

## **CHAPTER 8: GOVERNMENT FINANCE STATISTICS AND UNIFORM REPORTING FRAMEWORK**

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- ◆ Financial aggregates are prepared on an accrual basis in accordance with the uniform presentation framework (UPF).
- ◆ Forward time series data is provided for the first time for accrual UPF statements in relation to the public trading enterprise sector.
- ◆ The Loan Council allocation estimate for 2002-03 is a deficit of \$301 million.

### **8.1 INTRODUCTION**

This chapter presents financial aggregates for the general government and public trading enterprise (PTE)<sup>1</sup> sectors according to international statistical standards and in accordance with a revised uniform reporting framework agreed to by the Australian Loan Council in March 2000. The reporting arrangements are the result of a review prompted by a shift from cash to accrual reporting and the Australian Bureau of Statistics accrual-based government finance statistics reporting standard.

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

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

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<sup>1</sup> The PTE sector is also referred to by the Australian Bureau of Statistics as the public non-financial corporation or PNFC sector. Other chapters in this budget paper use the term "PTE".

Section 8.2 provides information on the development of the accrual uniform presentation framework (UPF) and the transition to government finance statistics (GFS) accrual reporting. Section 8.3 outlines the format of the accrual UPF statements, comparing and contrasting them to their equivalent accrual accounting reports. It also describes the main fiscal measures in the accrual GFS reports.

The classification of public sector entities is outlined in Section 8.4.

Section 8.5 provides a brief commentary on the operations of the PTE sector.

The accrual uniform presentation framework estimates are presented in Section 8.6. They are presented in the sequence of operating statements, balance sheets and cash flow statements that are then grouped into their economic type classifications. This is followed by tables of general government expenses by function and taxes by type. In addition to the UPF minimum disclosure requirements, these reports also include a historical and forward year time series.

Section 8.7 presents estimates of the State's Loan Council allocation (LCA) for 2002-03 and compares this to the original LCA bid. Information is also presented in Section 8.8 on new infrastructure projects for 2001-02 and 2002-03 in accordance with Loan Council reporting requirements.

## **8.2 THE UNIFORM PRESENTATION FRAMEWORK**

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

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

## **8.3 ACCRUAL GFS REPORTING**

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

### **THE ACCRUAL GFS PRESENTATION**

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

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

## Operating Statement

The operating statement presents information on GFS revenues<sup>2</sup> and GFS expenses<sup>3</sup>. This statement is designed to capture the composition of revenues and expenses and the net cost of a government's activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources.

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

## Balance Sheet

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

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

<sup>3</sup> *GFS expenses differ from accounting expenses. GFS expenses encompass all transactions that decrease net worth, including dividend and tax equivalent payments.*

<sup>4</sup> *Net lending is equivalent to the budget result shown elsewhere in the budget papers. Commonwealth Treasury has adopted the term "fiscal balance".*

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

The GFS balance sheet differs from the standard accounting presentation:

- ◆ it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities;
- ◆ receivables are presented on a gross basis (ie excluding all provisions for doubtful debts) resulting in GFS net worth being greater than accounting net assets; and
- ◆ the general government sector discloses an equity investment in the public financial enterprise (PFE)<sup>5</sup> and public trading enterprise (PTE) sectors. GFS recognises a holding company model for the general government's ownership of the PFE and PTE Sectors.

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

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

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

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

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<sup>5</sup> The PFE sector is also referred to by the Australian Bureau of Statistics as the public financial corporation or PFC sector. Other chapters in this budget paper use the term "PFE".

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

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

In addition to the UPF requirement to report net debt and net financial worth, debt is also reported after adjusting for the impact of a special prepayment of superannuation (1998-99 to 2000-01), and the establishment of the Liability Management Fund (2002-03 to 2005-06). While the financial assets in the Liability Management Fund accrue within the general government sector, they are dedicated to meet superannuation liabilities. Net debt is published after adjustment to avoid the distortionary impact of the events, which are basically temporary and reversing.

## **Cash Flow Statement**

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

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

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

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

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

## COMPARISON TO ACCRUAL BASED ACCOUNTING REPORTS

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

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

## APPLICATION OF GFS PRINCIPLES

The standards applied to produce the uniform presentation tables in this chapter are the same as those used by the ABS in its government financial estimates publication (Catalogue No. 5501.0) except for the treatment of premiums on loans.

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

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

## 8.4 CLASSIFICATION FRAMEWORK

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

## CLASSIFICATION OF PUBLIC SECTOR ENTITIES

Public sector entities in New South Wales can be classified as general government entities (GGEs), public trading enterprises (PTEs)<sup>6</sup> or public financial enterprises (PFEs)<sup>7</sup>.

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

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

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

Appendix C lists NSW public sector entities and their sector classifications.

The *non-financial public (NFP) sector* is a consolidation of GGEs and PTEs.

## 8.5 OPERATIONS OF THE PUBLIC SECTOR

Detailed commentary on the operations of the general government sector is contained in Chapters 1, 2, 3 and 4. Given this, the following analysis is mainly focused on the financial outcomes and projections of the PTE sector.

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<sup>6</sup> The PTE sector is also known as the public non-financial corporation or PNFC sector.

<sup>7</sup> The PFE sector is also known as the public financial corporation or PFC sector.

Presented in this section is the GFS accrual data that is available for the PTE sector from 1997-98. For the first time, PTE sector forward estimate data and analysis are provided. As Tables 8.9 and 8.15 show, the GFS treatment of the Sydney Organising Committee for the Olympic Games (SOCOG) and the Sydney Paralympic Organising Committee (SPOC) distort the PTE sector aggregates. Therefore, unless otherwise stated the PTE sector analysis below relates to the PTE sector excluding SOCOG and SPOC. The impact of SOCOG and SPOC on PTE sector budget measures was described in detail in section 9.5 of the 2001-02 Budget Paper No. 2.

## **PUBLIC TRADING ENTERPRISE SECTOR PERFORMANCE**

To promote economic development and improve living standards for the people of New South Wales, the Government pursues measures that increase productivity. To this end it is important that the appropriate physical infrastructure for a modern dynamic economy is in place ensuring that New South Wales both continues to attract business investment and at the same time deliver efficient, responsive and high value public services.

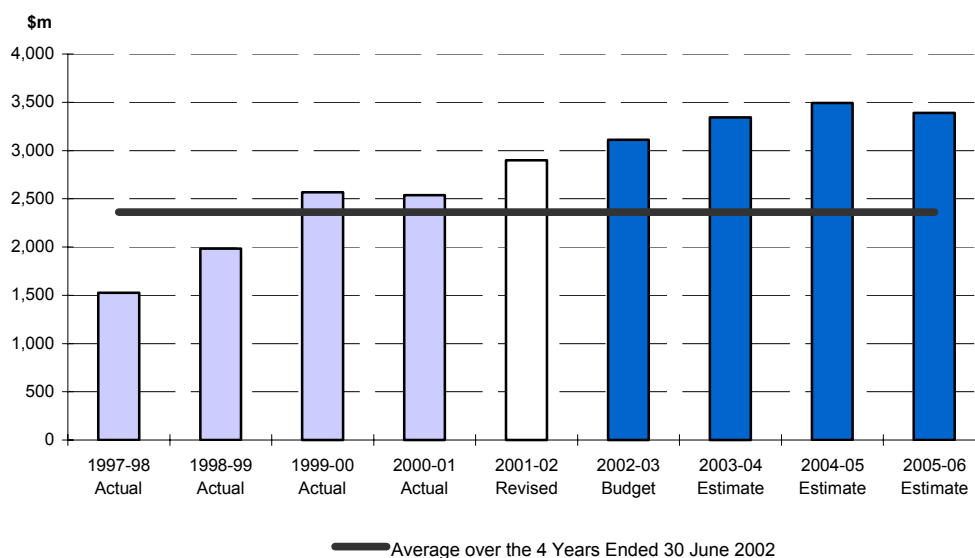
The PTE sector plays a significant role in providing the State with vital public energy, transport, ports and water resources related infrastructure. The PTE sector has recently embarked on a major round of capital investment which will help ensure that New South Wales continues to be the engine room of the Australian economy while providing for high quality living standards.

Capital expenditure decisions by PTEs are in general commercially based, and can be expected to generate revenues that provide an adequate return, allowing for risk. It is these revenues that support the sector's debt levels and return on equity. The PTE sector is in a period of strong investment as shown in Chart 8.1, capital expenditure projected to increase by 7 per cent<sup>8</sup> in 2002-03 to over \$3.1 billion. Over the four-years to 2005-06, gross fixed capital formation is projected to total \$13.3 billion compared with a \$10 billion total over the preceding four years.

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<sup>8</sup> *Gross Fixed Capital Formation comprises asset acquisitions less asset sale proceeds.*

**Chart 8.1: PTE Sector Gross Fixed Capital Formation**



As Table 8.1 shows, the electricity, transport and water sectors account for most PTE capital investment.

**Table 8.1: Gross Fixed Capital Formation by Sector**

Sector	2002-03 to 2005-06	2002-03 to 2005-06
	Estimates \$m	Estimates %
Electricity Distribution	<b>3,467</b>	<b>26</b>
Transport	<b>3,200</b>	<b>24</b>
Water	<b>2,400</b>	<b>18</b>
Other	<b>4,268</b>	<b>32</b>
- Electricity Transmission	1,200	9
- Housing & Amenities	1,067	8
- Electricity Generation	1,067	8
- Ports	400	3
- Miscellaneous	534	4
<b>Total</b>	<b>13,335</b>	<b>100</b>

Box 8.1 identifies the benefits and strategic outcomes that will flow from the capital works programs of these three sectors.

## **Box 8.1 Benefits of PTE Capital Investment**

### **Electricity Sector**

The capital expenditure programs being undertaken by the electricity generation businesses will contribute to ensuring that NSW power stations operate with high levels of reliability, ensuring continuity of output. At the same time efficiency is being incrementally improved helping to lower greenhouse related carbon dioxide emissions.

The electricity distribution and transmission businesses are continuing their investment in electricity network infrastructure to ensure the ongoing stability and security of supply. Expenditure is required to:

- ◆ replace infrastructure that has reached the end of its economic and technical life;
- ◆ augment the supply network to meet the increased demand for electricity in areas of population growth and areas where there is increasing economic activity; and
- ◆ improve the reliability of electricity supply in response to increased consumer and business expectations.

