



**Treasurer of New South Wales
Australia**

2008-09

HALF – YEARLY

REVIEW

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OVERVIEW

The Public Finance and Audit Act requires the Treasurer to publicly release revised financial projections for the Budget and forward estimates period by 31 December 2008 based on actual results to the end of October.

On 11 November 2008, the Treasurer delivered a Mini-Budget in response to significant developments since the 2008-09 Budget, including lack of parliamentary support for the Government's electricity reform package, a significant deterioration in the global economic outlook, increased risks to the State's budget operating results emerging due to pressures on both State revenues and expenses and the risk to the state's Triple A credit rating.

The Mini-Budget incorporated a restatement of the operating statement for 2008-09 and the forward estimates, as well as an explanation of the significant variations since the 2008-09 Budget.

Accordingly, the commentary in this 2008-09 Half Yearly Budget Review focuses on changes to the financial aggregates since the Mini-Budget. The change in aggregates arises from three factors:

- The outcome of the Council of Australian Governments (COAG) negotiations held on 29 November 2008 which sees a significant front loading of Commonwealth funding into 2008-09
- A bringing forward of Budget funding to the rail and housing sectors
- Further deterioration in world financial markets impacting returns on investments and expenses linked to the level of interest rates.

The impact of these changes on the projected Budget Results for 2008-09 and the forward estimates is summarised in the table below.

Projected Budget Results

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Mini-Budget (November 2008)	-917	138	573	900
Changes since Mini-Budget				
• COAG adjustments	840	-123	-189	-165
• Finance adjustments	-135	54	-60	-122
• Transport and Housing	-500	100	200	200
Half-Yearly Budget Review	-712	169	524	813

Since the Mini-Budget, COAG negotiations have resulted in a significant change in the expected timing of payments from the Commonwealth. The Mini-Budget was based on Commonwealth funding being provided broadly in line with agency spending.

As part of the agreement reached on 29 November, the Commonwealth has now indicated that it will provide significant up front funding in 2008-09 for a range of initiatives, including the Health Care Agreement, Hospital and Health Work Force Reform, Emergency Departments, and the Digital Education Revolution.

Under Australian Accounting Standards, the funding received from the Commonwealth must be brought to account as revenue in the year it is received. As this revenue will be spent by the relevant frontline service delivery agencies over a number of years, COAG funding improves the Budget Result in 2008-09 and weakens the Budget Result thereafter.

This accounting treatment creates significant timing differences between expenses and revenues which have no impact on the overall structural position of the Budget.

Given that negotiations with the Commonwealth only concluded on 29 November 2008, the COAG related adjustments are based on the current best assessment of the likely pattern of revenue and expenses. Preparation of the 2009-10 Budget will incorporate the allocation of funding to relevant agencies based on comprehensive service delivery planning by those agencies.

As a result of the early payment of Commonwealth funds, the Government will bring forward the timing of payments to the rail and housing sectors. This will involve making additional payments to these sectors in 2008-09 with offsetting reductions being made over the period of the forward estimates. In the case of the rail sector, this will permit a further pay down of debt.

The finance adjustments reflect revisions to expected investment income, partially offset by savings in finance costs and superannuation expenses arising from a greater than expected reduction in interest rates.

The 2008-09 Half-Yearly Review provides full revised operating statements, balance sheets and cash flow statements for the NSW General Government Sector, NSW Public Non-financial Corporation Sector and the NSW Non-financial Public Sector. These are set out in chapter 1 and Appendix A

The Half Yearly Review also provides a brief update on the economic outlook since the Mini-Budget. The key economic indicators are consistent with the Mini-Budget. This is set out in chapter 2.

The Mini-Budget resulted in significant changes to the Government's capital program over both the forward estimates period and the next decade. The Half Yearly Review provides a summary of these changes. This is set out in Chapter 3.

1. FISCAL POSITION AND OUTLOOK

1.1 PROJECTED RESULTS FOR 2008-09

Table 1.1, below, provides a comparison of the latest projections for the 2008-09 general government operating statement compared with those estimated in the 2008-09 Budget.

Table 1.1: General Government Sector 2008-09 Operating Statement

	2007-08	2008-09		Variance \$m	4 Months to
	Actual \$m	Budget \$m	Projection \$m		31/10/2008 Actual \$m
Revenue from Transactions					
Taxation	18,548	18,533	17,827	(706)	5,806
Grant Revenue					
- Commonwealth - general purpose	11,942	13,020	12,570	(450)	4,506
- Commonwealth - specific purpose	7,577	7,249	8,617	1,368	2,413
- Other grants and contributions	1,115	782	882	100	309
Sale of goods and services	3,611	3,620	3,736	116	1,221
Interest income	(196)	706	535	(171)	171
Dividend and income tax equivalent income from other sectors	2,063	1,796	1,703	(93)	583
Fines, regulatory fees and other revenue	1,829	2,176	2,853	677	815
TOTAL REVENUES	46,489	47,882	48,723	841	15,824
Expenses					
Employee expenses	20,386	21,065	21,566	501	7,114
Superannuation expenses					
- Superannuation interest cost	477	598	703	105	245
- Other superannuation expenses	1,894	1,916	1,952	36	646
Depreciation and amortisation	2,466	2,603	2,643	40	869
Interest expenses	1,299	1,440	1,396	(44)	481
Other property expenses	...	3	1	(2)	...
Other operating expenses	9,485	10,064	10,172	108	3,090
Grant expenses					
- Current grant and subsidies	8,138	7,963	8,212	249	3,046
- Capital grants	2,271	1,962	2,790	828	525
TOTAL EXPENSES	46,416	47,614	49,435	1,821	16,016
BUDGET RESULT - SURPLUS/(DEFICIT)	73	268	(712)	(980)	(192)

	2007-08	2008-09			4 Months to
	Actual	Budget	Projection	Variance	31/10/2008
	\$m	\$m	\$m	\$m	Actual
					\$m
Other economic flows included in the operating result					
Share of net profit/(loss) from associates excluding dividends	77	114	116	2	7
Net actuarial superannuation gains/(losses)	(3,104)	(79)	(12,123)	(12,044)	(2,119)
Other net gains/(losses)	(187)	(114)	(456)	(342)	(284)
Operating result (accounting basis)	(3,141)	189	(13,175)	(13,364)	(2,588)
Other economic flows - other movements in equity					
Revaluations	6,683	911	1,643	732	(73)
Net gain/(loss) on equity investments in other sectors	7,234	1,584	111	(1,473)	154
Net gain/(loss) on financial instruments at fair value	574	124	29	(95)	...
Comprehensive result - total change in net worth	11,350	2,808	(11,392)	(14,200)	(2,507)
Key Fiscal Aggregates					
Comprehensive result - total change in net worth	11,350	2,808	(11,392)	(14,200)	(2,507)
less: Net other economic flows	(11,277)	(2,540)	10,680	13,220	2,315
equals: Budget Result - net operating balance	73	268	(712)	(980)	(192)
less: Net acquisition of non-financial assets					
Purchase of non-financial assets	4,419	5,158	5,117	(41)	1,443
Sales of non-financial assets	(495)	(594)	(569)	25	(118)
less: Depreciation	(2,466)	(2,603)	(2,643)	(40)	(869)
plus: Change in inventories	(7)	(2)	1	3	2
plus: Other movements in non-financial assets					
- Assets acquired under finance leases	251	319	417	98	119
- Other	229	15	(39)	(54)	13
equals: Total Net acquisition of non-financial assets	1,931	2,293	2,284	(9)	590
equals: Net Lending/(borrowing) [Fiscal Balance]	(1,858)	(2,025)	(2,996)	(971)	(782)
OTHER AGGREGATES					
Capital Expenditure	4,670	5,477	5,534	57	1,562

REVENUES

Revenues are projected to be \$48.7 billion in 2008-09. This is \$841 million higher than at budget time.

As indicated in the Mini-Budget, taxation revenue is expected to be \$706 million below the Budget estimate, largely on account of lower purchaser transfer duty. Table 1.2 below details these revised taxation revenue estimates.

Table 1.2: Taxation Revenue

	2007-08	2008-09		2009-10	2010-11	2011-12
	<i>Actual \$m</i>	<i>Budget \$m</i>	<i>Revised \$m</i>	<i>Forward Estimates \$m</i>		
Stamp Duties						
Purchaser Transfer Duty	3,938	3,800	3,090	3,765	4,038	4,327
Other Stamp Duties	1,597	1,450	1,430	1,534	1,618	1,705
Payroll Tax	6,205	6,410	6,275	6,489	6,681	6,924
Land Tax	1,937	1,983	2,153	2,238	2,323	2,448
Taxes on Motor Vehicle Ownership and Operation	1,494	1,581	1,572	1,663	1,757	1,847
Gambling and Betting	1,570	1,602	1,572	1,663	1,755	1,869
Other Tax Revenues	1,807	1,707	1,735	1,992	2,098	2,150
Total Tax Revenue	18,548	18,533	17,827	19,344	20,270	21,270

The 2008-09 Budget assumed a decline in transfer duties of around \$300 million, or 7.3 per cent, from the previous financial year. As outlined in the Mini-Budget, purchaser transfer duty has now been revised down by a further \$710 million, or 18.7 per cent from the 2008-09 Budget forecast. Transfer duty from the residential and small commercial sector was weak in the first half of the year, and continued global financial uncertainty and slowing economic activity will continue to weigh on the property market. However, recent interest rate cuts are expected to support transfer duty revenue over 2009.

Payroll tax has been stronger than expected over the early part of 2008-09, notwithstanding the easing trend in the labour market. As set out in the Mini-Budget payroll tax has been revised down by \$135 million, or 2.1 per cent, in 2008-09 mostly reflecting a large refund paid to a client for incorrect payment over the past five years.

Land tax revenue accrued in a financial year depends upon the issue date of assessments and land values. Land tax is projected to be \$170 million higher than budget, due to the increased tax rate on land holdings valued over \$2.25 million as announced in the Mini-Budget.

