

# **NSW Budget Sector**

## **Consolidated Financial Statements (Unaudited)**

**July - December 1996**

The Half Year Budget Sector Consolidated Financial Statements are produced by  
New South Wales Treasury (Office of Financial Management).  
Technical inquiries can be directed to the Financial Accountant - Consolidations,  
Accounting  
and Reporting Branch. Tel: (02) 9228 4398, Fax: (02) 9228 3210.

# PREFACE

These statements report on the consolidated half year accrual operating result of the NSW Budget Sector in addition to providing information on the consolidated assets, liabilities and equity (net worth) as at 31 December 1996. As their preparation is not prescribed in the Public Finance and Audit Act, the Half Year Statements have not been subject to audit.

At present, New South Wales is the only Australian jurisdiction to publish half yearly consolidated accrual information.

The Statements have the same coverage as the annual Public Accounts which are required to be published under the Public Finance and Audit Act. The reporting entity includes those agencies that are funded mainly from the Consolidated Fund. These entities comprise the Budget Sector in New South Wales.

Following the reforms introduced in the New South Wales General Government Debt Elimination Act, the scope of the Budget Sector is soon to be expanded to cover all the Government agencies except for those operating on a commercial basis, irrespective of whether they receive budget support.

The Budget Sector Consolidated Financial Statements will accordingly be expanded to cover the full General Government Sector. This will also link the scope of financial reporting with the internationally recognised General Government approach as adopted by the Australian Bureau of Statistics. It will also assist in monitoring progress in the achievement of the government's financial objectives which target long term real growth in net worth.

**Michael Egan**  
**Treasurer**

---

# JULY - DECEMBER 1996

## NSW BUDGET SECTOR

### Summary of Financial Results:

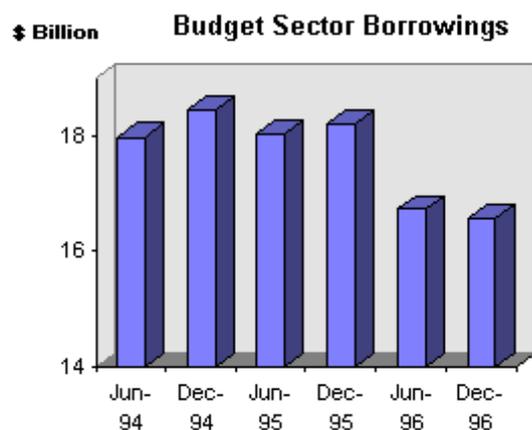
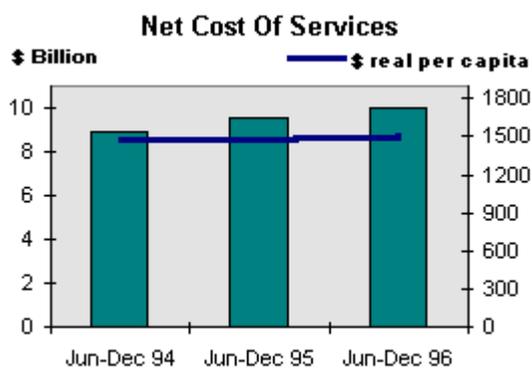
- **Net worth maintained at over \$19 billion**

Borrowings fall a further \$176 million or 1% since June 1996

Net cost of providing services \$10,026 million

Stable operating deficit of \$420 million compares to \$413 million in July to December 1995

Cash Inflows from operations positive \$1,034 million



---

## REVIEW OF FINANCIAL PERFORMANCE FOR THE HALF YEAR TO 31 DECEMBER 1996

The half yearly Consolidated Financial Statements of the New South Wales Budget Sector report on the financial position, operations and financing and investing activities of all budget dependent agencies, as well as the non-commercial entities that they control.

Budget dependent agencies, generally referred to as departments are those for whom 50% or more of total funding is provided by Parliamentary appropriation.

The following commentary is provided to enhance the users' understanding of the financial information contained in the statements and notes.

### Operating Statement

Budget sector operations for the period resulted in an operating deficit of \$420 million, compared with an operating deficit of \$413 million for the corresponding period last year. The result reflects increases for the period in State revenues offset by comparable increases in operating expenses, whilst operating revenue remained relatively stable. The main elements are discussed separately.

