net lending/borrowing and change in net worth) show changes in the fiscal position during the reporting period, reflecting the impact of government decisions and actions, and re-measurement effects during that time. Flows represent the creation, transformation, exchange, transfer or extinction of economic value.

Stock measures (net worth, net debt, net financial worth and net financial liabilities) highlight a government's fiscal position at a point in time, providing information on the aggregate results of past decisions.

A.3 Primary Financial Statements

UPF presentation

Public sector estimates and outcomes are presented on an accrual accounting basis in three AASB 1049 based primary statements: the operating statement, including other economic flows; the balance sheet; and the cash flow statement. AASB 1049 adopts GFS principles where this does not conflict with GAAP. Details of key convergence differences between GFS and GAAP are explained in this appendix. The following statements form the UPF's core reporting requirements.

Operating Statement and Balance Sheet

The operating statement:

- presents information on transactions (revenue and expenses) and other economic flows (revaluations and other adjustments)
- captures the composition of revenues and expenses and the net cost of government activities within a fiscal year
- shows the full cost of resources consumed by the government in achieving its objectives and the extent that these costs are met from various revenue sources
- shows information on capital expenditure and asset sales to derive a net lending/borrowing position.

The operating statement also reports three major fiscal measures:

- net operating balance which is calculated as revenue minus expenses from transactions. New South Wales recognises its budget result as the net operating balance for the general government sector
- total change in net worth (comprehensive result) which starts with the net operating balance and includes other economic flows such as revaluations
- net lending/borrowing (fiscal balance) which starts with the net operating balance and includes net capital expenditure but excludes depreciation, giving the best indicator of a jurisdiction's call on financial markets.

The balance sheet:

- records the value of financial and non-financial assets and liabilities of the State, at the end of each financial year
- shows the resources at the State's disposal and the type and valuation of its liabilities
- reveals the make-up of the State's financial assets, its fixed asset holdings, and the extent of liabilities such as borrowings and unfunded superannuation.

The UPF balance sheet fiscal aggregates include net worth, net financial worth, net financial liabilities and net debt.

Cash Flow Statement

The cash flow statement reveals how a government obtains and expends cash. It shows how government cash inflows and outflows are allocated between various activities, and their net impact on cash held.

This statement requires cash flows to be categorised into:

- operating activities comprising activities linked to collecting taxes, distributing grants, and providing goods and services
- investing activities comprising activities linked to acquiring and disposing financial and non-financial assets
- financing activities comprising activities linked to changing the size and composition of a government's financial structure.

The sign convention within the cash flow statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows).

The cash flow statement reports two fiscal measures:

- net increase in cash held which is the sum of net cash flows from all operating, investing and financing activities
- cash surplus/(deficit) which comprises net cash from operating activities, plus sales and less purchases of non-financial assets.

New South Wales uses the AASB 1049 cash result as its headline cash result.

Institutional sectors

The list of the NSW public sector entities is provided in *How to Read the Budget Papers*. These NSW-controlled entities have been classified according to their government sector. These sectors are defined in the ABS GFS manual.

A.4 Uniform Presentation Tables

These tables are set out by institutional sectors showing the order of operating statement, balance sheet and cash flow statement.

In addition to the UPF minimum disclosure requirements, these tables include a time series for historical and forward years. The tables for general government sector also include:

- tax revenues by type
- a dissection of grant revenue and expense
- dividend and income tax equivalent income by sector
- total expenses by function (COFOG-A)
- purchase of non-financial assets by function (COFOG-A).

Table A.1: General government sector operating statement

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Revenue from Transactions						
Taxation	44,603	47,599	51,318	54,138	56,668	59,541
Grants and Subsidies	46,069	47,576	50,686	50,599	52,918	53,128
Sale of Goods and Services	10,156	10,419	11,086	11,157	11,442	11,838
Interest	768	801	573	598	589	541
Dividend and Income Tax Equivalents from Other Sectors	679	630	874	919	995	1,139
Other Dividends and Distributions	1,432	4,035	2,796	3,176	3,354	3,623
Fines, Regulatory Fees and Other	6,512	7,031	6,822	7,450	7,266	7,325
Total Revenue from Transactions	**110,219**	**118,090**	**124,154**	**128,038**	**133,232**	**137,135**
Expenses from Transactions						
Employee	46,131	48,514	50,307	51,913	53,129	56,206
Superannuation						
Superannuation Interest Cost	1,661	1,618	1,601	1,518	1,457	1,404
Other Superannuation	4,619	4,841	5,105	5,308	5,333	5,572
Depreciation and Amortisation	8,601	9,658	10,112	10,470	11,039	11,682
Interest	6,019	7,144	7,746	8,387	9,026	9,518
Other Operating Expense	27,994	27,192	27,776	26,154	27,806	27,497
Grants, Subsidies and Other Transfers	25,883	24,837	24,934	25,437	24,310	24,198
Total Expenses from Transactions	**120,909**	**123,805**	**127,581**	**129,186**	**132,101**	**136,078**
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	**(10,690)**	**(5,715)**	**(3,427)**	**(1,148)**	**1,132**	**1,058**

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(106)	56	(360)	(96)	(1)	(0)
Other Net Gains/(Losses)	2,110	(105)	1,174	1,360	1,414	1,576
Share of Earnings/(Losses) from Equity Investments (excluding Dividends)	(169)	(89)	(8)	(190)	(128)	(251)
Dividends from Asset Sale Proceeds	40	40	14	62	65	57
Deferred Income Tax from Other Sectors	67	46	84	114	136	179
Other	(129)	(302)	(40)	(40)	(40)	(41)
Other Economic Flows - included in Operating Result	**1,813**	**(355)**	**865**	**1,211**	**1,447**	**1,520**
Operating Result	**(8,877)**	**(6,070)**	**(2,562)**	**62**	**2,578**	**2,577**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**54,075**	**1,571**	**(2,612)**	**2,655**	**5,528**	**5,933**
Revaluations	15,681	6,262	1,977	1,861	1,959	1,905
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	138	...	...	...	...	...
Remeasurements of Post-Employee Benefits	3,649	258	(1,912)	214	852	821
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	34,104	(4,955)	(2,790)	465	2,602	3,109
Deferred Tax Direct to Equity	271	64	63	65	65	68
Other	232	(58)	49	50	50	29
Items that may be Reclassified Subsequently to Operating Result	**(0)**	**(0)**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	(0)	(0)	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**54,075**	**1,571**	**(2,612)**	**2,655**	**5,528**	**5,933**
Comprehensive Result - Total Change in Net Worth	**45,198**	**(4,499)**	**(5,174)**	**2,717**	**8,106**	**8,510**
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth	**45,198**	**(4,499)**	**(5,174)**	**2,717**	**8,106**	**8,510**
Less: Net Other Economic Flows	(55,888)	(1,216)	1,747	(3,866)	(6,975)	(7,453)
Equals: Budget Result - Net Operating Balance	**(10,690)**	**(5,715)**	**(3,427)**	**(1,148)**	**1,132**	**1,058**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	20,881	20,919	21,531	21,145	20,604	19,331
Sales of Non-Financial Assets	(337)	(431)	(1,119)	(799)	(2,407)	(738)
Less: Depreciation	(8,601)	(9,658)	(10,112)	(10,470)	(11,039)	(11,682)
Plus: Change in Inventories	143	287	(739)	106	94	(422)
Plus: Other Movements in Non-Financials Assets						
Assets Acquired Using Leases[(a)]	1,131	764	703	791	856	779
Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	907	632	109	107	20	...
- Grant of Right to the Operator Model	282	1,844	2,060	1,290	684	132
Other	(744)	(602)	(295)	(1,656)	(694)	(742)
Equals: Total Net Acquisition of Non-Financial Assets	**13,662**	**13,755**	**12,139**	**10,514**	**8,118**	**6,658**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**(24,351)**	**(19,470)**	**(15,566)**	**(11,662)**	**(6,987)**	**(5,600)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	22,919	22,315	22,343	22,043	21,480	20,111

(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 A.2: General government sector balance sheet

	June 2024 Actual $m	June 2025 Revised $m	June 2026 Budget $m	June 2027 Forward Estimates $m	June 2028 $m	June 2029 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	6,886	894	825	962	938	1,250
Receivables	13,759	14,999	15,055	14,881	14,438	14,295
Investments, Loans and Placements						
Financial Assets at Fair Value	50,460	52,086	54,648	55,669	57,753	60,759
Other Financial Assets	2,633	2,793	1,683	2,180	1,996	1,799
Advances Paid	930	1,001	1,324	1,762	2,223	2,055
Tax Equivalents Receivable	98	50	10	24	29	24
Deferred Tax Equivalents	3,915	4,134	4,290	4,468	4,669	4,915
Equity Investments						
Investments in Other Public Sector Entities	155,966	149,860	148,157	148,928	151,530	154,639
Investments in Associates	10,372	10,298	10,290	10,100	10,061	9,838
Other Equity Investments	15	15	15	31	31	31
Total Financial Assets	**245,034**	**236,129**	**236,297**	**239,004**	**243,666**	**249,605**
Non-Financial Assets						
Contract Assets	73	62	63	63	64	65
Inventories	1,280	1,542	848	926	1,022	601
Forestry Stock and Other Biological Assets	17	17	17	17	17	17
Assets Classified as Held for Sale	190	385	863	301	188	190
Property, Plant and Equipment						
Land and Buildings	139,379	146,468	150,776	154,736	158,950	161,767
Plant and Equipment	15,662	15,680	15,377	15,810	15,300	14,451
Infrastructure Systems	223,829	236,924	247,081	254,714	261,121	268,798
Right-of-Use Assets	6,288	6,348	6,375	6,491	6,533	6,557
Intangibles	5,647	5,753	5,936	5,946	5,652	5,169
Other Non-Financial Assets	1,729	1,720	1,563	1,478	1,473	1,468
Total Non-Financial Assets	**394,094**	**414,899**	**428,898**	**440,484**	**450,318**	**459,085**
Total Assets	**639,128**	**651,028**	**665,195**	**679,488**	**693,985**	**708,690**
Liabilities						
Deposits Held	344	344	344	344	344	344
Payables	9,691	9,558	9,474	9,380	9,312	9,509
Contract Liabilities	864	748	747	752	756	760
Borrowings and Derivatives at Fair Value	9	8	8	8	8	8
Borrowings at Amortised Cost	153,485	165,267	178,180	187,818	193,147	199,262
Advances Received	438	393	223	170	110	66
Employee Benefits Liabilities	29,267	31,760	34,113	36,020	37,612	39,136
Superannuation Provision[(a)]	38,134	37,831	39,598	39,067	37,728	36,260
Tax Equivalents Payable	4	26	42	39	49	47
Deferred Tax Equivalent Provision	40	27	27	27	27	27
Other Provisions	18,430	18,131	18,183	18,422	18,907	19,655
Other Liabilities	21,268	24,279	26,773	27,240	27,680	26,801
Total Liabilities	**271,973**	**288,372**	**307,712**	**319,288**	**325,679**	**331,874**
NET ASSETS	**367,156**	**362,657**	**357,482**	**360,200**	**368,306**	**376,816**
NET WORTH						
Accumulated Funds	69,270	64,756	61,746	63,794	68,644	73,451
Reserves	297,885	297,901	295,736	296,406	299,662	303,365
TOTAL NET WORTH	**367,156**	**362,657**	**357,482**	**360,200**	**368,306**	**376,816**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**93,365**	**109,238**	**120,275**	**127,766**	**130,700**	**133,816**
Net Financial Liabilities[(c)]	**182,904**	**202,102**	**219,572**	**229,212**	**233,542**	**236,907**
Net Financial Worth[(d)]	**(26,938)**	**(52,243)**	**(71,416)**	**(80,284)**	**(82,012)**	**(82,268)**

(a) The superannuation provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equal total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total financial liabilities.

Table A.3: General government sector cash flow statement

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Cash Receipts from Operating Activities						
Taxation	43,182	47,203	51,339	54,134	56,658	59,525
Sales of Goods and Services	10,054	10,989	11,589	11,639	12,006	12,406
Grant and Subsidies Received	46,154	47,612	51,432	50,581	53,267	52,807
Interest	666	706	480	441	426	388
Dividends and Income Tax Equivalents from Other Sectors	537	514	725	981	1,011	1,109
Other	12,325	12,400	9,719	10,247	10,266	9,842
Total Cash Receipts from Operating Activities	**112,919**	**119,424**	**125,284**	**128,022**	**133,634**	**136,077**
Cash Payments from Operating Activities						
Employee Related	(43,245)	(46,222)	(48,728)	(50,553)	(52,064)	(55,307)
Superannuation	(6,181)	(6,504)	(6,851)	(7,142)	(7,277)	(7,622)
Payments for Goods and Services	(26,306)	(27,267)	(27,190)	(25,607)	(27,087)	(26,440)
Grants and Subsidies	(24,687)	(23,795)	(24,129)	(23,174)	(23,057)	(22,876)
Interest	(4,294)	(5,237)	(5,389)	(6,094)	(6,896)	(6,973)
Other	(7,827)	(7,506)	(5,614)	(5,051)	(4,705)	(4,369)
Total Cash Payments from Operating Activities	**(112,541)**	**(116,531)**	**(117,900)**	**(117,621)**	**(121,087)**	**(123,587)**
Net Cash Flows from Operating Activities	**378**	**2,892**	**7,384**	**10,401**	**12,548**	**12,490**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	597	878	1,336	798	2,508	846
Purchases	(20,696)	(21,199)	(21,609)	(21,130)	(20,572)	(19,349)
Net Cash Flows from Investments in Non-Financial Assets	**(20,099)**	**(20,321)**	**(20,273)**	**(20,332)**	**(18,064)**	**(18,503)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	175	196	849	163	339	598
Payments	(235)	(258)	(634)	(611)	(545)	(131)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(60)**	**(62)**	**215**	**(448)**	**(206)**	**467**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	3,135	4,967	3,750	5,076	4,571	3,938
Purchase of Investments	(1,662)	(2,619)	(2,030)	(1,931)	(2,065)	(2,089)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**1,474**	**2,348**	**1,719**	**3,145**	**2,507**	**1,850**
Net Cash Flows from Investing Activities	**(18,686)**	**(18,035)**	**(18,339)**	**(17,635)**	**(15,763)**	**(16,187)**
Cash Flows from Financing Activities						
Advances (Net)	(77)	(57)	(348)	(149)	(164)	(140)
Proceeds from Borrowings	21,040	10,210	13,704	9,102	4,557	5,409
Repayment of Borrowings	(2,122)	(1,002)	(2,472)	(1,585)	(1,203)	(1,258)
Deposits (Net)	9	(0)	...	...	...	...
Net Cash Flows from Financing Activities	**18,850**	**9,151**	**10,884**	**7,367**	**3,190**	**4,011**
Net Increase/(Decrease) in Cash Held	**542**	**(5,992)**	**(71)**	**134**	**(25)**	**314**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	378	2,892	7,384	10,401	12,548	12,490
Net Cash Flows from Investments in Non-Financial Assets	(20,099)	(20,321)	(20,273)	(20,332)	(18,064)	(18,503)
Cash Surplus/(Deficit)	**(19,721)**	**(17,429)**	**(12,889)**	**(9,931)**	**(5,516)**	**(6,013)**

Table A.4: General government sector taxes

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m
Taxes on Employers' Payroll and Labour Force[(a)]	**12,632**	**13,035**	**13,851**
Taxes on Property			
Land Taxes	7,084	8,205	8,792
Other	205	212	224
Total Taxes on Property	**7,289**	**8,417**	**9,016**
Taxes on the Provision of Goods and Services			
Excises and Levies	...	97	99
Taxes on Gambling	3,507	3,608	3,723
Taxes on Insurance	4,066	4,117	4,533
Stamp Duties on Financial and Capital Transactions	11,789	12,675	13,758
Total Taxes on the Provision of Goods and Services	**19,361**	**20,497**	**22,113**
Taxes on Use of Goods and Performance of Activities			
Motor Vehicle Taxes	4,305	4,578	4,871
Franchise Taxes	...	...	0
Other[(a)]	1,016	1,072	1,468
Total Taxes on Use of Goods and Performance of Activities	**5,321**	**5,650**	**6,339**
Total Taxation Revenue	**44,603**	**47,599**	**51,318**

(a) The tax classification of the Long Service Levy paid to the State has been revised. The $152 million in 2024-25 Revised and $422 million in 2025-26 Budget are now included in "Other". In 2023-24 Actual, $146 million of Long Service Levy was reported under “Taxes on Employers' Payroll and Labour Force”.

Table A.5: General government sector grant revenue and expense[a]

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m
Current Grants and Subsidies			
Current Grants from the Commonwealth[a]			
General Purpose Grants	26,665	26,105	27,957
Specific Purpose Payments	12,958	13,591	14,311
National Partnership Payments	1,505	2,883	3,701
Other Commonwealth Payments	491	309	498
Total	**41,620**	**42,888**	**46,466**
Other Grants and Subsidies	902	**904**	867
Total Current Grants and Subsidies Revenue	**42,522**	**43,792**	**47,333**
Capital Grants and Subsidies			
Capital Grants from the Commonwealth[a]			
General Purpose Payments	...	...	...
Specific Purpose Payments	...	...	...
National Partnership Payments	3,483	3,733	3,305
Other Commonwealth Payments	...	1	6
Total	**3,483**	**3,733**	**3,311**
Other Grants and Subsidies	63	**50**	43
Total Capital Grants and Subsidies Revenue	**3,546**	**3,783**	**3,353**
Total Grants and Subsidies Revenue	**46,069**	**47,576**	**50,686**
Current Grants, Subsidies and Transfer Payments Expense to:			
State/Territory Government	13	1	0
Local Government [a]	3,468	2,204	3,060
Private and Not-for-Profit Sector [a]	12,182	12,144	11,502
Other Sectors of Government	7,919	8,240	8,997
Total Current Grants, Subsidies and Transfer Payments Expense	**23,582**	**22,590**	**23,560**
Capital Grants, Subsidies and Transfer Payments to:			
State/Territory Government	0	0	0
Local Government [a]	305	410	542
Private and Not-for-Profit Sector [a]	1,011	708	154
Other Sectors of Government	986	1,130	678
Total Capital Grants, Subsidies and Transfer Payments Expense	**2,301**	**2,247**	**1,374**
Total Grants and Subsidies Expense	**25,883**	**24,837**	**24,934**
Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties			
Transfer Receipts			
Current Transfer Receipts for Specific Purposes	6,872	6,526	7,282
Capital Transfer Receipts for Specific Purposes	...	...	...
Total Receipts	**6,872**	**6,526**	**7,282**
Current Transfer Payments to:			
Local Government	896	117	1,054
Private and Not-For-Profit Sector	5,976	6,409	6,228
Capital Transfer Payments to:			
Local Government	...	...	...
Private and Not-For-Profit Sector	...	...	...
Total Payments	**6,872**	**6,526**	**7,282**

(a) Grant revenue and expense above exclude the transfer payments from the Australian Government that New South Wales passes on to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amounts that it passes on.

Table A.6: General government sector dividend and income tax equivalent income

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m
Dividend and Income Tax Revenue from the PNFC Sector	489	424	638
Dividend and Income Tax Revenue from the PFC Sector	190	205	235
Other Dividend Income	1,432	4,035	2,796
Total Dividend and Income Tax Equivalent Income	**2,111**	**4,664**	**3,670**

Table A.7: General government sector expenses by function

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m
General public services[(a)]	13,736	14,498	14,757
Defence	...	...	...
Public Order and Safety	12,204	12,205	12,729
Economic Affairs	6,646	5,113	6,413
Environmental Protection	1,892	1,518	2,014
Housing and Community Amenities	2,241	2,915	2,610
Health	30,925	32,025	33,270
Recreation, Culture and Religion	1,457	1,736	1,747
Education	22,795	24,089	25,481
Social Protection	10,684	11,753	11,045
Transport	18,329	17,952	17,515
Total Expenses	**120,909**	**123,805**	**127,581**

(a) 2025-26 Budget includes a special appropriation of $868.5 million to the Treasurer for expenditure related to the Government's response to State contingencies, expenditure related to the Government's election commitments and essential services that is not otherwise covered by an appropriation under the *Appropriation Act 2025* or the *Appropriation (Parliament) Act 2025*. There is also a $20 million appropriation to the Treasurer for the purposes of contingencies in relation to integrity agencies.

