

TREASURER

OVERVIEW

<i>Agency</i>	<i>2008-09 Budget \$m</i>	<i>2009-10 Budget \$m</i>	<i>Variation %</i>
Treasury			
Total Expenses	214.2	241.8	12.9
Capital Expenditure	8.9	11.3	27.6
Crown Finance Entity			
Total Expenses	4,122.0	4,614.3	11.9
Capital Expenditure	3.0	0.5	-83.3
Crown Leaseholds Entity			
Total Expenses	24.7	25.8	4.4
Capital Expenditure .....	...	...	...
NSW Self Insurance Corporation			
Total Expenses	1,134.4	1,177.3	3.8
Capital Expenditure	0.1	0.2	63.0
Liability Management Ministerial Corporation			
Total Expenses	0.1	...	-100.0
Capital Expenditure .....	...	...	...
Electricity Tariff Equalisation Ministerial Corporation			
Total Expenses	0.3	0.1	-70.6
Capital Expenditure .....	...	...	...
Advance to the Treasurer			
Total Expenses	300.0	300.0	...
Capital Expenditure	100.0	140.0	40.0
Total, Treasurer			
Total Expenses	5,795.7	6,359.3	9.7
Capital Expenditure	112.0	152.0	35.7

TREASURY

Treasury comprises the Office of Financial Management (OFM) and the Office of State Revenue (OSR). Treasury is the Government's principal financial and economic adviser and revenue administration agency. In this role it provides advice on economic and fiscal strategies, infrastructure and asset management, balance sheet management and the State Budget, revenue assessment and collection services; and processes and enforces fines and penalties. It manages a number of government payment programs including the First Home Owner Grant Scheme.

Treasury supports the Treasurer and the Minister for Finance, Minister for Infrastructure and Minister for Regulatory Reform (Section 11).

Treasury administers the *Public Authorities (Financial Arrangements) Act 1987*, *Public Finance and Audit Act 1983*, *Fiscal Responsibility Act 2005*, *Annual Reports (Statutory Bodies) Act 1984*, *Annual Reports (Departments) Act 1985*, *Tax Administration Act 1996*, *Fines Act 1996*, *First Home Owner Grant Act 2000*, *Unclaimed Money Act 1995*, *Petroleum Products Subsidy Act 1997*, *Duties Act 1997*, *Betting Tax Act 2001*, *Commonwealth Places (Mirror Taxes Administration) Act 1998*, *Gaming Machine Tax Act 2001*, *Health Insurance Levies Act 1982*, *Insurance Protection Tax Act 2001*, *Land Tax Act 1956*, *Land Tax Management Act 1956*, and the *Payroll Tax Act 2007*.

RESULTS AND SERVICES

Treasury has lead agency responsibility for coordinating with partner agencies to ensure the delivery of the following State Plan priorities:

- ◆ P5: AAA rating maintained.
- ◆ P2: Maintain and invest in infrastructure.

Treasury aims to achieve better public services and a stronger State economy by working towards the following results:

- ◆ State finances support the delivery and long run affordability of Government services.
- ◆ Policy settings promote a competitive State economy.
- ◆ All due revenue is collected.

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- ◆ All fines are processed and enforced correctly and on time.
- ◆ Eligible applicants receive their benefits (grants and subsidies).

Key services provided by Treasury which contribute to these results include:

- ◆ advising on economic and fiscal strategies, efficiency and effectiveness of public sector agencies, infrastructure, asset management and procurement, delivering Budget management services, public sector management systems and financial asset and liability management services
- ◆ assessing and collecting tax revenue
- ◆ processing infringements and enforcing fines on behalf of the Crown, commercial clients and other NSW government agencies and
- ◆ administering benefit services relating to the unclaimed money program, First Home Owner Grant Scheme, First Home Plus Scheme (including First Home Plus One), GST rebates for clubs and petroleum product subsidies.

The key services provided by Treasury and the way in which they are expected to contribute to results are set out in the following table:

Service Groups	2009-10 Budget Expenses \$m	Results				
		State finances support delivery/affordability of government services	Policy settings promote a competitive State economy	All due revenue is collected	All fines are processed and enforced correctly	Eligible applicants receive their benefits
State Resource Management	69.7	✓	✓			
Revenue Administration Services	100.7			✓		
Infringement Processing and Fine Enforcement Management	62.6				✓	
Benefit Services	8.8					✓
Total Expenses Excluding Losses	241.8					

RECENT ACHIEVEMENTS

In November, OFM assisted the Government in preparing a Mini-Budget in response to the lack of Parliamentary support for the electricity reforms, a significant deterioration in the economic outlook, increased risks to both revenues and expenditure that were emerging at that time and a decision by Standard and Poor's ratings agency to place the State's credit rating on negative outlook. The Mini-Budget provided a foundation to achieve substantial expenditure savings and return the Budget to surplus once economic conditions improve.

As announced in the *2008-09 Mini-Budget*, the State is to investigate the potential transfer of a number of business enterprises to the private sector, including NSW Lotteries Corporation, WSN Environmental Solutions and Superannuation Administration Corporation (trading as Pillar Administration).

Separately, OFM has assisted the Government in developing a revised energy reform package, which includes transferring generation development sites of the State-owned businesses to the private sector and to contract out the trading function of its generation businesses. The State is to retain the ownership and operational functions of the generation businesses. The State-owned electricity retail activities and functions are to be transferred to the private sector while maintaining public ownership of the electricity distribution network.

The proceeds of these transactions will help underpin State finances in the years ahead.

OFM continues to be heavily involved in the Council of Australian Governments (COAG) reform agenda, which includes a particular focus on human capital as a means to enhance workforce participation and increase productivity. In conjunction with these activities, there was a heightened involvement to protect NSW interests in the negotiation of specific purpose payments, and National Partnership Agreements.

OSR has played an active role in the COAG reform agenda through participation in three of the COAG reforms including Payroll Tax Harmonisation, Standard Business Reporting and a National Electronic Conveyancing System.

Standard Business Reporting aims to simplify business to government reporting including the creation of a single online facility. As part of National Electronic Conveyancing, an agreement has been reached to create one entity responsible for developing a single national system.

OSR is continuing its harmonisation efforts by working with other states and territories to harmonise legislation and administration for both taxes and fines. This has resulted in simplified and consistent administration for clients, more efficient administration, improved client satisfaction and increased client compliance.

In addition to the First Home Owners Grant and First Home Plus schemes, OSR also administers the First Home Owner Boost and the NSW New Home Buyers Supplement. This has resulted in the NSW Government issuing record numbers of first home benefits, assisting housing affordability for first home buyers and stimulating the NSW housing construction industry.

OSR also improved its services by introducing a new service that enables land tax clients to view their assessments online. This change has led to improved client service and satisfaction.

OSR introduced part payment of penalty notices, Time To Pay and Centrepay deductions for people in temporary financial difficulties to make it easier for clients to meet their obligations.

STRATEGIC DIRECTIONS

The State Fiscal Strategy aims to ensure appropriate service delivery and investment in infrastructure while promoting fiscal outcomes that preserve the strength of the State's balance sheet. With a number of key result indicators worsening with the global financial crisis, OFM needs to be well placed to advise on strategies to improve State finances.

