

# **NSW Budget**

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## **2015- 16 Half- Yearly Review**



Released by The Hon. Gladys Berejiklian MP, Treasurer,  
and Minister for Industrial Relations

This statement is released in compliance with section 8 of the *Public Finance and Audit Act 1983*. This section requires the Treasurer by 31 December in each year, to publicly release a statement (the Half-Yearly Review) containing:

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

Section 8 also requires the Half-Yearly Review to be based on actual results as at the end of the previous October.

Also published with this statement are Uniform Presentation Framework (UPF) tables to meet Australian Loan Council reporting obligations.

Budget Paper No. 1 *Budget Statement* contains the full details of the 2015-16 Budget, as well as budget scope and other explanatory information. All financial statements presented are prepared in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

#### **Notes to using this report**

The Budget year refers to 2015-16, while the forward estimates period refers to 2016-17, 2017-18 and 2018-19. Figures in tables, charts and text have been rounded. Discrepancies between totals and sums of components reflect rounding. Percentage changes are based on unrounded estimates.

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# Chapter 1: Overview

The 2015-16 Budget Half-Yearly Review provides an update to the State's economic and fiscal position since the 2015-16 Budget.

New South Wales remains in a strong economic and fiscal position. The economic outlook is one of strong, above-trend growth in state final demand (SFD) over the period 2015-16 to 2016-17, as the national transition away from mining and towards broader-based drivers of growth continues to play to the State's strengths. Supported by low interest rates, a lower exchange rate, population growth and a record pipeline of public infrastructure projects, New South Wales is expected to continue to outperform the national economy.

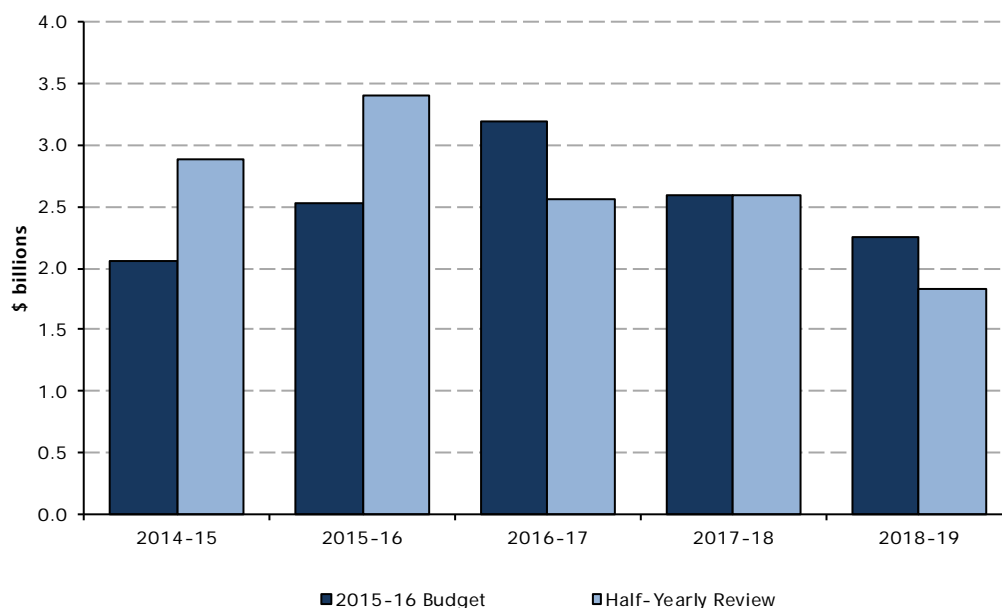
The NSW fiscal position remains strong. As a result of the Government's hard work since coming into office in 2011, the fiscal position has substantially improved and will remain in a strong position over the forward estimates. The budget result for 2015-16 is forecast to be in surplus by \$3.4 billion – \$875.7 million higher than at the time of the 2015-16 Budget (see Chart 1.1). The budget result is expected to remain in surplus over the forward estimates period, with surpluses averaging \$2.6 billion each year over the period 2015-16 to 2018-19.

The sustainability of the State's finances is further highlighted by significant reductions in net debt. Net debt has been revised down substantially and is projected to be \$1.8 billion at end June 2016. This reflects the strong fiscal position expected for 2015-16 and the highly successful long-term lease of TransGrid. Net debt is forecast to remain at modest levels through to the end of the forward estimates period.

The strength of the State's finances reflects the Government's commitment and adherence to its fiscal strategy set out in the *Fiscal Responsibility Act 2012* (FRA). The Act requires maintenance of the State's triple-A credit rating and constraining expense growth to less than long-term revenue growth. Reflecting their importance, the Government recently included these requirements as State priorities. Both Standard & Poor's and Moody's have recently reaffirmed the State's triple-A credit rating and maintained their stable outlook for the State.

A cornerstone of the fiscal strategy is the Government's successful asset recycling program. The successful divestment of assets enables the Government to use proceeds to support critical investments in infrastructure and thereby the long-term economic prosperity of the State, without putting the State's finances at risk.

Chart 1.1: Change in budget result since the 2015-16 Budget



## Fiscal outlook

The forecast budget result of a \$3.4 billion surplus for 2015-16 is an improvement of \$875.7 million on the estimate at the time of the 2015-16 Budget (see Table 1.1). Significantly stronger revenues more than offset a modest increase in expenses in that year. The stronger revenues were driven in large part by higher-than-expected non-residential transfer duties in the year to date, including \$438 million in duty received as a result of the long-term lease of TransGrid.

The Government's discipline in managing expenses will continue, with the Government committed to delivering a sustainable program of savings and driving efficiencies to control expense growth without compromising the quality of government services.

Relative to the estimate for 2015-16, smaller but still solid surpluses are expected across the forward estimates. Table 1.1 sets out the key budget aggregates for the general government sector.

Table 1.1: General government operating statement aggregates

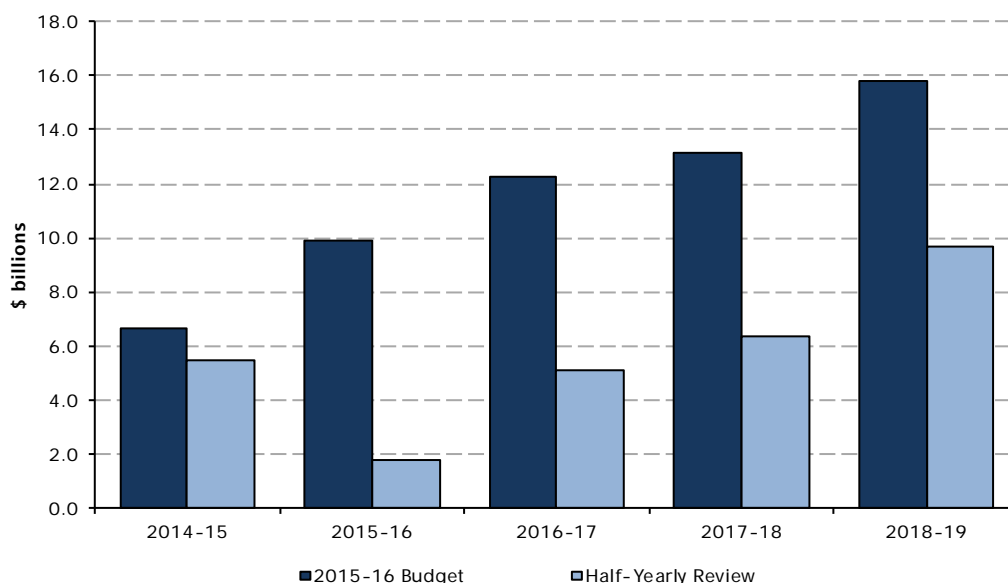
	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	69,617	72,143	73,393	75,604	76,232	77,087
Expenses	66,736	69,624	69,998	73,043	73,639	75,251
Budget result	2,881	2,520	3,395	2,561	2,593	1,836

Over the medium term, there will be growing pressure on the budget due to the substantial reduction in the growth of Australian Government health and education grants from 2017. The structural reductions in health and education funding – including the move away from activity based funding and shifting to indexation well below demand growth – is of great concern to the State. The Government is committed to securing sustainable payments from the Australian Government to enable state governments to continue providing services to the community while effectively managing their budgets over the medium term.

The strength of the State's current fiscal outlook and the completion of the long-term lease of TransGrid (see Box 1.1) is expected to reduce net debt to \$1.8 billion as at 30 June 2016, a reduction of \$8.1 billion compared with the 2015-16 Budget estimate.

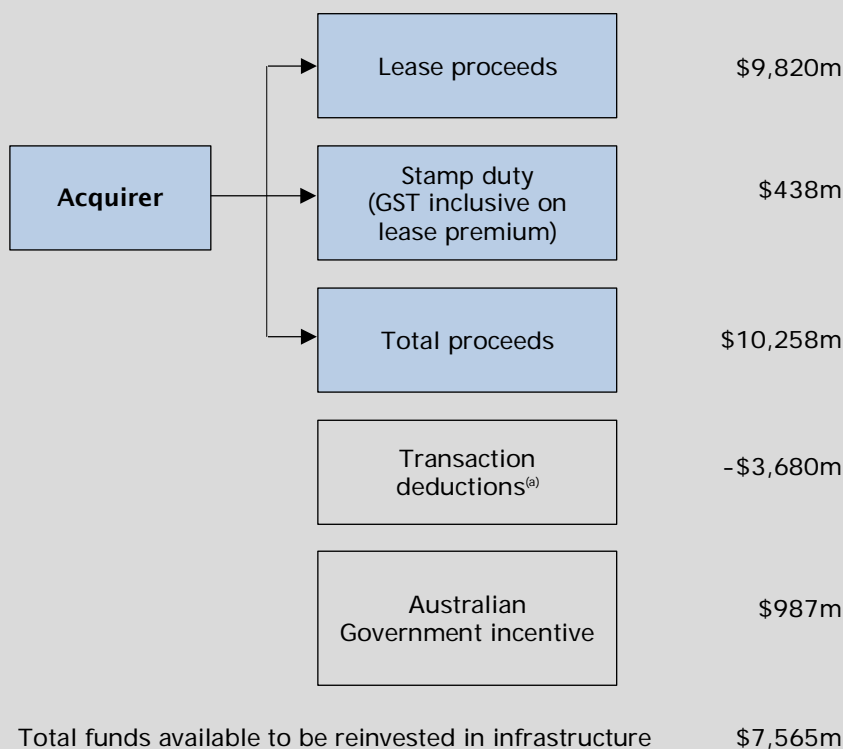
The improved net debt position gives the Government considerable room to undertake investment in important infrastructure projects over future years without placing additional pressure on the State's debt position and interest rates. Net debt is projected to increase to \$9.7 billion in June 2019 as infrastructure spending associated with the State's asset recycling strategy picks up. Chart 1.2 shows the change in the net debt outlook since the 2015-16 Budget (note the chart does not include consequential debt reductions from the future long-term leases of electricity network businesses).

Chart 1.2: Comparison of net debt in the general government sector



**Box 1.1 Leasing of high-voltage electricity transmission assets**

The Government has built on its highly successful asset recycling record by entering into a binding agreement with an Australian-led consortium ‘NSW Electricity Networks’ on 25 November 2015 for the long-term lease of TransGrid. The lease of TransGrid will not only deliver gross proceeds of \$10.258 billion, which will help fund infrastructure, but will also place downward pressure on electricity prices through continuing efficiencies. The diagram below indicates the flow of funds associated with the transaction.



(a) Transaction deductions include estimates for certain transaction costs.

The Half-Yearly Review reflects the effects of lower future dividends and income tax equivalent payments due to the long-term lease of TransGrid. The completion of the lease has also materially affected the balance sheet presented, principally through higher holdings of cash and financial assets that have reduced net debt.

The Australian Government incentive payments under the Asset Recycling Initiative have not been recognised in the 2015-16 Half-Yearly Review. While the funding is guaranteed under the National Partnership Agreement, certain conditions must be met prior to payments being made by the Australian Government. It remains uncertain in which year milestones will be met and therefore when the funds will be received by New South Wales. When recognised, the incentive payments will improve the budget result and reduce net debt in the years they are expected to be received.

Following the transaction, the NSW Government will have a strong relationship with TransGrid as lessor, licensor, safety and reliability regulator, and through the planning system. TransGrid will also continue to be regulated by the Australian Energy Regulator, which determines network charges.

## Economic outlook

The national transition from mining investment to more broad-based drivers of growth has played to the State's strengths, and the economy is well placed to build on this strong position. Low interest rates, a lower exchange rate and above-trend population growth are expected to see the NSW economy outperform the rest of Australia. The State's unprecedented public infrastructure program and the impact of the lower Australian dollar are expected to become key drivers of a further pick-up in economic growth, while household consumption and dwelling investment will continue to provide support.

However, a weaker-than-expected outlook for near-term business investment, driven by persistently weak business confidence and the completion of a number of large non-residential construction projects, has slightly dampened the near-term outlook. SFD growth in 2015-16 is now expected to be  $3\frac{1}{4}$  per cent,  $\frac{1}{4}$  of a percentage point lower than at Budget, before accelerating to  $3\frac{1}{2}$  per cent in 2016-17.

Against a weaker outlook for the national and global economies, NSW GSP growth has been revised down to  $2\frac{1}{2}$  per cent in 2015-16,  $\frac{1}{2}$  of a percentage point lower than expected at Budget and slightly below trend. By 2016-17, ongoing strength in NSW domestic demand, coupled with the strengthening in the national and global economies, is expected to foster a more durable recovery in non-mining business investment. These trends are expected to drive an increase in GSP growth to an above-trend rate of 3 per cent in 2016-17, which is unchanged from the 2015-16 Budget.

Since Budget, the NSW labour market has performed more strongly than expected, with employment growth strengthening significantly to well over 4 per cent through the year to November. Continued strong population growth, and a participation rate at historical highs, are expected to moderate the decline in the unemployment rate, so that the unemployment rate is expected to average  $5\frac{1}{4}$  per cent in 2016-17,  $\frac{1}{2}$  of a percentage point lower than at Budget.



## Chapter 2: Economic Outlook

The national transition from mining investment to more broad-based drivers of growth continues to play to the State's strengths, supporting above-trend SFD growth in 2014-15. Strong population growth driven by the relative economic strength of New South Wales, rising house prices and low interest rates have driven robust household consumption and strong dwelling investment growth.

The NSW economy is well placed to build on this momentum over the coming years. Low interest rates, a lower exchange rate, less reliance on mining and above-trend population growth are all expected to see NSW SFD growth continue to outperform the rest of Australia. Above-trend employment growth should support ongoing strong household consumption growth, a large pipeline of dwelling investment remains to be worked through, and the unprecedented pipeline of planned public infrastructure projects will flow into increased public spending and construction activity. Non-mining business investment is expected to strengthen into 2016-17 as the broader economy gains momentum.

The recovery in non-mining business investment is, however, now expected to be slightly more protracted than anticipated at Budget. Despite supportive conditions, business confidence is being weighed down by persistent weakness in the global and national economies, with a weaker outlook for both now in prospect. Weakness in demand from the rest of Australia will also continue to weigh on interstate exports. Although New South Wales continues to outperform the national economy, these factors have in turn flowed through to a slightly more moderate near-term outlook for the NSW economy than expected at Budget, with SFD growth expected to be  $\frac{1}{4}$  of a percentage point lower in 2015-16 at  $3\frac{3}{4}$  per cent, and GSP growth revised down by  $\frac{1}{2}$  of a percentage point to  $2\frac{1}{2}$  per cent. Expectations for 2016-17 are unchanged from Budget.

Table 2.1: Economic performance and outlook<sup>(a)</sup>

	2014-15	2015-16		2016-17		2017-18 and 2018-19 <sup>(b)</sup>	
	Outcome	Budget Forecast	Revised Forecast	Budget Forecast	Revised Forecast	Budget Projection	Revised Projection
Real state final demand	3.2	$3\frac{1}{2}$	$3\frac{3}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$		
Real gross state product	2.4	3	$2\frac{1}{2}$	3	3	$2\frac{3}{4}$	$2\frac{3}{4}$
Employment	1.2	$1\frac{3}{4}$	$3\frac{1}{2}$	$1\frac{3}{4}$	$1\frac{3}{4}$	$1\frac{1}{4}$	$1\frac{1}{4}$
Unemployment rate <sup>(c)</sup>	5.9	$5\frac{3}{4}$	$5\frac{1}{2}$	$5\frac{3}{4}$	$5\frac{1}{4}$		
Sydney CPI <sup>(d)</sup>	2.0	$2\frac{1}{2}$	2	$2\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{1}{2}$	$2\frac{1}{2}$
- through the year to June quarter <sup>(d)</sup>	2.2	$2\frac{1}{2}$	$1\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{3}{4}$		
Wage price index	2.3	$2\frac{1}{2}$	$2\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{3}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$
Nominal gross state product <sup>(e)</sup>	3.6	4	$3\frac{1}{2}$	$4\frac{3}{4}$	$4\frac{1}{2}$		

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

(b) Average across 2017-18 and 2018-19.

(c) Year average, per cent.

(d) 2014-15 includes a  $\frac{3}{4}$  of a percentage point deduction from the abolition of the carbon tax. 2014-15 to 2016-17 include a  $\frac{1}{4}$  of a percentage point contribution from tobacco excise increases.

(e) Nominal GSP measures the value of production whereas real GSP measures the volume of production. The difference is a measure of the average change in prices for goods and services produced.

Source: ABS 5206.0, 5220.0, 6202.0, 6401.0, 6345.0 and Treasury

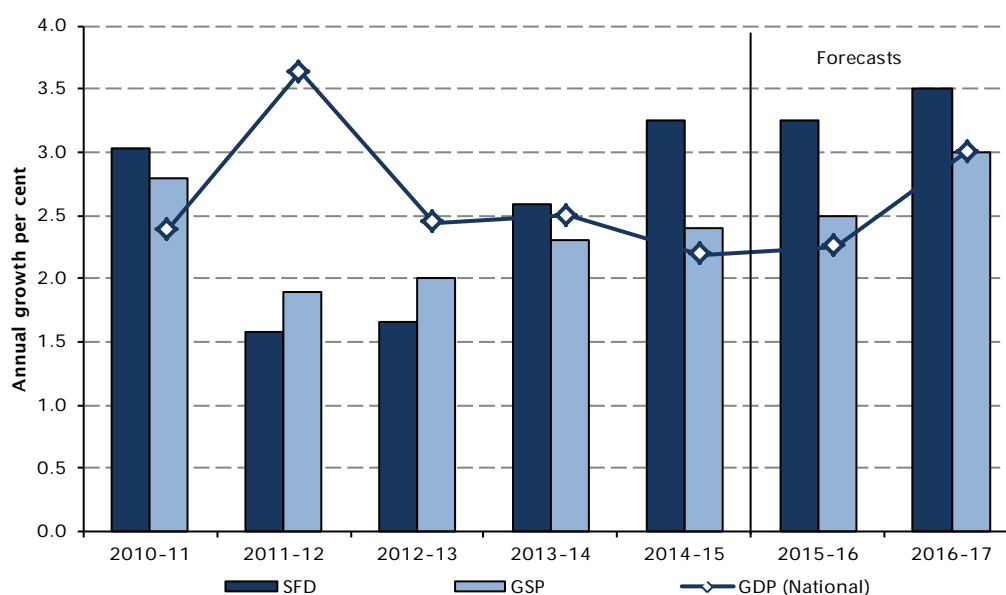
## 2.1 New South Wales economic outlook<sup>1</sup>

NSW SFD growth was above trend at 3.2 per cent in 2014-15, in line with expectations at Budget. The result was driven by robust household consumption growth, boosted by a strong wealth effect from rising house prices, and a significant pick-up in dwelling investment.

NSW SFD is forecast to grow by 3¼ per cent in 2015-16, ¼ of a percentage point lower than Budget expectations. The slightly softer than previously expected outlook reflects a weaker near-term outlook for non-mining business investment. In particular, a number of major commercial construction projects are nearing completion and there is a limited pipeline of work to maintain the 2014-15 record high level of non-residential building activity. At the same time, weaker global and national economic conditions are impacting on business confidence and investment intentions. As these effects dissipate, strengthening non-mining business investment is expected to drive an increase in SFD growth to 3½ per cent in 2016-17, supported by continued strong household consumption growth, further increases in dwelling investment and the large public infrastructure investment program.

Despite strong NSW SFD growth, GSP growth in 2014-15 remained below trend at 2.4 per cent, again consistent with Budget (see Chart 2.1). This reflects the adverse impact of weak national domestic demand and income growth on NSW interstate exports. It also reflects strong demand in New South Wales driving higher imports. These trends are expected to continue over 2015-16, with GSP growth revised down by ½ of a percentage point from Budget to 2½ per cent, reflecting a weaker outlook for the national and global economies, as well as slightly more moderate SFD growth in the near term.

