

## 6. EXPENDITURE

- The strength of the 2017-18 Budget allows the Government to continue to invest in key services and frontline staff to support local communities and help businesses to thrive.
- New expense measures in this Budget include investments in education, health, public safety and community services, cultural infrastructure, and the development of regional communities. These initiatives assist in delivering the Premier's Priorities and State priorities to support those in need, improve government services and invest in New South Wales' future.
- Expenses in 2017-18 are estimated to be \$77.2 billion. The majority of government spending in 2017-18 is related to the delivery of key services in health (26.6 per cent) and education (20.3 per cent).
- Over the forward estimates expenses are expected to grow at an average of 2.8 per cent per annum, reflecting the Government's commitment to sustainable expense growth.
- The Government remains committed to efficient service delivery, allowing it to reinvest in services that support families and communities, and managing expense growth. This is demonstrated through new whole-of-government procurement savings and an extension of the efficiency dividend.
- General government capital expenditure is expected to be \$49.7 billion over the budget and forward estimates. This is primarily related to investments in service delivery infrastructure in education, health, public transport and infrastructure to support housing supply.

### 6.1 General government recurrent expenditure

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General government expenditure refers to the ongoing costs required to deliver government services that support schools, hospitals, police and other essential services. Recurrent expenditure includes salaries and wages, other operating expenses, depreciation, interest charges and grants.

General government sector (GGS) recurrent expenses in 2016-17 are expected to be \$73.5 billion. This is \$72.9 million higher than estimated in the 2016-17 Budget. The increase in expenses is driven by new policy measures and other budget variations related to health spending, enhancing transport services and supporting regional areas.

Expenditure in 2017-18 is expected to be \$77.2 billion, which is 5 per cent higher than 2016-17. Over the budget and forward estimates, annual expense growth is expected to remain below long-term average revenue growth of 5.6 per cent, in line with the Government's commitments outlined within the *Fiscal Responsibility Act 2012* (FRA).

Expenditure as a share of GSP is expected to fall from 12.9 per cent in 2017-18 to 12.0 per cent in 2020-21. Over the period from 2010-11 to 2020-21, expenditure as a proportion of GSP is projected to decline by an average of 0.7 per cent per annum (see Chart 2.3). This demonstrates the Government's responsibility in managing growth in expenses through carefully implemented savings measures and innovation in service delivery. This enables new spending to focus on the priorities of communities across New South Wales.

Table 6.1 provides a reconciliation of expense aggregates between the 2016-17 Budget and the 2017-18 Budget.

Table 6.1: Expense reconciliation since the 2016-17 Budget

	2016-17 Revised \$m	2017-18 Budget \$m	2018-19 Forward Estimates \$m	2019-20 Forward Estimates \$m
<b>Expenses – 2016-17 Budget</b>	<b>73,464</b>	<b>75,981</b>	<b>76,475</b>	<b>79,402</b>
Policy measures	243	545	465	331
Parameter and other budget variations	121	95	(158)	(210)
<b>Expenses – 2016-17 Half Yearly Review</b>	<b>73,828</b>	<b>76,621</b>	<b>76,782</b>	<b>79,523</b>
Policy measures	34	923	1,034	826
Reforms, savings and offsets	...	(173)	(478)	(561)
Parameter and other budget variations	(325)	(185)	759	1,151
<b>Expenses – 2017-18 Budget</b>	<b>73,537</b>	<b>77,186</b>	<b>78,098</b>	<b>80,939</b>

In 2016-17, the growth in expenses since the 2016-17 Budget is largely driven by new policy measures, including grants to local government and businesses for the delivery of community infrastructure, resources for regions and tourism projects.

The increase in expenses in 2016-17 is offset by the net impact of parameter and other budget variations, largely related to reprofiling of rail related transport infrastructure.

Since the 2016-17 Budget, the variation in expenses over the period 2017-18 to 2019-20 is driven by:

- new policy measures made since the 2016-17 Half-Yearly Review totalling \$2.8 billion over three years (\$3.6 billion over four years) that will assist in delivering the Premier's Priorities and State priorities to support those in need, improve government services and invest in New South Wales' future growth
- the increase in expenses is partially offset by whole-of-government procurement savings and efficiencies in service delivery of \$1.2 billion over three years (\$1.9 billion to 2020-21), allowing the government to deliver critical services and meet the needs of the NSW community
- parameter and other budget variations amounting to \$1.7 billion over three years, largely related to increases in depreciation associated with implementing the Government's infrastructure program, the provision of Hepatitis C treatments in public hospitals, increased enrolments in schools and out-of-home-care and reprofiling of Commonwealth grants and rail infrastructure related expenditure
- new policy measures and other variations announced at the 2016-17 Half-Yearly Review of \$1.1 billion over three years.

## New policy measures

New policy measures announced in the 2017-18 Budget allow the benefits of New South Wales' strong fiscal and economic performance to be shared across the State. The new initiatives in this budget include investments in local infrastructure and frontline services, funding for our regions, and enhanced support for those in need. New policy measures include spending in the priority areas of:

- healthcare and hospitals
- schools and education services for our community
- public transport and local roads
- investments in our regional communities
- sports, arts and culture
- support for families, children and individuals in need
- infrastructure to connect our state
- helping families with the cost of living
- supporting business to invest, grow and innovate
- protecting New South Wales communities.

For further information on the Government's new initiatives, see Chapter 1 of this *Budget Statement*.

### **Box 6.1: Building stronger regional and rural communities**

The Government is investing in services and infrastructure for the economic and social benefit of regional communities.

#### **Regional Growth: Economic Activation Fund**

The Government has reserved \$1 billion through Restart NSW for a new Regional Growth: Economic Activation Fund to be spent on selected regional based projects commencing from 2017-18. The fund will unlock economic growth in the regions through targeting investments to:

- improve local infrastructure
- provide resources for regions and address infrastructure in mining communities
- connect country communities by improving voice and data connectivity
- support participation and high achievement for regional sporting communities.

#### **Regional Cultural Fund**

The Government is allocating \$100 million over four years for a Regional Cultural Fund. This fund aims to support cultural and artistic activities in regional and rural communities in order to enhance liveability and social amenity across New South Wales.

#### **Stronger Country Communities Fund**

The Government is allocating \$200 million over three years toward a Stronger Country Communities Fund. The fund will support community and public facilities such as community halls, playgrounds and cycle paths. Funding will be available for Local Government Areas within regional New South Wales to allow investment in improved public amenities.

