



**Treasurer of New South Wales  
Australia**

**2008-09**

**HALF – YEARLY**

**REVIEW**

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## OVERVIEW

The Public Finance and Audit Act requires the Treasurer to publicly release revised financial projections for the Budget and forward estimates period by 31 December 2008 based on actual results to the end of October.

On 11 November 2008, the Treasurer delivered a Mini-Budget in response to significant developments since the 2008-09 Budget, including lack of parliamentary support for the Government's electricity reform package, a significant deterioration in the global economic outlook, increased risks to the State's budget operating results emerging due to pressures on both State revenues and expenses and the risk to the state's Triple A credit rating.

The Mini-Budget incorporated a restatement of the operating statement for 2008-09 and the forward estimates, as well as an explanation of the significant variations since the 2008-09 Budget.

Accordingly, the commentary in this 2008-09 Half Yearly Budget Review focuses on changes to the financial aggregates since the Mini-Budget. The change in aggregates arises from three factors:

- The outcome of the Council of Australian Governments (COAG) negotiations held on 29 November 2008 which sees a significant front loading of Commonwealth funding into 2008-09
- A bringing forward of Budget funding to the rail and housing sectors
- Further deterioration in world financial markets impacting returns on investments and expenses linked to the level of interest rates.

The impact of these changes on the projected Budget Results for 2008-09 and the forward estimates is summarised in the table below.

### Projected Budget Results

|                             | 2008-09<br>\$m | 2009-10<br>\$m | 2010-11<br>\$m | 2011-12<br>\$m |
|-----------------------------|----------------|----------------|----------------|----------------|
| Mini-Budget (November 2008) | -917           | 138            | 573            | 900            |
| Changes since Mini-Budget   |                |                |                |                |
| • COAG adjustments          | 840            | -123           | -189           | -165           |
| • Finance adjustments       | -135           | 54             | -60            | -122           |
| • Transport and Housing     | -500           | 100            | 200            | 200            |
| Half-Yearly Budget Review   | -712           | 169            | 524            | 813            |

Since the Mini-Budget, COAG negotiations have resulted in a significant change in the expected timing of payments from the Commonwealth. The Mini-Budget was based on Commonwealth funding being provided broadly in line with agency spending.

As part of the agreement reached on 29 November, the Commonwealth has now indicated that it will provide significant up front funding in 2008-09 for a range of initiatives, including the Health Care Agreement, Hospital and Health Work Force Reform, Emergency Departments, and the Digital Education Revolution.

Under Australian Accounting Standards, the funding received from the Commonwealth must be brought to account as revenue in the year it is received. As this revenue will be spent by the relevant frontline service delivery agencies over a number of years, COAG funding improves the Budget Result in 2008-09 and weakens the Budget Result thereafter.

This accounting treatment creates significant timing differences between expenses and revenues which have no impact on the overall structural position of the Budget.

Given that negotiations with the Commonwealth only concluded on 29 November 2008, the COAG related adjustments are based on the current best assessment of the likely pattern of revenue and expenses. Preparation of the 2009-10 Budget will incorporate the allocation of funding to relevant agencies based on comprehensive service delivery planning by those agencies.

As a result of the early payment of Commonwealth funds, the Government will bring forward the timing of payments to the rail and housing sectors. This will involve making additional payments to these sectors in 2008-09 with offsetting reductions being made over the period of the forward estimates. In the case of the rail sector, this will permit a further pay down of debt.

The finance adjustments reflect revisions to expected investment income, partially offset by savings in finance costs and superannuation expenses arising from a greater than expected reduction in interest rates.

The 2008-09 Half-Yearly Review provides full revised operating statements, balance sheets and cash flow statements for the NSW General Government Sector, NSW Public Non-financial Corporation Sector and the NSW Non-financial Public Sector. These are set out in chapter 1 and Appendix A

The Half Yearly Review also provides a brief update on the economic outlook since the Mini-Budget. The key economic indicators are consistent with the Mini-Budget. This is set out in chapter 2.

The Mini-Budget resulted in significant changes to the Government's capital program over both the forward estimates period and the next decade. The Half Yearly Review provides a summary of these changes. This is set out in Chapter 3.

# 1. FISCAL POSITION AND OUTLOOK

## 1.1 PROJECTED RESULTS FOR 2008-09

Table 1.1, below, provides a comparison of the latest projections for the 2008-09 general government operating statement compared with those estimated in the 2008-09 Budget.

**Table 1.1: General Government Sector 2008-09 Operating Statement**

|   | 2007-08       | 2008-09       |                   | Variance<br>\$m | 4 Months to                 |
|---|---------------|---------------|-------------------|-----------------|-----------------------------|
|   | Actual<br>\$m | Budget<br>\$m | Projection<br>\$m |                 | 31/10/2008<br>Actual<br>\$m |
| <b>Revenue from Transactions</b>                                |               |               |                   |                 |                             |
| Taxation  | 18,548        | 18,533        | 17,827            | (706)           | 5,806                       |
| Grant Revenue   |               |               |                   |                 |                             |
| - Commonwealth - general purpose                                | 11,942        | 13,020        | 12,570            | (450)           | 4,506                       |
| - Commonwealth - specific purpose                               | 7,577         | 7,249         | 8,617             | 1,368           | 2,413                       |
| - Other grants and contributions                                | 1,115         | 782           | 882               | 100             | 309                         |
| Sale of goods and services                                      | 3,611         | 3,620         | 3,736             | 116             | 1,221                       |
| Interest income   | (196)         | 706           | 535               | (171)           | 171                         |
| Dividend and income tax equivalent<br>income from other sectors | 2,063         | 1,796         | 1,703             | (93)            | 583                         |
| Fines, regulatory fees and other revenue                        | 1,829         | 2,176         | 2,853             | 677             | 815                         |
| <b>TOTAL REVENUES</b>   | <b>46,489</b> | <b>47,882</b> | <b>48,723</b>     | <b>841</b>      | <b>15,824</b>               |
| <b>Expenses</b>   |               |               |                   |                 |                             |
| Employee expenses   | 20,386        | 21,065        | 21,566            | 501             | 7,114                       |
| Superannuation expenses   |               |               |                   |                 |                             |
| - Superannuation interest cost                                  | 477           | 598           | 703               | 105             | 245                         |
| - Other superannuation expenses                                 | 1,894         | 1,916         | 1,952             | 36              | 646                         |
| Depreciation and amortisation                                   | 2,466         | 2,603         | 2,643             | 40              | 869                         |
| Interest expenses   | 1,299         | 1,440         | 1,396             | (44)            | 481                         |
| Other property expenses   | ...           | 3             | 1                 | (2)             | ...                         |
| Other operating expenses  | 9,485         | 10,064        | 10,172            | 108             | 3,090                       |
| Grant expenses  |               |               |                   |                 |                             |
| - Current grant and subsidies                                   | 8,138         | 7,963         | 8,212             | 249             | 3,046                       |
| - Capital grants  | 2,271         | 1,962         | 2,790             | 828             | 525                         |
| <b>TOTAL EXPENSES</b>   | <b>46,416</b> | <b>47,614</b> | <b>49,435</b>     | <b>1,821</b>    | <b>16,016</b>               |
| <b>BUDGET RESULT - SURPLUS/(DEFICIT)</b>                        | <b>73</b>     | <b>268</b>    | <b>(712)</b>      | <b>(980)</b>    | <b>(192)</b>                |

|  | 2007-08        | 2008-09        |                 |                 | 4 Months to    |
|--|----------------|----------------|-----------------|-----------------|----------------|
|  | Actual         | Budget         | Projection      | Variance        | 31/10/2008     |
|  | \$m            | \$m            | \$m             | \$m             | Actual         |
|  |                |                |                 |                 | \$m            |
| <b>Other economic flows included in the operating result</b>   |                |                |                 |                 |                |
| Share of net profit/(loss) from associates excluding dividends | 77             | 114            | 116             | 2               | 7              |
| Net actuarial superannuation gains/(losses)                    | (3,104)        | (79)           | (12,123)        | (12,044)        | (2,119)        |
| Other net gains/(losses)                                       | (187)          | (114)          | (456)           | (342)           | (284)          |
| <b>Operating result (accounting basis)</b>                     | <b>(3,141)</b> | <b>189</b>     | <b>(13,175)</b> | <b>(13,364)</b> | <b>(2,588)</b> |
| <b>Other economic flows - other movements in equity</b>        |                |                |                 |                 |                |
| Revaluations   | 6,683          | 911            | 1,643           | 732             | (73)           |
| Net gain/(loss) on equity investments in other sectors         | 7,234          | 1,584          | 111             | (1,473)         | 154            |
| Net gain/(loss) on financial instruments at fair value         | 574            | 124            | 29              | (95)            | ...            |
| <b>Comprehensive result - total change in net worth</b>        | <b>11,350</b>  | <b>2,808</b>   | <b>(11,392)</b> | <b>(14,200)</b> | <b>(2,507)</b> |
| <b>Key Fiscal Aggregates</b>                                   |                |                |                 |                 |                |
| <b>Comprehensive result - total change in net worth</b>        | <b>11,350</b>  | <b>2,808</b>   | <b>(11,392)</b> | <b>(14,200)</b> | <b>(2,507)</b> |
| less: Net other economic flows                                 | (11,277)       | (2,540)        | 10,680          | 13,220          | 2,315          |
| <b>equals: Budget Result - net operating balance</b>           | <b>73</b>      | <b>268</b>     | <b>(712)</b>    | <b>(980)</b>    | <b>(192)</b>   |
| <b>less: Net acquisition of non-financial assets</b>           |                |                |                 |                 |                |
| Purchase of non-financial assets                               | 4,419          | 5,158          | 5,117           | (41)            | 1,443          |
| Sales of non-financial assets                                  | (495)          | (594)          | (569)           | 25              | (118)          |
| less: Depreciation   | (2,466)        | (2,603)        | (2,643)         | (40)            | (869)          |
| plus: Change in inventories                                    | (7)            | (2)            | 1               | 3               | 2              |
| plus: Other movements in non-financial assets                  |                |                |                 |                 |                |
| - Assets acquired under finance leases                         | 251            | 319            | 417             | 98              | 119            |
| - Other  | 229            | 15             | (39)            | (54)            | 13             |
| <b>equals: Total Net acquisition of non-financial assets</b>   | <b>1,931</b>   | <b>2,293</b>   | <b>2,284</b>    | <b>(9)</b>      | <b>590</b>     |
| <b>equals: Net Lending/(borrowing) [Fiscal Balance]</b>        | <b>(1,858)</b> | <b>(2,025)</b> | <b>(2,996)</b>  | <b>(971)</b>    | <b>(782)</b>   |
| <b>OTHER AGGREGATES</b>  |                |                |                 |                 |                |
| Capital Expenditure  | 4,670          | 5,477          | 5,534           | 57              | 1,562          |

## REVENUES

Revenues are projected to be \$48.7 billion in 2008-09. This is \$841 million higher than at budget time.

As indicated in the Mini-Budget, taxation revenue is expected to be \$706 million below the Budget estimate, largely on account of lower purchaser transfer duty. Table 1.2 below details these revised taxation revenue estimates.

**Table 1.2: Taxation Revenue**

|   | 2007-08               | 2008-09               |                        | 2009-10                  | 2010-11       | 2011-12       |
|---|-----------------------|-----------------------|------------------------|--------------------------|---------------|---------------|
|   | <i>Actual<br/>\$m</i> | <i>Budget<br/>\$m</i> | <i>Revised<br/>\$m</i> | <i>Forward Estimates</i> |               |               |
|   |                       |                       |                        | <i>\$m</i>               | <i>\$m</i>    | <i>\$m</i>    |
| <b>Stamp Duties</b>                                   |                       |                       |                        |                          |               |               |
| Purchaser Transfer Duty                               | 3,938                 | 3,800                 | 3,090                  | 3,765                    | 4,038         | 4,327         |
| Other Stamp Duties                                    | 1,597                 | 1,450                 | 1,430                  | 1,534                    | 1,618         | 1,705         |
| <b>Payroll Tax</b>                                    | 6,205                 | 6,410                 | 6,275                  | 6,489                    | 6,681         | 6,924         |
| <b>Land Tax</b>                                       | 1,937                 | 1,983                 | 2,153                  | 2,238                    | 2,323         | 2,448         |
| <b>Taxes on Motor Vehicle Ownership and Operation</b> | 1,494                 | 1,581                 | 1,572                  | 1,663                    | 1,757         | 1,847         |
| <b>Gambling and Betting</b>                           | 1,570                 | 1,602                 | 1,572                  | 1,663                    | 1,755         | 1,869         |
| <b>Other Tax Revenues</b>                             | 1,807                 | 1,707                 | 1,735                  | 1,992                    | 2,098         | 2,150         |
| <b>Total Tax Revenue</b>                              | <b>18,548</b>         | <b>18,533</b>         | <b>17,827</b>          | <b>19,344</b>            | <b>20,270</b> | <b>21,270</b> |

The 2008-09 Budget assumed a decline in transfer duties of around \$300 million, or 7.3 per cent, from the previous financial year. As outlined in the Mini-Budget, purchaser transfer duty has now been revised down by a further \$710 million, or 18.7 per cent from the 2008-09 Budget forecast. Transfer duty from the residential and small commercial sector was weak in the first half of the year, and continued global financial uncertainty and slowing economic activity will continue to weigh on the property market. However, recent interest rate cuts are expected to support transfer duty revenue over 2009.

Payroll tax has been stronger than expected over the early part of 2008-09, notwithstanding the easing trend in the labour market. As set out in the Mini-Budget payroll tax has been revised down by \$135 million, or 2.1 per cent, in 2008-09 mostly reflecting a large refund paid to a client for incorrect payment over the past five years.

Land tax revenue accrued in a financial year depends upon the issue date of assessments and land values. Land tax is projected to be \$170 million higher than budget, due to the increased tax rate on land holdings valued over \$2.25 million as announced in the Mini-Budget.

Gambling and betting taxes have been revised down by \$30 million or 1.9 per cent from Budget. This downward revision to the estimate mainly reflects weaker revenue from hotel gaming duty.

Commonwealth general purpose grant revenue is expected to be \$450 million below the budget time estimate, based on revised GST estimates provided by the Commonwealth.

Commonwealth specific purpose grant revenue (including National Partnership Payments) is \$1.4 billion above the Budget.

As part of the Council of Australian Governments (COAG) reform package concluded on 29 November 2008, the Commonwealth Government has now indicated that it will provide significant up front funding in 2008-09 for a range of initiatives, including the Health Care Agreement, Hospital and Health Work Force Reform, Emergency Departments and the Digital Education Revolution. In addition, the Commonwealth Government will provide a further \$300 million in 2008-09 for the First Home Owners Scheme.

Interest income is \$171 million below budget reflecting the impact of poor global conditions for all investors.

