

CHAPTER 9: GOVERNMENT FINANCE STATISTICS AND UNIFORM REPORTING FRAMEWORK

9.1 INTRODUCTION

- ◆ Financial Aggregates are prepared on an accrual basis in accordance with the Uniform Presentation Framework (UPF).
- ◆ Time series data is provided for the first time for accrual UPF reports.
- ◆ The Loan Council Allocation Estimate for 2001-02 is a negative \$429 million (ie a surplus).

This chapter presents financial aggregates for the General Government and Public Non-financial Corporation (PNFC)¹ sectors according to international statistical standards and in accordance with a revised uniform reporting framework agreed to by the Australian Loan Council in March 2000. The new, enhanced reporting arrangements are the result of a review prompted by a shift from cash to accrual reporting and the Australian Bureau of Statistics accrual-based Government Finance Statistics reporting standard.

The financial aggregates presented in this chapter serve a number of purposes including:

- ◆ allowing comparisons between the financial position of Australian Governments on a consistent basis;
- ◆ facilitating time series comparisons since they are relatively unaffected by changes in public sector administrative structures; and
- ◆ permitting an assessment of the impact of NSW Public Sector transactions on the economy by providing data classified by economic type.

¹ The PNFC sector was formerly known as the Public Trading Enterprise or PTE sector. Other Chapters in this Budget Paper continue to use the term "PTE".

Section 9.2 provides information on the development of the Accrual Uniform Presentation Framework (UPF) and the transition to Government Finance Statistics (GFS) accrual reporting. Section 9.3 outlines the format of the accrual UPF statements, comparing and contrasting them to their equivalent accrual accounting reports. It also describes the main fiscal measures in the accrual GFS reports.

The classification of Public Sector Entities is outlined in Section 9.4.

Section 9.5 provides a brief commentary on the operations of the PNFC sector.

The Accrual Uniform Presentation Framework estimates are presented in Section 9.6. They are presented in the sequence of Operating Statements, Balance Sheets and Cash Flow Statements which are then grouped into their economic type classifications. This is followed by tables of General Government Expenses by Function and Taxes by Type.

Section 9.7 presents estimates of the State's Loan Council Allocation (LCA) for 2001-02 and compares this to the original LCA bid. Information is also presented in Section 9.8 on new infrastructure projects for 2000-01 and 2001-02 in accordance with Loan Council reporting requirements.

9.2 THE UNIFORM PRESENTATION FRAMEWORK

The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework. This ensures a high degree of consistency in the treatment and presentation of financial data.

In line with international trends, the ABS has adopted an accrual framework for GFS. The information presented in this chapter is consistent with the framework for the presentation of accrual budget data adopted by Commonwealth, State and Territory Governments and agreed by Loan Council in March 2000.

9.3 ACCRUAL GFS REPORTING

This section outlines the key features of the accrual GFS reporting framework.

THE ACCRUAL GFS PRESENTATION

Public sector estimates and outcomes are presented in the accrual GFS framework in three primary statements: operating statement, balance sheet, and cash flow statement. These statements form the core of the accrual UPF.

GFS includes only those transactions over which a government exercises control under its legislative or policy framework. This means that, unlike the accounting viewpoint, the GFS excludes from the calculation of net operating balance both revaluations (holding gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. This means that differences arise between the GFS and accounting frameworks, particularly within the operating statement.

Operating Statement

The operating statement presents information on GFS revenues² and GFS expenses³. This statement is designed to capture the composition of revenues and expenses and the net cost of a government's activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources.

Unlike a standard accounting operating statement, the GFS operating statement reports two major fiscal measures – the GFS net operating balance, and GFS net lending. The **GFS net operating balance** is calculated as GFS revenue minus GFS expenses, while **GFS net lending**⁴ is GFS revenues less GFS expenses (excluding depreciation), less net capital expenditure and other selected asset movements/adjustments, thereby giving a better measure of a jurisdiction's call on financial markets.

Balance Sheet

The balance sheet records the stocks of financial and non-financial assets and liabilities. This statement, also referred to as a 'statement of assets and liabilities' or a 'statement of financial position', discloses the resources over which the government exercises control. The balance sheet is a financial snapshot taken at the end of each financial year. By providing information on the type of assets and liabilities held by a government, the statement gives an indication of financial liquidity.

² GFS revenues differs from accounting revenues. GFS revenues includes all (mutually agreed) transactions that increase net worth. Revaluations, included in accounting revenues, are not considered mutually agreed transactions, and so are excluded from GFS revenues. Included in this revaluations category are asset write-offs. Asset sales, which involve a transfer of a non-financial asset for a financial asset, are also excluded.

³ GFS expenses differ from AAS31 expenses. GFS expenses encompass all transactions that decrease net worth, including dividend and tax equivalent payments.

⁴ Net Lending is equivalent to the Budget Result shown elsewhere in the Budget Papers. Commonwealth Treasury has adopted the term "Fiscal Balance".

The balance sheet includes data on the composition of financial assets, on the holdings of fixed assets, and on the extent of liabilities such as borrowing and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels.

The GFS balance sheet differs from the standard accounting presentation:

- ◆ it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities; and
- ◆ receivables are presented on a gross basis (ie excluding all provisions for doubtful debts) resulting in GFS net worth being greater than accounting net assets.

Further, the GFS balance sheet for the General Government Sector discloses an equity investment in the Public Financial Corporation (PFC) and Public Non-financial Corporation (PNFC) Sectors. GFS recognises a holding company model for the General Government's ownership of the PFC and PNFC Sectors.

Balance sheet indicators include net debt, net financial worth and net worth.

Net debt comprises the stock of selected gross financial liabilities less selected financial assets and is the same under cash and accrual-based financial reporting.

The net debt measure is limited in that it does not include employee liabilities such as superannuation or insurance claim obligations, which can be substantial. In addition, net debt does not provide information on whether this debt has been incurred to finance capital expenditure or operations.

Net financial worth (NFW) measures net holdings of financial assets. It is calculated from the balance sheet as financial assets minus total liabilities. It is also commonly referred to as Net Financial Liabilities or Net Financial Assets. NFW excludes physical assets such as property and infrastructure which can be subject to significant valuation movements. It is a useful indicator for examining the soundness of a government's fiscal position, particularly over the medium-to-long term.

Net worth, also known as net assets, provides a comprehensive picture of the financial position, as it is measured by total assets less total liabilities. Net worth shows the impact of asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

For the PNFC and PFC sectors, net worth is always zero. The difference between total assets and total liabilities is deemed to be owners' equity (shares and other contributed capital) and net worth includes this for the PNFC and PFC sectors.

In addition to the UPF requirement to report net debt and net financial worth, debt after adjusting for the impact of a special prepayment of superannuation is also reported. Net debt is published after adjustment to avoid the distortionary impact of the events, which are basically temporary and reversing.

Cash Flow Statement

The cash flow statement records cash receipts and payments, revealing how a government obtains and expends cash.

This statement requires cash flows to be categorised into operating, investing and financing activities. Operating activities are those which relate to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are those which relate to the acquisition and disposal of financial and non-financial assets. Financing activities are those which relate to the changing size and composition of a government's financial structure.

The convention within the cash flow statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows).

The GFS cash flow statement reports two major fiscal measures – net increase in cash held, and cash surplus. **Net increase in cash held** is the sum of net cash flows from all operating, investing and financing activities. The **cash surplus** comprises net cash received from operating activities, and from sales and purchases of non-financial assets, minus distributions paid (in the case of public non-financial corporations), minus finance leases and similar arrangements.

The cash surplus measure is broadly comparable with the old cash-GFS surplus measure, allowing for comparisons between the two frameworks.