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m
General public services	874	585	951
Defence	...	...	...
Public order and safety	799	1,613	1,794
Economic affairs	823	1,408	1,415
Environmental protection	234	414	520
Housing and community amenities	260	177	265
Health	2,708	2,705	2,863
Recreation, culture and religion	145	155	287
Education	2,675	2,658	2,703
Social protection	194	214	243
Transport	14,206	12,387	11,303
Total Purchases	**22,919**	**22,315**	**22,343**

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Revenue from Transactions						
Grants and Subsidies	5,468	5,655	5,699	5,457	5,463	5,616
Sale of Goods and Services	8,799	8,916	9,974	10,636	11,345	11,965
Interest	214	181	111	87	73	69
Other Dividends and Distributions	13	16	39	40	41	42
Fines, Regulatory Fees and Other	651	711	899	1,333	1,413	1,669
Total Revenue from Transactions	**15,145**	**15,478**	**16,722**	**17,553**	**18,335**	**19,361**
Expenses from Transactions						
Employee	2,746	2,949	3,173	3,187	3,313	3,386
Personnel Services Expense	305	323	339	344	355	367
Superannuation						
Superannuation Interest Cost	34	46	44	44	42	40
Other Superannuation	295	325	352	359	367	376
Depreciation and Amortisation	3,455	4,105	4,348	4,475	4,554	4,698
Interest	1,347	1,605	1,806	1,983	2,144	2,299
Income Tax Equivalents	204	86	98	264	349	446
Other Operating Expense	6,300	6,507	6,977	7,028	7,124	7,136
Grants, Subsidies and Other Transfers	401	68	66	68	69	67
Total Expenses from Transactions	**15,087**	**16,013**	**17,203**	**17,751**	**18,316**	**18,815**
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	**58**	**(535)**	**(482)**	**(198)**	**19**	**546**

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(12)	(1)	0	...	...	...
Other Net Gains/(Losses)	87	(63)	(39)	(184)	(69)	(5)
Deferred Income Tax	(36)	(47)	(84)	(114)	(136)	(179)
Other	(1)	(4)	(5)	(5)	(5)	(5)
Other Economic Flows - included in Operating Result	**37**	**(115)**	**(127)**	**(304)**	**(210)**	**(189)**
Operating Result	**95**	**(651)**	**(609)**	**(501)**	**(191)**	**357**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**33,944**	**3,860**	**1,971**	**2,436**	**2,534**	**2,450**
Revaluations	34,109	3,719	2,160	2,504	2,570	2,496
Remeasurements of Post-Employee Benefits	182	99	(126)	(3)	30	22
Deferred Tax Direct to Equity	(271)	(64)	(63)	(65)	(65)	(68)
Other	(75)	107	(0)	...	...	0
Items that may be Reclassified Subsequently to Operating Result	**1**	**0**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	1	0	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**33,945**	**3,860**	**1,971**	**2,436**	**2,534**	**2,450**
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**34,041**	**3,210**	**1,362**	**1,935**	**2,343**	**2,807**
Dividends Distributed	(324)	(378)	(554)	(449)	(426)	(448)
Net Equity Injections	(1,142)	(1,151)	1,087	306	...	...
Total Change in Net Worth	**32,574**	**1,680**	**1,895**	**1,791**	**1,917**	**2,358**
Key Fiscal Aggregates						
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	**34,041**	**3,210**	**1,362**	**1,935**	**2,343**	**2,807**
Less: Net Other Economic Flows	(33,983)	(3,745)	(1,844)	(2,132)	(2,324)	(2,261)
Equals: Budget Result - Net Operating Balance	**58**	**(535)**	**(482)**	**(198)**	**19**	**546**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	5,963	6,797	8,479	8,197	7,748	7,843
Sales of Non-Financial Assets	(155)	(953)	(215)	(817)	(576)	(488)
Less: Depreciation	(3,455)	(4,105)	(4,348)	(4,475)	(4,554)	(4,698)
Plus: Change in Inventories	170	207	116	304	(1)	47
Plus: Other Movements in Non-Financials Assets						
Assets Acquired Using Leases[(a)]	1,996	76	63	63	86	53
Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	...	20	21	21	22	...
- Grant of Right to the Operator Model	...	...	...	...	...	...
Other	81	371	426	437	437	445
Equals: Total Net Acquisition of Non-Financial Assets	**4,600**	**2,414**	**4,542**	**3,729**	**3,161**	**3,203**
Equals: Net Lending/(Borrowing) [Fiscal Balance]	**(4,542)**	**(2,949)**	**(5,023)**	**(3,927)**	**(3,142)**	**(2,657)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(a)]	7,959	6,894	8,563	8,281	7,856	7,896
Dividends Accrued[(b)]	324	378	554	449	426	448

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases and assets acquired using Service Concession Arrangements under the Financial Liability Model.

(b) Net borrowing for the PNFC sector excludes the impact of dividends accrued and so may not fully reflect the sector's call on the financial markets.

Table A.10: Public non-financial corporation sector balance sheet

	June 2024 Actual $m	June 2025 Revised $m	June 2026 Budget $m	June 2027 Forward Estimates $m	June 2028 Forward Estimates $m	June 2029 Forward Estimates $m
Assets						
Financial Assets						
Cash and Cash Equivalents	3,746	3,563	1,814	1,641	1,270	1,305
Receivables	1,415	1,614	1,702	1,738	1,770	1,804
Investments, Loans and Placements						
Financial Assets at Fair Value	502	555	593	633	674	716
Other Financial Assets	766	772	753	664	674	704
Advances Paid	52	49	17	1	...	...
Tax Equivalents Receivable	6	11	64	61	101	124
Deferred Tax Equivalents Asset	40	31	31	32	32	31
Total Financial Assets	**6,529**	**6,594**	**4,973**	**4,769**	**4,521**	**4,686**
Non-Financial Assets						
Contract Assets	16	3	3	3	3	3
Inventories	791	1,000	1,116	1,420	1,418	1,466
Forestry Stock and Other Biological Assets	781	814	814	814	814	814
Assets Classified as Held for Sale	87	26	17	11	6	6
Investment Properties	609	628	722	780	888	1,108
Property, Plant and Equipment						
Land and Buildings	96,469	98,514	100,904	103,080	104,782	106,263
Plant and Equipment	6,522	6,753	7,457	7,756	7,889	7,869
Infrastructure Systems	70,773	73,119	77,312	81,069	84,932	89,048
Right-of-Use Assets	4,234	4,076	3,877	3,659	3,465	3,236
Intangibles	1,044	1,162	1,320	1,430	1,561	1,681
Other Non-Financial Assets	504	633	624	406	312	222
Total Non-Financial Assets	**181,830**	**186,726**	**194,164**	**200,427**	**206,071**	**211,715**
Total Assets	**188,358**	**193,320**	**199,137**	**205,197**	**210,592**	**216,402**
Liabilities						
Deposits Held	35	35	35	35	35	35
Payables	2,820	2,918	3,161	3,312	3,341	3,475
Contract Liabilities	239	164	185	197	165	152
Borrowings and Derivatives at Fair Value	1	2	2	2	2	2
Borrowings at Amortised Cost	35,738	38,914	42,221	46,284	49,534	52,639
Advances Received	282	267	250	232	215	199
Employee Benefits Liabilities	1,330	1,375	1,381	1,402	1,423	1,446
Superannuation Provision[(a)]	1,107	1,035	1,137	1,115	1,057	1,001
Tax Equivalents Payable	84	19	12	26	60	80
Deferred Tax Equivalent Provision	3,915	4,138	4,295	4,473	4,674	4,921
Other Provisions	708	647	838	719	696	728
Other Liabilities	293	319	239	227	300	275
Total Liabilities	**46,552**	**49,833**	**53,756**	**58,024**	**61,502**	**64,953**
NET ASSETS	**141,807**	**143,487**	**145,381**	**147,173**	**149,090**	**151,448**
NET WORTH						
Accumulated Funds	53,476	52,520	52,406	52,151	51,831	51,992
Reserves	88,333	90,967	92,976	95,021	97,259	99,457
TOTAL NET WORTH	**141,807**	**143,487**	**145,381**	**147,173**	**149,090**	**151,448**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**30,988**	**34,279**	**39,331**	**43,614**	**47,168**	**50,150**
Net Financial Liabilities[(c)]	**40,023**	**43,239**	**48,782**	**53,254**	**56,981**	**60,267**
Net Financial Worth[(d)]	**(40,023)**	**(43,239)**	**(48,782)**	**(53,254)**	**(56,981)**	**(60,267)**

(a) The superannuation provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equal total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total financial liabilities.

Table A.11: Public non-financial corporation sector cash flow statement

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 Forward Estimates $m	2028-29 Forward Estimates $m
Cash Receipts from Operating Activities						
Sales of Goods and Services	9,147	9,005	10,028	10,963	11,973	12,545
Grant and Subsidies	5,472	5,642	5,687	5,454	5,459	5,613
Interest	186	153	81	56	41	36
Other	1,827	1,326	1,756	2,211	2,260	2,553
Total Cash Receipts from Operating Activities	**16,632**	**16,126**	**17,551**	**18,684**	**19,733**	**20,747**
Cash Payments from Operating Activities						
Employee Related	(2,871)	(3,080)	(3,374)	(3,372)	(3,502)	(3,579)
Personnel Services	(305)	(323)	(339)	(344)	(355)	(367)
Superannuation	(328)	(344)	(418)	(427)	(437)	(449)
Payments for Goods and Services	(6,336)	(6,729)	(7,085)	(7,524)	(7,424)	(7,466)
Grants and Subsidies	(80)	(68)	(66)	(68)	(69)	(67)
Interest	(1,199)	(1,425)	(1,617)	(1,802)	(1,989)	(2,150)
Distributions Paid	(84)	(44)	(147)	(249)	(355)	(450)
Other	(1,443)	(1,092)	(1,297)	(1,300)	(1,283)	(1,344)
Total Cash Payments from Operating Activities	**(12,646)**	**(13,104)**	**(14,343)**	**(15,085)**	**(15,413)**	**(15,872)**
Net Cash Flows from Operating Activities	**3,985**	**3,022**	**3,208**	**3,599**	**4,320**	**4,875**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	155	953	215	817	576	487
Purchases	(5,693)	(6,656)	(8,310)	(8,123)	(7,789)	(7,758)
Net Cash Flows from Investments in Non-Financial Assets	**(5,538)**	**(5,703)**	**(8,096)**	**(7,306)**	**(7,213)**	**(7,270)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	19	34	30	16	1	0
Payments	(7)	(28)	0	0	0	0
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**12**	**6**	**30**	**16**	**1**	**...**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	55	11	49	63	22	10
Purchase of Investments	(67)	(20)	...	...	...	(8)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(12)**	**(9)**	**49**	**63**	**22**	**2**
Net Cash Flows from Investing Activities	**(5,538)**	**(5,706)**	**(8,016)**	**(7,227)**	**(7,189)**	**(7,269)**
Cash Flows from Financing Activities						
Advances (Net)	(12)	(2)	245	215	(31)	(29)
Proceeds from Borrowings	2,232	3,494	4,436	4,477	3,738	3,724
Repayment of Borrowings	(725)	(672)	(1,243)	(683)	(758)	(841)
Dividends Paid	(333)	(324)	(378)	(554)	(449)	(426)
Deposits (Net)	0	(6)	...	...	...	...
Other (Net)	3	11	(1)	(0)	(0)	(0)
Net Cash Flows from Financing Activities	**1,165**	**2,500**	**3,059**	**3,455**	**2,499**	**2,428**
Net Increase/(Decrease) in Cash Held	**(388)**	**(184)**	**(1,749)**	**(173)**	**(370)**	**35**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	3,985	3,022	3,208	3,599	4,320	4,875
Net Cash Flows from Investments in Non-Financial Assets	(5,538)	(5,703)	(8,096)	(7,306)	(7,213)	(7,270)
Dividends Paid	(333)	(324)	(378)	(554)	(449)	(426)
Cash Surplus/(Deficit)	**(1,886)**	**(3,005)**	**(5,266)**	**(4,261)**	**(3,342)**	**(2,821)**

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Revenue from Transactions						
Taxation	43,995	46,956	50,645	53,398	55,862	58,666
Grants and Subsidies	45,922	47,488	50,614	50,533	52,863	53,075
Sale of Goods and Services	16,091	16,453	17,926	19,055	19,951	21,260
Interest	760	799	567	608	599	551
Dividend and Income Tax Equivalents from Other Sectors	190	205	235	269	286	302
Other Dividends and Distributions	1,445	4,050	2,835	3,216	3,395	3,665
Fines, Regulatory Fees and Other	7,002	7,662	7,673	8,734	8,629	8,944
Total Revenue from Transactions	**115,405**	**123,614**	**130,495**	**135,813**	**141,585**	**146,462**
Expenses from Transactions						
Employee	48,865	51,444	53,463	55,082	56,423	59,573
Superannuation						
Superannuation Interest Cost	1,695	1,665	1,645	1,561	1,499	1,443
Other Superannuation	4,914	5,164	5,456	5,666	5,700	5,947
Depreciation and Amortisation	12,031	13,740	14,438	14,922	15,576	16,363
Interest	7,144	8,566	9,435	10,292	11,107	11,758
Other Operating Expense	30,932	30,603	31,332	30,071	31,661	31,601
Grants, Subsidies and Other Transfers	20,753	19,029	19,181	19,960	18,839	18,575
Total Expenses from Transactions	**126,333**	**130,213**	**134,950**	**137,554**	**140,805**	**145,260**
NET OPERATING BALANCE - SURPLUS/(DEFICIT)	**(10,928)**	**(6,599)**	**(4,455)**	**(1,741)**	**781**	**1,202**

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

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Other Economic Flows - Included in the Operating Result						
Gain/(Loss) from Other Liabilities	(118)	55	(360)	(96)	(1)	(0)
Other Net Gains/(Losses)	2,198	(168)	1,136	1,175	1,345	1,571
Share of Earnings/Losses from Equity Investments (excluding Dividends)	(169)	(89)	(8)	(190)	(128)	(251)
Other	(130)	(306)	(46)	(46)	(46)	(47)
Other Economic Flows - included in Operating Result	**1,781**	**(509)**	**723**	**844**	**1,171**	**1,274**
Operating Result	**(9,148)**	**(7,108)**	**(3,732)**	**(897)**	**1,952**	**2,476**
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	**54,346**	**2,609**	**(1,443)**	**3,614**	**6,154**	**6,034**
Revaluations	49,811	9,981	4,137	4,365	4,529	4,401
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	138	...	...	...	...	...
Remeasurements of Post-Employee Benefits	3,831	356	(2,038)	211	882	843
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	386	(7,767)	(3,596)	(1,015)	690	757
Other	179	38	53	54	54	33
Items that may be Reclassified Subsequently to Operating Result	**1**	**0**	**...**	**...**	**...**	**...**
Net Gain/(Loss) on Financial Instruments at Fair Value	1	0	...	...	...	...
Other Economic Flows - Other Comprehensive Income	**54,346**	**2,609**	**(1,443)**	**3,614**	**6,154**	**6,034**
Total Change in Net Worth	**45,198**	**(4,499)**	**(5,174)**	**2,717**	**8,106**	**8,510**
Key Fiscal Aggregates						
Total Change in Net Worth	**45,198**	**(4,499)**	**(5,174)**	**2,717**	**8,106**	**8,510**
Less: Net Other Economic Flows	(56,127)	(2,100)	719	(4,459)	(7,326)	(7,308)
Equals: Budget Result - Net Operating Balance	**(10,929)**	**(6,599)**	**(4,455)**	**(1,741)**	**781**	**1,202**
Less: Net Acquisition of Non-Financials Assets						
Purchases of Non-Financials Assets[(a)]	27,025	27,154	29,920	29,372	28,351	26,997
Sales of Non-Financial Assets	(489)	(542)	(1,236)	(1,616)	(2,983)	(1,048)
Less: Depreciation	(12,031)	(13,740)	(14,438)	(14,922)	(15,576)	(16,363)
Plus: Change in Inventories	112	246	(623)	410	92	(375)
Plus: Other Movements in Non-Financials Assets						
Assets Acquired Using Leases[(a)]	3,127	840	766	853	942	832
Assets Acquired Using Service Concession Arrangements under						
- Finance Liability Model[(a)]	907	652	130	128	42	...
- Grant of Right to the Operator Model	282	1,844	2,060	1,290	684	132
Other	(683)	(247)	106	(1,244)	(282)	(323)
Equals: Total Net Acquisition of Non-Financial Assets	**18,248**	**16,208**	**16,686**	**14,270**	**11,271**	**9,852**
Equals: Net Lending/(Borrowing) [Fiscal Balance][(a)]	**(29,177)**	**(22,806)**	**(21,141)**	**(16,011)**	**(10,490)**	**(8,650)**
OTHER FISCAL AGGREGATES						
Capital Expenditure[(b)]	31,059	28,646	30,816	30,353	29,336	27,829

(a) Net borrowing for the NFPS sector excludes the impact of dividends accrued and so may not fully reflect the sector's call on the financial markets.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases and assets acquired using Service Concession Arrangements under the Financial Liability Model.

Table A.13: Non-financial public sector balance sheet

	June 2024 Actual $m	June 2025 Revised $m	June 2026 Budget $m	June 2027 $m	June 2028 Forward Estimates $m	June 2029 $m
Assets						
Financial Assets						
Cash and Cash Equivalents	10,633	4,457	2,648	2,611	2,217	2,564
Receivables	14,067	15,526	15,474	15,378	14,943	14,760
Investments, Loans and Placements						
Financial Assets at Fair Value	50,962	52,640	55,241	56,302	58,426	61,475
Other Financial Assets	2,678	2,750	2,437	2,845	2,678	2,519
Advances Paid	701	783	1,091	1,531	2,008	1,855
Tax Equivalents Receivable	15	16	19	20	21	23
Equity Investments						
Investments in Other Public Sector Entities	14,220	6,439	2,844	1,829	2,519	3,276
Investments in Associates	10,372	10,298	10,290	10,100	10,061	9,838
Other Equity Investments	15	15	15	31	31	31
Total Financial Assets	**103,663**	**92,925**	**90,059**	**90,647**	**92,904**	**96,341**
Non-Financial Assets						
Contract Assets	87	64	65	66	67	67
Inventories	1,530	1,752	1,174	1,556	1,651	1,277
Forestry Stock and Other Biological Assets	798	831	831	831	831	831
Assets Classified as Held for Sale	277	410	880	312	194	197
Investment Properties	609	628	722	780	888	1,108
Property, Plant and Equipment						
Land and Buildings	235,849	244,982	251,680	257,816	263,732	268,030
Plant and Equipment	22,184	22,433	22,834	23,566	23,189	22,320
Infrastructure Systems	295,124	310,784	325,119	336,515	346,763	358,533
Right-of-Use Assets	10,360	10,285	10,135	10,056	9,920	9,733
Intangibles	6,691	6,915	7,256	7,376	7,213	6,851
Other Non-Financial Assets	2,230	2,350	2,178	1,876	1,775	1,681
Total Non-Financial Assets	**575,737**	**601,434**	**622,872**	**640,750**	**656,223**	**670,628**
Total Assets	**679,400**	**694,359**	**712,931**	**731,397**	**749,127**	**766,969**
Liabilities						
Deposits Held	379	379	379	379	379	379
Payables	11,722	11,747	11,877	11,891	11,799	12,076
Contract Liabilities	1,091	911	930	947	919	910
Borrowings and Derivatives at Fair Value	10	10	10	10	10	10
Borrowings at Amortised Cost	188,453	203,324	220,365	234,070	242,658	251,885
Advances Received	438	393	223	170	110	66
Employee Benefits Liabilities	30,586	33,123	35,481	37,410	39,022	40,569
Superannuation Provision[(a)]	39,241	38,865	40,735	40,183	38,785	37,261
Deferred Tax Equivalent Provision	18,812	18,398	18,465	18,691	19,175	19,932
Other Provisions	21,514	24,552	26,983	27,446	27,965	27,065
Total Liabilities	**312,244**	**331,702**	**355,449**	**371,197**	**380,821**	**390,152**
NET ASSETS	**367,156**	**362,657**	**357,482**	**360,200**	**368,306**	**376,816**
NET WORTH						
Accumulated Funds	113,313	108,022	103,756	105,239	109,763	114,637
Reserves	253,843	254,635	253,726	254,960	258,543	262,179
TOTAL NET WORTH	**367,156**	**362,657**	**357,482**	**360,200**	**368,306**	**376,816**
OTHER FISCAL AGGREGATES						
Net Debt[(b)]	**124,305**	**143,475**	**159,560**	**171,339**	**177,827**	**183,925**
Net Financial Liabilities[(c)]	**222,801**	**245,217**	**268,234**	**282,379**	**290,436**	**297,087**
Net Financial Worth[(d)]	**(208,581)**	**(238,777)**	**(265,390)**	**(280,550)**	**(287,917)**	**(293,812)**

(a) The superannuation provision is reported net of prepaid superannuation contribution assets.
(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.
(c) Net financial liabilities equal total liabilities less financial assets excluding equity investments in other public sector entities.
(d) Net financial worth equals total financial assets minus total liabilities.

Table A.14: Non-financial public sector cash flow statement

	2023-24 Actual $m	2024-25 Revised $m	2025-26 Budget $m	2026-27 Forward Estimates $m	2027-28 $m	2028-29 $m
Cash Receipts from Operating Activities						
Taxation	42,620	46,545	50,699	53,441	55,907	58,710
Sales of Goods and Services	16,260	17,035	18,559	19,946	21,206	22,376
Grant and Subsidies	46,009	47,527	51,349	50,512	53,209	52,752
Interest	645	692	459	434	418	379
Dividends and Income Tax Equivalents	162	196	213	239	273	289
Other	13,972	13,706	11,465	12,446	12,514	12,383
Total Cash Receipts from Operating Activities	**119,668**	**125,701**	**132,743**	**137,019**	**143,528**	**146,889**
Cash Payments from Operating Activities						
Employee Related	(45,911)	(49,079)	(51,884)	(53,700)	(55,336)	(58,650)
Superannuation	(6,509)	(6,848)	(7,269)	(7,569)	(7,714)	(8,071)
Payments for Goods and Services	(29,502)	(30,885)	(31,129)	(30,295)	(31,525)	(31,085)
Grants and Subsidies	(19,254)	(17,996)	(18,376)	(17,697)	(17,586)	(17,252)
Interest	(5,287)	(6,495)	(6,904)	(7,833)	(8,836)	(9,077)
Other	(9,265)	(8,547)	(6,938)	(6,389)	(6,046)	(5,758)
Total Cash Payments from Operating Activities	**(115,727)**	**(119,850)**	**(122,499)**	**(123,481)**	**(127,044)**	**(129,893)**
Net Cash Flows from Operating Activities	**3,941**	**5,851**	**10,243**	**13,538**	**16,484**	**16,996**
Cash Flows from Investments in Non-Financial Assets						
Proceeds from Sale of Non-Financial Assets	750	987	1,455	1,615	3,084	1,155
Purchases	(26,267)	(27,222)	(29,831)	(29,283)	(28,361)	(26,929)
Net Cash Flows from Investments in Non-Financial Assets	**(25,517)**	**(26,235)**	**(28,376)**	**(27,668)**	**(25,277)**	**(25,774)**
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	123	123	153	84	243	512
Payments	(223)	(258)	(358)	(363)	(545)	(131)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(100)**	**(135)**	**(205)**	**(279)**	**(302)**	**381**
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Proceeds from Sale of Investments	3,182	4,971	3,792	5,131	4,586	3,940
Purchase of Investments	(1,729)	(2,639)	(2,030)	(1,931)	(2,065)	(2,097)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**1,453**	**2,331**	**1,761**	**3,200**	**2,521**	**1,843**
Net Cash Flows from Investing Activities	**(24,163)**	**(24,039)**	**(26,819)**	**(24,747)**	**(23,057)**	**(23,549)**
Cash Flows from Financing Activities						
Advances (Net)	(77)	(20)	334	(149)	(164)	(140)
Proceeds from Borrowings	23,272	13,704	17,509	13,579	8,295	9,133
Repayment of Borrowings	(2,839)	(1,666)	(3,077)	(2,260)	(1,954)	(2,091)
Deposits (Net)	9	(6)	...	...	...	...
Net Cash Flows from Financing Activities	**20,365**	**12,012**	**14,765**	**11,169**	**6,178**	**6,902**
Net Increase/(Decrease) in Cash Held	**143**	**(6,176)**	**(1,811)**	**(40)**	**(395)**	**349**
Derivation of Cash Result						
Net Cash Flows from Operating Activities	3,941	5,851	10,243	13,538	16,484	16,996
Net Cash Flows from Investments in Non-Financial Assets	(25,517)	(26,235)	(28,376)	(27,668)	(25,277)	(25,774)
Cash Surplus/(Deficit)	**(21,576)**	**(20,384)**	**(18,132)**	**(14,130)**	**(8,793)**	**(8,777)**

B. MEASURES STATEMENT

This Appendix lists new policy measures since the 2024-25 Half-Yearly Review. It categorises new measures by portfolio, with whole-of-government measures detailed in the final table.