Chart 2.1: NSW SFD and GSP growth v national GDP growth



Source: ABS 5220.0, 5206.0 and Treasury

By 2016-17, as domestic demand growth in the rest of Australia improves and the global economy strengthens, net export (overseas and interstate) performance is expected to improve, narrowing the wedge between NSW SFD and GSP growth. Combined with an expected improvement in NSW SFD growth, forecast GSP growth for 2016-17 remains unchanged from Budget at an above-trend rate of 3 per cent.

<sup>1</sup> Economic forecasts are based on data available at the time they were prepared, which includes results to June 2015 for GSP, to the September quarter 2015 for SFD, Consumer Price Index and Wage Price Index, to the March quarter 2015 for population and to November 2015 for the labour force.

Consistent with Budget, improving labour income growth is forecast to underpin continued strong growth in household consumption over the next two years, despite an expected moderation in house price growth and its associated wealth effects. Further strong increases in dwelling investment are forecast, based on a large pipeline of work and strong demand, driven in part by robust population growth (see Box 2.1).

The State's public infrastructure program remains a key driver in the forecast pick-up in economic growth over the next two years. The record pipeline of planned public infrastructure projects will boost public investment and construction activity, as well as support employment in construction and related sectors. The lower Australian dollar can also be expected to support activity in sectors such as tourism, education and manufacturing.

### **Box 2.1 Housing supply**

NSW new dwelling investment has increased significantly over the last three years, with average annualised growth of over 15 per cent. The outlook for the NSW housing sector remains strong with residential building approvals at their highest levels in almost 42 years. This reflects low interest rates, pent-up demand and strong population growth.

Although annual dwelling production has increased substantially, to around 54,000 dwellings, the extent of the overhang and recent above-trend population growth means that an undersupply of dwellings relative to demand remains.

The Government is supporting continued improvement in housing construction in order to increase supply and improve affordability through policies including:

- Funding infrastructure projects to drive housing growth through the Housing Acceleration Fund (HAF). To date, \$566.5 million has been allocated or reserved in the HAF to support 161,100 new dwellings and 1,200 hectares of employment lands. An additional reservation of \$400 million within Restart NSW will support the HAF in 2015-16, the biggest ever such contribution.
- Releasing and rezoning of land for more than 70,000 new homes across Sydney over the last four years.
- Improving access to services and employment through investment in vital infrastructure, such as WestConnex and Sydney Metro Northwest, which limits the impact of congestion and decreases commute times.
- Targeting First Home Owner Grants (FHOGs) to new homes. Over the year to November 2015 there were 9,049 FHOGs for new homes, 14.6 per cent higher than a year earlier.

Recent labour force results show that the labour market strengthened significantly in the first half of 2015-16, with NSW employment growth outpacing the rest of Australia and the unemployment rate the lowest in the nation (see Box 2.2). Strong activity in labour intensive sectors such as construction, retail and tourism, coupled with modest wage growth, has supported employment growth. A strong 'encouraged worker effect' from the outperforming NSW labour market has resulted in the participation rate rising to historical highs. Forward indicators (such as job vacancies and hiring intentions) and strong domestic demand growth suggest the recent strength in the labour market will be sustained over the year ahead.

## Box 2.2 More jobs for NSW

The NSW labour market has performed very strongly over the last year, outperforming the other states. Over the year to November 2015, NSW employment rose by 176,700 persons, or 4.9 per cent, a result stronger than in any other state. In this period New South Wales accounted for around 50 per cent of the national increase in employment.

Additionally, the NSW unemployment rate has been at or below the national average for two years, and at 5.2 per cent in November 2015 is the lowest among the states.

In the 2015-16 Budget the Government announced its goal to help create 150,000 jobs over its second term. As of November 2015, the Government is well on its way to achieving that target, with NSW employment increasing by 143,400 since April 2015, bringing the total increase since April 2011 to 325,100.

Job creation has been a priority of the Government and has been supported by key policy initiatives including:

- Extension of the successful Jobs Action Plan to 30 June 2019, which provides a \$5,000 payroll tax rebate to businesses that employ new workers. Over the period from July 2011 to November 2015, around 248,200 applications have been received.
- Introduction of the Small Business Incentive Scheme allowing NSW businesses, with wages below the payroll tax threshold of \$750,000 that employ new staff from 1 July 2015, the opportunity to apply for a \$2,000 grant for each new employee. Since its introduction on 1 July 2015, 658 applications have been received.
- The delivery of much needed infrastructure projects like WestConnex and NorthConnex, combined with targeted FHOGs and the HAF support for the construction of new housing supply. These measures have supported employment in the NSW construction sector, which has been a key contributor to jobs growth over the last year.

Employment in New South Wales is forecast to grow by 3½ per cent in 2015-16, revised up significantly from 1¾ per cent at Budget. Growth is expected to remain above trend at 1¾ per cent in 2016-17, unchanged from Budget. NSW population growth is expected to continue at an above-trend rate of 1½ per cent over the next two years, as the relative economic strength of New South Wales compared to the rest of the nation draws labour into the State. Strong population growth and an elevated participation rate are expected to moderate the pace of the decline in the unemployment rate, despite strong employment growth. The unemployment rate is expected to fall gradually over the next two years to 5¼ per cent in 2016-17, ½ of a percentage point lower than expected at Budget.

Chart 2.2: Labour market - employment growth compared to Australia



Source: ABS6202.0

Wage growth has been subdued in New South Wales over the last year. As measured by the Wage Price Index, wages grew by 2.2 per cent through the year to the September quarter 2015, well below the historical average. However, the stronger labour market is expected to result in slightly stronger NSW wages growth in 2015-16 than expected at Budget. The recent shift towards full-time employment is also expected to support broader measures of wages. Nevertheless, wage pressures are expected to be well contained given continuing spare labour capacity.

Price pressures in New South Wales have been subdued over the past year, with the Sydney CPI rising by just 1.9 per cent through the year to the September quarter 2015. Declining global oil prices and contained wages growth, as well as large falls in regulated utility prices, have offset the impacts of a lower exchange rate and a strong Sydney property market. The weaker-than-expected outcome to date has seen inflation expectations over 2015-16 revised down since Budget, with broad price pressures more restrained than anticipated. Nevertheless, inflation is still forecast to pick-up over 2016-17 to 2¾ per cent.

## **2.2 National economic outlook**

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The Australian economy is currently undergoing a structural transition from mining investment-led growth to more broad-based growth. As the mining investment boom comes to an end, growth drivers are expected to shift towards exports, household consumption and dwelling investment, with a nascent recovery in non-mining business investment to increasingly add support over the forecast period. While these broad forces continue to evolve largely as expected, recent signs indicate that the transition is expected to be more protracted than anticipated at Budget. The recovery in non-mining business investment in particular has continued to disappoint, as weaker global and domestic demand has impacted on business confidence and investment decisions. As a result, forecasts for gross domestic product (GDP) growth have been revised down. GDP growth is now forecast to be 2¼ per cent in 2015-16, picking up to 3 per cent in 2016-17, both ¼ of a percentage point lower than expected at Budget.

Domestic demand growth has been even weaker than expected at Budget. Mining investment has continued to decline sharply and commodity prices deteriorated further throughout the year, intensifying falls in the terms of trade and leading to weaker national income growth. Non-mining business investment was likewise softer than anticipated, with business confidence subdued. This weaker momentum is expected to carry forward into a softer near-term outlook for 2015-16, with forecasts for non-mining business investment in particular being revised down as investment intentions remain poor. Domestic demand growth is expected to strengthen in 2016-17 as supportive business conditions prompt a recovery in non-mining business investment, and stronger wage growth and an improving labour market bolster household consumption.

Chart 2.3: Australian terms of trade and the exchange rate



Source: ABS 5302.0 and RBA F15

Export growth has improved, supported by a lower exchange rate and an increased supply of non-rural commodities. While exports are expected to increasingly drive economic growth over the next two years as additional iron ore and liquefied natural gas (LNG) production comes online, an expected delay in the ramp-up of LNG exports and a softer global outlook means the outlook is slightly weaker than at Budget.

## 2.3 Global economic outlook

Global growth has been slower than anticipated in the first half of 2015, as growth in emerging market economies has eased while the recovery in developed economies has been more moderate than initially expected. Declining commodity prices and an unexpectedly large slowdown in world trade has also weighed on global growth, and is a source of uncertainty for near-term prospects, particularly for emerging market and commodity producing countries.

Looking ahead, the outlook remains for a gradually improving global economy, although somewhat softer than anticipated at Budget. Since April 2015, the International Monetary Fund has revised down global growth forecasts in both 2015 and 2016. Global growth is now forecast to remain modest in 2015 at 3 per cent, before picking up to 3½ per cent in 2016, ½ and ¼ of a percentage point lower than expected at Budget respectively. Growth in Australia’s major trading partners is expected to remain slightly below its long-run average over the next two years, a modestly weaker outlook than expected at Budget. The impact on Australia’s exports is expected to be partly offset by a lower-than-expected exchange rate.

Growth across regions is projected to remain uneven. Growth in advanced economies is expected to improve modestly over the next year, albeit at a slower pace than expected at Budget. This will primarily be driven by a recovery in the Euro zone and a return to positive growth in the Japanese economy after it contracted over the last year. The United States economy continues to perform strongly with its recovery well entrenched. Emerging market economies are expected to improve over 2016, with improvements in Russia, Latin America and the Middle East expected. The significant slowdown in Chinese economic growth from its recent rapid performance is evolving largely as expected at Budget. The Chinese economy is slowing as investment growth moderates and the economy transitions to a more sustainable consumption-led growth path. The transition has created some financial market turbulence but consumption-led growth in China should ultimately benefit New South Wales by increasing demand for services exports.

## 2.4 Risks to the economic outlook

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Risks around the outlook are more to the downside than at Budget, with risks increasing both domestically and abroad. Globally, risks include a larger-than-expected slowdown in Chinese economic growth and the effects this may have on other export dependent economies in the Asian region, financial markets and commodity prices. This could lead to a large fall in demand for Australia's commodity exports which would further weaken national income and economic growth. A more protracted period of low growth and inflation in the Euro zone and Japan also poses risk to the downside.

Weaker national domestic demand growth than currently anticipated is a risk to NSW GSP growth over the next two years. The rest of Australia is the State's largest trading partner and a significant slowdown would lead to lower interstate trade and economic growth.

A disorderly slowdown in the NSW housing market may lead to weaker-than-expected household consumption growth, particularly if the anticipated recovery in wage income fails to materialise. Uncertainty remains around the extent and timing of the expected recovery in non-mining business investment, which is critical to achieving expected 2016-17 outcomes, both nationally and in New South Wales. Despite highly supportive conditions being in place for some time now, a sustained recovery in non-mining business investment has failed to clearly emerge. The recovery in New South Wales is contingent on a sustained period of supportive domestic business conditions and an improvement of economic conditions at a national and global level.

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## Chapter 3: Fiscal Position and Outlook

### 3.1 Fiscal position and outlook

This chapter updates the fiscal position and outlook of the NSW general government sector (GGS) and the broader public sector since the 2015-16 Budget. Estimates take account of policy decisions of the NSW Government, revisions to Australian Government funding and other information affecting the State's financial statements since the 2015-16 Budget, up to 11 December 2015.

The budget estimates do not include the impact of any incomplete asset sale/lease transactions. Consistent with past practice, such impacts are only recognised when a transaction is finalised. Chapter 1, Box 1.1 outlines how the recently completed long-term lease of TransGrid has been reflected in the Half-Yearly Review.

The NSW fiscal position remains strong. The budget result for 2015-16 is forecast to be in surplus by \$3.4 billion, compared to a forecasted \$2.5 billion surplus at the time of the 2015-16 Budget. Solid budget surpluses are also projected over the forward estimates as set out in Table 3.1.

Table 3.1: Budget aggregates

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Revised	Forward Estimates		
Revenue (\$m)	69,617	72,143	73,393	75,604	76,232	77,087
Revenue growth (%)	5.5	3.6	5.4	3.0	0.8	1.1
Expenses (\$m)	66,736	69,624	69,998	73,043	73,639	75,251
Expenses growth (%)	3.1	4.3	4.9	4.4	0.8	2.2
Budget result (\$m)	2,881	2,520	3,395	2,561	2,593	1,836
Per cent of GSP	0.6	0.5	0.6	0.5	0.4	0.3
Net capital expenditure (\$m)	3,007	4,302	4,504	3,836	2,806	5,156
Per cent of GSP	0.6	0.8	0.8	0.7	0.5	0.8
Net lending/(borrowing) result (\$m)	(126)	(1,783)	(1,109)	(1,275)	(213)	(3,321)
Per cent of GSP	(0.0)	(0.3)	(0.2)	(0.2)	(0.0)	(0.5)
Net debt (\$m)	5,461	9,875	1,794	5,108	6,363	9,708
Per cent of GSP	1.1	1.9	0.3	0.9	1.1	1.6

The \$3.4 billion surplus forecast for 2015-16 represents an \$875.7 million improvement on the 2015-16 Budget estimate. This reflects an upward revision in forecast revenues of \$1.2 billion largely associated with higher transfer duties. This includes stronger-than-expected transfer duty collections in the first few months of 2015-16, as well as \$438 million in transfer duty payable on the leasing of TransGrid, which is recognised on the commencement of the lease.

The increase in revenues more than offsets a \$374.3 million increase in forecast expenses in 2015-16. The upward revision to expenses reflects both the impact of new Government decisions taken since the 2015-16 Budget and a carry forward of unspent funds from 2014-15 into 2015-16. Decisions that have increased expenses in 2015-16 include the Government's response to the April 2015 natural disasters, actions to prevent and respond to domestic and family violence, initiatives related to counter terrorism and additional district court funding.

The budget result is expected to remain in surplus over the forward estimates. However, surpluses from 2016-17 onwards are lower than that forecast at the time of the 2015-16 Budget. The surpluses are also forecast to decline in size over the forward estimates period. This revised outlook reflects a forecast decline in the NSW GST relativity due to the State's strong economic and revenue performance relative to other states. In addition, further declines in mining royalties and lower-than-expected revenue from sales of goods and services are impacting revenue. However, the overall decline also reflects the 2014-15 Australian Government Budget decision to significantly reduce hospital and education funding and shift a significant share of the intergenerational burden onto states.

While transfer duties have been revised up in 2015-16, this is not expected to continue through the forward estimates. This reflects both the one-off transfer duty payment associated with the long-term lease of TransGrid and increasing signs that the property market may be cooling in both activity levels as well as prices. As a result, residential transfer duty forecasts from 2016-17 have been kept broadly in line with forecasts at the time of the 2015-16 Budget. Dividends and tax equivalent payments are also forecast to decline over the forward estimates period due to the removal of dividends associated with the leasing of TransGrid to the private sector.

Expenses have been revised upwards across the forward estimates compared to the 2015-16 Budget. This reflects new Government decisions, including further investment in skills through the Smart and Skilled program. The upward revision also reflects depreciation, interest expenses and higher demand for government services. The projected growth in expenses is partially offset by a reduction in expenses related to the transfer of the Home Care Service of NSW to the private sector.

## **Asset recycling and the balance sheet**

The 2015-16 Half-Yearly Review includes the impact of the recently completed long-term lease of TransGrid. However, the Australian Government asset recycling incentive payments associated with the lease are not included in the fiscal aggregates, including the budget result and net debt, at this time. The agreement with the Australian Government provides for payments of up to \$2 billion for the State, subject to certain conditions being met. Processes to lease a share of Ausgrid and Endeavour are also underway and will be reflected in the budget at financial close of the transactions.

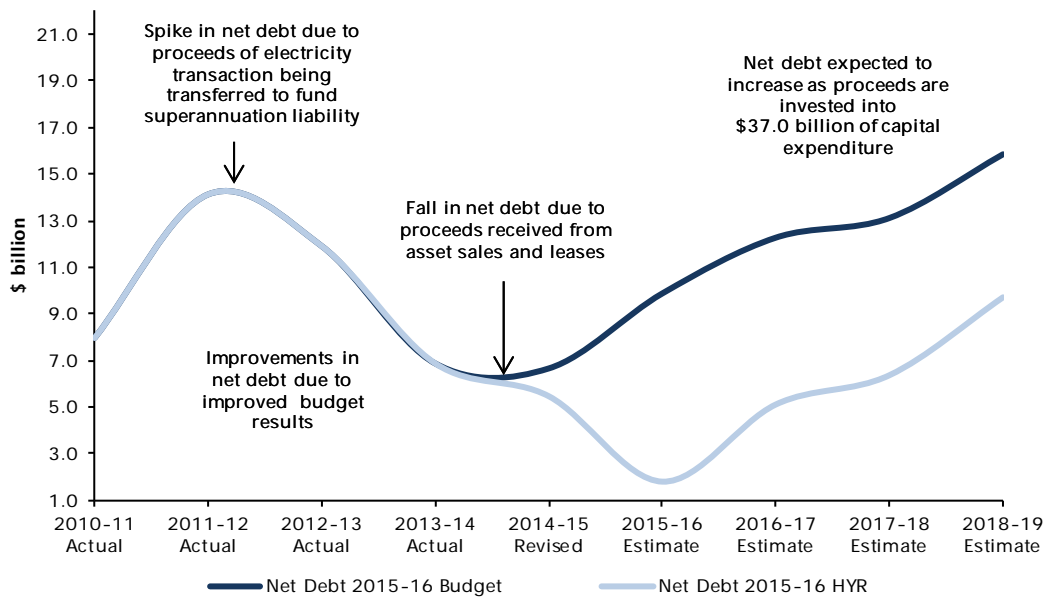
The infrastructure associated with the State's asset recycling program is also not fully reflected in the budget estimates at this time. Consistent with past practice, the Government has reserved funding for a number of Rebuilding NSW and other projects. These will be included in the budget aggregates following further project development and completion of project assurance processes, including final business cases and Infrastructure NSW endorsement. After a Government decision on the basis of all of this information, the commitment of funds will be included in future budget aggregates. For more information, see Section 3.4.

As a result, the continued implementation of the Government's asset recycling program can be expected to materially impact the budget position going forward.

As the 2015-16 Half-Yearly Review aggregates include the proceeds of the lease of TransGrid, holdings of cash have increased and net debt has fallen to record levels. Net debt is now estimated to be \$1.8 billion at 30 June 2016, a reduction of \$8.1 billion compared to the estimate at the 2015-16 Budget, before including the Australian Government's \$2 billion asset recycling incentive payments.

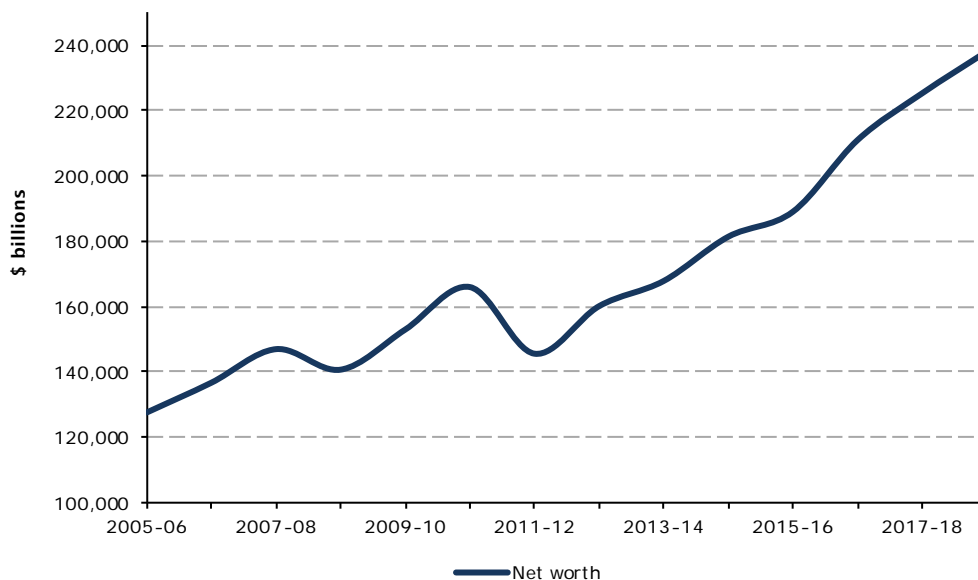
As these proceeds are recycled into much needed capital investment, net debt is anticipated to increase over the forward estimates. However, net debt levels are expected to remain lower than the estimates in the 2015-16 Budget. Chart 3.1 presents the movements of net debt since 2010-11 at the time of the 2015-16 Budget and in the 2015-16 Half-Yearly Review.