Gambling and betting taxes have been revised down by \$30 million or 1.9 per cent from Budget. This downward revision to the estimate mainly reflects weaker revenue from hotel gaming duty.

Commonwealth general purpose grant revenue is expected to be \$450 million below the budget time estimate, based on revised GST estimates provided by the Commonwealth.

Commonwealth specific purpose grant revenue (including National Partnership Payments) is \$1.4 billion above the Budget.

As part of the Council of Australian Governments (COAG) reform package concluded on 29 November 2008, the Commonwealth Government has now indicated that it will provide significant up front funding in 2008-09 for a range of initiatives, including the Health Care Agreement, Hospital and Health Work Force Reform, Emergency Departments and the Digital Education Revolution. In addition, the Commonwealth Government will provide a further \$300 million in 2008-09 for the First Home Owners Scheme.

Interest income is \$171 million below budget reflecting the impact of poor global conditions for all investors.

Fines, regulatory fees and other revenue is \$677 million above Budget. The principal element of this increase is coal royalty revenue which has been revised up by \$454 million to \$1.3 billion. This is because of higher export coal contract prices and the fall in the value of the Australian dollar.

Expenses

Expenses are expected to be \$49.4 billion or \$1.8 billion above the Budget estimate and \$682 million higher than the estimate in the Mini-Budget. The change since the Mini-Budget is due to:

- revisions to COAG related expenses arising from the reform package agreed between the Commonwealth Government and the states and territories
- additional grants to the rail and housing sectors totalling \$500 million linked to the front loading of Commonwealth funding under the COAG agreements
- adjustments to superannuation expenses following further falls in interest rates and a projected worsening of expected returns on financial assets and
- lower finance costs associated with a greater than expected reduction in interest rates.

Estimates of COAG related expenses are based on the likely pattern of agency spending. Preparation of the 2009-10 Budget will incorporate a process to allocate funding to relevant agencies based on comprehensive service delivery planning by those agencies.

GENERAL GOVERNMENT BALANCE SHEET

Table 1.3, below, provides a comparison of the latest projections for the 2008-09 General Government balance sheet compared with those estimated in the 2008-09 Budget. The commentary below focuses on the key balance sheet aggregates – net financial liabilities, net debt and net worth.

Table 1.3: 2008-09 Statement of Financial Position

	June 2008	June 2009		Variance \$m	October 2008
	Actual \$m	Budget \$m	Projection \$m		Actual \$m
ASSETS					
Financial Assets					
Cash and deposits	2,299	2,681	2,825	144	2,733
Advances paid	799	908	876	(32)	778
Investments, loans & placements	6,074	7,014	6,077	(937)	6,267
Receivables	11,280	10,217	10,332	115	11,292
Equity Investments					
- in other public sector entities	75,199	72,426	75,310	2,884	75,353
- accounted for using the equity method	1,621	1,733	1,738	5	1,630
- in other entities	3	4	3	(1)	3
Total Financial Assets	97,276	94,983	97,161	2,178	98,056
Non-Financial Assets					
Land and other fixed assets					
Inventories	166	176	237	61	168
Property, plant, equipment & infrastructure	99,604	97,306	103,441	6,135	100,224
Investment property	298	356	370	14	370
Assets held for sale	144	133	195	62	134
Biological assets	7	6	7	1	6
Intangible (produced) assets	584	960	738	(222)	747
Other non-financial assets					
- Intangible (non-produced) assets	112	...	112	112	...
- Other (non-financial assets)	1,606	1,884	1,646	(238)	1,464
Total Non-Financial Assets	102,522	100,821	106,746	5,925	103,113
TOTAL ASSETS	199,798	195,804	203,907	8,103	201,169
LIABILITIES					
Deposits held	98	77	55	(22)	105
Advances received	864	836	836	...	863
Borrowing	13,151	15,881	15,619	(262)	14,854
Superannuation	17,626	17,389	30,074	12,685	19,855
Other employee benefits	8,747	8,995	9,032	37	8,789
Payables	3,139	2,457	3,029	572	2,758
Other provisions	4,943	4,959	5,052	93	5,063
Other liabilities	3,173	3,299	3,379	80	3,198
TOTAL LIABILITIES	51,741	53,893	67,076	13,183	55,485
NET WORTH	148,057	141,911	136,831	(5,080)	145,684
Net Debt	4,942	6,191	6,732	541	6,044
Net Financial Liabilities^(a)	29,664	31,336	45,225	13,889	32,782

(a) Excludes PTE/PFE Equity.

Net Financial Liabilities

Net financial liabilities are projected to be \$45.2 billion in June 2009, \$13.9 billion higher than the Budget estimate. The principal reason for this change in net financial liabilities is an increase in unfunded superannuation liabilities since the 2008-09 Budget of \$12.7 billion as at June 2009.

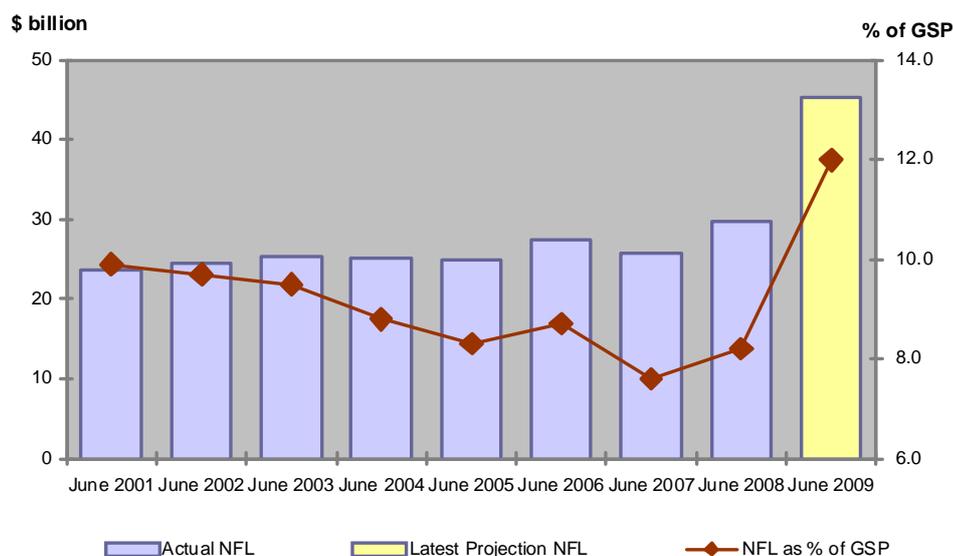
The increase in net financial liabilities reflects both the significant deterioration in the value of financial assets held by the superannuation fund trustees due to the shake out in financial markets and the impact of the lower interest rates on the valuation of the gross liability.

At Budget time, investment returns on superannuation assets were estimated to be negative 3.8 per cent in 2007-08 and positive 7.9 per cent in 2008-09. The outcome for 2007-08 and the estimated return for 2008-09 are now negative 7.2 per cent and negative 8.8 per cent respectively.

Unfunded superannuation liabilities will increase further in June 2009 due to recent falls in interest rates. The discount rate used to value the gross liabilities as at June 2009 has been reduced from 6.35 per cent at Budget time to 4.85 per cent.

The Government remains committed to its fiscal strategy of fully funding superannuation liabilities by 2030. Crown employer cash contribution levels will be reviewed once the 2009 Triennial Superannuation Actuarial Review, prepared by State Super actuaries Mercers, becomes available.

Figure 1.1: General Government Net Financial Liabilities (NFL) ^(a)

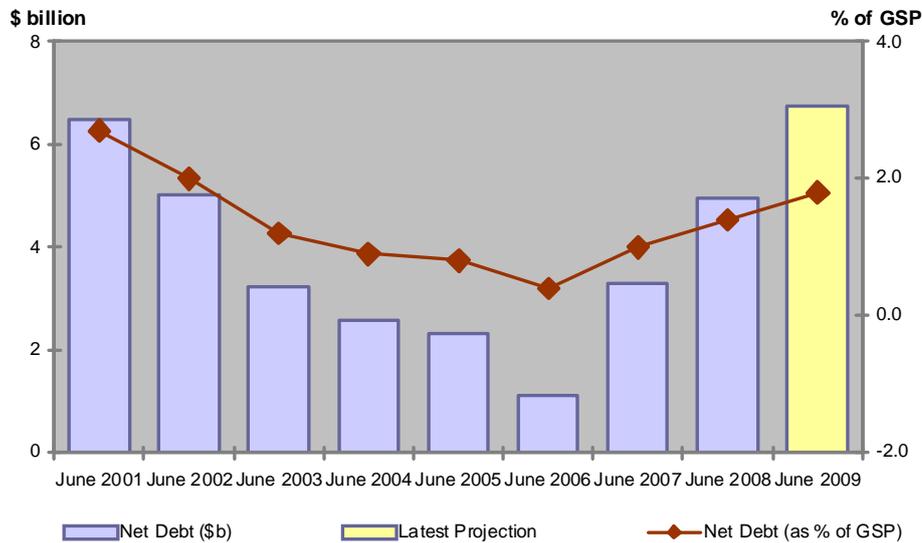


(a) Statements have been prepared assuming existing Australian Accounting Standards (AGAAP) for all years up to and including 2004-05 and Australian Equivalents to International Financial Reporting Standards (AEIFRS) for 2005-06 and all forward years.

Net Debt

Net Debt is projected to be \$6.7 billion at 30 June 2009, \$541 million higher than the Budget estimate. This broadly reflects the deterioration in the Budget Result for 2008-09 since budget time.

