



The  
Treasury

## Annual Report 2010-2011

New South Wales Treasury OFM Annual Report 2010-2011

## Abbreviations Used in this Report

AASB	Australian Accounting Standards Board
ACL	Australian Consumer Law
BAFFAC	Budget and Financial Framework Advisory Committee
BFMD	Budget and Financial Management Directorate
BRCWG	Business Regulation and Competition Working Group
BSVP	Better Services and Value Plan
BSVT	Better Services and Value Taskforce
CD	Corporate Directorate
CE	Crown Entity
CGC	Commonwealth Grants Commission
CMD	Commercial Management Directorate
COAG	Council of Australian Governments
CPMS	Capital Performance Management System
CRC	COAG Reform Council
DFS	Department of Finance and Services
DII	Department of Industry and Investment
DPC	Department of Premier and Cabinet
DSTA	Department of Services, Technology and Administration
EAP	Employee Assistance Program
EECD	Economic, Environment and Communities Directorate
EEO	Equal Employment Opportunity
ERD	Expenditure Review Directorate
FED	Fiscal and Economic Directorate
FMF	Financial Management Framework
FOI	Freedom of Information
FRA	Fiscal Responsibility Act 2005
FTE	Full-Time Equivalent
GFC	Global Financial Crisis
GIPA	Government Information (Public Access) Act 2009
GSP	Gross State Product
GST	Goods and Services Tax
HoTs	Heads of Treasuries
HSAR	Housing Supply and Affordability Reform
HSSD	Human and Social Services Directorate
HWIF	Home Warranty Insurance Fund
ICT	Information and Communication Technology
IGA FFR	Intergovernmental Agreement on Federal Financial Relations
IPART	Independent Pricing and Regulatory Tribunal
LPMA	Land and Property Management Authority
NCOS	Net Cost of Services
NHRA	National Health Reform Agreement
OFM	Office of Financial Management
OH&S	Occupational Health and Safety
OSR	Office of State Revenue
PAFA	Public Authorities (Financial Arrangements) Act 1987
PAR	Performance Agreement and Review
PF&A	Public Finance and Audit Act 1983
PPE	Property Plant and Equipment
PPIP	Privacy and Personal Information Protection Act 1998
PPP	Public-Private Partnership
RTA	Roads and Traffic Authority
S&P	Standard and Poor's
SAP	OFM Corporate Accounting / HR System
SBI	Statement of Business Intent
SBR	Standard Business Reporting
SCI	Statement of Corporate Intent
SiCorp	NSW Self Insurance Corporation
SOC	State Owned Corporation
TAM	Total Asset Management
TCorp	NSW Treasury Corporation
TMF	Treasury Managed Fund
TOES	Treasury Online Entry System
TPP	Treasury Policy and Guidelines Paper
TRP	Treasury Research and Information Paper
WAMC	Waste Assets Management Corporation

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**This annual report can be accessed at**  
**the NSW Treasury website**  
**[www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)**

**The total external costs**  
**of producing this annual report were**  
**\$11,621.50 (GST included)**

**28 October 2011**  
**ISSN 1322-8102**



The Hon Mike Baird MP  
NSW Treasurer  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Treasurer

I have pleasure in submitting NSW Treasury's Annual Report 2010–11 for presentation to the NSW Parliament in accordance with the *Annual Reports (Departments) Act 1985*. This volume reports on the operations and performance of the Office of Financial Management (OFM), together with the consolidated financial statements covering the operations of:

- § OFM and the Office of State Revenue (OSR) for the nine-month period 1 July 2010 to 3 April 2011
- § OFM only for the three-month period 4 April 2011 to 30 June 2011.

This situation reflects the transfer of OSR to the Department of Finance and Services (DFS) on 4 April 2011 as part of the machinery of government changes occurring at that time. Details about the operations and performance of OSR are covered in reports prepared by DFS.

This volume also includes selected information about the operations and performance of the Crown Entity (and its related entities) and the NSW Self Insurance Corporation (SICorp). Further details are published in their respective annual reports.

Yours sincerely

**Philip Gaetjens**  
Secretary  
28 October 2011

# Table of Contents

Abbreviations Used.....	Inside front cover
Submission Letter .....	i
Table of Contents .....	ii
<b>Introduction and Overview .....</b>	<b>1</b>
<b>Achievement Highlights 2010–11 .....</b>	<b>2</b>
<b>Secretary’s Message .....</b>	<b>3</b>
<b>Executive Team.....</b>	<b>4</b>
<b>Purpose, People, and Priorities.....</b>	<b>7</b>
Purpose.....	7
People.....	8
Priorities .....	9
OFM’s Results Logic Diagram .....	10
Operating Expenditure .....	11
Capital Expenditure.....	12
<b>Performance Measurement Framework.....</b>	<b>14</b>
Key Performance Measures.....	14
A High Credit Rating: OFM’s Leading Performance Indicator.....	15
Other Measures of Effectiveness .....	16
Other Measures of Efficiency .....	17
<b>NSW’s Economic and Fiscal Environment.....</b>	<b>18</b>
Economic Factors .....	18
Fiscal Influences and Responses .....	18
<b>Objective 1: Strong State Finances.....</b>	<b>20</b>
State Fiscal Strategy .....	20
Fiscal Settings and Models .....	21
State Revenue Strategy.....	21
Financial Management Framework.....	22
Public Sector Financial Management and Reporting .....	23
Crown Finances and Insurance Schemes.....	25
An Efficient, Affordable Public Service.....	27
Other Reforms to Increase the Productivity of Government Agencies .....	30
<b>Objective 2: A Competitive State Economy .....</b>	<b>31</b>
Effective Infrastructure Planning and Management .....	31
Well-Performing Government Businesses .....	32
Asset Sales and Transactions.....	32
Public-Private Partnerships.....	33
Sectoral Reform .....	34
<b>Objective 3: A Key Role for NSW in Intergovernmental Financial Arrangements .....</b>	<b>36</b>
Commonwealth–State Financial Relations .....	36
COAG Reform Agenda .....	38
Commonwealth Grants Commission.....	41
Other Intergovernmental Initiatives .....	42
<b>Objective 4: Sound Internal Management .....</b>	<b>44</b>
A Values-Based Workplace .....	44
Support for Our People .....	45
Staff Development .....	49
Performance Management.....	50
Stakeholder Communication .....	50
Government Information (Public Access).....	51
Planning and Research.....	51
Good Governance.....	53
<b>Audit Requirements.....</b>	<b>55</b>
<b>Financial Statements.....</b>	<b>63</b>
<b>Appendices .....</b>	<b>109</b>
<b>Index .....</b>	<b>137</b>

## Introduction and Overview

The NSW Treasury Annual Report 2010–11 reports on the Office of Financial Management's (OFM's) operations and performance against OFM's corporate planning framework. The framework encompasses four high-level objectives — three externally focused and one internally focused.

OFM's High-Level Objectives	
Objective 1	Strong state finances
Objective 2	A competitive state economy
Objective 3	A key role for NSW in intergovernmental financial arrangements
Objective 4	Sound internal management

OFM's four high-level objectives provide the primary structure for the 2010–11 annual report. The reporting is both quantitative (encompassing a broad spectrum of effectiveness and efficiency measures) and qualitative (recounting OFM's most important achievements under each objective).

OFM manages the activities of the Crown Entity (and its related entities) and the NSW Self Insurance Corporation (SICorp). Selected information about the Crown Entity's and SICorp's operations and performance is contained within this report. Further details are published in their annual reports.

The entities constituting the NSW Treasury Cluster are shown in Table 1 on page 8.

# Achievement Highlights

## 2010–11

- ∅ We provided evidence-based policy advice on **fiscal and revenue reform strategies** to the **Commission of Audit** [see pages 19, 30, and 52].
- ∅ We completed a statutory five-year review of the **Fiscal Responsibility Act 2005** [see page 21].
- ∅ We developed a **long-term forecasting model** to determine the state's **fiscal pressures in the period to 2050** [see page 21].
- ∅ We developed a comprehensive **financial management reform program** [see page 23].
- ∅ We commenced preparation for the **2011–12 State Budget** [see page 24].
- ∅ We implemented a new **Home Warranty Insurance Scheme** [see page 26].
- ∅ We completed **19 expenditure and performance reviews** to identify cost savings and efficiency gains [see pages 27–29].
- ∅ We worked with central agencies to advise the government on **public sector wages and excess employees** [see page 29].
- ∅ We reviewed the **governance practices of the boards of state owned corporations (SOCs)** and started implementing the recommendations [see page 32].
- ∅ We led the sale of the government-owned waste services business, WSN Environmental Solutions, **for \$234 million** [see page 33].
- ∅ We worked with the Energy Reform Unit to sell three government-owned energy retail businesses and transact two gen-trader contracts over two government-owned generation businesses **for a total of \$5.3 billion** [see page 33].
- ∅ We helped develop the **Metropolitan Plan for Sydney 2036** [see page 34].
- ∅ We participated in **national health reform negotiations** to ensure the funding model and governance arrangements provide a sound basis for managing financial risk [see page 39].
- ∅ We influenced the COAG reforms needed to **increase the supply and affordability of housing** [see page 41].
- ∅ We strongly presented to the Commonwealth Grants Commission NSW's views on **the distribution of GST payments among the states** [see page 41].
- ∅ We developed an integrated briefing package for the incoming government that recommended **strategic positions on a range of economic and financial issues** [see pages 51–52].

## Secretary's Message



I commenced as Secretary on 15 August 2011. It is therefore perhaps unusual, but nevertheless incumbent on me, to write the Secretary's Message for this annual report.

Firstly, I would like to acknowledge the contributions of the two former Treasury Secretaries who served the government of NSW over the 2010–11 year: Michael Schur, who was Secretary for the period 3 March 2009 to 28 March 2011; and Michael Lambert, who was appointed Acting Secretary on 29 March 2011 and who stayed until my appointment.

The achievements highlighted on the adjacent page were undertaken under their leadership. They are a testament to the focus, diligence, and professionalism of the individuals who work for NSW Treasury.

It is a great privilege for me to be the 25th Secretary of Australia's oldest continuing government agency. I have already met many capable and dedicated people, not only within NSW Treasury but across the NSW public sector generally, and I look forward to my role with great enthusiasm.

Our Treasurer, the Hon Mike Baird MP, is right to point out that if the state of NSW is to keep its triple-A credit rating, it is not enough for NSW Treasury to work hard and conscientiously — we need to work hard and conscientiously *and in genuine collaboration* with other state government agencies. Professional relationships based on mutual trust, respect, and co-operation will provide the best platform to discover new and innovative ways to put the state's finite resources to the best possible use.



**Philip Gaetjens**

Secretary

28 October 2011

# Executive Team

## Secretary



### Deputy Secretary, Kevin Cosgriff | Fiscal & Economic Directorate

- § Advises on fiscal and revenue strategy, tax policy, and intergovernmental strategy
- § Advises on economic conditions and strategy, and microeconomic reform
- § Co-ordinates high-impact policy issues that have sector-wide implications



### Deputy Secretary, Mark Ronsisvalle | Budget & Financial Management Directorate

- § Co-ordinates the state budget process and the Report on State Finances
- § Advises on public sector management systems and reform for the general government sector
- § Oversees the operations of the Crown Entity and the NSW Self Insurance Corporation



### Deputy Secretary, Stephen Brady | Expenditure Review Directorate

- § Implements the Expenditure Review Program
- § Conducts agency and whole-of-government expenditure and performance reviews to identify savings and efficiency gains
- § Advises on public sector wages and excess employees policy



### Deputy Secretary, Caralee McLiesh | Human & Social Services Directorate

- § Advises on the efficiency and effectiveness of public sector agencies in the human and social services sectors
- § Advises on federal/state reforms to health and other human and social services
- § Co-ordinates OFM's evidence-based approach to policy/program formulation



### Deputy Secretary, Richard Timbs | Commercial Management Directorate

- § Advises the NSW Treasurer in his role as shareholder (state owned corporations and public trading enterprises)
- § Advises on property and public-private partnerships
- § Manages the Asset Management Taskforce, which has responsibility for business and asset sales



### Deputy Secretary, Matt Roberts | Economic, Environment & Communities Directorate

- § Advises on the efficiency and effectiveness of public sector agencies in the transport, communities, planning, environment, and government services clusters
- § Supports sector-wide reforms and whole-of-government planning
- § Participates in COAG reforms and negotiations with the federal government



### Deputy Secretary, Anne Ellison | Corporate Directorate

- § Manages the delivery of corporate services including people and performance management, information management and technology, stakeholder communication, corporate finance strategy, and executive and ministerial services

**Secretary, Michael Schur**  
**BA (Econ) (Hons) MSc (Econ) MComm (Econ)**  
**SES Level 8, Remuneration \$496,232**  
 Last day of service 28 March 2011

**Acting Secretary, Michael Lambert**  
**BEC (Hons) MEC**  
**SES Level 8, Remuneration \$453,250**  
 First day of service 29 March 2011

**Deputy Secretary, Kevin Cosgriff | Fiscal & Economic Directorate**

**BSc (Hons) MA (Econ), SES Level 6, Remuneration \$339,832**

Completed the five-year review of the *Fiscal Responsibility Act 2005* which defines medium- and long-term fiscal targets. Developed key sections of OFM's post-election briefings to the new government. Made major contributions to the HoTs Review of National Agreements, National Partnerships, and Implementation Plans.

**Deputy Secretary, Mark Ronsisvalle | Budget & Financial Management Directorate**

**BEC PSM, SES Level 6, Remuneration \$339,832**

Directed preparation of the 2010–11 Report on State Finances and the Half-Yearly Review. Commenced preparation of the 2011–12 State Budget. Developed a comprehensive financial management reform program (including a new appropriation framework).

**Deputy Secretary, Stephen Brady | Expenditure Review Directorate**

**BCom (Hons) LLB (Hons), SES Level 6, Remuneration \$334,292**

Completed 19 reviews of NSW agencies, government businesses, and whole-of-government service areas; and identified opportunities to bring expense growth to a sustainable level without reducing service levels. Worked with DPC and DFS to develop the government's wages and excess employees policies.

**Deputy Secretary, Caralee McLiesh | Human & Social Services Directorate**

**BEC (Hons) PhD (Finance), SES Level 6, Remuneration \$322,594**

Participated in COAG health reform negotiations. Oversaw the investigation into social policy reforms to support the incoming government and advise the Commission of Audit. Led work on the development of social benefit bonds.

**Deputy Secretary, Richard Timbs | Commercial Management Directorate**

**BEC (SocSc) F Fin, SES Level 6, Remuneration \$305,370**

Led the sale of the government's waste services business to the private sector for \$234 million. Oversaw reviews and reforms of state owned corporations and the Commercial Policy Framework. Member of the steering and other working groups for the \$5.3 billion energy reform transactions.

**Deputy Secretary, Matt Roberts | Economic, Environment & Communities Directorate**

**BEC MEC, SES Level 6, Remuneration \$278,357**

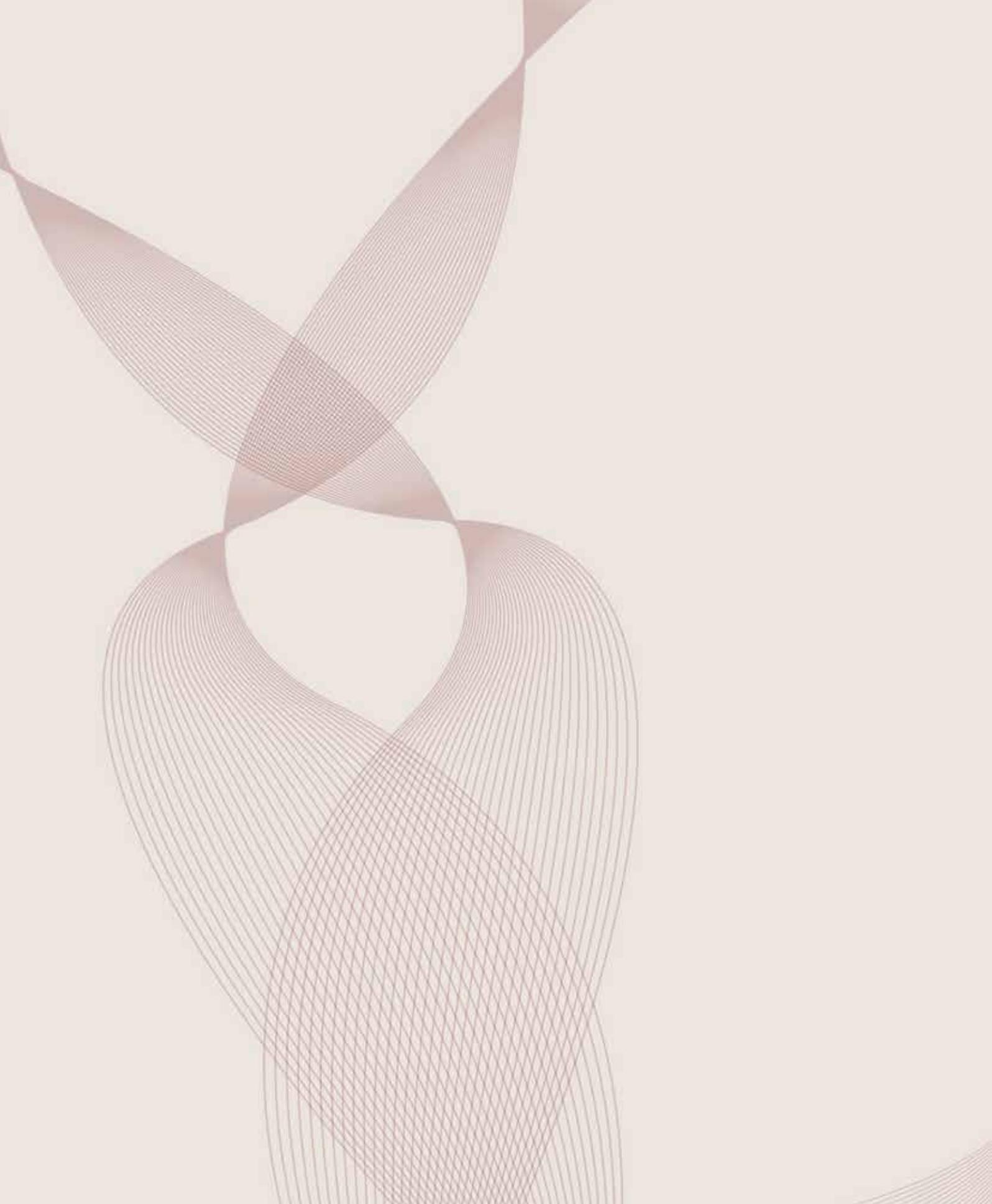
Assisted with the development of the Metropolitan Plan for Sydney 2036. Investigated potential economic reforms and structural changes in transport and planning to support the incoming government, drive development, and advise the Commission of Audit.

**Deputy Secretary, Anne Ellison | Corporate Directorate**

**BA Dip Ed MComm, SES Level 5, Remuneration \$241,251**

Led the restructure of corporate operations, creating an integrated corporate function and strengthening support for critical organisation processes. Led OFM's response to the expenditure review, which proposed savings strategies over the forward estimate years. Initiated improvements to OFM's information systems.

Executive remuneration = annualised total monetary remuneration and the value of employment benefits as per employment contracts. In line with public sector policy, there were no performance-related incentive payments.



# Purpose, People & Priorities

## PURPOSE

NSW Treasury is the NSW Government's main financial and economic adviser. The oldest continuing government agency in Australia<sup>1</sup>, our **mission** is to maintain a strong state balance sheet and encourage a competitive and growing NSW economy for the ongoing benefit of the people of NSW.

Between 1 July 2010 and 3 April 2011, NSW Treasury's operations encompassed the Office of Financial Management (OFM) and the Office of State Revenue (OSR). On 4 April 2011, as part of the machinery of government changes and under an administrative order, OSR was transferred to the Department of Finance and Services.

OFM serves the NSW Treasurer and the NSW Government by ensuring that:

- § state expenditure is appropriate, adequate, efficient, and sustainable
- § state and agency revenue is sufficient and predictable
- § state taxes are competitive, efficient, and equitable
- § assets and liabilities are well managed
- § investment in infrastructure and human and social capital is aligned with medium- and long-term economic needs
- § government interventions are targeted and effective.

During 2010–11 OFM's **services** included:

- § developing and implementing the state's fiscal and revenue strategies
- § managing the state budget process and reporting on the state's finances
- § developing tax, competition, and regulatory policies and reforms
- § developing and co-ordinating the state's infrastructure strategy
- § developing public sector management frameworks and systems
- § managing the Crown's assets and liabilities and administering the government's insurance schemes
- § formulating agency budgets and reviewing agency and whole-of-government expenditure
- § reviewing the performance of state owned corporations (SOCs) and other government businesses
- § monitoring public sector wage growth
- § representing the state's interests in intergovernmental negotiations.

## PRIMARY LEGISLATION ADMINISTERED BY OFM

- § *Public Finance and Audit Act 1983*
- § *Public Authorities (Financial Arrangements) Act 1987*
- § *Fiscal Responsibility Act 2005*
- § *Annual Reports (Departments) Act 1985*
- § *Annual Reports (Statutory Bodies) Act 1984*

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<sup>1</sup> NSW Treasury was established in 1824.

Table 1 shows the group of agencies with strategic alignment with NSW Treasury (known as the Treasury Cluster) before and after 4 April 2011.

**Table 1**  
**NSW Treasury Cluster**

1 July 2010 – 3 April 2011	
NSW Treasury (OFM <b>and</b> OSR)	Workers Compensation (Dust Diseases) Board
NSW Self Insurance Corporation (SICorp)	Building Industry Long Service Payments Corporation
Crown Entity (CE)	Motor Accidents Authority
Electricity Tariff Equalisation Ministerial Corporation*	Lifetime Care and Support Authority
Liability Management Ministerial Corporation*	SAS Trustee Corporation
State Rail Authority Residual Holding Corporation*	FSS Trustee Corporation
Treasury Corporation (TCorp)	Superannuation Administration Corporation
WorkCover	Elements of Lotteries remaining post-sale to Tatts group
Compensation Authorities Staff Division	
4 April 2011 – 30 June 2011	
NSW Treasury (OFM <b>only</b> )	Electricity Tariff Equalisation Ministerial Corporation*
NSW Self Insurance Corporation (SICorp)	Liability Management Ministerial Corporation*
Crown Entity (CE)	State Rail Authority Residual Holding Corporation*
Treasury Corporation (TCorp)	
<b>Note:</b> * Indicates entities that are administered and reported on by the Crown Entity.	

## PEOPLE

### Our Staff

OFM has a diverse and highly educated workforce. Accounting, business, commerce, economics, finance, law, politics, and public policy feature in the degree qualifications of our staff.

At the end of 2010–11 OFM had 356.6 full-time equivalent (FTE) staff. This equates to 368 officers, some of whom worked part-time.<sup>2</sup>

Table 2 shows the number of FTE staff working in each of OFM's seven directorates. It also shows the total number of new graduates and indigenous cadets (who worked in a number of directorates over the 2010–11 period).

<sup>2</sup> Includes all staff on payroll at 30 June 2011 and excludes staff on unpaid leave or secondment.

**Table 2**  
**Full-Time Equivalent (FTE) Staff by Directorate**

Directorate	FTEs
Budget and Financial Management	87.8
Human and Social Services	49.6
Fiscal and Economic	45.7
Economic, Environment and Communities	38.5
Commercial Management	37.2
Expenditure Review	30.0
Corporate*	56.8
Graduates and Indigenous Cadets	11.0
<b>Note:</b> * Includes 22.4 FTE secretarial staff deployed across OFM's directorates.	

## Our Other Stakeholders

In addition to our staff, OFM's stakeholders include:

- § the NSW Treasurer / NSW Government
- § the people and businesses of NSW
- § government agencies
- § government businesses
- § the NSW Parliament
- § the Auditor-General
- § Independent Pricing and Regulatory Tribunal (IPART)
- § rating agencies (such as Standard and Poor's and Moody's)
- § special interest groups.

## PRIORITIES

### What

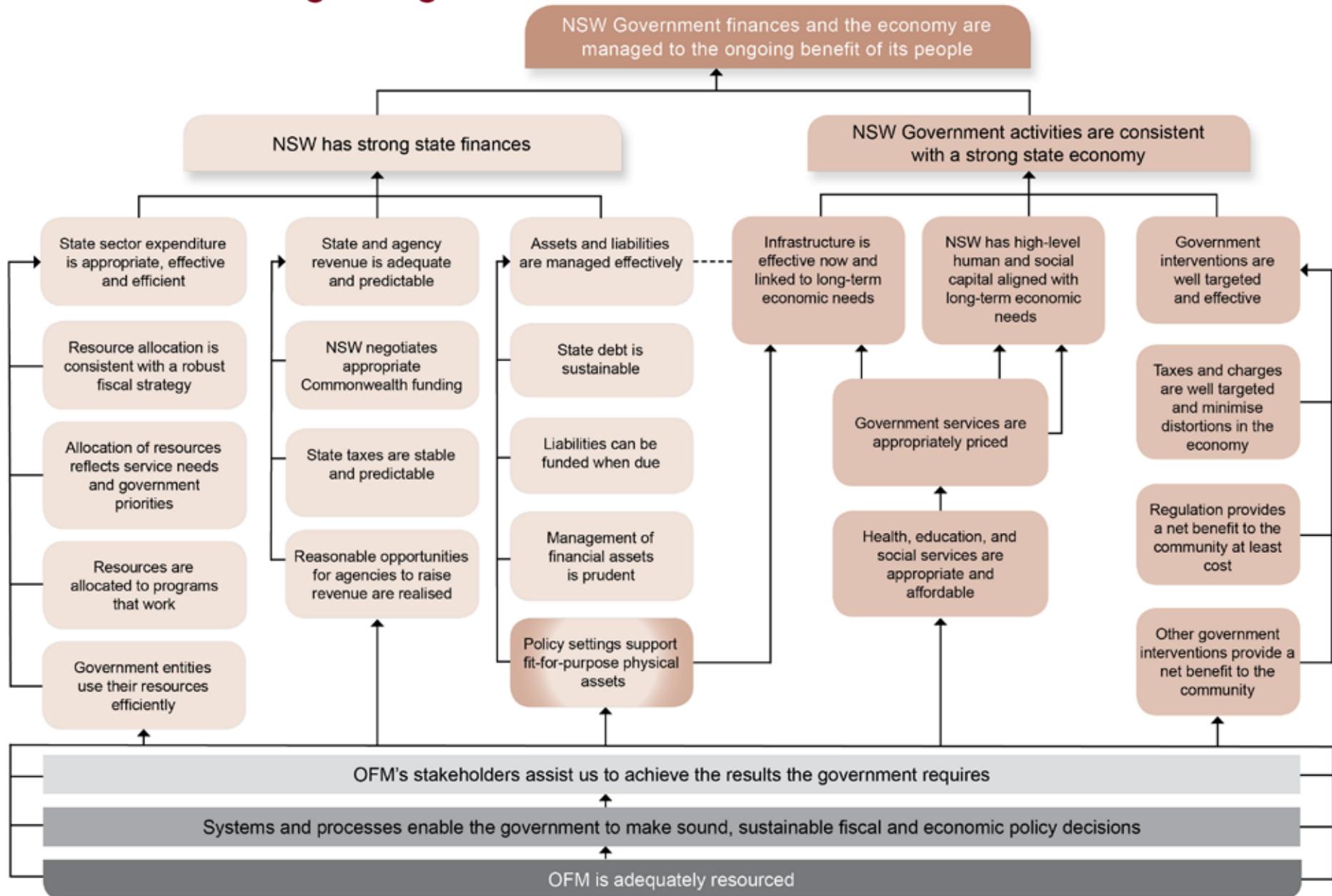
OFM's Results Logic Diagram (presented on page 10) summarises **what** OFM aims to achieve. An important point of reference for management and staff, OFM's Results Logic Diagram clarifies our direction and bounds our priorities.

OFM's four high-level objectives (which summarise the Results Logic Diagram in broad terms) provide the primary structure for this annual report.

### OFM'S HIGH-LEVEL OBJECTIVES

1. Strong state finances
2. A competitive state economy
3. A key role for NSW in intergovernmental financial arrangements
4. Sound internal management

# OFM's Results Logic Diagram



## How

**How** OFM works to achieve our objectives is captured in our corporate, directorate, and branch plans. These plans:

- § document the strategies we have chosen for the short and medium term
- § focus our work efforts and ensure our allocation of internal resources is in line with our priorities
- § are responsive to shifts in economic and social trends, the emergence of new technologies, other changes in our external environment, and feedback showing how well our strategies are working.

## How Well

OFM's Performance Measurement Framework includes a range of effectiveness and efficiency measures for tracking **how well** OFM is performing. Presented on pages 14–17 are the performance measures and outcomes for the five years spanning 2006–07 to 2010–11.

## OPERATING EXPENDITURE

### NSW Treasury's Total Operating Expenditure

Between 1 July 2010 and 3 April 2011 NSW Treasury's operations encompassed the Office of Financial Management (OFM) and the Office of State Revenue (OSR). On 4 April 2011, as part of the machinery of government changes and under an administrative order, OSR was transferred to the Department of Finance and Services. This change affected NSW Treasury's total operating expenditure for 2010–11, limiting comparison with 2009–10 operating expenditure.

**Table 3**  
NSW Treasury's Operations

1 July 2010 to 3 April 2011	4 April 2011 Onwards
OFM and OSR	OFM only

NSW Treasury's total operating expenditure in 2010–11 was \$199.85 million. Table 4 presents OFM's and OSR's operating expenditures in both absolute and relative terms.

**Table 4**  
OFM's and OSR's Operating Expenditure for 2010–11

Accounting period	OFM	OSR
	Full year to 30.06.11	Nine months to 31.03.11
Operating expenses (\$ millions)	74.67	125.18
Share of NSW Treasury's total operating expenditure (%)	37.36	62.64
<b>Note:</b> Treasury Circular 11/09 permits financial reporting under the new structure to commence on 1 April 2011.		

## OFM's Operating Expenditure

OFM's operating expenditure increased by \$5.797 million in 2010–11. This increase was largely due to the acceleration of the Better Services and Value Plan (BSVP) Expenditure Review Program (\$5.27 million). New costs associated with the administration of the Home Warranty Insurance Fund also contributed to the increase.

### *Acceleration of the Expenditure Review Program*

OFM's Expenditure Review Program, initiated in July 2009 under the BSVP, featured general government expenditure reviews, performance reviews of government businesses, and whole-of-government expenditure reviews. The program aimed to secure state budget savings over the forward estimate years and ensure government expenditure is maintained at sustainable levels.

(For more details about the Expenditure Review Program see pages 27–29.)

### *Additional Costs to Administer the Home Warranty Insurance Fund*

On 1 July 2010 OFM took over the responsibility for providing home warranty insurance to address a market failure for this type of consumer protection. Staffing and other costs associated with the administration of the fund contributed to the increase in OFM's 2010–11 operating expenditure.

## OFM's Net Cost of Services

NSW government agencies must report on their net cost of services (NCOS). NCOS is simply total operating expenses for the year less revenue for the year. Table 5 presents OFM's performance on an NCOS basis for the financial years 2006–07 to 2010–11.

