

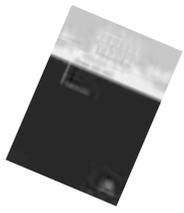
Highlights

The 2001-2002 Budget includes:

- A new Operating Statement format that simplifies the Budget presentation;
- The introduction of the Social Justice Budget Statement.

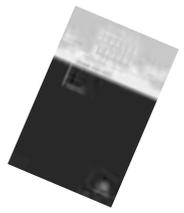
	Page
Budget Papers Made Easy.....	2
Budget Presentation.....	4
Key Aggregates.....	5
The Budget Financial Statements	
Budget Operating Statement.....	6
Statement of Financial Position.....	7
Statement of Cash Flows.....	8
Financial Reporting & Accounting in the General Government Sector.....	9
Budget Scope.....	10
Terminology.....	11

Budget Papers Made Easy



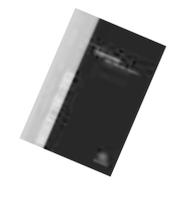
Budget summary

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



Budget guide

Provides step by step help for understanding the Budget Papers.



Budget speech

Budget Paper No. 1

Sets out the Government's budgetary strategy and financial plans.



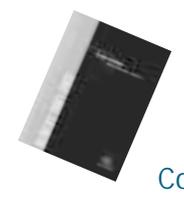
Budget statement

Budget Paper No. 2

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

Contents:

- ◆ *Overview of strategic direction and environment*
- ◆ *Fiscal position and outlook*
- ◆ *General Government Sector revenues*
- ◆ *General Government Sector service delivery*
- ◆ *Net Financial Liabilities*
- ◆ *Sydney 2000 Olympic and Paralympic Games*
- ◆ *Tax expenditure and concessions statement*
- ◆ *Financial arrangements with the Commonwealth*
- ◆ *Government Finance Statistics and Uniform Reporting Framework*



Budget estimates

Budget Paper No. 3, Volumes 1 and 2

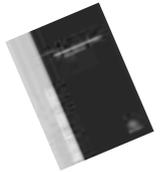
Contains detailed revenue and expense information on an agency, program and portfolio basis for the General Government Sector. Information is provided on the net cost of providing services for each General Government Budget Dependent agency's programs.

Budget Papers Made Easy

State asset acquisition program

Budget Paper No. 4

Provides details of the General Government Sector and Public Trading Enterprise Sector Asset Acquisition Programs for 2001-02. Information is provided on an accrual basis.



Appropriation bills

Budget Paper No. 5

Contains three Bills:

- ◆ *a Special Offices Bill to provide funding for the Ombudsman's Office, State Electoral Office, Independent Commission Against Corruption, and the Office of the Director of Public Prosecutions*
- ◆ *a Bill to provide funding for the Parliament*
- ◆ *a general Appropriation Bill covering the remaining General Government Sector Budget Dependent agencies.*



Western Sydney Budget statement

Details Government spending in the Western Sydney area.



Budget highlights for regional and rural New South Wales

Details Government spending in regional NSW.



Social Justice Budget statement

Details Government Social Justice spending in NSW.



Budget Presentation

The 2001-2002 Budget Papers are consistent with the prior years presentation. Accrual Government Financial Statistics (GFS) reporting was introduced in last years Budget Papers and some amendments have been made in the current year to improve disclosure.

