

Annual Report 2002-03

Office of Financial Management

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www.treasury.nsw.gov.au



The Hon Michael Egan MLC
 Treasurer
 Governor Macquarie Tower
 1 Farrer Place
 SYDNEY NSW 2000

31 October 2003

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 2003, 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.

Yours sincerely

John Pierce
 Secretary

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The structure of this annual report reflects OFM's Strategic Management Framework. Its chapters address our corporate objectives. Within each chapter our performance is reported against the strategies that we are applying.

About Treasury

New South Wales Treasury is the oldest surviving Government agency in Australasia having been established on 28 April 1824.

Treasury consists of the Office of Financial Management (OFM) and the Office of State Revenue (OSR). This report focuses on OFM but includes Treasury's Consolidated Financial Statements.

OFM serves the Government and community through its main client, the Treasurer. It advises on state financial management policy and reporting, and on economic conditions and issues. OFM is located in Governor Macquarie Tower, Farrer Place, Sydney.

OSR administers and collects state taxes and implements associated legislation; administers a number of grants and rebate schemes and collects various outstanding state debts. OSR's head office is at Parramatta. It also has an office in the Sydney CBD and regional offices in Newcastle and Wollongong. OSR's annual report represents a second volume of the Treasury annual report.

A third volume of the Treasury report is prepared for the Crown Entity. The Crown Entity refers to public sector wide assets, liabilities and transactions that are the overall responsibility of government and not individual agencies – for example Government contributions to public sector superannuation schemes, interest on Government debt, etc. The Crown Entity is a separate Government agency for reporting purposes. OFM's Crown Asset and Liability Management Branch manages Crown Entity finance and its impact on the State's balance sheet.

Our Strategic Management Framework

Our Mission

Promoting the allocation of resources that increases the economic welfare of the community.

Our Vision

To be a world-class public sector financial and economic adviser, highly regarded by our key stakeholders for our professionalism, integrity, competence and leadership.

Our Values

- ▶ Focusing on our Stakeholders
- ▶ Valuing the Individual
- ▶ Acting with Integrity
- ▶ Providing Leadership at all levels
- ▶ Continuously Learning and Innovating

Our Objectives

1. Enhanced Economic Development

To enhance the policy and regulatory framework for NSW economic development.

2. Effective Resource Allocation

To ensure effective resource allocation and management in State sector service delivery.

3. Transparent Financial Management

To improve the transparency of NSW public sector financial management.

4. Strengthened State Finances

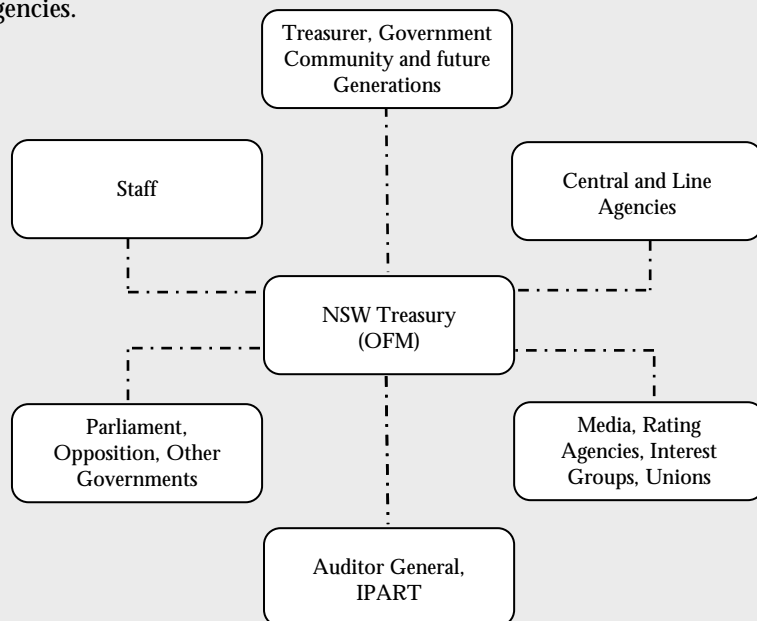
To strengthen the NSW government financial position.

5. Organisation Building

To build a values-based organisation that facilitates the achievement of our objectives.

Our Clients and Stakeholders

OFM serves the Government and community through its main client, the Treasurer. Other major stakeholders include Treasury staff and other agencies.



Commitment to the Treasurer

- ▶ Efficient and effective administration of OFM, including successful implementation of initiatives included in its corporate plan
- ▶ 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

A code of good practice further details Treasury's commitment to agencies.

OFM's Commitment to Service

Regular Consultation, Openness and Courtesy

OFM will meet regularly with agencies, at least quarterly with larger agencies, to discuss financial and relevant issues. OFM will discuss issues with agencies before making a final decision or recommendation to the Treasurer.

Agencies must give OFM timely information on all developments.

OFM works in alliance with agencies in planning and implementing financial management reforms. Consultative Councils comprising CEOs of key agencies will be convened to discuss proposed reforms and implications for agencies. Agencies' views will be sought when changes proposed by OFM affect a range of agencies.

Teamwork, both within OFM and with other agencies, is an implementation strategy that must be applied to all OFM's corporate plan initiatives.

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

Consistency and Accuracy of Advice

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.

Timeliness of Responses

Agency contact officers ensure Ministerial and agency letters and other requests are responded to promptly. When OFM can give direct advice, it will do so within 15 working days. If the matter requires referral to the Treasurer, a response can be expected within 20 working days of receipt.

When these deadlines cannot be met agencies will be contacted with an explanation and a progress report. In turn, agencies should provide a timely and accurate response to OFM's reporting and other information requests.

Performance Evaluation

Agencies will be surveyed every two years to assess the extent to which they consider OFM has met its commitments to service.

2002-03: Secretary's Highlights



**John Pierce, Secretary,
NSW Treasury**

The continuing strength of NSW finances is testimony to Treasury's leadership in shaping and implementing the State's fiscal strategy and public sector financial management systems. NSW's ongoing AAA credit rating status, and the strong growth in the State's net worth over the six years to 2002-03, are positive indicators of our effectiveness.

Enhanced Economic Development

- ▶ Continuing progress with competition policy obligations signalled by ongoing receipt of NCP tranche payments.
- ▶ Successful outcomes from OFM's management of the sale processes for PowerCoal and Pacific Power International.

Effective Resource Allocation

- ▶ Utilisation of Service and Resource Allocation Agreements to inform Budget decision making.

Transparent Financial Management

- ▶ Application of an election commitments costing protocol that clearly reported net impact on the State's finances.
- ▶ Timely production of State Budget papers notwithstanding adjustments required by the restructuring of Government agencies.

Strengthened State Finances

- ▶ Formulation of the State Budget consistent with the State Fiscal Strategy and the State's AAA credit rating.
- ▶ Appointment of a new service provider for the Treasury Banking System.

Organisation Building

- ▶ Conduct of the biennial staff opinions survey and identification of strategies to address needs – to be actioned in the new year.
- ▶ Implementation of a broad based staff development program, and the achievement of above target average training days for OFM officers.
- ▶ Achievement of the productivity savings required of Treasury towards the funding of the public sector wage award.

NSW AAA

"The State's ability to respond to challenges is enhanced by its strong financial position"

Moody's, December 2002

"The government's strong financial position provides significant flexibility to deal with fiscal shocks – even a fairly large one."

Standard and Poor's, November 2002

2002-03: Performance Indicators

	2000-01 Actual	2001-02 Actual	2002-03 Bench mark	2002-03 Actual	2003-04 Bench mark
Enhanced Economic Development					
▶ Continuing receipt of NCP tranche payments/avoidance of penalties	Yes	Yes	Yes	Yes	Yes
Effective Resource Allocation					
▶ Deviation of actual GFS expenses from the Budget projection	+6.1%	+5.4%	<±2%	+6.2%	<±2%
▶ % of relevant agencies with OFM endorsed asset maintenance plans	87%	88%	100%	94%	100%
Transparent Financial Management					
▶ % of SRAAs integrated into the Budget process	55%	73%	100%	91%	100%
▶ % of State Owned Corporations with signed performance agreements	94%	100%	100%	100%	100%
Strengthened State Finances					
▶ Maintenance of NSW credit rating	AAA	AAA	AAA	AAA	AAA
▶ At least maintenance of General Government real net worth	Average real 8% pa increase since June 1997		Maintain	Average real 1% pa increase to June 2007	
▶ Reduction in State net financial liabilities as % of GSP	15.9%	15.8%	≤15%	16.1%	16%
▶ At least maintenance of NSW GST revenue share relative to equal per capita share following CGC 5 year methodological reviews	na	na	na	na	≥86% (from 2004-05)
Organisation Building					
▶ Number of training days per officer	4.4 days	4.3 days	≥5 days	5.3 days	≥5 days
▶ % staff turnover	10%	11%	≤20%	9.4%	≤20%
▶ % of staff believing OFM's values are adhered to	89%	94%	≥75%	92%	≥75%
▶ % of staff satisfied with Treasury	90%	95%	≥75%	95%	≥75%
▶ % of net cost of services to budget	91%	87%	≤100%	100%	≤100%
▶ % of Work Plan milestones achieved	71%	80%	≥ 80 %	62%	≥ 80 %
▶ % of registered correspondence and projects completed by due date	80%	79%	≥80%	82%	≥80%

Commentary on performance against these indicators is included throughout this report.

Our Senior People



John Pierce,
B.Comm (Hons.)
Secretary, NSW Treasury,
Level 8
Remuneration: \$371,961

Key achievements include:

- ▶ Application of arrangements to facilitate analysis of election proposals in the context of the State Budget process.
- ▶ Post election advice on immediate and longer term public sector financial management and structural reform options.
- ▶ Advice on a Budget strategy to implement Government priorities consistent with the State's fiscal strategy.
- ▶ Advice on, and implementation of, financial management strategies and systems instrumental to AAA rating retention.

Executive Performance

Executive members were efficient and effective in fulfilling the responsibilities outlined in their annual performance agreements. Their performance was assessed as being superior based on the criteria of Treasury's Integrated Performance System, which is applied to all staff.

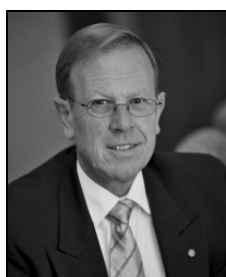
Key Achievements

Robert Carling, M.Sc., B.Econ (Hons.)
Executive Director,
Economic & Fiscal Directorate
Level 5
Remuneration: \$206,371



- ▶ Advice on fiscal strategy and targets, and revenue strategy and measures, for the 2003-04 State Budget.
- ▶ Advice on General Government Sector wage setting policy and related industrial relations issues.
- ▶ Advice on intergovernmental financial relations, including the NSW case to the Commonwealth Grants Commission for a more appropriate distribution of Commonwealth grants.

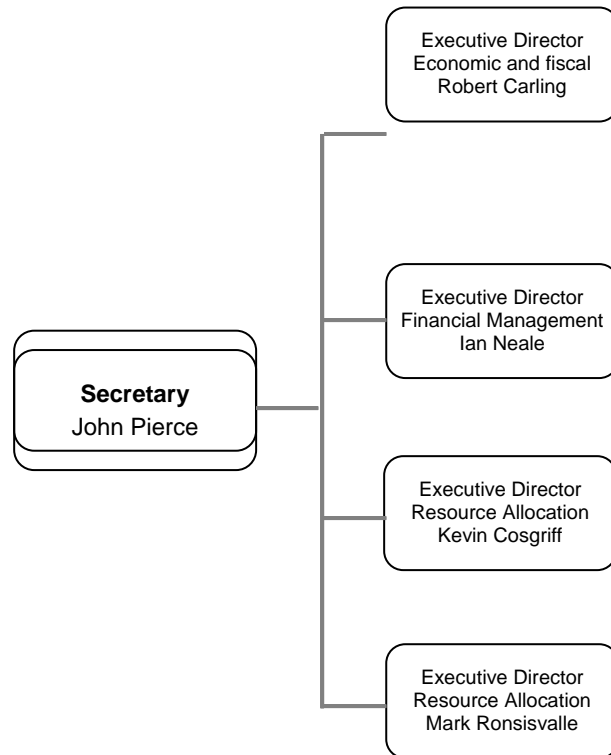
Ian Neale, FCPA
Executive Director,
Financial Management Directorate
Level 5
Remuneration: \$206,371



- ▶ Development and implementation of the protocol for the costing of election commitments for the March 2003 State election in conjunction with the preparation of the 2003-04 State Budget.
- ▶ Advice on strategies to manage and address issues arising from problems facing the insurance industry.
- ▶ Leadership of the ongoing development and implementation of policy frameworks for General Government agencies and government businesses.

Remuneration

Remuneration reported for Executive members comprises total monetary remuneration and the cost of employment benefits as specified in their employment contracts. In line with public sector policy, there were no performance-related incentive payments.



Key Achievements

- ▶ Oversight of the financial performance of Budget dependent agencies and government businesses and subsequent advice on strategy and resource allocation for the 2003-04 State Budget.
- ▶ Development of an analytical approach for addressing natural resource management issues and its use in advising on structural reform options.
- ▶ Executive responsibility for the sales of PowerCoal and Pacific Power International as part of the continuing reform of the energy sector.



Kevin Cosgriff,
M.A. (Econ), B Sc. (Hons)
Executive Director,
Resource Allocation Directorate
Level 5
Remuneration: \$222,371

- ▶ Oversight of the financial performance of Budget dependent agencies and government businesses and subsequent advice on strategy and resource allocation for the 2003-04 State Budget.
- ▶ Advice on reform of public sector transport financial arrangements and related options for institutional restructuring.
- ▶ Executive oversight of the application of policy for privately financed infrastructure, and monitoring of relevant projects.



Mark Ronsisvalle, PSM, B.Ec
Executive Director,
Resource Allocation Directorate
Level 5
Remuneration: \$207,548

Our Structure and Functions

Our Directorates and Units

Economic and Fiscal Directorate (EFD) advises on overall fiscal strategy, revenue strategy including intergovernmental and taxation policy issues, and economic strategy including the application of competition policy.

Financial Management Directorate (FMD) advises on public sector financial management improvement, prepares State financial reports including the Budget, and oversees management of Crown assets and liabilities.

Two Resource Allocation Directorates (RADs) advise on agency specific policy issues relating to general government agencies and government businesses. One RAD monitors the agencies' performance in the **Education, Property, Natural Resources and Energy** sectors. Within this Directorate the Energy Business Group advises Shareholding Ministers on energy sector performance and reform action.

The other RAD monitors **Human Services, Justice and Transport** sector agencies. It is also responsible for major capital project assessment and monitoring, advice on private sector involvement in financing of public infrastructure and asset management and procurement policy.

The **Executive Coordination Unit** provides Executive support, coordination with the Treasurer's Office and coordination of communication systems and strategies.

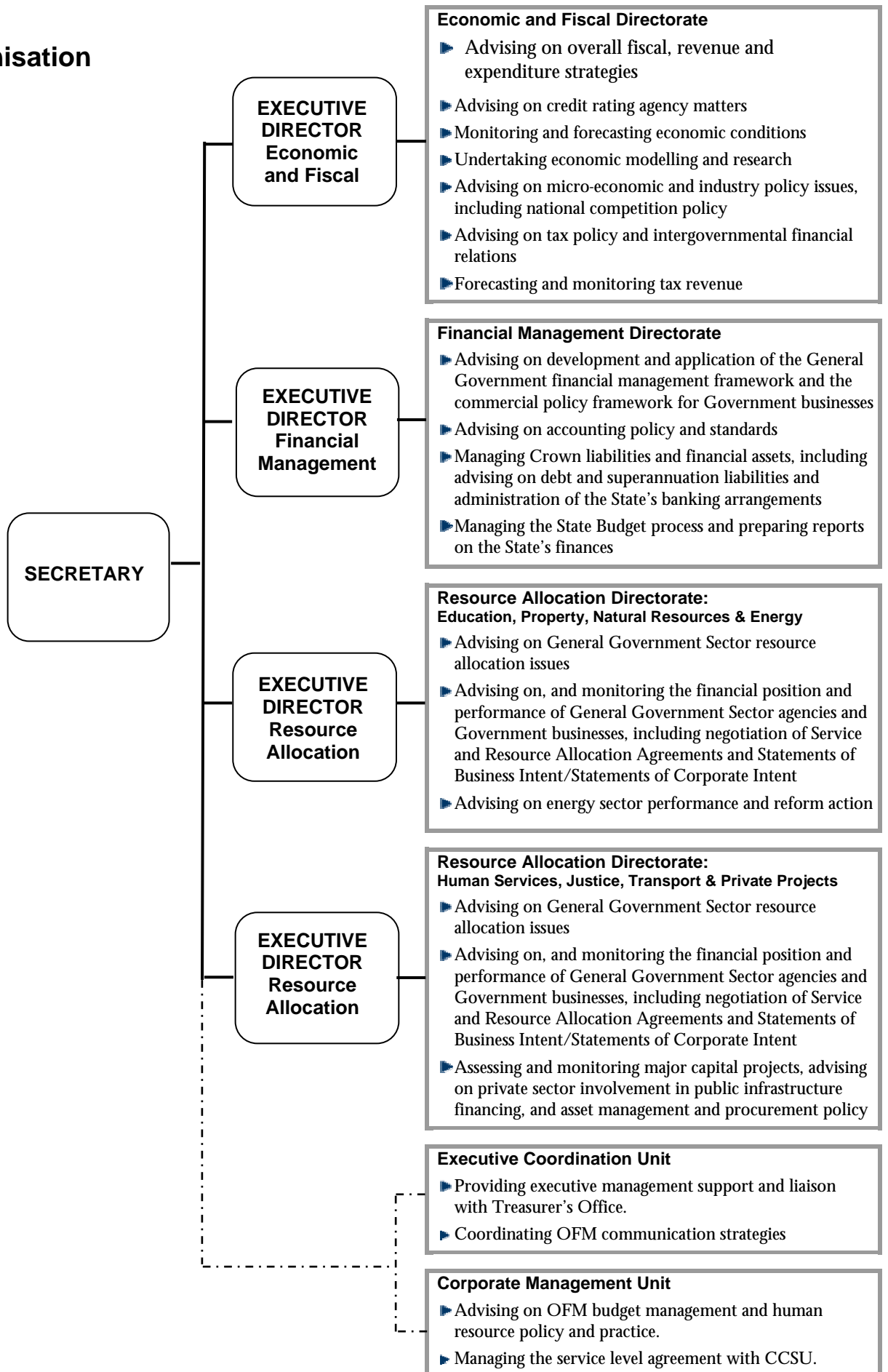
The **Corporate Management Unit** advises on human resource policy and applications, coordinates OFM's budget, and manages the service level agreement with the Department of Commerce's Central Corporate Services Unit (CCSU). Since 1 July 1996 OFM has contracted CCSU to provide services for corporate finance, human resources management, information technology & records management.

Structural Change during 2002-03

- ▶ Responsibility for monitoring implementation of outstanding electricity contestability matters was transferred to the Ministry of Energy and Utilities in July 2002. Consequently, within OFM, the **Energy Business Group (EBG)** replaced the Market Implementation Group (MIG). EBG comprises two branches within our Education, Property, Natural Resources and Energy Resource Allocation Directorate. One branch oversees electricity distribution businesses and the other generation businesses.
- ▶ Two OFM Taskforces completed their work during 2002-03 and were subsequently disbanded:
 - the **PowerCoal Sale Advisory Team** following the sale of PowerCoal in August 2002, and
 - the **Pacific Power International Sale Advisory Team** following the sale of PPI in February 2003.
- ▶ Responsibility for asset management and procurement policy was transferred to OFM from the former Department of Public Works and Services in June 2003. A new **Asset Management and Procurement Branch** was established within the Human Services, Justice and Transport Resource Allocation Directorate. Other transferring staff joined the existing Property and Planning Branch, which was given extended responsibility for advising on whole of government property proposals.

The assignment of responsibility for asset management and procurement policy to Treasury recognises their importance to service delivery and the State's fiscal strategy. Our structure will be reviewed early in the new year to ensure appropriate alignment of existing functions with the new functions.

OFM Organisation Chart



Economic and Financial Environment

In undertaking its responsibility for state financial management, OFM had to manage the impacts of unforeseen economic, financial, demographic and climatic factors. These factors affected achievement of fiscal targets and the State's fiscal strategy.

At the start of 2002-03 a global recovery was under way, the Australian economy was performing well, and the Reserve Bank (RBA) had begun to increase the cash rate to more neutral levels.

These trends were expected to continue, but as 2002-03 progressed global financial markets deteriorated. Geopolitical tensions and increases in oil prices saw global recovery falter.

Domestically, drought conditions worsened. By year end the drought was the worst on record. The SARS epidemic in East Asia and security concerns adversely affected the air transport and tourism sectors.

In this uncertain global environment the RBA left the cash rate unchanged and at stimulatory levels throughout the year. Low interest rates and weak equity markets led to a further upswing in the housing cycle.

The unexpected lift in dwelling construction and strong business investment underpinned larger than expected growth in state demand (5%) and employment (2%), but was insufficient to offset the effects of the drought and weak world demand.

While NSW state demand increased by 5%, Gross State Product grew by an estimated 2.5%, largely reflecting weak net exports. Inflation (3%) and wage growth (3.5%) remained well contained.

These economic and financial conditions directly affected the budget results and financial liabilities.

The unexpected strength of the housing sector generated above-budget revenue from property related taxes - historically the most volatile of state revenues.

Necessary responses by the Government to unforeseen natural disasters - bushfires and drought - also impacted on the budget.

Ongoing deterioration in world equity markets sharply reduced superannuation fund investment returns and increased State unfunded superannuation liabilities. Demographic changes further exacerbated the increase in liabilities.

Notwithstanding these unforeseen events, the State's medium-term fiscal strategy remains on track.

The low level of net debt has permitted flexibility in management of the State's balance sheet. For example, surpluses in 2002-03 and in future years will be directed more towards increasing superannuation assets than debt reduction.

This flexibility means that the targets for eliminating net debt and fully funding superannuation liabilities remain on schedule.

OFM also successfully addressed the impact on the Budget process of post election structural changes to agencies. The Treasurer presented the Budget on 24 June. Detail for restructured agencies was published on 26 August. We also succeeded in preparing the Budget in a shorter than usual timeframe, as necessitated by the timing of the election.

Revised 2002-03 Economic Estimates*

	Estimate as at:		
	2002-03 Budget	Half Yearly Review	2003-04 Budget
Gross State Product	3½	2½	2½
State Final Demand	4¼	4	5
Employment	1¼	1¼	2
Unemployment rate (year average, percent)	5¼	5¼	6
CPI (Sydney)	2½	3	3
Wages (wage cost index, ordinary time)	3¼	3¼	3½

* Year average percent change, unless otherwise indicated
Source: 2003-04 NSW Budget Paper 2, page 5-3, Table 5.1.

