

C. VARIATIONS ON REVISED 2017-18 BUDGET

C.1 Revised 2017-18 Budget

The revised budget result for 2017-18 is a surplus of \$3.3 billion compared to a forecast surplus of \$2.7 billion at the time of the 2017-18 Budget.

Total revenue in 2017-18 is estimated to be \$79.8 billion, which is \$42.9 million lower than the Budget forecast of \$79.9 billion.

Total expenses in 2017-18 are estimated to be \$76.5 billion, which is \$676.8 million lower than the Budget forecast of \$77.2 billion.

C.2 Operating statement

Total revenue in 2017-18 is projected to be lower than forecast at the time of the 2017-18 Budget, reflecting lower transfer duty and lower interest income. This decrease is partially offset by increases in other revenues, primarily higher payroll tax revenue as a result of strong NSW employment growth and an upward revision of land tax revenue as a result of new land valuations.

Expenses in 2017-18 are forecast to be lower than estimated at the time of the 2017-18 Budget. This is primarily due to parameter and other budget variations, including:

- reprofiling of expenditure across the forward estimates to better align with planned activity
- reduced interest expenses due to lower interest rates and lower debt restructuring costs.

This decrease in expenses is partially offset by \$91.5 million in new policy measures in key areas including regional roads, household affordability and regional development.

The reduction in 2017-18 expenditure is more than offsetting the decrease in revenue, with the revised 2017-18 budget result higher than estimated at the time of the 2017-18 Budget.

C.3 Balance sheet

The State's net worth is expected to increase since the 2017-18 Budget. This is largely driven by higher financial investment balances, and equity investments in other public sector entities.

Forecast increases in non-financial assets largely reflect assets previously carried at nil value being brought to account for the first time as at 30 June 2017. This is partially offset by an increase in forecast liabilities since the Budget, reflecting increases in payables and other liabilities.

Net debt has also improved compared to Budget, reflecting the improvement in the 2016-17 actual budget result.

C.4 Cash flow statement

The state's forecast cash deficit has improved since the time of the Budget. This is primarily driven by the revised timing of the State's capital program and improved actual budget result. Cash invested in Restart NSW from previous asset sales continues to generate investment returns allowing greater reinvestment into productive infrastructure.

Table C.1: General government sector operating statement

	2016-17	2017-18		Variance	Variance	4 Months to
	Actual	Budget	Revised			Actual
	\$m	\$m	\$m			\$m
Revenue from Transactions						
Taxation	30,789	31,560	31,411	(149)	(0.5)	10,065
Grants and Subsidies						
- Commonwealth General Purpose	17,202	17,592	17,700	107	0.6	5,851
- Commonwealth Specific Purpose Payments	9,435	9,824	9,719	(105)	(1.1)	3,197
- Commonwealth National Partnership Payments	4,121	3,470	3,580	110	3.2	327
- Other Commonwealth Payments	0	251	253	2	0.7	107
- Other Grants and Subsidies	592	723	336	(386)	(53.4)	307
Sale of Goods and Services	8,159	8,976	9,012	36	0.4	2,725
Interest	769	413	366	(47)	(11.4)	181
Dividend and Income Tax Equivalents from Other Sectors	1,102	1,620	1,703	83	5.1	568
Other Dividends and Distributions	1,267	1,016	1,142	126	12.4	213
Fines, Regulatory Fees and Other	4,703	4,439	4,620	181	4.1	1,542
Total Revenue from Transactions	78,139	79,885	79,842	(43)	(0.1)	25,084
Expenses from Transactions						
Employee	30,585	31,483	31,165	(318)	(1.0)	10,358
Superannuation						
- Superannuation Interest Cost	1,334	1,465	1,480	15	1.0	489
- Other Superannuation	2,992	3,009	3,018	10	0.3	970
Depreciation and Amortisation	4,614	4,937	4,946	8	0.2	1,565
Interest	2,149	2,094	2,028	(66)	(3.1)	643
Other Operating	18,312	19,627	19,469	(158)	(0.8)	5,907
Grants, Subsidies and Other Transfer Expenses	12,565	14,571	14,403	(168)	(1.2)	4,271
Total Expenses from Transactions	72,551	77,186	76,510	(677)	(0.9)	24,203
Transactions from Discontinuing Operations	136	...	...	...	...	...
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	5,724	2,698	3,332	634	23.5	880