Figure 1.2: General Government Underlying Net Debt (a)



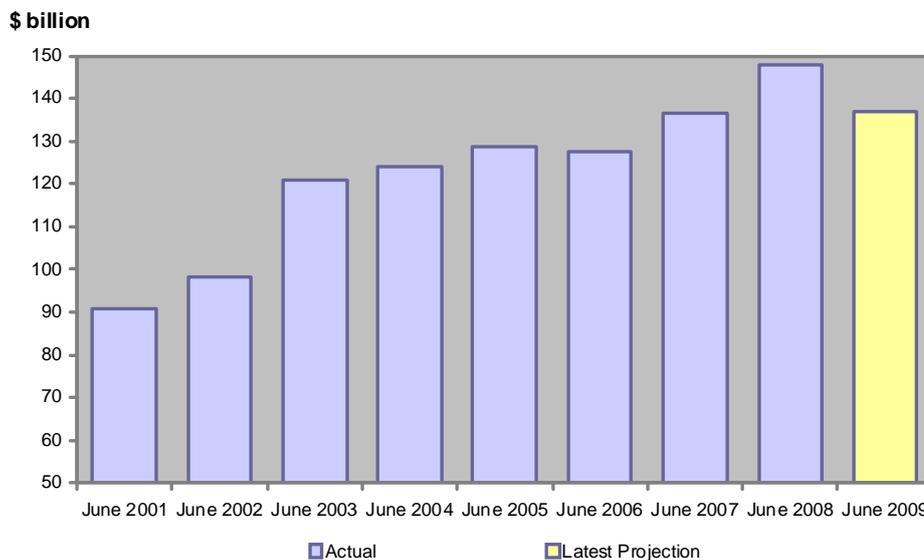
(a) Net debt has been adjusted to exclude the impact of prepaid superannuation contributions and transactions of the General Government Liability Management Fund.

Net Worth

General Government sector net worth is projected to be \$136.8 billion in June 2009. This is \$5.1 billion below the budget time estimate, comprising an increase in total liabilities of \$13.2 billion offset by an increase in total assets of \$8.1 billion.

The increase in liabilities arises from the revaluation of superannuation liabilities noted above. The increase in assets arises principally from asset revaluations.

Figure 1.3: Net Worth of the General Government Sector (a)



(a) Statements have been prepared assuming existing Australian Accounting Standards (AGAAP) for all years up to and including 2004-05 and Australian Equivalents to International Financial Reporting Standards (AEIFRS) for 2005-06 and all forward years.

GENERAL GOVERNMENT CASHFLOW STATEMENT

Table 1.4: 2008-09 Cash Flow Statement

	2007-08	2008-09			4 Months to
	Actual	Budget	Projection	Variance	31/10/2008
	\$m	\$m	\$m	\$m	Actual
					\$m
Cash Receipts from Operating Activities					
Taxes received	18,112	19,063	18,358	(705)	5,537
Receipts from sale of goods & services	3,842	3,921	4,435	514	1,272
Grants & subsidies received	20,003	20,716	21,683	967	7,058
Interest receipts	(174)	774	549	(225)	153
Dividends and income tax equivalents	1,898	1,710	1,915	205	926
Other receipts	4,030	3,975	4,790	815	1,477
Total operating receipts	47,711	50,159	51,730	1,571	16,423
Cash Payments for Operating Activities					
Payments for employees	(22,274)	(23,260)	(23,646)	(386)	(7,986)
Payments for goods and services	(10,942)	(11,657)	(11,852)	(195)	(4,167)
Grants and subsidies paid	(8,455)	(7,904)	(8,949)	(1,045)	(2,983)
Interest paid	(927)	(1,004)	(953)	51	(295)
Other payments	(2,813)	(2,581)	(2,693)	(112)	(242)
Total operating payments	(45,410)	(46,406)	(48,093)	(1,687)	(15,673)
Net cash flows from operating activities	2,301	3,753	3,637	(116)	750
Net cash flows from investments in Non-Financial Assets					
Sale of Non-Financial Assets	505	595	572	(23)	116
Purchases of New Non-Financial Assets	(4,313)	(5,159)	(5,118)	41	(1,452)
Total Cash Flows from Investments in Non-Financial Assets	(3,808)	(4,564)	(4,546)	18	(1,336)
Cash Flows from Investments from Financial Assets for Policy Purposes					
Receipts (from advances repaid and equity disposals)	112	195	187	(8)	2
Payments (for advances made and equity transactions)	(55)	(251)	(247)	4	(29)
Total Cash Flows from Investments in Financial Assets for Policy Purposes	57	(56)	(60)	(4)	(27)
Net cash flows from investments from Financial Assets for Liquidity Purposes					
Receipts from sale/maturity of investments	1,212	121	136	15	121
Payments for purchases of investments	(57)	(738)	(475)	263	(461)
Net cash flows from investments in financial assets for liquidity purposes	1,156	(617)	(339)	278	(340)
Net Cash Flows from Financing Activities					
Advances received	0	...	...	...	20
Advances repaid	(49)	(51)	(50)	1	(3)
Proceeds from borrowings	375	2,237	2,937	700	1,596
Repayments of borrowings	(167)	(482)	(951)	(469)	(18)
Deposits received (net)	5	9	(44)	(53)	7
Other financing (net)	...	...	...	...	(12)
Total Cash Flows from Financing Activities	165	1,713	1,891	178	1,590
Net Increase/(Decrease) in Cash Held	(130)	229	583	354	637
Net cash flows from operating activities	2,301	3,753	3,637	(116)	750
Net cash flows from investments in non-financial assets	(3,808)	(4,564)	(4,546)	18	(1,336)
Cash Surplus/(Deficit)	(1,507)	(811)	(909)	(98)	(586)

The projected cash deficit for 2008-09 is \$909 million compared with an \$811 million deficit estimated in the 2008-09 Budget. The cash result has deteriorated less than the Budget Result since budget time because additional cash receipts received in 2008-09, including dividends and tax equivalent payments and mining exploration leases, are brought to account as revenue in different accounting periods under accounting standards.

1.2 FORWARD ESTIMATES 2008-09 TO 2011-12

Table 1.5: General Government Sector Operating Statement - 2008-09 to 2011-12

	2007-08 Actual \$m	2008-09 Latest Projection \$m	2009-10 Estimate \$m	2010-11 Estimate \$m	2011-12 Estimate \$m
State Revenues					
Taxation	18,548	17,827	19,344	20,270	21,270
Grant Revenue					
- Commonwealth - general purpose	11,942	12,570	13,700	14,738	15,547
- Commonwealth - specific purpose	7,577	8,617	8,328	8,804	9,576
- Other grants and contributions	1,115	882	865	852	834
Sale of goods and services	3,611	3,736	3,908	4,046	4,126
Interest income	(196)	535	589	582	603
Dividend and income tax equivalent income from other sectors	2,063	1,703	2,042	2,184	2,330
Dividends from associates	...	...	58	58	87
Fines, regulatory fees and other revenue	1,829	2,853	3,051	3,492	3,109
TOTAL REVENUES	46,489	48,723	51,885	55,026	57,482
Expenses					
Employee expenses	20,386	21,566	22,879	24,009	25,495
Superannuation expenses					
- Superannuation interest cost	477	703	707	827	940
- Other superannuation expenses	1,894	1,952	2,048	2,033	2,035
Depreciation and amortisation	2,466	2,643	2,818	2,954	3,072
Interest expenses	1,299	1,396	1,508	1,644	1,714
Other property expenses	...	1	1	1	1
Other operating expenses	9,485	10,172	10,764	11,186	11,608
Grant expenses					
- Current grant and subsidies	8,138	8,212	8,423	8,720	9,059
- Capital grants	2,271	2,790	2,568	3,128	2,745
TOTAL EXPENSES	46,416	49,435	51,716	54,502	56,669
BUDGET RESULT	73	(712)	169	524	813

	2007-08 Actual \$m	2008-09 Latest Projection \$m	2009-10 Estimate \$m	2010-11 Estimate \$m	2011-12 Estimate \$m
Other economic flows included in the operating result					
Other revenue (dividends from asset sale proceeds)	...	...	57	...	...
Share of net profit/(loss) from associates excluding dividend	77	116	62	52	42
Net actuarial superannuation gains/(losses)	(3,104)	(12,123)	2,685	2,403	(136)
Other net gains/(losses)	(187)	(456)	409	343	512
Operating result (accounting basis)	(3,142)	(13,175)	3,382	3,322	1,231
Other economic flows - other movements in equity					
Revaluations	6,683	1,643	982	1,069	1,067
Net gain/(loss) on equity investments in other sectors	7,234	111	2,953	3,055	2,211
Net gain/(loss) on financial instruments at fair value	574	29	5	(1)	(1)
Comprehensive result - total change in net worth	11,349	(11,392)	7,322	7,445	4,508
Key Fiscal Aggregates					
Comprehensive result - total change in net worth	11,349	(11,392)	7,322	7,445	4,508
less: Net other economic flows	(11,277)	10,680	(7,153)	(6,921)	(3,695)
equals: Budget Result - net operating balance	72	(712)	169	524	813
less: Net acquisition of non-financial assets					
Purchase of non-financial assets	4,419	5,117	5,326	5,362	4,890
Sales of non-financial assets	(495)	(569)	(880)	(729)	(865)
less: Depreciation	(2,466)	(2,643)	(2,818)	(2,954)	(3,072)
plus: Change in inventories	(7)	1	3	...	...
plus: Other movements in non-financial assets					
- Assets acquired under finance leases	251	417	99	276	118
- Other	229	(39)	25	(184)	53
equals: Total Net acquisition of non-financial assets	1,931	2,285	1,756	1,772	1,123
equals: Net Lending/(borrowing) [Fiscal Balance]	(1,859)	(2,996)	(1,587)	(1,247)	(311)
OTHER AGGREGATES					
Capital Expenditure	4,670	5,534	5,425	5,638	5,008
Cash Surplus/(Deficit)	(1,507)	(909)	(1,077)	(494)	357
Net Debt	4,942	6,732	7,849	8,449	8,059
Net Financial Liabilities^(a)	29,664	45,225	44,027	42,683	42,978

(a) Excludes PTE/PFE Equity.

Table 1.5 above, sets out revised operating statements for 2008-09 and the forward estimates, as well as the key balance sheet aggregates – net financial liabilities and net debt.