Our Resources

Chief Executive and Senior Executive Officers

Scale since 1-10-97	2000		2001		2002		2003	
	M	F	M	F	M	F	M	F
Level 8	1	-	1	-	1	-	1	-
Level 7	-	-	-	-	-	-	-	-
Level 6	-	-	-	-	-	-	-	-
Level 5	3	1	3	1	4	-	4	-
Level 4	-	-	-	-	-	-	-	-
Level 3	-	1	-	1	-	1	1	-
Level 2	1	1	1	-	1	-	14	4
Level 1	9	5	9	4	10	5	-	-
	14	8	14	6	16	6	20	4

Staff Numbers and Grading Structure

	2000	2001	2002	2003
Executive	5	5	5	5
Branch Directors	17	15	17	19
Treasury Technical Officers	15	16	20	19
Grade 7-12	87	96	96	105
Grade 3-6	40	31	35	34
Clerical Officer 3/4	7	13	14	14
Clerical Officer 1/2	3	0	2	0
DPO	6	5	8	9
Grade 1-2	2	10	2	2
	182	191	199	207

- ▶ Staff numbers are on a full time equivalent basis, excluding staff on long term secondment or leave without pay. They exclude 13 staff from the former Department of Public Works and Services transferred to OFM following a public sector reorganisation which occurred late in the year. OFM assumed financial responsibility for these officers in July 2003.
- ▶ The increase in OFM's staff during 2002-03 mainly reflects strengthening of resources for education sector strategy and monitoring and budget management. In-house capacity for energy reform was increased. Two additional SES positions were established to manage the new responsibility for Publicly Financed Project arrangements and to strengthen OFM's advisory capacity on intergovernmental finances.
- ▶ In response to changed levels of responsibility and as a result of their re-evaluation by independent analysts CED, OFM's Branch Director positions were regraded to SES 2 level.

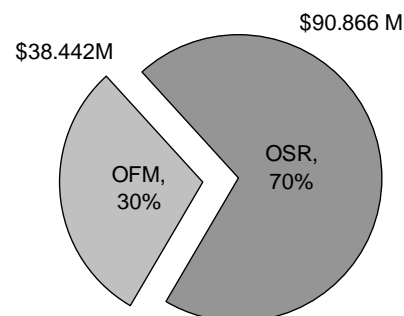
Treasury's Budget

Benchmark: ≤100%	00-01 Actual	01-02 Actual	02-03 Actual
% of controlled Net Cost of Services to Budget	91%	87%	100%
% of actual to budgeted staff numbers	89%	94%	98%

This Report contains the 2002-03 audited Financial Statements of NSW Treasury. They represent consolidated statements for OFM and OSR.

Thirty percent of Treasury's budget is applied to OFM. This Report provides information on OFM's use of resources to achieve its outcomes.

Treasury Expenses*



* Excludes the following OSR expenses - First Home Owner Grants Scheme payments; GST Offset payments for bookmakers and Grain Freight Rebate.

OFM operated in line with its budget during 2002-03 and with staff numbers consistent with that budget. The actual net cost of services was marginally (0.27%) above budget.

Major Assets Acquired in 2002-03

Hardware:	\$'000
Personal Computing	128
Other Computer Equipment	216
Total Hardware	344
Software	76
Office Equipment	3
Office Furniture	50
Total Major Assets	473

1 Enhanced Economic Development

Our Challenge

To enhance the policy and regulatory framework for NSW economic development.

Our Strategies

Microeconomic Reform through:

- ▶ Implementation of competition policy to achieve efficient and competitive markets;
- ▶ Advocating appropriate regulatory and industry policies; and
- ▶ Enhancing efficiency and competitiveness of the NSW tax system by lowering taxes, consistent with the State fiscal strategy.

NSW has made considerable progress in reviewing 195 statutes identified for reform. During the year OFM actively assisted with the review of the following statutes:

- ▶ Boxing and Wrestling Control Act 1986;
- ▶ Casino Control Act 1992;
- ▶ Gaming Machines Act 2001;
- ▶ Liquor Act 1982;
- ▶ Lord Howe Island Act 1953;
- ▶ Motor Vehicles Sports (Public Safety) Act 1985;
- ▶ Retail Leases Act 1994;
- ▶ Small Business Loans Guarantee Act 1997; and
- ▶ State Development and Industry Assistance Act 1996.

Microeconomic Reform

OFM is the NSW Government's primary advisor on microeconomic reform. We apply a microeconomic reform strategy that is aimed at promoting an environment conducive to the economic development of NSW.

Competition Policy Application

Microeconomic reform is undertaken within the framework of National Competition Policy (NCP) agreements. OFM works in conjunction with The Cabinet Office to assist agencies meet NCP obligations and to ensure competitive and efficient industry markets in NSW.

NCP requires that state legislation that potentially restricts competition be reviewed.

OFM also provides advice to ensure that NSW complies with its competitive neutrality obligations under the NCP Agreement. Competitive neutrality is aimed at creating a level playing field between public and private enterprises. This ensures no unfair net advantage to NSW Government businesses through tax exemptions, lower capital costs or other factors arising from their public ownership.

NSW progress with fulfilment of competition policy obligations since 1997-98 is reflected in its continuing receipt of full NCP payments from the Commonwealth. In 2002-03, tranche payments totalled more than \$250 million.

Energy Industry Reform

NCP implementation has seen particular emphasis given to the reform of the electricity sector. OFM has oversighted the completion of many key electricity market reforms, including introduction of a fully contestable electricity market.

Energy Ownership Risk Management

In December 2001 the Government released a discussion paper, the *Electricity Trading Risk Management Plan*, outlining a proposal to tender out the function of buying and selling electricity currently undertaken by the State-owned generators and retailers.

During 2002-03, OFM undertook a study to quantify the financial risks that are specific to the trading and contestable energy retailing functions of the NSW energy businesses. The study provided information on:

- ▶ Market values and expected earnings of existing contract portfolios.
- ▶ Earnings at risk – how potential earnings vary under different forward pricing scenarios.
- ▶ Level of financial risk at the global level – the extent of any offsetting trading effects given the common ownership of retail and generation operations.

Our Commitment for 2002-03

Reviewing options to manage the risks associated with government ownership of energy businesses.

Our Performance

OFM analysed the financial risks associated with existing contracts in formulating its advice on the choice and design of new risk management options, which are currently still being considered by the Government.

Pacific Power Wind Up

As part of the energy sector reform priorities for 2002-03 OFM managed the sales of the remaining business activities of Pacific Power, and its two subsidiaries, PowerCoal Pty Ltd and Pacific Power International.

PowerCoal Pty Ltd, which owns and operates underground coal mines, was sold to Centennial Coal Company Ltd on 6 August 2002 for \$306 million. Part of the proceeds was used to fund employee entitlements and repay PowerCoal debt.

Pacific Power International, an engineering consulting business, was sold on 7 February 2003 to Connell Wagner for \$16 million. A large number of employees of Pacific Power took up the opportunity of employment with Connell Wagner.

Tallawarra power station site was sold to TXU on 30 April 2003 for an initial \$4 million, with a further \$11 million due when a power station operates on the site.

Following these sales Pacific Power, having no remaining business undertakings, was dissolved on 1 July 2003.

A new entity, the Residual Business Management Corporation, was created to manage the residual assets, rights and liabilities of Pacific Power.

Our Commitment for 2002-03

Managing the sale processes for PowerCoal and Pacific Power International.

Our Performance

Efficient and effective sale processes resulted in satisfactory outcomes for both sales.

There continues to be close consultation between OFM and the Ministry for Energy and Utilities on the implementation of remaining elements of the energy sector reform program and the monitoring of energy markets.

Regulatory and Industry Policy

The advocacy of appropriate regulatory and industry policy is another element of OFM's microeconomic strategy.

A particular initiative has seen OFM developing a natural resource management framework to provide criteria for assessing natural resource and environment related policy proposals and funding issues.

During 2002-03 the draft approach was documented in a Natural Resource Management Economic Solutions paper. The paper was refined with the assistance of professional editing and some stakeholder consultation.

Our Commitment for 2002-03

Applying an analytical approach for addressing natural resource management issues.

Our Performance

Following the refinement of the approach during 2002-03 there will be more extensive stakeholder consultation during the coming year, prior to its release as a Treasury Policy and Guidelines Paper.

State Taxation Reform

State taxation policy aims to raise the revenue required to provide government services to the people of NSW. The need to sustain a sound fiscal position over the course of an economic cycle must be taken into account.

Yet, at the same time, maximum possible tax restraint is an underlying principle of the State's fiscal strategy. Tax policies need to enable predictability and stability, and enhance the efficiency of the State tax regime.

Under the umbrella of its microeconomic reform strategy, OFM continued to provide tax policy advice aimed at promoting the efficiency and competitiveness of the NSW tax system. Maintenance of a competitive NSW tax system contributes to the State's economic development.

In October 2002 OFM issued the *Interstate Comparison of Taxes*. This annual publication, which is produced in liaison with other jurisdictions, facilitates interstate comparisons by providing a brief description, and details of rates and thresholds for each tax in each State and Territory.

2 Effective Resource Allocation

Our Challenge

To ensure effective resource allocation and management in state sector service delivery.

Our Strategies

- ▶ Developing a **Financial Management Framework** (FMF) for general government agencies to facilitate more strategic resource allocation and delivery of value for money programs and services.
- ▶ **Microeconomic Reform** by periodic review of service delivery and funding for key sectors, including expanded private sector involvement to achieve better value for money infrastructure based service delivery.

SRAAs are outcomes-focused agreements between Ministers and the Treasurer, and between State Budget funded agencies and OFM. They show how resources provided to agencies will be used to pursue the Government's desired outcomes.

By linking an agency's outputs with its outcomes, SRAAs are a key mechanism for improving the allocation of Budget resources. The SRAA process also integrates agency planning and budgeting systems.

Financial Management Framework

The General Government Financial Management Framework is a suite of policies, guidelines and toolkits for improving resource allocation and management so as to secure value for money in Government program and service delivery.

OFM continued to develop and apply the Framework during 2002-03, focusing on:

- ▶ Improvement of the Service and Resource Allocation Agreement (SRAA) process.
- ▶ Continued development of draft guidelines and discussion papers on various aspects of resource management.
- ▶ Increased consultation with agencies on aspects of resource allocation and resource management.

Our Commitment for 2002-03

Ongoing integration of SRAAs into the preparation of the Budget.

Our Performance

An in-depth review of the 2002-03 SRAA process was completed in August 2002. This confirmed the positive response of agencies to changes introduced for 2002-03 – specifically integration of SRAAs with the Budget process and executive level strategic meetings.

Agencies, however, wanted closer liaison with, and assistance from OFM in developing their SRAAs. OFM responded by working with the agencies concerned to tailor SRAA development paths for each. The first step involves the agencies, with OFM's assistance, refining the articulation of their outcomes and outputs and linkages between them.

The emphasis on the SRAA process will continue in 2003-04. OFM will assist some additional agencies to develop SRAAs for 2004-05.

The year in review – effective resource allocation

Agency Planning	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
% of targeted agencies with SRAAs in place	55%	73%	100%	91%	100%
% of relevant agencies with current asset maintenance plans endorsed by OFM	87%	88%	100%	94%	100%

There has been steady improvement and refinement of SRAAs during the three years they have been trialled. The negotiation of each year's SRAA has provided a stronger foundation for subsequent years.

For 2002-03, SRAAs were finalised for 10 of the 11 agencies with which they are being trialled. Agencies also submitted draft SRAAs for 2003-04 as part of their documentation for Budget funding.

55% of agencies in the trial considered that the SRAA process informed the Budget process either directly or indirectly. More detailed feedback on different aspects of SRAAs will be sought in OFM's next biennial survey of agencies – in 2003-04.

During 2002-03 OFM also focused on providing guidance to, and consulting with, agencies on best practice resource management. The issue of draft Service Costing Guidelines in July 2002 was supported by a number of presentations to individual agencies.

This consultation process will continue into 2003-04.

In addition, substantial progress was made in developing discussion and working papers on:

- ▶ Possible improvements to financial governance arrangements to assist agencies improve service delivery;
- ▶ Incentives for agencies to improve performance;
- ▶ Aspects of strategic capital reform, including the benefits of introducing a capital charge;
- ▶ Performance management and performance management systems; and
- ▶ The NSW appropriations system.

Mechanisms used in other jurisdictions to foster agencies working together were also researched.

Finalisation of discussion papers, and consultation on aspects of the Framework have been slower than anticipated. This also delayed the establishment of the planned peak consultation forum, the Financial Management Consultative Council.

Delays have been partly due to the extent of research required and the continuing rapid development of resource allocation and management concepts both in Australia and overseas. This has lengthened the policy formulation process.

Our Commitment for 2002-03

Further developing a strategic capital reform program to facilitate improvements to agency strategic capital investment and management.

Our Performance

2002-03 was a consolidation phase for the strategic capital reform initiative. Options for the introduction of a capital charge were developed.

Research undertaken will assist more detailed review of agency capital investment and management. It reinforces the need for an integrated approach to addressing impediments faced by agencies when applying best practice asset management.

During the coming year work on the resource management elements of the Financial Management Framework will shift from research and policy formulation to more active agency consultation. Discussion papers will be released, beginning with draft Performance Management Guidelines.

Emphasis will be on assisting agencies upgrade resource management practices. During this implementation phase OFM will be working closely with The Cabinet Office and Premier's Department.

Microeconomic Reform

One element of our microeconomic strategy involves review of service delivery and funding for key sectors. The aim is to achieve improved productivity and more efficient resource allocation. These special reviews, and more general analysis and monitoring of agencies' financial performance, also support application of the General Government and Commercial Sector frameworks, and in turn, the State's fiscal strategy.

Review of Natural Resource Agencies

Historically, natural resource agency structures evolved with a mix of commercial, policy and regulatory functions. Better focus of these agencies on core service delivery would be more conducive to achieving the Government's natural resource management objectives.

Consequently, during 2002-03 a major restructure of natural resource, property and planning agencies was undertaken. The aim is to better balance community environment, economic, and social needs.

Our Commitment for 2002-03

Reviewing natural resource management roles and functions and the strategic direction of State agencies, to achieve more effective service delivery and outcomes.

Our Performance

OFM was instrumental in the decision to create the Department of Infrastructure, Planning and Natural Resources. The new agency commenced on 1 July 2003 and will better link natural resource management and urban development.

OFM continues to work with agencies in simplifying structures to lower administration costs and better co-ordinate planning and natural resource management across NSW.

Education Sector Reform

Our Commitment for 2002-03

Progressing review of Education sector reform.

Our Performance

During the year OFM established an *Information & Communication Technology (ICT) Funding Agreement* with the Department of Education and Training in conjunction with the Office of Information Technology and Management. The purpose is to monitor outcomes from funding provided for the Education sector's technology priorities.

The ICT Funding Agreement initiative coincided with approval of significant new funds to provide broadband and internet services to schools and TAFE. The broadband funding provision within the ICT Agreement requires reporting on the broadband rollout and the resulting achievement of educational benefit.

OFM is currently working with the Department to finalise specific agreements for other ICT funding elements, including internet services and "computers in schools" program.

Health Sector Reform

Our Commitment for 2002-03

Progressing review of reforms to the Health sector.

Our Performance

OFM worked with NSW Health on a guaranteed funding model, the renegotiation of Australian Health Care Agreements and the development of outcome indicators for health care service delivery.

New Health Care Agreements and the greater funding certainty of guaranteed funding arrangements facilitate longer term planning and service delivery.

Private and Public Partnerships

In November 2001, the NSW Government released revised policy and guidelines for private financing of public infrastructure, *Working with Government*. Our Private Projects Branch was established to be the prime adviser on economic, financial and commercial aspects of Privately Financed Projects (PFPs).

In 2002-03 OFM, in conjunction with relevant service agencies, oversaw development and execution of contracts for a number of PFPs:

- ▶ Construction of nine schools in new urban release areas of outer-metropolitan Sydney. (Estimated cost: \$84 million)
- ▶ Construction of twin two lane Cross City Tunnels from Kings Cross to the Western Distributor. (Estimated cost: \$680 million)
- ▶ Construction of a renewable waste energy facility at the Eastern Creek land fill site. (Estimated cost: \$70 million)

- ▶ Western Sydney Orbital – a 39km road linking the M5 at Prestons with the M2 at West Baulkham Hills, with an adjacent shared cycle/pedestrian pathway. (Estimated cost: \$1.85 billion)

In 2003-04 OFM will continue to progress implementation of the *Working with Government* policy, through a number of projects including:

- ▶ The 3.2km Lane Cove Tunnel to link the M2 at East Ryde and Gore Hill freeway at Artarmon.
- ▶ Construction of a new forensic hospital and the re-development of the prison hospital at Long Bay.
- ▶ Development of a container and general cargo terminal on the former BHP Steelworks site in Newcastle.
- ▶ Development of new affordable and social housing.

3 Transparent Financial Management

Our Challenge

To improve the transparency of NSW public sector financial management.

Our Strategies

- ▶ Applying a **Financial Management Framework** for General Government agencies to link budget allocations to performance, and promote transparency in State Budget resources management.
- ▶ Applying a **Commercial Sector Policy Framework** to enhance accountability for Government businesses' commercial performance.
- ▶ Advocating **Best Practice Accounting and Reporting** in support of the General Government and commercial sector frameworks.

Work on the Framework during 2002-03 included attention to those elements that facilitate more transparent financial management.

Draft Service Costing Guidelines were released in July 2002 aimed at improving agencies' service costing and therefore the quality of service cost information for stakeholders.

The Guidelines articulate better practice in service costing. They provide guidance on the preparation of service costing information.

Financial Management Framework

While addressing OFM's *Effective Resource Allocation* objective, the Financial Management Framework with its focus on performance also enhances the transparency of NSW public sector financial management.

Service and Resource Allocation Agreements (SRAAs), a core component of the Framework, ensure accountability for the use of public resources by linking funding with agreed performance standards.

There was also substantial progress with other initiatives, including:

- ▶ Performance management guidelines which, in combination with the SRAA development strategy, will assist agencies to develop performance data that shows how they are managing their resources.
- ▶ Application of a capital charge, which would result in greater cost transparency.

In 2003-04 OFM will assist agencies to upgrade their resource management practices and reporting. This will further promote more transparent financial management.

Commercial Policy Framework

The Commercial Policy Framework is a suite of policies that replicates within Government businesses the disciplines and incentives that lead private sector businesses towards efficient commercial practices.

The application of the Framework ensures accountability for management of the Government's commercial businesses.

Financial Monitoring Policy

Financial Monitoring Policy is an important component of the Commercial Policy Framework. It applies private sector market based disciplines to government businesses.

Financial Monitoring Policy sets out the framework for OFM's financial performance monitoring of all Government businesses from a shareholder perspective.

The Policy involves negotiation of annual agreements with Government businesses outlining financial performance targets. There is quarterly monitoring of actual results against the agreed targets.

Our Commitment for 2002-03

Developing internal guidelines and computing systems to enhance the implementation of Government businesses monitoring policy.

Our Performance

During 2002-03, Treasury reviewed private sector theory, practices and developments and compared them to current government business practices. Subsequently, a paper canvassing issues and options was distributed to stakeholders.

It is proposed that the reporting and monitoring process be modified to:

- ▶ Reflect private sector best practice.
- ▶ Provide a uniform and collaborative performance review and reporting arrangement.
- ▶ Reinvigorate relationships amongst government businesses, their shareholders and Treasury.
- ▶ Optimise the benefits of the Commercial Policy Framework.

The revised formal policy will issue in 2003-04.

Corporate Governance Arrangements

OFM conducted a wide ranging review of corporate governance arrangements for State Owned Corporations.

OFM's review was augmented by the release of an Australian Stock Exchange paper on corporate governance reform for publicly listed companies.

OFM concentrated on the areas of corporate governance that are deemed to be of the highest priority for reform. Guidelines for CEO contracts and remuneration were finalised.

Further work is being undertaken to enhance corporate governance standards for boards and subsidiaries, and to update Indemnity Policy for Government businesses.

Best Practice Accounting and Reporting

OFM assists and directs the NSW public sector on best practice accounting, financial and annual reporting standards. This activity supports implementation of the General Government Financial Management Framework and the Commercial Sector Policy Framework.

Our Commitment for 2002-03

In line with the review of NSW financial management and reporting legislation, reviewing Treasurer's Directions to reflect modern financial management practices and accounting standards.

Our Performance

Redundant Directions have been identified and agencies consulted on their proposed withdrawal. Redundant Directions will be withdrawn in 2003-04.

Adoption of International Accounting Standards

In July 2002, the Commonwealth determined that Australian reporting entities should adopt International Accounting Standards (IAS) from 1 January 2005. This decision impacts on private and public sector entities.

Research and Development

While OFM undertakes no *Research & Development* activity, in 2002-03 it made a grant of \$169,000 to the Australian Accounting Research and Standards Bodies in recognition of the accounting profession's role in developing accounting standards for the public and private sectors.

The grant was made under:

- Program Area 71.1: State Financial and Economic Management Strategy and Services,
Program 71.1.1: Increasing the Community's Economic Welfare.

OFM's implementation plan for the move of NSW public sector entities to IAS includes:

- ▶ Raising awareness of changes resulting from IAS adoption.
- ▶ Commenting on Australian Accounting Standards Board and IAS exposure drafts.
- ▶ Assessing implications for financial statements, systems, processes, policies and people.

An OFM seminar was held on the move to IAS and future seminars and further guidance will be provided for agencies.

GFS/GAAP Convergence

During 2002-03 OFM participated with other Treasuries to consider the convergence of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP).

The aim is to achieve an Australian Accounting Standard for a single set of government reports that are auditable, comparable between jurisdictions and directly comparable with relevant budget statements. This will improve the transparency of government financial statements.

Asset Valuation Policy

During 2002-03 OFM issued a policy paper *Valuation of Physical Non-Current Assets at Fair Value* to guide agencies in valuing such assets, taking into account the public sector's unique circumstances. Assets concerned include land and buildings, specialised plant and infrastructure and heritage or cultural assets.

The policy acknowledges public sector entities that are moving to be fully commercial, but for which profit is not yet the main objective.

Reporting on State Finance

Accurate, informative and timely reports on the State's finances ensure transparent use of State finances.

OFM's Reporting and Coordination Branch is responsible for coordinating preparation of Budget papers and other major reports on the State's finances.

The State's annual budget papers are OFM's core output. They outline the Government's plan for funding General Government sector service delivery and capital works, and report on trends in, and forecasts of, the State's overall finances.

Other periodic reports detail actual financial management performance for both General Government and Public Trading Enterprise sectors.

During 2002-03 OFM developed and applied a protocol for costing proposals and commitments associated with the March 2003 NSW Election. This was linked successfully with the Budget process to ensure accurate and clear reporting of the Budget impact.

OFM also succeeded in producing the State's Budget in a much shorter timeframe, as necessitated by the election. This was complicated by post election restructuring of specific agencies and portfolios. The Treasurer presented the Budget to Parliament on 24 June and a supplementary statement on restructured agencies on 26 August.

The *Performance of NSW Government Businesses* reports annually on the performance of key NSW Government businesses and progress in implementing microeconomic reform in NSW. OFM published the most recent edition in May 2003.

The NSW Budget and other financial performance reports can be accessed from OFM's website at www.treasury.nsw.gov.au.

State Finance Reporting Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
Delivery of printed Budget papers	B Day-1	B Day-1	B Day-1	B Day-1	B Day-1
Issue of reports on the State's finances:					
► Issue of monthly Financial Statement on website by last working day of following month (when not coinciding with other reports)	0 days late	0 days late	0 days late	0 days late	0 days late
► Tabling of Report on State Finance before statutory date	29 Dec	15 Nov	≤30 Nov	14 Oct	≤31 Oct
Submission of report on performance of PTEs	22 Dec	19 Dec	≤15 Dec	23 Dec	≤31 Dec

OFM met the deadlines for the timely issue of the Budget Papers and other major reports on NSW finances.

