ABOUT THIS BUDGET PAPER

Purpose and scope

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.

For the first time, Budget Paper No. 3 is organised around State Outcomes. For each cluster, financial and performance information is presented against each State Outcome. This marks the next stage towards implementing outcome budgeting for the NSW Government, first announced in Budget 2017-18.

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*. Budget Paper No. 3 also includes agency financial statements. Progress against Premier's and State Priorities can be found in the following section of this budget paper, and on the Department of Premier and Cabinet's website (www.dpc.nsw.gov.au).

Cluster and agency appropriation arrangements

Clusters are groups of entities with shared or related policy goals. 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.

A cluster is not a legal or reporting entity. Individual agencies are separate legal entities that must prepare financial and annual reports.

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 2018-19 Budget

Crown Finance Entity	Law Enforcement Conduct Commission
Department of Education	Ministry of Health
Department of Family and Community Services	New South Wales Electoral Commission
Department of Finance, Services and Innovation	Ombudsman's Office
Department of Industry	Office of the Children's Guardian
Department of Justice	Office of the Director of Public Prosecutions
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	

Cluster and agency disclosures

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 and cash flow statement.

Cluster-level financial aggregates

Recurrent expenses and capital expenditure reported in this budget paper are 'cluster-eliminated' – that is, aggregated at the cluster level only: transfers within the same cluster are eliminated out. Transfers into and out of the cluster are all included: any transfer from cluster A to cluster B will therefore appear in financial tables for both cluster A and B.

Changes to Budget Paper No. 3 for 2018-19

The presentation of information within each chapter is outlined below. The structure of Budget Paper No. 3 has changed in 2018-19 to align with outcome budgeting.

Outcome Budgeting

Outcome budgeting is a new way of managing resources for the NSW public sector. At its core, outcome budgeting aims to align financial and performance reporting with governance and decision making.

This approach to managing and allocating resources will encourage public sector agencies to coordinate and collaborate with each other so that resource allocation is based on evidence of what works. It will also encourage agencies to align and allocate their resources and service delivery toward achievement of these outcomes. In this way, the State Outcome to which the clusters and agencies are directing their efforts becomes an effective way of grouping service delivery, and each of the State Outcomes constitutes a service group for the purposes of s27AA(2)(c) of the *Public Finance and Audit Act 1983.*

A focus on outcomes also facilitates non-government service providers, as the Government makes decisions about how services are provided based on what is best for citizen outcomes, not who provides the service.

As a first step towards outcome budgeting, the NSW Government has adopted 46 State Outcomes covering all activities delivered by the NSW Government. Outcome Indicators associated with each outcome show the progress that the Government is making to achieve these outcomes.

This framework will enable performance monitoring and targeted reviews to assess whether services and outputs are:

- appropriately designed and properly targeted to meet the needs of citizens
- relevant and effective in achieving the State Outcomes
- delivered efficiently and effectively.

The framework will be supported by rigorous data analytics to drive performance-informed decision making.

This approach builds on experience in New South Wales of commissioning for outcomes, as well as evidence and experience of performance budgeting from Canada, the UK, New Zealand, the USA and the Commonwealth Government.

Links to Premier's Priorities and State Priorities

Outcome budgeting is a framework to cover the entire Budget spend, with the suite of 46 State Outcomes describing what the Government is seeking to achieve for the people of New South Wales. In addition, the Government has identified priorities under two categories: Premier's Priorities and State Priorities.

While outcome budgeting is a framework for resource allocation, Premier's and State Priorities provide the overarching framework for the Government in delivering on its priorities.

- **Premier's Priorities**: 12 key priorities of the NSW Government, which are intended to grow the economy, deliver infrastructure, protect the vulnerable, and improve health, education and public services across New South Wales
- **State Priorities**: 18 priorities currently being actioned by the NSW Government to measure and deliver projects that create a stronger, healthier and safer New South Wales.

