

2022-23 NSW BUDGET OVERVIEW



2022-23 NSW BUDGET: NAVIGATING A SUSTAINABLE RECOVERY

OVERVIEW

The 2022-23 NSW budget ensures the State's position as the economic capital of Australia through recovery measures that are environmentally, socially, and economically sustainable. The budget also signals the Government's preparedness to counter the increasing headwinds in the global and national economies.

The State has continued its strong infrastructure pipeline by reaffirming transformational infrastructure investments in significant growth areas such as Western Sydney and major transport, health, and education industries.

Health infrastructure and services are a core focus for this budget after continued labour shortages and congestion in the healthcare system. Significant funding is allocated to hiring new healthcare staff; however, there is a risk that the measures announced will not adequately address the structural issues that continue to burden the sector.

The 2022-23 budget features the option to transition from stamp duty to land tax for first home buyers. The new property tax proposal will boost first home ownership but does not address the issue of 'empty nesters' holding onto their properties and therefore may have a limited impact on increasing housing market efficiency.

Major themes of the 2022-23 State budget include:

- Housing Affordability
- Health infrastructure and supply
- Early childhood education
- Sustainability

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SPECIFIC MEASURES

HOUSING

The NSW Government seeks to invest \$2.8 billion in housing affordability measures to provide more significant opportunities to access and own quality homes.

- \$780.4 million towards a two-year trial of a shared equity scheme for up to 6,000 eligible single parents, older singles and first home buyers.
- \$728.6 million to introduce the First Home Buyer Choice, which allows First Home Buyers to waive stamp duty on home purchases of up to \$1.5m and instead opt-in to an annual land tax.
- \$500 million towards housing supply, focusing on infrastructure, speeding up planning assessments, and rezoning key housing precincts in Sydney and the regions.

INFRASTRUCTURE

Over the subsequent four years, the State Government has assigned a record \$112.7 billion investment in infrastructure, building on the State Government's \$178 billion investment in infrastructure projects between 2022-2012 to 2020-21.

- \$76.7 billion allocated for transport infrastructure
- \$11.2 billion to deliver healthcare facilities.
- \$9.1 billion for new and upgraded schools and other education infrastructure.

SUSTAINABILITY

The NSW Government will attempt to support sustainable economic growth over the long term by assembling investment decisions that will address the substantial risks of climate change. Climate adaptation initiatives to accelerate the development of clean energy production will assist in responding to the concerns of affordability and reliability of energy.

- More than \$2.5 billion investment from the Climate Change Fund over ten years to reduce emissions and increase climate change resilience.
- \$1.2 billion to stimulate the delivery of new transmission projects required for Renewable Energy Zones across regional New South Wales.

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HOUSEHOLD AND BUSINESS SUPPORT TO OFFSET COST-PUSH INFLATION PRESSURES

As a result of Covid-19, supply chain constraints and disrupted energy markets due to the Russia-Ukraine conflict, global economies are experiencing substantial inflationary pressures. The NSW Government is addressing the issue of inflationary pressures through 7.2 billion in cost-of-living support.

- \$520.0 Million to deliver the new broad-based Toll Rebate Scheme.
- \$128.0 million in an Energy Bill Buster program over 8 years to help eligible households reduce their gas and electricity bills by providing technology solutions.

HEALTH

The health sector was significantly impacted by Covid-19, and the measures implemented in this budget aim to ease pressures on the health system by supporting health staff.

- \$4.5 billion to support the employment of 10,148 additional full-time equivalent staff to hospitals and health services across the State (regional and metropolitan areas)
- \$1.8 billion to enable NSW Ambulance to recruit 2,128 staff and open 30 new ambulance stations over the next 3 years.
- \$743 million to employ 600 additional healthcare professionals over the next 5 years to enhance end-of-life palliative care services.

REGIONAL NSW

The State Government recognises the integral role regional areas play in NSW's economic success. The measures implemented in this budget will help support its success, and drive future growth in both economics and population.

- \$2.4 billion over 10 years to increase regional workforce with strategies to address the future pipeline of healthcare workers, including increasing health training positions locally in rural areas, and providing recruitment and retention incentives to support sustainable workforce supply.
- \$1.3 billion extension to the regional growth fund, which includes \$230 million to support tourism development projects enabling infrastructure, and \$175 million for economic activation, providing investment to existing key regional industries in regional NSW.
- \$391 million for the Snowy Mountains Special Activation Precinct to support the development of the regional visitor economy and transition the area into a year-round destination.
- \$164 million to increase NSW's response capability and readiness for future biosecurity incursions (pests and diseases).

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FUTURE-PROOFING INITIATIVES

The State Government over the next year will continue to plan significant levels of investment and infrastructure projects which will build the productive capacity of the economy going into the future.

- \$219 million to accelerate growth in investment in sectors such as modern manufacturing, MedTech, defense and aerospace to build local capability.
- \$275 million to continue planning the fast rail program to deliver connections between Sydney, Canberra, Bomaderry, Newcastle, Central Coast, and the Central West.
- \$216 million to refine the pre-concept design options for significant redevelopment of Circular Quay, offering a fresh retail and dining experience, and renewal of the wharves and train station.

