

# ABOUT THIS BUDGET PAPER

## Purpose and scope

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Budget Paper No. 3 *Budget Estimates* outlines the financial and service delivery performance of general government sector agencies. The objectives of this paper are to:

- support and explain appropriations from the Consolidated Fund
- meet the requirement under section 27AA (2)(c) of the *Public Finance and Audit Act 1983* to provide ‘information about the results and services and total expenses of each service group’
- support transparency and accountability by reporting against planned performance from the previous Budget, and explaining how resources have been allocated in the current Budget.

The scope of this Budget paper extends to the general government sector and only includes agencies that are material within the sector. Budget Paper No. 1 *Budget Statement* includes an overview of agency classifications by sector and a glossary. The Budget Statement is used to describe the State’s fiscal position and the Government’s fiscal strategy.

Budget Paper No. 3 covers cluster program groups (a group of aligned activities across a range of related agencies aimed at delivering a common outcome) and agency financial statements. Performance information is provided at a program group level. Additional agency performance information is also available from other sources such as agency websites, annual reports and the Productivity Commission’s *Report on Government Services*.

## Cluster and appropriation arrangements

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Clusters are groups of entities with shared or related policy goals. A cluster is not a legal or reporting entity. Individual agencies are separate legal entities that must prepare financial and annual reports.

The cluster arrangement aims to improve government services and outcomes for the community by:

- pursuing common objectives across agencies
- better integrating services
- helping to allocate resources to high-priority areas.

Coordinating Ministers for each cluster receive an appropriation for their principal department. Resources are then allocated to agencies within the cluster through grant funding with the support of Portfolio Ministers and the Secretary of each principal department.

The Legislature and a number of smaller agencies classified as special or independent offices are funded through separate appropriations to maintain their independence from government. The Crown Finance Entity also receives a separate appropriation for central functions of government.

## Entities that receive an appropriation for the 2017-18 Budget

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Crown Finance Entity	Ministry of Health
Department of Education	New South Wales Electoral Commission
Department of Family and Community Services	Ombudsman's Office
Department of Finance, Services and Innovation	Office of the Children's Guardian
Department of Industry	Office of the Director of Public Prosecutions
Department of Justice	Police Integrity Commission
Department of Planning and Environment	Public Service Commission
Department of Premier and Cabinet	The Legislature
Independent Commission Against Corruption	The Treasury
Independent Pricing and Regulatory Tribunal	Transport for NSW
Judicial Commission of New South Wales	

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## Cluster and Agency disclosures

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This Budget Paper is structured into chapters by cluster. Each chapter begins with a cluster overview, commentary on the cluster's role and responsibilities, budget highlights and total cluster expenses for each program group.

This is followed by cluster program group highlights, which describe the desired outcome of the program group, key initiatives, financial indicators and non-financial performance measures. In most cases, independent agencies are captured within a program group. Financial statements by agency remain the same as previous years.

Financial statements are presented on an accrual basis and are in line with Australian Accounting Standards and The Financial Reporting Code issued by Treasury. The presentation of the operating statement focuses on total expenses and total revenues, with appropriations being treated the same as revenues. This paper also presents a balance sheet.

## Changes in the 2017-18 Budget Paper No. 3

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There are a number of changes to the content and structure of Budget Paper No. 3 (BP3). Some changes simply correspond with machinery-of-government changes, however the new design also represents an important step in the move to outcome budgeting (see page iii).

BP3 is now structured around outcome-aligned cluster program groups, replacing the output-focused service groups used in previous years. This means for the first time, BP3 will bring into focus the outcomes clusters are expected to achieve for the people of New South Wales, rather than focusing on the amounts spent and the services or outputs to be delivered.

To further support the move to outcome budgeting, cluster narratives also provide greater visibility over total cluster expenditure (rather than highlighting only new initiatives), and include commentary on total cluster outcomes and activities, program group expenses and information on financial indicators and non-financial performance.

BP3 is being redesigned to put more focus on agency program groups and outcomes. Agency operating statements and balance sheets are currently included to support this narrative and are unchanged from previous years. Cash flow statements have been removed and will now be published online to make way for this additional material.

In this first Budget produced using the new IT system rolled out under Financial Management Transformation we have taken steps to enable greater information for citizens. Recognising the NSW Government's landmark investment in transport, Prime has been used to create a more holistic view of the delivery of transport services across the State – encompassing both General Government Agencies and Public Non-Financial Corporations. It is a glimpse of what is possible in years to come as the Transformation continues to be implemented.

BP3 will continue to evolve in future years as part of the ongoing transition to outcome budgeting.

## Move to outcome budgeting

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### What is outcome budgeting?

Outcome budgeting recognises that, in the allocation of public resources, what matters most is the outcome achieved for people, not the amount spent or the volume of services delivered; and that budget decisions should be made on that basis.

