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New South Wales

TREASURY

Annual Report 2003-04

Office of Financial Management



New South Wales

TREASURY

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About NSW Treasury

New South Wales Treasury is the oldest Government agency in Australasia. We were established on 28 April 1824.

Treasury consists of the Office of Financial Management (OFM) and the Office of State Revenue (OSR).

This annual report focuses on OFM but includes Treasury's Consolidated Financial Statements.

The structure of this report reflects OFM's Strategic Management Framework. The chapters address our corporate objectives.

Within each chapter our performance is reported against the strategies that we are applying.

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Office of Financial Management

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31 October 2004

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Total external production costs for this annual report were \$6,513 (GST included).

Our Strategic Management Framework

Our Mission

Promoting the allocation of resources to increase the economic welfare of the community.

Our Values

- ▶ Focusing on our stakeholders
- ▶ Valuing the individual
- ▶ Acting with integrity
- ▶ Providing leadership at all levels
- ▶ Continuously learning and innovating

Our Objectives

- 1. Enhanced Economic Development**
To enhance the policy and regulatory framework for NSW economic development.
- 2. Effective Resource Allocation**
To ensure effective resource allocation and management in State sector service delivery.
- 3. Transparent Financial Management**
To improve the transparency of NSW public sector financial management.
- 4. Strengthened State Finances**
To strengthen the NSW government financial position.
- 5. Organisation Building**
To build a values-based organisation that facilitates the achievement of our objectives.

Our Services

- ▶ Advice on economic and fiscal strategies
- ▶ Advice on the efficiency and effectiveness of General Government agencies
- ▶ Advice on the efficiency of Government businesses and commercial activities
- ▶ Budget management
- ▶ Public sector management systems
- ▶ Physical asset policy and management
- ▶ Financial asset and liability management

This annual report reports on OFM's performance against the corporate objectives that applied in 2003-04. A revised set of objectives or *planned results* took effect from 1 July 2004, and will be reflected in the structure of the next year's report – see page 40.



The Hon Michael Egan MLC
Treasurer
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Treasurer,

I have pleasure in submitting the Annual Report of the NSW Treasury's Office of Financial Management for the financial year ended 30 June 2004, for presentation to the Parliament of New South Wales in accordance with the *Annual Reports (Departments) Act 1985*.

The Report contains the Consolidated Financial Statements for Treasury covering both the Office of Financial Management and the Office of State Revenue.

A second volume containing a report on the operations of the Office of State Revenue is submitted separately.

A third volume contains the financial statements for the Crown Entity and its commercial activities. OFM's Crown Asset and Liability Management Branch manages Crown Entity finances. These are public sector wide assets, liabilities and transactions that are the overall responsibility of government and not individual agencies.

Yours sincerely

Kerry Schott
Acting Secretary

31 October 2004

The report is available on the NSW Treasury (OFM) web site:
www.treasury.nsw.gov.au

Results Progress

OUR RESULT INDICATORS	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual	Ultimate Goal
Enhanced Economic Development					
▶ Receipt of all potential payments for NCP implementation	100%	100%	100%	80%	100%
Effective Resource Allocation					
▶ NSW efficiency in providing government services to be equal to or better than the national average for at least 50% of the functional areas reported by the Productivity Commission	48.1%	44.4%	48.3%	nya (pending publication of 2005 Productivity Commission Report)	≥50%
▶ % of relevant agencies with OFM endorsed asset management plans	87%	88%	94%	72%	100%
Transparent Financial Management					
▶ % of SRAAs/RSPs integrated into the Budget process	55%	73%	91%	91%	100%
▶ % of State Owned Corporations with signed performance agreements	94%	100%	100%	100%	100%
Strengthened State Finances					
▶ Maintenance of NSW credit rating	AAA	AAA	AAA	AAA	AAA
▶ Downward trend in General Government Sector net financial liabilities as % of GSP	9.7%	9.6%	9.5%	8.7%	Continuing Reduction
▶ At least maintenance of NSW GST revenue share relative to equal per capita share after 5 yearly CGC methodological reviews	0.92032	0.90631	0.89117	0.86750	Improved NSW share

Planned results may be affected by external factors beyond the control of OFM, or government. While annual targets for *result indicators* are not generally applicable, the monitoring of actual data reveals progress towards the results that OFM is ultimately seeking to influence.

Commentary on these results indicators is included throughout this report.

The Secretary's Message



John Pierce,
Secretary,
NSW Treasury

NSW AAA

"NSWs' Aaa long term debt rating reflects the state's sound fiscal policy and budgetary position, its modest debt burden, and the strength and diversity of the state economy"

Moody's, April, 2004

" the State sits comfortably within the AAA rating category"

Standard and Poor's,
September 2003

" despite the NSW budget turning into deficit in fiscal 2005, the state's AAA rating is not compromised"

Standard and Poor's,
June 2004

I am pleased to report on achievements of the Office of Financial Management during 2003-04. Continuing reform of the State Budget process resulted in two of the year's highlights. The closer linking of budgeting with service provision helped to ensure the preparation of an effective April mini Budget and State Budget for 2004-05. Total asset management and planning is explicitly integrated into the Budget process.

OFM seeks to achieve a stronger economy and better public services through best management of state resources. Ultimately, the success of our strategies will mean an improved standard of living for the people of NSW. To achieve our planned results, our corporate strategies cover ongoing services and special initiatives. Major achievements during the year include:

Enhanced Economic Development

- ▶ Continuing reform of the Energy Sector, including negotiation of governance arrangements for the national energy market.
- ▶ Continuing use of Privately Financed Projects for infrastructure and service delivery, but only where they add value for money.

Effective Resource Allocation

- ▶ Integration of Results and Services Plans and Total Asset Management Plans into the State Budget process.
- ▶ Streamlining of more accountable State procurement policy, incorporating gateway reviews.
- ▶ Oversight of implementation of natural resource agency reforms, including establishment of the Departments of Infrastructure, Planning and Natural Resources; Environment and Conservation; and Primary Industries; and leadership of State Water corporatisation.

Transparent Financial Management

- ▶ Advice on International Accounting Standards exposure drafts in preparation for their application to the NSW public sector.

Strengthened State Finances

- ▶ Use of the State Fiscal Strategy as the basis for the State Budget.
- ▶ Development and submission of the NSW case for the Commonwealth Grants Commission's review of GST revenue distribution arrangements.
- ▶ Leadership and oversight of transport sector reform including corporatisation of Sydney Ferries; establishment of Rail Corporation NSW; and transfer of NSW rural and interstate rail services to the Commonwealth.

Organisation Building

- ▶ Application of the Results and Services Plan concept to OFM, including its integration with our budgeting and planning systems, and its use in formulating a new corporate plan for 2004-07.
- ▶ Development and implementation of a new OFM performance management system.
- ▶ Organisational review and restructure of OFM to ensure the effective integration of our new responsibility for physical asset management and procurement policy with our existing services and processes.

The sound financial management policy and practices advocated by OFM were reflected in the continuing reduction of the State's net financial liabilities relative to GSP and confirmation of NSW' triple A rating by international credit rating agencies. The triple A rating is an independent indicator of the Government's management of the State's finances. It is also testimony to the effectiveness of OFM's strategies, the dedication and professionalism of OFM officers, and the co-operation of our colleagues in other agencies.

Our success hinges on how well we work as individuals and as an organisation. I thank all OFM staff and our colleagues in agencies for your work during the year.



Service Delivery

OUR SERVICE MEASURES	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Bench mark	2003-04 Actual	2004-05 Bench mark
Advice on Economic and Fiscal Strategies						
▶ Average forecasting error for key economic variables ≤ average for other State Treasuries	NSW: 0.85% Others: 1.26%	NSW: 0.49% Others: 0.83%	NSW: 0.64% Others: 0.94%	NSW ≤ Other States	nya (pending issue of ABS data)	NSW ≤ Other States
Advice on the Efficiency of Government Businesses						
▶ % of Government businesses with Statements of Corporate/Business Intent in place	SOCs: 94% All: 94%	SOCs: 100% All: 94%	SOCs: 100% All: 76%	100%	SOCs: 100% All: 73%	100%
Advice on the Efficiency and Effectiveness of General Government agencies						
▶ % of surveyed agencies satisfied that RSPs improve communication with Treasury	<i>Data on this new measure will be derived from OFM's July 2004 survey of client agencies and reported in next year's report</i>					> 75% by 2007
Budget Management						
▶ Average of General Government expenses estimation error ≤ average for other State Treasuries	NSW: 6.1% Others: 3.6%	NSW: 5.2% Others: 3.8%	NSW: 6.0% Others: 2.5%	NSW ≤ Other States	NSW: 1.1% Others: nya	NSW ≤ Other States
Physical Asset Policy and Assessment						
▶ % of surveyed agencies satisfied that Total Asset Management Plans improve their asset management	<i>Data on this new measure will be derived from OFM's July 2004 survey of client agencies and reported in next year's report</i>					> 75% by 2007
Public Sector Management Systems						
▶ % of surveyed agencies satisfied with OFM's financial management support	na (biennial survey)	74%	na (biennial survey)	na (biennial survey)	nya (pending results of 2004 client survey)	> 75%
Financial Asset and Liability Management						
▶ Deviation of actual superannuation, debt and insurance GFS net lending expenses from the Budget estimate	6%	14%	7%	<±10%	-1%	<±10%
The quality of OFM's services is generally within its control. Service measures and associated benchmarks ensure accountability for achievement of acceptable standards Commentary on performance against these measures is included throughout this report.						

Operational Efficiency

ORGANISATION BUILDING PERFORMANCE MEASURES	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Bench mark	2003-04 Actual	2004-05 Bench mark
Staff Development						
▶ Training days per officer	4.4 days	4.3 days	5.3 days	≥5 days	5.4 days	≥5 days
▶ Staff turnover	10%	11%	9.4%	≤20%	8.3%	≤20%
Project Management						
▶ Actual controlled net cost of services ≤ to budget	91%	87%	100%	≤100%	91%	≤100%
▶ Work Plan milestones achieved	71%	80%	62%	≥ 80 %	76%	≥ 80 %
▶ Registered correspondence and projects completed by due date	80%	79%	82%	≥80%	82%	≥80%
Performance Management						
▶ Staff participating in OFM's Performance Agreement and Review scheme (PAR)	87%	80%	63%	100%	82%	100%
▶ Staff satisfied with Treasury	90%	95%	95%	≥75%	95%	≥90%
Adherence to OFM Values						
▶ Staff believing OFM's values are adhered to	89%	94%	92%	≥75%	94%	≥90%
Agency Relations						
▶ Surveyed agencies satisfied with their relationship with OFM	na (biennial survey)	71%	na (biennial survey)	na (biennial survey)	Nya (pending results of 2004 client survey)	≥75%

These performance measures reveal the effectiveness of OFM's *Organisation Building* activity in ensuring the efficiency of our people, organisation and systems, which support our service delivery and the achievement of our planned results.

Commentary on performance against these measures is included throughout this report.

Our Structure and Services

OFM is the NSW Government's principal adviser on state financial management policy and practice, and economic conditions and issues.

The services we provide are aimed at promoting better public services and a stronger economy.

Our Directorates and Units

Following the transfer to OFM in mid 2003 of responsibility for asset management and procurement policy an organisation structure review was undertaken. This included a review of our cross Directorate systems, including that for State Budget preparation, to ensure the effective integration of asset management and procurement policy.

OFM's new structure, which took effect in October 2003, reflected the following significant changes:

- ▶ Establishment of a new Executive Director position and a new Directorate with a prime focus on asset management and procurement.
- ▶ Assignment to Deputy Secretary level of responsibility for State Budget management; and OFM's leadership of public sector structural reform policy and implementation.
- ▶ Allocation to a single Directorate of OFM's role in major reforms in the natural resource management and energy sectors.
- ▶ Closer integration of responsibility for public sector financial management policy and systems with our operational areas that guide and monitor implementation of initiatives.

OFM now comprises the following Directorates and Units.

The **OFM Executive** is headed by the Secretary, with two Deputy Secretaries and three Executive Directors. The Executive is responsible for leadership and strategic direction. While Executive members oversee OFM's Directorates, Branch Directors are responsible for their operational management.

Resources and Budget Directorate coordinates the State Budget process; prepares State financial reports; advises on general government sector financial management improvement; and monitors and advises on the performance of **Human Services and Transport** sector agencies.

Resources and Policy Directorate advises on major public sector structural reforms; and on the application of the commercial policy framework; and monitors and advises on the performance of agencies in the **Natural Resource Management and Energy** sectors.

Resources and Crown Directorate oversees management of Crown assets and liabilities and monitors and advises on the performance of **Justice, Education, Financial and Central** agencies.

Private Projects and Asset Management Directorate advises on physical asset management policy including procurement; assesses and monitors capital investment proposals; develops policy and supports implementation of Privately Financed Projects; advises Government on property policy matters; and monitors and advises on agency specific resource issues for **Property** sector agencies. A special projects group focuses on IT policy and one off issues.

Economic and Fiscal Directorate advises on overall fiscal strategy, including industrial relations impacts; revenue strategy including intergovernmental and taxation policy issues; and economic strategy, including the application of competition policy.

The **Executive Coordination Unit** provides Executive support; coordination with the Treasurer's Office; and coordination of internal planning and information systems.

The **Corporate Management Unit** advises on human resource policy and coordinates OFM's budget. The Unit manages the service level agreement with OFM's external provider of services for corporate finance, human resources management, information technology and records management - the Department of Commerce's Central Corporate Services Unit.

Special Project Team

In June 2004 a **Financial Legislation Review Team** was established to update the State's financial and reporting legislation. The team will continue until the task is completed, expected to be by June 2005.

Office of Financial Management

SECRETARY	DEPUTY SECRETARY
	Resources and Budget Directorate - Advising on overall management of the State Budget - Coordinating State Budget preparation and reporting - Implementing General Government financial management policy and systems, accounting policy and standards - Administering State financial and annual reporting legislation - Advising on agency specific resource and policy issues for Transport & Human Services agencies
	DEPUTY SECRETARY
	Resources and Policy Directorate - Advising on and implementing the commercial policy framework that applies to the operation of Government businesses - Advising on and overseeing major public sector structural reforms - Advising on agency specific resource and policy issues for Natural Resource and Environment agencies and Energy businesses
	EXECUTIVE DIRECTOR
	Resources and Crown Directorate - Managing Crown financial assets and liabilities, including advice on insurance and superannuation liability issues and oversight of the Treasury Banking System and the Government's self insurance arrangements - Advising on agency specific resource and policy issues for Justice and Emergency Services, Education, Financial Service and Central agencies
	EXECUTIVE DIRECTOR
	Private Projects and Asset Management Directorate - Advising on, and implementing physical asset management policy, including procurement - Assessing and monitoring capital investment proposals - Developing policy and supporting implementation of Privately Financed Projects - Advising on agency specific resource and policy issues for Property Sector agencies. - Advising on property policy including office accommodation.
	EXECUTIVE DIRECTOR
	Economic and Fiscal Directorate - Advising on overall State fiscal strategy, including intergovernmental and taxation policy issues - Advising on economic strategy, including the application of competition policy and economic forecasting

OFM is supported by a **Corporate Management Unit** which advises on corporate support policy and systems. The Executive is supported by an **Executive Coordination Unit**.

Our Senior People - Key Achievements

Executive Performance

Based on the criteria of OFM's performance management system, OFM Executive members were assessed as either meeting or exceeding standards for overall performance, competencies and adherence to Treasury values. All members satisfied the responsibilities specified in their annual performance agreements in an efficient and effective manner.

Remuneration

Remuneration reported for Executive members comprises total monetary remuneration and the value of employment benefits as specified in their employment contracts. No performance related incentive payments were made, in line with public sector policy.



John Pierce
B.Comm (Hons.)
Secretary, NSW Treasury,
Level 8
Remuneration: \$382, 207

Chief Executive and Senior Executive Officers

	2000		2001		2002		2003		2004	
	M	F	M	F	M	F	M	F	M	F
Level 8	1	-	1	-	1	-	1	-	1	-
Level 7	-	-	-	-	-	-	-	-	-	-
Level 6	-	-	-	-	-	-	-	-	2	-
Level 5	3	1	3	1	4	-	4	-	2	1
Level 4	-	-	-	-	-	-	-	-	-	-
Level 3	-	1	-	1	-	1	1	-	1	1
Level 2	1	1	1	-	1	-	14	4	13	5
Level 1	9	5	9	4	10	5	-	-		
	14	8	14	6	16	6	20	4	19	7

Staff Numbers and Grading Structure

	2000	2001	2002	2003	2004
Executive	5	5	5	5	6
Branch Directors	17	15	17	19	20
Treasury Technical Officers	15	16	20	19	27
Grade 7-12	87	96	96	105	113.2
Grade 3-6	40	31	35	34	42
Grade 1-2	2	10	2	2	12.6
Clerical Officer 3/4	7	13	14	14	0
Clerical Officer 1/2	3	0	2	0	0
DPO	6	5	8	9	8
	182	191	199	207	228.8

As part of Treasury's restructure, two Executive positions moved from level 5 to level 6 and one position on level 2 moved to level 3.

Treasury assumed financial responsibility on 1 July 2003 for 13 staff transferred from the former Department of Public Works and Services following a government reorganisation. This included 1 SES, 2 TTO, 8 Clerk Grade 7-12 and 2 Clerk Grade 3/4 positions.

Other staff increases in 2003-04 reflect the greater emphasis on the higher priority areas of energy, environment and whole of government IT. Clerical Officer staff were reclassified to Clerk Grade 1/2.

- Continued to refine the State Budget process, including developing the Results and Services Plan concept to better link service provision and financial management considerations. Incorporated RSPs for all agencies into the Budget decision making process.
- Developed and issued a new OFM corporate plan to guide operations during 2004-07 and to serve as a best practice model for other agencies' integration of RSPs with planning activity.
- Undertook initial research into state fiscal impacts of prospective demographic and economic changes during the next 40 years, with further research and policy issues to be developed during the coming year.
- Implemented a revised organisation structure to support OFM's responsibility for strengthening asset management and procurement policy and its application in the NSW public sector.



Mark Ronsisvalle

PSM, B.Ec
Acting Deputy Secretary,
Resources and Budget
Level 6
Remuneration: \$217,101



Kevin Cosgriff

M.A. (Econ), B.Sc. (Hons)
Acting Deputy Secretary,
Resources and Crown
Level 6
Remuneration: \$234,089



Ian Neale

FCPA
Executive Director,
Resources and Crown
Level 5
Remuneration: \$217,673



Robert Carling

M.Sc., B.Econ (Hons.)
Executive Director,
Economic and Fiscal
Level 5
Remuneration: \$216,721



Kerry Schott

D.Phil, MA, BA (Hons)
Executive Director,
Private Projects and
Asset Management
Level 5, from 7 October 2003
Remuneration: \$172,525

Oversight of financial performance of Budget dependent agencies and government businesses and subsequent advice on strategy and resource allocation.

Formulated the strategy for, and managed the development and production of, the April 2004 Mini Budget, and the 2004-05 NSW Budget.

Successfully negotiated the transfer of the NSW rural and interstate rail network to the Commonwealth.

Oversight of financial performance of Budget dependent agencies and government businesses and subsequent advice on strategy and resource allocation.

Executive responsibility for ongoing reform of the energy sector, including successful negotiation of national energy market governance arrangements.

Advised on, and oversaw new institutional and legislative reforms for natural resource management, and options for the future of NSW forest plantations.

Oversight of financial performance of Budget dependent agencies and government businesses and subsequent advice on strategy and resource allocation.

Implemented revised corporate governance arrangements for NSW public sector superannuation funds.

Led policy development for the Government's response to community insurance issues, including advising on public liability and building warranty policies and legislative changes.

Advised on fiscal strategy and targets, and revenue strategy and measures, for the 2004 Mini Budget and the 2004-05 NSW Budget.

Advised on General Government wage setting policy, including standardized salary maintenance arrangements for displaced public servants.

Executive responsibility for OFM input to NSW Government submissions to major inquiries on fire services levy; first home ownership affordability; National Competition Policy.

Developed a more streamlined, accountable procurement process for the NSW public sector - providing for gateway reviews; agency procurement rating; and assessment and monitoring of capital projects.

Issued strengthened total asset management policy, integrating TAM plans into the State Budget process.

Ongoing reform of policy for government property.

Played a major role in assessing/implementing eleven Privately Financed Projects.

OFM Directorate Contact Officers

Resources and Budget	Tel: 9228 5796	Fax: 9228 3031
Agency Data Provision	Tel: 9228 4481	Fax: 9228 3031
Resources and Policy	Tel: 9228 5796	Fax: 9228 3173
Resources and Crown	Tel: 9228 5622	Fax: 9228 5748
Economic and Fiscal	Tel: 9228 4011	Fax: 9228 4041
Private Projects and Asset Management	Tel: 9228 4011	Fax: 9228 5748

Freedom of Information Enquiries

Tel: 9689 6536 Fax: 9891 4661

Our Environment

The economic and financial environment in which OFM operates can affect the achievement of its planned results. The future cannot be predicted with certainty and unforeseen financial, economic and climatic events can have implications for the strategies we apply.

In particular OFM applies its *State Fiscal Strategy* and *Balance Sheet Management* strategies to safeguard against the vicissitudes of this environment.

Economic Environment

Economic growth during 2003-04 proved to be slightly stronger than forecast at Budget time. Budget forecasts for the economy, and consequently revenues and the Budget outcome, were made at a time of considerable uncertainty about the global and domestic economic outlook.

In early 2003, world output growth forecasts were being lowered, financial markets had deteriorated, global deflation was a concern and drought had affected an otherwise robust domestic economy.

Budget forecasts for 2003-04 were predicated on a recovery in global growth and some drought recovery offsetting slower growth in domestic demand largely reflecting a modest decline in housing activity. Reflecting a weakening US\$, the A\$ had appreciated. The Reserve Bank (RBA) warned any further weakening in the global economy would prompt an interest rate cut.

As 2003-04 progressed doubts about global recovery receded, the sharp appreciation of the A\$ halted, the farm sector partly recovered from drought, and domestic demand rose. In late 2003 owner occupied and investor housing demand peaked and consumer spending growth lifted. In response, the RBA raised interest rates.

The global economic recovery firmed. Locally, strong growth in consumer spending and business investment was partially offset by the impact of drought and weaker than expected non-farm exports. The pace of consumer spending lifted; business investment remained firm; and the labour market made solid gains.

OFM made upward revisions to its economic forecasts for the 2003-04 Half-Yearly Review.

Financial Environment

A modest NSW Budget surplus was achieved in 2003-04, marginally lower than the Budget forecast. Above-budget revenue, especially for transfer duty in the first half of the year, enabled the Government to increase spending in priority areas and meet higher than budgeted wage increases for teachers and nurses.

A number of events that emerged during the year impact on the State's future finances:

- ▶ The Industrial Relation Commission's decisions on teachers and nurses wages will permanently increase spending levels;
- ▶ The cut in NSW' funding due to the Grants Commission's 2004 review will lower revenues;
- ▶ The decline of transfer duty revenue that began during the second half of 2003-04 is projected to continue into 2004-05.

In the absence of policy responses such as permanent or structural fiscal shocks would threaten the budget outcome and debt targets of the State Fiscal Strategy.

To ensure fiscal sustainability the Treasurer announced a number of measures in a special Mini Budget in April 2004. Action was also taken to enhance service delivery in key areas and provide relief for first home buyers.

Due to the robustness of its strategies and the skill of its people, OFM was able to provide appropriate responses to these economic and financial developments.

Revised 2003-04 Economic Estimates*

	Estimate as at:		
	2003-04 Budget	Half Yearly Review	2004-05 Budget
Gross State Product	3¼	3½	3½
State Final Demand	3¼	3¾	4½
Employment	1¼	1½	1½
Unemployment rate (year average, %)	5¾	5½	5½
CPI (Sydney)	2¼	2¼	2¼
Wages (wage cost index, ordinary time)	3½	3¾	3¾

* Year average percent change, unless otherwise indicated
Source: 2004-05 NSW Budget Paper 2, page 5-4, Table 5.1.

Our Commitment to Stakeholders

Our values

- ▶ Acting with integrity
- ▶ Valuing the individual
- ▶ Focusing on our stakeholders
- ▶ Providing leadership at all levels
- ▶ Continuously learning and innovating

OFM is a values-driven organisation. A set of agreed values prescribe appropriate behaviours for the organisation and its people. One of our values reflects our commitment to working in partnership with agencies.

OFM serves the government and community through its main client, the Treasurer.

Other major stakeholders include:

- ▶ Parliament
- ▶ Central and line agencies and government businesses
- ▶ Our staff
- ▶ Auditor General and IPART
- ▶ Media, rating agencies, interest groups and unions.

Commitment to the Community

- ▶ Independent and professional advice to decision-makers
- ▶ Access to information

Commitment to the Treasurer

- ▶ Efficient and effective administration of OFM, including successful implementation of initiatives included in its Corporate Plan
- ▶ Provision of accurate, relevant, professional and timely advice and information

Commitment to Staff

- ▶ Job satisfaction, personal development and career opportunities and the ability to participate and contribute information
- ▶ Strong leadership and effective management

Commitment to Agencies

- ▶ Working in partnership to pursue the successful implementation of financial management reforms
- ▶ Openness, mutual respect and sharing of information.

OFM's Code of Good Practice with Agencies

Regular Consultation, Openness and Courtesy

OFM meets regularly with all agencies and at least quarterly with larger ones. OFM discusses issues with agencies before making a final decision or recommendation to the Treasurer. Agencies must give OFM timely information on all developments.

OFM works with agencies to plan and apply financial management reforms. Consultative Councils of key agencies CEOs are set up to discuss proposed reforms and implications for agencies. Agencies' views are sought if OFM's proposed changes affect a range of agencies.

Teamwork, at OFM and with agencies, is a working strategy that applies to all OFM's corporate plan initiatives. Our planning methodology also requires special attention to any operation issues for agencies. Each agency has a designated Treasury officer as point of contact with OFM. Agencies must also establish their designated contact with OFM.

Consistent Accurate Advice

OFM staff are trained to advise agencies and a team approach minimises problems due to staff changes when dealing with an agency.

Timely Responses

Agency contact officers ensure prompt response to Ministerial and agency letters/requests. OFM will give direct advice within 15 working days. If referred to the Treasurer, a response is likely within 20 working days. Agencies are informed if these deadlines cannot be met. Agencies should give timely responses to OFM's reporting and data requests.

Performance Evaluation

Every two years agencies are surveyed to assess how they rate OFM's commitment to service.

1 Enhanced Economic Development

Our Challenge

To enhance the policy and regulatory framework for NSW economic development.

Our Strategies

Microeconomic Reform through:

- ▶ Using competition policy to achieve efficient and competitive markets;
- ▶ Promoting appropriate regulatory and industry policies; and
- ▶ Maximising the efficiency and competitiveness of the NSW tax system, consistent with the State fiscal strategy.

Microeconomic Reform

A strategy for *Microeconomic Reform* is a key element of OFM's strategic framework for the management of state finances. OFM undertakes a number of actions as part of this strategy aimed at ensuring an environment that is conducive to NSW economic development.

These actions include advice on, and implementation of, initiatives to ensure competitive markets through the application of appropriate regulatory and industry policy, and a competitive tax system for NSW.

Planned Result Progress - NCP Reform	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
Receipt of all potential payments for National Competition Policy implementation	100%	100%	100%	80%	100%

A penalty of \$50.9 million was imposed on NSW in 2003-04, 20% of its maximum entitlement for the year. This comprised permanent deductions for failure to reform poultry legislation and regulation of liquor sales (5% each) and a pool suspension for a range of outstanding legislation reviews (10%).

While permanent deductions in 2003-04 are irrevocable they can be discontinued in subsequent years if reform action is taken. Pool suspensions are recoverable when reforms are implemented.

NSW is confident that it will recover most, if not all of the pool suspension applied this year. If this occurs, the \$50.9 million reduction in the NCP payment to NSW for 2003-04 will be reduced to \$25 million.