EDUCATION

The State Government recognises the integral role that early childhood education has on youth overall educational outcomes. The measures implemented in the State budget help to improve accessibility in cost and years of education for families:

- \$5.8 billion over 10 years towards the establishment of a universal pre-kindergarten for all children in the year before school.
- \$1.6 billion to deliver 23 new and upgraded school projects, and additional funding for minor works.
- \$1.3 billion for the Brighter Beginnings Affordable Preschool initiative to provide fee relief for families with children.

FIRST NATION COMMUNITIES

The 2022-23 NSW budget will invest \$716 million into First Nations policies and programs. Measures outlined in this budget will help NSW work towards the national 'Closing the Gap' agreement goals.

- \$317 million for appropriate housing, land rights and interests, and essential community infrastructure, including \$10 million to develop culturally responsible building standards and design principles for First Nations housing in partnership with First Nations communities.
- \$179 million to support young First Nations youth, including \$99 million to expand existing Aboriginal Child and Family Centers and build 9 new centers to provide culturally safe services.

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LAND TAX

The NSW Government has announced tax measures as part of the 2022-23 State Budget. This comprises the reduction in the discount available for early payment of land tax and an increase to the foreign investor surcharge land tax.

- A discount of 1.5 per cent is currently available to taxpayers who pay their land tax in full within 30 days after their assessment has been issued. The land tax early payment discount will be lowered to 0.5 per cent from 1 January 2023.
- The foreign investor land tax surcharge of 2.0 per cent will increase to 4.0 per cent per annum from the 2023 land tax year.

OUR ASSESSMENT OF THE 2022-23 NSW BUDGET

Overall, the 2022-23 NSW Budget strikes a credible balance between providing current support to households and business in the face of accelerating cost-push inflation pressures; and investment in future capacity and resilience. Consequently, the State's fiscal strategy should assist in offsetting some of the current headwinds that are buffeting business and household confidence.

The fundamental motives for **the new property tax proposal** are to boost first home ownership, household mobility and economic recovery. With the current First Home Buyer Choice, the stamp duty burden will continue to fall on those existing homeowners who are seeking to downgrade/upgrade – perhaps for work, education, or other family situations. Therefore, a market inefficiency continues to exist, as stamp duty will continue to discourage people from moving and taking on opportunities.

The **development pipeline** will likely remain well secured for the foreseeable future through public infrastructure and private development. This extends beyond investment in transport, healthcare, and education infrastructure. An increased focus has been positioned on mixed-use developments and placemaking. This relates to the effect of Covid-19 concerning the growing demand for local access to healthcare, local amenities, increased walkability, and active commuting.

The NSW budget aims to strengthen the State's asset base to ensure economic prosperity, while capturing the opportunities associated with the global shift to a low carbon, environmentally sustainable and resilient economy. The current volatility in oil and gas markets presents a significant risk to the State's economic growth and prosperity. The State Government's investment in increasing domestic supply capacity using **renewable energy** will protect the health of the people, improve national security, and boost the State's economy by creating new careers for residents. This investment comes in a time of high unreliability of coal-fired power stations and the increasing need to address the physical risk of climate change.

With **Australia's living costs soaring**, residents have seen spiraling petrol prices and expensive household goods. The NSW State Government has addressed cost-of-living pressures by

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implementing measures to boost household budgets. Whilst it is inevitable that living standards will decline in the near term, the State budget has ensured that inflation does not disproportionately affect lower-income earners.

Health sector-related measures will drive community-based delivery of health services and private emergency clinics, as pressures and congestion in the public health sector are expected to continue over the next few years. This should help to improve the efficiency of delivery of healthcare services, which should later flow on to improvement in the supply of healthcare staff.

Regional NSW has been a key focus for the State Government throughout this budget. Measures implemented recognise the importance of supporting connectivity and cherish community-based policies and investments. Significant investment in regional NSW is a result of increased population shifts, and the budget creates a strong focus on continuing growth in both population and the economy of the regions. Significant investments have been made into creating a readiness for any biosecurity risks, however there is a lack of initiatives that create a readiness for natural disaster risk beyond increasing the size of the police force and fire brigade.

Early childhood education supply and affordability are a growing focus for the State. The commitment to an extra year of education for all children recognises the strong evidence-based support for the value of early childhood learning. In addition, bringing pre-school into the formal education system and cost supports help to improve accessibility for families, and recognises the stress it can play on the family budget.

The future proofing measures introduced and reassessed in this budget are a positive reconsideration for the State Government. Significant infrastructure projects such as the fast rail, and investments into industries such as defense, aerospace and MedTech are important areas for the State to invest into to build NSW's competitive capacity against other major international cities.

Measures supporting First Nations people take a community-based approach to support. Listening to First Nations in a meaningful way, and making sure measures implemented are culturally sensitive and takes steps in the right direction towards meaningful reconciliation.

Female employment opportunities and gender-based discrepancies do not have substantial measures in this State budget. Rather, female outcomes are listed as an indirect benefit from increased accessibility to early childhood education, and the budget lists some benefits and targets that they expect to be achieved over the next ten years. The lack of direct measures supporting women in this budget is disappointing, and a lack of focus on women puts NSW behind in offering competitive employment opportunities.

The reduction in the discount available for early payment of **land tax** to 0.5% will have a more significant impact on commercial property owners rather than residential owners. A 2% increase to the foreign investor surcharge land tax, now at 4%, may constrain foreign investors' appetite for domestic property assets, including residential properties.