



**The
Treasury**

Annual Report 2009 - 2010

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Acronyms list

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
BFMD	Budget and Financial Management Directorate, OFM
BSVT	Better Services and Value Taskforce
CGC	Commonwealth Grants Commission
CMD	Commercial Management Directorate, OFM
CMU	Corporate Management Unit, OFM
COAG	Council of Australian Governments
EECD	Economic, Environment & Communities Directorate, OFM
ERD	Expenditure Review Directorate, OFM
FED	Fiscal and Economic Directorate, OFM
FMF	Financial Management Framework
GSP	Gross State Product
GST	Goods and Services Tax
HFE	Horizontal Fiscal Equalisation
HSSD	Human and Social Services Directorate, OFM
ICT	Information and Communication Technology
IGA	Inter-Governmental Agreement
IPART	Independent Pricing and Regulatory Tribunal
IPAA	Institute of Public Administration Australia
LPI	Land and Property Information NSW
MCE	Ministerial Council on Energy
NCC	National Competition Council
NCOS	Net Cost of Services
NCP	National Competition Policy
NFL	Net Financial Liabilities
NPP	National Partnership Payment
OFM	Office of Financial Management
OH&S	Occupational Health and Safety
OSR	Office of State Revenue
PAC	Public Accounts Committee
PAFA	Public Authorities (Financial Arrangements) Act
PAR	Performance Agreement and Review
PF&A	Public Finance and Audit Act
PFP	Privately Financed Project
PMBS	Performance Management and Budgeting System
PPP	Public Private Partnership
RBA	Reserve Bank of Australia
RSP	Results and Services Plan
S&P	Standard and Poors
SBI	Statement of Business Intent
SCI	Statement of Corporate Intent
SiCorp	NSW Self Insurance Corporation
SOC	State Owned Corporation
SIS	State Infrastructure Strategy
SPP	Specific Purpose Payments
TAM	Total Asset Management
TCorp	NSW Treasury Corporation
TMF	Treasury Managed Fund
TOES	Treasury On-line Entry System
TPP	Treasury Policy and Guidelines Paper
VFI	Vertical Fiscal Imbalance

The Hon Eric Roozendaal MLC
Treasurer
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Treasurer

I have pleasure in submitting the three reports which together comprise the Annual Report of the NSW Treasury for the financial year ended 30 June 2010, for presentation to the Parliament of New South Wales in accordance with the Annual Reports (Departments) Act 1985.

The first volume contains a report on the performance of the Office of Financial Management, together with the Consolidated Financial Statements for Treasury, covering both the Office of Financial Management and the Office of State Revenue. A report on the performance of the Office of State Revenue is submitted in the second volume.

The third volume contains the financial statements for the Crown Entity and its controlled activities. Treasury is responsible for managing Crown finances, which concern public sector wide assets, liabilities and transactions that are the overall responsibility of government and not individual agencies. Some of the small entities now under Crown control are required to provide their own Annual Reports. These have been prepared as separate reports, but since they are very small they have been bound with Volume 3 in the interests of economy and accessibility.

OFM's Annual Report refers to the NSW Self Insurance Corporation (SiCorp), a statutory authority managed by OFM. Full details of SiCorp operations are published in its own separate annual report.

Yours sincerely



Michael Schur
Secretary
30 October 2010

Secretary's message



Looking back over my first full year as Secretary, Treasury has advised the Government on its strategies for mitigating the severe economic and financial challenges that faced New South Wales, Australia and countries around the world. I believe we achieved excellent outcomes for New South Wales and had a positive impact on the economy. This is reflected in the retention of our triple-A credit rating.

We implemented many reforms in 2009-10 that should continue to impact positively on both public sector spending and the NSW economy for many years. We were a vital contributor in the COAG negotiations on Health, which resulted in an entirely new framework for managing and funding health services. The Better Services and Value Plan is being progressively implemented, highlighting the Government's commitment to sustainable service delivery and responsible fiscal management. By December 2010, it is expected that agency expenditure reviews will have been conducted across ten of the largest agencies; millions of dollars worth of recurrent savings have already been found.

Internally, the Office of Financial Management underwent a structural realignment in 2009. Our structure is now tuned to ensure that our strategic and tactical planning is more effective and its implementation more efficient. The new structure also allows us to place a stronger emphasis than ever before on evidence based advice and decision making, and on key risk identification and management. I want to take this opportunity to publicly thank all of our staff for their willingness to embrace a significant change program while maintaining the usual high level of service in our core business.

We cannot underestimate the potential of current global challenges to radically change our environment in a short time. It is therefore more vital now than ever that governments fully understand the issues and the range of options available to them. NSW Treasury will continue to be required to formulate comprehensive advice, based on robust evidence, within ever tighter timeframes. I know the high calibre of our staff will enable us to keep pace with these demands.

Finally, I would like to recognise the contribution of a particular member of our staff, who retired from Treasury during 2009-10 after 38 years' service. Graeme Bullivant was awarded the Public Service Medal in the 2002 Queen's Birthday Honours list for his outstanding contribution and strong commitment to public administration in NSW. I feel it is especially appropriate to acknowledge and thank him here because one of the many tasks he undertook for OFM was the production of its Annual Report, which he did with great care and efficiency over a period of more than two decades.

A stylized, handwritten signature in black ink, appearing to read 'Michael Schur'. The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Michael Schur
Secretary

Introduction to the Treasury Annual Report

The Treasury Annual Report is published in three volumes:

1. Office of Financial Management (OFM)
2. Office of State Revenue (OSR)
3. Crown Entity

This first Volume details OFM's performance against its Corporate Plan 2008-2011, which provides the structure for OFM's internal and external performance reporting and for the performance agreements of the Secretary and all OFM officers. The Corporate Plan sets out three major Result Areas for OFM, two of them external and the other internal:

1. *Strong State finances, supporting the delivery and long run affordability of Government services*
2. *Policy settings promoting a competitive State economy*
3. *A values-based OFM that supports the achievement of our planned business results*

The basic structure of the following report derives from these three headings. Reporting is both quantitative, including performance and service measures, and qualitative, recounting OFM's most important achievements in each result area.

Volume 1 also details OFM's progress against the two State Plan priorities for which it is the lead agency:

- retaining NSW's triple-A credit rating, and
- maintaining and investing in State infrastructure.

Treasury's advice to the Government on economic and financial issues is wideranging, so OFM is also an important contributor to many other State Plan priorities, as well as to the Council of Australian Governments' Commonwealth/State National Reform Agenda and other intergovernmental reforms. An additional Result Area, *A key role for NSW in intergovernmental financial arrangements*, has been added to reflect the growing importance of this area in 2009-10.

Annual reports for the smaller entities under the control of Crown are published as separate reports, but bound within Volume 3 for economy and accessibility. They are also hyperlinked so they can be located and searched individually on the Web. These annual reports relate to the:

- Electricity Tariff Equalisation Ministerial Corporation
- Liability Management Ministerial Corporation
- State Rail Authority Residual Holding Corporation

The entities which now form the rest of the Treasury cluster (*see next page*) provide their own annual reports, as does the Self Insurance Corporation (SiCorp).

The Office of Financial Management (OFM)

Who we are and what we do

Introduction to NSW Treasury and the new Treasury Cluster

NSW Treasury was established in 1824. It is the oldest continuing government agency in Australia. Today it comprises the Office of Financial Management (OFM) and the Office of State Revenue (OSR). Treasury also administers the Crown Entity which manages servicewide assets, liabilities and transactions that belong to government rather than any individual agency.

OFM provides economic and fiscal analysis and policy advice to the Government, together with financial management and services including the preparation of the State Budget and the annual State Accounts. OSR collects and administers state taxes and outstanding fines and penalties and distributes grants and subsidies.

From 1 July 2009 the Government established a Treasury Cluster of agencies which includes the WorkCover Authority, the Workers' Compensation (Dust Diseases) Board, the Motor Accidents Authority, the Lifetime Care and Support Authority, the Building & Construction Industry Long Service Payments Corporation, the SAS Trustee Corporation, TCorp, the Superannuation Administration Corp and the few elements of Lotteries remaining after its sale to the Tatts Group. These bodies are constituted under their own legislation and they form a cluster rather than an amalgamated agency.

Primary Legislation administered by Treasury

Treasury administers a large range of Acts and Regulations on behalf of the Treasurer. Changes to these during 2009-10 are shown in the Appendices, on pp.120-122.

The following Acts comprise the primary legislation which is administered by OFM and which governs most of our core business:

- *Public Finance and Audit Act 1983*
- *Public Authorities (Financial Arrangements) Act 1987*
- *Fiscal Responsibility Act 2005*
- *Annual Reports Acts (Departments, 1985; Statutory Bodies, 1984)*

OFM does not have a single legislative charter, but it has a mission and desired results which have been agreed with successive Treasurers and which contribute heavily to State Plan objectives. The diagram opposite, Treasury (OFM) on a Page, shows how our mission relates to our results and strategies, and to the services we provide to Government and the community.

Legislation administered by the Office of State Revenue is listed in Volume 2 of this report.

OFM on a page

Our mission

Our planned results

What we hope to achieve

Our intermediate results

What we want to achieve

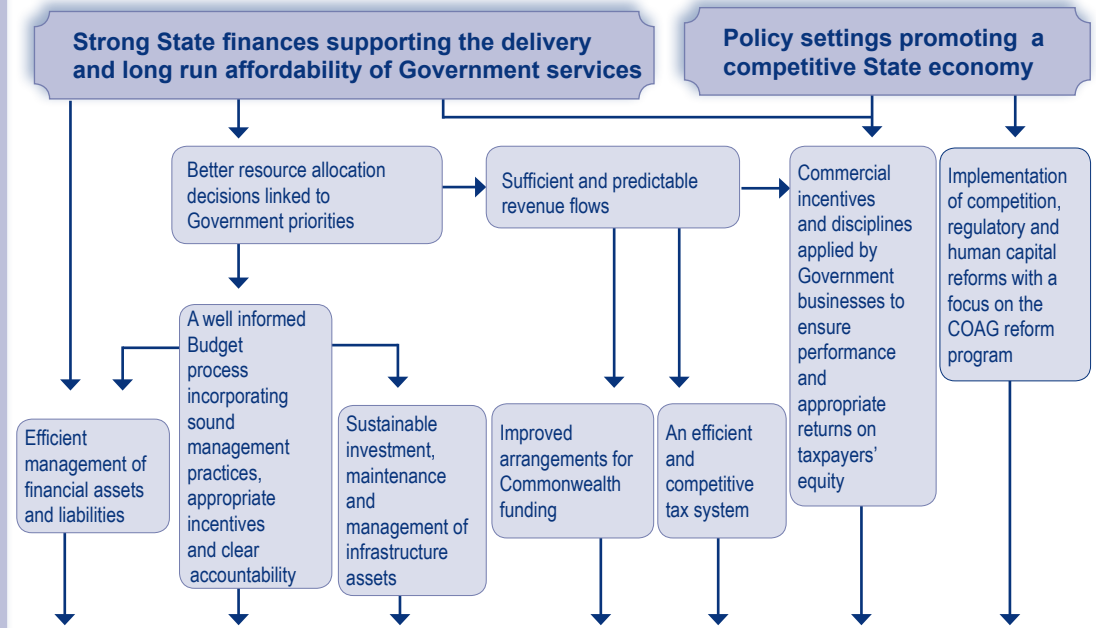
Our strategies

How we are going to do it

Our services

What we do

Promoting state resource management to achieve better public services and a stronger New South Wales economy



Balance Sheet Management	General Government Financial Management Framework	State Infrastructure Strategy	Revenue Strategy	Commercial Policy Framework	Micro-economic Reform Strategy
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State Fiscal Strategy

Advising on appropriate fiscal strategy options	Advising on appropriate fiscal strategy options	Advising on appropriate fiscal strategy options	Advising on appropriate fiscal strategy options	Advising on appropriate fiscal strategy options	Advising on appropriate fiscal strategy options
Advising on financial asset and liability management	Advising on the efficiency and effectiveness of agencies	Advising on the efficiency and effectiveness of agencies	Advising on tax and revenue policy	Advising on the efficiency and effectiveness of government businesses	Advising on the efficiency and effectiveness of agencies
Managing Budget aggregates	Managing the Budget process, aggregates and reporting	Advising on infrastructure, asset management and procurement policy and implementation	Advising on intergovernmental arrangements	Advising on, and implementing, public sector management systems	
	Developing and implementing public sector management systems				
	Advising on infrastructure, asset management and procurement policy and implementation			Reporting on public sector finances - the financial performance of government businesses	

Organisation Building

Staff Development	Agency Relations	Teamwork	Project Management	Performance Management	Support Systems and Processes
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The OFM Executive Team



Secretary
Michael Schur



Deputy Secretary
Kevin Cosgriff

Fiscal and Economic Directorate

- Advises on economic conditions and strategy, including microeconomic reform
- Advises on fiscal strategy, including revenue and inter-governmental financial strategy
- Coordinates high impact policy issues that cut across service areas



Deputy Secretary
Mark Ronsisvalle

Budget and Financial Management Directorate

- Coordinates State Budget and Total Sector Report on State Finances on behalf of the Government
- Advises on public sector management systems and reform for the general government sector
- Oversees operations of Crown Entities and SiCorp



Deputy Secretary
Stephen Brady

Expenditure Review Directorate

- Implements the Better Services and Value Plan
- Conducts reviews and makes recommendations to improve the efficiency of general government agencies and public trading enterprises
- Advises on public sector wages policy



Deputy Secretary
Caralee McLiesh

Human and Social Services Directorate

- Advises on efficiency and effectiveness of public sector agencies in the social and human services sector
- Advises on Commonwealth/State reforms to health and other human services
- Coordinates Treasury's research and evidence based advice programs



Deputy Secretary
Richard Timbs

Commercial Management Directorate

- Advises on Public Private Partnerships, property and procurement
- Advises Treasurer in his role as shareholder for NSW state owned corporations and public trading enterprises
- Manages the Asset Management Task Force, which has responsibility for reform strategies and asset sales.



Deputy Secretary
Matthew Roberts

Economic, Environment and Communities Directorate

- Advises on efficiency and effectiveness of public sector agencies in the Transport, Communities, Planning, Environment and Government Services clusters.
- Supports sector-wide reforms and whole-of-government planning
- Participates in COAG reforms and negotiations with the Commonwealth Government

Corporate Management Unit provides advice to the Secretary on policy and systems to support OFM's work including human resources, ICT and internal finances.

As at 30 June 2010

Executive Performance

Secretary of NSW Treasury Michael Schur Achievements and Performance Assessment	Michael Schur MSc(Econ) MComm(Econ) BA(Econ)(Hons) Level 8, Remuneration \$472,823 In 2009-10 Mr Schur led a Treasury which ably advised the Government on financial management and the management of the State economy, helping us to retain our triple-A rating with a stable outlook. Mr Schur oversaw delivery of the 2009-10 State Budget, and his management has resulted in action to strengthen and ensure OFM's ongoing capability. Hon Eric Roozendaal Treasurer
Achievements and Performance Assessment Members of the OFM Executive	Executive members operated well as a team and as individuals, assisting me effectively in delivering on OFM's key accountabilities and performance targets. All participated in the Performance Agreement and Review Scheme and were assessed as either meeting or exceeding standards for overall performance and adherence to OFM values. Michael Schur Secretary
Kevin Cosgriff	Deputy Secretary, Fiscal and Economic MA(Econ) BSc(Hons) Level 6, Remuneration \$324,364 Advised on the COAG reform agenda, including Health reform. Prepared Treasury's final submission to the Commonwealth Grants Commission on the Draft Report on GST Revenue Sharing Relativities, improving the position of NSW compared with the original proposal.
Mark Ronsisvalle	Deputy Secretary, Budget and Financial Management PSM, BEc Level 6, Remuneration \$307,949 Oversaw preparation of the 2010-11 Budget, 2009-10 Total State Accounts and a new public sector-wide policy and framework for Audit and Risk Management. Developed a new appropriation framework in line with agency amalgamations.
Stephen Brady	Deputy Secretary, Expenditure Review BCom(Hons), LLB(Hons) Level 6, Remuneration \$300,875 Established the Better Services & Value Taskforce and the Expenditure Review Directorate to support it. Commenced numerous general government, SOC and whole-of-government reviews and completed major reviews of Department of Education & Training and of legal services across government.
Caralee McLiesh	Deputy Secretary, Human and Social Services PhD(Finance), BEc(Hons) Level 6, Remuneration \$269,301 Advised on COAG National Health and Hospital Network reforms as well as ongoing resource allocation and reforms in NSW human service and justice agencies.
Richard Timbs	Deputy Secretary, Commercial Management BEc (Soc Sci), F Fin. Level 6, Remuneration \$264,681 Facilitated the sale of NSW State Lotteries at substantially higher than retention level and market expectations
Matthew Roberts	Deputy Secretary, Economic, Environment and Communities MEc, BEc. Level 6, Remuneration \$261,124 Acted from: 13 July 2009 – 3 June 2010. Appointed: 4 June 2010 Advised on the preparation of a funding model for the NSW Government's 2010 Metropolitan Transport Plan and assisted in the development of the 2010 Metropolitan Water Plan.
Philip Mussared	Deputy Secretary BEc(Hons) BA, FCPA Level 6, Remuneration \$256,516. Last day of service: 9 April 2010 Representative on NSW Nation Building and Jobs Plan Task Force.

Executive remuneration: Actual payment received is based on total monetary remuneration and the value of employment benefits as per employment contracts, plus allowances for acting in higher positions. In line with public sector policy, there were no performance related incentive payments.

Overview of OFM's performance in 2009-10

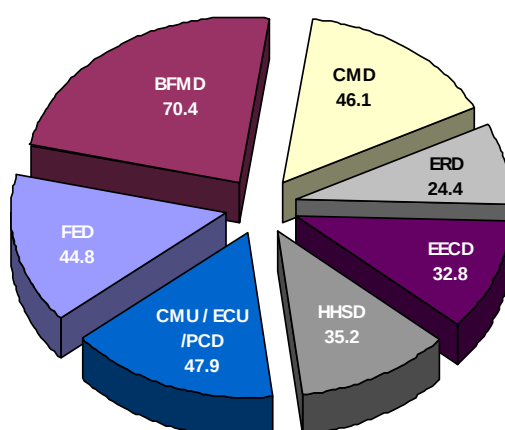
Staffing

OFM had 314 full-time equivalent (FTE) staff in place at 30 June 2010. This represents 338 officers, some of whom worked part-time during 2009-10.¹

Staff numbers (FTE) by Directorate

as at 30 June 2010.

Directorate	
FED	Fiscal and Economic Directorate
BFMD	Budget and Financial Management Directorate
CMD	Commercial Management Directorate
ERD	Expenditure Review Directorate
EECD	Economic, Environment and Communities Directorate
HHSD	Human and Social Services Directorate
CMU / ECU / PCD	Combined Corporate and Executive Support Units
12 OFM Graduates (not included in total)	



The changes described under *Setting in place the right structure* (p.43) resulted in an increase in funded positions from 306 FTE in June 2009 to 333 at the end of 2009-10². Recruitment for these additional positions was proceeding at 30 June 2010.

Budget

Treasury's total expenses for the 2009-10 year were \$233.56 million. Expenditure by the Office of Financial Management (OFM) accounted for \$66.13 million, with the remainder (\$167.43 million) relating to the Office of State Revenue (OSR).

For OFM, this represented an increase of around 4.6 per cent on 2008-09. The additional expenses are mainly attributable to the establishment of the Expenditure Review Directorate to undertake work associated with the Better Services and Value Plan.

¹ Includes all staff on the payroll at 30 June, 2010: excludes staff on unpaid leave or secondment.

² Funded positions are shown as FTE, and rounded to the nearest whole number.

Overview of OFM's performance in 2009-10

Many of OFM's achievements during 2009-10, and their impact on the financial standing of NSW, are best understood in the context of the financial and economic environment.

Introduction: NSW's economic and fiscal environment

Economic factors

When the 2009-10 State Budget was prepared in the second quarter of 2009 the worst global financial crisis since the Great Depression was underway. Following significant monetary and fiscal stimulus the forecast in that Budget was that the Australian and NSW economies would encounter a mild recession in 2009-10 and a modest recovery in 2010-11. Unemployment was expected to rise significantly.

As 2009-10 progressed, however, the Australian and NSW economies performed considerably better than expected. Rather than being a year of further slowing, 2009-10 was a year of economic recovery. The turnaround can be attributed to the stimulus policies adopted, strong trade links with Asia, high population growth and a sound Australian financial system. Importantly, both business and consumer confidence rebounded sharply from low levels and stabilised at above average levels over the course of the year.

The Budget forecast was for a decline of 0.5 per cent in NSW Gross State Product (GSP) in 2009-10, but the improved global and domestic outlooks meant this forecast was twice revised upwards during the year - to growth of 1.5 per cent in the Half-Yearly Review and to 2.5 per cent growth in the 2010-11 Budget.

The recovery in the economy in 2009-10 was evident in a number of areas that had an impact on the State's revenues:

- Consumer sentiment and spending across the nation was stronger than expected leading to higher than anticipated GST revenues
- Improving confidence and low interest rates saw a significant rebound in transfer duty collections
- While employment rose in 2009-10, aggregate hours worked declined. This had an overall negative impact on payroll tax collections

A higher Australian dollar exchange rate more than offset an increase in global prices for export coal, negatively impacting coal royalty collections in 2009-10.

Fiscal influences and responses

At the time the 2009-10 State Budget was released it was expected that the Budget result would be a \$990 million deficit. The Budget was not expected to return to surplus until the economy returned to above-trend growth in 2011-12. Immediately after the release of the 2009-10 Budget, Standard and Poor's removed the negative outlook from the State's triple-A credit rating because it determined that the Government was on track "to deliver a number of measures to increase revenue, cut operating expenditure, and reduce capital spending".

There was an increase in expenses due to technical and accounting changes in 2009-10. However, improvements in the economic outlook were so strong that, by the time the Half-yearly Review was undertaken in December 2009, the Budget was expected to return to surplus by 2010-11.

Overview of OFM's performance in 2009-10

The 2010-11 State Budget was formulated in an environment with a range of uncertainties. OFM advised on the strategies to manage and monitor these, including:

- potential unfavourable outcomes for New South Wales through the Commonwealth Grants Commission's 2010 review of revenue sharing relativities
- uncertainties around the turning point in the economy and therefore revenue estimates
- financial issues relating to Commonwealth policy around national partnerships
- the Better Services and Value Plan
- transitional costs and displacement generated by the agency amalgamations process.

While taking these uncertainties into account, the 2010-11 State Budget further upwardly revised revenues compared with the Half-Yearly Review forecast. In his Budget speech of June 2010, the Treasurer announced that the State Budget was projected to return to a surplus of \$101 million in 2009-10.

With the economy and state finances improving as the year progressed, the need for further temporary support for the economy also diminished. The Government's challenge now was to support the rebuilding of the strength in the state's balance sheet, consistent with the fiscal strategy.

OFM responded with advice on strategies to control expenses, maintain revenues, rationalise assets, prioritise infrastructure investment and share risk with other levels of government. There were also structural reforms that would assist the private sector recovery that was starting in housing construction.

These strategies have delivered savings from the Better Services and Value Plan, above trend revenues directed to rebuilding surpluses and the business asset transaction for NSW Lotteries Corporation. They have also resulted in an affordable 10 year Metropolitan Transport Plan, improved funding for health through COAG and fundamental reforms to local government funding arrangements which will improve housing supply.

Key Performance Measures

The following key indicators and performance measures illustrate quantitatively how OFM has performed against its targets in 2009-10.

Primary indicator: Retain NSW's triple-A credit rating

Treasury supports the Government in two of its most important tasks:

1. To maintain a sustainable balance sheet
2. To encourage a strong NSW economy.

Vital to both of these aims is the maintenance of a strong credit rating, and this is why it is our leading Key Performance Indicator (KPI). The target – which is also a State Plan target - is to maintain a triple-A rating from ratings agencies Moody's and Standard & Poor's.

In 2009-10 NSW maintained its rating: 'triple-A and a stable economic outlook'. This positive view was maintained by both credit rating agencies.

Commenting shortly after the release of the 2010-11 State Budget, Moody's said the outlook for the triple-A rating was "likely to remain stable", since "overall, the state's financial performance appears to have improved compared to last year's budget projections." (Moody's, 8 June 2010)

Standard & Poors said the 2010-11 State Budget was "consistent with the AAA/Stable/A-1+ ratings already applied to the state. The improvement in the economic outlook for New South Wales has seen a strengthening of the state's revenue forecasts since the mid-year budget update in December 2009. These increased revenue forecasts, in conjunction with the ongoing implementation of the state's Better Services Plan and a limited number of additional policy measures, will mean that the state's total public sector is likely to continue to record modest surpluses at least until 2014."

They concluded: "Today's Budget is consistent with the measures that were introduced in the 2008[-09] Mini-Budget and the [2009-] 2010 Budget, thereby providing support to the state's 'AAA' credit rating." (S&P, 8 June 2010).

Overview of OFM's performance in 2009-10

Key result indicators

Result Indicators		Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Strong State finances supporting the delivery and long run affordability of government services	Maintaining Triple-A credit rating for NSW	Triple A	Triple A	Triple A	Triple A	Triple A	Triple A
	Maintaining a downward trend in General Government Sector net financial liabilities compared to GSP	≤ 7.5% by June 2010 ≤ 6.0% by June 2015	8.4%	7.3%	8.0%	12.0%*	12.6%
	Maintaining infrastructure spending over the medium term - average annual nominal growth since 2005-06	Average annual growth since 2005-06: 4.6% over 10 years to 2015-16	na	16.7%	15.7%	17.0%	18.4%
	Deviation of underlying actual expenses from budget	≤ +1%	+0.1%	+0.2%	+1.8%	+2.7%	+0.3%
	Keeping the Budget in surplus	Surplus Result	\$1,928m	\$795m	\$935m	-\$862m	\$994m
		From 2007-08, the adoption of AASB 1049 resulted in investment revenues being treated differently to previous years. Earlier year results are therefore not directly comparable.					
	State superannuation liabilities on track to be fully funded by 30 June 2030	100% by June 2030	76.0%	79.1%	69.2%	56.6%	61.7%
		To ensure full funding by the 2030 target, the payments schedule is reviewed as required, including following each triennial funding review. Funding percentage variations reflect volatile investment returns particularly due to the global financial crisis.					
Policy settings promoting a competitive State economy	NSW's share of GST revenue relative to an equal per capita share	Improved NSW share	0.86846	0.87332	0.89079	0.91060	0.93186
	Achieving an appropriate rate of return on equity in commercial government businesses	≥ 7%	5.4%	6.2%	6.5%	5.3%	6.9%
	NSW's total state revenue per capita to be less than the average for the other states	NSW ≤ Other States	NSW \$6,158 Others \$6,813	NSW \$6,545 Others \$7,266	NSW \$6,730 Others \$7,445	NSW \$7,087 Others \$7,807	NSW \$7,716 Others \$8,345
Note:		Commonwealth specific purpose payments "through the States" to local government and other bodies are excluded from State revenue for all states.					
		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.					