Key strategies in OFM involve the monitoring of agency efficiency, implementation of the Government's wages policy and Mini-Budget measures, implementing the long term capital budget and pursuing microeconomic reform through the COAG reform program.

A key component of the Budget is a series of initiatives to strengthen State finances in the medium term and protect the State's AAA credit rating. This includes targeted forensic reviews of agencies to achieve planned savings.

OSR continues to focus on improving compliance effectiveness by developing strategies that support voluntary compliance by clients and developing enforcement strategies for clients who choose not to comply. This will be achieved through improving our approaches to client education and awareness and more effective data matching technology. OSR is also sharing information with the Australian Government and other jurisdictions on transactional data and best practice approaches to tax compliance.

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OSR is implementing a number of system and process enhancements to ensure effective and efficient systems and processes. This will be achieved through implementing the Fine Enforcement System and modernising our core tax system – RECOUPS. This will result in measurable service improvements.

OSR remains committed to improving client satisfaction and reducing red tape through further advancing cross-jurisdiction harmonisation opportunities.

2009-10 BUDGET INITIATIVES

Total Expenses

Total estimated expenses for Treasury are expected to increase by \$28.7 million to \$241.8 million. The expenses will be used for the following:

- ◆ \$69.7 million to promote State resource management to achieve a stronger NSW economy and better public services
- ◆ \$100.7 million to ensure effective and equitable collection of revenue from taxes, duties and other sources
- ◆ \$62.6 million to ensure the timely processing of infringements and fine enforcement activities and
- ◆ \$8.8 million to ensure eligible applicants receive payments due under State Government and joint State/Australian Government schemes.

Capital Expenditure

Treasury's capital allocation is \$11.3 million and includes the following key programs:

- ◆ \$1.4 million for a Capital Performance Management system for OFM to better manage the planning, budgeting and monitoring of agency performance on capital expenditure and
- ◆ \$7.7 million for OSR for the improvement and general maintenance of information technology infrastructure and core business applications.

RESULT INDICATORS

State finances support the delivery and long run affordability of Government services

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
Maintaining a Triple A credit rating for New South Wales ^(a)	Rating	Triple A	Triple A	Triple A	Triple A	Triple A
Maintaining a downward trend in GG sector net financial liabilities compared to GSP ^(b)	%	7.6	8.2	8.1	13.4	14.5
Deviation of actual expenses from budget ^(c)	%	0.2	1.8	≤ 1.0	1.4	≤ 1.0
Average annual growth rate for NSW Government capital expenditure since 2005-06 ^(d)	%	16.9	15.4	n.a.	17.8	21.2

- (a) This indicator contributes to the measurement of State Plan Priority P5. The target is to maintain NSW's Triple A credit rating assigned by international credit rating agencies Moody's, and Standard and Poor's.
- (b) General government (GG) sector net financial liabilities provide an indicator of balance sheet strength. GSP - Gross State Product.
- (c) Deviation of expenses within tolerance limits is an indication of appropriate funding at Budget time. This performance indicator is based on changes to underlying expenses.
- (d) This indicator contributes to the measurement of State Plan Priority P2. The target is to maintain average annual growth rate in NSW Government capital expenditure of 4.6 per cent nominal over the decade until 2015-16. Data values represent the average annual growth rate measured from 2005-06 onwards. For 2009-10, the increase includes the Australian Government's Nation Building packages.

Policy settings promote a competitive State economy

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
NSW's total State revenue per capita to be less than or equal to the other States' average: ^(a)						
New South Wales	\$	6,879	6,712	6,834	6,938	7,433
Other States	\$	7,572	7,503	7,363	7,875	7,996

- (a) Signals whether NSW taxes are competitive taking into account limitations imposed by NSW share of Australian Government funding. From 2007-08 there is a break in the series due to changed accounting treatment.

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RESULT INDICATORS (CONT)

All due revenue is collected

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
Total overdue debt as a percentage of tax revenue ^(a)	%	1.05	0.97	≤ 1.00	1.60	≤ 1.50
Revenue collected to original budget ^(b)	%	107	107	≥ 98	95	≥ 98
Revenue identified through compliance activities ^(c)	\$m	217	286	246	296	300

(a) This indicator shows the effectiveness of OSR's debt management process. The increase in 2008-09 Revised reflects the difficulties many businesses and individuals are experiencing in meeting their obligations as a result of the economic downturn.

(b) This indicator shows OSR's performance in collecting all revenue due to the Government.

(c) This indicator measures the effectiveness of OSR's audit and compliance programs.

All fines are processed and enforced correctly

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
Closure rate of penalty notices ^(a)	%	73	77	≥ 70	75	≥ 77
Closure rate of enforcement orders ^(b)	%	46	49	≥ 50	51	≥ 53
Percentage of fines statute barred ^(c)	%	0.20	0.07	≤ 0.20	0.12	≤ 0.10

(a) This indicator measures the effectiveness of OSR's infringement processing.

(b) This indicator measures the effectiveness of OSR's fine enforcement.

(c) This indicator is a measure of the timeliness of the end-to-end process of infringement processing and fine enforcement management.

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RESULT INDICATORS (CONT)

Eligible applicants receive their benefits

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
Grants to first home buyers ^(a)	\$m	319	340	325	730	656
First Home Plus exemptions and concessions granted ^(b)	\$m	433	425	444	478	465

(a) This indicator measures the value of benefits paid. The 2008-09 Revised and 2009-10 Forecast amounts include Boost payments funded by the Australian Government.

(b) This indicator measures the value of exemptions and concessions granted.

SERVICE GROUP STATEMENTS

51.1 State Resource Management

Service Description: This service group covers delivery of advice on economic and fiscal strategies, advice on efficiency and effectiveness of public sector agencies, and advice on infrastructure, asset management and procurement. It also includes the delivery of budget management services, public sector management systems, and financial asset and liability management services.

Linkage to Results: This service group contributes to strong State finances that support the delivery and long run affordability of services, as well as policy settings that promote a competitive State economy, by working towards a range of intermediate results that include the following:

- ◆ efficient management of financial assets and liabilities
- ◆ better resource allocation decisions linked to Government priorities
- ◆ sustainable investment, maintenance and management of infrastructure assets
- ◆ sustainable and predictable revenue flows and
- ◆ implementation of competition, regulatory and human capital reforms with a focus on the Council of Australian Governments program.

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Service Measures:</u>						
Major general government agencies with a finalised Results and Services Plan ^(a)	%	100	100	100	94	100
State physical assets covered by a Total Asset Management Plan submission for nominated agencies	%	n.a.	98	95	98	100
Required government businesses with a signed Statement of Corporate Intent or Statement of Business Intent	%	90	84	100	77	100

(a) Prior to 2009-10, all agencies renewed their RSPs each year. From 2009-10, only the RSPs of agencies with a significant change or material Budget risk are renegotiated annually. All agencies now renew their RSPs at the beginning of each government term. Updated agency performance information, consistent with the RSP, is reported in Budget Paper 3.