Competition Policy

Microeconomic reform is undertaken within the framework of National Competition Policy (NCP) Agreements. OFM works with The Cabinet Office to assist agencies meet NCP obligations and to promote competitive and efficient industry markets in NSW.

OFM provides advice to ensure NSW compliance with the competitive neutrality obligations that ensure a level playing field between public and private enterprises. During the year OFM advised on competitive neutrality matters concerning health services, state forests, education and training, state valuation services and the corporatisation of Sydney Ferries.

NCP also requires review of state legislation that may restrict competition. The National Competition Council (NCC) reported in August 2003 that NSW had performed above average in terms of reforming legislation identified as having competitive restrictions.

However the NCC noted that all jurisdictions have outstanding legislative reviews. Consequently the Commonwealth Government for the first time imposed varying financial penalties against all jurisdictions' NCP payment entitlements.

Concerns with NSW related to reform of poultry legislation, the regulation of liquor sales and a number of legislative review items. OFM worked with The Cabinet Office to develop a program to respond to these concerns. Parliament passed legislation addressing the liquor permanent deduction and most of the pool suspension areas identified as non-compliant.

The NCC has agreed to a second review of the poultry legislation.

Energy Industry Reform

There has been an emphasis on reform of the electricity sector in the implementation of National Competition Policy.

In past years, OFM has overseen structural reform of NSW generators and distributors and the introduction of retail competition to provide NSW customers with choice of electricity supplier. OFM has been a central player in the establishment and continuing development of a National Electricity Market.

In 2003-04 focus shifted to national energy market reform. OFM was actively involved in the policy development and drafting of the Ministerial Council on Energy (MCE) report on energy reform to the Council of Australian Governments in December 2003. This report sets the framework for energy reform over the coming three years. It focuses on five work streams:

- ▶ Governance of energy markets;
- ▶ Economic regulation and rule making;
- ▶ Electricity transmission;
- ▶ User participation; and
- ▶ Gas market development.

Intergovernmental agreements and co-operative legislation to underpin the program of work set out in the MCE report were developed during the year.

OFM was instrumental in the negotiation of governance arrangements for the national energy market. The structure of two new national governance bodies was agreed:

- ▶ The Australian Energy Regulator, which should ultimately assume many of the functions of the separate state based electricity and gas regulators; and
- ▶ The Australian Energy Market Commission, to be the rule making and policy setting body for the national energy market.

These bodies will be established in 2004-05.

The framework for a package of reforms in electricity transmission was agreed. This has generated a work stream into 2004-05 covering:

- ▶ National transmission planning;
- ▶ Amendments to the regulatory test;
- ▶ Regional boundaries;
- ▶ Inter-regional financial trading;
- ▶ Transmission availability incentives;
- ▶ Transmission pricing; and
- ▶ Regulation of new interconnectors.

Electricity Price Regulation

Electricity transmission, distribution and retail supply are subject to price regulation. The Australian Competition and Consumer Commission (ACCC) regulates transmission pricing and the Independent Pricing and Regulatory Tribunal (IPART) regulates pricing of network and standard retail supply.

During the year OFM undertook analysis and submitted advice on policy matters associated with IPART's determinations on network and regulated retail pricing. This involved liaison and consultation with the electricity businesses and the preparation of a regulatory submission.

Energy Ownership Risk Management

A 2001 OFM discussion paper – *Electricity Trading Risk Management Plan* - outlined a proposal for the management of the Government's financial risk exposure from the electricity trading activities undertaken by the State-owned generators and retailers. This proposal involves the transfer of trading risk and returns to the private sector, in exchange for pre-agreed, less volatile fees to State-owned businesses.

Our Commitment for 2003-04

Continuing energy sector reform, including development of electricity trading risk management policy, subject to Government decision.

Our Performance

Financial risks associated with existing contracts have been assessed and the analysis of options has continued. This resulted in the issue of a further consultation paper in May 2004. Firm recommendations will be submitted following the consultation period. Implementation of the Government's decision will occur throughout 2005.

OFM's continuing analysis during 2003-04 confirmed that transfer of risk to the private sector remains worthy of consideration.

The further consultation paper issued in May 2004 outlined the proposal and its refinements in more detail. The Paper proposes:

- ▶ That the right to trade the electricity output of State-owned generators be transferred to private generation traders; and
- ▶ That private retail managers act as State-owned retailers' agents in supplying energy to customers on negotiated contracts.

If the proposal is implemented, State-owned businesses would retain ownership and management responsibility of electricity sector assets (generators and networks).

NSW Generation Capacity

Medium to long term electricity demand forecasts show an emerging need for additional generation capacity in NSW. During 2003-04 OFM studied the potential demand and supply outlook.

Government preference is for investment in new generation capacity to be undertaken by the private sector.

New private investment requires stable, commercial policy and regulatory regimes in the National Electricity Market and in NSW. A review of existing policy and regulatory regimes that impact on new generation developments is underway to identify and address arrangements that could inhibit adequate, timely private sector investment.

Opportunities for energy efficiency and new investment will be reviewed as they are identified.

Productivity Commission NCP Review

The Productivity Commission is reviewing the impact of NCP reforms to date. It will report on areas for future reform. OFM advised on the draft terms of reference for the Commission's review and worked with The Cabinet Office in preparing the NSW Government submission to the review.

The Commission's work will inform a review of the terms and operation of the NCP Agreements by the Council of Australian Governments, scheduled for completion by September 2005.

The status of the 2005 COAG review is unclear at this time in light of recent indications that the Commonwealth Government intends to redirect State NCP payments after 2005-06 to water reform initiatives.

Other Regulatory Reform

As part of its advocacy of appropriate regulatory policy OFM participated in the review of the WorkCover scheme and was represented on the Steering Committee oversighting the review of Scheme design.

OFM worked with WorkCover to prepare options for an accounting and legal framework for the new WorkCover Scheme. Subsequently Parliament passed the Workers Compensation Amendment (Insurance Reform) Bill in late 2003.

NSW Tax Levels	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
Deviation of NSW annual tax effort index from the average for all States (as calculated by CGC)	+3.62%	+1.86%	+0.98%	nya (pending CGC data)	≤ ±3%

The Commonwealth Grants Commission measures each State's relative effort in raising taxes by comparing actual revenue raised with the amount that would be raised if the Australian average effective tax rate were applied.

Latest available data shows that, in aggregate, effective tax rates in NSW are trending closer to the Australian average.

State Taxation Reform

State taxation policy is aimed at ensuring the revenue required to fund government services. The appropriate level of revenue must be determined having regard to the ups and downs of economic cycles to ensure the ongoing maintenance and improvement of public services over time.

Notwithstanding this, the State Fiscal Strategy requires maximum possible tax restraint. Tax policies must be predictable and stable and conducive to an efficient State tax regime.

OFM's microeconomic reform strategy addresses this requirement and during the year OFM continued to provide tax policy advice to maximise the efficiency and competitiveness of the NSW tax system.

In October 2003 OFM issued the annual publication *Interstate Comparison of Taxes*. Produced in liaison with other jurisdictions, this provides a comparison of the rates and thresholds for every tax in each State and Territory.

Review of Fire Services Funding

The Public Accounts Committee (PAC) reviewed funding arrangements for the NSW Fire Brigades and the Rural Fire Service.

Currently about 75% of funding for fire services comes from a levy based on insurance policies. Local government and the State Budget provide the rest.

The insurance-based Fire Service Levy has been a part of the funding arrangements for fire services since at least 1884.

Our Commitment for 2003-04

Advice on the review of the Fire Service Levy, consistent with a competitive tax and business environment.

Our Performance

OFM made a submission to the Public Accounts Committee and participated in the working group undertaking financial modelling for the review.

The review of the fire service levy was initiated in response to community concerns that the uninsured and those that insure for less than the full value of their property do not make an adequate contribution to funding fire services.

The PAC's report recently issued.

Inquiry into First Home Ownership

The Productivity Commission conducted an Inquiry into First Home Ownership during 2003-04.

OFM assisted preparation of the NSW Government's initial submission to the Inquiry. This included informative analysis of NSW housing affordability and availability.

OFM also prepared the rejoinder submission responding to the policy options raised by the Productivity Commission, and presented further evidence to the Inquiry.

2 Effective Resource Allocation

Our Challenge

To ensure effective resource allocation and management in state sector service delivery.

Our Strategies

- ▶ Ongoing development of the **Financial Management Framework** for general government agencies to facilitate more strategic resource allocation and delivery of value for money programs and services.
- ▶ **Microeconomic Reform** by periodic review of service delivery and funding for key sectors, including expanded private sector involvement to achieve better value for money infrastructure based service delivery.

The trial of Service and Resource Allocation Agreements (SRAA) was completed. These outcome-focused agreements document how agencies will use allocated funds to achieve the Government's desired outcomes. They facilitate resource allocation decision making, by linking an agency's outputs with its outcomes. The process also integrates agency planning and budgeting. OFM worked closely on the trial of SRAAs with involved agencies, and received favourable feedback particularly on their integration with the State Budget process.

Financial Management Framework

The General Government Financial Management Framework (FMF) is our main strategy to achieve better resource allocation and management, by improving links between budgeting and planning. A suite of policies, guidelines and toolkits assists agencies deliver value for money Government programs and services.

OFM further developed the FMF in 2003-04 focusing on ongoing refinement of the State Budget process.

Our Commitment for 2003-04

Continuing emphasis on SRAAs to link resource allocation with outcomes.

Our Performance

Based on the experience of their trial, the SRAA has evolved into a Results and Services Plan (RSP). All General Government agencies were required to develop and submit RSPs as part of the decision making process for the 2004-05 Budget. OFM provided agencies with direct face to face and written guidance.

Planned Result Progress - Service Delivery	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
NSW efficiency in providing services to be $\geq$ national average for at least 50% of functional areas. (As reported by Productivity Commission)	48.1%	44.4%	48.3%	nya (pending issue of 2005 PC Report)	$\geq 50\%$

The above *result indicator* utilises Productivity Commission data to provide a basis for monitoring the result that OFM seeks to influence - effective resource allocation and management in state service delivery.

It is noted that the achievement of planned results, and related statistical indicators, may be affected by external factors beyond the control of OFM, or government.

The RSP provides a more demonstrable link between the agency's services and the results it seeks to achieve, and their support of Government priorities. The application of the agency's allocated (recurrent and capital) resources to achieve planned results is more explicit. Other plans, such as those for asset management, sit behind the RSP.

By focusing on the achievement of results, the RSP enables the agency to assess how its services can be improved within its current budget allocation.

The year in review – effective resource allocation

Capital Management and Planning

Responsibility for asset management and procurement policy was moved to OFM in June 2003. This recognised the importance of these activities to service delivery and the State fiscal strategy.

During the ensuing year significant progress was made with reform of State capital management and planning. This was undertaken in conjunction with the Department of Infrastructure, Planning and Natural Resources (DIPNR) and the Department of Commerce. It involved input from DIPNR early in the Budget process, along with stronger asset management and procurement policies and simplification of related guidance documents.

The reform has involved the closer alignment of physical asset planning with the RSP and Budget process.

Asset Management Policy

The Government's Total Asset Management (TAM) policy requires agencies to support service delivery through efficient management of their physical assets over the whole of the asset's life.

Planned Result Progress - Agency Planning	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
% of SRAAs/RSPs integrated into the Budget process	55%	73%	91%	91%	100%
% of relevant agencies with current asset management plans endorsed by Treasury	87%	88%	94%	72%	100%

For 2003-04, SRAAs were finalised for 10 of the 11 agencies with which they were trialled. As a result of the trial the RSP concept was developed and applied to all Budget dependent agencies. RSPs were submitted by all agencies as part of their documentation for Budget funding in 2004-05.

The reformed TAM policy was developed throughout 2003-04 and issued at the commencement of the new financial year. There was extensive briefing of agencies by OFM. OFM analysts will work closely with line agencies to ensure effective implementation of the reformed policy and processes during 2004-05. This will result in the development of better quality asset management plans.

Compliance is down from previous years due to the increased standard resulting from the TAM reforms. The linkage with RSPs and the Budget process, and enhanced Treasury monitoring, will increase the level of agency compliance over time.

Our Commitment for 2003-04

Implementation of strategic capital reforms to improve capital investment and management.

Our Performance

In conjunction with the requirement that Budget-funded general government agencies prepare a Results and Services Plan, Budget process reform also requires the submission of TAM plans. This allows the agency to show how it is aligning its asset planning and management practices with service delivery priorities and strategies, as reflected in its RSP.

The linkage of RSPs and TAM plans within the Budget process ensures more strategic capital decision making. It allows agencies to balance their asset needs with their service delivery objectives given available resources.

The fact that agencies must provide Treasury with TAM plans that support RSP delivery reinforces TAM policy compliance.

OFM is currently streamlining TAM guidelines to assist agencies to produce better quality TAM plans.

Procurement Policy

In conjunction with the strengthening of physical asset management policy and practice, OFM developed and implemented a more streamlined, accountable procurement process for the NSW public sector. The reformed process ensures a more systematic approach to government procurement, particularly capital assets, to achieve more effective outcomes. The simplified procurement policy emphasises better quality up-front preparation in the procurement cycle.

A number of mechanisms have been introduced to achieve better outcomes in the planning and delivery of major procurements by agencies.

They include:

- ▶ An agency accreditation scheme that requires agencies with insufficient in-house skills to use external expert assistance in their capital works related procurement activities;
- ▶ A Gateway review process that provides an independent assessment at key stages of the procurement cycle, with mandatory reviews at the business case stage of major procurements;
- ▶ Enhanced OFM assessment and monitoring of major construction projects to improve decision making and outcomes of funding proposals;
- ▶ OFM funding of small to medium agencies to assist them meet some of their upfront procurement planning costs.

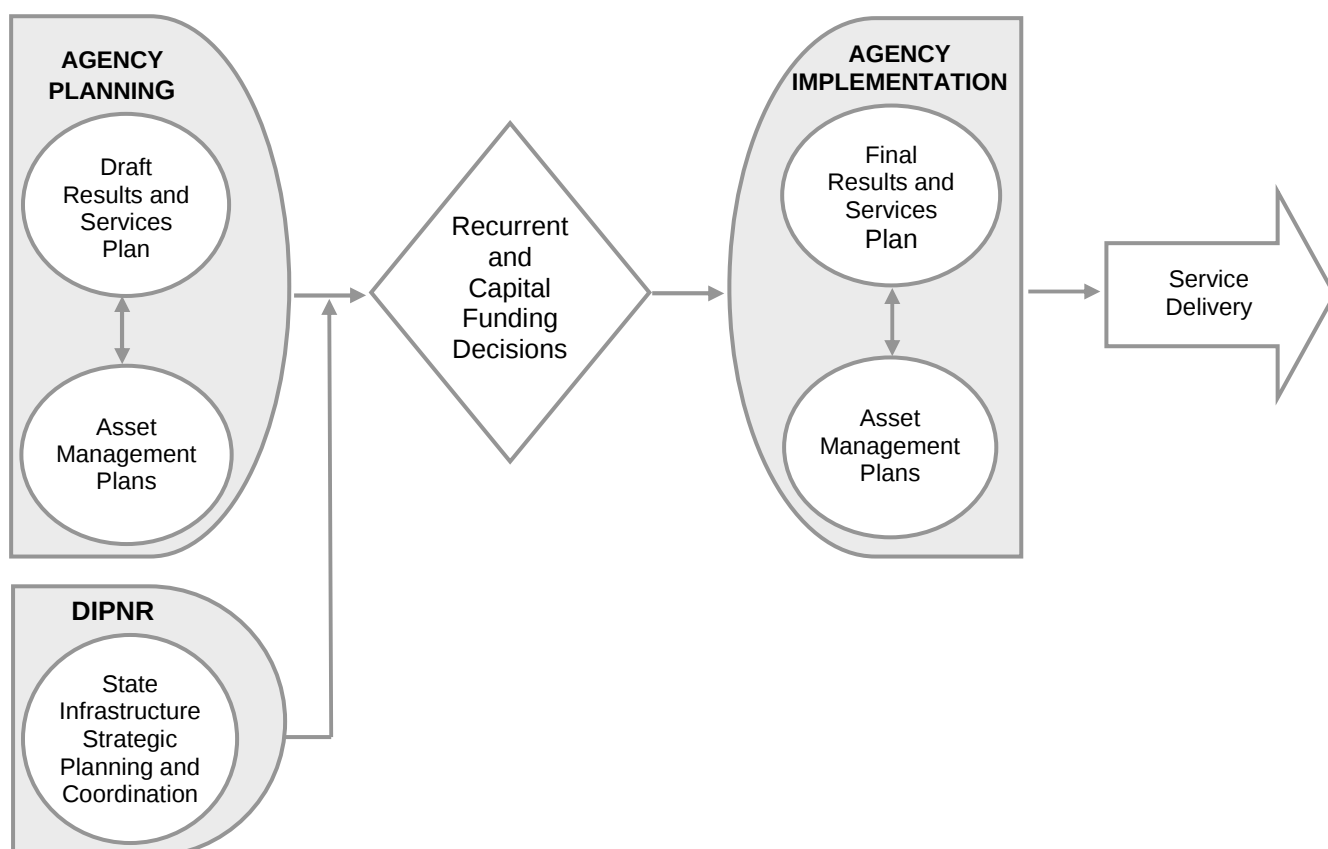
Our Commitment for 2003-04

Enhancement of capital project assessment and monitoring.

Our Performance

The improved procurement policy issued in July 2004 includes the implementation of comprehensive appraisal and monitoring of major capital works projects by Treasury. Agencies must submit specific information and reports to OFM at key decision points during project planning and delivery.

Treasury's Management of the State Budget Process



OFM works with agencies to develop results and services plans that clearly demonstrate what the agency does (and why) with the resources allocated to it. OFM works with agencies to ensure that total asset management plans support efficient service delivery.

The Department of Infrastructure Planning and Natural Resources (DIPNR) is responsible for state infrastructure strategic planning. This assists appropriate capital planning and funding decision making by ensuring that individual capital proposals support the achievement of the Government's strategic objectives for service delivery.

Microeconomic Reform

OFM's microeconomic reform strategy advocates the expansion of private sector involvement to achieve better value for money infrastructure based service delivery.

Privately Financed Projects

The NSW Government *Working with Government* publication outlines the policy and guidelines for private financing of public infrastructure. Within OFM, the Privately Financed Projects Branch advises on economic, financial, and commercial aspects of Privately Financed Projects (PFPs).

Our Commitment for 2003-04

Oversight of Privately Financed Projects, including the Long Bay forensic and prison hospital project.

Our Performance

Contracts were successfully executed for a number of projects. Master planning was completed for the Long Bay forensic hospital and prison hospital redevelopment. A call for Expressions of Interest resulted in three consortia being invited to submit detailed proposals.

OFM worked with relevant service agencies, to oversee the successful execution and development of contracts for:

- ▶ The 3.2km Lane Cove Tunnel to link the M2 at East Ryde and Gore Hill freeway at Artarmon;
- ▶ Development of the Parramatta Transport interchange.

Current PFP projects include:

- ▶ Replacement of RailCorp's fleet of non-air conditioned electric passenger rolling stock carriages;
- ▶ Construction of a new forensic hospital and redevelopment of the prison hospital at Long Bay;

- ▶ Redevelopment of the Newcastle Mater Hospital including a new 95 bed acute mental health facility;
- ▶ Construction of a commerce/ office building in Newcastle CBD to house a new Polyclinic;
- ▶ Development of a container terminal on the BHP Steelworks site in Newcastle.

Service Delivery Review

OFM's microeconomic reform strategy also involves periodic review of service delivery and funding for key sectors to improve productivity and achieve more efficient resource allocation. These special reviews, and more general analysis and monitoring of agencies' financial performance, support the General Government and Commercial Sector frameworks, and the State's fiscal strategy.

Natural Resource Management Agencies

The reform of natural resource and environmental management agencies was initiated in 2002-03 and continued in 2003-04.

These agencies had evolved over time with a mix of commercial, policy and regulatory functions. Reform of the sector is aimed at a more integrated approach to delivering Government objectives for natural resource and environmental management. Removal of duplication also frees up scarce resources for core services.

OFM developed a framework for assessing natural resource and environment related policy issues, and advised on, and participated in the establishment of new and restructured agencies.

The *Department of Infrastructure Planning and Natural Resources* (DIPNR) was established on 1 July 2003 to improve land use planning and natural resource management.

Managing Sydney's growth is a priority for DIPNR, and OFM is working with it to develop the Sydney Metropolitan Strategy and its necessary link to the Budget process.

OFM is also closely involved with the development of the Metropolitan Water Strategy for ensuring a sustainable level of water usage in the Sydney region.

The *Department of Environment and Conservation* was formed in September 2003 to consolidate previously separate agencies, including National Parks and the Environment Protection Authority. OFM worked with the new agency during its establishment and in the coming year will negotiate a funding agreement for the management of National Parks in NSW.

The *Department of Primary Industries* started in July 2004 to integrate research, extension, regulatory, advisory and policy development services for the State's primary industries.

Department of Commerce

The Department of Commerce was established mid 2003 to support a climate that makes doing business in NSW simple, accessible and fair for employees, consumers and industry. During 2003-04, OFM assisted the Department with the:

- ▶ Market testing of businesses (QStores and cmSolutions) that were no longer considered to be core Government services;
- ▶ Development of improved Government procurement practices; and
- ▶ Investigation of options to improve property management practices across the public sector.

Health Sector

OFM worked with NSW Health to improve the resource allocation, monitoring and accountability of the health sector.

Enhanced budgeting processes within the health system and the development of performance indicators have improved the transparency of resource allocation to Area Health Services and Statutory Health Corporations.

Considerable improvements were also made to the health capital allocation and asset management processes, including strengthened project analysis and monitoring.

General Government Wage Setting Arrangements

During the year OFM reviewed current public sector agency employment, wage setting and governance structures. Reform options to ensure better and more efficient delivery of services were assessed.

Given the current institutional structure of agencies, and the range of CEO responsibilities, it was concluded that a centralised wage setting process was most appropriate.

3 Transparent Financial Management

Our Challenge

To improve the transparency of NSW public sector financial management.

Our Strategies

- ▶ Applying a **Financial Management Framework** for General Government agencies to link budget allocations to performance, and promote transparency in State Budget resources management.
- ▶ Applying a **Commercial Sector Policy Framework** to enhance accountability for Government businesses' commercial performance.
- ▶ Advocating **Best Practice Accounting and Reporting** in support of the General Government and commercial sector frameworks.

The RSP demonstrates the relationship between the services an agency provides and the results it is working towards, and sets out how resources will be used to achieve these results. The RSP provides the means for identifying focussed performance indicators and potential improvements to service within existing resources, as well as key risks associated with achieving planned performance.

Meaningful performance indicators allow a better understanding of the quality and efficiency of service delivery, and how effectively this achieves the desired results.

During 2003-04 OFM developed guidance material on defining results and services and has been working intensively with agencies to implement the new RSP approach.

Financial Legislation Update

During 2003-04 OFM continued its preparations for the updating of the legislative framework that supports NSW financial management and administration. This included further research and development on an accrual based appropriation model.

A special project team was established to expedite the project and a work program determined.

The initial emphasis is on the implementation of accrual appropriations. Changes to other areas of the financial legislation, such as financial reporting and annual reporting, will follow.

Financial Management Framework

As outlined under the previous objective, the General Government Financial Management Framework (FMF) improves the links between budgeting and planning. The intent is to help agencies deliver programs and services that are value for money.

At the same time the FMF with its emphasis on performance enhances the transparency of NSW public sector financial management.

The Results and Services Plan (RSP) (and its predecessor, the Service and Resource Allocation Agreement) is the main mechanism to ensure this. Refinements to the State Budget process implemented in 2003-04, require all Budget dependent agencies to submit an RSP as part of their documentation for Budget funding.

Commercial Policy Framework

The Commercial Policy Framework (CPF) enhances accountability for the commercial performance of Government businesses while ensuring the increased value of the business. The CPF subjects public businesses to the same disciplines as private sector businesses.

The application of the CPF's suite of policies ensures effective management of the Government's commercial businesses.

Our Commitment for 2003-04

Review of the policy for monitoring the operation of Government businesses.

Our Performance

The updating of the policy undertaken in 2003-04 will clarify and contain complete monitoring and reporting requirements for Government businesses, in line with current private sector best practice. A revised Treasury Policy and Guidelines Paper will issue during 2004-05.

Monitoring and Reporting Policy

Monitoring and Reporting Policy is a component of the CPF which sets out arrangements for OFM's financial performance monitoring of Government businesses from a shareholder perspective.

The policy involves negotiation of annual agreements on financial performance targets, and quarterly monitoring of related results.

During the year work was undertaken to update the policy to reflect private sector tightening of reporting and disclosure – for example, in the Corporations Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill (CLERP 9).

Corporate Governance

Corporate governance continues to receive focus because of private sector developments. These include the review by the Australian Stock Exchange Corporate Governance Council of its *Principles of Good Corporate Governance and Best Practice Recommendations* and the enactment of CLERP 9 which deals with aspects of corporate governance.

OFM consulted further with key stakeholders in reviewing SOC corporate governance arrangements. A statement of good practice for board practice and procedures is being developed. CEO contract and remuneration guidelines will be completed soon and issued.

Agency Performance Agreements	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
% of SRAAs/RSPs finalised with General Government agencies	55%	73%	91%	91%	100%
% of Government businesses with signed performance agreements					
- SOCs	94%	100%	100%	100%	100%
- All businesses	94%	94%	76%	73%	100%

There was only one agency from the 11 trialing Service and Resource Allocation Agreements (SRAAs) in 2003-04 that did not finalise its SRAA – due to a restructure. For 2004-05, SRAAs are being superseded by Results and Services Plans

All Statements of Corporate Intent with State Owned Corporations were finalised. Some Statements of Business Intent with other Public Trading Enterprises were deferred pending implementation of agency specific reforms.

Best Practice Accounting and Reporting

Best practice accounting, financial and annual reporting standards support the application of the OFM policy frameworks that guide the operations of both NSW General Government sector agencies and government businesses.

Adoption of International Financial Reporting Standards

All Australian public and private sector reporting entities are required to adopt the Australian equivalents of the International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005

Our Commitment for 2003-04

Review, amendment and implementation of State accounting policies in compliance with the convergence of Australian and International accounting standards.

Our Performance

OFM's preparations are on track for NSW public sector adoption of AIFRS from 1 January, as required. Exposure drafts have been assessed as they issue and communication systems with agencies are in place.

OFM undertook the following actions during 2003-04 in preparation for the adoption of AIFRS:

- Analysis of exposure drafts and new standards;

- Conduct of an information seminar with all agencies;
- Implementation of an AIFRS section on OFM's website to inform agencies of requirements and implementation issues;
- Establishment of an Agency Reference Panel to assist identify the impact of changes.

Further seminars will be held, and new and revised accounting policies and guidance developed during 2004-05 as required.

GFS/GAAP Convergence

OFM continued to participate with other Treasuries in 2003-04 in the Australian Accounting Standards Board's project to harmonise Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP).

This project aims to achieve an Australian Accounting Standard for a single set of government reports that are auditable, comparable between jurisdictions and directly comparable with relevant budget statements. Adopting options in AIFRS that assist GFS/GAAP harmonisation will be taken into account in the AIFRS implementation strategy.

Review of Treasurer's Directions and Development of Statements of Best Practice

The Public Finance and Audit Act, 1983 aims to enhance accountability and efficient use of public moneys. Section 9 of the Act provides for the issue of Treasurer's Directions on accounting and related financial principles, practices and procedures to be observed by State agencies.

In line with the review of NSW financial management and reporting legislation, work is continuing on the review of Treasurer's Directions to ensure they reflect modern financial management practices and accounting standards.

Research and Development

While OFM undertakes no *Research & Development* activity, in 2003-04 it made a grant of \$169,000 to the Australian Accounting Research and Standards Bodies in recognition of the accounting profession's role in developing accounting standards for the public and private sectors.

The grant was made under:

Program Area 67.1: State Resource Management,
Program 67.1.1: A Stronger NSW Economy and Better Public Services.

Reporting on State Finance

Reporting on public sector finances is one of the main services undertaken by OFM.

Accurate, informative and timely reports on the State's finances ensure transparent use of State finances.

