



Economics. Policy. Strategy.

New South Wales Budgets

Catherine McGovern

August 2023

About me



- Principal, Evaluate Consulting
- Background
 - Merchant banking
 - Political staffing
 - Global pharmaceutical company
 - Medibank Private
- Bachelors of Economics and of Theology
- Social service experience:
 - Marriott Support Services
 - Melbourne City Mission, Victoria Legal Aid



...Policy, strategic and political advice, healthcare and economics

Outline of presentation



- Context for NSW Budget this year
- Budget Process
- What's in a Budget?
- How to approach a Budget
 - PREPARE WELL
- The Budget – source of information
- Structure of the Budget papers
- Reading Budget Papers
- Pitfalls
- How to check your information



Budget 2023-24 – the context



- Government's first budget
- Budget timetable changed
- Significant economic pressure:
 - Numerous programs without ongoing funding
 - Increased interest payments
 - Rising debt
 - Program overruns
 - Cost-of-living pressures



a “comprehensive line-by-line review” of spending to determine what savings can be made

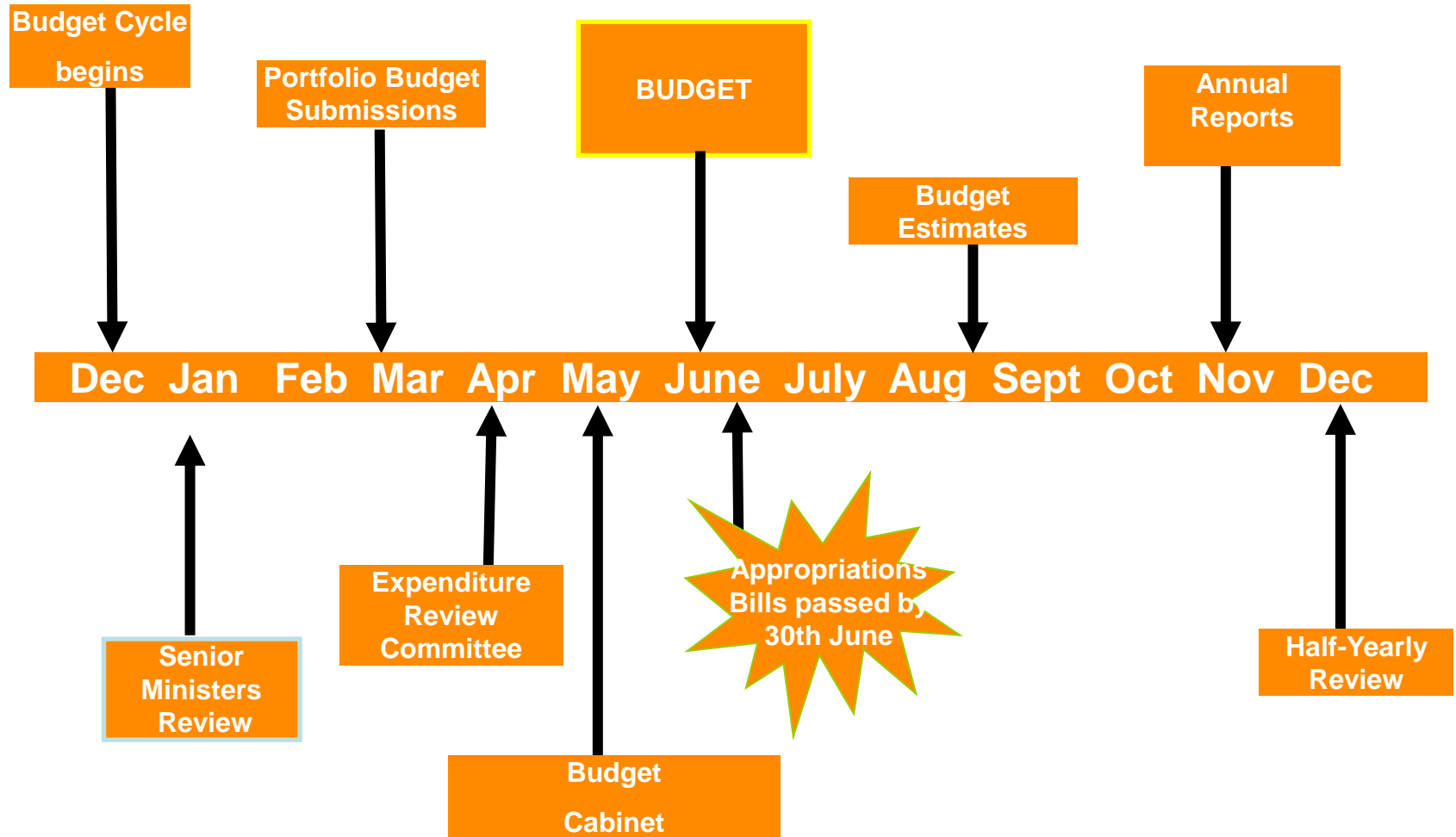
The Budget



- The most important annual political, economic and social document(s)
- Mechanism by which governments appropriate or raise funds, e.g. for services and programs
- Indicates government priorities
- Provides information on the Budget year and following three years
 - this period is called the “forward estimates”



