

NEW SOUTH WALES

BUDGET
INFORMATION
1990-91

BUDGET PAPER No. 2

BUDGET PAPER No. 2 – SUPPLEMENTARY INFORMATION

Corrigenda

- . p3 – Table 1.1: % change for Debt Servicing Costs should read "(-)3.4"
- . p4 – 2nd dot point under "The major features": "1.1 per cent" should read "1.4 per cent"
- . p16 – last paragraph: "\$1,581 million" should read "up to \$2,030 million"
- . p19 – 2nd last paragraph: "\$3,478 million" should read "\$3,475 million"
- . p22 – Section reference for FACS initiatives should read "4.4.4"
- . pp23, 142–143, 158 – references to "uniform equalisation factor(s)" should be read as "uniform increase(s) in equalisation factors"
- . p78 – last line: "7.3" and "0.3" should read "7.4" and "0.4"
- . p142 – 4th dot point: insert "residential" before "strata" and before "company"
- . p199 – Figure 4.9: Health payments should read "\$4,180 million"
- . p224 – 2nd last paragraph should read "the second largest"
- . p334 – 2nd paragraph: delete "ten year"
- . p372 – last paragraph: "\$5,008 million" should read "\$4,950 million"
- . p447 – last paragraph: "8.2 per cent" should read "8.3 per cent"
- . p448 – first paragraph: "6.9 per cent" should read "6.8 per cent"
- . p449 – figures for State Transit Authority for 1987-88, 1988-89 and 1989-90 should read 3.6, 22.0 and 7.2 respectively
 - figure for "Registry of Births etc" for 1990-91 should read "8.2"
 - figure for "Health Department – Ambulance Services" should read "8.2"
 - figures for "Average % Movement" (second last line) for 1987-88, 1988-89 and 1989-90 should read 5.3, 8.3 and 6.8 respectively

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CHAPTER 1: SUMMARY AND OVERVIEW

- 1.1 Budget and Capital Program Overview**
- 1.2 Budget Strategy**
- 1.3 Recurrent Budget Initiatives**
- 1.4 Summary of Past Consolidated Fund Budget Results**

1.1 BUDGET AND CAPITAL PROGRAM OVERVIEW

Budget Position

The Consolidated Fund Budget position for 1990-91 and a comparison with 1989-90 is set out in Table 1.1.

Table 1.1: Summary of Budget Position

	1989-90 (Actual) (1)	1990-91 (Budget)	Change
	\$m	\$m	%
RECURRENT			
Revenue			
State Taxation	7,839	8,683	+ 10.8
Other State Revenue	1,339	1,428	+ 6.6
Commonwealth Grants	5,414	5,667	+ 4.5
Total Revenue	<u>14,592</u>	<u>15,779</u>	<u>+ 8.1</u>
Payments			
Departmental	11,068	12,125	+ 9.6
Payments to Authorities	633	656	+ 3.6
Debt Servicing Costs	1,723	1,664	(-) 13.4
Total Payments	<u>13,424</u>	<u>14,445</u>	<u>+ 7.6</u>
Recurrent Result	<u>1,168</u>	<u>1,334</u>	<u>+ 14.2</u>
CAPITAL			
Revenue			
State Capital Revenue	120	460	+282.4
Commonwealth grants	985	1,074	+ 9.0
Total Capital Revenue	<u>1,105</u>	<u>1,533</u>	<u>38.6</u>
Payments			
Total Capital Payments	2,671	2,833	6.1
Capital Result	<u>(1,565)</u>	<u>(1,300)</u>	<u>(-) 16.9</u>
TOTAL			
Revenue	15,697	17,312	+ 10.3
Payments	16,095	17,278	+ 7.4
adjustment (1)	54	...	n.a.
Budget Result	<u>(344)</u>	<u>34</u>	<u>n.a.</u>
FINANCING			
Decrease in Consolidated Fund cash balance	...	10	
less loan repayments	89	87	
plus transfer from Revenue Equalisation Account	433	43	
	<u>344</u>	<u>(34)</u>	

(1) For consistency, 1989-90 data (except for the Budget result) have been adjusted to reflect recent changes in the range of organisations/activities operating on the Consolidated Fund. The adjustment of \$54 million is the net effect on the 1989-90 Budget result of such changes in coverage.

The 1990-91 Budget has been framed in the context of two unfavourable factors on the revenue side -

- a large real decline in State revenue, particularly that derived from property and equity markets, due to the slowing Australian economy and high interest rates;
- sharp cutbacks in Commonwealth general revenue payments.

In total these two factors have produced a real decline in revenue of over \$250 million in 1990-91 and of over \$1,250 million relative to 1988-89.

On the expenditure side, community demands in the Government's high priority areas of health and law and order, the large \$250 million increase in teachers' salaries, the impact of a number of natural disasters involving commitments of \$145 million arising from events in 1989-90 and \$150 million in redundancy payments in the transport area, have placed heavy pressure on the limited available funds.

Notwithstanding these pressures, the 1990-91 Budget and Capital Program are in broad conformity with the Medium Term Financial Strategy. In the key areas of recurrent expenditure restraint, borrowings and debt restraint and addressing the backlog in the State's social and economic infrastructure, the implementation of the strategy is on track.

The major features of the 1990-91 Budget are -

- a Consolidated Fund surplus of \$34 million, compared to a deficit of \$344 million in 1989-90;
- real growth in recurrent expenditure of 0.6 per cent, due to once-off carry forward effects from the previous year, but an overall real decline of 1.1 per cent for the period from 1987-88 to 1990-91;
- inner Budget Sector savings of \$322 million in 1990-91 and ultimate full year savings achieved since 1987-88 of \$1,237 million per annum;
- real increase in total budget expenditure, recurrent and capital, of 0.4 per cent;
- enhancement funding in the key priority areas of health, law and order, the environment and welfare, with total enhancements over all policy areas of \$155 million, \$87 million being met by the Consolidated Fund;
- increase in taxes in the areas of pay-roll tax and Financial Institutions Duty, offset partly by abolition of cheque duty, lifting of the pay-roll tax threshold and concessions on land tax and stamp duties, to produce an extra \$229 million in 1990-91 and \$203 million in a full year;
- decline in the ratio of gross debt to Gross State Product from 24.3 per cent at June 1988 to 20.2 per cent at June 1990, with a decline in the ratio of net debt to Gross State Product from 19.3 per cent to 15.0 per cent over the same period; and

- decline in the ratio of debt servicing cost to budget recurrent expenditure from 12.6 per cent in 1987-88 to an estimated 11.5 per cent in 1990-91, with debt costs declining 3.4 per cent in 1990-91.

The 1989-90 Budget result was a deficit of \$344 million, \$225 million more than projected. The deterioration in the Budget position was due to the large decline in recurrent revenue, reflecting the effects of the property market downturn and, in addition, a shortfall in asset sales, partly offset by substantial savings on recurrent expenditure. Details are provided in Chapter 6.

Information on the Net Public Sector Financing Requirement, which is a broader concept than the Budget result (covering the full general government or inner budget sector and allowing for movements in cash balances) is presented in Budget Paper No. 7. The Net Financing requirement for the General Government Sector is projected to be broadly constant, after account is taken of the debt transfer from the Commonwealth to the States.

Economic Outlook

The Budget and Capital Program was framed in the context of a slowing economy and severe downturn in revenue, both in State own sources and from Commonwealth payments.

The economy is expected to slow significantly in 1990-91, with Gross Domestic Product (GDP) increasing by 1.5 per cent in real terms, compared to 3.3 per cent in 1989-90. The slowdown reflects the impact of tight monetary policy on interest rate sensitive sectors such as consumer durables, dwellings and business investment. The stance of monetary policy is directed at curtailing excess domestic demand and hence the flow through to the deficit on the balance of payments. While domestic demand in 1990-91 is projected to grow by only 0.3 per cent in real terms, the net trade position is projected to contribute 1.2 percentage points to GDP growth, due to real growth in exports of 8.6 per cent and a real decline in imports of 1.2 per cent.

Overall, the 1990-91 Budget is predicated on a soft rather than hard economic landing. Past severe economic downturns in Australia have had one or more of the following causal elements; wages explosion, collapse of commodity prices or world economic downturn. At this point in time the balance of risk would indicate that these factors will not be present in 1990-91.

Nevertheless, there are significant risks which must be considered. For example, if the price of oil were to increase significantly above its current level, this would have a favourable impact on Australia's balance of payments from the price effect, given Australia's favourable energy trade balance. However, this could be more than offset through reduced international economic activity and declining commodity prices.

The downturn in economic activity should result in lower price inflation for 1990-91. However higher oil prices will limit the fall, causing the Consumer Price Index (CPI) to increase by 7.0 per cent.

Further detail of the economic outlook is provided in Chapter 2.

Revenue Outlook

While a hard economic landing is not projected, the prospect for revenue is poor. Over the mid to late 1980's, State revenue was buoyed by the boom in property values, growth in credit creation and overall strong economic activity. In 1990-91 and forward years, the revenue position will remain subdued reflecting the extended adjustment period for property values, particularly in the commercial sector.

During the period 1985-86 to 1988-89 the State's own source revenue increased by 7 per cent per annum in real terms. In contrast, in the period 1988-89 to 1990-91, recurrent revenue, excluding the impact of tax rate increases, is projected to decline by 1 per cent per annum in real terms.

For those revenue sources that are directly affected by property and equity markets, namely contracts and conveyancing stamp duty and share transfer duty, there is projected to be a real decline of \$111 million over 1989-90 and \$818 million over the peak revenue year of 1988-89, abstracting from the impact of tax rate changes.

In addition there will be a \$150 million real decline in Commonwealth Financial Assistance Grants in 1990-91 and \$461 million over 1988-89.

In aggregate, these two factors will reduce revenue in real terms by \$261 million in 1990-91 and by over \$1.25 billion relative to 1988-89.

In order to counteract this severe downturn in revenue and address the large projected deficit, increases were announced in select taxes. Increases in payroll tax and Financial Institutions Duty, offset by the abolition of cheque duty, the increase in the pay-roll tax threshold and reduction in land tax, will produce an extra \$229 million in 1990-91 and \$203 million in a full year. These measures have been supplemented by non taxation revenue measures, particularly special dividends.

Further details on the revenue outlook are presented in Chapter 4 (recurrent revenue) and Chapter 5 (capital revenue).

Commonwealth Funding

Commonwealth funding in 1990-91 was again cut substantially in real terms, continuing a longer term trend.

In 1990-91 Commonwealth total net payments will be only \$19 million less in real terms relative to 1989-90. However, this is misleading and understates the impact on the State Budget of the Commonwealth cutback in payments for two reasons -

- the 1989-90 base was affected by real cuts of \$274 million in net Commonwealth payments; and
- specific purpose payments increased substantially in real terms in 1990-91, disguising the true cuts in Commonwealth payments.

Specific purpose payments reflect Commonwealth priorities, not necessarily those of the States. In contrast, Financial Assistance Grants are untied and hence are available to address the State's priorities, including improvement in the Budget position. Financial Assistance Grants were cut \$150 million in real terms in 1990-91 and by \$461 million since 1988-89.

Table 1.2: Commonwealth Payments and Loan Allocations to New South Wales

	1989-90	1990-91	Real Change (5)		Year of Peak Real Level	Real Change from Peak Level \$m
	\$m	\$m	\$m	%		
Financial Assistance Grants	3,668	3,708	(-)150	(-) 3.8	1986-87	(-) 685
General Capital Payments (1)	86	80	(-) 13	(-)13.7	1975-76	(-)1,273
Recurrent Specific Purpose Payments (2)	1,792	1,992	+ 75	+ 3.9	1984-85	(-) 128
Capital Specific Purpose Payments (2)	923	1,043	+ 56	+ 5.7	1983-84	(-) 177
Total Gross Payments (3)	6,469	6,823	(-) 32	(-) 0.5	1984-85	(-)1,467
Total Net Payments (4)	6,355	6,420	(-) 19	(-) 0.3	1985-86	(-)1,370
Global Borrowing Limit	1,144	1,178	(-) 46	(-) 3.8	1982-83	(-)2,247

- (1) General purpose capital payments were notionally maintained in money terms and then adjusted by the Commonwealth to allow for the recoupment of 90 per cent of State motor taxes levied on Telecom and Australia Post from 1989-90.
- (2) Excludes "letter box" payments (i.e. those for higher education, local government Financial Assistance Grants and non-Government schools, for which New South Wales acts only as paying agent for the Commonwealth).
- (3) Includes special revenue assistance; excludes "letter box" payments.
- (4) Repayments of Commonwealth loans and advances are deducted from total gross payments.
- (5) Real changes take account of the 1990-91 recoupment of \$66.8 million from the Financial Assistance Grants to adjust for the Commonwealth decision to transfer the bank debits tax to the States, and the increased loan repayments resulting from the Loan Council decision on the takeover by the States of Commonwealth debt raised on their behalf.

Relative to their real peak level, total Commonwealth payments are \$1,370 million less in real terms in 1990-91 while global borrowing limits are down \$2,247 million.

Expenditure Initiatives

Expenditure initiatives totalling \$155 million are incorporated in the Budget, including \$87 million which is Budget funded, the balance being funded by reallocations of priorities.

The major areas of priority for expenditure initiatives are -

- environmental protection, including salinity control and the Environment Protection Authority;
- law and order, covering increased resources in police and courts;
- health, in the form of \$70 million of growth funds; and
- welfare initiatives in high priority areas including juvenile justice, aged housing and Developmentally Disabled.

Further information on expenditure initiatives is provided in Section 1.3 and Chapter 4.

Productivity and Portfolio Savings

The 1990-91 Budget builds on a comprehensive program of expenditure reductions directed at both achieving the recurrent expenditure restraint target and freeing up resources for reallocation to high priority areas.

Cumulative savings over the period 1988-89 to 1990-91 will total \$912 million per annum. When account is taken of the full year impact of savings strategies that are in the process of implementation but not yet complete (namely in cleaning services and in transport authorities), this increases to \$1,237 million per annum.

In summary, the major areas of savings are summarised below in Table 1.3.

Table 1.3: Summary of Budget Sector Savings Since 1987-88

	Cumulative Savings to 1989-90 \$m	Additional Savings in 1990-91 \$m	Total Savings to 1990-91 \$m	Full Year Cumulative Savings \$m
Productivity dividends (1)	226	140	366	366
Transport Authority Savings (2)				
- SRA	274	98	372	632
- STA	22	20	42	68
Cleaning service savings	4	29	33	72
Other portfolio savings (3)	64	35	99	99
Total	590	322	912	1,237

(1) Includes Health productivity Savings retained in the health portfolio for growth	68	40	108	108
(2) Expressed as reduction in real terms over the base year (1987-88) in operating expenditure. Actual savings in Government contributions are:				
SRA	177	15	192	360
STA	57	21	78	103
(3) Includes FACS portfolio savings retained in the portfolio	15	12	27	

Productivity dividends are the payments to the Budget of part of the benefit of productivity savings. Productivity savings involve the provision of the same level of service at a lower cost by increased efficiency in the delivery of the services and reduced overheads. Strategies to achieve these savings are developed by agencies in the context of the Corporate Planning process. The Office of Public Management is available to assist agencies in developing strategies to achieve improved efficiency and effectiveness. Agencies are able to retain any productivity savings achieved above the dividend level.

Productivity dividend procedures in 1990-91 were altered in two ways. First, the dividend targets were set having some regard to the assessed level of efficiency or inefficiency in each agency. While admittedly subjective, this has the benefit of avoiding penalising agencies that have already achieved significant efficiencies or have little capacity for further such savings. In 1990-91 the productivity dividend for agencies paying them ranged from 2 per cent to 4 per cent. This was significantly above the target set in the forward estimates of 1.5 per cent and reflected the difficult budget position faced.

Second, productivity dividends were extended to all agencies and all areas, the sole exception being teaching. In the health portfolio, in view of the high priority accorded the area, productivity savings targets were set but all savings were allowed to be retained to fund growth.

These changes in approach will be further developed and extended for the 1991-92 Budget.

Transport authority savings have and will continue to be a very important part of the Government's Budget Strategy. These savings are based on a comparison of total operating costs for the base year, 1987-88, with current and projected costs, after adjusting for inflation. These savings do not fully reflect in the level of Government contribution, at least in the case of the SRA, due to a deterioration in revenue position. Both the State Rail Authority and the State Transit Authority have embarked on a major program of rationalisation, principally aimed at eliminating inefficiencies in the delivery of services, but also including the downsizing or elimination of submarginal services no longer considered appropriate for budget support. Budget support for these initiatives has been in the form of redundancy payments which totalled \$159 million in 1989-90 and are projected at \$150 million in 1990-91. When fully implemented, the savings will total \$700 million per annum, savings that are available to fund the provision of high priority services or provide taxation relief.

Cleaning services refer to the savings achieved through the commercialisation of the Government Cleaning Service which has involved the establishment of new work practices that have increased productivity to levels comparable with the private sector. When fully implemented, these changes will provide savings of \$72 million per annum.

Other portfolio savings refer to the process of targeted reduction or elimination of lower priority services. As part of the Budget process, Ministers are asked to nominate portfolio savings options of 3 per cent of recurrent expenditure. These options are carefully reviewed by the Ministerial Expenditure Review Committee and appropriate savings options endorsed. The key areas of teaching, health and police are exempted from this process. In the case of welfare, a special arrangement exists for the retention of agreed portfolio savings to finance high priority initiatives.

In future, the portfolio savings process will be replaced with a more targeted approach of linking external reviews to the Budget process. A high level central agencies committee, the Resource Management Advisory Committee, will assess the implications of all external reviews for the Budget and submit recommendations to the Ministerial Expenditure Review Committee.

Forward Estimates

Consolidated Fund forward estimates have been prepared for the period 1990-91 to 1992-93. Details of these are provided in section 4.3.

Table 1.4: Recurrent Expenditure Estimates, 1990-91 to 1992-93

		1989-90 Actual	1990-91 Budget	1991-92 Estimate	1992-93 Estimate
Recurrent expenditure	\$m	13,424	14,445	15,473	16,340
Growth in recurrent expenditure	%	5.8	7.6	7.1	5.6
Real growth in recurrent expenditure	%	(-)2.3	0.6	1.1	(-)0.7
Cumulative Real Change since 1987-88	%	(-)2.0	(-)1.4	(-)0.4	(-)1.1
Recurrent expenditure as proportion of GSP	%	10.3	10.3	10.3	9.9

Over the full period, 1987-88 to 1992-93, Consolidated Fund recurrent expenditure is projected to decline 1.1 per cent in real terms. For the years 1991-92 to 1992-93, the forward estimates incorporate productivity dividends at a rate of 1.5 per cent, in place budget savings strategies (transport authorities and cleaning services), general contingency allowances as reflected in the Treasurer's Advance and debt servicing costs for future inner budget sector borrowings. The forward estimates do not allow for future enhancements.

In 1989-90 recurrent expenditure declined in real terms by 2.3 per cent, well in excess of budget estimates of a 0.5 per cent real decline. Broadly this was due to two factors; a later than expected national wage case increase and savings achieved by agencies which, under budget arrangements, can be carried forward to 1990-91. In aggregate, these two factors have carry forward impacts for 1990-91 of 1.6 per cent, more than explaining the real increase in 1990-91.

Total Payments

The Budget reflects transactions that pass through the Consolidated Fund. However, there are other payments financed by the use of Special Deposits Accounts, reserves and capital payments of outer budget sector authorities that are not reflected in the Consolidated Fund. The total payments position for 1989-90 and 1990-91, which takes account of funds from all sources, is set out in Table 1.5. Further details are provided in the "Blue Tables" in Section 3.3.

Table 1.5: Consolidated Fund and Total Payments

	Consolidated Fund			Total Payments		
	1989-90 \$m	1990-91 \$m	% Change	1989-90 \$m	1990-91 \$m	% Change
Recurrent payments	13,424	14,445	+7.6	14,202	15,286	+ 7.6
Capital payments	<u>2,671</u>	<u>2,833</u>	<u>+6.1</u>	<u>5,025</u>	<u>5,560</u>	<u>+10.6</u>
Total	16,095	17,278	+7.3	19,227	20,846	+ 8.4

Total recurrent payments reflect, in addition to Consolidated Fund expenditure, the drawdown of reserves and the use of user charges.

Total recurrent payments are projected to increase by 7.6 per cent in 1990-91, a real increase of 0.6 per cent.

Capital Program

The Capital Program is the aggregation of Consolidated Fund capital expenditure and capital expenditure of outer budget sector authorities.

The 1990-91 Capital Program totals \$5,560 million, an increase of 10.6 per cent over 1989-90 expenditure or a 3.4 per cent increase in real terms.

The significant real growth in 1990-91 reflects to a substantial extent the carry forward impact of delays in construction in 1989-90 due to bad weather and other factors into 1990-91. When adjustment is made for this, the program is broadly on the same level as the previous year.

Major features of the 1990-91 Capital Program are –

- record \$1,407 million roads program, up nearly 11 per cent;
- 21 per cent increase in the SRA program;
- 25 per cent increase in the health program to \$356 million;
- major growth, in the order of 44 per cent in law, order and public safety;
- growth of 34 per cent in the water and sewerage area, reflecting the Government's environmental initiatives.

The overall capital program and source of funding is summarised in Table 1.6 below:

Table 1.6: Capital Program and Source of Funding Summary

	1989-90 \$m	1990-91 \$m	Change %
Capital Payments			
Inner Budget Sector –			
Consolidated Fund	2,289	2,438	+ 6.5
Other	804	1,037	+ 29.0
Sub-total	3,093	3,475	+ 12.4
Outer Budget Sector	<u>1,652</u>	<u>2,085</u>	<u>+ 26.2</u>
Total	5,025	5,560	+ 10.6
Financed By:			
Commonwealth Payments	985	1,074	+ 9.0
Recurrent Budget Support	1,603	1,412	(-) 11.9
Asset Sales	424	697	+ 64.4
Authority Revenue	229	535	+133.6
Authority Reserves	966	782	(-) 19.0
Borrowings	<u>818</u>	<u>1,060</u>	<u>+ 29.6</u>
Total	5,025	5,560	+ 10.6

Details of the Capital Program are provided in Chapter 5 of this Budget Paper and all major projects are listed in Budget Paper No. 5.

Borrowings and Debt

A key part of the Government's Medium Term Financial Strategy is the containment of debt. The total elimination of debt is not an economically responsible strategy except in the Inner Budget (general government) Sector where assets do not normally generate income to cover debt charges. Borrowings are clearly justified where a capital project generates a positive return. In many cases, a combination of internal funding and borrowings is an appropriate method of financing.

Thus, the objective is not to eliminate borrowings and debt. Rather, the objective is to reduce State debt relative to the size of the State economy, as measured by Gross State Product, and to eliminate borrowings for non revenue generating capital works.

Major progress has been achieved in implementing this strategy as summarised in Table 1.7.

Table 1.7: Debt, Borrowings and Debt Servicing Cost

		1985-86 Actual	1986-87 Actual	1987-88 Actual	1988-89 Actual	1989-90 Actual	1990-91 Forecast
DEBT							
Gross State Debt as at June	\$m	22,296	24,422	25,266	25,889	26,244	27,000
Percent of Gross State Product	%	27.3	26.7	24.3	21.7	20.2	19.5
BORROWINGS							
Global Borrowings	\$m	2,059	1,845	1,540	1,144	1,134	1,178
Borrowing as Percent of Capital Program	%	51.6	45.3	41.8	23.6	16.3	19.1
DEBT SERVICING COSTS FOR BUDGET							
Debt cost	\$m	1,081	1,270	1,483	1,607	1,723	1,664
Change	%	26.8	17.5	16.8	8.4	7.2	(-3.4)
Proportion of Recurrent Expenditure	%	11.1	11.8	12.6	12.7	12.8	11.5

Gross debt, as a percentage of Gross State Product, has declined to 20.2 per cent at June 1990, from 24.3 per cent at June 1988 and is projected to decline to 19.5 per cent by June 1991.

Similarly net debt, which is a more accurate measure of the debt burden, has declined, as a proportion of Gross State Product, from 19.3 per cent at June 1988 to 15.0 per cent at June 1990.

Borrowings to fund the 1990-91 Capital Program are 42 per cent lower than in 1987-88. Borrowings, which in 1985-86 were 52 per cent of the funding of the Capital Program, accounted for only 16 per cent in 1989-90 and a projected 19 per cent in 1990-91.

Debt servicing costs for the inner budget sector are projected at \$1,664 million or 11.5 per cent of recurrent expenditure in 1990-91, compared with 12.8 per cent in 1989-90. The decline reflects restraint in borrowings and active debt management policy.

1.2 BUDGET STRATEGY

Medium Term Financial Strategy

The Government has adopted a Medium Term Financial Strategy, covering the period to 1993-94. The Strategy may have to be adjusted if circumstances change, but its general thrust should remain in place.

1990-91 marks the half way point for the strategy and it is useful to assess results to date and prospects for the remaining period.

The strategy revolves around four goals –

Goal 1: Balance the Budget and Constrain Debt

Strategies

- balance the Consolidated Fund by ensuring that the surplus on the recurrent account covers the deficit on the capital account;
- requirement for Government Trading Enterprises and State Owned Corporations to achieve a commercial rate of return on commercial assets;
- requirement for all capital projects to be assessed by the application of economic appraisal guidelines to evaluate cost benefit or cost effectiveness;
- gradual phase out of inner budget sector borrowings to fund non revenue generating capital works;
- reduce the ratio of budget sector debt costs to expenditure; and
- phase in funding of accruing non debt liabilities.

Assessment

While the Consolidated Fund ran a deficit of \$344 million in 1989–90, over the two years to 1989–90 the Budget had a net surplus of \$84 million. It is also expected to be in surplus in 1990–91.

Overall, the goal of debt containment has been achieved with the ratio of net debt to GSP declining from 19.3 per cent at June 1988 to 15.0 per cent at June 1990.

Similarly, debt cost, which over the five years to 1987-88 increased at an average rate of 19.4 per cent per annum, has grown at 1.7 per cent per annum over the period 1988-89 to 1990-91. Expressed as a percentage of recurrent expenditure debt cost for the inner budget sector has declined from 12.6 per cent in 1987–88 to 11.5 per cent in 1990-91

However, the strategy of phasing out inner budget sector borrowing has not been progressed as rapidly as hoped due in large measure to the deterioration in the overall budget position on the revenue side. Total inner budget sector borrowings in 1987-88 were \$1,104 million and were reduced to \$566 million and \$533 million in 1989-90. However in 1990-91 this has increased to \$692 million, reflecting the difficult revenue position and the increase in the SRA program.

Similarly, it has not been possible to comprehensively address the funding of accruing non debt liabilities. The first priority in this area has been assigned to the funding of the emerging unfunded third party liabilities associated with the third party motor vehicle scheme that operated for the period to 30 June 1989. The level of unfunded liability is estimated at \$1.4 billion as at June 1990 and will become due from 1992-93 onwards. The emerging liability will be funded by a combination of short term borrowings and budget funds, with the borrowings retired over a ten year period.

Goal 2: Improve Efficiency and Reallocate Resources to Key Priority Areas

Strategies

- productivity dividend requirements for all inner budget sector agencies;
- targeted portfolio savings;
- target of zero real growth in recurrent expenditure;
- prioritisation of health and law and order;
- development of output and efficiency measures for programs; and
- internal and external program reviews.

Assessment

To date budget savings of \$912 million per annum have been achieved and, when fully implemented, will generate savings of \$1,237 million per annum. These savings have arisen from a combination of productivity dividend, transport authorities reform, cleaning service savings and other portfolio savings initiatives.

In turn growth funds have been applied to key priority areas, for example:-

- Health has been allocated growth fund of \$70 million in 1990-91, consisting of additional Consolidated Fund support of \$30 million and retained productivity savings of \$40 million. In all, Health has grown by 5 per cent in real terms since 1987-88.
- Police funding in total has grown 7 per cent in real terms over the period since 1987-88, reflecting the Government commitment to 1,600 effective police strength increase.
- Courts funding has been boosted in real term by 18 per cent since 1987-88, reflecting the Government's commitment to reduce court delays with the Court Backlog Program and the coming on stream of the Downing Centre.

- Corrective Services funding is up 16 per cent in real terms in 1990-91 relative to 1987-88, due to the increased level of prisoners in the system.
- School education is up 3 per cent in real terms over 1987-88, while technical and vocational education is up 7 per cent;
- Protection of the environment expenditure is up 22 per cent on 1987-88 in real terms;
- Welfare expenditure is up 11 per cent on 1987-88 in real terms.

Value for money initiatives are fundamentally driven by the individual agencies with appropriate support from central agencies. Building on the well established program budgeting and program evaluation system, the Office of Public Management (OPM) was established in 1988 to provide selected consultancy services to agencies and undertake external program reviews.

In 1990-91, the Central agencies will undertake with two agencies, pilot evaluation programs focusing on the structure and delineation of programs and the measure of output, outcome, efficiency and effectiveness. From these pilot projects, it is hoped to develop a more general review of programs by agencies. In addition, it is planned to develop for the inner budget sector, measures of program performance, analogous to the performance indicators recently released for the largest outer budget sector entities.

Goal 3: Renew Public Infrastructure

Strategies

- special levies for key priority areas, namely roads and the environment;
- private sector participation in infrastructure initiatives; and
- asset sales and reinvestment program.

Assessment

Major progress has been achieved in pursuing the objective of infrastructure renewal. Special levies have been introduced which provide additional funding for roads of \$ 200 million per annum for the three year period to 1992-93 and \$85 million per annum for environmental works.

Private sector infrastructure provision is encouraged and recently, following a review of the approach, "Guidelines for Private Sector Participation in Infrastructure Provision" was released. Specific projects that have commenced include a toll road in Western Sydney and the North West sector urban release area.

Asset disposals for the period 1988-89 to 1990-91 inclusive are estimated to total \$2,433 million, compared with \$173 million for the previous three years. In total over this period, \$1,581 million of the asset sale/lease proceeds will be reinvested in new infrastructure, with the balance used to retire debt and hold in reserve for future capital projects.

Goal 4: Reform the State's Revenue Base and Taxation Structure

Strategies

- maximise non taxation revenue through commercial agency dividends and user charges in the inner budget sector;
- reduction in the level of excess taxation experienced by New South Wales relative to other States;
- address the degree of vertical imbalance in Commonwealth-State financial relations; and
- broaden the tax base to reduce volatility and increase efficiency and equity.

Assessment

Revenue in the area of contributions of Government Trading Enterprises and State Owned Corporations is projected at \$588 million in 1990-91 compared with \$344 million in 1989-90, up 71 per cent.

Dividend policy guidelines were released in 1989-90 which set out the broad approach to dividends and set a target of dividend payments of between 2 per cent and 4 per cent of total assets.

This has been achieved while at the same time keeping Government charges at or below inflation. In 1990-91 Government charges are projected to increase by 4.2 per cent, 2.8 per cent below inflation. In the three years to 1990-91, Government charges have risen by only 20.5 per cent compared with an increase in the CPI of 25.2 per cent.

In addition, draft guidelines on user charge activities in the inner budget sector were released in 1989-90 and a survey undertaken of all Departmental commercial activities. It is intended to establish all user charge activities off budget from 1991-92 and for parliamentary appropriation to be on a net basis, that is excluding user charges. Over time it is expected that revenue from user charges will increase significantly in real terms, freeing up scarce budget resources for strictly social rather than commercial priorities.

While the 1990-91 Budget involves an increase in tax rates, nevertheless New South Wales is well placed tax rate wise relative to other States, with the exception of Queensland. The excess burden of taxation in New South Wales relative to other States has been reduced from 6 per cent to 3 per cent.

With the large increase in taxation in other States relative to New South Wales, the position for 1990-91 should be that the taxation level in New South Wales will be below that of the other States. This is despite the fact that New South Wales receives \$221 per capita less than the other States from the Commonwealth. If New South Wales received the same amount per capita as the other States this would provide an extra \$864 million in revenue.

Vertical imbalance is the expression used to describe the level of dependence of the States on Commonwealth payments to fund their budgets. Broadly the Commonwealth raises 80 per cent of all taxation in Australia but is only responsible for expenditure of 50 per cent on its own programs. In contrast the States and Local Government raise only 20 per cent of taxation but are responsible for the other 50 per cent of expenditure. The Commonwealth has agreed to a special Premiers' Conference to address microeconomic reform. One important aspect of microeconomic reform is reform of Commonwealth-State financial relations, including the reduction in the level of vertical imbalance. This is addressed in further detail in Budget Paper No. 4.

Finally, in respect to broadening the State's revenue base, New South Wales has recently released a discussion paper on a new tax, Financial Assets Duty, which is aimed to replace Financial Institutions Duty and a range of inequitable and distorting, stamp duties.

1990-91 Budget Strategy

The 1990-91 Strategy is broadly consistent with the Medium Term Financial Strategy but, in view of the difficult revenue outlook, revenue initiatives have had to be implemented.

The starting point for the 1990-91 Budget review was an underlying deficit in the order of \$800 million per annum. This has been addressed by a combination of expenditure cuts and targeted increases in taxation. These measures have been supplemented by non taxation revenue measures, some of which are once-up in nature.

While these measures in aggregate will address the Budget position in both 1990-91 and 1991-92, continued subdued revenue growth of the order experienced since 1988-89 could see the re-emergence of a Budget deficit. This emphasises the need for continued expenditure restraint and close review of the revenue position and options for broadening the revenue base.

The main elements in the 1990-91 Budget strategy are as follows –

- ***Maximisation of non taxation revenue***

Government Trading Enterprise contributions total \$588 million, up 71 per cent or \$244 million on 1989-90. This is part of a concentrated effort to reform Government Trading Enterprises and impose commercial disciplines.

- ***Targeted taxation increases***

Financial Institutions Duty was increased from 0.03 to 0.06 per cent, while pay-roll tax duty has been simplified and restructured with a flat 7 per cent rate replacing differential rates of 6, 7 and 8 per cent. These tax increases have been partially offset by abolition of cheque duty, lifting of the pay-roll tax threshold and reduction in land tax.

These initiatives have been coordinated as far as possible with other States, so as to achieve a greater degree of interstate tax base and tax rate harmonisation.

• ***Constrain recurrent expenditure***

Recurrent expenditure is projected to increase by 0.6 per cent in real terms in 1990-91. When account is taken of special carry forward effects this translates into an underlying real decline.

Recurrent expenditure over the full period, 1987-88 to 1992-93, is projected to decline by 1.1 per cent in real terms. This excludes future enhancements.

Productivity dividend requirements of between 2 per cent and 4 per cent have been implemented to produce savings of \$140 million. Overall additional savings in 1990-91 total \$322 million.

Enhancements have been limited to \$155 million, of which \$87 million is budget funded.

• ***Deferred budget sector capital expenditure***

Inner budget sector capital expenditure in total is projected to be \$3,478 million in 1990-91, up 5.3 per cent in real terms on the level in 1989-90. This increase is due to locked-in works in progress and other contractual commitments.

For the forward years there is projected to be continuing real declines.

1.3 RECURRENT BUDGET INITIATIVES

As indicated in Section 1.2, the Budget for 1990-91 has been framed both on the basis of addressing the Government's medium-term financial strategy and in the light of the continuing downturn in the real level of revenues to be received.

In line with the new budgeting and forward estimates procedures, there is greater flexibility afforded to Ministers and their organisations to re-allocate available funds to achieve their overall objectives.

As a consequence both of the difficult funding position and the flexibility available to Ministers, enhancements sought by Ministers (i.e. new services or increased levels of existing services) are expected to be funded in the main by both productivity savings above the target level set in the Budget and by the reallocation of resources from lower priority areas.

Such re-ordering of priorities within a portfolio may range from minor shifts in emphasis to more substantial changes in the direction or missions of departments.

In addition to initiatives funded within portfolios, the 1990-91 Budget provides additional funding for a number of specific measures reflecting the priorities of Government. Table 1.8 lists major recurrent expenditure initiatives, whether funded internally or from additional Budget allocations, as well as revenue initiatives. A more detailed discussion of recurrent revenue and expenditure initiatives appears in Sections 4.2 and 4.4 of this Budget Paper, while capital expenditure initiatives are covered in Section 5.3 and in Budget Paper No. 5.

Table 1.8: Major Recurrent Budget Initiatives, 1990-91

Initiative	Impact on Consolidated Fund		Section Reference
	1990-91 \$m	Full Year \$m	
RECURRENT EXPENDITURE			
Minister for Agriculture and Rural Affairs			
<u>Soil Conservation Service</u>			
. Restoration of Throsby Creek	1.2	...	4.4.7
. Salinity control initiatives (allocated to various Ministers)	2.8	2.8	4.4.7
Attorney General			
<u>Attorney General's Department</u>			
. Downing Centre	6.4	8.6	4.4.1
<u>Office of the Director of Public Prosecutions</u>			
. Committal hearings transfer	3.3	3.3	4.4.1
Minister for Business and Consumer Affairs			
. Business Licence Administration Centre	1.7	...	4.4.7
Chief Secretary and Minister for Water Resources			
<u>Chief Secretary's Department</u>			
. State-wide linking of poker machines	0.3	0.9	4.4.8
<u>Department of Water Resources</u>			
. Water quality monitoring (seed money)	0.9	...	4.4.7
Minister for Education and Youth Affairs			
. "Parents as First Teachers" Program	0.3	na	4.4.2
Minister for the Environment			
. Funding for planning of the establishment of Environment Protection Authority	0.4	...	4.4.5
<u>State Pollution Control Commission</u>			
. Additional funding for pollution control, environment monitoring and community education	0.7	0.7	4.4.5

Table 1.8: Major Recurrent Budget Initiatives, 1990-91 (cont)

Initiative	Impact on Consolidated Fund		Section Reference
	1990-91 \$m	Full Year \$m	
Minister for Family and Community Services			
<u>Family and Community Services</u>			4.4.7
. Protection of children	0.4	0.8	
. Expansion of foster and alternate care services	2.3	2.4	
. Health services for juvenile detainees	0.8	1.1	
. Other juvenile justice initiatives	1.1	1.1	
. Family and Community Development Strategy	0.7		
. Additional 500 Pre-school places	1.3	1.3	
. Growth for Commonwealth programs	8.1	8.1	
. Homeless Youth	2.3	1.6	
. Seeding grants for Aboriginal advisory and diversionary services	0.3	...	
. Additional development disability homes	2.6	3.1	
. Other developmental disability initiatives	9.0	10.2	
. Housing and Care for the aged	5.0	...	
Minister for Health			
. Growth funding for health	70.0	70.0	4.4.3
Minister for Housing			
<u>Department of Housing</u>			
. Concessions for public housing and home purchase assistance initiatives	8.6	13.0	4.4.5
Minister for Local Government and Minister for Planning			
. Review of Local Government Act	0.4	0.4	4.4.8
. Budget support for "public good" component of Darling Harbour Authority	12.0	10.0	4.4.8
Minister for Police and Emergency Services			
<u>Police Service</u>			
. Electronic recording of police interviews	1.2	2.7	4.4.1
. Increase in effective police numbers	7.5	15.1	
<u>State Drug Crime Commission</u>			
. Establishment of Civil Forfeiture Unit	1.3	2.0	4.4.1
Minister for Sport and Recreation			
. Establishment of Sport and Recreation Centre at Berry	0.7	0.5	4.4.6

Table 1.8: Major Recurrent Budget Initiatives, 1990-91 (cont)

Initiative	Impact on Consolidated Fund		Section Reference
	1990-91 \$m	Full Year \$m	
Minister for State Development			
Accelerated development of economic strategy	1.0	...	4.4.7
Total, Recurrent Expenditure Initiatives less internal funding equals Consolidated Fund contribution	154.6 (67.5) 87.1	159.7 (63.9) 95.8	
RECURRENT REVENUE			
FID – doubling of rate from 1 October 1990	+ 171.0	+ 257.0	4.2
Cheque Duty – abolition from 1 October 1990	(-) 18.0	(-) 27.0	4.2
Land Tax –			
Reduction in rate from 2% to 1.5% and increase in threshold from \$135,000 to \$160,000 (a)	(-) 66.0	(-) 250.0	4.2
Uniform equalisation factors in 1991 and 1992 Land Tax Years (a) (b)	(-) 23.0	(-) 29.0	4.2
Policy changes following Land Tax Review Review (a)	(-) 10.0	(-) 13.0	4.2
Pay-roll Tax –			
Introduction of single marginal rate (7%)	+ 205.0	+ 305.0	4.2
Increase in tax threshold to \$500,000	(-) 25.0	(-) 37.0	4.2
Amendments to the First Home Buyers Scheme to achieve more effective targeting of assistance	...	...
Miscellaneous stamp duty concessions	(-) 5.0	(-) 3.2	4.0
Total, Recurrent Revenue Initiatives	229	202.8	

- (a) Land tax is collected on a calendar year basis. Therefore the individual Budget year effects depend on the proportion of land tax collected in each half of the calendar year.
- (b) Since the uniform equalisation factors will apply to only the 1991 and 1992 Land Tax years, there will not be a continuing impact on the budget from this measure after 1992-93.

1.4 SUMMARY OF PAST CONSOLIDATED FUND BUDGET RESULTS

The 1990-91 result is forecast to be a surplus of \$34 million, comprising a recurrent surplus of \$1,334 million and a capital deficit of \$1,300 million.

Table 1.9 shows prior years' budget results since 1985-86. Actual data for the years concerned have been adjusted to place them on a consistent basis with the 1990-91 presentation. Specifically –

- payments and receipts for agencies or activities that have been taken off-Budget (or moved on-Budget) in 1990-91 or earlier years have been similarly excluded (included) for all years;
- borrowings and loan repayments have been treated as "below the line" financing to accord with standard accounting practice;
- coverage of payments and receipts have been treated on a consistent basis over the full period.

The effect of making the above adjustments to previous years' figures may produce Budget results which differ from those actually recorded in the years concerned. This largely arises where organisations moved on or off Budget and whose receipts and payments did not match in individual years.

The amounts shown as "Budget Results" in Table 1.9 are those actually recorded. The "Adjustment" figures shown for earlier years are the net effect of the changes made to individual components of the table.

Table 1.9: Consolidated Fund, 1985-86 to 1990-91 (a)

	1985-86 \$m	1986-87 \$m	1987-88 \$m	1988-89 \$m	1989-90 \$m	1990-91 \$m
RECURRENT						
Revenue						
State Taxation	4,776	5,392	6,416	7,475	7,839	8,683
Other State Revenue	839	874	1,043	1,217	1,339	1,428
Commonwealth Grants	4,426	4,845	5,174	5,296	5,414	5,667
Total Recurrent Revenue	10,041	11,111	12,633	13,988	14,592	15,779
Payments						
Departmental	7,972	8,855	9,602	10,327	11,068	12,125
Payments to Authorities	646	646	713	759	633	656
Debt Servicing Costs	1,081	1,270	1,483	1,607	1,723	1,664
Total Recurrent Payments	9,699	10,771	11,798	12,693	13,424	14,445
Recurrent Result	342	340	835	1,295	1,168	1,334
CAPITAL						
Revenue						
State Capital Revenue	30	26	33	253	120	460
Commonwealth Grants	908	928	846	831	985	1,074
Total Capital Revenue	938	954	879	1,084	1,105	1,533
Payments						
Total Capital Payments	1,560	1,856	1,925	1,958	2,671	2,833
Capital Result	(622)	(902)	(1,046)	(874)	(1,565)	(1,300)
TOTAL						
Revenue	10,979	12,065	13,512	15,072	15,697	17,312
less Expenditure	11,259	12,627	13,723	14,651	16,095	17,278
plus Adjustment (b)	+ 39	+ 80	+ 81	+ 7	+54	...
equals BUDGET RESULT	(241)	(482)	(130)	428	(344)	34
FINANCING						
Decrease in Consolidated Fund Cash Balance	...	(-) 1	(-) 245	...	...	10
plus Transfer from Revenue Equalisation Account	...	...	...	...	433	43
less Transfer to Revenue Equalisation Account	...	...	56	420	...	...
plus Borrowings	325	550	502	86	...	...
less Loan Repayments	<u>84</u>	<u>67</u>	<u>71</u>	<u>94</u>	<u>89</u>	<u>87</u>
	241	482	130	(428)	344	(34)

(a) Revenue and payments have been adjusted to be on a consistent basis over the period.

(b) Net impact on earlier years' data of organisations/activities subsequently moved on or off Budget. While the individual components of this table reflect these impacts, the Budget results have not been altered.

CHAPTER 2: THE ECONOMY

2.1 Overview

2.2 1989–90 in Review

2.3 Economic Prospects

2.4 The Economy and the Budget

2.1 OVERVIEW

1989–90 in Review

Growth in Gross Domestic Product (GDP) slowed moderately from 4.1 per cent in 1988–89 to 3.3 per cent in 1989–90. This reflected a steep decline in domestic expenditure, particularly investment (offsetting the large investment surge in the preceding financial year). Growth appeared to peak in the December quarter. The sectoral pattern began to shift away from interest-sensitive industries dependent on domestic demand toward sectors more oriented toward exports. While this helped improve trade performance in the final six months, the year-total trade deficit widened and the Balance of Payments deficit increased to \$20.7 billion.

National economic performance was assisted by generally firm growth performance and stable economic conditions overseas in 1989–90. Although OECD growth slowed, it remained close to its long-run potential rate of expansion, buoyed by strengthened performance in Germany and still above-average growth in Japan. Outside the OECD, liberalisation in Eastern Europe provided a stimulus offsetting the reversal of reform progress in China and the slowdown of growth in most of Australia's other Asian trading partners. Except for wool, these conditions helped maintain the firm commodity prices Australia has enjoyed since the mid 1980s.

The public sector continued to contribute to national savings in 1989–90, but by less than anticipated. The Commonwealth Budget surplus slipped from \$9.1 billion (forecast) to \$8.0 billion (realised), and the net Public Sector Borrowing Requirement slipped from a surplus of 1.2 per cent of GDP (forecast) to one tenth of a per cent (realised).

Monetary policy was tightened further in the first half of the year in order to slow excessive demand and imports. As activity slowed, policy was eased, allowing bank bill rates to fall from 18 per cent at their January peak to 15 per cent by June.

Wages growth remained moderate over 1989–90, helped by weaker labour market conditions, and by a slow phase-in of wage increases allowed under the 1989 National Wage Case Decision.

Australia recorded a strong 3.8 per cent average growth in employment in 1989–90 and average unemployment was well below the preceding year, although labour market conditions weakened over the course of the year. Wage growth dropped by almost one percentage point compared to 1988–89, due mainly to slowing economic conditions. Average consumer price inflation of 8.0 per cent was higher than the previous year, due mainly to increased mortgage interest charges and higher food costs caused by flooding, but inflation declined steadily on a quarterly basis.

The slowdown of the national economy, and its sectoral pattern, were reflected in New South Wales economic performance, with Gross State Product (GSP) increasing only slightly less than national output. The economy had to cope with one of the most devastating natural disasters in Australia's history (the Newcastle earthquake), the worst rural flooding in 30 years and an unprecedented exodus of population interstate due to the 1988–89 surge in house prices. Some of the State's export-oriented sectors (such as mining and tourism) performed well, although agriculture was hampered by worsening wool market conditions. Dwelling construction and manufacturing, on the other hand, suffered the effects of high interest rates and the general slowdown. New South Wales recorded improved average employment growth compared to 1988–89, a sharply lower unemployment rate and a narrowing of the gap between its inflation rate and the national average.

Outlook for 1990–91

While economic growth is expected to slow substantially in 1990–91, a deep recession is unlikely. But recovery will be slow since world economic growth will remain moderate and monetary policy is expected to remain relatively tight. Economic growth (GDP) is forecast to decline from 3.3 per cent in 1989–90 to 1.5 per cent in 1990–91. The main drop will be in investment, partially offset by improved exports. Employment growth will slow sharply and unemployment will increase until mid-year. On the positive side, slower growth will help reduce consumer price inflation to 7 per cent and will help achieve a modest narrowing of the Current Account deficit.

The outlook is clouded by many uncertainties, particularly the prospects for world oil prices and their impact on world economic growth as well as consumer prices and wage negotiations. More serious disruption of petroleum markets could prolong and deepen the forecast slowdown.

The New South Wales economy will reflect national economic conditions in 1990–91. Inflation should drop. The State will benefit to the same extent as the national economy from the expected improved trade performance, since its balance between traded and non-traded goods sectors is the same as for Australia as a whole. Economic growth (GSP) is expected to be equal to the national average, although there is expected to be considerable variation in the growth performance of the other States.

Queensland and Western Australia are expected to achieve above average performance due to the export orientation of their economies and above average population growth. Victoria (where business and consumer confidence have been weakened by a succession of financial institution failures), Tasmania, and South Australia are expected to record below average performance in 1990–91. The New South Wales economy also is likely to outperform most other States during the recovery phase, given its housing demand backlog and its recent progress on microeconomic reform.

2.2 1989–90 IN REVIEW

The Australian Economy

OVERVIEW

Over the previous year the world economy has been subjected to the liberalisation of Eastern Europe, a more closed Chinese economy in the wake of pro-democracy demonstrations, a significant tightening of monetary policy in most of the OECD countries (except the USA where policy was eased slightly), and a slowing in average European and ASEAN growth rates. All these factors impacted on the Australian economy, principally through the Balance of Payments Account.

Although down on the average of 4.0 per cent growth in GDP during 1988–89, Australia benefited from a relatively buoyant world economy over 1989–90. Economic growth in the OECD countries is estimated to have averaged over 3 per cent, despite rising real interest rates in many OECD countries in response to growing inflationary pressures.

In West Germany, high levels of immigration from Eastern Europe have boosted already buoyant aggregate demand, but should ease capacity constraints by adding to the skilled labour force. More generally, speculation on opportunities in the Eastern Bloc have added to investment growth (which averaged 8 per cent in the OECD over 1989) and the positive impacts from European Monetary Union have also ensured economic activity remained brisk.

Japan did better than the OECD average, with growth expected to be sustained at just under 5.0 per cent during 1989–90. This was primarily driven by strong domestic demand and skilled labour shortages, which necessitated increased investment in capital to maintain supply. Japan accounts for over 25 per cent of Australia's exports by value.

Economic growth slowed in 1989 in most of Australia's major trading partners in developing Asia (Singapore, China, Hong Kong and Korea), although it strengthened in Taiwan and Indonesia. These countries account for around 20 per cent of Australia's exports and their economic growth rates over 1989 ranged from 3.6 per cent to 9.2 per cent.

From Australia's perspective, it is strong world growth which has helped to maintain the firm commodity prices enjoyed since the mid 1980's. In 1989–90 non-rural exports, particularly metal ores and mineral fuels, grew strongly. This has more than offset the 5.9 per cent fall in rural export receipts. Exports of wool and sheepskins experienced the biggest fall, declining by 37.8 per cent to \$3.7 billion. Together with an unrealistically high floor price, the shortage of hard currency in an insular Chinese economy has slashed wool export receipts.

The strength (and volatility) in the Australian dollar as measured against the Trade Weighted Index (TWI) over the past few years has done little to improve Australia's trade balance. It has discouraged development of new export markets and made existing exports more expensive.

Fears of rising inflation in most major economies (because of strong domestic demand in 1988 and early 1989 coupled with increases in indirect taxes and higher prices for selected commodities) caused a continuation of the tightening in monetary policy over the first half of 1989–90. This action slowed economic activity in most OECD countries to more sustainable levels (other than Japan, which tightened policy later). In Japan the discount rate was pushed up from 3.25 per cent in June 1989 to 5.25 per cent in June 1990.

The exception was the United States, which reacted to slowing growth by reducing 90 day Treasury bill rates from 8.15 per cent in June 1989 to 7.72 per cent in June 1990. Policy was kept reasonably steady over the last six months of the year, however, because of mixed evidence on the extent of the slowdown.

Despite rising world interest rates, Australia managed to ease monetary policy substantially over the latter half of 1989–90 without causing a collapse in the currency. Domestic interest rates have been lowered by around 2.5 percentage points since January in response to declining levels of investment and consumption, and a modest rise in unemployment. Declining quarterly inflation rates lent further support to this decision.

The Federal Government delivered a Budget surplus of slightly over \$8 billion, involving little in the way of new policy initiatives and broadly maintaining the stance of fiscal policy.

Notwithstanding some reduction in the level of import demand late in the year and an overall increase in export revenue for 1989–90, the Current Account deficit remains at a high level. The trade deficit decreased slightly to \$3.8 billion, but was overshadowed by the soaring income deficit. This component essentially represents Australia's debt servicing costs, and increased by over 20 per cent in 1989–90 to \$15.7 billion. Even with the most optimistic scenario for industry restructuring effects in the export sector, the size of the income deficit will continue to drive the Current Account deficit for many years.

Overall, the evidence on the extent of structural reform is mixed. Preliminary evidence that the manufacturing sector was tooling up for expansion into world markets has been supported by strong growth in manufactured exports over 1989–90. This contrasts with subsequent surveys conducted by the Chamber of Manufactures, however, which revealed that most manufacturers were tooling up to meet increased domestic demand. Very few of the manufacturers surveyed indicated any intention of expanding into world markets.

Further reforms have been put in place in the finance sector, but these are relatively minor in nature. The Two Airline Agreement is scheduled to end in November 1990, but preparations for new competitors have been slow, with Compass Airlines the only definite new entrant. The privatisation debate continued within the Australian Labor Party in relation to the major Commonwealth Government Business Enterprises, with little being resolved. Indeed, structural reform within the public sector has mainly occurred at the State level (refer Chapter 7).

Labour market reforms are progressing more quickly, particularly in "greenfields" sites, where single union representation, multiskilling and wage reforms have all been implemented. Unfortunately, progress on "brownfields" sites, which employ almost all of the workforce, has been much slower. Union amalgamations are proceeding slowly, with vested interests slowing negotiations despite ACTU intervention. Although the framework for increased training and broad-banding of occupations has been put in place, actual workplace change in most industries has been very slow. Some individual companies, however, have begun to exploit enterprise agreements on brownfields sites to achieve fundamental change. The ICI petrochemical plant at Botany, for example, has achieved similar results to those achieved in greenfields projects.

Wages growth was relatively modest over 1989–90, due in significant measure to the slowdown in economic activity.

MACROECONOMIC POLICY

Monetary and Fiscal Policy

A Budget surplus of slightly over \$8 billion was achieved by the Federal Government in 1989–90. Although this is approximately \$1 billion under the original estimate, most of the shortfall was due to lower than expected revenue (particularly from taxes on superannuation), rather than unanticipated expenditures.

The Net Public Sector Borrowing Requirement (which represents the net call of the public sector on the private sector savings) has been reduced from a deficit of 3.4 per cent of GDP in 1981–82 to a surplus of 0.1 per cent of GDP in 1989–90. This transition by the public sector from a net borrower to a net lender suggests that fiscal policy remains tight by historical standards, albeit largely by way of reduced payments to the States and higher tax revenue.

Increases in the States' contributions to the net public sector borrowing requirement have partially offset the Commonwealth's fiscal stance. This was due to the sharp fall in State revenues as a result of the slowdown in economic activity and higher interest rates. In the short term, the States are moving to reduce their financing requirements for 1990–91 which will mean an overall tightening in fiscal policy.

With net payments to the States having fallen by 13.5 per cent in real terms since 1985–86, capital expenditure programs have been pared back as far as possible. In the medium term, this approach has serious implications for the ongoing development of Australia's infrastructure. This neglect is beginning to create substantial problems for industry development in many states, and must be addressed if the Federal Government's microeconomic reform programme is to achieve the desired results.

By contrast, monetary policy has been deliberately eased since the beginning of 1990. This follows a long period of progressive tightening over 1988 and 1989 in response to a growing trade deficit and rising inflation.

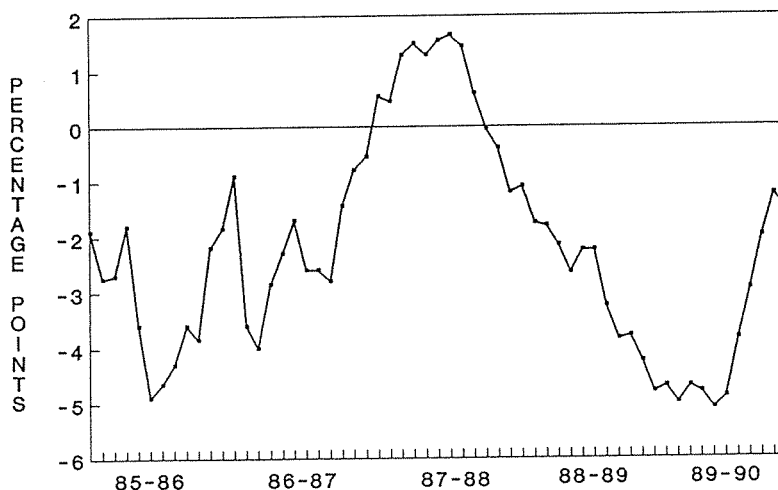
Interest rates on 90 day bank bills remained well above 17.5 per cent over the first half of 1989–90, reflecting the Commonwealth Government's determination to slow excessive domestic demand which was spilling over into imports. In January 1990, after increasingly clear evidence that the property boom had come to an end and other partial indicators showed a slowdown in economic activity, monetary policy was eased with the result that interest rates on 90 day bills fell by a little over one percentage point. In March, 90 day bill rates were allowed to fall by a further 0.5 per cent or so, followed by an incremental easing in April, which pushed them down to around 15 per cent.

The lack of response in 10 year bond rates over 1989–90 reflects the market's pessimism regarding the long term prospects of the Australian economy. Although some temporary improvements in the Current Account deficit and inflation are generally expected over the next 12 to 18 months as a result of suppressing domestic demand, the lack of progress on structural reform issues has tempered predictions of any long term reductions in these indicators.

This flattening of the yield curve (the difference between long term and short term interest rates) implies a substantial easing in domestic monetary policy over the latter half of 1989–90 (refer Figure 2.1).

Figure 2.1

YIELD CURVE
(10 Year Bonds - 90 Day Bills)



Source: Reserve Bank Bulletin

Mortgage interest rates are traditionally less sensitive to changes in liquidity than commercial rates because banks have used cross subsidies to help fund home lending. Variable mortgage rates peaked at 17 per cent in June 1989, where they remained until March 1990. They were lowered to 16.5 per cent in April in line with easing commercial rates (refer Figure 2.2).

Since reaching its peak of 25.2 per cent in October 1988, the annual growth in credit to the private sector* has slumped to 10.3 per cent in June 1990 (refer Figure 2.3). This dramatic turnaround is due to a combination of extremely tight monetary policy over a sustained period, which has reduced demand for funds, and implementation of tighter lending guidelines by major financial institutions in an effort to curb future bad debts.

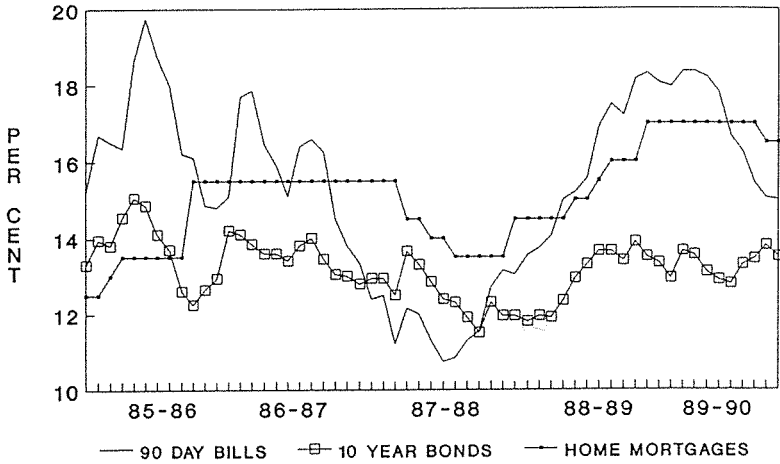
Notwithstanding the reduction in differentials between bond yields in Australia and overseas, the general easing in world commodity prices, and several comments by the Federal Treasurer regarding the need for a depreciation, the exchange rate has been remarkably stable. Although well down from the peaks experienced in early 1989, the Australian dollar finished the year slightly stronger against the Trade Weighted Index and well up against the US dollar (refer Figure 2.4). An overvalued (and historically volatile) currency has provided little incentive for potential exporters to expand overseas, or indeed for consumers to steer away from imported products.

* As measured by the Reserve Bank of Australia. Includes loans and advances made by all major financial intermediaries.

Figure 2.2

INTEREST RATES

Per Cent

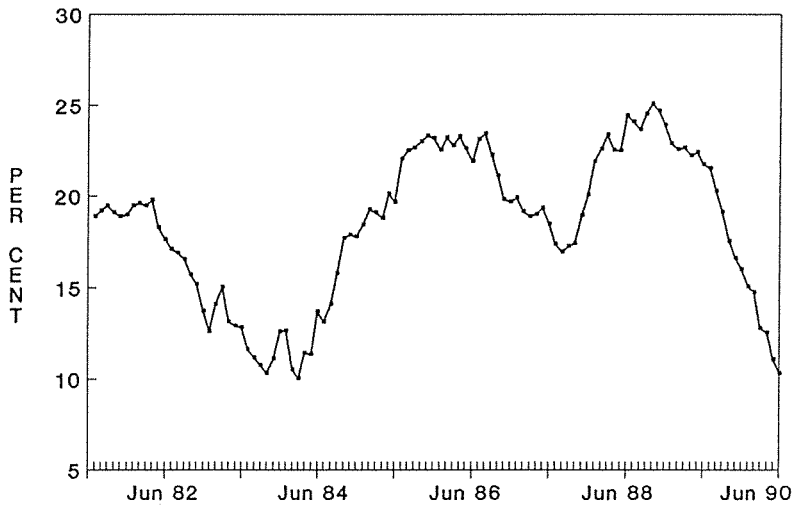


Source: Reserve Bank Bulletin

Figure 2.3

CREDIT TO THE PRIVATE SECTOR

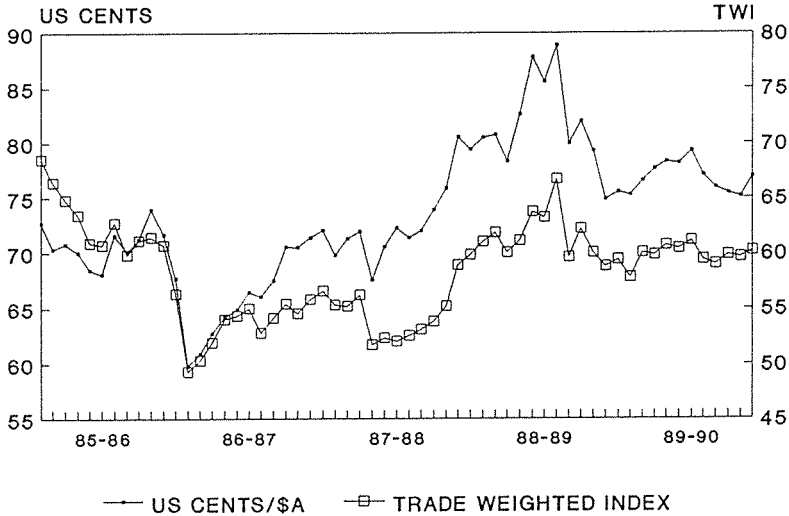
Percentage Change on a Year Earlier



Source: Reserve Bank Bulletin

Figure 2.4

AUSTRALIAN DOLLAR EXCHANGE RATES



Source: Reserve Bank Bulletin

Wages and Labour Market Policies

Real wage reductions in the mid 1980's were a major contributing factor to both employment and investment growth. Towards the end of the decade wage growth began to accelerate, however, reduced labour shortages in key trades such as metal fabrication and building construction over the course of 1989-90 helped limit the growth in Average Weekly Earnings of full time employees to 6.8 per cent over 1989-90, compared with 7.8 per cent in the previous year. Similarly, award wage increases were kept to 5.3 per cent, substantially down on the 1988-89 figure of 6.6 per cent (refer Figure 2.5).

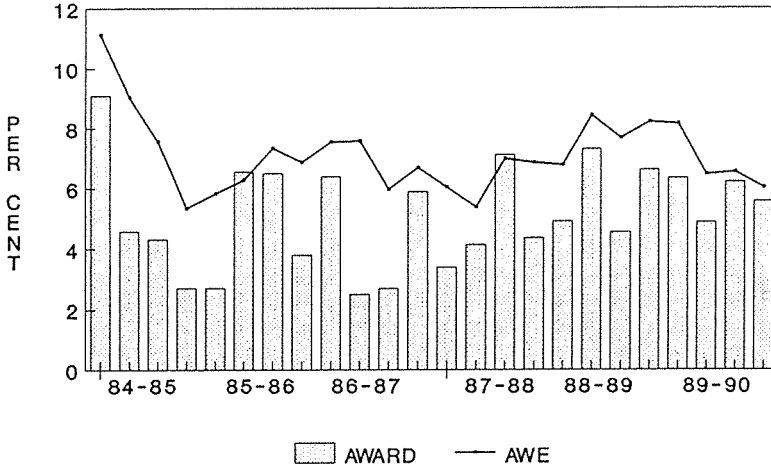
The significant narrowing in the gap between award wages and average weekly earnings over 1989-90 is due to reductions in over-award payments (and, in some instances, incorporation of over-award payments into awards) together with reduced overtime payments in the second half of the year.

Despite a National Wage increase of 6 per cent over 1989-90 (split into two 3 per cent increments separated by six months), award wage rises have been reduced below this level because of delays in ratifying individual award variations under the structural efficiency principle. These delays add to award wage increases already in the pipeline, and are likely to result in a sharp rise in award wage increases as the more rigidly timetabled agreement between the Federal Government and the ACTU comes into effect in 1990-91.

Notwithstanding these delays in wage increases, real unit labour costs rose over the first three quarters of 1989-90. This reflects increases in labour costs other than wages, such as superannuation, insurance premiums, and training expenditure (refer Figure 2.6).

Figure 2.5

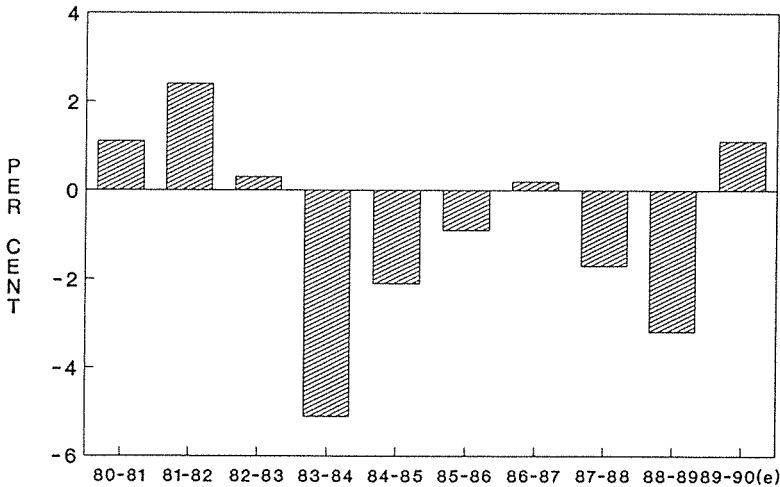
WAGES GROWTH
Percentage Change on a Year Earlier



Source: ABS Catalogue No. 6302.0

Figure 2.6

UNIT LABOUR COSTS
Percentage Change on a Year Earlier,
Average 1984-85 Prices



Source: Reserve Bank Bulletin

There are emerging examples of the effects of award restructuring, particularly in "greenfields" sites. In some of these sites, a single representative union has been selected to represent all employees, and enterprise agreements have been negotiated which place all employees on a salary, eliminating the need for overtime payments. The potential for demarcation disputes has also been reduced by broadbanding and some multiskilling. This process allows one worker to be trained in a number of related fields and to use these skills to perform a task which traditionally would involve several tradespersons.

Unfortunately, progress on "brownfields" sites has been much slower, although some companies are beginning to restructure using enterprise agreements. Progress in particular areas singled out for reform (such as the waterfront and costal shipping) remains slow. Also, moves towards union amalgamation, which began in early 1990, have so far been stifled by vested interest arguments, despite recent intervention by the ACTU to accelerate the process.

Union amalgamations are set to become a major issue during the next 12 months as the ACTU attempts to weld together single industry bargaining units in preparation for productivity bargaining rounds which are allowable under Accord Mark VI. This approach contrasts the more decentralised philosophy of enterprise bargaining supported by the New South Wales Government.

ECONOMIC ACTIVITY

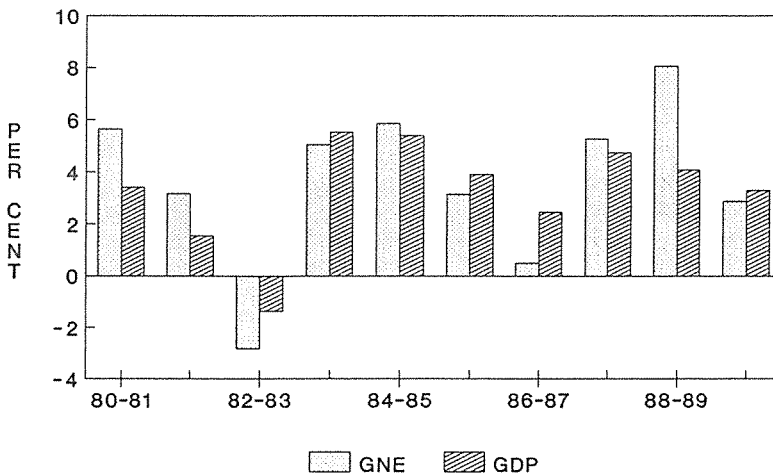
Aggregate Demand

On average, Gross Domestic Product (GDP) for 1989-90 grew by 3.3 per cent in real terms. This represents slightly weaker average growth than in 1988-89 when (after substantial revisions) GDP grew by 4.1 per cent (refer Figure 2.7).

Figure 2.7

ECONOMIC GROWTH

Percentage Change on a Year Earlier,
Average 1984-85 Prices



GDP growth slowed in the first half of 1989–90, but was unexpectedly strong in the March quarter as a result of a number of one-off effects, including exceptionally high growth in capital expenditure by the public sector. Seasonally adjusted quarterly estimates of real GDP growth slowed to 0.1 per cent in the September quarter, and actually turned negative in December, before surging by 2.1 per cent in March. GDP fell by 0.9 per cent in the final quarter of 1989–90, which was more in line with data from partial economic indicators.

The gap between Gross National Expenditure (GNE) and GDP narrowed substantially over 1989–90. After running at almost double the growth rate of GDP in 1988–89, growth in GNE slowed to 2.9 per cent in 1989–90 as the domestic economy was subdued by tight monetary policy. This reflects the shift in growth away from strongly performing domestic sectors such as building and construction, finance, property and business services, manufacturing, and transport and storage, towards more export oriented sectors such as mining, agriculture and tourism.

Consumption

After spectacular annual growth rates of 5.5 and 4.2 per cent in the September and December quarters respectively, real private consumption growth slowed to 3.4 per cent in the June quarter. The strong first half was buoyed by rapid employment growth and purchases of household fittings and appliances flowing from the residential construction boom. In the second half, the effects of tight policy settings on employment and housing slowed aggregate consumption in the six months to June, yielding an annual growth rate of 4.2 per cent.

Slowing retail sales support the view of weakening growth in aggregate consumption. Since March, trend estimates of retail sales have slowed from an annual growth rate of 7.1 per cent to just 5.0 per cent in June, well below the inflation rate. Hardest hit areas in the retail sector include department stores, footwear, domestic hardware and jewellery, while liquor stores and tobacconists actually increased their turnover.

Australians are also saving more as their rates of consumption growth decrease. Households saved 8.1 per cent of their disposable income in 1989–90, compared with 6.8 per cent in 1988–89 and 5.5 per cent in 1987–88. This is partially attributable to the Federal Government's focus on superannuation over recent years.

Investment

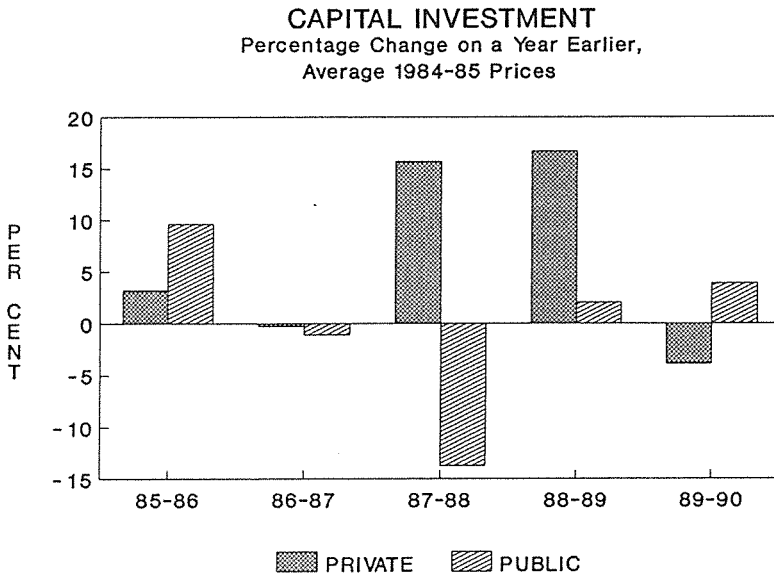
Real capital investment fell by 2.1 per cent over 1989–90, following a massive rise of 13.0 per cent in 1988–89. Both the private dwelling construction and capital equipment components fell on average during 1989–90. The lagged effects of high interest rates on the cost of capital and reduced net returns from property investment have combined with the generally weaker outlook for domestic consumption to shrink outlays in these areas.

Strong growth in capital investment by the public sector over 1989–90 of almost 4 per cent in real terms has partially offset the negative impact from the private sector (refer Figure 2.8).

The External Sector

Continuing the trend evident over 1988–89, the Balance of Payments performance worsened over most of 1989–90.

Figure 2.8



Source: ABS Catalogue No. 5206.0

Despite some recovery in the last quarter, the balance of trade weakened during 1989-90, as the strength in domestic demand spilled over into increased imports. Imports grew strongly in the first half, but this trend was reversed late in the year as the lagged impact of high interest rates began to curb importation of both consumption and capital goods.

This held the growth in imports to \$4.0 billion (8.4 per cent). Nevertheless, the import penetration ratio (percentage of total sales supplied from imports) remained between 12 and 13 per cent during 1989-90.

The growth in export receipts also slowed in the second half, but to a lesser extent than imports, causing a noticeable improvement in the trade balance late in the year. Export receipts increased by \$4.2 billion (or 9.7 per cent), which was sufficient to hold the trade deficit for 1989-90 to \$3.8 billion, slightly below the outcome for 1988-89.

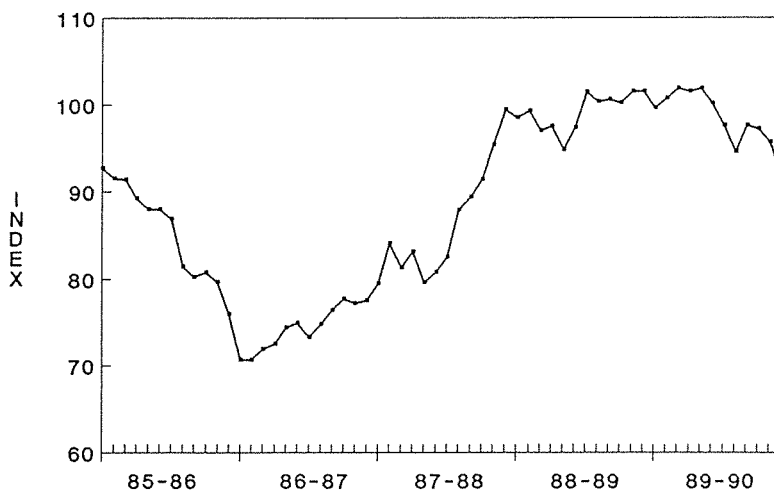
Prices for Australian commodity exports fell by 1 per cent on average over 1989-90 (refer Figure 2.9). Rural export prices fell by 3 per cent on average, with the major fall experienced in wool (-11 per cent), as buyers refused to pay a premium on the floor price as they did in 1988-89. Major beneficiaries included beef (+2.7 per cent) and crops (+0.7 per cent), although growth in the latter category was restricted by wheat, whose price fell by 0.8 per cent.

During 1989-90 prices of mineral exports rose by around 2 per cent on average, although this summary figure disguises widely varying performances. Coal, coke and briquette prices increased by 12.6 per cent according to ABARE, while prices for metalliferous ores and metal scrap increased by 13.1 per cent. The performance of metals partially offset these gains, however, with prices falling by 8.8 per cent on average.

Figure 2.9

COMMODITY PRICES

Index 1984-85 = 100



Source: Reserve Bank Bulletin

Import prices strengthened significantly over 1989-90. In the year to March 1990 (the latest data available) import prices rose by 8.4 per cent. The largest increases occurred in mineral fuels (36.3 per cent), crude materials (9.8 per cent) and manufactured goods (8.0 per cent).

This combination of flat export prices and rising import prices caused a modest deterioration in Australia's Terms of Trade Index. Between March 1989 and March 1990, Australia's trading position slipped by 6.0 per cent as measured by the Index (refer Figure 2.10), although this is expected to improve slightly in June as higher world energy prices impact on exports.

Adding to the terms of trade effect, Australia's international competitiveness continued to deteriorate over 1989-90, putting further pressure on the trade balance (refer Figure 2.11).

The largest (and most disturbing) component of the Current Account deficit is the net income deficit. This accounted for \$15.7 billion or 75.8 per cent of the total Current Account deficit in 1989-90 and essentially represents Australia's debt servicing costs. Even assuming an optimistic scenario for industry restructuring which sees Australia running a small surplus on the trade account, the size of the income deficit will continue to drive the overall deficit on the Current Account for many years. This is evidenced by the increased proportion of the Current Account deficit accounted for by the net income deficit over the last few years (refer Figure 2.12).

Employment

Employment growth in 1989-90 peaked in the September quarter, reaching an annual growth rate of 4.7 per cent. Slowing labour market activity saw quarterly growth fall to 2.5 per cent by June 1990 and average 3.8 per cent for the year, compared with 4.2 per cent average growth in 1988-89.

Figure 2.10

TERMS OF TRADE
Index 1984-85 = 100

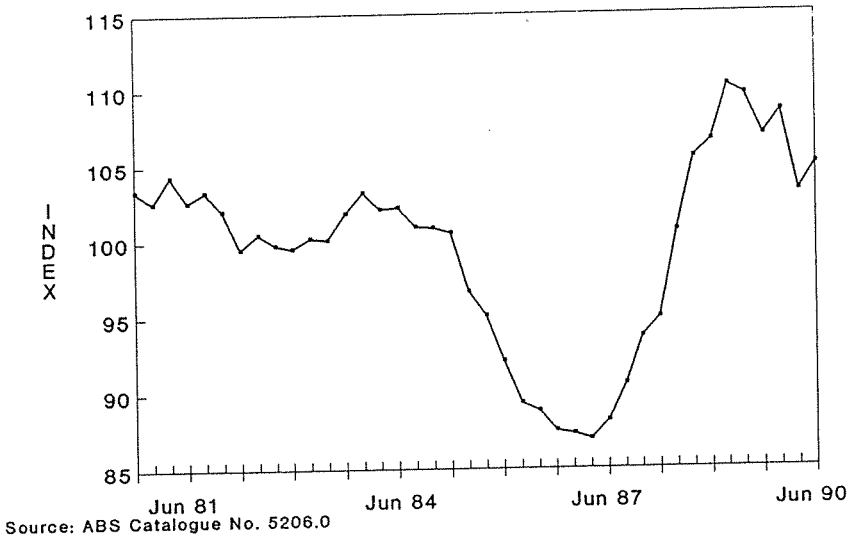
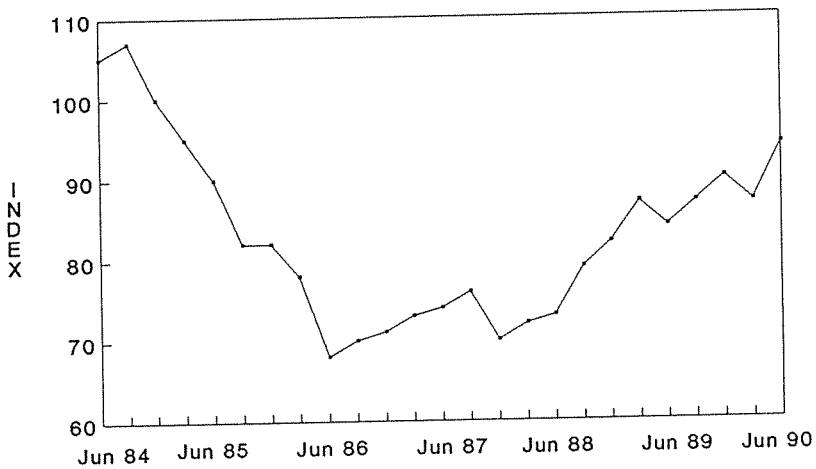


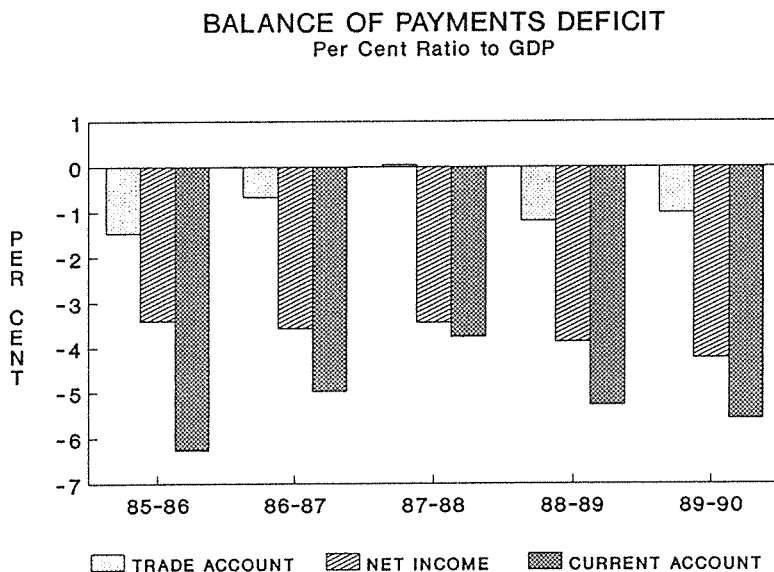
Figure 2.11

INTERNATIONAL COST COMPETITIVENESS
Labour Cost Based Index, 1984-85 = 100



Note: A rise in the index implies a deterioration in Australian competitiveness
Source: Commonwealth Treasury,
Budget Paper No. 2

Figure 2.12



Source: ABS Catalogue No. 5302

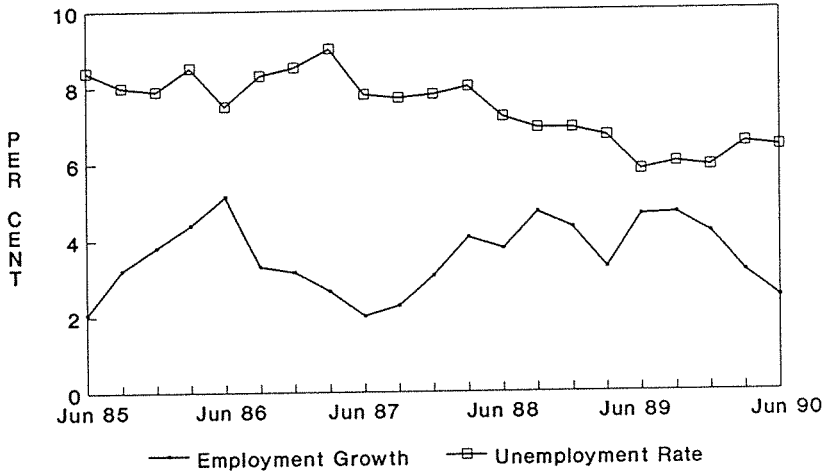
The rate of unemployment averaged 6.2 per cent to record its third consecutive annual fall. However, this downward trend unwound early in the year and tightening labour market conditions forced an increase in the unemployment rate over the second half (refer Figure 2.13).

Participation rates were historically high throughout the year, averaging 63.5 per cent, compared with 62.6 per cent in the previous year. Strong growth in part time employment boosted the aggregate, as no distinction is made between full-time and part-time employment in calculating these figures. Growth was particularly strong in the female labour force, which achieved an average annual participation rate of 51.8 per cent. It is likely that these record participation rates were principally a result of people taking advantage of the increased availability of part-time work.

Several years of strong growth in private sector employment (which averaged 4.4 per cent per annum since 1985) were halted by a March quarter decline of 1.4 per cent (seasonally adjusted). March quarter data (the latest available which separates public and private sector employment) shows Commonwealth and State Government employment growth of 1.6 and 0.8 per cent respectively. However, this failed to fully compensate for the loss of jobs in the private sector.

Figure 2.13

EMPLOYMENT GROWTH AND UNEMPLOYMENT RATE Per Cent



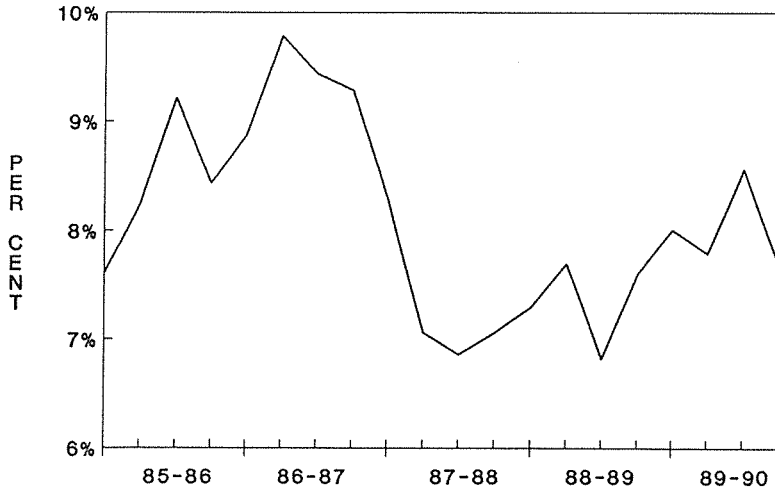
Source: ABS Catalogue No. 6203.0

Inflation

Australia's annual average inflation rate (as measured by the Consumer Price Index) for 1989-90 was 8.0 per cent, compared with 7.3 per cent for the previous year. Inflationary pressures over the year stemmed from rising housing prices and mortgage interest rates, severe flooding in several States which caused prices of fruit and vegetables to soar and an end to selective discounting by petrol wholesalers, which forced up the retail price of petrol significantly.

The annual average outcome masks substantial variations over the course of the year. Inflation rose strongly in the September quarter and, after pausing at 7.8 per cent in December, peaked in March at 8.6 per cent. In large part, the amount of movement in the annual inflation rate in the March quarter 1990 reflected the changes to the methodology of calculating mortgage interest costs introduced in the March quarter of 1989. Quarterly increases in the CPI continued to trend down during this period. Reflecting these quarterly movements, the CPI slowed to an annual rate of 7.7 per cent in June, signalling reduced domestic demand pressures (refer Figure 2.14). This downward trend is likely to be stifled in the first quarter of the current year, however, by price shocks emanating from higher world oil prices and recent flooding.

Figure 2.14

CONSUMER PRICE INFLATION
Percentage Change on a Year Earlier

Source: ABS Catalogue 6401.0

The New South Wales Economy

OVERVIEW

The deterioration of the national economy over 1989–90, and the unevenness of the slowdown, were duplicated in the New South Wales economy. This is not surprising given that New South Wales is the largest economy, contributing roughly 35 per cent of Australia's Gross Domestic Product.

Some export oriented industries, such as mining and tourism, performed well in 1989–90, though the tourism sector was hindered by the impact of the pilots' dispute in the first half of the financial year and the generally subdued level of domestic tourism. The agricultural sector, which is largely export oriented, performed poorly overall in 1989–90 because of a subdued market for wool.

In general, sectors which were highly sensitive to interest rate changes, such as housing, were the first to feel the effects of the monetary slowdown. However, high underlying demand for housing and continued employment growth kept housing activity at relatively high levels. Retail activity also remained quite strong.

Manufacturing, the largest sector in New South Wales, suffered the effects of high interest rates and the general slowdown. Accordingly, industries which support this sector also performed relatively poorly in 1989–90.

ECONOMIC ACTIVITY AND INFLATION

New South Wales' economic growth moderated over 1989–90. Treasury's estimate of real Gross State Product (GSP) growth of 3.0 per cent over 1989–90 puts New South Wales slightly below the growth rate for Australia as a whole (refer Table 2.1). Evidence to date suggests that major contributions to growth in 1989–90 came from private consumption and net exports. Capital investment (especially in the building industry) was substantially lower than for 1988–89.

Real private consumption grew strongly in the first half of 1989–90, buoyed by purchases of household fittings and appliances, following the residential property boom in New South Wales during 1988–89. In the second half of the year, private consumption slowed considerably.

While government consumption grew strongly at the National level, New South Wales Government recurrent payments contracted by 2.0 per cent in real terms in 1989–90.

Net exports grew moderately during 1989–90. Exports of coal, wheat and beef from New South Wales experienced growth during the year. Exports of wool were substantially lower in 1989–90 than in 1988–89. Imports grew moderately in the first half of the year, but high interest rates reduced imports later in the year.

Tight monetary policy during the year substantially reduced the growth of investment. In nominal terms, private new capital expenditure in New South Wales was 9.2 per cent higher in the year to March 1990, than in the corresponding period of 1989. In 1988–89, private new capital expenditure had been 49.4 per cent higher than in 1987–88. New South Wales recorded the second highest rate of growth of private new capital expenditure in the year to March 1990, being out performed only by Queensland. Total building investment in New South Wales fell by roughly 5 per cent in nominal terms during the year.

Growth of government investment partially offset the fall in private investment. During 1989–90, the Capital Program of the New South Wales Government amounted to \$5012 million, 14.3 per cent higher, in nominal terms, than for the preceding year.

Table 2.1: Real GSP and Real GDP, at 1984–85 Market Prices

	NEW SOUTH WALES		AUSTRALIA	
	Real GSP \$m	Annual Percentage Change	Real GDP \$m	Annual Percentage Change
1980–81	67,663	+ 2.2	192,462	+ 3.4
1981–82	69,887	+ 3.3	195,446	+ 1.6
1982–83	67,450	(-)3.5	192,799	(-)1.4
1983–84	70,559	+ 4.6	203,475	+ 5.5
1984–85	73,044	+ 3.5	214,470	+ 5.4
1985–86	76,417	+ 4.6	222,859	+ 3.9
1986–87	79,665	+ 4.3	228,340	+ 2.5
1987–88	84,002	+ 5.4	239,198	+ 4.8
1988–89	88,022	+ 4.8	248,998	+ 4.1
1989–90(E)	90,633	+ 3.0	257,227	+ 3.3

(E) New South Wales Treasury estimate

Source: ABS "Australian National Accounts, State Accounts", Catalogue No. 5220.0, 5206.0

Inflation rose only marginally in New South Wales over 1989–90. Sydney's CPI was 8.2 per cent for 1989–90 as a whole, compared with 8.1 per cent for 1988–90. Australia-wide the CPI increased more substantially, from 7.3 per cent in 1988–90 to 8.0 per cent in 1989–90. In New South Wales, the largest increases were recorded by the housing component of the Index (up by 14.0 per cent) and the transportation component (up by 10.3 per cent) (refer Figure 2.15).

DEMOGRAPHIC TRENDS AND THE LABOUR MARKET

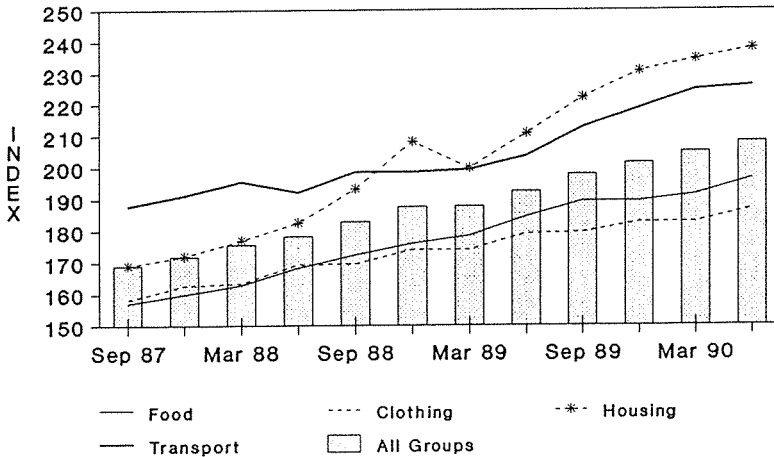
New South Wales' population growth rate decelerated in 1989–90, in line with the national trend. The New South Wales Treasury estimates that the total resident population of New South Wales grew by 1.1 per cent in 1989–90, compared with a growth rate of 1.6 per cent for Australia as a whole. In 1988–89, the population growth rates were 1.2 and 1.8 per cent, respectively. The divergence between the growth rates for New South Wales and Australia reflects strong interstate migration from New South Wales to other states (most commonly Queensland) due to the higher cost of property in Sydney than in other capital cities. The rate of interstate migration slowed in the latter half of the year, reflecting the slowdown of the New South Wales property market and the narrowing price gap between New South Wales and Queensland.

In the face of the general decline of the economy and slowing population growth, the labour market remained quite strong over the year. In 1989–90, employment growth and participation rates were higher, and unemployment rates were lower, than in 1988–89. However, in the latter half of 1989–90 demand for labour started to fall off, though less so in New South Wales than in other States.

Figure 2.15

COMPONENTS OF THE SYDNEY CPI

Indices, 1980-81=100



Source: ABS Catalogue No. 6401.0

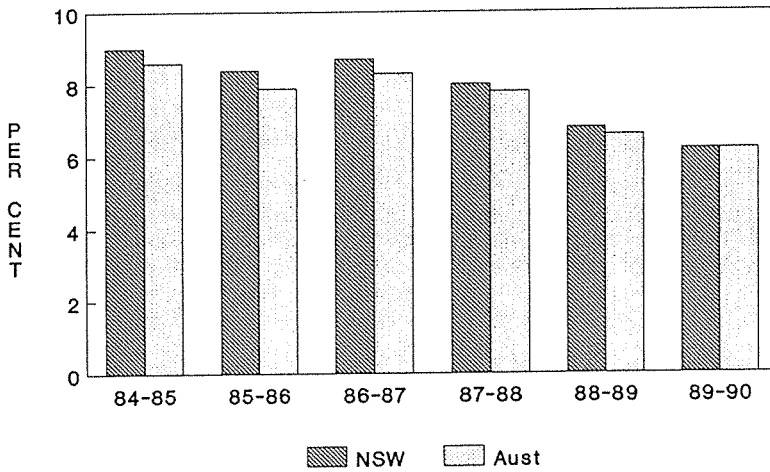
On average, employment grew by 2.9 per cent over 1989-90 in New South Wales, well below the national rate of 3.8 per cent. These growth rates are only marginally lower than for 1988-89, when employment grew, on average, by 3.0 per cent in New South Wales and 4.0 per cent in Australia. The divergence between the employment growth rates for New South Wales and Australia partly reflects the State's lower rate of population growth. Most of the growth of employment in New South Wales during 1989-90 occurred in part-time and female employment. Part-time employment increased by an average 8.9 per cent, well above the figure for total employment growth. The strongest increases in part-time employment occurred in the service sector, particularly community services and recreational and personal services. Female employment rose by 3.4 per cent.

Labour Force participation rates (the percentage of the population aged 15 years and over in/or seeking employment) rose to record levels over the year. The participation rate averaged 61.8 per cent during 1989-90, compared with 61.2 per cent during 1988-89. Despite the large increase in job seekers reflected by these figures, New South Wales was able to record a reduction in the rate of unemployment over the year. The unemployment rate fell by 0.6 percentage points to 6.2 per cent over 1989-90, equal to the rate for Australia as a whole (refer Figure 2.16).

Industrial disputation continued to decline in 1989-90. New South Wales lost 543,500 working days to industrial disputes in the 12 months to May 1990, compared with 752,000 days during 1988-89 and 904,000 days during 1987-88 (refer Figure 2.17). Forty-three per cent of Australian disputes occurred in New South Wales during the twelve months to May 1990 (45.5 per cent of disputes in 1988-89 occurred in New South Wales).

Figure 2.16

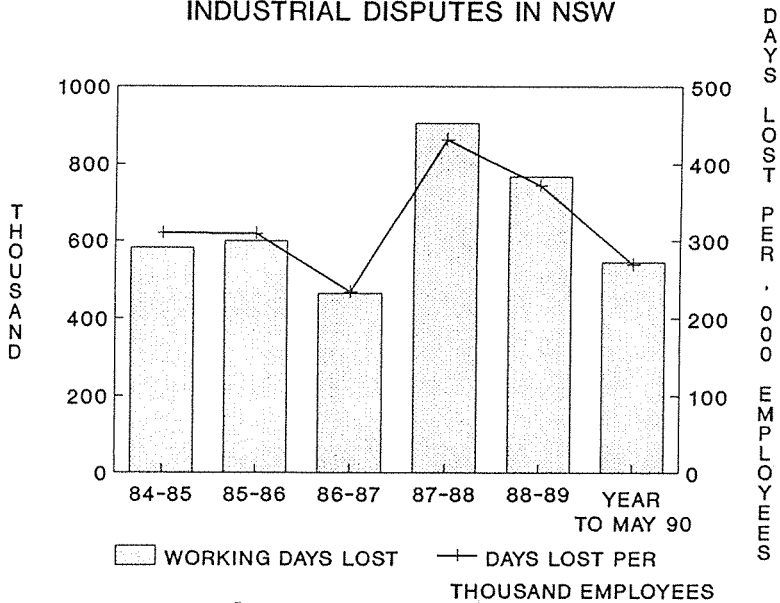
UNEMPLOYMENT RATES
Percentage of the Labour Force



Source: ABS Catalogue No. 6202.0

Figure 2.17

INDUSTRIAL DISPUTES IN NSW



Source: ABS Catalogue No. 6321.0

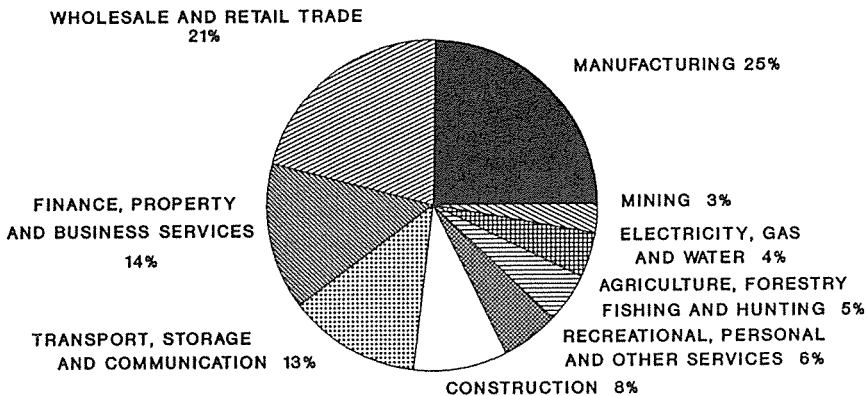
New South Wales has tended to have a higher level of disputation than other States because of the concentration of coal mining in the State. However, in the past two years, disputation within the coal industry declined substantially following restructuring of the industry and the closure of some mines. In the year to May 1990, there were 114,500 days lost to industrial disputes by the coal mining industry in New South Wales (or 21.1 per cent of total disputes). In the year to May 1989 there were 245,500 days lost to industrial disputes by coal mining (or 32.0 per cent) and 261,500 (or 39.9 per cent) in the year to May 1988 (Australian Bureau of Statistics, unpublished).

MAJOR SECTORS OF THE NEW SOUTH WALES ECONOMY

Figure 2.18 provides a breakup of the New South Wales economy based on the contribution various industry sectors made to Gross State Product (GSP) in 1988–89. The major industry sectors identified here will be discussed, in the context of the performance of the State in 1989–90.

Figure 2.18

NSW GSP AT FACTOR COST BY INDUSTRY (a) 1988-89



Source: ABS Catalogue No. 5220.0

(a) Excludes Public Admin, General Government and Ownership of Dwellings

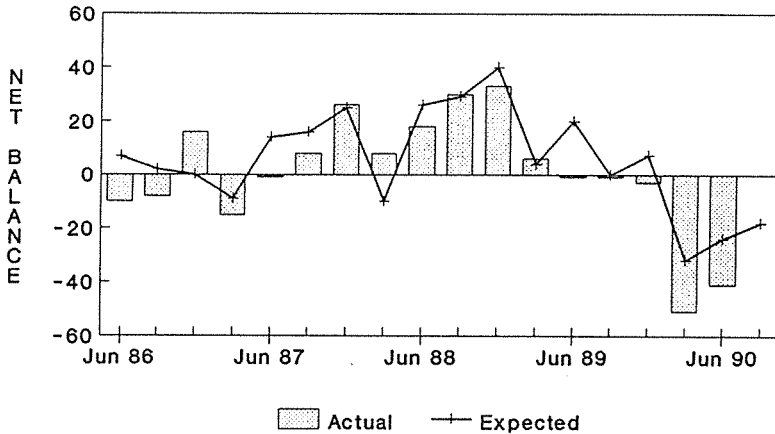
Manufacturing

Manufacturing, the largest component of State GSP, was severely affected by the domestic downturn in 1989–90. The State Bank and the Australian Chamber of Manufactures' quarterly surveys of manufacturing indicated that the performance of the sector deteriorated markedly over the year (refer Figure 2.19).

The sub-sectors of the manufacturing industry which consistently reported the worst business conditions in the Survey were clothing and footwear, which have been in the process of adjusting to tariff reductions, and metal fabrication industries. Australia's competitiveness in these industries has been declining for a number of years and these sectors are expected to continue to contract.

Figure 2.19

GENERAL MANUFACTURING CONDITIONS IN NSW Net Balance (a)



(a) Derived by subtracting the number of manufacturers who expect conditions to worsen from those who expect them to improve

Source: Survey of Manufacturing Conditions, State Bank and ACM

The Australian Bureau of Statistics' Survey of Employed Wage and Salary Earners (which excludes self employed persons) reveals that employment in the manufacturing industry in New South Wales declined by an average 1.4 per cent in the year to March 1990, compared with the year to March 1989.

In contrast to the general performance of the manufacturing industry, capital expenditure grew quite strongly in 1989–90. Australian Bureau of Statistics figures reveal that in the year to March 1990, private new capital expenditure by the manufacturing industry was 15.9 per cent higher than for the financial year 1988–89. The Australian Chamber of Manufactures suggests that the majority of this capital investment was aimed at replacing or updating existing equipment, rather than expanding capacity, though any equipment upgrade is likely to have a beneficial impact on capacity.

Wholesale and Retail Trade

In 1989–90, New South Wales recorded slight real growth in retail turnover, out-performing all other States. Retail turnover in New South Wales grew by 10.5 per cent in nominal terms compared with 1988–89. Australia-wide, the growth rate was 8.4 per cent.

Although ABS figures indicated that the sector performed relatively well in 1989–90, retailers tended to dispute the figures, indicating that traditional high peak trading days (such as public holidays) were more subdued than usual.

The ABS Survey of Employed Wage and Salary Earners indicates that the number of persons employed by wholesale and retail trade firms in New South Wales fell by an average 0.2 per cent in the year to March 1990, compared with the year to March 1989.

Finance, Property and Business Services

The performance of the Finance, Property and Business Services sector in 1989–90 was patchy. Overall, the business services and property sectors performed well, relative to the finance sector.

Many financial institutions recorded falls in profitability during 1989–90, some institutions were exposed to major credit losses and the credit ratings of some institutions were downgraded. The finance industry as a whole was affected by major corporate collapses. Partly in response to these losses, corporate lending was tightened during the year. Overall, the large Australian banks performed well relative to other institutions. Activity in the stock market remained depressed in 1989–90 and has not fully recovered from the stock market collapse of October 1987. The performance of the finance industry during 1989–90 partly reflected the general economic slowdown but also reflected the longer term rationalisation of the industry which has been emerging since financial sector deregulation.

The number of wage and salary earners employed in the Finance, Property and Business Services sector in New South Wales grew by 6.5 per cent in the year to March 1990, substantially down on growth in the preceding year, but much stronger than for other industry sectors.

Transport, Storage and Communication

Activity in the Transport, Storage and Communication sector was sluggish, reflecting the slowdown in the economy as a whole as well as industrial disruption throughout the year.

Road freight volumes were down in 1989–90, reflecting both the economic slowdown and truck blockades, which were related to changes to speed limits for heavy vehicles in New South Wales. Domestic air freight was affected by the pilots' dispute. Rail freight increased by 5.6 per cent during 1989–90, partly due to decreased rates for bulk freight and partly due to the disputes affecting road and air transport.

International and domestic flights were down in the first half of the year because of the pilots' dispute. A recovery in passenger numbers was evident in the latter half of the year.

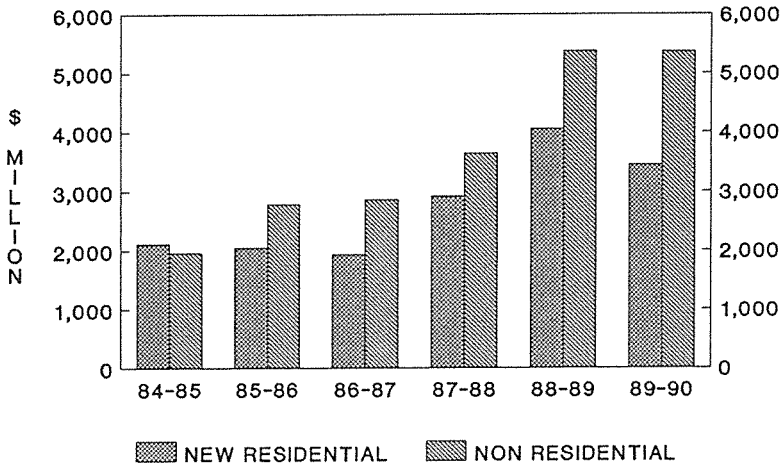
Construction

After expanding strongly in 1988–89 on the strength of the housing boom, the Construction sector returned to a more normal level in 1989–90.

In 1989–90 the total value of building approved in New South Wales amounted to \$9684.6 million, a fall of 6.2 per cent on 1988–89. The reduction in the total value of building approvals was mainly due to a fall in the value of residential building approvals of 15.2 per cent. The value of non-residential building approved was virtually unchanged, at only 0.3 per cent below the 1988–89 result (refer Figure 2.20).

Figure 2.20

**VALUE OF BUILDING APPROVALS
NEW SOUTH WALES**



Source: ABS Catalogue No. 8731.1

Dwelling commencements are estimated to have been 20 per cent lower in 1989-90, than they were in 1988-89. As at the December quarter 1989, they were 22.5 per cent lower than for a year earlier. However, although residential approvals were below 1988-89 levels, they were still high in relation to the years preceeding 1988-89. The Housing Industry Association (HIA) suggests that the resilience of the residential building industry, despite the high interest rate conditions, was due to buyer acceptance of fixed interest rate lending arrangements, high levels of immigration and the availability of housing assistance for first home buyers (through Home Fund, administered by the Department of Housing, and the First Home Purchase Stamp Duty Deferred Payments Scheme, administered by the Treasury).

The value of non-residential building approvals fell marginally in 1989-90, however, the growth of construction of various types of buildings varied considerably. The value of shop building approvals increased by 10.5 per cent and the value of approvals for other business premises increased by 33.0 per cent. Approvals for health and educational facilities also grew strongly (up by 104.4 per cent and 30.5 per cent, respectively) reflecting increased government expenditure in these areas. The areas which recorded the steepest declines were offices, where approvals were down by 19.6 per cent, and factories, down by 12.6 per cent.

The engineering construction sector in 1989-90 was just under a third of the size of the non-residential building sector. The Australian Federation of Construction Contractors (AFCC) estimates that the value of engineering construction in New South Wales rose by 13.3 per cent, in real terms, in 1989-90.

The ABS Survey of Wage and Salary Earners suggests that employment in the construction industry increased by 4.9 per cent in the year to March 1990. The HIA suggests that shortages of skilled labour in the residential sector, which were experienced in 1988-89, eased substantially in 1989-90.

Recreation, Personal and Other Services

The tourism industry, centred on hotels, experienced a very mixed performance in 1989–90. Growth in domestic tourism was relatively flat, reflecting general economic conditions and the air pilots' dispute. The international tourist market (overwhelmingly centred around Sydney) was affected by the pilots' dispute in the first two quarters of 1989–90, but recovered strongly in the March quarter, especially tourism from Japan and other Asian countries.

Despite the effects of the pilots' dispute and subdued domestic conditions, the Survey of Employed Wage and Salary Earners reveals that employment in the Recreational, Personal and Other Services sector increased by 10.2 per cent in the year to March 1990, the strongest increase for any sector.

Agriculture, Forestry, Fishing and Hunting

The Agriculture sector in New South Wales is dominated by three products – wool, wheat and beef. In 1988–89, these three products accounted for 56.3 per cent of the value of agricultural commodities produced in New South Wales (with wool accounting for 31.2 per cent, wheat accounting for 12.6 per cent and beef 12.5 per cent).

Australian Bureau of Agriculture and Resource Economics (ABARE) data indicate that the Agriculture sector performed poorly overall in 1989–90, mainly due to the depressed market for wool, which was only partly offset by a better market for wheat and beef. Although production of wool was up by 12.9 per cent, wool sales were very depressed, reflecting low world demand associated with the high price of wool relative to the price of other fibres and the withdrawal of China from the market. In the last few months of the financial year, there were virtually no sales of wool, mainly due to speculation that the floor price would be lowered. Australian Wool Corporation stockpiles reached record levels in 1989–90 and by the end of May they stood at 2.75 million bales. At the end of May 1990, the Federal Government reduced the floor price for wool from 870c/kg to 700c/kg.

Returns on wheat and beef increased slightly in 1989–90. The price of Australian Standard Wheat rose over 1989–90, as did wheat production in New South Wales. The value of wheat exports rose by roughly 10 per cent on the 1988–89 result. The market for beef also improved in 1989–90. ABARE estimates that the saleyard price of beef increased by 3.8 per cent in 1989–90 over the 1988–89 price. Production of beef was up by 11 per cent on 1988–89.

Forestry recorded a mixed performance in 1989–90. Production increased slightly in 1989–90, as did the value of forest products exported, however, domestic consumption was lower than in 1988–89, mainly because of the downturn of the building industry.

Electricity, Gas and Water

The Electricity Commission estimates that sales of electricity increased by 4.1 per cent in 1989–90. Employment in the Commission is estimated to have been 8.5 per cent lower than in 1988–89, following the restructuring of the enterprise. Accordingly, productivity (as measured by sales of electricity per employee) is estimated to have increased by 13.9 per cent in 1989–90.

The Water Board estimates that output (in terms of megalitres of water supplied) increased by 4.7 per cent in 1989–90. The number of new housing lots served in New South Wales decreased by 17 per cent in 1989–90, reflecting the decrease in residential building over the year. Other activities by the Board increased, including service connections and capital works. Employment is estimated to have increased by 2.9 per cent and productivity (in terms of megalitres supplied per employee) is estimated to have increased by 1.8 per cent in 1989–90.

Mining

Coal is the major mineral product mined in New South Wales. In 1988–89, 46 per cent of Australian saleable coal was mined in New South Wales (ABARE).

In the eleven months to June 1990, the production of saleable coal in New South Wales amounted to 71 million tonnes, roughly 15 per cent more than for the same period of 1988–89. The volume of coal exported from New South Wales was 39 million tonnes, almost 9 per cent higher than for 1988–89 (Joint Coal Board).

The Financial Survey of the New South Wales coal industry for the six months to December 1989, undertaken by Coopers and Lybrand, confirmed the improvement in the industry. The December 1989 survey revealed that in the six months to December 1989, net profit of the industry totalled \$76 million compared with a net profit of \$73 million for the full 1988–89 financial year.

The major reason for the higher coal production and increased profitability in 1989–90 was a more attractive contract price for coal to Japan. However, industry restructuring and associated higher labour productivity also contributed to the increase. During 1989–90, labour productivity in New South Wales (as measured by raw coal output per manshift) rose by 7 per cent in the year to March 1989–90, compared with the financial year 1988–89 (Joint Coal Board). This increase partly reflects the reduction of coal industry disputes, which was discussed earlier.

INTERSTATE COMPARISONS

The Table below summarises the performance of New South Wales compared with the other States and Australia for selected indicators. The State performed well in most areas of aggregate demand, but lagged the other States in a number of the labour market indicators. New South Wales also tended to have above average increases in prices and wages.

Table 2.2: ANNUAL GROWTH OF SELECTED INDICATORS
(percentage change on a year earlier, unless otherwise stated)

	PERIOD	NSW	Vic	Qld	SA	WA	Tas	Aust
AGGREGATE DEMAND								
Retail Turnover	1989-90	10.5	5.2	9.3	5.7	9.6	8.9	8.4
Motor Vehicle Registrations	1989-90	8.5	19.7	6.9	11.0	(-3.1)	7.9	10.0
Value of Residential Building Approvals	1989-90	(-15.2)	(-19.2)	(-17.9)	6.1	(-30.6)	0.3	(-17.1)
Value of Non-Residential Building Approvals	1989-90	(-10.3)	(-10.7)	(-7.9)	2.1	4.0	(-34.4)	(-2.8)
Value of Engineering Construction Commenced by Private Sector	Year to March 1990	52.0	33.9	81.9	8.6	(-27.6)	(-4.1)	29.1
Private New Capital Expenditure	Year to March 1990	9.2	5.5	16.7	7.4	8.7	(-10.4)	8.4
LABOUR MARKET								
Employed Persons	1989-90	2.9	4.2	5.7	2.6	3.2	5.2	3.8
Unemployment Rate (Annual Average)	1989-90	6.2	4.9	7.2	7.1	6.7	8.7	6.2
Working Days Lost to Industrial Disputes	Year to May 1990	(-29.2)	11.6	(-59.5)	14.2	(-48.7)	(-42.2)	(-24.5)
Job Vacancies	1989-90	(-16.7)	(-21.7)	(-5.3)	30.8	(-26.0)	12.8	(-14.1)
Average Weekly Overtime Hours Per Employee	1989-90	(-10.9)	7.0	(-5.8)	13.8	1.6	4.5	2.1
PRICES AND WAGES								
Consumer Price Index	1989-90	8.2	8.4	7.5	7.1	8.4	7.0	8.0
Average Weekly Earnings, All Employees	Year to February 1990	7.9	7.9	4.5	7.4	4.4	6.5	6.9

Sources: ABS Catalogue Numbers: 9301.0, 8501.0, 8731.0, 6202.0, 6321.0, 8762.0, 5646.0, 6401.0, 6302.0, 6354.0.

2.3 ECONOMIC PROSPECTS

The Australian Economy

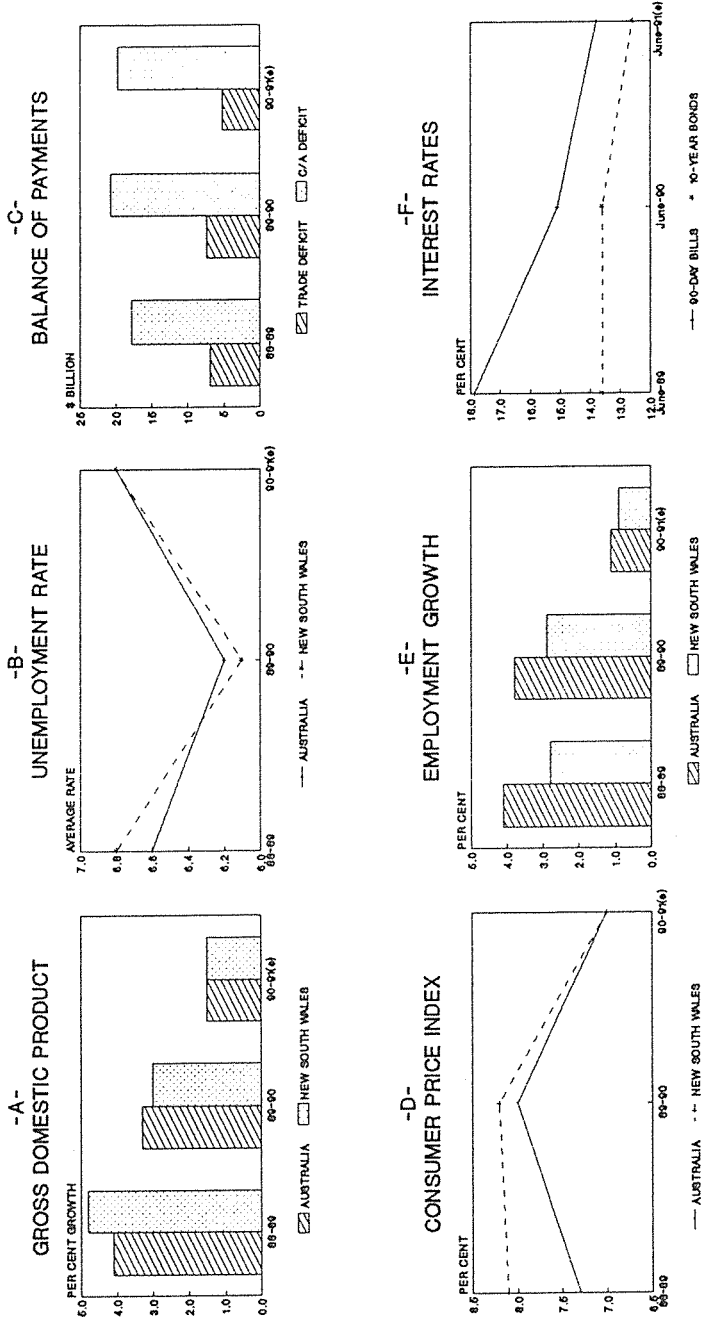
While economic growth is expected to slow substantially in 1990–91, a deep recession as occurred in 1982–83 is unlikely. Nevertheless only a slow recovery can be expected as world economic performance is unlikely to accelerate sharply and domestic monetary conditions can be expected to remain relatively tight in order to reduce inflation and the Balance of Payments deficit. Economic growth is forecast to decline from 3.3 per cent in 1989–90 to 1.5 per cent in 1990–91. Reduced investment will account for most of this decline, while increased exports will help cushion the fall. Employment growth will slow sharply without actually turning negative, and unemployment will increase. Slower growth is expected to reduce consumer price inflation from 8 per cent last year to 7 per cent in 1990–91 notwithstanding higher petroleum prices. Slower domestic demand and improved exports also will produce a modest narrowing of the Current Account deficit.

These developments are summarised in Table 2.3 and Figure 2.21.

Table 2.3: Forecast Summary – 1988–89 to 1990–91

Indicator	1988–89 Actual	1989–90 Actual	1990–91 Forecast
Economic Growth (% p.a.)			
– Expenditure (GNE)	8.1	2.9	0.3
– Production (GDP)	4.1	3.3	1.5
– NSW Gross State Product (GSP)	4.8	3.0	1.5
Balance of Payments (\$ B)			
– Trade deficit (G & S)	6.9	7.4	5.2
– Current Account deficit	17.8	20.7	19.8
Labour Market			
– Employment growth (% p.a.)	4.1	3.8	1.1
– NSW employment growth	2.8	2.9	0.9
– Unemployment rate (average)	6.6	6.2	6.8
– NSW unemployment rate	6.8	6.1	6.8
Wages & Prices (% p.a.)			
– Average Weekly Earnings (Survey)	7.8	7.0	6.9
– Award Wages	6.6	5.3	6.4
– Consumer Price Index (CPI)	7.3	8.0	7.0
– Sydney CPI	8.1	8.2	7.0
Financial Markets (June Quarter)			
– 90 day bill rate	17.9	15.1	13.8
– 10 year bond rate	13.6	13.6	12.6
– US\$/A\$ exchange rate	77	77	73

Figure 2.21
ECONOMIC SITUATION AND PROSPECTS



INTERNATIONAL CONDITIONS

The relative moderation in the domestic downturn will be assisted by the firm overseas conditions forecast by the OECD (Organisation for Economic Cooperation and Development) and the IMF (International Monetary Fund). World growth may ease in 1990, according to the IMF, but activity will recover in 1991. The OECD expects growth will be buoyed by expansion in Europe, which will partly offset slowdowns in Japan and the United States. Australia's export prices are expected to remain firm. On the down side, world inflation will accelerate slightly, and interest rates are expected to edge upward.

Table 2.4: OECD Secretariat Forecasts – June 1990

	<u>1989</u>	<u>1990</u>	<u>1991</u>
OECD output growth (% p.a.)	3.6	2.9	2.9
OECD inflation (% p.a.)	4.3	4.4	4.4
Interest Rates(a)(%)	6.9	8.0	8.2

(a) Average short term interest rate of Germany, Japan and USA

It should be borne in mind that the IMF and OECD projections were made before the Persian Gulf crisis. The impact of the Middle-East conflict can be expected to add upward pressure to inflation in the industrialised countries, but is unlikely to have a major impact on economic growth rates in the short term.

CONSUMPTION

Consumption growth picked up in 1989–90, driven by strong employment creation, reduced taxes and higher government outlays. Private consumption growth increased from 3.9 per cent (1988–89) to 4.2 per cent (1989–90), while government consumption growth accelerated from 1.3 per cent (1988–89) to 2.2 per cent (1989–90).

During 1990–91 private consumption will be restrained by slowing employment growth and more moderate wage rises. Disposable household income will receive only a marginal boost from tax reductions in January designed to offset bracket creep. Private consumption therefore will grow 2.9 per cent or 1.3 percentage points slower than in 1989–90. At the same time, budgetary pressures will keep the growth rate for government consumption at 2.1 per cent per annum.

INVESTMENT

Investment growth decelerated during 1989–90, with absolute falls in dwelling construction, plant and equipment, and real estate transfer expenses. Taking into account Construction Forecasting Committee (CFC) and Indicative Planning Council (IPC) estimates, this decline is forecast to deepen in 1990–91.

Despite marginally higher new housing starts, dwelling construction turnover is forecast to drop 10 per cent. Non-dwelling construction is expected to fall 3 per cent in 1991 and even more in subsequent years. Plant and equipment investment is forecast to decline 8.5 per cent. Nationally, public sector investment is expected to be virtually flat, with cuts by general government due to reduced State resources, and subdued public enterprise outlays after their 4.5 per cent rise in 1989–90.

On the basis of these forecasts, total fixed capital investment will fall 5.5 per cent. Inventory reductions, simply to keep balance between stocks and slowing final demand (and with no change in wool stockpiles), will further reduce GDP growth in 1990-91.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Net trade is projected to contribute significantly to GDP growth in 1990-91.

Exports are forecast to increase 8.6 per cent, continuing the trend in 1989-90 and assisted by a recovery in wool shipments. Imports are expected to fall by 1.2 per cent this year in response to slower demand and to changes in relative prices. The \$2.2 billion forecast reduction in the trade deficit reflects these higher export and lower import volumes, and only a small decline in the terms of trade.

The Current Account deficit for 1989-90 amounted to \$20.7 billion, with a \$0.5 billion increase in the trade (goods and services) deficit and a \$2.7 billion rise in net income debits. In 1990-91, the forecast improvement in trade performance will cut the Current Account deficit by about \$0.9 billion. Despite an expected \$18 billion increase in debt outstanding, the net income deficit will fall by \$0.3 billion, due to lower Australian interest rates and reduced yields on Australian equity.

EMPLOYMENT

Employment growth remained exceptionally strong for a second year in 1989-90, running more than two per cent faster than growth in population, and reducing Australia's unemployment rate (temporarily) to below 6 per cent. But employment growth slowed steadily in parallel with economic activity, and this will continue in 1990-91.

Slow economic activity will cut employment growth to about 1.1 per cent in 1990-91. While labour force growth also will fall, due to a slower increase in working age population and "discouraged worker" effects on labour force participation, the unemployment rate will increase to an average of 6.8 per cent.

WAGES

Wage growth moderated appreciably in 1989-90, with an easing in award rates, and a drop from 7.8 to 6.8 per cent for Survey-based average earnings (AWE) growth. During 1990-91 the basic award increases will be a 1.5 per cent adjustment for inflation in the September quarter and \$12 six months later, in line with the Federal Government's February Economic Statement. Phase-in and pipeline effects will raise the average award increase from 5.7 in 1989-90 to 6.4 per cent in 1990-91. The slowing in the economy should cause a reduction in overtime, however, so that the rate of growth of total AWE rises by only 0.1 of a percentage point to 6.9 per cent in 1990-91.

PRICES

The Consumer Price Index rose 8.0 per cent in 1989-90 compared to 7.3 per cent in 1988-89, due mainly to higher average mortgage debt expenses. The broader measures of inflation (the deflators for GNE and GDP), on the other hand, decelerated significantly in 1989-90, and this should flow on to the CPI in 1990-91.

With declining demand growth and only modest increases in wages and import prices – and a sharp fall in mortgage interest charges – CPI inflation might have been expected to decline to between 6.0 and 6.5 per cent in the absence of world oil market tensions. In July 1990 OPEC raised the reference price for crude oil from \$US18 per barrel to \$US21. Market prices climbed far higher, however, following Iraq's invasion of Kuwait. Given the uncertainty surrounding the Middle East conflict, it has been assumed that oil prices in 1990–91 will average \$US3 higher than the OPEC reference price, or \$US24 per barrel. The effect of this assumption pushes the year average increase in the CPI to 7.0 per cent, still substantially below the 1989–90 outcome.

FINANCIAL VARIABLES

The year 1989–90 was a transition period characterised by peaking domestic interest rates and economic activity, but continued rapid foreign debt build-up. Meanwhile, interest rates overseas (particularly Germany and Japan) tended to rise. These factors (plus limits on other policy instruments) will continue to influence interest rate trends in 1990–91.

Short-term domestic rates are assumed to decline only slowly, with 90-day bank bill rates virtually unchanged between August 1990 and June 1991. With falling inflation and economic growth, rates on 10-year government bonds are expected to fall to around 12.6 per cent by June 1991, despite the higher cost of funds on world markets.

Exchange rates for the A\$ are likely to remain firm under these conditions, provided commodity prices hold up. Even with a slightly narrower real interest rate differential vis a vis foreign markets and an expected 3.5 per cent decline in terms of trade, the exchange rate will decline only to around US 73c per dollar by June 1991. The exchange rate's volatility during July and August underscores the margin of uncertainty surrounding such forecasts.

RISK ASSESSMENT

The forecasts describe a fairly "soft" landing in 1990–91, in which continued support from domestic consumption and net exports serves to offset some of the decline in investment. Some unwinding of inflationary pressures as well as a modest improvement in the balance of payments is consistent with a gradual adjustment in the economy rather than a sharp recession.

Differing outcomes for any of a range of key assumptions could substantially modify the forecasts discussed above. The most important risks are discussed separately.

International: Disruption of world oil markets could have serious consequences for key trading partner economies. Although higher oil prices might strengthen markets for energy substitutes such as coal, any major slowdown in world growth (which would weaken our commodity export prices), or rise in world interest rates (which would increase the cost of debt financing, and reduce investment) would harm Australian economic growth and increase inflation.

