

### 4.3.20 TREASURER, MINISTER FOR ENERGY AND MINISTER FOR STATE AND REGIONAL DEVELOPMENT

#### OVERVIEW

Agency	Forecast 1995-96	Estimate 1996-97	Variation
	\$m	\$m	%
<b>Treasury</b>			
Current Payments .....	72.4	72.3	(-) 0.1
Capital Payments .....	8.9	3.8	(-) 57.3
<b>Crown Transactions</b>			
Current Payments .....	2,777.6	2,994.9	7.8
Capital Payments .....	46.6	10.9	(-) 76.6
<b>Department of Energy</b>			
Current Payments .....	29.6	9.0	(-) 69.6
Capital Payments .....	3.6	0.1	(-) 97.2
<b>Sustainable Energy Development Authority</b>			
Current Payments .....	0.6	17.2	2,766.6
Capital Payments .....	...	...	...
<b>Department of State and Regional Development</b>			
Current Payments .....	74.8	63.4	(-) 15.2
Capital Payments .....	5.8	20.2	248.2
<b>Total, Treasurer, Minister for Energy and Minister for State and Regional Development</b>	<b>3,019.9</b>	<b>3,191.8</b>	<b>5.7</b>

The significant variations in current and capital payments are mainly due to -

- the restructure of the Department of Energy resulting in the transfer of activities including the Drought Electricity Account Payment Scheme to the Department of Community Services and the Electrical Safety Branch to the Department of Fair Trading;
- the integration of corporate services functions in Governor Macquarie Tower and major one off-capital projects in 1995-96 by Treasury;
- State and Regional Development funding in 1996-97 for rehabilitation works at Moore Park Showground; and
- the creation of a new agency, the Sustainable Energy Development Authority.

## **TREASURY**

Treasury consists of the Office of Financial Management (OFM) and the Office of State Revenue (OSR). The broad role of OFM is to serve the Treasurer and the Government by advising on and accounting for the overall management of the States finances, while OSR administers and collects taxes and implements legislation relating to State taxes.

### **Expenditure Trends and Recent Developments**

#### **Office of Financial Management**

During 1995-96 major core activities undertaken by OFM included the production of the Public Accounts and the Public Sector Consolidated Financial Statements in respect of the financial year ending 30 June 1995. State Budgets for both 1995-96 and 1996-97 were issued reflecting the decision to move to an earlier (May) budget. In respect of the Commercial Sector, Statements of Financial Performance were negotiated for all Government Trading Enterprises and State Owned Corporations.

Strategic projects progressed during 1995-96 included continuing work on the development of consolidated financial legislation to give effect to the Government's financial reforms with draft legislation to be ready for Parliament's consideration in early 1996-97.

Considerable progress was made with the development of best practice financial management guidelines to assist agencies to move to a best practice position. A key component of the Government's fiscal reform agenda, the General Government Debt Elimination Act, was proclaimed in February 1996. Proposals for the reform of public sector superannuation administration were approved by the Government and legislation presented.

Reform of the electricity industry proceeded based on national competition policy principles. This included the restructuring of the distribution and generation sectors, the establishment of a Sustainable Energy Fund and the commencement of the implementation of state and subsequently national markets.

An enterprise agreement was negotiated for OFM and the reform of the corporate services function began with the aim to integrate all corporate services for agencies located in Governor Macquarie Tower.

### **Office of State Revenue**

OSR is continuing to work with four other jurisdictions (Victoria, South Australia, Tasmania and the Australian Capital Territory) in rewriting the Stamp Duties legislation and developing a uniform Tax Administration Act. These measures are being undertaken to more adequately reflect the modern style and structure of legislation and achieve better uniformity across the States.

A new Unclaimed Money Act came into effect on 1 April 1996. The new Act transfers administrative responsibilities from the Treasurer to the Chief Commissioner and enhances OSR's investigatory powers to assist in identifying those firms that are not complying with their obligations under the Act. A new Unclaimed Money System is also being developed, which will help safeguard the savings and financial interests of the people of New South Wales and facilitate the identification and collection of untapped revenue which will be used to finance services.

The Tax Equivalents Regime, designed to ensure that Government Trading Enterprises and State Owned Corporations are operated on a more commercial footing, was further extended during the 1995-96 financial year. OSR now collects taxes from 27 enterprises under the regime.