* Note: The result indicator "Maintaining a downward trend in General Government Sector net financial liabilities compared to GSP" showed a significant variation from target in 2008-09 due to the effect of the global financial crisis. Although the result improved in 2009-10, the 2008-09 setback was too great to allow us to meet the 2010 target.

Overview of OFM's performance in 2009-10

Other important measures of OFM's effectiveness

Service Measures		Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Advice on economic and fiscal strategies	OFM's tax revenue estimation variation compared with that of other Treasuries	NSW ≤ Other States	NSW -2.3%	NSW 5.5%	NSW 5.3%	NSW -3.8%	NSW 4.0%
			Others 9.4%	Others 7.8%	Others 8.7%	Others -7.6%	Others 4.4%
	OFM's economic forecasting variation compared with that of other Treasuries	NSW ≤ Other States	NSW 0.8%	NSW 0.4%	NSW 0.6%	NSW 1.0%	Not yet available
			Others 1.0%	Others 0.9%	Others 0.9%	Others 1.3%	
Advice on the efficiency and effectiveness of public sector agencies	Percentage of required government businesses with a signed Statement of Corporate or Business Intent	100%	SOCs 100%	SOCs 100%	SOCs 100%	SOCs 95%	SOCs 100%
			All 83%	All 90%	All 84%	All 79%	All 83%
	Deviation of actual government business dividend and tax equivalent payments from Budget estimate	≤ +10%	-2.6%	+20.7%	+14.9%	+1.9%	+1.2%
Budget management	OFM's general government expenses estimation variation compared with other Treasuries (ABS basis)	NSW ≤ Other States	NSW 0.4%	NSW 2.3%	NSW 3.9%	NSW 6.2%	Not yet available
			Others 2.4%	Others 2.2%	Others 3.4%	Others 4.5%	
Infrastructure, asset management and procurement	Percentage of State physical assets covered by a Total Asset Management Plan submission for nominated agencies	100%	New	New	98%	98%	96%
Financial asset and liability management	Deviation of actual superannuation, debt and insurance expenses from the Budget estimate	≤ +10%	-24.7%	-17.9%	-16.7%	15.8%	6.7%

The quality of OFM's services is generally within its control. Service measures and associated benchmarks ensure accountability for achieving acceptable standards.

Overview of OFM's performance in 2009-10

Key measures of OFM's efficiency

<i>Organisation efficiency measures</i>		Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Staff development and wellbeing	Training days per officer	≥ 5 days	5.2 days	4.5 days	4.5 days	4.9 days	3 days
	Staff turnover	≤ 20%	13.4%	13.2%	11.3%	10.7%	8.9%
	Sick days per officer	≤ 5 days	4.2 days	6.0 days	5.6 days	5.5 days	6.0 days
Project management	OFM's actual net cost of services to be less than or equal to its budget allocation	≤ 100%	92.3%	93.5%	95.8%	100.0%	94.8%
	Registered correspondence and projects completed by due date	≥ 80%	83%	83%	86%	83%	81%
Performance management	Staff participating in OFM's Performance Agreement and Review scheme	100%	44%	59%	83%	66%	79%
Adherence to OFM values	Staff believing OFM's values are adhered to	≥ 90%	93%	89%	87%	89%	92%

Summary of OFM Achievements in 2009-10

This section provides an overview of the wide range of initiatives undertaken by OFM in 2009-10, and the results obtained. These achievements are discussed in full in the body of the Report. The page numbers in the "status" column refer readers to this additional detail.

This table shows:

- progress against the priorities set at the start of 2009-10 by the Treasurer and/or the Executive Board
- achievements in areas which became priority areas during the year

Priority	Planned Action	Status at 30 June 2010
Fiscal Sustainability Modelling and Analysis	Further develop fiscal modelling. Review the Fiscal Responsibility Act and its targets by 2011.	Substantial research was conducted towards a 40-year long-term model for publication in 2011-12 Budget papers; and a 10-year medium-term fiscal model to assist governments to test alternative planning options or policy decisions. Other research for review of the Fiscal Responsibility Act commenced. (pp.20,28)
COAG Reform implementation	Ensure effective OFM participation in the implementation of COAG reforms and coordination with other NSW agencies	OFM was an important player in the major Health reforms of 2010, and has continued, with DPC, to play an advisory and coordination role in COAG reforms. (pp.34f)
Implementation of Nation Building and Economic Stimulus Plan	Ensure the NBES Plan is implemented in NSW in accordance with Commonwealth milestones and guidelines.	OFM oversaw implementation on behalf of the NSW Government. Involvement in a range of other national partnerships included Digital Education Revolution and Literacy and Numeracy. (p.37)
Review of Budgeting in NSW	Review the NSW approach to budgeting having regard to developments around the world.	OFM undertook a benchmarking study to establish the basis for a plan to align the NSW State Budget process with contemporary best practice. (p.23)
Commercial Sector Policy and business approach review	Review & overhaul shareholder approach to management of SOCs and PTEs	In November 2009 a revised Financial Distribution Policy for Government Businesses was issued, to apply from 1 July 2010. (p.30) OFM reviewed calculation of the Government Guarantee Fee paid by NSW Government Businesses to more closely replicate lending practices faced by private sector borrowers. (p.30)
Business Asset Transactions	Oversight implementation action for approved sales – Lotteries; WSN; RTA Special number plates business; Superannuation Administration Corporation (Pillar)	Lotteries: Transferred to Tatts Group, freeing > \$1 billion of assets for the benefit of NSW. (p.31) WSN: Enabling legislation has been passed for its sale. (p.31) Numberplates: Responses received to Request for Proposals for a 15-year operating concession. (p.31) Pillar: Expressions of interest called in June 2010. (p.31)

Overview of OFM's performance in 2009-10

Priority	Planned Action	Status at 30 June 2010
Energy Reform	Advise on and oversight the implementation of the Government's strategy to secure the State's energy supply	Expressions of interest were called in September 2009 for a range of energy reform transactions. (p.31)
Better Services and Value (BSV) Plan implementation	Implement elements of the Plan for which Treasury has been assigned responsibility	BSV Taskforce was established, as was a new OFM Directorate which supports it. OFM assisted in the development of the 5-point BSV plan and commenced a large rolling program of agency, SOC and cross-agency expenditure and performance reviews with the objective of making short-term savings and ensuring the sustainability of services in the longer term (pp.18f, 40)
Treasury Cluster	Consider the implications of the 'super agency' structure for NSW Treasury and its cluster agencies.	A review of OFM's organisation capability was commissioned in May 2010. Scope included seeking the most effective forms available of collaboration with the other agencies in the Treasury cluster. (pp.4, 43)
Transport Reform (EEC)	Advise on the development and affordability of the Metropolitan Transport Plan	OFM's fiscal modelling was influential in the finalisation of the Metropolitan Transport Plan, allowing testing of the medium-term fiscal results of alternative policy and planning options. (pp.32-33)
Other Key Achievements		
- Prepared a submission to the Commonwealth Grants Commission on the Draft Report on GST Revenue Sharing Relativities, resulting in NSW now receiving more revenue than the Draft Report proposed (pp.21, 35) - Further wage parameters were approved by Budget Committee, bringing an end to the current round of negotiations under the 2007 wages policy (p.19) - Developed a new appropriations framework, taking into account agency amalgamations (p.23) - Developed and implemented new arrangements for Home Warranty insurance (p.25. Also Vol 3 (Crown), p.10) - Released a new policy and associated tools for Audit & Risk Management, applicable across the NSW public sector, to bring this area up to ISO standards. Updated OFM's own audit and risk function to ensure Treasury will be a leader in compliance (pp.49f)		

OFM's achievements in 2009-10

OFM has a number of major strategies, which are applied in the service of four key objectives:

1. *Strong State finances, to support the delivery and long run affordability of government services*
2. *Policy settings which promote a competitive State economy*
3. *A key role for NSW in intergovernmental financial arrangements*
4. *Sound internal management: A values-based organisation that supports the efficient achievement of our planned business results.*

Most of the key strategies have some application to each of these objectives, but through different projects. The relationships can be best understood by consulting the diagram 'Treasury (OFM) on a page' (p. 5).

Objective 1: Strong State Finances

State Fiscal Strategy

The State Fiscal Strategy is the 'umbrella' strategy for all the reforms under this Objective. It covers the development of advice and policies designed to achieve fiscal outcomes that deliver a strong State balance sheet and allow NSW to maintain its strong credit rating. The ultimate purpose of the State Fiscal Strategy is to allow public services to be maintained and improved over time, while tax rates remain competitive despite movements in the economy. It is the cornerstone of the Government's framework for managing state resources on behalf of the community.

Within OFM, the State Fiscal Strategy starts with the *Fiscal and Economic Directorate*, which advises on fiscal policy. The resource allocation Directorates (*Economic, Environment and Communities* and *Human and Social Services*) collaborate with line agencies to help them apply these policies appropriately, and the *Budget and Financial Management Directorate* applies the Strategy in formulating and reporting against the State Budget.

The State Fiscal Strategy is currently characterised by five important components:

- The Better Services and Value Plan, to ensure that public services remain affordable and the public service is operating at best possible efficiency over the medium to long term
- Advising the Government on appropriate fiscal targets to be set each five years under the Fiscal Responsibility Act, and monitoring and advising on the Act's implementation
- The Financial Management Framework: advice to government on the systems and processes governing Budget - and to a lesser extent Cabinet - processes and how these can be optimised to ensure policy decisions take adequate account of all resourcing implications
- Management of Crown assets including the Government's Self Insurance Corporation
- Management of and advice on the State's balance sheet including advice on management of its investments and debts.

An efficient, affordable public service

Better Services and Value

To ensure the State retains the capacity to sustain the escalating costs of critical government-provided services over the medium to long term, in 2009-10 the NSW Government established a Better Services and Value Taskforce. The Taskforce comprises two independent members from outside the NSW public sector (including the Chair) and the heads of Treasury and the Department of Premier and Cabinet. It has a five-point plan:

- Maintain a wages policy requiring offsets for increases above 2.5 per cent
- Align 160 government agencies and offices into 13 clusters to improve service delivery and achieve economies of scale
- Review whole-of-government expenditure in areas such as legal services, ICT, asset utilisation and purchased services
- In-depth expenditure reviews of individual agencies
- Performance reviews for all State Owned Corporations, including a review of Board performance.

The Taskforce developed a program of major reviews of individual agencies, plus some cross-government reviews, for example of information technology and legal services. The purpose of these reviews is to support agencies to provide appropriate service outcomes within the expenditure levels proposed in their forward estimates.

OFM's Expenditure Review Directorate was established on 1 July 2009 and supports this work. Since that time it has:

- established the Task Force and provided it with Secretariat and planning support
- project managed the first year's program of reviews
- acted as key adviser on the reform of the Expenditure Review Committee process
- coordinated Treasury advice on the implications of the Government's amalgamation and corporate and shared services agenda and begun work on the integration of amalgamated agencies
- set up a project office within the Directorate to give OFM systematic oversight of the implementation of the reforms agreed following its reviews.

General Government Expenditure Reviews

In 2009-10 the Directorate completed an expenditure review of the Department of Education and Training, where the savings identified will contribute to the agency meeting its ongoing efficiency dividends. It also commenced expenditure reviews of:

- Department of Human Services
- Department of Justice and Attorney General
- Department of Environment, Climate Change and Water
- Department of Industry and Investment.

OFM's achievements in 2009-10

Strong State finances

Performance Reviews of State Owned Corporations

In the State Owned Corporations (SOC) sector, reviews were conducted on 14 SOC Boards to assess their composition and skills mix and analyse the impact of those factors on their performance.

Strategic performance reviews were also undertaken, as part of the rolling program, of:

- Transgrid
- Hunter Water
- State Water
- Newcastle Ports Corporation.

Whole-of-government services Reviews

The Better Services and Value Plan also seeks savings in services used across all agencies. In 2009-10, OFM completed a review of Legal Services.

We also completed Phase 1 of a review of Information Communications Technology (ICT), which will deliver savings of 5 per cent (or \$79 million per annum) from 2010-11 onwards. Phase 2 of this project, to identify a further 10 per cent saving (\$158 million per annum), commenced and is expected to be completed in October 2010.

To support the agency amalgamations, OFM worked with the Department of Premier and Cabinet on the implementation of the Blueprint for Corporate and Shared Services. Under the Blueprint, six core service providers will deliver the shared service functions of all agencies within a three year timeframe. This approach is expected to increase economies of scale significantly for shared services providers. It should reduce costs while improving the effectiveness of back-office support for government agencies.

Wages Policy

Expenditure Review Directorate also provides the Government with advice on wages and employee related costs. In 2009-10 the Directorate provided advice on 21 bargaining parameter proposals to ensure all wage increases above 2.5 per cent are supported by employee related cost savings and implemented a program to track the achievement of such savings.

Other microeconomic reforms to increase the productivity of government agencies

The aspect of microeconomic reform which directly influences the State's balance sheet is the extent to which we can improve the value for money of state government agencies through sustainable improvements in their productivity.

The three highlights in this area, each of which is discussed in more detail elsewhere in this Report, were:

- the establishment of the Better Services and Value Plan and Taskforce
- the alignment of 160 agencies and offices into 13 clusters
- OFM's work with the Department of Premier and Cabinet and Department of Health on the historic agreement by COAG in April 2010 for comprehensive funding and structural reform of the health system through the establishment of a National Health and Hospitals Network.

OFM's achievements in 2009-10

Strong State finances

There were other achievements in this area in 2009-10:

Performance Improvement Reviews

OFM contributed to two Performance Improvement Reviews instigated by the Department of Premier and Cabinet in 2009. One of these reviewed the financial position of the NSW Fire Brigades, with the other review of the NSW Police Force focussing on the death and disability scheme, financial services, fleet, property and information and communications technology.

Review of Government Radio Networks

OFM has contributed to a strategic review of the NSW Government's mobile radio networks being overseen by the Department of Premier and Cabinet. The review examines the governance and management of government radio services and how they are funded. The project, which is nearing completion, seeks to improve the coordination of mobile radio services and enhance the effectiveness and efficiency of these services.

State Property and Planning

OFM reviews agency property holdings to identify efficiencies and property related service delivery improvements. Four reviews were undertaken during 2009-10. In total, 12 reviews are currently being implemented.

Fiscal settings

Fiscal Modelling

NSW's medium and long-term fiscal targets are defined in the *Fiscal Responsibility Act 2005*, which will be updated in 2011. The current targets are:

- general government net financial liabilities reduced as a share of GSP to 7.5 per cent or less by June 2010, and to 6 per cent or less by June 2015
- maintaining general government underlying net debt as a share of GSP at or below its June 2005 level
- eliminating total State sector unfunded superannuation liabilities by June 2030

In 2009-10 substantial research was conducted in redeveloping a long-term (40-year) fiscal model to assess, among other factors, the impacts of an ageing population on the NSW economy and finances. The results of this research are due to be published in the 2011-12 Budget, in accordance with the *Fiscal Responsibility Act*.

Considerable research was also conducted into modelling the State's finances over the next 10 years. This medium-term fiscal modelling takes into account capital spending from the State Infrastructure Strategy (see p 27) as well as operating, capital and balance sheet information about the public trading enterprises. Such modelling was developed by OFM to test the medium-term fiscal results of alternative policy and planning options.

OFM's achievements in 2009-10

Strong State finances

To improve the public sector's skill in fiscal and economic areas OFM ran eight 2-day workshops on Cost-Benefit Analysis and three one-day workshops on Economics for Non-Economists.

Revenue Strategy

The State Fiscal Strategy is designed to balance expenditure against revenue; thus the State Revenue Strategy must ensure there is sufficient revenue collected to enable government services to be delivered and to remain affordable while maintaining the competitiveness of the NSW economy. (It should also keep the tax system efficient and competitive. Information on this can be found under *Policy settings that promote a competitive State economy.*)

The two main sources of revenue for NSW are State based income (such as state taxes and revenue from government enterprises) and transfer payments from the Australian Government. In 2009-10 Australian Government payments accounted for 47 per cent of total NSW revenue. For this reason the distribution of Federal resources among the states is critical to NSW's revenue strategy.

OFM's *Fiscal and Economic Directorate* is NSW's lead adviser on revenue policies, including tax policy and intergovernmental financial arrangements. It consults with our resource allocation directorates (*Economic, Environment and Communities* and *Human and Social Services*) to help it to balance the revenue contribution from taxpayers, users of government services, and dividends and tax equivalents paid by commercial government businesses. The resource allocation directorates also provide important advice on the fiscal and economic consequences of proposals under the COAG Reform Agenda (see p. 34).

In 2009-10 OFM made its final submission to the Commonwealth Grants Commission (CGC) on the 2010 Review of its methodology, and the resulting CGC Draft Report reflected a number of adjustments proposed by NSW (see p.35 for further detail).

In the 2010-11 State Budget the total revenue for 2009-10 was expected to increase by 11.7 per cent compared to the outcome for 2008-09. This compares to an expected revenue growth of 8.5 per cent predicted in the previous year's Budget. Higher than expected revenue growth is the result of stronger than expected economic activity that boosted taxation revenue and GST revenue.

OFM's achievements in 2009-10

Strong State finances

OFM developed a number of revenue initiatives that were announced over 2009-10. These measures included:

- Increase in motor vehicle weight tax that was announced as part of the Metropolitan Transport Plan.
- Bringing forward the payroll tax rate cut from 5.65 per cent to 5.5 per cent to 1 July 2010, instead of the previously announced date of 1 January 2011. The payroll tax rate will be further reduced to 5.45 per cent from 1 January 2011.
- Transfer duty concessions for the construction of new homes costing up to \$600,000 and sold 'off the plan' between 1 July 2010 and 30 June 2012. Where construction has already started buyers will receive a 25 per cent cut in stamp duty. Where construction has not commenced the buyer will pay zero stamp duty.
- Zero stamp duty for people aged over 65 selling an existing property and buying a newly constructed home costing up to \$600,000 for sale between 1 July 2010 and 30 June 2012.
- Abolition of Insurance Protection Tax from 1 July 2011.
- Changes to hotel gaming duty tax rates effective from 1 July 2010.
- Providing a payroll tax exemption for paternity leave payments up to 14 weeks for each pregnancy from 1 July 2010.

Financial Management Framework

The Financial Management Framework helps to link planning decisions with budget decisions, both within agencies and as part of the management of the State Budget.

OFM's *Budget and Financial Management Directorate* is responsible for the development and application of the Framework, including the annual compilation of the State Budget and the Report on State Finances. It is assisted by the two resource allocation directorates (*Economic, Environment and Communities* and *Human and Social Services Directorates*). These monitor the application of the framework within agencies.

The focus of work in 2009-10 was the development of a new appropriation framework and reporting arrangements to support agency amalgamations.

The new appropriation and related governance framework was developed to be conducive to achieving Government priorities in a fiscally responsible manner. The changes that have been adopted have been guided by the following objectives:

- Ensuring clear Ministerial accountability
- Ensuring Ministerial spending decisions are consistent with Parliamentary authority
- Retaining the role of Budget Committee in setting Portfolio Ministerial budgets
- Ensuring that appropriations support the recent agency amalgamations.

OFM's achievements in 2009-10

Strong State finances

Budget Papers were amended to reflect the new appropriations framework:

- For each budget dependent agency the recurrent and capital budgets of each Minister and the associated service groups are itemised.
- Budget Paper No. 5 (Appropriation Bills) itemises for each agency the cash appropriation to a nominated Minister on behalf of all Ministers associated with the agency and - for information purposes only - the recurrent and capital service group budgets for each of those Ministers.

In addition, Budget Paper No. 3, *Budget Estimates*, was changed to present agency information under the 13 clusters announced in June 2009.

In October 2009 OFM took up the chair and secretariat functions for the national Budget and Financial Framework Advisory Committee (BAFFAC) for a term of two years. BAFFAC was established in November 2004 by the Heads of Treasuries (HoTs). The purpose was to provide a forum at senior officer level, for the development and exchange of ideas and research on contemporary budgeting and financial management reforms, i.e. on reforms other than public sector accounting and financial reporting matters. HoTs member jurisdictions nominate to provide the chair and secretariat for a two year period on a rotating basis.

Public Sector Financial Management and Reporting

OFM is responsible for ensuring the NSW public sector adopts best practice in accounting, financial and reporting standards. It is also the lead agency for implementing Government decisions resulting from the 2008 report of the Department of Premier and Cabinet, *Internal Audit Capacity in the NSW Public Sector*.

During 2009-10 OFM implemented a new model for appropriations and revised legislative delegations model as part of the 2010-11 State Budget.

We participated in interjurisdictional committees, including those which comment on proposed changes to Australian Accounting Standards, and we kept agencies and the Government up to date on any changes made, amending policies where required to attain them.

We also advised NSW agencies on the financial and annual reporting implications of the agency amalgamations announced by the Government in June 2009, and progressed the reissue of those financial and annual reporting regulations due for repeal in 2010, in accordance with the *Subordinate Legislation Act 1989*.

OFM chaired an inter-agency Internal Audit Implementation Steering Committee, which resulted in the release in August, 2009 of a revised Audit & Risk Policy which applies to all state public sector agencies. When fully implemented, it will bring NSW in line with world best practice in the management of risk and the planning, governance and follow-through required for internal audit. OFM had the lead role in developing and issuing the policy, and is now monitoring its implementation.

OFM's achievements in 2009-10

Strong State finances

Reporting on State Finances

Accurate, informative and timely reports on the management of State finances ensure accountability for the use of public funds. Monthly financial statements against the State Budget for the year to date are the basis of this reporting. A major report issues from the Half-Yearly Review in December, and the annual Report on State Finances is tabled in Parliament at the end of October, in line with the requirements of the Public Finance and Audit Act.

OFM coordinated the 2010-11 State Budget, which the Treasurer delivered in Parliament on 8 June 2010.

Information on the 2010-11 State Budget, including the complete Budget Papers, is available from: www.budget.nsw.gov.au.

Other reports on NSW finances are available from OFM's website: www.treasury.nsw.gov.au.

Line Agency Reporting

OFM and the Audit Office worked together to pilot an 'early close' for 15 of the 22 largest agencies. This involved financial statements being prepared at the end of March or April for audit review so that any issues could be identified before the end of the financial year.

The objective of the early close is to improve accuracy and timeliness. Early identification and resolution of accounting treatments and other issues should avoid delays in the finalisation of accounts. The results of the 2009-10 pilot will be evaluated for the potential to roll out to other agencies next financial year. OFM's objective is to bring forward the date for publication of the Total State Accounts.

Management of Crown Assets and the Government's Self-insurance Scheme

The remaining important contributions to balance sheet management, both managed through the *Budget and Financial Management Directorate*, are:

- management of Crown financial assets and liabilities, i.e. those carried by the State rather than an individual agency (e.g. public sector superannuation liabilities, interest payments on government debt)
- management by SiCorp of the Government's self-insurance scheme, the Treasury Managed Fund (TMF).

SiCorp is a separate legal entity and reports on its overall performance through its own Annual Report. Only brief highlights which impact on the State's balance sheet are recounted here.

The Crown also produces its own Annual Report, which includes its own financial statements. The Crown report forms Volume 3 of Treasury's Annual Report. Bound with it are the Annual Reports of the small legal entities which are currently under Crown control.

OFM's achievements in 2009-10

Strong State finances

Crown Finances

In 2009-10 the Crown Entity administered \$41 million less than the previous year in payments to first home buyers, however total payments remained substantial at around \$697 million. This figure includes approximately \$305 million for "Boost" grants funded by the Commonwealth.

An actuarial review of State Super estimated that Crown superannuation liabilities were on track for the target of being fully funded by 2030. During 2009-10 an extra \$510 million was contributed to these liabilities from the proceeds of the operational transfer of NSW Lotteries to the private sector.

Because of the scale of its balance sheet, the Crown Entity is subject to an ongoing program of internal and external audit. A seven-week audit in 2009-10 found that all the key recommendations of a major review of the control environment in 2008 had been implemented. The Entity was rated "well controlled". The Auditor-General conducts and reports on the external audit program.

In 2010-11 a key priority will be the development and implementation of Stage 2 of the revision of the Public Authorities Financial Arrangement Act, which will improve risk management and at the same time increase returns on investment.

Treasury Managed Fund

In July 2009, the investment strategy of SiCorp changed to more growth-oriented targets, resulting in investment returns of over 15 per cent for the six months to December 2009. As a result of this success, plus improvements in the economy generally, SiCorp was able to return \$30 million to the Crown in 2009-10.

From July 2010 SiCorp will take over the administration of the Home Warranty Insurance Fund (HWIF), as part of major structural reforms to safeguard home owners and support the building industry following the withdrawal of major insurance providers from the market. During 2009-10 SiCorp developed and implemented new arrangements to enable a smooth transition in July.

In 2010-11, following the absorption of HWIF, SiCorp will review the Home Warranty Insurance Scheme to reduce expense ratios and commence a major review of the delivery of the home warranty product to the consumer.

Further achievements of the Treasury Managed Fund can be found in SiCorp's own Annual Report at www.sicorp.nsw.gov.au.

Objective 2: A competitive State economy

In Australia, a high proportion of the most effective economic levers are in the hands of the Commonwealth Government and the Reserve Bank. There are three main roles for State governments: to provide services; to levy taxes and charges to help fund those services; and to provide regulation which maintains fairness without unintentionally distorting the economy.

In light of this understanding, NSW Treasury can work to build a healthy State economy by:

- adjusting state taxes and charges to balance the revenue the Government needs for providing its services against the need to minimise the burden on individuals, industry and business
- advising the Government on the economic as well as financial impacts of proposed major public capital works (infrastructure) and setting or contributing to policy and strategy in this area
- providing advice and assistance to ensure that Government businesses which are best run commercially are either transferred to private sector management, or are run along the same lines as private sector organisations, e.g. they have similar levels of taxes and dividends, governance structures and due diligence expectations. OFM also advises the Treasurer in his role as shareholder for the State Owned Corporations.

Tax and Revenue Strategy

It was noted earlier that revenue strategy comprises two parts: sufficient revenue to fund sustainable government services, and equitable, competitive taxes and charges which minimise the burden on taxpayers and allow industry and business to thrive. This section deals with OFM's contribution to shaping these taxes and charges.

The *Fiscal and Economic Directorate* (FED) is the lead adviser on revenue policies. It consults with the other half of Treasury, the Office of State Revenue, on the administrative efficiency of taxes.

