

NSW

BUDGET 2017-18



BUDGET
OVERVIEW

NSW Treasury
52 Martin Place
Sydney NSW 2000

www.treasury.nsw.gov.au
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NSW Budget 2017-18 publications include:
Budget Speech
Budget Overview
Regional Overview
Western Sydney Overview
Budget Paper No. 1 – Budget Statement
Budget Paper No. 2 – Infrastructure Statement
Budget Paper No. 3 – Budget Estimates
Budget Paper No. 4 – Appropriation Bills

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Front cover images from left to right:

Destination NSW – local Riverina citrus farmer Bart Brighenti. Photo by Vince Bucello
NSW Health – Parkes Hospital
Sydney Metro – the start of Australia's longest railway tunnel at Bella Vista
NSW Department of Education – Nowra East Public School

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Treasurer's message

I am delighted to present the 2017-18 New South Wales Budget, a budget that builds on our proud fiscal and economic track record and invests our State's success back into the families and communities of New South Wales.

This is a budget for the people of our great State, delivering more than ever before on the things that matter: health, education, roads and transport, support for families, help for those who need it most, and the right conditions for businesses to grow.

With a surplus of **\$2.7 billion** in 2017-18 and surpluses forecast over the next four years, negative net debt in 2016-17 and 2017-18, strong business activity and low unemployment, our economic and fiscal position is truly the envy of the world.

Six years ago we embarked on a major infrastructure program, laying the foundations for the thriving New South Wales of the future.

That ambitious program is now well underway and continues to surge ahead with another near-record investment of **\$72.7 billion** over four years, as we build the infrastructure backbone that will serve our State for decades to come.

With our fiscal position in excellent shape we are delivering more than just the major infrastructure projects – we are also investing heavily in the local and social infrastructure that allows communities to flourish.

A record **\$7.7 billion** will be spent across four years on health infrastructure, with new and upgraded hospitals and regional health centres, bringing world-class health services to families and communities across the State.

We are investing more in our children's futures, committing an additional **\$2.2 billion** over five years for the new and upgraded schools where our children will learn and grow.

This is a budget for families and households, with our Housing Affordability Package bringing the great Australian dream of home ownership within the grasp of more people; huge investments in local roads and public transport; and major new sporting and arts facilities to enhance our State's stellar reputation for entertainment, tourism, culture and sport.

We are offering a helping hand to those who need it most, providing more care and support for children most at risk of violence and neglect, more housing for those without a home, and record funding for palliative care.

We can only do all of this because we have the fundamentals right, delivering year after year on our firm commitment to responsible financial management.

This budget is about delivery, not just promises, with every community across New South Wales sharing the benefits of our State's success.

Dominic Perrottet
NSW Treasurer



Building on our strengths

Sharing the benefits of our strong financial position

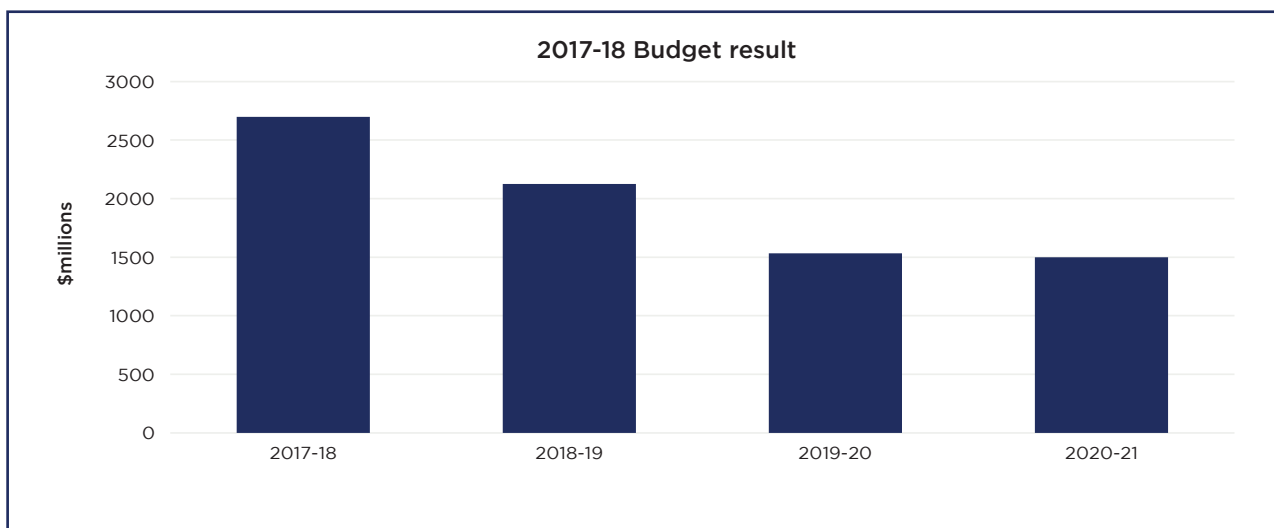
Our budget is in an excellent position. A surplus of **\$2.7 billion** in 2017-18 and average surpluses of **\$2.0 billion** are forecast over the budget year and forward estimates.