In line with its commitment to strong fiscal management, responsible use of public resources and successful infrastructure and service delivery, the Government is introducing outcome budgeting in New South Wales to ensure budget decision making delivers the best outcomes for the people of the State.

Budget decisions will consider the total amount of expenditure to be allocated to clusters to deliver specific outcomes, rather than being based primarily on incremental funding increases for additional services and outputs. The emphasis will be on the quality and relevance of outputs and services in achieving specific outcomes for the people of New South Wales.

### How do we get there?

The move to outcome budgeting has been made possible through the FMT program, underpinned by a new financial management system (Prime). Prime integrates financial and performance information across the whole-of-government and provides reliable, relevant and meaningful information to monitor and report financial and non-financial performance of all government services.

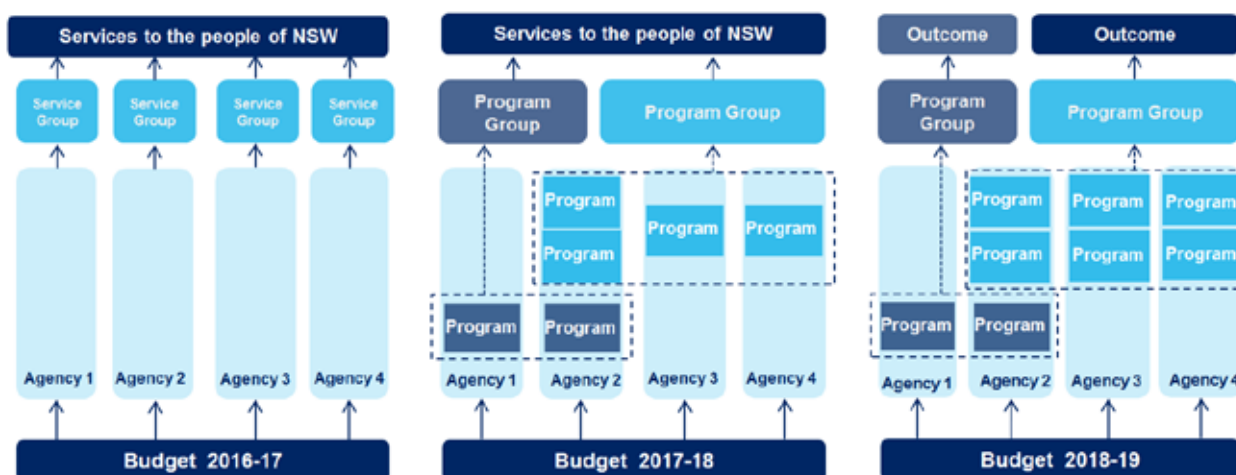
### Timeframe for transitioning

In 2016-17, the Budget was presented on the basis of service groups. Service groups were a collection of related services and outputs delivered by an agency. Budget information was presented from an agency perspective.

This year, the Budget is transitioning to an outcome focus. In this transitional year, the foundation for outcome budgeting has been established by presenting the Budget on the basis of program groups within clusters. Program groups are made up of aligned activities which deliver on defined outcomes and may include programs delivered by different agencies within the cluster. Budget information will be presented from a program group perspective, across agency boundaries. The transition schedule is described in figure 1 on the next page.

As transformation continues, the Government will shift to a more sophisticated outcome budgeting approach. Under this approach, program groups will be linked to broad, state-wide outcomes that the Government has committed to achieve for a nominated class of people, or for the total population of New South Wales. There will also be robust performance information included for each outcome.

Figure 1: Transition to outcome budgeting



## Service groups compared with program groups

	Service Groups	Program Groups
<b>Policy driver</b>	Service groups were introduced as part of previous Results and Services Plans (RSP).	The more recent review of the Financial Management Framework marks the commitment to a renewed whole-of-government approach to financial management reform, including the move to outcome budgeting.
<b>Key features</b>	Services were the 'end products' that were delivered to the society and made a clear contribution toward an agency's stated results.	Programs are activities that deliver 'end products' that contribute to an outcome.
<b>Grouping for reporting purposes</b>	In order to keep information to manageable levels in the RSP, services were grouped into service groups. Service Groups were confined to agency silos.	Program groups are a collection of Programs, within and across agencies that contribute towards a common outcome. This helps to break down agency silos. The basis on which particular Programs were grouped together may include the functional business, or the clients that they serve, for the purpose of achieving a common outcome.

From 2017-18, NSW Budget papers are prepared on a program rather than a service basis. The most significant change is that the Budget, financial and non-financial performance information for previously identified service groups may have been split or amalgamated within new program areas to support the move to outcome budgeting.

For example within the Health cluster, the majority of the previous service group, Teaching and Research, now forms part of the Acute Health Services program. Similarly, the service group, Aboriginal Health Services, is now distributed to relevant outcome-based programs, such as Community Health Care Services and Public Health.