Reporting shift: Program Groups to State Outcomes

Section	Program Groups (2017-18 Budget)	State Outcomes (2018-19 Budget)
Policy driver	Program Groups were introduced in the 2017-18 Budget papers as a transitional structure towards Outcome Budgeting.	Resource allocation is framed around the outcomes achieved for the people of New South Wales. State Outcomes enable this by describing what the Government is seeking to achieve for the people of New South Wales with budget funds.
Key features	Program Groups bring together programs within clusters, helping to break down agency silos.	State Outcomes are customer facing statements of intent by the Government with associated funding and measures of success (Outcome Indicators).
Grouping for reporting purposes	Program Groups are a collection of programs. The basis on which programs have been grouped together may include functional businesses, or the clients served.	State Outcomes are grouped by Program Group. In most instances, Program Groups map to State Outcomes 1:1.

Figure 1 illustrates how State Outcomes interlink with Program Groups (groups of initiatives and activities), Outcome Indicators and the State Budget.

Figure 1: Outcome budgeting links agency expenditure to activities and measures the end result for citizens.
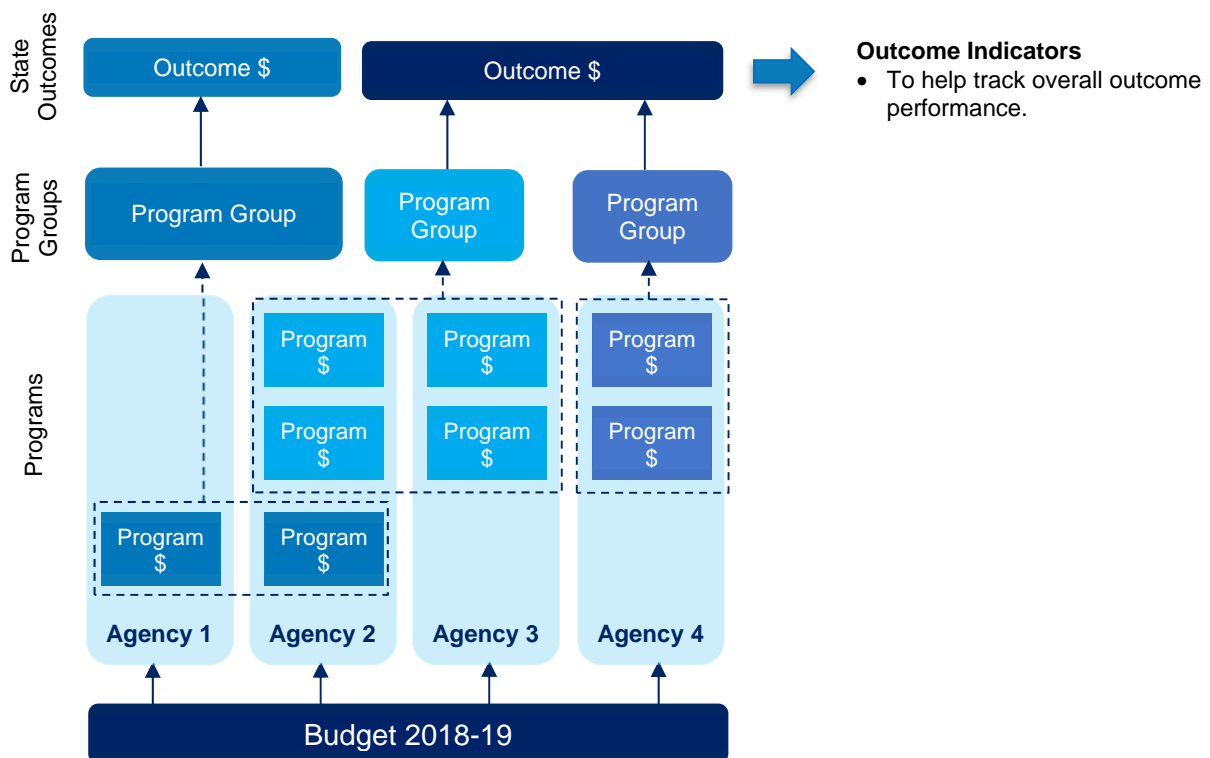
How to read this budget paper

This budget paper is structured into one chapter for each government cluster. Clusters are groups of entities with shared or related policy goals.

