

4 FINANCE-GENERAL

OUTLINE

The Finance-General Division is administered by the Department of Treasury and Finance. Expenditure through Finance-General generally reflects whole-of-government activities.

The major activities transacted through Finance-General include the management of the Government's debt portfolio, meeting the Government's pension and other superannuation commitments, the administration of the Tasmanian Risk Management Fund, the management of the Government's light vehicle fleet and property portfolio, and payments to Government businesses. Information on the Government's superannuation liabilities and administration of the Tasmanian Risk Management Fund is provided in Budget Paper No 1 *Budget Overview 2003-04*.

During 2002-03, a review of the Output structures of Finance-General and the Department of Treasury and Finance, identified a number of whole-of-government activities previously reported by the Department of Treasury and Finance that are more appropriately managed within Finance-General. Thus, the whole-of-government property management and fleet management services, and Capital Investment Program projects relating to Building Services Maintenance, Essential Maintenance and Property Services Office Works, have been transferred to Finance-General commencing with the 2003-04 Budget. For comparative purposes, the 2002-03 Budget has also been adjusted to reflect the transfer of these items to Finance-General. The review also suggested improvements to the Output presentation of Finance-General, including the reporting of transactions associated with the Tasmanian Risk Management Fund under a new Output 4.5: Tasmanian Risk Management Fund (formerly under Output 4.3: Miscellaneous). Further information on the Outputs transferred from the Department of Treasury and Finance to Finance-General is included under the relevant Output Groups within this Chapter.

Certain provisions have been made in the Special Deposits and Trust Fund to meet future liabilities of the Government. These include a superannuation provision and a provision for workers' compensation and other risks within the Tasmanian Risk Management Fund in respect of inner-Budget agencies.

As a result of presenting information on a gross basis, some of the expenditure shown in Finance-General Outputs, such as expenditure from the Superannuation Provision Account, is also reflected in the Outputs of government departments. Inter-department transactions make up part of the revenue source of a number of Output Groups. It should be noted that, although there is an apparent double counting of expenditure for these transactions, there is no net impact on the level of expenditure made from the Public Account.

SUMMARY AGENCY 2003-04 BUDGET INFORMATION

Financial Summary

Table 4.1: Summary Financial Information for Finance-General

	2002-03 Budget \$'000	2003-04 Budget \$'000	Variation %
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation ¹	301 056	341 142	13.3
Reserved by Law	154 470	157 255	1.8
Other	....	2 100	....
Other Revenue	183 743	188 652	2.7
TOTAL	639 269	689 149	7.8
OPERATING EXPENSES			
Debt Servicing and Management ²	81 825	60 986	(25.5)
Employee Related Costs	215 562	209 649	(2.7)
Government Businesses	48 365	50 586	4.6
Miscellaneous ³	114 882	121 983	6.2
Grants and Subsidies	116 796	112 771	(3.4)
Other ⁴	40 022	70 717	76.7
TOTAL	617 452	626 692	1.5
NET OPERATING RESULT⁵	21 817	62 457	186.3

Notes:

1. The increase in the 2003-04 Consolidated Fund appropriation primarily reflects the appropriation of returns from the sale of Government businesses and assets to the new Economic and Social Infrastructure Fund (\$28.5 million), appropriation of \$17.7 million to the Structural and Performance Initiatives Program, and a \$3.0 million contribution to the Tasmanian Risk Management Fund to meet the anticipated future cost of medical negligence claims. These increases are partially offset by a decrease of \$8.5 million in debt servicing and management costs funded from the Consolidated Fund.
2. The reduction in 2003-04 Debt Servicing and Management arises from savings achieved due to an overall reduction in the level of State Debt and by refinancing maturing debt at lower interest rates.
3. The increase in Miscellaneous is due to expenditure under the Structural and Performance Initiatives Program. For further details, see Table 4.5.
4. Other operating expenses include expenditure relating to the Capital Investment Program and Infrastructure Funds. The increase in the estimate for 2003-04 is related to expenditure from the new Economic and Social Infrastructure Fund. For further information, refer to the section of this Chapter relating to the Infrastructure Funds.
5. The Net Operating Result in the Summary Financial Statement does not equate to the Net Operating Result presented in Table 4.12: Statement of Financial Performance. The reason for the difference is provided in the reconciliation section, and Table 4.16, at the end of this Chapter.

DETAILED OUTPUT GROUP 2003-04 BUDGET INFORMATION

The individual Outputs of Finance-General are provided under the following Output Groups:

Output Group 1: Debt Servicing and Management;

Output Group 2: Employee Related Costs;

Output Group 3: Government Businesses; and

Output Group 4: Miscellaneous.