Wages: A higher than forecast wages outcome could result from any major surge in the Consumer Price Index due to world oil prices (creating demands for wage offsets), or an earlier recovery in the economy (which would renew pressures for above-award settlements). Additional labour cost pressures could also result from special bargaining features under the Accord, such as minimum wage provisions, award restructuring, and productivity/profitability negotiations.

Monetary policy: In cutting cash rates in July, the Government indicated a reweighting in priorities from containing the Balance of Payments to cushioning the recession. As a "fine tuning" instrument, however, monetary policy could easily swing back to restraint should either wage or price inflation pick up too strongly.

Fiscal policy: As the economy slows, the fiscal balance will come under pressure. Evidence of this trend is already apparent from the Commonwealth Budget revenue shortfall in 1989–90. If GDP growth in 1990–91 fell below the Federal Budget forecast of 2.0 per cent, the projected \$8.1 billion Federal Budget surplus would be unlikely to be achieved. The resulting reduction in public savings would further increase the pressure on monetary policy.

Business confidence: Most confidence indicators have fallen steadily over the past year, and this has tracked investment. With an apparent bottoming-out in the dwelling sector, strong performance in the mining sector, an unwinding of monetary restraint, and continued favourable conditions on the wages, exports and inflation fronts, the possibility of a faster recovery in business sentiment should not be precluded, if growth in world oil prices is contained. Short term improvements in business confidence are, however, unlikely to result in a meaningful improvement in the business investment outlook in 1990–91.

Exchange Rate: The Australian exchange rate is clearly overvalued in terms of purchasing power parity vis a vis other economies, especially given the nation's huge Current Account deficit. Australia's international cost competitiveness has also been steadily eroded by a combination of domestic inflation outstripping overseas inflation and the Australian dollar appreciating in relation to other currencies. The present level of the Australian dollar reflects both the continued strength of international commodity prices and high local interest rates. Should commodity prices fall and monetary policy be eased too quickly, there is a risk that the Australian dollar could drop dramatically to bring its purchasing power down to parity with other countries. While such a depreciation ultimately would assist exports and discourage imports, its short term impact would be to exacerbate price inflation and possibly aggravate the short term Balance of Payments deficit (through the J-Curve effect). A massive depreciation of the Australian dollar is not assumed in Treasury's forecasts, but its possibility cannot be completely discounted.

Prospects for the New South Wales Economy

OVERVIEW

The New South Wales economy in 1990–91 will largely mirror national conditions. This is because of the large share of economic activity concentrated in this State.

Economic growth, inflation and employment growth are all expected to be substantially lower in 1990–91 than 1989–90. Gross State Product (GSP) growth for New South Wales is expected to be equal to GDP growth for the national economy in 1990–91. New South Wales' above average performance in most components of aggregate demand in 1989–90 is expected to carry over into 1990–91, although this influence on GSP growth will be balanced by slightly lower population growth.

National GDP and employment growth will be boosted by above average growth in Queensland and Western Australia because of their relatively high population growth rates and their export orientations. Victoria (where business and consumer confidence have been weakened by a succession of financial institution failures), Tasmania and South Australia are expected to record below average performance in 1990–91.

Sydney's inflation rate is expected to fall somewhat in 1990–91 reflecting the slowing economy, and in particular, a relatively subdued property market.

The Table below details expected changes in the main State indicators over the year ahead.

Table 2.5: NSW Forecast Summary 1990–91
Percentage change from previous year

	1989–90 Outcome	1990–91 Forecast
GSP	3.0(E)	1.5
Employment	2.9	0.9
Sydney CPI	8.2	7.0

(E) NSW Treasury estimate

Source: ABS Catalogue Nos 6203.0 "The Labour Force Australia" and 6401.0 "Consumer Price Index".

ECONOMIC ACTIVITY

Real growth of GSP is forecast to slow in New South Wales during 1990-91 to 1.5 per cent, equal to the GDP growth forecast for Australia. Both forecasts involve substantially higher rates of economic growth than were recorded in the recession of 1982–83, when real GSP fell by 3.5 per cent.

Growth of private consumption is expected to decelerate in 1990–91 reflecting falling employment growth, although lower interest rates are expected to increase consumption directly, and through spin-off purchases of consumer durables as the demand for housing improves.

After falling in real terms last financial year, investment is forecast to fall further in 1990–91, although in a number of areas the reductions in New South Wales will be less than the national average. Running counter to this trend is engineering construction activity, which the Australian Confederation of Construction Contractors has forecast to increase by 18.8 per cent in real terms. It is expected that the investment cut-back will be most pronounced in the non-residential building industry as the looming over-supply of office space in Sydney takes its toll.

Considerable variations in the economic growth performance of the States is expected during 1990–91. Both Western Australia and Queensland will benefit from their export orientations and above average population growth rates. Western Australia is expected to have the highest rate of net overseas migration growth and a moderate rate of interstate migration growth. Queensland is expected to have the highest rate of interstate migration growth and moderate overseas migration growth. Although New South Wales is expected to have the second highest rate of overseas migration growth, this will be offset to some extent by interstate migration losses.

INFLATION

Inflation is forecast to fall in 1990–91 to 7.0 per cent, in line with the national forecast. Slower growth of demand and only modest growth of wages and import prices should restrain inflation over the coming year. The housing component of the CPI, which made a strong contribution to the Sydney Index over 1989–90, will be much more subdued this year. Higher petrol prices will partly offset these factors.

State and Local Government charges will have a less significant impact on the Sydney CPI in 1990–91 than in 1989–90. This results from a combination of improved efficiencies generated in Departments and Authorities in recent years and the Government's decision to freeze the real level of charges affecting families for a period of two years. The real price freeze commenced in February 1990.

The scheduled average increase of 4.2 per cent in New South Wales Government charges in 1990–91 will be significantly below the increase in the Sydney CPI. Indeed electricity charges, which account for around 40 per cent of the Government Charges Index, are scheduled to increase by only 3.1 per cent over the coming year.

EMPLOYMENT GROWTH

Employment growth in New South Wales is forecast to fall substantially, from 2.9 per cent in 1989–90 to 0.9 per cent in 1990–91. Agriculture, manufacturing, transport and storage, and electricity are expected to experience declines in employment again in 1990–91. Most other sectors are expected to experience decelerating employment growth.

The New South Wales labour force is anticipated to grow moderately through immigration. This is expected to more than offset employment growth of 0.9 per cent and a decline in the workforce participation rate (as people become discouraged about finding employment in a slowing labour market). Consequently, unemployment is projected to rise over the year ahead. The average unemployment rate is expected to increase from 6.2 per cent in 1989–90 to 6.8 per cent in 1990–91, in line with national trends.

OUTLOOK FOR SELECTED INDUSTRIES

The outlook for industry sectors of the New South Wales economy is dependent on conditions in the world and domestic economies, as well as on specific developments within the State. The anticipated easing of economic growth is likely to result in a slowing in the growth of most sectors during 1990–91.

Manufacturing

The June 1990 Survey of New South Wales Manufacturing Conditions, undertaken by the State Bank of New South Wales and the Australian Chamber of Manufactures, revealed that manufacturers were most concerned by high interest rates, depressed general economic conditions, and the high level of the Australian dollar. The performance of the industry throughout 1990–91 will depend crucially on these factors.

The Survey also indicated that ten out of twelve manufacturing industry sectors expect business conditions to worsen over the next 3 months. The forecast for the next three months is the worst September quarter outlook since 1985, when the Survey was commenced.

In line with the gloomy forecasts of business conditions, manufacturers predict capital expenditure to fall in 1990–91. New South Wales firms anticipate a steep 14.7 per cent decrease in nominal capital expenditure over the coming year, according to the December 1989 ABS Capital Expenditure Survey. However, these forecasts should be regarded with caution. Predictions of capital expenditure by manufacturers in the past five years have underestimated actual expenditure by an average of 37 per cent. If this average error is applied to the forecasts, the actual result could be as high as an increase of 16.8 per cent, though this outcome is unlikely as this error has applied in an expansionary phase of the business cycle.

Wholesale and Retail Trade

The retail trade sector is expected to continue to experience slow nominal growth throughout the first half of 1990–91. The Retail Traders' Association predicts that there will be no recovery in the sector before the Christmas sales and heavy discounting of stock will continue. The outlook for the second half of the year is more difficult to predict. While a reduction in interest rates during 1990–91 could increase retail trade, rising unemployment and increased consumer uncertainty may restrain trade.

Finance, Property and Business Services

Growth of the Finance, Property and Business Services sector is likely to continue to ease throughout 1990–91. Institutional exposure to corporate losses will continue to impact upon the finance sector in 1990–91 and lending policies are likely to continue to be more cautious. Consumer concerns prompted by the collapse of some financial institutions in other States will probably mean that the large Australian banks will continue to gain market share at the expense of the foreign banks and non-bank financial institutions.

The Property sector is likely to suffer from the effects of the impending over-supply of commercial accommodation in Sydney, though residential sales are expected to pick up.

Finance, Property and Business Service firms in New South Wales anticipate a marked 14.5 per cent decrease in nominal capital expenditure over the coming year, according to the December 1989 ABS Capital Expenditure Survey.

Transport, Storage and Communication

The State Rail Authority has forecast stable demand for rail freight in the year ahead. The Maritime Services Board anticipates an 8.5 per cent rate of growth in total trade through New South Wales ports in 1990–91. During this period, the Board is implementing the user pays principle in a major reform of the port pricing system.

Construction

The New South Wales residential construction sector is expected to undergo a modest recovery in 1990–91. The Housing Industry Association has predicted that there will be approximately 40,000 new dwelling commencements in 1990–91, compared with an estimated 33,000 in 1989–90 and 48,230 in 1988–89. However, the residential construction sector is highly sensitive to interest rate changes, and if the forecast drop in interest rates does not eventuate, this forecast increase of dwelling commencements will not occur.

The outlook for the non-residential construction sector is expected to worsen in 1990-91, mainly reflecting less office and retail construction, partly offset by increased office refurbishment. The Australian Federation of Construction Contractors (AFCC) has forecast that the value of non-residential building turnover in New South Wales will fall by 13.7 per cent in real terms in 1990-91, returning activity to the level of 1988-89. Nevertheless, the decline in New South Wales will be lower than in other States. The only State which has a more optimistic forecast for 1990-91 is Queensland, where non-residential building turnover is expected to grow marginally in real terms. The AFCC has forecast engineering construction turnover to increase by 18.8 per cent in real terms, though, due to the relative size of the two commercial components, this will not outweigh the drop in non residential building turnover.

Recreation, Personal and Other Services

The outlook for the tourism industry in New South Wales is for steady growth in 1990-91, similar to the rate for 1989-90. International inbound tourist numbers are expected to grow strongly in 1990-91, though New South Wales' share of accommodation and services to these tourists is expected to be lower, due to strong discounting from competitors, notably Queensland and Tasmania. The sluggishness of the domestic economy will continue to restrict domestic tourism. Although a third domestic carrier is to commence operations in November 1990, its impact on the domestic airline industry is expected to be limited.

Agriculture, Forestry, Fishing and Hunting

On the whole, rural prices are expected to fall by 4 per cent during 1990-91. Overproduction of wool in the late 1980s and the May 1990 cut in floor price will be reflected in a more moderate growth rate of 5.9 per cent in the amount of wool shorn in New South Wales in 1990-91 (ABARE).

The Australia Wheat Board has forecast that wheat prices will fall substantially in 1990-91 because of a large world grain crop, falling market prices, a strong dollar and the uncertainty of trade in the Middle East.

The liberalisation of the Japanese beef industry in April 1991 and greater demand from South Korea and the United States are factors expected to increase exports of beef in 1990-91.

Electricity, Gas and Water

An estimated 22,230 people will be employed in electricity production and distribution in 1990-91, a decline of 4.2 per cent on 1989-90. The industry predicts continued growth in sales of electricity, greater utilisation of productive capacity, and real price savings to users in the year ahead.

Predicted growth in demand for Water Board services in 1990-91 is based on expectations of recovery in the property market. Although relatively stable, some upward pressure on employment will reflect major capital investment in system renewal and environmental improvements.

Mining

Overall, the New South Wales coal industry will be more competitive in world markets in 1990-91 because of restructuring and changes to work practices in recent years.

ABARE has forecast that growth of coal production will moderate in 1990-91, due to relatively low world demand and a build up of stocks in coal consuming countries. However, if higher oil prices are sustained by the Middle East crisis, it is probable that demand for coal will increase.

A nominally higher Japanese coal price will apply throughout the Japanese fiscal year (April 1990–March 1991). The price to apply after that time will depend on many factors, including developments in the Middle East.

2.4 THE ECONOMY AND THE BUDGET

Background

The forecasting of economic variables is a key part of the Budget process. Assumptions about the economic conditions likely to prevail in the future underpin forward estimates of revenue and expenditure. The accuracy of these assumptions can significantly affect the accuracy of the resulting forecasts.

In the long-run, factors such as population growth, savings and capital formation shape the underlying demand for Government services, and the size of the tax base. In the shorter term, revenue and expenditure are affected, both directly and indirectly, by a variety of economic variables. In making forward estimates, the broad economic outlook is considered, as well as a range of economic variables, the major ones being –

- Gross State Product (GSP)
- Inflation
- Employment and Wages
- Interest Rates

GROSS STATE PRODUCT

Economic growth and its impact on employment affects virtually every Government responsibility. Expenditure related to social welfare tends to increase during recessionary periods, while expansions in economic activity increase the need for expenditure on infrastructure.

Growth in GSP also affects many State taxes. Generally, the higher economic growth, the higher most revenue items will be. For example, payroll tax will rise as employment increases; financial institutions duty revenue increases as transactions increase with economic activity; and revenue from business franchise licences on petroleum increases as consumption rises.

INFLATION

Variations in prices affect Government expenditure and revenue. In 1989–90, the downturn in the property market, which flowed onto property prices, led to reductions in stamp duty from contracts and conveyances and proceeds from asset sales.

Real estate prices are more volatile than consumer prices generally, so taxation estimates are based on more specific forecasts of price and turnover in these markets, rather than simply the Consumer Price Index (CPI) forecast.

The Budget is concerned both with revenue and expenditure magnitudes, and with the volume of resources these command. Inflation diminishes the command of money over resources. Price indices attempt to isolate the effect of inflation, so that the volume of goods and services can be compared through time. However, unlike other economic variables, there is no unique "inflation rate". Inflation encompasses increases in a wide variety of different price sets. Each of these is measured in a different way.

The CPI gives an indication of consumer price levels but, because it does not cover investment goods, may not accurately reflect general price inflation. Where desirable, more specific estimates may be used (for example, of wages costs and capital costs) in determining Budget allocations.

A range of price indices are constructed by the ABS. Table 2.6 shows the principal alternatives available, and their growth in recent years. Growth in the various indices has varied significantly, because of the different items included in each index. As a consequence, deflating government expenditure by different price indices will lead to widely varied measures of the change in real expenditure.

Table 2.6: Comparison of Price Inflation Measures

Inflation Measure	Change on Previous Year Per cent						
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91 (f)
Consumer Price Index							
- Australia	4.3	8.4	9.3	7.3	7.4	8.0	7.0
- New South Wales	3.9	8.5	9.4	7.7	8.1	8.2	7.0
Final Consumption Expenditure							
- New South Wales Government							
- wages	...	5.4	6.3	3.5	6.2	4.4	...
- other costs	...	7.0	7.7	8.1	7.0	7.1	...
- total NSW consumption	...	5.8	6.6	4.6	6.4	5.1	...
- All Governments	5.9	6.3	6.3	5.1	5.8	5.3	...
Gross Fixed Capital Expenditure							
- New South Wales Government	...	7.2	6.4	6.0	5.8	7.3	...
- All Governments	4.5	8.1	6.5	4.5	5.2	6.2	...
Gross National Expenditure	6.0	8.6	8.1	6.5	6.6	6.1	5.8
Gross Non-farm Product	5.8	7.1	7.4	7.3	9.1	6.1	5.1
Gross Domestic Product	5.6	6.8	7.4	8.0	9.4	5.7	5.0

Note: (f) NSW Treasury forecast

Source: ABS Catalogues 5206.0, 6401.0, unpublished ABS data.

Estimates of real growth are used for a number of purposes –

- to measure the real purchasing power of government expenditure;
- to measure the demand of the public sector on real resources;
- to facilitate intergovernmental comparisons;
- to facilitate comparison of the stance of Budget policy over time.

However, no one index best serves all purposes.

- The **Consumer Price Index**, which measures the price of a basket of representative consumer goods, is a widely used and well understood measure of the impact of inflation on household living standards. However, this does not reflect the basket of expenditures by the New South Wales Government.
- The ABS has recently estimated a **New South Wales Government deflator series**. This corresponds more closely to actual New South Wales Budget costs, but does not reflect the opportunity cost of these expenditures. These deflators are not generally available or widely understood, and currently there are no equivalent deflators constructed to enable comparisons with other Australian governments.
- The **Gross Domestic Product (GDP) and Gross Non-Farm Product (GNFP) deflators** measure the price of domestically produced goods and services. While they better measure the opportunity cost of government expenditure, and are widely used and understood, they do not reflect the cost of goods and services purchased by the New South Wales Government.
- The **Gross National Expenditure (GNE) deflator** measures the price of products purchased by Australians, including both domestic products and imports. As such, it is a more accurate reflection of price variations in government purchases than the product deflators. However, both the product and expenditure deflators have been particularly volatile over recent years, because of the volatility of export and import prices.

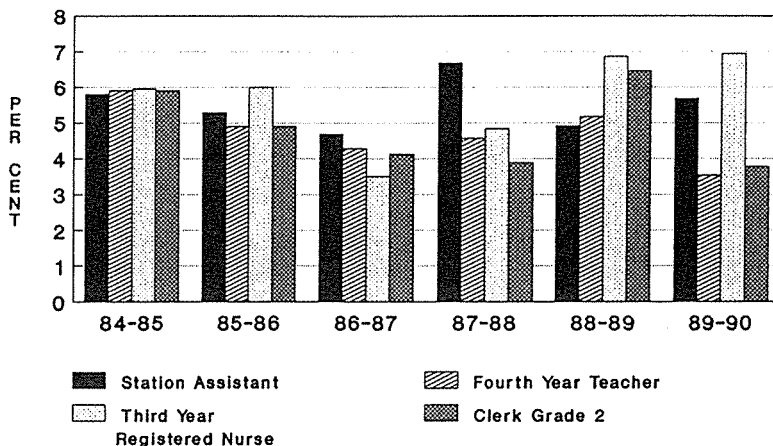
During the Budget preparation process, specific deflators are used where available to estimate future real expenditure on particular items. However, in order to assess the overall trends in real terms, the CPI has been used in this Budget Paper as a widely used and well understood measure of inflation.

EMPLOYMENT AND WAGES

Wage costs are the major expenditure item in the New South Wales Budget, accounting for roughly 70 per cent of recurrent expenditure. Estimates of public sector employment levels are also an important determinant of estimated wages expenditure. Figure 2.22 shows annual rates of growth of mean annual salary levels for selected occupations in the New South Wales public sector. It reveals that salaries for Grade 2 Clerks and fourth year teachers increased by less than 4 per cent in 1989–90. Salaries for third year registered nurses have increased by a larger proportion, reflecting the Government's desire to retain nursing staff.

Figure 2.22

GROWTH IN MEAN SALARY LEVELS
Selected Occupations In NSW Public Sector
Percentage Change on a Year Earlier



Source: State Rail Authority, Dept of School Education, and Dept of Industrial Relations and Employment

Projections of revenue from payroll tax rely on expected variations in the overall level of employment in New South Wales, and the rise in average weekly earnings. Payroll tax revenue was lifted in 1989-90 by relatively strong employment growth. A general wage rise will also increase payroll tax revenue, assuming that there is not an accompanying decline in employment.

INTEREST RATES

Debt charges (including those for transport authorities) constitute 13 per cent of recurrent Consolidated Fund outlays.

Variations in interest rates have both a direct and indirect impact on the Budget.

Directly, tight monetary conditions such as those prevailing during 1989-90 increase the State's debt servicing charges through higher interest rates.

A rise in interest rates also raises revenue, as the State holds a large cash balance, invested in both short and long-term investments. However, debt costs far exceed revenue from investments, so the net budgetary impact of a rise in interest rates is negative.

Indirectly, interest rates influence activity in the real estate market and the share market, thereby affecting stamp duty revenue from these sources. An increase in interest rates will tend to dampen real estate activity as the cost of borrowing rises. Also, as interest rates rise, securities become more attractive relative to shares and as a result share market activity may decline.

THE OUTLOOK FOR 1990-91

The continuing subdued conditions expected for the New South Wales economy over 1990-91 imply that the economic pressures on Budget revenue and expenditure will not vary significantly from last year.

On the revenue side, revenue from stamp duty on contracts and conveyances is forecast to decline by 3.2 per cent compared to 1989-90. This forecast is based on the expectation that the residential property market will remain weak until at least the end of 1990, with no significant easing of interest rates during this period. The commercial property market is expected to remain subdued for all of 1990-91 and beyond. The net effect of the introduction of a single marginal payroll tax rate of 7 per cent and an increase in the payroll tax threshold to \$500,000, from 1 October 1990, will be an increase in payroll tax revenue in 1990-91. This increase will more than offset the effects, on payroll tax receipts, of slowing employment and wages growth (a fuller account is provided in Section 4.2).

Interest rates are forecast to be lower in 1990-91 than in 1989-90, on a year average basis. This will have a positive effect on the Budget because, as noted above, interest payments on the State's debt far exceed interest receipts from investments.

CONCLUSION

The State's Budget depends critically on movements in a number of economic variables. The estimation of future revenue and expenditure requires forecasts of these economic variables.

Stamp duty proceeds from property and share transactions are particularly volatile and therefore difficult to accurately project. For example, revenue from stamp duty on contracts and conveyances increased 45.1 per cent in 1988-89 when the Sydney property market was booming, declined by 35.1 per cent in 1989-90 and is expected to decrease by a further 3.2 per cent in 1990-91. In contrast, payroll tax revenue is relatively stable. It increased by 10.8 per cent in 1988-89, rose a further 10.5 per cent in 1989-90 and would have increased by 9.1 per cent in 1990-91 but for the changes to the payroll tax rate scale.

Clearly, revenues from any tax on financial transactions or real assets are subject to substantial variability when the economy goes through periods of asset inflation or disinflation. This makes forecasting of revenues from contracts and conveyancing duty, share transfer duty and land tax particularly difficult. Thus some uncertainty attaches to revenue projections and, ultimately, the State's overall Budget position.

CHAPTER 3: OVERALL BUDGET PAYMENTS

3.1 Introduction

3.2 Trends in Budget Payments

**3.3 Total Payments by Policy Area and by Minister
(The Blue Tables)**

3.1 INTRODUCTION

This section provides a summary of overall (i.e. recurrent and capital) payments, as well as detailed information on payments by Ministerial responsibility and by policy area.

The prime focus of the Budget is the Consolidated Fund which is the account through which most payments and revenue for the Inner Budget Sector (i.e. General Government) pass. Inner Budget Sector entities include departments such as School Education, Health, Corrective Services and the State Pollution Control Commission and central agencies such as Treasury and Premier's Department.

While Inner Budget Sector entities are predominantly funded from Consolidated Fund, some also have access to other sources of funds. In the main these would be Special Deposit Account balances, which may reflect user charges or other income earned by the department or past transfers from the Consolidated Fund.

In contrast, the Outer Budget Sector consists of public sector entities which are largely self financing, although there may be some limited subsidy from the Consolidated Fund.

Figure 3.1 shows these relationships in a diagrammatic format together with the major aggregates for 1990-91.

Figure 3.1: Inner and Outer Budget Sectors, 1990-91

Recurrent Budget		Capital Budget		
Consolidated Fund \$m	Other Sources \$m	Consolidated Fund \$m	Other Sources \$m	
14,445	841	2,833	1,202	INNER BUDGET SECTOR
.....	.....	.....	1,525	OUTER BUDGET SECTOR
15,286		5,560		TOTAL BUDGET SECTOR

An overview of payments for the Inner and Outer Budget Sector, distinguishing between Consolidated Fund and other sources of payments is also set out in Table 3.1.

Table 3.1: Budget Payments

	1988-89	1989-90		1990-91	
	\$m	\$m	Change %	\$m	Change %
Consolidated Fund -					
Recurrent	12,693	13,424	+ 5.7	14,445	+ 7.6
Capital	<u>1,958</u>	<u>2,671</u>	<u>+36.4</u>	<u>2,833</u>	<u>+ 6.1</u>
Total	14,651	16,095	+ 9.9	17,278	+ 7.3
Total Payments -					
Recurrent	13,518	14,202	+ 5.1	15,286	+ 7.6
Capital	<u>4,393</u>	<u>5,025</u>	<u>+14.1</u>	<u>5,560</u>	<u>+10.6</u>
Total	17,911	19,227	+ 7.3	20,846	+ 8.4

3.2 TRENDS IN BUDGET PAYMENTS

Consolidated Fund

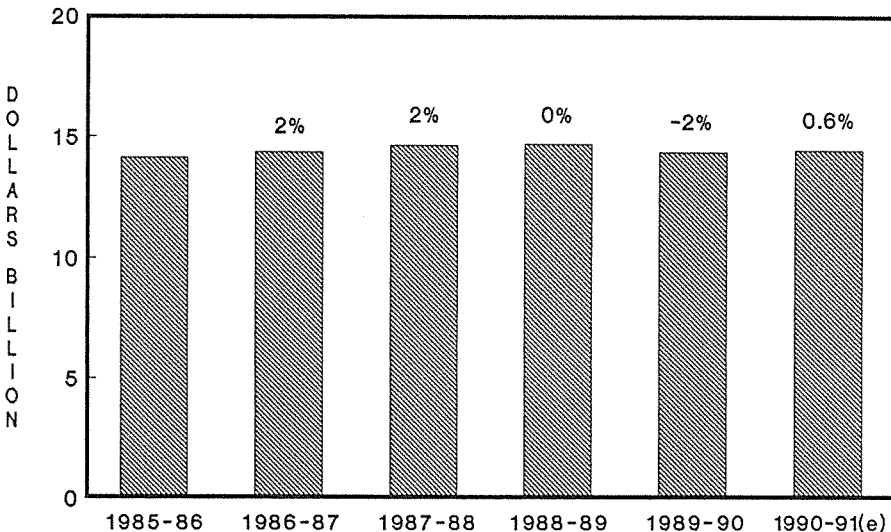
Consolidated Fund recurrent payments increased on average by 9.1 per cent per annum between 1984-85 and 1989-90, compared with average inflation over the period of 8.1 per cent. This translates to an average real growth rate of 1.0 per cent per annum (see Figure 3.2).

This average real growth rate represents the net effect of two distinct components – the four years to 1988-89 for which the growth rate averaged 1.8 per cent, and the following year with a growth rate of (-)2.4 per cent. The figure for the last year reflects both the introduction of the forward estimates system, with resulting greater control over the level of payments, and the savings resulting from the later than anticipated flow-on of increases from the National Wage Case.

For 1990-91, Consolidated Fund recurrent payments will increase by 7.6 per cent, a real increase of 0.6 per cent. This real increase largely stems, not from any significant increase in budget allocations relative to 1989-90, but rather from the substantial under-expenditure in 1989-90 (the base for calculating the 1990-91 percentage change).

Figure 3.2

CONSOLIDATED FUND RECURRENT PAYMENTS (Payments expressed in real terms, 1990-91 base; Percentage change on previous year)



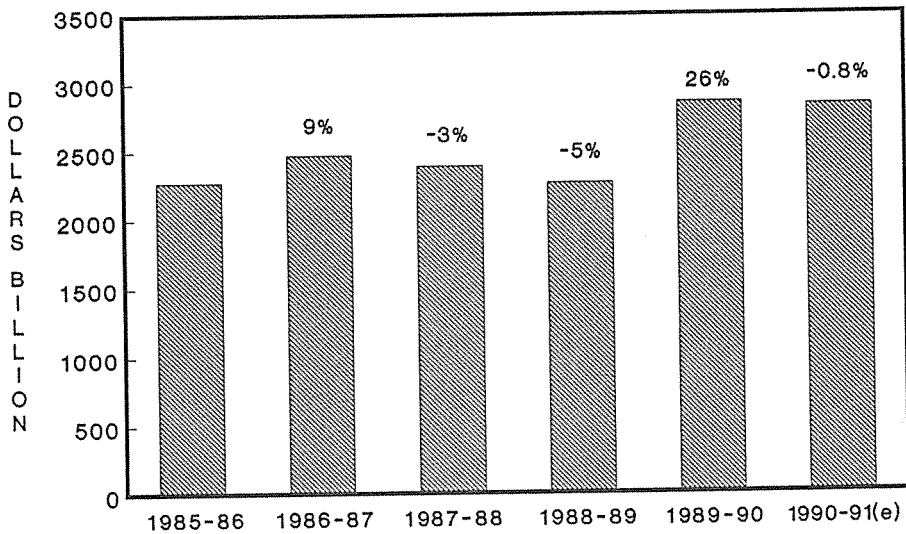
Capital payments from the Consolidated Fund increased by 9.4 per cent per annum over the four years to 1988-89, an average real growth rate of 1.2 per cent per annum (see Figure 3.3).

Payments in 1989-90 increased by 36.4 per cent, a real growth rate of 26.1 per cent. This growth reflected the accelerated roads program (funded from the 3 cents per litre levy on petroleum licence fees and the full dedication of all petroleum licence fees to roads as from 1 July 1989) and substantial expenditure on redundancy payments in the transport area. For 1990-91, payments will increase by 6.1 per cent, basically maintaining the size of the 1989-90 Consolidated Fund capital program.

Figure 3.3

CONSOLIDATED FUND CAPITAL PAYMENTS

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)

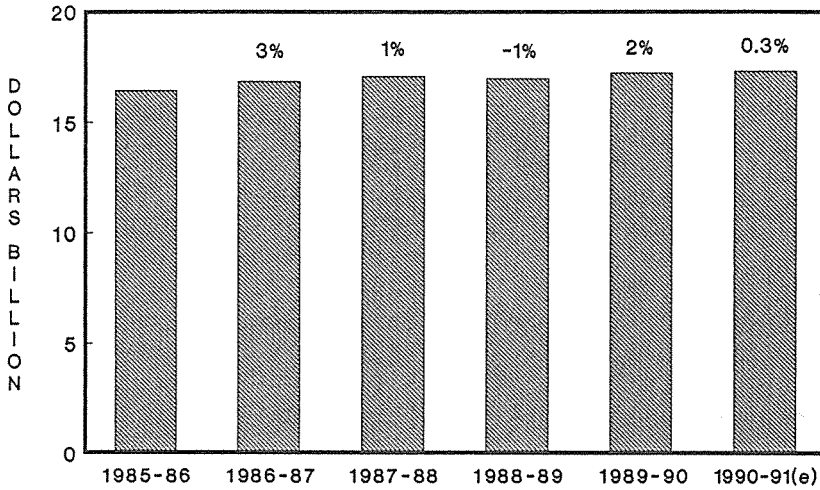


Consolidated Fund payments, recurrent and capital, have increased by 9.9 per cent per annum over the five years to 1989-90, an average real growth rate of per 1.6 cent per annum (see Figure 3.4). For 1990-91, payments will increase by 7.3 per cent, a real increase of 0.3 per cent.

Figure 3.4

CONSOLIDATED FUND TOTAL PAYMENTS

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



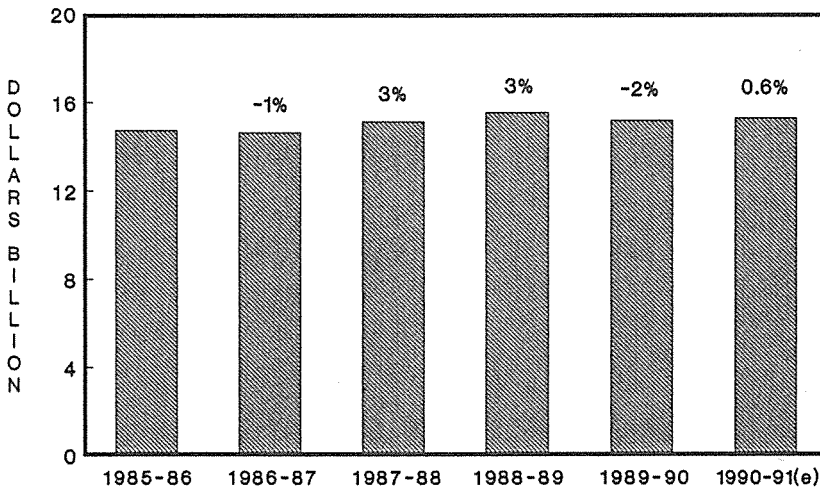
Total Payments

Total recurrent payments (funded from all sources) have increased by an average annual rate of 8.9 per cent over the past five years. For 1990-91, total recurrent payments are projected to increase by 7.6 per cent, a real increase of 0.6 per cent (see Figure 3.5).

Figure 3.5

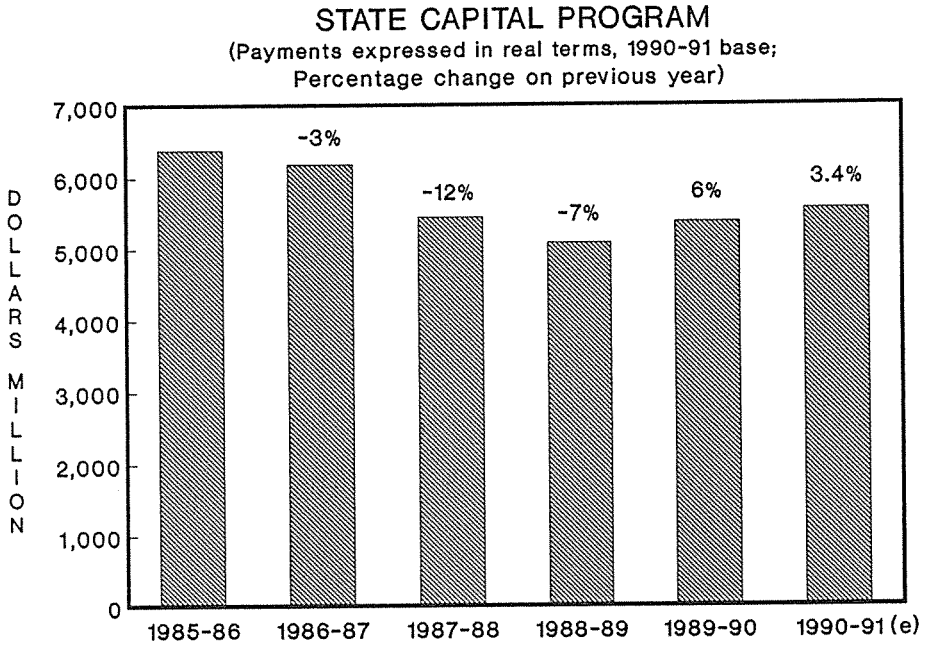
TOTAL RECURRENT PAYMENTS

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



Total capital payments (i.e. the State Capital Program) have increased by 3.8 per cent per annum over the five years to 1989-90, a real decline of 4.0 per cent per annum (see Figure 3.6). For 1990-91, capital payments are projected to increase by 10.6 per cent, a real increase of 3.4 per cent.

Figure 3.6



3.3 TOTAL PAYMENTS BY POLICY AREA AND SECTOR

The purpose of the following tables is to group programs with common policy goals to show how they are funded (either from the Consolidated Fund or from other sources). The tables have been compiled from the program statements presented in Budget Paper No. 3 and from the summary of the State's overall capital program included in this Budget Paper. The figures, therefore, include –

- all payments (both recurrent and capital) by departments and authorities included in the Inner Budget Sector, whether funded from Consolidated Fund or other sources; and
- the capital works programs of all other authorities included in the State's overall capital program (those in the Outer Budget Sector).

The policy area/policy sector classification is a means of grouping similarly oriented programs and expenditures in a way that is independent of the traditional Ministerial/departmental structure. This has two advantages –

- it enables consistency to be maintained when portfolio and departmental structures change; and
- it allows for the expenditures of multi-faceted departments to be dissected and aggregated with like expenditures in other organisations.

Policy areas represent the broadest areas of Government responsibility. Policy areas are aggregations of policy sectors, which are generally groups of related programs representing particular functions of Government. (In some instances, individual items in a program which are significant in size and which clearly belong to a different policy area/sector than does the program, have been separately classified.)

Program costs are allocated to the policy sector/area which they are considered to be primarily serving. It is inevitable that there will be a degree of arbitrariness in this procedure. An example of a dual purpose program is the Department of Corrective Services program "Development and Education Services for Prisoners" which could be classified to either the Education or the Law, Order and Public Safety functions.

Table 3.2: Total Payments by Policy Area and Policy Sector

All figures are expressed in \$m

	RECURRENT SERVICES										CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE			Total			
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	
LAW, ORDER AND PUBLIC SAFETY																
Police	859.8	2.0	861.7	941.6	9.6	951.2	23.6	11.0	34.6	41.4	22.5	63.9				
Law Courts and Legal Services	313.9	16.8	330.7	331.8	19.8	351.6	53.3	6.1	59.4	48.6	15.6	64.2				
Corrective Services	206.8	...	206.8	245.6	...	245.7	72.2	1.1	73.2	105.2	3.4	108.6				
Other (Including Fire Protection Services)	186.4	17.8	204.3	198.2	27.1	225.3	6.2	0.6	6.9	4.3	9.3	13.6				
- Law, Order and Public Safety																
Total	1,566.9	36.6	1,603.5	1,717.2	56.5	1,773.8	155.3	18.8	174.1	199.5	50.8	250.3				
EDUCATION																
Primary and Secondary Education	2,965.6	22.1	2,987.7	3,275.3	20.5	3,295.8	216.3	10.9	227.2	209.7	21.5	231.1				
Tertiary and Vocational Education	635.2	11.3	646.5	705.3	15.0	720.2	122.3	3.9	126.2	130.9	2.5	133.4				
Pre-School Education	8.5	...	8.5	9.6	...	9.6	...	...	...	...	...	...
Transportation of Students	293.1	...	293.1	335.2	...	335.2	...	...	...	...	...	...
Other Education(Including General Administration)	95.5	...	95.5	107.7	...	107.7	4.9	0.1	5.0	...	0.6	0.6				
Total	3,997.9	33.4	4,031.3	4,433.1	35.5	4,468.5	343.5	14.9	358.4	340.6	24.6	365.1				
HEALTH																
Area Health Services and Other Health Services	3,257.1	480.5	3,737.5	3,519.4	483.9	4,003.3	39.5	221.0	260.6	25.8	273.2	299.0				
Community and Other Support Services	147.2	...	147.2	146.4	...	146.4	10.2	4.5	14.7	9.7	2.8	12.5				
Public Health (Including Inspection Services)	86.2	...	86.2	96.8	...	96.8	1.8	...	1.8	2.4	...	2.4				
Other Health (Including General Administration)	45.4	...	45.4	53.4	...	53.4	2.4	5.2	7.6	3.1	40.0	43.1				
Total	3,535.9	480.5	4,016.3	3,816.0	483.9	4,299.9	53.9	230.7	284.7	41.0	316.0	357.0				

Table 3.2: Total Payments by Policy Area and Policy Sector
All figures are expressed in \$m

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
WELFARE SERVICES												
Welfare Support Services	628.7	9.6	638.3	732.4	9.2	741.6	14.3	5.8	20.1	36.1	13.0	49.1
Social Security	232.9	...	232.9	240.8	...	240.8	...	...	...	...	...	...
Total	861.6	9.6	871.2	973.2	9.2	982.4	14.3	5.8	20.1	36.1	13.0	49.1
HOUSING AND COMMUNITY SERVICES												
Housing (including Homesite Development)	15.3	...	15.3	34.7	...	34.7	367.9	391.0	758.8	395.5	288.7	684.2
Water and Sewerage	25.4	11.6	37.0	25.4	12.0	37.4	78.5	379.2	457.7	78.9	530.3	609.2
Protection of the Environment	73.1	8.5	81.6	80.6	15.9	96.6	19.3	60.1	79.5	18.9	80.2	99.1
Total	113.8	20.1	133.9	140.7	27.9	168.7	465.7	830.3	1,296.0	493.3	899.2	1,392.5
RECREATION AND CULTURE												
Recreation Facilities and Services	109.1	19.3	128.4	119.1	22.1	141.2	36.7	6.5	43.2	32.0	6.1	38.0
Cultural Facilities and support of the Arts	109.8	10.0	119.8	119.5	10.8	130.4	15.2	1.1	16.3	21.2	2.0	23.3
Total	218.9	29.3	248.2	238.6	32.9	271.6	51.9	7.6	59.5	53.2	8.1	61.3
ECONOMIC SERVICES												
Agriculture, Forestry and Fishing	305.9	59.6	365.4	315.9	60.1	376.1	62.7	113.4	176.1	58.9	45.0	104.0
Mining Manufacturing and Construction	63.9	31.3	95.2	61.2	33.4	94.5	40.9	2.2	43.1	52.3	4.7	57.0
Transport and Communication	1,217.6	43.0	1,260.6	1,161.0	60.2	1,221.2	1,357.7	553.9	1,911.5	1,456.8	693.1	2,149.9
Other Economic Services	197.8	21.7	219.6	202.6	27.1	229.7	4.9	365.2	370.1	5.9	451.8	457.7
Total	1,785.2	155.6	1,940.8	1,740.7	180.8	1,921.5	1,466.2	1,034.7	2,500.8	1,573.9	1,194.6	2,768.6

Table 3.2: Total Payments by Policy Area and Policy Sector

All figures are expressed in \$m

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
GENERAL ADMINISTRATION (N.E.I.)												
Legislative Services	60.7	...	60.7	66.5	...	66.5	0.4	0.7	1.1	1.4	1.6	3.0
Financial and Fiscal Services	1,107.2	...	1,107.2	1,069.2	...	1,069.2	0.6	6.8	7.4	0.7	4.5	5.2
Other - General Administration	235.4	11.4	246.9	236.3	13.8	250.1	119.1	204.2	323.4	93.8	213.6	307.4
Total	1,403.3	11.4	1,414.8	1,372.0	13.8	1,385.8	120.1	211.7	331.9	95.9	219.7	315.6
OTHER PURPOSES												
Natural Disasters Relief	29.6	...	29.6	35.0	...	35.0	...	...	...	...	...	...
Total	29.6	...	29.6	35.0	...	35.0	...	...	...	...	...	...
SUB TOTAL	13,513.1	776.4	14,289.5	14,466.6	840.5	15,307.2	2,670.9	2,354.6	5,025.5	2,833.5	2,726.0	5,559.5
Plus Treasurer's Advance	...	...	...	65.0	...	65.0	...	...	...	...	...	...
Less Financing Transactions	88.8	...	88.8	86.6	...	86.6	...	...	...	...	...	...
TOTAL	13,424.3	776.4	14,200.7	14,445.0	840.5	15,285.5	2,670.9	2,354.6	5,025.5	2,833.5	2,726.0	5,559.5

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES										CAPITAL WORKS AND SERVICES									
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE					
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total		
1. Law, Order and Public Safety																				
1.1 Police																				
38. 1. 1 Crimes Against the Person	72,865	213	73,078	79,906	683	80,589	2,038	508	2,546	1,124	508	1,632	4,252	1,359	5,611	9,424	3,010	12,434		
38. 1. 2 Crimes Against Property	161,298	470	161,768	176,882	1,512	178,394	4,517	1,124	5,641	4,517	1,124	5,641	9,424	3,010	12,434	9,424	3,010	12,434		
38. 1. 3 Crimes of Vice	42,394	122	42,516	46,500	424	46,924	834	207	1,041	834	207	1,041	1,738	556	2,294	1,738	556	2,294		
38. 1. 4 Maintaining Public Order	141,425	417	141,842	155,502	1,342	156,844	4,010	998	5,008	4,010	998	5,008	8,364	2,671	11,035	8,364	2,671	11,035		
38. 1. 5 Traffic Supervision and Control	124,456	370	124,826	136,636	1,152	137,788	3,445	858	4,303	3,445	858	4,303	10,002	2,067	12,069	10,002	2,067	12,069		
38. 2. 1 Personnel, Development and Education	159,013	134	159,147	172,497	456	172,953	5,149	6,389	11,538	5,149	6,389	11,538	3,985	700	4,685	3,985	700	4,685		
38. 2. 2 Review	10,986	27	11,013	12,037	166	12,203	986	256	1,242	986	256	1,242	206	11,552	11,758	206	11,552	11,758		
38. 2. 3 Corporate Services	113,994	129	114,123	124,981	3,432	128,413	2,593	673	3,266	2,593	673	3,266	3,411	588	3,999	3,411	588	3,999		
38. 2. 4 Operational Support	29,372	75	29,447	32,030	410	32,440	4,642	...	4,642	4,642	...	4,642	...	...	...	...	...	...
50. 1. 2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	3,983	...	3,983	4,642	...	4,642	...	...	...	...	...	...	...	...	...	...	...	...
Police	859,786	1,957	861,743	941,613	9,577	951,190	23,572	11,013	34,585	41,382	22,503	63,885	5,066	...	5,066	...	...	...
1.2 Law Courts and Legal Services																				
12. 1. 1 Registry Services for Births, Deaths and Marriages	6,889	...	6,889	7,301	...	7,301	11	291	302	11	291	302	...	...	...	...	...	...
12. 2. 1 Legal Advice and Representation on Behalf of the Crown (Other than Criminal Prosecution)	14,460	...	14,460	13,552	...	13,552	21	...	21	21	...	21	43	...	43	...	...	...
12. 2. 3 Legal and Law Reform, and Law Reporting	2,955	...	2,955	3,185	...	3,185	24	...	24	24	...	24	...	...	...	...	...	...
12. 2. 4 Protection of Privacy	487	...	487	528	...	528	...	...	...	...	...	...	...	...	...	...	...	...
12. 2. 5 Legal Aid Services (Public Defenders)	1,936	...	1,936	2,029	...	2,029	102	975	1,077	102	975	1,077	628	1,261	1,889	628	1,261	1,889		
12. 3. 1 Supreme Court Services	20,257	...	20,257	20,012	678	20,690	...	...	...	...	...	...	...	...	...	...	...	...
12. 3. 3 Land and Environment Court Services	4,209	...	4,209	4,711	...	4,711	...	...	...	...	...	...	...	...	...	...	...	...
12. 3. 4 District Court Services	18,910	...	18,910	20,307	...	20,307	...	...	...	...	...	...	...	...	...	...	...	...
12. 3. 5 Local Courts Services	63,940	...	63,940	67,458	...	67,458	6,339	1,829	8,168	6,339	1,829	8,168	24,230	1,004	25,234	18,626	2,582	21,208		
12. 3. 6 Court Reporting, Recording and Transcription Services	20,585	...	20,585	22,429	...	22,429	119	299	418	119	299	418	32	140	172	32	140	172		
12. 3. 7 Security, Jury and Court Process Services	17,753	...	17,753	20,725	...	20,725	415	90	505	415	90	505	2,318	455	2,773	2,318	455	2,773		
12. 3. 8 Community Justice Scheme	1,094	...	1,094	1,186	...	1,186	32	...	32	32	...	32	774	...	774	774	...	774		
12. 3. 9 Legal Library Services	2,671	...	2,671	2,958	...	2,958	...	189	189	...	189	189	...	583	583	...	583	583		
12. 3.10 Criminal Listing Directorate Services	1,353	...	1,353	1,757	...	1,757	32	...	32	32	...	32	1,031	286	1,317	1,031	286	1,317		
12. 4. 1 Specific Purpose Tribunals	37,491	...	37,491	31,314	340	31,654	19	...	19	19	...	19	37	...	37	37	...	37		
12. 5. 1 Administrative Support Services	24,003	...	24,003	25,940	...	25,940	348	...	348	348	...	348	168	...	168	168	...	168		
13. 1. 1 Judicial Commission of New South Wales	1,344	...	1,344	1,659	...	1,659	...	...	...	...	...	...	...	...	...	...	...	...
14. 1. 1 Legal Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	2,125	51	2,176	2,199	60	2,259	...	...	...	...	...	...	...	...	...	...	...	...
14. 1. 2 Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	17,723	2,735	20,458	19,897	3,217	23,114	...	...	...	...	...	...	...	...	...	...	...	...

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
14. 1. 3 Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	6,989	7,915	14,904	6,239	9,311	15,550	...	22	22	...	21	21
14. 1. 4 Legal Aid and Other Legal Services for Eligible persons in Administrative Law Matters	2,147	439	2,586	2,194	516	2,710	...	5	5	...	6	6
14. 1. 5 Legal Aid and Other Legal Services for Eligible Persons in proceedings relating to Mental Health	492	308	800	485	362	847	...	3	3	...	3	3
14. 1. 6 Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	14,036	2,941	16,977	14,235	3,460	17,695	...	21	21	...	21	21
14. 1. 7 Administrative and Legal Support Services	4,445	1,593	6,038	5,005	1,874	6,880	...	444	444	...	513	513
15. 1. 1 Crown Representation in Criminal Prosecutions	25,586	...	25,586	34,416	...	34,416	106	869	975	702	2,079	2,781
50. 1. 2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services	48	...	48	55	...	55	...	...	...	...	...	...
Law Courts and Legal Services	313,928	16,778	330,706	331,757	19,818	351,575	53,285	6,107	59,392	48,589	15,637	64,226
1.3 Corrective Services	4,777	...	4,777	5,519	...	5,519	...	...	...	...	...	...
19. 1. 1 Pre-Sentence Assessment of Offenders	14,127	...	14,127	16,108	...	16,108	848	...	848	2,908	...	2,908
19. 1. 2 Supervision of Convicted Offenders	119,032	...	119,032	145,520	...	145,520	67,195	1,021	68,216	96,831	3,395	100,226
19. 2. 1 Containment of Prisoners	20,264	...	20,264	24,407	...	24,407	69	...	69	18	...	18
19. 2. 2 Care and Welfare Services for Prisoners	21,471	...	21,471	24,636	...	24,636	3,006	...	3,006	4,060	...	4,060
19. 2. 3 Development and Education Services for Prisoners	5,301	...	5,301	5,875	...	5,875	...	...	...	...	...	...
19. 3. 1 Post-Custodial Services	3,440	...	3,440	3,992	...	3,992	...	...	...	...	...	...
19. 4. 1 Policy Advice and Co-ordination	18,406	...	18,406	19,600	...	19,600	1,078	...	1,078	1,372	...	1,372
19. 4. 2 Internal Management Services	206,818	...	206,818	245,657	...	245,657	72,196	1,021	73,217	105,189	3,395	108,584
Corrective Services	14,201	...	14,201	11,999	...	11,999	107	648	107	357	1,492	1,599
1.4 Other (Including Fire Protection Services) - Law, Order and Public Safety	5,287	...	5,287	8,157	...	8,157	...	...	...	...	1,100	1,457
4. 1. 1 Investigation, Community Education and Prevention	139,294	5,000	144,294	149,107	5,331	154,438	4,070	...	4,070	2,657	5,856	8,513
39. 1. 1 State Drug Crime Commission of New South Wales	4,501	...	4,501	4,526	163	4,689	155	...	155	...	243	243
40. 1. 1 Operation and Maintenance of Brigades and Special Services	3,364	...	3,364	3,775	135	3,910	75	...	75	575	201	776
40. 1. 2 Brigade Training and Development	7,889	...	7,889	7,468	268	7,726	425	...	425	15	263	278
40. 1. 3 Investigations, Research and Advisory Services	5,719	12,872	18,591	6,159	21,249	27,408	...	...	...	...	...	...
40. 1. 4 Management and Administration	6,067	...	6,067	4,373	...	4,373	661	...	661	557	180	737
41. 1. 1 Funding and Administration of Rural Firefighting Services	...	...	...	...	...	...	...	...	...	...	...	...
41. 1. 2 Provision of the Volunteer Organisation	...	...	...	...	...	...	...	...	...	...	...	...
42. 1. 1 Formation and Development of the Volunteer Organisation	...	...	...	...	...	...	...	...	...	...	...	...
42. 1. 2 Provision of District Emergency Management Officers at Police District Level	...	...	...	1,209	...	1,209	...	...	...	...	...	...

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS
All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES							
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE					
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other				
43. 1. 1 Planning and Co-ordination of Rescue Services and Emergency Management	...	...	1,456	...	...	...	...	...
Other (Including Fire Protection Services) Law, Order and Public Safety	186,322	17,872	204,194	198,219	27,146	225,365	6,221	648	6,869	4,268	9,335	13,603
Total, Law, Order and Public Safety	1,566,854	36,607	1,603,461	1,717,246	56,541	1,773,787	155,274	18,789	174,063	199,428	50,870	250,298
2. Education	...	...	...	...	...	...	...	...	...	...	...	...
2.1 Primary and Secondary Education	...	...	...	...	...	...	...	...	...	...	...	...
44. 2. 1 School Buildings - Construction and Maintenance Board of Studies	11,516	...	11,516	10,094	...	10,094	116	443	559	390	981	1,371
46. 4. 1 Policy Development and Projects Affecting Young People	35,812	...	35,812	38,373	...	38,373	490	...	490	420	...	420
47. 1. 1 General Primary Education in Government Schools	421	...	421	449	...	449	...	...	...	...	...	...
47. 1. 2 Education of Children with Disabilities in Government Primary Schools	1,131,225	12,194	1,143,419	1,256,096	12,264	1,268,360	97,759	3,623	101,382	86,318	8,335	94,653
47. 1. 4 Direct State Government Assistance to Non-Government Primary Schools and Pupils	143,493	...	143,493	169,946	...	169,946	...	...	...	...	...	...
47. 2. 1 General Secondary Education in Government Schools	78,618	...	78,618	92,938	...	92,938	...	...	...	...	...	...
47. 2. 2 Education of Children with Disabilities in Government Secondary Schools	1,293,773	9,938	1,303,711	1,405,163	8,211	1,413,374	110,936	4,723	115,659	122,310	12,183	134,493
47. 2. 3 Direct State Government Assistance to Non-Government Secondary Schools and Pupils	21,078	...	21,078	27,222	...	27,222	...	...	...	...	...	...
47. 3. 1 Administrative, Professional and General Support Services	120,781	...	120,781	134,925	...	134,925	...	...	...	...	...	...
Primary and Secondary Education	128,896	...	128,896	140,102	...	140,102	7,042	2,082	9,124	240	...	240
2.2 Tertiary and Vocational Education	2,965,613	22,132	2,987,745	3,275,308	20,475	3,295,783	216,343	10,871	227,214	209,678	21,499	231,177
10. 2. 1 Agricultural Education	4,453	...	4,453	4,583	...	4,583	531	...	531	848	...	848
30. 1. 1 Courses in Engineering and Industrial Technology	253,046	3,676	256,722	281,267	5,030	286,297	48,665	2,273	50,938	38,309	823	39,132
30. 1. 2 Courses in Applied Sciences	94,685	3,601	98,286	105,193	4,306	109,499	23,732	316	24,048	31,211	300	31,511
30. 1. 3 Courses in Fine and Applied Arts	73,897	531	74,428	82,170	685	82,855	10,542	261	10,803	15,524	248	15,772
30. 1. 4 Courses in Commercial and General Studies	205,038	3,457	208,495	228,276	4,953	233,229	38,814	859	39,673	44,868	747	45,615
44. 2. 2 Tertiary Education Buildings - Construction and Maintenance	4,072	...	4,072	3,769	...	3,769	28	218	246	141	356	497
Tertiary and Vocational Education	635,191	11,265	646,456	705,258	14,974	720,232	122,312	3,927	126,239	130,901	2,474	133,375

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
2.3 Pre-School Education												
47. 1. 3 Pre-School Education in Government Schools	8,530	...	8,530	9,565	...	9,565	...	...	...	...	...	...
Pre-School Education	8,530	...	8,530	9,565	...	9,565	...	...	...	...	...	...
2.4 Transportation of Students												
50. 1. 2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services.	293,082	...	293,082	335,238	...	335,238	...	...	...	...	...	...
Transportation of Students	293,082	...	293,082	335,238	...	335,238	...	...	...	...	...	...
2.5 Other Education(Including General Administration)												
30. 1. 5 Support Services to Teachers and Students	13,611	...	13,611	15,675	...	15,675	...	...	...	...	...	...
30. 1. 6 Administrative Support Services	24,101	...	24,101	25,340	...	25,340	...	...	...	...	...	...
30. 2. 2 Adult Education	4,375	...	4,375	4,214	...	4,214	...	...	...	...	...	...
30. 2. 3 Adult Migrant English Education	23,779	...	23,779	23,885	...	23,885	...	...	...	...	...	...
46. 1. 1 Policy and Administrative Support*	26,313	...	26,313	28,204	...	28,204	4,849	...	4,977	...	580	580
46. 1. 2 Music Examinations Advisory Board	984	...	984	1,158	...	1,158	...	...	...	...	...	...
46. 4. 1 Policy Development and Projects Affecting Young People	2,286	...	2,286	9,155	...	9,155	...	...	...	...	...	...
Other Education(Including General Administration)	95,449	...	95,449	107,721	...	107,721	4,849	128	4,977	...	580	580
Total, Education	3,997,865	33,397	4,031,262	4,433,090	35,449	4,468,539	343,504	14,926	358,430	340,579	24,553	365,132
3. Health												
3.1 Area Health Services and Other Health Services												
26. 2. 3 Support for Area Health Services and Public Hospitals	2,883,177	414,759	3,297,936	3,142,035	408,700	3,550,735	39,509	207,108	246,617	25,596	237,842	263,438
26. 2. 5 Support for the United Dental Hospital and remote dental services	14,182	121	14,303	14,554	152	14,706	...	...	...	...	...	...
26. 2. 8 Services Mainly for the Psychiatrically Ill	223,375	15,170	238,545	230,645	15,719	246,364	...	...	...	...	35,000	35,000
26. 2. 9 Services Mainly for the Aged and Disabled	119,848	50,254	170,102	176,118	59,284	175,402	...	...	...	...	...	...
26. 2.10 Prison Medical Service	10,197	151	10,348	10,539	...	10,539	...	...	...	...	...	...
44. 2. 3 Health Buildings - Construction and Maintenance	6,290	...	6,290	5,510	...	5,510	56	269	325	139	351	490
Area Health Services and Other Health Services	3,257,069	480,455	3,737,524	3,519,401	483,855	4,003,256	39,565	221,030	260,595	25,735	273,193	298,928

All figures are expressed in \$000

RECURRENT SERVICES

	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
3.2 Community and Other Support Services												
26. 2. 1 Health Transport	138,391	...	138,391	137,104	...	137,104	10,208	4,510	14,718	9,702	2,765	12,467
26. 2. 7 Support for Community Services	8,846	...	8,846	9,251	...	9,251	...	...	...	...	...	...
Community and Other Support Services	147,237	...	147,237	146,355	...	146,355	10,208	4,510	14,718	9,702	2,765	12,467
3.3 Public Health (Including Inspection Services)												
26. 1. 1 Public Health Regulatory Services	12,066	...	12,066	13,919	...	13,919	109	...	109	50	...	50
26. 1. 2 Analytical, Clinical and Scientific Services	12,288	...	12,288	12,598	...	12,598	937	...	937	1,200	...	1,200
26. 1. 3 Health Promotion and Education	14,279	...	14,279	18,723	...	18,723	743	...	743	1,120	...	1,120
26. 1. 4 Blood Transfusion Service	16,250	...	16,250	18,056	...	18,056	...	...	...	...	...	...
26. 1. 5 External Research	3,369	...	3,369	3,709	...	3,709	...	...	...	...	...	...
26. 2. 2 Services Specifically for Drug and Alcohol Dependent Persons	22,837	...	22,837	24,172	...	24,172	...	...	...	...	...	...
26. 2. 6 Services Specifically for Aborigines	5,151	...	5,151	5,680	...	5,680	...	...	...	...	...	...
Public Health (Including Inspection Services)	86,240	...	86,240	96,857	...	96,857	1,789	...	1,789	2,370	...	2,370
3.4 Other Health (Including General Administration)												
26. 2. 4 External Health Services	6,398	...	6,398	6,440	...	6,440	...	...	...	...	...	...
26. 3. 1 Administration, Finance, Planning and Policy Development	38,988	...	38,988	46,964	...	46,964	2,386	5,181	7,567	3,153	40,000	43,153
Other Health (Including General Administration)	45,386	...	45,386	53,404	...	53,404	2,386	5,181	7,567	3,153	40,000	43,153
Total, Health	3,535,932	480,455	4,016,387	3,816,017	483,855	4,299,872	53,948	230,721	284,669	40,960	315,958	356,918

CAPITAL WORKS AND SERVICES

	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
4.1 Welfare Support Services												
23. 1. 1 Protection of Children	30,647	...	30,647	33,739	...	33,739	200	...	200	425	...	425
23. 1. 2 Substitute Care of Children	62,816	...	62,816	68,426	...	68,426	2,278	...	2,278	3,926	...	3,926
23. 1. 3 Juvenile Justice	35,372	...	35,372	43,106	...	43,106	9,492	1,973	11,465	21,239	2,968	24,207
23. 1. 4 Family and Children's Services	74,294	...	74,294	84,944	...	84,944	704	...	704	8,269	...	8,269
23. 2. 1 Services for Disadvantaged Groups and Communities	51,616	...	51,616	73,661	...	73,661	199	...	199	108	...	108
23. 2. 2 Supported Accommodation	41,977	...	41,977	66,706	...	66,706	4	...	4	3	...	3
23. 2. 3 Services Mainly for the Developmental Disabled	190,470	...	190,470	215,716	...	215,716	732	...	732	10,000	...	10,000
23. 2. 4 Youth Services	10,832	...	10,832	12,746	...	12,746	17	...	17	35	...	35
23. 3. 1 Organisational and Administrative Support Services	27,763	...	27,763	29,261	...	29,261	1,385	614	1,999	2,137	...	2,137
23. 4. 1 Home Care Service of New South Wales	78,998	9,589	88,587	85,421	9,200	94,621	...	2,500	2,500	...	...	...
28. 1. 2 Mortgage and Rent Relief Scheme	23,875	...	23,875	18,661	...	18,661	...	...	...	...	...	...
Welfare Support Services	628,660	9,589	638,249	732,387	9,200	741,587	14,279	5,819	20,098	36,142	12,968	49,110

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
4.2 Social Security												
20. 2. 1 Rate Rebates for Pensioners	33,017	...	33,017	32,950	...	32,950	...	...	...	...	...	...
33. 1. 2 Rate Rebates for Pensioners	36,748	...	36,748	43,000	...	43,000	...	...	...	...	...	...
50. 1. 2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services.	163,183	...	163,183	164,871	...	164,871	...	...	...	...	...	...
Social Security	232,948	...	232,948	240,821	...	240,821	...	...	...	...	...	...
Total, Welfare Services	861,608	9,589	871,197	973,208	9,200	982,408	14,279	5,819	20,098	36,142	12,968	49,110
5. Housing and Community Services												
5.1 Housing (including Homesite Development)												
28. 1. 1 Public and Community Housing	7,314	...	7,314	26,161	...	26,161	367,892	...	367,892	395,482	...	395,482
46. 1. 1 Policy and Administrative Support	8,017	...	8,017	8,522	...	8,522	...	...	...	...	...	...
Public Servant Housing Authority	...	...	...	...	...	...	...	...	...	...	...	...
Housing	...	...	...	...	...	...	...	...	...	...	...	...
Land Titles Office	...	...	...	...	...	...	...	...	...	...	...	...
Teacher Housing Authority	...	...	...	...	...	...	...	...	...	...	...	...
Housing (including Homesite Development)	15,331	...	15,331	34,683	...	34,683	367,892	390,952	758,844	395,482	288,718	684,200
5.2 Water and Sewerage												
44. 1. 1 Country Towns Water Supply and Sewerage Schemes	25,376	11,573	36,949	25,384	12,012	37,396	78,498	1,614	80,112	78,922	2,090	81,012
Hunter District Water Board	...	...	...	...	...	...	...	...	...	...	...	...
The Water Board	...	...	...	...	...	...	...	...	...	...	...	...
Broken Hill Water Board	...	...	...	...	...	...	...	...	...	...	...	...
Water and Sewerage	25,376	11,573	36,949	25,384	12,012	37,396	78,498	379,214	457,712	78,922	530,270	609,192
5.3 Protection of the Environment												
20. 1. 1 Policy Co-ordination and Support of Environmental Activities	6,703	...	6,703	6,722	10	6,732	...	...	...	...	...	...
22. 1. 1 Research and Policy Development	3,506	2,399	5,905	3,337	1,406	4,743	178	...	178	349	...	349
22. 1. 2 Operations	10,248	2,192	12,440	10,740	9,257	19,997	510	1,479	1,989	699	1,092	1,791
22. 1. 3 Administrative Support Services	2,050	45	2,095	3,027	941	3,968	119	...	119	16	...	16
34. 1. 1 Promotion and Co-ordination of Environmental Planning and Assessment	21,915	287	22,202	22,335	1,856	24,191	203	...	203	102	...	102
34. 1. 2 Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	6,915	...	6,915	10,587	...	10,587	15	45,577	45,592	22	42,666	42,688

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
RECURRENT SERVICES												
34. 1. 3 Conservation of State's Environmental Heritage	4,375	3,592	7,967	2,363	2,476	4,839	610	...	610	567	450	1,017
34. 1. 4 Protection and Conservation of the Coastal Region	1,037	...	1,037	1,003	...	1,003	2,512	...	2,512	2,517	...	2,517
34. 1. 5 Administrative Support Services	5,926	...	5,926	7,780	...	7,780	544	81	618	58	...	58
44. 1. 2 Coastal Line Hazards	3,582	...	3,582	4,488	...	4,488	1,913	...	1,913	86	...	2,887
44. 1. 3 Flood Plain Management	4,043	...	4,043	4,787	...	4,787	9,247	...	9,247	8,996	102	9,098
44. 1. 4 Estuary Management	2,833	...	2,833	3,489	...	3,489	3,528	...	3,528	2,431	1,310	3,741
44. 1. 6 Fishing and Government Facilities Waste Management Authority	...	...	...	...	...	...	...	11,490	11,490	...	34,511	34,511
Protection of the Environment	73,133	8,515	81,648	80,658	15,946	96,604	19,298	60,146	79,444	18,918	80,217	99,135
Total, Housing and Community Services	113,840	20,088	133,928	140,725	27,958	168,683	465,688	830,312	1,296,000	493,322	899,205	1,392,527
6. Recreation and Culture												
6.1 Recreation Facilities and Services												
20. 3. 1 Bicentennial Park	794	...	794	883	...	883	108	...	108	868	...	868
20. 3. 2 Royal Botanic Gardens	10,551	2,267	12,818	12,411	2,650	15,061	3,818	713	4,531	1,004	...	1,004
20. 3. 3 Centennial Park and Moore Park Trust	2,174	...	2,174	2,774	1,000	3,774	354	...	354	713	...	713
21. 1. 1 Natural and Cultural Resource Management	27,746	1,290	29,036	28,548	1,772	30,320	14,675	144	14,819	20,037	770	20,807
21. 1. 2 Recreation Area Management	3,211	2,224	5,435	3,353	2,317	5,670	479	103	582	...	...	...
21. 1. 3 Administrative Support Services	7,217	7,722	14,939	7,621	8,835	16,456	686	726	1,412	...	...	...
32. 1. 1 Provision Of Tourist Information and Sale Of Travel	3,193	...	3,193	3,351	...	3,351	1,957	...	1,957	...	...	...
32. 1. 2 Promotion of Tourism	10,355	2,935	13,290	10,054	3,200	13,254	697	...	697	...	...	...
32. 1. 3 Administrative Support Services	5,325	...	5,325	6,370	...	6,370	5,635	20	5,655	5,373	56	5,429
44. 1. 5 NSW Waterways	1,003	...	1,003	1,365	...	1,365	1,681	...	1,681	1,747	...	1,747
48. 1. 1 Participation in Sport and Recreation	24,100	574	24,674	28,186	554	28,740	7,086	...	7,086	...	...	...
48. 1. 2 Excellence in Sport	7,067	2,242	9,309	6,294	1,781	8,075	110	...	110	268	...	268
48. 1. 3 Safety and Ethics in Sport and Recreation	904	...	904	6,575	...	6,575	...	...	...	...	...	...
48. 1. 5 Administrative Support Services	5,470	...	5,470	7,243	...	7,243	...	...	...	2,500	3,850	3,850
Zoological Parks Board	...	...	...	...	...	...	...	...	...	...	...	...
Recreation Facilities and Services	109,110	19,254	128,364	119,128	22,109	141,237	36,689	6,909	43,198	31,968	6,076	38,044
6.2 Cultural Facilities and support of the Arts												
27. 1. 1 Policy Co-ordination and Support of Cultural Activities	27,258	84	27,342	31,479	60	31,539	10,154	...	10,154	15,637	700	16,237
27. 1. 2 State Library	32,401	2,117	34,518	35,042	1,837	36,879	1,068	480	1,548	1,761	609	2,370
27. 1. 3 Australian Museum	11,431	3,249	14,680	11,804	3,272	15,076	1,262	185	1,447	1,661	200	1,861

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
44. 1. 7 Civil Engineering - Special Projects, Minor Works and other Engineering and Associated Services	4,153	...	4,153	2,792	...	2,792	21	31	52	91	229	320
44. 3. 1 Administrative Support Services	19,812	...	19,812	20,217	...	20,217	102	615	717	222	560	782
Mining Manufacturing and Construction	63,913	31,313	95,226	61,159	33,366	94,525	40,920	2,200	43,120	52,289	4,731	57,020
7.3 Transport and Communication	2,065	...	2,065	2,458	...	2,458	2,769	...	2,769	2,483	...	2,529
44. 1. 6 Fishing and Government Facilities	157,296	...	157,296	179,000	...	179,000	635,497	...	630,121	709,759	...	30,893
45. 1. 1 Development of Road System	66,934	42,988	109,922	62,893	60,207	123,100	522,337	54,596	576,933	514,299	57,557	762,034
45. 1. 2 Upkeep of Roads	298,865	...	298,865	201,942	...	201,942	55,771	6,528	62,299	65,942	6,638	72,580
45. 1. 3 Safety and Traffic Management	98,186	...	98,186	195,109	...	195,109	...	...	...	...	...	...
50. 1. 1 Contribution to the Transport Authorities for Operating Losses	574,872	...	574,872	499,770	...	499,770	138,967	20,000	158,967	150,000	...	150,000
50. 1. 2 Payments via the Department of Transport for Non-Commercial Passenger and Freight Services.	19,377	...	19,377	19,843	...	19,843	2,291	...	2,291	14,342	...	14,342
50. 1. 3 Payments via the Department of Transport for Finance Charges and Other Costs.	...	...	...	...	...	...	...	...	...	...	...	...
50. 1. 4 Development, Co-ordination and Planning of Transport Activities	...	...	...	...	...	...	...	...	...	...	...	...
Maritime Services Board	...	...	...	...	...	...	...	...	...	...	...	...
State Rail Authority - Commercial	...	...	...	...	...	...	...	...	...	...	...	...
State Rail Authority - Non Commercial	...	...	...	...	...	...	...	...	...	...	...	...
State Transit Authority	...	...	...	...	...	...	...	...	...	...	...	...
Transport and Communication	1,217,595	42,988	1,260,583	1,161,015	60,207	1,221,222	1,357,632	553,914	1,911,546	1,456,825	693,081	2,149,906
7.4 Other Economic Services	294	...	294	383	...	383	...	...	...	...	...	...
6. 1. 3 Management and Administration of Statutory and Industrial Ballots	3,122	...	3,122	3,305	...	3,305	13	...	13	...	...	...
12. 3. 1 Industrial Commission Services	40,284	10,155	50,439	30,457	10,400	40,857	...	...	...	...	...	...
16. 1. 2 Compliance	18,100	...	18,100	6,995	...	6,995	...	...	...	...	...	...
16. 1. 3 Policy Development	3,093	...	3,093	11,682	...	11,682	...	1,583	1,583	...	...	...
16. 1. 4 Client Services	30,056	...	30,056	28,830	...	28,830	...	586	586	...	...	...
16. 1. 5 Management Support Services	2,664	...	2,664	9,117	...	9,117	...	2,881	2,881	...	...	...
16. 1. 1 Private Sector Industrial Relations	7,247	...	7,247	5,009	...	5,009	2,410	1,749	4,159	213	1,200	1,200
29. 1. 3 Conciliation and Arbitration	2,664	...	2,664	5,600	...	5,600	52	...	52	26	2,470	2,683
29. 1. 4 Policy Development and Co-ordination	37,099	11,586	48,685	46,008	16,720	62,728	35	...	35	185	366	551
30. 2. 4 Vocational Training and Employment	13,007	...	13,007	13,088	...	13,088	359	1,623	1,982	180	4,078	4,258
30. 2. 1 Land Information	20,086	...	20,086	21,053	...	21,053	269	3,679	3,948	278	914	1,192
31. 2. 2 Planning and Management for the State Land Information System	1,065	...	1,065	1,453	...	1,453	15	...	15	15	403	418
49. 1. 1 Development of the New South Wales Economy	6,983	...	6,983	16,635	...	16,635	1,683	...	1,683	4,952	178	5,130

All figures are expressed in \$000

RECURRENT SERVICES

	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
4. 1 Relief from Taxation	11,987	...	11,987	2,210	...	2,210	...	...	...	...	...	...
7. 5. 1 Employee Entitlement Costs	21,110	...	21,110	270	...	270	...	...	...	...	...	...
7. 5. 2 Insurance and Compensation Payments	1,197	...	1,197	888	...	888	...	...	...	...	...	...
7. 5. 3 Administration of Government Agency Accounts	1,185	...	1,185	100	...	100	...	...	...	...	...	...
7. 5. 4 Water Board Rates	27,985	...	27,985	34,485	...	34,485	...	...	...	...	...	...
7. 6. 1 Assistance to Authorities and Other Bodies	4,331	...	4,331	779	...	779	...	...	...	...	...	...
7. 7. 1 Liability for Commonwealth General Purpose Loans	648,306	...	648,306	636,743	...	636,743	...	...	...	...	...	...
7. 7. 2 Liability for Commonwealth Specific Purpose Advances	66,946	...	66,946	63,508	...	63,508	...	...	...	...	...	...
7. 7. 3 Liability for Debt Servicing Costs on Capital Works Programs	265,109	...	265,109	256,554	...	256,554	...	...	...	...	...	...
7. 9. 1 Administrative Support Services (Office of Financial Management)	3,148	...	3,148	3,424	...	3,424	...	...	...	...	...	...
17. 1. 1 Licensing and Control of Poker Machines, Certain Amusement Devices and Premises Supplying and Serving Liquor	6,445	...	6,445	7,796	...	7,796	...	...	...	...	...	...
17. 2. 1 Co-ordination and Development of Liquor and Gaming Policy	1,487	...	1,487	2,469	...	2,469	...	...	...	...	...	...
48. 1. 4 Development, Control and Regulation of the Racing Industry	1,631	...	1,631	1,725	...	1,725	...	...	...	...	...	...
State Lotteries Office	...	...	...	...	...	...	...	...	...	...	...	...
Valuer-General's Office	...	...	...	...	...	...	...	...	...	...	...	...
Financial and Fiscal Services	1,107,194	...	1,107,194	1,069,209	...	1,069,209	...	...	...	...	...	...

CAPITAL WORKS AND SERVICES

8.5 Other - General Administration	6,438	...	6,438	7,142	...	7,142	21	...	21	500	521	
2. 1. 1 Services for the Premier and Cabinet	1,585	...	1,585	1,957	...	1,957	...	...	...	...	...
3. 1. 2 Protocol and Hospitality Services	7,208	...	7,208	6,285	...	6,285	19	...	19	2,250	2,250	
3. 1. 4 Oversight of Public Sector Management Performance	1,217	...	1,217	1,190	...	1,190	2	...	2	...	...
3. 1. 5 Equal Opportunity in Public Employment	497	...	497	...	...	...	...	...	...	...	...
3. 1. 6 Public Sector Actuarial Services	903	...	903	1,159	...	1,159	...	...	...	...	...
3. 1. 7 Implementation of Government's Commercialisation Policies	2,138	...	2,138	1,932	...	1,932	...	...	...	...	...
3. 2. 1 Co-ordination of Services for the Aged and the Disabled	1,234	...	1,234	1,567	...	1,567	...	...	...	...	...
3. 2. 2 Co-ordination of Major Community Projects	35,547	...	35,547	42,408	...	42,408	9	...	9	...	...
3. 2. 3 Policy and Advisory Services on Aboriginal Affairs	706	...	706	641	...	641	...	...	...	...	...
3. 2. 4 Implementation of Freedom of Information Policies	26,538	...	26,538	19,181	...	19,181	4,627	...	4,627	35,353	35,353	
3. 3. 1 Support Services	3,886	...	3,886	4,178	...	4,178	971	...	971	21	21	
5. 1. 1 Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	1,005	...	1,005	1,115	...	1,115	...	...	...	...	...
7. 1. 3 Information Services	1,597	...	1,597	1,931	...	1,931	...	...	...	...	...
7. 2. 1 Economic and Statistical Analysis and Advice and Inter-Governmental Financial Relations	7,615	...	7,615	7,115	...	7,115	...	...	...	...	...
7. 9. 2 Administrative Support Services (Office of State Revenue)	...	...	...	...	...	...	...	...	...	...	...
Financial and Fiscal Services	1,107,194	...	1,107,194	1,069,209	...	1,069,209	562	6,814	7,376	724	4,511	5,235

2,500 2,500 298 2,500 2,500 2,798

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS
 All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL			1990-91 ESTIMATE			1989-90 ACTUAL			1990-91 ESTIMATE		
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
7. 9. 3 Planning and Review (Office of State Revenue)	870	...	870	1,156	...	1,156	...	...	...	...	657	657
8. 1. 1 Services for Ethnic Communities	7,528	433	7,961	7,312	385	7,697	79	417	496	...	...	...
17. 1. 2 Charities Administration	910	...	910	1,149	...	1,149	89	...	89	20	...	20
24. 1. 1 Government Information Services	3,658	...	3,658	4,056	...	4,056	95	...	108	95	...	95
24. 1. 2 Contracts and Purchasing Services	5,273	...	5,273	5,955	...	5,955	...	...	680	...	...	...
24. 1. 3 Telecommunications Unit	131	...	131	680	...	680	387	...	387	214	...	214
24. 1. 4 Corporate Services	3,097	...	3,097	3,997	...	3,997	...	...	874	...	...	874
24. 1. 5 Administrative and Support Services	1,113	...	1,113	1,125	...	1,125	...	...	14	...	...	14
25. 1. 1 Management of Government Office and Staff	29,282	...	29,282	15,318	...	15,318	18,043	...	18,043	15,496	...	15,496
25. 1. 2 Accommodation	233	...	233	4,332	...	4,332	...	...	3	...	...	3
25. 1. 3 Homebush Bay Development	802	...	802	3,962	...	3,962	81	4,946	81	...	13,114	13,114
29. 1. 2 Public Sector Industrial Relations	4,222	...	4,222	24,199	...	24,199	21,751	617	22,368	1,535	4,693	6,228
31. 1. 1 Crown Land Management and Administration	23,690	...	23,690	4,533	...	4,533	736	68	804	409	886	1,109
31. 1. 2 Management and Preservation of Western Lands	3,798	...	3,798	23,540	...	23,540	49	341	390	223	...	...
31. 3. 1 Corporate and Financial Programs	21,200	...	21,200	9,953	...	9,953	55	355	410	180	...	180
33. 1. 1 Development, Oversight of and Assistance to Local Government	10,868	182	11,050	12,000	11,869	23,869	54,796	12,552	67,348	14,100	...	14,100
33. 1. 2 Government of Tourism and Recreation Facilities	3,900	9,858	13,758	13,852	...	13,852	17,318	321	17,639	25,802	2,607	28,409
35. 1. 1 Management of Tourism and Recreation Facilities	15,433	...	15,433	1,693	...	1,693	...	...	...	...	...	...
44. 2. 4 Other Public Buildings - Construction and Maintenance	1,293	...	1,293	...	...	...	...	...	...	...	...	...
46. 3. 1 Policy Development and Projects Affecting the Status of Women	...	...	...	...	...	...	...	...	...	...	...	...
Capital Works Financing Corporation	...	...	...	...	...	...	...	...	...	...	...	...
CFPC Consultants	...	...	...	...	...	...	...	536	536	...	1,027	1,027
Lord Howe Island Board	...	...	...	...	...	...	...	...	...	...	...	...
Property Services Board	...	...	...	...	...	...	...	...	...	...	...	...
Commercial Services Group	...	...	...	...	...	...	...	...	...	...	...	...
Local Government Borrowing Program	...	...	...	...	...	...	...	180,050	180,050	...	185,000	185,000
Other - General Administration	235,435	11,423	246,858	236,339	13,763	250,102	119,128	204,233	323,361	93,781	213,634	307,415
Total, General Administration (n.e.i)	1,403,346	11,423	1,414,769	1,371,996	13,778	1,385,774	120,119	211,734	331,853	95,910	219,730	315,640

TABLE 3.3: GROSS OUTLAYS BY POLICY AREA, POLICY SECTOR, PROGRAM AND SOURCE OF FUNDS

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total	Con Fund	Other	Total
9. Other Purposes												
9.1 Natural Disasters Relief												
7. 8. 1 Natural Disasters Relief	29,569	...	29,569	35,000	...	35,000	...	...	...	...	...	...
Natural Disasters Relief	29,569	...	29,569	35,000	...	35,000	...	...	...	...	...	...
Total, Other Purposes	29,569	...	29,569	35,000	...	35,000	...	...	...	...	...	...
SUB TOTAL	13,513,129	776,399	14,289,528	14,466,638	840,521	15,307,159	2,670,913	2,354,554	5,025,467	2,833,499	2,726,010	5,559,509
Plus Treasurer's Advance	...	...	...	65,000	...	65,000	...	...	...	...	...	...
Less Financing Transactions	88,831	...	88,831	86,646	...	86,646	...	...	...	...	...	...
TOTAL	13,424,298	776,399	14,200,697	14,444,992	840,521	15,285,513	2,670,913	2,354,554	5,025,467	2,833,499	2,726,010	5,559,509

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES				SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
THE LEGISLATURE												
THE LEGISLATURE												
Parliamentary Representation - Legislative Council	8,190	...	8,798	...	...	...	10	517	8,190	...	8,808	517
Operation of the Legislative Council	1,538	...	2,368	...	...	9	370	49	1,538	...	2,738	49
Parliamentary Representation - Legislative Assembly	26,119	...	28,557	...	477	660	660	528	26,119	477	29,217	528
Operation of the Legislative Assembly	2,617	...	3,513	...	...	9	20	48	2,617	9	3,533	48
Executive Government	1,206	...	1,279	...	...	...	...	...	1,206	...	1,279	...
Parliamentary Government	39,670	...	44,515	...	495	1,060	1,060	1,142	39,670	495	45,575	1,142
Parliamentary Library	1,427	...	1,551	...	185	11	11	...	1,427	185	1,562	15
Hansard	2,892	...	3,572	...	...	...	10	...	2,892	...	3,582	...
Building Services	3,944	...	3,853	...	...	...	20	...	3,944	...	3,873	...
Catering Services	1,749	...	1,681	...	...	...	10	...	1,749	...	1,691	...
Special Services	2,744	...	3,430	...	...	...	39	...	2,744	...	3,469	...
Parliamentary Support Services	12,756	...	14,087	...	185	90	90	...	12,756	185	14,177	15
Total, THE LEGISLATURE	52,426	...	58,602	...	680	1,150	1,150	1,142	52,426	680	59,752	1,157
Total, THE LEGISLATURE	52,426	...	58,602	...	680	1,150	1,150	1,142	52,426	680	59,752	1,157
PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS												
CABINET OFFICE												
Services for the Premier and Cabinet	6,438	...	7,142	...	21	...	21	500	6,459	...	7,163	500
Services for the Premier and Cabinet	6,438	...	7,142	...	21	...	21	500	6,459	...	7,163	500
Total, CABINET OFFICE	6,438	...	7,142	...	21	...	21	500	6,459	...	7,163	500

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL											
	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1988-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
PREMIER'S DEPARTMENT												
Services for the Governor's Establishment Protocol and Hospitality Services	2,184	...	1,325	...	...	...	...	...	2,190	...	1,325	...
Services for the Leaders of the Opposition	1,585	...	1,957	...	...	...	...	1,585	...	1,957	...	...
Oversight of Public Sector Management Performance	905	...	802	...	...	...	...	905	...	817	...	...
Equal Opportunity in Public Employment	7,208	547	6,285	702	19	...	2,250	7,227	547	6,285	2,952	...
Public Sector Actuarial Services	1,217	228	1,190	100	2	...	...	1,217	228	1,190	100	...
Implementation of Government's Commercialisation Policies	497	...	...	...	...	...	...	497	...	...	...	...
	903	...	1,159	...	...	...	...	903	...	1,159	...	...
Services for Administration of Government	14,499	775	12,718	802	27	...	2,250	14,526	775	12,733	3,062	...
Co-ordination of Services for the Aged and the Disabled												
Co-ordination of Major Community Projects	2,138	113	1,932	433	...	...	...	2,138	113	1,932	433	...
Policy and Advisory Services on Aboriginal Affairs	1,234	...	1,567	...	...	...	...	1,234	...	1,567	...	...
Implementation of Freedom of Information Policies	35,547	62	42,408	...	9	...	...	35,556	62	42,408	...	...
	706	...	641	...	...	...	...	706	...	641	...	...
Co-ordination of Community Relations	39,625	175	46,548	433	9	...	...	39,634	175	46,548	433	...
Support Services	26,538	...	19,181	...	4,627	300	35,353	31,165	300	54,534	...	...
Support Services	26,538	...	19,181	...	4,627	300	35,353	31,165	300	54,534	...	...
Total, PREMIER'S DEPARTMENT	80,662	950	78,447	1,235	4,663	300	35,368	85,325	1,250	113,815	3,485	...
INDEPENDENT COMMISSION AGAINST CORRUPTION												
Investigation, Community Education and Prevention of Corruption	14,201	...	11,999	...	107	...	107	14,308	...	12,106	1,492	...
Investigation, Community Education and Prevention of Corruption	14,201	...	11,999	...	107	...	107	14,308	...	12,106	1,492	...
Total, INDEPENDENT COMMISSION AGAINST CORRUPTION	14,201	...	11,999	...	107	...	107	14,308	...	12,106	1,492	...

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE					
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other				
OMBUDSMAN'S OFFICE												
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications Interception Activities	3,886	...	4,178	...	971	...	21	...	4,857	...	4,199	...
Investigation of Citizens' Complaints and Monitoring and Reporting on Telecommunications	3,886	...	4,178	...	971	...	21	...	4,857	...	4,199	...
Total, OMBUDSMAN'S OFFICE	3,886	...	4,178	...	971	...	21	...	4,857	...	4,199	...
STATE ELECTORAL OFFICE												
Management and Administration of Parliamentary Elections	1,417	...	1,643	...	...	...	...	...	1,417	...	1,643	...
Funding of Parliamentary Election Campaigns	391	...	174	...	...	...	...	...	391	...	174	...
Management and Administration of Statutory and Industrial Ballots	294	...	383	...	...	...	...	...	294	...	383	...
Management and Administration of Local Government Elections	227	...	417	...	...	...	...	...	227	...	417	...
Electoral Services	2,329	...	2,617	...	...	...	...	...	2,329	...	2,617	...
Total, STATE ELECTORAL OFFICE	2,329	...	2,617	...	...	...	...	...	2,329	...	2,617	...
TREASURY												
Budget Analysis, Preparation and Control	3,383	...	3,949	...	...	90	...	...	3,383	808	3,949	808
Financial Accounting and Funds Management	7,978	...	16,652	...	168	54	...	...	8,146	54	16,652	100
Information Services	1,005	...	1,115	...	...	310	...	...	1,005	350	1,115	350
Central Financial Management Services	12,366	...	21,716	...	168	454	...	...	12,534	1,258	21,716	1,258
Economic and Statistical Analysis and Advice and Inter-Governmental Financial Relations	1,597	...	1,931	...	...	30	...	...	1,597	50	1,931	50
Economic Policy and Advice	1,597	...	1,931	...	...	30	...	...	1,597	50	1,931	50

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						TOTAL					
	1988-90 ACTUAL		1990-91 ESTIMATE		1988-90 ACTUAL		1990-91 ESTIMATE		1988-90 ACTUAL		1990-91 ESTIMATE	
Con	Other	Con	Other	Con	Other	Con	Other	Con	Other	Con	Other	
Stamp Duty Collection	11,942	...	12,884	...	3,437	1,500	1,500	11,942	3,437	13,144	1,500	
Pay-roll Tax Collection	7,148	...	7,293	...	47	700	700	7,148	47	7,443	700	
Land Tax Collection	15,633	...	15,062	...	1,602	800	800	15,633	1,602	15,212	800	
Business Franchise Licences	1,243	...	2,408	...	...	200	200	1,243	...	2,408	200
Revenue Collection	35,966	...	37,657	...	5,086	3,200	3,200	35,966	5,086	38,207	3,200	
Relief from Taxation	11,987	...	2,210	...	...	...	...	11,987	...	2,210	...
Relief from Taxation	11,987	...	2,210	...	...	...	...	11,987	...	2,210	...
Employee Entitlement Costs	21,110	...	270	...	...	...	...	21,110	...	270	...
Insurance and Compensation Payments	1,197	...	888	...	...	...	...	1,197	...	888	...
Administration of Government Agency Accounts	185	...	100	...	...	...	...	185	...	100	...
Water Board Rates	27,985	...	34,485	...	...	...	...	27,985	...	34,485	...
Service-wide Payments and Services	50,477	...	35,743	...	...	...	...	50,477	...	35,743	...
Assistance to Authorities and Other Bodies	4,331	...	779	...	...	...	...	4,331	...	779	...
Assistance to Authorities and Other Bodies	4,331	...	779	...	...	...	...	4,331	...	779	...
Liability for Commonwealth General Purpose Loans	648,306	...	636,743	...	...	...	...	648,306	...	636,743	...
Liability for Commonwealth Specific Purpose Advances	66,946	...	63,508	...	...	...	...	66,946	...	63,508	...
Liability for Debt Servicing Costs on Capital Works Programs	265,109	...	256,554	...	...	...	...	265,109	...	256,554	...
Liability for Loans and Advances	980,361	...	956,805	...	...	...	...	980,361	...	956,805	...
Natural Disasters Relief	29,569	...	35,000	...	...	...	...	29,569	...	35,000	...
Natural Disasters Relief	29,569	...	35,000	...	...	...	...	29,569	...	35,000	...

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL											
	RECURRENT SERVICES					CAPITAL WORKS AND SERVICES						
	1989-90 ACTUAL	Con Fund	Other	1990-91 ESTIMATE	Other	1989-90 ACTUAL	Con Fund	Other	1990-91 ESTIMATE	Other		
Administrative Support Services (Office of Financial Management)	3,148	...	3,424	...	1	10	71	220	3,149	10	3,495	220
Administrative Support Services (Office of State Revenue)	7,615	...	7,115	...	...	2,500	298	2,500	7,615	2,500	7,413	2,500
Planning and Review (Office of State Revenue)	870	...	1,156	...	...	...	...	657	870	...	1,156	657
Administrative Support Services	11,633	...	11,695	...	1	2,510	369	3,377	11,634	2,510	12,064	3,377
Total, TREASURY	1,138,287	...	1,103,536	...	169	8,080	919	7,885	1,138,456	8,080	1,104,455	7,885
ETHNIC AFFAIRS COMMISSION												
Services for Ethnic Communities	7,528	433	7,312	385	79	417	...	...	7,607	850	7,312	385
Services for Ethnic Communities	7,528	433	7,312	385	79	417	...	...	7,607	850	7,312	385
Total, ETHNIC AFFAIRS COMMISSION	7,528	433	7,312	385	79	417	...	...	7,607	850	7,312	385
AUDITOR-GENERAL'S OFFICE	-	-	-	-	-	98	-	...	-	-	98	-
TREASURY	-	-	-	-	-	...	-	...	-	...	-	-
MISCELLANEOUS	-	-	-	-	-	...	-	...	-	...	-	-
Total, OUTER BUDGET SECTOR	-	-	-	-	-	98	-	...	-	98	-	-
Total, PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS	1,253,331	1,383	1,215,231	1,620	6,010	8,895	36,436	12,127	1,259,341	10,278	1,251,667	13,747
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS												
RURAL ASSISTANCE AUTHORITY												
Assistance To Farmers	20,909	...	25,612	100	...	12,331	9,900	537	20,909	12,331	35,512	637
Assistance To Farmers	20,909	...	25,612	100	...	12,331	9,900	537	20,909	12,331	35,512	637
Total, RURAL ASSISTANCE AUTHORITY	20,909	...	25,612	100	...	12,331	9,900	537	20,909	12,331	35,512	637

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS (INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
DEPARTMENT OF AGRICULTURE AND FISHERIES												
Agriculture and Fisheries Services	156,405	13,554	148,101	13,974	28,263	580	6,990	2,001	184,668	14,134	154,691	15,975
Plant Industries	57,974	5,372	65,010	5,547	3,569	...	1,774	...	61,543	5,372	66,784	5,547
Animal Production Services	32,541	1,649	17,372	1,697	14,039	...	129	...	46,580	1,649	17,501	1,697
Animal Health Services	29,582	2,831	30,326	2,912	7,540	...	2,977	...	37,122	2,831	33,303	2,912
Fish Industries	14,237	1,315	13,340	1,353	959	...	1,023	...	15,096	1,315	14,363	1,353
Support Services	22,071	2,387	22,053	2,465	2,265	580	687	2,001	24,327	2,967	22,740	4,466
Agriculture and Fisheries Services												
Agricultural Education	4,453	...	4,583	...	531	...	848	...	4,984	...	5,431	...
Agricultural Education	4,453	...	4,583	...	531	...	848	...	4,984	...	5,431	...
Administrative Support Services	13,355	...	20,051	...	26	...	31	...	13,381	...	20,082	...
Administrative Support Services	13,355	...	20,051	...	26	...	31	...	13,381	...	20,082	...
Total, DEPARTMENT OF AGRICULTURE AND FISHERIES	174,213	13,554	172,735	13,974	28,820	580	7,469	2,001	203,033	14,134	180,204	15,975
SOIL CONSERVATION SERVICE												
Information Collection, Interpretation and Presentation	6,936	509	8,541	...	100	...	100	507	7,036	509	8,641	507
Community Advice and Assistance	18,536	16,873	18,982	14,045	189	854	198	418	18,536	16,873	18,982	14,045
Administrative Support Services	9,344	...	12,648	...	289	854	298	925	9,533	854	12,846	418
Conservation of the State's Soil Resources	34,816	17,382	40,171	14,045	289	854	298	925	35,105	18,236	40,469	14,970
Total, SOIL CONSERVATION SERVICE	34,816	17,382	40,171	14,045	289	854	298	925	35,105	18,236	40,469	14,970
DAIRY CORPORATION OF NSW												
HEN QUOTA COMMITTEE	-	-	-	-	-	182	-	-	-	182	-	-
SYDNEY MARKET AUTHORITY	-	-	-	-	-	47,000	-	2,600	-	47,000	-	-
FISH MARKETING AUTHORITY	-	-	-	-	-	7,256	-	-	-	7,256	-	-
	-	-	-	-	-	8,997	-	-	-	8,997	-	-
Total, OUTER BUDGET SECTOR	-	-	-	-	-	63,435	-	2,600	-	63,435	-	2,600

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						TOTAL	
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
Total, MINISTER FOR AGRICULTURE AND RURAL AFFAIRS	229,938	30,936	238,518	28,119	29,109	77,200	17,667	6,063	259,047	108,136	256,185	34,182		
ATTORNEY GENERAL														
ATTORNEY GENERAL'S DEPARTMENT														
Registry Services for Births, Deaths and Marriages	6,889	...	7,301	...	11	291	...	5,066	6,900	291	7,301	5,066		
Registry Services for Births, Deaths and Marriages	6,889	...	7,301	...	11	291	...	5,066	6,900	291	7,301	5,066		
Legal Advice and Representation on behalf of the Crown (other than Criminal Prosecution)	14,460	...	13,552	...	21	...	43	443	14,481	...	13,595	...		
Drafting of Government Legislation	3,078	...	3,379	...	423	7	240	...	3,501	...	3,619	443		
Legal and Law Reform, and Law Reporting	2,955	...	3,185	...	24	...	...	...	2,979	...	3,185	...		
Protection of Privacy	1,487	...	528	...	...	...	...	...	487	...	528	...		
Legal Aid Services (Public Defenders)	1,936	...	2,029	...	...	...	...	...	1,936	...	2,029	...		
Legislative and Legal Services	22,916	...	22,673	...	468	7	283	443	23,384	7	22,956	443		
Supreme Court Services	20,257	516	20,012	678	102	975	628	1,261	20,359	1,491	20,640	1,939		
Industrial Commission Services	3,122	...	3,305	...	13	...	...	...	3,135	...	3,305	...		
Land and Environment Court Services	4,209	...	4,711	...	...	854	24,230	1,004	4,209	854	44,537	1,004		
District Court Services	18,910	...	20,307	...	45,717	1,829	18,626	2,582	64,627	1,829	86,064	2,582		
Local Courts Services	63,940	...	67,438	...	6,339	...	...	...	70,279	...	...	...
Court Reporting, Recording and Transcription Services	20,585	...	22,429	...	119	299	32	140	20,704	299	22,461	140		
Security, Jury and Court Process Services	17,753	...	20,725	...	415	90	2,318	455	18,168	90	23,043	455		
Community Justice Scheme	1,094	...	1,186	...	32	189	774	583	1,126	189	1,960	583		
Legal Library Services	2,671	...	2,958	...	...	...	...	286	2,671	...	2,958	286		
Criminal Listing Directorate Services	1,353	...	1,757	...	32	...	1,031	...	1,385	...	2,788	...		
Courts and Court Administration	153,894	516	164,828	678	52,769	4,236	47,639	6,311	206,663	4,752	212,467	6,989		
Specific Purpose Tribunals	37,491	280	31,314	340	19	...	37	...	37,510	280	31,351	340		
Specific Purpose Tribunals	37,491	280	31,314	340	19	...	37	...	37,510	280	31,351	340		

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES												CAPITAL WORKS AND SERVICES						TOTAL
	1988-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE				
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other			
Administrative Support Services	24,003	...	25,940	...	348	22	168	1,180	24,351	22	1,180	24,351	22	26,108	1,180				
Administrative Support Services	24,003	...	25,940	...	348	22	168	1,180	24,351	22	1,180	24,351	22	26,108	1,180				
Total, ATTORNEY GENERAL'S DEPARTMENT	245,193	796	252,056	1,018	53,615	4,556	48,127	13,000	298,808	5,352	300,183	14,018							
JUDICIAL COMMISSION																			
Judicial Commission of New South Wales	1,344	...	1,659	...	...	164	...	400	1,344	164	1,659	400					
Judicial Commission of New South Wales	1,344	...	1,659	...	...	164	...	400	1,344	164	1,659	400					
Total, JUDICIAL COMMISSION	1,344	...	1,659	...	...	164	...	400	1,344	164	1,659	400					
LEGAL AID COMMISSION																			
Legal-Aid and Other Legal Services for Eligible Persons in Child Care and Protection Matters	2,125	51	2,199	60	...	...	...	...	2,125	51	2,199	61			
Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters	17,723	2,735	19,887	3,217	...	30	...	36	17,723	2,765	19,887	3,253							
Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters	6,989	7,915	6,239	9,311	...	22	...	21	6,989	7,937	6,239	9,332							
Legal Aid and Other Legal Services for Eligible Persons in Administrative Law Matters	2,147	439	2,194	516	...	5	...	6	2,147	444	2,194	522							
Legal Aid and Other Legal Services for Eligible Persons in proceedings relating to Mental Health	492	308	485	362	...	3	...	3	492	311	485	365							
Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships	14,036	2,941	14,235	3,460	...	21	...	21	14,036	2,962	14,235	3,481							
Administrative and Legal Support Services	4,445	1,593	5,006	1,874	...	444	...	513	4,445	2,037	5,006	2,387							
Legal Aid and Other Legal Services	47,957	15,982	50,255	18,800	...	525	...	601	47,957	16,507	50,255	19,401							
Total, LEGAL AID COMMISSION	47,957	15,982	50,255	18,800	...	525	...	601	47,957	16,507	50,255	19,401							

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS												
Crown Representation in Criminal Prosecutions	25,586	...	34,416	...	106	869	702	2,079	25,692	869	35,118	2,079
Crown Representation in Criminal Prosecutions	25,586	...	34,416	...	106	869	702	2,079	25,692	869	35,118	2,079
Total, OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	25,586	...	34,416	...	106	869	702	2,079	25,692	869	35,118	2,079
Total, ATTORNEY GENERAL	320,080	16,778	338,386	19,818	53,721	6,114	48,829	16,080	373,801	22,892	387,215	35,898
MINISTER FOR BUSINESS AND CONSUMER AFFAIRS												
BUSINESS AND CONSUMER AFFAIRS												
Business Support	40,284	10,155	30,457	10,400	...	...	...	...	40,284	10,155	30,457	10,400
Compliance	10,694	...	6,995	...	...	1,583	...	250	10,694	1,583	6,995	250
Client Services	18,100	...	11,692	...	...	586	...	250	18,100	586	11,692	250
Policy Development	3,093	...	2,881	...	...	421	...	1,200	3,093	421	2,881	1,200
Management Support Services	30,056	...	28,830	...	2,410	1,749	213	2,470	32,466	1,749	29,043	2,470
Encouragement of Business Development and Growth and Observance of Fair Trading Principles	102,227	10,155	80,855	10,400	2,410	4,339	213	4,170	104,637	14,494	81,068	14,570
Total, BUSINESS AND CONSUMER AFFAIRS	102,227	10,155	80,855	10,400	2,410	4,339	213	4,170	104,637	14,494	81,068	14,570
Total, MINISTER FOR BUSINESS AND CONSUMER AFFAIRS	102,227	10,155	80,855	10,400	2,410	4,339	213	4,170	104,637	14,494	81,068	14,570
CHIEF SECRETARY AND MINISTER FOR WATER RESOURCES												
CHIEF SECRETARY'S DEPARTMENT												
Licensing and Control of Poker Machines, Certain Amusement Devices and Premises Supplying and Serving Liquor	6,445	...	7,796	...	341	216	90	183	6,786	216	7,886	183
Charities Administration	910	...	1,149	...	89	...	20	...	999	...	1,169	...
Revenue Collection and Charities Administration	7,355	...	8,945	...	430	914	110	...	...	...	...	...

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL				
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
Co-ordination and Development of Liquor and Gaming Policy	1,487	...	2,469	...	...	...	52	...	...	...	1,539	...	2,482
Co-ordination and Development of Liquor and Gaming Policy	1,487	...	2,469	...	...	...	52	...	...	...	1,539	...	2,482
Total, CHIEF SECRETARY'S DEPARTMENT	8,842	...	11,414	...	...	216	482	123	183	9,324	216	11,537	183
DEPARTMENT OF WATER RESOURCES													
Water Resource Management	16,446	...	18,133	...	...	1,210	13,928	14,821	2,135	30,374	1,210	32,954	2,135
Water Resource Management	16,446	...	18,133	...	...	1,210	13,928	14,821	2,135	30,374	1,210	32,954	2,135
Water Resource Development	14,465	...	14,906	...	...	314	1,618	378	35	16,083	314	15,284	35
Rural Water Supply and Associated Services	43,552	28,610	41,872	32,000	...	16,917	11,443	20,412	16,649	54,995	45,527	62,284	48,649
River Channel and Floodplain Protection	4,874	...	5,821	...	...	378	7,166	6,528	504	12,040	378	12,349	504
Rural Water Supply and Associated Services	62,891	28,610	62,599	32,000	...	17,609	20,227	27,318	17,188	83,118	46,219	89,917	49,188
Subsidies to Other Water Supply Organisations	1,067	...	1,283	...	...	...	...	...	...	1,067	...	1,283	...
Subsidies to Other Water Supply Organisations	1,067	...	1,283	...	...	...	...	...	...	1,067	...	1,283	...
Total, DEPARTMENT OF WATER RESOURCES	80,404	28,610	82,015	32,000	...	18,819	34,155	42,139	19,323	114,559	47,429	124,154	51,323
STATE LOTTERIES OFFICE	-	-	-	-	...	1,260	-	-	-	-	1,260	-	-
BROKEN HILL WATER BOARD	-	-	-	-	...	604	-	-	-	-	604	-	-
Total, OUTER BUDGET SECTOR	-	-	-	-	...	1,864	-	-	3,158	-	1,864	-	3,158
Total, CHIEF SECRETARY AND MINISTER FOR WATER RESOURCES	89,246	28,610	93,429	32,000	...	20,899	34,637	42,262	22,664	123,883	49,509	135,691	54,664

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL										
	RECURRENT SERVICES					CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
MINISTER FOR CORRECTIVE SERVICES											
DEPARTMENT OF CORRECTIVE SERVICES											
Pre-Sentence Assessment of Offenders	4,777	...	5,519	...	...	...	2,908	...	4,777	...	5,519
Supervision of Convicted Offenders	14,127	...	16,108	...	848	...	...	...	14,975	...	19,016
Alternatives to Prison	18,904	...	21,627	...	848	...	2,908	...	19,752	...	24,535
Containment of Prisoners	119,032	...	145,520	...	67,195	...	96,831	...	186,227	...	242,351
Care and Welfare Services for Prisoners	20,264	...	24,407	...	69	...	18	...	20,333	...	24,465
Development and Education Services for Prisoners	21,471	...	24,636	...	3,006	...	4,060	...	24,477	...	28,696
Custody of Prisoners	160,767	...	194,563	...	70,270	...	100,909	...	231,037	...	295,472
Post-Custodial Services	5,301	...	5,875	...	...	...	...	...	5,301	...	5,875
Post-Custodial Services	5,301	...	5,875	...	...	...	...	...	5,301	...	5,875
Policy Advice and Co-ordination Internal Management Services	3,440	...	3,992	...	1,078	...	1,372	...	3,440	...	3,992
Support and Administration	18,406	...	19,600	...	1,078	...	1,372	...	19,484	...	20,972
	21,846	...	23,592	...	1,078	...	1,372	...	22,924	...	24,964
Total, DEPARTMENT OF CORRECTIVE SERVICES	206,818	...	245,657	...	72,196	...	105,189	...	279,014	...	350,846
Total, MINISTER FOR CORRECTIVE SERVICES	206,818	...	245,657	...	72,196	...	105,189	...	279,014	...	350,846
MINISTER FOR THE ENVIRONMENT											
MINISTRY FOR THE ENVIRONMENT											
Policy Co-ordination and Support of Environmental Activities	6,703	...	6,722	10	...	...	...	...	6,703	...	6,722
Policy Co-ordination and Support of Environmental Activities	6,703	...	6,722	10	...	...	...	...	6,703	...	6,722

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in '000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
Rate Rebates for Pensioners	33,017	...	32,950	...	...	...	...	...	33,017	...	...	32,950
Rate Rebates for Pensioners	33,017	...	32,950	...	...	...	...	...	33,017	...	...	32,950
Bicentennial Park	794	...	883	...	108	...	868	...	902	...	...	1,751
Royal Botanic Gardens	10,551	2,267	12,411	2,650	3,818	713	1,004	...	14,369	2,980	...	13,415
Centennial Park and Moore Park Trust	2,174	...	2,774	1,000	554	...	713	...	2,728	...	...	3,487
Other Associated Bodies for which the Ministry has Responsibility	13,519	2,267	16,068	3,650	4,480	713	2,585	...	17,999	2,980	...	18,653
Total, MINISTRY FOR THE ENVIRONMENT	53,239	2,267	55,740	3,660	4,480	713	2,585	...	57,719	2,980	...	58,325
NATIONAL PARKS AND WILDLIFE SERVICE												
Natural and Cultural Resource Management	27,746	1,290	28,548	1,772	14,675	144	20,037	770	42,421	1,434	...	48,585
Recreation Area Management	3,211	2,224	3,353	2,317	479	103	...	...	3,690	2,327	...	3,353
Administrative Support Services	7,217	7,722	7,621	8,835	686	726	...	...	7,903	8,448	...	7,621
Conservation of Natural and Cultural Resources	38,174	11,236	39,522	12,924	15,840	973	20,037	770	54,014	12,209	...	59,559
Total, NATIONAL PARKS AND WILDLIFE SERVICE	38,174	11,236	39,522	12,924	15,840	973	20,037	770	54,014	12,209	...	59,559
STATE POLLUTION CONTROL COMMISSION												
Research and Policy Development	3,506	2,399	3,337	1,406	178	1,479	349	1,092	3,684	2,399	...	3,686
Operations	10,248	2,192	10,740	9,257	510	...	699	...	10,758	3,671	...	11,439
Administrative Support Services	2,050	45	3,027	941	119	...	16	...	2,169	45	...	3,043
Pollution Control and Environmental Management	15,804	4,636	17,104	11,604	807	1,479	1,064	1,092	16,611	6,115	...	18,168
Total, STATE POLLUTION CONTROL COMMISSION	15,804	4,636	17,104	11,604	807	1,479	1,064	1,092	16,611	6,115	...	18,168

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL											
	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
LORD HOME ISLAND BOARD	-	-	-	-	536	-	1,027	-	536	-	1,027	
ZOOLOGICAL PARKS BOARD	-	-	-	-	2,500	-	3,850	-	2,500	-	3,850	
HUNTER DISTRICT WATER BOARD	-	-	-	-	36,520	-	45,124	-	36,520	-	45,124	
WATER BOARD	-	-	-	-	340,476	-	479,898	-	340,476	-	479,898	
WASTE MANAGEMENT AUTHORITY	-	-	-	-	11,490	-	34,511	-	11,490	-	34,511	
Total, OUTER BUDGET SECTOR	-	-	-	-	391,522	-	564,410	-	391,522	-	564,410	
Total, MINISTER FOR THE ENVIRONMENT	107,217	18,139	112,366	28,188	21,127	394,687	23,686	566,272	128,344	412,826	136,052	
MINISTER FOR FAMILY AND COMMUNITY SERVICES AND MINISTER FOR ADMINISTRATIVE SERVICES												
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES												
Protection of Children	30,647	...	33,739	...	200	...	425	...	30,847	...	34,164	
Substitute Care of Children	62,816	...	68,426	...	2,278	...	3,928	...	65,094	...	72,352	
Juvenile Justice	35,372	...	43,106	...	9,492	...	21,239	...	44,864	...	64,345	
Family and Children's Services	74,294	...	84,944	...	704	...	8,269	...	74,998	...	93,213	
Child and Family Welfare	203,129	...	230,215	...	12,674	...	33,859	...	215,803	...	264,074	
Services for Disadvantaged Groups and Communities	51,616	...	73,661	...	199	...	108	...	51,815	...	73,769	
Supported Accommodation	41,977	...	66,706	...	4	...	3	...	41,981	...	66,709	
Services Mainly for the Developmental Disabled	190,470	...	215,716	...	732	...	10,000	...	190,470	...	215,716	
Youth Services	10,832	...	12,746	...	17	...	35	...	10,849	...	12,781	
Community Welfare	294,895	...	368,829	...	220	...	146	...	295,115	...	368,975	
Organisational and Administrative Support Services	27,763	...	29,261	...	1,385	...	2,137	...	29,148	...	31,398	
Organisational and Administrative Support Services	27,763	...	29,261	...	1,385	...	2,137	...	29,148	...	31,398	
Home Care Service of New South Wales	78,998	9,589	85,421	9,200	...	2,500	...	...	78,998	12,089	85,421
Home Care Service of New South Wales	78,998	9,589	85,421	9,200	...	2,500	...	...	78,998	12,089	85,421
Total, DEPARTMENT OF FAMILY AND COMMUNITY SERVICES	604,285	9,589	713,736	9,200	14,279	5,819	36,142	12,968	619,064	15,408	749,868	

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						TOTAL					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
COMMERCIAL SERVICES GROUP												
Government Information Services	3,658	...	4,056	...	...	13	95	...	...	3,658	...	4,056
Contracts and Purchasing Services	5,273	...	5,955	...	...	...	...	...	...	5,368	...	6,050
Telecommunications Unit	1,131	...	680	...	...	...	214	...	...	131	...	680
Corporate Services	3,097	...	3,997	...	...	874	14	...	...	3,484	...	4,211
Administrative and Support Services	1,113	...	1,125	...	...	...	...	...	...	1,113	...	1,139
Government Administrative Support Services	13,272	...	15,813	...	...	887	323	...	...	13,754	...	16,136
Total, COMMERCIAL SERVICES GROUP	13,272	...	15,813	...	...	887	323	...	...	13,754	...	16,136
PROPERTY SERVICES GROUP												
Management of Government Office and Staff	29,282	...	15,318	...	...	...	15,496	...	...	47,325	...	30,814
Accommodation	253	...	...	...	...	3	...	...	...	253	...	3
Property Management	802	...	4,332	...	...	4,946	...	...	...	802	...	4,332
Hemebush Bay Development	...	...	...	...	...	...	...	...	...	...	...	13,114
Property Management and Development	30,337	...	19,650	...	...	18,043	4,949	...	...	48,380	...	35,146
Total, PROPERTY SERVICES GROUP	30,337	...	19,650	...	...	18,043	4,949	...	...	48,380	...	35,146
PROPERTY SERVICES GROUP												
PROPERTY SERVICES GROUP	-	-	-	-	-	-	-	-	-	-	-	-
COMMERCIAL SERVICES GROUP	-	-	-	-	-	-	-	-	-	-	-	-
NSW PUBLIC SERVANT HOUSING AUTHORITY	-	-	-	-	-	310	-	-	200	-	310	-
Total, OUTER BUDGET SECTOR	-	-	-	-	-	310	-	-	200	-	310	-
Total, MINISTER FOR FAMILY AND COMMUNITY SERVICES												
	648,394	9,589	749,189	9,200	32,804	11,965	51,961	26,282	681,198	21,554	801,150	35,482

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						TOTAL	
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		Con Fund	Other
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other		
MINISTER FOR HEALTH AND MINISTER FOR THE ARTS														
DEPARTMENT OF HEALTH														
Public Health Regulatory Services	12,066	...	13,919	...	109	...	50	...	12,175	...	...	13,969	...	...
Analytical, Clinical and Scientific Services	12,288	...	12,598	...	937	...	1,200	...	13,225	...	...	13,798	...	...
Health Promotion and Education	14,279	...	18,723	...	...	...	...	...	14,279	...	...	18,723	...	...
Blood Transfusion Service	16,250	...	18,056	...	743	...	1,120	...	16,993	...	...	19,176	...	...
External Research	3,369	...	3,709	...	...	...	...	...	3,369	...	...	3,709	...	...
Public Health Services	58,252	...	67,005	...	1,789	...	2,370	...	60,041	...	...	69,375	...	...
Health Transport Services Specifically for Drug and Alcohol Dependent Persons	138,391	...	137,104	...	10,208	...	9,702	...	148,599	...	4,510	146,806	...	2,765
Support for Area Health Services and Public Hospitals	22,837	...	24,172	...	...	...	...	...	22,837	...	...	24,172	...	...
External Health Services	2,883,177	414,759	3,142,035	408,700	39,509	207,108	25,596	237,842	2,922,686	621,867	3,167,631	646,542	...	...
Support for the United Dental Hospital and remote dental services	6,398	...	6,440	...	...	...	...	...	6,398	...	...	6,440	...	...
Services Specifically for Aborigines	14,182	121	14,554	152	...	...	...	...	14,182	121	14,554	152	...	...
Support for Community Services	5,151	...	5,680	...	...	...	...	...	5,151	...	5,680	...	...	...
Services Mainly for the Psychiatrically Ill	8,846	...	9,251	...	...	...	...	...	8,846	...	9,251	...	...	...
Services Mainly for the Aged and Disabled	223,375	15,170	230,645	15,719	...	...	35,000	...	223,375	27,447	230,645	50,719	...	...
Prison Medical Service	119,848	50,254	116,118	59,284	...	...	1,376	...	119,848	51,630	116,118	59,284	...	...
Delivery of Health Services	10,197	151	10,539	...	...	...	...	...	10,197	151	10,539	...	...	...
	3,432,402	480,455	3,696,538	483,855	49,717	225,271	35,298	275,607	3,482,119	705,726	3,731,836	759,462	...	...
Administration, Finance, Planning and Policy Development														
Administrative and Support Services	38,988	...	46,964	...	2,386	5,181	3,153	40,000	41,374	5,181	50,117	40,000	...	...
	38,988	...	46,964	...	2,386	5,181	3,153	40,000	41,374	5,181	50,117	40,000	...	...
Total, DEPARTMENT OF HEALTH	3,529,642	480,455	3,810,507	483,855	53,892	230,452	40,821	315,607	3,583,534	710,907	3,851,328	799,462	...	...

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL											
	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES							
	1988-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
MINISTRY FOR THE ARTS												
Policy Co-ordination and Support of Cultural Activities												
27,258	84	31,479	60	10,154	...	15,537	700	37,412	84	47,016	760	
32,401	2,117	35,042	1,837	1,068	480	1,761	609	33,469	2,597	36,803	2,446	
11,431	3,249	11,804	3,272	1,262	1,85	1,661	200	12,693	3,434	13,465	3,472	
21,563	721	23,240	710	1,333	275	736	256	22,896	796	23,976	966	
3,427	...	4,512	132	...	...	750	80	3,559	...	5,262	80
3,971	...	3,141	1,100	19	...	20	...	3,990	...	3,161	1,100	
7,942	3,827	8,091	3,840	1,280	...	782	186	8,822	3,827	8,873	4,026	
2,175	...	2,234	...	...	131	...	...	2,175	131	2,234	...
109,768	9,998	119,543	10,819	15,248	1,071	21,247	2,031	125,016	11,069	140,790	12,850	
Total, MINISTRY FOR THE ARTS												
109,768	9,998	119,543	10,819	15,248	1,071	21,247	2,031	125,016	11,069	140,790	12,850	
Total, MINISTER FOR HEALTH AND MINISTER FOR THE ARTS												
3,639,410	490,453	3,930,050	494,674	69,140	231,523	62,068	317,638	3,708,550	721,976	3,992,118	812,312	
MINISTER FOR HOUSING												
DEPARTMENT OF HOUSING												
Public and Community Housing Mortgage and Rent Relief Scheme												
7,314	...	26,161	...	367,892	...	395,482	...	375,206	...	421,643	...	
23,875	...	18,661	...	...	...	...	...	23,875	...	18,661	...
31,189	...	44,822	...	367,892	...	395,482	...	399,081	...	440,304	...	
31,189	...	44,822	...	367,892	...	395,482	...	399,081	...	440,304	...	
DEPARTMENT OF HOUSING												
-	-	-	-	-	-	-	-	-	-	-	-	
Total, OUTER BUDGET SECTOR												
-	-	-	-	-	-	-	-	-	-	-	-	
Total, MINISTER FOR HOUSING												
31,189	...	44,822	...	367,892	383,432	395,482	279,518	399,081	383,432	440,304	279,518	

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	TOTAL											
	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT												
DEPARTMENT OF INDUSTRIAL RELATIONS												
Private Sector Industrial Relations	7,247	...	6,117	...	52	...	26	...	7,299	...	6,143	...
Public Sector Industrial Relations	4,222	...	3,962	...	81	...	...	...	4,303	...	3,962	...
Conciliation and Arbitration	2,664	...	5,009	...	19	...	22	...	2,683	...	5,031	...
Policy Development and Co-ordination	768	...	5,600	...	...	...	...	...	768	...	5,600	...
Industrial Relations	14,901	...	20,688	...	152	53	48	547	15,053	53	20,736	547
Total, DEPARTMENT OF INDUSTRIAL RELATIONS	14,901	...	20,688	...	152	53	48	547	15,053	53	20,736	547
DEPARTMENT OF FURTHER EDUCATION, TRAINING AND EMPLOYMENT												
Courses in Engineering and Industrial Technology	253,046	3,676	281,267	5,030	48,665	2,273	38,309	823	301,711	5,949	319,576	5,853
Courses in Applied Sciences	94,685	3,601	105,193	4,306	23,732	316	31,211	300	118,417	3,917	136,404	4,606
Courses in Fine and Applied Arts	73,897	531	82,170	685	10,542	261	15,524	248	84,439	792	97,694	933
Courses in Commercial and General Studies	205,038	3,467	228,276	4,953	38,814	859	44,868	747	243,852	4,316	273,144	5,700
Support Services to Teachers and Students	13,611	...	15,675	...	...	...	...	...	13,611	...	15,675	...
Administrative Support Services	24,101	...	25,340	...	...	...	...	...	24,101	...	25,340	...
Technical and Further Education	664,378	11,265	737,921	14,974	121,753	3,709	129,912	2,118	786,131	14,974	867,833	17,092
Vocational Training and Employment	37,099	11,586	46,008	16,720	35	...	185	366	37,134	11,586	46,193	17,086
Adult Education	4,375	...	4,214	...	...	...	...	...	4,375	...	4,214	...
Adult Migrant English Education	23,779	...	23,885	...	...	...	...	...	23,779	...	23,885	...
Management Services	13,007	...	13,088	...	359	1,623	180	4,078	13,366	1,623	13,268	4,078
Other Education, Training and Employment Activities	78,260	11,586	87,195	16,720	394	1,623	365	4,444	78,654	13,209	87,560	21,164
Total, DEPARTMENT OF FURTHER EDUCATION, TRAINING AND EMPLOYMENT	742,638	22,851	825,116	31,694	122,147	5,332	130,277	6,562	864,785	28,183	955,393	38,256
Total, MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT	757,539	22,851	845,804	31,694	122,299	5,385	130,325	7,109	879,838	28,236	976,129	38,803

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in 5000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						TOTAL					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
MINISTER FOR LANDS AND FORESTS AND MINISTER FOR TOURISM												
DEPARTMENT OF LANDS												
Crown Land Management and Administration	23,690	...	24,199	...	21,751	617	1,535	4,693	45,441	617	25,734	4,693
Management and Preservation of Western Lands	3,798	...	4,533	...	736	68	409	...	4,534	68	4,942	...
Public Land Management	27,488	...	28,732	...	22,487	685	1,944	4,693	49,975	685	30,676	4,693
Land Information Planning and Management for the State Land Information System	20,086	...	21,063	...	269	3,679	278	914	20,355	3,679	21,331	914
Land Information	1,065	...	1,463	...	15	...	15	403	1,080	...	1,468	403
	21,151	...	22,506	...	284	3,679	293	1,317	21,435	3,679	22,799	1,317
Corporate and Financial Programs	21,200	...	23,540	...	49	341	223	886	21,249	341	23,763	886
Corporate and Financial Programs	21,200	...	23,540	...	49	341	223	886	21,249	341	23,763	886
Total, DEPARTMENT OF LANDS	69,839	...	74,778	...	22,820	4,705	2,460	6,896	92,659	4,705	77,238	6,896
TOURISM COMMISSION												
Provision Of Tourist Information and Sale Of Travel	3,193	...	3,351	...	...	...	...	...	3,193	...	3,351	...
Promotion of Tourism	10,355	...	10,064	3,200	1,957	697	...	...	12,312	2,935	10,064	3,200
Administrative Support Services	5,325	...	6,370	...	...	697	...	...	5,325	697	6,370	...
Development of the Tourism Industry	18,873	2,935	19,775	3,200	1,957	697	...	...	20,830	3,632	19,775	3,200
Total, TOURISM COMMISSION	18,873	2,935	19,775	3,200	1,957	697	...	...	20,830	3,632	19,775	3,200

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						TOTAL					
	1988-90 ACTUAL		1990-91 ESTIMATE		1988-90 ACTUAL		1990-91 ESTIMATE		1988-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
DEPARTMENT OF LANDS	-	-	-	-	-	1,100	-	-	-	-	1,100	-
VALUER-GENERAL'S DEPARTMENT	-	-	-	-	-	7,016	-	-	-	-	7,016	-
FORESTRY COMMISSION	-	-	-	-	-	1,510	-	-	-	-	1,510	-
LAND TITLES OFFICE	-	-	-	-	-	-	-	-	-	-	-	-
Total, OUTER BUDGET SECTOR	-	-	-	-	-	9,626	-	-	-	-	9,626	-
Total, MINISTER FOR LANDS AND FORESTS AND MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING	88,712	2,935	94,553	3,200	24,777	15,028	2,460	113,489	17,963	97,013	19,096	-
DEPARTMENT OF LOCAL GOVERNMENT	10,868	182	9,679	274	55	355	180	10,923	537	9,859	274	-
Development, Oversight of and Assistance to Local Government	36,748	...	43,000	...	...	...	...	36,748	...	43,000	...	-
Rate Rebates for Pensioners	47,616	182	52,679	274	55	355	180	47,671	537	52,859	274	-
Development, Oversight of and Assistance to Local Government	47,616	182	52,679	274	55	355	180	47,671	537	52,859	274	-
Total, DEPARTMENT OF LOCAL GOVERNMENT	21,915	287	22,335	1,856	203	...	102	22,118	287	22,437	1,856	-
DEPARTMENT OF PLANNING	6,915	...	10,587	...	15	45,577	22	42,666	6,930	10,609	42,666	-
Promotion and Co-ordination of Environmental Planning and Assessment	4,375	3,592	2,363	2,476	610	...	567	4,985	3,592	2,930	2,926	-
Provision of Land for Public Purposes (other than for Environmental Heritage and Coastal Conservation)	1,037	...	1,003	...	2,512	...	2,517	3,549	...	3,520	...	-
Conservation of State's Environmental Heritage	5,926	...	7,780	...	463	81	58	6,389	81	7,838	...	-
Protection and Conservation of the Coastal Region	40,168	3,879	44,068	4,332	3,803	45,658	3,266	43,116	43,971	49,537	47,448	-
Administrative Support Services	40,168	3,879	44,068	4,332	3,803	45,658	3,266	43,116	43,971	49,537	47,448	-
Environmental Planning and Conservation	40,168	3,879	44,068	4,332	3,803	45,658	3,266	43,116	43,971	49,537	47,448	-
Total, DEPARTMENT OF PLANNING	40,168	3,879	44,068	4,332	3,803	45,658	3,266	43,116	43,971	49,537	47,448	-

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						TOTAL	
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE			
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
DARLING HARBOUR AUTHORITY														
Management of Tourism and Recreation Facilities	3,900	11,065	12,000	11,869	54,796	12,552	14,100	...	58,696	23,617	26,100	11,869		
Management of Tourism and Recreation Facilities	3,900	11,065	12,000	11,869	54,796	12,552	14,100	...	58,696	23,617	26,100	11,869		
Total, DARLING HARBOUR AUTHORITY	3,900	11,065	12,000	11,869	54,796	12,552	14,100	...	58,696	23,617	26,100	11,869		
LOCAL GOVERNMENT BORROWING PROGRAM														
SYDNEY COVE REDEVELOPMENT AUTHORITY	-	-	-	-	-	180,050	-	185,000	-	180,050	-	185,000	-	185,000
	-	-	-	-	-	6,129	-	12,877	-	6,129	-	12,877	-	12,877
Total, OUTER BUDGET SECTOR	-	-	-	-	-	186,179	-	197,877	-	186,179	-	197,877	-	197,877
Total, MINISTER FOR LOCAL GOVERNMENT AND MINISTER	91,684	15,126	108,747	16,475	58,654	244,744	17,546	240,993	150,338	259,870	126,293	257,468		
MINISTER FOR MINERALS AND ENERGY														
DEPARTMENT OF MINERALS AND ENERGY														
Mineral Resources Development	22,971	5,512	20,854	6,760	308	...	556	...	23,279	5,512	21,410	6,760		
Energy Utilisation and Management	1,343	23,203	1,400	25,093	6,107	1,554	1,420	3,848	1,343	23,203	1,400	25,093		
Public Affairs and Corporate Management	13,680	2,598	13,530	1,513	6,107	1,554	1,420	3,848	19,787	4,152	14,950	5,361		
Minerals and Energy	37,994	31,313	35,784	33,366	6,415	1,554	1,976	3,942	44,409	32,867	37,760	37,308		
Total, DEPARTMENT OF MINERALS AND ENERGY	37,994	31,313	35,784	33,366	6,415	1,554	1,976	3,942	44,409	32,867	37,760	37,308		
COAL COMPENSATION BOARD														
Determination of Compensation for Repurchase of Property Rights	1,954	...	2,366	...	34,382	...	50,000	...	36,336	...	52,366	...		
Compensation for Repurchase of Property Rights	1,954	...	2,366	...	34,382	...	50,000	...	36,336	...	52,366	...		
Total, COAL COMPENSATION BOARD	1,954	...	2,366	...	34,382	...	50,000	...	36,336	...	52,366	...		