COMPARISON TO ACCRUAL BASED ACCOUNTING REPORTS

Information reported in the accrual UPF tables is generally consistent with that reported elsewhere in Budget Paper No.2. However, differences in treatment and disclosure can occur because the Australian Bureau of Statistics requires that:

- ◆ selected payments that pass through the State's accounts e.g. for non-government schools, be included in the UPF tables. Reports in other chapters of the Budget Paper exclude these receipts and payments as the NSW Government has no control over them;
- ◆ the General Government Sector balance sheet in the UPF table reports an equity investment in the Public Financial and Non-financial Corporation Sectors while the accounting based statement of financial position does not record this item. A residual entity model of the Crown is considered more appropriate under an accounting framework than a holding company model; and
- ◆ provisions for doubtful debts are excluded from balance sheets presented on a GFS basis.

APPLICATION OF GFS PRINCIPLES

The standards applied to produce the Uniform Presentation Tables in this chapter are the same as those used by the ABS in its Government Financial Estimates publication (Catalogue No. 5501.0) except for the treatment of premiums on loans.

Current ABS statistical standards require a premium on a loan to be classified as a negative interest payment in the year the loan is raised. New South Wales disagrees with this approach since it results in an asymmetric treatment with discounts on loans which are treated as a balloon interest payment on the maturity of the loan.

The ABS has recognised the accounting difficulties of their approach. Given this, a compromise has been reached and all jurisdictions and the ABS have departed from GFS principles on this matter and record the premium as a negative interest payment in the final year of the loan.

9.4 CLASSIFICATION FRAMEWORK

INTRODUCTION

The economic type classification adopted in this Budget Paper follows international conventions as outlined in the ABS information paper, "*Accruals-based Government Finance Statistics Australia 2000*", Catalogue Number 5517.0.

Classification of Public Sector Entities

Public sector entities in New South Wales can be classified as General Government Enterprises (GGEs), Public Non-financial Corporations (PNFCs)⁵ or Public Financial Corporations (PFCs)⁶.

GGEs consist of those public sector entities that provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes. The major form of financing of these goods and services is by taxation, imposed by the State or by the Commonwealth and subsequently on-passed to the State. In New South Wales, most government departments and a number of statutory authorities (for example WorkCover Authority) fit into this category.

In contrast, PNFCs charge for services provided and hence have a broadly commercial orientation. They do not, however, necessarily operate in competitive markets. While PNFCs are not required to be fully self-funding, a substantial portion of their costs must be met by user charges. The PNFC sector in New South Wales includes for example Eraring Energy, Pacific Power, Sydney Water Corporation, State Rail Authority.

PFCs are the third category of authorities in the ABS framework. NSW Treasury Corporation is the major entity in New South Wales operating in this sector. PFCs are not included in this chapter as the Uniform Presentation Agreement only requires the publication of PFC data ex-post.

Appendix C lists New South Wales public sector entities and their sector classifications.

The **Non-financial Public (NFP) Sector** is a consolidation of GGEs and PNFCs.

⁵ *The PNFC sector was formerly known as the Public Trading Enterprise or PTE sector.*

⁶ *The PFC sector was formerly known as the Public Financial Enterprise or PFE sector.*

9.5 OPERATIONS OF THE PUBLIC SECTOR

Detailed commentary on the operations of the General Government Sector is contained elsewhere in Budget Paper No.2. Given this, the detailed commentary below is mainly focused on the Public Non-financial Corporation Sector.

The GFS treatment of the Sydney Organising Committee for the Olympic Games (SOCOG) and Sydney Paralympic Organising Committee (SPOC) together with the magnitude of their operations, obscures the performance of the PNFC and NFP Sectors. Analyses are therefore provided below of:

- ◆ the GFS treatment and financial impact of SOCOG and SPOC operations; and
- ◆ sector results excluding the impact of SOCOG and SPOC.

THE GFS TREATMENT OF SOCOG/SPOC OPERATIONS

PNFC and NFP Sectors' results have been impacted by the GFS treatment of SOCOG and SPOC revenues and expenses and balance sheet. The difference between expenses and income (excluding TV rights and ticketing income) in the years prior to 2000-01 were capitalised as a build up of "inventory stock". TV rights and ticketing income were deferred on the Balance Sheet until the Olympic and Paralympic Games were held in 2000-01 when it was recognised in the GFS Operating Statement. In 2000-01 the net deferred expenditure in the form of "inventories" was written back against the operations.

The GFS impact of SOCOG and SPOC on the PNFC sector operating statement is shown in the following table:

Table 9.1: GFS Impact of SOCOG and SPOC on NSW Public Non-financial Corporation Sector Operating Statement (ABS Basis)

	<i>Actual</i> 1999-2000 \$m	<i>Revised</i> 2000-01 \$m	<i>Budget</i> 2001-02 \$m
GFS Revenue			
Sale of goods and services	332	2,136	...
Current grants and subsidies	179	79	(30)
Other	...	47	...
Total Revenue	511	2,262	(30)
less GFS Expenses			
Gross operating expenses	511	2,162	...
Capital transfers	...	70	...
Total Expenses	511	2,232	...
equals GFS Net Operating Balance	...	30	(30)
less Net Acquisition of Non-financial Assets			
Gross fixed capital formation	14	3	...
less Depreciation	...	(43)	...
plus Changes in inventories	260	(791)	...
plus Other movements in non-financial assets	...	...	...
equals Total Net Acquisition of Non-financial Assets	274	(831)	...
equals GFS Net Lending / (Borrowing)	(274)	861	(30)

In the cash flow statement there was not any special GFS treatment for SOCOG and SPOC. Receipts and payments were brought to account as they occurred.

PUBLIC NON-FINANCIAL CORPORATION SECTOR PERFORMANCE

The Public Non-financial Corporation (PNFC) sector policy framework injects a commercial approach to operations designed to promote the appropriate management of financial risk and shareholder value. Therefore it is to be expected that the performance of the sector in aggregate will reflect reasonable commercial outcomes, while being mindful of the constraints under which a number of NSW Government PNFCs operate. This section presents the GFS accrual data that is available for the PNFC sector from 1997-98.

Given the short period covered, the scope for assessing trends in the PNFC sector's actual performance from this data is limited. Moreover, movements in some sector aggregates are distorted by the GFS treatment of SOCOG and SPOC mandated by the Australian Bureau of Statistics⁷, and therefore the analysis below generally relates to the PNFC sector excluding these entities. Nevertheless, in spite of these limitations, broad conclusions regarding the PNFC sector's commercial performance are possible by drawing on the combination of available balance sheet and operating statement data.

As shown in Table 9.11, during the period 1997-98 to 2000-01 the Total Assets of the PNFC sector increased each year, with the estimated total increase being \$7.5 billion. Total Liabilities also increased each year but to a lesser extent, by an estimated total of \$2.5 billion over the same period. Therefore the value of General Government equity in the PNFC sector is estimated to have increased by over \$5 billion, even after the \$3.2 billion recapitalisation of electricity entities in 2000-01. These upward trends in the PNFC sector balance sheet aggregates are expected to continue in 2001-02, with the General Government sector's equity projected to rise by a further \$1.2 billion. This broad pattern of healthy growth is unchanged even if the impact of SOCOG and SPOC are removed from the sector aggregates.

These PNFC sector balance sheet movements reflect a sound financial performance. Shareholder value has consistently increased with returns on investments exceeding the cost of capital. Movements in the Operating Statement aggregates for the sector should be interpreted in the light of these balance sheet trends.

The GFS Operating Statement reports both the net operating balance and the net lending result. Unless otherwise stated, the following commentary on the PNFC sector performance is based on Table 9.2. Table 9.2 presents the PNFC sector operating statement on an underlying basis by excluding the impacts of SOCOG and SPOC.

⁷ See the start of this section for further details.