**Table 5**  
**OFM's Actual Net Cost of Services Compared to Budget**

Benchmark	2006–07	2007–08	2008–09	2009–10	2010–11
≤ 100%	93.5	95.8	100	94.7	97.8

In 2010–11 OFM reported an actual NCOS result of \$63.356 million, compared with a budget allocation of \$64.753 million. This favourable \$1.397 million result is mainly attributable to increased revenue.

## CAPITAL EXPENDITURE

OFM's original total capital budget for 2010–11 was \$1.765 million, including \$1.38 million for work on a Capital Performance Management System (CPMS) for the NSW public sector. During the year, the CPMS project specifications were reviewed and funding was used to upgrade an existing major capital projects reporting system. As a result, OFM's original capital budget was revised downwards to \$385,000 plus an amount of \$100,000 derived from agency cash.

OFM spent \$439,000 against the total amount of \$485,000, producing a saving of \$46,000. The revised capital budget was used to acquire office equipment (eg desktop computers, printers, and photocopiers) and undertake workspace changes to accommodate changes in our organisational structure.

## Performance Measurement Framework

Key Performance Measures		Target	2006 –07	2007 –08	2008 –09	2009 –10	2010 –11
Strong state finances supporting the delivery and long-run affordability of government services	Maintaining a triple-A credit rating for NSW	Triple A	Triple A	Triple A	Triple A	Triple A	Triple A
	Maintaining a downward trend in general government sector net financial liabilities compared to Gross State Product (GSP)	$\leq 7.5\%$ by June 2010  $\leq 6.0\%$ by June 2015	7.3%	8.0%	12.2%	12.8%	12.0%
Policy settings promoting a competitive state economy	Maintaining infrastructure spending over the medium term – average annual nominal growth since 2005–06	Average annual growth since 2005–06: 4.6% over 10 years to 2015–16	16.7%	15.7%	17.0%	18.3%	15.2%
	Deviation of underlying actual expenses from budget	$\leq +1\%$	+0.2%	+1.8%	+2.7%	+0.3%	<0%
	Keeping the State Budget in surplus	Budget result*	\$795m	\$935m	-\$862m	\$989m	\$1340m
	From 2007–08, the adoption of AASB 1049 resulted in investment revenues being treated differently to previous years. Earlier year results are therefore not directly comparable. * Revised September 2011						
	State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	79.1%	69.2%	56.6%	61.7%	58.5%
	To ensure full funding by the 2030 target, the payments schedule is reviewed as required, including following each triennial funding review. Funding percentage variations reflect volatile investment returns particularly due to the global financial crisis and variations in the discount rate used to value liabilities.						
	NSW's share of GST revenue relative to an equal per capita share	Improved NSW GST relativity	0.87332	0.89079	0.91060	0.93186	0.95205
Achieving an appropriate rate of return on equity in commercial government businesses	$\geq 7\%$	6.2%	6.5%	5.3%	6.9%	6.0%	
Policy settings promoting a competitive state economy	NSW's total state revenue per capita to be less than the average for the other states	NSW $\leq$ Other States	NSW \$6,545 Others \$7,266	NSW \$6,730 Others \$7,445	NSW \$7,088 Others \$7,805	NSW \$7,810 Others \$8,444	NSW \$7,840 Others \$8,636
	<p><b>Note:</b> Commonwealth-specific purpose payments through the states to local government and other bodies are excluded from state revenue for all states.</p> <p>Planned results may be affected by external factors beyond the control of OFM or government. While annual targets for result indicators are not generally applicable, the monitoring of actual data reveals progress towards the results that OFM is ultimately seeking to influence.</p>						
<b>Note:</b>		The budget position has structurally deteriorated, especially over the last five years. Expenses have grown faster than revenues, and the operating balance has weakened. A large and growing capital expenditure program led to increased borrowings. If left unaddressed, these trends would put the state on an unsustainable financial trajectory.					

## A HIGH CREDIT RATING: OFM'S LEADING PERFORMANCE INDICATOR

NSW Treasury's mission is to (1) maintain a strong state balance sheet and (2) encourage a competitive and growing NSW economy for the ongoing benefit of the people of NSW.

Because a high credit rating is an independent measure of a strong state balance sheet and encourages a strong NSW economy, it is OFM's leading performance indicator. The target (which is also a target of the NSW State Plan, known as NSW 2021) is to retain a triple-A credit rating from rating agencies Standard & Poor's (S&P) and Moody's.

In 2010–11 the NSW economy was rated "triple-A and a stable outlook" by both rating agencies. They warned, however, against complacency. For example, in its principal annual rating report issued on 2 December 2010, S&P commented:

*There is minimal tolerance at the AAA-rating level for a structural weakening in the state's operating position or budgetary flexibility.*

On 9 March 2011 Moody's reaffirmed its triple-A rating for NSW, but noted:

*A slowdown in revenue growth during the GFC occurred at a time when the state was already projecting increased budget gaps and rising debt levels due to an elevated spending base and large capital expansion program.*

*NSW corrective budgetary measures will become increasingly important to maintain the state's favourable position. Further budgetary measures may be required to minimize the size of deficits, given the potential for slower growth in revenues and ongoing expenditure pressures.*

On 16 May 2011 S&P reaffirmed the "triple-A with stable outlook", but with the following caveat:

*We expect that the new government, in its September 2011 budget, will balance its anticipated focus on infrastructure investment with cost savings and potentially asset sales to minimize the balance sheet impact and maintain the state's sound operating position.*

Other Measures of Effectiveness*		Target	2006 -07	2007 -08	2008 -09	2009 -10	2010 -11
Advice on economic and fiscal strategies	OFM's tax revenue estimation variation compared with that of other Treasuries	NSW ≤ Other states	NSW 5.8%	NSW 5.6%	NSW -3.8%	NSW 6.2%	NSW 1.0%
	OFM's economic forecasting variation compared with that of other Treasuries	NSW ≤ Other states	NSW 0.8%	NSW 0.4%	NSW 0.6%	NSW 1.0%	NSW nya <sup>2</sup>
Advice on the efficiency and effectiveness of public sector agencies	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100%	SOCs 100%	SOCs 95%	SOCs 100%	SOCs 100%
	Deviation of actual government business dividend and tax equivalent payments from budget estimate	≤ ±10%	All 83%	All 90%	All 84%	All 79%	All 50%
Budget management	OFM's general government expenses estimation variation compared with other Treasuries (ABS basis)	NSW ≤ Other states	NSW 0.4%	NSW 2.3%	NSW 3.9%	NSW 6.2%	NSW <0%
			Others 2.4%	Others 2.2%	Others 3.4%	Others 4.5%	Others nya <sup>1</sup>
Infrastructure, asset management, and procurement	Percentage of state physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	New	New	98%	98%	100%
Financial asset and liability management	Deviation of actual superannuation, debt, and insurance expenses from the budget estimate	≤ ±10%	-24.7%	-17.9%	-16.7%	15.8%	-7.1%
<b>Notes</b>	<p>* The quality of OFM's services is generally within our control. Service measures and associated benchmarks ensure accountability for achieving acceptable standards.</p> <p>nya<sup>1</sup> ABS data was not available at the statutory deadline date for this annual report.</p> <p>nya<sup>2</sup> GSP data for NSW and all other states was not available at the statutory deadline date for this annual report.</p>						

Other Measures of Efficiency		Target	2006 –07	2007 –08	2008 –09	2009 –10	2010 –11
Staff development and wellbeing	Training days per officer	≥ 5 days	4.5 days	4.5 days	4.9 days	3.0 days	4.3 days
	Staff turnover	≤ 20%	13.2%	11.3%	10.7%	8.9%	9.8%
	Sick days per officer	≤ 5 days	6.0 days	5.6 days	5.5 days	6.0 days	5.2 days
Project management	OFM's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	93.5%	95.8%	100%	94.8%	97.8%
	Registered correspondence and projects completed by due date*	≥ 80%	83%	86%	83%	81%	71%
Performance management	Staff participating in OFM's Performance Agreement and Review scheme	100%	59%	83%	66%	79%	65%
Adherence to OFM values	Staff believing OFM's values are adhered to**	≥ 90%	89%	87%	89%	92%	91%
<p><b>Notes:</b></p> <p>* The 2010–11 result was due to the increased workload associated with the NSW election (as evidenced in the performance reports for February and March 2011). NSW Treasury expects to meet the KPI in 2011–12.</p> <p>** This includes both "favourable" and "neutral" responses.</p>							

# NSW's Economic & Fiscal Environment

## ECONOMIC FACTORS

OFM prepared the 2010–11 State Budget in Autumn 2010. At this time the Australian and NSW economies were expected to continue to grow at above-trend rates in 2010–11 and 2011–12. A transition away from stimulus-generated growth to strong and sustainable growth in all components of private sector demand was expected.

As 2010–11 progressed, however, a number of factors led to downward revisions in both Australia's and NSW's economic growth rates and lower-than-expected state revenues. These factors were:

- § Australian households continued to be cautious spenders and borrowers (a downside risk identified in the 2010–11 State Budget and Half-Yearly Review), increasing the household savings ratio and reducing the growth in retail spending and GST revenue.
- § Despite a continued recovery in dwelling investment, the property market softened overall, slowing the rate of property sales more quickly than expected and reducing the growth in transfer duty revenue.
- § The recovery in private business investment was slower than expected.
- § Although employment growth was stronger than expected, total hours worked remained unchanged, leaving payroll revenue as expected.
- § The exchange rate was stronger than expected, making NSW's manufacturing and service sectors less competitive.

### ECONOMIC FACTORS REDUCING GROWTH AND REVENUE IN 2010–11

Lower-than-expected retail spending

Increased household savings ratio

Lower-than-expected property sales

Flat total hours worked

A stronger-than-expected currency

## FISCAL INFLUENCES AND RESPONSES

At the time the 2010–11 State Budget was released, the expected result was a \$773 million surplus in 2010–11 and a \$792 million surplus (on average) for the following three years. Revenue growth was expected to improve as the economy regained strength, and aggregate expenditure growth was expected to slow as a result of the efficiency gains driven by the Better Services and Value Plan (see page 27). This was projected to bring an early return to sustained budget surpluses, while continuing to provide support for the economy as the transition to a private-sector led recovery was completed.

Weaker economic trends both domestically and overseas led to a downgrading of budget revenues in the Half-Yearly Review and again in the second half of 2010–11.

The projected 2010–11 surplus was revised downwards to \$167 million at the time of the Half-Yearly Review. This was due to a \$437 million downward revision in GST revenue (brought about by slower-than-expected growth in household consumption) and a downward revision in transfer duty revenue (brought about by a more subdued-than-expected property market).

State debt and interest expenses decreased with the sale of electricity assets mid way through 2010–11. This was offset, however, by reduced dividend income.

Following the state election in March 2011, the new government launched an inquiry into the electricity asset transactions. It also commissioned an independent audit of the state's finances (referred to as the Commission of Audit).

Part 1 of the Commission of Audit Report (released 27 April 2011) raised the 2010–11 State Budget result to a \$365 million surplus, while sharply lowering the estimates for the forward years. The total variance in the financial position for the budget year and the three forward estimate years presented in March 2011 relative to the Half-Yearly Review was a deterioration of \$1,933 million. In net terms this was attributable to a weaker outlook for revenues, with downgrades to GST, transfer duty, payroll tax, fines, fees, and financial distributions.

Following the state election in March 2011, OFM's Executive updated the incoming government on the state budget situation and the state's reform options.

Since Part 1 of the Commission of Audit Report was released, the 2011–12 State Budget has been presented (September 2011) and the Report on State Finances has been released (October 2011). These reports show an improvement in the state's finances consistent with a number of government policy measures.

# Objective 1: Strong State Finances

This section covers:

- State fiscal strategy
- Fiscal settings and models
- State revenue strategy
- Financial management framework
- Public sector financial management and reporting
- Crown finances and insurance schemes
- An efficient, affordable public service
- Other reforms to increase the productivity of government agencies

## STATE FISCAL STRATEGY

The state fiscal strategy is the cornerstone of the government's framework for managing state resources on behalf of the community. The "umbrella" strategy for all the reforms under this objective, the strategy includes all the advice, policies, and programs designed to achieve fiscal outcomes that deliver a strong state balance sheet and secure a triple-A credit rating.

The fiscal strategy announced in the 2010–11 State Budget was based on three key elements:

- § Keeping net debt and other financial liabilities at sustainable levels and maintaining the capacity to absorb fiscal shocks (such as periods of weak economic growth) without requiring sharp fiscal adjustments.
- § A competitive tax regime conducive to business investment supporting productivity and economic growth.
- § Sustainable aggregate expenditure growth at levels consistent with long-run revenue growth.

### STATE FISCAL STRATEGY: AN EXAMPLE OF OFM'S COLLABORATIVE CULTURE

The state fiscal strategy aims to support the improvement of public services over time, while ensuring tax rates remain competitive.

The strategy starts with OFM's Fiscal and Economic Directorate's advice on fiscal policy. Our resource allocation directorates (Economic, Environment and Communities, and Human and Social Services) then work with line agencies to apply the strategy. Finally, our Budget and Financial Management Directorate works within the state fiscal strategy framework to formulate and report against the NSW State Budget.

## FISCAL SETTINGS AND MODELS

### Medium- and Long-Term Fiscal Targets

The state’s medium- and long-term fiscal targets inform the state fiscal strategy. Defined by the *Fiscal Responsibility Act 2005* (FRA), the current targets are:

- § general government net financial liabilities as a share of Gross State Product (GSP) reduced to 7.5 per cent or less by June 2010, and to 6 per cent or less by June 2015
- § general government underlying net debt maintained as a share of GSP at or below the June 2005 level
- § total state sector unfunded superannuation liabilities eliminated by June 2030.

OFM completed a statutory five-year review of the FRA in 2011. Tabled in the NSW Parliament on 15 June 2011, the review found that many of the targets and principles of the FRA had not been met. The new government’s Commission of Audit will review the state fiscal strategy and related legislation, and its advice will inform any proposed revisions to the FRA.

### Medium- and Long-Term Fiscal Models

In 2010–11 OFM conducted substantial research to redevelop a long-term (ie a 40-year timeframe) fiscal model. Among other factors, the redeveloped model will enable us to determine the impacts of an ageing population on the NSW economy and the state’s balance sheet. In accordance with the FRA, we published our research findings in the 2011–12 Budget Papers.

In 2010–11 we also improved our medium-term (ie 10-year timeframe) fiscal model, and used the improved model to:

- § test the affordability of the capital expenditure projections for the state’s infrastructure strategy
- § provide advice on other government policy decisions
- § inform the Commission of Audit.

#### SOURCES OF REVENUE FOR THE STATE 2010–11

	%
Federal government	45
State taxes	35
Sales, fines, fees, dividends, and distributions	20
	100

## STATE REVENUE STRATEGY

The state revenue strategy aims to ensure sufficient revenue to deliver public services, while at the same time minimising the tax impacts on households and businesses. As such, the strategy encompasses all the reform initiatives designed to improve the efficiency of the state’s revenue sources.

In 2010–11 the NSW Government collected approximately \$57 billion in revenue. Federal government funding accounted for approximately 45 per cent of this amount. The remaining 55 per cent came from state

taxes (approximately 35 per cent) and the sale of goods and services, fines, fees and dividends, and distributions from public trading enterprises (approximately 20 per cent).

### Tax Policy

Building on the federal government's Henry Tax Review ("Australia's Future Tax System"), OFM provided advice on revenue reform options to the incoming government. We also drafted the NSW Government's submission to the federal government's tax forum held in October 2011.

### Amendments to Legislation

Following the change of government in March 2011, OFM implemented a number of revenue measures jointly with the Department of Finance and Services. These measures included:

- § extending the Seniors Transfer Duty Exemption<sup>3</sup> to people aged 55 or over, with effect from 1 July 2011
- § providing payroll tax rebates up to \$4,000 per new employee over two years to employers who create the first 100,000 new jobs between 1 July 2011 and 30 June 2013.

OFM also worked with the Department of Finance and Services and the NSW Department of Tourism, Major Events, Hospitality and Racing to develop legislation to lower the tax rates for poker machines in clubs. The legislation was passed in 2011–12, giving effect to the changes from 1 September 2011.

We also worked with the Office of Liquor, Gaming and Racing to provide a rebate (effective from 31 December 2010) to the Totalisation Agency Board's premium customers.

## FINANCIAL MANAGEMENT FRAMEWORK

The Financial Management Framework (FMF) helps to link planning decisions with budget decisions, both within agencies and across the NSW State Budget generally. OFM's Budget and Financial Management Directorate is responsible for the development and application of the FMF, including the annual compilation of

### OFM: NSW'S LEAD ADVISER ON REVENUE STRATEGY AND TAX POLICY

OFM is NSW's lead adviser on revenue strategy, including tax policy and intergovernmental financial arrangements.

In April 2011, following the change of government in March 2011, responsibility for the administration of tax legislation was transferred from the NSW Treasurer to the Minister for Finance and Services. The Office of State Revenue (OSR), which collects state taxes, was also transferred to the new department. Responsibility for the overall design of tax policy, however, remains with OFM.

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<sup>3</sup> This exempts people aged 55 or over from stamp duty on the purchase of a newly built home costing up to \$600,000. The original exemption age was 60 years and over.

the NSW State Budget and the Report on State Finances. OFM's two resource allocation directorates (Economic, Environment and Communities, and Human and Social Services Directorates) monitor the application of the FMF within agencies.

The focus of OFM's FMF work in 2010–11 was the development of a comprehensive reform program for consideration by the government following the state election in March 2011. The reform program included measures to ensure tighter budget compliance and accountability and better processes for prioritising expenditure.

During 2010–11 OFM continued to act as chair and secretariat for the national Budget and Financial Framework Advisory Committee (BAFFAC). The Heads of Treasuries (HoTs) established BAFFAC in November 2004 to provide a forum at senior officer level to develop and exchange ideas and research on contemporary budgeting and financial management reforms. Issues addressed during the year included evidenced-based policy advice and financial management and accountability frameworks for the general government sector.

## PUBLIC SECTOR FINANCIAL MANAGEMENT AND REPORTING

### Accounting, Financial, and Reporting Standards

OFM is responsible for ensuring best practice accounting, financial, and reporting standards in the NSW public sector. During the year we:

- § advised agencies about the financial and annual reporting implications of the April 2011 agency restructures
- § advised agencies and government on changed Australian Accounting Standards and reviewed, amended, and implemented policies as required
- § participated in inter-jurisdictional committees and working groups, including commenting on proposed changes to Australian Accounting Standards
- § amended the financial and annual reporting legislation
- § remade the financial and annual reporting regulations (which were due for repeal in 2010) in accordance with the *Subordinate Legislation Act 1989*.

### Internal Audit and Risk Management Policy

In August 2009 OFM issued a revised Internal Audit and Risk Management Policy. The policy aims to ensure public sector agencies maintain organisational arrangements that provide additional assurance (independent from operational management) on internal audit and risk management.

OFM has been monitoring the policy's implementation, and we have found that a large number of agencies are attesting compliance with its requirements. In 2010 the Auditor-General conducted a separate survey on

agency implementation of the policy and recommended developing guidance on agency cluster arrangements and risk management. In the coming year we will revise the policy to address these issues. We have established a reference group of agency practitioners to benefit from their expertise and to assist us with the development of guidelines.

### Reporting on State Finances

Accurate, informative, and timely reports on state finances help to ensure accountability for the use of public funds. During 2010–11 monthly financial statements were issued along with the annual Report on State Finances and the Half-Yearly Review.

Following the state election in March 2011, OFM has been assisting the new government to implement its election commitments through the NSW State Budget and to meet its promise to deliver the 2011–12 State Budget on 6 September 2011.

### Line Agency Reporting

#### *Early Close Procedures*

OFM worked with the Audit Office in 2010–11 to expand the “early close procedures” pilot to include the 50 largest government agencies. The pilot required these agencies to prepare financial statements (or at least key components of them) at the end of March or April for audit review to identify any issues before the end of the financial year.

The objective of the early close procedures is to improve accuracy and timeliness. Early identification and resolution of accounting treatments and other issues facilitate the finalisation of accounts. OFM will evaluate the results of the 2010–11 early close procedures with the aim of applying the procedures to additional agencies in 2011–12. OFM’s objective is to bring forward the date for publication of agency annual reports and the Report on State Finances.

#### *Treasury Online Entry System*

During 2010–11 OFM’s financial systems were reconfigured to reflect the government’s revised agency amalgamation structure. A subsequent review of the Treasury Online Entry System (TOES) highlighted the need for streamlining the data entry process for agencies. The data upload facility was improved and extended to additional data sets. Agencies now have greater flexibility and a more efficient mechanism to comply with our data requests.

#### *New Process for Certifying Financial Reporting Systems*

During 2010–11 OFM introduced a new annual process for certifying financial reporting systems. The process required chief financial officers to certify by 31 March 2011 that their agencies have effective systems, processes, and internal controls to ensure the monthly and annual financial information provided to NSW

### THE STATE BUDGET

Information on the 2011–12 State Budget, including all the budget papers, is available at [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au).

Other reports on NSW’s finances can be accessed at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

Treasury is relevant and reliable. The aim of this initiative is to help improve the quality of financial information provided to the government.

### Total Asset Management Policy

Total Asset Management (TAM) is a strategic approach to capital investment planning and management on a rolling 10-year basis. TAM asset strategies and capital expenditure information outline how an agency aligns its asset planning with its service delivery priorities and strategies within the limits of available resources. Individual projects within agency TAM plans are submitted in the annual state budget process along with supporting business cases for funding approval.

In 2010 OFM conducted a strategic review of the TAM process. The review found there is scope to improve the current process by:

- § improving asset management knowledge across the sector
- § updating and rationalising TAM requirements and guidance
- § engaging effectively with agencies.

OFM has simplified the requirements for capital expenditure information and updated the TAM guidance on our website. Since the review was completed we have introduced processes to improve co-ordination of TAM with other agencies.

OFM continues to work with key stakeholders to improve asset management and planning in the NSW public sector.

### CROWN FINANCES AND INSURANCE SCHEMES

OFM is responsible for whole-of-government financial asset and liability management. In particular, we are responsible for managing:

- § the Crown's financial assets and liabilities that are the overall responsibility of government, not particular agencies (eg public sector superannuation liabilities and interest payments on government debt)
- § the government's insurance schemes (through the NSW Self Insurance Corporation).

#### NSW SELF INSURANCE CORPORATION

The NSW Self Insurance Corporation (SICorp) is a not-for-profit statutory body and a branch of the Budget and Financial Management Directorate of OFM.

SICorp administers the government's self-insurance scheme, known as the Treasury Managed Fund (TMF), and the Home Warranty Insurance Fund (HWIF).

SICorp's Annual Report 2010–11 provides more detailed information about SICorp's TMF and HWIF achievements.

The report can be accessed at [www.sicorp.nsw.gov.au](http://www.sicorp.nsw.gov.au).

Because both the Crown Entity (CE) and the NSW Self Insurance Corporation (SICorp) report on their operations and performance in their own annual reports, only highlights of the 2010–11 year are presented here.

### Superannuation and Liability Management

- § CE received \$234 million from the sale of the government's waste services business, WSN Environmental Solutions (see page 33).
- § Following an approach from NSW Health, CE agreed to take over the long service liabilities of NSW Health (valued at \$1.6 billion) to bring arrangements in line with other budget sector agencies.
- § Superannuation liability and asset forecasts were examined as part of the State Super actuarial triennial review. The review confirmed that the CE funding plan advised in the 2009–10 State Budget would fully fund State Super's liabilities by 2030. The 2010–11 State Budget increased funding in the short to medium term to align the long-term growth in superannuation funding and state budget expenses (forecast at 5 per cent per annum).
- § The triennial review also advised that, under current funding arrangements, employer reserves for some universities are forecast to be depleted from 2014–15 onwards. NSW does not guarantee university liabilities and State Super cannot make payments if funds are not available.
- § NSW Treasury has been seeking to resolve this matter with the Commonwealth for some time. State Super has also been corresponding with the University of Sydney and the University of NSW to obtain the commitments and guarantees needed to enable State Super to continue paying full lump sum and pension benefits to members while employer reserves are being depleted.

### Home Warranty Insurance Fund

- § Following the withdrawal of major insurance providers from the market, SICorp took over the underwriting of home warranty insurance in July 2010.
- § Key achievements for the first year include the:
  - transfer of all eligible builders without interruption to the supply of insurance
  - implementation of scheme-wide reporting based on an HWIF data warehouse
  - implementation of tools and guidelines to ensure consistent, transparent, and timely underwriting decisions.

## AN EFFICIENT, AFFORDABLE PUBLIC SERVICE

### Expenditure Review Program

In 2010–11 OFM's Expenditure Review Directorate (ERD) continued to implement the Better Services and Value Plan (BSVP) — an initiative announced in the 2009–10 State Budget to identify opportunities to slow public sector expenditure growth over the forward estimate years without adversely affecting service delivery standards.

During 2010–11 ERD reported its findings to the Better Services and Value Taskforce (BSVT). After completing its terms of reference the taskforce was wound up in June 2011.

ERD continues to take the lead role in driving value for money in the public sector, monitoring the implementation of savings measures, and continuing targeted reviews to identify further savings opportunities.

In 2010–11 OFM:

- § completed 19 major reviews including:
  - 10 general government expenditure reviews
  - 7 government business performance reviews
  - 2 whole-of-government expenditure reviews
- § identified opportunities in the period 2010–11 to 2014–15 for agencies to achieve savings targets and operate with more sustainable levels of expenditure
- § improved agencies' awareness of the state's fiscal constraints and developed a shared understanding of goals and challenges
- § achieved high levels of engagement from both the general government and commercial sectors
- § worked in partnership with the Department of Premier and Cabinet and the Department of Finance and Services to develop a new wages policy and excess employees policy
- § created momentum for reform across the NSW public sector
- § provided secretariat support to the BSVT.

The savings identified through expenditure reviews help agencies meet their efficiency targets.

### *General Government Expenditure Reviews*

In 2010–11 OFM reviewed the expenditure of 10 general government agencies.<sup>4</sup> Working in collaboration with each of the agencies and applying an evidence-based approach, the review process identified immediate efficiency opportunities as well as opportunities for longer-term productivity gains.

The 10 general government agencies reviewed were:

- § Department of Premier and Cabinet
- § NSW Police Force
- § Communities NSW (now split between Department of Education and Communities and Department of Trade and Investment, Regional Infrastructure and Services)
- § Department of Industry and Investment (now Department of Trade and Investment, Regional Infrastructure and Services)
- § NSW Treasury (including Office of State Revenue, which is now part of the Department of Finance and Services)
- § Department of Planning and the Land and Property Management Authority (now split between Department of Premier and Cabinet, Department of Finance and Services, and Department of Trade and Investment, Regional Infrastructure and Services)
- § Department of Services, Technology and Administration (now Department of Finance and Services)
- § Transport NSW (now Department of Transport)
- § Roads and Traffic Authority (now part of Department of Transport)
- § WorkCover.

### *Performance Reviews of Government Businesses*

In 2010–11 OFM completed seven reviews of government businesses. Five of the reviews were strategic performance reviews; the other two were cross-sectoral reviews.

**Strategic performance reviews** were undertaken to assess the business's current business model, and to identify (1) likely future pressures and (2) opportunities to improve operational efficiencies. The five government businesses reviewed were:

- § Forests NSW
- § Port Kembla Port Corporation
- § Sydney Water
- § Sydney Catchment Authority
- § RailCorp (preliminary study).

The two **cross-sectoral reviews**, both of which resulted in improvement recommendations, were:

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<sup>4</sup> General government agencies included budget-dependent and non-budget-dependent agencies that are not government businesses.

- § an assessment of the productivity of a range of state owned corporations by the Independent Pricing and Regulatory Tribunal (IPART — engaged in 2009–10), resulting in recommendations to improve productivity
- § a performance review of the boards of state owned corporations by an independent consultant, resulting in recommendations to improve selection and appointment processes, reporting, and administration.

### *Whole-of-Government Expenditure Reviews*

Whole-of-government expenditure reviews focus on expenditures that generally apply across the public sector to identify potential efficiencies and service delivery improvements. The reviews capture all general government agencies (ie budget-dependent and not budget-dependent) and non-commercial public trading enterprises.

In 2010–11 OFM completed the second phase of the information and communication technology expenditure review, and implemented the key recommendations of the 2009–10 review of legal services expenditure. We also commenced new whole-of-government expenditure reviews in the following areas:

- |                                 |   |
|---------------------------------|---|
| § telecommunications            | § procurement                                     |
| § purchasing cards              | § ICT state contracts                             |
| § ICT benchmarking and strategy | § non-government organisation purchased services. |
| § fleet                         |   |

### **Wages Policy**

During 2010–11 OFM:

- § provided advice on 34 bargaining parameter proposals to ensure that wage increases above 2.5 per cent were supported by employee-related cost savings
- § worked with the Department of Premier and Cabinet and the Department of Finance and Services to develop a new wages policy and excess employees policy
- § monitored the implementation of employee-related cost savings.

Keeping total government expenditure at sustainable levels means managing wages growth.

### **NSW Public Sector Restructure**

In April 2011 the newly elected government’s administrative orders became effective. OFM supported the implementation of these orders and co-ordinated the re-alignment of budget and policy responsibilities across the nine new principal departments.

### Commission of Audit

Following the state election in March 2011, the new government commissioned an independent audit of the state's finances. OFM provided support for the Commission of Audit and advised on sector-wide reform options to improve the effectiveness and efficiency of public services.

## OTHER REFORMS TO INCREASE THE PRODUCTIVITY OF GOVERNMENT AGENCIES

### Shared Services Reform

OFM contributed to the development of The Blueprint for Corporate and Shared Services in the NSW Government. Published by the Department of Premier and Cabinet, The Blueprint aims to deliver more integrated and more efficient corporate and shared services over the next three years. Because the approach will create significant economies of scale for the providers of shared services, it will reduce the cost of back-office operations for agencies while increasing back-office productivity and service standards.<sup>5</sup>

### Regulation of Government Advertising

New NSW Government Advertising Guidelines were released by the Department of Finance and Services in April 2010 to strengthen the regulation of government advertising. Government agencies are now required to complete economic appraisals and cost-benefit assessments for all major advertising campaigns. To assist with this, in September 2010 OFM issued a Treasury Circular providing guidance on how to complete an economic appraisal for an advertising campaign.

### Government Radio Network Reform

OFM has been actively engaged in developing and implementing reforms to the provision of government mobile radio services. These services play a critical role in supporting state emergency service operations.

The reforms involve the establishment of a Telecommunications Authority to develop a more integrated, effective, and cost-efficient approach to the delivery of mobile radio infrastructure and services. Agency radio assets will be progressively transferred to the Telecommunications Authority and managed centrally. Telecommunications Authority services will be provided to agencies on a full cost-recovery basis. The reforms will reduce duplication and lead to more effective and efficient radio services.

### State Property and Planning

To identify efficiencies and property-related service delivery improvements, OFM reviews agency property holdings. During 2010–11 OFM completed two reviews and started several others.

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<sup>5</sup> OFM is a member of the ServiceFirst Steering Committee. ServiceFirst is a business unit of the Department of Finance and Services and a shared service provider for a number of agencies. OFM has contributed to the development of the ServiceFirst pricing framework.