Fines, regulatory fees and other revenue is \$677 million above Budget. The principal element of this increase is coal royalty revenue which has been revised up by \$454 million to \$1.3 billion. This is because of higher export coal contract prices and the fall in the value of the Australian dollar.

## **Expenses**

Expenses are expected to be \$49.4 billion or \$1.8 billion above the Budget estimate and \$682 million higher than the estimate in the Mini-Budget. The change since the Mini-Budget is due to:

- revisions to COAG related expenses arising from the reform package agreed between the Commonwealth Government and the states and territories
- additional grants to the rail and housing sectors totalling \$500 million linked to the front loading of Commonwealth funding under the COAG agreements
- adjustments to superannuation expenses following further falls in interest rates and a projected worsening of expected returns on financial assets and
- lower finance costs associated with a greater than expected reduction in interest rates.

Estimates of COAG related expenses are based on the likely pattern of agency spending. Preparation of the 2009-10 Budget will incorporate a process to allocate funding to relevant agencies based on comprehensive service delivery planning by those agencies.

## **GENERAL GOVERNMENT BALANCE SHEET**

Table 1.3, below, provides a comparison of the latest projections for the 2008-09 General Government balance sheet compared with those estimated in the 2008-09 Budget. The commentary below focuses on the key balance sheet aggregates – net financial liabilities, net debt and net worth.

**Table 1.3: 2008-09 Statement of Financial Position**

|  | June 2008      | June 2009      |                   | Variance<br>\$m | October 2008   |
|--|----------------|----------------|-------------------|-----------------|----------------|
|  | Actual<br>\$m  | Budget<br>\$m  | Projection<br>\$m |                 | Actual<br>\$m  |
| <b>ASSETS</b>                                  |                |                |                   |                 |                |
| <b>Financial Assets</b>                        |                |                |                   |                 |                |
| Cash and deposits                              | 2,299          | 2,681          | 2,825             | 144             | 2,733          |
| Advances paid                                  | 799            | 908            | 876               | (32)            | 778            |
| Investments, loans & placements                | 6,074          | 7,014          | 6,077             | (937)           | 6,267          |
| Receivables                                    | 11,280         | 10,217         | 10,332            | 115             | 11,292         |
| Equity Investments                             |                |                |                   |                 |                |
| - in other public sector entities              | 75,199         | 72,426         | 75,310            | 2,884           | 75,353         |
| - accounted for using the equity method        | 1,621          | 1,733          | 1,738             | 5               | 1,630          |
| - in other entities                            | 3              | 4              | 3                 | (1)             | 3              |
| <b>Total Financial Assets</b>                  | <b>97,276</b>  | <b>94,983</b>  | <b>97,161</b>     | <b>2,178</b>    | <b>98,056</b>  |
| <b>Non-Financial Assets</b>                    |                |                |                   |                 |                |
| Land and other fixed assets                    |                |                |                   |                 |                |
| Inventories                                    | 166            | 176            | 237               | 61              | 168            |
| Property, plant, equipment & infrastructure    | 99,604         | 97,306         | 103,441           | 6,135           | 100,224        |
| Investment property                            | 298            | 356            | 370               | 14              | 370            |
| Assets held for sale                           | 144            | 133            | 195               | 62              | 134            |
| Biological assets                              | 7              | 6              | 7                 | 1               | 6              |
| Intangible (produced) assets                   | 584            | 960            | 738               | (222)           | 747            |
| Other non-financial assets                     |                |                |                   |                 |                |
| - Intangible (non-produced) assets             | 112            | ...            | 112               | 112             | ...            |
| - Other (non-financial assets)                 | 1,606          | 1,884          | 1,646             | (238)           | 1,464          |
| <b>Total Non-Financial Assets</b>              | <b>102,522</b> | <b>100,821</b> | <b>106,746</b>    | <b>5,925</b>    | <b>103,113</b> |
| <b>TOTAL ASSETS</b>                            | <b>199,798</b> | <b>195,804</b> | <b>203,907</b>    | <b>8,103</b>    | <b>201,169</b> |
| <b>LIABILITIES</b>                             |                |                |                   |                 |                |
| Deposits held                                  | 98             | 77             | 55                | (22)            | 105            |
| Advances received                              | 864            | 836            | 836               | ...             | 863            |
| Borrowing                                      | 13,151         | 15,881         | 15,619            | (262)           | 14,854         |
| Superannuation                                 | 17,626         | 17,389         | 30,074            | 12,685          | 19,855         |
| Other employee benefits                        | 8,747          | 8,995          | 9,032             | 37              | 8,789          |
| Payables                                       | 3,139          | 2,457          | 3,029             | 572             | 2,758          |
| Other provisions                               | 4,943          | 4,959          | 5,052             | 93              | 5,063          |
| Other liabilities                              | 3,173          | 3,299          | 3,379             | 80              | 3,198          |
| <b>TOTAL LIABILITIES</b>                       | <b>51,741</b>  | <b>53,893</b>  | <b>67,076</b>     | <b>13,183</b>   | <b>55,485</b>  |
| <b>NET WORTH</b>                               | <b>148,057</b> | <b>141,911</b> | <b>136,831</b>    | <b>(5,080)</b>  | <b>145,684</b> |
| <b>Net Debt</b>                                | <b>4,942</b>   | <b>6,191</b>   | <b>6,732</b>      | <b>541</b>      | <b>6,044</b>   |
| <b>Net Financial Liabilities<sup>(a)</sup></b> | <b>29,664</b>  | <b>31,336</b>  | <b>45,225</b>     | <b>13,889</b>   | <b>32,782</b>  |

(a) Excludes PTE/PFE Equity.

## Net Financial Liabilities

Net financial liabilities are projected to be \$45.2 billion in June 2009, \$13.9 billion higher than the Budget estimate. The principal reason for this change in net financial liabilities is an increase in unfunded superannuation liabilities since the 2008-09 Budget of \$12.7 billion as at June 2009.

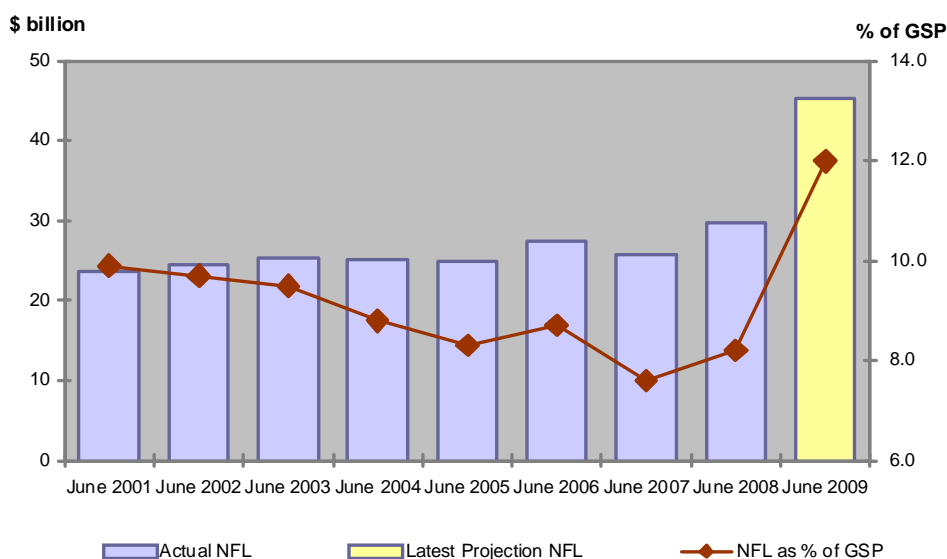
The increase in net financial liabilities reflects both the significant deterioration in the value of financial assets held by the superannuation fund trustees due to the shake out in financial markets and the impact of the lower interest rates on the valuation of the gross liability.

At Budget time, investment returns on superannuation assets were estimated to be negative 3.8 per cent in 2007-08 and positive 7.9 per cent in 2008-09. The outcome for 2007-08 and the estimated return for 2008-09 are now negative 7.2 per cent and negative 8.8 per cent respectively.

Unfunded superannuation liabilities will increase further in June 2009 due to recent falls in interest rates. The discount rate used to value the gross liabilities as at June 2009 has been reduced from 6.35 per cent at Budget time to 4.85 per cent.

The Government remains committed to its fiscal strategy of fully funding superannuation liabilities by 2030. Crown employer cash contribution levels will be reviewed once the 2009 Triennial Superannuation Actuarial Review, prepared by State Super actuaries Mercers, becomes available.

**Figure 1.1: General Government Net Financial Liabilities (NFL) <sup>(a)</sup>**

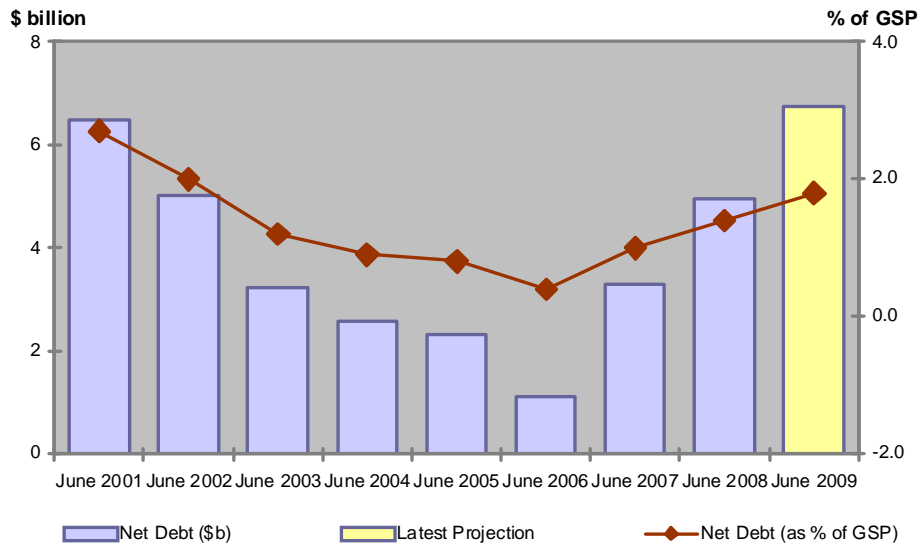


(a) Statements have been prepared assuming existing Australian Accounting Standards (AGAAP) for all years up to and including 2004-05 and Australian Equivalents to International Financial Reporting Standards (AEIFRS) for 2005-06 and all forward years.

## Net Debt

Net Debt is projected to be \$6.7 billion at 30 June 2009, \$541 million higher than the Budget estimate. This broadly reflects the deterioration in the Budget Result for 2008-09 since budget time.

**Figure 1.2: General Government Underlying Net Debt (a)**



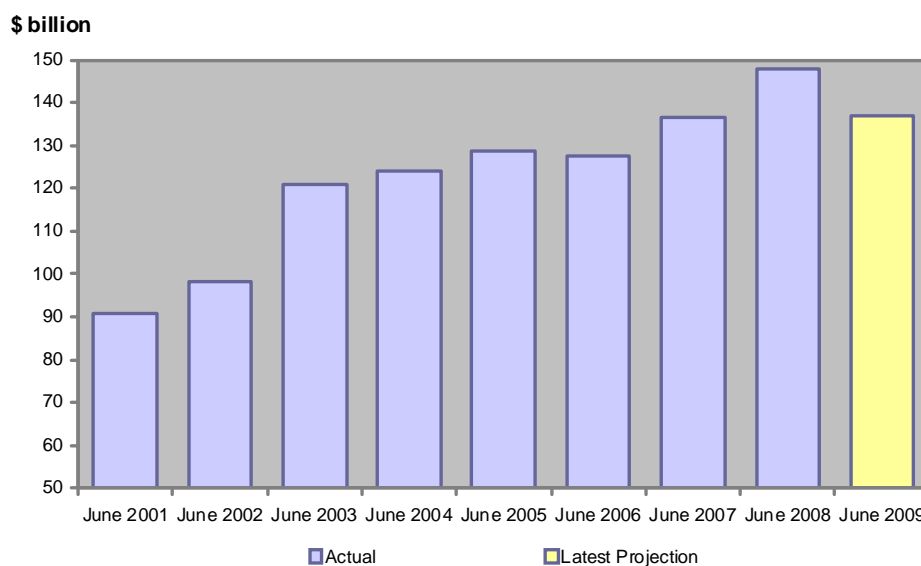
(a) Net debt has been adjusted to exclude the impact of prepaid superannuation contributions and transactions of the General Government Liability Management Fund.

## Net Worth

General Government sector net worth is projected to be \$136.8 billion in June 2009. This is \$5.1 billion below the budget time estimate, comprising an increase in total liabilities of \$13.2 billion offset by an increase in total assets of \$8.1 billion.

The increase in liabilities arises from the revaluation of superannuation liabilities noted above. The increase in assets arises principally from asset revaluations.

**Figure 1.3: Net Worth of the General Government Sector (a)**



(a) Statements have been prepared assuming existing Australian Accounting Standards (AGAAP) for all years up to and including 2004-05 and Australian Equivalents to International Financial Reporting Standards (AEIFRS) for 2005-06 and all forward years.