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS (INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						TOTAL					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE			
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other		
COUNTY COUNCILS BORROWING PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
ELECTRICITY COMMISSION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total, OUTER BUDGET SECTOR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total, MINISTER FOR MINERALS AND ENERGY	39,948	31,313	38,150	33,366	40,797	349,855	51,976	432,140	80,745	381,168	90,126	465,506						
MINISTER FOR POLICE AND EMERGENCY SERVICES																		
THE POLICE SERVICE OF NEW SOUTH WALES																		
Crimes Against the Person	72,865	213	79,906	683	2,038	508	4,252	1,359	74,903	721	84,158	2,042						
Crimes Against Property	161,298	470	176,882	1,512	4,517	1,124	9,424	3,010	165,815	1,594	186,306	4,522						
Crimes of Vice	42,394	122	46,500	834	834	207	1,738	556	43,228	329	48,238	980						
Maintaining Public Order	141,425	417	155,502	1,242	4,010	998	8,364	2,671	145,435	1,415	163,866	4,013						
Traffic Supervision and Control	124,456	370	136,636	1,152	3,445	858	10,002	2,067	127,901	1,228	146,638	3,219						
Policing Services - Detection, Apprehension, Deterrence and Community Education	542,438	1,592	595,426	5,113	14,844	3,695	33,780	9,663	557,282	5,287	629,206	14,776						
Personnel, Development and Education	159,013	134	172,497	456	5,149	6,389	3,985	700	164,162	6,523	176,482	1,156						
Corporate Services	10,986	27	12,037	166	...	...	...	...	10,986	27	12,037	166		
Operational Support	113,994	129	124,981	3,432	986	256	206	11,552	114,980	385	125,187	14,984						
Education, Review and Support Services	29,372	75	32,030	410	2,593	673	3,411	588	31,965	748	35,441	998						
	313,365	365	341,545	4,464	8,728	7,318	7,602	12,840	322,093	7,683	349,147	17,304						
Total, THE POLICE SERVICE OF NEW SOUTH WALES	855,803	1,957	936,971	9,577	23,572	11,013	41,382	22,503	879,375	12,970	978,353	32,080						
STATE DRUG CRIME COMMISSION																		
State Drug Crime Commission of New South Wales	5,287	...	8,157	...	728	648	357	1,100	6,015	648	8,514	1,100						
State Drug Crime Commission of New South Wales	5,287	...	8,157	...	728	648	357	1,100	6,015	648	8,514	1,100						
Total, STATE DRUG CRIME COMMISSION	5,287	...	8,157	...	728	648	357	1,100	6,015	648	8,514	1,100						

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	CAPITAL WORKS AND SERVICES											
	RECURRENT SERVICES						TOTAL					
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
Total, STATE RESCUE AND EMERGENCY SERVICES BOARD	...	...	1,456	...	...	...	...	...	...	...	1,456	...
Total, MINISTER FOR POLICE AND EMERGENCY SERVICES	1,027,924	19,829	1,123,191	36,723	29,686	11,661	45,543	30,346	1,057,610	31,490	1,168,734	67,069
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS												
PUBLIC WORKS DEPARTMENT												
Country Towns Water Supply and Sewerage Schemes	25,376	11,573	25,384	12,012	78,498	1,614	78,922	2,090	103,874	13,187	104,306	14,102
Coastline Hazards	3,582	...	4,488	...	1,913	...	2,811	86	5,495	...	7,299	86
Flood Plain Management	4,043	...	4,787	...	9,247	...	8,996	102	13,290	...	13,783	102
Estuary Management	2,833	...	3,489	...	3,528	1,519	2,431	1,310	6,361	1,519	5,920	1,310
NSW Waterways	1,003	...	1,365	...	5,535	1,20	5,373	56	6,538	20	6,738	56
Fishing and Government Facilities	2,065	...	2,458	...	2,769	...	2,833	46	4,834	...	5,291	46
Civil Engineering - Special Projects, Minor Work and other Engineering and Associated Services	4,153	...	2,792	...	21	31	91	229	4,174	31	2,883	229
Civil Engineering	43,055	11,573	44,763	12,012	101,511	3,184	101,457	3,919	144,566	14,757	146,220	15,931
School Buildings - Construction and Maintenance	11,516	...	10,094	...	116	443	390	981	11,632	443	10,484	981
Tertiary Education Buildings - Construction and Maintenance	4,072	...	3,769	...	28	218	141	356	4,100	218	3,910	356
Health Buildings - Construction and Maintenance	6,290	...	5,510	...	56	269	139	351	6,346	269	5,649	351
Other Public Buildings - Construction and Maintenance	15,433	...	13,852	...	17,318	321	25,802	2,607	32,751	321	39,654	2,607
Design, Construction, Maintenance and Management of Buildings	37,311	...	33,225	...	17,518	1,251	26,472	4,295	54,829	1,251	59,697	4,295
Administrative Support Services	19,812	...	20,217	...	102	615	222	560	19,914	615	20,439	560
Administrative Support Services	19,812	...	20,217	...	102	615	222	560	19,914	615	20,439	560
Total, PUBLIC WORKS DEPARTMENT	100,178	11,573	98,205	12,012	119,131	5,050	128,151	8,774	219,309	16,623	226,356	20,786

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

All figures are expressed in \$000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
ROADS AND TRAFFIC AUTHORITY												
Development of Road System	157,296	...	179,000	...	635,497	-5,376	709,759	52,275	792,793	-5,376	888,759	52,275
Upkeep of Roads	66,934	42,988	62,893	60,207	522,337	54,596	514,299	57,557	522,337	54,596	514,299	57,557
Safety and Traffic Management	...	...	...	...	55,771	6,528	65,942	6,638	122,705	49,516	128,835	66,845
Roads	224,230	42,988	241,893	60,207	1,213,605	55,748	1,290,000	116,470	1,437,835	98,736	1,531,893	176,677
Total, ROADS AND TRAFFIC AUTHORITY	224,230	42,988	241,893	60,207	1,213,605	55,748	1,290,000	116,470	1,437,835	98,736	1,531,893	176,677
Total, MINISTER FOR PUBLIC WORKS MINISTER FOR ROADS	324,408	54,561	340,098	72,219	1,332,736	60,798	1,418,151	125,244	1,657,144	115,359	1,758,249	197,463
MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS												
MINISTRY OF EDUCATION, YOUTH AND WOMEN'S AFFAIRS												
Policy and Administrative Support*	34,330	...	36,816	...	4,849	128	...	580	39,179	128	36,816	580
Music Examinations Advisory Board	984	...	1,158	...	...	...	...	...	984	...	1,158	...
Development and Evaluation of Education Policy	...	...	...	...	...	...	...	...	...	...	...	...
Planning and Administration of Specific Education	35,314	...	37,974	...	4,849	128	...	580	40,163	128	37,974	580
Board of Studies	35,812	...	38,373	...	490	...	420	...	36,302	...	38,793	...
State Conservatorium of Music	35,812	...	38,373	...	490	...	420	...	36,302	...	38,793	...
Policy Development and Projects Affecting the Status of Women	1,293	...	1,693	...	...	...	...	...	1,293	...	1,693	...
Women's Co-ordination Unit	1,293	...	1,693	...	...	...	...	...	1,293	...	1,693	...
Policy Development and Projects Affecting Young People	2,707	...	9,604	...	...	...	...	...	2,707	...	9,604	...
Office of Youth Affairs	2,707	...	9,604	...	...	...	...	...	2,707	...	9,604	...
Total, MINISTRY OF EDUCATION, YOUTH AND WOMEN'S	75,126	...	87,644	...	5,339	128	420	580	80,465	128	88,064	580

TABLE 3.7. GROSS VALUE OF BUILDINGS, INFRASTRUCTURE, FURNITURE AND SHIPBURY FUNDUS (INCLUDING OUTER BUDGET SECTOR AUTHORITY CAPITAL WORKS PROGRAMS)

All figures are expressed in 000

	RECURRENT SERVICES				CAPITAL WORKS AND SERVICES				TOTAL			
	1988-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE	
	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other
Safety and Ethics in Sport and Recreation Development, Control and Regulation of the Racing Industry	904	...	575	...	...	...	...	...	904	...	575	...
Administrative Support Services	1,631	...	1,725	...	110	1,606	268	1,400	1,631	...	1,725	...
	5,470	...	7,243	...	...	1,606	268	1,400	5,580	1,606	7,511	1,400
Sport and Recreation in the Community	39,172	2,816	44,123	2,335	8,877	1,606	3,973	1,400	48,049	4,422	48,096	3,735
Total, DEPARTMENT OF SPORT, RECREATION AND RACING	39,172	2,816	44,123	2,335	8,877	1,606	3,973	1,400	48,049	4,422	48,096	3,735
Total, MINISTER FOR SPORT AND RECREATION AND MINISTER FOR RACING	39,172	2,816	44,123	2,335	8,877	1,606	3,973	1,400	48,049	4,422	48,096	3,735
MINISTER FOR STATE DEVELOPMENT												
DEPARTMENT OF STATE DEVELOPMENT												
Development of the New South Wales Economy	6,983	...	16,635	...	1,683	...	4,952	178	8,666	...	21,587	178
Overseas Representation	3,278	...	3,055	...	24	...	...	86	3,302	...	3,055	86
State Development	10,261	...	19,690	...	1,707	...	4,952	264	11,968	...	24,642	264
Total, DEPARTMENT OF STATE DEVELOPMENT	10,261	...	19,690	...	1,707	...	4,952	264	11,968	...	24,642	264
Total, MINISTER FOR STATE DEVELOPMENT	10,261	...	19,690	...	1,707	...	4,952	264	11,968	...	24,642	264
MINISTER FOR TRANSPORT												
DEPARTMENT OF TRANSPORT												
Contribution to the Transport Authorities for Operating Losses	298,865	...	201,942	...	...	...	...	...	298,865	...	201,942	...
Payments via the Department of Transport for Non-Commercial Passenger and Freight Services.	558,571	...	700,021	...	...	...	...	...	558,571	...	700,021	...
Payments via the Department of Transport for Finance Charges and Other Costs.	574,872	...	499,770	...	138,967	20,000	150,000	...	713,839	20,000	649,770	...

TABLE 3.4: GROSS OUTLAYS BY MINISTER, ORGANISATION, PROGRAM AND SOURCE OF FUNDS
(INCLUDING OUTER BUDGET SECTOR CAPITAL WORKS PROGRAMS)

	All figures are expressed in \$000													
	RECURRENT SERVICES						CAPITAL WORKS AND SERVICES						TOTAL	
	1989-90 ACTUAL	1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL		1990-91 ESTIMATE		1989-90 ACTUAL	1990-91 ESTIMATE	
Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	Con Fund	Other	
Development, Co-ordination and Planning of Transport Activities	19,377	...	19,843	...	2,291	...	14,342	...	21,668	...	34,185	...	...
Development, Co-ordination, Planning and Provision of Transport Services	1,451,685	...	1,421,576	...	141,258	20,000	164,342	...	1,592,943	20,000	1,585,918	...	...
Total, DEPARTMENT OF TRANSPORT	1,451,685	...	1,421,576	...	141,258	20,000	164,342	...	1,592,943	20,000	1,585,918	...	...
GRAIN HANDLING AUTHORITY	-	-	-	-	-	10,300	-	13,604	-	10,300	-	13,604	-	
MARITIME SERVICES BOARD OF NEW SOUTH WALES	-	-	-	-	-	27,866	-	30,893	-	27,866	-	30,893	-	
STATE RAIL AUTHORITY - COMMERCIAL	-	-	-	-	-	86,938	-	110,000	-	86,938	-	110,000	-	
STATE RAIL AUTHORITY - NON COMMERCIAL	-	-	-	-	-	328,062	-	392,000	-	328,062	-	392,000	-	
STATE TRANSIT AUTHORITY	-	-	-	-	-	35,300	-	43,672	-	35,300	-	43,672	-	
Total, OUTER BUDGET SECTOR	-	-	-	-	-	488,466	-	590,169	-	488,466	-	590,169	-	
Total, MINISTER FOR TRANSPORT	1,451,685	...	1,421,576	...	141,258	508,466	164,342	590,169	1,592,943	508,466	1,585,918	590,169	...	
Sub total	13,513,129	777,606	14,466,638	840,521	2,670,913	2,354,554	2,833,499	2,726,010	16,184,042	3,132,160	17,300,137	3,566,531	...	
Less Major expenditures between Consolidated Fund Departments - Program 35.1.1.1	...	1,207	...	...	...	...	...	...	...	1,207	...	...	...
Payments by Policy Area, Policy Sector, Program and Source of Funds (Table 3.3)	13,513,129	776,399	14,466,638	840,521	2,670,913	2,354,554	2,833,499	2,726,010	16,184,042	3,130,953	17,300,137	3,566,531	...	

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$'000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate		
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate		
THE LEGISLATURE										
Consolidated Fund Other Sources	15,951	17,157	11,052	13,316	...	...	25,423	28,129	52,426	58,602
	...	...	...	15	...	...	...	...	...	15
Total Payments	15,951	17,157	11,052	13,331	...	...	25,423	28,129	52,426	58,617
PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS										
CABINET OFFICE										
Consolidated Fund Other Sources	4,310	4,996	2,053	2,110	...	...	75	36	6,438	7,142

Total Payments	4,310	4,996	2,053	2,110	...	...	75	36	6,438	7,142
PREMIER'S DEPARTMENT										
Consolidated Fund Other Sources	19,073	16,894	12,965	11,303	1,507	1,208	47,117	49,042	80,662	78,447
	...	...	62	...	...	...	888	1,235	950	1,235
Total Payments	19,073	16,894	13,027	11,303	1,507	1,208	48,005	50,277	81,612	79,682
OMBUDSMAN'S OFFICE										
Consolidated Fund Other Sources	2,736	3,092	1,150	1,086	...	...	...	...	3,886	4,178

Total Payments	2,736	3,092	1,150	1,086	...	...	...	...	3,886	4,178
STATE ELECTORAL OFFICE										
Consolidated Fund Other Sources	1,026	1,301	633	570	...	...	670	746	2,329	2,617

Total Payments	1,026	1,301	633	570	...	...	670	746	2,329	2,617
TREASURY										
Consolidated Fund Other Sources	32,588	32,924	22,866	24,446	4,331	779	1,078,502	1,045,387	1,138,287	1,103,536

Total Payments	32,588	32,924	22,866	24,446	4,331	779	1,078,502	1,045,387	1,138,287	1,103,536
ETHNIC AFFAIRS COMMISSION										
Consolidated Fund Other Sources	2,939	3,412	1,221	2,212	2,654	1,497	714	191	7,528	7,312
	...	...	...	385	...	...	433	...	433	385
Total Payments	2,939	3,412	1,221	2,597	2,654	1,497	1,147	191	7,961	7,697

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in 0000											
	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL		
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	
INDEPENDENT COMMISSION AGAINST CORRUPTION											
Consolidated Fund	4,502	6,432	4,200	4,198	...	...	5,499	1,369	14,201	11,999
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	4,502	6,432	4,200	4,198	...	...	5,499	1,369	14,201	11,999
TOTAL FOR MINISTER											
PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS											
Consolidated Fund	67,174	69,051	45,088	45,925	8,492	3,484	1,132,577	1,096,771	1,253,331	1,215,231	
Other Sources	...	...	62	385	...	...	1,321	1,235	1,383	1,620
Total Payments	67,174	69,051	45,150	46,310	8,492	3,484	1,133,898	1,098,006	1,254,714	1,216,851	
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS											
RURAL ASSISTANCE AUTHORITY											
Consolidated Fund	1,618	2,479	3,672	3,206	...	...	15,619	19,927	20,909	25,612
Other Sources	...	...	...	...	...	...	...	100	...	100
Total Payments	1,618	2,479	3,672	3,206	...	...	15,619	20,027	20,909	25,712
DEPARTMENT OF AGRICULTURE AND FISHERIES											
Consolidated Fund	108,347	118,628	45,167	46,026	4,634	5,349	16,065	2,732	174,213	172,735	
Other Sources	7,525	7,680	6,029	6,294	...	...	...	...	13,554	13,974
Total Payments	115,872	126,308	51,196	52,320	4,634	5,349	16,065	2,732	187,767	186,709	
SOIL CONSERVATION SERVICE											
Consolidated Fund	18,666	23,649	15,984	16,174	...	...	166	348	34,816	40,171
Other Sources	6,941	5,356	10,441	8,689	...	...	...	...	17,382	14,045
Total Payments	25,607	29,005	26,425	24,863	...	...	166	348	52,198	54,216
TOTAL FOR MINISTER											
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS											
Consolidated Fund	128,631	144,756	64,823	65,406	4,634	5,349	31,850	23,007	229,938	238,518	
Other Sources	14,466	13,036	16,470	14,983	...	...	...	100	30,936	28,119
Total Payments	143,097	157,792	81,293	80,389	4,634	5,349	31,850	23,107	260,874	266,637	

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
ATTORNEY GENERAL										
ATTORNEY GENERAL'S DEPARTMENT										
Consolidated Fund	138,558	148,721	48,400	51,586	...	...	58,235	51,749	245,193	252,056
Other Sources	...	...	...	...	...	...	796	1,018	796	1,018
Total Payments	138,558	148,721	48,400	51,586	...	...	59,031	52,767	245,989	253,074
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS										
Consolidated Fund	17,823	24,808	5,632	7,004	...	...	2,131	2,604	25,586	34,416
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	17,823	24,808	5,632	7,004	...	...	2,131	2,604	25,586	34,416
LEGAL AID COMMISSION										
Consolidated Fund	17,727	19,864	6,265	6,695	1,314	1,771	47,957	50,255	47,957	50,255
Other Sources	...	...	...	...	...	...	-9,324	-9,530	15,982	18,800
Total Payments	17,727	19,864	6,265	6,695	1,314	1,771	38,633	40,725	63,939	69,055
JUDICIAL COMMISSION										
Consolidated Fund	726	835	587	717	...	...	31	107	1,344	1,659
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	726	835	587	717	...	...	31	107	1,344	1,659
TOTAL FOR MINISTER										
ATTORNEY GENERAL										
Consolidated Fund	157,107	174,364	54,619	59,307	1,314	1,771	108,354	104,715	320,080	338,386
Other Sources	17,727	19,864	6,265	6,695	...	...	-8,528	-8,512	16,778	19,818
Total Payments	174,834	194,228	60,884	66,002	1,314	1,771	99,826	96,203	336,858	358,204
MINISTER FOR BUSINESS AND CONSUMER AFFAIRS										
BUSINESS AND CONSUMER AFFAIRS										
Consolidated Fund	39,412	36,666	19,959	14,672	1,645	966	41,211	28,551	102,227	80,855
Other Sources	...	...	...	...	...	...	10,155	10,400	10,155	10,400
Total Payments	39,412	36,666	19,959	14,672	1,645	966	51,366	38,951	112,382	91,255

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate		
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91		
CHIEF SECRETARY AND MINISTER FOR WATER RESOURCES										
DEPARTMENT OF WATER RESOURCES										
Consolidated Fund	22,393	23,001	11,221	12,178	3,955	1,397	42,835	45,439	80,404	82,015
Other Sources	22,888	25,600	5,722	6,400	...	...	...	...	28,610	32,000
Total Payments	45,281	48,601	16,943	18,578	3,955	1,397	42,835	45,439	109,014	114,015
CHIEF SECRETARY'S DEPARTMENT										
Consolidated Fund	6,158	8,264	2,634	3,145	3	...	47	5	8,842	11,414
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	6,158	8,264	2,634	3,145	3	...	47	5	8,842	11,414
TOTAL FOR MINISTER										
CHIEF SECRETARY AND MINISTER FOR WATER RESOURCES										
Consolidated Fund	28,551	31,265	13,855	15,323	3,958	1,397	42,882	45,444	89,246	93,429
Other Sources	22,888	25,600	5,722	6,400	...	...	...	...	28,610	32,000
Total Payments	51,439	56,865	19,577	21,723	3,958	1,397	42,882	45,444	117,856	125,429
MINISTER FOR CORRECTIVE SERVICES										
DEPARTMENT OF CORRECTIVE SERVICES										
Consolidated Fund	152,568	185,272	48,299	54,095	987	1,127	4,964	5,163	206,818	245,657
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	152,568	185,272	48,299	54,095	987	1,127	4,964	5,163	206,818	245,657
MINISTER FOR THE ENVIRONMENT										
STATE POLLUTION CONTROL COMMISSION										
Consolidated Fund	10,989	11,902	4,208	4,593	...	...	607	609	15,804	17,104
Other Sources	1,145	1,895	3,491	9,709	...	...	...	...	4,636	11,604
Total Payments	12,134	13,797	7,699	14,302	...	...	607	609	20,440	28,708

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate		
NATIONAL PARKS AND WILDLIFE SERVICE										
Consolidated Fund	25,231	26,173	11,819	11,997	1,124	1,198	...	154	38,174	39,522
Other Sources	3,654	4,586	5,814	6,644	1,768	1,694	...	...	11,236	12,924
Total Payments	28,885	30,759	17,633	18,641	2,892	2,892	...	154	49,410	52,446
MINISTRY FOR THE ENVIRONMENT										
Consolidated Fund	9,299	11,942	6,842	6,552	36,947	37,014	151	232	53,239	55,740
Other Sources	479	856	1,788	2,804	...	...	...	...	2,267	3,660
Total Payments	9,778	12,798	8,630	9,356	36,947	37,014	151	232	55,506	59,400
TOTAL FOR MINISTER										
Consolidated Fund	45,519	50,017	22,869	23,142	38,071	38,212	758	995	107,217	112,366
Other Sources	5,278	7,337	11,093	19,157	1,768	1,694	...	...	18,139	28,188
Total Payments	50,797	57,354	33,962	42,299	39,839	39,906	758	995	125,356	140,554
MINISTER FOR FAMILY AND COMMUNITY SERVICES AND MINISTER FOR PROPERTY SERVICES GROUP										
Consolidated Fund	557	972	508	6,068	...	...	29,272	12,610	30,337	19,650
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	557	972	508	6,068	...	...	29,272	12,610	30,337	19,650
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES										
Consolidated Fund	271,883	306,382	64,175	68,672	167,622	225,327	101,105	113,345	604,785	713,726
Other Sources	69,875	74,460	18,712	19,562	...	...	-78,998	-84,822	9,589	9,200
Total Payments	341,758	380,842	82,887	88,234	167,622	225,327	22,107	28,523	614,374	722,926
COMMERCIAL SERVICES GROUP										
Consolidated Fund	6,620	8,684	4,184	4,661	...	...	2,468	2,468	13,272	15,813
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	6,620	8,684	4,184	4,661	...	...	2,468	2,468	13,272	15,813

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

	All figures in \$000									
	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate
TOTAL FOR MINISTER										
MINISTER FOR FAMILY AND COMMUNITY SERVICES AND MINISTER FOR Consolidated Fund	279,060	316,038	68,867	79,401	167,622	225,327	132,845	128,423	648,394	749,189
Other Sources	69,875	74,460	18,712	19,562	...	...	-78,998	-84,822	9,589	9,200
Total Payments	348,935	390,498	87,579	98,963	167,622	225,327	53,847	43,601	657,983	758,389
MINISTER FOR HEALTH AND MINISTER FOR THE ARTS										
DEPARTMENT OF HEALTH										
Consolidated Fund	161,028	166,268	49,411	51,256	28,092	29,662	3,291,111	3,563,321	3,529,642	3,810,507
Other Sources	151	...	...	...	...	...	480,304	483,855	480,455	483,855
Total Payments	161,179	166,268	49,411	51,256	28,092	29,662	3,771,415	4,047,176	4,010,097	4,294,362
MINISTRY FOR THE ARTS										
Consolidated Fund	42,617	47,704	27,193	27,529	36,635	37,896	3,323	6,414	109,768	119,543
Other Sources	880	1,682	1,041	1,501	596	154	7,481	7,482	9,998	10,819
Total Payments	43,497	49,386	28,234	29,030	37,231	38,050	10,804	13,896	119,766	130,362
TOTAL FOR MINISTER										
MINISTER FOR HEALTH AND MINISTER FOR THE ARTS Consolidated Fund	203,645	213,972	76,604	78,785	64,727	67,558	3,294,434	3,569,735	3,639,410	3,930,050
Other Sources	1,031	1,682	1,041	1,501	596	154	487,785	491,337	490,453	494,674
Total Payments	204,676	215,654	77,645	80,286	65,323	67,712	3,782,219	4,061,072	4,129,863	4,424,724
MINISTER FOR HOUSING										
DEPARTMENT OF HOUSING										
Consolidated Fund	373	423	163	138	4,930	5,872	25,723	38,389	31,189	44,822
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	373	423	163	138	4,930	5,872	25,723	38,389	31,189	44,822

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in 000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER										
DEPARTMENT OF FURTHER EDUCATION, TRAINING AND EMPLOYMENT										
Consolidated Fund	547,698	601,028	167,087	179,229	24,417	32,230	3,436	12,629	742,638	825,116
Other Sources	7,099	9,287	5,290	6,663	9,977	14,148	485	1,596	22,851	31,694
Total Payments	554,797	610,315	172,377	185,892	34,394	46,378	3,921	14,225	765,489	856,810
DEPARTMENT OF INDUSTRIAL RELATIONS										
Consolidated Fund	10,321	10,786	4,580	5,191	...	10	...	4,701	14,901	20,688
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	10,321	10,786	4,580	5,191	...	10	...	4,701	14,901	20,688
TOTAL FOR MINISTER										
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER										
Consolidated Fund	558,019	611,814	171,667	184,420	24,417	32,240	3,436	17,330	757,539	845,804
Other Sources	7,099	9,287	5,290	6,663	9,977	14,148	485	1,596	22,851	31,694
Total Payments	565,118	621,101	176,957	191,083	34,394	46,388	3,921	18,926	780,390	877,498
MINISTER FOR LANDS AND FORESTS AND MINISTER FOR TOURISM										
DEPARTMENT OF LANDS										
Consolidated Fund	37,266	39,989	15,104	15,464	14,165	15,114	3,304	4,211	69,839	74,778
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	37,266	39,989	15,104	15,464	14,165	15,114	3,304	4,211	69,839	74,778

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate
MINISTER FOR MINERALS AND ENERGY										
DEPARTMENT OF MINERALS AND ENERGY										
Consolidated Fund	20,948	23,183	12,878	7,067	1,428	1,485	2,740	4,049	37,994	35,784
Other Sources	5,117	7,502	7,907	8,813	14,554	14,008	3,735	3,043	31,313	33,366
Total Payments	26,065	30,685	20,785	15,880	15,982	15,493	6,475	7,092	69,307	69,150
Consolidated Fund	1,374	1,562	555	766	...	...	25	38	1,954	2,366
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	1,374	1,562	555	766	...	...	25	38	1,954	2,366
COAL COMPENSATION BOARD										
Consolidated Fund	22,322	24,745	13,433	7,833	1,428	1,485	2,765	4,087	39,948	38,150
Other Sources	5,117	7,502	7,907	8,813	14,554	14,008	3,735	3,043	31,313	33,366
Total Payments	27,439	32,247	21,340	16,646	15,982	15,493	6,500	7,130	71,261	71,516
TOTAL FOR MINISTER										
MINISTER FOR MINERALS AND ENERGY										
MINISTER FOR POLICE AND EMERGENCY SERVICES										
STATE DRUG CRIME COMMISSION										
Consolidated Fund	2,704	4,285	2,514	3,488	...	...	69	384	5,287	8,157
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	2,704	4,285	2,514	3,488	...	...	69	384	5,287	8,157
Consolidated Fund	577,378	634,900	161,393	175,155	32	284	117,000	126,632	855,803	936,971
Other Sources	1,957	2,577	...	7,000	...	...	...	...	1,957	9,577
Total Payments	579,335	637,477	161,393	182,155	32	284	117,000	126,632	857,760	946,548
Consolidated Fund	2,855	3,337	2,920	1,936	...	...	292	309	6,067	5,582
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	2,855	3,337	2,920	1,936	...	...	292	309	6,067	5,582
THE POLICE SERVICE OF NEW SOUTH WALES										
STATE EMERGENCY SERVICE										

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	
STATE RESCUE AND EMERGENCY SERVICES BOARD									
Consolidated Fund	...	886	...	270	...	300	...	...	1,456
Other Sources	...	...	...	...	...	...	...	...	...
Total Payments	...	886	...	270	...	300	...	...	1,456
NEW SOUTH WALES FIRE BRIGADES									
Consolidated Fund	127,087	132,646	27,961	32,220	...	...	...	...	155,048
Other Sources	4,225	4,715	775	1,182	...	...	...	...	5,000
Total Payments	131,312	137,361	28,736	33,402	...	...	...	...	160,048
DEPARTMENT OF BUSH FIRE SERVICES									
Consolidated Fund	179	234	15	...	612	693	4,913	5,232	5,719
Other Sources	1,573	1,691	1,910	2,429	...	...	9,389	17,129	12,872
Total Payments	1,752	1,925	1,925	2,429	612	693	14,302	22,361	18,591
TOTAL FOR MINISTER									
MINISTER FOR POLICE AND EMERGENCY SERVICES									
Consolidated Fund	710,203	776,288	194,803	213,069	644	1,277	122,274	132,557	1,027,924
Other Sources	7,755	8,983	2,685	10,611	...	...	9,389	17,129	19,829
Total Payments	717,958	785,271	197,488	223,680	644	1,277	131,663	149,686	1,047,753
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS									
PUBLIC WORKS DEPARTMENT									
Consolidated Fund	48,733	51,104	21,324	18,889	11,921	11,752	18,200	16,460	100,178
Other Sources	2,230	2,218	3,106	3,051	...	...	6,237	6,743	11,573
Total Payments	50,963	53,322	24,430	21,940	11,921	11,752	24,437	23,203	111,751
ROADS AND TRAFFIC AUTHORITY									
Consolidated Fund	...	...	...	...	...	...	224,230	241,893	224,230
Other Sources	...	...	...	...	...	...	42,988	60,207	42,988
Total Payments	...	...	...	...	...	...	267,218	302,100	267,218

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	
	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	
TOTAL FOR MINISTER									
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS									
Consolidated Fund	48,733	51,104	21,324	18,889	11,921	11,752	242,430	258,353	340,098
Other Sources	2,230	2,218	3,106	3,051	...	...	49,225	66,950	72,219
Total Payments	50,963	53,322	24,430	21,940	11,921	11,752	291,655	325,303	412,317
MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS									
MINISTRY OF EDUCATION, YOUTH AND WOMEN'S AFFAIRS									
Consolidated Fund	14,962	16,770	29,953	31,950	5,237	5,789	24,974	33,135	75,126
Other Sources	...	...	...	...	...	...	...	...	...
Total Payments	14,962	16,770	29,953	31,950	5,237	5,789	24,974	33,135	75,126
DEPARTMENT OF SCHOOL EDUCATION									
Consolidated Fund	2,110,105	2,322,061	400,876	376,723	24,746	25,470	390,667	511,703	2,926,394
Other Sources	...	...	13,810	14,705	...	...	8,322	5,770	22,132
Total Payments	2,110,105	2,322,061	414,686	391,428	24,746	25,470	398,989	517,473	2,948,526
TOTAL FOR MINISTER									
MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS									
Consolidated Fund	2,125,067	2,338,831	430,829	408,673	29,983	31,259	415,641	544,838	3,001,520
Other Sources	...	...	13,810	14,705	...	...	8,322	5,770	22,132
Total Payments	2,125,067	2,338,831	444,639	423,378	29,983	31,259	423,963	550,608	3,023,652
MINISTER FOR SPORT AND RECREATION AND MINISTER FOR RACING									
DEPARTMENT OF SPORT, RECREATION AND RACING									
Consolidated Fund	12,021	14,421	11,019	11,933	5	7	16,127	17,762	39,172
Other Sources	247	264	534	561	7,607	12,029	-5,572	-10,519	2,816
Total Payments	12,268	14,685	11,553	12,494	7,612	12,036	10,555	7,243	41,988

TABLE 3.5: GROSS RECURRENT OUTLAYS BY MINISTER, ORGANISATION, CLASS OF EXPENDITURE AND SOURCE OF FUNDS

All figures in \$000

	Employee Related Payments		Maintenance and Working Expenses		Grants and Subsidies		Other Services		TOTAL	
	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate	1989-90 Actual	1990-91 Estimate
MINISTER FOR STATE DEVELOPMENT										
DEPARTMENT OF STATE DEVELOPMENT										
Consolidated Fund	4,186	5,701	5,786	5,485	61	...	228	8,504	10,261	19,690
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	4,186	5,701	5,786	5,485	61	...	228	8,504	10,261	19,690
MINISTER FOR TRANSPORT										
DEPARTMENT OF TRANSPORT										
Consolidated Fund	13,210	13,401	6,071	6,379	555,550	724,024	876,854	677,772	1,451,685	1,421,576
Other Sources	...	...	...	...	...	...	...	...	...	...
Total Payments	13,210	13,401	6,071	6,379	555,550	724,024	876,854	677,772	1,451,685	1,421,576
TOTAL FOR BUDGET										
Consolidated Fund	4,681,582	5,148,732	1,317,920	1,344,204	971,892	1,211,313	6,541,735	6,762,389	13,513,129	14,466,638
Other Sources	156,056	173,999	102,333	123,803	37,016	45,004	482,201	497,715	777,606	840,521
Total Payments	4,837,638	5,322,731	1,420,253	1,468,007	1,008,908	1,256,317	7,023,936	7,260,104	14,290,735	15,307,154

CHAPTER 4: RECURRENT BUDGET

4.1 Introduction

4.2 Consolidated Fund Revenue

4.3 Consolidated Fund Recurrent Payments

4.4 Total Recurrent Payment by Functional Area

4.4.1 Law, Order and Public Safety

4.4.2 Education

4.4.3 Health

4.4.4 Welfare Services

4.4.5 Housing and Community Services

4.4.6 Recreation and Culture

4.4.7 Economic Services

4.4.8 General Administration

4.4.9 Other Purposes

4.4.10 Advance to the Treasurer

4.1 INTRODUCTION

The term Recurrent Budget refers to the recurrent expenditure and revenue of the Inner Budget Sector, defined as being those organisations funded by the Consolidated Fund to the extent of 50 per cent or more. While these organisations operate predominantly on the Consolidated Fund, some also have access to other sources of funds. These funds may be derived from revenues earned by the organisations and which are not required to be paid into the Consolidated Fund, or they may represent moneys paid out of Consolidated Fund in earlier periods or through other organisations' votes.

Sections 4.2 and 4.3 of this Chapter deal with the revenues and recurrent payments of the Consolidated Fund, which accounts for the major share of Inner Budget Sector transactions. Section 4.4 however brings together payments from the Consolidated Fund and other sources to show total expenditure on a functional basis.

Information on the revenues available to inner Budget sector organisations other than through the Consolidated Fund, is not available on a consistent basis although in the main these revenues consist of user charges (such as public hospital fees paid by private patients). The detailed program expenditure statements for each organisation in Budget Paper No. 3, however, provide an indication of the level of revenues not passing through the Consolidated Fund, but available to support those programs.

4.2 CONSOLIDATED FUND REVENUE

Tax Changes

Changes to the tax system are implemented to accommodate changed revenue needs, to improve the efficiency and equity of the tax system, or for industry and social policy purposes. Given the range of taxes available to State Government, very few industry or social policy objectives can be effectively achieved through reform of state taxes. Accordingly, the tax measures to be introduced in the 1990-91 Budget year focus on revenue requirements and the efficiency and equity of the State tax system.

The revenue requirements underlying the tax changes result from two factors. First, the extended period of tight monetary policy has depressed the real estate market and thus substantially reduced revenues from stamp duties and asset sales and leases. The impact of this downturn in revenue is reflected by the higher than projected deficit for 1989-90 of \$344 million.

The second factor reducing revenues in 1990-91 is the decision by the Commonwealth Government at the 1990 Premiers' Conference to reduce the Financial Assistance Grants (FAGs) to the States by \$400 million in real terms. This translates into a \$150 million real reduction in New South Wales' 1990-91 revenues (after allowing for the Commonwealth Government decision to transfer the Bank Account Debits Tax to the States).

In addition to revenue replacement, the tax changes to be introduced in 1990-91 have also been based on efficiency and equity considerations. The Government has already responded to concerns about Land Tax by reducing the rate of land tax from 2 per cent to 1.5 per cent and by lifting the threshold to \$160,000 at a total cost of \$250 million. Following the report of the Longley Land Tax Review Committee, a range of additional initiatives will be introduced to improve the equity and efficiency of the land tax system.

Equity considerations also underpin changes to the First Home Purchase Stamp Duty Deferred Payment Scheme.

Efficiency considerations have influenced the form of the changes to Pay-roll Tax and Financial Institutions Duty (FID) by adopting the recommendations of the State Under Treasurers' Report on Tax Harmonisation, which seek to establish more uniform tax systems among the States.

Rationalisation of the tax system is also a major factor in the Commonwealth Government's decision to cease levying the Bank Account Debits Tax. This decision means that financial transactions will now be subject to State duties only.

THE NSW TAX PACKAGE

The Government's tax package consists of four carefully targeted measures (two tax increases and two tax reductions) and a series of Land Tax measures. The measures, which will generate net revenue of \$229 million in 1990-91 and \$203 million per annum are -

Pay-roll Tax

- Change to a single marginal tax rate of 7 per cent, replacing the existing marginal rates of 6 per cent, 7 per cent and 8 per cent. The additional cost will be borne by employers with large pay-rolls (who currently pay a marginal rate of 6 per cent), while small and medium sized employers (who presently have marginal Pay-roll Tax rates of 7 per cent or 8 per cent) will make significant savings.

Simplifying the present complex Pay-roll Tax scale, by converting it to a single marginal rate of tax payable on each additional dollar of pay-roll was recommended by both the 1988 Collins' Committee Review of the State Tax System and the recent State Under Treasurers' Report on Tax Harmonisation.

Revenue Gain: \$305 million in a full year, \$205 million in 1990-91.

- Increase the tax free threshold above which pay-rolls are taxable from \$432,000 to \$500,000. Not only will many employers who currently pay Pay-roll Tax no longer have to pay it, but all employers will benefit as the tax free threshold will no longer taper out for bigger businesses. This measure too was recommended in the State Under Treasurers' Report.
Revenue Concession: \$37 million in a full year, \$25 million in 1990-91.

The net effect of these two measures is that 6,300 small and medium sized businesses with pay-rolls of less than \$3.5 million will pay less Pay-roll Tax. The average reduction in tax liability for this group is around \$5,500 per taxpayer per annum. However, reductions in workers' compensation premiums will mean total employment oncosts for bigger businesses remain largely unchanged while those for smaller to medium sized businesses will fall significantly. Moreover, since Pay-roll Tax is income tax deductible, for any dollar of additional pay-roll tax, only 61¢ is borne by an employer paying at the full company income tax rate.

Financial Taxes

- Increase FID from 0.03 per cent to 0.06 per cent and lift the maximum tax payable on any transaction from \$600 to \$1,200. This will cost the average wage earner about an extra \$8.50 a year, but this will be offset by savings from the abolition of Cheque Duty. For those conducting business, FID is also income tax deductible. This measure was recommended in the State Under Treasurers' Report on Tax Harmonisation.

Revenue Gain: \$257 million in a full year, \$171 million in 1990-91.

- Abolish Cheque Duty of 10 cents per cheque. An average wage earner using 80-90 cheques a year will save \$8 to \$9 in Cheque Duty - sufficient to offset the additional cost of FID. The collection costs of Cheque Duty exceed the revenue collected. Accordingly, its abolition will not only benefit consumers but also reduce banks' costs. This measure was recommended by the Collins' Committee Report.
Revenue Concession: \$27 million in a full year, \$18 million in 1990-91.

Land Tax

The land valuation system introduced by the previous Government, combined with the property boom of 1987-88, resulted in very large increases in Land Tax liabilities in 1990.

When the impact became apparent, the Government raised the threshold (from \$135,000 to \$160,000) and lowered the rate (from 2.0 per cent to 1.5 per cent) at an annual cost of \$250 million.

The Government at the same time requested Mr Longley, MP, to chair a Review of Land Tax by the Treasury Advisory Committee. The report of this Committee was received on 29 June 1990.

Following consideration of the recommendations by the Government, the following measures are to be implemented:

- Land Tax exemptions for registered retirement villages and commercial nursing homes;
- a doubling of the exemption threshold to \$320,000 for residential land which exceeds the size threshold;
- an extension of the time period of the lodgement of objections to 60 days;
- reform of the tax treatment of strata title units and company title units to ensure tax is assessed on the same basis as applies to other property owners;
- an extension of the existing stamp duty concession applying to the transfer of property from family companies and trusts to include companies established after 31 December 1975 and trusts established after 1 January 1987;
- the introduction, in 1992, of an interest-free instalment system for Land Tax payments similar to that offered by the Water Board and Local Government;
- a review of all aspects of the taxation of heritage properties with a view to ensuring that relevant heritage values are adequately taken into account in assessing land tax liabilities;
- the extension of the primary production "business test" which currently applies to public companies to all taxpayers;
- a general strengthening of anti-avoidance measures;
- over time, Land Tax will be applied to Government Trading Enterprises as they become classified as "fully commercial" (i.e. become profit making or break even). Currently, land tax is paid by the Darling Harbour Authority, the State Bank, the GIO and Graincorp; and
- introduction of uniform equalisation factors in the 1991 and 1992 Land Tax years in order to bring forward the benefits of falling land values, which would not have impacted on most taxpayers' Land Tax liabilities until 1992. Instead of the State-wide changes in land value of between - 15% and +85% in 1991 followed by significant falls in 1992 (as estimated by the Valuer General), a uniform equalisation factor of 17 per cent will be applied in 1991 followed by a uniform zero equalisation factor in 1992 (that is, land values for Land Tax purposes in 1992 will be held constant).

The cost of the uniform equalisation measure in 1990-91 is \$23 million. The annual cost of the other land tax reform measures announced in this Budget is \$13 million. Together with the rate reduction and threshold increase implemented in April 1990, these measures result in a continuing annual cost to the Budget of \$263 million (excluding the uniform equalisation factor which does not apply after the 1992 land tax year) and a cost of \$99 million in 1990-91.

First Home Purchase - Stamps Duty Deferred Payment Scheme

The First Home Buyers' Scheme which involves the deferment of contracts and conveyancing stamp duty is to be amended to target assistance to those most in need.

This will be achieved by adding an income test of \$48,000 combined household income to the property value test.

At the same time, the property value test will be amended by increasing the maximum house value from \$125,000 to \$155,000 for the Sydney metropolitan area and \$145,000 for the country.

The concession will also now apply to vacant land which is intended for building a first home. Maximum land value to apply is \$80,000 for the Sydney metropolitan area and \$70,000 for the country.

In addition, a discount of 30 per cent for up-front payment is to be offered to new entrants to the scheme. A sliding discount (starting from 25 per cent at the end of the first year and reducing to 10 per cent by the end of the fourth year) will be available for those who pay the balance of the account before the due date.

These measures will be implemented from 1 October 1990.

Other Stamp Duty Changes

A number of additional stamp duty concessions will be introduced at a total cost of about \$5 million in 1990-91 (\$3.2 million in a full year). These concessions are as follows:

Lessees of low rent accommodation

- To provide relief and assistance to low income tenants, hiring arrangement duty will be dropped on the hire of caravans used for on-site accommodation.
- An exemption from stamp duty on not-for-profit leases will be granted to aged and disabled persons living in hostels and nursing homes who, under recent State and Federal legislation, are now required to sign occupancy leases.

Cost of borrowing funds

- To reduce the costs of borrowing for small business and individuals, the rate of duty payable on loan security documents will be changed from \$5 for the first \$15,000 to \$5 for the first \$16,000.
- As a further measure of assistance to borrowers, an exemption from loan security duty is to be provided for additional advances of up to \$10,000 in any 12 month period.

Superannuation Industry

To encourage the superannuation industry and to bring Stamp Duty requirements into line with recent changes to Commonwealth legislation, a number of concessions have been made –

- The concessional rate of duty on instruments amending superannuation schemes and approved deposit funds which qualify for concessional tax treatment is to be reduced from \$200 to \$20 and the concession extended to complying pooled superannuation trusts.
- The duty on instruments establishing concessional tax superannuation schemes, approved deposit funds and pooled superannuation trusts is to be reduced from \$200 to \$20.
- To assist the taxpayer, the \$20 duty on instruments establishing and amending the above trusts will be able to be affixed by way of adhesive stamps.

Other Concessions

Additional concessions are to be made in the following areas:

- The provisions relating to share dealings which mask land transfers are to be amended to allow for exemption from the duty in cases of inequity where levying the duty would not be just and reasonable.
- The duty payable on Contract Notes for the sale of marketable securities is to be abolished.
- The transfer of a convertible note in a unit trust is to be exempt.

Future Stamp Duty Change

As part of its future tax strategy, the Government has foreshadowed the likely replacement of existing financial intermediary taxes such as FID, Loan Security Duty and Share Transfer Duty with a single Financial Assets Duty (FAD) on the banking and finance sector.

1990-91 Estimates

Table 4.1 provides detail of Consolidated Fund revenue for 1989-90 and 1990-91 and shows changes between last year's actual revenue and this year's estimates. The table is supported by a later section commenting on the principal revenue items.

The presentation of this table is altered from that shown in previous years, reflecting the adoption of a classification system closely aligned to national accounting concepts.

Estimated Consolidated Fund revenue in 1990-91 is \$17,312 million, an increase of \$1,614.8 million or 10.3 per cent on 1989-90.

Table 4.1: Consolidated Fund Revenue

ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	%
STATE TAXATION, FEES AND FINES				
STAMP DUTIES				
Contracts and Conveyances	1,087,000	970,909	940,000	(-) 3.2
First Home Purchase Scheme	25,200	25,058	25,900	3.4
Insurance	210,000	187,360	203,000	8.3
Loan Securities	107,000	110,713	110,000	(-) 0.6
Share Transfers	150,000	142,503	140,000	(-) 1.8
Motor Vehicle Registration	203,000	203,015	200,300	(-) 1.3
Cheques	27,000	27,235	9,000	(-) 67.0
Financial Institutions Duty	248,000	241,398	436,000	80.6
Hiring Arrangements	51,000	57,593	60,500	5.0
Leases	53,000	60,490	45,000	(-) 25.6
Deeds Agreements	5,300	2,458	3,000	22.1
Adhesive Stamps	10,000	6,762	7,500	10.9
Stamp Duties n.e.i.	12,500	7,796	8,700	11.6
	2,189,000	2,043,290	2,188,900	7.1
PROBATE & DEATH DUTIES	250	127	150	18.1
PAY-ROLL TAX	2,282,000	2,266,685	2,652,000	17.0
LAND TAX	668,000	627,389	735,500	17.2
DEBITS TAX	...	...	66,800	...
TAXES ON MOTOR VEHICLE OWNERSHIP AND OPERATION				
Weight Tax	470,000	488,155	530,000	8.6
Drivers Licence Fees etc.	150,500	136,872	130,200	(-) 4.9
Vehicle Registration and Transfer	147,900	150,339	160,800	7.0
	768,400	775,366	821,000	5.9
HEALTH INSURANCE LEVY	43,000	44,110	45,000	2.0
GAMBLING AND BETTING				
Bookmakers	102	98	94	(-) 4.1
Racing Taxation	16,500	13,535	13,000	(-) 4.0
Totalizator Tax	69,500	64,024	66,000	3.1
Totalizator - Off-course Betting	215,200	213,323	240,000	12.5
Poker Machine Taxation	261,000	269,917	291,000	7.8
Keno Tax	25,000	...	...	...
Soccer Football Pools	1,800	1,862	2,040	9.6
Lotteries and Lotto	168,787	173,144	167,953	(-) 3.0
Footytab Commission	950	1,220	1,300	6.6
Amusement Devices	18,935	18,185	56,700	211.8
	777,774	755,308	838,087	11.0
LICENCES				
Petroleum	430,511	436,815	450,000	3.0
Tobacco	265,000	282,298	301,000	6.6
Liquor	205,300	193,181	209,380	8.4
Licences n.e.i.	4,101	4,984	4,643	(-) 6.7
	904,912	917,278	965,023	5.2
PRIVATE TRANSPORT OPERATORS	...	10,822	4,250	(-) 60.7
FIRE INSURANCE LEVY	...	142,641	143,637	0.7
AGL	4,365	3,311	3,400	2.7

Table 4.1: Consolidated Fund Revenue (cont)

ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
FEEES				
Consumer Credit	900	942	950	0.8
Motor Dealers	1,000	957	1,060	10.8
Firearms & Dangerous Weapons	1,679	1,755	1,980	12.8
Health	1,700	1,950	2,070	6.2
Supreme Court	10,130	11,967	12,500	4.5
Sheriff	2,550	3,224	3,400	5.5
District Courts	4,000	3,420	3,500	2.3
Local Courts	10,550	13,379	14,480	8.2
Corporate Affairs	69,000	70,433	24,000	(-) 65.9
Industrial Relations Misc	855	1,514	320	(-) 78.9
Agriculture - Miscellaneous	1,040	862	1,217	41.2
SPCC - Miscellaneous	3,330	4,903	5,400	10.1
Weights and Measures	1,020	974	1,539	58.0
Export of Livestock	225	163	225	38.0
Fisheries and Oyster Farms	813	1,010	862	(-) 14.7
Fee, n.e.i.	2,967	3,798	4,209	10.8
	111,759	121,251	77,712	(-) 35.9
FINES	124,257	131,871	141,980	7.7
TOTAL, STATE TAXATION, FEES AND FINES	7,873,717	7,839,449	8,683,439	10.8
LAND TRANSACTIONS & ROYALTIES				
ALIENATIONS				
Sale of Homesites	50,000	33,000	33,000	...
Miscellaneous Sales	16,000	22,592	18,559	(-) 17.9
	66,000	55,592	51,559	(-) 7.3
LEASEHOLDS AND LAND REVENUE				
Permissive Occupancies	3,500	3,395	3,300	(-) 2.8
Special Leases	3,500	3,180	2,800	(-) 11.9
Western Land Leases	2,500	2,071	2,600	25.5
Other Leases and Receipts	14,457	12,952	14,273	10.2
Mining Leases	2,300	2,158	2,008	(-) 7.0
	26,257	23,756	24,981	5.2
ROYALTIES				
Royalty on Minerals	132,500	128,966	137,680	6.8
TOTAL, LAND TRANSACTIONS AND ROYALTIES	224,757	208,314	214,220	2.8
INTEREST RECEIVED AND REPAYMENT OF ADVANCES				
Home Purchase Assistance	2,258	2,258	2,258	...
Dept of Planning	320	320	320	...
Interest on Treasury Funds	195,000	186,339	120,000	(-) 35.6
State Bank	4,800	1,505	...	(-) 100.0
Department of Housing	4,693	6,456	3,581	(-) 44.5
Drought Relief Loans	...	12	...	(-) 100.0
Natural Disaster Relief Schemes	13,000	6,500	5,000	(-) 23.1
Letona Co-op Ltd	...	423	423	...
Primary Producers	108	107	107	...
Rural Adjustment scheme	4,837	4,836	4,791	(-) 0.9
Rural Reconstruction Scheme	4,494	4,494	4,494	...
Department of Housing	31,957	31,957	31,957	...
BRCA Loans to Industry	1,660	2,250	1,500	(-) 33.3
Backlog Sewerage Works	8,233	8,233	8,233	...
Growth Centres	6,849	6,848	736	(-) 89.3
Miscellaneous Interest	8,496	9,882	9,566	(-) 3.2
TOTAL, INTEREST RECEIVED AND REPAYMENT OF ADVANCES	286,705	272,420	192,966	(-) 29.2

Table 4.1: Consolidated Fund Revenue (cont)

ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	%
CHARGES FOR GOODS AND SERVICES				
Rents - Government Buildings	55,075	38,276	46,500	21.5
Rent - Sydney Entertainment Centre	1,758	3,013	1,950	(-) 35.3
Water Act Charges	7,946	8,150	7,839	(-) 3.8
Water Delivery Charges	1,500	...	1,539	...
Tourism	809	770	715	(-) 7.1
RTA - Miscellaneous	2,150	2,250	1,800	(-) 20.0
Sale of Farm Produce, etc	2,272	1,836	2,374	29.3
Prison Industries	13,054	...	160	...
Government Guarantee of Debt	34,487	34,445	21,000	(-) 39.0
Quarantine Services	4,770	5,289	4,770	(-) 9.8
Legal Aid Services	2,000	1,900	2,200	15.8
Police Insurance Reports	853	638	670	5.0
Police Interviews re Accidents	1,353	1,164	1,191	2.3
Sport and Recreation Centres	7,400	7,479	8,000	7.0
Mining	2,700	2,068	2,115	2.3
Agricultural High Schools	4,405	3,863	4,190	8.5
FACS Residential Clients	...	9,283	9,973	7.4
Conservatorium of Music	579	142	...	(-) 100.0
Music Examinations Advisory Board	850	957	990	3.4
Construction Safety Act 1912	...	4,680	...	(-) 100.0
Births, Deaths and Marriages	8,100	8,028	10,900	35.8
Police - Miscellaneous	371	385	371	(-) 3.6
Bureau of Land Information	3,070	2,667	3,224	20.9
Transcription Services Bureau	1,150	825	1,125	36.4
Cost of Supervision of Works	2,572	1,871	100	(-) 94.7
TAFE - Specific Training Programs	22,000	18,893	20,000	5.9
Night Ride Bus Service	...	347	500	44.1
TAFE Admin Charges	28,607	19,553	32,822	67.9
Ambulance Transport Charges	29,000	34,550	34,000	(-) 1.6
Private Patient Fees	14,100	1,265	...	(-) 100.0
Vehicle Third Party Payments	30,000	29,248	28,500	(-) 2.6
Health - Miscellaneous	1,800	2,094	3,010	43.7
Stock Recording, Dipping, etc	612	261	252	(-) 3.4
Agricultural Colleges	936	850	993	16.8
Fisheries Inspection	600	432	300	(-) 30.6
Trade Descriptions	1,510	1,357	1,510	11.3
Agriculture - Miscellaneous	1,064	975	695	(-) 28.7
Architectural on-costs	7,963	3,125	475	(-) 84.8
Child Maintenance	158	8	12	50.0
Group Assurance Commission	1,677	1,619	1,695	4.7
Menindee Lakes Storage	720	699	720	3.0
Recoupments -				
A.C.T Prisoners in N.S.W. Gaols	2,874	3,341	3,800	13.7
Family Law Court	1,825	1,915	2,900	51.4
Joint Law Courts Library	280	332	553	66.6
Sale of Government Property	9,173	1,793	1,314	(-) 26.7
Adult Migrant Education	23,200	23,362	23,500	(-) 0.6
Unclassified Charges	21,368	20,560	18,623	(-) 9.4
TOTAL, CHARGES FOR GOODS AND SERVICES	358,691	306,558	309,870	1.1

Table 4.1: Consolidated Fund Revenue (cont)

ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	%
DIVIDEND AND TAX EQUIVALENT PAYMENTS FROM STATE ENTERPRISES				
PUBLIC TRADING ENTERPRISES				
- DIVIDENDS				
Maritime Services Board of N.S.W.	15,538	16,087	25,000	55.4
Electricity Commission of N.S.W.	25,000	25,000	185,000	640.0
Sydney Water Board	70,180	67,046	67,000	(-) 0.1
Hunter District Water Board	2,500	2,364	3,000	26.9
Sydney Cove Redevelopment Auth.	75,000	75,000	70,000	(-) 6.7
Waste Management Authority	...	...	1,700	...
Sydney Market Authority	...	...	3,500	...
Sydney County Council	...	...	75,000	...
Forestry Commission	...	...	10,000	...
Grain Corporation	...	...	4,500	...
Zoological Parks Board	610	...	400	...
Land Titles Office	14,500	6,853	8,849	29.1
Other	...	3,900	...	(-) 100.0
	203,328	196,250	453,949	131.3
PUBLIC FINANCIAL ENTERPRISES				
- DIVIDENDS				
State Bank	55,885	48,816	7,000	(-) 85.7
GIO	21,000	23,000	30,000	30.4
	76,885	71,816	37,000	(-) 48.5
PUBLIC FINANCIAL ENTERPRISES - TAX EQUIVALENT				
State Bank	...	...	22,000	...
GIO	73,500	76,272	75,500	(-) 1.0
	73,500	76,272	97,500	27.8
TOTAL, DIVIDEND AND TAX EQUIVALENT PAYMENTS FROM STATE ENTERPRISES				
	353,713	344,338	588,449	70.9
OTHER RECEIPTS				
Transfer of SRA Sinking Fund	...	...	24,685	...
Sundry persons' contribution to employer's superannuation	...	15,329	10,888	(-) 29.0
Miscellaneous -				
Unclaimed Moneys	7,003	2,451	6,683	172.7
Repayments previous years	114,285	124,201	19,733	(-) 84.1
Tfirs Under Sect 14 of the Public Finance and Audit Act 1983	2,759	1,912	2,315	21.1
School Education - oncosts	11,800	12,109	13,000	7.4
Unclassified Receipts	20,414	4,353	2,540	(-) 39.2
Public Sector Insurance Scheme	47,000	47,000	42,500	(-) 9.6
TOTAL, OTHER RECEIPTS	203,261	207,355	122,344	(-) 41.0

Table 4.1: Consolidated Fund Revenue (cont)

ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
COMMONWEALTH GENERAL REVENUE GRANTS				
FINANCIAL ASSISTANCE GRANT	3,666,100	3,668,369	3,708,035	1.1
SPECIAL REVENUE ASSISTANCE	...	26	...	(-)100.0
TOTAL, COMMONWEALTH GENERAL REVENUE GRANTS	3,666,100	3,668,395	3,708,035	1.1
COMMONWEALTH PAYMENTS FOR SPECIFIC RECURRENT PURPOSES				
Legal Aid	29,941	29,941	32,970	10.1
Human Rights	452	460	388	(-) 15.7
Emergency Services	619	596	670	12.4
Advanced Education	4,900	2,325	...	(-)100.0
Technical and Further Education	47,040	47,598	49,050	3.1
Schools	261,376	258,805	282,388	9.1
Participation and Equity	...	318	...	(-)100.0
Aboriginal Advancement	2,915	2,214	3,843	73.6
Hospital Funding Grant	1,185,715	1,185,348	1,283,369	8.3
Isolated Patients' Travel	...	...	...	(-)100.0
Accommodation Assistance Scheme	...	211	...	(-)100.0
Drug Education Campaigns	6,781	7,406	8,703	17.5
Women's Health Grants	395	371	725	95.4
National Women's Health	...	212	937	342.0
Blood Transfusion Services	4,559	5,060	7,199	42.3
National Better Health Scheme	860	...	1,652	...
Health Welfare Assistance Scheme	...	9	...	(-)100.0
Youth Health	...	...	1,015	...
Alternative Birthing Services	...	400	200	(-) 50.0
Funds to Combat AIDS	15,200	15,266	17,061	11.8
Health Education & Retraining	6,847	7,154	12,932	80.8
Geriatric Assessment	6,701	7,626	8,299	8.8
Home and Community Care	86,322	86,743	101,399	16.9
Supported Accommodation Assistance	27,087	20,380	39,714	94.9
Children's Services	5,291	2,461	1,800	(-) 26.9
Unattached Refugee Children	115	115	232	101.7
Rural Adjustment Scheme	16,093	15,019	18,392	22.5
Bovine Brucellosis and Tuberculosis Eradication	1,340	1,169	1,198	2.5
Agricultural Research	304	293	15	(-) 94.9
Water Resources Assistance Program	200	254	200	(-) 21.3
Soil Conservation	...	3,647	4,585	25.7
Sugar Industry Assistance	167	93	...	(-)100.0
Jervis Bay Marine Ecology Study	...	1,251	...	(-)100.0
National Indust. Extension Service	4,775	4,775	3,500	(-) 26.7
Assistance for Housing	4,098	1,848	6,328	242.4
Mortgage and Rent Relief	15,812	13,229	8,062	(-) 39.1
Assistance for Coal Industry	10,000	10,000	...	(-)100.0
Debt Redemption Assistance	...	...	883	...
Exotic Diseases Eradication	...	...	32	...
Home Deposit Assistance	...	...	4,800	...
Compensation for Company Regulation	...	...	28,000	...
Natural Disaster Relief	2,000	12,396	28,000	125.9
Translating and Interpreting	184	...	149	...
Junior Sports Participation	...	202	665	229.2
TOTAL, COMMONWEALTH PAYMENTS FOR SPECIFIC RECURRENT PURPOSES	1,748,089	1,745,195	1,959,355	12.3
TOTAL, RECURRENT REVENUE	14,715,033	14,592,024	15,778,678	8.0

Table 4.1: Consolidated Fund Revenue (cont)

ITEM	1989-90		1990-91 ESTIMATE	CHANGE
	ESTIMATE	ACTUAL		
	\$000	\$000		
COMMONWEALTH GRANT FOR GENERAL CAPITAL PURPOSES	86,336	86,336	79,756	(-) 7.6
COMMONWEALTH PAYMENTS FOR SPECIFIC CAPITAL PURPOSES				
Schools	63,000	64,216	65,000	1.2
Technical and Further Education	71,252	64,037	89,301	39.5
Teaching Hospitals	17,237	17,042	17,146	0.6
Public Housing	248,317	244,873	252,918	3.3
Pensioner Housing Grants	18,520	18,520	18,520	...
Housing Assistance for Aborigines	17,777	17,777	17,777	...
Other Housing	22,060	25,504	21,961	(-) 13.9
State Transit Authority	1,160	...	...	...
Australian Centennial Roads Development Program	435,340	435,340	489,000	12.3
Magnetic Resonance Imaging Lithotripter	1,180	1,180	1,118	(-) 5.3
Harbour and Rivers Improvements	1,920	2,120	2,540	19.8
Country Towns Water Supply and Sewerage	1,540	1,340	1,527	14.0
Murray Valley Salinity	1,600	1,600	1,300	(-) 18.8
Flood Plain Management	1,980	1,980	1,980	...
Blood Transfusion	372	372	560	50.5
Other	6,713	2,805	13,383	377.1
TOTAL, COMMONWEALTH PAYMENTS FOR SPECIFIC CAPITAL PURPOSES	909,968	898,706	994,031	10.6
REPAYMENTS BY DEPARTMENTS AND STATUTORY AUTHORITIES				
Department of Lands	125	1,363	2,212	62.3
Ministry for the Arts	...	...	662	...
Roads and Traffic Authority	...	...	5,000	...
Bathurst Orange Corporation	...	...	18,000	...
Macarthur Development Corporation	...	...	50,000	...
Hunter District Water Board	774	736	...	(-)100.0
Water Board	10,300	10,085	10,300	2.1
Department of Housing	150	83	150	80.7
Department of Water Resources	2,500	387	...	(-)100.0
Government Printer	...	5,901	...	...
Rural Assistance Authority	14,000	14,000	26,000	85.7
Other	230	4,721	230	(-) 95.1
TOTAL, REPAYMENTS BY DEPARTMENTS AND STATUTORY AUTHORITIES	28,079	37,276	112,554	201.9

Table 4.1: Consolidated Fund Revenue (cont)

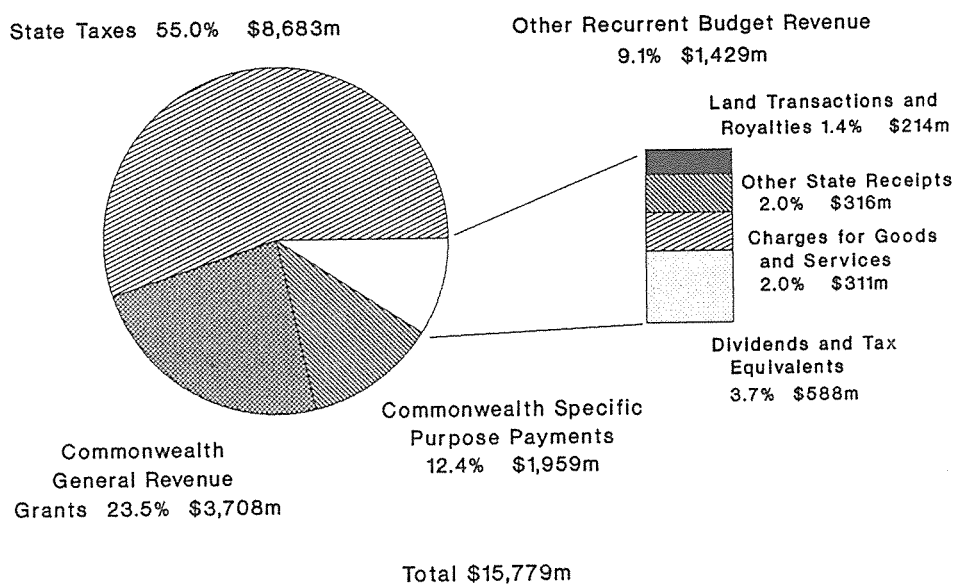
ITEM	1989-90		1990-91	CHANGE
	ESTIMATE	ACTUAL	ESTIMATE	
	\$000	\$000	\$000	
ASSET DISPOSALS				
Agriculture and Fisheries	4,990	110	1,882	1,610.9
Department of State Development	...	...	20,000	...
Department of Further Education, Training and Employment	...	50	11,779	23,458.0
Property Services Group	...	...	38,160	...
Department of Corrective Services	...	...	4,661	...
Department of School Education	15,000	20,455	57,439	180.8
Public Servant Housing Authority	...	...	22,600	...
Department of Family and Community Services	4,000	717	4,394	512.8
Police Service of N.S.W.	3,557	3,264	2,985	(-) 8.5
Public Works Department	...	3,881	6,125	57.8
Darling Harbour Authority	37,250	...	...	...
Other	150,274	54,418	177,000	225.3
TOTAL, ASSET DISPOSALS	215,071	82,895	347,025	318.6
TOTAL, CAPITAL REVENUE	1,239,454	1,105,213	1,533,366	38.7
TOTAL, CONSOLIDATED FUND	15,954,487	15,697,237	17,312,044	10.3

RECURRENT REVENUE

Estimated Consolidated Fund recurrent revenue in 1990-91 is \$15,778.9 million, an increase of \$1,186.7 million or 8.0 per cent on 1989-90.

Figure 4.1

RECURRENT BUDGET REVENUE, 1990-91



Approximately 36 per cent of budgeted revenue will be in the form of general or specific purpose payments from the Commonwealth, with the other 64 per cent coming from taxation revenue and other State sources.

The relativity between recurrent revenue from the Commonwealth and that from State sources has been changing over time, reflecting both Commonwealth funding cuts and the impact of economic conditions on the State's revenue. This trend is demonstrated in Table 4.2.

Table 4.2: Recurrent Revenue - Major Categories

CATEGORY	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
	\$m	\$m	\$m	\$m	\$m	\$m
State-sourced -						
Taxes	4,776	5,392	6,416	7,475	7,839	8,683
Land Transactions and						
Royalties	162	184	172	197	208	214
Other	677	690	871	1,020	1,131	1,215
Total, State-sourced	<u>5,615</u>	<u>6,266</u>	<u>7,459</u>	<u>8,692</u>	<u>9,178</u>	<u>10,112</u>
Commonwealth-sourced -						
General Revenue Grants	3,013	3,350	3,595	3,678	3,669	3708
Specific Purpose Payments	1,413	1,495	1,579	1,618	1,745	1,959
Total, Commonwealth-sourced	<u>4,426</u>	<u>4,845</u>	<u>5,174</u>	<u>5,296</u>	<u>5,414</u>	<u>5,667</u>
TOTAL, RECURRENT REVENUE	<u>10,041</u>	<u>11,111</u>	<u>12,633</u>	<u>13,988</u>	<u>14,592</u>	<u>15,779</u>
	%	%	%	%	%	%
State-sourced -						
Taxes	47.6	48.5	50.8	53.4	53.7	55.0
Land Transactions and						
Royalties	1.6	1.7	1.4	1.4	1.4	1.4
Other	6.7	6.2	6.9	7.3	7.8	7.7
Total, State-sourced	<u>55.9</u>	<u>56.4</u>	<u>59.0</u>	<u>62.1</u>	<u>62.9</u>	<u>64.1</u>
Commonwealth-sourced -						
General Revenue Grants	30.0	30.2	28.5	26.3	25.1	23.5
Specific Purpose Payments	14.1	13.4	12.5	11.6	12.0	12.4
Total, Commonwealth-sourced	<u>44.1</u>	<u>43.6</u>	<u>41.0</u>	<u>37.9</u>	<u>37.1</u>	<u>35.9</u>
TOTAL, RECURRENT REVENUE	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Within State-sourced revenue, the strongest growth has been in the taxation area, reflecting the impact of strong economic growth and (until recently) generally buoyant conditions in the real estate and share markets as well as the State's need to obtain alternative funding for its services following cuts in Commonwealth funding. A recent significant development has been the increase in Specific Purpose Payments, after a long downturn trend. Specific Purpose Payments are tied to particular programs and hence are not as preferred as General Revenue Grants.

The principal items contributing to the State's recurrent revenues are commented on in the following sections.

TAXATION

The two major sources of taxation are pay-roll tax and stamp duties, together contributing 56 per cent of the State's tax collections. While Pay-roll Tax is a relatively stable tax, the total stamp duties collected varies significantly from year to year as its components are affected differently by the business cycle. Until recently, stamp duty collections grew strongly, mainly reflecting the share market boom (until October 1987) and the real estate boom (until late 1988). Since then, stamp duties have fallen significantly, following the tightening of financial conditions and the significant downturn during 1989-90 of the property market.

Figure 4.2

STATE TAX RECEIPTS, 1990-91

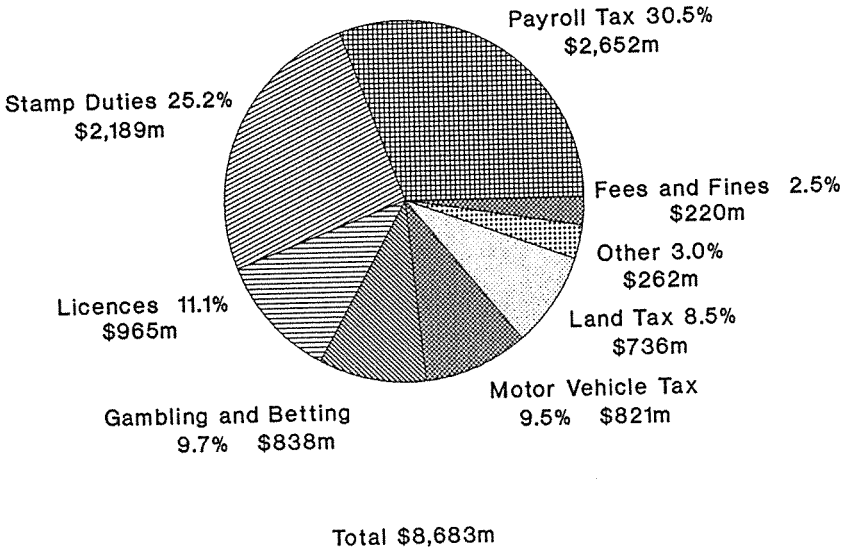
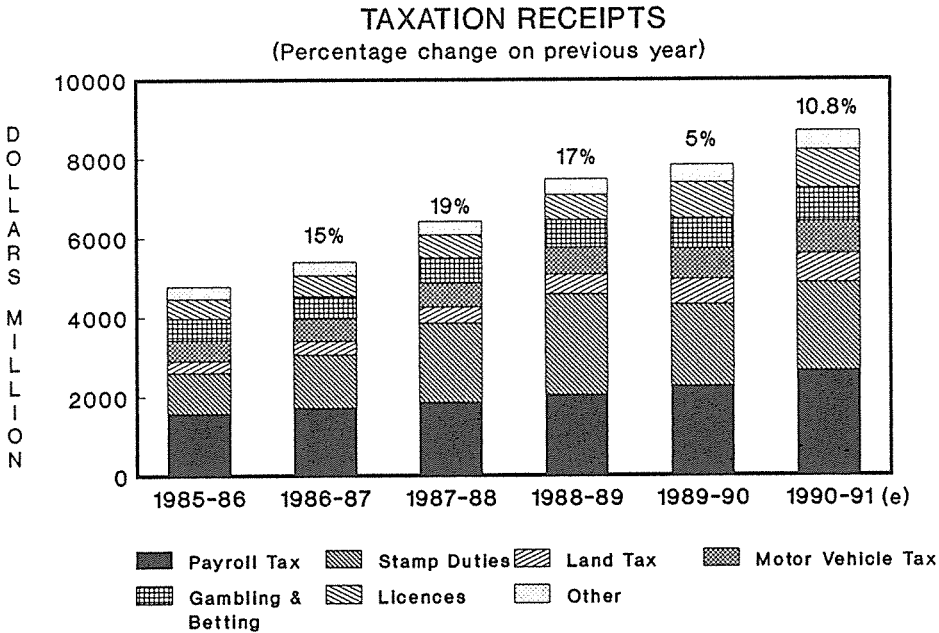


Figure 4.3



Details of the bases, rates and concessions for the principal tax items are shown in Table 4.3 at the end of this section.

OFFICE OF STATE REVENUE TAXES

Revenue forecasts for taxes collected by the Office of State Revenue were developed with the assistance of a range of statistical models. These included time series models (in which historical tax revenue is used to predict future revenue) and econometric models (in which revenue forecasts are developed by considering both past revenue and relevant economic variables).

In addition, several specialised models were used for the major taxes: an econometric-based Contracts and Conveyancing Duty model, developed by external consultants; a vector autoregressive model which provides predictions for Contracts and Conveyancing Duty, Loan Security Duty and Share Transfer Duty; and a spreadsheet model for Pay-roll Tax which incorporates monthly variations in collections.

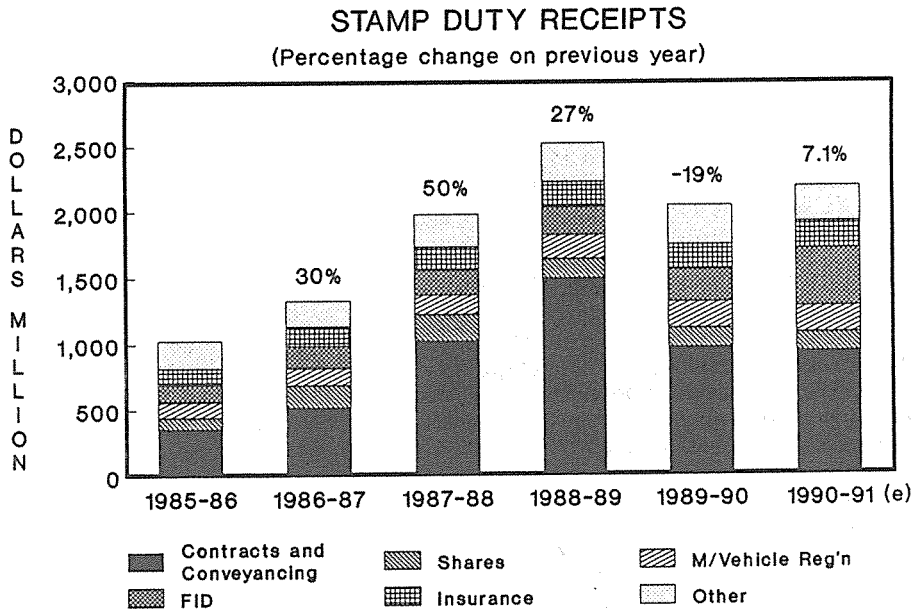
The use of these models, however, can only partially reduce the inherent difficulty in forecasting revenue. Furthermore, the unsettled economic conditions of the present cycle have added to the uncertainty associated with forecasting. In the case of Land Tax, these problems have been exacerbated by the temporary loss of information about the Land Tax base pending the successful computerisation of that tax base by the Office of State Revenue.

Stamp Duties - Estimate \$2,188.9 million. Increase 7.1 per cent.

The main components are as follows –

	1989-90 Actual \$m	1990-91 Estimate \$m	Change %
Contracts and Conveyances	970.9	940.0	(-) 3.2
Insurance	187.4	203.0	+ 8.3
Loan Securities	110.7	110.0	(-) 0.6
Share Transfers	142.5	140.0	(-) 1.8
Motor Vehicle Registration Certificates	203.0	200.3	(-) 1.3
Cheques	27.2	9.0	(-)67.0
Financial Institutions Duty	241.4	436.0	+ 80.6
Hiring Arrangements	57.6	60.5	+ 5.0
Leases	60.5	45.0	(-)25.6
Other	42.1	45.1	+ 7.1
	<hr/> 2,043.3	<hr/> 2,188.9	<hr/> + 7.1

Figure 4.4



• **Contracts and Conveyances**

The property market experienced a significant downturn during 1989-90 following the buoyant conditions of the previous year. The further tightening of monetary policy in June 1989 had an immediate and prolonged impact on revenue, which was only partially offset by the fire sale of numerous private and commercial properties.

The 1990-91 estimate is based on the expectation that the property market will remain weak until at least the end of 1990, with no significant easing in interest rates over this period. Revenue is projected to follow a similar trend to the last property cycle in which revenue fell in two successive years (1981-82 and 1982-83) before recovering.

During 1990-91, the downturn is expected to impact most severely on the commercial property sector, as indicated by rising vacancy rates, particularly for office space. Revenue associated with residential property sales should be affected to a smaller extent due to the unsatisfied underlying demand for housing and the current shortage of residential housing stock. The net effect of these developments in the property market should be the return of revenue to its long term growth rate following a further slump in 1990-91.

- *Insurance*

In 1990-91, revenue is expected to be affected by the impact of several natural disasters which occurred during 1989-90, the slowdown in economic activity and the November 1989 legislative change from a sum insured to a premium basis. However, a significant positive contribution should come from premium increases in the latter half of 1990.

- *Share Transfers*

Sections of the share market will continue to be affected by continuing high interest rates, falling business profitability and increased corporate debt during 1990-91. In addition, share turnover will be affected by international events including the Gulf crisis and the abolition of share duty on overseas exchanges. However, market sentiment is expected to be more positive in regard to the higher quality stocks, resulting on balance in only a small decrease in annual revenue.

- *Financial Institutions Duty*

The 1990-91 estimate is largely a reflection of the decision to double the taxation rate (from 0.03 per cent to 0.06 per cent) and double the maximum duty payable on any single transaction (from \$600 to \$1,200). This increase, which takes effect from 1 October 1990, is expected to raise an additional \$171 million in 1990-91 and \$257 million in a full year. However, the extent of the revenue increase is likely to be affected by an ongoing strong contraction in money supply growth which has been evident since late 1989.

- *Motor Vehicle Registration Certificates*

Following a relatively modest growth in revenue in 1989-90, the level of motor vehicle registrations is expected to fall in 1990-91. The major factors are the reduction in economic growth and the introduction of the luxury motor vehicle tax.

- *Hiring Arrangements*

A small increase in revenue is forecast for 1990-91 as a result of the weaker economic climate, in which companies and individuals are expected to turn to hiring rather than purchasing investment goods.

• *Cheques*

Cheque duty is to be abolished on 1 October 1990. The cost to revenue of this initiative is \$18 million in 1990-91 and \$27 million in a full year.

Pay-roll Tax - Estimate \$2,652.0 million. Increase 17.0 per cent.

The major influence on revenue in 1990-91 is the introduction of a single marginal tax rate of 7 per cent and the increase in the tax threshold from \$432,000 to \$500,000 per annum. This policy change, which is effective from 1 October 1990, is expected to raise an additional \$180 million in 1990-91 and \$268 million in a full year.

To a lesser extent, Pay-roll Tax will be affected by the Budget assumptions of a slowing in NSW employment growth, from 2.9 per cent in 1989-90 to only 0.9 per cent in 1990-91, and growth of 6.9 per cent in national average weekly earnings in 1990-91, compared with 6.8 per cent growth in 1989-90. Revenue associated with the inclusion of fringe benefits in the definition of pay-roll is expected to contribute almost 1 percentage point to overall revenue growth in 1990-91.

The major element of risk in this revenue forecast is a collapse in employment, were economic conditions to deteriorate significantly in the face of continued tight monetary policy and falling commodity prices.

Land Tax - Estimate \$735.5 million. Increase 17.2 per cent.

The continuing problems with the Land Tax computing system have adversely affected knowledge of the tax base during the forecasting period. These problems stem from the slow loading of a large data base concerning all land in the State. Until this is completed, a full assessment of the base has been ruled out.

For the 1990 Land Tax year, the statutory exemption limit below which Land Tax is not payable was increased retrospectively in April 1990 from \$135,000 to \$160,000. The rate of tax was concurrently reduced from 2 per cent to 1.5 per cent. This higher threshold and lower rate will apply in the 1991 Land Tax year, with an associated cost to revenue of \$66 million in 1990-91.

The 1990-91 revenue estimate also reflects the policy decision to bring forward the decrease in land values in the 1992 Land Tax year. Existing taxpayers' liability in 1991 is based on the application of a uniform equalisation factor of 17 per cent followed by no change in liability in 1992. The associated revenue cost is \$23 million in 1990-91 and \$29 million for the full 1991 Land Tax year. In deriving the 1990-91 forecast, account has been taken of the elasticity of the Land Tax rate scale to increases in land values.

The Land Tax Review conducted by the Government's Treasury Advisory Committee and chaired by Mr J. Longley, MP, presented its findings in June 1990. On the basis of the Committee's recommendations, a number of concessions are to be introduced, including the exemption of registered retirement villages and commercial nursing homes from Land Tax. These exemptions will apply from the 1991 Land Tax year, and are expected to cost \$1 million and \$3.5 million respectively. The total cost of the policy changes arising from the Land Tax Review is estimated to be \$13 million in the 1991 Land Tax year and \$10 million in 1990-91.

Bank Account Debits Tax - Estimate \$66.8 million.

The Commonwealth Government is handing over this tax to the States on 1 December 1990. The tax is levied on debits to accounts upon which cheque drawing facilities are provided. The forecast represents New South Wales' share of the national revenue expected from the tax in 1990-91. In return for handing this tax over to the States, the Commonwealth will reduce Financial Assistance Grants to the States by an amount equivalent to the proceeds gained from the tax.

Health Insurance Levies - Estimate \$45 million. Increase 2.0 per cent.

The levy is paid by health insurance organisations for the purpose of contributing towards the cost of ambulance services. Revenue growth is expected to be small due to declining real disposable income and high mortgage repayments, which are forcing households to reassess their ability to afford this service.

Business Franchise Licences (Petroleum Products) - Estimate \$450.0 million. Increase 3.0 per cent.

State consumption of petroleum products is expected to fall in 1990-91 in line with the economic slowdown. In addition, revenue (which is based on a fixed amount per litre) may be indirectly affected by the international increase in oil prices associated with the Gulf crisis, which may in turn lead to a fall in consumption. The forecast increase in revenue reflects the fact that in 1989-90 the 3 cents/litre levy was collected for only 11 months. The total amount collected from petroleum licence fees is dedicated to the roads program.

Business Franchise Licences (Tobacco) - Estimate \$301.0 million. Increase 6.6 per cent.

The strong growth in this item for 1989-90 largely reflects the increase from 30 to 35 per cent in the rate of duty payable by licence holders (effective from 28 August 1989) and the full year effect of the increased revenues following the introduction of a 30 per cent tobacco duty in Queensland (from 1 January 1989), which substantially removed the opportunities for evasion/avoidance of the New South Wales duty. The 1990-91 forecast is based on CPI movements and improvements in compliance.

OTHER TAXES**Taxes on Motor Vehicle Ownership and Operation - Estimate \$821.0 million. Increase 5.9 per cent.**

The category comprises –

- motor vehicle "weight" tax and related items;
- drivers' and riders' licence fees; and
- motor vehicle registration fees.

The increase in this category relates mainly to the proposed increases in motor vehicle weight charges effective from 1 January 1990. Offsetting this increase is a reduction in drivers and riders licence fees resulting from the continued introduction of the photographic licence scheme.

With the introduction of these licences from mid 1988-89, eligible drivers have been able to renew their licences for a 5-year period. There is a substantial cash flow boost to the Consolidated Fund in the first two years of operation of the new arrangements, with a corresponding decrease in following years.

Racing - Estimate \$319.0 million. Increase 9.7 per cent.

The forecast growth is marginally above the actual growth during the 1989-90 financial year. The slower growth rate in these two years, compared with the previous two years, is attributed to the economic climate and a drift away from on-course betting.

Poker Machine Tax - Estimate \$291.0 million. Increase 7.8 per cent.

Until 1 December 1990 annual licence fees are payable by registered clubs on a per machine basis and a net revenue basis. The basic tax per machine varies according to the denomination of the machine and the number of such machines operated by the club. From 1 December 1990 the tax will be assessed on the profit derived from machines.

Approved Amusement Devices - Estimate \$56.7 million. Increase 211.8 per cent.

The increase shown for this item results from changes in the licensing system made during 1989-90. Prior to 1 October 1989, annual licence duty was paid by hoteliers on a per machine basis (site fee). The basic duty was \$4,000 per machine per annum with a reduction applying in respect of the first machine purchased by smaller hotels. Since then, duty has been assessed on the basis of total turnover on the machines in each hotel. Duty is payable quarterly. However, during 1989-90 only two quarterly instalments were made and in addition, hoteliers received credit for payments made in advance under the previous "site fee" scheme.

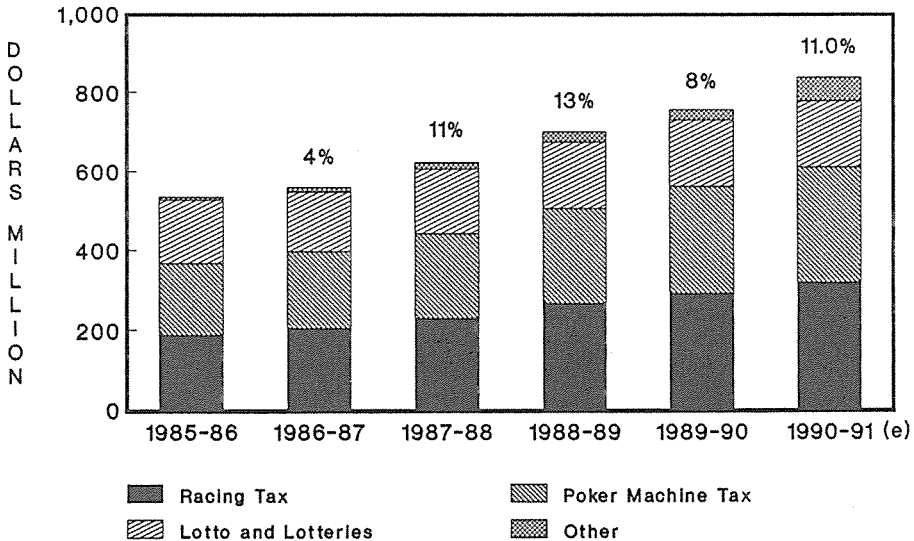
Lotteries and Lotto - Estimate \$168.0 million. Decrease 3.0 per cent.

The State Lotteries Office moved "off-Budget" on 1 July 1989. Revenue paid into Consolidated Fund from this source now reflects the net position after deducting the Office's costs incurred in Lotteries and Lotto operations.

Collection trends in revenue from gambling generally are shown in Figure 4.5.

Figure 4.5

GAMBLING AND BETTING REVENUE
(Percentage change on previous year)



Liquor Licences - Estimate \$209.4 million. Increase 8.4 per cent.

The estimate is based upon forecast liquor purchases by licensees during the previous financial year. Fees are payable in January and May of the following financial year.

Fees - Corporate Affairs - Estimate \$24.0 million. Decrease 65.9 per cent.

The significant reduction in revenue relating to corporate regulation is due to the anticipated transfer of these functions to the Commonwealth's Australian Securities Commission from 1 January 1991. In terms of the agreement with the Federal Government covering this transfer, the States are to receive compensation from the Commonwealth towards the revenue that will be lost to the States.

LAND TRANSACTIONS AND ROYALTIES

Royalties - Estimate \$137.7 million. Increase 6.8 per cent.

Three new coal mines are coming on line this year and should lead to an estimated 20 per cent increase in coal production. The overall increase in royalties payments in 1990-91 is estimated at 6.8 per cent.

Land Sales - Estimate \$51.6 million. Decrease 7.3 per cent.

The estimate for this category reflects the expectation of a fall in revenues from home site sales, plus a decrease in receipts from other Crown land sales following a number of large "one-off" sales in 1989-90.

CHARGES FOR SERVICES RENDERED

This category covers a variety of revenues earned from the provision of departmental services or goods.

Further Education, Training and Employment (FETE) Revenues - Estimate \$52.8 million. Increase 37.4 per cent.

This item consists of two principal components - revenue earned from the provision of specific TAFE courses on behalf of the Commonwealth and the TAFE administration charge first introduced in 1989.

Revenue from the administration charge is available to the TAFE area to fund enhancements, including growth in enrolment numbers and the operating costs of new TAFE colleges. Revenue is initially credited to a Special Deposits Account and only transferred to the Consolidated Fund as the cost of the enhancements emerges.

Transfers to the Consolidated Fund in 1990-91 will reflect the increase in the charge for the 1991 college year to \$430 for higher level education courses and \$130 for other course enrolments.

DIVIDEND AND TAX EQUIVALENT PAYMENTS FROM STATE ENTERPRISES - Estimate \$588.4 million. Increase 70.9 per cent.

Revenue in this category is derived from the GIO, State Bank, the Electricity Commission, Sydney County Council, and other Government Trading Enterprises and State Owned Corporations. Dividends are a means of ensuring an adequate return on State Government equity, and are a key element in the Government's policy of creating a commercial operating environment. Payments from the GIO and the State Bank include corporate tax equivalents. Total payments from the GIO and the State Bank will total \$134.5 million in 1990-91 (down 9.2% on last year). Contributions from other authorities are forecast to be \$453.9 million, up from \$196.2 million last year, an increase of 131.3 per cent. The increase is mainly due to large increases in both normal and special dividends from the Electricity Commission and Sydney County Council.

OTHER RECEIPTS - Estimate \$122.3 million. Decrease 41.0 per cent.

The significant decrease in this category is due to "once-off" revenue received in 1989-90 from the return of surplus balances in special deposit accounts to Consolidated Fund and the repayment of previous years Health expenditure.

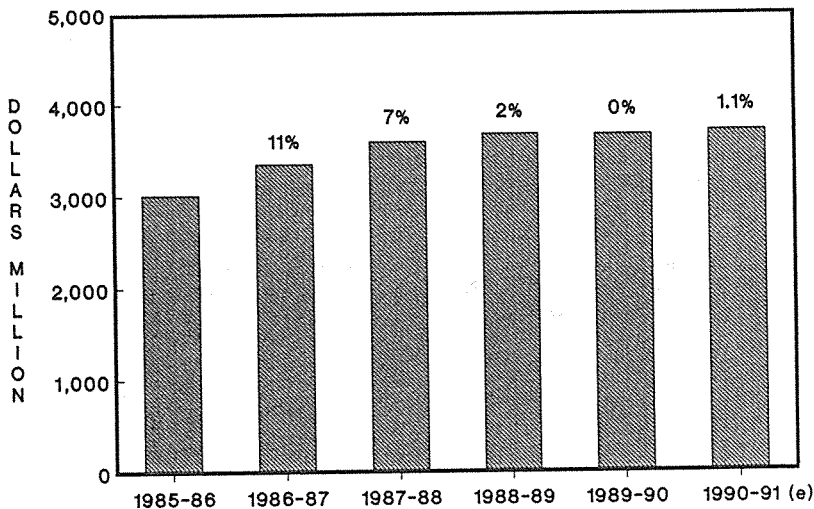
COMMONWEALTH GENERAL REVENUE GRANTS

Financial Assistance Grant - Estimate \$3,708.0 million. Increase 1.1 per cent.

The small increase in financial assistance grants to be paid to New South Wales in 1990-91 reflects the net effect of (i) the \$400 million decrease in real terms in the size of the "pool" available to the States and Northern Territory; (ii) the recoupment of \$66.8 million to adjust for the Commonwealth decision to transfer the Bank Account Debits Tax to the States; and (iii) the increase in New South Wales' share of the "pool" as a result of the Premiers' Conference decision to use a five year review period instead of three years for the determination of relativities.

Figure 4.6

COMMONWEALTH FINANCIAL ASSISTANCE GRANTS (Percentage change on previous year)

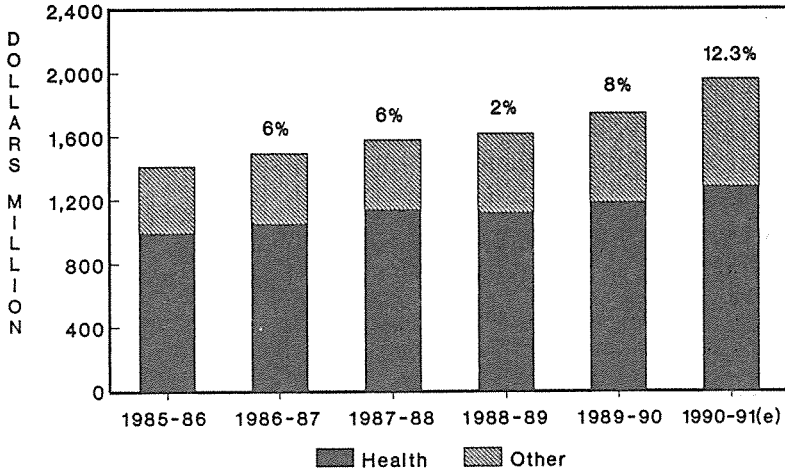


COMMONWEALTH PAYMENTS FOR SPECIFIC RECURRENT PURPOSES

- Estimate \$1,959.4 million. Increase 12.3 per cent.

Figure 4.7

COMMONWEALTH SPECIFIC PURPOSE PAYMENTS (Percentage change on previous year)



Payments to the States by the Commonwealth are made under Section 96 of the Commonwealth Constitution. These payments generally relate to functions which the Commonwealth is unable to provide for directly (e.g. payments to local government, grants to private schools) or where assistance is provided to the States in meeting their expenditure obligations. Specific purpose payments are made under the terms and conditions determined by the Commonwealth. The range of payments made has varied over time reflecting the differing priorities and/or funding policies of the Commonwealth Government.

Those payments for which the State acts effectively as a paying agent only (e.g. assistance to local government, private schools and universities) are not passed through the State's Budget.

The principal recurrent specific purpose payments relate to health and education. Full details of all Commonwealth payments to New South Wales are shown in Budget Paper No. 4.

CAPITAL REVENUE

Estimated Consolidated Fund capital revenue is \$1,533.4 million, an increase of \$428.1 million or 38.7 per cent on 1989-90.

COMMONWEALTH GENERAL PURPOSE CAPITAL PAYMENTS - Estimate \$79.8 million. Decrease 7.6 per cent.

The General Purpose Capital Payments for 1990-91 have been determined on the same nominal aggregate amounts for all States as provided last year, adjusted for recoupment of 90 per cent of State motor taxes levied on Telecom and Australia Post from 1989. The Commonwealth decision to recoup these taxes through the General Purpose Capital Payments reflects their exclusion from the Grant Commission's assessment of relativities for general revenue grants.

COMMONWEALTH PAYMENTS FOR SPECIFIC CAPITAL PURPOSES -
Estimate \$994.0 million. Increase 10.6 per cent

The Commonwealth provides payments to the States for specific capital purposes under Section 96 of the Commonwealth Constitution.

As with Commonwealth payments to the States for specific recurrent purposes, capital payments are made under terms and conditions determined by the Commonwealth and the differing range of payments made over time reflects Commonwealth priorities and funding policies.

The major Capital Specific Purposes Payments are made for Housing and Roads. Full details of all these payments are shown in Budget Paper No. 4.

REPAYMENTS BY DEPARTMENTS AND STATUTORY AUTHORITIES -
Estimate \$112.6 million. Increase 201.9 per cent

These repayments generally represent principal amounts in respect of advances made to Departments and authorities in previous years.

Significant once-off payments are expected to be received in 1990-91 from both the Macarthur and Bathurst-Orange Development Corporations upon wind-up of activities and transfer of their residual debt to Treasury.

The repayments by the Rural Assistance Authority relate to principal amounts in respect of previous advances to the Authority for Government initiated primary producer assistance schemes, for instance, relief from natural disasters and for soil conservation works. The 1990-91 repayment by the Authority includes a once-off amount in respect of redundant assistance schemes.

ASSET DISPOSALS - Estimate \$347.0 million. Increase 318.6 per cent

Under arrangements introduced in 1987-88 departments within the Inner Budget Sector are permitted to retain 50 per cent of the net proceeds from the disposal of assets by sale or long-term lease. Funds retained may be applied towards funding capital program expenditure or the maintenance of existing assets. The remaining 50 per cent is credited to Consolidated Fund capital receipts and applied as a funding source for the State's overall capital program.

An amount equivalent to 10 per cent of net proceeds from asset disposals credited to Consolidated Fund is appropriated for transfer to the Open Space and Heritage Fund and used to acquire land and buildings for community use such as parklands, heritage buildings and environmentally based projects.

The amount of \$347 million from proceeds of asset disposal in 1990-91 expected to be credited to Consolidated Fund is inflated by projected proceeds from the proposed long-term leases of both the State Office Block in Macquarie St. and the Education Bridge St. building. Proceeds from these proposed leases will be credited in full to the Consolidated Fund. The amount to be received from the lease of the Education Bridge St. building is specifically earmarked to fund implementation of the report of the Management Review of the Education and Youth Affairs portfolio concerning the Department of School Education.

Table 4.3: Principal Rates of Tax

(The information shown in this table is intended only as a general guide in understanding the Budget estimates for major tax items. It should not be taken as a complete or definitive explanation of legal liability.)

Tax Item	Base	Rates	Major Exemptions/Concessions
Pay-roll Tax	Total pay-roll (as defined). Rates shown effective 1 October 1990.	Up to \$500,000 p.a. Over \$500,000	- nil - 7% of excess
Stamp Duty - Contracts and Conveyances	Transfer of real property, chattels, and associated goodwill.	Up to \$14,000 \$14,001 to \$30,000 \$30,001 to \$80,000 \$80,001 to \$300,000	Local Government (except trading undertakings). Charitable institutions, religious bodies, non-profit private health and educational facilities. Transfer to joint ownership between spouses and transfer to sole ownership for divorcees of principal place of residence. Eligible first home purchasers able to defer duty and pay over 5 years.

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
		\$300,001 to \$1,000,000-	- \$8,990 plus \$4.50 per \$100 of amount in excess of \$300,000
		Over \$1,000,000	- \$40,490 plus \$5.50 per \$100 of amount in excess of \$1,000,000
Mortgages and Loan Securities	Sum secured	\$500 to \$15,000 Over \$15,000	Duty waived on mortgages for eligible first home purchases.
Life Insurance			
- term/temporary	First year premium Sum Insured	5%	
- other		\$100 - \$2,000 Over \$2,000	Annuities are exempt.
Other Insurance	Premium paid	11.5% of premium paid	Concessional rate of 2.5% on motor vehicle, aviation, disability income, occupational indemnity, crop and livestock insurance.
Cheques	Per cheque. Cheque duty is to be abolished from 1 October 1990.	10c	Religious and charitable institutions.

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
FID	Receipts (credits) of financial institutions	0.03% subject to maximum duty of \$600 in respect of any one transaction until 1 October 1990 0.06% subject to a maximum duty of \$1,200 in respect of any one transaction effective 1 October 1990	Concessional rate for short term money market dealers and exemption for directly credited Commonwealth social security payments.
Motor Vehicle Registration	Value of vehicle being newly registered or transferred	\$2 per \$100	
Share Transfers	Value of shares transferred	30c per \$100 payable by buyer and seller	
Leases	Value of lease of land or premises	35c per \$100	Residential (5A) leases exempt.
Hiring Arrangements	Amount charged (includes motor vehicle leases)	Up to \$6,000 p.m. Over \$6,000 p.m.	- nil - 1.5% subject to maximum duty of \$10,000
Land Tax	Adjusted land values. Rates shown effective 1 January 1990.	Up to \$160,000 Over \$160,000	Principal place of residence exempt. Rural land generally exempt. Religious, charitable and education land exempt. Five year 'tax holiday'

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions	
Bank Account Debits Tax	Per cheque drawn. Rates effective 1 Dec 1990.	not <\$1 but <\$100: not <\$100 but <\$500: not <\$500 but <\$5,000: not <\$5,000 but <\$10,000: \$10,000 or more:	15c 35c 75c \$1.50 \$2.00	for investors in new rental projects. Exemption for metropolitan boarding houses as from 1990 Land Tax Year. Exemptions for public benevolent and religious bodies; public hospitals; schools, colleges and universities; non-business activities of government departments.
Health Insurance Levy	Contributions to health insurance funds	Equivalent to 49c per contribution effective 1 February 1990.		
Liquor Licences	Expenditure on liquor in preceding financial year	10% of amount expended		
Business Franchise Licences - Petrol	Retailer purchase of petrol	Nil if all purchases are from licensed wholesalers - otherwise \$10 per month.		
	Wholesaler purchase of petrol	\$10 per month plus - 15.5% of declared value (42 ¢/litre) of motor spirit - 25.8% of declared value (25.5 ¢/litre) of diesel fuel sold for on-road purposes only	Off-road use of diesel fuel is generally exempt.	

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Tobacco	Retailer purchase of tobacco from unlicensed sources. Wholesaler purchase of tobacco from unlicensed sources.	Fixed \$10 per month plus 35% of purchases from unlicensed sources Fixed \$10 per month plus 35% of value of sales (except to other licensees)	
Racing Tax - Bookmakers Totalisator	Value of bets Value of bets	1% of turnover Off-course - 6.5% to 8% depending on type of bet On-course - 5% to 9.5% depending on type of bet	4% variance between country and metropolitan courses.
Poker Machines	Number and type of machine and net revenue (until 1 December 1990)	Tax per machine ranging from \$100 p.a. to \$2,500 p.a. depending on type (denomination) and total number owned by club. Supplementary and additional supplementary tax based on club's net revenue.	
Approved Amusement Devices	Profit from machines (effective 1 December 1990) Turnover on machines per hotel.	1% on first \$100,000 profit per registered club. 22.5% on profit in excess of \$100,000. 3% on first \$2 million turnover p.a. per hotel. 4% on turnover in excess of \$2 million.	

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Motor Vehicle Tax	Weight and type of motor vehicle and whether the vehicle is for private or non-private use. Rates shown effective 1 January 1990.	Motor cycles: Motor vehicles (not exceeding 2,500 kg): Motor vehicles (exceeding 2,500 kg and not exceeding 7,100 kg) not being for private use or a motor omnibus: Motor vehicles exceeding 7,110 kg:	Pensioners, State Government and Declared Authorities, local councils, primary producers, mobile plant, trailers.
		\$30.05	
		\$98.45 - \$311.05	
		\$529.60 - \$1,498.65	
		\$1,498.65 + \$54.25 for each 254 kg or part thereof over 7,110 kg	
		60% of relevant rate above	
		50% of relevant rate above	
		shall not exceed \$529.60	
		Buses/private-use vehicles over 2,500 kg:	
		Primary Producers vehicle being a motor lorry (not a station wagon), tractor or trailer:	
		Tractors - not primary producer vehicle:	

Table 4.3: Principal Rates of Tax (cont)

Tax Item	Base	Rates	Major Exemptions/Concessions
Driver/Rider Licences	Type of licence and period Rates effective from 1.7.90	Tractors - primary producer's vehicle:	shall not exceed \$291.30
		Additional Tax - vehicles over 3,560 kg not used for private purposes:	\$122.80 (motor vehicle) \$ 73.70 (motor omnibus)
Driver/Rider Licences	Type of licence and period Rates effective from 1.7.90	Driver/Rider Licence (not Probationary)	\$24 - \$36
		Learners Licence	\$17 and \$19
		Replacement or Duplicate Licence	\$10 and \$12
			Pensioners
Registration Fees	Type of vehicle and use Rates effective from 1.7.90	Registration	\$33
		- motor vehicle	\$109 - \$185
		- public passenger vehicle	\$109 - \$154
		- motor lorry	\$78
		- trailer > 2.5 tonne	\$57 + \$16
Registration Fees	Type of vehicle and use Rates effective from 1.7.90	Transfer of Registration	\$16
		- if less than 14 days from acquiring possession of vehicle	\$16
		- if not less than 14 days	\$57 + \$16
Registration Fees	Type of vehicle and use Rates effective from 1.7.90		Pensioners, Government and Declared Authorities, Local Councils.

4.3 CONSOLIDATED FUND RECURRENT PAYMENTS

Introduction

Total Consolidated Fund recurrent spending in 1990-91 will increase by 7.6 per cent to \$14,445 million. While this represents a real increase of 0.6 per cent on total 1989-90 actual expenditure, this is explained by the latter figure being substantially below that originally budgeted for, thus understating the base for the inter-year comparison. Over the two years to 1990-91, Consolidated Fund recurrent expenditure is, in fact, expected to decline by 1.7 per cent in real terms.

Table 4.4: Recurrent Expenditure, 1984-85 to 1988-89

		1985-86	1986-87	1987-88	1988-89	1989-90
Recurrent expenditure	\$m	9,699	10,771	11,798	12,693	13,424
Growth in recurrent expenditure	%	11.7	11.1	9.5	7.6	5.8
Real growth in recurrent expenditure	%	2.9	1.6	2.1	0.3	(-) 2.3
Recurrent expenditure as a ratio of GSP	%	11.9	11.8	11.3	10.6	10.3

This decline is in contrast with general experience of past years as indicated in the table. This reflects two factors –

- the commitment made by the Government on coming to office, to restrain expenditure growth; and
- the introduction of the forward estimates system which enabled greater control over the macro Budget aggregates and facilitated compliance with the Government's commitment.

Forward Estimates

Following the 1988-89 Budget, a review was undertaken of the procedures involved in formulating the State Budget.

As a result, an extensive range of changes was introduced under the general title of "target and global budgeting". The major changes in the Budget process are –

- the integration of forward estimates into the Budget cycle;
- greater flexibility for Ministers in allocating expenditure within their portfolios;

- a revised and formalised process of assessing "enhancement" proposals (i.e. proposals for new or increased services involving additional outlays);
- a targeted approach to identification and assessment of "portfolio savings" (i.e. savings from the elimination or reduction of lower priority activities);
- a continuing requirement for Inner Budget Sector agencies to return part of their productivity gains to the Consolidated Fund via a "productivity dividend";
- a facility for Ministers to seek to "borrow" from following years' allocations or "lend" forward to following years up to 2 per cent of their allocations.

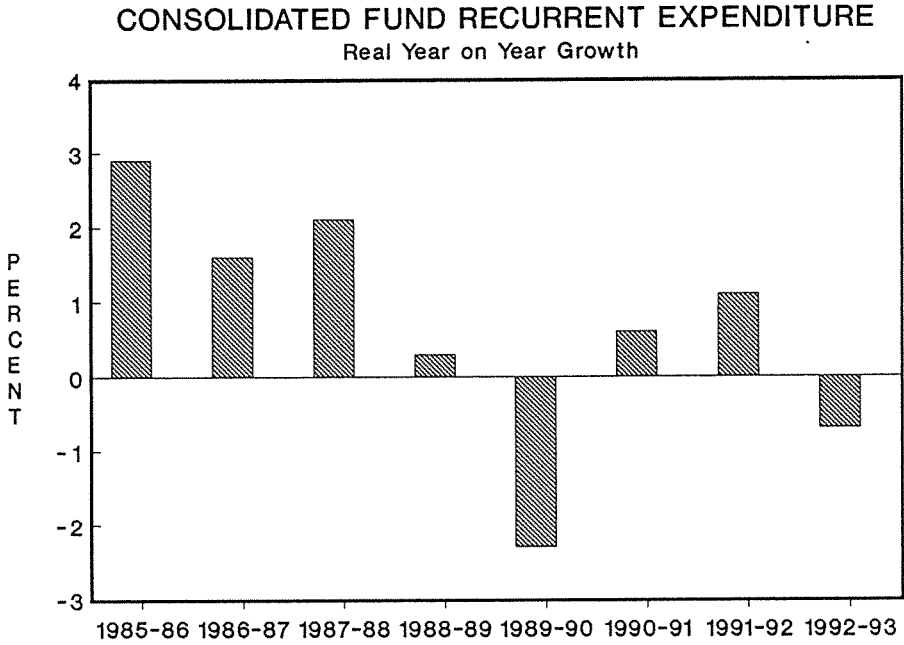
A key aspect of the changes is the preparation and publication on a rolling three year basis of forward estimates for recurrent expenditure. These estimates provide a medium term budget perspective and benchmark against which the Government can assess specific proposals as well as the general direction of its expenditure. The first set of forward estimates, covering the period 1989-90 to 1991-92, was released in a Treasury document in August 1989 in conjunction with the Treasurer's Financial Statement.

Based on the forward estimates, the Government's commitment to zero real growth in recurrent expenditure over its first term of office (i.e. to 1991-92) is fully met, with a further real decline in recurrent expenditure forecast for 1992-93. Between 1988-89 and 1992-93, real recurrent expenditure is forecast to decline by 1.3 per cent. In summary the projections are as follows –

Table 4.5: Summary of the Forward Estimates

		1989-90	1990-91	1991-92	1992-93
		Actual	Budget	Forward Estimates	
Recurrent expenditure	\$m	13,424	14,445	15,473	16,340
Growth in recurrent expenditure	%	5.8	7.6	7.1	5.6
Real growth in recurrent expenditure	%	(-) 2.3	0.6	1.1	(-) 0.7
Recurrent expenditure as a ratio of GSP	%	10.3	10.3	10.3	9.9

Figure 4.8



Relative to the State economy, recurrent expenditure is projected to decline as a proportion of Gross State Product from 11.9 per cent in 1985-86 to 9.9 per cent in 1992-93.

The forward estimates are shown by portfolio, organisation and expenditure category in Table 4.6.

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
THE LEGISLATURE							
	52.4	58.6	11.8	60.2	2.7	62.7	4.2
TOTAL FOR MINISTER	52.4	58.6	11.8	60.2	2.7	62.7	4.2
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	16.0	17.2	7.6	18.7	8.7	19.6	5.1
Maintenance and Working Expenses	11.1	13.3	20.5	13.7	3.0	14.4	5.1
Grants and Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses	25.4	28.1	10.6	27.8	-1.0	28.7	3.1

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90 ACTUAL \$m		1990-91		1991-92		1992-93	
	\$m	% change	\$m	% change	\$m	% change	\$m	% change
PREMIER, TREASURER AND MINISTER FOR ETHNIC AFFAIRS								
CABINET OFFICE	6.4		7.1	10.9	7.4	4.2	7.8	5.3
PREMIER'S DEPARTMENT	80.7		78.4	-2.7	79.0	0.6	86.4	9.5
INDEPENDENT COMMISSION AGAINST CORRUPTION	14.2		12.0	-15.5	13.1	9.0	13.6	4.3
OMBUDSMAN'S OFFICE	3.9		4.2	7.5	4.4	4.9	4.6	4.6
STATE ELECTORAL OFFICE	2.3		2.6	12.4	23.2	787.2	8.9	-61.6
TREASURY	1,138.3		1,103.5	-3.1	1,151.8	4.4	1,111.9	-3.5
ETHNIC AFFAIRS COMMISSION	7.5		7.3	-2.9	7.2	-1.3	7.6	4.9
TOTAL FOR MINISTER	1,253.3		1,215.2	-3.0	1,286.1	5.8	1,240.9	-3.5
ESTIMATES BY EXPENDITURE CATEGORY :-								
Employee Related Payments	67.2		69.1	2.8	72.8	5.4	76.1	4.5
Maintenance and Working Expenses	45.1		45.9	1.9	48.1	4.7	50.6	5.1
Grants and Subsidies	8.5		3.5	-59.0	2.9	-15.9	3.0	2.0
Other Expenses	1,132.6		1,096.8	-3.2	1,162.3	6.0	1,111.3	-4.4

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR AGRICULTURE AND RURAL AFFAIRS							
RURAL ASSISTANCE AUTHORITY	20.9	25.6	22.5	28.3	10.6	31.3	10.6
DEPARTMENT OF AGRICULTURE AND FISHERIES	174.2	172.7	-0.8	180.5	4.5	186.5	3.4
SOIL CONSERVATION SERVICE	34.8	40.2	15.4	41.3	2.8	43.1	4.2
TOTAL FOR MINISTER	229.9	238.5	3.7	250.1	4.9	260.9	4.3
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	128.6	144.8	12.5	150.6	4.1	157.4	4.5
Maintenance and Working Expenses	64.8	65.4	0.9	67.0	2.5	70.0	4.5
Grants and Subsidies	4.6	5.3	15.4	5.4	0.1	5.4	0.2
Other Expenses	31.9	23.0	-27.8	27.1	17.7	28.0	3.6

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90 ACTUAL		1990-91		1991-92		1992-93	
	\$m	% change	\$m	% change	\$m	% change	\$m	% change
ATTORNEY GENERAL								
ATTORNEY GENERAL'S DEPARTMENT	245.2		252.1	2.8	267.4	6.1	280.1	4.8
JUDICIAL COMMISSION	1.3		1.7	23.4	1.6	-3.1	1.6	-1.6
LEGAL AID COMMISSION	48.0		50.3	4.8	55.1	9.6	59.6	8.1
OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	25.6		34.4	34.5	36.9	7.3	38.8	5.0
TOTAL FOR MINISTER	320.1		338.4	5.7	361.0	6.7	380.0	5.3
ESTIMATES BY EXPENDITURE CATEGORY :-								
Employee Related Payments	157.1		174.4	11.0	185.5	6.4	194.6	4.9
Maintenance and Working Expenses	54.6		59.3	8.6	63.8	7.6	66.9	4.9
Grants and Subsidies	0.0		0.0		0.0		0.0	
Other Expenses	108.4		104.7	-3.4	111.7	6.7	118.4	6.0

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR BUSINESS AND CONSUMER AFFAIRS							
BUSINESS AND CONSUMER AFFAIRS	102.2	80.9	-20.9	90.2	11.5	93.9	4.2
TOTAL FOR MINISTER	102.2	80.9	-20.9	90.2	11.5	93.9	4.2
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	39.4	36.7	-7.0	41.9	14.2	43.7	4.4
Maintenance and Working Expenses	20.0	14.7	-26.5	15.0	1.9	15.7	4.7
Grants and Subsidies	1.6	1.0	-41.3	1.0	6.1	1.1	6.3
Other Expenses	41.2	28.6	-30.7	32.3	13.2	33.5	3.6

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
CHIEF SECRETARY AND MINISTER FOR WATER RESOURCES							
CHIEF SECRETARY'S DEPARTMENT	8.8	11.4	29.1	12.4	9.0	13.0	4.7
DEPARTMENT OF WATER RESOURCES	80.4	82.0	2.0	83.9	2.3	85.7	2.2
TOTAL FOR MINISTER	89.2	93.4	4.7	96.3	3.1	98.7	2.5
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	28.6	31.3	9.5	34.4	9.9	35.9	4.5
Maintenance and Working Expenses	13.9	15.3	10.6	16.1	4.9	16.9	5.0
Grants and Subsidies	4.0	1.4	-64.7	1.4	1.6	1.4	1.6
Other Expenses	42.9	45.4	6.0	44.5	-2.1	44.5	0.0

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR CORRECTIVE SERVICES							
DEPARTMENT OF CORRECTIVE SERVICES	206.8	245.7	18.8	280.0	14.0	309.6	10.6
TOTAL FOR MINISTER	206.8	245.7	18.8	280.0	14.0	309.6	10.6

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	152.6	185.3	21.4	214.1	15.5	240.3	12.3
Maintenance and Working Expenses	48.3	54.1	12.0	59.6	10.3	62.8	5.3
Grants and Subsidies	1.0	1.1	14.2	1.1	-5.6	1.1	3.1
Other Expenses	5.0	5.2	4.0	5.2	0.8	5.4	3.5

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR THE ENVIRONMENT							
MINISTRY FOR THE ENVIRONMENT	53.2	55.7	4.7	57.6	3.4	58.5	1.5
NATIONAL PARKS AND WILDLIFE SERVICE	38.2	39.5	3.5	41.5	4.9	44.1	6.4
STATE POLLUTION CONTROL COMMISSION	15.8	17.1	8.2	18.5	8.1	19.3	4.5
TOTAL FOR MINISTER	107.2	112.4	4.8	117.6	4.7	122.0	3.7
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	45.5	50.0	9.9	52.0	4.0	55.4	6.4
Maintenance and Working Expenses	22.9	23.1	1.2	24.7	6.5	25.6	3.7
Grants and Subsidies	38.1	38.2	0.4	39.9	4.5	40.0	0.2
Other Expenses	0.8	1.0	31.3	1.0	0.2	1.0	3.3

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR FAMILY AND COMMUNITY SERVICES AND MINISTER FOR ADMINISTRATIVE SERVICES							
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES	604.8	713.7	18.0	738.6	3.5	776.0	5.1
COMMERCIAL SERVICES GROUP	13.3	15.8	19.1	15.2	-3.7	15.6	2.6
PROPERTY SERVICES GROUP	30.3	19.7	-35.2	20.4	3.9	21.3	4.2
TOTAL FOR MINISTER	648.4	749.2	15.5	774.2	3.3	812.9	5.0
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	279.1	316.0	13.3	260.2	-17.7	273.4	5.1
Maintenance and Working Expenses	68.9	79.4	15.3	71.5	-10.0	66.9	-6.3
Grants and Subsidies	167.6	225.3	34.4	221.8	-1.6	241.9	9.1
Other Expenses	132.8	128.4	-3.3	220.7	71.9	230.6	4.5

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR HEALTH AND MINISTER FOR THE ARTS							
DEPARTMENT OF HEALTH	3,529.6	3,810.5	8.0	4,062.9	6.6	4,329.3	6.6
MINISTRY FOR THE ARTS	109.8	119.5	8.9	121.7	1.8	125.6	3.2
TOTAL FOR MINISTER	3,639.4	3,930.1	8.0	4,184.6	6.5	4,454.8	6.5
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	203.6	214.0	5.1	229.4	7.2	242.5	5.7
Maintenance and Working Expenses	76.6	78.8	2.8	73.0	-7.4	77.4	6.0
Grants and Subsidies	64.7	67.6	4.4	70.5	4.4	72.5	2.8
Other Expenses	3,294.4	3,569.7	8.4	3,811.7	6.8	4,062.5	6.6

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR HOUSING							
DEPARTMENT OF HOUSING	31.2	44.8	43.7	61.0	36.0	55.2	-9.4
TOTAL FOR MINISTER	31.2	44.8	43.7	61.0	36.0	55.2	-9.4

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	0.4	0.4	13.4	0.4	6.2	0.5	6.0
Maintenance and Working Expenses	0.2	0.1	-15.3	0.1	5.7	0.2	6.3
Grants and Subsidies	4.9	5.9	19.1	4.9	-16.0	4.9	0.0
Other Expenses	25.7	38.4	49.2	55.4	44.4	49.6	-10.4

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR INDUSTRIAL RELATIONS AND MINISTER FOR FURTHER EDUCATION, TRAINING AND EMPLOYMENT							
DEPARTMENT OF INDUSTRIAL RELATIONS	14.9	20.7	38.8	16.5	-20.5	17.2	4.4
DEPARTMENT OF FURTHER EDUCATION, TRAINING AND EMPL	742.6	825.1	11.1	893.2	8.3	958.3	7.3
TOTAL FOR MINISTER	757.5	845.8	11.7	909.6	7.5	975.5	7.2
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	558.0	611.8	9.6	665.9	8.8	717.8	7.8
Maintenance and Working Expenses	171.7	184.4	7.4	198.7	7.8	215.2	8.3
Grants and Subsidies	24.4	32.2	32.0	31.4	-2.5	31.5	0.0
Other Expenses	3.4	17.3	404.4	13.6	-21.4	11.0	-19.0

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
e MINISTER FOR LANDS AND FORESTS AND MINISTER FOR TOURISM							
DEPARTMENT OF LANDS	69.8	74.8	7.1	77.7	3.9	81.0	4.4
TOURISM COMMISSION	18.9	19.8	4.8	20.4	3.4	21.3	4.1
TOTAL FOR MINISTER	88.7	94.6	6.6	98.1	3.7	102.3	4.3

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	43.7	47.1	7.8	49.7	5.5	51.9	4.4
Maintenance and Working Expenses	25.1	25.7	2.1	26.4	2.8	27.7	4.8
Grants and Subsidies	15.9	16.8	6.0	17.8	5.7	18.8	5.7
Other Expenses	4.0	4.9	23.9	4.2	-14.4	4.0	-6.1

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR PLANNING							
DEPARTMENT OF LOCAL GOVERNMENT	47.6	52.7	10.6	52.7	0.1	53.0	0.6
DEPARTMENT OF PLANNING	40.2	44.1	9.7	46.3	5.2	47.9	3.4
DARLING HARBOUR AUTHORITY	3.9	12.0	207.7	10.0	-16.7	10.0	0.0
TOTAL FOR MINISTER	91.7	108.7	18.6	109.0	0.3	110.9	1.7
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	26.1	26.3	0.8	27.6	5.0	28.8	4.3
Maintenance and Working Expenses	11.7	12.4	6.0	11.5	-7.3	11.9	3.9
Grants and Subsidies	36.9	43.2	16.8	43.2	0.0	43.2	0.0
Other Expenses	17.0	26.9	58.6	26.8	-0.4	27.0	0.9

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR MINERALS AND ENERGY							
DEPARTMENT OF MINERALS AND ENERGY	38.0	35.8	-5.8	39.2	9.6	40.3	2.7
COAL COMPENSATION BOARD	2.0	2.4	21.1	2.5	6.2	2.7	8.0
TOTAL FOR MINISTER	39.9	38.2	-4.5	41.7	9.4	43.0	3.0
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	22.3	24.7	10.9	26.3	6.1	26.7	1.8
Maintenance and Working Expenses	13.4	7.8	-41.7	9.6	23.1	10.1	5.0
Grants and Subsidies	1.4	1.5	4.0	1.6	6.0	1.7	6.3
Other Expenses	2.8	4.1	47.8	4.3	4.4	4.5	4.7

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR POLICE AND EMERGENCY SERVICES							
THE POLICE SERVICE OF NEW SOUTH WALES	855.8	937.0	9.5	985.4	5.2	1,029.8	4.5
STATE DRUG CRIME COMMISSION	5.3	8.2	54.3	8.4	2.7	9.3	10.5
NEW SOUTH WALES FIRE BRIGADES	155.0	164.9	6.3	176.9	7.3	185.0	4.5
DEPARTMENT OF BUSH FIRE SERVICES	5.7	6.2	7.7	6.5	5.8	6.9	5.8
STATE EMERGENCY SERVICE	6.1	5.6	-8.0	5.3	-5.3	5.5	4.0
STATE RESCUE AND EMERGENCY SERVICES BOARD	0.0	1.5	-8.0	1.5	5.0	1.6	4.9
TOTAL FOR MINISTER	1,027.9	1,123.2	9.3	1,184.1	5.4	1,238.0	4.6
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	710.2	776.3	9.3	831.2	7.1	873.8	5.1
Maintenance and Working Expenses	194.8	213.1	9.4	214.6	0.7	225.1	4.9
Grants and Subsidies	0.6	1.3	98.3	1.3	2.1	1.3	2.4
Other Expenses	122.3	132.6	8.4	137.0	3.4	137.8	0.5

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR PUBLIC WORKS AND MINISTER FOR ROADS							
PUBLIC WORKS DEPARTMENT	100.2	98.2	-2.0	101.2	3.0	104.4	3.2
ROADS AND TRAFFIC AUTHORITY	224.2	241.9	7.9	253.5	4.8	257.8	1.7
TOTAL FOR MINISTER	324.4	340.1	4.8	354.6	4.3	362.2	2.1
ESTIMATES BY EXPENDITURE CATEGORY :-							
Employee Related Payments	48.7	51.1	4.9	53.5	4.6	55.7	4.3
Maintenance and Working Expenses	21.3	18.9	-11.4	19.6	3.7	20.4	4.0
Grants and Subsidies	11.9	11.8	-1.4	11.5	-2.6	11.5	0.0
Other Expenses	242.4	258.4	6.6	270.1	4.6	274.6	1.7

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90 ACTUAL \$m		1990-91		1991-92		1992-93	
	\$m	% change	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR SCHOOL EDUCATION AND YOUTH AFFAIRS								
MINISTRY OF EDUCATION, YOUTH AND WOMEN'S AFFAIRS	75.1		87.6	16.7	89.1	1.6	94.0	5.5
DEPARTMENT OF SCHOOL EDUCATION	2,926.4		3,236.0	10.6	3,499.5	8.1	3,711.6	6.1
TOTAL FOR MINISTER	3,001.5		3,323.6	10.7	3,588.5	8.0	3,805.6	6.0
ESTIMATES BY EXPENDITURE CATEGORY :-								
Employee Related Payments	2,125.1		2,338.8	10.1	2,514.0	7.5	2,674.9	6.4
Maintenance and Working Expenses	430.8		408.7	-5.1	417.5	2.2	443.3	6.2
Grants and Subsidies	30.0		31.3	4.3	34.6	10.8	35.9	3.6
Other Expenses	415.6		544.8	31.1	622.4	14.2	651.6	4.7

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR SPORT AND RECREATION AND MINISTER FOR RACING							
DEPARTMENT OF SPORT, RECREATION AND RACING	39.2	44.1	12.6	42.8	-3.0	44.1	3.1
TOTAL FOR MINISTER	39.2	44.1	12.6	42.8	-3.0	44.1	3.1

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	12.0	14.4	20.0	15.4	6.5	15.9	3.4
Maintenance and Working Expenses	11.0	11.9	8.3	11.7	-1.6	12.5	6.5
Grants and Subsidies	0.0	0.0	40.0	0.0	6.0	0.0	6.3
Other Expenses	16.1	17.8	10.1	15.7	-11.6	15.7	0.3

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR STATE DEVELOPMENT							
DEPARTMENT OF STATE DEVELOPMENT	10.3	19.7	91.9	23.1	17.3	25.5	10.6
TOTAL FOR MINISTER	10.3	19.7	91.9	23.1	17.3	25.5	10.6

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	4.2	5.7	36.2	5.9	3.8	6.2	4.5
Maintenance and Working Expenses	5.8	5.5	-5.2	4.8	-12.8	5.0	4.9
Grants and Subsidies	0.1	0.0	-100.0	0.0	0.0	0.0	0.0
Other Expenses	0.2	8.5	3629.8	12.4	45.9	14.3	15.6

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
MINISTER FOR TRANSPORT							
DEPARTMENT OF TRANSPORT	1,451.7	1,421.6	-2.1	1,424.8	0.2	1,404.2	-1.4
TOTAL FOR MINISTER	1,451.7	1,421.6	-2.1	1,424.8	0.2	1,404.2	-1.4

ESTIMATES BY EXPENDITURE CATEGORY :-

Employee Related Payments	13.2	13.4	1.4	14.9	11.2	15.6	5.0
Maintenance and Working Expenses	6.1	6.4	5.1	6.1	-4.6	6.5	6.3
Grants and Subsidies	555.6	724.0	30.3	724.3	0.0	753.7	4.1
Other Expenses	876.9	677.8	-22.7	679.6	0.3	628.4	-7.5

Table 4.6: Consolidated Fund Forward Estimates by Minister and Organisation

MINISTER ORGANISATION	1989-90	1990-91		1991-92		1992-93	
	ACTUAL \$m	\$m	% change	\$m	% change	\$m	% change
TOTAL FOR BUDGET							
TOTAL ESTIMATES FOR MINISTERS BY EXPENDITURE CATEGORY :-							
Employee Related Payments	4,681.6	5,148.7	10.0	5,464.1	6.1	5,806.8	6.3
Maintenance and Working Expenses	1,317.9	1,344.2	2.0	1,373.1	2.1	1,444.9	5.2
Grants and Subsidies	971.9	1,211.3	24.6	1,214.6	0.3	1,268.8	4.5
Other Expenses	6,541.7	6,762.4	3.4	7,286.0	7.7	7,482.6	2.7
PLUS AMOUNTS NOT YET ALLOCATED TO PORTFOLIOS :-							
Treasurer's Advance	0.0	65.0		165.0		265.0	
Future savings from Cleaning Service restructuring	0.0	0.0		(36.0)		(43.0)	
Debt costs arising from borrowings for new works	0.0	0.0		98.0		198.0	
LESS FINANCING TRANSACTIONS							
	88.8	86.6		92.1		82.7	
TOTAL CONSOLIDATED FUND ESTIMATE	13,424.3	14,445.0	7.6	15,472.7	7.1	16,340.4	5.6

Reconciliation to Forward Estimates Publication

Changes in forward estimates for a particular year may occur over time for a number of reasons.