Chart 3.1: Asset recycling and net debt



Net lending has been revised from \$1.8 billion to \$1.1 billion in 2015-16, reflecting the stronger budget result offset by higher capital expenditure. The Government’s prudent balance sheet management is reflected in a strong outlook for the State’s net worth. Net worth is estimated to be \$189 billion by the end of 2015-16 and \$238 billion by the end of 2018-19 (see Chart 3.2). Net worth gives a measure of the government’s capacity to meet its financial obligations. Thus, a consistent increase in the government’s financial net worth over time as indicated in the chart below demonstrates good financial health.

Chart 3.2: Change in net worth



## Revenue and expense growth

The strong fiscal position reflects the Government's continued commitment to delivering strong finances and maintaining the State's triple-A credit rating, consistent with the requirement of the FRA. The requirements of the Act include ensuring that annual expense growth is below the long-term average revenue growth of 5.6 per cent, as prescribed in the Fiscal Responsibility Regulation 2013. The Government recently confirmed its commitment to these objectives and targets by including them as formal State priorities.

The Government is committed to keeping annual expense growth below long-term average revenue growth of 5.6 per cent, consistent with the requirements of the FRA (see Chart 3.3).

Chart 3.3: Four year average revenue and expense growth

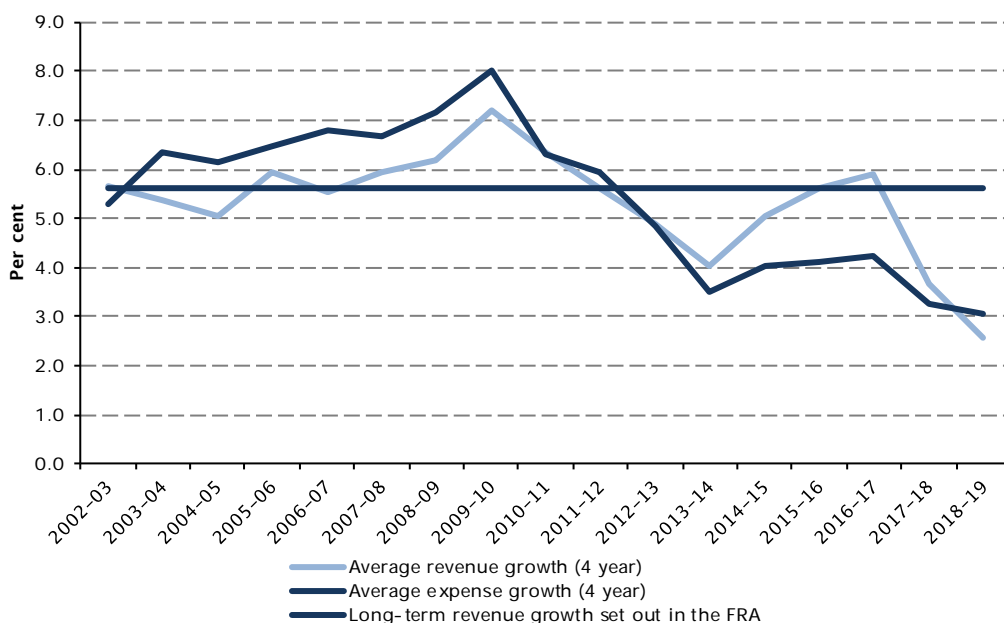


Chart 3.3 shows the marked decline in the rolling four-year average growth in revenue over the latter part of the forward estimates. A significant driver of the decline is the more muted outlook for transfer duty growth relative to recent years.

From 2017-18, revenue growth is also reduced by the cuts to health and education grant funding to the states announced by the Australian Government in its 2014-15 Budget. Under the new arrangements established in the 2014-15 Budget, long-term growth in Australian Government health funding to New South Wales is projected to fall from 7.2 to 4.0 per cent per annum. Moreover, since NSW health expense pressures are projected to grow over the long term, the Australian Government contribution to NSW health spending is expected to halve, from 27 per cent in 2015-16 to 13 per cent in 2050-51.

The impact of these changes and other long-term challenges will be highlighted in the 2016-17 Budget papers (see Box 3.1). Long-term fiscal challenges are also being examined as part of the Australian Government's White Paper on Taxation Reform. New South Wales is actively pursuing an outcome that delivers secure and stable funding to enable the State to sustainably meet its service delivery responsibilities.

### Box 3.1 NSW Intergenerational Report

The NSW Government will update the State's Long-Term Fiscal Pressures (Intergenerational) Report in 2016. The report will highlight the key challenges and opportunities facing the State over the next 40 years. Issues such as the impact of an ageing population and associated services and infrastructure requirements will be addressed.

## 3.2 Revenue outlook

Forecast revenue in 2015-16 is significantly higher than at Budget, primarily reflecting stronger transfer duty revenue including a one-off payment associated with the long-term lease of TransGrid. Revenue is generally lower over the forward estimates compared with Budget, principally due to projected lower Australian Government GST payments and weaker royalties revenue. Overall revenue growth over the four years to 2018-19 of 2.6 per cent is slightly lower than the 2.8 per cent expected at the time of the 2015-16 Budget. Table 3.2 provides a reconciliation of revenue changes since the Budget for 2015-16 and the forward estimates.

Table 3.2: Revenue reconciliation – Budget to Half-Yearly Review

	2015-16	2016-17	2017-18	2018-19
	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m
<b>Revenue - 2015- 16 Budget</b>	72,143	75,663	76,157	77,315
<i>Revenue changes since Budget</i>				
Policy				
- Tax	(38)	(63)	(62)	(65)
- Other	35	30	42	43
<b>Total Policy</b>	(3)	(33)	(20)	(22)
Parameter and other budget variations				
- Transfer duty	863	70	73	77
- Other taxes	88	187	249	261
- Royalties	(129)	(127)	(205)	(373)
Other	430	(156)	(23)	(171)
<b>Total parameter and other budget variations</b>	1,252	(26)	95	(206)
Total revenue variations since 2015-16 Budget	1,250	(59)	75	(228)
<b>Revenue - 2015- 16 Half- Yearly Review</b>	73,393	75,604	76,232	77,087

Policy decisions since the 2015-16 Budget are broadly neutral in 2015-16 and decrease revenue by \$75 million over the three years to 2018-19. The key policy decisions since the 2015-16 Budget affecting revenue are:

- NSW wagering tax rates being progressively reduced over five years from 2015-16 resulting in revenue reductions of \$185 million over the four years to 2018-19. Legislated tax cuts will replace the process previously announced in the 2015-16 Budget for achieving wagering tax parity with Victoria. As such the change is broadly budget neutral. Legislation has been passed to ensure the benefit of the tax rate reductions is passed on in full to the industry.
- Provision of a structured deferral of payroll tax to BlueScope Steel of up to \$60 million over three years from 2016. While the scheme reduces revenue in the short term, BlueScope will make payments totalling the full deferment amount over 10 years from 2020 on top of normal payroll tax payments.
- Reform of the Emergency Services Levy. The levy on insurance companies will be replaced by a property based levy collected by local councils and forwarded to the NSW Government. An Emergency Services Levy Insurance Monitor will be established to protect policy holders. Costs will be met from the proceeds of the property levy, resulting in an overall budget neutral reform. Box 3.2 provides further information.

### **Box 3.2 Reform of the Emergency Services Levy**

The Government has announced a move to a fairer funding model for fire and emergency services. From 1 July 2017, the Government will replace the current Emergency Services Levy (ESL) on insurance policies with an Emergency Services Property Levy (ESPL) paid alongside council rates.

Expenditure by fire and emergency services (Fire and Rescue NSW, NSW Rural Fire Service and NSW State Emergency Service) totals more than \$1 billion per annum. This cost is currently funded by a tax on property insurance (73.7 per cent), as well as contributions by the State Government (14.6 per cent) and local government (11.7 per cent).

Under the current funding model, property owners who under insure or do not insure their property pay less than their fair share of the cost of fire and emergency services. The introduction of a broad based ESPL will share the cost of fire and emergency services more fairly.

Competition should ensure that insurance premiums fall to reflect the abolition of the ESL. To ensure that insurance companies pass on the benefits of the abolished insurance company levy to policy holders, an Emergency Services Levy Insurance Monitor will be established early in 2016. The Monitor will have powers to seek penalties of up to \$10 million for insurers who set unreasonable prices. Professor Allan Fels AO will be appointed as the Monitor and Professor David Cousins AM will be appointed as the Deputy Monitor.

The ESPL will be set at a level to ensure budget neutrality including replacing additional insurance duty associated with the ESL. Contributions by local governments will continue at their current level. The reform will have no impact on funding available for fire and emergency services.

The ESPL will be based on unimproved land values and will be collected by local government on behalf of the State. Different property levy rates will be applied to different categories of land.

Legislation will be introduced to implement these changes in the first half of 2016.

General government total revenue in 2015-16 is forecast to be \$1.2 billion higher than expected at Budget, due to upward revisions to State taxation revenue, Australian Government payments, sales of goods and services revenue and interest. In contrast, the forecast for mining royalty revenue in 2015-16 has been reduced.

- State taxation revenue in 2015-16 is expected to be \$914 million higher than at Budget.
  - Transfer duty revenue in 2015-16 is forecast to be \$863 million higher than at Budget. This is primarily made up of a one-off \$438 million transfer duty payment from the successful long-term lease of TransGrid, in addition to commercial and industrial property transfer duty revenue. Excluding the \$438 million from TransGrid, transfer duty revenue is expected to grow by 11.9 per cent in 2015-16. (This compares to growth in transfer duty revenue of 22.2 per cent in 2014-15 and 32.3 per cent in 2013-14.) The stronger-than-anticipated transfer duty revenue growth to date in 2015-16 has also been supported by increased property market activity in the first few months of 2015-16, reflected in both transaction volumes and prices. However, there are signs the Sydney property market is starting to cool after moves to rein in investor lending growth and recent increases in mortgage rates. Auction clearance rates declined through November and are at their lowest levels in almost three years, albeit on still high volumes, and there are signs prices have also begun to moderate. As such, higher-than-anticipated revenue in the first few months of the year is not expected to continue across the rest of the year or the forward estimates. Residential stamp duty growth forecast for 2015-16 is the lowest in four years.
  - Land tax revenue in 2015-16 is expected to be \$104 million higher than at Budget, reflecting higher-than-forecast land value growth.
- New South Wales received a \$122.6 million GST revenue payment in the first half of 2015-16 reflecting a higher 2014-15 national GST pool than that forecast by the Australian Government at Budget.

- Revenue from sales of goods and services is forecast to be \$129 million higher than at Budget. This reflects higher-than-expected revenues from a number of sources, including overseas student fees.
- Interest income is expected to be \$183 million higher than at Budget.
- Mining royalty revenue in 2015-16 has been revised down by \$129 million compared to Budget. Lower-than-anticipated coal export growth and larger-than-expected coal price declines as a consequence of slower economic growth in China have been offset only partially by a lower-than-forecast exchange rate.

Despite the upward revision for 2015-16, total revenue over the forward estimates is estimated to be somewhat lower than at Budget. While overall tax revenue has been revised somewhat higher, this is more than offset by expected weaker non-tax revenue.

The upward revision in tax revenue since Budget of \$727 million over the three years 2016-17 to 2018-19 is mainly driven by revisions in land tax revenues.

Land tax revenues are expected to be higher by \$845 million in the three years to 2018-19 compared to Budget estimates. Recent strong increases in land values will feed into a higher base, and the three-year averaging of assessments for land values mean that recent gains will increasingly boost revenue in the forward estimate years.

Over the forward estimates, projected NSW GST payments have been reduced by a total of \$727 million compared with Budget. Strong revenue growth in New South Wales in recent years, and the relative weakness in revenue growth in other states, particularly Western Australia and Queensland, will act to reduce GST payments to New South Wales. Under the process of Horizontal Fiscal Equalisation these factors mean that New South Wales is assessed to have a relatively stronger revenue raising capacity, reducing the assessed need for GST payments.

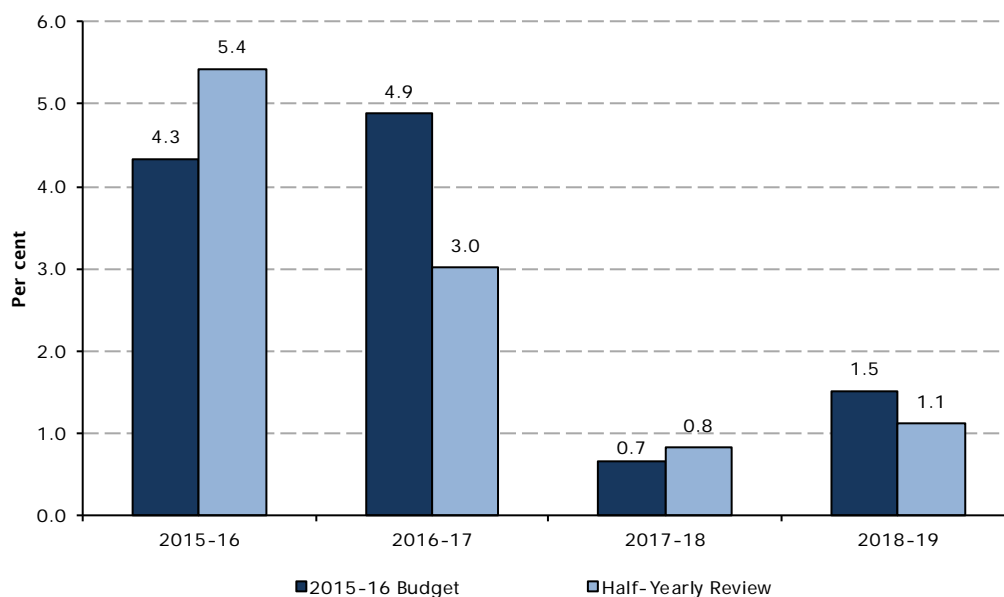
Forecast revenue from mining royalties in the forward estimates period has been reduced by \$705 million since Budget. The reduction is mostly due to significantly lower coal export volumes than expected at Budget, coupled with a larger fall in coal prices than anticipated. These factors are driven by an oversupply of coal and weaker global demand, particularly from China. Lower coal prices are only partially offset by a lower Australian dollar.

Other grants and subsidies revenue has been revised up by \$163 million over the forward estimates period.

Sales of goods and services revenue has been revised down by \$352 million over the forward estimates period, principally reflecting the transfer of the Home Care Service of NSW to a non-government provider, with associated reductions in sale of goods and services revenue and expenses.

Total revenue growth over the four years to 2018-19 is projected to average 2.6 per cent a year, 0.2 percentage points lower than the average growth forecast at Budget. Chart 3.4 shows the change in revenue growth in 2015-16 and each year over the forward estimates since the 2015-16 Budget.

Chart 3.4: Comparison of expected revenue growth rates



### 3.3 Expenses outlook

General government total expenses have been revised upwards by \$1.2 billion across the four years to 2018-19, including an upward revision in 2015-16 of \$374.3 million. The higher expenses principally reflect the impact of new policy decisions and the carry forward of unspent funds from 2014-15 into 2015-16. Over the forward estimates, expenses have increased by \$838.2 million principally due to new policy initiatives that continue to deliver the Government’s election commitments, create jobs, generate economic growth and support the State’s most vulnerable.

The expense growth rate for 2015-16 of 4.9 per cent is higher than forecast at Budget. This reflects the rollover of unspent funds from 2014-15, which both lowers expenditure in 2014-15 relative to the projection in the 2015-16 Budget and increases estimated expenses in 2015-16. Table 3.3 provides a reconciliation of budget expense aggregates between the 2015-16 Budget and the Half-Yearly Review.

Table 3.3: Expenses reconciliation – Budget to Half-Yearly Review

	2015-16	2016-17	2017-18	2018-19
	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m
<b>Expenses - 2015- 16 Budget</b>	69,624	72,469	73,567	75,058
<i>Expenses changes since Budget</i>				
New policy measures	99	266	9	85
<b>Total Policy</b>	99	266	9	85
Parameter and other budget variations				
- Superannuation	44	(136)	(101)	(74)
- Interest	2	4	(8)	(6)
- Depreciation	5	(6)	6	19
- Economic parameters and technical adjustments	33	136	240	118
- Other	191	311	(74)	50
<b>Total parameter and other budget variations</b>	275	308	62	108
<b>Total expenses variations since 2015-16 Budget</b>	374	574	71	193
<b>Expenses - 2015- 16 Half- Yearly Review</b>	69,998	73,043	73,639	75,251



Net new policy decisions by the Government are expected to increase expenses by \$99.1 million in 2015-16 (gross policy decisions \$180.4 million). The main expense decisions, either new funding or the reallocation of existing resources, that impact on 2015-16 include:

- additional funding for the Hunter, Central Coast and Sydney regional councils for the clean-up of roads, sewers and other public assets following the NSW east coast storm and flooding that occurred in April 2015
- funding to reduce the NSW District Court backlog by more than 600 criminal trials over the next two years. This package will include the provision of extra sitting days and appointment of acting judges to hear more matters awaiting trial
- funding for the implementation of NSW Digital Licences. This program will provide faster, better and easier access to services for approximately 23.8 million licensees through improved service delivery and regulatory practices
- funding to support the new strategic direction and reform program for the Office of Sport
- funding to support the redevelopment of the ANZAC Memorial
- funding to continue the 2014-15 Water Security for Regions program to help communities prepare for future drought conditions. A number of projects, including augmenting dams, pipeline and bore works and water efficiency mechanisms, are being funded to help farmers and regional industries deal with drier conditions.

Expenses have also been affected in 2015-16 by re-profiling of funds from 2014-15 into 2015-16, in large part due to late payments by the Australian Government. The superannuation expenses have increased due to changes in actuarial assumptions.

Expenses are estimated to be \$838.2 million higher over the forward estimates than at Budget. This result predominantly reflects net Government decisions for new initiatives (\$360 million) and parameter and technical adjustments (\$478 million). Consistent with the Government's fiscal strategy, new policy proposals are being funded from within existing departmental resources where possible (gross decisions for new initiatives over the forward estimates are \$922 million).

The main policy decisions by the Government since the Budget affecting 2015-16 to 2018-19 include:

- A provision for a proposed single, national redress scheme. The NSW Government supports the recommendation by the Royal Commission into Institutional Responses to Child Sexual Abuse for a single, national redress scheme for survivors of institutional child sexual abuse, to be established by no later than 1 July 2017, and for the Australian Government to announce its intentions by the end of 2015. Constructive discussions between the Australian Government and state and territory governments are currently underway regarding the potential for a single, national redress scheme.
- Additional funding of \$21.8 million and the reallocation of \$44.2 million of funds over four years (\$66 million to 2018-19) for preventing and responding to domestic and family violence in New South Wales. The package includes new Police Domestic Violence High-Risk Offender Teams to target perpetrators and reduce the rate of re-offending, as well as Suspect Target Management Plans that will put offenders on notice. The package also includes Mandated Behaviour Change Programs to make perpetrators address their behaviour.

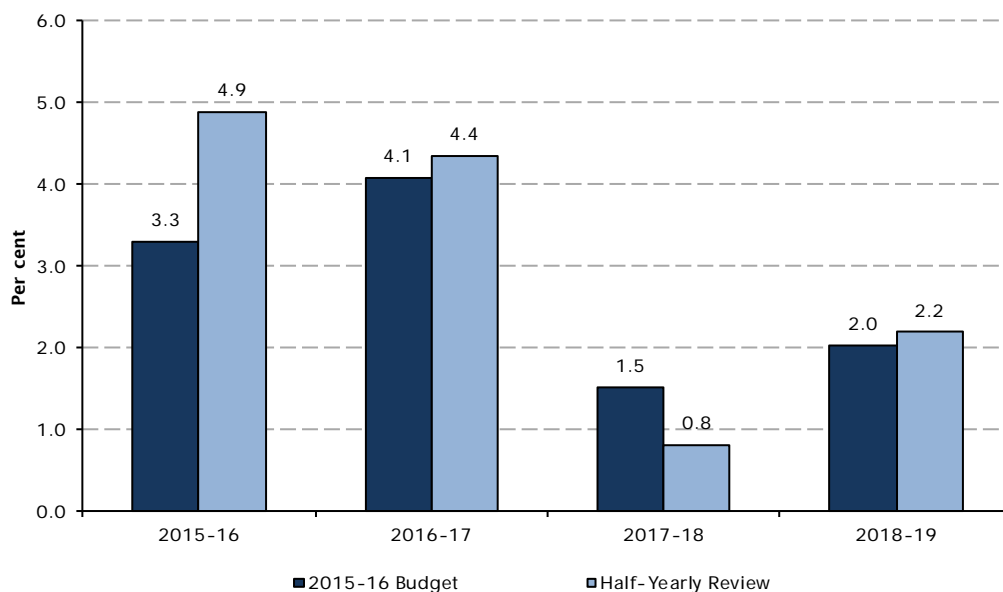
- A package of measures for countering violent extremism in New South Wales (\$46.6 million over four years). This package includes providing more counselling and support services to students in NSW schools and staff will have access to additional training to assist our schools in countering violent extremism. Training will be available for counsellors and other school staff for the start of the 2016 school year to ensure they have the skills to identify vulnerable young people and help them access support programs. Additionally, up to five Specialist School Support Teams will work with identified schools and respond to critical incidents, linking in with the efforts of community leaders and ensuring schools have the support they need.
- A package of measures to upgrade security at police stations and purchase of a new surveillance aircraft (\$22.9 million, including capital, over four years). This package will support the security of police personnel and property in the wake of the Parramatta shooting.
- Additional funding of \$9.2 million (\$16 million to 2019-20) to increase the aerial shark surveillance as well as trials of new technology as part of the NSW Shark Management Strategy. This measure will help in detecting and deterring sharks along the beaches of New South Wales.