# GENERAL GOVERNMENT CASHFLOW STATEMENT

**Table 1.4: 2008-09 Cash Flow Statement**

|   | 2007-08         | 2008-09         |                 |                | 4 Months to     |
|---|-----------------|-----------------|-----------------|----------------|-----------------|
|   | Actual          | Budget          | Projection      | Variance       | 31/10/2008      |
|   | \$m             | \$m             | \$m             | \$m            | Actual          |
|   |                 |                 |                 |                | \$m             |
| <b>Cash Receipts from Operating Activities</b>                                      |                 |                 |                 |                |                 |
| Taxes received  | 18,112          | 19,063          | 18,358          | (705)          | 5,537           |
| Receipts from sale of goods & services  | 3,842           | 3,921           | 4,435           | 514            | 1,272           |
| Grants & subsidies received   | 20,003          | 20,716          | 21,683          | 967            | 7,058           |
| Interest receipts   | (174)           | 774             | 549             | (225)          | 153             |
| Dividends and income tax equivalents  | 1,898           | 1,710           | 1,915           | 205            | 926             |
| Other receipts  | 4,030           | 3,975           | 4,790           | 815            | 1,477           |
| <b>Total operating receipts</b>   | <b>47,711</b>   | <b>50,159</b>   | <b>51,730</b>   | <b>1,571</b>   | <b>16,423</b>   |
| <b>Cash Payments for Operating Activities</b>                                       |                 |                 |                 |                |                 |
| Payments for employees  | (22,274)        | (23,260)        | (23,646)        | (386)          | (7,986)         |
| Payments for goods and services   | (10,942)        | (11,657)        | (11,852)        | (195)          | (4,167)         |
| Grants and subsidies paid   | (8,455)         | (7,904)         | (8,949)         | (1,045)        | (2,983)         |
| Interest paid   | (927)           | (1,004)         | (953)           | 51             | (295)           |
| Other payments  | (2,813)         | (2,581)         | (2,693)         | (112)          | (242)           |
| <b>Total operating payments</b>   | <b>(45,410)</b> | <b>(46,406)</b> | <b>(48,093)</b> | <b>(1,687)</b> | <b>(15,673)</b> |
| <b>Net cash flows from operating activities</b>                                     | <b>2,301</b>    | <b>3,753</b>    | <b>3,637</b>    | <b>(116)</b>   | <b>750</b>      |
| <b>Net cash flows from investments in Non-Financial Assets</b>                      |                 |                 |                 |                |                 |
| Sale of Non-Financial Assets  | 505             | 595             | 572             | (23)           | 116             |
| Purchases of New Non-Financial Assets   | (4,313)         | (5,159)         | (5,118)         | 41             | (1,452)         |
| <b>Total Cash Flows from Investments in Non-Financial Assets</b>                    | <b>(3,808)</b>  | <b>(4,564)</b>  | <b>(4,546)</b>  | <b>18</b>      | <b>(1,336)</b>  |
| <b>Cash Flows from Investments from Financial Assets for Policy Purposes</b>        |                 |                 |                 |                |                 |
| Receipts (from advances repaid and equity disposals)                                | 112             | 195             | 187             | (8)            | 2               |
| Payments (for advances made and equity transactions)                                | (55)            | (251)           | (247)           | 4              | (29)            |
| <b>Total Cash Flows from Investments in Financial Assets for Policy Purposes</b>    | <b>57</b>       | <b>(56)</b>     | <b>(60)</b>     | <b>(4)</b>     | <b>(27)</b>     |
| <b>Net cash flows from investments from Financial Assets for Liquidity Purposes</b> |                 |                 |                 |                |                 |
| Receipts from sale/maturity of investments  | 1,212           | 121             | 136             | 15             | 121             |
| Payments for purchases of investments   | (57)            | (738)           | (475)           | 263            | (461)           |
| <b>Net cash flows from investments in financial assets for liquidity purposes</b>   | <b>1,156</b>    | <b>(617)</b>    | <b>(339)</b>    | <b>278</b>     | <b>(340)</b>    |
| <b>Net Cash Flows from Financing Activities</b>                                     |                 |                 |                 |                |                 |
| Advances received   | 0               | ...             | ...             | ...            | 20              |
| Advances repaid   | (49)            | (51)            | (50)            | 1              | (3)             |
| Proceeds from borrowings  | 375             | 2,237           | 2,937           | 700            | 1,596           |
| Repayments of borrowings  | (167)           | (482)           | (951)           | (469)          | (18)            |
| Deposits received (net)   | 5               | 9               | (44)            | (53)           | 7               |
| Other financing (net)   | ...             | ...             | ...             | ...            | (12)            |
| <b>Total Cash Flows from Financing Activities</b>                                   | <b>165</b>      | <b>1,713</b>    | <b>1,891</b>    | <b>178</b>     | <b>1,590</b>    |
| <b>Net Increase/(Decrease) in Cash Held</b>   | <b>(130)</b>    | <b>229</b>      | <b>583</b>      | <b>354</b>     | <b>637</b>      |
| Net cash flows from operating activities  | 2,301           | 3,753           | 3,637           | (116)          | 750             |
| Net cash flows from investments in non-financial assets                             | (3,808)         | (4,564)         | (4,546)         | 18             | (1,336)         |
| <b>Cash Surplus/(Deficit)</b>   | <b>(1,507)</b>  | <b>(811)</b>    | <b>(909)</b>    | <b>(98)</b>    | <b>(586)</b>    |

The projected cash deficit for 2008-09 is \$909 million compared with an \$811 million deficit estimated in the 2008-09 Budget. The cash result has deteriorated less than the Budget Result since budget time because additional cash receipts received in 2008-09, including dividends and tax equivalent payments and mining exploration leases, are brought to account as revenue in different accounting periods under accounting standards.

## 1.2 FORWARD ESTIMATES 2008-09 TO 2011-12

**Table 1.5: General Government Sector Operating Statement - 2008-09 to 2011-12**

|   | 2007-08<br>Actual<br>\$m | 2008-09<br>Latest Projection<br>\$m | 2009-10<br>Estimate<br>\$m | 2010-11<br>Estimate<br>\$m | 2011-12<br>Estimate<br>\$m |
|---|--------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|
| <b>State Revenues</b>   |                          |                                     |                            |                            |                            |
| Taxation  | 18,548                   | 17,827                              | 19,344                     | 20,270                     | 21,270                     |
| Grant Revenue   |                          |                                     |                            |                            |                            |
| - Commonwealth - general purpose                                | 11,942                   | 12,570                              | 13,700                     | 14,738                     | 15,547                     |
| - Commonwealth - specific purpose                               | 7,577                    | 8,617                               | 8,328                      | 8,804                      | 9,576                      |
| - Other grants and contributions                                | 1,115                    | 882                                 | 865                        | 852                        | 834                        |
| Sale of goods and services                                      | 3,611                    | 3,736                               | 3,908                      | 4,046                      | 4,126                      |
| Interest income   | (196)                    | 535                                 | 589                        | 582                        | 603                        |
| Dividend and income tax equivalent<br>income from other sectors | 2,063                    | 1,703                               | 2,042                      | 2,184                      | 2,330                      |
| Dividends from associates                                       | ...                      | ...                                 | 58                         | 58                         | 87                         |
| Fines, regulatory fees and other revenue                        | 1,829                    | 2,853                               | 3,051                      | 3,492                      | 3,109                      |
| <b>TOTAL REVENUES</b>   | <b>46,489</b>            | <b>48,723</b>                       | <b>51,885</b>              | <b>55,026</b>              | <b>57,482</b>              |
| <b>Expenses</b>   |                          |                                     |                            |                            |                            |
| Employee expenses   | 20,386                   | 21,566                              | 22,879                     | 24,009                     | 25,495                     |
| Superannuation expenses   |                          |                                     |                            |                            |                            |
| - Superannuation interest cost                                  | 477                      | 703                                 | 707                        | 827                        | 940                        |
| - Other superannuation expenses                                 | 1,894                    | 1,952                               | 2,048                      | 2,033                      | 2,035                      |
| Depreciation and amortisation                                   | 2,466                    | 2,643                               | 2,818                      | 2,954                      | 3,072                      |
| Interest expenses   | 1,299                    | 1,396                               | 1,508                      | 1,644                      | 1,714                      |
| Other property expenses   | ...                      | 1                                   | 1                          | 1                          | 1                          |
| Other operating expenses  | 9,485                    | 10,172                              | 10,764                     | 11,186                     | 11,608                     |
| Grant expenses  |                          |                                     |                            |                            |                            |
| - Current grant and subsidies                                   | 8,138                    | 8,212                               | 8,423                      | 8,720                      | 9,059                      |
| - Capital grants  | 2,271                    | 2,790                               | 2,568                      | 3,128                      | 2,745                      |
| <b>TOTAL EXPENSES</b>   | <b>46,416</b>            | <b>49,435</b>                       | <b>51,716</b>              | <b>54,502</b>              | <b>56,669</b>              |
| <b>BUDGET RESULT</b>  | <b>73</b>                | <b>(712)</b>                        | <b>169</b>                 | <b>524</b>                 | <b>813</b>                 |

|   | 2007-08<br>Actual<br>\$m | 2008-09<br>Latest Projection<br>\$m | 2009-10<br>Estimate<br>\$m | 2010-11<br>Estimate<br>\$m | 2011-12<br>Estimate<br>\$m |
|---|--------------------------|-------------------------------------|----------------------------|----------------------------|----------------------------|
| <b>Other economic flows included in the operating result</b>  |                          |                                     |                            |                            |                            |
| Other revenue (dividends from asset sale proceeds)            | ...                      | ...                                 | 57                         | ...                        | ...                        |
| Share of net profit/(loss) from associates excluding dividend | 77                       | 116                                 | 62                         | 52                         | 42                         |
| Net actuarial superannuation gains/(losses)                   | (3,104)                  | (12,123)                            | 2,685                      | 2,403                      | (136)                      |
| Other net gains/(losses)                                      | (187)                    | (456)                               | 409                        | 343                        | 512                        |
| <b>Operating result (accounting basis)</b>                    | <b>(3,142)</b>           | <b>(13,175)</b>                     | <b>3,382</b>               | <b>3,322</b>               | <b>1,231</b>               |
| <b>Other economic flows - other movements in equity</b>       |                          |                                     |                            |                            |                            |
| Revaluations  | 6,683                    | 1,643                               | 982                        | 1,069                      | 1,067                      |
| Net gain/(loss) on equity investments in other sectors        | 7,234                    | 111                                 | 2,953                      | 3,055                      | 2,211                      |
| Net gain/(loss) on financial instruments at fair value        | 574                      | 29                                  | 5                          | (1)                        | (1)                        |
| <b>Comprehensive result - total change in net worth</b>       | <b>11,349</b>            | <b>(11,392)</b>                     | <b>7,322</b>               | <b>7,445</b>               | <b>4,508</b>               |
| <b>Key Fiscal Aggregates</b>                                  |                          |                                     |                            |                            |                            |
| <b>Comprehensive result - total change in net worth</b>       | <b>11,349</b>            | <b>(11,392)</b>                     | <b>7,322</b>               | <b>7,445</b>               | <b>4,508</b>               |
| less: Net other economic flows                                | (11,277)                 | 10,680                              | (7,153)                    | (6,921)                    | (3,695)                    |
| <b>equals: Budget Result - net operating balance</b>          | <b>72</b>                | <b>(712)</b>                        | <b>169</b>                 | <b>524</b>                 | <b>813</b>                 |
| <b>less: Net acquisition of non-financial assets</b>          |                          |                                     |                            |                            |                            |
| Purchase of non-financial assets                              | 4,419                    | 5,117                               | 5,326                      | 5,362                      | 4,890                      |
| Sales of non-financial assets                                 | (495)                    | (569)                               | (880)                      | (729)                      | (865)                      |
| less: Depreciation  | (2,466)                  | (2,643)                             | (2,818)                    | (2,954)                    | (3,072)                    |
| plus: Change in inventories                                   | (7)                      | 1                                   | 3                          | ...                        | ...                        |
| plus: Other movements in non-financial assets                 |                          |                                     |                            |                            |                            |
| - Assets acquired under finance leases                        | 251                      | 417                                 | 99                         | 276                        | 118                        |
| - Other   | 229                      | (39)                                | 25                         | (184)                      | 53                         |
| <b>equals: Total Net acquisition of non-financial assets</b>  | <b>1,931</b>             | <b>2,285</b>                        | <b>1,756</b>               | <b>1,772</b>               | <b>1,123</b>               |
| <b>equals: Net Lending/(borrowing) [Fiscal Balance]</b>       | <b>(1,859)</b>           | <b>(2,996)</b>                      | <b>(1,587)</b>             | <b>(1,247)</b>             | <b>(311)</b>               |
| <b>OTHER AGGREGATES</b>                                       |                          |                                     |                            |                            |                            |
| Capital Expenditure   | 4,670                    | 5,534                               | 5,425                      | 5,638                      | 5,008                      |
| <b>Cash Surplus/(Deficit)</b>                                 | <b>(1,507)</b>           | <b>(909)</b>                        | <b>(1,077)</b>             | <b>(494)</b>               | <b>357</b>                 |
| <b>Net Debt</b>   | <b>4,942</b>             | <b>6,732</b>                        | <b>7,849</b>               | <b>8,449</b>               | <b>8,059</b>               |
| <b>Net Financial Liabilities<sup>(a)</sup></b>                | <b>29,664</b>            | <b>45,225</b>                       | <b>44,027</b>              | <b>42,683</b>              | <b>42,978</b>              |

(a) Excludes PTE/PFE Equity.

Table 1.5 above, sets out revised operating statements for 2008-09 and the forward estimates, as well as the key balance sheet aggregates – net financial liabilities and net debt.

The Mini-Budget incorporated a significant restatement of the operating statements for 2008-09 and the forward years. Since the Mini-Budget the operating statements have been further revised to take account of:

- The outcome of the Council of Australian Governments (COAG) negotiations held on 29 November 2008 which sees a significant front loading of Commonwealth funding into 2008-09
- A bringing forward of Budget funding to the rail and housing sectors
- Further deterioration in world financial markets impacting returns on investments and expenses linked to the level of interest rates.

## Net Financial Liabilities

**Table 1.6: Projected General Government Net Financial Liabilities**

|                             | 30 June |        |        |        |
|-----------------------------|---------|--------|--------|--------|
|                             | 2009    | 2010   | 2011   | 2012   |
| 2008-09 Budget              |         |        |        |        |
| - \$m                       | 31,336  | 34,784 | 35,830 | 36,511 |
| - % of GSP                  | 8.1     | 8.5    | 8.3    | 8.0    |
| Half - Yearly Budget Review |         |        |        |        |
| - \$m                       | 45,225  | 44,027 | 42,683 | 42,978 |
| - % of GSP                  | 12.0    | 11.2   | 10.3   | 9.8    |

The principal reason for the change in net financial liabilities since the Budget is an increase in unfunded superannuation liabilities of \$12.7 billion in June 2009 and an increase of between \$5.6 billion and \$7.8 billion in each of the following three years. As noted above, this reflects the significant deterioration in the value of financial assets held by the fund trustees due to the significant falls in financial markets, as well the impact of the lower interest rates on the valuation of the gross liability in June 2009 and June 2010.

## Net Debt

**Table 1.7: Projected General Government Net Debt**

|                             | 30 June |       |       |       |
|-----------------------------|---------|-------|-------|-------|
|                             | 2009    | 2010  | 2011  | 2012  |
| 2008-09 Budget              |         |       |       |       |
| - \$m                       | 6,191   | 6,922 | 7,467 | 7,809 |
| - % of GSP                  | 1.6     | 1.7   | 1.7   | 1.7   |
| Half - Yearly Budget Review |         |       |       |       |
| - \$m                       | 6,732   | 7,849 | 8,449 | 8,059 |
| - % of GSP                  | 1.8     | 2.0   | 2.0   | 1.8   |

General Government net debt is projected to be \$541 million higher at June 2009 than estimated at budget time, principally because of the deterioration in the Budget result in 2008-09. By the end of the forward estimates period net debt is expected to move closer to the budget time estimate due principally to the impact of the additional asset sales identified in the Mini-Budget.

## 2. ECONOMIC OUTLOOK

At the time of the 2008-09 Budget, growth in the Australian and NSW economies was expected to slow in 2008-09. This reflected the view that the contractionary effect of higher domestic interest rates and slower global growth would more than offset the stimulus from ongoing increases in the terms of trade and federal income tax cuts.

As discussed in the 2008 Mini-Budget many downside risks have been realised with recessions becoming evident in many developed economies, sharp declines in commodity markets, and credit markets that continue to be impaired. As a result, the Mini-Budget economic forecasts, released on 11 November, contained downward revisions to the NSW economic outlook.