During 2009-10 OFM provided advice to the NSW Government on the Final Report on Australia's Future Tax System (the "Henry Tax Review") and on the Commonwealth's response. OFM continues to closely examine the 138 recommendations from the Review from the perspective of the development of a simpler, more efficient taxation system. The recommendations are expected to be subject to discussions between the states and the Commonwealth.

The direction of reform should

- Improve the equity and efficiency of the tax system
- Leave NSW no worse off financially
- Provide state revenues which grow in line with increasing demands for state services
- Reduce the volatility of state revenue
- Provide flexibility to adapt to changing economic conditions and priorities.

OFM's achievements in 2009-10

A competitive State economy

During 2009-10 OFM advised on the development of a number of policies designed to reduce the burden on taxpayers.

- Transfer Duty – The Home Builder's Bonus provides an exemption from transfer duty on properties valued up to \$600,000 purchased off the plan before construction has commenced, or vacant land valued at up to \$400,000, and a 25 per cent discount on transfer duty for buyers of new dwellings valued at up to \$600,000 where construction has commenced. This policy extends from 1 July 2010 to 30 June 2012.
- Transfer Duty – People aged over 65 selling an existing property and purchasing a new property valued at up to \$600,000 receive an exemption from transfer duty. This policy extends from 1 July 2010 to 30 June 2012.
- Payroll Tax – The payroll tax rate has been cut to 5.5 per cent from 1 July 2010, brought forward from 1 January 2011, and the rate has been cut further to 5.45 per cent from 1 January 2011.
- Insurance Protection Tax – Abolished from 1 July 2011.

Effective infrastructure planning and management

State Infrastructure Strategy

OFM advises on the development of the State Infrastructure Strategy (SIS) and monitors its application. The Strategy gives a 10 year overview of the Government's major infrastructure priorities to support public services and growth across NSW. It links State Budget approval of near term infrastructure spending with longer term infrastructure plans and ensures consistency with the Fiscal Strategy.

SIS projections draw on agency Total Asset Management (TAM) Plans (see p.28). The SIS plan and its projections are reviewed, updated and published every second year. A full SIS report was last published in June 2008 for the period 2008-09 to 2017-18. The capital program was re-prioritised in the 2008-09 Mini-Budget and a summary of changes to the 10 year SIS was published in the 2008-09 Half-Yearly Review.

Subsequently, the 2009-10 and 2010-11 State Budgets updated details of infrastructure investment over the Budget and forward years. The Metropolitan Transport Plan, released in February 2010, specifies planned transport infrastructure investment over the 10 years to 2019-20.

A full SIS update for the period 2010-11 to 2019-20 will be published in 2010-11 to align with the update of the Sydney Metropolitan Strategy (to be known as the Sydney Metropolitan Plan).

Capital Budgeting

In 2007-08 OFM began to introduce a new capital budgeting process to better link the ten-year SIS with the shorter term budget cycle. This new process included an annual Infrastructure Review to assess future capital requirements, risks and affordability. During 2008-09 the process was refined and new Capital Planning Limits for major agencies began to be phased in based on Treasury's review of major agencies' TAM Plan fiscal limits.

OFM's achievements in 2009-10

A competitive State economy

In 2009-10, OFM was restructured to better integrate TAM planning with the State Budget Process and to strengthen links between the SIS and the Fiscal Strategy. SIS projections are now based on component agency capital estimates. A comprehensive review of SIS Budget risks was undertaken to inform fiscal projections and scenario analysis.

This work formed the basis for the 2009-10 Infrastructure Review, which was subsumed within the process for developing the Metropolitan Transport Plan.

In light of the 2008-09 global financial crisis and the need to review and update Fiscal Responsibility Act targets by mid-2011, a full review of all recurrent and capital fiscal risks is being undertaken before finalising Capital Planning Limits for non-transport agencies.

OFM also continued preparation for a Capital Performance and Management System. The new system will replace legacy IT systems, and will support all stages of the State capital expenditure management life cycle: planning, budgeting, reporting, monitoring and review. The second phase, undertaken in 2009-10, included review of the functional requirements and determination of appropriate technical products for the new system. The 2010-11 phases involve continued development of a capital framework, identifying and selecting an appropriate product, and commencement of the implementation.

Total Asset Management Policy

Total Asset Management (TAM) is a strategic approach to capital investment planning and management. TAM asset strategies and 10-year capital expenditure information outline how an agency aligns its asset planning with its service delivery priorities and strategies, within the limits of available resources. Individual projects within agency TAM plans are submitted to the annual State Budget process (with supporting business cases) for funding approval.

In May 2010, OFM commenced a strategic review of the Total Asset Management process. The review will build on improvements implemented during the year and recommendations from the Auditor General's 2009 Compliance Review on TAM.

Procurement

OFM is responsible for government procurement policy. The objective is to ensure that in the procurement of goods and services government agencies run fair, ethical and transparent processes which also achieve best value for money in delivering services for the community.

During 2009-10 OFM partnered with other State Treasuries to release *In Pursuit of Additional Value*, an evidence based benchmarking report on alliance contracting. The report identifies and promotes value for money procurement practices.

The Gateway Review process provides an independent assessment of capital projects at key decision points in the procurement cycle. Over 300 reviews have been conducted since 2004. In 2009-10, 38 reviews were conducted on 82 projects, totalling \$10.9 billion. 101 individuals (including OFM analysts and members of the public and private sectors) participated as gateway reviewers in 2009-10. Agency compliance with Gateway remains steady. Of the projects listed in the 2009-10 Budget Paper No. 4 *Infrastructure Statement*, 80 per cent were reviewed at the mandated gates.

OFM's achievements in 2009-10

A competitive State economy

In 2009, Gateway launched the online Risk Assessment Tool. The online tool helps agencies identify potential high level risk for projects by analysing key information including project size, scope and scale, the agency's delivery capabilities and the influence the project will have on delivering services.

The Risk Assessment Tool also helps OFM determine which projects should be subject to reviews additional to the mandated Strategic and Business Case Gates.

The six Gateway workbooks were strengthened to reflect current procurement practice, including enhancing the criteria for reviewing programs, environmental sustainability, governance and risk management. The review rating was also changed from a numeric to a risk based rating.

Recovery following Natural Disasters

Natural disasters are not only devastating for individuals, but without assistance they are capable of wiping out whole industries in the affected area, significantly affecting the economy.

OFM reimbursed close to \$128 million to various agencies (this amount does not include some in-built funding in some agencies) for eligible expenditures associated with the 2009 May North Coast Floods and other events in 2009-10. It processed 50 natural disaster declarations, attended to expenditure claims related to these declarations and processed numerous enquiries and applications from the public seeking assistance.

As a member of various emergency management advisory and working groups, OFM representatives provided advice to the:

- State Disaster Recovery Advisory Group
- Natural Disaster Resilience Program Working Group
- Emergency Risk Management Working Group
- Recovery Funding Group
- NSW Natural Disaster Relief and Recovery Guidelines project with Emergency Management NSW and the Department of Premier and Cabinet.

Well performing Government businesses

Commercial Policy Framework

The Treasurer is one of the key shareholders in each of the NSW Government's commercial businesses. The operations of these businesses are governed by OFM's Commercial Policy Framework, which subjects public businesses to the same disciplines faced by private ones. The result is a level playing field for public and private sector enterprises - competitive neutrality. OFM applies these principles when advising on or participating in major innovation and reform of government business structure and operations.

OFM's *Commercial Management Directorate* advises on the application of the Commercial Policy Framework. In 2009-10 they worked closely with the *Expenditure Review Directorate*, which is undertaking a program of reviews of State Owned Corporations as part of the Better Services and Value Plan.

OFM's achievements in 2009-10

A competitive State economy

The components of the Commercial Policy Framework are available on OFM's web site and include:

- Guidelines for Boards
- Treasury Management Policy
- Guidelines for Financial Appraisal
- CEO Contract Guidelines
- Reporting and Monitoring Policy
- Government Guarantee Fee Policy
- State Owned Corporation Indemnity Policy
- Tax Equivalent Regime
- Capital Structure Policy
- Guidelines for Assessment of Projects of State Significance
- Financial Distribution Policy
- Social Program Policy.

In November 2009 a revised Financial Distribution Policy for Government Businesses was issued, to apply from 1 July 2010. The revisions refine the Policy's scope, promote greater consistency in dividends implementation and address recent changes in accounting standards.

In 2009-10, OFM reviewed the method used to calculate the Government Guarantee Fee paid by NSW Government Businesses. The new method more closely replicates lending practices faced by private sector borrowers, by using current interest rates and actual debt.

Government Commercial Activity

OFM applies the principles of the Commercial Policy Framework when advising on, and taking part in, major initiatives and reforms that relate to government businesses.

Securing the water supply for the Greater Sydney Region is a critical priority for both economic and community confidence, which was brought into sharp focus by the recent long drought. OFM was therefore an active member of Project Control Group for the Sydney Water Desalination Project, which was completed on-time in 2010 and below budget.

OFM is also a member of the Working Group updating the Metropolitan Water Plan. This was substantially completed during 2009-10 and is set for publication early in 2010-11.

Asset sales

To strengthen the State's fiscal outlook, the Government announced in the 2008-09 Mini-Budget its intention to investigate the viability of selling or licensing a number of government businesses, including NSW Lotteries, the Superannuation Administration Corporation (Pillar), the Roads and Traffic Authority's Special Number Plates business and WSN Environmental Solutions (waste management).

OFM's achievements in 2009-10

A competitive State economy

Although the transactions are a collaborative effort, OFM has been the project manager in implementing this strategy. It has also been a key adviser in the project to secure the State's ongoing energy supply. In 2009-10 OFM was represented on the Steering Committee and provided staff on a secondment basis to the Energy Reform Project Transaction Team.

In 2010 the NSW Lotteries Corporation transaction was completed when ownership of the Corporation was transferred to Tatts Group, along with licences to conduct public lotteries in NSW from 1 April. This transaction attracted a strong pool of Australian and foreign bidders and freed more than \$1 billion of assets for the benefit of NSW.

In March 2010, all of the investigations into sales announced in the 2008-09 Mini-Budget were completed, when the investigation around WSN Environmental Solutions was finalised and Parliament passed enabling legislation for its sale. Expressions of interest were called in May and it is expected the sale will be completed by the end of 2010. Some WSN sites will need to be retained by Government and a new statutory corporation, the Waste Assets Management Corporation, will be set up to manage them.

The Government also proceeded with a transaction of the RTA's Special Number Plate business by offering a concession to the private sector to manage and operate the myPlates business under a 15 year partnering arrangement. The competitive process commenced in August 2009 with a call for expressions of interest. The business is expected to be transferred to the successful bidder by the end of 2010.

Over the course of the year, OFM monitored the implementation of a number of key strategic business initiatives deemed necessary to enhance the value of the Superannuation Administration Corporation (Pillar) ahead of a future sale. The potential was identified for a private sector firm to leverage Pillar's capabilities and create a centre of excellence for financial services in the Illawarra with a view to boosting economic growth and employment in the region. The Government called for expressions of interest in June 2010.

In September 2009, the Government called for expressions of interest for energy reform transactions. These included:

- sale of the electricity retailing activity of EnergyAustralia, Integral Energy and Country Energy
- sale of the new generation development sites
- contracting out of the trading function of state owned generation businesses (commonly referred to as the gentrader model).

The response was strong and the sale process has started with the opening of the bidder data room for the sale of generation development sites. The Government's advisers are currently preparing the necessary information for the data room to allow bidder due diligence on the retail and 'gentrader' transactions to commence on 1 July 2010. The Government expects to execute the electricity reform transactions during 2010.

OFM's achievements in 2009-10

A competitive State economy

Public Private Partnerships

Since 2001-02, \$9.8 billion worth of new public infrastructure has been delivered via public private partnerships (PPP) arrangements which are used when they can provide value for money results. They often mean that major infrastructure can be built, and be helping grow the economy, long before it would have been affordable from the State Budget alone.

In 2009-10, OFM played a key role in the following PPP-related activities:

- The contract was awarded for the Stevedores Port Botany Expansion and the Public Transport Ticketing System.
- Riverwood Urban Redevelopment Project entered final negotiations.
- Villawood Urban Redevelopment Project underwent a 'further offers' process.
- Negotiations continued (jointly with the RTA) with the owners of the M2 and M5 Motorway Expansion Plans.
- PPP Schools 2, which involves the financing, design, construction and maintenance of ten new schools, successfully entered operational phase. OFM was on the Project Steering Committee and estimates that the net present cost of the new schools to the Government over the next 30 years will be approximately 25 per cent lower than it would have been under conventional public sector delivery.
- In February 2010 the M4 Motorway asset was transferred back to the State following completion of the full concession term. This is the first PPP handback in NSW. The NSW Government was able to remove the toll upon handback. The Auditor General's report on the M4 handback concluded that the road was in satisfactory condition when handed back and that this positive outcome could be attributed to a combination of good management and good will between the RTA and the owners of the M4. NSW Treasury monitored the hand back process on behalf of the Government.

OFM continues to work with the Council of Australian Governments (COAG) Infrastructure Working Group Public Private Partnerships Subgroup on the broader COAG objective of harmonising PPP Policy across jurisdictions. This year the Subgroup finalised the last volume of the National PPP Guidelines – *Commercial Principles for Economic Infrastructure*.

Through Infrastructure Australia and the COAG Subgroup, OFM participated in the production of a research paper reviewing barriers to competition and efficiency in the procurement of PPPs.

Sectoral Reform

Some major sectoral reforms (notably in health and public housing) come under the Commonwealth/State agreements covered under the next Objective, but there have been some key achievements in 2009-10 which were initiated and largely or wholly implemented by the NSW Government.

Transport

Transport is one of the Government's highest priorities. More than 10 per cent of the State's budget is invested in roads and public transport, so transport infrastructure critically impacts on the State's fiscal strategy, and it plays a critical role in the health of the NSW economy as well as in the wellbeing of the community.

OFM's achievements in 2009-10

A competitive State economy

In 2009-10 OFM worked with Transport NSW to implement a program of reform of transport entities to create a new 'super agency', consolidating funding and governance arrangements. This was about setting a single direction for transport services and developing an integrated transport strategy for NSW. The aim is to deliver better coordination of road and public transport services for the community ensuring that infrastructure is built where the greatest need exists within the constraints of responsible fiscal budgeting. OFM's role was to contribute to the formulation of the strategy and assist in developing the financial model.

The result was the **Metropolitan Transport Plan: Connecting the City of Cities**. This Plan is a 10-year fully funded package of transport infrastructure for Sydney and major regional centres, with \$50.2 billion in spending over the period. The Plan includes new rail infrastructure for express services on the Western line and new South West and North West rail lines, 1,000 new buses, new extensions to the light rail network, six new ferry vessels and continued investment in the road network. The Metropolitan Transport Plan is backed up by a 10-year funding guarantee. OFM was heavily involved in setting the financial parameters, especially to ensure the State's triple-A credit rating was not impacted.

OFM also contributed to the success of the implementation of the Government's new MyZone fare structure by reviewing the financial impacts and advising on an appropriate structure. MyZone was one of the biggest changes to public transport in a decade. For the first time under MyZone, one ticket – the MyMulti – allows passengers to travel on trains, public and private buses and ferries. MyZone has simplified the fare system, reducing the number of fare bands while ensuring almost 94 per cent of journeys will be cheaper or the same price.

Housing

In 2009-10 the Government set in place a number of new initiatives to enable all members of the community to share in the recovery of the New South Wales economy. Increasing the level of residential building activity puts downward pressure on housing prices and promotes sustained economic growth. This has been encapsulated in the **Comprehensive Housing Supply Strategy** at a cost of \$184 million over the next two years.

OFM played a leading role in developing a package of initiatives including stamp duty cuts and exemptions, capping of local government development contributions, assisting councils to fast track developments, accelerating planning reform and ensuring that there were strong governance arrangements in place. The new Land and Housing Supply Coordination Taskforce, of which OFM is a member, has been charged with implementing this Strategy.

Riverina River Red Gum forests

OFM was a key member of the Steering Group that prepared the Government response to the Natural Resource Commission report on the Riverina River Red Gum forests. The Steering Group also oversaw implementation of the Government decision to protect 107,000 hectares of forest, continue forestry in some areas and provide an adjustment package for the industry and region.

Objective 3: A key role for NSW in intergovernmental financial arrangements

Microeconomic Reform

OFM's *Microeconomic Reform Strategy* provides for consultation with key stakeholders and coordinated advice from many different areas of OFM on competition, regulatory and industry reforms designed to promote the health and ongoing growth of the NSW economy.

Its chief focus in 2009-10 was on helping to implement the reform program of the Council of Australian Governments (COAG). This reform program aims to increase workforce participation and productivity. At the same time it seeks to improve service delivery by Commonwealth, State and Territory Governments and to move forward in the areas of social inclusion, environmental sustainability and the position of Indigenous people.

COAG Reform Agenda

In 2009-10 OFM provided economic analysis and policy advice to inform COAG's consideration of reforms across a number of areas, including health and ageing; education, skills, training and early childhood; climate change and water; infrastructure; business regulation and competition; housing; and Indigenous reform. In particular, OFM participated significantly in COAG deliberations on national health reform, housing supply and affordability and the other agreements that contribute to the Commonwealth/State microeconomic reform agenda. OFM also contributed to ensuring Australian Government stimulus expenditure remained on track by monitoring key initiatives in New South Wales.

OFM worked with the Department of Premier and Cabinet (DPC), NSW line agencies, Commonwealth agencies and other jurisdictions to progress the existing COAG reform agenda and to ensure New South Wales is delivering against its commitments under National Agreements and National Partnerships. Work also included collaborative advice on how to improve the federal financial relations framework, and the performance reporting framework in particular.

Health and Hospitals Reform

The December 2009 COAG meeting agreed four National Partnership Agreements dealing with health reform:

- E-Health – providing the legislative, governance and administrative framework for national healthcare identifiers
- Elective Surgery Waiting List Reduction Plan – providing significant incentives for continued reduction in elective surgery waiting lists
- Health Infrastructure – providing for joint investment in high quality physical and technological infrastructure for the health sector and
- Health Services – funding initiatives that support high quality health services.

OFM's achievements in 2009-10

Intergovernmental financial arrangements

Health reform was the main focus of the April 2010 COAG meeting, with COAG (excluding Western Australia) agreeing to significant and highly publicised national reforms. The main financial features of the National Health and Hospitals Network Agreement (NHHNA) are:

- The Commonwealth will fund 60 per cent of the efficient price of all public hospital services delivered to public patients. It will be responsible for funding and policy for primary health care and aged care services (except in Victoria). An Independent Hospital Pricing Authority will determine the efficient price to be used by the Commonwealth for public hospital services.
- Local Hospital Networks will be the direct managers of single or small groups of public hospital services and their budgets.
- Commonwealth funding will be channelled through the National Healthcare Specific Purpose Payment and, from 2011-12, retained State GST revenue. The Commonwealth will contribute additional 'top-up' funding, guaranteed by the Australian Government to be at least \$15.6 billion nationally in the period 2014-15 to 2019-20.

The NSW position at the April COAG meeting was influential in the negotiations, with results including guaranteed growth funding for NSW of \$4.9 billion in 2014-15 to 2019-20 and additional funding in the period before then (the forward estimates period) of \$1.2 billion. As a result the community should see more timely access to emergency department care and to elective surgery, funding for long-stay older patients in hospitals, additional multi-purpose services in rural areas and more sub-acute care beds.

Housing Supply and Affordability

The April 2010 meeting of COAG also endorsed a housing supply and affordability reform agenda and timeline. OFM was a key contributor and will continue to be a major player overseeing its implementation. Under the agenda, COAG will consider the potential for reforms impacting on housing supply such as land aggregation, zoning and planning processes and governance. The work will examine Government policies that may hinder supply or stimulate demand, including Commonwealth and State taxation settings, environmental and energy regulation and the impacts of initiatives designed to change behaviour, such as the First Home Owners' Scheme.

Climate Change

Heads of Treasuries (HoTs) was requested by the COAG Adaptation Sub-Group to develop a set of principles to help address the issue of climate change risk management. To improve clarity around roles and responsibilities, Treasury officials developed a National Climate Change Risk Allocation Framework which was endorsed by HoTs, to be followed by interdepartmental consultation, submission to the Treasurer's Ministerial Council and then COAG, subject to appropriate approvals. NSW Treasury (OFM) made a significant contribution to the development of this Framework.

Commonwealth Grants Commission

In 2009-10 OFM made its final submission to the Commonwealth Grants Commission (CGC) on the 2010 Review of its methodology. In its final report on the 2010 Review published in February 2010, the CGC adjusted the assessment methods proposed in its Draft Report in a number of ways suggested by New South Wales, including:

- in the 'community and other health services' assessment, the Commission at least partially recognised that State-provided services and services provided by others are not necessarily perfectly substitutable, by discounting the non-State expenses included in its assessment model by 12.5 per cent

OFM's achievements in 2009-10

Intergovernmental financial arrangements

- in the roads assessment the Commission separated bridge expenses from other roads expenses to partially recognise that the costs of maintaining bridges are driven by different influences from the costs of maintaining roads
- the Commission included an allowance for the impact of culturally and linguistically diverse populations on the cost of providing health services and schools, recognising that people born in non-English speaking countries have some effects on the cost of providing those services.

Federal/State Financial Relations (National Partnerships)

OFM assisted in the development of a Federal Financial Relations Circular to advise line agencies on the development of National Partnership agreements. Guided by the Heads of Treasuries committee, OFM began work with other jurisdictions to undertake a review of National Agreements, National Partnerships and Implementation Plans. The Review will report to COAG at the end of 2010. It will identify options to improve the efficiency and effectiveness of the federal financial relations framework, with a focus on assisting the delivery of the national outcomes agreed by COAG.

An important feature of the federal financial relations framework is a performance reporting framework. The COAG Reform Council published its first annual assessments of the performance of jurisdictions in meeting their commitments under the National Agreements and National Partnerships agreed in 2008. Assessments completed in 2009-10 included baseline performance under the *National Education Agreement* and the *National Skills and Workforce Development Agreement* (October 2009); inaugural report assessing performance under the *National Partnership Agreement to Deliver a Seamless National Economy* (February 2010); and baseline reporting against National Agreements in Healthcare, Disability, Affordable Housing and Indigenous Reform (June 2010). NSW was assessed as performing at or above the national average across most measures in these agreements.

OFM played a key role in liaising with the COAG Reform Council as they produced their first annual performance assessments of jurisdictions against all six National Agreements in 2009-10. In August 2009, OFM led the development of the NSW submission to the Review of the Report on Government Services (ROGS). The NSW submission made several recommendations to enhance the usefulness of the ROGS by providing more effective performance reporting and an improved basis for decision making.

OFM also participated in the Business Regulation and Competition Working Group (BRCWG), providing advice on various microeconomic reforms to enhance long-term productivity growth and working with NSW agencies to ensure NSW delivers on our commitments under the *National Partnership Agreement to deliver a Seamless National Economy*. In April 2010, COAG noted reforms have already been completed on harmonisation of domestic and export wine labeling requirements and towards achieving a consistent and efficient system of environmental assessment and approval when Commonwealth and State processes are involved.

Implementation of the nation building and economic stimulus package

On behalf of the NSW Government, OFM oversaw the implementation of the second year of the Australian Government's Nation Building Economic Stimulus Package, in particular assisting with the Building the Education Revolution Program, from which over \$2 billion was spent on NSW

OFM's achievements in 2009-10

Intergovernmental financial arrangements

schools in 2009-10. We also helped develop implementation plans for the following national partnerships:

- Digital Education Revolution
- Low Socio-Economic Status School Communities
- Literacy and Numeracy
- Teacher Quality
- Youth Attainment and Transitions.

Other Intergovernmental Initiatives

National Water Reforms

OFM participated in negotiations with the Commonwealth which finalised a bilateral Water Management Partnership Agreement under the Murray Darling Basin Intergovernmental Agreement in January 2010. The Partnership Agreement stipulates the funding approval and project implementation process underpinning the Commonwealth's in-principle agreement to provide up to \$708 million to NSW agencies to implement priority projects to help rural communities adjust to decreased water availability and save water for the environment.

The NSW Government subsequently submitted business cases for priority projects for consideration under the Commonwealth's due diligence process. Subject to the outcome of the Commonwealth's assessment process, OFM will continue to be involved in the inter-agency Steering Committee overseeing the projects' implementation.

Through its participation on the National Water Reform Committee, OFM was involved in the ongoing development and implementation of broader national water reforms in the areas of pricing, strengthening water markets, water trading, water planning, and compliance and enforcement.

FIFA World Cup bid

OFM worked closely with the Department of Premier and Cabinet, other NSW agencies, the Australian Government and Football Federation Australia to prepare Australia's bid to host the 2018 or 2022 FIFA World Cup football games. Negotiations took place with the Commonwealth on its contribution to the costs of staging the event, should the bid succeed, and the guarantees and agreements required by FIFA were subject to detailed review and analysis. Australia's bid was lodged with FIFA on 14 May 2010.

OFM's achievements in 2009-10

Objective 4: Sound internal management: A values-based organisation that supports the efficient achievement of our planned business results

This section reports against the various parts of this objective: how we maintain a values-based organisation, how we plan our business results and monitor our progress towards them and the resources used, the risks that might prevent progress, and the controls that ensure we maintain good governance and are true to our values as we work. In other words, here we report on the frameworks in place to support OFM staff to achieve the other three Objectives.

A Values-based Workplace

OFM's corporate values are:

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

These values are important to the way we work and to shaping the workplace culture we seek. They are reinforced by a governance framework (see p.49) designed to guide staff towards these values at key points in their decision making.

Staff Feedback

OFM uses staff surveys to track employee views on a number of key workplace issues, from organisational strategy and culture to job satisfaction and personal and career development. Employees are encouraged to complete a brief questionnaire quarterly, with a more detailed survey conducted biennially. A biennial survey was conducted in August 2009.

During 2009-10 OFM's Human Resources Executive Subcommittee and Executive Board endorsed a range of measures to strengthen the survey process. Staff can now complete the quarterly staff survey online and processing time has improved.

A more robust feedback process is now in place, requiring all business units to take responsibility for communicating results linked to action. The HR Subcommittee and the Executive Board consider the results of every survey. In response to survey feedback a number of corporate initiatives will be undertaken in 2010-2011. The first of these, a complete review of our recruitment and talent management practices, commenced during 2009-10.

OFM's achievements in 2009-10

Sound internal management

Quarterly Staff Questionnaire Results						
	2005-2006 Actual	2006-2007 Actual	2007-2008 Actual	2008-2009 Actual	2009-2010 Actual	Target
staff participating	39%	44%	45%	41%	44%	≥75%
staff believe OFM values are being adhered to*	93%	89%	87%	89%	92%	≥90%
staff satisfied with OFM*	91%	89%	90%	93%	86%	≥90%
staff satisfied with their job*	95%	93%	93%	95%	94%	≥90%

The percentages shown here in all years reflect both "favourable" and "neutral" responses.