<u>Employees:</u>	FTE	234	262	290	286	332
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SERVICE GROUP STATEMENTS (CONT)

51.1 State Resource Management (cont)

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
<u>Financial Indicators:</u>			
Total Expenses Excluding Losses	49,739	49,845	69,699
Total expenses include the following:			
National Reform Agenda	1,069	2,214	4,016
Grant to accounting standards and research bodies	169	169	169
NET COST OF SERVICES	40,810	40,996	60,515
CAPITAL EXPENDITURE	650	1,030	2,190

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SERVICE GROUP STATEMENTS (CONT)

51.2 Revenue Administration Services

Service Description: This service group covers the assessment and collection of tax revenue, the provision of information and education on State taxes and duties to ensure people know what and how to pay, the management of client enquiries through multiple service channels to make it easy to pay, the implementation of targeted compliance programs to ensure tax evaders are caught and unpaid liabilities recovered, and the management and collection of tax debt.

Linkage to Results: This service group contributes to ensuring the collection of all due revenue from taxes, duties and other sources due to the State of New South Wales, by working towards a range of intermediate results that include:

- ◆ people pay their taxes
- ◆ tax evaders are caught
- ◆ people know what to pay
- ◆ payment of tax is made easy and
- ◆ unpaid tax obligations are identified and recovered.

<u>Service Measures:</u>	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
Payments received electronically	%	64	66	71	74	≥ 74
Cost to collect \$100 tax revenue	\$	0.63	0.59	0.59	0.61	0.61
Telephone calls answered within 2 minutes	%	85	78	80	80	≥ 80
<u>Employees:</u>	FTE	585	565	613	579	557

2008-09		2009-10
Budget	Revised	Budget
\$000	\$000	\$000

Financial Indicators:

Total Expenses Excluding Losses	100,084	99,950	100,743
Total expenses include the following:			
Fee for services of Valuer General's Office	22,739	22,739	23,287
NET COST OF SERVICES	95,020	94,074	95,945
CAPITAL EXPENDITURE	5,583	5,098	5,730

SERVICE GROUP STATEMENTS (CONT)

51.3 Infringement Processing and Fine Enforcement Management

Service Description: This service group covers the issuing and processing of infringements on behalf of the Crown and commercial clients in New South Wales, education and information programs for clients and representative groups to ensure people know what and how to pay, fine enforcement on behalf of the Crown and other government agencies, and compliance programs to recover outstanding fines.

Linkage to Results: This service group contributes to ensuring all fines are processed and enforced correctly, by working towards a range of intermediate results that include the following:

- ◆ people pay their fines
- ◆ outstanding fines are recovered
- ◆ people know what to pay
- ◆ payment is made easy and
- ◆ enforcement action is taken against clients with outstanding fines.

<u>Service Measures:</u>	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
Cost to collect \$100 fines revenue	\$	11.55	10.80	11.23	11.23	≤ 11.21
Telephone calls answered within 2 minutes	%	n.a.	n.a.	n.a.	70	≥ 72
<u>Employees:</u>	FTE	436	511	534	511	579

2008-09		2009-10 Budget
Budget \$000	Revised \$000	Budget \$000

Financial Indicators:

Total Expenses Excluding Losses	56,708	55,029	62,539
NET COST OF SERVICES	30,110	28,468	36,962
CAPITAL EXPENDITURE	2,322	3,425	3,279

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SERVICE GROUP STATEMENTS (CONT)

51.4 Benefits Services

Service Description: This service group covers the payment of benefits to eligible applicants through the provision of information and education on grants and subsidies to ensure people get the right information; the administration of payments relating to unclaimed money, First Home Owner Grant Scheme, First Home Plus Scheme, GST rebates, for clubs, First Home Plus One Scheme and petroleum subsidies; and targeted compliance programs to ensure that fraudulent claims are identified and recovered.

Linkage to Results: This service group contributes to ensuring all eligible applicants receive their benefits by working towards a range of intermediate results that include the following:

- ◆ enabling people to make claims
- ◆ providing the right information to people
- ◆ ineligible claims are not paid and
- ◆ fraudulent claims are identified and recovered.

<u>Service Measures:</u>	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
First home buyers payments issued <10 days from receipt of a completed claim	%	93	95	95	95	≥ 95
Unclaimed money payments issued <10 days from receipt of a completed claim	%	98	92	85	85	≥ 85
<u>Employees:</u>	FTE	54	61	55	59	59

2008-09		2009-10 Budget
Budget \$000	Revised \$000	Budget \$000

Financial Indicators:

Total Expenses Excluding Losses	7,710	8,224	8,807
NET COST OF SERVICES	7,556	7,975	8,523
CAPITAL EXPENDITURE	301	73	102

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	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
OPERATING STATEMENT			
Expenses Excluding Losses			
Operating expenses -			
Employee related	132,703	130,601	151,784
Other operating expenses	46,354	47,287	54,017
Depreciation and amortisation	12,276	12,250	12,531
Grants and subsidies	22,908	22,909	23,456
Other expenses	...	1	...
Total Expenses Excluding Losses	214,241	213,048	241,788
Less:			
Retained Revenue			
Sales of goods and services	37,182	37,530	37,215
Investment income	2,698	2,529	1,760
Retained taxes, fees and fines	465	504	468
Grants and contributions	...	28	...
Other revenue	400	948	400
Total Retained Revenue	40,745	41,539	39,843
Gain/(loss) on disposal of non current assets	...	(4)	...
NET COST OF SERVICES	173,496	171,513	201,945
RECURRENT FUNDING STATEMENT			
Net Cost of Services	173,496	171,513	201,945
Recurrent Services Appropriation	150,904	150,757	175,844
CAPITAL EXPENDITURE STATEMENT			
Capital Expenditure	8,856	9,626	11,301
Capital Works and Services Appropriation	8,556	8,956	9,461

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	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
BALANCE SHEET			
ASSETS			
Current Assets			
Cash assets	23,652	28,290	22,508
Receivables	10,978	9,312	8,796
Total Current Assets	34,630	37,602	31,304
Non Current Assets			
Receivables	37	201	201
Property, plant and equipment - Plant and equipment	18,438	15,597	14,436
Intangibles	15,486	19,555	19,486
Total Non Current Assets	33,961	35,353	34,123
Total Assets	68,591	72,955	65,427
LIABILITIES			
Current Liabilities			
Payables	7,069	6,651	6,651
Provisions	8,659	10,718	10,718
Other	74	...	...
Total Current Liabilities	15,802	17,369	17,369
Non Current Liabilities			
Provisions	128	134	134
Other	59	117	117
Total Non Current Liabilities	187	251	251
Total Liabilities	15,989	17,620	17,620
NET ASSETS	52,602	55,335	47,807
EQUITY			
Accumulated funds	52,602	55,335	47,807
TOTAL EQUITY	52,602	55,335	47,807