Firstly, the forward estimates are based on a continuation of the Government's current policies and programs. These will change over time as new programs are introduced or existing programs are enlarged or reduced. Such changes may or may not impact on total expenditure at the organisation, portfolio or aggregate levels as the changes may be offset through a reordering of priorities.

Secondly, existing policies may result in real expenditure growth or contraction where the policies are in terms of demand variables. Expenditure on teachers' salaries, for example, will vary according to school pupil numbers. To the extent that demographic forecasts for a particular year change, there will be a corresponding refinement in the forecast outlays for such services.

Thirdly, changes over time in the forecasts of parameters such as wages growth and interest rates will result in changes in forecast expenditures between the time of the forward estimates being produced for a year and the Budget for that year.

As part of the discipline of maintaining its undertaking to restraining expenditure growth, the Government has committed itself to publishing for each year's Budget, details of how those Budget Estimates differ from the previously released forward estimates for that year.

Table 4.7 shows the reconciliation between the 1990-91 Budget recurrent expenditure and the forward estimate for 1990-91 published in last year's Budget Papers.

Table 4.7: Reconciliation of Forward Estimates to Budget

	\$m
FORWARD ESTIMATE FOR 1990-91 AS SHOWN IN 1989-90 BUDGET	14,142
Adjustments to Reflect Changes in Coverage and/or Accounting Arrangements -	
. Move on-Budget of NSW Fire Brigades	+ 144
. Re-classification of part of Soil Conservation expenditure from capital to recurrent	+ 9
. Re-classification of re-location costs from recurrent to capital	(-) 18
. Move off-Budget of Prison Industries	(-) 13
. Move on-Budget of Coal Compensation Board	+ 2
. Direct charging to capital projects of PWD costs	(-) 15
	<hr/>
ADJUSTED FORWARD ESTIMATE FOR 1990-91	14,251
SUBSEQUENT VARIATIONS -	
Parameter Changes -	
. Escalation Adjustment	(-) 77
. Teachers' Award	+ 98
. Other specific award costs	+ 33
. Demand factors	+ 22
. Debt costs	+ 27
. Payroll tax increase	+ 27
Carry-forward effect of 1989-90 Treasurer's Advance	(-)106
Post-Budget Policy Decisions	+ 214
Portfolio Savings, 1990-91	(-) 8
Increased Productivity Dividends	(-) 36
BUDGET ESTIMATE, 1990-91	14,445

4.4 TOTAL RECURRENT PAYMENTS

Total recurrent payments, which include payments from sources other than the Consolidated Fund, are projected to increase by 7.6 per cent in 1990–91, compared with the anticipated inflation rate of around 7.0 per cent.

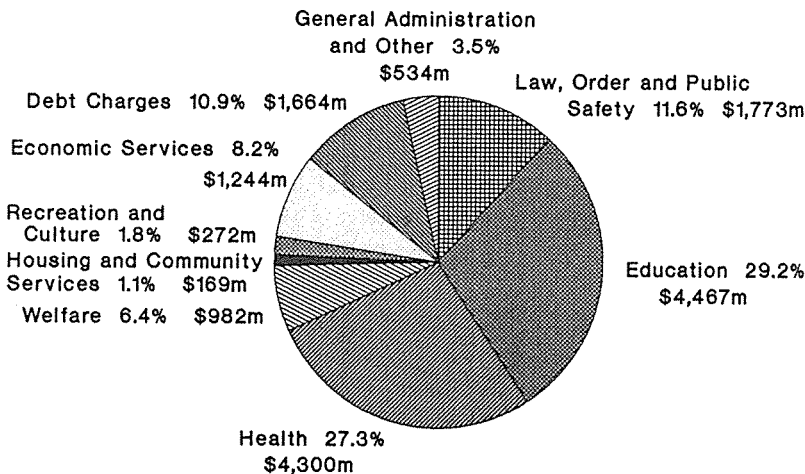
As indicated in Section 4.3, the real increase in Consolidated Fund expenditure in 1990–91 is largely explained by actual expenditures in 1989–90 falling well below Budget. This effect is also manifested in the total payments growth rate.

Unlike the situation which often arose in previous years, the total recurrent payments growth rate does not differ substantially from that for Consolidated Fund recurrent expenditures. This stems from the Government's commitment to avoid transfers to Special Deposits Accounts as a means of disguising the true Consolidated Fund result for the year. Such transfers have the effect of distorting inter-year growth rates, as expenditure is shown to have occurred in one year from the Consolidated Fund and in later years on a "Total Payments" basis as the Special Deposits Account balances are expended.

Nevertheless, there are significant recurrent revenues (some \$0.8 billion in 1990–91) available to inner Budget sector bodies from sources other than the Consolidated Fund, to support their recurrent programs. Any proper analysis of the level of resources devoted to the various expenditure areas needs to take such other sources into account. Total payments for recurrent services on a broad functional basis (by policy area) are shown in Figure 4.9 together with the share of the total budget for the respective areas.

Figure 4.9

TOTAL RECURRENT PAYMENTS, 1990-91 BY POLICY AREA



Total = \$15,285m

The following statements in respect of recurrent payments within the various functional (policy) areas refer to trends in the level of total payments over recent years. They include a comparison in real terms since 1985–86, the Government's strategies and commitments and other factors relating to expenditure in the respective areas. Highlights of the 1990–91 Budget allocations for each policy sector are also briefly outlined.

In 1990–91, payments will noticeably increase in the areas of Law and Order, Welfare and Health, in accordance with the Government's priorities, while in areas such as General Administration and Economic Services, payments will decline in real terms.

4.4.1 LAW, ORDER AND PUBLIC SAFETY

Background

INTRODUCTION

The funding provided under this policy area is to meet the cost of maintaining the State's police force, courts administration and corrective services. The area also includes related expenditure for the State Emergency Service, State Rescue and Emergency Services Board, State Drug Crime Commission, NSW Fire Brigades, Department of Bushfire Services and the Independent Commission Against Corruption.

At least in respect of police, courts and corrective services, the policy area is interrelated, with increased police numbers producing flow through impacts on courts and corrective services. An important commitment of the Government is to increase the number of police. At the same time, there are substantial backlogs in the hearing of court cases and pressures on prison facilities.

An extensive review of the court system undertaken in 1988-89 produced a wide range of reform proposals. The Government is strongly committed to improvements in this area to reduce court backlogs in a cost effective manner and in 1989-90 commenced a three-year \$15 million program to achieve this.

In addition, a large prison construction program is now in progress and is described in Section 5.3.1. This program will have significant recurrent cost requirements.

EXPENDITURE TRENDS

Significant real growth in funding for the law, order and public safety area has occurred over the last five years as illustrated in Figure 4.9. This trend reflects the past result of demographic changes, the hardening in community attitudes towards law and order, with demands for a greater application of resources, and the propensity for increased litigation.

Courts

Costs in the Law Courts and Legal Services policy sector have increased significantly in recent years as a result of the Judicial remuneration award, Local Courts staff grading restructure and the commencement in 1989-90 of the \$15 million, three-year program (\$5 million in 1989-90) for implementation of initiatives to overcome the backlog of cases waiting to be heard.

Prisons

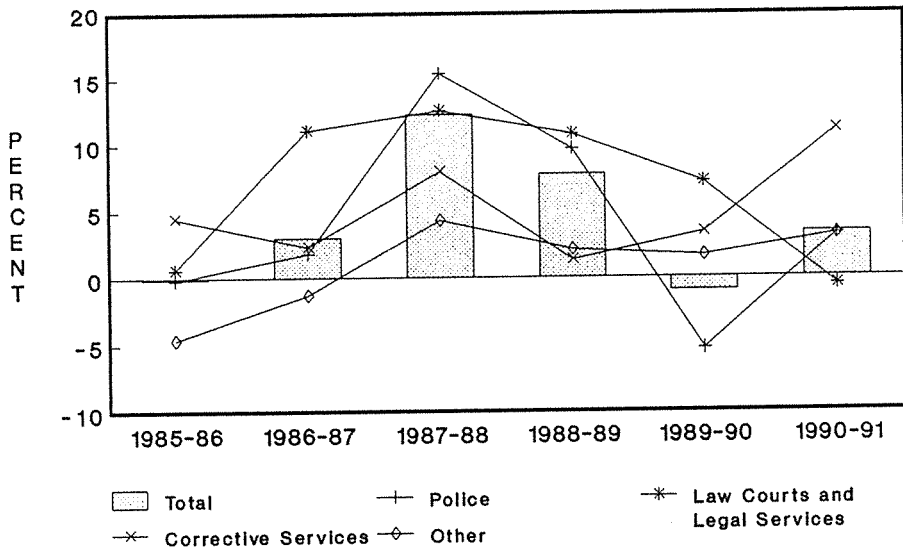
The Corrective Services policy sector has experienced increasing costs because of the rise in prison populations and the need to upgrade prison industries to provide work opportunities for inmates and also to provide them with worthwhile education opportunities while in gaol.

Police

The increased level of expenditure in the Police policy sector in recent years is due to the increase in the numbers of Police over the period. Since 1988, funding has been provided to 30th June, 1990 for 800 of the 1600 additional police to be appointed over the present Government's first term in office.

Figure 4.10

LAW, ORDER AND PUBLIC SAFETY Year on year real term growth



Total payments for law, order and public safety have increased by 23.4 per cent in real terms over the five year period to 1989-90. This trend will continue into the current year with a further real increase of 3.4% per cent projected.

RECENT DEVELOPMENTS

Courts

The major task confronting this area is the further development of more cost effective and efficient approaches to the operations of both courts and prisons which will address court backlogs and prison overcrowding in a manner which is properly integrated, consistent and affordable. The major review of Courts administration undertaken during 1988-89 identified the main causes of delay in the system and strategies have been developed to reduce Court delays to an acceptable level. The consultants engaged for this task made a total of 75 recommendations for improvements covering the following broad areas -

- management information
- caseload management
- legal policy and procedures
- organisation and management
- recovery of costs

Implementation of the reform Program was commenced in 1989-90, involving a combination of procedural and legal policy reforms and a Backlog Reduction Program directed at eliminating the current level of excess demand. The backlog program involved the provision of \$5 million each year over three years to the Attorney General's Department. The Government is also introducing major reforms to court procedures and legal processes, including responsibility for the prosecution of committal matters being transferred from the Police to the Director of Public Prosecutions.

To date, this special funding has been used to appoint additional Judges and Magistrates, increase staff in key areas and extend the arbitration and mediation schemes. Work has commenced on the development of management systems, including the computerised COURTNET system, to establish a firm base for future management decisions and assist with the extension of caseload management techniques throughout the courts system. The enhanced systems will provide for the more efficient utilisation of Court facilities through more effective cost recovery in non criminal cases.

Prisons

Over recent years, a variety of factors have impacted on the already serious overcrowding problem in the State's prisons. These include increased levels of police activity which have resulted in a higher arrest rate for offences involving gaol sentences, changes to criminal law and decisions related to life sentence release as well as changes to Court and sentencing procedures.

Two new prisons are under construction. Suitable alternatives to full-time imprisonment are also being examined, including expanding the Community Service Order legislation to encompass Family Law Court and other Federal offenders, the opening of more Day Attendance Centres and a home detention scheme. The Department of Corrective Services is also actively pursuing the development of prison industries with a view to giving every prisoner the opportunity to undertake meaningful work and education whilst in prison.

Police

Considerable productivity improvements have been achieved within the Police Service over the last two years following the implementation of regionalisation of the Service, the introduction of community based policing patrols and the expanded use of telecommunications interceptions to aid in crime detection. These initiatives, together with the ongoing implementation of the four-year program for the appointment of additional Police and the further release of police from extraneous duties, will continue to substantially increase the effective number of police available for active duties.

The new Police Service Act commenced on 1 July 1990, providing the legislative framework for an integrated management structure to replace the outmoded Police Force/Police Department structure and establishing a basis for improvements in work practices. A Police Service Senior Executive Service has been established similar to the Senior Executive Service recently established in the NSW Public Service.

A "user pays" scheme has been introduced for crowd control at major sporting and entertainment events where the presence of more than four police officers is required. Under these arrangements off-duty police are available to provide extra supervision, with the costs involved being met through the imposition of fees for this service. This will have the effect of releasing on-duty police from crowd supervision duties for more operational police work.

Other

Drug law enforcement arrangements within the State were re-organised and upgraded in late 1988-89 to ensure that they are totally integrated and effective. A multi-disciplinary Drug Enforcement Agency was also established within the Police Service. The role and powers of the State Drug Crime Commission were also expanded to cover organised crime and a Civil Forfeiture Division was established within the Commission under recent legislation allowing for civil forfeiture of the assets acquired from the proceeds of drug trafficking.

The rescue and emergency services provided by Police, State Emergency Service, the Ambulance Service, various volunteer rescue services and the Fire Brigades were also the subject of a review during 1988-89. Under the new arrangements introduced, responsibility for the co-ordination of all rescues throughout the State is vested in accredited Police, Fire Brigades, Ambulance and other emergency services units.

The recently established State Rescue and Emergency Services Board is responsible for the overall co-ordination of rescue organisations, with additional responsibilities for the planning and the conduct of emergency management, including the awarding of accredited status for the specific emergency services units to operate in particular areas.

In respect of legal aid, recently introduced legislation allows the Legal Aid Commission to take into account the means of certain persons associated with an applicant for legal aid, rather than being based solely on the applicant's means. This will ensure that the future costs of legal aid are contained and that assistance is provided to those most in need.

The Independent Commission Against Corruption formally commenced operations during March 1989 but its full staff complement of 140 will not be achieved until June 1991. Major achievements are its Corruption Prevention Program, implemented in 1989-90, and the presentation to Parliament of its report on investigations into North Coast land development.

KEY ISSUES AND STRATEGY

More flexibility in the provision of police services with closer attendance to the needs of local communities is now being required. To meet this need, the process of devolution of responsibility and resources to Patrol Commanders is continuing as part of the Community Based Policing program. Over 1000 police will be deployed on the beat over the next 18 months, targeting particular areas with high crime levels.

The key issue for the Attorney General's Department is to improve the efficiency of and access to the Court system. A \$15 million three-year program was commenced in 1989-90 for this purpose. The recovery of Court costs in non-criminal cases is also being examined as a means of ensuring the rationalisation of the usage of Court services.

The transfer of responsibility for committal proceedings from Police to the Director of Public Prosecutions has the potential to reduce the number of cases committed to trial, thereby reducing delays in the hearing of cases in District Court jurisdictions.

The overgrowing problem in the State prisons system is another key issue requiring resolution. Various sentencing options other than imprisonment for the lesser serious offences are being explored in addition to the provision of new and upgraded prison facilities.

1990-91 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Police	861.8	951.2	+ 10.4
Law Courts and Legal Services	330.7	351.6	+ 6.3
Corrective Services	206.8	245.6	+ 18.8
Other (including Fire Protection Services) ..	204.2	225.4	+ 10.4
Total	1,603.5	1,773.8	+ 10.6

A total sum of \$1,773.8 million has been provided for this policy area in 1990-91, an increase of \$170.3 million or 10.6 per cent over actual expenditure last year.

The major thrust of initiatives being undertaken in 1990-91 are focused on the Government's commitment to increase the effective number of Police and the continuation and further development of strategies aimed at overcoming the current problems of Court arrears and prison overcrowding. Details of both Budget funded and other initiatives being undertaken by individual organisations within this policy area follow.

POLICE

The Police policy sector allocation has been increased by 10.4 per cent to \$951.2 million in 1990-91 and provides for award increases to police and the full-year effect of the additional police recruited last year. An effective increase to the promised 1,600 additional Police will be achieved by both increased Police numbers and more effective use of existing Police. A 1071 additional Police will be appointed during the Government's first term of office. In addition a range of initiatives, such as the introduction of flexible rosters and leave buy-back provisions, negotiated by the Government as part of the police pay increase package will provide as the balance an effective 529 additional Police.

The Government is also committed to the release of police for active police duties over this period by relieving them of clerical and other extraneous duties. This objective is being undertaken through re-organisations, progressive civilianisation and the introduction of improvements in technology.

The recurrent budget allows for the re-fitting out of the Sydney Police Centre at a cost of \$7.7 million to provide more usable accommodation to permit the Police Service to rationalise its Sydney Central Business District office requirements.

Other initiatives to be undertaken in the Police Service area include -

- The progressive introduction of audio/video recording of police interviews, in conjunction with the Attorney General's Department and the Office of the Director of Public Prosecutions, to provide more reliable and accurate evidence for the Courts.
- The transfer of the committals function from Police to the Director of Public Prosecutions, which has the potential of reducing the number of cases which go to trial, thereby reducing police attendance at Court and effectively increasing the numbers of police available for active police work.
- The allocation of financial and human resources during 1990-91 in accordance with the strategy of Community Based Policing.
- The deployment of over 1,000 Police in beat policing roles over the next eighteen months, particularly in areas with high crime levels.
- Continuation of the installation of sophisticated information technology linking police stations to the Police Service's central computer facility.
- Expansion of the Police Air Wing's role in drug surveillance.

LAW COURTS AND LEGAL SERVICES

The major review of Courts administration undertaken during 1988-89 identified the main causes of delay in the system and provided strategies to both address the problem of Court backlogs and reduce arrears to an acceptable level. One such strategy was additional resources for a three-year period to overcome the immediate backlog problem. A further sum of \$5 million has been allocated in the current year, making a total of \$10 million to date, under this \$15 million three-year program.

This increased funding is being used for the appointment of additional Judges and Magistrates, increases in staffing in key areas and the extension of arbitration and mediation schemes. The Downing Centre will also come on stream during 1990-91 and will provide an additional 16 courts when it becomes fully operational at a full year cost of \$8.6 million.

In addition to the backlog problem, there are a number of strategy reforms being implemented to improve the efficiency and effectiveness of the Courts system. The further development of information systems will continue during the course of the current year, establishing a firm base for management decisions and assisting in the extension of caseflow management techniques throughout the Court system.

These initiatives, together with the other major reforms in court procedures and legal processes are substantially improving the capacity of the Courts to cope with increasing workloads in a cost effective manner while maintaining the rights of the individual to a fair and equitable legal system.

Other features of the allocation provided for within this policy sector include -

- \$69.1 million for the Legal Aid Commission to provide legal assistance over a wide range of Court proceedings.
- The provision of \$34.4 million to support the operations of the Office of the Director of Public Prosecutions - an increase of \$8.8 million or 34.5 per cent over actual expenditure incurred last year. This reflects the Office's new role and responsibilities in relation to the transfer of the committals function from Police and the additional operating costs that will be incurred following the opening of the Downing Centre.
- A Consolidated Fund contribution of \$27 million towards the payment of compensation to victims of crime, which will be augmented from funding becoming available under the recently introduced confiscation of assets legislation in relation to drug trafficking offences.
- An allocation of \$1.7 million for the Judicial Commission of New South Wales.

CORRECTIVE SERVICES

An amount of \$245.6 million has been provided for the Corrective Services policy sector, an increase of \$38.8 million or 18.8 per cent over expenditure last financial year. This increase is due to Lithgow Prison coming on stream and to the significant increase in prison population resulting in the need for additional custodial and support staff and additional expenditure on uniforms, food and other provisions for inmates.

The Department's allocation excludes the cost of Corrective Services Industries, which has been removed from the Inner Budget Sector. A further development of the organisation's culture is reflected by the emphasis on the training and development of Custodial Officers and other departmental personnel at the recently established Corrective Services Academy.

The following additional funding has been included in the Department's 1990-91 allocation for these purposes -

- \$2.4 million for expansion of the Community Services Orders Scheme.
- \$4.1 million to meet operating costs of the extensions at Parklea Gaol.
- \$0.5 million (\$1 million in a full year) for the operation of new Periodic Detention Centres at Grafton and Long Bay.
- \$12.4 million (\$13.4 million in a full year) for the new prison facility at Lithgow.
- \$9 million (increasing to \$17.2 million in a full year) to meet the operating cost of accommodating the increased inmate population.

OTHER

State Drug Crime Commission

An allocation of \$8.2 million has been provided for the activities of the Commission this year. The powers of the Commission now include investigations into organised crime, rather than being limited solely to drug related offences.

The Commission is in the process of fully establishing a Civil Forfeiture Division to co-ordinate the measures taken under recent legislation providing for civil forfeiture of assets acquired from the proceeds of drug trafficking.

State Emergency Service

An amount of \$5.6 million has been provided for the State Emergency Service. This allocation includes provision for training of volunteers, contributions towards volunteers' out-of-pocket expenses and a new program involving District Emergency Management officers assisting Police at District level in the preparation of counter-disaster plans and training.

Following Major General R.A. Grey's study of all rescue services in New South Wales, and as a result of a report by the Office of Public Management, the Service was restructured. The amount allocated reflects this restructure and the relocation of the Service's headquarters to Wollongong involving significant cost savings.

State Rescue and Emergency Services Board

Total funding of \$1.5 million will be available to the newly created State Rescue and Emergency Services Board which has been substantially funded from savings achieved from re-organising the State's emergency services. The allocation includes a new provision of \$300,000 for grants to volunteer rescue organisations.

NSW Fire Brigades

Total funding of \$170.8 million will be available to the Fire Brigades this year. Legislation passed in late 1989 brought the Brigades into the Inner Budget Sector from 1st January, 1990 as a Consolidated Fund organisation replacing the former Board of Fire Commissioners.

The effect of this change has been to pass revenues from insurance companies and local councils through the Consolidated Fund rather than the Brigades receiving these monies direct. This now subjects the Brigades to the same Ministerial budgetary controls and accountabilities as other Inner Budget Sector agencies. In return for stricter budgetary control, the Treasury retired the former Board of Fire Commissioners' outstanding debt, thus eliminating its debt charges and reducing the future contributions required of Insurance Companies and Local Government.

Other initiatives to be undertaken during 1990-91 are –

- Following a study of rescue services in New South Wales, a large number of Brigades have received accreditation and \$0.4 million will be expended in upgrading rescue equipment of some Brigade units.
- The management of the NSW Fire Brigades will be regionalised.
- The recommendations contained in the consultants' review of the activities of the Chullora Workshops will be implemented.
- A standard of fire cover will be introduced which will rationalise the strategic location of fire stations in the Greater Sydney Area,.
- A program of implementation of redesigned firefighting uniforms will be progressively introduced - costing \$600,000 in 1990-91.

Department of Bush Fire Services

An amount of \$27.4 million will be available to the Department of Bush Fire Services to help maintain rural fire fighting services throughout the State.

The payment to this Department from the Consolidated Fund will be \$6.2 million. This includes the State contribution of \$5.1 million (25 per cent) towards costs of the Bush Fire Fighting Fund. Councils also contribute 25 per cent to the Fund while insurance companies contribute the balance. As with the former Board of Fire Commissioners, consideration is being given to bringing the funding of the Bushfire Brigades into the Inner Budget Sector.

The allocation to the Department includes \$693,000 for the control and prevention of bush fires and assistance to emergency and community organisations.

Independent Commission Against Corruption

The allocation for the Independent Commission Against Corruption is \$12 million, a reduction of \$2.2 million or 15.5 per cent from actual expenditure incurred last year, due to non-recurring establishment costs of \$4.7 million on accommodation fit-outs in 1989-90.

The Commission formally commenced operation in March 1989 and will continue its corruption prevention program and implement a public education program concerning the detrimental effects of corruption.

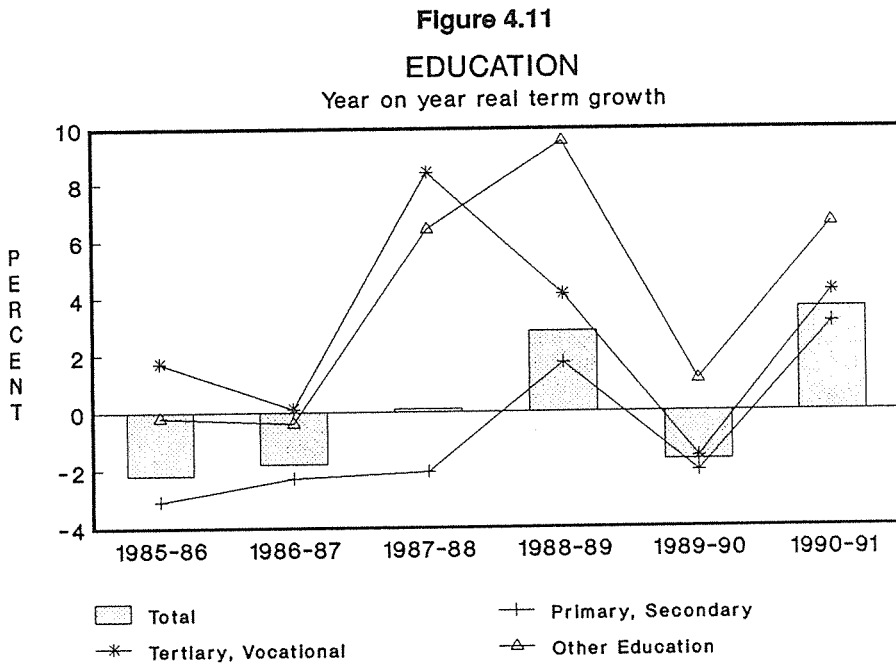
4.4.2 EDUCATION

Background

INTRODUCTION

Funding is provided under this policy area to meet the cost of State run pre-schools, primary and secondary schools and financial assistance to non-government schools. The area also includes funding for the operation of Technical and Further Education Colleges, the non-tertiary program of the Conservatorium of Music, and Adult Migrant Education Centres.

EXPENDITURE TRENDS



Over the five years to 1989-90 total payments on education have decreased by 2.8 per cent in real terms. However, in the three years since 1987-88 there has been a real increase of 5 per cent.

In line with a general downward trend for school age persons, overall student numbers in Government schools have declined gradually since 1978 and this trend is likely to continue until 1992. Expenditure per pupil fell slightly in 1989-90 in real terms (0.7 per cent) due to underspending on awards, strike savings and delays in implementing special education initiatives. However 1990-91 will see real growth of 4.1 per cent per student largely due to award restructuring.

TAFE enrolments in 1990 are relatively stable compared to the previous year. Apprentice enrolments have maintained the high 1989 level; however the expected increase in enrolments in key areas of economic activity such as the computing and tourism industries did not occur.

In 1990 the Administration charge was increased and new enrolment procedures were introduced. The increase in the Administration charge, which was first introduced in 1989, may partially account for the lack of enrolment growth.

As a result of these developments expenditure in 1989-90 did not reach expected levels.

RECENT DEVELOPMENTS

The Government has considered the reports of a number of major reviews of education in New South Wales and has commenced implementing major recommendations.

SCHOOLS

Management Review of the New South Wales Education Portfolio

The final report of the Management Review of the Education and Youth Affairs portfolio concerning the Department of School Education was issued publicly in May 1990. Implementation, expected to cost approximately \$50 million over five years, will be funded from the proceeds of the disposal of the Head Office building, Bridge Street, Sydney. Of this amount \$30 million will be spent on staff development.

The major thrust of the recommendations is the devolution of the responsibility from central control to regions and schools, with a consequent reduction in the size of the central administration, which will concentrate on policy and planning. Operational responsibilities are to belong to the regions, and schools are to be supported directly in their management and educational provision by cluster directors. These new senior field officers will be accommodated in education resource centres (about 4 per region), which are to be the focus of educational support for the schools and communities they serve.

Committee of Review of NSW Schools

In line with the Government's decision to implement the recommendations of the committee's report, the Department has been engaged in related planning and development. For example, to address the concerns about early parenting and early childhood education the Department has established an early childhood unit. The Carrick Committee's concern to encourage individual progress within the structures for schooling has been addressed through the Department's curriculum initiatives (e.g. the development of primary syllabuses for the 6 key learning areas), many of which will become the focus of attention for the new independent Board of Studies. Initiatives to establish and maintain liaison with business and industry have been extended in 1990. In addition, a wide range of strategies are being introduced to enhance equity in education (e.g. in relation to students with disabilities, Aboriginal students, students from non-English speaking backgrounds, the gifted and talented, and in relation to the provision of equal career opportunities for girls and boys).

White Paper on Curriculum – Excellence and Equity

The white paper was released in November 1989. It confirmed that a new Board of Studies would assume responsibility for curriculum development from kindergarten to year 12, established patterns of study in key learning areas (6 primary and 8 secondary) to be followed by all schools, clarified requirements for the School and Higher School Certificates for future years, identified additional requirements to be met by students in Years 7–10 in Government schools; confirmed the place of values education, and committed the Board of Studies and the Department of School Education to reviewing existing provisions for exceptionally gifted students.

Implementation of the white paper recommendations is well advanced and will continue over the next few years.

The Board of Studies

A new Board of Studies was created by the Education Reform Act (1990). Previously, the Department of School Education had been responsible for the primary curriculum in Government schools and provided curriculum assessment and administrative support to the Board of Secondary Education. The Act also provided for the separation of the Board, giving it the power to manage its own budget and employ its own support staff. The membership of the Board is representative of a wide range of educational and other community groups.

TAFE

The recommendations of the Scott Review continue to be implemented during 1990. The senior management structure is now in place including the Network Managers and Industry Training Division Chiefs and the devolution of decision making responsibility and accountability is in progress.

The authority has been engaged in significant planning activity leading to the development of both Corporate and Management Plans to guide the future progress of TAFE.

TAFE continues to play an important role in the provision of training associated with award restructuring, particularly in the context of the metals and engineering industry awards.

NSW TAFE has participated in a number of activities in cooperation with industry so as to maximise the use of TAFE resources and rationalise costs. More recently, for example, TAFE has been involved in joint ventures with three major companies in the information technology industry, namely IBM, Apple and Digital.

It is anticipated that the introduction, by the Commonwealth Government, of the Training Guarantee Levy and the establishment of the associated training advisory bodies will significantly impact upon TAFE in 1990 and later years.

MINISTRY OF EDUCATION, YOUTH, AND WOMEN'S AFFAIRS

During 1989–90 the Ministry awaited the recommendations and final report of the Management Review of the NSW Education Portfolio (Scott Report). This report was released in June 1990. A major recommendation of the Report was a reduction in the Ministry's operational role. The Adult Migrant Education Service and the NSW Board of Adult Education have been transferred to the Further Education, Training and Employment portfolio. Retention of the Music Examinations Board and the Teacher Housing Authority within the Ministry was recommended for review after a period of two years.

The Board of Studies (previously administered by the Department of School Education) and the Women's Co-ordination Unit (previously within FACS) became the responsibility of the Ministry early in the 1990–91 financial year.

KEY ISSUES AND STRATEGY

SCHOOLS

During 1990-91 the main issues to be addressed will be implementation of key recommendations of the three major reviews of schooling –

- Management Review of the New South Wales Education Portfolio
- Committee of Review of NSW Schools
- White Paper on Curriculum

The schools renewal strategy proposed by the management review of the Portfolio will be implemented by a continuing process of devolution of responsibility to the school cluster or regional level supported by appropriate staff development provisions. Integral to this process is the progressive introduction of global budgeting and local resource management in schools.

The recommendations of the Committee of Review have been actioned in part by the Education Reform Act, which has created a separate Board of Studies and the implementation of the white paper on curriculum is well advanced and will continue over the next few years.

TAFE

Major internal and external issues to be addressed in the 1990-91 financial year include the following –

- The move to increased self funding of TAFE as recommended by the Scott Review;
- Further devolution of responsibility and accountability from central structures to the Networks and Industry Training Divisions with associated staff movement;
- The move towards commercialisation and the development of alternative financial arrangements;

- Issues associated with TAFE's role in regard to award restructuring, including the further development of competency-based training and on-the-job training;
- The introduction of the Training Guarantee levy; and
- Increasing emphasis placed upon meeting the skills needs of industry, in particular those industries seen as critical for economic development.

In order to meet these challenges NSW TAFE is implementing the recommendations of the Scott Review, including the further development of advisory links with industry, has embarked upon a major restructuring exercise and has refined and improved its planning systems, including the development of Corporate, Strategic and Management planning.

MINISTRY OF EDUCATION, YOUTH AND WOMEN'S AFFAIRS

- Implementation of recommendations of the Scott Report taking into account the decision to transfer TAFE to the Minister for Further Education, Training and Employment.
- Implementation of Education Reform Act.
- Restructuring of the Ministry to reflect changed responsibilities.
- Award restructuring for the teaching services.
- Rationalisation of schools property.
- Development of a new role for the Ministry in supporting the newly established NSW Education Council.
- Management of special projects in areas of administering the Education Exports Advisory Council and grants to Ethnic Schools.
- Continued support for the English in the Workplace ("Skillmax") program which targets migrants with overseas qualifications and experience and provides English language courses to assist in finding local jobs.
- Continued support for the "Start to Life" Program projects which provide training opportunities for young people in areas of skill shortage.

1990-91 Budget Highlights

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Primary and Secondary Education	2,987.7	3,295.8	+ 10.3
Tertiary and Vocational Education	646.5	720.2	+ 11.4
Pre-School Education	8.5	9.6	+ 12.9
Transportation of Students	293.1	335.2	+ 14.4
Other (including General Administration) ..	95.4	107.7	+ 12.9
Total	4,031.2	4,468.5	+ 10.8

The allocation for Education in 1990-91 shows a 3.6 per cent real increase over 1989-90 expenditure levels. Funding for primary and secondary education will increase by 3% in real terms, reflecting teacher award restructuring, increased level of per capita grants to non government schools and schools renewal initiatives.

A slight decline in Government school numbers is expected in 1991, reflecting the net effect of a reduction in secondary school numbers, an increase in primary school numbers and increased retention of senior high school students. In line with the Government's undertaking, per pupil funding in Government schools has been maintained in real terms.

A modest growth in enrolments in the TAFE area is expected over the next three years due to the projected downturn in the economy and the impact of award restructuring. These factors are expected to result in increased levels of expenditure.

Transportation of student costs will increase by 7.4% in real terms due to increased payments to the State Transit Authority to enable full cost recovery. Other factors bearing on the increase are dezoning, increased non government school enrolments and growth in low density outer urban areas.

Delays in the Start to Life program caused underexpenditure in 1989-90 and is the underlying reason for the apparent increase in 1990-91 expenditure in real terms under the heading "Other (including general administration)".

DEPARTMENT OF SCHOOL EDUCATION

1990-91 will see the continuation of the Government's four year initiatives plan, supported by further initiatives targeted to specific areas of emphasis in education.

The Department's planned new initiatives for 1990-91 expressed in terms of areas of emphasis are –

Schools Renewal

The Department has commenced implementing the strategy of schools renewal proposed by the Management Review of the NSW Education Portfolio.

The Government has given a commitment to maintain per capita education spending in real terms over the five years of schools renewal implementation. It has also undertaken to provide \$50 million over five years for the implementation of schools renewal to be funded out of the proceeds of leasing the Bridge Street Education Building.

Excellence

In keeping with the goal to "give recognition to individual or group performance", the Government has provided funding of \$0.5 million to continue the successful "Centres of Excellence" initiative and for special awards recognising outstanding achievement. Amongst the awards for excellence are –

- The Premier's Award
- The Minister's Award for Excellence in Student Achievement
- The Minister's Award for Excellence in Teaching

Choice

Technology High Schools have been established as a major Government initiative to bring together schools, TAFE and business to provide a curriculum necessary for future citizens. \$1.0 million has been provided for the continuation and expansion of Technology High Schools.

A further Government initiative is the establishment of 17 specialist language high schools throughout the State within the Multicultural Education Plan.

Equality of Opportunity

- ***Special Education***

Emphasis will be placed on the extension of services to students with disabilities and students with learning difficulties. There will be continued support for professional development of special education teachers, special education support centres and assistance for students in the transition from school to work. In addition, the purchase and trial of technological advances for students with disabilities will be undertaken. A total of \$20.8 million has been allocated for these initiatives in 1990-91.

- **Multicultural Education**

A comprehensive multicultural education plan will provide greater scope for the study of languages and ongoing support for English as a second language. The plan will also focus on increasing intercultural understanding and combating racism. A key strategy of the plan is the establishment of 17 specialist language high schools throughout the State for 1991. A total of \$3.5 million has been provided in 1990-91.

- **Aboriginal Education**

The Aboriginal education plan will include programs designed to increase aboriginal student participation and retention rates, with particular attention to the acquisition of the basic skills of literacy and numeracy by young aboriginals and with a special focus on providing additional support to aboriginal students attempting the HSC. A total of \$6.7 million has been provided in 1990-91.

- **Rural Education**

As part of the decentralisation of education services to students in remote areas the Government will establish seventeen new Distance Education Centres in strategic locations across the State including Sydney and Dubbo. The open high school and the learning materials production centres will also be established to service the needs of distance education centres and other schools. Communications technologies will be provided for all centres.

Programs which give students access to years 11 and 12 in remote country centres using advanced teaching and communications technologies will continue to be trialled. A total of \$9.4 million has been provided for rural education initiatives in 1990-91.

Strengthening the Curriculum

Following the recommendations arising from the white paper on the curriculum in New South Wales schools, funding has been provided to develop key learning area K-6 syllabuses within the context of a K-12 statement of principles. Funding has also been provided to increase the number of field studies centres (\$0.25 million) and for the development of a system to extend the assignment of grades in the School Certificate to all subjects, using "performance description" for the various grades.

Teacher Education and Development

The Government has increased funding for formal staff development activities and provided funding for additional measures including scholarships and retraining courses to attract, develop and train skilled, motivated teachers in the NSW Public Education System. A total of \$1.36 million has been allocated for these purposes.

Parent, Community and Business/Industry Links

This initiative is aimed at building strong links with parents, business and industry to provide curriculum and educational experiences which are relevant and responsive to the needs of the local community.

To support this initiative \$0.5 million has been provided to encourage the development of school councils and student representative councils through conferences, promotional activities and establishment grants.

In 1991 a Parent as Teacher (PAT) pilot program will be trialled with the objective of teaching parents how to use every day experiences to stimulate the development of language, cognitive, social and motor skills in their children.

Technology in Teaching and Administration

• Computer Education

In 1990-91 the Computer Education Program will continue to support the increased access of students to the potential of new information technologies by providing a further \$6 million in direct grants to schools and continue to provide computer co-ordination in schools and consultancy support.

DEPARTMENT OF FURTHER EDUCATION, TRAINING AND EMPLOYMENT

The 1990-91 allocation provides for –

- \$22.3 million for the Adult Migrant Education Program.
- \$1.6 million for English in the Workplace ("Skillmax") program 1990-91. The program targets migrants with overseas qualifications and experience and provides English language courses to assist them to secure access to the local workforce.
- \$4.2 million for the Administration of Adult Education in New South Wales.

TECHNICAL AND FURTHER EDUCATION AUTHORITY

The recurrent budget allows for the ongoing costs of colleges and other teaching centres throughout New South Wales, together with a growth in student numbers.

MINISTRY OF EDUCATION, YOUTH, AND WOMEN'S AFFAIRS

The 1990-91 allocation provides for –

- \$0.2 million for Aboriginal Assistance in 1990-91. This amount covers cost of salaries and operating expenses of the Aboriginal Consultative Group, which is an independent community based organisation providing advice and policy direction to meet educational needs for Aboriginal communities.
- \$9.0 million for "Start to Life" Program in 1990-91. A top priority for the Government continues to be greater participation by young people in education and training leading to improved employment prospects.

4.4.3 HEALTH

Background

INTRODUCTION

Health care services can be divided into four broad areas. These are prevention, primary care, secondary care, and long term care. Preventative care can be present at each stage and can also involve specific pro-active educational programs directed at promoting a healthy lifestyle. Primary care refers to the provision of services of first contact e.g., medical, dental, pharmaceutical and community health services, while secondary care requires referral from the primary care level and involves hospital services and specialised medical services, including superspecialty services such as heart surgery and radiotherapy provided by teaching hospitals. Long term care refers to nursing homes and domestic support activities

While the State is involved in all four areas, the main focus of the State's health programs is on secondary care through the operation of public hospitals. State involvement in the provision of primary care occurs through community health and outpatient services.

The total health allocation for 1990-91 is \$4.3 billion of which \$4.0 billion, or 93 per cent, is funding for Area Health Services and hospitals. Health transport services, which are closely related to the provision of primary and secondary care in hospitals, account for a further 3.2 per cent of the current year's budget allocation.

The Department of Health's main roles are to focus on overall health issues and to oversee the operations of Area Health Services and hospitals. This involves, in particular, the review and monitoring of overall strategic directions for the health system, resource allocation, corporate planning and management processes.

The Department also administers a number of State-wide services and regulatory functions such as analytical, forensic and food inspection services, and grants to voluntary health organisations. State-wide services include special community health services for women, people of non-English speaking background and aborigines.

A number of other health services are administered and monitored centrally by the Department, including health professional registration services, health promotion and education, the blood transfusion service and grants to foster external health research.

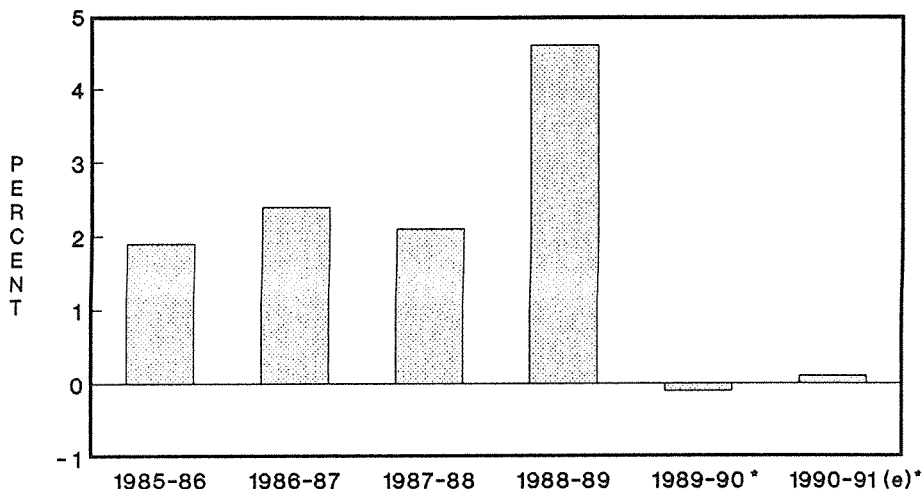
EXPENDITURE TRENDS

Over the five years to 1989-90 total payments in the Health area increased by 11 per cent in real terms. For the period from 1987-88 to 1990-91 the real increase has been 5 per cent. In addition, substantial resources have been freed up for higher priority uses in health through productivity savings.

Figure 4.12

HEALTH

Year on year real term growth



* growth rates in 1989-90 and 1990-91 are distorted by a number of accounting and technical adjustments, including provision for payments to Visiting Medical Officers and savings on insurance premiums.

The health system has experienced both excessive demand and cost factors in recent years which have contributed to some unacceptably long waiting times for admission to hospital. These demand and cost factors, which are being experienced in all advanced countries, have been caused by the combined effect of population growth, ageing of the population, and the greater number and cost of treatments made possible by advances in medical technology. Growing community demands from an increasingly well informed population have added to this pressure.

The Government has responded to this situation by providing the health system with real funding growth and encouraging increased productivity, both of which have helped to reduce these waiting times over the past year.

Major trends in health activity are shown below. The 1972 to 1981 period shows the long term trend, while the 1985 to 1990 period shows the more recent trends. The 1982 to 1985 period has been excluded because of the distortions from the doctors dispute and its aftermath.

Trends in Demand and Cost Factors in Health

Factors	1985-86 to 1989-90 % p.a.	1972-73 to 1980-81 % p.a.
Population growth	1.2	1.2
Adjusted admissions per capita	4.2	2.8
Average length of stay	(-)-2.6	(-)-2.2
Real cost per bed day	3.6	5.8
Total Demand/Cost Increases	6.4	7.6

The New South Wales public hospital system has been experiencing rapid expansion in activity since 1984-85 following resolution of the doctors dispute. In 1989-90 admissions grew by a further 2.7 per cent and non-inpatient occasions of service by an estimated 4 per cent compared to 1988-89. These extra 26,000 inpatients and 733,500 outpatients were able to be treated by a combination of continued improvement in medical management, reduced lengths of stay, and increased productivity.

RECENT DEVELOPMENTS

A review of the Department and its relationship with the rest of the health care system was completed during the second half of 1989. Implementation of the review has led to the devolution of a number of functions to Area Health Services to ensure that decision making takes place as close as possible to the service provider.

As part of the strategy to reduce public hospital waiting lists, the Government has continued to encourage the development and use of private hospitals and day procedure centres with the objective of rationalising available beds into larger, more economic units which can offer a wider range of services. An expansion in the total number of hospital beds is not, however, envisaged.

In addition, the Government has supported a media campaign, in conjunction with the private hospital and the private health insurance industries, to promote the benefits of private health insurance. Two papers have also been produced in co-operation with the private hospital and health insurance industries on improving the balance between the public and private sectors in the provision of health care. A major seminar was held during August to discuss the recommendations outlined in these papers.

The Resource Allocation Formula, which is the strategy that has been adopted to free up resources in areas of declining or stagnant population for reallocation to growth areas, will continue to be implemented during 1990-91, the second year of the ten year plan. This Formula involves the detailed assessment of the health needs of each Area and Region on the basis of population, age/sex weighting, standardised mortality rate, fertility rate, tertiary admissions, interstate and private hospital flows and nursing home type patients. Application of the results of this analysis to resource allocation will ensure that both new funds and resources from the over-resourced Eastern Sydney Area are gradually allocated to under-resourced areas.

Mental health services received a high funding priority in the lead up to the commencement of the new Mental Health Act. Nine additional community and child/adolescent mental health teams commenced operation last year and the second stage in the appointment of Directors of Psychiatry for all Areas and Regions was completed, with funding being provided for four new Directors. The provision of additional community health teams and Directors of Psychiatry will continue this year, while other mental health enhancement funding has been directed to support the opening of new facilities, mainly units for the confused and disturbed elderly and admission units in general hospitals.

Rural health received major emphasis during the past year. Funding for rural health services was significantly increased with \$8.4 million being made available for new services, the North Coast Region receiving the largest increase of \$5 million in recognition of the rapid population growth it has experienced in recent years.

The Rural Health and Aged Care Review was also completed and released for public comment. This review stressed the importance of upgrading Accident and Emergency Services and expanding the role of smaller country hospitals in the provision of aged care services. The special equipment programs for small country hospitals have provided additional equipment to enhance Accident and Emergency Services, while the Department of Health has worked with hospitals to support the introduction of multi-purpose centres into rural districts so that hospitals can play an expanded role in delivering aged care services.

Total line item flexibility for budgetary purposes has again been given to all health managers in 1990-91 to ensure that the most appropriate level of health services is delivered within the context of the global allocation provided. This move to full global budgeting has given managers freedom to organise services more efficiently by diverting funds from lower to higher priority areas. The Government is also encouraging managers to spend more on direct care services by making productivity savings in non-service delivery areas such as administration, cleaning and catering.

The Department issued allocations to Area Health Services and public hospitals, as well as budgets for other programs, in early July, 1990. The benefits of this early advice to senior managers in planning service delivery are substantial.

As part of the process of allowing senior managers further scope to manage effectively and efficiently, three year forward estimates were introduced for the major hospital program during December, 1989. These estimates provided indicative allocations for the financial years up to 1992-93 to aid managers in the planning of services in the medium term. This process will continue in future years, while phased introduction of accrual accounting will enable more accurate presentation of financial statements and full disclosure of annual activities.

Greater emphasis is being placed on revenue collection practices. Negotiations on increasing the level of receipts through better management are currently being undertaken.

As part of the Department's Senior Executive Service, senior managers have entered into individual performance agreements which require the achievement of predetermined levels for a number of activity indicators. This will allow actual efficiency and outputs to be measured against targets set on the basis of allocated funding.

At the same time, the Department is co-ordinating a study in hospitals of the Diagnosis Related Group case-mix costing system. This development will result in the collection of more sophisticated outcome and output measurements and allow more detailed cost comparisons.

KEY ISSUES AND STRATEGY

The key issues facing the Health portfolio during 1990-91 and future years are –

- The public/private mix of patients, which is being addressed by initiatives to increase private sector participation. In addition, the State and Commonwealth National Health Strategy Review will focus on the delivery and funding of health services Australia-wide.

- The implementation of a comprehensive Information Systems Strategy for all hospitals over the next four years. Funds have been provided within the Department's Capital Works allocation to commence development in 1990-91.
- The redistribution of health financial resources in line with the Resource Allocation Formula and the use of the forward estimate process to link this to the Capital Works Program.
- The setting of efficiency and output targets so that managerial performance can be accurately assessed.
- The further development and refinement of public health units in Area Health Services and Regions.
- Implementation of the new Mental Health, Quality Assurance and Radiation Control Legislation, as well as the enactment of a new Public Health Act.
- Expansion of the Brain Injury Rehabilitation Program.
- The attraction and retention of junior medical and nursing staff at public hospitals through innovative strategies.
- Finalisation of the restructure of the Ambulance Service initiated by the enactment of new legislation, which provided for the appointment of an Ambulance Board.

1990-91 Budget Highlights

OVERVIEW

The Department's 1990-91 allocation is \$4.3 billion and represents the Government's continuing commitment to rebuilding and upgrading the Health System in difficult economic times. The allocation comprises 28 per cent of total State payments, making it the largest Government recurrent allocation.

Growth funds and productivity savings of \$70 million have been made available to fund new and expanded health services in 1990-91, comprising \$30 million in increased Budget funding and \$40 million in productivity savings. These are in addition to cost escalation required for maintaining existing activity and represent a substantial increase in real funding.

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Area Health Services and Other Hospital Services	3,737.5	4,003.3	+ 7.1
Community and Other Support Services ..	147.2	146.4	(-) 0.5
Public Health Services	86.3	96.9	+ 12.3
Other	45.4	53.4	+ 17.6
Total	4,016.4	4,300.0	+ 7.1

Total payments for the health sector will increase by 7.1 per cent in 1990-91, comprising an increase of 8 per cent in support from Consolidated Fund and growth in patient fees and other hospital revenues of 0.7 per cent. However, actual total payments and hospital revenues for 1989-90 included a "once-off" sum of \$38 million to meet the cost of retrospective payments to visiting medical officers.

When account is taken of this factor, the actual budgeted increase in total payments for the current year is 8.1 per cent, while patient and other hospital revenues are expected to increase by 9.4 per cent.

Major initiatives in 1990-91 continue to focus on a restoration of basic services and the redistribution of funds to high growth, underfunded areas.

The Hunter Area is to receive substantial additional funding to facilitate the opening of the John Hunter Teaching Hospital at Rankin Park. Some \$15 million will be provided during the current year, with further funding to be provided in 1991-92.

In addition, Hunter Area Health Service will be required to rationalise existing services in the Newcastle area in accordance with the Resource Allocation Formula to provide further funds to enable John Hunter to operate at its full capacity. Unless some rationalisation takes place, the Hunter Area will far exceed its targeted level of resources on the basis of the comparative needs of each area and region.

Significant funding has been allocated to basic services and to provide acute and community services in growth areas of the State. The main recipients will again be the Western Sydney (Parramatta/Westmead/Blacktown/Mt Druitt), South Western Sydney (Bankstown/Liverpool/Campbelltown), Wentworth (Penrith/Blue Mountains/Hawkesbury) Areas and the Central, North and South Coast Regions.

This is the second year of the resource allocation program to align funding to population for the provision of primary and secondary health services. The provision of new funds to the Western Sydney Areas and the Central, North and South Coast Regions over the next ten years will continue progress in overcoming the inequitable distribution of health funds which was allowed to develop over the previous decade. The redistribution of funds from the Eastern Sydney Area will be accompanied by an overall increase in the health allocation. As a result 15 of the 16 Areas and Regions will be better off in real terms after the implementation of the Resource Allocation Formula has been completed.

The gradual allocation of new funds will be co-ordinated with the opening of new or expanded hospitals in growth areas. These new facilities will be built as part of the Department's Capital Works Program with funding assisted by the generation of additional funds from the sale of surplus health assets.

The other main feature of the budget is the funding of new State-wide services which will allow patients to benefit from the latest advances in technology. Superspecialty services provided at teaching hospitals will receive separate funding so that they can maintain the highest standards, as centres of excellence.

Area Health Services and Other Hospital Services

The \$4,003 million allocation, up 7.1 per cent over last year's payments, provides \$70 million of growth funds and productivity savings which will be used to upgrade basic services and to redistribute resources to growth areas. This will allow Area Health Services and hospitals to allocate an extra 2 per cent of their funds to new and expanded services. Some specific areas for which funding is to be provided include –

- \$2.5 million for increased use of ambulatory/day care and specific additional clinical needs, Royal Prince Alfred Hospital.
- \$0.7 million to establish a 10 bed rehabilitation ward, Western Suburbs Hospital, Burwood.
- \$2.55 million to establish a centre for bone and joint disease, creation of a molecular biology unit, contracting of health care services with the private sector to reduce waiting lists, and for the establishment of a Chair in Anaesthetics/Pain Management and a Pain Research Centre, Northern Sydney Area Health Service.
- \$1.2 million for day surgery expansion and additional tertiary beds, Royal North Shore Hospital.
- \$0.45 million for additional theatre lists and for the establishment of academic units, Hornsby Hospital.
- \$2.55 million to expand the intensive care unit from 6 to 9 beds, establish high dependency units (12 beds), provide operating funds for the birth centre, expand cardiac surgery, and for additional general medical and surgical beds, St. George Hospital.
- \$0.5 million to enhance palliative care services, Calvary Hospital, Kogarah.
- \$0.5 million for increase in patient activity - paediatrics, Prince of Wales Children's Hospital.
- \$0.35 million for medical and diagnostic clinical enhancement, Blacktown Hospital.
- \$0.45 million for pathology and histopathology upgrading and a diabetic education centre, Mt. Druitt Hospital.

- \$0.9 million for health promotion services, an injury prevention initiative and community nursing expansion, Western Sydney Area Health Service.
- \$0.5 million to commission new centre/general upgrade of community health services, Katoomba Community Health Centre/Wentworth Area Health Service.
- \$1.8 million to establish an initial academic presence, as the first step in an upgrade to teaching hospital status, and to provide for a new 30 bed psychiatric unit, Nepean Hospital.
- \$0.8 million to upgrade secondary health care services, including thoracic surgery and ear, nose and throat surgery, Wentworth Area Health Service.
- \$0.5 million for the provision of aids for disabled persons and for the professional establishment for the announced Liverpool Teaching Hospital, South Western Sydney Area Health Service.
- \$0.5 million for extension of day surgery, Campbelltown Hospital.
- \$0.6 million for upgraded orthopaedic, ear, nose and throat and anaesthetic services and increased day surgery, Gosford Hospital.
- \$0.4 million to establish 8 post-surgical beds, Woy Woy Hospital.
- \$15.1 million for commissioning and operation of John Hunter Hospital.
- \$1.5 million for the Illawarra Cancer Care Centre, Wollongong Hospital.
- \$0.6 million to upgrade Accident and Emergency services to a level 2 Trauma Centre, enhance intensive care services, and to upgrade oncology and dietetics services, Lismore Base Hospital.
- \$0.35 million to upgrade aged, pharmacy and pathology services, North Coast Region.
- \$0.65 million to increase existing day only surgery, introduce an ophthalmic service, and to enhance orthopaedic services, Manning Base Hospital.
- \$0.47 million for a C.T. Scanner and surgical enhancements, Orange Base Hospital.
- \$0.35 million to improve day ward capacity and throughput, Wagga Wagga Base Hospital.
- \$0.35 million to improve day ward capacity and throughput, enhance rehabilitation, urology, school and community health services, and to upgrade Accident and Emergency services, Albury Base Hospital.

- \$0.7 million for Stage I and II development of Accident and Emergency services and for Stage I development of Regional oncology and palliative care services, South Eastern Region.
- \$0.35 million (\$0.6 million per annum) to upgrade basic services and increase theatre usage, introduce an ophthalmology service, and develop Accident and Emergency, oncology, palliative care, domiciliary, geriatric and early childhood services, Bowral Hospital.

Statewide Services

Additional State-wide services to be funded during the year amount to \$16.9 million and include –

- \$1.7 million for Health Promotion and Education.
- \$2.1 million for the Brain Injury Program.
- \$2.4 million for Maternity and Neonatal Services.
- \$0.5 million for Genetics Services.
- \$3.3 million for Commonwealth/State Cost Shared Programs:
 - Homeless Youth (Burdøkin Report)
 - National Women's Health Program
- \$0.6 million for Dentures for Pensioners and School Dental Services.
- \$7.0 million for Barclay Report Implementation for Mental Health Services.

Other Special Provisions

- \$48.8 million (up 13.4 per cent on 1989-90) to prevent the spread of the disease AIDS and to treat AIDS patients in the public health system. Roundly 50 per cent is being provided by the Commonwealth.
- \$12.9 million to ease the shortage of nurses, mainly by training of additional enrolled nurses, providing career development courses for graduate nurses and post basic courses for enrolled nurses.
- \$31.1 million (up 7.5 per cent) for Home and Community Care funding, principally for home nursing services. Further funds will be made available through the HACC program for any approved growth in services in 1990-91.
- Roundly \$5.1 million for the cardiac and liver transplantation program.

- Some \$246 million to provide ongoing services for the psychiatrically ill. This provision includes \$7 million for implementing the recommendations of the Barclay Report.
- \$175 million for services mainly for the aged and disabled. Of this amount roundly \$59 million is provided by patients in approved nursing homes and by the Commonwealth in the form of nursing home benefits. Included in this allocation are the HACC program and the provision of aids and appliances to disabled persons.
- Roundly \$10.5 million for medical and surgical services to inmates in State prisons.
- \$54.5 million (up 6.7 per cent) for the education of nurses by colleges of advanced education.

Community and Other Support Services

More than \$146 million has been provided under this heading and comprises –

- \$137.1 million for health transport.
- \$9.3 million for the provision of grants and subsidies to non-government organisations for complementary health services.

Public Health Services

The following provisions have been made for public health services –

- \$13.9 million to maintain and improve public health and environmental health standards.
- Some \$12.6 million to improve detection, prevention and control of diseases.
- \$18.7 million to improve the level of awareness of individuals and the community concerning the benefits of a healthy lifestyle.
- Approximately \$18.1 million to ensure that an adequate supply of blood and blood related products is available to meet medical requirements through the Red Cross Blood Transfusion Service. Included in this allocation is some \$2.8 million to combat the spread of the disease AIDS, most of which will be spent on screening blood donations to detect the presence of the AIDS virus.
- Roundly \$3.7 million for grants to foster medical and health research.

- \$24.2 million for services specifically for drug and alcohol dependent persons including –
 - \$10.8 million for the joint State/Commonwealth program against drug abuse.
 - \$4.4 million for grants to non-government organisations engaged in education, counselling and treatment of drug and alcohol addicted persons.
 - \$7.2 million for services provided by Area Health Services/Public Hospitals specifically aimed at combating drug and alcohol abuse.
- Roundly \$5.7 million for the provision of supplementary health services to Aborigines, including \$2.5 million in grants to non-government organisations for the provision of dental and drug and alcohol services and to conduct public health awareness programs.

Other

- \$1.5 million for various grants to external health services and \$5.0 million for the Isolated Patients Travel and Accommodation Assistance Scheme.
- \$47 million to maintain an effective administration and planning service and to support the implementation and review of Government health policy and programs, including the continuing development of upgraded management information systems.

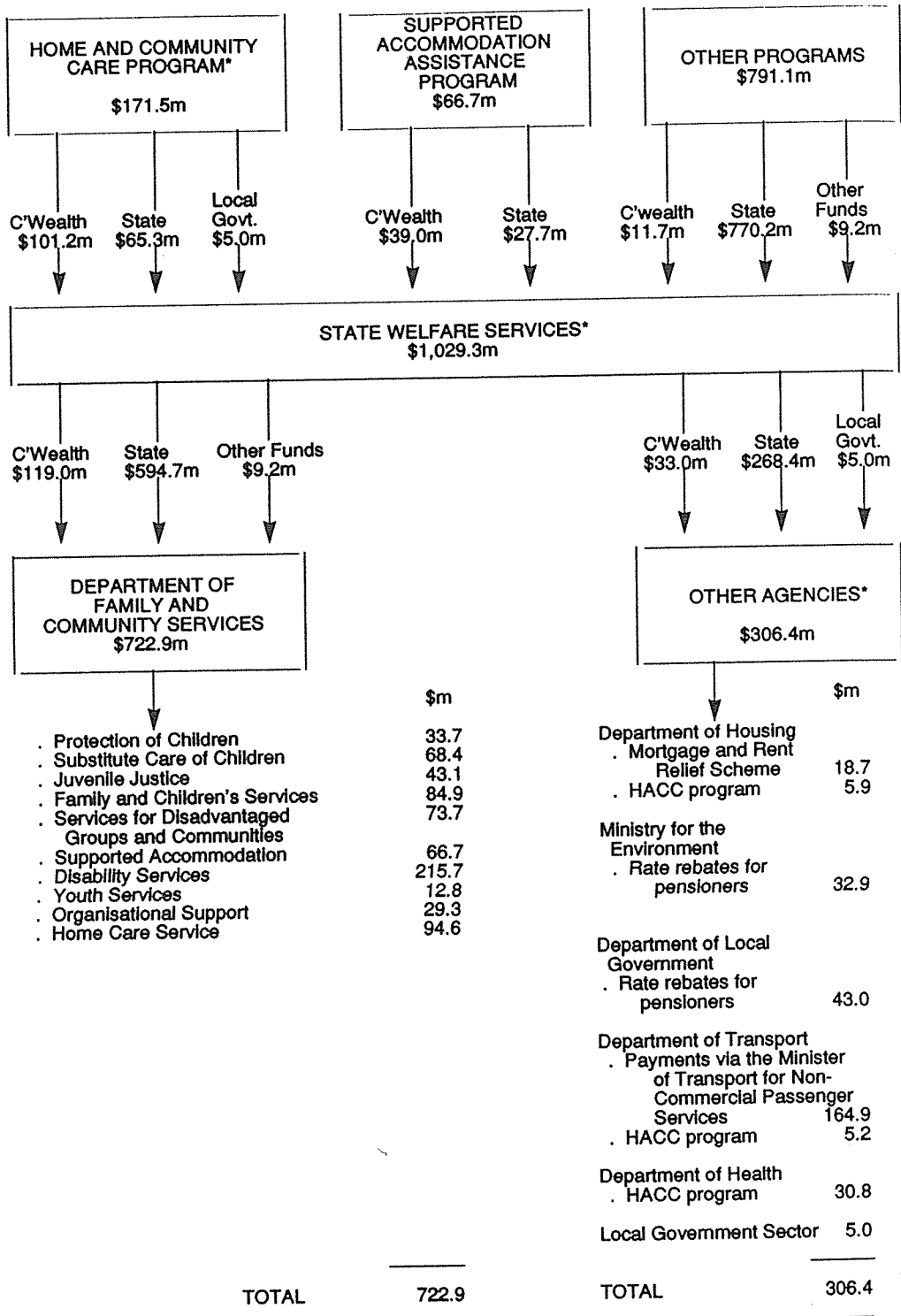
4.4.4 WELFARE SERVICES

Background

INTRODUCTION

Welfare expenditure essentially covers the operation of the Department of Family and Community Services which provides services for the developmentally disabled, children and the family. Also included within this policy area are the provision of social security concessions to the needy which are provided through a range of programs in a number of portfolios, including rate rebates for pensioners and transport concessions. The Mortgage and Rent Relief Scheme is also included within this policy area.

Welfare funding involves a mixture of Commonwealth and State funds. A variety of agencies deliver the services - primarily the Department of Family and Community Services, the Home Care Service and a wide range of voluntary organisations which are provided with grants. The structure of welfare funding and delivery is summarised below -



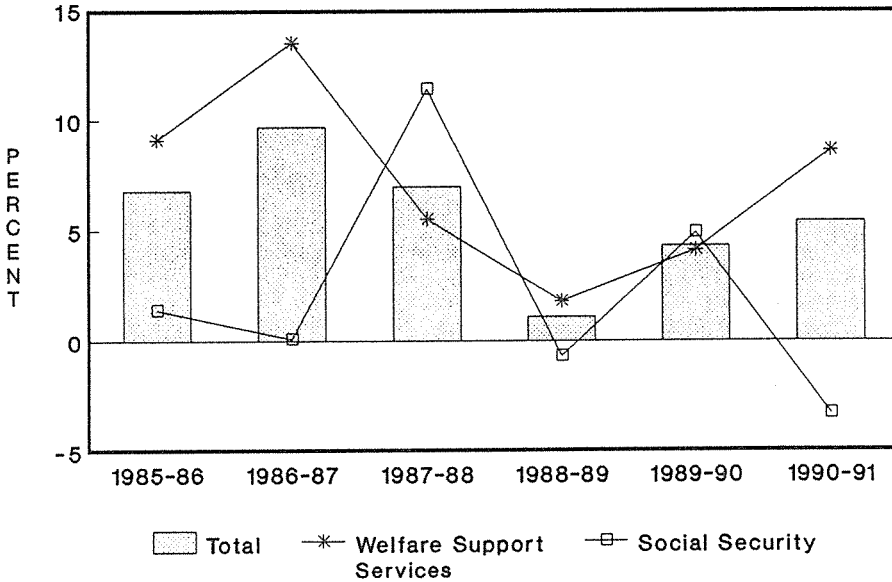
* Includes \$46.9 million spent on the Home and Community Care Program by Departments in other policy areas.

EXPENDITURE TRENDS

Figure 4.13

WELFARE

Year on year real term growth



Over the five years to 1989-90, welfare service payments have increased by 32.2 per cent in real terms. The 1990-91 allocation represents further real growth of 5.4 per cent.

In recent years, the Department of Family and Community Services has undergone a major reallocation of funding from lower to higher priority areas. In the 1990-91 financial year, savings will be largely derived from the rationalisation of administrative expenditure within the Department, the introduction of user-pays mechanisms for various activities and the capping of growth of the Home and Community Care Program and the Supported Accommodation Assistance Program to ten percent. Funding released by this process will be used to fund a number of developmental disability initiatives and will provide additional beds and facilities in juvenile detention centres arising from the enactment of the Sentencing Act, 1989. A similar process was carried out during the 1989-90 financial year.

The increase in funding largely reflects increased expenditure on two major Commonwealth/State jointly funded programs, the Home and Community Care (HACC) Program and the Supported Accommodation Assistance Program (SAAP).

A further contributory factor to the real increase in recent years is the marked increase in the level of funding provided as rate rebates to pensioners. This trend is not surprising given the aging population of Australia and payments are expected to grow even further in future years.

RECENT DEVELOPMENTS

- In 1989-90 the staffing resources of Central Office were re-allocated among various branches to improve accountabilities.
- In 1990-91 all grants and subsidies will receive cost indexation of 4.5 per cent at a cost of \$11.136 million.
- The Department is anticipated to effect substantial additional savings in 1990-91 in particular programs and these savings, combined with savings similarly carried forward from the previous year, will be redirected in enhancing the Home and Community Care Program, the Supportive Accommodation Assistance Program and aspects of Children's Services.
- All productivity savings achieved within the Disability Services program will be directed to new services in that area.
- Except for productivity savings of 2.5 per cent on Employee Related Payments and 3.0 per cent on Maintenance and Working Expenses with Programs (other than the Disability Services program) all expenditure savings achieved by FACS will be retained within the Department for the provision of welfare services.

KEY ISSUES AND STRATEGY

It is expected that 1990-91 will pose a number of challenges in the welfare area:

- The Department of Family and Community Services will continue to assess the impact of the Sentencing Act, 1989 on juvenile detentive facilities. Indications are that the Act has led to some increase in the number of detainees and the Department has been required to react to this by providing additional beds and facilities in existing detentive centres.
- The likely impact of the worsening economic situation and the ageing population on the number of recipients of welfare services – particularly the social security provisions which are targeted at pensioners and financial assistance provided to people and families in crisis.
- The Department will be investigating the use of the Home and Community Care program to provide services for the Developmentally Disabled.
- The Department of Family and Community Services has now been providing services for the developmentally disabled for 12 months, after being transferred from the Department of Health. The next 12 months will see a consolidation of existing services provided to the developmentally disabled as well as the ongoing assessment of the future directions for the program.
- Prior to 1990-91 gaps in three different HACC service types were identified, namely respite care, community transport and home modification projects. The emphasis in funding this year is toward a full geographic coverage of New South Wales by major service type.

- Family breakdown has long been a recognised precursor of problems in society. In full recognition of this and in an attempt to develop appropriate infrastructure to assist families, the Government has established a two year \$1 million program called the Family and Community Development Strategy.
- Youth homelessness is also seen as a key issue in New South Wales in 1990-91. The Commonwealth and New South Wales are therefore jointly providing funds to the extent of \$4.6 million which will develop innovative models of service for homeless young people.
- A further major feature in the welfare area during 1990-91 will be the major improvement of health services provided to juvenile detainees which will direct particular emphasis toward drug and alcohol dependency. In 1990-91 a major new program will provide assistance to juvenile detainees who have substance abuse problems. The service will be provided by the Prison Medical Service, which will also provide health and dental treatment to all juvenile detainees.
- The continuing high interest rate policy of the Commonwealth Government is likely to increase pressure in the housing sector which may impact upon both the Mortgage and Relief Scheme and from 1 January, 1991, the new Home Deposit Assistance program.

1990-91 Budget

OVERVIEW

The table below sets out total payments in 1989-90 and estimated expenditure for 1990-91.

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Welfare Support Services	638.2	741.6	16.2
Social Security	233.0	240.8	3.3
Total	871.2	982.4	12.8

PROTECTION OF CHILDREN

Funding of \$33.7 million (up \$3.1 million or 10 per cent on 1989-90 expenditure) for projects associated with the protection of children from abuse and exploitation, including child protection projects (\$2.4 million), financial assistance (\$0.9 million) and Child Sexual Assault Program (\$0.8 million).

An amount of \$400,000 has been allocated towards the implementation of recommendations arising from the Child Protection Council's report on the Physical Abuse and Neglect of Children.

SUBSTITUTE CARE OF CHILDREN

An amount of \$68.4 million for services involving the care of children separated from their parents. Programs funded include grants to community based residential care organisations (\$13.4 million) child support allowances, etc. for foster parents (\$14.5 million) and family group homes (\$1.0 million). The Community Living Program for disabled wards (\$10.4 million) has been transferred to the program which provides funding for services for the developmentally disabled.

The 1990-91 allocation provides for a number of new initiatives targeted at children in foster or alternate care. These include increasing foster care allowances and alternate care subsidies as well as an expansion of services for aboriginal children - the total sum allocated in 1990-91 being \$2.3 million (\$2.4 million per annum).

JUVENILE JUSTICE

Funds to the extent of \$43.1 million (up \$7.7 million or 22 per cent on 1989-90 expenditure) to reduce recidivism and harmful effects of intervention in those cases where children come into conflict with the law. The program also provides secure facilities for dangerous offenders.

In 1990-91 the Department of Family and Community Services will allocate funding toward the provision of additional beds resulting from the enactment of the Sentencing Act, 1989. Any additional funding required for this initiative is being provided through internal savings made within the Department.

A major initiative will be the provision of health and medical services and drug and alcohol counsellors to detainees in juvenile detention centres. In 1990-91 the service will be provided by the Prison Medical Service at an additional cost of \$786,000.

FAMILY AND CHILDREN'S SERVICES

Funding of \$84.9 million (up \$10.7 million or 14 per cent on 1989-90 expenditure) to assist the community to provide a range of children's services, including pre-school and day care services (\$58.9 million), vacation care (\$2.3 million) and early childhood projects (\$3.1 million).

An amount of \$9.7 million is provided to assist community organisations working with families to overcome difficulties relating to stress, lack of social support and other factors.

In January 1991, a two year \$1 million program called the Family and Community Development Strategy will be established which will encourage community funded organisations to move toward an integrated approach to service delivery, including family and community centres.

This initiative is seen as an innovative approach to co-ordinated service delivery in New South Wales and involves three interconnected strategies:

- . Provision of one-off capital and equipment grants to existing organisations for the refurbishment of buildings, purchase of office equipment, computers and equipment that enables services to be more accessible to people with a disability and people from a non-English speaking background.
- . Funding of short term development workers with skills and knowledge of the multi-cultural community.
- . Provision of training workshops and resources to enhance service delivery for families with children and adolescents.

The 1990-91 allocation provides for an additional 500 pre-school places in existing facilities for children aged three to four years of age at a cost of \$1.3 million.

SERVICES FOR DISADVANTAGED GROUPS AND COMMUNITIES

An amount of \$73.7 million (up \$22.1 million or 43 per cent on 1989-90 expenditure) for services to disadvantaged groups and communities with the accent on access to services, integration, independence and equality in community life. Specific provisions include assistance to the disabled (\$6.8 million), community development projects (\$9.8 million), seeding grants for aboriginal advisory and diversionary services (\$300,000), and the provision of financial assistance to the disadvantaged (\$4.0 million).

HOME AND COMMUNITY CARE PROGRAM (HACC)

In 1990-91 the Government will provide an increase in recurrent funding of 16 per cent. Total estimated expenditure in 1990-91 amounts to \$171.5 million (includes Community Options Programme of \$9.7 million). The New South Wales State Government contribution will be \$65.3 million.

Estimated expenditure under the HACC program by the following agencies is -

	\$m
Department of Family and Community Services	40.4
Home Care Service	84.2
Department of Health	30.8
Department of Housing	5.9
Department of Transport	5.2
Local Government Sector	5.0

The Home and Community Care Program is jointly funded by the Commonwealth and State Governments.

The Program is targeted at the frail aged and younger disabled and their carers, who live in their own homes. HACC provides funds to a wide range of support services to assist the target group to continue to live independently and so avoid premature or inappropriate admission to care in hostels, nursing homes or hospitals.

The co-ordinating Minister in New South Wales is the Minister for Family and Community Services. The Program is administered through the Departments of Family and Community Services, Health, Housing, Transport and the Home Care Service of New South Wales. The Capital Facilities Program administered by the Department of Local Government will receive funds estimated at \$4.7 million for the expansion of existing facilities and the construction of new facilities.

These funds will enable the maintenance of all existing approved services as well as continued growth in new services. Services include -

- housekeeping and personal care services
- community nursing and paramedical services
- food services, including meals on wheels
- modification and maintenance of homes
- respite care services
- neighbour aid services
- information/co-ordination and consumer advocacy projects
- senior citizens' capital facilities

Non-recurrent funds have been provided for the acquisition of community transport vehicles and for a range of equipment requirements for new and existing projects.

SUPPORTED ACCOMMODATION

An amount of \$66.7 million (up \$24.7 million or 59 per cent on 1989-90 expenditure) will be spent on supported accommodation initiatives in 1990-91. Provision has been made for the State/Commonwealth Supported Accommodation Assistance Program, (\$63.9 million), and the Women's Housing Program, (\$2.8 million).

Supported Accommodation Assistance Program (SAAP)

The Supported Accommodation Assistance Program (SAAP) is a joint Commonwealth/State Program which provides assistance to community groups to operate a variety of supported accommodation services and related support services to homeless people in crisis.

The program was established on 1 January 1985. New South Wales entered into a new five year agreement with the Commonwealth on 1 July 1989, to continue this program. SAAP will receive funding of \$63.9 million in 1990-91, increased from expenditure of \$39.3 million in 1989-90.

This program provides funding to 302 projects, 120 under the Youth Supported Accommodation Program for crisis youth refuges, medium term supported houses and medium to long term multi-house schemes for young people 12-25 years of age and liaison support workers.

The Women's Emergency Services Program funds 85 services statewide. The majority of these services are women's refuges which provide support for women and children escaping domestic violence. The other services provide accommodation and support for homeless women and children as well as continued support from follow-up workers after leaving the refuge.

The remaining sub-program, the General Supported Accommodation Program provides, a range of accommodation services to men, women and their dependants. A total of 96 services are funded.

SAAP will receive growth funds in 1990-91 of \$3.2 million. The Government is keen to pursue new objectives for SAAP over the next five years. These objectives include developing and expanding models of services to improve the effectiveness and efficiency of existing services, the development of innovative models of service for homeless young people, and to establish and evaluate new services to serve isolated and rural areas and to rectify gaps in service delivery.

Five new services were included under the SAAP program in 1989-90. These are the large inner city men's hostels, Matthew Talbot, Edward Eagar Lodge, Campbell House, Foster House and Swanton Lodge. In this financial year, \$13.8 million in recurrent funding will be available to commence a long term planned devolution of these services into smaller more homelike services.

An amount of \$0.8 million in recurrent funding will be provided to the St Vincent de Paul Society to run a family crisis service at their Lewisham Hospital site. This Centre can accommodate approximately 70 women and children.

- ***Women's Housing Program (WHP)***

The Women's Housing Program (WHP) will receive \$2.8 million in 1990-91. This program was established by the Department of Housing in 1984. The Program provides medium term housing (3 to 12 months) and a range of support services to homeless women and their dependent children. It aims to assist these women in developing independent living skills, securing permanent accommodation and subsequent re-integration into local communities.

Presently there are twenty-two Women's Housing Program schemes located throughout New South Wales, of which four provide specialised support for special need groups. Individual schemes are incorporated bodies and are managed by community based management committees.

- ***Youth Social Justice Strategy***

New South Wales, in conjunction with the Commonwealth, has made funds available of \$4.6 million in 1990-91 to fund innovative projects to increase the number and range of accommodation options for employed young people aged up to 18 years of age. This funding will promote links between agencies and co-ordinate services with an emphasis on medium to long-term accommodation. The funding will also promote the development of innovative support services that relate to individual needs.

DISABILITY SERVICES

Funds to the extent of \$215.7 million (up \$25.2 million or 13 per cent on 1989-90 expenditure) have been provided for the provision of residential and other services for the treatment and care of persons with developmental disabilities.

This program was transferred from the Department of Health to the Department of Family and Community Services on 1 July, 1989.

Major initiatives include –

- commencement of a program to provide community accommodation and support services for 135 adults with disabilities living at the Riverglade Centre, Gladesville;
- establishment of a pilot project to improve co-ordination and delivery of early intervention/education services and support to families with infant and pre-school aged children with disabilities;
- additional school therapy service positions;
- new group homes for permanent and respite care;

Additional funding of \$3.0 million in 1990-91 (\$6.8 million per annum) will be provided to allow the occupation of an additional 24 group homes which will provide respite and permanent care. This initiative which is seen as a major enhancement to the program will, by the end of 1990-91, provide an additional 480 families with respite care and allow an additional 40 people to enter permanent care in group homes;

- new group homes for permanent and respite care;
- expansion of a range of individual and family support, day program and respite care services.

YOUTH SERVICES

Funds of \$12.7 million (up \$1.9 million or 18 per cent on 1989-90 expenditure) have been provided for the co-ordination and improvement of welfare support services and facilities for employed young people. Major items are the community youth projects and adolescent support programs (\$8.6 million) and the National Campaign Against Drug Abuse (\$0.9 million).

HOME CARE

The Home Care Service of New South Wales is a statutory authority responsible to the Minister for Family and Community Services through the Director-General of the Department of Family and Community Services.

The objective of the Home Care Service is to provide consistent, high quality, cost efficient household based support services to three groups of consumers, the frail or at risk aged people, younger people with disabilities, carers and families in crisis.

The Home Care Service is funded by the State and Commonwealth Governments through the Home and Community Care Program. Estimated total expenditure by the Home Care Service in 1990-91 is \$94.6 million. This is up \$6 million or 6.8 per cent on (estimated) 1989-90 expenditure. The contribution by the two Governments to total expenditure is \$85.4 million of which the State will provide \$38.0 million.

The proportion of hours worked in each type of service in 1990-91 is likely to be -

General Housework	57.0 per cent
Personal Care	23.0 per cent
Respite Care	10.0 per cent
Handyperson Service	3.0 per cent
Live-in Housekeeper/Overnight Care	3.0 per cent
Other	4.0 per cent

In 1990-91 the Home Care Service will continue to provide services to older people. However, in 1990-91 the Home Care Service will expand the provision of Personal Care services and Respite Care services. These services are particularly used by younger people with disabilities and their carers.

An advance of \$5.0 million will be provided by Treasury to a separate business within the Home Care Service as working capital to provide for an innovative funding model of housing for the aged in New South Wales. The need for housing of this type is reflected in the lack of take-up of Commonwealth funding by eligible non-profit providers of aged housing services. The role of the Home Care Service under the model is to:

- assist providers in developing proposals and accessing Commonwealth funds;
- act as a conduit for any State monies;
- provide guarantees or bridging funds as necessary to providers;

ORGANISATIONAL SUPPORT

An amount of \$29.3 million (up \$1.5 million or 5 per cent on 1989-90 expenditure) to provide executive and administrative support for the Department's welfare programs.

MORTGAGE AND RENT RELIEF SCHEME

This scheme commenced in 1982-83 and assists the States to provide short-term assistance to low-income earners having difficulties in meeting mortgage repayments or private rental accommodation payments. The program was incorporated as a sub-program of the Commonwealth State Housing Agreement in 1984-85. Funds provided are on the basis of dollar for dollar matching by the States.

In 1989-90, the Commonwealth provided an additional one-off payment (with no matching requirements) of \$2.9 million to New South Wales for mortgage interest relief.

Following changes to the scheme which are proposed to be implemented from 1 January, 1991, the Commonwealth has withdrawn funding for Mortgage and Rent Relief and applied these funds to the new Home Deposit Assistance program.

SOCIAL SECURITY

The social security provision of \$240.8 million includes the following -

- \$43.0 million for payment to Councils in respect of the State's share of concessions on Council rates payable by pensioners.
- \$32.9 million for payment of subsidies to the Sydney, Hunter and Broken Hill Water Boards in respect of rebates on pensioners' water rates and the waiving of the Environmental Levy.
- \$164.9 million (up \$1.7 million on 1989-90) for the cost of travel concessions.

4.4.5 HOUSING AND COMMUNITY SERVICES

Background

INTRODUCTION

Housing and Community Services expenditures cover public housing, water and sewerage services and protection of the environment. Funding for Housing mainly reflects the on-passing of Commonwealth recurrent payments, principally for Mortgage and Rent Relief. In the past Total Payments of the Department of Housing have reflected the operating costs of public rental housing, including the financing of rental rebates. The Classification Task Force report identified the Department as an outer budget sector entity which is predominantly self-funding in terms of its recurrent budget. Accordingly Total Payments now only reflect Consolidated Fund support. Provision has been made in 1990-91 for certain stamp duty concessions being met by the Department in respect of public housing programs and home purchase assistance programs directed at public housing tenants or approved public housing applicants.

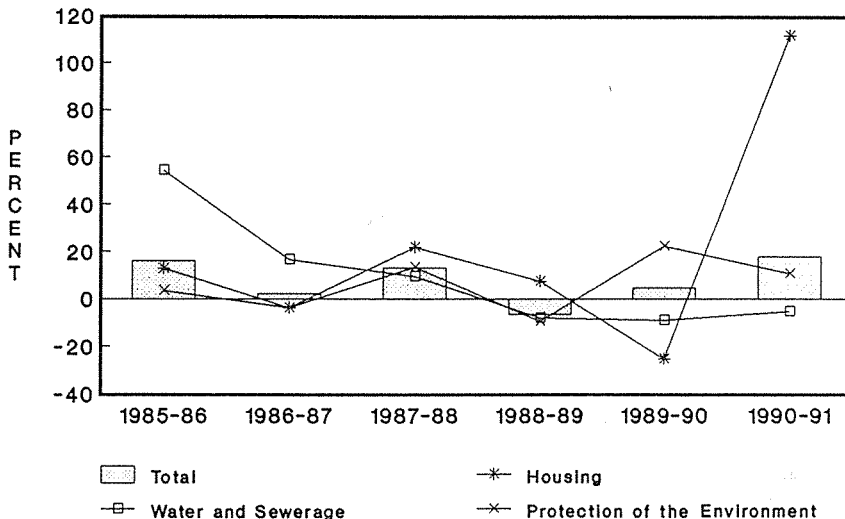
Funding is provided under the Water and Sewerage Sector to assist local government in providing safe and adequate water supply and sewerage schemes and associated services in areas not serviced by Water Boards. Within the Protection of the Environment Sector funding is provided to the State Pollution Control Commission to assist in the development of appropriate environmental goals and strategies and to monitor environmental quality. Funding is also provided to the Department of Planning for its vital role of encouraging proper management, development and conservation of resources and environmental protection in the planning of land use within the State.

EXPENDITURE TRENDS

Figure 4.14

HOUSING AND COMMUNITY SERVICES

Year on year real term growth



Over the five years to 1989-90 recurrent payments in the Housing and Community Services Sector have increased by 12.9 per cent in real terms. This substantially reflects increases in the area Protection of the Environment, relating to expanded community projects and assistance. The 1990-91 allocation represents a further 17.8 per cent increase in real terms which is related to introduction of initiatives in environmental protection, including the proposed implementation of the Environment Protection Authority and new programs in the Housing Sector.

RECENT DEVELOPMENTS

• Housing

Recent developments in the Housing area have focused on the introduction of a new Commonwealth State Housing Agreement, effective from 1 July, 1989. Following extensive negotiations relating to the new Agreement, in which New South Wales took the leading role, the Agreement provides greater flexibility for home purchase assistance and other housing initiatives. Further details on the new Agreement are contained in Budget Paper No. 4 'Financial Arrangements between the Commonwealth and New South Wales'.

• Protection of the Environment

A new Environment Protection Authority (EPA) is to be established to provide a more consistent and coherent environmental regulatory and enforcement framework and to provide better co-ordination of environmental policy development, research and education. It is intended that the EPA will assume the pollution control activities currently carried out by the State Pollution Control Commission, in addition to other appropriate responsibilities to ensure effective protection of the environment. The Ministry for the Environment, as part of its role in formulating and establishing the EPA, is undertaking a review of the State's environmental protection legislation.

The Department of Planning has completed the restructure of the Heritage Assistance Scheme. The program is now focused to target areas of greatest need, to properly integrate with other heritage programs and to be accountable for overall performance. In addition, the Department has commenced a number of major planning studies during 1989-90 related to the planned urban releases of South Creek and Macarthur South. These studies are to ensure future urban development within the Sydney region is undertaken in a consistent and co-ordinated manner.

KEY ISSUES AND STRATEGIES

Both the Water and Sewerage and Housing Sectors relate to the provision of Government subsidies or the on-passing of Commonwealth expenditures rather than direct service provision. A full explanation of these sectors is contained in Chapter 5 of this document, Section 5.3.5 'Housing and Community Services'.

• Protection of the Environment

The Environmental Restoration and Rehabilitation, Environmental Research and Environmental Education Trusts have been created by the Government to build a long-term capital base from which investment proceeds will fund community environmental improvement projects that would not otherwise be met from normal Government funding.

Each Trust invests accumulated capital from trade waste charges levied by the Water Board or industrial polluters who use the Board's system to dispose of their wastes. Grants to persons and organisations will be made by the Trusts using interest accrued on the previous years investment of this capital.

1990-91 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Housing	15.3	34.7	+126.8
Water and Sewerage	36.9	37.4	+ 1.4
Protection of the Environment	81.7	96.6	+ 18.2
Total	133.9	168.7	+ 26.0

HOUSING

A total of \$44.8 million has been made available to the Department of Housing to meet expenditures, including \$18.6 million for the Mortgage and Rent Relief Program which is funded jointly by the State and the Commonwealth. Expenditures under this program are classified as Welfare Services and appear in Chapter 4.4.4 of this document. Provision has also been made for the Department's share of expenditures on the Home and Community Care Program. In addition, with the introduction of initiatives in the areas of public housing and home purchase assistance, the Department will be responsible for meeting the associated conveyance stamp duty and land tax payments. An amount of \$8.6 million has been provided for this purpose. Following the Commonwealth's decision to abandon the First Home Owners Scheme, provision has been made for an amount of \$4.8 million, provided by the Commonwealth, for the Home Deposit Assistance Scheme. Preliminary advice only on this new Scheme has been made available by the Commonwealth.

WATER AND SEWERAGE

An amount of \$13.8 million has been provided as subsidy payments towards the debt servicing charges of various water supply schemes. These schemes enable local government to provide safe and adequate water supplies and sewerage facilities in country areas not serviced by Water Boards.

DEPARTMENT OF PLANNING

Expenditure of \$22.3 million for the promotion and co-ordination of environmental planning and assessment, including \$8.0 million for Area Assistance Schemes is planned for 1990-91. The Area Assistance Schemes operate in Western Sydney, Hunter, Illawarra, Macarthur and Central Coast areas of the State. Additionally, the Budget includes provision of roundly \$4.7 million to meet the ongoing costs of projects established under these schemes in previous years.

Increased funding of \$3.7 million has been provided for the program Provision of Land for Public Purposes to meet an increase in the Government's share of debt servicing for the Sydney Region Development Fund (which is the Government's major land acquisition instrument for planning purposes).

MINISTRY FOR THE ENVIRONMENT

Additional funding of \$450,000 has been provided to the Ministry to continue planning for the Environment Protection Authority which is to be established to provide a more consistent and coherent environmental regulatory and enforcement framework and to provide better co-ordination of environmental policy development, research and education.

STATE POLLUTION CONTROL COMMISSION

The allocation provided to the Commission includes an additional \$712,000 to further the initiative begun in 1989-90 to enable increased day to day pollution control, environmental monitoring and community education.

4.4.6 RECREATION AND CULTURE

Background

INTRODUCTION

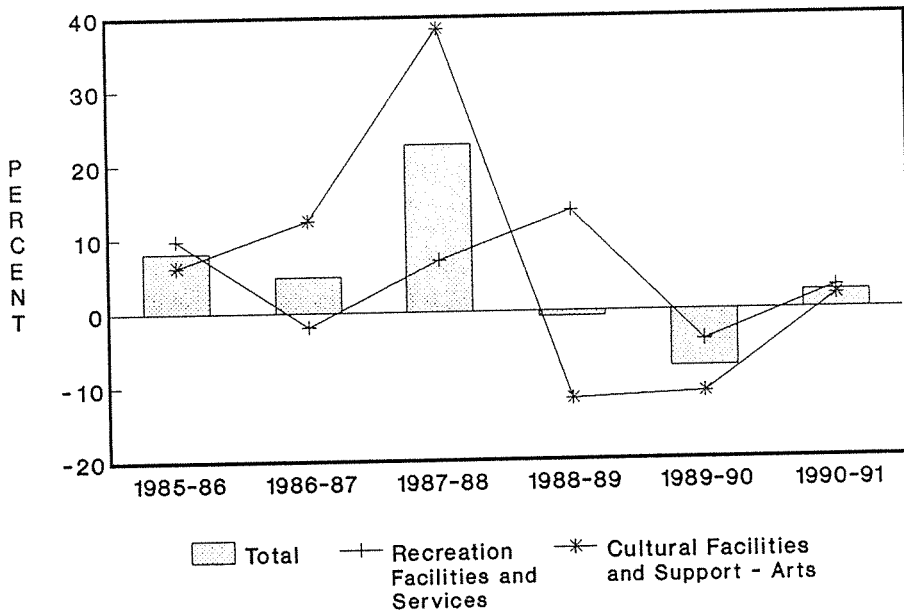
Funding is provided under this policy area to meet the cost of Recreation Facilities and Services together with Cultural Facilities and Support of the Arts. The area includes funding for the Department of Sport, Recreation and Racing, the Tourism Commission, the National Parks and Wildlife Service, Royal Botanic Gardens, Bicentennial Park, Centennial Park and Moore Park, and the Ministry for the Arts, inclusive of the State's cultural institutions.

EXPENDITURE TRENDS

Figure 4.15

RECREATION AND CULTURE

Year on year real term growth



Total payments for Recreation and Culture have increased by 27.1 per cent in real terms over the five year period to 1989-90.

Payments peaked in 1987-88 with an increase in staffing and operating costs following the redevelopment of a number of cultural institutions. Funding in that year reflects substantial costs for the purchase, restoration and display of Museum exhibits associated with the opening of Stage II of the Power House Museum.

RECENT DEVELOPMENTS

Department of Sport, Recreation and Racing

The Aussie Sports program has been introduced utilising Commonwealth and State funding. The program is aimed at encouraging juniors to participate in sporting activities with facilities and rules modified to match their physical and emotional development.

A Youth Sports program has been introduced to provide after-school sports administration and leadership opportunities for youth.

The Department is encouraging and assisting private enterprise in the development of an international standard motor racing facility at Eastern Creek.

Strategic plans have been developed to guide the Department's operations with respect to increasing opportunities for women, older people and people with disabilities to participate in sport.

A joint venture between the Department and the Australian Disabled Ski Federation to develop a facility at Jindabyne for skiers with disabilities was completed.

Negotiations were completed and agreement reached with the New South Wales Rugby League to build a Rugby League Academy at Narrabeen Academy of Sport with funding provided by the League.

Five elite sports squads have been developed at the Academy of Sports in gymnastics, basketball, hockey, weightlifting and canoeing.

Basketball, and Volleyball have been added to the eight other sports involved in the Talented Child program.

A campaign has been initiated to reduce the incidence of violence in sport.

Tourism Commission

The third year of the 1987-88 to 1989-90 Marketing Strategy was successfully completed. \$1.8 million was raised from industry in the co-operative marketing program. Over 26,500 responses were received in the course of the NSW Larger Than Life television and print advertising campaign, and sales of commissionable products designed to accompany the campaign exceeded \$1.4 million.

Development of the Commission's comprehensive computerised tourism information and sales system, Newtracs, continued, and 60 tourist information centres in New South Wales were networked on the system.

The NSW Tourism Development Strategy was finalised, endorsed by Cabinet in April and launched in May, 1990. This document was put together by a Commission co-ordinated Task Force comprising representatives from private enterprise, developers and operators of tourism facilities, tourism industry and community associations, Government departments and the trade union movement. The Strategy, which is the blueprint for tourism development in NSW, examines opportunities and constraints for the industry and proposes 113 initiatives to support the development of the industry.

A number of the Commission's activities have been privatised, including the leasing of Jenolan Caves House to the Peppers Group and the sale of the Air Reservations Bureau to Traveland.

National Parks and Wildlife Service

During 1989-90 a new administration was appointed for the National Parks and Wildlife Service. The Service's budgetary problems were brought under control and a close review of many activities was commenced.

CENTENNIAL PARK AND MOORE PARK

The Centennial Park Trust took over the management of Moore Park from South Sydney Council on 1 December 1989. The Trust has been renamed the Centennial Park and Moore Park Trust.

Ministry for the Arts

Major recent developments include the transfer of management responsibility to the Ministry for the Arts for Wharf 4/5, Walsh Bay from the Maritime Services Board and the Garry Owen cottage at Rozelle from the Department of Health

A new public buildings division has been introduced to the Historic Houses Trust, comprising the Hyde Park Barracks, the Justice and Police Museum and the First Government House site project.

At the May 1990 conference of the Cultural Ministers' Council agreement was reached on all States working towards clearer definitions of the relative spheres of interest between the three levels of Government.

KEY ISSUES AND STRATEGIES

DEPARTMENT OF SPORT, RECREATION AND RACING

Demands for the Department's services are constantly increasing and accordingly the broad strategy in 1990-91 will be the rationalisation of resources, the targeting of activities towards those most in need and continued encouragement of and co-operation with private enterprise in the provision of programs and facilities.

TOURISM COMMISSION

Major initiatives for the New South Wales Tourism Commission in 1990-91 include implementation of the New South Wales Tourism Development Strategy and the first stage of implementation of the 1990-91 to 1992-93 Marketing Strategy.

Internally, the completion of the organisation's Structural Efficiency Principle Review is a priority, along with ensuring adequate resourcing and organisation structure to carry out the implementation of the Development Strategy.

NATIONAL PARKS AND WILDLIFE SERVICE

The Service is undergoing a period of review and consolidation following the appointment of a new administration.

Main issues to be addressed in the forthcoming year include:

- the updating of the Service's Corporate Strategy and development of a ten year Corporate Plan;
- development of a methodology for identifying and filling critical vacancies;
- regrading of ranger and park worker positions;
- emphasis on management development and training;
- the development of a computer-based land acquisition system for identifying, in priority order, future additions to the Service's estate;
- stricter adherence to statutory obligations;
- the placing of greater emphasis on the Service's role in the conservation and management of wildlife;
- an increased emphasis on the protection of Aboriginal culture and heritage; and
- an increased emphasis on economic and effective use of Service resources in managing reserved areas.

One of the major strategies this financial year will be the pursuit of environmentally sensitive revenue raising opportunities to increase the Service's funding from non-government sources.

MINISTRY FOR ARTS

The Ministry has identified the need to maximize the effectiveness of State expenditure on the arts and improved management of the buildings, property and collections within the portfolio as key financial issues.

Towards these objectives, the current per capita subsidy/special grants system, under which the State's funding for local government libraries is distributed, is being reviewed to achieve a more equitable and streamlined system.

The Ministry is working towards refining the respective lines of funding between levels of Government as part of the spheres of interest policy.

With the disaggregation of building maintenance responsibilities and funds from the Public Works Department to the cultural institutions and the emphasis upon proper asset management, the Ministry will develop appropriate policies for the maintenance of the important landmark buildings which house the institutions.

1990-91 Budget Highlights

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Recreation Facilities and Services	128.3	141.2	+10.1
Cultural Facilities and Support of the Arts	119.8	130.4	+8.8
Total	248.1	271.6	+9.5

Total payments in 1990-91 are projected to increase by 2.3 per cent in real terms compared to the level of expenditure in 1989-90.

DEPARTMENT OF SPORT, RECREATION AND RACING

A total amount of \$46.5 million will be made available to the Department of Sport, Recreation and Racing for the purpose of fostering individual fulfilment within the community through participation in sporting and recreational activities and fostering community esteem through excellence in sporting performance. Major features of the Department's 1990-91 allocation include:-

- \$28.7 million to encourage participation in sport and recreation.
- \$8.2 million towards excellence in performance of New South Wales competitors in sporting events.
- \$575,000 million towards implementation within the community of safe practices in sport and recreation.

- \$1.7 million towards the conduct of learn to swim classes for all sectors of the community.
- \$456,000 for the conduct of some 500 vacation activity centres.
- \$670,000 million for the establishment of a Sport and Recreation Centre at Berry.
- \$665,000 million for the conduct of the Junior Sports Development Program including the implementation of the Aussie Sport Program.

TOURISM COMMISSION

A total of \$19.6 million will be available for the purpose of Promoting and Developing Tourism to and within New South Wales, and also for co-ordinating the development of ventures relating to Tourism. Major features of the Tourism Commission's 1990-91 allocation include:

- \$3.8 million for advertising and publicity campaigns to attract tourists to New South Wales from other States and overseas.
- \$1.3 million for the Sydney Convention Visitors Bureau for the purpose of promoting Sydney to domestic and international markets.
- \$0.4 million for the provision of grants to approved regional tourist associations for information centre services.
- \$3.3 million for the provision of Tourist information and Sale of Travel.
- \$0.7 million for the Tourism Development Fund to facilitate development of the industry throughout the State.
- \$1.1 million for the Commission's overseas operations for the purpose of promoting New South Wales as a tourist destination.

NATIONAL PARKS AND WILDLIFE SERVICE

An estimated amount of \$52.4 million will be available to meet the operating costs of the Service in 1990-91. This amount includes funding generated by the Service from entry fees, rents, permits and other charges.

The majority of these funds will be used to meet the costs of on-going maintenance works, fire control, and management of pest, plant and animal control in park areas.

An amount of \$2.8 million will be available for management of the State wide system of parks in the form of State Recreation Areas managed by persons appointed locally as trustees.

BICENTENNIAL PARK

An amount of \$883,000 has been made available for the maintenance and development of Bicentennial Park.

ROYAL BOTANIC GARDENS

Funding of roundly \$15 million has been provided for maintenance of the Royal Botanic Gardens, the National Herbarium, the Domain, and Mount Tomah and Mount Annan Gardens.

CENTENNIAL PARK AND MOORE PARK

An amount of roundly \$3.8 million has been made available for the management of Centennial Park and Moore Park.

CULTURAL FACILITIES AND SUPPORT OF THE ARTS

Total funding of \$130.4 million has been provided in this area and includes

- . \$15.1 million for the Australian Museum
- . \$24 million for the Museum of Applied Arts and Sciences
- . \$4.2 million for the Archives Authority
- . \$11.9 million for the Art Gallery
- . \$2.2 million for the New South Wales Film and Television Office
- . \$12 million for the annual endowment to the Sydney Opera House Trust.
- . \$9.2 million for grants to be made in support of cultural, literary, musical, dramatic and artistic activities.

The second of three budget enhancements of 1,023 million per annum takes the State Library's total allocation for funding of public libraries to \$14,146 million in 1990-91.

4.4.7 ECONOMIC SERVICES

Background

INTRODUCTION

The Economic Services policy area is divided into four industry sectors -

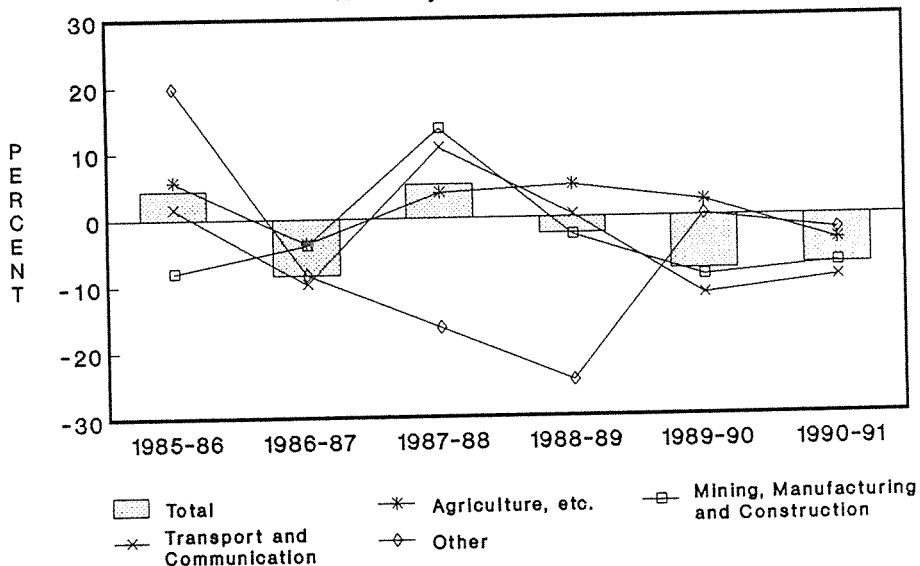
- The Agriculture, Forestry and Fishing Sector consists of Agriculture and Fisheries, Soil Conservation Service, Department of Water Resources, Dairy Corporation, Fish Marketing Authority, Sydney Market Authority and Rural Assistance Authority.
- The Mining, Manufacturing and Construction Sector encompasses minerals policy, licensing activities, engineering and construction services to the community.
- Transport and Communication, includes the Roads and Traffic Authority, Department of Transport and subsidies to the various transport authorities.
- Finally, there are a number of other activities such as the Department of Industrial Relations, the Department of Lands, Department of State Development and Business and Consumer Affairs.

EXPENDITURE TRENDS

Figure 4.16

ECONOMIC SERVICES

Year on year real term growth



Over the last five years payments in the Economic Services area have decreased by 20 per cent in real terms.

By definition the Economic Services area, given that it is providing economic services to specific areas of the community, is capable of greater application of the user pays principle and hence a higher level of self financing. Already initiatives have commenced in this area to place certain activities on a more commercial basis by the application of user charges, with receipts paid to working accounts.

The Department of Water Resources, Agriculture and Fisheries and the Soil Conservation Service, amongst other bodies, are introducing more self funding arrangements. Accordingly, payments for Economic Services from the Consolidated Fund are likely to decline in the future reflecting greater financial self-sufficiency in these areas.

RECENT DEVELOPMENTS

Agriculture and Fisheries

Announcement and commencement of the transfer of all Head Office functions of the agency to Orange.

Establishment of the Elizabeth Macarthur Agricultural Institute at Camden.

Increased involvement of the private sector in many of the Department's programs to promote and enhance available resources.

Rural Assistance Authority

At 30 June 1990 the Authority had completed its first year of operations. It assumed the functions of the former Rural Assistance Board and the Rural Industries Agency of the State Bank from 1 July 1989.

Department of Water Resources

Introduction of a Natural Resources Management Strategy to promote sustainable development in the Murray-Darling Basin through co-ordinated community and Government action.

Soil Conservation Service

Legislation giving effect to the concept of Total Catchment Management came into force in November 1989. The Service is working closely with other agencies to ensure that catchments are managed in an integrated way.

Subsidies to Transport Authorities

Major developments in 1989-90 included -

- adoption of full accrual accounting by the SRA, STA and MSB;
- reduction in staffing requirements. The combined staff of the SRA, STA, MSB and the Department of Transport declined by 5,827 over the year, from 42,280 to 36,453;
- acceleration of the SRA downsizing program with a record 4,271 (13 per cent) reduction in staff levels. This follows a reduction of 3,604 (10 per cent) in 1988-89, making a total reduction over the two years of 7,875 (21 per cent);
- reduction in SRA's cash operating expenditure in 1989-90 by \$128 million in real terms and, relative to 1987-88, down by \$274 million, both in 1990-91 values;
- reduction in the Government's cash contribution to SRA (for non-commercial payments and operating losses) by \$156 million in real terms and down by \$177 million over the two years in 1990-91 values;
- restructure of the SRA, involving the takeover by Treasury of all debt, the progressive transfer of all non operating property assets to the Property Services Group and the separation into separate businesses of Freight and Passenger Services;
- reduction in the STA's fleet size, increase in peak hour services and a reduction in spare bus requirements. The operating subsidy is expected to be reduced from \$39.4 million in 1989-90 to zero in 1990-91.
- decline in the MSB's expenditure in 1989-90 by 9.7 per cent in real terms. This brings the reduction in expenditure since 1987-88 to 13.4 per cent in real terms.
- increase in the number of tonnes handled through NSW ports per MSB employee by 31 per cent in the past year.

Department of State Development

The Department has identified the industry sectors in which New South Wales has comparative advantage and work is proceeding on the preparation of 15 sector strategies.

Major projects with an estimated value of \$1.9 billion are being established or expanded through assistance provided by the Department. Some of these projects include contracts associated with the ANZAC ship venture, location in Sydney of a telecommunications hub by Societe Internationale de Telecommunications Aeronautiques (SITA) and contracts relating to the Oberon Submarine refits.

Business and Consumer Affairs

Negotiations with the Commonwealth have reached an advanced stage in connection with the transfer of corporate regulation to the Federal Government's Australian Securities Commission. The change-over date is currently expected to be 1 January 1991.

The Regional Business Development Scheme has been introduced to assist businesses in country areas to overcome initial establishment costs or expansion costs. This Scheme will go ahead on a slightly reduced scale due to the blocking of amendments to legislation covering the Payroll Tax Rebate Scheme.

The Business Licence Information Service commenced full operation in November 1989. The Service provides advice from a central location on Government licensing requirements and licensing regulations.

The Government is proceeding with the concept of a single master business licence to replace the many Government licences currently required to operate a business. A pilot project involving a single licence scheme for service stations is currently underway and the Government is proceeding with the establishment of a Business Licence Administration Centre to enable more industries to be brought under a master licence.

Department of Industrial Relations

A significant achievement during the year was the release of the Green Paper "Transforming Industrial Relations in New South Wales", prepared by John Niland.

The Government introduced the Industrial Relations Bill 1990 into the Parliament during the Autumn Session. When enacted this Bill will greatly increase the scope for enterprise bargaining and voluntary unionism, as well as modernizing the rules and procedures governing the prevention and settlement of industrial disputes, and rationalisation of union coverage.

The Government also established a wide ranging Royal Commission of Inquiry into the Building Industry in New South Wales. The terms of reference of the inquiry focus on improving the efficiency of the industry, as well as dealing with the issue of corruption.

Department of Lands

New Crown Land legislation commenced operation in May 1990. The new legislation provides for management of Crown Lands based on sound commercial principles.

KEY ISSUES AND STRATEGY

Agriculture and Fisheries

The key issues to be addressed include encouragement of increases in productivity, profitability and sustainability of the agricultural and fisheries industries, assist with maximising opportunities for the development of these industries and management of resources to protect the environment and long-term industry viability.

The strategies adopted by the Department to deal with these issues broadly involve research, advisory services and marketing services.

Soil Conservation and Water Resources

These agencies are essentially involved with the issue of resource management. The broad strategies being used to address this issue include avoiding resource degradation problems through balanced decision making and rectification of existing problems through works, etc.

Soil Conservation is finalising plans for a clear separation of commercial and non commercial activities.

Department of Minerals and Energy

The key issues facing the Department include encouragement of mineral exploration, assessment of minerals and energy resources and promotion of safety in these industries.

Strategies include research and development, distribution of information regarding the minerals sectors and potential for economic development and promotion of safety in the minerals and energy industries and the community.

Consideration is being given to a more rational approach to industry funding of the Department's regulatory and other services.

Transport Authorities

In accordance with the commercialisation of the Authorities and the explicit recognition of non-commercial services carried out by the Transport Authorities at Government direction, it is intended this year to establish formal contracts between the Director-General of Transport and the Transport Authorities in respect to community service obligations.

These contracts will specify the services to be provided, the quantum of Government funding and relevant service standard and performance indicators. It is intended that this will improve the transparency and certainty of the Government/Authority relationship.

In addition the Capital Program of the SRA Passenger Services will be reviewed with the objective to properly assess the relationship between the program and the achievement of operating economies.

The option of corporatising the State Transit Authority is being reviewed. Consistent with its commercial charter, the Authority is working towards comparability with the private sector.

Department of State Development

The Department is developing economic strategies for a number of industry sectors identified as having the greatest potential benefit for New South Wales. These strategies will identify international industry trends, industry opportunities and ways in which the Government can improve competitive advantage. The Department will assist major new industries and expansion of existing industries through co-ordination across Government Departments involving planning and regulatory issues. The provision of infrastructure and other forms of assistance are also made available by the Department for significant new projects.

Business and Consumer Affairs

Key issues facing the Agency include review of regulation of businesses, master business licence proposals, encouragement of regional business and industry, and various credit and consumer issues. The Agency is also closely involved with the issue of transfer of corporate regulatory powers to the Commonwealth.

The Agency has established special units to review business regulation and proposals for a master business licence. Active assistance is provided to industry to encourage regionalisation and close liaison is maintained with industry and consumer groups on credit and other issues. The Agency is also deeply involved in negotiations with the Commonwealth on the corporate regulation issue.

1990-91 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation per cent
Agriculture, Forestry and Fishing	365.4	376.1	+ 2.9
Mining, Manufacturing and Construction ..	95.2	94.5	(-) 0.7
Transport and Communication	1,260.6	1,221.2	(-) 3.1
Other Economic Services	219.6	229.7	+ 4.6
Total	1,940.8	1,921.5	(-) 1.0

The reduction in the Transport sector is due to the Government's commercialisation reforms.

AGRICULTURE, FORESTRY AND FISHING

The following are some of the major allocations within this category -

- \$72.6 million for plant industry programs which are concerned with pastures and all field and horticultural crops, including the regulation of plant imports and exports. The allocation provides for the costs of research into crop diseases, pests, nitrogen deprivation in soils and other applied research, including safety and quality standards for fertilisers and cereals;
- \$54.7 million for animal industry programs, including the modified cattle tick control program and the Tuberculosis and Brucellosis Eradication campaigns. The State's involvement in these schemes is continuing to decrease due to the success of the eradication campaigns and the implementation of new control procedures;
- \$50.4 million for Support Services which comprises advisory services, grants to promote the advancement of agriculture and agricultural education, marketing services to improve efficiency by advice on commodity prospects, economic conditions and the development of agricultural prospects overseas;
- An amount of \$555,000 will be provided in 1990-91 under a State Rural Adjustment Scheme which is specially for cereal growers, i.e. growers of wheat, barley, triticale, ryecorn or rice crops;
- \$15.0 million for fish industry programs including \$380,000 for shark meshing of beaches;
- An amount of \$2.8 million has been provided (to be allocated amongst various agencies) under the State's Salt Action Plan. The program aims to combat waterlogging and salinity problems and is to be implemented through the State's Total Catchment Management Committee network.
- \$39.1 million for the Soil Conservation Service to provide services for the benefit of the community directed to the conservation of soil and farm water resources and rehabilitation of degraded lands. The allocation includes \$1.2 million for restoration of Throsby Creek near Newcastle.
- \$82.0 million for the recurrent costs of the Department of Water Resources management of the State's water resources, including maintenance and operation of major water storages, monitoring and regulation of stream flows and administration of irrigation areas. The allocation includes -
 - \$3.3 million as the State's share of the cost of maintenance and administration of the River Murray Commission;
 - \$39.0 million for debt servicing costs of the Department of Water Resources capital borrowings;

- \$73.8 million for rural water supply and associated services, which includes administration and operation of Irrigation Areas and Districts water supply scheme. During 1990–91 the Department of Water Resources will be working towards commercialising its regulated water supply operations. Certain payments shown in the Budget Estimates will thus be offset by related receipts.
- \$980,000 to improve water quality monitoring and management.
- Public good contribution to the Forestry Commission in 1989-90 will be \$14.165 million. The Forestry Commission has been moved to the outer Budget sector and is now responsible for funding most of its commercial activities. The Government has undertaken to provide financial support to meet the Commission's "public good" activities, that is activities provided on non-commercial grounds.

The public good services are –

- Wood technology services
- Wildlife and flora reserves
- Catchment management
- Recreational use of Forests
- Community fire protection and other emergency services
- Advisory services
- Environment enhancement

MINING, MANUFACTURING AND CONSTRUCTION –

Department of Minerals and Energy

The major features of the Department's 1990-91 Budget allocation of \$35 million are listed below.

- \$3.8 million for the scheme established to help underprivileged families, unemployed and low income earners meet electricity charges;
- \$2.5 million for payment of claims for mine subsidence;
- \$4.2 million for the traffic route lighting scheme;
- \$3.6 million for the remote area power assistance scheme;
- \$3.2 million to County Councils in respect of the State's share of concessions on electricity charges to pensioners;
- \$2.2 million for the State's shares of the costs of administration of the Joint Coal Board;
- \$580,000 for the rural subsidy scheme;

- \$380,000 to further encourage geological prospecting, resource assessment activities and mineral exploration; and
- \$120,000 for primary and emergency rehabilitation of mined areas to eliminate danger to the public.

TRANSPORT AND COMMUNICATION

Payments for Transport Services

	1989-90		1990-91	%
	Estimate	Actual	Estimate	Change
	\$m	\$m	\$m	
<u>Operating Subsidies</u>				
• STA	39.4	39.4	...	(-) 100.0
• SRA – City Rail	127.0	156.6	156.3	(-) 0.2
– Country Link	48.0	48.0	45.6	(-) 5.0
– Freight	84.5	54.9	...	(-) 100.0
Sub total	<u>298.9</u>	<u>298.9</u>	<u>201.9</u>	(-) 3.2
<u>Payment to Department for Non Commercial Services</u>				
• SRA (1) – City Rail	127.0	127.0	135.5	+ 6.7
– Country Link	85.0	85.0	90.7	+ 6.7
– Freight	25.0	25.0	87.2	+ 248.8
• STA (1)	97.1	97.1	140.7	+ 44.9
• DOT (1)	<u>223.1</u>	<u>224.5</u>	<u>245.9</u>	+ 9.5
Sub total	<u>557.2</u>	<u>558.6</u>	<u>700.0</u>	+ 25.3
<u>Finance Charges and Other</u>				
• Finance charges (2)	582.1	574.9	472.8	(-) 17.8
• State redundancy payments	230.0	159.0	150.0	(-) 5.7
• Superannuation	...	...	27.0	+ 100.0
Sub total	<u>812.1</u>	<u>733.9</u>	<u>649.8</u>	(-) 11.5
Total	<u>1,668.2</u>	<u>1,591.4</u>	<u>1,551.7</u>	(-) 2.5

- (1) Includes subsidies for specific user groups reflected in other policy areas as follows:-

Education \$335.2 million, Welfare \$164.9 million and Law, Order and Public Safety \$4.8 million.

- (2) Includes a notional \$210 million of former Public Transport Commission debt.

Over time the operating subsidy for SRA will be eliminated.

Although no operating loss is attributed to State Transit in 1990-91, the Authority recognises that it has not eliminated all inefficiencies that are the responsibility of its Board and management. This is implicit in the declining Total Government contribution for community service obligations and the continuing requirement for redundancy funding. State Transit also recognises that it is not yet capable of paying a dividend based on a commercial return on market based assets, but will be moving towards that objective.

The STA will continue to review its route network and in the coming year will be proposing various changes to the Government. These changes will allow the Authority to increase the efficiency of its Government funded non-commercial services. It is therefore expected that the 1991-92 financial year will see a significant decrease in the net cost to Government of the non-commercial services.

Fundamental changes have also been agreed to in regard to State Rail Freight financial management. Although the Authority obtained a commercial charter under the Transport Administration Act 1988, Freight operating surpluses were for an interim period used to cross-subsidise non-commercial passenger services. Consistent with the commercial objectives of the Government and good financial management generally, it has now been agreed that Freight will retain its operating surpluses to fund capital works, retire debt or cash-back unfunded liabilities as the Board determines. It is expected that, some time in the future, this will place Freight in a position to pay dividends to the Government.

Financial Accounts for SRA and STA are provided in Chapter 9 of this Budget Paper.

Other Transport and Communication

The activities of the former departments of Main Roads and Motor Transport and the Traffic Authority of New South Wales were merged last year with the formation of the Roads and Traffic Authority. Total payments by the new Authority are projected at \$1,723 million in 1990-91, including \$302 million for recurrent services, i.e., \$123 million for vehicle registration and driver licensing services and \$179 million to meet debt servicing costs.

Provision has also been made within the Department of Transport of \$19.8 million to meet the ongoing costs of co-ordinating, developing and implementing transport policy including the regulation of private transport services and the administration of subsidy payments for transport concessions.

OTHER ECONOMIC SERVICES

Department of State Development

The Department has a 1990-91 recurrent Budget allocation of \$19.7 million. State Development is responsible for co-ordinating major project developments and liaising between the private sector and other Government agencies. The Department is also actively involved in development of economic strategies for the State's various industry sectors and is co-ordinating the Government's initiative of encouraging private sector participation in the provision of public infrastructure.

In addition, State Development is charged with responsibility for attraction of international investment to New South Wales. The Department is responsible for operation of the Government's overseas offices and is focusing the efforts of these offices on the task of attracting investment to the State.

The Department administers the Strategic Economic Development Package which was established last year and is already succeeding in the attraction of new and expanded major developments in the State. The Package offers assistance in a variety of forms and is flexible so that investor needs and the State's economic objectives can be met. Financial assistance measures include -

- Tax concessions
- Infrastructure funding
- Assistance with Government charges
- Access to Government purchasing

Assistance under the Package will be directed to those investment proposals which would not be likely to otherwise come to New South Wales.

Assistance is subject to a performance agreement and is limited to a maximum period of five years.

Business and Consumer Affairs

The Business and Consumer Affairs Agency's role is to facilitate business growth throughout the State while maintaining integrity and fair trading. The Agency achieves this by -

- promoting balanced growth and self-development of industry and commerce;
- ensuring integrity and fair trading in business activity;
- the reduction of Government imposed costs and restrictive regulation of business; and
- improving efficiency, effectiveness and accountability of service delivery to the community and business clients.

Some of the major initiatives of the Business and Consumer Affairs Agency in 1990-91 will be -

- payments in excess of \$10 million from the Industries Assistance Fund to help companies improve their performance and provide New South Wales with a stronger industrial base;
- assistance through the National Industry Extension Service to firms with potential to improve their performance and thus boost exports. Payments of the order of \$11 million are anticipated in 1990-91;

- assistance to businesses for establishment or expansion in country areas amounting to \$9.2 million, including assistance provided through the new Regional Business Development Scheme and certain other schemes administered by the Agency.
- establishment of a Business Licence Administration Centre as part of the strategy to introduce a master business licence to replace the many Government licences currently required to operate a business.
- encouragement of the use of domestic products in local manufacturing through the activities of the Industrial Supplies Office.

Department of Industrial Relations

An allocation of \$20.7 million has been provided in 1990-91 reflecting the transfer of responsibilities to the new Department of Further Education, Training and Employment.

The Department of Industrial Relations will spend some \$10 million on supervision of industrial legislation, etc; \$5 million on the operation of the Industrial Registry and conciliation and arbitration and \$5 million on development of industrial relations policy and advice.

Department of Lands

The 1990-91 Budget allocation for the Department is \$73.5 million, up 5.0 per cent on 1989-90. Major features of the 1990-91 program are -

- \$21.1 million for the mapping and related surveying programs;
- \$24.2 million to administer and manage Crown Land in the Eastern and Central Division of the State to meet the needs of Government and the community;
- \$1.1 million for payment into the Public Reserves Management Fund for improvements to local parks and reserves, walking tracks and for assistance to trustees of showgrounds.

4.4.8 GENERAL ADMINISTRATION

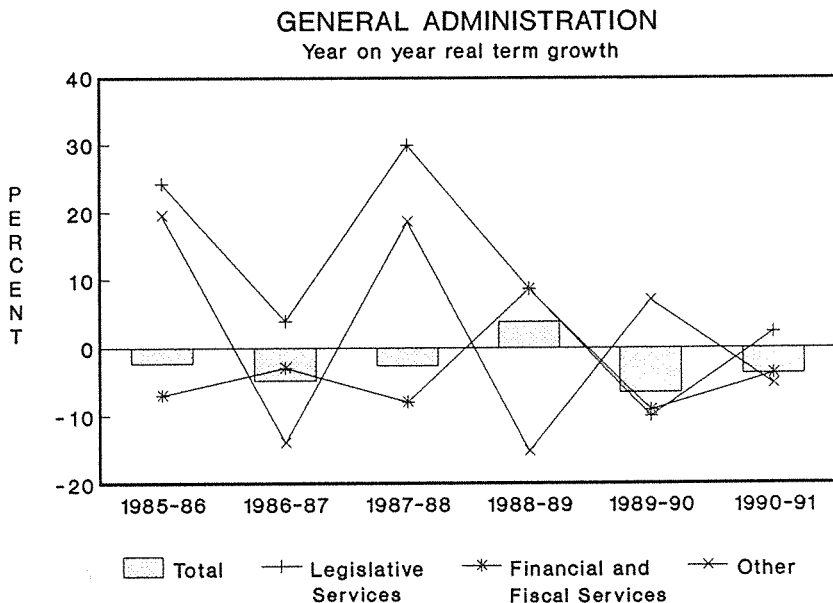
Background

General administration covers a number of activities provided by a range of agencies, including -

- legislative services;
- debt charges for which Treasury is directly responsible;
- operations of the Treasury, consisting of the Offices of State Revenue and Financial Management;
- Commercial Services Group activities, including Government contracts and purchasing, information services, and telecommunication services coordination;
- Property Services Group, as the Government's property management and development agent;
- operations of the Cabinet Office and Premier's Department;
- operations of the Chief Secretary's Department.

EXPENDITURE TRENDS

Figure 4.17



Over the five years to 1989-90 payments for General Administration have decreased by 13.1 per cent in real terms. In 1990-91 payments are estimated to further decrease by 8.4 per cent in real terms.

RECENT DEVELOPMENTS

General

A major development over recent years has been the application of user charges transactions between Government Departments. This development followed on a Treasury report that examined Service Wide Payments and Services. In the past a wide range of administrative services and payments for items such as payroll tax, debt costs, superannuation, accommodation and cleaning services had been funded by a group vote to Treasury or other central agencies. The allocation to individual Departments of such costs has two main purposes -

- by imposing the full costs of services on individual Departments, to encourage economies in the use of such services;
- by allocating such costs to individual Departments, to provide a more accurate reflection of the cost of delivering programs.