Parameter and technical adjustments are expected to increase expenses by \$478 million over the forward estimates. Superannuation expenses are estimated to decrease by \$311.6 million across the forward estimates. Downward revisions to bond yields have offset actuarial changes driven by demographic change. Offsetting this decrease is an increase of \$527 million in the demand for government services, particularly related to education, health and transportation.

Increased expenditure across 2015-16 and the forward estimates is offset in part by reduced expenses arising from the transfer of the Home Care Service of NSW to a non-government provider.

The Government's commitment to restrain expenditure growth is demonstrated through its continued commitment to a 2.5 per cent wages policy, which is estimated to have avoided costs of around \$1.8 billion since March 2011 to September 2015. Chart 3.5 shows the change in annual expenditure growth rates from Budget to Half-Yearly Review.

Chart 3.5: Comparison of expected expense growth rate



## 3.4 Capital expenditure outlook

### General government capital expenditure

In 2015-16, capital expenditure in the GGS is expected to be \$390.1 million higher than projected in the 2015-16 Budget. Over the budget and forward estimates, capital expenditure is forecast to be \$1.3 billion higher than at Budget. This is largely due to new spending initiatives in the transport, health and justice sectors. Table 3.4 provides a reconciliation of capital expenditure between the Budget and the Half-Yearly Review.

Table 3.4: Capital reconciliation – Budget to Half-Yearly Review

	2015-16	2016-17	2017-18	2018-19
	Budget	Forward Estimates		
	\$m	\$m	\$m	\$m
<b>Capital - 2015- 16 Budget</b>	9,369	8,325	7,830	10,438
<i>Capital changes since Budget</i>				
Policy				
- New capital works	252	455	353	86
Parameter and other budget variations	139	29	(128)	121
Total variations since 2015-16 Budget	390	484	225	206
<b>Capital - 2015- 16 Half- Yearly Review</b>	9,759	8,810	8,055	10,644

New Government initiatives for infrastructure projects that are expected to commence in 2015-16 and continue over the forward estimates have contributed to the growth in capital expenditure. New capital expenditure support by the Government since the Budget includes:

- \$177 million from the Restart NSW fund for the development of the new Grafton Bridge
- \$348 million from the Restart NSW fund for road connectivity and network enhancements for the new Northern Beaches Hospital
- \$223.7 million funded for corrective services capacity
- \$130.1 million funded for the development of WestConnex Stage 3.

Some changes in the delivery schedule of Newcastle Light Rail and CBD and South East Light Rail have also had an impact on capital expenditure over the budget and forward estimates.

#### Box 3.3 The infrastructure pipeline

The 2015-16 Budget allocated \$68.6 billion over the four years to 2018-19 for the State infrastructure program. This spending supports the construction of productivity enhancing assets to boost economic growth. The investments are spread across both the general government and public trading enterprise (PTE) sectors.

This program is funded from a number of sources, including budget funding through general government agency own-source receipts and appropriations, Restart NSW (see Box 3.4), Commonwealth grants and PTE own-source funding (including from equity and borrowings).

The infrastructure pipeline includes major transport projects:

- Sydney Metro Northwest (estimated total cost (ETC) \$8.3 billion)
- WestConnex (ETC \$16.8 billion)
- CBD and South East Light Rail (ETC \$2.1 billion)
- NorthConnex, with a Government contribution of \$560 million.

Other major projects in the pipeline are in critical service delivery areas including:

- hospital redevelopments and major works (supported by \$5 billion in Government funding over the next four years), including Blacktown and Mt Druitt Hospitals Redevelopment (Stage 2), Lismore Hospital Redevelopment (Stage 3B), Westmead Hospital Redevelopment (Stage 1B) and ongoing major works at Gosford, Byron Central and Sutherland Hospitals
- Northern Beaches Hospital, being delivered using an innovative health sector public private partnership structure
- new schools, upgrades at existing schools and school information technology works to meet growth in student numbers and to improve facilities (supported by \$1.7 billion in Government funding over the next four years).

This investment program will be augmented by the delivery of Rebuilding NSW – a plan to boost investment by \$20 billion for new productive infrastructure across the State, funded from the long-term lease of 49 per cent of the NSW electricity network. Major projects and programs supported by Rebuilding NSW include:

- Sydney Metro City and Southwest (\$7.0 billion)
- Parramatta Light Rail (\$600 million)<sup>1</sup>
- WestConnex northern and southern extensions and Western Harbour Tunnel (\$1.1 billion)<sup>2</sup>
- Regional Water Security and Supply Fund (\$1.0 billion)
- Future Focused Schools (\$700 million) and Regional Schools Renewal Program (\$300 million)
- Hospitals Growth Program (\$600 million), Regional Multipurpose Services Facilities (\$300 million) and Primary and Integrated Care Strategy (\$100 million).

See Box 3.5 for more details on Rebuilding NSW.

## Restart NSW and Rebuilding NSW

In addition to the budgeted commitments for the next four years, the Government has reserved further capital funding from the Restart NSW fund. Restart NSW is the vehicle for the State's asset recycling strategy, including the Government's \$20 billion Rebuilding NSW plan. Since the Budget, several significant funding commitments have been made from Restart NSW that will deliver important infrastructure projects in both urban and regional New South Wales (see Box 3.4).

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<sup>1</sup> This amount is on top of \$400 million already reserved for the Parramatta Light Rail from the Restart NSW fund.

<sup>2</sup> This amount is on top of \$1.9 billion already committed for the WestConnex project from the Restart NSW fund.

### Box 3.4 Restart NSW

Restart NSW funds available for investment as at 31 December 2015 are forecast to be around \$7 billion higher than at 30 June 2015. This principally reflects the proceeds received from the TransGrid transaction (excluding the Australian Government incentive payments and stamp duty) (\$6.1 billion). These are the first proceeds to be received for Rebuilding NSW.

The table below summarises aggregate commitments and reservations for current and future projects.

#### Restart NSW fund (expected position at 31 December 2015)

<b>Total inflows</b>	<b>\$15.9 billion</b>
<b>Outflows</b>	
<b>Commitments</b>	
Restart NSW programs	\$5.2 billion
Accelerating Rebuilding NSW projects	\$0.2 billion
Total commitments at Half-Yearly Review	\$5.4 billion
<b>Reservations</b>	
Restart NSW programs	\$1.9 billion
Accelerating Rebuilding NSW projects	\$2.6 billion
Rebuilding NSW projects (consistent with proceeds to date from TransGrid transaction) <sup>(a)</sup>	\$6.1 billion
Total reservations at Half-Yearly Review	\$10.6 billion
<b>Total projected outflows</b>	<b>\$15.9 billion</b>

(a) Excludes stamp duty and Australian Government incentive payments.

#### Additional commitments since the Budget

The Half-Yearly Review incorporates a number of new Restart funding commitments. Funding for these commitments reflects the allocation of funds to specific projects supported by business cases. These commitments are included in the budget aggregates and will start in 2015-16:

Project	Restart NSW commitment
NorthConnex (now funded from M7 Monetisation)	-\$174.2 million
Water Security for Regions	\$10.6 million
Northern Beaches Hospital, Road Connectivity and Network Enhancement	\$348.0 million
Fixing Country Roads	\$1.1 million
Grafton Bridge	\$177.0 million
Hunter Infrastructure and Investment Fund: Singleton Hospital	\$7.0 million
Regional Tourism Infrastructure Program	\$35.0 million
Support for the delivery of the State Infrastructure Strategy	
WestConnex	\$15.4 million
Gateway to the South (Accelerating Rebuilding NSW)	\$36.2 million
<b>Total commitments since the Budget</b>	<b>\$456.1 million</b>

## Additional reservations since the Budget

The Government also reserves funds for projects in anticipation of future commitments, subject to the preparation of final business cases and Infrastructure NSW endorsement. These reservations will impact on the budget aggregates when a final and formal commitment is made.

Project	Restart NSW reservation
Resources for Regions	\$23.0 million
Fixing Country Roads (Accelerating Rebuilding NSW)	\$50.0 million
Support for the delivery of the State Infrastructure Strategy	\$747.0 million
Rebuilding NSW projects (consistent with proceeds to date from TransGrid transaction) <sup>(a)</sup>	\$6,141.0 million
<b>Total reservations since the Budget</b>	<b>\$7.0 billion</b>

(a) Excludes stamp duty and Australian Government incentive payments.

The Government is delivering the State Infrastructure Strategy and Rebuilding NSW, which will boost infrastructure investment by \$20 billion across the State. Since the 2015-16 Budget the Government has accelerated core Rebuilding NSW projects and programs to ensure critical planning and construction can commence.

### Box 3.5 Rebuilding NSW

The focus of Rebuilding NSW is on investments that increase productivity and improve the State's overall economic performance. It involves unlocking \$20 billion from the proceeds of the lease of 49 per cent of the NSW electricity network businesses for investment in new infrastructure. Areas of priority include public transport, urban and regional roads, water, hospitals, schools and cultural and sporting infrastructure. Consistent with the Government's existing commitment for Restart NSW, 30 per cent of the funds will be directed to regional projects.

The 2015-16 Budget included funding of \$590.6 million to accelerate core Rebuilding NSW projects and programs so that critical planning and construction can commence. Since the Budget, a further \$36.2 million has been provided to accelerate the Gateway to the South program.

The long-term lease of TransGrid has provided net proceeds of \$6.1 billion (excluding the Australian Government incentive payments and windfall stamp duty) which will be deposited into Restart NSW.

In addition to the \$182.2 million of Restart funds committed to accelerating Rebuilding NSW, a total of \$8.7 billion of Restart funds are now reserved to support delivery of the Rebuilding NSW plan.

## 3.5 Fiscal risks

This section sets out material known fiscal risks as at the 2015-16 Half-Yearly Review, which if realised could materially impact on the State's fiscal position and budget outcomes.

### Revenue risks

#### State tax revenue

State tax revenue forecasts are based on an estimated relationship between projected economic variables, such as employment, and taxation revenue. A better-than-expected outcome in an economic variable could result in higher-than-expected actual state tax revenue being collected. For example, a higher-than-expected level of employment would lead to an increase in the amount of payroll tax collected.

In addition, some state taxes, such as transfer duties on residential property transfers, are inherently volatile and a change in price and volume could lead to significant variations. At this point, significant uncertainty remains around the length of the current housing cycle and the influence of historically low interest rates.

## **Commonwealth grants and GST revenue**

Commonwealth grants revenue to New South Wales comprises payments for GST revenues, National Agreements and National Partnerships.

GST revenues are dependent not only upon the amount of GST collected (the pool size), but also on the State's share of this revenue. There are risks that NSW GST revenue will change based on changes to the GST pool as well as the GST relativities. Ongoing strength in the State's revenue performance coupled with weaker performance in other states could put further downward pressure on the NSW relativity and GST distribution.

National Agreement and National Partnership funding can be highly volatile, presenting a significant risk to revenues and the budget. Changes can arise from new programs and projected capital works, the termination of existing agreements, and re-profiling in the timing of payments to the states.

## **Federal financial relations and taxation reform**

The Commonwealth White Papers on the Reform of the Federation and Taxation may have significant fiscal implications for New South Wales. Potentially significant changes in roles and responsibilities for expenditure between the Commonwealth and the states, and changes to revenue bases, are under consideration. New South Wales continues to lead discussions on the national fiscal gap and the need for reform to provide increased revenue for the State to meet the costs of demand growth, particularly in health. New South Wales will continue to pursue an outcome that delivers secure and sustainable funding to enable the State to meet its service delivery responsibilities.

## **Expense risks**

### **General risks**

Actual growth in demand for government services may exceed current projections, for example demand for health, prison and out of home care services. The estimates have contingency provisions designed to account for the likely growth in the NSW population and demand for government services. If the actual growth in demand for government services exceeds the contingency provision factored into the estimates this could affect the fiscal position. These contingencies are reviewed during the annual budget process.

Employee-related expenses consist of wages and salaries and superannuation expenses and represent the State's largest expense. Therefore changes in parameters have a significant impact on the budget. The size of the workforce, new enterprise bargaining agreements and discount rates are important drivers of this expense. Since 2011, risk has been managed through the NSW public sector wages policy.

Liabilities for superannuation and long service leave are estimated with reference to, among other things, assumed rates of investment returns, salary growth, inflation and discount rates. These liabilities are therefore subject to changes in these parameters. Similarly, the long service leave liabilities are subject to the risk that the actual rates of employee retention will vary from those assumed in the liability calculation.

Other operating expenses capture the non-labour costs of providing goods and services, such as the repair and maintenance and depreciation of assets. Material changes in the size and growth of the State's asset base would affect the cost of maintaining those assets. In addition, changes in the assets' useful lives and levels of depreciation due to accounting revaluations would have an impact on expenses.

## Specific fiscal risks

### National Health Reform

Under the National Health Reform Agreement (NHRA), most Australian Government funding for NSW Health from 2014-15 is provided on an activity based funding (ABF) basis. The Australian Government contribution is calculated based on the level of activity delivered by NSW Health and a National Efficient Price set by an independent administrator. The NHRA also included a guarantee of additional funding from the Australian Government.

However, in its 2014-15 Budget, the Australian Government indicated it will no longer guarantee this funding, and that from 1 July 2017 funding will no longer be provided on an ABF basis. ABF will be replaced by block funding indexed by CPI and population growth. This does not take into account additional pressures in health such as ageing and technology. These announcements have significantly reduced the quantum and certainty of Australian Government funding for NSW Health and would result in a significant reduction in the Australian Government contribution to NSW Health costs over the forward estimates period and beyond.

### Asset recycling

Consistent with past practice, the budget estimates do not include the impact of a business asset transaction until it is finalised. Any future asset divestments that meet financial close will impact the budget aggregates. In addition, capital expenditure linked to asset recycling is recognised when the Government makes a commitment to proceed following completion of project assurance processes and business case approval.

## 3.6 Performance and outlook of the broader public sector

This section sets out the updated financial position of the non-financial public (NFP) sector, which consolidates the public non-financial corporation (PNFC) sector and the GGS. The PNFC sector provides goods and services to consumers on a commercial basis. The net operating balance is the best measure of the ongoing sustainability of the operations of the Government.

This section focuses on the impact of the PNFC sector and should be read in conjunction with Section 3.1, which outlines the impact of the GGS.

### Net operating balance

Table 3.5 shows the key aggregates for the NFP sector from 2014-15 to 2018-19.

Table 3.5: Key aggregates of the non-financial public sector

	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue	78,244	78,457	80,553	82,993	85,114	85,536
Expenses	74,052	78,203	79,723	82,725	84,655	85,542
<b>Operating result</b>	<b>4,204</b>	<b>253</b>	<b>830</b>	<b>268</b>	<b>459</b>	<b>(6)</b>
Assets	338,283	347,664	351,058	367,612	381,722	396,941
Liabilities	156,891	157,056	160,170	153,919	153,707	155,838
<b>Net worth</b>	<b>181,392</b>	<b>190,608</b>	<b>190,888</b>	<b>213,693</b>	<b>228,015</b>	<b>241,103</b>
<b>Capital expenditure</b>	<b>13,408</b>	<b>16,484</b>	<b>17,186</b>	<b>18,615</b>	<b>15,928</b>	<b>16,960</b>



The operating performance of the NFP sector for 2015-16 is estimated to improve relative to the 2015-16 Budget. The upward revision in the operating result for 2015-16 is principally driven by increases in GGS tax revenue somewhat offset by higher expenses in the PNFC sector. The higher expenses are driven by the water and transport businesses. Sydney Trains and NSW Trains continue to deliver significant service delivery reforms, to continue to meet the expectations of rail commuters, that have increased expenses in the short term.

Over the forward estimates, the operating results for the NFP sector are lower compared to the 2015-16 Budget. A softer revenue outlook for the GGS is expected to be partially offset by stronger-than-expected operating results in the PNFC sector, particularly the water businesses. The water businesses revenues have strengthened through higher regulated income, lower expected losses on asset disposals and lower expected borrowing expenses due to lower interest rates.

The broader public sector balance sheet and net worth are broadly in line compared to the 2015-16 Budget. The long-term lease of TransGrid has meant that the State's balance sheet has been de-risked. The Government is continuing broader balance sheet reform with the release of the expression of interest for the partial lease of Ausgrid which commenced on 24 November 2015 and the partial lease of Endeavour to follow.

The Government has taken the final steps in the completion of the generator transaction sale process with the sale of Vales Point coal-fired power station and the proposed sale of Cobbora Coal Mine's land for agricultural uses. With the sale of Vales Point, the State is no longer exposed to significant liabilities, such as costs associated with decommissioning the power station. The sale brings the State's ownership of coal-fired electricity generation to an end.

## **Capital expenditure**

Capital expenditure in the NFP sector for 2015-16 is expected to be slightly higher than estimated in the 2015-16 Budget. The main contributing factors are the additional road projects funded by Restart NSW and the acceleration of the State's contribution to the WestConnex project. Over the forward estimates, capital expenditure in the NFP has decreased by the removal of TransGrid's capital program.

## **Dividends and tax equivalent payments**

Dividends received from government businesses are a return on investment in those businesses. Government businesses also make tax equivalent payments to the State that ensure competitive neutrality with businesses in the private sector.

The projected dividends and tax equivalents for 2015-16 are broadly similar to those estimated at the 2015-16 Budget. The loss of dividends associated with the long-term lease of TransGrid is broadly offset by increased dividends driven by the strength of the water sector businesses. Table 3.6 shows the dividends and tax equivalent payments for the PNFC and public financial corporation (PFC) sectors over the period 2015-16 to 2018-19.

Table 3.6: Dividends and tax equivalent payments from PNFC and PFC sectors

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Dividends and tax equivalents</b>					
Electricity					
Generation	(12)	(11)	0	0	0
Distribution and transmission	463	353	255	242	199
Water	838	975	590	624	506
Property and resources	73	74	100	65	63
Ports	0	(1)	3	14	19
Public financial entities	107	60	70	71	69
<b>Total dividends and tax equivalents</b>	<b>1,468</b>	<b>1,451</b>	<b>1,018</b>	<b>1,016</b>	<b>857</b>

## Continuing reform of government- owned businesses

The Government is committed to improving the sector's performance and asset management, thereby both reducing the cost of services and improving service delivery to customers. Reforms have delivered tangible results, including more reliable train services, downward pressure on energy prices, and reduced cost of living pressures. New reforms since the 2015-16 Budget create further opportunities to drive efficiencies for businesses, investors and the people of New South Wales. Key reforms include progressing the sale of Pillar (Box 3.6) and cash management reform (Box 3.7).

### Box 3.6 Superannuation Administration Corporation (Pillar) sale

Continuing the Government's reform of the PNFC sector, the Government has recently announced the sale of the State's superannuation administrator, Pillar. Pillar administers superannuation funds and retirement income streams for the public and private sectors. Private owners will put Pillar in a stronger position to pursue growth opportunities and improve the long-term financial viability of the business.

The Government will prepare for a competitive trade sale and expects to call for expressions of interest in 2016. Pillar is also currently undertaking a comprehensive business transformation process that is separate to the upcoming sale.

Following the sale of Pillar, the State will be able to direct the proceeds into other vital service delivery priorities and infrastructure.

### Box 3.7 Cash management reform

As part of the continued focus on improving the efficient use of the State's funds, strengthening the balance sheet and better managing financial risks, the Government is developing a comprehensive cash management strategy. The strategy is being developed using the expertise of a Steering Committee including independent experts.

This will support better balance sheet management, ensuring the Government is earning the best possible returns on its financial assets and effectively managing risk while maintaining a prudent approach to liquidity management consistent with the State's triple-A credit rating. Treasury risks will be more effectively identified and managed through an active and integrated approach to asset and liability management.