As such, there is not necessarily a direct correlation between previously reported service group statements and the new outcome-based program group reporting. The appendix provides a full list of the 2016-17 service groups and this year's program groups.

## Structure of Budget Paper No. 3

The presentation of information within each chapter is outlined below. The structure of BP3 has changed in 2017-18 to align with the changes made under the Financial Management Transformation program.

### Cluster introduction

Section	Description
<b>Introduction</b>	This describes the role, main activities and responsibilities of the cluster and the outcomes it is working towards including Premier's and State priorities.
<b>2017-18 Budget Highlights</b>	These are the significant new and ongoing initiatives of the cluster by program group in 2017-18. For further detail on capital projects, see Budget Paper No. 2 <i>Infrastructure Statement</i> .
<b>Overview of cluster expenses</b>	This is an overview of total cluster expenditure by program group.

### Program Group statements (cluster highlights)

The commentary in the 2017-18 Budget is based on the program group structure. Clusters detail the outcomes and priorities the program group is working towards and discuss the highlights of the program groups' expenditure in 2017-18. This section also includes program group performance measure information and financials.

Section	Description
<b>Performance Information</b>	Information on efficiency and effectiveness of service delivery including quality, volume, accessibility and timeliness.
<b>Employees</b>	The number of staff engaged on services provided by the program group. These figures represent an estimate of annual average staffing, including temporary and short-term casual staffing, expressed on a full-time equivalent (FTE) basis.
<b>Expenses</b>	These are the expenses for a program group.
<b>Capital Expenditure</b>	This includes planned expenditure on property, plant and equipment purchases for the program group.

### Financial Statements

Section	Description
<b>Operating Statement</b>	This lists the major categories of expenses and revenues for each agency.
<b>Balance Sheet</b>	This details the agency's assets, liabilities and net worth.
<b>Cash flow Statement</b>	For 2017-18 cash flow statements will be published online.

## Changes to Reporting Entities

On 30 January 2017, a range of Administrative Arrangements Orders were issued to confirm new Ministerial and agency responsibilities.

Further orders were issued on 15 March 2017 to amend the *Government Sector Employment Act 2013* and made additional amendments to Ministerial and agency responsibilities.

The Administrative Arrangements Orders include:

- [Administrative Arrangements \(Administration of Acts—General\) Order 2017 \(2017-17\)](#)
- [Administrative Arrangements \(Administrative Changes—Ministers\) Order 2017 \(2017-18\)](#)
- [Administrative Arrangements \(Administration of Acts—Amendment No 1\) Order 2017 \(2017-78\)](#)
- [Administrative Arrangements \(Administrative Changes—Public Service Agencies\) Order 2017 \(2017-79\)](#)

The 2017-18 Budget Papers reflect these new arrangements, which were effective as of 1 April 2017.

As part of the revised arrangements, the Department of Industry, Skills and Regional Development was renamed to the Department of Industry; several agency transfers have occurred between clusters and function transfers between agencies, in line with new Ministerial responsibilities.

An overview of the changes is outlined in the following table.

Entity	Change
<b>Department of Industry, Skills and Regional Development</b>	<p>Renamed 'Department of Industry'</p> <p><b>Functions transferred in:</b></p> <p>Trade and industry functions transferred from the Department of Premier and Cabinet</p> <p>Liquor, Gaming and Racing functions and staff transferred from the Department of Justice</p> <p><b>Functions transferred out:</b></p> <p>Regional functions transferred to the Department of Premier and Cabinet</p> <p>Resources, Energy and Utilities functions and staff transferred to the Department of Planning and Environment</p>
<b>Department of Premier and Cabinet</b>	<p><b>Functions transferred in:</b></p> <p>Regional function transferred from the Department of Industry</p> <p><b>Functions transferred out:</b></p> <p>Trade and industry functions transferred to the Department of Industry</p> <p>Veterans' Affairs transferred to the Department of Justice</p>
<b>Ministry of Health</b>	<p><b>Functions transferred out:</b></p> <p>Women NSW transferred to the Department of Family and Community Services</p> <p>Domestic Violence and Sexual Health transferred to the Department of Family and Community Services</p>

Entity	Change
<b>Department of Family and Community Services</b>	<p><b>Functions transferred in:</b></p> <p>Women NSW transferred from Ministry of Health</p> <p>Domestic Violence and Sexual Health transferred from the Ministry of Health</p>
<b>Department of Justice</b>	<p><b>Functions transferred in:</b></p> <p>Veterans' Affairs transferred from the Department of Premier and Cabinet</p> <p><b>Functions transferred out:</b></p> <p>Liquor, Gaming and Racing functions transferred to the Department of Industry</p> <p>Arts functions transferred to the Department of Planning and Environment</p>
<b>Department of Planning and Environment</b>	<p><b>Functions transferred in:</b></p> <p>Arts functions transferred from the Department of Justice</p> <p>Resources, Energy and Utilities functions transferred from the Department of Industry</p>
<b>Institute of Sport Staff Agency</b>	<p>New staff entity established, related to the Department of Industry.</p> <p>Staff transferred from the Office of Sport</p>