Biennial Survey

The biennial staff survey findings outlined what staff valued most about working for OFM and what improvements they wished to see. Of highest value was interesting and important work, friendly and supportive colleagues and the good working conditions and flexibility provided by OFM. Areas where staff wanted to see improvements were in the allocation of resources and resource management, an understanding of the impact of reform, and the role and directions of NSW Treasury.

During 2009-10 OFM embarked on a significant program to address organisational structural issues and position Treasury to deliver on key reforms. Initiatives which targeted the priority concerns of staff included:

- review of OFM's structure and accountabilities incorporating collaboration forums (p.43)
- regular Secretary's seminars and implementation of communication guidelines (p.47)
- dedicated support for the corporate planning process to facilitate setting the direction for Treasury, and establishment of a Project Management Office to enable better coordination of projects and resourcing of OFM plans (p.40)
- review of recruitment and talent management to strengthen our selection process, ensure greater transparency, and meet resourcing needs (p. 44).

Biennial Staff Questionnaire Results				
	2005-2006 Actual	2007-2008 Actual	2009-2010 Actual	Target
staff response	79%	69%	70%	≥75%
staff agree they are valued	78%	78%	72%	≥75%
staff agree they have sufficient opportunities to develop their skills	72%	69%	78%	≥75%

OFM's achievements in 2009-10

Sound internal management

Planning our Business Results

In October 2009, OFM appointed a Director of Planning and Corporate Development. This is a new position providing dedicated support for planning and for the Audit & Risk function (see p.49). The Director works in collaboration with a working party representing senior management from each Directorate, with the Executive Board as the steering committee. The working party immediately set to work on redesigning the planning process and developing consistent templates and guidelines to be rolled out at the same time. The new templates place focus in the planning process on gaps previously identified by the Executive Board: better collaboration within OFM, transparent resource allocation and clearer reporting on project work. Development and reform projects are set out separately from business as usual in the plans.

In January 2010 a series of Executive workshops started a new planning cycle which is designed to be driven from the Executive team but to engage staff at all levels in providing feedback as the strategy is rolled down through Directorate and Branch planning. There will not be a complete new Corporate Plan until the 2011-12 financial year but the strategies that resulted from this exercise have informed Directorate planning for 2010-11.

During 2010-11 the planning working party will continue with its task, reviewing OFM's performance, service and efficiency measures, finalising the strategic management calendar, working with Human Resources to review the corporate values and assisting the Executive Board to finalise and communicate a new four-year Corporate Plan.

Implementing our Plans more effectively

To assist with the effective implementation of the new plans, a Project Management Office (PMO) was set up in April, 2010. The PMO helps project managers to scope projects outlined in their Directorate Plans, assists with procurement of consultants if these are required, reports to the Executive on the progress of key projects and transfers project management skills to relevant staff through formal training and through on-the-job mentoring. Being centrally placed, the PMO and the Director Planning are both able to advise the Executive Board about overlaps, omissions and interdependencies in planned projects, allowing more efficient resource allocation and effective packaging of related projects.

When it came into being in 2009-10, the Expenditure Review Directorate set up its own Project Management Office to assist it to monitor and report on the progress of the large number of agency and whole of government reviews on the Better Services and Value Task Force's agenda. The ERD Project Manager works in close collaboration with OFM's central PMO to ensure their approaches are consistent and resourcing and timeframes are aligned.

OFM's achievements in 2009-10

Sound internal management

Research, evaluation and a sound evidence base

Various research projects were undertaken in 2009-10 to better scope and inform OFM's policy advice. These included:

- internal research into supply and demand side factors impacting on new housing
- case studies of residential building activity in Sydney
- a report into the assessment of climate change adaptation measures to develop better frameworks for assessing and evaluating policy proposals in response to climate change
- reviewing, to inform the NSW Commonwealth Grants Commission submission, the extent to which different types of health and community services are able to substitute for one another
- research for advice to COAG's Housing Supply and Reform Working Group on benchmarking land supply and zoning processes
- a consultancy on the potential to apply more efficient delivery systems for in-hospital services to deliver continuous improvement in the health system
- an internal scan of potential strategies to improve the efficiency of the health system, considering recent and potential national and international developments.
- a consultancy to scope the development of program evaluation guidelines for NSW Government agencies, so as to promote the routine use of robust evaluations

Further to this last point, OFM is looking to work in partnership with other agencies to establish evaluations of key programs which may provide lessons for other program evaluations ('demonstration evaluations'). During 2009-10, OFM and NSW Health commenced a joint evaluation of NSW Health's Severe Chronic Disease Management Program. This program is designed to improve the coordination and effectiveness of care for people at risk of hospitalisation due to their chronic diseases.

In 2010-11 further demonstration evaluations are envisaged, along with further work on potential new guidelines for evaluation, plus increased liaison with other jurisdictions and with universities on research priorities.

Finance: Achieving our Planned Results Efficiently

Treasury's total expenses for the 2009-10 year were \$233.56 million. Expenditure by the Office of Financial Management (OFM) accounted for \$66.13 million, with the remainder (\$167.43 million) relating to the Office of State Revenue (OSR).

OFM's share of total expenses for the year was 28.3%, an increase of around 4.6 per cent on the previous year. The additional expenses are mainly attributable to the establishment of the Expenditure Review Directorate to undertake work associated with the Better Services and Value Plan.

OFM's achievements in 2009-10

Sound internal management

Overall Treasury Expenses

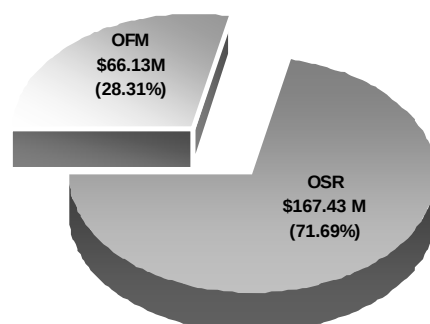


Figure 1: Share of expenses between OFM and OSR

OFM's total expenses increased by \$15.9 million in 2009-10. Work to support the implementation of the Better Services and Value Plan saw an additional \$14.74 million in expenditure. This work is critical to the improvement of service delivery and the containment of agency expenditure growth across NSW to ensure expenditure remains within the forward estimates. The value of the savings identified will far exceed the increase in expenses to undertake the work.

Compared with 2008-09, additional expenditure of \$2.19 million arose from work associated with the National Reform Agenda. Work in this area involved participating in a number of key agreements in the areas of health, education, Indigenous affairs (*Closing the Gap*), business regulation and competition policy.

NSW agencies report performance on the basis of the net cost of services (NCOS), which represents total agency expenses less revenue. The table below provides a summary of OFM's performance on an NCOS basis.

Benchmark	2005-06	2006-07	2007-08	2008-09	2009-10
≤ 100%	Actual	Actual	Actual	Actual	Actual
% of actual					
NCOS to Budget	92.3%	93.5%	95.8%	100%	94.7%

OFM recorded an actual NCOS of \$57.22 million against a budget of \$60.42 million in 2009-10. This represents an underspend of \$3.2 million, mainly attributable to employee related savings arising from the public sector-wide staff freeze.

OFM spent \$741,000 against its capital budget of \$890,000. The lower expenditure related to the shifting of some resourcing from a business intelligence system in development towards improving the robustness of existing core systems, particularly OFM's Financial Information System (FIS), which was enhanced to collect agency budget bid data. This will improve analysis and result in better informed decision making. Necessary work was also carried out to reflect the recent agency amalgamations. Meanwhile, business intelligence was expanded to include new data cubes, which allow staff to analyse and compare consolidated financial data at various points in time.

OFM's achievements in 2009-10

Sound internal management

OFM's annual capital budget of \$350,000 was increased by \$540,000 in 2009-10 to assist in the establishment of the Expenditure Review Directorate and undertake work associated with a capital monitoring system and business intelligence.

Improving Support for our People

OFM's business results depend on the quality of its people and how well they are supported by the systems, training and work methods available to them.

Strategies to develop the abilities and skills of our staff are outlined in OFM's *Human Resource Plan*. In 2009-10 there was an emphasis on:

- *setting in place the right organisational structure*
- *providing staff development opportunities*
- *improving our recruitment and talent management.*

Setting in place the right structure

The establishment of the new Expenditure Review Directorate (p.18) provided impetus for a review of OFM's structure and accountabilities, which was undertaken between June and September 2009 with the objective of ensuring that OFM is optimally positioned to deliver on key reforms and results. The structural changes provided a better focus around long term planning and key deliverables. In particular it better integrated the management of capital expenditure within the State Budget, improved our interface with agencies by establishing two dedicated resource allocation directorates and gave greater clarity in regard to the government business sector through the establishment of a Commercial Directorate. This Directorate also took oversight of asset transactions (sales, public private partnerships, etc). The review also initiated a number of collaboration forums to improve cross organisational outcomes and developed a responsibility matrix to give a clear line of vision on accountabilities across the organisation's goals, as well as the other areas whose partnership is required by those accountable. The new organisation took effect on 6 October 2009.

The Government announced structural changes for the public sector in June 2009. These took effect from July 2009 and included a number of agency amalgamations and the formation of 13 agency clusters. Under these arrangements Treasury became the lead agency in the Treasury cluster, as described earlier under 'Introduction to NSW Treasury and the new Treasury Cluster' (p.4).

Through the 2010-11 State Budget new measures were announced to accelerate the Expenditure Review task. In response, OFM has established an internal project management office and is undertaking a capability review to ensure that we are equipped at whole-of-organisation level to deliver on these processes. The objective is to address any capability deficiencies and ensure that our internal arrangements provide the best possible use of resources in delivering our key results.

OFM's achievements in 2009-10

Sound internal management

Providing staff development opportunities

During 2009-10 OFM conducted an active program of on-site training and e-learning, and also participated with a range of relevant external bodies to provide development opportunities in a wide range of skills areas:

- Skills development for finance professionals, co-ordinated by the NSW Public Sector Community of Finance Professionals and sponsored by professional associations including CPA Australia, the Institute of Chartered Accountants and Institute of Public Administration Australia (IPAA)
- Hot topic sessions, conducted in response to topics suggested by staff through staff opinion surveys
- Inaugural Australia Economic Forum hosted by the NSW Economic Society and supported by NSW Treasury
- e-Learning, as part of a blended learning solution. For example, staff were directed to the e-learning modules provided by the Office of the Information Commissioner on the new Government Information (Public Access) Act while face-to-face training was being prepared targeting OFM's needs
- Introductory and Applied Project Management, in collaboration with IPAA NSW
- Taking Good Minutes, which will better support staff and, over time, contribute to improving public records for NSW.

Training Statistics 2009/10

During 2009-10, OFM employees attended a range of training courses covering twenty-one topic programs and a total of 921 training days. Our employees participated in an average of three days training per employee during the period.

OFM Training days	2007-2008	2008-2009	2009-2010
Face to Face	1,046	1,298	921
E-Learning	180	121	4
Total	1,226	1,420	925

Improving recruitment and talent management

Graduate Recruitment

Attracting recent university graduates continues to be a critical strategy to supply the essential skills OFM requires now and in the future.

During 2009-2010 OFM worked with universities to enhance our reputation as a preferred employer for high performing graduates by our involvement with:

- the UNSW Co-op Program, a scholarship program developed to forge stronger links between industry and the university,
- the Lucy Program, which offers mentoring for women undergraduates
- attending the five major university careers fairs to promote OFM's Graduate Program.

OFM's achievements in 2009-10

Sound internal management

Employment opportunities at OFM are promoted on the OFM website. The graduate section of our website was upgraded for the 2010 campaign to provide a more contemporary look to engage younger job seekers.

OFM's Graduate Recruitment Program for 2010 attracted approximately 400 applications from recent graduates. Ten graduates were appointed from a range of disciplines including commerce, law and accounting. Graduates complete their program over 12 months with both formal and on-the-job training. They move around the organisation at regular intervals, so that over the 12 months they are offered a range of work and development opportunities.

Additionally, three accounting and policy graduates from OFM's ongoing involvement with the Fast Track Graduate Program will be employed by OFM following their final placements in September 2010.

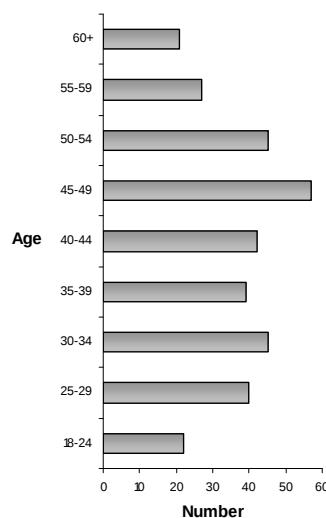
The 2010 graduates were recruited using the recently introduced NSW public sector e-Recruitment system. Following an evaluation, the process for recruiting 2011 graduates will be redesigned to enable candidates to be screened even more efficiently.

General Recruitment

It was identified from staff surveys during 2009-10 that recruitment and talent management practices were not perceived to be working optimally. A project was scoped in consultation with staff and managers, and in June 2010 an independent consultant was commissioned, to address these issues and to review OFM's processes more generally in relation to identified best practice organisations.

Staff members were encouraged to participate in focus groups and forward suggestions directly to the consultant. The review, which will report in the first half of 2010-11, will ensure that OFM is as competitive an employer as possible, in its ability both to attract high quality new people and to retain its experienced and valued staff. This will be especially important in light of the staff age profile below, which shows a significant number of staff moving to retirement age.

Staff Age Profile



OFM's achievements in 2009-10

Sound internal management

Performance Management

OFM's Performance Agreement and Review (PAR) scheme ensures that each manager, from the Secretary down, meets with each member of his or her staff at least twice yearly with the specific aims of reviewing performance and discussing that officer's workload and planned achievements for the next six months. The meeting also gives staff the opportunity to provide feedback to managers about their supervisory and development needs. The PAR is therefore an essential contributor to talent management and staff retention.

During 2009-10 a new process for Directorate and Branch planning began to be introduced into OFM, which explicitly links planned actions with human resource numbers. During 2010-11 PARs will start to reflect these plans at the individual level, and to provide officers with the development opportunities required to achieve them.

The tables below show the present configuration of staff in OFM by age, by grade and by gender. Note that the age profile numbers on p.45 are actual staff, whereas the grade and gender figures are FTE. That is, they take into account part-time work.

OFM staff number (FTE) and grades	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Executive	6	6	6	7	7
Branch Directors	19.6	19.6	21.6	18	19.8
Treasury Technical Officers	32.2	37.4	46.3	46.1	52
Grade 7-12	113.3	106.8	118.5	125.4	149.8
Grade 3-6	48	52.2	50.8	58.6	70
Grade 1-2	2.8	2.8	1.8	1.8	3
Clerical Officer 3/4	0	0	0	0	0
DPO	4	8	14	10.5	12
Indigenous Cadet	0	1	2	2	0
Total	225.9	233.8	261	269.4	313.6

OFM Chief Executive and Senior Executive Officers	2005-2006		2006-2007		2007-2008		2008-2009		2009-2010	
	M	F	M	F	M	F	M	F	M	F
Level 8	1	-	1	-	1	-	1	-	1	0
Level 7	-	-	-	-	-	-	-	-	-	-
Level 6	2	1	5	-	5	-	5	1	5	1
Level 5	2	-	-	-	-	-	-	-	-	-
Level 4	-	-	-	-	-	-	-	-	-	-
Level 3	1	2	2	2	2	3	2	2	2	1
Level 2	12	4.6	12	3.6	13	3.6	11	3	13	3.8
Level 1	-	-	-	-	-	-	-	-	-	-
Total	18	7.6	20	5.6	21	6.6	19	6	21	5.8

OFM's achievements in 2009-10

Sound internal management

Communication Strategies

OFM has an important role in the dissemination of information on State financial management. A major component of this role involves issuing financial reports for the information of all our stakeholders, the Government and the people of NSW.

OFM's role also includes the timely exchange of information with public sector agencies to support the maintenance of a strong partnership with those agencies and to support the delivery and affordability of government services.

Our own internal operations depend on effective communication within OFM. To assist our people, OFM's intranet draws attention to specific procedure documents, tools and templates which support and complement all OFM activities. It provides a framework for communication at all levels within OFM.

In addition to Executive meetings and Directors' forums, the Secretary regularly addresses all staff in his Secretary's Seminar presentations. In these seminars Mr Schur presents information and updates on current issues and outlines Treasury's position on current projects and undertakings.

Right to Information

On 1 July 2010 the *Government Information (Public Access) Act* (GIPA Act) commenced, replacing the Freedom of Information Act (FOI) 1989. The object of the GIPA Act is to open government information to the public by encouraging agencies to release government information proactively, limited only by legitimate public interest considerations. Information requests received prior to 1 July 2010 are dealt with under the FOI Act.

In preparation for the commencement of the new legislation a GIPA web page was added to the OFM website, giving the contact details of our Right to Information Officer. This officer can assist members of the public to access government information. To ensure all staff understand and comply with their new responsibilities under the GIPA Act, in 2009-10 our staff completed the E- Learning module on the new Act provided by the Office of the Information Commissioner, and face to face training will be provided early in 2010-11 by the Crown Solicitor's Office.

Electronic Service Delivery

OFM's web sites have a major role in our communication strategy and therefore need to be easy to use, simple and accessible. The web is the main vehicle for the Government's Electronic Service Delivery Strategy to provide information to our stakeholders and clients.

A major achievement this year was providing the website to deliver the 2010-11 State Budget to the people of New South Wales on 8 June 2010. Information on the Budget was made available from a single readily identifiable area – www.budget.nsw.gov.au. The Budget website presents information, including the Budget papers, in a simple, easily navigated format and is compliant with required accessibility standards, enhancing accountability for public financial management.

This Budget website was first launched in 2008-09 but is now fully constructed and managed by OFM's web and communication team. Additionally the implementation of the Funnelback Search engine across the Treasury sites has greatly improved user experience by making the location of content easier.

OFM's achievements in 2009-10

Sound internal management

Web page rankings with the largest number of "hits" on the OFM website in 2009-10:

OFM Web top pages (Numbers = ranking)	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010
Search page	5	4	2	1	-
Treasurer's media releases	n/a	n/a	n/a	2	4
Budget papers index	2	1	1	3	1
Treasury Circulars - index	6	10	3	4	2
Treasury Circulars – current year	-	-	-	-	6
Publications index	1	2	4	5	3
Current OFM jobs advertised	7	5	5	6	-
Budget papers 2008-2009	n/a	n/a	n/a	7	-
Mini Budget 2008	n/a	n/a	n/a	8	-
External links page	4	3	6	9	8
Procurement Index	8	7	9	10	-
Budget papers 2009-2010	n/a	n/a	n/a	11	-
Financial reports index	-	10	12		10
About Us – NSW Treasury OFM	-	-	-	-	5
Publications by policy index	9	6	8	-	7
Treasury Policy Papers (TPP) index	-	-	-	-	9
Working with Government website	-	8	7	-	-

Throughout the year we analyse information on our websites to determine the areas most accessed. We aim to improve accessibility to information on how the Government is using and managing public money, and this analysis helps us to understand the pages most popular with and important to our users.

The OFM web site provides the primary communication tool for public sector agencies. All OFM publications, including policies and circulars, issue to agencies via the web site. A subscription service automatically notifies agencies as new Circulars issue. More generally, the OFM web site provides access to:

- NSW Treasury publications, including our Annual Report and Corporate Plan
- periodic reports on NSW finances
- employment opportunities and OFM job vacancies
- tender information or specifications.

The OFM web team construct/manage the Working With Government web site.

A system also is in place to enable agencies to lodge their financial data electronically, directly into OFM's Financial Information System (FIS).

OFM's achievements in 2009-10

Sound internal management

Good Governance

A key objective of good governance is to foster an ethical, risk-aware culture. OFM has a number of tools in place to do this, underlined by training for all new staff upon induction.

They include the following elements internal to OFM:

- OFM Code of Conduct
- NSW Treasury Anti-Corruption Statement
- OFM Fraud Policy
- OFM Code of Good Practice with Agencies.

The following policies and guidelines, which apply across the NSW public sector, round out the framework. Most can be found on the website of the NSW Department of Premier & Cabinet.

- Code of Conduct and Ethics for Public Sector Executives 1998 (amended 2009)
- Conduct Guidelines for Members of NSW Government Boards and committees 2001 (amended 2008)
- Personnel Handbook, Chapter 8: Model Code of Conduct 2009
- Circular C2006-29 SES Grievance and Dispute Resolution Procedures 2006.

Compliance with the 2009 Audit & Risk Management Policy

Under *Public Sector Financial Management and Reporting* on p. 23 we referred to OFM's release, in August 2009, of a new Audit & Risk policy (TPP 09-05) which applies to all public sector agencies. The policy requires each agency to have a Chief Audit Executive, who reports to an Audit & Risk Committee with an independent Chair and a majority of independent members.

During 2009-10 a Chief Audit Executive was appointed and OFM's pre-existing Audit & Risk Committee was reformed in line with the new policy. Its independent Chair, Mr Jim Mitchell, has provided a **Report from the Audit & Risk Management Committee**, which recounts the Committee's activities during the year (see inset box pp.50-51). It should be noted that the Committee has also provided assurance to the Secretary regarding the controls in place to support the accuracy of the financial statements in this Report, and also those of the Crown, SiCorp and the smaller entities whose reports are included in Volume 3 of the Treasury Annual Report. The OFM and OSR Committees held a joint meeting in September 2010, chaired by Mr Mitchell, to assure themselves of the reliability of the combined financial statements.

Another requirement of the new statewide policy is that CEOs provide an **Internal Audit and Risk Management Statement** in their Annual Reports, certifying that appropriate arrangements are in place for managing risk and monitoring the controls placed on risks. The Treasury Secretary's statement follows the report from the Committee Chair. Note that the identical statement can be found in Volumes 2 and 3, to ensure that it is also available to anyone reading them as independent volumes. The Chair's report likewise appears in Volume 3.

OFM's achievements in 2009-10

Sound internal management

Dear Secretary

Report from OFM Audit and Risk Committee – 2009-10

The Audit and Risk Committee of the Office of Financial Management (OFM) aims to:

- oversee the internal audit function, risk management, corporate governance and other internal assurance processes that operate within OFM, which includes the Crown and its controlled activities
- assess risks arising from OFM's operations and the adequacy of measures to moderate those risks, and
- in tandem with external audit, ensure the integrity of OFM's external financial reporting and internal management reporting.

OFM's Committee is separately tasked with oversight of the controls on the preparation of the Total State Accounts.

The Committee oversees various assurance reviews of key OFM activities and functions, as scheduled in an Annual Internal Audit Plan. The areas to be reviewed are targeted toward potential strategic and operational risk areas. Staff can access the Audit and Risk Committee Charter from OFM's intranet.

In March 2008 the Performance Review Unit of Department of Premier and Cabinet reported on a *Review of Internal Audit Capacity in the NSW Public Sector*. Consequently during 2008-09 OFM, the Department of Premier and Cabinet and the Audit Office worked together to develop a new Internal Audit and Risk Management Policy that reflects the recommendations of the Review. The new policy was issued to the NSW public sector in August 2009.

OFM has been proactive in reviewing the structure and composition of its own Audit and Risk Committee against the best practice guidelines of the new policy. As a result, during 2009-10 the Committee operated with five members, three of whom (including the Chairperson) are independent of OFM. Membership of the Committee comprises:

- Mr James R Mitchell as Independent Chairperson
- Ms Christine Feldmanis as Independent Member
- Ms Carolyn Burlew as Independent Member
- Mr Mark Ronsisvalle, Deputy Secretary, Budget and Financial Management Directorate
- Ms Sue Power, Director, Property and Procurement Branch.

Meetings were also attended by observers from the NSW Audit Office, IAB Services (to which OFM outsources its internal audit reviews), OFM Directors and other senior OFM officers responsible for areas subject to audit review.

Early in 2010, the Committee reviewed its own Charter and proposed some amendments to bring it completely into line with the new Audit Policy and to enable it to better focus on the areas of OFM with higher risk profiles. The OFM Executive supported the amended Charter, which was subsequently approved by the Secretary.

Also in 2009-10, the Committee oversaw the review and updating of OFM's Strategic Risk Register and Risk Plan. These are used by the Committee to determine the scheduling of internal audit reviews, and to monitor progress on the mitigation of risk and the resolution of issues raised.

OFM's achievements in 2009-10

Sound internal management

The restructure of the Committee and the appointment of a Chief Audit Executive have enabled the Committee to operate in compliance with Treasury Policy on Audit and Risk Management. The Committee and OFM are committed to ensuring the application of best practice by the Audit and Risk Committee. A committee performance self-assessment has been undertaken and plans developed to improve the areas that rated less well.

The Independent Members of the Committee meet quarterly with the Secretary to enable improved communication and assurance of levels of audit work undertaken and any issues arising.

The Committee met on 9 occasions during 2009-10 and considered a range of significant matters including:

- OFM's Enterprise Risk Assessment, risk profile and associated management policies and procedures
- OFM's internal control environment
- Controls used by external service providers to mitigate the high level of risk assessed by OFM
- OFM's Internal Audit Plans for 2008-09 and for calendar year 2010
- OFM's compliance with Treasury Policy on Audit and Risk Management
- Follow up of action recommended by the internal auditors (IAB) and by the Audit Office, Public Accounts and Public Bodies Review Committees of Parliament
- Controls around the Total State Sector Accounts
- End of year financial reporting for OFM, Crown Entity, SiCorp (Treasury Managed Fund) and the Electricity Tariff Equalisation Fund, and
- Management of Fraud and Corruption risks, including the introduction of revised OFM policy on Fraud and Anti-Corruption.

For the following reviews, due for completion after 30 June, the Committee advised the Secretary on scope and terms of reference and monitored progress during 2009-10:

- Security of SiCorp's database and data handling processes
- Crown Entity's key financial management processes, functions and procedures and asset and liability risk management
- OFM's adherence by Budget Analysts to relevant guidelines and policies
- OFM's compliance with legislative and internal requirements around Freedom of Information and requests for information by Parliament in terms of Standing Order 52

Audit findings were generally satisfactory. Recommendations to improve performance and processes, and management responses to them, are documented in a Risk Register that is monitored by the Committee.

The Committee also reviewed follow up action as required associated with internal audit reviews which were undertaken in the previous period. These included:

- SiCorp's management of third party providers
- Crown Entity financial system internal controls
- Electronic funds transfer and internet banking systems
- Effectiveness of State Budget management processes, and
- OFM's process for procuring consultants and contractors.