An efficient and effective process resulted in the timely issue of informative and accurate Budget papers. 91% of respondents to a post Budget survey were satisfied with the adequacy and simplicity of the papers.

OFM's timetable reduction program resulted in the early issue of the major "ex post" report on NSW finances, the *Report on State Finances 2001-02*. This report issued one month earlier than the previous record.

4 Strengthened State Finances

Our Challenge

To strengthen the financial position of the NSW Government.

Our Strategies

- ▶ Advocating a **State Fiscal Strategy** to enhance the State's capacity to achieve consistent service delivery throughout economic cycles.
- ▶ Optimising the **State's Balance Sheet** structure to ensure NSW's financial strength and budget flexibility.
- ▶ Increasing the value of State businesses by applying a **Commercial Sector Policy Framework** and reviewing targeted Government businesses.

State Fiscal Strategy

The State Fiscal Strategy is the cornerstone for managing the State's finances. The strategy aims at:

- ▶ Reducing and maintaining net financial liabilities at a sustainable level.
- ▶ Judiciously managing the mix and level of liabilities and financial assets.
- ▶ Maintaining surpluses during periods of above-trend revenue.
- ▶ Ensuring capacity to deal with one-off fiscal shocks and foreseeable long-term budget pressures.

The principles underlying the Fiscal Strategy and the short, medium and long term targets set for the major Budget aggregates are specified in the *General Government Debt Elimination Act 1995*.

The Fiscal Strategy remained effective in 2002-03. Its objectives were achieved.

General Government net debt declined further during the year and appears to be sustainable.

Net financial liabilities increased, however, due to a rise in net unfunded superannuation liabilities, which principally reflected poor asset returns from consecutive years of declining global equity markets. This in turn dampened the increase in General Government net worth.

OFM met with Standard and Poor's and Moody's Investor Service for their annual credit rating reviews. Subsequently, at the end of 2002, both agencies reaffirmed the State's AAA domestic credit rating and upgraded its foreign currency rating to AAA. Both cited the State's strong fiscal record of surpluses in recent years, modest debt burden and ample fiscal flexibility.

The Fiscal Strategy also provided the basis for the 2003-04 State Budget. NSW is well on track to achieving the long term fiscal target of zero General Government net debt by June 2020; and full funding of total State sector superannuation liabilities by June 2030.

In March 2003 NSW Treasury joined other State and Territory Treasuries in purchasing a long-term fiscal model from a private economic consultant.

The model will be used to analyse longer-term impacts on the economy and fiscal position, such as an aging population. The model is currently being evaluated and will be used to develop long-term fiscal projections for NSW.

The year in review – strengthened state finance

Fiscal Strategy Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual Estimate	03-04 Bench mark
Maintenance of maximum credit rating for NSW	AAA	AAA	AAA	AAA	AAA
At least maintain General Government real net worth	Average real 8% pa increase since June 1997		Maintain	Average real 1% pa increase to June 2007	
Decrease State net financial liabilities as % of GSP	15.9%	15.8%	≤15%	16.1%	16%

Both major credit rating agencies reconfirmed AAA status for NSW.

The General Government Debt Elimination Act target for net worth remains on track.

The downward trend in State net financial liabilities was interrupted in 2002-03 due to the increase in unfunded superannuation liabilities arising from the deterioration in world equity markets, and the impact on superannuation fund investment returns. This was further exacerbated by demographic changes.

State Taxation Reform

One of the objectives of the State Fiscal Strategy is to reduce the tax burden on NSW taxpayers.

The level of tax revenue has been buoyant in recent years because of the strength of the economy and the property market in particular. However, there were considerable reductions to tax rates in the period 1998-2002, as a result of which 2002-03 revenues were \$440 million lower than they otherwise would have been.

During 2002-03 OFM advised on:

- ▶ Improving the equity and efficiency of the payroll tax base.
- ▶ Protecting the transfer duty base.
- ▶ Protecting the mortgage duty base.
- ▶ Changing club and hotel gaming device taxation.
- ▶ Review of the Electricity Distributors Levy.

Measures announced in the 2003-04 Budget were directed to maintaining the integrity, consistency and equity of important revenue bases.

Intergovernmental Financial Arrangements

The Fiscal Strategy requires a fair share of Commonwealth funding to NSW.

The Commonwealth Grants Commission (CGC) recommends the distribution of GST revenue grants to the States. It reviews its assessment methods every 5 years. The current review will be completed in 2004.

OFM debated a number of key issues for the review with other States and Territories at a CGC conference in October 2002.

More technical issues relating to CGC calculations were discussed at a conference in November.

Our Commitment for 2002-03

As part of the five-year review of the methodology for distribution of Commonwealth funding to States, and subsequent to NSW' main submission in 2001-02, preparing supplementary submissions to CGC.

Our Performance

In March 2003 OFM submitted NSW' *Rejoinder Submission*, responding to issues raised by other jurisdictions, and providing further evidence in support of the case for greater recognition of:

- ▶ costs of congestion in Sydney;
- ▶ drug-related issues;
- ▶ costs of migrant services; and
- ▶ tax policy issues.

CGC met with OFM in April to discuss these issues in more detail.

NSW, Victoria and Western Australia commissioned Prof Garnaut and Dr FitzGerald to review Commonwealth-State funding. They reported in August 2002 that current arrangements are less efficient, equitable and transparent than they should be. States that boost local economic growth have their share of grants reduced. This reduces the incentive for recipient States to be more self-reliant.

Consequently NSW is seeking a Commonwealth Government initiated review of federal financial arrangements.

Federal funding arrangements link Commonwealth payments to the States to GST revenue. NSW depends on these payments for half its revenue. Under the Inter-Governmental Agreement the States have certain obligations in the management of the GST and fund the ATO's GST revenue collection activities. It is imperative that OFM is able to advise on GST issues that affect the State's finances.

Our Commitment for 2002-03

Strengthening our ability to advise Government on GST issues to safeguard against developments that may adversely affect the NSW budget.

Our Performance

Increased resources have been devoted to GST issues to minimise adverse impacts on NSW.

Forecasting Budget Aggregates

Accurately forecasting the Budget outcome greatly assists planning the State's fiscal strategies.

Deviations of actual expenses, revenues and net lending result from their projections provide some indication of State financial management outcomes. OFM can have some influence over these outcomes but cannot control them because of external influences.

State Balance Sheet Management

An optimal State balance sheet structure is a basic requirement for a strong State financial position. This in turn will ensure that the State can maintain the level of services throughout economic cycles.

Sound strategies to manage balance sheet ratios and aggregates also facilitate achievement of the State's fiscal strategy. Liability management strategies that reduce net financial liabilities will make the budget more resilient to shocks and increase the State's net worth. Reductions in debt servicing costs will mean that funding can be redirected to core services.

OFM's Crown Asset and Liability Management Branch is responsible for managing Crown Entity finances and their impact on the State's balance sheet.

The Crown Entity administers public sector wide assets, liabilities and transactions that are the overall responsibility of government, not individual agencies. For example, Government contributions to public sector superannuation schemes, interest on Government debt, etc. Related functions include operation of the banking system for budget dependent agencies (the Treasury Banking System) and the Government's self insurance scheme (the Treasury Managed Fund).

Budget Forecasting Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual Estimate	03-04 Bench mark
% deviation from Budget GFS expenses projection	+6.1%	+5.4%	<±2%	+6.2%	<±2%
% deviation from GFS tax revenues projection	+7.4%	+9.3%	<±3.0%	+10.1%	<±7.0%
% deviation from distribution payments projection	+2.6%	+7.0%	<±10.0%	+1.9%	<±10.0%

Tax revenues were higher than expected in 2002-03 mainly because of stronger property market turnover and prices, which boosted transfer and mortgage duty revenues. Continuing low interest rates, resilient domestic economic performance – notwithstanding the drought – and investor nervousness about the share market helped sustain residential property demand.

Other States also experienced property-related duty revenue growth in 2002-03 well in excess of original estimates. Transfer duty revenues are volatile, with an average (absolute) percentage change for the period 1978-79 to 2002-03 of 26 percent.

Following an external review of transfer duty forecasting performance, the benchmark for the deviation of projected tax revenues has been increased from 3 to 7 percent. This increase recognises historical volatility in revenue collections and past forecasting performance.

External assistance is to be obtained to develop a model to improve the accuracy of transfer duty revenue forecasts.

The year in review – strengthened state finance

A more detailed performance report on the management of Crown Entity finances is contained in Volume 3 of the Treasury Annual Report.

Treasury Banking System

The Treasury Banking System is the mechanism for managing liquidity across all budget dependent agencies.

A single commercial bank is appointed as the financial intermediary for transactions between Treasury and agencies, including disbursement of appropriations, credit card transactions and collection of customer payments.

Our Commitment for 2002-03

Conducting a tender for managing the Treasury Banking System as current arrangements expire.

Our Performance

Following public tender the Westpac Banking Corporation was appointed for a period of three years plus a two year extension at the Treasurer's option.

The Stage two reforms to negligence litigation:

- ▶ limit tort liability of public authorities, good Samaritans and volunteers,
- ▶ introduce proportionate liability for certain claims,
- ▶ facilitate structured settlements for personal injuries, and
- ▶ introduce a new defence to negligence claims against professionals.

Mr Richard Grellman will review building warranty insurance arrangements and report to Government by September 2003.

Superannuation Administration Act 1996 Review

Treasury's review of the Act in 2001-02 determined that its objectives remain valid and appropriate.

Our Commitment for 2002-03

Arranging any legislative amendments resulting from the five-year review of the *Superannuation Administration Act*, presented to Parliament June 2002.

Our Performance

Following the review Treasury has been examining options to improve the administrative efficiency of government superannuation funds, including prudential supervision arrangements. Advice will be submitted to Government on action to effect any identified improvements.

Treasury Banking Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
No. of days each month Treasury cash balances forecasting error is ≤ 0 or \geq \$50 million	6 days	3.4 days	≤ 4 days	4.1 days	≤ 4 days

Management of cash balances within the Treasury Banking System was substantially in line with benchmark performance, notwithstanding the transition to a new service provider.

Insurance Policy Development

In response to problems facing the insurance industry, the NSW Parliament passed Stage one of a tort law reform package in 2001-02. Stage two, the Civil Liability Amendment (Personal Responsibility) Act was passed in 2002-03. OFM advised on the development and implementation of this legislation.

Financial Assets Management

During the year OFM commissioned a review of the risks associated with holding financial assets. This review is reported in more detail under the *Performance Review and Improvement* section of the *Organisation Building* chapter of this report.

Commercial Policy Framework

The Commercial Policy Framework ensures NSW's balance sheet strength by safeguarding the value of Government businesses and by ensuring appropriate returns to the Budget from the taxpayers' investment in them. It subjects the businesses to the same commercial disciplines as the private sector.

OFM's Financial Management Improvement Branch is responsible for the Framework's development, review and promulgation. Activities include:

- ▶ Guidance on the implementation of existing policies.
- ▶ Advice on corporate governance issues for State Owned Corporations, including board remuneration and the issue of directions by Voting Shareholders under the SOC Act.
- ▶ Advice on the application of corporations law and privacy legislation to SOCs.

Capital Structure Policy

Capital Structure Policy determines a target capital structure for Government businesses, taking into account risk and the business' capacity to service debt. It ensures Government businesses are financed by a mix of debt and equity. It encourages boards and managers to make efficient, commercial investment decisions that maximise returns to shareholders.

An updated Capital Structure Policy issued in September 2002.

Treasury Management Policy

Treasury Management Policy sets a framework for management of financial risks within Government businesses, including credit, liquidity, foreign exchange and interest rate risks.

A revised Treasury Management Policy issued in September 2002. The revised policy ensures a consistent approach to managing treasury function risks in all public sector agencies, including Government businesses. Agencies authorised to undertake treasury functions must prepare policies on a case-by-case basis taking into account the nature, size and complexity of financial market activities. Board approval is required in the case of a Government business.

Boards and management must ensure the agency's risk management policies are reviewed annually, or as business and market circumstances change.

Tax Equivalent Regime

The Commonwealth Government introduced a National Tax Equivalent Regime (NTER) in 2002 to ensure competitive neutrality for Government businesses that operate in a competitive market and/or have a commercial objective. This regime does not apply to smaller businesses.

To ensure that no NSW business receives an unfair competitive advantage because of Government ownership, OFM introduced a state-based Tax Equivalent Regime (TER) to apply to those businesses not subject to the NTER. This requires smaller Government businesses to pay tax equivalents.

The TER provides a simplified accounting profits-based method for paying tax equivalents without the administrative costs involved with the NTER.

Commercial Policy Framework Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
% of Government businesses with performance agreements in place:					
- SOCs	94%	100%	100%	100%	100%
- All businesses	94%	94%	100%	76%	100%

All Statements of Corporate Intent with State Owned Corporations were finalised. Some Statements of Business Intent with other Public Trading Enterprises were deferred pending implementation of agency specific reforms.

5 Organisation Building

Our Challenge

To build a values-based organisation that facilitates the achievement of our objectives.

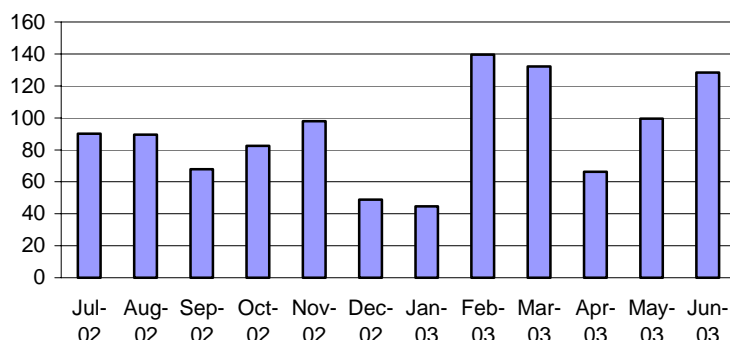
Our Strategies

- ▶ Implementing an effective **staff development** program
- ▶ Improving our **relationship with agencies**
- ▶ Ensuring OFM's **organisational efficiency**

OFM's Organisation Building objective underpins its strategic management framework. It supports the achievement of our business objectives. A three part strategy addresses this cornerstone objective. It focuses on:

- ▶ Our skills, including the capabilities of our managers and staff, recruitment effectiveness and performance management.
- ▶ Our ability to work in partnership with other agencies.
- ▶ Our operational efficiency, including effective planning and performance management, operational support and internal and external communication.

Total Training Days Per Month



Staff Development

We seek to ensure that OFM officers have the required skills by providing a multi-faceted staff development program. The program emphasises improvement in our planning, and management of people, projects, processes and performance.

Courses and other development activities include technical, management, interpersonal and computer training courses. Additional development options include on the job training, further education and local, interstate and overseas secondment opportunities.

The development program in 2002-03 offered 35 courses addressing corporate governance issues. Coverage included Ethics, Code of Conduct, Good Decision Making and Freedom of Information.

In 2002-03 we aimed for each member of staff to receive at least 5 training days. This was achieved with the average being 5.3 training days per staff member.

Our Commitment for 2002-03

Developing case studies on appropriate behaviours for OFM managers and staff, as part of our corporate strategy to capture necessary competencies and facilitate staff development.

Our Performance

Four case studies were developed as a way of demonstrating appropriate behaviour in OFM. The package will be provided to staff following the development of two more case studies.

The year in review – organisation building

OFM staff can expect job satisfaction, personal development and career opportunities, strong leadership and effective management. To monitor our success in these areas, we conduct quarterly staff questionnaires and a more comprehensive biennial Staff Opinion Survey.

82% of staff responded to the most recent biennial survey, in early 2003. The results highlighted factors contributing to a positive workplace as well as areas for improvement.

Staff responses were generally positive. Interesting, important and satisfying work, professional environment, flexible work conditions, effective leadership and development opportunities were identified as major contributors to staff satisfaction.

Issues for improvement include workload patterns, developing opportunities for career advancement, skill development and performance management.

Staff Wellbeing	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
<i>Biennial Staff Survey:</i>					
% of staff responding	74%	na	>75%	82%	na
% agreeing OFM values its staff	na	na	>75%	74%	na
% agreeing there are sufficient opportunities to develop skills for their job	na	na	>75%	84%	na
<i>Quarterly Staff Survey:</i>					
% believing OFM values are adhered to	89%	94%	>75%	92%	>75%
<i>Other Indicators</i>					
% staff turnover	10%	11%	≤20%	9.4%	≤20%
Average training days per staff member	4.4 days	4.3 days	≥5 days	5.3 days	≥5 days
% of staff participating in performance appraisals	87%	80%	100%	63%	100%
Average sick days per staff member	4.7 days	4.6 days	≤6 days	5.2 days	≤6 days

Strategies to address issues emerging from the biennial staff survey will be considered at OFM's annual Staff Issues Conference in September.

The relatively low participation rate, and feedback from the staff surveys, signalled dissatisfaction with OFM's staff performance appraisal and development scheme. Consequently a working group was convened to review and make recommendations on the scheme. As a result a new performance agreement and review scheme is to be introduced. All staff will receive training in the new scheme early in 2003-04.

Management Development

Ensuring effective management remains a key priority for OFM. Our Staff Development Program addresses management skills as well as technical skills. Staff rotations and secondments emphasise management capability.

Our Commitment for 2002-03

Implementing strategies to address individual and corporate needs as identified in our 2001-02 management development survey.

Our Performance

Management development strategies applied during the year included management training, personal coaching and peer support processes.

Recruitment Effectiveness

Attracting high quality staff is critical to OFM's success. There are three categories of recruitment:

- ▶ Entry level
- ▶ Operational level
- ▶ Senior management level

A comprehensive Graduate Program addresses entry level recruitment. Ten new graduates (8 female and 2 male) commenced in February 2003 under this Program. These graduates will receive intensive training and rotate through three core areas during their first year.

Operational staff are recruited through competitive advertising. During the year 22 staff were recruited (9 female and 13 male).

Three senior Executives were recruited during the year following extensive advertising.

Recruitment is supported by extensive search processes whenever necessary.

Working with Agencies

The successful outcome of financial reform initiatives depends on their shared ownership by Treasury and other central and line agencies. It is vital that Treasury work in partnership with other agencies in developing and implementing these initiatives. This is a key element of our strategy for Organisation Building, and our strategic management framework for managing the State's finances.

OFM's Commitment to Agencies

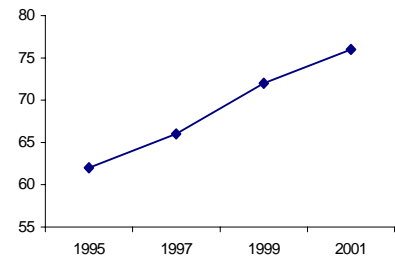
Our code of good practice for interacting with other agencies is based on the principles of:

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

Every two years we survey agencies to get their view as to whether OFM has complied with the code. The latest survey was held in 2001-02.

The survey revealed an improving trend in Chief Financial Officers' satisfaction with OFM.

76% of CFOs were satisfied that we had met our commitment to regular consultation; alliance in planning and reform implementation; and consistent, accurate and timely responses. This compared with 62% in 1995.



Commitment to Client Service Index

Our Response to Agencies

During 2002-03 OFM followed up on issues emerging from the biennial client survey and intensified its efforts to interact more closely with agencies.

In particular, as part of our commitment to continuous SRAA development, we sought agencies' views on the strengths and weaknesses of the process.

Agencies considered the key benefit of SRAAs was their potential to clarify and manage expectations about performance. The availability of Treasury support to agencies was seen to be the key area for improvement.

Our Commitment for 2002-03

Further developing strategies to address issues from OFM's 2001 biennial survey of client agencies.

Our Performance

In response to survey findings, OFM implemented a 'development strategy' designed to workshop SRAAs with individual agencies, and further improve their quality for the 2003-04 Budget and beyond.

Agencies' Satisfaction (Standard Benchmark: $\geq 75\%$)	99-00	01-02
% of surveyed agencies satisfied with their relationship with OFM	68%	71%
% of surveyed CEOs satisfied that OFM consistently works towards the Government's economic vision and fiscal strategy	85%	84%
% of surveyed agencies satisfied with OFM's financial management support	New	74%
% of surveyed agencies satisfied with OFM's accounting/financial reporting guidelines and support	New	76%

The 2001-02 client survey revealed that agencies' satisfaction with OFM's adherence to its commitment to service had increased marginally since 1999. One third of agencies reported improved relations in that time.

Nevertheless, OFM continues to address issues which emerged from the survey. For example, agencies had indicated that they needed more support from OFM in implementing financial management reforms. Consequently during 2002-03 OFM escalated its efforts in that regard. The effectiveness of our action will be measured via the next client survey, in 2003-04.

Organisational Efficiency

Rigorous procedures and systems ensure OFM's efficiency in actioning projects, including responding to correspondence.

Each month the OFM Executive Board considers a comprehensive performance report on OFM's operations and key result indicators. The Board uses these reports to monitor progress with work plans, particularly priority projects.

Organisational Management Performance	00-01 Actual	01-02 Actual	02-03 Bench mark	02-03 Actual	03-04 Bench mark
% of work plan milestones achieved	71%	80%	≥80%	62%	≥80%
% of Cabinet advice submitted on time	100%	100%	100%	100%	100%
% of correspondence/projects completed by due date	80%	79%	≥80%	82%	≥80%
% of correspondence on hand that is late	26%	19%	≤20%	29%	≤20%
Average days late for correspondence/projects completed late	10 days	9 days	≤10 days	11 days	≤10 days

While the completion rate for work plan projects was below target for 2002-03, progress with all priority projects was satisfactory. OFM work plans have a three year focus and are rolled over annually. Projects not completed have been carried forward to the new plans. Prior to their issue, the OFM Executive conducted a reality check of Directorate work plans for 2003-04 to ensure their feasibility having regard to available resources and to ensure the focus on priority matters.

OFM's Project Management System and associated procedures facilitate timely attendance to correspondence received by the Treasurer and OFM. Appropriate deadlines are registered and weekly reports allow managers to monitor the progress of responses. An internal audit during 2002-03 confirmed the rigour of the system.

OFM's performance in attending to correspondence was generally in line with the benchmarks for 2002-03. While the percentage of correspondence completed by the due date bettered the target, the stock of late items at year end was above target. Priority has been given to clearing these items early in the new financial year.

Our Commitment for 2002-03

Achieving the savings target required for OFM's 2003-04 budget, as per the public sector wage award.

Our Performance

OFM implemented measures identified under the Memorandum of Understanding to achieve the savings required to fund the public sector wage award. Savings in OFM have been built into our 2003-04 and future budget allocations.

The Secretary and Treasurer signed a Treasury Service and Resource Allocation Agreement (SRAA) for 2002-03. The Agreement reflected OFM's corporate planning framework and our strategies for financial management reform. It also identified risks and risk management strategies to ensure successful implementation.

The Secretary's Performance Agreement and the Directorate work plans focused on the commitments included in the SRAA. Performance Indicators cited in this report align with the SRAA. OFM submitted a draft SRAA for 2003-04 as part of its bid for Budget funds.

