



Government
of South Australia

TRS21D0823

Hon Stephen Mullighan MP
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Dear Mr Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (the Act), dated 9 April, 2021.

Your application seeks access to:

"All minutes, briefings and correspondence titled 'New South Wales 2020-21 Budget Key Indicators' as described on the Objective document management system." From 26 October 2020 to 9 April 2021.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in full to 1 document; a copy of which is enclosed.

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the Act.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on (08) 8226 9769.

Yours sincerely



Hon Rob Lucas MLC
Principal Officer

15 May 2021

RELEASE

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MINUTE



Government
of South Australia
Department of Treasury
and Finance

18/11/2020
T20/014
2003706
MINUTES forming ENCLOSURE

File T&F18/0808
Doc No A1609165

To The Treasurer

NEW SOUTH WALES 2020-21 BUDGET KEY INDICATORS

Timing: ROUTINE — For information

Recommendations/Issues: It is recommended that you:

- Note that the New South Wales Government released its 2020-21 Budget on 17 November 2020; and
- Note the information below on key performance indicators and headline announcements as set out in the NSW budget papers.

Noted

Hon Rob Lucas MLC
Treasurer

21/11/20

Key Points:

- The New South Wales 2020-21 Budget forecasts:
 - A net operating balance deficit of \$16 billion in 2020-21. NSW is projecting deficits over the forward estimates of \$6.8 billion in 2021-22, \$2.1 billion in 2022-23, and \$460 million in 2023-24. NSW is forecasting a return to surplus in 2024-25 as part of its medium term projections;
 - A net lending deficit (NFPS) of \$36.5 billion in 2020-21, reducing to a deficit of \$12.8 billion in 2023-24;
 - NFPS net debt to increase by \$56.2 billion over the four years to \$137.3 billion at 30 June 2024; and
 - A net debt to revenue ratio of 140% in 2023-24 (NFPS). The NSW NFPS net debt to revenue ratio in 2023-24 (140%) is slightly above the estimated ratio in South Australia by 2023-24 (134%).

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- Key budget aggregates and indicators are set out in the following table:

2020-21 New South Wales Budget Overview					
	2019-20 Actual	2020-21 Budget	2021-22 Projection	2022-23 Projection	2023-24 Projection
Budget aggregates					
Net operating balance GG (\$m)	(6,916)	(15,984)	(6,830)	(2,091)	(460)
Net lending/(borrowing) GG (\$m)	(22,061)	(30,819)	(21,574)	(13,601)	(10,216)
Net lending/(borrowing) NFPS (\$m)	(25,936)	(36,497)	(27,134)	(17,281)	(12,847)
Cash surplus/(deficit) GG (\$m)	(17,312)	(28,538)	(19,064)	(14,193)	(10,231)
Operating expenditure GG (\$m)	88,283	98,133	94,519	92,692	93,390
Net debt GG (\$m)	19,261	53,187	75,433	91,771	104,347
Net debt NFPS (\$m)	43,677	81,079	105,275	123,152	137,286
Budget indicators					
Net debt/revenue GG (%)	23.7%	64.7%	86.0%	101.3%	112.3%
Net debt/revenue NFPS (%)	51.5%	95.9%	116.9%	130.5%	139.9%
Revenue growth GG (%)	-0.4%	1.0%	6.7%	3.3%	2.6%
Operating expenditure growth GG (%)	9.7%	11.2%	-3.7%	-1.9%	0.8%
Capital expenditure growth GG (%)	9.8%	17.4%	2.0%	-9.9%	-9.3%

Changes in key budget aggregates since NSW's 2019-20 Half-Yearly Review

- The table below outlines the change in aggregates from 2019-20 Half-Yearly Review estimates:

2020-21 New South Wales Budget Overview - change since 2019-20 Half-Yearly Review				
	2019-20 Actual	2020-21 Budget	2021-22 Projection	2022-23 Projection
Operating statement GG				
Total Revenue (\$m)	(2,790)	(6,121)	(2,989)	(2,471)
Operating Expenditure (\$m)	(4,828)	(11,234)	(6,444)	(2,557)
Net Operating Balance (\$m)	(7,618)	(17,356)	(9,433)	(5,028)
Net Lending/(Borrowing) (\$m)	(5,709)	(20,962)	(13,907)	(8,950)
Balance sheet				
Net debt GG (\$m)	6,394	27,871	40,036	50,357
Net debt NFPS (\$m)	5,473	28,218	40,249	50,669

For the purposes of this table, a budget improvement is represented as a positive, while a deterioration is a negative.