J. R. Mitchell FCPA

Independent Chair

NSW Treasury (OFM) Audit and Risk Committee

Internal Audit and Risk Management Statement for the 2009-2010 financial year for NSW Treasury³

I, the Secretary, am of the opinion that NSW Treasury has internal audit and risk management processes in place that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, the Secretary, am of the opinion that the internal audit and risk management processes for NSW Treasury depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) Treasury is implementing the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
Core Requirement 1	
The department head must establish an Audit and Risk Committee to oversee and monitor governance, risk and control issues affecting the operations of the department.	
The Treasurer has determined:	
a) That the Office of Financial Management (OFM) and the Office of State Revenue (OSR) may maintain separate Committees for the medium-term; and	a) OFM and OSR have traditionally maintained separate audit and risk functions because the nature of their risks differs significantly and it is held to be the most effective way to manage these risks. The Audit & Risk Committees of the two agencies have undertaken to hold annual joint meetings and to liaise regularly at officer level to ensure the arrangement is efficient, minimising duplication and omission.
b) That for the purposes of its audit and risk functions, "OFM" has been defined as: the Office of Financial Management, the NSW Self Insurance Corporation and the Crown Entity, which includes the statutory bodies Electricity Tariff Equalisation Ministerial Corporation, Liability Management Ministerial Corporation, and State Rail Authority Residual Holding Corporation. Because of this definition, all of these bodies fall under OFM's Audit & Risk Committee. This exception is intended to be permanent.	b) The strict application of the Policy would mean separate audit and risk management committees for each of these entities. However, these entities are managed by OFM, use OFM internal policies and have accounting services provided by OFM via the Crown Entity.

³ "NSW Treasury" is defined, for the purposes of this disclosure, as the Office of State Revenue, the Office of Financial Management, the NSW Self Insurance Corporation, and the Crown Entity including the Consolidated Fund, Crown Finance Entity, Electricity Tariff Equalisation Ministerial Corporation, State Rail Authority Residual Holding Corporation and Liability Management Ministerial Corporation.

OFM's achievements in 2009-10

Sound internal management

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
Core Requirement 2 For the purposes of the Policy, a department head means a 'department head' as defined in section 3 of the Annual Reports (Departments) Act 1985. The Treasurer has determined: That the Executive Director of OSR (also the Chief Commissioner of State Revenue) is charged with fulfilling the everyday requirements of the Policy which would otherwise fall to the Secretary of the Treasury in his capacity as Departmental Head of OSR. Requirements reserved for the Secretary of the Treasury are: - requesting access to an arbiter as per S.4.4.3. - the Audit and Risk Committee's ability to escalate any matters of a 'material nature' to the Secretary.	
	This exception accords with the request to maintain a separate Audit and Risk Committee for OSR, which recognises that the administrative requirements in relation to the internal audit process are more effectively exercised at a local agency level. This exception is permanent, unless the Secretary should withdraw the delegation. The Secretary will continue to receive information copies of key documents and be kept informed of key issues.
Core Requirement 3 An Audit & Risk Committee Chair must be appointed for a period of at least three years, with a maximum term of four years. For members, the initial term must not exceed four years. There is an option for reappointment for a further term of maximum four years. The Treasurer has determined: That members of OFM's and OSR's Committees who will pass their maximum terms during 2010-11 may be extended into 2012 to allow departures to be staggered.	
	The Policy also states that wherever possible departures from a Committee should be staggered to ensure that knowledge loss is minimised at any one time. Prior to the Policy, terms of membership were not limited, thus some members of each Committee must either exceed their new maximum terms, or leave within a short time of other members' review dates. By mid-2012, neither Committee will require this exception.
Core Requirement 5 The Policy requires that an enterprise risk management process that is appropriate to the department has been established. The Treasurer has determined: That OFM's full compliance with this requirement be extended to June 2011.	
	OFM has the major documentation and processes for risk management in place or in draft as at 30 June 2010. However, the Policy contains requirements for embedding significant practice change in the culture, which will take longer to embed.

OFM's achievements in 2009-10

Sound internal management

I, the Secretary am of the opinion that the Audit and Risk Committee for Office of Financial Management is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Office of Financial Management Audit and Risk Committee are:

Jim Mitchell, independent Chair (2008 to April 2011)
Christine Feldmanis, independent member (reappointment April 2010 to June 2012)
Carolyn Burlew, independent member (2009 to September 2011)
Mark Ronsisvalle, non-independent member (2004 to October 2010)
Sue Power, non-independent member (2009 to July 2013)

I, the Secretary am of the opinion that the Audit and Risk Committee for Office of State Revenue is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Office of State Revenue Audit and Risk Committee are:

Peter Lucas, independent Chair (reappointment July 2009 to May 2011)
Ralph Kelly, independent (August 2009 to August 2011)
David Hunter independent (May 2010 to May 2014)
Dianne Barden non-independent member (reappointment May 2010 to March 2012)
Robert Gillam non-independent member (reappointment May 2010 to March 2013)

This structure became operative from the first meeting held after 30 June 2010. The structure prior to this date included a majority of OSR's executive team.

These processes, including the practicable alternative measures being implemented, provide a level of assurance that will enable the senior management of NSW Treasury to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to the Treasury.



Michael Schur
Secretary
29 October 2010

Financial Statements

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GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

THE TREASURY

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of The Treasury, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- presents fairly, in all material respects, the financial position of The Treasury as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Secretary's Responsibility for the Financial Statements

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Treasury's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Treasury's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of The Treasury,
- that it 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 statements.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat
Auditor-General

13 September 2010
SYDNEY

Statement by the Treasury 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 2010 have been prepared in accordance with applicable Australian Accounting Standards, the requirements of the *Public Finance and Audit Act 1983*, applicable clauses of the *Public Finance and Audit Act Regulation 2010*, the requirements of the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies and the Treasurer's Directions;
- (b) the statements and notes exhibit a true and fair view of the financial position as at 30 June 2010, and transactions for the year then ended; and
- (c) there are no circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.



K Cosgriff
Acting Secretary
9 September 2010

The Treasury

Statement of comprehensive income for the year ended 30 June 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	139 544	151 784	132 852
Other operating expenses	2(b)	63 029	54 017	43 978
Depreciation and amortisation	2(c)	7 031	12 531	11 938
Grants and subsidies	2(d)	23 956	23 456	22 908
Total expenses excluding losses		233 560	241 788	211 676
Revenue				
Sale of goods and services	3(a)	38 563	37 215	38 012
Investment revenue	3(b)	2 567	1 760	2 571
Retained taxes, fees and fines	3(c)	227	468	504
Grants and contributions	3(d)	273	–	27
Other revenue	3(e)	903	400	974
Total Revenue		42 533	39 843	42 088
Gain / (loss) on disposal	4	(178)	–	(175)
Other gains / (losses)	5	(352)	–	(217)
Net Cost of Services	20	191 557	201 945	169 980
Government Contributions				
Recurrent appropriation (net of transfer payments)	6	166 088	175 844	150 730
Capital appropriation	6	9 651	9 461	8 523
Acceptance by the Crown Entity of employee benefits and other liabilities	7	10 213	9 112	9 870
Total Government Contributions		185 952	194 417	169 123
SURPLUS / (DEFICIT) FOR THE YEAR		(5 605)	(7 528)	(857)
Other comprehensive income for the year		–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(5 605)	(7 528)	(857)

The accompanying notes form part of these financial statements.

The Treasury

Statement of financial position as at 30 June 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	10	30 226	28 147	33 929
Receivables	11	10 154	8 143	8 659
Total Current Assets		40 380	36 290	42 588
Non-Current Assets				
Receivables	11	2	101	101
Plant and equipment	12	14 002	24 554	15 876
Intangible assets	13	23 447	9 344	19 252
Total Non-Current Assets		37 451	33 999	35 229
Total Assets		77 831	70 289	77 817
LIABILITIES				
Current Liabilities				
Payables	14	8 683	5 401	5 401
Provisions	15	15 159	13 565	13 565
Other	16	1 106	378	378
Total Current Liabilities		24 948	19 344	19 344
Non-Current Liabilities				
Provisions	15	179	165	165
Other	16	117	116	116
Total Non-Current Liabilities		296	281	281
Total Liabilities		25 244	19 625	19 625
Net Assets		52 587	50 664	58 192
EQUITY				
Accumulated funds		52 587	50 664	58 192
Total Equity		52 587	50 664	58 192

The accompanying notes form part of these financial statements.

The Treasury

Statement of changes in equity for the year ended 30 June 2010

Notes	Accumulated Funds \$'000
Balance at 1 July 2009	58 192
Surplus/(deficit) for the year	(5 605)
Total other comprehensive income	–
Total comprehensive income for the year	<u>(5 605)</u>
Transaction with owners in their capacity as owners	<u>–</u>
Balance at 30 June 2010	<u><u>52 587</u></u>
 Balance at 1 July 2008	 59 049
Surplus/(deficit) for the year	(857)
Total other comprehensive income	–
Total comprehensive income for the year	<u>(857)</u>
Transaction with owners in their capacity as owners	<u>–</u>
Balance at 30 June 2009	<u><u>58 192</u></u>

The Treasury

Statement of cash flows for the year ended 30 June 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(128 096)	(142 672)	(121 056)
Grants and subsidies		(23 956)	(23 456)	(22 908)
Other		(68 853)	(62 479)	(59 336)
Total Payments		(220 905)	(228 607)	(203 300)
Receipts				
Sale of goods and services		38 515	37 215	39 594
Retained taxes, fees and fines		227	468	504
Interest received		2 094	1 760	3 235
Other		10 647	9 378	12 113
Total Receipts		51 483	48 821	55 446
Cash Flows from Government				
Recurrent appropriation	6	166 088	175 844	150 730
Capital appropriation (excluding equity appropriations)	6	9 731	9 461	8 765
Cash transfers to the Consolidated Fund		(242)	–	(1 832)
Net Cash Flows from Government		175 577	185 305	157 663
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	6 155	5 519	9 809
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		68	–	7
Purchases of plant and equipment and intangibles		(9 932)	(11 301)	(9 467)
Other		6	–	4
NET CASH FLOWS FROM INVESTING ACTIVITIES		(9 858)	(11 301)	(9 456)
NET INCREASE / (DECREASE) IN CASH		(3 703)	(5 782)	353
Opening cash and cash equivalents		33 929	28 290	33 576
CLOSING CASH AND CASH EQUIVALENTS	10	30 226	22 508	33 929

The accompanying notes form part of these statements.

Supplementary Financial Statements

Service group statements for the year ended 30 June 2010

THE TREASURY'S EXPENSES & INCOME	Service Group* 51.1		Service Group* 51.2		Service Group* 51.3		Service Group* 51.4		Not Attributable		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses												
Operating expenses												
Employee related	40 460	37 442	52 358	52 777	40 101	36 721	6 625	5 912	–	–	139 544	132 852
Other operating expenses	24 499	12 041	18 667	15 528	17 474	14 259	2 389	2 150	–	–	63 029	43 978
Depreciation and amortisation	593	669	3 976	7 989	1 963	2 417	499	863	–	–	7 031	11 938
Grants and subsidies	669	169	23 287	22 739	–	–	–	–	–	–	23 956	22 908
Total expenses excluding losses	66 221	50 321	98 288	99 033	59 538	53 397	9 513	8 925	–	–	233 560	211 676
Revenue												
Sale of goods and services	8 355	8 901	3 382	3 086	26 821	25 956	5	69	–	–	38 563	38 012
Investment revenue	637	558	1 365	1 323	393	547	172	143	–	–	2 567	2 571
Retained taxes, fees and fines	–	–	–	–	227	504	–	–	–	–	227	504
Grants and contributions	–	–	25	24	245	–	3	3	–	–	273	27
Other revenue	11	24	801	901	41	5	50	44	–	–	903	974
Total Revenue	9 003	9 483	5 573	5 334	27 727	27 012	230	259	–	–	42 533	42 088
Gain / (loss) on disposal	(5)	–	(154)	(157)	–	(1)	(19)	(17)	–	–	(178)	(175)
Other gains / (losses)	–	–	(38)	–	(296)	–	(18)	(217)	–	–	(352)	(217)
Net Cost Of Services	57 223	40 838	92 907	93 856	32 107	26 386	9 320	8 900	–	–	191 557	169 980
Government contributions **	–	–	–	–	–	–	–	–	185 952	169 123	185 952	169 123
SURPLUS / (DEFICIT) FOR THE YEAR	(57 223)	(40 838)	(92 907)	(93 856)	(32 107)	(26 386)	(9 320)	(8 900)	185 952	169 123	(5 605)	(857)
Other Comprehensive Income	–	–	–	–	–	–	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME	(57 223)	(40 838)	(92 907)	(93 856)	(32 107)	(26 386)	(9 320)	(8 900)	185 952	169 123	(5 605)	(857)

* The name and purpose of each program is summarised in Note 9.

** Appropriations and acceptance by the Crown Entity of employee benefits and other liabilities are made on an agency basis and not to individual service groups. Consequently, government contributions must be included in the 'Not Attributable' column.

Supplementary Financial Statements

Service group statements (continued)

THE TREASURY'S ASSETS and LIABILITIES **	Service Group* 51.1		Service Group* 51.2		Service Group* 51.3		Service Group* 51.4		Not Attributable		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets												
Cash and cash equivalents	12 503	10 704	—	—	—	—	—	—	17 723	23 225	30 226	33 929
Receivables	2 181	1 293	2 832	2 077	4 546	4 383	595	906	—	—	10 154	8 659
Total Current Assets	14 684	11 997	2 832	2 077	4 546	4 383	595	906	17 723	23 225	40 380	42 588
Non-Current Assets												
Receivables	—	—	1	73	1	21	—	7	—	—	2	101
Plant and equipment	1 259	1 296	6 448	8 174	5 648	5 631	647	775	—	—	14 002	15 876
Intangibles	1 241	1 071	9 052	6 741	12 815	11 000	339	440	—	—	23 447	19 252
Total Non-Current Assets	2 500	2 367	15 501	14 988	18 464	16 652	986	1 222	—	—	37 451	35 229
TOTAL ASSETS	17 184	14 364	18 333	17 065	23 010	21 035	1 581	2 128	17 723	23 225	77 831	77 817
Current Liabilities												
Payables	3 925	1 267	3 067	2 692	1 364	1 170	327	272	—	—	8 683	5 401
Provisions	5 000	4 321	5 372	5 116	4 108	3 555	679	573	—	—	15 159	13 565
Other	3	242	67	64	23	16	1 013	56	—	—	1 106	378
Total Current Liabilities	8 928	5 830	8 506	7 872	5 495	4 741	2 019	901	—	—	24 948	19 344
Non-Current Liabilities												
Provisions	56	50	65	64	50	44	8	7	—	—	179	165
Other	—	—	81	84	28	24	8	8	—	—	117	116
Total Non-Current Liabilities	56	50	146	148	78	68	16	15	—	—	296	281
TOTAL LIABILITIES	8 984	5 880	8 652	8 020	5 573	4 809	2 035	916	—	—	25 244	19 625
NET ASSETS	8 200	8 484	9 681	9 045	17 437	16 226	(454)	1 212	17 723	23 225	52 587	58 192

* The name and purpose of each program is summarised in Note 9.

** All Assets and Liabilities for Service Group 51.1 have been applied directly. For the remaining service groups, the Assets and Liabilities with the exception of Cash have either been directly allocated where there is a distinct relationship or, allocated using an appropriate base eg. Net cost of Service. As Cash can be applied in achieving the objectives of all service groups it is classified as 'Not Attributable'.

Supplementary Financial Statements

Service group statements (continued)

ADMINISTERED EXPENSES and INCOME	Service Group* 51.1		Service Group* 51.2		Service Group* 51.3		Service Group* 51.4		Not Attributable		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Expenses												
Transfer payments (Note 8)	2 500	—	—	—	—	—	—	—	—	—	2 500	—
Other (Note 26)	—	—	51 238	52 411	—	—	717 318	797 779	—	—	768 556	850 190
Total Administered Expenses	2 500	—	51 238	52 411	—	—	717 318	797 779	—	—	771 056	850 190
Administered Income												
Revenues earned (Note 27(a))												
Taxes, fees and fines	—	—	16 224 080	15 077 539	330 734	295 658	—	—	—	—	16 554 814	15 373 197
Other	—	—	744 438	713 239	—	—	—	—	—	—	744 438	713 239
Total Administered Income	—	—	16 968 518	15 790 778	330 734	295 658	—	—	—	—	17 299 252	16 086 436
Administered Income less Expenses	(2 500)	—	16 917 280	15 738 367	330 734	295 658	(717 318)	(797 779)	—	—	16 528 196	15 236 246

* The name and purpose of each program is summarised in Note 9.

Note: Administered assets and liabilities are disclosed in notes 23 and 24.

The Treasury

Summary of compliance with financial directives

	2010				2009			
	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund	Recurrent Appropriation	Expenditure/ Net Claim on Consolidated Fund	Capital Appropriation	Expenditure/ Net Claim on Consolidated Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Original Budget Appropriation/ Expenditure								
▪ Appropriation Act	175 082	162 764	9 461	9 193	150 904	150 524	8 556	8 478
▪ s 26 PF&AA – Commonwealth specific purpose payments	1 420	1 164	132	35	–	–	120	–
Other Appropriations/ Expenditure								
▪ Treasurer's Advance	4 660	4 660	481	423	–	–	–	–
▪ Section 22 – expenditure for certain works and services	–	–	–	–	206	206	445	45
▪ Transfers from another agency (s28 of the Appropriation Act)	650	–	–	–	–	–	–	–
▪ Transfers from another agency (s31 of the Appropriation Act)	–	–	–	–	(69)	–	–	–
Total Appropriations/ Expenditure/ Net Claim on Consolidated Fund (includes transfer payments)	181 812	168 588	10 074	9 651	151 041	150 730	9 121	8 523
Amount drawn down against Appropriation		168 588		9 731		150 730		8 765
Liability to Consolidated Fund (Note 15)		–		80		–		242

- 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'.

1. Summary Of Significant Accounting Policies**(a) Reporting entity**

The Treasury, as a reporting entity comprises all the operating activities of the 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. OSR is also responsible for the processing and enforcement of fines, administration and payment of grants under the First Home Owner Grant Scheme (FHOGS) and Unclaimed Money.

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

The Treasury is a NSW government department. The Treasury is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Administered activities undertaken on behalf of the Crown Entity are consolidated in the Crown Entity accounts. Those undertaken on behalf of local councils and other public sector agencies are reported by the individual entities.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Secretary on 9 September 2010.

(b) Basis of preparation

The Treasury's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Plant and equipment are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities

The Treasury administers, but does not control, certain activities on behalf of the Crown Entity and commercial clients. 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 Treasury's own objectives.

Transactions and balances relating to the administered activities are not recognised as The Treasury's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered Income', 'Administered Expenses', 'Administered Assets' and 'Administered Liabilities'.

The accrual basis of accounting, applicable accounting standards and Crown entity income recognition policies have been adopted.

In accordance with the Crown Entity's current revenue recognition policy (TC 92/25 'Accounting for Crown Revenue') State revenue is recognised as follows within Note 27 (a):

- Government-assessed revenues (primarily land tax and gaming) are regarded as being able to be measured reliably at the time of issuing the assessment

**Notes to the Financial Statements
30 June 2010**

- Taxpayer–assessed revenues (including payroll tax, duties and lotteries) are regarded as being able to be measured reliably when the funds are received by The Treasury. 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
- Enforcement orders issued by the State Debt Recovery Office (SDRO) are regarded as being able to be measured reliably when the enforcement order is issued and assessed as recoverable or meeting asset recognition criteria. Penalty notices issued are regarded as being able to be measured reliably when the cash is received.

Receivables and liabilities reported under administered activities are a result of statutory requirements and are not financial instruments.

From the 1st July 2008 the FHOGS became an administered activity of The Treasury for the Crown (as opposed to a departmental activity) and is reported under Notes 23 to 26. Receivables owing as at 30 June 2008 remained with OSR. FHOGS receivables are a statutory requirement and are not financial liabilities or financial assets.

The FHOGS 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-offs are added back. Penalties, imposed in terms of the FHOGS legislation on applicants for wrongful claims, are also netted off against the total amount of payments made in the year. FHOGS receivables are a statutory requirement and are not financial liabilities or financial assets.

The Treasury became responsible for the collection of lotteries from 1 March 2010. This is undertaken as an administered activity on behalf of the Crown (refer Note 27).

(e) Insurance

The Treasury'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 claim experience.

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

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by The Treasury 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 and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing activities and financing activities which is recoverable from, or payable to, the Australian Taxation office are classified as operating cash flows.

(g) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when The Treasury obtains control over the assets comprising the appropriations / contributions. Control over appropriations / contributions is normally obtained upon the receipt of cash.

Unspent appropriations are recognised as liabilities rather than income as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.

The liability is disclosed in Note 16 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

Revenue from the sale of goods is recognised as revenue when The Treasury transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services

Revenue is recognised when the service is provided.

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(h) Grants and subsidies expense

Consists of a contribution to the Australian Accounting Standards Board (AASB) and payments to the Land and Property Management Authority, for the provision of land information and valuation services required to administer the Land Tax Management Act 1956 and the Department of Health for the clinical variation project.

(i) Assets

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by The Treasury. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(ii) Capitalisation thresholds

Intangibles (software), plant and equipment (excluding computer hardware), costing at least \$5 000 is capitalised. Computer hardware costing at least \$1 000 is capitalised. However, grouped assets with inter-related functions such as the computer network are capitalised regardless of cost.

(iii) Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines paper (TPP 07-1). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

As The Treasury does not own land, building or infrastructure assets, management does not believe that the revaluation of physical non-current assets over five years is warranted, unless it becomes aware of any material difference in the carrying amount of any class of assets.

The majority of The Treasury's assets are non-specialised with short useful lives and are therefore measured at depreciated historical cost, as a surrogate for fair value.

(iv) Impairment of plant and equipment

As a not-for-profit entity with no cash generating units, The Treasury is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) Depreciation of plant and equipment

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 Treasury.

All material separately identifiable components of assets are recognised and depreciated over their shorter useful lives.

The useful lives of each category of depreciable assets are:

Computer Hardware	4 years
Office Equipment	5 to 7 years
Office Furniture	10 years
Computer Software	4 years
Leasehold Improvements	3 to 20 years depending on the term of leasing arrangements

(vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses when incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(vii) Leased assets

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. The Treasury has not entered into any finance leases.

(viii) Intangible assets

The Treasury recognises intangible assets only if it is probable that future economic benefits will flow to The Treasury and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Treasury's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Treasury's intangible assets are amortised using the straight line method over a period ranging from 4 to 10 years depending upon the nature of the application.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss. As a not-for-profit entity with no cash generating units, The Treasury is effectively exempted from impairment testing (refer Para (iv)). However, The Treasury does review specific assets on an annual basis to determine whether there is an impairment to the fair value of those assets.

Effective from the 1 July 2009 the useful lives of both the Infringement Management Processing System (IMPS) and Revenue and Compliance Processing System (RECOUPS) were predominantly extended from 30 June 2011 and 30 November 2010 to 30 June 2014 and 30 November 2016 respectively. The impact of this change is that amortisation has reduced by \$2.6 million for 2009-2010.

(ix) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/(deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(x) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the surplus/(deficit) for the year.

Any reversals of impairment losses are reversed through the surplus/(deficit) for the year, where there is objective evidence. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if The Treasury transfers the financial assets:

- where substantially all the risks and rewards have been transferred or
- where The Treasury has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where The Treasury has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of The Treasury's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

(xii) Trust funds

The Treasury receives monies in a trustee capacity for various trusts as set out in Note 22. As The Treasury performs only a custodial role in respect of these monies, and because the monies cannot be used for the achievement of The Treasury's own objectives, these funds are not recognised in the financial statements.

(xiii) Other assets

Other assets are recognised on a cost basis.

(j) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to The Treasury and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted 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 payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

The provision for on-costs on recreation leave other than payroll tax of \$1.7 million was introduced for the first time in 2009-2010. The comparative for 2008-2009 was not included as it does not materially affect the financial statements.

(b) Long service leave and superannuation

The Treasury's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Treasury 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 benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 09/04) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions (specified in NSW TC 09/01).

(iii) Other provisions

Other provisions exist when: The Treasury has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when The Treasury has a detailed formal plan and has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(k) Equity

The category accumulated funds includes all current and prior period retained funds.

(l) 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 comprehensive income and 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 i.e. per the audited financial statements (rather than carried forward estimates).

(m) Comparative information

Except where an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

In the statement of financial position, service group statements and Notes 12 and 13 a reclassification of Capital Work In Progress (CWIP) resulted in a reduction to plant and equipment of \$9.8 million and an increase in intangibles by the same amount.

This reclassification conforms to generally accepted accounting principles.

(n) New Australian Accounting Standards issued but not effective

The following new Accounting Standards issued and not yet effective have not been early adopted.

AASB Compile Standards

- AASB 1 'First-time Adoption of Australian Accounting Standards' (Compiled Feb 2010)
- AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' (Compiled Dec 2009)
- AASB 7 'Financial Instruments: Disclosures' (Compiled Feb 2010)
- AASB 8 'Operating Segments' (Compiled Dec 2009)
- AASB 9 'Financial Instruments' (Compiled Dec 2009)
- AASB 101 'Presentation of Financial Statements' (Compiled Jun 2009)
- AASB 107 'Statement of Cash Flows' (Compiled Jun 2009)
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' (Compiled Dec 2009)
- AASB 110 'Events after the Reporting Period' (Compiled Dec 2009)
- AASB 117 'Leases' (Compiled Jun 2009)
- AASB 118 'Revenue' (Compiled May 2009)
- AASB 119 'Employee Benefits' (Compiled Dec 2009)

- AASB 124 'Related Party Disclosures' (Dec 2009)
- AASB 132 'Financial Instruments: Presentation' (Compiled Oct 2009)
- AASB 136 'Impairment of Assets' (Compiled Jun 2009)
- AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' (Compiled Dec 2009)
- AASB 139 'Financial Instruments: Recognition and Measurement' (Compiled Dec 2009)
- AASB 1023 'General Insurance Contracts' (Compiled Dec 2009)
- AASB 1031 'Materiality' (Compiled Dec 2009).

AASB Amending Standards

- AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' (Dec 2009).

Interpretations

- Interpretation 4 'Determining whether an Arrangement contains a Lease' (Compiled Dec 2009)
- Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (Compiled Dec 2009)
- Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments' (Dec 2009)
- Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia' (Compiled Dec 2009)

The impact of these new Standards and Interpretations will have no material impact on the financial report of The Treasury in future periods.

