



New South Wales
TREASURY

Office of Financial Management
Annual Report 2006-07

The **Corporate Plan** of the Office of Financial Management (OFM) outlines the strategic framework for the management of the State's finances. That framework supports the achievement of State Plan priorities, most particularly the maintenance of a Triple A credit rating for NSW and maintenance of, and investment in, State infrastructure. OFM has been assigned lead agency responsibility for these two priorities, working in partnership with other Government agencies.

OFM's Corporate Plan outlines our mission, the results we seek to influence and the strategies we apply to maximise the impact of our services. Results indicators allow us to monitor progress towards our planned results. Service measures report on the standard of our services.

The Corporate Plan also provides the context for OFM's annual Results and Services Plan (RSP) and the performance agreements of the Secretary and all OFM officers. It provides the structure for our internal and external performance reporting.

This **Annual Report** documents our performance in implementing our corporate plan, including our RSP for 2006-07.

The chapters outline progress towards our planned results, linking our achievements with our applied strategies.

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The Hon Michael Costa MLC
Treasurer, Minister for Infrastructure,
and Minister for the Hunter
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Treasurer,

I have pleasure in submitting the Annual Report of the NSW Treasury's Office of Financial Management for the financial year ended 30 June 2007, for presentation to the Parliament of New South Wales in accordance with the Annual Reports (Departments) Act 1985.

The Report contains the Consolidated Financial Statements for Treasury covering both the Office of Financial Management and the Office of State Revenue.

A second volume containing a report on the operations of the Office of State Revenue is submitted separately.

A third volume contains the financial statements for the Crown Entity and its commercial activities. Treasury is responsible for managing Crown finances, which concern public sector wide assets, liabilities and transactions that are the overall responsibility of government and not individual agencies.

Yours sincerely

John Pierce
Secretary
31 October 2007

NSW Treasury comprises the Office of Financial Management (OFM) and the Office of State Revenue (OSR).

This volume of Treasury's Annual Report relates to OFM. It incorporates the Office of Infrastructure Management which operates as an OFM Directorate.

The OFM volume also reports on activity and staffing matters associated with the NSW Self Insurance Corporation (SICorp), a statutory authority which is managed by one of OFM's branches. NSW SICorp also publishes its own separate annual report as required by its founding legislation.

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Our Planned Results

- Policy settings promote a competitive and sustainable State economy
- Public resources are efficiently allocated and effectively managed with clear outcomes specified
- State finances are strengthened

We support the achievement of these planned results through organisation building activity that focusses on building our capability, strong support systems and stakeholder alliances.

Our Strategies

- Implementing a State Fiscal Strategy
- Implementing a Financial Management Framework for general government agencies
- Applying a Commercial Policy Framework to government businesses
- Implementing and monitoring the State Infrastructure Strategy
- Managing the State balance sheet
- Implementing microeconomic reform

OUR MISSION

PROMOTING STATE RESOURCE MANAGEMENT TO ACHIEVE A STRONGER NEW SOUTH WALES ECONOMY & BETTER PUBLIC SERVICES.

Our Services

Advice on State Resource Management

- Economic and fiscal strategies
- Efficiency and effectiveness of public sector agencies
 - Budget management
- Public sector management systems
- Infrastructure, asset management and procurement
 - Financial asset and liability management

Our Values

- Focussing on our stakeholders
- Valuing the individual
- Acting with integrity
- Providing leadership at all levels
- Continuously learning and innovating



John Pierce
Secretary

2006-07 was another successful year for the Office of Financial Management.

NSW's Triple A status was again confirmed by the major international credit rating agencies. This confirms that the Government's sound management of the State's finances within the framework of the State's fiscal strategy is ensuring the strength of the State's finances.

I am very proud to say that the Triple A also reflects the strong performance of OFM. And that is due to the excellence of our people and our systems.

This was evident again in OFM's coordination and management of the State Budget process. This annual process is always challenging, but this year we also had to factor in the costing of election commitments. This put our people and systems to the test. We succeeded because of our professionalism, dedication and the way we work as a team. These qualities reflect our organisational values.

However, there are always new challenges. We cannot afford to promote our success without looking for ways to continually improve. So again during 2006-07 we examined the way we operate.

In September 2006, we began a business improvement program to ensure we focus on priorities. We restructured to ensure our services are aligned to best support the achievement of our planned results. We also reviewed and put into place new arrangements to maximise the contribution of our administrative support staff who are critical to OFM's operations. We reviewed our monitoring of Budget dependent agencies to take into account risk criteria. We started action to improve the effectiveness and usefulness of our advice.

During the latter part of the financial year we reviewed our strategic management framework to ensure our operations support the delivery of the State Plan, including those priorities for which OFM is lead agency.

OFM's achievements are built on the hard work of our people. Thank you for making 2006-07 another successful and satisfying year. To our colleagues in other agencies, we appreciate your help and participation. Your contribution is crucial to the successful application of the State's fiscal strategy, and ultimately the achievement of our planned results.

Special thanks also to Kerry Schott who left NSW Treasury in August 2006 to take on the role of Managing Director of Sydney Water. Kerry was instrumental in the successful development and implementation of recent asset management reforms and also set up OFM's Office of Infrastructure Management. We are pleased to welcome Michael Schur as her successor.

We now look forward to the new year. We look forward to working with our partner agencies to deliver our State Plan responsibilities – to maintaining NSW's Triple A credit rating status and maintaining, and investing in, State infrastructure.

John Pierce, Secretary

NSW Triple A

Moody's:

NSW's Triple A rating is stable....

"New South Wales' credit strengths include a strong operating environment, well established institutional framework providing fiscal flexibility, and modest debt burden....."

The state has a....

"long record of sound financial performance....."

January 2007

Standard and Poor's:

NSW's rating is

"...supported by the state's moderate debt levels, demonstrated fiscal discipline and prudent fiscal targets, diversified economy, and strong system support"

September 2006

The 2007-08 NSW Budget

"is consistent with the existing AAA rating on the state"

June 2007

Executive Performance Review Statement

Treasury Secretary

John Pierce

NSW Treasury

B.Comm (Hons)

Level 8

Remuneration: \$427,335

In 2006-07, under Mr Pierce's leadership, NSW Treasury provided effective advice to the Government on the management of the State's resources. This advice informed the Government in making decisions and taking actions which ensure the strength of NSW finances. Mr Pierce's strong leadership ensured a proactive, efficient and effective NSW Treasury.

His direct personal achievements include:

- Advising the Government on the application of the State fiscal strategy which was instrumental to the confirmation of NSW's Triple A credit rating status.
- Leading Treasury's contribution to the development of the State Plan.
- Advising on the alignment of the State Budget to support delivery of the State Plan's priorities.
- Positioning Treasury to address those priorities for which it is directly responsible – maintaining the Triple A rating, and maintaining and investing in infrastructure.

Michael Costa
Treasurer

overview of OFM's performance in 2006-07

Achievements

Policy settings promote a competitive and sustainable State economy

- Advised on the National Reform Agenda and participated in the development of policy initiatives aimed at improving competitiveness, productivity and workforce participation
- Coordinated a review of internal Government red tape, which led to removal of excessive reporting requirements, particularly for smaller agencies
- Advised on payroll tax harmonisation measures with Victoria to standardise eligibility and definitions and thereby cut red tape for business
- Advised on taxation and revenue policy; NSW's total revenue per capita (\$6,851) being significantly below the all States average (\$7,347)

Public resources are efficiently allocated and effectively managed with clear outcomes specified

- Monitored and advised on the implementation of the 2006-07 Budget, for which a surplus of \$584 million was achieved consistent with the Fiscal Strategy. A deficit had been forecast.
- Advised on strategy for, and coordinated preparation of, the 2007-08 Budget, which is consistent with the maintenance of NSW's Triple A credit rating
- Advised on, and applied a system for, costing 2007 Election commitments, integrated within the State Budget process
- Progressed the development of the Performance Management and Budgeting System to align the State Budget with the State Plan
- Implemented Results and Services Plans with all major Budget dependent agencies
- Implemented a framework for improved property management and utilisation through the establishment of the State Property Authority
- Monitored the implementation of the State Infrastructure Strategy, including advice on, and preparation of, the 2007-08 Budget Infrastructure Statement that provides for \$50 billion expenditure over four years
- Advised on six Privately Financed Project arrangements and worked with the agencies concerned to implement them - a Project Excellence award was received for the project delivery process undertaken for the New Schools project

State finances are strengthened

- Advised on the application of the State Fiscal Strategy which was key to maintaining NSW's ongoing Triple A rating by major international credit rating agencies
- Effectively managed the State's balance sheet, ensuring that net financial liabilities as a share of Gross State Product are on track to achieve Fiscal Strategy targets
- Coordinated negotiation of Statements of Corporate Intent with all State Owned Corporations
- Provided submissions and data to the Commonwealth Grants Commission 2007 Update

Organisation building ensures a values-based organisation that supports achievement of business results

- Reviewed OFM's strategic management framework, including performance measures, to ensure support for State Plan implementation, and to provide the basis for a new Corporate Plan to issue in the new financial year
- Achieved required global savings across the organisation
- Achieved above target rates for timely attention to correspondence and work plan projects
- Staff reported strong job satisfaction (93%)

Result Indicators

		Target	2002-03	2003-04	2004-05	2005-06	2006-07
Policy settings promote a competitive and sustainable State economy	<ul style="list-style-type: none"> NSW's total State revenue per capita to be less than the all states' average 	NSW ≤ All States	NSW:\$5,685 All: \$5,769	NSW: \$5,896 All: \$6,209	NSW: \$6,129 All: \$6,537	NSW: \$6,462 All: \$6,972	NSW: \$6,851 All: \$7,347
Public resources are efficiently allocated and effectively managed with clear outcomes specified	<ul style="list-style-type: none"> Keeping the Budget in surplus 	Surplus Result	\$1,752m	\$1,153m	\$724m	\$976m	\$584m
	<ul style="list-style-type: none"> Percentage deviation of actual expenses from Budget 	≤ ±1%	+5.97%	+4.51%	+2.79%	+0.32%	+0.22%
State finances are strengthened	<ul style="list-style-type: none"> Maintaining a Triple A credit rating for NSW 	Triple A	Triple A	Triple A	Triple A	Triple A	Triple A
	<ul style="list-style-type: none"> Maintaining a downward trend in General Government Sector net financial liabilities as a % of GSP 	≤ 7.5% by 30-6-2010 ≤ 6.0% by 30-6-2015	9.2%	8.5%	8.1%	8.4%	7.8%
	<ul style="list-style-type: none"> State superannuation liabilities on track to be fully funded by 30 June 2030 	100% by 30-6-2030	59.6%	64.3%	67.2%	76.0%	77.6%
	<i>This level and trend is consistent with achieving the 2030 target</i>						
	<ul style="list-style-type: none"> At least maintaining NSW's share of GST revenue relative to an equal per capita share 	Improved NSW share	0.89117	0.86750 (review outcome)	0.86846	0.87332	0.89079
<ul style="list-style-type: none"> Achieving an appropriate rate of return on equity in commercial government businesses 	≥ 7%	na	na	4.9%	7.8%	8.0%	

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.

overview of OFM's performance in 2006-07

Service Measures	Target	2002-03	2003-04	2004-05	2005-06	2006-07	
Advice on Economic and Fiscal Strategies	<ul style="list-style-type: none"> OFM's tax revenue estimation variation compared with that of other Treasuries 	NSW ≤ Other States	NSW:9.1% Others: 9.9%	NSW:5.5% Others:11.6%	NSW: 1.2% Others: 8.2%	NSW: 2.3% Others: 9.4%	NSW: 5.9% Others: 5.9%
	<ul style="list-style-type: none"> OFM's economic forecasting variation compared with that of other Treasuries 	NSW ≤ Other States	NSW: 0.4% Others: 1.1%	NSW: 0.8% Others: 0.9%	NSW: 1.0% Others: 1.3%	NSW: 1.1% Others: 0.8%	nya
Advice on the Efficiency and Effectiveness of Public Sector Agencies	<ul style="list-style-type: none"> Percentage of major general government agencies with a finalised Results and Services Plan 	100%	91%	91%	93%	94%	100%
	<ul style="list-style-type: none"> Percentage of required government businesses with a signed Statement of Corporate/ Business Intent 	100%	SOCs: 100% All: 76%	SOCs: 100% All: 73%	SOCs: 95% All: 90%	SOCs: 100% All: 83%	SOCs: 100% All: 90%
	<ul style="list-style-type: none"> Deviation of actual government business dividend and tax equivalent payments from Budget estimate 	≤ ±10%	+4.3%	+7.9%	-4.2%	-3.7%	+16.4%
Budget management	<ul style="list-style-type: none"> OFM's general government expenses estimation variation compared with other Treasuries 	NSW ≤ Other States	NSW: 5.6% Others: 3.2%	NSW: 4.3% Others: 4.6%	NSW: 2.9% Others: 3.3%	NSW: 0.1% Others: 2.5%	NSW: 0.3% Others: nya
Infrastructure Asset Management and Procurement	<ul style="list-style-type: none"> Percentage of major general government agencies with a Total Asset Management Plan 	100%	na	na	44%	80%	96%
Public Sector Management Systems	<ul style="list-style-type: none"> Percentage of agencies satisfied with OFM's financial management support 	≥ 75%	Biennial survey	80%	Biennial survey	77%	Biennial survey
Financial Asset and Liability Management	<ul style="list-style-type: none"> Deviation of actual superannuation, debt and insurance expenses from the Budget estimate 	≤ ±10%	+7%	-1%	-1.5%	-25%	-18%

The quality of OFM's services is generally within its control.
Service measures and associated benchmarks ensure accountability for achievement of acceptable standards.

overview of OFM's performance in 2006-07

Organisation Efficiency Measures		Target	2002-03	2003-04	2004-05	2005-06	2006-07
Staff Development and Wellbeing	▪ Training days per officer	≥ 5 days	5.3 days	5.4 days	4.9 days	5.2 days	4.5 days
	▪ Staff turnover	≤ 20%	9.4%	8.3%	8.6%	13.4%	13.2%
	▪ Sick days per officer	≤ 5 days	5.2 days	4.8 days	5.0 days	4.2 days	6 days
Project Management	▪ OFM's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	100.3%	91.5%	104.1%	92.3%	93.5%
	▪ Work Plan major milestones achieved	≥ 80%	62%	76%	77%	82%	84%
	▪ Registered correspondence and projects completed by due date	≥ 80%	82%	82%	83%	83%	83%
Performance Management	▪ Staff participating in OFM's Performance Agreement and Review scheme	100%	63%	82%	89%	44%	59%
	▪ Staff satisfied with OFM	≥ 90%	95%	95%	90%	91%	89%
	▪ Staff satisfied with their job	≥ 90%	94%	95%	92%	95%	93%
Adherence to OFM Values	▪ Staff believing OFM's values are adhered to	≥ 90%	92%	94%	93%	93%	89%
Agency Relations	▪ Agencies satisfied with their relationship with OFM	≥ 75%	Biennial survey	78%	Biennial survey	73%	Biennial survey



**Secretary
John Pierce**



New South Wales
TREASURY

Office of Financial Management

**Deputy Secretary
Mark Ronsisvalle
Budget and Financial
Management
Directorate**

- Advises on overall management of State Budget; coordinates State Budget preparation and reporting
- Advises on agency specific resource and policy issues for Transport agencies
- Manages Crown financial liabilities and assets
- Implements General Government financial management systems, and accounting and reporting policy and standards
- Advises on business improvement within OFM to support delivery of planned results

**Deputy Secretary
Kevin Cosgriff
Fiscal and Economic
Directorate**

- Advises on overall State fiscal strategy, including intergovernmental and taxation policy issues
- Advises on economic strategy, including National Reform Agenda implementation
- Advises on the application of the commercial policy framework that applies to Government businesses
- Oversees implementation of major commercial sector reforms

**Deputy Secretary
Michael Schur
Office of Infrastructure
Management**

- Oversees implementation of the State Infrastructure Strategy
- Assesses and monitors capital investment proposals
- Advises on agency specific resource and policy issues for Property Sector agencies
- Implements physical asset management and procurement policies, including public property management policy
- Develops policy for, and supports implementation of, Privately Financed Projects

**Executive Director
Philip Mussared
Human and Social
Services Directorate**

- Advises on agency specific resource and policy issues for Human Service agencies including the Departments of Health and Community Services, Education and Arts agencies, Justice and Emergency Service agencies including the State Emergency Service and NSW Fire Brigades

**Executive Director
Ian Neale
Environment and
Economic Services
Directorate**

- Advises on resource and policy issues for Natural Resources, Environment, Planning, Government and Economic Service agencies and water and electricity businesses
- Oversees the Government's self insurance arrangements

- The **Corporate Management Unit** advises on corporate support policy and systems.
- The Executive is supported by the **Executive Coordination Unit**.
- For **Freedom of Information Enquiries** contact Tel : 9228 5796 Fax : 9228 3031

Structure from
September 2006

OFM Executive Performance Review Statements

OFM Executive Team

During 2006-07, OFM Executive members provided strong leadership in developing and applying OFM strategies. They provided strong support to the Secretary in managing OFM's relationships with its external stakeholders in NSW and other jurisdictions.

Executive members participated in OFM's Performance Agreement and Review scheme. All were judged to have efficiently and effectively fulfilled the commitments in their annual performance agreements.

Individual members were assessed as either meeting or exceeding standards for overall performance, competencies and adherence to OFM values.



John Pierce, Secretary



Mark Ronsisvalle

PSM, BEc
Level 6
Remuneration:
\$288,217

Deputy Secretary, Budget and Financial Management

- Advised on, and managed the process for, the development, preparation and implementation of the State Budget
- Monitored the Budget's key financial aggregates



Kevin Cosgriff

MA(Econ), BSc(Hons)
Level 6
Remuneration:
\$290,208

Deputy Secretary, Fiscal and Economic

- Advised the Government on the development of the National Reform Agenda
- Oversighted OFM's participation in the initial implementation of NRA initiatives



Michael Schur

MSc(Econ),
MComm (Econ)
Level 6
Remuneration:
\$238,194

Deputy Secretary, Office of Infrastructure Management

- Advised on the development and implementation of the State Infrastructure Strategy to ensure investment in, and maintenance of, essential public infrastructure

* Mr Schur joined OFM on 28 August 2006.



Philip Mussared

BEc(Hons), BA, FCPA
Level 6
Remuneration:
\$255,271

Executive Director, Human and Social Services

- Advised on the allocation of the State Budget to human and social service agencies, which account for 80% of the Budget's total funds
- Monitored use of these funds



Ian Neale

FCPA
Level 6
Remuneration
\$278,761

Executive Director, Environment and Economic Services

- Advised on the development and implementation of the protocol for OFM's costing of 2007 Election commitments
- Oversighted the costing process

Executive remuneration is actual payment received based on total monetary remuneration and the value of employment benefits as per employment contracts, plus allowances for acting in higher positions. In line with public sector policy, there were no performance related incentive payments.

adjustments to OFM structure

Organisational Change

OFM's structure was adjusted in September 2006. The aim was to ensure OFM services align with our priorities for the coming year, and our longer term planned results.

The restructure was also opportune given recent personnel changes on OFM's Executive.

- In May 2006, Philip Mussared was appointed to the position of Executive Director following an Executive retirement.
- In August 2006, Kerry Schott, Deputy Secretary Office of Infrastructure Management, left to take up the position of Managing Director of Sydney Water. The same month Michael Schur was appointed as her successor in OFM.

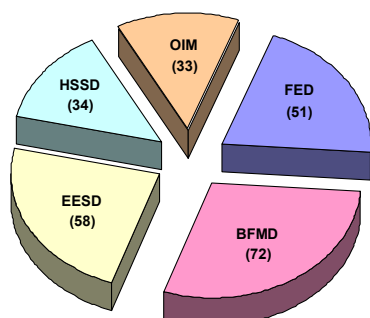
The restructure involved rearranging Executive leadership responsibilities for OFM's Directorates.

Other structural changes included:

- Locating the Crown Assets and Liabilities Management Branch within the Budget and Financial Management Directorate to provide for its better integration with the State Budget process.
- Locating the Commercial Sector Performance and Reform Branch within the Fiscal and Economic Directorate.
- Amalgamating, largely within two Directorates, responsibility for advising on resource and policy issues for general government agencies and government businesses.
- Establishing a National Reform Branch within the Fiscal and Economic Directorate to coordinate OFM's participation in the development and implementation of the National Reform Agenda. The Director of this Branch draws on resources of other Branches as required.
- Establishing a Business Improvement Branch within the Budget and Financial Management Directorate to advise on and oversight implementation of business improvement initiatives that strengthen OFM's capability to achieve planned results.

A number of Branches were merged as part of the restructure to achieve budget savings – the Revenue and Intergovernmental areas were integrated; the previously separate Infrastructure and Asset Management and Procurement Branches were combined.

Directorate Staff



- FED** Fiscal and Economic Directorate
- BFMD** Budget and Financial Management Directorate
- OIM** Office of Infrastructure Management
- EESD** Environment and Economic Services Directorate
- HSSD** Human and Social Services Directorate

Executive and support staff have been allocated across Directorates on a pro rata basis. Numbers do not add to the OFM total due to the treatment of part time staff.

Staffing

OFM's success in achieving its planned results is very much dependent on the excellence of its people, operational strategies and support systems. Strategic support plans for our human resource and information management and technology reflect our strategies for organisation building.

The *Human Resource Plan* outlines strategies to enhance the performance and contribution of our staff.

OFM operates with 233.8 equivalent full time staff members. Changes to this number and the grade profile in recent years reflect adjustments to OFM's responsibilities:

- Transfer to OFM of the asset management and procurement policy and staff from the former Department of Public Works and Services. (2003-04)
- Deletion or reclassification of internal administration support positions. (2004-05)
- Establishment of a Self Insurance Branch to carry out new responsibilities associated with the operation of contestable arrangements for the State's self insurance scheme. (2004-05)
- Removal of SiCorp (formerly Self Insurance Branch) staff numbers and their separate reporting in SiCorp's own annual report. (2005-06)
- Assignment of the new State Infrastructure Plan function to OFM, with five staff positions transferred from the former Department of Infrastructure Planning and Natural Resources. (2005-06)
- Increased intake of new graduates. (2006-07)
- Review of Executive member grades following changed accountabilities arising from OFM's restructure. (2006-07)

OFM Staff Numbers and Grading Structure

	2002-03	2003-04	2004-05	2005-06	2006-07
Executive	5	6	6	6	6
Branch Directors	19	20	20.4	19.6	19.6
Treasury Technical Officers	19	27	31.4	32.2	37.4
Grade 7-12	105	113.2	114.5	113.3	106.8
Grade 3-6	34	42	50.6	48	52.2
Grade 1-2	2	12.6	3	2.8	2.8
Clerical Officer 3/4	14	0	0	0	0
DPO	9	8	10	4	8
Indigenous Cadet	0	0	0	0	1
	207	228.8	235.9	225.9	233.8

OFM Chief Executive and Senior Executive Officers

	2002-03		2003-04		2004-05		2005-06		2006-07	
	M	F	M	F	M	F	M	F	M	F
Level 8	1	-	1	-	1	-	1	-	1	-
Level 7	-	-	-	-	-	-	-	-	-	-
Level 6	-	-	2	-	2	-	2	1	5	-
Level 5	4	-	2	1	2	1	2	-	-	-
Level 4	-	-	-	-	-	-	-	-	-	-
Level 3	1	-	1	1	-	1	1	2	2	2
Level 2	14	4	13	5	14.8	4.6	12	4.6	12	3.6
Level 1	-	-	-	-	-	-	-	-	-	-
	20	4	19	7	19.8	6.6	18	7.6	20	5.6

The economic and financial environment in which OFM operates can affect the results we plan for.

Matters beyond the control of OFM and government can emerge – droughts and other natural disasters, global shocks, Commonwealth Government decisions.

The State Fiscal Strategy ensures the Government is well placed with a strong State balance sheet to react to such unforeseen developments.

OFM advises when specific action is required to address impacts on the State's finances.

Economic factors

At the start of 2006-07, global economic activity was expected to strengthen, as was growth in NSW. Global activity did strengthen over the year and as a result already elevated commodity and equity market prices and the Australian dollar both rose further.

However, several major headwinds for the state's domestic economic outlook developed as the year progressed:

- The drought worsened.
- Petrol prices rose sharply.
- The Reserve Bank increased interest rates twice.

These developments were expected to adversely impact on economic activity, including household spending and housing activity. As a result activity forecasts were revised lower in the Half-Yearly Budget Review.

Fiscal influences

The economic environment, policy decisions and spending pressures all impacted on strategies applied by OFM this year.

The Budget projected a \$696 million deficit for 2006-07. This forecast improved to a \$497 million deficit at the Half-Yearly Budget Review. Higher than expected investment incomes and lower insurance expenses due to compensation and tort law reforms were partially offset by increased expenses. School enrolments were higher than expected as was the demand for First Home Owner Grants. Additional funding for the drought was required.

By 2007-08 Budget time, firmer than expected domestic demand and employment growth led to upward revision of tax revenues for 2006-07. One-off influences in non-residential transfer duties, higher investment incomes and land tax led to a late surge in revenues. With expenses broadly in line with budget estimates, the Budget was restored to surplus.