## Objective 2: A Competitive State Economy

This section covers:

- Effective infrastructure planning and management
- Well-performing government businesses
- Asset sales and transactions
- Public-private partnerships
- Sectoral reform

### EFFECTIVE INFRASTRUCTURE PLANNING AND MANAGEMENT

#### Planning

During 2010–11 the NSW Parliament passed legislation repealing Part 3A of the *Environmental Planning and Assessment Act 1979* and introducing new arrangements for assessing significant development and infrastructure projects. OFM:

- § advised the government on best practice principles for allocating planning and assessment functions to different levels of government and transitional arrangements
- § continued to work with the Department of Planning and Infrastructure to finalise the state's Environmental Planning Policy and Regulations and prioritise existing projects.

#### Gateway Reviews

The Gateway Review process provides an independent assessment of capital projects at key decision points in the procurement cycle. Since 2004 over 350 reviews have been conducted. In 2010–11 49 reviews were conducted on 76 projects totalling \$7.6 billion, and over 150 individuals (including OFM analysts and members of the public and private sectors) participated as gateway reviewers.

Of the projects listed in the 2010–11 Budget Paper No.4 Infrastructure Statement, 80 per cent were reviewed at the mandated gates.

### WELL-PERFORMING GOVERNMENT BUSINESSES

#### Commercial Policy Framework

OFM undertakes the shareholder monitoring function for all state owned corporations (SOCs).<sup>6</sup> Our goal — to maximise the financial performance of each SOC within the context of its business objectives — is achieved through our Commercial Policy Framework.

In 2010–11 OFM revised the way we evaluate the commercial performance of government businesses. We are now applying the revised approach to analyse and report on each commercial agency's financial performance, capital structure efficiency, and enterprise valuation. The revised approach has improved the consistency and quality of our evaluations and provided improved data for our medium-term fiscal model (see page 21).

OFM also introduced a revised method for determining the government guarantee fees paid by government businesses. By using current interest rates and actual debt profiles, the new method (which applied from 1 July 2010) more closely reflects the lending practices faced by private sector borrowers.<sup>7</sup>

We also comprehensively reviewed the governance practices of SOC boards and commenced the process of implementing the recommendations. These include a merit-based selection process for board directors.

#### COMMERCIAL POLICY FRAMEWORK

OFM's Commercial Management Directorate advises on the application of the Commercial Policy Framework. The framework, which aims to apply private sector commercial management practice to public sector businesses, includes policies that govern:

- § board practices and procedures
- § financial reporting and monitoring
- § capital structure
- § financial distributions
- § government guarantee fees
- § tax equivalent regimes.

### ASSET SALES AND TRANSACTIONS

During 2010–11 the state's program of asset sales, announced by the previous government in November 2008, was brought to a close.

#### RTA's Special Number Plate Business

In October 2010 the Road and Traffic Authority's (RTA's) Special Number Plate business was transferred to the private sector. Under a 15-year partnering arrangement, Plate Marketing Pty Ltd (part of the LicenSys Group) now manages and operates the business with access to the RTA's DRIVES IT system and motor

<sup>6</sup> The NSW Treasurer is the main shareholder in NSW's major state owned corporations.

<sup>7</sup> The government guarantee fees now reflect the difference between the cost of debt raised at the state's credit rating and the stand-alone credit rating of government businesses.

registries. Given Plate Marketing's proven expertise in marketing, sales, and customer service, higher business growth and higher financial returns are expected as a result of the transfer.

### WSN Environmental Solutions

In January 2011, following a competitive process, WSN Environmental Solutions (WSN) was transferred to SITA Environmental Solutions for \$234 million. The government retained some WSN sites in the newly formed Waste Assets Management Corporation (WAMC). The WAMC Landfill Rehabilitation Fund, which will provide for the rehabilitation and future maintenance of WAMC's landfill sites, was established with \$48.9 million from the transaction proceeds.

### Energy Reform Transactions

In December 2010, agreements were executed for the following energy reform transactions:

- § The combination of Country Energy, Integral Energy, and the Eraring Gentrader contract were sold to Origin Energy for \$3.25 billion.
- § The combination of EnergyAustralia, the Delta West Gentrader contract, the Mt Piper Extension and two Marulan development sites were sold to TRUenergy for \$2.035 billion. TRUenergy also undertook to provide an additional \$240 million in funding to enable capital improvements at the Wallerawang Power Station.

In January 2011, Cobbora Holding Company Pty Ltd was established to continue the development of the Cobbora coal resource (which secures long-term fuel supply for the NSW coal-fired electricity generators). The company manages the exploration, development, and operation of an open-cut coalmine as well as the construction and operation of related rail infrastructure in central western NSW.

Coal supply agreements have been signed with NSW power stations in the Hunter Valley and the Central Coast.

## PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships (PPPs) are one of the options the government uses to procure economic and social infrastructure and associated non-core services. PPPs aim to deliver improved services and better value for money through appropriate risk transfer to the private sector.

Over the past decade \$8.7 billion<sup>8</sup> worth of new public infrastructure has been delivered through PPPs. In 2010–11 OFM played a key role in several infrastructure projects involving private sector provision of construction and/or operation. These are listed in Table 6 on the following page.

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<sup>8</sup> This reflects the nominal costs of developing and constructing the infrastructure.

**Table 6**  
**Infrastructure Projects Involving Private Sector Provision**

Project	Progress During 2010–11
Riverwood Urban Redevelopment	Awarded contract
Villawood Urban Redevelopment	Awarded contract
M2 Motorway Widening	Awarded contract / under construction
Enfield Intermodal Logistics Centre	Awarded contract / under construction
Airport Railway Link	Removed station access fees at Mascot and Green Square
Macarthur Water Filtration Plant	Renegotiated the PPP to extend the operating term for a further 10 years to 2030 and refinanced the project's debt
M5 Motorway Widening	Under negotiation with the owner
Royal North Shore Hospital	Community Health Building has commenced operational phase
Orange Hospital Redevelopment	Commenced operational phase
Whole-of-Government Data Centre	Called for detailed proposals

## SECTORAL REFORM

### Transport

OFM played an important role in the development of the Metropolitan Plan for Sydney 2036, released in December 2010. The plan integrates the principles and strengths of the 2005 Metropolitan Strategy: City of Cities: A Plan for Sydney's Future and the 2010 Metropolitan Transport Plan: Connecting the City of Cities.

### Community Services and Public Housing

In early 2011 OFM:

- § facilitated measures to grow the community housing sector, including transferring ownership of approximately 3,000 public housing dwellings to community housing providers
- § conducted analysis to support the development of Stronger Together 2 — the second part of the 10-year strategy to deliver better services to people with a disability
- § supported the amalgamation of the Departments of Aboriginal Affairs, Juvenile Justice, Community Services, Housing NSW, and Ageing, Disability and Home Care into the Department of Human Services (and subsequently the Department of Family and Community Services), and provided guidance on the new reporting procedures and the implementation of BSVP recommendations.

### Climate Change Policies in NSW

Support for renewable energy was a major issue in NSW during 2010–11. In particular:

- § We provided analysis and advice on the budget impacts of the Solar Bonus Scheme and possible mechanisms to manage the scheme's costs.

- § We played a central role in developing the assessment framework for the Solar Flagship Program and assessing NSW-based Solar Flagship projects seeking state government funding. In June 2011 this culminated in the announcement that NSW had secured funding for the Moree Solar Farm Project — a consortium headed by BP Solar. The project will proceed subject to final agreed arrangements between the proponent and the Commonwealth Government.
  
- § We contributed to the continued implementation of the National Partnership Agreement on Energy Efficiency, which includes ongoing work under the National Strategy on Energy Efficiency to address, for example, building standards, the phase-out of electric hot water systems, and the development of national mandatory energy performance standards.

## Objective 3:

# A Key Role for NSW in Intergovernmental Financial Arrangements

This section covers:

- Commonwealth–state financial relations
- COAG Reform Agenda
- Commonwealth Grants Commission
- Other intergovernmental initiatives

## COMMONWEALTH–STATE FINANCIAL RELATIONS

In January 2009 the Council of Australian Governments (COAG) started implementing the Intergovernmental Agreement on Federal Financial Relations (IGA FFR). Representing an historical shift in Commonwealth–state financial relations, the agreement provides a new framework for co-operative federalism.

Under the IGA FFR, states and territories are able to:

- § reach agreement on improved national policy outcomes
- § be clearer about which level of government is responsible for these outcomes
- § have government performance and accountability transparently and independently assessed.

National Agreements and National Partnerships are two intergovernmental agreements under the IGA FFR. These agreements, in conjunction with GST revenue payments, account for the majority of funding the state of NSW receives from the Commonwealth Government.

### Heads of Treasuries' Review

Although the implementation of the IGA FFR was progressing well in general terms, by the second half of 2009 the states had become concerned about the proliferation of small agreements, the escalating reporting burden, and the Commonwealth Government's continuing use of tied funding and conditions to control state outcomes. As a result, in December 2009 COAG agreed that Heads of Treasuries (HoTs), in consultation with senior officials, would undertake a review to improve the implementation of the IGA FFR. The completion date for the review was December 2010.

OFM's contribution to the HoTs review of the IGA FFR during the second half of 2010 was significant:

- § We undertook extensive research on a range of national agreements and national partnerships.
- § We worked closely with the Department of Premier and Cabinet.
- § We liaised with other NSW agencies.
- § We participated strongly in the HoTs Review Working Party's deliberations.
- § Working closely with Victoria's Department of Treasury and Finance, we helped shape the final set of recommendations.

The review found that the underlying principles of the IGA FFR provide a sound foundation for pursuing the COAG Reform Agenda. However, the review put forward recommendations to address the need for strong involvement by central agencies (to maintain the integrity of the IGA FFR and to support NSW agencies in negotiating agreements) and robust performance measurement frameworks (to underpin the IGA FFR's accountability system).

### Review Implementation

The HoTs Review Implementation Steering Group is now directing the implementation of the recommendations. A number of subgroups are also involved. Over the course of 2011 OFM has been a member of the steering committee and each of the working groups.

### National Performance Reporting System

The Federal Financial Relations Framework delivers accountability through simpler, standardised, and transparent performance reporting. In 2010–11 the COAG Reform Council (CRC), established to independently assess the performance of each jurisdiction, published its second round of annual performance assessments using the measures stipulated in the following national agreements:

- § Water Management Partnerships
- § National Education Agreement
- § National Partnership on Literacy and Numeracy
- § National Skills and Workforce Development Agreement
- § National Partnership Agreement to Deliver a Seamless National Economy
- § National Agreements in Healthcare, Disability, Affordable Housing, and Indigenous Reform
- § National Partnership on the Elective Surgery Waiting List Reduction Plan (Periods 1 and 2)
- § COAG Reform Agenda.

NSW was assessed as performing at or above the national average across most measures in these agreements.

OFM contributed to the NSW Government's response to each CRC report. We also participated in several CRC consultation forums (designed to examine the merits of the different report methodologies) and contributed to the development of the 2011 Report on Government Services. This report outlines the services provided by governments and enables performance comparisons between jurisdictions and within a jurisdiction over time.

### COAG REFORM AGENDA

In 2010–11 OFM continued to support the COAG Reform Agenda by contributing financial and economic analysis and policy advice for a range of service delivery and regulatory areas. In particular, OFM participated in and helped shape COAG reform deliberations on:

- § national health
- § housing supply and affordability
- § education
- § social housing
- § aged care and disability
- § indigenous disadvantage
- § business regulation and competition.

We also contributed to the work of:

- § the Commonwealth Grants Commission
- § other intergovernmental initiatives, including:
  - procurement and public-private partnership reform
  - national water reform
  - the federal government's Nation Building and Economic Stimulus Package
  - the FIFA World Cup and Asian Cup 2015 bids
  - COAG's National Disaster Resilience Strategy.

### National Health Reform

At the February 2011 COAG meeting, all Australian governments:

- § agreed to ensure the long-term financial viability and service delivery performance of Australia's healthcare system
- § signed the Heads of Agreement on National Health Reform (which built on the April 2010 National Health and Hospital Network Agreement)
- § signed the (revised) National Partnership Agreement on Improving Public Hospital Services.

Under the resulting National Health Reform Agreement (NHRA), which was finalised in

#### NATIONAL HEALTH REFORM AGREEMENT (NHRA)

While the NHRA will provide an increased level of transparency and accountability in the hospital system, it requires new and complex funding arrangements between the Commonwealth and state governments.

During the development of the NHRA, OFM led the engagement of state-level Treasuries on financial aspects of the reform. We also played a central role in negotiating an appropriate balance between Commonwealth and state government responsibilities.

August 2011, the Commonwealth Government agreed to:

- § share the risks inherent in the growth in hospital expenditure
- § increase its contribution to efficient growth funding for hospitals to 45 per cent from 1 July 2014
- § guarantee a contribution of \$16.4 billion between 2014–15 and 2019–20.

Other national health reform elements include:

- § creating a national funding body to enable the transparent flow and tracking of health funding
- § providing funding on the basis of activity performed and for an efficient price
- § creating local hospital networks and Medicare locals
- § developing a performance and accountability framework that assesses performance at the local level.

During 2010–11 OFM undertook extensive research and detailed policy analysis to support our participation in national health reform negotiations. As a result of this significant work:

- § We formulated, through the HoTs Report on National Health Reform, many of the financial aspects of the reforms to ensure the funding model and governance arrangements provide a sound basis for managing financial risk.
- § We contributed to multilateral and bilateral negotiations to resolve key issues, including:
  - funding arrangements for cross-border services
  - design of the National Funding Body and related funding arrangements
  - the allocation of the federal government's funding guarantee
  - the definition of public hospital services
  - ways to ensure ongoing funding for national health partnership agreements that are expiring
  - flexibility for state funding and cash management
  - the treatment of private patients.
- § We participated on key national health reform committees such as the Technical Drafting Group (which developed the final NHRA), the Health Reform Implementation Group, and the Finance Capital and Reporting Working Group.
- § We led the development of a "states' only position" to protect the integrity of the IGA FFR (by retaining the National Healthcare Agreement and ensuring minimal changes to Schedule D of the IGA FFR).

### Education Reform

During 2010–11 OFM supported the COAG reforms by:

- § providing advice on vocational education reform to the Senior Officials Group
- § assisting with the development of CRC's annual performance assessments (see page 37)
- § contributing to the NSW submission to the Commonwealth's Review of School Funding, which is expected to set the direction for the next 15–20 years

§ assisting with the administration of the federal government's Nation Building and Economic Stimulus Package (Building the Education Revolution Program).

### Social Housing, Aged Care, and Disability Reform

OFM oversaw the implementation of the federal government's Nation Building and Economic Stimulus Package (Social Housing Program) and contributed to the national partnerships for homelessness and transitioning aged care and disability services.

### Indigenous Disadvantage Reform

During 2010–11 OFM participated on the COAG Indigenous Reform Working Group. In particular, we proposed strategies to reduce indigenous disadvantage. On 13 February 2011 COAG adopted a revised National Indigenous Reform Agreement. NSW also agreed on a new overarching bilateral plan to close the gap in Aboriginal and Torres Strait Islander disadvantage.

### Business Regulation and Competition Reform

To improve Australia's competitiveness and productivity, the February 2011 COAG meeting requested relevant ministers and officials develop options for a new wave of regulatory and competition reform in four areas:

- § land transport
- § urban water
- § strategic aspects of cities, planning, and infrastructure provision
- § provision of certain government services.

To progress the COAG regulation and competition reform agenda, OFM participated on the COAG Business Regulation and Competition Working Group (BRCWG).

## REGULATION AND COMPETITION REFORM

During 2010–11 COAG finalised the following regulation and competition reforms:

**July 2010:** Standard Business Reporting (SBR) became operational, offering businesses a quicker and simpler way to complete and lodge reports. By 2014 the annual savings to Australian business are estimated to be nearly \$800 million.

**July 2010:** A national framework commenced for consumer protection regulation in mortgage broking, margin lending, and non-deposit taking institutions.

**July 2010:** The Australian Health Practitioner Regulation Agency became responsible for regulating 10 health professions, and a single national trade measurement system became operational.

**Sept 2010:** *The Occupational Licensing National Law Act 2010* ("the national law") was introduced in the Victorian Parliament and received assent. NSW has since adopted the national law.

**Jan 2011:** The Australian Consumer Law (ACL) commenced. The annual benefits of this national consumer protection framework to the national economy are estimated to be between \$1.5 billion and \$4.5 billion. As part of the ACL, a new national product safety regime also commenced.

**June 2011:** The National Model Work Health and Safety Bill was passed. When it is implemented the annual savings to business are estimated to be \$179 million nationally. Payroll tax legislation across jurisdictions is now largely harmonised.

**July 2011:** Food Standards Australia NZ commenced a centralised advice function to ensure food standards are interpreted and enforced consistently.

We also worked with government agencies to ensure NSW delivers on our commitments under the National Partnership Agreement to Deliver a Seamless National Economy.

### Housing Supply and Affordability Reform

In April 2010 COAG endorsed the Housing Supply and Affordability Reform (HSAR) Agenda. The agenda primarily focuses on the efficiency and responsiveness of the housing supply to demand, and the extent to which current government policies and initiatives either hinder supply or stimulate demand.

During 2010–11 OFM contributed to an HSAR Working Party report to COAG, due to be finalised in 2011–12. The report considers various areas for reform including land aggregation, zoning, planning processes, infrastructure charges, titling systems, and Commonwealth policies.

### COMMONWEALTH GRANTS COMMISSION

In 2010–11 OFM contributed in several ways to the work of the Commonwealth Grants Commission (CGC), which recommends the distribution of GST revenue (raised by the Commonwealth Government) among the states. Most notably:

- § We made submissions to the CGC on new issues to be considered in the 2011 Update of GST Relativities, and co-ordinated and provided data to the CGC in connection with the 2011 Update. As a result, the CGC agreed to exclude certain Commonwealth payments to NSW that it had originally proposed be included in the calculation of GST relativities, and NSW's GST revenue for 2011–12 increased by around \$11 million.
- § We made submissions to and participated in the work of the CGC's Data Working Party. The Data Working Party, established in August 2010, advises the CGC on processes for ensuring the best quality data is used when assessing a state's revenue capacity and spending needs. OFM was particularly involved in the work of the Data Working Party subgroups responsible for examining the assessments of administrative scale, cultural and linguistic diversity, urban influences, and roads and location.
- § We contributed to work undertaken by Treasurers, Heads of Treasuries, and Deputy Heads of Treasuries in a number of areas where national reforms had ramifications for the work of the CGC. On the matter of national health reform, we provided advice on the proposed CGC treatment of Commonwealth payments for hospital reform.
- § We contributed to the Deputy Heads of Treasuries' consideration of the underlying issues of the Commonwealth's review of the GST distribution announced on 30 March 2011, and we are making a submission to the review.

### OTHER INTERGOVERNMENTAL INITIATIVES

#### Procurement and Public-Private Partnership Reform

Procurement policy aims to ensure that government agencies use fair, ethical, and transparent procurement processes and achieve best value for money when procuring goods and services.<sup>9</sup>

During 2010–11 OFM, in collaboration with other jurisdictions, developed a national pre-qualification scheme for non-residential building contracts worth over \$50 million. The scheme, approved by COAG, commenced on 1 January 2011. OFM also participated in the development of the National Alliance Contracting Policy and Guidelines. COAG adopted these guidelines in June 2011.

OFM also continues to work on the broader COAG objective of harmonising public-private partnership policy across jurisdictions. During 2011 we focused on the way we manage forecasts and patronage risk for projects such as toll roads.

Through COAG and Infrastructure Australia, OFM also participated in the production of a research paper reviewing best practice infrastructure procurement.

#### National Water Reform

Through our participation on the National Water Reform Committee, OFM continued to be involved in the ongoing development and implementation of broader national water reforms in the areas of:

- § pricing
- § water markets
- § water trading
- § water planning
- § compliance and enforcement.

In April 2011 the Productivity Commission released a draft report examining the case for microeconomic reform in the urban water sector. OFM contributed to the NSW Government's submissions responding to the initial issues paper and the draft report. To support this work, we completed an assessment of all water reforms to date to identify any aspects of water reforms requiring increased attention. Released in October 2011, the final report is being used to inform the development of an urban water reform agenda.

OFM participated in analysing and developing the NSW Government's response to the Guide to the Murray Darling Basin Plan. We also participated in the implementation of the Bilateral Water Management Partnership Agreement under the Murray Darling Basin Intergovernmental Agreement and, in particular, the federal government's due diligence process for NSW-nominated priority projects.

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<sup>9</sup> Government procurement policy is now the responsibility of the Department of Finance and Services.

### Federal Government's Nation Building and Economic Stimulus Package

On behalf of the NSW Government, OFM was responsible for the financial monitoring and reporting for the third year of the federal government's Nation Building and Economic Stimulus Package. Over \$1.5 billion was spent on various projects in NSW in 2010–11. Our primary schools, social housing, and regional roads benefited from this federal government initiative.<sup>10</sup>

### FIFA World Cup 2022 and Asian Cup 2015 Bids

To prepare Australia's bids to host the 2022 FIFA World Cup and the Asian Cup 2015, in 2010–11 OFM worked closely with:

- § the federal government
- § Football Federation Australia
- § Department of Premier and Cabinet
- § other NSW government agencies.

### COAG's National Disaster Resilience Strategy

COAG's National Disaster Resilience Strategy triggered reviews of the adequacy of each government's insurance arrangements and disaster relief payments.

As well as developing and evaluating policy options for funding flood relief measures, OFM was involved in a high level of claims activity during 2010–11 as a result of the unprecedented level of flooding across the state.

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<sup>10</sup>Next year will be the final year of the federal government's Nation Building and Economic Stimulus Package. NSW will receive \$171 million to finalise a number of projects in 2011–12.



## Objective 4: Sound Internal Management

This section covers:

- A values-based workplace
- Support for our people
- Staff development
- Performance management
- Stakeholder communication
- Government information (public access)
- Planning and research
- Good governance

### A VALUES-BASED WORKPLACE

OFM's corporate values are:

- § acting with integrity
- § valuing the individual
- § focusing on our stakeholders
- § providing leadership at all levels
- § continuously learning and innovating.

These values guide us in our work and inform the way we shape our workplace culture.

### Staff Feedback

OFM has surveyed staff on a quarterly basis since 1990. In addition to the long-running quarterly survey, a more comprehensive survey has been undertaken every two years. The last biennial survey occurred in 2009. The quarterly and biennial surveys have provided important information about staff perspectives and attitudes, and the results have featured in our performance measurement framework. Table 7 presents the quarterly survey results for the financial years 2006–07 to 2010–11.

During 2010–11 OFM reviewed the way we receive feedback from staff. Based on the review findings, the Executive decided to discontinue both the quarterly survey and the biennial survey in favour of an annual survey to commence in 2011–12. The new survey will be more comprehensive than the quarterly survey, and the annual survey cycle will allow us to address workplace issues more effectively.

Moving to an annual staff survey should also address the low staff participation rate, which over the period 2006–07 to 2010–11 has failed to meet the participation target.<sup>11</sup>

**Table 7**  
**Quarterly Staff Survey Results**

		2006–07	2007–08	2008–09	2009–10	2010–11
	Target %	Actual %	Actual %	Actual %	Actual %	Actual %
Staff participation rate	> 75	44	45	41	44	46
Staff believing values are adhered to	> 90	89	87	89	92	91
Staff satisfaction with OFM	> 90	89	90	93	86	89
Staff satisfaction with their job	> 90	93	93	95	94	89

**Note:** Figures include both “favourable” and “neutral” responses.

## SUPPORT FOR OUR PEOPLE

OFM is a knowledge-based organisation. The quality of our people, structure, and systems is therefore vitally important to our business results and the central focus of our organisational development activities.

During 2010–11 we:

- § reviewed our organisational capabilities
- § created an integrated corporate directorate
- § established a human resources advisory committee
- § adapted our structure and processes to the new cluster arrangements
- § strengthened our recruitment and talent management practices.

## Capability Review

OFM undertook a process to ensure that we had the organisational capabilities to deliver key performance outcomes announced in the 2010–11 State Budget (eg acceleration of agency and whole-of-government expenditure reviews). As well as improving our front-line expenditure review capability, the process served to strengthen our business planning and project management capability.

On completion of the process, the Executive endorsed two further projects (scheduled for 2011–12) to strengthen OFM’s internal capability:

<sup>11</sup>The review of the quarterly staff survey indicated that the short cycle time for data collection, analysis, and feedback hampered the effectiveness of the survey. Indeed, the participation rate of the quarterly staff survey was substantially lower than the 70 per cent participation rate for the 2009 biennial staff survey.

## OBJECTIVE 4: SOUND INTERNAL MANAGEMENT

- § The development of a comprehensive performance management system that will provide the nucleus of a wider people management system including:
  - management and leadership development
  - learning strategies
  - talent and succession management
  - career progression
  
- § The redesign of key business processes to improve the efficiency and effectiveness of our operations.

### Integrated Corporate Directorate

OFM's core business operations depend on the responsive and timely provision of specialist expertise. To strengthen our capacity to support core business activities, we made a number of changes to our organisational structure. These involved the appointment of a deputy secretary with a strong people and systems background, and the creation of an integrated corporate directorate.

The integrated corporate directorate enables the delivery of more efficient and effective corporate services as a result of the following organisational developments:

- § a more focused Human Resources team (accountable for people and performance management)
- § a new Information Management and Technology team (accountable for all business information management and technology systems)
- § a strengthened Executive and Ministerial Services team (accountable for the efficient and effective internal interface with executive government).

#### OFM'S CORPORATE SERVICES

OFM's Corporate Directorate supports core business operations by delivering services in the following specialist areas:

- § people and performance management
- § information management and technology
- § stakeholder communications
- § corporate financial strategy
- § executive and ministerial services.

### HR Advisory Committee

In the first half of 2011 OFM replaced the HR Executive Sub-Committee with a more broadly based advisory group called the HR Advisory Committee. Following nominations and formal interviews to assess skills and experience, eight OFM staff were appointed to the committee.

The HR Advisory Committee members are:

- § Anne Ellison (Chair / Deputy Secretary, Corporate Directorate)
- § Stephen Brady (Executive Representative / Deputy Secretary, Expenditure Review Directorate)
- § Daniel Quinn (Alternate Chair / Director, People and Performance Management)
- § Therese Briggs (Executive and Ministerial Services)
- § Neil Calvert (Home Warranty Insurance Fund)
- § Richard Cox (Economic Strategy)

- § Michael Gadiel (Fiscal Strategy)
- § Glenn Grimshaw (Transport Planning)
- § Carla James (Revenue and Intergovernmental)
- § Tamara Leizer (Financial Management Reporting)
- § Ainslee Scott (Agency Reviews).

The committee, which meets monthly, makes recommendations to the Executive on significant human resource issues.

### New Cluster, New Structure, New Processes

Following the machinery of government changes in April 2011, the composition of the NSW Treasury Cluster changed (as shown in Table 1 on page 8). In response to these changes (the most significant of which was the transfer of OSR to the Department of Finance and Services), OFM put in place measures to ensure a smooth transition from the old cluster arrangements to the new. These measures included the creation of a dedicated internal finance function and the development of processes to support continued collaboration with OSR on important revenue matters.<sup>12</sup>

### Improved Recruitment and Talent Management Practices

#### *General Recruitment*

Attracting high-quality people and retaining experienced and valued staff is especially important to OFM given the age profile of our staff (presented in Table 8).

**Table 8**  
**Actual Number of Staff by Age**

Age Range (Years)	Staff Numbers
18–24	26
25–29	52
30–34	42
35–39	40
40–44	48
45–49	45
50–54	60
55–59	34
60+	21

<sup>12</sup>In April 2011 the Office of State Revenue was transferred from NSW Treasury to the Department of Finance and Services. As a result, the role of NSW Treasury's Chief Financial Officer passed from OSR to the OFM's Director of Crown Asset and Liabilities Management (who was already performing the role for the Crown Entity and the NSW Self Insurance Corporation).

## OBJECTIVE 4: SOUND INTERNAL MANAGEMENT

In response to staff feedback and research on best practice recruitment, OFM conducted a comprehensive review of our recruitment and talent management systems, processes, and resources. The review, led by an independent consultant, had wide terms of reference and drew on the experience of management and staff (through open-invitation focus groups) and internal hiring managers (through a series of one-on-one extensive interviews). To ensure complete integrity and to strengthen the evidence base, OFM commissioned an independent peer review of the original review's findings and recommendations.

In September 2010 some 50 recommendations were published on OFM's intranet, together with management's response and a timetable for implementing the recommendations.

By the end of 2010–11 OFM had:

- § employed a recruitment specialist
- § reduced the time taken to fill positions
- § improved the feedback provided to candidates
- § developed more practical and more efficient processes and tools for managers directly involved in the recruitment activity
- § published a revised recruitment policy and new recruitment procedures.

The revised recruitment policy and new recruitment procedures are designed to give staff broader access to professional development and career advancement opportunities.

In the first half of 2011–12 we will focus on streamlining the application process for both candidates and managers directly involved in the recruitment activity.

### *Graduate Recruitment*

The recruitment of university graduates with high potential continues to be a core element of OFM's strategy for attracting and retaining high-quality people.

During 2010–11 OFM worked to build our reputation as the preferred employer of high-calibre graduates by:

### BUILDING A SOUND EVIDENCE BASE

In early 2011 OFM trialled a research consultancy unit to complement NSW Treasury's research efforts.

Staffed with four new graduates from OFM's Graduate Recruitment Program and managed by an experienced researcher, the research consultancy unit conducts research consistent with OFM's policy and advisory functions (and other core business operations), and plays a significant role in OFM's evidence-based approach to policy/program formulation and evaluation.

The 22 research projects completed by the research consultancy unit by 30 June 2011 include:

- § evidence on the economic rationale for investing in education
- § evidence on interventions to improve teacher quality
- § implications for NSW of the proposed Singapore / Australian stock exchange merger
- § global investment in climate change innovation
- § evidence for the 85 per cent hospital-bed occupancy rate rule.

- § participating at the career fairs of the state's five major universities
- § sponsoring scholars through the University of NSW Co-op program
- § offering mentoring opportunities through the Lucy Program to female undergraduates of the University of Sydney and the University of Western Sydney (see also the Equal Employment Opportunity section in the Appendices, pages 114–117).

OFM's Graduate Recruitment Program for 2011 attracted 749 applications. Of these, we offered positions to 15 graduates from a range of disciplines (including accounting, commerce, economics, and law). Nine of these graduates are completing a 12-month program featuring the opportunity to work in three areas of OFM, and four are working in the research consultancy unit (see box on page 48).

## STAFF DEVELOPMENT

During 2010–11 OFM provided a variety of internal and external development opportunities to staff. These included:

- § learning events for all staff conducted through the NSW Public Sector Community of Finance Professionals (supported by NSW Treasury with sponsorship by professional associations including CPA Australia, Institute of Chartered Accountants, and Institute of Public Administration Australia)
- § forums supported by NSW Treasury including the 2010 Australian Economic Forum (hosted by the NSW Economic Society) and the NatStats 2010 Conference (hosted by the Australian Bureau of Statistics and the National Statistical Service)
- § seminars on new projects and matters of interest (initiated by managers or in response to staff requests)
- § project management courses to support our strategy to make project management an organisation-wide capability.

## Training Statistics

Thirty-nine different training courses were on offer to staff during 2010–11. Over the year, OFM staff participated in a total of 1,578 training days. This equates to 4.3 days per staff member — an increase on the previous year.