COVID-19 economic stimulus and support measures - \$29 billion

- The value of stimulus is listed as \$29 billion, or 11% of own source revenue, and is referenced as including revenue, recurrent and capital expenditure impacts, as well as impacts outside the general government sector. The budget papers state that "As a percentage of own-source revenue, this is more than any other state or territory and the Commonwealth Government".
- New items of specific note include:
 - \$2.8 billion in revenue forgone by temporarily lowering the payroll tax rate from 5.45 per cent to 4.85 per cent, from 1 July 2020 to 30 June 2022, and a permanent increase in the payroll tax-free threshold from \$1 million to \$1.2 million;

- \$472 million to provide small and medium-sized businesses, who do not pay payroll tax, a \$1,500 digital voucher, to be used towards the cost of any government fees and charges between April 2021 and 30 June 2022; and
- Up to \$500 million for the Out and About program, which offers every adult resident a \$100 digital voucher to spend on eating out and entertainment.
- Further detail on revenue and expenditure measures included in the budget are outlined below.

Expenditure Measures

- Expenditure measures include:

Health

- over \$1.0 billion to purchase personal protective equipment (PPE)
- \$700.0 million to assist in quadrupling ICU capacity, undertake additional COVID-19 testing, and purchase additional medical equipment.

Capital and maintenance

- \$3.0 billion for the Jobs and Infrastructure Acceleration Fund, accelerating projects across the State, including commencing the \$385.0 million St George Hospital Integrated Ambulatory Care Precinct two years earlier than planned, and new public schools.

Business and the economy

- \$1.0 billion for the Working for NSW Fund to sustain businesses, create new jobs and retain employees, including \$250.0 million for new and redeployed cleaners to undertake additional cleaning of schools, transport and other public infrastructure
- \$750.0 million for a Small Business Support Fund to provide grants of up to \$10,000 for unavoidable expenses for small businesses, and \$3,000 to support businesses to safely relaunch their operations
- \$450.0 million allocated for land tax relief for landlords who provide rent relief to commercial and residential tenants in financial distress due to COVID-19.

Communities and families

- \$101.6 million for housing and support services for the homeless, including temporary accommodation and wraparound support to rough sleepers
- \$30.0 million to expand the Energy Accounts Payment Assistance (EAPA) scheme to provide energy bill relief to people experiencing short-term financial distress.

Supporting government services

- \$3.3 billion to ensure essential services are maintained, and public sector jobs are supported, during the COVID-19 pandemic.

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Infrastructure

- \$812.0 million to deliver new social housing and undertake significant maintenance and upgrades of social and Aboriginal housing
- \$256.0 million for upgrades and maintenance works across National Parks, the Royal Botanic Gardens, Centennial Park, Sydney Olympic Park and the Crown Land portfolio
- \$167.7 million for capital works and maintenance of courts, police stations and corrective services, as well as upgrades to the Goulburn Police Academy
- \$104.5 million for an Arts Maintenance and Upgrade Fund to stimulate jobs through improving accessibility, sustainability and functionality of our cultural assets.

Training and skills

- \$337.0 million to provide free small group tutoring to boost learning for vulnerable school children who have been left behind while remote learning during the pandemic
- \$318.6 million for Skilling for Recovery, with \$159.3 million from the NSW Government, to help job seekers retrain or upskill, and to support school leavers to enter the workforce
- \$80.0 million for 300 new housing sector pre-apprenticeships and cadetships to provide career pathways for young people and social housing tenants
- \$19.0 million for the Skill and Employment Generation program to significantly increase the apprenticeship intake for trade skills across road and rail industry sectors
- \$10.0 million to help women return to work via grants and Return to Work Coordinators
- \$2.5 million to develop a strategic business case for a dedicated TAFE Aged Care Centre of Excellence Training Facility.