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	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related	124,459	122,501	142,672
Grants and subsidies	22,908	22,909	23,456
Other	56,599	58,640	62,479
Total Payments	203,966	204,050	228,607
Receipts			
Sale of goods and services	37,182	38,310	37,215
Interest	2,698	3,239	1,760
Other	13,210	8,961	9,846
Total Receipts	53,090	50,510	48,821
NET CASH FLOWS FROM OPERATING ACTIVITIES	(150,876)	(153,540)	(179,786)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(1,768)	(9,312)	(9,976)
Other	(7,088)	(315)	(1,325)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,856)	(9,627)	(11,301)
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriation	150,904	150,757	175,844
Capital appropriation	8,556	8,956	9,461
Cash transfers to Consolidated Fund	...	(1,832)	...
NET CASH FLOWS FROM GOVERNMENT	159,460	157,881	185,305
NET INCREASE/(DECREASE) IN CASH	(272)	(5,286)	(5,782)
Opening Cash and Cash Equivalents	23,924	33,576	28,290
CLOSING CASH AND CASH EQUIVALENTS	23,652	28,290	22,508
CASH FLOW RECONCILIATION			
Net cost of services	(173,496)	(171,513)	(201,945)
Non cash items added back	20,520	20,336	21,643
Change in operating assets and liabilities	2,100	(2,363)	516
Net cash flow from operating activities	(150,876)	(153,540)	(179,786)

CROWN FINANCE ENTITY

The Crown Finance Entity is responsible for the management and reporting of service-wide assets, liabilities and associated transactions. The overall responsibility for these transactions is with the Government rather than individual departments and statutory bodies. The major expense components are defined benefits superannuation contributions, long service leave payments on behalf of general government budget dependent agencies, and interest payments on government debt and bank balances held by general government agencies in the Treasury Banking System.

In addition, the State is required to contribute to the cost of administration of the GST by the Australian Taxation Office. Other major payments include HIH policyholder claims, refunds and remissions of Crown revenue, natural disasters assistance, first home owner grants and debt and investment management costs.

As part of the management of the Treasury Banking System, the Crown Finance Entity manages a \$3.5 billion overdraft with Westpac. These funds are offset by cash within agencies' operating bank accounts.

RESULTS AND SERVICES

The Crown Finance Entity contributes to the management of service-wide assets and liabilities and ensures efficiency of related transactions by working towards the following results:

- ◆ The State's financial assets and liabilities are efficiently managed.
- ◆ Approved agency appropriations are paid on time.

Key services provided by the Crown to contribute to these results include:

- ◆ managing superannuation liabilities in accordance with the Government's long-term funding plan
- ◆ managing the Crown debt portfolio in order to minimise the cost of debt within specified risk constraints and
- ◆ managing the Treasury Banking System to ensure effective cash management.

52 CROWN FINANCE ENTITY

The key services provided by the Crown Finance Entity and the way in which they are expected to contribute to results are set out in the following table:

Service Groups	2009-10 Budget Expenses \$m	Results	
		The efficient management of the States financial assets and liabilities	The timely payment of approved agency appropriations
Debt Liability Management	1,094.2	✓	
Superannuation Liability Management	1,597.9	✓	
Central Financial Services	1,922.2		✓
Total Expenses Excluding Losses	4,614.3		

RECENT ACHIEVEMENTS

Grant payments to first home buyers increased by \$405 million in 2008-09 to an estimated \$730 million. This includes an estimated \$319 million for the Australian Government funded “Boost” grants.

The impact of the global financial crisis on investments held by the Treasury Managed Fund, administered by the NSW Self Insurance Corporation, required a transfer to the Fund of \$390 million from the Consolidated Fund. This transfer accords with the Net Assets Holding Level Policy that applies to the Fund.

A revised superannuation funding plan will ensure achievement of the fiscal target of full funding by 2030. This responds to the impact of lower equity asset values on the extent of superannuation liabilities matched by accumulated assets (the funding ratio).

STRATEGIC DIRECTIONS

The Crown Finance Entity will continue to monitor the service-wide assets, liabilities and transactions that are the overall responsibility of the Government, to ensure consistency with Government targets, including:

- ◆ liaising with appointed actuaries in regard to funding net superannuation liabilities by 2030 and
- ◆ review of the debt portfolio to assess likely impacts of current interest rate volatility.

2009-10 BUDGET INITIATIVES

Total Expenses

Estimated total expenses in 2009-10 are \$4.6 billion. The major expense components are:

- ◆ \$1.5 billion for payment on behalf of general government budget dependent agencies of employer superannuation contributions under the defined benefit schemes and long service leave expenses
- ◆ \$1.1 billion for interest expenses on new and existing debt held mainly with New South Wales Treasury Corporation and the Australian Government
- ◆ \$695 million in capital grants including \$656 million for first home owners grants and \$23 million to the Department of Health which was formerly funded from investment earnings of the Health Super Growth Fund
- ◆ \$202.3 million reimbursement to the Australian Taxation Office for GST administration and related payments
- ◆ \$100 million for redundancy payments for various government agencies which are restructuring for improved efficiency
- ◆ \$75 million for programs to support new housing construction (including \$11 million for extension of the supplementary grant for first home owners)
- ◆ \$60 million as provision for natural disaster relief grants
- ◆ \$15 million to be invested in projects with the aim of increasing the flow of water in the Snowy River and
- ◆ \$19.9 million to offset GST payments for clubs.

In addition, the Crown Finance Entity will administer a loan initiative for councils to bring forward critical local infrastructure.

The appropriation to the Crown Finance Entity also includes funding for the various advisory costs (including financial, accounting, taxation, legal and environmental advice) associated with the possible sale of NSW Lotteries, WSN Environmental Solutions, the Superannuation Administration Corporation (trading as Pillar), electricity retailers and electricity generation development sites. These costs will be netted off against the proceeds from the transactions.

Capital Expenditure

In 2009-10, purchase of property, plant and equipment will total \$500,000.

52 CROWN FINANCE ENTITY

RESULT INDICATORS

Minimise level and cost of State liabilities

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
General government funded superannuation liabilities ^(a)	%	79.1	69.2	71.6	56.0	55.3
Crown Finance Entity interest cost as proportion of debt	%	6.2	6.4	5.9	6.4	5.6

(a) This measures the percentage of defined benefit superannuation liabilities covered by superannuation assets valued on a funding basis.

Provide an effective payment system

	Units	2006-07 Actual	2007-08 Actual	2008-09 Forecast	2008-09 Revised	2009-10 Forecast
<u>Result Indicators:</u>						
Crown Finance Entity payments made on time	%	n.a.	100	95	100	100

Measures timeliness of remittance of funds to agencies.

52 CROWN FINANCE ENTITY

SERVICE GROUP STATEMENTS

52.1 Debt Liability Management

Service Description: This service group covers the management of the Crown debt portfolio and the Treasury Banking System (TBS), which are managed in conjunction with NSW Treasury Corporation, to meet the objectives of minimising the market value of debt within specified risk constraints, minimising the cost of debt and maximising investment returns.

Linkage to Results: This service group contributes towards minimising the level and cost of the State's net debt liabilities by working towards a range of intermediate results that include the following:

- ◆ maintain underlying general government net debt as a proportion of gross state product
- ◆ ensure liabilities are managed to minimise associated costs and
- ◆ maximise returns within risk constraints through appropriate investment of any surplus funds.

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
<u>Financial Indicators:</u>			
Total Expenses Excluding Losses	987,408	987,585	1,094,247
Total expenses include the following:			
Interest paid to the Australian Government	64,193	64,185	61,884
Interest paid to agencies' TBS accounts	115,475	89,613	66,603
Interest on overdraft	101,200	120,000	87,000
Interest on long term debt	641,842	630,008	749,453
NET COST OF SERVICES	987,408	987,585	1,094,247

52 CROWN FINANCE ENTITY

SERVICE GROUP STATEMENTS (CONT)

52.2 Superannuation Liability Management

Service Description: This service group covers the management of unfunded superannuation liabilities of New South Wales public sector defined benefit superannuation schemes in accordance with the Government's long-term funding plan.