OFM was the first agency to have its budget allocation presented on the basis of its SRAA. State Budget papers now present OFM's allocation on an outcome statement basis, not a traditional program statement basis.

Credit Card Certification

In accordance with Treasurer's Direction 205.01, it is certified that credit card usage by officers of OFM, NSW Treasury has been in accordance with appropriate Government policy, Premier's Memoranda and Treasurer's Directions.

Accounts Payable Performance

OFM Directorate Coordinators arrange verification and approval of OFM accounts. The CCSU processes the payment of these accounts in accordance with its current service agreement with OFM.

The results listed in the table below reflect the total time taken to administer payments by both OFM officers and CCSU.

Value of outstanding invoices by age at the end of each quarter

Quarter	Current (i.e. 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 2002	29,193	-	-	-	-
December 2002	9,397	-	-	-	-
March 2003	54,862	-	-	-	-
June 2003	182,968	-	-	-	-

Accounts paid on time during each quarter

Quarter	Total Accounts Paid on Time				Total Amount Paid \$
	Target %	Actual %		\$	
		By Number	By Value		
September 2002	88	93	92	4,661,994	5,046,797
December 2002	88	93	95	5,350,472	5,635,569
March 2003	88	89	77	2,767,126	3,610,761
June 2003	88	91	87	4,156,485	4,761,824

- ▶ During 2002-03 there were no instances where penalty interest was paid in accordance with Section 18 of the Public Finance and Audit (General) Regulation 1995.
- ▶ There were no significant events that affected payment performance during the reporting period.
- ▶ To improve future performance greater emphasis will be placed on enhancing electronic processing of accounts together with increased use of Purchase Orders for recurring purchases.

Risk Management and Insurance

The Treasury Managed Fund, the Government's self insurance scheme, provides OFM with cover for:

- ▶ Workers Compensation
- ▶ Comprehensive Motor Vehicle
- ▶ Property, and
- ▶ Public Liability.

Cover is unlimited and applies to all insurance exposures.

OFM takes positive steps to reduce risks to achieve lower premiums. Key workers compensation risks are managed by:

- ▶ Early intervention
- ▶ Work place inspections, and
- ▶ Active rehabilitation.

For 2002-03 OFM's workers compensation premium matched the benchmark premium set by the TMF. Motor vehicle premiums fell marginally over the benchmark.

The year in review – organisation building

Performance Review and Improvement

OFM commissioned special reviews of two core functions to determine whether systems or procedures needed to be adjusted to improve performance:

Stamp Duty Revenue Forecasting

OFM contracted EconTech to review our procedures for forecasting stamp duty revenues. The review confirmed the historical volatility of this revenue and forecasting performance. External assistance will be obtained to develop a model to improve the accuracy of transfer duty forecasts.

Financial Assets Risk Management

OFM contracted InTech to review our management, and associated risks, of general government financial assets held to fund insurance, superannuation and debt liabilities. The report endorsed the current policy of fully funding liabilities, either immediately or via a funding plan that has a reasonable timeframe.

The review also found that general government net financial liabilities are less variable with government holding financial assets than they would be if only the liabilities were held. Changes in discount and inflation rates tend to cause assets and liabilities to move in the same direction. Hence an increase in liabilities due to these market influences is likely to be partly offset by an increase in asset values.

Annual Internal Audit Plan

In addition to OFM's use of specialists to undertake technical reviews such as those above, the Internal Audit Bureau is contracted to conduct annual audits of various aspects of our operations. The audit plan is based on an Internal Control Risk Assessment Plan to ensure regular review of high-risk areas. An outline of internal audits undertaken during 2002-03 follows.

Cabcharge System

The effectiveness of, and compliance with, OFM's internal controls for use of Cabcharge was confirmed. To strengthen them further, the policy and procedures will be placed on the Intranet, as recommended.

Corporate Credit Cards

Timely and accurate accounting of OFM's use of corporate credit cards was confirmed. No expenditures were incurred in excess of card limits and card cancellations are promptly actioned as required. A number of recommendations were accepted to strengthen further controls and accountability.

FreightCorp & PowerCoal Sales

Separate reviews of these sale processes focused on expenditure controls, project management, and compliance with procurement, tendering and contractor/consultant engagement policy. Appropriate arrangements and practices were confirmed. The importance of detailed initial project scoping was highlighted.

Crown Accounting System

The adequacy of internal controls over various activities associated with preparation of Crown Entity financial statements was confirmed. Action is being considered on a number of recommendations.

Administration of State Contingent Liabilities

The audit generally endorsed CALM procedures and processes, and proposals for improvement. Audit comment on identification/monitoring practice is being taken into account.

Annual Report Monitoring

The adequacy of public sector annual reporting compliance monitoring was evaluated. OFM's guidance to agencies was positively noted. Action will be taken to improve accuracy of the annual reports' register.

Records Management

Compliance of OFM's records management function with State Records' guidelines was assessed. It was noted that the electronic document management system proposed for CCSU clients will improve OFM's records management ability. Disposal procedures are being improved and the service level agreement with CCSU refined.

Project Management System (RecFind)

The audit confirmed the rigour of OFM's system for managing correspondence and registered projects, and adherence to related procedures. The advent of an electronic document management system will address audit suggestions to eliminate paperwork.

Future Audit Activity

The Audit Plan for 2003-04 and the following two years is being developed in conjunction with an overarching review of OFM's operational risks. Particular areas of focus will include:

- ▶ Administration of privately financed projects.
- ▶ Development of e-procurement policy.
- ▶ Development of asset management policies.
- ▶ Procedures for the management of debt liabilities and financial assets.

As part of the Audit Plan a review will be undertaken of progress in implementing OFM management endorsed recommendations made in audit reports received over the last two financial years.

Communication Strategies

OFM is increasingly using its web and intranet sites to enhance its external and internal communication. In September 2002 a redesigned, more comprehensive web site was launched. Emphasis was given to ease of navigation and compliance with required standards, including accessibility. Feedback on the new site has been positive.

Subsequently, in March 2003 an upgraded intranet was implemented to provide Treasury officers with easy access to published information and internal manuals, guidelines, staff development activity, internal reports and other useful material.

Electronic Service Delivery

Treasury has completed action required under the Government's Electronic Service Delivery Strategy. Action has been taken to ensure:

- ▶ An effective website is operating to inform clients.
- ▶ All appropriate publications including State Budget Papers and reports, Treasury Circulars, Treasury Policy & Guidelines Papers and Research & Information Papers and annual reports are available on line.
- ▶ All tender information and positions vacant are advertised on the website.

Agencies are notified electronically as new Treasury Circulars issue and provided with an embedded link directly to the OFM website. Hard copy issue has been discontinued.

Arrangements are also in place to enable agencies to directly input financial data onto Treasury's Financial Information System.

Priorities for 2003-04

The Year Ahead

OFM's Strategic Management Framework will continue to provide the context for our operations in 2003-04, including those matters that will be given priority.

The Framework and the commitments for the year are documented in our internal work plans and in Treasury's Service and Resource Allocation Agreement with the Treasurer.

Enhanced Economic Development

The aim of OFM's **Microeconomic Reform** strategy continues to be to facilitate a stronger economy by ensuring competitive markets and a competitive NSW tax system.

Priorities will include:

- ▶ Continuing energy sector reform, including implementation of electricity trading risk management policy, subject to Government decision.
- ▶ Advice on the review of the Fire Service Levy, consistent with a competitive tax and business environment.

Effective Resource Allocation

Components of the **Microeconomic Reform** strategy are also aimed at effective resource allocation and management.

Priorities will include:

- ▶ Enhancement of capital project assessment and monitoring.
- ▶ Oversight of Privately Financed Projects, including the Long Bay forensic and prison hospital.

The Financial Management Framework

The **Financial Management Framework** strategy for the General Government sector will continue to be developed and applied to promote value for money programs.

Priorities will include:

- ▶ Continuing emphasis on Service and Resource Allocation Agreements to link resource allocation with outcomes.
- ▶ Implementation of strategic capital reforms to improve capital investment and management.

Transparent Financial Management

Strengthening the implementation of the **Commercial Policy Framework**, with its emphasis on performance and accountability of Government businesses, remains a key strategy.

Priorities will include:

- ▶ Review of the policy for monitoring the operation of Government businesses.

There will be ongoing advocacy of **Best Practice Accounting and Reporting** to support the general government and commercial sector frameworks.

Priorities will include:

- ▶ Review, amendment and implementation of State accounting policies in compliance with the convergence of Australian and International accounting standards.

Strengthened State Finances

The **State Fiscal Strategy** remains the cornerstone of the strategic framework for the management of State finances.

Priorities will include:

- ▶ Participation on the national working group advising Heads of Treasuries on debits tax abolition and the review of particular state business stamp duties, as specified in the Inter-Governmental Agreement.
- ▶ Pursuit of a more appropriate share of Commonwealth funding for NSW, undertaking a phased review of Commonwealth Grants Commission assessment methods to influence the distribution of funding between the States during the 5 years from 2004-05.

OFM will continue to apply its **State Balance Sheet Management** strategy to ensure an optimal balance sheet structure through efficient management of assets, debt, unfunded superannuation and other liabilities.

Priorities will include:

- ▶ Improvement of public sector risk management based on the review of financial assets management.

Organisation Building

Application of a multi-faceted **Staff Development** program is a permanent element of our planning framework to ensure that OFM has the capability to achieve its business objectives.

Priorities will include:

- ▶ Finalisation of a Budget Manual as a guide for Treasury analysts in their management and monitoring of the State Budget.
- ▶ Review of OFM's strategic planning framework to provide the context for a new three year Corporate Plan and our Service and Resource Allocation Agreement for 2004-05.

The **Agency Relations** strategy requiring OFM to work in partnership with other agencies in developing and implementing state financial reforms will continue to be emphasised.

Priorities will include:

- ▶ Conduct of the biennial client survey of agencies, in keeping with our commitment to them.

Financial Statements

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GPO Box 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

The Treasury

To Members of the New South Wales Parliament

Audit Opinion

In my opinion the financial report of The Treasury:

- (a) presents fairly The Treasury's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the *Public Finance and Audit Act 1983* (the Act).

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

The Secretary's Role

The financial report is the responsibility of the Secretary of The Treasury. It consists of the statement of financial performance, the statement of financial position, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Secretary in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Secretary had not fulfilled his reporting obligations.

My opinion does not provide assurance:

- about the future viability of The Treasury,
- that the Treasury 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.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The 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.



A T Whitfield
Deputy Auditor-General

SYDNEY
20 October 2003



New South Wales
TREASURY

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 2003 have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (ASSB), Urgent Issues Group (UIG) Consensus Views, the requirements of the Public Finance and Audit Act 1983 and Regulations, 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) (n) of the Act;
- (b) the statements 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.

A handwritten signature in black ink, appearing to read 'I Neale'.

I Neale
Acting Secretary
16 October 2003

STATEMENT OF FINANCIAL PERFORMANCE**for the year ended 30 June 2003**

	Notes	Actual 2003 \$'000	Budget 2003 \$'000	Actual 2002 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	68 126	63 745	55 754
Other operating expenses	2(b)	34 398	35 507	32 577
Maintenance		535	894	692
Depreciation	2(c)	12 854	13 274	11 868
Grants and subsidies	2(d)	320 850	314 305	520 824
Total Expenses		436 763	427 725	621 715
Less:				
Retained Revenue				
Sale of goods and services	3(a)	4 209	6 997	4 455
Investment income	3(b)	544	329	454
Retained fees and fines	3(c)	99	-	24
Grants and contributions	3(d)	361	65	632
Other revenue	3(e)	3 915	-	9 096
Total Retained Revenue		9 128	7 391	14 661
Gain/(Loss) on disposal of non-current assets	4	(56)	-	(15)
Net Cost Of Services	21	427 691	420 334	607 069
Government Contributions				
Recurrent appropriation	5	404 906	400 460	593 927
Capital appropriation	5	10 148	10 134	9 396
Acceptance by the Crown Entity of employee entitlements and other liabilities	7	8 634	5 785	6 280
Total Government Contributions		423 688	416 379	609 603
SURPLUS/ (DEFICIT) FOR THE YEAR		(4 003)	(3 955)	2 534
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY				
		-	-	-
		-	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	16	(4 003)	(3 955)	2 534

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION**As at 30 June 2003**

	Notes	Actual 2003 \$'000	Budget 2003 \$'000	Actual 2002 \$'000
ASSETS				
Current Assets				
Cash	9	9 587	8 263	8 968
Receivables	10	5 067	4 719	4 713
Other	12	520	524	468
Total Current Assets		15 174	13 506	14 149
Non-Current Assets				
Plant and equipment	11	37 412	37 014	40 154
Total Non-Current Assets		37 412	37 014	40 154
Total Assets		52 586	50 520	54 303
LIABILITIES				
Current Liabilities				
Payables	13	5 129	3 029	5 620
Provisions	14	6 581	7 678	4 915
Other	15	51	858	858
Total Current Liabilities		11 761	11 565	11 393
Non Current Liabilities				
Provisions	14	1 934	-	-
Other	15	27	43	43
Total Non Current Liabilities		1 961	43	43
Total Liabilities		13 722	11 608	11 436
Net Assets		38 864	38 912	42 867
EQUITY				
Reserves		-	-	-
Accumulated funds		38 864	38 912	42 867
Total Equity	16	38 864	38 912	42 867

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

	Notes	Actual 2003 \$'000	Budget 2003 \$'000	Actual 2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(59 362)	(58 764)	(49 839)
Grants and subsidies		(322 737)	(314 305)	(520 900)
Other		(37 648)	(40 098)	(37 182)
Total Payments		(419 747)	(413 167)	(607 921)
Receipts				
Sale of goods and services		5 114	6 996	3 696
Interest received		547	329	452
Retained taxes, fees and fines		99		
Other		7 639	3 611	13 318
Total Receipts		13 399	10 936	17 466
Cash Flows from Government				
Recurrent appropriation	5	404 924	400 460	592 479
Capital appropriation	5	10 142	10 134	9 412
Cash reimbursements from the Crown Entity		1 996	1 069	1 335
Net Cash Flows From Government		417 062	411 663	603 226
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	10 714	9 432	12 771
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		12	-	4
Purchases of plant and equipment		(10 107)	(10 137)	(9 410)
Other		-	-	29
NET CASH FLOWS FROM INVESTING ACTIVITIES		(10 095)	(10 137)	(9 377)
NET INCREASE/(DECREASE) IN CASH		619	(705)	3 394
Opening cash and cash equivalents		8 968	8 968	5 574
CLOSING CASH AND CASH EQUIVALENTS	9	9 587	8 263	8 968

The accompanying notes form part of these statements.

PROGRAM STATEMENT - EXPENSES AND REVENUES
for the year ended 30 June 2003

AGENCY'S EXPENSES & REVENUES	Program 73.1.1*		Program 73.1.2*		Program 73.1.3*		Program 73.1.4*		Program 73.2.1*		Program 73.2.2*		Program 73.2.3*		Not Attributable**		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002***	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses																		
Operating expenses																		
Employee related	2 837	1 789	7 649	5 785	4 503	3 717	7 584	7 082	37 281	34 417	3 552	1 721	4 720	1 243	-	-	68 126	55 754
Other operating expenses	2 884	3 388	4 457	5 997	2 083	2 347	3 638	4 616	12 062	13 312	1 276	954	7 998	1 963	-	-	34 398	32 577
Maintenance	11	10	28	44	25	62	36	89	335	452	33	32	67	3	-	-	535	692
Depreciation	51	29	405	438	172	475	285	638	10 239	9 440	1 006	675	696	173	-	-	12 854	11 868
Grants and subsidies	1	-	1 012	20	279	79	502	91	11 601	11 365	307 455	509 269	-	-	-	-	320 850	520 824
Total Expenses	5 784	5 216	13 551	12 284	7 062	6 680	12 045	12 516	71 518	68 986	313 322	512 651	13 481	3 382	-	-	436 763	621 715
Retained Revenues																		
Sale of goods and services	-	-	2	2	6	7	6	9	4 194	4 436	1	1	-	-	-	-	4 209	4 455
Investment income	27	15	63	46	38	30	65	57	320	286	31	20	-	-	-	-	544	454
Retained fees and fines	-	-	-	-	-	-	-	-	-	-	-	-	99	24	-	-	99	24
Grants and contributions	-	58	-	176	-	113	-	220	265	58	26	4	70	3	-	-	361	632
Other revenue	48	113	1 393	4 076	1 079	1 658	1 364	2 782	28	425	3	42	-	-	-	-	3 915	9 096
Total Retained Revenue	75	186	1 458	4 300	1 123	1 808	1 435	3 068	4 807	5 205	61	67	169	27	-	-	9 128	14 661
Gain(loss) on disposal of non-current assets	-	-	-	-	-	-	-	(1)	(49)	(13)	(5)	(1)	(2)	-	-	-	(56)	(15)
NET COST OF SERVICES	5 709	5 030	12 093	7 984	5 939	4 872	10 610	9 449	66 760	63 794	313 266	512 585	13 314	3 355	-	-	427 691	607 069
Government contributions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423 688	609 603	423 688	609 603
NET (EXPENDITURE)/REVENUE	(5 709)	(5 030)	(12 093)	(7 984)	(5 939)	(4 872)	(10 610)	(9 449)	(66 760)	(63 794)	(313 266)	(512 585)	(13 314)	(3 355)	423 688	609 603	(4 003)	2 534
Administered Expenses and Revenues																		
Administered Expenses																		
Other (Note 27)	-	-	-	-	-	-	-	-	74 708	74 969	-	-	-	73 322	-	-	74 708	148 291
Total Administered Expenses	-	-	-	-	-	-	-	-	74 708	74 969	-	-	-	73 322	-	-	74 708	148 291
Administered Revenues																		
Consolidated Fund Revenue earned(Note 28)																		
Taxes, fees, fines, penalties and interest	-	-	-	-	-	-	-	-	12 253 278	11 067 721	-	-	65 023	16 604	-	-	12 318 301	11 084 325
Other	-	-	-	-	-	-	-	-	399 630	307 823	-	-	-	40	-	-	399 630	307 863
Total Administered Revenues	-	-	-	-	-	-	-	-	12 652 908	11 375 544	-	-	65 023	16 644	-	-	12 717 931	11 392 188
Administered Revenues less Expenses	-	-	-	-	-	-	-	-	12 578 200	11 300 575	-	-	65 023	(56 678)	-	-	12 643 223	11 243 897

New South Wales Treasury

* The name and purpose of each program is summarised in Note 8. Program 73.1.2 incorporates figures for Asset and Procurement Management staff that were transferred from the Department of Public Works and Services (DPWS) to OFM for three months commencing 1 April 2003.

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

*** The 2001-02 figures for Program 73.2.3, which represents the activities of the State Debt Recovery Office (SDRO), is for a period of three months effective from 2 April 2002 when they transferred to OSR from the Attorney General's Department.

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

for the year ended 30 June 2003

	2003				2002			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure	Capital Appropriation	Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original Budget Appropriation/ Expenditure								
• Appropriation Act	400 247	399 537	10 134	10 011	417 271	415 961	9 110	9 059
• Additional Appropriations	-	-	-	-	-	-	-	-
• s 21A PF&AA-special appropriation	-	-	-	-	-	-	-	-
• s 24 PF&AA- transfers of functions between departments	-	-	-	-	6 500	6 277	-	-
• s 26 PF&AA- Commonwealth specific purpose payments	-	-	-	-	-	-	-	-
	400 247	399 537	10 134	10 011	423 771	422 238	9 110	9 059
Other Appropriations/Expenditure								
• Treasurer's Advance	300	236	150	137	4 006	2 984	337	337
• Section 22 – expenditure for certain works and services	15 000	5 133	-	-	181 600	168 705	-	-
• Transfers from another agency (section 26 of the Appropriation Act)	-	-	-	-	-	-	-	-
	15 300	5 369	150	137	185 606	171 689	337	337
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	415 547	404 906	10 284	10 148	609 377	593 927	9 447	9 396
Amount drawn down against Appropriation		404 932		10 158		593 934		9 412
Liability to Consolidated Fund		26		10		7		16

- 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 AND FORMING PART OF THE
FINANCIAL STATEMENTS**

30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Treasury (the agency) comprises all the operating activities and entities under the control of the agency, viz. 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. Since April 2002, the office has expanded its services into fine enforcement activities for the State and local government agencies. It is also responsible for the administration and payment of grants under the First Home Owner Grant Scheme (FHOGS), rebates under the Grain Freight Rebate Scheme and the Bookmakers GST Offset Payment Scheme and subsidies under the Petroleum Subsidies Scheme.

In the process of preparing the consolidated financial statements for the economic entity, all inter-entity transactions and balances have been eliminated.

The reporting entity is consolidated as part of the NSW Total State Sector and as part of the NSW Public Accounts.

(b) Basis of Accounting

The agency's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS)
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- the requirements of the Public Finance and Audit Act and Regulations, and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for certain plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Administered Activities

The agency 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 agency's own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as Administered Assets, Liabilities, Expenses, and Revenues (refer Notes 24 to 28).

The accrual basis of accounting and applicable accounting standards have been adopted for the reporting of the administered activities.

(d) Revenue Recognition

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency 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 now 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 and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie. user charges. User charges are recognised as revenue when the department obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

(e) Employee Benefits and other provisions

(i) Wages, Salaries, Annual Leave, and On-Costs

Liabilities for salaries and wages, annual leave, leave loading and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

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

The outstanding amounts of 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 entitlements to which they relate have been recognised.

(ii) Accrued salaries and wages

As a result of the adoption of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets", accrued salaries and wages and on-costs have been reclassified to "payables" instead of "provisions" in the Statement of Financial Position and the related note disclosures for the current and comparative period. Total employee benefits (including accrued salaries and wages) are reconciled in Note 14 "Provisions".

(iii) Long Service Leave and Superannuation

The agency's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency 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".

AASB 1028 requires that employee benefit liabilities, such as long service leave, that are expected to be settled more than 12 months after the reporting date, must be measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. This calculation must take into account future increases in remuneration rates as they will increase the amount that the employer is required to pay to settle the liability.

AASB 1028 also states that on-costs ie. costs that are consequential to the employment of employees, but which are not employee benefits, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised and are accordingly measured as the present value of the estimated cash outflows.

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 (ie, Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iv) Other Provisions

Other provisions exist when NSW Treasury has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised when a detailed formal plan has been developed and where the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The agency'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 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 agency 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 agency. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

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 (see also assets transferred as a result of an administrative restructure – Note (q)).

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(i) Plant and Equipment

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 and revenue receiving equipment are capitalised regardless of cost.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the “Guidelines for the Valuation of Physical Non-Current Assets at Fair Value” (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted by NSW Treasury.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset’s fair value is measured as its market buying price ie the replacement cost of the asset’s remaining future economic benefits. The agency is a not for profit entity with no cash generating operations.

As NSW Treasury does not own Land, Building or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets over five years, unless it becomes aware of any material difference in the carrying amount of any class of assets. NSW Treasury last conducted a revaluation on 1 July 1996. Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds. Most of the agency’s assets (hardware, software, equipment and furniture) are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(k) Depreciation of Non-Current Physical Assets

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 entity. All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance. 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 5 years depending on the expected usage of the application.