The State's annual budget papers outline the Government's plan for funding General Government sector service delivery and capital works.

The budget papers also report on trends in, and forecasts of, the State's overall finances. They are one of OFM's main outputs.

During 2003-04 OFM met the challenge of formulating and delivering two sets of Budget documentation.

The Treasurer presented a Mini-Budget in April 2004 to respond to the impact on the State's finances of Commonwealth Government decisions. The NSW Budget for 2004-05 was submitted to the Parliament on 22 June 2004.

OFM also produces other periodic reports detailing actual financial management performance for both General Government and Public Trading Enterprise sectors.

In June 2004 OFM issued the annual report *Performance of NSW Government Businesses*, which provides detailed information on the current and historical performance of Government businesses in the electricity, transport and water sectors.

The NSW Budget and other financial performance reports can be accessed from OFM's website at www.treasury.nsw.gov.au.

State Finance Reporting Performance	01-02 Actual	02-03 Actual	03-04 Bench mark	03-04 Actual	04-05 Bench mark
Delivery of printed Budget papers	B Day-1	B Day-1	B Day-1	B Day-1	B Day-1
Issue of reports on the State's finances:					
► Issue of the Report on the Half Yearly Budget Review	21 Dec	24 Dec	≤31 Dec	23 Dec	≤31 Dec
► Tabling of Report on State Finance before statutory date	15 Nov	14 Oct	≤31 Oct	29 Oct	≤31 Oct
► Number of audit qualifications in the State Accounts	3	2	Nil	2	Nil
Submission of report on performance of PTEs	19 Dec	23 Dec	≤31 Dec	16 Dec	≤31 Dec

The above *Service Measures* allow OFM's performance in delivering key services and outputs to be monitored against appropriate benchmarks.

OFM met the deadlines for the timely issue of the Budget Papers and other major reports on NSW finances. An efficient and effective process resulted in the timely issue of informative and accurate Budget documentation for both the Treasurer's April Mini-Budget and the 2004-05 Budget.

4 Strengthened State Finances

Our Challenge

To strengthen the financial position of the NSW Government.

Our Strategies

- ▶ Advocating a **State Fiscal Strategy** to enhance the State's capacity to achieve consistent service delivery throughout economic cycles.
- ▶ Optimising the **State's Balance Sheet** structure to ensure NSW's financial strength and budget flexibility.
- ▶ Increasing the value of State businesses by applying a **Commercial Sector Policy Framework** and reviewing targeted Government businesses.

The principles underlying the Fiscal Strategy and its targets are outlined in the *General Government Debt Elimination Act 1995*.

There was continuing progress during 2003-04 with the achievement of Fiscal Strategy objectives. Total State sector net financial liabilities declined as a proportion of Gross State Product. Net worth increased.

The Fiscal Strategy determined the strategy and targets for the Treasurer's 2004 Mini-Budget and the 2004-05 NSW Budget.

State Fiscal Strategy

The State Fiscal Strategy seeks to ensure appropriate fiscal outcomes for the State, with a focus on reducing the net financial liabilities of the General Government sector. Its aim is to ensure the strength of the State's finances so that public services can be maintained, and improved, throughout economic cycles.

The Fiscal Strategy sets short, medium and long term targets for major Budget aggregates.

OFM met with both the major credit rating agencies - Standard and Poor's and Moody's Investor Service - for their annual credit rating reviews.

Standard and Poor's reaffirmed their AAA credit rating for NSW in September 2003 and commented favourably on the 2004-05 Budget in June 2004. In confirming its Triple A rating for NSW in April 2004 Moody's cited the State's sound fiscal policy.

Long-Term Fiscal Sustainability Analysis

Maintaining strong State finances will be a big challenge for the NSW Government – as it will for all Australian Governments - in the coming decades.

Long term pressures include an aging population and aging infrastructure. In the health sector, technical development will continue adding new sources of demand. Environmental pressures and security are other potential sources of fiscal pressure.

Planned Result - NSW Credit Rating	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Goal
Maintenance of NSW credit rating	AAA	AAA	AAA	AAA	AAA

The maintenance of a triple A rating for NSW by international credit rating agencies is an independent indicator of the Government's management of the State's finances. It is also testimony to the financial management policy advice and public sector systems and procedures advocated by OFM.

The year in review – strengthened state finances

Anticipating these expected pressures, State Treasuries are analysing revenues and expenditure over the next 40 years.

During the year OFM continued to research the impact of these pressures. Up-to-date views on the long term demographic, economic and budgetary environment were studied. There was regular collaboration with other jurisdictions on the likely impact of the relative fiscal burden between the States and the Commonwealth in the decades to come.

The research indicates that there will be significant pressure for state government expenditures to increase relative to GDP over the next 40 years. Ensuring the efficiency and effectiveness of service delivery will be a necessary response to such pressures.

The projections also highlight the importance of OFM's Fiscal Strategy and Balance Sheet Management strategies in giving NSW a sustainable financial base capable of withstanding expected pressures.

Fiscal Strategy Performance	00-01 Actual	01-02 Actual	02-03 Actual	03-04 Actual	Ultimate Goal
Downward trend in General Government Sector net financial liabilities as % of GSP	9.7%	9.6%	9.5%	8.7%	Ongoing reduction
At least maintain NSW GST share relative to equal per capita share after 5 yearly CGC review	0.92032	0.90631	0.89117	0.86750 (Review outcome)	Improved NSW share

The downward trend in General Government Sector net financial liabilities as a percentage of GSP strengthened in 2003-04 - reductions during the past decade have considerably strengthened the State's financial position, increasing the flexibility to manage the balance sheet according to evolving economic and fiscal circumstances.

NSW's share of Commonwealth funding in 2004-05 will be substantially decreased as a result of the CGC's 2004 five yearly review. This follows four consecutive losses due to CGC annual updates. This outcome sets the minimum benchmark for the NSW share following the next review in 2009.

NSW has for some time actively promoted a review of the principles applied by the CGC. The intention to proceed with such a review was announced at the 2004 Treasurers' Conference.

Intergovernmental Financial Arrangements

The Fiscal Strategy rests on a fair share of Commonwealth funding to NSW. The distribution of GST revenue grants to the States is recommended by the Commonwealth Grants Commission (CGC). The CGC reviews its assessment methods every five years. The 2004 Review released in February will guide annual distribution of GST funding until the 2009 Review.

During 2003-04 OFM made submissions to the review and attended conferences to debate issues and technical matters with the CGC and other States and Territories.

Our Commitment for 2003-04

Pursuit of a more appropriate share of Commonwealth funding for NSW, undertaking a phased review of CGC assessment methods to influence the distribution of funding between the States during the 5 years from 2004-05.

Our Performance

Despite strong arguments by OFM, the CGC 2004 Review reduced the share of GST revenue for NSW. However the Commonwealth agreed to a review of CGC methodology.

OFM has long sought reform of federal financial arrangements. At the Treasurers' Conference in March 2004 the Federal Treasurer agreed to a review of CGC methodology.

This review is to consider:

- ▶ Whether the current comprehensive assessment approach is appropriate;
- ▶ The size and trend of the redistribution;
- ▶ Simplification; and
- ▶ Data issues.

OFM will contribute to the review.

State Taxation Reform

The State Fiscal Strategy requires the raising of sufficient revenue to achieve appropriate budget results while minimising the burden for NSW taxpayers.

Within this context OFM advised the Government on taxation options. This included the measures announced in the April 2004 Mini-Budget delivered by the Treasurer to respond to the Budget impacts of recent public sector wage increases and the reduction of NSW' GST grant share following the Grants Commission Review.

Measures included:

- ▶ Reduction of land tax rates and expansion of the tax base;
- ▶ Introduction of a vendor transfer duty;
- ▶ Increased stamp duty concession thresholds for first homebuyers;
- ▶ Premium property tax changes.

IGA Tax Review

The 1999 Inter-Governmental Agreement (IGA) provided for the Commonwealth to distribute GST revenue to the States in place of some abolished revenue sources. It also required the States to review a range of business stamp duties by 2005.

Our Commitment for 2003-04

Participation on the national working group advising Heads of Treasuries on debits tax abolition and the review of particular state business stamp duties, as specified in the IGA.

Our Performance

OFM joined with other jurisdictions in reviewing business stamp duties as required by the IGA. Subsequently, Treasurers agreed at the March 2004 Treasurers' Conference to abolish debits tax by July 2005, although NSW had abolished it from 1 January 2002. OFM will continue to work on the national working group to review remaining business stamp duties, with a report to be provided to the March 2005 Treasurers' Conference.

Budget Forecasting Performance	01-02 Actual	02-03 Actual	03-04 Bench mark	03-04 Actual Estimate	04-05 Bench mark
OFM's average forecasting/estimation error to be ≤ the average of other States for:					
Economic variables	NSW: 0.49% Others: 0.83%	NSW: 0.64% Others: 0.94%	NSW ≤ Other States	nya	NSW ≤ Other States
Tax revenues	NSW: 8.5% Others: 8.3%	NSW: 9.2% Others: 9.9%	NSW ≤ Other States	nya	NSW ≤ Other States
General Government expenses	NSW: 5.2% Others: 3.8%	NSW: 6.0% Others: 2.5%	NSW ≤ Other States	NSW: 1.1% Others: nya	NSW ≤ Other States

While Treasuries can have some influence over Budget outcomes they cannot control them due to external influences. While the nature and severity of external impacts may vary between jurisdictions a comparison of State Treasuries' forecasting accuracy provides some measure of relative performance with this core Treasury activity.

Based on the most recently available data, OFM's performance generally compares favourably with that of other State Treasuries.

Budget Forecasting

Application of the State Fiscal Strategy relies on the accuracy of the forecasts for aggregates and economic assumptions around which the Budget is framed.

Transfer Duty Revenue Forecasting

The largest source of forecasting error has historically been transfer duty.

To help reduce transfer duty estimation error, in 2003-04 OFM commissioned an economic modelling consultant to develop a quarterly structural model for estimating transfer duty. The final model version, received in May 2004, was used as an input to prepare transfer duty estimates for the 2004-05 Budget.

State Balance Sheet Management

A strong State balance sheet safeguards against economic downturns impacting on the capacity to maintain services. OFM applies a Balance Sheet Management strategy to achieve optimal balance sheet ratios and aggregates that support the State Fiscal Strategy.

OFM is responsible for managing Crown Entity financial assets and liabilities. Crown Entity administers public sector wide assets, liabilities and transactions for which individual agencies are not responsible, eg. public sector superannuation liabilities. Related functions include the banking system for Budget-dependent agencies and the Government's self insurance scheme. Volume 3 of Treasury's Annual Report gives more detail on management of Crown finances.

Superannuation Liability Management

OFM advised on the amendment of the *Superannuation Administration Act* in 2004. The amendments, which resulted from the 5 year review of the Act, will lead to financial and administrative efficiencies in government superannuation funds. They also strengthen prudential supervision arrangements for the schemes, bringing them into line with Commonwealth legislation.

The 2003 triennial actuarial review of the four State public sector defined benefit superannuation schemes resulted in a substantial increase in estimated unfunded superannuation liabilities. This was due to improving pensioner mortality and fewer members converting their pensions into lump sums. Consequently, OFM revised the Crown's long-term superannuation funding plan.

Insurance Action

The management contract for the *Treasury Managed Fund* (TMF), the NSW Government's fully funded self insurance scheme, expires on 30 June 2005.

The TMF has been managed by a single provider since its inception in 1989. In 2003-04 OFM began preparing for the reform of TMF on expiry of the current contract. This will involve the move to contestable management arrangements to improve scheme performance, generate cost savings and efficiency gains, and reduce systemic risk.

OFM is also working in cooperation with other jurisdictions to address the impact on the community of current problems facing the insurance industry.

OFM is chairing the Heads of Treasuries *Insurance Issues Working Group* looking at responses to the crisis in the availability and affordability of insurance. This resulted in nationally consistent tort law reforms to assist the Public Liability Insurance market.

Uniform professional standards legislation, medical assessment panels and long term care arrangements for the catastrophically injured are now being pursued.

Home Warranty Insurance was severely dislocated by the HIH collapse and the World Trade Centre attack, which led to the withdrawal of reinsurance capacity.

Balance Sheet Management Performance	01-02 Actual	02-03 Actual	03-04 Bench mark	03-04 Actual	04-05 Bench mark
Average real per annum return on superannuation and insurance investments	-5.9%	-1.8%	≥3.5%	+9.4%	≥3.5%
Deviation of actual superannuation, debt and insurance expenses from the Budget estimate	14%	7%	≤ ±10%	-1%	≤ ±10%

2003-04 data confirms OFM's effectiveness in managing the State's balance sheet. Performance for key result indicators and service measures has been within target.

During 2003-04 NSW and Victoria introduced home warranty reforms and revised reinsurance arrangements that enabled the market to continue. This led to entry into the market of CGU, a subsidiary of Insurance Australia Group.

NCOSS Community Cover was launched on 27 April 2004 to provide a bulk buying facility; assistance to non-government organisations in identifying insurance needs; and risk management training. OFM provided the Council of Social Service of NSW with \$215,700 to fund the scheme.

Commercial Policy Framework

The Commercial Policy Framework (CPF) subjects Government businesses to the same disciplines as private sector businesses. It strengthens the State's finances, safeguarding the value of the businesses and the returns they make to the Budget from the taxpayers' investment in them.

OFM is responsible for developing, reviewing and promulgating the CPF.

State Owned Corporations Indemnity Policy

SOCs require shareholder approval before granting indemnities to directors, chief executives or other officers. OFM released the *State Owned Corporation Indemnity Policy* in October 2003 clarifying limits on the State's obligations to indemnify officers against liabilities incurred during employment and setting out clear guidelines for provision of such indemnities.

Government Guarantee Fee Policy

Government businesses potentially have a competitive advantage over private sector businesses by being able to borrow at interest rates based on NSW' credit rating and not their own risk-related rates.

The *Government Guarantee Fee Policy* redresses this advantage by levying a 'guarantee fee' on the business according to the risk-related cost of debt it would face if borrowing on its own stand-alone credit rating. An updated Policy issued in July 2004 following review of the method for annually calculating the risk-related cost of debt.

Other elements of the CPF will be reviewed during 2004-05 including social program policy, arrangements for subsidiaries and the NSW Tax Equivalent Regime Policy.

Reform of Government Commercial Activities

The principles of the CPF guide the reform of State business activities.

During 2003-04 OFM examined and advised the Government on options for the future of *State Forest plantations*. The desired outcome is to ensure the long term commercial sustainability of the competitive and expanding timber industry, and to maximise the benefits of the State's investment in State Forest plantations.

OFM was also heavily involved in the formation of *State Water* which commenced operations as a State Owned Corporation on 1 July 2004.

OFM also participated in Transport Sector reforms which included the corporatisation of *Sydney Ferries* and the establishment of *Rail Corporation NSW*.

The lease of the main interstate and Hunter Valley rail networks was successfully negotiated with the Commonwealth owned *Australian Rail Track Corporation*. These arrangements will be implemented in September 2004 and will result in a single management regime for Australia's southern rail network.

5 Organisation Building

Our Challenge

To build a values-based organisation that facilitates the achievement of our objectives.

Our Strategies

- ▶ Implementing an effective **staff development** program
- ▶ Improving our **relationship with agencies**
- ▶ Ensuring OFM's **organisational efficiency**

OFM's Organisation Building objective focuses on building staff capability and strengthening support systems and stakeholder alliances. This supports delivery of our services, implementation of our strategies, and the achievement of our business objectives.

Staff Development and Wellbeing	01-02 Actual	02-03 Actual	03-04 Bench mark	03-04 Actual	04-05 Bench mark
Average training days per staff member	4.3 days	5.3 days	≥5 days	5.4 days	≥5 days
% satisfied with OFM	95%	95%	>75%	95%	>90%
% satisfied with their job	94%	94%	>75%	95%	>90%
% believing OFM values are adhered to	94%	92%	>75%	94%	>90%
% staff turnover	11%	9.4%	≤20%	8.3%	≤20%
% of staff participating in performance appraisals	80%	63%	100%	82%	100%
Average sick days per staff member	4.6 days	5.2 days	≤6 days	4.8 days	≤6 days

Overall, positive results are reported against the indicators for OFM staff development and wellbeing.

For many years OFM has had a performance management system to allow managers and staff to agree to personal work objectives, to provide feedback on actual performance and to determine agreed staff development action.

A drop in the participation rate, and feedback from staff surveys, signalled dissatisfaction with the existing scheme. In response a special team was tasked to review the scheme. Consequently a new, simplified Performance Agreement and Review (PAR) scheme was implemented during 2003-04. All staff received training in the scheme at the start of the year. While participation in the new scheme during its first year was below target, it was significantly better than in the previous year.

Strategic Support Plans for our human resources and our information management and technology reflect our strategies for Organisation Building.

Staff Development

OFM's main asset is its staff, and their skills and experience. To maintain and enhance this skill base in a highly competitive labour market OFM applies strategies for recruitment, succession planning and continuous learning - through formal training; on the job development; and local, interstate and overseas secondment opportunities.

OFM's corporate development program includes technical, management, interpersonal and computer training courses.

In 2003-04, 44 courses were offered addressing technical and non-technical issues, including advanced writing skills; performance analysis; ethics and code of conduct awareness. A target of at least five days annual training was set for every staff member. In 2003-04 training averaged 5.4 days per officer.

Our Commitment for 2003-04

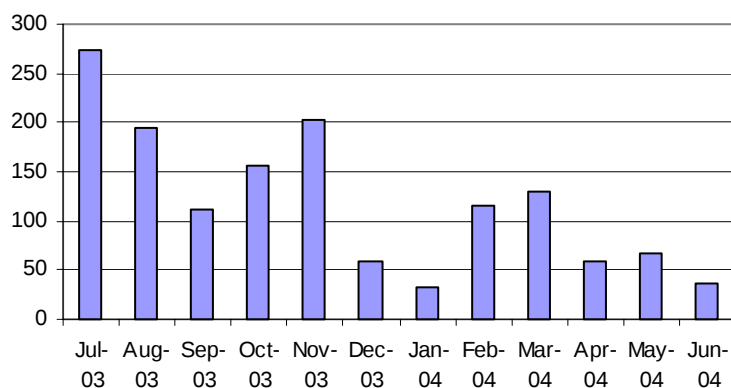
Finalisation of a procedure manual to guide Treasury's resource allocation analysts.

Our Performance

The manual was extensively developed but its completion was delayed to take into account a number of changed processes. It is on schedule for issue to all staff and placement on OFM's intranet by December 2004.

The year in review – organisation building

Total Training Days Per Month



Management Development

OFM utilises a 360 degree management development survey to provide managers with feedback from supervisors, peers and staff. The information gathered is used to improve management capability by determining appropriate development action for each manager – formal training; personal coaching; peer support processes; secondment opportunities; etc.

During the year strategies were developed and implemented to address individual and corporate needs identified in the 2003 survey.

Recruitment Effectiveness

Recruiting and retaining a high calibre workforce is crucial to OFM achieving its planned results.

Excluding the intake from our graduate recruitment program, 16 new staff commenced with OFM in 2003-04. One of the eight females recruited was Dr Kerry Schott who was appointed as Executive Director of the newly established Private Projects and Asset Management Directorate.

Our graduate recruitment program attracted a record number of applicants. Eight graduates (one female, seven male) joined OFM in February 2004 with qualifications including agricultural economics, commerce, accounting and finance. New graduates work in three core areas and receive extensive training in their first year.

Staff Feedback

Quarterly staff questionnaires and more extensive biennial surveys enable staff to provide feedback on:

- ▶ Job satisfaction and personal development opportunity; and
- ▶ OFM's management and leadership.

Strategies to address issues emerging from the 2003 biennial survey were considered at OFM's annual Staff Issues Conference in September. The next survey will be held early 2005.

Working with Agencies

Our Organisation Building strategies emphasise the importance of stakeholder alliances, particularly with other central and line agencies. OFM needs to work in partnership with other agencies to gain joint commitment to the development and successful implementation of initiatives to achieve planned financial management outcomes.

Every two years we survey agencies for their assessment of whether OFM has complied with its code of good practice for interacting with them. The code includes commitment to regular consultation; alliance in planning and reform implementation; and consistent, accurate and timely responses.

The results of the 2002 client survey were reported in OFM's annual report last year.

Our Commitment for 2003-04

Conduct of the biennial client survey of agencies, in keeping with our commitment to them.

Our Performance

The 2004 survey was scheduled for June so agencies could respond after the completion of the Budget and ahead of financial year end commitments. Due to preparation of an April Mini-Budget and a June State Budget, the survey was deferred until July 2004. Results will be published in the 2004-05 annual report.

In recent years OFM has increasingly used secondments to improve its interaction with agencies.

A number of benefits result from these arrangements, which can involve OFM officers spending time with agencies, or agency officers working with OFM:

- ▶ OFM's understanding of agencies' business and priorities is improved;
- ▶ Line agencies' understanding of OFM's strategies and requirements is improved;
- ▶ Officers involved benefit from the personal development opportunity.

Eleven secondments were arranged during 2003-04. This included a 15 months secondment for Judy O'Connell, Senior Director to the Department of Community Services.

Organisational Efficiency

Our corporate plan documents the strategic framework that guides OFM's operations.

The framework also provides the context for other planning documentation, including OFM's Results and Services Plan; Directorate work plans; the Secretary's Performance Agreement with the Treasurer; and officers' performance agreements. To enhance accountability, the framework also dictates the structure of OFM's performance reporting – in the State Budget papers, our annual report and internal management reports.

OFM developed the Results and Services Plan concept, initially applying it to its own operations. The services we undertake were mapped to the results we seek. Effectively this resulted in the presentation of *Treasury on a page*, which enables all Treasury officers to see how they contribute to the achievement of planned results.

Project Management Performance	01-02 Actual	02-03 Actual	03-04 Bench mark	03-04 Actual	04-05 Bench mark
Work plan milestones achieved	80%	62%	≥80%	76%	≥80%
Cabinet advice submitted on time	100%	100%	100%	100%	100%
Correspondence/ projects completed by due date	79%	82%	≥80%	82%	≥80%
Correspondence on hand that is late	19%	29%	≤20%	8%	≤20%
Average days late for correspondence/ projects completed late	9 days	11 days	≤10 days	8 days	≤10 days

Draft work plans are subject to an Executive reality check prior to their issue. They have a three year focus and are rolled over annually, with any uncompleted projects carried forward. The completion rate for milestones associated with OFM's priority projects was marginally below target, but a significant improvement on the previous year. There were no delays that are critical to successful project outcomes.

OFM utilises its Project Management System to monitor and ensure timely action on registered projects, including ministerial and departmental correspondence. During 2003-04 OFM bettered all its benchmarks for timely project completion.

Our Commitment for 2003-04

Review of OFM's strategic planning framework to provide the context for a new three year corporate plan and our Service and Resource Allocation Agreement for 2004-05.

Our Performance

OFM's strategic management framework was reviewed utilising *results logic* to confirm our planned results, and to ensure our services contribute to their achievement. Our new Corporate Plan, which issued in July 2004, and our 2004-05 Results and Services Plan, reflect this framework.

While the existing planning framework was largely confirmed, the process led to a more clearly defined mission statement and the simplified expression of our results – our previous four business objectives were collapsed into three planned results.

The year in review – organisation building

The importance of our Organisation Building activity in supporting the achievement of these results was reinforced.

The process also led to more critical examination of our service measures and result indicators, resulting in the modification of some existing performance indicators, and the identification of some new ones.

This modified planning framework was reflected in a new Corporate Plan for the three years to 2007, which the Secretary launched on 22 July. It also formed the basis of OFM's Results and Services Plan for 2004-05. New Directorate work plans issued in July and translate the Plan into action.

The structure of OFM's 2004-05 annual report will reflect the new planning framework.

Having successfully applied the concept to itself, OFM guided other agencies in the development of their Results and Services Plans.

Performance Review and Improvement

OFM conducted two special reviews in 2003-04 to ensure its operational efficiency:

Organisational Structure Review

OFM's structure was reviewed to incorporate its new responsibility for asset management policy, and to address workload issues. This resulted in the implementation of a new structure in October 2003.

OFM Budget Management

OFM's processes for managing its own budget were reviewed. Consequently, OFM support staff received special training and an agreement implemented with OSR to provide budget management services.

Annual Internal Audit Plan

The Internal Audit Bureau (IAB) is contracted to undertake audits of OFM's operational procedures and practices under its annual audit plan. Areas to be audited are determined according to risk. Audits during 2003-04 are outlined below.

Financial Information System (FIS)

A review of FIS including the Cash Predictions Management component was completed. These systems underpin OFM's budget development, monitoring and financial reporting functions.

The review found that in general there are satisfactory application controls over the input and processing of transactions, and program change control procedures. Action is being taken to implement some recommended improvements.

Superannuation Guarantee Reimbursements

A series of reviews were undertaken of the reimbursements of superannuation guarantee contribution payments made by OFM to a sample of General Government Budget dependent agencies. Valid and accurate requests for reimbursement of contributions were confirmed for all agencies included in the review

Following from this review a Project Review Team has been formed to evaluate the methodology used to estimate levels of reimbursements to improve the reliability of estimates.

Workspace Management

This audit was aimed at ensuring efficient and effective use of OFM's office space. It was established that this closely connects with records management issues and that staff awareness of this is the main risk. A draft policy was formulated and is being applied.

Risk Assessment Review

Towards the end of the financial year, OFM commissioned the IAB to undertake a comprehensive assessment of risks to the achievement of OFM business objectives.

Following initiation of the Risk Assessment Review, OFM reconstituted its internal audit committee as the OFM Audit and Risk Committee.

The Committee has an expanded charter and its membership has been strengthened through the appointment of an additional two executive members and an independent member.

The Year Ahead

The Audit and Risk Committee recently received the report on the OFM Risk Assessment Review. During 2004-05 it will oversight the development of risk management strategies to address each of the risks included in the risk register compiled as part of the review.

Records Management

A 2002 audit confirmed the rigour of OFM's records system and procedures for managing hard copy documents.

OFM is working with CCSU to replace the current system with an electronic document management system. While the new system will need to accommodate paper based records from July 2005, it will also provide for the phased transition to full electronic document management in subsequent years.

Risk Management and Insurance

The Treasury Managed Fund (TMF) is a self-insurance scheme owned and underwritten by the Government. It provides a full range of insurance covers and services for all participating agencies.

TMF cover is 'all-encompassing', excluding only Compulsory Third Party motor vehicle cover. Cover is unlimited and applies to all insurance exposures.

TMF covers OFM for:

- ▶ Workers compensation;
- ▶ Property;
- ▶ Public liability;
- ▶ Comprehensive motor vehicle;
- ▶ Other non financial miscellaneous risks, including travel and personal effects.

The scheme rewards agencies that manage risk, and penalises those that do not. This provides agencies with the incentive to understand and manage their operational risks to reduce the cost of claims.

OFM takes positive steps to reduce risks to achieve lower premiums.

Workers compensation risks are managed by:

- ▶ Early intervention;
- ▶ Work place inspections; and
- ▶ Active rehabilitation.

For 2003-04, OFM's workers compensation premium matched the benchmark premium set by the TMF. Motor vehicle premiums were marginally higher than the TMF benchmark.

The year in review – organisation building

Communication Strategies

OFM's internal and external communications are greatly assisted by its web and intranet sites. Our web site is designed for easy navigation and compliance with required accessibility standards. The intranet gives staff access to manuals, guidelines, professional development material, internal reports and other information.

Since 2003 both sites have been enhanced and expanded. They project a readily identifiable corporate image. Recent presentational improvements include the addition of staff member photographs within the sites' banners, reflecting OFM's modern and culturally diverse identity.

In 2003 OFM was tasked with strengthening public sector compliance with asset management and procurement policy and procedures. Special areas were added to OFM's web to provide practitioners with single site access to policy and guideline documents.

Extensive information and guidance material was also added to the web site to assist agencies' preparations for the application of international financial reporting standards.

Planned web site projects include:

- ▶ Addition of Budget process information for agencies;
- ▶ Investigation of a content management system to improve staff information exchange and workflow; and
- ▶ Automated version control and records management.