The Mini-Budget incorporated a significant restatement of the operating statements for 2008-09 and the forward years. Since the Mini-Budget the operating statements have been further revised to take account of:

- The outcome of the Council of Australian Governments (COAG) negotiations held on 29 November 2008 which sees a significant front loading of Commonwealth funding into 2008-09
- A bringing forward of Budget funding to the rail and housing sectors
- Further deterioration in world financial markets impacting returns on investments and expenses linked to the level of interest rates.

Net Financial Liabilities

Table 1.6: Projected General Government Net Financial Liabilities

	30 June			
	2009	2010	2011	2012
2008-09 Budget				
- \$m	31,336	34,784	35,830	36,511
- % of GSP	8.1	8.5	8.3	8.0
Half - Yearly Budget Review				
- \$m	45,225	44,027	42,683	42,978
- % of GSP	12.0	11.2	10.3	9.8

The principal reason for the change in net financial liabilities since the Budget is an increase in unfunded superannuation liabilities of \$12.7 billion in June 2009 and an increase of between \$5.6 billion and \$7.8 billion in each of the following three years. As noted above, this reflects the significant deterioration in the value of financial assets held by the fund trustees due to the significant falls in financial markets, as well the impact of the lower interest rates on the valuation of the gross liability in June 2009 and June 2010.

Net Debt

Table 1.7: Projected General Government Net Debt

	30 June			
	2009	2010	2011	2012
2008-09 Budget				
- \$m	6,191	6,922	7,467	7,809
- % of GSP	1.6	1.7	1.7	1.7
Half - Yearly Budget Review				
- \$m	6,732	7,849	8,449	8,059
- % of GSP	1.8	2.0	2.0	1.8

General Government net debt is projected to be \$541 million higher at June 2009 than estimated at budget time, principally because of the deterioration in the Budget result in 2008-09. By the end of the forward estimates period net debt is expected to move closer to the budget time estimate due principally to the impact of the additional asset sales identified in the Mini-Budget.

2. ECONOMIC OUTLOOK

At the time of the 2008-09 Budget, growth in the Australian and NSW economies was expected to slow in 2008-09. This reflected the view that the contractionary effect of higher domestic interest rates and slower global growth would more than offset the stimulus from ongoing increases in the terms of trade and federal income tax cuts.

As discussed in the 2008 Mini-Budget many downside risks have been realised with recessions becoming evident in many developed economies, sharp declines in commodity markets, and credit markets that continue to be impaired. As a result, the Mini-Budget economic forecasts, released on 11 November, contained downward revisions to the NSW economic outlook.

In Australia, monetary policy has been eased aggressively to below neutral levels, and a significant federal fiscal stimulus package has been implemented. The revised economic forecasts in the Mini-Budget assumed that further monetary easing would be forthcoming. While global growth prospects have deteriorated further since the Mini-Budget, the response by global authorities and the RBA (Reserve Bank of Australia) has been more than expected. As a consequence, while risks remain, the forecasts for the NSW economy contained in the Half-Yearly Budget Review are unchanged relative to the Mini-Budget. Global credit concerns persist, notwithstanding concerted international efforts to ease them. The key uncertainty in the forecasts is the length of time it will take for credit markets to regain some stability. The longer the process takes, the greater will be the impact on global and Australian economic activity.

NEW SOUTH WALES ECONOMY

Following strong growth through late 2007, the NSW economy has slowed considerably during 2008, as discussed in the Mini-Budget. While slower growth was anticipated at Budget-time, the slowdown has been steeper than expected.

Table 2.1 Economic Performance and Outlook ^{(a)(b)}

	Actual 2007-08 Outcome	Budget 2008-09 Forecast	Revised 2008-09 Forecast	2009-10 Forecast	Medium Term Projection
State final demand	4.4	2½	1½	1¾	
Gross state product	2.8	2	1¼	1½	3¼
Employment	2.4	1	½	½	1¼
Unemployment rate (year average, percent)	4.6	4¾	5¼	5¾	
Sydney CPI (June qtr on June qtr)	4.3	3	3¾	3	2½
Wage price index	3.8	4	3¾	3½	3½

(a) *Per cent change, year average, unless otherwise indicated*

(b) *Forecasts are unchanged relative to the November Mini-Budget*

NSW economic output (GSP) growth is expected to slow from 2.8 per cent in 2007-08 to 1¼ per cent in 2008-09 (lower than the 2 per cent expected at Budget-time) and to strengthen to 1½ per cent in 2009-10. State final demand growth is expected to slow more significantly from 4.4 per cent in 2007-08 to 1½ per cent in 2008-09.

Slower demand and output growth will see a continued easing in employment conditions. Employment growth is expected to slow below trend to ½ per cent in 2008-09. The unemployment rate is expected to rise modestly, averaging 5¼ per cent in 2008-09 (in the first five months of 2008-09 the unemployment rate averaged 5.0 per cent).

Consumer price inflation is expected to slow from recent highs through the second half of 2008-09 and into 2009-10. Slower demand growth and economic activity should see the inflation rate, as measured by the Sydney CPI (consumer price index), move back within the RBA target range over time, although the recent sharp depreciation in the Australian dollar will slow the decline. Over the year to the June quarter 2009, inflation is forecast to rise by 3¾ per cent.

Recent Developments

Most data released since the 11 November Mini-Budget indicates a further softening in the global economy with activity slowing sharply in October and November. OECD (Organisation for Economic Cooperation and Development) countries continued to weaken, with the United States, the United Kingdom, euro area and Japan entering recession, and steeply increased job losses particularly in the United States. China also recorded a sharp slowing in activity. The OECD projected that growth would fall in most member economies in 2009, although Australia might be an exception. They commented¹:

A severe downturn is in prospect. Activity is already declining in most major OECD economies and is expected to weaken further in the short-term, with area-wide OECD growth likely to be negative for a number of quarters and remain feeble for the remainder of 2009. For most OECD countries a recovery to at least the trend growth rate is not expected before the second half of 2010 implying that the downturn is likely to be the most severe since the early 1980s, leading to a sharp rise in unemployment. Widening slack and, more immediately, the effect of lower commodity prices will bring about a sharp reduction in inflation.

Global share markets continued to lose ground, and the world oil price slid to near US\$40 a barrel for the first time in four years.

In Australia, the national accounts release on 3 December showed the September quarter 2008 to have been the slowest quarter of economic activity in eight years. More recent partial data point to declines in building activity, motor vehicle sales, retail trading, employment prospects and business confidence during the December quarter. Indicators of inflation also receded.

The RBA responded with a further large 1 percentage point cut in the cash rate at its December meeting, bringing its cumulative easing since September to 3.0 percentage points. In early December the Commonwealth's Fiscal Stimulus package commenced injecting \$10.4 billion in payments to pensioners, families, carers and first home buyers.

In fixed interest markets, global flight from riskier assets continued to drive down yields on government securities. In Australia the yield on Commonwealth 10-year bond futures dropped from 5.3 per cent in mid-November to 4.3 per cent by early December 2008. As recently as July 2008, Commonwealth bonds were yielding 6.5 per cent.

¹ OECD, *Economic Outlook (Preliminary Edition), November 2008, page 9*

The two most important but more dated aggregate indicators released for New South Wales after the Mini-Budget were both stronger than expected. The national accounts reported that quarterly growth in NSW state final demand growth accelerated to 0.6 per cent in the September quarter, well above the upwardly-revised 0.2 per cent June quarter result. This followed the announcement of a solid 2.8 per cent increase in NSW gross state product for 2007-08 in the annual state accounts released on 14 November. However recent partial indicators suggest that activity will slow ahead.

The labour market remained fairly firm through November on the momentum of output strength earlier in the year. Since peaking in April 2008 trend employment has eased very gradually and trend unemployment has edged very slowly higher. In the first five months of 2008-09 employment averaged 1.0 per cent higher than in 2007-08, and the unemployment rate averaged 5.0 per cent. Leading indicators of employment remain soft. ANZ (Australia and New Zealand Banking Group Limited) job advertisements in New South Wales fell for their seventh consecutive month in November, while DEEWR's (Australian Department of Education, Employment and Workplace Relations) skilled vacancies survey recorded its twelfth consecutive monthly decline in November.

Prospects

Given the very sharp downturn in global and domestic economic activity indicators since mid-September 2008, downside risks to the NSW economic outlook are clearly present. However, there are a number of factors which will support the economy, and prepare for a recovery in 2009-10.

- The aggressive RBA interest rate cuts will impact quickly for mortgage holders and potential mortgage holders. Unlike the United States, the great bulk of mortgages in Australia are floating rather than fixed rate, and hence Australian monetary policy is more effective in its impact on the housing sector than US monetary policy. Given that NSW mortgages are higher than the national average, NSW will benefit most from interest rate reductions. Further declines in official rates are anticipated by markets.
- While a substantial federal fiscal stimulus is already in place, the Federal Government has indicated that should conditions require it, further stimulus will be forthcoming.
- The 24.2 per cent increase in NSW total state capital expenditure in 2008-09 is providing support for NSW economic activity and jobs. The increase in the total net lending deficit, from \$4.7 billion in 2007-08 to \$8 billion in 2008-09, represents a significant fiscal stimulus in New South Wales.
- The recent sharp depreciation of the Australian dollar will also provide support for the NSW manufacturing and services sectors.
- Latest projections from ABARE (Australian Bureau of Agricultural and Resource Economics) for the 2008-09 crop year, while marginally below previous estimates, continue to suggest a strong rebound in farm production and rural exports from the drought-affected 2007-08 result.

3. STATE INFRASTRUCTURE STRATEGY

The Mini-Budget resulted in significant changes to the Government's capital program over both the forward estimates period and over the next decade. The capital reprioritisation beyond the forward estimates period was not detailed in the Mini-Budget, but a summary of the changes are presented below.

Total State capital expenditure over the SIS period of 2008-09 to 2017-18 has reduced from \$143 billion to \$139 billion, with a cumulative reduction over the period 2008-09 to 2011-12 of \$727 million and a reduction of \$3.4 billion from 2012-13 to 2017-18.

