

**Briefing Paper**

**2014/15 NSW Budget**

**140617**

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## Introduction

NSWIC attended the NSW Budget lock-up in Sydney on 17th June held before the public release of the budget documents.

Treasury officials were available to answer general questions or to refer specific questions to Departmental officials via telephone.

Aside from the five Budget Papers, a *NSW 2021 Performance Report* and three budget overview and infrastructure brochures were available. In addition, media releases from all Ministers were provided during the lock-up.

Full Budget documents are available at: [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au)

## This Briefing

This document does not purport to be a full summary of the entire Budget. It was prepared in the two hour timeframe available, so is focused on the key initiatives of relevance to our sector.

This Briefing Note is in three sections - a broad summary of budgetary measures; a deeper analysis of budget measures relevant to agriculture; and a detailed consideration of budgetary measures directly relevant to the irrigation sector in NSW.

## Budget Speech

The NSW Budget speech was delivered by the Hon. Andrew Constance on 17th June with the words;

*"New South Wales is back in the game"*

The Treasurer pointed towards a decrease in net debt, a reduction in expenditure and the continuing triple A credit rating of the state.

## Broad Budget Measures

The NSW economy is forecast to grow at around 3 per cent in each of the three years to 2015-16 despite the decrease in mining investment. The growth is expected to be led by household consumption and dwelling investment (initially) and strong non-mining investment in subsequent years.

Above trend employment growth of around 1 3/4 per cent in 2014-15 and 2 per cent in 2015-16 is expected. Unemployment is forecast to decrease to 5 1/2 per cent in 2014-15 and 5 1/4 in 2015-16.

|                   | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|-------------------|---------|---------|---------|---------|
| Revenue (\$m)     | 67,113  | 69,925  | 73,730  | 75,310  |
| Expenditure (\$m) | 67,396  | 69,265  | 71,575  | 73,644  |

|                    |               |               |                 |                 |
|--------------------|---------------|---------------|-----------------|-----------------|
| Net Position (\$m) | 283 (deficit) | 660 (surplus) | 2,155 (surplus) | 1,666 (surplus) |
|--------------------|---------------|---------------|-----------------|-----------------|

In 2013-14, there was a stronger than expected collection of state taxes through the housing market and an increase in GST revenue.

## Matters Relevant to Agriculture

### Drought Assistance

Minister Hodgkinson announced an additional \$13 million in drought assistance to support farmers and regional communities (in addition to existing \$30 million for temporary emergency drought assistance)<sup>1</sup>.

Furthermore, a *Water Security for Regions Programs* is initiated to identify projects that prepare communities for drought conditions. The funding available is up to \$366m for this program.

### Local Land Services

The expenditure for Local Land Services (LLS) in 2013-14 was \$114.062m and is forecast to increase to \$123.757m in 2014-15.

LLS will be provided with \$61m to *"deliver quality service to farmers, landholders and the community across rural and regional NSW"*. In addition, \$29m is allocated to LLS for regional based *"biodiversity conversation"*. Minister Humphries also announced an additional \$11m for weed and pest control.

The transfer of staff from Catchment Management Authorities to Local Land Services shows a significant reduction in staff numbers (457 in 2012-13 to 290 in 2013-14). However, this figure does not account for 128 FTE relating to the Commonwealth Caring for our Country Program.

### Mining and CSG

Budget Paper 2 shows that mining investment in NSW has fallen by around 45 per cent through the year to March quarter 2014.

Mining related funding include planning and investment work to address localised impact of mining in the Hunter (\$43m in 2014-15). In addition, Minister Roberts announced \$30m in funding for compliance and information gathering to *"ensure best practice standards in mining and gas industries"*.

Budget Paper 3 outlines the NSW Government key priorities relating to mining/CSG;

- promote NSW as an attractive investment destination by encouraging investment in the mineral resource industries and reducing barriers to investment.

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<sup>1</sup> Further information is available in budget paper 2, p290.

- support the sector by producing geo-scientific information, managing titles, improving safety and environmental performance and satisfying community and industry information needs on resource project assessment and compliance.
- address gas supply challenges through a regulatory framework that encourages responsible domestic gas industry development.