Output Group 1: Debt Servicing and Management

Description

This Output Group principally relates to the interest costs incurred in managing the State Government's debt portfolio. The State's debt position, level of borrowings, debt servicing costs and other financial liabilities are important measures of the financial position of the public sector. Further details of debt and debt servicing costs are provided in Chapter 7 and Appendix 1 of Budget Paper No 1 *Budget Overview 2003-04*.

This Output Group also includes interest costs on debt attached to specific activities of the Government, such as transactions associated with the repayment of Commonwealth debt in relation to housing activities, and interest payable on certain funds managed through the Special Deposits and Trust Fund.

Table 4.2: Summary Financial Information - Output Group 1

	2002-03	2003-04	
Debt Servicing and Management	Budget	Budget	Variation
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation¹	107 325	98 786	(8.0)
Reserved by Law²	5 669	4 089	(27.9)
Investment Income	11 875	11 663	(1.8)
Grants³	2 786	3 725	33.7
TOTAL	127 655	118 263	(7.4)
OPERATING EXPENSES			
Borrowing Costs¹	81 825	60 986	(25.5)
TOTAL	81 825	60 986	(25.5)
EXPENSE BY OUTPUT			
1.1 Debt Servicing¹	67 750	47 323	(30.2)
1.2 Interest on Sundry Deposits⁴	2 200	2 000	(9.1)
1.3 Debt Management	11 875	11 663	(1.8)
TOTAL	81 825	60 986	(25.5)

Notes:

1. The reduction in 2003-04 is primarily due to savings from an overall reduction in the level of State Debt and from refinancing maturing debt at lower interest rates.
2. Reserved by Law relates to interest payments to the Commonwealth on Financial Agreement debt. In accordance with an agreement reached with the Commonwealth, maturing Commonwealth debt is refinanced by the State. The estimate reflects the decrease in the amount of Financial Agreement debt outstanding.
3. Grants reflect compensation from the Commonwealth provided as part of the Commonwealth-State agreement to refinance Commonwealth debt. The figure varies in accordance with a schedule agreed between the Commonwealth and the State.
4. The decrease in the 2003-04 Budget estimate for Interest on Sundry Deposits primarily reflects an estimated decrease in the balance of several interest bearing accounts within the Special Deposits and Trust Fund.

Comments

The major focus of activity for this Output Group is on minimising the costs associated with the management of State Debt. The reduction in debt servicing costs in 2003-04 reflects a substantial decline in the overall level of State Debt and the effect of refinancing maturing debt at lower interest rates.

Output 1.1 – Debt Servicing

This Output meets the costs of servicing and managing the State Government's gross debt portfolio. The Output provides for the interest cost and principal repayments of borrowings and other outstanding debts such as the Government's liability for debt associated with the purchase of the original *Spirit of Tasmania*. It should be noted that, in accordance with generally accepted accounting principles, only expenditure related to the payment of interest is reflected in the Statement of Financial Performance. Principal repayments are

capital transactions, and consequently are reflected in the Statement of Financial Position and the Statement of Cash Flows.

The State Debt held by the Government consists of borrowings from the Commonwealth under the *Financial Agreement Act 1927* (Commonwealth), other Commonwealth borrowings and borrowings through Tascorp. All debt raised by the Commonwealth for and on behalf of the State will be fully repaid by 30 June 2006. It is estimated that, as at 30 June 2004, State Debt managed within Finance-General will be \$758.0 million, consisting of \$484.8 million in borrowings through Tascorp and Commonwealth debt of \$273.2 million. This debt is reported under Interest Bearing Liabilities in the Statement of Financial Position for Finance-General.

Debt servicing expenses represent interest accruing on outstanding debt during the financial year. In 2003-04, debt servicing expenses are estimated to total \$47.3 million, an anticipated decrease of some \$20.4 million in comparison with the budgeted costs in 2002-03. The 2003-04 estimate of \$47.3 million comprises cash interest payments of \$54.5 million, less an anticipated \$7.2 million decrease in accrued interest expense due to the reduction in outstanding debt and the timing of interest payments.

Debt servicing expenses includes interest on borrowings through Tascorp in relation to the former *Spirit of Tasmania*. The original *Spirit of Tasmania* was purchased in 1993-94 at a cost of \$155.0 million. In order to ensure an appropriate capital structure for TT Line Company Pty Ltd, the State-owned Company established to manage and operate the vessel, the Government agreed to hold and service a proportion of the debt associated with the purchase. As at 30 June 2004, the Government's liability is estimated to stand at \$22.1 million. A strategy is being followed to repay the outstanding liability by 2009 by payments of \$6.2 million per annum. This amount includes interest and capital payments. Estimated interest expense of \$1.9 million is included within debt servicing expenses in the Statement of Financial Performance for 2003-04. Principal repayments of \$4.3 million comprise the remainder of cash outflows under this Output component and, as capital transactions, are included within Interest Bearing Liabilities in the Statement of Financial Position and the Statement of Cash Flows.