Table 3.1 Major Changes between June 2008 SIS and November 2008 SIS

	2008-09 to 2011-12 \$m	2012-13 to 2017-18 \$m	Total \$m
SIS June 2008	57,641	85,418	143,059
Major Project changes			
PTE Transport – total	-801	-6,347	-7,148
<i>Defer NW Metro</i>	-2,789	-9,172	-11,961
<i>Approve CBD Metro</i>	1,845	2,977	4,822
<i>Defer South West Rail stage 2</i>	-462	-152	-614
<i>Revised Clearways</i>	235	0	235
<i>Additional OSCAR train sets</i>	370	0	370
Electricity generation	239	4,278	4,516
Electricity network and transmission	-991	-160	-1,151
Sydney Water	3	-36	-32
Sydney Ports	72	-4	67
Other PTEs (includes reductions in SHFA)	426	-1,112	-686
Total PTE changes	-1,052	-3,381	-4,433
General Government			
Bus acquisitions	195	0	195
RTA (mainly Pacific Highway)	-245	0	-245
Education (minor works)	257	0	257
Other General Government	118	0	118
Total General Government changes	325	0	325
Total State capital changes	-727	-3,381	-4,108
SIS November 2008	56,914	82,037	138,951

The Mini-Budget also resulted in significant reductions to specific budget capital risks including:

Health: by aligning the timing, costs and priorities of Health's capital program to ensure delivery within approved funding limits;

Rail: by reprioritising the capital program, including:

- indefinite deferral of the North West Metro and approval of the CBD Metro. The revised metro strategy will facilitate increased CityRail western services and provide increased CBD track and station capacity, thus substantially reducing these previous risks;
- Cancellation or deferral of some Clearways projects, thus offsetting the previously identified risk resulting from project cost increases; and
- Deferring South West Rail Link stage 2, offset by the purchase of OSCAR rolling stock (a previously identified risk).

Electricity: The revised electricity strategy aims to encourage private investment (particularly for the first tranche of base load requirements) by withdrawing the Government from electricity retailing, transferring to the private sector power station development sites and the right to trade the output of publicly owned generators.

The Government is confident that these transactions will result in adequate private sector investment, particularly for the first tranche of base load.

The updated SIS projections comprise:

- Net General Government capital expenditure estimates increased by \$325 million for the four years to 2011-12 due to Mini-Budget measures and recent COAG funding decisions. The major increases are for additional buses (part funded by increased revenue from the Harbour Bridge toll changes and Parking Space Levy changes) and school capital works (fully funded by Department of Education and Training asset sales).

For the period 2012-13 to 2017-18, no changes have been made to General Government capital compared to the June 2008 SIS estimates.

- PTE estimates have decreased by \$4.4 billion over the 10 years to 2017-18 due to:
 - \$7.1 billion saving in public transport, mainly resulting from reprioritisation within the rail capital program, as discussed above
 - \$3.4 billion net increase in electricity sector expenditure, resulting from the provision in the second half of the SIS period to allow the Government to invest in base load generation in the event the private sector fails to commit to developing adequate capacity and
 - \$651 million decrease in other PTEs (including Sydney Water and Sydney Ports), due to improved forecasts based on latest Statement of Corporate Intent data beyond the forward estimates period. This includes a reduction for Sydney Harbour Foreshore Authority as a result of planned asset sales and revised plans for Barangaroo.

APPENDIX A: UNIFORM PRESENTATION OF GOVERNMENT FINANCE STATISTICS

A Uniform Presentation Framework (UPF) for financial aggregates has been agreed between the Commonwealth, State and Territory Governments.

As part of the Framework, each jurisdiction is to publish a mid year report, i.e. a Half-Yearly Budget Review, by the end of February each year. The UPF tables are no longer prepared on a pure Government Finance Statistics (GFS) basis. The UPF tables have been prepared consistent with the 2008-09 Budget, in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard adopts a harmonised GFS-GAAP reporting basis. The main differences in reporting on a AASB 1049 basis compared with a GFS basis are outlined on pages 10-6 to 10-9 of 2008-09 Budget Paper No.2.

This UPF report includes operating statements, balance sheets and cash flow statements for the NSW General Government Sector, Public Non-Financial Corporation Sector and Total Non-Financial Public Sector. In the GFS classification scheme each state public sector body is categorised into one of three sectors:

- General Government (GG), which covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms;
- Public Non-financial Corporations (PNFC)^(a) which are largely self-funded from user charges and have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed (PNFCs are responsible for supplying public infrastructure services, including electricity, ports, water and public transport); and
- Public Financial Corporations (PFC)^(b) which may accept demand time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account (an example of a PFC is NSW Treasury Corporation).

The Half-Yearly Budget Review presents revised fiscal estimates for the current Budget year and the three following years for the GG Sector. In addition, revised estimates are presented for the PNFC Sector and the Total Non-financial Public Sector (i.e. a consolidation of the GG Sector and the PNFC Sector). These revised estimates take into account fiscal and economic developments since the commencement of the budget year.

The Half-Yearly Budget Review also includes a revised estimate of the Loan Council Allocation.

A glossary of terms used in this Half Yearly Review and in the 2008-09 Budget can be found in Appendix G of 2008-09 Budget Paper No. 2.

Notes:

(a) The PNFC sector was formerly known as the Public Trading Enterprise or PTE sector.

(b) The PFC sector was formerly known as the Public Financial Enterprise or PFE sector.

Table A-1: NSW General Government Sector Operating Statement

	Budget 2008-09 \$m	Revised Estimates 2008-09 \$m	Forward Estimates		
			2009-10 \$m	2010-11 \$m	2011-12 \$m
Revenue					
Taxation revenue	18,533	17,827	19,344	20,270	21,270
Grant revenue					
- Commonwealth- general purpose	13,020	12,570	13,700	14,738	15,547
- Commonwealth- specific purpose ^(a)	7,249	8,617	8,328	8,804	9,576
- Other grants and contributions	782	882	865	852	834
Sales of goods and services revenue	3,620	3,736	3,908	4,046	4,126
Interest income	706	535	589	582	603
Dividend and income tax equivalent revenue from other sectors	1,796	1,703	2,042	2,184	2,330
Dividend and income tax equivalent revenue from associates	...	...	58	58	87
Fines, regulatory fees and other revenue	2,175	2,853	3,051	3,492	3,109
Total revenue	47,882	48,723	51,885	55,026	57,482
less Expenses					
Employee expenses	21,065	21,566	22,879	24,009	25,495
Superannuation expenses					
- Superannuation interest cost	598	703	707	827	940
- Other superannuation expenses	1,916	1,952	2,048	2,033	2,035
Depreciation and amortisation expenses	2,603	2,643	2,818	2,954	3,072
Interest expenses	1,440	1,396	1,508	1,644	1,714
Other property expenses	3	1	1	1	1
Other operating expenses	10,064	10,172	10,764	11,186	11,608
Grant expenses					
- Current grants and subsidies ^(a)	7,963	8,212	8,423	8,720	9,059
- Capital grants ^(a)	1,962	2,790	2,568	3,128	2,745
Total expenses	47,614	49,435	51,716	54,502	56,669
equals BUDGET RESULT-SURPLUS/(DEFICIT) Net operating balance	268	(712)	169	524	813
plus Other economic flows					
Other revenue (dividends from asset sale proceeds)	...	...	57	...	...
Share of net profit/(loss) from associates excluding dividends	114	116	62	52	42
Net actuarial superannuation gains/(losses)	(79)	(12,123)	2,685	2,403	(136)
Other net gains/(losses)	(114)	(456)	409	343	512
Operating result (accounting basis)	189	(13,175)	3,382	3,322	1,231
Revaluations	911	1,643	982	1,069	1,067
Net gain/(loss) on equity investments in other sectors	1,584	111	2,953	3,055	2,211
Net gain/(loss) on financial instruments at fair value	124	29	5	(1)	(1)
equals Comprehensive result - total change in net worth	2,808	(11,392)	7,322	7,445	4,508
KEY FISCAL AGGREGATES					
Comprehensive result - total change in net worth	2,808	(11,392)	7,322	7,445	4,508
Less: Net other economic flows	2,540	(10,680)	7,153	6,921	3,695
Net operating balance	268	(712)	169	524	813
less Net acquisition of non-financial assets					
Purchases of non-financial assets ^(b)	5,158	5,117	5,326	5,362	4,890
Sales of non-financial assets	(594)	(569)	(880)	(729)	(865)
less Depreciation	(2,603)	(2,643)	(2,818)	(2,954)	(3,072)
plus Change in inventories	(2)	1	3	...	...
plus Other movements in non-financial assets					
- assets acquired under finance leases ^(b)	319	417	99	276	118
- other	15	(39)	26	(184)	53
equals Total net acquisition of non-financial assets	2,293	2,284	1,756	1,771	1,124
equals Net lending / (Borrowing) [Fiscal Balance]	(2,025)	(2,996)	(1,587)	(1,247)	(311)

Notes:

(a) Grant revenue and expenses above exclude certain transfer payments from the Commonwealth government that New South Wales on-passes to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amount that it on-passes. The transfer payments excluded above amount to \$2,758 million for 2008-09 Budget and Revised Estimates, 2009-10 \$2,937 million, 2010-11 \$3,030 million, and 2011-12 \$3,209 million.