Table C.1: General government sector operating statement (cont)

	2016-17		2017-18		4 Months to 31/10/2017	
	Actual	Budget	Revised	Variance	Variance	Actual
	\$m	\$m	\$m	\$m	%	\$m
Result						
Gain/(Loss) from Other Liabilities	367	159	166	6	4.0	(51)
Other Net Gains/(Losses)	12,444	236	229	(7)	(3.0)	835
Share of Earnings from Associates (excluding Dividends)	48	6	69	62	980.1	36
Dividends from Asset Sale Proceeds	115	193	137	(56)	(29.0)	(0)
Allowance for Impairment of Receivables	(84)	(38)	(37)	1	(2.4)	(3)
Deferred Income Tax from Other Sectors	(2,521)	(11)	(1)	10	(91.5)	(0)
Others	916	81	83	2	2.7	28
Discontinuing Operations - Other Economic Flows	...	...	...	...	...	...
Other Economic Flows - included in Operating Result	11,285	627	646	19	3.0	845
Operating Result	17,009	3,326	3,978	653	19.6	1,725
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified to Operating Result	14,725	8,453	14,802	6,350	75.1	2,517
Revaluations	2,354	4,054	7,156	3,102	76.5	19
Share of Earnings from Associates from Revaluations	361	...	(2)	(2)	...	...
Superannuation Actuarial Gain/(Loss)	12,011	4,316	7,466	3,150	73.0	2,498
Deferred Tax Adjustment through Equity	...	83	183	100	120.5	...
Items that may be Reclassified Subsequently to Operating Result	4,434	1,160	2,335	1,175	101.2	1,845
Net Gain/(Loss) on Equity Investments in Other Sectors	4,381	1,194	2,672	1,478	123.8	1,832
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(0)	...	0	(100.0)	1
Other	53	(33)	(337)	(304)	919.8	11
Other Economic Flows - Other Comprehensive Income	19,160	9,613	17,137	7,524	78.3	4,361
Comprehensive Result - Total Change in Net Worth ^(a)	36,169	12,939	21,116	8,177	63.2	6,087
Key Fiscal Aggregates						
Comprehensive Result - Total Change in Net Worth ^(a)	36,169	12,939	21,116	8,177	63.2	6,087
Less: Net Other Economic Flows	(30,445)	(10,240)	(17,783)	(7,543)	73.7	(5,207)
Equals: Budget Result - Net Operating Balance	5,724	2,698	3,332	634	23.5	880
Less: Net Acquisition of Non-Financial Assets						
Purchases of Non-Financial Assets	10,419	14,325	14,195	(131)	(0.9)	3,361
Sales of Non-Financial Assets	(3,500)	(526)	(536)	(10)	1.8	(95)
Less: Depreciation	(4,614)	(4,937)	(4,946)	(8)	0.2	(1,565)
Plus: Change in Inventories	7	(22)	(19)	3	(15.3)	3
Plus: Other Movements in Non-Financial Assets						
- Assets Acquired Using Finance Leases	127	190	130	(59)	(31.2)	42
- Other	245	116	103	(13)	(11.0)	105
Equals: Total Net Acquisition of Non-Financial Assets	2,684	9,146	8,929	(217)	(2.4)	1,851
Equals: Net Lending/(Borrowing) [Fiscal Balance]	3,040	(6,447)	(5,597)	851	(13.2)	(971)
OTHER FISCAL AGGREGATES						
Capital Expenditure ^(b)	10,546	14,515	14,325	(190)	(1.3)	3,403