The projected reduction in accruing interest expenses in 2003-04 primarily reflects a decrease in State Debt as a result of:

- arrangements introduced in 1994-95 enabling State authorities to repay advances from the Government which were sourced from Financial Agreement funds;
- the application of Commonwealth compensation funds to repay debt; and
- the estimated Consolidated Fund Surplus for 2002-03 and 2003-04, which will be applied to the reduction in gross debt levels.

Funding to meet debt servicing expenses is provided by the annual Consolidated Fund appropriation and a number of Reserved by Law appropriations to Finance-General. These appropriations are made on a cash basis and include appropriations for cash repayments of principal amounts not reflected in the accrual expenses. For example, the 2003-04 Consolidated Fund appropriation of \$55.1 million for this Output includes \$4.3 million for cash repayments of principal relating to *Spirit of Tasmania* debt as noted above. Principal repayments are capital transactions, and consequently are reflected in the Statement of Financial Position and the Statement of Cash Flows. The total of Revenue from Government does not, therefore, directly reflect the accrual expense incurred under this Output.

A Reserved by Law amount of \$3.65 million is provided in 2003-04 (\$5.2 million in 2002-03) for the payment of interest on loans raised by the Commonwealth on behalf of Tasmania under the terms of the *Financial Agreement Act 1927*.

Under the terms of the *Financial Agreement Act 1994*, the State is required to contribute to the Debt Retirement Reserve Trust Account Reserved by Law item, so as to provide funds for the redemption of maturing Commonwealth debt held on behalf of Tasmania. The contribution is 0.85 per cent of the State's outstanding Commonwealth debt as at 30 June of the preceding financial year. The amount of contributions for 2003-04 is \$436 000 (\$8 000 less than 2002-03). This amount is included in the Reserved by Law appropriation, but as a principal repayment the payment is not included in the accrual expenses of this Output.

A further Reserved by Law item of \$3 000 in 2003-04 is provided to meet Tasmania's proportion of loan raising and management expenses in respect of loans raised on behalf of the State by the Commonwealth Government. The actual cost incurred in any year is dependent upon the volume of transactions, including redemptions of stocks and bonds raised by the Commonwealth for and on behalf of the State. The actual cost will continue to trend downward due to the new refinancing arrangements in respect of maturing Commonwealth borrowings.

Output 1.2 – Interest on Sundry Deposits

This Output provides for the payment of interest on balances held in certain accounts in the Special Deposits and Trust Fund.

In accordance with generally accepted accounting principles, in the process of reporting on the Finance-General Division as a single entity, all intra-entity transactions have been eliminated. Thus, interest paid and payable on balances held by Finance-General in the Special Deposits and Trust Fund (including the Superannuation Provision Account and the Tasmanian State Service Risk Management Account) are not reflected in the expenditure or receipts reported in the Statement of Financial Performance and the Statement of Cash Flows. However, an amount of \$34.6 million is included in the total 2003-04 Consolidated Fund appropriation of \$36.6 million for this Output, for payment of interest on balances held in the Superannuation Provision Account, the Tasmanian Risk Management Fund, the Tasmanian Community Fund and the Helsham Agreement Grants Account.

The expense of \$2.0 million in 2003-04 for this Output is the interest payable on accounts held by other agencies within the Special Deposits and Trust Fund, including the Supreme Court Suitors Fund Deposit Account, the Department of Health and Human Services Patient Trust and Hospital Bequest Account and the Department of Infrastructure, Energy and Resources *Workers' Compensation Act 1988* Fund Account. The decrease of \$200 000 between the 2002-03 Budget estimate and the 2003-04 Budget estimate primarily reflects an estimated decrease in the balance of several interest bearing accounts.

Output 1.3 – Debt Management

This Output reflects the transactions associated with the repayment of Commonwealth debt associated with housing activities and those related to managing the State Government's debt portfolio as follows:

- receipt and application of Commonwealth compensation funds to refinance Commonwealth Financial Agreement debt from State sourced borrowing in the repayment of debt; and
- the reduction of State Debt utilising funds from the repayment of advances by State authorities.

Compensation from the Commonwealth provided as part of the Commonwealth-State agreement to refinance Commonwealth debt is recorded as a grant within operating revenue, with receipts of \$2.8 million in 2002-03 and \$3.7 million in 2003-04. The figure varies in accordance with a schedule agreed between the Commonwealth and the State.

An additional contribution of \$7.0 million is included in both the 2002-03 and the 2003-04 Consolidated Fund appropriation for this Output as a provision available to meet the cost of any debt restructuring opportunities that may arise during the financial year or to be applied in meeting the cost of repaying maturing debt. The remaining transactions recorded under Output 1.3 comprise the receipt of interest (reported as Investment Income) and principal repayments by Housing Tasmania and State authorities. As receipts and expenditure of principal amounts are not recorded in the Statement of Financial Performance, the expense and income reflected in Output 1.3 (\$11.9 million in 2002-03 and \$11.7 million in 2003-04) represent the interest receipts and interest payments relating to debt incurred under various Commonwealth-State Housing Agreements. Additional principal repayments will be received from Housing Tasmania (\$4.9 million in 2002-03 and \$5.1 million in 2003-04) and State authorities (\$15.0 million in 2002-03 and \$9.5 million in 2003-04).