(b) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

Table A-2: NSW Public Non-financial Corporation Sector Operating Statement

	Budget 2008-09 \$m	Revised Estimates 2008-09 \$m	Forward Estimates		
			2009-10	2010-11	2011-12
			\$m	\$m	\$m
Revenue					
Grant revenue	3,774	4,311	4,641	5,254	4,847
Sales of goods and services revenue ^(a)	12,995	14,734	15,937	16,920	17,739
Interest income	61	79	62	46	44
Dividends from associates	2	...	3	6	8
Other revenue	468	476	484	463	470
Total revenue	17,300	19,600	21,127	22,689	23,108
less Expenses					
Employee expenses	4,073	4,142	4,521	4,697	4,818
Superannuation expenses	322	320	330	341	354
Depreciation and amortisation expenses	2,450	2,663	2,908	3,114	3,273
Interest expenses	1,456	1,475	1,729	2,114	2,367
Other property expenses	653	616	796	807	859
Other operating expenses ^(a)	6,455	8,356	8,307	8,432	8,576
Grant expenses					
- Current grants and subsidies	216	239	225	216	216
- Capital grants	12	12	...	...	...
Total expenses	15,637	17,823	18,816	19,721	20,463
equals Net operating balance	1,663	1,777	2,311	2,968	2,645
plus Other economic flows					
Net actuarial superannuation gains/(losses)	(65)	(1,924)	279	240	(94)
Other net gains/(losses)	(15)	(95)	(93)	12	36
Operating result (accounting basis)	1,583	(242)	2,497	3,220	2,587
Revaluations	922	1,467	1,675	1,233	1,098
Net gain/(loss) on financial instruments at fair value	284	68	11	(3)	(2)
equals Comprehensive result - total change in net worth	2,789	1,293	4,183	4,450	3,683
KEY FISCAL AGGREGATES					
Comprehensive result - total change in net worth	2,789	1,293	4,183	4,450	3,683
Less: Net other economic flows	1,126	(484)	1,872	1,482	1,038
Net operating balance	1,663	1,777	2,311	2,968	2,645
less Net acquisition of non-financial assets					
Purchases of non-financial assets ^(b)	8,460	8,230	9,027	8,364	8,255
Sales of non-financial assets	(287)	(303)	(690)	(621)	(262)
less Depreciation	(2,450)	(2,673)	(2,908)	(3,114)	(3,273)
plus Change in inventories	152	135	25	36	49
plus Other movements in non-financial assets					
- assets acquired under finance leases ^(b)	...	104	307	490	560
- other	260	292	244	492	256
equals Total net acquisition of non-financial assets	6,135	5,785	6,005	5,647	5,585
equals Net lending / (Borrowing) [Fiscal Balance]	(4,472)	(4,008)	(3,694)	(2,679)	(2,940)

Notes:

- (a) Lottery prize revenue was reported on a net basis (ie net of prizes paid) for the 2008-09 Budget. Sale of goods and service revenue and other operating expenses have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross expense, however the original budget column has been presented net as originally published.
- (b) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

Table A-3: NSW Non-financial Public Sector Operating Statement

	Budget 2008-09 \$m	Revised Estimates 2008-09 \$m	Forward Estimates		
			2009-10 \$m	2010-11 \$m	2011-12 \$m
Revenue					
Taxation Revenue	17,729	17,009	18,459	19,326	20,277
Grant revenue					
- Commonwealth- general purpose	13,020	12,570	13,700	14,738	15,547
- Commonwealth- specific purpose ^(a)	7,274	8,642	8,328	8,804	9,576
- Other grants and contributions	1,001	1,094	1,088	1,051	1,025
Sales of goods and services revenue ^(b)	15,920	17,724	19,090	20,213	21,095
Interest income	714	562	596	570	587
Dividend and income tax equivalent revenue from other sectors	51	51	53	56	56
Dividend and income tax equivalent revenue from associates	2	...	61	64	95
Fines, regulatory fees and other revenue	2,637	3,271	3,498	3,921	3,545
Total revenue	58,348	60,923	64,873	68,743	71,803
less Expenses					
Employee expenses	24,877	25,447	27,128	28,424	30,019
Superannuation expenses					
- Superannuation interest cost	565	694	696	813	928
- Other superannuation expenses	2,272	2,280	2,389	2,386	2,402
Depreciation and amortisation expenses	5,053	5,306	5,726	6,069	6,345
Interest expenses	2,705	2,665	2,996	3,483	3,776
Other property expenses	3	1	1	1	1
Other operating expenses ^(b)	15,851	17,795	18,336	18,878	19,426
Grant expenses					
- Current grants and subsidies ^(a)	5,381	5,583	5,618	5,874	6,231
- Capital grants ^(a)	802	1,123	695	640	629
Total expenses	57,509	60,894	63,585	66,568	69,757
equals Net operating balance	839	29	1,288	2,175	2,046
plus Other economic flows					
Share of net profit/(loss) from associates excluding dividends	114	116	62	52	42
Net actuarial superannuation gains/(losses)	(144)	(14,047)	2,964	2,643	(230)
Other net gains/(losses)	(129)	(551)	373	355	548
Operating result (accounting basis)	680	(14,453)	4,687	5,225	2,406
Revaluations	1,834	3,110	2,657	2,302	2,165
Net gain/(loss) on equity investments in other sectors	(3)	(16)	3	6	15
Net gain/(loss) on financial instruments at fair value	407	96	16	(6)	(4)
equals Comprehensive result - total change in net worth	2,918	(11,263)	7,363	7,527	4,582
KEY FISCAL AGGREGATES					
Comprehensive result - total change in net worth	2,918	(11,263)	7,363	7,527	4,582
Less: Net other economic flows	2,079	(11,292)	6,075	5,352	2,536
Net operating balance	839	29	1,288	2,175	2,046
less Net acquisition of non-financial assets					
Purchases of non-financial assets ^(c)	13,611	13,341	14,346	13,719	13,137
Sales of non-financial assets	(881)	(872)	(1,570)	(1,350)	(1,128)
less Depreciation	(5,053)	(5,317)	(5,726)	(6,069)	(6,345)
plus Change in inventories	150	136	28	37	49
plus Other movements in non-financial assets					
- assets acquired under finance leases ^(c)	319	521	406	766	678
- other	275	253	270	309	311
equals Total net acquisition of non-financial assets	8,421	8,062	7,754	7,412	6,702
equals Net lending / (Borrowing) [Fiscal Balance]	(7,582)	(8,033)	(6,466)	(5,237)	(4,656)

Notes:

- (a) Refer to Note (a) on Table A-1 regarding excluded transfer payments.
- (b) Lottery prize revenue was reported on a net basis (ie net of prizes paid) for the 2008-09 Budget.. Sale of goods and service revenue and other operating expenses have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross expense, however the original budget column has been presented net as originally published.
- (c) Elsewhere in the 2008-09 Half-Yearly Budget Review references are made to Capital Expenditure which comprises purchases of non-financial assets and assets acquired under finance lease arrangements.

Table A-4: NSW General Government Sector Balance Sheet

	Budget June 2009 \$m	Revised Estimate June 2009 \$m	Forward Estimates		
			June 2010	June 2011	June 2012
			\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	2,681	2,825	3,191	3,606	3,841
Advances paid	908	876	933	990	1,031
Investments, loans and placements	7,014	6,077	6,435	6,831	7,324
Receivables	10,217	10,332	10,620	10,786	10,891
Equity					
- in other public sector entities	72,426	75,310	78,263	81,319	83,530
- accounted for using the equity method	1,733	1,738	1,800	1,851	1,893
- other equity investments	4	3	3	3	3
Total financial assets	94,983	97,161	101,245	105,386	108,513
Non-financial assets					
Land and fixed assets					
- inventories	176	237	239	240	240
- property, plant, and equipment	97,306	103,441	106,463	109,490	112,078
- investment property	356	370	371	371	371
- assets held for sale	133	195	176	153	153
- biological assets	6	7	7	7	7
- intangibles (produced)	960	738	845	883	847
Other non-financial assets					
- intangibles (non-produced)	...	112	107	102	100
- other	1,884	1,646	1,758	1,858	1,967
Total non-financial assets	100,821	106,746	109,966	113,104	115,763
Total assets	195,804	203,907	211,211	218,490	224,276
Liabilities					
Deposits held	77	55	54	56	61
Advances received	836	836	807	778	747
Borrowing	15,881	15,619	17,548	19,042	19,447
Superannuation ^(a)	17,389	30,074	27,713	25,640	26,093
Other employee benefits	8,995	9,032	9,270	9,436	9,585
Payables	2,457	3,029	3,116	3,187	3,279
Other Provisions	4,959	5,052	5,225	5,420	5,636
Other Liabilities	3,299	3,379	3,276	3,191	3,113
Total liabilities	53,893	67,076	67,009	66,750	67,961
NET ASSETS	141,911	136,831	144,202	151,740	156,315
Net worth					
Accumulated Funds	104,230	92,822	99,235	105,733	109,270
Reserves	37,681	44,009	44,967	46,007	47,045
NET WORTH	141,911	136,831	144,202	151,740	156,315
Net Financial Worth ^(b)	41,090	30,085	34,236	38,636	40,552
Net Financial Liabilities	31,336	45,225	44,027	42,683	42,978
Net debt ^(c)	6,191	6,732	7,850	8,449	8,059

Notes:

(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.