**Table 9.2: NSW Public Non-financial Corporation Sector
Operating Statement excluding SOCOG and SPOC
(ABS Basis)**

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
GFS Revenue					
Sales of goods and services	8,565	8,140	8,901	9,143	9,322
Current grants and subsidies	1,009	1,083	984	1,072	1,109
Capital grants	577	632	596	890	661
Interest income	146	110	77	83	60
Other	895	1,041	1,168	869	907
Total Revenue	11,192	11,006	11,726	12,057	12,059
less GFS Expenses					
Gross operating expenses	8,184	8,648	8,609	9,343	9,628
Property expenses	2,515	2,038	1,912	1,960	1,962
Current transfers	172	14	41	49	55
Capital transfers	6	185	63	6	13
Total Expenses	10,877	10,885	10,625	11,358	11,658
equals GFS Net Operating Balance	315	121	1,101	699	401
less Net Acquisition of Non-financial Assets					
Gross fixed capital formation	1,489	1,837	2,607	2,372	2,733
less Depreciation	(1,423)	(1,372)	(1,389)	(1,494)	(1,608)
plus Change in inventories	84	(24)	(8)	121	40
plus Other movements in non-financial assets	(118)	(33)	(141)	(67)	12
equals Total Net Acquisition of Non-financial Assets	32	408	1,069	932	1,177
equals GFS Net Lending / (Borrowing)	283	(287)	32	(233)	(776)

GFS NET OPERATING BALANCE - RESULTS AND OUTLOOK

The net operating balance is a good measure of the commercial health of the PNFC sector over time as it provides insight into the sustainability of existing operations. Over the four years to 2000-01, the net operating balance indicates a commercially sound performance. The net operating balance has been positive every year, averaging over \$500 million, albeit with considerable year to year variability with no consistent trends in either total revenue or expenses over this period.

A rise in the sales of goods and services underpinned the estimated \$865 million rise in underlying revenue between 1997-98 and 2000-01. Sales growth can mainly be attributed to the electricity distributors and the transport sector which experienced consistent annual increases, averaging 4 and 5 percent respectively. In the two years to 1999-2000 there was little movement in underlying total expenses. Subsequently, PNFC sector underlying total expenses are estimated to have risen by over \$700 million in 2000-01 and are projected to increase by a further \$300 million in 2001-02, somewhat greater than the increase in revenues. The falls in property expenses reflect a decline in the PNFC sector's financial distributions to the General Government sector and are discussed further below.

The 2001-02 projections reflect the more challenging trading environment that is expected for some PNFCs. Although this will place pressure on the net operating balance, it is still expected to remain positive, with an underlying balance of around \$400 million projected for 2001-02.

The revenue and profit projections provided by a number of PNFCs have often been conservative in past years. The PNFC sector's aggregate projections have, as a consequence, a history of conservative bias and a comparison of the budget estimate and revised outcome in Table 9.3 shows that this is expected to be the case again in 2000-01. It is therefore quite likely that the result for 2001-02 will be better than the Budget estimate.

GFS NET LENDING/BORROWING RESULTS AND OUTLOOK

Aggregate PNFC sector net lending/borrowing is comprised of the operating result adjusted for the impact of capital investments undertaken. The net lending/borrowing result includes net capital expenditure, but not the use of capital (ie depreciation). It is therefore a better measure of the call the sector makes on capital markets and reveals the PNFC sector's impact on national savings on a National Accounts basis.

As shown in Table 9.2, the underlying net lending result for the PNFC sector has fluctuated since 1997-98 from a \$283 million surplus at the high end, to a \$287 million deficit in 1998-99.

Changes in the net lending result are significantly influenced by changes in gross fixed capital formation. Capital expenditure decisions for the PNFC sector are in general commercially based and are expected to provide an adequate return above the cost of capital, allowing for risk. No meaning should therefore be attached to changes in the total for the PNFC sector without reference to its component parts. Corporations within the sector undergo capital investment at different times in response to changes in market conditions and other factors.

Over the four years to 2000-01, the PNFC sector has been in a period of strong investment. The relatively low amount of underlying capital expenditure in 1997-98 of \$1,489 million marked a trough in PNFC aggregate investment. In 1998-99 the electricity distributors and the water sector increased their capital expenditure by approximately 30 and 50 percent respectively. By 1999-2000 aggregate underlying gross fixed capital formation for the sector had risen to \$2,607 million. This reflected small rises in capital expenditure by most PNFCs and particularly sharp rises in the transport and electricity transmission sectors of 95 percent and 250 percent, respectively.

For 2000-01, PNFC sector underlying gross fixed capital formation is expected to be \$2,372 million. Although this is below the 1999-2000 level, it remains considerably above the \$1,978 million average annual underlying capital expenditure of the previous three years. The continuation of relatively large capital programs (as well as a jump in underlying GFS expenses), contributes to the PNFC sector estimated underlying net lending deficit of \$233 million in 2000-01.

Stronger investment by the transport sector and electricity generators in 2001-02 is expected to contribute to a \$361 million increase in PNFC sector gross fixed capital formation.

Higher projected capital expenditure in 2001-02, together with a lower net operating balance, result in a projected underlying net lending deficit of \$776 million for the PNFC sector. This projection contains no adjustment for a possible conservative bias.

GFS CASH FLOW POSITION – RESULTS AND OUTLOOK

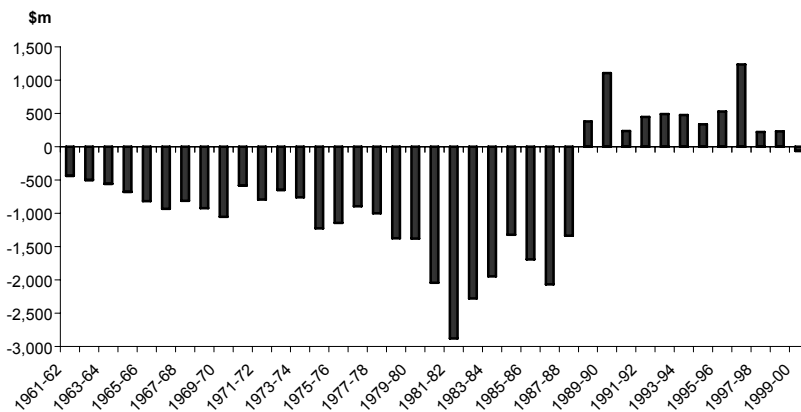
Given that the primary goal for PNFCs is to increase shareholder value through the commercial delivery of services to the public, the aggregate PNFC sector may over time experience both surplus and deficit cash positions depending on investment cycles and the strength of the economy.

Although the cash flow statement is a useful tool for cash management purposes, there is no clear basis for judging the PNFC sector's overall performance based on the aggregate cash outcome measure. Unlike the General Government sector there is no economic rationale for targeting a consistent cash surplus for the aggregate PNFC sector during the positive phase of the business cycle. Indeed, while it is desirable for the sector to produce a positive cash flow over the long term, after allowing for cash subsidies, it is not necessarily true that a positive aggregate cash result in any particular year is a mark of success.

Nevertheless, it is noted that the cash flow measure for the PNFC sector has received attention from some commentators because it is perceived to be a potential source of funds for the General Government sector. This however, should be considered less of an issue now that the General Government sector has established a consistent pattern of cash surpluses.