**Box 6.1: Building stronger regional and rural communities (cont)****Safe and Secure Water program**

The Government has repurposed the Rebuilding NSW Regional Water Security and Supply Fund to create the \$1 billion Safe and Secure Water program. Funding will be provided for regional projects to improve water security, public health and environmental outcomes.

The Safe and Secure program will involve an applicant-led expression of interest process, with a number of projects already earmarked for consideration.

**Regional Growth: Environment and Tourism Fund**

The Government continues to progress the \$300 million Regional Growth: Environment and Tourism Fund as part of the \$20 billion Rebuilding NSW plan. The fund aims to increase tourist visitations by investing in regional environment and tourism infrastructure, particularly focusing on assets that will grow and further diversify NSW regional economies.

**Managing expenditure growth**

The 2017-18 Budget reaffirms the Government's commitment to deliver services to the community as efficiently and effectively as possible.

Reflecting the Government's desire to improve the efficiency of government spending, this budget includes a range of savings and offset measures. As a result, four year average expenditure growth of 2.8 per cent is forecast over the budget and forward estimates. Annual expense growth is also expected to remain below long-term average revenue growth of 5.6 per cent in each year from 2017-18 to 2020-21. This is in line with the Government's commitments outlined within the FRA.

Offsetting measures totalling \$1.9 billion over four years allow the Government to redirect spending towards areas of identified need and priority, and include:

- the annual efficiency dividend on agencies announced in the 2016-17 Budget will be increased from the current rate of 1.5 per cent to a rate of 2 per cent from 2018-19 for three years. The efficiency dividend will continue to target back office savings. This is expected to attain an additional net saving of \$547.5 million over three years
- savings of \$491 million over four years reflecting streamlining of existing New Home Grants and First Home Owner Grants, which was used to partially offset the significant enhancements and tax cuts in the Government's housing affordability strategy
- additional savings of \$169.7 million over four years are forecast through the delivery of procurement-based savings relating to enhanced contract and tendering of facilities management, ICT end-user devices and fleet management based services
- agency specific savings of over \$500 million across the budget and forward estimates.

A range of new policy proposals are being delivered by reallocating existing resources. This ensures no impact on aggregate expenses over the budget and forward estimates.

The Government also remains focused on a whole-of-government approach to better service delivery (see Box 6.2).

The Government is committed to prudent financial management and sustainable expense growth, allowing it to reinvest in services that support families and communities, as well as meeting the long-term fiscal pressures outlined in the *NSW Intergenerational Report 2016*. Table 6.2 below outlines the total impact of whole-of-government efficiencies and savings introduced since 2011-12, amounting to \$28.1 billion from 2016-17 to 2020-21.

Table 6.2: Whole-of-government efficiencies since 2011-12

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
		Budget	Forward estimates			
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2011-12 to 2016-17 commitments<sup>(a)</sup></b>	<b>5,004</b>	<b>5,291</b>	<b>5,528</b>	<b>5,768</b>	<b>5,768</b>	<b>27,359</b>
<b>2017-18 commitments</b>						
<i>Efficiency Dividend</i>			64	128	355	<b>548</b>
<i>Procurement savings initiatives</i>		10	52	53	54	<b>170</b>
<b>Total savings</b>	<b>5,004</b>	<b>5,301</b>	<b>5,644</b>	<b>5,949</b>	<b>6,178</b>	<b>28,076</b>

(a) 2011-12 to 2016-17 commitments are based on total amounts published in 2016-17 Budget Paper No. 1.

Expense management continues to be supported by the NSW Public Sector Wages Policy, which has provided the Government with a fair and effective system to manage wage growth. The policy has avoided additional costs of around \$4 billion over the period from July 2011 to June 2017, providing additional resources for reinvestment in critical programs and services.

### Box 6.2: Commissioning and contestability policy

The Government is delivering on its commitment to develop new and innovative ways to provide high quality services in a fiscally responsible way.

The Commissioning and Contestability Unit (the Unit) was established within Treasury in 2016-17 to drive a whole-of-government approach to better service delivery. In consultation with service delivery agencies, the Unit has developed the NSW Government Commissioning and Contestability Policy, providing a whole-of-government framework for using commissioning and contestability to reform services. The Policy, released in November 2016, sets the Government's expectation for how to design, fund and facilitate new service models that enhance outcomes for citizens and put the customer at the centre.

The Unit is working with agencies to embed commissioning across Government, by identifying services that would benefit from innovative approaches and partnering with them to deliver projects to provide improved service outcomes. Key achievements to date include:

- working with the Department of Family and Community Services to design and deliver Phase 1 of the Social and Affordable Housing Fund (see Box 6.9)
- supporting Transport for NSW to design and implement a world-class transport system for Newcastle, with a focus on increasing patronage through a more integrated transport network that better meets the needs of customers
- working with Corrective Services on the market testing of management, operations and maintenance services for John Morony Correctional Centre to deliver quality outcomes for inmates, encourage innovation and increase accountability and transparency.

### Parameter and other budget variations

Parameter and other budget variations are driven by changes to underlying factors that are largely beyond government control, including changing economic conditions, growth in activity, demand or population, as well as Commonwealth Government grants and accounting adjustments.

Major parameter and other budget variations that increase expenditure in 2017-18 and across the forward estimates include:

- \$371.1 million over four years relating to the accelerated delivery of rail infrastructure projects, including more trains, more services and increased expenditure on rail power supply
- \$321.9 million over four years to meet growth in student numbers in schools, including additional staff to support students with a disability
- additional expenditure of \$246.4 million over four years to provide new drug treatments for Hepatitis C, funded by the Commonwealth Government
- an increase in funding of \$148 million over four years for high-needs children in the out-of-home-care system (OOHC), reflecting higher numbers of children in OOHC and increased complexity of cases
- depreciation expenses associated with the Government's infrastructure program, including \$225.5 million following the 2016-17 Budget's investment in additional prison bed capacity and \$486.8 million related to the delivery of transport infrastructure that will help reduce the time people spend commuting
- \$40 million towards the assisted school travel program, related to higher demand for tailored transport services for school children.