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

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

Table A-5: NSW Public Non-financial Corporation Sector Balance Sheet

	<i>Budget</i>	<i>Revised</i>	<i>Forward Estimates</i>				
			<i>June 2009</i>	<i>June 2009</i>	<i>June 2010</i>	<i>June 2011</i>	<i>June 2012</i>
			<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Assets							
Financial assets							
Cash and deposits	751	1,527	980	653	396		
Advances paid	...	33	40	29	16		
Investments, loans and placements	664	809	805	814	656		
Receivables	2,313	2,152	2,525	2,773	2,950		
Equity							
- accounted for using the equity method	18	...	...	...	...
- other equity investments	...	...	...	...	...
Total financial assets	3,746	4,521	4,350	4,269	4,018		
Non-financial assets							
Land and fixed assets							
- inventories	1,059	1,053	1,058	1,027	1,034		
- property, plant, and equipment	100,359	103,775	111,259	117,917	124,162		
- investment property	1,235	1,261	1,261	1,282	1,494		
- assets held for sale	39	53	50	45	39		
- biological assets	1,465	1,539	1,580	1,621	1,663		
- intangibles (produced)	474	466	498	507	503		
Other non-financial assets							
- intangibles (non-produced)	648	649	681	754	834		
- other	1,145	819	830	846	861		
Total non-financial assets	106,424	109,615	117,217	123,999	130,590		
Total assets	110,170	114,136	121,567	128,268	134,608		
Liabilities							
Deposits held	102	93	94	95	95		
Advances received	515	514	499	485	471		
Borrowing	24,631	24,139	28,341	31,949	35,582		
Superannuation ^(a)	444	1,993	1,687	1,417	1,484		
Other employee benefits	1,894	1,932	1,987	2,042	2,101		
Payables	2,474	2,831	3,065	3,174	3,317		
Other Provisions	1,485	1,477	1,584	1,605	1,691		
Other Liabilities	6,981	6,883	7,086	7,228	7,397		
Total liabilities	38,526	39,862	44,343	47,995	52,138		
NET ASSETS	71,644	74,274	77,224	80,273	82,470		
Net worth							
Accumulated Funds	39,656	39,033	40,349	42,172	43,277		
Reserves	31,988	35,241	36,875	38,101	39,193		
NET WORTH	71,644	74,274	77,224	80,273	82,470		
Net Financial Worth ^(b)	(34,780)	(35,341)	(39,993)	(43,726)	(48,120)		
Net Financial Liabilities	34,780	35,341	39,993	43,726	48,120		
Net debt ^(c)	23,833	22,377	27,109	31,033	35,080		

*Notes:**(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.**(b) Net financial worth equals total financial assets minus total liabilities.**(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.*

Table A-6: NSW Non-financial Public Sector Balance Sheet

	Budget June 2009 \$m	Revised Estimate June 2009 \$m	Forward Estimates		
			June 2010	June 2011	June 2012
			\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	3,431	4,352	4,171	4,259	4,238
Advances paid	394	396	473	534	576
Investments, loans and placements	7,678	6,890	7,246	7,655	7,995
Receivables	4,993	5,079	5,371	5,510	5,582
Equity					
- in other public sector entities	783	1,037	1,040	1,046	1,060
- accounted for using the equity method	1,750	1,738	1,800	1,852	1,893
- other equity investments	4	3	3	3	3
Total financial assets	19,033	19,495	20,104	20,859	21,347
Non-financial assets					
Land and fixed assets					
- inventories	1,235	1,289	1,298	1,267	1,274
- property, plant, and equipment	197,665	207,215	217,721	227,408	236,240
- investment property	1,590	1,631	1,632	1,652	1,865
- assets held for sale	172	248	226	198	192
- biological assets	1,470	1,546	1,587	1,628	1,670
- intangibles (produced)	1,434	1,204	1,344	1,390	1,350
Other non-financial assets					
- intangibles (non-produced)	648	762	788	857	934
- other	2,255	1,913	2,032	2,133	2,243
Total non-financial assets	206,469	215,808	226,628	236,533	245,768
Total assets	225,502	235,303	246,732	257,392	267,115
Liabilities					
Deposits held	178	148	148	151	156
Advances received	836	836	807	778	747
Borrowing	40,324	39,568	45,659	50,702	54,683
Superannuation ^(a)	17,833	32,067	29,400	27,057	27,577
Other employee benefits	10,842	10,909	11,209	11,428	11,635
Payables	4,711	5,619	5,922	6,074	6,286
Other Provisions	5,335	5,473	5,622	5,725	5,940
Other Liabilities	3,532	3,852	3,763	3,737	3,776
Total liabilities	83,591	98,472	102,530	105,652	110,800
NET ASSETS	141,911	136,831	144,202	151,740	156,315
Net worth					
Accumulated Funds	72,242	57,582	62,360	67,632	70,077
Reserves	69,669	79,249	81,842	84,108	86,238
NET WORTH	141,911	136,831	144,202	151,740	156,315
Net Financial Worth ^(b)	(64,558)	(78,977)	(82,426)	(84,793)	(89,453)
Net Financial Liabilities	65,341	80,014	83,466	85,839	90,513
Net debt ^(c)	29,835	28,914	34,724	39,183	42,777

Notes:

(a) Superannuation liabilities are reported net of prepaid superannuation contribution assets.

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

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

Table A-7: NSW General Government Sector Cash Flow Statement ^(a)

CASH FLOW	<i>Budget</i>	<i>Revised</i>	<i>Forward Estimates</i>		
	<i>2008-09</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash Receipts from Operating Activities					
Taxes received	19,063	18,358	19,353	20,287	21,303
Receipts from sales of goods and services	3,921	4,435	4,253	4,417	4,412
Grants and subsidies received	20,716	21,683	22,516	24,035	25,616
Interest Receipts	774	549	653	657	673
Dividends and income tax equivalents	1,710	1,915	1,763	2,038	2,239
Other receipts	3,975	4,790	4,937	5,318	5,024
Total Cash Receipts from Operating Activities	50,159	51,730	53,475	56,752	59,267
Cash Payments for Operating Activities					
Payments for employees	(23,260)	(23,646)	(25,089)	(26,391)	(28,011)
Payments for goods & services	(11,657)	(11,852)	(12,335)	(12,783)	(13,223)
Grants and subsidies paid	(7,904)	(8,949)	(8,972)	(9,592)	(9,722)
Interest paid	(1,004)	(953)	(1,029)	(1,147)	(1,210)
Other payments	(2,581)	(2,693)	(2,670)	(2,669)	(2,689)
Total Cash Payments from Operating Activities	(46,406)	(48,093)	(50,095)	(52,582)	(54,855)
Net Cash Flows from Operating Activities	3,753	3,637	3,380	4,170	4,412
Cash Flows from Investments in Non-Financial Assets for Policy Purposes					
Sales of non-financial assets	595	572	881	730	866
Purchases of non-financial assets	(5,159)	(5,118)	(5,338)	(5,394)	(4,921)
Net Cash Flows from Investments in Non-Financial Assets	(4,564)	(4,546)	(4,457)	(4,664)	(4,055)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	195	187	193	164	152
Payments	(251)	(247)	(197)	(104)	(103)
Total Cash Flows from Investments in Financial Assets for Policy Purposes	(56)	(60)	(4)	60	49
Net Flows from Investments in Financial Assets for Liquidity Purposes					
Receipts	121	136	84	74	21
Payments	(738)	(475)	(336)	(331)	(368)
Total Net Flows from Investments in Financial Assets for Liquidity Purposes	(617)	(339)	(252)	(257)	(347)
Cash Flows from Financing Activities					
Advances repaid	(51)	(50)	(50)	(55)	(55)
Proceeds from borrowings	2,237	2,936	2,205	1,654	773
Repayments of borrowings	(482)	(951)	(453)	(494)	(544)
Deposits received (net)	9	(44)	(2)	1	3
Other financing (net)	...	...	...	...	...
Net Cash Flows from Financing Activities	1,713	1,891	1,700	1,106	177
Net Increase/ (Decrease) in Cash Held	229	583	367	415	236
Derivation of the Cash Result					
Net Cash Flows from Operating Activities	3,753	3,637	3,380	4,170	4,412
Net Cash Flows from Investments in Non-Financial Assets	(4,564)	(4,546)	(4,457)	(4,664)	(4,055)
Cash Surplus/(Deficit)	(811)	(909)	(1,077)	(494)	357

Notes:

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

Table A-8: Derivation of ABS GFS NSW General Government Sector Cash Surplus/ (Deficit)

CASH FLOW	Budget	Revised	Forward Estimates		
	2008-09	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m
Cash Surplus/(Deficit)	(811)	(909)	(1,077)	(494)	357
Assets acquired under finance leases ^(a)	(319)	(417)	(99)	(276)	(118)
ABS GFS Surplus/(Deficit) including finance lease and similar arrangements	(1,130)	(1,326)	(1,176)	(770)	239

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table A-9: NSW Public Non-financial Corporation Sector Cash Flow Statement ^(a)

CASH FLOW	Budget 2008-09 \$m	Revised Estimate 2008-09 \$m	Forward Estimates		
			2009-10	2010-11	2011-12
			\$m	\$m	\$m
Cash Receipts from Operating Activities					
Receipts from sales of goods and services ^(b)	13,459	15,124	16,090	17,186	18,082
Grants and subsidies received	3,374	3,873	3,910	4,596	4,426
Dividends and income tax equivalents	80	102	104	69	58
Interest Receipts	...	...	...	...	...
Other receipts	2,029	2,059	2,564	2,370	2,593
Total Cash Receipts from Operating Activities	18,942	21,158	22,668	24,221	25,159
Cash Payments for Operating Activities					
Payments for employees	(4,446)	(4,605)	(4,818)	(5,010)	(5,137)
Payments for goods & services ^(b)	(6,986)	(8,719)	(8,730)	(8,830)	(8,946)
Grants and subsidies paid	(216)	(239)	(225)	(216)	(216)
Interest paid	(1,287)	(1,244)	(1,459)	(1,821)	(2,037)
Income Tax Equivalents	(578)	(578)	(708)	(840)	(924)
Other payments	(1,571)	(1,523)	(1,724)	(1,790)	(1,921)
Total Cash Payments from Operating Activities	(15,084)	(16,908)	(17,664)	(18,507)	(19,181)
Net Cash Flows from Operating Activities	3,858	4,250	5,004	5,714	5,978
Cash Flows from Investments in Non-Financial Assets for Policy Purposes					
Sales of non-financial assets	287	294	686	622	264
Purchases of non-financial assets	(8,427)	(8,289)	(8,938)	(8,419)	(8,254)
Net Cash Flows from Investments in Non-Financial Assets for Policy Purposes	(8,140)	(7,995)	(8,252)	(7,797)	(7,990)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	...	...	...	...	...
Payments	(15)	(15)	(72)	...	...
Total Cash Flows from Investments in Financial Assets for Policy Purposes	(15)	(15)	(72)	...	...
Net Flows from Investments in Financial Assets for Liquidity Purposes					
Receipts	62	58	74	45	194
Payments	(92)	(197)	(80)	(107)	(102)
Total Net Flows from Investments in Financial Assets for Liquidity Purposes	(30)	(139)	(6)	(62)	92
Cash Flows from Financing Activities					
Advances received	...	3	...	...	...
Advances repaid	(157)	(159)	(107)	(128)	(152)
Proceeds from borrowings	5,681	5,565	5,657	4,926	4,868
Repayments of borrowings	(628)	(665)	(1,738)	(1,793)	(1,731)
Dividends Paid	(1,139)	(1,327)	(1,036)	(1,189)	(1,326)
Deposits received (net)	(1)	(14)	1	1	1
Other financing (net)	...	...	...	...	...
Net Cash Flows from Financing Activities	3,756	3,403	2,777	1,817	1,660
Net Increase/ (Decrease) in Cash Held	(571)	(496)	(549)	(328)	(260)
Derivation of the Cash Result					
Net Cash Flows from Operating Activities	3,858	4,250	5,004	5,714	5,978
Net Cash Flows from Investments in Non-Financial Assets	(8,140)	(7,995)	(8,252)	(7,797)	(7,990)
Dividends Paid	(1,139)	(1,327)	(1,036)	(1,189)	(1,326)
Cash Surplus/(Deficit)	(5,421)	(5,072)	(4,284)	(3,272)	(3,338)

Notes:

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

(b) Lottery prize receipts were reported on a net basis (ie net of prizes paid) for the 2008-09 Budget. Sale of goods and service receipts and payments for goods and services have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross payment, however the original budget column has been presented net as originally published.