A three year office automation project involving the replacement or upgrade of personal computer equipment, software and network infrastructure will be completed in the 1996-97 financial year. This will be followed by an ongoing replacement/upgrade program to ensure that OSR staff have access to the latest computer equipment.

A project is under way to upgrade and modernise the pay-roll tax assessing system, which is the oldest taxation computer system in use in OSR.

### **Strategic Directions**

#### **Office of Financial Management**

For the 1996-97 the key issues to be addressed can be categorised according to each of OFM's four corporate objectives -

- **Financial Management**

Emphasis will continue to be given to consolidating the State's financial position, especially by establishing a prudent and responsible target for the level of Government debt and a time path of required Budget results to achieve that target. Work will be undertaken to achieve commercially appropriate rates of return from Government Trading Enterprises.

Review of the State's tax system will continue on a revenue neutral basis to ensure a sounder system. The reform of Commonwealth-State financial relations will be pursued to gain greater fiscal flexibility and maximum contributions to New South Wales.

- **Resource Allocation**

Strategies will include improving the linkage between performance and resource allocation in the Budget process. This will involve the ongoing development of a more strategic approach to the allocation of capital funds and the implementation of contractual budgeting, including a Statement of Financial Performance for each Budget Sector agency.

OFM will also advise on the development of competition policy within New South Wales and analyse and advise on the impact of pricing policies and approaches that achieve improved resource allocation.

- **Accountability**

OFM will continue to develop and implement a best practice financial management and accountability framework for all public sector agencies. The review and consolidation of existing financial management legislation into a single Act will be completed and will form the framework for the issue of best practice guidelines. Reforms to the governance structure for superannuation administration will be implemented.

A comprehensive agency performance measurement and appraisal system will be established. The presentation and integration of the financial policy framework governing the operation of commercial sector agencies will be improved.

- **Management and Communication**

Within the framework of the OFM Enterprise Agreement, an integrated approach to management and employee relations will be adopted. This will better link corporate planning, performance agreements, remuneration and staff development and training within OFM. The result will be a best practice management system which aligns the interests of management and staff. Other strategies include an emphasis on improved technical and management development of staff and implementation of best practice information systems within OFM.

### **Office of State Revenue**

A Systems Application Architecture Plan has been developed to provide a strategy for OSR's business processes and information systems over the next three to five years. This will ensure that OSR is able to respond to future business needs and opportunities and to align its information systems with these business requirements.

Following a review of OSR's telephone inquiry services, a number of measures are proposed to improve the service for clients. It is proposed to undertake a recruitment program to ensure that the centralised inquiry unit is staffed to an appropriate level with fully qualified staff, supported by upgraded technology.

It is hoped that initiatives proposed by the joint co-operative effort of all states and territories will result in proposals for Government's consideration late in the 1996-97 financial year for a review of the pay-roll tax legislation. If this proceeds, further modification of the pay-roll tax and revenue receipting systems will be required.

### **1996-97 Budget**

The current allocation for Treasury for 1996-97 is \$72.3 million, a decrease of 0.1 per cent.

### **Office of Financial Management**

The 1996-97 allocation for OFM includes the provision of \$1.6 million for the Electricity Reform Taskforce. The small net decrease in payments is due to corporate services savings. The reform of corporate service provision through the integration of all agencies in the Governor Macquarie Tower will continue.

The capital program comprises further work on computer projects already commenced and plant and equipment replacement. The allocation of \$3.8 million for 1996-97 includes \$700,000 for OFM to rationalise financial data management.

### **Office of State Revenue**

The proposed rewrite of the Stamp Duties Act will require major changes to OSR's Stamp Duties system, while the Tax Administration Act will impact on all three tax systems and require significant changes to systems. Projects are underway to undertake the necessary changes.

The capital program comprises further work on computer projects already commenced and plant and equipment replacement. The projects contribute directly to the achievement of OSR's corporate objectives which include optimising tax revenue, achieving a simple, equitable and efficient tax system and providing high standards of service.

## **CROWN TRANSACTIONS**

### **Expenditure Trends and Recent Developments**

"Crown Transactions" reflect service-wide transactions for which individual agencies are not directly accountable. The major components relate to provisions for superannuation contributions, the employer's cash contribution to superannuation liability, long service leave payments, interest payments on Government debt to Treasury Corporation and the Commonwealth, and the payment of interest on bank balances held by Non Budget Sector agencies.