Electronic Service Delivery

OFM has complied with action required under the Government's Electronic Service Delivery Strategy:

- ▶ A compliant web site keeps clients informed.
- ▶ All OFM publications are available from the site, including Treasury Circulars; Policy & Guidelines Papers; Research & Information Papers and annual reports.
- ▶ Reports on NSW financial management are available from the site, including State Budget Papers.
- ▶ All tender information and positions vacant are advertised on the web site.

During 2003-04, an on-line subscription service was added to the OFM web site to provide clients with a more automated service. This allows users to register to receive electronic notification when:

- ▶ new Treasury Circulars are loaded;
- ▶ the Working With Government section of the site is updated.

Users control their own details and can remove or change their personal information as required. The web information subject to the subscription service will be expanded during the coming year.

From July 2004 hard copy issue of Treasury's corporate newsletter, Treasury Focus will cease. Issue will be solely via our web site. Agencies will continue to be notified as new editions issue.

OFM also has an arrangement to enable agencies to directly input financial data into Treasury's Financial Information System.

Accounts Payable Performance

OFM contracts the Central Corporate Services Unit in the Department of Commerce to provide financial transaction services. The service level agreement provides for CCSU to process the payment of OFM accounts following their verification and approval for payment by delegated OFM officers.

The time taken to administer payments as reported in the following table is the total time taken by both OFM and CCSU officers.

Credit Card Certification

OFM's credit card policy and procedures document is available on its intranet to guide officers in the appropriate use of cards. The document reflects the requirements of Government policy as outlined in relevant Treasurer's Directions and Treasury Circulars.

In accordance with Treasurer's Direction 205.01, it is certified that credit card usage by officers of OFM has been in line with the Government's requirements.

Value of outstanding invoices by age at the end of each quarter

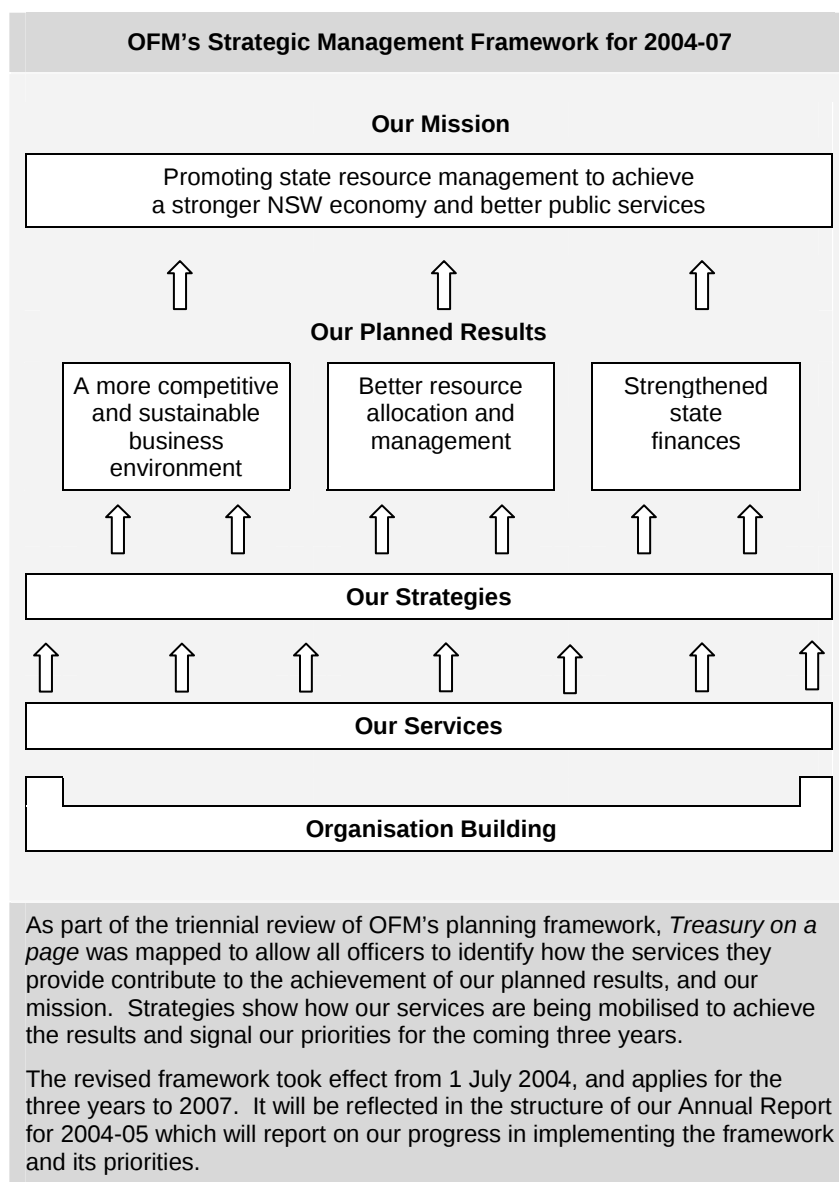
Quarter	Current (i.e. within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September 2003	27,493	-	-	-	-
December 2003	1,336	-	-	-	-
March 2004	15,133	-	-	-	-
June 2004	337,072	-	-	-	-

Accounts paid on time during each quarter

Quarter	Total Accounts Paid on Time				Total Amount Paid \$
	Target %	Actual %		\$	
		By Number	By Value		
September 2003	88	96	87	2,929,629	3,353,532
December 2003	88	90	93	4,358,669	4,686,858
March 2004	88	88	84	3,903,931	4,651,383
June 2004	88	93	92	5,964,375	6,496,954

- ▶ During 2003-04 there were no instances where penalty interest was paid in accordance with Section 18 of the Public Finance and Audit (General) Regulation 1995.
- ▶ There were no significant events that affected payment performance during the reporting period.
- ▶ To improve future performance greater emphasis will be placed on enhancing electronic processing of accounts together with increased use of Purchase Orders for recurring purchases.

Priorities for 2004-05



A more competitive and sustainable business environment

A number of OFM services are mobilised under the umbrella of our **Microeconomic Reform** strategy, which seeks to ensure an efficient policy and regulatory environment, and ultimately a stronger economy.

Priorities will include:

- ▶ Participating in the ongoing reform of the National Electricity Market
- ▶ Reviewing electricity demand and supply capacity
- ▶ Reviewing State taxes as required by the Intergovernmental Agreement

OFM's performance against these commitments will be reported in the 2004-05 Annual Report.

Better resource allocation and management

The **Microeconomic Reform** strategy is also aimed at achieving productivity improvement in the General Government Sector, and therefore better resource allocation and management.

Priorities will include:

- ▶ Participating in reforms to key service delivery areas – Natural Resources Management, Transport, Health, Community Services and Disabilities

The **Financial Management Framework** strategy is aimed at improving links between budgeting and planning.

Priorities will include:

- ▶ Refining the State Budget process, incorporating Results and Services Plans
- ▶ Strengthening asset management policy, capital projects assessment and procurement arrangements
- ▶ Working with agencies to improve their Resource Management systems
- ▶ Updating NSW financial legislation
- ▶ Overseeing public sector convergence with International Accounting Standards

Strengthened state finances

The **Commercial Policy Framework**, which emphasises the performance and accountability of Government businesses, remains a key strategy.

Priorities will include:

- ▶ Considering reform to a number of state business operations and practices – electricity trading risk management, water management, and state forests.

The **State Fiscal Strategy** remains the cornerstone of the strategic framework for the management of State finances.

Priorities will include:

- ▶ Analysing the impact of long-term fiscal pressures on the State budget
- ▶ Reviewing methodology for distributing Commonwealth funds across the States

OFM will continue to apply its **State Balance Sheet Management** strategy to ensure an optimal balance sheet structure through efficient management of assets, debt, unfunded superannuation and other liabilities.

Priorities will include:

- ▶ Implementing contestable arrangements for management of the Government's self insurance scheme

Organisation building

Application of a multi-faceted **Staff Development** program is a permanent element of our planning framework to ensure that OFM has the capability to achieve its business objectives.

Priorities will include:

- ▶ Enhancing the role of the Treasury analyst to improve resource allocation decision making
- ▶ Evaluating the effectiveness of OFM's Performance Agreement and Review scheme following its first year of operation
- ▶ Conducting the biennial OFM staff opinion survey

The **Agency Relations** strategy requiring OFM to work in partnership with other agencies in developing and implementing state financial reforms will continue to be emphasised

Priorities will include:

- ▶ Developing and implementing strategies to address issues emerging from OFM's biennial client survey of agencies

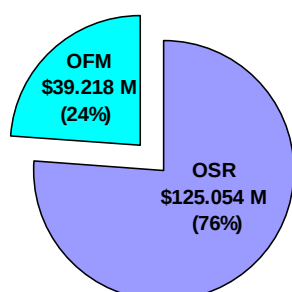
Treasury's Finances

OFM's Budget Performance

The audited 2003-04 Financial Statements that follow relate to the NSW Treasury. They represent the consolidated statements of OFM and OSR.

OFM's actual Expenses in 2003-04 totalled \$39.218 million, which accounts for 24% of Treasury's total expenses.

Treasury Expenses*



* Excludes the following OSR expenses - First Home Owner Grants Scheme payments; GST Offset payments for bookmakers and Grain Freight Rebate.

OFM's actual Expenses for the year were within its budget allocation of \$40.3 million and reflected productivity savings of \$600,000.

Employee Related Costs are OFM's major expense. Total employee related expenses were \$462,000 or 2% higher than budgeted.

Higher than expected costs for Maintenance (of building and equipment) were more than offset by savings in Other Operating expenses. Above budget Maintenance costs of \$133,000 related to accommodation changes for staff transferred from the former Department of Public Works and Services and OFM's restructure in October 2003; and computer maintenance software costs. The significant savings (\$2.0 million) made in OFM's Other Operating expenses, were mainly due to under expenditure of \$1.2 million on consultants and contractors.

Revenue received by OFM exceeded budget by \$1.1 million, due to the receipt of an additional payment of \$1.4 million from the Crown. This was for reimbursement of the Crown's share of overhead costs (rent, support services, etc) incurred by OFM the previous year. The Crown payment contributed to a net cost of service saving of \$2.2 million for OFM. Excluding this payment, net cost of service was \$796,000 or 2% under the original budget for the year.

Major Assets Acquired in 2003-04

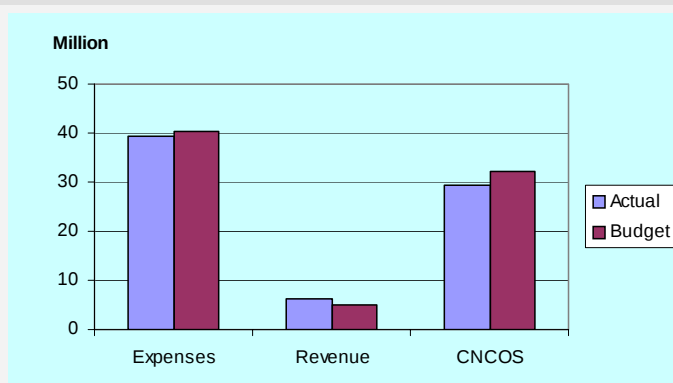
Hardware:	\$'000
Personal Computing	98
Other Computer Equipment	51
Total Hardware	149
Software	21
Office Equipment	20
Office Furniture	0
Total Major Assets	190

Treasury's Audited Financial Statements

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OFM's 2003-04 Budget Performance



OFM operated within Budget in 2003-04. The ratio of controlled net cost of services to Budget was 91%. This compared with 87% in 2001-02, and 100% in 2002-03.



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

THE TREASURY

To Members of the New South Wales Parliament

Audit Opinion

In my opinion the financial report of The Treasury:

- (a) presents fairly The Treasury's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the Public Finance and Audit Act 1983 (the Act).

My opinion should be read in conjunction with the rest of this report.

The Secretary's Role

The financial report is the responsibility of the Secretary of The Treasury. It consists of the statement of financial performance, the statement of financial position, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Secretary in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Secretary had not fulfilled his reporting obligations.

My opinion does not provide assurance:

- about the future viability of The Treasury,
- that The Treasury has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



R J Sendt
Auditor-General

SYDNEY
14 September 2004

STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F of the Public Finance and Audit Act 1983, I state that:

- (a) the accompanying financial statements in respect of the year ended 30 June 2004 have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the Public Finance and Audit Act 1983 and Regulations, and the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Agencies or issued by the Treasurer under section 9(2) (n) of the Act;
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Department; and
- (c) there are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



M Ronsisvalle
Acting Secretary
3 September 2004

STATEMENT OF FINANCIAL PERFORMANCE**for the year ended 30 June 2004**

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
Expenses				
Operating expenses				
Employee related	2(a)	84 702	72 380	68 126
Other operating expenses	2(b)	48 586	32 341	34 398
Maintenance		919	649	535
Depreciation	2(c)	17 576	12 324	12 854
Grants and subsidies	2(d)	254 440	263 506	320 850
Other expenses	2(e)	9 661	-	-
Total Expenses		415 884	381 200	436 763
Less:				
Retained Revenue				
Sale of goods and services	3(a)	22 916	3 983	4 209
Investment income	3(b)	993	531	544
Retained fees and fines	3(c)	76	60	99
Grants and contributions	3(d)	542	115	361
Other revenue	3(e)	6 556	3 896	3 915
Total Retained Revenue		31 083	8 585	9 128
Gain/(Loss) on disposal of non-current assets	4	9	-	(56)
Net Cost Of Services	21	384 792	372 615	427 691
Government Contributions				
Recurrent appropriation	5	364 108	355 721	404 906
Capital appropriation	5	12 828	8 427	10 148
Acceptance by the Crown Entity of employee entitlements and other liabilities	7	10 091	7 268	8 634
Total Government Contributions		387 027	371 416	423 688
SURPLUS/ (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES		2 235	(1 199)	(4 003)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	16	2 235	(1 199)	(4 003)

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
ASSETS				
Current Assets				
Cash	9	41 835	12 512	9 587
Receivables	10	16 184	4 954	5 067
Other	12	574	586	520
Total Current Assets		58 593	18 052	15 174
Non-Current Assets				
Plant and equipment	11	44 694	33 515	37 412
Other	12	8	-	-
Total Non-Current Assets		44 702	33 515	37 412
Total Assets		103 295	51 567	52 586
LIABILITIES				
Current Liabilities				
Payables	13	5 127	5 426	5 129
Provisions	14	7 760	6 580	6 581
Other	15	34 979	51	51
Total Current Liabilities		47 866	12 057	11 761
Non-Current Liabilities				
Provisions	14	2 052	1 934	1 934
Other	15	160	27	27
Total Non-Current Liabilities		2 212	1 961	1 961
Total Liabilities		50 078	14 018	13 722
Net Assets		53 217	37 549	38 864
EQUITY				
Reserves		-	-	-
Accumulated funds		53 217	37 549	38 864
Total Equity	16	53 217	37 549	38 864

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2004

	Notes	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(78 342)	(67 142)	(59 362)
Grants and subsidies		(253 911)	(263 506)	(322 737)
Other		(58 320)	(36 547)	(37 648)
Total Payments		(390 573)	(367 195)	(419 747)
Receipts				
Sale of goods and services		14 686	4 099	5 114
Interest received		624	531	547
Retained taxes, fees and fines		76	-	99
Other		16 971	7 385	7 639
Total Receipts		32 357	12 015	13 399
Cash Flows from Government				
Recurrent appropriation		364 656	355 721	404 931
Capital appropriation		13 071	8 427	10 158
Cash reimbursements from the Crown Entity		3 279	2 361	1 996
Cash transfers to the Consolidated Fund		(36)	-	(23)
Net Cash Flows From Government		380 970	366 509	417 062
NET CASH FLOWS FROM OPERATING ACTIVITIES	21	22 754	11 329	10 714
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		7	-	12
Purchases of plant and equipment		(12 828)	(8 404)	(10 107)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(12 821)	(8 404)	(10 095)
NET INCREASE/(DECREASE) IN CASH				
		9 933	2 925	619
Opening cash and cash equivalents		9 587	9 587	8 968
Cash transferred in as a result of administrative restructuring	17	22 315	-	-
CLOSING CASH AND CASH EQUIVALENTS	9	41 835	12 512	9 587

The accompanying notes form part of these statements.

PROGRAM STATEMENT - EXPENSES AND REVENUES
for the year ended 30 June 2004

AGENCY'S EXPENSES & REVENUES	Program 73.1.1*		Program 73.2.1*		Program 73.2.2*		Program 73.2.3*		Not Attributable		Total	
	2004	2003	2004	2003	2004	2003	2004***	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses												
Operating expenses												
Employee related	24 555	22 573	41 621	37 281	3 417	3 552	15 109	4 720	-	-	84 702	68 126
Other operating expenses	12 923	13 062	12 251	12 062	952	1 276	22 460	7 998	-	-	48 586	34 398
Maintenance	301	100	407	335	34	33	177	67	-	-	919	535
Depreciation	887	913	14 484	10 239	1 226	1 006	979	696	-	-	17 576	12 854
Grants and subsidies	552	1 794	11 937	11 601	241 951	307 455	-	-	-	-	254 440	320 850
Other services	-	-	-	-	-	-	9 661	-	-	-	9 661	-
Total Expenses	39 218	38 422	80 700	71 518	247 580	313 322	48 386	13 481	-	-	415 884	436 763
Retained Revenues												
Sale of goods and services	15	14	4 187	4 194	29	1	18 685	-	-	-	22 916	4 209
Investment income	221	193	712	320	60	31	-	-	-	-	993	544
Retained fees and fines	-	-	-	-	-	-	76	99	-	-	76	99
Grants and contributions	-	-	223	265	19	26	300	70	-	-	542	361
Other revenue	5 990	3 884	507	28	37	3	22	-	-	-	6 556	3 915
Total Retained Revenue	6 226	4 091	5 629	4 807	145	61	19 083	169	-	-	31 083	9 128
Gain(loss) on disposal of non-current assets	7	-	6	(49)	1	(5)	(5)	(2)	-	-	9	(56)
NET COST OF SERVICES	32 985	34 351	75 065	66 760	247 434	313 266	29 308	13 314	-	-	384 792	427 691
Government contributions **	-	-	-	-	-	-	-	-	387 027	423 688	387 027	423 688
NET (EXPENDITURE)/REVENUE	(32 985)	(34 351)	(75 065)	(66 760)	(247 434)	(313 266)	(29 308)	(13 314)	387 027	423 688	2 235	(4 003)
Administered Expenses and Revenues												
Administered Expenses												
Other (Note 27)	-	-	77 637	74 708	-	-	61 300	-	-	-	138 937	74 708
Total Administered Expenses	-	-	77 637	74 708	-	-	61 300	-	-	-	138 937	74 708
Administered Revenues												
Consolidated Fund Revenue earned (Note 28(b))	-	-	13 113 467	12 253 278	-	-	195 471	65 023	-	-	13 308 938	12 318 301
Taxes, fees, fines, penalties and interest	-	-	356 046	399 630	-	-	-	-	-	-	356 046	399 630
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Administered Revenues	-	-	13 469 513	12 652 908	-	-	195 471	65 023	-	-	13 664 984	12 717 931
Administered Revenues less Expenses	-	-	13 391 876	12 578 200	-	-	134 171	65 023	-	-	13 526 047	12 643 223

* The name and purpose of each program is summarised in Note 8.

** Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the "Not Attributable" column.

*** The 2003-04 figures for Program 73.2.3, include the activities of the Infringement Processing Bureau for a period of nine months effective from 1 October 2003 when they transferred to the Office of State Revenue from NSW Police.

SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES**for the year ended 30 June 2004**

	2004				2003			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure	Capital Appropriation	Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original Budget Appropriation/ Expenditure								
• Appropriation Act	335 721	335 721	8 427	8 267	400 247	399 537	10 134	10 011
• Additional Appropriations	20 000	10 543	-	-	-	-	-	-
• s 21A PF&A Act-special appropriation	-	-	-	-	-	-	-	-
• s 24 PF&A Act- transfers of functions between departments	-	-	-	-	-	-	-	-
• s 26 PF&A Act- Commonwealth specific purpose payments	-	-	-	-	-	-	-	-
	355 721	346 264	8 427	8 267	400 247	399 537	10 134	10 011
Other Appropriations/Expenditure								
• Treasurer's Advance	2 483	2 426	-	-	300	236	150	137
• Section 22 – expenditure for certain works and services	18 691	15 418	5 544	4 561	15 000	5 133	-	-
• Transfers from another agency (section 26 of the Appropriation Act)	-	-	-	-	-	-	-	-
	21 174	17 844	5 544	4 561	15 300	5 369	150	137
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	376 895	364 108	13 971	12 828	415 547	404 906	10 284	10 148
Amount drawn down against Appropriation		364 656		13 071		404 932		10 158
Liability to Consolidated Fund		548		243		26		10

- The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
- The “Liability to Consolidated Fund” represents the difference between the “Amount drawn down against Appropriation” and the “Total Expenditure / Net Claim on Consolidated Fund”.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**

30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Treasury (the agency) comprises all the operating activities and entities under the control of the agency, viz. Office of Financial Management (OFM) and the Office of State Revenue (OSR). The OFM serves the Treasurer and the Government by providing economic, budgetary and financial advice on the effective management of and accounting for the State's finances and for providing timely and relevant information on the overall State finances. The OSR is responsible for the administration and collection of specific taxes imposed by the State of New South Wales and income tax equivalents from State Government businesses. In April 2002, the OSR became responsible for the administration of the State Debt Recovery Office (SDRO) fine enforcement activities for State and local government agencies. In October 2003, this was further extended with the transfer of the Infringement Processing Bureau (IPB) from NSW Police. The OSR is also responsible for the administration and payment of grants under the First Home Owner Grant Scheme (FHOGS), Unclaimed Money, rebates under the Grain Freight Rebate Scheme and subsidies under the Petroleum Subsidies Scheme.

In the process of preparing the financial statements for the agency, all transactions between the OSR and the OFM have been eliminated.

The reporting entity is consolidated as part of the NSW Total State Sector accounts.

Administered activities are consolidated as part of the Crown Entity accounts.

(b) Basis of Accounting

The agency's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS)
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- the requirements of the Public Finance and Audit Act 1983 and Regulations, and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependant General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

Except for certain plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Administered Activities

The agency administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy those resources for the achievement of the agency's own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as Administered Assets, Liabilities, Expenses and Revenues (refer Notes 24 to 28).

The accrual basis of accounting and applicable accounting standards have been adopted for the reporting of the administered activities.

In accordance with the Crown Entity's revenue recognition policy State taxation revenue is recognised as follows:

- Government-assessed revenues (primarily land tax) are regarded as being able to be measured reliably at the time of issuing the assessment or when a liability has been determined. Where a land tax liability has been determined and the assessment is yet to issue the revenue is brought to account in the year identified.
- Taxpayer-assessed revenues (including pay-roll tax) are regarded as being able to be measured reliably when the funds are received by the tax collecting agency. Additional revenues are recognised for assessments subsequently issued following the review of returns lodged by taxpayers.
- Interest payable on government and taxpayer - assessed revenues is brought to account on a daily basis.
- Fines (such as those issued by the Courts) and enforcement orders issued by the SDRO are regarded as being able to be measured reliably when the fine or enforcement order is issued.
- Fines issued by the IPB are regarded as being able to be measured reliably when the cash is received.

(d) Revenue Recognition

Revenue is recognised when the agency has control of the good or right to receive, it is probable that the economic benefits will flow to the agency and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from Other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions are normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 15 as part of "Current / Non-Current Liabilities-Other". The amount will be repaid and the liability will be extinguished in the next financial year.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises revenue from the provision of products or services ie. user charges. User charges are recognised as revenue when the department obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

(e) Employee Benefits and other provisions**(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs**

Liabilities for salaries and wages, annual leave, leave loading and vesting sick leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of pay-roll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The agency's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of Employee Entitlements and other Liabilities".

Employee benefit liabilities, such as long service leave, that are expected to be settled more than 12 months after the reporting date, are measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. This calculation takes into account future increases in remuneration rates.

On-costs ie costs that are consequential to the employment of employees, but which are not employee benefits, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised and are accordingly measured as the present value of the estimated cash outflows.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie, Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Other Provisions

Other provisions exist when the agency has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised when a detailed formal plan has been developed and where the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The agency's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition (see also assets transferred as a result of an administrative restructure – Note (q)).

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the acquisition date. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained.

(i) Plant and Equipment

Office furniture and equipment costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is also capitalised. However, grouped assets with inter-related functions such as the computer network and revenue receiving equipment are capitalised regardless of cost.

(j) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits. The agency is a not for profit entity with no cash generating operations.

As NSW Treasury does not own Land, Building or Infrastructure assets, management considers it unnecessary to carry out a revaluation of physical non-current assets over five years, unless it becomes aware of any material difference in the carrying amount of any class of assets.

Most of the agency's assets (hardware, software, equipment and furniture) are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(k) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the entity. All material separately identifiable component assets are recognised and depreciated over their shorter useful lives, including those components that in effect represent major periodic maintenance. The useful lives of each category of depreciable assets are:

Computer Hardware	4 years;
Office Equipment	7 years;
Office Furniture	5 to 10 years;
Computer Software	1 to 10 years depending on the expected usage of the application.

(l) Maintenance and Repairs

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(m) Leased Assets

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Trust Funds

The agency receives monies in a trustee capacity as set out in Note 23. As only a custodial role is performed in respect of these monies, and because the monies cannot be used for the achievement of the agency's own objectives, they are not brought to account in the financial statements.

(p) Other Assets

Other assets including prepayments are recognised on a cost basis.

(q) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs / functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSWTC 01/11 and are recognised as an adjustment to "Accumulated Funds". This treatment is consistent with Urgent Issued Group Abstract UIG 38 "Contributions by Owners Made to Wholly Owned Public Sector Entities".

Transfers arising from an administrative restructure between government departments are recognised at the amount at which the asset was recognised by the transferor government department immediately prior to the restructure (refer to Note 17). In most instances, this will approximate fair value. All other equity transfers are recognised at fair value.

(r) Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(s) Budgeted Amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

(t) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

The agency will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The transition to the new standards is being managed by allocating internal resources and engaging consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the agency has taken the following steps to manage the transition to the new standards:

- OSR's Finance Committee is oversighting the transition. The Financial Controller is responsible for the project and reports regularly to the Committee on progress against the plan. The Audit Committee is also kept abreast of progress through regular reporting. The OFM transition is being managed by the Central Corporate Services Unit (CCSU). OSR will have a representative on the CCSU Transition Committee to ensure consistency across the agency.
- The following phases that need to be undertaken have been identified and the target date for completion:
 - June 2004 - prepare and submit a Project Execution Plan to NSW Treasury based on the agency approved Project Management Framework
 - August 2004 - review the ability of the tax and accounting systems to accommodate the AIFRS changes using a capability checklist to determine compliance
 - September 2004 - analyse in detail, each AIFRS that will have relevance to the operations of the agency, and identify what impact the change will have on existing accounting treatments including budgets, financial reporting and performance indicators
 - October 2004 - implement process and system changes to accommodate AIFRS
 - October 2004 - develop and implement AIFRS reporting
 - November 2004 - parallel run during 2004/05
 - November 2004 - amend all documentation/stationery/forms as required
 - December 2004 - develop and implement a communications plan for stakeholders. Develop a staff training program and conduct sessions
 - January 2005 - coordinate conduct of quality checks by an independent party
 - March 2005 - external reporting to Treasury for draft and final opening balance sheet as at 1 July 2004
 - September 2005 - post implementation review
- To date, the Project Team has been established and the Project Execution Plan submitted to NSW Treasury. The analysis of the issued AIFRS is occurring, as is the assessment of the changes on the tax and accounting systems. Regular reporting to the Finance Committee and Audit Committee has commenced whilst staff are being informed of progress through internal communication channels.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Relationship Panel to facilitate a collaborative approach to manage the change.

The agency has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the agency of options it is likely to mandate, and will confirm these during 2004-2005. This disclosure reflects these likely mandates.