**State revenues** include State taxation, Commonwealth grants and a small component comprising fines and regulatory fees. **State taxation revenue** of \$5,218 million represents an increase of 5.8% over the same period last year. The main areas of increase are Stamp Duty and Pay-roll Tax with Land Tax decreasing by \$24 million due to a change in the pattern of payment which provides more revenue in the latter half of the financial year. The increase in Payroll Tax of \$96 million resulted from the combined effects of a widening of the tax base partly and a decrease in the tax rate. Three duty heads are significant in the increase to Stamp Duty. Contracts & Conveyances rose by \$157 million due to the strength of the property market, particularly commercial property. Share Transfer Duty rose by \$23 million due to strong price growth and increased activity in the share market. Vehicle Registration Duty rose by \$30 million due to an increase in the duty. However, when reviewed on a real per capita basis, State taxation increased by only 2.3% which is considered to be in accordance with the policy of restraint in taxation increases.

**Commonwealth grants** increased by 4.5% to \$4,260 million when compared with the same period last year. This increase of \$185 million compares with a similar increase of \$198 million for the corresponding period last year.

**Operating revenues** include sale of goods and service, investment income, and financial distributions from the non-budget sector. For the period under review, while total operating revenues remained quite stable, there was a significant increase in financial distributions from the non-budget sector, primarily representing a one-off receipt from Landcom of \$53 million.

The 4.3% increase in total **operating expenses** to \$11,266 million, was mainly due to increases in salaries and wages, other operating expenses, maintenance and depreciation, and an offsetting decrease in finance charges.

**Salaries and wages** increased to \$4,472 million compared with \$4,258 million for the corresponding period last year. This increase includes \$55 million for School Education, which was impacted by an award increase for teachers during 1996. The 7% increase in **other operating expenses** to \$1,568 million was mainly due to the Consolidated Fund Entity consolidating for the first time the operations of the State Property Portfolio

(\$46 million), and an increase of \$28 million in operating expenses for the Department of Health.

**Maintenance expenses** increased by 20.6% to \$457 million. This includes enhanced disclosure by the Roads and Traffic Authority in that amounts of employee related expenses previously included in salary and wages expenses have been reclassified and comparative figures have been revised.

An increase in **depreciation expense** of 15.8% to \$389 million includes an amount of \$29 million for the Department of Health. This amount results from accelerated depreciation of buildings to be demolished in the South West Sydney Area Health Service district.

**Finance charges** decreased by 3.3% compared with the same period last year to \$850 million. This decrease reflects a general reduction in interest rates as well as a reduction in borrowings.

**Other expenses** have not moved significantly compared with the corresponding period last year. However as they represent 23% of total expenses, they are disaggregated in the notes to the accounts.

**Net Cost of Services** provided by the budget sector during the half year was \$10,026 million, an increase of 5.1% compared with the corresponding period last year. Net cost of services means the total cost of services less any revenue retained by agencies involved in the provision of services.

## Statement of Financial Position

Net assets (or equity) of the budget sector were \$19,166 million at 31 December 1996, a slight increase of \$71 million for the half year. This represents a stabilising of **Net Worth** at \$19 billion in accordance with fiscal policy. Underlying this financial position, some significant movements in assets and liabilities require elaboration.

During the half year, **Receivables** decreased to \$994 million from \$1,648 million. This cyclical reduction in receivables occurs each year in the July to December period and relates primarily to Financial Distributions received from the non-budget sector. These amounts are accrued by the non-budget sector each June as agencies' boards determine their distributions payable to the Treasury. The budget sector receivable is then extinguished upon receipt of the financial distributions and this occurs predominantly in the July to December period.

**Investments** increased by \$172 million to \$1,343 million, an increase of 14.7%. The main factor explaining this increase is new investments held by the Olympic Coordination Authority under the contractual obligation and funding arrangements relating to the Olympic Stadium project. This is offset by several smaller decreases in investment balances.

An increase of \$602 million to \$23,725 million for **Land and Buildings** includes the recognition for the first time of the State Property Portfolio by the Consolidated Fund Entity (\$450 million).

During the period **Payables** increased by \$247 million to \$1,483 million. This increase is primarily amounts owing by the Olympic Coordination Authority under the contractual obligation and funding arrangements relating to the Olympic Stadium project.

The reduction in **Borrowings** of \$176 million is mainly the result of a reduced holding of bank overdraft balances.

Despite the half year deficit of \$420 million **Accumulated Funds** have remained constant at \$15.2 billion due to the taking up of net assets transferred to the Budget Sector (\$358 million), mainly from the State Property Portfolio.

## Statement of Cash Flows

For the half year under review a positive **Cash Flow from Operations** of \$1,034 million was achieved. This compares favourably with the corresponding period last year.