Budget Process...usually



Parallel Processes



- Three parallel processes
 - Post Budget: Reporting against last year's Budget
 - Budget Year: Processes and reporting requirements
 - Pre-Budget Process: Determining priorities for next year's Budget

- Can't read Budgets in isolation



Treasury



**Communities
& Justice**



Health

What's in a Budget?



- Statements of intent about expenditure and revenue raising
 - Reports against the 39 State Outcomes
 - Overall statements & specific items
- Policy statements
- Accounts that relate to these
- Underlying financial assumptions
 - Growth
 - Income and tax
 - Interest rates
 - Employment



How to approach a Budget



- PREPARE WELL!!!
- Purpose of reading the budget
- Identify your areas of interest
- Where are those issues in the budget papers?
- Work out what happened previously



Purpose of reading the Budget



- Why are you interested?
 - Updating members or stakeholders
 - Advocacy with Government
 - Informing your board
 - Communicating to the media
- What are you going to do with the information you gather?
 - Briefing on critical issues
 - Media releases
 - Board papers
- Prepare outlines of these in advance



Identify your areas of interest



- What are your key issues?
 - Homelessness
 - Mental Health
 - Disability Support
 - Cost of living
 - Climate Change Impacts
- Other areas of potential interest
 - Social housing
 - Health
 - Education
 - Community support
- If you have a team, allocate these issues to different people



Where are my issues in the Budget papers?



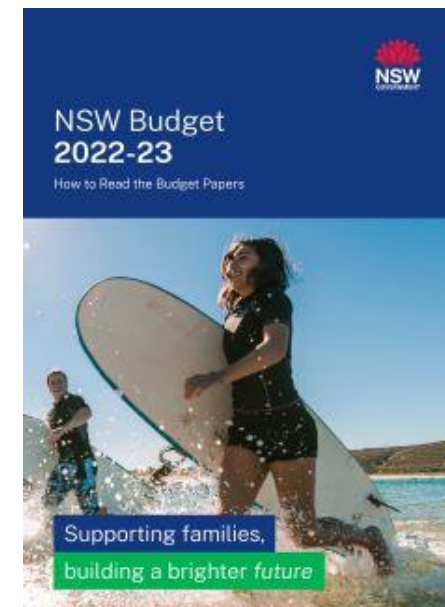
- Identify where your issues are in the budget papers
 - Which portfolio are they in?
 - Look at last year's budget papers
 - What budget outcome do they relate to?
- If they are new, where do you think they'll belong?



Work out what happened previously



- Look at last year's Budget papers
- What did they say would be spent over the forward estimates?
- What announcements have been made since?



The Budget – sources of information



- Pre-Budget announcements & releases
 - WATCH FOR THESE
- The Budget Papers themselves
- The Budget speech
- The Treasurer's media releases
- Specific papers: Western Sydney, Regional NSW
- New documents: Women's Opportunity Statement
- Other Ministers' media releases
- Fact sheets and other materials
- Media – newspapers, radio and tv



Structure of the Budget papers - traditionally



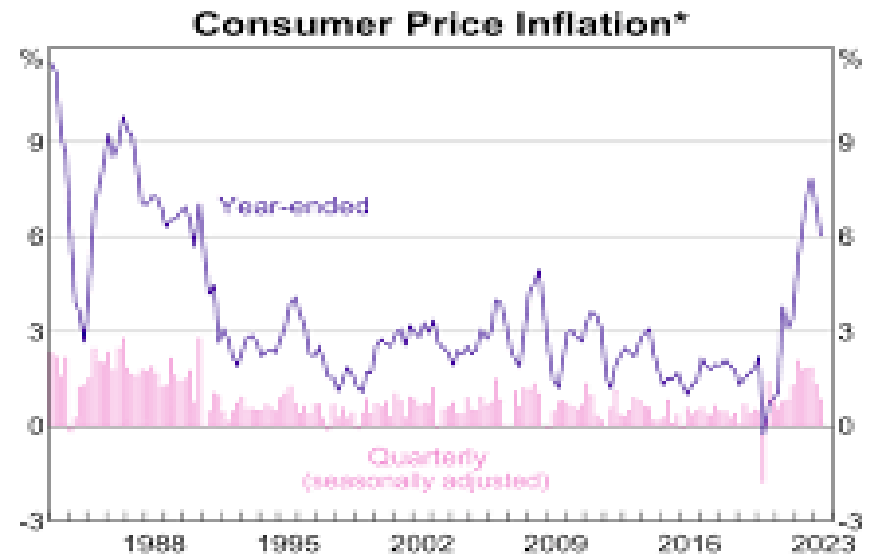
- **Budget Paper No. 1: The Budget Statement**
 - Overview of the State's finances over the forward estimates
- **Budget Paper No. 2: Outcomes Statement**
 - Focuses on the performance of government agencies and and impact of policies
- **Budget Paper No. 3: Infrastructure Statement**
 - Details of infrastructure investment program and projects
- **Budget Paper 4: Agency Financial Statements**
 - Financial statements for state government agencies
- **Budget Paper No. 5: Appropriation Bills**
 - Amount and purpose of funds set aside for each Cluster Minister
 - The legislation needed to deliver the Budget