This enviable budget and fiscal position is the product of our careful management of expenses, successful asset recycling strategy and an ongoing commitment to finding new ways to deliver better services for the best value for taxpayers.

Our strong financial management makes it possible to deliver the high-quality services the people of New South Wales need, as we continue to deliver record infrastructure, all while maintaining our triple-A credit rating.



Our proven track record of delivering responsible budgets has maintained our triple-A credit rating



Our asset recycling program is delivering for communities

The recent lease of 50.4 per cent of Endeavour Energy marks the end of the successful electricity networks transactions. The transactions will enable the Government to deliver in full the **\$20 billion** Rebuilding NSW plan through Restart NSW.

The success of our asset recycling strategy has boosted the budget position and significantly reduced net debt in the short term. Net debt is projected to be negative **\$7.8 billion** at the end of 2016-17, the lowest since records began in 1996-97. Net debt as a percentage of Gross State Product (GSP) is forecast to remain lower than any other mainland state over the next four years.

The net proceeds from the Government's asset recycling program are being invested into the **NSW Infrastructure Future Fund** until they are required.

The Government's asset recycling program and strong financial management have contributed to expected annual growth in the State's net worth of an average of 8.5 per cent over four years to June 2021 – faster than any other mainland state – with net worth expected to reach an unprecedented **\$273.2 billion** by June 2021.

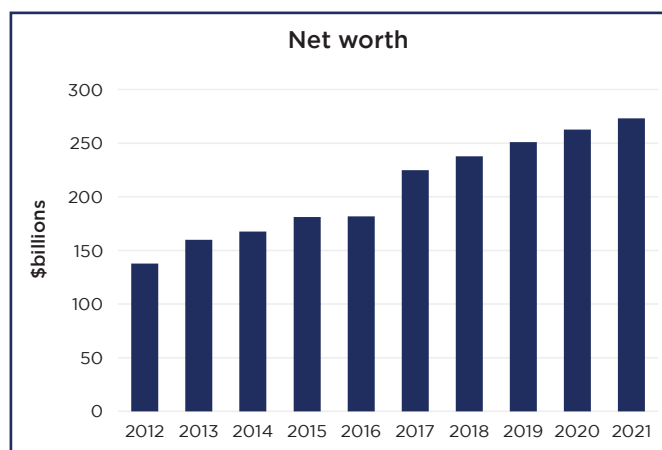
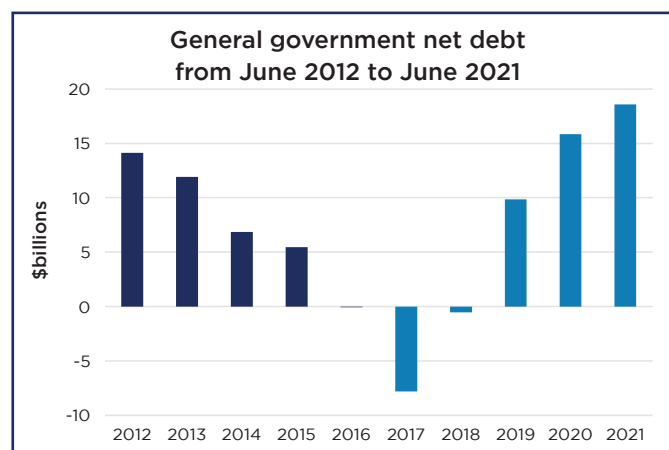
Reaping the rewards over the long term