The surplus/deficit measure from the cash flow statement is broadly comparable to the old GFS cash surplus measure. As such, comparable data is available over a longer period than for the major accrual measures, providing a longer term perspective:

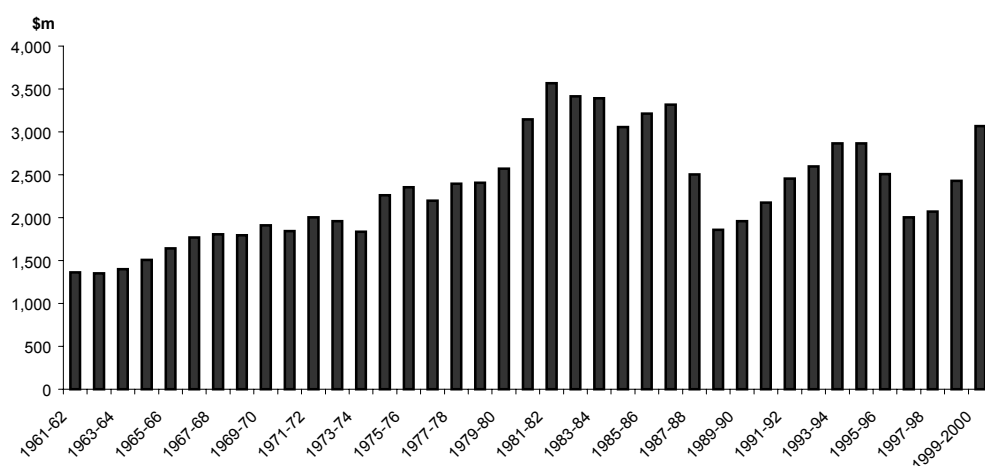
Chart 9.1: PNFC Sector Real Cash Result 1961-62 to 1999-2000
(\$1999-2000 GFS Cash Basis)



Source ABS 5206.0; NSW Treasury

- ◆ Chart 9.1 illustrates that during the period from 1960 to the mid 1980s, the PNFC sector posted annual cash deficits with a deteriorating trend in real terms as capital expenditure more than offset net cash flows generated from operations.
- ◆ It is only in the last decade or so that the PNFC sector has experienced cash surpluses as shown in Chart 9.1. The establishment of a commercial policy framework for the PNFC sector undoubtedly contributed positively to this turn around in performance. Since these reforms commenced the PNFC sector has posted eleven consecutive annual cash surpluses commencing in 1988-89.

**Chart 9.2: PNFC Sector Real Capital Expenditure
1961-96 to 1999-2000 (\$1999-2000 GFS Cash Basis)**



Source ABS 5206.0; NSW Treasury

- ◆ As shown in Chart 9.2, capital expenditure during the period spanning 1960 to the mid 1980s increased by over \$2.2 billion (in \$1999-2000), peaking at almost \$3.6 billion in 1980-81. Capital expenditure was particularly strong during the early 1980s with major power station developments undertaken.
- ◆ PNFC sector capital expenditure over the last decade has been at a lower level as highlighted in Chart 9.2. In terms of \$1999-2000, capital expenditure during the 1990s averaged \$2.6 billion per annum, compared to \$3 billion per annum over the 1980s.
- ◆ PNFC sector capital expenditure has been on the increase since 1996-97. In 2001-02 capital expenditure is expected to reach the same level as the peak recorded in the early 1990s in real terms.

As shown in Table 9.14, there was an underlying cash deficit of \$310 million recorded in 1999-2000, the first deficit in over a decade. The increased investment being undertaken within the PNFC sector, as discussed above, is significantly contributing to negative cash flows in the short term.

The forecast cash flow deficits for 2000-01 and 2001-02 should be viewed in the context of a tendency towards conservative bias in PNFC sector budget estimates. Consistent with this there was a \$621 million improvement in the 1999-2000 headline cash result, from a 2000-01 Budget time revised estimate of \$588 million deficit to an actual \$33 million surplus. Almost half of this pertains to additional SOCOG revenue.

Table 9.14 shows the PNFC sector's distributions have declined each year since 1997-98. A decline over time was expected as the electricity sector, which contributes the major share of distributions, has been facing increased competition. This has placed pressure on profit levels and a number of one-off factors have accentuated the decline, including:

- ◆ low wholesale electricity spot prices;
- ◆ the 1998-99 Sydney water quality incident;
- ◆ a special voluntary redundancy program instituted by Sydney Water Corporation in 1999-2000 that is designed to provide benefits in future years;
- ◆ a \$3.2 billion capital restructure of the electricity sector in 2000-01 that increased interest expenses through additional borrowing, and has also impacted on income tax equivalent expenses; and
- ◆ the termination of wholesale tax equivalent payments at the time of the introduction of the GST.

Distributions are expected to bottom out in 2001-02, with an increasing trend projected for the forward years as shown in Chart 3.2 in Chapter 3.

BUDGET ESTIMATES AND REVISED OUTCOMES FOR 2000-01

**Table 9.3: NSW Public Non-financial Corporation Sector 2000-01
Revised Outcomes excluding SOCOG and SPOC
(ABS Basis)^(a)**

		<i>Budget 2000-01 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Variation \$m</i>
	GFS Total Revenue	11,265	12,057	+ 792
Less	GFS Total Expenses	10,991	11,358	+ 367
Equals	GFS Net Operating Balance	274	699	+ 425
Less	Net Acquisition of Non-Financial Assets			
	Gross Fixed Capital Formation	2,443	2,372	(-) 71
less	Depreciation	(1,530)	(1,494)	+ 36
plus	Changes in inventories	(33)	121	+ 154
plus	Other movements in non-financial assets	(98)	(67)	+ 31
Equals	Total Net Acquisition of Non-financial Assets	782	932	+ 150
Equals	Net Lending/(Borrowing)	(508)	(233)	+ 275
	GFS Cash Flow Surplus/(Deficit)	(471)	(327)	+ 144

(a) A positive number denotes a net lending/cash flow surplus.

Table 9.3 illustrates the conservative bias PNFCs display in their Budget time estimates. Any analysis of PNFC sector performance during the Budget year should be qualified to reflect the tendency for actual results being considerably better than originally estimated.

The revised net lending deficit of \$233 million for the PNFC sector compares with the Budget net lending deficit estimate of \$508 million. The \$275 million improvement is due to a higher than expected net operating balance being partially offset by a greater than anticipated increase in the net acquisition of non-financial assets.

Total revenues increased on original Budget estimates by almost \$800 million as a result of better trading by the electricity generators and the transport sector. This helped offset weaker than anticipated revenues earned in electricity distribution and transmission sectors as well as the water sector. PNFC sector total expenses exceeded original Budget estimates by nearly \$400 million, mainly due to those PNFCs which experienced higher revenues. The operating result is therefore expected to be a \$425 million improvement on Budget.

The net acquisition of non-financial assets is likely to be \$150 million greater than expected in the 2000-01 Budget despite an estimated \$71 million reduction in gross fixed capital formation. The rise stems from an estimated \$150 million increase in inventories, particularly by the electricity generators and Landcom. Lower than expected depreciation charges and a slight improvement in other movements of non-financial assets also contributed to greater than anticipated net acquisitions of non-financial assets.

NON-FINANCIAL PUBLIC SECTOR PERFORMANCE

GFS NET OPERATING BALANCE

The net operating balance of the Non-financial Public (NFP) sector has averaged almost \$1.9 billion annually since 1997-98 (see Table 9.4) while fluctuating within a range of almost \$1.9 billion over the period as well. The PNFC sector's operating balance has been roughly 30 percent of the total NFP sector net operating balance.

Table 9.4 NSW Net Operating Balance by Sector excluding SOCOG and SPOC (ABS Basis)^(a)

<i>Sector</i>	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
General Government	1,500	1,139	2,038	988	1,200
PNFC	315	121	1,101	699	401
NFP	1,912	1,267	3,105	1,221	1,549

(a) Totals may not add due to inter-sector transactions between the General Government and PNFC sectors.

GFS NET LENDING RESULT

Table 9.5 shows for the NFP sector substantial surpluses in 1997-98 and 1999-2000, a small net lending deficit in 1998-99 and an expected \$518 million deficit in 2000-01, which would have been a surplus but for the takeover of HIH insurance liabilities. As the General Government sector has had a consistent net lending surplus, the NFP sector net lending deficits have been the result of the PNFC sector deficits. Higher PNFC capital investment is a major factor contributing to the estimated 2001-02 deficit.

Table 9.5 NSW Net Lending Result by Sector excluding SOCOG and SPOC (ABS Basis)^{(a) (b)}

<i>Sector</i>	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
General Government	26	187	1,301	221	368
PNFC	283	(287)	32	(233)	(776)
NFP	435	(42)	1,328	(518)	(481)

(a) A positive number denotes a net lending surplus.