**Table 9**  
**Staff Training Days**

Training Type	2008–09	2009–10	2010–11
Face to face	1,298	921	1,569
e-Learning	122	4	9
Total training days	1,420	925	1,578
Training days per staff member	4.9	3.0	4.3

## PERFORMANCE MANAGEMENT

All OFM staff are encouraged to use the Performance Agreement and Review (PAR) framework to review individual performance and establish goals for the next six months. The PAR framework also provides an opportunity to discuss development needs and performance matters.

## STAKEHOLDER COMMUNICATION

Effective and efficient stakeholder communication is central to OFM's overall performance and reputation. In particular, the timely exchange of relevant and up-to-date information with government agencies is critical to our goal of building strong partnerships and supporting the delivery and affordability of public services.

### Web-Based Information and Electronic Service Delivery

OFM's website plays a major role in our stakeholder communication strategy and our efficient and effective delivery of information and services to government agencies and the people and businesses of NSW.

Table 10 presents the webpage rankings for OFM's website for the 2010–11 year. This information allows us to focus our improvement efforts on high-value information.

**Table 10**  
**Webpage Rankings Measured by the Number of “Hits”**

Web Page	2010–11
Treasury Circulars Index	1
Publications Index	2
Budget Papers Index	3
About Us	4
Treasury Circulars (Current Year)	5
Treasurer's Media Releases	6
Treasury Policy Papers Index	7
External Links	8
Contact Us	9
Financial Reports Index	10

OFM's externally focused communication achievements during 2010–11 included:

- § new recruitment brochures
- § new brochures and advertisements for OFM sponsorships
- § new web content and a publications guide to meet the requirements of the GIPA Act
- § the new Golden Heritage website (which provides online access to information about the history of NSW Treasury).

## Internal Communication

OFM's internal operations depend on open, timely, and reliable communication between management and staff and across the different operational units. Along with regular directorate meetings, Secretary briefings, and project and "hot topic" forums, our intranet facilitates this ongoing communication.

OFM's internally focused communication achievements during 2010–11 included a revised OFM Writing Guide (based on staff feedback) and a new online training calendar.

## GOVERNMENT INFORMATION (PUBLIC ACCESS)

The *Government Information (Public Access) Act 2009* (GIPA Act) aims to maintain and advance a system of accountable democratic government that is open, fair, and effective. In creating additional rights to information, the GIPA Act encourages government agencies to release information proactively and thereby make it easier for individuals to access government information.

A recent review under Section 7(3) of the GIPA Act resulted in the development and endorsement of a new proactive release procedure. This procedure provides details of the steps involved in proactively releasing government information pursuant to Section 7 of the GIPA Act and aims to provide clearly defined guidance to promote processing efficiencies and compliance with the GIPA Act.

In the first half of 2011 OFM commenced the following initiatives to meet our obligations under the GIPA Act:

- § a policy for the proactive release of government information
- § procedures for dealing with formal and informal access applications
- § a proactive release communication strategy to further the objectives of the Act.

OFM's GIPA statistics for 2010–11 are reported in the Appendices on pages 117–120.

The most recent information that we have proactively released on our website relates to the whole-of-government expenditure review program.

## PLANNING AND RESEARCH

### Strategic Planning

OFM's strategic planning in 2010–11 focused on the reform opportunities presented by the post-election period. Assisted by a targeted research program and a newly established Project Management Office, we scoped a medium-term program to strengthen NSW's fiscal position and developed a set of options for reform. The process took into account:

- § research into best practice
- § the priorities expressed by both major political parties before the election
- § the progress of the COAG Reform Agenda.

## OBJECTIVE 4: SOUND INTERNAL MANAGEMENT

The result was an integrated post-election briefing package that recommended strategic positions on a range of economic and financial issues. In the period following the election many of these recommendations were included in the work of the new government's Commission of Audit.

Our strategic planning for 2011–12 is based on:

- § NSW Treasury's commitments under NSW 2021 (the NSW Government's 10-year state plan)
- § our commitments under the Premier's Charter Letter to the NSW Treasurer<sup>13</sup>
- § the government's early decisions aimed at strengthening budget accountability.

During 2011–12 NSW Treasury will release a new corporate plan summarising these objectives and activities.

### Directorate Planning

In 2010–11 OFM introduced a new business planning process which adopts the principle that all resourcing is tied to annual directorate plans. These plans show the resources used for core business and how new initiatives are to be funded and staffed. They also form an “umbrella” for indicating resourcing for other strategies (eg our human resources, information, and risk management plans as well as our national and inter-jurisdictional work).

Directorate plans break down the corporate plan's strategies to milestones that can form the basis for reporting progress.

Over the next year this new planning process will be devolved to annual branch plans. These in turn will connect with a new performance management framework for individual staff, allowing a clear line of sight from the government's 10-year state plan through to individual performance goals.

### Research

Early in 2011 OFM trialed a new research consultancy unit. The unit, resourced with graduates from OFM's Graduate Recruitment Program and managed by an experienced researcher, conducts research that complements OFM's broader research efforts. As such, it plays a significant role in OFM's evidence-based approach to policy/program formulation and evaluation. To date, the unit has examined national and international reform directions in education, health, and climate change.

#### ENSURING A ROBUST PLANNING FRAMEWORK

OFM's Results Logic Diagram (see page 10) was approved in late 2010. The diagram depicts the primary results expected of NSW Treasury over time, along with the secondary results required to achieve them.

OFM's Performance Measurement Framework (see pages 14–17) will be reviewed in 2011–12 to ensure it accords with the undertakings set out in our branch plans.

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<sup>13</sup>The Premier's Charter Letter to the NSW Treasurer sets out the Premier's expectations of the Treasury Cluster during the first year of government.

Program evaluation forms an important part of the evidence base for public policy. During 2010–11 OFM worked with the Department of Premier and Cabinet to develop options to improve central agency support for rigorous program evaluation. OFM is working with NSW Health to evaluate the Connecting Care Program — a program designed to improve the quality and efficiency of care for people with advanced chronic disease.

## GOOD GOVERNANCE

### Framework for an Ethical Organisation

OFM uses the following documents to ensure all staff (both new and existing) are aware of what the organisation expects of them and of the point at which conduct becomes inappropriate:

- § OFM Code of Conduct
- § OFM Anti-Corruption Statement
- § OFM Fraud Policy
- § OFM Guarantee of Service.

The following policies and guidelines, which apply across the NSW public sector, complete the framework for an ethical organisation:

- § Code of Conduct and Ethics for Public Sector Executives 1998 (amended 2009)
- § Conduct Guidelines for Members of NSW Government Boards and Committees 2001 (amended 2008)
- § Personnel Handbook, Chapter 8: Model Code of Conduct 2009
- § Circular C2006–29 SES Grievance and Dispute Resolution Procedures 2006.

### Audit and Risk Management

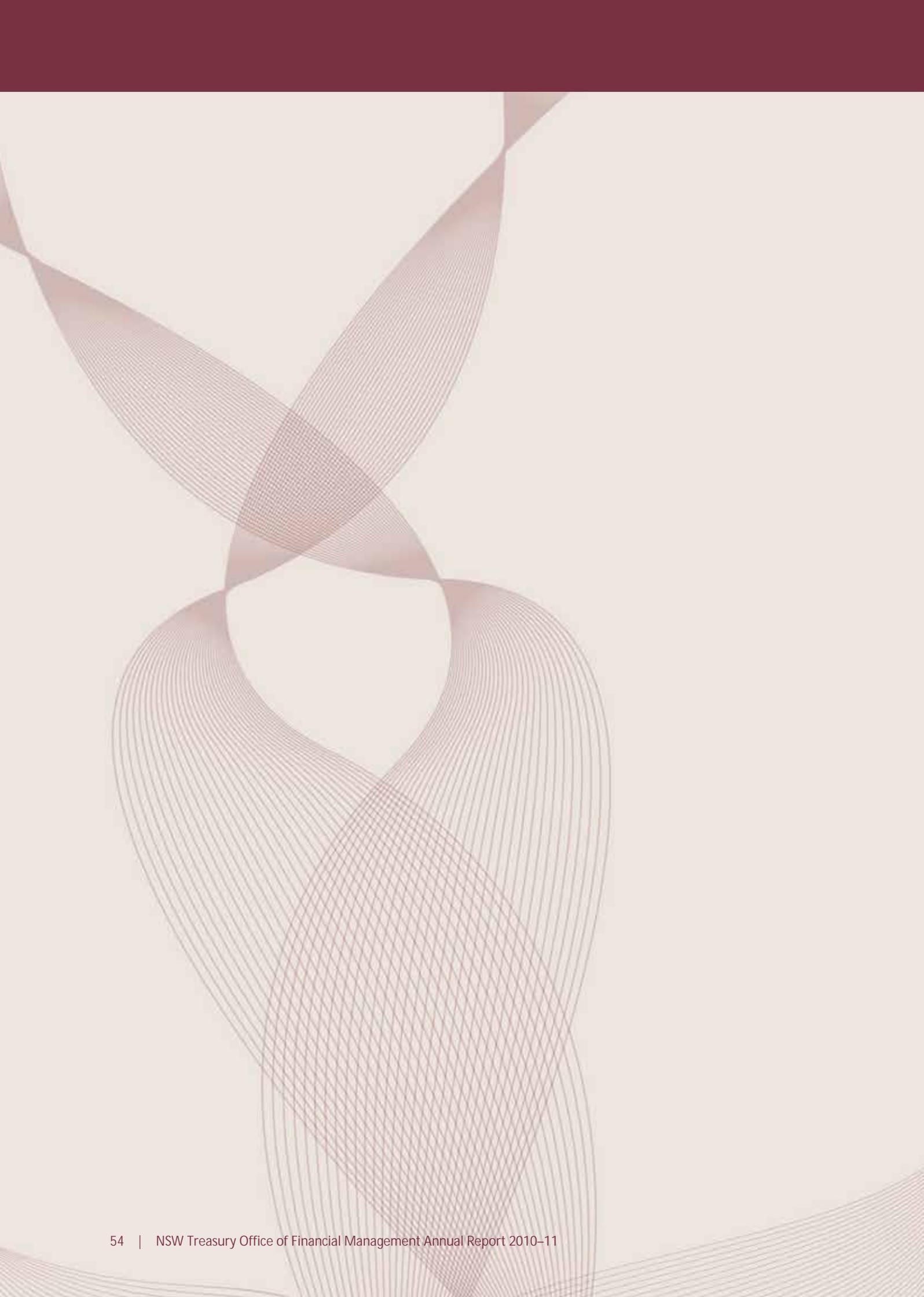
OFM's Audit and Risk Management Committee Report for 2010–11 is presented in full on pages 57–59. The Secretary's statement follows.

The statewide audit and risk management policy requires that the internal audit function be externally reviewed every five years. In the first half of 2011 the Institute of Internal Auditors reviewed OFM's internal audit program and made recommendations. The recommendations, accepted by both the committee and the Executive, will improve the work of NSW Treasury's internal audit and risk management function in 2011–12.

#### COMMITTEE PROVIDES INDEPENDENT ASSURANCE

NSW Treasury's Audit and Risk Management Committee provides independent monitoring of governance, risk, and control issues including assurance for management on the seven separate sets of financial reports for which OFM is responsible. These include the financial reports of the Crown Entity and the NSW Self Insurance Corporation.

NSW Treasury's Audit and Risk Management Committee also performs a similar function for the Report on State Finances.



## Audit Requirements

- 56 OFM's Response to Significant Matters in the Audit Office's Client Service Report
- 57 Report from the Audit and Risk Management Committee
- 60 Secretary's Internal Audit and Risk Management Statement

# OFM's Response to Significant Matters in the Audit Office's Client Service Report

## INTRODUCTION

Under the annual reports legislation, agencies are required to respond in their annual reports to all significant matters raised in the Audit Office's Client Service Report. In 2010–11 there was only one significant matter raised by the Audit Office in relation to OFM's operations. The details of this finding and OFM's management response are presented below.

## FINDING

"We identified one instance of expenditure being approved by an officer in excess of their financial delegation and one instance of costs being written off by an officer in excess of their financial delegation. These breaches of Section 12 of the *Public Finance and Audit Act 1983*, although we believe them to be unintentional, may increase the risk of inappropriate or unauthorised transactions."

## MANAGEMENT'S RESPONSE

### Financial Delegation

We will implement a communication strategy to reinforce to officers with a financial delegation that it is their responsibility to ensure that any expenditure they approve is within their financial delegation. We will also require administration officers to check that all expenditure approved by an officer is within the approving officer's financial delegation *before issuing tax invoices for payment*.

Furthermore, we will strengthen our Staff Induction Program to ensure that all new staff in delegated positions are aware of their delegations (including financial delegations) and all administration officers are aware of their role in checking that delegations are exercised appropriately.

### Costs Written Off

We will review the process of writing off costs to ensure that only officers with the appropriate financial delegation approve cost write-offs. We will also amend our Delegation Manual (Schedule 5 – Write-Offs) to include cancelled work-in-progress.

# Report from the Audit & Risk Management Committee

Dear Secretary

In compliance with Treasury Circular 09/08, the NSW Treasury Audit and Risk Management Committee<sup>14</sup> aims to:

- § oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within NSW Treasury, including the Crown Entity and the NSW Self Insurance Corporation (SICorp)
- § assess risks arising from NSW Treasury's operations and the adequacy of measures in place to control those risks
- § liaise with external audit
- § assure the integrity of NSW Treasury's external financial reporting and internal management reporting.

NSW Treasury's Audit and Risk Management Committee (hereafter referred to as "the Committee") is separately tasked with oversight of the controls on the preparation of the total state sector accounts, which are published annually in the Report on State Finances.

The Committee oversees audits and reviews of NSW Treasury activities, as scheduled in an annual internal audit plan. The areas to be audited are determined based on exposure to potential financial or other strategic or operating risk.

## **Committee Membership**

In compliance with NSW Treasury policy, during 2010–11 the Committee operated with five members, three of whom are independent of NSW Treasury:

- § Jim Mitchell (Independent Chair)
- § Christine Feldmanis (Independent Member)
- § Carolyn Burlew (Independent Member)
- § Mark Ronsisvalle (Deputy Secretary, Budget and Financial Management Directorate)
- § Sue Power (Director, SOC Performance and Wages Branch).

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<sup>14</sup>When OSR was transferred to the Department of Finance and Services on 4 April 2011, the OFM Audit and Risk Management Committee became the NSW Treasury Audit and Risk Management Committee. The Committee's scope of activities remained the same, however, because OSR had its own committee before the transfer.

Meetings were also regularly attended by the Chief Audit Executive and representatives of the NSW Audit Office.

### Committee Meetings

The Committee met on eight occasions during 2010–11. It:

- § gave assurance to the Secretary concerning end-of-year financial reporting for NSW Treasury, the Crown Entity, SICorp, and the total state sector
- § supported the move from NSW Treasury's long-term single service provider for the audit program and sampled a range of different providers
- § commended the 2010–11 Internal Audit Plan to the Secretary
- § reviewed its charter and that of the internal audit function
- § participated in an external review of the internal audit function and provided advice to the Secretary on NSW Treasury's management response
- § implemented the audit program outlined below
- § advised on the development of a customised Audit Manual and Risk Policy, which will be published early in 2011–12.

In addition, the Committee held two extraordinary meetings:

- § Joint meeting of the audit and risk management committees of the Office of State Revenue and Office of Financial Management to consider the combined NSW Treasury financial statements 2009–10
- § Special meeting for the review of the total state sector accounts.

### Audit Program

The following reports were tabled before the Committee during 2010–11 and commended, with management responses, to the Secretary for approval:

- § review of adherence by NSW Treasury's budget analysts to relevant guidelines and policies
- § review of SICorp's data warehouse management
- § review of NSW Treasury's compliance with legislative and internal requirements around Freedom of Information and requests for information by Parliament in terms of Standing Order 52
- § review of delegations within SICorp
- § review of OFM systems supporting financial information provided to NSW Treasury
- § review of Crown Entity systems supporting financial information provided to NSW Treasury
- § review of NSW Treasury's compliance with the State Records Authority of NSW Standard No.10 – Standard on Digital Recordkeeping
- § quality assessment of NSW Treasury's internal audit
- § Audit Office management letters.

Towards the end of 2010–11 the Committee approved the following projects, which were still in train at 30 June:

- § development of a NSW Treasury legal and regulatory compliance framework
- § review of SICorp's governance framework
- § review of (insurance) agency compliance with the Home Warranty Insurance Fund financial procedures manual.

The Committee also regularly monitors the appropriateness and timeliness of management responses to completed reviews.

**Meetings with the Secretary**

Throughout 2010–11 the independent members met quarterly with the NSW Treasury Secretary. These meetings have allowed the external members to raise any concerns or ideas directly with the Secretary, and to learn about the emerging issues and risks impacting Treasury's operations.

**J R Mitchell FCPA**

Independent Chair

NSW Treasury Audit and Risk Management Committee

# Secretary's Internal Audit & Risk Management Statement

I, the Secretary, am of the opinion that NSW Treasury<sup>15</sup> has internal audit and risk management processes in place that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular 09/08 Internal Audit and Risk Management Policy (hereafter referred to as "the Policy").

I, the Secretary, am of the opinion that the internal audit and risk management processes for NSW Treasury depart from the following core requirements set out in Treasury Circular 09/08 and that (1) the circumstances giving rise to these departures have been determined by the Portfolio Minister, and (2) NSW Treasury is implementing the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement.

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
<p><b>Core Requirement 1:</b></p> <p>The department head must establish an Audit and Risk Management Committee to oversee and monitor governance, risk, and control issues affecting the operations of the department.</p>	
<p><b>The Treasurer has determined:</b></p> <p>That for the purposes of its audit and risk management functions, NSW Treasury has been defined as:</p> <ul style="list-style-type: none"> <li>§ Office of Financial Management</li> <li>§ NSW Self Insurance Corporation</li> <li>§ Crown Entity</li> <li>§ Electricity Tariff Equalisation Ministerial Corporation</li> <li>§ Liability Management Ministerial Corporation</li> <li>§ State Rail Authority Residual Holding Corporation.</li> </ul> <p>Because of this definition, all of these bodies fall under NSW Treasury's Audit and Risk Management Committee. This exception is intended to be permanent and will stand until the Treasurer gives further notice.</p>	<p>The strict application of the Policy would mean separate audit and risk management committees for each of these entities. However, these entities are managed by NSW Treasury, use NSW Treasury internal policies, and have accounting services provided by NSW Treasury.</p>

<sup>15</sup> NSW Treasury is defined, for the purposes of this disclosure, as the Office of Financial Management, NSW Self Insurance Corporation, Crown Entity, Electricity Tariff Equalisation Ministerial Corporation, Liability Management Ministerial Corporation, and State Rail Authority Residual Holding Corporation. Those entities that provide separate annual reports will replicate this disclosure in their annual reports.

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
<p><b>Core Requirement 3:</b></p> <p>An Audit and Risk Management Committee Chair must be appointed for a period of at least three years, with a maximum term of four years. For members, the initial term must not exceed four years. There is an option for reappointment for a further term of a maximum of four years.</p>	
<p><b>The Treasurer has determined:</b></p> <p>That two members of NSW Treasury's Committee who will pass their maximum terms during 2010–11 may be extended into 2012 to allow departures to be staggered.</p>	<p>The Policy also states that, wherever possible, departures from a Committee should be staggered to ensure that knowledge loss is minimised at any one time. By the end of 2012 NSW Treasury will no longer require this exception.</p>

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
<p><b>Core Requirement 5:</b></p> <p>The Policy requires that an enterprise risk management process that is appropriate to the department be established.</p>	
<p><b>The Treasurer has determined:</b></p> <p>That NSW Treasury's non-compliance with this requirement be extended until December 2011.</p>	<p>As at 30 June 2011 NSW Treasury has a comprehensive Risk Register undergoing a major revision. Audit projects in compliance and fraud and corruption are in train to feed into and strengthen this revision. A comprehensive Risk Management Plan will be the result and will form the basis of an enterprise risk management culture across NSW Treasury.</p> <p>By the end of 2011–12 NSW Treasury will no longer require this exception.</p>

A Treasurer exception was in place during much of 2010–11 to allow the Office of Financial Management to maintain a separate committee from the Office of State Revenue (OSR), and for some variation of OSR members' tenure. These exceptions are recorded in NSW Treasury's Annual Report 2009–2010. On 4 April 2011 OSR became a part of the Department of Finance and Services. That exception, therefore, has not been maintained here.

I, the Secretary, am of the opinion that, other than the departures stated above, the Audit and Risk Management Committee for NSW Treasury is constituted and operates in accordance with the independence and governance requirements of Treasury Circular 09/08.

The members of the NSW Treasury Audit and Risk Management Committee are:

- § Jim Mitchell, Independent Chair (2008 to 2011: extended to April 2012)
- § Christine Feldmanis, Independent Member (2010 to June 2012)
- § Carolyn Burlew, Independent Member (2009 to September 2011)
- § Mark Ronsisvalle, Non-independent Member (2004 to 2010: extended to December 2012)
- § Sue Power, Non-independent Member (2009 to July 2013).

The internal audit and risk management processes now in place help to provide a level of assurance that will enable the senior management of NSW Treasury to understand, manage, and satisfactorily control risk exposures.

The NSW Treasury Audit and Risk Management Committee also provides internal assurance regarding risk exposures for the total state sector accounts, which are tabled in the NSW Government's annual Report on State Finances.

As required by the Policy, I have submitted to NSW Treasury an Attestation Statement outlining compliance with the Policy.



**Philip Gaetjens**

Secretary

28 October 2011

## Financial Statements

64	Independent Auditor's Report
66	Statement by the Treasury Head
67	Statement of Comprehensive Income
68	Statement of Financial Position
69	Statement of Changes in Equity
70	Statement of Cash Flows
71	Supplementary Financial Statements
74	Summary of Compliance with Financial Directives
75	Notes to Financial Statements



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### The Treasury

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of The Treasury, which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

#### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of The Treasury as at 30 June 2011, and its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

#### The Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Secretary determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of The Treasury
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

### Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

10 October 2011  
SYDNEY

## Statement by the Treasury Head

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2011 have been prepared in accordance with applicable Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, applicable clauses of the *Public Finance and Audit Act Regulation 2010* and the requirements of the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies;
- (b) the statements and notes exhibit a true and fair view of the financial performance for the year ended 30 June 2011 and financial position as at 30 June 2011, and
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Philip Gaetjens**

**Secretary**

**6 October 2011**

## Statement of comprehensive income for the year ended 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
<b>Expenses excluding losses</b>				
Operating expenses				
Employee related	2(a)	122 753	129 069	139 544
Other operating expenses	2(b)	53 559	51 473	63 029
Depreciation and amortisation	2(c)	5 288	7 154	7 031
Grants and subsidies	2(d)	18 251	18 073	23 956
<b>Total expenses excluding losses</b>		<b>199 851</b>	<b>205 769</b>	<b>233 560</b>
<b>Revenue</b>				
Sale of goods and services	3(a)	32 003	30 916	38 563
Investment revenue	3(b)	2 066	1 745	2 567
Retained taxes, fees and fines	3(c)	87	110	227
Grants and contributions	3(d)	55	–	273
Other revenue	3(e)	327	337	903
<b>Total Revenue</b>		<b>34 538</b>	<b>33 108</b>	<b>42 533</b>
<b>Gain / (loss) on disposal</b>	4	<b>(15)</b>	–	<b>(178)</b>
<b>Other gains / (losses)</b>	5	<b>41</b>	–	<b>(352)</b>
<b>Net Cost of Services</b>	20	<b>165 287</b>	<b>172 661</b>	<b>191 557</b>
<b>Government Contributions</b>				
Recurrent appropriation (net of transfer payments)	6	168 217	165 903	166 088
Capital appropriation	6	6 622	6 667	9 651
Acceptance by the Crown Entity of employee benefits and other liabilities	7	6 885	7 558	10 213
<b>Total Government Contributions</b>		<b>181 724</b>	<b>180 128</b>	<b>185 952</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>16 437</b>	<b>7 467</b>	<b>(5 605)</b>
<b>Other comprehensive income for the year</b>		–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>16 437</b>	<b>7 467</b>	<b>(5 605)</b>

The accompanying notes form part of these financial statements.

## NSW Treasury

### Statement of financial position as at 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	9	10 834	11 977	30 226
Receivables	10	3 109	2 181	10 154
<b>Total Current Assets</b>		<b>13 943</b>	<b>14 158</b>	<b>40 380</b>
<b>Non-Current Assets</b>				
Receivables	10	–	–	2
Plant and equipment	11	1 113	1 601	14 002
Intangible assets	12	917	1 980	23 447
<b>Total Non-Current Assets</b>		<b>2 030</b>	<b>3 581</b>	<b>37 451</b>
<b>Total Assets</b>		<b>15 973</b>	<b>17 739</b>	<b>77 831</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
<b>Payables</b>	13	3 079	3 925	8 683
Provisions	14	5 261	5 000	15 159
<b>Other</b>	15	–	3	1 106
<b>Total Current Liabilities</b>		<b>8 340</b>	<b>8 928</b>	<b>24 948</b>
<b>Non-Current Liabilities</b>				
Provisions	14	56	56	179
Other	15	–	–	117
<b>Total Non-Current Liabilities</b>		<b>56</b>	<b>56</b>	<b>296</b>
<b>Total Liabilities</b>		<b>8 396</b>	<b>8 984</b>	<b>25 244</b>
<b>NET ASSETS</b>		<b>7 577</b>	<b>8 755</b>	<b>52 587</b>
<b>EQUITY</b>				
Accumulated funds		7 577	8 755	52 587
<b>Total Equity</b>		<b>7 577</b>	<b>8 755</b>	<b>52 587</b>

The accompanying notes form part of these financial statements.

## Statement of changes in equity for the year ended 30 June 2011

	Notes	Accumulated Funds \$'000
<b>Balance at 1 July 2010</b>		<b>52 587</b>
<b>Surplus/(deficit) for the year</b>		<b>16 437</b>
<b>Total other comprehensive income</b>		<b>–</b>
<b>Total comprehensive income for the year</b>		<b>16 437</b>
<b>Transaction with owners in their capacity as owners</b>		<b>–</b>
Increase /(decrease) in net assets from equity transfers	16	<b>(61 447)</b>
<b>BALANCE AT 30 JUNE 2011</b>		<b>7 577</b>
<b>Balance at 1 July 2009</b>		<b>58 192</b>
<b>Surplus/(deficit) for the year</b>		<b>(5 605)</b>
<b>Total other comprehensive income</b>		<b>–</b>
<b>Total comprehensive income for the year</b>		<b>(5 605)</b>
<b>Transaction with owners in their capacity as owners</b>		<b>–</b>
Increase /(decrease) in net assets from equity transfers		<b>–</b>
<b>BALANCE AT 30 JUNE 2010</b>		<b>52 587</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ended 30 June 2011

	Notes	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Employee related		(116 281)	(121 511)	(128 096)
Grants and subsidies		(24 219)	(18 073)	(23 956)
Other		(60 584)	(60 420)	(68 853)
<b>Total Payments</b>		<b>(201 084)</b>	<b>(200 004)</b>	<b>(220 905)</b>
<b>Receipts</b>				
Sale of goods and services		32 684	30 916	38 515
Retained taxes, fees and fines		87	110	227
Interest received		2 664	1 745	2 094
Other		4 204	9 284	10 647
<b>Total Receipts</b>		<b>39 639</b>	<b>42 055</b>	<b>51 483</b>
<b>Cash Flows from Government</b>				
Recurrent appropriation	6	168 217	165 903	166 088
Capital appropriation (excluding equity appropriations)	6	6 622	6 667	9 731
Cash transfers to the Consolidated Fund		(80)	-	(242)
<b>Net Cash Flows from Government</b>		<b>174 759</b>	<b>172 570</b>	<b>175 577</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	20	<b>13 314</b>	<b>14 621</b>	<b>6 155</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of plant and equipment		5	-	68
Purchases of plant and equipment and intangibles		(6 706)	(6 864)	(9 932)
Other		1	-	6
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(6 700)</b>	<b>(6 864)</b>	<b>(9 858)</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>6 614</b>	<b>7 757</b>	<b>(3 703)</b>
Opening cash and cash equivalents		30 226	30 226	33 929
Cash Transferred in / (out) as a result of administrative restructuring		(26 006)	(26 006)	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	9	<b>10 834</b>	<b>11 977</b>	<b>30 226</b>

The accompanying notes form part of these statements.

Supplementary Financial Statements  
Service group statements for the year ended 30 June 2011

THE TREASURY'S EXPENSES & INCOME	State Resource Management		Revenue Administration Services		Infringement Processing and Fine Enforcement Management		Benefit Services		Not Attributable		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses excluding losses</b>												
Operating expenses												
Employee related	46 999	40 460	38 900	52 358	32 467	40 101	4 387	6 625	–	–	122 753	139 544
Other operating expenses	26 653	24 499	12 430	18 667	13 220	17 474	1 334	2 389	–	–	53 559	63 029
Depreciation and amortisation	668	593	2 400	3 976	1 978	1 963	242	499	–	–	5 288	7 031
Grants and subsidies	347	669	17 904	23 287	–	–	–	–	–	–	18 251	23 956
<b>Total expenses excluding losses</b>	<b>74 667</b>	<b>66 221</b>	<b>71 634</b>	<b>98 288</b>	<b>47 665</b>	<b>59 538</b>	<b>5 963</b>	<b>9 513</b>	–	–	<b>199 851</b>	<b>233 560</b>
<b>Revenue</b>												
Sale of goods and services	10 610	8 355	2 377	3 382	19 084	26 821	10	5	–	–	32 003	38 563
Investment revenue	680	637	910	1 365	373	393	103	172	–	–	2 066	2 567
Retained taxes, fees and fines	–	–	–	–	87	227	–	–	–	–	87	227
Grants and contributions	–	–	–	25	55	245	–	3	–	–	55	273
Other revenue	18	11	297	801	3	41	9	50	–	–	327	903
<b>Total Revenue</b>	<b>11 308</b>	<b>9 003</b>	<b>3 584</b>	<b>5 573</b>	<b>19 602</b>	<b>27 727</b>	<b>122</b>	<b>230</b>	–	–	<b>34 538</b>	<b>42 533</b>
Gain / (loss) on disposal	3	(5)	(14)	(154)	(3)	–	(1)	(19)	–	–	(15)	(178)
Other gains / (losses)	–	–	–	(38)	–	(296)	41	(18)	–	–	41	(352)
<b>Net Cost Of Services</b>	<b>63 356</b>	<b>57 223</b>	<b>68 064</b>	<b>92 907</b>	<b>28 066</b>	<b>32 107</b>	<b>5 801</b>	<b>9 320</b>	–	–	<b>165 287</b>	<b>191 557</b>
Government contributions **	–	–	–	–	–	–	–	–	181 724	185 952	181 724	185 952
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>(63 356)</b>	<b>(57 223)</b>	<b>(68 064)</b>	<b>(92 907)</b>	<b>(28 066)</b>	<b>(32 107)</b>	<b>(5 801)</b>	<b>(9 320)</b>	<b>181 724</b>	<b>185 952</b>	<b>16 437</b>	<b>(5 605)</b>
<b>Other Comprehensive Income</b>	–	–	–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(63 356)</b>	<b>(57 223)</b>	<b>(68 064)</b>	<b>(92 907)</b>	<b>(28 066)</b>	<b>(32 107)</b>	<b>(5 801)</b>	<b>(9 320)</b>	<b>181 724</b>	<b>185 952</b>	<b>16 437</b>	<b>(5 605)</b>

\* The name and purpose of each service group is summarised in Note 8.