The agency's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-2006.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit and loss, unless a new standard mandates otherwise.
- AASB 102 Inventories for not-for-profit entities requires inventory held for distribution' at no or nominal cost to be valued at the lower of cost and current replacement cost rather than the lower of cost and net realisable value. This may increase the amount of inventories recognised.
- AASB116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.
- AASB 118 Revenues was released in June 2004 and at this time has still to be analysed to assess the impact it will have on the Administered Revenue operations of the agency.
- AASB 119 Employee Benefits requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 132 Financial Instrument Disclosure and Presentation prohibits in-substance defeasance. Agencies can no longer offset financial assets and liabilities when financial assets are set aside in trust by a debtor for the purposes of discharging an obligation, without assets having been accepted by the creditor in settlement of the obligation. This will have the effect of increasing both assets and liabilities but will have no net impact on equity.
- AASB 136 Impairment of Assets requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy Valuation of Physical Non-Current Assets at Fair Value.
- AASB 138 Intangible Assets requires further detailed analysis to ascertain the extent to which any internally generated or externally acquired computer software that may meet the definition and recognition criteria for intangible assets.

2. EXPENSES

	2004 \$'000	2003 \$'000
<i>(a) Employee related expenses</i>		
Salaries and wages (including recreation leave)	69 694	54 472
Superannuation	6 489	5 099
Long service leave	3 213	3 244
Workers' compensation insurance	443	541
Pay-roll tax and fringe benefits tax	4 647	3 784
On-costs on LSL not assumed by Crown	<u>216</u>	<u>986</u>
	<u>84 702</u>	<u>68 126</u>
Employee related expenses of \$1.8 million (2002-2003 - \$2.5 million) have been incurred for various capital projects and are included in computer software costs and capital work in progress in Note 11. Except as noted, there are no other employee related payments included in asset and expenditure accounts.		
<i>(b) Other operating expenses</i>		
Auditors remuneration – audit or review of the financial reports	202	270
Bad and doubtful debts	(25)	123
Operating lease rental expense – minimum lease payments	8 907	8 553
Insurance	133	64
Other		
Energy Reform	-	3 065
Contractors' and consultancy fees	17 765	8 238
Printing and advertising	3 134	1 744
Centralised corporate support charges	3 021	2 449
Computer maintenance and software licences	1 619	1 069
Data access fees	1 043	1 189
Training	927	930
Building maintenance and utilities	2 090	1 127
Minor plant, equipment and stores	1 499	804
Other	<u>8 271</u>	<u>4 773</u>
	<u>48 586</u>	<u>34 398</u>
<i>(c) Depreciation</i>		
Computer hardware	1 601	1 504
Computer software	14 948	10 422
Office equipment	129	207
Office furniture	<u>898</u>	<u>721</u>
	<u>17 576</u>	<u>12 854</u>
<i>(d) Grants and subsidies:</i>		
First Home Owner Grant Scheme (FHOGS) (I)	241 943	306 632
Department of Lands (ii)	11 937	11 601
GST Bookmakers Rebate (iii)	2	386
Grain Freight Rebate (iv)	6	437
Other	<u>552</u>	<u>1 794</u>
	<u>254 440</u>	<u>320 850</u>
<i>(e) Other expenses</i>		
Compensation payments (Statute Barred Infringements) (v)	<u>9 661</u>	<u>-</u>
	<u>9 661</u>	<u>-</u>

- (i) FHOGS was introduced in July 2000 to compensate first home buyers for the impact of the introduction of GST. OSR is responsible for the payment of the grant to approved applicants.

The amount is net of returns of payments made in relation to contracts not settled and recoveries by compliance auditors of payments made to ineligible applicants. Write-off of refunds that are irrecoverable, however, are added back. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, were also netted off against the total amount of payments made in the year.

Total FHOGS payments	249 775
Less: Returns – payments on contracts not settled	(5 519)
Less: Refunds – ineligible payments	(1 946)
Less: Penalties on wrongful claims	(484)
Add: Write-off of Refunds due	117
Net FHOGS payments	<u>241943</u>

- (ii) The Department of Lands provides land information and valuation services required to administer the *Land Tax Management Act 1956*.
- (iii) A delayed payment relating to the now abolished Bookmakers betting tax. GST offset payments were made to Bookmakers to reduce the effect of paying GST in addition to the State tax on their fixed odds betting operations.
- (iv) The Grain Freight rebate scheme was introduced, in October 2001, in response to new freight prices by Pacific National (previously FreightCorp) to ensure freight prices at NSW silos did not rise by more than 5%. The scheme ceased on 30 June 2003. Payments for 2003-04 related to delayed claims.
- (v) Compensation payments amounting to \$9.7 million were paid to clients of the IPB who were financially disadvantaged due to processing delays that ultimately led to infringements becoming statute barred. The payments were made in accordance with the Service Level Agreement provisions. Of the \$9.7 million approved, payments to local councils amounted to approximately \$7.6 million whilst the \$2.1 million balance was paid to other clients. The statute barred matters related to the period 1 September 2002 to 31 January 2004.

3. REVENUES

	2004	2003
	\$'000	\$'000
(a) Sale of goods and services		
Sale of Goods		
Sale of publications	15	14
Commercial infringement processing	18 557	-
Rendering of Services		
Land tax search fees	3 380	3 730
Administration fees	820	453
Other	<u>144</u>	<u>12</u>
	<u>22 916</u>	<u>4 209</u>

The IPB provides a processing service to a range of public sector and local government clients. Fees are charged to commercial clients for the service. The \$18.6 million reflects the revenues generated since the transfer of the IPB from NSW Police.

(b) Investment income

Interest	<u>993</u>	<u>544</u>
	<u>933</u>	<u>544</u>

(c) Retained fees and fines**Fees**

Collection fees	<u>76</u>	<u>99</u>
	<u>76</u>	<u>99</u>

Annulment fees imposed by the SDRO are recognised as revenues as they are controlled by the agency and can be deployed for the achievement of its objectives. They are not required to be paid to the Consolidated Revenue Fund.

(d) Grants and contributions

Salary grants received	51	278
Skills Incentive Scheme	191	83
Department of Commerce (connect.nsw program)	<u>300</u>	<u>-</u>
	<u>542</u>	<u>361</u>

Salary grants received represents reimbursements for the ATSI Cadetship Scheme. \$191 000 was received for training and skills incentive programs for staff. \$300 000 pertains to project funding received by the IPB under the connect.nsw program, for the development and implementation of hand held technology for clients to improve the system for infringement processing.

(e) Other revenue

Energy Reform project (i)	-	1 759
Crown Assets and Liabilities Management (ii)	4 751	1 745
Other (iii)	<u>1 805</u>	<u>411</u>
	<u>6 556</u>	<u>3 915</u>

- (i) Implementation of a number of interlinked projects relating to the Government Policy concerned with Energy Reform. A major percentage of the costs involved in these projects were recovered from the energy corporations.
- (ii) Recoupment of administration costs including mainly salaries and accommodation for Crown employees that reside at the OFM.
- (iii) \$1.2 million of this amount relates to expenses incurred by the Resources and Policy directorate on behalf of other government departments. The OFM recovers these costs from the designated government departments. The difference results from the operating activities of OSR, which is primarily attributable to the reimbursement of legal fees associated with debt recovery action.

4. GAIN / (LOSS) ON DISPOSAL OF NON-CURRENT ASSETS

Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	14	12
Written down value of assets disposed	(5)	(68)
Net gain / (loss) on disposal of plant and equipment	<u>9</u>	<u>(56)</u>

5. APPROPRIATIONS**Recurrent appropriations**

Total recurrent drawdowns from Treasury (per Summary of Compliance)	364 656	404 932
Less: Liability to Consolidated Fund (per Summary of Compliance)	548	26
	<u>364 108</u>	<u>404 906</u>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	<u>364 108</u>	<u>404 906</u>

Capital appropriations

Total capital drawdowns from Treasury (per Summary of Compliance)	13 071	10 158
Less: Liability to Consolidated Fund (per Summary of Compliance)	243	10
	<u>12 828</u>	<u>10 148</u>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	<u>12 828</u>	<u>10 148</u>

6. INDIVIDUALLY SIGNIFICANT ITEMS

	2004	2003
	\$'000	\$'000
On-costs and pay-roll tax on LSL not assumed by Crown	—	986

The \$986 000 in 2003 represents the change in valuation methodology from the short hand method to the present value method. The provision for on-costs on long service leave liability that are not assumed by the Crown increased by \$986 000 and exceeded the Controlled Net Cost of Services (CNCS) variation limit imposed by Treasury.

7. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

	2004	2003
	\$'000	\$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation	6 489	5 099
Long service leave	3 213	3 244
Pay-roll tax	389	291
	<u>10 091</u>	<u>8 634</u>

8. PROGRAMS / ACTIVITIES OF THE AGENCY

- (a) Program 73.1.1 Enhanced Economic Development**
Objective: Promote the allocation of resources that increases the economic welfare of the community through the application of the Financial Management Framework and Commercial Policy Framework, microeconomic reform and optimising the State balance sheet structure.
- (b) Program 73.2.1 Ensuring Due Revenue**
Objective: Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales through improved revenue administration and better service delivery.
- (c) Program 73.2.2 Ensuring Eligible Payments**
Objective: Ensure eligible applicants receive payments due under Commonwealth/State Government schemes through maximising the efficiency and effectiveness of payments administration consistent with applicable policies.
- (d) Program 73.2.3 Effective Fine Enforcement**
Objective: Ensure effective and timely fine enforcement services which contributes to a higher level of compliance with the law through the application of the full range of fine enforcement activities for the benefit of the people of New South Wales.

The IPB was transferred from NSW Police with effect from 1 October 2003. The following summarises the expenses and revenues, recognised by NSW Police for three months ended 30 September 2003 (Program 52.1.3, in part) and OSR for nine months ended 30 June 2004 (Program 73.2.3, in part) for the reporting period.

	NSW Police	NSW Treasury	Total	
	1 July 2003 to 30 September 2003 \$'000	1 October 2003 to 30 June 2004 \$'000	2004 \$'000	2003 \$'000
Expenses				
Operating expenses				
Employee related	2 070	7 701	9 771	8 195
Other operating expenses	1 728	12 673	14 401	6 434
Depreciation	365	3 652	4 017	1 467
Other expenses	-	9 661	9 661	-
Total Expenses	4 163	33 687	37 850	16 096
Retained Revenue				
Sale of goods and services	4 193	18 684	22 877	17 465
Grants and contributions	53	300	353	58
Other	-	22	22	-
Total Retained Revenue	4 246	19 006	23 252	17 523
Gain/(loss) on disposal of non-current assets	(18)	-	(18)	(31)
Net Cost of Services	<u>(65)</u>	<u>14 681</u>	<u>14 616</u>	<u>(1 396)</u>

9. CURRENT ASSETS – CASH

	2004	2003
	\$'000	\$'000
Cash on hand	13	18
Cash at bank	<u>41 822</u>	<u>9 569</u>
	<u>41 835</u>	<u>9 587</u>

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

Cash assets recognised in the Statement of Financial Position are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	<u>41 835</u>	<u>9 587</u>
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	<u>41 835</u>	<u>9 587</u>

Included in cash at bank and cash on hand are the following restricted assets:

IPB monies	31 425	-
Consolidated Fund monies	<u>791</u>	<u>-</u>
	<u>32 216</u>	<u>-</u>

The IPB monies relate to funds being held for clients of the IPB and the Crown Entity that will be distributed in 2004-2005.

10. CURRENT ASSETS – RECEIVABLES

	2004	2003
	\$'000	\$'000
Current		
Sale of goods and services (i)	11 239	100
Other		
GST receivable from ATO	1 023	875
Interest	622	253
FHOGS (ii)		
Receivable	1 559	2 088
Less: Provision for doubtful debts	<u>98</u>	<u>123</u>
Other	<u>1 839</u>	<u>1 874</u>
Total	<u>16 184</u>	<u>5 067</u>

(i) Sale of goods and services

As at 30 June 2004, \$9.2 million of this receivable represents invoices issued to commercial clients of the IPB, including councils and other statutory bodies. OSR is collecting \$2.7 million on behalf of NSW Police and has recognised a corresponding liability (refer to Note 15).

(ii) FHOGS Debt

The FHOGS debt is the result of Compliance audits of grants paid where applicants do not legally qualify as first home owners. In addition to seeking recovery of grant payments, penalties are imposed in accordance with FHOGS legislation on offending claims. A provision for doubtful debts has been created for those outstanding amounts which are considered to be irrecoverable. Included in the current receivables is \$100 000 of assessments issued as at 30 June, not yet due.

The total debt position as at 30 June 2004 was as follows:

	2004 \$'000	2003 \$'000
Total Debt		
Current amount	100	57
Instalments	-	324
Overdue amounts	<u>10 636</u>	<u>1 707</u>
	10 736	2088
Less: Provision for doubtful debts	<u>98</u>	<u>123</u>
	<u>10 638</u>	<u>1 965</u>

Overdue Amounts

Receivable	Less than 30 days		30–90 days		More than 90 days		Total		Provision for doubtful debts		Net	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
IPB commercial fees	3 160	-	937	-	5 080	-	9 177	-	-	-	9 177	-
FHOGS	78	450	141	538	1 240	719	1 459	1 707	98	123	1 361	1 584
Total	3 238	450	1 078	538	6 320	719	10 636	1 707	98	123	10 538	1 584

11. NON-CURRENT ASSETS – PLANT & EQUIPMENT

	2004 \$'000	2003 \$'000
Computer hardware		
At Fair Value	13 397	10 995
Less Accumulated Depreciation	<u>8 916</u>	<u>7 530</u>
	<u>4 481</u>	<u>3 465</u>
Computer software		
At Fair Value	65 273	52 113
Less Accumulated Depreciation	<u>43 169</u>	<u>28 220</u>
	<u>22 104</u>	<u>23 893</u>
Office equipment		
At Fair Value	2 218	2 152
Less Accumulated Depreciation	<u>1 607</u>	<u>1 719</u>
	<u>611</u>	<u>433</u>
Office furniture		
At Fair Value	10 636	8 970
Less Accumulated Depreciation	<u>7 302</u>	<u>7 157</u>
	<u>3 334</u>	<u>1 813</u>
Capital work in progress (CWIP), at cost	<u>14 164</u>	<u>7 808</u>
Total Plant and Equipment		
At Fair Value	105 688	82 038
Less Accumulated Depreciation	<u>60 994</u>	<u>44 626</u>
Total Plant and Equipment at Net Book Value	<u>44 694</u>	<u>37 412</u>

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2004						
Carrying amount at start of year	3 465	23 893	433	1 813	7 808	37 412
Additions	289	21	63	12	12 360	12 745
Disposals	(212)	-	(245)	(753)	-	(1 210)
Transfer to/(from) CWIP	1 901	3 695	162	246	(6 004)	-
Acquisitions through admin restructures	427	9 443	87	2 161	-	12 118
Depreciation for the year	(1 601)	(14 948)	(129)	(898)	-	(17 576)
Other Movements:						
Write back on disposal	212	-	240	753	-	1 205
Carrying amount at end of year	4 481	22 104	611	3 334	14 164	44 694

	Computer Hardware	Computer Software	Office Equipment	Office Furniture	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2003						
Carrying amount at start of year	3 695	29 825	484	2 373	3 777	40 154
Additions	401	76	162	157	9 384	10 180
Disposals	(1 736)	-	(166)	-	-	(1 902)
Transfer to/(from) CWIP	939	4 414	-	-	(5 353)	-
Depreciation for the year	(1 504)	(10 421)	(208)	(721)	-	(12 854)
Other Movements:						
Write back on disposal	1 670	(1)	161	4	-	1 834
Carrying amount at end of year	3 465	23 893	433	1 813	7 808	37 412

12. CURRENT / NON-CURRENT ASSETS – OTHER

	2004 \$'000	2003 \$'000
Current		
Prepayments	574	490
Prepaid maintenance contract	-	30
	<u>574</u>	<u>520</u>
Non-Current		
Prepayments	<u>8</u>	<u>-</u>
Total	<u>582</u>	<u>520</u>

13. CURRENT LIABILITIES – PAYABLES

Accrued salaries, wages and on-costs	1 677	2 743
Creditors	3 450	2 386
	<u>5 127</u>	<u>5 129</u>

14. CURRENT / NON-CURRENT LIABILITIES – PROVISIONS

	2004 \$'000	2003 \$'000
Employee benefits and related on-costs		
Current		
Recreation leave	6 990	6 114
Provision for pay-roll tax on recreation leave liability	381	216
Provision for pay-roll tax on long service leave liability	90	130
Provision for on-costs on long service leave liability	184	55
Provision for fringe benefits tax	<u>115</u>	<u>66</u>
	<u>7 760</u>	<u>6 581</u>
Non-current		
Provision for pay-roll tax on long service leave liability	1 344	1 265
Provision for on-costs on long service leave liability	<u>708</u>	<u>669</u>
	<u>2 052</u>	<u>1 934</u>
Aggregate employee benefits and related on-costs		
Provisions – current	7 760	6 581
Provisions – non-current	2 052	1 934
Accrued salaries, wages and on-costs (Note 13)	<u>1 677</u>	<u>2 743</u>
	<u>11 489</u>	<u>11 258</u>

Other Provisions

Ministerial approval was obtained in 2003 to offer Voluntary Redundancies (VRs) to eligible staff affected by the relocation of the SDRO to Lithgow. As at 30 June 2004, no provision for the payment of VRs is recognised in the accounts as the amount of the provision cannot be reliably measured. The number of people that are likely to accept the VRs has not been established and an estimate for the planned expenditure is approximately \$300 000. All expenses relating to the VRs will be funded by the 2004-2005 recurrent appropriation.

15. CURRENT / NON-CURRENT LIABILITIES – OTHER

	2004 \$'000	2003 \$'000
Current		
Lease incentive (i)	77	15
Liability to the Consolidated Fund (ii)	791	36
Commercial Clients/Crown Entity (iii)	31 426	-
Invoices payable to NSW Police (iv)	<u>2 685</u>	<u>-</u>
	<u>34 979</u>	<u>51</u>
Non-Current		
Lease incentive (i)	<u>160</u>	<u>27</u>
Total	<u>35 139</u>	<u>78</u>

- (i) The OSR Parramatta office undertook a new 4 year lease which provides for a 1 month lease incentive. In the year 2000, the OSR Wollongong regional office undertook a new 6-year lease, which provided for a 1 year lease incentive. In accordance with the Urgent Issues Group Abstract 3, each lease incentive will be amortised over the full term of the lease.
- (ii) The liability to the Consolidated Fund in 2003-2004 represents unused supplementation drawn down in advance for payment of the First Home Owners Grant, works required to implement the April Mini Budget initiatives, works to clear Fine Enforcement backlogs, compensation to councils and capital projects. This amount will be repaid in 2004-2005 in accordance with Treasury Circular TC00/14.
- (iii) The \$31.4 million represents monies payable to IPB commercial clients and the Crown Entity. The funds are to be disbursed in 2004-2005 after being appropriately allocated within the Infringement Management Processing System (IMPS).
- (iv) Invoices payable represent receivables (refer to Note 10) that the OSR is collecting on behalf of NSW Police.

16. CHANGES IN EQUITY

	Accumulated Funds		Asset Revaluation		Total Equity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	38 864	42 867	-	-	38 864	42 867
Changes in equity – transactions with owners as owners						
Increase in net assets from equity transfers (Note 17)	12 118	-	-	-	12 118	-
Total	12 118	-	-	-	12 118	-
Changes in equity – other than transactions with owners as owners						
Surplus/(deficit) for the year	2 235	(4 003)	-	-	2 235	(4 003)
Total	2 235	(4 003)	-	-	2 235	(4 003)
Balance at the end of the financial year	53 217	38 864	-	-	53 217	38 864

17. INCREASE / DECREASE IN NET ASSETS FROM EQUITY TRANSFERS

	2004 \$'000	2003 \$'000
The IPB functions were transferred from NSW Police to the OSR with effect from 1 October 2003 (refer to Note 8).		
Responsibility assumed for NSW Police Program 52.1.3 (in part)		
Assets transferred from NSW Police		
Cash	22 315	-
Receivables	5	-
Plant and equipment	12 118	-
Liabilities transferred from NSW Police		
Provisions	585	-
Other	21 735	-
Increase in net assets from administrative restructuring	12 118	-

18. COMMITMENTS FOR EXPENDITURE

	2004 \$'000	2003 \$'000
(a) Capital Commitments		
Aggregate capital expenditure for the acquisition of contractors and other computer items contracted for at balance date and not provided for:		
Not later than one year	-	258
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	-	258
(b) Other Expenditure Commitments		
Aggregate other expenditure for the acquisition of printing and other general office expenses contracted for at balance date and not provided for:		
Not later than one year	-	115
Later than one year and not later than five years	-	-
Later than five years	-	-
Total (including GST)	-	115

(c) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	11 982	9 651
Later than one year and not later than five years	30 324	27 342
Later than five years	<u>3 268</u>	<u>-</u>
Total (including GST)	<u>45 574</u>	<u>36 993</u>

Leasing arrangements are generally for rental of premises and computer equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2004 include input tax credits of \$4.43 million which are recoverable from the Australian Taxation Office.

19. CONTINGENT LIABILITIES

The Land and Environment Court has before it a claim that all land valuations are flawed and need to be reduced. In the first instance, the Court found in favour of the Commissioner and on appeal the matter was referred back to the Land and Environment Court for rehearing. At this point it is not possible to determine what impact this will have on the State's financial position. The impact will be reviewed once the Land and Environment Court has made its determination.

Claims totalling approximately \$1 million have been lodged with the OSR by company liquidators/administrators. It is claimed the payments are preference payments that were made while the companies were insolvent.

A number of infringement matters are being reviewed by the IPB to determine whether special circumstances exist for return of the payments. It is expected that the payments returned will not exceed \$500 000.

20. BUDGET REVIEW***Net cost of services***

The Net Cost of Services is \$12.2 million or 3.3% above the budget. The IPB was transferred from NSW Police to OSR on 1 October 2003 and therefore their budget was not included in the original budget presented in the financial statements. Consequently, variances predominantly emanate from this transfer. The Net Cost of Services variance is largely represented by:

- employee related expenses of \$12.3 million and other operating expenses of \$16.2 million mainly relating to increased staff and contractors of IPB and additional SDRO staff to process and collect infringements
- compensation payments of \$9.7 million to councils for statute barred infringements
- depreciation of \$5.3 million mainly due to additional IPB assets transferred to OSR and a budget variation of \$2.8 million.

The above variances were partially offset by:

- revenues which exceeded budget by \$22.5 million predominantly due to IPB infringement processing fees from commercial clients
- FHOGS payments below budget by \$9.5 million.

Assets and liabilities

Total Assets of \$103.3 million are higher than the budget by \$51.7 million.

Current Assets represent \$40.5 million of this variance which is mainly a result of:

- IPB cash holdings of approximately \$31.4 million representing creditor payments to commercial clients eg. Councils and other State bodies.
- IPB are also owed \$9.2 million for current outstanding invoices from commercial clients.

The increase in Non Current Assets of \$11.2 million is mainly due to the transfer of plant and equipment of \$12.1 million from NSW Police to OSR and additional \$4.4 million of projects offset by additional depreciation of \$5.3 million.

Current liabilities have increased by \$35.8 million. Again, this is largely a reflection of the transfer of IPB into OSR. IPB currently carries creditors of \$34.1 million owed to NSW Police, commercial clients and the Crown. This amount represents fines collected by IPB on behalf of their clients. Non Current Liabilities do not significantly differ from budget.

Cash flows

Recurrent appropriation and capital appropriation increased by \$8.9 million and \$4.6 million respectively, compared to budget. Increases were to address IPB backlog issues and system improvements.

Net cash flows from operating activities increased by \$11.4 million compared to budget primarily due to fine receipts of \$9.7 million collected since 1 October 2003, held for disbursement to IPB clients and, additional capital appropriation of \$4.6 million. Offsetting these was the use of agency cash to fund IPB operations pending the payment of debtors.

Net cash flows from investing activities increased by \$4.4 million over budget mainly due to purchases of plant and equipment for IPB capital projects to improve computer systems.

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

		2004 \$'000	2003 \$'000
	Notes		
Net cash used on operating activities		22 754	10 714
Cash Flows from Government / Appropriation		(377 691)	(415 064)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(10 091)	(8 634)
Depreciation	2(c)	(17 576)	(12 854)
Provision for doubtful debts		25	(123)
Decrease / (increase) in provisions		(1 296)	(3 232)
Increase / (decrease) in prepayments and other assets		11 154	529
Decrease / (increase) in creditors		(34 395)	284
Decrease / (increase) in other liabilities		-	736
Other revenue – investing activities		-	9
Net gain / (loss) on sale of plant and equipment	4	9	(56)
Cash transferred in as a result of administrative restructuring	17	22 315	-
Net cost of services		(384 792)	(427 691)

22. FINANCIAL INSTRUMENTS

(a) Cash

Cash consists of cash on hand and bank balances within the Treasury banking system. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11.00am unofficial cash rate adjusted for a management fee to Treasury. This rate was 4.25 per cent as at 30 June 2004 (3.75 per cent at 30 June 2003).

(b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

(c) Bank overdraft

The Department does not have any bank overdraft facility.

(d) Creditors and accruals

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. No interest for late payment was made during the 2003-2004 year (2002-2003 \$nil). The carrying amount approximates net fair value.

23. TRUST FUNDS

Monies held in trust for the Crown Entity are excluded from the financial statements, as the OSR cannot use them for the achievement of its objectives. They are held in either a trust bank account or public monies bank account. The following is a summary of the transactions in the trust accounts:

(a) Trust Accounts

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash balance at the beginning of the financial year	4 242	4 197	5 026	4 709	484	600	9 752	9 506
Add Receipts	42	45	356	317	145	-	543	362
Less: Expenditure	-	-	-	-	33	16	33	16
Transfers to Crown	-	-	-	-	13	100	13	100
Cash balance at the end of the reporting period	4 284	4 242	5 382	5 026	583	484	10 249	9 752

Transfers from the Trust Account to the Crown are performed in accordance with Section 14 of the *Public Finance and Audit Act*.

(b) Public Monies Account

An amount of \$8.5 million was held in the Public Monies account for the SDRO as at 30 June 2004. It represents receipts collected on behalf of other agencies that are to be remitted in the new year.

The IPB also maintains a Public Monies Accounts for payments that cannot be allocated. The balance of these accounts at 30 June 2004 was \$167 367. The funds are transferred to accounts when their correct allocation is established.

24. ADMINISTERED ASSETS – RECEIVABLES

(a) Tax debtors

Assets administered by OSR for the Crown Entity are primarily tax and fine debtors. They are not recognised in the Statement of Financial Position.

	2004 \$'000	2003 \$'000
Receivables – State taxes		
Current and instalment amounts	244 025	242 868
Overdue amounts	120 572	127 494
	364 597	370 362
Less: provision for doubtful debts	29 849	35 308
	334 748	335 054

The receivables above represent taxes owed by clients at the close of business on 30 June 2004 and exclude any credit balances, which are disclosed separately in Note 25.

Current and Instalment Amounts

The following is a summary of receivable balances by tax type:

	Current		Instalments		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Duties	70 995	72 311	-	-	70 995	72 311
First home purchase	-	2	-	-	-	2
Pay-roll tax	19 855	29 427	-	-	19 855	29 427
Land tax	133 783	124 401	11 664	11 610	145 447	136 011
Parking space levy	5 743	3 406	-	-	5 743	3 406
Accommodation levy	1 437	1 505	-	-	1 437	1 505
Tax equivalents	123	134	-	-	123	134
Club gaming devices	139	14	-	-	139	14
Hotel gaming devices	286	58	-	-	286	58
	232 361	231 258	11 664	11 610	244 025	242 868

Overdue Amounts

	Less than 30 days		31 – 90 days		Greater than 90 days		Total		Provision for doubtful debts		Net	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Duties	766	2 358	1 141	9 63	19 358	11 004	21 265	14 325	(3 691)	(2 771)	17 574	11 554
First home purchase	-	4	-	11	586	956	586	971	(256)	(151)	330	820
Pay-roll tax	1 621	4 287	5 704	7 275	39 382	50 599	46 707	62 161	(24 553)	(31 185)	22 154	30 976
Land tax	8 525	7 523	7 611	7 196	31 416	32 084	47 552	46 803	(1 320)	(1 172)	46 232	45 631
Parking space levy	156	241	67	406	1 449	1 074	1 672	1 721	(29)	(29)	1 643	1 692
Club gaming devices	668	432	12	-	274	37	954	469	-	-	954	469
Hotel gaming devices	19	37	596	501	1 205	469	1 820	1 007	-	-	1 820	1 007
Insurance protection tax	16	36	-	-	-	1	16	37	-	-	16	37
	11 771	14 918	15 131	16 352	93 670	96 224	120 572	127 494	(29 849)	(35 308)	90 723	92 186

Current and instalment amounts

\$31 million (being accrued interest on overdue debt under Section 21 of the *Tax Administration Act 1996*) has been brought to account.