(b) Totals may not add due to inter-sector transactions between the General Government and PNFC sectors.

GFS CASH FLOW POSITION

The NFP sector is a consolidation of the General Government and PNFC sectors. The projected outcomes of the NFP sector should therefore be viewed in the context of the historic conservative bias contained in PNFC sector budget estimates. Given this, the actual outcome of the NFP sector is likely to improve on the Budget estimate.

Table 9.6: NSW Cash Result by Sector excluding SOCOG and SPOC (ABS Basis)^{(a) (b)}

<i>Sector</i>	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
General Government ^(c)	48	597	867	484	321
PNFC	359	68	(310)	(327)	(575)
NFP ^(c)	101	681	488	16	(286)

(a) A positive number denotes a cash inflow or surplus.

(b) Totals may not add due to inter-sector transactions between the General Government and PNFC sectors.

(c) General Government and Non-financial Public Sector results and estimates are adjusted for the effects of a special prepayment of superannuation.

The NFP sector was in cash surplus in the three years to 1999-2000, and is expected to remain so in 2000-01 as shown in Table 9.6.

The surplus/deficit measure from the cash flow statement is comparable to the old GFS cash surplus measure. As such, comparable data is available over a longer period than for the major accrual measures, providing a longer term perspective:

- ◆ the NFP sector has enjoyed a cash surplus every year since 1995-96, assisted by substantial General Government cash surpluses over recent years. A small \$16 million surplus is expected to be achieved in 2000-01, a considerable improvement on the underlying budget estimate of a \$131 million deficit; and
- ◆ between 1990-91 and 1995-96 the PNFC sector cash surpluses limited the severity of overall NFP sector deficits given that the General Government sector consistently posted cash deficits.

The NFP sector is projected to have an underlying cash deficit of \$286 million in 2001-02 with the PNFC sectors' projected deficit more than offsetting the projected General Government cash surplus. The deficit is largely due to increased PNFC sector capital investment.

9.6 ACCRUAL UNIFORM PRESENTATION FRAMEWORK TABLES

In accordance with the revised Uniform Presentation Framework agreed by the Australian Loan Council in March 2000, Tables 9.7 through to 9.17 of this Section provide estimates on a comparable basis to those which the ABS will be publishing.

Table 9.5: NSW General Government Sector Operating Statement (ABS Basis)

	<i>Actual</i> 1997-98 \$m	<i>Actual</i> 1998-99 \$m	<i>Actual</i> 1999-2000 \$m	<i>Revised</i> 2000-01 \$m	<i>Budget</i> 2001-02 \$m	<i>Forward Estimates</i>		
						2002-03 \$m	2003-04 \$m	2004-05 \$m
GFS Revenue								
Taxation revenue ^(a)	12,903	14,122	15,192	12,995	12,091	12,281	12,861	13,472
Current grants and subsidies ^(a)	8,828	9,418	10,099	13,915	15,400	15,504	15,769	16,241
Capital grants	972	912	889	886	828	932	856	853
Sales of goods and services	2,525	2,658	2,775	2,573	2,501	2,565	2,646	2,754
Interest income	427	419	492	509	437	445	457	477
Other	2,961	2,647	2,452	2,440	2,269	2,404	2,631	2,861
Total Revenue	28,616	30,176	31,899	33,318	33,526	34,131	35,220	36,658
less GFS Expenses								
Gross operating expenses	19,594	21,618	22,547	23,707	23,984	25,010	26,042	27,011
Nominal superannuation interest expense	821	691	479	409	509	554	575	595
Other interest expenses	1,472	1,331	1,305	995	877	822	756	726
Other property expenses	...	...	...	...	...	...	...	...
Current transfers	4,231	4,393	4,544	5,714	5,485	5,269	5,281	5,314
Capital transfers	998	1,004	986	1,505	1,471	1,513	1,643	1,570
Total Expenses	27,116	29,037	29,861	32,330	32,326	33,168	34,297	35,216
equals GFS Net Operating Balance	1,500	1,139	2,038	988	1,200	963	923	1,442

Table 9.7: NSW General Government Sector Operating Statement (ABS Basis) (cont)

		<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Forward Estimates</i>		
		<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>
		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
less	Net Acquisition of Non-financial Assets								
	Gross fixed capital formation	2,191	2,095	2,138	2,297	2,420	2,222	2,370	2,471
less	Depreciation	(650)	(1,036)	(1,411)	(1,443)	(1,493)	(1,528)	(1,569)	(1,624)
plus	Change in inventories	(10)	14	(4)	1	5	4	2	5
plus	Other movements in non-financial assets	(57)	(121)	14	(88)	(100)	(69)	(51)	(49)
equals	Total Net Acquisition of Non-financial Assets	1,474	952	737	767	832	629	752	803
equals	GFS Net Lending / (Borrowing)	26	187	1,301	221	368	334	171	639

Note:

(a) *Impacted by the introduction of the Goods and Services Tax (GST) and the processing arrangements from 2000-01.*

Table 9.8: NSW Public Non-financial Corporation Sector Operating Statement (ABS Basis)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m (a)</i>	<i>Budget 2001-02 \$m</i>
GFS Revenue					
Sales of goods and services	8,702	8,279	9,233	11,279	9,322
Current grants and subsidies	1,009	1,083	1,163	1,151	1,079
Capital grants	577	632	596	890	661
Interest income	146	110	77	130	60
Other	895	1,041	1,168	869	907
Total Revenue	11,329	11,145	12,237	14,319	12,029
less GFS Expenses					
Gross operating expenses	8,318	8,787	9,120	11,505	9,628
Property expenses	2,515	2,038	1,912	1,960	1,962
Current transfers	172	14	41	49	55
Capital transfers	9	185	63	76	13
Total Expenses	11,014	11,024	11,136	13,590	11,658
equals GFS Net Operating Balance	315	121	1,101	729	371

Table 9.8: NSW Public Non-financial Corporation Sector Operating Statement (ABS Basis) (cont)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m (a)</i>	<i>Budget 2001-02 \$m</i>
less					
Net Acquisition of Non-financial Assets					
Gross fixed capital formation	1,506	1,842	2,621	2,375	2,733
less Depreciation	(1,423)	(1,372)	(1,389)	(1,537)	(1,608)
plus Change in inventories	198	147	252	(670)	40
plus Other movements in non-financial assets	(118)	(33)	(141)	(67)	12
equals Total Net Acquisition of Non-financial Assets	163	584	1,343	101	1,177
equals GFS Net Lending / (Borrowing)	152	(463)	(242)	628	(806)
GFS Net Lending/(Borrowing) after adjusting to exclude SOCOG and SPOC (a)	283	(287)	32	(233)	(776)

Note:

(a) Refer to commentary earlier in this chapter on the impact of the 2000 Olympic and Paralympic Games on the results.

Table 9.9: NSW Non-financial Public Sector Operating Statement (ABS Basis)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m (a)</i>	<i>Budget 2001-02 \$m</i>
GFS Revenue					
Taxation revenue(b)	12,068	13,504	14,548	12,378	11,453
Current grants and subsidies(b)	8,781	9,402	10,121	13,937	15,325
Sales of goods and services	11,114	10,824	11,868	13,595	11,705
Capital grants	754	862	833	848	826
Interest income	502	463	504	574	442
Other	2,315	2,394	2,360	2,042	2,032
Total Revenue	35,534	37,449	40,234	43,374	41,783
less GFS Expenses					
Gross operating expenses	26,585	29,649	30,856	34,362	32,849
Nominal superannuation interest expense	821	691	479	409	509
Property expenses	2,267	2,055	1,932	1,785	1,692
Current transfers	3,360	3,307	3,573	4,654	4,397
Capital transfers	373	481	243	814	787
Total Expenses	33,406	36,183	37,083	42,024	40,234
equals GFS Net Operating Balance	2,128	1,266	3,151	1,350	1,549

Table 9.9: NSW Non-financial Public Sector Operating Statement (ABS Basis) (cont)

	<i>Actual</i> 1997-98 \$m	<i>Actual</i> 1998-99 \$m	<i>Actual</i> 1999-2000 \$m	<i>Revised</i> 2000-01 \$m (a)	<i>Budget</i> 2001-02 \$m
less Net Acquisition of Non-financial Assets					
Gross fixed capital formation	3,643	3,871	4,713	4,700	5,153
less Depreciation	(2,073)	(2,408)	(2,800)	(2,980)	(3,101)
plus Change in inventories	187	161	249	(661)	50
plus Other movements in non-financial assets	(149)	(139)	(111)	(154)	(72)
equals Total Net Acquisition of Non-financial Assets	1,608	1,485	2,051	905	2,030
equals GFS Net Lending / (Borrowing)	520	(219)	1,100	445	(481)
GFS Net Lending/(Borrowing) after adjusting to exclude SOCOG and SPOC (a)	435	(42)	1,328	(518)	(481)

Notes:

(a) Refer to commentary earlier in this chapter on the impact of the 2000 Olympic and Paralympic Games on the results.