(l) Maintenance and Repairs

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(m) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principle component and the interest expense.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Trust Funds

The agency receives monies in a trustee capacity as set out in Note 23. As only a custodial role is performed in respect of these monies, and because the monies cannot be used for the achievement of the agency's own objectives, they are not brought to account in the financial statements.

(p) Other Assets

Other assets including prepayments are recognised on a cost basis.

(q) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issued Group Abstract UIG 38 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure. In most instances, this will approximate fair value. All other equity transfers are recognised at fair value.

(r) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(s) 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 Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

2. EXPENSES

	2003	2002
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	54 472	45 777
Superannuation	5 099	3 823
Long service leave	3 244	2 219
Workers' compensation insurance	541	354
Pay-roll tax and fringe benefits tax	3 784	3 581
On-costs on LSL not assumed by Crown	<u>986</u>	<u>-</u>
	<u>68 126</u>	<u>55 754</u>
Employee related expenses amounting to \$2.5 million (2001-2002 - \$600 000) are included in software development costs reported as Capital Work in Progress in Note 11. Except as noted, there are no other employee related payments included in asset and expenditure accounts.		
A provision for long service leave on-costs not assumed by the Crown was created for the first time this year and includes accrued recreation leave of \$556 000, workers compensation insurance of \$185 000 and pay-roll tax of \$997 000.		
(b) Other operating expenses		
Auditors remuneration - audit or review of the financial reports	270	308
Bad and doubtful debts	123	-
Operating lease rental expense - minimum lease payments	8 553	7 972
Insurance	64	119
Other		
Energy Reform	3 065	7 539
Contractors' and consultancy fees	8 238	5 621
Printing and advertising	1 744	1 841
Centralised corporate support charges	2 449	1 332
Computer maintenance and software licences	1 069	1 136
Data access fees	1 189	841
Training	930	827
Building maintenance and utilities	1 127	639
Minor plant, equipment and stores	804	542
Other	<u>4 773</u>	<u>3 860</u>
	<u>34 398</u>	<u>32 577</u>
(c) Depreciation		
Computer hardware	1 504	1 693
Computer software	10 422	9 253
Office equipment	207	196
Office furniture	<u>721</u>	<u>726</u>
	<u>12 854</u>	<u>11 868</u>
(d) Grants and subsidies:		
First Home Owner Grant Scheme (FHOGS) (i)	306 632	506 105
Department of Information, Technology & Management (ii)	11 601	11 365
GST Bookmakers Rebate (iii)	386	1 777
Grain Freight Rebate (iv)	437	1 387
Other	<u>1 794</u>	<u>190</u>
	<u>320 850</u>	<u>520 824</u>

- (i) 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 above 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-off of refunds that are irrecoverable, however, are added back. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, were also netted off against the total amount of payments made in the year.

Total FHOGS payments	317 892
Less: Returns – payments on contracts not settled	(7 593)
Less: Refunds – ineligible payments	(3 089)
Less: Penalties on wrongful claims	(585)
Add: Write-off of Refunds due	7
Net FHOGS payments	<u>306 632</u>

- (ii) The Department of Information, Technology & Management provides land information and valuation services required to administer the *Land Tax Management Act 1956*.
- (iii) GST offset payments are made to Bookmakers to reduce the effect of paying GST in addition to the State tax on their fixed odds betting operations. The Bookmakers betting tax was abolished on 31 March 2002 and payments for 2002-2003 relate to delayed claims.
- (iv) Effective from 15 October 2001, the Grain Freight rebate scheme was introduced in response to new freight prices by Pacific National (previously FreightCorp) and to ensure freight prices at NSW silos did not rise by more than 5%. The scheme finished on 30 June 2003.

3. REVENUES

	2003	2002
	\$'000	\$'000
<i>(a) Sale of goods and services</i>		
Sale of Goods		
Sale of publications	14	18
Rendering of Services		
Land tax search fees	3 730	4 004
Administration fees	453	423
Other	12	10
	<u>4 209</u>	<u>4 455</u>
<i>(b) Investment income</i>		
Interest	<u>544</u>	<u>454</u>
	<u>544</u>	<u>454</u>
<i>(c) Retained fees and fines</i>		
Fees		
Collection fees	<u>99</u>	<u>24</u>
	<u>99</u>	<u>24</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 Revenue Fund.		
<i>(d) Grants and contributions</i>		
Salary Grants received	278	-
Skills Incentive Scheme	83	-
Department of Information Technology & Management	-	65
NSW Budget Sector Entities	<u>-</u>	<u>567</u>
	<u>361</u>	<u>632</u>
Represents reimbursements for the ATSI Cadetship scheme and training and skills incentive programs for staff.		
<i>(e) Other revenue</i>		
Energy Reform project (i)	1 759	5 647
Crown Assets and Liabilities Management (ii)	1 745	2 691
Other	<u>411</u>	<u>758</u>
	<u>3 915</u>	<u>9 096</u>

(i) NSW Treasury is responsible for the implementation of a number of interlinked projects relating to the Government Policy concerned with Energy Reform. A major percentage of the costs involved in these projects is to be recovered from the energy corporations.

(ii) Expenditure on contractors and consultants by the Market Implementation Group (now called Energy Business Group), which is winding down its activities, is recovered from industry.

The above revenues have arisen from the operating activities of the Agency.

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

	2003	2002
	\$'000	\$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	12	4
Written down value of assets disposed	<u>(68)</u>	<u>(19)</u>
Net gain / (loss) on disposal of plant and equipment	<u><u>(56)</u></u>	<u><u>(15)</u></u>

5. APPROPRIATIONS**Recurrent appropriations**

Total recurrent drawdowns from Treasury (per Summary of Compliance) (i)	404 932	593 934
Less: Liability to Consolidated Fund (per Summary of Compliance)	<u>26</u>	<u>7</u>
	<u>404 906</u>	<u>593 927</u>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	<u>404 906</u>	<u>593 927</u>

Capital appropriations

Total capital drawdowns from Treasury (per Summary of Compliance) (ii)	10 158	9 412
Less: Liability to Consolidated Fund (per Summary of Compliance)	<u>10</u>	<u>(16)</u>
	<u>10 148</u>	<u>9 396</u>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	<u>10 148</u>	<u>9 396</u>

- (i) The Recurrent drawdown reported in the Statement of Cash Flows is \$404 924 000. This amount is lower than that reported above by \$7 000 (after adjustment for rounding) and represents a refund to the Consolidated Fund for funds overdrawn in 2001-2002.
- (ii) The amount of \$10 142 000 reported in the Statement of Cash Flows as the Capital drawdown is lower than that reported above by \$16 000 and is due to a refund to the Consolidated Fund for funds overdrawn in 2001-2002.

6. INDIVIDUALLY SIGNIFICANT ITEMS

On-costs and payroll tax on LSL not assumed by Crown	<u>986</u>	<u>-</u>
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Due to the change in valuation methodology from the short hand method to the present value method, the provision for on-costs on long service leave liability that are not assumed by the Crown has increased by \$986 000 and has exceeded the Controlled Net Cost of Services (CNCS) variation limit imposed by Treasury. See Note 2.

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

The following liabilities and/or expenses have been assumed by the Crown Entity:

Superannuation	5 099	3 824
Long service leave	3 244	2 219
Pay-roll tax	<u>291</u>	<u>237</u>
	<u>8 634</u>	<u>6 280</u>

8. PROGRAMS / ACTIVITIES OF THE AGENCY

- (a) **Program 73.1.1 Enhanced Economic Development**
Objective: Enhance the policy and regulatory framework for New South Wales' economic development and contribute to the productivity and efficiency of the economy by undertaking microeconomic reform.
- (b) **Program 73.1.2 Effective Resource Allocation**
Objective: Ensure effective resource allocation and management in State sector service delivery by applying the Financial Management Framework (FMF), monitoring and advising on financial performance and service delivery and contributing to microeconomic reform.
- (c) **Program 73.1.3 Transparent Financial Management**
Objective: Improve the transparency of New South Wales public sector financial management by supporting the General Government FMF to promote transparency in the management of State Budget resources, strengthening the application of the Commercial Policy Framework to enhance accountability for commercial performance and ensuring best practice public sector accounting and reporting.
- (d) **Program 73.1.4 Strengthened State Finances**
Objective: Strengthen the financial position of the New South Wales Government by advocating and applying the State Fiscal Strategy, optimising the State's balance sheet structure and strengthening the application of the Commercial Policy Framework for Government businesses.
- (e) **Program 73.2.1 Ensuring Due Revenue**
Objective: Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales through improved revenue administration and better service delivery.
- (f) **Program 73.2.2 Ensuring Eligible Payments**
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.
- (g) **Program 73.2.3 Effective Fine Enforcement**
Objective: Ensure effective and timely fine enforcement services which contributes to a higher level of compliance with the law through the application of the full range of fine enforcement activities for the benefit of the people of New South Wales.

Asset and Procurement staff were transferred from the Department of Public Works and Services (DPWS) to NSW Treasury as a consequence of a restructuring of administrative arrangements with effect from 1 April 2003. The following summarises the expenses and revenues, recognised by DPWS for nine months ended 31 March 2003 and OFM (Program 73.1.2) for three months ended 30 June 2003, for the reporting period:

	Dept of Public Works & Services	NSW Treasury	Total	
	1 July 2002 to 31 March 2003	1 April 2003 to 30 June 2003	2003	2002
	\$'000	\$'000	\$'000	\$'000
Expenses				
Operating expenses				
Employee related	2 755	1 243	3 998	1 948
Other operating expenses	5 947	1 963	7 910	7 661
Maintenance	16	3	19	146
Depreciation	<u>615</u>	<u>173</u>	<u>788</u>	<u>837</u>
Total Expenses	<u>9 333</u>	<u>3 382</u>	<u>12 715</u>	<u>10 592</u>
Retained Revenue				
Retained fees and fines	77	24	101	69
Other	<u>19</u>	<u>3</u>	<u>22</u>	<u>7</u>
Total Retained Revenue	<u>96</u>	<u>27</u>	<u>123</u>	<u>76</u>
Net Cost of Services	<u>9 237</u>	<u>3 355</u>	<u>12 592</u>	<u>10 516</u>

9. CURRENT ASSETS – CASH

	2003	2002
	\$'000	\$'000
Cash on hand	18	20
Cash at bank	9 569	8 948
	<u>9 587</u>	<u>8 968</u>

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	<u>9 587</u>	<u>8 968</u>
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>9 587</u>	<u>8 968</u>

10. CURRENT / NON-CURRENT ASSETS – RECEIVABLES**Current**

Sale of goods and services	100	1 025
Other		
GST receivable from ATO	875	884
Energy Reform	-	703
Interest	253	256
FHOGS (i)	2 088	317
Other	<u>1 874</u>	<u>1 528</u>
	5 190	4 713
Less: Provision for doubtful debts (ii)	<u>(123)</u>	<u>-</u>
	<u>5 067</u>	<u>4 713</u>

(i) Represents debts owed by First Home Owner Grant recipients who have been found to be ineligible through compliance activity.

(ii) A provision for doubtful debts has been created to provide for those FHOGS debts that are not expected to be recovered.

FHOGS Debt

An extensive compliance audit of grants paid found a number of applicants did not legally qualify as first home owners and installed as FHOGS debtors. In addition to seeking recovery of grant payments, the auditors have also imposed penalties in accordance with FHOGS legislation on offending claims. Payment arrangements by way of instalments have also been sought through court orders and a provision for doubtful debts has been created for those outstanding amounts which are considered to be irrecoverable. The total debt position as at 30 June 2003 was as follows:

Total Debt

Current amount	57	201
Instalment amounts	324	-
Overdue amounts	<u>1 707</u>	<u>-</u>
	<u>2 088</u>	<u>201</u>
Less: provision for doubtful debts	<u>123</u>	<u>-</u>
	<u>1 965</u>	<u>201</u>

Overdue Amounts

Less than 30 days		30-90 days		More than 90 days		Provision for doubtful debts		Total	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
450	-	538	-	719	-	123	-	1 584	-

11. NON-CURRENT ASSETS – PLANT & EQUIPMENT

	2003	2002
	\$'000	\$'000
Computer hardware		
At Fair Value	10 995	11 391
Less Accumulated Depreciation	<u>7 530</u>	<u>7 696</u>
	<u>3 465</u>	<u>3 695</u>
Computer software		
At Fair Value	52 113	47 624
Less Accumulated Depreciation	<u>28 220</u>	<u>17 799</u>
	<u>23 893</u>	<u>29 825</u>
Office equipment		
At Fair Value	2 152	2 156
Less Accumulated Depreciation	<u>1 719</u>	<u>1 672</u>
	<u>433</u>	<u>484</u>
Office furniture		
At Fair Value	8 970	8 813
Less Accumulated Depreciation	<u>7 157</u>	<u>6 440</u>
	<u>1 813</u>	<u>2 373</u>
Capital work in progress (CWIP), at cost	<u>7 808</u>	<u>3 777</u>
Total Plant and Equipment		
At Fair Value	82 038	73 761
Less Accumulated Depreciation	<u>44 626</u>	<u>33 607</u>
Total Plant and Equipment at Net Book Value	<u>37 412</u>	<u>40 154</u>

The following fully depreciated assets are included in the amounts reported above:

Computer mainframe	142	146
Personal computers & midrange platform	2 820	1 529
Terminals, printers and other	2 720	1 794
Computer software	6 006	5 857
Office furniture and equipment	<u>3 839</u>	<u>3 206</u>
	<u>15 527</u>	<u>12 532</u>

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
2003	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	3 695	29 825	484	2 373	3 777	40 154
Additions	401	76	162	157	9 384	10 180
Disposals	(1 736)	-	(166)	-	-	(1 902)
Transfer to/(from) CWIP	939	4 414	-	-	(5 353)	-
Acquisitions through admin restructures	-	-	-	-	-	-
Depreciation for the year	(1 504)	(10 421)	(208)	(721)	-	(12 854)
Other Movements:						
Write back on disposal	1 670	(1)	161	4	-	1 834
Carrying amount at end of year	3 465	23 893	433	1 813	7 808	37 412

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
2002	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	3 060	30 708	609	2 806	3 796	40 979
Additions	408	343	85	75	8 533	9 444
Disposals	(590)	-	(167)	-	-	(757)
Transfer to/(from) CWIP	1 877	6 675	-	-	(8 552)	-
Depreciation for the year	23	1 351	32	255	-	1 661
Other Movements:	(1 693)	(9 252)	(197)	(726)	-	(11 868)
Write back on disposal	583	-	155	-	-	738
Other transfers	27	-	(33)	(37)	-	(43)
Carrying amount at end of year	3 695	29 825	484	2 373	3 777	40 154

12. CURRENT / NON-CURRENT ASSETS – OTHER

	2003 \$'000	2002 \$'000
Current		
Prepayments	490	397
Prepaid Maintenance Contract	<u>30</u>	<u>71</u>
	<u>520</u>	<u>468</u>

13. CURRENT LIABILITIES – PAYABLES

	2003 \$'000	2002 \$'000
Accrued salaries, wages and on-costs	2 743	2 759
Creditors	<u>2 386</u>	<u>2 861</u>
	<u>5 129</u>	<u>5 620</u>

14. CURRENT / NON-CURRENT LIABILITIES – PROVISIONS

	2003	2002
	\$'000	\$'000
Employee benefits and related on-costs		
Current		
Recreation leave	6 114	4 845
Provision for payroll tax on recreation leave liability	216	-
Provision for payroll tax on long service leave liability	130	-
Provision for on-costs on long service leave liability	55	-
Provision for fringe benefits tax	<u>66</u>	<u>70</u>
	<u>6 581</u>	<u>4 915</u>
Non-current		
Provision for payroll tax on long service leave liability	1 265	-
Provision for on-costs on long service leave liability	<u>669</u>	<u>-</u>
	<u>1 934</u>	<u>-</u>
Aggregate employee benefits and related on-costs		
Provisions - current	6 581	4 915
Provisions – non-current	1 934	-
Accrued salaries, wages and on-costs (Note 13)	<u>2 743</u>	<u>2 759</u>
	<u>11 258</u>	<u>7 674</u>

Other Provisions

Ministerial approval has been obtained to offer Voluntary Redundancy (VR) to eligible staff affected by the relocation of the State Debt Recovery Office to Lithgow in March 2004. While a detailed formal plan for the relocation and workforce management has been developed and announced to the staff, no provision for the payment of voluntary redundancies is recognised in the accounts as the amount of the provision cannot be reliably measured. As at report date, the number of people that are likely to accept VRs has not been established and estimates for the planned expenditure range from \$100,000 to \$500,000. All expenses relevant to the VRs will be funded by the 2003-2004 recurrent appropriation.

15. CURRENT / NON-CURRENT LIABILITIES – OTHER

	2003	2002
	\$'000	\$'000
Current		
Snowy Corporatisation Project	-	720
Grant in advance for Electronic Self Service	-	100
Liability to the Consolidated Fund (i)	36	23
Lease Incentive (ii)	<u>15</u>	<u>15</u>
	<u>51</u>	<u>858</u>
Non-Current		
Lease Incentive (ii)	<u>27</u>	<u>43</u>
	<u>78</u>	<u>901</u>

- (i) The liability to the Consolidated Fund mainly represents Treasurers Advance drawn down in advance for the payment of the First Home Owners Grant. This amount will be repaid next year to the Crown in accordance with Treasury Circular TC00/14.
- (ii) The OSR Wollongong regional office undertook a new 6-year lease, which provides for a 1-year lease incentive. In accordance with the Urgent Issues Group Abstract 3, the lease incentive will be amortised over the full term of the lease.

16. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation		Total Equity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	42 867	33 912	-	4 760	42 867	38 672
Changes in equity – transactions with owners as owners						
Increase in net assets from equity transfers (Note 17)	-	1 661	-	-	-	1 661
Total	-	1 661	-	-	-	1 661
Changes in equity – other than transactions with owners as owners						
Surplus/(deficit) for the year	(4 003)	2 534	-	-	(4 003)	2 534
Total	(4 003)	2 534	-	-	(4 003)	2 534
Transfers within equity						
Adjustment in asset revaluation reserve (i)	-	4 760	-	(4 760)	-	-
Total	-	4 760	-	(4 760)	-	-
Balance at the end of the financial year	38 864	42 867	-	-	38 864	42 867

- (i) The asset revaluation reserve was transferred to accumulated funds as the software assets that the reserve related to have been retired.

17. INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

	2003 \$'000	2002 \$'000
The Assets Management and Procurement functions were transferred from the Department of Public Works and Services (DPWS) to the Office of Financial Management with effect from 1 April 2003. Descriptions of the purposes of all the programs are set out in Note 8.		
Responsibility assumed for Program 73.1.2		
Assets transferred from DPWS		
Cash/Receivables	819	206
Plant and equipment	-	1 661
Liabilities transferred from DPWS		
Provision for employee benefits	(819)	(206)
Increase in net assets from administrative restructuring	<u>-</u>	<u>1 661</u>

18. COMMITMENTS FOR EXPENDITURE

	2003	2002
	\$'000	\$'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	258	574
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	<u>258</u>	<u>574</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	115	494
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	<u>115</u>	<u>494</u>
(c) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	9 651	9 380
Later than one year and not later than five years	27 342	20 564
Later than five years	-	2 052
Total (including GST)	<u>36 993</u>	<u>31 996</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 2003 include input tax credits of \$3.6 million which are recoverable from the Australian Taxation Office.

19. CONTINGENT LIABILITIES

The Land and Environment Court has before it a claim that all land valuations are flawed and need to be reduced. In the first instance, the court found in favour of the Commissioner and on appeal to the High Court the matter was referred back to the Land and Environment Court for rehearing. At this point it is not possible to determine what impact this may have on the State's financial position. The impact will be reviewed once the Land and Environment Court has made its determination as a result of the High Court's determination.

20. BUDGET REVIEW

Net cost of services

The actual net cost of services for the year ended 30 June 2003 was higher than budget by \$7.4 million. This was primarily due to FHOGS payments which exceeded the budget by approximately \$5.0 million and an increase of almost \$2.0 million in on-costs for long service leave as a result of a change in valuation methodology. Long service leave and on-costs such as payroll tax and workers compensation insurance which are not assumed by the Crown Entity are now required to be valued at present value rather than the short hand method which was employed in the past. A further \$2.0 million increase in employee related costs is due to the valuation of recreation leave and on-costs at estimated payment dates and not at the reporting date. These increases are partially offset by an increase of \$1.7 million in retained revenue.

Assets and liabilities

Total assets are above budget by \$2.1 million and is mainly due to an increase in cash of \$1.3 million through higher than expected sales of Section 47 Certificates, salary grants from the Dept of Education & Training and other miscellaneous income. An increase in Plant and Equipment of \$400 000, due to less than expected depreciation, and an increase in debtors also contributed to the remaining increase in assets. Increases in payables to creditors and provisions relating to employee benefits of \$2.2 million resulted in a negligible net assets decrease.

Cash flows

The actual cash position increased by \$600 000 while the budget estimated a reduction in cash of \$700 000 hence the net effect compared to budget is an increase of \$1.2 million in the cash movement. The increase in actual cash over budget is attributable to the greater than expected revenues from S 47 certificates, other revenue items and productivity initiative achievements together totalling \$2.5 million. An increase of \$8.4 million in the payment of grants and subsidies is primarily due to the increase in FHOGS payments which is fully funded by the Consolidated Fund and therefore has no impact on the agency cash position.

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

		2003 \$'000	2002 \$'000
	Notes		
Net cash used on operating activities		10 714	12 771
Cash Flows from Government Appropriation		(415 064)	(603 323)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(8 634)	(6 280)
Depreciation	2(c)	(12 854)	(11 868)
Provision for doubtful debts		(123)	-
Decrease / (increase) in provisions		(3 232)	(969)
Increase / (decrease) in prepayments and other assets		529	451
Decrease / (increase) in creditors		284	2 135
Decrease / (increase) in other liabilities		736	-
Other revenue – investing activities		9	29
Net gain / (loss) on sale of plant and equipment	4	(56)	(15)
Net cost of services		(427 691)	(607 069)

22. FINANCIAL INSTRUMENTS

(a) Cash

Cash comprises of cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury. This rate was 3.75 per cent as at 30 June 2003 (3.73 per cent at 30 June 2002).

(b) Receivables

All debtors are recognised as amounts receivable at balance date. Collectability of debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

(c) 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 2002-2003 year (2001-2002 \$nil). The carrying amount approximates net fair value.

23. TRUST FUNDS

Monies held in trust for the Crown Entity are excluded from the financial statements, as the Agency cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Cash balance at the beginning of the financial year	4 197	4 190	4 709	4 361	600	427	9 506	8 978
Add Receipts	45	7	317	348	-	278	362	633
Less: Expenditure	-	-	-	-	16	-	16	-
Transfers to Crown	-	-	-	-	100	105	100	105
Cash balance at the end of the reporting period	<u>4 242</u>	<u>4 197</u>	<u>5 026</u>	<u>4 709</u>	<u>484</u>	<u>600</u>	<u>9 752</u>	<u>9 506</u>

Transfer from the Trust Account to the Crown are performed in accordance with the Section 14 of the Public Finance and Audit Act.