Each chapter sets out the Budget highlights for each cluster, as well as more detailed financial and performance information for each outcome delivered by that cluster.

Within each cluster chapter, initiatives are grouped under State Outcomes, that is, the strategic outcome towards which the cluster's expenditures are directed. This replaces the previous 'Program Group' terminology as a grouping of program activities.

Financial statements by agency remain the same as in previous years.

Cluster introduction

Section	Description
Introduction	This describes the role, main activities and responsibilities of the cluster and the outcomes it is working towards, including Premier's Priorities and State Priorities.
	A State Outcome table has been added this year which includes a short description of each outcome. Additional charts have been added to reflect cluster recurrent expenses and capital expenditure by outcome.
2018-19 Budget Highlights	These are the significant new and ongoing initiatives of the cluster listed under the State Outcomes per cluster in 2018-19. For further detail on capital projects, see Budget Paper No. 2 *Infrastructure Statement*.
Overview of cluster expenses by State Outcome	This table presents aggregate cluster expenditure by State Outcome.
Machinery of Government	This describes any machinery-of-government changes that have occurred within the cluster since 1 July 2017.

Cluster State Outcome highlights

The commentary in the 2018-19 Budget is structured around each of the State Outcomes where clusters target their programs and initiatives. This section describes each outcome and reports on the key program expenditure to support the delivery of the outcome. It includes expenditure highlights for 2018-19 of the Program Groups linked to each of the outcomes. The section also includes an Outcome Indicators table measuring cluster performance across different outcomes.

Section (for each State Outcome)	Description
Outcome budget highlights	Narrative describing key initiatives against each outcome and new funding announced in the 2018-19 Budget.
Outcome Indicators	Information on cluster performance in achieving each State Outcome.
Employees	The number of staff engaged on services provided by the Program Group linked to the outcome. These figures represent an estimate of annual average staffing, including temporary and short-term casual staffing, expressed on a full-time equivalent (FTE) basis.

Agency expenses summary

This section lists recurrent expenses and capital expenditure for each agency in the cluster. These expenses within each agency are further broken down by State Outcome.

Financial Statements

Section	Description
Operating Statement	This lists the major categories of expenses and revenues for each agency.
Balance Sheet	This details the agency's assets, liabilities and net worth.
Cash Flow Statement	This details the cash impacts of agency activities, including the cash appropriations sourced from whole-of-government activities.

Changes to Reporting Entities

Since 1 July 2017, several Administrative Arrangements Orders have been issued and Acts enacted to confirm new Ministerial and agency responsibilities.

These include:

- Administrative Arrangements (Administrative Changes—Miscellaneous) Order 2017 (commenced 1 January 2018).

- Administrative Arrangements (Administration of Acts—Amendment No 4) Order 2017 (commenced 1 January 2018).

- Administrative Arrangements (Administrative Changes - Rock Fishing Safety) Order 2018 (commenced 30 April 2018).

- Administrative Arrangements (Administration of Acts - Amendment No 2) Order 2018 (commenced 30 April 2018).

- Administrative Arrangements (Administrative Changes—Transfer of Soil Conservation Staff) Order 2017 (commenced 1 October 2017).

- Administrative Arrangements (Administrative Changes—Revenue NSW) Order 2017 (commenced 31 July 2017).

- Administrative Arrangements (Administrative Changes—Inspector of Law Enforcement Conduct Commission) Order 2017 (commenced 1 July 2017).

- Forestry (Designation of Regulatory Authority for Private Native Forestry) Order 2018 (commenced 30 April 2018).

The 2018-19 Budget papers reflect these new arrangements. An overview of the changes is outlined in the table overleaf.