(a) 'Total change in net worth' is before transactions with owners as owners, and before revisions to equity from changes to accounting policies. Therefore, it may not equal the movement in balance sheet net worth.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table C.2: General government sector balance sheet

	June 2017		June 2018		Variance	Variance	4 Months to
	Actual	Budget	Revised				31/10/2017
	\$m	\$m	\$m	\$m			%	Actual
Assets							
Financial Assets							
Cash and Cash Equivalents	8,731	2,494	1,104	(1,391)	(55.8)		3,664
Receivables	6,216	5,544	6,602	1,058	19.1		7,077
Tax Equivalents Receivable	91	109	52	(56)	(51.8)		81
Investments, Loans and Placements							
Financial Assets at Fair Value	26,561	27,254	31,240	3,985	14.6		30,368
Other Financial Assets	6,778	2,972	2,985	13	0.4		6,256
Advances Paid	1,005	1,054	1,039	(15)	(1.4)		1,013
Deferred Tax Equivalent Assets	2,049	2,216	2,264	47	2.1		2,060
Equity							
Investments in Other Public Sector Entities	107,117	109,535	110,480	945	0.9		108,614
Investments in Associates	5,870	9,438	5,870	(3,567)	(37.8)		5,870
Other Equity Investments	4,896	674	4,939	4,265	632.6		4,868
Total Financial Assets	169,315	161,289	166,575	5,285	3.3		169,873
Non- Financial Assets							
Inventories	296	263	279	16	6.0		303
Forestry Stock and Other Biological Assets	10	11	10	(1)	(9.5)		10
Assets Classified as Held for Sale	155	228	343	115	50.5		159
Property, Plant and Equipment							
Land and Buildings	72,752	77,158	77,332	175	0.2		72,935
Plant and Equipment	11,300	12,599	11,458	(1,142)	(9.1)		11,228
Infrastructure Systems	92,147	96,240	102,102	5,862	6.1		93,162
Intangibles	3,448	3,495	3,761	266	7.6		3,579
Other Non-Financial Assets	4,935	6,242	6,925	683	10.9		6,477
Total Non- Financial Assets	185,043	196,235	202,209	5,974	3.0		187,854
Total Assets	354,358	357,525	368,783	11,259	3.1		357,727
Liabilities							
Deposits Held	106	104	91	(13)	(12.4)		113
Payables	6,385	5,309	6,355	1,046	19.7		6,126
Tax Equivalents Payable	18	3	...	(3)	(100.0)		17
Borrowings and Derivatives at Fair Value	905	5	5	(1)	(11.3)		511
Borrowings at Amortised Cost	31,909	32,566	32,578	12	0.0		31,878
Advances Received	812	578	758	180	31.2		807
Employee Provisions	16,842	16,806	16,890	84	0.5		17,057
Superannuation Provision ^(a)	56,285	49,491	49,080	(411)	(0.8)		53,866
Deferred Tax Equivalent Provision	59	105	102	(3)	(2.7)		71
Other Provisions	8,815	8,620	8,898	278	3.2		8,827
Other Liabilities	5,752	6,079	6,436	357	5.9		5,911
Total Liabilities	127,887	119,665	121,192	1,527	1.3		125,182
NET ASSETS	226,471	237,859	247,591	9,732	4.1		232,545
NET WORTH							
Accumulated Funds	74,463	44,106	81,669	37,563	85.2		75,882
Reserves	152,009	193,754	165,922	(27,832)	(14.4)		156,663
TOTAL NET WORTH	226,471	237,859	247,591	9,732	4.1		232,545
OTHER FISCAL AGGREGATES							
Net Debt^(b)	(9,344)	(521)	(2,935)	(2,414)	463.7		(7,993)
Net Financial Liabilities^(c)	65,690	67,910	65,097	(2,813)	(4.1)		63,923
Net Financial Worth^(d)	41,428	41,624	45,383	3,758	9.0		44,691

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

(b) Net debt comprises the sum of deposits held, borrowings and advances received, minus the sum of cash and cash equivalents, investments, loans and placements and advances paid.