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

Further details on new policy measures can be found in:

- Budget Paper No.1 *Budget Statement*
  - Chapter 3 Budget priorities
  - Chapter 5 Revenue
  - Chapter 7 Recurrent expenditure
- Budget Paper No.3 *Infrastructure Statement*.

Table B.1: New policy measures since the 2024-25 Half-Yearly Review

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Grand Total[(a)]						
Expense	**198.9**	**3,128.7**	**(511.9)**	**676.7**	**856.1**	**4,348.2**
Revenue	**266.3**	**1,424.0**	**1,636.6**	**1,198.7**	**1,369.7**	**5,895.0**
Capital	**(64.3)**	**1,021.5**	**2,585.1**	**1,953.6**	**2,620.0**	**8,115.8**

(a) The aggregates in this table take into account the net impact of both additional expenses, savings and offsets, and central provision unwinds for new policy measures. See Table 7.1 in Chapter 7 Recurrent expenditure.

	2024-25 $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	Five Year Total $m
Cabinet, all new measures						
Expense	**0.0**	**3.1**	**3.0**	**3.0**	**3.2**	**12.4**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**

Material Measures

- Additional funding for performance audits of disaster relief grants to ensure transparency in the management of funds to disaster-affected communities.
- Funding to recruit and train additional legislative drafters, allowing the Parliamentary Counsel's Office to support the delivery of the NSW Government's legislative program.

	2024-25 $m	2025-26 Budget $m	2026-27 $m	2027-28 Forward Estimates $m	2028-29 $m	Five Year Total $m
Climate Change, Energy, Environment and Water, all new measures						
Expense	**12.6**	**866.1**	**154.8**	**195.1**	**116.4**	**1,345.0**
Revenue	**18.3**	**641.3**	**51.6**	**86.7**	**93.1**	**891.0**
Capital	**(51.1)**	**33.9**	**531.7**	**20.9**	**10.5**	**545.8**

Material Measures

- Extension and increase of the Transmission Acceleration Facility to help fast-track critical energy infrastructure.
- A new Newcastle Port Logistics Precinct to enable storage and transportation of over-size over-mass components critical for renewable energy projects.
- Environment and heritage local initiatives that will drive improved outcomes in regional areas.
- Funding for long-lasting biodiversity protections and environmental management through improving the Biodiversity Offset Scheme, nature protection, visitor infrastructure in national parks, biodiversity conservation and environmental water management.
- Blue Plaques NSW Program extension and Walgett Aboriginal Medical Service Limited Freedom Ride Pavilion Program.
- Funding to close out the Government's election commitment for the Stockton Beach repair project, to nourish sand on the beach to protect assets, rehabilitate the coast and restore beach useability.
- Free entry for veterans into national parks and reserves.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Extension of the National Energy Bill Relief Fund, which provides $150 off the electricity bills of all households and eligible small businesses from 1 July 2025 to the end of 2025.
- Establishment of the Energy Security Corporation and implementation of its Investment Mandate.
- Funding for ongoing staff and expenses across agencies involved with whole-of-government native title claims management and policy.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Communities and Justice, all new measures						
Expense	**0.5**	**586.9**	**497.7**	**470.9**	**466.1**	**2,022.1**
Revenue	**24.9**	**262.2**	**248.5**	**247.3**	**250.2**	**1,033.1**
Capital	**(11.1)**	**95.3**	**123.1**	**39.1**	**1.1**	**247.9**

Material Measures

- Funding to continue supporting children and young people in out-of-home care while major reforms are designed and implemented.
- Investment in government-owned residential care housing in out-of-home care, for children over 12 years of age with complex needs who are either unable to be supported in foster care or require specialised and intensive supports.
- Funding to attract and retain more caseworkers, and deliver a highly trained out-of-home care workforce.
- Ongoing funding for the Victims Support Scheme.
- Delivery of legal assistance under the National Access to Justice Partnership.
- Funding for the Office of the Director of Public Prosecutions (ODPP), including to:
  - expand programs that reduce the stress, distress and trauma of child sexual offence complainants and child witnesses who go through the criminal justice system
  - invest in the capacity of the ODPP to hire more prosecutors.
- New Class 1 Police Ocean Patrol Vessel.
- Critical upgrades to the NSW Police Force's ICT infrastructure.
- Funding to maintain Fire and Rescue NSW's frontline fire, rescue, and hazmat services.
- Funding for 52 staff at the new 24-hour fire station at Badgerys Creek.
- Funding to ease pressure on the crisis accommodation system.
- Funding for measures that aim to reduce the incidence of family and domestic violence, and for measures which provide greater support to victim-survivors.
- Demand-based funding for Corrective Services NSW, investing in critical custodial and community correctional services, to sustain offender supervision and service delivery to support rehabilitation, community safety and community expectations.
- New courtrooms with audio-visual link facilities that will speed up the backlog of remand hearings.
- A new vulnerable persons court hub to protect victim-survivors participating in legal proceedings.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Funding for ongoing staff and expenses across agencies involved with whole-of-government native title claims management and policy.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Creative Industries, Tourism Hospitality and Sport, all new measures						
Expense	**(10.0)**	**262.8**	**112.8**	**99.9**	**95.0**	**560.5**
Revenue	**0.0**	**(8.0)**	**(6.0)**	**0.2**	**0.2**	**(13.7)**
Capital	**1.7**	**15.9**	**8.8**	**2.1**	**2.3**	**30.8**

Material Measures

- Funding for critical capital maintenance, including a backlog of capital works for the cultural institutions and museums, and improvement of creative infrastructure and activation of creative spaces.
- Funding for Screen NSW to support the Made in NSW and Post, Digital and Visual Effects rebate programs.
- Funding for Create NSW to continue to support NSW creative industries.
- Funding for Sound NSW to continue the implementation of the NSW Contemporary Music Strategy.
- Funding for the Office of the 24-Hour Economy Commissioner to continue to empower the NSW night-time economy.
- Funding for the Office of Sport to support various local community-based sporting facility initiatives.
- Funding for Destination NSW events, promotion and industry support – including the NSW Take-Off Fund – to grow the NSW visitor economy.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Customer Service, all new measures						
Expense	**4.3**	**233.8**	**203.0**	**198.6**	**203.8**	**843.8**
Revenue	**0.0**	**25.4**	**28.2**	**29.1**	**30.1**	**112.9**
Capital	**0.5**	**65.5**	**38.6**	**22.4**	**6.7**	**133.8**

Material Measures

- Building Commission NSW – ongoing work to reform the building and construction industry and improve consumer outcomes.
- Government Technology Platforms – to build cost-effective, reusable and secure digital platforms products and services for government entities.
- Cyber Security NSW – supporting NSW Government entities to prevent, detect and recover from cyber incidents.
- Digital Identity and Verifiable Credentials program – strengthening the Government's identity proofing and credential issuing processes.
- Shared Services Optimisation – consolidating multiple government service platforms and service delivery functions, supporting more than 100 agencies and over 81,000 staff.
- Critical Infrastructure Management and Security program – strengthening the resilience of the Public Safety Network.
- NSW Data Analytics Centre – providing data services and insights to support government priorities and frontline services.
- Improving the equity and fairness of the fines system, and creating a simple, easy and personalised experience for our customers.
- Extending Revenue NSW tax integrity program.
- Improving the unclaimed money repayment process and increasing payments to rightful owners by reducing the timeframe enterprises are required to hold money from six to two years.
- Reforming SafeWork NSW into an independent, fit-for-purpose work health and safety regulator that is resourced to protect workers from harm and restore public trust.
- A new Service NSW Centre in Campbelltown to improve access to services in the rapidly growing South-West Sydney.

	2024-25	2025-26 Budget	2026-27 Forward Estimates	2027-28 Forward Estimates	2028-29 Forward Estimates	Five Year Total
	$m	$m	$m	$m	$m	$m
Education, Early Childhood Education, Skills & TAFE, all new measures						
Expense	**(2.1)**	**155.4**	**316.3**	**94.7**	**135.2**	**699.9**
Revenue	**8.0**	**101.1**	**117.9**	**100.5**	**185.1**	**512.7**
Capital	**12.3**	**363.1**	**627.7**	**1,165.8**	**2,362.7**	**4,531.4**

Material Measures

- Additional New South Wales and Australian Government funding to reflect the Better and Fairer Schools Agreement (BFSA).
- Building new schools and upgrades:
  - Asquith high schools upgrade
  - Bayside High School (provisional name) Upgrade
  - Northern Beaches Secondary College Freshwater Campus Upgrade
  - Emerald Hills new primary school, including a new preschool
  - Ermington West Public School Upgrade
  - Excelsior Public School Upgrade
  - Grantham Farm new primary school, including a new preschool
  - Heathcote High School new multi-purpose hall
  - Newington Public School Upgrade
  - Rydalmere Public School Upgrade
  - Rydalmere East Public School Upgrade
  - Thornton Public School Upgrade
  - West Dapto new primary school, including a new preschool
  - Wilton new high school
  - Willyama High School Rebuild.
- Funding to support endometriosis education in public schools.
- Converting eligible casual teachers and staff to permanent to retain TAFE teachers.
- Funding to support the Skills Plan Implementation – ongoing support for Fee Free learning for priority courses.
- Funding to support ongoing development of TAFE NSW's vocational education and training course and learner materials.
- Funding to support upgrades to TAFE NSW's enterprise resource planning system.
- Funding to support the Bankstown TAFE relocation.
- Ongoing funding for TAFE NSW's essential capital works requirements.
- Funding to progress work on expanding the public provision of early childhood education and care in New South Wales.
- Funding to increase participation in quality early childhood education and care for Aboriginal and Torres Strait Islander children and families. This includes funding to increase Aboriginal Community Controlled Organisation-led service delivery and to grow the Aboriginal early childhood education workforce.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Additional New South Wales and Australian Government funding through the National Skills Agreement.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Health, all new measures						
Expense	**1.1**	**963.8**	**85.4**	**80.8**	**62.2**	**1,193.1**
Revenue	**13.6**	**31.4**	**20.3**	**10.1**	**9.7**	**85.1**
Capital[1]	**13.8**	**(40.2)**	**71.1**	**56.9**	**11.3**	**112.8**

Material Measures

- Delivering an Essential Health Services Package that includes funding to support core health services.
- Maternity Care and First 2,000 Days Package to improve maternity care and related support services.
- Mental Health Services Package to enhance community mental health by improving services, including for young people with severe and complex mental illness, and regional communities.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Enhancing the NSW Public Dental Services to expand the mobile dental van program and other dental services.
- Funding to support the continued delivery of three new regional helicopter ambulance bases.
- Additional funding for Highly Specialised Therapies for patients requiring last resort, often lifesaving, treatments including cell and gene therapy.
- Funding for planning and interim works required at the Royal Hospital for Women Randwick precinct.
- Developing a Statewide Pathology Hub to improve clinical pathology services.
- Additional funding for the New Bankstown Hospital.
- Future expansion and redevelopment of the Wollongong Hospital and Health Precinct.
- Additional funding to provide a full range of maternity and birthing services as part of the new Rouse Hill Hospital.
- Additional funding to fit out a new Paediatric Services Building at the Children's Hospital at Westmead, in partnership with the Sydney Children's Hospitals Foundation.
- Funding for the Dubbo Alcohol and Other Drug Residential Rehabilitation Centre.
- Redevelopment of a new contemporary operating theatre at Forbes Hospital.

[1] Capital expenditure of $100.0 million in 2025-26 has been transferred from the Ministry of Health to TAFE to support its relocation from the site of the New Bankstown Hospital. This has reduced the Ministry of Health's capital expenditure budget in 2025-26 by $100.0 million.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Integrity Agencies, all new measures						
Expense	**(0.3)**	**15.3**	**14.4**	**14.4**	**14.1**	**57.9**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**0.0**	**(1.0)**	**(1.0)**	**(1.0)**	**(3.0)**

Material Measures

- Funding over 10 years for the NSW Electoral Commission to support a stable critical workforce across election events.
- Funding for the Independent Commission Against Corruption to migrate from an on-premise information technology system to the cloud.
- Funding for the Independent Commission Against Corruption to ensure position descriptions accurately reflect the responsibilities of each role and are graded appropriately.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
The Legislature, all new measures						
Expense	**0.0**	**4.4**	**4.4**	**0.3**	**0.0**	**9.1**
Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Material Measures

- A new enterprise resource planning system to replace the near end-of-life SAP system to administer the Parliament's payroll, finance and human resources functions.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Planning, Housing and Infrastructure, all new measures						
Expense	**157.8**	**212.8**	**126.7**	**92.4**	**71.9**	**661.3**
Revenue	**146.9**	**120.8**	**55.0**	**64.2**	**54.4**	**441.4**
Capital	**0.0**	**40.9**	**62.9**	**34.8**	**0.0**	**138.6**

Material Measures

- Transforming part of Moore Park South into a new 20-hectare public park, including facilities for community sport.
- Critical structural repair and restoration work of the heritage-listed Pyrmont Bridge to ensure its continued operation for the public.
- Additional resources to support planning functions for increases in the volume and complexity of applications, including renewable energy, data centre and residential developments.
- Supporting regional councils to bring forward enabling infrastructure for new homes by funding interest on loans for regional councils.
- Enhancing and maintaining cyber security capabilities to safeguard government departments from cyber security risks.
- The NSW Pre-Sale Finance Guarantee will support the accelerated commencement and early completion of residential development projects with approved finance in the National Housing Accord period.
- Better Open Spaces program to embed best-practice inclusive design in public open spaces across New South Wales through a matched-funding council grants program.
- Companion animal grants to support improved animal welfare outcomes for companion animals by approved non-government organisations.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Funding for ongoing staff and expenses across agencies involved with whole-of-government native title claims management and policy.
- Funding to upgrade and maintain the operational fire trail network on Crown land, ensuring firefighters can access fires safely and contain them.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Premier, all new measures						
Expense	**51.3**	**263.4**	**114.7**	**66.9**	**17.7**	**513.8**
Revenue	**5.7**	**21.4**	**103.4**	**2.8**	**146.0**	**279.1**
Capital	**0.0**	**5.0**	**0.0**	**0.0**	**0.0**	**5.0**

Material Measures

- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.
- Funding for a suite of measures supporting the implementation of the Innovation Blueprint, including:
  - programs to support the development of innovative products and manufacturing techniques
  - programs to support the commercialisation of research into products and services
  - the relocation of the Sydney StartUp Hub from its CBD premises to Tech Central
  - support to develop Tech Central as a driver of innovation
  - funding to support innovation in construction to improve housing supply
  - support for founders from diverse backgrounds.
- Funding to establish the Investment Delivery Authority to support new investment proposals and the removal of barriers to approval for major, non-residential projects in New South Wales.
- Funding to implement the Thriving Suburbs program to deliver place-based benefits by investing in community focused infrastructure, fully funded by the Australian Government.
- Funding for disaster recovery and relief measures in response to ex-Tropical Cyclone Alfred, partially funded by the Australian Government.
- Funding for repair and restoration of water and sewer infrastructure in the Central West, damaged by 2022 severe weather and flooding.
- Funding for disaster recovery and relief measures in response to the May 2025 East Coast floods, partially funded by the Australian Government.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Primary Industries and Regional Development, all new measures						
Expense	**67.9**	**290.0**	**172.1**	**35.0**	**35.3**	**600.1**
Revenue	**52.9**	**107.2**	**59.8**	**0.5**	**0.5**	**220.9**
Capital	**0.8**	**13.5**	**13.5**	**4.8**	**4.8**	**37.3**

Material Measures

- Funding to sustain critical biosecurity functions to mitigate risks to communities, primary industries and the environment.
- Funding to support the modernisation and enhancement of research and development capabilities at priority research stations across New South Wales.
- Extension of funding for feral pest control to protect the State's agricultural productivity and mitigate environmental and economic risks.
- Extension of funding to support animal welfare functions of Approved Charitable Organisations.
- Funding to establish the Conservation Hunting Authority and support the regulation of additional hunting activity.
- Additional funding to establish the Future Jobs and Investment Authority to support the transition of coal-reliant regions.
- Funding to support the long-term sustainability of New South Wales fishery resources.
- Funding to implement the Growing Regions and Regional Precincts and Partnerships programs, delivering community and economic infrastructure to revitalise and enhance liveability across regional New South Wales, fully funded by the Australian Government.
- Funding for ongoing staff and expenses across agencies involved with whole-of-government native title claims management and policy.
- Funding for disaster recovery and relief measures in response to the May 2025 East Coast floods, partially funded by the Australian Government.
- Funding to support the Government's commitments toward the National Agreement on Closing the Gap.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Transport and Infrastructure, all new measures						
Expense	**161.4**	**604.4**	**168.1**	**50.6**	**(84.4)**	**900.0**
Revenue	**(5.1)**	**81.9**	**380.1**	**281.6**	**267.8**	**1,006.2**
Capital	**1.2**	**307.3**	**253.7**	**386.7**	**293.5**	**1,242.3**

Material Measures

- Fifteenth Avenue Upgrade.
- Additional Australian Government funding for local council projects announced in the Australian Government's 2024-25 Mid-Year Economic and Fiscal Outlook.
- Funding for Richmond Road – Planning.
- Funding to maintain and uplift bus services.
- Funding for the Regstar Program - Planning and Development.
- Additional funding for Safe and Accessible Transport.
- Funding for Fish Market ferry wharf.
- Funding for Rouse Hill Hospital transport integration works – Planning.
- Funding for Western Sydney Aerotropolis Incident Management activities, Safety and Access road upgrades, wayfinding and planning for Devonshire Road.
- Funding adjustments and enhancements for the following projects[2]:
  - Cessnock Bypass – Northern Alternative Route – Planning
  - Dapto Ramps – Planning
  - Devonshire Link Road and Bradfield Metro Link Road – Planning
  - Empire Bay Drive Intersection Strategy – Planning
  - Wagga Wagga Freight Bypass – Planning
  - Henry Lawson Drive Stage 1B
  - Mona Vale Road West – Mona Vale Road Upgrade
  - Terrigal Drive Upgrade
  - Toongabbie Bridge enabling works
  - Western Sydney Heavy Vehicle Rest Area
  - Westbound Overpass at the Maitland Roundabout
  - Bucketts Way and Medowie Road/M1 Intersection Upgrades – Planning
  - Homebush Bay Drive.
- Funding to establish, operate and manage the NSW Motorways entity supporting the continuation of the Toll Reform Program.
- Vibrant Streets Package.

[2] These projects are a mix of State funding, joint Australian Government funding and Australian Government contributions.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Treasury, all new measures						
Expense	**(198.5)**	**52.9**	**20.8**	**25.0**	**26.2**	**(73.6)**
Revenue	**1.1**	**4.1**	**2.5**	**3.1**	**3.3**	**14.0**
Capital	**0.0**	**(35.3)**	**(30.2)**	**(46.8)**	**(47.5)**	**(159.8)**

Material Measures

- Delivering savings through the Treasury Managed Fund by introducing legislation to amend the *Civil Liability Act 2002* to prohibit the practice of claim farming – where an individual or organisation approaches a personal injury or abuse victim to encourage them to lodge a civil compensation claim with a view to profiting from that process.

	2024-25	2025-26 Budget	2026-27	2027-28 Forward Estimates	2028-29	Five Year Total
	$m	$m	$m	$m	$m	$m
Whole of Government, all new measures						
Expense	**(47.2)**	**(1,386.4)**	**(2,506.1)**	**(750.8)**	**(306.7)**	**(4,997.3)**
Revenue	**0.0**	**35.1**	**575.4**	**372.6**	**329.3**	**1,312.4**
Capital	**(32.4)**	**156.6**	**885.2**	**267.9**	**(24.4)**	**1,252.9**

Material Measures

- Centrally held funding for the out-of-home care system that will ensure all children and young people can thrive in supportive and stable environments.
- Centrally held funding for a major increase of 20 per cent to the Foster Care Allowance, recognising the critical role of foster carers to keep children safe.
- Funding for creative infrastructure, subject to consideration of a business case.
- The release of centrally held funds, including for:
  - Digital Restart Fund
  - Snowy Hydro Legacy Fund
  - Essential Services Fund
  - Universal Preschool
  - new measures.
- Savings and reprioritisation measures:
  - agency contributions to natural disasters
  - agency contributions to procurement reforms.

C. TAX EXPENDITURES AND CONCESSIONAL CHARGES

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

A tax expenditure refers to favourable tax treatment granted to certain individuals, groups or organisations to support policy objectives. This may take the form of specific tax exemptions, allowances and deductions, reduced tax rates, deferral of tax liabilities or tax credits. The revenue forgone is estimated by measuring the additional tax that would have been payable if 'benchmark' (or standard) tax structures had been applied to all taxpayers, and economic behaviour had remained unchanged.

A concessional charge refers to lower fees or service charges provided to certain users for goods and services provided by government agencies to achieve economic or social policy goals such as reducing the cost of living. The provision of these concessions may be supported directly from the Budget or indirectly through a reduction in agency obligations to make dividends or other payments, or a reduction in agency retained earnings. These concessions have a budget cost, regardless of whether they are the subject of a specific intragovernment transfer. The revenue forgone is estimated with reference to the fee or charge that is payable by the wider community.

Judgement is required in delineating the 'concessional' and 'structural' features of a particular tax or service delivery scheme. The approach adopted is to treat the general application of a tiered tax schedule or charging regime as a structural element of the benchmark, rather than a concession to those paying less than the highest marginal rate of tax. For example, providing lower public transport fares for all children is included in the benchmark rather than as a concession. However, subsidised travel for eligible school children and senior citizens is treated as a concession. Provisions to prevent double taxation or to otherwise support the conceptual structure of a tax, rather than provide a benefit to a particular group of taxpayers, are generally excluded.