## Trends and outlook – recurrent expenditure

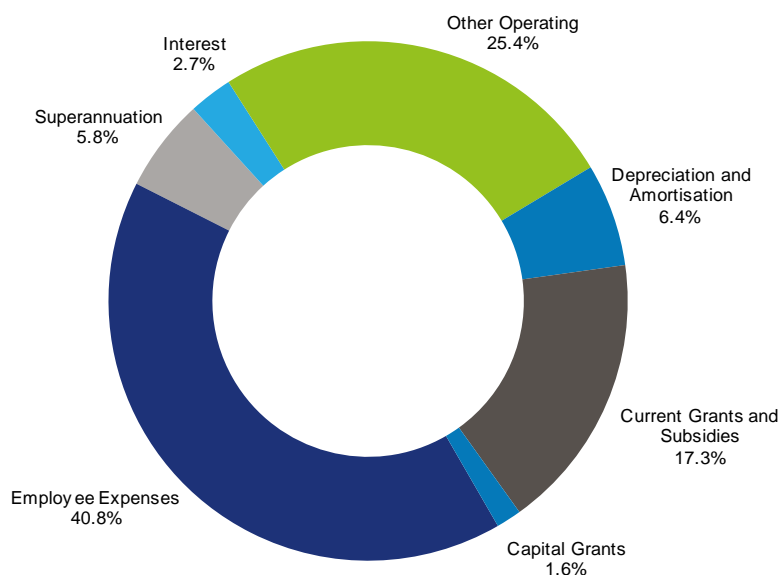
This section provides information on general government expenditure by major operating statement category, as shown in Table 6.3.

Table 6.3: General government sector expenses

	2016-17	2017-18	2018-19	2019-20	2020-21	% Four year average growth 2016-17 to 2020-21
	Revised	Budget	Forward Estimates			
	\$m	\$m	\$m	\$m	\$m	
Total Employee-Related Expenses	35,031	35,957	37,972	39,465	40,206	3.5
Employee Expenses	30,605	31,483	33,718	35,195	35,927	4.1
Superannuation	4,426	4,474	4,253	4,270	4,279	(0.8)
Other Operating	18,524	19,627	18,837	19,060	19,091	0.8
Depreciation and Amortisation	4,632	4,937	5,175	5,558	5,775	5.7
Current Grants and Subsidies	12,388	13,359	13,041	13,475	13,934	3.0
Capital Grants	844	1,212	908	854	677	(5.3)
Interest	2,117	2,094	2,165	2,526	2,586	5.1
<b>Total Expenses</b>	<b>73,537</b>	<b>77,186</b>	<b>78,098</b>	<b>80,939</b>	<b>82,270</b>	<b>2.8</b>
Annual change	5.3%	5.0%	1.2%	3.6%	1.6%	

Chart 6.1 shows the composition of expenses in 2017-18 by operating category. Employee expenses (including superannuation) are the largest category, being almost half of total expenses (46.6 per cent). Other operating expenses form the second largest category (25.4 per cent), followed by current grants and subsidies (17.3 per cent), depreciation and amortisation (6.4 per cent), interest expenses (2.7 per cent) and capital grants (1.6 per cent).

Chart 6.1: Composition of 2017-18 expenses



## Employee expenses

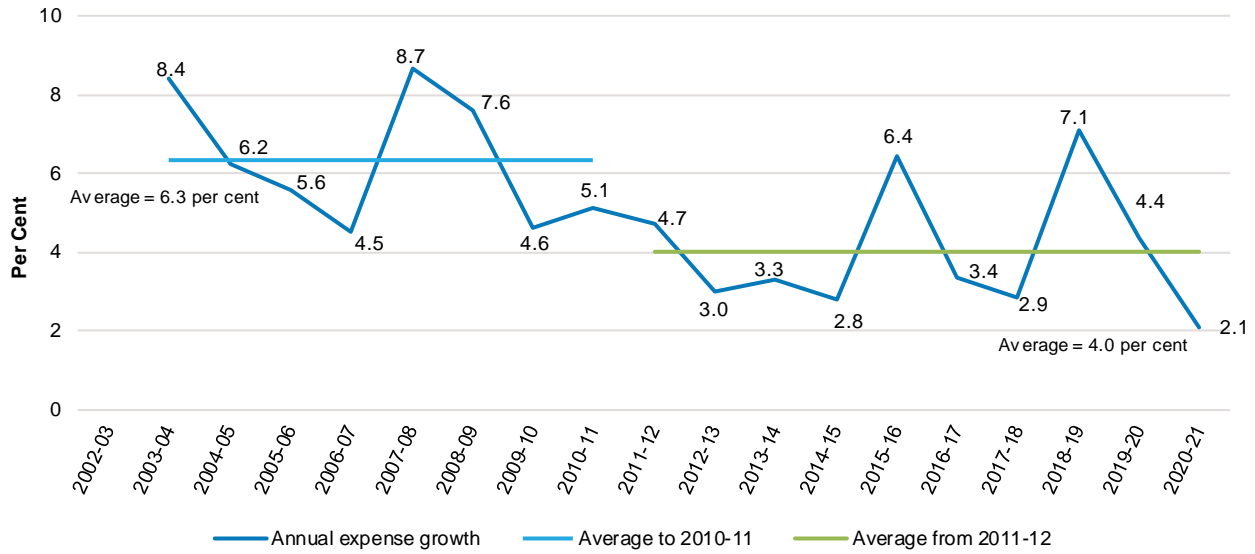
As the largest expense group, strong management of employee-related expense growth is paramount to the Government's fiscal strategy.

Employee expenses (excluding superannuation) are expected to increase by an average 4.1 per cent per annum across the budget and forward estimates.

This increase is driven primarily by wage growth combined with increased investment in frontline staff, largely within health and education.