Cash inflows for **Financial Distributions** from the non-budget sector differ substantially from the amounts recognised in the Operating Statement for this item. The difference is more apparent in half yearly statements because of the cyclical nature of the receipts. Financial distributions are accrued in the January to June period, when large revenues are reported in the Operating Statement. However, non-budget sector agencies generally make Financial Distribution payments in the July to December period, when large receipts are reported in the Consolidated Cash Flow Statement.

The **Net Increase in Cashflows** of \$378 million is comparable with a similar \$420 million increase in the July to December 1995 comparative period.

**NSW BUDGET SECTOR  
OPERATING STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 1996**

		Dec 1996 \$m	Dec 1995 \$m
<b>EXPENSES</b>	<b>Note</b>		
Salaries and Wages		4,472	4,258
Superannuation		474	452
Leave Entitlements		424	410
Finance Charges		850	879
Maintenance		457	379
Other Operating		1,568	1,466
Depreciation		389	336
Other	3	<u>2,632</u>	<u>2,620</u>
<b>EXPENSES</b>		<b><u>11,266</u></b>	<b><u>10,800</u></b>
<b>OPERATING REVENUES</b>			
Sale of Goods and Services		718	681
Financial Distributions from Non Budget Sector		99	70
Investment Income		114	128
Other		<u>309</u>	<u>381</u>
<b>TOTAL OPERATING REVENUES</b>		<b><u>1,240</u></b>	<b><u>1,260</u></b>
<b>NET COST OF SERVICES</b>		<b><u>10,026</u></b>	<b><u>9,540</u></b>
<b>STATE REVENUES</b>			
State Taxation	2	5,218	4,934
Commonwealth Grants	2	4,260	4,075
Fines and Regulatory Fees		<u>128</u>	<u>118</u>
<b>TOTAL STATE REVENUES</b>		<b><u>9,606</u></b>	<b><u>9,127</u></b>
<b>DEFICIT FOR HALF YEAR</b>	4	<b><u>(420)</u></b>	<b><u>(413)</u></b>

**NSW BUDGET SECTOR  
STATEMENT OF FINANCIAL STATEMENT  
AS AT 31 DECEMBER 1996**

		Dec 1996 \$m	June 1996 \$m
<b>CURRENT ASSETS</b>	<b>Note</b>		
Cash		34	80
Receivables		994	1,648
Investments		1,200	1,061
Inventories		112	110
Other		<u>74</u>	<u>72</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>2,414</u></b>	<b><u>2,971</u></b>
<b>NON CURRENT ASSETS</b>			
Investments		143	110
Land and Buildings		23,725	23,123
Plant and Equipment		2,037	1,983
Infrastructure System		24,107	23,837
Other		<u>2,744</u>	<u>2,800</u>
<b>TOTAL NON CURRENT ASSETS</b>		<b><u>52,756</u></b>	<b><u>51,853</u></b>
<b>TOTAL ASSETS</b>		<b><u>55,170</u></b>	<b><u>54,824</u></b>
<b>CURRENT LIABILITIES</b>			
Payables		1,483	1,236
Borrowings		2,030	2,063
Employee Entitlements		2,205	2,049
Other		<u>329</u>	<u>282</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>6,047</u></b>	<b><u>5,630</u></b>
<b>NON CURRENT LIABILITIES</b>			
Borrowings		14,514	14,657
Employee Entitlements		14,156	14,273
Other		<u>1,287</u>	<u>1,169</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<b><u>29,957</u></b>	<b><u>30,099</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>36,004</u></b>	<b><u>35,729</u></b>
<b>NET ASSETS</b>		<b><u>19,166</u></b>	<b><u>19,095</u></b>
<b>EQUITY</b>			
Asset Revaluation Reserves		4,003	3,937
Accumulated Funds	4	<u>15,163</u>	<u>15,158</u>
<b>TOTAL EQUITY</b>		<b><u>19,166</u></b>	<b><u>19,095</u></b>

**NSW BUDGET SECTOR  
CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 1996**

	Dec 1996 \$m	Dec 1995 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS</b>		
	<b>Note</b>	
State Taxation	5,238	4,898
Commonwealth Grants	4,270	4,074
Fines, Regulatory Fees & Other Charges	148	119
Financial Distributions from Non Budget Sector	1,018	1,012
Sale of Goods & Services	617	613
Interest	63	52
Other	<u>623</u>	<u>503</u>
<b>TOTAL RECEIPTS</b>	<b><u>11,977</u></b>	<b><u>11,271</u></b>
<b>PAYMENTS</b>		
Employee Related (incl. Salaries and Wages)	(5,284)	(5,041)
Suppliers and Services	(2,925)	(2,823)
Finance Charges	(677)	(765)
Grants and Subsidies	<u>(2,057)</u>	<u>(1,747)</u>
<b>TOTAL PAYMENTS</b>	<b><u>(10,943)</u></b>	<b><u>(10,376)</u></b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>1,034</u></b>	<b><u>895</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Disposal of Property, Plant and Equipment	65	70
Proceeds from Sale of Investments	128	2
Advances Repaid	10	(3)
Purchases of Property, Plant and Equipment	(792)	(765)
Purchase of Investments	(44)	(129)
Advances Made	(29)	-