In addition \$960 million of the one-off revenue improvement was used to repay rail sector debt. The Government's election commitments were fully funded in the 2007-08 Budget. Further tax cuts worth \$2.6 billion over the coming four years were introduced.

Projected Budget surpluses for 2007-08 and the forward years are estimated to average \$500 million. With a large capital spending program, general government net debt will rise through to 2010-11.

Response

OFM advised on strategic responses to deal with the 2006-07 budgetary pressures. These focused on both shorter-term and medium-term structural aspects of the Budget and the State's finances.

- To bring expenses growth in line with expected revenue growth over the forward estimates period, agency efficiency dividends were increased by \$100 million to \$300 million in 2008-09 and extended to 2009-10 and 2010-11.
- A strategy was developed to deliver the Government's wages policy and secure lower growth in expenses.
- The Performance Management and Budgeting System was developed and implemented. This will assist agencies reprioritise their resources to deliver Government priorities outlined in the State Plan.
- A strategy was developed to ensure capital projects and maintenance proposals are adequately scrutinised and prioritised within available funding. This involves integrating Total Asset Management and Procurement Policy into the annual budget process.
- OFM provided support to the Owen inquiry into securing future baseload supply of electricity in NSW.
- Policies to address the impacts of an ageing population were developed, including ensuring that National Reform Agenda initiatives are appropriate to NSW priorities.

Finances

OFM's actual expenses in 2006-07 were \$41.57 million, which accounts for 21.7 per cent of Treasury's total expenses (excluding grants administered for the First Home Owners Scheme) of \$191.22 million.

NSW agencies report performance on the basis of the net cost for the services they provide. This measure represents total agency expenses less revenue, which is reported as Net Cost of Services (NCOS).

The figures below provide a summary of OFM's performance under NCOS:

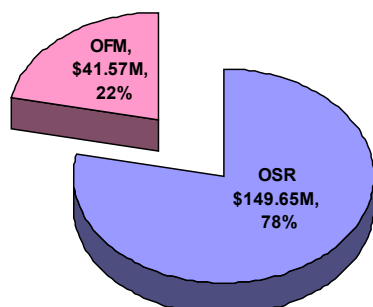
Benchmark ≤100%	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual
% of actual NCOS to Budget	100.3%	91.5%	104.1%	92.3%	93.5%

Funding for this program will continue through until 2009-10, although the quantum of the funding will drop by about half from next year.

As OFM's budget structure is heavily oriented towards employee costs, major initiatives for budget and resource management focused on improved staff and consultant utilisation.

OFM's Business Improvement Branch examines issues associated with targeted resourcing, better risk management and overall system improvements.

Treasury Expenses



OFM is a policy based agency responsible for providing high level financial advice to the Government. Our major expenses are employee related which account for around 84 per cent of our total expenses.

During the past two years, OFM has operated within its Budget allocation but has been short of full expenditure. This is mainly a result of staff vacancies due to a variety of factors including a reorganisation of resources and a tighter recruitment market.

While savings were recorded in 2006-07, the overall Budget allocation increased marginally to reflect the first full year of additional responsibilities associated with the National Reform Agenda (NRA).

OFM was allocated a budget of \$2.14 million for NRA activities in 2006-07. The NRA seeks to implement an ambitious, multi jurisdictional reform program across a broad range of services including education, health and energy. It also includes efforts to reduce red tape and promote better regulation and competitiveness.

OFM has a relatively small capital allocation of \$0.398 million. These funds are used for OFM's Asset Replacement program which includes desktop computers, printers and other office equipment. During 2006-07, the capital allocation was also used to implement a content management system to support OFM's Intranet and Internet and to maintain OFM's core business systems in delivering Whole of Government financial management.

Research and Development

OFM does not undertake Research and Development activity. However, in 2006-07 in recognition of the accounting profession's role in developing accounting standards for the public and private sectors, OFM provided a grant of \$169,000 to the Australian Accounting Research and Standards Bodies.

The grant was made under:
 Program Area 52.1:
 State Resource Management
 Program 52.1.1:
 Better Public Services and a Stronger NSW Economy.

OFM's commitment to stakeholders

OFM serves the Government and the community through our main client - the Treasurer.

Agreed values dictate our work philosophy and prescribe appropriate behaviours for the organisation and our people.

Other major stakeholders include:

- Our staff
- Central and line agencies and government businesses
- Parliament
- The Auditor-General and IPART
- Rating agencies
- Interest groups, media and unions

Commitment to the Community

- Independent and professional advice to decision-makers
- Access to information

Commitment to the Treasurer

- Efficient and effective administration of OFM, including successful implementation of Corporate Plan initiatives and delivery of State Plan priorities assigned to Treasury
- Provision of accurate, relevant, professional and timely advice and information

Commitment to Staff

- Job satisfaction, personal development and career opportunities and the ability to participate and contribute information
- Strong leadership and effective management

Commitment to Agencies

- Working in partnership to pursue the successful implementation of financial management reforms
- Openness, mutual respect and sharing of information

OFM's Code of Good Practice with Agencies

Regular Consultation, Openness and Courtesy

OFM meets regularly with agencies, at least quarterly with larger ones, to discuss financial and relevant issues. Agencies must give OFM timely information on all developments. OFM discusses issues with agencies before making a final decision or recommendation to the Treasurer.

OFM works with agencies in planning and implementing financial management reforms. Consultative Councils comprising CEOs of key agencies are set up to discuss proposed reforms and implications for agencies. Agencies' views are sought if OFM's proposed changes affect a range of agencies. The need for teamwork, both within OFM and with other agencies, must be taken into account for all OFM's corporate plan initiatives.

Our planning methodology also requires special attention to any implementation issues for agencies. For each agency an OFM officer is designated as a single point of contact with OFM. Agencies must also establish their designated contact with OFM.

Consistent, Accurate Advice and Timely Responses

A team based approach minimises the problems arising from changes in staff dealing with an individual agency. OFM endeavours to ensure that all staff are fully trained to provide informed advice to agencies.

Agency contact officers ensure prompt response to Ministerial and agency letters and requests. OFM will give direct advice within 15 working days. If referred to the Treasurer, a response is likely within 20 working days. Agencies are informed if these deadlines cannot be met. Agencies should give timely responses to OFM's reporting and data requests.

Performance Evaluation

Agencies are surveyed every two years to assess how they rate OFM's commitment to service.

How are we actually doing?

Agencies rate OFM staff as	1995	1997	1999	2001	2004	2006
Courteous in our dealings with them	93%	99%	97%	98%	97%	96%
Providing advice that is generally consistent	76%	85%	89%	89%	93%	93%
Competent to explain policies and procedures	81%	79%	86%	84%	90%	79%
Agencies consider OFM's						
Nominated contact officer is the appropriate first point of contact	<i>Not surveyed prior to 2004</i>				90%	88%
Staff are easy to access at the appropriate level	<i>Not surveyed prior to 2004</i>				88%	87%
Circulars are issued in a coordinated and easy-to-read style	71%	78%	87%	93%	86%	85%
Staff have a high standard of technical knowledge and professional expertise	76%	76%	77%	82%	84%	87%
Requests and requirements for financial monitoring data are clear and well coordinated	47%	49%	66%	77%	84%	78%
Agencies think OFM						
Communicates policy and reform agendas to our agency	<i>Not surveyed prior to 2004</i>				83%	74%
Responds to correspondence or requests for information within 4 weeks	63%	75%	72%	82%	76%	73%
Is timely in responding to issues and proposals presented by our agency	<i>Not surveyed prior to 2004</i>				76%	71%
Has adequate existing consultation mechanisms	<i>Not surveyed prior to 2004</i>				75%	74%
Changing staff and contact people does not create problems	52%	68%	68%	71%	71%	69%
Arranges regular meetings (at least quarterly for larger agencies) to discuss key issues	42%	49%	50%	60%	69%	61%
Pays special attention to implementation issues for agencies when introducing new initiatives	na	42%	53%	65%	69%	53%
Demonstrates a good understanding of our agency's operational activities and issues	<i>Not surveyed prior to 2001</i>			59%	68%	73%
Provides interim replies or progress reports where delays occur	47%	55%	65%	65%	67%	69%
Fully discusses issues with our agency before making final decisions and recommendations	37%	40%	51%	53%	61%	64%

OFM's Values

OFM is a values-driven organisation

Agreed values prescribe appropriate behaviours for our organisation and our people:

- **Acting with integrity**
- **Valuing the individual**
- **Focusing on our stake-holders**
- **Providing leadership at all levels**
- **Continuously learning and innovating**

OFM's code of conduct

OFM's code of conduct sets ethical standards and provides guidance to staff on appropriate behaviours. Staff can access the code from the OFM intranet.

The code of conduct is based around:

- the public's right to expect high levels of integrity and competence from our staff;
- the Government's right to impartial, accurate advice and prompt policy operation; and
- the rights and obligations of staff.

During the year, the code was externally reviewed as part of an overall examination of OFM's audit and risk processes. No major deficiencies were identified, but a number of suggested improvements were recommended and accepted.

As a result, a revised code of conduct is being prepared and will be issued during 2007-08.



OFM's Strategic Framework

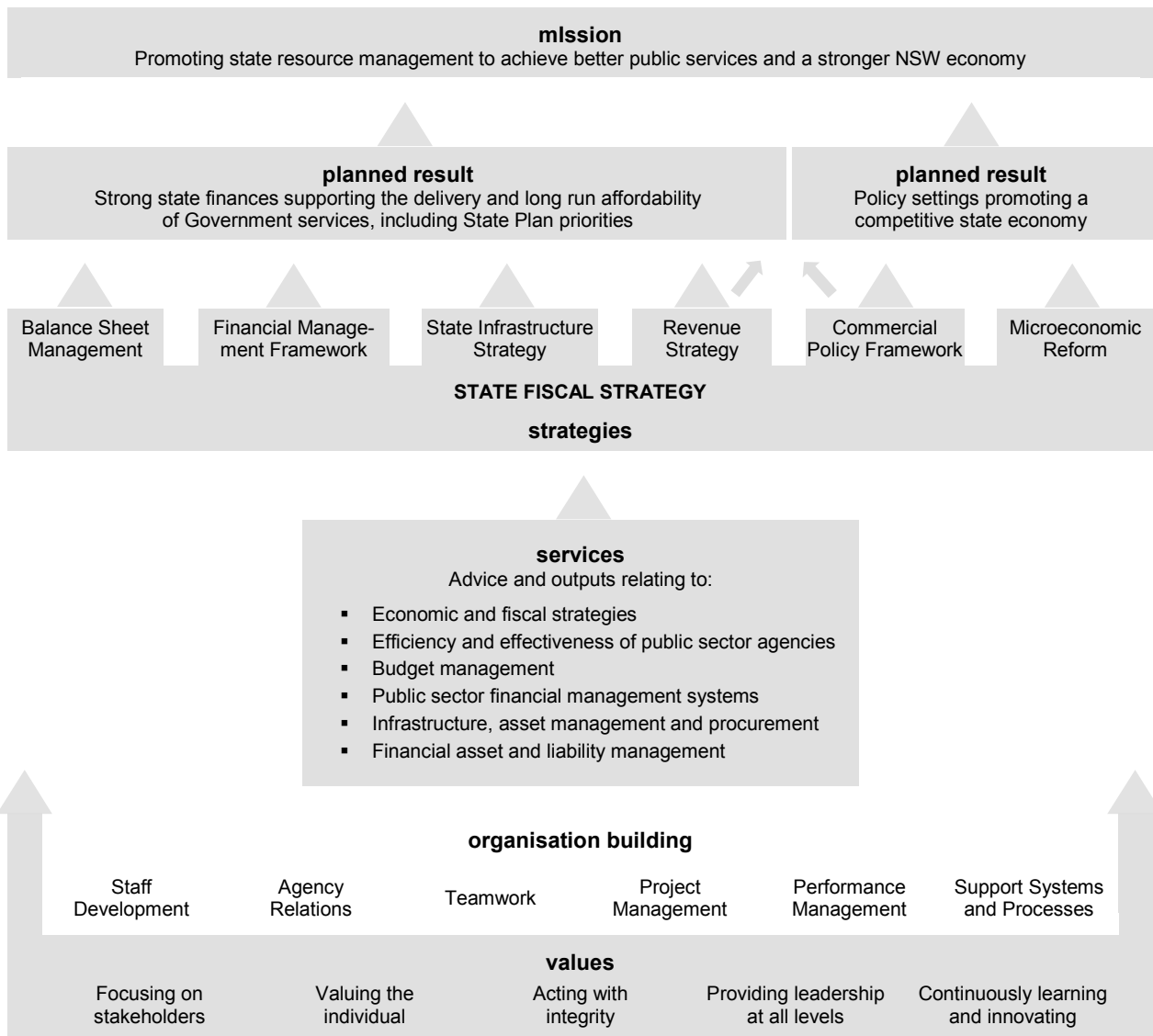
In line with OFM's corporate planning cycle, a revised Corporate Plan to cover the next five years is due to issue early in 2008.

In preparation, the Plan's strategic framework was reviewed during the first half of 2007. A major objective is to ensure OFM's Corporate Plan supports delivery of the State Plan's priorities, particularly those for which Treasury has been assigned lead agency responsibility.

While OFM's broad strategic direction has been confirmed, some presentational improvements have been made to the *Treasury on a Page* document, and more explicit alignment made with the State Plan.

Treasury on a Page maps the contribution that OFM's services make to the achievement of our planned results, and our mission. Our strategies signal our priorities and show how our services are directed to maximise their impact on the results we seek.

The framework outlined below will be reflected in OFM's new Corporate Plan. It will also provide the structure for our Annual Report for 2007-08 when we will report on our progress in implementing the Plan. This will cover our responsibilities for State Plan implementation and for commitments included in our annual Results and Services Plan.





Priorities

Strong state finances supporting delivery and long run affordability of Government services

Applying the *State Fiscal Strategy* to achieve fiscal outcomes for NSW that ensure the strength of the State's balance sheet and the maintenance of NSW's Triple A credit rating:

- Monitoring progress against the medium and long term targets for major budget aggregates as set out in the *Fiscal Responsibility Act 2005*
- Ensuring that agency efficiency dividends are achieved for 2007-08 and forward years

Linking budgeting and planning by implementing the *Financial Management Framework* for General Government agencies to help them deliver value for money programs and services:

- Developing and implementing the Performance Management and Budgeting System to ensure ongoing alignment of State Plan priorities and delivery within the State Plan's cost-neutral framework
- Maintaining Results and Services Plans as the basis of the Performance Management and Budgeting System to achieve better resource allocation and management

Applying and monitoring the *State Infrastructure Strategy* to ensure necessary public infrastructure maintenance and investment, linking the State Budget with longer term infrastructure plans and ensuring consistency with the State Fiscal Strategy

- Oversighting implementation of the State Infrastructure Strategy

Policy settings promoting a competitive state economy

Advising on and implementing *Microeconomic Reform* that ensures an efficient policy and regulatory environment:

- Ongoing implementation of the National Reform Agenda with a focus on regulatory and human capital reforms, and competition policy
- Continuing participation in red tape reviews to reduce the burden on both government and private sector organisations

Advising on *Revenue Strategy* to ensure an efficient, sustainable and competitive revenue regime that is consistent with the State Fiscal Strategy

- Implementing payroll tax harmonisation with other States to further simplify requirements for business

OFM Organisation Building

Building a values-based organisation – strengthening our capability, support systems and stakeholder alliances to support the achievement of our planned results:

- Issuing a new corporate plan
- Continuing the OFM business improvement program

Policy settings promote a competitive and sustainable State economy

Planned Results

Policy settings promote a competitive and sustainable State economy, as a result of:

- An efficient, sustainable and competitive revenue regime
- An efficient policy and regulatory environment

Result Indicators

NSW's total State revenue per capita compared to the all States' average

Progress with implementing the National Reform Agenda

The Outcome in 2006-07

NSW's per capita revenue was estimated at \$6,851. The all States' per capita was \$7,347.

Implementation action commenced. The COAG Reform Council has been established to monitor progress.

Services Provided

Advising on economic and fiscal strategies

Service Measure

NSW estimation variation for tax revenue compared to the estimation variation of other State Treasuries

The Outcome in 2006-07

Actual tax revenues were 5.9 per cent higher than forecast by OFM. This was equal to the average estimation variation of other State Treasuries.

Strategies Applied

Undertaking **Microeconomic Reform** that is conducive to an efficient and competitive economic environment through:

- Competition, regulatory, industry and human capital reforms, and
- Tax policy that leads to a competitive business environment in New South Wales.

Microeconomic Reform

OFM services that are aimed at promoting a competitive economy fall under the category of *Advice on Economic and Fiscal Strategies*. We advise on, and when required, participate in the implementation of:

- the National Reform Agenda;
- regulatory policy, including IPART, Productivity Commission and industry reviews; and
- tax and revenue policy.

Our *Microeconomic Reform* strategy ensures a coordinated approach when advising on these matters.

National Reform Agenda

Since 1995 OFM has played a key role in applying competition principles to markets in NSW. These reforms were made in compliance with obligations under the 1995 National Competition Policy (NCP) Agreement.

Following the achievement of many competition policy reforms, in February 2006 the Council of Australian Governments (COAG) committed to a new National Reform Agenda (NRA). Proposed reform action has been extended beyond competition policy to also include regulatory and human capital reforms. The aim is to increase productivity and workforce participation to better position the nation to meet rising demographic pressures and intensified international competition.

OFM's Planned Action for 2006-07:

Implementing the National Reform Agenda

During 2006-07 OFM:

- Participated in the Competition and Regulation Working Group and Human Capital Working Group contributing to economic research and analysis, policy discussion and advice to the NSW Government;
- Prepared the NSW Government submission to the Productivity Commission for its reports on *Road and Rail Freight Infrastructure Pricing* and the *Potential Benefits of the National Reform Agenda*; and
- Worked with the NSW Department of Premier and Cabinet, line agencies and other jurisdictions to further develop NRA policies, resulting in the public release of NSW's Jurisdictional Action Plans in the areas of diabetes, literacy and numeracy and early childhood and childcare.

OFM will continue to work with other Commonwealth and State jurisdictions to further develop the NRA so that it delivers to its full potential.

Red Tape Review

The Government's Internal Red Tape Review aims to find ways of streamlining and simplifying government administration. In 2006-07 OFM advised on the first stage, looking at financial and non-financial reporting requirements burdening the operation of NSW public sector agencies.

As a result of the first review, OFM made 40 recommendations to the Minister for Regulatory Reform. Recommendations ranged from reducing small agencies' reporting requirements to better utilising available technology to improve savings.

The Government endorsed all the recommendations made in the first stage in December 2006.

OFM is currently developing additional reform options for the second stage of the Review.

Energy Sector Reform

OFM has played a major role in the development and implementation of key energy sector reforms during the past decade. NSW households and business consumers have benefited from these reforms, which were guided by national competition principles.

OFM's Planned Action for 2006-07:

Continuing reform of the energy sector

Energy market reform, which began under the former National Competition Policy, continues under the National Reform Agenda.

The focus is now on setting up a national framework to regulate electricity and gas distribution and retail. This work involves developing the National Gas Law and Rules and amending the National Electricity Law and Rules.

During 2006-07 OFM:

- Worked with other jurisdictions, through the Ministerial Council on Energy (MCE), to agree on the national framework, for gas and electricity network access regulation;
- Drafted the legislative package to transfer electricity and gas distribution regulation from IPART to the Australian Energy Regulator; and
- Implemented policy changes to the current national gas access regime, which resulted from work done by the Productivity Commission.

Our performance in 2006-07

Work on the implementation of a national framework for economic regulation in the energy sector continues. As the work involved is complex, the MCE has extended the timetable for completing the economic legislative package to December 2007.

In May 2007 the Premier announced the Owen Inquiry into Electricity Supply in NSW, with the following terms of reference:

- Review the need and timing for new baseload generation that maintains both security of supply and competitively priced electricity;
- Examine the baseload options available to efficiently meet any emerging generation needs;
- Review the timing and feasibility of technologies and/or measures available both nationally and internationally that reduce greenhouse gas emissions; and
- Determine the conditions needed to ensure investment in any emerging generation, consistent with maintaining the NSW Triple A Credit Rating.

OFM assisted the Inquiry, working with the Department of Premier and Cabinet and the Department of Water and Energy, and was a member of its Steering Committee and Secretariat. Professor Owen's findings are to be delivered to the Government early in the new financial year.

State Taxation Policy

OFM advises the Government on tax policy, mindful of the State Fiscal Strategy's requirements for:

- sufficient revenue to achieve appropriate Budget results, and
- tax restraint to minimise the burden on NSW taxpayers.

The States have two main sources of funding to provide services – State taxes and Commonwealth grants. NSW has the second lowest level of total revenue per capita of all the States.

NSW relies on Commonwealth funding for 42 per cent of its revenues, which is among the lowest of all the States. NSW receives the lowest GST grant per capita. The current system for distributing GST revenue means that NSW is estimated to receive around \$2.4 million less in grants in 2007-08 than activity in NSW is estimated to generate. The GST distribution arrangements require NSW to rely on its own taxation revenue to a greater extent than a number of the other States.

Within this constraint, OFM's tax policy advice aims to ensure NSW State taxes are as competitive as possible, while adhering to certain desirable principles:

- The tax system must minimise the potential for taxation to distort taxpayer decision making.
- Good tax policy must be predictable and stable and involve maximum possible restraint.

OFM's Planned Action for 2006-07:

Ongoing review of State taxes

During 2006-07 OFM advised the NSW Government on the following tax matters:

- Policy to extend transfer and mortgage duty exemptions available to first home buyers under First Home Plus to first home purchasers using shared equity arrangements;
- The composition of NSW's total revenue compared to other States; and
- Policy proposals in relation to transfer and other stamp duties, gambling taxation and other taxes.

As a result of this work a number of tax policy measures were announced in the 2007-08 Budget, helping reduce taxation in NSW by \$2.6 billion over the four years to 2010-11. These measures included reducing the land tax rate from 1.7 per cent to 1.6 per cent and the abolition of mortgage duty for owner occupied residences.

Payroll Tax (PRT) Harmonisation

On 26 February 2007, NSW and Victoria announced an initiative to harmonise payroll tax arrangements. This initiative builds on the harmonisation process currently underway between all States and Territories.

OFM led officer negotiations with the Victorian Department of Treasury and Finance and advised the Government on changing various aspects of the payroll tax arrangements in order to achieve harmonisation with Victoria. As a result, some of the changes adopted include:

- exempting adoption and maternity leave payments from payroll tax, and
- consistent treatment of contractors.

The harmonised arrangements took effect from 1 July 2007 and are designed to simplify administration and reduce business compliance costs.

Public resources are efficiently allocated and effectively managed with clear outcomes specified

Planned Results

Public resources are efficiently allocated and effectively managed, as a result of:

- Better resource allocation decision making
- Improved agency service delivery
- Improved agency management systems
- Appropriate maintenance and management of physical assets
- Improved accountability

Result Indicators

Keeping the Budget in surplus

The percentage deviation of actual expenses from Budget

The Outcome in 2006-07

An estimated surplus of \$584 million was achieved in 2006-07. Surpluses averaging \$500 million are forecast for the forward years.

The gap between budgeted and actual expenses in 2006-07 was only 0.22 per cent, well within the targeted 1 per cent limit.

Services Provided

Advising on the efficiency and effectiveness of general government agencies

Managing the State Budget process and aggregates and reporting on State finances

Developing and implementing public sector management systems including:

- the general government Financial Management Framework,
- Total Asset Management and procurement policies

Service Measures

The percentage of general government agencies with a finalised Results and Services Plan

The percentage of general government agencies with a Total Asset Management Plan

The Outcome in 2006-07

Signed Results and Services Plans were in place with all major agencies for 2006-07.

96 per cent of all agencies had a TAM Plan for 2006-07, compared with 80 per cent the year before and 44 per cent two years earlier.

Strategies Applied

Applying a general government **Financial Management Framework** that links budgeting and planning to help agencies deliver value for money services.

Advising on and monitoring the **State Infrastructure Strategy** to ensure necessary public infrastructure maintenance and investment consistent with the requirements of the State Fiscal Strategy. Including private sector financing when this ensures better value for money.

Effecting **Microeconomic Reform** by periodically reviewing service delivery and funding to ensure the productivity of general government agencies.

General Government Financial Management Framework

The Financial Management Framework is OFM's key strategy to link resource allocation and planning, within the State Budget process and in general government agencies.

The Performance Management and Budgeting System is being developed to ensure the alignment of the Budget with the State Plan's priorities.

At the agency level, Results and Services Plans (RSPs) link the allocation of Budget resources with expected outcomes. This ensures clear accountability to achieve specified results with public resources.

Action taken by OFM during 2006-07 to further develop and implement aspects of the Financial Management Framework focused on:

- Refining the Budget process, consolidating the role of RSPs;
- Collaborating with partner agencies to develop the Performance Management and Budgeting System, an important aspect of the State Plan's implementation process;
- Progressing initiatives to improve resource management by general government agencies.

OFM's Planned Action for 2006-07:

Ongoing strengthening of the State Budget Process, using the Results and Services Plan as the basis for the new Performance Management and Budgeting System

OFM continued to strengthen the links between strategic planning, performance information and the annual Budget cycle. The RSP was used as a 'funding plan' to inform decisions about agency funding levels and to monitor performance against targets.