### **Public Transport**

Efficient CityRail and State Transit services are essential to Sydney's role as a workplace and a home to four million people. Economic activity within and centred around Sydney feeds the State's economy and helps drive NSW economic growth. The Sydney CBD/North Sydney financial sector is the key financial centre in the region, and an effective reliable public transport system is integral to its health and growth prospects. Capital investments are improving the reliability of CityRail and State Transit services and extending their reach to new communities on the urban fringes. Public transport related investment will also contribute to Sydney's being a livable city.

Transport sector infrastructure investment also supports the State's economy through the railways that carry the State's coal and grain exports. Investments are being undertaken to increase the capacity of the Hunter Valley coal lines and improve the reliability of other freight lines.

### **Water Sector**

A significant capital investment program is being undertaken in the NSW water sector devoted to:

- ◆ improving the security of Sydney's water supply, including the construction of the auxiliary spillway at Warragamba Dam;
- ◆ safeguard water quality, ensuring water is safe to drink and meets appropriate water quality standards and ensuring an efficient and reliable supply of water. This is to be achieved through the upgrade of treatment systems and replacing or upgrading ageing water related infrastructure (e.g. re-lining pipes);
- ◆ serve the growing population of Sydney, the Blue Mountains and Illawarra, through the installation of new water and wastewater distributions systems; and
- ◆ contributing to the maintenance of public health and protecting the quality of NSW waterways, harbours and coastlines, through the upgrade of wastewater transport systems and treatment plants and recycling wastewater treatment residuals (e.g. soil improvement and land rehabilitation).

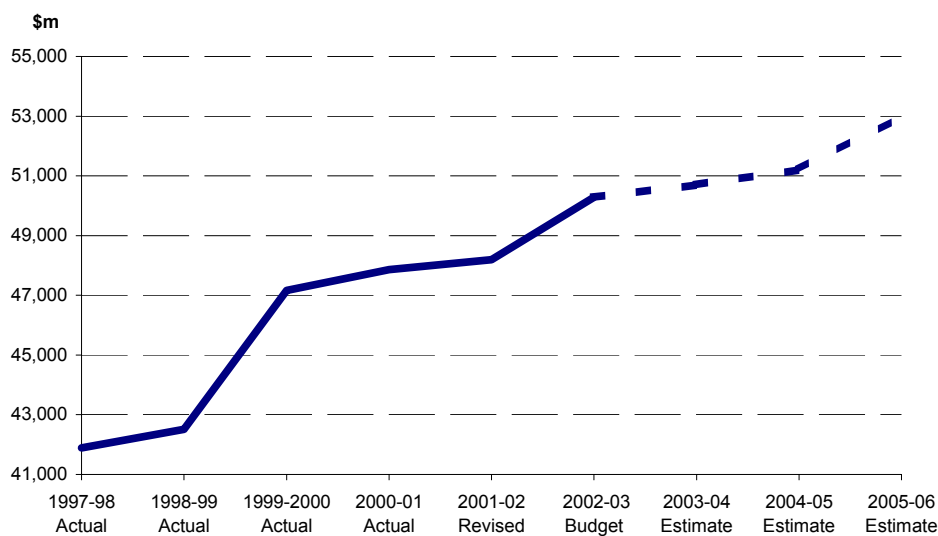
PTE sector investments are determined within the context of a commercial policy framework developed and refined since the early 1990s. The framework consists of a suite of policies aimed at replicating the disciplines and incentives that lead private sector businesses towards efficient commercial practice.

Therefore the performance of individual PTEs and the sector in aggregate should reflect reasonable commercial outcomes, allowing for the constraints under which a number of PTEs operate. One indicator of commercial performance is the value of taxpayers' investment in the PTE sector, represented in the financial statements as general government sector equity.

As Chart 8.2 reveals, general government sector equity in the PTE sector has increased by almost \$6.3 billion from 1997-98 to 2001-02, even after a \$3.2 billion regearing of electricity entities. This reflects a \$9.5 billion increase in total assets during the period, the increase in total liabilities totalling only \$3.2 billion.

PTE sector equity is expected to continue growing throughout the forward estimates period, with a projected \$4.8 billion total increase. The overall value of taxpayers' investment in the PTE sector since 1997-98 is projected to increase to \$11.1 billion by 2005-06.

**Chart 8.2: General Government Equity in the PTE Sector<sup>(a)</sup>**



(a) Includes the impact of SOCOG and SPOC.

The growth in general government equity reflects that at the aggregate level, the current round of investment is creating value, and is associated with commercially productive operations. One short-term consequence of the higher levels of capital investments is cash deficits and negative accrual net lending results (ie. net borrowing) for the consolidated PTE sector for the duration of the investment phase. These deficits are expected to be reversed in the following period with positive financial returns adding to the broader economic and social benefits.

The consolidated PTE sector's operating and cash flow statements provide insight into the operating trends contributing to the substantial increase in the value of taxpayer investment in the PTE sector. In particular, the maintenance of a positive net operating balance while there are increases in gross fixed capital formation reveal the soundness of current commercial practices at the aggregate level.

### **Budget Estimates and Revised Outcomes for 2001-02**

The 2001-02 Budget estimate of a \$776 million net borrowing requirement for the PTE sector in 2000-01 has been revised up to \$925 million. The \$149 million increase is due to higher than expected acquisitions of non-financial assets, partially offset by a larger than anticipated net operating surplus.

**Table 8.2: Public Trading Enterprise Sector 2001-02 Revised Outcomes**

	<i>Budget 2001-02 \$m</i>	<i>Revised 2001-02 \$m</i>	<i>Variation \$m</i>
GFS Total Revenue	12,059	12,067	+ 8
<b>Less</b> GFS Total Expenses	11,658	11,543	(-) 115
<b>Equals</b> GFS Net Operating Balance	401	524	+ 123
<b>Less</b> <b>Net Acquisition of Non-Financial Assets</b>			
Gross Fixed Capital Formation	2,733	2,899	+ 166
less Depreciation	(1,608)	(1,552)	+ 56
plus Changes in inventories	40	128	+ 88
plus Other movements in non-financial assets	12	(26)	(-) 38
<b>Equals Total Net Acquisition of Non-financial Assets</b>	1,177	1,449	+ 272
<b>Equals</b> Net Lending/(Borrowing)	(776)	(925)	(-) 149
<b>GFS Cash Flow Surplus/(Deficit)</b>	(575)	(935)	(-) 360

Total revenues are on track to meet original budget estimates. The \$8 million improvement reflects higher current grants and subsidies and capital grants received by the housing and community amenities sector. This is offset by slightly weaker sales of goods and services related to the privatisation of FreightCorp and lower miscellaneous revenues particularly in the electricity distribution sector.

PTE total expenses were \$115 million below original budget estimates due to a lower than expected dividend payment by the electricity sector and lower depreciation expenses. The greater fall in expenses relative to revenues during 2001-02 is expected to improve the aggregate PTE sector net operating balance by \$123 million.

PTE sector net acquisition of non-financial assets is expected to be \$272 million higher than budget estimates primarily reflecting:

- ◆ an estimated \$166 million in additional capital investment being undertaken, especially in the electricity distribution and transmission sectors; and
- ◆ a greater than expected build-up of inventory, particularly in the land development sector, estimated at \$88 million.

### **Public Trading Enterprise Sector – Trends and Outlook**

Table 8.3 presents the PTE sector operating statement over the four-year period ending 2001-02, at which point SOCOG and SPOC operations ceased. Table 8.9 provides forward estimates to 2005-06.

**Table 8.3: Public Trading Enterprise Sector Operating Statement**

	<i>Actual 1997-98 \$m</i>	<i>Actual 1998-99 \$m</i>	<i>Actual 1999-2000 \$m</i>	<i>Actual 2000-01 \$m</i>	<i>Budget 2001-02 \$m</i>	<i>Revised 2001-02 \$m</i>
<b>Revenue</b>						
Sales of goods and services	8,567	8,141	8,902	9,238	9,322	9,261
Current grants and subsidies	1,003	1,077	929	1,084	1,109	1,155
Capital grants	577	632	596	765	661	868
Interest income	149	110	97	99	60	70
Other	898	1,042	1,169	923	907	713
<b>Total Revenue</b>	<b>11,194</b>	<b>11,002</b>	<b>11,693</b>	<b>12,109</b>	<b>12,059</b>	<b>12,067</b>
<b>less Expenses</b>						
Gross operating expenses	8,402	8,584	9,156	9,312	9,628	9,607
Other Interest expenses	865	790	692	825	870	842
Other property expenses	1,574	1,229	1,215	981	1,092	997
Current transfers	185	27	70	73	55	86
Capital transfers	7	185	63	56	13	11
<b>Total Expenses</b>	<b>11,033</b>	<b>10,815</b>	<b>11,196</b>	<b>11,247</b>	<b>11,658</b>	<b>11,543</b>
<b>equals Net Operating Balance</b>	<b>161</b>	<b>187</b>	<b>497</b>	<b>862</b>	<b>401</b>	<b>524</b>
<b>less Net Acquisition of Non-financial Assets</b>						
Gross fixed capital formation	1,526	1,984	2,566	2,538	2,733	2,899
less Depreciation	(1,423)	(1,372)	(1,389)	(1,499)	(1,608)	(1,552)
plus Change in inventories	89	(25)	(8)	141	40	128
plus Other movements in non-financial assets	(117)	(32)	(140)	(72)	12	(26)
<b>equals Total Net Acquisition of Non-financial Assets</b>	<b>75</b>	<b>555</b>	<b>1,029</b>	<b>1,108</b>	<b>1,177</b>	<b>1,449</b>
<b>equals Net Lending / (Borrowing)</b>	<b>86</b>	<b>(368)</b>	<b>(532)</b>	<b>(246)</b>	<b>(776)</b>	<b>(925)</b>

**Net Operating Balance - Trends and Outlook**

Chart 8.3 illustrates the trend in the net operating balance of the PTE sector from 1997-98 projected to 2005-06. Aggregate PTE sector revenues have exceeded expenses resulting in a positive net operating balance for every year. Net operating surpluses are projected in 2002-03 and over the forward estimates period, indicating that current PTE activities are financially sustainable at the aggregate level.