Caution should be exercised when using these estimates. They may not be comparable to estimates in other jurisdictions, which may use different definitions of the 'structural' and 'concessional' elements of taxes and charges. Similarly, changes to the benchmark definition and the classification of concessions may limit the comparability of some estimates to those in earlier budgets. Importantly, the estimates do not represent the additional revenues that could be expected if the concessional treatment was abolished, nor do they provide a reliable indication of the economic costs and benefits. This is because the concessions themselves influence behaviour patterns and levels of activity, which could be different in their absence.

This Appendix is structured as follows:

- Section C.1 provides an overview of total tax expenditures and concessions for 2025-26
- Section C.2 provides tax expenditure estimates, including a breakdown by taxation line
- Section C.3 provides a distributional analysis of certain tax expenditures
- Section C.4 provides estimates of concessional charges, including a breakdown by policy function line.

Where possible, an estimate of the costs associated with each of the major items is provided to assist comparison with the budgetary cost of direct outlays. Tax expenditure measures and concessions that have an impact over $1 million are itemised in a table. Those with an impact of less than $1 million are then summarised.

C.1 Overview

In 2025-26, total tax expenditures and concessions provided by the NSW Government are estimated at $16.3 billion, equivalent to 13.1 per cent of total NSW revenue.

This comprises of:

- $13.6 billion in tax expenditures
- $2.7 billion in concessional charges.

C.2 Tax expenditures

Overview of tax expenditures

Table C.1 provides a summary of the total estimated value of major tax expenditures (those valued at $1 million or greater) for each of the main tax revenue sources. The estimates are for the financial years 2023-24, 2024-25 and 2025-26. The total value of major quantifiable tax expenditures is an estimated $13.6 billion or 25.2 per cent of taxation revenue in 2025-26.

Table C.1: Major tax expenditures by type

	2023-24		2024-25		2025-26	
Tax	Tax Exp. $m	Tax Exp. as % of tax revenue	Tax Exp. $m	Tax Exp. as % of tax revenue	Tax Exp. $m	Tax Exp. as % of tax revenue
Transfer Duty	1,341	11.7	1,258	10.2	1,565	11.7
General and Life Insurance Duty	1,172	74.4	1,288	76	1,366	75.8
Payroll Tax	3,529	28.3	3,805	29.2	3,913	28.3
Land Tax	3,165	44.7	3,818	46.5	4,710	53.6
Taxes on Motor Vehicles	728	16.9	747	16.3	788	16.2
Gambling and Betting Taxes	1,047	29.8	1,118	31	1,161	31.2
Parking Space Levy	86	75.4	88	72.1	91	68.7
Total	11,067	24.8	12,123	25.5	13,594	26.5

Chart C.1 demonstrates theoretical NSW tax revenues in the absence of tax expenditures. It does not represent the additional revenue that would be collected in the absence of expenditures, given that expenditures influence behaviour patterns and levels of activity, which could be different in their absence.

Chart C.1: Theoretical tax revenues in the absence of tax expenditures in 2024-25

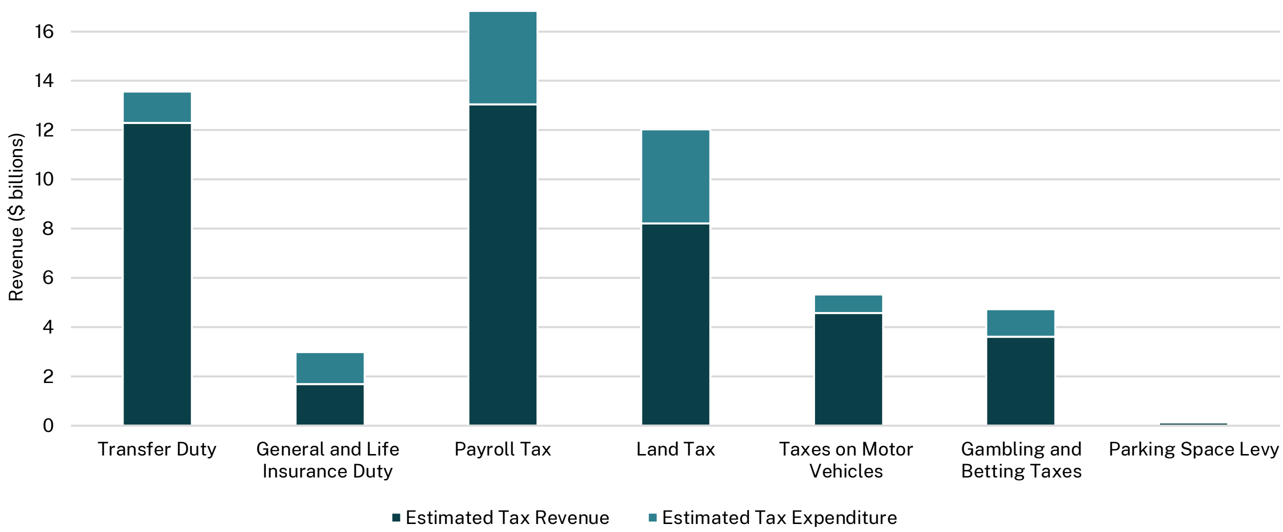


Table C.2 shows a breakdown of the total value of tax expenditures for the financial years 2023-24, 2024-25 and 2025-26, by the broad category of recipient obtaining the benefit of the tax exemption.

Table C.2: Tax expenditure by primary recipient category

	2023-24		2024-25		2025-26	
Primary recipient category	Tax Exp. $m	Per cent of total %	Tax Exp. $m	Per cent of total %	Tax Exp. $m	Per cent of total %
Individuals / families	1,690	15.3	1,716	14.2	1,863	13.7
Government / public entities	1,754	15.8	1,820	15	1,926	14.2
Charitable / non-profit organisations / clubs	3,216	29.1	3,410	28.1	3,603	26.5
Rural	2,291	20.7	2,694	22.2	3,466	25.5
Business	1,212	10.9	1,506	12.4	1,681	12.4
Pensioners / concession card holders / disadvantaged	447	4	488	4	525	3.9
Religious institutions	442	4	471	3.9	509	3.7
Other	16	0.1	18	0.1	21	0.2
Total	11,067	100	12,123	100	13,594	100

Policy changes relating to tax expenditures

The 2025-26 Budget includes a new build-to-rent (BTR) policy measure relevant for land tax, surcharge land tax and surcharge purchaser duty tax expenditure.

Owners of new BTR developments will be able to apply for a 50 per cent reduction in land value for land tax purposes. This concession applies indefinitely (previously the concession was set to end 31 December 2039) from the 2026 land tax year, subject to eligibility requirements. Australian corporations will also be able to apply for an exemption or refund for new BTR developments from foreign purchaser duty and land tax surcharges, and this can also apply indefinitely provided that the ongoing eligibility requirements continue to be satisfied. Previously, the concession for a 50 per cent reduction in land value and exemption/refund of foreign purchaser duty and land tax surcharges was set to end on 31 December 2039.

Top 10 tax expenditures

Table C.3 sets out the top 10 tax expenditures, based on the estimated sum of tax expenditures for the financial years 2023-24, 2024-25 and 2025-26. The table also indicates the tax expenditures for which distributional analysis is presented in Section C.3 Distributional analysis of tax expenditures.

Table C.3: Top 10 tax expenditures

#	Tax Expenditure	Tax	Category of primary recipient	2023-24 ($m)	2024-25 ($m)	2025-26 ($m)	Distributional analysis included
1	Land tax exemption granted for land used for primary production[1]	Land tax	Rural	2,008	2,519	3,281	
2	Payroll tax exemption to non-profit charitable institutions	Payroll tax	Charitable / non-profit organisations / clubs	1,575	1,638	1,732	
3	Payroll tax exemption to public hospitals, Local Health Districts and Ambulance Service of NSW	Payroll tax	Government / public entities	981	1,029	1,087	
4	Concessional taxes for gaming machines installed in clubs	Gambling and betting taxes	Charitable / non-profit organisations / clubs	971	1,038	1,077	Yes
5	First Home Buyer Assistance Scheme	Transfer duty	Individuals / families	698	701	799	Yes
6	General insurance duty exemption for workers compensation premiums	General insurance duty	Business	414	475	504	
7	Land tax exemption for charitable bodies	Land Tax	Charitable / non-profit organisations / clubs	399	442	486	
8	Concessional rates for Type B general insurance	General insurance duty	Individuals / families	410	442	469	
9	Land tax exemption for religious societies	Land Tax	Religious institutions	378	404	438	
10	Vehicle weight tax exemption to selected social security recipients	Vehicle weight tax	Pensioners / concession card holders / disadvantaged	365	386	408	

1 Distributional analysis has not been performed in 2025-26 due to the lack of available data.

Transfer duty (including landholder duty)

The benchmark tax base includes all transfers of dutiable property as defined in Chapter 2 of the *Duties Act 1997*, including New South Wales land, land use entitlements, transferable floor space and partnership interests. Indirect acquisition of land under Chapter 4 of the *Duties Act 1997* (landholder duty) is also included.

The benchmark tax structure comprises a tiered rate scale with marginal tax rates varying from 1.25 to 5.5 per cent over six steps. A premium marginal rate of 7 per cent applies for residential property valued above $3,636,000.

Under the benchmark tax base, fixed or nominal duties are imposed on various transactions, including duplicates of instruments and certain transfers eligible for concessional duty rates (such as transfers related to trusts, superannuation and deceased estates). These fixed duty charges are set at $20, $100, $500 or $750.

Surcharge purchaser duty applies to purchases of residential land by foreign persons. The surcharge purchaser duty rate was increased from 8 per cent to 9 per cent from 1 January 2025.

The *Duties Act 1997* includes a number of exemptions designed to exclude the application of duty (apart from a nominal charge) to transactions where duty has already been applied to an associated legal instrument. Exemptions that fall under this category are not included as a tax expenditure, as exemptions of this nature are designed to avoid the double taxation that could occur if the exemption were not provided.

The 2025-26 Budget includes a new BTR tax measure. Australian corporations can apply for a refund or exemption from surcharge purchaser duty, for new BTR developments provided they continue to satisfy the requirements. This exemption/refund was previously set to end on 31 December 2039.

Table C.4: Transfer duty – major tax expenditures[(a)]

	2023-24 $m	2024-25 $m	2025-26 $m
Charitable / non-profit organisations / clubs			
Charitable and benevolent bodies			
An exemption is granted for transactions of charitable or benevolent organisations, as set out in Section 275 of the *Duties Act 1997*.	89	96	101
Government / public entities			
Councils and county councils			
An exemption is granted for the transfer of property to a council or county council under the *Local Government Act 1993*.	37	19	18
Individuals / families			
First Home Buyer Assistance Scheme (FHBAS)			
Eligible first home buyers are provided with an exemption from duty for the purchase of a new or existing home up to a value of $800,000, with concessional rates for homes up to a value of $1 million. Eligible purchases of vacant land for homebuilding are exempt from duty up to a value of $350,000, with a concession rate applied to land valued between $350,000 and $450,000.	698	701	799
Transfer of residences between spouses or de facto partners			
An exemption is granted, subject to the property being their principal place of residence and jointly held after transfer.	59	61	63
Transfers of matrimonial property consequent upon divorce			
An exemption is provided for transfers of property in the break-up of marriage, de facto or domestic relationships under the *Family Law Act 1975* (Cth).	144	152	157

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

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
Corporate reconstructions Prior to 1 February 2024, corporate reconstruction transactions were exempt from transfer duty. From 1 February 2024, duty charged will be 10 per cent of the duty that would otherwise be payable in the absence of the exemption.	7	14	214
Australian-based developers An exemption or refund of surcharge purchaser duty is provided for Australian-based developers that are foreign persons, for certain development on or use of the residential-related land.	57	74	63
Rural			
Intergenerational rural transfers An exemption is granted for transfers of land used for primary production between generations, or between siblings.	89	136	138
Interest in a primary producer Acquisition of an interest in a primary producer that is not 'land rich'.	161	5	12

(a) The table above has been populated using updated data and forecasting methodologies.

Transfer duty – other major tax expenditures (> $1 million)[2]

For 'off the plan' purchases by owner occupiers, duty may be deferred until completion of the sale or 12 months after the contract, whichever occurs first.

From 1 July 2020, an exemption or refund of surcharge purchaser duty is provided for developers of BTR properties subject to satisfying requirements relating to the construction of such properties.

Transfer duty – minor tax expenditures (< $1 million)

Minor exemptions from transfer duty include:

- purchase of land as their principal place of residence by tenants of Housing NSW and Aboriginal Housing Office
- approved equity release schemes for aged homeowners
- certain purchases of manufactured relocatable homes (caravans)
- certain transfers of property granted in other legislation
- call option assignments, subject to certain conditions
- transfer of a liquor licence in certain circumstances under the *Liquor Act 2007*
- transfer of property related to a joint government enterprise that has the function of allocating funds for water savings projects
- transfers where public hospitals are the liable party
- transfer of properties gifted to a special disability trust
- instruments executed by or on behalf of a council or county council under the *Local Government Act 1993*, not connected with a trading undertaking

[2] Items listed under the 'other major tax expenditures' headings are those where the value of the tax expenditure is estimated to be more than $1 million in at least one year, but there is insufficient data available on which to base a reliable estimate.

- transfers for the purpose of amalgamation or de-amalgamation of clubs under the *Registered Clubs Act 1976*
- instruments executed by or on behalf of agencies within the meaning of the *Convention on the Privileges and Immunities of the Specialised Agencies* approved by the General Assembly of the United Nations in 1947
- transfers between associations of employees or employers registered under the *Workplace Relations Act 1996* (Cth) for the purpose of amalgamation
- transfer of property to the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils
- transfers of property between licensed insurers, and between the State Insurance Regulatory Authority (SIRA) and licensed insurers, under the *Workers Compensation Act 1987*.

Minor concessions include:

- acquisitions in unit trust schemes, private companies or listed companies with land holdings in New South Wales of $2 million or more, where the acquisition is for the purpose of securing financial accommodation
- buy-back arrangements of widely held unit trust schemes for the purpose of re-issuing or reoffering the units for sale, subject to certain criteria
- amalgamations of certain Western Lands leases under the *Western Lands Act 1901* where transfer duty has been paid on the transfer of other such leases in the previous three years.

The following is a minor exemption from surcharge purchaser duty:

- holders of subclass 410 (retirement) and 405 (investor retirement) visas from 1 July 2019.

General insurance duty

The benchmark tax base for general insurance is all premiums paid for insurance policies. General insurance does not include life insurance or life insurance riders. The benchmark tax rate is 9 per cent of the premium paid.

Table C.5: General insurance duty – major tax expenditures

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
Exemption for workers compensation premiums An exemption applies to worker compensation premiums made in accordance with the *Workplace Injury Management and Workers Compensation Act 1998*.	414	475	504
Marine and cargo insurance An exemption is provided for marine insurance covering hulls of commercial ships and cargo carried by land, sea or air.	12	13	14
Small business exemptions An insurance duty exemption is provided to small businesses for commercial vehicles, commercial aviation, professional indemnity, and product and public liability.	118	127	135
Individuals / families			
Concessional rates for Type B general insurance, as identified in Section 233 of the *Duties Act 1997* A concessional rate of 5 per cent is applied to certain categories of general insurance, including motor vehicle (excluding compulsory third party), aviation, disability income, occupational indemnity, and hospital and ancillary health benefits (where not covered by private health insurers).	410	442	469
Compulsory third party motor vehicle insurance An exemption is provided for third party motor vehicle personal injury insurance (green slip), as per the *Motor Accidents Act 1988* and the *Motor Accidents Compensation Act 1999.*	206	219	231

General insurance duty – minor tax expenditures (< $1 million)

Minor exemptions from insurance duty include:

- insurance by non-profit organisations with the main aim being a charitable, benevolent, philanthropic or patriotic purpose
- crop and livestock insurance taken out from 1 January 2018
- societies or institutions whose resources are used wholly or predominantly for the relief of poverty, the promotion of education, or any purpose directly or indirectly connected with defence or the amelioration of the condition of past or present members of the naval, military or air forces of the Australian Government or their dependants or any other patriotic objectives
- insurance by the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils
- insurance covering mortgages or pools of mortgages acquired for issuing mortgage-backed securities
- separate policies covering loss by fire of tools, implements of work or labour used by any working mechanic, artificer, handcrafter or labourer

- redundancy insurance in respect of a housing loan that does not exceed $124,000
- reinsurance.

Life insurance duty

For temporary or term life insurance policies, life insurance riders, and trauma or disability insurance policies, the benchmark tax base is the first year's premium on the policies and the benchmark rate is 5 per cent. For group term insurance policies, duty of 5 per cent of the premium payable in any succeeding year in respect of any additional life covered by the policy is also charged.

The benchmark tax base for all other life insurance policies is the total sum insured. The benchmark tax rate is $1 on the first $2,000 and 20 cents for every additional $200 or part thereof.

Table C.6: Life insurance duty – major tax expenditures[(a)]

	2023-24 $m	2024-25 $m	2025-26 $m
Individuals / families			
Superannuation			
An exemption is granted to all group superannuation investment policies that benefit more than one member.	4	4	4
Annuities			
An exemption is granted to annuities issued, created or sold by a life company or purchased by a person from a life company.	8	8	9

(a) Treasury has reviewed how tax expenditures are calculated and reported for life insurance. This has impacted how the amounts are reported in the Budget but has no impact on the exemptions that are provided to life insurers.

Motor vehicle stamp duty

The benchmark tax base is the value of all purchases and transfers of motor vehicles. The benchmark tax rate for passenger vehicles is $3 per $100, or part thereof, for vehicles valued up to $44,999, and $1,350 plus $5 per $100, or part thereof the vehicle's value over $45,000 for vehicles valued at $45,000 or more.

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

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
New demonstrator motor vehicle An exemption is granted to licensed motor dealers and wholesalers under the *Motor Dealers Act 1974*.	112	131	140
Individuals / families			
Caravans and camper trailers An exemption is provided for transfers of registration of caravans and camper trailers.	85	79	85
Transfers on divorce or breakdown of a de facto relationship An exemption is granted for the transfer of registration to one of the parties to a divorce or separation in a de facto relationship.	4	4	4
Transfer of ownership of a deceased registered owner An exemption is granted for the transfer of registration to a nominated legal personal representative or to the person beneficially entitled to the vehicle in the estate.	13	13	14
Electric and hydrogen vehicles An exemption was available for certain electric vehicles and hydrogen fuel cell vehicles purchased between 1 September 2021 and 31 January 2023.	31	4[(a)]	0[(a)]
Government / public entities			
Local councils An exemption is granted for the transfer of registration into the name of a local council, not for a trading undertaking.	11	14	15
Ambulances An exemption is granted for motor vehicles specially constructed and solely used for the ambulance work of carrying sick and injured persons.	1	2	2
Charitable / non-profit organisations / clubs			
Charitable institutions An exemption is granted to non-profit organisations that have a charitable, benevolent, patriotic or philanthropic purpose.	6	7	7
Pensioners / concession card holders / disadvantaged			
War veterans and impaired members of the Defence Force An exemption is granted to Department of Veterans' Affairs (DVA) pensioners who meet certain pension or disability criteria.	2	3	3

(a) Transitional arrangements apply to people who purchased or placed a deposit on their vehicle before or on 31 December 2023, to receive an exemption upon application. The estimates for 2024-25 are based on actual exemptions granted to 31 April 2025. Estimates for 2025-26 are based on monthly averages from November 2024 to April 2025. It is expected that this will be a minor concession in future years.

Motor vehicle stamp duty – minor tax expenditures (< $1 million)

Minor exemptions from motor vehicle stamp duty include:

- applications to register a heavy vehicle trailer, not previously registered under the Australian Government or another Australian jurisdiction
- applications to register a heavy vehicle trailer, previously registered in the name of the applicant under the Australian Government or another Australian jurisdiction
- vehicles specially constructed for mine rescue work
- vehicles weighing less than 250kg used for transporting invalids
- vehicles registered by a Livestock Health and Pest Authority (now administered by Local Land Services), established under the *Rural Lands Protection Act 1998*
- vehicles registered by the New South Wales Aboriginal Land Council or Local Aboriginal Land Councils
- motor vehicles registered conditionally under the *Road Transport Act 2013.*

A concessional rate of duty applies to vehicles modified for use by disabled persons.

Payroll tax

The payroll tax benchmark is aggregate annual gross remuneration in excess of $1.2 million paid by a single or group taxpayer. The benchmark tax rate is 5.45 per cent.

Table C.8: Payroll tax – major tax expenditures

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
Medical Centres (Bulk-Billing Support Initiative) From 4 September 2024, a payroll tax rebate applies to medical centres in respect of contractor GP wages, if they meet specified bulk-billing thresholds. Past payroll tax liabilities of medical centres with respect to contractor general practitioner wages that have been incurred but unpaid up to 4 September 2024 are exempt and were included in the 2024-25 Budget.	...	123	21
Jobs Plus Payroll tax relief is available to eligible businesses for up to four years for every new job created where a business has created at least 30 net new jobs in metropolitan New South Wales or 20 net new jobs in non-metropolitan New South Wales.	7	7	6
Apprentices A full exemption/rebate is provided for wages paid to approved apprentices under the *Apprenticeship and Traineeship Act 2001* and those employed by approved non-profit group training organisations.	75	78	82
Trainees A full exemption/rebate is provided for wages paid to approved new trainees under the *Apprenticeship and Traineeship Act 2001* and those employed by approved non-profit group training organisations.	54	55	58
Maternity Leave An exemption is granted for maternity leave payments for a period of up to 14 weeks, or its equivalent, at a reduced rate of pay.	52	54	57

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

	2023-24 $m	2024-25 $m	2025-26 $m
Redundancy payments An exemption is provided for the Australian Government tax-free part of a genuine redundancy or approved early retirement scheme payment.	25	26	27
Charitable / non-profit organisations / clubs			
Charitable institutions An exemption is granted to non-profit charitable, benevolent, patriotic, or philanthropic organisations for wages paid to employees engaged exclusively in the normal work of these institutions.	1,575	1,638	1,732
Not-for-profit private hospitals An exemption is granted to non-profit private hospitals for wages paid to persons engaged exclusively in work of a kind ordinarily performed by a hospital.	31	33	35
Government / public entities			
Public hospitals, Local Health Districts and Ambulance Service of NSW An exemption is granted for wages paid to persons engaged exclusively in the normal work of these organisations.	981	1,029	1,087
Local councils An exemption is granted to councils, county councils and their wholly owned subsidiaries, except for wages paid in connection with certain activities, such as the supply of electricity, gas, water or sewerage services, or the conduct of parking stations, hostels, or coal mines. A full list of exclusions can be found in the *Payroll Tax Act 2007*.	299	313	331
Schools and colleges An exemption is granted to not-for-profit schools and colleges (other than technical schools, technical colleges or those carried on by or on behalf of the State of New South Wales) which provide education at or below, but not above, the secondary level of education.	365	382	407
Religious institutions An exemption is granted for wages paid to persons engaged exclusively in work of a kind ordinarily performed by religious bodies.	64	67	71

Payroll tax – minor tax expenditures (< $1 million)

Minor exemptions from payroll tax include:

- wages paid to an employee who is on leave from employment by reason of service in the Defence Force
- wages paid to persons employed under the Community Development Employment Project administered by Aboriginal and Torres Strait Islander Corporations
- wages paid by the Australian-American Fulbright Commission
- wages paid by the Commonwealth War Graves Commission
- wages paid to members of the official staff by a consular or other non-diplomatic representative of another country or by a Trade Commissioner in Australia representing any other part of the Commonwealth of Nations
- wages paid for a joint government enterprise that has the function of allocating funds for water saving projects
- wages paid by the Governor of a State
- wages paid to employees while the employees are providing volunteer assistance to the State Emergency Services or Rural Fire Brigades (but not in respect of wages paid or payable as recreation leave, annual leave, long service leave or sick leave)
- adoption leave payments for a period of up to 14 weeks, or its equivalent, at a reduced rate of pay
- paternity leave payments for a period of up to 14 weeks, or its equivalent, at a reduced rate of pay.