Delivering a once-in-a-generation infrastructure program brings huge benefits to the State, but they do not stop when construction ends. These new projects will deliver significant and permanent improvements.

How will we benefit? New roads, hospitals, public transport and other key projects will add to the long-term productive capacity of the NSW economy.

Improved transport infrastructure will reduce travel times, reduce traffic bottlenecks and bring markets together.

This will support additional housing supply and bring people closer to education and jobs, expanding economic opportunities. Social infrastructure, such as hospitals and schools, will improve the quality and reach of our health and education services, supporting healthier citizens and opening the door to opportunity for more people.





A strong and growing economy

Our strong economy is outpacing other states

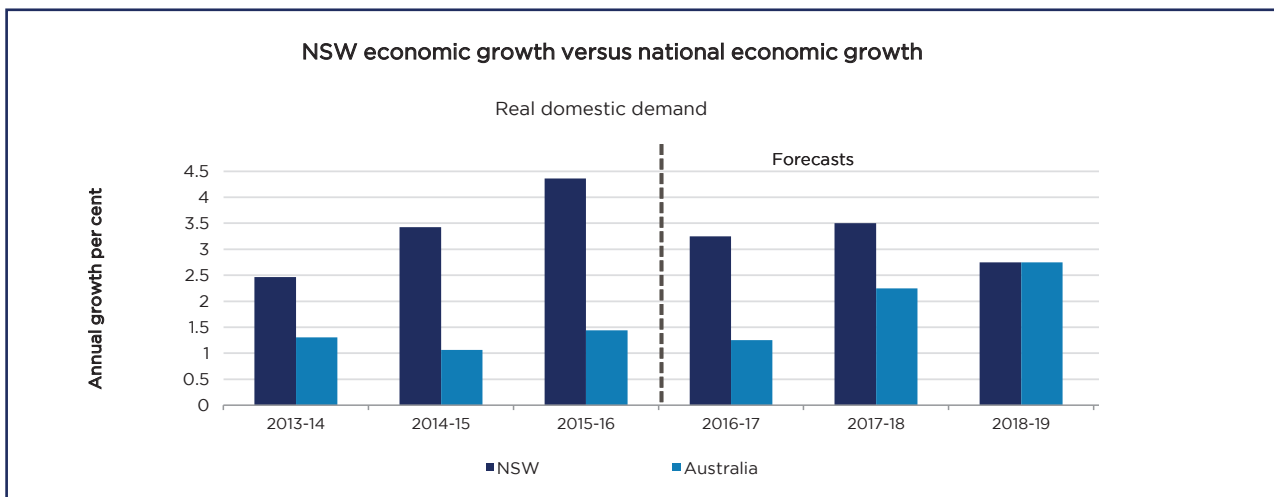
New South Wales is in an enviable position. In 2015-16 (the latest data period available) New South Wales enjoyed economic growth of 3.5 per cent, outpacing every other state and territory in Australia. This was the first time in 26 years that New South Wales' growth topped all other states and territories. It also marked the State's greatest economic expansion since the 2000 Olympic Games.

The outlook remains strong. Business investment, public infrastructure and dwelling construction are all exhibiting strength, lifting construction activity and employment in the State to record levels. Service exports are also contributing strongly to economic growth, underpinned by overseas visitors and international student enrolments.