- ◆ The Budget Operating Statement discloses an accrual operating result and the Budget Result (formerly the GFS Net Lending Result). The main Budget focus will be the Budget Result. The new report removes the distinction between normal and abnormal transactions and eliminates the GFS operating result subtotal. Separate disclosure of abnormal transactions have been removed for consistency with current amendments to accounting standards.
- ◆ The Budget Result shows by how much the Government can reduce its financial liabilities - debt, unfunded superannuation and other liabilities.
- ◆ The Statement of Financial Position adopts the GFS approach and classifies assets and liabilities as financial or non-financial rather than current and non-current as in accounting statements. The key focus is Net Financial Liabilities. Net Financial Liabilities is equal to total liabilities less financial assets. The report is consistent with last year.
- ◆ The Statement of Cash Flows adopts a GFS format and classification approach with the key focus being the cash surplus/(deficit). The cash surplus/(deficit) result is broadly the same as the cash result under the old GFS system. The report is consistent with last year.
- ◆ A full GFS presentation, in accordance with the uniform presentation framework, is outlined in Chapter 9 of Budget Paper 2.
- ◆ An accrual presentation in accordance with Australian Accounting Standards and principles is disclosed in Appendix A of Budget Paper No. 2.
- ◆ Agency based financial information contained in Budget Paper No. 3 is still based on an accounting format.

Key Aggregates

Differences between the Budget Result and the Operating Result

The operating result reflects accrued expenses and revenues in accordance with Australian Accounting Standards. Along with State revenues, it represents the operational result for General Government Agencies. The Budget Result is in accordance with the GFS system which has an economic focus and for this reason excludes from the operating result any revenues and expenses that are related to the revaluation of assets or liabilities. These types of revenues and expenses are outside the control of governments. This different treatment can result in wide variances in the reported results under the GFS and the Australian Accounting Standards approach.

Examples of revenues or expenses included in the Operating Result but excluded from the Budget Result include:

- ◆ Depreciation
- ◆ Superannuation actuarial assessments;
- ◆ Gains or losses on the sale of assets;
- ◆ Negative valuation changes for non-financial assets; and
- ◆ Gains or losses associated with debt management activities.

In addition, the Budget Result includes Capital Acquisition and Asset Sales to reflect the funds available to reduce financial liabilities.

Differences between the Budget Result and the Cash Surplus/(Deficit)

The Budget Result could be described as the accrual version of the cash result. The two measures will differ because of timing differences between when a revenue or expense is recognised in an accrual framework and when cash actually changes hands. Differences have the potential to be significant in the following areas:

- ◆ Superannuation;
- ◆ Interest costs;
- ◆ Financial distributions; and
- ◆ Insurance activities.

Budget Operating Statement

The Published Statements are found in Budget Paper No. 2, Chapter 2

Expenses

Employee related

Expenses include salaries and wages and employee entitlements such as superannuation and long service leave.

Operating, depreciation and grants expenses

Includes all other operating expenses, maintenance of fixed assets, interest, depreciation and other expenses. Does not include expenditure on the purchase of assets.

Net Cost of Services

Measures the net cost of providing Government services. It equals Operating Expenses less Operating Revenues, and excludes State Revenues.

Operating Surplus

This is the accounting result for the current financial year, which corresponds to profit or loss in private sector reports. It equals State Revenues less the Net Cost of Services. The surplus includes all abnormal transactions.

Valuations adjustment under GFS

Revenues or expenses included in the Operating Surplus which are related to the revaluation of assets or liabilities are reversed out to derive the Budget Result, e.g. superannuation actuarial assessments.

Operating Revenues

Includes revenue earned in the period, even if not yet received.

Includes revenues from sale of goods and services, investment income and grants at individual agency level.

State Revenues

Includes taxes, fines and fees, financial distributions from Government businesses and Commonwealth grants.

	1999-2000 Actual	2000-01 Budget	2000-01 Revised	2001-02 Budget	2002-03	2003-04 Estimate	2004-05
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
State Revenues							
Taxation							
Commonwealth Grants							
Capital Repatriations							
Financial Distributions							
Fines, Regulatory Fees & Other							
Total State Revenues							
Operating Revenues							
Sale of Goods and Services							
Investment Income							
Grants and Contributions							
Equity adjustments							
Other							
Total Operating Revenues							
Expenses							
Employee Related							
- Superannuation Valuation							
- Superannuation Other							
- Other							
Other Operating							
Maintenance							
Depreciation and Amortisation							
Current Grants and Subsidies							
Capital Grants							
Finance valuations							
Finance other							
Total Expenses							
Gain/(Loss) on Disposal of Non-Current Assets							
Net Cost of Services							
Operating Surplus							
Valuation Items Adjustments under GFS							
Less: Capital Expenditure							
Plus: Depreciation							
Asset Sales & Other							
BUDGET RESULT							

Adjustment for Net Capital Acquisitions

This adjustment adds the depreciation charge back into the operating result and then adjusts for the financial impact of capital expenditure and asset sales.