This administrative restructure has several accounting and financial consequences:

- cluster and principal department control relationships were amended with consequential consolidated financial reporting implications
- assets and liabilities associated with function transfers were transferred from the old agency to the new agency and transfers recognised as at 1 April 2017
- staff, programs, projects and applicable funding associated with function and cluster transfers need to occur as at 1 April 2017.

The following statutory bodies, non-public financial corporations and public financial corporations have transferred clusters, and where applicable, cluster grant funding and personnel services arrangements will also have to be transferred to a new principal department.

Entity	Cluster From	Cluster To
<b>Insurance and Care NSW</b>	Finance, Services and Innovation	Treasury
<b>NSW Self Insurance Corporation</b>	Finance, Services and Innovation	Treasury
<b>Workers' Compensation (Dust Diseases) Authority</b>	Finance, Services and Innovation	Treasury
<b>Building Insurers' Guarantee Corporation</b>	Finance, Services and Innovation	Treasury
<b>Lifetime Care and Support Authority of New South Wales</b>	Finance, Services and Innovation	Treasury
<b>Independent Liquor Gaming Authority</b>	Justice	Industry
<b>Australian Museum</b>	Justice	Planning and Environment
<b>Museum of Applied Arts and Sciences</b>	Justice	Planning and Environment
<b>Art Gallery of NSW</b>	Justice	Planning and Environment
<b>State Library of NSW</b>	Justice	Planning and Environment
<b>Library Council of NSW</b>	Justice	Planning and Environment
<b>Sydney Opera House Trust</b>	Justice	Planning and Environment

Entity	Cluster From	Cluster To
Coal Innovation Fund	Industry	Planning and Environment
Hunter Water Corporation	Industry	Planning and Environment
Endeavour Energy	Industry	Planning and Environment
Essential Energy	Industry	Planning and Environment
Sydney Water Corporation	Industry	Planning and Environment
Cobbora Holding Company	Industry	Planning and Environment
UrbanGrowth NSW Development Corporation	Planning and Environment	Premier and Cabinet
Office of Sport	Premier and Cabinet	Industry
Sydney Olympic Park Authority	Premier and Cabinet	Industry
Sydney Cricket and Sports Ground Trust	Premier and Cabinet	Industry
Venues NSW	Premier and Cabinet	Industry
State Sporting Venues Authority	Premier and Cabinet	Industry
Destination NSW	Premier and Cabinet	Industry
Sydney Motorway Corporation Pty Ltd	Treasury	Transport
Westconnex M4 Pty Limited	Treasury	Transport
Westconnex M5 Pty Limited	Treasury	Transport

Program group expenditure is the net of program expenditure across agencies within a cluster. Agencies may purchase services or provide grants to other agencies within the cluster. For consolidated cluster expenditure, these amounts are only counted once. Grants provided to other general government agencies outside of the cluster are still included.

The 2017-18 Budget papers have been prepared based on the new administrative arrangements. The machinery of government changes have been reflected with the following treatments:

- whole entity movement – in this case the entity will continue to report its full year expenses and will appear in the receiving cluster for BP3 presentation purposes
- where the entity is grant funded, the original principal department will provide grants for 1 July 2016 to 1 April 2017 and the new principal department will provide grants from 1 April 2017 to 30 June 2017 and for 2017-18.
- partial program or partial program group movement – this has been captured in both the former and the new cluster as follows:
  - for 1 July 2016 – 1 April 2017 (that is, nine months of the year), expenses will be reported in the former entity, with no data for 2017-18 reflected in the previous entity
  - for 1 April 2017 – 30 June 2017 (that is, three months of the year), expenses will be reported in the new entity, with the full budget reported for 2017-18 in the new entity.



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## Notes

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- The Budget year refers to 2017-18, while the forward estimates period refers to 2018-19, 2019-20 and 2020-21.
  - 2016-17 Revised is the projection for 2016-17.
- Figures in tables, charts and text have been rounded. Discrepancies between totals and the sum of components reflect rounding:
  - values between \$10 million and \$1 billion are rounded to the nearest whole number unless specified
  - 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 balance, 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
  - thous means thousand
  - \$m means millions of dollars
  - \$b means billions of dollars.
- Unless otherwise indicated, the data source for tables and charts is Treasury.

Performance measures evolve over time. n.a. indicates that historical data is not available for a performance measure established or modified in a later year.