Output Group 2: Employee Related Costs

Description

This Output Group encompasses those employee costs that are managed centrally within the Finance-General Division. The major Outputs in this Group relate to the Government's obligation in relation to the employer share of pension and lump sum benefit costs, and an annual provision for wage increases.

Table 4.3: Summary Financial Information - Output Group 2

Employee Related Costs	2002-03 Budget	2003-04 Budget	Variation
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation	17 070	17 070	....
Reserved by Law	116 648	121 499	4.2
Other Revenue	71 433	68 578	(4.0)
TOTAL	205 151	207 147	1.0
OPERATING EXPENSES			
Employee Entitlements			
Salaries and Wages	13 000	13 000	....
Other Employee Related Expenses	70	70	....
Superannuation	202 492	196 579	(2.9)
TOTAL	215 562	209 649	(2.7)
EXPENSE BY OUTPUT			
2.1 Superannuation and Pensions	202 492	196 579	(2.9)
2.4 Other	70	70	....
2.5 Provision for Wage Increases	13 000	13 000	....
TOTAL	215 562	209 649	(2.7)

Comments

The major focus of activity under this Output Group will continue to be the setting aside of funds by way of provisions to meet future superannuation liabilities. Elimination of the unfunded superannuation liability by 30 June 2018 is a key component of the Government's Fiscal Strategy. Further details can be found in Chapter 1 of Budget Paper No 1 *Budget Overview 2003-04*.

The 2002-03 and 2003-04 Consolidated Fund appropriation for this Output Group includes \$13.0 million as a provision for increased salary and wage expenses above the current funding provided to agencies, \$4.0 million transferred to the Payroll Provision Account within the Special Deposits and Trust Fund to be utilised to meet the cost of the 27th public service pay which occurs once every 11 years, and \$70 000 for the payment of allowances under the *Long Service Leave (State Employees) Act 1994*. As an intra-entity transfer, the \$4.0 million contribution towards the Payroll Provision Account is eliminated from the financial statements of Finance-General in accordance with generally accepted accounting principles.

The total Reserved by Law funding reported in Table 4.3 above is comprised of several Reserved by Law appropriations, which are further explained in the following section relating to Superannuation and Pensions.

Output 2.1 – Superannuation and Pensions

This Output meets the Government's share of pension and superannuation costs, including a contribution to the provision for the Government's unfunded superannuation liability. However, it should be noted that the

contribution to the Superannuation Provision Account, whilst reflected in the Reserved by Law revenue, is not reflected in the expenses of this Output. As an intra-entity transfer payment, it is eliminated in accordance with generally accepted accounting principles.

Agencies will contribute some \$71.4 million to the Superannuation Provision Account in 2002-03 and \$68.5 million in 2003-04, which is included in the Outputs expenditure of the individual agencies. The balance of the Superannuation Provision Account is anticipated to increase by \$24.4 million in 2002-03 over the amount originally estimated in the 2002-03 Budget. The anticipated balance of the Account at 30 June 2003 is now \$571.3 million, with a projected balance of \$664.1 million as at 30 June 2004.

An additional amount is appropriated under the Reserved by Law contribution to the Superannuation Provision Account in accordance with section 13 of the *Retirement Benefits Act 1993*. Payments under this item are made to the Superannuation Provision Account in respect of the superannuation liability that accrued prior to 1 July 1994 for which little or no provision was previously made. The budgeted Government contribution for 2003-04 is \$117.3 million.

The State's proportion of benefits payable under the *Retirement Benefits Act 1993* is met from the Superannuation Provision Account. It should be noted that the full emerging cost of benefits are met from this Account, not just the proportion of the emerging cost that relates to service from 1 July 1994.

The emerging cost of a number of statutory superannuation benefit payments are met from funding provided under several other Reserved by Law appropriations. In accordance with the requirements of the *Retirement Benefits (Parliamentary Superannuation) Regulations 2002*, amounts of \$986 000 and \$638 000 are included in the 2003-04 Reserved by Law appropriation to meet the emerging cost of the Parliamentary Superannuation Fund and the Parliamentary Retiring Benefits Fund respectively. Further Reserved by Law funding included in this Output in 2003-04 relates to costs incurred under the *Judges' Contributory Pensions Act 1968* (\$2.5 million), the *Solicitor-General Act 1983* (\$103 000), and the *Governor of Tasmania Act 1982* (\$38 000).