(b) Impacted by the introduction of the Goods and Services Tax (GST) and the processing arrangements from 2000-01.

Table 9.10: NSW General Government Sector Balance Sheet (ABS Basis)

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Forward Estimates</i>		
	<i>June 1998</i>	<i>June 1999</i>	<i>June 2000</i>	<i>June 2001</i>	<i>June 2002</i>	<i>June 2003</i>	<i>June 2004</i>	<i>June 2005</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Assets								
Financial assets								
Cash and deposits	1,184	961	418	573	360	180	113	83
Advances paid	1,670	1,653	1,693	1,409	1,353	1,304	1,254	1,219
Investments, loans and placements	3,448	3,658	3,860	3,979	3,915	4,139	3,939	4,293
Other non-equity assets	3,560	3,778	3,698	3,581	3,629	3,855	4,206	4,551
Equity ^(a)	41,114	41,500	46,596	46,642	48,165	48,165	48,165	48,165
Total Financial Assets	50,976	51,550	56,265	56,184	57,422	57,643	57,677	58,311
Non-financial assets								
Land and fixed assets	59,627	64,066	64,230	64,604	65,417	66,130	66,905	67,725
Other non-financial assets	548	666	754	853	969	1,083	1,203	1,330
Total Non-financial Assets	60,175	64,732	64,984	65,457	66,386	67,213	68,108	69,055
Total Assets	111,151	116,282	121,249	121,641	123,808	124,856	125,785	127,366

Table 9.10: NSW General Government Sector Balance Sheet (ABS Basis) (cont)

	Actual June 1998 \$m	Actual June 1999 \$m	Actual June 2000 \$m	Revised June 2001 \$m	Budget June 2002 \$m	Forward Estimates		
						June 2003 \$m	June 2004 \$m	June 2005 \$m
Liabilities								
Deposits held	57	59	90	71	52	52	43	44
Advances received	2,340	2,270	2,142	2,061	1,853	1,808	1,698	1,655
Borrowing	14,064	16,761	14,961	11,360	9,899	9,572	9,163	8,724
Superannuation liability ^(b)	11,852	7,952	5,686	7,863	8,990	9,269	9,530	9,753
Other employee entitlements and provisions	6,725	7,139	7,439	8,281	8,482	8,735	9,044	9,385
Other non-equity liabilities	3,416	3,115	2,862	2,453	2,340	2,321	2,280	2,271
Total Liabilities	38,454	37,296	33,180	32,089	31,616	31,757	31,758	31,832
NET WORTH	72,697	78,986	88,069	89,552	92,192	93,099	94,027	95,534
Net Financial Worth ^(c)	12,522	14,254	23,085	24,095	25,806	25,886	25,919	26,479
Net Debt ^(d)	10,159	12,818	11,222	7,531	6,176	5,809	5,598	4,828
Underlying Net Debt ^{(d) (e)}	10,159	9,554	8,971	6,352	6,176	5,809	5,598	4,828

Notes:

- (a) No projections for the PNFC or PFC sectors are available from 2002-03. Therefore the equity from these sectors is assumed to be unchanged.
- (b) Comprises net unfunded obligations.
- (c) Net financial worth equals total financial assets minus total liabilities.
- (d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.
- (e) Adjusted for prepaid superannuation in the years 1998-99 to 2000-01 inclusive.

Table 9.11: NSW Public Non-financial Corporation Sector Balance Sheet (ABS Basis)

	<i>Actual June 1998 \$m</i>	<i>Actual June 1999 \$m</i>	<i>Actual June 2000 \$m</i>	<i>Revised June 2001 \$m</i>	<i>Budget June 2002 \$m</i>
Assets					
Financial assets					
Cash and deposits	920	1,026	1,324	975	990
Investments, loans and placements	1,559	1,361	875	923	792
Other non-equity assets	2,197	2,443	2,701	2,161	2,083
Equity	27	49	63	59	59
Total Financial Assets	4,703	4,879	4,963	4,118	3,924
Non-financial assets					
Land and fixed assets	53,264	54,434	58,883	61,013	62,991
Other non-financial assets	36	59	295	342	358
Total Non-financial Assets	53,300	54,493	59,178	61,355	63,349
Total Assets	58,003	59,372	64,141	65,473	67,273

Table 9.11: NSW Public Non-financial Corporation Sector Balance Sheet (ABS Basis) (cont)

	<i>Actual June 1998 \$m</i>	<i>Actual June 1999 \$m</i>	<i>Actual June 2000 \$m</i>	<i>Revised June 2001 \$m</i>	<i>Budget June 2002 \$m</i>
Liabilities					
Deposits held	29	29	40	31	33
Advances received	1,435	1,406	1,379	1,152	1,125
Borrowing	8,672	8,558	8,453	11,892	12,446
Superannuation liability / (prepaid contributions) ^(a)	136	227	(402)	(270)	(118)
Other employee entitlements and provisions	3,910	3,997	3,990	3,702	3,608
Other non-equity liabilities	1,931	2,639	3,512	2,068	2,119
Total Liabilities	16,113	16,856	16,972	18,575	19,213
Shares and other contributed capital ^(b)	41,890	42,516	47,169	46,898	48,060
NET WORTH ^(b)	...	...	...	...	...
Net Financial Worth ^(c)	(11,410)	(11,977)	(12,009)	(14,457)	(15,289)
Net Debt ^(d)	7,657	7,606	7,673	11,177	11,822

Notes:

(a) Comprises net unfunded obligations.

(b) For entities whose equity is not traded on the market, the GFS Net Worth is zero as the equity (shares and other contributed capital) is recorded as an asset in the General Government balance sheet.

(c) Net financial worth equals total financial assets minus total liabilities.