In Australia, monetary policy has been eased aggressively to below neutral levels, and a significant federal fiscal stimulus package has been implemented. The revised economic forecasts in the Mini-Budget assumed that further monetary easing would be forthcoming. While global growth prospects have deteriorated further since the Mini-Budget, the response by global authorities and the RBA (Reserve Bank of Australia) has been more than expected. As a consequence, while risks remain, the forecasts for the NSW economy contained in the Half-Yearly Budget Review are unchanged relative to the Mini-Budget. Global credit concerns persist, notwithstanding concerted international efforts to ease them. The key uncertainty in the forecasts is the length of time it will take for credit markets to regain some stability. The longer the process takes, the greater will be the impact on global and Australian economic activity.

### NEW SOUTH WALES ECONOMY

Following strong growth through late 2007, the NSW economy has slowed considerably during 2008, as discussed in the Mini-Budget. While slower growth was anticipated at Budget-time, the slowdown has been steeper than expected.

**Table 2.1 Economic Performance and Outlook** <sup>(a)(b)</sup>

|   | Actual<br>2007-08<br>Outcome | Budget<br>2008-09<br>Forecast | Revised<br>2008-09<br>Forecast | 2009-10<br>Forecast | Medium<br>Term<br>Projection |
|---|------------------------------|-------------------------------|--------------------------------|---------------------|------------------------------|
| State final demand                        | 4.4                          | 2½                            | 1½                             | 1¾                  |                              |
| Gross state product                       | 2.8                          | 2                             | 1¼                             | 1½                  | 3¼                           |
| Employment                                | 2.4                          | 1                             | ½                              | ½                   | 1¼                           |
| Unemployment rate (year average, percent) | 4.6                          | 4¾                            | 5¼                             | 5¾                  |                              |
| Sydney CPI (June qtr on June qtr)         | 4.3                          | 3                             | 3¾                             | 3                   | 2½                           |
| Wage price index                          | 3.8                          | 4                             | 3¾                             | 3½                  | 3½                           |

(a) *Per cent change, year average, unless otherwise indicated*

(b) *Forecasts are unchanged relative to the November Mini-Budget*

NSW economic output (GSP) growth is expected to slow from 2.8 per cent in 2007-08 to 1¼ per cent in 2008-09 (lower than the 2 per cent expected at Budget-time) and to strengthen to 1½ per cent in 2009-10. State final demand growth is expected to slow more significantly from 4.4 per cent in 2007-08 to 1½ per cent in 2008-09.

Slower demand and output growth will see a continued easing in employment conditions. Employment growth is expected to slow below trend to ½ per cent in 2008-09. The unemployment rate is expected to rise modestly, averaging 5¼ per cent in 2008-09 (in the first five months of 2008-09 the unemployment rate averaged 5.0 per cent).

Consumer price inflation is expected to slow from recent highs through the second half of 2008-09 and into 2009-10. Slower demand growth and economic activity should see the inflation rate, as measured by the Sydney CPI (consumer price index), move back within the RBA target range over time, although the recent sharp depreciation in the Australian dollar will slow the decline. Over the year to the June quarter 2009, inflation is forecast to rise by 3¾ per cent.

## Recent Developments

Most data released since the 11 November Mini-Budget indicates a further softening in the global economy with activity slowing sharply in October and November. OECD (Organisation for Economic Cooperation and Development) countries continued to weaken, with the United States, the United Kingdom, euro area and Japan entering recession, and steeply increased job losses particularly in the United States. China also recorded a sharp slowing in activity. The OECD projected that growth would fall in most member economies in 2009, although Australia might be an exception. They commented<sup>1</sup>:

A severe downturn is in prospect. Activity is already declining in most major OECD economies and is expected to weaken further in the short-term, with area-wide OECD growth likely to be negative for a number of quarters and remain feeble for the remainder of 2009. For most OECD countries a recovery to at least the trend growth rate is not expected before the second half of 2010 implying that the downturn is likely to be the most severe since the early 1980s, leading to a sharp rise in unemployment. Widening slack and, more immediately, the effect of lower commodity prices will bring about a sharp reduction in inflation.

Global share markets continued to lose ground, and the world oil price slid to near US\$40 a barrel for the first time in four years.

In Australia, the national accounts release on 3 December showed the September quarter 2008 to have been the slowest quarter of economic activity in eight years. More recent partial data point to declines in building activity, motor vehicle sales, retail trading, employment prospects and business confidence during the December quarter. Indicators of inflation also receded.

The RBA responded with a further large 1 percentage point cut in the cash rate at its December meeting, bringing its cumulative easing since September to 3.0 percentage points. In early December the Commonwealth's Fiscal Stimulus package commenced injecting \$10.4 billion in payments to pensioners, families, carers and first home buyers.

In fixed interest markets, global flight from riskier assets continued to drive down yields on government securities. In Australia the yield on Commonwealth 10-year bond futures dropped from 5.3 per cent in mid-November to 4.3 per cent by early December 2008. As recently as July 2008, Commonwealth bonds were yielding 6.5 per cent.

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<sup>1</sup> OECD, *Economic Outlook (Preliminary Edition), November 2008, page 9*

The two most important but more dated aggregate indicators released for New South Wales after the Mini-Budget were both stronger than expected. The national accounts reported that quarterly growth in NSW state final demand growth accelerated to 0.6 per cent in the September quarter, well above the upwardly-revised 0.2 per cent June quarter result. This followed the announcement of a solid 2.8 per cent increase in NSW gross state product for 2007-08 in the annual state accounts released on 14 November. However recent partial indicators suggest that activity will slow ahead.

The labour market remained fairly firm through November on the momentum of output strength earlier in the year. Since peaking in April 2008 trend employment has eased very gradually and trend unemployment has edged very slowly higher. In the first five months of 2008-09 employment averaged 1.0 per cent higher than in 2007-08, and the unemployment rate averaged 5.0 per cent. Leading indicators of employment remain soft. ANZ (Australia and New Zealand Banking Group Limited) job advertisements in New South Wales fell for their seventh consecutive month in November, while DEEWR's (Australian Department of Education, Employment and Workplace Relations) skilled vacancies survey recorded its twelfth consecutive monthly decline in November.

## Prospects

Given the very sharp downturn in global and domestic economic activity indicators since mid-September 2008, downside risks to the NSW economic outlook are clearly present. However, there are a number of factors which will support the economy, and prepare for a recovery in 2009-10.

- The aggressive RBA interest rate cuts will impact quickly for mortgage holders and potential mortgage holders. Unlike the United States, the great bulk of mortgages in Australia are floating rather than fixed rate, and hence Australian monetary policy is more effective in its impact on the housing sector than US monetary policy. Given that NSW mortgages are higher than the national average, NSW will benefit most from interest rate reductions. Further declines in official rates are anticipated by markets.
- While a substantial federal fiscal stimulus is already in place, the Federal Government has indicated that should conditions require it, further stimulus will be forthcoming.
- The 24.2 per cent increase in NSW total state capital expenditure in 2008-09 is providing support for NSW economic activity and jobs. The increase in the total net lending deficit, from \$4.7 billion in 2007-08 to \$8 billion in 2008-09, represents a significant fiscal stimulus in New South Wales.
- The recent sharp depreciation of the Australian dollar will also provide support for the NSW manufacturing and services sectors.
- Latest projections from ABARE (Australian Bureau of Agricultural and Resource Economics) for the 2008-09 crop year, while marginally below previous estimates, continue to suggest a strong rebound in farm production and rural exports from the drought-affected 2007-08 result.

### 3. STATE INFRASTRUCTURE STRATEGY

The Mini-Budget resulted in significant changes to the Government's capital program over both the forward estimates period and over the next decade. The capital reprioritisation beyond the forward estimates period was not detailed in the Mini-Budget, but a summary of the changes are presented below.

Total State capital expenditure over the SIS period of 2008-09 to 2017-18 has reduced from \$143 billion to \$139 billion, with a cumulative reduction over the period 2008-09 to 2011-12 of \$727 million and a reduction of \$3.4 billion from 2012-13 to 2017-18.

**Table 3.1 Major Changes between June 2008 SIS and November 2008 SIS**

|  | <b>2008-09<br/>to<br/>2011-12<br/>\$m</b> | <b>2012-13<br/>to<br/>2017-18<br/>\$m</b> | <b>Total<br/>\$m</b> |
|--|---|---|----------------------|
| <b>SIS June 2008</b>                     | <b>57,641</b>                             | <b>85,418</b>                             | <b>143,059</b>       |
| <b>Major Project changes</b>             |   |   |                      |
| PTE Transport – total                    | -801                                      | -6,347                                    | -7,148               |
| <i>Defer NW Metro</i>                    | -2,789                                    | -9,172                                    | -11,961              |
| <i>Approve CBD Metro</i>                 | 1,845                                     | 2,977                                     | 4,822                |
| <i>Defer South West Rail stage 2</i>     | -462                                      | -152                                      | -614                 |
| <i>Revised Clearways</i>                 | 235                                       | 0   | 235                  |
| <i>Additional OSCAR train sets</i>       | 370                                       | 0   | 370                  |
| Electricity generation                   | 239                                       | 4,278                                     | 4,516                |
| Electricity network and transmission     | -991                                      | -160                                      | -1,151               |
| Sydney Water                             | 3   | -36                                       | -32                  |
| Sydney Ports                             | 72  | -4  | 67                   |
| Other PTEs (includes reductions in SHFA) | 426                                       | -1,112                                    | -686                 |
| <b>Total PTE changes</b>                 | <b>-1,052</b>                             | <b>-3,381</b>                             | <b>-4,433</b>        |
| <b>General Government</b>                |   |   |                      |
| Bus acquisitions                         | 195                                       | 0   | 195                  |
| RTA (mainly Pacific Highway)             | -245                                      | 0   | -245                 |
| Education (minor works)                  | 257                                       | 0   | 257                  |
| Other General Government                 | 118                                       | 0   | 118                  |
| <b>Total General Government changes</b>  | <b>325</b>                                | <b>0</b>                                  | <b>325</b>           |
| <b>Total State capital changes</b>       | <b>-727</b>                               | <b>-3,381</b>                             | <b>-4,108</b>        |
| <b>SIS November 2008</b>                 | <b>56,914</b>                             | <b>82,037</b>                             | <b>138,951</b>       |

The Mini-Budget also resulted in significant reductions to specific budget capital risks including:

**Health:** by aligning the timing, costs and priorities of Health's capital program to ensure delivery within approved funding limits;

**Rail:** by reprioritising the capital program, including:

- indefinite deferral of the North West Metro and approval of the CBD Metro. The revised metro strategy will facilitate increased CityRail western services and provide increased CBD track and station capacity, thus substantially reducing these previous risks;
- Cancellation or deferral of some Clearways projects, thus offsetting the previously identified risk resulting from project cost increases; and
- Deferring South West Rail Link stage 2, offset by the purchase of OSCAR rolling stock (a previously identified risk).

**Electricity:** The revised electricity strategy aims to encourage private investment (particularly for the first tranche of base load requirements) by withdrawing the Government from electricity retailing, transferring to the private sector power station development sites and the right to trade the output of publicly owned generators.

The Government is confident that these transactions will result in adequate private sector investment, particularly for the first tranche of base load.

The updated SIS projections comprise:

- Net General Government capital expenditure estimates increased by \$325 million for the four years to 2011-12 due to Mini-Budget measures and recent COAG funding decisions. The major increases are for additional buses (part funded by increased revenue from the Harbour Bridge toll changes and Parking Space Levy changes) and school capital works (fully funded by Department of Education and Training asset sales).

For the period 2012-13 to 2017-18, no changes have been made to General Government capital compared to the June 2008 SIS estimates.

- PTE estimates have decreased by \$4.4 billion over the 10 years to 2017-18 due to:
  - \$7.1 billion saving in public transport, mainly resulting from reprioritisation within the rail capital program, as discussed above
  - \$3.4 billion net increase in electricity sector expenditure, resulting from the provision in the second half of the SIS period to allow the Government to invest in base load generation in the event the private sector fails to commit to developing adequate capacity and
  - \$651 million decrease in other PTEs (including Sydney Water and Sydney Ports), due to improved forecasts based on latest Statement of Corporate Intent data beyond the forward estimates period. This includes a reduction for Sydney Harbour Foreshore Authority as a result of planned asset sales and revised plans for Barangaroo.

## APPENDIX A: UNIFORM PRESENTATION OF GOVERNMENT FINANCE STATISTICS

A Uniform Presentation Framework (UPF) for financial aggregates has been agreed between the Commonwealth, State and Territory Governments.

As part of the Framework, each jurisdiction is to publish a mid year report, i.e. a Half-Yearly Budget Review, by the end of February each year. The UPF tables are no longer prepared on a pure Government Finance Statistics (GFS) basis. The UPF tables have been prepared consistent with the 2008-09 Budget, in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard adopts a harmonised GFS-GAAP reporting basis. The main differences in reporting on a AASB 1049 basis compared with a GFS basis are outlined on pages 10-6 to 10-9 of 2008-09 Budget Paper No.2.

This UPF report includes operating statements, balance sheets and cash flow statements for the NSW General Government Sector, Public Non-Financial Corporation Sector and Total Non-Financial Public Sector. In the GFS classification scheme each state public sector body is categorised into one of three sectors:

- General Government (GG), which covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms;
- Public Non-financial Corporations (PNFC)<sup>(a)</sup> which are largely self-funded from user charges and have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed (PNFCs are responsible for supplying public infrastructure services, including electricity, ports, water and public transport); and
- Public Financial Corporations (PFC)<sup>(b)</sup> which may accept demand time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account (an example of a PFC is NSW Treasury Corporation).

The Half-Yearly Budget Review presents revised fiscal estimates for the current Budget year and the three following years for the GG Sector. In addition, revised estimates are presented for the PNFC Sector and the Total Non-financial Public Sector (i.e. a consolidation of the GG Sector and the PNFC Sector). These revised estimates take into account fiscal and economic developments since the commencement of the budget year.

The Half-Yearly Budget Review also includes a revised estimate of the Loan Council Allocation.

A glossary of terms used in this Half Yearly Review and in the 2008-09 Budget can be found in Appendix G of 2008-09 Budget Paper No. 2.

### Notes:

(a) The PNFC sector was formerly known as the Public Trading Enterprise or PTE sector.

(b) The PFC sector was formerly known as the Public Financial Enterprise or PFE sector.