In 1988-89, user charges were introduced for payroll tax, cleaning and technical services and certain of the superannuation costs.

In 1989-90 user charges were introduced for all accommodation costs, including imputed rent on Government owned multi occupancy office blocks, superannuation contributions to the State Superannuation Fund, the Government Courier Service, Branch Printing Offices in the former Government Printing Office, translating and interpreting services of the Ethnic Affairs Commission and Government advertising functions.

In 1990-91 user charges were also extended to Water Board Rates, Building Maintenance and Medical Examinations.

Administrative Services

The Administrative Services portfolio is now comprised of the former Department of Administrative Services (recently renamed Commercial Services Group) and the Property Services Group.

There have been numerous developments within the portfolio in line with the Government's strategy to rationalise the delivery of supplies and services to departments and to place such activities on a sound commercial footing -

- The Property Services Group (PSG) was established on 1 October 1989 to manage the State's strategic property portfolio and to plan and implement the disposal of surplus property. It is also responsible for coordinating the planning, design and development of initiatives for the Homebush Bay area. The four divisions that comprise the Group are: Property Management Division, Project Development Division, Homebush Bay Development Division and Corporate Services Division.
- The Department of Administrative Services has been renamed Commercial Services Group (CSG) in accordance with the objective of commercialising the bulk of the Group's activities with limited Consolidated Fund support necessary only for the remaining non-commercial activities.

The following rationalisations have occurred of late -

- the Purchasing Policy Council, which was established in conjunction with major purchasing and warehousing reforms, has been incorporated in the program, "Contracts and Purchasing Services" of the CSG.
- the Strategic Policy Unit has been created to provide high level policy advice and support to the Minister with respect to the Administrative Services portfolio.
- the NSW Telecommunications Unit was created in November 1989, under the administration of the Minister for Administrative Services, to contract, monitor and co-ordinate the supply of telecommunication services and contracts. The Unit's first two years of operation will be funded from Consolidated Fund, after which the Unit will operate on a cost-recovery basis.
- Government Real Estate Administration, Property Management and Public Servant Housing Authority functions have been integrated into the PSG.
- Provision for expenses associated with the relocation of Government Offices to suburbs (\$23.1 million provided in 1989-90 under the CSG's recurrent allocation) has been disaggregated and will form part of relevant departments' capital programs from 1990-91.

Other developments within the portfolio are -

- the State Clothing Factory had ceased operations and the business had been sold to Australian Defence Industries Pty Ltd.
- the Property Management Division, which acts as the Government's agent for multiple-occupancy Government-owned and leased office buildings, has changed the method of levying accommodation charges as from 1 July 1990. The new method includes the elimination of cross-subsidisation and introduction of rent differentials based on actual floor rentals and a new management fee structure.
- the Government Cleaning Service is being progressively restructured to achieve annual savings of \$72 million by 1992-93. Upon completion of the restructure the Government Cleaning Service will be a competitive, commercially-oriented operation.

Chief Secretary's

From 1 December 1990, a new duty on poker machines will be assessed on a turnover basis, payable quarterly, in lieu of the annual licence duty on a per machine basis.

The introduction of State-wide linking of poker machines will commence during 1990-91 at an estimated cost of \$0.3 million for 1990-91 and \$0.9 million for 1991-92.

1990-91 Budget

OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Legislative Services	60.7	66.5	+ 9.6
Financial and Fiscal Services	1,107.2	1,069.2	(-) 3.4
Other	246.9	250.1	+ 1.3
Total	1,414.8	1,385.8	(-) 2.0

LEGISLATIVE SERVICES

The allocation for legislative services is \$66.5 million. An amount of \$2.2 million has been made available to meet the operating costs of Parliamentary Committees, including funds for the establishment of the Joint Select Committee to inquire into Election Funding. This takes the number of Parliamentary Committees from seven to nine, including the establishment of the Legislative Council Select Committee on the Police Promotion System.

FINANCIAL AND FISCAL SERVICES

Office of State Revenue (NSW Treasury)

The Office of State Revenue is moving towards budgeting on an output basis which involves the apportionment of service orientated programs across the taxation collection programs. For 1990-91 the former programs of Investigation and Policy and Planning have been apportioned to reflect this change. The 1989-90 actual figures have been amended accordingly.

The Office of State Revenue's functions include -

- the assessment, collection and recovery of stamp duty and financial institutions duty. The allocation for 1990-91 to meet expenditure in this regard is \$12.8 million, a increase of 6.7 per cent on 1989-90 expenditure of \$12.0 million;
- the collection and recovery of pay-roll tax. Estimated expenditure in 1990-91 is \$7.5 million, an increase of 5.6 per cent on the 1989-90 cost of \$7.1 million;

- the assessment, collection and recovery of land tax. In 1990-91, \$15.1 million has been provided for this purpose - a decrease of 4.4 per cent on 1989-90 expenditure of \$15.8 million;
- relief from certain State taxes by remission and refund as follows -

	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Remissions and refunds - stamp duty on certain instruments	7.5	0.8	(-) 89.3
Remissions and refund - petroleum licence fees in certain cases	1.3	0.1	(-) 92.3
Other remissions and refunds	0.7	0.4	(-) 42.9
Total	9.5	1.3	(-) 86.3

An amount of \$6.4 million has been provided to enable continuation of the Office's extensive computerisation project, enabling the enhancement of revenue by the increased capacity to quickly identify lack of compliance and at the same time improve its dealing with clients through speedy replies to enquiries and automated correspondence.

Office of Financial Management (NSW Treasury)

The Office of Financial Management is responsible for Government budgeting, accounting, banking, economic advice and debt and funds management. Major outlays include -

Debt Charges

The following debt charges relate solely to those directly funded and administered by Treasury and do not include debt costs allocated to specific programs, namely Health, Transport and Water Resources. A complete presentation of all inner budget sector debt costs is provided in Section 8.2.1.

- \$636.7 million (down \$11.6 million or 1.8 per cent on 1989-90) to meet liability for Commonwealth General Purpose Loans (including principal repayments).
- \$63.5 million (down \$3.4 million or 5.4 per cent on 1989-90) to meet the repayments on Commonwealth Specific Purpose Advances.
- \$126.7 million (down \$21.5 million or 14.5 per cent on 1989-90) for interest charges and fees payable to the New South Wales Capital Financing Corporation.

- \$96.9 million (up \$71.5 million or 281.5 per cent on 1989-90) for debts assumed from various authorities. The main authorities and their debts were the Darling Harbour Authority (\$72.1 million) and the Hen Quota Committee (\$5 million).

Other

- \$31.5 million for payments to the Water Board in respect of certain rate revenue foregone (up \$3.5 million or 12.5 per cent on last year).

OTHER - GENERAL ADMINISTRATION

Commercial Services Group

Allocations for the various areas of activity within this Group are as follows -

	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Government Information Services	3.7	4.0	+ 8.1
Corporate Services	3.1	4.0	+ 29.0
Contracts and Purchasing Services	5.3	6.0	+ 13.2
Administrative and Support Services	1.1	1.1	...
Telecommunication Unit	0.1	0.7	+ 600.0
Total	13.3	15.8	+ 18.8

The above allocations encompass the following operations -

- Government Information Service (\$4.0 million 1990-91), providing the public with ready access to Acts, Regulations etc.
- Corporate Services (\$4.0 million 1990-91) which oversees the department's overall operations, providing management support and ensuring corporate goals are achieved.
- Contracts and Purchasing (\$6.0 million 1990-91), reviewing purchasing policies and providing the Group's customers with contract and purchasing services.
- Administrative and Support Services (\$1.1 million 1990-91)

The major variations on last year's outlays are attributable to the following -

- Full-year funding in 1990-91 for the New South Wales Telecommunications Unit (established in November, 1989)
- Under-expenditure on the 1989-90 budget arising mainly from savings on rent with the move of Commercial Services Group's premises to Francis Street and on award costs.

PROPERTY SERVICES GROUP

The Property Services Group was established on 1 October 1989 to manage the State Government's property portfolio and to plan and implement the disposal of surplus property.

As the Government's agent for multiple occupancy Government-owned and leased office buildings, the Property Services Group does not hold title to Government-owned buildings; hence, financing charges, and other recurrent and capital expenditures associated with these buildings are met from the Consolidated Fund.

The allocation of \$19.6m to the Group in 1990-91 includes provisions totalling \$15.3m for debt-servicing charges, contribution to the Public Servant Housing Authority, Public Works Department maintenance charges and tenancy database verification costs under the program, "Management of Government Office and Staff Accommodation."

The Property Services Group, through its Homebush Bay Development Division, is responsible for coordinating the planning, design and development of initiatives for the Homebush Bay area. To provide for the costs of the Division, including interest payments for borrowings to finance the Division's Capital program, \$4.3m has been incorporated in the Group's 1990-91 allocation.

OTHER

An amount of \$22 million (down \$1.0 million or 4 per cent on 1989-90) has been provided to meet costs associated with the management and administration of Crown Lands. The allocation allows for a \$1.1 million payment into the Public Reserves Management Fund for improvements to local parks and reserves, walking tracks and for assistance to Showground Trusts.

Funds to the extent of \$4.2 million have been made available to the Ombudsman for the investigation of citizens complaints, monitoring and reporting on telecommunications interception activities and the review of appeals under the Freedom of Information Act.

The allocation of \$7.3 million for the Ethnic Affairs Commission (down \$0.2 million or 2.9 per cent) has been made available for the provision of counselling interpreting and other services to the ethnic community.

The Darling Harbour Authority is now classified as a semi commercial business with social responsibilities paid for as a service to the Government. An amount of \$12 million has been allocated to the Authority for "public good" funding.

An amount of \$0.4 million has been provided within the allocation of the Department of Local Government to support the program for the review of the Local Government Act.

Allocations have also been made to the following organisation's in 1990-91 –

. Premiers Department	\$78.4 million
. Cabinet Office	\$7.1 million
. Chief Secretary's Department	\$11.4 million

4.4.9 OTHER PURPOSES

Natural Disasters Relief

INTRODUCTION

Expenditure on natural disaster relief measures administered by Inner Budget Sector agencies is funded by Treasury. Other expenditure is provided for within the normal works programs of State authorities - for example, repairs to flood damaged main roads are funded by the Roads and Traffic Authority.

EXPENDITURE TRENDS

Expenditure in recent years has mainly related to restoration of flood damage. The level of expenditure varies according to the number and type of disasters that affect the State in a year. Expenditure each year is also influenced by the amount of damage still being repaired from disasters which occurred in previous years.

RECENT DEVELOPMENTS

Last financial year the State was affected by serious floods, bushfires and the earthquake in Newcastle on 28 December 1989.

The Government paid out almost \$42 million towards restoration of flood damage (mainly for damage caused by floods in 1988 and 1989) and assistance for victims of the April 1990 floods. Some \$21.5 million was also provided to assist victims of the earthquake and for the commencement of the Government's building restoration program in Newcastle.

A special cost sharing arrangement was agreed to by the Premier and the Prime Minister in regard to expenditure associated with the Newcastle earthquake. This arrangement provides for the State and Federal Governments to share the cost on a straight \$ for \$ basis rather than rely on the complex funding formula under the Commonwealth/State Natural Disaster Relief Arrangements (NDRA).

KEY ISSUES AND STRATEGY

Plans have been developed for restoring Government facilities damaged by the earthquake by the end of 1991.

The Government also has a program in place for restoration of roads and railways and other infrastructure damaged by the major floods in recent years.

The Government will continue to provide essential assistance to victims of natural disasters, including families, small businesses and primary producers. However, Government assistance is not intended to discourage self-help and appropriate eligibility tests will, as usual, be applied in assessing the level of Government support to be provided.

A review is currently being undertaken by Treasury of natural disaster relief arrangements to determine the suitability of current relief measures and examine whether the cost of natural disaster assistance is shared on an equitable basis.

1990-91 Budget

Overall natural disaster expenditure is expected to reach some \$90 million in 1990-91, including more than \$50 million in connection with damage caused by the Newcastle earthquake.

Expenditure at Newcastle will be shared equally by the State and Federal Governments under the special arrangements agreed to for the earthquake disaster. The State is also likely to attract a small amount of Commonwealth assistance under the normal NDRA provisions because expenditure associated with other disasters is likely to exceed the \$37.5 million threshold which is required to be funded from State sources.

The amount included in the recurrent estimates under the Treasury Natural Disasters program in 1990-91 is \$35 million. Additional provisions are included in the Capital Program to meet costs associated with restoration of major assets such as roads and railways. Part of the cost of building repair work at Newcastle is also being funded by payments from the Government's internal Managed Fund insurance arrangements.

4.4.10 ADVANCE TO THE TREASURER

Background

An amount is set aside each year to be allocated by the Treasurer to meet supplementary charges and expenses of a contingency nature. Details of how the Advance is applied are shown in the following year's Appropriation Bill.

1990-91 Budget

An amount of \$65 million has been allocated to provide for supplementary charges and expenses of a contingency nature during the financial year. This compares with \$100 million allocated for this purpose in 1989-90. (Details of the programs and items to which this allocation was applied in 1989-90 are shown in Schedule 1 of the Appropriation Bill 1990 - Budget Paper No. 6.)

The 1990-91 contingency provision was until recently substantially higher than is normal, reflecting the estimated cost of award increase for teachers and other areas that had not been determined.

In view of the clarification of the teachers and other awards, these award provisions have been allocated to the relevant portfolios. The 1990-91 provision is lower than the previous year and future years due to the underestimation of the teachers award. The original provision was based on the agreed national benchmark for teachers. However the Court subsequently awarded an amount that was approximately \$50 million higher in cash terms than the benchmark.

CHAPTER 5: CAPITAL PROGRAM

5.1 Introduction

5.2 Funding of Capital Program

5.3 Capital Payments by Functional Areas

5.3.1 Law, Order and Public Safety

5.3.2 Education

5.3.3 Health

5.3.4 Welfare Services

5.3.5 Housing and Community Services

5.3.6 Recreation and Culture

5.3.7 Economic Services

5.3.8 General Administration and Other

5.1 INTRODUCTION

Overview

OUTCOME OF 1989-90 AND HIGHLIGHTS OF 1990-91 PROGRAMS

The 1990-91 capital program provides for expenditure of \$5,560 million compared with actual expenditure of \$5,025 million in 1989-90, an overall increase of 10.6 per cent or 3.4 per cent in real terms.

Total program expenditure in 1989-90 of \$5,025 million was some \$205 million less than budget. The major contributing factor to this under-expenditure was a reduction in Electricity Commission expenditure of \$143 million, caused by the deferment of works due to restructuring power station projects and delays in transmission line construction due to inclement weather, environmental issues and land acquisition problems. The prolonged spell of wet weather in the second half of the financial year disrupted overall construction activity and contributed substantially to the balance of under-expenditure on the total program. The 1990-91 program of \$5,560 million represents an increase of 6.3 per cent compared with projected expenditure for 1989-90.

The 1990-91 program of \$5,560 million is the State's largest ever budgeted capital program expenditure and is highlighted by strong growth in major Government priority areas such as law, order and public safety, health, water and sewerage, public transport, roads and protection of the environment.

Roads expenditure continues to be the largest component of the overall capital program, total estimated expenditure in 1990-91 of \$1,407 million absorbing just over 25 per cent of the budgeted total program.

Law, order and public safety expenditure, estimated at \$251 million in 1990-91, has increased its share of total capital program expenditure to 4.5 per cent compared with 1.7 per cent in 1987-88, emphasising the Government's strong commitment to providing new, replacement and upgraded facilities for the courts system, prisons and police services.

Health services account for 6.4 per cent of the total 1990-91 capital program compared with 4.1 per cent in 1987-88. Expenditure in this area has doubled in money terms over this period.

Overall expenditure on economic infrastructure, including public transport and electricity generation as well as roads, is estimated to account for 50.1 per cent of total program expenditure in 1990-91. Significant expenditure growth over last year has been provided for public transport (an increase of 21 per cent), electricity generation (up 23 per cent) and roads (11 per cent growth).

Capital program expenditure also reflects advances for SRA redundancies and coal compensation payments.

The most notable trend in recent years in the sources of funding the program has been the decline in borrowings from 42 per cent in 1987-88 to 19 per cent in 1990-91. This trend reflects the Government's commitment to containing debt levels throughout the public sector and to reducing borrowings for social infrastructure purposes. The decline in borrowings has been made possible, despite the increase in the size of the overall program, by higher contributions from the Consolidated Fund and increased proceeds from asset sales and leases.

The continuing high level of Budget and other support of total capital program expenditure, \$1,593 million in 1990-91, is a very significant indication of the strength of the Government's commitment to reduce borrowings for inner budget sector social infrastructure.

Expected proceeds from disposal of surplus or underutilised assets by sale or long-term lease in 1990-91, applied to support capital program funding, amount to \$697 million compared with \$424 million in 1989-90, \$641 million in 1988-89 and \$173 million in 1987-88. The strategy of using the proceeds from asset disposal in substitution for borrowings makes a significant contribution towards containing debt servicing costs.

Institutional Framework

AUSTRALIAN LOAN COUNCIL

The arrangements for managing public debt and borrowings of the Australian States were established in an agreement in 1927 between the Commonwealth and the States, known as the Financial Agreement. Under the Agreement the Australian Loan Council was established to co-ordinate future borrowings of the Commonwealth and the States.

The Australian Loan Council, which consists of representatives of the Commonwealth and each State, determines each year the borrowing program to be undertaken by the Commonwealth for its own purposes and on behalf of the States, as well as the level of borrowings of semi-government authorities. (Further details of these arrangements are provided in Budget Paper Number 4.)

CAPITAL WORKS COMMITTEE OF CABINET

The Capital Works Committee of Cabinet is chaired by the Premier and Treasurer and its other members are the Deputy Premier, Minister for Public Works and Minister for Roads, the Minister for Business and Consumer Affairs, the Minister for Industrial Relations and Minister for Further Education, Training and Employment, and the Minister for State Development.

The Committee has the overall responsibility for formulating the State's capital program strategy, programming new capital works projects and overseeing the approved capital program.

Following decisions taken by the Australian Loan Council in June 1990 the Committee met to finalise the capital program for the current financial year.

During the year the Committee will meet regularly to review the current program as well as the program for future years.

The Committee is serviced by the Capital Works Unit of the Premier's Department. The Committee also receives direct input from the Budget Division of the Treasury which provides comprehensive advice in relation to assessing the draft capital programs submitted for approval by individual departments and authorities. The Treasury is also responsible for monitoring the programs during the year and for regularly reporting to the Committee on the overall capital program position.

Broadly speaking, the Capital Works Unit is responsible for assessing and monitoring individual major projects with a view to ensuring efficiency and effectiveness, while Treasury advises on the allocation and funding of resources for the overall capital program and monitors the outcome of the program at the macro level.

MANAGEMENT OF CAPITAL PROGRAM ALLOCATIONS

The Capital Works Committee of Cabinet has introduced a number of initiatives to improve management of capital program allocations and has foreshadowed further changes, in line with the Government's policy of allowing managers greater responsibility while at the same time requiring enhanced accountability.

Guidelines on the economic appraisal of capital works proposals were issued in December 1988 and recently revised. The guidelines are intended to establish a framework within which departments and authorities can undertake cost – benefit appraisals of capital project proposals on a consistent basis. As from 1990-91 it became mandatory that economic appraisals be completed for all new capital projects included in program bids.

Under an authorisation limits system introduced as from 1989-90, flexibility has been provided to Ministers and agencies to alter priorities within authorisation limits set by the Capital Works Committee. These arrangements, which are binding on all departments and authorities, negate the need for Ministers and their agencies to seek approval to variations in programs provided the authorisation limits are not exceeded. Only in the case of significant variations and where the Committee is satisfied that an agency does not have the capacity to absorb an increase within authorisation limits, will consideration be given to revising the limits.

A Value Management Manual was issued in January 1990 and the Capital Works Committee has endorsed the progressive implementation of value management techniques to all new capital projects. All new capital projects submitted for the Committee's consideration as from 1991-92 must be subject to a formal value management study where the project cost exceeds \$5 million.

The Capital Works Committee is in the process of finalising studies on a further series of initiatives aimed at improving capital program management, which it is expected will be introduced during the current financial year. These initiatives include the preparation by each agency of a strategic capital works plan which will become publicly available once endorsed by the Capital Works Committee, post-completion reviews, planned maintenance programs and improved co-ordination of capital programs between agencies.

PRIVATE SECTOR PARTICIPATION

The Government recognises that a strong private sector is vital to the State's prosperity and that a modern infrastructure base is essential to support the State's economic development and to attract business to locate in New South Wales. The Government is committed to a policy of increasing private sector participation in infrastructure provision in order to further strengthen the State's economic base and make New South Wales a leading economy in the Asia-Pacific region.

The Government first issued guidelines in 1988 to encourage the private sector to play a greater part in infrastructure projects including transport links, energy and water systems, schools, hospitals and environment protection projects.

The private sector already participates in the development of the State's infrastructure, usually on a contract basis to the Government. However, it has demonstrated an increasing willingness to develop, construct and invest in public projects, often in technically and financially innovative ways.

The guidelines for private sector participation in the provision of infrastructure, which have recently been revised following a comprehensive review, establish procedures under which worthwhile projects can be identified, evaluated, and further developed in a manner aimed at maximising community benefit. The revised guidelines also require the private sector to assume the normal commercial construction and operating risks associated with the projects.

All investment in infrastructure involves a cost which is borne by the community, whether capital funds are provided by the public purse or by private investors. Investment proposals therefore need to be carefully reviewed to determine their cost effectiveness and their relevance to the community's needs.

As the Government co-ordinating agency for economic development, the Department of State Development is responsible for the co-ordination and facilitation of private sector participation in infrastructure provision. The Capital Works Committee, of which the Minister for State Development is a member, determines which proposals should proceed and the nature and extent of private sector involvement.

Over the past two years the Government has entered into a number of arrangements with the private sector. For example one arrangement involved the private sector in the construction, financing, ownership and operation of a four lane toll road in western Sydney for a fixed period of time with ownership reverting (at no cost) to the Roads and Traffic Authority. In return the private sector was granted the right to levy a toll for the period of the arrangement.

A private sector consortium under another arrangement will undertake construction of water, sewerage and drainage services in the north-west area of Sydney. On completion of the works, ownership of the assets will transfer to the Sydney Water Board. The consortium will remit its developer contributions to the Board and the Board will use these funds to make a part payment to the consortium on account of the assets transferred. Subsequently the Board is required to forward to the consortium all additional developer charges derived from the development and, after three years, discharge any outstanding liability to the consortium.

5.2 FUNDING OF CAPITAL PROGRAM

Overview

The most significant trends in the funding of the capital program have been –

- the decline in the level of borrowings from over 60 per cent in the early to mid 1980's to under 20 per cent now.
- the increase in the level of asset sales and leases reinvested in new facilities, which has grown from virtually zero in the mid 1980's to approximately \$700 million or 13 per cent of the program funding in 1990-91.
- the increase in the level of budget support for the capital program, reflecting the shift from economic to social infrastructure. Budget funding has grown from 13 per cent in 1985-86 to nearly 30 per cent in 1990-91.

Figure 5.1

STATE CAPITAL PROGRAM - SOURCES OF FUNDS

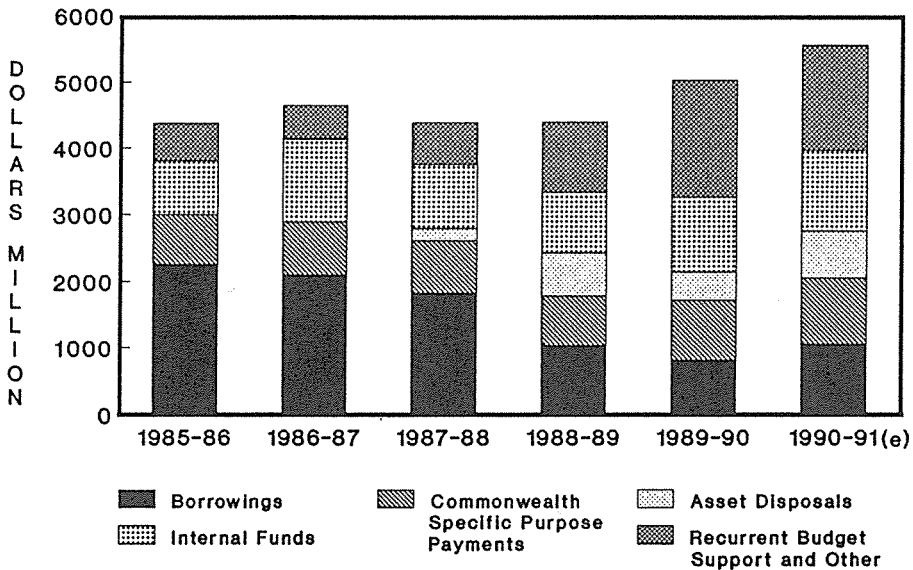


Table 5.1: Funding Sources for Capital Program, 1985-86 to 1990-91

	1985-86		1986-87		1987-88		1988-89		1989-90		1990-91 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
INNER BUDGET SECTOR												
Borrowings												
— Governmental loan (2)	325.3	14.2	250.4	10.0	114.5	4.9	86.4	3.4	592.9	17.2	692.2	19.9
— Other	879.6	38.4	1,208.3	48.3	989.9	42.5	479.7	19.0	...	...	...	...
Commonwealth Specific Purpose Payments	514.1	22.4	536.4	21.5	543.9	23.4	515.9	20.4	592.0	19.2	682.9	19.7
Asset Sales/Leases					54.0	2.3	383.6	15.2	206.2	6.7	507.1	14.6
Recurrent Budget Support and Other	574.0	25.0	505.4	20.2	626.4	26.9	1,060.5	42.0	1,761.8	56.9	1,592.7	45.8
Total	2,293.0	100.0	2,500.5	100.0	2,328.7	100.0	2,526.1	100.0	3,092.9	100.0	3,474.9	100.0
OUTER BUDGET SECTOR												
Borrowings												
Commonwealth Specific Purpose Payments	1,059.5	50.5	644.3	30.1	727.3	35.4	472.3	25.3	285.0	14.7	367.4	17.6
Internal Funds	231.8	11.1	251.8	11.8	236.8	11.5	229.1	12.3	306.7	15.9	311.1	14.9
— Asset Sales/Leases					118.9	5.8	257.3	13.8	217.8	11.3	189.5	9.1
— Other	801.5	38.4	1,245.2	58.1	969.7	47.3	908.4	48.6	1,123.1	58.1	1,216.6	58.4
Total	2,086.8	100.0	2,141.3	100.0	2,052.7	100.0	1,867.1	100.0	1,932.6	100.0	2,084.6	100.0
Commonwealth Specific Purpose Payments												
Asset Sales/Leases	745.9	17.0	788.2	17.0	790.7	17.8	745.0	17.0	898.7	17.9	994.0	17.9
Other Authority Internal Funds	(9)		(9)		172.9	3.9	640.9	14.9	424.0	8.4	686.6	12.5
Recurrent Budget Support and Other	801.5	18.3	1,245.2	26.8	969.7	22.2	908.4	20.7	1,123.1	22.3	1,216.6	21.9
TOTAL	4,379.8	100.0	4,641.8	100.0	4,381.4	100.0	4,393.2	100.0	5,025.5	100.0	5,559.5	100.0

(1) Inner Budget Sector includes all non-commercial, budget funded organisations. In relation to the State Rail Authority mixture of commercial (freight) and non-commercial (City Rail and Country Passenger lines) businesses, freight was established as a separate commercial business unit in 1989-90. In view of the fact that the great bulk of borrowings of the SRA prior to 1989-90 were for capital expenditure for the non-commercial areas, all SRA borrowings prior to 1989-90 have been included in the Inner Budget Sector.

(2) Only the governmental loan component of the general purpose capital payment is shown here. That portion of the grant component applied to the capital program is shown in "Recurrent Budget Support and Other." From 1989-90 the governmental loan component was converted into a grant under the Commonwealth/State Housing Agreement.

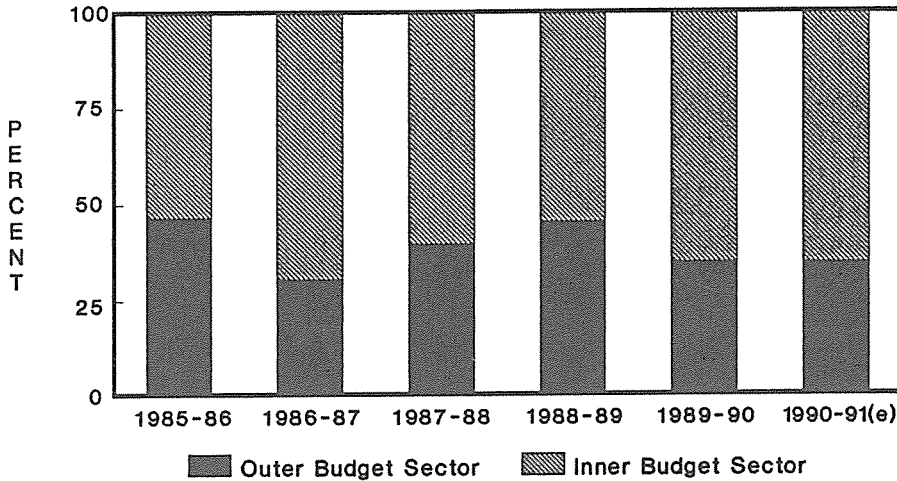
(3) Details not available. Asset sales/leases prior to 1987-88 included in "Other Authority Internal Funds" and "Recurrent Budget Support and Other."

(4) "Recurrent Budget Support and Other" comprises Consolidated Fund contributions to capital program funding including the Commonwealth general purpose grant, repayments from previous years' advances, fuel levies and motor vehicle taxation dedicated to the capital program and general recurrent revenue applied to the capital program, plus internal funding of inner budget sector agencies.

(5) Figures for 1985-86 to 1989-90 inclusive have been adjusted to place on comparable basis to 1990-91.

Figure 5.2

STATE CAPITAL PROGRAM - COMPOSITION OF BORROWINGS, BY BUDGET SECTOR



Note: Inner Budget Sector includes all non-commercial, budget funded organisations. Freight operations of the State Rail Authority were established as a separate commercial business unit in 1989-90. As the bulk of SRA borrowings prior to then were for capital expenditure for its non-commercial operations (City Rail and Country Passenger Lines), all SRA borrowings prior to 1989-90 have been included in the Inner Budget Sector.

Between 1985-86 and 1987-88, borrowings steadily declined from 52 per cent of capital funding to 42 per cent.

While the overall use of borrowings declined, an increasing proportion of borrowings was applied to social rather than economic infrastructure. Social infrastructure is not revenue generating and associated debt servicing costs are met by the Budget. Accordingly, over the same period, borrowings for social infrastructure increased from 53 per cent to 60 per cent of total borrowings. Associated with this trend was a rapid increase in debt servicing costs for the Budget, which increased by an average annual rate of 19.4 per cent over that period.

Borrowings declined substantially both in 1988-89 and again in 1989-90 but have increased in 1990-91, reflecting the severe downturn in State revenue. Borrowings for social infrastructure have increased to 65 per cent of total borrowings in 1990-91, about the same level as in 1989-90 but an increase from 55 per cent in 1988-89.

The overall source of funds for the 1990-91 Program is shown in Figure 5.3. Borrowings have declined from 41.8 per cent in 1987-88 to 19.1 per cent projected for 1990-91. Another notable feature is the increase in proceeds from asset sales and long-term leases which have increased as a percentage of capital funding from 3.9 per cent in 1987-88 to 12.5 per cent in 1990-91.

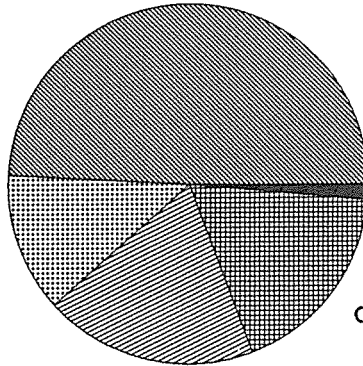
Figure 5.3

STATE CAPITAL PROGRAM, 1990-91 (Estimate)

Sources of Funds

Internal and Other Funding
- Excluding Asset Sales
49.1% \$2,729.5m

Internal and Other
Funding - Asset Sales
12.5% \$696.6m



Commonwealth
General Purpose
Payments
1.4% \$79.8m

Commonwealth Specific
Purpose Payments
17.9% \$994.0m

Global Borrowings
19.1% \$1,059.6m

Total = \$5,559.5m

An important distinction is between organisations funded predominantly by the Budget which are classified as Inner Budget Sector and those that are predominantly self funding, termed Outer Budget Sector. Inner Budget Sector capital expenditure, as a proportion of the overall program, increased from 52 per cent in 1985-86 to 61.5 per cent in 1989-90 and in 1990-91 is estimated to be 62.5 per cent.

GENERAL PURPOSE CAPITAL PAYMENTS

Under the Financial Agreement of 1927, the Commonwealth at Loan Council each year sets the level of general purpose capital payments.

The moneys paid under the program are raised by the Commonwealth and previously were provided to the States in the form of both grants and loans. In 1988-89 grants were increased to one-half of the overall allocation, compared to approximately one-third in previous years. In 1989-90, nominated housing funds, which previously represented 50 per cent of general purpose capital payments, were converted from loan funds at a concessional interest rate into a grant under the Commonwealth/State Housing Agreement.

The general purpose capital payment for 1990-91 has been determined at \$79.756 million compared with \$86.336 million in 1989-90. The 1990-91 payment is based on the same nominal amount provided last year, adjusted for recoupment of 90 per cent of State motor taxes levied on Telecom and Australia Post from 1989. The Commonwealth decision to recoup these taxes through the general purpose capital payments reflects their exclusion from the Grants Commission's assessment of relativities for general revenue grants. Recoupment of other taxes and charges levied on these Commonwealth business enterprises has been effected through reductions in financial assistance grants.

GLOBAL BORROWING LIMIT

The global borrowing limit is the annual ceiling on new borrowings by semi-government authorities imposed by Loan Council. The limit includes all forms of external financing, including conventional loans, leases, deferred payments and joint ventures. In New South Wales borrowings are undertaken by the Treasury Corporation, which on lends to statutory authorities.

The 1990-91 global borrowing limit determined by Loan Council for New South Wales, is \$1,177.9 million compared with \$1,144.1 million in 1989-90, a nominal increase of 3 per cent. The limit for all States was set at the same aggregate nominal level as 1989-90 but the increase for New South Wales reflects the Commonwealth's decision to phase in a per capita distribution between the States over a five year period commencing in 1990-91.

The Government, as part of its medium-term financial strategy, has the objective of phasing out the use of borrowings for the inner budget sector. In 1987-88 \$1,104 million in borrowings was used to fund inner budget sector capital expenditure. In 1988-89 this was reduced to \$566 million and in 1989-90 to \$533 million. In 1990-91 such borrowings have increased to \$692 million. This reflects the severe downturn in State revenue and delays in asset sales.

Prior to 1989-90 major computer acquisitions of inner budget sector departments were funded through allocations from the Consolidated Fund. However, consistent with commercial practices, a finance facility was established in 1989-90 through the New South Wales Capital Works Financing Corporation under which departments may obtain finance for the acquisition of computer hardware and software. Borrowings of \$78.5 million will be raised by the Corporation in 1990-91 for this purpose compared with \$47 million in 1989-90.

COMMONWEALTH SPECIFIC PURPOSE PAYMENTS

The Commonwealth Government provides payments to the States for specific capital purposes under section 96 of the Constitution. The major payments are for public housing and roads. Budget Paper No. 4 provides details of these payments.

Commonwealth specific purpose capital payments in 1990-91 are estimated at \$994 million, including \$311 million in housing grants to be received under the Commonwealth State Housing Agreement. The estimated payments represent an increase of \$95 million or 10.6 per cent over the previous year.

INTERNAL FUNDING

Internal funding from the State's own funding sources includes payments from the Consolidated Fund and funds generated by agencies from the sale of assets and long-term leases, revenue and drawdowns from reserves.

Inner Budget Sector – Recurrent Budget and Other Support

For the Inner Budget Sector, Recurrent Budget and Other Support, excluding the Commonwealth general purpose capital payment, comprises Consolidated Fund contributions to capital program funding, including general recurrent revenue, fuel levies and motor vehicle taxation receipts dedicated to the capital program and repayments from previous years' advances, plus internal funding of inner budget sector agencies.

Overall Recurrent Budget and Other Support for the Inner budget sector capital program will decrease from \$1,675.5 million in 1989-90 to \$1,512.9 million in 1990-91, reflecting an increase in asset disposal revenue in 1990-91.

The increase in asset disposal revenue in 1990-91 impacts upon general recurrent budget revenue to be applied to the capital program, which will decrease from \$712 million in 1989-90 to \$437 million in 1990-91.

As from 1 July 1989 all proceeds from State fuel levies were dedicated to the roads program, including revenue expected to be raised from the additional 3 cent levy to accelerate roadworks. Also for the first time, revenue from motor vehicle taxation was passed through the Consolidated Fund from 1 July 1989. The dedication of all motor vehicle taxation revenue to the roads program is consistent with Government policy as well as with the principle of all taxation revenue being passed through the Budget. Overall, funding from fuel levies and motor vehicle taxation dedicated to roads capital program expenditure is estimated to amount to \$801 million in 1990-91 compared with \$778 million in 1989-90.

Internal funding of inner budget sector agencies applied to the capital program is estimated at \$162 million, an increase of \$14 million on last year. Repayments by Departments of capital advances made in previous years is estimated at \$112.6 million in 1990-91 compared with \$37.3 million in 1989-90.

ASSET DISPOSAL PROCEEDS

Under arrangements introduced in 1987-88 departments within the Inner-Budget Sector are permitted to retain 50 per cent of the net proceeds from the disposal of assets by sale or long-term lease. Funds retained may be applied towards funding capital program expenditure or the maintenance of existing assets and are regarded as internal funding available to the departments. The remaining 50 per cent is paid to the Consolidated Fund and applied as a funding source for the overall capital program. Outer Budget Sector authorities retain 100 per cent of proceeds from sale of assets, which may be applied to funding their capital programs.

An amount equivalent to 10 per cent of net proceeds from asset disposals credited to Consolidated Fund is appropriated for transfer to the Open Space and Heritage Fund and used to acquire land and buildings for community use such as parklands, heritage buildings and environmentally based projects.

Asset disposal proceeds, excluding proceeds credited to the Consolidated Fund, will total \$349.6 million in 1990-91 as a source of funding for the capital program compared with \$341.1 million last year. The strategy of using the proceeds from asset sales in substitution for borrowings makes a significant contribution to containing debt servicing costs.

Asset disposal proceeds from sale or long-term lease applied to capital program funding since 1987-88 can be summarised as follows –

	Asset Disposal Proceeds from Sale or Long-Term Lease			
	1987-88	1988-89	1989-90	1990-91 (est)
	\$m	\$m	\$m	\$m
Outer Budget Sector	118.9	257.3	217.8	189.5
Inner Budget Sector -				
. proceeds retained by Agencies	45.6	170.4	123.3	160.1
. proceeds paid to Treasury	8.4	213.2	82.9	347.0
	<hr/>	<hr/>	<hr/>	<hr/>
Total	172.9	640.9	424.0	696.6
	<hr/>	<hr/>	<hr/>	<hr/>

The amount of \$347 million from proceeds of asset disposal in 1990-91 expected to be credited to Consolidated Fund is inflated by proceeds expected to be derived from the proposed long-term leases of both the State Office Block and the Education Bridge St building, as well as the sale of the London Office building. Proceeds from these proposed disposals will be credited in full to the Consolidated Fund. The amount received from the lease of the Education Bridge St building will be used to fund implementation of the report of the Management Review of the Education and Youth Affairs portfolio concerning the Department of School Education.

OUTER BUDGET SECTOR – OTHER INTERNAL FUNDING

A significant source of funding for the outer budget sector capital program is the income and accumulated reserves of authorities. In 1990-91 funding from this source will amount to \$1,217 million and represent 22 per cent of overall funding requirements.

Included in the income of authorities is the Water Board environmental protection levy of \$80 per annum, expected to raise \$83 million in 1990-91. All income received from the levy is dedicated to a special program of environmental protection works.

5.3 CAPITAL PAYMENTS BY FUNCTIONAL AREAS

During the early 1980's the State's Capital Program grew substantially in real terms. The program reached a peak in 1984-85 and since that time declined each year in real terms until 1989-90. (See Figure 5.4).

The 1989-90 Capital Program was projected to increase by 19 per cent but in fact increased by only 14 per cent due to a reduction in Electricity Commission program expenditure of \$143 million below budget and the effect of the prolonged spell of wet weather on construction activity during the second half of the year. This in turn has produced a carry-forward impact on the 1990-91 Capital Program which is estimated to increase by 10.6 per cent.

Figure 5.4

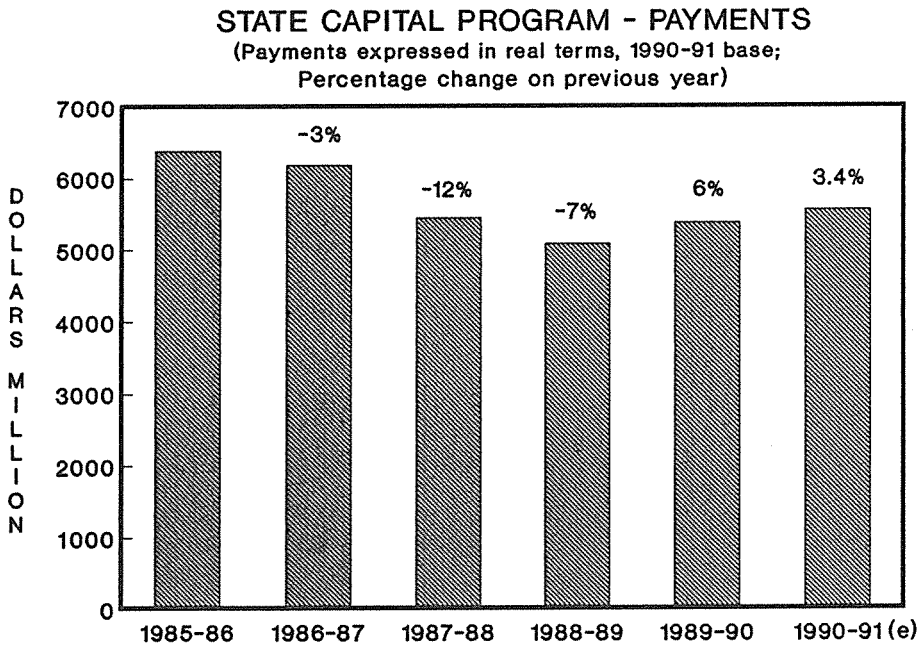


Table 5.2: Functional Classification of Capital Program Expenditure, 1985-86 to 1990-91*

	1985-86		1986-87		1987-88		1988-89		1989-90		1990-91 (Estimate)	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
1. Law, Order and Public Safety	99.5	2.3	83.8	1.8	75.9	1.7	151.0	3.4	174.5	3.5	251.0	4.5
2. Education	233.2	5.3	255.2	5.5	254.2	5.8	328.3	7.5	357.1	7.1	363.1	6.5
3. Health	120.6	2.8	168.2	3.6	178.0	4.1	221.5	5.0	284.4	5.6	356.4	6.4
4. Welfare	21.5	0.5	19.4	0.4	19.1	0.4	16.4	0.4	20.1	0.4	49.1	0.9
5. Housing and Community Services	896.6	20.5	992.5	21.4	1,051.5	24.1	1,129.2	25.7	1,277.8	25.4	1,380.3	24.9
- Housing and Homesite Development	460.4	10.5	510.5	11.0	561.3	12.8	675.9	15.4	760.0	15.1	888.1	12.4
- Water and Sewerage	407.1	9.3	451.6	9.7	442.6	10.2	420.1	9.5	454.6	9.1	609.2	11.0
- Protection of Environment, NEI	29.1	0.7	30.4	0.7	47.6	1.1	33.2	0.8	63.2	1.2	83.0	1.5
6. Recreation and Culture	75.3	1.7	159.1	3.4	121.8	2.8	56.0	1.3	55.0	1.1	56.8	1.0
7. Economic Services	2,482.8	56.6	2,389.7	51.5	2,124.3	48.4	2,150.1	48.9	2,517.1	50.1	2,787.9	50.1
- Agriculture, Forestry and Fishing	112.8	2.5	143.8	3.1	171.6	3.9	149.6	3.4	176.6	3.5	104.4	1.9
- Mining, Manufacturing and Construction	9.3	0.2	29.8	0.6	6.0	0.1	34.9	0.8	42.3	0.8	55.9	1.0
- Public Transport	465.7	10.6	451.9	9.7	437.6	10.0	390.0	8.9	450.3	9.0	545.7	9.8
- Roads	936.9	21.4	948.1	20.4	924.5	21.1	1,042.8	23.7	1,269.4	25.3	1,406.5	25.3
- Other Transport and Communication	53.9	1.2	60.2	1.3	61.1	1.4	68.2	1.6	213.5	4.2	219.3	3.9
- Community and Regional Development	49.2	1.1	58.3	1.3	1.3	0.0	6.5	0.1	7.8	0.2	18.1	0.3
- Electricity	837.8	19.2	683.8	14.8	515.1	11.7	452.7	10.3	348.3	6.9	428.2	7.7
- Industry Assistance	17.2	0.4	13.8	0.3	7.1	0.2	6.4	0.1	8.9	0.2	9.8	0.2
8. General Administration, NEI	450.3	10.3	573.9	12.4	556.6	12.7	340.6	7.8	339.5	6.8	314.9	5.7
- Local Government	287.0	6.6	251.1	5.4	209.7	4.8	197.5	4.5	181.0	3.6	186.2	3.4
- Public Buildings and other	163.3	3.7	322.8	7.0	346.9	7.9	143.1	3.3	158.5	3.2	128.7	2.3
TOTAL PROGRAM	4,379.8	100.0	4,641.8	100.0	4,381.4	100.0	4,393.1	100.0	5,025.5	100.0	5,559.5	100.0

Change on previous year - actual (%)
 - real (%)

* The functional classification of Capital Program expenditure in the above table and Chapter 5 differ marginally from that shown in the blue pages of Chapter 3 of this Budget Paper. The blue pages provide a more detailed break down of expenditure by functional area whereas expenditure by individual Departments or Authorities in Chapter 5 is not shown on a functional basis in most cases.

* The Capital Program includes financing from revenue and reserves of authorities and other sources including developers' contributions and proceeds from sale or long term lease of assets.

Note: Figures for 1985-86 to 1989-90 inclusive have been adjusted to place on a comparable basis to 1990-91.

Between 1985-86 and 1987-88 there was a major shift in the program from an emphasis on economic infrastructure, such as electricity development, railway infrastructure and ports, to social infrastructure, such as housing and homesite development, recreation and culture, public buildings and health. Economic infrastructure accounted for 48 per cent of the program in 1987-88 compared to 57 per cent in 1985-86.

In 1988-89 economic services remained relatively constant as a proportion of the overall program. However, the proportion increased to 50 per cent last year and this level has been maintained in 1990-91 reflecting continuance of the accelerated roads program and significant investment in upgrading and streamlining public transport services.

The roads program represents the largest single component of the overall capital program. Acceleration of the program has been made possible by the temporary 3 cents fuel levy.

Significant growth in public transport expenditure in both 1989-90 and 1990-91 reflects implementation of the findings of the Booz, Allen and Hamilton study aimed at providing a more efficient and effective system, particularly rail.

The social infrastructure areas of law, order and public safety, health, water and sewerage and protection of the environment will also grow significantly in real terms in 1990-91, reflecting their high Government priority.

Figure 5.5 provides a functional break down of the 1990-91 capital works program.

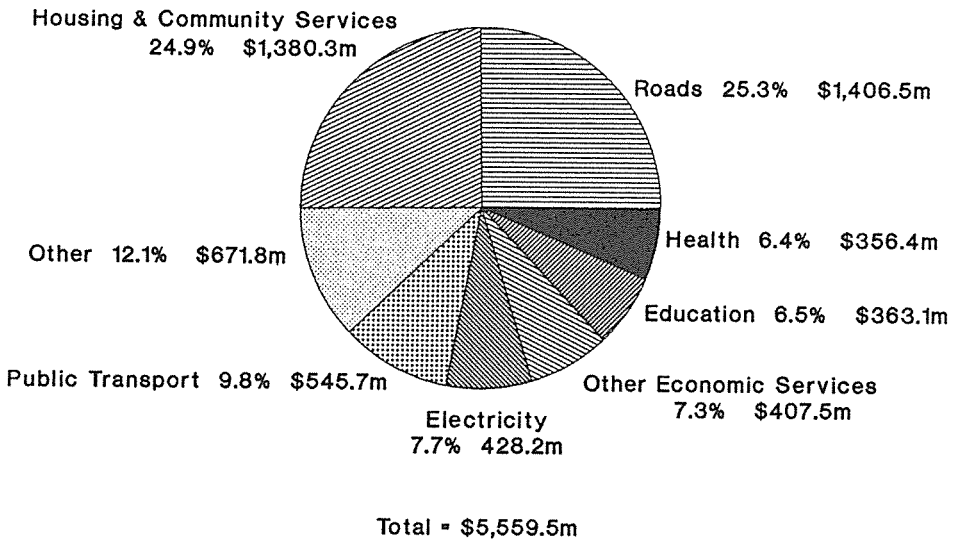
Major features of the 1990-91 program are –

- A record roads program of \$1,407 million, an increase of nearly 11 per cent, including \$206 million of accelerated works to be financed from the 3 cents levy. This program does not include the construction of the Sydney Harbour Tunnel or other toll roads by the private sector.
- A 21 per cent increase in the State Rail Authority's program to \$502 million. Following the Booz, Allen and Hamilton study a major re-direction of expenditure is focussing on the priority areas of safety and reliability.
- A substantial increase of over 25 per cent in the health program to \$356 million, emphasising the Government's commitment to the provision of new and upgraded health facilities.
- A massive 44 per cent increase to \$251 million in 1990-91 on law, order and public safety. Major expenditure growth on prisons and police facilities and equipment has been provided for while Courts expenditure will increase at a more modest rate.
- Growth of 34 per cent in water and sewerage services to \$609 million in 1990-91, reflecting the Government's priority to improve environmental protection, including initiatives in beach protection, sewerage backlog and improvements in water quality. The Sydney Water Board's 1990-91 program of \$480 million, an increase of \$140 million or 41 per cent on last year, includes \$224 million for environmental protection works.

- An increase in Councils' general purpose borrowings to \$185 million. If Loan Council restrictions on NSW global borrowing limits had been vigorously applied, the 1990-91 allocation would have been set at \$159 million. The allocation of \$185 million is a 16 per cent increase which is necessary to assist local government to maintain and improve facilities and services for ratepayers.
- A provision of \$150 million for staff redundancy payments by the public transport authorities. The policy of rationalising staffing levels will lead to significant future savings in operating costs.

Figure 5.5

STATE CAPITAL PROGRAM, 1990-91 (Estimate)
Functional Classification of Expenditure



5.3.1 LAW, ORDER AND PUBLIC SAFETY

Overview

This policy area covers the upgrading and expansion of the State's court buildings, increasing the capacity of the prisons system, refurbishing and upgrading police buildings, providing improved police equipment, works on fire stations and plant and equipment for Fire Brigades.

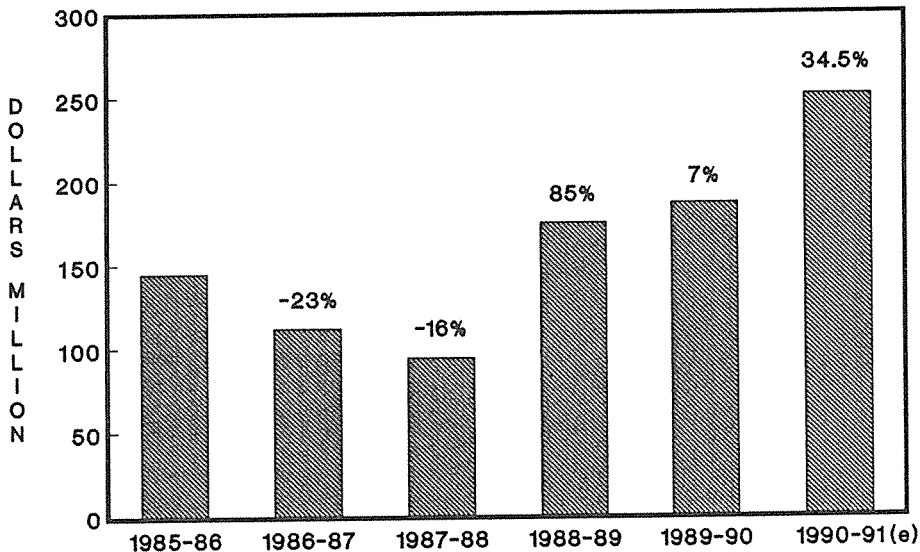
It is a high priority policy area for the Government. The funding for 1990-91 provides for the continuation of the programs undertaken to ensure that adequate facilities are available to –

- Support community based policing and beat policing;
- Assist in the apprehension and conviction of criminals;
- Reduce court delays;
- House prisoners held in custody and provide employment opportunities in prison industries; and
- Upgrade and maintain public safety in the State.

EXPENDITURE TRENDS

Figure 5.6

LAW, ORDER AND PUBLIC SAFETY
(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



In the years 1986–87 to 1987–88 expenditure for this policy area decreased in real terms. During the two-year period ending 1989–90 expenditure increased by 97.9 per cent in real terms. This substantial growth in expenditure for the area to 1989–90 reflected the major program of works underway for the upgrading and expansion of the Courts system, expansion of the capacity of the prison system, the upgrading and refurbishment of police buildings and the provision of improved police equipment. Total combined expenditure for these purposes in 1989–90 was \$177.5 million in real terms (an increase of \$71.2 million or 67 per cent in real terms over equivalent expenditure in 1984–85).

1990–91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989–90 \$m	Estimate 1990–91 \$m	Variation %
Police	34.6	63.9	+ 84.7
Law Courts and Legal Services	59.8	64.9	+ 8.5
Corrective Services	73.2	108.6	+ 48.4
Other (Including Fire Protection Services) .	6.9	13.6	+ 97.1
Total	174.5	251.0	+ 43.8

Total capital payments for Law, Order and Public Safety in 1990–91 are projected to increase by 43.8 per cent (34.5 per cent in real terms) over actual expenditure incurred last year. Major growth in expenditure on prisons and police facilities and equipment is projected and expenditure on Courts is expected to increase more moderately.

Recent growth in expenditure in this area primarily reflects the expansion of the capacities of both the Court and prison systems and the upgrading of police accommodation and equipment. There are substantial commitments in place for additional police, court and prison facilities and further facilities are planned as part of the forward Capital Program. Accordingly, capital expenditure in the area can be expected to be maintained in real terms in future years.

1990–91 Capital Program Highlights

POLICE

The allocation of \$63.9 million includes \$42.2 million for police buildings, \$21.3 million for equipment and services and \$0.4 million for police housing.

The program of \$42.2 million for police buildings includes \$17.0 million for the continuation of works-in-progress at the Goulburn Police Academy and police stations at Katoomba, Bossley Park, Wollongong, Hornsby, Riverwood, Bathurst, Port Macquarie and Cabramatta.

Provision has been made for new works, as follows –

- \$12.2 million for the establishment of a Joint Emergency Services Complex at Hurstville at an estimated total cost of \$19.3 million which is being fully funded from the proceeds of disposal of surplus police properties;
- \$0.4 million for redevelopment of Albury Police Station at an estimated total cost of \$8 million;
- \$0.7 million for additions to St Mary's Police Station which are planned for completion in May 1991; and
- \$1.1 million from the balance of the \$1.3 million grant from the Commonwealth for upgrading police cells in certain towns to minimise the possibility of Aboriginal deaths in police custody.

The \$21.3 million provided for equipment and services includes \$6 million for computers, \$5.3 million for radio and telephone projects, \$3.3 million for the helicopter replacement program, \$3.5 million for the restructure and re-equipping of Breathalyser operations, \$1.5 million for electronic recording of police interviews and \$0.7 million for additional and replacement radar units.

LAW COURTS AND LEGAL SERVICES

An amount of \$61.1 million has been allocated to the Attorney General's Department. Major works being funded from the allocation constitute an integral part of the overall strategy to reduce delays in the District Court jurisdiction and include –

- \$20.6 million on the fit-out of the Criminal Jurisdiction Sydney District Court in the Downing Centre at an estimated total cost of \$98.7 million. The facility is planned to be opened by October 1990 with four courts available and be fully operational with sixteen courts by February 1991;
- \$7.7 million on the new Court House construction at Campbelltown at an estimated total cost of \$18.8 million; Stage 1 of which is planned to be completed with five courts by December 1991, followed by Stage 2 due for completion by December 1992 with a refurbished sixth court;
- \$6.6 million on the new Court House at Burwood at an estimated total cost of \$13.4 million, which is planned to be completed by January 1992 with six courts;
- \$1.7 million on a new Court House at Wyong at an estimated total cost of \$5.5 million, which is planned to be completed by December 1991 with two courts; and
- \$1.2 million on a new Court House at Byron Bay at an estimated total cost of \$2.6 million, which is planned to be completed by January 1991 with one court.

In addition –

- \$13 million has been provided for the continuation of a number of major computer projects, including Courtnet (\$4.8 million) which will provide a computerised linking of all Local, District and Supreme Courts registry and other ancillary systems; and, the Registry of Births, Deaths and Marriages (\$5.1 million); and
- \$1.5 million has been allocated for planning of new major works in the Attorney General's Department's forward capital works program.

CORRECTIVE SERVICES

The main thrust of the Corrective Services program is the provision of additional cells to relieve the overcrowding in prisons.

The funding also provides for the further expansion of prison industries to help ensure that prisoners undertake meaningful work and education while in gaol.

The current year's allocation of \$108.6 million provides an amount of \$21.4 million for new works including –

- \$4.2 million for commencement of work on additional Periodic Detention Centres to achieve cost effective detention for offenders of lesser crimes (estimated total cost \$10 million).
- \$4 million for commencement of work on four afforestation camps to expand existing minimum security facilities (estimated total cost \$8.4 million).
- \$4 million for commencement of work on Muswellbrook prison to provide 100 additional cells and industries (estimated total cost \$6.8 million).
- \$4.2 million in respect of the Silverwater expansion and the acquisition and development of a new minimum security prison proposed at Fernbrook (overall estimated total cost \$12.6 million).

Provision has also been made for the following major works-in-progress –

- \$12 million for the 300 cell maximum security prison that is under construction at Lithgow (estimated total cost \$57 million), planned for completion by December 1990.
- \$30 million for a 250 cell special purpose maximum security prison to be constructed at South Windsor – the John Morony Correctional Centre – planned for completion by September 1991 (estimated total cost \$51.2 million).
- \$1.4 million to meet the cost of providing 60 new cells and facilities for prison industries at Goulburn (estimated total cost \$9.8 million), which has now been substantially completed.

- \$3.6 million to provide specific facilities for prison industries at various gaols, including \$3.2 million for the Long Bay prison complex (estimated total cost \$6 million), planned for completion in 1991.
- \$10.4 million for a 96 cell block with facilities for prison industries at Parklea (estimated total cost \$16.7 million); the cell block planned for completion in March 1991.
- \$3.1 million for redevelopment of the prison at Grafton (estimated total cost \$7.9 million), planned for completion in June 1992.
- \$4.7 million for redevelopment of the prison at Parramatta to provide for upgraded prisoner reception, visitor facilities and the construction of a new gaol entrance (estimated total cost \$7.1 million), planned for completion in December 1991.

In addition, preliminary work is proceeding on the development of a medium and minimum security prison at Junee to be built by the private sector on a design and construct basis with possible private sector operation.

OTHER

The New South Wales Fire Brigades program is \$9.8 million and provides for finalisation of expenditure of \$2.6 million on the relocation of Parramatta Fire Station, and \$2.3 million for the commencement of work on a new communications network at a cost of \$14.6 million.

5.3.2 EDUCATION

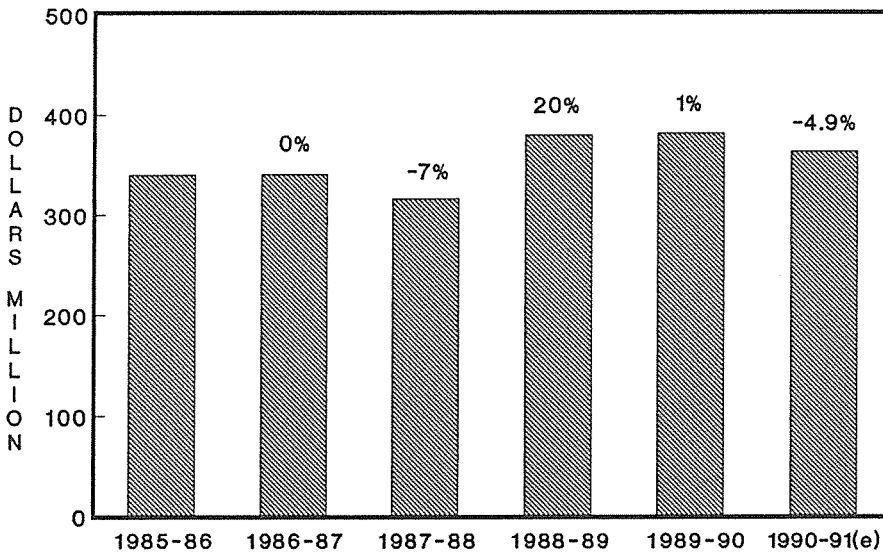
Overview

EXPENDITURE TRENDS

Figure 5.7

EDUCATION

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



Over the five years to 1989-90, Education capital payments increased 4.5 per cent in real terms. During the same period capital payments for primary and secondary education increased 2.3 per cent in real terms, while payments for technical and vocational education increased 3.9 per cent.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Primary and Secondary Education	226.2	229.4	+ 1.4
Technical and Vocational Education	125.5	132.7	+ 5.7
Other (Including General Administration) ..	5.4	1.0	(-)81.5
Total	357.1	363.1	+ 1.7

The 1990-91 capital allocation for school education compared to 1989-90 expenditure shows a 5.2 per cent fall in real terms. Expenditure on major works will be increased by \$22.5 million which reflects the commitment to upgrade existing schools and provide specialist facilities in response to initiatives such as technology and senior high schools. It also provides for new schools in growth areas especially in the West and South West of Sydney. The increased expenditure on major works has been made possible by a squeeze on minor works expenditure and surplus education property disposals.

It is expected that roundly \$55 million will be raised from surplus education property disposals in 1990-91, \$27.5 million of which will be retained by the Department and be applied towards school building maintenance, schools rationalisation and schools renewal initiatives. The remaining \$27.5 million will be credited to the Consolidated Fund and applied towards funding inner budget sector capital projects including schools. In addition it is expected that funds realised from a long term lease for the Bridge Street Education Building will be used to fund the \$50 million schools renewal plan. This program was begun in 1989-90 following the release of Dr Brian Scott's review of the Education Portfolio and comprises recurrent and capital expenditure over the next five years.

Capital funding for the Technical and Further Education Authority will decrease by 1.6 per cent in real terms in 1990-91. This reflects restrictions placed on global borrowing allocations and cutbacks in general purpose grants to New South Wales. The overall allocation of \$132.0 million for 1990-91 includes \$83.4 million from Commonwealth Specific Purpose Capital Grants.

1990-91 Capital Program Highlights

STATE SCHOOLS

Strategy

Capital Works projects are provided in schools on the basis of needs determined at the school and regional level consistent with the Statutory responsibility of the Minister for School Education and Youth Affairs.

The Program gives emphasis to the need for educational facilities in new and developing areas of the State and to ensuring the provision of essential core facilities in existing schools. In particular, the Program reflects a commitment to upgrade existing facilities and provide specialist facilities in response to Government initiatives.

The planning of facilities is undertaken within the framework of formal school building codes and cost budget procedures and has regard to the Government policy on the economic appraisal of assets.

Major Initiatives

The provision of \$229 million (which includes \$65 million from Commonwealth Specific Purpose Grants) is for construction of 32 new or replacement schools, 17 of which are expected to be completed during 1990-91, upgrading and additions to over 80 existing schools, completion of the new security base station at Blacktown, refurbishment of demountable classrooms, site acquisitions, school furniture and other general items.

An amount of \$19.9 million is budgeted this year for introducing 30 major new works, including staged permanent primary schools at Jindera, Kearns, Bayldon, Maryland, and Bonnyrigg West, and new permanent high schools at Vincentia, Nambucca Heads and Quakers Hill. A co-ordinated primary school/high school will be commenced at Lucas Heights. In addition, major upgrading projects will be undertaken at Strathfield Girls High School and Erina West Primary School.

Provision has been made for a continuation of upgrading work in schools affected by nearby school closures and for the joint funding of projects in co-operation with local government organisations and school communities.

An amount of \$7.8 million will be expended on a wide range of minor capital works projects while roundly \$60.5 million will be spent during the year on school furniture and equipment, site acquisitions, asbestos removal, health and safety improvements and other miscellaneous items.

An amount of \$5 million has been allocated for the establishment of education resource centres and school and cluster communication and information systems upgrading as part of schools renewal initiatives begun in 1989-90.

TECHNICAL AND FURTHER EDUCATION

Strategy

The restructuring of TAFE as a result of the Management Review of the Education Portfolio is proceeding during 1990-91 and the Department's capital works program reflects the objectives of the restructuring and of the newly adopted Corporate Plan. The Department's basic objective is the provision of an overall mix and range of programs that meet the State's needs for a skilled workforce, particularly in those industries identified as vital to State development. In meeting this objective through its capital works program, the Department has addressed the following factors:

- ***Areas of Major Population Growth***

West and Southwest Sydney and the North Coast continue to experience major population growth. Major building projects in these areas include additional stages at Werrington and Campbelltown Colleges and the first stages of new Colleges at Richmond and at Wollongbar, near Lismore. Site acquisitions planned for growth areas will ensure capacity exists for further developments to meet future needs.

- ***Industry Needs***

As the sector of education most closely linked to the needs of industry, TAFE is continually monitoring and responding to new and emerging training needs. Industry restructuring and technological change are two major contributors to changing training needs and a major proportion of Upgradings and Equipment expenditure is devoted to maintaining an up-to-date and relevant training infrastructure.

- ***State Development***

The provision of training for industries identified as being vital to State development has received a high priority. Projects include new Automotive and Vehicle Trades facilities at Campbelltown and Wollongbar; Electrical Engineering at Lidcombe; Tourism and Hospitality facilities at Ryde and Brookvale; Rural Studies at Richmond and Wollongbar; and Computing at a variety of locations, including St George and Werrington.

- ***Access in Country Areas***

Access to training in country areas continues to be a high priority. The Department's strategy is to provide a network of specialist facilities in major centres which are serviced by multi-purpose facilities in smaller towns. In line with this policy, facilities for rural-oriented training are being built at Brewarrina, Maclean and Young and a major new regional college will be built at Wollongbar.

Links with other Education Providers

In recent years, TAFE has strengthened its links with schools and universities, both with respect to educational articulation and, where possible, to achieve economies in the utilisation of facilities. New TAFE facilities at Maclean and Young are being constructed adjacent to high schools. These will expand the range of facilities available to both institutions and enhance the overall education and training provision. At Werrington, Richmond and Ourimbah, on the Central Coast, TAFE Colleges are being constructed adjacent to the Universities of Western Sydney and Newcastle.

Major Initiatives

There will be additional facilities constructed at several Colleges. A vehicle trades workshop for panelbeating and vehicle painting at Campbelltown; electrical engineering and computing facilities at Lidcombe; refrigeration trades and tertiary preparation facilities at Werrington; Toolmaking at Sydney; and Tourism and hospitality training facilities at Brookvale and Ryde.

Construction of the first stage of several major new Colleges will also occur. In each case, basic College infrastructure and support services, such as administration, amenities and library will also be provided. Specialist teaching facilities will include: tertiary preparation, child care studies and tourism and hospitality training at Loftus; rural studies, business studies, office administration courses at Richmond; and automotive engineering, rural studies, basic education and computing facilities at Wollongbar. The new College at Wollongbar will eventually replace Lismore College as the major regional college in the Northern Rivers Network.

New College facilities will also be constructed in small centres. New facilities will be completed for Maclean and Young Colleges, which will provide a variety of specialist and multi-purpose teaching areas, including computer rooms, lecture rooms, typing rooms and workshops. A program of providing multi-purpose workshops and general-purpose classrooms in relatively isolated locations will continue, with the construction of facilities at Brewarrina.

Funds have been provided for the continuation of a program of upgradings to existing College facilities; for the replacement of old and outdated equipment and for the purchase of new sites for future developments.

DEPARTMENT OF AGRICULTURE AND FISHERIES (Colleges)

A new training dairy at the CB Alexander College ("Tocal"), Paterson, is being constructed from funds provided by the Commonwealth to replace the existing outmoded facility.

5.3.3 HEALTH

Overview

Health capital expenditure is directed by the Department's strategic plan at the redistribution and upgrading of service delivery within the State. Operating funds are being progressively redistributed to where the patients reside and capital projects are targeted to these areas to ensure the upgraded medical services are appropriately delivered.

In addition, specific programs and projects have been targeted at rectifying the worst examples of substandard facilities and at general upgrade of the high technology equipment necessary for modern health procedures.

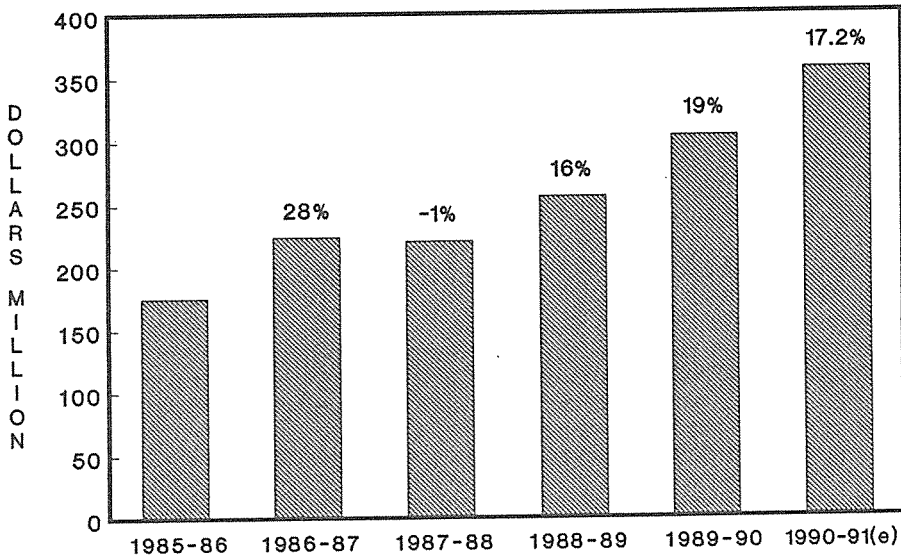
An important part of the program is the identification and sale of surplus or underutilised assets, and the reinvestment of the full amount of the sale proceeds in new and improved facilities in high priority areas.

EXPENDITURE TRENDS

Figure 5.8

HEALTH

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



Over the five year period from 1984-85 to 1989-90, expenditure on the Health capital program increased 79.6 per cent in real terms.

The projected increase in expenditure between 1989-90 and 1990-91 of 17.2 per cent in real terms, reflects the high priority which is afforded the Health capital program.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Area Health Services and Other Health Services	258.8	298.7	+ 15.4
Community and Other Support Services ..	16.1	12.3	(-) 23.6
Public Health (Including Inspection Services)	1.8	2.2	+ 22.2
Other Health (Including General Administration)	7.7	8.2	+ 6.5
Information Systems .....	...	35.0	n.a
Total	284.4	356.4	+ 25.3

The total cost of current authorised works is around \$1.8 billion; \$1.4 billion of which will be expended over the next five years.

This increase is partly due to the commencement of the Mental Health Program and the Information Systems Strategy this year (see New Works). Estimated expenditure in 1990-91 on each of these projects is \$35 million.

A further factor is the acceleration of construction of the John Hunter Hospital, in recognition of the pressure which has been placed on health services in the Newcastle area, resulting from the December earthquake.

In 1989-90, the capital program was supplemented by \$12 million, which was raised through the sale of surplus Health assets. In 1990-91, Health asset sales in the order of \$54 million are anticipated, and will be entirely reinvested in the Health capital program.

1990-91 Capital Program Highlights

AREA HEALTH SERVICES AND OTHER HEALTH SERVICES

Works in Progress

The provisions for major works in progress in 1990-91, together with the estimated total cost of the projects, are as follows -

	\$m
Albury New Hospital - Construction of a new base hospital with full clinical support services (estimated total cost \$81.7 million)	6.0
Centenary Research Institute - provision of new facilities for cancer research on the grounds of Royal Prince Alfred Hospital (estimated total cost \$4.7 million)	1.5
Gosford District Hospital Stage 3 - major redevelopment of services currently under construction (estimated total cost \$46.4 million)	18.0
Hawkesbury District Hospital - provision of a new 150 bed hospital (estimated total cost \$73.4 million)	3.2
John Hunter Hospital, Newcastle - completion of a new 490 bed teaching and referral hospital (estimated total cost \$201.6 million)	28.2
Lismore Base Hospital - construction of a new services block as part of a general upgrading of services provided by the hospital (estimated total cost \$33.6 million)	6.0
Liverpool Hospital Stage 1 - construction of a Health Services Building to relocate Community and other services associated with the hospital upgrade to Teaching and Referral Status (estimated total cost \$12.7 million)	9.0
Narrandera Hospital - stage 1 of the redevelopment to provide upgraded Accident and Emergency and Ward Accommodation (estimated total cost \$2.0 million)	0.5
Nepean Hospital Redevelopment - provision of an upgraded neonatal unit and new services associated with the upgrade to Teaching and Referral status (estimated total cost \$87.4 million)	6.8
Port Macquarie Base Hospital - provision of a new 189 bed hospital (estimated total cost \$73.4 million)	3.0
Royal Alexandra Hospital and CMRF Relocation - provision of a new 350 bed Children's referral hospital at Westmead (estimated total cost \$299.3 million)	25.0

	\$m
St George Hospital - construction of clinical services block (estimated total cost \$53.6 million)	25.0
Sydney Hospital - stage 1 of the proposed redevelopment of Sydney Hospital (estimated total cost \$48.6 million)	3.1
Wagga Wagga Hospital - provision of a new Rehabilitation Unit, Services Block and associated works (estimated total cost \$31.5 million)	3.2
Wollongong District Hospital - provision of a new Radiotherapy Facility, car park and Clinical Services Building (estimated total cost \$81.2 million)	14.0
Nepean Hospital Kitchen and Psychiatric Unit (estimated total cost \$8.2 million)	2.5
Drug & Alcohol Unit, Royal North Shore Hospital (estimated total cost \$1.4 million)	1.4
Port Kembla Rehabilitation Unit (estimated total cost \$4.0 million)	1.2
St George Hospital – Construction of car park and industrial complex associated with the upgrading of the hospital (estimated total cost \$29.1 million)	8.5
St John of God Hospital, Goulburn (estimated total cost \$5.2 million)	3.7
St Vincent's Hospital Xavier Building (estimated total cost \$5.7 million)	3.6
Strickland House Relocation (estimated total cost \$2.1 million)	1.3
Wyong Hospital Redevelopment (estimated total cost \$23.6 million)	6.0
New Works	
New Works authorised to commence, and the funding allocation from 1990-91, are as follows –	
St George Hospital, New Ward Block - upgrading to 600 beds as part of the total redevelopment of this hospital to a referral facility (estimated total cost \$111 million)	8.2
Mental Health Program - upgrading programme to the mental Hospitals and associated facilities (estimated total cost \$149.3 million)	35.0
Information Systems Strategy - a fully networked clinical, financial and health services computer information system is be developed over a period of four years (estimated total cost \$140 million)	35.0

\$m

Planning and Refurbishment Allocations

Funds have been allocated for refurbishment and/or planning and scheme design on the following hospitals

Royal Hospital for Women
 Moruya
 Batemans Bay
 Blacktown
 Coffs Harbour
 Hornsby
 Parramatta
 Royal Prince Alfred
 Tweed Heads
 Shoalhaven
 Maitland

Other Programs

Hospital Building Infrastructure Program - miscellaneous works targeted at upgrading hospital and associated health facilities	9.7
Hospital Services Improvements Program - miscellaneous works relating to community utilised facilities such as maternity, geriatrics, paediatrics and emergency care	5.9
Hospital Enhancement and Technology Programs - procurement of high technology equipment for Health facilities. Funds are provided by the Commonwealth on a 2:1 basis under the Hospital Enhancement Program	38.8
Nurse Education Program - transfer of nurse education facilities from teaching hospitals to Colleges of Advanced Education	0.6

COMMUNITY AND OTHER SUPPORT SERVICES

Ambulance Station Replacements - new stations are being constructed at Bateau Bay, Avalon, Balgowlah and Terrigal (estimated total cost \$4.0 million)	3.8
Community Health and Child Care Centres - community Health Centres are being provided at Lismore, Katoomba, Baulkham Hills and Engadine; child care centres at Ryde and Nepean Hospitals (estimated total cost \$5.9 million)	3.8

5.3.4 WELFARE SERVICES

Overview

The Department of Family and Community Services' capital program includes the provision of detention centre facilities consistent with the Government's Law and Order policy, the construction of Long Day and Occasional Care Centres for children and the provision and maintenance of residential and administrative facilities. Provision is also made for the purchase and construction of group homes for permanent and respite care of the developmentally disabled.

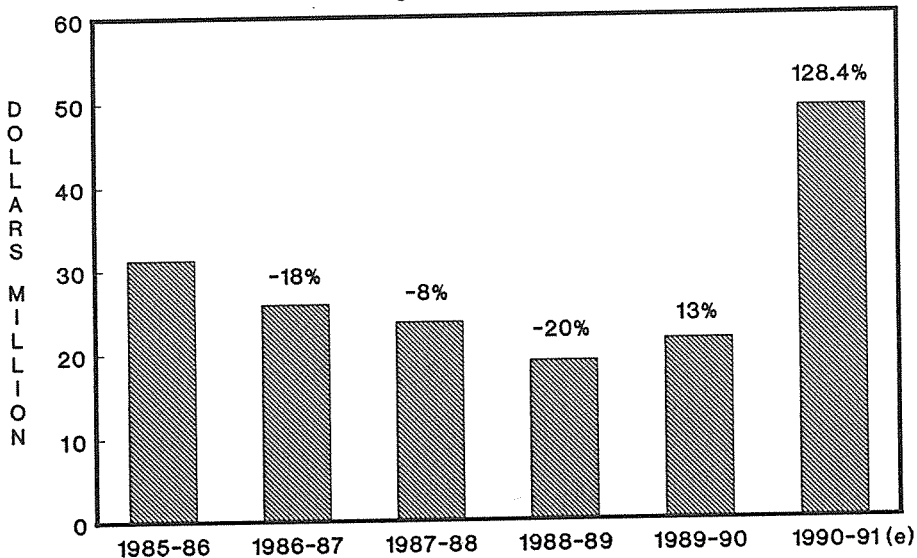
Welfare services provided by the Department of Family and Community Services are multidisciplinary in that facilities are provided for a variety of purposes associated with juveniles (offenders and non-offenders), the family and the community. As with the provision of any service, although especially in the welfare area, the demand for services far outstrips the ability of the Government to provide the service. In this regard, the allocation can only provide for the most immediate and pressing needs of the welfare area with priority being given to the upgrading of juvenile detention centres, the provision of services for the developmentally disabled and childcare facilities.

EXPENDITURE TRENDS

Figure 5.9

WELFARE

(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



While capital expenditure for the Department declined in real terms by 14.7 per cent during the period 1984-85 to 1989-90 there will be a significant real increase of 128.4 per cent in 1990-91.

The decline over the last five years resulted from the Commonwealth's funding cuts to New South Wales (including reduced loan funds) and the need to minimise the debt charges burden faced by the State. Department of Family and Community Services projects (other than Long Day Care Centres) had to undergo reductions both in works in progress and new works. During 1989-90 the Department experienced difficulty in beginning the Long Day Care Centre program because of problems with finalising, in conjunction with the Commonwealth, the location of Centres.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Welfare Support Services	20.1	49.1	+ 144.3
Total	20.1	49.1	+ 144.3

The significant increase in the allocation for 1990-91 reflects the emphasis toward meeting –

- additional accommodation requirements in young offender detention centres resulting from the enactment of the Sentencing Act, including the provision of improved vocational training and educational facilities;
- commitments under the National Child Care Strategy;
- identified program requirements of the developmentally disabled; and
- existing departmental programs.

The increased allocation is largely being achieved by the use of proceeds from the sale of surplus assets and is due, in the main, to the following projects –

	Actual 1989-90 \$m	Estimate 1990-91 \$m
• purchase/construction of group homes for the developmentally disabled	...	10.0
• construction of a High Security Unit at Mt Penang	2.6	9.3
• Children's Services Program	...	6.1
• construction of additional facilities in detention centres as a result of the Sentencing Act	...	5.9
• upgrading and renovation of Woolloomooloo Day Nursery	...	1.9

The Department of Family and Community Services is able to retain a 50 per cent share of the proceeds of assets sold. In 1989–90 the Department sold assets at a value of \$2.9 million, and \$2.0 million (including a balance carried forward from the previous year) was expended on the Department's capital program. The funding realised by the sale of the assets was used to upgrade Cobham, a juvenile detention facility at Werrington. The work will improve school, administration and recreational facilities. The Department expects to sell assets to the value of \$8.8 million in 1990–91. The funding retained will allow the Department to finalise the upgrading of Cobham as well as providing a contribution toward the renovation of Woolloomooloo Day Nursery.

1990-91 CAPITAL PROGRAM HIGHLIGHTS

The capital allocation of \$49.1 million is predominately for provision of juvenile detention facilities (consistent with community/government expectation), purchase or construction of group homes for the developmentally disabled, upgrading residential and administrative accommodation and construction of child care facilities in accordance with the joint State/Commonwealth agreement under the National Child Care Strategy.

Funding of \$10 million provided in 1990-91 for the developmental disability capital program is part of an overall \$60 million five year capital program which began in 1989-90. The entire program is being funded from Department of Health asset sales. Of the funding released by the sale of the assets, \$50 million is being applied to the purchase and construction of group homes for permanent and respite care and the remaining \$10 million will be used to relocate some disabled persons from institutions or mini-institutions into group homes.

Works in Progress

Specific works in progress allocations are –

	Estimated Total Cost \$m
• \$9.3 million - 48 bed High Security Unit at Mt Penang	14.3
• \$6.1 million - Children's Services – to provide an additional 1,020 centre based Long Day Care places and 670 Occasional Care places by 1992–93	21.9
• \$1.9 million - Upgrading and renovation of Woolloomooloo Day Nursery	2.6
• \$1.9 million - Major building maintenance and refurbishment of "Ormond" – a 60 bed centre at Thornleigh for the management of violently disturbed teenagers	3.5
• \$1.3 million - Security upgrade to limit the potential of escape from detention centres	3.6
• \$0.5 million - Cyclic upgrade of detention centres including improved security and refurbishment	6.7
• \$3.6 million - Other works	8.9

New Works

Specific project allocations are –

	Estimated Total Cost \$m
• \$5.9 million - Cyclic upgrade of detention centres to provide additional facilities required as a result of the Sentencing Act.	5.9
• \$1.1 million - new kitchen at Mt Penang to service the Centre's known and future requirements.	1.3
• \$10.0 million - includes purchase/construction of group homes for the developmentally disabled financed by Department of Health asset sales	10.0

Minor Works

An amount of \$5.4 million has been allocated for –

- minor works with a total cost of less than \$500,000
- purchase of furniture and equipment
- finalisation of projects completed in earlier financial years
- costs of preliminary planning, design etc. of new works

Computers

An allocation of \$2.1 million has been provided to the Department to enhance systems development, including –

- Financial Management System
- Personnel System Stage 2
- Payroll System
- Benefits Payment System

5.3.5 HOUSING AND COMMUNITY SERVICES

Overview

The policy area covers programs related to the provision of public rental housing; development of land for homesites; water supply, sewerage and drainage programs undertaken by the Sydney Water Board, Hunter Water Board, Broken Hill Water Board and local government areas not serviced by Water Boards. Provision is also made for programs undertaken by the State Pollution Control Commission and Department of Planning for the protection and conservation of the environment.

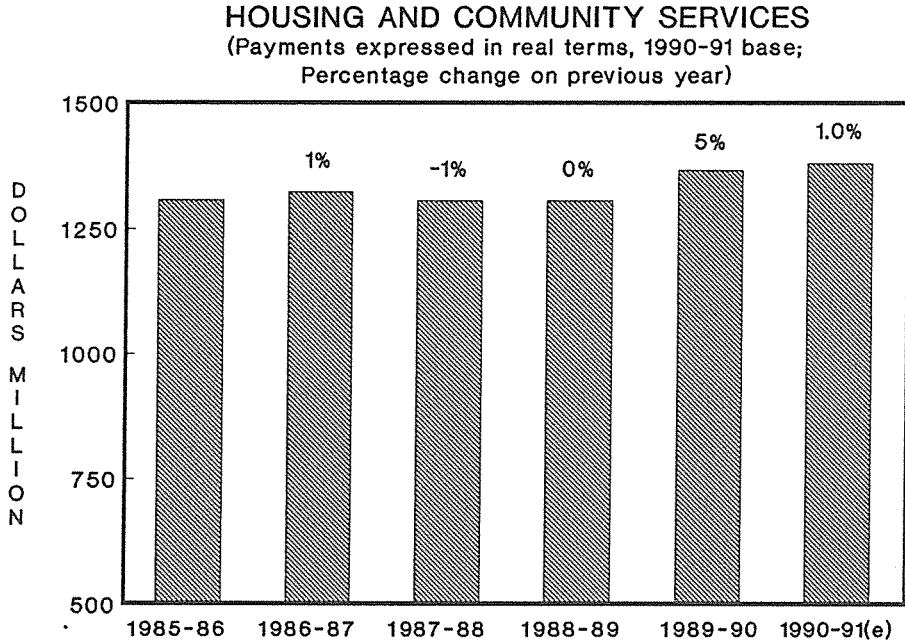
Programs in this policy area are directed towards -

- maximising housing opportunities for those eligible for public rental housing, complemented by initiatives to increase the supply of housing stock;
- ensuring an appropriate supply of developed, serviced residential land to meet housing needs;
- provision of water supply, sewerage and drainage facilities for urban and rural populations; and
- works associated with restoration and protection of the environment and preservation of heritage properties.

In the Housing area a key strategy for 1990-91 is the implementation of the Public Equity Partnership arrangement. This initiative is designed to supplement public housing construction by involving the private sector in the provision of public housing stock, with the Department of Housing providing a rental subsidy. In 1990-91 this scheme will provide 1,000 units of accommodation at a lower cost than the traditional construction process. In the Water and Sewerage area, strategies are focusing on environmental protection, including initiatives in beach protection, sewerage backlog and improvements in water quality.

EXPENDITURE TRENDS

Figure 5.10



Over the five years to 1989-90, capital payments in the Housing and Community Services policy area have increased by 4.5 per cent in real terms. Within the area, capital payments on Housing, including Homesite Development and Protection of the Environment increased substantially reflecting the increased level of State support to these areas.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Housing	602.9	573.1	(-) 4.9
Homesite Development	157.1	115.0	(-)26.8
Water and Sewerage	454.6	609.2	+ 34.0
Protection of the Environment	63.2	83.0	+ 31.3
Total	1,277.8	1,380.3	+ 8.0

For 1990-91 capital payments for the Housing and Community Services Sector are estimated to increase by 8.0 per cent, or 1.0 per cent in real terms, on the preceding year. Additional funding in the Water and Sewerage area reflects the special environmental program, introduced in late 1989. In the area Protection of the Environment the substantial increase relates to projects being undertaken by the Waste Management Authority. Funding has also been provided to continue the policy of acquisition of properties nominated under environmental plans.

1990-91 Capital Program Highlights

HOUSING

Rental Housing Program

Public housing is a scarce resource. A key strategy is therefore to increase the overall availability of stock and to ensure that housing opportunities are maximised within available funds.

Financial assistance to the States and Territories for public housing is provided under the Commonwealth State Housing Agreement. A new Agreement commenced operation from 1 July 1989. The aim of the new Agreement is to focus financial resources on a capital construction method of delivering public housing. In addition, as a result of successful negotiations led by New South Wales, provision has been made for financial assistance to be directed toward subsidy based programs for both public rental housing and home purchase assistance schemes.

The new Agreement provides for the replacement of concessional loans for public housing, known as nominated funds, with additional grants. As under past Housing Agreements, financial assistance is provided by way of tied grants to specific programs and untied grants for housing assistance generally. The States are required to match the untied portion of assistance on a \$ for \$ basis. One-half of the State matching obligations is to be met from the value of home loans provided through home purchase assistance programs. The balance is to be in the form of State grants from the Consolidated Fund. For 1990-91 the matching requirement for New South Wales is \$84.3 million, an increase of \$23.1 million over last year.

During the year the Department of Housing is to undertake a major initiative in the area of public housing, the Public Equity Partnership Arrangement. This involves the private sector providing capital funds for the acquisition of housing stock which will be leased to eligible public housing applicants. The Department of Housing will be responsible for a rental subsidy related to the dwellings. The objective of the program is to provide a cost-effective means of increasing the supply of public rental housing above that which can be provided from within the level of Commonwealth and State funds.

The overall allocation for public housing for 1990-91 is \$560 million. Key features of the program include –

- the completion of approximately 4,000 new dwellings which were in progress at 30 June 1990 or which were committed and will be completed during the year;

- the commencement of 2,631 new dwellings to be supplemented by a target of 1,000 new dwellings under the Public Equity Partnership proposal;
- commencement of 1,501 units of accommodation for aged people;
- an upgrading program of \$43 million funded from the capital budget (an additional \$61 million of maintenance expenditure is funded from the operating budget); and
- commencement of 177 units of accommodation through the Local Government and Community Housing program.

Home Purchase Assistance

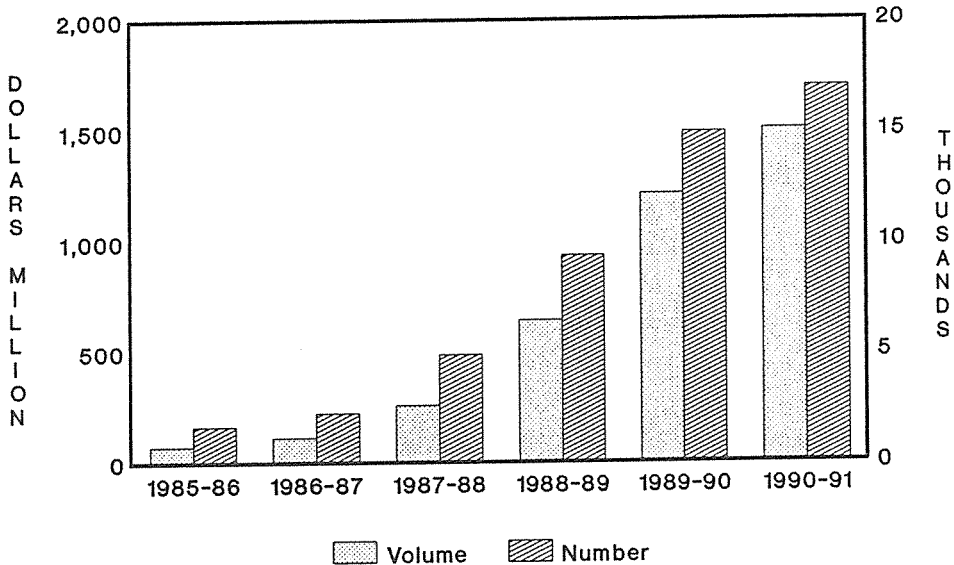
Since the commencement of arrangements in 1945–46 between the Commonwealth and States for provision of funding for housing, financial assistance has been provided to low to moderate income earners towards the acquisition of a home. Up to 1986 funding for the program was on the basis of loans, at concessional interest rates, from the Home Purchase Assistance Account. Repayments from borrowers were used to create a revolving fund which was supplemented by State or Commonwealth grants and/or advances. In 1986–87 some \$80 million was made available to New South Wales homebuyers under these arrangements.

Recognising the need to improve the cost effectiveness of the Government's home lending programs, arrangements were introduced from 1987–88 which provided for all funding for the Government programs to be raised in the capital market by FANMAC, a company owned by a range of private sector financial institutions with a minority shareholding by the Government. Government financial support, which is provided from the Home Purchase Assistance Fund, is directed towards interest rate subsidies and other risk cover. This move substantially improved the volume and stability of funds for housing by releasing the Government from the need to provide direct loan assistance and hence the program was able to be substantially geared-up. In 1987–88 loans settled during the year amounted to \$253 million. This increased to \$637 million the following year and \$1,211 million in 1989–90. For 1990–91 the Government has a target of \$1,500 million for home loan settlements. This is almost twenty times the level of Government assistance prevailing up to 1986–87.

The spectacular growth in home purchase assistance is shown in Figure 5.11.

Figure 5.11

HOME PURCHASE ASSISTANCE - LOANS SETTLED



Following the initiatives introduced by New South Wales in the area of home purchase assistance, the Commonwealth is now requiring all States to gear-up their home lending programs to utilise off-Budget sources of funding. The 1989 Commonwealth-State Housing Agreement makes specific provision for programs of this nature and following successful lobbying led by New South Wales also provides some financial support to be directed to home lending programs.

New South Wales will continue to pursue any initiatives in this area which will increase the opportunities for residents of this State to acquire a home of their own with an affordable mortgage. Further details on the Home Lending Program for 1990-91 are contained in the separate Budget information booklet issued on Housing.

Teacher Housing Authority and Public Servant Housing Authority

The Teacher Housing Authority's program includes the construction of additional dwellings for teachers in country areas and the upgrading of its existing housing stock. Planned expenditure of \$6.0 million will be fully funded from internal sources.

The Public Servant Housing Authority's allocation of \$200,000 will enable the Authority to continue its housing stock upgrading program. Properties essential to the operations of various agencies are being transferred to the relevant agencies to administer with any surplus dwellings being disposed of by the Public Servant Housing Authority.

HOMESITE DEVELOPMENT

The commencement of the 1990-91 financial year is highlighted by continuing high interest rates which is impacting on the ability of new homebuyers to find affordable land.

An amount of \$115 million has been allocated to the Department of Housing for homesite development in the year. Lot production will be geared to providing sufficient blocks over a wide range of prices to meet the needs of home builders, but with an emphasis on the middle and lower range price markets.

In addition an amount of \$3.9 million will be available to the Department of Lands for development of Crown Lands homesites in country areas.

WATER AND SEWERAGE

Water Board

In 1990-91 the Water Board's Capital Program of \$479.9 million will be funded from reserves, (\$377.4 million) including the Special Environmental Levy, asset sales (\$13.4 million) and contributions from developers (\$89.1 million).

Key areas of the program will focus on environmental protection, including initiatives in beach protection and sewerage backlog; improvements in water quality and system reliability and safety. In addition, the Board's Capital Program includes an amount of \$223.5 million for Environmental Protection, mainly in the areas of Ocean and Inland Sewage Treatment Plant Amplification and Upgrading, Backlog Sewerage Collection and Sludge re-use and disposal.

The Water Boards' program for 1990-91 includes provision for –

- sewerage services to 2,900 existing urban lots, predominantly in Hornsby Heights, Berowra, Church Point, Refuge Cove, Long Beach, Careel Bay, Palm Beach, Whale Beach, Springwood, Falconbridge, Wentworth Falls and Picton. These include some works funded by the Special Environmental Protection levy;
- water and/or sewerage services to 10,000 urban consolidation and new release lots;
- Prospect Reservoir By-Pass Stage 1 (\$9.3 million);
- Greaves Creek Dam water treatment works (\$3.2 million);
- Orchard Hills water treatment works Stage 2 (\$2.9 million);
- Cascade Dam water treatment works (\$3.4 million);
- continuation of the sewer/stormwater separation program to reduce sewage overflows to Sydney Harbour;

- substantial progress on amplification of Winmalee sewage treatment plant;
- Blue Mountains' sewage treatment plant diversion tunnel (\$11.0 million);
- commencement on upgrading the primary treatment processes at North Head, Bondi and Malabar sewage treatment plants (\$9.9 million); and
- substantial progress on sludge dewatering plants at Bondi, Castle Hill, Cronulla and Glenfield sewage treatment plants.

Hunter Water Board

The Hunter Water Board's program totalling \$45.1 million will be funded totally from the Board's revenue, reserves and contributions by developers.

The allocation makes provision for the continuation of work on the following major projects in 1990-91;

- the construction of Burwood Beach Waste Water Secondary Treatment Works (\$5.5 million in 1990-91);
- provision of amplification of sewer mains to eliminate overload at Charlestown and Maitland;
- the Hunter Fringe Area Sewerage Project (\$14.0 million contribution by the Board in 1990-91). The Scheme is funded on a 50:50 basis with the Public Works Department, which also acts as the project manager. The Project works for the year will include the following –
 - completion of sewerage schemes at Killingworth, Paxton and Gilliston Heights;
 - construction of the major sewerage transportation system across Lake Macquarie (Toronto to Belmont) and commencement of construction of Toronto Treatment Works; and
 - construction of the major transportation system from Salamander Bay to Bolder Bay Treatment Works as part of the Tomaree Peninsular Sewerage System.

The remainder of the program is for new and continuing general water, sewerage and drainage works.

Broken Hill Water Board

An amount of \$3.2 million will be available to the Board in 1990-91. The allocation includes provision for the continuation of work on the Stephens Creek Pumping Station, Menindee Pipeline Boosters, Warren Street Construction and Menindee and Kinalung Pumping Stations.

Country Town Water Supply and Sewerage Schemes

The overall program includes two components, one involving dollar for dollar subsidies for Council operated water supply and sewerage schemes and the other the operation of Government water supply undertakings. The overall allocation for the schemes in 1990-91 is \$81.0 million, \$74.8 million for direct Government subsidies and \$6.2 million for Government operated schemes for the South-West Tablelands and Fish River.

A large number of projects are proceeding under the subsidy arrangements available to local councils in country areas to undertake water supply and sewerage schemes.

Expenditure on major works in the program includes –

- Gosford-Wyong Regional Water Supply – (\$3.7 million);
- Gosford Regional Sewerage Scheme – (\$12.5 million);
- Hunter Sewerage Scheme – (\$13.5 million);
- Albury Water Supply – (\$2.0 million);
- Coffs Harbour Northern Areas Sewerage – (\$3.0 million);
- Dungowan Dam Spillway Augmentation – (\$2.2 million);
- Rous District (Rocky Creek) Water Supply – (\$2.3 million);
- St. Georges Basin Sewerage – (\$2.9 million).

Other works are continuing at Alstonville, Bathurst, Barooga, Berridale/East Jindabyne, Binalong, Bundarra, Casino, Coffs Harbour, Crookwell, Goulburn, Griffith, Kempsey, Kootingal, Merimbula, North Batemans Bay, Pacific Palms, Nowra/Bomaderry, Port Macquarie, Tamworth, Wauchope, Wentworth, Wellington, Wingham and Werris Creek.

Provision has also been made for a number of new works to commence in 1990-91 subject, in a number of cases, to consideration by the councils concerned. The total cost of these works is estimated at \$26 million of which around \$1.5 million could be required in 1990-91. The locations of the major works proposed include Callala Bay/Huskisson, Howlong, Forster and Dunoon/Channon/Modanville.

PROTECTION OF THE ENVIRONMENT

Water Board

The Water Board is continuing its program to improve the quality of the beaches and waterways of Sydney and Wollongong, streams of the Blue Mountains and the environment generally. In 1990-91 an amount of \$83.0 million will be available from the Environmental Protection Levy and will be directed to projects of significance associated with Blue Mountains sewage treatment and upgrading of the ocean outfall sewage treatment plants.

Hunter Water Board

The Board has adopted an Environmental Management Plan with a proposed total expenditure of \$14.4 million over the next five years. Projects will be directed toward nutrient removal, odour control, initiatives in recycling and other works to minimise environmental impact.

Department of Planning

An allocation of \$46.4 million has been made to the Department in 1990-91. The program includes –

- \$1.4 million for further land acquisitions at the Western Sydney University site;
- \$2.8 million for restoration and landscaping works at Little Manly Point and Kelly's Bush;
- \$1.5 million for open space development works;
- \$2.5 million for land acquisitions under the Coastal Lands Protection Scheme;
- \$2.6 million for inner city open space land acquisitions; and
- various other land acquisitions and development in the Sydney Region for planning purposes and open space of \$31.6 million.

State Pollution Control Commission

The allocation of roundly \$2 million includes \$1 million for the purchase of scientific and technical equipment required in pollution monitoring and \$1 million for computer equipment.

Waste Management Authority of New South Wales

The allocation of \$34.5 million, to be funded entirely from authority revenues, will enable the Authority to develop and expand facilities for waste disposal in the Sydney metropolitan area. The strategy of the Authority is to maintain the system of landfill disposal within the Sydney Metropolitan area for the solid waste system which involves replacing landfill sites, privately owned or owned by the Authority with transfer stations and long haul landfill sites. Major new works to be undertaken include development of transfer stations at Seven Hills and Belrose and an Aqueous Waste Plant at Lidcombe.

5.3.6 RECREATION AND CULTURE

Overview

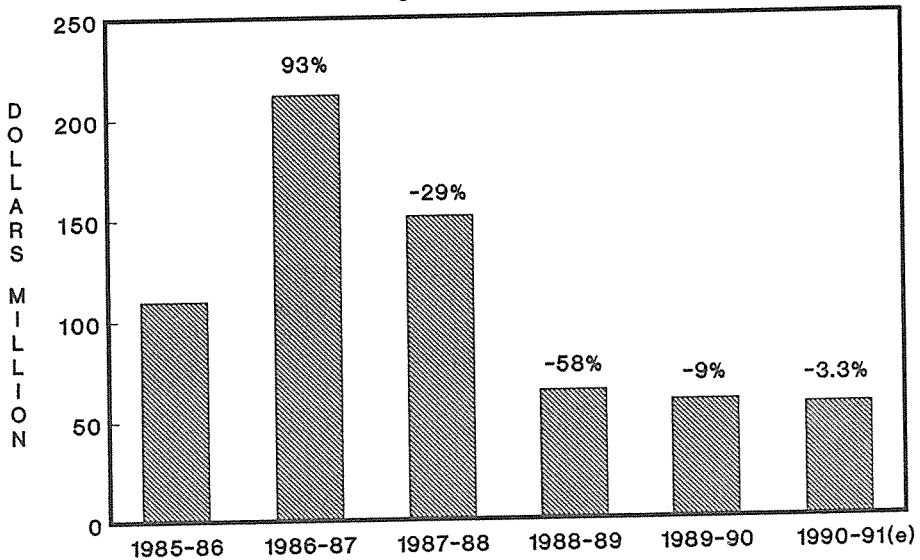
Funding is provided under this policy area to meet the cost of Recreation Facilities and Services together with Cultural Facilities and Support of the Arts.

The area includes funding for the Department of Sport, Recreation and Racing, the National Parks and Wildlife Service, Royal Botanic Gardens, Bicentennial Park, Centennial Park, the Zoological Parks Board, the Public Reserves Management Fund and the Ministry for the Arts, inclusive of the State's cultural institutions.

EXPENDITURE TRENDS

Figure 5.12

RECREATION AND CULTURE
(Payments expressed in real terms, 1990-91 base;
Percentage change on previous year)



Capital expenditure in the recreation and culture area peaked in 1986-87 with the coming on stream of a number of major projects. These projects included the Art Gallery, State Library, Australian Museum, Power House Museum, the Sydney Football Stadium, and the development of the Royal Botanic Gardens, including Mount Tomah and Mount Annan. Many of the works were undertaken as special Bicentennial projects.

Since that time the capital payments in this area have declined in real terms, with a corresponding real increase in recurrent expenditure to service the new and expanded facilities.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Recreation Facilities and Services	38.6	33.5	(-) 13.2
Cultural Facilities and Support of the Arts	16.4	23.3	+ 42.1
Total	55.0	56.8	+ 3.3

Total payments in 1990-91 are projected to decrease by 3.3 per cent in real terms compared to the level of expenditure in 1989-90.

For 1990-91 allocations amount to roundly \$56.8 million, as follows –

	\$m
Recreation Facilities and Services –	
Department of Sport, Recreation and Racing	5.4
National Parks and Wildlife Service	20.8
Royal Botanic Gardens	1.0
Bicentennial Park	0.9
Centennial and Moore Parks	0.7
Zoological Parks Board	3.8
Public Reserves Management Fund	0.9
	<hr/>
	33.5
	<hr/>
Cultural Facilities and Support of the Arts –	
Ministry for the Arts – Policy Co-ordination and support of cultural activities	1.8
Art Gallery	1.0
State Library	2.4
Australian Museum	1.9
Sydney Opera House	14.4
Museum of Applied Arts and Sciences	1.0
Preservation of Historic Houses	0.8
	<hr/>
	23.3
	<hr/>
Total	56.8
	<hr/>

1990-91 Capital Program Highlights

RECREATION FACILITIES AND SERVICES

Department of Sport, Recreation and Racing

The Department's Capital Works strategy is linked to two particular objectives which are –

Fulfilment – a community in which individuals are able to be fulfilled through participation in sport and recreation.

Excellence in Sport – excellence in performance by New South Wales competitors in national and international events.

Sporting/recreational facilities are provided to the community in order to cater for three levels; local, regional and international.

The allocation of \$5.4 million includes \$1.3 million to provide for the ongoing construction of the International Standard Rowing Course at Penrith Lakes. It also makes provision for –

- redevelopment of existing facilities at Milson Island Sport and Recreation Centre (\$660,000);
- computer funding for the Accounting and Racing Taxation System (\$1.4m); and
- the upgrading of existing accommodation and facilities.

National Parks and Wildlife Service

The Service will continue through its Capital Works Program, to place emphasis on improved reserve management through the development and upgrading of the standard of access and visitor facilities. Key areas targeted under this strategy are the major metropolitan parks, the Blue Mountains, Myall Lakes, Kosciusko and Budderoo National Parks.

The allocation of \$20.8 million includes \$7.0 million for development works in National Parks and State Recreation Areas. Provision has been made for the following projects –

- further development works in Blue Mountains National Parks;
- continuation of the upgrading of facilities in Sydney Harbour National Parks;
- road and facilities upgrading in Myall Lakes National Parks;
- establishment works in Budderoo National Park;

- establishment works in Yengo National Park and Parr State Recreation Area at Wiseman's Ferry;
- completion of the Oxley Wild Rivers development;
- continuation of the upgrading program for fire suppression and communication equipment;
- completion of the Ku-ring-gai Chase National Park development and restoration works;
- continuation of the upgrading of facilities in Royal National Park; and
- road maintenance and reconstruction in Kosciusko National Park.

The allocation also includes \$3.2 million for the acquisition of motor vehicles, plant and equipment.

Royal Botanic Gardens

The allocation of approximately \$1 million provides mainly for the purchase of plant and equipment.

Bicentennial Park

An amount of \$868,000 has been allocated towards the maintenance and development of the park, including construction of a visitor's centre.

Centennial and Moore Parks

An amount of \$713,000 has been allocated towards the maintenance and development of Centennial Park and Moore Parks.

Zoological Parks Board

The Capital program is one of the Board's corporate goals in achieving its mission of promoting positive community attitudes towards wildlife and the environment.

The major initiatives for 1990-91 include -

- The Orang-utan Exhibit comprising six night dens, an outdoor viewing area and facilities for viewing the Orangs in wet weather. Funding of \$1.5 million has been provided to continue this project;
- The main entrance of the zoo is inadequate in terms of visitor impression and the commercial return of the retail outlet. The redevelopment of the Top Entrance, estimated to cost \$2.1 million, will commence in 1990-91; and

- Development of the top floor of the Convention Centre, known as the Harbourview Terrace, at an estimated total cost of \$510,000 will commence in 1990-91.

The allocation also makes provision for exhibit renovations and purchase of plant and equipment.

Public Reserves Management Fund

The allocation of \$900,000 to the Fund will support a continuing program to assist in the upgrading and management of showgrounds, caravan parks and other reserves.

CULTURAL FACILITIES AND SUPPORT OF THE ARTS

The portfolio is engaged in defining and balancing its minor works and recurrent programs, with capital works restricted in line with inner budget sector trends to essential works and a regular program of maintenance.

A program of planned and catch up maintenance at the Sydney Opera House costing \$107.9 million over a ten year period commenced in 1989-90. An amount of \$14.4 million has been provided this financial year towards the program.

The overall 1990-91 allocation of \$23.3 million for cultural facilities also includes provision for further upgrading of facilities and restoration on the following projects -

	\$m
• Art Gallery - roof repairs	0.35
• State Library - continuation of the sprinkler system project	1.27
- continued rewiring of the Mitchell Wing	0.21
• Museum of Applied Arts and Sciences - Ordinance 70 Building works at 659 Harris Street, Ultimo	0.35
• Australian Museum - Final contractual payments for new wing project	0.55
• Historic Houses Trust - refurbishment of Hyde Park Barracks	0.60

In addition, a divers' survey is to be undertaken during 1990-91 at Pier 4/5, Walsh Bay to determine the extent of necessary restoration work. An amount of \$300,000 has been allocated for this survey. Major restoration work will commence in 1991-92.

5.3.7 ECONOMIC SERVICES

Overview

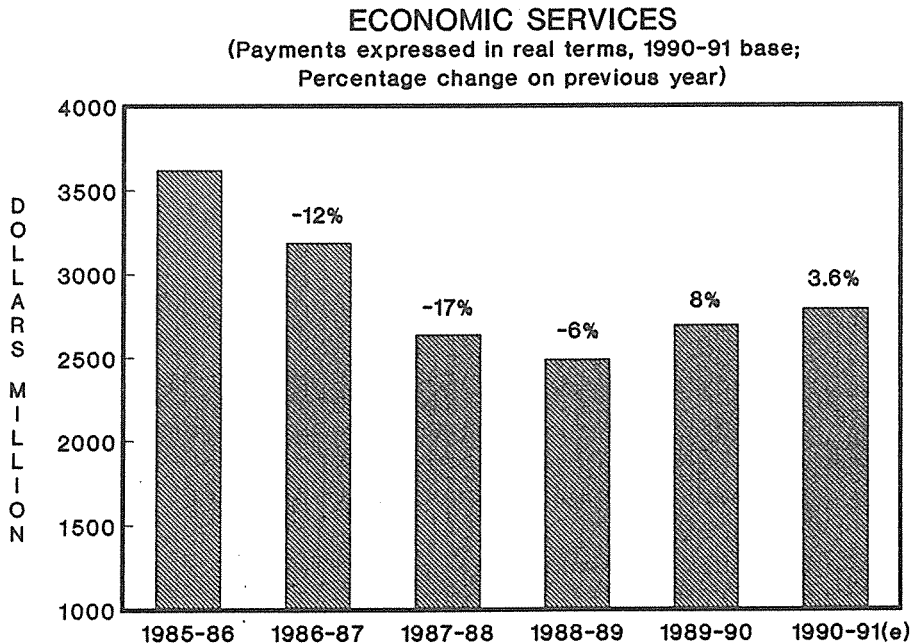
The Economic Services policy area includes four broad industry sectors –

- Agriculture, Forestry and Fishing – consisting of the Forestry Commission, Agriculture and Fisheries, Rural Assistance Authority, Department of Water Resources, Soil Conservation Service, Sydney Market Authority and Graincorp;
- Transport and Communication – including the Roads and Traffic Authority, Maritime Services Board, Department of Transport and the various transport authorities;
- Electricity – comprising the Electricity Commission and the Electricity County Councils; and
- Other Economic Services. Included here are minor computer capital payments for the Departments of State Development and Business and Consumer Affairs.

The Capital Program in this area aims at providing the infrastructure necessary to deliver essential economic services and foster the Government's Economic Development Strategy.

EXPENDITURE TRENDS

Figure 5.13



Over the five years to 1989-90 Capital payments in the Economic Services area declined by 33.0 per cent in real terms. This trend was reversed in 1989-90 with a real increase of 3.6 per cent. The allocations in this area in 1989-90 included significant one-off payments for acquisition of egg quotas (Hen Quota Committee) and staff redundancy payments (Department of Transport) as well as the substantial additional road funding made possible through the introduction of the 3 cent fuel levy.

Capital expenditure by the Electricity Commission peaked in real terms in 1983-84 and has since been progressively wound down reflecting the Commission's policy of moving away from construction of new power stations to meet increased energy demands, towards demand management and improving availability performance and life extension of existing plant.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Agriculture, Forestry and Fishing	176.6	104.4	(-) 40.9
Transport and Communication	1,933.1	2,171.5	+ 12.3
Electricity	348.3	428.2	+ 22.9
Other Economic Services	59.1	83.8	+ 41.8
Total	2,517.1	2,787.9	+ 10.8

The various allocations in the Economic Services area amount to \$2,787.9 million as follows -

	\$m
Agriculture, Forestry and Fishing -	
Forestry Commission	6.0
Department of Water Resources	61.5
Rural Assistance Authority	10.4
Sydney Market Authority	2.6
Soil Conservation Service	1.2
Agriculture and Fisheries	8.7
Graincorp	13.6
Wild Dog Destruction Board	0.4
	<hr/>
	104.4
Transport and Communication -	
State Rail Authority	
. Non-Commercial Operations	392.0
. Freight Operations	110.0
Department of Transport	
- Interchanges	12.4
- Other	152.0
State Transit Authority	43.7
Roads and Traffic Authority	1,406.5
Maritime Services Board	30.9
Public Works Department -	
Coast and Rivers (including Waterways)	24.0
	<hr/>
	2,171.5
Electricity -	
Electricity Commission	407.1
Electricity County Councils	21.1
	<hr/>
	428.2
Other Economic Services -	
Coal Compensation Board	50.0
Sydney Cove Redevelopment Authority	12.9
Department of State Development	5.2
Department of Industrial Relations	0.6
Department of Minerals and Energy	5.9
Business and Consumer Affairs	4.4
Department of Further Education, Training and Employment	4.8
	<hr/>
	83.8
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Total	2,787.9
	<hr/>

1990-91 Capital Program Highlights

AGRICULTURE, FORESTRY AND FISHING

Forestry Commission

The allocation makes provision for the second instalment on the purchase of the Commission's new Head Office. The Commission's reforestation program is now excluded from the State's capital program as the output is more in the nature of "stock-in-trade" than capital.

Department of Water Resources

The allocation of \$61.5 million includes the following -

- \$4 million for the Murray Valley Salinity and Drainage project;
- \$10.4 million for flood security works at Burrinjuck Dam;
- \$4 million for urban flood plain protection;
- \$6.0 million in contributions to the Murray Darling Basin Commission including \$2.4 million to meet the State's share of an approved capital program and a further \$3.6 million to meet the costs associated with the Salinity and Drainage Strategy and the Natural Resources Management Strategy;
- \$3.0 million in contributions to Dumaresq Barwon Border Rivers Commission to meet the State's share of construction costs of Boggabilla Weir on the Macintyre River;
- \$3 million, including State funds of \$1.5 million and a matching contribution to be paid by irrigators, for asset refurbishment within Irrigation Areas and Districts;
- \$3.3 million received from the Commonwealth Government under the Federal Water Resources Assistance Program for floodplain management and salinity reduction; and
- \$2 million for Pindari Dam Enlargement. The estimated total cost of this project is \$76.8 million of which irrigators have agreed to contribute 25% by way of additional water charges.

Sydney Market Authority

It is estimated that \$2.6 million will be expended by the Sydney Market Authority to complete construction of the eastern carpark, a child care centre, purchase of plant and equipment and the acquisition of adjoining properties for further warehouse development.

Soil Conservation Service

The majority of works undertaken by the Service and previously funded through the Capital Program have been transferred to the recurrent budget being more in the nature of a maintenance activity. The capital allocation of \$1.2 million for 1990-91 includes \$0.9 million for computers and \$200,000 for plant and equipment.

Agriculture and Fisheries

Agriculture and Fisheries has been allocated \$8.7 million in 1990-91.

The major items in the program include the following -

- \$1.78 million to complete the clean animal houses, being Stage III of the Elizabeth Macarthur Agricultural Institute established on the historic Camden Park property (estimated total cost \$34.7 million).
- \$420,000 to relocate the Post Harvest Laboratory, Gosford to the Horticultural Research & Advisory Station, Gosford (estimated total cost \$453,000).
- \$420,000 to upgrade the flood irrigation systems at the Agricultural Research Centre, Trangie; Agricultural Research & Advisory Station, Narrabri; and Breeza Sub-Station (estimated total cost \$827,000).
- \$3.7 million for the purchase and replacement of new plant, equipment, marine craft, roadworks and minor capital works.
- \$2.0 million to upgrade computer facilities throughout the State (estimated total cost \$3.9 million).

Rural Assistance Authority

The Authority was established in 1989-90 and is responsible for the provision of assistance to primary producers under various schemes formerly administered by the State Bank and the Rural Assistance Board.

An overall amount of \$10.4 million has been provided to the Authority for 1990-91 and includes \$6m for Special Schemes to make loans and advances for Soil Conservation, Stock and Domestic Water Supply, Irrigation and other works. \$3.9 million has also been provided for relief measures associated with natural disasters while a further \$0.5 million has been allocated for a computerised management information system.

TRANSPORT AND COMMUNICATION

State Rail Authority

The capital program of State Rail has been divided into two separate subprograms; Commercial (Freight and Freight related corporate services) and Non-Commercial (City Rail, Country Link and other corporate).

Much of State Rail's program of reform is driven by its ten year \$2.6 billion capital investment plan – (\$2 billion for Non-Commercial and \$600 million for Freight operations) which has been earmarked for essential investment in replacing, renewing or modernising life-expired assets. This investment is important to turning around State Rail's financial performance.

The primary focus of this investment is to restore State Rail to a stable financial basis by catching up on deferred maintenance, by modernisation and by equipping State Rail businesses to provide the service demanded by their customers.

The investment plan is intended to deliver -

- substantial service improvements in all businesses;
- increased productivity of resources;
- profitability for commercial businesses; and
- efficient production and marketing systems in all businesses.

Commercial SRA

The major objectives of the SRA in the Commercial area in 1990-91 are to –

- Reduce delays thereby providing lower costs and a more responsive service to customers through the creation of a more effective signalling and communication system.
- Reduce costs and improve reliability through the introduction of new and more efficient locomotives.
- Reduce costs and meet customer requirements through the acquisition of increased wagon capacity.
- Implementation of track maintenance plan and reinvestment in track to lower maintenance costs and take advantage of commercial opportunities.
- Improve responsiveness and reduce operating costs through the introduction of modern telecommunications and radio systems.

In pursuing these objectives the commercial operations of the State Rail Authority will spend some \$110 million this year on capital works for Freight services, the significant items being;

- Increased wagon capacity

Provision of \$6.7 million has been made to convert current wagons to new service in line with customer needs for minerals, grain and the express rail service.

- New and more efficient locomotives to reduce costs and improve reliability.

An amount of \$8.6 million has been allocated to re-build locomotives to meet immediate needs and to make provision for investigation into future locomotive needs.

- Freight infrastructure

A total of \$14.3 million has been allocated to complete existing projects and to commence new works. Projects include -

- Moss Vale - Port Kembla Line (\$3.2 million)
- East-West Corridor (\$1.2 million)
- Maitland Junction Upgrade (\$3.5 million)
- Loco Fleet Plan Crossing Loops (\$3.2 million)

- Bridges

An allocation of \$10 million has been made for the replacement of timber underbridges and overbridges throughout the network.

- Improvements to signalling and communications

Provision of \$8.5 million has been made for the upgrading and replacement of signalling equipment and the replacement of cabling which is due for renewal.

- Improvements of track improvements and maintenance plan

A provision of \$29.4 million has been made for improvements to the track and the provision of modern equipment to undertake track maintenance works more efficiently. These works will improve system reliability and customer service.

- Radio Communications and Management Information Systems

Provision of \$12 million has been made for the installation of new and improved radio communication systems and for the development of computer based management information system for Freight.

Non-Commercial SRA

The major objectives of the SRA in the non Commercial area in 1990-91 are –

- Improve country and interstate passenger services through the introduction of XPT trains on the Sydney-Melbourne route and introduction of "Explorer" trains on country services.
- Improve suburban and interurban passenger services through continued investment in new passenger rolling stock (Tangara) and the upgrading of existing passenger rolling stock.
- Reduce delays and enhance safety by improvements to signalling systems.
- Improve system reliability through improvements to track and electrical systems.
- Replacement/renewal of bridges.
- Implementation of an automatic fare collection system.
- Improve operational and management efficiency through the implementation of an integrated telecommunications network and a new computer centre.

In pursuing these objectives, the non-commercial operations of the State Rail Authority will spend some \$392 million on capital works in both the City Rail and Country Link networks. The significant items are –

City Rail

- Passenger rolling stock (Tangara)

Provision of \$108 million has been made for the continuation of the deliveries of the Tangara cars at the rate of 60 per annum. Already 120 Tangaras are in service.

- Passenger Infrastructure

An allocation of \$9 million has been made for works such as the refurbishment of the Sydney Terminal and replacement of the operations control centre.

- Electrification

An amount of \$8.2 million has been allocated for electrification works. The major project is the electrification of the Riverstone to Richmond line (\$8.0 million).

- Station Upgrading

The station upgrading and modernisation program is continuing with the allocation of \$19.2 million.

- Train Servicing Facilities

A total of \$4 million has been allocated for the upgrading of maintenance centres.

- Bridges

Provision has been made of \$16 million for the renewal and replacement of bridges throughout the network.

- Signalling

A total of \$82.4 million will be spent to renew and modernise the signalling systems to ensure their integrity and reliability.

- Electrical

An amount of \$15.6 million has been allocated for upgrading of electrical infrastructure, overhead wiring conversion and substation improvements.

- Track Restoration

Provision of \$63.9 million has been made to continue the track upgrading program throughout the City Rail network. Major items are –

- Metropolitan track strengthening and replacement of timber sleepers with concrete (\$26 million)
- Upgrading of track in the city underground (\$3 million)
- General track upgrading throughout the network (\$13.4 million)

Country Link

- XPT Trains on Sydney-Melbourne Route

Provision of \$16.4 million has been made to provide further XPT trains for allocation to the Sydney-Melbourne route.

- Station Upgrading

An allocation of \$6.2 million has been made for the development of coach/rail interchanges, rail travel centres and the upgrading of stations.

- Radio Communications and Management Information Systems

Provision of \$36 million has been made for the installation of new and improved radio communication systems and for the development of computer based management information systems for City Rail and Country Link.

Department of Transport

The Capital Program focuses on making public transport more attractive by providing better facilities, such as convenient and safe carparks at railway stations, transport service information, bus/rail interchanges and bus stop shelters. The works funded under the program are part of an integrated Government transport strategy that brings together programs of asset rationalisation, bus and rail operational strategies, city planning aims and capital improvement programs of State Authorities.

There are clear benefits to the community from the Interchange Improvement Program, including reduced travel times, increased passenger comfort and safety and reduced road congestion and maintenance costs.

Major initiatives for this year include -

- Parkway park nightrider facilities at Springwood, Gosford and Penrith, featuring improved security.
- Major bus/rail interchange improvements at Pennant Hills and Hornsby.
- An Interchange for the University of Western Sydney at Kingswood.
- An amount of \$400,000 to be spent on transport facilities in rural NSW.
- A computerised transport information system being trialled at Chatswood.
- A bus/ferry parking facilities project.
- A program of building bus shelters and improving bus stop information in outer metropolitan Sydney.
- The provision of a central country and interstate coach terminal at Eddy Avenue in the City of Sydney.

State Transit Authority

The capital program supports projects which improve services and satisfy community needs while also furthering the Authority's initiatives to create an efficient and commercially driven organisation. All Capital Projects have been selected to make a positive and discernible contribution to achieving the State Transit's objectives within the context of its Corporate Plan. These objectives can be summarised into three broad areas as follows -

- Financial - to reduce Government payments by increasing revenues and decreasing costs. The majority of projects are aimed at positively changing financial performance.

- Service - relates to the quality, reliability and frequency of buses and ferries.
- Community - benefits flow to the communities of Sydney and Newcastle from the large number of people travelling by State Transit bus and ferry services thereby reducing demand on the road system.

The allocation of \$43.7 million includes provision for the following -

- Purchase of a further two high speed catamarans.
- Purchase of high capacity buses
- Rebuilding of Randwick bus depot
- Improving bus servicing facilities
- Modifications to catamaran ferries
- Major upgrading of EDP equipment and systems development

Roads And Traffic Authority

The Roads and Traffic Authority was formed to provide co-ordinated programs for both the efficiency of the road system and the safety of road users. The total allocation to the Authority for these programs in 1990-91 is \$1,406.5 million which is 10.8 per cent more than equivalent expenditure in 1989-90. Funding in 1990-91 will comprise \$65.1 million from Authority Reserves and new funds of \$1,341.4 million as follows -

	\$m
Commonwealth Specific Purpose Payments	489.0
Motor Vehicle Taxation	351.0
Fuel Levies	450.0
Authority Revenues	51.4
Authority Reserves	65.1
	1,406.5

The 1990/91 allocation reflects the Government's continuing commitment to dedicate all proceeds from State fuel levies to the Roads Program, including the additional three cent fuel levy which is expected to raise approximately \$206 million this year. Moreover, for the second year in succession, no new borrowings are to be raised to support the programme. This will have future benefits as savings in debt servicing costs will result in more funds being available for works programs in future years.

The corporate mission of the Authority is to manage the use, maintenance and enhancement of the State's road and traffic system with emphasis on road safety and transport efficiency as part of an integrated and balanced transport strategy.

To support this mission, the broad capital works strategy is to -

- enhance selected strategic routes to support the development of the State and improve safety, capacity and travel time;
- maintain the condition of the balance of the network to an acceptable level to provide social and commercial access and mobility throughout the State; and
- provide facilities to improve traffic flow and safety for all road users.