Budget Paper No.1 – the Budget Statement



- Key Budget highlights
- Fiscal position, strategy and outlook
- Overview of economic environment
- Assumptions & risks
- Revenue measures
- Consolidated expense, revenue & balance sheet measures
 - Includes 'new funding'
- Forward estimates



* Excludes interest charges prior to the September quarter 1998; adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA.

Budget Paper No.2 – Outcomes Statement



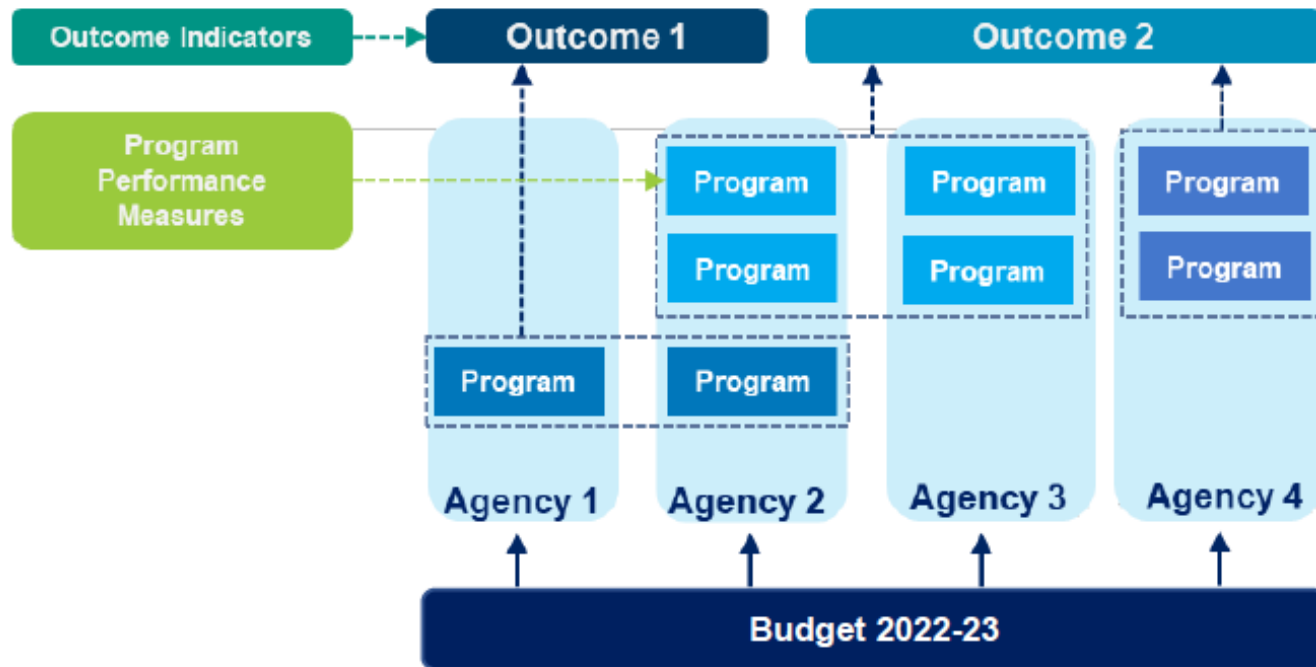
- Organised in ten “Clusters”
 - i.e., stronger communities, education, health
- 39 State Outcomes
 - ‘people have a safe and affordable place to live’, ‘best start in life for young children’, ‘children and families thrive’ etc
- Outlines for each outcome:
 - Programs under each outcome
 - Financial information
 - Policies
 - Success measures
 - Performance data

8. Stronger Communities
Delivers community services that support a safe and just New South Wales.
State Outcome
Children and families thrive
Efficient and effective legal system
Inclusive communities
People have a safe and affordable place to live
Prepared for disasters and emergencies
Reduce reoffending
Safer communities