An amount of \$6.4 million retained in the Public Monies account for the SDRO as at 30 June 2003 has not been included in Trust funds. It represents receipts collected on behalf of other agencies that are to be remitted in the new year.

24. ADMINISTERED ASSETS – RECEIVABLES**(a) Tax debtors**

Assets administered by OSR for the Crown Entity are primarily tax debtors and are not recognised in the Statement of Financial Position.

	2003	2002
	\$'000	\$'000
Receivables – State taxes		
Current and instalment amounts	242 868	205 857
Overdue amounts	127 494	119 463
	370 362	325 320
Less: provision for doubtful debts	35 308	25 926
	335 054	299 394

The receivables above represent taxes owed by clients at the close of business on 30 June 2003 and exclude any credit balances, which are disclosed separately in Note 25.

Current and Instalment Amounts

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

	Current		Instalments		Total	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	72 311	7 601	-	-	72 311	7 601
First home purchase	2	144	-	-	2	144
Pay-roll tax	29 427	36 282	-	-	29 427	36 282
Land tax	124 401	132 539	11 610	15 192	136 011	147 731
Parking space levy	3 406	1 951	-	-	3 406	1 951
Accommodation levy	1 505	1 474	-	-	1 505	1 474
Tax equivalents	134	-	-	-	134	-
Gaming machine devices – clubs	14	10 587	-	-	14	10 587
Gaming machine devices – hotels	58	87	-	-	58	87
	231 258	190 665	11 610	15 192	242 868	205 857

Overdue Amounts

	Less than 30 days		31 – 90 days		Greater than 90 days		Total		Provision for doubtful debts		Net	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Duties	2 358	1 564	9 63	1 175	11 004	13 710	14 325	16 449	(2 771)	(1 409)	11 554	15 040
First home purchase	4	24	11	52	956	1 807	971	1 883	(151)	(216)	820	1 667
Pay-roll tax	4 287	4 516	7 275	8 803	50 599	29 077	62 161	42 396	(31 185)	(23 397)	30 976	18 999
Land tax	7 523	11 270	7 196	17 479	32 084	26 026	46 803	54 775	(1 172)	(808)	45 631	53 967
Parking space levy	241	175	406	228	1 074	2 614	1 721	3 017	(29)	(96)	1 692	2 921
Accommodation levy	-	-	-	-	-	343	-	343	-	-	-	343
Gaming machine devices - clubs	432	150	-	-	37	-	469	150	-	-	469	150
Gaming machine devices - hotels	37	32	501	351	469	-	1 007	383	-	-	1 007	383
Racing and sports betting tax	-	-	-	-	-	2	-	2	-	-	-	2
Insurance protection tax	36	65	-	-	1	-	37	65	-	-	37	65
	14 918	17 796	16 352	28 088	96 244	73 579	127 494	119 463	(35 308)	(25 926)	92 186	93 537

Current and instalment amounts

\$32.8 million (being accrued interest on overdue debt under Section 21 of the *Tax Administration Act 1996*) has been brought to account. The majority of this relates to debts that are greater than 90 days old.

Duties

Included in the current debt figure is an amount of \$961 000 relating to assessments under objection and \$44.9 million relating to assessments not yet due. The assessments not yet due largely represent matters that have been lodged through the Electronic Duties Return system. The Electronic Duties Return system enables approved service providers to lodge documents for stamping online and submit the payment by way of return.

Pay-roll tax

Included in the current debt figure is \$5.4 million representing assessments currently under objection and review.

Land tax

In line with the Crown Entity's revenue recognition policy, approximately \$33.3 million (\$34.9 million in 2001-2002) of land tax relating to current and prior years liabilities not yet notified to clients has been brought to account this year.

An amount of \$4.9 million (\$4.5 million in 2001-2002) has been included in the debt figure. It represents those clients who have a liability under the *Premium Property Tax 1998* legislation.

Land tax debt of \$6.3 million is subject to challenge through the objection/appeal process available to land tax clients. Most objections are against land valuations and payment is deferred pending resolution. A further \$17.9 million relates to variation returns that are being processed and where the reassessments are still to issue.

An amount of \$2.1 million deferred under Section 9A of the *Land Tax Management Act 1956* has not been included.

Accommodation Levy

Accommodation levy was abolished from 1 July 2000. The debt relates to periods prior to this date and is currently being challenged through the Courts.

Gaming machine devices – clubs

The significant decrease in current debt is attributable to assessments issued to clients in 2001-02 that were not due at 30 June 2002.

Overdue amounts

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

The provision for doubtful debts is regularly reviewed and updated to take into account current economic conditions, available information of clients' financial status and the expected results of recovery action being undertaken. The major changes reported in the provision for duties, pay-roll tax and land tax are a result of companies being placed in liquidation.

Duties

There has been a significant decrease in overdue debt greater than 90 days. Throughout the year \$1.3 million of debts were written off as the result of company liquidations being finalised. \$1.9 million of debt is currently being paid under negotiated payment arrangements, \$1.9 million is subject to recovery action through the Courts and a further \$1.7 million is under review. Notices have been issued to remaining debtors advising that recovery action through the Courts may be undertaken.

Pay-roll tax

Company liquidation has seen overdue debt in the greater than 90 days category rise. \$33.4 million of this debt is attributable to companies that have been placed under administration or into liquidation and no advice is available on dividends that may be payable to creditors. \$13.9 million is being paid under negotiated payment arrangements.

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.

Overdue land tax debts are aged from the date for full payment advised by OSR. Clients are offered a 1.5 per cent discount for full payment of land tax within 30 days of issue of the assessment. Clients are also given the option to pay by three equal instalments. The balance becomes due immediately if an instalment is not paid on time.

There has been a significant increase in overdue debt in the greater than 90 days category. \$8.2 million of this debt represents clients who are on negotiated payment arrangements with a further \$10.9 million under review.

Parking Space Levy

The decrease in parking space levy debt is primarily due to remissions of interest for late payment (refer note 26).

Gaming machine devices – hotels

The increase in gaming machine devices – hotels is attributable to \$240 000 that is under review and \$306 000 subject to negotiated payment arrangements.

(b) Fine debtors (State Debt Recovery Office)

	2003	2002
	\$'000	\$'000
Receivables – Fines		
Fines payable	533 101	495 300
Application of AAS29	340 434	383 000
	192 667	112 300

As at 30 June 2003 debts totalling \$192.6 million are considered recoverable. The increase in debtors is primarily due to delays in the receipt of matters from referring agencies.

The SDRO commenced issuing Community Service Orders in October 2002. A Community Service Order is issued when the SDRO is unable to recover the fine owed through the standard enforcement options available. The fine defaulter performs one hour of community service work for every \$15 owing until the fine is paid. There are 11 Community Service Orders currently in place.

25. ADMINISTERED LIABILITIES

Credit balances against tax debtors have not been netted off against the receivables reported in Note 24 and are required to be shown separately as administered liabilities:

	2003	2002
	\$'000	\$'000
Duties	4 560	1 092
First home purchase	58	55
Pay-roll tax	3 347	7 153
Land tax	10 857	13 195
Health insurance levy	109	8
Parking space levy	138	430
Gaming machine tax - clubs	162	6
Gaming machine tax – hotels	2	5
Tax equivalents	13	-
	19 246	21 944

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, overpayments are to be refunded to clients or payments require further analysis before being allocated.

The significant increase in duties is due to \$3.2 million of refunds that are yet to be issued to clients.

The significant reduction in pay-toll tax and land tax is due to improvements in business processes.

Credit liabilities for land tax primarily relate to tax paid in advance with assessments to be issued to clients.

26. ADMINISTERED REVENUE – DEBTS WRITTEN OFF-REMISSIONS

(a) Debts written off

	Actual 2003			Actual 2002		
	Tax	Penalties/ Interest	Total	Tax	Penalties/ Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Duties	3 378	1 523	4 901	2 482	733	3 215
Parking space levy	29	22	51	1	15	16
Pay-roll tax	8 921	1 877	10 798	6 530	1 643	8 173
Land tax	398	26	424	621	29	650
Accommodation levy	11	2	13	113	76	189
Bookmakers betting tax	2	-	2	-	-	-
Hotel gaming devices	47	-	47	-	1	1
Sales tax equivalents	8	-	8	-	-	-
	12 794	3 450	16 244	9 747	2 497	12 244

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 do not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective. The major percentage of the debt written off relates to situations where companies have been placed into liquidation and advice from liquidators is no further dividends are likely.

Duties

During the year a concerted effort was made to collect debts that have been outstanding for a long period of time. There were a number of instances where OSR was not able to determine the "person primarily liable". As a result these debts were written off as the debtor could not be located. Amounts written off as a result of companies which were liquidated increased from \$900 000 in 2001-2002 to \$1.3 million in 2002-2003.

Pay-roll tax

Pay-roll tax write offs represent 66 per cent of total write offs for 2002-2003. The majority of pay-roll tax write offs occur due to corporations being placed in liquidation. This year the write offs where companies have been liquidated totalled \$10.5 million which accounts for 97% of the total pay-roll tax write offs. There were 13 large liquidations that accounted for \$5.0 million of the debt written off alone.

Land tax

There has been a significant decrease in land tax write offs in 2002-2003. The land tax debts written off were due to two main factors. The first is where a company has sold land prior to an assessment being raised and has subsequently become deregistered. Secondly, where the land has been sold prior to an assessment being raised and the taxpayer cannot be located.

Hotel gaming devices

The two large write offs totalling \$47 000 during the year were due to a death and liquidation of a licensee.

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:

	Actual 2003			Actual 2002		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	16	3 223	3 239	262	3 086	3 348
Parking space levy	73	2 625	2 698	206	637	843
Pay-roll tax	492	2 894	3 386	524	2 658	3 182
Land tax	52	8 573	8 625	650	8 055	8 705
Debits tax	-	4	4	-	4	4
Accommodation levy	9	138	147	-	205	205
Health Insurance levies	-	11	11	-	20	20
Bookmakers betting tax	-	-	-	-	1	1
Club gaming devices	-	-	-	-	60	60
Hotel gaming devices	-	3	3	-	15	15
Fixed odds sports betting	-	1	1	-	-	-
	642	17 472	18 114	1 642	14 741	16 383

Duties remissions remained steady for the 2002-2003 period. There were 6 large remissions that accounted for \$3.2 million of the total amount remitted.

The business rules governing the imposition of penalty and interest on parking space levy assessments were reviewed during the year. The increase in parking space levy remissions is due to the number of successful requests for review of late payment interest imposed where one quarterly instalment was paid late.

Land tax remissions represent 47 per cent of total remissions for 2002-2003. The business rules allow for penalty and interest to be remitted in part or in full if the taxpayer can provide a satisfactory explanation for the default. The majority of remissions represent partial remissions to the market rate of interest.

Approximately 85 per cent of payroll tax remissions represent partial remissions of interest to the market rate where negotiated settlements have been entered into and finalised.

For club gaming devices and hotel gaming devices there was \$60 000 and \$5 000 respectively of remission reversals throughout the year relating to prior years. These have not been offset against remissions in the current year.

27. ADMINISTERED EXPENSES – OTHER

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

	Actual 2003 \$'000	Actual 2002 \$'000
Property inquiry cost reimbursements – Roads and Traffic Authority (RTA) (i)	-	1 011
Act of grace payments (ii)	750	4 986
Petroleum Subsidy (iii)	37 955	37 620
Court imposed interest payments	374	236
Unclaimed money refund – S14 Public Finance & Audit Act	37	46
Bad debts expense (iv)	25 626	21 764
Land tax discounts (v)	9 930	9 037
First home purchase discounts (vi)	36	250
	74 708	74 950

i) Costs of reimbursements to the Road and Traffic Authority (RTA) represent the following

The sale of adhesive duty stamps ceased from 1 January 2002. The RTA no longer accepts these as payment for property searches.

ii) Act of grace payments

The decrease in act of grace payments is attributable to abnormalities experienced last year. Included in last year was a payment for \$2.9 million and measures adopted to assist clients unduly disadvantaged by a mid year change in the pay-roll tax rate.

iii) 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.

iv) Bad debts expense comprises

	\$'000
Bad debts written off (see Note 26 (a))	16 244
Increase in doubtful debts provision (see Note 24 (a))	9 382
Total	25 626

v) 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.

vi) First Home Purchase Discounts

The First Home Plus Scheme replaced the First Home Purchase Deferred Payment Scheme where first home owners received a 50 per cent discount on the duty payable. The First Home Purchase Discount scheme has been winding down with no further clients entitled to the 50 per cent discount.

28. ADMINISTERED REVENUE – CONSOLIDATED FUND

Taxation revenue information is presented on a cash (revenue collected) and an accrual basis (revenue earned). Estimates of revenue collected on behalf of the Crown Entity requiring disclosure relate to budget cash receipts for each tax type.

(a) Revenue collected

	Actual 2003 \$'000	Budget 2003 \$'000	Actual 2002 \$'000
Taxes, fees, penalties and interest			
Duties	5 157 910	4 082 100	4 611 656
First home purchase scheme	740	600	919
Total duties	5 158 650	4 082 700	4 612 575
Parking space levy	45 369	40 500	43 576
Pay-roll tax	4 725 563	4 862 000	4 555 368
Land tax	1 153 739	1 047 000	1 010 183
Debits tax	22	-	186 730
Electricity levy	-	-	5 560
Accommodation levy	-	-	1 010
Health insurance levies	96 314	99 000	94 396
Insurance protection tax	67 192	69 000	65 182
Gaming and Racing			
Keno tax	7 329	7 900	7 670
Bookmakers betting tax	3	-	3 984
Totalizator tax on and off course totes	141 498	137 400	136 088
Fixed odds sports betting	3 180	1 320	1 528
Fixed odds racing betting	145	174	149
Footytab	718	670	653
Club gaming devices	424 235	437 000	190 747
Hotel gaming devices	337 498	342 000	76 085
Total gaming and racing	914 606	926 464	416 904
Total taxes, fees, penalties and interest	12 161 455	11 126 664	10 991 484
Fines			
Motor traffic fines	39 998	49 916	10 376
Other fines	643	403	155
Local courts fines	6 853	8 051	1 657
Enforcement fees	17 347	20 933	4 373
Electoral fines	182	805	43
Total fines	65 023	80 108	16 604
Total taxes, fees, fines, penalties and interest	12 226 478	11 206 772	11 008 088
Other			
Tax equivalents	371 908	373 000	294 492
Unclaimed money	26 640	12 000	11 778
Other revenue	1 046	-	799
Total other	399 594	385 000	307 069
TOTAL REVENUE COLLECTED	12 626 072	11 591 772	11 315 157

- The pay-roll tax estimate reported in the Budget Papers for 2002-2003 (\$4 246 million) does not include payments made by Budget sector agencies.
- Taxes, fees, penalties and interest reported above are net of refunds paid, but not net of Act of Grace (ex gratia) payments by the State amounting to \$ 750 000 (2001-2002 \$4 985 625). The decrease in ex gratia payments for 2002-2003 is attributable to measures adopted in 2001-2002 to assist clients unduly disadvantaged by a mid year change in the Pay-roll Tax rate and an abnormally large transaction for \$2.9 million in 2001-2002.
- During 2002-2003 an amount of \$67 729 was refunded for electricity levy. The levy was suspended from 1 July 2001.
- **Duties** revenue collected exceeded the 2002-2003 budget by 26 per cent and 2001-2002 receipts by 12 per cent . This was mainly due to stronger revenues for transfer duty, mortgages, insurance and unlisted marketable securities.
 - Strong property market turnover and prices boosted transfer duty and mortgage duty revenues. Continuing low interest rates and resilient domestic economic performance helped sustain residential property demand.
 - Insurance duty revenue declined in 2002-2003 by 9 per cent with a cut in the general insurance duty rate from 10 per cent to 5 per cent from 1 August 2002. Revenue for 2002-2003 was above expectation due to increases in premiums.
 - Several abnormally large transactions resulted in revenue from unlisted marketable securities duty being substantially above expectations.
- **Parking space levy** – OSR collects parking space levy imposed under the Parking Space Levy Act 1992 on behalf of the Department of Transport (DOT). Parking space levy refunds totalling \$469 869 (2001–2002 - \$1.3 million) were paid during the year. Refunds are reimbursed directly to OSR by DOT from the Public Transport Facilities Fund Special Deposits Account.

Revenue collected was 11 per cent higher than budget for 2002-2003 and 4 per cent greater than last financial year. Compliance activity throughout the year generated an additional \$4.8 million in revenue collected.

- **Land tax** – 10 per cent above budget for 2002-2003. Work has continued on the identification of new clients and system enhancements. In addition land valuations increased on average 18 per cent on the prior year. This has also resulted in revenue collected increasing significantly from 2001-2002 (14 per cent).
- **Debits tax** – Debits tax was abolished from 1 January 2002. The 2001–2002 figures include 7 months' collections as revenue is received with a month's lag on the transactions to which the revenue related.
- **Gaming** – Responsibility for collecting club and hotel machine duty transferred from the Department of Gaming and Racing to OSR in March 2002 and April 2002 respectively. This explains the variance in revenue between that reported in 2002-2003 and in 2001-2002.
- **Tax equivalents** – higher payments from the property and resources sector following strong price growth and record clearance rates in the property sector has seen receipts increase 26 percent on 2001-2002. Receipts are 6 percent above budget in 2002-2003.
- **Unclaimed money** – compliance activity and education strategies implemented throughout the year have seen receipts come in significantly above budget.
- **Fines** – receipts from fines are 19 per cent below budget primarily due to delays encountered within referring Agencies in transferring matters to the SDRO. Consolidated fund receipts are down 8 per cent on 2001-2002 (\$16.6 million collected by OSR and \$54.2 million by the Attorney General's Department). Community Service Orders were introduced during the year enabling defaulters to meet their fines through participation in approved work schemes.

(b) Revenue earned

	Actual 2003 \$'000	Actual 2002 \$'000
Taxes, fees, penalties and interest		
Duties	5 224 701	4 642 573
First home purchase scheme	98	23
Total duties	5 224 799	4 642 596
Parking space levy	48 099	42 026
Pay-roll tax	4 756 453	4 582 613
Land tax	1 155 688	1 020 019
Debits tax	27	186 729
Electricity levy	-	5 560
Accommodation levy	44	572
Health insurance levies	96 223	94 180
Insurance protection tax	67 165	65 247
Gaming and Racing		
Keno tax	7 329	7 670
Bookmakers betting tax	3	3 986
Totalizator tax on and off course totes	141 498	136 088
Fixed Odds Sports betting	3 180	1 528
Fixed odds racing betting	144	149
Footytab	718	653
Club gaming devices	413 765	201 539
Hotel gaming devices	338 143	76 566
Total gaming and racing	904 780	428 179
Total taxes, fees, penalties and interest	12 253 278	11 067 721
Fines		
Motor traffic fines	39 998	10 376
Other fines	643	155
Local courts fines	6 853	1 657
Enforcement fees	17 347	4 373
Electoral fines	182	43
Total Fines	65 023	16 604
Total taxes, fees, fines, penalties and interest	12 318 301	11 084 325
Other		
Tax equivalents	371 686	294 819
Unclaimed money	26 741	11 962
Other revenue	1 203	1 082
Total other	399 630	307 863
TOTAL REVENUE EARNED	12 717 931	11 392 188

Revenue earned figures include an amount of \$50.0 million for interest. The comparative figure for 2001-2002 was \$36.5 million.

An accrual of \$33.3 million representing unissued land tax assessments relating to current and prior years has been brought to account. The comparative figure for 2001-2002 was \$34.9 million.

An amount of \$67 729 for electricity levy and \$196 617 for accommodation levy has not been included for assessments withdrawn relating to prior periods. Accommodation levy was abolished from 1 July 2000 and the electricity distributors levy suspended from 1 July 2001.

In accordance with the Crown Entity's revenue recognition policy State taxation revenue is recognised as follows:

- Government-assessed revenues (primarily land tax) are regarded as being able to be measured reliably at the time the assessments are issued.
- 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 agency. 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 (such as those issued by the Courts) are regarded as being able to be measured reliably when the fine is issued. When fines become overdue, additional revenue is recognised.

All other fines (such as those issued via the Infringement Processing Bureau) are regarded as being able to be measured reliably when the cash is received.

End of Financial Statements

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Commitment to Community Values

Appendix 1 OFM Code of Conduct

OFM's code of conduct provides staff with guidance on standards of conduct and behaviour. It is based on three underlying principles:

- ▶ The public's right to expect the highest integrity and competence of our staff.
- ▶ Government's entitlement to impartial, accurate advice and prompt policy implementation.
- ▶ The rights and obligations of staff as employees.

The Code is available to all staff on OFM's Intranet.

Appendix 2 Ethnic Affairs Priority Statement

While OFM's role is primarily one of financial management policy information and advice rather than service delivery, we do have indirect involvement in policy and services for the ethnic community through the management of the State's finances. By servicing our clients, the NSW Government and State Government Agencies, OFM is implementing Ethnic Affairs priorities including:

- ▶ Applying the principles of natural justice to policy development and financial strategy to promote equitable policy outcomes for ethnic communities
- ▶ Inviting contributions from ethnic communities as part of budget deliberations. This includes the involvement of the Ethnic Communities Council in Budget consultations.

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

Appendix 3 Action Plan for Women

OFM is committed to providing equal employment opportunities for women to ensure the organisation is representative of the community it serves. NSW Government's Action Plan for Women 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.
- ▶ Improving health and quality of life.

As a central agency, OFM continues to take these considerations into account when formulating advice on financial management policy and programs.

Appendix 4 Disability Strategic Plan

OFM, together with OSR, has developed a Disability Strategic Plan. It outlines strategies to be included in broader organisational planning activities to ensure that people with disabilities are considered and included as an integral part of OFM operations.

OFM's accommodation provides access and amenities for people with physical disabilities and allows for adjustments where areas restrict disabled access.

Barriers for people with disabilities are identified and taken into account in developing our strategies and performance indicators.

Appendix 5 Occupational Health and Safety

Reported workplace incidents	9
OH&S assessments conducted	7

OFM has a number of strategies in place to ensure the health and safety of staff within the office including:

- ▶ Reporting mechanisms to ensure that all incidents involving safety risks are reported and addressed.
- ▶ Policies for dealing with workplace injuries and rehabilitation.
- ▶ Active encouragement of OFM staff fitness activities and promotion of running/walking activities in Botanical Gardens.
- ▶ Sponsorship of OFM staff team in the annual City to Surf event.

An Office Ergonomics course has been scheduled for July 2003.

Appendix 6 Privacy Management Plan

OFM has developed a Privacy Management Plan to comply with requirements of the *NSW Privacy and Personal Information Protection Act, 1998*. It includes:

- ▶ Policies and practices to ensure compliance with the Act and its information protection principles.
- ▶ Classes of information held and advice on how OFM uses personal information.
- ▶ Other matters that OFM considers relevant to privacy and to the protection of personal information by OFM.
- ▶ Dealing with reviews.

Requests received for review	2
Requests finalised	2
Requests carried forward	0

No Privacy Codes of Practice were published on behalf of OFM and no specific exemptions claimed.