Key achievements included:

- Issuing Treasury Circular TC 06/22 to clarify the role of the RSP as the basis for agency Budget submissions and its relationship with better practice performance management and reporting;

- Updating Treasury Policy Papers and other instructional material to reflect the State Plan framework;
- Establishing a new RSP review process to assist agencies improve the quality of planning and performance information;
- Implementing preparatory changes to Budget Papers to enable performance reporting on a 'results and services' basis.

During the year OFM worked with the Department of Premier and Cabinet to develop accountability structures to support implementation of the State Plan.

These new arrangements are set out in the State Plan. The Performance Management and Budgeting System (PMBS) is an important component that will be progressively implemented over the course of the 2008-09 Budget.

Key achievements in 2006-07 include:

- Developing elements of the PMBS, including links between planning and funding, and monitoring and reporting processes;
- Scoping processes to integrate the State Plan with the Budget cycle;
- Integrating State Plan priorities and targets with agency RSPs.

Related initiatives to improve the capacity of agencies to manage resources were also progressed by:

- Integrating Budget cycle requirements with performance management guidelines;
- Developing costing guidelines to provide agencies with approaches for enhancing the quality of their costing information;
- Improving the risk management capability within OFM to enhance our interaction with agencies and the quality of agency risk assessment and planning;
- Working with the Public Sector Risk Management Association to develop risk management principles for the general government sector.

Public resources are efficiently allocated and effectively managed with clear outcomes specified

OFM's Planned Action for 2006-07:

Co-operating with other agencies to implement actions outlined in the February 2006 Economic and Financial Statement

In February 2006 the Premier released an Economic and Financial Statement outlining measures to improve service delivery and efficiency in public administration. OFM advised on the incorporation of measures within the State Budget and worked with agencies to ensure required outcomes.

Measures included:

- Extending efficiency savings required of agencies.
- Achieving additional savings from more efficient property management and ICT procurement.
- Working with the Department of Premier and Cabinet to develop a strategy to deliver the Government's wages policy, which will keep growth in employee costs to 2.5 per cent per annum.
- Reducing the number of government agencies.
- Reducing the number of non-frontline public servants by 5,000.

The achievement of a \$584 million State Budget surplus in 2006-07 and ongoing forecast surpluses signal the effectiveness of the measures taken.

Costing Election Commitments

OFM was responsible for advising on, and implementing, the process for costing commitments made during the 2007 NSW general elections.

The *Charter of Budget Honesty (Election Promises Costing) Act 2006* was assented to in November 2006 to provide a framework for costing election promises in the lead up to the election in March 2007. This enabled the Government and the Opposition to ask the NSW Treasury to independently and privately cost publicly announced or proposed policies. As provided by the Act, the Secretary of the Treasury issued guidelines setting out the principles to be observed and the processes for making costing requests and for OFM's preparation of costings.

The Opposition chose not to participate in the process.

Prior to the election, OFM publicly released its costing of the Government's policies and a statement of their impact on the State's finances. Following the Government's re-election these commitments were included in the 2007-08 State Budget.

The *Public Finance and Audit Act 1983* enabled the 2007-08 State Budget to be delivered after 30 June 2007, because it followed a State election. However, due to the efficient integration of the election costing process with the Budget process, the NSW Budget for 2007-08 was able to be delivered on 19 June 2007.

Reporting on State Finances

Accurate, informative and timely reports on the management of State finances ensure accountability for the use of public funds.

OFM coordinated the NSW Budget for 2007-08 which the Treasurer, the Hon Michael Costa MLC presented to Parliament on 19 June 2007.

Monthly Financial Statements on the Budget for the year to date were prepared and issued in line with Public Finance and Audit Act requirements.

The following reports issued by the required dates:

- The Report on State Finances for 2005-06.
- The Half Yearly Review of the 2006-07 NSW Budget.

	02-03	03-04	04-05	05-06	06-07	Target
Report on State Finances tabled on	14 Oct	29 Oct	25 Oct	27 Oct	31 Oct	≤31 Oct
Report on the Half Yearly Budget Review issued on	24 Dec	23 Dec	20 Dec	21 Dec	20 Dec	≤31 Dec

Reports on NSW finances are available on OFM's website www.treasury.nsw.gov.au.

Public Sector Financial Management and Reporting

OFM is responsible to ensure best practice accounting, financial and reporting standards in the NSW public sector.

In 2005-06 OFM oversighted NSW public sector agencies' adoption of Australian Equivalents to International Financial Reporting Standards (AEIFRS).

A post-implementation review in 2006-07 confirmed that all agencies adopted the new standards on time and without any AEIFRS-related audit qualification. 68 per cent of agencies rated OFM's assistance either useful or very useful.

During 2006-07, the Australian Accounting Standards Board issued AASB 1049 *Financial Reporting of General Government Sectors by Governments* to apply from 2008-09. OFM participated on the inter-jurisdictional working group reviewing proposals that led to the final Standard.

The Standard harmonises financial reporting on the general government sector under:

- Government Finance Statistics (GFS), and
- Generally Accepted Accounting Principles (GAAP).

The aim is a single set of Government reports which are auditable, comparable between jurisdictions and with outcome statements comparable with relevant budget statements.

During 2007-08, NSW Treasury will continue as a member of the inter-jurisdictional working group and prepare for the implementation of AASB 1049 for the general government sector.

Consideration will be given to extending GFS/GAAP harmonisation to the Total State Sector, and to individual general government agencies.

State Infrastructure Strategy

The State Infrastructure Strategy (SIS) maps planned major government infrastructure across NSW over a ten year period. It links the State Budget's Infrastructure Program with longer term regional plans, including the Sydney Metropolitan Strategy.

OFM's Planned Action for 2006-07:

Oversighting the implementation of the State Infrastructure Strategy (SIS)

OFM's responsibility for the SIS includes overseeing its implementation by agencies, and

- Advising on physical asset management and procurement policy;
- Assessing and monitoring capital investment proposals; and
- Supporting implementation of Privately Finance Projects.

Within OFM these services are coordinated by the Office of Infrastructure Management.

An outline of specific actions taken during 2006-07 follows.

Total Asset Management Policy

The State's Total Asset Management (TAM) process supports SIS by ensuring that agency asset programs align with service delivery plans and the Government's long-term planning strategies.

OFM's Planned Action for 2006-07:

Continuing the development of the Total Asset Management Framework

OFM continued working with agencies to improve the quality of TAM plans and asset planning.

Emphasis was on agencies:

- Reviewing asset portfolios to ensure support for service delivery of State Plan priorities;
- Improving reported maintenance performance; and
- Developing longer-term capital investment plans.

Public resources are efficiently allocated and effectively managed with clear outcomes specified

OFM advised agencies on TAM policy and its application. The Institute of Public Administration Australia (IPAA) assisted with provision of TAM training.

The role of TAM plans within the new performance management and budgeting system was determined.

In 2007-08 agencies will use TAM plans to submit their bids for capital Budget funds, and to indicate their longer term asset requirements under the State Infrastructure Strategy. This development will facilitate infrastructure forecasting and prioritisation and improve the linkage between physical assets and service delivery.

Public Sector Property Management

OFM's responsibility for asset management policy and practice includes advising on arrangements for the management of public sector property.

OFM's Planned Action for 2006-07:

Supporting government-wide property reform including the establishment of the State Property Authority to consolidate effective property management

OFM worked with the Department of Commerce to establish the State Property Authority (SPA) from 1 September 2006. SPA aims to achieve better productivity of the State's generic property assets – those that can easily be used by any number of agencies.

SPA functions relate to the acquisition, management and disposal of property vested in the Crown and government agencies. Relevant properties were transferred to the new Authority.

Initially a Treasury officer was seconded to oversight SPA operations pending recruitment action for a permanent Chief Executive Officer. An appointment will take effect in early 2007-08.

OFM worked with SPA to finalise its inaugural Business Plan.

A SPA Advisory Board was established, chaired by the Secretary, NSW Treasury. It held its inaugural meeting in June 2007.

Urban and Regional Growth Management

Associated with SIS implementation, OFM continued to advise on and participate in the implementation of action to manage growth and change in urban and regional areas.

This included action related to:

- Infrastructure requirements in new land release areas (with the Growth Centres Commission);
- Modelling on the supply of zoned and serviced land in Sydney;
- Aligning regional strategies for residential development areas with SIS, while managing the impact on the Budget; and
- Acquisition of land for the North West rail link.

Our performance in 2006-07

Procurement Policy Reform

Procurement is an important step in the investment process. Since 2004 OFM has advised on and implemented action to strengthen procurement policy and practice. Better upfront planning by agencies prior to decisions on funding has been emphasised.

Key reforms have included subjecting projects to independent gateway reviews; accrediting agencies to procure; and better project monitoring. Process maps aid policy compliance when procuring construction, goods and services, ICT, accommodation and property.

During 2006-07 new guidelines were completed for capital estimating; procurement of construction less than \$1 million; and ICT investment and reporting.

OFM's Planned Action for 2006-07:

Strengthening the monitoring of capital projects

OFM's monitoring of major projects includes reviewing:

- business cases and gateway reviews prior to funding; and
- procurement options, contract award recommendations, and exception reports during project delivery.

The gateway review process provides an independent analysis of a project at key stages of procurement. Reviews are mandatory at the business case stage for all complex or innovative procurements, and for those over \$10 million (\$5 million for ICT projects).

Emphasis on the importance of early stage project planning and assessment of service delivery options has increased and from next year strategic gateway reviews will be mandatory for:

- capital projects over \$10 million proposed in the first four years of agencies' TAM plans, and
- all projects proposed for inclusion in future SIS publications.

47 projects worth \$2.3 billion were gateway reviewed in 2006-07, mainly at the business case stage. 37 OFM officers were trained as gateway reviewers.

For construction procurement, 7 agencies were accredited for project delivery and 13 agencies for project planning.

Unaccredited agencies cannot procure independently but must use pre-qualified external expert advisors and a standardised procurement system.

Privately Financed Projects

The Office of Infrastructure Management supports private sector delivery of public infrastructure and related services when this results in value for money outcomes.

In 2006-07 OFM was instrumental in procuring and negotiating a number of initiatives that involve private sector participation.

Contracts for the following projects were awarded in December 2006:

- Bonnyrigg Living Communities Project (with the Department of Housing) - costing \$368 million in net present value terms, a 6.3% saving over traditional public sector delivery.
- Rail Rollingstock (with Rail Corporation NSW) - procurement of 626 new air-conditioned rail carriages, costing \$3.6 billion in net present value terms, a 30% saving over traditional public sector delivery.

Procurements of Privately Financed Projects (PFPs) on the market were also progressed, including redevelopments of Orange-Bloomfield Hospital and Royal North Shore Hospital and Community Services. PFP contracts now in construction were monitored, including Long-Bay Prison and Forensic Hospitals; New Schools Project 2; and Newcastle Mater Hospital Redevelopment.

A Post Implementation Review of the Eastern Creek Alternative Waste Treatment Plant was published. This recommended some improvements for future PFP procurements which were adopted in updated *Working with Government Guidelines* (WWG) for PFPs that issued in December 2006.

The new WWG Guidelines also took into account outcomes from other recent reviews and Parliamentary Inquiries. New guidance was included on:

- the environmental approval process reflecting introduction of Part 3A of the *Environmental Planning and Assessment Act 1979*;

Public resources are efficiently allocated and effectively managed with clear outcomes specified

- public interest evaluation, bidder engagement strategies and evaluation of non-conforming proposals; and
- new disclosure requirements for Government contracts with the private sector, including legislation that took effect from 1 January 2007.

In May 2007 OFM issued *Risk Allocation and Commercial Principles for NSW Social Infrastructure PFPs*. This paper takes into account submissions received, and principles from the recent hospital and new schools contracts. Where possible it provides consistency with Victorian commercial principles.

Other PFP guidance issued covering:

- accounting for PFPs, and
- determining discount rates for evaluation of PFP proposals – using methodology agreed to by all Australian jurisdictions.

OFM continues to participate in identifying and assessing projects for possible future procurement as PFPs.

Microeconomic Reform

OFM's advice on microeconomic reform targets improved productivity for the NSW economy. This includes action to ensure the productivity of government agencies. Special periodic reviews are undertaken of the funding provided to agencies and the services delivered with it.

These special reviews, and more general analysis of agencies' financial performance, also support application of the State Fiscal Strategy.

Service Delivery Reviews

OFM's Planned Action for 2006-07:

Providing the transport, health and community services agencies with advice on strategic planning, governance and accountability

OFM participated with relevant agencies on various initiatives relating to the *Transport Sector* including:

- Working with Rail Corporation to develop business strategies to improve operational and financial performance, including more rigorous financial and economic appraisal methodology for investment decisions;
- Participating on cross agency committees examining urban transport and other major transport infrastructure projects; and
- Advising on port expansion proposals developed by Sydney, Newcastle and Port Kembla Port Corporations in line with the Ports Growth Plan.

Our performance in 2006-07

OFM also contributed to reforms in the *Health and Community Services Sectors*, including those negotiated nationally through the Council of Australian Governments (COAG).

This included:

- Developing policy under the National Reform Agenda and NSW action plans on diabetes, early childhood and child care.
- Working with the Department of Community Services on the roll out of the Preschool Investment and Reform Plan, to expand preschool places for four year olds and improve viability in the community based preschool sector.
- Working with NSW Health on asset planning, strengthening linkages between the Total Asset Management Plan, the annual Budget process and the State Infrastructure Strategy.
- Working with the Department of Ageing, Disability and Home Care in monitoring *Stronger Together*, a plan for more targeted and needs based management of the increasing demand for disability services.

OFM continued to work with agencies concerned to implement structural reforms in the *Natural Resource and Land Use Management Sectors*:

- Working with the Department of Environment and Climate Change following its establishment in April 2007. Earlier in the year OFM advised on studies into national parks management.
- Working with the Department of Primary Industries to review key operational areas and programs, and on a memorandum of understanding for funding management of animal and plant diseases.
- Working with the Department of Natural Resources to implement native vegetation and water reforms.

OFM advised on strategies outlined in the *Metropolitan Water Plan* to address the balance between supply and demand in the Sydney basin. This included participating on the desalination project control group.

We worked with other agencies on developing new water access arrangements, including analysis into IPART's review of water access pricing arrangements.

Public Sector Industrial Relations

OFM is responsible for advising the Treasurer on strategies for the reform of NSW public sector working arrangements, and working with the Department of Premier and Cabinet to ensure that the Government's wages policy is adhered to.

Principle 3 of the *Fiscal Responsibility Act, 2005* requires that:

- wages policy is consistent with fiscal targets; and
- in determining employment conditions, public trading enterprises take into account conditions in their industry and the Government's wages policy.

OFM worked with the Public Sector Workforce Office (PSWO) on a revised process to ensure adherence to the Government's wages policy, which will keep the budget impact of growth in employee costs to 2.5 per cent per annum beyond current wage agreements.

The revised wages policy establishes a Wages Taskforce comprised of officers from Treasury and the PSWO. The Taskforce will provide advice to agencies on productivity reforms and wage bargaining parameters.

This process will help ensure employee related expenses remain consistent with the forward estimates and the State Fiscal Strategy.

State finances are strengthened

Planned Results	Result Indicators	The Outcome in 2006-07
<p>State finances are strengthened, as a result of:</p> <ul style="list-style-type: none"> ▪ Appropriate Budget results ▪ Appropriate net financial liabilities ▪ A fair share of Commonwealth funding ▪ Efficient financial asset and liability management ▪ Increased value of government businesses ▪ Improved accountability 	<p>NSW maintaining its Triple A credit rating</p> <p>Maintaining a downward trend in general government net financial liabilities (NFLs) as a percentage of Gross State Product</p> <p>At least maintaining NSW's share of GST revenue relative to an equal per capita share</p> <p>Ensuring State superannuation liabilities are fully funded by 30 June 2030</p> <p>Achieving an average rate of return on equity in commercial government businesses of at least 7 per cent</p>	<p>The Triple A rating is an independent assessment of the Government's management of State finances. Both International credit rating agencies confirmed NSW's Triple A.</p> <p>NFLs relative to the size of the economy declined in 2006-07 and the forecast continuing downward trend is consistent with achieving the State Fiscal Strategy targets for this measure.</p> <p>The Grants Commission's next fundamental review of State relativities is scheduled for 2010. NSW's relative share slightly improved this year due to the annual update of data, including recording the abolition of some State taxes.</p> <p>The percentage of liabilities that are funded increased in line with the long term target set by the State Fiscal Strategy.</p> <p>The target was met, the actual rate of return of 8.0 per cent reflecting lower than expected superannuation expenses.</p>
<p>Services Provided</p>	<p>Service Measures</p>	<p>The Outcome in 2006-07</p>
<p>Advising on economic and fiscal strategies</p> <p>Managing the State Budget process and aggregates</p> <p>Managing Crown Entity financial assets and liabilities, including insurance and superannuation matters</p> <p>Advising on the efficiency and effectiveness of government businesses</p>	<p>NSW estimation variation compared to that of other State Treasuries for</p> <ul style="list-style-type: none"> ▪ General government sector expenses ▪ Tax revenues ▪ Key economic variables <p>Deviation of actual superannuation, debt and insurance expenses from the Budget estimate</p> <p>Percentage of government businesses with a Statement of Corporate or Business Intent</p> <p>Actual GTE business dividend and tax equivalent payments to be within 10 per cent of the Budget estimate</p>	<p>Treasuries can influence Budget outcomes but cannot control them. External influences vary between jurisdictions, but a comparison of Treasuries' forecasting accuracy provides a measure of relative performance with this core activity. Recent data indicates OFM's performance satisfactorily compares with other Treasuries.</p> <p>Actual expenses were 18% lower than forecast primarily due to reduced insurance claims and lower than estimated borrowings.</p> <p>SCIs were finalised with all State Owned Corporations. Statements were finalised with 90% of all businesses required to have them.</p> <p>Actual payments were 16% higher than forecast, largely due to record prices and high demand for electricity generation during a cold winter.</p>

Strategies Applied

Implementing a **State Fiscal Strategy** to achieve fiscal outcomes that ensure the strength of the State's balance sheet.

Undertaking **State Balance Sheet Management**, efficiently managing financial assets and liabilities and debt to achieve an optimal balance sheet structure.

Providing a sound **Commercial Policy Framework** that emphasises the performance and accountability of Government businesses.

State Fiscal Strategy

The State Fiscal Strategy (SFS) derives from the *Fiscal Responsibility Act, 2005*. It is the primary tool used by OFM to manage the State's finances in the medium and long term.

Adherence to the SFS ensures that NSW will maintain its Triple A credit rating, which is one of the State Plan's priorities.

SFS targets are aimed at further strengthening the State's balance sheet:

- reducing general government net financial liabilities as a share of GSP to 7.5% or less by 30 June 2010, and to 6% or less by June 2015;
- maintaining general government underlying net debt as a share of GSP at or below its level at 30 June 2005; and
- eliminating total State sector unfunded superannuation liabilities by 30 June 2030.

Key elements of the SFS include:

- keeping the budget and forward estimates in surplus;
- minimising growth in net cost of services and expenses, with a greater focus on reprioritisation;
- managing public sector employee costs;
- managing State finances with a view to long term fiscal pressures;
- maintaining or increasing general government sector net worth;
- funding employer superannuation liabilities;
- evaluating capital expenditure proposals;
- total asset management;
- prudent risk management; and
- tax restraint.

OFM's Planned Action for 2006-07:

Monitoring progress against the Fiscal Responsibility Act targets for major budget aggregates to ensure the strength of the State's balance sheet

Through its monitoring and advisory roles, OFM helped deliver a \$584 million surplus for 2006-07. The Budget had forecast a \$696 million deficit.

OFM also published the Half-Year Budget Review in December 2006 as a progress check on how well the 2006-07 Budget was being implemented.

The Budget in 2007-08 and the forward years are estimated to remain in surplus and general government net financial liabilities are expected to continue their downward trend, consistent with OFM's implementation of the SFS.

This will ensure NSW keeps its Triple A rating.

OFM's Planned Action for 2006-07:

Ongoing review and advice on the impacts of the ageing population and other long term pressures

The SFS requires State finances to be managed having regard to long term fiscal pressures, such as the impact of an ageing population.

Consistent with this obligation, every five years OFM prepares a NSW Long-Term Fiscal Pressures Report to show the impact on state finances of spending pressures such as those arising from the age composition of the population and increased demands for health, social security and welfare and other services.

The inaugural Report, which was published last year with the 2006-07 Budget, reported a fiscal gap of 3.4 per cent of Gross State Product (GSP) by 2043-44.

The *Fiscal Responsibility Act 2005* also requires the long term fiscal consequences of expenditure and revenue measures to be reported in every budget. The estimated impact of the 2006-07 Budget measures was to increase the fiscal gap by 0.1, to 3.5 per cent of GSP. While new policy measures since then, as reflected in the 2007-08 Budget, are estimated to increase the fiscal gap their impact is not significant and it remains at 3.5 per cent of GSP.

Credit Rating Reviews

Credit ratings indicate the soundness of an entity's financial position. Triple A is the highest rating assessed by independent international credit rating agencies.

During 2006, OFM met with both Standard & Poor's (S&P) and Moody's for their annual credit rating reviews. On 24 August 2006, S&P reaffirmed NSW's Triple A rating, and Moody's did the same on 20 January 2007.

Following the release of the 2007-08 NSW Budget, S&P released a statement confirming its consistency with the State's existing Triple A rating.

OFM will meet again with both credit rating agencies during the first half of 2007-08 as part of their annual review processes.

Intergovernmental Financial Arrangements

NSW has the second lowest level of total revenue per capita of all the States and receives the lowest level of GST grants per capita of all the States.

The Commonwealth Grants Commission makes recommendations on the distribution of the GST grants based on their definition of horizontal fiscal equalisation. The final grants distribution is ultimately determined by the Commonwealth Treasurer.

NSW is estimated to cross subsidise the other states (except for WA and Victoria) by around \$2.4 billion in 2007-08 as a result of the GST distribution process.

NSW has argued that the current processes are complex, lack transparency and rely too heavily on judgement. The CGC is currently undertaking its periodic methodology review, which is scheduled to report in February 2010. While this review is not as fundamental as NSW would have liked, NSW will continue to contribute to the review.

OFM's Planned Action for 2006-07:

Advising Government on the impact on the Budget of the net loss in GST from New South Wales as a result of the Commonwealth Grants Commission process

In 2006-07 OFM made submissions to the CGC on:

- socio-demographic composition;
- location based disabilities;
- disaggregation of revenue and expenses; and
- initial views on the assessment structure and approaches.

The CGC released the outcome of its annual data update in February 2007. State relativities were adjusted due to updated data and historical data revisions. The impact on NSW was a relativity gain of \$277 million which followed years of relativity decreases.

In 2007-08, NSW will prepare for and host workplace discussions with the CGC and make submissions on the assessment structure.

Specific Purpose Payments

OFM participates in the Heads of Treasuries (HoTs) Specific Purpose Payment (SPP) Working Group, comprising officials from the Commonwealth and other States. The Working Group aims to identify elements in existing SPP arrangements that could be improved.

The SPP Working Group delivered reports on a number of agreements, including the Australian Health Care Agreements, National Action Plan for Salinity & Water Quality and Commonwealth-State Housing Agreements.

As part of the process, OFM liaised with general government agencies and other States' Treasuries to determine the key issues relating to each agreement.

State Balance Sheet Management

A strong State balance sheet is both a requirement for, and a consequence of, the State Fiscal Strategy. It provides capacity for State finances to maintain services despite any economic downturn.

OFM's strategy for Balance Sheet Management requires efficient management of the State's financial assets and liabilities and debt to achieve an optimal balance sheet structure. The achievement of State Fiscal Strategy targets for debt and liabilities will signal the effectiveness of State balance sheet management.

Services provided by OFM in managing Crown financial assets and liabilities include advising on and overseeing management of:

- Financial asset portfolio objectives;
- Financial risks and investment strategy;
- Debt portfolio objectives;
- Public sector superannuation liability issues;
- The banking system for budget-dependent agencies; and
- The Government's self-insurance scheme.

During 2006-07, arrangements commenced for a tender to provide banking services to all State Government agencies other than State Owned Corporations. The current contract with Westpac expires on 31 March 2008.

A tender project and steering committee was established. External advisors were appointed including PricewaterhouseCoopers and probity auditor Acumen Alliance.

A tender document will issue during the second half of 2007. The Department of Commerce will oversee the process.

OFM's Planned Action for 2006-07:

Overseeing the arrangements for multi provider management of the Treasury Managed Fund

The Treasury Managed Fund (TMF) is the Government's self insurance scheme. Within OFM, the NSW Self Insurance Corporation (SiCorp) administers the scheme.

Contestable service provision arrangements for TMF commenced on 1 July 2005. This included the establishment of a data warehouse to facilitate monitoring of insurance claim trends and the performance of the Fund.

A review of the data warehouse was completed in February 2007.

The review provided the opportunity to address some issues from the previous single claims manager structure, and some transitional problems from the transfer to multiple providers.

It will also ensure that more useful information is available for agencies to facilitate the reduction of claims.