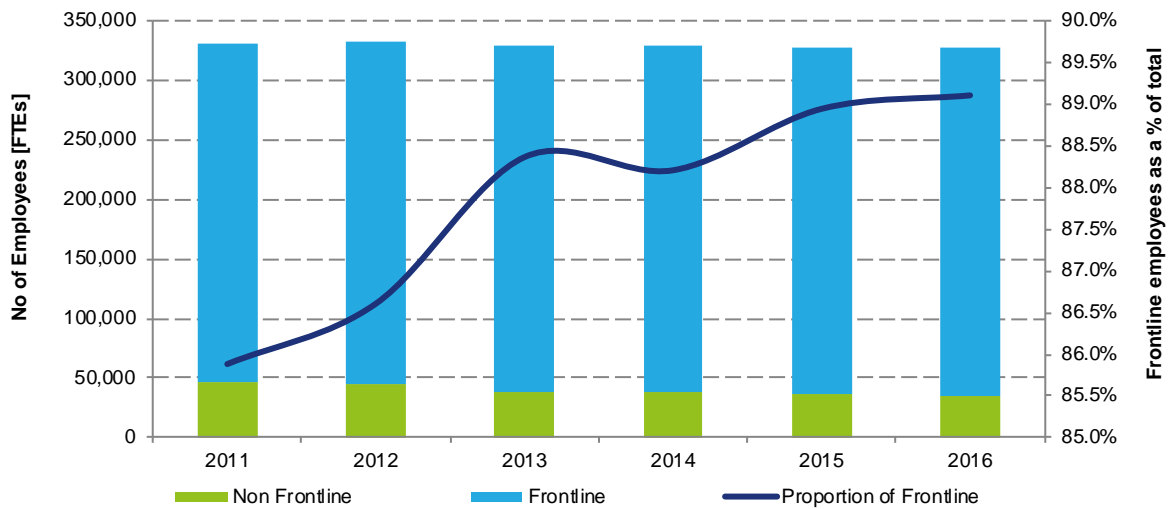
Chart 6.2 below shows that the combination of initiatives such as the NSW Public Sector Wages Policy and the Labour Expense Cap has kept average employee expense growth low. Annual average growth in employee expenses was 6.3 per cent from 2003-04 to 2010-11 compared with the forecast average annual growth rate of 4.0 per cent for the ten years to 2020-21.

Chart 6.2: Employee expenses growth 2003-04 to 2020-21



Maintaining sustainable levels of expense growth has enabled the Government to increase frontline staff as a proportion of the total New South Wales public sector (see Chart 6.3). Over the period 2011 to 2016 the number of teachers, nurses, police officers and other frontline staff increased by 7,344 FTEs whilst the number of non-frontline staff fell by 10,658 FTEs.

Chart 6.3: Proportion of frontline and non-frontline staff from 2011 to 2016



(a) Employee numbers refer to the Total State Sector. In 2011, 380 FTE staff were not accounted for.



**Box 6.3: Expanding our services and investing in frontline staff****Additional caseworkers – *Their Futures Matter* program**

The Government has committed an additional \$63 million over four years to the *Their Futures Matter* program, to provide better protection and targeted assistance to individuals, families and children in need. This will increase the number of caseworkers and case support workers in priority areas to allow more effective and early assistance.

**Increasing the number of New South Wales' health providers**

In 2017-18, the Government will invest in over 4,500 additional nurses, midwives, doctors, allied health professionals and hospital support staff, going beyond the 2015 election commitment of 3,500 additional frontline staff and delivering the commitment ahead of schedule.

The Budget includes an additional \$12 million in 2017-18 towards the third year of the Government's commitment to employ 360 new specialised nursing, midwifery and support positions to provide extra training positions for medical, allied and oral health, including:

- \$9.8 million to recruit an additional 55 specialist nurses/midwives, 10 mental health clinical nurse educators for new graduate and undergraduate support and 30 clinical support officers
- \$8.2 million for an additional 30 specialist palliative care nurses, six additional palliative care specialists, and two specialist positions to provide relief to other specialists in rural and regional locations
- \$7.5 million to employ an additional 50 paramedics to assist in reducing fatigue in rural and remote areas
- \$2.3 million to provide an extra five rural generalist training and 15 medical specialist training positions, as well as additional medical, allied health and oral health scholarships.

**Superannuation expenses**

Superannuation expenses are expected to decline by an average of 0.8 per cent per annum across the budget and forward estimate years, consistent with reducing defined benefit superannuation liabilities, which are expected to be fully funded by 2030 in line with the Government's targets in the FRA.

**Other operating expenses**

Other operating costs are forecast to grow by an annual 0.8 per cent per annum over the budget and forward estimates.

Expenditure on other operating expenses is forecast to increase by 6 per cent from 2016-17 to 2017-18. This is largely driven by investments in education, such as school facilities, continued demand for the new Hepatitis C drug and funding related to major transport and infrastructure initiatives including the New Intercity Fleet, Western Sydney Stadium and the Walsh Bay Arts Precinct.

**Current grants and subsidies**

Current grants and subsidies form approximately 17.3 per cent of 2017-18 total expenses and are expected to grow by an average of 3 per cent per year over the budget and forward estimates.

In 2017-18, current grants and subsidies are expected to increase by 7.8 per cent relative to 2016-17. This is primarily driven by grants to non-government schools, payments related to the local infrastructure growth scheme and National Disability Insurance Scheme (NDIS) as well as \$235.6 million in Restart NSW grant payments to local and community organisations.

Current grants and subsidies are expected to decrease in 2018-19, reflecting the transition to the NDIS, before rising again in 2019-20 with anticipated growth in grants to non-government service providers in other sectors.

### **Capital grants**

Capital grants can be volatile, reflecting the timing and profile of the delivery of infrastructure projects.

Capital grants are forecast to increase in 2017-18 to \$1.2 billion. This increase is primarily driven by capital grant payments to facilitate the delivery of infrastructure projects such as the renewal and maintenance of the Sydney Opera House and the Western Sydney Stadium upgrade.

From 2018-19 to 2020-21, capital grants are expected to decline due to a reduction in the quantum of grant payments to Western Sydney Stadium and Sydney Opera House Renewal Stage 1.

### **Depreciation and amortisation**

Expenditure on depreciation and amortisation is expected to grow at an average of 5.7 per cent per year over the budget and forward estimates. This reflects the Government's ongoing commitment to investing in critical infrastructure including the development of new hospitals, the Prison Bed Capacity program, CBD and South East Light Rail and Sydney Metro Northwest.

### **Interest**

Average growth of interest expenses is forecast to be 5.1 per cent per annum from 2017-18 to 2020-21 as the Government looks to use low cost borrowing to contribute toward the delivery of its infrastructure program. This includes interest costs relating to the delivery of rail and light rail infrastructure including Sydney Metro Northwest and CBD and South East Light Rail.

## 6.2 General government capital expenditure

Table 6.4 provides a reconciliation of the changes in the general government sector capital expenditure program from the 2016-17 Budget to the 2017-18 Budget.