The NSW economy will continue to benefit from low interest rates, a lower Australian dollar, strong demand from Asia, above trend population growth and an historically large infrastructure and residential construction pipeline. The key drivers of growth in the near term are forecast to be overseas exports, dwelling investment and public capital expenditure. Further out, business investment, consumption and interstate trade are expected to become stronger drivers of growth.

A GREAT PLACE TO VISIT

A record 3.1 million international, short-term visitors travelled to New South Wales over the 12 months to November 2016. Overseas visitors to Australia spend more time in New South Wales than any other state or territory in the nation, contributing **\$30 billion** to our economy in a single year.



Economic growth is creating jobs

Our powerhouse economy is delivering jobs. New South Wales recorded the lowest unemployment among the states for the past two years, trending at around 5 per cent.

Since April 2011, New South Wales' employment has increased by 369,600 – more than any other state and accounting for almost 40 per cent of the national increase over this time.

Importantly, New South Wales continues to be the best state for regional employment. Over the two years to April 2017, more than 58,400 jobs have been created in our regions – a staggering 40 per cent of all jobs created in New South Wales over that period and more than all the other states' regions combined (51,140).

The NSW job market is expected to further strengthen in line with strong economic growth, and employment is forecast to expand at an above-trend rate of 1¼ per cent in 2017-18 and 2018-19.

The unemployment rate is forecast to remain at around 5 per cent over the next two years, even though migration into New South Wales is expected to remain above trend.

Housing construction is booming

The Government's efforts to increase housing supply have helped deliver record dwelling approvals in New South Wales, in the 12 months to April 2017 there have been 72,800 building approvals. Annual housing approvals have now exceeded 50,000 a year for more than three years (40 consecutive months).

Meanwhile, New South Wales is in the midst of the longest housing construction boom in the State's history. In 2016, housing completions reached record levels of around 60,000, meaning on average, of around 1,100 homes were completed in New South Wales every week.

New dwelling construction is expected to remain at high levels over the next two years, supported by solid population growth, low interest rates, historically high approvals and a large construction pipeline.

Preparing for the challenges ahead

With a strong economy, sound budget position and steady infrastructure pipeline, New South Wales has never been in a better position to consolidate its success and prepare for the challenges that lie ahead.

That's why the NSW Government is transforming the way it measures the effectiveness of its expenditure, ensuring that spending delivers real outcomes for the people of New South Wales – such as reduced hospital waiting times, faster trips home and improved education results. The first stage of this important reform has been the implementation of a new financial management system for this Budget, helping the Government make better informed spending decisions.

The Commissioning and Contestability Unit will continue to help the Government make better decisions about how services are provided, ensuring services are designed around – and actually deliver – what citizens need, not just what works for government.

We are also pursuing more innovative ways to deliver services – like eHealth, Service NSW and Smart Motorways – initiatives that provide customers with better services, delivered in a more cost-effective way.

As our share of GST revenue from the Commonwealth declines over the next four years, the NSW Government supports GST reform that sees distribution moving towards a per capita basis. The current system for allocating GST penalises New South Wales for having the nation's strongest economy.

Over the year to March 2017, spending on all private-sector housing construction in New South Wales neared \$55 billion, a record for our State.



World-class healthcare and hospitals

The people of New South Wales deserve a world-class healthcare system we can all rely on. This year the Government is investing an additional **\$2.8 billion** over four years in new and upgraded hospitals, bringing the total investment to a record **\$7.7 billion** over four years.

This funding will improve the lives of people across the State, with new hospitals in Mudgee and Macksville, and major hospital redevelopments including **\$632.0 million** for Campbelltown Hospital, **\$720.0 million** for the Randwick Hospital Campus reconfiguration and expansion, and **\$534.1 million** for a new Tweed Hospital and Integrated Ambulatory Services Redevelopment.

The Budget will also provide an additional **\$1.0 billion** in 2017-18 for health services, bringing the total expenditure on health in 2017-18 to a record **\$23.2 billion**. This investment will allow hospitals to cater for an estimated 28,000 more emergency department attendances and 45,900 more acute inpatient admissions.