More detailed information on the management of Crown finances is provided in the Crown Entity Annual Report, volume 3 of NSW Treasury's annual report.

The NSW Self Insurance Corporation (SiCorp) also publishes its own annual report to provide more comprehensive information on TMF administration.

Commercial Policy Framework

The Commercial Policy Framework is OFM's main strategy to safeguard the value of the Government's commercial businesses and to ensure accountability for their performance.

The Framework comprises a suite of policies which impose commercial disciplines on Government businesses, and create a level playing field with the private sector.

This strategy serves to ensure the businesses' contribution to stronger State finances. Exposure of the businesses to competition also ensures their operations are conducive to a competitive State economy, which is another of OFM's planned results.

The Commercial Policy Framework:

- promotes efficient resource allocation in the Government business sector,
- replicates commercial objectives, incentives and disciplines found in the private sector,
- ensures a level playing field for all market participants, and
- implements appropriate monitoring, accountability and regulatory arrangements.

The Framework consists of thirteen policy areas including Financial Distribution Policy, Capital Structure Policy, Reporting and Monitoring Policy, Government Guarantee Fee Policy, Tax Equivalent Policy and Social Program Policy. Papers outlining these policies are available from Treasury's web site.

OFM is responsible for advising the Government's shareholding ministers (including the Treasurer) on the application of these policies, and on business performance.

During 2006-07, OFM reviewed some elements of the Commercial Policy Framework:

- *Financial Appraisal Guidelines* were reassessed. A new policy issued in July 2007. These guidelines update the 1997 version of the policy and reflect current asset management and procurement policy requirements. They identify situations requiring routine financial appraisal submissions to Treasury and provide improved guidance for calculating discount rates.
- The *Treasury Management Policy* was also re-evaluated. A new edition issued in July 2007 to update the version which issued in 2002.

The policy applies to all public sector agencies and provides a framework for managing the risks associated with treasury functions such as borrowings, investments, derivative transactions, debt and investment management and structured finance transactions.

The updated policy reflects new accounting standards and changes to the *Public Authorities (Financial Arrangements) Act 1987*. It also clarifies agency treasury management risk identification and methods for mitigating exposures.

Throughout the year OFM also assessed the impact of the move to Australian Equivalents to International Financial Reporting Standards (AEIFRS) on government businesses' accounting profits, dividends and tax payments. Advice issued to the businesses recommending they exclude non-cash AEIFRS adjustments for superannuation actuarial gains/losses and fair value movements in financial instruments from the calculation of profit available for distribution.

Our performance in 2006-07:

Building a values-based organisation that facilitates achievement of our planned business results

Agreed values dictate our work philosophy and prescribe appropriate behaviours for the organisation and our people.

Our Focus	Efficiency Indicator	The Outcome in 2006-07
Applying our values	Staff believing that OFM's values are adhered to	89% of respondents to OFM's quarterly staff questionnaire continue to confirm that our agreed values are being applied.
	Staff satisfaction	93% of staff responding were satisfied with OFM and with their job.
Building our capability	Number of training days per officer	On average each staff member received 4.5 days training, marginally below the 5 day target.
	Staff turnover	The staff turnover rate was 13.2%, well below the acceptable target. More than half of those leaving moved on to other opportunities within the public sector.
	Staff participating in OFM's performance and development scheme	59% of staff members participated in the formal Performance Agreement & Review (PAR) scheme, significantly better than the previous year but, nevertheless, below target.
Strengthening support systems	Work plan milestones achieved	84% of scheduled milestones associated with the year's priority projects were met.
	Correspondence and requests completed by the due date	The annual target was bettered, with 83% of items attended to in a timely manner.
Fostering stakeholder alliances	Agencies satisfied with their relationship with OFM	Latest results from our last biennial survey of agencies, which was conducted in June 2006, reveal that 73% of responding agencies are satisfied with OFM, and 77% believe our financial management support is helpful. The target is 75% or more.
	Agencies satisfied with OFM's financial management support	

Strategies Applied

Applying a multi-faceted **staff development strategy** to ensure that OFM has the capability to pursue its planned business results.

Applying an **agency relations strategy** that emphasises the need for OFM to work in partnership with other agencies in developing and implementing State financial reforms.

Ensuring OFM's **organisational efficiency** with strong corporate procedures and systems that support management and staff.

Staff Development

Our planned business results depend on the expertise and project management skills of OFM staff. An effective staff development program which supports ongoing learning is central to maintaining this capacity. OFM encourages and actively supports staff to improve their knowledge and skills with a development and training program that covers a range of topics, which are available in various delivery methods, including:

- Traditional internal or external courses with face to face learning;
- Flexible E-learning providing courses online, allowing the individual to complete them at their own pace;
- Practical work knowledge gained on-the-job, complemented with individual structured coaching, mentoring and e-learning sessions;
- Development opportunities such as rotations, committee and task force work and secondments offering exposure to new skills.

The program emphasises improved technical, communication and management skills for our staff. This year 115 days of in house training sessions were held. Actual training days averaged 4.54 days per person, marginally below the annual target of five. It is expected that this average will increase next year following a recent review of training activity to refresh it for current business needs.

Other development options for staff include further tertiary education and local, interstate and overseas secondment opportunities. Under a partnership arrangement with the United Kingdom Civil Service, three UK officers were seconded to OFM. This provided the opportunity for staff to exchange ideas and develop their skills.

Performance Appraisal and Review (PAR)

PAR continues to be a priority for OFM. Goal setting, performance feedback and the identification of learning needs is vital to our growth as an organisation. Due to lower levels of participation in the PAR process during 2005-06, the HR Committee revised the cycle to remove conflicts with key work periods. In the current year, the OFM Executive complemented this by including PAR participation as a key deliverable of all managers. These changes saw an increase in participation and are expected to fully impact over the coming year.

Certificate IV in Government

By the end of 2006-07, 14 OFM staff had graduated with the Certificate IV in Government. This Government program was offered to all OFM administration staff in partnership with TAFE NSW. The program, which began in September 2005, attracts funding from the Commonwealth apprenticeship employers incentive scheme.

The program uses an integrated learning style. Participants can submit documentation to have their current competences recognised. This allows selection of classroom modules which will provide new, useful information.

Five face to face training modules were also delivered covering:

- Workplace safety procedures and programs;
- Administration of simple projects;
- Providing leadership;
- Dealing with conflict; and
- Effective workplace relations.

Due to its success and positive feedback from participants, the program will be offered again in 2007-08. Certificate IV in Business (Records Management) program will also be available to staff.

Australian New Zealand School of Government (ANZSOG)

OFM encourages staff to undertake programs offered by the Australian New Zealand School of Government (ANZSOG), a relatively new facility aimed at providing high calibre, government focussed education. This joint venture by the Australian and New Zealand Governments and partner universities is modelled on the prestigious Harvard School of Government.

OFM is a strong supporter of the School, providing presenters for financial modules and participating in programs. Programs offered range from short courses to more intensive study that leads to high calibre qualifications within a public sector context. Since its establishment in 2003 four OFM officers have enrolled in the two year Executive Master of Public Administration program. To date two have graduated. Other staff have participated in the ANZSOG annual conference on collaboration and various short courses.

Our performance in 2006-07:

Recruitment Effectiveness

OFM's operations depend upon the excellence of our staff so effective recruitment is crucial to our ongoing success.

During 2006-07, OFM began a process to improve its recruitment action.

A new recruitment policy was developed and issued and tighter timeframes were applied around recruitment. The new policy seeks to ensure equity in all recruitment processes and a balance between the recognition of well performing internal staff and the need to recruit new skills.

OFM's graduate program remains a vital part of our recruitment strategy. The program is aimed at attracting talented entry level staff who are given the opportunity to develop and progress through the organisation.

This year 340 graduates applied for our specialist accounting and other positions, a very pleasing result in a tight recruitment market. Nine new graduates joined OFM in February 2007 having studied a variety of disciplines at Brisbane, Canberra, Wollongong and Sydney Universities.

Graduates rotate through the major operational areas of OFM in their first 12 months. They are then placed in a permanent position. This year our previous graduates assisted at the careers fairs of five Sydney universities, and with recruitment activities at Sydney University and the University of NSW.

Staff Feedback

OFM's Commitment to Service assures its employees job satisfaction, personal development and career opportunities in an environment of strong leadership and effective management.

OFM monitors staff opinion on these matters with a brief quarterly questionnaire. This provides staff with the opportunity to flag emerging issues and for management to monitor trends. Any sustained emerging trends are investigated through a more comprehensive survey which is undertaken every second year.

Results of the 2005 biennial survey were reported in last year's annual report.

Respondents to the quarterly questionnaires during 2006-07 continued to express positive attitudes to OFM (89% satisfied) and their jobs (93% satisfied).

In response to the issues identified in previous biennial and quarterly staff surveys and emphasis in 2006-07 was on providing staff with an effective development program and on improving recruitment processes.

The latest biennial staff opinions survey was held in July 2007. Outcomes and any ensuing action will be reported in next year's annual report.

Role of the Treasury Analyst Project

OFM's Planned Action for 2006-07:

Reviewing the effectiveness of actions taken following the 2005 review of the role of the analyst

A review of the Role of the Treasury Analyst (the ROTA Project) was undertaken in 2005.

The aim was to ensure that OFM analysts are well equipped to work with agencies:

- supporting the enhanced Budget process and its focus on whole of agency operations; and
- implementing strategic resource planning initiatives, including Results and Services Plans and supporting Total Asset Management Plans.

The majority of recommendations contained in the report on the ROTA project were accepted and an implementation plan comprising 44 strategies was developed.

Implementation action commenced in 2005-06 and was largely completed in 2006-07. Although recommendations were wide ranging, the importance of staff development was confirmed. Our analysts need to be equipped with:

- strong knowledge of agency operations,
- the ability to build more constructive agency relationships, and
- better communication skills to improve information exchange between OFM and agencies.

A *Business Relationship Management* course was developed. This was designed to provide a model for relationship management and to establish effective communication skills. The majority of analysts completed this training during 2006-07.

In addition, OFM's induction process was revised and strengthened to facilitate an improved introduction to the analyst's role. Core training for analysts was prioritised with a new requirement for analysts to attend mandatory courses during the first 12 months.

Agency Relations

OFM's achievement of its planned results relies on the strength of our relationships with other central and line agencies. Our code of good practice commits us to:

- Working in partnership with agencies to pursue successful implementation of financial management reforms.
- Openness, mutual respect and the sharing of information.

Agencies are surveyed every two years for their view as to whether OFM has complied with the code. The results of the June 2006 survey were reported in detail in last year's annual report. Historical data is repeated in this current report – refer *Our Commitment to Stakeholders* on page 15.

OFM's Planned Action for 2006-07:

Developing and applying strategies to address issues emerging from the biennial survey of agencies.

The review of the role of the Treasury analyst project stressed the importance of OFM's partnership with other agencies. The expectation is that we will work to strengthen those relationships. During 2006-07 the need for our analysts to better understand agency business and priorities was emphasised and they were encouraged to have more regular direct contact and visits with agencies.

Secondments to and from OFM continued to be pursued in 2006-07. Nine staff were seconded from OFM to other government agencies. Ten staff were seconded to OFM from other agencies. Seconded OFM officers learn more about the environment and the business of their host agency. Officers seconded into OFM gain an insight of the whole of government fiscal strategy and associated requirements.

To ensure OFM is well placed to advise agencies, our analysts were briefed and trained as required on all new Treasury policies and procedures.

Organisational Efficiency

OFM's Corporate Plan outlines our strategic management framework. It documents our mission, the results we seek to influence and the strategies we apply to maximise the impact of our services. The Corporate Plan aims to ensure strong State finances and thereby supports OFM's contribution to the implementation of the State Plan.

Results indicators allow progress towards our planned results to be monitored. Service measures report on the standard of our services.

The Corporate Plan sets the framework for OFM's other planning documents. During 2006-07 updated versions of the following issued:

- Results and Services Plan;
- Directorate work plans;
- Officer performance agreements - including for the Secretary, Executive members and Branch managers and all other staff members.

OFM's internal and external performance reports, including the annual report and State Budget Paper 3, reflect the structure of the Corporate Plan.

OFM's Planned Action for 2006-07:

Undertaking the triennial review of OFM's corporate plan

OFM operates with a three year corporate planning cycle. A revised OFM Corporate Plan is due to issue at the end of 2007. In preparation, early in 2007 the plan's strategic framework was reviewed. The framework is reflected in the *Treasury on a Page* document which maps the contribution OFM services and strategies make to the achievement of our planned results and mission.

The review broadly confirmed OFM's strategic direction but some presentational improvements were made, including more explicit alignment with the State Plan.

The opportunity was also taken to review OFM's result indicators and performance measures. These were re-examined to confirm relevance to our results and services and the extent to which OFM is able to control or influence outcomes. Some indicators were redefined.

The adjusted planning framework will be applied to the new corporate plan and related documents to apply from 2007-08.

Business Improvement

During 2006-07, action was taken to develop and implement a Business Improvement Program to ensure OFM's effectiveness through the best use of its people, systems and technology.

To further strengthen OFM's corporate planning, Branch plans were mandated. This action was taken in response to recommendations emerging from the review of the role of the Treasury analyst undertaken in 2005.

Branch plans provide more detailed scheduling of projects and services, including the assignment of responsibilities to teams and individuals. They link directly with officers' performance agreements to provide a clear line of sight for the individual's contribution to Branch and Directorate work plans, the Corporate Plan and consequently OFM's responsibility for State Plan delivery. A template was issued for 2007-08 Branch plans.

Other business improvement activity taken or commenced included:

- Clarifying the roles and responsibilities of the different levels of OFM management.
- Restructuring support staff administration and reporting lines.
- Reviewing the effectiveness of trend analysis for large agencies.
- Developing a strategy to maximize OFM's use of evidence based advice.
- Determining the appropriate extent of OFM's monitoring of agencies taking risk factors into account.
- Investigating an improved Business Information Management system for OFM.

Implementation of these initiatives will continue in 2007-08.

Project Management Performance

	02-03 Actual	03-04 Actual	04-05 Actual	05-06 Actual	06-07 Actual	Target
Scheduled work plan project milestones achieved	62%	76%	77%	82%	84%	≥80%
Correspondence/ projects completed by due date	82%	82%	83%	83%	83%	≥80%
Average days late for correspondence/ projects completed late	11 days	8 days	10 days	16 days	11 days	≤10 days

Performance Review and Risk Management

OFM's Audit and Risk Committee oversees regular performance reviews of our key activities and functions. The areas to be reviewed are outlined in an annual Audit Plan. They are determined based on exposure to potential financial or operating risks.

The Committee's seven members include three of OFM's Executive and an independent. Its charter, which is on our Intranet, makes it responsible to:

- oversee the internal audit function, risk management, corporate governance and other internal assurance processes that operate within OFM;
- assess risks arising from OFM's operations and the adequacy of measures to moderate those risks;
- ensure the integrity of external financial reporting; and
- ensure appropriate management reporting.

During 2006-07, the Committee met on eight occasions and dealt with a number of significant matters, including:

- OFM's Internal Audit Plan for 2006-07;
- matters raised in the 2005-06 external audit of Crown Entity and Total State Sector Accounts;
- re-valuation of the assets of the Crown Leaseholds Entity;
- valuation of Crown Land Reserves;
- protocols between OFM and the NSW Audit Office to ensure prompt action on audit issues; and
- review of the systems and governance arrangements of the NSW Self Insurance Corporation (SICorp) following its establishment at the beginning of 2005.

Representatives of the NSW Audit Office and the Internal Audit Bureau (IAB) attended all meetings of the Committee as observers.

OFM contracts the IAB to carry out the internal audits scheduled in the annual audit plan.

The Committee considered reports on these internal audit reviews:

- Fraud and corruption risk assessment;
- Use and control of corporate credit cards;
- Crown Entity risks and resourcing requirements;
- SICorp establishment and operations; and
- SICorp security and data integrity.

The audit findings were generally satisfactory. Recommendations to improve performance and processes and management responses to these recommendations were documented in a Risk Register which is being monitored by the Committee.

In 2007-08, the Committee will continue to oversee OFM's preparation of external financial statements for the Crown Entity and the Total State Sector. Internal audit reviews will continue to focus on the potential areas of risk identified in the Risk Assessment undertaken in 2003-04 as well as responding to risks identified since the last comprehensive review.

Insurance

The *Treasury Managed Fund* (TMF), the Government's self insurance scheme, encourages effective risk management by participating agencies. Through a hindsight premium incentive scheme, those agencies that manage risk well are rewarded with lower premiums. Those that do not are penalised. Under the TMF, OFM is covered for a range of insurances and acts to reduce its operational risks to achieve lower premiums. For example, workers' compensation risks are managed with early intervention, workplace inspections and active rehabilitation.

Our performance in 2006-07:

Communication Strategies

The achievement of our planned results depends upon our corporate capability and strategic partnerships. OFM's Information Management and Technology Plan provides a vital communication link for our stakeholders.

We continually upgrade and expand our web sites to improve internal and external communication. We track the most popular destinations on our sites to ensure the most accessible presentation of required information.

Manuals, guidelines, professional development material, internal reports and general information can all be accessed by staff from the intranet.

During 2006-07, work commenced to apply a Content Management System (CMS) to our websites. An internal Web User Group advised on user requirements.

Following a request for expressions of interest and extensive research, the MySource Matrix CMS was selected.

The new websites, which will launch during the second half of 2007, will meet layout and functionality requirements of the NSW Government Style Directive. We will work to convert all legacy documents to required formats during 2008.

The new CMS will include greater scope for extranet facilities to agencies. It will also provide for the updating of content to be devolved to responsible areas. This initiative is consistent with OFM's policy of using IT solutions to ensure our ongoing development.

Electronic Service Delivery

OFM applies the Government's Electronic Service Delivery Strategy to ensure our clients are given current and accurate information.

OFM's web site offers access to:

- all NSW Treasury publications including Policy & Guidelines Papers; Research & Information Papers, Treasury Circulars and annual reports;
- reports on NSW financial management, including the State Budget Papers and the State Infrastructure Strategy; and
- detail of available OFM jobs and OFM tender specifications.

The most accessed website page was the current Budget Papers.

The needs of particular OFM clients are addressed by areas of the web site targeted at:

- Working with Government, and
- Information for Agencies.

New Treasury Circulars issue via the web site. An on-line subscription service allows users to register to receive automatic notification when new Circulars issue.

Agencies are also able to lodge their financial data electronically directly into Treasury's Financial Information System.

OFM Website Top 10 pages	2004-2005	2005-2006	2006-2007
▪ Current Budget Papers	4	2	1
▪ Publications Index	2	1	2
▪ External Links Page	8	4	3
▪ Search Page	6	5	4
▪ Current OFM jobs advertised	5	7	5
▪ Publications by Policy Area Index	7	9	6
▪ Procurement Index	9	8	7
▪ Working with Government Website	-	-	8
▪ Information for Agencies	-	-	9
▪ Treasury Circulars Index	-	6	10

financial statements

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

TREASURY

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Treasury (the Department), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Department as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Department Head's Responsibility for the Financial Report

The Department Head is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 Department Head, as well as evaluating the overall presentation of the financial report.

I believe that 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 Department,
- that it has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- 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 are not compromised in their role by the possibility of losing clients or income.



AT Whitfield, FCA
Deputy Auditor-General

27 September 2007
SYDNEY

Statement by Department 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 2007 have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the requirements of the *Public Finance and Audit Act 1983* and Regulation 2005, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Agencies or issued by the Treasurer under section 9(2) of the Act;
- (b) the statements and notes exhibit a true and fair view of the financial position and transactions of the Department; and
- (c) there are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



**J Pierce
Secretary
4 September 2007**

Operating Statement for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	110 709	115 369	109 394
Other operating expenses	2(b)	45 150	44 077	48 211
Depreciation and amortisation	2(c)	13 612	14 648	11 510
Grants and subsidies	2(d)	345 639	301 679	302 436
Other expenses	2(e)	71	-	145
Total Expenses excluding losses		515 181	475 773	471 696
Less:				
Revenue				
Sale of goods and services	3(a)	28 752	27 183	27 884
Investment revenue	3(b)	1 880	1 379	1 575
Retained taxes, fees and fines	3(c)	260	21	116
Grants and contributions	3(d)	-	-	701
Other revenue	3(e)	5 948	5 846	6 375
Total Revenue		36 840	34 429	36 651
Loss on disposal	4	(251)	-	(6)
Other gains / (losses)	5	(1 967)	-	62
Net Cost of Services	20	480 559	441 344	434 989
Government Contributions				
Recurrent appropriation	6	462 724	419 206	421 820
Capital appropriation	6	6 444	6 444	11 346
Acceptance by the Crown Entity of employee benefits and other liabilities	7	7 694	6 093	6 734
Total Government Contributions		476 862	431 743	439 900
SURPLUS / (DEFICIT) FOR THE YEAR	16	(3 697)	(9 601)	4 911

The accompanying notes form part of these financial statements.

New South Wales Treasury

Statement of Recognised Income and Expense for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-
Surplus / (Deficit) for the year	16	(3 697)	(9 601)	4 911
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR		<u>(3 697)</u>	<u>(9 601)</u>	<u>4 911</u>

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	9	21 958	16 039	17 436
Receivables	10	13 013	12 518	12 518
Total Current Assets		34 971	28 557	29 954
Non-Current Assets				
Receivables	10	2	5	5
Property, plant and equipment				
- Plant and equipment	11	26 885	31 087	34 118
Intangible assets	12	17 998	14 618	19 791
Total Non-Current Assets		44 885	45 710	53 914
Total Assets		79 856	74 267	83 868
LIABILITIES				
Current Liabilities				
Payables	13	5 649	5 297	5 297
Provisions	14	11 204	11 306	11 306
Other	15	239	736	736
Total Current Liabilities		17 092	17 339	17 339
Non-Current Liabilities				
Provisions	14	128	122	122
Other	15	133	207	207
Total Non-Current Liabilities		261	329	329
Total Liabilities		17 353	17 668	17 668
Net Assets		62 503	56 599	66 200
EQUITY				
Reserves		-	-	-
Accumulated funds		62 503	56 599	66 200
Total Equity	16	62 503	56 599	66 200

The accompanying notes form part of these financial statements.

New South Wales Treasury

Cash Flow Statement for the Year Ended 30 June 2007

	Notes	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(103 811)	(109 276)	(100 824)
Grants and subsidies		(345 754)	(301 679)	(303 044)
Other		(51 290)	(51 493)	(57 523)
Total Payments		(500 855)	(462 448)	(461 391)
Receipts				
Sale of goods and services		28 221	27 183	27 790
Retained taxes, fees and fines		260	21	116
Interest received		1 690	1 379	1 891
Other		13 090	13 262	13 895
Total Receipts		43 261	41 845	43 692
Cash Flows from Government				
Recurrent appropriation	6	462 724	419 206	421 660
Capital appropriation	6	6 444	6 444	11 346
Cash reimbursements from the Crown Entity		-	-	-
Cash transfers to the Consolidated Fund		(406)	-	571
Net Cash Flows from Government		468 762	425 650	433 577
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	11 168	5 047	15 878
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		18	-	3
Purchases of plant and equipment		(6 591)	(6 444)	(10 684)
Other		(73)	-	(662)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(6 646)	(6 444)	(11 343)
NET INCREASE / (DECREASE) IN CASH		4 522	(1 397)	4 535
Opening cash and cash equivalents		17 436	14 056	12 901
CLOSING CASH AND CASH EQUIVALENTS	9	21 958	12 659	17 436

The accompanying notes form part of these statements.

Program Statement - Expenses and Revenues for the year ended 30 June 2007

DEPARTMENT'S EXPENSES & REVENUES	Program 53.1.1*		Program 53.2.1*		Program 53.3.1*		Program 53.4.1*		Not Attributable		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses												
Operating expenses												
Employee related	29 444	27 264	48 846	55 845	27 914	22 399	4 505	3 886	-	-	110 709	109 394
Other operating expenses	11 564	11 992	17 310	16 892	15 172	18 347	1 104	980	-	-	45 150	48 211
Depreciation and amortisation	391	448	8 543	7 710	3 963	2 734	715	618	-	-	13 612	11 510
Grants and subsidies	169	169	21 510	16 673	-	-	323 960	285 594	-	-	345 639	302 436
Other expenses	-	-	-	-	71	145	-	-	-	-	71	145
Total Expenses excluding losses	41 568	39 873	96 209	97 120	47 120	43 625	330 284	291 078	-	-	515 181	471 696
Revenue												
Sale of goods and services	18	16	3 190	3 667	25 541	24 193	3	8	-	-	28 752	27 884
Investment revenue	483	302	792	602	539	624	66	47	-	-	1 880	1 575
Retained taxes, fees and fines	-	-	-	-	260	116	-	-	-	-	260	116
Grants and contributions	-	700	-	-	-	1	-	-	-	-	-	701
Other revenue	5 636	5 653	307	710	-	(30)	5	42	-	-	5 948	6 375
Total Revenue	6 137	6 671	4 289	4 979	26 340	24 904	74	97	-	-	36 840	36 651
Gain / (loss) on disposal	(1)	2	(153)	-	(84)	(8)	(13)	-	-	-	(251)	(6)
Other gains / (losses)	-	-	-	-	(1 870)	-	(97)	62	-	-	(1 967)	62
Net Cost Of Services	35 432	33 200	92 073	92 141	22 734	18 729	330 320	290 919	-	-	480 559	434 989
Government contributions **	-	-	-	-	-	-	-	-	476 862	439 900	476 862	439 900
NET (EXPENDITURE) / REVENUE FOR THE YEARS	(35 432)	(33 200)	(92 073)	(92 141)	(22 734)	(18 729)	(330 320)	(290 919)	476 862	439 900	(3 697)	4 911
ADMINISTERED EXPENSES & REVENUES												
Administered Expenses												
Other (Note 26)***	-	-	100 371	97 959	-	-	-	-	-	-	100 371	97 959
Total Administered Expenses	-	-	100 371	97 959	-	-	-	-	-	-	100 371	97 959
Administered Revenues												
Consolidated Fund Revenue earned (Note 27(a))												
Taxes, fees, and fines	-	-	15 966 667	13 857 545	244 265	255 690	-	-	-	-	16 210 932	14 113 235
Other	-	-	618 316	452 165	-	-	-	-	-	-	618 316	452 165
Total Administered Revenues	-	-	16 584 983	14 309 710	244 265	255 690	-	-	-	-	16 829 248	14 565 400
Administered Revenues less Expenses	-	-	16 484 612	14 211 751	244 265	255 690	-	-	-	-	16 728 877	14 467 441

* The name and purpose of each program is summarised in Note 8.