**Chart 8.3: PTE Sector Net Operating Balance**

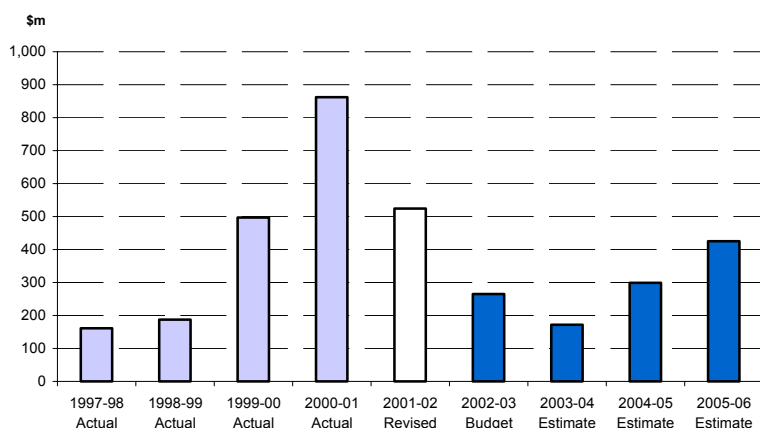


Table 8.4 shows PTE sector revenues in 2002-03 are expected to be about \$154 million lower than the previous year largely reflecting a \$177 million fall in capital grants mainly to the housing and amenities sector.

**Table 8.4: Changes to PTE Sector Net Operating Balance**

	<i>Revised 2001-02 \$m</i>	<i>Budget 2002-03 \$m</i>	<i>Variation \$m</i>
<b>Revenue</b>			
Sales of goods and services	9,261	9,268	7
Current grants and subsidies	1,155	1,224	69
Capital grants	868	691	(-) 177
Interest income	70	58	(-) 12
Other	713	672	(-) 41
<b>Total Revenue</b>	<b>12,067</b>	<b>11,913</b>	<b>(-) 154</b>
<b>Expenses</b>			
Gross operating expenses	9,607	9,467	(-) 140
Other interest expenses	842	889	47
Other property expenses	997	1,171	174
Current transfers	86	110	24
Capital transfers	11	11	...
<b>Total Expenses</b>	<b>11,543</b>	<b>11,648</b>	<b>105</b>
<b>Net Operating Balance</b>	<b>524</b>	<b>265</b>	<b>(-) 259</b>

Conversely, total expenses are projected to rise by \$105 million mainly due to higher dividend and tax equivalent payments, which because they relate to owners equity are defined as “Other Property Expenses” in the table. Property expenses are projected to rise by \$174 million in 2002-03 with the electricity sector issuing higher dividend payments. The projected \$140 million decline in PTE sector gross operating expenses on 2001-02 reflects expected cost savings in the electricity generation sector and the absence of FreightCorp following its privatisation.

The expected decline in revenues together with a rise in expenses during 2002-03 is projected to reduce the net operating surplus by \$259 million on the previous year to \$265 million.

However, as shown in Table 8.5, PTE sector revenues are expected to grow faster than expenses over the course of the forward estimates period. The net operating surplus is therefore projected to moderately increase to \$425 million by 2005-06.

**Table 8.5: Percentage Growth in PTE Sector Revenues and Expenses**

	<i>4 years to 2001-02 Average</i>	<i>2002-03 Budget</i>	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>
Revenue	1.9	(1.3)	2.3	5.2	3.8
Expenses	1.2	0.9	3.1	4.2	2.9
Gross State Product (nominal)	5.6	5.8	5.7	5.7	5.7

Table 8.9 reveals that projected PTE sector revenue growth comes from higher sales. Over the four years to 2005-06, PTE sector sales of goods and services are anticipated to increase by \$1.4 billion, the growth attributed to electricity distributors. The importance to the PTE sector of generating sales to lift future revenues is another indication that current operations are commercially focused.

The revenue and profit projections of PTEs have often been conservative in past years. It is therefore quite possible that the result for 2002-03 will be better than the budget estimate.

### **Net Lending – Trends and Outlook**

The net lending/borrowing result includes net capital expenditure, but not the use of capital (i.e. depreciation). It measures the call the sector makes on capital markets and measures the PTE sector’s impact on national savings on a National Accounts basis.

As shown in Table 8.9, a net borrowing requirement of \$1,296 million is projected in 2002-03. Net borrowing requirements are also projected for each of the three years to 2005-06. The net borrowing requirement is expected to peak at \$1,416 million in 2004-05, improving to a deficit of \$1,086 million the following year.

These projections reflect the strong capital investment outweighing the expected modest net operating surpluses. These projections are probably conservative given the tendency towards understating expected profits.

As this is the first year that forward projections have been presented beyond the budget year, there is no track record against which to establish bias or otherwise, though clearly the range of uncertainty increases across the forward estimates period.

### ***Cash Flow Position – Trends and Outlook***

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

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

Nevertheless, it is noted that the cash flow measure for the PTE sector does receive attention because it is perceived to be a potential source of funds for the general government sector. This, however, should be considered less of an issue now that the general government sector has established a consistent pattern of cash surpluses.

Table 8.15 shows that, over the five year period ending 2005-06, on current projections PTE sector cash flow deficits are expected to peak in 2003-04 at \$1,008 million. A smaller cash deficit of \$619 million is anticipated by 2005-06. Table 8.15 contains no adjustment for a possible conservative bias.

These cash flow projections should be viewed in a longer-term perspective. Over the last forty years, it was only during the 1990s that sustained cash surpluses were recorded by the PTE sector. The establishment of the commercial policy framework has undoubtedly contributed to this turnaround in financial performance.

The commercial policy framework allows PTEs to respond to commercial opportunities, while discouraging the excessive capital expenditure practices of the past. Therefore, after eleven consecutive cash flow surpluses commencing 1988-89, it is not surprising to find the PTE sector enter a period of cash flow deficits corresponding to increased capital investment. However, in comparison to the very large cash deficits made during the early 1980s, the recent short term weakening in the PTE cash flow result is modest.

## NON-FINANCIAL PUBLIC SECTOR PERFORMANCE

The non-financial public sector (NFP) is a consolidation of the general government and PTE sectors. The projected outcomes for the NFP sector should therefore be viewed mindful of the historical conservative bias contained in PTE sector projections.

### **Net Operating Balance – Results and Outlook**

Table 8.6 shows that the revised 2001-02 NFP sector net operating surplus will total \$2,254 million, a \$716 million improvement on budget. A \$1,570 million net operating surplus is projected for 2002-03. The net operating balance for the NFP sector is projected to average a surplus of around \$1.9 billion annually over the forward estimates period, with the PTE sector contributing fifteen per cent of the projected total.

**Table 8.6: Net Operating Balance by Sector**

Sector	2001-02	2001-02	2002-03	2003-04	2004-05	2005-06
	Budget	Revised	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
General Government	1,200	1,807	1,300	1,367	1,546	2,235
PTE	401	524	265	172	299	425
NFP <sup>(a)</sup>	1,538	2,254	1,570	1,543	1,850	2,664

(a) Totals may not add due to inter-sector transactions between the general government and PTE sectors.

## Net Lending Result – Results and Outlook

The 2001-02 net borrowing requirement for the NFP sector has been revised down to \$331 million. A \$1,120 million net borrowing requirement is projected for the NFP sector in 2002-03. Net borrowing requirements are also projected throughout the forward estimates period as shown in Table 8.7, noting however projected reductions in the net borrowing requirement after 2003-04. Since the general government enjoys a net lending position over the four years to 2005-06, NFP sector deficits are attributable to PTE sector net borrowing requirements.

**Table 8.7: Net Lending Result by Sector** <sup>(a)</sup>

Sector	2001-02	2001-02	2002-03	2003-04	2004-05	2005-06
	Budget	Revised	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
General Government	368	670	168	101	253	910
PTE	(776)	(925)	(1,296)	(1,385)	(1,416)	(1,086)
NFP <sup>(b)</sup>	(481)	(331)	(1,120)	(1,278)	(1,155)	(169)

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

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

## 8.6 ACCRUAL UNIFORM PRESENTATION FRAMEWORK TABLES

In accordance with the revised uniform presentation framework agreed by the Australian Loan Council in March 2000, Tables 8.8 through to 8.18 of this Section provide estimates on a comparable basis to those which the ABS will be publishing.

**Table 8.8: NSW General Government Sector Operating Statement (ABS Basis)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>GFS Revenue</b>										
Taxation revenue <sup>(e)</sup>	12,903	14,122	15,191	13,343	13,358	12,862	13,380	14,102	14,869	
Current grants and subsidies <sup>(e)</sup>	8,826	9,414	10,098	13,741	15,777	16,056	16,104	16,567	17,425	
Capital grants	972	912	889	869	1,020	941	936	973	920	
Sales of goods and services	2,505	2,633	2,753	2,624	2,555	2,671	2,766	2,843	2,890	
Interest income	424	412	476	471	357	589	705	821	944	
Other	2,820	2,671	2,456	2,587	2,174	2,323	2,373	2,501	2,739	
<b>Total Revenue</b>	<b>28,450</b>	<b>30,164</b>	<b>31,863</b>	<b>33,635</b>	<b>35,241</b>	<b>35,442</b>	<b>36,264</b>	<b>37,807</b>	<b>39,787</b>	
<b>less GFS Expenses</b>										
Gross operating expenses	19,566	21,619	22,548	23,390	24,530	25,698	26,687	27,862	29,035	
Nominal superannuation interest expense	821	691	479	438	507	591	665	744	827	
Other interest expenses	1,472	1,331	1,305	992	867	760	730	691	670	
Other property expenses	...	...	...	...	...	...	...	...	...	
Current transfers	4,121	4,393	4,494	4,962	5,530	5,718	5,597	5,642	5,702	
Capital transfers	1,036	1,056	986	2,308	2,000	1,375	1,218	1,322	1,318	
<b>Total Expenses</b>	<b>27,016</b>	<b>29,090</b>	<b>29,812</b>	<b>32,090</b>	<b>33,434</b>	<b>34,142</b>	<b>34,897</b>	<b>36,261</b>	<b>37,552</b>	
<b>equals GFS Net Operating Balance</b>	<b>1,434</b>	<b>1,074</b>	<b>2,051</b>	<b>1,545</b>	<b>1,807</b>	<b>1,300</b>	<b>1,367</b>	<b>1,546</b>	<b>2,235</b>	