Budget Result

This is the Budget Result for the current year and broadly represents the Government's capacity to reduce the State's Net Financial Liabilities.

Statement of Financial Position

The Published Statements are found in Budget Paper No. 2, Chapter 2

Liabilities

Are amounts owed to other parties. They are, by their nature, financial and include debt obligations, unfunded superannuation, other employee entitlements and amounts payable to suppliers.

Assets

Are controlled and provide future economic benefits.

Net Worth

Represents total assets less total liabilities.

Net Debt

Is broadly equal to gross borrowings less cash and investments.

	1999-2000 Actual	2000-01 Budget	2000-01 Revised	2001-02 Budget	2002-03	2003-04 Estimate	2004-05
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Assets							
Financial Assets							
Cash and Deposits							
Advances Paid							
Investments, Loans and Placements							
Other Non-Equity Assets							
PTE/PFE Equity							
Other Equity Assets							
Total Financial Assets							
Non-Financial Assets							
Land and Fixed Assets							
Other Non-Financial Assets							
Total Non-Financial Assets							
TOTAL ASSETS							
Liabilities							
Deposits Held							
Advances Received							
Borrowing							
Provisions							
Other Non-Equity Liabilities							
TOTAL LIABILITIES							
Net Worth							
Net Debt							
Net Debt adjusted for Prepayment of Superannuation - as a % of GSP							
Net Financial Liabilities as a % of GSP							

Net Financial Liabilities

Is broader in concept than Net Debt and best represents the financial position of the Government. It includes all liabilities (such as unfunded superannuation and insurance liabilities) less all financial assets (with the exception of the Government's equity in the PTE/PFE sectors).

Statement of Cash Flows

The Published Statements are found in Budget Paper No. 2, Chapter 2

Total Cash Flows from Investments in Non-Financial Assets

Shows payments and receipts relating to the purchase or sale of non-financial assets such as land, buildings and infrastructure assets.

Cash Flows from Investments in Financial Assets

Shows payments and receipts relating to financial assets.

Cash Flows from Financing Activities

Shows all payments and receipts relating to changing the size or composition of an organisation's financial structure. Changes to borrowings are shown in this section.

Net Increase/(Decrease) in Cash Held

Shows the net result of all cash receipts and payments for the current financial year.

Net Cash Flows from Operating Activities

Shows all payments and receipts relating to normal business operations. Please note that payments and receipts are not the same as accrued expenses and revenue because the receipt or payment may relate to transactions which occur in the previous or in the next financial year.

	1999-2000 Actual	2000-01 Budget	2000-01 Revised	2001-02 Budget	2002-03	2003-04 Estimate	2004-05
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash Receipts from Operating Activities							
Taxes Received							
Receipts from sales of goods & services							
Grants/Subsidies Received							
Other Receipts							
Total Cash Receipts from Operating Activities							
Cash Payments from Operating Activities							
Payments for goods & services							
Grants & Subsidies Paid							
Interest Paid							
Other Payments							
Total Cash Payments from Operating Activities							
Net Cash Flows from Operating Activities							
Cash Flows from Investments in Non-Financial Assets							
Purchases of New Non-Financial Assets							
Sale of Non-Financial Assets							
Total Cash Flows from Investments in Non-Financial Assets							
Cash Flows from Investments in Financial Assets							
Financial Assets for Policy Purposes							
Financial Assets for Liquidity Purposes							
Cash Flows from Financing Activities							
Advances Received (net)							
Borrowing (net)							
Deposits Received (net)							
Total Cash Flows from Financing Activities							
Net Increase/(Decrease) in Cash Held							
Net Cash from Operating Activities Investments in Non-Financial & Assets and Distributions Paid							
Assets acquired under finance leases							
Surplus/(Deficit)							

GFS Cash Surplus/(Deficit)

Measures the direct financial impact of Government activity on the economy. In simple terms the surplus/(deficit) is equal to the net cash flows from operating activities and investing in non-financial assets.