Business support

- \$500.0 million in 2020-21 to provide digital vouchers for each NSW adult resident to stimulate spending at restaurants, visitor sites and cultural attractions
- \$472.0 million to provide small and medium sized businesses, which do not pay payroll tax, with a \$1,500 digital voucher for the cost of government fees and charges.

Local industries

- \$250.0 million for the Jobs Plus Program, to entice companies from interstate and across the globe to New South Wales if they create at least 30 new net jobs
- \$175.0 million in additional funding for the Made in NSW program, focusing on investment in new film and TV projects.

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Revenue Measures (new measures)

- The NSW Government will provide payroll tax relief for businesses through:
 - a temporary reduction in the payroll tax rate from 5.45% to 4.85% for two years from 1 July 2020 to 30 June 2022 (estimated cost of \$2.1 billion); and
 - a permanent increase in the payroll tax-free threshold to \$1.2 million from 1 July 2020. NSW previously increased the threshold from \$900,000 to \$1 million on 1 July 2020 – this measure further increases the threshold to \$1.2 million (annual cost around \$200 million).
- An extension of the land tax relief for landlords measure. Landlords could previously receive land tax relief (in the 2020 land tax year) of up to 50 per cent of their land tax liability relating to a relevant property where they provide rent relief. The 2020-21 Budget extends this support to provide land tax relief of up to 25 per cent for the 2021 land tax year for landlords of retail tenants. The definition of an eligible tenant provided rent relief has been reduced from an annual turnover cap of \$50 million to \$5 million as part of the extension.
- The 2020-21 budget makes no reference to a road-user charge on electric vehicles. However, we understand that the NSW Treasurer had indicated in the days before the budget that he would take the issue to Cabinet for consideration during the next year.

Tax reform consultation

- As part of the budget, the NSW Government has released a consultation paper that outlines a proposal to transition from stamp duty on the purchase of a property to a broad based land tax over time. The Government is seeking feedback on the following possible policy framework:
 - the property tax will be an annual tax on land value that would consist of a fixed amount plus a rate applied to the unimproved land value of an individual property, and not the aggregate landholdings, similar to council rates;
 - buyers will be given the choice of which tax they pay (transfer duty or annual property tax), and once a property is subject to the property tax, subsequent owners must pay the property tax;
 - The annual tax would also replace any land tax payable on the property;
 - residential owner-occupied and primary production properties would pay lower rates than residential investment properties, who would pay lower rates than commercial properties. The higher rates for investment residential and commercial property rates recognises that the charge would also replace land tax payable on the properties;
 - The paper provides the following indicative property tax rates. Based on these rates it notes the amount payable on the average metropolitan land value of \$630,400 would be \$2,391;

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Property Type	Currently liable to stamp duty?	Currently liable to land tax?	Potential property tax rate
Owner-occupied residential property	Yes	No	\$500 + 0.3% of unimproved land value
Investment residential property	Yes	Yes	\$1,500 + 1.0% of unimproved land value
Primary production land (farmland)	Yes	No	\$0 + 0.3% of unimproved land value
Commercial property	Yes	Yes	\$0 + 2.6% of unimproved land value

- price thresholds would limit the number of properties initially eligible for transition to keep revenue and debt impact within a reasonable level, while ensuring over 80% of residential properties are eligible to opt-in from day one;
- government revenue would fall in the short term, however the property tax would be revenue neutral in the long term. The consultation document notes that the switch from conveyance duty to stamp duty is estimated to result in \$11 billion of lost revenue over the first four years. The document also canvasses the potential to limit the revenue forgone in the initial transition period to a maximum of \$2 billion per annum through the price threshold on properties that can enter the system at a particular time;
- protections would apply so that the property tax does not result in rent increases without a tenant's agreement and a hardship scheme would ensure that no one facing hardship needs to sell their home to meet property tax liabilities; and
- existing first home buyer stamp duty concessions would be replaced with a grant of up to \$25,000.