**Table A-1: NSW General Government Sector Operating Statement**

|   | Budget<br>2008-09<br>\$m | Revised<br>Estimates<br>2008-09<br>\$m | Forward Estimates |                |                |
|---|--------------------------|--|-------------------|----------------|----------------|
|   |                          |  | 2009-10<br>\$m    | 2010-11<br>\$m | 2011-12<br>\$m |
| <b>Revenue</b>  |                          |  |                   |                |                |
| Taxation revenue  | 18,533                   | 17,827                                 | 19,344            | 20,270         | 21,270         |
| Grant revenue   |                          |  |                   |                |                |
| - Commonwealth- general purpose                                     | 13,020                   | 12,570                                 | 13,700            | 14,738         | 15,547         |
| - Commonwealth- specific purpose <sup>(a)</sup>                     | 7,249                    | 8,617                                  | 8,328             | 8,804          | 9,576          |
| - Other grants and contributions                                    | 782                      | 882                                    | 865               | 852            | 834            |
| Sales of goods and services revenue                                 | 3,620                    | 3,736                                  | 3,908             | 4,046          | 4,126          |
| Interest income   | 706                      | 535                                    | 589               | 582            | 603            |
| Dividend and income tax equivalent revenue from other sectors       | 1,796                    | 1,703                                  | 2,042             | 2,184          | 2,330          |
| Dividend and income tax equivalent revenue from associates          | ...                      | ...                                    | 58                | 58             | 87             |
| Fines, regulatory fees and other revenue                            | 2,175                    | 2,853                                  | 3,051             | 3,492          | 3,109          |
| <b>Total revenue</b>  | <b>47,882</b>            | <b>48,723</b>                          | <b>51,885</b>     | <b>55,026</b>  | <b>57,482</b>  |
| <b>less Expenses</b>  |                          |  |                   |                |                |
| Employee expenses   | 21,065                   | 21,566                                 | 22,879            | 24,009         | 25,495         |
| Superannuation expenses   |                          |  |                   |                |                |
| - Superannuation interest cost                                      | 598                      | 703                                    | 707               | 827            | 940            |
| - Other superannuation expenses                                     | 1,916                    | 1,952                                  | 2,048             | 2,033          | 2,035          |
| Depreciation and amortisation expenses                              | 2,603                    | 2,643                                  | 2,818             | 2,954          | 3,072          |
| Interest expenses   | 1,440                    | 1,396                                  | 1,508             | 1,644          | 1,714          |
| Other property expenses   | 3                        | 1                                      | 1                 | 1              | 1              |
| Other operating expenses  | 10,064                   | 10,172                                 | 10,764            | 11,186         | 11,608         |
| Grant expenses  |                          |  |                   |                |                |
| - Current grants and subsidies <sup>(a)</sup>                       | 7,963                    | 8,212                                  | 8,423             | 8,720          | 9,059          |
| - Capital grants <sup>(a)</sup>                                     | 1,962                    | 2,790                                  | 2,568             | 3,128          | 2,745          |
| <b>Total expenses</b>   | <b>47,614</b>            | <b>49,435</b>                          | <b>51,716</b>     | <b>54,502</b>  | <b>56,669</b>  |
| <b>equals BUDGET RESULT-SURPLUS/(DEFICIT) Net operating balance</b> | <b>268</b>               | <b>(712)</b>                           | <b>169</b>        | <b>524</b>     | <b>813</b>     |
| <b>plus Other economic flows</b>                                    |                          |  |                   |                |                |
| Other revenue (dividends from asset sale proceeds)                  | ...                      | ...                                    | 57                | ...            | ...            |
| Share of net profit/(loss) from associates excluding dividends      | 114                      | 116                                    | 62                | 52             | 42             |
| Net actuarial superannuation gains/(losses)                         | (79)                     | (12,123)                               | 2,685             | 2,403          | (136)          |
| Other net gains/(losses)  | (114)                    | (456)                                  | 409               | 343            | 512            |
| <b>Operating result (accounting basis)</b>                          | <b>189</b>               | <b>(13,175)</b>                        | <b>3,382</b>      | <b>3,322</b>   | <b>1,231</b>   |
| Revaluations  | 911                      | 1,643                                  | 982               | 1,069          | 1,067          |
| Net gain/(loss) on equity investments in other sectors              | 1,584                    | 111                                    | 2,953             | 3,055          | 2,211          |
| Net gain/(loss) on financial instruments at fair value              | 124                      | 29                                     | 5                 | (1)            | (1)            |
| <b>equals Comprehensive result - total change in net worth</b>      | <b>2,808</b>             | <b>(11,392)</b>                        | <b>7,322</b>      | <b>7,445</b>   | <b>4,508</b>   |
| <b>KEY FISCAL AGGREGATES</b>  |                          |  |                   |                |                |
| <b>Comprehensive result - total change in net worth</b>             | <b>2,808</b>             | <b>(11,392)</b>                        | <b>7,322</b>      | <b>7,445</b>   | <b>4,508</b>   |
| Less: Net other economic flows                                      | 2,540                    | (10,680)                               | 7,153             | 6,921          | 3,695          |
| <b>Net operating balance</b>  | <b>268</b>               | <b>(712)</b>                           | <b>169</b>        | <b>524</b>     | <b>813</b>     |
| <b>less Net acquisition of non-financial assets</b>                 |                          |  |                   |                |                |
| Purchases of non-financial assets <sup>(b)</sup>                    | 5,158                    | 5,117                                  | 5,326             | 5,362          | 4,890          |
| Sales of non-financial assets                                       | (594)                    | (569)                                  | (880)             | (729)          | (865)          |
| less Depreciation   | (2,603)                  | (2,643)                                | (2,818)           | (2,954)        | (3,072)        |
| plus Change in inventories  | (2)                      | 1                                      | 3                 | ...            | ...            |
| plus Other movements in non-financial assets                        |                          |  |                   |                |                |
| - assets acquired under finance leases <sup>(b)</sup>               | 319                      | 417                                    | 99                | 276            | 118            |
| - other   | 15                       | (39)                                   | 26                | (184)          | 53             |
| <b>equals Total net acquisition of non-financial assets</b>         | <b>2,293</b>             | <b>2,284</b>                           | <b>1,756</b>      | <b>1,771</b>   | <b>1,124</b>   |
| <b>equals Net lending / (Borrowing) [Fiscal Balance]</b>            | <b>(2,025)</b>           | <b>(2,996)</b>                         | <b>(1,587)</b>    | <b>(1,247)</b> | <b>(311)</b>   |

Notes:

(a) Grant revenue and expenses above exclude certain transfer payments from the Commonwealth government that New South Wales on-passes to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amount that it on-passes. The transfer payments excluded above amount to \$2,758 million for 2008-09 Budget and Revised Estimates, 2009-10 \$2,937 million, 2010-11 \$3,030 million, and 2011-12 \$3,209 million.

(b) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

**Table A-2: NSW Public Non-financial Corporation Sector Operating Statement**

|  | Budget<br>2008-09<br>\$m | Revised<br>Estimates<br>2008-09<br>\$m | Forward Estimates |                |                |
|--|--------------------------|--|-------------------|----------------|----------------|
|  |                          |  | 2009-10           | 2010-11        | 2011-12        |
|  |                          |  | \$m               | \$m            | \$m            |
| <b>Revenue</b>   |                          |  |                   |                |                |
| Grant revenue  | 3,774                    | 4,311                                  | 4,641             | 5,254          | 4,847          |
| Sales of goods and services revenue <sup>(a)</sup>             | 12,995                   | 14,734                                 | 15,937            | 16,920         | 17,739         |
| Interest income  | 61                       | 79                                     | 62                | 46             | 44             |
| Dividends from associates                                      | 2                        | ...                                    | 3                 | 6              | 8              |
| Other revenue  | 468                      | 476                                    | 484               | 463            | 470            |
| <b>Total revenue</b>   | <b>17,300</b>            | <b>19,600</b>                          | <b>21,127</b>     | <b>22,689</b>  | <b>23,108</b>  |
| <b>less Expenses</b>   |                          |  |                   |                |                |
| Employee expenses  | 4,073                    | 4,142                                  | 4,521             | 4,697          | 4,818          |
| Superannuation expenses  | 322                      | 320                                    | 330               | 341            | 354            |
| Depreciation and amortisation expenses                         | 2,450                    | 2,663                                  | 2,908             | 3,114          | 3,273          |
| Interest expenses  | 1,456                    | 1,475                                  | 1,729             | 2,114          | 2,367          |
| Other property expenses  | 653                      | 616                                    | 796               | 807            | 859            |
| Other operating expenses <sup>(a)</sup>                        | 6,455                    | 8,356                                  | 8,307             | 8,432          | 8,576          |
| Grant expenses   |                          |  |                   |                |                |
| - Current grants and subsidies                                 | 216                      | 239                                    | 225               | 216            | 216            |
| - Capital grants   | 12                       | 12                                     | ...               | ...            | ...            |
| <b>Total expenses</b>  | <b>15,637</b>            | <b>17,823</b>                          | <b>18,816</b>     | <b>19,721</b>  | <b>20,463</b>  |
| <b>equals Net operating balance</b>                            | <b>1,663</b>             | <b>1,777</b>                           | <b>2,311</b>      | <b>2,968</b>   | <b>2,645</b>   |
| <b>plus Other economic flows</b>                               |                          |  |                   |                |                |
| Net actuarial superannuation gains/(losses)                    | (65)                     | (1,924)                                | 279               | 240            | (94)           |
| Other net gains/(losses)                                       | (15)                     | (95)                                   | (93)              | 12             | 36             |
| <b>Operating result (accounting basis)</b>                     | <b>1,583</b>             | <b>(242)</b>                           | <b>2,497</b>      | <b>3,220</b>   | <b>2,587</b>   |
| Revaluations   | 922                      | 1,467                                  | 1,675             | 1,233          | 1,098          |
| Net gain/(loss) on financial instruments at fair value         | 284                      | 68                                     | 11                | (3)            | (2)            |
| <b>equals Comprehensive result - total change in net worth</b> | <b>2,789</b>             | <b>1,293</b>                           | <b>4,183</b>      | <b>4,450</b>   | <b>3,683</b>   |
| <b>KEY FISCAL AGGREGATES</b>                                   |                          |  |                   |                |                |
| <b>Comprehensive result - total change in net worth</b>        | <b>2,789</b>             | <b>1,293</b>                           | <b>4,183</b>      | <b>4,450</b>   | <b>3,683</b>   |
| Less: Net other economic flows                                 | 1,126                    | (484)                                  | 1,872             | 1,482          | 1,038          |
| <b>Net operating balance</b>                                   | <b>1,663</b>             | <b>1,777</b>                           | <b>2,311</b>      | <b>2,968</b>   | <b>2,645</b>   |
| <b>less Net acquisition of non-financial assets</b>            |                          |  |                   |                |                |
| Purchases of non-financial assets <sup>(b)</sup>               | 8,460                    | 8,230                                  | 9,027             | 8,364          | 8,255          |
| Sales of non-financial assets                                  | (287)                    | (303)                                  | (690)             | (621)          | (262)          |
| less Depreciation  | (2,450)                  | (2,673)                                | (2,908)           | (3,114)        | (3,273)        |
| plus Change in inventories                                     | 152                      | 135                                    | 25                | 36             | 49             |
| plus Other movements in non-financial assets                   |                          |  |                   |                |                |
| - assets acquired under finance leases <sup>(b)</sup>          | ...                      | 104                                    | 307               | 490            | 560            |
| - other  | 260                      | 292                                    | 244               | 492            | 256            |
| <b>equals Total net acquisition of non-financial assets</b>    | <b>6,135</b>             | <b>5,785</b>                           | <b>6,005</b>      | <b>5,647</b>   | <b>5,585</b>   |
| <b>equals Net lending / (Borrowing) [Fiscal Balance]</b>       | <b>(4,472)</b>           | <b>(4,008)</b>                         | <b>(3,694)</b>    | <b>(2,679)</b> | <b>(2,940)</b> |

*Notes:*

- (a) Lottery prize revenue was reported on a net basis (ie net of prizes paid) for the 2008-09 Budget. Sale of goods and service revenue and other operating expenses have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross expense, however the original budget column has been presented net as originally published.
- (b) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

**Table A-3: NSW Non-financial Public Sector Operating Statement**

|  | Budget<br>2008-09<br>\$m | Revised<br>Estimates<br>2008-09<br>\$m | Forward Estimates |                |                |
|--|--------------------------|--|-------------------|----------------|----------------|
|  |                          |  | 2009-10<br>\$m    | 2010-11<br>\$m | 2011-12<br>\$m |
| <b>Revenue</b>   |                          |  |                   |                |                |
| Taxation Revenue   | 17,729                   | 17,009                                 | 18,459            | 19,326         | 20,277         |
| Grant revenue  |                          |  |                   |                |                |
| - Commonwealth- general purpose                                | 13,020                   | 12,570                                 | 13,700            | 14,738         | 15,547         |
| - Commonwealth- specific purpose <sup>(a)</sup>                | 7,274                    | 8,642                                  | 8,328             | 8,804          | 9,576          |
| - Other grants and contributions                               | 1,001                    | 1,094                                  | 1,088             | 1,051          | 1,025          |
| Sales of goods and services revenue <sup>(b)</sup>             | 15,920                   | 17,724                                 | 19,090            | 20,213         | 21,095         |
| Interest income  | 714                      | 562                                    | 596               | 570            | 587            |
| Dividend and income tax equivalent revenue from other sectors  | 51                       | 51                                     | 53                | 56             | 56             |
| Dividend and income tax equivalent revenue from associates     | 2                        | ...                                    | 61                | 64             | 95             |
| Fines, regulatory fees and other revenue                       | 2,637                    | 3,271                                  | 3,498             | 3,921          | 3,545          |
| <b>Total revenue</b>   | <b>58,348</b>            | <b>60,923</b>                          | <b>64,873</b>     | <b>68,743</b>  | <b>71,803</b>  |
| <b>less Expenses</b>   |                          |  |                   |                |                |
| Employee expenses  | 24,877                   | 25,447                                 | 27,128            | 28,424         | 30,019         |
| Superannuation expenses  |                          |  |                   |                |                |
| - Superannuation interest cost                                 | 565                      | 694                                    | 696               | 813            | 928            |
| - Other superannuation expenses                                | 2,272                    | 2,280                                  | 2,389             | 2,386          | 2,402          |
| Depreciation and amortisation expenses                         | 5,053                    | 5,306                                  | 5,726             | 6,069          | 6,345          |
| Interest expenses  | 2,705                    | 2,665                                  | 2,996             | 3,483          | 3,776          |
| Other property expenses  | 3                        | 1                                      | 1                 | 1              | 1              |
| Other operating expenses <sup>(b)</sup>                        | 15,851                   | 17,795                                 | 18,336            | 18,878         | 19,426         |
| Grant expenses   |                          |  |                   |                |                |
| - Current grants and subsidies <sup>(a)</sup>                  | 5,381                    | 5,583                                  | 5,618             | 5,874          | 6,231          |
| - Capital grants <sup>(a)</sup>                                | 802                      | 1,123                                  | 695               | 640            | 629            |
| <b>Total expenses</b>  | <b>57,509</b>            | <b>60,894</b>                          | <b>63,585</b>     | <b>66,568</b>  | <b>69,757</b>  |
| <b>equals Net operating balance</b>                            | <b>839</b>               | <b>29</b>                              | <b>1,288</b>      | <b>2,175</b>   | <b>2,046</b>   |
| <b>plus Other economic flows</b>                               |                          |  |                   |                |                |
| Share of net profit/(loss) from associates excluding dividends | 114                      | 116                                    | 62                | 52             | 42             |
| Net actuarial superannuation gains/(losses)                    | (144)                    | (14,047)                               | 2,964             | 2,643          | (230)          |
| Other net gains/(losses)                                       | (129)                    | (551)                                  | 373               | 355            | 548            |
| <b>Operating result (accounting basis)</b>                     | <b>680</b>               | <b>(14,453)</b>                        | <b>4,687</b>      | <b>5,225</b>   | <b>2,406</b>   |
| Revaluations   | 1,834                    | 3,110                                  | 2,657             | 2,302          | 2,165          |
| Net gain/(loss) on equity investments in other sectors         | (3)                      | (16)                                   | 3                 | 6              | 15             |
| Net gain/(loss) on financial instruments at fair value         | 407                      | 96                                     | 16                | (6)            | (4)            |
| <b>equals Comprehensive result - total change in net worth</b> | <b>2,918</b>             | <b>(11,263)</b>                        | <b>7,363</b>      | <b>7,527</b>   | <b>4,582</b>   |
| <b>KEY FISCAL AGGREGATES</b>                                   |                          |  |                   |                |                |
| <b>Comprehensive result - total change in net worth</b>        | <b>2,918</b>             | <b>(11,263)</b>                        | <b>7,363</b>      | <b>7,527</b>   | <b>4,582</b>   |
| Less: Net other economic flows                                 | 2,079                    | (11,292)                               | 6,075             | 5,352          | 2,536          |
| <b>Net operating balance</b>                                   | <b>839</b>               | <b>29</b>                              | <b>1,288</b>      | <b>2,175</b>   | <b>2,046</b>   |
| <b>less Net acquisition of non-financial assets</b>            |                          |  |                   |                |                |
| Purchases of non-financial assets <sup>(c)</sup>               | 13,611                   | 13,341                                 | 14,346            | 13,719         | 13,137         |
| Sales of non-financial assets                                  | (881)                    | (872)                                  | (1,570)           | (1,350)        | (1,128)        |
| less Depreciation  | (5,053)                  | (5,317)                                | (5,726)           | (6,069)        | (6,345)        |
| plus Change in inventories                                     | 150                      | 136                                    | 28                | 37             | 49             |
| plus Other movements in non-financial assets                   |                          |  |                   |                |                |
| - assets acquired under finance leases <sup>(c)</sup>          | 319                      | 521                                    | 406               | 766            | 678            |
| - other  | 275                      | 253                                    | 270               | 309            | 311            |
| <b>equals Total net acquisition of non-financial assets</b>    | <b>8,421</b>             | <b>8,062</b>                           | <b>7,754</b>      | <b>7,412</b>   | <b>6,702</b>   |
| <b>equals Net lending / (Borrowing) [Fiscal Balance]</b>       | <b>(7,582)</b>           | <b>(8,033)</b>                         | <b>(6,466)</b>    | <b>(5,237)</b> | <b>(4,656)</b> |