(c) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.

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

Table C.3: General government sector cash flow statement

	2016-17		2017-18		4 Months to	
	Actual	Budget	Revised	Variance	Variance	31/10/2017
	\$m	\$m	\$m	\$m	%	\$m
Cash Receipts from Operating Activities						
Taxes Received	31,291	31,538	31,657	120	0.4	9,698
Receipts from Sales of Goods and Services	8,487	9,743	9,591	(152)	(1.6)	2,614
Grant and Subsidies Received	31,202	31,860	31,573	(288)	(0.9)	9,792
Interest Receipts	698	404	335	(68)	(16.9)	85
Dividends and Income Tax Equivalents	1,321	1,037	943	(94)	(9.1)	374
Other Receipts	10,333	8,822	7,160	(1,662)	(18.8)	3,444
Total Cash Receipts from Operating Activities	83,332	83,403	81,259	(2,144)	(2.6)	26,007
Cash Payments from Operating Activities						
Payments for Employees	(30,232)	(31,401)	(31,108)	294	(0.9)	(9,707)
Payments for Superannuation	(3,898)	(4,518)	(4,358)	161	(3.6)	(1,401)
Payments for Goods and Services	(20,751)	(20,478)	(20,870)	(391)	1.9	(7,501)
Grants and Subsidies Paid	(10,599)	(12,943)	(12,742)	201	(1.6)	(3,797)
Interest Paid	(1,642)	(1,518)	(1,509)	9	(0.6)	(548)
Other Payments	(5,645)	(5,315)	(3,438)	1,877	(35.3)	(2,254)
Total Cash Payments from Operating Activities	(72,767)	(76,174)	(74,023)	2,150	(2.8)	(25,207)
Net Cash Flows from Operating Activities	10,565	7,229	7,236	7	0.1	799
Net Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	3,262	601	617	16	2.7	171
Purchases of Non-Financial Assets	(10,255)	(14,358)	(13,982)	375	(2.6)	(3,563)
Net Cash Flows from Investments in Non-Financial Assets	(6,992)	(13,757)	(13,365)	392	(2.8)	(3,392)
Cash Flows from Investments in Financial Assets for Policy Purposes						
Receipts	14,185	818	1,006	188	23.0	684
Payments	(2,917)	(2,535)	(1,907)	628	(24.8)	(527)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	11,268	(1,717)	(901)	816	(47.5)	158
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Receipts from Sale/Maturity of Investments	21,112	11,527	6,214	(5,313)	(46.1)	961
Payments for the Purchase of Investments	(33,262)	(5,856)	(6,300)	(444)	7.6	(3,039)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(12,150)	5,671	(86)	(5,757)	(101.5)	(2,078)
Net Cash Flows from Investing Activities	(7,874)	(9,803)	(14,353)	(4,550)	46.4	(5,312)
Cash Flows from Financing Activities						
Advances Received	(0)	12	70	58	490.8	3
Advances Repaid	(70)	(58)	(70)	(13)	21.8	(3)
Proceeds from Borrowings	4,040	1,002	1,087	85	8.5	61
Repayment of Borrowings	(3,411)	(1,699)	(1,739)	(40)	2.3	(610)
Deposits Received - Net	(21)	(12)	(15)	(3)	25.8	8
Other Financing Payments (net)	(0)	230	191	(39)	(17.0)	12
Net Cash Flows from Financing Activities	538	(525)	(476)	48	(9.2)	(530)
Net Increase/(Decrease) in Cash Held	3,228	(3,098)	(7,593)	(4,495)	145.1	(5,043)
Derivation of Cash Result						
Net Cash Flows From Operating Activities	10,565	7,229	7,236	7	0.1	799
Assets	(6,992)	(13,757)	(13,365)	392	(2.8)	(3,392)
Cash Surplus/(Deficit)	3,573	(6,527)	(6,129)	398	(6.1)	(2,593)