Further information in relation to the State's superannuation liability can be found in Chapter 7 of Budget Paper No 1 *Budget Overview 2003-04*.

Output 2.4 – Other

This Output provides for the payment of allowances under the *Long Service Leave (State Employees) Act 1994* for certain minor authorities which have accrued employee entitlements for which no provision has been made. Generally, this item provides for a portion of accrued Long Service Leave carried over by employees when working for a government department which has subsequently become a State authority. Provision of \$70 000 has been made in 2003-04 for the payment of allowances under the Long Service Leave Act.

Output 2.5 – Provision for Wage Increases

This Output makes provision for the cost of wage increases above the current amounts provided to agencies, particularly in respect of wage agreements currently under negotiation and those which expire during the period of the Forward Estimates.

This Output is similar to the Treasurer's Reserve in that the additional wage costs are met from agency Outputs and offset by savings in this Output. A contingency amount of \$13.0 million will be provided in 2003-04 towards the cost of wage increases not provided for in agency Outputs, the same amount as provided in 2002-03.

Output Group 3: Government Businesses

Description

This Output Group provides for a general contribution to the operating costs of the State Fire Commission, funding for projects under the Helsham Agreement administered by Forestry Tasmania and payments to TT Line Company Pty Ltd representing the Government's funding of the acquisition of one of the two vessels acquired in 2002-03 for the Bass Strait service.

Table 4.4: Summary Financial Information - Output Group 3

Government Businesses	2002-03	2003-04	Variation
	Budget	Budget	
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation	48 365	48 586	0.5
Other Revenue¹	19 977	25 795	29.1
TOTAL	68 342	74 381	8.8
OPERATING EXPENSES			
Grants and Transfer Payments	48 365	50 586	4.6
TOTAL	48 365	50 586	4.6
EXPENSE BY OUTPUT			
3.1 Forestry Tasmania²	515	2 736	431.3
3.2 State Fire Commission	3 850	3 850	....
3.3 TT-Line	44 000	44 000	....
TOTAL	48 365	50 586	4.6

Notes:

- Other Revenue in this Output Group reflects an estimated increase in the value of the Treasurer's stakeholder ownership of a number of State-owned Companies. The Treasurer is a 50 per cent stakeholder owner of Aurora Energy Pty Ltd, Transend Networks Pty Ltd, Port of Devonport Corporation Pty Ltd, Burnie Ports Corporation Pty Ltd, Hobart Ports Corporation Pty Ltd, Port of Launceston Corporation Pty Ltd, Metro Tasmania Pty Ltd, TT Line Company Pty Ltd and TOTE Tasmania Pty Ltd. The Premier, as Minister for Tourism, Parks and Heritage, is a 50 per cent stakeholder owner of TT Line Company Pty Ltd, and the Deputy Premier, as Minister for Economic Development, Energy and Resources and Minister for Racing, Sport and Recreation, is a 50 per cent stakeholder owner of the remaining State-owned Companies.
- The estimated payments to Forestry Tasmania in 2003-04 includes provision for the draw down of \$2.0 million from Helsham Agreement funds for intensive forest management projects. Details of expenditure of Helsham funds are provided in the Annual Report of Forestry Tasmania.

Output 3.1 – Forestry Tasmania

Government Contribution

The estimated 2003-04 payment to Forestry Tasmania represents a contribution to the cost of fighting wild fires, a contribution to the Forest Practices Board, a contribution to the Forest Practices Tribunal and anticipated expenditure by Forestry Tasmania of Helsham Agreement funding for intensive forest management projects.

An amount of \$85 000 has been provided towards meeting the cost of fighting wild fires. These funds will be used in the event of a high fire fighting season, if the cost to Forestry Tasmania exceeds the 10 year moving average of variable costs plus any financial reserves set aside from previous years.

The Forests Practices Board encourages the practice of sound forest management on all lands and sets environmental standards for roads, harvesting, reforestation and maintenance of forests. An amount of \$651 000 has been provided to cover the costs of the Forest Practices Board in 2003-04. Funds provided are to cover the costs of the Chief Forest Practices Officer and the operations of the Forest Practices Board. The amount provided in 2003-04 has increased by \$211 000 over the 2002-03 Budget estimate in order to meet costs associated with an increase in Board remuneration fees as a result of a recent review by the Government, together with increased funding to provide for the employment of additional Forest Practices Board advisers.

Helsham Agreement Projects

In November 1988, the Commonwealth Government agreed to provide \$50.0 million for Intensive Forest Management, Education and Training, and Forestry Tasmania and Industry sunk costs under the Lemonthyme Southern Forests Agreement (known as the Helsham Agreement).