** Appropriations are made on a department basis and not to individual programs. Consequently, government contributions must be included in the "Not Attributable" column.

*** The comparative for 2006 has been adjusted down \$12.05 million due to a posting error in 2006.

New South Wales Treasury

Summary of Compliance with Financial Directives for the year ended 30 June 2007

	2007				2006			
	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
Original Budget Appropriation/ Expenditure								
▪ Appropriation Act	419 206	418 764	6 444	6 444	396 446	396 188	11 725	11 333
▪ Additional Appropriations	-	-	-	-	17 000	17 000	-	-
▪ s 21A PF&A Act-special appropriation	-	-	-	-	-	-	-	-
▪ s 24 PF&A Act-transfers of functions between departments	-	-	-	-	548	548	13	13
	419 206	418 764	6 444	6 444	413 994	413 736	11 738	11 346
Other Appropriations/Expenditure								
▪ Section 22 – expenditure for certain works and services	39 000	39 000	-	-	10 000	6 594	-	-
▪ Transfers from another department (section 27 of the Appropriation Act)	13 000	4 960	-	-	-	-	-	-
▪ Transfers to another department (section 27 of the Appropriation Act)	(150)	-	-	-	-	-	-	-
▪ Transfers from another department (section 28 of the Appropriation Act)	-	-	-	-	1 490	1 490	-	-
	51 850	43 960	-	-	11 490	8 084	-	-
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	471 056	462 724	6 444	6 444	425 484	421 820	11 738	11 346
Amount drawn down against Appropriation		462 889		6 444		421 999		11 738
Liability to Consolidated Fund (Note 15)		165		-		179		392

- 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”.

**Notes to the Financial Statements
30 June 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Treasury, as a reporting entity comprises all the operating activities of the Office of Financial Management (OFM) and the Office of State Revenue (OSR). 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 department, all transactions between the OSR and the OFM have been eliminated.

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

Administered activities are consolidated as part of the Crown Entity accounts.

This financial report for the year ended 30 June 2007 has been authorised for issue by the Secretary on 4 September 2007.

(b) Basis of Preparation

The department's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standards (AIFRS))
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2005, and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant General Government Sector Agencies or issued by the Treasurer.

Plant and equipment is measured at fair value. Other financial report 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 report.

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

(c) Administered Activities

The department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy those resources for the achievement of the department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as "Administered Revenues", "Administered Expenses", "Administered Assets" and "Administered Liabilities".

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

- Government-assessed revenues (primarily land tax) are regarded as being able to be measured reliably at the time of issuing the assessment.
- Taxpayer-assessed revenues (including pay-roll tax) are regarded as being able to be measured reliably when the funds are received by the tax collecting department. Additional revenues are recognised for assessments subsequently issued following the review of returns lodged by taxpayers.
- Interest payable on government and taxpayer - assessed revenues is brought to account on a daily basis.
- Fines and enforcement orders issued by the State Debt Recovery Office (SDRO) are regarded as being able to be measured reliably when the fine or enforcement order is issued. Infringements issued, are regarded as being able to be measured reliably when the cash is received.

(d) 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

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the department obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions are normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 15 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 department transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date). Infringement fees are recognised when the service is provided. Land tax search fees are recognised as revenue when the department obtains control of the assets that result from them.

(iv) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*

(e) Employee Benefits and Other Provisions

(i) 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 fall due wholly within 12 months of the reporting date 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. Liabilities greater than 12 months are not discounted as the effect is considered immaterial.

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 pay-roll 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.

(ii) Long Service Leave and Superannuation

The department's liabilities for long service leave and superannuation are assumed by the Crown Entity. The department 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 Entitlements and other Liabilities". Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

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 07/04) 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.

New South Wales Treasury

(iii) Other Provisions

Other provisions exist when: the department 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 a department has a detailed formal plan and the department 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.

(f) Insurance

The department'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.

(g) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the department 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.
- receivables and payables are stated with the amount of GST included.

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the department. 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 as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an item 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.

(i) Capitalisation Thresholds

Office furniture and equipment costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is also capitalised. However, grouped assets with inter-related functions such as the computer network are capitalised regardless of cost.

(j) Revaluation of Property, 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*.

Property, 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 property, 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 department 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.

Most of the department's assets with the exception of core business applications, are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(k) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, the department 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.

(l) Depreciation of Property, Plant and Equipment

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

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	7 years
Office Furniture	5 to 10 years
Computer Software	1 to 10 years depending on the expected usage of the application.

(m) Grants and Subsidies

The FHOGS was introduced in July 2000 to compensate first home buyers for the impact of the introduction of GST. OSR is responsible for the payment of the grant to approved applicants.

The amount is net of returns of payments made in relation to contracts not settled and recoveries by compliance auditors of payments made to ineligible applicants. Write-offs are added back. 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.

(n) 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.

(o) Leased Assets

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred. The department has not entered into any finance leases.

(p) Intangible Assets

The department recognises intangible assets only if it is probable that future economic benefits will flow to the department 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.

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 department's intangible assets, the assets are carried at cost less any accumulated amortisation.

The department's intangible assets are amortised using the straight line method over a period ranging from 1 to 10 years depending upon the nature of the application.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the department is effectively exempted from impairment testing (refer para (k)).

(q) 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 accounted for in the Operating Statement 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.

(r) 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 Operating Statement.

Any reversals of impairment losses are reversed through the Operating Statement, 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.

(s) Trust Funds

The department receives monies in a trustee capacity for various trusts as set out in Note 22. As the department performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the department's own objectives, these funds are not recognised in the financial statements.

(t) Other Assets

Other assets are recognised on a cost basis.

(u) Payables

These amounts represent liabilities for goods and services provided to the department 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.

(v) 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 additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, 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).

2. EXPENSES EXCLUDING LOSSES

	2007	2006
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	90 922	90 871
Superannuation – defined benefit plans	3 604	3 309
Superannuation – defined contribution plans	5 272	4 914
Long service leave	3 883	3 164
Workers' compensation insurance	565	674
Pay-roll tax and fringe benefits tax	6 216	6 402
On-costs on LSL not assumed by Crown	<u>247</u>	<u>60</u>
	<u>110 709</u>	<u>109 394</u>
<p>Employee related expenses of \$1.0 million (2005-2006 - \$1.5 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.</p>		
(b) Other operating expenses		
Auditor's remuneration		
Audit or review of financial reports	231	255
Operating lease rental expense		
Minimum lease payments	9 731	9 553
Maintenance (i)	584	803
Insurance	120	145
Other		
Contractors' and consultancy fees	11 431	13 171
Printing and advertising	3 230	2 389
Centralised corporate support charges	3 562	3 312
Computer maintenance and software licences	1 846	4 240
Data access fees	2 289	2 088
Training	860	794
Building maintenance and utilities	2 181	2 273
Minor plant, equipment and stores	1 180	1 264
Postal charges	565	2 166
Bank charges	2 424	1 948
Other	<u>4 916</u>	<u>3 810</u>
	<u>45 150</u>	<u>48 211</u>
(c) Depreciation and amortisation expense		
Depreciation		
Computer hardware	2 584	2 376
Computer software	1 849	1 760
Office equipment	435	190
Office furniture	<u>945</u>	<u>970</u>
	<u>5 813</u>	<u>5 296</u>
Amortisation	<u>7 799</u>	<u>6 214</u>
Total depreciation and amortisation	<u>13 612</u>	<u>11 510</u>
(d) Grants and subsidies		
FHOGS (ii)	323 960	285 594
Department of Lands (iii)	21 510	16 673
Other	<u>169</u>	<u>169</u>
	<u>345 639</u>	<u>302 436</u>
(e) Other expenses		
Compensation payments (Statute Barred Infringements) (iv)	<u>71</u>	<u>145</u>
	<u>71</u>	<u>145</u>

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		2007	2006
		\$'000	\$'000
(i)	Reconciliation		
	Maintenance expense, as above	584	803
	Maintenance related employee expenses included in Note 2(a)	3 378	4 179
	Total maintenance expenses included in Note 2(a) + 2(b)	<u>3 962</u>	<u>4 982</u>
		2007	2006
		\$'000	\$'000
(ii)	Total FHOGS payments	338 406	300 514
	Less Returns – payments on contracts not settled	(11 480)	(7 309)
	Refunds – ineligible payments	(2 628)	(6 325)
	Penalties on wrongful claims	(615)	(1 501)
	Add Write-off of Refunds due	277	215
	Net FHOGS payments	<u>323 960</u>	<u>285 594</u>
(iii)	The Department of Lands provides land information and valuation services required to administer the Land Tax Management Act 1956.		
(iv)	In 2006-2007, compensation payments amounting to \$71 000 (2005 -2006 \$145 000) were paid to clients of the SDRO who were financially disadvantaged due to infringements reaching a statute barred status. The payments were made in accordance with the Service Level Agreement provisions.		

3. REVENUES

	2007 \$'000	2006 \$'000
(a) Sale of goods and services		
Sale of Goods		
Sale of publications	18	16
Rendering of Services		
Land tax search fees	2 693	3 024
Administration fees	477	627
Infringement processing fees	25 429	24 055
Other	<u>135</u>	<u>162</u>
	<u>28 752</u>	<u>27 884</u>
Infringement processing fees represent a service provided by the SDRO to a range of local government and public sector clients.		
(b) Investment revenue		
Interest	<u>1 880</u>	<u>1 575</u>
	<u>1 880</u>	<u>1 575</u>
(c) Retained taxes, fees and fines		
Fees		
Collection fees	<u>260</u>	<u>116</u>
	<u>260</u>	<u>116</u>
Annulment fees imposed by the SDRO are recognised as revenues as they are controlled by the department and can be deployed for the achievement of its objectives. They are not required to be paid to the Consolidated Fund.		
(d) Grants and contributions		
Other grants	-	1
Contributions	<u>-</u>	<u>700</u>
	<u>-</u>	<u>701</u>
In 2005-2006, \$1 000 was received for training and skills incentive programs for staff. \$700 000 represents non cash income for receipt of part ownership of records management software.		
(e) Other revenue		
Crown Assets and Liabilities Management (i)	5 510	5 493
Other (ii)	<u>438</u>	<u>882</u>
	<u>5 948</u>	<u>6 375</u>
(i)	Recoupment of administration costs composed mainly of salaries and accommodation for OFM employees relating to Crown Assets and Liability Management.	
(ii)	Primarily attributable to reimbursement of legal fees associated with debt recovery action.	

4. GAIN / (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

	2007 \$'000	2006 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	19	3
Written down value of assets disposed	<u>(270)</u>	<u>(9)</u>
Net gain / (loss) on disposal of plant and equipment	<u>(251)</u>	<u>(6)</u>

5. OTHER GAINS / (LOSSES)

	2007 \$'000	2006 \$'000
Impairment of receivables	(97)	62
Loss on capital work in progress (i)	<u>(1 870)</u>	<u>-</u>
	<u>(1 967)</u>	<u>62</u>
(i) Development costs associated with the new Infringement Fines Enforcement Management System that would result in the asset exceeding its fair value when commissioned.		

6. APPROPRIATIONS

	2007 \$'000	2006 \$'000
Recurrent appropriations		
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	462 889	421 999
Less: Liability to Consolidated Fund (per Summary of Compliance)	<u>165</u>	<u>179</u>
	<u>462 724</u>	<u>421 820</u>
Comprising:		
Recurrent appropriations (per Operating Statement)	<u>462 724</u>	<u>421 820</u>
Capital appropriations		
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	6 444	11 738
Less: Liability to Consolidated Fund (per Summary of Compliance)	<u>-</u>	<u>392</u>
	<u>6 444</u>	<u>11 346</u>
Comprising:		
Capital appropriations (per Operating Statement)	<u>6 444</u>	<u>11 346</u>

7. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

	2007 \$'000	2006 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation	3 604	3 311
Long service leave	3 883	3 164
Pay-roll tax	<u>207</u>	<u>259</u>
	<u>7 694</u>	<u>6 734</u>

8. PROGRAMS / ACTIVITIES OF THE DEPARTMENT

(a) Program 53.1.1	A Stronger NSW Economy and Better Public Services
Objective:	Promoting state resource management to achieve a stronger New South Wales economy and better public services.
 (b) Program 53.2.1	 All due revenue is collected
Objective:	Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales by enhancing our revenue performance and driving service and efficiency through technology.
 (c) Program 53.3.1	 All fines are processed and enforced correctly and on time
Objective:	Ensure effective and timely infringement processing and fine enforcement services which contribute to a higher level of compliance with the law through the implementation of improved business processes and technology.
 (d) Program 53.4.1	 Eligible applicants receive their benefits
Objective:	Ensure eligible applicants receive payments due under Commonwealth/State Government schemes through maximising the efficiency and effectiveness of payments administration consistent with applicable policies, client service strategies and enhanced technology.

The "Infrastructure" function of the Department of Infrastructure, Planning and Natural Resources (DIPNR), included as part of Program 40.1.1 was transferred to the OFM on 31 August 2005. The following summarises the expenses and revenues, recognised by DIPNR for the two months ended 31 August 2005 (Program 40.1.1 in part) and OFM for the ten months ended 30 June 2006 (Program 64.1.1 in part) for the reporting period. Program 64.1.1 becomes Program 53.1.1 for 30 June 2007.

	DIPNR	OFM	Total
	1 July 2005 to 31 August 2005	1 September 2005 to 30 June 2006	2006
	\$'000	\$'000	\$'000
Expenses			
Operating expenses			
Employee related	81	422	503
Other operating expenses	2	286	288
Depreciation and amortisation	-	4	4
Other expenses	-	-	-
Total Expenses excluding losses	<u>83</u>	<u>712</u>	<u>795</u>
Total Revenue	-	-	-
Gain/(loss) on disposal	-	-	-
Net Cost of Services	<u>83</u>	<u>712</u>	<u>795</u>

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2007 \$'000	2006 \$'000
Cash at bank and on hand	21 958	17 436
	<u>21 958</u>	<u>17 436</u>

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	21 958	17 436
Closing cash and cash equivalents (per Cash Flow Statement)	21 958	17 436

10. CURRENT/NON-CURRENT ASSETS – RECEIVABLES

	2007 \$'000	2006 \$'000
Current		
Sale of goods and services (i)	5 489	4 956
Prepayments	1 243	754
Other		
GST receivable from ATO	432	685
Interest	997	806
FHOGS (ii)	4 182	4 068
Less: Allowance for impairment	<u>235</u>	<u>139</u>
Other	905	1 388
	<u>13 013</u>	<u>12 518</u>
Non-Current		
Prepayments	<u>2</u>	<u>5</u>
Total	<u>13 015</u>	<u>12 523</u>

(i) Sale of goods and services

As at 30 June 2007, \$2.7 million (2005-2006 \$2.3 million) of this receivable represents invoices issued to SDRO clients, including councils and other statutory bodies.

(ii) FHOGS Debt

The FHOGS debt is the result of Compliance audits of grants paid where applicants do not legally qualify as first home owners. In addition to seeking recovery of grant payments, penalties are imposed in accordance with FHOGS legislation on offending claims. An allowance for impairment has been created for those outstanding amounts which are considered to be irrecoverable.

The total debt position as at 30 June 2007 was as follows:

	2007 \$'000	2006 \$'000
Total Debt		
Current amount	515	361
Instalments	-	-
Overdue amounts	6 414	6 083
	6 929	6 444
Less: Allowance for impairment	<u>235</u>	<u>139</u>
	<u>6 694</u>	<u>6 305</u>

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Overdue Amounts

Receivable	Less than 30 days		30–90 days		More than 90 days		Total		Allowance for impairment		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
SDRO fees	2 090	1 630	395	228	197	508	2 682	2 366	-	-	2 682	2 366
FHOGS	526	340	205	694	3 001	2 683	3 732	3 717	235	139	3 497	3 578
Total	2 616	1 970	600	922	3 198	3 191	6 414	6 083	235	139	6 179	5 944

11. NON-CURRENT ASSETS – PLANT & EQUIPMENT

	Computer Hardware \$'000	Computer Software \$'000	Office Equipment \$'000	Office Furniture \$'000	Capital Work in Progress \$'000	Total \$'000
At 1 July 2006						
At fair value	17 858	7 756	2 734	16 916	15 240	60 504
Accumulated depreciation and impairment	12 067	3 401	1 804	9 114	-	26 386
Net carrying amount	5 791	4 355	930	7 802	15 240	34 118
At 30 June 2007						
At fair value	16 811	7 992	5 195	17 040	7 488	54 526
Accumulated depreciation and impairment	11 036	5 250	1 296	10 059	-	27 641
Net carrying amount	5 775	2 742	3 899	6 981	7 488	26 885

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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.

	Computer Hardware \$'000	Computer Software \$'000	Office Equipment \$'000	Office Furniture \$'000	Capital Work in Progress \$'000	Total \$'000
Year ended 30 June 2007						
Net carrying amount at start of year	5 791	4 355	930	7 802	15 240	34 118
Additions	228	-	195	124	6 094	6 641
Disposals	(3 705)	-	(1 123)	-	-	(4 828)
In / (out) on transfer from CWIP	2 430	236	3 389	-	(11 976)	(5 921)
Depreciation expense	(2 584)	(1 849)	(435)	(945)	-	(5 813)
Other movements						
Loss on capital work in progress					(1 870)	(1 870)
Write back on disposal	3 615	-	943	-	-	4 558
Net carrying amount at end of year	5 775	2 742	3 899	6 981	7 488	26 885

	Computer Hardware \$'000	Computer Software \$'000	Office Equipment \$'000	Office Furniture \$'000	Capital Work in Progress \$'000	Total \$'000
At 1 July 2005						
At fair value	15 657	7 040	2 483	16 855	8 145	50 180
Accumulated depreciation and impairment	9 999	1 641	1 654	8 144	-	21 438
Net carrying amount	5 658	5 399	829	8 711	8 145	28 742
At 30 June 2006						
At fair value	17 858	7 756	2 734	16 916	15 240	60 504
Accumulated depreciation and impairment	12 067	3 401	1 804	9 114	-	26 386
Net carrying amount	5 791	4 355	930	7 802	15 240	34 118

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.

	Computer Hardware \$'000	Computer Software \$'000	Office Equipment \$'000	Office Furniture \$'000	Capital Work in Progress \$'000	Total \$'000
Year ended 30 June 2006						
Net carrying amount at start of year	5 658	5 399	829	8 711	8 145	28 742
Additions	183	150	88	61	10 818	11 300
Disposals	(308)	-	(49)	-	-	(357)
In / (out) on transfer from CWIP	2 326	566	212	-	(3 723)	619
Depreciation expense	(2 376)	(1 760)	(190)	(970)	-	(5 296)
Other movements						
Write back on disposal	308	-	40	-	-	348
Net carrying amount at end of year	5 791	4 355	930	7 802	15 240	34 118

12. INTANGIBLE ASSETS

	Computer Software \$'000
At 1 July 2006	
Cost (gross carrying amount)	76 293
Accumulated amortisation and impairment	56 502
Net carrying amount	19 791
At 30 June 2007	
Cost (gross carrying amount)	82 299
Accumulated amortisation and impairment	64 301
Net carrying amount	17 998

	Computer Software \$'000
Year ended 30 June 2007	
Net carrying amount at start of year	19 791
Additions	85
Amortisation (recognised in "depreciation and amortisation")	(7 799)
In / (out) on transfer from CWIP	5 921
Net carrying amount at end of year	17 998

	Computer Software \$'000
At 1 July 2005	
Cost (gross carrying amount)	74 930
Accumulated amortisation and impairment	50 287
Net carrying amount	24 643
At 30 June 2006	
Cost (gross carrying amount)	76 293
Accumulated amortisation and impairment	56 502
Net carrying amount	19 791

	Computer Software \$'000
Year ended 30 June 2006	
Net carrying amount at start of year	24 643
Additions	743
Amortisation (recognised in "depreciation and amortisation")	(6 214)
Transfer to/ (from) CWIP	619
Net carrying amount at end of year	19 791

13. CURRENT LIABILITIES – PAYABLES

	2007 \$'000	2006 \$'000
Accrued salaries, wages and on-costs	1 874	2 589
Creditors	3 775	2 708
	5 649	5 297

14. CURRENT / NON-CURRENT LIABILITIES – PROVISIONS

	2007	2006
	\$'000	\$'000
Current		
Employee benefits and related on-costs		
Recreation leave	8 211	8 351
Provision for pay-roll tax on recreation leave liability	487	840
Provision for pay-roll tax on long service leave liability	1 562	1 287
Provision for on-costs on long service leave liability	887	685
Provision for fringe benefits tax	<u>57</u>	<u>143</u>
	<u>11 204</u>	<u>11 306</u>
Non-current		
Employee benefits and related on-costs		
Provision for pay-roll tax on long service leave liability	82	81
Provision for on-costs on long service leave liability	<u>46</u>	<u>41</u>
	<u>128</u>	<u>122</u>
Aggregate employee benefits and related on-costs		
Provisions – current	11 204	11 306
Provisions – non-current	128	122
Accrued salaries, wages and on-costs (Note 13)	<u>1 874</u>	<u>2 589</u>
	<u>13 206</u>	<u>14 017</u>

15. CURRENT / NON-CURRENT LIABILITIES – OTHER

	2007	2006
	\$'000	\$'000
Current		
Lease incentive	74	165
Liability to the Consolidated Fund	<u>165</u>	<u>571</u>
	<u>239</u>	<u>736</u>
Non-Current		
Lease incentive	<u>133</u>	<u>207</u>
Total	<u>372</u>	<u>943</u>

16. CHANGES IN EQUITY

	Accumulated Funds		Total Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at the beginning of the financial year	66 200	61 289	66 200	61 289
Changes in equity – transactions with owners as owners				
Increase in net assets from equity transfers	-	-	-	-
Total	66 200	61 289	66 200	61 289
Changes in equity – other than transactions with owners as owners				
Surplus for the year	(3 697)	4 911	(3 697)	4 911
Total	(3 697)	4 911	(3 697)	4 911
Balance at the end of the financial year	62 503	66 200	62 503	66 200

17. COMMITMENTS FOR EXPENDITURE

	2007 \$'000	2006 \$'000
(a) Capital Commitments		
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	264	319
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	<u>264</u>	<u>319</u>
(b) Other Expenditure Commitments		
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	390	60
Later than one year and not later than five years	338	-
Later than five years	-	-
Total (including GST)	<u>728</u>	<u>60</u>
(c) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	10 855	10 944
Later than one year and not later than five years	37 609	26 394
Later than five years	9 508	22 930
Total (including GST)	<u>57 972</u>	<u>60 268</u>

Leasing arrangements are generally for rental of premises and computer equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2007 include input tax credits of \$5.4 million (\$5.6 million in 2005-2006) which are recoverable from the Australian Taxation Office.

18. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There is currently one matter where the Crown Solicitor is acting on behalf of the department. There is the potential for a contingent asset.

19. BUDGET REVIEW

Net cost of services

The Net Cost of Services result was \$480.6 million which is \$39.2 million (8.9%) greater than budget. This was largely attributable to:

- FHOGS payments exceeding budget (\$280 million) by \$44.0 million due to a higher number of eligible applicants
- Loss of \$2.2 million resulting from a write down of assets by \$0.3 million and recognition of a loss of \$1.9 million relating to development costs associated with the new Infringement Fines Enforcement Management System exceeding its fair value when commissioned
- Lower employee related expenses partially offset by higher operating costs amounting to \$3.6 million
- Lower depreciation and amortisation of \$1.0 million due to changes in project implementation dates.
- Sales revenue exceeding budget by \$1.6 million due to higher than expected infringement activity from clients
- Other revenue items also exceeded budget by \$0.8 million primarily due to interest earned.