Entity and/or Function Changes	Change
Biodiversity Conservation Trust of New South Wales	The Biodiversity Conservation Trust of NSW was created as a statutory body under the *Biodiversity Conservation Act 2016* on the 25 August 2017.
Department of Finance, Services and Innovation	***Functions transferred in:*** Regulation of swimming pools transferred from the Office of Local Government, effective 1 January 2018. Administration of the *Lotteries and Arts Act 1901* transferred from the Department of Industry, effective 1 January 2018. ***Functions transferred out:*** The Data Analytics Centre transferred to NSW Treasury, effective 1 January 2018.
Department of Industry	***Functions transferred in:*** Functions under the *Rock Fishing Safety Act 2016 No 66* transferred from the Department of Justice, effective 30 April 2018. ***Functions transferred out:*** Soil conservation service functions and staff transferred to Local Land Services, effective 1 October 2017. Administration of the *Lotteries and Arts Act 1901* transferred to the Department of Finance, Services and Innovation.
Department of Justice	Staff transferred from the Police Integrity Commission Staff Agency, which was abolished on 1 July 2017. ***Functions transferred out:*** Functions under the *Rock Fishing Safety Act 2016 No 66* have been transferred to the Department of Industry.
Environment Protection Authority	***Functions transferred out:*** Licensing of private native forestry functions transferred to Local Land Services, effective 30 April 2018.
Local Land Services	***Functions transferred in:*** Licensing of private native forestry functions have transferred (including staff transfers) from Environment Protection Authority, effective 30 April 2018. Soil conservation service functions and staff transferred from the Department of Industry, effective 1 October 2017.
Long Service Corporation	The Long Service Corporation has transferred clusters effective 1 January 2018, from Treasury to Finance, Services and Innovation and as applicable, cluster grant funding and any personnel services arrangements will transfer to the new principal department, the Department of Finance, Services and Innovation.
Natural Resources Access Regulator	The Natural Resources Access Regulator was established on 14 December 2017 as an independent agency and assumed its functions on 30 April 2018. Staff have transferred from WaterNSW to the Natural Resources Access Regulator pursuant to an Order under the *Natural Resources Access Regulator Act 2017.*
NSW Treasury	***Functions transferred in:*** The Data Analytics Centre transferred from the Department of Finance, Services and Innovation, effective 1 January 2018.

Entity and/or Function Changes	Change
Office of Local Government	***Functions transferred out:***
	Regulation of swimming pools transferred to the Department of Finance, Services and Innovation, effective 1 January 2018.
Office of State Revenue	Renamed 'Revenue NSW', effective 31 July 2017.
Office of the Greyhound Welfare and Integrity Commission	The Office of the Greyhound Welfare and Integrity Commission was established on 3 July 2017 as a Public Service Agency under the *Greyhound Racing Act 2017.*
Office of the Law Enforcement Conduct Commission	Employees of the Police Integrity Commission Staff Agency transferred to the newly created Office of the Law Enforcement Conduct Commission, which commenced operations on 1 July 2017.
Office of the Inspector of the Law Enforcement Conduct Commission	The Office of the Inspector of the Law Enforcement Conduct Commission was established on 1 July 2017 with the Secure Monitoring Unit transferred from the Ombudsman's Office.
Ombudsman's Office	The Secure Monitoring Unit transferred to the Office of the Inspector of the Law Enforcement Conduct Commission, effective 1 July 2017.
Police Integrity Commission Staff Agency	The Police Integrity Commission Staff Agency was abolished on 1 July 2017.

Notes

- The Budget year refers to 2018-19, while the forward estimates period refers to 2019-20, 2020-21 and 2021-22.

- Expenditure figures cited throughout refer to expenditure in the 2018-19 Budget year unless otherwise indicated.

- Expenditure figures cited as '2017-18 revised' refer to 2017-18 Budget updated projections as at 30 April 2018.