No further funding from the Commonwealth Government is anticipated. An estimated \$2.0 million to be expended during 2001-02 did not occur. Furthermore, it is not anticipated that any expenditure will occur during 2002-03, leaving a balance of \$5.8 million in the Helsham Agreement Grants Account at 30 June 2003. Provision has been made for the drawdown of \$2.0 million from this account by Forestry Tasmania during 2003-04 for intensive forest management expenditures. Details concerning expenditure of Helsham funds are reported in the Annual Report of Forestry Tasmania.

Output 3.2 – State Fire Commission

A provision has been made for funding of \$3.85 million for the State Fire Commission in 2003-04. Of this amount, \$240 000 has been appropriated as a contingent provision for funding excess wild fire fighting costs. The 2002-03 Budget reflected the final instalment of the Government's commitment to increase funding to the State Fire Commission by \$1.8 million over the four years from 1999-00 to 2002-03. This increased funding level has been maintained in 2003-04.

Output 3.3 – TT-Line

A provision has been made for funding annual contributions of \$44.0 million to TT Line Company Pty Ltd over the four years from 2002-03 to 2005-06 for the purchase of one of the two vessels to replace the original *Spirit of Tasmania*. The contributions to TT Line Company Pty Ltd are applied to debt and interest payments.

Output Group 4: Miscellaneous

Description

This Output Group meets whole-of-government expenditure that does not fall within the other Output Groups.

The major expenses within this Output Group relate to the Treasurer's Reserve, the Tasmanian Risk Management Fund, GST administration costs payable to the Australian Tax Office, expenditure under the Structural and Performance Initiatives Program and management of the government light vehicle fleet and government owned and leased property portfolio.

The Treasurer's Reserve is an annual allocation included within Finance-General to meet unforeseen expenditure essential for the efficient financial management of the Government.

Table 4.5: Summary Financial Information - Output Group 4

Miscellaneous	2002-03	2003-04	Variation
	Budget	Budget	
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation ¹	27 531	48 621	76.6
Reserved by Law	10 000	10 000	....
Investment Income ²	5	5	....
Sales of Goods and Services ³	50 217	51 474	2.5
Proceeds from the Disposal of Assets	26 000	26 000	....
TOTAL	113 753	136 100	19.6
OPERATING EXPENSES			
Depreciation and Amortisation	8 426	8 426	....
Grants and Transfer Payments ¹	2 205	10 334	368.7
Supplies and Consumables	73 151	72 123	(1.4)
Other Expenses	31 100	31 100	....
TOTAL	114 882	121 983	6.2
EXPENSE BY OUTPUT			
4.1 Structural and Performance Initiatives Program ¹	....	7 792	....
4.2 Treasurer's Reserve	20 000	20 000	....
4.3 Miscellaneous	2 631	2 986	13.5
4.4 Payment to Australian Tax Office: GST Administration	13 400	13 500	0.7
4.5 Tasmanian Risk Management Fund ⁴	26 305	24 441	(7.1)
4.6 Fleet Management Services	39 000	39 935	2.4
4.7 Property Management Services	13 546	13 329	(1.6)
TOTAL	114 882	121 983	6.2

Notes:

1. The 2003-04 Consolidated Fund appropriation includes a new appropriation of \$17.7 million to the Structural and Performance Initiatives Program account within the Special Deposits and Trust Fund, to be expended over a number of years on major agency information technology projects. The 2003-04 Budget includes provision, under Output 4.1, for expenditure in 2003-04 of \$7.8 million from the Structural and Performance Initiatives Program to finance two major projects: the redevelopment of the Motor Registry System and the Monetary Penalties Enforcement Project. Also included in the 2003-04 appropriation is a \$3.0 million contribution to the Tasmanian Risk Management Fund to meet the anticipated future cost of medical negligence claims.
2. Investment Income recorded in this Output Group is comprised of income tax equivalents payable by taxable Local Government businesses, principally regional bulk water authorities, in accordance with competitive neutrality principles and obligations under the National Competition Policy agreement. The income tax equivalents collected are subsequently disbursed, as an expense under Output 4.3, to the participating councils which own the businesses, in accordance with the rules under which the businesses were established and at intervals agreed between the councils and the Treasurer.
3. Revenue from Sales of Goods and Services is comprised of agency contributions to the Tasmanian Risk Management Fund, property lease and rental receipts, and vehicle lease and management payments received from agencies.

4. The decrease in Tasmanian Risk Management Fund expenditure reflects an estimated decrease in claims expenses, based on 2002-03 claims experience.

Comments

The major items of expenditure under the Miscellaneous Output Group are expenditure under the Structural and Performance Initiatives Program, the State's contribution toward meeting the national cost of administering the GST, which is payable to the Australian Taxation Office, the expenditure of the Tasmanian Risk Management Fund, and management of the government light vehicle fleet and the government owned and leased property portfolio. Other minor items of expenditure under this Output relate to the funding of value for money audits undertaken by the Tasmanian Audit Office and the printing of Government Gazettes and Acts of Parliament.