These reforms are particularly important given that over recent years the State has generated considerable funds from the sale and/or lease of assets. These proceeds provide a temporary boost to cash assets which are subsequently drawn down at a later stage. When these funds are recycled into productive uses, cash and net debt return to previous levels.

## Appendix A: Statement of Significant Accounting Policies and Forecast Assumptions

The Half-Yearly Review presents the Estimated Financial Statements for the General Government Sector.

These comprise the general government sector operating statement (Table C.1), general government sector balance sheet (Table C.2), general government sector cash flow statement (Table C.3) and derivation of Australian Bureau of Statistics (ABS) Government Financial Statistics general government sector cash surplus / (deficit) (Table C.4). These are prepared in accordance with this Statement of Significant Accounting Policies and Forecast Assumptions.

Collectively the statements and the Statement of Significant Accounting Policies and Forecast Assumptions are referred to as the 'Estimated Financial Statements'.

The Estimated Financial Statements cover the revised budget estimates for the current year ending 30 June 2016, and estimates for the three forward years ending 30 June 2017, 2018 and 2019.

### Scope

The Estimated Financial Statements are prepared for the NSW general government sector, which is determined in accordance with the principles and rules contained in the ABS, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 (cat. No. 5514)* (ABS GFS Manual) as amended from time to time.

The general government sector comprises government agencies controlled by the State that:

- undertake regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community and/or
- provide other services to general government agencies.

The scope of the general government sector is outlined in Appendix B3 of 2015-16 Budget Paper No. 1.

### Basis of preparation

The Estimated Financial Statements are prepared and presented consistent with the principles adopted in the 2015-16 Budget and based on the assumptions outlined below.

The 2015-16 Budget information included in the Estimated Financial Statements reflects the original budget tabled in Parliament on 21 June 2015.

The Estimated Financial Statements are prepared using the accrual basis of accounting which recognises the effect of transactions and events when they are forecast to occur.

The Estimated Financial Statements have been prepared to reflect existing operations, the impact of all new policy decisions taken by the Government (where their financial effect is reliably measurable), as well as known Australian Government funding revisions and known circumstances that may have a material effect on the Half-Yearly Review. The revised estimates for 2015-16 are based on actual results at 31 October 2015, and updated year-end projections provided by agencies. They have also been prepared to take into account other economic and financial data currently available to Treasury.

In keeping with these principles, where the impact of a policy decision or planned event cannot be reliably measured, the impact is not reflected within the Estimated Financial Statements (e.g. due to uncertainties regarding the timing and amount of future cash flows).

Any estimates or assumptions made in measuring revenues, expenses, or other economic flows, assets or liabilities are based on the latest information available at the time, professional judgements derived from experience and other factors considered to be reasonable under the circumstances. Actual results may differ from such estimates. Key assumptions are detailed below, under the headings *Material Economic and Other Assumptions* and *Summary of Other Key Assumptions*.

## Accounting policies

Australian Accounting Standards do not include requirements or provide guidance on the preparation and presentation of prospective financial statements. However, recognition and measurement principles within Australian Accounting Standards have been applied in the presentation of the Estimated Financial Statements to the maximum extent possible.

Therefore, except for the matters set out below under *Change in Accounting Policies*, these Estimated Financial Statements follow the presentation and principles in the 2015-16 Budget and the accounting policies applied in the audited *2014-15 Consolidated Financial Statements of the New South Wales General Government and Total State Sectors* as presented to Parliament.

The same accounting policies have been used for the subsequent forecast years. In particular, Note 1 Statement of Significant Accounting Policies includes information on the principles of consolidation, significant accounting judgements and estimates, the recognition and measurement policies for revenues, expenses, other comprehensive income, assets and liabilities.

The Estimated Financial Statements do not include the impact of transactions until they are finalised. The financial impact of future planned discontinuing operations or restructuring transactions are not recognised due to the commercial-in-confidence nature of the transactions.

## Change in accounting policies

There are no significant changes to accounting policies adopted in the preparation of the estimates to those used in preparing the 2015-16 Budget.

## Definitions

Key technical terms and key fiscal aggregates used in this report are defined in Note 36 of the *2014-15 Consolidated Financial Statements of the New South Wales General Government and Total State Sectors* and in the Glossary to Budget Paper No. 1.

## Presentation of the Estimated Financial Statements

The Estimated Financial Statements follow the presentation requirements for General Government Sector reporting contained in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

AASB 1049 harmonises generally accepted accounting principles (GAAP, i.e. Australian Accounting standards) with GFS principles in accordance with the GFS framework adopted by the Australian Bureau of Statistics. This occurs by requiring that:

- the statement of comprehensive income (referred to as the operating statement) classifies income and expenses as either transactions or other economic flows to be consistent with GFS principles, applied from a GAAP perspective.

The net operating balance (i.e. budget result) is the net result of harmonised GFS-GAAP transactions for the general government sector.

In the operating statement:

- the *net operating balance* (i.e. the budget result) is the net result of income and expense *transactions*. It excludes *other economic flows*, which represent changes in the volume or value of assets or liabilities that do not arise from transactions with other entities and which are often outside the control of government
- the *operating result* is the same under both the harmonised GFS-GAAP and pure GAAP presentations.

Further, AASB 1049 requires:

- the financial statements adopt the recognition, measurement and disclosure requirements of GAAP
- where options exist in GAAP, the financial statements adopt the option that is aligned with GFS, to minimise differences between GAAP and GFS
- where options do not exist in GAAP and there is conflict between GAAP and GFS, GAAP prevails.

Due to the prospective nature of the statements, detailed notes to the financial statements, including disclosure of contingent assets and liabilities, are not required to be included within the meaning of Australian Accounting Standards as outlined in Section 27A (5) of the *Public Finance and Audit Act 1983*.

Each year ends on 30 June. All monetary amounts are presented in Australian dollars and rounded to the nearest million dollars (\$m).

Use of a zero (“0”) represents amounts rounded to zero. Use of three dots (“...”) represents nil amounts.

Tables may not add in all instances due to rounding to the nearest million dollars.

## Material economic and other assumptions

The Estimated Financial Statements included in the Half-Yearly Review have been prepared using the material economic and other assumptions as set out below.

Table A.1: Key economic performance assumptions<sup>(a)</sup>

	2015-16	2016-17	2017-18	2018-19
New South Wales population (level)	7,700,000	7,810,000	7,920,000	8,040,000
Nominal gross state product (\$million)	531,300	555,800	585,400	616,500
Real gross state product	2½	3	2¾	2¾
Real state final demand	3¼	3½	n.a. <sup>(d)</sup>	n.a. <sup>(d)</sup>
Unemployment rate <sup>(b)</sup>	5½	5¼	n.a. <sup>(d)</sup>	n.a. <sup>(d)</sup>
Sydney consumer price index	2	2¾	2½	2½
Sydney consumer price index - - through the year to June quarter	1¾	2¾	n.a. <sup>(d)</sup>	n.a. <sup>(d)</sup>
Wage Price index <sup>(c)</sup>	2¾	2¾	3½	3½

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

(b) Year average, per cent.

(c) Weighted private and public sector wages.

(d) n.a. not available.

## Summary of other key assumptions

The following section outlines the other key assumptions used in the preparation of the Estimated Financial Statements. The summary takes into account materiality in relation to the general government sector's overall financial position and sensitivity to changes in key economic assumptions.

Notwithstanding these key assumptions, agency finance officers apply appropriate professional judgement in determining estimated financial information.

## Revenue from transactions

### Taxation

Taxation revenue is forecast by assessing economic and other factors that influence the various taxation bases. For example for payroll tax, this involves an assessment of the outlook for employment and wages. Forecasts of government guarantee fees take into account an assessment of the level of debt of public non-financial corporations and their credit rating differential compared with the State as a whole. The forecasts of taxation revenue also involve the analysis of historical information and relationships (using econometric and other statistical methods) and consultation with relevant government agencies.

### Grants revenue

Forecast grants from the Australian Government are based on the latest available information from the Australian Government and projections up to 11 December 2015. This takes into account the conditions, payment timetable and escalation factors relevant to each type of grant.

The Goods and Services Tax (GST) grants are forecast based on estimates of the national GST pool by the Australian Government. For 2015-16, the GST forecast is based on the assessed relativity for New South Wales in 2015-16 and the Australian Government's population projections. The assessed relativity is the average of the past three annual per capita relativities (2011-12, 2012-13 and 2013-14), as published by the Commonwealth Grants Commission.

After 2015-16, the State's share of GST is based on assessed relativity in a particular year, the Australian Government's population and GST projections. The forecast per capita annual relativities are based on the projected relative fiscal capacity of New South Wales compared to other States and Territories.

### Sale of goods and services

Revenue from the sale of goods and services is forecast taking into account all known factors, including estimates of changes in demand for services provided or expected unit price variations based on proposed fee increases imposed by general government agencies and/or indexation.

### Dividend and income tax equivalents from other sectors

Dividend and income tax equivalent revenues are estimated by public financial and non-financial corporations based on expected profitability and the agreed dividend policy at the time of the Half-Yearly Review.

## Fines, regulatory fees and other revenues

Fines, regulatory fees and other revenues include estimates of fines issued by the Courts, estimated traffic infringement fines, estimated revenue from enforcement orders and regulatory fees, contributions and estimated royalty revenue for which estimates are based on assessments of coal volumes and prices and the Australian dollar exchange rate. Other revenue forecasts are adjusted for indexation where appropriate.

## Expenses from transactions

### Employee expenses

Employee expenses are forecast based on expected staffing profiles, current salaries, conditions and on-costs. Employee expenses are adjusted over the forecast period for approved wage agreements. Beyond the period of the agreements, allowance is made for further adjustments consistent with the Government's wages policy at a net cost of 2.5 per cent per annum inclusive of scheduled increases in the superannuation guarantee levy. The forecasts for employee expenses also reflect the impact of new approved initiatives and required efficiency savings.

### Superannuation expense (and liabilities)

Superannuation expense comprises:

- for the defined contribution plan, the forecast accrued contribution for the period, and
- for defined benefit plans, the forecast service cost and the net interest expense. This excludes the re-measurements (i.e. actuarial gains and losses and return on plan assets in excess of the long term government bond rate) which are classified as 'other economic flows – other comprehensive income'.

Superannuation expenses for defined contribution plans are based on assumptions regarding future salaries and contribution rates.

Superannuation expenses for defined benefit plans are estimates based on actuarial advice applying the long term Government bond yield as at 30 June in the prior year to the opening value of net liabilities (gross superannuation liabilities less assets), less benefit payments at the mid-point of the contribution year, plus any accruing liability for the year.

Forecasts of defined benefit superannuation liabilities are based on actuarial estimates of cash flows for the various defined benefit superannuation schemes discounted using a nominal long-term Commonwealth long term Government bond yield as at 30 June. Gross liability estimates are based on a number of demographic and financial assumptions. The major financial assumptions used for the budget and forward estimates period are outlined in the table below.

Table A.2: Superannuation assumptions – pooled fund / state super schemes

	2014-15 %	2015-16 %	2016-17 %	2017-18 %
Liability discount rate	3.03	2.77	3.53	3.79
Expected return on investments <sup>(a)</sup>	8.6	8.6	8.6	8.6
Expected salary increases <sup>(b)</sup>				
- SSS and SASS members	2.50	2.50	2.50	2.50
- PSS members	2.50	2.50	2.50	2.50
Expected rate of CPI	2.5	2.25	2.75	2.5

Notes:

(a) For the EISS the expected return on investments is 7.5% per annum from 2014-15 and beyond.

(b) Taking the increased Superannuation Guarantee Contribution into account, total remuneration will increase by 2.5 per cent. Note that the Federal Government's repeal of the *Mineral Resources Rent Tax and Other Measures Bill 2014* provides a further pause in the SGC rate increases until 2021.

## Depreciation and amortisation

Property, plant and equipment is depreciated (net of its residual value) over its useful life. Depreciation is generally allocated on a straight-line basis.

Depreciation is forecast on the basis of known asset carrying valuations, the expected economic life of assets, assumed new asset investment and asset sales programs. The expense is based on the assumption that there will be no change in depreciation rates over the forecast period, but includes the estimated impact of the current and future revaluation of assets over the forecast period. The depreciation expense may be impacted by future changes in useful lives, carrying value, residual value or valuation methodology.

Certain heritage assets, including original artworks and collections and heritage buildings, may not have an unlimited useful life because appropriate custodial and preservation policies are adopted. Such assets are not subject to depreciation. Land is not a depreciable asset.

Intangible assets with finite lives are amortised under the straight line method. Intangible assets with an indefinite life are not amortised, but tested for impairment annually.

## Interest expense

The forecasts for the interest expense are based on:

- payments required on the current general government sector debt,
- expected payments on any new borrowings (including any refinancing of existing borrowings) required to finance general government activities based on forward contracts for NSW Treasury Corporation bonds, and
- the unwinding of discounts on non-employee provisions.

## Other operating expenses

Other operating expenses mainly represent the day-to-day running costs incurred in normal operations of agencies and include the cost of supplies and services. They are forecast by applying appropriate economic parameters and known activity changes, including planned changes in the method of service delivery and application of government policy. Other operating expenses also reflect the impact of government efficiency strategies, such as efficiency dividends.



## Grants and subsidies expense

Grants and subsidy expenses generally comprise cash contributions to local government authorities and non-government organisations. For the general government sector they also include grants and subsidies paid to PTEs and PFEs. The forecast grant payments are determined taking into account current and past policy decisions, the forecast payment schedules and escalation factors relevant to each type of grant.

## Other economic flows

### Revaluations

The estimates are based on an examination and extrapolation of historical trends in the valuation of non-financial physical assets. The forward estimates include the estimated impact of revaluations of non-financial physical assets.

### Superannuation actuarial gains / losses

The forecast actuarial gain or loss on defined benefit superannuation is based on the revised estimates of the margin of forecast fund earnings in excess of the expected discount rate.

### Net gain on equity investments in other sector entities

The gain or loss on equity investments in other sector entities is based on estimates of the public financial and non-financial sectors' forward comprehensive results adjusted for transactions with owners. The underlying management estimates of future comprehensive results are based on current statements of corporate intent. Future distributions to owners are based on Treasury's *Commercial Policy Framework*.

## Assets

### Land and buildings, plant and equipment, and infrastructure systems

The estimates of non-financial physical assets over the forecast period are at fair value and take into account planned acquisitions, disposals and the impact of depreciation, impairment and revaluations. New investments in assets are valued at the forecast purchase price and, where appropriate, recognised progressively over the estimated construction period. The forward estimates include the estimated impact of revaluations of non-financial physical assets. These estimates are based on an examination of expected cost trends.

The Estimated Financial Statements also include provision for future capital expenditure. These include agency estimates of approved projects and future new works held within agencies, as well as a central estimate for future new works still to be approved at the agency level. The central estimate for future new works is based on historical trends.

## Liabilities

### Borrowings

Estimates for borrowings are based on current debt levels, amortisation of any premiums or discounts and the cash flows expected to be required to fund future government activities.

## Employee provisions

Employee provisions are forecast based on expected staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee benefits are adjusted for approved wage agreements. Beyond the period of the agreements, allowance is made for further adjustments consistent with the Government's wages policy at a net cost of 2.5 per cent per annum inclusive of scheduled increases in the superannuation guarantee levy. The forecasts for employee expenses also reflect the impact of new initiatives and required efficiency savings.

## Superannuation provisions

Refer to superannuation expense (above) for information on assumptions that also impact the measurement of the superannuation provisions.

## Other provisions

Other provisions include the State's obligations for several insurance schemes. To estimate future claims liabilities, actuarial assumptions have been applied for future claims to be incurred, claim payments, inflation and liability discount rates. Actual liabilities may differ from estimates.

## Appendix B: Uniform Financial Reporting

### B.1 Uniform Presentation Tables

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The Uniform Presentation Framework (UPF) for financial aggregates has been agreed by the Australian Loan Council. As part of the Framework, each jurisdiction is to publish a mid-year report, i.e. a half-yearly review of the budget, by the end of February each year.

The UPF tables have been prepared consistent with the 2015-16 Budget, in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard adopts a harmonised GFS-GAAP reporting basis. The main differences in reporting on an AASB 1049 basis compared with a GFS basis are outlined on pages B1-3 to B1-7 of 2015-16 Budget Paper No.1.

This UPF report includes operating statements, balance sheets and cash flow statements for the NSW general government sector, public non-financial corporation (PNFC) sector and non-financial public sector.

The Half-Yearly Review presents revised fiscal estimates for the current Budget year and the three following years for the general government sector. In addition, revised estimates are presented for the PNFC sector and the non-financial public sector (i.e. a consolidation of the general government sector and the PNFC sector). These revised estimates take into account fiscal and economic developments since the Budget.

Table B.1: General government sector operating statement

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 Forward Estimates \$m	2017-18 Forward Estimates \$m	2018-19 Forward Estimates \$m
<b>Revenue from Transactions</b>					
Taxation	27,855	28,768	28,872	30,345	31,616
Grants and Subsidies					
- Commonwealth General Purpose	17,346	17,446	17,796	17,945	18,441
- Commonwealth Specific Purpose Payments	8,619	8,645	9,264	9,677	9,993
- Commonwealth National Partnership Payments	2,712	2,678	3,765	2,589	1,622
- Other Grants and Subsidies	1,098	982	970	917	1,008
Sale of Goods and Services	8,212	8,341	8,771	8,369	8,116
Interest	508	691	636	657	699
Dividend and Income Tax Equivalents from Other Sectors	1,468	1,451	1,018	1,016	857
Other Dividends and Distributions	424	426	447	465	486
Fines, Regulatory Fees and Other	3,901	3,964	4,064	4,251	4,248
<b>Total Revenues from Transactions</b>	<b>72,143</b>	<b>73,393</b>	<b>75,604</b>	<b>76,232</b>	<b>77,087</b>
<b>Expenses from Transactions</b>					
Employee	28,936	29,196	30,536	31,650	33,100
Superannuation					
- Superannuation Interest Cost	1,476	1,569	1,540	1,609	1,577
- Other Superannuation	2,926	2,877	2,867	2,813	2,846
Depreciation and Amortisation	4,440	4,446	4,639	4,886	5,028
Interest	2,244	2,246	2,246	2,245	2,253
Other Property	...	...	...	...	...
Other Operating	17,567	17,471	18,427	17,820	17,799
Grants and Subsidies					
- Current Grants and Subsidies	11,092	11,298	11,878	11,754	11,845
- Capital Grants	941	895	909	861	802
<b>Total Expenses from Transactions</b>	<b>69,624</b>	<b>69,998</b>	<b>73,043</b>	<b>73,639</b>	<b>75,251</b>
Transactions from Discontinuing Operations	...	...	...	...	...
<b>BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]</b>	<b>2,520</b>	<b>3,395</b>	<b>2,561</b>	<b>2,593</b>	<b>1,836</b>

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

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m
			Forward Estimates		
<b>Other Economic Flows - Included in the Operating Result</b>					
Gain/(Loss) from Superannuation	...	...	...	...	...
Gain/(Loss) from Other Liabilities	137	(272)	440	138	135
Other Net Gains/(Losses)	155	359	88	79	159
Share of Earnings from Associates (excluding Dividends)	(15)	(7)	13	17	22
Dividends from Asset Sale Proceeds	100	...	250	...	...
Deferred Income Tax from Other Sectors	140	(604)	184	115	90
Other	(35)	(34)	(35)	(35)	(36)
Discontinuing Operations - Other Economic Flows	...	...	...	...	...
<b>Other Economic Flows - Included in the Operating Result</b>	<b>483</b>	<b>(558)</b>	<b>941</b>	<b>314</b>	<b>370</b>
<b>Operating Result</b>	<b>3,002</b>	<b>2,838</b>	<b>3,502</b>	<b>2,907</b>	<b>2,206</b>
<b>Other Economic Flows - Other Comprehensive Income</b>					
<i>Items that will not be Reclassified to the Operating Result</i>					
Superannuation Actuarial Gain/(Loss)	5,024	(3,219)	10,894	4,239	3,846
Deferred Tax Direct to Equity	...	...	...	...	...
Revaluations	3,364	4,230	4,042	4,325	4,121
Share of Earnings from Associates from Revaluations	...	...	...	...	...
<i>Items that may be Reclassified Subsequently to the Operating Result</i>					
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued	7,033	7,282	7,358	4,804	4,073
Net Gain/(Loss) on Financial Instruments at Fair Value	...	...	...	...	...
Other	(2,831)	(3,471)	(3,466)	(1,963)	(1,463)
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>12,590</b>	<b>4,823</b>	<b>18,827</b>	<b>11,404</b>	<b>10,578</b>
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>15,592</b>	<b>7,660</b>	<b>22,330</b>	<b>14,312</b>	<b>12,784</b>
<b>Key Fiscal Aggregates</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>15,592</b>	<b>7,660</b>	<b>22,330</b>	<b>14,312</b>	<b>12,784</b>
Less: Net Other Economic Flows	(13,073)	(4,265)	(19,769)	(11,719)	(10,948)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>2,520</b>	<b>3,395</b>	<b>2,561</b>	<b>2,593</b>	<b>1,836</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets	9,186	9,576	8,700	7,930	7,225
Sales of Non-Financial Assets	(687)	(941)	(413)	(489)	(581)
Less: Depreciation	(4,440)	(4,446)	(4,639)	(4,886)	(5,028)
Plus : Change in Inventories	1	...	(2)	8	(1)
Plus : Other Movements in Non-Financial Assets					
- Assets Acquired Using Finance Leases	183	183	109	125	3,420
- Other	60	132	81	119	121
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>4,302</b>	<b>4,504</b>	<b>3,836</b>	<b>2,806</b>	<b>5,156</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(1,783)</b>	<b>(1,109)</b>	<b>(1,275)</b>	<b>(213)</b>	<b>(3,321)</b>
<b>OTHER AGGREGATES</b>					
Capital Expenditure <sup>(a)</sup>	9,369	9,759	8,810	8,055	10,644