Table 6.4: Capital expenditure reconciliation

	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Capital expenditure - 2016-17 Budget</b>	<b>12,531</b>	<b>12,092</b>	<b>12,331</b>	<b>7,718</b>
Policy measures	536	793	733	662
Parameter and other variations	(275)	(169)	(95)	(4)
<b>Capital expenditure - 2016-17 Half-Yearly Review</b>	<b>12,792</b>	<b>12,717</b>	<b>12,969</b>	<b>8,375</b>
Policy measures	144	1,526	1,937	2,422
Parameter and other variations	(1,993)	273	1,586	(90)
<b>Capital expenditure - 2017-18 Budget</b>	<b>10,943</b>	<b>14,515</b>	<b>16,491</b>	<b>10,707</b>

Capital expenditure for 2017-18 is \$14.5 billion, totalling \$49.7 billion over the four years from 2017-18 to 2020-21. General government capital spending includes spending by general government agencies and does not include spending by public non-financial corporations such as Rail Corporation of New South Wales and Sydney Water Corporation.

Spending by the non-financial public sector, which includes public non-financial corporations, will be \$72.7 billion over four years. Capital expenditure on infrastructure allows the Government to provide for a growing population and lays the platform for economic growth.

General government capital expenditure in the 2017-18 Budget has increased by \$8.0 billion from 2016-17 to 2019-20 since the 2016-17 Budget. This increase is mainly a result of new policy measures announced by the Government, including major investments in education, health and infrastructure to support housing supply.

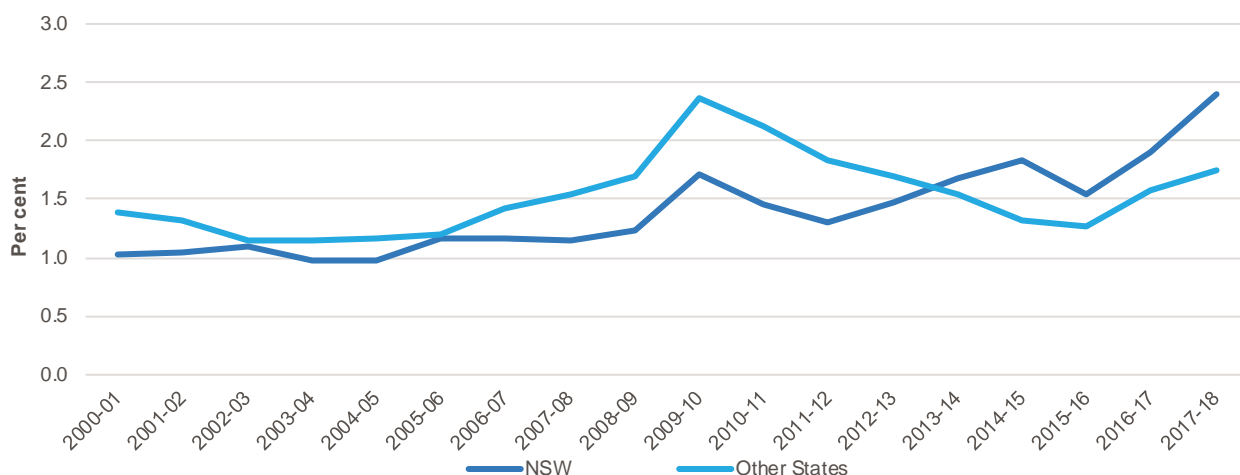
### Trends and outlook – capital expenditure

General government capital expenditure<sup>1</sup> as a share of GSP has grown from 1.5 per cent in 2010-11 to 2.4 per cent in 2017-18 (see Chart 6.4) reflecting the continuing record levels of the Government's infrastructure program.

For further information on capital expenditure, refer to *Budget Paper No.2*.

<sup>1</sup> General government purchases of new non-financial assets. This does not include assets acquired through finance leases to allow for jurisdictional comparison.

Chart 6.4: General government sector capital spending relative to GSP <sup>(a)</sup>



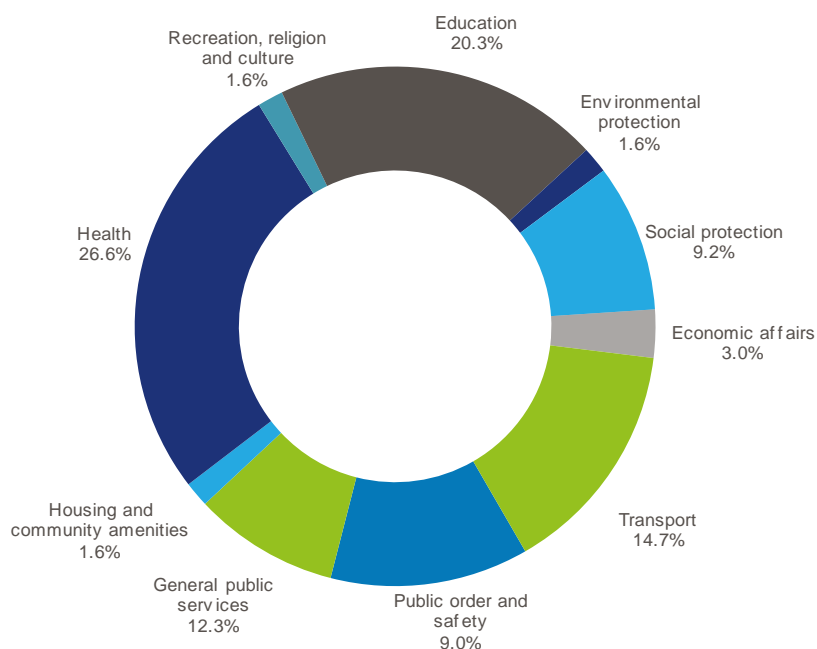
(a) General government sector – purchases of new non-financial assets, percentage of GSP. For consistency with other states, assets acquired through finance leases are excluded.

Source: ABS cat no. 5520.0 & 5512.0 for years 1999-00 to 2015-16. State Budget papers and NSW Treasury calculations for 2016-17 and 2017-18.

### 6.3 Recurrent and capital expenditure by function

The following section provides information on the State's total expenditure by the Classification of Functions of Government – Australia (CoFOG-A).<sup>2</sup> Chart 6.5 and Chart 6.6 outline the composition of total recurrent and capital expenditure by function.