In 2017-18, and ahead of schedule, New South Wales will achieve the 2015 election commitment of increasing frontline health staff. The number of additional nurses, midwives, doctors, allied health professionals and hospital support staff exceed 4,500 this financial year, against a target of 3,500.

This Budget also provides a record funding injection of **\$100 million** over four years for palliative care services. Key initiatives include community-based care services in Western Sydney Local Health District, 30 specialist nurses, eight rural and regional specialists and scholarships and training for health staff.

Better access to dental services will also be made possible through a **\$10 million** commitment across four years, allowing around 17,000 more patients to receive dental care.

Record **\$7.7b**
over four years in health
infrastructure



Westmead Hospital entrance



More and better schools for our community

This Government remains committed to delivering a high quality education for our kids to set them up for success.

Student enrolments in NSW Government schools are projected to grow by 21 per cent, or 164,000 students, over the next 15 years.

This Budget delivers **\$15.7 billion** of education expenditure in 2017-18, including funding for around 1,000 extra teachers.

The Government has committed **\$4.2 billion** over four years for capital works across NSW schools. This includes **\$2.2 billion** for new capital works projects to commence over the next two years. This will deliver more than 1,500 new classrooms. This Government's significant investment will deliver new and renewed schools to enable a high-quality education in NSW.

This Budget also delivers **\$411.3 million** of additional funding to address backlog maintenance in schools. This investment means a record **\$747.4 million** will be spent over the next four years to ensure our kids can achieve their full potential in the right environment for learning.

\$4.2b

over four years for new
schools and upgrades



Nowra East Public School



21st century infrastructure and roads to connect our state

This Government has committed **\$72.7 billion** over the next four years to infrastructure investments. Our investment in road and public transport projects aims to unclog our cities and get you home sooner.

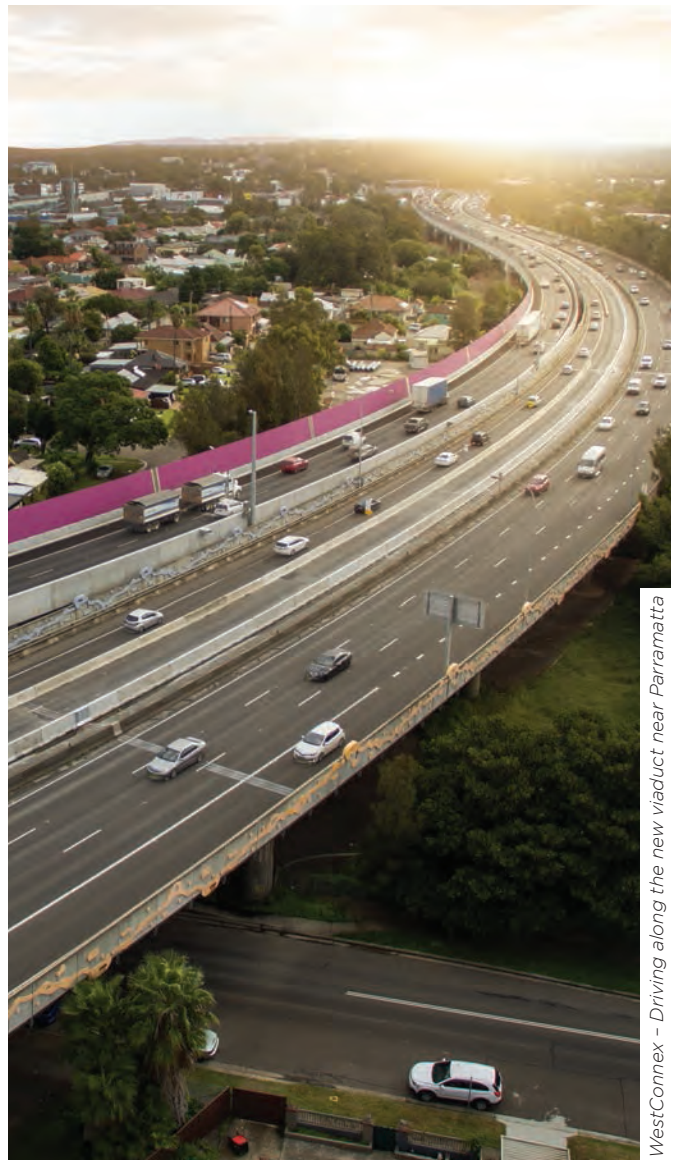
This Budget continues to invest in road and public transport projects across the State, to help local communities thrive:

- » **\$7.2 billion** in Government investment for the third stage of WestConnex, including the M4-M5 link
- » **\$4.9 billion** across four years for Sydney Metro City and South West
- » **\$3.5 billion** across four years for the Pacific Highway upgrade
- » **\$4.0 billion** across four years for Sydney Metro Northwest.

The Government is also making significant investments in local roads, including:

- » **\$648 million** in 2017-18 of NSW and Commonwealth Government funded road upgrades to support Western Sydney airport at Badgerys Creek
- » **\$548.5 million** since the 2016-17 Budget for the Regional Road Freight Corridor program to create safer, more efficient road freight corridors
- » **\$264 million** across four years to reduce congestion on Sydney roads by addressing critical pinch points, and commencing the implementation of the Smart Motorways program on the M4 Motorway.

\$72.7b
over four years for
infrastructure investment



WestConnex – Driving along the new viaduct near Parramatta



Helping families with the cost of living

As cost of living pressures rise around the nation, we are working hard to help make New South Wales more affordable.

Helping first home buyers

The rising cost of housing is an ongoing challenge. To help ease the burden, we are implementing a comprehensive strategy that boosts the supply of reasonably priced housing, helps first home buyers get into the market, and accelerates the delivery of local infrastructure to support growing communities.

From 1 July 2017, transfer duty will be abolished for first home buyers on new and existing homes up to **\$650,000**, and reduced for properties between **\$650,000** and **\$800,000**. First home buyers will also be eligible for **\$10,000** grants for new homes up to **\$600,000**, and we will abolish insurance duty on lenders' mortgage insurance altogether. We will also introduce a First Home Builder Grant of **\$10,000** for people who build their first home on vacant land and, where the total value of the house and land does not exceed **\$750,000**.

Helping kids get active

We understand that sport registration and lesson fees can represent a real cost pressure for families, so the NSW Government is investing **\$207 million** over four years through the Active Kids Rebate.

Families in NSW will be eligible to receive up to \$100 per child in school each year, to help meet the cost of getting kids involved in community sport.

Helping families with young children

We are helping families meet the cost of early childhood education, investing an additional **\$217.3 million** over four years to continue the Government's commitment to the Start Strong program to 2021, providing every child with the opportunity to access 600 hours of early childhood education in the year before they start school, and assisting disadvantaged three-year olds.

Helping with vehicle expenses

We are also easing the burden on families through reform of the CTP Green Slip scheme. This will reduce the average price of a Green Slip by more than **\$100**, as well as reduce the time it takes to resolve a claim. The new scheme will begin in December 2017.



Killalea State Park, Shell Cove. Dee Kramer Photography



Making New South Wales better for jobs and small business

Businesses in New South Wales have become more confident in 2017, with business confidence now above the national average. This Budget introduces a range of measures to continue to help businesses grow.

This Budget delivers insurance tax cuts for small businesses from 1 January 2018 to reduce costs and support jobs growth.

It also supports future employment opportunities and jobs creation through a range of measures, including:

- » **\$759 million** of investment in 2017-18 in skills development and training programs through TAFE NSW and other providers
- » **\$96 million** in 2017-18 to support high potential businesses through Jobs for NSW
- » **\$65 million** over three years for the Youth Employment program within Smart, Skilled and Hired which aims to assist young people in four pilot regions into employment by connecting them to training, mentoring, and work experience.

Other initiatives totalling **\$30.5 million** will support business advisory services, help reduce red tape and drive innovation, including funding for more than 60 advisers through the Business Connect program.