Duties

Included in the current debt figure is an amount of \$4.1 million relating to assessments under objection and \$66.8 million relating to assessments not yet due. The assessments not yet due largely represent matters that have been lodged through the Electronic Duties Return system that amount to \$53.6 million. The Electronic Duties Return system enables approved service providers to lodge documents for stamping online and submit the payment by way of return.

Pay-roll tax

Included in the current debt figure is \$8.7 million representing assessments currently under objection and where reassessments are still to be issued.

Land tax

In line with the Crown Entity's revenue recognition policy, approximately \$23.4 million (\$33.3 million in 2002-2003) of land tax relating to current and prior years liabilities, not yet notified to clients, has been brought to account this year.

An amount of \$5.2 million (\$4.9 million in 2002-2003) has been included in the debt figure. It represents those clients who have a liability under the now abolished (effective 1 June 2004) Premium Property Tax 1998 legislation. Clients who are holders of either a Commonwealth Pensioner Concession Card or Seniors' Health Card and those that have been deemed to have insufficient income to meet the tax liability were able to have the debt deferred. Deferred payment in these cases is authorised by Section 47 of the *Tax Administration Act 1996*. The amounts currently owing will be carried until paid.

Land tax debt of \$5.2 million is subject to challenge through the objection/appeal process available to land tax clients. Most objections are against land valuations and payment is deferred pending resolution. A further \$16.5 million relates to variation returns that are being processed and where the reassessments are still to issue.

An amount of \$2 million (\$2.1 million in 2002-2003) deferred under Section 9A of the *Land Tax Management Act 1956* has not been included.

Accommodation Levy

Accommodation levy was abolished from 1 July 2000. The debt relates to periods prior to this date and was recently the subject of a Court decision. Payments are being made under a negotiated payment arrangement.

Overdue amounts

Debt recovery action may result in negotiated payment arrangements or the initiation of legal debt recovery procedures if clients are unwilling to pay.

The provision for doubtful debts is regularly reviewed and updated to take into account current economic conditions, available information of clients' financial status and the expected results of recovery action being undertaken. The major decrease in the provision for 2003-2004 is due to pay-roll tax debts that have been written off. These debts are no longer included in the provision and are reported under Note 26(a).

Duties

The increase of \$6.9 million (48 percent) is primarily a result of a disallowed objection in June 2004 for \$10.3 million. \$1.5 million of debt is currently being paid under negotiated payment arrangements and \$5 million is subject to recovery action through the Courts. Notices have been issued to remaining debtors advising that recovery action through the Courts may be undertaken.

Pay-roll tax

Throughout the year a number of company liquidation matters were finalised with greater than 90 day debt falling from \$50.6 million in 2002-2003 to \$39.4 million in 2003-2004. An additional \$13.2 million of overdue debt is being paid under negotiated payment arrangements.

Land tax

Under the Land Tax Management Act 1956, a charge is held over land owned by taxpayers for unpaid land tax. If normal recovery procedures have been unsuccessful, a caveat is generally registered on the title until the debt is paid.

Overdue land tax debts are aged from the date for full payment advised by OSR. Clients are offered a 1.5 per cent discount for full payment of land tax within 30 days of issue of the assessment. Clients are also given the option to pay by three equal instalments. The balance becomes due immediately if an instalment is not paid on time.

\$18.2 million of this debt represents clients who are on negotiated payment arrangements with a further \$2.1 million attributed to clients in liquidation.

(b) Fine debtors (State Debt Recovery Office)

	2004	2003
	\$'000	\$'000
Receivables – Fines		
Opening balance	533 101	495 300
Movement	111 765	37 801
	644 866	533 101
Application of AAS29 (i)	486 041	340 434
	158 825	192 667

(i) Debts that do not meet the asset recognition criteria.

The following is a summary of receivable balances by year of enforcement:

Source	Pre 2002	2002	2003	2004	Total	AAS29	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current (i)							
IPB	124 558	39 440	32 316	104 360	300 674	192 688	107 986
Courts	72 955	43 203	38 593	42 469	197 220	173 458	23 762
State electoral office	1 335	492	663	4 214	6 704	5 613	1 091
Sheriffs office	2 181	1 738	3 819	2 819	10 557	9 884	673
Other	7 824	4 717	1 942	4 007	18 490	15 300	3 190
	208 853	89 590	77 333	157 869	533 645	396 943	136 702
Historical (ii)							
Warrant index unit	19 773	4 782	30 325	3 470	58 350	51 946	6 404
Roads and traffic authority	47 728	2 985	157	2 001	52 871	37 152	15 719
	67 501	7 767	30 482	5 471	111 221	89 098	22 123
Total historical and current fines	276 354	97 357	107 815	163 340	644 866	486 041	158 825
RTA sanction costs (iii)	3 670	871	795	1 943	7 279	-	7 279
Total owing	280 024	98 228	108 610	165 283	652 145	486 041	166 104

(i) Current fines are those referred to SDRO following its establishment in 1998.

(ii) Historical fines are those that were referred to the SDRO on its establishment from the WIU (Warrant Index Unit) and the RTA (Roads and Traffic Authority). Amounts are owing in each of the years as they have been enforced over a period of time.

(iii) RTA sanction costs reported above are paid to the RTA when collected.

During the year fines considered recoverable fell \$33.8 million. Recoverable fines at the beginning of the year were revised downwards \$61.3 million based on current recovery rates (refer to Note 27). Offsetting this downward revision was a \$27.5 million increase in recoverable fines for the current year also reported under revenue earned in Note 28 (b). The increase in the current year is due to the processing of backlogs at the IPB relating to 2002-2003 infringements that were referred to the SDRO for enforcement action.

Fines satisfied through community service orders, withdrawals and waivers are detailed below:

	2004	2003
Activity		
Community service orders (i)	303	23
Withdrawals and remissions (ii)	42 122	15,005
Waivers (iii)	13	-
	42 438	15 028

- (i) A Community Service Order is issued when the SDRO is unable to recover the fine owed through the standard enforcement options available. The fine defaulter performs one hour of community service work at a rate of \$15 per hour.
- (ii) A fine can be withdrawn from enforcement at the direction of the original issuing agency or on the initiative of the SDRO. A fine may be remitted at the direction of the Governor. Once remitted, the fine defaulter is no longer liable to pay the debt. The increased figure in 2003-2004 is largely due to a policy change adopted in February 2004, whereby the SDRO's largest issuing agency, the IPB, began accepting late payments and withdrawing enforcement.
- (iii) A fine may be waived in accordance with Guidelines issued by the Treasurer. The Guidelines state that a fine may not be waived until the expiration of five years from the date the Director, SDRO recommends a fine be written off, and then only on the provision no further fines have been incurred during the five year deferral period. Since the SDRO began operations in 1998, no fines had passed the five year period until the 2003-2004 financial year.

25. ADMINISTERED LIABILITIES

Credit balances against tax debtors have not been netted off against the receivables reported in Note 24 and are required to be shown separately as administered liabilities:

	2004 \$'000	2003 \$'000
Duties	1 837	4 560
First home purchase	61	58
Pay-roll tax	13 656	3 347
Land tax	5 494	10 857
Health insurance levy	-	109
Parking space levy	791	138
Tax equivalents	123	13
Fixed-odds sportsbets	3	-
Club gaming devices	24	162
Hotel gaming devices	1	2
Fines	19	-
	22 009	19 246

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Duties in particular carry the credit against debtors until such time as the assessment is finalised. Similarly, a credit exists for a pay-roll tax client where an assessment needs to be completed. Credit situations are also created where taxes are paid in advance, overpayments are to be refunded to clients or payments require further analysis before being allocated.

The increase in pay-roll tax credits is due to the receipt of payments where assessments are yet to issue. Credits are also being carried on a number of accounts where refunds have been requested and compliance audits are in progress.

Credit liabilities for land tax primarily relate to tax paid in advance with assessments to be issued to clients.

Credit liabilities for fines represent overpayments to be refunded.

26. ADMINISTERED REVENUE – DEBTS WRITTEN OFF-REMISSIONS

a) Debts written off

	2004			2003		
	Tax \$'000	Penalties/ Interest \$'000	Total \$'000	Tax \$'000	Penalties/ Interest \$'000	Total \$'000
Duties	1 427	736	2 163	3 378	1 523	4 901
Parking space levy	34	29	63	29	22	51
Pay-roll tax	19 015	5 708	24 723	8 921	1 877	10 798
Land tax	631	102	733	398	26	424
Accommodation levy	-	-	-	11	2	13
Tax equivalents	-	-	-	8	-	8
Bookmakers betting tax	-	-	-	2	-	2
Club gaming devices	7	2	9	-	-	-
Hotel gaming devices	4	1	5	47	-	47
Insurance protection tax	1	-	1	-	-	-
	21 119	6 578	27 697	12 794	3 450	16 244

A debt is only considered irrecoverable where it is deemed to be either uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor do not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective. The major percentage of the debt written off relates to situations where companies have been placed into liquidation and advice from liquidators is no further dividends are likely.

Duties

During the year debts written off due to company liquidations fell to \$750 000 (\$1.3 million in 2002-2003). The remaining write offs are predominantly due to an inability to locate the person primarily liable. Changes to business processes have resulted in greater data capture and assisted in the over all reduction in Duties write offs.

Pay-roll tax

Pay-roll tax accounted for 89 percent of total write offs in 2003-2004 (66 percent in 2002-2003). During the year a number of large company liquidation matters were finalised where the distributions received were insufficient to satisfy amounts owing. The balance of the debts owing were written off with the largest 10 totalling \$9.4 million.

Land tax

There has been a significant increase in land tax write offs in 2003-2004. This is primarily due to the sale of land prior to a land tax notice of assessment being issued. Where the company liable has subsequently been deregistered or the person liable cannot be located the debt is written as it is irrecoverable.

(b) Remissions

In accordance with the *Taxation Administration Act 1996* administered by OSR, the Chief Commissioner or his delegate has the discretionary power to remit partially or wholly a statutory penalty and/or interest.

Penalties and interest remitted during the year amounted to:

	2004			2003		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	377	1 887	2 264	16	3 223	3 239
Parking space levy	18	1 994	2 012	73	2 625	2 698
Pay-roll tax	1 492	4 350	5 842	492	2 894	3 386
Land tax	36	9 024	9 060	52	8 573	8 625
Debits tax	-	277	277	-	4	4
Accommodation levy	-	109	109	9	138	147
Health Insurance levies	-	56	56	-	11	11
Club gaming devices	-	6	6	-	-	-
Hotel gaming devices	-	19	19	-	3	3
Fixed odds sports betting	-	4	4	-	1	1
	1 923	17 726	19 649	642	17 472	18 114

Business rules governing the imposition of interest and penalty allow them to be remitted in part or full if the taxpayer can provide a satisfactory explanation for the default. Interest remissions to the market rate of interest at the time of issuing an assessment represented \$9.3 million of a total \$17.7 million. The balance of remissions represent cases where the client has successfully requested a review of late payment interest or penalty imposed.

Pay-roll tax in particular has seen a significant increase in remissions due in part to a number of compliance projects conducted throughout the year that saw an increase in the overall level of penalties and interest applied.

Penalty remissions for Parking space levy totalling \$19 649 have not been included as they relate to prior years.

27. ADMINISTERED EXPENSES – OTHER

During the year, OSR incurred the following expenses on behalf of the Crown Entity

	2004	2003
	\$'000	\$'000
Act of grace payments (i)	3 053	750
Petroleum subsidies (ii)	39 763	37 955
Court imposed interest payments	948	374
Unclaimed money refund – S14 Public Finance and Audit Act	63	37
Bad debts expense (iii)	22 238	25 626
Land tax discounts (iv)	11 569	9 930
First home purchase discounts (v)	3	36
Recoverable fines estimate revision (vi)	61 300	-
	138 937	74 708

(i) Act of grace payments

The increase in Act of Grace payments occurred primarily across the pay-roll tax and duties revenue streams. There were major payments totalling \$880 631 for pay-roll tax relief provided to established regional businesses severely affected by the prevailing drought. Further payments amounting to \$575 048 related to duties transactions that included not for profit religious organisations that provided educational, charitable and benevolent assistance to the community.

(ii) Petroleum subsidies

Petroleum subsidies are paid to petroleum distributors to enable retailers located in northern NSW to compete with Queensland retailers who are provided an excise subsidy by the Queensland Government.

(iii) Bad debts expense comprises

	\$'000
Bad debts written off (see Note 26 (a))	27 697
Decrease in doubtful debts provision (see Note 24 a))	5 459
Total	22 238

(iv) Land tax discounts

A 1.5 per cent discount is offered to land tax clients for full payment of their liability by the first instalment date.

(v) First Home Purchase Discounts

The First Home Purchase Discount scheme has been winding down with no further clients entitled to a discount after 2003/04.

(vi) Recoverable fines estimate revision

Recoverable fines at the beginning of the year were revised downwards \$61.3 million based on current recovery rates (refer to Note 24 (b)).

28. ADMINISTERED REVENUE - CONSOLIDATED FUND

Administered revenue information is presented on a revenue collected (cash) and revenue earned (accruals) basis.

(a) Revenue Collected

	Actual 2004 \$'000	Budget 2004 \$'000	Actual 2003 \$'000
Taxes, penalties and interest			
Duties	5 491 959	4 916 510	5 157 910
First home purchase scheme	268	-	740
Total duties	5 492 227	4 916 510	5 158 650
Parking space levy	46 912	46 010	45 369
Pay-roll tax	5 067 190	5 020 000	4 725 563
Land tax	1 339 158	1 240 980	1 153 739
Debits tax	1 384	-	22
Accommodation levy	150	-	-
Health insurance levies	98 251	98 990	96 314
Insurance protection tax	68 488	69 000	67 192
Gaming and Racing			
Keno tax	7 443	7 100	7 329
Bookmakers betting tax	-	-	3
Totalizator tax on and off course totes	146 930	146 720	141 498
Fixed odds sports betting	3 016	4 120	3 180
Fixed odds racing betting	239	170	145
Footytab	905	680	718
Club gaming devices	434 516	429 000	424 235
Hotel gaming devices	356 773	362 000	337 498
Total gaming and racing	949 822	949 790	914 606
Total taxes, penalties and interest	13 063 582	12 341 280	12 161 455
Fines			
Infringement Processing Bureau			
Traffic	39 965	54 748	66 677
Parking	1 991	4 612	5 610
Red Light Camera	5 837	5 933	7 228
Speed Camera	39 329	34 087	41 568
Other Revenue	11 346	-	-
	98 468	99 380	121 083
State Debt Recovery Office			
Motor traffic	39 444	50 000	39 998
Other	661	360	643
Local courts	6 925	8 100	6 853
Enforcement	22 043	21 100	17 347
Electoral	403	800	182
	69 476	80 360	65 023
Total fines	167 944	179 740	186 106
Total taxes, fines, penalties and interest	13 231 526	12 521 020	12 347 561
Other			
Tax equivalents	345 950	270 380	371 908
Unclaimed money	9 282	12 000	26 640
Other revenue	824	-	1 046
Total other	356 056	282 380	399 594
Total revenue collected	13 587 582	12 803 400	12 747 155

- The pay-roll tax estimate reported in the Budget Papers for 2003-2004 (\$4 389 million) does not include payments made by Budget sector agencies.
- Taxes, fees, penalties and interest reported above are net of refunds paid, but not net of Act of Grace (ex gratia) payments by the State amounting to \$3.1 million (\$750 000 in 2002-2003).
- Duties revenue collected exceeded the 2003-2004 budget by 11.7 percent and 2002-2003 receipts by 6.5 percent.
 - Transfer duty and mortgage duty receipts remained strong in the first half of the year with the receipts tapering marginally during the second half. While predicting the property market and the effect on receipts is extremely difficult it is evident that the rate of increase in receipts has moderated substantially from the peak in 2002-2003.
 - The mini budget changes handed down in April 2004 saw the introduction of the vendor duty commencing 1 June 2004. Vendor duty receipts for the month totalled \$2.2 million of which \$1.8 million is expected to be returned in the new year as these transactions were not intended to be subject to the duty. Premium property tax has also been replaced with a marginal rate of purchaser transfer duty of 7 percent on residential properties above \$3 million commencing 1 July 2004.
 - Continued strength in the sale of new motor vehicles and in particular sports utility vehicles and light and heavy trucks has been underpinning the growth in revenue receipts. Sales of passenger vehicles have also seen growth albeit at lower levels than commercial vehicles with the strongest performing segment the prestige / luxury end of the market.
 - Lease receipts have fallen considerably in the current year predominantly as a result of increasing vacancy rates in the CBD office market. Any recovery in the upcoming year is expected to be slow and rental growth limited.
- Parking space levy - OSR collects parking space levy imposed under the Parking Space Levy Act 1992 on behalf of the Ministry of Transport (MOT). Parking space levy refunds totalling \$515 419 (2002-2003 - \$469 869) were paid during the year. Refunds are reimbursed directly to OSR by MOT from the Public Transport Facilities Fund Special Deposits Account.
- Pay-roll tax - Revenue has risen in the current year in line with employment and wages. Growth is expected to continue into 2004-2005.
- Land tax - An average increase in valuations of approximately 18 percent has contributed to a growth in receipts. Work has also continued on the early identification of new clients and system enhancements aimed at improving data quality. Changes handed down in the mini budget in April this year will see the land tax threshold abolished from 2005 and reduced land tax rates. The Premium Property tax has also been replaced with a 7 percent marginal rate of transfer duty on properties above \$3 million.
- Tax equivalents - There has been a significant increase on budgeted receipts in the current year. This has been underpinned by stronger than expected receipts from electricity and water utilities.
- Unclaimed money - A number of education campaigns were conducted during the year aimed at increasing community awareness. As a result there has been a significant increase in the value of claims that have been paid during the year. Receipts have also tapered throughout the year.
- Fines

Fines receipts for SDRO have increased \$4.5 million compared to 2002-2003 which has resulted from an increase in referrals from the IPB. Receipts collected by the IPB were \$12.7 million above 2002-2003 when including receipts collected under the administration of NSW Police.

Responsibility for the IPB was transferred to OSR from 1 October 2003. Receipts collected for the period to 30 September 2003 while under NSW Police were \$35.4 million. Collections for the full year are detailed in the following table.

	OSR	NSW Police	Total	NSW Police
	2004	2004	2004	2003
	\$'000	\$'000	\$'000	\$'000
Revenue Collected:				
Traffic	39 965	18 400	58 365	66 677
Parking	1 991	3 431	5 422	5 610
Red light camera	5 837	1 997	7 834	7 228
Speed camera	39 329	11 523	50 852	41 568
Other	11 346	-	11 346	-
	98 468	35 351	133 819	121 083

The Parking figure for NSW Police includes an amount of \$2.1 million relating to the Net Profit Sharing arrangements under the Revenue Equalisation Agreement – On Street Parking Enforcement with City based Councils. The amount was processed on 1 June 2004. Included in the Other category are “Police general” infringements and receipts categorised as Paid No Notice.

The number of Infringement notices issued during the year totalled 1.3 million. Comparative figure for 2003-2004 includes notices issued on the transfer to OSR from 1 October 2003 and those issued to 30 September 2003 under NSW Police.

	OSR	NSW Police	Total	NSW Police
	2004	2004	2004	2003
	000	000	000	000
Number of infringement notices issued:				
Traffic	332	133	465	591
Parking	28	13	41	99
Red light camera	43	13	56	65
Speed camera	425	159	584	594
Other	139	63	202	-
	967	381	1 348	1 349

The number of infringement notices referred to the State Debt Recovery Office in 2003-2004 by the Infringement Processing Bureau totalled 381 123.

NSW Government agencies are responsible for pursuing unpaid infringement notices under the Self Enforcement Infringement Notice Scheme (SEINS) method. The following potential revenue was not collected during the year by either NSW Police or OSR:

	OSR	NSW Police	Total	NSW Police
	2004	2004	2004	2003
	\$'000	\$'000	\$'000	\$'000
Infringement notices not actioned	1 378	204	1 582	1 443
Infringement notices waived	4 952	488	5 440	2 598
Infringement notices unenforceable (statute barred)	6 843	6 402	13 245	22 876
	13 173	7 094	20 267	26 917

The volume of infringements that progressed to a Statute barred category reduced in 2003/04 as a result of the establishment of a Taskforce that focused on reducing the backlog in infringements.

(b) Revenue earned

	2004 \$'000			2003 \$'000		
	Tax/ Fines	Penalties / Interest	Total	Tax/Fines	Penalties / Interest	Total
Taxes, penalties and interest						
Duties	5 492 685	11 796	5 504 481	5 207 543	17 158	5 224 701
First home purchase scheme	4	35	39	19	79	98
Total duties	5 492 689	11 831	5 504 520	5 207 562	17 237	5 224 799
Parking space levy	46 903	3 186	50 089	44 504	3 595	48 099
Pay-roll tax	5 042 046	20 366	5 062 412	4 738 025	18 428	4 756 453
Land tax	1 357 357	18 704	1 376 061	1 138 298	17 390	1 155 688
Debits tax	1 336	325	1 661	23	4	27
Accommodation levy	-	190	190	-	44	44
Health insurance levies	98 360	56	98 416	96 200	23	96 223
Insurance protection tax	68 468	-	68 468	67 165	-	67 165
Gaming and Racing						
Keno tax	7 443	-	7 443	7 329	-	7 329
Bookmakers betting tax	-	-	-	3	-	3
Totalizator tax on and off course totes	146 930	-	146 930	141 498	-	141 498
Fixed Odds Sports betting	3 013	4	3 017	3 180	-	3 180
Fixed odds racing betting	239	-	239	144	-	144
Footytab	905	-	905	718	-	718
Club gaming devices	435 227	51	435 278	413 765	-	413 765
Hotel gaming devices	357 583	255	357 838	338 143	-	338 143
Total gaming and racing	951 340	310	951 650	904 780	-	904 780
Total taxes, penalties and interest	13 058 499	54 968	13 113 467	12 196 557	56 721	12 253 278
Fines						
Infringement Processing Bureau						
Traffic	39 965	-	39 965	66 677	-	66 677
Parking	1 991	-	1 991	5 610	-	5 610
Red Light Camera	5 837	-	5 837	7 228	-	7 228
Speed Camera	39 329	-	39 329	41 568	-	41 568
Other Revenue	11 346	-	11 346	-	-	-
	98 468	-	98 468	121 083	-	121 083
State Debt Recovery Office						
Motor traffic	66 971	-	66 971	39 998	-	39 998
Other	661	-	661	643	-	643
Local courts	6 925	-	6 925	6 853	-	6 853
Enforcement	22 043	-	22 043	17 347	-	17 347
Electoral	403	-	403	182	-	182
	97 003	-	97 003	65 023	-	65 023
Total Fines	195 471	-	195 471	186 106	-	186 106
Total taxes, fines, penalties and interest	13 253 970	54 968	13 308 938	12 382 663	56 721	12 439 384
Other						
Tax equivalents	345 829	-	345 829	371 686	-	371 686
Unclaimed money	9 284	-	9 284	26 741	-	26 741
Other revenue	933	-	933	1 203	-	1 203
Total other	356 046	-	356 046	399 630	-	399 630
Total revenue earned	13 610 016	54 968	13 664 984	12 782 293	56 721	12 839 014

An accrual of \$22.4 million representing unissued land tax assessments relating to current and prior years has been brought to account. The comparative figure for 2002-03 was \$33.3 million. Throughout the year measures were put in place to ensure that interest was applied consistently at the market rate of interest where a potential liability was identified and there was no evidence of deliberate avoidance.

An amount of \$27.5 million has been recognised in Motor traffic fine revenue that relates to the increase in recoverable fines for the current year (refer to Note 24 (b)).

End of Financial Statements

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Commitment to Community Values

Appendix 1 OFM Code of Conduct

OFM's code of conduct provides staff with guidance on standards of conduct and behaviour. It is based on three underlying principles:

- ▶ The public's right to expect the highest integrity and competence of our staff.
- ▶ Government's entitlement to impartial, accurate advice and prompt policy implementation.
- ▶ The rights and obligations of staff as employees.

The Code is available to all staff on OFM's Intranet.

Appendix 2 Ethnic Affairs Priority Statement

While OFM's role is primarily one of financial management policy information and advice rather than service delivery, we do have indirect involvement in policy and services for the ethnic community through the management of the State's finances. By servicing our clients, the NSW Government and State Government Agencies, OFM is implementing Ethnic Affairs priorities including:

- ▶ Applying the principles of natural justice to policy development and financial strategy to promote equitable policy outcomes for ethnic communities
- ▶ Inviting contributions from ethnic communities as part of budget deliberations. This includes the involvement of the Ethnic Communities Council in Budget consultations.

OFM is not a party to any current ethnic affairs agreements.

Appendix 3 Disability Strategic Plan

OFM, together with OSR, has developed a Disability Strategic Plan. It incorporates strategies within broader organisational plans to ensure that people with disabilities are considered and included as an integral part of the way OFM operates.

Governor Macquarie Tower, OFM's accommodation provides access and amenities to people with physical disabilities and allows for adjustments where areas restrict disabled access.

Barriers for people with disabilities are identified and taken into account in developing our strategies and performance indicators.

Appendix 4 Occupational Health and Safety

Reported workplace incidents	9
OH&S assessments conducted	2

OFM's strategies to ensure the health and safety of staff include:

- ▶ Workplace assessments to remove the risks of staff injury.
- ▶ Reporting mechanisms to ensure that all incidents involving safety risks are reported and addressed.
- ▶ Procedures for dealing with workplace injuries and rehabilitation.
- ▶ Encouraging OFM staff to join in fitness activities. OFM promotes running/walking in the Botanical Gardens.
- ▶ Sponsoring OFM staff teams in events such as City to Surf.
- ▶ Training staff in Office Ergonomics. Three courses were held in July and August.

Appendix 5 Action Plan for Women

OFM is committed to providing equal employment opportunities for women to ensure the organisation is representative of the community it serves. NSW Government's Action Plan for Women focuses on:

- ▶ Reducing violence.
- ▶ Promoting safe and equitable workplaces.
- ▶ Maximising interest in economic reforms.
- ▶ Promoting the position of women in society.
- ▶ Improving access for education.
- ▶ Improving health and quality of life.

As a central agency, OFM continues to take these considerations into account when formulating advice on financial management policy and programs.

Appendix 6 Privacy Management Plan

OFM's Privacy Management Plan complies with the *NSW Privacy and Personal Information Protection Act, 1998*. It includes:

- ▶ Policies and practices to ensure compliance with the Act and its information protection principles.
- ▶ Classes of information held and advice on how OFM uses personal information.
- ▶ Other matters OFM considers relevant to privacy and to OFM protecting personal information.
- ▶ Dealing with reviews.

Requests received for review	0
Requests finalised	0
Requests carried forward	0

No Privacy Codes of Practice were published on behalf of OFM and no specific exemptions claimed.

Appendix 7

Equal Employment Opportunity

Achievements

- ▶ Promotion of flexible work practices – particularly the extension of flexible arrangements to senior staff
- ▶ Recruitment of a female Executive Director
- ▶ Actively encouraging staff to balance work and family commitments
- ▶ Achievement of a recognised top field ranking amongst organisations based on an annual benchmark survey by Managing Work/Life Balance
- ▶ Evaluation of promotional material for graduates - new material will be available for 2005 recruitment.