**Notes:**

- (a) Refer to Note (a) on Table A-1 regarding excluded transfer payments.
- (b) Lottery prize revenue was reported on a net basis (ie net of prizes paid) for the 2008-09 Budget.. Sale of goods and service revenue and other operating expenses have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross expense, however the original budget column has been presented net as originally published.
- (c) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

**Table A-4: NSW General Government Sector Balance Sheet**

|   | <i>Budget</i><br>June 2009<br>\$m | <i>Revised</i><br><i>Estimate</i><br>June 2009<br>\$m | <i>Forward Estimates</i> |                |                |
|---|-----------------------------------|---|--------------------------|----------------|----------------|
|   |                                   |   | June 2010                | June 2011      | June 2012      |
|   |                                   |   | \$m                      | \$m            | \$m            |
| <b>Assets</b>                             |                                   |   |                          |                |                |
| Financial assets                          |                                   |   |                          |                |                |
| Cash and deposits                         | 2,681                             | 2,825   | 3,191                    | 3,606          | 3,841          |
| Advances paid                             | 908                               | 876   | 933                      | 990            | 1,031          |
| Investments, loans and placements         | 7,014                             | 6,077   | 6,435                    | 6,831          | 7,324          |
| Receivables                               | 10,217                            | 10,332  | 10,620                   | 10,786         | 10,891         |
| Equity                                    |                                   |   |                          |                |                |
| - in other public sector entities         | 72,426                            | 75,310  | 78,263                   | 81,319         | 83,530         |
| - accounted for using the equity method   | 1,733                             | 1,738   | 1,800                    | 1,851          | 1,893          |
| - other equity investments                | 4                                 | 3   | 3                        | 3              | 3              |
| <b>Total financial assets</b>             | <b>94,983</b>                     | <b>97,161</b>   | <b>101,245</b>           | <b>105,386</b> | <b>108,513</b> |
| Non-financial assets                      |                                   |   |                          |                |                |
| Land and fixed assets                     |                                   |   |                          |                |                |
| - inventories                             | 176                               | 237   | 239                      | 240            | 240            |
| - property, plant, and equipment          | 97,306                            | 103,441   | 106,463                  | 109,490        | 112,078        |
| - investment property                     | 356                               | 370   | 371                      | 371            | 371            |
| - assets held for sale                    | 133                               | 195   | 176                      | 153            | 153            |
| - biological assets                       | 6                                 | 7   | 7                        | 7              | 7              |
| - intangibles (produced)                  | 960                               | 738   | 845                      | 883            | 847            |
| Other non-financial assets                |                                   |   |                          |                |                |
| - intangibles (non-produced)              | ...                               | 112   | 107                      | 102            | 100            |
| - other                                   | 1,884                             | 1,646   | 1,758                    | 1,858          | 1,967          |
| <b>Total non-financial assets</b>         | <b>100,821</b>                    | <b>106,746</b>  | <b>109,966</b>           | <b>113,104</b> | <b>115,763</b> |
| <b>Total assets</b>                       | <b>195,804</b>                    | <b>203,907</b>  | <b>211,211</b>           | <b>218,490</b> | <b>224,276</b> |
| <b>Liabilities</b>                        |                                   |   |                          |                |                |
| Deposits held                             | 77                                | 55  | 54                       | 56             | 61             |
| Advances received                         | 836                               | 836   | 807                      | 778            | 747            |
| Borrowing                                 | 15,881                            | 15,619  | 17,548                   | 19,042         | 19,447         |
| Superannuation <sup>(a)</sup>             | 17,389                            | 30,074  | 27,713                   | 25,640         | 26,093         |
| Other employee benefits                   | 8,995                             | 9,032   | 9,270                    | 9,436          | 9,585          |
| Payables                                  | 2,457                             | 3,029   | 3,116                    | 3,187          | 3,279          |
| Other Provisions                          | 4,959                             | 5,052   | 5,225                    | 5,420          | 5,636          |
| Other Liabilities                         | 3,299                             | 3,379   | 3,276                    | 3,191          | 3,113          |
| <b>Total liabilities</b>                  | <b>53,893</b>                     | <b>67,076</b>   | <b>67,009</b>            | <b>66,750</b>  | <b>67,961</b>  |
| <b>NET ASSETS</b>                         | <b>141,911</b>                    | <b>136,831</b>  | <b>144,202</b>           | <b>151,740</b> | <b>156,315</b> |
| <b>Net worth</b>                          |                                   |   |                          |                |                |
| Accumulated Funds                         | 104,230                           | 92,822  | 99,235                   | 105,733        | 109,270        |
| Reserves                                  | 37,681                            | 44,009  | 44,967                   | 46,007         | 47,045         |
| <b>NET WORTH</b>                          | <b>141,911</b>                    | <b>136,831</b>  | <b>144,202</b>           | <b>151,740</b> | <b>156,315</b> |
| <b>Net Financial Worth <sup>(b)</sup></b> | <b>41,090</b>                     | <b>30,085</b>   | <b>34,236</b>            | <b>38,636</b>  | <b>40,552</b>  |
| <b>Net Financial Liabilities</b>          | <b>31,336</b>                     | <b>45,225</b>   | <b>44,027</b>            | <b>42,683</b>  | <b>42,978</b>  |
| <b>Net debt <sup>(c)</sup></b>            | <b>6,191</b>                      | <b>6,732</b>  | <b>7,850</b>             | <b>8,449</b>   | <b>8,059</b>   |

*Notes:*

(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.

(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.

**Table A-5: NSW Public Non-financial Corporation Sector Balance Sheet**

|   | <i>Budget</i>   | <i>Revised</i>  | <i>Forward Estimates</i> |                  |                  |                  |                  |
|---|-----------------|-----------------|--------------------------|------------------|------------------|------------------|------------------|
|   |                 |                 | <i>June 2009</i>         | <i>June 2009</i> | <i>June 2010</i> | <i>June 2011</i> | <i>June 2012</i> |
|   |                 |                 | <i>\$m</i>               | <i>\$m</i>       | <i>\$m</i>       | <i>\$m</i>       | <i>\$m</i>       |
| <b>Assets</b>                             |                 |                 |                          |                  |                  |                  |                  |
| Financial assets                          |                 |                 |                          |                  |                  |                  |                  |
| Cash and deposits                         | 751             | 1,527           | 980                      | 653              | 396              |                  |                  |
| Advances paid                             | ...             | 33              | 40                       | 29               | 16               |                  |                  |
| Investments, loans and placements         | 664             | 809             | 805                      | 814              | 656              |                  |                  |
| Receivables                               | 2,313           | 2,152           | 2,525                    | 2,773            | 2,950            |                  |                  |
| Equity                                    |                 |                 |                          |                  |                  |                  |                  |
| - accounted for using the equity method   | 18              | ...             | ...                      | ...              | ...              |                  |                  |
| - other equity investments                | ...             | ...             | ...                      | ...              | ...              |                  |                  |
| <b>Total financial assets</b>             | <b>3,746</b>    | <b>4,521</b>    | <b>4,350</b>             | <b>4,269</b>     | <b>4,018</b>     |                  |                  |
| Non-financial assets                      |                 |                 |                          |                  |                  |                  |                  |
| Land and fixed assets                     |                 |                 |                          |                  |                  |                  |                  |
| - inventories                             | 1,059           | 1,053           | 1,058                    | 1,027            | 1,034            |                  |                  |
| - property, plant, and equipment          | 100,359         | 103,775         | 111,259                  | 117,917          | 124,162          |                  |                  |
| - investment property                     | 1,235           | 1,261           | 1,261                    | 1,282            | 1,494            |                  |                  |
| - assets held for sale                    | 39              | 53              | 50                       | 45               | 39               |                  |                  |
| - biological assets                       | 1,465           | 1,539           | 1,580                    | 1,621            | 1,663            |                  |                  |
| - intangibles (produced)                  | 474             | 466             | 498                      | 507              | 503              |                  |                  |
| Other non-financial assets                |                 |                 |                          |                  |                  |                  |                  |
| - intangibles (non-produced)              | 648             | 649             | 681                      | 754              | 834              |                  |                  |
| - other                                   | 1,145           | 819             | 830                      | 846              | 861              |                  |                  |
| <b>Total non-financial assets</b>         | <b>106,424</b>  | <b>109,615</b>  | <b>117,217</b>           | <b>123,999</b>   | <b>130,590</b>   |                  |                  |
| <b>Total assets</b>                       | <b>110,170</b>  | <b>114,136</b>  | <b>121,567</b>           | <b>128,268</b>   | <b>134,608</b>   |                  |                  |
| <b>Liabilities</b>                        |                 |                 |                          |                  |                  |                  |                  |
| Deposits held                             | 102             | 93              | 94                       | 95               | 95               |                  |                  |
| Advances received                         | 515             | 514             | 499                      | 485              | 471              |                  |                  |
| Borrowing                                 | 24,631          | 24,139          | 28,341                   | 31,949           | 35,582           |                  |                  |
| Superannuation <sup>(a)</sup>             | 444             | 1,993           | 1,687                    | 1,417            | 1,484            |                  |                  |
| Other employee benefits                   | 1,894           | 1,932           | 1,987                    | 2,042            | 2,101            |                  |                  |
| Payables                                  | 2,474           | 2,831           | 3,065                    | 3,174            | 3,317            |                  |                  |
| Other Provisions                          | 1,485           | 1,477           | 1,584                    | 1,605            | 1,691            |                  |                  |
| Other Liabilities                         | 6,981           | 6,883           | 7,086                    | 7,228            | 7,397            |                  |                  |
| <b>Total liabilities</b>                  | <b>38,526</b>   | <b>39,862</b>   | <b>44,343</b>            | <b>47,995</b>    | <b>52,138</b>    |                  |                  |
| <b>NET ASSETS</b>                         | <b>71,644</b>   | <b>74,274</b>   | <b>77,224</b>            | <b>80,273</b>    | <b>82,470</b>    |                  |                  |
| <b>Net worth</b>                          |                 |                 |                          |                  |                  |                  |                  |
| Accumulated Funds                         | 39,656          | 39,033          | 40,349                   | 42,172           | 43,277           |                  |                  |
| Reserves                                  | 31,988          | 35,241          | 36,875                   | 38,101           | 39,193           |                  |                  |
| <b>NET WORTH</b>                          | <b>71,644</b>   | <b>74,274</b>   | <b>77,224</b>            | <b>80,273</b>    | <b>82,470</b>    |                  |                  |
| <b>Net Financial Worth <sup>(b)</sup></b> | <b>(34,780)</b> | <b>(35,341)</b> | <b>(39,993)</b>          | <b>(43,726)</b>  | <b>(48,120)</b>  |                  |                  |
| <b>Net Financial Liabilities</b>          | <b>34,780</b>   | <b>35,341</b>   | <b>39,993</b>            | <b>43,726</b>    | <b>48,120</b>    |                  |                  |
| <b>Net debt <sup>(c)</sup></b>            | <b>23,833</b>   | <b>22,377</b>   | <b>27,109</b>            | <b>31,033</b>    | <b>35,080</b>    |                  |                  |

*Notes:**(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.**(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.*