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

Table B.2: General government sector balance sheet

	June 2016	June 2016	June 2017	June 2018	June 2019
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalent Assets	5,723	4,983	4,963	4,498	4,562
Receivables	6,699	6,058	5,637	5,525	5,307
Tax Equivalents Receivable	21	49	17	95	48
Investments, Loans and Placements					
Financial Assets at Fair Value	11,369	10,990	11,161	11,624	12,234
Other Financial Assets	4,885	14,063	10,612	9,198	8,136
Advances Paid	1,175	1,128	1,290	1,326	1,300
Deferred Tax Equivalent Assets	4,786	3,870	4,026	4,140	4,229
Equity					
Investments in Other Public Sector Entities	95,976	92,016	99,374	104,178	108,251
Investments in Other Public Sector - Held for Sale	...	...	...	...	...
Investments in Associates	3,882	3,935	3,927	3,921	3,918
Other Financial Assets	10	540	562	585	610
<b>Total Financial Assets</b>	<b>134,525</b>	<b>137,632</b>	<b>141,569</b>	<b>145,090</b>	<b>148,594</b>
<b>Non- Financial Assets</b>					
Inventories	245	239	236	244	244
Forestry Stock and Other Biological Assets	7	10	10	10	10
Assets Classified as Held for Sale	42	76	136	101	50
Investment Properties	142	3	3	3	3
Property, Plant and Equipment					
Land and Buildings	69,672	70,865	71,928	72,121	73,034
Plant and Equipment	10,407	10,978	11,362	11,743	11,712
Infrastructure Systems	83,686	84,813	90,573	96,762	104,975
Intangibles	2,984	3,247	3,219	2,975	2,659
Other Non-Financial Assets	2,817	2,902	3,527	4,026	4,330
<b>Total Non- Financial Assets</b>	<b>170,003</b>	<b>173,132</b>	<b>180,996</b>	<b>187,985</b>	<b>197,017</b>
<b>Total Assets</b>	<b>304,528</b>	<b>310,764</b>	<b>322,565</b>	<b>333,075</b>	<b>345,611</b>
<b>Liabilities</b>					
Deposits Held	113	117	104	91	78
Payables	4,976	4,837	4,609	4,608	4,713
Tax Equivalent Payables	81	81	37	...	...
Liabilities Directly Associated with Assets Held for Sale	...	...	...	...	...
Borrowings and Derivatives at Fair Value	9	9	7	6	4
Borrowings at Amortised Cost	32,019	31,883	32,045	31,996	35,069
Advances Received	885	949	978	916	789
Employee Provisions	15,222	15,749	15,737	15,894	16,149
Superannuation Provisions <sup>(a)</sup>	49,735	56,585	46,588	42,674	38,953
Deferred Tax Equivalent Provisions	537	218	192	192	192
Other Provisions	8,565	8,527	8,584	8,739	8,962
Other Liabilities	2,390	2,833	2,782	2,733	2,670
<b>Total Liabilities</b>	<b>114,533</b>	<b>121,788</b>	<b>111,663</b>	<b>107,850</b>	<b>107,579</b>
<b>NET ASSETS</b>	<b>189,995</b>	<b>188,976</b>	<b>210,902</b>	<b>225,225</b>	<b>238,032</b>
<b>NET WORTH</b>					
<b>Accumulated Funds</b>	22,047	22,480	33,125	38,437	43,169
<b>Reserves</b>	167,948	166,496	177,778	186,788	194,864
<b>TOTAL NET WORTH</b>	<b>189,995</b>	<b>188,976</b>	<b>210,902</b>	<b>225,225</b>	<b>238,032</b>
<b>OTHER KEY AGGREGATES</b>					
<b>Net Financial Worth</b>	<b>19,992</b>	<b>15,844</b>	<b>29,906</b>	<b>37,240</b>	<b>41,015</b>
<b>Net Debt<sup>(b)</sup></b>	<b>9,875</b>	<b>1,794</b>	<b>5,108</b>	<b>6,363</b>	<b>9,708</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>75,984</b>	<b>76,173</b>	<b>69,468</b>	<b>66,939</b>	<b>67,237</b>

(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.

Table B.3: General government sector cash flow statement

	2015-16 Budget	2015-16 Revised	2016-17	2017-18	2018-19
	\$m	\$m	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Cash Receipts from Operating Activities</b>					
Taxes Received	27,909	28,880	28,909	30,376	31,675
Receipts from Sales of Goods and Services	8,522	8,954	9,161	8,813	8,648
Grants and Subsidies Received	29,866	29,878	31,757	31,117	31,057
Interest Receipts	467	659	595	636	668
Dividends and Income Tax Equivalents	2,128	2,130	1,422	978	1,064
Other Receipts	6,486	6,631	6,619	6,744	6,781
<b>Total Cash Receipts from Operating Activities</b>	<b>75,378</b>	<b>77,132</b>	<b>78,463</b>	<b>78,664</b>	<b>79,892</b>
<b>Cash Payments from Operating Activities</b>					
Payments for Employees	(29,232)	(29,409)	(30,326)	(31,392)	(32,776)
Payments for Superannuation	(3,698)	(3,587)	(3,511)	(4,097)	(4,299)
Payments for Goods and Services	(19,927)	(20,153)	(20,782)	(20,082)	(19,926)
Grants and Subsidies Paid	(9,597)	(9,660)	(10,174)	(9,905)	(9,850)
Interest Paid	(1,684)	(1,711)	(1,709)	(1,680)	(1,672)
Other Payments	(3,440)	(3,806)	(3,535)	(3,546)	(3,540)
<b>Total Cash Payments from Operating Activities</b>	<b>(67,578)</b>	<b>(68,325)</b>	<b>(70,037)</b>	<b>(70,702)</b>	<b>(72,064)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>7,800</b>	<b>8,807</b>	<b>8,426</b>	<b>7,962</b>	<b>7,828</b>
<b>Net Cash Flows from Investments in Non- Financial Assets</b>					
Sales of Non-Financial Assets	697	951	413	489	581
Purchases of Non-Financial Assets	(9,184)	(9,589)	(8,817)	(7,981)	(7,229)
<b>Net Cash Flows from Investments in Non- Financial Assets</b>	<b>(8,487)</b>	<b>(8,639)</b>	<b>(8,403)</b>	<b>(7,492)</b>	<b>(6,649)</b>
<b>Cash Flows from Investments from Financial Assets for Policy Purposes</b>					
Receipts	222	6,306	440	214	264
Payments	(3,071)	(3,753)	(3,725)	(2,239)	(1,730)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(2,849)</b>	<b>2,553</b>	<b>(3,284)</b>	<b>(2,024)</b>	<b>(1,467)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>					
Receipts from Sale/Maturity of Investments	495	7,586	13,787	10,035	8,435
Payments for Purchases of Investments	(2,181)	(18,022)	(10,075)	(8,597)	(7,622)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,686)</b>	<b>(10,436)</b>	<b>3,712</b>	<b>1,437</b>	<b>814</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(13,023)</b>	<b>(16,521)</b>	<b>(7,976)</b>	<b>(8,079)</b>	<b>(7,302)</b>
<b>Cash Flows from Financing Activities</b>					
Advances Received	23	88	62	26	45
Advances Repaid	(53)	(53)	(57)	(71)	(111)
Proceeds from Borrowings	640	626	468	419	493
Repayments of Borrowings	(533)	(522)	(535)	(722)	(906)
Deposits Received (net)	(9)	(9)	(13)	(13)	(13)
Other Financing (net)	...	7	...	...	...
<b>Net Cash Flows from Financing Activities</b>	<b>69</b>	<b>137</b>	<b>(75)</b>	<b>(361)</b>	<b>(493)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(5,154)</b>	<b>(7,577)</b>	<b>375</b>	<b>(479)</b>	<b>34</b>

Table B.3: General government sector cash flow statement (cont)

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 Forward Estimates \$m	2017-18 Forward Estimates \$m	2018-19 Forward Estimates \$m
<b>Derivation of Cash Result</b>					
Net Cash Flows from Operating Activities	7,800	8,807	8,426	7,962	7,828
Net Cash Flows from Investments in Non-Financial Assets	(8,487)	(8,639)	(8,403)	(7,492)	(6,649)
<b>Cash Surplus/(Deficit)</b>	<b>(687)</b>	<b>168</b>	<b>23</b>	<b>469</b>	<b>1,179</b>

Table B.4: Derivation of ABS GFS general government sector cash surplus/(deficit)

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 Forward Estimates \$m	2017-18 Forward Estimates \$m	2018-19 Forward Estimates \$m
<b>Cash Surplus/(Deficit)</b>	<b>(687)</b>	<b>168</b>	<b>23</b>	<b>469</b>	<b>1,179</b>
Assets Acquired under Finance Leases	(183)	(183)	(109)	(125)	(3,420)
Other Financing Arrangements <sup>(a)</sup>	(12)	4	116	52	5
<b>ABS GFS Surplus/(Deficit)</b>	<b>(882)</b>	<b>(11)</b>	<b>30</b>	<b>396</b>	<b>(2,236)</b>

(a) Comprises movements in payables and receivables of a capital nature.



Table B.5: Public non-financial corporation sector operating statement

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Taxation	...	...	...	...	...
Grants and Subsidies					
- Commonwealth General Purpose	...	...	...	...	...
- Commonwealth Specific Purpose Payments	18	...	...	...	...
- Commonwealth National Partnership Payments	...	...	...	...	...
- Other Grants and Subsidies	2,702	2,787	2,735	2,739	2,823
Sale of Goods and Services	11,316	12,239	12,260	13,042	12,132
Interest	99	90	89	70	70
Dividend and Income Tax Equivalents from Other Sectors	...	...	...	...	...
Other Dividends and Distributions	...	...	...	...	...
Fines, Regulatory Fees and Other	830	860	983	1,053	952
<b>Total Revenues from Transactions</b>	<b>14,965</b>	<b>15,976</b>	<b>16,067</b>	<b>16,905</b>	<b>15,977</b>
<b>Expenses from Transactions</b>					
Employee	3,476	3,516	3,464	3,408	3,403
Superannuation					
- Superannuation Interest Cost	70	72	68	64	59
- Other Superannuation	342	315	287	257	242
Depreciation and Amortisation	3,614	3,413	3,441	3,561	3,749
Interest	1,934	1,749	1,798	1,902	2,010
Income Tax Expense	340	326	266	304	304
Other Property	...	...	...	...	...
Other Operating	6,104	7,715	8,031	8,521	7,256
Grants and Subsidies					
- Current Grants and Subsidies	312	312	312	312	312
- Capital Grants	19	61	10	69	2
<b>Total Expenses from Transactions</b>	<b>16,211</b>	<b>17,477</b>	<b>17,678</b>	<b>18,398</b>	<b>17,336</b>
Transactions from Discontinuing Operations	...	...	...	...	...
<b>NET OPERATING BALANCE - SURPLUS AFTER TAX</b>	<b>(1,246)</b>	<b>(1,501)</b>	<b>(1,611)</b>	<b>(1,493)</b>	<b>(1,358)</b>

Table B.5: Public non-financial corporation sector operating statement (cont)

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 Forward Estimates \$m	2017-18 Forward Estimates \$m	2018-19 Forward Estimates \$m
<b>Other Economic Flows - Included in the Operating Result</b>					
Gain/(Loss) from Superannuation	...	...	...	...	...
Gain/(Loss) from Other Liabilities	...	...	...	...	...
Other Net Gains/(Losses)	324	3,779	745	613	451
Share of Earnings from Associates (excluding Dividends)	...	...	...	...	...
Dividends from Asset Sale Proceeds	...	...	...	...	...
Deferred Income Tax from Other Sectors	...	...	...	...	...
Other	37	63	(26)	(3)	(3)
Discontinuing Operations - Other Economic Flows	...	...	...	...	...
<b>Other Economic Flows - Included in the Operating Result</b>	<b>361</b>	<b>3,842</b>	<b>720</b>	<b>610</b>	<b>448</b>
<b>Operating Result</b>	<b>(884)</b>	<b>2,341</b>	<b>(891)</b>	<b>(883)</b>	<b>(910)</b>
<b>Other Economic Flows - Other Comprehensive Income</b>					
<b>Items that will not be Reclassified to the Operating Result</b>					
Superannuation Actuarial Gains/(Loss)	436	(215)	835	363	344
Deferred Tax Direct to Equity	(180)	539	(161)	(114)	(89)
Revaluations	3,871	2,439	2,110	2,125	2,373
Share of Earnings from Associates from Revaluations	...	...	...	...	...
<b>Items that may be Reclassified Subsequently to the Operating Result</b>					
Net Gain/(Loss) on Equity Investments in Other Sectors	...	...	...	...	...
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued	...	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	5	3	3	2	2
Other	2,418	3,754	3,332	1,780	1,643
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>6,550</b>	<b>6,519</b>	<b>6,119</b>	<b>4,157</b>	<b>4,273</b>
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>5,666</b>	<b>8,860</b>	<b>5,228</b>	<b>3,274</b>	<b>3,363</b>
<b>Key Fiscal Aggregates</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>5,666</b>	<b>8,860</b>	<b>5,228</b>	<b>3,274</b>	<b>3,363</b>
Less: Net Other Economic Flows	(6,911)	(10,361)	(6,839)	(4,767)	(4,721)
<b>Equals: Net Operating Balance - Surplus After Tax</b>	<b>(1,246)</b>	<b>(1,501)</b>	<b>(1,611)</b>	<b>(1,493)</b>	<b>(1,358)</b>
<b>Less: Net Acquisition of Non- Financial Assets</b>					
Purchases of Non-Financial Assets	6,895	7,206	8,238	7,866	6,209
Sales of Non-Financial Assets	(947)	(782)	(782)	(502)	(538)
Less: Depreciation	(3,614)	(3,413)	(3,441)	(3,561)	(3,749)
Plus : Change in Inventories	90	(110)	109	133	48
Plus : Other Movements in Non-Financial Assets					
- Assets Acquired Using Finance Leases	224	224	1,570	11	110
- Other	429	429	442	408	449
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>3,076</b>	<b>3,554</b>	<b>6,137</b>	<b>4,354</b>	<b>2,529</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(4,322)</b>	<b>(5,055)</b>	<b>(7,748)</b>	<b>(5,847)</b>	<b>(3,887)</b>
<b>OTHER AGGREGATES</b>					
Capital Expenditure <sup>(a)</sup>	7,118	7,430	9,809	7,876	6,319
Dividends Accrued <sup>(b)</sup>	1,021	1,064	682	641	483

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

(b) Net borrowing for the PNFC sector excludes the impact of dividends accrued, and therefore does not fully reflect the sector's call on the financial markets.

Table B.6: Public non-financial corporation sector balance sheet

	June 2016 Budget \$m	June 2016 Revised \$m	June 2017 \$m	June 2018 June 2019 Forward Estimates \$m	June 2019 \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalent Assets	1,478	1,639	1,652	1,768	2,191
Receivables	1,710	1,494	1,439	1,438	1,457
Tax Equivalent Receivable	72	81	37	...	...
Investments, Loans and Placements					
Financial Assets at Fair Value	117	108	110	111	113
Other Financial Assets	772	890	688	641	646
Advances Paid	...	...	...	...	...
Deferred Tax Equivalent Assets	519	213	188	188	188
Equity					
Investments in Other Public Sector Entities	...	...	...	...	...
Investments in Other Public Sector - Held for Sale	...	...	...	...	...
Investments in Associates	...	...	...	...	...
Other Financial Assets	2	2	2	2	2
<b>Total Financial Assets</b>	<b>4,671</b>	<b>4,427</b>	<b>4,115</b>	<b>4,148</b>	<b>4,596</b>
<b>Non- Financial Assets</b>					
Inventories	808	633	689	768	806
Forestry Stock and Other Biological Assets	782	858	858	858	858
Assets Classified as Held for Sale	70	80	68	70	65
Investment Properties	464	487	372	390	390
Property, Plant and Equipment					
Land and Buildings	59,347	58,769	61,500	62,612	63,901
Plant and Equipment	6,497	6,241	6,220	6,259	6,452
Infrastructure Systems	75,179	69,455	74,970	80,081	83,343
Intangibles	1,513	897	872	837	823
Other Non-Financial Assets	225	163	169	174	181
<b>Total Non- Financial Assets</b>	<b>144,884</b>	<b>137,583</b>	<b>145,719</b>	<b>152,049</b>	<b>156,819</b>
<b>Total Assets</b>	<b>149,554</b>	<b>142,010</b>	<b>149,834</b>	<b>156,196</b>	<b>161,415</b>
<b>Liabilities</b>					
Deposits Held	34	48	44	45	46
Payables	2,513	2,296	2,552	2,742	2,918
Tax Equivalent Payables	15	45	12	90	43
Liabilities Directly Associated with Assets Held for Sale	...	...	...	...	...
Borrowings and Derivatives at Fair Value	25	8	417	2,157	2,880
Borrowings at Amortised Cost	36,651	32,645	36,797	38,897	40,776
Advances Received	406	404	389	374	358
Employee Provisions	1,798	1,594	1,450	1,395	1,388
Superannuation Provisions <sup>(a)</sup>	2,733	2,598	1,823	1,510	1,215
Deferred Tax Equivalent Provisions	4,774	3,868	4,024	4,139	4,227
Other Provisions	1,737	1,838	1,377	1,299	1,139
Other Liabilities	199	245	233	201	196
<b>Total Liabilities</b>	<b>50,885</b>	<b>45,590</b>	<b>49,118</b>	<b>52,848</b>	<b>55,188</b>
<b>NET ASSETS</b>	<b>98,670</b>	<b>96,421</b>	<b>100,716</b>	<b>103,348</b>	<b>106,228</b>
<b>NET WORTH</b>					
<b>Accumulated Funds</b>	44,578	46,238	48,394	49,018	49,619
<b>Reserves</b>	54,091	50,183	52,322	54,330	56,609
<b>TOTAL NET WORTH</b>	<b>98,670</b>	<b>96,421</b>	<b>100,716</b>	<b>103,348</b>	<b>106,228</b>
<b>OTHER KEY AGGREGATES</b>					
<b>Net Financial Worth</b>	<b>(46,214)</b>	<b>(41,162)</b>	<b>(45,003)</b>	<b>(48,700)</b>	<b>(50,591)</b>
<b>Net Debt<sup>(b)</sup></b>	<b>34,749</b>	<b>30,468</b>	<b>35,198</b>	<b>38,953</b>	<b>41,112</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>46,214</b>	<b>41,162</b>	<b>45,003</b>	<b>48,700</b>	<b>50,591</b>

(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.