(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 9.12: NSW Non-financial Public Sector Balance Sheet (ABS Basis)

	<i>Actual June 1998 \$m</i>	<i>Actual June 1999 \$m</i>	<i>Actual June 2000 \$m</i>	<i>Revised June 2001 \$m</i>	<i>Budget June 2002 \$m</i>
Assets					
Financial assets					
Cash and deposits	2,105	1,987	1,742	1,548	1,350
Advances paid	239	246	312	304	276
Investments, loans and placements	5,005	5,011	4,727	4,845	4,649
Other non-equity assets	3,075	3,531	3,751	3,321	3,267
Equity	(750)	(968)	(510)	(196)	164
Total Financial Assets	9,674	9,807	10,022	9,822	9,706
Non-financial assets					
Land and fixed assets	112,891	118,501	123,114	125,617	128,408
Other non-financial assets	597	728	1,053	1,211	1,341
Total Non-financial Assets	113,488	119,229	124,167	126,828	129,749
Total Assets	123,162	129,036	134,189	136,650	139,455

Table 9.12: NSW Non-financial Public Sector Balance Sheet (ABS Basis) (cont)

	<i>Actual June 1998 \$m</i>	<i>Actual June 1999 \$m</i>	<i>Actual June 2000 \$m</i>	<i>Revised June 2001 \$m</i>	<i>Budget June 2002 \$m</i>
Liabilities					
Deposits held	86	88	121	102	86
Advances received	2,342	2,270	2,142	2,061	1,851
Borrowing	22,736	25,310	23,405	23,243	22,336
Superannuation liability ^(a)	11,988	8,179	5,284	7,593	8,872
Other employee entitlements and provisions	8,716	9,177	9,459	10,145	10,199
Other non-equity liabilities	4,597	5,026	5,709	3,954	3,919
Total Liabilities	50,465	50,050	46,120	47,098	47,263
Shares and other contributed capital	...	...	...	...	...
NET WORTH	72,697	78,986	88,069	89,552	92,192
Net Financial Worth ^(b)	(40,791)	(40,243)	(36,098)	(37,276)	(37,557)
Net Debt ^(c)	17,815	20,424	18,887	18,709	17,998
Underlying Net Debt ^{(c) (d)}	17,815	17,160	16,636	17,530	17,998

Notes:

(a) Comprises net unfunded obligations.

(b) Net financial worth equals total financial assets minus total liabilities.

(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

(d) Adjusted for prepaid superannuation in the years 1998-99 to 2000-01 inclusive.

Table 9.13: NSW General Government Sector Cash Flow Statement^(a) (ABS Basis)

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Forward Estimates</i>		
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash Receipts from Operating Activities								
Taxes received ^(b)	12,902	14,192	15,196	13,048	12,096	12,296	12,868	13,482
Receipts from sales of goods and services	2,558	2,642	2,819	2,653	2,460	2,545	2,584	2,688
Grants/subsidies received ^(b)	9,786	10,349	10,979	14,804	16,228	16,436	16,625	17,094
Other receipts	2,716	2,668	2,814	3,263	3,116	3,058	3,191	3,442
Total Receipts	27,962	29,851	31,808	33,768	33,900	34,335	35,268	36,706
Cash Payments for Operating Activities								
Payment for goods and services	(19,133)	(23,795)	(21,034)	(21,650)	(21,672)	(23,556)	(24,571)	(25,529)
Grants and subsidies paid	(4,908)	(5,031)	(5,267)	(6,196)	(6,566)	(6,408)	(6,485)	(6,388)
Interest paid	(1,535)	(1,423)	(1,246)	(1,045)	(863)	(875)	(857)	(727)
Other payments	(223)	(298)	(248)	(1,062)	(976)	(964)	(963)	(975)
Total Payments	(25,799)	(30,547)	(27,795)	(29,953)	(30,077)	(31,803)	(32,876)	(33,619)
Net Cash Flows from Operating Activities	2,163	(696)	4,013	3,815	3,823	2,532	2,392	3,087
Net Cash Flows from Investments in Non-financial Assets								
Sales of non-financial assets	345	508	405	183	228	333	173	180
Purchases of non-financial assets	(2,460)	(2,481)	(2,546)	(2,456)	(2,596)	(2,534)	(2,530)	(2,642)
Net Cash Flows from Investments in Non-financial Assets	(2,115)	(1,973)	(2,141)	(2,273)	(2,368)	(2,201)	(2,357)	(2,462)
Net Cash Flows from Investments in Financial Assets for Policy Purposes								
	1,042	(3)	(64)	3,230	11	48	132	157

Table 9.13: NSW General Government Sector Cash Flow Statement^(a) (ABS Basis) (cont)

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Revised 2000-01 \$m	Budget 2001-02 \$m	Forward Estimates		
						2002-03 \$m	2003-04 \$m	2004-05 \$m
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(57)	(177)	(257)	(191)	61	(221)	203	(347)
Net Cash Flows from Financing Activities								
Advances received (net)	(1,568)	(76)	(132)	(76)	(223)	(44)	(106)	(43)
Borrowing (net)	794	2,756	(1,983)	(4,295)	(1,501)	(296)	(325)	(429)
Deposits received (net)	(110)	6	28	(18)	(19)	(2)	(9)	...
Other financing (net)	(5)	...	...	2	(2)	...	...	...
Net Cash Flows from Financing Activities	(889)	2,686	(2,087)	(4,387)	(1,745)	(342)	(440)	(472)
Net Increase / (Decrease) in Cash Held	144	(163)	(536)	194	(218)	(184)	(70)	(37)
SURPLUS / (DEFICIT)								
Net Cash from Operating Activities and Investments in Non-financial Assets	48	(2,669)	1,872	1,542	1,455	331	35	625
Finance leases and similar arrangements	...	...	...	...	...	...	...	...
SURPLUS / (DEFICIT)	48	(2,669)	1,872	1,542	1,455	331	35	625
Impact of prepayment of superannuation	...	3,266	(1,005)	(1,058)	(1,134)	...	...	...
SURPLUS / (DEFICIT) (after adjusting for the prepayment of superannuation)	48	597	867	484	321	331	35	625

Notes:

(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

(b) Impacted by the introduction in 2000-01 of the Goods and Services Tax (GST) and the processing arrangements.

Table 9.14: NSW Public Non-financial Corporation Sector Cash Flow Statement^{(a) (b)} (ABS Basis)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
Cash Receipts from Operating Activities					
Receipts from sales of goods and services	9,078	8,679	9,617	10,705	9,573
Grants/subsidies received	1,612	1,763	1,844	1,837	1,740
Other receipts	953	1,005	1,258	1,986	2,084
Total Receipts	11,643	11,447	12,719	14,528	13,397
Cash Payments for Operating Activities					
Payment for goods and services	(7,386)	(7,462)	(8,383)	(9,572)	(8,088)
Grants and subsidies paid	(393)	(57)	(36)	(111)	(42)
Interest paid	(860)	(778)	(711)	(821)	(832)
Other payments	(362)	(318)	(251)	(1,629)	(1,603)
Total Payments	(9,001)	(8,615)	(9,381)	(12,133)	(10,565)
Net Cash Flows from Operating Activities	2,642	2,832	3,338	2,395	2,832
Net Cash Flows from Investments in Non-financial Assets					
Sales of non-financial assets	313	334	391	271	230
Purchases of non-financial assets	(1,702)	(2,038)	(2,867)	(2,573)	(2,937)
Net Cash Flows from Investments in Non-financial Assets	(1,389)	(1,704)	(2,476)	(2,302)	(2,707)
Net Cash Flows from Investments in Financial Financial Assets for Policy Purposes	...	14	4	24	8
Net Cash Flows from Investments in Assets for Liquidity Purposes	(31)	125	383	(49)	118

Table 9.14: NSW Public Non-financial Corporation Sector Cash Flow Statement^{(a) (b)} (ABS Basis) (cont)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
Net Cash Flows from Financing Activities					
Advances received (net)	(169)	(27)	(22)	(3,231)	(27)
Borrowing (net)	(141)	(212)	(109)	3,612	428
Deposits received (net)	1	1	1	(1)	1
Distributions paid	(1,153)	(913)	(829)	(809)	(730)
Other financing (net)	(43)	11	(33)	...	...
Net Cash Flows from Financing Activities	(1,505)	(1,140)	(992)	(429)	(328)
Net Increase / (Decrease) in Cash Held	(283)	127	257	(361)	(77)
SURPLUS / (DEFICIT)					
Net Cash from Operating Activities and Investments in Non-financial Assets	1,253	1,128	862	93	125
Distribution paid	(1,153)	(913)	(829)	(809)	(730)
Finance leases and similar arrangements	...	...	...	...	...
SURPLUS / (DEFICIT)	100	215	33	(716)	(605)
Reversing the impact of SOCOG and SPOC operations	259	(147)	(343)	389	30
SURPLUS / (DEFICIT) adjusted to exclude SOCOG & SPOC	359	68	(310)	(327)	(575)

Notes:

(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

(b) Refer to commentary earlier in this chapter on the impact of the 2000 Olympic and Paralympic Games on the results.