Table A-10: Derivation of ABS GFS NSW Public Non-financial Corporation Sector Cash Surplus/(Deficit)

CASH FLOW	<i>Budget</i>	<i>Revised</i>	<i>Forward Estimates</i>		
	<i>2008-09</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash Surplus/(Deficit)	(5,421)	(5,072)	(4,284)	(3,272)	(3,338)
Assets acquired under finance leases ^(a)	...	(104)	(307)	(490)	(560)
ABS GFS Surplus/(Deficit) including finance lease and similar arrangements	(5,421)	(5,176)	(4,591)	(3,762)	(3,898)

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table A-11: NSW Non-financial Public Sector Cash Flow Statement ^(a)

CASH FLOW	Budget	Revised	Forward Estimates		
	2008-09 \$m	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Cash Receipts from Operating Activities					
Taxes received	18,272	17,554	18,480	19,365	20,327
Receipts from sales of goods and services ^(b)	17,085	19,205	20,025	21,311	22,196
Grants and subsidies received	20,613	21,553	22,376	23,898	25,487
Interest Receipts	800	600	701	668	671
Dividends and income tax equivalents	44	35	49	52	54
Other receipts	6,027	6,796	7,101	7,574	7,483
Total Cash Receipts from Operating Activities	62,841	65,743	68,732	72,867	76,218
Cash Payments for Operating Activities					
Payments for employees	(27,457)	(27,998)	(29,639)	(31,132)	(32,867)
Payments for goods & services ^(b)	(17,886)	(19,685)	(20,216)	(20,745)	(21,257)
Grants and subsidies paid	(4,687)	(5,158)	(4,733)	(4,966)	(5,147)
Interest paid	(2,237)	(2,145)	(2,433)	(2,911)	(3,186)
Other payments	(4,109)	(4,204)	(4,370)	(4,429)	(4,708)
Total Cash Payments from Operating Activities	(56,376)	(59,190)	(61,391)	(64,183)	(67,165)
Net Cash Flows from Operating Activities	6,465	6,553	7,341	8,684	9,053
Cash Flows from Investments in Non-Financial Assets for Policy Purposes					
Sales of non-financial assets	883	866	1,567	1,352	1,130
Purchases of non-financial assets	(13,580)	(13,401)	(14,270)	(13,805)	(13,167)
Net Cash Flows from Investments in Non-Financial Assets for Policy Purposes	(12,697)	(12,535)	(12,703)	(12,453)	(12,037)
Cash Flows from Investments in Financial Assets for Policy Purposes					
Receipts	34	25	25	32	45
Payments	(266)	(262)	(212)	(104)	(103)
Total Cash Flows from Investments in Financial Assets for Policy Purposes	(232)	(237)	(187)	(72)	(58)
Net Flows from Investments in Financial Assets for Liquidity Purposes					
Receipts	182	194	159	120	215
Payments	(829)	(672)	(416)	(438)	(470)
Total Net Flows from Investments in Financial Assets for Liquidity Purposes	(647)	(478)	(257)	(318)	(255)
Cash Flows from Financing Activities					
Advances received	...	3	...	...	...
Advances repaid	(51)	(50)	(50)	(55)	(55)
Proceeds from borrowings	7,922	8,505	7,866	6,584	5,594
Repayments of borrowings	(1,110)	(1,617)	(2,192)	(2,287)	(2,275)
Deposits received (net)	8	(57)	(1)	2	4
Other financing (net)	...	...	...	3	3
Net Cash Flows from Financing Activities	6,769	6,783	5,623	4,246	3,272
Net Increase/ (Decrease) in Cash Held	(342)	86	(183)	87	(25)
Derivation of the Cash Result					
Net cash flows from operating activities	6,465	6,553	7,341	8,684	9,053
Net Cash Flows from Investments in Non-Financial Assets	(12,697)	(12,535)	(12,703)	(12,453)	(12,037)
Cash Surplus/(Deficit)	(6,232)	(5,982)	(5,362)	(3,769)	(2,984)

Notes:

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

(b) Lottery prize receipts were reported on a net basis (ie net of prizes paid) for the 2008-09 Budget.. Sale of goods and service receipts and payments for goods and services have been restated upwards by approximately \$0.8 billion per annum in each of the forward estimates years, to reflect the Lottery prize and statutory payments as a gross payment, however the original budget column has been presented net as originally published..

Table A-12: Derivation of ABS GFS NSW Non-financial Public Sector Cash Surplus/(Deficit)

CASH FLOW	<i>Budget</i>	<i>Revised</i>	<i>Forward Estimates</i>		
	<i>2008-09</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Cash Surplus/(Deficit)	(6,232)	(5,982)	(5,362)	(3,769)	(2,984)
Assets acquired under finance leases ^(a)	(319)	(521)	(406)	(766)	(678)
ABS GFS Surplus/(Deficit) including finance lease and similar arrangements	(6,551)	(6,503)	(5,768)	(4,535)	(3,662)

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

LOAN COUNCIL REPORTING REQUIREMENTS

Table A-13 presents the Budget time estimates of the State's Loan Council Allocation (LCA) for 2008-09 and a revised estimate taking into account fiscal and economic developments since the commencement of the Budget.

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

Overall, the negative Loan Council Allocation requirement of \$6,837 million for New South Wales for 2008-09 has been revised to negative \$12,087 million. The variance of \$5,250 million since the 2008-09 Budget is outside the tolerance limit. The tolerance limit for 2008-09 is \$1,287 million and is calculated as 2 per cent of cash receipts from operating activities for the Non-Financial Public Sector. The reasons for the variance primarily results from the growth in the negative memorandum item. The negative memorandum item grew due to a significant turnaround in estimated 2008-09 superannuation fund earnings, which were budgeted at 7.9 per cent, and are now revised to be negative 8.8 per cent, due to recent significant falls in financial markets. While many of these falls are unrealised losses, they are the result of mark-to-market price decrements for the superannuation fund investments.

Table A-13: Loan Council Allocation Estimates for NSW

	2008-09 Budget-time Estimate \$m	2008-09 Mid Year Estimate \$m
General Government Sector cash surplus/(deficit)	(811)	(909)
Public Non-financial Corporations Sector cash surplus/(deficit)	(5,421)	(5,072)
Non-financial Public Sector cash surplus/(deficit) ^(a)	(6,232)	(5,982)
Acquisitions under finance leases and similar arrangements ^(b)	(319)	(521)
Equals: ABS GFS cash surplus/(deficit)	(6,551)	(6,503)
Net cash flows from investments in financial assets for policy purposes	(232)	(237)
Memorandum items ^(c)	(54)	(5,347)
Loan Council Allocation	(6,837)	(12,087)

Notes:

- (a) *The Non-financial Public Sector cash surplus/ (deficit) may not directly equate to the sum of the General Government and PNFC cash deficits due to intersectoral transfers which are netted out.*
- (b) *Finance leases are shown as they are deducted from the AASB 1049 cash surplus to derive the ABS GFS cash surplus.*
- (c) *Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs – for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities.*

OFF BALANCE SHEET PRIVATELY FINANCED PROJECTS – CONTRACTS EXPECTED TO BE ENTERED INTO IN 2008-09

None to be reported.

APPENDIX B: GUIDE TO THE 2008-09 HALF-YEARLY REVIEW

The 2008-09 Half-Yearly Review reports on the current and projected financial performance of the New South Wales general government sector. The general government sector covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms.

In practice, this means that entities which operate outside normal market mechanisms (e.g. Audit Office of New South Wales) and self funded regulatory agencies (e.g. the WorkCover Authority and the Motor Accidents Authority) are included, as well as agencies which receive an appropriation in the Annual Appropriation Act (e.g. the Department of Health and the Department of Education and Training).

The *Public Finance and Audit Act 1983* requires the Treasurer to publicly release a statement by 31 December each year containing:

- the latest economic projections for the current financial year and an explanation of any significant variation from the projections contained in the budget papers;
- budget projections for the current financial year and an explanation of any significant variation in major aggregates from those budget time projections; and
- revised forward estimates for major aggregates, over 3 years.

The 2008-09 NSW Budget was compiled for the first time in accordance with the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Financial Reporting*. This standard attempts to combine accounting and government finance statistics (GFS) principles. Previous half-yearly budget reviews were prepared on a GFS basis. The Half-Yearly Review for 2008-09 meets this legislative requirement, incorporates the financial statements for the General Government Sector for October 2008 and meets the requirements for uniform reporting of State finances agreed to by the Loan Council.

The Review provides:

- The actual financial performance of the General Government Sector for the four months ended 31 October 2008;
- The projected results for 2008-09 compared with the budget estimates; and
- The latest projection of the financial performance for the three subsequent years to 2011-12.