Strategies for 2004-05

- ▶ Consolidating practices aimed at flexibility and work/life balance
- ▶ Benchmarking practices in the Managing Work/Life Balance survey
- ▶ Exploring opportunities for Aboriginal employees
- ▶ Developing policies for employment and developmental opportunity.
- ▶ Evaluating promotional material for recruitment of non-graduate entry level employees

Trends in the Representation of EEO Groups

EEO Group	Benchmark or Target	% of Total Staff			
		2001	2002	2003	2004
Women	50%	43%	44%	45%	43%
Aboriginal people and Torres Strait Islanders	2%	na	na	0%	0.0%
People whose first language was not English	20%	18%	17%	17%	15%
People with a disability	12%	1%	2%	2%	2%
People with a disability requiring work-related adjustment	7%	na	na	1%	0.5%

Trends in the Distribution of EEO Groups

EEO Group	Benchmark or Target	Distribution Index			
		2001	2002	2003	2004
Women	100	83	83	83	87
Aboriginal people and Torres Strait Islanders	100	na	na	0	0
People whose first language was not English	100	91	87	88	90
People with a disability	100	na	na	na	na
People with a disability requiring work-related adjustment	100	na	na	na	na

The statistics are based on staff numbers as at 30 June, excluding casual staff.

The Distribution Index is automatically calculated by software provided by ODEOPE.

- ▶ A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff.
- ▶ Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be.
- ▶ In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Operations

Appendix 8 Use of Consultants

OFM Core Activities		
Consultants costing \$30,000 or more		Amount (ex. GST)
Consultant	Project	
Finance & Accounting/Tax		
Burnvoir Partners*	Independent financial advice on due diligence monitoring - Austeel Project	\$24,894
Deutsche Bank	Independent advice on energy businesses	\$50,000
KPMG**	Examination of Health system PFP	3,091
Corrections Health Service**	Feasibility study for a PFP procurement of Long Bay prison hospital and proposed forensic hospital	\$5,010
Deloitte Touche Tohmatsu*	Probity auditing services for Long Bay forensic hospital	\$15,777
PricewaterhouseCoopers	Financial advice on Long Bay forensic hospital	\$152,376
PricewaterhouseCoopers*	Financial advice on new school PFP	\$7,500
Legal		
NSW Health (Clayton Utz)	Legal advice on secondment model implementation with Newcastle Mater Hospital (jointly with NSW Health)	\$45,454
Queensland Treasury (Mallesons Stephen Jacques)	Privately funded infrastructure projects by Commonwealth and State Tax Exempt Focus Group (1/3 share)	\$37,806
Management Services		
Gale Planning Group Pty Ltd*	Treasury Asset Management Implementation	\$5,600
Sub Total:		\$347,508
Consultants costing less than \$30,000		
Finance & Accounting/Tax	5 Projects totalling	\$67,622
Legal	4 Projects totalling	\$27,455
Management Services	2 Projects totalling	\$37,277
Engineering	1 Project totalling	\$9,360
Sub Total:		\$141,714
Total cost of OFM consultancies		\$489,222

Industry Reform Activities - Funded by Other Agencies***		
Consultants costing \$30,000 or more		Amount (ex. GST)
Consultant	Project	
Finance & Accounting/Tax		
ABN AMRO	State Forests plantations scoping study	\$426,945
Pacific Road Corporate Finance	Corporatisation of State Water	\$317,513
PricewaterhouseCoopers	Advice on accounting disclosure requirements	\$66,821
Sinclair Knight Merz P/L*	Electricity distribution - asset valuation	\$17,498
Legal		
Acuiti Legal	Financial services regulation licence exemption application	\$76,364
Freehills	Joint Government Enterprise establishment	\$147,457
Sub Total:		\$1,052,598
Consultants costing less than \$30,000		
Finance & Accounting/Tax	2 Projects totalling	\$7,325
Total cost of Industry Reform Consultants funded by the Industry		\$1,059,923

* Project spans more than one year, total cost exceeds \$30,000

** Amount shown is OFM's share – total cost exceeds \$30,000

*** OFM coordinated these consultancies, but the costs were fully reimbursed by the other agencies concerned. The expenditures therefore will also be reported in those agencies' 2003-04 annual reports.

Appendix 9 Overseas Visits

Japan

Mark Ronsisvalle, Acting Deputy Secretary, Resources and Budget, attended the Council of Local Authorities for International Relations Fellowship International Exchange Program and Seminar in Tokyo from 4 to 15 October 2003.

Mr Ronsisvalle attended as part of the Oceania contingent and presented a paper on the Australian experience of multiculturalism.

Japan and United Kingdom

The Secretary, John Pierce, as Chair of the NSW Treasury Corporation Board, visited the United Kingdom and Japan from 15 to 24 October 2003.

The visits were part of TCorp's investor relations program, which updates investor institutions on the NSW economy and issues relevant to the State's fiscal position and TCorp's borrowing program.

United States of America, Hong Kong and Japan

Kevin Cosgriff, Acting Deputy Secretary Resources and Policy, travelled to the USA, Hong Kong and Japan from 13 to 22 October 2003 to meet with potential investors as part of the scoping study of State Forests' plantations.

United States of America

Brian Cheney, Director, Education Branch, visited America from 14 to 29 November 2003 to attend the 2003 Comdex (Technology) Fair to examine emerging technologies and their application, especially knowledge management.

Mr Cheney also visited the Californian Departments of Finance and Education in Sacramento to discuss key reforms being implemented in the education sector.

Neil Ackland, Senior Economist, Fiscal Strategy Branch, was awarded a prestigious Australian-American Fulbright Scholarship and spent four months from August to December 2003 with the US Department of Agriculture. He studied regional development and policies for managing social change.

Mr Ackland was based in Washington DC and visited the Great Plains region to study the process of structural change. He met with experts on regional development and demographic change.

The Secretary, John Pierce, travelled with the Treasurer, Mr Michael Egan, to New York and Boston from 8-13 February 2004 to attract further investment in NSW and to meet with Moody's credit rating agency.

Alastair Hunter, Senior Director, visited the Kennedy School of Government at Harvard from 16 to 21 November 2003 to attend a course on Driving Government Business Performance.

United Kingdom

Steve Hunt, Manager, Insurance Strategy, visited London from 2 to 9 February 2004 as the NSW representative with a delegation of Commonwealth and State officials meeting with key industry representatives from the London insurance market.

Mr Hunt also met with the lead reinsurers for the NSW Treasury Managed Fund (TMF) to discuss the general insurance market in Australia and TMF matters.

Czech Republic

The Secretary, John Pierce, participated in a Public-Private Partnerships Forum in Prague, Czech Republic, at the invitation of the World Bank, from 27-28 February 2004. Mr Pierce presented a paper on *Upgrading public services in transition economies: what is the potential for Public-Private Partnerships*.

Singapore

Simon Palagyi, Senior Analyst, visited Singapore from 6 to 12 March 2004 to attend a Harvard University Executive Program, *Infrastructure in a Market Economy*. The course involved a range of case studies, covering financial, regulatory, legal and political issues associated with private sector involvement in the provision of public infrastructure.

New Zealand

Daniel Quinn, Manager Corporate Management, attended a one week course in June 2004 run by the Australian and New Zealand School of Government in New Zealand as part of the Executive Masters in Public Administration. Daniel completed the compulsory subject Leading Public Sector Change.

Operations

Appendix 10

Committees & Boards

Statutory Bodies and Other Corporations	Treasury Officer/s
Australian Accounting Standards Board, Urgent Issues Group	R G Williams
Australian Statistics Advisory Council (C'wealth)	P Horn
Casino Safety Net Committee	R Christ
Environmental Trust	L Williams
Internal Audit Bureau	I Neale (Chair)
NSW Treasury Corporation	J Pierce (Chair), R Carling (Deputy Chair)
NSW Trustee Advisory Committee	R Annson
Parliamentary Contributory Superannuation Scheme Trustee	J Pierce (Trustee), I Neale
Rental Bond Board	B Waddington
State Contracts Control Board	F Jordan, E Shestovsky,
Tax Hardship Board and Board of Review	R Agnew
TMF Tender Committee	I Neale (Chair), C Broad P English, J Angelakis R Hay (Secretary)
Treasury Managed Fund	P English, S Hunt
Workcover Scheme Design Steering Committee	I Neale, B Waddington, K Riley, P Bickerstaff
Treasury Committees	Treasury Officer/s
Asset Management Committee	I Neale (Chair), P Horn, C Broad, A Waddington, T North, P English
Bank Contracts Service Level Review Committee	J Angelakis (Chair), P English
Debt Management Committee	I Neale (Chair), P Horn, C Broad, T North, A Waddington (Secretary)
Fiscal Strategy Executive Committee	R Carling (Chair), J Pierce, M Ronsisvalle, K Cosgriff, K Schott, M Clark-Lewis, I Neale, A Hunter, C Broad, P Horn, G Bullivant (secretary)
HR Executive Sub Committee	D Quinn, I Neale, A Hunter R Williams, P Hoogland, C Broad, M Clark-Lewis, E Shestovsky, L Williams, A Lester (secretary)
OFM Audit Risk Committee	I Neale (Chair), M Ronsisvalle K Cosgriff, R Williams, R Cox D Graham, P Blunden, S Lobo (secretary)
OFM Executive Board	J Pierce (Chair), R Carling, I Neale, K Cosgriff, K Schott, M Ronsisvalle, R Williams, G Bullivant (secretary)

Treasury Committees (continued)	Treasury Officer/s
OFM IT Steering Committee	R Williams (Chair), M Ronsisvalle, A Hunter, A Austin, J O'Connell, S Power, C Broad, P Horn, J Waters (secretary)
Reciprocal Charging Committee	F Jordan (Chair), RAnnon, N Cowan, M Roberts
Reciprocal Charging Committee - S611 Sub-Committee	F Jordan (Chair), M Roberts, N Cowan (Secretary)
State Forests Scoping Study Steering Committee <i>Established during 2003-04 to investigate ownership options for plantations</i>	J Pierce (Chair), K Cosgriff
State Water Corporatisation Steering Committee <i>Established during 2003-04 to oversee the implementation of State Water as a statutory State owned corporation</i>	K Cosgriff (Chair), L Dewar, P Wade
Strategic Capital Reform Steering Committees	M Ronsisvalle, K Cosgriff, I Neale, P Horn, D Graham, R Stanmore
Treasury (OFM and OSR) Consultative Committee	R Williams
Treasury Managed Fund - Service Level	S Hunt (Chair)
Non Treasury Committees	Treasury Officer/s
Aboriginal Affairs Chief Executive Officers Group	P Blunden
ABS Economic Statistics User Group	P Horn
ARTC Financial Working Group	M Ronsisvalle, Z Lejins
ARTC Interagency Working Group	M Ronsisvalle, Z Lejins
Asset Maintenance Taskforce (Department of Education and Training)	K Cosgriff
Austel Steering Committee <i>Established during 2003-04 to progress the agreement with Austel for it to establish a steel mill in Newcastle and to resolve any associated NSW Government issues</i>	K Schott, F Jordan
Australian Business Economists	P Horn
Australian Procurement & Constitution Council (APCC) Leadership Group <i>Established during 2003-04 to support the APCC through originating, developing and managing relevant projects for a nationally consistent government approach to procurement and the construction industry.</i>	E Shestovsky
Broadband Contract Management Committee <i>Established during 2003-04 to review recommendations of the Broadband Evaluation Team and Working Groups, and to advise the Chief Executives Committee</i>	K Schott

Operations

Appendix 10 Committees & Boards

Non Treasury Committees	Treasury Officer/s
Broadband Contract Working Group <i>Established during 2003-04 to prepare contracts in anticipation of the Broadband project going ahead</i>	M Vandyke
Broadband Evaluation Team <i>Established during 2003-04 to review and coordinate the work of the Broadband Working Groups</i>	M Vandyke
Broadband Financial Working Group <i>Established during 2003-04 to compare the relative financial performance of responses to the Broadband request for proposals</i>	F Jordan, M Vandyke
Broadband Risk Working Group <i>Established during 2003-04 to review the relative risks of responses to the Broadband request for proposals</i>	M Vandyke
CCSU Client Advisory Board	R Williams
CCSU Information Technology Steering Committee	R Williams
CCSU Internal Audit Committee	D Quinn
Chatswood Transport Interchange PFP Steering Committee <i>Established in 2003-04 to oversight the PFP procurement of the Chatswood Railway Station expansion and a new bus and taxi interchange</i>	D Graham
Chief Executives Committee	J Pierce
Coal Chain Committee <i>Established in 2003-04 to review operation of coal chain in the Hunter and make recommendations to HEISC</i>	F Jordan
Coal Industry Act Monitoring Committee	R Annson
Commonwealth/State Police Working Group	M Ronsisvalle (Chair), A Hughes (Support Officer)
Commonwealth/State Review of Service Provision	M Ronsisvalle, A Hughes
Construction Agency Coordination Committee <i>Established during 2003-04 to assist Government in the development of consistent and effective construction procurement practices</i>	S Chong
Co-operative Housing and Starr-Bowkett Societies Standards Committee	R Annson
Council on the Cost and Quality of Government	J Pierce, R Cox (Deputy)
Crown Land Valuation Committee	C Broad
Crown Property Portfolio Steering Committee	S Power (Chair), C Campbell
Cumberland Plain Draft Recovery Plan	E Sondalini
DADHC Strategic Financial Management Committee	M Ronsisvalle, K Lawrence-Haynes

Non Treasury Committees (continued)	Treasury Officer/s
DET Telecommunications Project Management Group <i>Established during 2003-04 to oversight a DET telecommunications tender process.</i>	M Vandyke
Economic Society of Australia (NSW Branch)	A Hughes, M Mwangi
General Government Liability Management Fund Committee	J Pierce (Chair), I Neale (Deputy), K Slater (Secretary)
Government Asset Management Committee	J Pierce, K Schott, S Power, C Campbell, N D'Souza (Secretary)
Government Asset Management Committee – Property Disposal Assessment Panel	C Campbell, L Courtney, N D'Souza (Secretary)
Government Asset Management Committee - Senior Officers Sub-Committee	A Megaloconomos, C Campbell, N D'Souza (Secretary)
Government Asset Management Committee – TAM Reference Group	C Smith, M Rodanska A Megaloconomos
Government Licensing Project Steering Committee <i>Established during 2003-04 to oversight the Government Licensing Project</i>	M Vandyke, S Power
GST Administration Sub-Committee	R Carling, S Wheeler
GST State and Territory Industry Partnership Group	R Agnew
GST State and Territory Policy Group	S Wheeler
Heads of Treasuries Committee	J Pierce, R Carling
Heads of Treasuries Accounting and Reporting Advisory Committee	M Ronsisvalle
Heads of Treasuries Insurance Issues Working Group	I Neale (Chair), S Hunt
Heads of Treasuries Specific Purpose Payments Working Group	B Freeland
Heads of Treasuries State Taxes Working Group	R Carling, R Agnew
Human Services Chief Executive Officers	M Ronsisvalle, K Lawrence-Haynes
Human Services Senior Officers Group	K Lawrence-Haynes
Hunter Estuary Issues Steering Committee <i>Established during 2003-04 as an over arching committee on Hunter Estuary issues</i>	K Schott, F Jordan
Industrial Relations Steering Committee	R Carling
Institute of Public Administration Australia (NSW Division)	M Di Francesco (Councillor)

Operations

Appendix 10 Committees & Boards

Non Treasury Committees (continued)	Treasury Officer/s
Integrated Ticketing Steering Committee	M Ronsisvalle, D Graham
Inter-Departmental Committee on Crimes (Forensic Procedures) Act 2000	L Powrie
IT Finance Steering Committee <i>Established during 2003-04 to review the IT operating lease facility</i>	I Neale (Chair), M Vandyke
Keno Review Working Group <i>Established during 2003-04 for triennial review of the allocation of Keno subscriptions as required by the Keno licence</i>	M Clark-Lewis, R Christ
Lane Cove Tunnel Review Panel <i>Established during 2003-04 to oversight the PFP procurement of the Lane Cove Tunnel</i>	D Graham
Limitation of Council Rate Increases-Committee of Advice	B Freeland
Long Bay Prison/Forensic Hospital Steering Committee <i>Established during 2003-04 to oversight the PFP procurement of a new prison and forensic hospitals at Long Bay Goal</i>	D Graham
Newcastle Mater Hospital PPP Steering Committee <i>Established during 2003-04 to oversight the PFP procurement of the redevelopment of the Newcastle Mater Hospital</i>	D Graham
Metro Water Strategy Senior Executives Committee <i>Established during 2003-04 to oversee the development of Metro Water Strategy coordinated by DIPNR</i>	L Dewar
Ministerial Council on Energy-Standing Committee of Officials <i>Established during 2003-04 to oversee the implementation of National Energy Market reforms</i>	K Cosgriff
Minerals Consultative Committee	R Sayers
Mobile Carriers Forum Working Group <i>Established during 2003-04 to coordinate a whole of government approach for requests by mobile carriers for access to NSW government owned or managed properties</i>	R Anns, M Vandyke
National PPP Forum-Interjurisdictional Working Group <i>Established during 2003-04 to oversight the development of a national PPP/PFP market and a consistent policy approach across Australian jurisdictions</i>	D Graham
NSW Government Procurement Senior Officers Committee <i>Established during 2003-04 to assist implementation of procurement reform</i>	E Shestovsky, S Chong C Smith (Secretary)
NSW Infrastructure Council.	J Pierce

Non Treasury Committees (continued)	Treasury Officer/s
NSW Inter Agency Committee on Plumbing Regulation Reform	R Anns, N Cowan
NSW Reference Group on Emissions Trading <i>Established during 2003-04 to provide input into the NSW position on the establishment of a multi-jurisdictional emissions trading scheme</i>	R Edwards, M McGrath
NSW Senior Officers Interagency Greenhouse Network <i>Established during 2003-04 to assist in development of NSW Greenhouse Policy</i>	R Edwards, M McGrath
NSW Statistical Co-ordination and User Forum	P Horn
Newcastle Multi Purpose Terminal Steering Committee <i>Established during 2003-04 to oversight the PFP procurement of a new container facility at the old BHP site in Newcastle</i>	D Graham
Parking Patrol Officers Inter-Departmental Committee	L Powrie
Perisher Development Initiatives Task Force Group <i>Established in 2003-04 to advise on area reforms</i>	K Schott
Planning Reform Reference <i>Established in 2003-04 to advise on reforms to the planning system</i>	L Dewar
Police Complaints Case Management Program Review Group	P Bickerstaff, L Powrie
Police Mainframe Replacement Project Senior Officers Working Group <i>Established in 2003-04 to provide advice to Police on their Mainframe Replacement Project</i>	M Vandyke
Population Projection Group	D Maynard
Project Control Group <i>Established in 2003-04 to monitor financial matters in relation to Austeel</i>	F Jordan
Project Management Improvement Steering Committee <i>Established in 2003-04 to oversight the project management improvement program for ICT projects in Government</i>	M Vandyke
Public Sector Financial Reporting Harmonisation Working Group	A Hunter
RailCorp Rollingstock PPP Control Group <i>Established in 2003-04 to oversight the procurement of the replacement of RailCorp's electric passenger non-air conditioned carriages</i>	M Ronsisvalle, K Schott, D Graham
Rail Reform Steering Committee	J Pierce, M Ronsisvalle
Review of Animal and Plant Health Legislation	M Roberts
Review of NSW Gaming Laws	R Anns
Review of NSW Liquor Laws	R Anns
Review of Boxing and Wrestling Control Act 1986	M Roberts

Operations

Appendix 10

Committees & Boards

Non Treasury Committees (continued)	Treasury Officer/s
Review of Business Stamp Duties Working Group <i>Established in 2003-04 to report to the 2005 Treasurers' Conference on the need to retain a range of business stamp duties identified for review as part of the "IGA on Commonwealth-State Financial Arrangements"</i>	M Clark-Lewis, S Wheeler
Review of Motor Vehicle Sports (Public Safety) Act	M Roberts
Review of the Poultry Meat Industry Act 1986	M Roberts
SAP Integrated Steering Committee-Businesslink	M Vandyke
School Student Transport Scheme Policy Coordination Committee	M Ronsisvalle
Social Housing PFP Steering Committee <i>Established in 2003-04 to oversight the PFP procurement of social and affordable housing in NSW</i>	D Graham
State Emergency Management Committee	P Blunden
State Transport Property Committee	M Ronsisvalle
The Industry, Environment & Development Task Force <i>Established in 2003-04 to monitor matters relevant to the Hunter area</i>	F Jordan
Transport Co-ordination Committee	M Ronsisvalle
Transport NSW CSO Consultative Committee	M Ronsisvalle
Treasury Managed Fund – Advisory Board	P English, S Hunt
Treasury Managed Fund Insurance Committee	P English, S Hunt
Water Chief Executive Officers	E Dewar
Water Consultation Liaison Committee	B Lathwell
Statutory Bodies/Committees Abolished in 2003-04	Treasury Officer/s
Australian Health Care Agreement IDC	M Ronsisvalle
Bank Tender Committee	I Neale (Chair), C Broad J Angelakis
Biodiversity Strategy Implementation Group	L Hurley
Commonwealth/State Disability Agreement Steering Committee	M Ronsisvalle, P Blunden
Construction Policy Steering Committee	R Sayers
GST Administration Performance Agreement Working Group	M Clark-Lewis
Health External Review and Evaluation Group	J Pierce, P Blunden
Inter-Agency Technical Reference Group for Catchment Management Board Targets	P Hucker
IT Finance Steering Committee	I Neale, K Slater
IT Master Lease Contract Management Committee	K Slater
Joint Government Enterprise Implementation Group	N Mulquiney
Major Projects Investment Committee	K Cosgriff, F Jordan, Y Tran (secretary)
Migrant Skills and Qualifications Advisory Committee	R Williams

Statutory Bodies/Committees Abolished in 2003-04	Treasury Officer/s
Motor Vehicle Financing and Management Steering Committee	I Neale (Chair), K Slater
Motor Vehicle Stamp Duty Restructuring Committee	M Clark-Lewis, R Christ
Native Vegetation Conservation Strategy Inter-Departmental Committee	P Hucker
Native Vegetation Implementation Group	J Pierce, K Cosgriff
New Schools Project Steering Committee	M Ronsisvalle, D Graham
NOx Trading Scheme Reference Group	R Anns
NSW Government Procurement Council	J Pierce, S Power, E Shestovsky
NSW Greenhouse Network	R Anns
NSW Sustainable Development Network	R Anns
Pacific Power Sale Steering Committee	K Cosgriff
Pacific Power International Sale Steering Committee	N Mulquiney
Perisher Project Coordination Group	L Hurley
Public Sector Reporting Timetable Reduction Committee	I Neale, A Hunter, I Rosenbaum
RAD Consultative Committee	M Ronsisvalle, A Cocco, B Smith, K Riley, P Hucker, M Pellowe, N Sanjeeva, R Stanmore, R Edwards, S Power
Rail Infrastructure Corporation Access Undertaking Government Working Party	D Graham, M Roberts
Review of Conveyancers Licensing Act 1995	R Anns
Review of Credit (Licence Brokers) Act 1984	R Anns
Review of Fisheries Management Act	F Jordan
Review of Racing and Betting Legislation	R Carr
Review of the Lord Howe Island Act	F Jordan
Review of the Ports Corporation and Waterways Management Act 1995	R Anns, Z Lejins
Review of the Rural Lands Protection Act	F Jordan
Review of the Safe Foods Funding Arrangements	N Cowan, F Jordan
Review of the Wine Grapes Marketing Act	F Jordan
Review of Waste Minimisation and Management Act	R Anns
Steel Industry Steering Committee	F Jordan
Stormwater Trust	E Dewar
TDC Technical Advisory Committee	D Graham
Treasurer's Accounting Advisory Panel	J Pierce (Convenor), I Neale, R G Williams (secretary)

Operations

Appendix 11 Energy Performance

OFM is committed to sustainable energy management principles and achieving energy usage savings. A NSW Treasury Energy Management Plan specifies accountability and responsibility for energy management. The Plan sets the mechanisms, rationale and strategies for OFM's energy management. The primary purpose is to sustain energy cost reductions, in line with Government policy, without adversely affecting OFM's activities and management. A significant reduction in energy usage can lower greenhouse gas emissions.

OFM occupies three and a half floors of Governor Macquarie Tower, which purchases electricity on the contestable market, including 6% from renewable sources. Office lighting energy use was reduced by 26% due to energy efficient lighting controllers that are installed on selected circuits.

Appendix 12 Waste Reduction and Purchasing Policy

OFM continued to apply its Waste Reduction and Purchasing Policy, first adopted in 1999. The policy follows the whole of government approach to reduce overall waste.

Reducing Waste Generation

To reduce paper consumption OFM uses electronic communication including email, and publishes many documents on its intranet and web sites.

Resource Recovery

OFM uses recycled products and printers and photocopiers that copy double sided. Recycling receptacles are provided for each desk and in kitchens and common areas.

Using Recycled Material

Recycled material used by OFM includes paper, toner cartridges and disks and the use of recycled products is incorporated in purchasing contracts when negotiated through the CCSU.

OFM Energy Consumption	1995-96	2000-01	2001-02	2002-03	2003-04	% change in latest year
Black Electricity Consumption (kWh)	604,437	706,031	686,479	695,825*	633,187	-9.00%
Black Electricity Cost	\$66,609	\$45,149	\$44,318	\$49,489*	\$49,550	0.13%
Green Power Consumption (kWh)	na	45,066	43,818	44,414*	40,416	-9.00%
Green Power Cost	na	\$3,831	\$3,645	\$4,070*	\$4,076	0.15%
Petrol (Litres)	na	35,078	39,435	39,734	39,807	0.18%
Petrol	na	\$32,550	\$29,173	\$31,777	\$31,940	0.51%
Petrol (Km)	na	367,750	316,096	347,959	344,538	-0.98%

* These figures have been updated since last year's annual report due to the updating of the Crown Property Portfolio electricity database.

Electricity consumption between 2002/03 and 2003/04 decreased by 9%, mainly due to reduced office lighting energy following the installation of energy efficient lighting controllers. Despite the energy savings, OFM's electricity bill increased slightly due to the rising per unit cost of electricity. There was also a marginal increase in petrol consumption.

NSW Treasury will continue to reduce energy consumption where this can be achieved in a cost effective manner.

Promotion

Appendix 13 2003-04 Treasury Circulars

Treasury Circulars can be
accessed from the OFM
Website
[www.treasury.nsw.gov.au]

			<i>Date Issued</i>
NSW TC 03/09	Guidelines on Reporting of Investment and Liability Management Performance		08/07/03
NSW TC 03/10	Funding for Information and Communications Technology (ICT) Proposals for 2004/2005		22/07/03
NSW TC 03/11	Change to Annual Reporting Regulations		08/08/03
NSW TC 03/12	Quarterly Collection of Full Time Equivalent (FTE) Numbers for the NSW Public Sector - issued jointly by NSW Treasury and NSW Premier's Department (Premier's 2003-42)		16/10/03
NSW TC 03/13	Total Asset Management (TAM) Policy- Amendment to Reporting Requirements		05/12/03
NSW TC 03/14	Public Authorities (Financial Arrangements) Act 1987 (PAFA Act) – Statutory Guarantee of Performance		12/12/03
NSW TC 04/01	Control Over Payments from the Consolidated Fund		20/01/04
NSW TC 04/02	Funding Arrangements for Long Service Leave and for Transferred Officers Leave Entitlements		03/03/04
NSW TC 04/03	2003-04 Financial Reporting Requirements for the Consolidated Financial Reports of the State		31/03/04
NSW TC 04/04	2003-04 Financial Accounting Requirements for the Crown Entity		08/04/04
NSW TC 04/05	Annual Reporting Update		22/04/04
NSW TC 04/06	Procurement of ICT Equipment		18/06/04

Promotion

Appendix 14 2003-04 Publications

Treasury Policy & Guidelines Papers (TPPs)

Treasury Policy & Guidelines Papers outline Government policy and/or Treasury procedures for the direction or guidance of Agencies.