Chart 6.5: Composition of total recurrent expenditure 2017-18: by policy area <sup>(a)</sup>



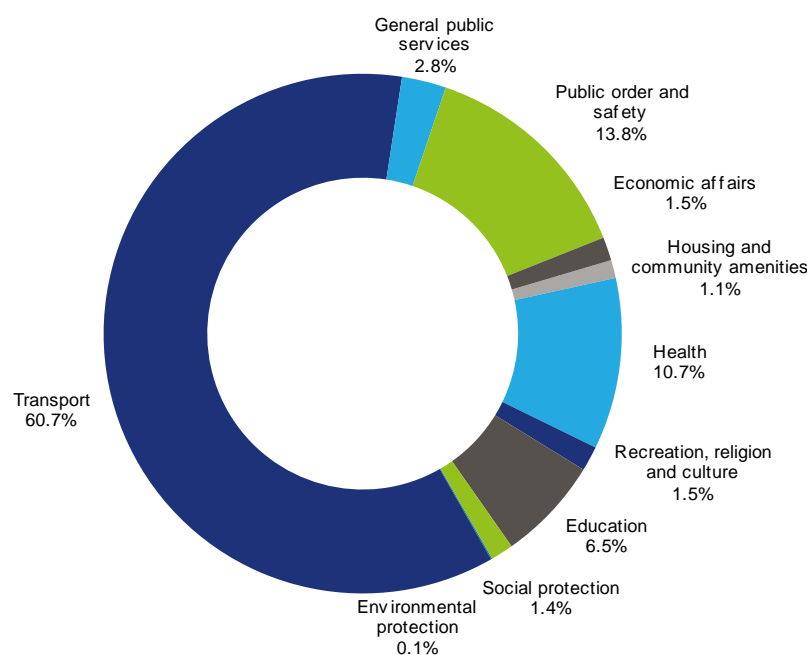
(a) The composition of total recurrent expenses is classified by Government Finance Statistics (GFS) Classification of Functions of Government – Australia (CoFOG-A)

<sup>2</sup> This replaces the previous Government Purpose Classification framework (GPC) and is different to agency budgets to allow for cross jurisdictional comparisons. See Appendix A1 for details.

As shown in Chart 6.5, the five largest recurrent expense groups are health, education, transport, general public services and social protection, accounting for 83.2 per cent of total recurrent expenditure.

Chart 6.6 shows the five largest capital expense groups are transport, public order and safety, health, education and general public services which, combined, account for 94.4 per cent of total capital expenditure. Chart 6.6 does not include spending by public-non-financial corporations.

Chart 6.6: Composition of total capital expenditure 2017-18: by policy area <sup>(a)</sup>



(a) The composition of total capital expenses is classified by Government Finance Statistics (GFS) Classification of Functions of Government – Australia (CoFOG-A)

## Health

In 2017-18 recurrent health related expenditure of \$20.6 billion accounts for 26.6 per cent of total recurrent expenditure. This spending delivers better health outcomes for the people of New South Wales by providing increased hospital capacity, funding for palliative care, improved ambulatory services, mental health treatment and targeted community health services.

The capital program for health in 2017-18 accounts for 10.7 per cent of total GGS capital expenses and amounts to \$1.5 billion with an additional \$149 million from Health's expense budget, bringing the total to \$1.7 billion.

The Government remains committed to improving mental health services, with record expenditure of \$1.9 billion in 2017-18.

### Box 6.4: Investing in health infrastructure and the wellbeing of our communities

The Government is committed to protecting, and improving the health and wellbeing of the people of New South Wales. During 2017-18, the Government will increase recurrent spending on health by almost \$1 billion. This increase will support investment in a number of key health services, including:

- an extra \$366 million for meeting demand for patient services in NSW public hospitals. This includes an estimated 28,000 increase in emergency department attendances, 45,900 increase in acute inpatient separations, including additional elective surgery for 3,200 more patients
- additional funding of \$21 million in 2017-18 for small rural and specialist hospitals. This includes support in developing multi-purpose services, which help deliver inpatient, emergency, community health and residential aged care services for rural patients closer to home
- \$20 million additional funding to continue the implementation of *Living Well: A Strategic Plan for Mental Health Reform in NSW*. This new funding now brings total annual spending to \$95 million for implementing this major reform in how we care for those with mental health conditions. Total mental health recurrent spending will exceed \$1.9 billion in 2017-18, an \$87 million increase over the previous year
- \$10 million for a new Integrated Violence Abuse and Neglect Service, providing: 24 hour integrated crisis counselling, medical and forensic responses to sexual assault, child abuse and neglect, and domestic family violence patients presenting to hospital; and additional psychosocial follow-up support to help facilitate an integrated patient journey
- \$10 million towards increased dental services, allowing around 17,000 more patients to receive a course of dental care
- \$10 million to protect the health and wellbeing of New South Wales ambulance staff and help reduce the number of paramedics impacted by workplace injuries
- \$9.8 million to recruit an additional 55 specialist nurses/midwives, a further 10 Mental Health clinical nurse educators for new graduate and undergraduate support, and an extra 30 Clinical Support Officers in hospitals across New South Wales
- \$7.5 million to employ an additional 50 paramedics to assist in reducing fatigue in rural and remote areas of the State
- \$4.5 million for providing meningococcal W vaccinations for Year 11 and 12 students, in response to increasing numbers of notifications of this meningococcal strain in Australia.

## Education

Recurrent expenditure in the education sector is estimated to be \$15.7 billion in 2017-18, or 20.3 per cent of total expenses.

In 2017-18, investments in pre-school and long day care, primary and secondary education represent the largest component of education expenditure, totalling \$12.1 billion. This expenditure supports 1,606 primary schools, 401 secondary schools, 65 central/community schools, 113 schools for special purposes and 23 environmental education centres, delivering educational services to around 789,000 students and will also fund around 1,000 additional teachers.

The 2017-18 Budget will provide capital expenditure to the education sector, which accounts for 6.5 per cent of total capital expenditure. Across the budget and forward estimates, a record

\$4.2 billion is being invested into new and existing infrastructure projects in government schools.

### **Box 6.5: Investing in our schools and early childhood education**

#### **Schools infrastructure and maintenance**

Student enrolments in NSW Government schools are projected to grow by 21 per cent, or 164,000 students, over the next 15 years. The NSW Government is responding to this spike in student enrolments by delivering the public school infrastructure to meet the needs of students and parents across New South Wales.

Commencing from 2017-18, a significant program of school capital works projects will deliver new and renewed teaching spaces to support modern teaching methodologies and high quality teaching and learning outcomes in NSW Government schools.

Well-maintained schools lead to better educational outcomes, and teachers and students in existing schools will also be supported through a record investment of \$747.4 million over the next four years to address high priority and backlog maintenance requirements. This funding commences from 2017-18 and represents an additional \$411.3 million investment from 2017-18.

A newly created specialist assets unit, School Infrastructure NSW, has been tasked with responsibility for delivering the significantly expanded program of capital works and maintenance being undertaken in NSW Government schools.