Table B.7: Public non-financial corporation sector cash flow statement

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Cash Receipts from Operating Activities</b>					
Taxes Received	...	...	...	...	...
Receipts from Sales of Goods and Services	11,936	13,469	13,131	13,784	12,718
Grants and Subsidies Received	2,705	2,770	2,717	2,720	2,805
Interest Receipts	94	85	84	64	64
Dividends and Income Tax Equivalents	...	...	...	...	...
Other Receipts	1,679	1,889	1,978	1,951	1,830
<b>Total Cash Receipts from Operating Activities</b>	<b>16,414</b>	<b>18,212</b>	<b>17,910</b>	<b>18,519</b>	<b>17,417</b>
<b>Cash Payments from Operating Activities</b>					
Payments for Employees	(3,762)	(3,960)	(3,764)	(3,611)	(3,553)
Payments for Superannuation	(333)	(660)	(295)	(270)	(252)
Payments for Goods and Services	(6,165)	(7,655)	(7,725)	(8,351)	(7,104)
Grants and Subsidies Paid	(331)	(331)	(314)	(314)	(314)
Interest Paid	(1,814)	(1,704)	(1,739)	(1,780)	(1,809)
Income Tax Equivalents Paid	(467)	(504)	(257)	(190)	(352)
Other Payments	(1,233)	(1,494)	(1,416)	(1,384)	(1,327)
<b>Total Cash Payments from Operating Activities</b>	<b>(14,104)</b>	<b>(16,308)</b>	<b>(15,511)</b>	<b>(15,900)</b>	<b>(14,712)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>2,310</b>	<b>1,904</b>	<b>2,399</b>	<b>2,619</b>	<b>2,705</b>
<b>Net Cash Flows from Investments in Non- Financial Assets</b>					
Sales of Non-Financial Assets	947	782	782	502	538
Purchases of Non-Financial Assets	(6,884)	(7,258)	(8,236)	(7,863)	(6,205)
<b>Net Cash Flows from Investments in Non- Financial Assets</b>	<b>(5,936)</b>	<b>(6,476)</b>	<b>(7,454)</b>	<b>(7,361)</b>	<b>(5,667)</b>
<b>Cash Flows from Investments from Financial Assets for Policy Purposes</b>					
Receipts	...	3,641	...	...	...
Payments	(15)	(20)	(6)	(5)	(3)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(15)</b>	<b>3,621</b>	<b>(6)</b>	<b>(5)</b>	<b>(3)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>					
Receipts from Sale/Maturity of Investments	50	109	196	67	72
Payments for Purchases of Investments	(49)	(179)	(27)	(31)	(68)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>...</b>	<b>(71)</b>	<b>169</b>	<b>36</b>	<b>4</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(5,951)</b>	<b>(2,925)</b>	<b>(7,291)</b>	<b>(7,330)</b>	<b>(5,667)</b>
<b>Cash Flows from Financing Activities</b>					
Advances Received	2,420	3,754	3,332	1,780	1,643
Advances Repaid	(145)	(49)	(280)	(31)	(31)
Proceeds from Borrowings	3,898	5,104	3,068	3,967	3,724
Repayments of Borrowings	(737)	(5,921)	(147)	(209)	(1,311)
Dividends Paid	(1,595)	(1,595)	(1,064)	(682)	(641)
Deposits Received (net)	(2)	(49)	(4)	1	1
Other Financing (net)	...	...	...	...	...
<b>Net Cash Flows from Financing Activities</b>	<b>3,839</b>	<b>1,244</b>	<b>4,904</b>	<b>4,826</b>	<b>3,385</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>198</b>	<b>223</b>	<b>12</b>	<b>115</b>	<b>423</b>

Table B.7: Public non-financial corporation sector cash flow statement (cont)

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Derivation of Cash Result</b>					
Net Cash Flows from Operating Activities	2,310	1,904	2,399	2,619	2,705
Net Cash Flows from Investments in Non-Financial Asset	(5,936)	(6,476)	(7,454)	(7,361)	(5,667)
Dividends Paid	(1,595)	(1,595)	(1,064)	(682)	(641)
<b>Cash Surplus/(Deficit)</b>	<b>(5,221)</b>	<b>(6,166)</b>	<b>(6,120)</b>	<b>(5,424)</b>	<b>(3,604)</b>

Table B.8: Derivation of ABS GFS public non-financial corporation sector cash surplus/(deficit)

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Cash Surplus/(Deficit)</b>	<b>(5,221)</b>	<b>(6,166)</b>	<b>(6,120)</b>	<b>(5,424)</b>	<b>(3,604)</b>
Assets Acquired under Finance Leases	(224)	(224)	(1,570)	(11)	(110)
Other Financing Arrangements <sup>(a)</sup>	(11)	52	(2)	(3)	(3)
<b>ABS GFS Surplus/(Deficit)</b>	<b>(5,455)</b>	<b>(6,338)</b>	<b>(7,692)</b>	<b>(5,438)</b>	<b>(3,717)</b>

(a) Comprises movements in payables and receivables of a capital nature.

Table B.9: Non-financial public sector operating statement

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Taxation	27,046	28,022	28,080	29,574	30,787
Grants and Subsidies					
- Commonwealth General Purpose	17,346	17,446	17,796	17,945	18,441
- Commonwealth Specific Purpose Payments	8,637	8,645	9,264	9,678	9,993
- Commonwealth National Partnership Payments	2,712	2,678	3,765	2,589	1,622
- Other Grants and Subsidies	781	653	639	598	686
Sale of Goods and Services	16,180	17,131	17,367	18,366	17,647
Interest	531	697	644	645	685
Dividend and Income Tax Equivalents					
from Other Sectors	107	61	69	71	69
Other Dividends and Distributions	424	426	447	465	486
Fines, Regulatory Fees and Other	4,693	4,795	4,920	5,184	5,119
<b>Total Revenues from Transactions</b>	<b>78,457</b>	<b>80,553</b>	<b>82,993</b>	<b>85,114</b>	<b>85,536</b>
<b>Expenses from Transactions</b>					
Employee	31,738	32,034	33,328	34,375	35,802
Superannuation					
- Superannuation Interest Cost	1,547	1,641	1,608	1,673	1,636
- Other Superannuation	3,267	3,192	3,154	3,070	3,088
Depreciation and Amortisation	8,054	7,858	8,079	8,447	8,777
Interest	4,101	3,911	3,963	4,065	4,179
Income Tax Expense	...	...	...	...	...
Other Property	...	...	...	...	...
Other Operating	20,175	21,661	22,563	23,086	22,218
Grants and Subsidies					
- Current Grants and Subsidies	8,545	8,665	9,334	9,244	9,225
- Capital Grants	776	761	694	696	618
<b>Total Expenses from Transactions</b>	<b>78,203</b>	<b>79,723</b>	<b>82,725</b>	<b>84,655</b>	<b>85,542</b>
Transactions from Discontinuing Operations	...	...	...	...	...
<b>NET OPERATING BALANCE - SURPLUS/(DEFICIT)</b>	<b>253</b>	<b>830</b>	<b>268</b>	<b>459</b>	<b>(6)</b>

Table B.9: Non-financial public sector operating statement (cont)

	2015-16 Budget \$m	2015-16 Revised \$m	2016-17 Forward Estimates \$m	2017-18 Forward Estimates \$m	2018-19 Forward Estimates \$m
<b>Other Economic Flows - Included in the Operating Result</b>					
Gain/(Loss) from Superannuation	...	...	...	...	...
Gain/(Loss) from Other Liabilities	137	(272)	440	138	135
Other Net Gains/(Losses)	479	4,138	834	692	611
Share of Earnings from Associates (excluding Dividends)	(15)	(7)	13	17	22
Dividends from Asset Sale Proceeds	...	...	...	...	...
Deferred Income Tax from Other Sectors	...	...	...	...	...
Other	(37)	(36)	(37)	(37)	(38)
Discontinuing Operations - Other Economic Flows	...	...	...	...	...
<b>Other Economic Flows - Included in the Operating Result</b>	<b>564</b>	<b>3,823</b>	<b>1,250</b>	<b>810</b>	<b>730</b>
<b>Operating Result</b>	<b>817</b>	<b>4,653</b>	<b>1,518</b>	<b>1,269</b>	<b>724</b>
<b>Other Economic Flows - Other Comprehensive Income</b>					
<b>Items that will not be Reclassified to the Operating Result</b>					
Superannuation Actuarial Gain/(Loss)	5,460	(3,434)	11,728	4,603	4,190
Deferred Tax Direct to Equity	...	...	...	...	...
Revaluations	7,235	6,668	6,152	6,450	6,494
Share of Earnings from Associates from Revaluations	...	...	...	...	...
<b>Items that may be Reclassified Subsequently to the Operating Result</b>					
Net Gain/(Loss) on Equity Investments in Other Sectors	2,995	1,310	3,942	2,171	1,473
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued	...	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	5	3	3	2	2
Other	(413)	283	(134)	(183)	180
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>15,282</b>	<b>4,830</b>	<b>21,691</b>	<b>13,043</b>	<b>12,340</b>
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>16,099</b>	<b>9,483</b>	<b>23,209</b>	<b>14,312</b>	<b>13,064</b>
<b>Key Fiscal Aggregates</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>16,099</b>	<b>9,483</b>	<b>23,209</b>	<b>14,312</b>	<b>13,064</b>
Less: Net Other Economic Flows	(15,846)	(8,653)	(22,941)	(13,853)	(13,069)
<b>Equals: Net Operating Balance</b>	<b>253</b>	<b>830</b>	<b>268</b>	<b>459</b>	<b>(6)</b>
<b>Less: Net Acquisition of Non- Financial Assets</b>					
Purchases of Non-Financial Assets	16,077	16,779	16,935	15,792	13,431
Sales of Non-Financial Assets	(1,635)	(1,723)	(1,195)	(991)	(1,119)
Less: Depreciation	(8,054)	(7,858)	(8,079)	(8,447)	(8,777)
Plus : Change in Inventories	91	(110)	107	140	48
Plus : Other Movements in Non-Financial Assets					
- Assets Acquired Using Finance Leases	407	407	1,680	136	3,529
- Other	488	561	523	527	571
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>7,375</b>	<b>8,055</b>	<b>9,970</b>	<b>7,157</b>	<b>7,682</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(7,122)</b>	<b>(7,225)</b>	<b>(9,702)</b>	<b>(6,698)</b>	<b>(7,688)</b>
<b>OTHER AGGREGATES</b>					
Capital Expenditure <sup>(a)</sup>	16,484	17,186	18,615	15,928	16,960

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

Table B.10: Non-financial public sector balance sheet

	June 2016	June 2016	June 2017	June 2018	June 2019
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalent Assets	7,201	6,622	6,614	6,266	6,753
Receivables	6,361	5,431	5,342	5,233	5,152
Tax Equivalent Receivable	...	...	...	...	...
Investments, Loans and Placements					
Financial Assets at Fair Value	11,486	11,098	11,259	11,712	12,311
Other Financial Assets	5,178	14,476	10,839	9,396	8,323
Advances Paid	774	729	901	952	942
Deferred Tax Equivalent Assets	1	1	1	1	1
Equity					
Investments in Other Public Sector Entities	(2,081)	(2,493)	1,449	3,620	5,094
Investments in Other Public Sector - Held for Sale	...	...	...	...	...
Investments in Associates	3,882	3,935	3,927	3,921	3,918
Other Financial Assets	12	542	564	587	611
<b>Total Financial Assets</b>	<b>32,814</b>	<b>40,342</b>	<b>40,897</b>	<b>41,689</b>	<b>43,104</b>
<b>Non- Financial Assets</b>					
Inventories	1,053	871	925	1,012	1,050
Forestry Stock and Other Biological Assets	790	868	868	868	868
Assets Classified as Held for Sale	112	156	204	171	115
Investment Properties	605	490	375	393	393
Property, Plant and Equipment					
Land and Buildings	129,019	129,634	133,429	134,733	136,935
Plant and Equipment	16,904	17,218	17,582	18,002	18,164
Infrastructure Systems	158,865	154,268	165,544	176,842	188,319
Intangibles	4,497	4,144	4,091	3,812	3,482
Other Non-Financial Assets	3,005	3,066	3,696	4,200	4,511
<b>Total Non- Financial Assets</b>	<b>314,850</b>	<b>310,715</b>	<b>326,715</b>	<b>340,034</b>	<b>353,837</b>
<b>Total Assets</b>	<b>347,664</b>	<b>351,058</b>	<b>367,612</b>	<b>381,722</b>	<b>396,941</b>
<b>Liabilities</b>					
Deposits Held	148	165	148	136	124
Payables	6,798	6,464	6,484	6,629	6,859
Tax Equivalent Payables	...	...	...	...	...
Liabilities Directly Associated with Assets Held for Sale	...	...	...	...	...
Borrowings and Derivatives at Fair Value	33	17	424	2,162	2,885
Borrowings at Amortised Cost	68,191	64,051	68,370	70,427	75,351
Advances Received	891	955	978	916	789
Employee Provisions	16,982	17,299	17,145	17,248	17,497
Superannuation Provisions <sup>(a)</sup>	52,468	59,183	48,411	44,184	40,167
Deferred Tax Equivalent Provisions	8	4	4	4	4
Other Provisions	8,961	8,967	8,953	9,079	9,310
Other Liabilities	2,575	3,065	3,002	2,921	2,852
<b>Total Liabilities</b>	<b>157,056</b>	<b>160,170</b>	<b>153,919</b>	<b>153,707</b>	<b>155,838</b>
<b>NET ASSETS</b>	<b>190,608</b>	<b>190,888</b>	<b>213,693</b>	<b>228,015</b>	<b>241,103</b>
<b>NET WORTH</b>					
<b>Accumulated Funds</b>	62,485	65,232	77,881	83,713	88,967
<b>Reserves</b>	128,122	125,656	135,812	144,302	152,136
<b>TOTAL NET WORTH</b>	<b>190,608</b>	<b>190,888</b>	<b>213,693</b>	<b>228,015</b>	<b>241,103</b>
<b>OTHER KEY AGGREGATES</b>					
<b>Net Financial Worth</b>	<b>(124,242)</b>	<b>(119,828)</b>	<b>(113,022)</b>	<b>(112,018)</b>	<b>(112,734)</b>
<b>Net Debt <sup>(b)</sup></b>	<b>44,624</b>	<b>32,262</b>	<b>40,306</b>	<b>45,316</b>	<b>50,820</b>
<b>Net Financial Liabilities <sup>(c)</sup></b>	<b>122,161</b>	<b>117,335</b>	<b>114,471</b>	<b>115,639</b>	<b>117,828</b>

(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.



Table B.11: Non-financial public sector cash flow statement

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Cash Receipts from Operating Activities</b>					
Taxes Received	27,113	28,118	28,169	29,668	30,890
Receipts from Sales of Goods and Services	17,255	19,088	18,747	19,701	18,946
Grants and Subsidies Received	29,551	29,567	31,431	31,047	30,987
Interest Receipts	499	677	614	635	665
Dividends and Income Tax Equivalents	105	108	55	70	70
Other Receipts	8,147	8,468	8,467	8,327	8,268
<b>Total Operating Receipts</b>	<b>82,670</b>	<b>86,025</b>	<b>87,484</b>	<b>89,449</b>	<b>89,827</b>
<b>Cash Payments from Operating Activities</b>					
Payments for Employees	(32,165)	(32,542)	(33,271)	(34,183)	(35,498)
Payments for Superannuation	(4,031)	(4,238)	(3,807)	(4,367)	(4,551)
Payments for Goods and Services	(22,796)	(24,417)	(24,831)	(25,453)	(24,474)
Grants and Subsidies Paid	(7,018)	(7,000)	(7,530)	(7,265)	(7,140)
Interest Paid	(3,436)	(3,349)	(3,384)	(3,396)	(3,415)
Other Payments	(4,711)	(5,368)	(4,904)	(4,889)	(4,862)
<b>Total Operating Payments</b>	<b>(74,157)</b>	<b>(76,913)</b>	<b>(77,727)</b>	<b>(79,555)</b>	<b>(79,939)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>8,512</b>	<b>9,112</b>	<b>9,756</b>	<b>9,894</b>	<b>9,888</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>					
Sales of Non-Financial Assets	1,644	1,733	1,195	991	1,119
Purchases of Non-Financial Assets	(16,064)	(16,844)	(17,050)	(15,841)	(13,432)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(14,420)</b>	<b>(15,111)</b>	<b>(15,854)</b>	<b>(14,850)</b>	<b>(12,313)</b>
<b>Cash Flows from Investments from Financial Assets for Policy Purposes</b>					
Receipts	78	9,904	160	184	233
Payments	(1,173)	(1,862)	(1,277)	(464)	(371)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(1,094)</b>	<b>8,042</b>	<b>(1,117)</b>	<b>(280)</b>	<b>(138)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>					
Receipts from Sale/Maturity of Investments	506	7,578	13,940	10,058	8,462
Payments for Purchases of Investments	(2,231)	(18,122)	(10,102)	(8,629)	(7,690)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,724)</b>	<b>(10,544)</b>	<b>3,838</b>	<b>1,430</b>	<b>772</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(17,239)</b>	<b>(17,613)</b>	<b>(13,134)</b>	<b>(13,700)</b>	<b>(11,678)</b>
<b>Cash Flows from Financing Activities</b>					
Advances Received	530	1,930	941	26	325
Advances Repaid	(54)	(55)	(57)	(71)	(111)
Proceeds from Borrowings	4,538	5,726	3,536	4,385	4,216
Repayments of Borrowings	(1,232)	(6,405)	(640)	(887)	(2,172)
Deposits Received (net)	(11)	(57)	(17)	(12)	(12)
Other Financing (net)	(1)	7	...	...	...
<b>Net Cash Flows from Financing Activities</b>	<b>3,771</b>	<b>1,146</b>	<b>3,764</b>	<b>3,442</b>	<b>2,246</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(4,956)</b>	<b>(7,355)</b>	<b>386</b>	<b>(364)</b>	<b>456</b>

Table B.11: Non-financial public sector cash flow statement (cont)

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Derivation of Cash Result</b>					
Net Cash Flows from Operating Activities	8,512	9,112	9,756	9,894	9,888
Net Cash Flows from Investments in Non-Financial Assets	(14,420)	(15,111)	(15,854)	(14,850)	(12,313)
<b>Cash Surplus/(Deficit)</b>	<b>(5,908)</b>	<b>(5,999)</b>	<b>(6,098)</b>	<b>(4,956)</b>	<b>(2,425)</b>

Table B.12: Derivation of ABS GFS non-financial public sector cash surplus/(deficit)

	2015-16	2015-16	2016-17	2017-18	2018-19
	Budget	Revised	Forward Estimates		
	\$m	\$m	\$m	\$m	\$m
<b>Cash Surplus/(Deficit)</b>	<b>(5,908)</b>	<b>(5,999)</b>	<b>(6,098)</b>	<b>(4,956)</b>	<b>(2,425)</b>
Assets Acquired under Finance Leases	(407)	(407)	(1,680)	(136)	(3,529)
Other Financing Arrangements <sup>(a)</sup>	(23)	56	115	49	1
<b>ABS GFS Surplus/(Deficit)</b>	<b>(6,338)</b>	<b>(6,351)</b>	<b>(7,663)</b>	<b>(5,043)</b>	<b>(5,953)</b>

(a) Comprises movements in payables and receivables of a capital nature.

## B.2 Loan Council Allocation

Table B.13 presents the Budget estimates of the State's Loan Council Allocation (LCA) for 2015-16 and a revised estimate taking into account recent fiscal and economic developments.

Overall, the LCA for 2015-16 is estimated to be a \$0.1 billion deficit. This is an improvement of \$8.2 billion on the Budget estimate of a \$8.3 billion deficit. The variance is outside the tolerance limit of \$1.7 billion set by the Loan Council. This tolerance limit is calculated as 2 per cent of cash receipts from operating activities for the non-financial public sector.

The variance is largely due to:

- A \$0.9 billion improvement in the general government sector cash flows mainly related to increased revenues from stamp duty due to the stronger-than-expected growth in the property market.
- A \$0.9 billion increase in the public non-financial corporation cash deficit largely related to an increase in capital expenditure.
- The \$9.1 billion improvement in cash flows from investments in financial assets for policy purposes primarily driven by the long-term lease of TransGrid (total proceeds \$10.3 billion). In accordance with normal practice, such transactions are not included in budget estimates for commerciality reasons. Total cash flow includes an equity investment outflow to support funding the WestConnex projects of \$0.8 billion.
- The memorandum items included in the LCA were mainly impacted by a decrease in the value of financial assets of \$0.6 billion, largely due to the estimated lower rate of earnings by the State Super Schemes. Estimated superannuation earnings are 7.8 per cent in 2015-16 which is 0.8 per cent lower than the 8.6 per cent estimate at Budget time. The remaining balance of the movement in the memorandum items largely relates to an increase in University borrowings. Information on University borrowings is estimated at budget time due to the difference in financial reporting year-end dates.