Linkage to Results: This service group contributes towards elimination of Total State Sector net unfunded superannuation liabilities by 30 June 2030.

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
<u>Financial Indicators:</u>			
Total Expenses Excluding Losses	1,429,162	1,363,835	1,597,862
Total expenses include the following:			
Current year service cost	565,257	590,801	671,786
Interest cost	2,593,194	2,618,251	2,520,305
Expected return on plan assets	(1,956,633)	(1,881,462)	(1,636,836)
Actuarial (gain)/loss	193,382	...	...
NET COST OF SERVICES	1,429,162	1,363,835	1,597,862

52 CROWN FINANCE ENTITY

SERVICE GROUP STATEMENTS (CONT)

52.3 Central Financial Services

Service Description: This service group covers the periodic payments made to meet agency long service leave, the cost of redundancies, grants under the First Home Owners Grant Scheme and GST administration costs payable to the Australian Taxation Office. It also includes provision of funds to various departments and authorities involved in the administration of joint Australian Government/State natural disaster schemes.

Linkage to Results: This service group contributes to efficient operation of the State's finances by working towards a range of intermediate results that include the following:

- ◆ management of payment system to ensure agencies receive funding in timely manner and
- ◆ efficient management of other financial assets and liabilities.

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
<u>Financial Indicators:</u>			
Total Expenses Excluding Losses	1,705,412	2,509,137	1,922,177
Total expenses include the following:			
Long service leave (LSL)	420,764	788,351	350,895
Member entitlements - LSL pool	12,400	11,900	12,000
Redundancy	200,000	7,414	100,000
Compensation to ATO for GST administration	210,200	205,100	202,300
First Home Owner Grant	325,000	730,000	656,000
Capital grants to other agencies	51,890	38,544	39,302
Program to support new housing construction	...	...	64,000
Natural disaster relief	40,000	40,000	60,000
Petrol subsidy payments	43,000	43,000	...
GST offset payments for clubs	19,900	19,900	19,900
Snowy Scheme reform	25,000	34,828	19,852
Share in higher education superannuation cost	10,000	...	10,000
Contribution to NSW Self Insurance Corporation	...	390,000	...
NET COST OF SERVICES	1,623,962	2,273,047	1,810,452
CAPITAL EXPENDITURE	3,000	500	500

52 CROWN FINANCE ENTITY

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
OPERATING STATEMENT			
Expenses Excluding Losses			
Operating expenses -			
Employee related	2,049,926	2,159,672	2,048,834
Other operating expenses	283,276	107,911	259,975
Depreciation and amortisation	1,139	674	26
Grants and subsidies	518,065	1,334,644	979,082
Finance costs	979,802	981,752	1,088,007
Other expenses	289,774	275,904	238,362
Total Expenses Excluding Losses	4,121,982	4,860,557	4,614,286
Less:			
Retained Revenue			
Sales of goods and services	11,956	13,137	10,201
Investment income	98,678	107,269	162,100
Grants and contributions	...	...	1,400
Other revenue	36,656	102,435	54,500
Total Retained Revenue	147,290	222,841	228,201
Gain/(loss) on disposal of non current assets	(151,100)	(75,086)	(150,000)
Other gains/(losses)	85,260	88,335	33,524
NET COST OF SERVICES	4,040,532	4,624,467	4,502,561
RECURRENT FUNDING STATEMENT			
Net Cost of Services	4,040,532	4,624,467	4,502,561
Recurrent Services Appropriation	3,901,569	3,864,903	4,566,444
CAPITAL EXPENDITURE STATEMENT			
Capital Expenditure	3,000	500	500
Capital Works and Services Appropriation	185,642	173,269	344,503

52 CROWN FINANCE ENTITY

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
BALANCE SHEET			
ASSETS			
Current Assets			
Cash assets	251,612	242,223	235,382
Receivables	28,694	19,978	18,934
Other financial assets	67,137	61,035	79,530
Other	30	...	...
Total Current Assets	347,473	323,236	333,846
Non Current Assets			
Other financial assets	1,881,432	1,825,266	1,980,728
Property, plant and equipment -			
Land and building	3,800	500	1,000
Plant and equipment	156	127	101
Total Non Current Assets	1,885,388	1,825,893	1,981,829
Total Assets	2,232,861	2,149,129	2,315,675
LIABILITIES			
Current Liabilities			
Payables	265,786	652,107	301,147
Borrowings at amortised cost	1,857,763	3,464,138	2,063,224
Provisions	3,911,310	4,291,833	4,366,433
Other	133,286	150,686	140,323
Total Current Liabilities	6,168,145	8,558,764	6,871,127
Non Current Liabilities			
Borrowings at amortised cost	11,939,114	10,768,719	17,595,601
Provisions	16,698,825	29,845,300	28,898,500
Other	50,654	71,576	53,451
Total Non Current Liabilities	28,688,593	40,685,595	46,547,552
Total Liabilities	34,856,738	49,244,359	53,418,679
NET ASSETS	(32,623,877)	(47,095,230)	(51,103,004)
EQUITY			
Accumulated funds	(32,623,877)	(47,095,230)	(51,103,004)
TOTAL EQUITY	(32,623,877)	(47,095,230)	(51,103,004)

52 CROWN FINANCE ENTITY

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related	1,747,545	1,609,554	1,636,979
Grants and subsidies	564,065	1,380,744	982,082
Finance costs	895,738	857,312	906,351
Other	410,891	(188,878)	922,018
Total Payments	3,618,239	3,658,732	4,447,430
Receipts			
Sale of goods and services	1,556	3,967	(8)
Interest	80,244	88,589	135,577
Other	35,181	121,573	74,001
Total Receipts	116,981	214,129	209,570
NET CASH FLOWS FROM OPERATING ACTIVITIES	(3,501,258)	(3,444,603)	4,237,860
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	5,656	15,056	...
Proceeds from sale of investments	(149,905)	(74,905)	(149,905)
Advance repayments received	81,863	72,919	99,120
Purchases of property, plant and equipment	(3,000)	(500)	(500)
Advances made	(97,042)	(89,044)	(258,360)
Other	(138,494)	(159,373)	...
NET CASH FLOWS FROM INVESTING ACTIVITIES	(300,922)	(235,847)	(309,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and advances	1,591,067	2,549,788	5,413,735
Repayment of borrowings and advances	(90,511)	(90,182)	(84,003)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,500,556	2,459,606	5,329,732
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriation	3,901,569	3,864,903	4,566,444
Capital appropriation	185,642	173,269	344,503
Amounts collected on behalf of and transferred to the Consolidated Fund	(1,795,583)	(2,811,030)	(5,700,015)
Cash transfers to Consolidated Fund	...	(32,831)	...
NET CASH FLOWS FROM GOVERNMENT	2,291,628	1,194,311	(789,068)
NET INCREASE/(DECREASE) IN CASH	(9,996)	(26,533)	(6,841)
Opening Cash and Cash Equivalents	261,608	268,756	242,223
CLOSING CASH AND CASH EQUIVALENTS	251,612	242,223	235,382

52 CROWN FINANCE ENTITY

2008-09		2009-10
Budget	Revised	Budget
\$000	\$000	\$000

CASH FLOW STATEMENT (CONT)

CASH FLOW RECONCILIATION

Net cost of services	(4,040,532)	(4,624,467)	(4,502,561)
Non cash items added back	(46,078)	16,393	81,450
Change in operating assets and liabilities	585,352	1,163,471	183,251
Net cash flow from operating activities	(3,501,258)	(3,444,603)	(4,237,860)

CROWN LEASEHOLDS ENTITY

The Crown Leaseholds Entity is administered by the Department of Lands under the *Crown Lands Act 1989*.