**Table 8.8: NSW General Government Sector Operating Statement (ABS Basis) (cont)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>less Net Acquisition of Non-financial Assets</b>										
Gross fixed capital formation	2,321	2,060	2,045	2,259	2,519	2,652	2,804	2,928	3,018	
less Depreciation	(650)	(1,036)	(1,411)	(1,333)	(1,337)	(1,404)	(1,471)	(1,551)	(1,622)	
plus Change in inventories	(11)	13	(3)	11	(7)	2	(3)	(4)	(1)	
plus Other movements in non-financial assets	(38)	(133)	28	(56)	(38)	(118)	(64)	(80)	(70)	
<b>equals Total Net Acquisition of Non-financial Assets</b>	<b>1,622</b>	<b>904</b>	<b>659</b>	<b>881</b>	<b>1,137</b>	<b>1,132</b>	<b>1,266</b>	<b>1,293</b>	<b>1,325</b>	
<b>equals GFS Net Lending / (Borrowing)</b>	<b>(188)</b>	<b>170</b>	<b>1,392</b>	<b>664</b>	<b>670</b>	<b>168</b>	<b>101</b>	<b>253</b>	<b>910</b>	

Note:

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

**Table 8.9: NSW Public Non-financial Corporation Sector Operating Statement <sup>(a)</sup> (ABS Basis)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m <sup>(b)</sup>	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates						
							2003-04 \$m	2004-05 \$m	2005-06 \$m	2005-06 \$m			
<b>GFS Revenue</b>													
Sales of goods and services	8,703	8,280	9,234	11,564	9,272	9,268	9,677	10,237	10,669				
Current grants and subsidies	1,009	1,083	1,114	1,099	1,162	1,224	1,183	1,165	1,162				
Capital grants	577	632	596	765	868	691	583	640	655				
Interest income	150	110	97	142	70	58	54	58	64				
Other	891	1,036	1,162	915	706	672	684	714	749				
<b>Total Revenue</b>	<b>11,330</b>	<b>11,141</b>	<b>12,203</b>	<b>14,485</b>	<b>12,078</b>	<b>11,913</b>	<b>12,181</b>	<b>12,814</b>	<b>13,299</b>				
<b>less GFS Expenses</b>													
Gross operating expenses	8,536	8,723	9,667	11,520	9,607	9,467	9,757	10,083	10,245				
Interest expenses	865	790	692	825	842	889	912	955	977				
Other property expenses	1,574	1,229	1,215	981	997	1,171	1,218	1,352	1,532				
Current transfers	185	27	70	73	86	110	111	113	108				
Capital transfers	9	185	63	56	11	11	11	12	12				
<b>Total Expenses</b>	<b>11,169</b>	<b>10,954</b>	<b>11,707</b>	<b>13,455</b>	<b>11,543</b>	<b>11,648</b>	<b>12,009</b>	<b>12,515</b>	<b>12,874</b>				
<b>equals GFS Net Operating Balance</b>	<b>161</b>	<b>187</b>	<b>496</b>	<b>1,030</b>	<b>535</b>	<b>265</b>	<b>172</b>	<b>299</b>	<b>425</b>				

**Table 8.9: NSW Public Non-financial Corporation Sector Operating Statement <sup>(a)</sup> (ABS Basis) (cont)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m <sup>(b)</sup>	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>less</b>										
<b>Net Acquisition of Non-financial Assets</b>										
Gross fixed capital formation	1,543	1,989	2,579	2,539	2,899	3,111	3,343	3,491	3,390	
less Depreciation	(1,423)	(1,372)	(1,389)	(1,514)	(1,552)	(1,643)	(1,744)	(1,814)	(1,866)	
plus Change in inventories	202	147	252	(651)	128	42	(24)	5	(47)	
plus Other movements in non-financial assets	(116)	(32)	(141)	(72)	(26)	51	(18)	33	34	
<b>equals Total Net Acquisition of Non-financial Assets</b>	<b>206</b>	<b>732</b>	<b>1,301</b>	<b>302</b>	<b>1,449</b>	<b>1,561</b>	<b>1,557</b>	<b>1,715</b>	<b>1,511</b>	
<b>equals GFS Net Lending / (Borrowing)</b>	<b>(45)</b>	<b>(545)</b>	<b>(805)</b>	<b>728</b>	<b>(914)</b>	<b>(1,296)</b>	<b>(1,385)</b>	<b>(1,416)</b>	<b>(1,086)</b>	
<b>GFS Net Lending/(Borrowing) after adjusting to exclude SOCOG and SPOC<sup>(b)</sup></b>	<b>86</b>	<b>(368)</b>	<b>(531)</b>	<b>(246)</b>	<b>(925)</b>	<b>(1,296)</b>	<b>(1,385)</b>	<b>(1,416)</b>	<b>(1,086)</b>	

Notes:

(a) The public non-financial corporation (PNFC) sector is also referred to in these budget papers as the public trading enterprise (PTE) sector.

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

**Table 8.10: NSW Non-financial Public Sector Operating Statement (ABS Basis)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m <sup>(a)</sup>	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>GFS Revenue</b>										
Taxation revenue(b)	12,068	13,504	14,547	12,656	12,496	12,228	12,736	13,447	14,200	
Current grants and subsidies(b)	8,780	9,399	10,121	13,769	15,687	16,035	16,082	16,545	17,405	
Sales of goods and services	11,109	10,814	11,861	13,972	11,708	11,823	12,323	12,958	13,433	
Capital grants	754	862	833	809	1,016	941	936	973	920	
Interest income	503	457	507	549	371	593	706	828	958	
Other	2,366	2,441	2,371	2,294	1,831	1,809	1,825	1,831	1,945	
<b>Total Revenue</b>	<b>35,580</b>	<b>37,477</b>	<b>40,240</b>	<b>44,049</b>	<b>43,109</b>	<b>43,429</b>	<b>44,608</b>	<b>46,582</b>	<b>48,861</b>	
<b>less GFS Expenses</b>										
Gross operating expenses	26,807	29,611	31,420	33,995	33,155	34,415	35,682	37,167	38,487	
Nominal superannuation interest expense	821	691	479	438	507	591	665	744	827	
Other interest expenses	2,267	2,055	1,932	1,754	1,653	1,595	1,589	1,595	1,596	
Other property expenses	...	...	...	...	...	...	...	...	...	
Current transfers	3,263	3,320	3,607	3,904	4,448	4,595	4,517	4,583	4,644	
Capital transfers	412	533	243	1,587	1,081	663	612	643	643	
<b>Total Expenses</b>	<b>33,570</b>	<b>36,210</b>	<b>37,681</b>	<b>41,678</b>	<b>40,844</b>	<b>41,859</b>	<b>43,065</b>	<b>44,732</b>	<b>46,197</b>	
<b>equals GFS Net Operating Balance</b>	<b>2,010</b>	<b>1,267</b>	<b>2,559</b>	<b>2,371</b>	<b>2,265</b>	<b>1,570</b>	<b>1,543</b>	<b>1,850</b>	<b>2,664</b>	

**Table 8.10: NSW Non-financial Public Sector Operating Statement (ABS Basis) (cont)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m <sup>(a)</sup>	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>less Net Acquisition of Non-financial Assets</b>										
Gross fixed capital formation	3,882	4,047	4,622	4,795	5,416	5,761	6,145	6,417	6,404	
less Depreciation	(2,073)	(2,408)	(2,800)	(2,848)	(2,889)	(3,047)	(3,215)	(3,365)	(3,487)	
plus Change in inventories	192	160	249	(641)	121	44	(27)	1	(48)	
plus Other movements in non-financial assets	(150)	(159)	(107)	(128)	(64)	(68)	(82)	(48)	(36)	
<b>equals Total Net Acquisition of Non-financial Assets</b>	<b>1,851</b>	<b>1,640</b>	<b>1,964</b>	<b>1,178</b>	<b>2,584</b>	<b>2,690</b>	<b>2,821</b>	<b>3,005</b>	<b>2,833</b>	
<b>equals GFS Net Lending / (Borrowing)</b>	<b>159</b>	<b>(373)</b>	<b>595</b>	<b>1,193</b>	<b>(319)</b>	<b>(1,120)</b>	<b>(1,278)</b>	<b>(1,155)</b>	<b>(169)</b>	
<b>GFS Net Lending/(Borrowing) after adjusting to exclude SOCOG and SPOC<sup>(a)</sup></b>	<b>290</b>	<b>(197)</b>	<b>868</b>	<b>218</b>	<b>(331)</b>	<b>(1,120)</b>	<b>(1,278)</b>	<b>(1,155)</b>	<b>(169)</b>	

Notes:

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

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

**Table 8.11: NSW General Government Sector Balance Sheet (ABS Basis)**

	Actual		Actual		Actual		Revised		Budget		Forward Estimates		
	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>													
Financial assets													
Cash and deposits	1,184	961	418	1,035	796	1,277	1,209	1,430	1,334				
Advances paid	1,670	1,653	1,693	1,439	1,495	1,417	1,355	1,319	1,263				
Investments, loans and placements	3,448	3,658	3,859	3,950	4,984	5,535	6,545	7,394	9,423				
Other non-equity assets	3,559	3,778	3,700	4,001	3,863	4,092	4,283	4,587	4,968				
Equity	41,115	41,500	46,596	47,542	48,254	50,372	50,783	51,282	53,094				
<b>Total Financial Assets</b>	<b>50,976</b>	<b>51,550</b>	<b>56,266</b>	<b>57,967</b>	<b>59,392</b>	<b>62,693</b>	<b>64,175</b>	<b>66,012</b>	<b>70,082</b>				
Non-financial assets													
Land and fixed assets	59,627	64,066	64,230	65,805	67,170	68,369	69,703	71,067	72,458				
Other non-financial assets	548	666	754	848	956	1,071	1,191	1,315	1,443				
<b>Total Non-financial Assets</b>	<b>60,175</b>	<b>64,732</b>	<b>64,984</b>	<b>66,653</b>	<b>68,126</b>	<b>69,440</b>	<b>70,894</b>	<b>72,382</b>	<b>73,901</b>				
<b>Total Assets</b>	<b>111,151</b>	<b>116,282</b>	<b>121,250</b>	<b>124,620</b>	<b>127,518</b>	<b>132,133</b>	<b>135,069</b>	<b>138,394</b>	<b>143,983</b>				