\*\* Appropriations and acceptance by the Crown Entity of employee benefits and other liabilities are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the 'Not Attributable' column.

Supplementary Financial Statements  
Service group statements (continued)

THE TREASURY'S ASSETS AND LIABILITIES **	State Resource Management		Revenue Administration Services		Infringement Processing and Fine Enforcement Management		Benefit Services		Not Attributable		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>												
Cash and cash equivalents	10 834	12 503	–	–	–	–	–	–	–	17 723	10 834	30 226
Receivables	3 109	2 181	–	2 832	–	4 546	–	595	–	–	3 109	10 154
<b>Total Current Assets</b>	<b>13 943</b>	<b>14 684</b>	<b>–</b>	<b>2 832</b>	<b>–</b>	<b>4 546</b>	<b>–</b>	<b>595</b>	<b>–</b>	<b>17 723</b>	<b>13 943</b>	<b>40 380</b>
<b>Non-Current Assets</b>												
Receivables	–	–	–	1	–	1	–	–	–	–	–	2
Plant and equipment	1 113	1 259	–	6 448	–	5 648	–	647	–	–	1 113	14 002
Intangibles	917	1 241	–	9 052	–	12 815	–	339	–	–	917	23 447
<b>Total Non-Current Assets</b>	<b>2 030</b>	<b>2 500</b>	<b>–</b>	<b>15 501</b>	<b>–</b>	<b>18 464</b>	<b>–</b>	<b>986</b>	<b>–</b>	<b>–</b>	<b>2 030</b>	<b>37 451</b>
<b>TOTAL ASSETS</b>	<b>15 973</b>	<b>17 184</b>	<b>–</b>	<b>18 333</b>	<b>–</b>	<b>23 010</b>	<b>–</b>	<b>1 581</b>	<b>–</b>	<b>17 723</b>	<b>15 973</b>	<b>77 831</b>
<b>Current Liabilities</b>												
Payables	3 079	3 925	–	3 067	–	1 364	–	327	–	–	3 079	8 683
Provisions	5 261	5 000	–	5 372	–	4 108	–	679	–	–	5 261	15 159
Other	–	3	–	67	–	23	–	1 013	–	–	–	1 106
<b>Total Current Liabilities</b>	<b>8 340</b>	<b>8 928</b>	<b>–</b>	<b>8 506</b>	<b>–</b>	<b>5 495</b>	<b>–</b>	<b>2 019</b>	<b>–</b>	<b>–</b>	<b>8 340</b>	<b>24 948</b>
<b>Non-Current Liabilities</b>												
Provisions	56	56	–	65	–	50	–	8	–	–	56	179
Other	–	–	–	81	–	28	–	8	–	–	–	117
<b>Total Non-Current Liabilities</b>	<b>56</b>	<b>56</b>	<b>–</b>	<b>146</b>	<b>–</b>	<b>78</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>–</b>	<b>56</b>	<b>296</b>
<b>TOTAL LIABILITIES</b>	<b>8 396</b>	<b>8 984</b>	<b>–</b>	<b>8 652</b>	<b>–</b>	<b>5 573</b>	<b>–</b>	<b>2 035</b>	<b>–</b>	<b>–</b>	<b>8 396</b>	<b>25 244</b>
<b>NET ASSETS</b>	<b>7 577</b>	<b>8 200</b>	<b>–</b>	<b>9 681</b>	<b>–</b>	<b>17 437</b>	<b>–</b>	<b>(454)</b>	<b>–</b>	<b>17 723</b>	<b>7 577</b>	<b>52 587</b>

\* The name and purpose of each service group is summarised in Note 8.

\*\* All Assets and Liabilities for the State Resource Management service group have been applied directly. For the remaining service groups, the Assets and Liabilities with the exception of Cash have either been directly allocated where there is a distinct relationship or, allocated using an appropriate base eg. Net cost of Service. As Cash can be applied in achieving the objectives of all service groups it is classified as 'Not Attributable'.

Supplementary Financial Statements  
Service group statements (continued)

ADMINISTERED EXPENSES AND INCOME	State Resource Management		Revenue Administration Services		Infringement Processing and Fine Enforcement Management		Benefit Services		Not Attributable		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered Expenses</b>												
Transfer payments (Note 8)	-	2 500	-	-	-	-	-	-	-	-	-	2 500
Other (Note 26)	-	-	38 233	51 238	-	-	213 881	717 318	-	-	252 114	768 556
<b>Total Administered Expenses</b>	<b>-</b>	<b>2 500</b>	<b>38 233</b>	<b>51 238</b>	<b>-</b>	<b>-</b>	<b>213 881</b>	<b>717 318</b>	<b>-</b>	<b>-</b>	<b>252 114</b>	<b>771 056</b>
<b>Administered Income</b>												
Revenues earned (Note 27(a))												
Taxes, fees and fines	-	-	13 205 086	16 224 080	244 182	330 734	-	-	-	-	13 449 268	16 554 814
Other	-	-	631 104	744 438	-	-	-	-	-	-	631 104	744 438
<b>Total Administered Income</b>	<b>-</b>	<b>-</b>	<b>13 836 190</b>	<b>16 968 518</b>	<b>244 182</b>	<b>330 734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 080 372</b>	<b>17 299 252</b>
<b>Administered Income less Expenses</b>	<b>-</b>	<b>(2 500)</b>	<b>13 797 957</b>	<b>16 917 280</b>	<b>244 182</b>	<b>330 734</b>	<b>(213 881)</b>	<b>(717 318)</b>	<b>-</b>	<b>-</b>	<b>13 828 258</b>	<b>16 528 196</b>

\* The name and purpose of each service group is summarised in Note 8.

Note: Administered assets and liabilities are disclosed in notes 23 and 24.

Summary of compliance with financial directives

	2011				2010			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Original Budget Appropriation/ Expenditure</b>								
§ Appropriation Act	191 486	164 979	9 860	5 508	175 082	162 764	9 461	9 193
§ S 24 PF&AA – transfers	(25 990)	–	(7 293)	–	–	–	–	–
§ s 26 PF&AA – Commonwealth specific purpose payments	900	359	–	–	1 420	1 164	132	35
<b>Other Appropriations/ Expenditure</b>								
§ Treasurer's Advance	4 200	2 879	4 100	1 114	4 660	4 660	481	423
§ Section 22 – expenditure for certain works and services	–	–	–	–	–	–	–	–
§ Transfers from another agency (s28 of the Appropriation Act)	–	–	–	–	650	–	–	–
§ Transfers from another agency (s31 of the Appropriation Act)	–	–	–	–	–	–	–	–
<b>Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)</b>	170 596	168 217	6 667	6 622	181 812	168 588	10 074	9 651
<b>Amount drawn down against Appropriation</b>		168 217		6 622		168 588		9 731
<b>Liability to Consolidated Fund (Note 15)</b>		–		–		–		80

§ The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

§ The 'Liability to Consolidated Fund' represents the difference between the 'Amount drawn down against Appropriation' and the 'Total Expenditure / Net Claim on Consolidated Fund'.

**1. Summary of Significant Accounting Policies****(a) Reporting entity**

The Treasury is a NSW government department. The Treasury is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The Treasury was impacted as a result of an administrative restructure as per the Public Sector Employment and Management (Departments) Order 2011 (No 184) dated 3 April 2011.

The Treasury comprises all the operating activities of the Office of Financial Management (OFM) and those for the Office of State Revenue (OSR) up until 3 April 2011. Under the Public Sector Employment and Management (Departments) Order 2011, OSR was transferred from The Treasury to the Department of Finance and Services (DFS) effective from 4 April 2011. Consequently, The Treasury Financial Statements include OFM's financial results for a full year and OSR's up to 3 April 2011.

The OFM serves the Treasurer and the Government by providing economic, budgetary and financial advice on the effective management of and accounting for the State's finances and for providing timely and relevant information on the overall State finances. The OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales and income tax equivalents from State Government businesses. OSR is also responsible for the processing and enforcement of fines, administration and payment of grants under the First Home Owner Grant Scheme (FHOGS) and Unclaimed Money.

In the process of preparing the financial statements for The Treasury, all transactions between the OSR and the OFM have been eliminated up until the transfer to DFS.

Administered activities undertaken on behalf of the Crown Entity are consolidated in the Crown Entity accounts. Those undertaken on behalf of local councils and other public sector agencies are reported by the individual entities.

These financial statements for the year ended 30 June 2011 have been authorised for issue by the Secretary on 6 October 2011.

**(b) Basis of preparation**

The Treasury's financial statements are general purpose financial statements which have been prepared in accordance with:

- § applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- § the requirements of the Public Finance and Audit Act 1983 and Regulation and
- § the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**(c) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

**(d) Administered activities**

As a result of the administrative restructure in Note 1(a) administered activities were transferred to DFS on the 3 April 2011. Therefore, results for 2011 represents amounts up to this date. From this date, the Treasury administered, but did not control certain activities on behalf of the Crown Entity and commercial clients. It was accountable for the transactions relating to those administered activities but had no discretion, for example, to deploy those resources for the achievement of The Treasury's own objectives.

Transactions and balances relating to the administered activities are not recognised as The Treasury's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting, applicable accounting standards and Crown entity income recognition policies have been adopted.

In accordance with the Crown Entity's current revenue recognition policy (TC 92/25 'Accounting for Crown Revenue') State revenue is recognised as follows within Note 27 (a):

- § Government-assessed revenues (primarily land tax and gaming) are regarded as being able to be measured reliably at the time of issuing the assessment
- § Taxpayer-assessed revenues (including payroll tax, duties and lotteries) are regarded as being able to be measured reliably when the funds are received by The Treasury. Additional revenues are recognised for assessments subsequently issued following the review of returns lodged by taxpayers
- § Interest payable on government and taxpayer – assessed revenue are brought to account on a daily basis
- § Enforcement orders issued by the State Debt Recovery Office (SDRO) are regarded as being able to be measured reliably when the enforcement order is issued and assessed as recoverable or meeting asset recognition criteria. Penalty notices issued are regarded as being able to be measured reliably when the cash is received.

Receivables and liabilities reported under administered activities are a result of statutory requirements and are not financial instruments.

FHOGS became an administered activity of The Treasury for the Crown as from the 1st July 2008 and is reported under Notes 23 to 27. Receivables owing as at 30 June 2008 remained with OSR. FHOGS receivables are a statutory requirement and are not financial liabilities or financial assets.

The FHOGS payment is net of returns made in relation to contracts not settled and recoveries by compliance auditors of payments made to ineligible applicants. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, are also netted off against the total amount of payments made in the year. FHOGS receivables are a statutory requirement and are not financial liabilities or financial assets.

### **(e) Insurance**

The Treasury's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

### **(f) Accounting for the Goods and Services Tax (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that:

- § the amount of GST incurred by The Treasury as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense and
- § receivables and payables are stated with the amount of GST included.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing activities and financing activities which is recoverable from, or payable to, the Australian Taxation office are classified as operating cash flows.

### **(g) Income recognition**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

#### **(i) Parliamentary appropriations and contributions**

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when The Treasury obtains control over the assets comprising the appropriations / contributions. Control over appropriations / contributions is normally obtained upon the receipt of cash.

Unspent appropriations are recognised as liabilities rather than income as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

The liability is disclosed in Note 16 as part of 'Current / Non-Current Liabilities – Other'. The amount will be repaid and the liability will be extinguished in the next financial year.

- (ii) Sale of goods  
Revenue from the sale of goods is recognised as revenue when The Treasury transfers the significant risks and rewards of ownership of the assets.
- (iii) Rendering of services  
Revenue is recognised when the service is provided.
- (iv) Investment revenue  
Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

**(h) Assets**

- (i) Acquisition of assets  
The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by The Treasury. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.  
  
Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.  
  
Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.  
  
Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.
- (ii) Capitalisation thresholds  
Intangibles (software), plant and equipment (excluding computer hardware), costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is capitalised. However, grouped assets with inter-related functions such as the computer network are capitalised regardless of cost.
- (iii) Revaluation of plant and equipment  
Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.  
  
Plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.  
  
Fair value of plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.  
  
As The Treasury does not own land, building or infrastructure assets, management does not believe that the revaluation of physical non-current assets over five years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of assets.  
  
The majority of The Treasury's assets are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.
- (iv) Impairment of plant and equipment  
As a not-for-profit entity with no cash generating units, The Treasury is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

## (v) Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to allocate the depreciable amount of each asset as it is consumed over its useful life to The Treasury.

All material separately identifiable components of assets are recognised and depreciated over their shorter useful lives. The useful lives of each category of depreciable assets are:

Computer Hardware	4 years
Office Equipment	5 to 7 years
Office Furniture	10 years
Computer Software	4 years
Leasehold Improvements	3 to 20 years depending on the term of leasing arrangements

## (vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses when incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

## (vii) Leased assets

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. The Treasury has not entered into any finance leases.

## (viii) Intangible assets

The Treasury recognises intangible assets only if it is probable that future economic benefits will flow to The Treasury and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Treasury's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Treasury's intangible assets are amortised using the straight line method over a period ranging from 4 to 10 years depending upon the nature of the application.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. As a not-for-profit entity with no cash generating units, The Treasury is effectively exempted from impairment testing (refer Para (iv)). However, The Treasury does review specific assets on an annual basis to determine whether there is an impairment to the fair value of those assets.

## (ix) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/(deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

## (x) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the surplus/(deficit) for the year.

Any reversals of impairment losses are reversed through the surplus/(deficit) for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if The Treasury transfers the financial assets:

§ where substantially all the risks and rewards have been transferred or

§ where The Treasury has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where The Treasury has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of The Treasury's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xii) Trust funds

The Treasury receives monies in a trustee capacity for various trusts as set out in Note 22. As The Treasury performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of The Treasury's own objectives, these funds are not recognised in the financial statements. Custodianship transferred from The Treasury to DFS on the 4 April as a result of the administrative order (refer Note 2(d)).

(xiii) Other assets

Other assets are recognised on a cost basis.

**(i) Liabilities**

(i) Payables

These amounts represent liabilities for goods and services provided to The Treasury and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

## (b) Long service leave and superannuation

The Treasury's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Treasury accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 11/06) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions (specified in NSW TC 11/04).

## (iii) Other provisions

Other provisions exist when: The Treasury has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when The Treasury has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

**(j) Equity**

The category "Accumulated funds" includes all current and prior period retained funds.

**(k) Equity transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector agencies and 'equity appropriations' (refer Note 1(g) (i) are designated or required by Australian Accounting Standards to be treated as contributions by owners and recognised as an adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 Contributions and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

**(l) Budgeted amounts**

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the statement of comprehensive income and statement of cash flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the statement of financial position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts i.e. per the audited financial statements (rather than carried forward estimates).

Current budget amounts include the full 12 months for the OFM and the first 9 months for the OSR. The OSR budget for the period from 3 April 2011 was transferred to the Department of Finance and Services.

**(m) Comparative information**

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

**(n) New Australian Accounting Standards issued but not effective**

The following new Accounting Standards - issued and not yet effective - have not been early adopted.

- § AASB 9 and AASB 2010-7 regarding financial instruments (Effective 2013-14)
- § AASB 10 regarding consolidated financial statements (Effective 2012-13)
- § AASB 11 regarding joint arrangements (Effective 2012-13)
- § AASB 12 regarding disclosure of interests in other entities (Effective 2012-13)
- § AASB 13 regarding fair value measurement (Effective 2012-13)
- § AASB 127 regarding separate financial statements (Effective 2012-13)
- § AASB 128 regarding investments in associates and joint ventures (Effective 2012-13)
- § AASB 1053 and AASB 2010-2 regarding differential reporting (Effective 2013-14)
- § AASB 2010-6 regarding disclosures on transfers of financial assets (Effective 2011-12)
- § AASB 2010-8 regarding deferred tax: recovery of underlying assets (Effective 2012-13)
- § AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for the first time adopters (Effective 2011-12)
- § AASB 2010-10 regarding removal of fixed dates for first time adopters (Effective 2013-14)
- § AASB 1054 regarding Australian additional disclosures (Effective 2011-12)
- § AASB 2011-1 regarding the Trans Tasman Convergence project (Effective 2011-12)
- § AASB 2011-2 regarding the Trans Tasman Convergence project – RDR (Effective 2013-14)
- § AASB 2011-3 regarding orderly adoption of changes to the ABS GFS manual (Effective 2012-13)
- § AASB 2011-4 regarding amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (Effective 2013-14)
- § AASB 2011-5 regarding amendments to Australian Accounting Standards – extending relief from consolidation, the equity method and proportionate consolidation (Effective 2011-12)
- § AASB 2011-6 regarding amendments to Australian Accounting Standards – extending relief from consolidation, the equity method and proportionate consolidation – reduced disclosure requirements (Effective 2013-14)
- § AASB 2011-7 regarding amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards (Effective 2012-13)
- § AASB 2011-8 regarding amendments to Australian Accounting Standards arising from AASB 13 (Effective 2012-13)
- § AASB 2011-9 regarding amendments to Australian Accounting Standards – presentation of items of other comprehensive income (Effective 2012-13)
- § AASB 2011-10 regarding amendments to Australian Accounting Standards arising from AASB 119 (Effective 2012-13)
- § AASB 2011-11 regarding amendments to AASB 119 ( September 2011 ) arising from reduced disclosure requirements (Effective 2013-14)

The Office of Financial Management (OFM) has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC10/08.

It is considered impracticable to presently determine the impact of adopting the above listed accounting standards issued, but not yet effective.

**2. Expenses Excluding Losses**

	2011 \$'000	2010 \$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	102 045	114 340
Superannuation – defined benefit plans	3 252	4 071
Superannuation – defined contribution plans	6 385	6 917
Long service leave	3 458	5 910
Workers' compensation insurance	1 250	653
Payroll tax and fringe benefits tax	6 422	7 390
On-costs on LSL not assumed by Crown	(59)	263
	<u>122 753</u>	<u>139 544</u>
Employee related expenses of \$1.7 million (2009–2010 \$1.4 million) have been incurred for various capital projects and are included in computer software costs, intangible costs and capital work in progress in Notes 11 and 12. Except as noted, there are no other employee related payments included in asset and expenditure accounts.		
<b>(b) Other operating expenses include the following:</b>		
Auditor's remuneration		
- audit of financial statements	476	309
Operating lease rental expense		
- minimum lease payments	9 922	10 768
Maintenance (i)	594	889
Insurance	78	119
Contractors' and consultancy fees	20 226	22 306
Printing and advertising	6 313	7 989
Centralised corporate support charges	3 912	3 461
Computer maintenance and software licences	1 277	1 525
Data access fees	1 445	2 530
Training	1 160	1 323
Building maintenance and utilities	1 553	2 088
Legal fees	623	1 239
Travel	609	719
Minor plant, equipment and stores	713	847
Postal charges	235	312
Bank charges	988	1 482
Other	3 435	5 123
	<u>53 559</u>	<u>63 029</u>
 (i) Reconciliation – Total maintenance		
Maintenance expense – contracted labour and other (non-employee related), as above	594	889
Maintenance related employee expenses included in Note 2(a)	4 677	6 185
	<u>5 271</u>	<u>7 074</u>
 (c) Depreciation and amortisation expense		
Depreciation (Note 11)		
- Computer hardware	1 753	2 512
- Computer software	88	116
- Office equipment	643	829
- Office furniture	212	256
- Leasehold Improvements	763	886
	<u>3 459</u>	<u>4 599</u>
Amortisation (Note 12)	1 829	2 432
Total depreciation and amortisation	<u>5 288</u>	<u>7 031</u>

	2011 \$'000	2010 \$'000
<b>(d) Grants and subsidies</b>		
LPMA	17 904	23 287
Department of Health	–	500
Other	<u>347</u>	<u>169</u>
	<b><u>18 251</u></b>	<b><u>23 956</u></b>
<b>3. Revenues</b>		
<b>(a) Sale of goods and services</b>		
<b>Rendering of services</b>		
Penalty notice fees (i)	19 073	26 799
Recoupment of Crown costs (ii)	10 609	8 405
Land tax search fees	1 913	2 873
Other	<u>408</u>	<u>486</u>
	<b><u>32 003</u></b>	<b><u>38 563</u></b>
<b>(b) Investment revenue</b>		
Interest	<u>2 066</u>	<u>2 567</u>
	<b><u>2 066</u></b>	<b><u>2 567</u></b>
<b>(c) Retained taxes, fees and fines</b>		
Annulment fees	<u>87</u>	<u>227</u>
	<b><u>87</u></b>	<b><u>227</u></b>
<b>(d) Grants and contributions</b>		
Other grants	<u>55</u>	<u>273</u>
	<b><u>55</u></b>	<b><u>273</u></b>
<b>(e) Other revenue</b>		
Legal fees recouped	221	441
Other	<u>106</u>	<u>462</u>
	<b><u>327</u></b>	<b><u>903</u></b>

- (i) Penalty notice fees represent a service provided by The Treasury to a range of local government and public sector clients. As a function of The Treasury, this service has now transferred to the Department of Finance and Services.
- (ii) Relates to the recoupment of administrative costs composed mainly of salaries and accommodation relating to the Crown Entity.

**4. Gain / (Loss) On Disposal**

	2011 \$'000	2010 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	5	68
Written down value of assets disposed	(20)	(246)
<b>Net gain / (loss) on disposal of plant and equipment</b>	<b><u>(15)</u></b>	<b><u>(178)</u></b>
<b>Total net gain / (loss) on disposal of non-current assets</b>	<b><u>(15)</u></b>	<b><u>(178)</u></b>

**5. Other Gains / (Losses)**

	2011 \$'000	2010 \$'000
Impairment loss on Capital Works in Progress	–	(336)
Impairment of Receivables	41	(16)
	<b><u>41</u></b>	<b><u>(352)</u></b>

**6. Appropriations**

	2011 \$'000	2010 \$'000
<b>Recurrent appropriations</b>		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	168 217	168 588
Less: Liability to Consolidated Fund (per Summary of compliance)	–	–
	<b><u>168 217</u></b>	<b><u>168 588</u></b>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	168 217	166 088
Transfer payments	–	2 500
	<b><u>168 217</u></b>	<b><u>168 588</u></b>
<b>Capital appropriations</b>		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	6 622	9 731
Less: Liability to Consolidated Fund (per Summary of compliance)	–	80
	<b><u>6 622</u></b>	<b><u>9 651</u></b>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	<b><u>6 622</u></b>	<b><u>9 651</u></b>

**7. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities**

	2011 \$'000	2010 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	3 252	4 071
Long service leave	3 458	5 910
Payroll tax	175	232
	<b><u>6 885</u></b>	<b><u>10 213</u></b>

**8. Service Groups of the Treasury**

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**Office of Financial Management****(a) Service Group**

Objective:

**State Resource Management**

Ensuring state finances support the delivery and long run affordability of services. Implementing policy settings that promote a competitive state economy.

**Office of State Revenue****(b) Service Group**

Objective:

**Revenue Administration Services**

Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales.

**(c) Service Group**

Objective:

**Infringement Processing and Fine Enforcement Management**

Ensure effective and timely infringement processing and fine enforcement services.

**(d) Service Group**

Objective:

**Benefit Services**

Ensure eligible applicants receive payments due under State Government schemes.

Certain Treasury functions were transferred to the Department of Finance and Services as a consequence of a restructuring of administrative arrangements with effect from 4 April 2011.

**9. Current Assets – Cash and Cash Equivalents**

	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Cash at bank and on hand	<u>10 834</u>	<u>30 226</u>
	<b><u>10 834</u></b>	<b><u>30 226</u></b>
For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.		
Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:		
Cash and cash equivalents (per statement of financial position)	<b><u>10 834</u></b>	<b><u>30 226</u></b>
Closing cash and cash equivalents (per statement of cash flows)	<b><u>10 834</u></b>	<b><u>30 226</u></b>

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

**10. Current / Non-Current Assets - Receivables**

	<b>2011</b>		<b>2010</b>
	<b>\$'000</b>		<b>\$'000</b>
<b>Current</b>			
Sale of goods and services	2 288		4 032
Other	102		976
Prepayments	40		1 623
GST receivable from ATO	339		1 742
Interest	340		1 432
FHOGS	–	516	
Less: Allowance for impairment	–	<u>167</u>	<u>349</u>
	<b><u>3 109</u></b>		<b><u>10 154</u></b>
<b>Non-Current</b>			
Prepayments	–		<u>2</u>
<b>Total</b>	<b><u>3 109</u></b>		<b><u>10 156</u></b>

The comparatives include certain Treasury assets which were transferred to DFS on 4 April 2011. Refer Note 1(a). Receivables for Sale of goods and services represents services provided to the Crown for administrative services.

The receivables position for Sale of goods & services and Other is as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Receivables – Sale of goods &amp; services and Other</b>		
Current amount	2 281	2 833
Overdue amount	<u>109</u>	<u>2 175</u>
	2 390	5 008
Less: Allowance for impairment	–	–
	<b><u>2 390</u></b>	<b><u>5 008</u></b>

**Overdue Amounts**

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment		Net	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales of goods and services	–	1 087	–	259	–	14	1 360	–	–	–	–	1 360
Others	<u>14</u>	<u>720</u>	<u>42</u>	<u>–</u>	<u>53</u>	<u>95</u>	<u>109</u>	<u>815</u>	<u>–</u>	<u>–</u>	<u>109</u>	<u>815</u>
<b>Total</b>	<b><u>14</u></b>	<b><u>1 807</u></b>	<b><u>42</u></b>	<b><u>259</u></b>	<b><u>53</u></b>	<b><u>109</u></b>	<b><u>109</u></b>	<b><u>2 175</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>109</u></b>	<b><u>2 175</u></b>

Refer to Note 21 for credit risk, liquidity risk and market risk arising from financial instruments.

**11. Non-Current Assets – Plant and Equipment**

	<b>Plant and Equipment \$'000</b>
<b>At 1 July 2010 – fair value</b>	
Gross carrying amount	36 247
Accumulated depreciation and impairment	<u>22 245</u>
<b>Net carrying amount</b>	<b><u>14 002</u></b>
<b>At 30 June 2011 – fair value</b>	
Gross carrying amount	2 340
Accumulated depreciation and impairment	<u>1 227</u>
<b>Net carrying amount</b>	<b><u>1 113</u></b>

**Reconciliation**

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below.

	<b>Plant and Equipment \$'000</b>
<b>Year ended 30 June 2011</b>	
Net carrying amount at start of year	14 002
Additions	1 229
Disposals	(1 274)
Depreciation expense	(3 459)
Other movements	
Transfer from The Treasury to DFS (refer note 1(a))	(10 639)
Write back on disposal	1 254
Reclassification of PPE to intangibles	–
<b>Net carrying amount at end of year</b>	<b><u>1 113</u></b>

	<b>Plant and Equipment \$'000</b>
<b>At 1 July 2009 – fair value</b>	
Gross carrying amount	44 270
Accumulated depreciation and impairment	<u>28 394</u>
<b>Net carrying amount</b>	<b><u>15 876</u></b>
<b>At 30 June 2010 – fair value</b>	
Gross carrying amount	36 247
Accumulated depreciation and impairment	<u>22 245</u>
<b>Net carrying amount</b>	<b><u>14 002</u></b>

**Reconciliation**

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the previous reporting period is set out below.

	<b>Plant and Equipment \$'000</b>
<b>Year ended 30 June 2010</b>	
Net carrying amount at start of year	15 876
Additions	3 509
Disposals	(9 046)
Depreciation expense	(4 599)
Other movements	
Write back on disposal	8 800
Reclassification of PPE to intangibles	(538)
<b>Net carrying amount at end of year</b>	<b><u>14 002</u></b>

**12. Intangible Assets**

	<b>Software \$'000</b>	<b>Capital Work in Progress \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2010</b>			
Cost (gross carrying amount)	85 269	14 068	99 337
Accumulated amortisation and impairment	<u>75 890</u>	<u>—</u>	<u>75 890</u>
<b>Net carrying amount</b>	<b><u>9 379</u></b>	<b><u>14 068</u></b>	<b><u>23 447</u></b>
<b>At 30 June 2011</b>			
Cost (gross carrying amount)	2 118	—	2 118
Accumulated amortisation and impairment	<u>1 201</u>	<u>—</u>	<u>1 201</u>
<b>Net carrying amount</b>	<b><u>917</u></b>	<b><u>—</u></b>	<b><u>917</u></b>

**Reconciliation**

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the previous reporting period is set out below

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
<b>Year ended 30 June 2011</b>			
Net carrying amount at start of year	9 379	14 068	23 447
Additions:			
Internal development	712	5 297	6 009
Acquired separately	14	–	14
Disposals	–	–	–
Transfer from CWIP to Software		(481)	(481)
Amortisation (recognised in 'depreciation and amortisation')	(1 829)		(1 829)
Impairment loss	–	–	–
Other movements			
Transfer from The Treasury to DFS (refer note 1(a))	(7 359)	(18 645)	(26 004)
Costs Expensed		(239)	(239)
Write back on disposal	–	–	–
Reclassification of PPE to intangibles	–	–	–
<b>Net carrying amount at end of year</b>	<b><u>917</u></b>	<b><u>–</u></b>	<b><u>917</u></b>

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2009</b>			
Cost (gross carrying amount)	81 973	9 839	91 812
Accumulated amortisation and impairment	<u>72 560</u>	<u>–</u>	<u>72 560</u>
<b>Net carrying amount</b>	<b><u>9 413</u></b>	<b><u>9 839</u></b>	<b><u>19 252</u></b>
<b>At 30 June 2010</b>			
Cost (gross carrying amount)	85 269	14 068	99 337
Accumulated amortisation and impairment	<u>75 890</u>	<u>–</u>	<u>75 890</u>
<b>Net carrying amount</b>	<b><u>9 379</u></b>	<b><u>14 068</u></b>	<b><u>23 447</u></b>

**Reconciliation**

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the previous reporting period is set out below.

	<b>Software</b>	<b>Capital Work in Progress</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended 30 June 2010</b>			
Net carrying amount at start of year	9 413	9 839	19 252
Additions:			
Internal development	1 691	6 256	7 947
Acquired separately	169	–	169
Disposals	(1 050)	–	(1 050)
Transfer from CWIP to Software	–	(1 691)	(1 691)
Amortisation (recognised in 'depreciation and amortisation')	(2 432)	–	(2 432)
Impairment loss	–	(336)	(336)
Other movements			
Write back on disposal	1 050	–	1 050
Reclassification of PPE to intangibles	538	–	538
<b>Net carrying amount at end of year</b>	<b><u>9 379</u></b>	<b><u>14 068</u></b>	<b><u>23 447</u></b>

**13. Current Liabilities - Payables**

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued salaries, wages and on-costs	899	2 438
Creditors	<u>2 180</u>	<u>6 245</u>
	<b><u>3 079</u></b>	<b><u>8 683</u></b>

Details regarding liquidity risk and a maturity analysis of the above payables are disclosed in Note 21.