## Electricity

Minister Roberts announced (anticipated) network cost savings of \$5.4 billion over the five years to 2015-16.

He also announced the removal of retail electricity price regulation that is aimed at increasing competition and drive down the cost of electricity.

Furthermore, budget Paper 3 outlines funding of \$1.3m to increase participation in the *Energy Saving Scheme*, which supports the Government's NSW 2021 goal to put downward pressure on the cost of living. IPART has been allocated \$29.5m to administer the Scheme (and other schemes). For that purpose, the FTE in the 'Utilities Pricing, Regulation, Analysis and Policy work' increases slightly (from 128 FTE in 2013-14 to 133 FTE in 2014-15).

## **Water and Irrigation Specific Matters**

### State Water Corporation

The budget papers refer to the amalgamation of State Water Corporation and the Sydney Catchment Authority to "increase efficiency and improve services". The paper outlines that a start has been made to "administratively combine the operations of State Water Corporation and the Sydney Catchment Authority".

It was mentioned that both State Water Corporation and the Sydney Catchment Authority have "inefficient budget sheets" and that the amalgamation will lead to an "alignment of capital structure". Of interest is the statement in budget paper 2 which outlines that;

*"(The) retained profits from 2012-13 and 2013-14 (from State Water and the Sydney Catchment Authority) will be returned to the State."*

In addition, budget paper 3 states that \$49m of State Water grant funding has been moved to the Cluster Grants service group from 2014-15 onwards. However, inspecting the Cluster Grant Funding shows that only \$38.5m is allocated for 2014-15.

(Unsurprisingly) Budget Paper 4 shows that State Water has once again under-spent on its CAPEX (2013-14 budget: \$110.7m. vs 2013-14 actual: \$69.9m). Forecast CAPEX for 2014-15 is \$95.7m. of which \$31.589 is for work on Chaffey Dam, \$20.841m for 'State Wide Metering' and \$1.147m for CARMS<sup>2</sup>.

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<sup>2</sup> Additional information are available on p.142 in budget paper 4.

The concluding statement in this section was;

*"(The amalgamation) is a first stage in a broader reform of bulk water across the State."*

No further reference or budget figures were provided in relation this comment.

#### Water Administration Ministerial Council

Budget Paper 3 outlines the revised expenditure for the Water Administration Ministerial Council of \$57.380m (around \$1.38m greater than budgeted). Forecast expenditure in 2014-15 is \$63.134m (an increase by \$5.7m).

The Cluster Grant Funding for the Water Administration Ministerial Council is \$4.5m in 2013-14 (budget was zero) and \$7.5m in 2014-15. No additional information on these grant amounts is provided.

As FTE for the NSW Office of Water are not individually reported, and no information on staff numbers for NOW can be extracted from the budget papers. FTE for the Department of Primary Industries will remain constant over the forward estimates.

No further reference to a restructure of the NSW Office of Water was provided in the budget papers.

#### Dams

Both the Treasurer's budget speech and the media release from Minister Humphries mentions the construction of dams.

Budget Paper 3 (and Minister Humphries media release) outline a \$1m funding for a scoping and feasibility study for the construction of a new dam on the Belubula River in the Lachlan Catchment. We clarified with the Premier's office that the project would only go ahead with additional funding from the Federal Government.

#### Murray-Darling Basin Commitments

Minister Humphries reiterated the NSW Government commitment to deliver infrastructure projects in the Murray-Darling Basin (\$17m to scope projects that will further meet water savings requirements under the Basin Plan and \$15m to implement the Basin Plan).

Appendix E of Budget Paper 2 also outlines the expense decision (half yearly review to 2014-15 budget) for the NSW Government contribution to the Murray-Darling Basin Authority<sup>3</sup> ;

|                     | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------|---------|---------|---------|---------|
| MDBA Funding (\$,m) | 9.6     | 10.1    | 8.6     | 9.0     |

<sup>3</sup> This figure only includes Treasury funding and not bulk water user contributions