\$96m

to support high potential businesses through Jobs for NSW



Addimi Espresso, Tamworth, Destination NSW



A helping hand for those who need it

Because of our strong financial position, the Government is increasing support to those who most need a helping hand.

In an Australian first, this Government is proud to have developed the Resolve Program, a social impact investment focused on improving mental health outcomes, in partnership with Flourish Australia and Social Ventures Australia. From October 2017, Flourish Australia will deliver the Resolve Program to approximately 530 patients in Nepean Blue Mountains and Western NSW Local Health Districts.

To help those who care for us, the Government is investing **\$10 million** across four years to protect the wellbeing of NSW ambulance staff and reduce the number of paramedics impacted by workplace injuries.

This Budget also provides:

- » **\$217.3 million** over four years of needs-based funding towards the Start Strong program for preschool education, including giving kids a head start when they begin school
- » **\$148.0 million** over four years to support high needs children in Out of Home Care
- » **\$63.2 million** over four years to improve child protection case work practice and address critical capacity gaps, including additional caseworkers, case managers, and case support workers
- » an additional **\$20.4 million** over four years to support Homelessness Strategy initiatives that provide access to an additional 120 transitional accommodation units and support packages for rough sleepers
- » **\$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 suffering from mental health conditions. Total mental health recurrent spending will exceed **\$1.9 billion** in 2017-18, an **\$87 million** increase over the previous year.

\$63.2m

over four years to improve child protection



Broken Hill – Home and Community Care



Protecting our communities

The Government is investing to improve the justice system, reduce reoffending rates and safeguard the community.

This Budget allocates **\$1.1 billion** towards the State's extensive network of courts and tribunals, to help them manage civil and criminal legal matters.

In the four years to 2019-20, the Government continues to deliver the **\$3.8 billion** Prison Bed Capacity Program to provide additional prison capacity across the state.

This Budget also provides:

- » **\$62 million** to continue the delivery of programs to reduce adult reoffending under the Criminal Justice Reform Program
- » **\$47 million** over three years to combat radicalisation in the NSW correctional system
- » **\$38 million** over four years to enhance the State's bushfire fighting capability by contracting large air tankers in bushfire season
- » **\$15 million** in 2017-18 to continue to strengthen the NSW Police Force counter-terrorism capability and air support
- » **\$14 million** over three years to continue the extension and expansion of the Youth on Track program
- » **\$5.4 million** in 2017-18 to support the continued delivery of an additional 40 sheriff officers at NSW Court Houses
- » **\$5 million** in 2017-18 to improve officer safety through the provision of integrated light armoured vests.

In an Australian first, the Government is also delivering the On TRACC (Transition Reintegration and Community Connection) social impact investment to reduce reoffending and re-incarceration rates of 3,900 parolees over five years.

\$38m

over four years to enhance the State's bushfire fighting capability



NSW RFS – Southern Belle – Large Air Tanker



Enriching New South Wales: sports, arts, environment and culture

This Budget enhances our State's global reputation for tourism, environment, sports, arts and culture.