**14. Current / Non-Current Liabilities - Provisions**

	2011 \$'000	2010 \$'000
<b>Current</b>		
<b>Employee benefits and related on-costs</b>		
Recreation leave	3 723	9 458
Provision for Payroll Tax on Annual Leave Liability	203	525
Provision for On-costs on Annual Leave Liability	256	1 691
Provision for Payroll Tax on Long Service Leave Liability	547	1 699
Provision for On-costs on Long Service Leave Liability	512	1 699
Provision for fringe benefits tax	20	63
Provision for redundancies	–	24
	<u>5 261</u>	<u>15 159</u>
<b>Non-current</b>		
<b>Employee benefits and related on-costs</b>		
Provision for Payroll Tax on Long Service Leave Liability	29	90
Provision for On-costs on Long Service Leave Liability	27	89
	<u>56</u>	<u>179</u>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions – current	5 261	15 159
Provisions – non-current	56	179
Accrued salaries, wages and on-costs (Note 13)	899	2 438
	<u>6 216</u>	<u>17 776</u>

**15. Current / Non-Current Liabilities - Other**

	2011 \$'000	2010 \$'000
<b>Current</b>		
Lease incentive	–	20
Liability to the Consolidated Fund	–	80
Crown Entity	–	1 006
	<u>–</u>	<u>1 106</u>
<b>Non-current</b>		
Lease incentive	–	117
	<u>–</u>	<u>117</u>
<b>Total</b>	<u>–</u>	<u>1 223</u>

**16. Increase / Decrease in Net Assets from Equity Transfers**

The group of Treasury functions known as the Office of State Revenue (OSR) was transferred from The Treasury to the Department of Finances and Services. Refer Note 1(a).

Descriptions of the OSR service groups are in Note 8.

	<b>2011</b>
	<b>\$'000</b>
Treasury responsibility relinquished in the transfer:	
Assets transferred to the Department of Finance and Services	
Cash and cash equivalents	26 006
Receivables	13 245
Plant and equipment	10 639
Intangible assets	<u>26 004</u>
<b>Total Assets transferred</b>	<b><u>75 894</u></b>
Liabilities transferred to the Department of Finance and Services	
Payables	4 111
Provisions	9 614
Other	<u>722</u>
<b>Total Liabilities transferred</b>	<b><u>14 447</u></b>
Decrease in net assets from equity transfers	<u>61 447</u>

**17. Commitments for Expenditure**

	2011 \$'000	2010 \$'000
<b>(a) Capital Commitments</b>		
Aggregate capital expenditure for the acquisition of contractors and other computer items contracted for at balance date and not provided for:		
Not later than one year	–	192
Later than one year and not later than five years	–	–
Later than five years	–	–
Total (including GST)	<u>–</u>	<u>192</u>
<b>(b) Other Expenditure Commitments</b>		
Aggregate other expenditure for the acquisition of printing and other general office expenses contracted for at balance date and not provided for:		
Not later than one year	375	2 212
Later than one year and not later than five years	169	–
Later than five years	–	–
Total (including GST)	<u>544</u>	<u>2 212</u>
<b>(c) Operating Lease Commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	5 604	11 598
Later than one year and not later than five years	13 482	42 628
Later than five years	–	3 846
Total (including GST)	<u>19 086</u>	<u>58 072</u>

Leasing arrangements are generally for rental of premises and equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2011 include input tax credits of \$1.7 million (\$5.5 million in 2009–2010) which are recoverable from the Australian Taxation Office.

**18. Contingent Liabilities and Contingent Assets**

There are no contingent assets or liabilities.

**19. Budget Review****Net cost of services**

The net cost of services result was \$165.3 million which is \$7.4 million (4.3%) less than budget. This was largely due to:

- § Lower employee related costs of \$6.3 million mainly resulting from delays in rolling out of the Road Safety Initiatives program which resulted in lower penalty volumes than expected. This led to a lower number of staff being recruited which was coupled with delays being experienced in the recruitment of staff across the agency.
- § Higher than budgeted Other Operating expenditure of \$2.1 million primarily due to the Home Builders Bonus Advertising program.
- § Lower depreciation and amortisation of \$1.9 million due to delayed implementation of projects.
- § Lower sale of goods and services revenue of \$1.0 million relating primarily to a decrease in the expected volume in penalty notices received for processing.

**Assets and liabilities**

Movement in net equity was primarily due to a reduction in cash and cash equivalents required to fund department core activities during the year.

**Cash flows**

The net cash flows from operating activities were \$13.3 million representing a \$1.3 million (9.2%) decrease to budget resulting from the following:

- § Savings in employee related expenses of \$5.20 million.
- § A prepayment of \$5.9 million in fees payable to the Land and Property Management Authority for valuation services contributed to the movement in total payments.
- § A net increase in total receipts of \$5.1 million was predominantly due to more GST payments of \$4.2 million and interest of \$0.9 million due to a higher than anticipated bank balance throughout the financial year.
- § Recurrent appropriation increased by \$2.3 million due to approved supplementary funding for the Home Builders Bonus Advertising program.

**20. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services**

		2011 \$'000	2010 \$'000
	Notes		
Net cash used on operating activities		13 314	6 155
Net cash flows from Government / Appropriations		(174 759)	(175 577)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(6 885)	(10 213)
Depreciation and amortisation	2(c)	(5 288)	(7 031)
Allowance for impairment		95	50
Decrease / (increase) in provisions		408	(1 609)
Increase / (decrease) in prepayments and other assets		6 103	1 268
Decrease / (increase) in creditors and others		2 021	(4 092)
Other movements – investing activities		(281)	6
Impairment loss of software and intangibles		–	(336)
Net gain/(loss) on sale of plant and equipment	4	<u>(15)</u>	<u>(178)</u>
<b>Net cost of services</b>		<b><u>(165 287)</u></b>	<b><u>(191 557)</u></b>

**21. Financial instruments**

The Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose The Treasury primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Treasury does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Secretary has overall responsibility for the establishment and oversight of risk management and agrees and reviews policies for managing risk. Compliance with policies is reviewed by internal auditors on a regular basis.

**(a) Financial instrument categories**

Financial assets	Note	Category	Carrying amount	Carrying amount
			2011 \$'000	2010 \$'000
Cash and cash equivalents	9	N/A	10 834	30 226
Receivables (i)	10	Loans and receivables (at amortised cost)	2 730	6 440
Financial liabilities	Note	Category	Carrying amount	Carrying amount
			2011 \$'000	2010 \$'000
Payables (ii)	13	Financial liabilities measured at amortised cost.	2 885	8 288

(i) Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

**(b) Credit risk**

Credit risk arises when there is the possibility of The Treasury's debtors defaulting on their contractual obligations, resulting in a financial loss to The Treasury. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of The Treasury, including cash, and receivables. No collateral is held by The Treasury and it has not granted any financial guarantees.

**Cash**

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCORP) 11am unofficial cash rate, adjusted for a management fee to The Treasury.

**Receivables**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The only financial assets that are past due or impaired are sales of goods and services and other receivables disclosed in Note 10.

**(c) Liquidity risk**

Liquidity risk is the risk that The Treasury will be unable to meet its payment obligations when they fall due. The Treasury continuously manages risk through monitoring future cash flows and commitment maturities. No assets have been pledged as collateral and The Treasury's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was made during the 2010–2011 year (2009–2010 \$nil).

The table below summarises the maturity profile of The Treasury's financial liabilities together with any interest rate exposure.

Maturity Analysis	\$'000				
	Weighted Average Effective Int. Rate	Nominal Amount	<1 yr	1 – 5 yrs	>5 yrs
<b>2011</b>					
<b>Financial liabilities</b>					
Accrued salaries, wages and on-costs	–	705	705	–	–
Creditors	–	<u>2 180</u>	<u>2 180</u>	–	–
<b>Total</b>		<b><u>2 885</u></b>	<b><u>2 885</u></b>	<b>–</b>	<b>–</b>
<b>2010</b>					
<b>Financial liabilities</b>					
Accrued salaries, wages and on-costs	–	2 043	2 043	–	–
Creditors	–	<u>6 245</u>	<u>6 245</u>	–	–
<b>Total</b>		<b><u>8 288</u></b>	<b><u>8 288</u></b>	<b>–</b>	<b>–</b>

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Treasury's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Treasury does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade in derivatives of any nature.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Treasury's exposure to interest rate risk follows.

Interest rate risk	Carrying amount	\$'000			
		-1%		+1%	
		Profit	Equity	Profit	Equity
<b>2011</b>					
<b>Financial assets</b>					
Cash and cash equivalents	10 834	(108)	(108)	108	108
Receivables	2 730	-	-	-	-
<b>Financial liabilities</b>					
Payables	2 885	-	-	-	-
<b>Total increase / (decrease)</b>		<b><u>(108)</u></b>	<b><u>(108)</u></b>	<b><u>108</u></b>	<b><u>108</u></b>
<b>2010</b>					
<b>Financial assets</b>					
Cash and cash equivalents	30 226	(302)	(302)	302	302
Receivables	6 440	-	-	-	-
<b>Financial liabilities</b>					
Payables	8 288	-	-	-	-
<b>Total increase / (decrease)</b>		<b><u>(302)</u></b>	<b><u>(302)</u></b>	<b><u>302</u></b>	<b><u>302</u></b>

**(e) Fair value**

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

**22. Trust Funds**

Monies held in trust for the Crown Entity and others are not recognised in the financial statements, as the Treasury cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. Results for 2011 represents amounts up to 3 April 2011 (refer Note 1(d)). The following is a summary of the transactions in these accounts:

**(a) Unclaimed money trust accounts**

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash balance at the beginning of the financial year	4 342	4 356	8 481	8 089	18	20	12 841	12 465
Add: Receipts	-	-	534	394	-	-	534	394
Less: Expenditure	-	(14)	-	(2)	-	-	-	(16)
Transfers to Crown	-	-	-	-	(1)	(2)	(1)	(2)
Transferred to DFS under administrative restructure	<u>(4 342)</u>	<u>-</u>	<u>(9 015)</u>	<u>-</u>	<u>(17)</u>	<u>-</u>	<u>13 374</u>	<u>-</u>
Cash balance	<u>-</u>	<u>4 342</u>	<u>-</u>	<u>8 481</u>	<u>-</u>	<u>18</u>	<u>-</u>	<u>12 841</u>

**(b) SDRO client funds account – fines**

	2011 \$'000	2010 \$'000
Cash balance at the beginning of the financial year	9 721	15 477
Add: Receipts	105 034	133 520
Less: Payments	(99 638)	(139 276)
Transferred to DFS under administrative restructure	<u>(15 117)</u>	<u>-</u>
Cash balance	<u>-</u>	<u>9 721</u>

Funds held in this account represent amounts collected on behalf of clients. These funds are remitted to clients in the month following collection.

**(c) SDRO public monies accounts – fines**

	2011 \$'000	2010 \$'000
Cash balance at the beginning of the financial year	7 772	7 563
Add: Receipts	138 277	168 982
Less: Payments	(128 221)	(168 773)
Transferred to DFS under administrative restructure	<u>(17 828)</u>	<u>-</u>
Cash balance	<u>-</u>	<u>7 772</u>

Amounts held in the Public Monies account for the SDRO represent receipts collected during the debt management process, on behalf of clients that are remitted in the month following receipt.

**23. Administered Assets – Receivables**

Certain Treasury functions were transferred to DFS as a consequence of the administration restructure on 4 April 2011. Therefore financial information for 2011 is reported under DFS and only comparative information is reported below.

**(a) Tax receivables**

Assets administered by The Treasury for the Crown Entity are primarily tax and fine receivables. They are not recognised in the Statement of financial position.

	2010 \$'000
Current amounts	252 146
Instalment amounts	21 237
Appeals and objection amounts	576 304
Overdue amounts	<u>232 473</u>
	<b>1 082 160</b>
Less: allowance for impairment	<u>(34 135)</u>
<b>Net receivables</b>	<b><u>1 048 025</u></b>

The receivables above represent taxes and interest owed by clients at the close of business and exclude any credit balances, which are disclosed separately in Note 24. Accrued interest on receivables is not classified as overdue.

**Current and instalment amounts**

The following is a summary of receivable balances by tax type:

	Current	Instalments	Appeals and objections	Total	Allowance for impairment	Net
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000
Duties (i)	104 637	-	545 791	650 428	(2 184)	648 244
Payroll tax	31 271	-	9 914	41 185	(5 603)	35 582
Land tax	107 688	12 343	12 393	132 424	(248)	132 176
Parking space levy	5 497	-	7 785	13 282	(189)	13 093
Club gaming devices (ii)	1 810	8 894	-	10 704	(4)	10 700
Hotel gaming devices (ii)	478	-	230	708	(26)	682
Insurance protection tax	-	-	46	46	-	46
Health Insurance	305	-	-	305	-	305
FHOGS	<u>460</u>	<u>-</u>	<u>145</u>	<u>605</u>	<u>-</u>	<u>605</u>
<b>Total receivables</b>	<b><u>252 146</u></b>	<b><u>21 237</u></b>	<b><u>576 304</u></b>	<b><u>849 687</u></b>	<b><u>(8 254)</u></b>	<b><u>841 433</u></b>

(i) Duties appeals and objections includes an assessment totalling \$531.8 million consisting of \$258.9 million assessed duty and \$272.9 million accrued interest (\$501.7 million consisting of \$258.9 million duty and \$242.8 million interest in 2008–2009) which is subject to appeal in the Supreme Court. At the time of transfer there were no grounds for the Chief Commissioner of State Revenue to impair the receivable.

(ii) Approved clubs and hotels can pay their quarterly gaming machine tax in three equal instalments without being charged interest for the late payment. The scheme aims to assist those demonstrating financial hardship.

**Overdue amounts**

	Less than 30 days 2010 \$'000	30 – 90 days 2010 \$'000	Greater than 90 days 2010 \$'000	Total 2010 \$'000	Allowance for impairment* 2010 \$'000	Net 2010 \$'000
Duties	1 271	1 596	10 518	13 385	(3 469)	9 916
Payroll tax	3 360	8 894	45 329	57 583	(18 607)	38 976
Land tax	7 467	19 322	130 650	157 439	(2 655)	154 784
Parking space levy	66	187	316	569	(398)	171
Club gaming devices	221	-	946	1 167	(119)	1 048
Hotel gaming devices	-	60	162	222	(41)	181
FHOGS	92	347	1 652	2 091	(592)	1 499
Insurance protection tax	17	-	-	17	-	17
<b>Total receivables</b>	<b><u>12 494</u></b>	<b><u>30 406</u></b>	<b><u>189 573</u></b>	<b><u>232 473</u></b>	<b><u>(25 881)</u></b>	<b><u>206 592</u></b>

\* The allowance for impairment relates to matters primarily greater than 90 days overdue.

Recovery of receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). Interest is charged on overdue receivables in accordance with S22 of the Tax Administration Act 1996. The carrying amount approximates fair value.

Debt recovery action may result in negotiated payment arrangements or the initiation of legal debt recovery procedures, if clients are unwilling to pay.

**Land tax**

Under the Land Tax Management Act 1956, a charge is held over land owned by taxpayers for unpaid land tax. If normal recovery procedures have been unsuccessful, a caveat is generally registered on the title until the debt is paid.

**(b) Fine receivables (SDRO)**

	2010		Total \$'000
	Crown \$'000	Commercial \$'000	
Balance	708 970	308 208	1 017 178
Write off adjustment	(11 109)	(4 432)	(15 541)
	<b>697 861</b>	<b>303 776</b>	<b>1 001 637</b>
Less: Amounts not meeting asset recognition criteria (i)	(536 698)	(224 708)	(761 406)
<b>Closing balance</b>	<b>161 163</b>	<b>79 068</b>	<b>240 231</b>

- (i) An estimate is prepared each year of amounts considered not to meet asset recognition criteria as no economic benefit is reasonably likely to be realised. The estimate is based on the age of the receivable, the receivables classification (eg parking, speeding, court issued, fees etc), active time to pay arrangements and past recovery experience.

The following is a summary of receivable balances by year of enforcement and type:

	Pre 2007	2007	2008	2009	2010	Total	Amounts not meeting asset recognition criteria	Net
Type	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Crown</b>								
Motor traffic	225 084	28 814	33 984	43 647	61 687	393 216	284 409	108 807
Court	114 143	9 787	10 517	10 295	10 537	155 279	124 570	30 709
Fees	62 876	8 716	10 720	12 865	20 755	115 932	97 481	18 451
Other	16 537	2 088	2 742	5 533	6 534	33 434	30 238	3 196
<b>Crown total</b>	<b>418 640</b>	<b>49 405</b>	<b>57 963</b>	<b>72 340</b>	<b>99 513</b>	<b>697 861</b>	<b>536 698</b>	<b>161 163</b>
Commercial (i)	143 926	27 918	32 086	39 009	60 837	303 776	224 708	79 068
<b>Total owing</b>	<b>562 566</b>	<b>77 323</b>	<b>90 049</b>	<b>111 349</b>	<b>160 350</b>	<b>1 001 637</b>	<b>761 406</b>	<b>240 231</b>

- (i) Includes amounts administered on behalf of local councils, fees payable to the RTA and Department of Justice and Attorney General.

In 2009-10 \$15.5 million of fine receivables were approved for write off and have been brought to account in the above figures. They were written off in the subsidiary ledger in 2010-11.

**24. Administered Liabilities**

Certain Treasury functions were transferred to DFS as a consequence of the administration restructure on 4 April 2011. Therefore financial information for 2011 is reported under DFS and only comparative information is reported below.

Credit balances against tax receivables have not been netted off against the receivables reported in Note 23 and are required to be shown separately as administered liabilities.

	2010 \$'000
Duties	3 304
Payroll tax	3 900
Land tax	7 806
Parking space levy	222
Club gaming devices	304
Hotel gaming devices	1
Insurance protection tax	121
FHOGS	24
Fines	92
<b>Total administered liabilities</b>	<b><u>15 774</u></b>

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Credit situations are also created where taxes are paid in advance or overpayments are to be refunded to clients. Credit balances for fines represent overpayments.

**25. Administered Income – Debts Written Off / Remissions****(a) Debts written off**

	2011			2010		
	Tax \$'000	Penalties/ Interest \$'000	Total \$'000	Tax \$'000	Penalties/ Interest \$'000	Total \$'000
Duties	851	579	1 430	974	413	1 387
Parking space levy	124	103	227	38	26	64
Payroll tax	4 937	1 907	6 844	12 968	7 495	20 463
Land tax	84	131	215	1 163	844	2 007
Club gaming devices	14	1	15	3	7	10
Hotel gaming devices	15	13	28	57	50	107
Insurance Protection tax	3	-	3	-	-	-
FHOGS	71	18	89	222	60	282
<b>Total debts written off</b>	<b><u>6 099</u></b>	<b><u>2 752</u></b>	<b><u>8 851</u></b>	<b><u>15 425</u></b>	<b><u>8 895</u></b>	<b><u>24 320</u></b>

A debt is only considered irrecoverable where it is either uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor does not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective.

**(b) Remissions**

In accordance with the Taxation Administration Act 1996 administered by The Treasury, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory penalty and/or interest.

Penalties and interest remitted during the year amounted to:

	2011			2010		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	44	4 111	4 155	8	6 217	6 225
Parking space levy	8	1 210	1 218	13	1 821	1 834
Payroll tax	8	8 886	8 894	386	15 624	16 010
Land tax	-	10 405	10 405	12	17 810	17 822
Health insurance levies	-	9	9	-	389	389
Club gaming devices	-	603	603	-	880	880
Hotel gaming devices	-	252	252	-	995	995
Fixed odds sports betting	-	-	-	-	7	7
Fixed odds racing betting	-	-	-	-	2	2
FHOGS	34	-	34	21	-	21
<b>Total remissions</b>	<b>94</b>	<b>25 476</b>	<b>25 570</b>	<b>440</b>	<b>43 745</b>	<b>44 185</b>

Interest and penalty can be remitted in part or full if the client can provide a satisfactory explanation for the default.

**26. Administered Expenses - Other**

During the year, OSR incurred the following expenses on behalf of the Crown Entity:

	2011 \$'000	2010 \$'000
Act of Grace payments	2 110	242
Petroleum subsidies (i)	(179)	3 648
Court imposed interest payments	767	3 524
Unclaimed money refunds – S14 <i>Public Finance and Audit Act</i>	60	56
Bad debts expense (ii)	19 616	27 878
Land tax discounts (iii)	16 088	20 022
GST rebate – Clubs (iv)	16 798	18 041
FHOGS	196 854	695 145
<b>Total administered expenses</b>	<b>252 114</b>	<b>768 556</b>

- (i) Petroleum subsidies were paid to petroleum distributors to enable northern NSW retailers to compete with Queensland retailers who are provided with a subsidy by the Queensland Government. The scheme was abolished from 1 July 2009. Claims paid during 2010 relate to petroleum sales up to 30 June 2009. In 2011 \$179 708 was returned following compliance reviews.
- (ii) From 1st July 2008 FHOGS became an administered activity of The Treasury on behalf of the Crown. Bad debts expense for the period up to 3 April 2011 includes an allowance for impairment of \$851 061 for FHOGS (2009-2010 \$591 950).
- (iii) A 1.5 per cent discount is offered to land tax clients for full payment of their liability by the first instalment date.
- (iv) The GST rebate is paid to clubs to compensate for the impact of the GST. It is based on gaming profits and is paid quarterly.

**27. Administered Income – Crown Entity**

Administered income information is presented on a revenue earned (accruals) and revenue collected (cash) basis.

	Actual 2011 \$'000	Budget 2011 \$'000	Actual 2010 \$'000
<b>(a) Revenue earned</b>			
<b>Taxes, penalties and interest</b>			
Duties (i)	4 124 457	4 070 090	5 182 521
Parking space levy (i)	94 906	104 330	102 610
Payroll tax (i) (ii)	5 424 818	5 383 500	7 049 004
Land tax (i) (ii)	2 166 386	2 128 070	2 335 199
Health insurance levy (i)	108 412	108 090	141 653
Insurance protection tax	66 556	51 550	66 496
<b>Sub total</b>	<b><u>11 985 535</u></b>	<b><u>11 845 630</u></b>	<b><u>14 877 483</u></b>
<b>Gaming and racing</b>			
Lotteries	230,239	252 813	104 252
Keno tax	8 413	9 130	10 551
Totalizator tax on and off course totes (i)	113 168	124 600	155 429
Fixed odds sports betting (i)	8 905	4 920	8 089
Fixed odds racing betting	1 948	290	847
Footy TAB	334	430	659
Club gaming devices (i) (iv)	506 069	496 000	641 030
Hotel gaming devices (i) (iv)	350 475	343 310	425 740
<b>Total gaming and racing</b>	<b><u>1 219 551</u></b>	<b><u>1 231 493</u></b>	<b><u>1 346 597</u></b>
<b>Total taxes, penalties and interest</b>	<b><u>13 205 086</u></b>	<b><u>13 077 123</u></b>	<b><u>16 224 080</u></b>
<b>Fines (iii)</b>			
Motor traffic fines	202 564	284 549	272 851
Fees	25 358	30 000	41 855
Court fines	14 475	6 300	11 930
Other fines	1 785	1 274	4 098
<b>Total fines</b>	<b><u>244 182</u></b>	<b><u>322 123</u></b>	<b><u>330 734</u></b>
<b>Total taxes, fines, penalties and interest</b>	<b><u>13 449 268</u></b>	<b><u>13 399 246</u></b>	<b><u>16 554 814</u></b>
<b>Other</b>			
Tax equivalents	609 232	509 120	733 562
Unclaimed money	20 002	2 250	9 850
Other revenue	1 870	398	1 026
<b>Total other</b>	<b><u>631 104</u></b>	<b><u>511 768</u></b>	<b><u>744 438</u></b>
<b>Total revenue earned</b>	<b><u>14 080 372</u></b>	<b><u>13 911 014</u></b>	<b><u>17 299 252</u></b>

(i) Included in the revenue earned figures up to 31 March 2011 are interest and penalties amounting to:

	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Duties	35 858	44 750
Parking space levy	1 756	4 509
Payroll tax	21 987	31 211
Land tax	18 901	30 465
Health insurance levy	3	695
Fixed odds sports betting	-	7
Fixed odds racing betting	-	2
Club gaming devices	644	883
Hotel gaming devices	595	860
<b>Total</b>	<b><u>79 744</u></b>	<b><u>113 382</u></b>

- (ii) The budget for payroll tax and land tax include consolidation elimination estimates for public sector agencies. The yearly estimates are \$873.2 million and \$1.9 million respectively.
- (iii) \$39.0 million has been recognised in fines revenue that relates to the increase in recoverable fines for the current year (refer to Note 23 (b)).
- (iv) Approved clubs and hotels can pay their quarterly gaming machine tax in three equal instalments without being charged interest for the late payment. The scheme aims to assist those demonstrating financial hardship.

	Actual 2011 \$'000	Actual 2010 \$'000
<b>(b) Revenue collected</b>		
<b>Taxes, penalties and interest</b>		
Duties	4 117 982	5 130 121
First home purchase scheme	-	10
<b>Total duties</b>	<b>4 117 982</b>	<b>5 130 131</b>
Parking space levy	77 187	97 675
Payroll tax	5 388 494	7 000 873
Land tax	1 565 910	2 307 993
Health insurance levy	108 707	140 959
Insurance protection tax	50 414	66 576
<b>Sub total</b>	<b>7 190 712</b>	<b>9 614 076</b>
<b>Gaming and racing</b>		
Lotteries	230 239	104 252
Keno tax	8 413	10 551
Totalizator tax on and off course totes	113 168	155 429
Fixed odds sports betting	8 905	8 082
Fixed odds racing betting	1 948	845
Footy TAB	334	659
Club gaming devices	504 920	645 723
Hotel gaming devices	349 399	424 998
<b>Total gaming and racing</b>	<b>1 217 326</b>	<b>1 350 539</b>
<b>Total taxes, penalties and interest</b>	<b>12 526 020</b>	<b>16 094 746</b>
<b>Fines</b>		
Motor Traffic fines	175 273	245 514
Fees	24 529	36 268
Court fines	4 472	7 036
Other fines	921	3 702
<b>Total fines</b>	<b>205 195</b>	<b>292 520</b>
<b>Total taxes, fines, penalties and interest</b>	<b>12 731 215</b>	<b>16 387 266</b>
<b>Other</b>		
Tax equivalents	609 232	733 562
Unclaimed money	20 002	9 850
Other revenue	1 870	1 026
<b>Total other</b>	<b>631 104</b>	<b>744 438</b>
<b>Total revenue collected</b>	<b>13 362 319</b>	<b>17 131 704</b>

**28. Administered Contingent Liabilities and Contingent Assets**

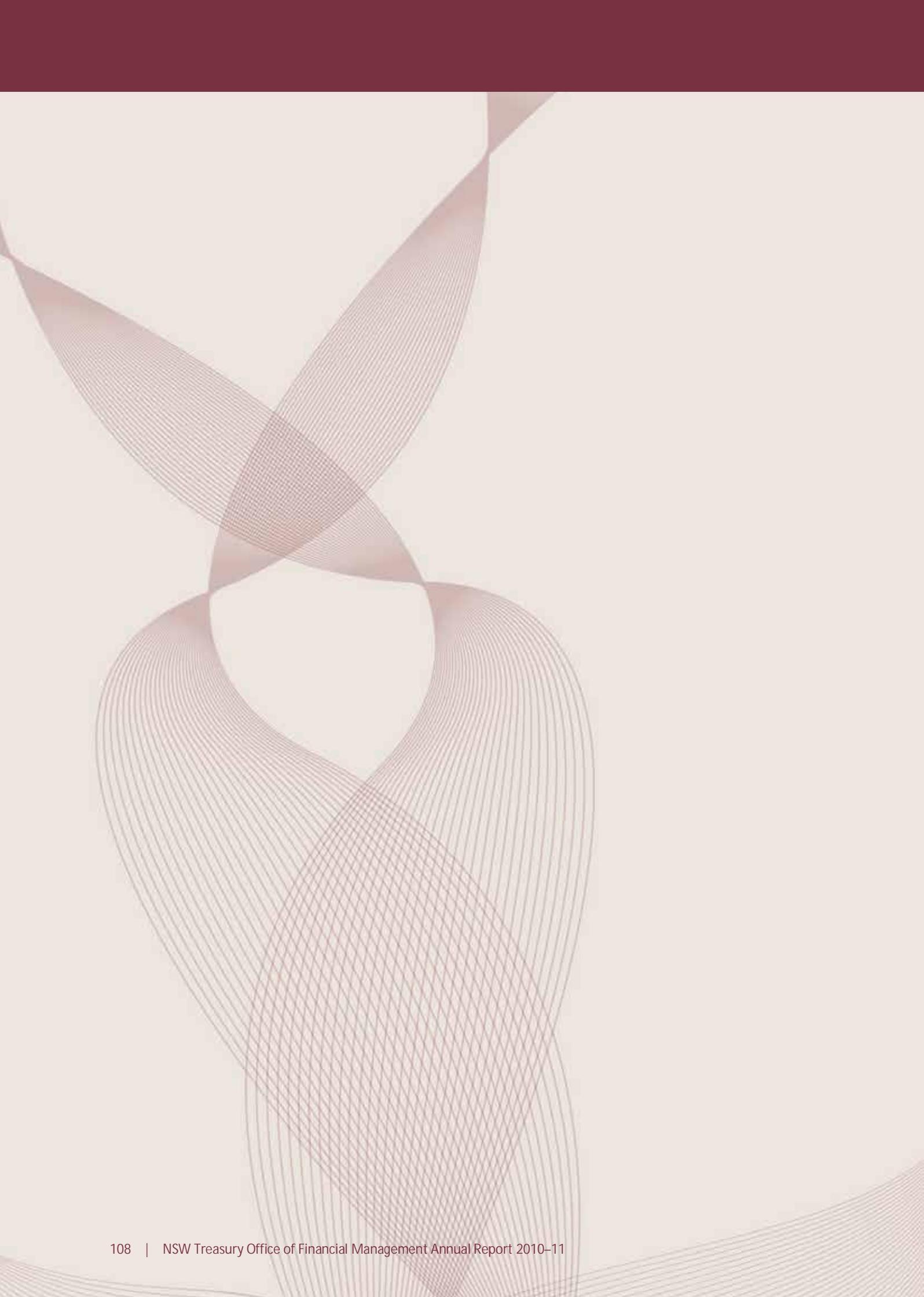
There were a number of matters where the Crown Solicitor or other legal firms were acting on behalf of The Treasury at the time of the administrative restructure. A settlement estimate for these matters could not be reliably determined.

Refund claims totalling \$2.8 million were paid to 31 March 2011 for general insurance duty following a Court decision in 2009. Any residual contingent liability cannot be reliably determined.

**29. Events After the Reporting Date**

There were no events subsequent to reporting date requiring disclosure.