Output 4.1 – Structural and Performance Initiatives Program

The Structural and Performance Initiatives Program account within the Special Deposits and Trust Fund was established in 1995-96 to provide agencies with access to funds to implement structural improvement proposals, particularly those related to information technology developments, which have the potential to result in significant savings and/or provide for a more efficient allocation of resources. In 2003-04, an appropriation of \$17.7 million is to be made to the Structural and Performance Initiatives Program account to assist in meeting the 2003-04 and future costs of major agency information technology projects. Anticipated expenditure of \$7.8 million from this account has been included in the 2003-04 Budget. These funds will be allocated to specific agencies to fund major projects including the redevelopment of the Motor Registry System and the Monetary Penalties Enforcement Project.

Output 4.2 – Treasurer's Reserve

An amount of \$20.0 million has been provided in the Treasurer's Reserve in 2003-04 to meet expenditure which could not be foreseen at the time of developing the 2003-04 Budget and which is essential for efficient financial management.

Amounts spent from this Output in 2003-04 will be included in Output expenditure across government departments, and subsequently offset by savings in this account.

The Treasurer's Reserve comprises:

- a Statutory Provision of \$10.0 million, which is Reserved by Law and requires no further appropriation (section 11(2)(a), *Public Account Act 1986*); and
- an additional amount contingently appropriated in the annual Consolidated Fund Appropriation Act (section 11(2)(b), *Public Account Act*). This contingent appropriation for both 2002-03 and 2003-04 is \$10.0 million.

In addition, the Treasurer's Reserve can be supplemented by:

- any surplus or saving in a department's Recurrent Services appropriation which has not been utilised to fund a shortfall within that appropriation (section 11(2)(c), *Public Account Act*);
- additional Commonwealth funds which become available after the Budget is finalised (section 11(2)(d), *Public Account Act*); and
- net additional recurrent revenue generated within the Consolidated Fund during a financial year which is in excess of the Budget estimate (section 11(2)(e), *Public Account Act*).

Output 4.3 Miscellaneous

Items of expenditure under this Output relate to the funding of value for money audits undertaken by the Tasmanian Audit Office, the printing of Government Gazettes and Acts of Parliament, and a number of other miscellaneous payments.

Tasmanian Audit Office

Expenses incurred for performance audits and other whole-of-government activities conducted by the Tasmanian Audit Office are met from Finance-General. It is estimated that expenses totalling \$600 000 will be incurred for assessment of whole-of-government activities during 2003-04.

This funding arrangement does not in any way impact on the statutory obligations of the Auditor-General. The funding is not used by the Auditor-General to conduct financial audits in accordance with the *Financial Management and Audit Act 1990*.

Printing – Tasmanian Government Gazette and Acts of Parliament

A component of expenditure under this Output (\$1.1 million in both 2002-03 and 2003-04) is incurred for printing the Tasmanian Government Gazette, special gazettes and awards, and the printing and binding of Acts of Parliament, subordinate legislation and other Government publications for sale.

Fifty per cent of the proceeds from the sale of the Government Gazette, Acts and subordinate legislation are subsequently paid into the Consolidated Fund.

Other Miscellaneous Payments

It is estimated that total expenditure of \$1.25 million will be incurred in 2003-04 in relation to other whole-of-government miscellaneous payments, including payments relating to:

- Revenue Sharing with Victoria for TT-Line;
- National Taxation Equivalent Regime Administration Costs;
- West Coast Infrastructure Fund;
- Mount Lyell Closure Account;
- Local Government Tax Equivalent Account; and
- Miscellaneous Payments.

Output 4.4 Payment to Australian Taxation Office: GST Administration

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the states and territories agreed to meet the costs of the Australian Taxation Office in administering the goods and services tax (GST). The states and territories have agreed to share the GST administration costs on a per capita basis.

The State's contribution to collection and compliance costs for 2003-04 is estimated at \$13.5 million (\$13.4 million for 2002-03).

Output 4.5 Tasmanian Risk Management Fund

The Tasmanian Government established the Tasmanian Risk Management Fund (TRMF) on 1 January 1999. On 1 July 2001, the Tasmanian State Service Workers' Compensation Scheme merged with the Fund. The Scheme, which was a self-insurance arrangement, was established in 1989, following the enactment of the *Workers' Rehabilitation and Compensation Act 1988*, to meet the workers' compensation liabilities of participating agencies. The Scheme operated on a fully funded basis and the reserves accumulated to meet

workers' compensation liabilities were transferred to the Fund on 1 July 2001. From 1 July 2001, all outstanding liabilities of the Scheme are being met from the Fund. The Fund will also meet the cost of all future workers' compensation claims.