**Table 8.11: NSW General Government Sector Balance Sheet (ABS Basis) (cont)**

	Forward Estimates									
	Actual June 1998 \$m	Actual June 1999 \$m	Actual June 2000 \$m	Actual June 2001 \$m	Revised June 2002 \$m	Budget June 2003 \$m	June 2004 \$m	June 2005 \$m	June 2006 \$m	June 2006 \$m
<b>Liabilities</b>										
Deposits held	56	59	89	61	52	51	52	51	52	52
Advances received	2,340	2,270	2,142	2,041	1,827	1,789	1,693	1,655	1,517	1,517
Borrowing	14,064	16,761	14,961	11,525	10,306	9,748	9,427	9,163	8,848	8,848
Superannuation liability <sup>(a)</sup>	11,852	7,952	5,686	8,127	9,966	11,259	12,617	14,047	15,558	15,558
Other employee entitlements and provisions	6,725	7,139	7,440	8,304	8,714	9,052	9,270	9,485	9,885	9,885
Other non-equity liabilities	3,417	3,115	2,863	2,778	2,656	2,570	2,502	2,453	2,419	2,419
<b>Total Liabilities</b>	<b>38,454</b>	<b>37,296</b>	<b>33,181</b>	<b>32,836</b>	<b>33,521</b>	<b>34,469</b>	<b>35,561</b>	<b>36,854</b>	<b>38,279</b>	<b>38,279</b>
<b>NET WORTH</b>	<b>72,697</b>	<b>78,986</b>	<b>88,069</b>	<b>91,784</b>	<b>93,997</b>	<b>97,664</b>	<b>99,508</b>	<b>101,540</b>	<b>105,704</b>	<b>105,704</b>
<b>Net Financial Worth <sup>(b)</sup></b>	<b>12,522</b>	<b>14,254</b>	<b>23,085</b>	<b>25,131</b>	<b>25,871</b>	<b>28,224</b>	<b>28,614</b>	<b>29,158</b>	<b>31,803</b>	<b>31,803</b>
<b>Net Debt <sup>(c)</sup></b>	<b>10,158</b>	<b>12,818</b>	<b>11,222</b>	<b>7,203</b>	<b>4,910</b>	<b>3,359</b>	<b>2,063</b>	<b>726</b>	<b>(1,603)</b>	<b>(1,603)</b>
<b>Underlying Net Debt <sup>(c) (d)</sup></b>	<b>10,158</b>	<b>9,554</b>	<b>8,971</b>	<b>6,024</b>	<b>4,910</b>	<b>4,310</b>	<b>4,075</b>	<b>3,907</b>	<b>2,865</b>	<b>2,865</b>

Notes:

(a) Comprises net unfunded obligations.

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

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

(d) Adjusted for prepaid superannuation in the years 1998-99 to 2000-01, and Crown deposits to the Liability Management Fund and fund earnings in the years 2002-03 to 2005-06 inclusive.

**Table 8.12: NSW Public Non-financial Corporation Sector Balance Sheet <sup>(a)</sup> (ABS Basis)**

	Actual		Actual		Actual		Actual		Revised		Budget		Forward Estimates			
	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>																
Financial assets																
Cash and deposits	920	1,026	1,324	960	901	833	828	846	846	846	846	846	846	846	846	1,135
Investments, loans and placements	1,559	1,361	875	920	691	486	462	434	434	434	434	462	434	434	434	442
Other non-equity assets	2,197	2,444	2,701	2,351	2,246	2,230	2,182	2,207	2,207	2,207	2,230	2,182	2,207	2,207	2,228	2,228
Equity	27	48	63	139	88	69	64	94	94	94	69	64	94	94	110	110
<b>Total Financial Assets</b>	<b>4,703</b>	<b>4,879</b>	<b>4,963</b>	<b>4,370</b>	<b>3,926</b>	<b>3,618</b>	<b>3,536</b>	<b>3,581</b>	<b>3,581</b>	<b>3,926</b>	<b>3,618</b>	<b>3,536</b>	<b>3,581</b>	<b>3,581</b>	<b>3,915</b>	<b>3,915</b>
Non-financial assets																
Land and fixed assets	53,263	54,434	58,883	61,755	63,300	66,934	68,671	70,513	70,513	63,300	66,934	68,671	70,513	70,513	73,543	73,543
Other non-financial assets	37	59	295	304	284	268	263	257	257	284	268	263	257	257	254	254
<b>Total Non-financial Assets</b>	<b>53,300</b>	<b>54,493</b>	<b>59,178</b>	<b>62,059</b>	<b>63,584</b>	<b>67,202</b>	<b>68,934</b>	<b>70,770</b>	<b>70,770</b>	<b>63,584</b>	<b>67,202</b>	<b>68,934</b>	<b>70,770</b>	<b>70,770</b>	<b>73,797</b>	<b>73,797</b>
<b>Total Assets</b>	<b>58,003</b>	<b>59,372</b>	<b>64,141</b>	<b>66,429</b>	<b>67,510</b>	<b>70,820</b>	<b>72,470</b>	<b>74,351</b>	<b>74,351</b>	<b>67,510</b>	<b>70,820</b>	<b>72,470</b>	<b>74,351</b>	<b>74,351</b>	<b>77,712</b>	<b>77,712</b>

**Table 8.12: NSW Public Non-financial Corporation Sector Balance Sheet <sup>(a)</sup> (ABS Basis) (cont)**

	Forward Estimates									
	Actual June 1998 \$m	Actual June 1999 \$m	Actual June 2000 \$m	Actual June 2001 \$m	Revised June 2002 \$m	Budget June 2003 \$m	June 2004 \$m	June 2005 \$m	June 2006 \$m	June 2006 \$m
<b>Liabilities</b>										
Deposits held	29	29	40	49	54	61	62	62	62	63
Advances received	1,434	1,406	1,379	1,155	1,185	1,140	1,112	1,112	1,085	1,024
Borrowing	8,672	8,558	8,453	11,508	12,022	13,122	14,200	14,200	15,270	16,463
Superannuation liability / (prepaid contributions) <sup>(b)</sup>	136	227	(402)	(150)	263	332	401	401	469	536
Other employee entitlements and provisions	3,910	3,997	3,990	3,905	3,890	4,054	4,178	4,178	4,425	4,765
Other non-equity liabilities	1,932	2,639	3,512	2,102	1,899	1,824	1,815	1,815	1,834	1,839
<b>Total Liabilities</b>	<b>16,113</b>	<b>16,856</b>	<b>16,972</b>	<b>18,569</b>	<b>19,313</b>	<b>20,533</b>	<b>21,768</b>	<b>21,768</b>	<b>23,145</b>	<b>24,690</b>
Shares and other contributed capital <sup>(c)</sup>	41,890	42,516	47,169	47,860	48,197	50,287	50,702	50,702	51,206	53,022
<b>NET WORTH <sup>(c)</sup></b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Net Financial Worth <sup>(d)</sup></b>	<b>(11,410)</b>	<b>(11,977)</b>	<b>(12,009)</b>	<b>(14,199)</b>	<b>(15,387)</b>	<b>(16,915)</b>	<b>(18,232)</b>	<b>(18,232)</b>	<b>(19,564)</b>	<b>(20,775)</b>
<b>Net Debt <sup>(e)</sup></b>	<b>7,656</b>	<b>7,606</b>	<b>7,673</b>	<b>10,832</b>	<b>11,669</b>	<b>13,004</b>	<b>14,084</b>	<b>14,084</b>	<b>15,137</b>	<b>15,973</b>

Notes:

- (a) The public non-financial corporation (PNFC) sector is also referred to in these budget papers as the public trading enterprise (PTE) sector.
- (b) Comprises net unfunded obligations.
- (c) For entities whose equity is not traded on the market, the GFS net worth is zero as the equity (shares and other contributed capital) is recorded as an asset in the general government balance sheet.
- (d) Net financial worth equals total financial assets minus total liabilities.
- (e) 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 8.13: NSW Non-financial Public Sector Balance Sheet (ABS Basis)**

	Actual		Actual		Actual		Revised		Budget		Forward Estimates			
	June 1998	June 1999	June 2000	June 2001	June 2002	June 2003	June 2004	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>														
Financial assets														
Cash and deposits	2,105	1,987	1,741	1,995	1,698	2,110	2,037	2,276	2,468					
Advances paid	239	246	312	284	309	278	243	234	239					
Investments, loans and placements	5,005	5,011	4,727	4,870	5,675	6,022	7,007	7,827	9,865					
Other non-equity assets	3,074	3,531	3,752	3,872	3,428	3,399	3,396	3,470	3,565					
Equity	(749)	(968)	(510)	(179)	144	154	145	171	181					
<b>Total Financial Assets</b>	<b>9,674</b>	<b>9,807</b>	<b>10,022</b>	<b>10,842</b>	<b>11,254</b>	<b>11,963</b>	<b>12,828</b>	<b>13,978</b>	<b>16,318</b>					
Non-financial assets														
Land and fixed assets	112,891	118,501	123,113	127,560	130,470	135,302	138,374	141,581	146,001					
Other non-financial assets	597	728	1,053	1,151	1,241	1,339	1,453	1,571	1,697					
<b>Total Non-financial Assets</b>	<b>113,488</b>	<b>119,229</b>	<b>124,166</b>	<b>128,711</b>	<b>131,711</b>	<b>136,641</b>	<b>139,827</b>	<b>143,152</b>	<b>147,698</b>					
<b>Total Assets</b>	<b>123,162</b>	<b>129,036</b>	<b>134,188</b>	<b>139,553</b>	<b>142,965</b>	<b>148,604</b>	<b>152,655</b>	<b>157,130</b>	<b>164,016</b>					