2. Expenses Excluding Losses

	2010 \$'000	2009 \$'000
(a) Employee related expenses		
Salaries and wages (including recreation leave)	114 340	107 852
Superannuation – defined benefit plans	4 071	4 532
Superannuation – defined contribution plans	6 917	6 326
Long service leave	5 910	5 115
Workers' compensation insurance	653	1 296
Payroll tax and fringe benefits tax	7 390	7 175
On-costs on LSL not assumed by Crown	263	556
	<u>139 544</u>	<u>132 852</u>
Employee related expenses of \$1.4 million (2008–2009 \$0.7 million) have been incurred for various capital projects and are included in computer software costs, intangible costs and capital work in progress in Notes 12 and 13. Except as noted, there are no other employee related payments included in asset and expenditure accounts.		
(b) Other operating expenses include the following:		
Auditor's remuneration		
- audit of financial statements	309	296
Operating lease rental expense		
- minimum lease payments	10 768	9 351
Maintenance (i)	889	727
Insurance	119	126
Contractors' and consultancy fees	22 306	11 182
Printing and advertising	7 989	3 703
Centralised corporate support charges	3 461	3 675
Computer maintenance and software licences	1 525	2 250
Data access fees	2 530	2 223
Training	1 323	1 054
Building maintenance and utilities	2 088	1 232
Legal fees	1 239	925
Travel	719	866
Minor plant, equipment and stores	847	825
Postal charges	312	325
Bank charges	1 482	1 547
Other	5 123	3 671
	<u>63 029</u>	<u>43 978</u>
 (i) Reconciliation – Total maintenance		
Maintenance expense – contracted labour and other (non–employee related), as above	889	727
Maintenance related employee expenses included in Note 2(a)	6 185	5 792
Total maintenance expenses included in Note 2(a) + 2(b)	<u>7 074</u>	<u>6 519</u>
 (c) Depreciation and amortisation expense		
Depreciation (Note 12)		
- Computer hardware	2 512	2 928
- Computer software	116	1 149
- Office equipment	829	764
- Office furniture	256	234
- Leasehold Improvements	886	803
	<u>4 599</u>	<u>5 878</u>
 Amortisation (Note 13)	2 432	6 060
Total depreciation and amortisation	<u>7 031</u>	<u>11 938</u>

	2010 \$'000	2009 \$'000
(d) Grants and subsidies		
Department of Lands	23 287	22 739
Department of Health	500	—
Other	169	169
	<u>23 956</u>	<u>22 908</u>

3. Revenues**(a) Sale of goods and services****Sale of goods**

Sale of publications	—	4
----------------------	---	---

Rendering of services

Penalty notice fees (i)	26 799	25 916
Recoupment of Crown costs (ii)	8 405	8 966
Land tax search fees	2 873	2 443
Other	486	683
	<u>38 563</u>	<u>38 012</u>

(b) Investment revenue

Interest	<u>2 567</u>	<u>2 571</u>
	<u>2 567</u>	<u>2 571</u>

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

Annulment fees	<u>227</u>	<u>504</u>
	<u>227</u>	<u>504</u>

(d) Grants and contributions

Other grants	<u>273</u>	<u>27</u>
	<u>273</u>	<u>27</u>

(e) Other revenue

Legal fees recouped	441	490
Other	<u>462</u>	<u>484</u>
	<u>903</u>	<u>974</u>

- (i) Penalty notice fees represent a service provided by the SDRO to a range of local government and public sector clients.
- (ii) Relates to the recoupment of administrative costs, composed mainly of salaries and accommodation, for OFM employees, relating to Crown Asset and Liability Management.

4. Gain / (Loss) On Disposal

	2010 \$'000	2009 \$'000
Gain / (loss) on disposal of plant and equipment		
Proceeds from disposal	68	7
Written down value of assets disposed	(246)	(182)
Net gain / (loss) on disposal of plant and equipment	<u>(178)</u>	<u>(175)</u>
Gain / (loss) on disposal of intangibles		
Written down value of intangibles disposed	—	—
Net gain / (loss) on disposal of intangibles	<u>—</u>	<u>—</u>
Total net gain / (loss) on disposal of non-current assets	<u>(178)</u>	<u>(175)</u>

5. Other Gains / (Losses)

	2010 \$'000	2009 \$'000
Impairment loss on Capital Works in Progress	(336)	—
Impairment of FHOGS receivables - note 11 (ii)	(16)	(217)
	<u>(352)</u>	<u>(217)</u>

6. Appropriations

	2010 \$'000	2009 \$'000
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of compliance)	168 588	150 730
Less: Liability to Consolidated Fund (per Summary of compliance)	—	—
	<u>168 588</u>	<u>150 730</u>
Comprising:		
Recurrent appropriations (per Statement of comprehensive income)	166 088	150 730
Transfer payments	2 500	—
	<u>168 588</u>	<u>150 730</u>
Capital appropriations		
Total capital draw-downs from NSW Treasury (per Summary of compliance)	9 731	8 765
Less: Liability to Consolidated Fund (per Summary of compliance)	80	242
	<u>9 651</u>	<u>8 523</u>
Comprising:		
Capital appropriations (per Statement of comprehensive income)	<u>9 651</u>	<u>8 523</u>

7. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

	2010 \$'000	2009 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	4 071	4 532
Long service leave	5 910	5 115
Payroll tax	232	223
	<u>10 213</u>	<u>9 870</u>

8. Transfer Payments

OFM received a Treasurers Advance of \$2.5 million which was paid to the WorkCover Authority as a transfer payment. The payment was for the development of a safety and awareness campaign to enhance safety on school sites impacted by the Nation Building program and the state's own capital program.

9. Service Groups of the Treasury

(a) Service Group 51.1	State Resource Management
Objective:	Ensuring State finances support the delivery and long run affordability of services. Implementing policy settings that promote a competitive State economy.
(b) Service Group 51.2	Revenue Administration Services
Objective:	Ensure effective and equitable collection of revenue from taxes, duties and other sources due to the State of New South Wales.
(c) Service Group 51.3	Infringement Processing and Fine Enforcement Management
Objective:	Ensure effective and timely infringement processing and fine enforcement services.
(d) Service Group 51.4	Benefits Services
Objective:	Ensure eligible applicants receive payments due under State Government schemes.

10. Current Assets – Cash and Cash Equivalents

	2010 \$'000	2009 \$'000
Cash at bank and on hand	<u>30 226</u> <u>30 226</u>	<u>33 929</u> <u>33 929</u>
For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.		
Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:		
Cash and cash equivalents (per statement of financial position)	<u>30 226</u>	<u>33 929</u>
Closing cash and cash equivalents (per statement of cash flows)	<u>30 226</u>	<u>33 929</u>

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

11. Current / Non-Current Assets - Receivables

		2010		2009
		\$'000		\$'000
Current				
Sale of goods and services (i)		4 032		3 985
Other (i)		976		1 198
Prepayments		1 623		1 278
GST receivable from ATO		1 742		511
Interest		1 432		960
FHOGS (ii)	516		944	
Less: Allowance for impairment	<u>167</u>	<u>349</u>	<u>217</u>	<u>727</u>
		<u>10 154</u>		<u>8 659</u>
Non-Current				
Prepayments		<u>2</u>		<u>101</u>
Total		<u>10 156</u>		<u>8 760</u>

(i) Sales of goods and services and Other

As at 30 June 2010 \$3.7 million, (2008–2009 \$3.8 million) receivables for the sale of goods and services is attributable to services provided to SDRO clients, including local government and other public sector clients. \$2.4 million (2008–2009 \$2.3 million) represents the value of services provided for which invoices are to be issued.

The total receivables position is as follows:

	2010	2009
	\$'000	\$'000
Total receivables		
Current amount	2 833	3 572
Overdue amount	<u>2 175</u>	<u>1 611</u>
	5 008	5 183
Less: Allowance for impairment	<u>—</u>	<u>—</u>
	<u>5 008</u>	<u>5 183</u>

Overdue Amounts

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Sales of goods and services	1 087	1 449	259	4	14	30	1 360	1 483	—	—	1 360	1 483
Others	<u>720</u>	<u>18</u>	<u>—</u>	<u>—</u>	<u>95</u>	<u>110</u>	<u>815</u>	<u>128</u>	<u>—</u>	<u>—</u>	<u>815</u>	<u>128</u>
Total	<u>1 807</u>	<u>1 467</u>	<u>259</u>	<u>4</u>	<u>109</u>	<u>140</u>	<u>2 175</u>	<u>1 611</u>	<u>—</u>	<u>—</u>	<u>2 175</u>	<u>1 611</u>

Refer to Note 21 for credit risk, liquidity risk and market risk arising from financial instruments.

(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 impairment has been created for those outstanding amounts which are considered to be irrecoverable. The amounts are statutory receivables and are not classified as financial instruments.

From 1 July 2008, amounts are disclosed under Note 23 Administered Assets. The amount remaining represents unpaid amounts prior to 1 July 2008.

Total FHOGS debtors is \$605 000. After recognising \$89 000 credits pending finalisation on client accounts, the net debt amount for FHOGS is \$516 000 as shown above.

The total debt position as at 30 June 2010 was as follows:

	2010 \$'000	2009 \$'000
Total debt		
Current amount	—	3
Overdue amount	605	1 031
	605	1 034
Less: Unallocated credits	89	90
Allowance for impairment	167	217
	<u>349</u>	<u>727</u>

Overdue amounts

Receivable	Less than 3 months		3 to 6 months		More than 6 months		Total		Allowance for impairment*		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
FHOGS	—	7	—	—	605	1 024	605	1 031	167	217	438	814

* The allowance for impairment relates to matters greater than 6 months overdue.

Movements in the allowance for impaired overdue amounts are as follows:

Impairment movements	2010 \$'000	2009 \$'000
Opening balance	217	783
Write offs	(66)	(783)
Increase in allowance for impairment recognised	16	217
Closing balance	<u>167</u>	<u>217</u>

12. Non-Current Assets – Plant and Equipment

	Plant and Equipment
	\$'000
At 1 July 2009 – fair value	
Gross carrying amount	44 270
Accumulated depreciation and impairment	<u>28 394</u>
Net carrying amount	<u>15 876</u>
At 30 June 2010 – fair value	
Gross carrying amount	36 247
Accumulated depreciation and impairment	<u>22 245</u>
Net carrying amount	<u>14 002</u>

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period is set out below.

	Plant and Equipment
	\$'000
Year ended 30 June 2010	
Net carrying amount at start of year	15 876
Additions	3 509
Disposals	(9 046)
Depreciation expense	(4 599)
Other movements	
Write back on disposal	8 800
Reclassification of PPE to intangibles	<u>(538)</u>
Net carrying amount at end of year	<u>14 002</u>

	Plant and Equipment
	\$'000
At 1 July 2008 – fair value	
Gross carrying amount	43 898
Accumulated depreciation and impairment	<u>25 261</u>
Net carrying amount	<u>18 637</u>
At 30 June 2009 – fair value	
Gross carrying amount	44 270
Accumulated depreciation and impairment	<u>28 394</u>
Net carrying amount	<u>15 876</u>

Reconciliation

A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the previous reporting period is set out below.

	Plant and Equipment
	\$'000
Year ended 30 June 2009	
Net carrying amount at start of year	18 637
Additions	3 299
Disposals	(2 927)
Depreciation expense	(5 878)
Other movements	
Write back on disposal	2 745
Net carrying amount at end of year	<u>15 876</u>

13. Intangible Assets

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
At 1 July 2009			
Cost (gross carrying amount)	81 973	9 839	91 812
Accumulated amortisation and impairment	<u>72 560</u>	<u>—</u>	<u>72 560</u>
Net carrying amount	<u>9 413</u>	<u>9 839</u>	<u>19 252</u>
At 30 June 2010			
Cost (gross carrying amount)	85 269	14 068	99 337
Accumulated amortisation and impairment	<u>75 890</u>	<u>—</u>	<u>75 890</u>
Net carrying amount	<u>9 379</u>	<u>14 068</u>	<u>23 447</u>

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the previous reporting period is set out below

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2010			
Net carrying amount at start of year	9 413	9 839	19 252
Additions:			
Internal development	1 691	6 256	7 947
Acquired separately	169	—	169
Disposals	(1 050)	—	(1 050)
Transfer from CWIP to Software	—	(1 691)	(1 691)
Amortisation (recognised in 'depreciation and amortisation')	(2 432)	—	(2 432)
Impairment loss	—	(336)	(336)
Other movements			
Write back on disposal	1 050	—	1 050
Reclassification of PPE to intangibles	<u>538</u>	<u>—</u>	<u>538</u>
Net carrying amount at end of year	<u>9 379</u>	<u>14 068</u>	<u>23 447</u>

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
At 1 July 2008			
Cost (gross carrying amount)	79 993	5 650	85 643
Accumulated amortisation and impairment	<u>66 500</u>	<u>—</u>	<u>66 500</u>
Net carrying amount	<u>13 493</u>	<u>5 650</u>	<u>19 143</u>
At 30 June 2009			
Cost (gross carrying amount)	81 973	9 839	91 812
Accumulated amortisation and impairment	<u>72 560</u>	<u>—</u>	<u>72 560</u>
Net carrying amount	<u>9 413</u>	<u>9 839</u>	<u>19 252</u>

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the previous reporting period is set out below.

	Software	Capital Work in Progress	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2009			
Net carrying amount at start of year	13 493	5 650	19 143
Additions:			
Internal development	1 675	5 864	7 539
Acquired separately	305	—	305
Disposals	—	—	—
Transfer from CWIP to Software	—	(1 675)	(1 675)
Amortisation (recognised in 'depreciation and amortisation')	<u>(6 060)</u>	<u>—</u>	<u>(6 060)</u>
Net carrying amount at end of year	<u>9 413</u>	<u>9 839</u>	<u>19 252</u>

In 2009-2010 the opening balance of \$9.8 million in CWIP was transferred from Plant and Equipment to Intangibles as the majority of this balance pertained to in house developed application software.

14. Current Liabilities - Payables

	2010 \$'000	2009 \$'000
Accrued salaries, wages and on-costs	2 438	2 721
Creditors	<u>6 245</u>	<u>2 680</u>
	<u>8 683</u>	<u>5 401</u>

Details regarding liquidity risk and a maturity analysis of the above payables are disclosed in Note 21.

15. Current / Non-Current Liabilities - Provisions

	2010	2009
	\$'000	\$'000
Current		
Employee benefits and related on-costs		
Recreation leave	9 458	9 077
Provision for on-costs on employee entitlements	5 614	3 656
Provision for fringe benefits tax	63	55
Provision for redundancies	24	777
	<u>15 159</u>	<u>13 565</u>
Non-current		
Employee benefits and related on-costs		
Provision for on-costs on employee entitlements	<u>179</u>	<u>165</u>
Aggregate employee benefits and related on-costs		
Provisions – current	15 159	13 565
Provisions – non-current	179	165
Accrued salaries, wages and on-costs (Note 14)	<u>2 438</u>	<u>2 721</u>
	<u>17 776</u>	<u>16 451</u>

16. Current / Non-Current Liabilities - Other

	2010	2009
	\$'000	\$'000
Current		
Lease incentive	20	9
Liability to the Consolidated Fund	80	242
Crown Entity	<u>1 006</u>	<u>127</u>
	<u>1 106</u>	<u>378</u>
Non-current		
Lease incentive	<u>117</u>	<u>116</u>
Total	<u>1 223</u>	<u>494</u>

17. Commitments for expenditure

	2010 \$'000	2009 \$'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	192	290
Later than one year and not later than five years	—	—
Later than five years	—	—
Total (including GST)	<u>192</u>	<u>290</u>
(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	2 212	475
Later than one year and not later than five years	—	—
Later than five years	—	—
Total (including GST)	<u>2 212</u>	<u>475</u>
(c) Operating Lease Commitments		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	11 598	11 058
Later than one year and not later than five years	42 628	27 259
Later than five years	3 846	2 322
Total (including GST)	<u>58 072</u>	<u>40 639</u>

Leasing arrangements are generally for rental of premises and equipment to be paid one month in advance. The total commitments for expenditure as at 30 June 2010 include input tax credits of \$5.5 million (\$3.8 million in 2008–2009) which are recoverable from the Australian Taxation Office.

18. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities.

19. Budget Review**Net cost of services**

The net cost of services result was \$191.6 million which is \$10.4 million (5.1%) less than budget. This was largely attributable to:

- Lower employee related expenses of \$12.2 million resulting from recruitment delays in filling exempted vacancies under the staff freeze and the flow on effects of internal recruitment. The savings were partially offset by an adjustment made to recreation leave consequential costs
- Higher other operating costs of \$9.0 million primarily due to the use of consultancies by the Expenditure Review Directorate and advertising associated with the Housing Construction Acceleration Plan (HCAP)
- Lower depreciation and amortisation of \$5.5 million due to revised useful lives of core business applications and delayed implementation of projects
- A \$500 000 grant paid to the Department of Health for the clinical variation project
- Higher sale of goods and services of \$1.3 million relating to user pays revenue for processing penalty notices and section 47 certificates offset by reduced recoupment of costs for work performed on behalf of the Electricity Generation Retail project
- Increased investment revenue of \$807 000 resulting from higher interest rates
- A \$352 000 loss attributable to the impairment of capital works in progress.

Assets and liabilities

Equity increased by \$1.9 million over the budget (3.8%) to \$52.6 million mainly due to the following:

Assets

- Cash exceeds budget by \$2.1 million mostly due to a combination of lower employee related expenses, higher operating revenues and unremitted crown receipts offset in part by an increased use of agency cash
- Receivables are higher than budget by \$1.9 million mainly due to an increase in GST receivables
- Plant & equipment and intangibles is higher than budget by \$3.6 million due to lower than estimated depreciation and amortisation resulting from an extension to the useful lives of 2 major applications in OSR and delayed project implementations which have been partially offset by the decision to rollover the Capital Project Management System (CPMS) to the 2010-2011 financial year.

Liabilities

- Payables exceed budget by \$3.3 million due to a \$2.4 million accrual relating to Expenditure Review Directorate consultancy fees and an increase in accruals for other operating expenses
- Provisions are higher than budget by \$1.6 million primarily due to the recognition of recreation leave consequential costs
- Other liabilities are higher than budget by \$729 000 due to unremitted Crown receipts.

Cash flows

The net cash flows from operating activities were \$6.2 million representing a \$636 000 (11.5%) increase to budget resulting from:

- A net favourable variance of \$7.7 million in total payments represented by savings of \$14.6 million generated from employee related expenses partly offset by a \$6.4 million overrun in other payments and \$500 000 in grants and subsidies
- Higher receipts of \$2.6 million mainly relating to increased penalty notice revenue and interest
- Lower Consolidated Fund appropriation of \$9.7 million.

The net cash flows from investing activities were \$9.9 million representing \$1.4 million (12.8%) below budget mainly due to the CPMS project rolling over to the 2010-2011 financial year.

20. Reconciliation of cash flows from operating activities to net cost of services

		2010 \$'000	2009 \$'000
	Notes		
Net cash used on operating activities		6 155	9 809
Net cash flows from Government / Appropriations		(175 577)	(157 663)
Acceptance by the Crown Entity of employee benefits and other liabilities	7	(10 213)	(9 870)
Depreciation and amortisation	2(c)	(7 031)	(11 938)
Allowance for impairment		50	(217)
Decrease / (increase) in provisions		(1 609)	(1 571)
Increase / (decrease) in prepayments and other assets		1 268	(3 420)
Decrease / (increase) in creditors and others		(4 092)	5 061
Other revenue – investing activities		6	4
Impairment loss of software and intangibles		(336)	–
Net gain/(loss) on sale of plant and equipment	4	(178)	(175)
Net cost of services		<u>(191 557)</u>	<u>(169 980)</u>

21. Financial instruments

The Treasury's principal financial instruments are cash deposits held within the NSW Treasury Banking System, short term receivables and payables. These instruments expose The Treasury primarily to interest rate risk on cash balances held within the NSW Treasury Banking System and credit risk on short term receivables. The Treasury does not enter into or trade financial instruments for speculative purposes and does not use financial derivatives.

The Executive has overall responsibility for the establishment and oversight of risk management and agrees and reviews policies for managing risk. Compliance with policies is reviewed by internal auditors on a regular basis.

(a) Financial instrument categories

Financial assets	Note	Category	Carrying amount 2010 \$'000	Carrying amount 2009 \$'000
Cash and cash equivalents	10	N/A	30 226	33 929
Receivables (i)	11	Loans and receivables (at amortised cost)	6 440	6 143
Financial liabilities	Note	Category	Carrying amount 2010 \$'000	Carrying amount 2009 \$'000
Payables (ii)	14	Financial liabilities measured at amortised cost.	8 288	4 898

(i) Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

(b) Credit risk

Credit risk arises when there is the possibility of The Treasury's debtors defaulting on their contractual obligations, resulting in a financial loss to The Treasury. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of The Treasury, including cash, and receivables. No collateral is held by The Treasury and it has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCORP) 11am unofficial cash rate, adjusted for a management fee to The Treasury.

Receivables – Trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

The only financial assets that are past due or impaired are sales of goods and services and other receivables disclosed in Note 11.

(c) Liquidity risk

Liquidity risk is the risk that The Treasury will be unable to meet its payment obligations when they fall due. The Treasury continuously manages risk through monitoring future cash flows and commitment maturities. No assets have been pledged as collateral and The Treasury's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was made during the 2009–2010 year (2008–2009 \$nil).

The table below summarises the maturity profile of The Treasury's financial liabilities together with any interest rate exposure.

Maturity Analysis		\$'000			
	Weighted Average Effective Int. Rate	Nominal Amount	<1 yr	1 – 5 yrs	>5 yrs
2010					
Financial liabilities					
Accrued salaries, wages and on-costs	–	2 043	2 043	–	–
Creditors	–	6 245	6 245	–	–
Total		8 288	8 288	–	–
2009					
Financial liabilities					
Accrued salaries, wages and on-costs	–	2 218	2 218	–	–
Creditors	–	2 680	2 680	–	–
Total		4 898	4 898	–	–

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Treasury's exposure to market risk is primarily through interest rates on cash and cash equivalents. The Treasury does not have any exposure to foreign currency risk, does not enter into commodity contracts and does not trade in derivatives of any nature.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined below for interest rate risk. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Treasury's exposure to interest rate risk follows.

Interest rate risk		\$'000			
	Carrying amount		-1%		+1%
		Profit	Equity	Profit	Equity
2010					
Financial assets					
Cash and cash equivalents	30 226	(302)	(302)	302	302
Receivables	6 440	—	—	—	—
Financial liabilities					
Payables	8 288	—	—	—	—
Total increase / decrease)		<u>(302)</u>	<u>(302)</u>	<u>302</u>	<u>302</u>
2009					
Financial assets					
Cash and cash equivalents	33 929	(339)	(339)	339	339
Receivables	6 143	—	—	—	—
Financial liabilities					
Payables	4 898	—	—	—	—
Total increase / decrease)		<u>(339)</u>	<u>(339)</u>	<u>339</u>	<u>339</u>

(e) Fair value

The carrying value of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

22. Trust Funds

Monies held in trust for the Crown Entity and others are not recognised in 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 these accounts:

(a) Unclaimed Money trust accounts

	Testamentary & Trust Common Fund		Testamentary & Trust Interest		Companies Liquidation		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash balance at the beginning of the financial year	4 356	4 354	8 089	7 370	20	756	12 465	12 480
Add: Receipts	—	3	394	723	—	—	394	726
Less: Expenditure	14	1	2	4	—	—	16	5
Transfers to Crown	—	—	—	—	2	736	2	736
Cash balance at the end of the financial year	<u>4 342</u>	<u>4 356</u>	<u>8 481</u>	<u>8 089</u>	<u>18</u>	<u>20</u>	<u>12 841</u>	<u>12 465</u>

(b) SDRO client funds account – fines

	2010 \$'000	2009 \$'000
Cash balance at the beginning of the financial year	15 477	14 544
Add: Receipts	133 520	125 791
Less: Payments	<u>139 276</u>	<u>124 858</u>
Cash balance at the end of the financial year	<u>9 721</u>	<u>15 477</u>

Funds held in this account represent amounts collected on behalf of clients. These funds are remitted to clients in the month following collection.

(c) SDRO public monies accounts – fines

	2010 \$'000	2009 \$'000
Cash balance at the beginning of the financial year	7 563	8 599
Add: Receipts	168 982	159 365
Less: Payments	<u>168 773</u>	<u>160 401</u>
Cash balance at the end of the financial year	<u>7 772</u>	<u>7 563</u>

Amounts held in the Public Monies account for the SDRO represent receipts collected during the debt management process, on behalf of clients that are remitted in the month following receipt.

23. Administered Assets – Receivables

(a) Tax receivables

Assets administered by OSR for the Crown Entity are primarily tax and fine receivables. They are not recognised in the Statement of financial position.

	2010 \$'000	2009 \$'000
Current amounts	252 146	254 473
Instalment amounts	21 237	26 586
Appeals and objection amounts	576 304	534 221
Overdue amounts	<u>232 473</u>	<u>232 302</u>
	1 082 160	1 047 582
Less: allowance for impairment	<u>34 135</u>	<u>30 577</u>
Net receivables	<u>1 048 025</u>	<u>1 017 005</u>

The receivables above represent taxes and interest owed by clients at the close of business on 30 June 2010 and exclude any credit balances, which are disclosed separately in Note 24. Accrued interest on receivables is not classified as overdue.

Current and instalment amounts

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

	Current		Instalments		Appeals and objections		Total		Allowance for impairment		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Duties (ii)	104 637	100 803	–	–	545 791	512 264	650 428	613 067	(2 184)	(2 089)	648 244	610 978
Payroll tax	31 271	31 814	–	–	9 914	9 440	41 185	41 254	(5 603)	(6 149)	35 582	35 105
Land tax	107 688	107 563	12 343	20 181	12 393	7 174	132 424	134 918	(248)	(171)	132 176	134 747
Parking space levy	5 497	4 115	–	–	7 785	5 210	13 282	9 325	(189)	(128)	13 093	9 197
Club gaming devices (i)	1 810	9 696	8 894	6 405	–	–	10 704	16 101	(4)	–	10 700	16 101
Hotel gaming devices (i)	478	470	–	–	230	–	708	470	(26)	–	682	470
Insurance protection tax	–	–	–	–	46	46	46	46	–	–	46	46
Health Insurance	305	–	–	–	–	–	305	–	–	–	305	–
FHOGS	<u>460</u>	<u>12</u>	<u>–</u>	<u>–</u>	<u>145</u>	<u>87</u>	<u>605</u>	<u>99</u>	<u>–</u>	<u>–</u>	<u>605</u>	<u>99</u>
Total receivables	<u>252 146</u>	<u>254 473</u>	<u>21 237</u>	<u>26 586</u>	<u>576 304</u>	<u>534 221</u>	<u>849 687</u>	<u>815 280</u>	<u>(8 254)</u>	<u>(8 537)</u>	<u>841 433</u>	<u>806 743</u>

- (i) Approved clubs and hotels can pay their quarterly gaming machine tax in three equal instalments without being charged interest for the late payment. The scheme aims to assist those demonstrating financial hardship.