Appendix 7 Equal Employment Opportunity

Achievements

- ▶ An increase in the number of women working in OFM.
- ▶ Promotion of flexible work practices - variable work start/finish times, work from home, cumulative flexidays.
- ▶ Recruitment of 10 graduates, including 8 women.
- ▶ Active encouragement of staff to balance work and family commitments.
- ▶ A ranking in the top 15 organisations based on an annual benchmark survey by Managing Work/Life Balance.
- ▶ Targeting of Aboriginal graduates in the graduate recruitment program.

Strategies for 2003-04

- ▶ Evaluate graduate promotional material.
- ▶ Explore options for Aboriginal cadetships.
- ▶ Consolidate existing conditions around work/home balance and flexible work practices.
- ▶ Devise and implement a new flexible working hours policy.
- ▶ Revise OFM's recruitment policy to improve the equity of recruitment outcomes, in particular short term acting arrangements.

Trends in the Representation of EEO Groups

EEO Group	Benchmark or Target	% of Total Staff			
		2000	2001	2002	2003
Women	50%	38%	43%	44%	45%
Aboriginal people and Torres Strait Islanders	2%	na	na	na	0%
People whose first language was not English	20%	21%	18%	17%	17%
People with a disability	12%	2%	1%	2%	2%
People with a disability requiring work-related adjustment	7%	0.6%	na	na	1%

Trends in the Distribution of EEO Groups

EEO Group	Benchmark or Target	Distribution Index			
		2000	2001	2002	2003
Women	100	87	83	83	83
Aboriginal people and Torres Strait Islanders	100	na	na	na	0
People whose first language was not English	100	88	91	87	88
People with a disability	100	na	na	na	na
People with a disability requiring work-related adjustment	100	na	na	na	na

The statistics are based on staff numbers as at 30 June, excluding casual staff.

The Distribution Index is automatically calculated by software provided by ODEOPE.

- ▶ A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent 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.

Operations

Appendix 8 Use of Consultants

OFM Core Activities

Consultants costing \$30,000 or more		Amount (ex. GST)
Consultant	Project	
Finance & Accounting/Tax		
Burnvoir Partners	Independent financial advice on the Austeel project	\$70,101
Deloitte Touche Tohmatsu	Risk review of Protech's steel mill proposal	\$30,000
KPMG	Independent advice on EnergyAustralia's proposed purchase of WITel stake in PowerTel	\$40,000
KPMG*	Evaluation of potential public/private partnership projects in NSW Health's forward capital program (joint project with NSW Health)	\$21,092
KPMG*	Feasibility study of PFP procurement of Long Bay Prison Hospital and proposed forensic hospital (joint project with NSW Health/Dep't of Corrective Services)	\$12,100
PricewaterhouseCoopers	Financial advice on ARTC proposal (joint project with Office of Coordinator General Rail)	\$78,132
PricewaterhouseCoopers	Financial advice on New Schools PFP Stages 3 & 4	\$312,223
PricewaterhouseCoopers	Advice on New Schools PFP accounting treatment	\$42,500
PricewaterhouseCoopers	Review of PAFA Act policies and procedures and risk management review methodology	\$54,268
Qld Office of Economic & Statistical Research (Access Economics)	Development of a State/Territory Long Term Fiscal Sustainability Model	\$53,182
Syneca Consulting P/L	Evaluation of aerial cableway – Jenolan Caves	\$45,455
Legal		
Clayton UTZ	Legal advice on the Project Newport (joint project with Newcastle Ports Corporation)	\$47,809
Management Services		
Gale Planning Group P/L	NSW Treasury asset maintenance review	\$45,855
	Sub Total:	\$852,717
Consultants costing less than \$30,000		
Finance & Accounting/Tax	3 Projects totalling	\$43,011
Legal	2 Projects totalling	\$36,844
	Sub Total:	\$79,855
Total cost of OFM consultancies		\$932,572

* Amount shown is OFM's share - total cost exceeded \$30,000

Appendix 9 Overseas Visits

Energy Industry Reform Activities – Funded by OFM

Consultants costing \$30,000 or more		Amount (ex. GST)
Consultant	Project	
Finance & Accounting/Tax		
PricewaterhouseCoopers	Design/development of a business risk model on the financial risks faced by NSW government businesses in their electricity trading activities	\$318,493
Legal		
DGJ Projects P/L	Drafting of implementation agreements on corporatisation of Snowy (joint project with Commonwealth/Victorian Governments)	\$136,061
Sub Total:		\$454,554
Consultants costing less than \$30,000		
Finance & Accounting/Tax	2 Projects totalling	\$31,785
Legal	2 Projects totalling	\$11,990
Sub Total:		\$43,775
Total cost of Industry Reform Consultants funded by OFM		\$498,329

Energy Industry Reform Activities – Funded by the Industry*

Consultants costing \$30,000 or more		Amount (ex. GST)
Consultant	Project	
Finance & Accounting/Tax		
KPMG	Special assistance for price analysis	\$384,705
Sinclair Knight Merz P/L	Valuation of the electricity distribution network for NSW electricity distributors	\$442,147
Sub Total:		\$826,852
Consultants costing less than \$30,000		
Finance & Accounting/Tax	3 Projects totalling	\$20,850
Legal	1 Project totalling	\$22,519
Sub Total:		\$43,369
Total cost of Industry Reform Consultants funded by the Industry		\$870,221

* While these consultancies were coordinated by OFM, the energy businesses concerned reimbursed OFM for the costs. The expenditures therefore will also be reported upon by the energy businesses in their annual reports for 2002-03.

Europe and United Kingdom

Secretary, John Pierce, as Chair of the NSW Treasury Corporation Board, traveled to Germany, Luxembourg, Switzerland and England from 2 to 13 September 2002. The visits were part of TCorp's investor relations program, the main purpose of which is to update investor institutions on the NSW economy, issues relevant to the State's fiscal position and TCorp's borrowing program.

Japan

Rose Williams, Director, Corporate Management attended the Local Government International Exchange Seminar in Tokyo and Nara, Japan from 21 to 26 October 2002. She was part of the Oceania contingent together with 8 other delegates from other States and New Zealand. Representatives from Australia, New Zealand, United Kingdom, USA, Canada, France, Thailand, Korea, China and Japan attended the forum to exchange information on issues of common concern.

Ms Williams presented a paper on NSW Treasury's use of international exchange programs to improve policy development.

United Kingdom

Tony Miller, Principal Adviser, Private Projects Branch undertook a study tour of UK privately financed schools from 19 January to 5 February 2003. The tour was in conjunction with Department of Education and Training and representatives of the consortium contracted for the NSW New Schools Privately Financed Project.

Operations

Appendix 10 Committees & Boards

Statutory Bodies and Other Corporations	Treasury Officer/s
Australian Accounting Standards Board, Urgent Issues Group	Robert Williams
Australian Statistics Advisory Council (C'wealth)	P Horn
Casino Safety Net Committee	R Christ
Construction Policy Steering Committee	R Sayers
Environmental Trust	E Dewar
Internal Audit Bureau	I Neale (Chair)
NSW Treasury Corporation	J Pierce (Chair), R Carling (Deputy Chair)
NSW Trustee Advisory Committee	R Anns
Parliamentary Contributory Superannuation Scheme Trustee	J Pierce (Trustee), I Neale
Rental Bond Board	B Waddington
Tax Hardship Board and Board of Review	R Agnew
Treasury Managed Fund	P English, S Hunt
<i>Workcover Scheme Design Steering Committee Established during 2002-03 to oversight independent review of the design of the Workcover scheme</i>	K Cosgriff
Treasury Committees	Treasury Officer/s
Bank Contracts Service Level Review Committee	J Angelakis (Chair), P English
Bank Tender Committee	I Neale (Chair), J Angelakis, C Broad
Criminal Justice System Modelling Working Group	P Bickerstaff, R Cox, S-H Han, C Nuamah
Debt Management Committee	I Neale (Chair), P Horn, C Broad, T North, K Slater
Fiscal Strategy Executive Committee	J Pierce (Chair), R Carling, I Neale, K Cosgriff M Ronsisvalle, A Hunter, R Edwards, C Broad, R Cox, M Clark-Lewis, P Horn, G Bullivant (secretary)
HR Executive Sub Committee	M Ronsisvalle, D Quinn Rose Williams, P Blunden, E Dewar, A Lester (secretary)
Liability Management Committee	I Neale (Chair), R Carling, C Broad, A Hunter, R Cox, G de Bruyn, T North, P English, K Slater
Major Projects Investment Committee	K Cosgriff, F Jordan, Y Tran (secretary) M Derewlany

Treasury Committees (continued)	Treasury Officer/s
<p>Motor Vehicle Financing and Management Steering Committee <i>Established during 2002-03 to implement a new central motor vehicle lease facility for Government agencies.</i></p>	I Neale (Chair), K Slater
<p>Motor Vehicle Stamp Duty Restructuring Committee</p>	M Clark-Lewis, R Christ
<p>OFM Audit Committee</p>	I Neale (Chair), Rose Williams, A Hunter, C Broad, Robert Williams, I Rosenbaum, G O'Donnell (secretary)
<p>OFM Executive Board</p>	J Pierce (Chair), R Carling, I Neale, K Cosgriff, M Ronsisvalle, Rose Williams, G Bullivant (secretary)
<p>OFM IT Steering Committee</p>	Rose Williams (Chair), M Ronsisvalle, A Hunter, A Austin, H Harmstorf, S Power, C Broad, J Waters (secretary)
<p>Pacific Power Sale Steering Committee <i>Established during 2002-03 to oversight sale processes for Pacific Power International, the Tallawarra generation site, and wind-up of Pacific Power</i></p>	K Cosgriff
<p>Pacific Power International Sale Steering Committee <i>Established during 2002-03 to handle the sale of Pacific Power International</i></p>	N Mulquiney
<p>RAD Consultative Committee</p>	M Ronsisvalle, A Cocco, B Smith, K Riley, P Hucker, M Pellowe, N Sanjeeva, R Stanmore, R Edwards, S Power
<p>Reciprocal Charging Committee</p>	F Jordan (Chair), RAnnon, R Carr, N Cowan, M Roberts
<p>Reciprocal Charging Committee - S611 Sub-Committee <i>Established during 2002-03 to report to the Premier within 6 months on options for reform of S611 levy charge for use of public land under council control</i></p>	F Jordan (Chair), M Roberts, N Cowan (secretary)
<p>Strategic Capital Reform Steering Committee <i>Established during 2002-03 to finalise the transfer of State Water to the Ministry of Energy and Utilities</i></p>	M Ronsisvalle, K Cosgriff, I Neale, A Hunter, R Cox, D Graham, L Williams, M di Francesco, R Stanmore
<p>Treasurer's Accounting Advisory Panel</p>	J Pierce (Convenor), I Neale, Robert Williams (secretary)
<p>Treasury (OFM and OSR) Consultative Committee</p>	Rose Williams
<p>Treasury Managed Fund - Service Level</p>	S Hunt (Chair)

Operations

Appendix 10 Committees & Boards

Non Treasury Committees	Treasury Officer/s
Aboriginal Affairs Chief Executive Officers Group	P Blunden
ABS Economic Statistics User Group	P Horn
ARTC Financial Working Group	M Ronsisvalle, Z Lejins
ARTC Interagency Working Group	M Ronsisvalle, Z Lejins
Asset Maintenance Taskforce (Department of Education and Training) <i>Established during 2002-03 to review and report on asset maintenance practice and ensure Government funds are allocated effectively and efficiently</i>	K Cosgriff
Australian Health Care Agreement IDC <i>Established during 2002-03 to provide central agency input to the renegotiation of Australian Health Care Agreements</i>	M Ronsisvalle
Biodiversity Strategy Implementation Group	L Hurley
CCSU Client Advisory Board	Rose Williams
CCSU Information Technology Steering Committee	Rose Williams
CCSU Internal Audit Committee	Rose Williams
Chief Executives Committee	J Pierce
Coal Industry Act Monitoring Committee	R Anns
Commonwealth/State Disability Agreement Steering Committee <i>Established during 2002-03 to provides Central Agency input into the development of the NSW negotiating position for the renewal of the CSDA</i>	M Ronsisvalle, P Blunden
Commonwealth/State Police Working Group	M Ronsisvalle (Chair), A Hughes (Support Officer)
Commonwealth/State Review of Service Provision	M Ronsisvalle, A Hughes
Co-operative Housing and Starr-Bowkett Societies Standards Committee	R Anns
Corporate Services Peer Review Committee	I Neale
Council on the Cost and Quality of Government	J Pierce, R Cox (Deputy)
Crown Land Valuation Committee	C Broad
Crown Property Portfolio Steering Committee	S Power (Chair), I Hayes
Cumberland Plain Draft Recovery Plan <i>Established during 2002-03 to advise NPWS on preparation of a socio-economic impact assessment of the Draft Cumberland Plain Endangered Ecological Communities Recovery Plan</i>	Peter Wade
DADHC Strategic Financial Management Committee <i>Established during 2002-03 to consider key financial management risks and issues facing DADHC and to develop agreed strategies to address them</i>	M Ronsisvalle, P Blunden

Non Treasury Committees (continued)	Treasury Officer/s
Economic Society of Australia (Central Council)	B Gaudry (Treasurer)
Economic Society of Australia (NSW Branch)	B Gaudry, A Hughes, Z Witton
General Government Liability Management Fund Committee <i>Established during 2002-03 to determine the investment strategy and allocation of the Fund.</i>	J Pierce (Chair), I Neale (Deputy), K Slater (Secretary)
Government Asset Management Committee	J Pierce, K Cosgriff, S Power, C Campbell, N D'Souza (Secretary)
Government Asset Management Committee – Property Disposal Assessment Panel <i>Established during 2002-03 to review Agency property disposal plans to identify whole-of-government or strategic issues and determine the most appropriate disposal process in line with government policies</i>	C Campbell, L Courtney, N D'Souza (Secretary)
Government Asset Management Committee - Senior Officers Sub-Committee	I Hayes, C Campbell, N D'Souza (Secretary)
Government Asset Management Committee – TAM Reference Group <i>Established during 2002-03 to review TAM policies and make recommendations to GAMC on implementation issues at an agency level</i>	C Campbell, B Johnson, N D'Souza (Secretariat)
GST Administration Performance Agreement Working Group	M Clarke-Lewis
GST State and Territory Industry Partnership Group	Russell Agnew
Heads of Treasuries Committee	J Pierce, R Carling
Heads of Treasuries Accounting and Reporting Advisory Committee	I Neale
Heads of Treasuries Insurance Issues Working Group <i>Established during 2002-03 to advise on current insurance sector difficulties, in support of minister's deliberations at regular Ministerial meetings</i>	I Neale (Chair), S Hunt
Heads of Treasuries Specific Purpose Payments Working Group	H Harmstorf
Heads of Treasuries State Taxes Working Group	R Carling, R Agnew
Health External Review and Evaluation Group	J Pierce, P Blunden
Human Services Senior Officers Group	P Blunden
Industrial Relations Steering Committee	R Carling
Institute of Public Administration Australia (NSW Division) <i>Established during 2002-03 as a forum for professional people involved in Public Administration.</i>	M Di Francesco (Councillor)

Operations

Appendix 10 Committees & Boards

Non Treasury Committees (continued)	Treasury Officer/s
Integrated Ticketing Steering Committee	M Ronsisvalle, D Graham
Inter-Agency Technical Reference Group for Catchment Management Board Targets	P Hucker
Inter-Departmental Committee on Crimes (Forensic Procedures) Act 2000	P Bickerstaff, L Powrie
IT Master Lease Facility Contract Management Committee <i>Established during 2002-03 implement a new central IT lease facility for Government agencies.</i>	K Slater
Joint Government Enterprise (JGE) Implementation Group <i>Established during 2002-03 to implement the Joint Government Enterprise, being a water savings body facilitating environmental flows down the Murray and Snowy Rivers</i>	N Mulquiney
Limitation of Council Rate Increases-Committee of Advice	H Harmstorf
Migrant Skills and Qualifications Advisory Committee	Rose Williams
Minerals Consultative Committee	R Sayers
Native Vegetation Conservation Strategy Inter-Departmental Committee	P Hucker
Native Vegetation Implementation Group <i>Established during 2002-03 to report to the Premier on the implementation of the Government's new native vegetation management policy</i>	J Pierce, K Cosgriff
New Schools Project Steering Committee	M Ronsisvalle, D Graham
NOx Trading Scheme Reference Group	R Anns
NSW Government Procurement Council <i>Established during 2002-03 to drive implementation of the Smarter Buying for Government procurement reform strategy. (The Council is chaired by the Treasurer, with Minister for Commerce as Deputy Chair, and membership from Chief Executives of key service, procurement, and central government agencies.)</i>	J Pierce, S Power, E Shestovsky
NSW Greenhouse Network	R Anns
NSW Infrastructure Council <i>Established during 2002-03 to provide high level advice to Government on policy and development priorities in the delivery of infrastructure and related public services.</i>	J Pierce
NSW Inter Agency Committee on Plumbing Regulation Reform	R Anns, N Cowan
NSW Statistical Co-ordination and User Forum	R Cox (Chair)
NSW Sustainable Development Network	R Anns

Non Treasury Committees (continued)	Treasury Officer/s
Parking Patrol Officers Inter-Departmental Committee	L Powrie
Perisher Project Coordination Group	L Hurley
Police Complaints Case Management Program Review Group	P Bickerstaff, L Powrie
Population Projection Group	D Maynard
Public Sector Financial Reporting Harmonisation Working Group	A Hunter
Public Sector Reporting Timetable Reduction Committee	I Neale, A Hunter, I Rosenbaum
Rail Infrastructure Corporation Access Undertaking Government Working Party	D Graham, M Roberts
Rail Reform Steering Committee	J Pierce, M Ronsisvalle
Review of Animal and Plant Health Legislation	M Roberts
Review of Conveyancers Licensing Act 1995	R Anns
Review of Credit (Licence Brokers) Act 1984	R Anns
Review of Fisheries Management Act	F Jordan
Review of NSW Gaming Laws	R Anns
Review of NSW Liquor Laws	R Anns
Review of Racing & Betting Legislation	R Carr
Review of Strata Schemes Management Act 1996	R Anns
Review of Boxing and Wrestling Control Act 1986	M Roberts
Review of the Lord Howe Island Act	F Jordan
Review of Motor Vehicle Sports (Public Safety) Act	M Roberts
Review of the Ports Corporation and Waterways Management Act 1995	R Anns, Z Lejins
Review of the Poultry Meat Industry Act 1986	M Roberts
Review of the Rural Lands Protection Act	F Jordan
Review of the Safe Foods Funding Arrangements	N Cowan, F Jordan
Review of the Wine Grapes Marketing Act	F Jordan
Review of Waste Minimisation and Management Act	R Anns
School Student Transport Scheme Policy Coordination Committee <i>Established during 2002-03 to oversight the School Student Transport Scheme</i>	M Ronsisvalle
State and Territory GST Policy Group	R Agnew
State Contracts Control Board	F Jordan, R Sayers
State Emergency Management Committee	P Bickerstaff
State Transport Property Committee	P Bickerstaff, M Ronsisvalle
Steel Industry Steering Committee	F Jordan

Operations

Appendix 10 Committees & Boards

Non Treasury Committees (continued)	Treasury Officer/s
<p>Stormwater Trust <i>Established during 2002-03 to advise on implementation of stormwater commitments set out in the Government's Waterways Package released in 1997</i></p>	E Dewar
TDC Technical Advisory Committee	D Graham
Transport Co-ordination Committee	M Ronsisvalle
Transport NSW CSO Consultative Committee	M Ronsisvalle
Treasury Managed Fund – Advisory Board	P English, S Hunt
Treasury Managed Fund Insurance Committee	P English, S Hunt
<p>Water Chief Executive Officers <i>Established during 2002-03 to advise Government on strategies to improve water management arrangements and to identify emerging water issues</i></p>	E Dewar
<p>Water Consultation Liaison Committee <i>Established during 2002-03 to provide advice to Snowy Hydro Limited in preparation and implementation of each annual water operating plan.</i></p>	N Mulquiney

Statutory Bodies/Committees Abolished in 2002-03	Treasury Officer/s
Balmain Road, Leichhardt Project Steering Committee	J Madden, D Morris
Compliance Reporting Framework Steering Committee	J O'Connell
GMT Occupational Health & Safety Committee	D Quinn, G O'Donnell, J Tougher
Government Cleaning Contract - Contract Management Committee	R Stanmore
Government Liaison Panel for the National Electricity Market	D Anderson
GST Administration Sub Committee	R Carling
Land and Housing Sub-Committee	R Sayers
Land and Water Management Plan Assessment Team	R Stanmore
Land and Water Management Plan Assessment Team – Economic Sub-Committee	R Stanmore
Landcom Advisory Board	S Power (Observer)
Managing Expenditure Growth Working Group	R Cox, B Gaudry, S Power, R Stanmore
National Electricity Market Settlement and Transfers Committee (NEMSAT)	R Bruce (observer)
National Rail Corporation Sales Steering Committee	J Grainger, M Ronsisvalle
Natural Resources Information Management Strategies Steering Group	R Stanmore
Natural Resources Research Taskforce	R Stanmore
NEMMCO Key Performance Indicators Project	K Lawrence-Haynes
NSW Government Motor Vehicle Supply Agreement Review	C Broad
NSW Rail Freight Sales Due Diligence and Information Memorandum Working Group	M Ronsisvalle (Chair), J Grainger
NSW Rail Freight Sales Finance Working Group	M Ronsisvalle (Chair), J Grainger
NSW Rail Freight Sales Legal and Regulatory Working Group	M Ronsisvalle (Chair), J Grainger
NSW Rail Freight Sales Steering Committee	J Pierce (Chair), M Ronsisvalle, J Grainger
Powercoal Sale Steering Committee	J Pierce (Chair), K Cosgriff
Regional Integrated Service Delivery Steering Committee	Robert Williams
Review of NSW Marine Parks Pricing and Charging	H Dear
Snowy Implementation Group	D Crossley, E Dewar
Snowy Mountains Council	D Anderson
Steering Committee for the Review of Landbank and Land Disposal Functions	E Dewar (Chair), J Madden
Waste Service NSW Corporatisation Steering Committee	E Dewar, R Steven
Water Industry Interdepartmental Committee	E Dewar

Operations

Appendix 11 Energy Management and Performance

OFM is committed to sustained energy management principles and the achievement of energy savings. Accountability and responsibility for energy management are established under an Energy Management Plan that has been in place for a number of years. The Plan sets the mechanisms, rationale and strategies for OFM's energy management. The primary purpose is to sustain energy cost reductions, in line with Government policy, without adversely affecting OFM's activities and management.

OFM occupies three and a half floors in Governor Macquarie Tower. GMT purchases electricity on the contestable market, including 6% from renewable sources. The purchase of green power, together with energy saving measures initiated by GMT management, contributes to the reduction of greenhouse gases.

OFM's energy consumption is summarised in the following table.

OFM Energy Consumption	1995-96	2000-01	2001-02	2002-03	% change 01-02 to 02-03
Black Electricity Consumption (kWh)	604,437	706,031	686,479	725,178	5.64%
Black Electricity Cost	\$66,609	\$45,149	\$44,318	\$51,577	16.38%
Green Power Consumption (kWh)	na	45,066	43,818	46,288	5.64%
Green Power Cost	na	\$3,831	\$3,645	\$4,242	16.38%
Petrol (Litres)	na	35,078	39,435	39,734	0.76%
Petrol	na	\$32,550	\$29,173	\$31,777	8.93%
Petrol (Km)	na	367,750	316,096	347,959	10.08%

The 5.6 % increase in OFM's electricity consumption during 2002-03 was mainly due to the increase in staff numbers, and the consequent increase in computers and other office equipment.