**Table 8.13: NSW Non-financial Public Sector Balance Sheet (ABS Basis) (cont)**

	Forward Estimates									
	Actual June 1998 \$m	Actual June 1999 \$m	Actual June 2000 \$m	Actual June 2001 \$m	Revised June 2002 \$m	Budget June 2003 \$m	June 2004 \$m	June 2005 \$m	June 2006 \$m	June 2006 \$m
<b>Liabilities</b>										
Deposits held	86	88	121	110	107	114	114	113	115	115
Advances received	2,342	2,270	2,141	2,041	1,827	1,789	1,693	1,655	1,517	1,517
Borrowing	22,736	25,310	23,405	23,033	22,327	22,870	23,627	24,433	25,311	25,311
Superannuation liability <sup>(a)</sup>	11,988	8,179	5,284	7,978	10,230	11,591	13,018	14,516	16,094	16,094
Other employee entitlements and provisions	8,716	9,177	9,459	10,406	10,602	10,867	11,039	11,226	11,639	11,639
Other non-equity liabilities	4,597	5,026	5,709	4,201	3,875	3,709	3,656	3,647	3,636	3,636
<b>Total Liabilities</b>	<b>50,465</b>	<b>50,050</b>	<b>46,119</b>	<b>47,769</b>	<b>48,968</b>	<b>50,940</b>	<b>53,147</b>	<b>55,590</b>	<b>58,312</b>	<b>58,312</b>
Shares and other contributed capital	...	...	...	...	...	...	...	...	...	...
<b>NET WORTH</b>	<b>72,697</b>	<b>78,986</b>	<b>88,069</b>	<b>91,784</b>	<b>93,997</b>	<b>97,664</b>	<b>99,508</b>	<b>101,540</b>	<b>105,704</b>	<b>105,704</b>
<b>Net Financial Worth<sup>(b)</sup></b>	<b>(40,791)</b>	<b>(40,243)</b>	<b>(36,097)</b>	<b>(36,927)</b>	<b>(37,714)</b>	<b>(38,977)</b>	<b>(40,319)</b>	<b>(41,612)</b>	<b>(41,994)</b>	<b>(41,994)</b>
<b>Net Debt<sup>(c)</sup></b>	<b>17,815</b>	<b>20,424</b>	<b>18,887</b>	<b>18,035</b>	<b>16,579</b>	<b>16,363</b>	<b>16,147</b>	<b>15,864</b>	<b>14,371</b>	<b>14,371</b>
<b>Underlying Net Debt<sup>(c) (d)</sup></b>	<b>17,815</b>	<b>17,160</b>	<b>16,636</b>	<b>16,856</b>	<b>16,579</b>	<b>17,314</b>	<b>18,159</b>	<b>19,045</b>	<b>18,839</b>	<b>18,839</b>

Notes:

(a) Comprises net unfunded obligations.

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

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

(d) Adjusted for prepaid superannuation in the years 1998-99 to 2000-01, and Crown deposits to the Liability Management Fund and fund earnings in the years 2002-03 to 2005-06 inclusive.

**Table 8.14: NSW General Government Sector Cash Flow Statement<sup>(a)</sup> (ABS Basis)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>Cash Receipts from Operating Activities</b>										
Taxes received <sup>(b)</sup>	12,902	14,192	15,196	13,202	13,330	12,842	13,375	14,097	14,845	
Receipts from sales of goods and services	2,557	2,625	2,806	2,444	2,679	2,687	2,781	2,850	2,888	
Grants/subsidies received <sup>(b)</sup>	9,786	10,345	10,978	14,612	16,794	16,998	17,039	17,540	18,345	
Other receipts	2,672	2,672	2,824	4,022	3,500	3,559	3,903	4,039	4,347	
<b>Total Receipts</b>	<b>27,917</b>	<b>29,834</b>	<b>31,804</b>	<b>34,280</b>	<b>36,303</b>	<b>36,086</b>	<b>37,098</b>	<b>38,526</b>	<b>40,425</b>	
<b>Cash Payments for Operating Activities</b>										
Payment for goods and services	(19,067)	(23,819)	(21,050)	(21,333)	(22,030)	(23,314)	(24,403)	(25,558)	(26,499)	
Grants and subsidies paid	(4,908)	(5,031)	(5,273)	(6,016)	(7,031)	(6,784)	(6,462)	(6,550)	(6,605)	
Interest paid	(1,535)	(1,423)	(1,246)	(1,044)	(850)	(760)	(723)	(656)	(827)	
Other payments	(173)	(261)	(319)	(1,648)	(1,771)	(1,554)	(1,562)	(1,587)	(1,581)	
<b>Total Payments</b>	<b>(25,683)</b>	<b>(30,534)</b>	<b>(27,888)</b>	<b>(30,041)</b>	<b>(31,682)</b>	<b>(32,412)</b>	<b>(33,150)</b>	<b>(34,351)</b>	<b>(35,512)</b>	
<b>Net Cash Flows from Operating Activities</b>	<b>2,234</b>	<b>(700)</b>	<b>3,916</b>	<b>4,239</b>	<b>4,621</b>	<b>3,674</b>	<b>3,948</b>	<b>4,175</b>	<b>4,913</b>	
<b>Net Cash Flows from Investments in Non-financial Assets</b>										
Sales of non-financial assets	327	519	390	144	191	434	252	258	148	
Purchases of non-financial assets	(2,548)	(2,494)	(2,450)	(2,569)	(2,792)	(3,022)	(3,038)	(3,057)	(3,123)	
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(2,221)</b>	<b>(1,975)</b>	<b>(2,060)</b>	<b>(2,425)</b>	<b>(2,601)</b>	<b>(2,588)</b>	<b>(2,786)</b>	<b>(2,799)</b>	<b>(2,975)</b>	
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>1,076</b>	<b>3</b>	<b>(42)</b>	<b>3,228</b>	<b>842</b>	<b>538</b>	<b>188</b>	<b>89</b>	<b>262</b>	

**Table 8.14: NSW General Government Sector Cash Flow Statement<sup>(a)</sup> (ABS Basis) (cont)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates			
							2003-04 \$m	2004-05 \$m	2005-06 \$m	
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>										
<b>Net Cash Flows from Financing Activities</b>										
Advances received (net)	(1,568)	(76)	(132)	(85)	(203)	(40)	(97)	(40)	(138)	
Borrowing (net)	794	2,756	(1,982)	(4,211)	(1,778)	(561)	(327)	(270)	(149)	
Deposits received (net)	(110)	6	28	(25)	(10)	(1)	(1)	(1)	(1)	
Other financing (net)	(4)	...	(2)	...	...	(1)	(1)	(1)	(1)	
<b>Net Cash Flows from Financing Activities</b>	<b>(888)</b>	<b>2,686</b>	<b>(2,088)</b>	<b>(4,321)</b>	<b>(1,991)</b>	<b>(603)</b>	<b>(426)</b>	<b>(312)</b>	<b>(289)</b>	
<b>Net Increase / (Decrease) in Cash Held</b>	<b>144</b>	<b>(163)</b>	<b>(531)</b>	<b>367</b>	<b>(241)</b>	<b>483</b>	<b>(77)</b>	<b>313</b>	<b>(109)</b>	
<b>SURPLUS / (DEFICIT)</b>										
<b>Net Cash from Operating Activities and Investments in Non-financial Assets</b>	<b>13</b>	<b>(2,675)</b>	<b>1,856</b>	<b>1,814</b>	<b>2,020</b>	<b>1,086</b>	<b>1,162</b>	<b>1,376</b>	<b>1,938</b>	
Finance leases and similar arrangements	...	...	...	...	...	...	...	(93)	...	
<b>SURPLUS / (DEFICIT)</b>	<b>13</b>	<b>(2,675)</b>	<b>1,856</b>	<b>1,814</b>	<b>2,020</b>	<b>1,086</b>	<b>1,162</b>	<b>1,283</b>	<b>1,938</b>	
Impact of prepayment of superannuation	...	3,266	(1,005)	(1,058)	(1,134)	...	...	...	...	
Impact of deposits to the Liability Management Fund <sup>(c)</sup>	...	...	...	...	...	(951)	(1,061)	(1,169)	(1,287)	
<b>SURPLUS / (DEFICIT) (after adjusting for the timing of superannuation contributions)</b>	<b>13</b>	<b>591</b>	<b>851</b>	<b>756</b>	<b>886</b>	<b>135</b>	<b>101</b>	<b>114</b>	<b>651</b>	

Notes:

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

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

(c) Deposits by the Crown to the Liability Management Fund and the fund's earnings have been set aside to meet future superannuation contributions.

**Table 8.15: NSW Public Non-financial Corporation Sector Cash Flow Statement<sup>(a) (b) (c)</sup> (ABS Basis)**

	Actual		Actual		Actual		Revised		Budget	Forward Estimates		
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Cash Receipts from Operating Activities</b>												
Receipts from sales of goods and services	9,080	8,680	9,618	10,763	9,597	9,527	10,015	10,584	10,951			
Grants/subsidies received	1,612	1,763	1,844	1,953	1,967	1,916	1,768	1,805	1,817			
Other receipts	948	1,000	1,253	1,927	1,767	1,707	1,742	1,840	1,911			
<b>Total Receipts</b>	<b>11,640</b>	<b>11,443</b>	<b>12,715</b>	<b>14,643</b>	<b>13,331</b>	<b>13,150</b>	<b>13,525</b>	<b>14,229</b>	<b>14,679</b>			
<b>Cash Payments for Operating Activities</b>												
Payment for goods and services	(7,374)	(7,445)	(8,351)	(9,361)	(8,507)	(7,900)	(8,007)	(8,303)	(8,378)			
Grants and subsidies paid	(406)	(71)	(70)	(144)	(93)	(116)	(117)	(119)	(115)			
Interest paid	(860)	(778)	(711)	(722)	(859)	(883)	(921)	(985)	(1,024)			
Other payments	(388)	(209)	(384)	(1,751)	(1,458)	(1,426)	(1,455)	(1,502)	(1,519)			
<b>Total Payments</b>	<b>(9,028)</b>	<b>(8,503)</b>	<b>(9,516)</b>	<b>(11,978)</b>	<b>(10,917)</b>	<b>(10,325)</b>	<b>(10,500)</b>	<b>(10,909)</b>	<b>(11,036)</b>			
<b>Net Cash Flows from Operating Activities</b>	<b>2,612</b>	<b>2,940</b>	<b>3,199</b>	<b>2,665</b>	<b>2,414</b>	<b>2,825</b>	<b>3,025</b>	<b>3,320</b>	<b>3,643</b>			
<b>Net Cash Flows from Investments in Non-financial Assets</b>												
Sales of non-financial assets	313	333	391	282	309	263	240	137	139			
Purchases of non-financial assets	(1,676)	(2,139)	(2,729)	(2,510)	(3,060)	(3,331)	(3,476)	(3,594)	(3,494)			
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(1,363)</b>	<b>(1,806)</b>	<b>(2,338)</b>	<b>(2,228)</b>	<b>(2,751)</b>	<b>(3,068)</b>	<b>(3,236)</b>	<b>(3,457)</b>	<b>(3,355)</b>			
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(76)</b>	<b>(5)</b>	<b>(1)</b>	<b>3</b>	<b>...</b>	<b>(135)</b>	<b>(74)</b>	<b>...</b>	<b>...</b>			
<b>Net Cash Flows from Investments in Assets for Liquidity Purposes</b>	<b>(31)</b>	<b>125</b>	<b>383</b>	<b>(78)</b>	<b>220</b>	<b>210</b>	<b>72</b>	<b>(3)</b>	<b>(24)</b>			