- (ii) Duties appeals and objections includes an assessment totalling \$531.8 million consisting of \$258.9 million assessed duty and \$272.9 million accrued interest (\$501.7 million consisting of \$258.9 million duty and \$242.8 million interest in 2008–2009) which is subject to appeal in the Supreme Court. The Chief Commissioner of State Revenue does not believe that there are grounds for impairing the receivable at this time.

Overdue amounts

	Less than 30 days		30 – 90 days		Greater than 90 days		Total		Allowance for impairment*		Net	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Duties	1 271	1 547	1 596	986	10 518	7 646	13 385	10 179	(3 469)	(2 283)	9 916	7 896
Payroll tax	3 360	3 887	8 894	9 941	45 329	36 350	57 583	50 178	(18 607)	(17 408)	38 976	32 770
Land tax	7 467	10 253	19 322	17 581	130 650	139 541	157 439	167 375	(2 655)	(1 666)	154 784	165 709
Parking space levy	66	3	187	101	316	994	569	1 098	(398)	(237)	171	861
Club gaming devices	221	101	-	40	946	911	1 167	1 052	(119)	-	1 048	1 052
Hotel gaming devices	-	-	60	251	162	578	222	829	(41)	-	181	829
FHOGS	92	35	347	162	1 652	1 394	2 091	1 591	(592)	(446)	1 499	1 145
Insurance protection tax	17	-	-	-	-	-	17	-	-	-	17	-
Total receivables	<u>12 494</u>	<u>15 826</u>	<u>30 406</u>	<u>29 062</u>	<u>189 573</u>	<u>187 414</u>	<u>232 473</u>	<u>232 302</u>	<u>(25 881)</u>	<u>(22 040)</u>	<u>206 592</u>	<u>210 262</u>

* The allowance for impairment relates to matters primarily greater than 90 days overdue.

Recovery of receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). Interest is charged on overdue receivables in accordance with S22 of the Tax Administration Act 1996. The carrying amount approximates fair value.

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

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.

(b) Fine receivables (SDRO)

	2010			2009		
	Crown \$'000	Commercial \$'000	Total \$'000	Crown \$'000	Commercial \$'000	Total \$'000
Opening balance	688 143	275 745	963 888	676 281	268 601	944 882
Movement excluding write off adjustment	20 827	32 463	53 290	49 928	22 476	72 404
Write off adjustment	(11 109)	(4 432)	(15 541)	(38 066)	(15 332)	(53 398)
	697 861	303 776	1 001 637	688 143	275 745	963 888
Less: Amounts not meeting asset recognition criteria (i)	(536 698)	(224 708)	(761 406)	(565 194)	(222 163)	(787 357)
Closing balance	161 163	79 068	240 231	122 949	53 582	176 531

(i) An estimate is prepared each year of amounts considered not to meet asset recognition criteria as no economic benefit is reasonably likely to be realised. The estimate is based on the age of the receivable, the receivables classification (eg parking, speeding, court issued, fees etc), active time to pay arrangements and past recovery experience.

The following is a summary of receivable balances by year of enforcement and type at 30 June 2010:

	Pre 2007	2007	2008	2009	2010	Total	Amounts not meeting asset recognition criteria \$'000	Net
Type	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Crown								
Motor traffic	225 084	28 814	33 984	43 647	61 687	393 216	284 409	108 807
Court	114 143	9 787	10 517	10 295	10 537	155 279	124 570	30 709
Fees	62 876	8 716	10 720	12 865	20 755	115 932	97 481	18 451
Other	16 537	2 088	2 742	5 533	6 534	33 434	30 238	3 196
Crown total	418 640	49 405	57 963	72 340	99 513	697 861	536 698	161 163
Commercial (i)	143 926	27 918	32 086	39 009	60 837	30 3776	224 708	79 068
Total owing	562 566	77 323	90 049	111 349	160 350	1 001 637	761 406	240 231

(i) Includes amounts administered on behalf of local councils, fees payable to the RTA and Attorney Generals' Department.

\$15.5 million (\$53.4 million 2008–2009) of fine receivables approved for write off have been brought to account in the above figures and will be written off in the subsidiary ledger in 2010–2011.

24. Administered Liabilities

Credit balances against tax receivables have not been netted off against the receivables reported in Note 23 and are required to be shown separately as administered liabilities.

	2010	2009
	\$'000	\$'000
Duties	3 304	7 514
Payroll tax	3 900	8 221
Land tax	7 806	7 591
Parking space levy	222	226
Club gaming devices	304	–
Hotel gaming devices	1	10
Insurance protection tax	121	25
FHOGS	24	13
Fines	92	58
Total administered liabilities	<u>15 774</u>	<u>23 658</u>

The credit balances above are primarily matters awaiting final assessments pending receipt of additional information. Credit situations are also created where taxes are paid in advance or overpayments are to be refunded to clients. Credit balances for fines represent overpayments.

25. Administered Income – Debts Written Off / Remissions**(a) Debts written off**

	2010			2009		
	Tax	Penalties/	Total	Tax	Penalties/	Total
	\$'000	Interest	\$'000	\$'000	Interest	\$'000
		\$'000			\$'000	
Duties	974	413	1 387	3 174	1 720	4 894
Parking space levy	38	26	64	7	4	11
Payroll tax	12 968	7 495	20 463	12 081	6 578	18 659
Land tax	1 163	844	2 007	397	407	804
Club gaming devices	3	7	10	6	9	15
Hotel gaming devices	57	50	107	107	50	157
FHOGS	222	60	282	749	239	988
Total debts written off	<u>15 425</u>	<u>8 895</u>	<u>24 320</u>	<u>16 521</u>	<u>9 007</u>	<u>25 528</u>

A debt is only considered irrecoverable where it is either uneconomic to recover, the debtor cannot be located, the personal or financial circumstances of the debtor does not warrant the taking of recovery action, legal proceedings through the courts have proved unsatisfactory or legal advice suggests follow up would be ineffective.

(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:

	2010			2009		
	Penalties \$'000	Interest \$'000	Total \$'000	Penalties \$'000	Interest \$'000	Total \$'000
Duties	8	6 217	6 225	41	2 377	2 418
Parking space levy	13	1 821	1 834	–	1 037	1 037
Payroll tax	386	15 624	16 010	337	10 915	11 252
Land tax	12	17 810	17 822	–	16 586	16 586
Health insurance levies	–	389	389	–	1	1
Club gaming devices	–	880	880	–	569	569
Hotel gaming devices	–	995	995	–	409	409
Fixed odds sports betting	–	7	7	–	–	–
Fixed odds racing betting	–	2	2	–	–	–
FHOGS	21	–	21	12	–	12
Total remissions	440	43 745	44 185	390	31 894	32 284

Interest and penalty can be remitted in part or full if the client can provide a satisfactory explanation for the default.

26. Administered Expenses - Other

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

	2010 \$'000	2009 \$'000
Act of Grace payments	242	1 833
Petroleum subsidies (i)	3 648	43 200
Court imposed interest payments	3 524	1 204
Unclaimed money refund – S14 <i>Public Finance and Audit Act</i>	56	137
Bad debts expense (ii)	27 878	32 743
Land tax discounts (iii)	20 022	18 065
GST rebate – Clubs (iv)	18 041	18 446
FHOGS	695 145	734 562
Total administered expenses	768 556	850 190

(i) Petroleum subsidies

Petroleum subsidies are paid to petroleum distributors to enable northern NSW retailers to compete with Queensland retailers who are provided with a subsidy by the Queensland Government. The scheme was abolished from 1 July 2009. Claims paid during 2010 relate to petroleum sales up to 30 June 2009.

(ii) Bad debts expense

From 1st July 2008 FHOGS became an administered activity of The Treasury on behalf of the Crown. Bad debts expense for 2009–2010 includes an allowance for impairment of \$591 950 for FHOGS (2008–2009 \$446 136).

(iii) 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.

(iv) GST rebate – Clubs

The GST rebate is paid to clubs to compensate for the impact of the GST. It is based on gaming profits and is paid quarterly.

27. Administered Income – Crown Entity

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

	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
(a) Revenue earned			
Taxes, penalties and interest			
Duties (i)	5 182 521	4 081 100	4 108 378
Parking space levy (i)	102 610	100 000	51 385
Payroll tax (i) (ii)	7 049 004	7 044 000	7 212 045
Land tax (i) (ii)	2 335 199	2 354 000	2 288 690
Health insurance levy (i)	141 653	137 000	132 935
Insurance protection tax	66 496	68 750	67 339
Sub total	<u>14 877 483</u>	<u>13 784 850</u>	<u>13 860 772</u>
Gaming and racing			
Lotteries (v)	104 252	101 962	–
Keno tax	10 551	10 752	9 919
Totalizator tax on and off course totes (i)	155 429	156 600	151 811
Fixed odds sports betting (i)	8 089	5 723	7 173
Fixed odds racing betting	847	426	403
Footy TAB	659	672	775
Club gaming devices (i) (iv)	641 030	650 000	636 260
Hotel gaming devices (i) (iv)	425 740	432 700	410 426
Total gaming and racing	<u>1 346 597</u>	<u>1 358 835</u>	<u>1 216 767</u>
Total taxes, penalties and interest	<u>16 224 080</u>	<u>15 143 685</u>	<u>15 077 539</u>
Fines			
Motor traffic fines (iii)	272 851	281 300	251 918
Fees	41 855	35 000	36 198
Court fines	11 930	8 100	6 672
Other fines	4 098	1 600	870
Total fines	<u>330 734</u>	<u>326 000</u>	<u>295 658</u>
Total taxes, fines, penalties and interest	<u>16 554 814</u>	<u>15 469 685</u>	<u>15 373 197</u>
Other			
Tax equivalents	733 562	726 000	701 627
Unclaimed money	9 850	3 000	10 405
Other revenue	1 026	530	1 207
Total other	<u>744 438</u>	<u>729 530</u>	<u>713 239</u>
Total revenue earned	<u>17 299 252</u>	<u>16 199 215</u>	<u>16 086 436</u>

(i) Included in the revenue earned figures are interest and penalties amounting to:

	2010 \$'000	2009 \$'000
Duties	44 750	50 514
Parking space levy	4 509	1 643
Payroll tax	31 211	29 249
Land tax	30 465	40 622
Health insurance levy	695	1
Fixed odds sports betting	7	—
Fixed odds racing betting	2	—
Club gaming devices	883	949
Hotel gaming devices	860	849
Total	<u>113 382</u>	<u>123 827</u>

- (ii) The budget for payroll tax and land tax include consolidation elimination estimates for public sector agencies of \$872.4 million and \$2.4million respectively.
- (iii) \$38.2 million has been recognised in fines revenue that relates to the increase in recoverable fines for the current year (refer to Note 23 (b)).
- (iv) Approved clubs and hotels can pay their quarterly gaming machine tax in three equal instalments without being charged interest for the late payment. The scheme aims to assist those demonstrating financial hardship.
- (v) From March 2010 OSR became responsible for collection of lotteries duty on behalf of the Crown (refer Note 1(d)).

	Actual 2010 \$'000	Actual 2009 \$'000
(b) Revenue collected		
Taxes, penalties and interest		
Duties	5 130 121	4 049 440
First home purchase scheme	10	10
Total duties	5 130 131	4 049 450
Parking space levy	97 675	51 211
Payroll tax	7 000 873	7 166 648
Land tax	2 307 993	2 194 544
Health insurance levy	140 959	132 933
Insurance protection tax	66 576	67 303
Sub total	9 614 076	9 612 639
Gaming and racing		
Lotteries (i)	104 252	–
Keno tax	10 551	9 919
Totalizator tax on and off course totes	155 429	151 811
Fixed odds sports betting	8 082	7 173
Fixed odds racing betting	845	403
Footy TAB	659	775
Club gaming devices	645 723	631 649
Hotel gaming devices	424 998	409 811
Total gaming and racing	1 350 539	1 211 541
Total taxes, penalties and interest (ii)	16 094 746	14 873 630
Fines		
Motor Traffic fines	245 514	232 829
Fees	36 268	36 199
Court fines	7 036	6 672
Other fines	3 702	870
Total fines	292 520	276 570
Total taxes, fines, penalties and interest	16 387 266	15 150 200
Other		
Tax equivalents	733 562	701 627
Unclaimed money	9 850	10 421
Other revenue	1 026	1 207
Total other	744 438	713 255
Total revenue collected	17 131 704	15 863 455

- (i) From March 2010 OSR became responsible for collection of lotteries duty on behalf of the Crown (refer Note 1(d)).
- (ii) Amounts totalling \$58.1 million (\$20.5 million 2008–2009) paid on 30 June 2010 and transferred to the Crown Entity on 1 July 2010 are included in the above figures.

28. Administered Contingent Liabilities and Contingent Assets

There are currently 167 matters where the Crown Solicitor or other legal firms are acting on behalf of The Treasury. A settlement estimate for these matters cannot be reliably determined.

Refund claims totalling \$27.6 million were paid in 2010 for general insurance duty following a Court decision in 2009. Any residual contingent liability cannot be reliably estimated.

End of audited Financial Statements

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Appendices

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Occupational Health and Safety

OFM has appropriate mechanisms in place to ensure a safe and healthy workplace for its staff.

Our approach incorporates a range of preventative measures to alleviate potential risks as well as mechanisms to deal effectively with any issues that arise.

Ergonomic workplace assessments are provided to staff who experience discomfort in the workplace or where risk is identified.

OFM also provides first aid training and has First Aid Officers appointed across all staff areas to deal with any incidents. Staff are required to report any hazards in the workplace and managers are required to initiate rectification of risks. To assist in effective reporting and response to hazards, an interactive reporting 'box' is included at the top of every staff member's e-mail account.

Occupational Health & Safety	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Reported workplace incidents	14	9	14	10	14
OH&S assessments conducted	5	10	4	5	6

OFM continues to offer a free vaccination program to staff as a means of reducing the incidence of seasonal flu within the workplace. The program is voluntary and is accessed by around half our staff each year.

Free flu vaccination program	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Staff participating	75	104	130	138	165

OFM promotes a work-life balance and ensures that staff access accrued leave regularly as part of this strategy. Staff must take at least one break of two weeks duration each year.

Our staff are also encouraged to participate in healthy lifestyle activities including:

- *Running* - City to Surf; Corporate Cup; Sydney runners' festival
- *Swimming* - mini triathlon and the Sydney Harbour swim
- *Walking* - many staff take part in the Annual Secretary's Walk/run
- *Cycling* - teams enter the Wollongong bike ride and Ride to Work day
- *Team sport events* - mixed soccer and touch football.

Multicultural Policies and Services Program (formerly EAPS)

OFM does not provide direct services to the public. We serve the community indirectly via the policy advice we provide to government on state resource allocation and financial management and economic issues. The impact of this advice is reflected in the State's credit rating, which in turn impacts on its ability to provide services to the community.

In carrying out its policy task, OFM supports the objectives of service provision agencies and has regard for the particular needs of the ethnic community when analysing the advice of line agencies.

OFM is not a party to any current multicultural agreements, however we uphold these principles and objectives as part of our core business. The cultural diversity of our staff is above target, as can be seen in the Equal Employment Opportunity section below.

Privacy Management Plan

OFM's privacy management plan complies with the *NSW Privacy and Personal Information Protection Act, 1998*. It outlines:

- policy and practices
- details of information held
- review procedures.

No privacy codes of practice were published and no specific exemptions were sought by OFM during 2009-10.

OFM is a policy based organisation and generally does not access personal information in the course of its business dealings. OFM's access to personal information is limited to its role in overseeing the operation of the Treasury Managed Fund (which is covered elsewhere, in the SiCorp Annual Report).

There have been no Privacy Requests to OFM in the last five years.

Disability Strategic Plan

OFM's Disability Strategic Plan ensures that the needs of people with disabilities are taken into account in the conduct of our business. OFM does not provide services directly to the public, however it does provide information to the public, and it needs to provide easy access for stakeholders with disabilities.

Our main direct interaction with the community is via the internet. Our website provides reports on the State's finances and related information. We maintain a separate dedicated website which provides access to State Budget information, including the Budget Papers.

These websites cater for broad accessibility requirements. They are simply designed, with limited use of images, and are built on a content management system which is easily navigated. The OFM websites comply with level 2 of the W3C standards.

All offices occupied by OFM provide access and amenities for visitors with mobility disabilities.

Equal Employment Opportunity

OFM supports a range of measures to promote gender equality in our workforce.

In 2009-10:

Work/Life Balance

Flexible work practices continue to be available to staff to balance work and family commitments. All staff are eligible to apply for the purchased leave scheme, which enables staff (with the support of their work area) to negotiate additional leave arrangements to accommodate their caring responsibilities.

NSW Treasury's continuing sponsorship of Nanbaree Childcare Centre enables our staff to have priority consideration for a childcare placement.

Fostering Diversity

The Lucy Mentoring Program is a partnership between some NSW universities and leading public and private sector organisations. It provides female university students from non traditional education backgrounds access and exposure to women in senior business roles. During 2009-10 senior managers in OFM mentored four participants in the Lucy Program.

During 2009 – 2010 OFM also provided work placements to a number of overseas professionals from non- English speaking backgrounds undertaking postgraduate studies through the Graduate School of Government, Sydney University and St George TAFE.

Equal Employment Opportunity (continued)

OFM's Graduate Program appointed ten graduates in 2010, 60% of whom were women.

OFM staff participated in the Senior Women's Network, a forum for women in the public sector at Senior Officer or Senior Executive Service level to share knowledge and experience.

Representation of EEO groups -trends	benchmark/ target	2006	2007	2008	2009	2010
Women	50%	43%	44%	43%	45%	48%
Aboriginal people and Torres Strait Islanders	2%	0%	0%	0.5%	0.5%	0.6%
people whose first language was not English	20%	16%	16%	19%	23%	23%
people with a disability	12%	2%	2%	2%	2%	2%
people with a disability requiring work-related adjustment	7%	0.4%	0.8%	0.8%	0.7%	0.7%

Distribution* of EEO groups - trends	benchmark/ target	2006	2007	2008	2009	2010
Women	100	88	82	89	88	90
Aboriginal people and Torres Strait Islanders	100	na	na	na	Na	na
people whose first language was not English	100	87	90	89	87	88
people with a disability	100	na	na	na	na	na
people with a disability requiring work-related adjustment	100	na	na	na	na	na

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

*A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equal 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, the lower the index. An index of more than 100 indicates that the EEO group is more concentrated at higher salary levels.

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

EEO Strategies for 2010-2011

In 2010 OFM's entry level recruitment programs will be expanded to include two Indigenous cadetships and an additional "Jumpstart" cadetship. "Jumpstart" is an initiative of the NSW government which targets school leavers, to increase the proportion of young people in the public sector. We will continue our involvement with the Lucy Program and offer work placements to assist overseas trained professionals wherever possible. Together with the profile of our graduate recruitment intake for 2010, these initiatives will continue to build our workforce diversity.

During the year a comprehensive review will be undertaken of all actions for women, Aboriginal people and Torres Strait Islanders, people whose first language was not English, and people with a disability, and we will ensure these initiatives are fully integrated into OFM's revised planning framework.

Access to flexible work arrangements that balance business and employee requirements will continue to be available to staff with caring responsibilities. Key positions can be provided with remote access to in-house networks where appropriate to ensure business continuity and facilitate flexible work arrangements.

Expenditure on Consultants during 2009-10

Office of Financial Management

Consultants costing \$30,000 or more

	Project	Amount (ex. GST)
Finance and Accounting/Tax		
SAX Institute	Evidence checks on National and NSW Health Reforms	\$174,300.00
KPMG Corporate Finance (Aust) Pty Ltd	Advice to the Council of Australian Governments' (COAG) Housing Supply and Affordability Working Party on the potential to reform land aggregation, zoning and planning processes and governance, across all Australian jurisdictions.	\$41,280.00
Ernst & Young	Advice on financial modelling of COAG health reforms	\$60,867.00
PriceWaterhouseCoopers	Review of financial management and accountability framework.	\$117,500.00
KPMG Actuaries Pty Limited	Review of the long term cost of the NSW Police Death and Disability Scheme	\$67,929.06
BSR Solutions	Review of the strategies and programs of the NSW Police technology and communications.	\$74,750.00
NSW Department Premier and Cabinet (L.E.K.Consulting PtyLtd)	Financial advice on new public transport fares arrangements	\$31,093.50
Economic Assessment		
NSW Department of Environment, Climate Change and Water (DECCW) (Centre of International Economics)	Joint project with DECCW to evaluate the effectiveness of the Government rebates program for energy and water efficient products.	\$63,122.73
The Allen Consulting Group	Examination of available methodologies to assist decision making on adaptation to climate change.	\$ 45,453.64
Centre for International Economics	Economic development policy project	\$36,250.00
Victorian Department of Treasury and Finance (Evans and Peck)	NSW's contribution to the development of a nationally consistent approach to alliancing, including a policy framework document, practioner's guide, model project agreement and training module.	\$137,500.00
Management Services		
David Evans	NSW Treasury representative to oversee Rail Rolling Stock Private Public Partnership.	\$122,977.21
Organisational Review		
Jan McClelland & Associates	To review and improve recruitment, selection and talent management practices to ensure fair merit based system	\$37,800.00
The Boston Consulting Group	Provide advice on organisational alignment and accountability options.	\$445,500.00
Third Horizon Consulting Partners P/L	A review to assess core capabilities within Treasury and advise on resource capacity	\$91,131.97
Sub-Total		\$1,547,455.11
Consultants costing less than \$30,000		
Finance and Accounting/Tax	13 projects totalling	\$155,723.19
Management Services	2 projects totalling	\$23,757.50
Organisational Review	1 project totalling	\$29,000.00
Economic Assessment	8 projects totalling	\$111,963.63
Information Technology	1 project totalling	\$28,050.00
Sub Total:		\$348,494.32
Total cost of OFM consultancies (excluding Better Services and Values Plan)		\$1,895,949.43

Expenditure on Consultants during 2009-10

Better Services and Value Plan

At the time of the 2009-10 Budget, the Government announced the Better Services and Value Plan to improve service delivery and contain expenditure growth over the forward estimates. The Better Services and Value Taskforce was established to oversee the implementation of the Plan. The Taskforce has commenced a program of expenditure reviews across government. The program of reviews includes

1. Agency Expenditure Reviews – to focus on in-depth expenditure and efficiency reviews under a rolling program of agency reviews. The emphasis is to ensure that agency expenditure is targeted, effective and fiscally sustainable.
2. Whole of Government Expenditure Reviews – the initial focus will be in the areas of Information and Communication Technology (ICT) and Legal Services
3. State Owned Corporations (SOC) Board and Strategic Performance Reviews – overall SOC performance is being assessed in terms of: effectiveness of the Board performance and governance arrangements; and the actual performance of the SOCS.

To ensure a robust method across the overall review process, a number of different consultants were engaged. Each consultant was competitively evaluated prior to selection to ensure the application of the most effective skills, resources and experience, thus ensuring value for money. Consultants not only bring relevant experience and information to the processes, they also ensure objectivity in framing the outcome of the reviews.

Consultants costing \$30,000 or more	Project	Amount (ex. GST)
Management Services		
PricewaterhouseCoopers	Develop Terms of Reference and Briefing Pack to be used to initiate Expenditure Reviews	\$49,899.48
Australian Public Service Commission	Provide independent services on Better Services & Value Taskforce	\$ 112,543.29
Conlon Consulting Services	Provide independent services on Better Services & Value Taskforce	\$35,000.00
The Boston Consulting Group	Review to provide initial scoping of the ICT Review	\$143,000.00
Strategies and Solutions Group Pty Ltd	Provide ICT Expenditure Steering Committee services	\$45,507.50
KPMG Corporate Finance (Aust) Pty Ltd	Review of ICT Expenditure across government	\$3,428,330.00
Gartner Australasia Pty Limited	ICT Benchmarking services and information	\$39,200.00
Beaton Research and Consulting Pty Ltd	Review to assist agencies develop and implement efficient and fiscally sustainable expenditure on legal services	\$125,743.91
AllyGroup	Develop a strategy and plan to implement leading practice legal panel arrangements across government.	\$326,795.00
Independent Pricing and Regulatory Tribunal (IPART)	Review to provide a quantitative assessment of the productivity performance of SOCs, including a review of factors that may impact performance	\$300,000.00
Boardroom Partners Pty Limited	Review of 14 SOC Boards to ensure improved Board performance	\$449,192.40
PricewaterhouseCoopers	Review of Newcastle Ports Corporation to strengthen its business and financial performance, and increase shareholder value	\$300,111.56
Ernst & Young	Review of Hunter Water Corporation to strengthen its business, financial and non-financial performance, and increase shareholder value.	\$315,562.00

Expenditure on Consultants during 2009-10

Better Services and Value Plan (continued)

Consultants costing \$30,000 or more	Project	Amount (ex. GST)
Ernst & Young	Review of Transgrid Corporation to strengthen its business, financial and non-financial performance and increase shareholder value.	\$306,515.00
PricewaterhouseCoopers	Review of State Water Corporation to strengthen its business, financial and non-financial performance, and increase shareholder value.	\$509,000.00
KPMG Corporate Finance (Aust) Pty Ltd	A review of operational frameworks and performance.	\$150,000.00
PricewaterhouseCoopers	An initial expenditure review of DET school-based resources.	\$451,800.00
The Boston Consulting Group	An initial expenditure review of DET non-school-based resources.	\$1,210,000.00
PricewaterhouseCoopers	Follow up consultancy to develop a school staffing process model with DET	\$45,200.00
NSW Department of Education and Training (SMS Management & Technology Limited)	Follow up consultancy to develop a business intelligence system within DET	\$124,991.74
KPMG	An initial expenditure review of the Department of Justice and Attorney General to identify major expense reduction opportunities, along with development of an evidence base to support future resource allocation decisions	\$750,849.62
PricewaterhouseCoopers	An initial expenditure review of Department of Environment Climate Change and Water to identify major expense reduction opportunities, along with development of an evidence base to support future resource allocation decisions	\$476,882.97
The Boston Consulting Group	An initial expenditure review of Department of Human Services to identify major expense reduction opportunities, along with development of an evidence base to support future resource allocation decisions	\$999,000.00
PricewaterhouseCoopers	An initial expenditure review of Department of Industry and Investment to identify major expense reduction opportunities, along with development of an evidence base to support future resource allocation decisions	\$182,866.70
Sub-Total		\$10,877,991.17
Consultants costing less than \$30,000		
Management Services	3 projects totalling	\$51,462.95
Sub Total:		\$51,462.95
Total cost of BSV consultancies		\$10,929,454.12

Insurance

OFM has insurance cover over all its assets and major risks.

Insurance policies are in place with the Government's self insurance scheme, the Treasury Managed Fund (TMF) for workers' compensation, motor vehicles, public liability and building contents including office equipment. OFM undertakes a regular appraisal to ensure adequate cover.

The TMF premium incentive scheme encourages effective risk management. Agencies that manage risk well receive lower premiums. Those with poor risk management are penalised.