**End of Audited Financial Statements**



## Appendices

110	OFM Staff Statistics 30 June 2011
112	Occupational Health and Safety
113	Disability Strategic Plan
114	Multicultural Policies and Services Program
114	Equal Employment Opportunity
117	Government Information (Public Access)
120	Privacy Management Plan
121	Insurance
121	Credit Card Certification
121	Accounts Payable Performance
122	Major Assets Acquired
122	Waste Reduction and Purchasing Policy
123	Expenditure on Consultants
126	Overseas Visits
127	Publications
130	NSW Treasury Circulars
131	Treasurer's Legislation <ul style="list-style-type: none"><li>- List of Legislation</li><li>- Changes During 2010–11</li></ul>
133	Annual Reports Legislation
136	Statutory Reporting Compliance Index

## OFM STAFF STATISTICS 30 JUNE 2011

**Table A1**  
**Full-Time Equivalent (FTE) Staff by Directorate**

Directorate		FTEs
FED	Fiscal and Economic Directorate	45.7
BFMD	Budget and Financial Management Directorate	87.8
CMD	Commercial Management Directorate	37.2
ERD	Expenditure Review Directorate	30.0
EECD	Economic, Environment and Communities Directorate	38.5
HSSD	Human and Social Services Directorate	49.6
CD	Corporate Directorate	56.8
Other	Graduates and Indigenous Cadets	11.0
<b>Total</b>		<b>356.6</b>

**Table A2**  
**Staff Training Days**

Training Type	2008–09	2009–10	2010–11
Face to face	1,298	921	1,569
e-Learning	122	4	9
<b>Total</b>	<b>1,420</b>	<b>925</b>	<b>1,578</b>

**Table A3**  
**Actual Number of Staff by Age**

Age Range	Actual Number of Staff
18–24 years	26
25–29 years	52
30–34 years	42
35–39 years	40
40–44 years	48
45–49 years	45
50–54 years	60
55–59 years	34
60+ years	21
<b>Total</b>	<b>368</b>

**Table A4**  
**Full-Time Equivalent (FTE) Staff by Grades**

Grade	FTEs
Executive	8.0
Branch Director	20.6
Treasury Technical Officer	57.3
Grades 7–12	174.5
Grades 3–6	74.2
Grades 1–2	5.0
Clerical Officer	0.0
Departmental Professional Officer	15.0
Indigenous Cadet	2.0
<b>Total</b>	<b>356.6</b>

**Table A5**  
**Senior Executive Service (SES) Levels**

SES Level	Male	Female
Level 8	1.0	0.0
Level 7	0.0	0.0
Level 6	5.0	1.0
Level 5	0.0	1.0
Level 4	0.0	0.0
Level 3	3.0	1.0
Level 2	12.6	4.0
Level 1	0.0	0.0
<b>Total</b>	<b>21.6</b>	<b>7.0</b>

**Table A6**  
**Part-Time Staff by Grade**

Grade	Actual Staff Numbers	FTEs
Senior Executive Service	1.0	0.6
Treasury Technical Officer	7.0	4.2
Grades 7–12	17.0	10.9
Grades 3–6	7.0	4.2
<b>Total</b>	<b>32.0</b>	<b>19.9</b>
<b>Note:</b>	Part-time staff represent 9 per cent of the actual total number of staff and 6 per cent of total FTEs.	

## OCCUPATIONAL HEALTH AND SAFETY

### OH&S Representatives

OFM recognises that the best way to ensure a safe and healthy workplace is for senior management to work together with staff to identify and solve occupational health and safety problems. As part of our implementation of the Working Together: Public Sector Health and Safety and Injury Management Strategy, we consulted with staff to ensure that the current occupational health and safety (OH&S) staff consultation processes suited their needs and preferences.

The consultation revealed that the majority of OFM staff wished to be consulted on OH&S matters through designated OH&S representatives. Consequently, in the first half of 2011 OFM held formal elections for OH&S representatives. The elections resulted in the appointment of three OH&S representatives and three deputy representatives:

- § Greg Goodfellow (Administration Co-ordinator)
- § Kitsa Papadopoulos (Principal Financial Analyst)
- § Daniel Hogan (Manager, Reinsurance and Insurance)
- § Laura Deverson (Manager, Client Services)
- § Cat Cywinski (Financial Analyst)
- § Aranee Mahadeva (Financial Analyst).

### Proactive OH&S Risk Management

OFM has mechanisms in place to minimise the potential risks to workplace health and safety, thereby minimising the number and severity of workplace injuries. We also have mechanisms in place to deal effectively with workplace health and safety issues as they arise. For example, when an employee experiences postural discomfort in the workplace we conduct an ergonomic assessment to identify appropriate action.

In 2010–11 OFM adopted a more proactive approach to OH&S risk management. This new approach resulted in an increase in the number of workplace assessments conducted from six to 21.

**Table A7**  
**Occupational Health and Safety Incidents and Assessments**

	2007–08	2008–09	2009–10	2010–11
Reported workplace incidents	14	10	14	15
OH&S assessments conducted	4	5	6	21
<b>Note:</b> Figures do not include journey claims.				

### Incident Reporting and Response

OFM staff are required to report any workplace hazards. To assist in effective reporting of and response to workplace hazards, each staff member's e-mail account features an incident reporting facility.

## First Aid Officers

At OFM we ensure there are fully trained first aid officers in the workplace to respond immediately to a health and safety incident. Furthermore, we make first aid training available to all staff.

## Employee Assistance Program

The Employee Assistance Program (EAP) is a confidential professional counselling and advice service available to all staff to support their health, wellbeing, and job performance. Staff can access the program, which is free of charge, in response to work or personal problems experienced by them personally or by an immediate member of their family.

## Flu Vaccination Program

To reduce the incidence of seasonal flu within the workplace, OFM offers free-of-charge flu vaccinations to all staff. In line with World Health Organisation recommendations, the March 2011 Flu Vaccination Program included the vaccination for swine flu.

**Table A8**  
**Staff Participation in the Flu Vaccination Program**

	2007–08	2008–09	2009–10	2010–11
Actual number of staff	130	138	165	153

## Healthy Living

A promoter of work–life balance, OFM encourages staff to take accrued leave regularly. Indeed, all staff must take at least one break of two week’s duration every 12 months. OFM staff are also encouraged to participate in health and fitness activities including:

- § running: eg City to Surf, Corporate Cup, Sydney Running Festival
- § swimming: eg Mini Triathlon and the Sydney Harbour Swim
- § walking: eg the Annual Secretary’s Walk/Run
- § cycling: eg the Wollongong Bike Ride and Ride to Work Day
- § team sport: eg soccer, touch football, netball, and basketball.

## DISABILITY STRATEGIC PLAN

### Employment Opportunities

OFM’s Disability Strategic Plan for 2010–11 identified a range of ways to demonstrate our commitment to the Ready, Willing and Able Program — the sector-wide strategy for increasing employment opportunities to people with disabilities in the NSW public sector. For example, we worked with JobSupport (an employment service for people with intellectual disabilities) to recruit a person with a disability to fill an identified administrative support position in our Corporate Directorate.

OFM continues to develop programs and facilities to support and retain staff with disabilities. For example, staff and visitors with mobility disabilities have suitable access provisions and amenities.

### Internet and Intranet Access

OFM's primary means of sharing information with staff and members of the NSW community is through the following electronic communication channels:

- § OFM's intranet
- § OFM's website ([www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au))
- § the Working with Government website ([www.wwg.nsw.gov.au](http://www.wwg.nsw.gov.au))
- § the NSW State Budget website ([www.budget.nsw.gov.au](http://www.budget.nsw.gov.au)).

Each of these comply with World Wide Web Consortium (W3C) Level 1 accessibility standards.

### MULTICULTURAL POLICIES AND SERVICES PROGRAM

OFM does not provide services directly to the public. However, the policy advice we provide to government impacts on these services either directly or indirectly. In fulfilling our policy advice responsibilities, OFM considers the needs of relevant ethnic groups and communities.

OFM is not a party to any current multicultural agreements but we value and uphold diversity principles and objectives as part of our core business. Indeed, as detailed in the Equal Employment Opportunity section below, the cultural diversity of OFM staff is above target.

### EQUAL EMPLOYMENT OPPORTUNITY

OFM participates in a range of programs to promote equal employment opportunity (EEO) and build a workforce that reflects the diversity of the NSW community.

#### Promoting Equal Employment Opportunity

During 2010–11 we commissioned a review of our recruitment practices. The review identified opportunities to make our recruitment practices more transparent, merit based, equitable, and efficient. In line with the review's recommendations, we have revised and reissued our recruitment policy and procedures so they align more closely with contemporary practice.

#### Building Diversity

OFM aims to build workforce diversity by encouraging the participation of women, Aboriginal and Torres Strait Islanders, and people with disabilities. Consistent with this, during 2010–11 many OFM staff participated in a number of networking and information forums focused on workforce diversity.

These forums included the:

- § Senior Women's Network
- § NSW Indigenous Cadetship Program
- § Employability Strategy Promoting Employment Opportunities for People with Disabilities.

### Encouraging the Participation of Women

Fifteen graduates, 40 per cent of whom were women, entered our Graduate Program in early 2011.

OFM's participation in the Lucy Program continued during 2010–11.

### Encouraging the Participation of Aboriginal and Torres Strait Islanders

OFM continues to encourage the participation of Aboriginal and Torres Strait Islanders.

During 2010–11:

- § We expanded our entry-level recruitment programs to include two indigenous cadets.
- § Our two indigenous cadets completed the first stage of their work placements in our Human and Social Services Directorate at the conclusion of their semester one studies.
- § We hosted a networking and information forum for the Indigenous Education Unit at the University of NSW where OFM staff and graduates promoted our career opportunities for indigenous graduates.

### Encouraging the Participation of People With Disabilities

In 2010–11 OFM recruited a person with a disability to fill an identified administrative support position in our Corporate Directorate. This initiative, which required work-related adjustments, was identified in our 2010–11 Disability Strategic Plan and supports the NSW Government's Ready, Willing and Able Program.

The following tables present our EEO statistics. Because disclosure is voluntary for all EEO classifications other than gender, the statistics do not capture those employees who chose not to disclose their EEO status.

### THE LUCY PROGRAM

A partnership between selected private and public sector organisations and NSW universities, the Lucy Program creates mentoring relationships between senior business leaders and female university students with backgrounds that do not typically reach tertiary-level education.

In 2010–11 five of OFM's senior managers mentored five Lucy Program participants. We also co-hosted (with the Senior Women's Network) a forum to promote the Lucy Program and encourage the mentoring of female graduates in the NSW public sector.

**Table A9**  
**EEO Group Representation as a Percentage of Actual Total Permanent Staff**

EEO Group	Benchmark / Target %	2007–08 %	2008–09 %	2009–10 %	2010–11 %
Women	50.0	43.0	45.0	48.0	47.0
Aboriginal and Torres Strait Islanders	2.6	0.5	0.5	0.6	0.0
People whose first language is not English	19.0	19.0	23.0	23.0	27.0
People with a disability	n/a	2.0	2.0	2.0	2.0
People with a disability requiring work-related adjustments	1.1	0.8	0.7	0.7	0.6
<b>Note:</b>	The statistics are based on staff numbers as at 30 June and do not include casual staff. n/a = not applicable				

In Table A10 below, a Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is the same as other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels compared with other staff. The lower the index, the more pronounced this tendency. Values greater than 100 indicate that the EEO group is less concentrated at lower salary levels. The Distribution Index is not calculated when the EEO group or the non-EEO group comprises less than 20 persons.

**Table A10**  
**Trends in the Distribution of EEO Groups as Measured by the Distribution Index**

EEO Group	Benchmark / Target	2007–08	2008–09	2009–10	2010–11
Women	100	89	88	90	93
Aboriginal and Torres Strait Islanders	100	–	–	–	–
People whose first language is not English	100	89	87	88	91
People with a disability	100	–	–	–	–
People with a disability requiring work-related adjustments	100	–	–	–	–
<b>Note:</b>	The statistics are based on staff numbers as at 30 June and do not include casual staff.				

## EEO Strategies for 2011–12

In 2011–12 OFM will continue to create equal employment opportunities. In particular, we will:

- § offer female university students mentoring opportunities with our senior staff through the Lucy Program
- § place one indigenous cadet in Phase 2 of our Cadet Work Placement Program
- § include a targeted position for an Aboriginal and Torres Strait Islander graduate in accounting, business, economics, or finance in our Graduate Program

- § evaluate our new recruitment policy and procedures (through a survey of staff involved in recruitment) to ensure our more contemporary approach is producing our desired recruitment outcomes
- § develop an implementation plan for the *NSW Carers (Recognition) Act 2010*<sup>16</sup> and review our human resource policies and practices to ensure they:
  - align with the implementation plan
  - continue to provide access to flexible work arrangements that balance the business needs of OFM with the needs of employees who have responsibilities as carers.

## GOVERNMENT INFORMATION (PUBLIC ACCESS)

OFM started the 2010–11 financial year with no outstanding Freedom of Information (FOI) requests.

During 2010–11 OFM received 54 valid access applications under the *Government Information (Public Access) Act 2009* (GIPA Act).

Of the 52 applications finalised during the 2010–11 financial year, one application was withdrawn and one application was transferred. Of the remaining 50 applications, access to information was:

- § granted in full for 16
- § refused in full for 12
- § granted in part for 11
- § not held for 6
- § already available for 5.

Of the 23 applications where access to information was refused in full (12) or in part (11), 20 were refused on the grounds of a conclusive presumption of an overriding public interest against disclosure (Schedule 1 of the GIPA Act).

The statistics in Tables A11–A18 on pages 118–120 are set out in accordance with the provisions of the GIPA Act and the *Government Information (Public Access) Regulation 2009*.

### HOW TO CONTACT OFM'S RIGHT TO INFORMATION CO-ORDINATOR

Right to Information Co-ordinator  
Executive and Ministerial Services  
NSW Treasury  
Level 27, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Tel: 02 9228 4611

Fax: 02 9221 7029

E-mail: [gipa@treasury.nsw.gov.au](mailto:gipa@treasury.nsw.gov.au)

<sup>16</sup> The *NSW Carers (Recognition) Act 2010* recognises and raises awareness of the valuable economic and social contribution carers make to the NSW community.

Table A11

Table A: Number of GIPA Applications by Applicant Type and Outcome

Applicant type	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	3	4	8	3	0	0	0	2
Members of Parliament	8	7	3	2	1	0	0	0
Private sector business	5	0	0	1	2	0	0	1
Not-for-profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	0	1	0	0	0	0	0

**Note:** A single application may result in more than one outcome.

Table A12

Table B: Number of GIPA Applications by Application Type and Outcome

Application type	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	16	11	12	6	3	0	0	3
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

**Note:** A single application may result in more than one outcome.  
A personal information application is an access application for personal information (as defined in Clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table A13

Table C: Invalid GIPA Applications by Reason

Reason for the Application Being Classified as Invalid	Number of Applications
Application does not comply with formal requirements (Section 41 of the GIPA Act)	2
Application is for excluded information of the agency (Section 43 of the GIPA Act)	0
Application contravenes restraint order (Section 110 of the GIPA Act)	0
Total number of invalid applications received	2
Invalid applications that subsequently became valid applications	1

Table A14

**Table D: Conclusive Presumption of Overriding Public Interest Against Disclosure:  
Matters Listed in Schedule 1 of the GIPA Act**

Consideration	Number of Times Used
Overriding secrecy laws	0
Cabinet information	19
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
<b>Note:</b> More than one public interest consideration may apply to a single application.	

Table A15

**Table E: Other Public Interest Considerations Against Disclosure:  
Matters Listed in Table to Section 14 of the GIPA Act**

Consideration	Number of Occasions When Application Not Successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes, and natural justice	2
Business interests of agencies and other persons	1
Environment, culture, economy, and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0
Responsible and effective government	0
<b>Note:</b> More than one public interest consideration may apply to a single application.	

Table A16

**Table F: Timeliness of Decisions**

Decision Timeframe	Number of Applications
Decided within the statutory timeframe (20 days plus any extensions)	43
Decided after 35 days (by agreement with applicant)	3
Not decided within time (deemed refusal)	6
<b>Total</b>	<b>52</b>

Table A17

Table G: Number of Applications Reviewed Under Part 5 of the GIPA Act  
by Review Type and Outcome

Review Type	Decision Varied	Decision Upheld	Total
Internal review	0	0	0
Review by Information Commissioner	1	1	2
Internal review following recommendation under Section 93 of Act	0	1	1
Review by the Administrative Decisions Tribunal	0	0	0
<b>Total</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Note:</b> The Information Commissioner does not have the authority to vary decisions. The Commissioner, however, can make recommendations to the original decision-maker to either vary or uphold the original decision.			

Table A18

Table H: Number of Applications for Review Under Part 5 of the GIPA Act by Application Type

Application Type	Number of Applications for Review
Applications by access applicants	5
Applications by persons to whom information the subject of access application relates (see Section 54 of the Act)	0
<b>Total</b>	<b>5</b>

## PRIVACY MANAGEMENT PLAN

Section 9(1) (d) of the *Annual Reports (Departments) Act 1985* and Clauses 6(a) and (b) of the *Annual Reports (Departments) Regulation 2010* require each agency to:

- § report on actions taken in relation to privacy compliance
- § provide statistical details of any internal review carried out under Part 5 of the *Privacy and Personal Information Protection Act 1998* (PPIP Act).

In 2010–11 OFM put in place mechanisms to make staff aware of the PPIP Act and their privacy obligations.

OFM has a designated Privacy Co-ordinator and a Privacy Management Plan. The plan (currently under review) outlines:

- § our privacy policy
- § review and other procedures
- § details of information held.

### HOW TO CONTACT OFM'S PRIVACY CO-ORDINATOR

Privacy Co-ordinator  
Executive and Ministerial Services  
NSW Treasury  
Level 27, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Tel: 02 9228 4611

Fax: 02 9221 7029

We will lodge our revised Privacy Management Plan with the Privacy Commissioner.

In 2010–11 OFM did not publish any privacy codes or seek any specific exemptions.

There have been no internal reviews conducted by or on behalf of OFM under Part 5 of the PPIP Act in the last five years.

## INSURANCE

OFM has insurance for all our assets and major risks. This cover includes, for example, workers compensation, motor vehicles, public liability, building contents, and relocation expenses. The insurance is provided by the NSW Government's self-insurance scheme known as the Treasury Managed Fund (TMF).<sup>17</sup>

Financial incentives for prudent risk management and reduced claims costs are fundamental to the operation of the TMF: member agencies with decreasing claims costs incur lower premiums, while member agencies with increasing claims costs incur higher premiums. By managing operational risks well, OFM incurred lower premiums in 2010–11.

## CREDIT CARD CERTIFICATION

OFM's credit card policy and procedures are available on our intranet to guide staff in the appropriate use of credit cards. The information reflects government policy.

In accordance with Treasurer's Direction 205.01, OFM certifies that credit card use by OFM credit card holders during 2010–11 was in line with government requirements.

## ACCOUNTS PAYABLE PERFORMANCE

OFM contracts ServiceFirst (a business unit of the Department of Finance and Services) to provide human resources and financial transaction services. OFM's service agreement with ServiceFirst stipulates that ServiceFirst must process the payment of an OFM tax invoice after a delegated OFM officer has formally approved it.

During 2010–11 there were no instances where penalty interest was paid (as per Section 18 of the *Public Finance and Audit (General) Regulation 1995*). There were, however, instances where OFM did not pay the tax invoices of some public sector agencies on time. These delays were due to ServiceFirst's transition to OFM's corporate accounting and HR system (ie SAP) on 1 September 2010, which tended to extend the time it took to resolve payment queries.

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<sup>17</sup> The Treasury Managed Fund (TMF) provides budget-dependent agencies and other TMF members with unmatchable insurance cover.

The following table presents the total time OFM and ServiceFirst officers took to pay OFM tax invoices.

**Table A19**  
**Outstanding Invoices by Age at the End of Each Quarter**

Quarter	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	Between 90 and 120 days overdue \$	More than 120 days overdue \$
September 2010	502,037	29,758	4,252	0	2,223
December 2010	24,119	9,773	5,846	0	4,900
March 2011	457,862	0	0	0	0
June 2011	2,825	0	0	0	0

**Table A20**  
**Accounts Paid on Time at the End of Each Quarter**

Quarter	Target %	Actual By Number %	Value \$	Total Amount Paid (\$)
September 2010	88	89	5,626,537	10,535,493
December 2010	88	80	6,239,311	7,535,909
March 2011	88	73	6,256,693	9,422,010
June 2011	88	88	9,860,793	10,768,357

## MAJOR ASSETS ACQUIRED

**Table A21**  
**Major Assets Acquired in 2010–11**

Asset Type	\$'000
Personal computing (desktop and laptops)	140
Other computer equipment	8
Intangibles (ie software)	224
Office equipment	28
Office furniture	28
Leasehold improvement	11
<b>Total</b>	<b>439</b>

## WASTE REDUCTION AND PURCHASING POLICY

### Reducing Paper Consumption and Waste

To reduce paper consumption and waste, we rely as much as possible on e-mail and our intranet and internet sites to disseminate information to and communicate with our stakeholders. In addition to this, OFM staff are encouraged to print electronic documents only when hard copies are necessary.

The equipment OFM uses to print and photocopy documents has the capacity to produce double-sided copies and OFM staff are encouraged to use this as the default option as much as possible.

## Resource Recovery

Recycling receptacles for paper are provided near each workstation. Receptacles to collect and recycle other materials (such as plastics, glass, and aluminium) are located in kitchens and other common areas.

## Using Recycled Material

OFM uses recycled products when it is cost-effective to do so. Where possible, OFM purchases items that incorporate recycled content (including toners, paper, and some stationery items).

## EXPENDITURE ON CONSULTANTS

**Table A22**  
**Office of Financial Management (OFM)**  
**Expenditure on Consultants**

Consultants	Project	Amount (ex. GST) \$
<b>Consultants Costing \$50,000 or More</b>		
<i>Finance and Accounting / Tax</i>		
PricewaterhouseCoopers	TAB Exclusive Licence Valuation Calculation	50,000
KPMG	ANZ Stadium Financial Analysis	89,278
<i>Economic Assessment</i>		
KPMG Econtech	Impact of Potential Reforms from the Henry Tax Review	250,000
KPMG	Housing Supply and Affordability Reform	109,220
Booz & Co	Transport Policy	193,388
<i>Management Services</i>		
David Evans	Rail Rolling Stock Public-Private Partnership	111,005
Centre for Social Impact, University of New South Wales	Social Impact Bonds	69,969
Boston Consulting Group	Framework for Evaluation Within the Education Sector	55,000
<b>Subtotal</b>		<b>927,860</b>
<b>Consultants Costing Less Than \$50,000</b>		
Finance and Accounting / Tax	6 projects	139,110
Economic Assessment	13 projects	250,603
Organisational Review	1 project	30,000
<b>Subtotal</b>		<b>419,713</b>
<b>Total OFM Expenditure on Consultants (Excluding Better Services and Value Plan)</b>		<b>1,347,573</b>

In 2010–11 OFM had a stream of expenditure on consultants related to the Expenditure Review Program. The reviews identify opportunities to slow public sector expenditure growth over the forward estimate years without adversely affecting service delivery standards.

As detailed on pages 27–29, the Expenditure Review Program included:

- § general government agency expenditure reviews
- § performance reviews of government businesses
- § whole-of-government expenditure reviews.

The savings identified through the expenditure reviews help agencies meet their efficiency targets.

OFM engaged the services of a number of pre-qualified professional consultants to assist with the program of expenditure reviews. In particular, the consultants were able to:

- § bring “arms length” knowledge, skills, and experience to the review process
- § apply robust analytical frameworks and proven evaluation methods across the program
- § interpret the review outcomes objectively.

**Table A23**  
**Better Services and Value Plan (BSVP)**  
**Expenditure on Consultants**

Consultants	Project	Amount (ex. GST) \$
<b>Consultants Costing \$50,000 or More</b>		
Australian Public Service Commission	Provide independent services on the Better Services and Value Taskforce.	105,000
Boston Consulting Group	Review of approaches to the management and oversight of reform initiatives.	445,500
Flow Connect Pty Ltd	Delivery of 2010–11 ICT benchmarking and implementation of ICT benchmarking software.	580,096
Housley Pty Ltd	Review of telecommunications expenditure across government.	990,000
PricewaterhouseCoopers	Review of NSW fleet expenditure.	499,249
KPMG	Review of ICT expenditure across government (Phase 2).	549,460
Gartner Australasia Pty Ltd	Provide ICT benchmarking advice and services.	124,750
Deloitte Touche & Tohmatsu	Review of ICT strategy across government.	69,390
AllyGroup	Implement legal panel training (as recommended in the Legal Services Review).	177,029
KPMG	Review of Forests NSW to strengthen its business (financial and non-financial performance) and increase shareholder asset value.	467,095

Consultants	Project	Amount (ex. GST) \$
KPMG	Review of Sydney Catchment Authority to strengthen its business (financial and non-financial performance) and increase shareholder asset value.	351,838
PricewaterhouseCoopers	Review of Port Kembla Port Authority to strengthen its business (financial and non-financial performance) and increase shareholder asset value.	228,000
KPMG	Review of Workcover NSW to strengthen its business, (financial and non-financial performance) and increase shareholder asset value.	439,549
Boardroom Partners Pty Limited	Finalisation of 2009–10 review of 14 SOC boards to ensure continuous and improved board performance.	56,000
Third Horizon Consulting Partners	Review of Sydney Water Corporation to strengthen its business (financial and non-financial performance) and increase shareholder asset value.	712,279
KPMG	Finalisation of 2009–10 review of operational frameworks and performance.	50,000
KPMG	Review of expenditure and funding for Corrective Services.	381,975
KPMG	Evaluation and development of redesign options for NSW Police Death and Disability Scheme.	235,000
PriceWaterhouseCoopers	An initial expenditure review of DPC to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	454,196
Ernst & Young	An initial expenditure review of OSR/NSW Treasury to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	619,542
Third Horizon Consulting Partners	An initial expenditure review of Planning/LPMA to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	527,122
Ernst & Young	An initial expenditure review of Communities NSW to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	594,455
PricewaterhouseCoopers	An initial expenditure review of DII to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	348,815
PricewaterhouseCoopers	An initial expenditure review of DSTA to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	672,471
KPMG	An initial expenditure review of NSW Police to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions resource allocation.	839,680

Consultants	Project	Amount (ex. GST) \$
Third Horizon Consulting Partners	An initial expenditure review of NSW Transport/RTA to identify major expense reduction opportunities, along with the development of an evidence base to support future decisions on resource allocation.	779,808
Ernst & Young	A review to develop a reliable and consistent approach to measuring the financial performance of state owned corporations and public trading enterprises, and reviewing capital structures.	319,721
Saha/Deloitte (Saha merged with Deloitte during the assignment)	A review to estimate the revenue potential of possible transport schemes.	79,426
Third Horizon Consulting Partners Pty Ltd	A review to assess core capabilities within NSW Treasury supporting key operations, including acceleration of the Expenditure Review Program.	459,299
<b>Subtotal</b>		<b>12,156,745</b>
<b>Consultants Costing Less Than \$50,000</b>		
Miscellaneous	13 projects	301,625
<b>Subtotal</b>		<b>301,625</b>
<b>Total Expenditure Review Program Expenditure on Consultants</b>		<b>12,458,370</b>

## OVERSEAS VISITS

### Safeguarding NSW's Credit Rating

The Secretary of the NSW Treasury, Michael Schur, accompanied the Treasurer, the Hon Eric Roozendaal, to the USA from 16 to 23 December 2010. The purpose of the trip was to discuss the NSW State Budget and Half-Yearly Review with representatives from:

- § Moody's Investors Service credit rating agency
- § the International Monetary Fund
- § the Australian Ambassador to the USA
- § various financial services groups.

OFM covered all the costs associated with Mr Schur's travel and accommodation.

## Supporting Investment in NSW

Michael Schur, as both Secretary of NSW Treasury and Chairman of NSW Treasury Corporation (TCorp), travelled to London, Germany, and Switzerland from 6 to 11 September 2010. Mr Schur met with existing and potential institutional investors and intermediaries dealing in TCorp bonds to update them on future issuance plans.

TCorp (the central financing authority for the NSW public sector) sources approximately 50 per cent of its funding from offshore investors and aims to meet with European and London-based investors and intermediaries at least annually. The value of maintaining a well-diversified investor base flows directly into a lower average cost of funds for NSW.

TCorp covered all the costs associated with Mr Schur's travel and accommodation.

## Protecting the State's Assets and Liabilities

Steve Hunt, Director of the NSW Self Insurance Corporation (SICorp), travelled to London and Singapore from 8 to 21 May 2011. SICorp (a branch of OFM) administers the NSW Government's self-insurance scheme. Reinsurance is fundamental to the success of the scheme.

Mr Hunt met with major international reinsurers in London (the traditional capital of the world reinsurance market) and Singapore (which is emerging as a major market focusing on the Asia Pacific region). The reinsurers value a sound understanding of SICorp's business and risk profile when considering premiums and terms and conditions. This is especially so given the number of natural disasters in the region in recent years.

The trip was successful with all reinsurance arrangements for 2011–12 in place by 30 June 2011.

SICorp covered all the costs associated with Mr Hunt's travel and accommodation.

## PUBLICATIONS

OFM publishes a range of documents, many of which are available at our website [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

These include:

- § NSW Treasury Policy and Guidelines Papers
- § NSW Treasury Research and Information Papers
- § operational documents
- § state financial reports
- § NSW Treasury Circulars.

NSW Treasury Policy and Guidelines Papers (TPPs) outline government policy and/or NSW Treasury procedures for the direction or guidance of agencies. Table A24 lists OFM's TPPs released in 2010–11.

**Table A24**  
**Policy and Guidelines Papers Released in 2010–11**

Reference	Description
<b>TPP10-3</b>	<p><b>Information and Communications Technology (ICT) Reinvestment Pool</b></p> <p>Released August 2010</p> <p>In the 2009–10 State Budget the NSW Government announced the Better Services and Value Plan. This paper outlines the strategic review of ICT expenditure (ICT Review) across NSW government agencies and public trading enterprises as the first of the “value for money” review across whole-of-government expenditure.</p> <p>The objective of the ICT Review is to make sustainable improvements in the efficiency of the government’s ICT expenditure, leading to ongoing cost savings from 2010–11 without impairing service delivery to residents or businesses.</p>
<b>TPP10-4</b>	<p><b>Government Guarantee Fee Policy for Government Businesses</b></p> <p>Released September 2010</p> <p>The Government Guarantee Fee Policy for government businesses is a component of the NSW Government’s Commercial Policy Framework. The purpose of the policy is to ensure competitive neutrality between government businesses and their private sector counterparts with respect to the cost of debt. The policy outlines the application of the government guarantee fee and the methodology used to determine the fee amount.</p> <p>This edition replaces the 2004 policy and modifies the method for deriving the interest differentials used to calculate the guarantee fee so that it is more transparent and better reflects market conditions. The revised policy applies to existing and new debt from 2010–11.</p>
<b>TPP11-1</b>	<p><b>Accounting Policy: Lessor Classification of Long-Term Land Leases</b></p> <p>Released February 2011</p> <p>This policy clarifies how a lessor should apply Accounting Standard AASB 117 Leases (as amended in 2009) to classify a long-term lease of land. It applies to all NSW public sector entities (including statutory state owned corporations) for financial years beginning on or after 1 July 2010.</p> <p>Because of recent amendments to AASB 117, the policy substantively replaces TPP 06-3 <i>Lessor Accounting for Prepaid Long-Term Leases of Land</i>. Implementation of this policy will achieve consistent accounting for such leases by NSW public sector lessors.</p>
<b>TPP11-2</b>	<p><b>Guidelines for State Owned Corporations and Government Businesses for Developing 2011–12 Statement of Corporate Intent and Statement of Business Intent</b></p> <p>Released March 2011</p> <p>The paper outlines NSW Treasury’s guidelines for developing the 2011–12 Statement of Corporate Intent (SCI) or the Statement of Business Intent (SBI) for state owned corporations and government businesses under the Commercial Policy Framework.</p> <p>The guidelines are issued in accordance with TPP 05-2 <i>Reporting and Monitoring Policy for Government Businesses</i>.</p>

NSW Treasury Research and Information Papers (TRPs) provide information on research projects undertaken by OFM staff. Table A25 lists OFM's TRPs released in 2010–11.