HFE arrangements and GST forecasts

- The budget papers include a highlighted section titled "Changes to horizontal fiscal equalisation are proving to be unfair and unsustainable". The section outlines that:
 - WA is being insulated from the economic and fiscal impact of the COVID-19 pandemic;
 - that WA is set to receive an estimated \$10.8 billion in assistance over 4 years under these arrangements.
 - the difference between the projected top up payments for WA made by the Commonwealth at the time of the changes in 2018 and the actual cost is forecast to reach \$8 billion over the next four years; and
 - there are significant long-term GST revenue risks for all states and territories, other than WA, once the "no worse off" guarantee ends in 2026-27.
- NSW have adopted national GST pool growth rates from 2022-23 of an average of 3.7%, which is below Commonwealth Government 2020-21 Budget forecasts of 7.0% in 2022-23 and 5.4% in 2022-23.

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Savings Measures

- The NSW Government estimate new savings measures of \$5.6 billion over four years
 - \$4.3 billion from lower wages growth, reflecting:
 - 0.3 per cent wages growth in 2020-21 for approximately 170,000 workers, as decided by the Industrial Relations Commission, and a 12-month pause to wages growth for both senior public servants and Members of Parliament
 - no more than 1.5 per cent wages growth for all public servants over the forward estimates (new wage policy), in line with average underlying inflation forecasts. The Government's wages policy will continue to allow increases beyond this level to be considered, where employee-related cost savings are achieved to fully offset the additional cost.
 - \$729.0 million from additional procurement savings across contingent labour, travel, events, marketing and training, facilities and fleet management, medical procurement, software licensing and maintenance, telecommunications, and ICT.
 - \$600.0 million in expenses across Government departments, redirected to partially fund the \$1.6 billion Digital Restart Fund.

Savings, reprioritisation and offset measures (\$m)					
	2020-21	2021-22	2022-23	2023-24	Total
Changes to wages policy	595	904	1,249	1,597	4,344
Procurement savings	0	164	254	312	729
Digital Restart Fund expense reprioritisation	180	210	210	0	600
Total	775	1,276	1,712	1,908	5,670

Asset Sales

- The budget also notes potential asset recycling measures including:
 - Sale of the residual 49 per cent share in WestConnex; and
 - a scoping study into the sale of future lotteries duties
- In its budget bulletin, S&P noted that the budget estimates do not include any proceeds from the above asset sales.

Economic growth*Gross State Product, Chain Volume (GSP)*

- New South Wales' GSP is estimated to have contracted 1 per cent in 2019-20 – a downward revision of 2¾ percentage points since the time of the 2019-20 Half-Yearly Review. In comparison, South Australia's GSP is estimated to have contracted by 1¾ per cent – a downward revision of 3½ percentage points since the time of the 2019-20 Mid-Year Budget Review.
- In 2020-21 New South Wales is forecast to experience a GSP contraction of ¾ per cent - similar to South Australia.

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- New South Wales's GSP is forecast to progressively recover in 2021-22 and beyond at an above trend rate, but at a slower rate than is expected in South Australia (refer to the table below). This is partly on account of a shallower recession being forecast in New South Wales, relative to South Australia in 2019-20.
- In both New South Wales and South Australia, the level of economic activity is not expected to recover to the pre-COVID-19 level until 2021-22.

Gross State Product Growth Forecasts (%)					
	2019-20	2020-21	2021-22	2022-23	2023-24
South Australia	-1¾	-¾	4¼	3	3
New South Wales	-1	-¾	2½	2¼	2¾

Employment

- Employment in New South Wales is forecast to contract 1 per cent in 2020-21, while in contrast, employment is forecast to remain unchanged in South Australia.
- Similarly with GSP, employment in New South Wales is forecast to progressively recover in 2021-22 and beyond, but at a slower rate than is expected in South Australia (refer to the table below).

State Employment Growth Forecasts (%)				
	2020-21	2021-22	2022-23	2023-24
South Australia	0	2	1½	1½
New South Wales	-1	1¼	1	1

Tammie Pribanic
EXECUTIVE DIRECTOR
BUDGET AND PERFORMANCE

November 2020

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