Crown Transaction's expenditure trends and recent developments reflect the emphasis on reducing the State's debt and superannuation liabilities. For detailed commentary on debt and superannuation liability management refer to Chapter 7.

Other payments relate to refunds and remissions of Crown revenue, payments for rate concessions on exempt properties within the Sydney and Hunter Water Districts, contribution to the Treasury Managed Insurance Fund, debt/investment management costs, property management costs of the Crown property portfolio managed by the Department of Public Works and Services, and State Bank post sale management costs.

## **Strategic Directions**

### **1996-97 Budget**

#### **Current Payments**

Estimated payments in 1996-97 are some \$2,995 million, with the major components being -

- \$1,408 million for interest payments on existing debt held with Treasury Corporation, the Commonwealth and other organisations. This is a 6.3 per cent decline on 1995-96 and reflects a reduction in debt levels and the decline in interest rates in recent years;
- \$1,043 million towards the employer's cash contribution to superannuation liability;
- \$25 million for refunds and remissions of Crown revenue;
- \$8 million contribution to the Treasury Managed Fund;
- \$123 million for payments of long service leave entitlements of public service employees; and
- \$10 million provided for redundancy payments.

#### **Capital Payments**

The Crown Transactions Capital Program provides for improvements and refurbishments to the Crown property portfolio and capital grants for natural disaster relief.

In 1995-96, a major component of the capital program allocation of \$46.7 million to Crown Transactions was the CBD Asset Strategy which covered the central agencies' move to Governor Macquarie Tower and the fitout/refurbishment of three Government-owned buildings - the State Office Block and the Education and Chief Secretary's Buildings. Forecast expenditure in 1995-96 is \$35.5 million. The 1996-97 allocation of \$1.6 million reflects the substantial completion of this program.

The 1996-97 capital program includes \$5.8 for expenditure in respect of the Crown's rental property portfolio. Such expenditure relates to removal of asbestos, upgrading of air conditioning plants and general refurbishments.

- **Equity Restructure Payments**

Equity restructure payments are being made as a consequence of the capital restructure of some commercial agencies and the return of surplus capital in the case of others. The bulk of the amount in 1995-96 reflects the establishment of commercial levels of debt for the newly corporatised entities as part of the electricity reform process. Under Government Finance Statistics principles, equity restructure payments are treated as advances repaid to the Budget (and hence an offset to capital outlays) rather than receipts.

Category	1995-96		1996-97	
	Budget	Revised	Budget	Increase
	\$000	\$000	\$000	%
Electricity Industry	1,100,000	1,500,000	...	(-) 100.0
Other	245,000	306,000	140,000	(-) 54.2
<b>Total Equity Restructure Payments</b>	<b>1,345,000</b>	<b>1,806,000</b>	<b>140,000</b>	<b>(-) 92.2</b>

### **Natural Disaster Relief**

Natural Disaster Relief provided by the Government is funded in part through Crown Transactions for certain Budget and Non Budget Sector agencies as well as within the normal works programs of State agencies such as the Roads and Traffic Authority and the State Rail Authority.

Under Commonwealth/State Natural Disaster Relief Arrangements, New South Wales is required to fund the full cost of disaster relief up to a "base amount" which was \$50.2 million in 1995-96. It is not expected that this amount will be exceeded in 1995-96 or 1996-97.

However, relief for personal hardship and distress attracts a dollar for dollar Commonwealth contribution regardless of whether State expenditure reaches the base amount.

The Commonwealth does not recognise drought relief expenditure under the NARD. Notwithstanding this, the New South Wales Government has decided that relief measures (such as stock and fodder transport subsidies) should continue to be made available due to difficulties currently facing the rural sector. These drought assistance measures will be made available through an allocation to the Minister for Agriculture.

In 1995-96 the State's overall NDRA expenditure is expected to be \$25 million. The Commonwealth is expected to contribute \$1.4 million, being half of the State's estimated personal hardship and distress expenditure.

Forecast Crown Transaction expenditure in 1995-96 for commitments for natural disaster relief to Non Budget Sector agencies is \$3.5 million. In 1996-97 \$3.5 million has also been provided for these commitments.