Outcome and performance framework



Figure 1: The Outcome and Performance Framework



Example – the Stronger Communities Cluster 2022-23



- Details the Stronger Communities Cluster’s purpose
 - ‘delivers community services that support a safe, just and brighter future for New South Wales’
- Cluster’s contribution to the Outcomes
 - Children and families thrive, **efficient and effective legal system, inclusive communities**, people have a safe and affordable place to live, **prepared for disasters and emergencies**, reduce reoffending, safer communities
- Key programs that support delivery of the Outcomes
 - Child protection, homelessness services, supporting the NDIS
- State Outcome Highlights
 - Reports investment to each Outcome in the Cluster
 - Reporting to identified performance indicators for each Outcome



Example – the Stronger Communities Cluster 2022-23



State Outcomes to be delivered by the Stronger Communities Cluster

State Outcomes What the Cluster is delivering for people and business	Key Programs underway to support delivery of Outcomes
<p>1. Children and families thrive</p> <p>Ensuring the safety and wellbeing of vulnerable children, young people and families, and protecting them from the risk of harm, abuse and neglect.</p> <p><i>2022-23 investment: \$3.1 billion in recurrent expenses & \$12.0 million in capital expenditure</i></p>	<ul style="list-style-type: none"> • Out of Home Care and Permanency Support • Child Protection • Targeted Early Intervention • Domestic and Family Violence

Performance indicators for this Outcome

Outcome Indicators	Units	2021-22 Actual	2022-23 Forecast
Number of people charged with a domestic violence assault who had an earlier domestic assault charge in the last 12 months	no.	2,016 ^(a)	2,200
Proportion of children and young people reported at risk of significant harm (ROSH) who are re-reported within 12 months of closure of plan	%	40 ^(b)	38 ^(c)
Number of children and young people exiting out-of-home care to restoration, guardianship or adoption	no.	2,674 ^(d)	3,700 ^(e)
Number of entries to out-of-home care	no.	2,406 ^(e)	2,200 ^(e)

Notes:

- (a) Current year actual represents 12 months to December 2021.
- (b) Current year actual represents as at December 2021.
- (c) Forecast data represents to December 2022.
- (d) Current year actual is the cumulative number from 1 July 2019 to 31 December 2021.
- (e) 2021-22 actual data is unavailable until September 2022, this data represents as at June 2021.

Budget Paper No.3: Infrastructure Statement



- Investment Overview
- Delivering Infrastructure Pipeline
- Restart NSW Fund
 - Sydney Metro West
 - Various regional programs like Fixing Country Roads, Bridges for the Bush
 - Housing Acceleration Fund
- Also identifies sources of funding



Budget Paper 4 – Agency Financial Statements



- State Government Agencies
 - Those bodies that undertake state government activities
 - Departments and other organisations
- Still report in clusters
- Reports Machinery of Government changes
- So, Planning & Environment Cluster:
 - Department
 - Environment Protection Authority
 - Sydney Olympic Park Authority
 - Another 9 bodies



Reading the Budget papers



- Review the Budget speech for key announceables
- Read the Budget Overview
- Look at Budget Paper No. 1 for priorities & top-line financials
- Read Budget Paper No. 2
 - State Outcomes and Cluster information
 - Changes to the Cluster
 - Budget Highlights
 - Financials inc investment in programs
- Budget Papers No. 4 and No. 5
 - Specific interest in infrastructure, local and MOG
- Then compare this information to
 - The materials you've researched in advance
 - The budget media releases on this issue
 - Any other statements or fact sheets from the relevant Minister



Using this information



- Build a picture of what is being announced
- Check this against what has been announced before
 - Is this actually new spending?
- Check spending areas to confirm they are continuing
 - Have funding numbers decreased? Has funding just disappeared?
- Have there been changes in the estimates or the forecasts?
Or reporting? (Premier's Priorities)



Key pitfalls

- Governments re-announcing spending that has already been announced
- Governments 'hiding' changes to the Budget
- Machinery of Government changes
- Government not spending announced money – variations matter
- Not checking carefully
 - Control F is your (BEST) friend



How can you check?



- Recheck the Budget papers
 - Search by term
- Look at other sources of information
 - Analyst accounts, other peak bodies
 - Agencies
 - Newspapers, etc
- Call and ask
 - Colleagues
 - The relevant Department



Useful websites



<https://www.treasury.nsw.gov.au/finance-resource/budget-process>

<https://www.treasury.nsw.gov.au/media-releases>

<https://www.budget.nsw.gov.au/budget-papers>

<https://www.dcj.nsw.gov.au/news-and-media.html>

Questions

