

TREASURER AND MINISTER FOR STATE DEVELOPMENT

TREASURY

Treasury consists of the **Office of Financial Management** (OFM) and the **Office of State Revenue** (OSR). OFM serves the Treasurer and the Government by providing economic advice and advising on, and accounting for, the overall management of the State's finances. OSR administers and collects taxes, implements legislation relating to State revenue, makes the payment of various grants, subsidies, and rebates, and collects outstanding State debts.

In April, Treasury was restructured as part of organisational changes approved by Government. The asset and procurement policy functions of the former Department of Public Works and Services were transferred to Treasury.

The new functions taken over by Treasury were integrated into the Office of Financial Management.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

Treasury applies various strategies to ensure State financial and economic management outcomes. The strategies implemented within Treasury continue to contribute to key outcomes including maintenance of the State's AAA rating, strong growth in the State's Net Worth and maintenance of a strong revenue base.

Office of Financial Management

OFM seeks to promote the allocation of resources that increases the economic welfare of the community. It works across a range of key areas to ensure financial and economic management strategies are in place to achieve this outcome. Achievements in key strategic areas over the previous year are outlined below:

Enhanced Economic Development

- ◆ development of an economics based framework for addressing natural resource management issues and a balance between development and sustainability;

- ◆ ongoing progress in implementing Competition Policy has secured National Competition Policy tranche payments and contributed to a more competitive business environment; and
- ◆ sale of Power Coal, Pacific Power International and Tallawarra as part of the ongoing reform of the energy industry.

Effective Resource Allocation

- ◆ ongoing implementation of the Financial Management Framework including further development of Service and Resource Allocation Agreements (SRAAs) as the key vehicle for determining budget allocations;
- ◆ assistance with a number of Privately Financed Projects for infrastructure procurement. Projects included: New Schools Project; Cross City Tunnel; Western Sydney Orbital; and Alternative Waste Technologies; and
- ◆ advice on and implementation of arrangements for the restructure of Natural Resource agencies following acceptance of the structural reform proposals.

Transparent Financial Management

- ◆ development and implementation, for the March 2003 State election, of protocols for the costing of election commitments to clearly report the net impact on the State's finances;
- ◆ commencement of review and update of the Treasurer's Directions and associated guidelines for agencies; and
- ◆ negotiation of Statements of Corporate Intent with Government Businesses and SRAAs with selected agencies to provide greater specification of the outcomes to be achieved.

Strengthened State Finances

- ◆ implementation of the State Fiscal Strategy provided the framework for the implementation of the State's 2002-03 Budget and the development of the 2003-04 Budget, reaffirming NSW's AAA Credit Rating;
- ◆ preparation of the NSW case to the Commonwealth Grants Commission 5 year review of the methodology for funding; and
- ◆ provision of advice on mitigating the impact of events such as the HIH collapse on insurance availability including tort law reform and industry liaison.

Office of State Revenue

Ensuring Due Revenue

- ◆ OSR has continued to invest in electronic service delivery to clients with a focus on Web Forms development, Electronic Document Returns and improvements in pay-roll tax processing. Specific funding was provided for compliance programs in 2002-03 for the purpose of increasing voluntary compliance and ensuring that our taxes are equitable. Further compliance initiatives are being introduced in 2003-04 to build on the programs already being applied.

Ensuring Eligible Payments

- ◆ OSR administers the First Home Owners Grant Scheme (FHOGS) and the Grain Freight Rebate Scheme (GFRS). During 2002-03 the number of FHOGS applications reduced by 32 percent compared to 2001-02. This reflected a tapering off of first homebuyer activity in the market. It is projected that there will be a further decrease in numbers in 2003-04. The GFRS was established for a 2 year period effective from 1 July 2001 and officially came to an end on 30 June 2003. There has also been an increase in activity in the management of Unclaimed Moneys due to the information being made available on the Web and an increase in compliance activity.

Effective Fine Enforcement

- ◆ The State Debt Recovery Office (SDRO) is now established within OSR. A concentrated effort is being made to ensure an efficient and effective relocation to Lithgow by March 2004. With the announced transfer of the Infringement Processing Bureau from NSW Police to OSR, effective from 1 October 2003, the opportunity exists to broaden SDRO's involvement in fine enforcement processing and achieve performance improvements.

During 2002-03 OSR focused attention on the identification and implementation of productivity initiatives to improve efficiency and meet the cost of wage increases. OSR will continue its efforts to improve efficiency through the implementation of its Shared Services Plan and commitment to business process improvement across all its programs.