Forecast 1995-96 expenditure for the relief of personal hardship and distress is \$2.8 million. The estimate for 1996-97 is \$3.33 million.

## **DEPARTMENT OF ENERGY**

### **Expenditure Trends and Recent Developments**

The Department of Energy was reviewed in 1995-96. This has led to an organisational restructure with the core role of the Department focussed on policy development and advice and high level regulation. Certain functions have been transferred to other agencies. This includes the transfer of the Drought Electricity Account Payment Scheme to the Department of Community Services and the transfer of the Electrical Safety Branch to the Department of Fair Trading. These transfers are reflected in the reduced 1996-97 allocation for the Department of Energy.

The Department of Energy has provided considerable support and advice to the Electricity Reform Task Force which has been established for the development and implementation of the electricity reform strategy. The State wholesale electricity market effectively commenced on 1 May 1996 and the national wholesale market is due to start later in 1996. The Department of Energy also represents New South Wales on the Gas Reform Taskforce which is responsible for the development of a national framework for access to natural gas transmission and distribution system. Third party access to gas distribution systems is expected to commence in July 1996 with the national gas market intended to be fully competitive by July 1999.

During 1995-96 the Department provided assistance of \$3.5 million through the Drought Electrical Accounts Payment Scheme and the Remote Area Assistance Scheme. The Department also contributed \$2 million to meet the New South Wales share of the National Grid Management Council and provided \$2.7 million to industry, research organisations and universities for research and development.

## **Strategic Directions**

The Department of Energy is focussed on strategic policy development, providing the Minister and Government with integrated policy advice and oversight to ensure the most efficient and effective implementation of the Government's energy policy initiatives. The key issues facing the energy portfolio currently are micro-economic and regulatory reform of the energy industries, and environmental and resource planning.

Of particular importance will be advice and briefing relating to the integrated energy market. This will require the integration of gas and electricity markets. Issues include entry barriers between markets, competitive neutrality and equity issues. The Department also provides advice to the State and Federal Government on environmental issues relating to the energy sector. Current focus is the review and implementation of the National Greenhouse Response Strategy. There is also an emerging role for the Department in supporting the Minister in developing and monitoring the environmental performance objectives of electricity retailers in the competitive market.

## **1996-97 Budget**

### **Current Payments**

Estimated total payments for 1996-97 are \$9 million. In addition to the core functions of the Department of policy development and high level regulation, this includes -

- \$1.6 million for energy research and development funding to be provided to industry, research organisations and universities for the development of new energy technologies and systems likely to benefit New South Wales; and
- \$0.6 million to meet the New South Wales share of the cost of developing the National Grid Management Council.

### **Capital Payments**

The Department is undertaking minor capital works of \$0.1 million to upgrade its Information Technology resources.

## **SUSTAINABLE ENERGY DEVELOPMENT AUTHORITY**

### **Expenditure Trends and Recent Developments**

Legislation establishing Sustainable Energy Development Authority (SEDA) was proclaimed on 9 February 1996. SEDA's expenditure during 1995-96 has been directed towards establishing the Authority. This includes expenditure on programs aimed at achieving the commercialisation of sustainable energy activities.

## **Strategic Directions**

The purpose of SEDA is to bring about a reduction in the levels of greenhouse gas emissions and other adverse by-products of the production and use of energy in New South Wales, through facilitating the development, commercialisation, promotion and use of sustainable energy technologies.

Sustainable energy technologies are products, processes, practices and designs which improve energy efficiency and facilitate the production and use of energy in ways that minimise the levels of greenhouse gas emissions.

## **1996-97 Budget**

### **Current Payments**

Estimated payments for 1996-97 total \$17.2 million. The main component of this is a \$10 million payment to Pacific Solar Pty Ltd to support the development and commercialisation of thin film photovoltaic cells. During the year SEDA will also implement a wide range of programs, including -

- technology commercialisation programs to assist the commercialisation of sustainable energy technologies through direct investment of funds in technology development projects;
- market transformation programs to assist sustainable energy technologies to increase their market share through providing financial assistance to purchasers of products utilising these technologies;
- industry assistance programs to provide direct financial and other assistance to sustainable energy industries; and
- information, education and training programs to support the provision of information, education and training programs in the development and use of sustainable energy technologies.