Land tax

The benchmark tax base is the average of the last three years unimproved land value of all land owned, on 31 December of the previous year, that is above the threshold (as defined in the *Land Tax Management Act 1956*). This excludes land used:

- for owner-occupied residences
- by the Australian Government
- by the NSW Government.

The benchmark tax rate for the 2025 land tax year is $100 plus 1.6 per cent of the land value between the thresholds of $1,075,000 and $6,571,000, and $88,036 plus 2 per cent of land value thereafter.

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

From 1 February 2024, to qualify for the principal place of residence exemption, an owner must hold at least a 25 per cent interest in the property and meet existing eligibility criteria. Owners who do not meet this requirement are liable for land tax from 1 January 2025. Transitional arrangements apply for owners with less than 25 per cent ownership who qualified before this date, with liability commencing from the 2026 land tax year.

The 2025-26 Budget includes a new BTR tax measure. Owners of new BTR developments will be able to apply for an indefinite 50 per cent reduction in land value for land tax purposes, subject to eligibility requirements. Australian corporations will also be able to apply for an indefinite exemption or refund from surcharge land tax, for new BTR developments, subject to eligibility requirements.

Table C.9: Land tax – major tax expenditures[(a)(b)]

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
Racing clubs An exemption is granted for land owned by or held in trust for any club for promoting or controlling horse racing, trotting or greyhound racing used mainly for their meetings.	3	3	3
Employer and employee organisations An exemption is granted for land owned by or held in trust for employer and employee organisations for that part not used for a commercial activity open to members of the public.	2	2	2
Co-operatives An exemption is granted for land owned by a co-operative under the Co-operatives National Law (NSW) that has its objects listed in the *Co-operation Act 1923*.	2	2	2
Childcare centres and schools An exemption is granted for land used as a residential childcare centre licensed under the *Children and Young Persons (Care and Protection) Act 1998* or a school registered under the *Education Act 1990*.	43	49	57
Australian-Based Developers An exemption or refund of surcharge land tax is provided for Australian based developers that are foreign persons, for certain development on or use of residential land.	95	122	132
Build-to-rent A concession in the form of a 50 per cent reduction in land value for land tax purposes is available to eligible new BTR developments. An exemption or refund of surcharge land tax is also provided to Australian based developers that are foreign persons, subject to satisfying requirements relating to the construction of BTR properties.	n.a.[(c)]	12	20
Government / public entities			
Cemeteries and crematoriums An exemption is provided for land owned by or held in trust and used for a public cemetery or crematorium.	1	1	1
Public and private hospitals An exemption is provided for land owned by or held in trust and used for public or private hospitals (including nursing homes) and Local Health Districts.	8	5	4
Aboriginal Land Councils An exemption is provided for land owned by the New South Wales Aboriginal Land Council or a Local Aboriginal Land Council constituted under the *Aboriginal Land Rights Act 1983* or a registered native title body corporate within the meaning of the *Native Title Act 1993* of the Commonwealth.	35	40	45
Public gardens An exemption is provided for the land owned by or held in trust and used for a public garden, public recreation ground or public reserve.	8	8	9

Table C.9: Land tax – major tax expenditures[(a)(b)] (cont)

	2023-24 $m	2024-25 $m	2025-26 $m
Individuals / families			
Early payment discount A discount is available where the full amount of land tax is paid within 60 days of issue of the notice of assessment in the land tax year. From the 2023 land tax year, the discount for early payment of land tax was reduced from 1.5 per cent to 0.5 per cent.	18	17	14
Pensioners / concession card holders / disadvantaged			
Retirement villages An exemption is granted for land used as retirement villages, and residential parks predominantly occupied by retired persons.	60	81	95
Boarding houses for low-income persons An exemption is granted for land used for boarding houses for which the rent charged is less than the amount prescribed by the guidelines.	18	17	18
Low-cost rental accommodation An exemption is provided for low-cost rental accommodation within a 5km radius of 1 Martin Place, Sydney.	2	1	1
Religious institutions			
Religious societies An exemption is provided for land owned by or in trust for a religious society carried on solely for religious, charitable or educational purposes, and/or religious societies' places of worship and residences of clergy, ministers or orders of the society.	378	404	438
Charitable / non-profit organisations / clubs			
Charitable bodies An exemption is provided for land owned by or in trust for a charitable body.	399	442	486
Game or Sports Clubs An exemption is granted for land owned by or in trust for any club or body of persons which is used primarily for the purpose of a game or sport and not for the pecuniary profit of the members.	11	12	13
Non-pecuniary profit society, club or association An exemption is granted for a building owned and solely occupied by a society, club or association not carried on for pecuniary profit.	58	63	68
Rural			
Land used for primary production An exemption is granted for land used for primary production. To qualify, land must be used for primary production for the purpose of profit on a continuous or repetitive basis.	2,008	2,519	3,281

Table C.9: Land tax – major tax expenditures[(a)(b)] (cont)

	2023-24 $m	2024-25 $m	2025-26 $m
Other			
Mixed use developments The land value of mixed development land or mixed-use land on which is situated a single dwelling or flat is to be reduced by the allowable proportion in relation to the dwelling or flat for land tax purposes.	15	17	19
Conservation agreement An exemption is provided for land that is the subject of a conservation agreement under the *Biodiversity Conservation Act 2016* or the *National Parks and Wildlife Act 1974*, being an agreement that remains in force in perpetuity.	1	1	2

(a) Treasury has reviewed how tax expenditures are calculated and reported for land tax. This has impacted how the amounts are reported in the Budget but has no impact on the exemptions that are provided to property owners.
(b) Properties exempted under one category may also qualify for other exemptions. These are included only once to determine tax expenditures.
(c) Amount has not been published due to confidentiality reasons.

Land tax – other major tax expenditures (> $1 million)

Major exemptions from land tax include:

- land used for the Sydney Light Rail
- land owned by local councils.

Land tax – minor tax expenditures (< $1 million)

Minor exemptions from land tax include:

- land used to hold agricultural shows, which is owned by, or held in trust for, a society established for the purpose of holding, promoting and funding such shows
- Primary Products Marketing Boards, Local Land Services and Agricultural Industry Service committees
- land owned by a society registered under the Friendly Societies (New South Wales) Code
- fire brigades, ambulances or mines rescue stations
- community land development
- land that is the subject of a biodiversity stewardship agreement under the *Biodiversity Conservation Act 2016*
- land that is the subject of a BioBanking agreement
- land owned by a joint government enterprise that has the function of allocating funds for water saving projects
- land used solely as a police station
- land owned by Returned & Services League of Australia (New South Wales Branch), being Anzac House.

A concession is provided for unoccupied flood-liable land.

The holders of subclass 410 (retirement) and 405 (investor retirement) visas are exempt from surcharge land tax.

Vehicle weight tax

The benchmark tax base is all vehicles (except Australian Government vehicles) intended for on-road use. The benchmark tax rates, which vary by vehicle type, weight, usage and other factors, are updated annually by the NSW Government.

From 1 January 2025, charges for cars, station wagons and trucks up to 4.5 tonnes Gross Vehicle Mass are based on a 12-step graduated weight scale, ranging from:

- $266 (0 – 975 kg) to $1,457 (4,325 - 4,500 kg) for private use vehicles
- $429 (0 – 975 kg) to $2,429 + $327 (4,325 - 4,500 kg) for business use vehicles.

From 1 January 2025, charges for trailers and caravans up to 4.5 tonnes Gross Vehicle Mass are based on a 14-step graduated weight scale, ranging from:

- $0 (0 – 254 kg) to $1,457 (4,325 - 4,500 kg) for private use vehicles
- $131 (0 – 254 kg) to $2,429 (4,325 - 4,500 kg) for business use vehicles.

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

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
General purpose plant Concessions are provided for machines that cannot carry any load other than tools and accessories necessary for the operation of the vehicle.	46	49	52
Other Concessions provided under Part 4, section 16 and 17 of the *Motor Vehicles Taxation Act 1988* including vehicles specially constructed for the work of conveying sick or injured persons or to carry out mine rescue, and agricultural vehicles that do not travel on a road.	2	2	2
Individuals / families			
Motor Vehicle Tax – Low Emission Vehicles Transport for NSW provides owners of vehicles with low emissions a concession on motor vehicle tax.	10	12	14
Government / public entities			
Roadwork equipment An exemption is granted for any motor vehicle, plough, bulldozer, mechanical scoop or shovel, road grader, road roller or similar machinery owned by a local council that is used for the purposes of road repair, maintenance or construction, removal of garbage or night soil, bushfire fighting or civil defence work, or for any roller, lawn mower or similar machinery used solely or principally for the rolling or maintenance of tennis courts, cricket pitches, lawns or pathways.	6	6	6
Australian Government vehicles Any vehicle leased to an Australian Government Authority is exempt from tax under Section 16, Part 3, (2) (d) of *Commonwealth Vehicles (Registration and Exemption from Taxation) Act 1997* (Cth).	1	1	1
Pensioners / concession card holders / disadvantaged			
Selected social security recipients An exemption is granted for any motor vehicle used substantially for non-business purposes owned by holders of Pensioner Concession Cards, Department of Veterans' Affairs (DVA) Totally and Permanently Incapacitated Cards or DVA Gold War Widows Cards.	365	386	408

Table C.10: Vehicle weight tax – major tax expenditures (cont)

	2023-24 $m	2024-25 $m	2025-26 $m
Rural			
Primary producers Primary producer concessions include, for motor vehicles not greater than 4.5 tonnes of gross vehicle mass, private rates rather than business rates for cars and station wagons and 55 per cent of business rates for trucks, tractors, and trailers.	33	34	35

Vehicle weight tax – minor tax expenditures (< $1 million)

Minor exemptions from vehicle weight tax include:

- motor vehicles (not government owned) used principally as an ambulance
- motor vehicles (not government owned) used by the State Emergency Service
- motor vehicles on which a trader's plate is being used in accordance with the *Road Transport (Vehicle Registration) Act 1997* or the regulations under that Act
- motor vehicles owned by Aboriginal Land Councils
- motor vehicles of consular employees and trade missions.

Minor concessions include:

- a concessional rate of 55 per cent of business rates (or 30 per cent when operated outside the Sydney, Newcastle or Wollongong metropolitan areas) is applied to tow trucks constructed to partially lift and tow other vehicles
- a concessional rate of 88 per cent is provided for mobile cranes used for private use
- a concessional rate of tax is applied to any motor vehicle that is owned by a Livestock Health and Pest Authority (now administered by Local Land Services) and is used solely for carrying out the functions of the board
- a rebate of $100 for vehicle registration is given to first and second-year apprentices registered with the NSW Department of Education.

Gambling and betting taxes

The benchmark for gaming machines in hotels and registered clubs is the rates of taxation applying to hotels, which vary based on a progressive rate scale depending on the level of annual profits from gaming machines.

Table C.11: Gambling and betting taxes – major tax expenditures

	2023-24 $m	2024-25 $m	2025-26 $m
Charitable / non-profit organisations / clubs			
Club gaming machines Gaming machines installed in clubs registered under the *Registered Clubs Act 1976* are taxed at lower rates than gaming machines installed in hotels.	971	1,038	1,077
ClubGRANTS Registered clubs may receive a tax rebate on eligible ClubGRANTS expenditure of up to 1.85 per cent of a club's gaming machine profits over $1 million during a tax year.	75	81	84

Gambling and betting taxes – other tax expenditures[3]

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

Parking space levy

The benchmark tax base is the number of off-street parking spaces in Category 1 areas (Sydney CBD, North Sydney and Milsons Point business districts) or Category 2 areas (Chatswood, Parramatta, St Leonards and Bondi Junction business districts).

The benchmark levy is indexed annually to movements in the Sydney CPI, over the year to the previous March quarter. For 2024-25, the benchmark levy is $2,950 per space in Category 1 areas and $1,050 per space in Category 2 areas.

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

	2023-24 $m	2024-25 $m	2025-26 $m
Business			
General exemptions and concessions for Category 1 and 2 areas An exemption is granted for certain parking spaces for bicycles and motor cycles, residents of the same or adjoining premises, use under the mobility parking scheme, loading and unloading of goods or passengers, cranes and other plant, overnight parking of emergency service vehicles, private vehicles parked on land owned by councils, religious organisations or bodies, charities or benevolent institutions, persons providing services on a casual basis, unused casual parking or unleased tenant parking.	74	76	78
Additional exempt parking spaces in Category 1 and 2 areas An exemption is granted for spaces for customers attached to retail outlets, hotels, motels, clubs, restaurants, medical centres, car hire and sales, repair and wash establishments, and funeral parlours.	12	12	12

C.3 Distributional analysis of tax expenditures

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

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

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

- concessional tax rates for gaming machines installed in clubs
- the First Home Buyers Assistance Scheme.

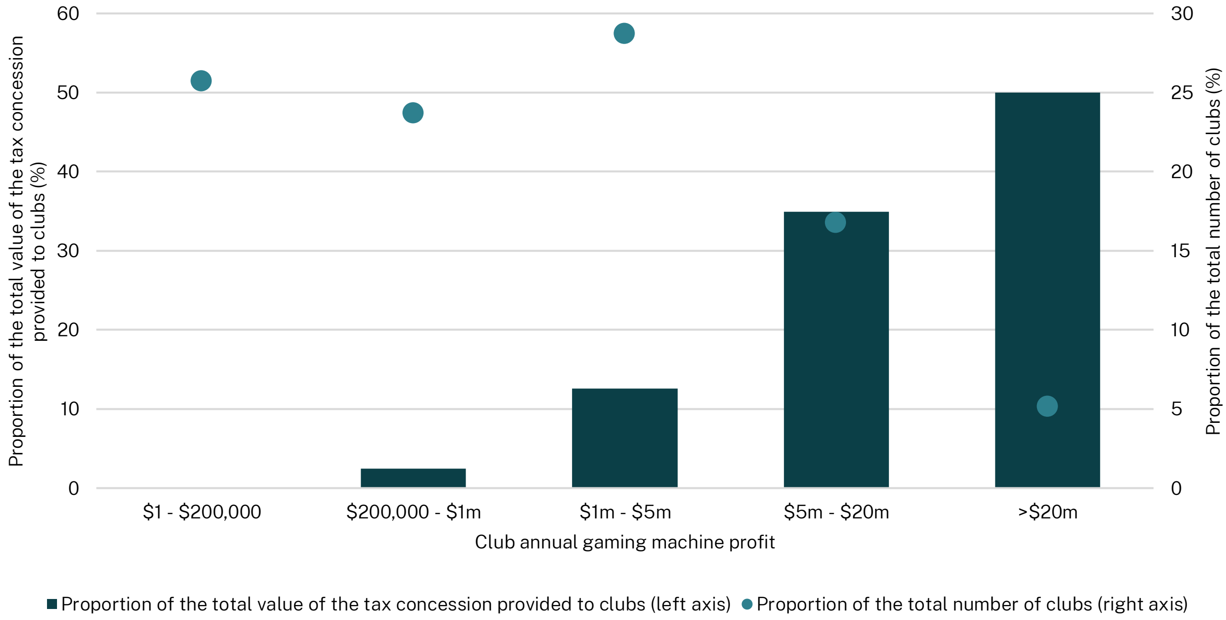
[3] Items listed under the ‘other tax expenditures’ heading are those where there is insufficient data available on which to base a reliable estimate.

Tax concessions for gaming machines located in registered clubs

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

Chart C.2 shows the proportion of the total value of the tax concession provided to clubs by annual gaming machine profit bands (left axis) and the proportion of clubs within each of the annual gaming machine profit bands (right axis) for 2023-24 (the chart does not include the ClubGRANTS tax rebate). It shows that clubs with profit greater than $20 million, which account for 5 per cent of clubs (not including clubs with nil or negative gaming machine profits), receive about half of the total concession provided to clubs. Clubs with gaming profits less than $200,000 do not receive any concession as both clubs and hotels do not pay tax on gaming machine profits below $200,000.

Chart C.2: Proportion of total concessions and proportion of total number of clubs by annual gaming machine profit, 2023-24[4]



First Home Buyers Assistance Scheme

The First Home Buyers Assistance Scheme (FHBAS) provides eligible first home buyers a full exemption from transfer duty or a concessional duty rate when purchasing a new or existing home, or vacant land with the intent to build a home.

Eligible first home buyers receive a full exemption from transfer duty when purchasing a home valued up to $800,000, and a concessional rate of transfer duty when purchasing a home valued between $800,000 and $1 million. For vacant land purchased with the intention to build a home, eligible first home buyers can receive an exemption from transfer duty for land valued up to $350,000, and a concessional rate of transfer duty for land valued between $350,000 and $450,000.

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

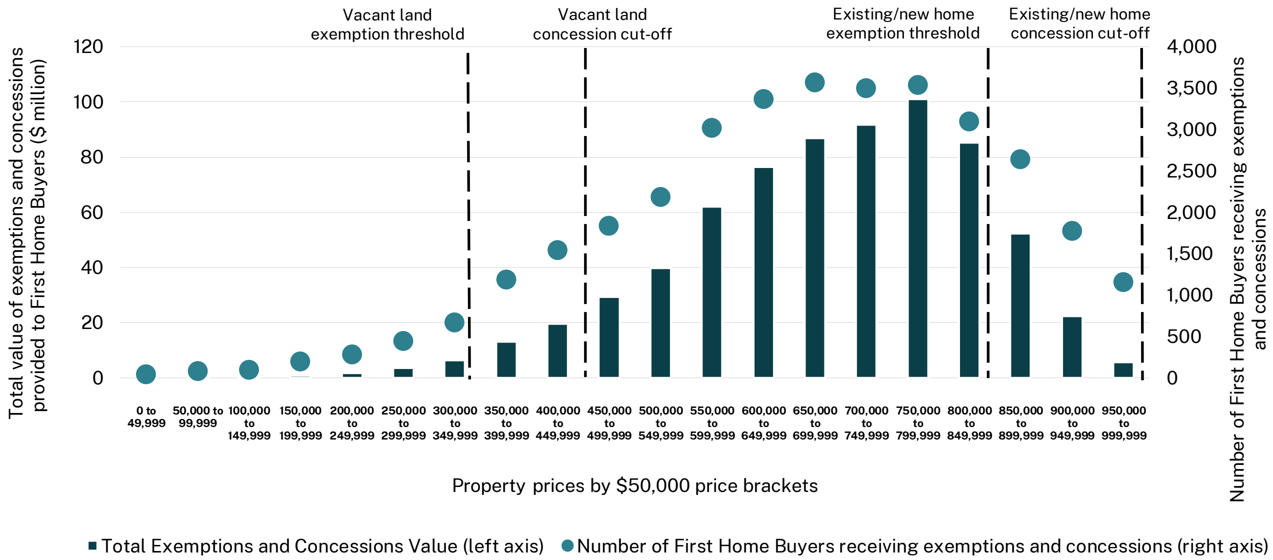
In 2023-24, more than 34,000 first home transactions in New South Wales received transfer duty exemptions and concessions, amounting to around $698 million, with an average value of over $20,000. This is an increase from 2022-23, where around 23,400 first home transactions received a total of around $388 million in transfer duty exemptions and concessions, which partly reflected the higher thresholds for exemption and concession on home purchases that commenced on 1 July 2023.

Chart C.3 shows the distribution of the tax exemptions and concessions across property prices by $50,000 bands in 2023-24. First home buyer purchases valued between $750,000 and $800,000 received the greatest share of transfer duty exemption and concession value, where over 3,500 first home buyer transactions obtained exemptions with a total value of over $100 million. This is also the highest price band for first home purchases that is entitled to full exemption under the FHBAS.

Notably, with the increase of the exemption threshold from $650,000 to $800,000 from 1 July 2023, over 10,500 first home transactions have benefitted from a full exemption of transfer duty, amounting to around $279 million worth of exemptions. This group of first home buyers would have previously been liable for transfer duty for their homes, if they had made the same purchases under the prior FHBAS thresholds, albeit at a concessional rate.

Similarly, with the increase of concessional duty rate threshold from $800,000 to $1 million from 1 July 2023, over 8,600 first home buyers have benefitted from a concessional duty rate with a total value of over $165 million in 2023-24 under the FHBAS.