**NET CASH FLOWS FROM INVESTING ACTIVITIES****(662)**                      **(825)****CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Borrowings	336	737
Repayment of Borrowings	(330)	(387)

**NET CASH FLOWS FROM FINANCING ACTIVITIES****6**                                      **350****NET INCREASE IN CASH (JULY - DECEMBER)****378**                                      **420**

Opening Cash and Cash Equivalents 1 January	814	1,306
Net Decrease in Cash (January - June)	(100)	(902)
Net Cash Balance transferred from/(to) the Non Budget Sector	<u>11</u>	<u>(10)</u>

**CLOSING CASH BALANCE 31 DECEMBER****5**                                      **1,103**                                      **814**

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

These financial statements are for the New South Wales Budget Sector. The Budget Sector reporting entity encompasses all Budget Sector agencies and the Consolidated Fund Entity - Core Activities. The coverage of the reporting entity is the same as that for the annual Public Accounts.

Budget Sector agencies are those which rely predominantly on the State Budget for direct funding (that is, 50% or more of the total funding of each agency is met by Parliamentary appropriation and is included in the State Budget). With few exceptions, they are known as departments as defined by section 45A(1) of the Public Finance and Audit Act and they are listed in Schedule 3 of that Act. A complete list of Budget Sector agencies can be found in Appendix D of Budget Paper No. 2 of 1996-97.

#### Basis of Accounting

The basis of accounting for the half yearly consolidated financial statements for the Budget Sector is consistent with that adopted for the Public Accounts in respect of the year ended 30 June 1996 except for the extent of note disclosures which has been significantly abbreviated. Therefore, the consolidated financial statements should be read in conjunction with the latest Public Accounts.

There has been no change in accounting policies from those adopted for the Public Accounts. So far as applicable, the principles embodied in Australian Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" have been applied.

Where considered material, comparative figures have been adjusted to conform with changes in presentation in the current period.

## 2. REVENUE

	Dec 1996 \$m	Dec 1995 \$m
<b>State Taxation</b>	1,565	1,337
Stamp Duty	1,515	1,419
Payroll Tax	836	920
Other Taxes and Levies	566	540
Gambling and Betting	<u>736</u>	<u>718</u>
Licences		
<b>Total</b>	<b><u>5,218</u></b>	<b><u>4,934</u></b>
<b>Commonwealth Grants</b>		
General Purpose		
- Recurrent	2,478	2,295
- Capital	5	22
Specific Purpose		
- Recurrent	1,437	1,365
- Capital	<u>340</u>	<u>393</u>
<b>Total</b>	<b><u>4,260</u></b>	<b><u>4,075</u></b>

## 3. EXPENSES

\* Grants and Subsidies information reported for the first time in July-December 1996 therefore no comparatives are available for 1995.

**Other Expenses** dissected  
Grants and Subsidies by:

• Department of Transport	763
• Department of Urban Affairs and Planning	329
• Department of School Education	194
• Department of Community Services	156
• Department of Ageing and Disability	129
• Other agencies	475
Other	<u>586</u>
<b>Total</b>	<b><u>2632</u></b>

#### 4. ACCUMULATED FUNDS

\* Accumulated funds information reported for the first time in December 1996 therefore no comparatives are available for 1995.

	Dec 1996 \$m	Dec 1995 \$m
Opening balance 1 July 1996	15,158	
Net assets transferred from Non Budget Sector agencies		
• State Property Portfolio	329	
• Waterways Authority	20	
• Others	9	
Transfer from Asset Revaluation Reserve - primarily Royal Botanic Gardens & Domain Trust	67	
Deficit for half year	<u>(420)</u>	
Closing balance 31 December 1996	<b><u>15,163</u></b>	*

#### 5. CASH FLOW INFORMATION

##### Cash balances include:

Cash on hand and at bank	34	61
Deposits at call (Investments)	1,089	936
Borrowings	<u>(20)</u>	<u>(183)</u>
	<b><u>1,103</u></b>	<b><u>814</u></b>

End of Financial Statements