**Table A-6: NSW Non-financial Public Sector Balance Sheet**

|   | Budget<br>June 2009<br>\$m | Revised<br>Estimate<br>June 2009<br>\$m | Forward Estimates |                 |                 |
|---|----------------------------|---|-------------------|-----------------|-----------------|
|   |                            |   | June 2010         | June 2011       | June 2012       |
|   |                            |   | \$m               | \$m             | \$m             |
| <b>Assets</b>                             |                            |   |                   |                 |                 |
| Financial assets                          |                            |   |                   |                 |                 |
| Cash and deposits                         | 3,431                      | 4,352                                   | 4,171             | 4,259           | 4,238           |
| Advances paid                             | 394                        | 396                                     | 473               | 534             | 576             |
| Investments, loans and placements         | 7,678                      | 6,890                                   | 7,246             | 7,655           | 7,995           |
| Receivables                               | 4,993                      | 5,079                                   | 5,371             | 5,510           | 5,582           |
| Equity                                    |                            |   |                   |                 |                 |
| - in other public sector entities         | 783                        | 1,037                                   | 1,040             | 1,046           | 1,060           |
| - accounted for using the equity method   | 1,750                      | 1,738                                   | 1,800             | 1,852           | 1,893           |
| - other equity investments                | 4                          | 3                                       | 3                 | 3               | 3               |
| Total financial assets                    | <b>19,033</b>              | <b>19,495</b>                           | <b>20,104</b>     | <b>20,859</b>   | <b>21,347</b>   |
| Non-financial assets                      |                            |   |                   |                 |                 |
| Land and fixed assets                     |                            |   |                   |                 |                 |
| - inventories                             | 1,235                      | 1,289                                   | 1,298             | 1,267           | 1,274           |
| - property, plant, and equipment          | 197,665                    | 207,215                                 | 217,721           | 227,408         | 236,240         |
| - investment property                     | 1,590                      | 1,631                                   | 1,632             | 1,652           | 1,865           |
| - assets held for sale                    | 172                        | 248                                     | 226               | 198             | 192             |
| - biological assets                       | 1,470                      | 1,546                                   | 1,587             | 1,628           | 1,670           |
| - intangibles (produced)                  | 1,434                      | 1,204                                   | 1,344             | 1,390           | 1,350           |
| Other non-financial assets                |                            |   |                   |                 |                 |
| - intangibles (non-produced)              | 648                        | 762                                     | 788               | 857             | 934             |
| - other                                   | 2,255                      | 1,913                                   | 2,032             | 2,133           | 2,243           |
| Total non-financial assets                | <b>206,469</b>             | <b>215,808</b>                          | <b>226,628</b>    | <b>236,533</b>  | <b>245,768</b>  |
| <b>Total assets</b>                       | <b>225,502</b>             | <b>235,303</b>                          | <b>246,732</b>    | <b>257,392</b>  | <b>267,115</b>  |
| <b>Liabilities</b>                        |                            |   |                   |                 |                 |
| Deposits held                             | 178                        | 148                                     | 148               | 151             | 156             |
| Advances received                         | 836                        | 836                                     | 807               | 778             | 747             |
| Borrowing                                 | 40,324                     | 39,568                                  | 45,659            | 50,702          | 54,683          |
| Superannuation <sup>(a)</sup>             | 17,833                     | 32,067                                  | 29,400            | 27,057          | 27,577          |
| Other employee benefits                   | 10,842                     | 10,909                                  | 11,209            | 11,428          | 11,635          |
| Payables                                  | 4,711                      | 5,619                                   | 5,922             | 6,074           | 6,286           |
| Other Provisions                          | 5,335                      | 5,473                                   | 5,622             | 5,725           | 5,940           |
| Other Liabilities                         | 3,532                      | 3,852                                   | 3,763             | 3,737           | 3,776           |
| <b>Total liabilities</b>                  | <b>83,591</b>              | <b>98,472</b>                           | <b>102,530</b>    | <b>105,652</b>  | <b>110,800</b>  |
| <b>NET ASSETS</b>                         | <b>141,911</b>             | <b>136,831</b>                          | <b>144,202</b>    | <b>151,740</b>  | <b>156,315</b>  |
| <b>Net worth</b>                          |                            |   |                   |                 |                 |
| Accumulated Funds                         | 72,242                     | 57,582                                  | 62,360            | 67,632          | 70,077          |
| Reserves                                  | 69,669                     | 79,249                                  | 81,842            | 84,108          | 86,238          |
| <b>NET WORTH</b>                          | <b>141,911</b>             | <b>136,831</b>                          | <b>144,202</b>    | <b>151,740</b>  | <b>156,315</b>  |
| <b>Net Financial Worth <sup>(b)</sup></b> | <b>(64,558)</b>            | <b>(78,977)</b>                         | <b>(82,426)</b>   | <b>(84,793)</b> | <b>(89,453)</b> |
| <b>Net Financial Liabilities</b>          | <b>65,341</b>              | <b>80,014</b>                           | <b>83,466</b>     | <b>85,839</b>   | <b>90,513</b>   |
| <b>Net debt <sup>(c)</sup></b>            | <b>29,835</b>              | <b>28,914</b>                           | <b>34,724</b>     | <b>39,183</b>   | <b>42,777</b>   |

*Notes:*

(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.

(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.

**Table A-7: NSW General Government Sector Cash Flow Statement <sup>(a)</sup>**

| <b>CASH FLOW</b>   | <i>Budget</i>   | <i>Revised</i>  | <i>Forward Estimates</i> |                 |                 |
|--|-----------------|-----------------|--------------------------|-----------------|-----------------|
|  | <i>2008-09</i>  | <i>2008-09</i>  | <i>2009-10</i>           | <i>2010-11</i>  | <i>2011-12</i>  |
|  | <i>\$m</i>      | <i>\$m</i>      | <i>\$m</i>               | <i>\$m</i>      | <i>\$m</i>      |
| <b>Cash Receipts from Operating Activities</b>                                     |                 |                 |                          |                 |                 |
| Taxes received   | 19,063          | 18,358          | 19,353                   | 20,287          | 21,303          |
| Receipts from sales of goods and services  | 3,921           | 4,435           | 4,253                    | 4,417           | 4,412           |
| Grants and subsidies received  | 20,716          | 21,683          | 22,516                   | 24,035          | 25,616          |
| Interest Receipts  | 774             | 549             | 653                      | 657             | 673             |
| Dividends and income tax equivalents   | 1,710           | 1,915           | 1,763                    | 2,038           | 2,239           |
| Other receipts   | 3,975           | 4,790           | 4,937                    | 5,318           | 5,024           |
| <b>Total Cash Receipts from Operating Activities</b>                               | <b>50,159</b>   | <b>51,730</b>   | <b>53,475</b>            | <b>56,752</b>   | <b>59,267</b>   |
| <b>Cash Payments for Operating Activities</b>                                      |                 |                 |                          |                 |                 |
| Payments for employees   | (23,260)        | (23,646)        | (25,089)                 | (26,391)        | (28,011)        |
| Payments for goods & services  | (11,657)        | (11,852)        | (12,335)                 | (12,783)        | (13,223)        |
| Grants and subsidies paid  | (7,904)         | (8,949)         | (8,972)                  | (9,592)         | (9,722)         |
| Interest paid  | (1,004)         | (953)           | (1,029)                  | (1,147)         | (1,210)         |
| Other payments   | (2,581)         | (2,693)         | (2,670)                  | (2,669)         | (2,689)         |
| <b>Total Cash Payments from Operating Activities</b>                               | <b>(46,406)</b> | <b>(48,093)</b> | <b>(50,095)</b>          | <b>(52,582)</b> | <b>(54,855)</b> |
| <b>Net Cash Flows from Operating Activities</b>                                    | <b>3,753</b>    | <b>3,637</b>    | <b>3,380</b>             | <b>4,170</b>    | <b>4,412</b>    |
| <b>Cash Flows from Investments in Non-Financial Assets for Policy Purposes</b>     |                 |                 |                          |                 |                 |
| Sales of non-financial assets  | 595             | 572             | 881                      | 730             | 866             |
| Purchases of non-financial assets  | (5,159)         | (5,118)         | (5,338)                  | (5,394)         | (4,921)         |
| <b>Net Cash Flows from Investments in Non-Financial Assets</b>                     | <b>(4,564)</b>  | <b>(4,546)</b>  | <b>(4,457)</b>           | <b>(4,664)</b>  | <b>(4,055)</b>  |
| <b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>         |                 |                 |                          |                 |                 |
| Receipts   | 195             | 187             | 193                      | 164             | 152             |
| Payments   | (251)           | (247)           | (197)                    | (104)           | (103)           |
| <b>Total Cash Flows from Investments in Financial Assets for Policy Purposes</b>   | <b>(56)</b>     | <b>(60)</b>     | <b>(4)</b>               | <b>60</b>       | <b>49</b>       |
| <b>Net Flows from Investments in Financial Assets for Liquidity Purposes</b>       |                 |                 |                          |                 |                 |
| Receipts   | 121             | 136             | 84                       | 74              | 21              |
| Payments   | (738)           | (475)           | (336)                    | (331)           | (368)           |
| <b>Total Net Flows from Investments in Financial Assets for Liquidity Purposes</b> | <b>(617)</b>    | <b>(339)</b>    | <b>(252)</b>             | <b>(257)</b>    | <b>(347)</b>    |
| <b>Cash Flows from Financing Activities</b>  |                 |                 |                          |                 |                 |
| Advances repaid  | (51)            | (50)            | (50)                     | (55)            | (55)            |
| Proceeds from borrowings   | 2,237           | 2,936           | 2,205                    | 1,654           | 773             |
| Repayments of borrowings   | (482)           | (951)           | (453)                    | (494)           | (544)           |
| Deposits received (net)  | 9               | (44)            | (2)                      | 1               | 3               |
| Other financing (net)  | ...             | ...             | ...                      | ...             | ...             |
| <b>Net Cash Flows from Financing Activities</b>                                    | <b>1,713</b>    | <b>1,891</b>    | <b>1,700</b>             | <b>1,106</b>    | <b>177</b>      |
| <b>Net Increase/ (Decrease) in Cash Held</b>                                       | <b>229</b>      | <b>583</b>      | <b>367</b>               | <b>415</b>      | <b>236</b>      |
| <b>Derivation of the Cash Result</b>   |                 |                 |                          |                 |                 |
| Net Cash Flows from Operating Activities   | 3,753           | 3,637           | 3,380                    | 4,170           | 4,412           |
| Net Cash Flows from Investments in Non-Financial Assets                            | (4,564)         | (4,546)         | (4,457)                  | (4,664)         | (4,055)         |
| <b>Cash Surplus/(Deficit)</b>  | <b>(811)</b>    | <b>(909)</b>    | <b>(1,077)</b>           | <b>(494)</b>    | <b>357</b>      |

Notes:

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

**Table A-8: Derivation of ABS GFS NSW General Government Sector Cash Surplus/ (Deficit)**

| CASH FLOW   | Budget         | Revised        | Forward Estimates |              |            |
|---|----------------|----------------|-------------------|--------------|------------|
|   | 2008-09        | 2008-09        | 2009-10           | 2010-11      | 2011-12    |
|   | \$m            | \$m            | \$m               | \$m          | \$m        |
| <b>Cash Surplus/(Deficit)</b>   | <b>(811)</b>   | <b>(909)</b>   | <b>(1,077)</b>    | <b>(494)</b> | <b>357</b> |
| Assets acquired under finance leases <sup>(a)</sup>                               | (319)          | (417)          | (99)              | (276)        | (118)      |
| <b>ABS GFS Surplus/(Deficit) including finance lease and similar arrangements</b> | <b>(1,130)</b> | <b>(1,326)</b> | <b>(1,176)</b>    | <b>(770)</b> | <b>239</b> |

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

**Table A-9: NSW Public Non-financial Corporation Sector Cash Flow Statement <sup>(a)</sup>**

| CASH FLOW  | Budget<br>2008-09<br>\$m | Revised<br>Estimate<br>2008-09<br>\$m | Forward Estimates |                 |                 |
|--|--------------------------|---------------------------------------|-------------------|-----------------|-----------------|
|  |                          |                                       | 2009-10           | 2010-11         | 2011-12         |
|  |                          |                                       | \$m               | \$m             | \$m             |
| <b>Cash Receipts from Operating Activities</b>   |                          |                                       |                   |                 |                 |
| Receipts from sales of goods and services <sup>(b)</sup>                               | 13,459                   | 15,124                                | 16,090            | 17,186          | 18,082          |
| Grants and subsidies received  | 3,374                    | 3,873                                 | 3,910             | 4,596           | 4,426           |
| Dividends and income tax equivalents   | 80                       | 102                                   | 104               | 69              | 58              |
| Interest Receipts  | ...                      | ...                                   | ...               | ...             | ...             |
| Other receipts   | 2,029                    | 2,059                                 | 2,564             | 2,370           | 2,593           |
| <b>Total Cash Receipts from Operating Activities</b>                                   | <b>18,942</b>            | <b>21,158</b>                         | <b>22,668</b>     | <b>24,221</b>   | <b>25,159</b>   |
| <b>Cash Payments for Operating Activities</b>  |                          |                                       |                   |                 |                 |
| Payments for employees   | (4,446)                  | (4,605)                               | (4,818)           | (5,010)         | (5,137)         |
| Payments for goods & services <sup>(b)</sup>   | (6,986)                  | (8,719)                               | (8,730)           | (8,830)         | (8,946)         |
| Grants and subsidies paid  | (216)                    | (239)                                 | (225)             | (216)           | (216)           |
| Interest paid  | (1,287)                  | (1,244)                               | (1,459)           | (1,821)         | (2,037)         |
| Income Tax Equivalents   | (578)                    | (578)                                 | (708)             | (840)           | (924)           |
| Other payments   | (1,571)                  | (1,523)                               | (1,724)           | (1,790)         | (1,921)         |
| <b>Total Cash Payments from Operating Activities</b>                                   | <b>(15,084)</b>          | <b>(16,908)</b>                       | <b>(17,664)</b>   | <b>(18,507)</b> | <b>(19,181)</b> |
| <b>Net Cash Flows from Operating Activities</b>  | <b>3,858</b>             | <b>4,250</b>                          | <b>5,004</b>      | <b>5,714</b>    | <b>5,978</b>    |
| <b>Cash Flows from Investments in<br/>Non-Financial Assets for Policy Purposes</b>     |                          |                                       |                   |                 |                 |
| Sales of non-financial assets  | 287                      | 294                                   | 686               | 622             | 264             |
| Purchases of non-financial assets  | (8,427)                  | (8,289)                               | (8,938)           | (8,419)         | (8,254)         |
| <b>Net Cash Flows from Investments in<br/>Non-Financial Assets for Policy Purposes</b> | <b>(8,140)</b>           | <b>(7,995)</b>                        | <b>(8,252)</b>    | <b>(7,797)</b>  | <b>(7,990)</b>  |
| <b>Cash Flows from Investments in<br/>Financial Assets for Policy Purposes</b>         |                          |                                       |                   |                 |                 |
| Receipts   | ...                      | ...                                   | ...               | ...             | ...             |
| Payments   | (15)                     | (15)                                  | (72)              | ...             | ...             |
| <b>Total Cash Flows from Investments in Financial Assets<br/>for Policy Purposes</b>   | <b>(15)</b>              | <b>(15)</b>                           | <b>(72)</b>       | <b>...</b>      | <b>...</b>      |
| <b>Net Flows from Investments in<br/>Financial Assets for Liquidity Purposes</b>       |                          |                                       |                   |                 |                 |
| Receipts   | 62                       | 58                                    | 74                | 45              | 194             |
| Payments   | (92)                     | (197)                                 | (80)              | (107)           | (102)           |
| <b>Total Net Flows from Investments in<br/>Financial Assets for Liquidity Purposes</b> | <b>(30)</b>              | <b>(139)</b>                          | <b>(6)</b>        | <b>(62)</b>     | <b>92</b>       |
| <b>Cash Flows from Financing Activities</b>  |                          |                                       |                   |                 |                 |
| Advances received  | ...                      | 3                                     | ...               | ...             | ...             |
| Advances repaid  | (157)                    | (159)                                 | (107)             | (128)           | (152)           |
| Proceeds from borrowings   | 5,681                    | 5,565                                 | 5,657             | 4,926           | 4,868           |
| Repayments of borrowings   | (628)                    | (665)                                 | (1,738)           | (1,793)         | (1,731)         |
| Dividends Paid   | (1,139)                  | (1,327)                               | (1,036)           | (1,189)         | (1,326)         |
| Deposits received (net)  | (1)                      | (14)                                  | 1                 | 1               | 1               |
| Other financing (net)  | ...                      | ...                                   | ...               | ...             | ...             |
| <b>Net Cash Flows from Financing Activities</b>  | <b>3,756</b>             | <b>3,403</b>                          | <b>2,777</b>      | <b>1,817</b>    | <b>1,660</b>    |
| <b>Net Increase/ (Decrease) in Cash Held</b>   | <b>(571)</b>             | <b>(496)</b>                          | <b>(549)</b>      | <b>(328)</b>    | <b>(260)</b>    |
| <b>Derivation of the Cash Result</b>   |                          |                                       |                   |                 |                 |
| Net Cash Flows from Operating Activities   | 3,858                    | 4,250                                 | 5,004             | 5,714           | 5,978           |
| Net Cash Flows from Investments in Non-Financial Assets                                | (8,140)                  | (7,995)                               | (8,252)           | (7,797)         | (7,990)         |
| Dividends Paid   | (1,139)                  | (1,327)                               | (1,036)           | (1,189)         | (1,326)         |
| <b>Cash Surplus/(Deficit)</b>  | <b>(5,421)</b>           | <b>(5,072)</b>                        | <b>(4,284)</b>    | <b>(3,272)</b>  | <b>(3,338)</b>  |