Date Issued

TPP03-6 State Owned Corporation Indemnity Policy

October 2003

The *State Owned Corporation Act 1989* permits statutory State Owned Corporations (SOCs) to indemnify their officers against certain liabilities incurred in the course of employment. Indemnities cannot be issued by the SOC without Shareholder approval. The *Policy* ensures greater consistency and transparency in granting Shareholder approval to requests by SOC to indemnify their officers. It protects officers who genuinely require indemnity; provides common criteria for evaluating requests; accounts for differences in SOC managerial structures; and replicates private sector practices.

Treasury Research and Information Papers (TRPs)

Treasury Research & Information Papers are aimed at promoting discussion, educating or providing information on research projects undertaken by Treasury officers.

Date Issued

TRP03-2 Interstate Comparison of Taxes

October 2003

This annual publication is produced with the assistance of NSW agencies and other States and Territories following delivery of State and Territory Budgets. It briefly describes each tax to facilitate interstate comparisons. Some information is based on proposed or announced changes not yet legislated at the time of publication so relevant Acts and/or regulations should be consulted for full detail.

TRP04-1 A Risk Management Proposal for New South Wales' Electricity Businesses

May 2004

This Further Consultation Paper provides more detail on a proposal outlined in a December 2001 Discussion Paper, *A Risk Management Proposal for New South Wales' Electricity Businesses*. The proposal separates the financially high-risk task of wholesale electricity trading from the production and delivery of reliable, affordable electricity by transferring the role of wholesale electricity trading to the private sector. The Government would still own and operate its power stations, transmission and distribution lines, and supply retail electricity to the majority of customers. This Paper provides more detail on the proposal, and addresses issues raised in response to the earlier Discussion Paper.

TRP04-2 Performance of NSW Government Businesses 2002-03

June 2004

This is the fourteenth edition of this report which provides detailed information on the current and historical performance of NSW Government businesses in the electricity, transport and water sectors. NSW remains the only Australian Government to provide a comprehensive annual report of this type.

All NSW Treasury publications are published on the OFM Website [www.treasury.nsw.gov.au], including those issued prior to 2003-04

Treasury Operational Documents

Corporate Plan

The Plan outlines OFM's strategic management framework and the values it applies. It is issued every three years following a fundamental planning review. It incorporates the *OFM Commitment to Service*.

NSW Treasury Annual Report

Prepared each year in accordance with the provisions of the Annual Reports (Departments) Act 1985.

Treasury Focus

The corporate newsletter of the NSW Treasury - issued quarterly via OFM's web site.

State Financial Reports

Report on State Finances

An annual publication outlining government activities and overall financial position of the State Public Sector. The report incorporates the Statement of Budget Result, Outcomes Report and the Consolidated Financial report of the NSW Total State Sector including the NSW Public Accounts.

Monthly Financial Statements

Monthly Statements published on the OFM web site report on General Government finances for the year to date.

State Budget Papers

Budget Summary

Sets out in simple graphical form the key elements of the Budget.

Budget Speech BP 1

The printed version of the speech delivered in Parliament by the Treasurer on Budget day. It sets out the Government's budgetary strategy and financial plans.

Budget Statement BP 2

Presents detailed information both on the Budget aggregates (i.e. for the General Government Sector) and on State finances more generally.

Budget Estimates BP 3

Contains detailed revenue and expense information on an agency, program and portfolio basis. Information is provided on the net cost of providing services for each agency's programs.

State Asset Acquisition Program BP 4

Provides detail of the General Government Sector and Public Trading Enterprise Sector Asset Acquisition Programs. Information is provided on an accrual basis.

Appropriation Bills BP 5

Bills appropriating money required for the recurrent services and capital works and services of Government during the financial year.

Promotion

Appendix 15 Freedom of Information

There are no major issues to report on OFM's compliance with FOI requirements.

New Requests

	Personal		Other		Total	
FOI Requests	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04
New (including transferred in)	62	114	19	53	81	167
Brought forward	-	-	-	-	-	-
Total to be processed	62	114	19	53	81	167
Completed	62	114	19	53	81	167
Transferred out	-	-	-	-	-	-
Withdrawn	-	-	-	-	-	-
Total processed	62	114	19	53	81	167
Unfinished (carried forward)	-	-	-	-	-	-

What happened to completed requests

	Personal		Other	
Result of FOI request	2002-03	2003-04	2002-03	2003-04
Granted in full	42	78	11	24
Granted in part	20	33	5	24
Refused	-	2	3	3
Deferred	-	1	-	2
Completed	62	114	19	53

	2002-03	2003-04
Ministerial Certificates		
Ministerial Certificates issued	-	-
Formal Consultations		
Number of requests requiring formal consultation(s)	-	-
Reviews		
Number of internal reviews finalised	4	3
Number of Ombudsman reviews finalised	-	-
Number of District Court appeals finalised	-	-
Amendment of Personal Records		
Result of amendment request – Agreed	-	-
Result of amendment request – Refused	-	-
Total amendments	-	-

Internal Review Results

	2002-03	2003-04	2002-03	2003-04
Grounds on which sought	Personal		Other	
Access Refused	-	1	4	2
Deferred	-	-	-	-
Exempt Matter	-	-	-	-
Unreasonable Charges	-	-	-	-
Charges Unreasonably Incurred	-	-	-	-
Amendments Refused	-	-	-	-
Totals	-	1	4	2

Discounts Allowed

Type of discount allowed	Personal		Other	
Public Interest	-	-	-	-
Financial Hardship - Pensioner/Child	1	3	-	-
Financial Hardship - Non-Profit Organisation	-	-	-	-
Totals	1	3	-	-

Significant Correction of Personal Records	-	-	-	-
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FOI requests granted in part or refused

Basis for disallowing/restricting access	Personal		Other	
Section 19 (application incomplete, wrongly directed)	-	-	-	-
Section 22 (deposit not paid)	-	-	-	-
Section 25(1)(a) (unreasonable diversion of resources)	-	-	-	-
Section 25(1)(a) (exempt)	20	23	8	15-
Section 25(1)(b),(c),(d) (otherwise available)	-	-	-	-
Section 25(1)(e) (documents >5 years old)	-	-	-	-
Section 24(2) (deemed refused, >21 days)	-	-	-	-
Totals	20	23	8	15

Costs and fees of requests processed

Result of FOI request	Assessed Costs		FOI Fees Received	
All completed requests	\$2145	\$5010	\$270	\$5038

Days to process

Elapsed time	Personal		Other	
0-21 days	62	114	19	53
22-35 days	-	-	-	-
over 35 days	-	-	-	-
Total	62	114	19	53

Processing time

Processing hours	Personal		Other	
0-10 hours	62	114	19	53
11-20 hours	-	-	-	-
21-40 hours	-	-	-	-
Over 40 hours	-	-	-	-
Total	62	114	19	53

Legislation

Appendix 16 Treasurer's Legislation

Annual Reports (Departments) Act 1985 No 156
Annual Reports (Statutory Bodies) Act 1984 No 87
Appropriation (Health Super-Growth Fund) Act 2003 No 75
Australia and New Zealand Banking Group Limited (NMRB) Act 1991 No 35
Bank Integration Act 1992 No 80
Bank Mergers Act 1996 No 130
Bank Mergers (Application of Laws) Act 1996 No 64
Banks and Bank Holidays Act 1912 No 43, section 22
(remainder, Minister for Industrial Relations)
Betting Tax Act 2001 No 43
Canberra Advance Bank Limited (Merger) Act 1992 No 17
Capital Debt Charges Act 1957 No 1
Commonwealth Places (Mirror Taxes Administration) Act 1998 No 100
Commonwealth Powers (State Banking) Act 1992 No 104
Conversions of Securities Adjustment Act 1931 No 63
Dartmouth Reservoir (Financial Agreement) Act 1970 No 30
Debits Tax Act 1990 No 112
Decimal Currency Act 1965 No 33
Duties Act 1997 No 123
Energy Services Corporations Act 1995 No 95
Finances Adjustment Act 1932 No 27
Financial Agreement Act 1944 No 29
Financial Agreement Act 1994 No 71
Financial Agreement (Amendment) Act 1976 No 35
Financial Agreement (Decimal Currency) Act 1966 No 39
Financial Agreement Ratification Act 1928 No 14
Financial Agreement (Returned Soldiers Settlement) Ratification Act 1935 No 1
Financial Sector Reform (New South Wales) Act 1999 No 1
Fines Act 1996 No 99 (except parts, Attorney General)
First Home Owner Grant Act 2000 No 21
Freight Rail Corporation (Sale) Act 2001 No 35
General Government Debt Elimination Act 1995 No 83
General Government Liability Management Fund Act 2002 No 60
Government Guarantees Act 1934 No 57
Government Insurance Office (Privatisation) Act 1991 No 38
Health Insurance Levies Act 1982 No 159

Inscribed Stock Act 1902 No 79
 Inscribed Stock (Issue and Renewals) Act 1912 No 51
 Insurance Protection Tax Act 2001 No 40
 Interest Reduction Act 1931 No 44
 Intergovernmental Agreement Implementation (GST) Act 2000 No 44
 Internal Audit Bureau Act 1992 No 20
 Land Tax Act 1956 No 27
 Land Tax Management Act 1956 No 26
 NSW Grain Corporation Holdings Limited Act 1992 No 31
 Pacific Power (Dissolution) Act 2003 No 17
 Pay-roll Tax Act 1971 No 22
 Petroleum Products Subsidy Act 1997 No 112
 Public Authorities (Financial Arrangements) Act 1987 No 33
 Public Finance and Audit Act 1983 No 152 (except parts, Premier)
 Public Loans Act 1902 No 81
 Public Sector Employment and Management Act 2002 No 43, Chapter 7
 (jointly with the Minister for Commerce; remainder Premier)
 Road Improvement (Special Funding) Act 1989 No 95
 Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
 Snowy Hydro Corporatisation Act 1997 No 99
 Stamp Duties Act 1920 No 47
 State Bank (Corporatisation) Act 1989 No 195
 State Bank of South Australia (Transfer of Undertaking) Act 1994 No 47
 State Bank (Privatisation) Act 1994 No 73
 Superannuation Administration Act 1996 No 39
 Superannuation (Axiom Funds Management Corporation) Act 1996 No 40
 Taxation Administration Act 1996 No 97
 Totalizator Act 1997 No 45, section 70 and sections 72–79
 (remainder, Minister for Gaming and Racing)
 Totalizator Agency Board Privatisation Act 1997 No 43
 Treasury Corporation Act 1983 No 75
 Trustees Protection Act 1931 No 28
 Unclaimed Money Act 1995 No 75
 Wills, Probate and Administration Act 1898 No 13, section 61B (7) and (8)
 (remainder, Attorney General)

Source: <http://www.legislation.nsw.gov.au>

Legislation

Appendix 16 Treasurer's Legislation Changes during 2003-04

Spring Session 2003

Appropriation (Health Super Growth Fund) Act 2003

The Appropriation (Health Super-Growth Fund) Act 2003 invests the \$420 million greater than expected budget result for the 2002-03 financial year and applies the income from the investment towards public health capital works and services.

State Revenue Legislation Further Amendment Act 2003

Amends the following Acts:

Duties Act 1997

- ▶ Imposes transfer duty on a statutory vesting of land.
- ▶ Limits Chief Commissioner's discretion to exclude the value of goods from the dutiable value of property.
- ▶ Imposes duty at the rate applicable to the transfer of dutiable property on the premium paid or payable for a lease.
- ▶ Provides for aggregation of leases in certain circumstances for calculating lease duty.
- ▶ Exempts a joint government enterprise that has the function of allocating funds for joint water savings projects from all duty chargeable under the Act.
- ▶ Clarifies the nature of a court order by which dutiable property may be vested and liable to transfer duty of 1 January 2004.
- ▶ Creates consistency of language in respect of cancelled agreements.

Fines Act 1996

- ▶ Transfers functions of the Infringement Processing Bureau (IPB) to OSR.
- ▶ Expands functions of State Debt Recovery Office to enable it to enter into arrangements for collection and recovery of money payable and to issue courtesy letters.

First Home Owner Grant Act 2000

- ▶ Clarifies that an applicant cannot obtain a grant on transfer of a fractional interest in their existing residence.
- ▶ Clarifies eligibility in regard to exclusive occupancy of dual occupancy residences.
- ▶ Allows a purchaser under a terms contract to retain a grant under the Act even though the transaction is not completed by the registration of a transfer.
- ▶ Introduces a period-based residency requirement that the home is occupied as the principal place of residence.

Taxation Administration Act 1996

- ▶ Clarifies that the acceptance of money or a return does not of itself constitute an assessment.
- ▶ Applies "Phoenix companies" provisions to all the revenue laws to which the *Taxation Administration Act 1996* applies.
- ▶ Reinstates the Commissioners of Police and Vocational Training as authorised recipients of information obtained under or in administration of a taxation law.
- ▶ Extends Chief Commissioner's power to use refunds arising to offset a tax liability of a person.

The Office of State Revenue (OSR) is the arm of Treasury that administers the Treasurer's taxation and fines legislation. The OSR annual report provides more extensive detail on the amendments to those Acts during 2003-04.

Unclaimed Money Act 1995

- ▶ Increases, from \$20 to \$100, the minimum amount required to be returned to OSR by a business in its unclaimed money return.

Land Tax Management Act 1956

- ▶ Restores the exemption provided to a deceased estate for the first tax year following the death of the land owner.
- ▶ Clarifies that if land is used for more than one purpose and each of those purposes is an exempt purpose, the land is exempt from taxation.
- ▶ Repeals and replaces the exemption granted for a person's principal place of residence - allows an owner to claim exemption for 2 residences where the owner has bought a new residence and is in the process of selling the existing residence; removes certain restrictions for the current exemption for land on which a new family residence is being built; allows an exempt principal place of residence to be used for incidental business purposes if the business is primarily conducted elsewhere.
- ▶ Grants an exemption to land owned by a joint government enterprise that allocates funds for water saving projects.

Pay-roll Tax Act 1971

- ▶ Closes a loophole that allowed the avoidance of tax on wages paid outside Australia to an employee who provided services in two or more States.
- ▶ Provides an exemption for a joint government enterprise that allocates funds for water saving projects.

Duties Amendment (Land Rich) Act 2003

- ▶ Extends the “land rich” provisions to include wholesale unit trust schemes.
- ▶ Clarifies the definition of a private unit trust scheme, a public unit trust scheme and a wholesale unit trust scheme.
- ▶ Changes the landholder “land rich” test by increasing the unencumbered value of the landholder’s NSW land holdings from \$1,000,000 to \$2,000,000 and reducing the proportion of total land holdings to unencumbered value of all its property from 80 to 60%.
- ▶ Changes the tracing provisions applying to subsidiaries to enable land and other property ownership trail to be traced through *linked entities*.
- ▶ Provides a concession for primary producers in certain circumstances.
- ▶ Repeals the provision for the phasing-in of duty.

Taxation Administration Regulation 2003

Declares certain laws of other jurisdictions to be recognised revenue laws for reciprocal investigations and prescribes Commissioner of Police as a person to whom certain taxation information may be disclosed.

Health Insurance Levies Regulation 2003

Prescribes Grand United Friendly Society Ltd as an organisation for the purposes of the *Health Insurance Levies Act*, enabling its appointment as an authorised agent to collect contributions under the State Ambulance Insurance Plan.

Pay-roll Tax Amendment (Trust Distributions) Regulation 2003

Extends the definition of wages to include trust distributions provided in lieu of wages.

Fines Amendment (Appropriate Officers) Regulation 2003

Amends the Fines Regulation 1996 to support transfer to OSR of the Infringement Processing Bureau.

Totalizator Legislation Amendment Bill 2003

Amends Totalisator Agency Board Privatisation Act 1997 to allow proposals for the future of TAB Ltd to be put to shareholders for decision, following the submission of proposals to buy TAB Ltd by UNiTAB Ltd and TABCORP.

Both *Totalizator Agency Board Privatisation Act 1997* and *Totalizator Act 1997* (administered by the Minister for Gaming and Racing) prohibited any shareholder from holding more than 10% of TAB Ltd’s shares. The *Totalizator Act 1997* also prohibited the holder of a casino licence in NSW from holding a totalisator licence. As TABCORP is the holder of the Star City Casino licence the amendment removes this restriction.

The amendments were subject to strict conditions being placed on the successful company:

- ▶ it must always have a 10% shareholding limit on their shares;
- ▶ it must remain listed on the Australian Stock Exchange;
- ▶ if TABCORP is successful, it must dispose of the Centralised Monitoring System Licence and the Investment Licence currently held by TAB Ltd.

Budget Session 2004

Appropriation (Budget Variations) Act 2004

Appropriates additional amounts for recurrent services and capital works and services for the purpose of giving effect to certain Budget variations required by the exigencies of Government.

State Revenue Legislation Amendment Act 2004

Amends the following Acts:

Duties Act 1997

- ▶ Increases duty concessions available to first home buyers under First Home Plus scheme.
- ▶ Removes the distinction between purchases in the Metropolitan and other areas.
- ▶ Changes eligibility criteria by allowing joint purchasers to be eligible only if all of them have not at any time owned residential property in Australia (either solely or with someone else); providing that a purchaser’s spouse must not have previously owned residential property in Australia; providing that a purchaser or transferee under an agreement or transfer who is under 16 years of age will not be eligible; providing that a purchaser or transferee will not be eligible unless the person is an Australian citizen or resident.
- ▶ Introduces a residence requirement similar to the residence requirement that applies to grants obtained under the First Home Owner Grant Act 2000.
- ▶ Imposes duty on certain dutiable transactions that involve land-related property. The duty is payable by the vendor or transferor at a rate of 2.25 per cent of the value of the land-related property.

Legislation

Appendix 16 Treasurer's Legislation Changes during 2003-04

Budget Session 2004

- ▶ Applies vendor duty exemptions including: land used as principal place of residence by the vendor; farms; land-related property in respect of which the dutiable value has not significantly increased since it was acquired by the vendor; land on which there is a new building; land on which there is a substantially new building; vacant land that has been substantially improved by the vendor; the subdivision of a principal place of residence or farm; charities and other bodies that are not liable to pay duty under Chapter 11 of the Act; transfer of land-related property for no consideration eg if the land-related property is gifted to a charity.
- ▶ Requires that an instrument that effects a dutiable transaction that is also a vendor duty transaction will need to be stamped to indicate that the vendor duty has been paid, or that no vendor duty is payable in respect of the transaction.
- ▶ Imposes premium property duty on dutiable transactions for residential land where dutiable value exceeds \$3 million.
- ▶ Clarifies the application of the legislation through a number of miscellaneous amendments.

Land Tax Act 1956

- ▶ Removes the reference to a tax threshold and makes changes to the rate of land tax.

Land Tax Management Act 1956

- ▶ Removes the tax threshold that applied in respect of land that is subject to land tax.
- ▶ Allows a concession to be applied to land used partly for residential purposes and partly for other purposes.

Premium Property Tax Act 1998

- ▶ Abolishes Premium Property Tax from 1 June 2004.

State Revenue Legislation Further Amendment Act 2004

(Assented 6 July 2004)

Amends the following Acts:

Land Tax Management Act 1956

- ▶ Removes the restrictions on the exemption for land subject to a conservation agreement under the National Parks and Wildlife Act 1974 and extends exemption to land subject to a registered Trust agreement under the Nature Conservation Trust Act.

Duties Act 1997

- ▶ Clarifies concession available under First Home Plus Scheme.
- ▶ Clarifies application of premium property duty.
- ▶ Extends exemption to the sale of land subject to all kinds of conservation or registered trust agreements.
- ▶ Clarifies a number of eligibility requirements relating to the vendor duty principal place of residence exemption.
- ▶ Clarifies vendor duty exemption requirements relating to new buildings, "off the plan" sales, "improved vacant land", deceased estates and other specified circumstances.
- ▶ Provides for mortgage duty only to be payable in respect of property located in NSW where there are inter-jurisdictional mortgages relating to property located in Australia.

Fines Amendment Act 2004

(Assented 6 July 2004)

Amends the following Act:

Fines Act 1996

- ▶ Includes procedural provisions relating to fine enforcement orders and penalty notices.
- ▶ Clarifies discretionary powers of the State Debt Recovery Office (SDRO) in regard to making a court fine enforcement order.
- ▶ Extends the limitation period for taking proceedings to 12 months for offences which currently have a limitation period of less than 12 months.
- ▶ Introduces additional circumstances when a court fine enforcement order or a penalty notice enforcement order may be withdrawn by the SDRO.
- ▶ Restricts action taken against the licences of persons who commit offences while under the age of 18 years to vehicle or parking offences.
- ▶ Requires the Roads and Traffic Authority to cease enforcement action if a fine defaulter pays 6 instalments in accordance with a first extension of time to pay.
- ▶ Requires the SDRO to waive enforcement costs for persons who commit offences while under the age of 18 years.
- ▶ Clarifies that a fine defaulter may apply to the SDRO to have a fine written off.
- ▶ Introduces a Hardship Review Board and provides for its review of SDRO decisions relating to applications for further time to pay fines or to have fines written off.
- ▶ Requires the SDRO to notify fine defaulters of the review options available.

Legislative Reviews

Superannuation Administration Amendment Act 2004

Amends the Superannuation Administration Act 1996 to strengthen prudential and corporate governance of NSW public sector superannuation schemes. The amendments:

- ▶ Provide the Minister responsible for the Act with the power to initiate prudential investigations into the operations of the SAS Trustee Corporation and the FSS Trustee Corporation.
- ▶ Enable the Minister with administrative responsibility for a NSW public sector superannuation scheme to request information relating to that scheme from the relevant trustee. The information would relate to the fund's performance, not to individuals.
- ▶ Correct an inconsistency with voting requirements at board meetings and when business is transacted other than at ordinary meetings; making voting requirements consistent with Commonwealth Superannuation Industry (Supervision) Act.
- ▶ Clarify the disputes mechanism concerning certain entitlements and obligations of former members transferred to the Local Government Superannuation Scheme or the Electricity Industry Superannuation Scheme.

The superannuation arrangements supported by this Act allow the trustees to achieve efficiencies in their financial and administrative operations, as well as allowing the Government to improve the prudential and corporate governance of the trustees.

Statutory five year reviews were undertaken in relation to the *Duties Act 1997*, the *Premium Property Tax Act 1997* and the *Petroleum Products Subsidy Act 1998*.

Details of each review were advertised in the press and on the OSR website. Submissions were invited from industry and professional groups and other relevant stakeholders. The following is a summary of the outcome of each of the reviews.

Review of the Duties Act 1997

- ▶ OSR received thirteen submissions including comment on the objectives of the Act as well as legislative issues outside the scope of the review.
- ▶ The report was tabled in the NSW Parliament on 2 December 2003. It concluded that the objectives of the Act remain valid and that the Act was achieving these objectives. Issues raised that were outside the scope of the review will be considered as part of the ongoing legislative review process or review of administrative practices.

Review of the Premium Property Tax Act 1997

- ▶ OSR received 39 submissions with most comments relating to the financial impact of the tax on certain individuals rather than the policy objectives. Concerns were also raised regarding the land valuation process.
- ▶ While the report found that the objectives of the Act remain valid, it was not tabled in Parliament following the Treasurer's announcement in the mini-Budget that premium property tax was abolished from the 2005 tax year.

Review of the Petroleum Products Subsidy Act 1998

- ▶ OSR received three submissions and the report concluded that the objectives of the Act remain valid and the Act was achieving these objectives.
- ▶ Procedural and client information issues raised will be addressed through legislative changes and a review of administrative procedures.

Legislation

Appendix 17 Annual Reporting Legislation

The Treasurer administers the Annual Reports legislation governing departments and statutory bodies.

As part of this responsibility OFM conducts an annual reports review program to enhance statutory compliance and the overall quality and relevance of agencies' annual reports.

The program has two objectives:

- ▶ To monitor compliance with annual reporting legislation; and
- ▶ To promote best practice in public sector annual reporting.

The 2002-03 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of "better" reporting practices. Treasury Circular TC 04/05 summarises the results of the review; outlines recent additional annual reporting requirements; and provides guidance/feedback in a number of areas, including:

- ▶ Disclosures regarding summary review of operations;
- ▶ Management and structure; and
- ▶ Risk management and insurance activities.

Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption/ Variation	Reason(s) for Approval
NewSouth Enterprises Pty Ltd	2003	Exemption from preparation of final set of audited financial statements	Entity deregistered
AWT International Pty Ltd	2003-04	Exemption from preparation of final set of audited financial statements	Entity deregistered
AWT Philippines Inc	2004-05	Exemption from preparation of final set of audited financial statements	Entity to be liquidated
Controlled entities of Sydney Water Corporation	2002-03 and subsequent financial years	Approval to dispense with manufacturing and trading statements	Not required by Accounting Standards
Rail Corporation NSW (RailCorp)	2003-04 and subsequent financial years	Exemption from certain financial and annual reporting requirements	Standard exemptions granted to 'in competition' statutory State owned corporations

Extensions of Time Granted to Reporting Dates under Acts and Regulations

1. To Submit Financial Statements

Agency	Applicable Financial Year(s)	Exemption/ Variation	Reason(s) for Approval
Resource NSW	1 July - 27 November 2003	Extension of submission date to 30 January 2004	Final set of financial statements
WorkCover	2003-04	Extension of submission date to 30 September 2004	Financial statements include information not lodged by insurers until mid August
Coonabarabran Rural Lands Protection Board	2003	Extension of submission date to 10 March 2004	Staffing difficulties
Milparinka Rural Lands Protection Board	2003	Extension of submission date to 25 February 2004	Staffing difficulties
Hunter Rural Lands Protection Board	2003	Extension of submission date to 27 February 2004	Staffing difficulties

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/ Variation	Reason(s) for Approval
NSW Aboriginal Land Council	2002-03	Extension of submission date to 1 December 2003	Additional time required for audit
Department of Lands and the Board of Surveyors and Spatial Information	2002-03	Extension of submission date to 12 December 2003	Complexities associated with restructure
Department of Community Services	2002-03	Extension of submission date to 31 December 2003	Impact of new version of the Client Information System
Wine Grapes Marketing Board	2003	Extension of submission date to 18 June 2004	Additional time required for audit
University of NSW	2003	Extension of submission date to 24 May 2004	Difficulties with internal production schedules
WorkCover	2003-04	Extension of submission date to 30 November 2004	Financial statements include information not lodged by insurers until mid August.
State Council of the Rural Lands Protection Boards	2003	Extension of submission date to 31 July 2004	Difficulties with amalgamating the reports of the 48 individual Boards

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Acronyms

AIFRS	Australian equivalents of the International Financial Reporting Standards
CCSU	Central Corporate Services Unit
CGC	Commonwealth Grants Commission
CMU	Corporate Management Unit
CPF	Commercial Policy Framework
CSO	Community Service Obligation
EBG	Energy Business Group
EFD	Economic and Fiscal Directorate
ECU	Executive Coordination Unit
ETEF	Electricity Tariff Equalisation Fund
FMF	Financial Management Framework
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGDEA	General Government Debt Elimination Act 1995
GGLMF	General Government Liability Management Fund
IGA	Inter-Governmental Agreement
IPART	Independent Pricing and Regulatory Tribunal
MEU	Ministry for Energy and Utilities
MCC	Ministerial Council on Energy
NCC	National Competition Council
NCP	National Competition Policy
NEM	National Electricity Market
NEMMF	National Electricity Market Ministers Forum
OFM	Office of Financial Management
OH&S	Occupational Health and Safety
OSR	Office of State Revenue
PAC	Public Accounts Committee
PAR	Performance Agreement and Review
PFAA	Public Finance and Audit Act
PPAM	Private Projects & Asset Management Directorate
PFPs	Privately Financed Projects
PSMO	Public Sector Management Office
RBD	Resources and Budget Directorate
RCD	Resources and Crown Directorate
RPD	Resources and Policy Directorate
RSP	Results and Services Plan
SFS	State Fiscal Strategy
SOC	State Owned Corporation
SRAA	Service and Resource Allocation Agreement
TAM	Total Asset Management
TMF	Treasury Managed Fund
TOES	Treasury On-line Electronic System