**Table 8.15: NSW Public Non-financial Corporation Sector Cash Flow Statement<sup>(a)</sup> (b) (c) (ABS Basis) (cont)**

	Actual						Forward Estimates			
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financing Activities</b>										
Advances received (net)	(169)	(27)	(22)	(3,229)	(301)	(446)	(78)	(78)	(260)	
Borrowing (net)	(140)	(210)	(110)	3,253	981	1,079	1,053	1,050	1,163	
Deposits received (net)	1	1	1	10	9	7	...	...	...	
Distributions paid	(1,077)	(894)	(824)	(758)	(666)	(585)	(797)	(822)	(907)	
Other financing (net)	(43)	12	(32)	24	(5)	2	4	(11)	...	
<b>Net Cash Flows from Financing Activities</b>	<b>(1,428)</b>	<b>(1,118)</b>	<b>(987)</b>	<b>(700)</b>	<b>18</b>	<b>57</b>	<b>182</b>	<b>139</b>	<b>(4)</b>	
<b>Net Increase / (Decrease) in Cash Held</b>	<b>(286)</b>	<b>136</b>	<b>256</b>	<b>(338)</b>	<b>(99)</b>	<b>(111)</b>	<b>(31)</b>	<b>(1)</b>	<b>260</b>	
<b>SURPLUS / (DEFICIT)</b>										
<b>Net Cash from Operating Activities and Investments in Non-financial Assets</b>	<b>1,249</b>	<b>1,134</b>	<b>861</b>	<b>437</b>	<b>(337)</b>	<b>(243)</b>	<b>(211)</b>	<b>(137)</b>	<b>288</b>	
Distribution paid	(1,077)	(894)	(824)	(758)	(666)	(585)	(797)	(822)	(907)	
Finance leases and similar arrangements	...	(2)	...	...	...	...	...	...	...	
<b>SURPLUS / (DEFICIT)</b>	<b>172</b>	<b>238</b>	<b>37</b>	<b>(321)</b>	<b>(1,003)</b>	<b>(828)</b>	<b>(1,008)</b>	<b>(959)</b>	<b>(619)</b>	
Reversing the impact of SOCOG and SPOC operations	259	(146)	(343)	340	68	...	...	...	...	
<b>SURPLUS / (DEFICIT) adjusted to exclude SOCOG &amp; SPOC</b>	<b>431</b>	<b>92</b>	<b>(306)</b>	<b>19</b>	<b>(935)</b>	<b>(828)</b>	<b>(1,008)</b>	<b>(959)</b>	<b>(619)</b>	

Notes:

(a) The public non-financial corporation (PNFC) sector is also referred to in these budget papers as the public trading enterprise (PTE) sector.

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

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

**Table 8.16: NSW Non-financial Public Sector Cash Flow Statement<sup>(a) (b)</sup> (ABS Basis)**

	Actual 1997-98 \$m	Actual 1998-99 \$m	Actual 1999-2000 \$m	Actual 2000-01 \$m	Revised 2001-02 \$m	Budget 2002-03 \$m	Forward Estimates		
							2003-04 \$m	2004-05 \$m	2005-06 \$m
<b>Cash Receipts from Operating Activities</b>									
Taxes received <sup>(c)</sup>	12,066	13,575	14,545	12,568	12,509	12,234	12,729	13,438	14,173
Receipts from sales of goods and services	11,522	11,179	12,261	13,037	12,110	12,074	12,653	13,290	13,695
Grants/subsidies received <sup>(c)</sup>	9,535	10,330	11,027	14,606	16,701	16,977	17,018	17,517	18,325
Other receipts	2,338	2,375	2,963	4,708	4,306	4,434	4,566	4,761	5,014
<b>Total Receipts</b>	<b>35,461</b>	<b>37,459</b>	<b>40,796</b>	<b>44,919</b>	<b>45,626</b>	<b>45,719</b>	<b>46,966</b>	<b>49,006</b>	<b>51,207</b>
<b>Cash Payments for Operating Activities</b>									
Payment for goods and services	(25,565)	(30,597)	(28,652)	(29,899)	(29,624)	(30,520)	(31,674)	(33,109)	(34,108)
Grants and subsidies paid	(3,405)	(3,308)	(3,494)	(4,203)	(5,034)	(4,964)	(4,790)	(4,829)	(4,871)
Interest paid	(2,311)	(2,091)	(1,892)	(1,700)	(1,653)	(1,588)	(1,592)	(1,589)	(1,800)
Other payments	(386)	(113)	(471)	(3,008)	(2,948)	(2,736)	(2,738)	(2,810)	(2,781)
<b>Total Payments</b>	<b>(31,667)</b>	<b>(36,109)</b>	<b>(34,509)</b>	<b>(38,810)</b>	<b>(39,259)</b>	<b>(39,808)</b>	<b>(40,794)</b>	<b>(42,337)</b>	<b>(43,560)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>3,794</b>	<b>1,350</b>	<b>6,287</b>	<b>6,109</b>	<b>6,367</b>	<b>5,911</b>	<b>6,172</b>	<b>6,669</b>	<b>7,647</b>
<b>Net Cash Flows from Investments in Non-financial Assets</b>									
Sales of non-financial assets	635	847	775	426	501	697	493	396	287
Purchases of non-financial assets	(4,242)	(4,632)	(5,177)	(5,076)	(5,850)	(6,350)	(6,511)	(6,649)	(6,615)
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(3,607)</b>	<b>(3,785)</b>	<b>(4,402)</b>	<b>(4,650)</b>	<b>(5,349)</b>	<b>(5,653)</b>	<b>(6,018)</b>	<b>(6,253)</b>	<b>(6,328)</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>870</b>	<b>(19)</b>	<b>(88)</b>	<b>2</b>	<b>541</b>	<b>(43)</b>	<b>37</b>	<b>12</b>	<b>1</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(88)</b>	<b>(52)</b>	<b>126</b>	<b>(432)</b>	<b>(893)</b>	<b>(329)</b>	<b>(929)</b>	<b>(843)</b>	<b>(2,043)</b>

**Table 8.16: NSW Non-financial Public Sector Cash Flow Statement<sup>(a) (b)</sup> (ABS Basis) (cont)**

	Actual						Revised			Budget			Forward Estimates		
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financing Activities</b>															
Advances received (net)	(1,564)	(92)	(110)	(85)	(204)	(40)	(98)	(41)	(139)						
Borrowing (net)	611	2,553	(2,091)	(959)	(797)	518	726	780	1,014						
Deposits received (net)	(109)	7	29	(14)	...	6	(1)	(1)	(1)						
Distributions paid	...	...	...	...	...	...	...	...	...						
Other financing (net)	(34)	6	(32)	25	(4)	2	3	(11)	1						
<b>Net Cash Flows from Financing Activities</b>	<b>(1,096)</b>	<b>2,474</b>	<b>(2,204)</b>	<b>(1,033)</b>	<b>(1,005)</b>	<b>486</b>	<b>630</b>	<b>727</b>	<b>875</b>						
<b>Net Increase / (Decrease) in Cash Held</b>	<b>(127)</b>	<b>(32)</b>	<b>(281)</b>	<b>(4)</b>	<b>(339)</b>	<b>372</b>	<b>(108)</b>	<b>312</b>	<b>152</b>						
<b>SURPLUS / (DEFICIT)</b>															
<b>Net Cash from Operating Activities and Investments in Non-financial Assets</b>	<b>187</b>	<b>(2,435)</b>	<b>1,885</b>	<b>1,459</b>	<b>1,018</b>	<b>258</b>	<b>154</b>	<b>416</b>	<b>1,319</b>						
Distribution paid	...	(2)	...	...	...	...	...	...	...						
Finance leases and similar arrangements	...	...	...	...	...	...	...	(93)	...						
<b>SURPLUS / (DEFICIT)</b>	<b>187</b>	<b>(2,437)</b>	<b>1,885</b>	<b>1,459</b>	<b>1,018</b>	<b>258</b>	<b>154</b>	<b>323</b>	<b>1,319</b>						
Impact of prepayment of superannuation	...	3,266	(1,005)	(1,058)	(1,134)	...	...	...	...						
Impact of deposits to the Liability Management Fund <sup>(d)</sup>	...	...	...	...	...	(951)	(1,061)	(1,169)	(1,287)						
Impact of SOCOG and SPOC operations	262	(141)	(200)	389	(12)	...	...	...	...						
<b>SURPLUS / (DEFICIT) (after adjusting for the timing of superannuation contributions and excluding SOCOG and SPOC operations)</b>	<b>449</b>	<b>688</b>	<b>680</b>	<b>790</b>	<b>(128)</b>	<b>(693)</b>	<b>(907)</b>	<b>(846)</b>	<b>32</b>						

Notes:

- (a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.
- (b) Refer to commentary earlier in this chapter on the impact of the 2000 Olympic and Paralympic Games on the results.
- (c) Impacted by the introduction in 2000-01 of the Goods and Services Tax (GST) and the processing arrangements.
- (d) Deposits by the Crown to the Liability Management Fund and the fund's earnings have been set aside to meet future superannuation contributions.