**Notes:**

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

(b) Lottery prize receipts were reported on a net basis (ie net of prizes paid) for the 2008-09 Budget. Sale of goods and service receipts and payments for goods and services have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross payment, however the original budget column has been presented net as originally published.

**Table A-10: Derivation of ABS GFS NSW Public Non-financial Corporation Sector Cash Surplus/(Deficit)**

| <b>CASH FLOW</b>  | <i>Budget</i>  | <i>Revised</i> | <i>Forward Estimates</i> |                |                |
|---|----------------|----------------|--------------------------|----------------|----------------|
|   | <i>2008-09</i> | <i>2008-09</i> | <i>2009-10</i>           | <i>2010-11</i> | <i>2011-12</i> |
|   | <i>\$m</i>     | <i>\$m</i>     | <i>\$m</i>               | <i>\$m</i>     | <i>\$m</i>     |
| <b>Cash Surplus/(Deficit)</b>   | <b>(5,421)</b> | <b>(5,072)</b> | <b>(4,284)</b>           | <b>(3,272)</b> | <b>(3,338)</b> |
| Assets acquired under finance leases <sup>(a)</sup>                               | ...            | (104)          | (307)                    | (490)          | (560)          |
| <b>ABS GFS Surplus/(Deficit) including finance lease and similar arrangements</b> | <b>(5,421)</b> | <b>(5,176)</b> | <b>(4,591)</b>           | <b>(3,762)</b> | <b>(3,898)</b> |

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

**Table A-11: NSW Non-financial Public Sector Cash Flow Statement <sup>(a)</sup>**

| CASH FLOW  | Budget          | Revised         | Forward Estimates |                 |                 |
|--|-----------------|-----------------|-------------------|-----------------|-----------------|
|  | 2008-09<br>\$m  | 2008-09<br>\$m  | 2009-10<br>\$m    | 2010-11<br>\$m  | 2011-12<br>\$m  |
| <b>Cash Receipts from Operating Activities</b>                                     |                 |                 |                   |                 |                 |
| Taxes received   | 18,272          | 17,554          | 18,480            | 19,365          | 20,327          |
| Receipts from sales of goods and services <sup>(b)</sup>                           | 17,085          | 19,205          | 20,025            | 21,311          | 22,196          |
| Grants and subsidies received  | 20,613          | 21,553          | 22,376            | 23,898          | 25,487          |
| Interest Receipts  | 800             | 600             | 701               | 668             | 671             |
| Dividends and income tax equivalents   | 44              | 35              | 49                | 52              | 54              |
| Other receipts   | 6,027           | 6,796           | 7,101             | 7,574           | 7,483           |
| <b>Total Cash Receipts from Operating Activities</b>                               | <b>62,841</b>   | <b>65,743</b>   | <b>68,732</b>     | <b>72,867</b>   | <b>76,218</b>   |
| <b>Cash Payments for Operating Activities</b>                                      |                 |                 |                   |                 |                 |
| Payments for employees   | (27,457)        | (27,998)        | (29,639)          | (31,132)        | (32,867)        |
| Payments for goods & services <sup>(b)</sup>                                       | (17,886)        | (19,685)        | (20,216)          | (20,745)        | (21,257)        |
| Grants and subsidies paid  | (4,687)         | (5,158)         | (4,733)           | (4,966)         | (5,147)         |
| Interest paid  | (2,237)         | (2,145)         | (2,433)           | (2,911)         | (3,186)         |
| Other payments   | (4,109)         | (4,204)         | (4,370)           | (4,429)         | (4,708)         |
| <b>Total Cash Payments from Operating Activities</b>                               | <b>(56,376)</b> | <b>(59,190)</b> | <b>(61,391)</b>   | <b>(64,183)</b> | <b>(67,165)</b> |
| <b>Net Cash Flows from Operating Activities</b>                                    | <b>6,465</b>    | <b>6,553</b>    | <b>7,341</b>      | <b>8,684</b>    | <b>9,053</b>    |
| <b>Cash Flows from Investments in Non-Financial Assets for Policy Purposes</b>     |                 |                 |                   |                 |                 |
| Sales of non-financial assets  | 883             | 866             | 1,567             | 1,352           | 1,130           |
| Purchases of non-financial assets  | (13,580)        | (13,401)        | (14,270)          | (13,805)        | (13,167)        |
| <b>Net Cash Flows from Investments in Non-Financial Assets for Policy Purposes</b> | <b>(12,697)</b> | <b>(12,535)</b> | <b>(12,703)</b>   | <b>(12,453)</b> | <b>(12,037)</b> |
| <b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>         |                 |                 |                   |                 |                 |
| Receipts   | 34              | 25              | 25                | 32              | 45              |
| Payments   | (266)           | (262)           | (212)             | (104)           | (103)           |
| <b>Total Cash Flows from Investments in Financial Assets for Policy Purposes</b>   | <b>(232)</b>    | <b>(237)</b>    | <b>(187)</b>      | <b>(72)</b>     | <b>(58)</b>     |
| <b>Net Flows from Investments in Financial Assets for Liquidity Purposes</b>       |                 |                 |                   |                 |                 |
| Receipts   | 182             | 194             | 159               | 120             | 215             |
| Payments   | (829)           | (672)           | (416)             | (438)           | (470)           |
| <b>Total Net Flows from Investments in Financial Assets for Liquidity Purposes</b> | <b>(647)</b>    | <b>(478)</b>    | <b>(257)</b>      | <b>(318)</b>    | <b>(255)</b>    |
| <b>Cash Flows from Financing Activities</b>  |                 |                 |                   |                 |                 |
| Advances received  | ...             | 3               | ...               | ...             | ...             |
| Advances repaid  | (51)            | (50)            | (50)              | (55)            | (55)            |
| Proceeds from borrowings   | 7,922           | 8,505           | 7,866             | 6,584           | 5,594           |
| Repayments of borrowings   | (1,110)         | (1,617)         | (2,192)           | (2,287)         | (2,275)         |
| Deposits received (net)  | 8               | (57)            | (1)               | 2               | 4               |
| Other financing (net)  | ...             | ...             | ...               | 3               | 3               |
| <b>Net Cash Flows from Financing Activities</b>                                    | <b>6,769</b>    | <b>6,783</b>    | <b>5,623</b>      | <b>4,246</b>    | <b>3,272</b>    |
| <b>Net Increase/ (Decrease) in Cash Held</b>                                       | <b>(342)</b>    | <b>86</b>       | <b>(183)</b>      | <b>87</b>       | <b>(25)</b>     |
| <b>Derivation of the Cash Result</b>   |                 |                 |                   |                 |                 |
| Net cash flows from operating activities   | 6,465           | 6,553           | 7,341             | 8,684           | 9,053           |
| Net Cash Flows from Investments in Non-Financial Assets                            | (12,697)        | (12,535)        | (12,703)          | (12,453)        | (12,037)        |
| <b>Cash Surplus/(Deficit)</b>  | <b>(6,232)</b>  | <b>(5,982)</b>  | <b>(5,362)</b>    | <b>(3,769)</b>  | <b>(2,984)</b>  |

**Notes:**

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

(b) Lottery prize receipts were reported on a net basis (ie net of prizes paid) for the 2008-09 Budget.. Sale of goods and service receipts and payments for goods and services have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross payment, however the original budget column has been presented net as originally published..

**Table A-12: Derivation of ABS GFS NSW Non-financial Public Sector Cash Surplus/(Deficit)**

| <b>CASH FLOW</b>  | <i>Budget</i>  | <i>Revised</i> | <i>Forward Estimates</i> |                |                |
|---|----------------|----------------|--------------------------|----------------|----------------|
|   | <i>2008-09</i> | <i>2008-09</i> | <i>2009-10</i>           | <i>2010-11</i> | <i>2011-12</i> |
|   | <i>\$m</i>     | <i>\$m</i>     | <i>\$m</i>               | <i>\$m</i>     | <i>\$m</i>     |
| <b>Cash Surplus/(Deficit)</b>   | <b>(6,232)</b> | <b>(5,982)</b> | <b>(5,362)</b>           | <b>(3,769)</b> | <b>(2,984)</b> |
| Assets acquired under finance leases <sup>(a)</sup>                               | (319)          | (521)          | (406)                    | (766)          | (678)          |
| <b>ABS GFS Surplus/(Deficit) including finance lease and similar arrangements</b> | <b>(6,551)</b> | <b>(6,503)</b> | <b>(5,768)</b>           | <b>(4,535)</b> | <b>(3,662)</b> |

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

## LOAN COUNCIL REPORTING REQUIREMENTS

Table A-13 presents the Budget time estimates of the State's Loan Council Allocation (LCA) for 2008-09 and a revised estimate taking into account fiscal and economic developments since the commencement of the Budget.

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.

Overall, the negative Loan Council Allocation requirement of \$6,837 million for New South Wales for 2008-09 has been revised to negative \$12,087 million. The variance of \$5,250 million since the 2008-09 Budget is outside the tolerance limit. The tolerance limit for 2008-09 is \$1,287 million and is calculated as 2 per cent of cash receipts from operating activities for the Non-Financial Public Sector. The reasons for the variance primarily results from the growth in the negative memorandum item. The negative memorandum item grew due to a significant turnaround in estimated 2008-09 superannuation fund earnings, which were budgeted at 7.9 per cent, and are now revised to be negative 8.8 per cent, due to recent significant falls in financial markets. While many of these falls are unrealised losses, they are the result of mark-to-market price decrements for the superannuation fund investments.

**Table A-13: Loan Council Allocation Estimates for NSW**

|  | 2008-09<br>Budget-time<br>Estimate<br>\$m | 2008-09<br>Mid Year<br>Estimate<br>\$m |
|--|---|--|
| General Government Sector cash surplus/(deficit)                           | (811)                                     | (909)                                  |
| Public Non-financial Corporations Sector cash surplus/(deficit)            | (5,421)                                   | (5,072)                                |
| <b>Non-financial Public Sector cash surplus/(deficit) <sup>(a)</sup></b>   | <b>(6,232)</b>                            | <b>(5,982)</b>                         |
| Acquisitions under finance leases and similar arrangements <sup>(b)</sup>  | (319)                                     | (521)                                  |
| <b>Equals: ABS GFS cash surplus/(deficit)</b>                              | <b>(6,551)</b>                            | <b>(6,503)</b>                         |
| Net cash flows from investments in financial assets<br>for policy purposes | (232)                                     | (237)                                  |
| Memorandum items <sup>(c)</sup>  | (54)                                      | (5,347)                                |
| <b>Loan Council Allocation</b>   | <b>(6,837)</b>                            | <b>(12,087)</b>                        |

*Notes:*

- (a) *The Non-financial Public Sector cash surplus/ (deficit) may not directly equate to the sum of the General Government and PNFC cash deficits due to intersectoral transfers which are netted out.*
- (b) *Finance leases are shown as they are deducted from the AASB 1049 cash surplus to derive the ABS GFS cash surplus.*
- (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.*

## OFF BALANCE SHEET PRIVATELY FINANCED PROJECTS – CONTRACTS EXPECTED TO BE ENTERED INTO IN 2008-09

None to be reported.

## APPENDIX B: GUIDE TO THE 2008-09 HALF-YEARLY REVIEW

The 2008-09 Half-Yearly Review reports on the current and projected financial performance of the New South Wales general government sector. The general government sector covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms.

In practice, this means that entities which operate outside normal market mechanisms (e.g. Audit Office of New South Wales) and self funded regulatory agencies (e.g. the WorkCover Authority and the Motor Accidents Authority) are included, as well as agencies which receive an appropriation in the Annual Appropriation Act (e.g. the Department of Health and the Department of Education and Training).

The *Public Finance and Audit Act 1983* requires the Treasurer to publicly release a statement by 31 December each year containing:

- the latest economic projections for the current financial year and an explanation of any significant variation from the projections contained in the budget papers;
- budget projections for the current financial year and an explanation of any significant variation in major aggregates from those budget time projections; and
- revised forward estimates for major aggregates, over 3 years.

The 2008-09 NSW Budget was compiled for the first time in accordance with the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Financial Reporting*. This standard attempts to combine accounting and government finance statistics (GFS) principles. Previous half-yearly budget reviews were prepared on a GFS basis. The Half-Yearly Review for 2008-09 meets this legislative requirement, incorporates the financial statements for the General Government Sector for October 2008 and meets the requirements for uniform reporting of State finances agreed to by the Loan Council.

The Review provides:

- The actual financial performance of the General Government Sector for the four months ended 31 October 2008;
- The projected results for 2008-09 compared with the budget estimates; and
- The latest projection of the financial performance for the three subsequent years to 2011-12.