The Crown Leaseholds Entity receives revenue from holders of leases, licences and permissive occupancies and collects the proceeds from the sale of Crown land. The Crown Leaseholds Entity also collects fees and levies associated with the *Water Act 1912*.

The Crown Leaseholds Entity land holdings include unallocated Crown land and Crown reserves for which no reserve trust has been established. Unallocated Crown land includes land on the continental shelf within the three nautical mile zone.

The value of land within the Crown Leaseholds Entity is approximately \$6.3 billion. The Crown Leaseholds Entity revalues land holdings yearly.

The Crown Leaseholds Entity has provided for the liability of land claims which have been granted to local Aboriginal Land Councils under the *Aboriginal Land Rights Act 1983* but not yet transferred. These parcels of land remain under the care, control and management of the Crown pending formal land boundary surveys being undertaken so that freehold title can be prepared and transferred to the respective Aboriginal Land Councils.

Operating expenses relate mainly to the movement of land between the Crown and those who manage the land on its behalf i.e. local councils and community reserve trust boards. Total expenses for 2009-10 are \$25.8 million (in 2008-09 \$65.2 million). The administrative effort involved in collection and sale of Crown Land is shown under the Budget estimates for the Department of Lands

Retained revenues in 2009-10 are estimated at \$71.9 million (in 2008-09 \$89.2 million). The increase in 2008-09 revenues on budget (\$60.3 million) reflects an increase in transfers of land from those managing Crown reserves on behalf of the Crown to Crown Leaseholds Entity. Volatility in the level of Crown Leaseholds Entity land holdings is expected given that there are 37,000 Crown reserve trusts. In 2009-10 the sale of perpetual leases and closed roads is expected to generate additional revenue to the Crown of \$7 million and \$11 million respectively.

CROWN LEASHOLDS ENTITY

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
OPERATING STATEMENT			
Retained Revenue			
Sales of goods and services	45,202	41,642	47,193
Investment income	3,005	3,217	3,094
Retained taxes, fees and fines	1,623	1,623	1,648
Grants and contributions	10,479	42,669	20,000
Total Retained Revenue	60,309	89,151	71,935
Less:			
Expenses Excluding Losses			
Operating Expenses -			
Other operating expenses	170	170	170
Grants and subsidies	24,561	65,000	25,641
Total Expenses Excluding Losses	24,731	65,170	25,811
Gain/(loss) on disposal of non current assets	5,706	2,500	6,326
Other gains/(losses)	(5,091)	(5,091)	(5,093)
SURPLUS/(DEFICIT) BEFORE DISTRIBUTIONS	36,193	21,390	47,357
Distributions -			
Dividends and capital repatriations	58,053	56,053	81,472
SURPLUS/(DEFICIT) AFTER DISTRIBUTIONS	(21,860)	(34,663)	(34,115)

CROWN LEASHOLDS ENTITY

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
BALANCE SHEET			
ASSETS			
Current Assets			
Cash assets	21,368	7,449	6,179
Receivables	21,212	31,614	31,614
Other financial assets	1,408	1,609	1,609
Total Current Assets	43,988	40,672	39,402
Non Current Assets			
Other financial assets	22,624	20,000	19,712
Property, plant and equipment - Land and building	6,086,899	6,281,722	6,287,915
Total Non Current Assets	6,109,523	6,301,722	6,307,627
Total Assets	6,153,511	6,342,394	6,347,029
LIABILITIES			
Current Liabilities			
Payables	3,863	4,607	4,038
Other	25,781	29,433	30,132
Total Current Liabilities	29,644	34,040	34,170
Non Current Liabilities			
Other*	1,009,359	1,021,144	1,021,144
Total Non Current Liabilities	1,009,359	1,021,144	1,021,144
Total Liabilities	1,039,003	1,055,184	1,055,314
NET ASSETS	5,114,508	5,287,210	5,291,715
EQUITY			
Reserves	2,595,473	2,782,402	2,821,022
Accumulated funds	2,519,035	2,504,808	2,470,693
TOTAL EQUITY	5,114,508	5,287,210	5,291,715

* Estimated value of claims granted to local Aboriginal Land Councils under the *Aboriginal Land Rights Act 1983*.

CROWN LEASHOLDS ENTITY

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	45,459	34,226	47,193
Interest	3,005	3,005	3,094
Other	5,648	11,950	5,774
Total Receipts	54,112	49,181	56,061
Payments			
Grants and subsidies	1,500	2,700	1,500
Other	3,708	3,801	4,259
Total Payments	5,208	6,501	5,759
NET CASH FLOWS FROM OPERATING ACTIVITIES	48,904	42,680	50,302
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	11,315	13,600	29,612
Advance repayments received	105	1,752	288
NET CASH FLOWS FROM INVESTING ACTIVITIES	11,420	15,352	29,900
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(58,053)	(56,053)	(81,472)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(58,053)	(56,053)	(81,472)
NET INCREASE/(DECREASE) IN CASH	2,271	1,979	(1,270)
Opening Cash and Cash Equivalents	19,097	5,470	7,449
CLOSING CASH AND CASH EQUIVALENTS	21,368	7,449	6,179
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year before distributions	36,193	21,390	47,357
Non cash items added back	17,582	24,419	9,141
Change in operating assets and liabilities	(4,871)	(3,129)	(6,196)
Net cash flow from operating activities	48,904	42,680	50,302

NSW SELF INSURANCE CORPORATION

The NSW Self Insurance Corporation (SICorp) was established by the *NSW Self Insurance Corporation Act 2004*. Its main functions are:

- ◆ The administration of the Treasury Managed Fund (TMF), which provides insurance cover for general government sector budget dependent agencies (other than compulsory third party insurance) and for other public sector agencies on a voluntary basis.
- ◆ The management of the Governmental Workers' Compensation Account, the Transport Accidents Compensation Fund, the Pre-Managed Fund Reserve and outstanding workers compensation claims of the former State Rail Authority and the Rail Infrastructure Corporation.
- ◆ The collection and analysis of data provided by contracted TMF claims managers; systems management of the TMF data warehouse; provision of reporting functions to member agencies; and monitoring performance of the claims managers.

In 2009-10 the TMF will provide coverage to over 150 public sector agencies.

RECENT ACHIEVEMENTS

The State accumulates financial assets in order to meet the Government's insurance liability costs as they fall due rather than place an undue burden on future generations of taxpayers.