The Statewide program of road works being undertaken this year includes -

SYDNEY MAJOR ROUTES

Description of Project	Estimated Expenditure 1990-91 \$m
Sydney Newcastle Freeway - Noise Reduction Treatment on the F3 Sydney - Newcastle, Freeway from Wahroonga to Mount Ku-ring-gai	4.0
Glebe Island Arterial Route - Construction from Darling Harbour to Victoria Road, White Bay	13.4
City West Link Road - Construction of City West Link Road from Victoria Road, White Bay to Parramatta Road, Five Dock	4.2
South Western Freeway - Construction between Salt Pan Creek, Padstow and Moorebank Ave, Moorebank	2.5
Southern Arterial Route - Construction of Southern Arterial Route between Harris Street, Pyrmont and Botany Road, Waterloo	4.4
State Route No 33 - Upgrading to provide six lane divided carriageways, between Prince's Highway, Hurstville, Blakehurst and Penshurst Ave, Penshurst	3.5
State Route No 33 - Murlborough Road Deviation Construction of dual carriageways between Arthur St & Parramatta Rd, Homebush West	8.7

Description of Project	Estimated Expenditure 1990-91 \$m
State Route No 33 - Homebush Deviation Construction of Dual Carriageway between Parramatta Rd, Homebush West & Concord Rd, Rhodes	3.7
State Route No 33 - Construction of Grade Separated Intersection of Victoria Rd & Devlin St Ryde	3.8
Menai - Dundas - Construction of new deviation from Menai Road to Alford's Point Road, Woronora	7.4
Gore Hill Freeway - Construction of four lane carriageways and associated bridgeworks from F1 Freeway to Pacific Highway, Lane Cove	16.0
Castlereagh Freeway - Construction of Single Carriageway & Bridgeworks from Terrys Creek to Beroona Rd, Epping	2.5
Castlereagh Freeway - Construction of four lane divided carriageway and associated bridgeworks from Pennant Hills Road to Abbott Road Seven Hills	3.0
Western Freeway - Construction of 4 Lane Divided Carriageway & Bridgeworks from Quarry Rd, Prospect to Eastern Creek	12.0
Western Freeway - Construction of four lane divided carriageway and Bridgeworks - Russell Street, Emu Plains to Lapstone including interchange at Russell Street	6.0
Western Freeway - Construction of Grade Separated Interchange, including Bridgeworks, at Victoria Rd, North Parramatta	3.4
Cumberland Highway - Upgrading to 4/6 lanes from Prospect Creek (Kenyon's Bridge), Smithfield to Cabramatta Creek, Cabramatta West	2.9
Cumberland Highway - Widen to 6 lane divided carriageway from Mahers Road to Thompsons Corner, West Pennant Hills	11.1
Cumberland Highway - Upgrading to four lanes from Windsor Rd to four lanes from Windsor Rd to Old Northern Rd, Castle Hill	4.0

Description of Project	Estimated Expenditure 1990-91 \$m
Windsor Road - Improvements to Intersection of Windsor Rd, Seven Hills Rd & Old Northern Road, Baulkham Hills	2.4
Wallgrove Road & Elizabeth Drive - Upgrading from Single to 2 lane between Elizabeth Drive, Cecil Park & The Horsley Drive, Horsley Park	3.1
Boundary Road - Widening & Strengthening between Pennant Hills Road, West Pennant Hills & Old Northern Rd, Rogans Hill	3.5
Phillip Parkway - F4 Western Freeway to F2 Castlereagh Freeway	5.8
Horsley Drive - Horsley Road deviation and upgrade for Grand Prix Race Course	2.6

OTHER SYDNEY ROADS

Sutherland - Illawong Road - Construction of medium level Bridge over Woronora River at Sutherland including approaches	2.4
Sydney Harbour Tunnel Co. - Monitor the operations of the Sydney Harbour Tunnel Company and Supplementary Works	3.8
Route and Network Development and Accident Reduction - Forward Planning for route and Network Development and accident reduction - Central Region	3.6

CENTRAL COAST AND NEWCASTLE AREAS

Sydney - Newcastle Freeway - Divided carriageways including structures from 127 km to 134.0 km Palmers Road to Wakefield	16.6
Sydney - Newcastle Freeway - Construction of Dual Carriageways including structures - Wakefield to George Booth Drive from 134.00 km to 141.00 km North of Sydney	14.0
Sydney - Newcastle Freeway - Divided Carriageway from George Booth Drive to Lenaghans Drive 141.0 km to 146.0 km North of Sydney	8.3

Description of Project	Estimated Expenditure 1990-91 \$m
Pacific Highway - Construction of Dual Carriageways from Mine Camp Road to Bowman Street, Swansea (Swansea Bends Deviation)	4.7
Charlestown-Sandgate Highway - Construction of North-South Newcastle Bypass from Rankin Park to Waratah, Pacific Highway (SH 10)	10.6
Toronto - Mulbring Road - Upgrading of MR220 between Mulbring and Branxton	3.5
Pacific Highway - Construction of Northbound Carriageway, including Bridgeworks, from MR225 to MR349 (near Gosford)	7.4
Tuggerah - Noraville Road Construction, reconstruction and upgrading including Bridgeworks, between F3 Fwy, Tuggerah and Killarney St, Tumbi Umbi	9.0

WOLLONGONG AREA

Princes Highway - Construction of 2nd carriageway and bridgeworks including Junction with F6 Freeway, between rail line, Yallah and Macquarie Rivulet	3.5
Northern Distributor - Construction of Northern Distributor, Wollongong	5.6
Picton Road - Provision of grade separated junction at MR513 including duplication of existing road to "The Cuttings", 9.2 km to 15.9 km west of Wollongong	3.2
Appin Road, Bulli Pass, Hume Highway Road - Upgrade of Appin Road. Reconstruction of new alignment 12.10 km to 21.70 km and duplication of carriageway 6.90 km to 16.00 km west of Bulli	3.5
Mt. Ousley Road - Construction of deviation and bridge works between 67.1 km and 70.16 km south of Sydney	3.2

BLUE MOUNTAINS AREA

Description of Project	Estimated Expenditure 1990-91 \$m
Great Western Highway - Reconstruction, widening and sealing between Springwood and Linden from 75.6 km to 83.3 km west of Sydney	3.0
Great Western Highway - Upgrading, including Bridgeworks between The Avenue Valley Heights and Honour Avenue, Lawson	5.2
Great Western Highway - Widening to four lanes and associated rail and bridgeworks between Honour Avenue, Lawson and Bowling Green Avenue, Katoomba	2.6

COUNTRY AREAS

Princes Highway - Rehabilitation and widening between 74.8 km and 77.0 km south of Wollongong	3.6
Princes Highway - Rehabilitation and widening including provision of over-taking lanes and improvements to Junctions 13.1 km and 108.0 km south of Nowra	4.8
Princes Highway - Construction of Tomerong Deviation from 16.0 km to 24.1 km from Nowra towards Batemans Bay	4.4
South Western Freeway - Construction of Mittagong Bypass between 105.2 km and 112.0 km south of Sydney	27.0
Hume Highway - Rehabilitation of Northbound Carriageway, Red Hill and South Marulan - 159.27 km - 161.17 km and 168.46 km - 169.62 km south of Sydney	3.5
Hume highway - Construction of Goulburn By-Pass	16.0
Hume Highway - Construction of Deviation over Cullerin Range from 20.0 km to 51.5 km south of Goulburn	27.2
Hume Highway - Construction of Dual carriageways, including structures, between 69.5 km and 85.5 km south of Goulburn	14.0
Hume Highway - Construction of dual carriageways from Coppabella Road to Reedy Creek, 38.5 km to 48.3 km south of Yass	14.0

Description of Project	Estimated Expenditure 1990-91 \$m
Hume Highway - Upgrading to dual carriageways, structures and rehabilitation Snowy Mountains Highway to Kyeamba Creek 76.0 km south of Gundagai	5.2
Hume Highway - SH2 Hume Highway major rehabilitation	3.5
Great Western Highway - Upgrade and rehabilitation between 35.9 km and 39.7 km west of Katoomba	2.2
Great Western Highway - Reconstruction of new alignment between Tunnel Road and Mt Lambie 9.5 km to 24.5 km west of Lithgow	6.0
Great Western Highway - Construction of bridge and approaches - Macquarie River, Bathurst (Denison Bridge)	4.6
New England Highway - Construction of Stage I of traffic relief route between 107.0 km and 115.0 km north of Tamworth (near Armidale) ...	2.7
New England Highway - Upgrading between 78.1 km & 81.2 km north of Armidale, including new bridgework over Railway and widening bridge over Williams Creek	2.1
New England Highway - Improvement between 77.0 km and 83.0 km north of Glen Innes including new bridges over Bluff Creek and Main Northern Railway Line	2.0
Pacific Highway - Rehabilitation and overtaking lanes - various locations - Raymond Terrace to Karuah	3.0
Pacific Highway - Construction from Pipeclay Creek to Rainbow Flats, including Bridges over Bunwahl and Talwahl Creeks - 144.4 km to 150.3 km north of Newcastle	4.9
Pacific Highway - Construction of Herons Creek deviation from Bonny Hill Road to Oxley Highway, including bridgeworks, between 66.3 km and 74.3 km north of Taree	2.2
Pacific Highway - Construction of overtaking lanes on Pacific Highway St Grafton Works Office	2.5

Description of Project	Estimated Expenditure 1990-91 \$m
Pacific Highway - Duplication of bridge and approaches Pine Brush Creek, 6.37 km north of Coffs Harbour	2.1
Pacific Highway - Reconstruction and widening - Grafton to Maclean 8.5 km to 42.0 km north of Grafton	4.0
Pacific Highway - Construction of Bangalow Bypass from 24.1 km to 26.2 km north of Ballina	2.0
Pacific Highway - Construction of Twin Bridge over Terranora Inlet on Tweed Heads bypass	4.0
Pacific Highway - Construction of Tweed Heads bypass, Stage 2	8.1
Mitchell Highway - Restoration of access over the Macquarie River at Wellington following collapse of the existing structure in January 1989 ...	4.0
Barrier Highway - Construction of new bridge and approaches - Darling River at 260.60 km west of Cobar (near Wilcannia)	2.6
Barrier Highway - Rehabilitation and widening between 41.3 km and 173.5 km west of Wilcannia	2.2
Barrier Highway - Construction of new bridges and approaches, Stephens, Mt Darling and Nurses Creeks between 173.5 km and 187.20 km west of Wilcannia	2.1
Oxley Highway - Reconstruction, realignment and bridgeworks between 2.3 km and 13.1 km west of Coonabarabran	2.6
Gwydir Highway - Rehabilitation and upgrading between 71.4 km and 123.0 km west of Moree (near Collarenebri)	3.2
Bruxner Highway - Construction of passing lanes, between 0.0 km and 16.76 km west of Ballina	2.2
Monaro Highway- Upgrading and rehabilitation between 49.17 km and 82.0 km south of Canberra including widening of bridge over Lenanes Creek at 49.17 km	2.1

Maritime Services Board

The MSB's capital strategy involves continued self-funding of capital works and comprises the following -

- the encouragement of private sector involvement in berth construction and port infrastructure development;
- the gradual transfer of Sydney Harbour container and general cargo trade to the Darling Harbour berths and to Botany Bay;
- the continued development of Newcastle and Port Kembla as specialist bulk ports;
- achievement of a satisfactory rate of return on the assets created; and
- increased productivity or improved safety through replacement and satisfaction of community and political commitments.

The Maritime Services Board will continue to finance its capital programs from internal funds. The program is directed at continued improvement in the efficiency of the operation of ports, private sector involvement in berth construction and port infrastructure development and a satisfactory rate of return on assets.

The MSB's 1990-91 Capital Program totals \$30.9 million, of which \$13.2 million will be expended on works-in-progress and \$17.7 million allocated to major and minor new works and annual provisions.

Features of the program include the completion of the following works-in-progress –

- \$3.0 million (E.T.C. \$15.2 million) for the redevelopment of wharves 6-7 Darling Harbour; and
- \$2.5 million (E.T.C. \$2.8 million) for a new oil berth at Newcastle.

Major new works to commence include –

- \$2.3 million (E.T.C. \$8.7 million) for site works leading to the development of further bulk liquids storage areas at Botany Bay;
- \$1.5 million (E.T.C. \$2.0 million) for the relocation of Sydney Harbour marine operations services from various locations including Goat Island, to Glebe Island; and
- \$3.9 million (E.T.C. \$9.6 million) for the construction of a maritime workshop complex at the northern end of Rozelle Bay.

Fishing Ports and Government Facilities

Continued maintenance and redevelopment of fishing ports and public wharves is to be undertaken by the Public Works Department. Estimated expenditure on major works in progress in 1990-91 is \$5.3 million with major works being undertaken on the Tweed Head Boat Harbour and at Eden.

ELECTRICITY

Electricity Commission

The capital program to be undertaken by the Electricity Commission and its associated colliery company subsidiaries in 1990-91 amounts to \$407.1 million. This compares with expenditure in 1989-90 of \$311.6 million.

The Commission will again fund its program from internal sources (including asset sales estimated at \$33 million) in line with its strategy of reducing the level of outstanding debt.

Expenditure will be incurred on the following major projects in 1990-91 –

- **Mount Piper Power Station**

Expenditure on this two 660 megawatt units station near Portland will be \$142 million. The first unit is due for completion in mid-1993 and the second unit one year later. The estimated total cost of the project is \$1.7 billion.

- **Power Station Rehabilitation**

Expenditure of \$100 million will be incurred on work on existing power stations to improve their performance and extend their normal servicable life. Major work to be undertaken includes –

	\$m
Bayswater	7.8
Munmorah	22.3
Liddell	33.8
Wallerawang	17.5

Improved performance and life extension work will allow the deferment of construction of the next new power station.

- **Power Supply**

The program provides for expenditure amounting to \$59.6 million to ensure that the State has a reliable overall electricity supply system. Major works include –

	\$m
Dubbo – Nyngan Transmission Line	6.5
Coffs Harbour – Koolkhan Transmission Line	15.4
Mount Piper – Marulan Transmission Line	7.6

Electricity County Councils

In common with the treatment of Local Government only borrowings undertaken under the global limit are reflected in the State's Capital Program.

The borrowing allocation for these authorities is \$21.1 million compared with actual borrowings of \$36.7 million in 1989-90. The reduction in borrowings reflects a move towards greater reliance on internal funding of capital works projects.

OTHER ECONOMIC SERVICES

Coal Compensation Board

In 1990-91 \$50 million has been allocated to the Board to continue the Government's program of providing, where practicable, restitution of coal rights or fair and equitable compensation to the previous owners of these rights.

Sydney Cove Redevelopment Authority

Capital expenditure of \$12.9 million includes provision of \$6.8 million for restoration and renovation of various properties, \$4.9 million for upgrading of roads and footpaths and minor maintenance of \$1.2 million.

Department of State Development

In 1990-91 the Department of State Development will provide some \$4.7 million to Tamworth and Quirindi Councils to cover the cost of runway and taxiway improvement, navigational aids and other airport related infrastructure required in connection with the establishment of the new Ansett/British Aerospace Flying College.

Department of Minerals and Energy

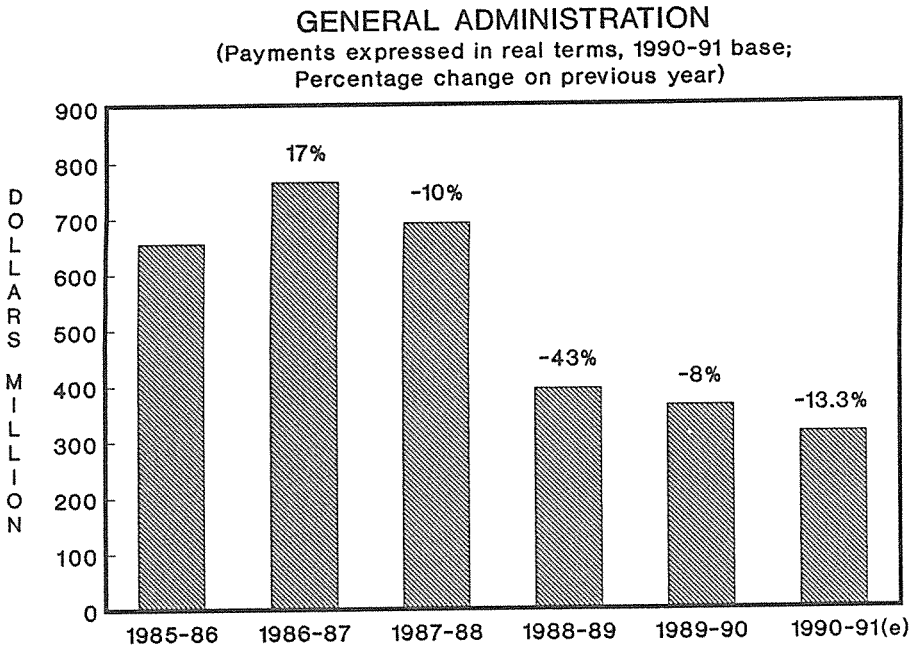
The allocation of \$5.9 million provides for completion of works on the redevelopment of the Mining Museum (\$4.3 million), the continuation of computer projects (\$0.7 million) the construction of a further core storage shed (Gulgong) and purchase of a residence (Lightning Ridge), purchase of plant and equipment (\$0.8 million) and upgrading of gas and dust analysis equipment (\$0.1 million).

5.3.8 GENERAL ADMINISTRATION AND OTHER

Overview

Capital programs in this policy area relate to the provision/restoration of public buildings, the restoration of heritage buildings, the Darling Harbour Complex, contractual commitments in respect of the Homebush Bay Development, borrowing programs for Local Government, Lands Department activities, works undertaken by the Lord Howe Island Board and the provision for plant and equipment including computers for certain administrative organisations.

Figure 5.14



The substantial expenditure incurred in the years 1986-87 to 1987-88 reflected the construction costs associated with the Darling Harbour complex and various Bicentennial projects, such as the Macquarie Street upgrading and work on Circular Quay.

It should be noted that only the borrowing component of the Local Government capital program is reflected in the program. As a separate tier of Government the practice has been to only show that portion of capital funds that is met by Loan Council approved global borrowings.

1990-91 CAPITAL PROGRAM OVERVIEW

Policy Sector	Total Payments		
	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
Local Government -			
General Borrowing Allocation	180.1	185.0	+ 2.7
Department of Local Government	0.4	0.2	(-) 50.0
Treasury	8.2	8.8	+ 7.3
Premier's Department	5.0	37.6	+ 652.0
Chief Secretary's Department	0.7	0.3	(-) 57.1
Legislative Services	0.7	2.3	+ 228.6
Property Services Group	23.9	28.6	+ 19.7
Commercial Services Group	0.5	0.3	(-) 40.0
Other -			
Public Buildings Generally	22.8	31.9	+ 39.9
Darling Harbour Authority	67.3	14.1	(-) 79.0
Building Additions and Improvements (Lands Department)	26.5	4.2	(-) 84.2
Lord Howe Island Board	0.5	1.0	+ 100.0
Miscellaneous Activities	2.9	0.6	(-) 79.3
Total	339.5	314.9	(-) 7.2

The allocation for 1990-91 totalling \$314.9 million represents a decrease of 7.2 per cent on the expenditure in 1989-90. The major components comprise the Local Government borrowings program, works for the Property Services Group projects, Public Buildings Generally and the Darling Harbour project.

1990-91 Capital Program Highlights

LOCAL GOVERNMENT

The overall borrowing allocation of \$185.0 million to councils is an increase of 2.7 per cent on the 1989-90 borrowings. Borrowings by councils are used to fund works on local water supply and sewerage schemes (often to match State Government subsidies), local roads and other local works. The allocation of \$0.2 million for the Department of Local Government provides for relocation and fitout of the Minister's Office.

TREASURY

The allocation of \$8.8 million provides for computer funding of \$7.9 million. This is mainly for computerisation of the State's Taxation System (\$6.4m) and for the upgrading of the computer system which records and monitors the Capital Program (\$0.8m).

Premier's Department

The Premier's Department administers the Open Space and Heritage Fund which receives 10 per cent of the net proceeds of assets sales. The Fund is intended to enhance the open space network and assist in the conservation of items of heritage significance.

In 1989-90 a total of \$4 million was transferred into the Fund, while in 1990-91 funds of \$34.7 million are expected to be transferred into the Fund.

An allocation has also been made to the Department of \$2.3 million for computer equipment and \$0.6 million for plant and equipment and accommodation costs.

PROPERTY SERVICES GROUP

The allocation of \$28.6 million covers funding for the Homebush Bay Development Division's Capital Program (\$13.1 million) and capital projects totalling \$15.5 million to be undertaken by the Property Management Division which has responsibility for administering government owned and rented multi occupancy office accommodation (including MSB Building Circular Quay - \$7.4 million and 77-78 Hunter Street, Newcastle restoration - \$1 million).

The allocation to the Homebush Bay Development Division provides for the continuation of planning studies which have already been commissioned. Once these studies are finalised and business plans produced, the Government will be reviewing the feasibility of the project in the light of the prevailing Budget situation.

COMMERCIAL SERVICES GROUP

The allocation of \$0.3 million is for the replacement of plant and equipment.

THE LEGISLATURE

The provision of \$2.3 million includes funding for the purchase of computers and other equipment to meet members' requirements and enhance the quality of financial information available to management.

CHIEF SECRETARY'S DEPARTMENT

The allocation of \$0.3 million provides for completion of the Liquor Administration computer facilities project, and plant and equipment.

OTHER

Public Buildings Generally

An allocation of \$31.9 million has been made for expenditure in 1990–91, including the following major works on public buildings –

	Estimated Total Cost \$m	1990-91 \$m
Relocation and Fitouts	15.8	15.8
Heritage Building Maintenance	4.4	4.4
Stonework restoration	16.5	1.0
Gosford Courthouse (Conversion)	0.2	0.1
Chief Secretary's Buildings (restoration)	3.7	1.0
Hornsby Public Works Office (fitout)	0.5	0.5

Provision has also been made for computers (\$6.5 million) and plant and equipment (\$0.6 million).

Darling Harbour Authority

An amount of \$8.1 million has been allocated to meet final construction costs. \$6 million has also been provided for the maintenance of facilities at Darling Harbour. The major portion of this amount will be spent on the Pymont Bridge, marine works in Cockle Bay and the Sydney Convention and Exhibition Centre.

Lands Department

The allocation of \$4.2 million provides for completion of fire safety related works in the Department of Lands building at Bridge Street, Sydney (\$0.2 million), purchase of plant and equipment (\$1.1 million) and purchase of computer equipment (\$2.9 million).

Lord Howe Island Board

The allocation of \$1.0m includes \$350,000 for roadworks upgrading, \$178,000 for Nursery improvements, \$160,000 for environment protection and \$200,000 for plant and equipment.

Cabinet Office

The allocation of \$0.5 million is for computer equipment.

Table 5.3: Functional Classification of Capital Program – By Source of Funds, 1989–90 and 1990–91

Classification	Total Program (1)		From Consolidated Fund (2)				From Borrowings and other Financial Accommodation (3)		From Internal and Other Sources (4)	
	1989–90	Estimate 1990–91	Commonwealth Specific Purpose Payments		Other		1989–90	Estimate 1990–91	1989–90	Estimate 1990–91
			1989–90	Estimate 1990–91	1989–90	Estimate 1990–91				
	\$m	\$m	\$m	%	\$m	\$m	\$m	\$m	\$m	\$m
Law, Order and Public Safety	174.5	251.0	123.3	43.8	155.7	199.7	6.9	11.9	25.2	
Education	357.1	363.1	149.1	1.7	219.5	190.8	10.0	4.3	20.5	
Health	284.4	356.4	17.7	25.3	36.5	23.1	214.3	16.2	87.2	
Welfare	20.1	49.1	0.3	144.3	14.3	35.9	2.5	3.3	13.0	
Housing and Community Services –										
Housing and Homesite Development	760.0	688.1	306.7	(9.5)	61.2	84.3	14.5	377.6	252.6	
Water and Sewerage	454.6	609.2	1.3	34.0	74.7	77.4	...	378.6	529.8	
Protection of the Environment NEI	63.2	83.0	0.6	31.3	4.0	3.8	19.2	1.1	77.6	
Recreation and Culture	55.0	56.8	0.4	3.3	47.0	48.3	4.1	3.5	3.3	
Economic Services –										
Agriculture, Forestry and Fishing	176.6	104.4	3.6	(40.9)	59.7	56.2	71.2	38.4	6.6	
Mining, Manufacturing and Construction	42.3	55.9	...	32.2	40.8	52.0	1.1	0.7	3.3	
Public Transport	450.3	545.7	...	21.2	...	...	240.0	475.0	70.7
Roads	1,289.4	1,406.5	435.3	10.8	778.3	801.0	...	55.7	116.5	
Other Transport and Communication	213.5	219.3	3.0	2.7	161.2	172.8	...	49.2	32.5	
Community and Regional Development	7.8	18.1	...	132.1	1.7	4.9	...	6.1	12.9	
Electricity	348.3	428.2	...	22.9	...	...	36.7	21.1	407.1
Industry Assistance	8.9	9.8	...	10.1	3.0	0.6	3.3	2.7	...	
General Administration NEI	339.5	314.9	...	(7.2)	121.7	95.7	194.1	211.5	7.7	
Total	5,025.5	5,559.5	891.6	10.6	1,779.3	1,846.5	817.9	1,059.6	1,536.7	1,666.5

(1) Capital program expenditure financed from all sources.
 (2) Consolidated Fund financing is from two sources. Commonwealth Specific Purpose Capital Payments and Other. Commonwealth specific purpose payments are shown on a receipts basis here in contrast to Table 5.1 where these payments are shown on an expenditure basis. Consolidated Fund – Other includes Commonwealth general purpose capital payments, repayments arising from previous years' loans and disposal of assets and miscellaneous items.
 (3) Borrowings and other financial accommodation for all authorities as specified under the Loan Council's global borrowing resolution.
 (4) Financing from revenue and reserves of authorities and other sources including developers' contributions and proceeds from sale or long term leases of assets.

Table 5.4: Capital Program – 1990–91

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommoda- tion	Internal and Other Sources (d)
		New Works	Works- in- Progress			C'with S.P.P. (c)	Other		
Law, Order and Public Safety –									
Police – Buildings	Police and Emergency Services	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
– Equipment	Police and Emergency Services	13,314	16,958	11,965	42,237	25,752	...	16,485	
– Housing	Police and Emergency Services	6,076	831	14,373	21,280	15,262	6,018	...	
	Police and Emergency Services .....	...	...	368	368	368	...	...
NSW Fire Brigades	Police and Emergency Services	6,051	...	3,759	9,810	3,247	174	6,389	
Courts	Attorney-General	475	49,962	10,680	61,127	48,127	13,000	2,225	
Corrective Services	Attorney-General	21,400	75,869	11,325	108,584	105,189	1,170	...	
Director of Public Prosecutions	Attorney-General .....	...	2,000	781	2,781	702	2,079	...
State Drug Crime Commission	Police and Emergency Services	1,100	...	357	1,457	357	1,100	...	
State Emergency Service	Police and Emergency Services .....	...	...	737	737	557	180	...
Independent Commission Against Corruption	Premier	1,492	400	107	1,599	1,07	1,492	...	
Judicial Commission	Attorney-General .....	...	...	601	601	...	400	...
Legal Aid Commission	Attorney-General .....	...	...	...	...	...	491	110
Total – Law, Order and Public Safety		49,908	146,010	55,063	250,981	199,668	26,104	25,209	
Education –									
Schools	School Education ..	19,860	137,742	71,784	229,386	65,000	143,868	20,518	
Technical Colleges (TAFE)	Further Education .. Training & Employment	14,870	62,748	54,412	132,030	83,421	2,118	...	

59326
9090
68973
84590
8129
1457
737
1313
557
601
234835

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding				
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund			Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C'with S.P.P. (c)	Other			
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Ministry of Education, Youth and Women's Affairs	School Education ..	..	580	420	1,000	..	420	580	..	..
Agriculture (Colleges)	Agriculture .....	..	..	715	715	..	..	..	..	..
Total – Education and Youth Affairs		34,730	201,070	127,331	363,131	149,136	190,779	2,698		20,518
Health – Department of Health	Health	78,233	238,285	39,910	356,428	17,706	23,115	228,357		87,250
Welfare – Family and Community Services ...	Family and Community Services	19,089	24,577	5,444	49,110	253	35,889	..		12,968
Housing and Community Services – Housing and Homesite Development – Department of Housing – Public Rental Housing	Housing	123,195	197,152	239,653	560,000	311,176	84,306	..		164,518
Homesites – Landcom	Housing .....	..	..	115,000	115,000	..	..	40,000	..	75,000
Crown Lands – Homesites	Lands .....	..	3,882	..	3,882	..	..	..	..	3,882
Land Titles Office	Lands .....	..	1,000	2,000	3,000	..	..	..	..	3,000
Teacher Housing Authority	School Education ..	..	..	6,000	6,000	..	..	..	..	6,000
Public Servant Housing Authority ..	Administrative Services .....	..	..	200	200	..	..	..	..	200
		123,195	202,034	362,853	688,082	311,176	84,306	40,000		252,600

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C'with S.P.P. (c)	Other		
Water and Sewerage – The Water Board	Environment	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Hunter Water Board	Environment	51,259	250,893	177,746	479,898	...	...	479,898
Broken Hill Water Board	Water Resources	5,126	24,796	15,202	45,124	...	...	45,124
Country Towns Water Supply and Sewerage	Water Resources .....	...	2,808	350	3,158	...	458	2,700
	Public Works	1,500	72,237	7,275	81,012	1,527	77,395	2,090	
Protection of the Environment – Department of Planning	Planning	57,885	350,734	200,573	609,192	1,527	77,395	529,812	
State Pollution Control Commission	Environment .....	...	9,193	37,189	46,382	550	2,716	43,116
Waste Management Authority	Environment	900	...	1,256	2,156	...	1,064	...	
	Environment	5,355	29,156	...	34,511	...	...	34,511
Total – Housing and Community Services		6,255	38,349	38,445	83,049	550	3,780	77,627	
Recreation and Culture – Recreation Facilities and Services – Bicentennial Park	Environment	187,335	591,117	601,871	1,380,323	313,253	165,481	860,039	
Department of Lands – Public Reserves Management Fund	Environment .....	...	550	318	868	...	868	...
National Parks and Wildlife Service	Lands .....	...	...	900	900	...	900	...
Department of Sport, Recreation and Racing	Environment .....	...	7,407	13,400	20,807	395	19,642	...
	Sport, Recreation and Racing	660	2,707	2,006	5,373	...	3,973	...	

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C with S.P.P. (c)	Other		
Zoological Parks Board Royal Botanic Gardens Centennial Park	Environment Environment Environment	\$000 70	\$000 2,750 58 213	\$000 1,030 946 500	\$000 3,850 1,004 713	\$000 ... 1,004 713	\$000 1,250	\$000 2,600	
Cultural Facilities and Support of the Arts – Ministry of the Arts Opera House State Library Art Gallery Australian Museum Museum of Applied Arts and Sciences Historic Houses Archives Authority	Arts Arts Arts Arts Arts Arts Arts Arts Arts Arts	1,000 600 ...	... 14,421 2,089 100 545	816 ... 281 868 1,316 992 230 20	1,816 14,421 2,370 968 1,861 992 830 20	... 1,116 14,421 1,761 782 1,661 736 750 20	... ... 609 186 200 256 80 ...	700
Total – Recreation and Culture		1,600 2,330	17,155 30,840	4,523 23,623	23,278 56,793	... 395	21,247 4,751	700 3,300	
Economic Services – Agriculture, Forestry and Fishing – Department of Agriculture Soil Conservation Service Sydney Market Authority GrainCorp Forestry Commission Department of Water Resources	Agriculture Agriculture Agriculture Agriculture Transport Forestry Water Resources	883 507 750 5,400	2,833 300 13,604 6,000 19,147	5,039 716 1,550 ... 36,915	8,755 1,223 2,600 13,604 6,000 61,462	... ... 6,754 298 3,280	2,001 925 13,604 6,000 15,353	... ... 2,600 6,000 3,970

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C with S.P.P. (c)	Other		
Rural Assistance Authority	Agriculture	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Wild Dog Destruction Board	Lands .....	...	537	9,900	10,437	...	9,900	537
		...	...	385	385	...	385	...
		7,540	42,421	54,505	104,466	3,280	56,196	38,420	
Mining, Manufacturing and Construction –	Minerals & Energy ..	...	4,651	1,267	5,918	...	1,976	673
Department of Minerals and Energy ..	Minerals & Energy ..	...	...	50,000	50,000	...	50,000	...
Coal Compensation Board .....		...	4,651	51,267	55,918	...	51,976	673
Public Transport –									
State Rail Authority –									
– Freight	Transport	30,249	71,338	8,413	110,000	...	...	100,000
– Non Commercial	Transport	56,450	327,754	7,796	392,000	...	...	375,000
State Transit Authority	Transport	19,149	17,467	7,056	43,672	...	...	43,672
		105,848	416,559	23,265	545,672	...	...	475,000
Roads –	Main Roads	38,323	557,861	810,286	1,406,470	489,000	801,000	...	
Roads and Traffic Authority								116,470	

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C'with S.P.P. (c)	Other		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Other Transport and Communication – Public Works Department – Coast and Rivers	Public Works	1,500	5,229	17,315	24,044	2,540	19,904	1,600	
		10,619	12,075	8,199	30,893	...	...	30,893
		10,720	1,516	152,106	164,342	11,470	152,872	...	
		22,839	18,820	177,620	219,279	14,010	172,776	32,493	
Community and Regional Development – Sydney Cove Redevelopment Authority	Local Government and Planning	6,808	...	6,069	12,877	...	...	12,877
		...	4,452	764	5,216	...	4,952	264	
		6,808	4,452	6,833	18,093	...	4,952	12,877	
Electricity – Electricity Commission	Minerals & Energy ..	559	405,385	1,180	407,124	...	...	407,124
		...	...	21,074	21,074	...	21,074	...
Industry Assistance – Department of Industrial Relations and Employment	Industrial Relations and Employment ..	559	405,385	22,254	428,198	...	...	407,124
		...	547	48	595	...	48	547	

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding				
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)	
		New Works	Works- In- Progress			C'with S.P.P. (c)	Other			
Business and Consumer Affairs .. Further Education (FETE)	Business and Consumer Affairs Further Education Training and Employment	\$000	\$000	\$000	\$000	\$000	\$000	\$000	...	...
		...	3,320	1,063	4,383	...	213	4,170	...	...
		...	3,250	1,559	4,809	...	365	4,444	...	...
		...	7,117	2,670	9,787	...	626	9,161	...	...
Total – Economic Services		181,917	1,457,266	1,148,700	2,787,883	506,290	1,087,526	544,592	649,475	
General Administration, n.e.l. – Local Government –		...	...	...	...	...	...	...	...	...
Councils – General Purpose	Local Government	...	350	185,000	185,000	...	...	185,000	...	1,027
Lord Howe Island Board	Environment .....	...	...	677	1,027	...	...	...	...	...
Local Government	Local Government ..	...	...	180	180	...	180	...	...	...
Public Buildings and Other – Public Works Department – Public Buildings Generally	Public Works	973	8,093	22,803	31,869	...	26,785	471	4,613	...
Darling Harbour Authority	Local Government and Planning .....	...	8,100	6,000	14,100	...	14,100	...	...	...
Department of Lands – Buildings and Plant	Lands	1,803	1,305	1,081	4,189	...	1,175	3,014	...	...
Property Management Division	Administrative Services .....	...	9,662	5,834	15,496	...	15,496	...	...	...
Commercial Services Group	Administrative Services .....	...	...	323	323	...	323	...	...	...
Chief Secretary's Department	Chief Secretary	500	...	306	306	...	123	183	...	...
Cabinet Office	Premier .....	...	...	21	521	...	21	500	...	...

Table 5.4: Capital Program – 1990–91 (cont)

Administrative Unit by Functional Group	Ministry	Type of work			Total	Source of Funding			
		Major Works(a)		Minor Misc. Works (b)		Consolidated Fund		Borrowings and other Financial Accommo- dation	Internal and Other Sources (d)
		New Works	Works- in- Progress			C'with S.P.P. (c)	Other		
Premier's Department	Premier	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Ombudsman's Office	Premier	2,250	...	35,368	37,618	2,250	35,368	2,250	
Legislature	Premier	1,045	...	21	21	...	21	...	
Treasury	Premier	3,858	4,577	369	8,804	1,142	1,150	1,142	
Homebush Bay Development	Administrative Services .....	...	13,114	...	13,114	7,885	919	7,885
		10,429	44,851	73,373	128,653	26,505	95,481	6,667	
Total – General Administration, n.e.i.		10,429	45,201	259,230	314,860	211,505	95,661	7,694	
TOTAL – STATE PROGRAM		563,971	2,734,366	2,261,172	5,559,509	1,059,557	1,846,466	1,666,453	

(a) "Major Works" comprises all works, including compute projects, with an estimated total cost of \$500,000 or more. "New works" are Major Works approved to commence in 1990-91. "Works-in-Progress" are Major Works commenced prior to 1990-91 but not completed at 1 July 1990.

(b) "Minor Miscellaneous Works" are all works, including computer projects, with an estimated total cost of less than \$500,000.

(c) Commonwealth Specific Purpose Payments.

(d) "Internal and Other Sources" consists of revenue generated from client charges and earnings on investments, proceeds from asset sales or long term leases, and drawdowns from financial reserves.

Table 5.5: Capital Program – 1989–90

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding				Internal and other Sources
			Consolidated Fund		Borrowings and other Financial Accommodation	Internal and other Sources	
			Commonwealth Specific Purpose Payments	Other			
		\$'000	\$'000	\$'000	\$'000	\$'000	
Law, Order and Public Safety –							
Police – Buildings	Police and Emergency Services	24,324	...	19,203	...	5,121	
– Equipment	Police and Emergency Services	9,660	...	3,769	4,569	1,322	
– Housing	Police and Emergency Services	601	...	601	...	...
NSW Fire Brigades	Police and Emergency Services	4,725	...	4,725	...	...
Courts	Attorney-General	58,171	...	53,615	...	4,556	
Corrective Services	Corrective Services	73,217	...	72,196	1,017	4	
State Drug Crime Commission	Police and Emergency Services	1,376	...	728	...	648	
State Emergency Services	Police and Emergency Services	661	...	661	...	...
Director of Public Prosecutions	Attorney-General	975	...	106	869	...	
Independent Commission Against Corruption	Premier	107	...	107	...	...
Judicial Commission	Attorney-General	164	...	...	...	164
Legal Aid Commission	Attorney-General	525	...	...	426	99
		174,506	...	155,711	6,881	11,914	
Total – Law, Order and Public Safety							
Education –							
Schools (Department of School Education)	School Education	226,165	64,216	151,521	7,650	2,778	
Technical Colleges (TAFE)	Further Education,	125,462	59,065	62,688	2,232	1,477	
Ministry of Education, Youth & Women's Affairs.	Training & Employment School Education	5,467	...	5,339	128	...	
		357,094	123,281	219,548	10,010	4,255	
Total – Education							

Table 5.5: Capital Program – 1989–90 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding				Internal and Other Sources
			Consolidated Fund		Borrowings and other Financial Accommodation	\$000	
			Commonwealth Specific Purpose Payments	Other			
		\$000	\$000	\$000	\$000	\$000	
Health – Department of Health	Health	284,344	17,414	36,478	214,295	16,157	
Welfare – Family and Community Services	Family and Community Services	20,098	...	14,279	2,500	3,319	
Housing and Community Services – Housing and Homesite Development – Department of Housing – Public Rental Housing – Homesites – LandCom – Homesites – Crown Lands – Teacher Housing Authority – Public Servant Housing Authority	Housing .. Housing .. Housing .. School Education .. Administrative Services .. Lands .. Lands ..	594,200 138,492 18,632 5,700	306,674	61,218	10,500 ... 3,000 ...	226,308 127,992 18,632 2,700	
Land Titles Office	Lands ..	310	...	...	...	310
State Land Information Council	Lands ..	1,510	...	...	998	1,510
		1,100	...	...		102
		759,944	306,674	61,218	14,498	377,554	

TABLE 3.3. Capital Program - 1969-70 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding			
			Consolidated Fund		Borrowings and other Financial Accommodation	Internal and other Sources
			Commonwealth Specific Purpose Payments	Other		
		\$000	\$000	\$000	\$000	\$000
Water and Sewerage -						
The Water Board	Environment	340,476	...	...	340,476	
Hunter Water Board	Environment	36,520	...	...	36,520	
Broken Hill Water Board	Water Resources	604	...	...	604	
Country Towns Water Supply and Sewerage	Public Works	77,037	1,340	74,697	1,000	
		454,637	1,340	74,697	378,600	
Protection of the Environment -						
Department of Planning	Planning	49,461	597	3,206	27,449	
State Pollution Control Commission	Environment	2,286	...	807	451	
Waste Management Authority	Environment	11,490	...	...	11,490	
		63,237	597	4,013	39,390	
Total - Housing and Community Services		1,277,818	308,611	139,928	795,544	
Recreation and Culture -						
Recreation Facilities and Services -						
Department of Lands - Public Reserves Management Fund	Lands	1,000	...	1,000	...	
National Parks and Wildlife Service	Environment	16,813	...	15,840	315	
Department of Sport, Recreation and Racing	Sport, Recreation and Racing	10,483	...	8,877	1,446	
Tourism Commission	Tourism	2,654	399	1,558	186	
Zoological Parks Board	Environment	2,500	...	750	511	
Bicentennial Park	Environment	108	...	108	1,750	
Royal Botanic Gardens	Environment	4,531	...	3,818	713	
Centennial Park	Environment	554	...	554	...	
		38,643	399	31,755	3,449	

Table 5.5: Capital Program – 1989–90 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding				Internal and other Sources
			Consolidated Fund		Borrowings and other Financial Accommodation	Internal and other Sources	
			Commonwealth Specific Purpose Payments	Other			
		\$000	\$000	\$000	\$000	\$000	
Cultural Facilities and Support of the Arts –							
Film and Television office	Arts	131		131		...	
Art Gallery	Arts	1,280	...	1,280	...	...
State Library	Arts	1,548	...	1,068	480	...	
Australian Museum	Arts	1,447	...	1,262	185	...	
Museum of Applied Arts and Sciences	Arts	1,608	...	1,333	275	...	
Ministry for the Arts	Arts	154	...	154	...	...
Historic Houses	Arts	132	...	132	...	...
Opera House	Arts	10,000	...	10,000	...	...
Archives Authority	Arts	19	...	19	...	...
		16,319	...	15,248	1,071	...	
		54,962	399	47,003	4,111	3,449	
Total – Recreation and Culture							
Economic Services –							
Agriculture, Forestry and Fishing –							
Department of Agriculture	Agriculture	15,499	...	14,919	...	580	
New South Wales Dairy Corporation	Agriculture	182	...	...	...	182
Fish Marketing Authority	Agriculture	8,997	...	...	...	8,997
Soil Conservation Service	Agriculture	1,143	...	289	854	...	
Sydney Marketing Authority	Agriculture	7,256	...	...	...	7,256
GrainCorp	Agriculture	10,300	...	...	...	10,300
Forestry Commission	Forests	7,016	...	...	...	1,016
Department of Water Resources	Water Resources	52,975	3,580	30,575	6,000	1,608	
Rural Assistance Authority	Agriculture	12,331	...	...	...	12,213
Hen Quota Board	Agriculture	60,902	...	13,902	47,000	...	
		176,601	3,580	59,685	71,184	42,152	

Table 5.5: Capital Program – 1989–90 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding				Internal and other Sources
			Consolidated Fund		Borrowings and other Financial Accommodation	Other	
			Commonwealth Specific Purpose Payments	Other			
		\$000	\$000	\$000	\$000	\$000	
Mining, Manufacturing and Construction – Department of Minerals and Energy	Minerals and Energy ..	7,969	...	6,415	1,112	442	
Coal Compensation Board	Minerals and Energy ..	34,382	...	34,382	...	...
		42,351		40,797	1,112	442	
Public Transport – State Rail Authority	Transport	86,938	...	...	...	86,938
– Freight	Transport	328,062	...	...	240,000	88,062
– Non Commercial	Transport	35,300	...	...	...	35,300
State Transit Authority	Transport						
		450,300	...	...	240,000	210,300
Roads – Roads and Traffic Authority	Main Roads	1,269,353	435,340	778,265	...	55,748	
Other Transport and Communication – Public Works Department – Coast and Rivers	Public Works	24,330	2,120	20,832	...	1,378	
Maritime Services Board	Transport	27,866	...	...	...	27,866
Department of Transport	Transport	161,258	869	140,389	...	20,000	
		213,454	2,989	161,221	...	49,244	
Community and Regional Development – Sydney Cove Redevelopment Authority	Local Government and Planning	6,129	...	...	...	6,129

Table 5.5: Capital Program – 1989–90 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding				Internal and other Sources
			Consolidated Fund		Borrowings and other Financial Accommodation	Internal and other Sources	
			Commonwealth Specific Purpose Payments	Other			
		\$000	\$000	\$000	\$000	\$000	
Department of State Development	State Development ...	1,707	...	1,707	...	...
		7,836	...	1,707	...	6,129	
Electricity – Electricity Commission	Minerals and Energy ...	311,573	...	...	...	311,573
County Councils	Minerals and Energy ...	36,728	...	...	36,728	...
		348,301	...	...	36,728	311,573
Industry Assistance – Department of Industrial Relations	Industrial Relations ...	205	...	152	...	53	
Business and Consumer Affairs	Business and Consumer Affairs ...	6,749	...	2,410	2,492	1,847	
Training and Employment (FETE)	Further Education Training & Employment	2,017	...	394	792	831	
		8,971	...	2,956	3,284	2,731	
Total – Economic Services		2,517,167	441,909	1,044,631	352,308	678,319	
General Administration, n.e.i. – Councils – General Purpose	Local Government ...	180,050	...	...	180,050	...
Lord Howe Island Board	Environment	536	...	55	342	536	
Department of Local Government	Local Government ...	410	...	...	...	13
		180,996	...	55	180,392	549	

Table 5.5: Capital Program – 1989–90 (cont.)

Administrative Unit by Functional Group	Ministry	Total Expenditure	Source of Funding			
			Consolidated Fund		Borrowings and other Financial Accommodation	Internal and other Sources
			Commonwealth Specific Purpose Payments	Other		
		\$000	\$000	\$000	\$000	
Public Buildings and Other – Public Works Department – Public Buildings Generally	Public Works	22,814	...	20,142	1,789	883
Darling Harbour Authority	Local Government and Planning	67,348	...	54,796	...	12,552
Department of Lands – Buildings, Additions, etc.	Lands	26,524	...	21,820	2,986	1,718
Commercial Services Group	Administrative Services	495	...	482	...	13
Property Services Division	Administrative Services	18,920	...	18,043	...	877
Premier's Department	Premier	4,963	...	4,663	300	...
Cabinet Office	Premier	21	...	21	...	...
Treasury	Premier	8,249	...	169	3,118	4,962
Ombudsman's Office	Premier	971	...	971	...	...
Chief Secretary's Department	Chief Secretary	698	...	482	...	216
Homebush Bay Development	Administrative Services	4,946	...	...	4,946	...
The Legislature	Legislature	680	...	...	203	477
Auditor General	Premier	98	...	...	...	98
Ethnic Affairs Commission	Premier	496	...	79	310	107
State Lotteries	Chief Secretary	1,260	...	...	...	1,260
		158,483	...	121,668	13,652	23,163
Total – General Administration, n.e.i.		339,479	...	121,723	194,044	23,712
Total – State Program		5,025,468	891,614	1,779,301	817,884	1,536,669

CHAPTER 6: 1989–90 BUDGET AND CAPITAL PROGRAM RESULT

6.1 Introduction

6.2 Recurrent Payments – Variations from Budget

6.3 Recurrent Revenues – Variations from Budget

6.4 Capital Program – Variations from Projections

6.1 INTRODUCTION

The 1989–90 Budget projected an overall deficit of \$119 million, which was to be the product of a \$1,217 million recurrent surplus and a \$1,336 million capital deficit. The cash result, which includes the effect of financing transactions (i.e. borrowings less repayments of borrowings) was projected as a deficit of \$284 million.

The actual result for the year was a budget deficit of \$344 million (with the net effect of financing transactions resulting in a cash deficit of \$433 million). The recurrent result was a surplus of \$1,155 million, with the capital deficit being \$1,499 million.

Essentially the deterioration over Budget was due to three factors –

- a substantial downturn in recurrent revenue (largely associated with the effect of continuing high interest rates on the property market);
- significant savings on recurrent expenditure (largely associated with wage increases coming into effect later than had been assumed in the Budget forecasts);
- a shortfall in the realisation of asset sales and leases (particularly the State Office Block).

The deterioration in the cash result was also influenced by the same factors, but was mitigated to some extent by the decision to assume liability for Darling Harbour Authority debt. This meant that the \$75 million of Authority debt which had been planned for repayment during the year is now managed as part of the Treasury debt portfolio.

Expenditure on the total State Capital Program (which includes not only budget funded capital expenditure but also capital expenditure of the outer budget sector) was \$5,008 million compared to a projected \$5,161 million. The lower than projected capital expenditure was largely due to the impact of wet weather conditions during the year.

NOTE: The analysis in this Chapter is based on portfolios and agencies as appearing in the 1989–90 Budget (i.e. preceeding the July 1990 re-organisation of Ministerial responsibilities) and is not comparable with the coverage elsewhere in this Budget Paper or in Budget Paper No. 3.

Table 6.1: 1989-90 Budget Result

	Budget	Actual	Variation	
	\$m	\$m	\$m	%
RECURRENT				
Revenue				
State Taxation	7,874	7,772*	(-) 102	(-) 1.3
Other State Revenue	1,429	1,347	(-) 82	(-) 5.7
Commonwealth Grants	5,412	5,414	+ 2	...
Total Revenue	<u>14,715</u>	<u>14,533</u>	<u>(-)182</u>	<u>(-) 1.2</u>
Payments				
Departments	11,126	10,993	(-) 133	(-) 1.2
Payments to Authorities	1,215	1,208	(-) 7	(-) 0.6
Debt Charges	1,157	1,177	+ 20	+ 1.7
Total Payments	<u>13,498</u>	<u>13,378</u>	<u>(-)120</u>	<u>(-) 0.9</u>
Recurrent Result	<u>1,217</u>	<u>1,155</u>	<u>(-) 62</u>	
CAPITAL				
Revenue				
State Capital Revenue	243	124	(-)119	(-)49.0
Commonwealth Grants	997	985	(-) 12	(-) 1.1
Total Capital Revenue	<u>1,240</u>	<u>1,109</u>	<u>(-)131</u>	<u>(-)10.5</u>
Payments				
Capital Works Payments	2,576	2,608	+ 32	+ 1.2
Capital Result	<u>(1,336)</u>	<u>(1,499)</u>	<u>(-) 163</u>	
TOTAL				
Revenue	15,955	15,642	(-)313	(-) 1.9
less Payments	16,074	15,986	(-) 88	(-) 0.5
Equals Budget Result	<u>(119)</u>	<u>(344)</u>	<u>(-)225</u>	
FINANCING				
Transfer from Revenue				
Equalisation Account	284	433	+ 149	+ 52.5
less Loan Repayments	165	89	(-) 76	(-)46.1
	<u>119</u>	<u>344</u>	<u>(-)225</u>	

* 1989-90 Actual includes \$75.5 million from contribution for NSW Fire Brigade which came on Budget on 1 January 1990 and therefore the true taxation shortfall to Budget was \$178 million.

6.2 RECURRENT PAYMENTS – VARIATIONS FROM BUDGET

Consolidated Fund recurrent payments in 1989–90 were under budget by \$120 million.

A large part of this variation was due to savings in relation to wage case decisions. The estimated impact of award decisions in 1989–90 is shown in Table 6.2.

Other major variations were –

- \$55 million savings on Police superannuation costs;
- increased expenditure on natural disaster relief (\$20 million);
- increased debt servicing costs (\$20 million); and
- \$49 million savings in the contribution for SRA freight operating losses offset by increased SRA borrowing costs (\$42 million).

As in 1988–89, there were few post-Budget policy initiatives having any significant impact on the final result for the year. Major post-budget policy initiatives in 1989–90 amounted to only \$9 million. (These are identified by a double asterisk in Table 6.3.) This compares with \$21 million in 1988–89 (excluding the \$137 million of once-up costs associated with commercialisation reforms) and \$158 million in 1987-88.

Table 6.3 details all variations, segmented between major policy initiatives and cost variations and other factors, on a Ministerial/departmental basis.

Table 6.2: Cost of Salaries and Wages Awards, 1989–90

	Cost in 1989–90 \$m
National Wage Case	
1st Instalment 3%	105
less Budget provision	202
	<hr/>
Variation on Budget	(-) 97
	<hr/>
Other Awards	
Resident Medical Officers	22
Nurses Professional Rates of Pay	42
	<hr/>
	64
less Budget provision	60
	<hr/>
Variation on Budget	+ 4
	<hr/>
Other Awards (not provided for in Budget allocations)	
Judges, Magistrates, Public Defenders	5
Radiographers and Nuclear Medicine Technologists	3
Other	3
	<hr/>
Variation on Budget	+ 11
	<hr/>
Total Variation on Budget	(-) 82

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Legislature	54.0	51.7	..	(-) 2.3	(-) 2.3	Printing costs savings (\$2.1m); other savings (\$1.0m); offset by increased remuneration to members (\$0.8m).	
Premier, Treasurer and Ethnic Affairs	6.3	6.4	..	+ 0.1	+ 0.1	Royal Commission into Blackburn Prosecution (\$1.9m)**; Royal Commission into former Chelmsford Private Hospital and Mental Health Services (\$5.1m); Royal Commission into Aboriginal Deaths in Custody (\$0.6m); offset by \$1.1m Savings from programs generally	
Premier's Department	73.5	80.0	+ 1.9	+ 4.6	+ 6.5	Savings on election costs and payments to candidates.	
State Electoral Office	3.5	2.3	..	(-) 1.2	(-) 1.2		
Independent Commission Against Corruption	14.5	14.2	..	(-) 0.3	(-) 0.3	Natural Disasters Relief measures (\$19.8m); debt servicing costs to Commonwealth (\$12.4m); principal, interest and fees on Departmental Works Program debt and other debts assumed (\$20 m); remissions and refunds of Value-General's fees and stamp duty (\$6.8m); superannuation (\$4.1m); assistance to authorities and other bodies (\$3.3m); leave on termination provisions (\$15.9m).	
Ombudsman's Office	4.2	3.9	..	(-) 0.3	(-) 0.3		
Treasury	887.1	969.7	..	+ 82.6	+ 82.6		

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure – Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Advance to Treasurer	100.0	...	...	(-)100.0	(-)100.0		Actual expenditures against this item are made by various organisational units and are included in figures for individual Ministers.
Ethnic Affairs Commission	6.4	7.5	...	+ 1.1	+ 1.1		Additional grants to various Ethnic Groups.
	1,095.5	1,084.1	+ 1.9	(-)13.3	(-)11.4		
Administrative Services Department of Administrative Services	47.6	42.8	...	(-)4.8	(-)4.8		Savings from employee related payments (\$1.3m); maintenance and working expenses (\$2.8m); from Other Services items (\$0.7m).
Property Services Group	...	0.8	+ 0.8	...	+ 0.8		Recurrent costs associated with the development of Homebush Bay.**
	47.6	43.6	+ 0.8	(-)4.8	(-)4.0		
Agriculture and Rural Affairs Rural Assistance Authority	23.6	20.9	...	(-)2.7	(-)2.7		Savings from employee related and maintenance and working expenses.
Department of Agriculture and Fisheries	167.6	173.9	...	+ 6.3	+ 6.3		Cost of winding up Egg Corporation (\$11.3 m), offset by Departmental savings on salaries and maintenance and working expenses (\$5.0 m)

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	Comment
Soil Conservation Service	26.3	26.8	+ 0.4	+ 0.1	+ 0.5	Salinity and water logging control measures (\$0.4m)**; other (\$0.1m).
	217.5	221.6	+ 0.4	+ 3.7	+ 4.1	
Attorney General Attorney General's Department	230.5	240.8	..	+ 10.3	+ 10.3	\$4.9m for award increases other than National Wage Case; \$3.1 for Local Courts restructure; \$3.7m overruns on other employee related payments and maintenance and working expenses; offset by \$1.4m savings on National Wage Case provisions.
	48.0 24.7	48.0 25.6	+ 0.6	+ 0.3	+ 0.9	
Legal Aid Commission Office of the Director of Public Prosecutions	1.5	1.3	..	(-0.2)	(-0.2)	\$0.6m for trial transfer of committals proceedings from Police Department**; \$0.3m for award increases for Crown Prosecutors.
	304.7	315.7	+ 0.6	+10.4	+ 11.0	
Judicial Commission	103.2	102.1	..	(-1.1)	(-1.1)	Savings from programs generally.

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	
Chief Secretary and Tourism Chief Secretary's Department Tourism Commission	10.1	8.8	...	(-)1.3	(-)1.3	Savings from salaries and maintenance and working expenses. \$0.5m expenditure on Marketing and Advertising** to boost NSW Tourism fully offset by savings elsewhere within Ministry.
	18.5	18.9	+ 0.5	(-)0.1	+ 0.4	
	28.6	27.7	+ 0.5	(-)1.4	(-)0.9	
Corrective Services Department of Corrective Services	213.3	215.0	...	+ 1.7	+ 1.7	\$0.4m for claims for compensation; \$0.8m for Prison Industries; \$2.1m for increased prisoner numbers; offset by \$1.6m savings on National Wage Case provisions.
	73.2	68.6	...	(-)4.6	(-)4.6	
Education and Youth Affairs Ministry of Education and Youth Affairs Department of School Education	2,997.5	2,959.2	...	(-)38.3	(-)38.3	Savings on National Wage Case provisions, other employee related payments and maintenance and working expenses. Savings from National Wage provisions (\$25.6m), strikes (\$8.2m), Special Education Initiatives from savings and initiatives plan (\$7.3); Commonwealth programs due to spending patterns in calendar year (\$8.2m); offset by per capita allowances to non-Government Schools (\$3.5m), and overruns on programs generally (\$11.2m).

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	
Department of Technical and Further Education	683.3	663.8	...	(-)19.5	(-)19.5	Savings from National Wage Case provisions (\$8.9m), other employee related payments (\$6.3m) and from provision for contributions to joint ventures (\$3.9m).
	3,754.0	3,691.7	...	(-)62.3	(-)62.3	
Environment Ministry for the Environment	50.4	52.5	...	+ 2.1	+ 2.1	Increase in payment to the Water Board for rate rebates for pensioners.
	37.7 14.7	37.9 15.8	... ...	+ 0.2 + 1.1	+ 0.2 + 1.1	
National Parks and Wildlife Service State Pollution Control Commission	102.8	106.2	...	+ 3.4	+ 3.4	Increases in employee related payments and maintenance and working expenses.
	637.7	605.9	+ 1.4	(-)33.2	(-)31.8	
Family and Community Services Department of Family and Community Services						\$17.4m savings from National Wage Case provisions, \$12.6m roll forward of unspent funds targeted for specific programs, \$3.2m savings generally, offset by \$1.4m increased costs from Truth in Sentencing**.

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Health and Arts Department of Health	3,549.6	3,527.9	...	(-)21.7	(-)21.7	Savings on Award costs (\$38.8m) less overruns on Commonwealth programs (\$6.8m); "protected" allocations for debt costs (\$2.2m) and insurance (\$4.4m); and other expenditure overruns (\$3.7m).	
	111.1	108.8	...	(-)2.3	(-)2.3		
Ministry for the Arts	3,660.7	3,636.8	...	(-)23.9	(-)23.9	1989-90 savings carried forward to 1990-91 (\$1.5m); and savings from National Wage Case provisions (\$0.6m).	
	36.0	31.2	...	(-)4.8	(-)4.8		
Housing Department of Housing	69.1	64.9	...	(-)4.2	(-)4.2	Underexpenditure on Commonwealth financed programs due to delays in implementation. Should be taken up in 1990-91.	
	56.9	47.6	...	(-)9.3	(-)9.3		
Industrial Relations and Employment Department of Industrial Relations and Employment	41.8	40.1	...	(-)1.7	(-)1.7	Underexpenditure of \$2.3 m on employee related payments and \$1.8 on training schemes.	
	41.8	40.1	...	(-)1.7	(-)1.7		
Local Government and Planning Department of Local Government Department of Planning	41.8	40.1	...	(-)1.7	(-)1.7	Savings from pensioner rate rebates. Savings from employee related payments and maintenance and working expenses.	
	41.8	40.1	...	(-)1.7	(-)1.7		

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget					
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m	Comment
Darling Harbour Authority	74.1	88.2	...	+14.1	+14.1	Increases in debt costs.
	172.7	175.9	...	+3.2	+3.2	
	36.3	34.7	...	(-)1.6	(-)1.6	
Mineral Resources and Energy Department of Minerals and Energy						Savings for salaries related payments and maintenance and working expenses.
Natural Resources Department of Lands	69.7	69.7	+ 0.8	(-)0.8	...	\$0.8m payment for Moore Park** administration costs offset by equivalent savings from programs generally.
	82.9	78.6	+ 0.6	(-)4.9	(-)4.3	
Department of Water Resources	152.6	148.3	+ 1.4	(-)5.7	(-)4.3	\$0.6m cost of salinity and waterlogging control measures** offset by savings from insurance costs and interest on loans.
Police and Emergency Services Police Department	922.7	854.2	...	(-)68.5	(-)68.5	\$55m savings on contributions to the Police Superannuation Scheme, \$4.0 million on National Wage Case provision, \$13.2m savings on employee related payments due to high level of staff separations; offset by \$3.2m overrun on maintenance and working expenses and \$0.5m elsewhere.

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure – Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
State Drug Crime Commission NSW Fire Brigades	6.0	5.3	...	(-0.7 + 69.1	(-0.7 + 69.1	Reflects NSW Fire Brigades being transferred on-Budget from 1 January 1990. Consolidated Fund receipts have increased similarly.	
	20.5	89.6	...				
State Emergency Service Department of Bush Fire Services	6.3	6.0	...	(-0.3 (-0.1	(-0.3 (-0.1		
	5.8	5.7	...				
Sport, Recreation and Racing Department of Sport, Recreation and Racing	961.3	960.8	...	(-0.5	(-0.5		
	38.1	39.2	+ 2.0	(-0.9	+ 1.1		
State Development and Public Works Department of State Development	9.2	10.3	...	+ 1.1	+ 1.1	\$2.0m Eastern Creek Raceway loan** offset by \$0.9m savings generally.	
	135.7	134.7	...	(-1.0	(-1.0		
Department of Public Works	145.0	145.0	\$3.3m savings on salaries and maintenance and working expenses offset by \$2.2m overruns of Grants and subsidies and Other services items.	

Table 6.3: 1989-90 Consolidated Fund Recurrent Expenditure - Summary of Variations from Budget (cont)

Minister Organisation	Variation from Budget						Comment
	Budget# \$m	Actual \$m	Major Policy Initiatives \$m	Other* \$m	Total Variations \$m		
Transport Department of Transport	1,454.0	1,451.7	...	(-)2.3	(-)2.3	Saving on contribution to SRA towards freight operating losses (\$49.0m) and elsewhere (\$1.2m); offset by overruns on Conveyance of Students (\$6.1m) and SRA borrowings finance charges (\$41.8m).	
Roads and Traffic Authority	213.4	224.2	...	+10.8	+ 10.8	Increases in debt servicing costs.	
	1,667.5	1,675.9	...	+ 8.4	+ 8.4		
GRAND TOTAL	13,498.0	13,378.0	+9.0	(-)129.0	(-)120		

* Includes cost variations, minor policy initiatives, etc.

As amended under sections 24 and 26 of the Public Finance and Audit Act.

** Represent policy initiatives undertaken by the Government after the bringing down of the 1989-90 Budget.

6.3 RECURRENT REVENUE - VARIATIONS FROM BUDGET

Overall, Consolidated Fund revenue was below the 1989-90 Budget forecast by \$312.7 million or 1.9 per cent, with \$182.0 million of this being in respect of recurrent revenue.

The substantial decrease in recurrent revenue can be attributed in the main to a significant downturn of the property market during 1989-90. This decline affected revenue from stamp duty on contract and conveyances, on loan securities and on leases.

Revenue from pay-roll tax was reduced by a lower than forecast growth in wages.

During 1990-91 land tax liability rose substantially due to the effect of the property boom. In April 1990 the Government raised the threshold from \$135,000 to \$160,000 and lowered the assessed rate from 2 per cent to 1.5 per cent. This action required new assessments to be raised and refunds made where original assessments had been paid. An amount of \$30 million was transferred from 1989-90 revenue to a Special Deposits Account in June 1990 to allow for payment of the refunds in July 1990.

Details of the more significant variations from recurrent revenue estimates in the 1989-90 Budget are shown in Table 6.4.

Table 6.4: 1989-90 Recurrent Revenue - Variations from Budget

Revenue Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
STATE TAXATION					
Stamp Duty - Contracts and conveyances	1,087.0	970.9	(-)116.1	(-)10.7	The property market experienced a significant downturn during 1989-90 following the buoyant conditions of the previous year. The further tightening of monetary policy in June 1989 had an immediate and prolonged impact on revenue, mainly through a fall in the volume of transactions. The revenue decline was partially offset by the sale of a number of commercial properties.
Insurance	210.0	187.4	(-) 22.6	(-)10.8	During the latter half of 1989-90 revenue was adversely affected by the occurrence of several natural disasters which reduced the stock of property and motor vehicles to be insured; legislative changes from a sum insured to a premium basis of duty; the slowdown in economic activity and increased competition for business among insurance companies.
Share transfers	150.0	142.5	(-) 7.5	(-)5.0	The share market remained depressed as a result of continuing high interest rates, falling business profitability and increased corporate debt.
Leases	53.0	60.5	+ 7.5	+ 14.2	The effects of the decline in the property market extended to revenue from leases, however, the reduction in revenue was offset by one lease which yielded duty of \$22.4m.
Financial Institutions Duty	248.0	241.4	(-) 6.6	(-)2.7	Revenue was affected by the slowing of growth in financial aggregates over the course of 1989-90 being partly offset by December 1989 legislative changes which increased the maximum duty payable on a single transaction from \$300 to \$600.

Table 6.4: 1989-90 Recurrent Revenue - Variations from Budget (cont)

Revenue Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Motor Vehicle Weight Tax	470.0	488.2	+ 18.2	+ 3.9	Increases in the number of motor vehicles and higher collection rates for original registration boosted revenue.
Drivers Licence Fees	150.5	136.9	(-)13.6	(-)9.0	Postponement of the fee increase for photo licences and the issue of a greater number of concessional photo licences than anticipated reduced collections.
Pay-roll Tax	2,282.0	2,266.7	(-)15.3	(-)0.7	The shortfall in revenue resulted primarily from the smaller than anticipated annual rise in wages being offset by the introduction of fringe benefits into the definition of pay-roll.
Land Tax	668.0	627.4	(-)40.6	(-)6.1	1990 Land Tax assessments were based on land values at 1 July 1988, which corresponded to the height of the property boom. A large number of properties, particularly commercial and industrial, had been revalued, frequently on a part district basis, by the Valuer-General's Department. However, due to the delay in installing a new computer system, the magnitude of individual increases in land tax liability did not become apparent until April 1990. It was then estimated that the average increase in liability was 71 per cent, which was unprecedented.
Poker Machine Tax	261.0	269.9	+ 8.9	+ 3.4	At this time, the Premier announced relief, by raising the threshold from \$135,000 to \$160,000 and lowering the rate from 2 per cent to 1.5 per cent. Despite the heavy commitment of resources to compliance, there was a shortfall in revenue due to administrative and other complications induced by the April concessions. Increased patronage associated with the introduction of \$1 and \$2 coin machines and further linking of machines has increased revenue.

Table 6.4: 1989-90 Recurrent Revenue – Variations from Budget (cont)

Revenue Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Lotteries and Lotto	168.8	173.1	+ 4.3	+ 2.5	Increased lottery revenue resulted from record sales in both instant and draw lotteries. Sales of Lotto were at a lower rate than anticipated following the change to the "6 in 44" during 1988-89.
Business Franchise Licences – Petroleum	430.5	436.8	+ 6.3	+ 1.4	An increased level of compliance resulted in larger than expected collections.
Business Franchise Licences – Tobacco	265.0	282.3	+ 17.3	+ 6.5	The revenue outcome was achieved through a combination of increased compliance and the effect of higher relative prices for tobacco in some other States.
Liquor Licence Fees	205.3	193.2	(-)12.1	(-)5.9	Changes in Commonwealth Excise Duty affected NSW greater than first assumed and resulted in the collection of less fees revenue.
Fire Insurance Levy	...	75.5	+ 75.5	n.a.	Reflects NSW Fire Brigades being transferred on-Budget from 1 January 1990. Consolidated Fund expenditures have increased similarly.
Fees	111.8	121.3	+ 9.5	+ 8.4	Increased revenue was due to higher than anticipated collections of court fees and Corporate Affairs fees.
Fines	124.3	131.9	+ 7.6	+ 6.1	Increased collections were primarily due to the acceptance of court defaults on cancelled and disqualified licences. In addition, Government departments are now required to pay fines.

Table 6.4: 1989-90 Recurrent Revenue – Variations from Budget (cont)

Revenue Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Land Transactions and Royalties					
Land Alienations –					
Sale of homesites	50.0	33.0	(-)17.0	(-)34.0	Reduced sales activity reflecting the impact of high interest rates for home mortgage finance.
Miscellaneous sales	16.0	22.6	+ 6.6	+ 41.3	Increased revenue was due to conversion of leaseholds to freeholds and changes in the Crown Land Act which made purchasing small leaseholds more attractive.
INTEREST RECEIVED					
Interest on Treasury funds	195.0	186.3	(-)8.7	(-)4.5	The Consolidated Fund had been operating on a deficit for most of 1989-90, thus limiting the amount of funds available for investment.
CHARGES FOR GOODS AND SERVICES					
Private Patient Fees	14.1	1.3	(-)12.8	(-)90.8	Administration of State nursing homes has been transferred to Area Health Services and patient fees are now retained rather than paid into Consolidated Fund.
DIVIDEND AND TAX EQUIVALENT PAYMENTS FROM STATE ENTERPRISES					
Land Titles Office	14.5	6.9	(-)7.6	(-)52.4	The shortfall in revenue is primarily due to the downturn experienced in the property market during 1989-90 which affected the volume of land transfers.

Table 6.4: 1989-90 Recurrent Revenue - Variations from Budget (cont)

Revenue Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
COMMONWEALTH SPECIFIC PURPOSE PAYMENTS					
Supported Accommodation Assistance	27.1	20.4	(-)6.7	(-)24.7	Revenue from this source is only credited to the Consolidated Fund as a recoupment of expenditure. The Department did not incur sufficient expenditure to transfer the full amount.
OTHER RECURRENT ITEMS	7,513.1	7,456.6	(-)56.5	(-) 0.8	
TOTAL, RECURRENT REVENUE	14,715.0	14,533.0	(-)182.0	(-)1.2	

6.4 1989-90 CAPITAL PROGRAM – VARIATIONS FROM PROJECTIONS

Consolidated Fund Capital Budget

The Capital Budget comprises capital works and services of Inner Budget Sector organisations funded from the Consolidated Fund. It forms part only of the State's overall Capital Program which comprises capital works and services of both Inner and Outer Budget Sector organisations funded from global borrowings and internal revenue and reserves, in addition to funding from the Consolidated Fund. Details of the outcome of the State's Capital Program in 1989-90 are outlined in the next sub-section.

The outcome of the 1989-90 Capital Budget is summarised as follows –

	Budget Estimate \$m	Actual \$m	Variation \$m
Capital payments	2,576	2,608	+ 32
Capital revenue	1,240	1,109	(-) 131
	<hr/>	<hr/>	<hr/>
Result (Deficit)	(1,336)	(1,499)	+ 163
	<hr/>	<hr/>	<hr/>

The increase in the deficit of \$163 million in the 1989-90 Capital Budget result was due to an increase of \$32 million in capital payments mainly resulting from increased expenditure by the Darling Harbour Authority, Roads and Traffic Authority and payments to the Commonwealth under the Joint Land Exchange Agreement.

The decrease in capital revenue represents a shortfall in asset disposal proceeds due to the marked downturn in the property market.

Details of 1989-90 Capital Budget payments and revenue compared with estimates are contained in Tables 6.5 and 6.6 respectively.

Capital Program (Total Payments)

The overall Capital Program includes the Capital Budget plus non-Consolidated Fund revenue and expenditure for the Inner Budget Sector and capital revenue and expenditure of the Outer Budget Sector.

The outcome of the 1989-90 Capital Program is summarised as follows –

	Budget Estimate \$m	Actual \$m	Variation \$m
Capital Program payments	5,161	4,950	(-) 211
Capital Program revenue (a)	4,326	4,132	(-) 194
	<hr/>	<hr/>	<hr/>
Result (Deficit)	(835)	(818)	(-) 17
	<hr/>	<hr/>	<hr/>

(a) Excludes all Loan Council global borrowings.

Details of 1989-90 Capital Program payments compared with estimates and an explanation of significant variations are contained in Table 6.7. The Capital Program revenue decrease largely reflected the shortfall in asset disposal proceeds due to the depressed property market.

Table 6.5: 1989-90 Consolidated Fund Capital Expenditure - Summary of Variations from Budget

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Premier, Treasurer and Ethnic Affairs					
Cabinet Office	0.2	4.2	4.0	+2000.0	
Premier's Department					
Ombudsman's Office	0.2	0.2	0.2	n.a.	
Treasury	0.2	0.2			
Independent Commission Against Corruption	0.1	0.1			
	0.5	4.7	4.2	+840.0	Dedication of 10% of net Consolidated Fund proceeds from the sale of surplus Government properties to the Open Space and Heritage Fund.
Administrative Services					
Department of Administrative Services	0.3	0.3			
Property Services Group	18.1	14.1	(4.0)	(-22.1)	Underexpenditure on Circular Quay West project.
	18.4	14.4	(4.0)	(-21.7)	
Agriculture and Rural Affairs					
Department of Agriculture and Fisheries	28.9	28.6	(0.3)	(-1.0)	
Soil Conservation Service	8.6	8.2	(0.4)	(-4.7)	
	37.5	36.8	(0.7)	(-1.9)	

Table 6.5: 1989-90 Consolidated Fund Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Attorney General Attorney General's Department Director of Public Prosecutions	52.1	52.5	+ 0.4	+ 0.8	
	0.1	0.1	...	...
	<u>52.2</u>	<u>52.6</u>	<u>+ 0.4</u>	<u>+ 0.8</u>	
Business and Consumer Affairs Department of Business and Consumer Affairs	0.2	0.2	...	...
Chief Secretary and Tourism Tourism Commission	0.4	1.9	+ 1.5	+375.0	Purchase of Crown Land site on which Jenolan Caves House is located.
	...	0.5	+ 0.5	n.a.	Increased expenditure on capital program offset by savings within recurrent budget.
	<u>0.4</u>	<u>2.4</u>	<u>+ 2.0</u>	<u>+500.0</u>	
Corrective Services Department of Corrective Services	77.4	71.1	(-) <u>6.3</u>	(-) <u>8.1</u>	Delays to a number projects due to inclement weather.

Table 6.5: 1989-90 Consolidated Fund Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Education and Youth Affairs Ministry of Education and Youth Affairs Department of School Education Department of Technical and Further Education	0.1	0.1	...	...
	205.8	206.2	+ 0.4	+ 0.2	
	123.6	120.0	(-)3.6	(-)2.9	
	<u>329.5</u>	<u>326.3</u>	<u>(-)3.2</u>	<u>(-)1.0</u>	
Environment National Parks and Wildlife Service State Pollution Control Commission	20.7	20.2	(-)0.5	(-)2.4	
	0.8	0.8	...	...
	21.5	21.0	(-)0.5	(-)2.3	
	<u>22.5</u>	<u>21.0</u>	<u>(-)1.5</u>	<u>(-)6.7</u>	
Family and Community Services Department of Family and Community Services	15.6	14.0	(-)1.6	(-)10.3	Underexpenditure on a number of projects due to unforeseen bad weather.
	<u>15.6</u>	<u>14.0</u>	<u>(-)1.6</u>	<u>(-)10.3</u>	
Health and Arts Department of Health	39.1	52.6	+ 13.5	+ 34.5	Additional funding from the Consolidated Fund to replace a shortfall in asset disposal proceeds.
	18.0	15.0	(-)3.0	(-)16.7	Underexpenditure on various projects within the Arts portfolio.
Ministry for the Arts	<u>57.1</u>	<u>67.6</u>	<u>+ 10.5</u>	<u>+ 18.4</u>	

Table 6.5: 1989-90 Consolidated Fund Capital Expenditure - Summary of Variations from Budget (cont)

Minister for - Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Housing Department of Housing	367.9	367.9	...	...
Industrial Relations and Employment Department of Industrial Relations and Employment	0.4	0.4	...	...
Local Government and Planning Department of Planning Darling Harbour Authority	3.7 ...	3.8 54.8	+ 0.1 + 54.8	+ 2.7 N/A	Increase in completion costs and additional funds for court settlement.
Minerals and Energy Department of Minerals and Energy	3.7	58.6	+ 54.9	+1,483.8	
Natural Resources Department of Lands	4.2	3.1	(-)1.1	(-)26.2	Decrease in expenditure on Mining Museum.
Department of Water Resources	3.5	22.7	+ 19.2	+548.6	\$19m payment to Commonwealth in respect of Joint Government Land Exchange Agreement.
	36.0	34.1	(-)1.9	(-)5.3	
	39.5	56.8	+ 17.3	+ 43.8	
Police and Emergency Services Police Department	26.2	22.2	(-)4.0	(-)15.3	Underexpenditure mainly due to non-purchase of equipment.
NSW Fire Brigades	6.0	4.7	(-)1.3	(-)21.7	Increase in expenditure due to equipment purchases
State Drug Crime Commission	0.1	0.7	+ 0.6	+600.0	offset by savings on recurrent budget.
State Emergency Services	0.1	0.1	...	...
	32.4	27.7	(-)4.7	(-)14.5	

Table 6.5: 1989-90 Consolidated Fund Capital Expenditure – Summary of Variations from Budget (cont)

Minister for – Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Sport, Recreation and Racing Department of Sport, Recreation and Racing	6.2	8.9	+ 2.7	+ 43.5	Additional costs associated with construction of Penrith Lakes Rowing Course.
State Development and Public Works Public Works Department	105.4	116.4	+ 11.0	+ 10.4	Increased expenditure on First Government House Commemorative Facility.
State Development	4.1	1.7	(-)2.4	(-)58.5	Delays on infrastructure work at Tamworth Flying College.
	109.5	118.1	+ 8.6	+ 7.9	
Transport Department of Transport	212.6	141.3	(-)71.3	(-)33.5	Decreased redundancy payments compared with Budget.
Roads and Traffic Authority	1,188.9	1,213.6	+ 24.7	+ 2.1	Increased revenue passed through the Consolidated Fund.
	1,401.5	1,354.9	(-)46.6	(-)3.3	
GRAND TOTAL	2,575.6	2,607.5	+ 31.9	+ 1.2	

Table 6.6: 1989-90 Consolidated Fund Capital Receipts – Variations from Budget

Receipt Item	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Commonwealth Grants for General Capital Purposes	86.3	86.3	...	...
Commonwealth Payments for Specific Capital Purposes	910.0	902.4	(-)7.6	(-)0.8	
Repayments by Departments and Authorities Arising from Previous Years Expenditures and Disposal of Assets	243.2	120.2	(-)123.0	(-)50.6	The decrease reflects a shortfall in asset disposal proceeds.
TOTAL	1,239.5	1,108.9	(-)130.6	(-)10.5	

Table 6.7: 1989-90 Capital Program Expenditure – Variations from Budget

Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Consolidated Fund	2,575.6	2,607.5	+ 31.9	+ 1.2	
Treasury	9.2	8.1	(-)1.1	(-)12.0	
Administrative Services Department	4.5	5.8	+ 1.3	+ 28.9	Additional funding for Homebush Bay Development.
Department of Agriculture	49.5	47.6	(-)1.9	(-)3.8	
National Parks and Wildlife Service	3.1	1.7	(-)1.4	(-)45.2	Asset disposal target not achieved.
Hunter District Water Board	33.0	36.5	+ 3.5	+ 10.6	
The Water Board	377.8	340.5	(-)37.3	(-)9.9	Underexpenditure due to wet weather, shortfall in asset disposals, environmental factors and inability to engage sufficient quality contract labour.
Zoological Parks Board	4.4	2.5	(-)1.9	(-)43.2	Decrease in expenditure due to a number of projects being deferred.
Department of Family and Community Services	9.1	5.1	(-)4.0	(-)44.0	Deferment of computer development as well as a shortfall in asset disposals.
Department of Health	254.4	230.4	(-)24.0	(-)9.4	Underexpenditure due to a shortfall in asset disposals.
Department of Housing	232.1	226.3	(-)5.8	(-)2.5	
Landcom	88.4	138.5	+ 50.1	+ 56.7	Expanded land acquisition activity.
Crown Land Homesites	15.0	18.6	+ 3.6	+ 24.0	Expansion of site acquisition program.

Table 6.7: 1989-90 Capital Program Expenditure – Variations from Budget (cont)

Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
Councils – General Purpose Borrowings	178.6	180.1	+ 1.5	+ 0.1	Additional borrowings for land acquisition for the Western Sydney Recreation Area.
Department of Planning	24.6	45.7	+ 21.1	+ 85.8	
Sydney Cove Redevelopment Authority	9.0	6.1	(-)2.9	(-)32.2	Delays to a number of projects due to inclement weather.
Department of Minerals and Energy	5.2	1.5	(-)3.7	(-)71.2	Slowdown of Mining Museum project.
Electricity Commission	454.7	311.6	(-)143.1	(-)31.5	Deferment of works due to restructuring power station projects and delays in transmission line construction due to inclement weather, environmental issues and land acquisition problems.
Electricity County Councils	22.7	36.7	+ 14.0	+ 61.7	Increase borrowings to enable purchase of assets from the Electricity Commission.
Department of Water Resources	22.2	18.8	(-)3.4	(-)15.3	Underexpenditure on various projects.
Broken Hill Water Board	0.8	0.6	(-)0.2	(-)25.0	
Police Department	13.3	11.0	(-)2.3	(-)17.3	Decrease in expenditure mainly as a result of a delay to some computer projects.
NSW Fire Brigades	2.5	0.0	(-)2.5	(-)100.0	Asset disposal target not achieved.
Department of Lands	5.9	4.7	(-)1.2	(-)20.3	Decrease in expenditure on computer development.
State Rail Authority	423.0	415.0	(-)8.0	(-)1.9	

Table 6.7: 1989-90 Capital Program Expenditure – Variations from Budget (cont)

Organisation	Budget Estimate \$m	Actual \$m	Variation from Budget		Comment
			\$m	%	
State Transit Authority	41.7	35.3	(-)6.4	(-)15.3	Decrease in expenditure due to a number of projects being deferred or delayed, including \$3 million for computer projects.
GrainCorp Authority	29.9	10.3	(-)19.6	(-)65.6	Underexpenditure due to construction delays on the Port Kembla Grain Terminal.
Maritime Services Board	30.4	27.9	(-)2.5	(-)8.2	
Roads and Traffic Authority	101.2	55.7	(-)45.5	(-)45.0	Unforeseen delays with various projects.
Attorney-General	11.2	4.6	(-)6.6	(-)58.9	Decrease in expenditure on computer development.
Department of Industrial Relations and Employment	5.7	1.7	(-)4.0	(-)70.2	Underexpenditure on various computer projects.
Department of Business and Consumer Affairs	10.4	4.3	(-)6.1	(-)58.7	Computer network expenditure deferred due to negotiations regarding future corporate legislation with the Commonwealth.
Department of School Education	9.4	10.4	(+)1.0	(+)10.6	
Other Minor Variations	102.1	99.0	(-)3.1	(-)3.0	
GRAND TOTAL	5,160.6	4,950.1	(-)210.5	(-)4.1	

Note: These figures differ from those in the tables in Chapter 5 as the latter have been adjusted to place them on a comparable basis with 1990-91.

CHAPTER 7: MICROECONOMIC AND PUBLIC SECTOR REFORMS

7.1 Introduction

7.2 NSW Public Sector Reform

7.3 NSW Public Sector Performance

7.4 Regulatory Reform

7.1 INTRODUCTION

To date, Australia's productivity performance has been poor relative to other OECD countries. The latest OECD surveys indicate that Australia's level of labour and capital productivity has been below the average of the majority of OECD countries in all but two out of nine industry sectors. In the Public Utilities sector (electricity, gas and water), Australia's labour productivity has been less than half of the OECD average.

NSW Government agencies have a direct role in the production of goods and services as a result of the responsibilities conferred by the Australian Constitution. Traditionally, they have produced goods and services with a high monopoly component (such as electricity, water, sewerage and passenger rail services), or where the benefits are social and diffuse and not always suitable for private sector provision (for example, law and order and education).

With the growing failure of macroeconomic policy settings to produce the desired growth in Australia's standard of living, there has been increasing attention within Australia, and indeed most other western economies, to meeting those growth objectives through greater reliance on microeconomic reform.

Microeconomic reform refers to changes in the way goods and services are produced with a view to making the economy more productive. Change is required on two fronts.

Firstly, production needs to have a greater degree of **technical efficiency**. Output needs to be produced at least cost, through reduction of waste and inefficient work practices, using the latest technology and ensuring the appropriate scale of capital investment.

Secondly, there is a need for **allocative efficiency**, which means using scarce resources so as to produce the quantity and mix of goods and services that maximises community welfare.

Allocative efficiency is not possible if too high or low a price is charged. For example, if a price well in excess of cost is charged, less of the good or service would be consumed than would be the case if only "normal profits" were being earned. Also, scarce resources would tend to be used in production of other goods and services less valued by the community. Likewise, if a price is set below cost, waste could occur as the demand for the good or service is artificially boosted.

The overall benefits from microeconomic reform are estimated to be substantial and wide-ranging. Industries Assistance Commission estimates (1989) foresaw a potential real increase in the level of Gross Domestic Product of five percent, with the long term creation of an extra 35,000 jobs. These gains were estimated to result from improved productivity, increased competition, reforms to pricing policies in the areas of transport, communications, and electricity supply, and rationalised industry assistance.

The reform process that has been underway in New South Wales in recent years has been concerned with reducing the cost of public sector produced goods and services (technical efficiency) and ensuring that charges more accurately reflect costs (allocative efficiency). The process that has been underway is described in Section 7.2 and progress to date and projections for the next three years for ten major Government business are outlined in Section 7.3.

As well as having a direct impact on Australian microeconomic reform progress, NSW Government agencies also have an indirect impact. A proportion of the goods and services produced are inputs to, or affect the efficiency of, production in the rest of the economy. The quality of the road infrastructure and electricity costs, for example, have an impact on the cost of production within the private sector and, in turn, the economy's performance in the important areas of exports and import substitution. The Industries Assistance Commission (now the Industry Commission) made a detailed examination of this area in its September 1989 report on "Government (Non-Tax) Charges".

The NSW Government (along with the Commonwealth) provides a regulatory and institutional framework within which all goods and services are produced. Regulatory reform is an important aspect of microeconomic reform. The objective is a minimum set of regulations that meets assessed community requirements and minimises compliance and administrative costs. The framework also includes regulations governing the operation of the labour market, and the training and development of the workforce.

The setting of the regulatory and institutional framework for microeconomic reform in New South Wales is discussed more fully in Section 7.4.

7.2 NSW PUBLIC SECTOR REFORM

Overview

Public sector reform has been a continuing theme of NSW Governments during the last decade. Early initiatives in the financial management area included the introduction of a single Consolidated Fund; the publication of monthly Financial Statements; the introduction of Program Budgeting; and new financial reporting standards arising from a new Public Finance and Audit Act, Annual Reports Legislation and more comprehensive Budget Papers.

The process of reform accelerated sharply in the latter part of the decade following the report of the NSW Commission of Audit. The Commission's recommendations can be grouped under the following categories:

- Financial Reform – These reforms include the implementation of a medium term financial strategy directed toward fiscal restraint; the introduction of accrual accounting across the public sector; and the presentation of the Budget in a consolidated National Accounts format so as to clearly identify the economic impacts of budget decisions.
- Property Management – Consistent with the general financial reforms the Commission proposed that a separate agency be established to manage the Government's property portfolio.
- Government Trading Enterprise (GTE) Reform – Detailed analysis of the performance of a number of major GTE's resulted in recommendations for wide-ranging reforms to improve accountability and performance.
- Corporatisation – The Commission proposed that, where appropriate, GTE's should be placed in an operating environment which would replicate the internal and external conditions of successful private companies, even though they remain Government-owned.

Recent Public Sector Reforms

Public sector reform has broadened and accelerated since the report of the Commission of Audit both with respect to the implementation of reforms identified by the Commission and the introduction of additional reforms. Irrespective of the origin of these reforms they are designed to be consistent with five basic principles:

- the establishment of clear objectives;
- managerial autonomy in pursuit of those objectives;
- performance evaluation and improved financial information;
- rewards and sanctions commensurate with performance; and
- competition and competitive neutrality (i.e.: removal of any special advantages or disadvantages in production compared with private sector agencies) and opening up the public sector to competition where possible.

The reforms described below are mainly of a financial nature. They have either been implemented in the past two years or are targeted for introduction in the short term.

CLEAR OBJECTIVES

Classification Review

The NSW public sector encompasses a wide range of organisations. A consistent framework for categorising agencies has been developed in relation to the financial and market status of each. A policy document on the "Classification and Control of State Organisations" was endorsed in June 1989, and is the basis for determining whether an agency should be treated as inner or outer budget sector.

Broadly, where agencies depend for less than half their operating income on the public purse, they are regarded as outer budget sector and given greater autonomy in their use of resources, such as in funding staff and investment.

Similarly, the more commercially competitive the environment in which the agency produces, prices and distributes its goods and services, the more autonomy it is given in its production decisions.

Expenditure Review Committee

A ministerial Expenditure Review Committee has been established to set broad Budget strategy and identify major issues. The Committee provides a decision framework for rational State public sector resource allocation.

Target Budgeting

Target budgeting provides agencies with rolling three year expenditure ceilings that assist the Government in keeping tighter control over growth in Budget expenditure and facilitates forward financial planning in agencies.

An important benefit of the new forward estimates system is that budgets for a given year are based on the Budget of the previous year, rather than actual expenditure. In contrast with the past, over-expenditure is not rewarded.

MANAGERIAL AUTONOMY

Global Budgeting

In parallel with the introduction of target budgeting, greater flexibility has been provided to Ministers and agencies to manage within their level of allocated resources. Global budgeting provides the discretion to move funds from a particular allocation between different programs and types of expenditure.

In addition, Ministers have been given the facility to transfer funds between years, with borrowings in this regard to be repaid from future allocations within an agreed time frame.

PERFORMANCE EVALUATION AND IMPROVED FINANCIAL INFORMATION

Performance Agreements

Performance agreements are now required between the relevant Minister and the heads of Government agencies, and the Premier and Treasurer conducts an annual performance review of Ministers and their portfolios. This is an important component of the development of a forward plan for the portfolio.

GTE Monitoring Unit

Performance monitoring of Government Trading Enterprises allows shareholding Ministers to ensure the performance of their agencies is in line with previously agreed objectives and, in principle, to have early warning of non-performance or problems.

A GTE Monitoring Unit has been established within Treasury to this end and has recently published a set of performance monitoring guidelines for shareholders, managers and monitors.

Performance indicators are the summary statistics used in assessing performance. To be effective, performance indicators for Government agencies need to carry out the same functions as share prices and conventional financial indicators (for example, liquidity, asset management and debt management ratios).

In cases where GTE's are the sole operators in certain markets, financial indicators will give only part of the picture. Operation performance indicators specific to the GTE may also need to be developed and assessed in a time series context. Similarly, comparative indicators may need to be developed in monopoly situations where it is difficult to compare performance with other local agencies (this may, for example, require comparison with interstate or overseas agencies).

Consolidated Financial Statements

One of the recommendations of the Commission of Audit was to show the State's overall financial position in the same manner that a private holding company would present its group accounts. The identification over time of movements in assets and liabilities, and income and expenditure and source and application of funds was seen as giving a more accurate picture of Government performance.

The Commission of Audit produced a set of Consolidated Financial Statements in its report and Treasury has since produced sets for the financial years ended 30 June 1988 and 1989. They will be produced annually from hereon in.

The NSW Government is believed to be the first Government in the world to produce audited, comprehensive Consolidated Financial Statements that put Government financial reporting on the same basis as any large holding company with several subsidiaries.

Accrual Accounting

In 1990-91, four inner budget sector departments are to commence reporting on an accrual basis. Over the next four to five years, accrual accounting will be introduced to all departments.

The introduction of accrual accounting for the inner budget sector means proper recognition of the timing of expenditure liabilities and income payments and a more accurate valuation of assets and liabilities.

Accrual accounting should ensure a more effective management of liabilities and ensure a clearer presentation of the State's overall financial position.

New South Wales joins with New Zealand in being the first Governments in the world to extend accrual accounting to the General Government sector rather than just the Government business sector.

Economic Appraisal of Capital Works

Since the beginning of 1989–90, economic appraisal (cost–benefit and cost effectiveness analysis) has been required to be applied to all capital works proposals with a total cost in excess of \$0.5 million to assist in allocating scarce capital to the most deserving projects. These appraisals are designed to take account of the economy–wide effects of proposals as well as the costs and benefits accruing to the agency.

The appraisals are undertaken by Departments and Authorities themselves or by external consultants accredited by the NSW Treasury.

Insurance and Risk Management

A self insurer managed fund scheme was introduced for the inner budget sector at the beginning of 1989–90. The scheme is fully funded and designed to reward good risk management practices by giving members access to the surpluses in their own self insurance account.

The projected savings from the incentive scheme in year one are in the order of \$42 million, of which half will be retained by Departments.

National Accounts Presentation of NSW Public Sector

A National Accounts presentation of the State's situation shows total outlays, revenues and financing (as distinct from borrowing) requirements for the whole of the State public sector, and enables an informed assessment of the impact of the State public sector on the economy and financial markets.

The presentation was first completed for the 1988–89 accounts, and is shown for 1989–90 as Budget Paper No. 7.

New South Wales has been the first State to show its accounts on this basis.

REWARDS AND SANCTIONS

Senior Executive Service

The top 1,400 public sector managers in the State have been classified within the Senior Executive Service and given remuneration and tenure conditions related to performance. The arrangement ensures that the public sector is in a position to compete with the private sector for the best managers, and is able to apply the same rewards and sanctions to their performance.

New South Wales is the first Government in the world to put its senior management on commercial contracts with genuine commercial pay and conditions.

COMPETITION AND COMPETITIVE NEUTRALITY

User Charges

Government agencies are now directly charged for the services provided by the Valuer-General's Office, the Auditor-General's Office, the Department of Administrative Services and other central service agencies.

Additionally, individual agencies must now make their own provision for "on costs" such as superannuation, payroll tax and debt charges which were previously borne on their behalf by various central agencies.

The revised arrangements allow a more accurate costing of individual programs as an aid to decision-making and promote allocative efficiency.

More generally, public sector pricing reform has been achieved in a number of external pricing areas including electricity tariffs, water charges, public transport (multi-ride tickets), port pricing and road user charges (petrol tax surcharge). These price reforms have been introduced so that service costs more accurately reflect the real resource cost of providing the service, and promote allocative efficiency throughout the economy.

Net Appropriation Budgeting

From 1 July 1991, all Consolidated Fund Departments will be allowed to retain revenue from client charges, where such charges cover only a portion of the total cost of providing a service. This will ensure that the Budget more accurately reflects expenditure funded from the public purse (i.e. taxes, regulatory fees, fines, dividends and Commonwealth payments), as distinct from expenditure funded from all sources (including fees for service).

Where Departments run discrete profit-oriented activities (which require no support from the public purse), these will be treated as off-Budget. Such activities will be expected to pay normal taxes and dividend, putting them on a similar footing to other Government Trading Enterprises.

From 1991-92, the NSW Budget will, for the first time, accurately reflect the true size of NSW Government "social" outlays as distinct from commercial outlays.

Activity Rationalisation

Public sector reform also entails decisions about the appropriateness of the public provision of goods and services.

Reform initiatives in this area include the sale of Government Enterprises such as the business operations of the NSW Egg Corporation, the State Brickworks and the NSW Investment Corporation; the use of private sector contractors in areas such as government printing, funds management, hospital cleaning and catering services and public works maintenance; the rationalisation of country rail services; private sector participation in toll roads and electricity generation.

Corporatisation

The State Owned Corporations (SOC) Act was enacted in September 1989. This legislation enables GTE's to be restructured as companies under the Companies Code with shareholdings vested in Ministers. The shareholder Ministers are responsible to Parliament for the performance of the SOC's.

To date the former NSW Grain Handling Authority (now Graincorp) and the State Bank of NSW have been corporatised. Work is under way to corporatise a number of additional agencies including the Electricity Commission.

7.3 NSW PUBLIC SECTOR PERFORMANCE

Overview

A key component of the NSW Government's public sector reform programme is improved monitoring of the performance of individual public sector agencies.

Under the reporting standards traditionally required from public agencies, performance monitoring is restricted to simple input measures such as employment trends and expenditure levels. Such measures provide only a partial indicator of the performance of the public sector. Output measures and financial indicators are also necessary for a more meaningful performance assessment.

While the wide range of activities which public sector agencies undertake make aggregate comparison of output and productivity difficult, it is possible to compile aggregate measures for certain agencies. Table 7.1 shows data for seven agencies in the transport, electricity and water sectors for the period 1987-88 to 1989-90 together with three year projections compiled from the agencies' business plans. In aggregate, these data show a 25 percent improvement in productivity over the last two years and a projected 65 percent improvement if the next three years are also included. While these projections are subject to the same criticisms as all forecasts, they constitute important benchmarks against which future performance will be judged.

The remainder of this Section gives an abbreviated account of the past and projected performance of selected public sector agencies. A more detailed assessment is available from a booklet on "Microeconomic Reform: Performance of NSW Government Businesses", released by the NSW Premier and Treasurer, and dated September 1990. It is intended that similar detailed performance monitoring will be extended to all public sector agencies over time.

Table 7.1: Summary of Public Enterprise Performance in NSW

	1987-88	1988-89	1989-90	87-88 TO 89-90 % CHANGE	1990-91	1991-92	1992-93	87-88 TO 92-93 (% CHANGE) (F)
	(E)	(E)	(E)	(F)	(F)	(F)	(F)	(F)
ELECTRICITY COMMISSION								
EMPLOYMENT (1)	10529	8329	7260	(-31)	7130	7100	7100	(-133)
PRODUCTIVITY (Gwh/emp)	4.02	5.32	6.36	58	6.83	7.01	7.17	78
ELECTRICITY COUNCILS								
EMPLOYMENT	17255	16579	15601	(-10)	15100	14540	14340	(-117)
PRODUCTIVITY (Gwh/emp)	1.88	2.02	2.27	21	2.56	2.82	3.03	61
GRAINCORP								
EMPLOYMENT	546	535	460	(-16)	450	450	450	(-18)
PRODUCTIVITY (tonnes/manhour)	20.4	19.6	21.9	7	20.4	20.6	20.8	2
- HARVEST RECEIVAL	6.3	7.3	9.5	51	11.0	13.0	13.0	106
- SEABOARD TERMINAL								
MARITIME SERVICES BOARD								
EMPLOYMENT	3013	2974	2271	(-25)	1374	1328	1276	(-58)
PRODUCTIVITY: no good measure								
STATE RAIL AUTHORITY								
EMPLOYMENT	36717	33110	28842	(-21)	26900	24800	20300	(-45)
PRODUCTIVITY	15.6	17.6	19.2	23	21.0	23.5	27.0	73
- CITYRAIL ('000 pass. journeys/emp)	0.9	0.8	0.9	0	1.1	1.4	1.8	100
- COUNTRYLINK ('000 pass. journeys/emp)	838	887	1108	32	1141	1283	1750	109
- FREIGHT (NFTK/emp)								
STATE TRANSIT AUTHORITY								
EMPLOYMENT	6398	6005	5300	(-17)	4850	4800	4750	(-26)
PRODUCTIVITY ('000 PJs/emp)	35.3	37.1	41.8	18	46.5	47.9	48.6	38
WATER BOARD								
EMPLOYMENT	9629	9090	9350	(-3)	9450	9550	9600	0
PRODUCTIVITY (megalitres/emp)	61.3	68.3	69.5	13	70.6	71.6	72.9	19
TOTAL EMPLOYMENT % CHANGE				(-18)				(-31)
WEIGHTED PRODUCTIVITY % CHANGE (2)				25				65

NOTE:

- 1 All employment is Equivalent Full Time as at 30 June (GrainCorp as at 30 September).
- 2 Average productivity of each agency weighted by final year employment.

(E) Estimate
(F) Forecast

General Government Agencies

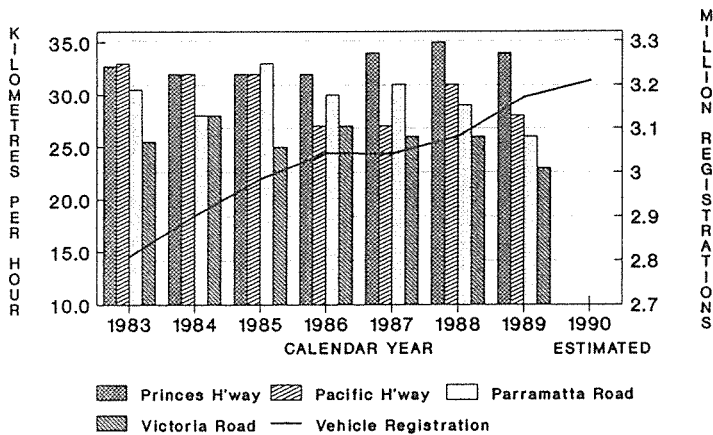
ROADS AND TRAFFIC AUTHORITY

Over the past six years, State financed improvements to the road system have increased in real terms by 49 percent and the sale of surplus assets has financed additional road works to the value of \$224 million (in 1989-90 dollars). The "3x3" (three cents for three years) designated fuel levy is also funding the road works program. Despite this considerable increase in expenditure, growth in debt has been arrested and is now trending downwards in real terms.

Road safety has improved over the period. There has been a significant fall in serious casualties, even though motor vehicle registrations have risen by 10 percent and heavy vehicle usage has significantly increased.

The cost per kilometre of new laneway construction has varied considerably from year to year, due to variability in terrain and factors such as flood conditions (which have occurred in the last three years). Construction costs are high in difficult terrain and maintenance costs escalate after flood conditions. Thus, despite the RTA having reduced its workforce 15 percent since 1983-84 and utilised technological advances in road building, the period has been characterised by a fluctuating cost structure.

Figure 7.1
Average A.M. Peak Travel Speeds for Four Major Routes to the CBD



VEHICLE REGISTRATIONS INCLUDE MOTOR CARS
STATION WAGONS, TRUCKS, UTILITIES, VANS,
BUSES AND MOTOR CYCLES.

Table 7.2: Roads and Traffic Authority

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 EST.
EFFICIENCY							
(1)							
EMPLOYMENT (2)							
COST PER LANE/KM OF NEW BITUMINOUS ROAD ('000):	12294	11876	12030	11355	10901	10478	10400
- URBAN (STATE H'WAYS)	n.a.	478.9	1040.2	798.4	1070.5	818.6	n.a.
- RURAL (STATE H'WAYS)	n.a.	316.6	427.6	356.2	447.6	280.3	n.a.
EFFECTIVENESS							
ROAD CONDITION (% OF NAASRA STANDARD MET) (3)	87	90	89	88	85	76	n.a.
SERIOUS CASUALTIES PER 100 m VEHICLE Km	23.2	22.2	22.3	21.2	20.5	18.9	17.4
FINANCIAL INDICATORS (4)							
EXTERNAL DEBT (\$m) (5)	869.2	976.0	1087.5	1198.3	1233.7	1225.2	1138.0
ASSET SALES (\$m) (6)	12.7	8.3	10.7	40.9	39.7	82.6	29.2

NOTE:

- n.a. Not available
- All dollar amounts are reported in 1989-90 prices. Nominal amounts have been converted to real using the Authority's road cost index.
 - Reported prior to 1987-88 as an RTA equivalent, the sum of employment in the DMR, DMT and TA. 1983-84 and 1984-85 figure is actual number of staff. 1985-86 onward is equivalent full time staff.
 - National Association of Australian State Road Authorities has now been replaced by Austroroad. The decline in the NAASRA standard over the FINANCIAL years 1987-88 and 1988-89 is attributable to the extent of flood damage experienced in New South Wales throughout the period. Standards for measuring the road condition are currently being revised and an enhanced data base is being established from June 1990.
 - The RTA is a non profit organisation funded through State and Commonwealth budgets. Standard FINANCIAL indicators are inappropriate.
 - External debt comprises State loans, Treasury advances, semi Government loans and leverage leases.
 - Sale of surplus properties.

Government Trading Enterprises

ELECTRICITY COMMISSION OF NEW SOUTH WALES (ECNSW)

The ECNSW was substantially restructured in 1988, following a review of its activities.

It can be seen from Table 7.3 that the ECNSW is making more efficient use of both its labour and capital resources. Labour productivity doubled between 1983–84 and 1989–90, and is projected to increase further over coming years. A resource planning system has been introduced which, together with the closure of uneconomic mines and power stations, has resulted in an increase in the system capacity factor rising to 51 per cent in 1989–90 from a low of 42 per cent three years ago. System reliability reached virtually 100 per cent in 1988–89. Consumers have benefited from a steady decline in the real price of electricity since 1983–84, and a continuation of this trend is forecast.

Operating surplus is expected to reach \$193 million in 1989/90, which will provide a return on assets of 14.7 percent (calculated using profit before the deduction of interest payments). From 1989–90 onwards, the ECNSW will be entirely internally funded. No new borrowings will be required, and debt is expected to decline steadily from its current level of \$5.2 billion. As a result the ratio of debt to net assets, which reached 112 per cent in 1987–88, will drop to 71 per cent by 1992–93.

As a further step to establishing the organisation on a successful commercial basis, the Commission is to be corporatised in 1990–91.

Figure 7.2
Internal Funding Ratio

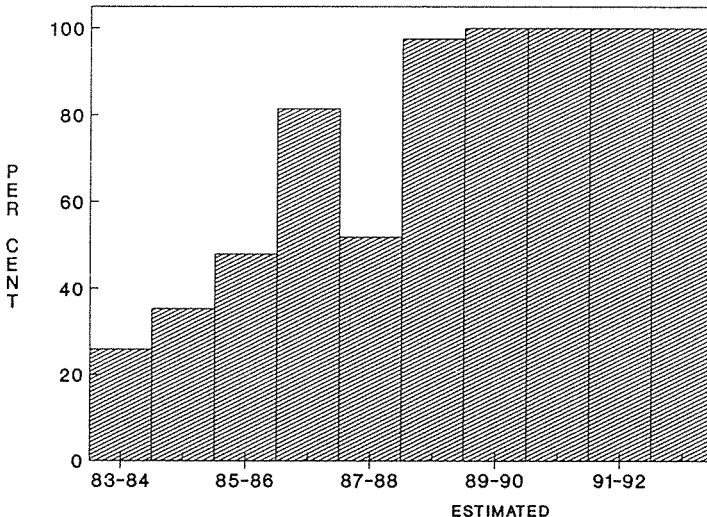


Table 7.3: Electricity Commission

(1)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 ESTIMATED	1990-91	1991-92	1992-93
EFFICIENCY										
EMPLOYMENT	11009	11040	10913	10994	10529	8329	7260	7130	7100	7100
OUTPUT PER EMPLOYEE (GWh/emp)(2)	3.11	3.42	3.66	3.78	4.02	5.32	6.36	6.83	7.01	7.17
SYSTEM CAPACITY FACTOR %(3)	45.9	44.3	43.9	42.2	43.7	46.6	51.1	56.1	57.6	52.6
EFFECTIVENESS										
AVAILABILITY OF PLANT %(4)	60	63	63	58	69	74	70	75	76	77
REAL PRICE INDEX - TOTAL SALES	100	96	91	86	86	86	82	79	77	77
FINANCIAL INDICATORS										
RATE OF RETURN ON ASSETS %(5)	6.9	6.4	7.0	7.6	5.4	11.0	14.7	16.7	16.9	17.3
RETURN ON SHAREHOLDERS FUNDS %(6)	-	3.6	(-0.4)	(-15.8)	-	.9	15.6	15.0	14.0	17.0
GROSS EXTERNAL DEBT (\$m)	6050	6497	6438	7546	7120	6501	5200	4689	4402	3986

NOTE:

- n.a. Not available
- 1 All dollar amounts are reported in 1989-90 prices.
- 2 Gigawatt hours of electricity sales per employee.
- 3 Ratio of total energy produced to total productive capacity.
- 4 Generating plant available for energy production.
- 5 Calculated using operating result before interest payments.
- 6 Return on shareholders funds is calculated using operating result before interest. It is not calculated in 1983-84 and 1987-88 because shareholders funds (defined as net assets) were less than zero.

ELECTRICITY DISTRIBUTION INDUSTRY

The NSW electricity distribution industry is comprised of twenty-five Local Government electricity councils which operate as independent Government Trading Enterprises. The industry purchases bulk electricity from the Electricity Commission and is responsible for the distribution and retailing of electricity.

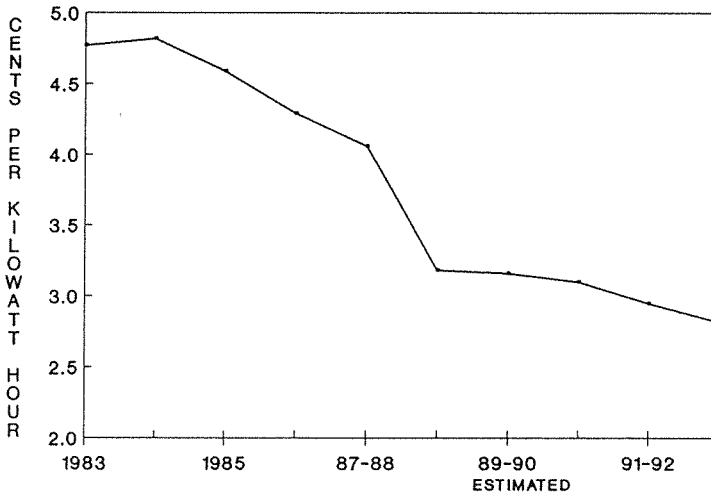
As can be seen from Table 7.4, there have been significant efficiency gains in terms of cost reduction and improved labour productivity. Output per employee has increased almost 50 per cent since 1983. Real operating costs per kilowatt-hour sold have declined 34 per cent over the same period.

The real price of electricity has decreased by 23 per cent since 1983, with further reductions planned over the next three years.

The industry achieved an operating surplus of \$274.1 million in 1989-90, yielding a return on assets (valued at historical cost) of 9.3 per cent, and a return on shareholders funds of 19.2 per cent. At the same time, the industry provided \$41.5 million in social benefits to the community in the form of direct concessions to pensioners, customers in remote areas, and other community schemes.

The industry aims to reduce debt from its current level of \$1055.1 million to \$859 million by 1992-93, resulting in a reduction in the gearing ratio to 33 per cent. Assets are to be revalued on a current replacement basis, which will provide a more accurate reflection of the industry's debt gearing.

Figure 7.3
Unit Operating Costs (1989-90 dollars)



Note: Calendar years until 1985, then financial years.

Table 7.4: Electricity Distribution Industry

	1983	1984	1985	1986-87	1987-88	1988-89 (4)	1989-90 ESTIMATED	1990-91	1991-92	1992-93
EFFICIENCY										
EMPLOYMENT	17731	17513	17602	17473	17255	16579	15601	15100	14540	14340
OUTPUT/EMPLOYEE (Gwh/empl)	1.52	1.58	1.66	1.78	1.88	2.02	2.27	2.56	2.82	3.03
EFFECTIVENESS										
RELIABILITY INDEX (%) ⁽⁵⁾	99.97	99.97	99.97	99.97	99.97	99.97	99.97	99.97	99.98	99.98
REAL PRICE INDEX	100	93	90	80	80	80	77	75	73	71
FINANCIAL INDICATORS										
OPERATING RESULT (\$m)	249.7	191.8	192.2	172.0	101.6	234.4	274.1	175.6	174.8	177.9
EXTERNAL DEBT (\$m)	1037.5	1013.3	904.1	783.4	676.0	614.4	1055.1	955.0	907.4	859.0
RETURN ON ASSETS (%) ⁽⁶⁾	11.5	9.7	9.5	8.4	6.1	8.4	9.3	7.6	7.1	6.8
RETURN ON SHAREHOLDERS FUNDS (%) ⁽⁶⁾	27.1	21.7	20.2	17.0	12.2	15.2	19.2	15.2	13.3	12.1

NOTE:

- n.a. Not available
- All dollar amounts are reported in 1989-90 prices.
 - Industry figures are the aggregate of the twenty-five county councils.
 - Figures are based on calendar years from 1983 to 1985, and FINANCIAL years from 1986-87 to 1992-93.
 - A break in the series occurred in 1988/89 due to a change in accounting practice.
 - Minutes per year minus average minutes outage per customer per year (planned and unplanned, excluding outages due to ECNSW) divided by total minutes per year.
 - The return on assets and return on shareholders funds are based on operating result before interest. They appear high because assets are valued in historical terms.

GOVERNMENT INSURANCE OFFICE (GIO)

The GIO offers a broad range of insurance, investment and financial services.

General insurance premium rates have been low in recent years and competition in personal insurance business has increased significantly with a number of large, well established financial institutions now offering a broad range of products similar to those offered by the GIO. The increasingly competitive environment has had a detrimental impact on GIO financial performance.

The introduction of WorkCover by the previous NSW Government, together with the introduction of the self insurance fund for inner budget Government Departments by the current Government, has led to a growing GIO share of the WorkCover market. Indications are that the GIO will gain the right to manage a significant volume of self insurance business from private and public sector sources.

The GIO has market shares of over 20 per cent in respect of both householders' and motor vehicle insurance. Business insurance activity has also increased with premium income growing by 64 per cent over the last two years.

The GIO has established branches in Victoria, Queensland and Western Australia. The Victorian and Queensland branches are offering life insurance, general insurance and financial products whereas Western Australia is concentrating on life insurance and financial products at this stage.

Tax payments, dividends and increases in the net worth of GIO agencies benefited the State of NSW by some \$234 million in 1988-89 (1989-90 dollars).

Figure 7.4
GIO Expense Ratio

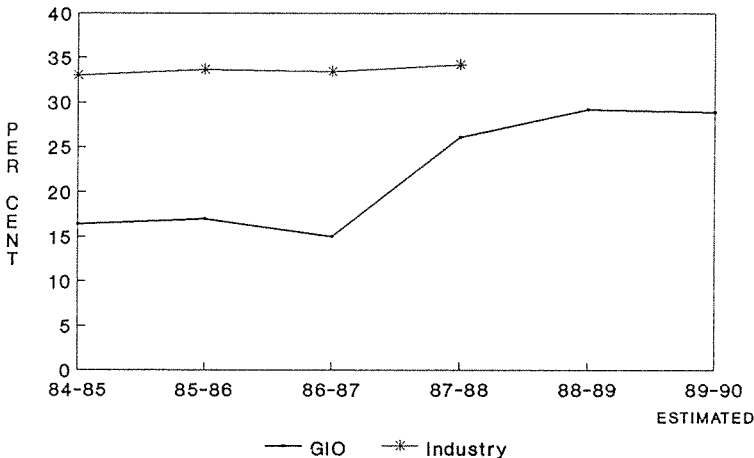


Table 7.5: Government Insurance Office

	(1)(2)(3)	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 ESTIMATED
General Insurance Division							
EFFICIENCY							
EMPLOYMENT		1444	1733	1554	1263	1143	1247
GIO EXPENSE RATIO (%) (4)		16.41	16.99	15.00	26.12	29.18	28.90
INDUSTRY EXPENSE RATIO (%)		33.02	33.66	33.44	34.18	n.a.	n.a.
GIO LOSS RATIO (%) (5)		84.65	107.27	105.86	88.26	79.35	101.10
INDUSTRY LOSS RATIO (%)		71.98	81.89	80.34	75.30	n.a.	n.a.
EFFECTIVENESS							
MARKET SHARE - PREMIUMS (%) (6)		4.9	4.8	5.6	3.1	n.a.	n.a.
MARKET SHARE - ASSETS (%) (6)		4.5	6.6	7.5	6.5	n.a.	n.a.
FINANCIAL INDICATORS							
GROSS PREMIUMS (\$m)		573.8	581.5	685.1	493.1	466.0	424.7
ASSETS UNDER MANAGEMENT (\$m)		1507	1732	2128	2138	2515	2400
EXTERNAL DEBT (\$m)		59.7	198.6	390.6	383.9	832.8	n.a.
RETURN ON SHAREHOLDERS FUNDS (%) (7)		19.0	21.0	20.4	16.7	15.5	10.5
All Divisions							
EFFICIENCY							
EMPLOYMENT		1838	2126	2256	2469	2443	2662
FINANCIAL INDICATORS							
GROSS PREMIUMS (\$m)		825.9	981.7	1334.3	1278.7	1048.4	908.7
ASSETS UNDER MANAGEMENT (\$m)		4679	5101	6134	7203	7761	7500
EXTERNAL DEBT (\$m)		59.7	198.6	390.6	383.9	601.2	n.a.
RETURN ON SHAREHOLDERS FUNDS (%) (7)		19.0	21.7	22.9	18.1	17.2	13.2

NOTE:

n.a. Not available

1 All dollar amounts are reported in 1989-90 prices.

2 A significant break in the series occurred in 1983-84. The figures for this year are not comparable to later years and are not included.

3 Figures for 1990-91 to 1992-93 are subject to commercial confidentiality and are not included.

4 Ratio of total payments for expense in the year to total amount of single premiums, annual premiums and net interest, dividends and rents received in the year in respect of that business.

5 Ratio of claims made to premium income earned.

6 Percentage share of the Australian insurance market.

7 Profit after tax but before interest charges, as a percentage of average shareholders funds.

MARITIME SERVICES BOARD

Following the introduction of the Marine Administration Act 1989, the MSB has undergone a major reorganisation aimed primarily at improving port efficiency. The MSB is consequently shedding activities not part of its core responsibility, such as coal loading, and focusing upon its role of managing the New South Wales ports and waterways. Efficient operation has been facilitated by the establishment of regional port authorities in the Hunter, Illawarra and Sydney regions. Employment, trending down since 1985-86, will decline by a further 44 per cent in the next three years. Despite extensive industrial disputation in 1989-90, in response to labour force reductions, real revenue per employee increased that year by 35 per cent and additional productivity savings are forecast.

A change in investment strategy is promoting more effective utilisation of MSB capital. The MSB has relinquished its previously dominant role in port development and is encouraging private sector investment in port infrastructure.

The MSB has operated along commercial lines since 1984, notwithstanding its regulatory role on behalf of Government, and to this extent has annually paid 6 per cent of gross revenue to the Consolidated Fund. External debt has fallen by 39 per cent in three years (in 1989-90 dollars). Sales of surplus property have realised \$162 million (in 1989-90 dollars) since 1983-84 and will continue to finance a program of reductions in external debt.

Figure 7.5
Efficiency of Ports and Waterways

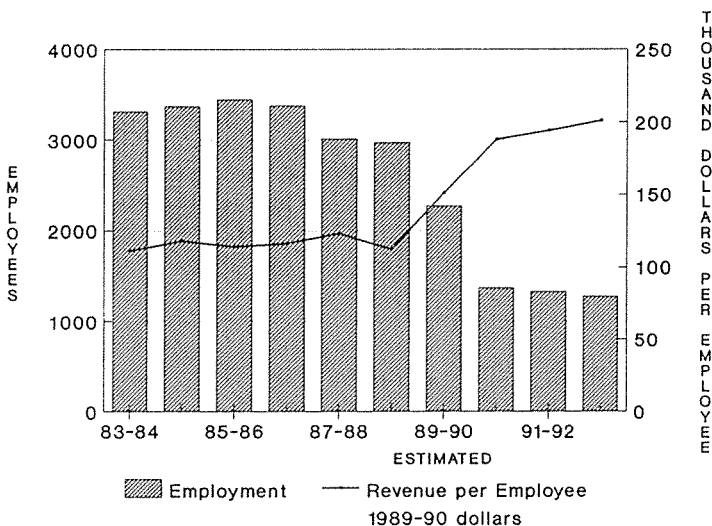


Table 7.6: Maritime Services Board

	(1)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 EST.	1990-91	1991-92	1992-93
EFFICIENCY											
EMPLOYMENT (2)		3313	3371	3449	3378	3013	2974	2271	1374	1328	1276
REVENUE PER EMPLOYEE (\$'000)		111	118	114	116	123	112	151	188	194	201
EFFECTIVENESS											
VESSEL TURNAROUND TIME (HOURS)		58.4	64.6	61.1	56.2	n.a.	73.1		65	65	65
REAL PRICE INDEX - PORT CHARGES		100	96	95	87	81	75	69	65	65	65
FINANCIAL INDICATORS											
GROSS EXTERNAL DEBT (\$m)		621.9	640.3	736.6	677.7	610.1	441.7	415.6	332.2	279.2	220.4
RETURN ON TOTAL ASSETS (%) (3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.80	5.40	6.30	6.90
RETURN ON SHAREHOLDER FUNDS (%) (3)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.4	4.6	6.0	7.6

NOTE:

n.a. Not available

1 All dollar amounts are reported in 1989-90 prices.

2 Effective full time staff as at 30 June.

3 Not reported before 1989-90 due to break in series when assets revalued to current cost basis. Caution should be used in interpreting these figures because the MSB is currently developing a more accurate asset register.

STATE RAIL AUTHORITY

The State Rail Authority (SRA) is classified in the Outer Budget Sector, with only direct subsidy payments and concessional reimbursements shown in the Budget.

It can be seen from Table 7.7 that employment has been reduced in the past seven years from 40,750 in June 1984 to an estimated 28,840 in June 1990, with a further planned reduction to 20,300 by June 1993. The reduction over the past two years, together with that forecast over the next three, amounts to 80 per cent of the total reduction in employment. This rationalisation has been achieved with little industrial disputation and with considerable improvement, and further projected improvement, in output per employee.

There has been significant growth in the volume of both the Cityrail passenger and freight task (the more so in per employee terms). Passenger fares have increased slightly in real terms, while freight charges have declined significantly for bulk commercial traffics and have increasingly been the subject of individual negotiations. Overall, the deficit for Cityrail and Countrylink passenger services has stabilised, and freight has moved towards profitability, with fully commercial freight activities expected to pay a dividend in the near future.

Despite recent improvements, much of the SRA's transport business (passenger and two-thirds of the freight network) is not commercially viable and cannot fund itself. Annual operating deficits must be externally funded by way of State Budget subsidy. There are no surpluses to fund future asset renewals and debt financing of investment projects is generally inappropriate. Historic debt cannot be paid off from revenues. Accordingly, the Government has agreed to fund non-commercial investment through capital grants and to take over all existing debt and assets not directly employed in rail activities. Surplus property will be disposed of through the NSW Government's Property Services Group, with the net proceeds going to the Government.

Passenger and "non-commercial" freight services required by the community will be accorded the status of "community service obligations" and will be subject to contractual agreement.

Figure 7.6
Cash Operating Expenditure (1989-90 dollars)

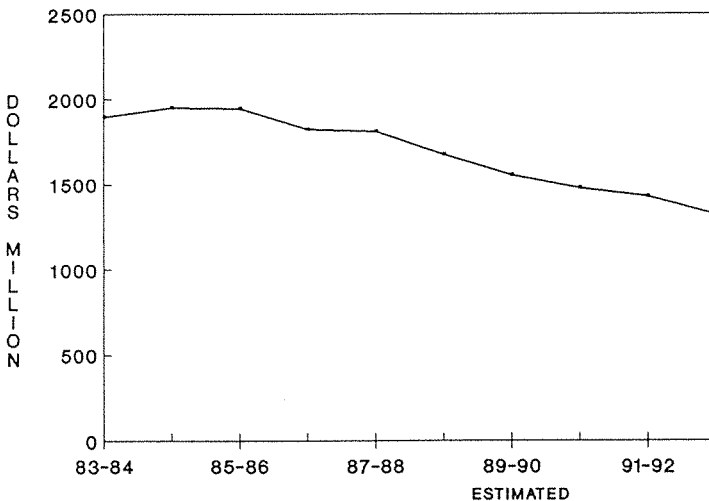


Table 7.7: State Rail Authority

	(1)(2)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
EST.											
EFFICIENCY											
EMPLOYMENT - TOTAL SRA		40751	41427	41062	38585	36717	33110	28842	26900	24800	20300
REVENUE/EMPLOYEE (\$'000/EMP) - TOTAL SRA		27.6	29.0	30.7	30.5	30.7	29.8	34.2	35.8	41.4	49.4
OUTPUT/EMPLOYEE ('000PJs/EMP) - CITYRAIL(3)		11.5	11.2	12.4	13.5	15.6	17.6	19.2	21.0	23.5	27.0
OUTPUT/EMPLOYEE ('000PJs/EMP) - COUNTRYLINK(3)		0.7	0.7	0.8	0.8	0.9	0.8	0.9	1.1	1.4	1.8
OUTPUT/EMPLOYEE ('000 NTKM/EMP) - FREIGHT(4)		592	646	725	753	838	887	1108	1141	1283	1750
EFFECTIVENESS											
PASSENGER JOURNEYS - CITYRAIL (m)		198.9	197.0	214.9	220.6	242.6	246.1	248.6	251.0	256.1	261.2
PASSENGER JOURNEYS - COUNTRYLINK (m)		3.4	3.3	3.7	3.6	4.0	3.1	2.7	2.7	2.8	2.8
REAL FARE INDEX - CITYRAIL(5)		100	105	104	103	103	107	106	108	109	109
REAL FARE INDEX - COUNTRYLINK(6)		100	103	104	103	107	105	106	107	107	107
REAL PRICE INDEX - FREIGHT		100	99	94	87	82	80	78	77	n.a.	n.a.
FINANCIAL INDICATORS (7)											
OPERATING RESULT - CITYRAIL(\$m)(8)		n.a.	n.a.	n.a.	(-)183	(-)241	(-)207	(-)224	(-)182	(-)146	(-)95
OPERATING RESULT - COUNTRYLINK(\$m)(8)		n.a.	n.a.	n.a.	(-)126	(-)128	(-)107	(-)83	(-)74	(-)64	(-)44
OPERATING PROFIT BEFORE INTEREST AND DEPRN - FREIGHT(\$m)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(-)102	(-)47	46	140
EXTERNAL DEBT - TOTAL SRA(\$m)		1810	2320	2790	3210	3280	3170	n.a.	n.a.	n.a.	n.a.

NOTE:

- n.a. Not available or not applicable
- Business Group performance indicators and outcomes are still in the process of development and should be considered provisional at this stage. FINANCIAL and other projections are preliminary pending final allocation of recurrent and capital funding.
- All dollar amounts are reported in 1989-90 prices.
- Passenger journeys per employee, based on end of year staff numbers.
- Output is defined as the number of net tonnes of freight carried, multiplied by the number of kilometres it is carried (net tonne kilometres).
- City/Rail fare index is based on annual fare increases averaged across all fare types. The interpretation of this series is sensitive to the choice of period. From 1983-84 to 1988-89, based on the Sydney/Goulburn fare (there is little variation in percentage fare increases between routes). From 1990-91, based on average increase in fares.
- FINANCIAL forecasts are based on the March 1990 draft Corporate Plan.
- Prior to 1988-89, "operating result" is defined as the difference between total revenue and cash operating expenses, which was made up by Government contributions. From 1988-89, the SRA adopted accrual accounting which, together with the occurrence of structural changes and the recognition of some revenue forgone via non-commercial payments, makes operating results and operating expenditure pre and post 1988-89 not comparable. Due to changes in the basis of allocating payments between divisions, comparable data is not available prior to 1986-87. Depreciation, interest and other finance charges are excluded.