Table 9.15: NSW Non-financial Public Sector Cash Flow Statement^{(a) (b)} (ABS Basis)

	<i>Actual 1997-98</i>	<i>Actual 1998-99</i>	<i>Actual 1999-2000</i>	<i>Revised 2000-01</i>	<i>Budget 2001-02</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash Receipts from Operating Activities					
Taxes received ^(c)	12,066	13,575	14,545	12,430	11,458
Receipts from sales of goods and services	11,526	11,188	12,267	13,096	11,897
Grants/subsidies received ^(c)	9,537	10,333	11,027	14,744	16,182
Other receipts	2,286	2,364	2,932	3,935	4,108
Total Receipts	35,415	37,460	40,771	44,205	43,645
Cash Payments for Operating Activities					
Payment for goods and services	(25,610)	(30,566)	(28,653)	(30,398)	(29,027)
Grants and subsidies paid	(3,392)	(3,294)	(3,462)	(4,339)	(4,820)
Interest paid	(2,311)	(2,091)	(1,892)	(1,802)	(1,641)
Other payments	(573)	(272)	(293)	(2,279)	(2,218)
Total Payments	(31,886)	(36,223)	(34,300)	(38,818)	(37,706)
Net Cash Flows from Operating Activities	3,529	1,237	6,471	5,387	5,939
Net Cash Flows from Investments in Non-financial Assets					
Sales of non-financial assets	638	828	780	453	442
Purchases of non-financial assets	(4,108)	(4,504)	(5,368)	(5,056)	(5,533)
Net Cash Flows from Investments in Non-financial Assets	(3,470)	(3,676)	(4,588)	(4,603)	(5,091)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	914	(22)	(88)	(6)	(20)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(88)	(52)	126	(241)	179

Table 9.15: NSW Non-financial Public Sector Cash Flow Statement^{(a) (b)} (ABS Basis) (cont)

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
Net Cash Flows from Financing Activities					
Advances received (net)	(1,569)	(76)	(127)	(75)	(224)
Borrowing (net)	610	2,551	(2,091)	(657)	(1,059)
Deposits received (net)	(109)	7	29	(19)	(18)
Distributions paid	...	...	...	...	...
Other financing (net)	(33)	(11)	(14)	10	(13)
Net Cash Flows from Financing Activities	(1,101)	2,471	(2,203)	(741)	(1,314)
Net Increase / (Decrease) in Cash Held	(216)	(42)	(282)	(204)	(307)
SURPLUS / (DEFICIT)					
Net Cash from Operating Activities and Investments in Non-financial Assets	59	(2,439)	1,883	784	848
Distribution paid	...	...	...	...	...
Finance leases and similar arrangements	...	...	...	...	...
SURPLUS / (DEFICIT)	59	(2,439)	1,883	784	848
Impact of prepayment of superannuation	...	3,266	(1,005)	(1,058)	(1,134)
Impact of SOCOG and SPOC operations	42	(146)	(390)	290	...
SURPLUS / (DEFICIT) (after adjusting for the prepayment of superannuation and excluding SOCOG and SPOC operations)	101	681	488	16	(286)

Notes:

- (a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.
(b) Refer to commentary earlier in this chapter on the impact of the 2000 Olympic and Paralympic Games on the results.
(c) Impacted by the introduction in 2000-01 of the Goods and Services Tax (GST) and the processing arrangements.

Table 9.16: NSW General Government Sector Expenses by Function (ABS Basis)

	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
General public services	2,389	2,281
Defence	...	...
Public order and safety	2,907	2,917
Education	7,752	7,975
Health	6,855	7,096
Social security and welfare	2,138	2,261
Housing and community amenities ^(a)	1,366	1,447
Recreation and culture	1,073	738
Fuel and energy	78	64
Agriculture, forestry, fishing and hunting	491	579
Mining, manufacturing and construction	112	123
Transport and communications ^(a)	3,842	3,103
Other economic affairs	1,558	1,634
Other purposes	1,769	2,108
Total GFS Expenses	32,330	32,326

(a) 2000-01 estimate includes \$600 million assumption of HIH liability (\$70 million housing and \$530 million transport).

Table 9.17: NSW General Government Sector Taxes (ABS Basis)

	<i>Revised 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>
Taxes on employers' payroll and labour force	3,976	4,125
Taxes on property		
Land taxes	919	965
Stamp duties on financial and capital transactions	3,002	2,647
Financial institutions' transaction taxes	951	241
Other	50	50
Total taxes on property	4,922	3,903
Taxes on the provision of goods and services		
Excises and levies	...	...
Taxes on gambling	1,214	1,238
Taxes on insurance	1,002	1,156
Total taxes on the provision of goods and services	2,216	2,394
Taxes on use of goods and performance of activities		
Motor vehicle taxes	1,462	1,475
Franchise taxes	144	7
Other	275	187
Total taxes on use of goods and performance of activities	1,881	1,669
Total GFS Taxation Revenue	12,995	12,091

9.7 LOAN COUNCIL REPORTING REQUIREMENTS

Table 9.18 presents estimates of the State's Loan Council Allocation (LCA) for 2001-02.

As confirmed at the 1997 Loan Council meeting, States are to report their full contingent exposure to infrastructure projects with private sector involvement. Exposure is to be measured by the Government's termination liabilities and disclosed as a footnote to, rather than a component, of LCAs.

The 2001-02 New South Wales estimated Loan Council Allocation is a surplus of \$429 million.

Table 9.18: NSW 2001-02 Loan Council Allocation Estimates

	<i>Loan Council Allocation Bid 2001-02 \$m</i>	<i>Budget-time Estimate 2001-02 \$m</i>
General government sector cash deficit / (surplus)	(1,456)	(1,455)
Public Non-financial Corporations sector cash deficit / (surplus)	302	605
Non-financial public sector cash deficit / (surplus) ^(a)	(1,147)	(848)
Minus Net cash flows from investments in financial assets for policy purposes ^(b)	(22)	20
Plus Memorandum items ^(c)	320	399
Loan Council Allocation	(849)	(429)

Notes:

- (a) Does not directly equate to the sum of the General Government and PNFC cash deficits due to intersectoral transfers which are netted out.
- (b) This item is the negative of net advances paid under a cash accounting framework
- (c) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities.

9.8 PRIVATE SECTOR INFRASTRUCTURE PROJECTS

CONTRACTS ENTERED INTO IN 2000-01

No contracts are expected to be signed in 2000-01.

CONTRACTS TO BE ENTERED INTO IN 2001-02

Cross City Tunnel

Project Description:

The Cross City Tunnel will comprise twin two-lane tunnels between the Kings Cross Tunnel and the Western Distributor, with connections to the Eastern Distributor.

Removing most east-west through-traffic from the City Centre will improve the local environment, will allow more bus priority (both east-west and north-south), will improve conditions for pedestrians, and will allow lanes to be marked for cyclists.

An Environmental Impact Statement was exhibited from 2 August to 6 October 2000. Approval of the project by the Minister for Urban Affairs and Planning is expected by August 2001.

Registrations of Interest closed on 23 October 2000. Eight applications were received. The review of applications is complete and a shortlist of 3 was announced on 28 February 2001. The shortlisted proponents are:

- ◆ Cross City Motorway Consortium - Boulderstone-Hornibrook Pty Limited/Bilfinger+Berger Bauaktiengesellschaft, Deutsche Bank AG;
- ◆ E-TUBE – Leighton Motorway Investment Pty Limited; and
- ◆ Sydney City Construction Consortium - Transfield Pty Limited/Multiplex Constructions Pty Limited.

Receipt of proposals is anticipated to close in mid to late 2001 and a contract should be awarded in early 2002.

A review of the announced cost, completed in December 2000, has confirmed the \$400 million concept cost estimate.

Government Contingent Liability

To Be Determined