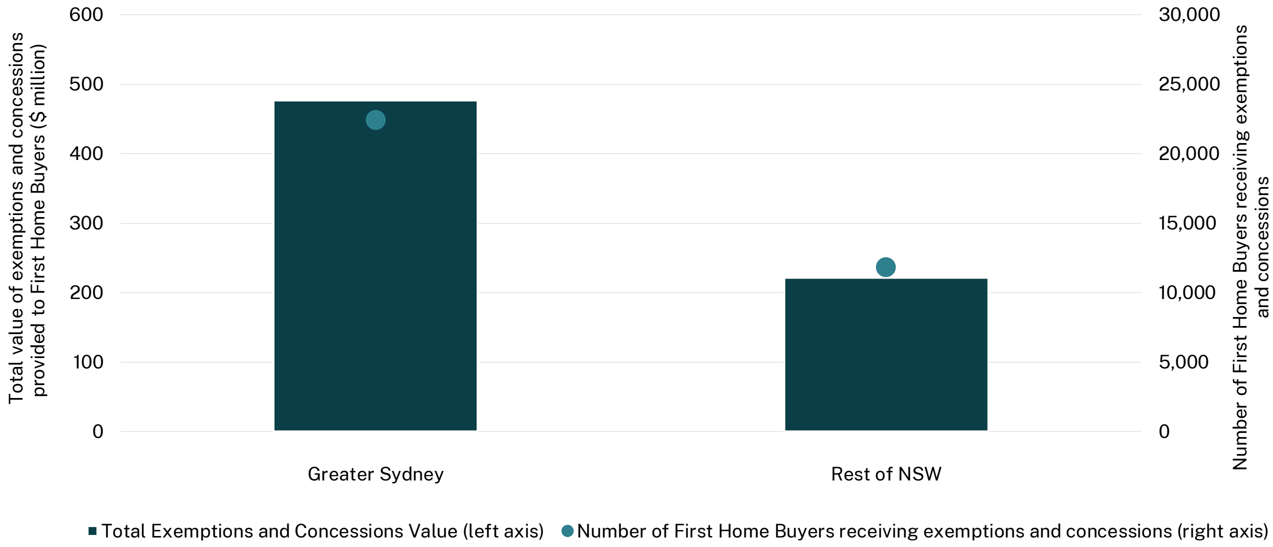
Chart C.3: Total value of exemptions and concessions for first home buyer purchases across different price brackets in New South Wales, 2023-24



Note: The above chart is for 2023-24, as it is the last financial year for which a full year of actuals data is available.

Chart C.4 shows the distribution of the tax exemptions and concessions under the FHBAS between the Greater Sydney region and the rest of New South Wales. Of the total exemptions and concessions under the FHBAS for 2023-24, first home buyer purchases in Greater Sydney received 68 per cent (totalling $477 million) and those in the rest of New South Wales received 32 per cent (totalling $221 million).

Chart C.4: Distribution of First Home Buyers Assistance Scheme exemptions and concessions in metropolitan Sydney and the rest of New South Wales, 2023-24



Note: Categorisation by geographical area is based on Local Government Areas (LGAs). Greater Sydney includes metropolitan Sydney and surrounding areas up to and including the Central Coast, Blue Mountains, Wollondilly and Sutherland council areas.

C.4 Concessional charges

Overview of concessional charges

Table C.13 classifies, by function, the major concessions provided by the NSW Government. The total value of major concessions, which accrue primarily to pensioners, older Australians and school students, is estimated at $2.7 billion in 2025-26.

Table C.13: Concessions by function

Function	2023-24 $m	2024-25 $m	2025-26 $m
Public Order and Safety	16	17	17
Education	799	772	796
Health	354	382	403
Transport	1,058	1,025	873
Housing and Community	555	620	567
Social Protection	13	15	15
Economic Affairs	13	13	13
Recreation, Culture and Religion	9	12	15
Environmental Protection	11	11	11
Total	2,828	2,867	2,710

The following sections provide a breakdown by policy function line. Details of concessions that have an impact over $1 million are itemised in a table. Examples of concessions with an impact of less than $1 million are listed.

Public order and safety

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

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Court interpreting and translation services Multicultural NSW provides free translation and interpreting services for people in NSW from a non-English speaking background.	8	8	8
Court and tribunal fee concessions Court and tribunal fees may be reduced or waived, subject to guidelines issued by the Attorney General, in circumstances where a person's capacity to pay may otherwise limit his or her access to justice.	3	3	3
Government / public entities			
Concessions for NSW State Hallmark Events The NSW Police Force does not charge for all additional police costs associated with crowd control and traffic management services for designated 'NSW State Hallmark Events' such as Australia Day, Vivid Festival, and Tamworth Music Festival.	5	6	6

Education

Table C.15: Education – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Individuals / families			
School Student Transport Scheme			
The School Student Transport Scheme provides subsidised travel to and from school for eligible students on government and private bus, rail and ferry services, long-distance coaches and in private vehicles where no public transport services exist.	616	632	656
Pensioners / concession card holders / disadvantaged			
Smart and Skilled – Vocational Education and Training (VET) concessions and exemptions			
Fee concessions are available to Australian Government welfare beneficiaries, people with a disability, and their dependents and partners, undertaking Certificate IV and below qualifications. Fee exemptions are available to students with a disability, as well as their dependents and partners, for their first qualification in a calendar year. Fee exemptions are also available to Aboriginal students.	97	94	93
Smart and Skilled – VET concessions and exemptions			
Skilling for Recovery – Additional full qualifications fee free training places.	2	1	0
Skilling for Recovery – Additional fee gap on existing full qualification training places.	7	3	0
NSW Fee Free Tranche 1 – Existing fee free full qualification and part qualification.	47	11	...[(a)]
NSW Fee Free Tranche 2 – Existing fee free full qualification and part qualification.	30	30	36
NSW Fee Free Tranche 3 Construction - Existing fee free full qualification and part qualification.	... [(b)]	1	11

(a) Nil in 2025-26 given that NSW Fee Free Tranche 1 concession was completed in 2023-24.
(b) Nil in 2023-24, NSW Fee Free Tranche 3 commenced early 2025.

Health

Table C.16: Health – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Ambulance service for concessional patients Free ambulance transport is provided to holders of Pensioner, Health Care, or Department of Veterans' Affairs concession cards.	279	304	323
Ambulance service for COVID affected patients From March 2020, free ambulance treatment and / or transport for suspected COVID or COVID vaccination reactions.	3	0	0
Ambulance service for corrective services Free ambulance transport is provided for patients being transferred to or from a correctional institution.	1	1	2
Ambulance service for police custody Free ambulance transport is provided for patients in police custody.	4	4	4
Ambulance service provided under Section 20, *Mental Health Act 2007* Free ambulance transport is provided to patients experiencing mental illness.	7	8	9
Ambulance service provided under Section 22, *Mental Health Act 2007* Free ambulance transport is provided to patients experiencing mental illness.	7	6	7
Ambulance service provided for sexual / domestic assault Free ambulance transport is provided to patients who are treated and / or transported as a result of domestic or sexual assault.	2	2	2
Outpatient Pharmaceutical Scheme for S100 Concessional Public Patients Concessions provided to concessional patients up to the safety threshold.	2	2	2
Outpatient Pharmaceutical Scheme for S100 General Public Patients Concessions provided to general patients up to the safety threshold.	8	8	8
Concessional car parking fees at NSW public hospitals Eligible for patients who are required to attend a hospital facility for a course of treatment, those who hold specific concessions cards, and for carers of long-term patients who visit frequently.	18	19	19
Free parking at rural and regional hospitals Free parking is available to staff, patients and their families at rural and regional hospitals across New South Wales.	5	5	5
Life Support Rebate Assistance is provided for households that use electricity to run equipment to sustain life.	11	15	14
Medical Energy Rebate Assistance is provided for households that use air conditioning to assist with a medically diagnosed inability to manage body temperature.	2	2	2
NSW Spectacles Program Vision Australia provides free optical appliances to the most disadvantaged and vulnerable of NSW residents who, in the absence of a subsidy, might otherwise forego necessary vision aids due to financial and other challenges.	5	6	6

Health – minor concessions (< $1 million)

Minor concessions include:

- Free ambulance treatment and/or transport for other groups not listed above including children at risk, emergency workers, cases involving the death of an infant between 0-2 years, and patients eligible to participate under the *Lifetime Care and Support Authority Act 2006*.

Transport

Table C.17: Transport – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Public transport concessions Pensioners, seniors, welfare beneficiaries and students travel for less than full fare on bus, rail, taxi and ferry services.	270	285	302
Driver's Licence – Selected social security recipients Transport for NSW provide a driver's licence fee exemption to holders of Pensioner Concession Cards, DVA Totally and Permanently Incapacitated Cards and DVA Gold War Widows Cards, subject to income and disability rate thresholds, where the vehicle owned by the licence holder is used substantially for social and domestic purposes.	38	64	42
Taxi Transport Subsidy Scheme To provide transport support for NSW residents who cannot use public transport because of a severe and permanent disability.	42	39	49
Commonwealth Home Support Program, Community Transport Program and NSW Health's Non-Government Organisations Grants Program Transport for NSW provides funding to community transport operators to provide services under three government programs. The Commonwealth Home Support Program provides funding for older eligible individuals and is aimed at supporting individuals in staying independent and in their own home for longer. The Community Transport Program assists individuals who are transport disadvantaged owing to physical, social, cultural and/or impacted by geographic factors. Transport for NSW also administers contract management of NSW Health's Non-Government Organisations Grants Program (on behalf of NSW Health) to support the provision of nonemergency health-related transport programs that enhance access to health care by catering for the travel needs of people who are transport disadvantaged.	95	95	14[(a)]
Motor Vehicle Registration Fees - Selected social security recipients An exemption is granted to holders of Pensioner Concession Cards, Department of Veterans' Affairs (DVA) Totally and Permanently Incapacitated Cards and DVA Gold War Widows Cards (subject to income and disability pension rate thresholds) for a single vehicle used substantially for social or domestic purposes.	63	66	68

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

	2023-24 $m	2024-25 $m	2025-26 $m
Individual / families			
Toll Relief Program Toll relief provides motorists who spend $402 or more on eligible tolls in the 2023-24 financial year ($375 or more in the 2022-23 financial year) a 40 per cent rebate upon claim. Toll spend must be accumulated on NSW toll roads, with a NSW tolling account.	217	85	...[(b)]
M5 Cash Back Residents can claim back the value of tolls (exc. GST) paid while using a vehicle registered in NSW for private, pensioner or charitable use of the M5 South-West Motorway.	137	142	151
Weekly Toll Cap and Truck Multiplier Relief From 1 January 2024, a two-year toll relief program for private motorists and truck drivers, with the introduction of:			
a) $60 weekly cap for NSW residents who spend more than $60 on eligible toll roads	83	144	137
b) a one third toll rebate for heavy vehicles using the M5 and M8 tunnels.	9	16	17
Fair Go for Safe Drivers – Discounted Licence Renewal Drivers with a NSW full licence (driver, rider, and heavy vehicle) for at least five years with no demerit points or relevant offences may be eligible for an automatic 50 per cent discount on licence renewal.	19	...	...[(c)]
Opal Card Travel Cap From 1 July 2019, adults are eligible for a $50 weekly cap, and child / youth and concession Opal customers for a $25 weekly cap respectively on all travel by trains, buses, ferries and light rails in New South Wales.	56	88	94
Rural			
Regional Seniors Travel Card Eligible seniors living in regional areas of New South Wales can receive a $250 prepaid card for travel-related expenses. It can be used to purchase pre-booked NSW TrainLink train and coach services, fuel and taxi services.	29	1	...[(d)]

(a) From 1 July 2025, funding for the Commonwealth Home Support Program will be administered by the Australian Government, not Transport for NSW.
(b) Claims for eligible tolls incurred in the 2023-24 financial year under the Toll Relief Program close on 30 June 2025.
(c) The Fair Go for Safe Drivers concession ended as of February 2024.
(d) Program closed. Existing cardholders were able to use their travel card until it expired.

Transport – minor concessions (< $1 million)

- Transport for NSW offers a concession on private mooring licences to holders of Pensioner Concession Cards and Repatriation Health Cards.
- A motor vehicle registration fee exemption is provided for Mobile Disability Conveyance.
- The Driver Knowledge Test is free for some learner drivers - New South Wales State Emergency Service, New South Wales Rural Fire Service and New South Wales Volunteer Rescue Association volunteers/personnel, participants in the Driver Licensing Access Program and drivers undertaking the test within a Correctional Centre or Juvenile Justice Centre.
- Driving Tests - Pensioners are able to sit driving tests for free.
- Motorcycle Operator Skill Test - Pensioners are able to sit their motorcycle operator skills test for free.
- Pensioners and other concession card holders get free Mobility Parking Scheme permits (if they also have a mobility disability).
- NSW Photo Cards are free for pensioners and senior card holders.
- 1,000 free places for the Safer Drivers Course are available each year for learner drivers from disadvantaged backgrounds. The course combines theory and practical lessons for eligible drivers under 25 years old and includes 20 hours of logbook credit on completion.
- Large Towed Recreational Vehicle Toll Rebates are given on Sydney motorways to drivers towing certain privately registered caravans, boats and horse floats (in line with the toll charge to those travelling in a regular car). The rebate is capped at eight tolled trips per monthly billing period.

Housing and community

Table C.18: Housing and Community – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Charitable / non-profit organisations / clubs			
Crown land rent concessions Rent concessions to various Crown land tenure holders in circumstances where individuals or organisations experience difficulty making payments by the due date, and in circumstances to recognise the level of community benefit provided by groups and organisations.	20	19	13
Exempt properties water rate concession Funding is provided to Sydney Water Corporation and Hunter Water Corporation for discounted charges to owners of properties used for non-profit provision of community services and amenities (principally councils, religious bodies, and charities):			
• Sydney Water Corporation	17	17	18
• Hunter Water Corporation	2	3	3
• Essential Water Corporation.	1	1	1

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

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Low Income Household Rebate Energy bill rebates are available to customers who hold eligible concession cards.	222	280	225
Pensioner water rate concession Funding is provided to Sydney Water Corporation and Hunter Water Corporation to provide Pensioner Concession Card holders, who are direct customers, with concessions for their water and sewerage charges.			
• Sydney Water pensioners receive a 100 per cent discount on the fixed quarterly water service charge, an 86 per cent discount on the fixed quarterly wastewater (sewerage) service charge, and a 50 per cent discount on the fixed quarterly stormwater service charge.	123	130	133
• Hunter Water pensioners receive concessions on water, sewerage, and stormwater service charges.	16	18	18
Local council rates concession Local council rates are reduced for holders of Pensioner Concession Cards.	73	69	79
Individuals / families			
Energy Accounts Payment Assistance Energy bill rebates are available to assist people experiencing a short-term financial crisis or emergency to pay their electricity or gas bill.	31	34	25
Family Energy Rebate Energy bill rebates are available to families with dependent children who have received the Family Tax Benefit.	7	6	8
Gas Rebate A rebate is provided to eligible households to assist with gas bills.	32	33	31
Hardship and Low-Income Schemes Funding is provided to Sydney Water Corporation and Hunter Water Corporation to provide concessions to customers in financial hardship.	2	2	2
Seniors Energy Rebate Assistance for independent retirees who hold a valid Commonwealth Seniors Health Card to help pay their energy bills.	9	8	11

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

- Department of Planning, Housing and Infrastructure funds a partial discount on Essential Water Corporation charges to owners of properties used for non-profit provision of community services and amenities including councils, religious bodies and charities.
- Hunter Water Corporation provides assistance to customers experiencing financial hardship through registered community welfare agencies.
- Hunter Water Corporation provides concessions for costs incurred for facilitating concessions involved in administering the schemes relevant to housing and community initiatives.
- Essential Energy provides concessions on water, sewerage and drainage charges to eligible customers.

Social protection

Table C.19: Social protection – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Individuals / families			
Working with Children Check concession Volunteers, students on a professional placement, potential adoptive parents or authorised carers are entitled to free Working with Children Checks.	13	15	15

Economic affairs

Table C.20: Economic affairs – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Fishing licence concession Fishing licence concessions are provided to eligible persons.	9	9	9
Will and power of attorney concession 3000 free wills are provided annually to eligible persons receiving government benefits including age pension and DVA.	2	2	2
Business			
Sydney Startup Hub rental subsidy Rental discounts to Sydney Startup Hub tenants who meet subsidy criteria.	2	2	2

Recreation, culture and religion

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

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Recreational vessel registration and boat driving licence			
Transport for NSW provides a 50 per cent concession on recreational vessel registration and recreational boating licences to holders of Pensioner Concession Cards and Repatriation Health Cards.	3	4	3
Individuals / families			
Museum of Applied Arts and Sciences			
The Museum of Applied Arts and Sciences provides free general admission into the Ultimo Powerhouse.	4	5	5
Discounted entry to zoological parks			
The Taronga Conservation Society Australia provides discounted entry to its zoological parks (including Taronga Zoo in Sydney and the Taronga Western Plains Zoo in Dubbo) for concession card holders, tertiary education students and school students.	2	2	2
Free swimming lessons			
Free Learn-to-Swim lessons for at risk populations, including children, youth and adults, from low socio-economic areas, multicultural communities, and in regional and remote New South Wales. 15 providers procured to deliver in locations across the State.	0	1	5

Recreation, culture and religion – minor concessions (< $1 million)

- A 10 per cent discount is provided to Friends of the Library (members) at the State Library of New South Wales shop and cafe. If the Friend has been a member for 10 years, this increases to a 20 per cent discount at the shop.
- A loan fee waiver applies to NSW public libraries who borrow collection material from the State Library of New South Wales, and discretionary discounts and waivers are provided for digital images.
- The Sydney Opera House provides concessional charges on guided tours for children, pensioners, seniors, students and school group tours. Concession tickets are available to many Sydney Opera House productions for Australian pensioners/seniors, full-time students and children.
- The Sydney Opera House provides a supported venue hire rate to select charitable organisations, community groups or arts organisations that the Sydney Opera House supports or has an existing relationship with, on a case-by-case basis.
- The Sydney Opera House, through the Access Program, provides accessible performances and programs for people with disabilities, including free tailored excursions and tours, performing arts workshops, and supported music programs.

Environmental protection

Table C.22: Environmental protection – major concessions

	2023-24 $m	2024-25 $m	2025-26 $m
Pensioners / concession card holders / disadvantaged			
Entry fee to national parks Holders of Pensioner Concession Cards, seniors, volunteers and community groups receive free or discounted entry to national parks.	11	11	11

D. VARIATION DETAILS OF APPROPRIATIONS DURING 2024-25

Each year, an Appropriation Act, and an Appropriation (Parliament) Act, are passed in the NSW Parliament which appropriate out of the Consolidated Fund sums to Ministers, and the Legislature, for the services of the Government for that annual reporting period.

In certain circumstances, the *Government Sector Finance Act 2018* (GSF Act) enables the sum of appropriated money to be varied to meet the service objectives of the Government.

Where there is a variation to appropriations, the GSF Act requires the details of these payment variations to be included in the Budget Papers for the next annual reporting year.

As per the reporting requirements of the GSF Act, the following tables provide the variation details of annual appropriations during the 2024-25 reporting period.

Table D.1: Details of appropriations affected by transfer of functions between GSF agencies during 2024-25

	Sec. 4.9 GSF Act Amount $'000
Attorney General	
Net appropriation transfer from Department of Communities and Justice	(420,055)
Total – Attorney General	**(420,055)**
Minister for Jobs and Tourism	
Net appropriation transfer to Department of Creative Industries, Tourism, Hospitality and Sport	172,542
Total – Minister for Jobs and Tourism	**172,542**
Minister for Planning and Public Spaces	
Net appropriation transfer from Department of Planning, Housing and Infrastructure	(1,271,717)
Total – Minister for Planning and Public Spaces	**(1,271,717)**
Minister for Regional New South Wales	
Net appropriation transfer from Department of Primary Industries and Regional Development	(6,566)
Total – Minister for Regional New South Wales	**(6,566)**
Premier	
Net appropriation transfer to Premier's Department	1,510,950
Net appropriation transfer to The Cabinet Office	13,219
Total – Premier	**1,524,169**
Treasurer	
Net appropriation transfer to Treasury	1,627
Total – Treasurer	**1,627**
TOTAL – SECTION 4.9 GSF ACT	**0**

Table D.2: Variation details of annual appropriations for Commonwealth Grants during 2024-25

	Sec. 4.11 GSF Act Amount $'000
Attorney General	
Commonwealth Funding Adjustment - Department of Communities and Justice	11,019
Total – Attorney General	**11,019**
Deputy Premier	
Commonwealth Funding Adjustment - Department of Education	8,944
Total – Deputy Premier	**8,944**
Minister for Climate Change	
Commonwealth Funding Adjustment - Department of Climate Change, Energy, the Environment and Water	246,174
Total – Minister for Climate Change	**246,174**
Minister for Health	
Commonwealth Funding Adjustment - Ministry of Health	15,078
Total – Minister for Health	**15,078**
Minister for Jobs and Tourism	
Commonwealth Funding Adjustment - Department of Creative Industries, Tourism, Hospitality and Sport	600
Total – Minister for Jobs and Tourism	**600**
Minister for Planning and Public Spaces	
Commonwealth Funding Adjustment - Department of Planning, Housing and Infrastructure	146,949
Total – Minister for Planning and Public Spaces	**146,949**
Minister for Regional New South Wales	
Commonwealth Funding Adjustment - Department of Primary Industries and Regional Development	35,330
Total – Minister for Regional New South Wales	**35,330**
Minister for Transport	
Commonwealth Funding Adjustment - Department of Transport	7,598
Total – Minister for Transport	**7,598**
Premier	
Commonwealth Funding Adjustment - Premier's Department	5,650
Total – Premier	**5,650**
TOTAL – SECTION 4.11 GSF ACT	**477,342**

Table D.3: Details of payments made from State contingencies appropriation to Treasurer during 2024-25

	Sec. 4.12 GSF Act Amount $'000
Attorney General	
Department of Communities and Justice	
Special Appropriation[(a)] Adjustment through delegation	20,647
Total – Department of Communities and Justice	**20,647**
Total – Attorney General	**20,647**
Deputy Premier	
Department of Education	
Special Appropriation Adjustment through delegation	3,698
Total – Department of Education	**3,698**
Total – Deputy Premier	**3,698**
Minister for Customer Service and Digital Government	
Department of Customer Service	
Special Appropriation Adjustment through delegation	3,000
Total – Department of Customer Service	**3,000**
Total – Minister for Customer Service and Digital Government	**3,000**
Minister for Families and Communities	
Office of the Children's Guardian	
Special Appropriation Adjustment through delegation	4,000
Total – Office of the Children's Guardian	**4,000**
Total – Minister for Families and Communities	**4,000**
Minister for Health	
Ministry of Health	
Special Appropriation Adjustment through delegation	3,382
Total – Ministry of Health	**3,382**
Total – Minister for Health	**3,382**
Treasurer	
Special Appropriation	
Special Appropriation Adjustment through delegation	(34,726)
Total – Special Appropriation	**(34,726)**
Total – Treasurer	**(34,726)**
TOTAL - SECTION 4.12 GSF ACT	**0**

(a) A sum appropriated to the Treasurer by this Act as a special appropriation must be treated, for the purposes of the *Government Sector Finance Act 2018*, section 4.12, as if it were a Treasurer's State contingencies appropriation.