Assets and liabilities

Equity increased \$5.9 million (10.4%) to \$62.5 million mainly due to the following:

Assets

- Cash is higher than budget by \$5.9 million due to lower employee related and operating costs coupled with higher retained revenues offset, in part, by balance sheet account adjustments
- Receivables are higher than budget by \$0.5 million due to higher debts from SDRO clients for whom fine processing and enforcement services are provided. This increase is partly offset by a reduction in debt owed by the Crown
- Plant, Equipment and Intangibles is lower than budget by \$0.8 million mainly due to the \$1.9 million loss adjustment for development costs associated with the Infringement Fines Enforcement Management System, currently in capital works in progress. This is partly offset by a favourable \$1.0 million variance in depreciation and amortisation.

Liabilities

- Payables are greater than budget by \$0.4 million due to year end accruals for operating expenses of \$1.1 million partly offset by lower employee related accruals of \$0.7 million
- Provisions were below budget by \$0.1 million due to reduction in the annual leave balance
- Other liabilities are under budget by \$0.6 million mainly due to the repayment of monies owed to the Crown that were advised post budget.

Cash flows

The Net Cash flow from operating activities was \$11.2 million representing a \$6.1 million increase over budget. This is explained by the following cash movements:

- Lower employee related and operating costs of \$5.5 million primarily related to delays in recruitment and temporary vacancies
- Higher receipts of \$1.4 million due to a greater level of activity in processing client fines
- Return of monies owing to the Crown totalling \$0.4 million and an appropriation reduction of \$0.5 million for projected benefits to agencies from the new Telecommunication contracts (\$0.2 million) and funds for the National Reform Agenda (\$0.3 million) not being drawn.

The Net Cash flow from investing activities was \$6.6 million, \$0.2 million higher than budget due to additional assets purchased.

20. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

		2007 \$'000	2006 \$'000
	Notes		
Net cash used on operating activities		11 168	15 878
Net cash flows from Government / Appropriations		(468 762)	(433 577)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(7 694)	(6 734)
Depreciation and amortisation	2(c)	(13 612)	(11 510)
Allowance for impairment		(97)	62
Decrease / (increase) in provisions		95	(212)
Increase in prepayments and other assets		589	55
Decrease / (increase) in creditors		(137)	355
Other revenue – investing activities		12	700
Loss on capital work in progress		(1870)	-
Net loss on sale of plant and equipment	4	(251)	(6)
Net cost of services		(480 559)	(434 989)

21. FINANCIAL INSTRUMENTS

The department's principal financial instruments are outlined below. These financial instruments arise directly from the department's operations or are required to finance the department's operations. The department does not enter into or trade financial instruments for speculative purposes. The department does not use financial derivatives.

(a) Cash

Cash consists of 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) 11.00am unofficial cash rate adjusted for a management fee to NSW Treasury. This rate was 5.25 per cent as at 30 June 2007 (4.75 per cent at 30 June 2006).

(b) Receivables

All trade debtors are recognised as amounts receivable at balance sheet date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, 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). No interest is earned on trade debtors. The carrying amount approximates net fair value.

(c) Bank overdraft

The department does not have any bank overdraft facility.

(d) Trade creditors and accruals

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. No interest for late payment was made during the 2006-2007 year (2005-2006 \$nil). The carrying amount approximates net fair value.

22. TRUST FUNDS

Monies held in trust for the Crown Entity and others are not recognised in the financial report, as the OSR cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash balance at the beginning of the financial year	4 313	4 284	6 259	5 795	1 170	1 275	11 742	11 354
Add: Receipts	27	29	510	464	2	66	539	559
Less: Expenditure	-	-	-	-	2	6	2	6
Transfers to Crown	-	-	-	-	163	165	163	165
Cash balance at the end of the financial year	4 340	4 313	6 769	6 259	1 007	1 170	12 116	11 742

(b) SDRO Client Funds Account - Fines

	2007 \$'000	2006 \$'000
Cash balance at the beginning of the financial year	13 131	15 217
Add: Receipts	119 146	104 599
Less: Payments	117 692	106 685
Cash balance at the end of the financial year	14 585	13 131

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

	2007 \$'000	2006 \$'000
Cash balance at the beginning of the financial year	8 468	8 215
Add: Receipts	127 650	129 732
Less: Payments	130 551	129 479
Cash balance at the end of the financial year	5 567	8 468

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

23. ADMINISTERED ASSETS – RECEIVABLES

(a) Tax debtors

Assets administered by OSR for the Crown Entity are primarily tax and fine debtors. They are not recognised in the Balance Sheet.

	2007	2006
	\$'000	\$'000
Current and instalment amounts	828 975	235 313
Overdue amounts	174 263	154 055
	1 003 238	389 368
Less: allowance for impairment	23 208	21 462
	980 030	367 906

The receivables above represent taxes owed by clients at the close of business on 30 June 2007 and exclude any credit balances, which are disclosed separately in Note 24. Included in current amounts are matters totalling \$468.9 million that are under objection or appeal.

Current and Instalment Amounts

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

	Current		Instalments		Total	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	582 439	64 105		-	582 439	64 105
Pay-roll tax	36 527	32 416		-	36 527	32 416
Land tax	186 191	117 543	14 341	13 649	200 532	131 192
Parking space levy	8 411	6 682		-	8 411	6 682
Accommodation levy	23	23		-	23	23
Club gaming devices	163	169		-	163	169
Hotel gaming devices	880	567		-	880	567
Insurance protection tax	-	159		-	-	159
	814 634	221 664	14 341	13 649	828 975	235 313

Overdue Amounts

	Less than 30 days		31 - 90 days		Greater than 90 days		Total		Allowance for impairment		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Duties	1 097	1 103	2 655	880	9 384	6 576	13 136	8 559	(2 671)	(2 090)	10 465	6 469
First home purchase	-	-	-	-	-	107	-	107	-	(46)	-	61
Pay-roll tax	2 902	5 216	6 577	6 413	43 521	30 816	53 000	42 445	(18 466)	(17 725)	34 534	24 720
Land tax	11 715	9 172	10 737	20 556	81 483	66 894	103 935	96 622	(1865)	(1 464)	102 070	95 158
Parking space levy	43	130	177	64	2 001	1 600	2 221	1 794	(206)	(137)	2 015	1 657
Club gaming devices	301	2 302	-	-	51	397	352	2 699	-	-	352	2 699
Hotel gaming devices	-	-	228	262	1 391	1 505	1 619	1 767	-	-	1 619	1 767
Insurance protection tax	-	62	-	-	-	-	-	62	-	-	-	62
	16 058	17 985	20 374	28 175	137 831	107 895	174 263	154 055	(23 208)	(21 462)	151 055	132 593

New South Wales Treasury

Collectability 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 debtors (SDRO)

	2007 \$'000	2006 \$'000
Opening balance	790 841	723 510
Movement	64 314	67 331
	855 155	790 841
Application of AAS29 (i)	617 209	571 809
	237 946	219 032

(i) Debts that do not meet the asset recognition criteria.

An amount of \$0.5 million (2005-06 \$1.0 million) being repaid by referring agencies to the SDRO is not included in the debtors reported above.

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

Source	Pre 2005 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	Total \$'000	AAS29 \$'000	Net \$'000
Current (i)							
IPB	217 469	74 804	57 710	82 471	432 454	249 856	182 598
Court	150 536	33 964	37 414	37 230	259 144	216 087	43 057
State electoral office	5 357	6 239	184	530	12 310	7 238	5 072
Sheriff's office	8 934	2 318	2 427	4 248	17 927	16 794	1 133
Other	14 827	3 537	10 814	4 047	33 225	28 568	4 657
	397 123	120 862	108 549	128 526	755 060	518 543	236 517
Historical (ii)							
Warrant Index Unit (WIU)	52 870	21	38	375	53 304	51 876	1 428
Road and Traffic Authority (RTA)	45 682	33	19	1 057	46 791	46 790	1
	98 552	54	57	1 432	100 095	98 666	1 429
Total historical and current fines	495 675	120 916	108 606	129 958	855 155	617 209	237 946
RTA sanction costs (iii)	5 149	1 320	1 031	1 492	8 992	-	8 992
Total owing	500 824	122 236	109 637	131 450	864 147	617 209	246 938

(i) Current fines are those referred to SDRO following its establishment in 1998.

(ii) Historical fines are those that were referred to the SDRO on its establishment from the WIU and the RTA. Amounts are owing in each of the years as they have been enforced over a period of time.

(iii) RTA sanction costs reported above are paid to the RTA when collected.

24. ADMINISTERED LIABILITIES

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

	2007	2006
	\$'000	\$'000
Duties	5 138	6 280
Pay-roll tax	5 061	13 708
Land tax	8 791	13 947
Parking space levy	53	677
Tax equivalents	-	40
Club gaming devices	1	3
Hotel gaming devices	16	4
Totalizator tax on and off course totes	4	-
Insurance protection tax	1	1
Fines	38	57
	19 103	34 717

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Duties in particular carry the credit against debtors until such time as the assessment is finalised. Similarly, a credit exists for a pay-roll tax client where an assessment needs to be completed. 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 REVENUE – DEBTS WRITTEN OFF/REMISSIONS

(a) Debts written off

	2007			2006		
	Tax/Fines	Penalties/	Total	Tax/Fines	Penalties/	Total
	\$'000	Interest	\$'000	\$'000	Interest	\$'000
		\$'000			\$'000	
Duties	1 051	301	1 352	2 058	1 575	3 633
Parking space levy	2	2	4	-	6	6
Pay-roll tax	6 967	3 746	10 713	14 161	5 572	19 733
Land tax	1 079	262	1 341	592	150	742
Club gaming devices	272	83	355	212	70	282
Hotel gaming devices	35	15	50	268	94	362
	9 406	4 409	13 815	17 291	7 467	24 758

A debt is only considered irrecoverable where it is deemed to be 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.

New South Wales Treasury

(b) Remissions

In accordance with the Taxation Administration Act 1996 administered by OSR, 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:

	2007			2006		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	110	1 782	1 892	129	4 287	4 416
Parking space levy	7	1 924	1 931	16	1 322	1 338
Pay-roll tax	502	5 930	6 432	383	3 965	4 348
Land tax	-	11 818	11 818	49	14 442	14 491
Health insurance levies	-	448	448	-	187	187
Club gaming devices	-	11	11	-	17	17
Hotel gaming devices	-	17	17	-	17	17
Fixed odds sports betting	-	-	-	-	1	1
Totalizator tax on and off course totes	-	6	6	-	14	14
	619	21 936	22 555	577	24 252	24 829

Business rules governing the imposition of interest and penalty allow them to be remitted in part or full if the client can provide a satisfactory explanation for the default. Land tax remission reversals of \$4 000 related to prior years have not been included.

26. ADMINISTERED EXPENSES – OTHER

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

	2007 \$'000	2006 \$'000
Act of Grace payments	7 413	5 458
Petroleum subsidies (i)	40 931	40 356
Court imposed interest payments	1 114	756
Unclaimed money refund - S14 <i>Public Finance and Audit Act</i>	89	163
Bad debts expense	15 561	18 022
Land tax discounts (ii)	15 996	13 811
GST rebate - Clubs (iii)	19 267	19 393
	100 371	97 959

(i) Petroleum subsidies

Petroleum subsidies are paid to petroleum distributors to enable retailers located in northern NSW to compete with Queensland retailers who are provided an excise subsidy by the Queensland Government.

(ii) Land tax discounts

A 1.5 per cent discount is offered to land tax clients for full payment of their liability by the first instalment date.

(iii) GST rebate – Clubs

The GST rebate is paid to clubs to compensate for the impact of the GST and commenced during 2004-2005. It is based on gaming profits and is paid quarterly. The comparative for 2006 has been adjusted down \$12.05 million due to a posting error in 2006.

New South Wales Treasury

27. ADMINISTERED REVENUE - CONSOLIDATED FUND

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

	Actual 2007 \$'000	Budget 2007 \$'000	Actual 2006 \$'000
(a) Revenue earned			
Taxes, penalties and interest			
Duties (ii) (iv)	5 952 131	4 992 300	4 830 627
First home purchase scheme	1	-	10
Total duties	5 952 132	4 992 300	4 830 637
Parking space levy (ii)	52 004	45 000	46 573
Pay-roll tax (i) (ii)	6 440 454	6 198 000	5 912 456
Land tax (i) (ii)	2 065 665	1 795 000	1 748 111
Health insurance levy (ii)	119 665	111 000	108 023
Insurance protection tax	67 160	68 750	67 867
Gaming and racing			
Keno tax	7 668	8 000	7 603
Totalizator tax on and off course totes (ii)	147 022	155 900	145 541
Fixed odds sports betting (ii)	5 822	3 793	3 913
Fixed odds racing betting	414	206	298
Footy TAB	724	756	757
Club gaming devices (ii)	661 056	655 000	569 089
Hotel gaming devices (ii)	446 881	454 000	416 677
Total gaming and racing	1 269 587	1 277 655	1 143 878
Total taxes, penalties and interest	15 966 667	14 487 705	13 857 545
Fines			
Infringement Processing			
Traffic	84 963	73 821	79 244
Parking	10 041	6 218	14 756
Red light camera	9 670	8 000	10 385
Speed camera	32 334	45 962	30 930
Other revenue	5 730	-	2 166
	142 738	134 001	137 481
Debt Recovery			
Motor traffic (iii)	69 615	43 700	84 970
Other	1 258	800	945
Local courts	5 782	7 300	5 972
Enforcement	24 464	24 400	25 827
Electoral	408	800	495
	101 527	77 000	118 209
Total fines	244 265	211 001	255 690
Total taxes, fines, penalties and interest	16 210 932	14 698 706	14 113 235
Other			
Tax equivalents	605 623	548 000	439 079
Unclaimed money	11 344	12 345	11 454
Other revenue	1 349	-	1 632
Total other	618 316	560 345	452 165
Total revenue earned	16 829 248	15 259 051	14 565 400

- (i) The budget for payroll tax and land tax include elimination estimates for public sector agencies of \$760 million and \$2 million respectively.

New South Wales Treasury

(ii) Included in the revenue earned figures are interest and penalties amounting to:

	2007	2006
	\$'000	\$'000
Duties (iv)	191 694	8 943
Parking space levy	3 533	1 950
Pay-roll tax	31 395	22 545
Land tax	31 528	29 976
Health insurance levy	746	250
Totalizator tax on and off course totes	6	14
Fixed odds sports betting	-	1
Club gaming devices	119	138
Hotel gaming devices	447	340
	259 468	64 157

(iii) An amount of \$18.9million (2005-2006 \$39.7 million) has been recognised in motor traffic fine revenue that relates to the increase in recoverable fines for the current year (refer to Note 23 (b)).

(iv) Amounts totalling \$423.7 million (\$258.9 million duty and \$164.8 million interest) recognised in duties are under objection.

New South Wales Treasury

	Actual 2007 \$'000	Actual 2006 \$'000
(b) Revenue collected		
Taxes, penalties and interest		
Duties	5 424 915	4 843 785
First home purchase scheme	28	49
Total duties	5 424 943	4 843 834
Parking space levy	47 767	45 033
Pay-roll tax	6 399 998	5 888 341
Land tax	1 954 704	1 752 183
Health insurance levy	119 218	107 836
Insurance protection tax	67 381	67 647
Gaming and racing		
Keno tax	7 668	7 603
Totalizator tax on and off course totes	147 021	145 527
Fixed odds sports betting	5 822	3 912
Fixed odds racing betting	414	298
Footy TAB	724	757
Club gaming devices	663 041	567 484
Hotel gaming devices	446 660	416 740
Total gaming and racing	1 271 350	1 142 321
Total taxes, penalties and interest	15 285 361	13 847 195
Fines		
Infringement Processing		
Traffic	84 963	79 244
Parking	10 041	14 756
Red light camera	9 670	10 385
Speed camera	32 334	30 930
Other revenue	5 730	2 166
	142 738	137 481
Debt Recovery		
Motor traffic	50 700	45 260
Other	1 258	945
Local courts	5 782	5 972
Enforcement	24 464	25 827
Electoral	408	495
	82 612	78 499
Total fines	225 350	215 980
Total taxes, fines, penalties and interest	15 510 711	14 063 175
Other		
Tax equivalents	605 582	435 461
Unclaimed money	11 344	11 454
Other revenue	1 349	1 632
Total other	618 275	448 547
Total revenue collected	16 128 986	14 511 722

28. ADMINISTERED CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are currently 135 matters where the Crown Solicitor is acting on behalf of the department. The estimate of settlement is unspecified in each case.

End of Audited Financial Statements

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Occupational Health & Safety

	2005	2006	2007
reported workplace incidents	9	14	9
OH&S assessments conducted	8	5	10

OFM's Occupational Health and Safety (OH&S) Committee undertook four days of committee training during the year to improve its effectiveness. The training was highly practical and included exercises to identify and remove risks from the workplace.

As part of the training, a workplace inspection of OFM's GMT premises was undertaken. A number of low level risks were identified and subsequently addressed.

A review of incidents indicated that, although the frequency of incidents was relatively low, posture injury was the most prevalent. An active program of workplace assessments is in place to manage these incidents.

OFM continues to take preventative measures to avoid workplace illness and injury. As a preventative measure, all staff were offered free flu shots prior to the high flu season. The manual processes relating to the delivery of the State Budget papers were again reviewed to ensure that necessary equipment and procedures are in place.

Ethnic Affairs Priorities Statement

OFM is a policy based organisation providing advice to the Government and interacting with other government agencies. It does not provide any services directly to the ethnic community.

In undertaking its activities, OFM supports the objectives of service provision agencies and has regard for the particular needs of the ethnic community when advised by those agencies.

OFM is not a party to any current ethnic affairs agreements.

Disability Strategic Plan

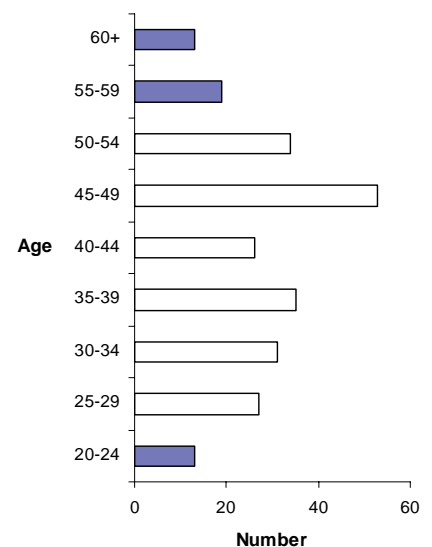
OFM's Disability Strategic Plan ensures that the needs of people with disabilities are taken into account in the way we go about our business.

OFM's main direct interaction with the community is via its website, which provides information about the State's finances including the Budget Papers and policy and research papers. The website caters for broad accessibility requirements. It is plainly designed with limited use of images and is easy to navigate. It complies to level 2 of the W3C standards.

During the year, a major project was undertaken to implement a new content management system for the website. The project is due for completion in early 2007-08 and will continue to provide broad access and easy use.

All offices occupied by Treasury continue to provide access and amenities to visitors with disabilities.

OFM Staff Age Profile



Equal Employment Opportunity

Achievements during the year

OFM instigated the NSW Indigenous Cadetship Program which provides financial assistance, work experience and ultimately employment for Aboriginal people currently enrolled in university. Recruitment action commenced for 2007-08 and OFM is committed to increasing Aboriginal staff numbers within the organisation.

Flexible work practices continued to be promoted and offered to all staff, including senior staff. A few Directors were able to avail themselves of job share arrangements and long term paternity leave. Flexible work options continued to assist and provide incentive for participation, particularly for women.

OFM continued to take part in the Lucy mentoring program. For a week in July 2006, senior managers mentored four young women from non-traditional education backgrounds. OFM is playing a lead role in the program and in December participated in an information day for six Lucy students from Sydney and Western Sydney Universities.

Officers in lower salary levels were targeted for developmental training. 14 administrative staff, mostly women, completed the Certificate IV course to increase their employability in the NSW Public Sector.

Strategies for 2007-08

OFM's Aboriginal employment strategy will continue to focus on the NSW Indigenous Cadet Program - job support within the program will be extended and mentoring and tutoring assistance will be provided as required.

OFM will continue to play a lead role in the Lucy Mentoring Program. We will participate in forums for participants outside OFM and encourage suitable candidates to apply for the OFM Graduate program.

OFM will continue to provide innovative work arrangements to allow broad participation and a balance between work, family and other outside activities. Enhanced opportunities for part time work are available, and structured use of casual work provisions allows variable hours of work within agreed parameters.

To assist work management flexibility, options for broader remote access to in house systems will be explored.

Certificate IV training will continue to be offered to administrative staff.

trends in the representation of EEO groups

EEO group	benchmark or target	2002	2003	2004	2005	2006	2007
women	50%	44%	45%	43%	43%	43%	44%
Aboriginal people and Torres Strait Islanders	2%	na	0%	0%	0.5%	0%	0%
people whose first language was not English	20%	17%	17%	15%	15%	16%	16%
people with a disability	12%	2%	2%	2%	2%	2%	2%
people with a disability requiring work-related adjustment	7%	na	1%	0.5%	0.5%	0.4%	0.8%

trends in the distribution of EEO groups

EEO group	benchmark or target	2002	2003	2004	2005	2005	2007
women	100	83	83	87	88	88	82
Aboriginal people and Torres Strait Islanders	100	na	0	0	na	na	na
people whose first language was not English	100	87	88	90	89	87	90
people with a disability	100	na	na	na	na	na	na
people with a disability requiring work-related adjustment	100	na	na	na	na	na	na

- The statistics are based on staff numbers as at 30 June, excluding casual staff.
- A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equal to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.
- The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Action Plan for Women

The Action Plan for Women seeks improved outcomes for women. It focuses on

- reducing violence,
- promoting safe and equitable workplaces,
- maximising interest in economic reforms,
- promoting the position of women in society,
- improving access for education, and
- improving health and quality of life.

Direct service agencies develop and implement strategies and programs to benefit women in the community. Treasury takes these objectives into account when advising on resource allocation.

More directly, Treasury continues to be a major contributor to the Lucy Mentoring Program, which provides female university students from non traditional educational backgrounds with access and exposure to women in senior business roles. During 2006-07, OFM Directors mentored four Lucy participants.

Privacy Management Plan

OFM's privacy management plan complies with the *NSW Privacy and Personal Information Protection Act, 1998*. It outlines:

- policy and practices;
- details of information held; and
- review procedures.

No privacy codes of practice were published and no specific exemptions were sought by OFM during 2006-07.

OFM is a policy based organisation and generally does not access personal information in the course of its business dealings. OFM's access to personal information is limited to its role in overseeing the operation of the Treasury Managed Fund.

requests	2005	2006	2007
received for review	1*	0	0
finalised	1	0	0
carried forward	0	0	0

* related to TMF activities, now reported separately.

OFM Expenditure on Consultants during 2006-07 costing \$30,000 or more

Finance & Accounting/Tax	Project	Amount (ex. GST)
▪ Crown Finance Entity (for Deloitte Touche Tohmatsu)	Risk management framework for Crown liability and asset portfolios	\$60,000
▪ Crown Finance Entity (for Ernst & Young)	Review of NSW Crown Entity financial statements for year to 30 June 2007	\$45,455
▪ Crown Finance Entity (for Pricewaterhouse Coopers)	Peer review of 2006 triennial valuation of State Superannuation Schemes	\$44,388
▪ KPMG Corporate Finance (Aust) Pty Ltd	Investigation of potential privately financed projects - school redevelopments in brownfield sites	\$75,000
▪ NSW Treasury Corporation	Financial advisory services for privately financed project procurement – Orange Health and associated projects	\$49,500
▪ RailCorp (for Radbourne Associates)	Independent value engineering review of proposed rollingstock private public partnership arrangement (OFM contribution)	\$39,165
▪ IPART (for Centre of International Economics and Farrier Swier)	Stage 1 of water access pricing (OFM contribution)	\$276,210
Information Technology		
▪ Department of Education and Training (for Affinix Inc)	Development of privately financed project – New Schools 1 and 2 (OFM contribution)	\$53,453
▪ Department of Transport (for Affinix Inc)	Development of privately financed project – Ultimo Pyrmont light rail (OFM contribution)	\$54,553
	Sub Total:	\$697,724
Expenditure on Consultants costing less than \$30,000		
Finance and Accounting/Tax	6 projects totalling	\$70,057
Information Technology	5 projects totalling	\$37,292
Management Services	1 project totalling	\$12,000
Legal	3 projects totalling	\$29,554
	Sub Total:	\$148,903
Total cost of OFM consultancies		\$846,627

Major Assets Acquired in 2006-07

Hardware:	\$'000
▪ Personal Computing (desktop and laptop)	162
▪ Other Computer Equipment	43
Total Hardware	205
▪ Intangible Software	65
▪ Office Equipment	58
▪ Office Furniture	0
▪ Leasehold Improvement	0
Total Major Assets	328

Accounts Payable Performance

OFM contracts the Central Corporate Services Unit (CCSU) of the Department of Commerce to provide financial transaction services.

The service level agreement provides for CCSU to process the payment of OFM accounts after they have been verified and approved for payment by delegated OFM officers.

The following table reports on the total time taken by OFM and CCSU officers to administer payments.

Credit Card Certification

An updated Credit Card Policy and Procedures Statement issued to OFM staff in April 2007. It outlines requirements for the issue, use and administration of cards. Its rules are consistent with Government policy as outlined in Treasurer's Directions and Treasury Circulars. Staff can access the Statement from OFM's intranet.