## **DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT**

### **Expenditure Trends and Recent Developments**

The Department of State and Regional Development was formally established on 15 December 1995 following the amalgamation of the former Departments of State Development and Business and Regional Development.

Amalgamation savings were set at \$4 million for 1995-96, \$7 million for 1996-97 and \$9 million for 1997-98.

The Department has been successful in attracting major investment projects to New South Wales, including American Express Asia Regional Operating Centre, Foxtel head office and main operations centre, State Street Bank and Trust Company regional headquarters and AT & T Global Information Solutions Asia Pacific Customer Support Centre.

## **Strategic Directions**

State and Regional Development aims to maintain and improve the position of New South Wales as the most attractive and popular business environment in the South-East Asian region, creating employment opportunities for a well trained workforce.

This is achieved by -

- securing and sustaining investment for metropolitan and regional New South Wales;
- expanding the participation and success of New South Wales in the international economy;
- delivering enterprise improvement programs which enhance international competitiveness;
- coordinating, stimulating and developing technological, scientific, educational and service infrastructures to support business development;
- devising alternatives to improve the business climate in New South Wales including regulatory reform, taxation review, encouraging innovation and reviewing Government purchasing policy; and
- co-ordinating and expediting the input of relevant government agencies on designated major investment projects, providing a whole of government approach, to ensure effective progress for these strategic and complex projects.

## **1996-97 Budget**

### **Current Payments**

The Department's estimated total expenditure for 1996-97 of \$63.4 million represents a decrease of 15.2 per cent over the forecast for the 1995-96 financial year. The decrease is attributable to amalgamation savings and variation in timing of financial assistance which is provided to companies as an incentive to establish businesses in both metropolitan and regional New South Wales.

The Department bases its operations around 10 industry sectors, 6 international markets, 13 State regions and enterprise improvement programs. Considerable progress has been made towards the completion of industry development strategies for each industry in the 10 sectors. The strategies will identify impediments to the growth and development of industry sectors, and formulate policies and actions to improve competitiveness. In this way, the industrial development strategies will directly inform the investment, internationalisation and enterprise improvement functions of the Department.

Regional summits will be held in 1996 as part of the Year of Regional Development. A policy paper setting out the Government's direction and intentions in regional development is being compiled at present, and will provide the basis for discussion at the summits.

An infrastructure audit is being undertaken to assist the Government in its decision making on infrastructure investment, from a strategic, economic development and whole of Government perspective. An extensive process of consultation and involvement with industry and government on the State's infrastructure needs and priorities has been undertaken. Preliminary output from the audit is being refined at present.

Major components of the 1996-97 budget include the following allocations -

- Regional Headquarters (RHQs) Tax Concessions - \$3.6 million. The purpose of the RHQ Tax Incentives is to act as an incentive to attract RHQs to New South Wales. RHQs are a priority area building upon New South Wales role as a telecommunication and transport hub in the Asia Pacific and Sydney's role as a regional finance centre;
- Assistance to Industry - \$13.1 million. The allocation promotes, encourages and stimulates the establishment and development of industry and is tailored to the particular commercial needs of the business receiving assistance;

- Regional Development Assistance - \$9.1 million. This allocation is the Department's primary regional business incentive program that assists regional enterprises throughout New South Wales to foster economic and business opportunities. A variety of assistance is offered to offset up-front costs by businesses establishing or expanding in regional New South Wales. The assistance includes establishment grants, location feasibility analysis, business planning and technical consultancy studies, plant and equipment/key personnel removal costs, skills training and contribution to payroll tax, land tax and stamp duties; and
- AusIndustry - \$6.6 million. 1996-97 will be the second year of this program which is jointly funded by the State and Commonwealth. The program aims to provide information, advice, referral services and funding for companies to become internationally competitive.

### **Capital Payments**

The Department's estimated capital program for 1996-97 is \$20.2 million which is 248.3 per cent increase over the 1995-96 forecast of \$5.8 million. The major component of this increase is a capital grant of \$20 million towards rehabilitation works at Moore Park Showground.

Excluding the Moore Park Showground grant, the Department's capital program has declined from \$5.8 million in 1995-96 to \$200,000 in 1996-97.