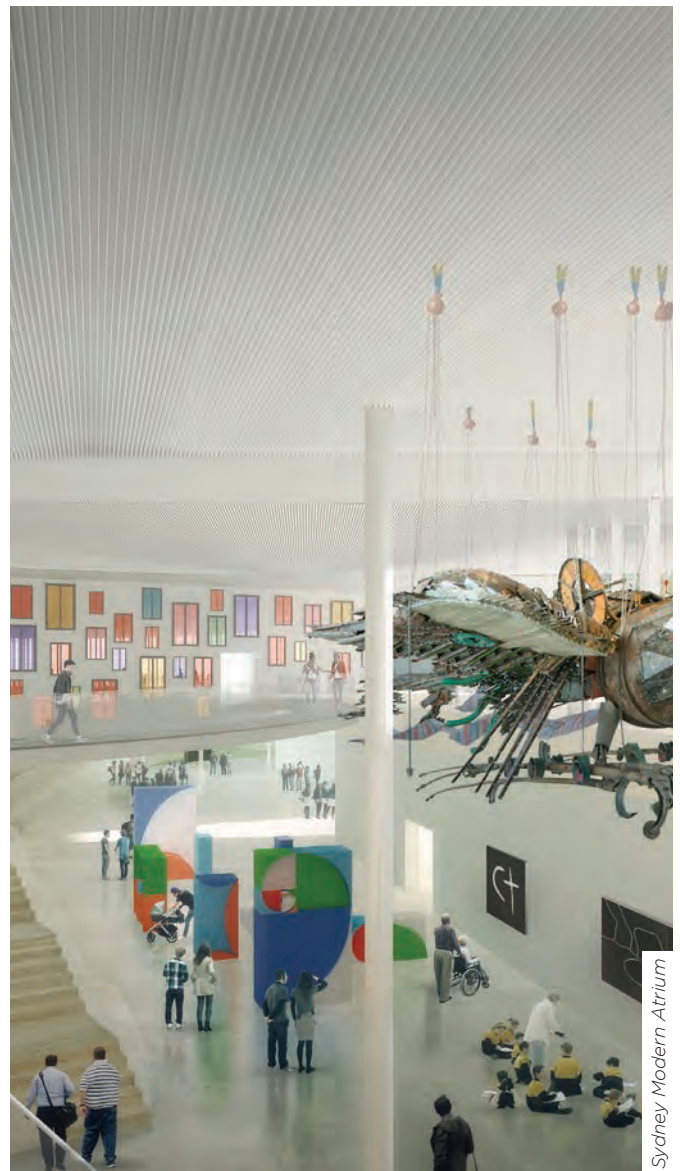
Our sports stadia strategy will give New South Wales the world-class venues it deserves, with **\$1 billion** reserved from the proceeds from the Land and Property Information transaction, in addition to the **\$600 million** investment from Rebuilding NSW announced previously.

These funds will deliver new investments, including a brand new Western Sydney Stadium, and a rejuvenated Stadium Australia and Sydney Football Stadium.

New South Wales will also stake its claim as Australia's cultural state, with **\$1.8 billion** to be invested over four years in arts, natural history and cultural institutions. This investment includes:

- » **\$244.3 million** over five years for the Sydney Modern Project to transform the Art Gallery of New South Wales into a global art museum for a global city. This project will significantly increase exhibition space, which will enable New South Wales to host more major international exhibitions and increase the ability to share the gallery's extraordinary art collection
- » **\$240.0 million** over five years to protect the environment through facilitating strategic biodiversity conservation on private land
- » **\$190.0 million** over four years towards the Sydney Opera House renewal program, to ensure the Opera House is properly equipped to host world-class performances
- » **\$186.9 million** over four years to rejuvenate the Walsh Bay Arts Precinct and provide a unique cultural and visitor experience as well as restoring an important piece of Sydney's waterfront heritage
- » **\$100 million** over five years to protect threatened species through the Saving our Species program
- » **\$100 million** over four years for the Regional Cultural Fund to develop cultural and artistic activities in regional and rural communities
- » **\$63 million** to be invested in national parks, public parklands and gardens throughout the state to enhance visitor experiences, education and research.

\$1.8b
over four years in arts
and cultural institutions



Sydney Modern Atrium



Future-ready New South Wales

The Government is fostering innovation that improves services for NSW citizens.

For example, this Budget invests **\$178 million** over two years for the enhancement of critical communication services used by frontline health, emergency and law enforcement officers, helping the men and women who serve on our front lines to better protect our citizens.

Government agencies are taking advantage of online services to improve customer experiences. For example, the Department of Planning and Environment is working to implement online lodgement of development applications and complying development certificates on the NSW Planning Portal. This will cut the time it takes homeowners and builders to submit a development application from up to 10 days to less than 30 minutes.

The Government is also investing **\$20.1 million** to complete the Service NSW network of service centres, by transitioning 24 motor registries in regional and rural communities to Service NSW service centres. This will make it easier for people to access government services.

\$178m

over two years for the enhancement of critical communication services



Service NSW Centre