Financial Reporting and Accounting in the General Government Sector

A number of financial statements are issued during the course of the year and at year-end to report on progress against Budget Estimates and to account to Parliament and the Public. These can be found on Treasury's web page; www.treasury.nsw.gov.au

Monthly Financial Statement

This statement is released monthly to provide a year to date Operating Statement, Statements of Financial Position and Cashflows consistent with the Budget presentation. There is also a statement of securities held by the Treasurer. These figures are shown against the Budget Estimates made for the year.

Mid-Year Budget Update

A statement is issued no later than December which provides an update of the latest economic and Budget projections for the current financial year as at the end of the previous October. The statements include an explanation of significant variations in major aggregates from the projections included in the Budget Papers.

Also included are 3 year Forward Estimates of the Budget.

The Consolidated Financial Statements and the Public Accounts

The Public Accounts and the Consolidated Financial Statements of the New South Wales Government are produced as a combined presentation.

The Consolidated Financial Statements are audited and cover the Total State Sector.

The Consolidated Financial Statements present accrual accounting information on the General Government, Public Trading Enterprise and Public Financial Enterprise Sectors. These financial statements include a Statement of Financial Performance, a Statement of Financial Position (i.e. balance sheet) and a Statement of Cash Flows. Detailed notes are included to comply with Australian Accounting Standards and the *Public Finance and Audit Act 1983*.

The Public Accounts cover the General Government Sector only. They comprise Consolidated Financial Statements for the Sector and include a Budget result for the past year determined in accordance with Government Finance Statistics principles.

The Auditor-General's Reports

The *Public Finance and Audit Act 1983* requires the Auditor-General to audit the Consolidated Financial Statements of the NSW Public Sector, including the Public Accounts, and provide an audit opinion to the Treasurer. Each year the Auditor-General also submits to Parliament a comprehensive report comprising a number of volumes.

These Volumes include:

- ◆ a review of the State's Consolidated Financial Statements and the Public Accounts;
- ◆ a review of the financial operations of Budget dependent General Government Sector agencies; and
- ◆ reports on the State's statutory bodies and State Owned Corporations.

Annual Reports - Departments, Statutory Bodies and State Owned Corporations

Government Departments, statutory bodies and State Owned Corporations are required by legislation to prepare annual reports. The reports include audited financial statements prepared in accordance with the *Public Finance and Audit Act 1983* and a narrative report as specified in the Annual Reports Acts and Regulations.

NSW Parliamentary Public Accounts Committee Reports

The Public Accounts Committee comprises six members of the Legislative Assembly. It is appointed to examine the Public Accounts, the accounts of authorities and the Auditor-General's Reports and to report to the Legislative Assembly on any matter connected with those accounts. It reports either on its own initiative or as a result of a reference from the Legislative Assembly, a Minister or the Auditor-General. A report by the Committee is printed and published once it has been transmitted to the Clerk of the Legislative Assembly. Publication is not dependent on Parliament being in session.

Budget Scope

The Budget incorporates all General Government Sector agencies as defined by the Australian Bureau of Statistics (ABS). A list of New South Wales public sector agencies (classified according to sector) appears as an Appendix to Budget Paper No. 2.

The General Government Sector covers all agencies that receive Parliamentary appropriations or are regulatory in nature.

Defining the Budget Sector as equal to the General Government Sector improves transparency and accountability by providing:

- ◆ a comprehensive picture of the non-commercial operations of the Government; and
- ◆ an independent definition of the Budget's scope.

The financial transactions of Public Financial Enterprise (PFE) Sector and Public Trading Enterprise (PTE) Sector agencies are not generally reflected in the Budget aggregates.