STATE TRANSIT AUTHORITY

The Transport Administration Act 1988 requires the State Transit Authority to operate on a commercial basis, after taking into account an annual agreement with the Government on fare levels and structure, and a requirement to provide basic levels of service. Under the Act, the Government is required to make explicit payments to cover the difference between the revenue earned and the cost of providing services. The STA's main thrust under this new commercial regime has been towards reducing costs.

On the labour cost side there has been widespread implementation of award restructuring and voluntary redundancy agreements. As can be seen from Table 7.8, staff numbers will have been reduced by the end of 1990-91 by more than 25 per cent relative to 1986-87. Senior management has recently been restructured along divisional lines and given greater autonomy and accountability.

In terms of capital resources, significant efficiency gains have been made in the use of buses and ferries. The bus fleet has been reduced by 12 per cent in the past two years, with only 10 per cent not in use in the peak hour in 1989-90 compared with 30 per cent in 1987-88. Reliability has been improved - available data indicates that there were 65 service failures per 150,000 kilometres in 1987-88, which has since been reduced to 25 and is on course for 10.

Although the number of passengers carried has fallen slightly in the last two years, it is expected to increase in the next three years.

The combined effect of enhanced cost efficiency and sustained revenue performance is evident in the STA's financial indicators. The operating loss has been reduced by 36 per cent in the last two years and is expected to be eliminated in 1990-91. In the same two years the Government has been able to reduce its total payments for State Transit bus and ferry services by nearly 25 per cent. Gross external debt is trending downwards and the return on assets is improving.

Figure 7.7
State Transit Authority Effectiveness

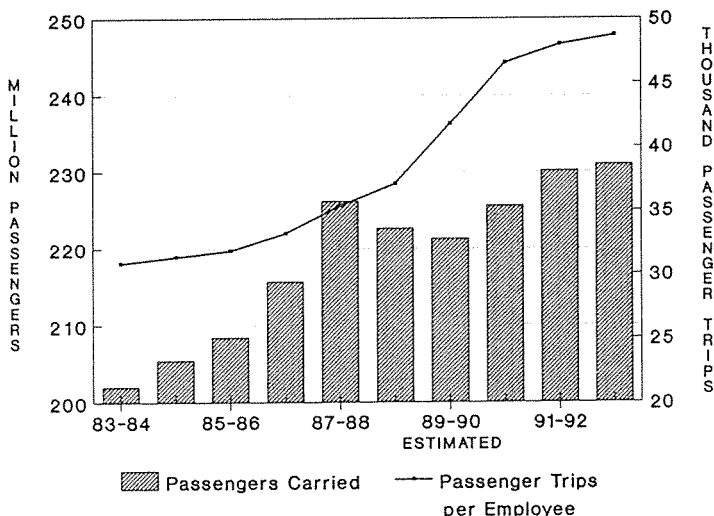


Table 7.8: State Transit Authority

(1)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 EST.	1990-91	1991-92	1992-93
EFFICIENCY										
EMPLOYMENT	6649	6555	6546	6503	6398	6005	5300	4850	4800	4750
PASSENGER TRIPS PER EMPLOYEE	30840	31350	31841	33168	35357	37077	41755	46515	47958	48632
PASSENGER REVENUE PER EMPLOYEE (\$)	23951	28045	28048	29353	30892	37709	44000	49614	48914	48138
EFFECTIVENESS										
PASSENGERS CARRIED (m)	205.1	205.5	208.4	215.7	226.2	222.6	221.3	225.6	230.2	231.0
REAL FARE INDEX (2)	100	110	113	111	112	117	116	117	118	118
FINANCIAL INDICATORS										
GROSS EXTERNAL DEBT (\$m)	14	28	58	68	63	76	65	45	43	40
RETURN ON TOTAL ASSETS (%) (3)	-(104.6)	-(69.9)	-(49.0)	-(39.5)	-(24.8)	-(19.0)	-(12.8)	0	0	0
RETURN ON SHAREHOLDERS FUNDS (%) (4)	-(218.3)	-(136.8)	-(78.1)	-(63.6)	-(75.3)	-(155.3)	-(181.7)	0	0	0

NOTE:

n.a. Not available

1 All dollar amounts are in 1989-90 prices.

2 Based on a representative fare per STA customer.

3 Operating result for 1990-91 and subsequent years estimated at break-even position after net contribution for non-commercial services.

4 1988-89 onwards affected by change to accrual accounting.

WATER BOARD

As can be seen from Table 7.9, the Water Board has reduced its overall staffing level by 27 per cent, while the system has grown over the same period. A 10 per cent decline since 1987 in worker absenteeism has realised further productivity savings. Real labour costs per property served are currently 35 per cent lower than in 1983–84 and are forecast to fall a further 13 per cent by 1992–93. A two per cent real reduction in base level operating costs has been achieved for each of the last three years.

The reliability of the sewer and mains network is threatened by age deterioration. Maintenance and replacement of the aged infrastructure will continue to absorb investment capital and impact on the system's effectiveness.

On the financial performance side, external debt is now, in real terms, only 70 per cent of 1983–84 debt; asset sales have generated \$85 million to date; and the Water Board's contribution to the Consolidated Fund increased to an estimated \$19 million in 1989–90 (the figure is \$72 million if community service obligations and other non-cash transfers are taken into account). Some downward pressure on returns to equity reflects expenditure on asset renewal and non revenue producing capital works, such as sewerage outfalls, associated with environmental and quality of life improvement.

Figure 7.8
Water Board Effectiveness

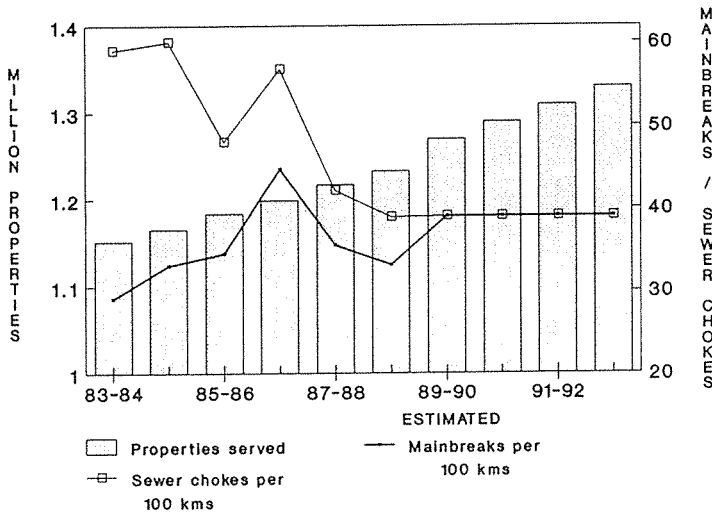


Table 7.9: Water Board

	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
(1)							EST.			
EFFICIENCY										
EMPLOYMENT	12774	12776	12259	10966	9629	9090	9350	9450	9550	9600
REAL LABOUR COST PER PROPERTY SERVED (\$)	433	481	438	398	345	307	283	272	258	244
EFFECTIVENESS										
MEGALITRES SUPPLIED ('000)	545.0	595.4	588.0	604.5	590.5	620.9	650.0	667.0	684.0	700.0
UNSEWERED LOTS ('000)(2)	43.0	39.0	35.0	30.7	28.0	26.0	24.1	22.5	18.8	16.0
REAL PRICE INDEX (3)	100	106	102	97	94	94	105	106	06	106
FINANCIAL INDICATORS										
GROSS EXTERNAL DEBT (\$m)	2461.5	2440.8	2375.6	2216.3	2062.9	1906.8	1743.0	1509.3	1573.2	1595.0
RETURN ON TOTAL ASSETS %(4)	9.2	9.2	8.9	8.1	7.8	8.1	10.1	8.4	10.1	9.4
RETURN ON EQUITY %(5)	4.0	3.5	3.6	2.7	3.0	2.8	5.1	5.9	5.9	5.3

NOTE:

- n.a. Not available
 1. All dollar amounts are in 1989-90 prices.
 2. Includes sewer backlog plus outlying village areas.
 3. Average prices, based on total revenue and total properties served. Includes environmental levy from 1989-90 onwards.
 4. Operating result before financing costs over the written down value of assets.
 5. Based on operating result after financing costs.

State Owned Corporations

GRAINCORP

GrainCorp (NSW Grain Corporation Limited) was formally established in October 1989 and replaced the Grain Handling Authority of NSW. Market deregulation a little earlier ended sole receivership rights to the wheat harvest and transferred GrainCorp into a competitive environment.

GrainCorp's performance is determined by the size of the annual wheat harvest, which is highly volatile, and by corporate practices. A sustained decline in wheat production since 1983-84 has left GrainCorp with excess capacity. The westward shift in the wheat belt over the decade has also meant that many of the existing storage and handling facilities are poorly located. These factors have necessitated reduction of the workforce and divestment of unprofitable sites. Labour productivity since 1984-85 has increased by 97 per cent on site and by 70 per cent at the export terminals – see Table 7.10. GrainCorp plans to reduce real labour cost per tonne of throughput by a further 2 per cent p.a. for two years and to contain real non-labour operating costs to their 1988-89 level. Charges have reduced in real terms.

As a result of incorporation all external debt, totalling \$314 million (\$339 million in 1989-90 dollars), was assumed by the State Government. A significant proportion of this debt relates to the Port Kembla terminal, and much of GrainCorp's borrowing entitlement of \$30 million for 1989-90 will be utilised to complete this facility. A better than expected harvest lifted the 1989-90 return on shareholder funds to 16 per cent on a notional share capital value of \$56.5 million.

Figure 7.9
Labour Productivity

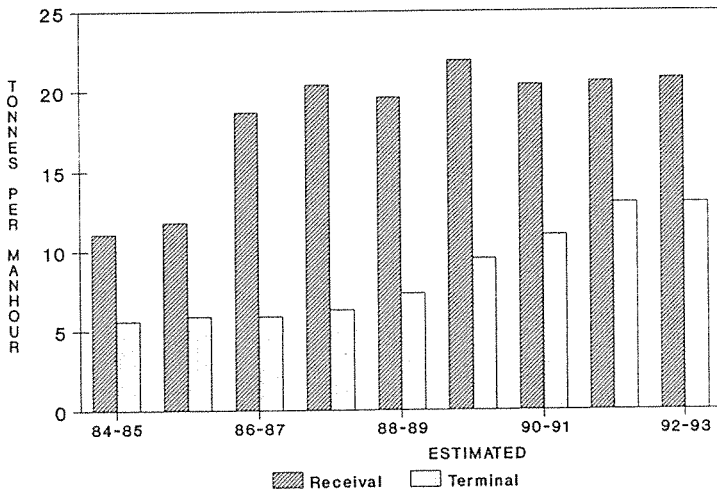


Table 7.10: Grain Corporation Ltd

	(1)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90 EST.	1990-91	1991-92	1992-93
EFFICIENCY											
EMPLOYMENT		917	994	1050	870	546	535	460	450	450	450
LABOUR PRODUCTIVITY (TONNES PER MANHOUR):											
HARVEST RECEIVAL		n.a.	11.1	11.8	18.7	20.4	19.6	21.9	20.4	20.6	20.8
SEABOARD TERMINAL		n.a.	5.6	5.9	5.9	6.3	7.3	9.5	11.0	13.0	13.0
EFFECTIVENESS											
WHEAT RECEIVALS (AWB) (2)		8.01	4.96	5.01	3.64	2.82	3.30	2.23	2.90	2.90	2.90
(MILLION TONNES)											
DIVERSIFICATION (NON WHEAT RECEIVALS) (MILLION TONNES)		0.39	0.20	0.06	0.04	0.13	0.14	0.39	n.a.	n.a.	n.a.
REAL PRICE INDEX		100	100	89	82	76	78	79	n.a.	n.a.	n.a.
FINANCIAL INDICATORS											
GROSS EXTERNAL DEBT(\$m)		195.8	214.1	232.9	268.9	323.1	339.1	0	n.a.	n.a.	n.a.
RETURN ON TOTAL ASSETS%(3)		12.51	1.66	3.63	0.08	-1.56	-3.73	14.00	10.00	10.00	10.00
RETURN ON SHAREHOLDERS FUNDS %(4)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16	11	11	11

NOTE:

n.a. Not available

1 All dollar amounts are in 1989-90 prices. Figures are reported as at 30 September, end of GrainCorp financial year.

2 Australian Wheat Board

3 Reported after interest.

4 Reported after interest and depreciation. Shareholders funds not defined prior to incorporation in 1989-90.

STATE BANK

The State Bank of New South Wales Ltd. is the sixth largest bank in Australia, with assets of \$17.8 billion in June 1989 (1989–90 dollars). On 14 May 1990 the Bank was corporatised, reinforcing its capacity to operate competitively with private banks while remaining in Government ownership.

The Bank's labour productivity has risen steadily since 1983–84. After allowing for inflation, revenue per employee increased 52 per cent in the five years to 1988–89. Assets per employee rose a similar amount, so that in 1988–89 \$3 million in assets were being managed per Bank employee (expressed in 1989–90 dollars).

From 1987–88 to 1988–89 the Bank achieved strong growth in profitability and assets. This followed a period of industry-wide stagnation. At the same time, it increased its share of total New South Wales bank loans and advances to 13.1 per cent, returning to its market share of 1985–86. Intense competition and an increase in bank numbers resulting from deregulation have eroded the Bank's market share of deposits since 1985–86, but it has been more successful in retaining market share over this period than the nationally operating banks. Deposits represent only part of the Bank's business, and do not reflect the Bank's role in other forms of financial intermediation such as treasury operations, which have increased in importance in the recent past.

The Bank's return on equity has increased in the past two years to 13.8 per cent, but remains significantly lower than the nationally operating banks. An alternative measure is the internal rate of return. Calculated as a four year moving average, the State Bank's internal rate of return was 41.8 per cent in 1988–89, having fallen from 53.7 per cent in 1986–87. The State Bank compares very favourably on this measure with major nationally-operating banks (Westpac, ANZ, National Australia Bank and the Commonwealth Bank).

The Bank maintains a relatively conservative approach to doubtful debts. In 1988–89 the provision for doubtful debts stood at 1.5 per cent of assets, or 1.6 per cent of total risk-weighted on and off balance sheet assets. This can be contrasted with the nationally operating bank average of 1.0 per cent of assets.

Figure 7.10
Internal Rate of Return
(Four Years to 1988–89)

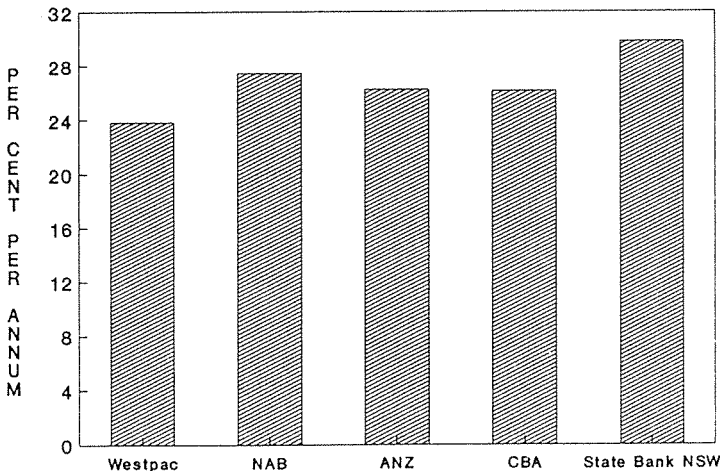


Table 7.11: State Bank of NSW Ltd

	(1)(2)	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
EFFICIENCY							
EMPLOYMENT ASSETS/EMPLOYEE (\$'000)		4604 1990	4936 2393	5097 2577	5357 2380	5710 2487	5874 3047
EFFECTIVENESS							
TOTAL BANK DEPOSITS NSW (%)		9.7	8.9	11.3	9.5	8.9	8.8
TOTAL BANK LOANS AND ADVANCES NSW (%)		12.9	12.4	13.2	11.7	12.7	13.1
FINANCIAL INDICATORS							
RETURN ON EQUITY (%) ⁽³⁾		n.a.	11.57	12.22	9.75	11.59	13.84
INTERNAL RATE OF RETURN (%) ⁽⁴⁾		n.a.	n.a.	n.a.	53.7	45.0	41.8
TOTAL ASSETS (\$m)		9164	11852	13171	12618	14192	17765
RETURN ON ASSETS (%)		0.69	0.54	0.54	0.52	0.60	0.56

NOTE

n.a. Not available.

1 All dollar amounts are reported in 1989-90 prices.

2 Estimates for 1989-90 to 1992-93 are subject to commercial confidentiality and are not included.

3 Return on average equity (defined as accumulated reserves), before taxation.

4 Based on a four year rolling internal rate of return. High in 1986-87 and 1987-88 due to "bull market" for real assets.

7.4 REGULATORY REFORM

Overview

Regulations exist in order to ensure consumer protection and observance of safety and environmental standards. They include statutory rules, legislation, administrative decisions and all Government action which directly confers benefits and costs on the business sector. The NSW Government's concern is one of –

- eliminating unnecessary regulations;
- making necessary regulations as clear as possible;
- reducing their administrative cost;
- lowering compliance cost in terms of reducing undue charges, delays, uncertainties and reporting requirements;

while continuing to ensure reward for business enterprise and scope for growth.

Recent Regulatory Reforms

CABINET SUBCOMMITTEE ON REGULATORY REFORM

The Premier and Treasurer chairs a Cabinet Sub-Committee on Regulatory Reform which provides an overall policy impetus and direction. Ministerial responsibility for business licensing and deregulation lies with the Minister for Business and Consumer Affairs.

INDUSTRY DEREGULATION

Over recent years, the NSW Government has moved to open entry to a number of industries. As a result there has been a greater number of suppliers resulting from increased competition as well as a greater threat of competition. Industries that have been affected by these changes include:

- long distance bus services;
- taxi services;
- regional air services;
- grain handling and transportation;
- egg marketing; and
- private health care.

LABOUR MARKET REFORM

Industrial Relations Bill

The Government has introduced into the Parliament a major package of legislation that will modernise the industrial relations system of New South Wales.

The legislation will encourage a greater enterprise focus, and includes provisions for enterprise agreements and enterprise associations.

The legislation will also ensure the more effective prevention and settlement of industrial disputes, by establishing the principle of fixed term awards and agreements and by making a clear distinction between the resolution of disputes while an award or agreement is current, and when it is being negotiated.

There will be effective remedies for improper industrial behaviour, and the creation of a separate Industrial Court as well as an Industrial Relations Commission.

The rights of individuals will be enhanced in a number of ways, by for example being granted direct access to the industrial tribunals and being given a much greater degree of freedom to decide whether or not to join a union.

Other notable provisions of the legislation deal with the rationalisation of union coverage, greater co-ordination with the Federal industrial relations system and new rules ensuring that unions and employer organisations are fully accountable to their members.

While the legislation has not as yet received Parliamentary approval, and indeed could be defeated in the Legislative Council, the Government is of the view that the principles and approach underlying the legislation will become the future industrial relations reality.

TAFE

During the year, responsibility for the TAFE system was transferred from the Education portfolio to the Industrial Relations and Employment portfolio, with a view to making the system more responsive to the needs of industry.

NSW Education and Training Foundation

1989-90 marked the first full year's operation of the NSW Education and Training Foundation, which has \$5 million initial funding from the NSW Government and regular funding through the optional diversion of 2 percent of employers' payroll taxes. The Foundation will allow the business sector to initiate and develop training programs tailored to its particular needs.

NSW BUSINESS DEREGULATION UNIT

The NSW Business Deregulation Unit reports to the Minister for Business and Consumer Affairs and is responsible for acting across Government agencies to remove unnecessary regulatory impediments to business operations. It undertakes reviews of regulatory areas on referral from the Cabinet Sub-Committee or the Minister for Business and Consumer Affairs (on request from another Minister) or from the private sector in response to an established "Request and Response" procedure. As at 30 June 1990, the Unit had completed reviews of 39 areas and had 16 others under active examination.

SUBORDINATE LEGISLATION ACT

The Subordinate Legislation Act was passed in October 1989 requiring:

- the staged repeal of all existing regulations; and
- all new regulations, and any repealed regulations to be reintroduced, to go through a process of public consultation and to require completion of a regulatory impact assessment statement – starting from 1 July 1990. The onus will be on those introducing new regulations to demonstrate that the benefits outweigh the costs. Additionally, new regulations will be subject to five year sunset clauses.

BUSINESS LICENCE INFORMATION SERVICE

The Business Licence Information Service (BLIS) commenced operations in November 1989, and provides both a convenient one-stop-shop telephone service for licence information and application forms throughout NSW and a single point of return for licence applications and fees. By the end of the financial year it had processed more than 10,000 calls.

The Service is estimated to reduce private sector compliance costs by up to \$6 million p.a. Stage Two of this centralised licensing service is currently under consideration. Under Stage Two, the scope will be extended to include annual licence renewals and fees transfer. The proposal should result in a significant scaling-down of licensing administration activities in individual departments.

DEREGULATION INITIATIVES WITHIN INDIVIDUAL DEPARTMENTS

In the course of the year there were significant departmental achievements in the deregulation sphere, which had the effect of reducing costs for the business sector and/or improving the efficiency of Government agencies for the benefit of the public

The more significant achievements included:

- Amendment of the Public Finance and Audit Act Regulation to ensure that bills from private sector suppliers are paid within 30 days, and to authorise Ministers to order penalty payments to be made where applicable.
- Amendment of the Stamp Duties Act 1920 Regulation to extend the opening times of offices. The amendment also removes the requirement for a statutory declaration where property is transferred for less than market value.

- Release of revised "Guidelines for Private Sector Participation in the Provision of Infrastructure".
- The passing of the Building Services Corporation Act 1989, which includes provisions for:
 - a simplified integrated licensing system;
 - a comprehensive competitive insurance scheme; and
 - dispute resolution mechanisms equally accessible by both contractors and their clients.
- Improvements in turnaround times as a result of the introduction of the "Speed Search" service (within the Department of Business and Consumer Affairs). Turnaround times for over-the-counter initiated searches on company, business and association names have been reduced from one day to 15 minutes. Non-urgent telephone initiated searches now take one day instead of three. "Bulk searches", which are searches for detailed information on corporations, have been reduced from several days to one day. Currently, 1500 are processed weekly. A "Fast Incorporation Service" which issues a Certificate of Incorporation within 24 hours is now available to clients who intend to have standard corporate structures.
- NSW has taken a leading role in ensuring the establishment of the Australian Securities Commission.
- A reduction in the number of public holidays on which trading is not permitted from general shops, effective from 25 January 1990. This legislation followed on from that enacted the previous year which extended opening and closing times from Mondays to Saturdays, and extended Sunday trading opportunities.

CHAPTER 8: STATE PUBLIC SECTOR FINANCES AND EMPLOYMENT

8.1 Interstate Comparison of Public Sector Size and Growth

8.1.1 Overview

8.1.2 Revenue, Taxation and Charges

8.1.3 Outlays

8.1.4 Employment

8.1.5 Borrowings, Debt and Debt Costs

8.2 New South Wales Government Liabilities

8.2.1 Debt and Debt Costs

8.2.2 Superannuation

8.1.1 OVERVIEW

The size of state government can be measured in terms of its ratio of revenue, outlays, borrowings and debt to Gross State Product (GSP), where GSP is the value of all goods and services produced within the boundaries of a state. Another measure of the size of government is the share of its workforce to the total state workforce. These measures provide some indication of the extent to which resources are devoted to the provision of public services within New South Wales, compared with other states.

Table 8.1 compares the size of the NSW public sector to that of other states for the latest year for which statistics are available.

Table 8.1: Size of Public Sector: Latest Year (a)

	Total Revenue	Tax Revenue	Total(c) Outlays (Percentage of GSP/GDP)	Recurrent Outlays	Net Financing Requirement	Gross Debt	Total Employment (Percentage of Labour Force)
NSW	14.4	6.0	15.2	12.5	0.2	22.0	13.0
States excl NSW (b)	16.2	5.1	17.7	14.1	1.4	27.9	14.3
All States (b)	15.6	5.4	16.8	13.6	1.0	25.8	13.9
Commonwealth	27.0	24.8	18.4	16.2	(-) 1.5	N.A	4.8

Note: Due to revisions the above figures are not comparable to those published in previous Budgets.

- (a) All items refer to 1989–90 except employment which refers to March 1990, and Debt which refers to June 1989.
- (b) These categories include the Australian Capital Territory except for gross debt figures, which also excludes the Northern Territory.
- (c) Total outlays refer to own purpose outlays.

Source: ABS: Australian National Accounts – State Accounts, 5220.0; Australian National Accounts – National Income and Expenditure, 5206.0; Government Financial Estimates, 5501.0; Employed Wage and Salary Earners 6248.0; The Labour Force Australia, 6203.0. Moody's Investors Service, Sovereign Credit Report – Australian States, July 1990.

The share of total revenue and own purpose outlays to GSP is much lower in New South Wales than for the average of other states and also the Commonwealth. However, like other states, the ratio of revenue to GSP is less than that for own purpose outlays, resulting in a positive net financing requirement for 1989–90. Conversely, the Commonwealth's revenue far exceeds its own purpose outlays, reflecting the problem of vertical fiscal imbalance, where the Commonwealth raises the bulk of tax revenues but the states account for the bulk of public expenditure responsibilities. The Commonwealth has been able to achieve a negative net financing requirement in 1989–90, partly through reducing in real terms the level of Financial Assistance Grants to the States.

Table 8.2 shows the growth of the NSW public sector relative to that of other states and the Commonwealth over the last five years.

**Table 8.2: Growth of Public Sector, Past Five Years (a)
(Average Annual Growth Rates, per cent)**

	Total Revenue	Tax Revenue	Total Outlays	Recurrent Outlays	Net Financing	Debt	Employment
NSW	9.6	13.6	7.9	9.6	(-)23.9	7.8	0.1
States excl NSW(b)	9.1	13.3	8.1	9.5	3.2	9.9	1.0
All States(b)	9.3	13.4	8.0	9.5	(-)2.3	9.2	0.7
Commonwealth(c)	11.2	11.5	9.2	8.1	-	N.A	(-)1.2

Note: Due to revisions the above figures are not comparable to those published in previous budgets.

- : Not applicable; net financing requirement has changed from positive to negative, or vice versa.

- (a) All growth rates are calculated from 1984-85 to 1989-90, except for debt, which is for the period 1983-84 to 1988-89.
- (b) These categories do not include the ACT as it did not become a self-governing entity until 11 May 1989. The debt figure also excludes the Northern Territory.
- (c) The Commonwealth figures have been adjusted to exclude significant 'state' transactions previously undertaken in the ACT by the Commonwealth. This adjustment could not be done for employment figures.

Source: ABS: Government Financial Estimates 5501.0; Employed Wage and Salary Earners 6248.0. Moody's Investor Services, Sovereign Credit Report - Australian States, July 1990.

Over the past five years, New South Wales has experienced an average annual reduction in its net financing requirement. This has mainly resulted from reduced growth in public sector outlays and increased dependence on proceeds from asset sales and leases rather than borrowings. It reflects the commitment to restraining government expenditure, especially through increased efficiency in the provision of public services. The growth in NSW total outlays is below that of the other states and the Commonwealth.

Growth in NSW total revenue has been in line with that of recurrent outlays, whereas tax revenue has grown at a much higher rate. The lower growth in total revenue compared to tax revenue reflects Commonwealth cuts in payments to New South Wales over the last three years which has placed more pressure on the State to finance expenditure responsibilities through its own taxation sources.

The remainder of this chapter provides a detailed analysis of trends in the size and growth of the NSW state public sector, as well as some comparisons with other states and the Commonwealth. All data relating to the absolute level of indicators in 1989-90 includes all states and territories. As the Australian Capital Territory did not become a self governing entity until 11 May 1989, any reference to the growth rate of public sector indicators excludes the ACT.

Sections 8.1.2 and 8.1.3 are devoted to an analysis of NSW revenue and outlays and Section 8.1.4 provides an overview of NSW public sector employment. Restricting the level of debt is a key target of the budgetary strategy, and an interstate comparison of debt is provided in Section 8.1.5 as well as a comprehensive analysis of NSW borrowings, debt and debt costs in Section 8.2.1. Public sector employee superannuation constitutes a significant financial commitment of the NSW Government and detailed information on public sector superannuation schemes is provided in Section 8.2.2. Appendix 1 provides detailed definitions of the concepts used in this chapter and indicates the sources of data. ABS revenue, outlay and financing data for 1989-90 in the accompanying chapter should be treated with caution, since it is based on budget estimates, not actuals.

8.1.2 REVENUE, TAXATION AND CHARGES

Public sector revenue statistics show that –

- NSW's total revenue per person in 1989–90 was lower than all States except Victoria and substantially below the average of the other States.
- Total public sector revenue in New South Wales has declined as a proportion of GSP for the last four years to 14.4 per cent. This compares to an average of 16.2 per cent for the other States in 1989–90.
- In 1989–90, NSW's taxation revenue per person grew by 3.3 per cent to \$1334, \$50 more than Victoria and higher than all the other States. Nevertheless, following tax increases in most states, NSW tax rates are no longer radically different to those of most other States.
- Total own source revenue per person, including taxation, grew by just 3.8 per cent to \$1,862 in 1989–90. This is just \$25 higher than the average for the other States and is lower than own source revenue per capita in both Western Australia and Tasmania.
- New South Wales received about \$260 less per person than the average for the other States in Commonwealth grants in 1989–90. This largely accounts for New South Wales having to rely more heavily on own source revenue, including taxation, to finance its outlays.

Level of Revenue and Taxation

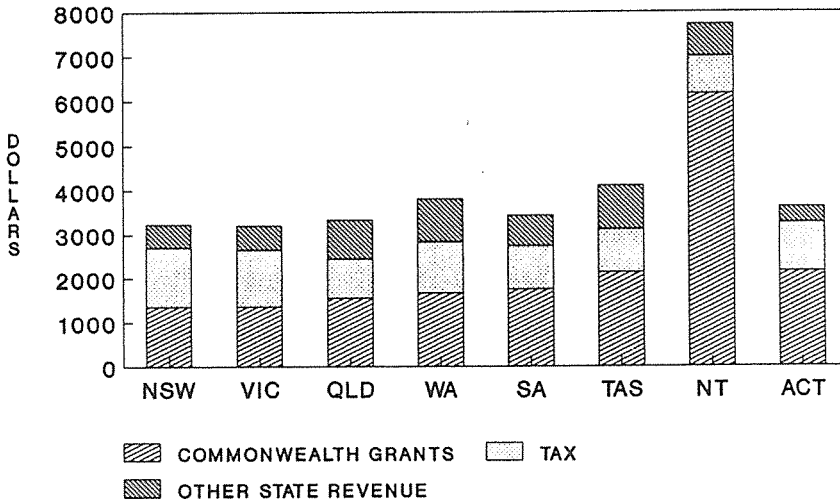
In 1989–90, total revenue per person in New South Wales was \$3,228, lower than the average of the other States at \$3,463. Total revenue in New South Wales was 5.1 per cent up on 1988–89, while the population grew by 1 per cent to 5,798,100 people. Figure 8.1 clearly shows the heavy reliance New South Wales and the other States have had to place on own source revenues due to increasing demand for government services and successive real declines in Commonwealth grants.

Despite the slowdown in growth in 1989–90, tax revenue per person was still higher in New South Wales and Victoria than in the other States. New South Wales and Victoria have traditionally had higher tax revenues than the smaller states. This is partly because New South Wales and Victoria have a bigger tax base and consequently receive less in grants from the Commonwealth Government. In 1989–90 New South Wales received \$1,366 per person from the Commonwealth, compared with an average of \$1,626 for the other states.

Although New South Wales collects more tax revenue per capita than the other States, recent increases in taxes in other States will largely eliminate differences in tax scales between New South Wales and those States. Indeed, for some categories of taxation (for example, land tax, bookmakers turnover tax and vehicle registration duty) NSW rates are below those of other States.

Figure 8.1

**GOVERNMENT REVENUES
PER PERSON, 1989-90**



Source: ABS Cat Nos: 5501.0 and 3101.0

Grants Commission figures can be used to compare the tax rates of the States. By comparing NSW's actual tax revenue with the revenue New South Wales could have raised if it had imposed tax rates at the average national rate, an index of the severity of NSW's tax rates can be derived. Taking NSW's average tax rates as the base, the following indexes of tax rates for 1988-89 are derived.

**Table 8.3: Severity of Tax Rates Compared with NSW
1988-89, Index**

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	106.3	79.2	100.0	97.8	110.3	88.6

Using Grants Commission figures, it can be seen that Victoria and Tasmania had higher tax rates than New South Wales, while Western Australia's tax rates were equivalent. South Australia had slightly lower tax rates than New South Wales while the tax rates of the Northern Territory and Queensland were significantly lower in 1988-89.

The 1988 New South Wales Commission of Audit "Report on the State's Finances" found that tax rates in New South Wales were on average 6 per cent higher than in other States and Territories. Latest figures from the Commonwealth Grants Commission show that this margin has been reduced to only 3 per cent.

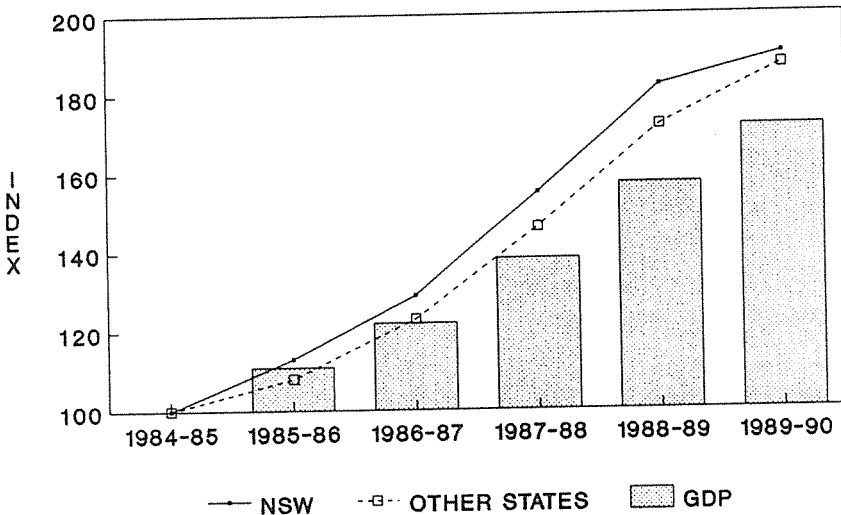
Growth in Revenue and Tax Receipts

State taxation revenue growth in New South Wales was subdued in 1989–90 following strong growth of 17 per cent in 1988–89. This large increase in tax revenue in 1988–89 was attributable primarily to the property boom which increased receipts from contracts and conveyancing stamp duty. Taxation growth slowed to only 4.3 per cent in New South Wales in 1989–90, largely due to the property and sharemarket slump. Reductions in the collection of contracts and conveyancing duty alone accounted for a fall in revenue of \$515 million. Taxation revenue actually declined as a percentage of GSP in New South Wales in 1989–90 to 6 per cent, reversing a trend apparent since 1986–87. Strong taxation growth was anticipated in all other states during 1989–90, except Queensland. Taxation revenue in New South Wales has grown by an average annual growth rate of 13.6 per cent since 1984–85, only slightly higher than the other States average of 13.3 per cent.

Figure 8.2 shows growth in State taxation revenues since 1984–85. Year-on-year growth for New South Wales was at a similar rate to the other States until 1987–88. Higher growth rates in 1987–88 and 1988–89 are the result of the aforementioned large increase in contracts and conveyancing revenue in New South Wales and the effect of the additional 3 cents per litre fuel levy for the Road Improvement Program.

Figure 8.2

STATE TAXATION REVENUE NSW AND OTHER GOVERNMENTS Indices, 1984-85 = 100

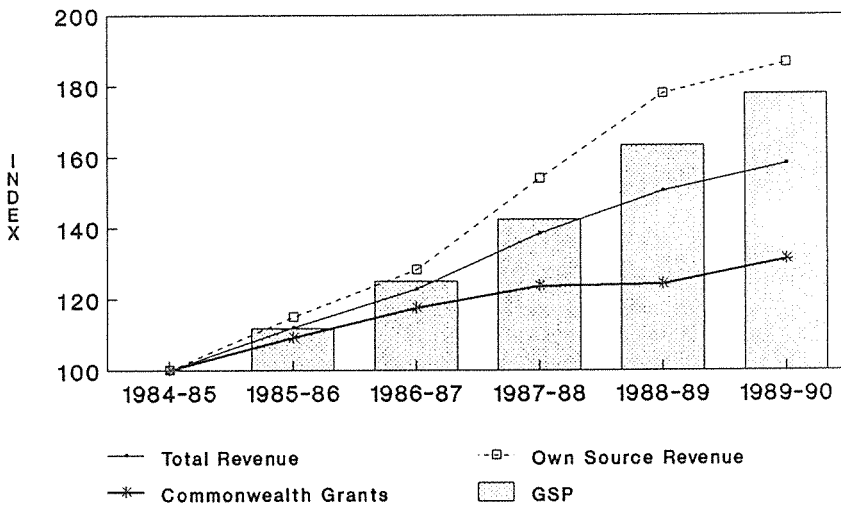


Source: ABS Cat. Nos 5501.0 and 5206.0

Commonwealth payments to New South Wales have increased more slowly than GDP in every year since 1984–85. Borrowing allocations to the States have decreased in nominal terms since 1986–87, yielding a decrease in total payments and allocations since that time.

Growth of the different components of New South Wales revenue since 1984–85 is shown in figure 8.3. Total revenue growth averaged 9.6 per cent per year, broadly in line with GSP until 1988–89. However, Commonwealth grants grew by only 5.6 per cent annually, forcing New South Wales to rely more heavily on own source revenues, which showed an annual average growth rate of 13.3 per cent. The three years 1987–88, 1988–89 and 1989–90 have seen large real reductions in Commonwealth funding. Consequently own source revenues have increased as a proportion of all State revenue.

Figure 8.3
GROWTH IN NSW REVENUES
Indices, 1984–85 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

Government Charges

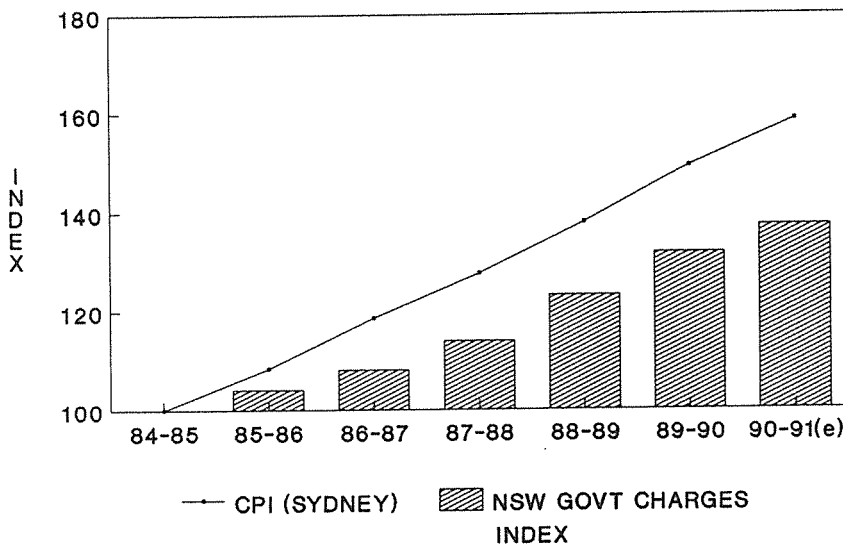
The NSW Treasury compiles an Index of State Government Charges based on the key authorities whose charges constituted the bulk of public sector impacts on both households and business. A detailed breakdown of all these charges is contained in Table 8.4.

Average increases in charges for each authority are prepared by that authority and incorporated in the Index by the NSW Treasury. Several authorities have refined their methodology for calculating the average increase in these charges, which has resulted in significant changes to estimates for previous years.

The Government Charges Index has been compiled because it provides a more comprehensive analysis of the impact of State Government charges on New South Wales than does the State and Local Government Charges Index published by the Australian Bureau of Statistics. The latter makes no provision for business charges (which have a sizeable impact on State activity), and provides a less comprehensive coverage of charges at the State level which impact on consumers.

Figure 8.4 shows that since 1984–85, increases in State Government charges have remained well below the increase in the general price level, as measured by the Consumer Price Index for Sydney.

Figure 8.4
NSW GOVERNMENT CHARGES
Indices, 1984–85 = 100

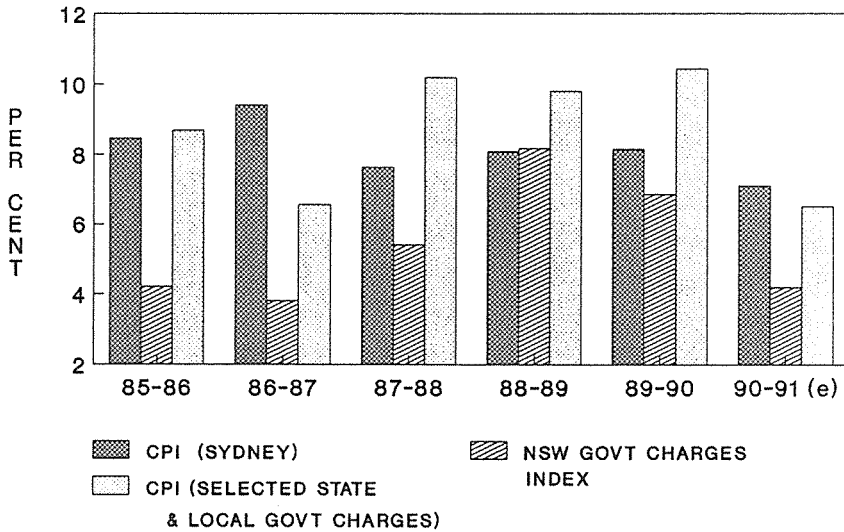


Source: ABS 6401.0 & NSW Treasury Index of Govt Charges

Figure 8.5 shows annual percentage changes in the Government Charges Index for NSW since 1985–86 compared with movements in the Consumer Price Index (CPI) for Sydney and the State and Local Government Charges Index. It indicates that since 1985–86 annual increases in State Government charges have been consistently below CPI movements, except for 1988–89 when the State Government charges increased by 8.2 per cent compared to 8.1 per cent for the Sydney CPI. This slight real increase in charges during 1988–89 was a result of authorities moving to recover costs after several years of under-pricing.

Figure 8.5

NSW GOVERNMENT CHARGES Percentage Change on Previous Year



Source: ABS 6401.0 & NSW Treasury Index of Govt Charges

During 1989-90 the increase in Government charges averaged 6.9 per cent, compared to an overall inflation rate of 8.2 per cent. This outcome reflected real decreases in passenger fares on bus, ferry and rail services, as well as electricity charges.

Projections for NSW Government charges over 1990-91 are for an increase of 4.2 per cent, again well below the forecast increase in the Sydney CPI of 7.0 per cent. This is the result of the Government's policy to restrict increases in charges affecting families to a maximum of the Sydney CPI for a period of two years commencing February 1990, and its resolve to remove anomalies in past pricing structures in favour of a system which more closely matches prices to the cost of providing each service.

In the three years to 1990-91 NSW Government charges, as measured by the Treasury Index, will have risen by 20.4 per cent, compared with an increase in the Sydney CPI of 24.3 per cent. This represents a fall in real terms of 3.1 per cent. In the medium term, increased efficiencies, together with more appropriate pricing structures, should continue to reduce average real charges.

AGENCY	ITEM	1986-87 REVENUE \$m	REVENUE FRACTION weight	% MOVEMENT IN PRICE					
				85-86	86-87	87-88	88-89	89-90	90-91(e)
State Rail Authority	Freight Services	663.6	0.133293	2.5	1.5	1.0	6.2	4.7	6.1
	Passenger Services (r)	229.4	0.044873	7.8	8.9	7.7	12.8	6.4	8.1
State Transit Authority	Revenue - Bus & Ferry (r)	81.2	0.016310	11.6	7.5	8.7	12.5	7.5	7.8
Maritime Services Board	Port Charges (r)	196.6	0.039490	7.0	0.0	0.0	0.0	0.0	0.0
Roads and Traffic Authority	Drivers Licences	70.3	0.014121	0.0	5.0	4.8	2.6	2.9	7.4
	Vehicle Registration	70.3	0.014121	0.0	10.0	22.7	7.4	7.2	6.7
Forestry Commission	Forest Royalty	56.2	0.011289	8.0	8.8	7.0	10.4	8.0	7.0#
Mineral and Energy	Coal Royalty (Prescribed)	132.6	0.026635	0.0	0.0	-20.0	0.0	25.0	0.0
Land and Housing Corporation	Rents (r)	253.3	0.050879	4.6	3.5	13.9	8.4	9.2	4.2
Land Titles Office	Charges	28.3	0.005684	10.8	17.7	5.2	14.6	5.0	6.9
Registry of Births etc	Certified Copies	5.9	0.001185	11.1	10.0	18.2	8.3	7.7	8.3
Valuer General	Valuation lists Fees	12.0	0.002410	0.0	0.0	-31.5	29.7	6.3	7.0#
Waste Management Authority	Bulk Solid Waste	20.8	0.004178	0.0	6.5	8.1	34.2	8.4	9.0
	Bulk Liquid Waste	3.7	0.000743	8.4	7.7	14.3	33.7	8.4	9.0
Business and Consumer Affairs	Corporate Affairs Fees	49.6	0.009963	0.0	9.0	9.1	7.7	8.0	7.8
Electricity Commission	Sales (all users) (r)	2038.0	0.409360	2.9	3.0	7.9	8.3	3.3	3.1
Health Department	Accommodation Charges	262.6	0.052747	15.8	9.2	8.4	14.9	9.7	6.5
	Ambulance Services	26.5	0.005523	7.0	7.0	7.0	0.0	6.5	8.3
Sydney Water Board	Domestic Usage & Service / Value Based Charges (f)	688.60	0.138914	4.2	4.7	3.7	8.9	20.0+	7.7+
Hunter Water Board	Rates and Water Usage	95.0	0.019082	N/A	N/A	N/A	5.2	9.6	-1.1
	Total Average % Movement	4978.5	1.00000	4.2	3.8	5.4	8.2	6.9	4.2
	CPI (Sydney all Groups) Year Avg % Movement			8.5	9.4	7.6	8.1	8.2	7.0

N/A

Data not available.

Not yet approved. Estimate used for index calculation.

(r) Prior year data revised.

+ Figures for 1989-90 reflect a reduction in the annual kilolitre allowance free of charge from 300 KL to 250 KL and the introduction of the environment levy. Estimates for 1990-91 reflect the application of user pays policy. The free water allowance was scrapped and as a consequence all water users receive a bill, as opposed to only about 40% of water users in previous years.

8.1.3 OUTLAYS

A comparison of public sector own purpose outlays for each State and the Commonwealth shows that –

- Per capita own purpose outlays in New South Wales are lower than those of other States except for Queensland.
- Since 1987-88, the growth in NSW own purpose total outlays has been below that of the other States and the Commonwealth.
- Since 1987-88, growth in NSW recurrent outlays has been less than the growth in economic activity and the growth in recurrent outlays of other States.

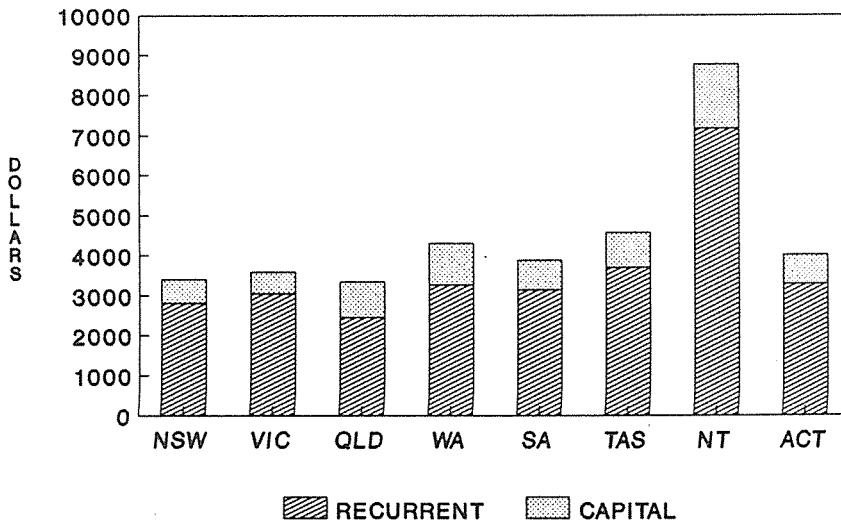
Level of Outlays

The public sector in New South Wales spends the majority of its revenue on programs of its own responsibility. However, a proportion of its revenue (both from the Commonwealth and its own sources) is passed on to local government. Adjusting ABS figures for transfers to local government provides an estimate of State "own purpose" outlays.

Figure 8.6 illustrates the share and cost per resident of recurrent and capital outlays for New South Wales and other States. Recurrent outlays are ongoing expenditures for government departments and authorities, whereas capital outlays are expenditures on works of a permanent nature such as spending on roads and bridges.

Figure 8.6

GOVERNMENT EXPENDITURE PER PERSON, 1989-90



In 1989-90 own purpose total outlays per resident in New South Wales were \$3,397. Of this, 82.5 per cent (\$2,804) was allocated for recurrent purposes and 17.5 per cent (\$593) for outlays of a capital nature. Queensland per capita outlays for 1989-90 were \$3,337 and it was the only State with lower per capita outlays than New South Wales.

The Commonwealth Grants Commission makes an annual assessment of the amount of recurrent expenditure necessary for each State to provide a comparable national standard of service (standardised expenditure). The assessment takes account of a range of factors including demographic characteristics, dispersion of population and economies of scale in the provision of public services. New South Wales does not accept in full the approach used, but it does provide the only available measure of expenditure across States standardised for "disability" factors.

In 1988-89, NSW's actual expenditure was 1.5 per cent higher than that which the Commonwealth Grants Commission assessed as necessary to provide a common standard of service to the other States. An Index was prepared which compares actual expenditure of each State with its standardised expenditure. Using New South Wales as a base, the index for each State is shown below.

**Table 8.5: Expenditure Policies Compared with NSW
1988-89, Index**

NSW	VIC	QLD	WA	SA	TAS	NT
100.0	110.5	75.3	100.5	100.1	95.9	93.4

The Index shows that, compared with the expenditure assessed by the Commonwealth Grants Commission as necessary to provide a common national standard of service, Victoria, Western Australia and South Australia spent in excess of New South Wales while Queensland, the Northern Territory and Tasmania spent less.

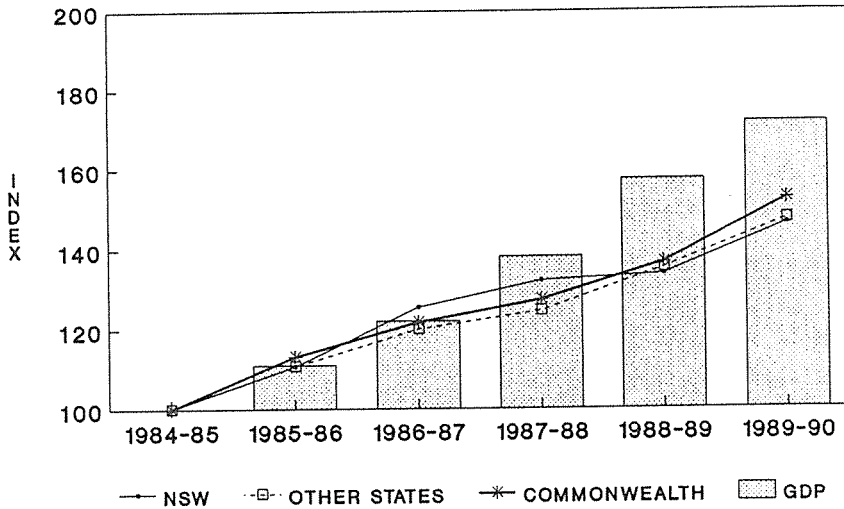
Growth in Outlays

Over the period 1984-85 to 1989-90, NSW own purpose total outlays grew by 7.9 per cent per annum, lower than the average rate of 8.1 per cent for the other States.

Year-on-year growth in own purpose total outlays of the various governments is shown in Figure 8.7. Since 1987-88, growth in NSW total outlays has been less than the growth in the economy. The reduction in outlays in 1988-89 was mainly due to cuts in the areas of capital expenditure on welfare, recreation and culture, economic services and general administration. Capital expenditure for economic services and welfare increased in 1989-90 and contributed towards an increase in capital outlays for this period.

Figure 8.7

**GROWTH IN OWN PURPOSE TOTAL OUTLAYS
NSW AND OTHER GOVERNMENTS**
Indices, 1984-85 = 100



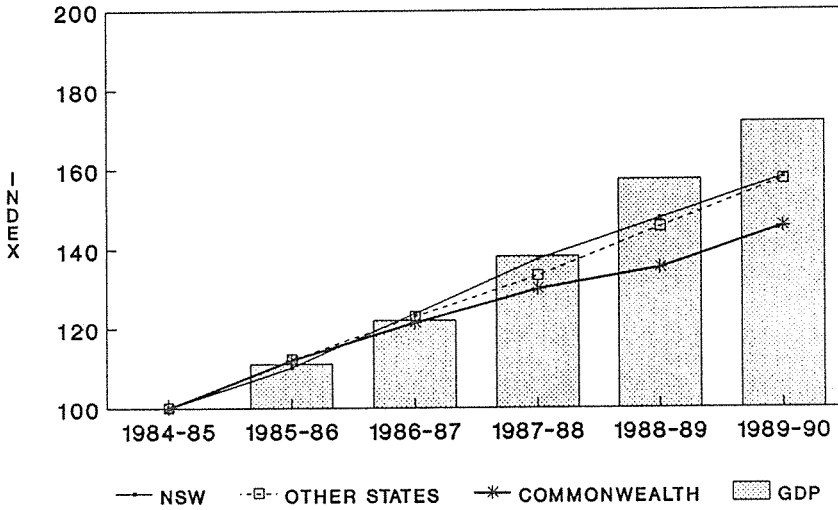
Source: ABS Cat. Nos 5501.0 and 5206.0

The States have demonstrated considerable fiscal restraint compared with the Commonwealth. Commonwealth own purpose total outlays (net of transfers to the states and local government) have, in recent years, grown more quickly than own purpose total outlays of the States, with New South Wales having the lowest growth since 1988-89.

Since 1987-88 growth in NSW recurrent outlays has been less than the growth in economic activity (refer Figure 8.8) and in 1989-90 was similar to that of other States. While much of the reduction in NSW outlays has resulted from cutbacks in capital expenditure, there has been restrained growth in recurrent outlays over the last two years.

Figure 8.8

GROWTH IN OWN PURPOSE RECURRENT OUTLAYS
NSW AND OTHER GOVERNMENTS
Indices, 1984-85 = 100



Source: ABS Cat. Nos 5501.0 and 5206.0

8.1.4 EMPLOYMENT

Information on State public sector employment, based on ABS data, shows that –

- New South Wales has fewer State public sector employees per head of population than any other State.
- Public sector employment in New South Wales grew slowly in the three years to June 1988 and has declined subsequently to below what it was in the mid 1980's. By contrast, employment in other States has risen each year, except 1987–88.
- Notwithstanding the subdued level of public sector employment, total employment in NSW has increased strongly in the last five years.

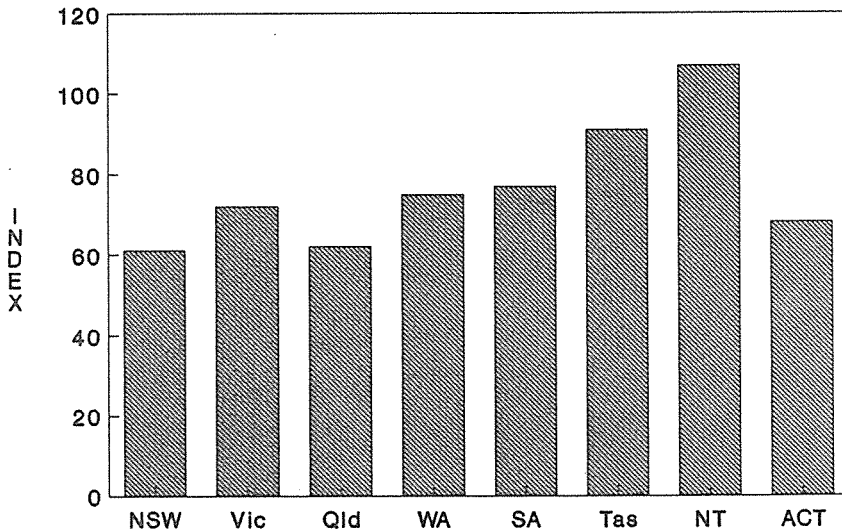
Level of Employment

Figure 8.9 compares the level of State public sector employment per 1,000 head of population for New South Wales and other States. In December 1989, New South Wales had 61 employees per 1,000 of population, the lowest of any state. This level was followed closely by Queensland and the Australian Capital Territory.

Figure 8.9

LEVEL OF GOVERNMENT EMPLOYMENT NSW AND OTHER STATES

Employment per 1000 Population, December 1989

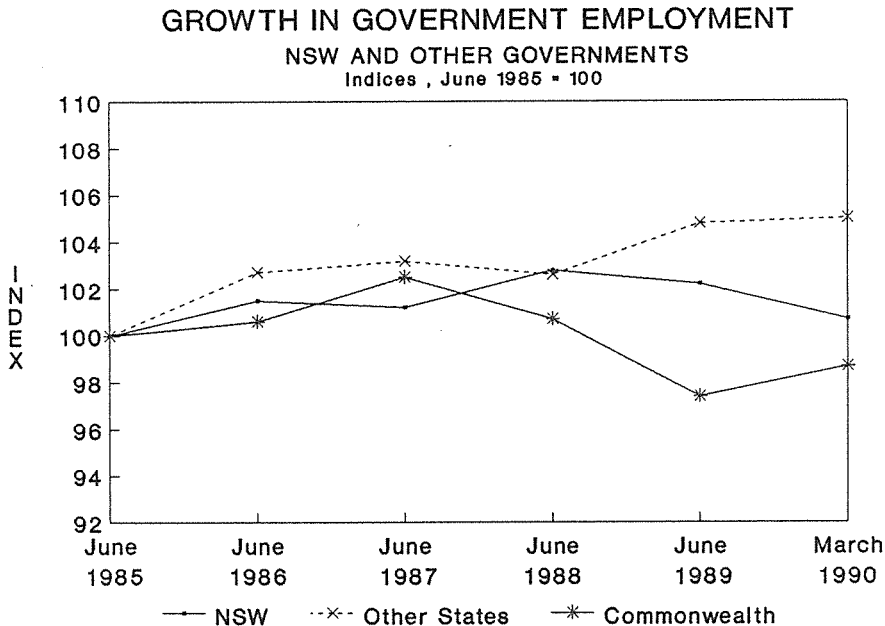


Source: ABS Cat. Nos 6248.0 and 3101.0

Growth in Public Sector Employment

Figure 8.10 compares the growth in NSW public sector employment with that of other States and the Commonwealth. Growth in NSW public sector employment over the last five years has been subdued, with a decline in employment from June 1988 to March 1990. This compares with an upward trend in employment growth for the other States. Commonwealth employment, which includes the Australian Capital Territory, appears to have increased in the last year, following two years of decline.

Figure 8.10

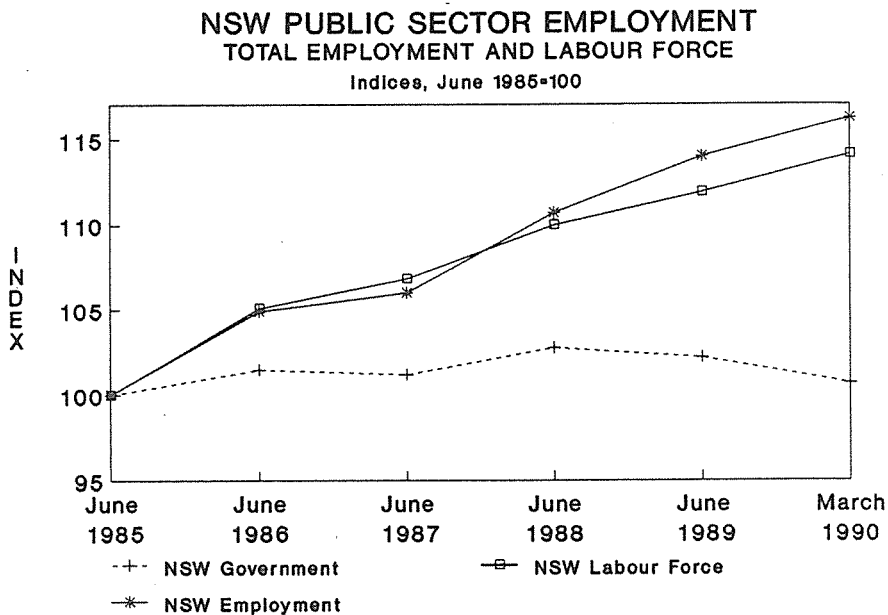


Source: ABS Cat. No: 6248.0

Level and Growth of NSW Public Sector Employment

According to ABS statistics, over the last five years, public sector employment in New South Wales has increased by 0.1 per cent per year, while the NSW labour force rose by 2.7 per cent per year and total employment by 3 per cent. Within this period public sector employment increased by 0.9 per cent in each of the three years to June 1988 and has subsequently fallen by 1.1 per cent per year (refer Figure 8.11). ABS employment data is basically a body count and as such does not distinguish between part time and full time employment.

Figure 8.11



Source: ABS Cat. Nos: 6203.0 and 6248.0

The NSW Treasury compiles staff statistics which provide the most accurate measure of the absolute size and trend in NSW public sector employment, since it expresses employment in terms of equivalent full time (EFT) positions. Table 8.6 shows NSW public sector employment by sector since June 1986 and the percentage changes over that period. The classification of organisations into inner, outer and non budget sector reflects the findings of the report on "Classification and Control of State Organisations" adopted by Cabinet in June 1989.

Table 8.6: NSW Public Sector Employment, June 1986-90 (a)

Sector	June 1986 (b)	June 1987	% Change	June 1988	% Change	June 1989	% Change	June 1990	% Change
Inner Budget	204,349	211,395	3.4	214,363	1.4	213,166	(-0.6)	213,585	0.2
Outer Budget	105,772	101,644	(-3.9)	96,172	(-5.4)	88,917	(-7.5)	80,665	(-9.3)
Non-Budget	8,457	8,980	6.2	9,092	1.2	9,291	2.2	9,773	5.2
Total	318,578	322,019	1.1	319,627	(-0.7)	311,374	(-2.6)	304,023	(-2.4)
Total NSW Labour Force	2,583,800	2,626,200	1.62	2,705,500	3.0	2,751,500	1.7	2,804,400	1.9

Source: NSW Public Sector Employment Statistics; Australian Bureau of Statistics Catalogue No. 6203.0.

- Notes: (a) Table shows equivalent full-time positions. Data for earlier years have been refined to make them comparable to the structure of Government administration in 1989-90 and are therefore not comparable with the data appearing in the corresponding table in earlier budget papers. In particular, all health workers are now included in the inner budget sector.
- (b) The collection commenced 1985-86 so no percentage change can be calculated for that year.

This table shows that NSW public sector employment has fallen by 5.6 per cent since June 1987. The sharpest fall has been in the outer budget (commercial and semi-commercial) sector, where staffing has contracted by a total of 23.7 per cent in the last four years. This trend reflects the Government's policy to boost productivity in the State public sector, particularly Government Trading Enterprises.

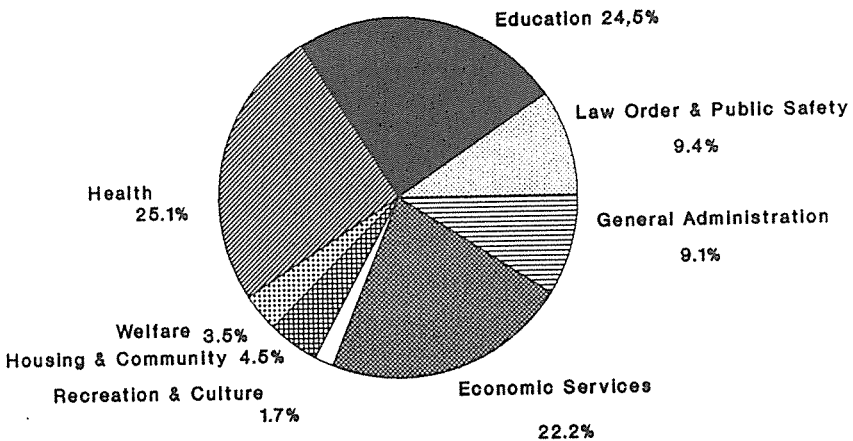
Functional Classification of NSW Public Sector Employment

Figure 8.12 shows the share of public sector employment by functional classification. While the same functional classification is used for expenditure and employment, it is not possible to record and classify the employment related to certain payments (such as various transport subsidies). Nevertheless, Education and Health are again the largest functional areas of government employment, each accounting for about one quarter of the total. Economic Services, including transport, electricity generation, road construction and maintenance and provision of port services, accounts for a further 22 per cent of NSW public sector employment.

Figure 8.12

NSW PUBLIC SECTOR EMPLOYMENT BY FUNCTION

Percentage Share at June 1990



Source: NSW Public Sector Employment Statistics

Table 8.7 shows the average level of NSW public sector employment for June 1989 and June 1990 for each department and agency, classified by function and budget sub-sector. Major revisions have been made to the classification of public sector employees and so the figures are not comparable with published figures in previous Budgets (refer Appendix for details).

The Table shows that during 1989-90 there was a reduction in total employment in the NSW public sector by about 7,351 employees. Large reductions in employment occurred in general administration and were mainly the result of the closure of the Government Printing Service, as well as redundancies in the Government Cleaning Service. Other significant reductions occurred in the Electricity Commission, transport, and health administration. Significant increases were recorded in law, order and public safety, financial and fiscal services and welfare. The increase in Financial and Fiscal services was largely in the State Bank, GIO and the Workcover Authority. The increase in Treasury staffing was largely due to the transfer of the administration of the First Home Purchase Stamp Duty Deferred Payments Scheme from the State Bank to the Office of State Revenue.

**Table 8.7: NSW Public Sector Employment, by Department and Agency,
Classified by Policy Area and Budget Sector**

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-budget	Total	Inner Budget	Outer and Non-budget	Total
LAW, ORDER AND PUBLIC SAFETY						
Attorney General's Department	3,465	...	3,465	3,338	...	3,338
Department of Bush Fire Services	46	...	46	42	...	42
Compensation Court of New South Wales	100	...	100	151	...	151
Department of Corrective Services	3,627	...	3,627	3,718	...	3,718
Director of Public Prosecutions	337	...	337	404	...	404
Drug Crime Commission	60	...	60	68	...	68
State Emergency and Rescue Services Board .....	...	...	...	7	...	7
Fire Brigades of New South Wales	3,379	...	3,379	3,374	...	3,374
Independent Commission Against Corruption	61	...	61	118	...	118
Judicial Commission	15	...	15	16	...	16
Legal Aid Commission	459	...	459	476	...	476
Motor Accident Authority .....	...	...	...	...	16	16
Police Department	15,746	...	15,746	16,325	...	16,325
Public Trust Office .....	...	388	388	...	424	424
State Emergency Services	88	...	88	79	...	79
Total, Law, Order and Public Safety	27,383	388	27,771	28,116	440	28,556
EDUCATION						
Department of School Education	58,488	...	58,488	58,576	...	58,576
Ministry of Education and Youth Affairs	15,608	...	15,608	15,195	...	15,195
Department of Technical and Further Education	683	...	683	792	...	792
Total, Education	74,779	0	74,779	74,563	0	74,563

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-budget	Total	Inner Budget	Outer and Non-budget	Total
HEALTH						
Ambulance Service of New South Wales	2,574	...	2,574	2,557	...	2,557
Department of Health	1,940	...	1,940	1,239	...	1,239
Hospitals and Allied Services	72,323	...	72,323	72,622	...	72,622
Total, Health	76,837	0	76,837	76,418	0	76,418
WELFARE SERVICES						
Department of Family and Community Services	7,437	2,610	7,437	7,878	2,625	7,878
Home Care Service of New South Wales .....	...	...	2,610	...	...	2,625
Total, Welfare Services	7,437	2,610	10,047	7,878	2,625	10,503
HOUSING AND COMMUNITY SERVICES						
Broken Hill Water Board .....	...	112	112	...	103	103
Department of Housing .....	...	2,317	2,317	...	2,269	2,269
Hunter Valley Water Board .....	...	1,271	1,271	...	1,114	1,114
Department of Planning	431	...	431	417	...	417
Pollution Control Commission	270	...	270	298	...	298
Sydney Water Board .....	...	8,954	8,954	...	9,472	9,472
Waste Management Authority .....	...	111	111	...	127	127
Total, Housing and Community Services	701	12,765	13,466	715	13,085	13,800

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-budget	Total	Inner Budget	Outer and Non-budget	Total
RECREATION AND CULTURE						
Greyhound Racing Control Board	..	27	27	..	27	27
Harness Racing Authority	..	43	43	..	47	47
Jenolan Caves Reserve Trust	..	38	38	..	38	38
Ministry for the Arts	1,320	..	1,320	1,355	..	1,355
Ministry for the Environment	310	..	310	357	..	357
National Parks and Wildlife Service	1,107	..	1,107	917	..	917
Sydney Opera House	..	351	351	..	376	376
Department of Sport recreation and Racing	384	..	384	373	..	373
Sydney Cricket Ground Trust	..	110	110	..	79	79
Sydney Sports Ground Trust	..	41	41	..	35	35
Totalizator Agency Board	..	919	919	..	984	984
Tourism - Caves Resorts	..	113	113	..	58	58
Tourism Commission	173	..	173	167	..	167
Zoological Parks	..	269	269	..	282	282
Total, Recreation and Culture	3,294	1,911	5,205	3,169	1,926	5,095
ECONOMIC SERVICES						
Agriculture, Forestry and Fishing						
Dairy Corporation	..	196	196	..	178	178
Department of Agriculture and Fisheries	3,371	..	3,371	3,329	..	3,329
Fish Marketing Authority	..	77	77	..	65	65
Forestry Commission	..	1,852	1,852	..	1,851	1,851
Grain Corporation	..	575	575	..	518	518
Homebush Abbottoir Corporation	..	41	41	..	39	39
Meat Authority	..	28	28	..	20	20
Rural Assistance Authority	38	..	38	..	45	45
Soil Conservation Service	789	..	789	902	..	902
Sydney Market Authority	..	108	108	..	106	106
Department of Water Resources	1,767	..	1,767	1,760	..	1,760
Sub-Total, Agriculture, Forestry and Fishing	5,965	2,877	8,842	6,036	2,777	8,813

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-budget	Total	Inner Budget	Outer and Non-budget	Total
Mining, Manufacturing and Construction						
Building Services Corporation	188	188	188	192	192	192
Department of Minerals and Energy	659	659	659	670	670	670
Public Works (Other Awards)	1,750	1,750	1,750	1,604	1,604	1,604
State Brickyards	10	10	10	...	...	...
Sub-Total, Mining, Manufacturing and Construction	659	1,948	2,607	670	1,796	2,466
Transport and Communication						
Department of Transport	387	387	387	371	371	371
Maritime Services Board	2,989	2,989	2,989	2,309	2,309	2,309
Roads and Traffic Authority	10,502	10,502	10,502	10,418	10,418	10,418
State Rail Authority	32,740	32,740	32,740	28,525	28,525	28,525
State Transit Authority	5,736	5,736	5,736	5,362	5,362	5,362
Sub-Total, Transport and Communication	10,889	41,465	52,354	10,789	36,196	46,985

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-budget	Total	Inner Budget	Outer and Non-budget	Total
Other, Economic Services						
Department of Business and Consumer Affairs	1,079	..	1,079	1,076	..	1,076
Development Corporations	..	17	17	..	13	13
Department of Industrial Relations and Employment	698	..	698	638	..	638
Electricity Commission	..	8,264	8,264	..	7,250	7,250
Motor Vehicle repair and Industry Council	..	26	26	..	32	32
Department of State Development	57	..	57	76	..	76
Sydney Cove Redevelopment Authority	..	37	37	..	38	38
Sub-Total, Other, Economic Services	1,834	8,344	10,178	1,790	7,333	9,123
Total, Economic Services	19,347	54,634	73,981	19,285	48,102	67,387
GENERAL ADMINISTRATION						
Legislative Services						
Legislature	519	..	519	529	..	529
Electoral Office	28	..	28	30	..	30
Sub-Total, Legislative Services	547	0	547	559	0	559

Function/Agency	June 1989 (Average)			June 1990 (Average)		
	Inner Budget	Outer and Non-Budget	Total	Inner Budget	Outer and Non-Budget	Total
Financial and Fiscal Services						
Auditor General	167	178	178	183	186	186
Chief Secretary	...	...	167	...	...	183
Government Insurance Office	...	2,474	2,474	...	2,672	2,672
Internal Audit Bureau	...	14	14	...	18	18
State Lotteries Office	...	350	350	...	314	314
NSW Superannuation Office	...	160	160	...	136	136
State Bank	...	6,388	6,388	...	6,638	6,638
State Authorities Superannuation Board	774	578	578	805	630	630
Treasury	...	774	774	...	...	805
Treasury Corporation	...	55	55	...	61	61
Valuer General's Department	...	430	430	...	418	418
Workcover Authority	...	647	647	...	745	745
Sub-Total, Financial and Fiscal Services	941	11,274	12,215	988	11,818	12,806
Other, General Administration						
Cabinet Office	71	...	71	88	...	88
Darling Harbour Authority	39	...	39	53	...	53
Department of Administrative Services	...	225	225	...	255	255
— Consolidated Fund	...	11,027	11,027	1,071	8,931	8,931
— Other	1,059	...	1,059	...	...	1,071
Department of Lands	92	...	92	93	...	93
Ethnic Affairs Commission	...	876	876	...	820	820
Land Titles Office	161	...	161	157	...	157
Department of Local Government	68	...	68	68	...	68
Ombudsman's Office	410	...	410	364	...	364
Premier's Department	...	2,498	2,498	...	2,436	2,436
Public Works (Public Sector Management Act)	...	...	...	...	...	...
Sub-Total, Other, General Administration	1,900	14,626	16,526	1,894	12,442	14,336
Total, General Administration	3,388	25,900	29,288	3,441	24,260	27,701
TOTAL, ALL FUNCTIONS	213,166	98,208	311,374	213,585	90,438	304,023

8.1.5 BORROWINGS, DEBT AND DEBT COSTS

Borrowings, debt and debt costs provide an important measure of the financial position of the public sector and, in relation to relevant measures such as the size of State economies and population, are important intergovernmental indicators.

Provisional ABS data for 1989–90 is available for the net financing requirement and debt servicing costs, but not for State debt (the latest data for which is June 1987). In the absence of up to date ABS data, it has been necessary to use data on state debt provided by Moody's Investors Service. Moody's figures show only gross not net debt and exclude local government debt.

Interstate comparisons of borrowings, debt and debt costs show that –

- NSW's net financing requirement per person in 1989–90 was lower than all states except Queensland. The increase in the net financing requirement for New South Wales in 1989–90 was much more subdued than that of the other States.
- Per capita global borrowings for New South Wales were \$165 in 1989–90. The only governments with lower per capita borrowings were the Australian Capital Territory (\$84), South Australia (\$132) and Queensland (\$138).
- NSW's gross debt at June 1989, both in per capita terms and as a proportion of GSP, was lower than that of all other States (excluding the Territories).
- Since the mid 1980's, NSW's gross debt as a proportion of GSP has fallen more sharply than that of other States. The decline has been particularly steep since June 1987.
- In 1989–90 NSW's net debt servicing costs as a proportion of State revenue were lower than that for all other States except South Australia, Queensland and the territories.

Level of Borrowings

There are two available measures of borrowings, the net financing requirement and borrowings under the global limit.

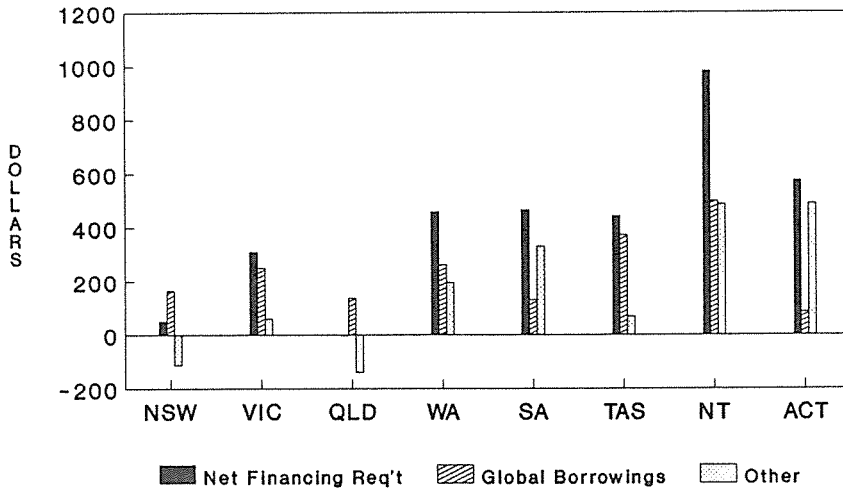
The net financing requirement shows the amount by which public sector expenditure exceeds revenue (excluding net advances from the Commonwealth and increases in internal provisions). As such it reflects the level of borrowings and the rundown in cash, and broadly equals the change in gross debt.

Global borrowings are the amount of new borrowings undertaken within the global limit approved by the Australian Loan Council. Unlike the net financing requirement, this measure does not take account of the rundown in outstanding financial assets or the retirement of debt.

ABS figures show that New South Wales has the lowest net financing requirement per person of any State except Queensland (refer Figure 8.13). In 1989-90 the net financing requirement for New South Wales was \$51 per person, compared with an average of \$292 per person for the other States (including the Territories).

Figure 8.13

FINANCING REQUIREMENTS PER PERSON, 1989-90



Source: ABS Cat. Nos: 5501.0 and 3101.0 and Commonwealth Budget Paper 4.

Growth of Borrowings

Global borrowings by New South Wales in 1989-90 were \$165 per person, a reduction of 1.1 per cent on the previous year. Global borrowings by the other States (excluding the ACT) were \$215 per person in 1989-90, a reduction of 25.6 per cent.

In 1989-90, global borrowings in New South Wales were greater than its net financing requirement, as reserves were created for payment of future liabilities. These financial reserves are shown as "other" in Figure 8.13.

Table 8.8 shows the net financing requirements of the States from 1984-85 to 1989-90.

Table 8.8: Net Financing Requirement: 1984-85 to 1989-90

Public Sector	(\$ million)									Annual Average Growth Rate			Per cent of GSP	
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1984-85 to 1989-90	1984-85	1988-90	1989-90	1984-85	1988-90	1989-90	
NSW	1,160	1,200	1,989	1,165	(-)638	296	(-)23.9	1.6					0.2	
States excluding NSW	2,654	3,111	3,182	1,962	1,892	3,103	3.2	1.9					1.3	
All States	3,814	4,311	5,171	3,127	1,254	3,399	(-)2.3	1.8					0.9	
Commonwealth	6,949	6,603	3,865	(-)2,560	(-)6,510	(-)5,591	-	3.2					(-)1.5	

Source: ABS Cat. No. 5501.0

New South Wales made significant reductions in its net financing requirement in 1987-88 and 1988-89, compared with the other States as a group. The average annual change over the last five years was (-)23.9 per cent for New South Wales compared to (+)3.2 per cent for the average of the other States. Over the last two years the average annual change in the net financing requirement was (-)49.6 per cent for New South Wales and (+)25.8 per cent for all other States.

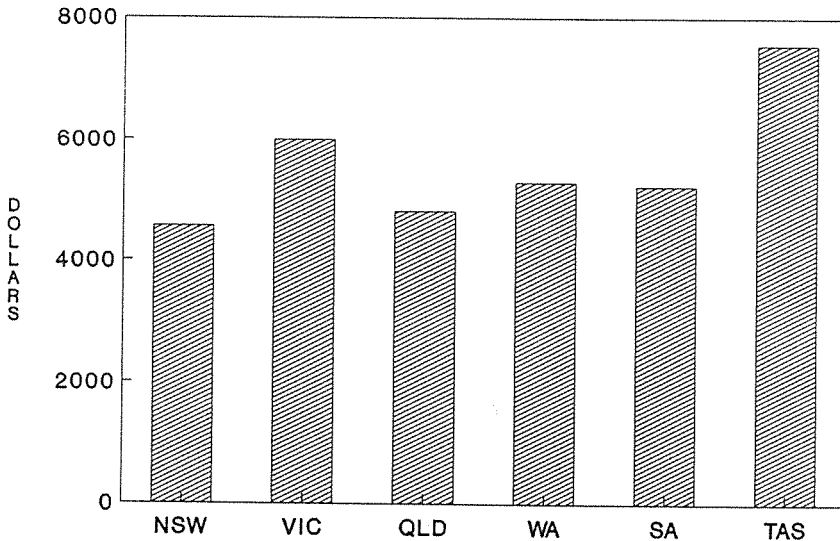
Debt

In July 1990, Moody's Investors Service published information on State public sector gross debt. Gross debt is debt which is not offset by holdings of financial assets. This debt is valued at capital value, which measures debt on the basis of purchase value, adjusted to reflect the straight line amortisation of the difference between purchase value and its value at maturity.

Figure 8.14 shows gross debt per person at June 1989. New South Wales had the lowest per capita gross debt at \$4,561, compared with an average of \$5,532 for the other States.

Figure 8.14

STATE GOVERNMENT GROSS DEBT PER PERSON, JUNE 1989



Source: Moody's Investors Service, Sovereign Credit Report, Australian States, July 1990; ABS Cat No. 3101.0

Table 8.9 gives detailed information on gross debt for the States.

Table 8.9: Interstate Comparison of Gross Debt, June 1989

	Gross Debt		Per Person (\$)
	\$m	%GSP	
NSW	26,200	22.0	4,561
Vic	25,700	27.7	5,983
Qld	13,400	27.2	4,806
WA	8,300	25.0	5,283
SA	7,400	28.9	5,222
Tas	3,400	46.0	7,556
States (excl NSW)	58,200	27.9	5,532
All States	84,400	25.8	5,189

- (a) Debt refers to gross debt of State Governments in capital value terms. There are other minor differences between the data shown in this table and those presented in tables 8.10 and 8.11. These differences however do not affect interstate comparisons.

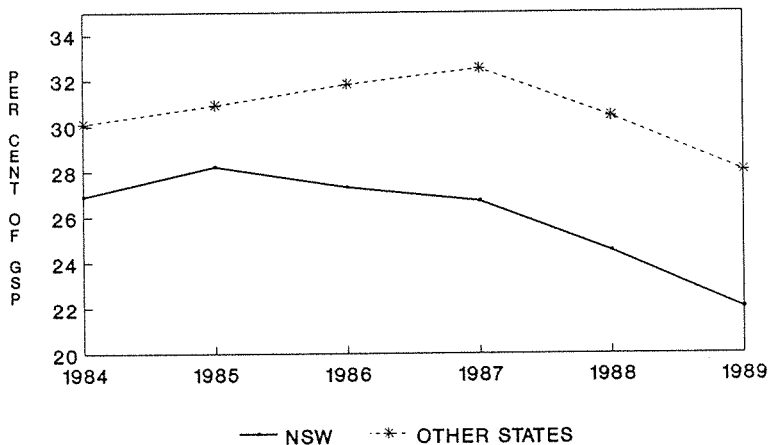
Source: Moody's Investors Service, Sovereign Credit Report, Australian States, July 1990; ABS: 5206.0 Australian National Accounts; ABS: 3101.0, Australian Demographic Statistics.

As at June 1990, NSW's gross debt was 22 per cent of GSP compared with an average of 27.9 per cent for the other States.

Growth in gross debt for the period June 1984 to June 1989 was 7.8 per cent per year for New South Wales, and 9.9 per cent for the other States. As a proportion of GSP, NSW's gross debt rose until June 1985 and then fell thereafter (refer Figure 8.15). In the other States, gross debt as a proportion of GSP continued rising until June 1987, before falling. Expressed as a proportion of GSP, debt has fallen more sharply in New South Wales than in other States over the last five years.

Figure 8.15

**GROSS GOVERNMENT DEBT
AS A PROPORTION OF GSP
NSW AND OTHER GOVERNMENTS**



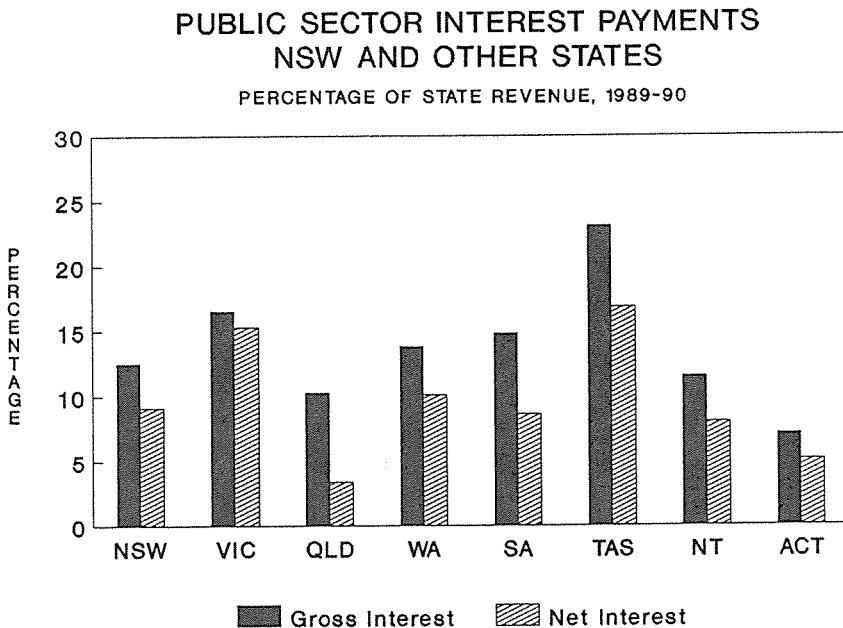
Source: Moody's Investors Service, Sovereign Credit Report, Australian States, July 1990; ABS Cat No. 3101.0

Debt Cost

Debt costs are an indicator of the present burden created by past borrowings.

Figure 8.16 shows net interest costs as a proportion of state revenue for New South Wales and the other States in 1989-90. NSW's net interest payments as a proportion of State revenue were 9.1 per cent compared with an average of 10.1 for the other States.

Figure 8.16

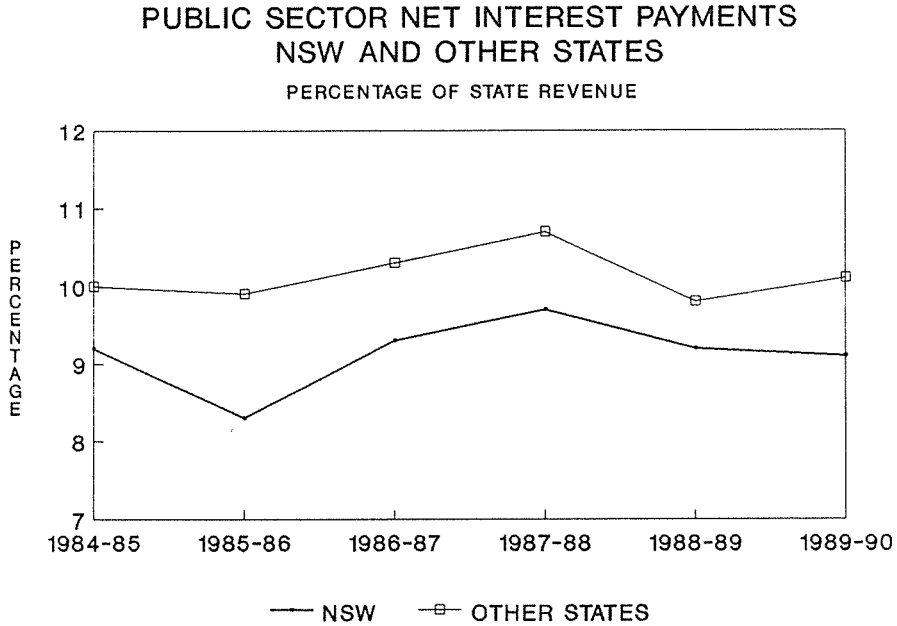


Source: ABS Cat. Nos 5501.0 and 3101.0

Over the five years to 1989-90, NSW's net interest payments grew by 9.2 per cent per year, the same as that for the other States.

Figure 8.17 shows growth in total public sector net interest payments as a proportion of State revenue, for New South Wales and the other States.

Figure 8.17



Source: ABS Cat. Nos 5501.0

NSW's debt servicing ratio, defined as net interest payments as a proportion of revenue, reached a peak in 1987-88. Net interest payments as a proportion of State revenue declined in 1988-89 and grew slightly in 1989-90, although it remains slightly below the 1984-85 share. The average debt servicing ratio of the other States also reached a peak in 1987-88 and has declined since then to be slightly below the 1984-85 share.

APPENDIX – CONCEPTS, DEFINITIONS AND SOURCES OF INFORMATION

Gross State Product, Gross Domestic Product and Population

Gross State Product is the total market value of goods and services produced in a state after deducting the cost of goods and services used up in the process of production (intermediate consumption), but before deducting consumption of fixed capital.

Gross Domestic Product is the same as above, except that it is defined for production in Australia.

Estimates of Gross State Product for the period up to 1988–89 were sourced from ABS publication "Australian National Accounts, State Accounts, 1988–89" Catalogue No. 5220.0. Estimates for 1989–90 were made by NSW Treasury.

Estimates of Gross Domestic Product were sourced from ABS publication "Quarterly Estimates of National Income and Expenditure Australia, June Quarter 1990" Catalogue No. 5206.0.

Estimates of resident population were sourced from ABS publication "Australian Demographic Statistics", 3101.0 and Commonwealth Budget Paper No.2 1990–91.

Revenue

Total revenue covers both the budget and non-budget sectors of government.

It should be noted that the Statistician's definition of taxes is broader than the categories included in Consolidated Fund receipts. Items such as net lottery proceeds, fines and fees from regulatory services are classified as taxation revenue by the Statistician.

The ABS taxation revenue classification has been developed to present the relationships that exist between taxes in terms of taxation criteria adopted by the Organisation for Economic Co-operation and Development (OECD). The first five groups of the classification are as follows:

- Taxes on income;
- Employer payroll taxes;
- Taxes on property;
- Taxes on provision of goods and services; and
- Taxes on use of goods and performance of activities.

These tax groups are divided into sub-groups according to types of entities, property, activities, goods or services being taxed. The classes generally describe the specific types of tax actually collected in Australia. A full description of each of the categories is given in the "Classification Manual for Government Finance Statistics, Australia" (ABS Catalogue No. 1217.0). It outlines the major concepts used and provides definitions of individual terms of taxation.

The main categories of taxation are defined by the Statistician as follows –

- **Taxes:** a tax is a compulsory levy imposed by government, mainly designed to raise revenue. There is usually no clear and direct link between payment of taxes and the provision of particular goods and services by government. Taxes are levied, inter alia, on incomes, wealth, production, sales and use of goods and services as well as the performance of activities.
- **Fees from Regulatory Services:** Fees from regulatory services are levies which are not primarily designed to raise general revenue and which are associated with the granting of a permit or privilege or regulation of activity. Excluded are fees for the provision of services which directly benefit individual payers and for which payment is made voluntarily. Also excluded are fees mainly designed to raise revenue (which are classified as taxes).
- **Fines:** Fines are civil and criminal penalties imposed on law breakers other than penalties imposed by tax authorities. Penalties imposed by tax authorities are added to taxes received.

It should be noted that interstate comparisons of tax collections by state or local government separately can be misleading unless account is taken of variations in the range of activities for which state and local levels of government are responsible.

Outlays

Outlays include both the budget and non-budget sectors. In particular, outlays include the operation of public trading enterprises and general government bodies, but exclude the operations of public financial enterprises. These bodies are defined as follows:

- **Public trading enterprises** – undertakings which aim at recovering the bulk of their expenses by revenue from the sale of goods and services.
- **General government bodies** – all of the agencies of government not classified as public trading or financial enterprises, that is, all government departments, offices and other bodies engaged in providing services free of charge or at a price significantly below their costs of production.
- **Public financial enterprises** – bodies primarily engaged in financial transactions in the market involving both the incurring of liabilities and the acquisition of financial assets.

A full description of each of these categories is given in the "Classifications Manual for Government Finance Statistics".

State "own purpose" outlays is defined as state outlays minus all transfers to local government (i.e. grants for recurrent and capital purposes and net advances).

Commonwealth "own purpose" outlays is defined as Commonwealth outlays minus all transfers to state and local governments.

State and Commonwealth outlays data were sourced from ABS publication "Government Financial Estimates Australia 1989-90" Catalogue No. 5501.0.

Employment

During 1984, ABS introduced a new collection which is not comparable with the previous series. Previous figures have been estimated by the Treasury on the basis of data collected in the new ABS survey. The ABS no longer adjusts any part-time staff to full-time equivalent. This accounts for much of the difference between the two series at June 1983. Also, the new series includes various employees working interstate and overseas, those employed in a few small organisations not previously enumerated and all staff employed by the State Government under various special employment programs.

Thus, this data overstates the total workforce in the NSW Government sector. Nevertheless, the statistics are a useful indicator of the general trends in State Government employment over the past few years.

In 1986, a further substantial revision was made to the new ABS series with the Home Care Service being reclassified from the private sector to the the NSW Government sector. This statistical change resulted in a higher measure of employment in both the category of Social Security and Welfare and the Government sector as a whole in New South Wales.

NSW Employment Data

In June 1985 the NSW Treasury instituted its own direct collection of employment statistics from departments and authorities funded and controlled by the State. Compared with the ABS collection, this series excluded Members of Parliament, Universities and Colleges of Advanced Education, Pasture Protection Boards and the commercially managed colliery companies associated with the Electricity Commission, but included a number of hospitals run by religious and charitable organisations which received considerable funding from the State. The Treasury statistics are superior to the ABS data as they are enumerated on a full time equivalent basis and are not just simply head counts. They also exclude special employment schemes.

Compared with data appearing in previous budget papers, these data are now classified according to the policy document "Classification and Control of State Organisations", NSW Treasury June 1989. The use of this classification has resulted in the transfer of agencies, such as hospitals and allied services and the Public Works Department, between sectors while restructuring and the rationalisation of departments and other agencies is continuing, thereby resulting in other transfers of staff between agencies and sectors. All prior results have been revised to account for these transfers. As such, care should be taken when comparing data for individual agencies and sectors.

Net Financing Requirement

The net financing requirement is based on receipts and outlays of both the budget and non-budget sectors of government. Data is sourced from the ABS publication "Government Financial Estimates, Australia 1989-90" Catalogue No. 5501.0.

The net financing requirement of a sector is financing transactions less net intra-sector advances received and increases in provisions. It is a measure which encompasses governments' net borrowing, their call on cash reserves and the net change in their other financial assets and liabilities. It excludes net advances received from other parts of the non-financial public sector in order to provide an unduplicated measure of this sector's demand for financing from the rest of the economy and overseas. If such advances were included in the net financing requirement of the borrower sector they would, in effect, be double counted.

Debt

Statistics on debt, as provided in Section 8.1.5, have been obtained from Moody's Investors Service, "Sovereign Credit Report, Australian States, July 1990". The definition of debt utilised is gross debt which is debt that is not offset by holdings of financial assets. This debt is valued at capital value, which measures debt on the basis of purchase value, adjusted to reflect the straight line amortisation of the difference between purchase value and its value at maturity. The debt for the states is the sum of debt to the Commonwealth Government as well as to financial markets and excludes contingent liabilities such as superannuation.

8.2.1 DEBT AND DEBT COSTS

Measurement of Debt

There are a number of methods for valuing debt. In this Section both capital value and face value are used. Capital value debt is presented in Table 8.10 and measures debt on the basis of purchase value, adjusted to reflect the straight line amortisation of the difference between purchase value and its value at maturity. Face value is the value of debt at maturity and is shown in Table 8.11.

Another method of valuation that is commonly employed is market value, which is the present value of all future principal and interest payments, discounted at current interest rates.

The economically more relevant measure of debt is market value. However this measure is relatively volatile and can be difficult to interpret. Of the two other measures, face value and capital value, the preferred measure is capital value. Face value can be distorted by the issue of deep discount bonds.

INNER AND OUTER BUDGET SECTOR DEBT

New South Wales public sector debt can be divided into inner and outer Budget sector debt. Inner Budget Sector debt has its debt servicing costs met from the Consolidated Fund. Outer Budget Sector debt is serviced by user charges levied by Government Trading Enterprises.

Inner Budget Sector debt consists of four main categories –

- Borrowings raised on behalf of the State Government by the Commonwealth Government under the Financial Agreement. These borrowings will be progressively transferred to the States under arrangements agreed to at the 1990 Premiers' Conference;
- Repayable advances for specific purposes made by the Commonwealth to the States;
- The State's overdraft and other obligations incurred by departments and authorities; and
- Borrowings raised by the New South Wales Treasury Corporation and on-lent to the New South Wales Government through the New South Wales Capital Works Financing Corporation or to other entities that are directly funded by the Budget.

Outer Budget Sector debt comprises direct debt and debt-like obligations such as finance leases and deferred payment arrangements of Government Trading Enterprises that are financed off budget by user charges. Prior to 1988 the figures did not include semi-government financial assets nor electricity county councils' own name debt. These have been added for the period 1988 to 1990.

In accord with statistical standards, debt data in this section excludes debt and financial assets of State financial institutions, namely the State Bank and the GIO.

**Table 8.10: Government and Semi-Government Debt (Inner and Outer Budget Sectors)
Outstanding Liabilities as at 30 June. \$ million, capital value (1)**

	1985	1986	1987	1988	1989	1990
(1) Inner Budget						
a) State Government Debt - Indebtedness Under Financial Agreement	5,774.0	5,991.1	6,042.6	5,962.7	5,888.0	5,855.1
Other Indebtedness to Commonwealth	1,963.0	2,001.7	2,127.8	2,205.1	2,230.7	2,185.4
Other	178.6	245.9	272.4	-	-	26.7
	7,915.6	8,238.7	8,442.8	8,167.8	8,118.7	8,067.2
b) Semi-Government Debt - \$A	3,242.9	3,686.6	5,390.5	6,372.7	6,928.7	7,217.0
Foreign Currency	445.6	683.2	495.5	116.3	-	-
Total Inner Budget	11,604.1	12,608.5	14,328.8	14,656.8	15,047.4	15,284.2
(2) Outer Budget (2)						
Semi Government Debt - \$A	6,016.4	6,123.6	7,625.7	9,175.6	10,530.0	10,904.8
Foreign Currency	2,985.0	3,564.0	2,468.0	1,433.7	312.0	55.4
Total Outer Budget	9,001.4	9,687.6	10,093.7	10,609.3	10,842.0	10,960.2
Gross State and Semi-Government Debt	20,605.5	22,296.1	24,422.5	25,266.1	25,889.4	26,244.4
(3) State Government and Semi-Government						
Financial Assets (2)						
General and Semi-Government (3) (4)	2,231.6	2,740.1	2,355.3	4,306.2	6,301.2	6,008.3
Government Agencies	1,081.1	1,124.2	1,054.4	822.8	851.2	760.0
Total Financial Assets	3,312.7	3,864.3	3,409.7	5,129.0	7,152.4	6,768.3
(4) Net State and Semi-Government Debt	17,292.8	18,431.8	21,012.8	20,137.1	18,737.0	19,476.1
(5) Gross State Product (\$ billion)	73.0	81.6	91.4	104.1	119.3	129.9
(6) Percent of Gross State Product						
- Gross Debt	28.2	27.3	26.7	24.3	21.7	20.2
- Net Debt	23.7	22.6	23.0	19.3	15.7	15.0

(1) Non-Debt Obligations have been excluded from the figures contained in this Table. The 1988, 1989 and 1990 debt statistics are based on a survey of the New South Wales public sector, using ABS concepts and definitions. 1988 and 1989 figures shown in the 1989-90 Budget Papers have been revised to include electricity county councils' own name debt (1988 \$397.0 million, 1989 \$244.0 million) and assets (1988 \$658.2 million, 1989 \$613.1 million) and other adjustments, the latter overall reducing the level of debt.

(2) Data have not been collected for semi-government financial assets and county councils' own name debt before June 1988.

(3) Inner and Outer Budget sectors, other than government agencies.

(4) Overdraft has been deducted from the Cash and Securities component of Financial Assets shown in this table.

TABLE 8.11: Government and Semi-Government Gross Debt (Inner and Outer Budget Sectors)

Outstanding liabilities as at 30 June, \$ million, face value (1)

	1988	1989	1990
1) Inner Budget			
(a) State Government Debt -			
Indebtedness under Financial Agreement	5,962.7	5,888.0	5,855.1
Other Indebtedness to Commonwealth	2,205.1	2,230.7	2,185.4
Other	...	...	26.7
	8,167.8	8,118.7	8,067.2
(b) Semi-Government Debt -			
\$A	6,432.2	6,974.1	7,463.5
Foreign Currency	116.3	...	...
	6,548.5	6,974.1	7,463.5
Total Inner Budget	14,716.3	15,092.8	15,530.7
2) Outer Budget			
Semi-Government Debt -			
\$A	10,136.9	11,726.2	12,500.3
Foreign Currency	1,445.7	314.5	55.7
Total Outer Budget	11,582.6	12,040.7	12,556.0
Gross State and Semi-Government Debt	26,298.9	27,133.5	28,086.7
3) Net State and Semi-Government Debt (2)	21,169.9	19,981.1	21,318.3
4) Per Cent of Gross State Product			
- Gross Debt	25.3	22.7	21.6
- Net Debt	20.3	16.7	16.4
5) Per Capita			
- Gross Debt	4,612.6	4,701.0	4,824.2
- Net Debt	3,713.0	3,461.8	3,661.7

NOTE (1) Non-Debt Obligations have been excluded from the figures contained in this Table. The debt statistics are based on a comprehensive survey of the New South Wales public sector, using ABS concepts and definitions. 1988 and 1989 figures shown in the 1989-90 Budget Paper have been revised to include county councils' own name debt and financial assets and other adjustments.

(2) Financial assets, as shown in Table 8.10 have been offset against gross debt.

Transport Authorities, namely the SRA and STA, have a commercial charter but are required by the Government to undertake an extensive range of services which are not commercially viable. These services are termed community service obligations, and are funded from the Budget. In addition the SRA requires subsidies to meet operating losses for its passenger services. Budget funding is a substantial part of the revenue of both authorities. The STA will become self funding from 1991-92, apart from community service obligations.

The SRA has been financially restructured during 1989-90, with all of its debt and surplus property transferred to Treasury. In future, the SRA will consist of two business activities, SRA Passenger Services which is non-commercial and relies predominantly on the Budget, and SRA Freight which is commercial and self funding, apart from a community service obligation for some of its general freight activities. In future SRA passenger services will be classified as an inner budget sector "Government Service" entity and not have to rely on borrowings to fund capital works. Instead its capital funds will be provided in the form of capital grants which will in part or whole be funded by borrowings whose cost will be met by Treasury. SRA Freight, by contrast, will utilise borrowing and internal funding to finance capital expenditure and will be classified as outer budget sector.

GROSS VERSUS NET DEBT

A significant part of State public sector debt is offset by holdings of financial assets against gross debt. Financial assets are shown in Category 3 of Table 8.10.

Financial assets include selected assets of departments and authorities, including statutory authorities' business undertakings and advances to occupier purchasers of welfare housing, to farmers for water and soil conservation work and to industry generally.

Additionally, the Treasury holds substantial investments which are managed by the New South Wales Treasury Corporation and which arise from daily cash surpluses and from funds held on behalf of both inner and outer budget sector agencies.

Public authorities, principally in the Outer Budget Sector, have substantial financial assets held outside the Treasury facility. In 1988 the figures reported in the Budget Paper included for the first time financial assets held by a number of these authorities.

A comprehensive measure of the State's liabilities and assets for 1987-88 and 1988-89 was shown in the Consolidated Financial Statements for the New South Wales State Public Sector, published for the first time in 1989. Similar data will be issued by Treasury later this year in respect of 1989-90.

Trends in New South Wales Government Debt

Gross public debt of New South Wales grew significantly in the first half of the 1980's, peaking at 28.2 per cent of Gross State Product in June 1985, (on the capital value basis). Since then there has been a decline in the proportion of the capital works program financed from borrowings, with a consequent easing in the ratio of debt to GSP to 20.2 per cent in 1990.

Inner budget sector gross debt increased as a proportion of GSP up to June 1985, peaking at 15.9 per cent, reflecting the use of borrowings to finance social infrastructure. Since 1987, inner budget sector debt has declined and was 11.8 per cent of GSP at June 1990.

Outer budget sector gross debt has steadily declined from 12.3 per cent of GSP at June 1985 to 8.4 per cent of GSP at June 1990.

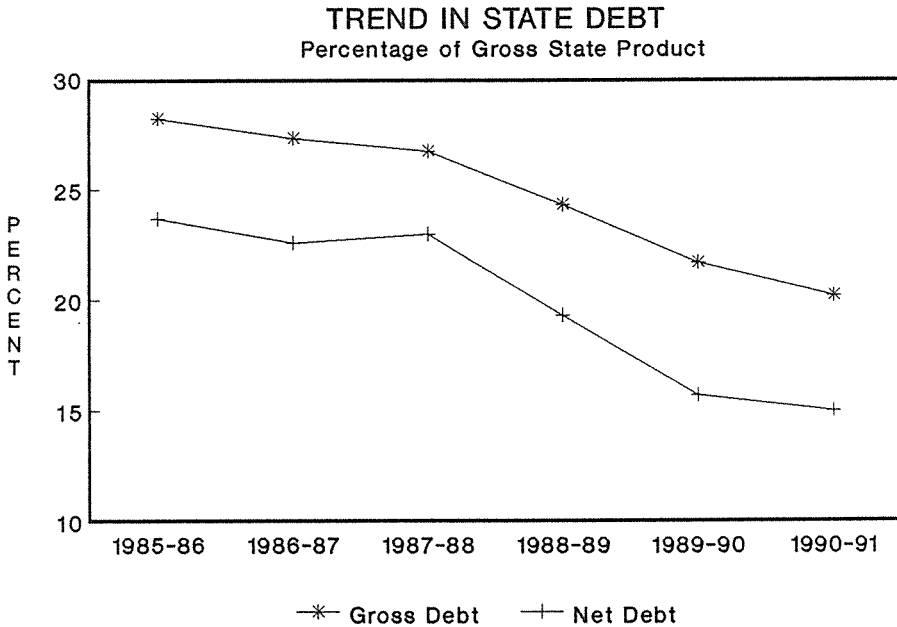
Net debt statistics have not been maintained on a consistent basis over time, due to a broadening in the range of financial assets covered in June 1988. In June 1988, net debt was 19.3 per cent of GSP. By June 1990 net debt declined to 15.0 per cent of GSP (on the capital value basis).

On a face value basis, New South Wales gross debt has decreased from 25.3 per cent of GSP at June 1988 to 21.6 per cent at June 1990 and net debt has decreased from 20.3 per cent of GSP to 16.4 per cent over the same period.

The implementation of active liability management of authority debt portfolios has seen a marked movement in the level of debt as measured on a capital value basis. This movement reflects the fact that debt management techniques such as the reconstruction of existing authority loans has reduced the capital value of the original liability, in some cases increasing the face value of the debt.

Trends in the level of debt are shown in Figure 8.18.

Figure 8.18



Overseas Borrowings and Debt

International investors continue to provide significant financing for the State's capital works program, through their purchases of Treasury Corporation securities.

The State and its authorities have directly or indirectly accessed international capital for many decades. There was a major expansion of this, beginning in 1979, under the Special Infrastructure Financing Program established by the Australian Loan Council.

The Loan Council regulations in this area were subsequently broadened from specific project financing to a ceiling proportion of the State's 'new money' global borrowing allocation being permitted to be raised in direct overseas borrowings. This ceiling has been 22 per cent of the global program since 1985.

Between 1979 and 1985, virtually all overseas borrowings were in foreign currencies. After 1985 there was minimal increase to foreign currency exposures. This was facilitated by the development of offshore Australian dollar markets and swapping previous foreign currency exposures back into Australian dollars. Foreign currency exposure, which had peaked at over \$4 billion in 1986-87, has been reduced to \$56 million by June 1990.

The overseas borrowing ceiling for New South Wales for 1989-90 was roundly \$800 million, comprising \$252 million of global limit 'new money' and about \$550 million refinancing of maturing overseas borrowings. This capacity was fully utilised by the Treasury Corporation, particularly through its Exchangeable Bond programs, and note issuance/commercial paper programs. No foreign currency exposures were incurred.

An overseas borrowing new money ceiling for New South Wales for 1990-91 of \$259 million was agreed at the June 1990 meeting of the Loan Council. In addition, there are over \$1,100 million of maturing foreign borrowings, giving an aggregate overseas funding capacity of some \$1,300 million. The extent to which this ceiling will be utilised will depend on the financial advantages available in the international markets compared to the domestic market.

In addition to direct borrowings overseas, significant amounts of international funds have been invested in the domestic securities of the Treasury Corporation. These are outside the overseas borrowing ceiling arrangements, and have arisen from secondary market transactions between Australian intermediaries and foreign institutional investors.

The extent of this indirect overseas financing cannot presently be determined with precision. However preliminary estimates indicate foreign holdings of the State's domestic, Australian dollar securities to be in excess of \$2 billion.

FOREIGN CURRENCY EXPOSURE

Table 8.12 sets out the movement in 1989-90 of the foreign currency debt exposures of New South Wales authorities. This excludes any foreign currency debt of the State Bank and agricultural marketing authorities, which have foreign currency assets or earnings to provide natural hedges to foreign currency exposures.

The Government's policy has been to remove all unhedged foreign currency exposures as soon as authorities' pricing and budgetary circumstances permit. As shown in the table, this policy has now been fully implemented by all authorities except the Maritime Services Board, which has elected to continue incurring risk in the foreign currency markets.

The State's foreign currency exposure currency stood at the equivalent of almost \$4 billion at June 1986. This has been progressively reduced since December of that year, to a June 1990 level of \$56 million.

**Table 8.12 Authorities' Foreign Currency Exposures
(Outstanding Liabilities at Face Value)**

	Electricity Commission	Maritime Services Board	Water Board	\$A Equivalent
Net Exposure 30/6/89				
\$US (million)	86.1	18.4	17.9	162.1
Yen (billion)	(0.2)	1.4	...	11.5
Stg (million)	25.0	13.8	...	79.5
SFr (million)	82.4	...	...	65.0
DM (million)	(68.2)	0.9	...	(45.5)
ECU (million)	30.0	...	...	41.9
\$A equivalent (million)	...	18.4	...	23.3
Net Exposure 30/6/90				
\$US (million)	...	18.4	...	23.3
Yen (billion)	...	1.4	...	11.6
Stg (million)	...	13.8	...	30.4
DM (million)	...	(12.7)	...	(9.6)
\$A equivalent (million)	...	55.7	...	55.7

The structure of foreign currency exposure by authority is shown in Table 8.13 for 1986 and 1989.

Table 8.13: Foreign Currency Exposure - Outstanding Liabilities at Face Value

\$A million

As at 30 June	ELCOM(1)		SRA(2)		MSB		RTA		WATER BOARD		TOTAL	
	1989		1989		1989		1989		1989		1989	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Foreign Currency Exposure												
\$US	1,259 (38)	114 (51)	299 (44)	...	80 (40)	24 (36)	8 (18)	...	8 (18)	24 (100)	1,664 (38)	162 (51)
YEN	850 (25)	11 (0)	237 (35)	...	62 (28)	13 (20)	...	...	...	...	1,149 (26)	12 (4)
DMK/ECU	934 (28)	4 (2)	73 (11)	...	72 (32)	1 (2)	...	...	14 (31)	...	1,107 (25)	31 (-1)
GBP	318 (9)	51 (23)	70 (10)	...	...	28 (42)	23 (51)	...	23 (51)	...	434 (11)	79 (25)
SFR	... ..	65 (29)	... ..	...	...	... ..	...	...	...	...	... ..	65 (21)
TOTAL	3,361 (100)	225 (15)	679 (100)	... ..	224 (100)	66 (56)	45 (100)	...	45 (100)	24 (50)	4,354 (100)	315 (14)
AUD COVER	... ..	1,244 (85)	... ..	545 (100)	... ..	51 (44)	...	48 (100)	...	24 (50)	...	1,912 (86)
TOTAL	3,361(100)	1,469(100)	679(100)	545(100)	224(100)	117(100)	45(100)	48(100)	45(100)	48(100)	4,354(100)	2,227(100)

(1) Includes Eraring Power Company

(2) Includes STA

THE COST OF FOREIGN CURRENCY BORROWINGS

As discussed in previous years' Budget Papers, the cost of foreign currency borrowings may be determined on several bases. However in the most simple terms it is only once all loans have matured or been retired that it is possible to assess overall costs and benefits.

The State and its authorities clearly adopted a risk strategy with the large scale program of unhedged foreign currency exposures undertaken from the late 1970's to the mid 1980's. The exposure of roundly A\$4 billion equivalent as at June 1986 represented 18 per cent of the State's gross debt and 22 per cent of the net debt.

As a result of exchange rate variations, realised and unrealised losses approached \$1.5 billion in June 1986. They escalated further as the Australian dollar weakened over the balance of the year, leading to the December 1986 policy decision for all exposures to be removed progressively. This process is virtually complete, so that it is now timely to review fully the experience of large scale foreign currency borrowings.

Such a review is currently underway, in conjunction with the Auditor General, for report later in the year. As well as assessing the costs of borrowings, the review is taking account of the accumulation of benefits arising from the reduced cash flows earlier in the period because of the large differentials between Australian and foreign interest rates.

Debt Costs

Section 8.1.5 presented information on total debt costs for the public sector. Of particular interest is inner budget sector debt costs which are serviced by the Consolidated Fund. Table 8.14 shows the trends in inner budget sector debt costs in recent years.

Debt costs of the inner budget sector entities have increased markedly in recent years, despite a substantial real decline in Commonwealth loan allocations to the States.

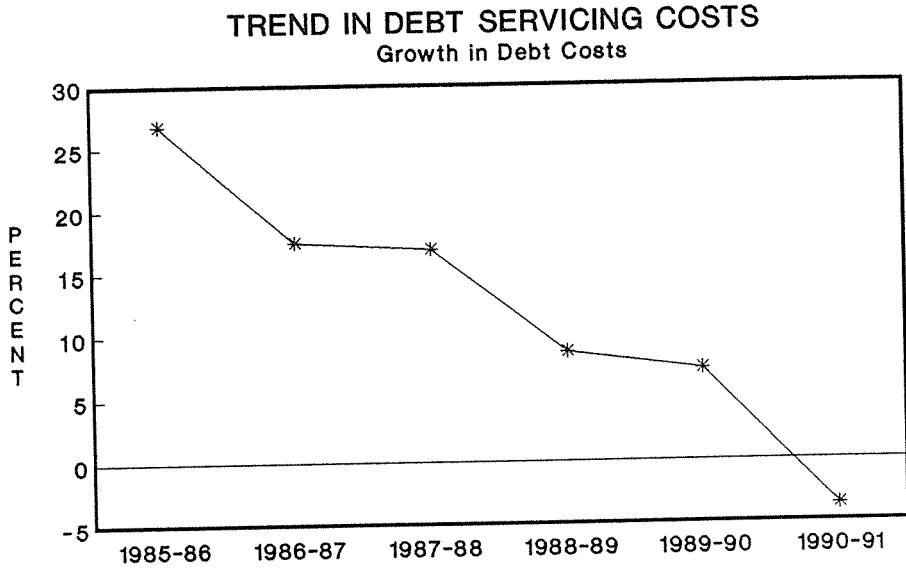
There has been substantial growth in requirements for social infrastructure in such areas as Health, Courts Prisons, Education, as well as substantial projects in the recreation, Cultural and Public Buildings area (eg Darling Harbour Authority). Given the decline in Commonwealth loan allocations, there has been an increasing diversion of the global loan program from semi-government authorities' capital funding to the funding of the State Government's inner budget sector capital program. This was made possible by the establishment of the New South Wales Capital Works Financing Authority, a semi-government authority entitled to draw down loan funds from the New South Wales Treasury Corporation and on-lend them to State Government departments and other entities within the inner budget sector.

Table 8.14: Trends in Inner Budget Sector Debt Costs

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91 (Estimated)
	\$m	\$m	\$m	\$m	\$m	\$m
Inner Budget Debt Costs						
State Loan Allocations	546.1	584.2	605.2	607.8	648.8	642.6
Transport Authorities Non Commercial	329.3	401.5	457.3	505.1	545.8	472.8
Debt (including PTC takeover debts)	...	...	3.2	18.8	23.6	95.8
Other Authorities Debt Assumed by Treasury	205.8	284.0	417.7	475.8	505.0	452.7
Other (including Computer Debt)						
Inner Budget Sector	1,081.2	1,269.7	1,483.4	1,607.5	1,723.2	1,663.9
Debt Cost as % of Recurrent Consolidated Fund Outlays						
Inner Budget Sector	11.1	11.8	12.6	12.8	12.8	11.5
Growth in Debt Costs						
Inner Budget Sector	26.8	17.4	16.8	8.4	7.2	(-) 3.4

Over the four years to 1987-88, inner budget sector debt costs (including public transport) increased by an average of 19.4 per cent per annum. Debt costs as a proportion of recurrent outlays, increased rapidly from 9.8 per cent in 1984-85 to 12.8 per cent in 1988-89.

Figure 8.19



In recognition of this problem, the Government is committed to a Debt Containment Program. This program is having a marked impact on the growth of inner budget sector debt charges, slowing from the average growth rate of 19.4 per cent per annum to an average 3.9 per cent in the three years to 1990-91. The ratio of debt costs to recurrent outlays has declined from 12.8 per cent in 1988-89 to 11.5 per cent in 1990-91.

The decline in debt cost for 1990-91 reflects a number of factors, namely, restraint in the level of borrowings, select debt retirement, declining interest rates and active debt management, involving the refinancing of high interest rate, short term debt with lower interest rate, longer term debt.

8.2.2 SUPERANNUATION

Current Situation

The State Authorities Superannuation Scheme (SASS), which commenced in April 1988, is the scheme to which the majority of new public sector employees may elect to contribute. Its benefits are in line with those available in the private sector. This scheme provides uniform coverage for all new employees and contributors.

Prior to the introduction of SASS, inner Budget sector employees were covered under the State Superannuation Fund (SSF), the State Public Service Superannuation Scheme (SPSSS), the NSW Retirement Benefits Scheme, the Police Scheme and the Railway Superannuation Account. These schemes have been closed to new entrants and, accordingly, some employers have members in several schemes.

Table 8.15 shows the public sector superannuation schemes operating in New South Wales to which the Consolidated Fund contributes.

Table 8.15: Summary of New South Wales Public Sector Superannuation Schemes (1)

Scheme	Coverage (2)	Scheme Type	Benefit Type
State Authorities Superannuation Scheme (SASS)	Optional for all new public sector employees except Judges and GIO, State Bank and TAB employees. Also includes members of some closed schemes. 141,334 contributors.	Split benefit scheme - employer-financed benefit is defined as a proportion of final salary; employee-financed benefit is an accumulation of contributions plus interest.	Lump sum; some indexed pensions available to members of schemes amalgamated to form SASS.
State Superannuation Fund (SSF)	Closed to new entrants. Prior to closure, was compulsory for all public servants and some employees of authorities. 85,190 contributors.	The entire benefit is defined in terms of final salary and is not separated into employer and employee-financed component.	Indexed pension or lump sum.

Scheme	Coverage (2)	Scheme Type	Benefit Type
Police Superannuation Scheme	Closed to new entrants. Prior to closure, was compulsory for all members of the police force. 10,604 contributors.	As for SSF.	Indexed pension, or lump sums available from 1.4.88. Provides both superannuation and workers' compensation coverage.
Judges Pension Scheme	Compulsory for members of the judiciary. 121 contributors plus 105 pensioners.	Benefit is defined in terms of final salary and is employer-financed.	Indexed pension.
Parliamentary Superannuation Scheme	Compulsory for Members of Parliament. 154 contributors plus 154 pensioners.	As for SSF.	Indexed pension or partial indexed pension plus partial lump sum.
Basic Benefit Scheme	Covers all public sector employees	Totally employer financed	Lump Sum; 3 per cent of final salary for each year of service as from 1.4.88

NOTE - 1. All members of schemes other than the Judges Pension Scheme and Parliamentary Superannuation Scheme are entitled to a 3 per cent productivity benefit for each year of service after 1 April 1988.

2. The number of pensioners in the SASS, SSF and Police Schemes total 35,405.

RECENT CHANGES

The State Superannuation Fund (SSF) is currently being disaggregated by the Government Actuary into an employee's reserve and separate reserves for single employers or groups of employers. (Previously the SSF was a pool of employer and employee contributions plus investment earnings.) Once disaggregation of the Fund has been completed it will be possible to determine individual Departments and other organisations liability in this Scheme.

The changes to the SSF are a result of Government policy to introduce greater individual employer responsibility for superannuation costs as well as facilitating the Fund's compliance with new Commonwealth tax and other legislative requirements.

Changes to the financing of superannuation were introduced from 1 July 1989. Previously, Government Departments paid employer contributions direct to the State Authorities Superannuation Board for SASS, while Treasury paid the employer contributions for SSF. As part of the Government's policy of distributing centralised services to Departments to better reflect program expenditure, Government Departments are now being billed direct for all employers' superannuation contributions.

As part of the Government's policy to provide uniform superannuation coverage for all government employees, the Railway Superannuation Account (RSA) and members of the closed local government superannuation schemes were transferred into SASS during the year. Employees' benefits under the RSA and the local government schemes will be protected as they will still retain the original benefits under these schemes, as well as any improved benefits under the SASS scheme.

The total payment for superannuation in 1990-91 will be \$644.8 million (up \$74.9 million or 13.1 per cent on 1989-90). This payment comprises –

	Actual 1989-90 \$m	Estimate 1990-91 \$m	Variation %
State Superannuation Fund (closed scheme)	301.1	350.0	+16.2
Employer's liability to Non-Contributory Superannuation (Basic Benefit)	65.0	70.8	+ 8.9
Police Superannuation Fund	113.0	115.0	+ 1.8
Contribution to Parliamentary Superannuation Scheme	9.0	9.0	...
Contribution to Judges Pension Scheme	6.4	6.6	+ 3.1
Contribution to State Authorities Superannuation	75.4	93.4	+23.8
Total	569.9	644.8	+13.1

Note: Figures for SASS, SSF and the Basic Benefit include payments made by the Department of Health and Public Hospitals.

LIABILITIES OF NEW SOUTH WALES PUBLIC SECTOR SCHEMES

New South Wales public sector superannuation schemes have, like those in the Commonwealth and the other States, developed substantial liabilities. In 1989 the total unfunded liability was \$12,983 million. This is estimated to have increased to \$14,025 million in 1990.

Table 8.17 shows the approximate estimated employer unfunded liability, net of employer reserves in the various schemes. In estimating the unfunded liability internal provisions made by outer budget sector organisations for their accrued unfunded superannuation liability are not taken into account.

All outer budget sector organisations are now required to disclose any amounts of unprovided past service superannuation costs in their balance sheet.

**Table 8.17: Liabilities of New South Wales
Public Sector Schemes**

	<u>Net Unfunded Liability*</u>
	1990 \$m
State Superannuation Fund (SSF)	9,260
Police Superannuation Fund (PSF)	2,476
State Authorities Superannuation Scheme (SASS)	1,587
Railways Superannuation Account	303
Judges' Pension Scheme	93
Parliamentary Contributory Superannuation Fund	70
Basic Benefit - All schemes	236
	<hr/>
TOTAL	14,025
	<hr/>

NOTE:

- * Estimates are net of reserves held in the schemes by various employers and do not account for internal provisions of employers.

Figures are Government Actuary's 1990 estimate

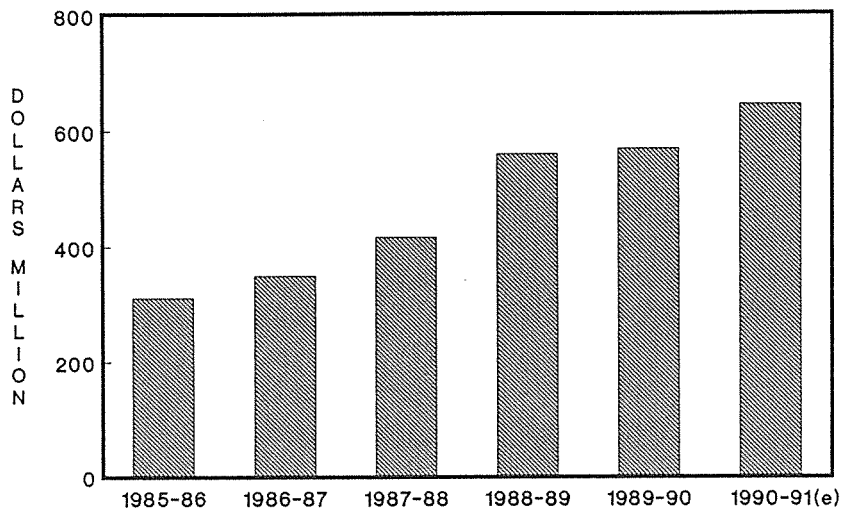
These liabilities in State schemes have developed over the past century since the first public sector scheme was established. This is a consequence of the public sector schemes being previously designed to be unfunded (pay-as-you-go) or only partially funded. This has been compounded by improvements made to benefits without accompanying increases in employer or employee contributions.

The policy for employer funding in the schemes has varied between employers. As Inner Budget sector organisations and Statutory Authorities have only partially met their liabilities as they accrued, through contributions to the schemes, the large proportion of benefits have been met when they emerge for payment. Some authorities have increased their rate of funding by making internal provisions toward their liability, following a 1984 Public Accounts Committee report which revealed large individual shortfalls.

Over the four years to 1989-90 payments for superannuation for inner budget sector organisations, met primarily from the Consolidated Fund, have increased by 34 per cent in real terms. In 1990-91 payments are estimated to further increase by 5.8 per cent in real terms.

Cash flow projections for the schemes show that superannuation expenditures are expected to rise as a proportion of total Government expenditures. This is because the number of retirees, as a proportion of total employees, is expected to increase sharply in future, and benefits to be paid to the employees, which have not been funded will represent a larger portion of expenditures.