Note: Some sub-totals in this table may not be exactly equal to the sum of agency totals due to rounding.

E. FISCAL REPORTING AND SENSITIVITIES

This Appendix covers reporting of:

- the *Fiscal Responsibility Act 2012* (FRA) performance
- fiscal risks and sensitivities
- the *Government Sector Finance Act 2018* requirements for contingent assets and liabilities
- historical fiscal information.

E.1 *Fiscal Responsibility Act 2012* reporting

The FRA requires the Government to report on its performance against the Act's object, targets, and principles. (see Table E.1).

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

Fiscal object, targets, and principles	Comments
Object: Maintain the triple-A credit rating	Fitch reaffirmed triple-A (AAA) rating in October 2024. Moody's maintained triple-A (Aaa) rating in March 2025. S&P Global maintained double-A plus (AA+) rating while revised outlook from stable to negative in November 2024. This rating was maintained in March 2025.
Target 1: Annual expense growth less than long term average revenue growth (5.6 per cent).	Across the budget and forward estimates, the Government is forecasting annual expense growth to remain below the long-term revenue growth rate. Expense growth is projected to increase to 3.0 per cent in 2025-26 from 2.4 per cent in 2024-25.
Target 2: Elimination of the State's unfunded superannuation liabilities by 2030.	In 2021, New South Wales re-anchored its superannuation liability target to 2040, freeing up fiscal capacity to address the COVID-19 pandemic.
Principle 1. Responsible and sustainable spending, taxation and infrastructure investment.	The State aims to align its revenue and expenditure policies with best practices. Taxation policies have been broadly stable. The infrastructure program was reviewed as part of the 2023-24 Budget.
Principle 2. Effective financial and asset management, including sound policies and processes.	The Government has actively managed the State's balance sheet, investment decisions and risk management supported by advice from the Treasury-chaired Asset and Liability Committee. See Chapter 8 Balance sheet for more details.
Principle 3. Achieving intergenerational equity.	The fiscal gap measures how fiscal pressures might build in the long term under current policy settings. It measures the projected change in revenues less recurrent and capital expenditures (excluding interest) as a percentage of gross state product (GSP). The change is measured between the base year, 2018-19, and the end of the projection period in 2060-61. The *2021-22 NSW Intergenerational Report* projected that long-term trends in revenue and expense growth would lead to a fiscal gap of 2.6 per cent of GSP by 2060-61. This assumes no change in current government policy and the persistence of economic and demographic trends. At the 2024-25 Budget, the fiscal gap was revised to 3.1 per cent of GSP by 2060-61. The decisions taken as part of the 2025-26 Budget are expected to have no impact on this estimate of the fiscal gap.

E.2 Fiscal risks

The preparation of the 2025-26 Budget is informed by a range of forecasts and assumptions that are inherently uncertain. This Appendix provides insight into potential fiscal risks and sensitivities that cannot be determined with sufficient certainty to be incorporated into the Budget. The Appendix does not consider the policy risks associated with future extensions or changes to financial decisions made by the NSW Government or the Australian Government.

Operating statement risks

State taxation revenue

The state of the economy affects the level of tax collected. Changes in macroeconomic drivers can lead to major changes in the level of tax collected, increasing or decreasing government revenues accordingly. NSW Treasury's own forecast assumptions for key macroeconomic variables (as set out in Table E.2 below) across the budget and forward estimates are used to inform the revenue forecasts.

Table E.2: Forecasting revenue – What weighting is given to different variables[(a)(b)]

	Forecast weightings						
	GST	Payroll tax	Transfer duty	Mineral royalties	Land tax	Gambling taxes	Motor vehicle taxes
Employment	Medium	High	N/A	N/A	N/A	Medium	High
Wages	Medium	High	N/A	N/A	N/A	Medium	Medium
Consumption	High	N/A	N/A	N/A	N/A	High	Medium
Dwelling investment	High	N/A	Medium	N/A	N/A	N/A	N/A
Dwelling prices	Low	N/A	High	N/A	High	N/A	Medium
Population growth	High	Low	Medium	N/A	Low	Low	Low
AUD exchange rate	N/A	N/A	N/A	High	N/A	N/A	N/A
Energy demand	N/A	N/A	N/A	Low	N/A	N/A	N/A

(a) High, medium and low provide only a broad indication of the model weighting for illustration.
(b) N/A indicates only that the factor is not directly included as a variable in the relevant forecasting model and does not signify that there is no relationship between the respective variable and the tax.

The main driver of payroll tax is total employee compensation, which in turn is a function of both wage and employment levels. Strong momentum and continued resilience in the labour market has continued to support payroll tax revenue throughout 2024-25. The outlook for payroll tax over the forward estimates remains uncertain, with risks associated with United States (US) trade policy potentially exacerbating volatility in revenue going forward. Payroll tax revenues are forecast by applying growth rates, anticipated in Treasury's forecasts for NSW average compensation of employees and NSW employment, to underlying payroll tax levels. See Table E.3 for payroll tax sensitivities for these variables.

Transfer duty revenue forecasts rely on the performance of the housing market, including both the volume of residential property sales and the average transacted price (see Table E.3). Transfer duty is expected to pick up strongly in 2025-26, supported by an uplift in both residential property prices and transaction volumes. Nonetheless, a weaker-than-expected economy due to US tariffs is likely to pose a downside risk to transfer duty revenue, particularly from commercial properties. Tighter labour market conditions contributing to a less aggressive easing of monetary policy could contribute to reduced transfer duty. Housing affordability constraints from high dwelling prices could further prolong the transition path of transaction volume per capita back to its long run average.

Other state taxes are typically less volatile than those mentioned above and generally correlate to changes in the broader economy.

GST revenue

GST is collected by the Australian Government and then apportioned to the states. Three main factors determine how much GST New South Wales receives:

- how much is collected across the nation by the Australian Government (i.e. pool size)
- New South Wales' share of the national population (called the population share)
- the relative per person allocation of the pool to New South Wales (i.e. the relativity).

Table E.3 illustrates the sensitivity of forecast GST distribution to New South Wales to a one percentage point increase in taxable consumption and dwelling investment (the main drivers of the GST pool size), and NSW population share (in absolute terms). These drivers are exposed to various economic risks.

The Commonwealth Grants Commission (CGC) assesses states' GST needs based on the average spending and revenue policies of all states. The averages vary over time due to underlying changes in state policies as well as updated or new data which is often provided by the states. As such, GST relativity projections are subject to a high degree of uncertainty.

Royalties

A large share of revenue from royalties is generated from thermal and coking coal exports, which means that the amount of royalties collected are sensitive to changes in:

- coal production volumes – an increase in coal volumes increases the quantity of coal that royalties are charged on, hence increasing royalties revenue
- coal prices – an increase in US dollar coal prices increases the value of coal sold to domestic and international customers, also increasing royalties revenue
- exchange rates – an appreciation of the Australian-US exchange rate reduces the Australian dollar (AUD) value of coal exports because coal exports are typically transacted in US dollars (see Table E.3).

Uncertainty in global policies, resulting from US tariffs and their impact on China poses a risk to coal volumes and prices. It is unclear to what extent trade tensions with the US will impact China's economy. If the growth in China's economy slows, demand for NSW coal exports would decrease, reducing coal prices and royalties revenue. This could also have implications for the AUD/USD exchange rate, contributing to higher levels of volatility than usual.

Investment revenue

Financial markets have been positive in 2024-25, despite market reaction to the US Administration's announcements on tariff and trade policy in April 2025. This positive performance in turn drove solid investment return outcomes for state funds. Financial markets remain volatile, as the ongoing uncertainty about the global economic outlook continues to affect investor sentiment. Investment returns may be above or below estimates which may impact investment revenue.

Water sector government businesses

The Independent Pricing and Regulatory Tribunal is currently reviewing the prices that Sydney Water, Hunter Water, WaterNSW and the Water Administration Ministerial Corporation may charge their customers for the five-year determination period from 1 July 2025 until 30 June 2030. The determinations can impact the Budget through the level of net funding required by the businesses or through shareholder distributions. The determination process will not conclude before the Budget is published. However, the published Draft Determinations indicate there may be significant negative budget impacts which the Government may need to reflect in the 2025-26 Half-Yearly Review.

Expense risks[1]

There are a variety of expense risks where the impact to the Budget is unknown or where events are yet to occur, including:

- employee-related expenses can be impacted by new industrial instruments, public sector wages policy, the workforce size and composition, and insurance risk, such as workers compensation costs (see insurance in Balance Sheet risks)
- differences between budget assumptions and actual costs incurred by government, including inflation and costs of borrowings
- changes to parameters that influence the liabilities and associated expenses for superannuation, long service leave, other employee provisions and insurance provisions (see below for further balance sheet risks and sensitivities)
- additional risks and pressures within agency budgets, for example increased energy costs, unforeseen legal expenses, ceasing programs, higher than budgeted maintenance, depreciation (including impacts of revaluations) and operating costs
- infrastructure market capacity risks, including labour shortages and cost escalations
- cyber security events as the volume and sophistication of cyber-attacks are increasing and the timing and financial impact of a cyber incident is uncertain
- exogenous risks, e.g. Australian Government payments, inflation, interest rate changes or natural disasters, such as the recent floods in the Mid-North Coast.

Table E.3: Operating statement risks and sensitivities: estimated impact on the general government sector budget result with 1 percentage point increase in each factor

Sensitivity	Factors	2025-26 Budget $m	2026-27 Forward estimates $m	2027-28 Forward estimates $m	2028-29 Forward estimates $m
Payroll tax	Average compensation of employees	156	164	172	181
	Employment	161	168	177	186
Transfer duty	Residential prices (average transacted price)	133	137	140	146
	Residential transaction volumes	111	117	119	125
GST	Taxable consumption	156	158	168	182
	Dwelling investment	53	54	57	62
	NSW population share[(a)]	916	943	979	1,022
Royalties	Coal prices	31	31	31	31
	Coal volumes	30	31	30	31
	Exchange rate ($A vs $US)	(31)	(34)	(34)	(33)
Investment revenue	Rate of return	243	265	291	325
Expense	Employee Expenses (excl super)	(503)	(519)	(531)	(562)
	Interest expenses (cost of borrowings)	(99)	(283)	(455)	(635)

(a) GST relativities held fixed at baseline forecasts.

1 The Budget includes allowances for parameter and technical adjustments and anticipated timing changes. See Chapter 7 Recurrent expenditure for more information.

Balance Sheet risks

Investments

OneFund includes several investment funds, including the NSW Generations Fund, the NSW Infrastructure Future Fund, the Social and Affordable Housing Fund, the Snowy Hydro Legacy Fund, and the Treasury Managed Fund.

All funds invested in OneFund have the same risk appetite and investment strategy, which has been developed with a whole-of-state perspective in mind. The investment allocation incorporates individual fund needs, while also taking advantage of the ability to pool funds' cashflow requirements. NSW Treasury continues to work alongside NSW Treasury Corporation (TCorp) to closely monitor and manage the risk exposures of the State's investment funds.

Superannuation and long service leave liabilities

Forecast liabilities for superannuation and long service leave are based on a wide range of parameters, including assumptions around salary growth, inflation, investment returns and discount rates. A change in any of these parameters may affect the valuation of the liabilities for superannuation and long service leave. The long service leave liability is also subject to variations in the rate of employee retention.

Insurance

Insurance risks are managed through the State's self-insurance schemes, with the largest being the Treasury Managed Fund, and commercial reinsurance. There are increasing pressures on the State's insurance liabilities, driven by rising costs and claims relating to psychological injury, medical discharge, historic sexual abuse, cyber security risks, climate risk, contractual liability risks and other emerging risks. There is a significant risk that these pressures will result in higher than currently estimated costs.

Economic risks

Global economic and policy uncertainty

A major risk that has risen to prominence in recent months has been the increase in global policy uncertainty, particularly around US trade policy and retaliatory measures by trading partners such as China. Protectionist trade policies have the potential to disrupt the global economy, trade and supply chains. Meanwhile, the uncertainty the current political environment generates can have significant implications for financial markets, as was witnessed in the days and weeks following the announcement of broad-based tariffs by the US in early April.

The situation has moderated more recently following the announcement of certain trade deals and a (at the time of writing) temporary arrangement with China. However, until more concrete arrangements are set in place, and there is more predictability in global policy setting, the risk of more severe disruptions remains which has implications for funding costs. In addition, heightened uncertainty may have a deeper than expected impact on economic growth, which could negatively impact revenue.

Geopolitical tensions and inflation

Meanwhile, geopolitical tensions have deteriorated further, particularly in the Middle East and the Red Sea region. Ongoing hostilities have disrupted shipping through the Red Sea, prompting widespread rerouting of vessels away from the Suez Canal. Such disruptions add to the risks already facing global supply chains and could potentially renew global inflationary pressures, especially if an event were to trigger a significant rise in global energy prices.

Energy and fuel are key inputs for production and so higher prices can also flow through to other categories of inflation. They are also typical drivers of inflation expectations. An escalation in global inflation pressures could see central banks delay rate cuts, or lead to renewed tightening, resulting in higher borrowing costs that could slow economic activity. This may dampen domestic consumption and business investment, negatively impacting GST revenues, whilst escalating the costs faced by governments.

Other economic risks

China's real estate sector continues to face significant challenges, with no broad-based recovery expected in 2025. This ongoing downturn has dampened household wealth and consumer confidence, leading to reduced demand for commodities such as coal, a key export for New South Wales. While the Chinese Government has implemented stimulus measures and adopted a moderately loose monetary policy, these efforts have yet to yield substantial improvements in the property market. It is also unclear to what extent trade tensions with the US will impact the economy longer-term, or whether the government will respond with more aggressive support measures. If the growth was to falter, this could result in weaker coal prices and exports, which would negatively impact mining royalties.

Domestically, the Australian housing market has shown resilience, with house prices projected to continue growing in 2025. This growth is supported by anticipated interest rate cuts by the Reserve Bank of Australia (RBA), with financial markets expecting the cash rate to fall to 3.3 per cent by December 2025. However, affordability remains a concern, particularly for first-time buyers, as rising property prices outpace income growth.

Meanwhile, factors such as persistent tightness in labour market conditions or an elevation in global policy uncertainty might see the RBA cut interest rates less aggressively than currently anticipated. These factors could see the housing market fail to strengthen as expected, decreasing transfer duty. Conversely, it is similarly possible that the recent resilience will manifest into stronger-than-expected dwelling prices, especially if net overseas migration strengthens, with positive spillovers to the economy and government revenues.

E.3 Contingent assets and liabilities reporting

To support its focus on sound financial management and budgeting, the NSW Government monitors and reports on its contingent assets and liabilities. Unlike assets and liabilities that are recognised on the general government balance sheet, contingent assets and liabilities are uncertain and depend on a particular event occurring before being realised.

Contingent assets

Details are summarised in the table below of the most significant contingent assets which are all fully disclosed in the accounts of individual agencies (see Table E.4).

Table E.4: Contingent assets

Contingent assets	
Outstanding claims, caveats, or rights on assets	The Land and Housing Corporation has contingent assets from outstanding claims, caveats or rights on assets which are subject to third party conditions and long-term leases which the State has granted to third parties. While the outcomes of these are uncertain and cannot be reliably measured at balance date, the net outstanding claims to the State from private sector parties and property caveats have been estimated at $6.9 million and the long-term leases at $24.6 million.
Investigation and potential recoveries of grant funding from fraudulent and non-compliant claims	As part of its ordinary operations, Service NSW reviews and investigates its grant payments for fraud and non-compliance. Depending on the findings, Service NSW is anticipated to take steps to recover amounts overpaid due to fraudulent activities, non-compliance, or incorrect bank account deposits.

Contingent liabilities

Details are summarised in the tables below of the most significant quantifiable contingent liabilities (see Tables E.5).

Table E.5: Quantifiable contingent liabilities

	General Government Sector	
	30 June 2024	30 June 2023
	$m	$m
Sydney Metro[(a)]	1,300	1,327
Transport for NSW[(b)] (Land acquisitions, contractual disputes)	738	860
Department of Communities and Justice[(c)] (Victims Support Scheme, current litigation)	1,570	1,169
Other Agencies	175	178
	3,783	**3,534**

(a) Sydney Metro has an estimated contingent liability of $1.3 billion due to several compulsory property acquisition matters currently under litigation where claims differ from the Valuer General's determined amount.

(b) Transport for NSW has an estimated contingent liability of $0.7 billion due to a number of compulsory property acquisition matters under litigation where claims differ from the Valuer General's determined amount, and several contractual disputes with an estimated contingent liability of $26 million.

(c) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. The amount attributable under the VSS for child sexual assault could reasonably lie within the range of $0.7 billion to $1.6 billion.

The State also faces a range of potential obligations that are non-quantifiable, including:

- Native Title Act
- Aboriginal land claims
- Industrial Awards: cost-of-living adjustment
- Claims and litigation
- Land contamination and remediation
- Unclaimed money – Consolidated Fund
- Stolen Generations Reparations Scheme
- Recoveries of merchant service fees
- Racial Discrimination Act.

For more details, please see Note 31: Contingent Liabilities and Contingent Assets in *Report on State Finances 2023-24*.

Warranties, guarantees and indemnities

Guarantees are provided to facilitate the provision of certain services and the construction of several infrastructure assets, which may give rise to contingent liabilities, including:

- Guarantee of TCorp Borrowing Program
- TCorp Local Government Lending Facility
- TCorp Undertakings
- Co-Operative Housing Societies
- Vales Point Power Station, Colongra Power Station and Macquarie Generation – Guarantees and Indemnities
- Pre-existing environmental damage or contamination
- Delta, Eraring Energy, Vales Point Power Station, and Colongra Power Station and Macquarie Generation – Warranties
- Contaminated Land
- Employer’s Superannuation Guarantee Contributions – Ex-Public Sector Employees
- Contracts with private sector parties.

For more details, please see Note 31: Contingent Liabilities and Contingent Assets in *Report on State Finances 2023-24*.

E.4 Historical fiscal indicators

This section reports the key fiscal indicators for the general government and non-financial public sectors from 2000-01 (see Tables E.6, E.7, E.8 and E.9). Datasets are presented in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, consistent with Appendix A Statement of finances.

Table E.6: General government sector operating statement aggregates

	Revenue		Expenses		Budget Result		Capital Expenditure		GSP[(a)]
	$b	% Growth	$b	% Growth	$b	% of GSP	$b	% of GSP	$b
2000-01	32.1	5.0	30.6	7.2	1.5	0.6	2.9	1.1	255.2
2001-02	33.8	5.5	32.3	5.5	1.6	0.6	3.1	1.2	264.6
2002-03	36.1	6.6	34.3	6.4	1.8	0.6	3.3	1.2	279.1
2003-04	37.7	4.4	36.5	6.4	1.2	0.4	3.3	1.1	300.1
2004-05	39.2	4.2	38.8	6.4	0.4	0.1	3.3	1.1	315.9
2005-06	41.7	6.3	41.5	6.8	0.2	0.1	3.9	1.2	332.4
2006-07	44.8	7.4	44.7	7.7	0.1	0.0	4.3	1.2	353.0
2007-08	47.4	5.9	47.3	5.9	0.1	0.0	4.7	1.2	376.6
2008-09	49.7	4.7	51.3	8.4	(1.6)	(0.4)	5.3	1.3	394.5
2009-10	56.3	13.4	56.5	10.1	(0.1)	(0.0)	7.3	1.8	413.3
2010-11	57.1	1.4	57.0	1.0	0.1	0.0	7.0	1.6	444.5
2011-12	59.0	3.3	59.6	4.5	(0.6)	(0.1)	5.9	1.3	464.8
2012-13	60.1	1.9	61.9	3.8	(1.8)	(0.4)	7.9	1.6	479.9
2013-14	66.0	9.8	64.8	4.6	1.2	0.3	8.5	1.7	495.3
2014-15	69.6	5.5	66.7	3.1	2.9	0.6	9.5	1.8	513.5
2015-16	74.1	6.5	69.9	4.7	4.3	0.8	9.4	1.7	538.5
2016-17	78.1	5.4	72.6	3.8	5.6	1.0	10.5	1.8	576.7
2017-18	80.7	3.2	76.2	5.1	4.4	0.7	12.1	2.0	604.4
2018-19	81.7	1.3	80.5	5.5	1.2	0.2	16.6	2.7	625.4
2019-20	81.4	(0.4)	88.9	10.5	(7.5)	(1.2)	20.4	3.3	624.6
2020-21	88.0	8.1	95.0	6.9	(7.1)	(1.1)	18.8	2.9	643.1
2021-22	103.5	17.6	118.8	25.0	(15.3)	(2.2)	20.6	3.0	697.4
2022-23	105.9	2.3	116.5	(2.0)	(10.6)	(1.4)	22.1	2.8	777.3
2023-24	110.2	4.1	120.9	3.8	(10.7)	(1.3)	22.9	2.8	820.8
2024-25[(b)]	118.1	7.1	123.8	2.4	(5.7)	(0.7)	22.3	2.6	851.6
2025-26[(c)]	124.2	5.1	127.6	3.0	(3.4)	(0.4)	22.3	2.5	879.5
2026-27[(c)]	128.0	3.1	129.2	1.3	(1.1)	(0.1)	22.0	2.4	922.4
2027-28[(c)]	133.2	4.1	132.1	2.3	1.1	0.1	21.5	2.2	967.9
2028-29[(c)]	137.1	2.9	136.1	3.0	1.1	0.1	20.1	2.0	1,018.4

(a) Gross state product (current prices).
(b) Revised.
(c) Forecast estimate.