- Figures in tables, charts and text have been rounded. Discrepancies between totals and the sum of components reflect rounding:

  - values of $1 billion and above are rounded to the nearest $100 million unless specified

  - 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

  - mil. means million

  - thous. means thousand

  - $m means millions of dollars

  - $b means billions of dollars.

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

- Unless otherwise indicated, the data source for Outcome Indicator tables and charts is the relevant agency or their cluster's principal department.

- Outcome Indicators may be reviewed and revised over time.

Premier's Priorities and State Priorities

In late 2015, the Government identified 12 Premier's Priorities and 18 State Priorities to keep the economy strong, create jobs, deliver world-class services, protect the vulnerable and ensure all NSW citizens and communities share in the State's prosperity.

Public reporting of progress against the Premier's Priorities is a key component of the Government's commitment to transparency. The latest progress against each of the Premier's Priorities is regularly reported at www.nsw.gov.au/improving-nsw/premiers-priorities.

Premier's Priorities

The Premier's Priorities are 12 ambitious goals that the Government has set itself to improve the lives of the people of New South Wales. Significant progress has been made across the Premier's Priorities:

- *Improving Education results. Target: increase the proportion of NSW students in the top two NAPLAN bands by 8 per cent by 2019.* This Premier's Priority target was achieved two years ahead of schedule when 35.5 per cent of students in New South Wales achieved the top two NAPLAN bands in reading or numeracy in 2017. This means that 167,700 students achieved the top two NAPLAN bands, an increase of 8,300 students compared to the previous year.

- **Driving public sector diversity**. Target: increase the proportion of women in senior leadership roles to 50 per cent, and double the number of Aboriginal and Torres Strait Islander people in senior leadership roles by 2025. The NSW public service, with more than 325,000 full time equivalent employees, is the largest employer in the country. It is vital that its leadership reflects the diversity of the community it serves. Since 2014, the number of women in senior leadership roles has increased by approximately four percentage points and an additional 14 Aboriginal and Torres Strait Islander people are in senior leadership roles across the sector.

- **Improving government services.** *Target: improve customer satisfaction with key government services every year this term of government to 2019.* The NSW Government 2017 Customer Satisfaction Index showed that satisfaction for consumers and business had increased from 76.7 and 76.6 in 2015 to 79.3 and 78.3 respectively in 2017. This is a strong result and reflects the Government's commitment to customer service. Lead indicators suggest that this improvement will be sustained in 2018.

- **Keeping our environment clean.** *Target: reduce the volume of litter by 40 per cent by 2020.* Littering impacts all of us. It spoils our environment, costs millions to clean up, and is associated with anti-social behaviour. In addition to existing measures, such as the highly regarded *Don't be a Tosser!* campaign, the Government has established the container deposit scheme, *Return and Earn.* In just over six months of operation, over 380 million containers have been returned across the State's 600 collection points. With an average of three million containers a day being returned through the scheme, *Return and Earn* is making a real difference to keeping our environment clean.

- *Creating jobs. Target: 150,000 new jobs by 2019.* Reflecting the strength of the NSW economy, one in three new jobs in Australia has been created in New South Wales since 2014. As at April 2018, over 300,000 new jobs have been created in New South Wales since 2015, exceeding the Government's target a full year ahead of schedule.

- **Tackling childhood obesity.** *Target: reduce overweight and obesity rates of children by five percentage points by 2025.* The NSW Government is delivering evidence-based programs to reduce childhood weight issues. There have been initial positive impacts with overweight and obesity rates in children in New South Wales stabilising at 21.4 per cent in 2017. In January 2018, the Government launched the *Active Kids* program to enable parents to claim a $100 voucher per school-aged child to assist with the cost of participating in sporting activities. As at June 2018, over 550,000 vouchers have been claimed by parents in New South Wales, saving parents over $55 million and helping children to be more active.