OFM seeks lower premiums by reducing its operational risks. Workers' compensation risks are managed with early intervention, active rehabilitation and workplace inspections such as ergonomic assessments (see Occupational Health and Safety report, p.100 of this Report for numbers).

Accounts Payable Performance

OFM contracts ServiceFirst (which is within the NSW Department of Services, Technology and Administration) to provide financial transaction services. The service partnership agreement provides for ServiceFirst to process the payment of OFM tax invoices after these have been certified and approved for payment by delegated OFM officers. The following table reports on the total time taken by OFM and ServiceFirst officers to administer payments.

Outstanding invoices by age at the end of each 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 2009	407,093	0	0	0	15,690*
December 2009	6,544	0	0	0	0
March 2010	75,314	0	0	0	0
June 2010	0	0	0	0	0

*The amount of \$15,690 that was paid more than 90 days overdue represents one tax invoice from another government agency, dated 18 June 2009 and delivered to OFM in September 2009.

Accounts paid on time during each quarter	Total Accounts Paid on Time			Total Amount Paid	
	Target %	By Number	By Value	\$	\$
September 2009	88	97%	86.0%	3,205,904	3,726,075
December 2009	88	96%	96.7%	5,565,678	5,756,988
March 2010	88	93%	90.2%	3,538,469	3,922,934
June 2010	88	91%	90.5%	5,016,253	5,541,731

During 2009/2010 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

Waste Reduction and Purchasing Policy

OFM supports the principles of waste reduction through its purchasing and disposal policies. Procurement is undertaken via suppliers registered under NSW Government contracts. These contracts place significant emphasis on sustainability, taking into account the level of recycled content and the disposal of surplus equipment. OFM promotes the use of electronic communications to reduce paper usage as far as possible and actively participates in recycling programs in relation to paper, cardboard, toner cartridges and recyclable food and beverage packaging.

OFM is contributing surplus hardware to the Premier's program to provide internet access to remote Indigenous communities. Further recycling and re-use opportunities will be explored in the coming year and steps will be taken to raise staff awareness and participation in existing and emerging programs.

Credit Card Certification

OFM's *Credit Card Policy and Procedures Statement* is readily available to all OFM staff from OFM's intranet. It outlines requirements for the issue, use and administration of credit cards. Its rules are consistent with Government policy as outlined in Treasurer's Directions and Treasury Circulars.

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

Major assets acquired in 2009-2010

Hardware	\$'000
Personal computing (desktop and laptops)	144
Other computer equipment	12
Total Hardware	156
Intangible Software	417
Office Equipment	73
Leasehold Improvement	95
Total major assets	741

Overseas visits

NSW Credit Rating

From 10 to 18 December 2009, the Secretary of NSW Treasury, Michael Schur accompanied the Treasurer, the Hon Eric Roozendaal to the United States of America.

They met with representatives of Moodys credit rating agency in New York to discuss the NSW Budget and the mid-year review process. Meetings were also held in Washington DC and Las Vegas with current and potential NSW Government investors.

The Secretary's costs were met by the NSW Treasury.

Australasian Treasury Officers' Conference

Enrico Sondalini, Director, Health Branch, and Joshua Shrubbs, Director, Agency Expenditure Review Branch, travelled to New Zealand for the Australasian Treasury Officers' Conference (ATOC) held in Wellington 5-6 November 2009. This annual conference is attended by Treasury officials from jurisdictions around Australia and New Zealand.

Mr Sondalini presented a paper to the conference on 'Managing Health expenditure growth and funding' and Mr Shrubbs presented a paper on 'Establishing an expenditure review function'. Mr Sondalini also held meetings with NZ Treasury officials outside the conference on health budget issues and fiscal forecasting models.

OFM covered the cost of accommodation and travel to and from the airport. Other expenses were covered by Mr Sondalini and Mr Shrubbs or ATOC.

Government Self-Insurance

Steve Hunt, Director, NSW Self Insurance Corporation travelled to London and Singapore from 9 to 22 May 2010.

Mr Hunt oversees the NSW Government's self-insurance arrangements. Reinsurance represents a key risk management strategy in the management of the government's self-insured liabilities.

Mr Hunt met with major international reinsurers in London, the traditional capital of the world reinsurance market and in Singapore which is emerging as a major market focussing on the Asia Pacific Region. Reinsurers value a sound understanding of their client's business and risk profile when considering premiums, terms and conditions.

The trip was successful with all reinsurance arrangements for 2010-11 in place by 30 June 2010.

SICorp covered all costs associated with Mr Hunt's travel and accommodation.

Treasury Circulars 2009-10	Date Issued
NSWTC09/08 Internal Audit and Risk Management Policy	24/08/2009
NSWTC09/10 Guidelines for Boards of Government Businesses	15/10/2009
NSWTC09/09 Control over Payments from the Consolidated Fund	15/10/2009
NSWTC09/11 Financial Distribution Policy	03/11/2009
NSWTC09/12 Estimation of Jobs Supported by Government Actions, Programs and Policies	24/12/2009
NSWTC10/01 Financial and Annual Reporting Implications of the July 2009 Agency Restructures	19/03/2010
NSWTC10/02 2009-10 Total State Sector and General Government Sector Financial Reports - Financial Reporting Requirements for Agencies	26/03/2010
NSWTC10/03 Local Jobs First Plan	09/04/2010
NSWTC10/04 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements	20/04/2010
NSWTC10/05 Equal Employment Opportunity (EEO) Disclosure Requirements	06/05/2010
NSWTC10/06 2009-10 Financial Accounting Arrangements for the Crown Entity	04/06/2010
NSWTC10/08 Mandates of Options and Major Policy Decisions Under Australian Accounting Standards	17/06/2010
NSWTC10/07 Land under Roads	17/06/2010

NSW Treasury Policy & Guidelines Papers 2009-10

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

TPP10-2 May 10	Treasury Banking System: Cash forecasting and banking arrangements This policy applies to General Government Budget Dependent Agencies and provides relevant information in relation to banking arrangements and cash forecasting requirements. The cash management and banking system arrangements were introduced to ensure the efficient management of the State's cash resources. It provides agencies with relevant information in relation to banking arrangements and cash forecasting requirements.
TPP10-1 Mar 10	Accounting Policy: Financial Reporting Code for Budget Dependent General Government Sector Agencies The Code applies to all Budget dependent agencies for financial years ending on or after 1 July 2009. It sets out the financial reporting framework for Budget Dependent agencies, outlining the form and content of financial reports and the accompanying note disclosures. This edition of the Code supersedes the previous version, issued as TPP08-4.
TPP09-7 Nov 09	Guidelines for estimating employment supported by the actions, programs and policies of the NSW Government The paper outlines appropriate methods for estimating the number of jobs that may be supported by the actions, programs and policies of the NSW Government and provides guidelines for presenting and describing estimates of jobs supported. It aims to assist project decision makers in the public or private sector requiring general employment estimation guidelines for Government initiatives.
TPP09-6 Oct 09	Financial Distribution Policy for Government Businesses (applies from 1 July 2010) This Policy is a component of the NSW Government's Commercial Policy Framework. The key purpose of the Policy is to subject Government businesses to the discipline of making dividend payments, in recognition of the opportunity cost associated with the Government's equity investment in its businesses. The policy also covers capital repayments, which represent a return of the Government's equity investment, and which may be used to achieve, or maintain, an appropriate capital structure for a government business.
TPP09-5 Sep 09	Internal Audit and Risk Management Policy for the NSW Public Sector The policy aims to ensure that NSW departments and statutory bodies maintain organisational arrangements that provide additional assurance, independent from operational management, through internal audit and risk management. To achieve this, the policy mandates a set of 'core requirements' that departments and statutory bodies must implement for consistent application across the sector. This Policy & Guidelines Paper provides departments and statutory bodies with the procedures they need to implement the core requirements of the policy.

**All NSW Treasury publications are published on the OFM Website
www.treasury.nsw.gov.au**

NSW Treasury Research and Information Papers 2009-10

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

**TRP10-1
March
2010**

Interstate Comparison of Taxes 2009-10

This paper is produced annually by OFM with the assistance of agencies in NSW and the other States and Territories. Produced after the delivery of State and Territory Budgets, it provides a brief description of each tax to facilitate interstate comparisons.

The publication is not intended as an exhaustive analysis. For a complete operating description of each tax, the relevant Acts of Parliament and/or regulations should be consulted. Some information is based on proposed or announced changes, which at the time of publication may not have been legislated. OFM takes no responsibility for any errors in the information provided.

Treasury Operational Documents

Triennial

Corporate Plan

The Corporate Plan outlines OFM's strategic management framework and the values it applies. It incorporates the OFM Commitment to Service.

The Plan is issued every three years following a fundamental planning review.

The current edition issued in 2008.

Annual

NSW Treasury Annual Report

Prepared in accordance with the Annual Reports (Departments) Act 1985.

State Financial Reports

Report on State Finances

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

Monthly Financial Statements

Monthly reports on General Government finances for the year to date, published on OFM's web site.

State Budget Papers

Budget Overview

Provides a brief overview, including clear graphics, of the Budget position, expenditure and revenue and economic context. Outlines the Budget papers and key terms.

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 on Budget aggregates (i.e. for the General Government Sector) and on State finances more generally. Outlines the State fiscal strategy.

Budget Estimates BP 3 (2 volumes)

Contains detailed revenue and expense information on General Government Sector portfolios and agencies. Information is provided on the net cost of providing services for each Budget Dependent agency.

Infrastructure Statement BP 4

Provides detail of the General Government Sector and Public Trading Enterprise Sector plans for infrastructure expenditure. 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.

State Infrastructure Strategy

The Strategy issues every second year, setting out the Government's infrastructure plans and priorities for the coming ten years. It links immediate funding with longer term infrastructure planning and identifies the main drivers of infrastructure spending – coastal population growth, increased ageing and the impact of new technology.

The inaugural Strategy, which issued in May 2006, covered the ten years from 2006-07 to 2015-16. A revised edition issued in June 2008 covering the ten years to 2017-18.

Freedom of Information

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

	Personal		Other		Total	
	2008- 2009	2009- 2010	2008- 2009	2009- 2010	2008- 2009	2009- 2010
New FOI requests						
New (including transferred in)	-	-	39	44	39	44
Brought forward	-	-	2	3	2	3
Total to be processed	-	-	41	47	41	47
Completed	-	-	28	35	28	35
Discontinued	-	-	7	6	7	6
Total processed	-	-	35	41	35	41
Unfinished (carried forward)	-	-	6	6	6	6
Discontinued applications						
Transferred	-	-	2	3	2	3
Withdrawn	-	-	1	-	1	-
Applicant failed to pay	-	-	4	2	4	2
Unreasonable resources	-	-	-	1	-	1
Total discontinued	-	-	7	6	7	6
Completed applications						
Granted in full or otherwise available in full	-	-	18	18	18	18
Granted in part or otherwise available in part	-	-	4	10	4	10
Refused or exempted	-	-	6	7	6	7
Deferred	-	-	0	0	0	0
Total completed	-	0	28	35	28	35

Freedom of Information

	Personal		Other		Total	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Applications granted or otherwise available in full						
All documents requested were:						
Provided to applicant	-	-	17	21	17	21
Provided to the applicant's medical practitioner	-	-	-	-	-	-
Available for inspection	-	-	-	-	-	-
Available for purchase	-	-	-	-	-	-
Library material	-	-	-	-	-	-
Subject to deferred access	-	-	-	-	-	-
Available by a combination of any above reasons	-	-	1	-	1	-
Total granted or otherwise available in full	-	0	18	21	18	21
Applications granted or otherwise available in part						
All documents requested were:						
Provided to applicant	-	-	4	10	4	10
Provided to the applicant's medical practitioner	-	-	-	-	-	-
Available for inspection	-	-	-	-	-	-
Available for purchase	-	-	-	-	-	-
Library material	-	-	-	-	-	-
Subject to deferred access	-	-	-	-	-	-
Available by a combination of any above reasons	-	-	-	-	-	-
Total granted or otherwise available in full	-	0	4	10	4	10

Freedom of Information

	Personal		Other	
	2008-2009	2009-2010	2008-2009	2009-2010
Refused FOI applications				
Exempt	-	-	6	5
Deemed refused	-	-	0	2
Total refused	-	0	6	7
Exempt documents				
<i>Restricted documents</i>				
Cabinet document	-	-	10	16
Executive council documents	-	-	-	-
Law enforcement and public safety documents	-	-	-	-
Counter terrorism	-	-	-	-
<i>Documents requiring consultation</i>				
Intergovernmental relations	-	-	-	-
Personal affairs	-	-	-	1
Business affairs	-	-	-	-
Conduct of research	-	-	-	-
<i>Documents otherwise exempt</i>				
Schedule 2 exempt agency	-	-	-	-
Information confidential to Olympic Committees	-	-	-	-
Relating to threatened species, Aboriginal objects or Aboriginal places	-	-	-	-
Threatened species conservation	-	-	-	-
Plans of management containing information of Aboriginal significance	-	-	-	-
Privacy documents in public library collections	-	-	-	-
Judicial functions	-	-	-	-
Subject to contempt	-	-	-	-
Arising out of companies or securities legislation	-	-	-	-
Exempt under interstate FOI legislation	-	-	-	-
Subject to legal professional privilege	-	-	-	-
Containing confidential material	-	-	-	-
Subject to secrecy provisions	-	-	-	-
Affecting State economy	-	-	-	-
Affecting financial or property interests of the State or an agency	-	-	-	1
Concerning operations of agencies	-	-	-	-
Internal working documents	-	-	-	-
Other exemptions	-	-	-	-
Total applications including exempt documents	-	0	10	18

Freedom of Information

Formal consultations

	Number	
	2008-2009	2009-2010
Requiring formal consultation	10	19
Persons formally consulted	na	0

Fees and costs

(excluding applications transferred out)	Assessed costs		Fees received	
	2008-2009	2009-2010	2008-2009	2009-2010
All completed applications	\$5,347	\$2,301	\$1,965	\$1,320

	Personal		Other		Total	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Fee discounts (where fees were waived or discounted)						
Processing fee waived in full	-	-	0		0	-
Public interest discounts	-	-	0		0	-
Financial hardship – pensioner or child	-	-	0		0	-
Financial hardship – non-profit organisation	-	-	0		0	-
Total	-	0	0	0	0	0

Number of calendar days taken to complete request

0-21 days: statutory determination period	-	-	16	22	16	22
22-35 days: extended statutory determination period for consultation or retrieval of archived records	-	-	5	13	5	13
Over 21 days: deemed refusal where no extended determination period applies	-	-	7	0	7	0
Over 35 days: deemed refusal where extended determination period applies	-	-	0	0	0	0
Total	-	-	28	35	28	35

Freedom of Information

Processing time (hours)

	Number of completed FOI applications					
	Personal		Other		Total	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
0-10 hours	-	-	21	31	21	31
11-20 hours	-	-	7	3	7	3
21-40 hours	-	-	0	1	0	1
Over 40 hours	-	-	0	0	0	0
Total	-	0	28	35	28	35

Number of reviews

	Number of reviews completed	
	2008-2009	2009-2010
Internal reviews	3	3
Ombudsman reviews	0	0
ADT reviews	0	0

Results of internal reviews (2009-2010)

	Number of internal reviews					
	Personal		Other		Total	
	Original agency decision upheld	Original agency decision varied	Original agency decision upheld	Original agency decision varied	Original agency decision upheld	Original agency decision varied
Access refused	-	-	2	1	2	1
Access deferred	-	-	0	0	0	0
Exempt matter deleted from documents	-	-	0	0	0	0
Unreasonable charges	-	-	0	0	0	0
Failure to consult with third parties	-	-	0	0	0	0
Third parties views disregarded	-	-	0	0	0	0
Amendment of personal records refused	-	-	0	0	0	0
Total	-	-	2	1	2	1

Treasurer's legislation

- Annual Reports (Departments) Act 1985 No 156
- Annual Reports (Statutory Bodies) Act 1984 No 87
- Appropriation Act 2009 No 43
- Appropriation Act 2010 No 43
- Appropriation (Budget Variations) Act 2009 No 10
- Appropriation (Budget Variations) Act 2010 No 21
- Appropriation (Parliament) Act 2009 No 44
- Appropriation (Parliament) Act 2010 No 44
- Appropriation (Special Offices) Act 2009 No 45
- Appropriation (Special Offices) Act 2010 No 45
- 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, the 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
- Charter of Budget Honesty (Election Promises Costing) Act 2006 No 89
- 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
- Decimal Currency Act 1965 No 33
- Duties Act 1997 No 123
- 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, the Attorney General)
- First Home Owner Grant Act 2000 No 21
- Fiscal Responsibility Act 2005 No 41
- Freight Rail Corporation (Sale) Act 2001 No 35
- Gaming Machine Tax Act 2001 No 72, Part 3 (remainder, jointly with the Minister for Gaming and Racing, except Part 4 and Schedule 1, the Minister for Gaming and Racing)

Treasurer's legislation

- 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
- NSW Lotteries (Authorised Transaction) Act 2009 No 60
- NSW Self Insurance Corporation Act 2004 No 106
- Pacific Power (Dissolution) Act 2003 No 17
- Payroll Tax Act 2007 No 21
- Probate and Administration Act 1898 No 13, section 61B (7) and (8) (remainder, the Attorney General)
- Public Authorities (Financial Arrangements) Act 1987 No 33
- Public Finance and Audit Act 1983 No 152 (except parts, the 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 the Premier, except parts, jointly the Premier and Minister for Public Sector Reform)
- Road Improvement (Special Funding) Act 1989 No 95
- Secondary Mortgage Market (State Equity Participation) Act 1985 No 131
- 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 76 (remainder, the Minister for Gaming and Racing)
- Totalizator Agency Board Privatisation Act 1997 No 43
- Treasury Corporation Act 1983 No 75
- Unclaimed Money Act 1995 No 75
- Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010 No 8

Source: www.legislation.nsw.gov.au

Treasurer's Legislation - changes during 2009-10

The Office of State Revenue administers the Treasurer's taxation and fines legislation. Please refer to the relevant Act or OSR's annual report if a more detailed explanation of amendments to those Acts is required.

Spring Session 2009

New South Wales Lotteries (Authorised Transaction) Act 2009

(Act no. 60 assented 16 September 2009)

The Act authorises the transfer of NSW Lotteries to a new private operator and amends the *Public Lotteries Act (1996)* to establish a regulatory framework for a privately operated NSW Lotteries.

The main provisions of the Act include:

- the potential structures for transferring the NSW Lotteries business to a private operator
- the transfer of NSW Lotteries employees, protection of their entitlements, a three-year employment guarantee and a transfer payment
- the ability for employees to remain in the NSW public sector if they so wished
- changes to the existing legislation and regulation of lotteries including licensing arrangements and probity requirements
- protection measures for newsagents including a 5-year protection period during which all existing arrangements with agents will be maintained.

To ensure that lottery operations remain responsible and orderly, the Act provides for:

- a two-tiered licensing regime, under which the Minister can issue an exclusive operator licence for up to 40 years and product licences for the individual lottery games. The operator licence allows direct regulatory oversight of the operator's integrity and capability. The product licences allow direct regulatory oversight of each game.
- the new operator (licensee) has to satisfy requirements relating to integrity and capability
- strengthened disciplinary penalties and provision for the Minister to conduct probity investigations.

Under the new regime, the Minister for Gaming and Racing continues to be the regulator of public lotteries, and pre-existing regulations on consumer protection and harm minimisation have been retained.

The Act requires that the net proceeds of the transaction be paid into the Consolidated Fund. The transaction allowed taxpayer resources that were locked up in NSW Lotteries to be redirected towards strengthening the balance sheet and investing in front-line infrastructure.

Treasurer's Legislation - changes during 2009-10

Budget Session 2010

Waste Recycling and Processing Corporation (Authorised Transaction) Act 2010

(Act no. 8, assented 23 March 2010)

The Act authorises the transfer of the Waste Recycling and Processing Corporation, which trades as WSN Environmental Solutions (WSN) to a new private operator.

The main provisions of the Act include:

- the potential structures for transferring the WSN business to a private operator
- the transfer of WSN employees, protection of their entitlements, a three-year employment guarantee and a transfer payment
- the ability for employees to remain in the NSW public sector if they so wish
- establishment of the Waste Assets Management Corporation (WAMC) to manage sites not transferred as part of a transaction
- establishment of the WAMC Landfill Rehabilitation Fund to be administered by the Treasurer.

The transaction proceeds paid to the State are to be paid as follows:

- the amount of all outstanding WAMC landfill liabilities on the completion of the authorised transaction is to be paid into the WAMC Landfill Rehabilitation Fund
- the balance of the transaction proceeds are to be paid into the Consolidated Fund.

Appropriation (Budget Variations) Act 2010 (Act 21, assented 24 May 2010)

This Act appropriates additional amounts from Consolidated Fund for recurrent services and capital works and services for 2009–10 and 2008–09 for the purpose of giving effect to certain Budget variations required by exigencies of Government.

The additional amounts appropriated for 2009-10 are:

- (a) \$347,162,000 in adjustment of the vote "Advance to the Treasurer"
- (b) \$79,720,000 for recurrent services in accordance with section 22 (1) of the Public Finance and Audit Act 1983
- (c) \$695,000,000 for other additional recurrent and capital services

The additional amounts appropriated for 2008-09 are:

- (a) \$222,488,000 in adjustment of the vote "Advance to the Treasurer"
- (b) \$136,400,000 for recurrent services and capital works and services in accordance with section 22 (1) of the Public Finance and Audit Act 1983

Appropriation Act 2010 (Act 43, assented 28 June 2010)

This Act appropriates various sums of money required for the recurrent services and capital works and services of the Government during 2010–11.

The Act relates to appropriations from the Consolidated Fund, which is considered to be the "public purse". It largely comprises receipts from, and payments out of, taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets.

The Act for 2010–11 contains an additional appropriation, to allocate revenue raised in connection with changes to gaming machine taxes to the Minister for Health for spending on health related services.

The Act for 2010-11 includes notes that set out the net cost of services and capital expenditure of the agency for which appropriations are made, disaggregated across the relevant service groups and Ministers to whom the agency is responsible.

Treasurer's Legislation - changes during 2009-10

Appropriation (Parliament) Act 2010 (Act 44, assented 28 June 2010)

This Act appropriates out of Consolidated Fund sums for recurrent services and capital works and services of the Legislature for 2010-11.

Appropriation (Special Offices) Act 2010 (Act 45, assented 28 June 2010)

This Act appropriates out of Consolidated Fund sums for the recurrent services and capital works and services for 2010-11 for:

- Independent Commission Against Corruption
- Ombudsman's Office
- NSW Electoral Commission
- Office of the Director of Public Prosecutions

Annual Reports (Departments) Regulation 2005

Annual Reports (Statutory Bodies) Regulation 2005

During 2009-10 there were some minor amendments to update references to the multicultural policies and services program (previously the ethnic affairs priorities statement) and to clarify that the audited financial statements of controlled entities must be included in the relevant agency's annual report tabled in Parliament.

Public Finance and Audit Act 1983

Public Finance and Audit Regulation 2005

During 2008-09, a number of amendments were made to the Act and Regulations, including amendments to:

- allow a Minister that receives an appropriation to delegate to another Minister or authorise another Minister to delegate to an officer of any authority the committing or incurring of expenditure.
- allow the Auditor-General to recoup his or her costs of audit from Parliament or a Minister if Parliament or a Minister requests a particular audit or audit-related service.
- ensure former managers of former statutory bodies or a successor of the body, or any entity that controlled the body may prepare and submit the statement of compliance to the Auditor-General.
- clarify that a controlled entity of an agency is required to prepare separate audited financial statements in accordance with the same requirements that apply to the controlling entity.
- keep the schedules of applicable departments and statutory bodies up to date.

Annual Reporting Legislation

The Treasurer administers the Annual Reports legislation governing departments and statutory bodies. As part of this responsibility, since the end of 1991 the Treasury has conducted an annual reports review program. The annual reports review program is part of Treasury's strategy aimed at enhancing statutory compliance and the overall quality and relevance of agencies' annual reports.

The general objectives of the program are two-fold:

- to monitor compliance with annual reporting legislation
- to promote best practice in public sector annual reporting.

The 2008-2009 annual reports review program examined compliance with the relevant annual reporting legislation and identified instances of "better" reporting practices.

The Treasury website has been updated summarising the results of the 2008-2009 annual reports review.

Exemptions and Variations from Reporting Requirements under Acts and Regulations

Agency	Applicable Financial Year(s)	Exemption/ Variation	Reason(s) for Approval
Parramatta Stadium Trust	2009 onwards	Financial year determined to be from 1 January to 31 December	Re-confirmed existing arrangements.
NewSouth One Pty Ltd New South Four Pty Ltd NewSouth Six Pty Ltd NewSouth Eight Pty Ltd	2009/10	Exemption from requirement for preparation and audit of a final financial report	Entities deregistered.
Lake Illawarra Authority	2009/10 onwards	Extended financial year from 1 April 2009 to 30 June 2010 and subsequently from 1 July to next 30 June.	Simplify financial and annual reporting arrangements.
Probiotic Health Pty Ltd	2009/10	Extended final financial year and exemption from preparation and audit of a final financial report.	Dissolution of entity.
Land and Property Management Authority	2009/10 onwards	Withdrawal of requirement to prepare separate financial statements for Land and Property Information NSW and approval to vary format of the Statement of Comprehensive Income	Updating of financial reporting requirements following July 2009 agency amalgamations
Country Energy	2009/10	Exemption from revaluing gas network assets using depreciated replacement cost.	Assets valued at fair value, using an alternative basis.
Waste Assets Management Corporation	2010/11	Extended financial year to 30 June 2011	First financial year

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
Hunter Region Sporting Venues Authority	2008/09	Extension to 30 October 2009 for financial report	New Entity - Delays in compiling and finalising data

2. To Submit Annual Reports

Agency	Applicable Financial Year(s)	Exemption/Variation	Reason(s) for Approval
Workers' Compensation (Dust Diseases) Board	2008/09	Extension to 30 November 2009	Additional time to obtain information on statutory levies from WorkCover Authority
WorkCover Authority	2008/09	Extension to 30 November 2009	To synchronise reporting of the WorkCover scheme with WorkCover Authority's annual report
NSW Rural Assistance Authority	2008/09	Extension to 15 November 2009	Delays regarding editing and printing of annual report.
Sydney 2009 World Masters Games Organising Committee	2008/09	Extension to 30 November 2009	Additional time as the staging of the games conflicts with reporting period and takes away resources
NSW Game Council	2008/09	Extension to 30 November 2009	Timing of audit.
Dental Board of NSW	2008/09	Extension to 28 February 2010	Staffing issues due to transition from state scheme to a national scheme
NSW Aboriginal Land Council	2008/09	Extension to 31 December 2009	Timing of audit and printing difficulties

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