Table E.7: General government sector balance sheet and financing indicators

	Net Lending/Borrowings		Gross Debt[a]		Net Debt[b]		Interest Expense	
	$b	% of GSP	$b	% of GSP	$b	% of GSP	$b	% of Revenue
2000-01	0.5	0.2	13.6	5.3	6.9	2.7	1.0	3.2
2001-02	0.6	0.2	12.2	4.6	5.4	2.0	0.9	2.6
2002-03	0.5	0.2	12.0	4.3	3.6	1.3	0.8	2.2
2003-04	0.0	0.0	12.5	4.2	3.0	1.0	0.8	2.1
2004-05	(0.7)	(0.2)	13.1	4.2	2.8	0.9	1.2	3.0
2005-06	(0.3)	(0.1)	13.1	3.9	1.5	0.4	1.2	2.9
2006-07	(1.8)	(0.5)	13.7	3.9	3.6	1.0	1.3	2.9
2007-08	(1.8)	(0.5)	14.1	3.7	5.7	1.5	1.3	2.8
2008-09	(3.9)	(1.0)	17.5	4.4	8.2	2.1	1.5	3.0
2009-10	(3.7)	(0.9)	20.0	4.8	9.2	2.2	1.7	3.0
2010-11	(4.1)	(0.9)	24.7	5.6	8.0	1.8	1.9	3.3
2011-12	(3.3)	(0.7)	28.9	6.2	14.1	3.0	2.1	3.5
2012-13	(4.1)	(0.9)	30.9	6.4	11.9	2.5	2.2	3.7
2013-14	(1.2)	(0.2)	31.9	6.5	6.9	1.4	2.2	3.4
2014-15	(0.1)	(0.0)	32.5	6.3	5.5	1.1	2.2	3.2
2015-16	0.4	0.1	32.8	6.1	(0.1)	(0.0)	2.2	3.0
2016-17	3.0	0.5	33.7	5.8	(9.3)	(1.6)	2.1	2.8
2017-18	(2.6)	(0.4)	33.4	5.5	(11.2)	(1.9)	1.8	2.2
2018-19	(9.3)	(1.5)	38.7	6.2	(10.4)	(1.7)	1.8	2.2
2019-20	(22.0)	(3.5)	72.6	11.6	22.7	3.6	2.1	2.6
2020-21	(21.4)	(3.3)	91.3	14.2	37.1	5.8	2.2	2.5
2021-22	(27.0)	(3.9)	108.4	15.5	55.8	8.0	2.5	2.4
2022-23	(24.6)	(3.2)	132.9	17.1	74.9	9.6	4.2	4.0
2023-24	(24.4)	(3.0)	154.3	18.8	93.4	11.4	6.0	5.5
2024-25[c]	(19.5)	(2.3)	166.0	19.5	109.2	12.8	7.1	6.0
2025-26[d]	(15.6)	(1.8)	178.8	20.3	120.3	13.7	7.7	6.2
2026-27[d]	(11.7)	(1.3)	188.3	20.4	127.8	13.9	8.4	6.6
2027-28[d]	(7.0)	(0.7)	193.6	20.0	130.7	13.5	9.0	6.8
2028-29[d]	(5.6)	(0.5)	199.7	19.6	133.8	13.1	9.5	6.9

(a) Gross debt is the sum of borrowings and derivatives at fair value, borrowings at amortised cost, deposits held, and advances received.
(b) Net debt is gross debt less the sum of cash, advances paid, financial assets at fair value and other financial assets.
(c) Revised.
(d) Forecast estimate.

Table E.8: Non-financial public sector operating statement aggregates

	Revenue	Expenses	Budget Result		Capital Expenditure		GSP[a]
	$b	$b	$b	% of GSP	$b	% of GSP	$b
2000-01	44.0	41.7	2.2	0.9	5.4	2.1	255.2
2001-02	43.7	41.3	2.3	0.9	6.1	2.3	264.6
2002-03	45.9	44.2	1.7	0.6	6.7	2.4	279.1
2003-04	47.9	46.7	1.2	0.4	6.7	2.2	300.1
2004-05	48.1	47.8	0.3	0.1	6.9	2.2	315.9
2005-06	51.5	49.1	2.5	0.7	8.3	2.5	332.4
2006-07	54.3	51.5	2.9	0.8	9.7	2.7	353.0
2007-08	57.7	55.6	2.1	0.6	11.1	3.0	376.6
2008-09	61.0	60.4	0.6	0.2	13.3	3.4	394.5
2009-10	64.7	62.0	2.7	0.7	16.3	4.0	413.3
2010-11	67.5	66.8	0.7	0.2	14.9	3.3	444.5
2011-12	70.2	68.9	1.3	0.3	13.1	2.8	464.8
2012-13	70.3	68.9	1.5	0.3	14.1	2.9	479.9
2013-14	75.2	72.8	2.3	0.5	13.9	2.8	495.3
2014-15	78.2	74.1	4.2	0.8	13.4	2.6	513.5
2015-16	81.1	77.3	3.8	0.7	16.2	3.0	538.5
2016-17	82.1	78.0	4.0	0.7	18.2	3.2	576.7
2017-18	85.5	82.8	2.7	0.4	17.9	3.0	604.4
2018-19	85.0	86.1	(1.1)	(0.2)	21.8	3.5	625.4
2019-20	84.6	94.7	(10.1)	(1.6)	24.8	4.0	624.6
2020-21	90.2	98.9	(8.7)	(1.4)	24.5	3.8	643.1
2021-22	106.2	120.5	(14.3)	(2.1)	25.8	3.7	697.4
2022-23	110.2	118.1	(7.8)	(1.0)	27.6	3.6	777.3
2023-24	115.4	126.3	(10.9)	(1.3)	31.1	3.8	820.8
2024-25[b]	123.6	130.2	(6.6)	(0.8)	28.6	3.4	851.6
2025-26[c]	130.5	135.0	(4.5)	(0.5)	30.8	3.5	879.5
2026-27[c]	135.8	137.6	(1.7)	(0.2)	30.4	3.3	922.4
2027-28[c]	141.6	140.8	0.8	0.1	29.3	3.0	967.9
2028-29[c]	146.5	145.3	1.2	0.1	27.8	2.7	1,018.4

(a) Gross state product (current prices).
(b) Revised.
(c) Forecast estimate.

Table E.9: Non-financial public sector balance sheet and financing indicators

	Net Lending/Borrowings		Gross Debt[a]		Net Debt[b]		Interest Expense	
	$b	% of GSP	$b	% of GSP	$b	% of GSP	$b	% of Revenue
2000-01	1.1	0.4	25.2	9.9	18.3	7.2	1.8	4.0
2001-02	0.0	0.0	24.0	9.1	15.6	5.9	1.6	3.7
2002-03	(0.7)	(0.3)	24.4	8.7	13.1	4.7	1.6	3.4
2003-04	(1.0)	(0.3)	25.3	8.4	11.8	3.9	1.5	3.2
2004-05	(2.2)	(0.7)	27.0	8.5	12.0	3.8	2.0	4.1
2005-06	(1.2)	(0.4)	28.6	8.6	9.8	2.9	2.0	3.9
2006-07	(2.1)	(0.6)	32.9	9.3	20.5	5.8	2.2	4.0
2007-08	(3.8)	(1.0)	33.4	8.9	22.6	6.0	2.3	4.0
2008-09	(7.1)	(1.8)	40.7	10.3	28.9	7.3	2.8	4.5
2009-10	(6.1)	(1.5)	46.5	11.3	32.7	7.9	3.1	4.8
2010-11	(6.5)	(1.5)	53.2	12.0	32.4	7.3	3.5	5.2
2011-12	(5.5)	(1.2)	57.4	12.4	39.6	8.5	3.9	5.5
2012-13	(5.1)	(1.1)	61.2	12.8	40.1	8.4	3.9	5.6
2013-14	(3.5)	(0.7)	64.6	13.0	37.7	7.6	4.0	5.3
2014-15	(1.2)	(0.2)	65.0	12.7	36.4	7.1	4.0	5.1
2015-16	(4.0)	(0.7)	65.2	12.1	29.4	5.5	3.7	4.6
2016-17	(2.7)	(0.5)	55.6	9.6	9.0	1.6	3.1	3.8
2017-18	(6.7)	(1.1)	59.2	9.8	9.9	1.6	3.2	3.7
2018-19	(13.8)	(2.2)	63.3	10.1	11.3	1.8	2.8	3.3
2019-20	(26.0)	(4.2)	100.2	16.0	48.4	7.7	3.0	3.6
2020-21	(25.1)	(3.9)	120.2	18.7	63.5	9.9	3.1	3.4
2021-22	(29.2)	(4.2)	138.2	19.8	82.2	11.8	3.4	3.2
2022-23	(24.7)	(3.2)	164.2	21.1	101.5	13.1	5.1	4.6
2023-24	(29.2)	(3.6)	189.3	23.1	124.3	15.1	7.1	6.2
2024-25[c]	(22.8)	(2.7)	204.1	24.0	143.5	16.8	8.6	6.9
2025-26[d]	(21.1)	(2.4)	221.0	25.1	159.6	18.1	9.4	7.2
2026-27[d]	(16.0)	(1.7)	234.6	25.4	171.3	18.6	10.3	7.6
2027-28[d]	(10.5)	(1.1)	243.2	25.1	177.8	18.4	11.1	7.8
2028-29[d]	(8.6)	(0.8)	252.3	24.8	183.9	18.1	11.8	8.0

(a) Gross debt is the sum of borrowings and derivatives at fair value, borrowings at amortised cost, deposits held, and advances received.
(b) Net debt is gross debt less the sum of cash, advances paid, financial assets at fair value and other financial assets.
(c) Revised.
(d) Forecast estimate.

F. ECONOMIC SCENARIO ANALYSIS

The 2025-26 Budget relies on forecasts and judgements about the future of the economy, based on information available at the time of preparation. These forecasts are subject to inherent uncertainties, such as changes in behaviours, evolving relationships between variables, and unexpected events or shocks.

This Appendix complements the central economic outlook presented in Chapter 2 The economy by quantifying some of the key risks to the outlook. It explores the impact of variations in key economic parameters on the economic outlook and general government tax revenues.

These scenarios were selected to cover plausible economic events that could affect New South Wales over the forecast horizon. The modelling takes account of linkages between key international, Australian and New South Wales economic aggregates. By using scenario analysis of this kind, we capture interdependencies within our economy that a partial sensitivity analysis would not capture.

The summary of these results should be interpreted with care because economic events tend to be unique in nature. The scenarios presented in this Appendix are unlikely to completely reflect any future shock to the State economy. Any departures from the specified scenario would likely result in different impacts on the economic and revenue outlook.

F.1 Impact of variations in key forecast assumptions

The economic impact of the scenarios below was modelled using the Centre of Policy Studies (CoPS) Victoria University Regional Model Tax (VURMTAX-GREEN)[1] and is presented as deviations from baseline forecasts. Revenue impacts use a combination of VURMTAX-GREEN and internal NSW Treasury estimates.

Scenario 1: Global conditions lead to a 100 basis point fall in the cost of capital

Business investment is a crucial source of economic growth and prosperity. When businesses invest, they spend money on capital goods like new machinery, buildings, technology and research and development. This spending advances the productive capacity of the economy and directly creates jobs in sectors like construction and manufacturing.

The cost of capital plays an important role in determining the amount of investment that is undertaken within an economy. The cost of capital represents the minimum rate of return (or hurdle rate) that a business or investor needs to earn in order to both cover the cost of financing and justify undertaking an investment.

[1] VURMTAX is a dynamic computable general equilibrium model of Australia's six states and two territories, with each region modelled as an economy in its own right. See Adams, Philip, Dixon, Janine and Horridge, Mark (2015), 'The Victoria University Regional Model (VURM): Technical Documentation, Version 1.0', CoPS/IMPACT Working Paper Number G-254 for more detail on the model.

In this scenario, it is assumed that an event occurs which causes the cost of capital to fall by a combined 100 basis points over two years, which is gradually unwound over the following years. In the current global environment, one potential, plausible event could stem from the impact of higher tariffs on the United States (US) economy. For example, modelling of the impacts of US tariffs undertaken by Giesecke and Waschik (2025)[2] indicated that a contraction in US real investment could reduce global demand for financial capital, thereby creating an excess of global savings which would lower required rates of return. A similar outcome could occur if current elevated levels of policy uncertainty in the US negatively impact the 'safe haven' status of the US economy, prompting foreign capital to seek out alternatives.

This could see an increase in financial capital flowing to Australia, thereby lowering the cost of capital.

Impact on the NSW macroeconomy

A lower cost of capital in Australia makes investment more attractive, increasing real investment in New South Wales by almost 5.0 per cent relative to the baseline after two years.

While higher investment involves the deployment of capital, it also increases employment to support that investment. The resulting increase in household incomes in turn helps boost household consumption. In the longer run, the additional capital accumulation leads to slower rates of additional investment, which starts unwinding the short-term impacts on economic activity.

Higher domestic demand increases imports and the current account deficit. Meanwhile an influx of foreign capital and higher wages puts upward pressure on the real exchange rate, weakening international competitiveness and exports, contributing further to the current account deficit.

The positive impact from higher consumption and investment in this scenario is relatively large in the near-term, although the overall impact on gross state product (GSP) is muted somewhat by weaker net exports. Real GSP rises above baseline in 2025-26 and then increases further in 2026-27.

Table F.1: Effect on major NSW economic parameters from a lower cost of capital[(a)]

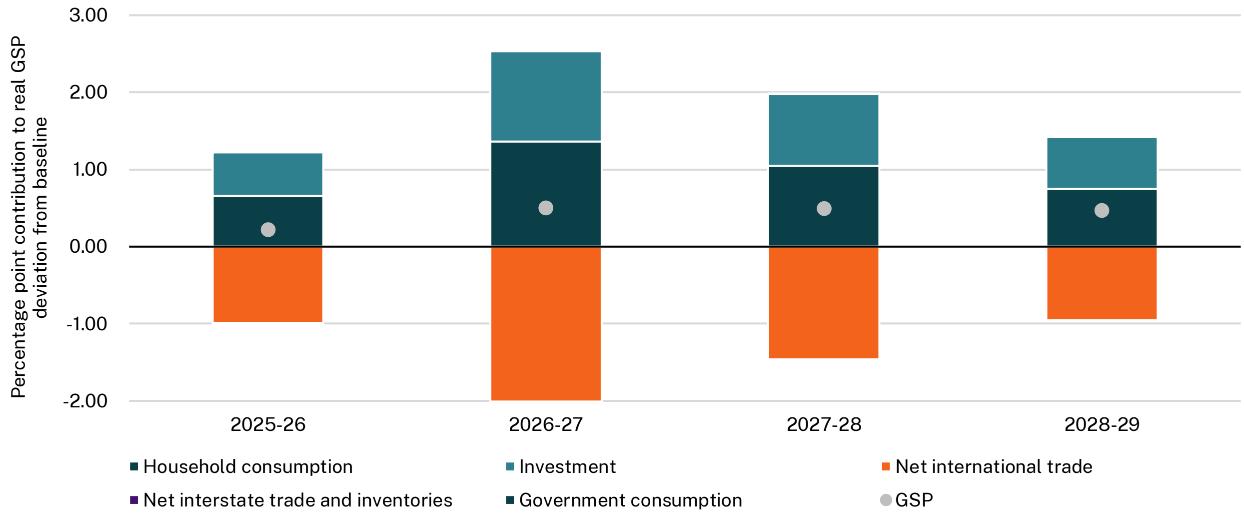
Financial year estimate[(a)]	2025-26	2026-27	2027-28	2028-29
State final demand	1.3	2.6	2.0	1.5
Gross state product	0.2	0.5	0.5	0.5
Employment	0.2	0.4	0.3	0.2
Unemployment rate	(0.3)	(0.6)	(0.3)	(0.2)
Consumer price index (Sydney)	0.1	0.3	0.3	0.2
Household Disposable Income	1.3	2.9	2.2	1.6
Productivity	0.0	0.1	0.2	0.3

(a) Figures reported are the per cent change in the level of each parameter relative to the baseline. The unemployment rate is in percentage points deviation.

Source: Victoria University Regional Model and NSW Treasury

2 Giesecke, J., & Waschik, R. (2025). *Economic Analysis of U.S. Tariffs Announced in March-April 2025 (Updated to reflect reciprocal tariff pause and increased China tariffs). Centre of Policy Studies Working Paper No. G-353, Victoria University. Retrieved from* https://www.copsmodels.com/ftp/workpapr/g-353.pdf

Chart F.1: Impact on NSW domestic activity from a lower cost of capital



Source: Victoria University Regional Model and NSW Treasury

The additional capital accumulation prompts a gradual lift in labour productivity, which along with the stronger Australian dollar (AUD), helps to keep inflation pressures somewhat contained in the face of much stronger domestic demand and a tighter labour market. However, the level of prices still rises above the baseline scenario where the cost of capital is unchanged.

Revenue impact on the Budget and over the forward estimates

Under this scenario, stronger domestic economic activity flows through to higher tax collections across most categories of government revenue. Payroll tax is supported by a boost in employment in the medium-term. Stronger property prices contribute to increases to transfer duty and land tax revenue. The State's GST revenue also increases, bolstered by robust consumer spending and dwelling investment. Royalties revenue is down over the forward estimates due to a stronger AUD/USD exchange rate.

Table F.2: Effect on major revenue parameters[a]

Financial year estimate[a]	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m
Payroll tax	27	108	146	170
Transfer duty	187	410	322	235
Land tax	0	51	164	247
Royalties	(71)	(135)	(93)	(54)
GST revenue	277	603	464	341
Total revenue	**420**	**1,037**	**1,003**	**939**

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

Source: VURMTAX-GREEN model and NSW Treasury

Scenario 2: A positive shock to real wages in New South Wales

Real wage growth is fundamentally important for improving living standards and overall economic well-being. By increasing the purchasing power of workers, rising real wages allows households to purchase more goods and services and increase savings. When real wages grow sustainably, it can lead to job creation without contributing to inflationary pressures elsewhere in the economy.

However, for the economy as a whole, higher real wages can only be paid out of higher aggregate output. Thus, long-run real wage growth is tied to the growth of labour productivity.

In this scenario, we assume an unexpected increase in real wages in New South Wales which is not met with a commensurate increase in productivity. Specifically, real wages for all workers are assumed to increase permanently by 1.0 per cent relative to baseline. Real wages in other states are unchanged.

Impact on the macroeconomy

Under this scenario, the model predicts that productivity rises by a quarter percentage point relative to baseline (less than real wages), raising unit labour costs. The small positive impact on productivity reflects a shift in firms' preferences towards capital as labour becomes relatively more expensive, increasing capital deepening (a component of labour productivity).

The increase in real wages relative to productivity increases the cost of labour to businesses in New South Wales. In response, businesses reduce their demand for labour, which leaves employment around 0.5 per cent lower over the forecast years.

Businesses may also pass on the additional cost, with CPI inflation up by around 0.5 per cent relative to baseline. Although an increase in real wages might have been expected to lift household consumption (as discussed above), the net effect when accounting for factors such as lower employment, leaves real household consumption broadly unchanged. The net impact on state final demand is relatively muted. However, there are larger impacts on GSP as a real exchange rate appreciation weighs on net exports.

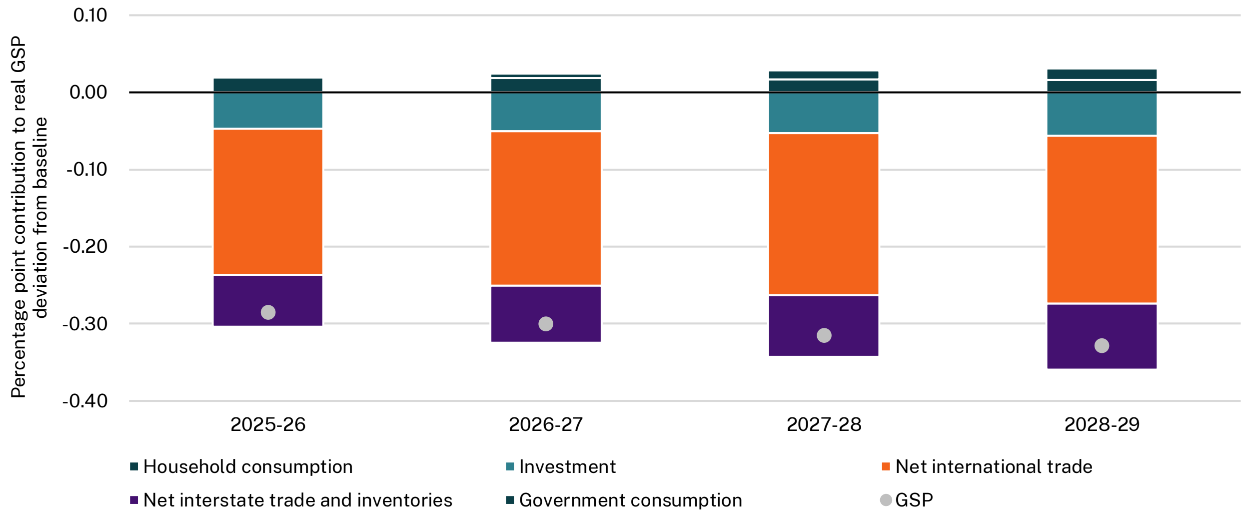
Table F.3: Effect on major NSW economic parameters from real wage shock[(a)]

Financial year estimate[(a)]	2025-26	2026-27	2027-28	2028-29
State final demand	(0.0)	(0.0)	(0.0)	(0.0)
Gross state product	(0.3)	(0.3)	(0.3)	(0.3)
Employment	(0.5)	(0.6)	(0.6)	(0.6)
Unemployment rate	0.7	0.7	0.7	0.8
Consumer price index (Sydney)	0.5	0.5	0.5	0.4
Household Disposable Income	0.5	0.5	0.5	0.5
Productivity	0.3	0.3	0.2	0.2

(a) Figures reported are the per cent change in the level of each parameter relative to the baseline. The unemployment rate is in percentage points deviation.

Source: Victoria University Regional Model and NSW Treasury

Chart F.2: Impact on NSW domestic activity from a real wage shock



Source: Victoria University Regional Model and NSW Treasury

Revenue impact on the Budget and over the forward estimates

Despite the economic effects, this scenario results in a modest increase in tax collections for the Government across several categories of government revenue. An increase in labour income over the forecast horizon, as higher nominal wages offset lower employment, leads to additional payroll tax collections. Residential and commercial transfer duty collections are marginally higher, with broader inflationary pressures increasing nominal housing prices, offset by weaker demand due to lower employment. Coal royalties fall, consistent with lower exports. The State's GST revenue increases very slightly, reflecting a marginal increase in the NSW population share.

Table F.4: Effect on major revenue parameters[(a)]

Financial year estimate[(a)]	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m
Payroll tax	153	158	164	169
Transfer duty	16	12	7	1
Land tax	0	7	22	32
Royalties	(3)	(5)	(7)	(9)
GST revenue	1	6	11	14
Total revenue	**167**	**178**	**197**	**207**

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

Source: VURMTAX-GREEN model and NSW Treasury