#### **Start Strong funding for early childhood education**

Recognising the developmental benefits for children enrolled in quality pre-school programs, the Government will invest an additional \$217.3 million over four years towards the *Start Strong* program for preschool education in community pre-schools and long day care services.

*Start Strong* provides needs-based funding for all children in the year before school and disadvantaged three year olds, helping build their development capabilities and equipping them with the required skills to more effectively engage in learning when they start school. Participation in a quality early childhood education program has been shown to improve performance in the National Assessment Program – Literacy and Numeracy (NAPLAN) and support higher student achievement which endures into the senior years of schooling.

## **Transport**

The 2017-18 Budget's recurrent expenses in the transport sector are expected to be \$11.4 billion, which is 14.7 per cent of total recurrent expenses. Capital spending for transport in 2017-18 accounts for 60.7 per cent of total capital expenses and amounts to \$8.8 billion. This significant investment in transport services demonstrates the Government's determination to connect New South Wales with efficient and affordable transport options.

The 2017-18 Budget builds on the Government's commitment to invest in major road and public transport projects across the State to improve public transport, relieve congestion, increase productivity and accommodate population growth, including:

- \$1.8 billion for the maintenance of road and maritime assets, which includes bridge rebuilding, pavement rehabilitation, traffic facilities maintenance, drainage upgrades and wharf maintenance
- over \$1.4 billion (including \$336 million capital expenditure) to maintain rail network assets including track and electrical work, fleet maintenance and improvements to passenger services.

**Box 6.6: Investing in Western Sydney roads**

The Government remains committed to planning, developing and delivering road infrastructure that better supports population and economic growth in Western Sydney.

This includes allocating in the 2017-18 Budget:

- \$3.2 billion in 2017-18 to continue the development and delivery of WestConnex, comprising \$1 billion spending within Roads and Maritime Services for planning, pre-construction and construction and \$2.2 billion within Sydney Motorway Corporation
- \$648 million in capital expenditure for NSW and Commonwealth funded road upgrades to support Western Sydney Airport at Badgerys Creek. This will include the completion of the first stage of The Northern Road between Camden Valley Way and Peter Brock Drive and the first stage of Bringelly Road between Camden Valley Way and King Street. Construction will also continue on the remainder of Bringelly Road, as well as further sections of The Northern Road between Narellan and Penrith
- \$264 million to reduce congestion by addressing critical pinch points, and commencing the implementation of the Smart Motorways program on the M4 Motorway
- \$153 million for road upgrades to support population and economic growth in Western Sydney, including completing the Narellan Road and stage 2 of the Schofields Road upgrades. Spending will also commence on the construction of the first stage of the Campbelltown Road upgrade at Edmondson Park, as well as planning for the Jane Street and Mulgoa Road upgrade.

**Public order and safety**

In 2017-18 the Government is forecast to spend approximately \$7.0 billion of recurrent expenditure on public order and safety to ensure the citizens of New South Wales are safe and supported. In total, this represents 9 per cent of total recurrent expenditure. The Government is also committing 13.8 per cent of total 2017-18 capital expenditure on public order and safety.

Spending of \$3.7 billion (including \$246 million capital) in 2017-18 will be allocated to law enforcement. This expenditure will continue to protect communities across the state by preventing, detecting and investigating crime, maintaining social order and providing additional police officers.

In 2017-18, the Budget allocates \$1.1 billion toward the State's extensive network of courts and tribunals to effectively manage civil and criminal legal matters. In addition, \$27 million has also been allocated in 2017-18 to deliver early guilty plea reforms.

**Box 6.7: Enhancing the State's counter terrorism capability.**

The Government is investing throughout the criminal justice system to safeguard the community against terrorism. This includes allocating in the 2017-18 Budget:

- \$15 million in 2017-18 to continue to strengthen the NSW Police Force counter terrorism capability and air support
- \$5.4 million in 2017-18 to support the continued delivery of an additional 40 sheriff officers at NSW Court Houses
- \$5 million to improve police officer safety through the provision of integrated light armoured vests
- \$47 million over three years to combat radicalisation in the NSW correctional system.



## Social protection

Recurrent social protection expenditure in 2017-18 amounts to \$7.1 billion, or 9.2 per cent of total expenditure. This expenditure contributes to supporting those in need, including protecting the vulnerable, creating opportunities for people with a disability and providing social housing and homelessness assistance.

This includes \$3.2 billion to provide a range of services supporting people with a disability to participate socially and economically in their community and help them realise their potential.

### Box 6.8: Supporting children and families in need: Out-of-Home Care

Providing children and young people with safe and permanent outcomes to reach their potential is the driving force behind the work of the Department of Family and Community Services and the agencies that provide out-of-home care (OOHC) services.

Funding of \$148 million over four years will be provided to ensure the NSW Government can provide comprehensive support to high needs children in the out-of-home care system.

This helps ensure children and young people are protected from abuse and neglect and receive the necessary supports in a safe home.

In addition, a new approach to contracting with non-government providers is the first stage of a longer term vision for the Government's recommissioning of services within a broader child permanency framework that will create a pathway for successive contract changes over time. The new OOHC contracts will promote safety, permanency and wellbeing outcomes for children and raise the bar for OOHC services in New South Wales.

## Housing and community amenities

The Government will undertake \$1.2 billion in recurrent spending in 2017-18 for the provision of housing and community amenity services, which includes:

- measures to increase housing affordability and develop regional and local communities
- environment protection and natural resource management programs that improve landscape, water management, and reduce environmental degradation and pollution to improve community amenities.

### Box 6.9: Investing in social and affordable housing

In March 2017 the Government signed five contracts with service providers to deliver access to 2,200 additional social and affordable homes in quality locations in metropolitan and regional NSW as part of the first phase of the Social and Affordable Housing Fund (SAHF) procurement. Each service package will deliver integrated support coordination for social and affordable housing tenants, helping them achieve greater independence.

Building on the successes and lessons learned of the first phase of the SAHF, the Government is undertaking a second phase of procurement.

SAHF Phase 2 will continue to target opportunities for new partnerships with not-for-profit organisations, private developers and investors coming together to deliver better outcomes for social housing tenants. For example, identifying land held by developers and not-for-profit partners that could be unlocked for social housing development. This phase may target the elderly as well as a range of other cohorts including victims of domestic violence and others.