In accordance with Treasurer's Direction 205.01, it is certified that credit card usage by officers of OFM has been in line with Government requirements.

Reporting on Payment of Accounts

Outstanding invoices by age at the end of each quarter	Current (ie within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September 2006	27,455	0	0	0	0
December 2006	301,172	0	0	0	0
March 2007	365,534	0	0	0	0
June 2007	1,435	0	0	0	0

Accounts paid on time during each quarter	Total Accounts Paid on Time			Total Amount Paid \$
	Target %	Actual %		
		By Number	By Value	\$
September 2006	88	88	97	3,528,246
December 2006	88	96	97	3,238,176
March 2007	88	92	96	3,620,441
June 2007	88	91	96	4,462,650

During 2006-07 there were no instances where penalty interest was paid under section 18 of the Public Finance and Audit (General) Regulation 1995.

There were no significant events that affected payment performance.

Taiwan

Richard Cox, Director, Economic Strategy, Economic and Fiscal Directorate, attended the *International Symposium of Local Finance* in Taipei, Taiwan from 16 to 21 October 2006.

Mr Cox attended the Symposium at the invitation of the Taipei Economic & Cultural Office which also covered all associated costs including airfares for the trip.

Mr Cox participated in discussion sessions covering state and local government financial and economic issues. Many international participants attended the conference which provided an opportunity for the exchange of ideas and expertise.

United Kingdom and Northern Europe

The Secretary, John Pierce travelled to the United Kingdom and Northern Europe from 11 to 23 September 2006 to meet with existing and potential institutional investors and intermediaries dealing in TCorp Bonds. Mr Pierce is Chairman of TCorp.

Mr Pierce visited Zurich, Stockholm, Oslo, London, Toronto and Montreal. He met with investors and intermediaries to update them on NSW and TCorp's future issuance plans.

TCorp sources approximately 50% of its funding from offshore investors. All borrowers regularly roadshow and TCorp aims to meet with European and London based investors and intermediaries at least annually. Recent regulatory changes also free up Canadian investors to buy bonds issued by non-Canadian borrowers creating a potentially significant investor base. The value of maintaining a well diversified investor base flows directly into a lower average cost of funds for NSW.

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

New Zealand

Sue Power, Director, Property and Venues Branch, travelled to New Zealand from 29 November to 3 December 2006 to attend the final compulsory subject of the Australian and New Zealand School of Government's (ANZSOG) Executive Master of Public Administration (EMPA) program.

The EMPA program is a multi-jurisdictional course with subjects taught in each of the jurisdictions. The final compulsory subject meeting for the 2005 cohort students was held in Wellington. OFM covered the cost of one night's accommodation and travel to and from the airport. Other expenses were covered by Ms Power or ANZSOG.

Joshua Shrubbs, Principal Advisor, Natural Resources and Environment Branch, travelled to New Zealand from 11 to 16 February 2007 to attend a compulsory core subject of the EMPA program. OFM covered the cost of one night's accommodation and travel to and from the airport. Other expenses were covered by Mr Shrubbs or ANZSOG.

United Kingdom and Germany

Steve Hunt, Director, Self Insurance travelled to London and Hanover, Germany from 4 to 19 May 2007. In London, one of the world's leading financial centres, Mr Hunt met with major international reinsurers before travelling to Hanover where a large portion of business is written by German based Hanover Re.

Mr Hunt is responsible for overseeing the contestable self-insurance arrangements for the NSW Government. Reinsurance purchase represents a large transaction and direct client contact can influence the reinsurer in their considerations in providing cover, setting premiums, terms and conditions. It is also important to emphasize to reinsurers that the NSW TMF remains a good insurance risk.

Mr Hunt included two days private recreation leave at his own expense while travelling home from the trip.

Committees and Boards

Statutory Bodies and Other Corporations	Treasury Officer/s
▪ Australian Statistics Advisory Council	P Horn
▪ Environmental Trust	L Williams
▪ Fines Enforcement and Hardship Review Board	J George
▪ Internal Audit Bureau	I Neale (Chair)
▪ NSW Fire Brigades Superannuation Pty Ltd	P Blunden
▪ NSW Treasury Corporation	J Pierce (Chair), K Cosgriff (Deputy Chair)
▪ Parliamentary Contributory Superannuation Scheme Trustee	J Pierce (Trustee)
▪ Rental Bond Board	B Waddington
▪ State Contracts Control Board	S Chong
▪ State Property Authority Board <i>Established in July 2007 to improve outcomes in the management of property and deliver real savings to the State Budget.</i>	J Pierce (Chair)
▪ Tax Hardship Review Board	J George
Treasury Committees	Treasury Officer/s
▪ Bank Contracts Service Level Review Committee	H Prego, R Bach
▪ Debt Management Committee	M Ronsisvalle (Chair), C Broad, P Horn, M McGrath, N Mehta, A Waddington, J Ripamonti (Secretary)
▪ Financial Asset Management Committee	M Ronsisvalle (Chair), C Broad, P English, P Horn, M McGrath, L Nguyen, A Waddington, J Ripamonti (Secretary)
▪ Fiscal Strategy Executive Committee	K Cosgriff (Chair), J Pierce, M Ronsisvalle, M Schur, P Mussared, I Neale, C Broad, B Freeland, M Pellowe, P Horn, G Bullivant (Secretary)
▪ HR Executive Sub Committee	R Williams (Chair), I Neale, B Cheney, E Dewar, P Horn, K Lawrence-Haynes, M Pellowe, S Power, I Rosenbaum, D Quinn, A Lester (Secretary),
▪ OFM Audit Risk Committee	I Neale (Chair), M Ronsisvalle, M Schur, P Mussared, R Williams, P Blunden, C Broad, D Graham, M Pellowe, M Roberts, S Lobo (Secretary)
▪ OFM Executive Board	J Pierce (Chair), K Cosgriff, M Ronsisvalle, M Schur, P Mussared, I Neale, R Williams, G Bullivant (Secretary)
▪ OFM IT Steering Committee	R Williams (Chair), M Ronsisvalle, A Austin, C Broad, J Camage, P Horn, K Lawrence-Haynes, M Pellowe, S Power, L Steven, M Toohey, E Bishop (Secretary)
▪ OFM Planning Coordination Committee	D Quinn (Chair), M Schur, G Bullivant, J-L Charlier, M Di Francesco, H Harmstorf, P Horn, K Lawrence-Haynes, Z Lejins, S Power, B Waddington, R Williams
▪ Role of the Treasury Analysts (ROTA) Steering Committee	R Stanmore (Chair), M Ronsisvalle, P Mussared, M Di Francesco, K Lawrence-Hayes, Z Lejins, A Megaloconomos, M Pellowe, L Powrie, N Sanjeeva, J Shrubb, L Williams, R Williams
▪ Suncorp Treasury Risk Management Capability Project <i>Established in April 2007 to develop and improve the risk management capabilities of Treasury analysts.</i>	M Di Francesco (Chair), L Cueno, D Hogan, R Edwards, S Hunt, K Lawrence-Haynes, R Williams, R Sondalini
▪ Treasury Managed Fund (TMF) Service Level Steering Committee	B Cole, C Smith
▪ Treasury (OFM and OSR) Consultative Committee	R Williams
▪ Web Users Group	L Steven (Chair), A Lester, C Mather, A Robertson, R Sondalini, P Ang (Secretary),

* Committee membership is as at 30 June 2007

Committees and Boards

Non Treasury Committees	Treasury Officer/s
▪ Aboriginal Affairs Chief Executive Officers Group	P Mussared
▪ ABS Economic Statistics User Group	P Horn
▪ Access Regulation Working Group (Water)	M Roberts
▪ Australian Accounting Standards Board, Interpretations Advisory Panel on Service Concession Arrangements <i>Established in December 2006 to recommend to the Board accounting for service concession arrangements</i>	R G Williams
▪ Australian Procurement and Construction Council Leadership Group	S Brady
▪ Bathurst-Orange Hospital PPP Steering Committee <i>Established in July 2006 to oversight the PFP procurement of the new Orange hospital and mental health facilities.</i>	D Graham
▪ Better Regulation CEOs Reference Group	R Cox
▪ Broadband Contract Management Committee	M Toohey
▪ Cabramatta Senior Officers Coordinating Committee on Drugs	L Cueno
▪ Cost and Quality of Government Internal Audit Review Steering Committee <i>Established in February 2007 to review the internal audit capacity across the NSW public sector.</i>	R Williams
▪ CCSU Client Advisory Board	R Williams
▪ CCSU Information Technology Steering Committee	R Williams
▪ CCSU Internal Audit Committee	D Quinn
▪ CEO Counter Terrorism Coordinating Committee	P Mussared
▪ Channels and Access Strategy Senior Officers Working Group	M Toohey
▪ Chief Executives Committee	J Pierce
▪ Chief Information Officers Executive Council and associated working groups <i>Working groups were established from July 2006 to set direction and advise on ICT initiatives to reduce cost, improve service delivery and advance the NSW Government's ICT agenda.</i>	M Toohey
▪ COAG Best Practice Regulation Sub-Group	M Roberts
▪ COAG Competition and Regulation Working Group	K Cosgriff, P Mussared, M Roberts
▪ COAG Climate Change Group	R Sayers
▪ COAG Human Capital Working Group	P Mussared, R Cox
▪ COAG Human Capital Stream Literacy and Numeracy Sub-Group	R Stanmore, M Canny
▪ COAG Infrastructure Regulation Sub-Group	M Roberts
▪ COAG 5-year Infrastructure Report Sub-Group	M Roberts
▪ Construction Agency Coordination Committee	S Chong
▪ Construction Procurement Reference Group	S Chong
▪ Co-operative Housing Societies Standards Committee	B Leary
▪ Desalination Project Control Group	D Graham, R Edwards
▪ General Government Liability Management Fund Committee	J Pierce (Chair), M Ronsisvalle, J Ripamonti (Secretary)
▪ Government Asset Management Committee	M Schur, C Campbell, N D'Souza (Secretary)

Committees and Boards

Non Treasury Committees	Treasury Officer/s
<ul style="list-style-type: none"> ▪ Government Asset Management Committee – Property Disposal Assessment Panel 	C Campbell (Chair), L Courtney, N D'Souza (Secretary)
<ul style="list-style-type: none"> ▪ Government Asset Management Committee - Senior Officers Sub-Committee 	C Campbell (Chair), A Megaloconomos, N D'Souza (Secretary)
<ul style="list-style-type: none"> ▪ Government Licensing Project Steering Committee 	M Toohey
<ul style="list-style-type: none"> ▪ Government Telecommunications Agreements CMC <i>Established in 2007 to build an integrated government communications environment to provide for the rapid and robust transmission of information while reducing the total cost of telecommunications</i> 	M Toohey
<ul style="list-style-type: none"> ▪ Government Wireless Senior Officers Steering Committee 	P Blunden
<ul style="list-style-type: none"> ▪ GST Administration Sub-Committee 	K Cosgriff
<ul style="list-style-type: none"> ▪ GST State and Territory Industry Partnership Group 	J George
<ul style="list-style-type: none"> ▪ GST State and Territory Policy Group 	J George
<ul style="list-style-type: none"> ▪ Heads of Treasuries Committee 	J Pierce
<ul style="list-style-type: none"> ▪ Heads of Treasuries Sub Committee of Deputies 	K Cosgriff
<ul style="list-style-type: none"> ▪ Heads of Treasuries Accounting and Reporting Advisory Committee 	M Ronsisvalle
<ul style="list-style-type: none"> ▪ Heads of Treasuries Budget and Financial Framework Advisory Committee 	M Ronsisvalle, M Di Francesco
<ul style="list-style-type: none"> ▪ Heads of Treasuries Payroll Tax Administration Harmonisation Steering Committee: 	B Freeland
<ul style="list-style-type: none"> ▪ Heads of Treasuries Specific Purpose Payments Working Group 	B Freeland
<ul style="list-style-type: none"> ▪ Heads of Treasuries Uniform Presentation Framework Sub Committee 	I Rosenbaum
<ul style="list-style-type: none"> ▪ Human Capital Chief Executive Officers Committee 	P Mussared/R Cox
<ul style="list-style-type: none"> ▪ Human Services Chief Executive Officers 	P Mussared
<ul style="list-style-type: none"> ▪ Human Services Senior Officers Group 	R Sondalini
<ul style="list-style-type: none"> ▪ Hunter Estuary Issues Steering Committee 	S Power
<ul style="list-style-type: none"> ▪ Industrial Relations Steering Committee 	P Horn
<ul style="list-style-type: none"> ▪ Interagency Group – Industry Structure (Water) 	R Edwards, P Miller, M Roberts
<ul style="list-style-type: none"> ▪ Interagency Standing Committee on Disability <i>Established in July 2006 to facilitate a coordinated approach for decision making by agencies in relation to disability services</i> 	N Sanjeeva
<ul style="list-style-type: none"> ▪ Lane Cove Tunnel Review Panel 	D Graham
<ul style="list-style-type: none"> ▪ Limitation of Council Rate Increases-Committee of Advice 	B Freeland
<ul style="list-style-type: none"> ▪ Long Bay Prison/Forensic Hospital Steering Committee 	D Graham
<ul style="list-style-type: none"> ▪ Lucy Mentoring Program Steering Committee <i>Established December 2006 to guide the ongoing development, management and implementation of the Lucy Program and transition the program from the NSW public sector to partnering Universities.</i> 	R Williams
<ul style="list-style-type: none"> ▪ Mental Health Services Officers Group 	J Shrubbs
<ul style="list-style-type: none"> ▪ Metropolitan Water Chief Executive Officers Committee 	I Neale, E Dewar
<ul style="list-style-type: none"> ▪ Metro CEOs Committee 	M Schur, E Dewar
<ul style="list-style-type: none"> ▪ Ministerial Council on Energy-Standing Committee of Officials 	K Cosgriff

Committees and Boards

Non Treasury Committees	Treasury Officer/s
▪ Ministerial Council on Energy-Standing Committee of Officials Energy Reform Working Group	G Higham, P Hoogland, A Kriketos, M Openshaw, N Tully
▪ National Emissions Trading Taskforce	R Cox, M Kaspura
▪ National PPP Forum - Inter-Jurisdictional Working Group	D Graham
▪ Natural Disaster Mitigation Program Committee	P Blunden
▪ NDRA Commonwealth State Working Group	P Blunden
▪ Newcastle Mater Hospital PPP Steering Committee	D Graham
▪ NSW Government Procurement Senior Officers Committee	S Brady, S Chong
▪ NSW Infrastructure Council.	J Pierce
▪ NSW Public Sector Accountancy Skills Shortage Strategy Group <i>Established in April 2007 to assist agencies address the skill shortage of accountants in the public sector</i>	R Williams (Chair)
▪ NSW Senior Officers Interagency Greenhouse Network	M Kaspura
▪ NSW Statistical Co-ordination and User Forum	P Horn
▪ Office of the Protective Commission Investment Advisory Committee	M McGrath
▪ Personal Computer Contract Management Committee	M Toohey
▪ Police MRP Core Policing Committee (formerly called Police Mainframe Replacement Steering Committee)	M Toohey
▪ Police Property Steering Committee	M Schur, C Campbell
▪ Police Strategic Partnership Board	M Schur, C Campbell
▪ Population Projection Group	D Maynard
▪ Preschool Investment and Reform Program <i>Established in July 2006 to implement the Preschool Investment and Reform Plan.</i>	R Bishop
▪ Public Sector Committee, CPA Australia	I Neale
▪ RailCorp Rollingstock PPP Control Group	M Ronsisvalle, M Schur, D Graham
▪ Rail Reform Steering Committee	J Pierce, M Ronsisvalle
▪ Royal North Shore Hospital PPP Steering Committee <i>Established in July 2006 to oversight the PFP procurement of the new hospital at Royal North Shore.</i>	M Schur, D Graham
▪ Small Business Regulation Review Taskforce	R Cox
▪ Social Housing PFP Steering Committee	D Graham
▪ State Contracts Control Board Agency accreditation Scheme Reference Group	S Chong
▪ State Emergency Management Committee	P Blunden
▪ State Fleet Advisory Board	M Clark-Lewis
▪ Steering Committee for the Review of Government Service Provision	M Ronsisvalle
▪ Steering Committee of Review of Starr-Bowkett and CHS Act	B Leary
▪ TIE and MRP Executive Oversight Group (formerly called Police Executive Officers Group)	M Toohey
▪ Treasury Managed Fund – Advisory Board	P English, S Hunt

Committees and Boards

Statutory Bodies/Committees abolished in 2006-07	Treasury Officer/s
▪ ARTC Financial Working Group	M Ronsisvalle, Z Lejins
▪ ARTC Interagency Working Group	M Ronsisvalle, Z Lejins
▪ Asset Maintenance Taskforce (Department of Education and Training)	K Cosgriff
▪ Australian Accounting Standards Board, Urgent Issues Group	R G Williams
▪ Broadband Contract Working Group, Evaluation Teams, Financial and Risk Working Groups	M Toohey
▪ Chatswood Transport Interchange PFP Steering Committee	D Graham
▪ Council on the Cost and Quality of Government	J Pierce
▪ Crown Property Portfolio Steering Committee	S Power, C Campbell
▪ Cumberland Plain Draft Recovery Plan Committee	E Sondalini
▪ DADHC Strategic Financial Management Committee	M Ronsisvalle, P Mussared, K Lawrence-Haynes, R Sondalini
▪ DET Telecommunications Project Management Group	M Toohey
▪ Government Asset Management Committee – TAM Reference Group	M Rodanska, B Johnson, A Megaloconomos
▪ Heads of Treasuries Insurance Issues Working Group	I Neale (Chair), S Hunt
▪ Integrated Ticketing Steering Committee	M Ronsisvalle, D Graham
▪ Minerals Consultative Committee	R Sayers
▪ Mobile Carriers Forum Working Group	M Toohey
▪ Newcastle Multi Purpose Terminal Steering Committee	D Graham
▪ NSW Reference Group on Emissions Trading (renamed National Emissions Trading Taskforce)	R Edwards, M McGrath
▪ Photocopier and Imaging Steering Committee	M Toohey
▪ Planning Reform Reference Group	L Dewar
▪ Project Management Improvement Steering Committee	M Toohey
▪ Public Sector Financial Reporting Harmonisation Working Group	I Rosenbaum
▪ Reconnect Computer Reuse Program Steering Committee	M Toohey
▪ SAP Integrated Steering Committee-Businesslink	M Toohey
▪ School Student Transport Scheme Policy Coordination Committee	M Ronsisvalle
▪ State Transport Property Committee	M Ronsisvalle
▪ Strategic Capital Reform Steering Committees	M Ronsisvalle, K Cosgriff, P Horn
▪ Transport Co-ordination Committee	M Ronsisvalle
▪ Transport NSW CSO Consultative Committee	M Ronsisvalle
▪ Treasury Managed Fund Data Warehouse Steering Committee	M Toohey
▪ ViCCU Research and Assessment Reference Group	M Toohey
▪ Water Chief Executive Officers Committee	E Dewar
▪ Water Consultation Liaison Committee (Snowy Hydro)	B Lathwell
▪ Workcover Scheme Design Steering Committee	I Neale

Energy Management and Performance

During 2006-07, OFM implemented initiatives to reduce energy consumption and achieve a four star rating for its accommodation in Governor Macquarie Tower.

The initiatives built on energy conservation systems already in place and included:

- Moving from twin lamp to single lamp fittings in corridors, and
- Progressively moving from 90W spot lights to 50W spot lights in designated areas.

In addition, additional sensor light options and air conditioning operation were assessed.

Electricity for Governor Macquarie Tower is purchased on the contestable electricity market via the State Contracts Control Board Electricity Contract, with 6% of electricity usage from renewable sources.

OFM continues to be committed to the sustainable energy principles outlined in the Energy Management Plan.

Waste Reduction and Purchasing Policy

OFM's waste reduction and purchasing policy is aimed at sustainability and is consistent with the strategies that apply across the whole government sector.

When possible, OFM uses suppliers registered under the NSW Government Contracts. Sustainability is an important consideration in purchase decisions, particularly where providers can assist with the management of waste and disposal of surplus equipment. OFM's recent chair replacement program included a provision for the purchaser to buy existing chairs to provide recycled parts for its production process.

OFM applies recycling principles in both the purchase and disposal of its major consumable areas of paper stock and printer cartridges. OFM continues to seek opportunities to reduce overall waste. OFM is planning to move to Electronic Document Records Management so records will be stored in soft copy not as paper. This will greatly reduce consumption and waste.

OFM Fuel	Total Energy Consumed (kWh or L)		Total Energy Consumed (GJ)		Annual Cost (\$)		CO2 Emissions (Tonnes)	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Electricity (Black Coal)	639,379	843,466	2,302	3,036	\$60,975	\$84,706	611.1	806.5
Electricity (Green power)	40,811	42,821	147	154	\$5,019	\$5,674	0.0	0.0
Vehicular Fuels:								
Unleaded	na	30,194	na	1,033	na	\$33,117	na	68.2
Premium Unleaded	na	544	na	19	na	\$694	na	1.2
Ethanol blend E10	na	127	na	4	na	\$130	na	0.3
Total Vehicular	36,033	30,865	1,232	1,056	\$36,033	\$33,941	81.3	69.7
TOTAL			3,682	4,246	\$102,027	\$124,321	692.4	876.2

Electricity data for 2006-07 is not comparable with the previous year. Data for 2005-06 was not recorded for one of the floors that OFM occupies. Independent of energy usage, the unit cost of electricity increased by approximately 5.2% in 2006-07.

For 2006-07 vehicular fuel consumption has been broken down to show use of unleaded, premium unleaded and ethanol blended fuels. Overall vehicular fuel consumption in 2006-07 was 16% lower than in 2005-06, while still maintaining the same number of vehicles. The unit cost of total vehicular fuel increased by 4.6% from 2005-06 to 2006-07.

2006-07 Treasury Circulars	Date Issued
NSWTC 06/17 Consequences of New Employment Arrangements – other Taxation, Administrative and Operational Issues	06/07/06
NSWTC 06/18 Changes to Joint Venture Arrangements under the Public Authorities (Financial Arrangements) Act 1987	10/07/06
NSWTC 06/19 Budget Controls – Net Cost of Services	10/07/06
NSWTC 06/20 Capital Expenditure Authorisation Limits	13/07/06
NSWTC 06/21 Annual Reporting Update	23/08/06
NSWTC 06/22 Results and Services Plans (RSPs)	29/08/06
NSWTC 06/23 Information and Communications Technology Capital Investment Process	08/11/06
NSWTC 06/24 Submissions to IPART	08/11/06
NSWTC 06/25 Release of Updated “Working with Government” Guidelines on Privately Financed Projects	18/12/06
NSWTC 06/26 Annual Reports Legislation – Reporting on Payment of Accounts	21/12/06
NSWTC 07/01 GST Treatment of Departmental Staff Seconded to other Agencies	11/04/07
NSWTC 07/02 2006-07 Financial Reporting Requirements for the Consolidated Financial Reports of the State	30/04/07
NSWTC 07/03 Agency Compliance with Goods and Services Tax (GST) and Fringe Benefits Tax (FBT)	17/05/07
NSWTC 07/04 Accounting for Long Service Leave and Annual Leave	22/05/07
NSWTC 07/05 2006-07 Financial Accounting Arrangements for the Crown Entity	29/05/07
NSWTC 07/06 Accounting for Superannuation	27/06/07
NSWTC 07/07 Mandates of Option and Major Policy Decisions Under Australian Accounting Standards	28/06/07
NSWTC 07/08 Crown Financial Guarantees	29/06/07

All NSW Treasury publications, including those issued prior to 2006-07, are published on the OFM Website [www.treasury.nsw.gov.au]

2006-07 NSW Treasury Policy & Guidelines Papers

NSW Treasury Policy & Guidelines Papers (TPPs) outline Government policy and/or NSW Treasury procedures for the direction or guidance of Agencies.