Table B.13: Loan Council Allocation estimates<sup>(a)</sup>

	2014-15 Actual \$m	2015-16 Budget-time Estimate \$m	2015-16 Half-Yearly Estimate \$m
General Government Sector Cash Deficit/(Surplus)	(2,205)	687	(168)
Public Non-Financial Corporations Sector Cash Deficit/(Surplus)	986	5,221	6,166
<b>Non- Financial Public Sector Cash Deficit/(Surplus)<sup>(b)</sup></b>	<b>(1,221)</b>	<b>5,908</b>	<b>5,999</b>
Acquisitions Under Finance Leases and Similar Arrangements <sup>(c)</sup>	106	430	352
<b>Equals: ABS GFS Cash Deficit/(Surplus)</b>	<b>(1,115)</b>	<b>6,338</b>	<b>6,351</b>
Net Cash Flows From Investments in Financial Assets For Policy Purposes <sup>(d)</sup>			
Minus:			
Purposes <sup>(d)</sup>	560	(1,094)	8,042
Plus:			
Memorandum Items <sup>(e)</sup>	876	843	1,801
<b>Loan Council Allocation</b>	<b>(799)</b>	<b>8,275</b>	<b>110</b>

(a) Cash surplus/deficits and finance leases are displayed with the opposite sign to that under which they are reported in cash flow statements. That is, a surplus is displayed as a negative number.

(b) The non-financial public sector cash surplus/(deficit) may not directly equate to the sum of the general government and public non-financial corporation sectors' cash deficits due to intersectoral transfers which are netted out.

(c) Finance leases and similar arrangements are shown separately as they are deducted from the AASB 1049 cash surplus to derive the ABS GFS cash surplus.

(d) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as reported in cash flow statements.

(e) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that the Loan Council has agreed should not be included in LCAs – for example, the funding of more than an employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as universities.

## Public private partnerships

As approved at the 1997 Loan Council Meeting, States are to report their full contingent exposure to public private partnerships (PPPs) for new contracts entered into, that have not previously been reported. Exposure is to be measured by the Government's termination liabilities in a case of private sector default, and disclosed as a footnote to, rather than a component of, LCAs.

Information on social infrastructure PPPs and other capital expenditure which is generally reported on the State's balance sheet is reported within the LCA.

Therefore, only new toll road PPPs, which are generally off-balance sheet, are reported below as Memo items.

### Contracts expected to be entered into in 2015- 16

WESTCONNEX STAGE 2 New M5 (Beverly Hills to St Peters)

Stage 2 of WestConnex is being progressed by NSW Government together with the Sydney Motorway Corporation Pty Ltd and its subsidiaries. Stage 2 runs from the existing M5 East corridor at Beverly Hills via tunnel to St Peters, providing improved access to the airport, south Sydney and Port Botany precincts with completion scheduled for 2019. Stage 2 is being accelerated following a funding agreement signed by the Australian and New South Wales governments in May 2014. Contract and financial close for Stage 2 completed in November 2015.

Expected Government Contingent Liability	Nil
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## Appendix C: Variations on Year to Date

### Revised 2015- 16 Budget

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The budget result expected for 2015-16 is a surplus of \$3.4 billion compared to a forecast surplus of \$2.5 billion at the time of the 2015-16 Budget.

Total revenue is estimated to be \$73.4 billion, which is \$1.3 billion higher than the budget estimate of \$72.1 billion.

Total expenses are estimated to be \$70 billion, which is \$374 million higher than the budget estimate of \$69.6 billion.

### Operating statement (four months to 31 October 2015)

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The Government has received higher-than-forecast taxation receipts in the four months to October 2014. This is primarily due to stamp duty from continued property market strength and the long-term lease of TransGrid.

Stronger market conditions and lower operating expenses are delivering increased dividends in the water sector. Weakness in the export coal market delivered lower-than-forecast royalties.

Expenses have also been affected by re-profiling of funds from 2014-15 into 2015-16, in large part due to late payments by the Australian Government. Net new policy decisions by the Government are expected to increase expenses by \$99.1 million in 2015-16 (gross policy decisions \$180.4 million). In addition, the superannuation expenses have increased due to changes in actuarial assumptions.

### Balance sheet (as at 31 October 2015)

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The proceeds of the long-term lease of TransGrid have increased cash and lowered investment in other public sector entities respectively. Reclassification of term deposits from cash to other financial assets has increased investments, loans and placements. Year-end revaluations driven by changes in expected asset useful life from additional maintenance have increased the value of land and building assets.

Superannuation liabilities are higher as the value of reported defined benefit liabilities is affected by the discount rate used to value accrued entitlements in today's terms. The Government continues to be on track to fully fund superannuation liabilities by 2030.

### Cash flow statement

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The improvement in the cash position is primarily driven by asset sales and leases, and increased stamp duty.

Table C.1: General government sector operating statement

	2014-15	2015-16		Variance \$m	Variance %	4 Months to
	Actual \$m	Budget \$m	Revised \$m			Actual \$m
<b>Revenue from Transactions</b>						
Taxation	26,067	27,855	28,768	914	3.3	9,221
Grants and Subsidies						
- Commonwealth General Purpose	17,065	17,346	17,446	100	0.6	5,765
- Commonwealth Specific Purpose Payments	8,103	8,619	8,645	26	0.3	2,908
- Commonwealth National Partnership Payments	2,899	2,712	2,678	(35)	(1.3)	143
- Other Grants and Subsidies	1,091	1,098	982	(115)	(10.5)	410
Sale of Goods and Services	6,255	8,212	8,341	129	1.6	2,801
Interest	658	508	691	183	36.0	199
Dividend and Income Tax Equivalents from Other Sectors	2,407	1,468	1,451	(17)	(1.2)	504
Other Dividends and Distributions	1,164	424	426	2	0.6	58
Fines, Regulatory Fees and Other	3,909	3,901	3,964	63	1.6	1,297
<b>Total Revenue from Transactions</b>	<b>69,617</b>	<b>72,143</b>	<b>73,393</b>	<b>1,250</b>	<b>1.7</b>	<b>23,306</b>
<b>Expenses from Transactions</b>						
Employee	27,818	28,936	29,196	260	0.9	9,756
Superannuation						
- Superannuation Interest Cost	1,683	1,476	1,569	93	6.3	505
- Other Superannuation	2,846	2,926	2,877	(49)	(1.7)	966
Depreciation and Amortisation	4,172	4,440	4,446	5	0.1	1,426
Interest	2,243	2,244	2,246	2	0.1	705
Other Property	...	...	...	...	...	...
Other Operating	14,809	17,567	17,471	(97)	(0.6)	5,358
Grants and Subsidies						
- Current Grants and Subsidies	9,895	11,092	11,298	206	1.9	3,727
- Capital Grants	3,270	941	895	(46)	(4.9)	157
<b>Total Expenses from Transactions</b>	<b>66,736</b>	<b>69,624</b>	<b>69,998</b>	<b>374</b>	<b>0.5</b>	<b>22,600</b>
Transactions from Discontinuing Operations	...	...	...	...	...	...
<b>BUDGET RESULT - SURPLUS/(DEFICIT)</b>						
<b>[Net Operating Result]</b>	<b>2,881</b>	<b>2,520</b>	<b>3,395</b>	<b>876</b>	<b>34.8</b>	<b>705</b>

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

	2014-15	2015-16		Variance \$m	Variance %	4 Months to
	Actual \$m	Budget \$m	Revised \$m			Actual \$m
<b>Other Economic Flows - Included in the Operating Result</b>						
Gain/(Loss) from Superannuation	...	...	...	...	...	...
Gain/(Loss) from Other Liabilities	(819)	137	(272)	(409)	(298.3)	(50)
Other Net Gains/(Losses)	382	155	359	204	131.4	211
Share of Earnings from Associates (excluding Dividends)	18	(15)	(7)	8	(55.0)	...
Dividends from Asset Sale Proceeds	177	100	...	(100)	(100.0)	...
Deferred Income Tax from Other Sectors	137	140	(604)	(744)	(531.2)	(20)
Other	3	(35)	(34)	1	(2.7)	10
Discontinuing Operations - Other Economic Flows	...	...	...	...	...	...
<b>Other Economic Flows - Included in the Operating Result</b>	<b>(102)</b>	<b>482</b>	<b>(558)</b>	<b>(1,040)</b>	<b>(215.7)</b>	<b>151</b>
<b>Operating Result</b>	<b>2,779</b>	<b>3,002</b>	<b>2,838</b>	<b>(164)</b>	<b>(5.5)</b>	<b>856</b>
<b>Other Economic Flows - Other Comprehensive Income</b>						
<i>Items that will not be Reclassified to the Operating Result</i>						
Superannuation Actuarial Gain/(Loss)	(3,183)	5,024	(3,219)	(8,243)	(164.1)	(1,073)
Deferred Tax Direct to Equity	...	...	...	...	...	...
Revaluations	6,631	3,364	4,230	865	25.7	9
Share of Earnings from Associates from Revaluations	894	...	...	...	...	...
<i>Items that may be Reclassified Subsequently to the Operating Result</i>						
Net Gain/(Loss) on Equity Investments in Other Sectors	6,590	7,033	7,282	249	3.5	739
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued	(220)	...	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	0	...	...	...	...	2
Other	64	(2,831)	(3,471)	(639)	22.6	(1,033)
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>10,776</b>	<b>12,590</b>	<b>4,823</b>	<b>(7,767)</b>	<b>(61.7)</b>	<b>(1,356)</b>
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>13,555</b>	<b>15,592</b>	<b>7,660</b>	<b>(7,931)</b>	<b>(50.9)</b>	<b>(499)</b>
<b>Key Fiscal Aggregates</b>						
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>13,555</b>	<b>15,592</b>	<b>7,660</b>	<b>(7,931)</b>	<b>(50.9)</b>	<b>(499)</b>
less: Net Other Economic Flows	(10,674)	(13,072)	(4,265)	8,807	(67.4)	1,205
<b>Equal Budget Result - Net Operating Balance</b>	<b>2,881</b>	<b>2,520</b>	<b>3,395</b>	<b>876</b>	<b>34.8</b>	<b>705</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>						
Purchases of Non-Financial Assets	9,376	9,186	9,576	390	4.2	2,285
Sales of Non-Financial Assets	(700)	(687)	(941)	(254)	37.0	(138)
Less: Depreciation	(4,172)	(4,440)	(4,446)	(5)	0.1	(1,426)
Plus: Change in Inventories	(8)	1	0	(1)	(92.3)	(2)
Plus: Other Movements in Non-Financial Assets						
- Assets Acquired Using Finance Leases	107	183	183	...	...	36
- Other	(1,596)	60	132	72	120.8	95
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>3,007</b>	<b>4,302</b>	<b>4,504</b>	<b>202</b>	<b>4.7</b>	<b>849</b>
<b>Equal Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(126)</b>	<b>(1,783)</b>	<b>(1,109)</b>	<b>674</b>	<b>(37.8)</b>	<b>(144)</b>
<b>OTHER AGGREGATES</b>						
Capital Expenditure	9,484	9,369	9,759	390	4.2	2,321

Table C.2: General government sector balance sheet

	June 2015	June 2016		Variance \$m	Variance %	October 2015
	Actual \$m	Budget \$m	Revised \$m			Actual \$m
<b>ASSETS</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalent Assets	12,433	5,723	4,983	(741)	(12.9)	6,333
Receivables	7,355	6,699	6,058	(641)	(9.6)	6,325
Tax Equivalent Receivable	156	21	49	28	135.3	128
Investments, Loans and Placements						
Financial Assets at Fair Value	10,487	11,369	10,990	(379)	(3.3)	15,186
Other Financial Assets	3,231	4,885	14,063	9,179	187.9	4,441
Advances Paid	928	1,175	1,128	(47)	(4.0)	909
Deferred Tax Equivalent Assets	4,659	4,786	3,870	(916)	(19.1)	4,659
Equity						
Investments in Other Public Sector Entities	91,341	95,976	92,016	(3,960)	(4.1)	91,566
Investments in Other Public Sector - Held for Sale	...	...	...	...	...	...
Investments in Associates	3,949	3,882	3,935	53	1.4	3,949
Other Equity Investments	10	10	540	531	5,508.2	533
<b>Total Financial Assets</b>	<b>134,549</b>	<b>134,525</b>	<b>137,632</b>	<b>3,107</b>	<b>2.3</b>	<b>134,029</b>
<b>Non- Financial Assets</b>						
Inventories	239	245	239	(6)	(2.6)	236
Forestry Stock and Other Biological Assets	9	7	10	3	38.8	10
Assets Classified as Held for Sale	349	42	76	34	79.5	305
Investment Properties	...	142	3	(139)	(97.9)	3
Property, Plant and Equipment						
Land and Buildings	67,821	69,672	70,865	1,193	1.7	68,070
Plant and Equipment	10,929	10,407	10,978	571	5.5	10,869
Infrastructure Systems	79,590	83,686	84,813	1,128	1.3	80,203
Intangibles	2,904	2,984	3,247	262	8.8	3,002
Other Non-Financial Assets	2,512	2,817	2,902	85	3.0	2,609
<b>Total Non- Financial Assets</b>	<b>164,353</b>	<b>170,003</b>	<b>173,132</b>	<b>3,129</b>	<b>1.8</b>	<b>165,309</b>
<b>TOTAL ASSETS</b>	<b>298,902</b>	<b>304,528</b>	<b>310,764</b>	<b>6,236</b>	<b>2.0</b>	<b>299,338</b>
<b>LIABILITIES</b>						
Deposits Held	126	113	117	4	3.3	133
Payables	5,720	4,976	4,837	(139)	(2.8)	5,049
Tax Equivalent Payables	10	81	81	0	0.4	80
Liabilities Directly Associated with Assets Held for Sale	...	...	...	...	...	...
Borrowings and Derivatives at Fair Value	11	9	9	(0)	(1.2)	8
Borrowings at Amortised Cost	31,500	32,019	31,883	(136)	(0.4)	31,540
Advances Received	903	885	949	64	7.2	839
Employee Provisions	15,313	15,222	15,749	527	3.5	15,552
Superannuation Provision	52,498	49,735	56,585	6,850	13.8	53,800
Deferred Tax Equivalent Provision	406	537	218	(320)	(59.5)	406
Other Provisions	8,234	8,565	8,527	(38)	(0.4)	8,283
Other Liabilities	2,858	2,390	2,833	443	18.5	2,824
<b>TOTAL LIABILITIES</b>	<b>117,579</b>	<b>114,533</b>	<b>121,788</b>	<b>7,255</b>	<b>6.3</b>	<b>118,513</b>
<b>NET ASSETS</b>	<b>181,323</b>	<b>189,995</b>	<b>188,976</b>	<b>(1,019)</b>	<b>(0.5)</b>	<b>180,825</b>
<b>NET WORTH</b>						
<b>Accumulated Funds</b>	19,601	22,047	22,480	434	2.0	18,900
<b>Reserves</b>	161,722	167,948	166,496	(1,453)	(0.9)	161,925
<b>TOTAL NET WORTH</b>	<b>181,323</b>	<b>189,995</b>	<b>188,976</b>	<b>(1,019)</b>	<b>(0.5)</b>	<b>180,825</b>
<b>OTHER KEY AGGREGATES</b>						
<b>Net Debt</b>	<b>5,461</b>	<b>9,875</b>	<b>1,794</b>	<b>(8,081)</b>	<b>(81.8)</b>	<b>5,650</b>
<b>Net Financial Liabilities<sup>(a)</sup></b>	<b>74,371</b>	<b>75,984</b>	<b>76,173</b>	<b>189</b>	<b>0.2</b>	<b>76,050</b>

(a) Excludes PTE/PFE equity.



Table C.3: General government sector cash flow statement

	2014-15	—2015-16—		Variance \$m	Variance %	4 Months to
	Actual \$m	Budget \$m	Revised \$m			Actual \$m
<b>Cash Receipts from Operating Activities</b>						
Taxes Received	26,288	27,909	28,880	971	3.5	9,630
Receipts from Sales of Goods and Services	6,585	8,522	8,954	432	5.1	2,509
Grants and Subsidies Received	29,026	29,866	29,878	12	0.0	9,209
Interest Receipts	617	467	659	192	41.2	161
Dividends and Income Tax Equivalents	2,240	2,128	2,130	3	0.1	963
Other Receipts	8,620	6,486	6,631	144	2.2	2,857
<b>Total Cash Receipts from Operating Activities</b>	<b>73,376</b>	<b>75,378</b>	<b>77,132</b>	<b>1,754</b>	<b>2.3</b>	<b>25,329</b>
<b>Cash Payments from Operating Activities</b>						
Payments for Employees	(27,423)	(29,232)	(29,409)	(177)	0.6	(9,617)
Payments for Superannuation	(3,424)	(3,698)	(3,587)	111	(3.0)	(1,251)
Payments for Goods and Services	(16,031)	(19,927)	(20,153)	(226)	1.1	(6,165)
Grants and Subsidies Paid	(9,482)	(9,597)	(9,660)	(64)	0.7	(3,287)
Interest Paid	(1,680)	(1,684)	(1,711)	(27)	1.6	(585)
Other Payments	(4,413)	(3,440)	(3,806)	(365)	10.6	(1,848)
<b>Total Cash Payments from Operating Activities</b>	<b>(62,453)</b>	<b>(67,578)</b>	<b>(68,325)</b>	<b>(747)</b>	<b>1.1</b>	<b>(22,754)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>10,923</b>	<b>7,800</b>	<b>8,807</b>	<b>1,006</b>	<b>12.9</b>	<b>2,575</b>
<b>Net Cash Flows from Investments in Non-Financial Assets</b>						
Sales of Non-Financial Assets	690	697	951	254	36.5	143
Purchases of Non-Financial Assets	(9,408)	(9,184)	(9,589)	(406)	4.4	(2,637)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(8,718)</b>	<b>(8,487)</b>	<b>(8,639)</b>	<b>(151)</b>	<b>1.8</b>	<b>(2,494)</b>
<b>Cash Flows from Investments from Financial Assets for Policy Purposes</b>						
Receipts	1,095	222	6,306	6,084	2,740.1	52
Payments	(1,281)	(3,071)	(3,753)	(682)	22.2	(1,040)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(186)</b>	<b>(2,849)</b>	<b>2,553</b>	<b>5,403</b>	<b>(189.6)</b>	<b>(988)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>						
Receipts from Sale/Maturity of Investments	12,422	495	7,586	7,092	1,433.2	2,581
Payments for Purchases of Investments	(11,791)	(2,181)	(18,022)	(15,841)	726.2	(7,926)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>632</b>	<b>(1,686)</b>	<b>(10,436)</b>	<b>(8,749)</b>	<b>518.8</b>	<b>(5,345)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(8,273)</b>	<b>(13,023)</b>	<b>(16,521)</b>	<b>(3,498)</b>	<b>26.9</b>	<b>(8,827)</b>
<b>Cash Flows from Financing Activities</b>						
Advances Received	150	23	88	64	272.8	...
Advances Repaid	(62)	(53)	(53)	(0)	0.2	(42)
Proceeds from Borrowings	1,130	640	626	(14)	(2.2)	131
Repayments of Borrowings	(1,188)	(533)	(522)	12	(2.2)	(143)
Deposits Received (net)	8	(9)	(9)	(0)	0.2	7
Other Financing (net)	(12)	(0)	7	7	(1,821.0)	7
<b>Net Cash Flows from Financing Activities</b>	<b>26</b>	<b>69</b>	<b>137</b>	<b>69</b>	<b>99.9</b>	<b>(41)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>2,676</b>	<b>(5,154)</b>	<b>(7,577)</b>	<b>(2,423)</b>	<b>47.0</b>	<b>(6,293)</b>

Table C.3: General government sector cash flow statement (cont)

	2014-15	— 2015-16 —		Variance \$m	Variance %	4 Months to
	Actual \$m	Budget \$m	Revised \$m			31/10/2015 Actual \$m
<b>Derivation of Cash Result</b>						
Net Cash Flows from Operating Activities	10,923	7,800	8,807	1,006	12.9	2,575
Net Cash Flows from Investments in Non-Financial Assets	(8,718)	(8,487)	(8,639)	(151)	1.8	(2,494)
<b>Cash Surplus/(Deficit)</b>	<b>2,205</b>	<b>(687)</b>	<b>168</b>	<b>855</b>	<b>(124.4)</b>	<b>81</b>

Table C.4: Derivation of ABS GFS general government sector cash surplus/(deficit)

	2014-15	— 2015-16 —		Variance \$m	Variance %	4 Months to
	Actual \$m	Budget \$m	Revised \$m			31/10/2015 Actual \$m
<b>Cash Surplus/(Deficit)</b>	<b>2,205</b>	<b>(687)</b>	<b>168</b>	<b>855</b>	<b>(124.4)</b>	<b>81</b>
Assets Acquired under Finance Leases	(107)	(183)	(183)	...	...	(36)
Other Financing Arrangements <sup>(a)</sup>	42	(12)	4	15	(133.0)	348
<b>ABS GFS Surplus/(Deficit)</b>	<b>2,139</b>	<b>(882)</b>	<b>(11)</b>	<b>870</b>	<b>(98.7)</b>	<b>392</b>

(a) Comprises movements in payables and receivables of a capital nature.