The dedicated SAHF fund will continue to facilitate investment into the sector and provide a stable income stream to support a sustainable social housing system, deliver services that achieve outcomes for tenants, and promote partnerships with non-government participants.

## 6.4 Recurrent expense measures statement

Table 6.5: Net impact of expense measures since 2016-17 Half-Yearly Review <sup>(a)(b)</sup>

	2017-18 Budget	2018-19 Forward estimates	2019-20 Forward estimates	2020-21 Forward estimates	Four year Total	Description of major initiatives
	\$m	\$m	\$m	\$m	\$m	
<b>Education</b>	18.9	157.7	212.1	251.7	<b>640.4</b>	<ul style="list-style-type: none"> <li>Delivering greater access to preschool education through the <i>Start Strong</i> program with additional funding for community preschools and long day care services.</li> <li>Development of an anti-bullying strategy, and a community languages program in schools.</li> <li>Additional funding to address backlog maintenance needs in schools.</li> </ul>
<b>Family and Community Services</b>	71.6	64.3	27.9	(38.9)	<b>124.9</b>	<ul style="list-style-type: none"> <li>Improving child protection services through the <i>Their Futures Matter</i> program by providing additional caseworkers, with support services and programs to support caregiver effectiveness.</li> <li>Additional support for <i>Homelessness Strategy</i> initiatives, providing for additional transitional accommodation units and support packages for rough sleepers, supporting the Premier's priority to reduce homelessness.</li> <li>Implementing the revised Out-of-Home Care service model, improving outcomes for children and reducing the cost to the government.</li> </ul>
<b>Finance, Services and Innovation</b>	7.0	(5.4)	10.2	3.1	<b>14.8</b>	<ul style="list-style-type: none"> <li>CTP Green Slip scheme reform to better support people injured on New South Wales roads and reduce the cost of Green Slips, and continuation of the Digital Driver's License Rapid Deployment Project.</li> <li>Critical Communication Enhancements to aid in the delivery of emergency, law enforcement and essential community services to the people of NSW.</li> <li>Reduced expenses following the granting of a service commission for the State's titling and registry services.</li> </ul>
<b>Health</b>	144.3	(120.3)	14.7	14.8	<b>53.5</b>	<ul style="list-style-type: none"> <li>Health's adjusted expenditure will grow by 4.8% in 2017-18, (partly re-profiled from 2018-19), supporting: <ul style="list-style-type: none"> <li>increased frontline staff</li> <li>better ambulance service</li> <li>further investment in mental health services.</li> </ul> </li> <li>Further investments have also been made into palliative care services, and welfare programs to support paramedics.</li> </ul>
<b>Industry</b>	136.3	229.5	165.7	110.3	<b>641.8</b>	<ul style="list-style-type: none"> <li>Investments in the Land Management and Biodiversity Conservation reforms, and safeguarding water services for regional NSW against emergencies.</li> <li>Introducing the Active Kids Rebate aimed at encouraging physical activity and fitness to reduce the prevalence of childhood obesity.</li> <li>Establishing the Stronger Country Communities Fund for projects that improve community infrastructure and services.</li> </ul>

Table 6.5: Net impact of expense measures since 2016-17 Half-Yearly Review <sup>(a)(b)</sup> (cont)

	2017-18 Budget	2018-19 Forward estimates	2019-20 Forward estimates	2020-21 Forward estimates	Four year Total	Description of major initiatives
	\$m	\$m	\$m	\$m	\$m	
<b>Justice</b>	52.1	46.5	26.9	17.0	<b>142.5</b>	<ul style="list-style-type: none"> <li>Delivering permanent enhancements to the State's bush firefighting capability with large and very large air tankers.</li> <li>Supporting the rollout of critical communications equipment for the emergency services and police to ensure effective response.</li> </ul>
<b>Planning and Environment</b>	214.7	257.3	361.2	164.1	<b>997.2</b>	<ul style="list-style-type: none"> <li>A suite of initiatives for the delivery of new housing and infrastructure, to accelerate rezoning and assessment processes as part of the Government's Housing Affordability Strategy.</li> <li>Initiating the Regional Cultural Fund, to aid development of cultural programs and infrastructure in regional growth centres.</li> <li>Upgrades to the Sydney Opera House.</li> </ul>
<b>Premier and Cabinet</b>	143.2	197.6	200.7	127.5	<b>668.9</b>	<ul style="list-style-type: none"> <li>Major urban renewal projects to be delivered by the Urban Growth Development Corporation and Hunter Development Corporation (moved from the PNFC sector to the GGS).</li> <li>Maintaining the Office of the Customer Service Commissioner, and additional support for the Ombudsman Office and Electoral Commission.</li> <li>A permanent memorial to commemorate the Martin Place siege victims.</li> </ul>
<b>The Legislature</b>	0.5	0.4	1.2	1.4	<b>3.5</b>	<ul style="list-style-type: none"> <li>Improving broadcasting and communication infrastructure at Parliament House.</li> </ul>
<b>Transport, Roads and Maritime</b>	101.0	156.2	(243.7)	97.7	<b>111.2</b>	<ul style="list-style-type: none"> <li>Investments in the future transport system and planning initiatives, including regional road corridor identification and Newcastle Urban Transformation.</li> <li>Accelerating delivery of road and rail infrastructure.</li> </ul>
<b>Treasury</b>	34.0	50.6	48.6	34.6	<b>167.9</b>	<ul style="list-style-type: none"> <li>Optimising the Financial Management Transformation program to further improve the financial capability of the NSW public sector.</li> <li>Grants for infrastructure projects funded from Restart NSW, and for first-home builders as part of the Government's Housing Affordability Strategy.</li> </ul>
<b>Savings and Offsets</b>						
Whole-of-Government	(92.1)	(283.2)	(377.1)	(617.8)	<b>(1,370.2)</b>	<ul style="list-style-type: none"> <li>Efficiency dividend, procurement based savings, and offset for stronger communities, and housing affordability.</li> </ul>
Agency specific savings	(80.7)	(194.8)	(183.6)	(60.0)	<b>(519.0)</b>	<ul style="list-style-type: none"> <li>Farm Business Skills Package offsets.</li> <li>Agency savings redirected to the Stronger Country Communities Fund.</li> <li>Funding realignment over the forward estimates within the Justice Cluster to reflect revised program delivery milestones.</li> <li>Contestability reforms in public transport.</li> </ul>

(a) A positive figure increases expenses, a negative figure decreases expenses

(b) The figures presented are the net figure for new policy decisions that increase or reduce expenditure