- TPP06-9**
September
2006
- Financial Management Framework:
What You Do and Why - An Agency Guide to Defining Results and Services**
- All Budget Dependent and selected non Budget Dependent General Government agencies must prepare a Results and Services Plan (RSP), as outlined in NSW Treasury Circular (NSWTC 06/22). This paper provides General Government agencies with guidance needed to prepare their RSPs.
- The Guide outlines how agencies can use results logic methodology to explain their agency's business; and help integrate strategic, corporate and financial planning. The Guide is part of a package of supporting material on RSPs developed by OFM to help agencies meet these requirements. It supersedes the previous edition, TPP04-4.
- TPP06-10**
November
2006
- Information and Communications Technology:
Capital Investment Process**
- The requirements outlined in this paper are an extension of the NSW Government's Total Asset Management and procurement policies. They are designed to reduce and better manage the inherent risks in ICT investments.
- The Guide aligns ICT investment planning with TAM planning and the NSW Government ICT Strategic Plan. Requirements for ICT governance and procurement processes, strategic plans, business case development, Gateway reviews and reporting are outlined. The roles of agencies, the Government Chief Information Office and Treasury are explained.
- This Guide applies to all types of ICT investments and to all government departments, statutory authorities, trusts and other government entities. It does not apply to State Owned Corporations although they are encouraged to adopt aspects of the ICT capital investment process that are consistent with their corporate intent.
- TPP07-1**
April 2007
- Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value**
- This Policy provides guidance for valuing physical non-current assets at fair value for general purpose financial reporting, taking into account the unique circumstances of the public sector. It ensures relevant and reliable information for decision making and ensures a consistent approach to asset valuation across the NSW Public Sector.
- The Policy clarifies the meaning of 'fair value' for assets with few or no alternative uses. It provides practical guidance on valuing land and buildings, including specialised and general buildings and investment property; and specialised plant and infrastructure assets and Heritage assets.
- The Policy is consistent with the Australian Equivalents to International Financial Reporting Standards and applies to all NSW public sector entities (including Statutory State Owned Corporations) for financial years ending 30 June 2007. It supersedes the previous edition (TPP 05-03).
- TPP07-2**
June 2007
- Accounting Policy: Accounting for Financial Instruments**
- This Policy provides guidance to NSW public sector agencies for applying AASB 139 *Financial Instruments Recognition and Measurement* and AASB 132 *Financial Instruments Disclosure and Presentation*. Guidance given covers classifying instruments, restrictions on using certain instruments, derivatives and hedge accounting, interest free and low interest loans and financial guarantees.
- The Policy applies to all NSW public sector agencies (including Statutory State Owned Corporations) for financial years beginning on or after 1 January 2006. It supersedes the previous edition (TPP 06-4).
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2006-07 NSW Treasury Research and Information Papers

NSW Treasury Research & Information Papers are aimed at promoting discussion, educating or providing information on research projects undertaken by OFM officers.

TRP06-1
September
2006

Eastern Creek Alternative Waste Treatment Facility Project Post Implementation Review -

This paper reports on the outcome of a Review conducted under the *Working with Government: Guidelines for Privately Financed Projects* (November 2001). Post Implementation Reviews of Privately Financed Projects (PFPs) must be initiated approximately 12 months after the infrastructure commences operations. The Eastern Creek Facility began operating in September 2004. This Post Implementation Review commenced in February 2005.

The Review assesses the processes applied and how the project met the Guidelines, the performance of the facility, and stakeholder feedback. Lessons learnt from such Reviews assist with delivery of future projects, refining existing Guidelines, and developing new policy.

TRP07-1
May 2007

Interstate Comparison of Taxes 2006-07

This paper is produced annually by OFM with the assistance of agencies in NSW and the other States and Territories. Produced after the delivery of State and Territory Budgets, it provides a brief description of each tax to facilitate interstate comparisons.

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; and OFM takes no responsibility for any errors in the information provided.

Treasury Operational Documents

Corporate Plan - Triennial

The Plan outlines OFM's strategic management framework and the values it applies. It is issued every three years following a fundamental planning review. It incorporates the OFM Commitment to Service.

NSW Treasury Annual Report - Annual

Prepared in accordance with the provisions of the Annual Reports (Departments) Act 1985.

Treasury Focus - Periodic

The corporate newsletter of the NSW Treasury - issues via OFM's web site.

State Financial Reports

Report on State Finances

An annual publication outlining government activities and overall financial position of the State Public Sector. The report incorporates the Statement of Budget Result, Outcomes Report and the Consolidated Financial report of the NSW Total State Sector including the NSW Public Accounts.

Monthly Financial Statements

Monthly reports on General Government finances for the year to date, published on OFM's web site.

State Budget Papers

Budget Summary

Sets out in simple graphical form the key elements of the Budget.

Budget Speech BP 1

The printed version of the speech delivered in Parliament by the Treasurer on Budget day. It sets out the Government's budgetary strategy and financial plans.

Budget Statement BP 2

Presents detailed information both on the Budget aggregates (i.e. for the General Government Sector) and on State finances more generally.

Budget Estimates BP 3 (3 volumes)

Contains detailed revenue and expense information on an agency, program and portfolio basis for the General Government Sector. Information is provided on the net cost of providing services for each General Government Budget Dependent agency's programs.

Infrastructure Statement BP 4

Provides detail of the General Government Sector and Public Trading Enterprise Sector plans for infrastructure expenditure. Information is provided on an accrual basis.

Appropriation Bills BP 5

Bills appropriating money required for the recurrent services and capital works and services of Government during the financial year.

State Infrastructure Strategy

The Strategy, issues every second year, setting out the Government's infrastructure plans and priorities for the coming ten years. It links immediate funding with longer term infrastructure planning and identifies the main drivers of infrastructure spending – coastal population growth, increased ageing and the impact of new technology.

The inaugural Strategy issued in May 2006, covering the ten years from 2006-07 to 2015-16. Future biennial editions will monitor progress and take into account new demographic projections and any policy change.

Freedom of Information

There are no major issues to report on OFM's compliance with FOI requirements.

From 2006-07, FOI applications concerning personal information that are processed by SICorp are reported separately in SICorp's own annual report. Data below for 2006-07 excludes this information and is therefore not comparable with that for 2005-06.

New Requests

FOI Requests	Personal		Other		Total	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
New (including transferred in)	203	0	29	20	232	20
Brought forward	0	0	0	1	0	1
Total to be processed	203	0	29	21	232	21
Completed	191	0	26	18	217	18
Transferred out	0	0	1	0	1	0
Withdrawn	0	0	1	1	1	1
Total processed	191	0	28	19	219	19
Unfinished (carried forward)	12	0	1	2	13	2

What happened to completed requests

Result of FOI request	Personal		Other	
	2005-06	2006-07	2005-06	2006-07
Granted in full	165	0	11	11
Granted in part	22	0	5	6
Refused	4	0	9	1
Deferred	0	0	1	0
Completed	191	0	26	18

Ministerial Certificates

	2005-06	2006-07
Ministerial Certificates issued	0	0

Formal Consultations

	2005-06	2006-07
Number of requests requiring formal consultation(s)	3	7

Reviews

	2005-06	2006-07
Number of internal reviews finalised	3	2
Number of Ombudsman reviews finalised	0	1
Number of AOT appeals finalised	0	0

Amendment of Personal Records

	2005-06	2006-07
Result of amendment request – Agreed	0	0
Result of amendment request – Refused	0	0
Total amendments	0	0

Internal Review Results Grounds on which sought	2005-06		2006-07	
	Personal	Other	Personal	Other
Access Refused	0	0	3	0
Deferred	0	0	0	0
Exempt Matter	0	0	0	2
Unreasonable Charges	0	0	0	0
Charges Unreasonably Incurred	0	0	0	0
Amendments Refused	0	0	0	0
Totals	0	0	3	2

Discounts Allowed Type of discount allowed	2005-06		2006-07	
	Personal	Other	Personal	Other
Public Interest	0	0	0	0
Financial Hardship - Pensioner/Child	0	0	0	0
Financial Hardship - Non-Profit Organisation	0	0	0	0
Totals	0	0	0	0

Significant Correction of Personal Records	0	0	0	0
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FOI requests granted in part or refused Basis for disallowing/restricting access	2005-06		2006-07	
	Personal	Other	Personal	Other
Section 19 (application incomplete, wrongly directed)	0	0	2	0
Section 22 (deposit not paid)	0	0	2	1
Section 25(1)(a) (unreasonable diversion of resources)	0	0	0	0
Section 25(1)(a) (exempt)	4	0	6	6
Section 25(1)(b),(c),(d) (otherwise available)	0	0	3	0
Section 25(1)(e) (documents >5 years old)	0	0	0	0
Section 24(2) (deemed refused, >21 days)	0	0	0	0
Total	4	0	13	7

Costs and fees of requests processed Result of FOI request	Assessed Costs		FOI Fees Received	
	Personal		Other	
All completed requests	\$7358	\$0	\$1470	\$1534

Days to process* Elapsed time	2005-06		2006-07	
	Personal	Other	Personal	Other
0-21 days	188	0	20	6
22-35 days	1	0	6	10
over 35 days	2	0	2	2
Total	191	0	28	18

Processing time* Processing hours	2005-06		2006-07	
	Personal	Other	Personal	Other
0-10 hours	191	0	24	16
11-20 hours	-	0	4	2
21-40 hours	-	0	-	0
Over 40 hours	-	0	-	0
Total	191	0	28	18

* Excludes withdrawn applications.

Treasurer's Legislation

- Annual Reports (Departments) Act 1985 No 156
- Annual Reports (Statutory Bodies) Act 1984 No 87
- Appropriation Act 2006 No 46
- Appropriation (Budget Variations) Act 2006 No 22
- Appropriation (Parliament) Act 2006 No 47
- Appropriation (Special Offices) Act 2006 No 48
- 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
- Banks and Bank Holidays Act 1912 No 43, section 22
(remainder, the Minister for Industrial Relations)
- Betting Tax Act 2001 No 43
- Canberra Advance Bank Limited (Merger) Act 1992 No 17
- Capital Debt Charges Act 1957 No 1
- Charter of Budget Honesty (Election Promises Costing) Act 2006 No 89
- Commonwealth Places (Mirror Taxes Administration) Act 1998 No 100
- Commonwealth Powers (State Banking) Act 1992 No 104
- Conversions of Securities Adjustment Act 1931 No 63
- Dartmouth Reservoir (Financial Agreement) Act 1970 No 30
- Debits Tax Act 1990 No 112
- Decimal Currency Act 1965 No 33
- Duties Act 1997 No 123
- 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
- Fines Act 1996 No 99 (except parts, the Attorney General)
- First Home Owner Grant Act 2000 No 21
- Fiscal Responsibility Act 2005 No 41
- Freight Rail Corporation (Sale) Act 2001 No 35
- Gaming Machine Tax Act 2001 No 72, Part 3
(remainder, jointly with the Minister for Gaming and Racing,
except Part 4 and Schedule 1, the Minister for Gaming and Racing)
- General Government Liability Management Fund Act 2002 No 60

- Government Guarantees Act 1934 No 57
- Government Insurance Office (Privatisation) Act 1991 No 38
- Health Insurance Levies Act 1982 No 159
- Inscribed Stock Act 1902 No 79
- Inscribed Stock (Issue and Renewals) Act 1912 No 51
- Insurance Protection Tax Act 2001 No 40
- Interest Reduction Act 1931 No 44
- Intergovernmental Agreement Implementation (GST) Act 2000 No 44
- Internal Audit Bureau Act 1992 No 20
- Land Tax Act 1956 No 27
- Land Tax Management Act 1956 No 26
- NSW Grain Corporation Holdings Limited Act 1992 No 31
- NSW Self Insurance Corporation Act 2004 No 106
- Pacific Power (Dissolution) Act 2003 No 17
- Pay-roll Tax Act 1971 No 22
- Petroleum Products Subsidy Act 1997 No 112
- 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
- Public Sector Employment and Management Act 2002 No 43, Chapter 7
(jointly with the Minister for Commerce; remainder the Premier)
- Road Improvement (Special Funding) Act 1989 No 95
- Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
- Stamp Duties Act 1920 No 47
- 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
- Superannuation Administration Act 1996 No 39
- Superannuation (Axiom Funds Management Corporation) Act 1996 No 40
- Taxation Administration Act 1996 No 97
- Totalizator Act 1997 No 45, section 76
(remainder, the Minister for Gaming and Racing)
- Totalizator Agency Board Privatisation Act 1997 No 43
- Treasury Corporation Act 1983 No 75
- Trustees Protection Act 1931 No 28
- Unclaimed Money Act 1995 No 75
- Wills, Probate and Administration Act 1898 No 13, section 61B (7) and (8)
(remainder, the Attorney General)

Source: <http://www.legislation.nsw.gov.au>

The Office of State Revenue administers the Treasurer's taxation and fines legislation.

Please refer to the relevant Act or OSR's annual report if a more detailed explanation of amendments to those Acts is required.

***Charter of Budget Honesty
(Election Promises Costing)
Act 2006***

This Act enables the Government and the Opposition to obtain and release independent assessments by the Treasury of the cost of election promises before a State general election.

The Act:

- Provides for the Premier or the Leader of the Opposition (the requesting party) to request the Secretary of the Treasury to prepare costings of publicly announced or proposed policies.
- Allows costing requests to be made during the 60 days before an election.
- Requires the costing request to be in writing, outlining the policy to be costed and stating the purpose or intention of the policy.
- Requires the Secretary to provide a costing to the requesting party as soon as possible after receiving the request. The requesting party is required to notify the Secretary of the public announcement of policies that have been costed by the Treasury.
- Enables the Premier or the Leader of the Opposition to publicly release a Treasury costing that they requested.
- Requires the Secretary to publicly release a costing request and the Treasury costing when notified of the public announcement of the policy.
- Provides for preparation and release of separate budget impact statements for all Treasury costed Government policies and Opposition policies. A budget impact statement is to show a summary of the assessed financial impact of each costed policy, and the total net financial impact of all the costed policies, on the current year's State budget and on the forward estimates for the following 3 financial years (together with the impact on the State's net financial liabilities).
- Provides for the Secretary, two weeks before the State election, to provide a draft budget impact statement to the Premier and Leader of the Opposition in relation to their respective policies. Within 48 hours of being provided with a draft budget impact statement, the Premier and the Leader of the Opposition may notify the Secretary of their final list of Treasury costed policies for inclusion in the budget impact statement. The Secretary is to revise the statements in accordance with any such notification and publicly release those final statements 5 days before the State election.

- Provides for the Secretary to publicly release, on the release of the half-yearly budget review, a statement of the amount of uncommitted funds that are available to meet any future expenditure commitments for the General Government Sector during the current year's State budget and during the following 3 financial years.
- Makes it an offence for the Secretary or other member of staff of the Treasury to disclose any information or document provided by a requesting party for the purposes of a Treasury costing, or a document prepared by the Treasury for the purposes of any such costing, except to the requesting party, a person authorised by the requesting party or a member of the staff of the Treasury.
- Allows the Secretary to issue guidelines relating to the making of costing requests and the preparation of Treasury costings and budget impact statements.

***State Revenue Legislation Amendment
(Tax Concessions) Act 2006***

This Act amends the following Acts.

Duties Act 1997

- Limits the circumstances in which the Chief Commissioner can aggregate dutiable transactions under that Act.
- Removes the nominal duty on certain documents relating to managed investment schemes that do not attract ad valorem duty.
- Extends an exemption from duty that applies in respect of certain home equity release schemes.
- Limits the application of call option assignment duty and provides for further exemptions in respect of that duty.
- Clarifies the time at which a liability to land rich duty arises.
- Confers an exemption from duty so as to allow certain unit trusts to be restructured for land tax purposes.
- Makes further provision with respect to land used for primary production and the duty exemptions that apply.

Land Tax Management Act 1956

- Clarifies the circumstances in which a trust will be treated as a fixed trust or special trust under that Act and grants land tax concessions in respect of certain family unit trusts and other unit trusts that are restructured to comply with the new provisions
- Makes further provision with respect to the determination of the average value of land under that Act and with respect to other 2006-2007 Budget measures.

The Act also makes other minor and consequential amendments.

***Superannuation Administration
Amendment (Trust Deed Schemes)
Act 2006***

The Superannuation Administration Act 1996 (the Principal Act) provides for the Treasurer, as the Minister administering that Act, to approve the preparation of trust deeds providing for superannuation schemes (trust deed schemes) for the benefit of certain employees.

This Act amends the Principal Act to provide for certain persons, not necessarily employees, to also have the benefit of trust deed schemes. Those persons are local government councillors; and spouses or de facto partners of persons who otherwise have the benefit of a trust deed scheme. The Act also validates the prior extension of trust deed schemes to such persons.

Budget Session 2007

***Duties Amendment
(First Home Plus One)
Act 2007***

(Cognate with the Appropriation Act 2007)

This Act extends a duty and land tax concession to first home owners who purchase their first home under a shared equity arrangement with a person who is not a first home owner.

The Act also amends the following Acts:

Duties Act 1997

Extends the First Home Plus scheme to first home owners who purchase their home under a shared equity arrangement (the extended concession, known as "First Home Plus One", will apply if the first home owner acquires at least a 50% share in the ownership of the property concerned).

Land Tax Management Act 1956

Enables the principal place of residence exemption to be claimed by first home owners who purchase their home under a shared equity arrangement and are eligible for a duty concession under First Home Plus One.

Payroll Tax Act 2007

(Cognate with the Appropriation Act 2007)

This Act repeals and re-enacts the Payroll Tax Act 1971 with various changes to harmonise the Act with the equivalent payroll tax legislation of Victoria.

Significant changes made to the 1971 Act include:

- Addition, removal or change to various exemption provisions – for example those relating to adoption or maternity leave; motor vehicle and accommodation allowances; newly created non-profit organisations; employment agents; apprentices, trainees and group apprenticeship/traineeship schemes.
- Changes to other provisions – for example those relating to fringe benefits; treatment of contractor payments; employer contributions to industry portable long service leave and redundancy schemes, payroll tax employer groups.

***State Revenue and Other Legislation
Amendment (Budget) Act 2007***

(Cognate with the Appropriation Act 2007)

This Act amends the following Acts.

Duties Act 1997

Brings forward abolition of mortgage duty from 1 January 2011 to 1 July 2009.

Provides an exemption from mortgage duty for mortgages that secure loans made for the purpose of owner occupied housing, effective 1 September 2007.

Provides an exemption from mortgage duty for mortgages that secure loans made for the purpose of investment housing, effective 1 July 2008.

Gaming Machines Act 2001

Extends the deadline on which large-scale clubs will automatically forfeit any remaining poker machine entitlements that they were required to transfer in order to reach the reduced number of entitlements for the club.

Provides that large-scale clubs that have not, by 31 July 2007, reduced their allocated number of poker machine entitlements will be able to retain, on payment of a levy and for a limited period only, those entitlements that the club would otherwise be required to forfeit.

Land Tax Act 1956

Reduces the land tax rate from 1.7% to 1.6%.

Transport Administration Act 1988

Changes the name of the State Rail Authority to the State Rail Authority Residual Holding Corporation and makes it clear that the change of name does not affect the identity of that body. Amendments other Acts that are consequent on the amendments to the Transport Administration Act 1988.

Public Finance and Audit Act 1983

The following amendments were effected by the Statute Law (Miscellaneous Provisions) Act 2007.

Section 33G of the Public Finance and Audit Act allows the Auditor-General to delegate his or her employment related functions to a member of staff of the Audit Office. This amendment extends this power of delegation to the Auditor-General's audit related functions.

Other minor amendments effected change the titles of the presiding officers of a parliamentary committee to ensure consistent titles are used across all parliamentary committees.

Appropriation Act 2007

This Act appropriates out of the Consolidated Fund sums of money required for the recurrent services and capital works and services of the Government during the 2007-08 financial year.

The Act for 2007-08 contains an additional appropriation to allocate revenue raised in connection with changes to gaming machine taxes for spending on health related services.

The Act also makes additional appropriations for recurrent services and capital works and services for the years 2006-07 and 2005-06 to give effect to certain Budget variations required by the exigencies of Government.

Appropriation (Parliament) Act 2007

This Act appropriates out of the Consolidated Fund sums for the recurrent services and capital works and services of the Legislature for the year 2007-08.

Appropriation (Special Offices) Act 2007

This Act appropriates out of the Consolidated Fund sums for the recurrent services and capital works and services for 2007-08 for:

- Independent Commission Against Corruption
- Ombudsman's Office
- State Electoral Office
- Office of the Director of Public Prosecutions

Review of the Betting Tax Act 2001

Section 21 of the Betting Act required a statutory review of the Act to be undertaken as soon as possible after the period of 5 years from the date of assent of the Act (17 July 2001) with a report to be tabled in Parliament within 12 months. In line with this requirement, a Report was tabled on 5 July 2007.

The Report concluded that the main objective of the Act - to provide for the imposition of tax on certain betting transactions - remained valid and relevant and that the terms of the Act are appropriate for securing that objective. The objective of consolidating various pieces of legislation relating to betting tax has been achieved.

Annual Reporting Legislation

The Treasurer administers the Annual Reports legislation governing departments and statutory bodies. Since the end of 1991, as part of this responsibility, the Treasury has conducted an annual reports review program.

General objectives of the program are two-fold:

- To monitor compliance with annual reporting legislation; and
- To promote best practice in public sector annual reporting.

The 2005-2006 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of "better" reporting practices.

Treasury Circular NSWTC 07/12 summarises the results of the 2005-2006 annual reports review and identifies instances of "better" reporting practices.

Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
HealthSupport	2006/07	Extended first financial reporting period to cover the 20 months ending 30 June 2007	First financial reporting period.
Tow Truck Authority	2006/07	Extended final financial year from 1 July 2006 to the date abolished.	Final financial reporting period.
Department of Planning	2005/06	Exemption from disclosure of certain budget information.	Agency restructure.
Department of Natural Resources	2005/06	Exemption from disclosure of certain budget information.	Agency restructure.
Sydney Desalination Plant Pty Limited	2006/07	Extended first financial year from 13 June 2007 to 30 June 2008	First financial reporting period.

Extensions of Time Granted to Reporting Dates under Acts and Regulations

1. To Submit Financial Statements

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Department of Arts, Sport and Recreation	2005/06	Extension to 16 August 2006.	Additional time to comply with recent changes/restructures.
State Water Corporation	2005/06	Extension to 1 September 2006.	Additional time to resolve prior year issues.
Department of Planning	2005/06	Extension to 25 August 2006.	Staffing and computing issues.
Corporation Sole, Minister administering the Environmental Planning and Assessment Act 1979	2005/06	Extension to 25 August 2006.	Staffing and computing issues.
Department of Natural Resources	2005/06	Extension to 25 August 2006.	Staffing and computing issues.
Various catchment management authorities	2005/06	Extension to 25 August 2006.	Staffing and computing issues.
Dams Safety Committee	2005/06	Extension to 25 August 2006.	Staffing and computing issues.
Chipping Norton Lake Authority	2005/06	Extension to 25 August 2006.	Staffing and computing issues.

Extensions of Time Granted to Reporting Dates under Acts and Regulations

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
WorkCover	2005/06	Extension to 30 November 2006	To synchronise the reporting of the WorkCover Scheme financial results with the release of WorkCover's Annual Report.
Department of Environment and Conservation	2005/06	Extension to 12 December 2006	Additional time required for audit of non-controlled entity.
NSW Institute of Psychiatry	2005/06	Extension to 14 November 2006	Additional time required for audit.
Department of Natural Resources	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Various catchment management authorities	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Dams Safety Committee	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Chipping Norton Lake Authority	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Department of Planning	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Corporation Sole, Minister administering the Environmental Planning and Assessment Act 1979	2005/06	Extension to 14 November 2006	Extended financial report deadline.
Department of Housing	2005/06	Extension to 12 December 2006	Additional time required to resolve reporting entity issues.
Department of Arts, Sport and Recreation	2005/06	Extension to 30 November 2006	Additional time required for agency restructure.
Department of Primary Industries	2005/06	Extension to 29 December 2006	Additional time required to audit a related entity.
Forests NSW	2005/06	Extension to 29 December 2006	Additional time to resolve personnel service legislative changes.
State Water Corporation	2005/06	Extension to 12 December 2006	Additional time to resolve prior year issues.
Charles Sturt University	2006	Extension to 15 May 2007	Delay in audit.
Wine Grapes Marketing Board	2006	Extension to 31 May 2007	Timing of audit and printing difficulties.
University of Newcastle	2006	Extension to 31 May 2007	Delays in completion of financial report/audit.
Macquarie University	2006	Extension to 22 May 2007	Delays in audit.

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Acronyms

AEIFRS	Australian Equivalents of the International Financial Reporting Standards
ANZSOG	Australian New Zealand School of Government
ATOC	Australasian Treasury Officers Conference
BFMD	Budget and Financial Management Directorate
CCSU	Central Corporate Services Unit
CGC	Commonwealth Grants Commission
CMS	Content Management System
CMU	Corporate Management Unit
COAG	Council of Australian Governments
CPF	Commercial Policy Framework
CSO	Community Service Obligation
ECU	Executive Coordination Unit
EESD	Environment and Economic Services Directorate
ETEF	Electricity Tariff Equalisation Fund
FED	Fiscal and Economic Directorate
FMF	Financial Management Framework
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGLMF	General Government Liability Management Fund
HFE	Horizontal Fiscal Equalisation
HSSD	Human and social Services Directorate
ICT	Information and Communication Technology
IGA	Inter-Governmental Agreement
IPART	Independent Pricing and Regulatory Tribunal
MCE	Ministerial Council on Energy
NCC	National Competition Council
NCOS	Net Cost of Services
NCP	National Competition Policy
NEM	National Electricity Market
NEMMF	National Electricity Market Ministers Forum
NFL	Net Financial Liabilities
NRA	National Reform Agenda
OFM	Office of Financial Management
OH&S	Occupational Health and Safety
OIM	Office of Infrastructure Management
OSR	Office of State Revenue
PAC	Public Accounts Committee
PAR	Performance Agreement and Review
PFAA	Public Finance and Audit Act
PFPs	Privately Financed Projects
PMBS	Performance Management and Budgeting System
PPP	Public Private Partnership
PSMO	Public Sector Management Office
RSP	Results and Services Plan
SFS	State Fiscal Strategy
SiCorp	Self Insurance Corporation
SOC	State Owned Corporation
SIS	State Infrastructure Strategy
SPP	Specific Purpose Payments
TAM	Total Asset Management
TMF	Treasury Managed Fund
TOES	Treasury On-line Entry System
VFI	Vertical Fiscal Imbalance