SICorp manages assets in compliance with its Net Assets Holding Level Policy to fund the Government's insurance liability costs. The policy dictates the appropriate level of reserves for the TMF. This policy sets the TMF reserve for insurance activity at an amount equal to 10 per cent of outstanding claims liabilities plus the amount the Fund retains for a single major loss before its reinsurance protection is activated. The net assets position is reviewed each year on 31 December. Excess reserves are paid to the Consolidated Fund via the Crown Finance Entity while deficits require contributions from the Crown Finance Entity.

Strong investment returns up until January 2008, together with favourable claims experience, created ongoing surpluses above the threshold level. The excess in accumulated reserves enabled the Fund to make payments to the Consolidated Fund of \$1 billion in 2005-06, \$910 million in 2006-07 and \$300 million in 2007-08.

NSW SELF INSURANCE CORPORATION

In the 2008-09 financial year, the Fund experienced a negative investment return which is primarily due to the global financial crisis. The return for the year ended 31 December 2008 was a negative 10.6 per cent. Accordingly, in line with the Net Assets Holding Level Policy, the Crown Finance Entity will pay an amount of \$390 million to the Fund to restore reserves to the agreed level.

From 1 July 2008, the former State Rail Authority workers' compensation claims have been fully integrated and managed by SICorp.

STRATEGIC DIRECTIONS

Since 1 July 2005, the claims management of the insurance businesses (workers' compensation, motor vehicle, property, liability and miscellaneous) has been distributed between three claims managers.

There are also separate long-term contracts for risk management, reinsurance and actuarial services.

The key objectives of outsourcing are to improve TMF performance by promoting competition; generate cost savings and efficiency gains; reduce the systemic risk associated with a single provider; and enable comparison and benchmarking between providers. Since the diversification of the claims managers amongst the scheme, significant synergy savings have been achieved.

The Treasurer has recently approved the establishment of an advisory board which will provide strategic, operations and technical advice to SICorp. It is expected that the advisory board will strengthen governance procedures and also augment the SICorp's role in managing the State's financial risks.

2009-10 BUDGET INITIATIVES

Total Expenses

Total expenses in 2009-10 are estimated at \$1.2 billion. The TMF actuary has projected a small increase in workers' compensation liability payments. Overall, the trend over the last few years and forward years is relatively stable.

The TMF total target premium for 2009-10 of \$881.5 million is 3.9 per cent up from 2008-09 actual level. It is mainly driven by price inflation and wage indexation applied on premium calculation and inclusion of new agencies into the Fund.

NSW SELF INSURANCE CORPORATION

Investment returns are assumed to return to long-term trends following major market volatility due to the current global financial crisis. The forward estimates assume investment returns will meet the long-term target.

Capital Expenditure

The capital program of \$220,000 in 2009-10 is primarily for maintenance and development of the data warehouse which records SICorp's claims history.

NSW SELF INSURANCE CORPORATION

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
OPERATING STATEMENT			
Retained Revenue			
Sales of goods and services	802,714	862,031	892,656
Investment income	365,008	(126,669)	460,148
Grants and contributions	40,000	455,000*	37,000
Total Retained Revenue	1,207,722	1,190,362	1,389,804
Less:			
Expenses Excluding Losses -			
Operating Expenses -			
Other operating expenses	864,083	807,223	898,649
Depreciation and amortisation	1,134	1,125	1,037
Finance costs	267,048	265,062	275,808
Other expenses	2,119	1,737	1,781
Total Expenses Excluding Losses	1,134,384	1,077,497	1,177,275
Other gains/(losses)	...	832	...
SURPLUS/(DEFICIT)	73,338	113,697	212,529

* Includes \$390 million contribution from the Crown Finance Entity in accordance with the Net Assets Holding Level Policy.

NSW SELF INSURANCE CORPORATION

	2008-09		2009-10 Budget \$000
	Budget \$000	Revised \$000	
BALANCE SHEET			
ASSETS			
Current Assets			
Cash assets	95,393	124,886	138,486
Receivables	118,080	522,268*	126,973
Other financial assets	295,352	83,387	99,213
Total Current Assets	508,825	730,541	364,672
Non Current Assets			
Receivables	166,951	162,036	170,634
Other financial assets	4,542,458	4,143,208	4,941,904
Property, plant and equipment - Plant and equipment	211	241	326
Intangibles	1,628	1,612	710
Other	34	34	25
Total Non Current Assets	4,711,282	4,307,131	5,113,599
Total Assets	5,220,107	5,037,672	5,478,271
LIABILITIES			
Current Liabilities			
Payables	130,281	130,379	134,670
Provisions	637,248	659,246	679,057
Other	2,493	4,500	4,637
Total Current Liabilities	770,022	794,125	818,364
Non Current Liabilities			
Provisions	342,164	390,592	387,709
Other	3,606,121	3,420,658	3,627,372
Total Non Current Liabilities	3,948,285	3,811,250	4,015,081
Total Liabilities	4,718,307	4,605,375	4,833,445
NET ASSETS	501,800	432,297	644,826
EQUITY			
Accumulated funds	501,800	432,297	644,826
TOTAL EQUITY	501,800	432,297	644,826

* Includes \$390 million contribution from the Crown Finance Entity in accordance with the Net Assets Holding Level Policy.

NSW SELF INSURANCE CORPORATION

	2008-09		2009-10 Budget \$000
	Budget* \$000	Revised \$000	
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	802,714	862,031	892,656
Interest	365,008	214,804	226,506
Other	118,469	162,097	536,965
Total Receipts	1,286,191	1,238,932	1,656,127
Payments			
Other	986,693	995,245	1,061,427
Total Payments	986,693	995,245	1,061,427
NET CASH FLOWS FROM OPERATING ACTIVITIES	299,498	243,687	594,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(65)	(67)	(220)
Purchases of investments	(432,625)	(428,318)	(580,880)
Other	(70)	(111)	...
NET CASH FLOWS FROM INVESTING ACTIVITIES	(432,760)	(428,496)	(581,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Other	138,494	159,373	...
NET CASH FLOWS FROM FINANCING ACTIVITIES	138,494	159,373	...
NET INCREASE/(DECREASE) IN CASH	366,279	(25,436)	13,600
Opening Cash and Cash Equivalents	90,161	150,322	124,886
CLOSING CASH AND CASH EQUIVALENTS	95,393	124,886	138,486
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year	73,338	113,697	212,529
Non cash items added back	1,134	341,766	(232,605)
Change in operating assets and liabilities	225,026	(211,776)	614,776
Net cash flow from operating activities	299,498	243,687	594,700

* The Published Budget Cashflow statement has been restated (compared to that published in the 2008-09 Budget Paper No.3) to gross up cash flows from interest and distribution receipts that are automatically reinvested. This has resulted in the \$361 million grossing up of budgeted 2008-09 interest receipts, and equivalent payments for purchases of investments. It has a nil impact on the total net cash flows.

LIABILITY MANAGEMENT MINISTERIAL CORPORATION

The Liability Management Ministerial Corporation controls the General Government Liability Management Fund. The Fund was established to accumulate financial assets to improve the financial management of the general government sector's balance sheet and allow flexibility in the timing of superannuation contributions to the public sector defined benefit schemes.