**Table 8.17: NSW General Government Sector Expenses by Function (ABS Basis)**

	<i>Revised 2001-02 \$m</i>	<i>Budget 2002-03 \$m</i>
General public services	1,082	1,166
Defence	...	...
Public order and safety	3,152	3,330
Education	8,553	8,979
Health	7,591	8,137
Social security and welfare	2,414	2,456
Housing and community amenities	1,786	1,495
Recreation and culture	958	789
Fuel and energy	142	78
Agriculture, forestry, fishing and hunting	536	551
Mining, manufacturing and construction	93	94
Transport and communications	3,181	3,200
Other economic affairs	2,070	1,837
Other purposes	1,876	2,030
<b>Total GFS Expenses</b>	<b>33,434</b>	<b>34,142</b>

**Table 8.18: NSW General Government Sector Taxes (ABS Basis)**

	<i>Revised 2001-02 \$m</i>	<i>Budget 2002-03 \$m</i>
Taxes on employers' payroll and labour force	<b>4,019</b>	<b>4,246</b>
Taxes on property		
Land taxes	999	1,047
Stamp duties on financial and capital transactions	3,613	3,295
Financial institutions' transaction taxes	248	...
Other	51	50
Total taxes on property	<b>4,911</b>	<b>4,392</b>
Taxes on the provision of goods and services		
Excises and levies	...	...
Taxes on gambling	1,218	1,270
Taxes on insurance	1,225	1,175
Total taxes on the provision of goods and services	<b>2,443</b>	<b>2,445</b>
Taxes on use of goods and performance of activities		
Motor vehicle taxes	1,539	1,617
Franchise taxes	8	8
Other	438	154
Total taxes on use of goods and performance of activities	<b>1,985</b>	<b>1,779</b>
<b>Total GFS Taxation Revenue</b>	<b>13,358</b>	<b>12,862</b>

## 8.7 LOAN COUNCIL REPORTING REQUIREMENTS

Table 8.19 presents estimates of the State's Loan Council allocation (LCA) for 2002-03.

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

The 2002-03 NSW estimated Loan Council allocation is a deficit of \$301 million, compared to an original deficit allocation of \$216 million.

**Table 8.19: 2002-03 Loan Council Allocation Estimates, NSW**

	<i>Loan Council Allocation 2002-03 \$m</i>	<i>Budget-time Estimate 2002-03 \$m</i>
General government sector cash deficit / (surplus)	(366)	(1,086)
Public Non-financial Corporations sector cash deficit / (surplus)	813	828
Non-financial public sector cash deficit / (surplus) <sup>(a)</sup>	<b>448</b>	<b>(258)</b>
Minus Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	(52)	(5)
Plus Memorandum items <sup>(c)</sup>	(180)	564
<b>Loan Council Allocation</b>	<b>216</b>	<b>301</b>

Notes:

(a) Does not directly equate to the sum of the general government and PTE cash deficits due to intersectoral transfers which are netted out.

(b) This item is the negative of net advances paid under a cash accounting framework

(c) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs - for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities.

## 8.8 PRIVATE SECTOR INFRASTRUCTURE PROJECTS

### CONTRACTS TO BE ENTERED INTO IN 2001-02

#### M5 - Moorebank Avenue Intersection

The Roads and Traffic Authority intends to enter into an agreement with the owner of the M5 Motorway, Interlink Roads Limited, to:

- ◆ develop the intersection of the M5 Motorway with Moorebank Avenue as a grade separated interchange; and
- ◆ provide additional lanes on the M5 Motorway between Moorebank Avenue and Heathcote Roads.

The works would relieve the significant traffic congestion that is frequently experienced at this intersection during peak periods.

The works, which are estimated to cost around \$31 million, would be wholly financed by Interlink Roads, and would be funded from:

- ◆ increased toll revenues during the existing M5 Motorway concession term, expected to result from improved traffic conditions at the interchange; and
- ◆ an extension (expected to be just over one year) to the M5 Motorway concession term.

Contractual arrangements are currently being finalised.

It is expected that the works would be completed and opened to traffic during the second half of 2003.

Government Contingent Liability	Nil
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### CONTRACTS TO BE ENTERED INTO IN 2002-03

#### Cross City Tunnel

##### ***Project Description:***

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

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

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

Three proponents submitted detailed proposals on 24 October 2001. The proponents were:

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

Cross City Motorway Consortium has been selected as the Preferred Proponent and detailed negotiations are currently in progress.

The estimated cost of the project is \$640 million. The final cost of the project will depend on current negotiations to finalise the proposal to design, construct and operate and maintain the tollway. The project will be funded by toll revenues.

Government Contingent Liability
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To Be Determined
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## Western Sydney Orbital Road

### **Project Description:**

A 39km Western Sydney Orbital road is proposed linking the Hume Highway / M5 at Prestons with the M2 at West Baulkham Hills. On completion in 2007, the route will form part of the National Highway system. The route will consist of two travel lanes in each direction and a wide central median which will allow for the possible construction of extra traffic lanes or public transport facilities in the future. The Western Sydney Orbital is intended to be operated as a toll road and the toll is expected to be 25c/km with a cap of \$5 per trip.

The Environmental Impact Statement was placed on display in February and March 2001. The Minister for Planning approved the project with conditions on 28 February 2002.

Three Proponents submitted detailed Proposals on 19 March 2002. The Proponents were:

- ◆ *Orbital Parkway Alliance (Thiess Pty Ltd, Baulderstone Hornibrook and Deutsche Bank);*
- ◆ *Western Link Joint Venture (Transfield Pty Ltd and Bouygues Travaux Publics); and*
- ◆ *Westlink Motorway Limited (Leighton Contractors Pty Ltd and Abigroup Contractors Pty Ltd).*

Assessment of proposals is in progress. A contract should be awarded in 2002 with completion of the road in 2007.

The estimated cost of the project is \$1.2 billion. The final cost of the project will depend on the details of the successful proposal for the design, construct, operate and maintain contract. The Federal Government has provided \$117 million to date for planning and land acquisition, and will provide a further \$239 million. The balance of the project cost will be funded by toll revenue.

Government Contingent Liability	To Be Determined
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## Lane Cove Tunnel

### ***Project Description:***

The Lane Cove Tunnel would link the M2 Motorway at East Ryde and the Gore Hill Freeway at Artarmon. The proposed 3.4 kilometre twin tunnels have been designed to run under Epping Road as much as practical.

The Project also includes:

- ◆ modification to Epping Road / Longueville Road to provide bus lanes in each direction, additional right turn lanes, a continuous bicycle path from Wicks Road, Ryde to Naremburn, and other improvement to the urban environment;
- ◆ an extra westbound lane on Epping Road from Lane Cove River to Wicks Road;
- ◆ widening the Gore Hill Freeway to include a transit lane in each direction between the Pacific Highway and Warringah Freeway; and.
- ◆ adding new north facing ramps between Falcon Street and the Warringah Freeway to provide access between the Warringah Freeway and Falcon Street/Military Road.

Four Applications for Registration of Interest were received on 24 April 2002. The Applicants are:

- ◆ Lane Cove Expressway (*Baulderstone Hornibrook Pty Ltd, Bilfinger Berger Aktiengesellschaft, Commonwealth Bank of Australia, Transurban Infrastructure Developments Limited*);
- ◆ Lane Cove Motorway Consortium (*Leighton Contractors Pty Limited, Deutsche Bank AG*);
- ◆ Lane Cove Tunnel Consortium (*Thiess Pty Ltd, Transfield Pty Ltd, ABN AMRO Australia Limited*); and
- ◆ TunnelLink Limited (*The Hills Motorway Limited, Macquarie Bank Limited, Abigroup Limited, Obayashi Corporation*).

Assessment of applications is in progress. It is expected that the Applicants will be shortlisted mid year and those shortlisted invited to submit detailed proposals.

The estimate of cost for the project is \$815 million. The project is to be funded by toll revenue.

Government Contingent Liability	To Be Determined
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### **Royal Prince Alfred Hospital Car Park**

#### ***Project Description:***

It is proposed to invite the private sector to fund and build a new 1,000 space car park on the Royal Prince Alfred Hospital campus. The anticipated total construction cost for the project is \$13.5 million. The successful proponent will, under a 20 or 25 year licence, operate and collect user charges from the 1,300 campus car park spaces, including the 1,000 new spaces.

The form of the arrangement is expected to be similar to that for the Randwick and St George Hospital car parks. The expected contract execution date is March 2003. At this time no government liability is anticipated under the proposed termination provisions of the contract to be negotiated.

Government Contingent Liability	To Be Determined
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### **Project Newport**

#### ***Project Description:***

“Project Newport” will involve a private sector party financing and undertaking capital and maintenance dredging within the Port of Newcastle. The purpose of the capital dredging is to:

- ◆ widen the port’s steelworks channel by a nominal 40 metres; and
- ◆ deepen the port’s steelworks and entrance channels by a nominal 1.3 metres.

Maintenance of the port will include both the area of capital dredging and remaining areas of the port presently maintained by Newcastle Port Corporation.

Currently, large ships using the Port of Newcastle cannot be loaded to capacity due to the restricted depth of the port’s main channels. In addition, the narrow width of the channel restricts the operational flexibility of the port. “Project Newport” will allow these constraints to be lifted, improving the port’s operating flexibility and safety, increasing the port’s capacity and enhancing the port’s ability to retain existing trades and attract new trades.

The capital dredging works are estimated to cost between \$90 million and \$125 million. Total maintenance dredging is estimated to cost approximately \$2.4 million per annum. It is proposed to recover the cost of the project through a charge on those vessels that derive economic benefit from the use of the deepened and widened channels. Private sector participation costs will be funded through a concession deed over a term of 20 to 25 years.

A preferred proponent to undertake the works will be nominated after a competitive tender process and, pending environmental approvals, dredging works are expected to commence in late 2004.

Government Contingent Liability	To Be Determined
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