However, there are two exceptions to the above which the Budget aggregates do include. These are:

- ◆ explicit payments for “social programs”, which are non-commercial functions required of Public Trading Enterprises by the Government; and
- ◆ dividends, tax equivalent payments and guarantee fees payable by the Public Trading and Financial Enterprise Sectors which are shown as revenues in the General Government Sector.

Another important measure of the Government's performance is how the Government is managing the Total State Sector Balance Sheet. Budget Paper No.2 Chapter 5, *Net Financial Liabilities* includes commentary on the management of Total State Sector financial assets and liabilities, including net debt and superannuation liabilities.

Similarly, Budget Paper No. 2, Chapter 9 entitled *Government Finance Statistics and Uniform Reporting Framework* includes information presented on a GFS format for both the General Government Sector and the Public Trading Enterprise Sector. This fulfils uniform presentation framework requirements agreed between the Commonwealth and State Governments.

Terminology

Accrual Accounting Statements

Consist of a Statement of Financial Performance, a Statement of Cash Flows and a Statement of Financial Position.

Appropriations

The process by which monies are allocated by Parliament to Ministers for the purposes of funding agencies to provide goods and services to the public.

Average Staffing

Represents the number of staff engaged on outputs produced by the program.

Budget-Dependent Agencies

Agencies that are predominantly funded from the Consolidated Fund, rather than user charges.

Consolidated Fund

The main banking account of the Government. It records:

- ◆ Taxes, fines, fees collected;
- ◆ Commonwealth grants;
- ◆ Financial distributions from non-General Government agencies; and
- ◆ Recurrent and capital appropriations to agencies.

Equivalent Full-Time (EFT)

Standard measure of staffing which measures an agency's labour force in terms of an equivalent number of full-time positions.

General Government Debt Elimination Act 1995

The Act contains a number of provisions dealing with the coverage of the Budget and the standards to be used in presenting Budget data. Sets targets over time for the sound financial management of the State.

General Government Non Budget-Dependent Agencies

Agencies that do not rely on the Consolidated Fund for ongoing financial support, but which are not commercial agencies.

General Government Sector

Consists of those public sector entities, which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes, in accordance with ABS definitions.

Government Finance Statistics (GFS)

A system developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

Net Cost of Services

Total expenses less user charges revenue and other revenues retained by agencies.

Operating Statement/Statement of Financial Performance

Details the major categories of expenses and revenues of agencies and includes non-cash items such as depreciation and accruing superannuation entitlements. Also, the Statement reflects movements in accrued items such as accounts receivable and accounts payable.

Outcomes

The results for the community which the Government is seeking to influence.

Outputs

Goods and services provided by agencies to assist in the achievement of the Government's desired outcomes.

Program Description

Explains the activities which are grouped together within each program of an agency.

Program Objectives

Statements of the broad aims of the program.

Program Statements

Each program statement includes narrative material - program objectives and program description - as well as staffing and detailed financial information.

Public Financial Enterprise (PFE)

Agencies which have one, or more, of the following functions:

- ◆ that of a central bank;
- ◆ the acceptance of demand, time or savings deposits; or
- ◆ the authority to incur liabilities and acquire financial assets in the market of their own account.

Public Trading Enterprise (PTE)

Agencies which charge for services provided and hence have a broadly commercial orientation.

Social Programs

Non-commercial requirements imposed on Public Trading Enterprises by the Government.

Statement of Cash Flows

Contains cash inflows and outflows from the agency's main operations, together with cash flows derived from both investing and financing activities.

Statement of Financial Position

Shows assets, liabilities and equity and is prepared for each agency and at a consolidated sector level.

State Owned Corporation

PTEs which have been established with a governance structure which mirrors as far as possible that of a publicly-listed company.

Total Expenses

The total amount incurred in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year.

Total State Sector

Comprises the General Government Sector, the Public Financial Enterprise Sector and the Public Trading Enterprise Sector (also referred to as the Public Non Financial Corporations Sector).