Improved efficiency resulted in petrol consumption remaining largely unchanged during 2003-04, despite a 10% increase in the distances travelled.

Appendix 12 Waste Reduction and Purchasing Policy

OFM supports the adoption of waste reduction and recycling strategies.

OFM has continued to implement its Waste Reduction and Purchasing Policy, first adopted in 1999. The policy follows the whole of government approach and seeks to reduce overall waste.

Environmentally friendly purchasing procedures are also applied.

The following waste reduction strategies are applied by OFM.

Reducing Waste Generation

To reduce the generation of paper (the major consumerable) OFM uses electronic communication extensively, including promotion of communication by email and publication of a wide range of documents on the OFM intranet and web sites. The web site is now the sole vehicle for the issue of Treasury Circulars and monthly Financial Statements.

Resource Recovery

OFM utilises technology to ensure that renewable resources can be used in the workplace. Printers and photocopiers provide for double sided copying and can operate using recycled products. Each desk has a paper recycling box and kitchens and common areas have recycling bins for other potentially recyclable materials.

Using Recycled Material

When appropriate OFM uses recycled material including paper, toner cartridges and disks. The capacity to provide recycled products is incorporated into purchasing contracts when negotiated through the CCSU.

Promotion

Appendix 13 2002-03 Treasury Circulars

Treasury Circulars can be
accessed from the OFM Website
[www.treasury.nsw.gov.au]

		Date Issued
NSW TC 02/10	Ownership of Internal Audit Documentation	10/07/02
NSW TC 02/11	Valuation of Debt	19/11/02
NSW TC 02/12	Accounting for Superannuation	19/11/02
NSW TC 02/13	Reserve Accounting	29/11/02
NSW TC 02/14	Controlled Entities: Accounting, Auditing and Annual Reporting Requirements	29/11/02
NSW TC 02/15	Economic Appraisals	4/12/02
NSW TC 02/16	Funding for Redundancy Payments made by Budget Dependent Agencies	9/12/02
NSW TC 02/17	Equal Employment Opportunity Disclosure Requirements	16/12/02
NSW TC 02/18	Eligible Financial Institutions – Issue of Performance Bonds or Unconditional Undertakings Obtained for Government Contracts or Private Finance Projects	17/12/02
NSW TC 02/19	Repeal of Outdated Treasury Circulars	18/12/02
NSW TC 03/01	2002-03 Financial Reporting Requirements for the Consolidated Financial Reports of the State	4/03/03
NSW TC 03/02	Accounting For Dividends	26/03/03
NSW TC 03/03	Repeal Of Outdated Treasury Circulars	10/04/03
NSW TC 03/04	Machinery of Government Changes - Application to GST and FBT Responsibilities	17/04/03
NSW TC 03/05	2002-03 Financial Accounting Arrangements for the Crown Entity	30/04/03
NSW TC 03/06	Accounting Standards Update	6/05/03
NSW TC 03/07	Annual Reporting Update	7/05/03
NSW TC 03/08	LSL Pool - Accounting for Long Service Leave	30/06/03

Promotion

Appendix 14 2002-03 Publications

Treasury Policy & Guidelines Papers (TPPs)

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

		Date Issued
TPP02-4	Projects of State Significance Assessment Guidelines The Guidelines form part of the monitoring regime for Government businesses, which is a component of the NSW Government's Commercial Policy Framework. The Framework aims to replicate within Government businesses the disciplines and incentives that lead private sector businesses towards efficient commercial practices. The key purpose of these Guidelines is to ensure a whole-of-Government approach to the assessment of projects where the State may incur substantial long-term or contingent liabilities.	July 2002
TPP02-5	Treasury Management Policy Treasury Management Policy is one of the NSW Government's policies aimed at ensuring best practice financial management and accountability frameworks in the State sector. This policy aims to strengthen the existing framework for managing risks associated with public sector agencies' treasury functions - including borrowings, investments, derivative transactions, debt and investment management and structured finance transactions. The policy applies to all public sector agencies, but is of greater relevance to Government businesses, given the extent of their involvement in treasury functions.	Sept 2002
TPP02-6	Government Guarantee Fee Policy for Government Businesses Government Guarantee Fee Policy is another component of the Commercial Policy Framework for NSW Government businesses. The purpose of this Policy is to ensure competitive neutrality between Government businesses and their private sector counterparts, with respect to the cost of debt. The document outlines the application of the Government guarantee fee and the methodology to determine the amount of the fee.	Sept 2002
TPP02-7	Capital Structure Policy for Government Businesses Capital Structure Policy is another component of the NSW Government's Commercial Policy Framework. The Policy aims to ensure that Government businesses are financed by an appropriate mixture of debt and equity. It outlines a commercially-based methodology for determining an appropriate capital structure and a minimum-to-maximum capital structure range for the business. The methodology replicates disciplines and incentives of debt and equity markets.	Sept 2002

All NSW Treasury publications are published on the OFM Website [www.treasury.nsw.gov.au], including those issued prior to 2002-03

	Date Issued
<p>TPP02-8 A Guide to Service and Resource Allocation Agreement (SRAA) Outcome Statements for 2003-04</p> <p>The Guide advises agencies on preparing SRAA Outcome Statements for 2003-04. While mainly aimed at the 12 agencies preparing SRAAs for the 2003-04 Budget process, other agencies may find it useful in developing performance information.</p> <p>The guide emphasises identification of an agency's hierarchy of outcomes to establish the link between Government's desired outcomes and an agency's strategies/outputs. This also provides the basis for development of key performance indicators.</p>	Sept 2002
<p>TPP03-1 Fringe Benefits Tax Manual</p> <p>The manual outlines legislation, rulings, determinations and other relevant information to assist NSW Government Agencies comply with requirements of the FBT regime. It outlines how to identify and value each type of fringe benefit and includes discussion of the interaction between FBT and GST.</p>	Mar 2003
<p>TPP03-2 Accounting Policy - Valuation of Physical Non-Current Assets at Fair Value</p> <p>This paper guides public sector agencies on the valuation of physical non-current assets at fair value for general purpose financial reporting. It aims for a consistent approach taking into account the unique circumstances of the public sector.</p> <p>The paper clarifies the meaning of 'fair value' for assets with few alternative uses. It provides practical guidance on valuing land and buildings, infrastructure assets and heritage assets.</p>	May 2003
<p>TPP03-3 Financial Reporting Code For Budget Dependent General Government Sector Agencies</p> <p>The Code sets out the financial reporting framework for Budget dependent agencies, the form and content of financial statements and accompanying note disclosures. It is issued in accordance with the Public Finance and Audit Act 1983 and incorporates requirements of Australian Accounting Standard AAS 29 "Financial Reporting by Government Departments".</p> <p>Where an Accounting Standard requires a disclosure not covered by the Code, it must also be included in the agency's financial statements.</p>	May 2003
<p>TPP03-4 Tax Equivalent Regime for Government Businesses</p> <p>This policy is another component of the Commercial Policy Framework. It aims to ensure that all NSW Government businesses are subject to income tax equivalent payments, in accordance with the principle of competitive neutrality.</p> <p>Larger State Government businesses are generally subject to the National Tax Equivalent Regime under National Competition Policy arrangements. The Tax Equivalent Regime outlined in this Policy Paper applies to those NSW Government competitive businesses that are not subject to the National scheme.</p>	June 2003

Promotion

Appendix 14 2002-03 Publications

Treasury Research and Information Papers (TRPs)

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

		Date Issued
TRP02-4	Service Costing in General Government Sector Agencies In future, information on the costs of Government services will play a more important role in the management of the General Government Sector. Budget discussion will move from incremental funding issues towards examining the full range of services provided by agencies, and their costs. At the agency level, operational managers will demand better cost information to manage their organisations. Treasury is keen to assist agencies improve their costing systems, where necessary. This paper invites feedback from agencies to be taken into account in preparing a foreshadowed Policy and Guidelines Paper.	July 2002
TRP02-5	Productivity Trends Implications for the NSW Economy and Budget This report reviews recent productivity trends in the economy, their interpretation, and implications for the Budget. It is one of several Treasury publications dealing with productivity, microeconomic reform and financial management in NSW.	Sept 2002
TRP02-6	Interstate Comparison of Taxes 2002-03 This annual publication follows delivery of State and Territory Budgets and is produced by NSW Treasury with the assistance of agencies in NSW and the other jurisdictions. It provides a brief description of each tax to facilitate interstate comparisons.	Oct 2002
TRP02-7	Interstate Comparison of Government Finances 2002-03 This publication has been produced to consolidate Uniform Presentation Framework data for the General Government Sector of all the States and Territories. It is based on data in the jurisdictions' 2002-03 budget papers. The purpose is to present a comparison of commonly used criteria for assessing financial performance in a single document. It is not an attempt to provide an overall indicator that ranks the performance of the States or suggest a set of financial performance criteria, which would be a separate exercise.	Oct 2002
TRP03-1	Performance of NSW Government Businesses 2001-02 This is the thirteenth edition of this report on microeconomic reform and the performance of NSW Government businesses. NSW Government remains the only Australian Government to provide a comprehensive annual report of this type.	May 2003

Treasury Operational Documents

Corporate Plan

Revised each year as necessary - with a more fundamental review every three years. This Plan outlines OFM's strategic management framework & the values it applies. This document incorporates the *OFM Commitment to Service*.

NSW Treasury Annual Report

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

Treasury Focus

This is the corporate newsletter of the NSW Treasury. It is issued on a quarterly basis.

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 Statements published on the OFM web site report on General Government finances for the year to date.

State Budget Papers

Budget Summary

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

State Budget Papers

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

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

State Asset Acquisition Program BP 4

Provides detail of the General Government Sector and Public Trading Enterprise Sector Asset Acquisition Programs. 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.

Social Justice Budget Statement

Details Government social justice spending in NSW.

Western Sydney Budget Statement

Details Government spending in the Western Sydney area.

Budget Highlights for Regional and Rural NSW

Details Government spending in regional and rural NSW.

Promotion

Appendix 15 Freedom of Information

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

New Requests

FOI Requests	Personal		Other		Total	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
New(including transferred in)	71	62	13	19	84	81
Brought forward	-	-	-	-	-	-
Total to be processed	71	62	13	19	84	81
Completed	71	62	11	19	82	81
Transferred out	-	-	2	-	2	-
Withdrawn	-	-	-	-	-	-
Total processed	71	62	13	19	84	81
Unfinished (carried forward)	-	-	-	-	-	-

What happened to completed requests

Result of FOI request	Personal		Other	
	2001-02	2002-03	2001-02	2002-03
Granted in full	44	42	4	11
Granted in part	25	20	6	5
Refused	2	0	1	3
Deferred	-	-	-	-
Completed	71	62	11	19

	2001-02	2002-03
Ministerial Certificates		
Ministerial Certificates issued	-	-
Formal Consultations		
Number of requests requiring formal consultation(s)	3	-
Reviews		
Number of internal reviews finalised	2	4
Number of Ombudsman reviews finalised	-	-
Number of District Court appeals finalised	-	-
Amendment of Personal Records		
Result of amendment request – Agreed	-	-
Result of amendment request – Refused	-	-
Total amendments	-	-

Internal Review Results		2001-02		2002-03	
Grounds on which sought	Personal		Other		
Access Refused	2	-	-	-	4
Deferred		-	-	-	-
Exempt Matter	-	-	-	-	-
Unreasonable Charges	-	-	-	-	-
Charges Unreasonably Incurred	-	-	-	-	-
Amendments Refused	-	-	-	-	-
Totals	2	-	-	-	4

Discounts Allowed

Type of discount allowed	Personal		Other	
Public Interest	-	-	-	-
Financial Hardship - Pensioner/Child	2	1	-	-
Financial Hardship - Non-Profit Organisation	-	-	-	-
Totals	2	1	-	-
Significant Correction of Personal Records	-	-	-	-

FOI requests granted in part or refused

Basis for disallowing/restricting access	Personal		Other	
Section 19 (application incomplete, wrongly directed)	-	-	-	-
Section 22 (deposit not paid)	-	-	-	-
Section 25(1)(al) (unreasonable diversion of resources)	-	-	-	-
Section 25(1)(a) (exempt)	27	20	7	8
Section 25(1)(b),(c),(d) (otherwise available)	-	-	-	-
Section 25(1)(e) (documents >5 years old)	-	-	-	-
Section 24(2) (deemed refused, >21 days)	-	-	-	-
Totals	27	20	7	8

Costs and fees of requests processed

Result of FOI request	Assessed Costs		FOI Fees Received	
All completed requests	\$2100	\$2145	\$390	\$270

Days to process

Elapsed time	Personal		Other	
0-21 days	70	72	11	9
22-35 days	1	-	-	-
over 35 days	-	-	-	-
Total	71	72	11	9

Processing time

Processing hours	Personal		Other	
0-10 hours	71	72	11	9
11-20 hours	-	-	-	-
21-40 hours	-	-	-	-
Over 40 hours	-	-	-	-
Total	71	72	11	9

Legislation

Appendix 16 Treasurer's Legislation

Accommodation Levy Act 1997 No 32
Annual Reports (Departments) Act 1985 No 156
Annual Reports (Statutory Bodies) Act 1984 No 87
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, 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
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
Electricity (Pacific Power) Act 1950 No 22
Energy Services Corporations Act 1995 No 95
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, Attorney General)
Freight Rail Corporation (Sale) Act 2001 No 35
General Government Debt Elimination Act 1995 No 83
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
Pay-roll Tax Act 1971 No 22
Petroleum Products Subsidy Act 1997 No 112
Premium Property Tax Act 1998 No 79
Public Authorities (Financial Arrangements) Act 1987 No 33
Public Finance and Audit Act 1983 No 152 (except parts, 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, Premier)
Revenue Laws (Reciprocal Powers) Act 1987 No 86
Road Improvement (Special Funding) Act 1989 No 95
Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
Snowy Hydro Corporatisation Act 1997 No 99
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 70 and sections 72-79
(remainder, 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, Attorney General)

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

Legislation

Appendix 16 Treasurer's Legislation

Changes During 2002-03

Spring Session 2002

Public Finance and Audit Act 1983

Public Finance and Audit Regulation 2000

The Act was amended by the *Public Finance and Audit Amendment (Costing of Election Promises) Act 2002* re the disclosure of information and documents on Treasury's costing of election promises.

Minor amendments to the Act and Regulation were also made to up date the schedules of applicable departments and statutory bodies.

Totalizator Agency Board Privatisation Act 1997

The *Totalizator Agency Board Privatisation Amendment Act 2002* amended the Act's provision for prohibited shareholding interests in TAB, increasing the allowable shareholding interest from 5% to 10%.

(The Totalizator Act 1997, administered by the Minister for Gaming and Racing, was similarly amended.)

The *Totalizator Agency Board Privatisation Amendment (TAB Share Buy-Back) Regulation 2002* exempted from the shareholding limit those who exceeded it only due to cancellation of voting shares under TAB share buy-back arrangements.

State Revenue Legislation Amendment Act 2002

Amends the following Acts:

Duties Act 1997

- ▶ Provides that duty is not liable when a transfer of dutiable property has been cancelled.
- ▶ Ensures that provisions for dutiable value to be reduced do not apply if the transaction is between associated persons, or where the arrangement was mainly to reduce dutiable value.
- ▶ Exempts transfers for a merger of two unit trusts or a takeover of a unit trust by another unit trust where certain conditions apply.
- ▶ Changes to the scheme for the imposition of mortgage duty on mortgages that secure property both within and outside NSW.
- ▶ Extends the refinancing of loans concession for members of the same corporate group.
- ▶ Defines domain names as "intellectual property".
- ▶ Amends the definition of "public unit trust scheme" by omitting references to the Corporations Act 2000 - unit trust schemes where a majority of units are acquired by or for other public unit trust schemes are also considered to be public schemes.

Taxation Administration Act 1996

Includes the arrangements under the Revenue Laws (Reciprocal Powers) Act 1987 in the Taxation Administration Act and updates provisions of the Act relating to authorised disclosures of taxation information.

Land Tax Management Act 1956

- ▶ Amends definition of "special trust" so that a trust that includes land will be considered a special trust if it is not a fixed trust.
- ▶ Excludes certain trusts from the definition of special trust, including charitable trusts and certain superannuation trusts.
- ▶ Amends the principal place of residence exemption by:
 - grouping various exceptions;
 - allowing the exemption for a concessional trust, even if the trustee owner is a company, if any persons occupying the land is a trust beneficiary;
 - excluding land subject of a special trust from the exemption.
- ▶ Enables the Valuer-General to determine the reduced land value for a flat, land used partly or fully as a retirement village and a nursing home, and land leased from the Crown.
- ▶ Modifies provisions where jointly owned land is partly used as the residence of one of the joint owners and partly for commercial or investment purposes.

Petroleum Products Subsidy Act 1997

Removes the provision for consumers of petroleum products to be registered under the scheme for the payment of subsidies and ensures subsidies will only be payable to registered persons who sell petroleum products in accordance with the legislation.

Spring Session 2002

Pay-roll Tax Legislation Amendment (Avoidance) Act 2002

Amends the following Act:

Pay-roll Tax Act 1971

- ▶ Makes the taxable value of fringe benefits the same as determined under the Fringe Benefits Tax Assessment Act 1986.
- ▶ Removes the exemption for lump sum retirement or termination payments re leave accrued before 1 January 1990.
- ▶ Includes as wages certain distributions from a trust to a beneficiary who provides services to the trustee or a business the subject of the trust.
- ▶ Makes a principal contractor liable for payment of pay-roll tax not paid by their sub-contractors in certain circumstances.
- ▶ Amends the grouping provisions - the rewritten grouping provisions are incorporated in the Taxation Administration Act, with appropriate provisions in the Pay-roll Tax Act to apply those provisions for pay-roll tax purposes.

Budget Session 2003

Annual Reports (Statutory Bodies) Regulation 2000 Annual Reports (Departments) Regulation 2000

Effective for 2002-03, the Annual Reports Regulation has been amended to require agencies to disclose the total external costs incurred in the production of the report; whether the report is available in non-printed format (such as the internet or CD ROM) and the internet address, where applicable.

Appropriation (Budget Variation) Act 2003

This Act appropriated additional amounts from Consolidated Fund for recurrent services and capital works to give effect to certain Budget variations required by exigencies of Government during 2002-03.

Appropriation Act 2003

The Act appropriated various sums of money required for the recurrent services and capital works and services of the Government during 2003-04.

Appropriation (Parliament) Act 2003

The Act appropriated out of Consolidated Fund sums for recurrent services and capital works and services of the Legislature for 2003-04.

Appropriation (Special Offices) Act 2003

The Act appropriated out of the Consolidated Fund various sums for recurrent services and capital works and services for 2003-04 for the offices of the Independent Commission Against Corruption, Ombudsman's Office, State Electoral Office and Office of the Director of Public Prosecutions.

Electricity (Pacific Power) Act 1995

In April 2003 administration of this Act was transferred to the Treasurer from the Minister for Energy to facilitate implementation of the final phase in the restructure of the former electricity generator. On 1 July 2003, the Act was repealed by the *Pacific Power (Dissolution) Act 2003*, which dissolved Pacific Power and made transitional arrangements for ongoing management of its residual assets.

State Revenue Legislation Amendment Act 2003

Amended the following Acts:

Duties Act 1997

Removed the concession for mortgages associated with the issue of debentures.

Gaming Machine Tax Act 2001

Changed tax payable on gaming machines by hoteliers and registered clubs, and the tax year in respect of which taxes are payable.

Parking Space Levy Act 1992

Increased the parking space levy payable for 2003 and introduced automatic annual indexation.

Pay-roll Tax Act 1971

Imposed pay-roll tax on:

- ▶ Employer contributions to employee share schemes and any similar contribution provided by way of remuneration to a company director, member of a company's governing body or a relevant contractor.
- ▶ Amounts payable to a company director or member of a company's governing body as a consequence of termination.

Exempted from pay-roll tax wages paid or payable to certain trainees.

Legislation

Appendix 17 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. This program is part of Treasury's strategy to enhance statutory compliance and the overall quality and relevance of agencies' annual reports.

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 2001-2002 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of "better" reporting practices.

Treasury Circular TC 03/07 has been issued summarising the results of the 2001-2002 annual reports review. The Circular highlights recent additional annual reporting requirements and provides guidance/feedback in a number of areas, including disclosures on management, strategy and performance reviews, major problems and issues, and management and structure.

Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption / Variation	Reason(s) for Approval
Land and Property Information NSW	30 June 2003 and subsequent financial years	Requirement to prepare separate audited financial statements.	Additional disclosure.
Landcom	30 June 2002 and subsequent financial years	Exemptions from certain financial and annual reporting requirements.	Standard exemptions granted to 'in competition' statutory State owned corporations.
Hunter Water Corporation	30 June 2003 and subsequent financial years	Exemptions from certain financial and annual reporting requirements.	Standard exemptions granted to 'not in competition' statutory State owned corporations.
Cleansun Pty Ltd WBC No 4 Pty Ltd Pacific Solar Sub1 Pty Ltd	30 June 2003	Exemption from preparation of final set of audited financial statements.	Entities in the process of wind up.

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
WorkCover	30 June 2003	Extension of submission date to 30 September 2003	Financial statements include information that is not lodged by insurers until mid August.
Rural Lands Protection Boards and the State Council	31 December 2002	Extension of submission date to 11 March 2003.	Valuation and software related financial reporting issues.

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
WorkCover	30 June 2003	Extension of submission date to 30 November 2003.	Financial statements include information that is not lodged by insurers until mid August.
Macquarie University	31 December 2002	Extension of submission date to 9 May 2003.	Additional printing time required.
State Council of Rural Lands Protection Boards	31 December 2002	Extension of submission date to 31 July 2003.	Difficulties associated with the production of first annual report.
Port Kembla Port Corporation	30 June 2002	Extension of submission date to 29 November 2002	Additional time required for audit.

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Acronyms

CCSU	Central Corporate Services Unit
CGC	Commonwealth Grants Commission
CMU	Corporate Management Unit
CPF	Commercial Policy Framework
CSO	Community Service Obligation
EBG	Energy Business Group
ECU	Executive Coordination Unit
EFD	Economic and Fiscal Directorate
ETEF	Electricity Tariff Equalisation Fund
FMD	Financial Management Directorate
FMF	Financial Management Framework
GGDEA	<i>General Government Debt Elimination Act 1995</i>
GGLMF	General Government Liability Management Fund
MEU	Ministry for Energy and Utilities
NCP	National Competition Policy
NEM	National Electricity Market
NEMMF	National Electricity Market Ministers Forum
OFM	Office of Financial Management
OH&S	Occupational Health and Safety
OSR	Office of State Revenue
PFAA	Public Finance and Audit Act
PPI	Pacific Power International
PSMO	Public Sector Management Office
RAD	Resource Allocation Directorate
SFS	State Fiscal Strategy
SOC	State Owned Corporation
SRAA	Service and Resource Allocation Agreement
TIPS	Treasury Integrated Performance Scheme
TMF	Treasury Managed Fund
TOES	Treasury On-line Electronic System