STRATEGIC DIRECTIONS

Office of Financial Management

OFM's strategic management framework remains unchanged. The 2003-04 strategic initiatives will help promote the allocation of resources that increases the economic welfare of the community. These initiatives are:

Enhanced Economic Development

- ◆ participation on the national working group reviewing and advising Heads of Treasuries and Treasurers on debits tax abolition and the possibility of abolishing particular State business stamp duties, as specified in the Inter-governmental Agreement (IGA);
- ◆ continue implementation of energy reform including the review of options for management of electricity trading risks; and
- ◆ review of the Fire Service Levy within the context of ensuring a competitive tax and business environment.

Effective Resource Allocation

- ◆ continuing implementation of the Financial Management Framework for the General Government Sector with emphasis on Service and Resource Allocation Agreements to facilitate value for money programs and services;
- ◆ implementation of strategic capital reforms to improve capital investment and management to achieve improved resource utilisation;
- ◆ enhancement of capital project assessment and monitoring functions; and
- ◆ assistance with approved Privately Financed Projects including the Long Bay forensic and prison hospital project.

Transparent Financial Management

- ◆ review of the policy for monitoring the operation of Government Businesses; and
- ◆ review and amendment of State accounting policies to comply with the convergence of Australian and International accounting standards.

Strengthened State Finances

- ◆ pursuance of a fairer share of Commonwealth funding for New South Wales through a phased review of the Commonwealth Grants Commission's assessment methods, to influence the methods adopted for the 2004 Review for allocating Commonwealth funding between the States for the five years beginning 2004-05; and
- ◆ improvement in public sector risk management through reviews of Financial Assets Management and Electricity Trading Risk Management.

Office of State Revenue

OSR's strategic plan confirms the mission, vision and guiding principles of the Office while simultaneously outlining a set of goals, objectives and strategies that establish priorities and provide direction. OSR 2005 provides the framework for OSR's strategic direction. It is based on four business focus areas:

- ◆ **Stronger Revenue Base** – provision of better management of government revenue through simplified legislation, effective compliance and client service strategies. Seeking to ensure equitable revenue administration by minimising the cost of collection and compliance and increasing service delivery to the clients. Key action programs planned include the development of a Client Service Strategy and further implementation of the Compliance Strategy.
- ◆ **Skilled and Committed People** - maximise organisational capability by developing the skills and talent of our people, developing strategies that strengthen OSR's position as the leading revenue agency by attracting and retaining skilled people. The key action program under this focus area is continuation of the implementation of the People Plan.
- ◆ **Powerful Systems and Processes** – use of technology to streamline business processes and be more responsive to client needs, promoting use of technology to develop efficient and convenient client service alternatives. The key action programs focus on the Information Management Strategy, Business Process Improvement and ISO accreditation and the relocation of the SDRO to Lithgow.
- ◆ **Expanded Revenue Services** – provision of an increased whole-of-government approach to revenue administration for the benefit of the people of New South Wales. The successful transition of the Infringement Processing Bureau from NSW Police to OSR will be the primary objective under this focus area.

2003-04 BUDGET

Total Expenses

The estimated expenses for Treasury in 2003-04 are \$361.2 million. This includes First Home Owner Grant payments estimated to be \$231.4 million. Excluding First Home Owner grants, Treasury expenses are \$129.8 million and will be used for the following:

- ◆ \$37.8 million to increase the community's economic welfare through undertaking microeconomic reform, applying a Financial Management Framework that assists General Government agencies deliver value for money programs and services while promoting transparency in the use of State Budget resources and strengthening the Commercial Policy Framework;
- ◆ \$71.3 million to ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales;
- ◆ \$5.3 million to ensure eligible applicants receive payments due under Commonwealth and State Government schemes; and
- ◆ \$15.4 million to ensure the effective and timely administration of the full range of fine enforcement activities for the benefit of people of New South Wales.

Asset Acquisitions

Office of Financial Management

OFM's allocation of \$0.4 million for 2003-04 will be used for general enhancements to existing computer systems and equipment upgrades.

Office of State Revenue

OSR's allocation for 2003-04 is \$8.1 million. The key programs planned include:

- ◆ fitting out the new State Debt Recovery Office (SDRO) in Lithgow. This will involve IT equipment, furniture and other equipment to ensure the Office has a smooth transition and continues to operate effectively;
- ◆ replace the existing computer fine enforcement system at SDRO to increase functionality and to improve efficiency in processing and collecting outstanding debt; and
- ◆ ongoing development in OSR's RECOUPS and associated systems which are the key revenue collection systems for the State. This maintenance will extend the useful life of the system and aid OSR to keep pace with changing business needs and processes.

DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT

The Department of State and Regional Development provides expert advice and quality services to advance the economic development of both metropolitan and regional New South Wales.