**Table A25**  
**Research and Information Papers Published in 2010–11**

Reference	Description
<b>TRP10-2</b>  December 2010	<p><b>Interstate Comparison of Taxes 2009–10</b></p> <p>OFM produces this paper annually with the assistance of NSW government agencies and other states and territories. Produced after the delivery of state and territory budgets, the paper provides a brief description of each tax to facilitate interstate comparisons.</p> <p>The publication is not intended as an exhaustive analysis. For a complete operating description of each tax, the relevant Acts of Parliament and/or regulations should be consulted. Some information is based on proposed or announced changes, which at the time of publication may not have been legislated. OFM takes no responsibility for any errors in the information provided.</p>

Table A26 lists OFM's periodically released operational documents. Table A27 lists our periodically released financial reports.

**Table A26**  
**OFM's Operational Documents**

Frequency	Description
Triennially	<p><b>OFM Corporate Plan</b></p> <p>OFM's Corporate Plan outlines our strategic management framework. Incorporating the OFM Commitment to Service, the OFM Corporate Plan is issued every three years following a comprehensive review of OFM's strategic agenda, business objectives, resource constraints, and project priorities. OFM's current corporate plan was issued in 2008. The next edition for the 2011–14 planning period will be released in 2011–12.</p>
Annually	<p><b>OFM Annual Report</b></p> <p>OFM's annual report is prepared in accordance with the <i>Annual Reports (Departments) Act 1985</i>.</p>

**Table A27**  
**State Financial Reports**

Description
<p><b>Report on State Finances</b></p> <p>This is an annual publication outlining government activities and the overall financial position of the NSW public sector. The report incorporates the Statement of Budget Result, the Outcomes Report, and the Consolidated Financial Report of the NSW Total State Sector (including the NSW Public Accounts).</p>
<p><b>Monthly Financial Statements</b></p> <p>These are monthly reports on general government finances for the year to date.</p>

## NSW TREASURY CIRCULARS

Table A28  
Circulars Released in 2010–11

Treasury Circulars	Publication Date
<b>NSWTC10/09</b> Providing Electronic Copies of Annual Reports to Parliament	30/08/2010
<b>NSWTC10/10</b> Funding for Redundancy Payments	02/09/2010
<b>NSWTC10/11</b> Economic Appraisal Guidelines: Economic Appraisal Guidance for Government Advertising	15/09/2010
<b>NSWTC10/12</b> Economic Appraisal Guidelines: Guidance on Climate Change for Asset and Infrastructure Assessments	15/09/2010
<b>NSWTC10/13</b> Gateway Review System	02/11/2010
<b>NSWTC10/14</b> Applications for Government Guarantees: Ministerial Advice to Include Analysis of Public Interest Issues	18/11/2010
<b>NSWTC10/15</b> Accounting for the Goods and Services Tax (GST)	08/12/2010
<b>NSWTC10/16</b> Accounting for Dividends	08/12/2010
<b>NSWTC11/01</b> Early Reporting Program: Strategy to Improve the Quality and Timeliness of Financial Statements and Annual Reports	24/01/2011
<b>NSWTC11/02</b> Ex Gratia Payments	01/02/2011
<b>NSWTC11/03</b> Equal Employment Opportunity (EEO) Disclosure Requirements	16/02/2011
<b>NSWTC11/04</b> Accounting for Superannuation	16/03/2011
<b>NSWTC11/05</b> 2010–11 Total State Sector and General Government Sector Financial Statements: Financial Reporting Requirements for Agencies	16/03/2011
<b>NSWTC11/06</b> Accounting for Long-Service Leave and Annual Leave	30/03/2011
<b>NSWTC11/07</b> 2010–11 Financial Accounting Arrangements for the Crown Entity	30/03/2011
<b>NSWTC11/08</b> Agency Compliance with Goods and Services Tax (GST) and Fringe Benefits Tax (FBT)	31/05/2011
<b>NSWTC11/09</b> Financial and Annual Reporting Implications of the April 2011 Agency Restructures	16/06/2011
<b>NSWTC11/10</b> Funding for Redundancy Payments	23/06/2011

## TREASURER'S LEGISLATION — LIST OF LEGISLATION

- § Annual Reports (Departments) Act 1985 No 156
- § Annual Reports (Statutory Bodies) Act 1984 No 87
- § Appropriation Act 2010 No 43
- § Appropriation (Budget Variations) Act 2010 No 21
- § Appropriation (Parliament) Act 2010 No 44
- § Appropriation (Special Offices) Act 2010 No 45
- § Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35
- § Bank Integration Act 1992 No 80
- § Bank Mergers Act 1996 No 130
- § Bank Mergers (Application of Laws) Act 1996 No 64
- § Canberra Advance Bank Limited (Merger) Act 1992 No 17
- § Capital Debt Charges Act 1957 No 1
- § Commonwealth Powers (State Banking) Act 1992 No 104
- § Conversions of Securities Adjustment Act 1931 No 63
- § Dartmouth Reservoir (Financial Agreement) Act 1970 No 30
- § Decimal Currency Act 1965 No 33
- § Finances Adjustment Act 1932 No 27
- § Financial Agreement Act 1944 No 29
- § Financial Agreement Act 1994 No 71
- § Financial Agreement (Amendment) Act 1976 No 35
- § Financial Agreement (Decimal Currency) Act 1966 No 39
- § Financial Agreement Ratification Act 1928 No 14
- § Financial Agreement (Returned Soldiers Settlement) Ratification Act 1935 No 1
- § Financial Sector Reform (New South Wales) Act 1999 No 1
- § Fiscal Responsibility Act 2005 No 41
- § Freight Rail Corporation (Sale) Act 2001 No 35
- § General Government Liability Management Fund Act 2002 No 60
- § Government Guarantees Act 1934 No 57
- § Government Insurance Office (Privatisation) Act 1991 No 38
- § Inscribed Stock Act 1902 No 79
- § Inscribed Stock (Issue and Renewals) Act 1912 No 51
- § Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- § NSW Grain Corporation Holdings Limited Act 1992 No 31
- § NSW Lotteries (Authorised Transaction) Act 2009 No 60
- § NSW Self Insurance Corporation Act 2004 No 106
- § Pacific Power (Dissolution) Act 2003 No 17
- § Parliamentary Budget Officer Act 2010 No 83
- § Public Authorities (Financial Arrangements) Act 1987 No 33
- § Public Finance and Audit Act 1983 No 152 (except parts, the Premier)
- § Public Loans Act 1902 No 81
- § Road Improvement (Special Funding) Act 1989 No 95
- § Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
- § State Bank (Corporatisation) Act 1989 No 195

- § State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47
- § State Bank (Privatisation) Act 1994 No 73
- § Totalizator Act 1997 No 45, Section 76 (remainder, the Minister for Tourism, Major Events, Hospitality and Racing)
- § Totalizator Agency Board Privatisation Act 1997 No 43
- § Treasury Corporation Act 1983 No 75
- § Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8.

Because of the administrative restructures and resulting reallocation of Acts, OSR was transferred from NSW Treasury on 4 April 2011 and a number of Acts previously administered by the NSW Treasurer / NSW Treasury are now the responsibility of the NSW Minister for Finance and Services / Department of Finance and Services.

The above list of legislation is correct as at 30 June 2011.

### TREASURER'S LEGISLATION — CHANGES DURING 2010–11

The Office of State Revenue (OSR), now a division of the Department of Finance and Services, is responsible for taxation and fines legislation. For a more detailed explanation of any amendments to those Acts, please refer to the relevant Act or OSR's section in the Department of Finance and Services Annual Report 2010–11.

#### Spring Session 2010

The annual report of OSR details the legislative changes made during the spring session of Parliament.

#### Autumn Session 2011

##### *Appropriation (Supply and Budget Variations) Act 2011 (Act 14, assented 21 June 2011)*

This Act gives the NSW Treasurer authority to make payments from the Consolidated Fund until the end of October 2011 or enactment of an Appropriation Act for:

- (a) up to \$18,300,000,000 for recurrent services and \$600,000,000 for capital works and services of the state
- (b) up to \$45,500,000 for recurrent services and \$1,000,000 for capital works and services of the legislature
- (c) up to \$90,700,000 for recurrent services and \$1,021,000 for capital works and services of special offices.

This Act also appropriates additional amounts from the Consolidated Fund for recurrent services and capital works and services for 2010–11 and 2009–10 for the purpose of giving effect to certain budget variations required by exigencies of government.

The additional amounts appropriated for 2010–11 are:

- (a) \$355,644,000 in adjustment of the vote "Advance to the Treasurer"
- (b) \$157,900,000 for recurrent services in accordance with Section 22(1) of the *Public Finance and Audit Act 1983*.

The additional amounts appropriated for 2009–10 are:

- (a) \$281,066,000 in adjustment of the vote “Advance to the Treasurer”
- (b) \$54,000,000 for recurrent services and capital works and services in accordance with Section 22(1) of the *Public Finance and Audit Act 1983*.

### *Annual Reports (Departments) Regulation 2010 / Annual Reports (Statutory Bodies)*

#### *Regulation 2010*

The *Annual Reports (Departments) Regulation 2010* and the *Annual Reports (Statutory Bodies) Regulation 2010* repealed and replaced the 2005 Regulations of the same name, which were due for repeal on 1 September 2010 as part of the staged repeal of subordinate legislation under the *Subordinate Legislation Act 1989*.

The new regulations included three main changes. These were:

- § a new requirement to lodge an electronic copy of annual reports with Parliament
- § reduced disclosure requirements in certain areas as a result of the government’s Red Tape Review, including extending small agency triennial reporting to include occupational health and safety and disability plans
- § extending to universities the requirement to report on the performance and numbers of senior executive staff.

### *Public Finance and Audit Act 1983 / Public Finance and Audit Regulation 2010*

The *Public Finance and Audit Regulation 2010* repealed and replaced the 2005 Regulation of the same name, which was due for repeal on 1 September 2010 as part of the staged repeal of subordinate legislation under the *Subordinate Legislation Act 1989*. The new regulation omitted outdated requirements, clarified the “officer of an authority” definition in relation to the NSW Self Insurance Corporation (SICorp), and updated the list of prescribed audits. All other requirements were substantively carried forward.

In addition, during 2010–11 other minor changes were made to the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010* to keep the schedules of applicable departments and statutory bodies current, including prescribing certain electricity statutory state-owned corporations as statutory authorities that the NSW Treasurer may require to pay dividends to the Consolidated Fund.

## ANNUAL REPORTS LEGISLATION

The NSW Treasurer administers the annual reports legislation governing departments and statutory bodies. Since the end of 1991, as part of this responsibility, NSW Treasury has conducted an annual reports review program. The annual reports review program is part of NSW Treasury’s strategy to enhance statutory compliance and the overall quality and relevance of annual reports.

The general objectives of the annual reports review program are to monitor compliance with annual reports legislation and promote best practice in public sector annual reporting.

The 2009–10 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of better reporting practices. The results of the 2009–10 annual reports review program are summarised on the NSW Treasury website.

**Table A29**  
**Exemptions and Variations from Reporting Requirements Under Acts and Regulations**

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Agency for Clinical Innovation	2010–11	Extended financial year to 30 June 2011	First financial year
Bionic Vision Technologies Pty Ltd	2010	Exemption from requirement for preparation and audit of final financial statements	Ceased to be a controlled entity
Bosch Institute	2010	Exemption from requirement for preparation and audit of final financial statements	Entity deregistered
Macquarie University Medical Research Foundation Limited and Trust	2010	Extended financial year and exemption from requirement for preparation and audit of final financial statements	Entities to be wound up
Forestry Commission of NSW	2010–11	Exemption from requirement to revalue all classes of property, plant, and equipment every five years	Align timing for revaluation of all classes of property, plant and equipment
Department of Transport	2010–11 and subsequent years	Exemption from specified fixed format financial statement requirements of the Financial Reporting Code	Additional line items appropriate for consolidated financial statements
Wollongong Sportsground Trust	2009–10	Exemption from requirement for preparation and audit of final financial statements	Entity dissolved

**Table A30**  
**Extensions of Time Granted to Reporting Dates Under Acts and Regulations**

Agency	Applicable Financial Year(s)	Exemption/ Variation	Reason(s) for Approval
<b>To Submit Financial Statements</b>			
Newcastle Ports Corporation	2009–10	Extension to 25 Aug 2010	Delays in asset reclassification and compiling and finalising data
WSN Environmental Solutions	2009–10	Extension to 20 Aug 2010	Delays in asset reclassification and compiling and finalising data
Hunter Region Sporting Venues Authority	2009–10	Extension to 30 Sept 2010	Delays in compiling and finalising data
<b>To Submit Annual Reports</b>			
WorkCover Authority	2009–10	Extension to 30 Nov 2010	To synchronise reporting of the WorkCover scheme with WorkCover Authority's annual report
Department of Human Services	2009–10	Extension to 1 Dec 2010	Amalgamation of several entities
Land and Property Management Authority – Corporation Sole 'Minister administering the <i>Environmental Planning and Assessment Act 1979</i> '	2009–10	Extension to 30 Nov 2010	First year production of annual report
NSW Aboriginal Land Council	2009–10	Extension to 12 Nov 2010	Timing of audit and printing difficulties
Communities NSW	2009–10	Extension to 30 Nov 2010	Timing of audit
NSW Institute of Psychiatry	2009–10	Extension to 24 Dec 2010	Timing of audit for national scheme

## STATUTORY REPORTING COMPLIANCE INDEX

Subject	Page
Aboriginal and Torres Strait Islanders	38, 40, 114–115, 116
Access Details	Inside front cover
Aims and Objectives	1, 9–11
Annual Report Costs and Details	Inside front cover
Auditor-General's Opinion (see Auditor-General's Report)	64–65
Charter (see Purpose)	7
Code of Conduct	53
Consultants	123–126
Consumer Response	Not applicable
Contact Details	Inside front cover
Corporate Objectives	1, 9–11
Credit Card Certification	121
Disability Strategic Plan	113–114
Economic and Other Factors Affecting Achievement	18–19
Electronic Service Delivery	50, 114
Equal Employment Opportunity	114–117
Executive Remuneration and Qualifications	5
Executive Officers, Performance, and Numbers	5, 111
Exemptions from Reporting	134
Female Executive Officers	111
Financial Statements	63–108
Freedom of Information	117
Funds Granted to Non-Government Community Organisations	Not applicable
Government Information (Public Access)	51, 117–120
Highlights of 2010–11	2
Human Resources	46–50, 110–111
Internal Audit and Risk Management Statement	60–62
Legislation	131–132
Legislative Changes	132–134
Letter of Submission to the NSW Treasurer	i
Major Assets	122
Management and Activities	7–13
Management and Structure	4–5
Multicultural Policies and Services Program (former EAPS)	114
Occupational Health and Safety	112–113
Organisation Chart (Directorate Level)	4–5, 8–9
Website Address	Inside front cover

Page references in **bold type** refer to major discussions of a topic.

## A

abbreviations, *inside front cover*  
 Aboriginal and Torres Strait Islanders  
   disadvantage reform, 38, 40  
   employees, 114–115, 116  
 access details, *inside front cover*  
 accounting standards, 23  
 accounts payable performance, **121–122**  
 address, *inside front cover*  
 advertising, 30, 50  
 aged care reform, 38, 40  
 agencies with strategic alignment with NSW Treasury, 8  
 aims and objectives, 1, 9–11  
 Airport Railway Link, 34  
 annual reports  
   costs, *inside front cover*  
   legislation, **133–135**  
*Annual Reports (Departments) Act 1985*, 7, 120  
*Annual Reports (Departments) Regulation 2010*, 120, 133  
*Annual Reports (Statutory Bodies) Act 1984*, 7  
*Annual Reports (Statutory Bodies) Regulation 2010*, 133  
 Anti-corruption Statement, 53  
 Asian Cup bid, 38, 43  
 assets  
   acquired, **122**  
   management, 25  
   protecting, 127  
   sales and transactions, **32–33**  
 audit, **55–62**  
   internal, 23–24  
   policy, 53  
   Secretary's Internal Audit & Risk Management Statement, **60–62**  
   of state's finances, 30  
 Audit and Risk Management Committee, 53, **57–59**  
 Audit Office  
   Client Service Report, **56**  
   “early close procedures” pilot, 24  
 Auditor's Report, **64–65**  
 Auditor-General's Opinion, **64–65**  
 Australian Consumer Law (ACL), 40  
 Australian Economic Forum, 49  
 Australian Health Practitioner Regulation Agency, 40

## B

Better Services and Value Plan (BSVP), 27, 34  
 Better Services and Value Taskforce (BSVT), 27  
 The Blueprint for Corporate and Shared Services in the NSW Government, 30  
 Budget and Financial Management Directorate, 22  
 Budget Paper No. 4 Infrastructure Statement, 31  
 Budget, State *see* State Budget  
 building contracts, 42  
 business regulation and competition, 38, 40

## C

capability review, 45–46  
 capital expenditure, **12–13**  
 Capital Performance Management System (CPMS), 13  
 capital projects, 31  
 cash flows, statement of, **70**  
 charter *see* Purpose, **7**  
 circulars, 130  
 cities, planning and infrastructure provision, 40  
 Client Service Report (Audit Office), **56**  
 climate change policies, 34–35  
 COAG *see* Council of Australian Governments (COAG)  
 coal supply, 33  
 Cobbora coal resource, 33  
 Cobbora Holding Company Pty Ltd, 33  
 Code of Conduct, 53  
 collaboration, 20

Commercial Policy Framework, 32  
 Commission of Audit, 19, 30, 52  
 Commonwealth Grants Commission (CGC), 38, **41**  
 Commonwealth–State financial relations, **36–37**  
 Commonwealth's Review of School Funding, 39  
 communication, **50–51**  
 Communities NSW, 28  
 community services, 34  
 competition, business, 38, 40  
 compliance index, **136**  
 compliance with financial directives, **74**  
 consultants, expenditure on, **123–126**  
 consumer protection, 40  
 contact details, *inside front cover*  
 Corporate Directorate, 46  
 corporate objectives, 1, 9–11  
 corruption, 53  
 cost of services, 12  
 Council of Australian Governments (COAG)  
   building contract reform, 42  
   business regulation and competition, 40  
   Business Regulation and Competition Working Group (BRCWG), 40  
   education reform, 39  
   Housing Supply and Affordability (HSAR) Agenda, 41  
   Intergovernmental Agreement on Federal Financial Relations (IGA FFR), 36  
   National Disaster Resilience Strategy, 38, 43  
   reform agenda, **38–41**  
 Country Energy, 33  
 credit card certification, **121**  
 credit rating, 15, 126  
 cross-sectoral reviews, 28–29  
 Crown Entity (CE), 1, 26  
 Crown finances, **25–26**

## D

data entry process, 24  
 Data Working Party, 41  
 debt, state, 19, 20  
 Delta West Gentrader, 33  
 Department of Aboriginal Affairs, 34  
 Department of Ageing, Disability and Home Care, 34  
 Department of Community Services, 34  
 Department of Family and Community Services, 34  
 Department of Finances and Services, 11, 22, 27, 29  
 Department of Human Services, 34  
 Department of Industry and Investment, 28  
 Department of Juvenile Justice, 34  
 Department of Planning and Infrastructure, 31  
 Department of Planning and the Land and Property Management Authority, 28  
 Department of Premier and Cabinet, 27, 28, 29, 43  
 Department of Services, Technology and Administration, 28  
 Department of Tourism, Major Events, Hospitality and Racing, 22  
 Directorate planning, 52  
 disability  
   reform, 38, 40  
   staff, 115, 116  
   strategic plan, **113–114**  
 Disability Strategic Plan, **113–114**  
 dispute resolution, 53

## E

“early close procedures” pilot, 24  
 Economic, Environment and Communities Directorate, 23  
 economic  
   growth, 18  
   factors affecting achievement, 18–19  
 education reform, 38, 39–40, 43  
 electricity assets, sale of, 19

electronic service delivery, 50, 114; *see also* internet; intranet; online entry system  
 Employee Assistance Program (EAP), 113  
 energy reform, 33  
 Energy Australia, 33  
 Enfield Intermodal Logistics Centre, 34  
*Environmental Planning and Assessment Act 1979*, 31  
 Environmental Planning Policy and Regulations, 31  
 equal employment opportunity, **114–117**  
 equity, statement of, **69**  
 Eraring Gentrader, 33  
 ethics, 53  
 executive staff *see* Senior Executive Service (SES)  
 Executive team, **4–5**, 111  
 expenditure  
     capital, **13**  
     cost of services, 12  
     growth, 20  
     operating, **11–12**  
     review program, 12, 27–29  
     whole-of-government reviews, 29  
 Expenditure Review Directorate (ERD), 27  
 Expenditure Review Program, 12, 27–29

**F**

Federal Financial Relations Framework, 37  
 FIFA World Cup bid, 38, 43  
 Finance Capital and Reporting Working Group, 39  
 finances, Crown, **25–26**  
 finances, state, **20–30**  
 financial directives, compliance with, **74**  
 Financial Management Framework (FMF), **22–23**  
 financial management reform, 23  
 financial position, statement of, **68**  
 financial reporting *see* reporting  
 financial standards, 23  
 financial statements, **63–108**  
 first aid officers, 113  
 fiscal models, **21**  
*Fiscal Responsibility Act 2005 (FRA)*, 7, 21  
 fiscal strategy, **20**  
 fiscal targets, 21  
 five-year review, 21  
 flood relief, 43  
 flu vaccination program, 113  
 Food Standards Australia NZ, 40  
 Football Federation Australia, 43  
 forecasting model, 21  
 Forests NSW, 28  
 Fraud Policy, 53  
 Freedom of Information (FOI), 117  
 full-time equivalent (FTE) staff, 8, 110, 111

**G**

Gateway Review, 31  
 Golden Heritage website, 50  
 governance, **53**  
 government businesses, 28–29, **32**  
*Government Information (Public Access) Act 2009 (GIPA Act)*, **51**, **117–120**  
 graduate recruitment, 48–49  
 grievance and dispute resolution, 53  
 growth, 18  
 GST revenue  
     distribution review, 41  
     effect on surplus, 19  
 Guarantee of Service, 53  
 Guide to the Murray Darling Basin Plan, 42

**H**

Heads of Agreement on National Health Reform, 38  
 Heads of Treasuries Report on National Health Reform, 39  
 Heads of Treasuries' Review, 36–37  
 health

    practitioner regulation, 40  
     reform agenda, 38–39  
 health and fitness activities, 113  
 Health Reform Implementation Group, 39  
 Henry Tax Revue, 22  
 highlights, **2**  
 Home Warranty Insurance Fund, 12, 26  
 hospitals, 38–39  
 housing  
     public, 34  
     social *see* social housing  
     supply and affordability, 38, 41  
 Housing NSW, 34  
 Housing Supply and Affordability (HSAR) Agenda, 41  
 HR Advisory Committee, 46–47  
 Human and Social Services Directorate, 23  
 human resources *see* staff

**I**

income, statement of, **67**  
 Independent Pricing and Regulatory Tribunal (IPART), 29  
 indigenous Australians *see* Aboriginal and Torres Strait Islanders  
 infrastructure  
     planning and management, **31**, 40  
     public, 33  
 Infrastructure Australia, 42  
 insurance, **25–26**, **121**  
     Home Warranty Insurance Fund, 12, 26  
 Integral Energy, 33  
 interest expenses, 19  
 Intergovernmental Agreement on Federal Financial Relations (IGA FFR), 36–37  
 Intergovernmental financial arrangements, **36–42**  
 internal audit and risk management policy, 23–24  
 internal audit and risk management statement, **60–62**  
 internal management, **44–53**  
 internet  
     *see also* electronic service delivery; online entry system; websites  
     staff access, 114  
 intranet, 114  
 investment, 127

**L**

land transport, 40; *see also* roads  
 landfill, 33  
 legislation  
     administered by OFM, 7  
     amendments to, 22  
     annual reports, **133–135**  
     changes, **132–133**  
     list of, **131–132**  
 letter of submission to the NSW Treasurer, i  
 liabilities  
     fiscal strategy, 20  
     management, 26  
     protecting, 127  
 line agency reporting, 24  
 Lucy Program, 49, 115

**M**

M2 Motorway Widening, 34  
 M5 Motorway Widening, 34  
 Macarthur Water Filtration Plant, 34  
 management  
     activities, **7–13**  
     internal, **44–53**  
     structure, **4–5**  
 Marulan development site, 33  
 Metropolitan Plan for Sydney, 34  
 mission, 7  
 Moree Solar Farm Project, 35  
 Mt Piper Extension, 33

multicultural policies and services, **114**  
Murray Darling Basin Intergovernmental Agreement, 42

## N

Nation Building and Economic Stimulus Package, 38, 40, 43  
National Alliance Contracting Policy and Guidelines, 42  
National Disaster Resilience Strategy, 38, 43  
National Health Reform Agreement (NHRA), 38–39  
National Model Work Health and Safety Bill, 40  
National Partnership Agreement on Energy Efficiency, 35  
National Partnership Agreement on Improving Public Hospital Services, 38  
National Partnership Agreement to Deliver and Seamless National Economy, 40  
National Performance Reporting System, 37  
National Strategy on Energy Efficiency, 35  
National Water Reform, 42  
NatStats 2010 Conference, 49  
net debt, 20  
NSW Police Force, 28  
NSW Public Sector Community of Finance Professionals, 49  
NSW Self Insurance Corporation (SICorp), 25, 26  
number plates, 32–33

## O

objectives, 1, 9  
occupational health and safety, 40, **112–113**  
*The Occupational Licensing National Law Act 2010*, 40  
Office of Financial Management (OFM), 7, 11  
Office of Liquor, Gaming and Racing, 22  
Office of State Revenue (OSR), 7, 11, 47  
online entry system, 24; *see also* websites  
operating expenditure, **11–12**  
Orange Hospital Redevelopment, 34  
organisation chart, **4–5**, 8–9  
Origin Energy, 33  
overseas visits, **126–127**

## P

paper consumption, 122  
part-time staff, 111  
payroll tax  
    legislation, 40  
    rebates, 22  
Performance Agreement and Review (PAR), 50  
performance measures, key, **14–17**  
performance management framework, 52  
performance management of staff, **50**  
Performance Measurement Framework, **14–17**, 52  
performance reviews, 28  
planning, 31, **51–53**  
Plate Marketing Pty Ltd, 32  
poker machines, tax rates, 22  
Port Kembla Port Corporation, 28  
primary schools, 43  
priorities, **9**  
Privacy Co-ordinator, 120  
Privacy Management Plan, **120–121**  
procurement reform, 42  
productivity, **30**  
Productivity Commission, 42  
property, State, 30  
*Public Authorities (Financial Arrangements) Act 1987*, 7  
*Public Finance and Audit Act 1983*, 7, 133  
*Public Finance and Audit Regulation 2010*, 133  
public housing, 34  
public infrastructure, 33  
public-private partnerships (PPPS), **33–34**, 38, 42  
public sector financial management and reporting, **23–26**  
public service, **27–30**  
    restructure, 29  
    wages, 29

publications, **127–129**  
purpose, **7–8**

## R

radio network reform, 30  
RailCorp, 28  
recruitment, 47–49, 50  
recycling, 122  
Report on State Finances, 23  
reporting  
    certifying systems, 24–25  
    exemptions from, 134  
    line agency, 24  
    standards, 23  
    state finances, 24  
research consultancy unit, 52  
research projects, 48, **52–53**  
resource recovery, 122  
Results Logic Diagram, 10, 52  
revenue  
    growth, 18–19  
    reform advice, 22  
    sources, 21  
    strategy, **21–22**  
review, five-year, 21  
Review of the GST Distribution, 41  
Right to Information Co-ordinator, 117  
risk management, 23–24, 53, **57–62**  
Riverwood Urban Redevelopment, 34  
roads, 43; *see also* land transport  
Roads and Traffic Authority (RTA)  
    expenditure review, 28  
    Special Number Plate business, 32–33  
Royal North Shore Hospital, 34  
RTA *see* Roads and Traffic Authority (RTA)

## S

safety, occupational, 40, **112–113**  
Secretary's Internal Audit & Risk Management Statement, **60–62**  
Secretary's Message, **3**  
sectoral reform, **34–35**  
Senior Executive Service (SES)  
    levels, 111  
    remuneration and qualifications, **5**  
Seniors Transfer Duty Exemption, 22  
ServiceFirst, 121  
SICorp, 25, 26  
SITA Environmental Solutions, 33  
social housing  
    Nation Building and Economic Stimulus Package, 43  
    reform, 38, 40  
Solar Bonus Scheme, 35  
Solar Flagship Program, 35  
Special Number Plate business, 32–33  
sponsorships, 50  
staff, **8–9**  
    Aboriginal and Torres Strait Islanders, 115, 116  
    capability review, 45–46  
    Corporate Directorate, 46  
    development, **49**  
    disabled, 115, 116  
    Employee Assistance Program (EAP), 113  
    equal employment opportunity, **114–117**  
    feedback, **44–45**  
    full-time equivalent (FTE), 8, 110, 111  
    graduates, 48–49  
    health and fitness, 113  
    HR Advisory Committee, 46–47  
    management, 46  
    part-time, 111  
    performance management, **50**  
    recruitment, 47–49, 50  
    Senior Executive Service (SES), 111  
    statistics, **110–111**  
    support for, 45

talent management, 47  
 training, 49, 110  
 wages *see* wages  
 women, 49, 115, 116  
 women executives, 111  
 stakeholder communication, **50–51**  
 Standard Business Reporting (SBR), 40  
 State Budget  
   availability of information, 24  
   Budget and Financial Management Directorate, 23  
   Commission of Audit, 19  
   fiscal strategy, 20  
   preparation, 18  
 state debt, 19  
 state owned corporations (SOCs), 28–29, **32**  
 state property, 30  
 State Super actuarial triennial review, 26  
 statutory reporting compliance index, **136**  
 strategic performance reviews, 28  
 strategic planning, 51–52  
 superannuation, 26  
 surplus, 19  
 Sydney Catchment Authority, 28  
 Sydney, Metropolitan Plan for, 34  
 Sydney Water, 28

**T**

talent management, 47  
 tax  
   *see also* GST revenue  
   poker machines, 22  
   policy, 22  
   regime, 20  
 Technical Drafting Group, 39  
 Total Assets Management (TAM), 25  
 Totalisation Agency Board, 22  
 training, 49, 110  
 transport  
   land transport, 40  
   reform, 34  
 Transport NSW, 28  
 Treasury Cluster, 8  
 Treasury Online Entry System (TOES), 24  
 TRUenergy, 33

**U**

University of NSW Co-op program, 49  
 University of Sydney, 49  
 University of Western Sydney, 49

**V**

values, **44**  
 Villawood Urban Redevelopment, 34

**W**

wages  
   policy, 29  
   public sector, 29  
 WAMC Landfill Rehabilitation Fund, 33  
 Waste Assets Management Corporation (WAMC), 33  
 waste management, 33, **122–123**  
 water reform, 38, 40, 42  
 websites, *inside front cover*, 50; *see also* internet  
 Whole-of-Government Data Centre, 34  
 whole-of-government sectoral reviews, 29  
 women staff, 49, 115, 116  
 WorkCover, 28  
 workforce *see* staff  
 WSN Environmental Solutions (WSN), 33