- **Making housing more affordable.** *Target: 61,000 housing completions on average per year by 2021.* The Government wants to ensure that enough homes are being built to meet the needs of a growing population and at the same time, consider the unique character of our local neighbourhoods. With over 63,000 completions in 2016-17, lead indicators show that this target will be achieved through record construction already underway. To continue to deliver, the Government is focusing on increasing the number of housing approvals determined in under 40 days to 90 per cent, and re-zoning for 10,000 additional dwellings on average per year in appropriate areas to 2021.

- **Reducing youth homelessness.** Target: increase the proportion of young people who successfully move from Specialist Homelessness Services to long-term accommodation to more than 34 per cent by 2019. In 2016-17, 5,462 young people aged 15-24 years presented alone to specialist homelessness services in New South Wales. 1,711 (31.3 per cent) of those young people successfully transitioned to long-term accommodation, an increase of 2 percentage points since 2013-14.

- **Delivering Infrastructure.** *Target: key metropolitan, regional and local infrastructure projects to be delivered on time and on budget.* New South Wales is experiencing an unprecedented once-in-a-generation infrastructure boom. In addition to the State's recognised record of investment in major infrastructure projects, the Government is also accelerating the delivery of 89 local infrastructure projects across New South Wales to ensure that all communities benefit from this once-in-a-generation investment.

- **Improving service levels in hospitals.** *Target: 81 per cent of patients through emergency departments within four hours by 2019.* Every year, the number of people using emergency departments increases - more than one in five adults and one in four children present at hospital at least once a year. The 2017 flu season was one of the most challenging on record. Despite this, performance of our hospitals was maintained with 74.2 per cent of patients through the emergency department within four hours. In 2016-2017, over 2 million patients moved through NSW Health emergency departments in four hours, an additional 37,000 patients when compared to the prior year.

- **Protecting our kids.** *Target: decrease the percentage of children and young people re-reported at risk of significant harm by 15 per cent by 2020 (based on the 2019 cohort of children).* The NSW Government is committed to protecting children from harm and helping them achieve bright futures. In the past 12 months, government services have seen more children face-to-face, despite greater numbers than ever being reported to Helpline. Additional interventions are being put in place to improve the way caseworkers work with children and families. These are expected to have an increasing impact on over 2018.

- **Reducing domestic violence reoffending.** *Target: reduce the proportion of domestic violence perpetrators reoffending by 25 per cent by 2021 (based on the 2019 cohort of perpetrators).* Domestic violence has no place in our society. Of those charged with a domestic violence assault, approximately 15 per cent will reoffend within 12 months. The NSW Government is focussed on reducing this reoffending by holding perpetrators to account and ensuring they receive targeted, evidence-based interventions and support to change their behaviour.

State Priorities

In addition to the Premier's Priorities, the Government is focused on 18 State Priorities to create a stronger, healthier and safer New South Wales.

- Make New South Wales the easiest state to start a business.

- Be the leading Australian state in business confidence.

- Increase the proportion of people completing apprenticeships and traineeships by 65 per cent by 2019.

- Halve the time taken to assess planning applications for State Significant Developments.

- Maintain the triple-A credit rating.

- Deliver strong budgets by maintaining expenditure growth below revenue growth.

- 90 per cent of peak travel on key road routes is on time.

- Increase housing supply across New South Wales – Deliver more than 50,000 housing approvals every year.

- Successful transition of participant and resources to the *National Disability Insurance Scheme* by 2018.

- Increase the number of households successfully transitioning out of social housing by 5 per cent over three years.

- Increase the proportion of Aboriginal and Torres Strait Islander students in the top two NAPLAN bands for reading and numeracy by 30 per cent.

- 70 per cent of government transactions to be conducted via digital channels by 2019.

- Increase on-time admissions for planned surgery, in accordance with medical advice.

- Increase attendance at cultural venues and events in New South Wales by 15 per cent by 2019.

- Maintain or improve reliability of public transport service over the next four years.

- Local Government Areas to have stable or falling reported violent crime rates by 2019.

- Reduce adult re-offending by five per cent by 2019.

- Reduce road fatalities by at least 30 per cent from 2011 levels by 2021.