During 2002-03, the Office of Western Sydney (formerly part of the Department of Information Technology and Management) was integrated as a branch of the Department.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

During 2002-03, the Department assisted major investment projects across New South Wales with an estimated investment value of \$1,217 million and employment impact of over 5,518 jobs. An extensive range of innovative programs were undertaken including:

- ◆ the Australian Technology Showcase (ATS) continued to expand its promotion of innovative Australian technology businesses, announcing the new ATS Technology Demonstration program. This initiative provides an opportunity for businesses to demonstrate or trial innovative technology in partnership with a Government agency or the private sector. A further 49 innovative member technologies were admitted to the ATS during the year. 358 companies involved in the ATS have contributed to over \$330 million in export and domestic sales and secured over \$190 million from equity investors;
- ◆ the Department's post-Olympics business development program facilitated access to business opportunities related to the Beijing 2008 Olympic Games. Activities included a major workshop in Sydney for the Beijing Organising Committee for the Olympics and introducing Beijing construction companies to NSW architects, engineers and building product service providers. Support for NSW companies has resulted in early success in Olympic tenders and good prospects exist for further successes;
- ◆ the Rugby World Cup Business Program will provide opportunities to leverage business from the expected presence of significant numbers of international visitors in Sydney during the Cup period. During 2002-03, six country themed business networking events, including one in London, were held to help identify business investors/executives from participating countries who will be visiting Sydney during the Rugby World Cup;

- ◆ the Regional Business and Investment Tour linked providers of finance with regional firms seeking funds for business growth. 16 delegates from investment companies visited Goulburn, Wagga Wagga and Nowra in November 2002. In addition, the Regional Film Investment Tour, conducted in June 2003, showcased the North Coast as a location to shoot films and television commercials to ten production companies;
- ◆ 99 companies participated in 43 trade missions and market visits (including independent company visits) organised or supported by the Department to 21 overseas markets. These missions and market visits resulted in 123 new market entries and are projected to earn \$44 million in new export sales for the participating companies in the initial 12 months;
- ◆ investment projects attracted to regional New South Wales included the relocation of truck body manufacturer Herd Bars and Bodies from Sydney to Wollongong, National Ceramic Industries' ceramic tile manufacturing plant at Maitland, Salmat's 300 seat call centre at Wagga Wagga, the Sea Link logistics warehousing and cold storage facility development at Blayney, a distribution centre for Woolworth's at Wyong and the expansion and upgrade of Hydro Aluminium's smelter in Kurri Kurri;
- ◆ investment projects attracted to Sydney included a research and development centre for Taiwan Telecom, Unisys' regional shared services centre, UBS Warburg's Global technical support centre, and ABC Tissues' new manufacturing plant; and
- ◆ Office of Western Sydney initiatives included the Western Sydney Business Awards, the Western Sydney Information Technology Cluster and the Knowledge Economy Conference.

STRATEGIC DIRECTIONS

The Department's activities are encompassed in four strategies. These are:

- ◆ promoting investment;
- ◆ boosting exports;
- ◆ encouraging innovation; and
- ◆ improving the State's business climate.

2003-04 BUDGET

Total Expenses

The Department's estimated total expenses for 2003-04 are \$106 million. During 2003-04 the Department's initiatives will include:

- ◆ implementation of programs to assist the commercialisation of biotechnology and actively market and promote NSW biotechnology companies internationally at events such as Bio2004 and Medica in Dusseldorf;
- ◆ the Australian Technology Showcase which includes over 350 innovative NSW technologies and provides an extensive range of promotional activities;
- ◆ coordination of a comprehensive business program in conjunction with the staging of the Rugby World Cup 2003 in Australia. The program will focus on Sydney and the regional venues of Gosford and Wollongong;
- ◆ regional development assistance delivering programs and services specifically aimed at helping the establishment and growth of regional businesses. Funding has been provided to continue the New Market Expansion and Towns and Villages Futures Programs;
- ◆ small business development programs which support and assist people who are intending to start a business as well as those who are already in business. The Small Business Expansion and High Growth Business programs offer fast growing businesses the opportunity to access external support to assist innovation and growth;
- ◆ customised business assistance for Aboriginal people engaged in business or intending to start a business. Support will also be provided for indigenous community based enterprises to engage in organisational building, management skilling and business development; and
- ◆ implementation of the New Export Opportunities Program which aims to assist small and medium companies into export and/or new overseas markets through trade missions and market visits, export advisory services and access to information and networking support.

Asset Acquisitions

The Department's asset acquisition program for 2003-04 includes \$0.1 million for essential building works and the replacement of plant and equipment.