Figure 8.20
TOTAL SUPERANNUATION PAYMENTS



Changes to the level of funding to be adopted by employers, particularly in the inner Budget sector, await further analysis following disaggregation of the State Superannuation Fund which will disclose the respective position in the Fund of each employing authority.

Commonwealth Changes

In May 1988, the Commonwealth Government announced new arrangements for superannuation schemes and imposed two taxes on superannuation funds that are "fully funded". These taxes were a tax on employer contributions in respect of benefits accrued after 1 July 1988, and a tax on annual fund earnings. In addition the Commonwealth has brought all schemes under its Occupational Superannuation Standards Act (OSSA), which limits the level of benefits. SASS largely conforms to this, however, and only minimal adjustment will be needed.

The Commonwealth's tax on fund earnings has increased the cost of superannuation to all employers which have "defined-benefit" schemes, that is, where benefits to employees are defined as a proportion of final salary. The tax will result in a cost to employers in the long run as the tax will reduce net fund earnings, resulting in an increase in contributions required to meet the defined benefits of the schemes. All the State's schemes are defined benefit schemes.

Legislation, introduced by the New South Wales Government in 1988, has led to the tax on employer contributions not resulting in any additional cost to employers, as the State Authorities Superannuation Board will reduce employer contributions in the hands of employees, by an amount equal to the tax which will be paid by the fund to the Commonwealth. Employees benefits are protected, as their benefits are taxed at a rate which is 15 per cent lower due to the scheme being a 'funded' scheme.

The May 1988 Economic Statement, as well as announcing new taxation arrangements for superannuation funds, also threatened to restrict funds to paying no more than an individual's reasonable benefit limit (RBL). Following representations from the superannuation industry, the Commonwealth Government agreed that such an approach was unworkable. Amendments to the Occupational Superannuation Standards Regulations, which were gazetted on 29 June 1990, introduced a new system of RBLs with effect from 1 July 1990. The main elements of the new arrangements are that superannuation schemes can now pay benefits in excess of a person's RBL, with the Insurance and Superannuation Commission assessing the benefit and any part of the benefit in excess of the person's RBL being treated as income, and therefore taxable at the person's marginal rate of tax.

While the new system is an improvement on the earlier proposals, it still requires a great deal of administrative effort on the part of the State's superannuation administration. Many questions and uncertainties remain outstanding in relation to the new Regulations, causing problems for both the administration and members.

CHAPTER 9: BUDGET FUNDED OFF- BUDGET AGENCIES

9.1 Introduction

9.2 Income and Expenditure Statements of Subsidised Government Trading Enterprises

- . **State Rail Authority**
- . **State Transit Authority**
- . **Opera House**
- . **Broken Hill Water Board**

9.3 Income and Expenditure Statements of Government Service Agencies

- . **Property Services Group**
- . **Valuer General's Department**
- . **Auditor-General**
- . **State Lotteries**
- . **Commercial Services Group (incorporating
Clothing Factory, State Mail Service,
Warehousing, Government Cleaning
Service, Government Printing Service,
Technical Repair Service, Government
Motor Services, Computer Services, Motor
Vehicles Leasing, Communications)**
- . **Government Actuary's Office.**

9.4 Community Services Obligations

9.1 INTRODUCTION

There is a range of agencies and of activities of off-Budget agencies that nevertheless impact on the Consolidated Fund. This Chapter provides information on each of these activities or agencies.

In total, there are four categories of off-Budget agencies or activities that impact on the Budget:

. **Operating Subsidies to Government Trading Enterprises**

Income and expenditure statements of agencies that draw upon the Consolidated Fund for operating subsidies are set out in Section 9.2. The agencies are the State Rail Authority, the State Transit Authority, the Opera House and the Broken Hill Water Board. Two of the agencies or businesses included in this section – SRA Freight and the State Transit Authority – have ceased to require operating subsidies effective from 1990–91 but did obtain subsidies in 1989–90 and are thus included.

. **Government Service Agencies**

Government Service Agencies provide services totally or predominately to the Inner Budget Sector. Where such agencies are in open competition with the private sector, there is no in principle need to separately identify them. However where they have a protected or privileged position, then it is appropriate to present information on their incomes and expenditures within the Budget Papers.

The income and expenditure statements of Government Services Agencies are provided in Section 9.3.

. **Community Service Obligations**

There are a number of agencies with which the Government contracts to provide services. These arrangements are the subject of a contract with a fair market price paid for the services provided.

These arrangements are termed Community Service Obligations (CSO's). Current CSO's are shown in Section 9.4. The major CSO's relate to public transport.

. **Subsidies to General Government Agencies for Commercial and Semi Commercial Activities**

Finally, General Government or Inner Budget Sector agencies can undertake commercial or semi commercial activities off budget through special deposits account arrangements.

Some of these activities recover less than full costs and hence require a Budget subsidy.

A review is currently being undertaken of all such activities and in future Budget information will be provided on the level of Budget support.

9.2 INCOME AND EXPENDITURE STATEMENTS OF SUBSIDISED GOVERNMENT TRADING ENTERPRISES

STATE RAIL AUTHORITY (CONSOLIDATED)

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	1,313,083	1,378,058
OTHER	123,967	133,000
	1,437,050	1,511,058
<u>EXPENDITURE</u>		
OPERATING	<u>1,572,583</u>	<u>1,580,000</u>
<u>DEFICIT</u> before Abnormal items	135,533	68,942
Plus Abnormal items		
. Redundancy payments	123,967	120,000
. Superannuation	...	13,000
	259,500	201,942
<u>DEFICIT</u>	<u>259,500</u>	<u>201,942</u>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT	<u>259,500</u>	<u>201,942</u>

STATE RAIL AUTHORITY – CITY RAIL

Summarised Income and Expenditure Statement

	<u>Actual</u> 1989–90 \$'000	<u>Projected</u> 1990–91 \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	432,812	436,539
OTHER	3,000	15,000
	<hr/>	<hr/>
	435,812	451,539
	<hr/>	<hr/>
<u>EXPENDITURE</u>		
OPERATING	589,447	592,878
<u>DEFICIT</u> before Abnormal items	153,635	141,339
Plus Abnormal items		
. Redundancy payments	3,000	10,000
. Superannuation	...	5,000
	<hr/>	<hr/>
<u>DEFICIT</u>	156,635	156,339
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT	156,635	156,339
	<hr/>	<hr/>

STATE RAIL AUTHORITY – COUNTRY LINK

Summarised Income and Expenditure Statement

	<u>Actual</u> 1989–90 \$'000	<u>Projected</u> 1990–91 \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	165,793	171,795
OTHER	25,914	32,000
	<hr/>	<hr/>
	191,707	203,795
	<hr/>	<hr/>
<u>EXPENDITURE</u>		
OPERATING	<u>213,768</u>	217,398
<u>DEFICIT</u> before Abnormal items	22,061	13,603
Plus Abnormal items		
. Redundancy payments	25,914	30,000
. Superannuation	...	2,000
	<hr/>	<hr/>
<u>DEFICIT</u>	47,975	45,603
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT	47,975	45,603
	<hr/>	<hr/>

STATE RAIL AUTHORITY – FREIGHT

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	714,478	769,724
OTHER	95,053	86,000
	<hr/>	<hr/>
	809,531	855,724
	<hr/>	<hr/>
<u>EXPENDITURE</u>		
OPERATING	<u>769,368</u>	<u>769,724</u>
<u>SURPLUS</u> before Abnormal items	40,163	86,000
Plus Abnormal items		
. Redundancy payments	95,053	80,000
. Superannuation	...	6,000
	<hr/>	<hr/>
<u>DEFICIT</u>	54,890	-
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT	54,890	-
	<hr/>	<hr/>

STATE TRANSIT AUTHORITY

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	262,119	302,867
OTHER	59,014	53,840
	<hr/> 321,133	<hr/> 356,707
<u>EXPENDITURE</u>		
OPERATING	286,373	285,614
FINANCING	38,209	41,093
	<hr/> 324,582	<hr/> 326,707
<u>SURPLUS (DEFICIT) before Abnormal item</u>	(3,449)	30,000
Plus (less) Abnormal item . Redundancy payments	35,000	30,000
	<hr/> 38,449	<hr/> ...
<u>DEFICIT</u>	<hr/> 38,449	<hr/> ...
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	<hr/> 39,365	<hr/> ...

SYDNEY OPERA HOUSE TRUST

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	24,485	26,047
<u>EXPENDITURE</u>		
OPERATING	<u>44,532</u>	<u>52,948</u>
<u>DEFICIT</u> before Abnormal items	20,047	26,901
Plus Abnormal items		
. Catering cost adjustment	294	...
. Write back of provision	344	...
	<hr/>	<hr/>
<u>DEFICIT</u>	19,409	26,901
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	21,937	26,901
	<hr/>	<hr/>

THE BROKEN HILL WATER BOARD

Summarised Income and Expenditure Statement

	<u>Actual</u> 1989-90 \$'000	<u>Projected</u> 1990-91 \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	7,005	7,944
OTHER	885	896
	7,890	8,840
<u>EXPENDITURE</u>		
OPERATING	6,432	7,494
FINANCING	1,246	1,282
OTHER	220	313
	7,898	9,089
<u>DEFICIT</u> before Abnormal/Extraordinary items	8	249
Plus Abnormal item		
. Contribution to Specific Reserves	1,208	1,036
Less Extraordinary item		
. Transfers from Reserves	604	487
	612	798
<u>DEFICIT</u>	612	798
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	781	798

9.3 INCOME AND EXPENDITURE STATEMENTS OF GOVERNMENT SERVICE AGENCIES

PROPERTY SERVICES GROUP

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	12,390	10,155
OTHER	79	100
	<hr/> 12,469	<hr/> 10,255
<u>EXPENDITURE</u>		
OPERATING	16,348	9,311
FINANCING	163	2,425
	<hr/> 16,511	<hr/> 11,736
<u>DEFICIT</u>	<hr/> 4,042	<hr/> 1,481
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	<hr/> 802	<hr/> 5,911

VALUER-GENERAL'S DEPARTMENT

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	16,976	19,855
<u>EXPENDITURE</u>		
OPERATING	18,998	21,285
<u>DEFICIT</u> before Abnormal item	2,022	1,430
Plus Abnormal item . Redundancy payments	406	
<u>DEFICIT</u>	1,616	1,430
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	....

NEW SOUTH WALES AUDITOR-GENERAL'S OFFICE

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	<u>12,952</u>	<u>13,865</u>
<u>EXPENDITURE</u>		
OPERATING	12,491	13,390
FINANCING	...	75
	<hr/>	<hr/>
	12,491	13,465
	<hr/>	<hr/>
<u>DEFICIT</u> before Abnormal item	461	400
Plus Abnormal item		
. Prior Period Adjustment – Employee's Leave	137	...
	<hr/>	<hr/>
<u>SURPLUS</u>	598	400
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...
	<hr/>	<hr/>

NSW STATE LOTTERIES

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	597,611	586,600
OTHER	7,827	8,383
	<hr/> 605,438	<hr/> 594,983
<u>EXPENDITURE</u>		
PRIZE POOL	368,912	365,257
OPERATING	51,724	50,105
OTHER	1,705	530
	<hr/> 422,340	<hr/> 415,892
<u>SURPLUS</u>	<hr/> 183,098	<hr/> 182,091
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	<hr/> ...	<hr/> ...
Revenue Received by the Consolidated Fund from Surplus of State Lotteries	<hr/> <u>173,144</u>	<hr/> <u>167,953</u>

COMMERCIAL SERVICES GROUP – CLOTHING FACTORY

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	4,976	...
OTHER	18	...
	4,994	...
<u>EXPENDITURE</u>		
OPERATING	6,454	...
	1,460	...
<u>DEFICIT</u> before Abnormal items		
Plus Abnormal items		
. Redundancy payments including payments in lieu of notice	711	
. Net loss on sale of plant and stock	1,292	
	3,463	...
<u>DEFICIT</u>		
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...

COMMERCIAL SERVICES GROUP – STATE MAIL SERVICE

Summarised Income and Expenditure Statement

	<u>Actual</u> 1989–90 \$'000	<u>Projected</u> 1990–91 \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	19,615	22,600
<u>EXPENDITURE</u>		
OPERATING	18,841	21,300
<u>SURPLUS</u>	774	1,300
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...

COMMERCIAL SERVICES GROUP – WAREHOUSING

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	53,390	55,000
<u>EXPENDITURE</u>		
OPERATING	<u>51,779</u>	<u>51,590</u>
<u>SURPLUS</u> before Abnormal item	1,611	3,410
Less Abnormal item		
. Redundancies	1,020	...
. Write off of software development	507	...
	<hr/>	<hr/>
<u>SURPLUS</u>	84	3,410
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...
	<hr/>	<hr/>

COMMERCIAL SERVICES GROUP – GOVERNMENT CLEANING SERVICE

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	217,727	197,682
<u>EXPENDITURE</u>		
OPERATING	<u>222,109</u>	<u>191,571</u>
<u>SURPLUS (DEFICIT) before Abnormal item</u>	(4,382)	6,111
Less Abnormal item . Redundancy payments	...	3,420
<u>SURPLUS (DEFICIT)</u>	<u>(4,382)</u>	<u>2,691</u>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	<u>...</u>	<u>...</u>

COMMERCIAL SERVICES GROUP – GOVERNMENT PRINTING SERVICE**Summarised Income and Expenditure Statement**

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	18,115	20,750
<u>EXPENDITURE</u>		
OPERATING	15,060	17,733
<u>SURPLUS</u>	<u>3,055</u>	<u>3,017</u>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	<u>...</u>	<u>...</u>

COMMERCIAL SERVICES GROUP – TECHNICAL REPAIR SERVICE

Summarised Income and Expenditure Statement

	<u>Actual</u> 1989-90 \$'000	<u>Projected</u> 1990-91 \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	10,722	11,752
OTHER	2	...
	10,724	11,752
<u>EXPENDITURE</u>		
OPERATING	11,963	10,195
<u>SURPLUS (DEFICIT) before Abnormal item</u>	(1,239)	1,557
Plus Abnormal item . Prior year superannuation adjustment	728	...
	(1,967)	1,557
<u>SURPLUS (DEFICIT)</u>	(1,967)	1,557
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES		

COMMERCIAL SERVICES GROUP – GOVERNMENT MOTOR SERVICES

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	4,952	6,482
OTHER	194	129
	<hr/>	<hr/>
	5,146	6,611
	<hr/>	<hr/>
<u>EXPENDITURE</u>		
OPERATING	5,365	5,908
	<hr/>	<hr/>
<u>SURPLUS (DEFICIT)</u>	(219)	703
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...
	<hr/>	<hr/>

COMMERCIAL SERVICES GROUP – COMPUTER SERVICES

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	21,327	27,453
<u>EXPENDITURE</u>		
OPERATING	19,246	24,257
<u>SURPLUS</u>	2,081	3,196
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...

COMMERCIAL SERVICES GROUP – MOTOR VEHICLE LEASING

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	25,858	34,800
OTHER	5	...
	<hr/>	<hr/>
	25,863	34,800
	<hr/>	<hr/>
<u>EXPENDITURE</u>		
OPERATING	<u>10,454</u>	<u>10,200</u>
<u>SURPLUS</u> before Abnormal items	15,409	24,600
Plus (less) Abnormal items		
. Prior year adjustment	8,631	...
. Reversal of Depreciation	(1,141)	...
. Loss on sale offset to reserves	1,663	...
	<hr/>	<hr/>
<u>SURPLUS</u>	<u>24,562</u>	<u>24,600</u>
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...
	<hr/>	<hr/>

COMMERCIAL SERVICES GROUP – COMMUNICATIONS

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	19,388	21,062
<u>EXPENDITURE</u>		
OPERATING	18,742	20,032
<u>SURPLUS</u>	646	1,030
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...

GOVERNMENT ACTUARY'S OFFICE

Summarised Income and Expenditure Statement

	<u>Actual</u> <u>1989-90</u> \$'000	<u>Projected</u> <u>1990-91</u> \$'000
<u>INCOME</u>		
OPERATING (Including government purchase of Community Service Obligations)	646	1,410
<u>EXPENDITURE</u>		
OPERATING	650	1,406
	<hr/>	<hr/>
<u>SURPLUS (DEFICIT)</u>	(4)	4
	<hr/>	<hr/>
CONSOLIDATED FUND CONTRIBUTION TOWARDS DEFICIT/OPERATING EXPENSES	...	...
	<hr/>	<hr/>

NOTE: The office became self funding on 1 January 1990. Accordingly 1989-90 figures represent only 6 months operations.

9.4 COMMUNITY SERVICE OBLIGATION PAYMENTS

Summarised Income and Expenditure Statement

	<u>1989-90</u> \$'000	<u>1990-91</u> \$'000	<u>Rationale for Payment</u>
<u>ORGANISATION</u>			
Auditor General's Office	35	...	Audits of community and charitable bodies.
Darling Harbour Authority	...	12,000	Provision of Parklands for public use.
Zoological Parks Board	3,617	3,750	Education, research and conservation projects.
Forestry Commission	14,165	15,114	Advisory and Regulatory functions and upkeep of facilities for Public recreation.
Water Board	27,985	33,000	Pensioner rate subsidy.
State Rail Authority	237,000	313,419	} Concessional travel to pensioners, Students etc and to meet the costs associated with losses in running non commercial services.
State Transit Authority	97,050	140,715	
Department of Minerals and Energy	1,343	1,400	Pensioner Electricity Subsidy

CHAPTER 10: SPECIAL FINANCIAL TOPICS

10.1 Debt and Financial Asset Management

10.2 Asset Management

10.3 Accrual Accounting in Inner Budget Sector

10.4 Budget Funded Concessions

10.1 DEBT AND FINANCIAL ASSET MANAGEMENT

Introduction

The Government is committed to the efficient and effective management of the State's financial assets and liabilities. By this is meant the maximisation of returns or minimisation of costs within acceptable risk limits. To assist in developing effective financial management policies, the Government has established an advisory committee, Treasury Function Advisory Committee (TFAC). TFAC consists of senior financial experts from the public and private sectors. The Government has charged the New South Wales Treasury Corporation (TCorp) with responsibility for implementation of its financial asset and debt management objectives.

Financial Asset Management

In order to rationalise the investment powers of statutory authorities, four categories of investment powers were defined. These categories reflect the diverse requirements for investment powers and varying levels of investment expertise across public sector organisations, with broader investment powers conferred on large entities with substantial investment expertise. The new investment powers came into effect from July 1990.

An investment power common to all categories is a deposit in the Hour-Glass Investment Facilities.

The Hour-Glass Investment Facilities were set up on 30 June 1989 as a service whereby funds of numerous semi-government authorities may be pooled by TCorp and passed through to professional funds managers for investment. The Hour-Glass comprises four facilities to cater for the broad spectrum of authorities' investment requirements.

The cash facility, as the name suggests, caters for cash investments largely being assets supporting short term liabilities such as working capital. The fixed interest facility is designed for the investment of assets supporting liabilities which fall due in 1 to 5 years. For medium term liabilities, with maturity of between 5 and 10 years the diversified facility is offered, while the balanced facility is suitable for the investment of assets supporting longer term liabilities including insurance and long service leave monies maturing in 10 or more years.

Participation by a statutory authority in the Hour-Glass is voluntary. It does however represent a highly attractive investment avenue. Advantages of the Hour-Glass include –

- prudent but high yielding financial asset management within a risk return framework appropriate to the public sector;
- highest quality contract funds managers, with continuing first class performance;
- technical resources which could not be matched economically by in-house management.

- a diversity of investment opportunities enabling sound matching of financial assets with their underlying liabilities;
- administrative savings opportunities in audit, control, accounting and performance measurement and reporting.

Because the Hour-Glass is soundly constructed, representing the competitive returns achievable for the investment of funds supporting different types of liabilities, it will act as the benchmark against which an authority's investment performances are compared in annual reports commencing in the financial year beginning after 30 June 1990.

While the Hour-Glass is available for statutory authorities, surplus working funds of the inner budget sector, or Treasurer's funds, are managed by TCorp under an agency arrangement. To promote improved returns through competition, \$500 million or approximately half of the funds, was placed with four external managers in July 1988. TCorp operates a fund under exactly the same terms and conditions as the external managers. Day-to-day liquidity for Treasury is managed by TCorp within the remainder of the funds.

Debt Management

The management of existing debt is an area in which cost minimisation measures can be particularly effective.

With the total size of the State's debt portfolios approaching \$30 billion, a saving of 1 per cent, say from 13 per cent to 12 per cent will save \$300 million annually. Possible savings through raising incremental funds at opportune rates pale in comparison.

While the principles of liability management are derived from the fundamental concepts of the time value of money, as a science, liability management is largely undeveloped. TCorp together with advisors CS First Boston and Bankers Trust has been instrumental in the raising the level of sophistication in liability management in Australia.

The methodology adopted by the Government involves establishing a theoretical "risk neutral" or low risk liability portfolio for each authority, establishing acceptable limits of risk and managing the actual portfolio within these limits. Performance is assessed primarily by measuring the change in total market value of the debt portfolio relative to the change in the value of the neutral portfolio. The approach is analogous with widely accepted investment practice and involves deliberate management as opposed to passive holding.

However, while the market value model is the theoretically correct approach to performance measurement, the impact on trading operations of interest payments cannot be overlooked. The "cash cost" or running yield of borrowing is also monitored.

The appropriate neutral or low risk debt portfolio is one whose cash flow matches the cash flow of the assets funded by the borrowings. As a broad approach, this translates into the objective of matching the average life of the debt with the average economic life of the assets. As a guideline, the matching principle requires the following debt portfolio structure –

	<u>Years</u>		
For remaining average asset lives of around	5	10	20
then			
Debt term to maturity as determined by duration* is to be	2	3	4

* Duration is a time weighted measure of the interest and principal payment of debt and as such is a far more accurate measure of the term of debt than term to maturity.

Clearly a debt structure positioned away from the neutral benchmark involves risk. For authorities which are not fully commercial or do not have a business plan, the risk limit is a debt duration mismatch of no more than ± 50 per cent on the risk neutral portfolio.

A market value approach requires debt securities which can be readily valued and which can be readily traded to achieve the most efficient debt structure. To this end, where active debt management is undertaken it is necessary to buy back from investors a multitude of relatively illiquid securities and replace them with lines of liquid TCorp Benchmark Stocks. This process is referred to as debt consolidation.

Active debt management is to be adopted by all authorities with a debt level of \$50 million or greater, and with debt servicing costs of more than 10 per cent of their total expenditure.

Authorities can conduct debt management through –

- (i) direct management; or
- (ii) contracting to Treasury Corporation; or
- (iii) contracting externally.

TCorp acts as Treasury's agent in the management of all Inner Budget Sector debt.

As at 30 June, Elcom had implemented a direct management policy for its debt, three other major authorities as well as the State Treasury had appointed TCorp as liability manager, and another authority had retained TCorp as advisor. A further authority had appointed an external manager.

Treasury acts as co-ordinator on behalf of many organisations including State Rail Authority, Health Administration Corporation, Darling Harbour Authority, Department of Water Resources and Forestry Commission. Debt under Treasury co-ordination amounted to roundly \$10.7 billion. Overall roundly \$19 billion of the State's total debt had been incorporated into the debt management policy by the end of June 1990.

10.2 ASSET MANAGEMENT

Background

Government assets in the form of property holdings represent a very substantial investment. It is estimated that State Government departments and authorities own more than 200,000 parcels of land. Unless these assets are properly managed they may not be used in the best interest of the public.

The Commission of Audit Report reinforced the commitment of the Government to review the property holdings of the public sector and ensure that property asset management was substantially improved and that only essential assets were retained. The Government proposed an asset disposal program of \$1,000 million over its first term of office from the proceeds of sale or long-term lease of surplus and underutilised assets.

Property Asset Management Program

The key to improving asset management in the public sector is the establishment of the Government's Property Asset Management Program.

The aim of the program is to ensure that all property owned by State departments and authorities is managed efficiently and effectively. Major elements of the program are -

- Preparation of Asset Management Plans and Property Disposal Plans by each Government agency.
- Comprehensive review of properties proposed for disposal to assess for instance open space and heritage value.
- Ministerial review of properties where there are special concerns.
- Leasehold rather than sale as the primary disposal option.
- Use of the proceeds of disposal to finance purchasing new public assets, for debt reduction or dividend payments and to establish an Open Space and Heritage Fund to buy land and buildings for community use.

The Property Services Group (PSG) has responsibility for administering the Property Asset Management Program. Surplus or underutilised properties proposed for disposal are reviewed by the PSG and the Department of Planning to assess open space and heritage value, environmental, zoning, density and other technical issues and whether there are any other special concerns.

Following its review of properties proposed for disposal the PSG forwards a property disposal program to the Capital Works Committee of Cabinet for consideration in the context of finalisation of the State's capital program. Where proposed disposals involve issues of special concern, for instance open space and heritage value or environmental sensitivity, a review is undertaken by a Special Property Review Panel and recommendations made by the Panel to a Ministerial Committee for final decision.

As well the PSG advises Government agencies on all aspects of property asset management including acquisition, consolidation of sites, development, efficient use, underutilisation and re-cycling.

An important element of the Property Asset Management Program is the establishment of the Open Space and Heritage Fund which is credited with 10 per cent of proceeds paid to the Consolidated Fund from sale or lease of surplus crown property assets. The proceeds credited to the Fund are used to acquire and improve regional open space and to conserve the State's environmental heritage. An estimated amount of \$34.7 million will be credited to the Fund in 1990-91 compared with \$4.02 million last year, when the Fund was established.

The Heritage Conservation Fund also received \$15.5 million in 1989-90 from the total proceeds of \$92.6 million for sale of air rights to the First Government House site in Macquarie St. The Fund will use part of the proceeds to repay debt and invest the balance and use the income to make grants and advances for conservation projects. Of the balance of \$77.1 million from sale of the site, payments were made to the Sydney City Council (\$21.5 million) and the Consolidated Fund (\$33.2 million) and \$22.4 million will be used to construct and operate a commemorative facility. The Consolidated Fund receipt was applied towards financing inner budget sector capital program expenditure in 1989-90.

Asset Disposal Program

Substantial progress has been made towards reducing excessive public sector debt levels by using asset disposal proceeds to repay debt and to avoid the use of borrowings to fund new capital works projects. Revenue derived under the asset disposal program has enabled the Government to reduce new borrowings by 42 per cent since 1987-88.

Table 10.1 shows the application of proceeds derived from asset disposal over the period 1987-88 to 1990-91.

Table 10.1: Application of Asset Disposal Proceeds

APPLICATION	1987-88	1988-89	1989-90	1990-91 (est)
	\$m	\$m	\$m	\$m
Current Year Capital Program Funding	173	641	327	613
Following Year Capital Program Funding	...	97	84	} 268
Debt Reduction, Additions To Reserves, Dividend Payments, etc.	...	363	40	
TOTAL IN-YEAR PROCEEDS	173	1,101	451	881

Total proceeds from property sales and long term leases amounted to \$451 million in 1989-90 and \$1,101 million in 1988-89, compared with \$173 million in 1987-88.

While the downturn in the property market adversely affected asset disposal proceeds last financial year, total proceeds in the first full financial year of the Government's first term in office exceeded the commitment to a four year total \$1 billion asset disposal program.

Total proceeds of \$173 million from asset disposal in 1987-88 were applied towards capital program funding in that financial year. Of total proceeds of \$1,101 million derived from asset disposal in 1988-89, \$641 million was applied to capital program funding in the year and \$363 million was utilised for other purposes, such as debt reduction and additions to reserves. The balance of \$97 million was carried-forward as a funding source for the 1989-90 capital program.

Paying off capital debt is equivalent to repossessing public assets mortgaged to private creditors. For instance by paying off the Harbour Bridge in late 1988-89 the Government made it a truly 100 per cent publicly owned asset.

Of the total proceeds of \$451 million from asset disposal in 1989-90, \$327 million was used to fund capital program expenditure in the year, \$40m on reducing capital debt of authorities, dividend payments or additions to reserves and \$84m carried forward as a funding source for the 1990-91 capital program.

Estimated proceeds from asset disposal in 1990-91 amount to \$881 million. Of this amount \$613 million is budgeted as a funding source for the State's 1990-91 capital program, the balance of \$268 million being available for debt repayment, dividend payments or as a funding source for the 1991-92 capital program. The \$881 million asset disposal target for 1990-91 is an ambitious target at a time when non-residential real estate turnover is expected to remain subdued.

Asset Renewal Program

Table 10.2 provides some broad details of the State's capital program from 1987-88 to 1990-91 in relation to that portion of the program funded from asset disposal proceeds and borrowings. The use of asset disposal proceeds to fund the acquisition or construction of new public assets or upgrade existing assets is known as the Asset Renewal Program.

The importance of asset disposal proceeds to total capital program funding is apparent from the fact that the in-year cost of most new capital works commenced in 1988-89 was funded from this source, as will new projects to commence in 1990-91. Asset disposal proceeds fell in 1989-90 due to the marked downturn in the property market. Less than one-third of the cost of new capital works projects commenced in 1987-88 was funded from the proceeds of asset disposal and the balance was mainly funded from new borrowings (i.e. debt finance).

Asset disposal funding as a percentage of total capital program expenditure has increased from 4 per cent in 1987-88 to an estimated 13 per cent in 1990-91.

Without access to asset disposal proceeds it would simply not have been possible to fund most new capital works projects in 1990-91 and the previous two budgets. Indeed many works-in-progress would have had to be stopped, risking serious breaches of contract. The only alternative to asset sales and leases would have been to greatly increase borrowings which, quite apart from Loan Council restrictions, was unacceptable to the Government given the State's already excessive debt levels.

The marked decline in the level of borrowings used to fund the State's capital program, made possible by the level of asset disposal proceeds applied to the program in the past two years and to be applied in 1990-91, is also shown in Table 10.2.

Borrowings as a percentage of total capital program expenditure have fallen from 42 per cent in 1987-88 to 19 per cent in 1990-91, an overall reduction of 42 per cent or almost \$800 million in dollar terms. This represents a saving in debt servicing costs of some \$120 million annually.

In the Health area a major Hospital Reconstruction Program addressing hospital infrastructure reconstruction and upgrading is underway, largely funded from the disposal of surplus and underutilised health facilities.

In Education the Government has adopted a rational approach to the provision of new facilities. Schools are being amalgamated in areas where falling pupil numbers justify this course of action. School sites which become vacant as a result are sold and the proceeds applied towards school building maintenance and the construction of new schools in areas where student demand justifies the provision of new facilities.

Other major new works funded from the proceeds of asset disposal include new and replacement court houses, police stations and prison facilities and important capital infrastructure for public transport, ports and water and sewerage.

Conclusion

Successful asset management demands the most efficient and effective use of property assets to maximise returns. Asset disposal is an important element of successful asset management where surplus and underutilised assets are disposed of and the proceeds used to purchase or construct new or replacement capital assets or to reduce capital debt. Each of the States and the Commonwealth Government sell or lease public assets no longer required for their original public purpose.

Although over \$1.5 billion of public sector assets have been sold or leased in the past two years, the value of total commercial assets owned by the NSW Government has increased from \$60.4 billion to \$67 billion over 1988-89 alone. Much of this increase in Government asset holdings was made possible by the acquisition of private property or the construction of new public works funded from the proceeds of asset disposals.

Asset disposals of around \$0.5 - \$1 billion per annum amount to only 0.75 - 1.5 per cent of all the Government's commercially valued assets. This is a modest turnover by private sector standards. Asset disposals in other States (e.g. Victoria and Western Australia), when expressed as a turnover of total assets, have been comparable or greater than in New South Wales.

In New South Wales, as Sydney's population grows and moves west and south, public infrastructure must be relocated from the inner to the outer suburbs if existing disparities in public services are not to widen. This also holds true for the rest of New South Wales where population outflow from Sydney is putting pressure on other areas, particularly the North Coast. The Government's Property Asset Management Program, under which assets are disposed of when they are no longer needed and the proceeds applied to providing new assets in areas where they are critically needed, aims to ensure equitable and efficient public sector property asset management. The program is directed at maximising benefits for the whole of the State.

Table 10.2: Capital Program - Asset Disposal Proceeds and Borrowings Funding

	1987-88	1988-89	1989-90	1990-91 (estimated)
• Total Capital Program Expenditure	\$4,381m	\$4,393m	\$5,025m	\$5,560m
• New Works Expenditure (a)	\$551m	\$661m	\$876m	\$768m
• Asset Disposal Proceeds Applied to Total Capital Program Expenditure	\$173m	\$641m	\$424m(b)	\$697m(c)
• Percentage of New Works Expenditure funded from Asset Disposal Proceeds	31%	97%	48%	91%
• Percentage of Total Program Expenditure funded from Asset Disposal Proceeds	4%	15%	8%	13%
• Borrowings Applied to Total Capital Program Expenditure	\$1,832m	\$1,038m	\$818m	\$1,060m
• Percentage of Total Capital Program Expenditure funded from Borrowings	42%	24%	16%	19%

- (a) Estimated expenditure on New Works Projects, included in Total Capital Program Expenditure.
- (b) Including \$97 million actually received in 1988-89 but applied to capital program expenditure in 1989-90.
- (c) Including \$84 million actually received in 1989-90 but applied to capital program expenditure in 1990-91.

10.3 ACCRUAL ACCOUNTING IN THE INNER BUDGET SECTOR

Introduction

Accrual accounting has applied generally in the Outer Budget Sector for some years.

The extension of accrual accounting to general government departments (i.e. the Inner Budget Sector) is an important part of the financial and administrative reform program of the Government. The aim of introducing accrual accounting to the Inner Budget Sector is to improve the quality and range of information available for economic decision making purposes by the agency. In addition accrual accounting facilitates the proper assessment of performance of individual agencies and the Government as a whole.

The introduction of accrual accounting to the whole public sector of New South Wales is a path-finding exercise. This will be the first time that accrual accounting has been introduced into the Inner Budget Sector anywhere in Australia and internationally, the only other country to have ventured down such a path has been New Zealand.

The adoption of accrual accounting in the Inner Budget Sector is broader than a matter of accounting. Financial information systems should reflect the requirements of management as well as satisfy the needs for parliamentary control and scrutiny.

Objectives of Accounting Reforms

IMPROVED FINANCIAL MANAGEMENT

The primary benefit of the adoption of accrual accounting is the availability of better financial information for decision-making purposes.

Better Asset Management

Accrual accounting requires a distinction between expenditure for current consumption, that is an expense, and capital outlays that will provide future service potential or future economic benefits. A vital aspect of accrual accounting is the principle of valuation used for assets. While historic cost is frequently used in the private sector as a method of valuation, it is not considered an appropriate principle for the public sector. In the private sector investors rely on the market value information of companies embodied in the traded share price or expert valuation and not on historic cost based accounts. In the public sector there is not a share market to assist the owners, namely the government, in assessing performance. Accordingly current value has been adopted as the principle of valuation for public sector accounting in New South Wales.

All agencies will have asset registers which list all assets controlled by the agencies and, where applicable, current market value.

More Effective Liability Management

One of the deficiencies of traditional government accounting is that it ignores substantial liabilities arising from past services of government employees, that is obligations relating to employees' entitlements such as superannuation and long service leave benefits. This was estimated at \$17 billion at 30 June 1989 and represented 33 percent of the total liabilities of the State. Information about the liabilities is fundamental to decisions on the allocation of scarce resources and on the assessment of accountability. Accrual accounting requires the recognition of all liabilities of an entity so that appropriate actions can be undertaken to manage those obligations.

Better Information to Establish the Basis for Commercialisation

One of the main thrusts of recent reforms is the distinction between commercial and social activities and the separation of the two, at least in an accounting sense. Historically, few agencies have had information about the full costs of producing their goods and services. Accrual accounting facilitates the establishment of information systems which will provide relevant and useful information such as the full costs of goods and services and the resources used to perform these activities; in other words, information to ensure that commercial activities are self funding and are not a drain on the Consolidated Fund, or else the extent of assistance provided by the Consolidated Fund is clearly specified.

BETTER PERFORMANCE EVALUATION

The increased managerial flexibility and responsibilities integral to recent public sector reforms necessitate changes in management information systems. Managers will need more information in order to manage their operations effectively and that information will need to be more timely and of a different nature to that available under cash accounting. Accrual accounting facilitates the performance evaluation process by way of a more accurate reflection of program costs and of financial performance which can be measured and evaluated against expected results. Improved information on program costs also assists the review of program structures and of the effectiveness of programs.

CLEARER PRESENTATION OF THE STATE'S OVERALL FINANCES

The adoption of accrual accounting enables the presentation of the overall State public sector balance sheet showing clearly total assets, liabilities and net equity, and provides information on the trend over time in the aggregates.

Implementation of Accrual Accounting

It is important in the implementation of accrual accounting that certain concepts, standards and definitions be developed to ensure that these concepts and standards are appropriate to the public sector environment. There are certain key activities in the implementation process.

1. **The development of the Financial Reporting Code of Practice** - The objective of the Code is to establish a general framework for accounting and reporting purposes, ensuring consistency of accounting treatments across all departments and that they are in accordance with generally accepted accounting principles. The Code is due to be completed by January 1991.
2. **Project planning assistance to departments** - An accrual accounting implementation unit has been formed within Treasury to assist departments during the planning and implementation stage and to monitor progress against departmental implementation timetables. It is envisaged that the unit will only be required during the implementation phase.
3. **Education and training** - As the conversion to accrual accounting is an element of wider financial management reforms, in terms of financial information systems and of attitudinal and behavioural approaches to financial management, it is important that appropriate education and training is provided to departmental staff. Three types of training are identified –
 - business skills training for non-finance staff to ensure an understanding of the changes required and the accompanying benefits in the new environment;
 - update training on technical issues for finance staff; and
 - basic training on accrual accounting concepts and principles to clerical and keyboard staff.

It is recognised that on-going "help desk" services and training support will be needed to ensure the knowledge and benefits initially achieved during the transitional period will be maintained and improved.

The Implementation Timetable

The Treasurer approved in 1988, a five year timetable during which all Inner Budget Sector agencies will implement accrual accounting:

1990-91	-	a pilot program of 4 agencies
1991-92	-	21 small to medium agencies
1992-93	-	7 agencies including the Health Department
1993-94	-	7 agencies including the Police Service and the Department of Family and Community Services
1994-95	-	the Department of School Education

With the enthusiasm shown by the agencies, it is hoped that it may be possible to accelerate the implementation to a three year time frame.

At the end of this period, the quality of published financial data will be improved; the Government, the Parliament and the community at large will have available timely and relevant information with which to make informed decisions on resources allocation, public accountability and the State's finances.

10.4 BUDGET FUNDED CONCESSIONS

Concessional expenditures are defined as those State Government Programs which provide goods or services to eligible individuals either free or at a price less than that applying to the general population.

The concessions are summarised below in table 10.1. In total the concessions amount to \$1,190 million in 1989-90 and an estimated \$1,362 million in 1990-91, up 14.5 per cent. In the main the concessions listed are funded directly by the Budget. The Department of Housing rental rebate has also been included, given its substantial size, though in reality it represents income foregone rather than a direct expenditure of the Budget.

The main areas of concessions are in public transport and public rental housing which in aggregate in 1990-91 account for 98 per cent of concessional expenditure.

Major beneficiaries of the concessions include Commonwealth Health Card holders (especially pensioners), low income householders and families with children. Of the total concessions in 1990-91, \$291 million is payable direct to pensioners and, as well, pensioners would be significant beneficiaries of other schemes, particularly the public housing rental rebate.

Concessional expenditure schemes, while having commendable objectives of improving access to services and addressing inequities, also suffer from a number of difficulties –

- targetting is often poor, except where a clear and objective level of eligibility is available;
- access can be inequitable, given that the benefit is in the form of a service rather than cash. For example, citizens who do not own a car, or who have poor access to public transport cannot avail themselves of concessions related to car ownership or public transport fares;
- lack of transparency and hence not subject to direct scrutiny in terms of costs and benefits. While this is generally not the case with budget funded concessions, other concessions delivered through cross subsidies are not transparent; and
- produce resource allocation distortions, with demand for the subsidised services over consumed.

In addition to the concessional expenditure listed in table 10.1, there are other forms of Government concessions, namely –

- services provided at concessional price due to pricing cross subsidies. The main example in New South Wales is the water and sewerage subsidy to residential properties funded by business and commercial users; and
- taxation concessions, provided to specific groups. The 1989-90 Budget Papers estimated taxation expenditure for 1988-89 at broadly \$3,059 million.

Significant recent developments in the area of concessional expenditure include the following –

- introduction of full budget funding for water and sewerage rate concessions provided to pensioners. Prior to 1989-90 the cost of these concessions was funded 50:50 between the relevant Water Board and the Budget. From 1989-90, in order to facilitate transparency, the concession has been fully funded from the Budget; and
- review of the totality of concessional expenditure was undertaken in 1989-90. The review identified expenditure in 1989-90 of broadly \$1.9 billion. The higher cost relative to that in table 10.1 is due to the inclusion of off budget concessions, as well as certain specialised services which have not been classified as concessional expenditure in this presentation, namely Legal Aid, the Home Care Service, Department of Health Public Dental Scheme and the Country Town Water Supply and Sewerage Scheme. The coverage of concessional expenditure presented in this Budget Paper will be reviewed in the light of this report.

**Table 10.1: Cost of Budget Funded Concessions
Granted by the Government**

Minister	Description of Concession	Cost	
		Actual 1989-90 \$000	Estimated 1990-91 \$000
Energy	Contribution towards pensioner concession on electricity charges. Part of this concession is funded by industry sources . . .	2,685	3,225
	Assistance to financially disadvantaged people for payment of electricity accounts. This concession is funded by contributions from the Electricity Commission and the County Councils and not direct by the Consolidated Fund.	4,810	3,779
Environment	Water and Sewerage rate rebates for pensioners	33,017	32,950
Housing	Rental rebates - public housing tenants	459,550	487,584
	Rental subsidies are provided to public housing tenants who cannot afford to pay full rents. The subsidy is not a direct cost to the Budget but represents rent income foregone.		

**Table 10.1: Cost of Budget Funded Concessions
Granted by the Government (cont)**

Minister	Description of Concession	Cost	
		Actual 1989-90 \$000	Estimated 1990-91 \$000
Local Government	Council rate rebates for pensioners (State's share)	36,748	43,000
Natural Resources	Subsidy to Broken Hill Water Board for rate rebates for pensioners	208	225
Transport	Subsidies to pensioners and others on privately operated buses and ferries	15,156	15,590
	Conveyance of students on privately operated buses and ferries	198,154	216,800
	Community Service payments . .	8,187	9,220
	Late night bus services	3,024	3,000
	General subsidies to provide reduced fares and increased service levels on SRA and STA services -		
	- pensioners	110,321	112,754
	- unemployed and single parents	24,477	28,197
	- police	3,983	4,642
	- blind civilians	2,285	2,803
	- totally blinded and/or incapacitated ex-service personnel	2,763	5,527
	- students	94,934	118,438
	- general concessions	95,287	181,773

**Table 10.1: Cost of Budget Funded Concessions
Granted by the Government (cont)**

Minister	Description of Concession	Cost	
		Actual 1989-90 \$000	Estimated 1990-91 \$000
	Motor Vehicle Registration concessions to pensioners -		
	(i) Registration Fee (RTA) ...	10,209	10,977
	(ii) Motor Vehicle Tax	34,581	36,600
	(iii) Third Party Insurance	8,563	8,649
	(iv) Transcover Insurance Levy	13,173	13,305
	Drivers licence concessions to pensioners	18,338	13,097
Family and Community Services	Provision of free spectacles ...	2,900	2,900
	Rail Transport Concessions ...	900	900
	Child Welfare Assistance Program	619	660
Health	Isolated Patients Transport and Accommodation Program	<u>5,223</u>	<u>4,977</u>
	Total	<u>1,190,095</u>	<u>1,361,572</u>

CHAPTER 11: EXPLANATION OF BUDGET PROCESS AND CONCEPTS

- 11.1 The Budget and Capital Program Process**
- 11.2 Guide to Budget Papers and Financial Documents**
- 11.3 Glossary of Terms used in Budget Papers**

11.1 THE BUDGET AND CAPITAL PROGRAM PROCESS

Budget and Capital Program Timetable

The Budget and Capital Program operate on a rolling twelve month cycle which, with in-built forward planning for the following year's budget, can extend out to 18 months. An overview of the cycle is provided in Figure 11.1.

The cycle incorporates both the review and preparation of the Budget and the integration of program and portfolio reviews that have budgetary implications.

The cycle commences in October, following the previous Budget, when Treasury updates the forward estimates to incorporate any post Budget initiatives and extends the estimates forward an additional year, based on an unchanged policy assumption.

In November the Ministerial Expenditure Review Committee (ERC) sets the broad Budget strategy and major budget targets, determines productivity dividend requirements, and approves the issue to Ministers of the updated forward estimates. The ERC consists of the Premier and Treasurer, the Deputy Premier, the Minister for Business and Consumer Affairs and the Minister for Transport. The ERC, which is responsible for oversight of the Budget strategy and implementation, is serviced by the Treasury's Budget Division. Besides the senior management of Treasury, ERC is also attended by the Directors-General of the Cabinet Office and Premier's Department.

Following the review by the ERC, the forward estimates of Consolidated Fund recurrent expenditure are released to Ministers. Ministers are invited to examine the forward estimates and bring to attention any significant matters not covered. In addition, Ministers may be required to submit options for portfolio savings and can, in addition, submit proposals for enhancements.

Computer funding proposals, which were formerly treated separately, have now been integrated into the normal budget process. A finance facility is available to departments to lease computer facilities from the Capital Works Financing Authority (CWFA). The fee for each lease is set to cover the CWFA's interest and repay the principal over a seven year period. Where a department cannot meet the charge and any associated costs of computerisation within its Budget, this is treated as an enhancement and considered accordingly.

In December, advice is issued on the requirements for submitting Capital Works proposals for the following financial year. The Capital Program is a rolling four year program which distinguishes between new works and works in progress. Proposed new works commencing in the Budget year are required to be supported by economic (i.e. cost/benefit) appraisals.

Figure 11.1: Budget and Capital Program Cycle

MONTH	SIGNIFICANT EVENTS	BUDGET AND CAPITAL REVIEW	PROGRAM REVIEW
October		<ul style="list-style-type: none"> Update Forward Estimates 	
November		<ul style="list-style-type: none"> ERC – reviews Forward Estimates – determines Budget strategy 	
December		<ul style="list-style-type: none"> Issue of forward estimates and input sought for Budget from Ministers Ministers requested to prepare Capital Program proposals 	<ul style="list-style-type: none"> Update annual Performance Agreements Update 5 year Program Evaluation
January		<ul style="list-style-type: none"> Ministerial inputs on <ul style="list-style-type: none"> – forward estimates – portfolio savings – enhancements 	<ul style="list-style-type: none"> Prepare input for Ministers' Review Meetings with Premier and Treasurer
February	<ul style="list-style-type: none"> Governor's Speech on Legislative Program Ministerial Performance Reviews 	<ul style="list-style-type: none"> Review of productivity dividends Computer Funding Review 	<ul style="list-style-type: none"> Ministerial Review Meetings
March		<ul style="list-style-type: none"> Submission of Capital Program Proposals by Ministers 	<ul style="list-style-type: none"> MRAC prepares input to Budget from program reviews
April		<ul style="list-style-type: none"> ERC – finalises Budget – reviews MRAC reports 	
May	<ul style="list-style-type: none"> Premiers' Conference and Loan Council 	<ul style="list-style-type: none"> Capital Works Committee finalises Capital Program Budget adjusted in light of Premiers' Conference 	
June		<ul style="list-style-type: none"> Finalise Forward Estimates Issue Budget and Capital Allocations to Ministers 	<ul style="list-style-type: none"> Prepare annual Performance Agreement Finalise update of Corporate Plan for coming fiscal year
July		<ul style="list-style-type: none"> Prepare Budget Papers 	
August	<ul style="list-style-type: none"> Commonwealth Budget 	<ul style="list-style-type: none"> Prepare Budget Papers 	
September	<ul style="list-style-type: none"> State Budget 	<ul style="list-style-type: none"> Present Budget 	

In January to March, Treasury reviews Budget submissions from Ministers. The submissions cover –

- identification of significant disagreements on the maintenance level of the forward estimates of recurrent expenditure;
- proposals for additional funding for enhancements;
- portfolio savings options.

In assessing Ministerial submissions, Treasury seeks the advice of Cabinet Office on the appropriateness of both portfolio savings options and enhancements.

In March, departments submit details of their proposed Capital Programs, which incorporate project details, supporting flow of funds statements and economic appraisal of proposed new projects.

Treasury reviews the program in terms of macro considerations such as the state of the economy, social and economic development needs, the funding position and the overall State public sector financing requirements.

The Office of Public Management reviews specific new projects to ensure conformity with the economic appraisal guidelines and to assess cost efficiency of the proposals.

Also in March the Management Review Advisory Committee (MRAC) meets to review the results of program and portfolio reviews undertaken over the past year that may have implications for the Budget in terms of possible portfolio savings. MRAC consists of senior officers of Treasury, Cabinet Office and the Office of Public Management and has the role of overseeing the integration of major program reviews with the Budget process.

The ERC meets during April and May to finalise the Budget. It reviews reports prepared by MRAC on options for portfolio savings and on the implications for resource allocation of management reviews conducted over the previous year. Productivity dividend requirements are finalised as well as the forward estimates of recurrent expenditure, enhancements and portfolio savings.

The Premiers' Conference and Loan Council Meeting is normally held in May and, accordingly, it is necessary to review the Budget and Capital Program in the light of decisions taken on payments to the States and borrowing allocations approved by Loan Council. However, at that stage details of Commonwealth Specific Purpose Payments are not known.

The Capital Program is determined by the Ministerial Capital Works Committee in May. The Committee is of the same composition as the ERC, with the exception that the Minister for Transport is replaced by the Minister for Industrial Relations.

While the Budget is not presented to Parliament until September, departments and authorities operate on a financial year basis. It is essential that Ministers and departments are aware of the capital and recurrent expenditure allocations as early as possible in the year to facilitate proper financial planning and detailed advice of allocations is provided to Ministers and departments prior to the commencement of the financial year.

Between July and August the Budget Papers are prepared to provide details of expenditure by program, specific initiatives and background information on debt,

Budget estimates are further reviewed in August to take account of any matters in the Commonwealth Budget with State implications and in September the Budget is presented for parliamentary approval.

Forward Estimates and the Budget Process

Forward estimates are prepared for Consolidated Fund recurrent expenditure on a rolling three year forward horizon. The forward estimates provide a medium term budget perspective, not only for individual Ministers and the ERC, but the public was well. The forward estimates are a benchmark against which the Government can assess the impact of specific proposals as well as the general direction of its expenditure.

The forward estimates were first prepared in 1988–89, following an extensive review of the Budget process. While forward estimates had been prepared previously they were not integrated into the Budget process and were not publicly released. Previously, the Budget was prepared on a "bid and review" basis. Departments were asked each year to submit their proposals on recurrent expenditure and these were reviewed by Treasury. Over time this process evolved, with less detailed information on expenditure required and with departments required to submit estimates distinguishing between maintenance and enhancement expenditure. Nevertheless there was still the capacity for "expenditure creep" as departments inflated their bids to take account of possible cutbacks and to provide for real growth.

Under the forward estimate system there is complete integration of forward estimates and the Budget process.

Following the release of the Budget and the forward estimates, all initiatives approved by the Government with funding requirements are incorporated into the forward estimates.

Each year the Budget Papers present a reconciliation between the actual Budget estimate and the forward estimate for the Budget year (as published in the previous Budget).

Program and Portfolio Review and the Budget Cycle

Departments are required to have a three to five year Corporate Plan which is regularly monitored and updated. Flowing from the Corporate Plan are –

- a Performance Agreement between the Chief Executive and the Minister, setting out the key tasks and service levels to be achieved within the financial year. The Performance Agreement is updated halfway through the year.
- a rolling five year review of all programs to evaluate their effectiveness and efficiency.

The Premier and Treasurer meets with each Minister in February/March each year to discuss progress on their Performance Agreement. This Ministerial Review meeting, which is attended by senior officers of the Minister's and Premier and Treasurer portfolios, also discusses emerging policy issues within the Minister's portfolio and plans for addressing them.

The Office of Public Management has the responsibility to undertake external reviews to identify options to improve efficiency and effectiveness. MRAC has responsibility for co-ordinating the program reviews and the Budget processes.

In undertaking its functions the MRAC will identify, one year in advance of the start of each Budget cycle, all reviews to be undertaken with budgetary implications. For example, for the 1992-93 Budget, MRAC will identify in March 1991 all reviews to be undertaken up to the decision-making phase of that Budget cycle (i.e. up to early 1992). The MRAC will oversight the reviews and then prepare advice for the ERC on the implications of the reviews for the Budget.

In addition MRAC will advise the ERC on appropriate productivity dividend targets.

Review of Capital Projects

Departments are required to prepare and submit for the approval of the Ministerial Capital Works Committee, rolling five year Capital Programs.

An important requirement for the Capital Program is that economic appraisal must be applied to all projects.

Economic appraisal is a way of systematically analysing all the costs and benefits associated with the various ways of meeting an objective. Departments and authorities are responsible for undertaking these appraisals and submitting them as part of their capital works bids.

Economic appraisal provides important information to decision makers at various levels within Government; not only does it assist the Government at the highest level of decision making, but it also helps individual departments and authorities to determine priorities within their own capital programs. Clearly the results of the economic appraisal are not the only factors taken into account in determining whether a project should proceed or not. Nevertheless, they provide vital information on the effects of each possible decision.

Guidelines have been approved by the Ministerial Capital Works Committee as a means of ensuring a consistent approach to economic appraisal. The Guidelines are intended to establish a framework within which departments and authorities undertake their appraisals.

The Guidelines have requirements for the evaluation of capital works, tailored to the characteristics and scale of the projects. The general rule is that an economic appraisal must be undertaken for all individual projects with a total cost in excess of \$500,000, while more general procedures are required for smaller projects. However, it is recognised that this general rule may have to be adjusted by the Capital Works Committee to suit the particular circumstances of certain agencies. The Guidelines also make specific provision for the application of economic appraisal techniques to major departments and authorities.

The Capital Works Committee does not require the economic appraisal to be submitted to them in all cases. There is no additional reporting requirements for projects with a total cost under \$1 million; summary sheets of the results of the appraisal only are required for projects between \$1 million and \$5 million; while submission of the full appraisal is required for larger projects. In addition, the Capital Works Committee can require special studies of particular capital works areas, and may also attach special progress reporting requirements to certain projects.

Following approval and implementation of capital projects, audits will be undertaken of select projects to evaluate the results achieved against the projection in the economic appraisal.

Approval of Proposals Outside the Budget Process

In principle all proposals with funding requirements and financial implications are required to be submitted as part of the Budget and Capital Program process.

However, in the event that a proposal is submitted with funding requirements outside the Budget and Capital Program process, three conditions need to be met –

- the use to which the proposal is addressed was not able to be foreseen at the time of the preparation of the previous Budget
- the proposal is urgent and cannot be deferred until the next Budget
- the proposal is supported by a full financial impact statement in standard form which has been received and agreed to by Treasury in terms of the costings, with information provided on –
 - all financial impacts on other agencies and prior consultation and agreement with those agencies on those financial impacts; and
 - the level of self funding to be provided by the reallocation of resources and priorities within the portfolio.

Outside the Budget cycle the Treasurer will not normally provide supplementation for enhancements if their cost is less than 1 per cent of the department's operating budget. In such cases, the department is expected to fund the enhancement by an internal reallocation of resources.

Global Budgeting

Departments now have very substantial flexibility in how they employ their recurrent budget allocation. Prior to finalisation of the annual budget allocation, Ministers have substantial flexibility to move funding between expenditure categories. Once the allocation is finalised, the global budgeting rules apply and these are set out below.

In the past, allocations were dissected by a large number of what were termed line items which described in detail the purpose to which the funds would be applied (for example postal, travel, etc.). These detailed line item dissections have been replaced for budgetary control purposes with four broad expenditure categories –

- employee related payments
- maintenance and working expenses
- grants and subsidies
- other services

The line item dissection is still applicable for departmental accounting purposes.

Departments can, within each of the four broad expenditure categories, transfer funds across programs.

In addition, in respect to the first two expenditure categories, "employee related payments" and "maintenance and working expenses", there is flexibility to move funds **between** the two categories. This reflects the fact that these two items together constitute the operating costs of a department. In effect then, the operating cost of a department is a single allocation. The only constraint on transfers between "employee related payments" and "maintenance and working expense" is that imposed by the staff number controls. However, departments are able to seek approval for variations in staff numbers if this would help achieve targeted productivity dividends.

The only other constraint relates to a select number of items that are designated protected items which are not able to have their funding transferred to other areas. Examples of protected items are "debt cost" and "amounts provided for anticipated award increases".

The flexibility accorded departments is shown in Figure 11.2. Departments can move funds within the rectangle bounded areas indicated. Hence departments have complete flexibility with the allocation of operating costs (i.e. the sum of employee related payments and maintenance and working expenses). With the other expenditure categories, funds can be transferred across programs without restriction, within the broad expenditure category.

To move funds between "operating costs", grants and subsidies and "other services" requires the approval of the Treasurer.

Funding Transfers

Ministers now have greater financial flexibility not only within financial years but between financial years. Ministers facing temporary funding shortfalls may seek approval to "borrow" against their following year's allocation. It is a requirement that any such approved transfer is repaid within a maximum period of three years, although in general repayment should occur in the following year by a reduction in that year's allocation. Transfers are limited to a maximum of 2 per cent of the current year's allocation, although it can be varied with the approval of the Treasurer.

Similarly, the facility exists to carry forward unspent funds into future years, subject to case by case approval and an upper limit for the transfer of 2 per cent of the department's allocation. This facility provides an incentive for departments to avoid hasty end of year expenditure of unspent monies and instead to utilise such monies in the next year on adequately planned activities.

Figure 11.2: Transfers Able to be Approved by Ministers

Program Area 1		Program Area 2	
Program 1.1	Program 1.2	Program 2.1	Program 2.2
Employee related payments	Employee related payments	Employee related payments	Employee related payments
Maintenance and working expenses	Maintenance and working expenses	Maintenance and working expenses	Maintenance and working expenses
Grants and subsidies	Grants and subsidies	Grants and subsidies	Grants and subsidies
Other services	Other services	Other services	Other services

Staff Monitoring and Control

As part of the budgetary process, an average staff number and end of year staff ceiling are set for each inner budget sector organisation.

The average staff number is linked to the allocation for employee related payments, while the year end ceiling is the maximum staff number for the following 30 June, including casual staff and temporary staff.

Staff numbers are calculated on the basis of full time equivalent staff which means that where employees work part time they are counted only in terms of the proportion of a standard working week worked.

The prime staffing control is the year end ceiling in that it provides a brake on departments building up staff towards the end of the year and hence carrying forward substantial commitments into the following year.

For the outer budget sector, staff number controls are not set but staff numbers are monitored.

Within Year Monitoring and Controls

Departments are required to submit to Treasury each month a report on recurrent expenditure and revenue, their capital program and staff numbers.

In each case the department is required to provide information on both the year to date and projected full year position. Departments are required to bring to the notice of Treasury, as soon as it becomes apparent, any prospect of overexpenditure, lower than projected revenue or excess staff as at end of the Budget year. In such circumstances supporting information is required on the reasons for the variations and action that will be taken to rectify the position.

The Treasurer is provided with monthly reports on the Budget, Capital Program and staff numbers.

The Capital Works Committee of Cabinet meets regularly during the year to review the Capital Program and approve any variations falling outside delegations.

All Cabinet Minutes with financial implications are required to be submitted with a Financial Impact Statement. Where Cabinet approves of an initiative and additional funding associated with the initiative, the forward estimates are updated to reflect the decision.

During the year, outside the core part of the Budget cycle between April and September, the Treasurer meets on a quarterly basis with Ministers representing the major expenditure portfolios to monitor significant budgetary developments.

11.2 GUIDE TO BUDGET PAPERS AND FINANCIAL DOCUMENTS

The aim of this section is to describe the documents published which contain information about the finances of the State Government and its agencies. A brief summary of each of the document's contents and the relationship between the documents is provided.

A detailed description of the accounting system and financial procedures is not encompassed in this Guide. Those interested in more detail about the State's financial system are referred to the Treasury publication "Introduction to Government Finances and Accounting in New South Wales" which explains the State's financial systems.

State Public Sector

Documents referred to in this Guide are concerned with various financial aspects of the "State Public Sector".

In order to appreciate the scope of the contents of the financial documents, it is important to have an understanding of what is meant by the term "State Public Sector".

THE STATE PUBLIC SECTOR AS THE SECOND TIER OF GOVERNMENT

A neat definition of the State Public Sector is difficult to produce – an exception can always be found to a proposed definition.

To the layman, the State Public Sector is the second tier of Government, coming after the Commonwealth Government, but before Local Government. It comprises State Government departments and bodies set up under State legislation. However there are blurred edges because joint authorities have been established (for example the Joint Coal Board, the Albury/Wodonga Corporation, the River Murray Commission), which are responsible to the Commonwealth and to one or more States. Also some bodies, principally Universities and Colleges of Advanced Education, while established under State laws, rely on the Commonwealth Government for funding.

Despite these anomalies, the concept of the State Public Sector as the second tier of government is both simple and useful.

As mentioned this second tier of Government, the State Public Sector, consists of departments (Department of School Education, Public Works Department) and a range of statutory bodies. These statutory bodies may be administrative in nature (e.g. health professionals registration boards which regulate practitioners), may provide specific services (e.g. the Water Board – water supply; Colleges of Advanced Education – educational services) or may sell goods and services in the market either from a virtually monopolistic position such as the various primary products marketing authorities or in direct competition in the market place (State Bank, Government Insurance Office).

CLASSIFICATION OF ORGANISATIONS WITHIN THE STATE PUBLIC SECTOR

In June 1989 the Government endorsed a report proposing a new system for classifying public sector bodies and the degree of control to which they should be subject.

Previously, there existed no real criteria for determining whether organisations should be set up as public service departments or as statutory authorities. Consequently there was no real basis for deciding what controls – or freedom from controls – were appropriate in individual cases.

The Report provides that the structure of government bodies and the degree to which Government should control their activities should be related to –

- the extent of financial self-sufficiency (that is the extent to which bodies finance their activities from sales of services/goods produced); and
- the extent of market competition (that is the extent to which bodies face competition from other sources of supply).

This system is consistent with the Government's policy of distinguishing between the commercial and social functions of Government.

Where organisations raise their revenues from selling goods and services and where their prices are subject to competition, there is limited need for Government controls. Conversely, stronger Ministerial and Government controls should apply to organisations which are funded by the taxpayer and whose outputs are not subject to market forces, to ensure that they are acting in the community interest and are being economic and efficient.

Using the criteria of financial and market status, six basic types of government organisations emerge –

A. Government Service

Heavily subsidised monopolistic bodies such as Business and Consumer Affairs, or central agencies such as Treasury.

B. Semi Commercial Service

Partly subsidised monopolistic bodies such as the Broken Hill Water Board.

C. Semi Commercial Business

Partly subsidised semi competitive bodies such as the SRA and STA.

D. Commercial Service

Self sufficient monopolistic bodies such as the Water Board and Maritime Services Board.

E. Commercial Business

Self sufficient semi competitive bodies such as the TAB and the Electricity Commission.

F. Commercial Enterprise

Self sufficient fully competitive bodies such as the GIO and State Bank.

Some organisations are multi faceted, that is, while predominantly belonging to one of the above classes, they incorporate operations which may belong to another class. For instance, the Department of Education (a Government Service), has a furniture workshop which presently operates like a Commercial Service and has the potential to be a Commercial Enterprise. Likewise the SRA is predominantly a Semi Commercial Business, but its freight operations are a Commercial Business (i.e. financially self sufficient).

In recognition of the possibility of organisations covering both social and commercial functions, a second classification scheme has been developed for the user charge activities of category A, Government Service organisations. This classification parallels the overall classification of organisations as outlined in Appendix B.

It is appropriate that Government controls are tighter on government organisations that are heavily subsidised and monopolistic (i.e. Government Service organisations) than on government bodies that are funded from sales of their goods or services and which are in competition with suppliers of similar or substitute products (i.e. Commercial Enterprises). Between the extremes of Government Service and Commercial Enterprise, Government controls can be varied according to the degree of financial self sufficiency and market competitiveness of the government body concerned. The nature and extent of administrative process, input, output and accountability controls which will apply to each of the six classes of government owned bodies are outlined in Appendix A.

With the exception of certain special cases, such as Universities and Colleges of Advanced Education (subsidised directly by the Commonwealth Government and self sufficient vis a vis the State Government) most Government Services (i.e. category "A") belong to the "inner budget" sector (i.e. they depend for more than half their operating income on the Consolidated Fund or other tax based sources.) Semi Commercial and Commercial Services and Businesses belong to the "outer budget" sector (i.e. they earn most or all of their operating income from user charges). Commercial Enterprises belong to the "non budget" sector (i.e. they attempt to maximise profits in a highly competitive market). The relationship between the classification of State organisations and the inner, outer and non-Budget sectors is illustrated in Appendix B. A more detailed description of the Budget and non Budget Sectors follows.

THE BUDGET SECTOR (INNER AND OUTER) AND THE NON-BUDGET SECTOR

All departments and some authorities are funded from the State's principal fund, the Consolidated Fund (see later). Some authorities are self-funding but require government approval to embark on capital works. There are also a number of authorities referred to as non-budget sector bodies that neither require support from the Consolidated Fund nor appear in the State's Capital Program.

Budget Sector

The Inner Budget Sector –

- includes all departments and certain statutory bodies (e.g. Ethnic Affairs Commission).
- is funded mainly from Consolidated Fund.
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor General.
- Annual Reports (Departments) Act applies – generally non-commercial (cash basis) accounting, although it is intended to introduce accrual accounting to all inner budget sector entities over the next five years.

The Outer Budget Sector –

- includes certain statutory bodies (e.g. State Rail Authority, Water Board).
- recurrent services funded mainly from own charges, capital works funded from borrowings and internal funds and included in the State's Capital Program.
- is subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor-General.
- Annual Reports (Statutory Bodies) Act applies – commercial type accounts (accrual basis) prepared.

Non Budget Sector

The Non-Budget Sector –

- includes Universities, Colleges of Advanced Education, Marketing Authorities, State Bank, Government Insurance Office, State Authorities Superannuation Fund.
- Some authorities in this group are not subject to Ministerial direction, but subject to the Public Finance and Audit Act (although not in all cases to Directions issued under that Act) and to audit by the Auditor-General.
- Annual Reports (Statutory Bodies) Act 1984 applies – commercial type accounts (accrual basis) generally prepared.
- Recurrent services and capital works not funded from State Government sources (funded from own revenues or provided by Commonwealth grants etc.). Marketing authorities and financial institutions are exempt from Loan Council global borrowing limits.
- generally not referred to in the Budget Papers.

The Budget Papers incorporate the funding of the recurrent services of departments and authorities in the inner budget sector and the capital budgets of departments and authorities in the inner and outer budget sector. The Budget Papers and other State financial documents do not include information on the finances of statutory bodies in the non-budget sector. However reference may be made in the Budget Papers to any Commonwealth grants which may pass through the State's accounts (e.g. Commonwealth grants to Universities).

Financing Government

PRINCIPAL GOVERNMENT FUNDS

The receipts and payments of the inner budget sector are recorded in two main funds.

Consolidated Fund

The Consolidated Fund is defined in the Constitution Act 1902 as –

- "(1) Except as otherwise provided by or in accordance with any Act, all public moneys (including securities and all revenue, loans and other moneys whatsoever) collected, received or held by any person for or on behalf of the State shall form one Consolidated Fund.
- (2) Without limiting the generality of subsection (1), all territorial, casual and other revenues of the Crown (including all royalties), from whatever source arising, within New South Wales, and as to the disposal of which the Crown may otherwise be entitled absolutely, conditionally or in any other way shall form part of the Consolidated Fund."

This means that unless other legislation directs that moneys be paid into other accounts (such as Acts establishing statutory bodies for example), all moneys due to the State are paid into the Consolidated Fund.

The Consolidated Fund is the main account of Government. It records the receipts and payments of departments and those statutory bodies in the inner budget sector.

All payments from this Fund require parliamentary approval. Each year the amount estimated to be paid from the Fund is included in the Appropriation Bill. The Bill is one of seven documents tabled in Parliament which are known as the Budget Papers.

State taxes such as pay-roll tax, stamp duties, land tax and gambling revenues are paid into the Fund, as well as revenue from charges for government services, sales of government property, other revenue (e.g. interest earned on cash balances of government funds, lottery receipts) and Commonwealth payments to the State. The last category represents about half of the Fund's revenue.

Payments from the Consolidated Fund are to meet the administrative costs of departments and inner budget sector authorities and the cost of specific government policies.

In order of size, the major payments are for health services and educational services. Interest on borrowings is also a significant item.

Special Deposits Account

The Public Finance and Audit Act 1983 authorises the establishment of the Special Deposits Account as –

- "(a) an account of funds which the Treasurer is, by statutory or other authority, required to hold otherwise than for or on account of the Consolidated Fund;
- (b) an account of money directed to be paid to the Special Deposits Account by or under this or any other Act; or
- (c) an account of such other money, not directed by or under this or any other Act to be placed to the credit of another account, which the Treasurer directs to be carried to the Special Deposits Account."

It consists of about 250 accounts, each falling into one of the following four categories –

1. Commonwealth Payments Accounts: records the receipt of certain Commonwealth specific purpose payments and the direct payment of such items or their transfer to other accounts or funds (to facilitate book-keeping).
2. Departments' Working Accounts: departmental accounts which include suspense accounts and accounts of a business nature such as plant operating accounts and canteen accounts and working accounts of certain government trading undertakings and service departments.
3. Statutory Bodies Accounts: working accounts, reserve and depreciation funds of budget sector bodies kept at the Treasury, often as a requirement of their enabling legislation.
4. Statutory Funds Accounts: funds established by statute where the Government acts as trustee (superannuation funds, etc.).

A table in the Public Accounts includes information about each Special Deposits Account. No non-budget sector statutory bodies accounts are maintained in the Special Deposits Account.

Payments from the Special Deposits Account are not subject to parliamentary appropriation but, in order to show all program costs, payments directly related to programs from any of the accounts are included for information in the Budget Estimates.

Documents Relating to State Public Sector Finances

Documents dealing with State public sector finances fall into the following groups –

1. State Budget Papers (annually, available generally in September)

The Budget Speech, Budget Information, Budget Estimates, Financial Arrangements between the Commonwealth and New South Wales, State Capital Program – List of Projects, Appropriation Bill, State Public Sector Outlays and Revenue by Economic Type.
The Budget Summary

2. Financial Reporting and Accounting for the State Budget

Niemeyer Statement (Monthly)
Quarterly Financial Gazettes (September, December, March)
Public Accounts (annually, available in September)
New South Wales Public Accounts Committee Reports (intermittent).

3. Financial Reporting – Departments and Statutory Bodies

Annual Reports, Departments (July to June reporting period, by November. Department of Education and Department of Technical and Further Education (TAFE), calendar year, by May).
Annual Reports, Statutory Bodies (within 5 months of end of each body's financial year).

4. Other Sources of State Financial Information

Reforming the State's Finances (annual, published by the Premier and Treasurer). Introduction to Government Financing and Accounting in New South Wales (NSW Treasury), Treasury Technical Papers (intermittent).

Statistical Reports (published by ABS): Taxation Revenue, Australia (annual), Commonwealth Government Finance, Australia (annual), Government Financial Estimates, Australia (annual), State and Local Government Finance, Australia (annual).

Other Reports: Commonwealth Budget Papers, Commonwealth Grants Commission Reports – particularly those on Tax Sharing Relativities (intermittent). NSW Commission of Audit – Focus on Reform.

The NSW Government Information Service, Goodsell Building, Chifley Square, Sydney has supplies of documents in the first three groups, while in the fourth group ABS publications are available from the Australian Bureau of Statistics, St Andrew's House, Sydney Square, Sydney and Commonwealth Government reports are available from the Australian Government Publishing Service, 120 Clarence Street, Sydney.

THE BUDGET PAPERS

The Budget Papers consist of seven volumes –

Budget Speech (Budget Paper No. 1):

This is the printed version of the speech delivered in Parliament by the Treasurer on budget day.

The speech outlines the Government's financial program for the year and its overall budgetary strategies. New major expenditure and revenue measures are featured.

Budget Information (Budget Paper No. 2)

This paper contains background material, supplementary to the Budget speech, and other important financial information. Graphs are included to aid understanding. Topics covered are –

1. *Budget Summary and Overview*: summary of the main budget aggregates and the budget strategy.
2. *The Economy*: a summary of trends in the Australian and New South Wales economies and prospects for the budget year.
3. *Overall Budget Payments*: overview of total payments; from Consolidated Fund and other sources for capital and recurrent payments.

Included in this sector are the blue pages which summarise payments by program. The totals in these tables are what is generally considered as the State's budget expenditure and consist of payments from the Consolidated Fund, Special Deposits Account, and from borrowings and internal funds which fund the capital program of the inner and outer budget sector.

4. *Recurrent Budget*: a review of the projected revenue and payments estimates with tables and graphs.
5. *Capital Program*: a review of overall capital outlays on a functional basis.
6. *1989–90 Budget and Capital Program Result*: for the previous year an overview comparison of the budgeted and actual 1989–90 results of the Consolidated Fund and the overall capital program.
7. *Micro-economic and Public Sector Reform*: a review of financial and administrative reforms, within the public sector and affecting industry.
8. *Size and Growth of State Public Sector*: an interstate comparison of four variables (total and recurrent expenditure; revenue and taxation; borrowings, debt and debt charges; and employment) showing the size and growth of the public sector.
9. *Income and Expenditure Statements of Budget Funded Agencies*: summary financial details covering the previous year and the Budget year for agencies whose clients are largely Inner Budget Sector (e.g. the Auditor General) or which receive a Consolidated Fund contribution to their operating losses (e.g. the State Rail Authority).
10. *Special Financial Topics*: varying sections each year of particular relevance.
11. *Explanation of the Budget Process and Concepts*.

Budget Estimates (Budget Paper No. 3)

The Budget Estimates contain the detailed revenue and payments (both recurrent and capital) estimates of the Consolidated Fund for the inner budget sector.

The building block is the program statement. Each organisational unit's (broadly a department) expenditure plans are divided into programs.

The program statements include narrative material – the main objectives of the program and a description of the program, staffing resources required and financial details.

The financial tables set out both the Consolidated Fund and total funding needed for the program.

The Consolidated Fund details in this Budget Paper support the Ministerial total figures in the Appropriation Bill.

Background information on program budgeting as it applies in New South Wales and further information about the tables included are provided in the introduction prefacing this Budget Paper.

Financial Arrangements between the Commonwealth and New South Wales (Budget Paper No. 4)

This Budget Paper outlines the financial relations between the Commonwealth and the State.

The Commonwealth provides the State with moneys for a wide range of recurrent and capital purposes. These payments may be in the nature of grants or repayable advances. To qualify for some payments the State may be required to match the Commonwealth payment.

This Budget Paper explains the nature, purpose and history of each Commonwealth payment. As well as budget sector bodies, some bodies in the non-budget sector (e.g. Universities) receive Commonwealth assistance. The Budget Paper also refers to Commonwealth payments to the third tier of Government, Local Government.

A major table in the Budget Paper lists each payment over a ten year period showing percentage movements and comparing the rate of growth with the increase in the Consumer Price Index and economic activity as measured by Gross Domestic Product.

State Capital Program – List of Projects (Budget Paper No. 5)

Works-in-progress and new capital works in the budget sector with a cost of \$500,000 or more are listed separately, with a total capital program figure for each agency also shown.

The listing is arranged under the Ministers and agencies responsible for each project. Details of estimated total cost, expenditure in previous years, estimated expenditure in the Budget year and locations are given.

Smaller works are not separately shown, however, totals are included.

The more important capital works may be referred to in the Budget Speech and/or in the section on the Capital Program in Budget Paper No. 2; the latter also provides total expenditure information.

Appropriation Bill (Budget Paper No. 6)

The Appropriation Bill seeks legislative authority for expenditure from the Consolidated Fund.

The Appropriation Bill includes requests for parliamentary approval for –

- (i) payments from the Consolidated Fund for the budget year;
- (ii) payments from the Advance to Treasurer approved in the previous year;
- (iii) payments by the Treasurer in the previous year under Section 22 of the Public Finance and Audit Act 1983 approved by the Governor in anticipation of parliamentary approval;
- (iv) various rules proposed to permit flexibility in program payments.

State Public Sector Outlays and Revenues by Economic Type (Budget Paper No. 7)

First published in 1988–89, this Budget Paper presents details of outlays, revenues and financing transactions for the full New South Wales public sector and thus is much more comprehensive in coverage than the traditional Budget Sector.

In addition to the formal Budget Papers, the Premier and Treasurer publishes a **Summary of the Budget** which illustrates the Government's financial plan and achievements in simple charts and short text. This document is particularly useful for lay readers not familiar with the intricacies of government budgeting.

FINANCIAL REPORTING AND ACCOUNTING FOR THE BUDGET

A number of 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 for payments from the Consolidated Fund and the Special Deposits Account.

The Niemeyer Statement

The Niemeyer Statement is released monthly to provide cumulative summaries of receipts and payments of the Consolidated Fund for that part of the financial year completed and a statement of Treasury balances of cash and securities. These figures are shown against the estimates made for the year. A comparison is provided for the corresponding period of the previous year. The Treasurer issues a covering media release.

Quarterly Financial Gazette

The quarterly gazette includes statements of –

- (i) Treasury cash and security balances at end of quarter.
- (ii) Consolidated Fund receipts and payments in detail since 1 July.
- (iii) Special Deposits Account receipts and payments of each account since 1 July and balances at the end of the quarter.

The Public Accounts

The accounting by the Treasurer for funds under his control is set out in the financial statements making up the Public Accounts. The Treasurer is required to present the Public Accounts and the Auditor-General's opinion thereon, to Parliament not later than 30 September each year. As well as statements subject to audit, the Public Accounts include statements for information only.

Statements subject to audit are those relating to accounts kept in the Treasury (Consolidated Fund and Special Deposits Accounts), cash and security balances, liability to the Commonwealth for loans and advances, advances repayable to the Treasury and borrowings guaranteed by the State.

Statements not subject to audit are those containing historical information – 10 year summaries of budget results, taxation receipts and loan liability to the Commonwealth – and brief explanations of each new account that has been established in the Special Deposits Account (a complete explanation list is printed every three years). The taxation table incorporates notes detailing changes in tax rates.

Explanatory notes on each table appearing in the Public Accounts are included in a Memorandum prefacing the Public Accounts. The audit certificate signed by the Auditor-General stating whether in his opinion those financial statements subject to audit exhibit a true and fair view, is also included.

The Auditor-General's Report

The Public Finance and Audit Act 1983 requires the Auditor-General to audit the Public Accounts and provide an opinion thereon to the Treasurer (see above).

In addition to certain issues upon which the Auditor-General is required to report by 30 September, he also provides a comprehensive report, issued in 3 volumes, on the State's finances.

In Volume II of the Report, the Auditor-General reviews the finances of the Inner Budget Sector generally and comments specifically on –

- Commonwealth payments to the State;
- the Consolidated Fund;
- the Special Deposits Account; and
- the State's debt.

Volumes I and III of the report provide comments and reports on the financial statements of the State's statutory authorities both in the budget and non-budget sector. (Volume III covers those authorities with a financial ending between 1 March and 30 June which do not impact on the Budget debate; Volume I covers those operating on other financial years.)

The Auditor-General may include in his report suggestions to improve the financial management of departments or authorities.

NSW Parliamentary Public Accounts Committee Reports

The Public Accounts Committee comprises five members of the Legislative Assembly. It is appointed to examine the Public Accounts, the accounts of statutory bodies and the Auditor-General's Report and to report to the Legislative Assembly on any matter referred to it by the Legislative Assembly, a Minister or the Auditor-General. The Committee is also empowered to report on any matter it considers should be brought to the notice of the Legislative Assembly. A report by the Committee is printed and published once it has been transmitted to the Clerk of the Legislative Assembly. Thus publication is not dependent on Parliament being in session.

The Committee has a wide charter to report on financial management and related matters. As mentioned above it can act on its own initiative. Recommendations directed at improving administrative efficiency and reducing the costs of programs, as perceived by the Committee, feature in its reports.

FINANCIAL REPORTING – DEPARTMENTS AND STATUTORY BODIES

Both departments and statutory bodies are required by legislation to prepare annual reports which are to include audited financial statements prepared in accordance with the Public Finance and Audit Act 1983 and the Regulations under that Act and a narrative report as specified in the Annual Reports Acts and Regulations.

Most statutory bodies have to provide a detailed budget for the financial year to which the statements relate and an outline budget for the following financial year. Other information required in annual reports includes statements of the organisation's charter, aims and objectives, a summary review of its operations, and a description of its activities including, where practicable, performance indicators. The annual reports must be submitted to the appropriate Minister, and simultaneously to the Treasurer, no later than four months after the end of their financial year.

The Minister is required to lay an annual report before both Houses of Parliament within one month of receipt and as soon as practicable make copies of the report available to the public, providing another source of information on the State's financial management.

OTHER SOURCES OF STATE FINANCIAL INFORMATION

NSW Commission of Audit Report

Following its election in March 1988, the Government established an independent Commission of Audit. In summary, its main terms of reference were –

- to prepare a overall set of accounts for the State public sector;
- to determine the full extent of the Government's actual and contingent liabilities;
- to advise on the impact of applying full accrual accounting to all public sector bodies; and
- to undertake specific reviews of selected authorities.

The Commission's final Report, titled "Focus on Reform" was presented in July 1988. It contains substantial information on the State's financial position at the time and made a large number of recommendations, most of which have since been implemented (see below).

Implementation of Proposals of the NSW Commission of Audit

Two reports, one in March 1989 and one in February 1990, have been released by the Government indicating the progress made in putting into place the recommendations of the Commission of Audit. The second report indicated that, of the 266 proposals made by the Commission, 233 had been accepted as at the end of 1989, 4 had been deferred, 18 were still under consideration, and 11 had not been accepted.

Reforming the State's Finances – the First Year Reforming the State's Finances – the Second Year

Issued by the Premier and Treasurer, these reports cover the progress made by the Government in implementing its micro-economic and financial management reforms since coming to office in March 1988.

Treasury Technical Papers

These documents are issued periodically by Treasury, covering topics of interest in relation to the State's financial management. While they are mainly written for distribution to public sector financial managers, they are available on request.

Technical Papers issued to date include –

- "Financial Management Arrangements for Commercial Activities in Departments" (December 1987);
- "Financial Management Arrangements for Public Services" (December 1987);
- "Classification and Control of State Organisations" (April 1988, subsequently issued as a Government policy document);
- "Report on the Review of Budget Processes" (December 1988);
- "NSW Government Guidelines for Economic Appraisal" (latest edition, January 1990); and
- "The Classification and Control of User Charges Activities within Inner Budget Sector Agencies" (March 1990).

The Treasury also issues a publication titled "Introduction to Government Finance and Accounting in New South Wales". The document provides a general background to government finance and accounting procedures and is mainly intended as a useful handbook for the training of financial personnel and for those seeking a general understanding of the State's financial system.

Consolidated Financial Statements for the NSW State Public Sector

First released in December 1989 (covering 1987-88 and 1988-89), this document will be compiled annually in future.

It contains the audited consolidated financial statements for the NSW public sector. It is an attempt to compile for "NSW Inc", the income and expenditure statement and balance sheet that are mandatory for private sector companies.

Australian Bureau of Statistics Bulletins

A number of the Bureau's statistical publications contain information on New South Wales Government finances. These are –

- "Taxation Revenue, Australia" (catalogue no. 5506.0) provides data on State taxes, fees and fines.
- "Commonwealth Government Finance, Australia" (catalogue no. 5502.0) provides data on grants and net advances to the State classified by function.
- "Government Financial Estimates, Australia" (catalogue no. 5501.0) summarises forecasts of payments, receipts and grants (classified by their economic character) separately for the Budget and outer and non-Budget Sector together.
- "State and Local Government Finance, Australia" (catalogue no. 5504.0) summarises the State totals for;
 - (a) payments, receipts and grants, classified by their economic character; and
 - (b) final consumption and new fixed assets expenditure classified by function.
- "The New South Wales Year Book" (catalogue no. 1301.1) includes chapters on the State's economy and public funds.

Reports of the Commonwealth Grants Commission

The Commission periodically reviews the distribution (between States) of the Financial Assistance Grant, the Commonwealth's major general grant to the States for recurrent purposes. The Commission's Reports contain summary tables of receipts and payments of the States on a standardised basis. The State's submission to the inquiry, prepared by Treasury in conjunction with departments, is not published for sale or general distribution but is available for perusal in specialist libraries. The submission deals with the difficulties faced in New South Wales in providing government services compared with the provision of comparable services in other States.

Commonwealth Budget Papers

References to payments to the State are scattered throughout the Commonwealth Budget papers. However, Commonwealth Budget Paper No. 4 "Commonwealth Financial Relations with other Levels of Government" deals specifically with Commonwealth/State financial relations.

Appendix A: Application of Government Controls to each Category of State Organisation

A. GOVERNMENT SERVICE	B/C SEMI COMMERCIAL SERVICE OR BUSINESS	D/E COMMERCIAL SERVICE OR BUSINESS	F. COMMERCIAL ENTERPRISE
(heavily subsidised monopolistic bodies such as Dept. of Business and Consumer Affairs or Treasury)	(partly subsidised monopolistic or semi-competitive bodies such as STA or SRA)	(self sufficient monopolistic or semi competitive bodies such as the Water Board or Elcom)	(self sufficient competitive bodies such as GIO or State Bank)

1. PROCESS CONTROLS

1.1 General Comments

Organisations in this category receives more than half their operating income from the Consolidated Fund or tax based revenues.

The Ombudsman, being accountable to Parliament, is not subject to Ministerial policy direction. The Ombudsman's Office is akin to an independent department with only its resources controlled by Government.

Otherwise organisations in this category are subject to Ministerial direction and should be organised as Government Departments.

Organisations in this category receive more than half their income from client (ie user) charges, but still rely on the Consolidated Fund or tax based revenues for some income.

Organisations in this category are completely self funded from client charges.

The Auditor General, being accountable to Parliament, is not subject to Ministerial policy direction. The Auditor General's Office is akin to an independent department with only its resources controlled by Government.

Organisations in this category are completely self funded from client charges.

A. GOVERNMENT SERVICE

B/C SEMI-COMMERCIAL SERVICE OR BUSINESS

D/E COMMERCIAL SERVICE OR BUSINESS

F. COMMERCIAL ENTERPRISE

1.2 Appointment of Controlling Body

Not applicable for Government departments which are subject to the provisions of the Public Sector Management Act.

For some organisations (eg. Hospital Area Authorities, Art Gallery, State Library, Australian Museum etc) the Government, by legislation may partially delegate policy making to an expert Board with a structure resembling that of the Board of Semi Commercial Service or Business.

A Board consisting of between 5 and 10 members depending on size and nature of activity.

The Board composition might be:

- 1 Chairperson, part-time, independent, with business expertise and/or special knowledge;

- 1 Chief Executive Officer;

- 1 Departmental Officer;

- 3 Members, part-time, independent, with business expertise and/or special knowledge, (eg corporate law, industrial relations, marketing, etc).

- 1 Member, part-time, independent, representing consumers.

For government bodies servicing exclusively other government bodies, a board structure may not be necessary although a management committee drawing on expertise from the public and private sectors may be appropriate.

For government bodies servicing exclusively other government bodies, a board structure may not be necessary although a management committee drawing on expertise from the public and private sectors may be appropriate.

A Board consisting of between 5 and 10 members depending on size and nature of activity. Typical Board membership would be:

- 1 Chairperson, part-time, independent, with business expertise and/or special knowledge;

- 1 Chief Executive Officer;

A Board consisting of between 5 and 10 members depending on size and nature of activities. Typical Board membership would be:

- 1 Chairperson, part-time, independent, with business expertise and/or special knowledge;

- 1 Chief Executive Officer;

A. GOVERNMENT SERVICE

B/C SEMI-COMMERCIAL SERVICE OR BUSINESS

5 Members, part-time, independent, with business expertise and/or special knowledge. (One member may also be a departmental officer.)

Appointed by the Governor on the advice of Cabinet following the recommendation of the Minister.

CEO is accountable to the Minister. Where Minister has appointed a Board, the CEO is answerable to the Board which in turn is accountable to the Minister.

1.4 Ministerial Directions

Subject to Ministerial direction provided any direction would be in compliance with existing legislation. (Certain statutory appointments (e.g. Ombudsman) are not subject to Ministerial direction by the nature of the legislation.)

F. COMMERCIAL ENTERPRISE

5 Members, part-time, independent, with business expertise and/or special knowledge.

Appointed by the Governor on the advice of Cabinet following the recommendation of the Minister with the Board Chairperson as convener of selection committee.

The selection committee for the CEO should be drawn mainly from Board members.

Selection committee drawn exclusively from Board members.

CEO is accountable to the Board which is answerable to the Minister.

CEO is accountable to the Board which is answerable to the Minister.

The Minister should have power to issue directions to the Board. Where a direction results in any increase in total costs or reduction in total revenue, the Treasurer's concurrence should be sought beforehand as the level of subsidy will be affected.

The Minister should have power to issue directions to the Board. Where, as a result of any direction, there is an adverse impact on the organisation's profitability or competitive position (i.e. increased costs or reduced revenues):

1.3 Appointment of Chief Executive Officer (CEO)

A. GOVERNMENT SERVICE

Where a Ministerial direction results in any increase in total costs or reduction in total revenue, the Treasurer's concurrence should be sought beforehand as the level of Budget appropriation will be affected.

There should be no Ministerial direction in relation to staff appointments, with the exception of appointments to the Ministerial Unit.

B/C SEMI COMMERCIAL SERVICE OR BUSINESS

There should be no Ministerial direction in relation to staff appointments.

D/E COMMERCIAL SERVICE OR BUSINESS

- the Board should be able to request a review of these directions;
- such directions should be clearly disclosed at the time in the Government Gazette and later in the Annual Report;
- any material costs or reduction in revenue as a result of the direction should also be set out at the time in the Government Gazette and later in the Annual Report.

F. COMMERCIAL ENTERPRISE

- the Board should be able to request a review of these directions;
- such directions should be clearly disclosed at the time in the Government Gazette and later in the Annual Report;
- any material costs or reduction in revenue as a result of the direction should also be set out at the time in the Government Gazette and later in the Annual Report.

1.5 Formation of Subsidiaries and Trusts or New Ventures

Generally not applicable to departments but note that Treasury has issued a separate report on financial management arrangements for commercial activities in Departments.

Subject to Ministerial concurrence either on a case by case basis or by following standing guidelines previously approved by the Minister. If Consolidated Fund contributions or Government guarantees are involved, the Treasurer's concurrence should also be sought.

Subject to Ministerial concurrence either on a case by case basis or by following standing guidelines previously approved by the Minister. If Consolidated Fund contributions or Government guarantees are involved, the Treasurer's concurrence should also be sought.

Subject to Ministerial concurrence either on a case by case basis or by following standing guidelines previously approved by the Minister. If Consolidated Fund contributions or Government guarantees are involved, the Treasurer's concurrence should also be sought.

A. GOVERNMENT SERVICE	B/C SEMI-COMMERCIAL SERVICE OR BUSINESS	D/E COMMERCIAL SERVICE OR BUSINESS	F. COMMERCIAL ENTERPRISE
2. INPUT CONTROLS			
2.1 General Comments			
Heavy subsidisation justifies Government control over use of inputs.	Partial subsidisation justifies some external controls on use of inputs, otherwise extent of subsidy will be set by organisation rather than Government.	Financial self sufficiency justifies complete autonomy, but the lack of competitive market pressures and the difficulty of policing prices warrants some safeguards on excessive use of inputs.	Financial self sufficiency within a competitive market environment justifies complete autonomy in determining extent of inputs.
2.2 Staff Controls			
Salaries and conditions of service and staff establishments (including classifications and gradings) to be subject to determination in accordance with provisions of the Public Sector Management Act for public servants and comparable legislation for other specialist occupations e.g. nurses, teachers, police etc.			

A. GOVERNMENT SERVICE

Staff numbers control (i.e. average staff number and end of year staff ceiling) to be exercised by Treasurer.

B/C SEMI-COMMERCIAL SERVICE OR BUSINESS

Within general guidelines set by Treasurer (in case of staff ceilings) and the Public Employment Industrial Relations Authority (Industrial Authority) (in case of salary and wage levels and conditions of service).

D/E COMMERCIAL SERVICE OR BUSINESS

Within general guidelines set by Treasurer (in case of staff ceilings) and Industrial Authority (in case of salary and wage levels and conditions of service).

F. COMMERCIAL ENTERPRISE

In the case of bodies providing centralised services on a competitive basis to Inner Budget Sector Government Services, Treasury staff controls shall apply, but may be exceeded by up to, say, 20%, to satisfy client service demands.

2.3 Expenditure Controls

The Minister and Treasurer approve the recurrent budget. The Capital Works Ministerial Committee (CWMC) approves the capital budget.

The Minister should approve both the recurrent budget, which should be within the subsidy level approved by the Treasurer, and the capital budget for submission to the CWMC.

Board sets recurrent and capital Budget and submits the recurrent Budget to the Minister for information and the capital budget to the CWMC for approval.

Board sets recurrent and capital budgets and submits summary to Minister for information.

The Minister should delegate to the department head sufficient authority to incur expenditure at a level which will allow reasonable freedom to discharge activities within parameters set by annual budget appropriations.

The Minister and Treasurer should approve actions giving rise to substantial forward expenditure commitments.

Broad Government guidelines should apply to purchases of goods and services.

Broad, Government guidelines should apply to purchases of goods and services.

Contracts Control Board requirements to apply to procurements of goods and services.

A. GOVERNMENT SERVICE

2.4 Financing Controls

Borrowings will be allocated through Consolidated Fund appropriations.

Financial investments will be undertaken on department's behalf by Treasury, which manages all special deposits accounts.

B/C SEMI COMMERCIAL SERVICE OR BUSINESS

Borrowing should not exceed limit set by Treasurer in accordance with Loan Council.

Financial investments should be in accordance with Treasurer's directions.

D/E COMMERCIAL SERVICE OR BUSINESS

Borrowing should not exceed limit set by Treasurer in accordance with Loan Council.

Financial investments should be in accordance with Treasurer's directions.

F. COMMERCIAL ENTERPRISE

Borrowings should be free of controls to extent permitted by Loan Council (already the case with GIO and State Bank) and determined in accordance with Board guidelines.

Financial investments should be in accordance with Board guidelines.

3. OUTPUT CONTROLS

3.1 General Comments

The monopolistic position of the activity justifies complete Government control of all aspects of programs and pricing.

Although there may be some competition, competitors' price levels are likely to be higher than those of the subsidised authority/department. Hence competition does not necessarily ensure productive and allocative efficiency. Some controls should therefore apply to pricing, quantity, quality, range and distribution of program services/goods.

The absence of strong market competition warrants some control over pricing, quantity, quality, range and distribution of program services/goods.

Existence of strong market competition should ensure that goods/services are produced in quantity, quality, range and distribution consumers want at a fair price.

A. GOVERNMENT SERVICE

Departments which have activities which recover more than half their operating costs from client (ie user) charges should arrange with the Treasurer for such activities to be taken off budget and treated as distinct semi commercial or commercial operations.

The pricing policy of activities which do not fall in this category should be determined by the Minister and Treasurer when framing the annual budget.

B/C SEMI-COMMERCIAL SERVICE OR BUSINESS

- ii) does not attract business away from the private sector by using the subsidy to unfairly price;
- iii) ensures that the subsidy is justified in the light of benefits to the community at large (externalities), and the standard of services provided (reasonable standards).
- iv) ensures that the targeted subsidy level is not exceeded.

D/E COMMERCIAL SERVICE OR BUSINESS

- ii) recovers direct and indirect costs;
- iii) yields a rate of return on assets consistent with industry norms, risks and characteristics;
- iv) allows payment to the Consolidated Fund of:
 - a) the equivalent of all Commonwealth and State taxes and charges not otherwise payable by law;
 - b) a dividend;

F. COMMERCIAL ENTERPRISE

- ii) yields a rate of return on assets consistent with industry norms, risks and characteristics;
- iii) allows payment to Consolidated Fund of:
 - a) the equivalent of all Commonwealth and State taxes and charges not otherwise payable by law;
 - b) a dividend set in accordance with industry norms;
- v) limits cross-subsidisation between geographic areas and client groups. (N.B. Any significant cross-subsidisation should be identified in the Annual Report); and
- vi) provides effective competition in oligopoly situations, i.e. where there is more than one supplier.

A. GOVERNMENT SERVICE	B/C SEMI COMMERCIAL SERVICE OR BUSINESS	D/E COMMERCIAL SERVICE OR BUSINESS	F. COMMERCIAL ENTERPRISE
4. ACCOUNTABILITY CONTROLS			
4.1 State Budget Relationship	Inner Budget Sector, since subsidy more than 50% of organisation's operating income.	Outer-Budget Sector, since subsidised less than 50% of organisation's operating income.	Non-Budget Sector, since organisation (in most cases) not subject to Loan Council controls.
4.2 Accounting Arrangements	Subject to Public Finance and Audit Act. (Government accounting may apply e.g. cash basis, until Government formally introduces accrual accounting.)	Subject to Public Finance and Audit Act. (Commercial accounting applies e.g. accrual accounting.)	Subject to Public Finance and Audit Act. (Commercial accounting applies e.g. accrual basis.)
	For bodies (such as Auditor General) providing centralised services on a monopoly basis to Inner Budget sector departments, financial operations should be conducted through a Special Deposits Working Account.	For bodies (such as Auditor General) providing centralised services on a competitive basis to Inner Budget Sector departments, financial operations should be conducted through a Special Deposits Working Account.	For bodies (such as IAB) providing centralised services on a competitive basis to Inner Budget Sector departments, financial operations should be conducted through a Special Deposits Working Account.

A. GOVERNMENT SERVICE	B/C SEMI-COMMERCIAL SERVICE OR BUSINESS	D/E COMMERCIAL SERVICE OR BUSINESS	F. COMMERCIAL ENTERPRISE
4.3 Reporting Requirements Subject to Annual Reports Act requirements.	Subject to Annual Reports Act requirements.	Subject to Annual Reports Act requirements.	Subject to Annual Reports Act requirements.
4.4 Performance Targets A range of indicators relating to efficient use of resources and effective delivery of services/goods. Performance Agreement specifying major short term targets/tasks to be achieved by Department signed by CEO and Minister each year or more frequently. Corporate Strategic Plan specifying medium term mission, objectives, strategies, implementation timetable and performance indicators submitted to the Minister for approval at the start of each Government's term.	A range of indicators relating to efficient use of resources and effective delivery of services/goods. Performance Agreement specifying major short term targets/tasks to be achieved by Department/Authority signed by CEO/Board and Minister each year or more frequently. Corporate Strategic Plan specifying medium term mission, objectives, strategies, implementation timetable and performance indicators submitted to the Minister for approval at the start of each Government's term.	ii) Other key financial statistics, e.g. debt/equity, working capital, etc., compared with previous levels and planned achievements.	ii) Other key financial statistics e.g. debt/equity, working capital, etc., compared with industry norms.

F. COMMERCIAL ENTERPRISE

iii) Measures of efficiency of resource usage and market share compared with industry norms.

Corporate Strategic Plan specifying medium term mission, objectives, strategies, implementation timetable and performance indicators submitted to the Minister for approval at the start of each Government's term.

D/E COMMERCIAL SERVICE OR BUSINESS

iii) Measures of efficiency of resource usage compared with previous levels and planned achievements.

iv) Consumer satisfaction measures.

Corporate Strategic Plan specifying medium term mission, objectives, strategies, implementation timetable and performance indicators submitted to the Minister for approval at the start of each Government's term.

i) Management Strategy Reviews;

ii) Internal audits

i) Public Accounts Committee;

ii) Management Strategy Reviews;

iii) Internal audits.

B/C SEMI COMMERCIAL SERVICE OR BUSINESS

i) Public Accounts Committee;

ii) Management Strategy Reviews;

iii) External Efficiency Audits;

iv) Internal Program performance evaluation;

v) Internal audits

A. GOVERNMENT SERVICE

4.5 Performance Reviews

i) Public Accounts Committee;

ii) Management Strategy Reviews;

iii) External Efficiency Audits;

iv) Internal Program performance evaluation;

A. GOVERNMENT SERVICE

**B/C SEMI-COMMERCIAL
SERVICE OR BUSINESS**

**D/E COMMERCIAL SERVICE OR
BUSINESS**

F. COMMERCIAL ENTERPRISE

4.6 Financial Audits

Auditor General

Auditor General

Auditor General

Auditor General, but perhaps subcontracting task to specialist private auditor familiar with industry commercial practices.

Appendix B: Classification of Government Owned Organisations
for the Purpose of Determining Application
of Government Controls

No Output Controls Output Controls	COMPETITIVE			F COMMERCIAL ENTERPRISE	Self Sufficient (Outer and Non Budget Sectors) No Input Controls	
	PARTLY COMPETITIVE			C SEMI COMMERCIAL SERVICE		Partly Subsidised (Outer Budget Sector)
				B SEMI GOVERNMENT SERVICE		
MONOPOLISTIC			A GOVERNMENT SERVICE	Mainly Subsidised (Inner Budget Sector) Input Controls		

11.3 GLOSSARY OF TERMS USED IN BUDGET PAPERS

Accrual accounting: Accrual accounting is the recognition of revenue and expenditure items as they are earned or incurred respectively (and not as money is received or paid) and included in the financial statements in the year to which they relate. The New South Wales Budget, as with those of the other States and the Commonwealth, has traditionally been presented largely on a cash basis.

Commencing in the 1990–91 Budget, New South Wales is phasing in the transition to accrual accounting and budgeting for the Inner Budget Sector.

Activity: A group of tasks which contributes towards the achievement of the objectives of a program.

Advance to the Treasurer: The sum appropriated to the Treasurer under the Appropriation Act as an advance to allow for supplementary payments of an unforeseen nature for the ordinary annual services of government. Actual expenditures charged against this item are recorded against appropriate departmental items and are accounted for to Parliament in the following year's Appropriation Act.

Advances repayable to the State from external sources: Repayable advances made from State funds to statutory bodies whose funds are not included in the Treasurer's accounts.

Allocative efficiency: The production of goods and services by an organisation at levels consistent with the mix of goods and services which will yield maximum consumption benefits to society over time. Allocative inefficiency may occur because of monopoly power (overcharging) or price controls (under charging).

Annual interest liability: Interest payable on the State's loan liability.

Appropriateness: A term used in program performance evaluation to denote whether a program's stated objectives adequately address real community needs and the Government's policy priorities.

Appropriation Act: The Act passed by Parliament each year authorising the payments out of the Consolidated Fund for recurrent and capital purposes.

Appropriations – Annual: Amounts which may be spent from the Consolidated Fund under the authority of an annual Appropriation Act during the period 1 July to 30 June.

Appropriations – Special: Continuing expenditure authorised by specific acts (e.g. the salaries of Judges; payments on account of the State's loan liability to the Commonwealth). Such appropriations are now included under annual appropriations.

Assets: General term covering financial resources (cash, securities, etc), physical items (property, plant and equipment, etc) or intangibles (patents, trademarks, etc) capable of providing a future benefit to the organisation either by use or sale. Minor stores, etc would be excluded from this concept.

Auditor-General: A statutory office established under the Public Finance and Audit Act 1983 to oversight and report to Parliament on the Public Accounts and the accounts of departments and authorities.

Average Staffing: An estimate of average monthly staff employed over the course of the whole financial year, expressed in terms of average full-time equivalent numbers.

Balance of payments: A statement recording Australia's economic transactions with the rest of the world. It is divided into two parts – the current account and the capital account.

The current account records exports and imports of goods and services (the balance of trade), income and "unrequited" transfers (i.e. transactions, such as foreign aid and private gifts, for which no offsetting goods or services or payments are received). The balance on current account is the net sum of these transactions. It is in deficit (surplus) when payments abroad exceed (are less than) receipts during the period under review.

The capital account records transactions which affect Australia's foreign assets and liabilities, including foreign investment, overseas borrowings and loans, and changes in Reserve Bank of Australia foreign currency reserves. By definition, any deficit (surplus) on the current account is, adjusted for errors and omissions, always offset by an equal surplus (deficit) on the capital account.

Borrowings: Refers to any form of debt incurred where there is an obligation to repay over a fixed term.

Borrowings guaranteed by the State: Loans guaranteed by the State in accordance with specific Acts.

Borrowing/Lending facility: Procedures whereby (i) organisations which overspend their allocation for a particular year are required to fund that excess by a reduction in future years' allocations or (ii) organisations which underspend in a year may carry those savings forward to a future year.

Budget: The several Budget Papers including Estimates of revenue and payments of the Consolidated Fund and the Appropriation Bill.

Budget Estimates: Summarised and detailed dissections of estimated revenue and amounts which may be expended by departments and statutory bodies, in the budget sector, on recurrent services and capital works and services from the Consolidated Fund (under authority of the annual Appropriation Act or specially appropriated under other Acts), or from sources other than the Consolidated Fund.

Budget Sector (Inner and outer): Departments and certain statutory bodies which appear in the Consolidated Fund Estimates and/or the Capital Program (also see main text).

Capital revenue and payments (works and services): Consolidated Fund revenue or payments for works of a permanent character such as schools and other public buildings. Revenue includes the State's share of new loans raised by the Commonwealth, payments for specific capital purposes, proceeds of the sale of assets and repayments by authorities.

Cash accounting: In contrast to accrual accounting, only takes into account cash payments to be made and cash receipts to be received during the year. It does not take into account liabilities and debts arising during the year, but not settled at the end of the year.

Commercialisation: The process of making certain Inner Budget Sector activities more financially self sufficient in order to reduce the level of support from the Consolidated Fund.

Where activities have outputs that constitute saleable services or goods, these have sometimes been provided to the public and/or to public sector bodies either without charge or at less than full cost. In the interests of efficient use of resources, full pricing should be charged for saleable goods and services, with subsidised prices being reserved to meet explicit social objectives of the Government.

Accordingly departments are permitted to operate commercial activities (that is, activities that are self funding), separately from their Budget funded programs. Earnings from commercial activities are retained in a departmental working account and not paid into the Consolidated Fund. The arrangement is subject to full accrual accounting for the operation of such activities and the payment of dividends from profits achieved.

Commercial Business: A self-sufficient semi competitive body such as the TAB or the Electricity Commission.

Commercial Enterprise: A self-sufficient fully competitive body such as the State Bank or the GIO.

Commercial Service: A self-sufficient monopolistic body such as the Sydney Water Board.

Consolidated Fund: An account of governmental revenue and payments of departments and certain authorities within the inner budget sector. Payments out of this Fund can only be made under Parliamentary authority.

Consumer Price Index (CPI): A measure of the prices of a basket of goods and services representing household expenditure patterns. Changes in the CPI are intended to broadly indicate changes in the cost of living.

Corporate Plan: The systematic internal planning document which gives direction to an organisation's operations and provides a basis for monitoring its performance. It outlines the organisation's mission or reason for existence; clear objectives which define what is to be achieved; and specific strategies which outline how the objectives will be satisfied. Supplementary Divisional or Operating Plans serve as working documents, detailing implementation tasks to be undertaken and specifying for each the officer or section having responsibility as well as the timetable for implementation. Performance indicators are also included to facilitate measurement of performance.

The Corporate Plan provides a focus for medium to longer term development. It enables the organisation to concentrate on its priorities and ensures that there is a consistency of purpose throughout the organisation.

Corporatisation: Corporatisation is the application of market disciplines to a Government Trading Enterprise (GTE) to improve its productive and allocative efficiency. The five requirements of corporatisation are: clear and consistent management objectives; management autonomy and authority; independent performance monitoring; managerial rewards and sanctions; and competitive neutrality (i.e. removal of special advantages and disadvantages stemming from public ownership).

Currency depreciation: The reduction in the value of one country's currency against another country's. The actual measurement of the size of the depreciation occurs through movements in the exchange rate.

Currency swaps: The exchange by two parties of their respective loan obligations, generally in different currencies. Following the swap the two parties are responsible for the servicing of their new obligations.

Deficit: General term used to describe an excess of Government expenditure over revenue. Its definition varies between different States. In New South Wales, usage of the term in describing the Budget result is based on international conventions for presenting public finance statistics (e.g. in the case of borrowings, these are not included as revenue, but as a "below the line" financing transaction).

Dividend: A share of profits payable to the Consolidated Fund by Government Commercial Services, Businesses and Enterprises.

Drawing Accounts: Official bank accounts to enable payments to be made by departments before being charged to Treasury ledger accounts.

Economy: When used in the context of program performance evaluation, this means keeping inputs (i.e. resources) to the minimum necessary to provide an adequate program service.

Effective Full-Time Staff (EFT): Staff numbers derived by adding to full-time staff the full-time equivalent of any part-time staff.

Effectiveness: A term used in program performance evaluation to denote whether a program's stated objectives are being achieved.

Efficiency: See Allocative Efficiency and Productive Efficiency. Efficiency is a term frequently used in the context of program performance evaluation.

Employee Related Payments: A classification of expenditure for dissection of program costs relating to the costs of employing staff including allowances, overtime payments for leave on retirement and resignation, worker's compensation, employer superannuation contributions, meal allowances, payroll tax and fringe benefits tax.

Enhancement: Expenditure above maintenance level that provides a real increase in the level of existing services or the addition of new services.

Equity: The value of the interest held by the owners in the assets of an organisation as represented by the value of the assets of the organisation less external liabilities (e.g. borrowings from outside bodies).

Estimates: See Budget Estimates.

Exchange rate: The exchange rate is the value of one country's currency, compared to one unit of another country's currency (e.g. \$1 in Australian currency = \$0.75 of United States currency).

Financial Agreement: An agreement between the Commonwealth and State Governments controlling the borrowing arrangements of those Governments.

Expenditure Review Committee: A committee of Cabinet consisting of the Premier and Treasurer, the Deputy Premier, the Minister for Business and Consumer Affairs and the Minister for Transport, which oversees Budget strategy and implementation.

Financial Assistance Grant: The general revenue grant payable to the State by the Commonwealth – originally based on reimbursement to the State for withdrawing from the income tax field.

Fiscal policy: The name given to all measures and policies announced in the Budget. The name also applies to any other measures whose impact is felt through any increase or decrease in government spending or revenue raising (i.e. taxation).

Forward contracts: Contracts entered into for the purchase or sale of foreign currency at a future date at a predetermined price.

Forward estimates: A key aspect of changes introduced for the 1989–90 Budget (see also Global Budgeting and Target Budgeting).

The forward estimates are for Consolidated Fund recurrent expenditure and cover a rolling period of three years. They exclude capital expenditure and expenditure from funding sources other than those passing through the Consolidated Fund. The reason for the latter exclusion is that the focus is on expenditure financed from taxes, fines and levies excluding, in the main, user charges.

Global borrowings: The Loan Council sets an annual limit on borrowings that can be raised by State authorities other than State financial and marketing authorities. In New South Wales, borrowings within the global limit are raised by the NSW Treasury Corporation.

Global budgeting: System allowing departments much greater freedom to alter spending patterns between expenditure categories and line items (salaries, maintenance, etc) and programs, provided they live within their total budgets and staff ceilings. Moreover, greater flexibility in expenditure patterns will be allowed within the limits applying at the service delivery level such as schools and health services. Ministers may seek to "borrow" from following years allocations or "lend" forward to following years up to 2 per cent of their allocations. For full details refer to Section 11.1.

Global limit: The annual limit set by the Loan Council on borrowings that can be raised by State authorities other than State financial and marketing authorities. In New South Wales borrowings within the global limit are raised by the NSW Treasury Corporation.

Government employment: The term used to describe the total employment in all sub-sectors of the NSW Public Sector. As enumerated by the Treasury it relates to all paid staff, excluding only employees under Commonwealth special employment schemes, measured on an effective full time basis – see under effective full-time staff, above.

Compared with data published by the Australian Bureau of Statistics (which must be used for interstate comparisons) Treasury excludes staff of Universities, CAEs, Pasture Protection Boards, the colliery companies operated by the NSW Electricity Commission and a few other small organisations. However a large number of staff employed in religious and charitable hospitals financed by the State are included in the Treasury (by agency) figures.

Treasury collects data as at the end of each month, whereas ABS figures are for a specified pay period. The ABS data is based on a head count which exaggerates the effect of part time staff. Average whole year data is also published by Treasury for the Inner Budget Sector.

Government Service: Heavily subsidised monopolistic bodies such as the Department of Business and Consumer Affairs or central agencies such as the Treasury.

Government Trading Enterprise: A unit within the public sector that produces goods or services which are, or could be, sold or tendered in the market place without compromising the Government's economic or social objectives. GTE's include not only organisations engaged in trading activities, but also organisation which provide subsidised community services on a contractual basis.

Grants and subsidies: A classification of expenditure for dissection of program costs; generally applying to payments to assist voluntary bodies and firms in the business sector.

Gross Domestic Product (GDP): The value of all goods and services produced in the Australian economy. When expressed in constant price terms, GDP measures the total volume of output (e.g. production of 1 unit in one year, and 1.1 unit the following year will mean a 10% increase). When measured in current price terms, GDP measures the total dollar value of production.

Gross State Product (GSP): A measure of the value of total production and income in the State economy and hence the State equivalent of GDP.

Hedging techniques: Techniques employed to protect against foreign exchange risks. Hedging instruments include currency swaps and forward contracts.

Implicit price deflator: A means of expressing current price values in "real" or constant price terms. Obtained by dividing aggregate flows of goods and services measured at current prices by the corresponding estimates at constant prices. Thus they are derived measures (hence the term "implicit"). They are not normally direct measures of price changes by which current price estimates are converted to estimates at constant prices, and at times their movement can be significantly influenced by compositional changes within the aggregate concerned.

Incorporation: Establishment as a company under the Companies Code. In the State public sector context, a component of the corporatisation process.

Indebtedness to the Commonwealth outside the Financial Agreement: Repayable advances from the Commonwealth to the State for specific projects.

Inflation: The name given to any general upward movement in prices, as measured by a price index such as the Consumer Price Index (CPI).

Other, more specialised, price indices include the GDP deflator, wholesale prices indices and import and export price indices.

Inner Budget Sector: Government entities whose revenue and payments generally pass through the Consolidated Fund and are, in the main, funded from the Budget (i.e. taxes or Commonwealth payments) without significant income from user charges.

Interest rate swaps: The exchange by two parties of their respective interest rate obligations. Following the swap the two parties are responsible for the servicing of their new obligations.

Labour force: The number of persons in the civilian population (i.e. non-Defence Forces) aged 15 years and over, who are classified as either "working" or "looking for work".

The participation rate is the percentage of the total civilian population aged 15 years and over represented by the labour force.

The "labour force" then represents those who are employed and those who are unemployed. It excludes most students, retired people, housewives and "discouraged workers" who are not usually considered as unemployed because they are not actively seeking work.

Liabilities: Claims against the Government by those from whom it has borrowed or otherwise owes money.

Line Items: Individual allocations specified under the "Grants and subsidies" and "Other services" expenditure categories of departmental budgets. Departments are also required to keep separate accounting records for individual line items under the "Employee related payments" and "Maintenance and working expenses" categories (e.g. for overtime, rent, fees for services rendered); under global budgeting, specific budget allocations are not made for line items within these two expenditure categories.

Loan Council: Consists of representatives of the Commonwealth and the States established for the purpose of the orderly management of Commonwealth and State debt and borrowings. (See also Premiers' Conference.)

Loan Liability to the Commonwealth: The indebtedness to the Commonwealth for the State's share of loan raisings in terms of the Financial Agreement.

Maintenance: Level of expenditure necessary to provide the existing level of real resources used by a Budget organisation. Expenditure above this level is referred to as enhancement(s).

Maintenance and working expenses: A classification of expenditure for dissection of program costs relating to the running expenses (travel, rent, stores, etc.) of departments.

Ministerial Head: The highest level at which funds are appropriated under the Appropriation Act.

Monetary policy: The name given to all measures and policies designed to affect the supply and demand for money, and thereby, interest rates. These policies are usually administered and implemented by the Reserve Bank of Australia in consultation with the Federal Treasurer.

National accounts: A systematic summary and analysis of the economic transactions taking place within Australia.

National accounts budget format: General term describing the presentation of the Budget or public sector finances in terms of international statistical conventions.

National Debt Sinking Fund: The fund established under the Financial Agreement for repayment of the State's loan liability to the Commonwealth.

Net appropriation budgeting: A method of budgeting whereby the Consolidated Fund is sourced from only State taxes, Commonwealth payments, regulatory fees, fines and GTE dividends. Under this form of budgeting, user charges are retained by agencies and not paid into the Consolidated Fund. Hence appropriations from the Consolidated Fund represent the gross outlays of agencies less proceeds from user charges. In other words, appropriations are "net" of user charges.

Net Public Sector Financing Requirement: For the State, represents the level of its "cash" outlays which needs to be financed from sources other than State own source revenues and Commonwealth grants and advances. It represents the direct call of the State public sector on the savings of the rest of the economy. The NPSFR of the State is defined as State outlays (both current and capital outlays less any increase in provisions for such items as depreciation and employee entitlements like superannuation and long service leave), less revenue (including taxes, fees fines, property income, net advances from other governments and grants received).

Net advances received are included in State revenue when calculating the NPSFR to avoid double counting between different tiers of government. Net advances from other governments represent **their** call on the savings of the rest of the economy, not the NSW Government's call on such savings.

The NPSFR consists of increases in financial liabilities (such as net borrowings) less increases in financial assets (such as bank deposits and fixed interest securities) with the private sector and other governments.

Niemeyer Statement: A monthly statement of functional operations on the Consolidated Fund and the balances of cash and securities held by the Treasurer.

Non Budget Sector: Statutory bodies which are both financially self sufficient and fully competitive and as such do not appear in the Budget Estimates or the Capital Program, e.g. State Bank, Government Insurance Office.

Organisational unit: Generally, an administrative unit (department) or declared authority (certain statutory bodies) within the terms of the Public Sector Management Act and within the budget sector. Also includes the Legislature. It is the lowest level at which funds are specifically allocated under the Appropriation Act.

Other revenue: A classification of revenue in the Consolidated Fund that can not be readily classified under other standard revenue headings.

Other services: A classification of payments for dissection of program costs which can not be readily classified under other standard payment headings.

Outer Budget Sector: Government entities that are predominantly funded from user charges (i.e. self funding) but which are not subject to full competition from alternative sources of supply.

Payments under Section 22, Public Finance and Audit Act 1983: Consolidated Fund payments determined by the Treasurer, with the approval of the Governor, to provide for unforeseen expenditures considered to be in the public interest. Payments under this authority are approved retrospectively by Parliament in the following year's Appropriation Act.

Performance Agreement: The formal undertaking between the Department Head and the responsible Minister that particular special projects and initiatives will be undertaken over a six month period within financial and staffing budgets. Whenever possible quantifiable performance targets to be achieved during the period are also included in the Agreement.

The Performance Agreement facilitates measurement of short term performance. The items included within it should be consistent with the Department's mission, objectives and strategies and generally they represent a subset of the Corporate Plan's implementation tasks.

Plant and equipment: A former classification of expenditure for dissection of program costs, relating to the acquisition of major items of plant and equipment. Now included in Capital Payments if the value of the item exceeds \$5,000 and the productive life exceeds 12 months.

Policy area: A broad aggregation of policy sectors representing the main areas of government endeavour.

Policy sector: A grouping of related programs representing a particular function of government.

Portfolio savings: Reduction in expenditure achieved through the elimination or reduction of specific activities or programs.

Premiers' Conference: Annual meeting of all State Premiers with the Prime Minister to discuss issues of intergovernmental concern and set financial arrangements between levels of government.

Privatisation: Privatisation is the transfer of activities or ownership of assets and operations from the public sector to the private sector.

There are a number of forms of privatisation, although the sale of Government businesses as going concerns is the form most commonly considered. Other means of achieving privatisation include leasing of assets, franchising arrangements and the contracting out of services.

Productive efficiency: The production of a set amount of goods and services by using the least possible amount of resources (in value terms). Productive efficiency depends essentially on the quality of management performance in day to day operations and in making investment decisions.

Productivity dividends: Reduction in expenditure achieved through increased efficiency while maintaining service levels.

Program: A grouping of activities to achieve a particular goal.

Program area: A grouping of programs with related goals within the same organisational unit.

Program budgeting: A budgetary system in which spending is classified according to the purposes (objectives) to be accomplished.

Program performance evaluation: Assessment of appropriateness, effectiveness, efficiency and economy of a budget program or activity. Program performance evaluations are undertaken by Government organisations in accordance with a methodology and guidelines developed by the Office of Public Management. External evaluations (called Efficiency Audits) may be undertaken by that office.

Program revenue: Revenues of an ancillary nature generated by a program and paid into the Consolidated Fund.

Protected Items: Items in the Budget, expenditure on which is determined largely by factors external to the department (e.g. numbers of eligible pensioners). Supplementation for these items is provided to departments if needed without requiring "borrowing" from future years' allocations.

Public Accounts: The annual financial statements prepared by the Treasurer in terms of section 6, Public Finance and Audit Act 1983.

Public Accounts Committee: A Committee of five members of the Legislative Assembly appointed under the provisions of the Public Finance and Audit Act 1983, which is empowered to examine the financial administration of departments and bodies within the State Public Sector. The Committee reports to the Legislative Assembly.

Public Authorities (Financial Arrangements) Act 1987: The principal legislation governing the borrowing and investment powers of public authorities (as defined by the Act) and the provision of guarantees in respect of such borrowings.

Public Finance and Audit Act 1983: The principal legislation dealing with the State's financial administrative machinery including provision for independent audit by the Auditor-General and review by the Public Accounts Committee.

Rate of return: A measure of the financial performance of an organisation derived by expressing income (after all expenses but before interest and taxes) as a proportion of the asset base (or a component of the asset base) of the organisation.

Recurrent Revenue and Payments (services): The on-going revenue and payments of government departments and authorities contained within the budget sector including payments to the State by the Commonwealth under financial assistance grant arrangements.

Section 26, Public Finance and Audit Act 1983: Authorises the Treasurer to amend the revenue and expenditure estimates after the Budget is passed, to reflect changes in the level of Commonwealth specific purpose payments provided to the State.

Semi Commercial Business: A partly subsidised semi competitive body such as the SRA and STA.

Semi Commercial Service: A partly subsidised monopolistic body such as the Broken Hill Water Board.

Semi Government Authority: An agency representing the Crown and set up under its own Statute.

Certain authorities are included in the inner budget sector, on the basis that they are funded mainly from Consolidated Fund (for example the Ethnic Affairs Commission).

Others such as the Electricity Commission and the Water Board are in the outer Budget sector with their recurrent services funded mainly from their own charges. The capital programs of outer budget sector authorities are included in the State Capital Program as non Consolidated Fund payments.

Both of the above types of authorities are subject to Ministerial direction, the Public Finance and Audit Act 1983 and audit by the Auditor-General. The Annual Reports (Statutory Bodies) Act 1984 and accrual basis accounting apply.

Universities, colleges of advanced education, marketing authorities, State Bank and the Government Insurance Office belong to the non budget sector.

Some authorities in this group are not subject to Ministerial direction, but subject to the Public Finance and Audit Act 1983 (although not in all cases to Directions issued under that Act) and audit by the Auditor-General. Annual Reports (Statutory Bodies) Act 1984 applies and accrual accounting is generally adopted.

Service-wide payments: Payments for common services such as superannuation and debt costs that are met on behalf of Departments by a central agency or other Department. In 1988-89 and 1989-90, such payments were allocated directly to Departments in the areas of pay-roll tax, accrued leave, superannuation (employer contribution) Public Service notices, cleaning services, technical services, Land Titles Office fees and Valuer-General's fees. This is an application of the user pays principle.

Sinking fund: A fund established to repay debt by means of regular payments into the fund until all moneys owing are repaid from the fund contributions and accumulated interest earnings.

Special Deposits Account: An account of funds which the Treasurer is, by statutory or other authority, required to hold other than in the Consolidated Fund; money directed to be paid to that account under any Act and money which the Treasurer directs to be paid to that account.

Specific purpose payments: In addition to general purpose revenue payments to the States, the Commonwealth Budget also makes provision for payments to the States which must be used for specific purposes. The authority for such payments is Section 96 of the Australian Constitution.

The conditions attached to the specific purpose payments may give the States some discretionary control as to the way in which they are spent (e.g. grants for government schools) or they may simply involve the State as a "paying agent" (e.g. recurrent grants for non-government schools, universities and colleges of advanced education).

The purpose specified may be of a capital or a recurrent nature and the payment to the State may be either a grant (i.e. non-repayable) or an advance (i.e. repayable). Where payments are on a "matching" basis with expenditure from the State's own resources, they are generally subject to a limitation in terms of the amount provided by the Commonwealth.

Staff ceilings: Average staff number is the average staffing level (including casual staff and temporary assistance) that cannot be exceeded by an inner Budget sector organisation over the financial year.

End of year staff ceiling is the maximum staff number (including casual staff and temporary assistance) that an inner Budget sector organisation can have employed at 30 June.

State instrumentalities contributions: Contributions to the Consolidated Fund by Government Trading Enterprises and State Owned Corporations.

Statutory body (or authority): An agency representing the Crown and set up under its own Statute.

State owned corporations: Public sector authorities that have been corporatised and established as companies under the State Owned Corporations Act.

Supplementation: The provision of additional Consolidated Fund money to an organisation after the Budget is presented. This provision may be from the Treasurer's Advance or under section 22 of the Public Finance and Audit Act – in either case, Parliamentary approval is required in the following year's Appropriation Act.

Except for protected items, organisations exceeding their budget allocation are now supplemented on the basis that they will "borrow" from following years' allocations to cover the over-expenditure.

Supply: An Act that permits payments out of the Consolidated Fund pending passing of the annual Appropriation Act.

Target budgeting: Alternative term for the forward estimates procedures.

Tax: A compulsory payment to a government or government sponsored entity not resulting in a direct benefit to the payer. One's taxes include regulatory fees and fines.

Terms of trade: The term given to the ratio of prices received for exports to the prices paid for imports; both prices being expressed in domestic currency. In recent years Australia's export price index has fallen, while its import price index has risen. This has meant a deterioration in our terms of trade.

Total payments: Estimated amounts that will be expended by inner budget sector organisations from all funding sources, including the Consolidated Fund, Special Deposit Accounts and Trust Funds.

Trade-weighted Index: The average value of the Australian dollar vis-à-vis a basket of currencies of Australia's leading trading partners.

Treasurer's Directions: Directions issued by the Treasurer, under section 9 of the Public Finance and Audit Act 1983, covering accounting practices and procedures of departments and those statutory bodies not specifically exempted from the Directions.

Unemployment rate: The percentage of the labour force classified as unemployed.

User charges: A user charge is a payment to a producer for the voluntary acquisition of a particular good or service of direct benefit to the user.