In 2006-07 the balance of the Fund, \$7.2 billion, was transferred to SAS Trustee Corporation (State Super) and invested in line with the strategic asset allocation of State Super. The operations of the Fund were then discontinued. However, both the Corporation and the General Government Liability Management Fund remain in existence to assist in the future management of the State's assets and liabilities.

A proposal is currently being considered by Attorney General's Department to utilise the Fund as the mechanism to fully fund the Judges Pension scheme by 2030. This was proposed in 2008-09, however it has not been finalised due to ongoing consultation with key stakeholders.

2009-10 BUDGET INITIATIVES

Total Expenses

The Corporation has no budgeted expenses for 2009-10.

LIABILITY MANAGEMENT MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
OPERATING STATEMENT			
Retained Revenue			
Investment income	701	...	...
Grants and contributions	73	...	...
Total Retained Revenue	774	...	...
Less:			
Expenses Excluding Losses			
Operating Expenses -			
Other operating expenses	73	...	...
Total Expenses Excluding Losses	73	...	...
SURPLUS/(DEFICIT)	701	...	...

LIABILITY MANAGEMENT MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
BALANCE SHEET			
ASSETS			
Current Assets			
Other financial assets	996	...	...
Total Current Assets	996	...	...
Non Current Assets			
Other financial assets	18,927	...	...
Total Non Current Assets	18,927	...	...
Total Assets	19,923	...	...
LIABILITIES			
Current Liabilities			
Payables	19,222	...	...
Total Current Liabilities	19,222	...	...
Total Liabilities	19,222	...	...
NET ASSETS	701	...	...
EQUITY			
Accumulated funds	701	...	...
TOTAL EQUITY	701	...	...

LIABILITY MANAGEMENT MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other	73	...	...
Total Receipts	73	...	...
Payments			
Other	(19,149)	...	...
Total Payments	(19,149)	...	...
NET CASH FLOWS FROM OPERATING ACTIVITIES	19,222	...	...
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	61	...	...
Purchases of investments	(19,283)	...	...
NET CASH FLOWS FROM INVESTING ACTIVITIES	(19,222)	...	...
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year	701	...	...
Non cash items added back	(701)	...	...
Change in operating assets and liabilities	19,222	...	...
Net cash flow from operating activities	19,222	...	...

ELECTRICITY TARIFF EQUALISATION MINISTERIAL CORPORATION

The Electricity Tariff Equalisation Ministerial Corporation commenced administration of the Electricity Tariff Equalisation Fund (ETEF) on 1 January 2001.

The Fund manages the cost risk of electricity purchases by standard State-owned electricity retail suppliers (Energy Australia, Integral Energy and Country Energy). These suppliers are required to supply electricity to small retail customers in New South Wales at tariffs determined by the Independent Pricing and Regulatory Tribunal (IPART).

IPART determinations cover residential and small business customers consuming less than 160 MWh per annum who have not elected to enter into a negotiated supply contract.

Standard retail suppliers are required to contribute to the fund when wholesale prices are lower than the energy cost component charged to customers buying power under regulated tariffs. When wholesale prices are higher than the energy cost component in the regulated tariff, the ETEF makes payments to the standard retail suppliers from the fund to ensure they earn the regulated return.

In this way, the fund is able to smooth the volatility in wholesale prices for those State-owned retailers that are required to sell at regulated tariffs. At the same time, the fund ensures that standard retail suppliers do not face a commercial advantage or disadvantage because they supply regulated customers.

In the event there is a sustained rise in pool prices and there are insufficient funds within the ETEF, New South Wales State-owned electricity generators are well placed to top up the ETEF from funds generated by high wholesale prices. Generator payments to the fund are repaid whenever standard retail suppliers make a payment into the fund. The involvement of generators ensures that the fund can never be in deficit.

RECENT ACHIEVEMENTS

The average NSW wholesale electricity price for 2007-08 was \$41.66 MWh with average monthly prices varying from \$27.19 MWh to \$77.87 MWh. Currently, average monthly prices for 2008-09 have varied from \$23.91 MWh to \$81.58 MWh. The fund balance at 30 June 2009 is estimated at \$100,000.

ELECTRICITY TARIFF EQUILISATION MINISTERIAL CORPORATION

While for accounting reasons the movement in the ETEF balance is treated as Budget revenue, in practice the ETEF is managed as a separate fund which can be called upon in periods of high prices.

STRATEGIC DIRECTIONS

The ETEF arrangement is aimed at managing the electricity purchase risk of standard retail suppliers. As part of its energy reform strategy, the Government will gradually phase out the fund in the period to June 2010. Phasing out the fund by June 2010 will allow adequate time for adjustments to occur in the energy trading market. Although this will expose retailers to some price risk, it is expected to provide the right incentives to attract investment in electricity generation. There will be no impact on retail customers as electricity prices are determined by IPART.

A regular audit of the standard retail suppliers is now underway. The focus of the audit is a review of the data provided by the standard retail suppliers to the Fund Administrator.

2009-10 BUDGET INITIATIVES

Minor expenses of \$91,000 are estimated in 2009-10 for the annual audit of the fund, consultancy and IT expenses.

ELECTRICITY TARIFF EQUILISATION MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget	Revised	Budget
	\$000	\$000	\$000
<hr/>			
OPERATING STATEMENT			
Retained Revenue			
Investment income	7	4	3
Retained taxes, fees and fines	...	85	...
Total Retained Revenue	<hr/> 7	<hr/> 89	<hr/> 3
Less:			
Expenses Excluding Losses			
Operating Expenses -			
Other operating expenses	309	83	91
Total Expenses Excluding Losses	<hr/> 309	<hr/> 83	<hr/> 91
SURPLUS/(DEFICIT)	<hr/> (302)	<hr/> 6	<hr/> (88)

ELECTRICITY TARIFF EQUILISATION MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
BALANCE SHEET			
ASSETS			
Current Assets			
Cash assets	100	100	20
Receivables	...	8	8
Total Current Assets	100	108	28
Total Assets	100	108	28
LIABILITIES			
Current Liabilities			
Payables	629	20	28
Total Current Liabilities	629	20	28
Total Liabilities	629	20	28
NET ASSETS	(529)	88	...
EQUITY			
Accumulated funds	(529)	88	...
TOTAL EQUITY	(529)	88	...

ELECTRICITY TARIFF EQUILISATION MINISTERIAL CORPORATION

	2008-09		2009-10
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Retained taxes	300	84	...
Interest	7	4	3
Total Receipts	307	88	3
Payments			
Other	309	88	83
Total Payments	309	88	83
NET CASH FLOWS FROM OPERATING ACTIVITIES	(2)	...	(80)
NET INCREASE/(DECREASE) IN CASH	(2)	...	(80)
Opening Cash and Cash Equivalents	102	100	100
CLOSING CASH AND CASH EQUIVALENTS	100	100	20
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year	(302)	6	(88)
Change in operating assets and liabilities	300	(6)	8
Net cash flow from operating activities	(2)	...	(80)

ADVANCE TO THE TREASURER

\$440 million has been allocated in 2009-10 to the Treasurer as an advance to allow for supplementary expenses, comprising \$300 million for recurrent services and \$140 million for capital works and services. Actual expenses will be recorded in the expenses of the appropriate agencies.

At \$300 million the recurrent services advance represents a contingency of 0.6 per cent of budgeted operating expenses.