In addition, the expanded Fund meets the costs associated with all other risk, including property and business interruption and medical negligence, through a mixture of insurance and self-insurance. Agencies are also subject to an excess, whereby they meet a proportion of the cost of each claim in return for a lower premium. In this way, there are four levels of responsibility for meeting the cost of claims under the Fund:

- by insurance from the private sector;
- by a combination of insurance from the private sector and pooled agency contributions;
- by self-insurance through the Fund, from pooled agency contributions; and
- by agencies, in the form of an excess.

The estimated expenditure of \$24.4 million for 2003-04 is comprised of claims costs of \$19.6 million, payments to the Fund Administration Agent of \$1.8 million, other claims costs of \$1.5 million and administrative costs of \$1.5 million.

Output 4.6 Fleet Management Services

Financial transactions associated with the whole-of-government light vehicle fleet management activities were previously reflected in the Department of Treasury and Finance Output 1.5: Government Procurement Services. During 2002-03, a review of the Output structures of the Department of Treasury and Finance and Finance-General determined that, as vehicle fleet management is a whole-of-government activity, reporting of these transactions should be transferred from the Department of Treasury and Finance to Finance-General commencing in the 2003-04 Budget presentation. Thus, the reporting of this activity has been transferred from the Department of Treasury and Finance Output 1.5 to a new Finance-General Output 4.6: Fleet Management Services.

All direct transactions associated with the whole-of-government light vehicle fleet management activities are recorded in the Government Car Fleet Account within the Special Deposits and Trust Fund. Revenue is derived from the sale of vehicles and receipts from Commonwealth Fleet Lease (CFL) Pty Ltd of lease, registration and insurance payments by agencies, net of the CFL management fee. Expenditure includes the purchase of motor vehicles and payment of registration and insurance costs for the vehicle fleet. Estimated expenditure during 2003-04, including depreciation expense, amounts to \$39.9 million. Estimated receipts for the year, from registration, insurance, and lease payments by agencies, total \$13.9 million. Proceeds from the disposal of motor vehicles is estimated at \$26.0 million.

Output 4.7 Property Management Services

Revenues and expenses relating to management of the government owned and leased property portfolio were previously reflected in the Administered Payments of the Department of Treasury and Finance. As a result of a review of the Output structures of the Department of Treasury and Finance and Finance-General during 2002-03, it was determined that, due to the whole-of-government nature of these activities, they should be included in Finance-General. Transactions associated with these activities include:

- expenditure on behalf of other agencies for power and fuel costs in office accommodation;
- rates associated with government owned office accommodation;

- costs associated with the management of leased accommodation and the Government's office accommodation portfolio; and
- the collection of recoveries and payment of costs associated with the rental of both government owned and leased office accommodation by agencies.

The first three activities are funded from the Consolidated Fund, whilst expenses and revenues associated with lease management are transacted through the Agency Accommodation Charges Account in the Special Deposits and Trust Fund. The account essentially operates as a clearing account, with rent collections from agencies receipted to the account, and payments made from the account to commercial property owners (in the case of leased accommodation) or to the Crown Lands Administration Fund (in the case of government owned accommodation).

It is estimated that 2003-04 expenditure for Property Management Services will amount to \$13.3 million, including depreciation expense. Estimated receipts for 2003-04 from recoveries and lease payments by agencies amount to \$11.3 million.

Grants and Subsidies

Finance-General administers a wide range of grant and subsidy programs with links to all its Output Groups.

Funding is provided for various types of expenditure under this classification, including payments to local government to provide pensioner rates remissions, grants to various organisations in respect of State taxation and payments to public bodies for subsidies on debt charges. Also, since the implementation of the goods and services tax, the Tasmanian Government continues to provide subsidies for petroleum and liquor products, similar to those that existed as part of the previous safety net arrangements.

Table 4.6 summarises the Grants and Subsidies for Finance-General. A description of each grant or subsidy follows the Table.

Table 4.6: Grants and Subsidies Financial Summary

	2002-03	2003-04	
	Budget	Budget	Variation
	\$'000	\$'000	%
REVENUE			
Revenue from Government			
Annual Appropriation	92 743	90 970	(2.0)
Reserved by Law	22 153	21 667	(2.2)
Other¹	....	2 100	....
Other Revenue	1 450	1 412	(2.7)
TOTAL	116 346	116 149	(0.2)
EXPENSES			
Commonwealth Contribution for Extension of Pensioner Concessions	475	475	....
Equalisation Payments and Subsidies	14 400	14 200	(1.4)
First Home Owners Grant Scheme	21 200	21 500	1.4
Local Government Grants	47 000	49 031	4.3
Other Grants and Subsidies²	1 783	1 298	(27.3)
Payments under <i>Local Government (Rates and Charges Remissions) Act 1991</i>	14 146	14 061	(0.7)
Payroll Tax Assistance	6 085	6 220	2.2
<i>Public Bodies Assistance Act 1971: Subsidy on Debt Charges³</i>	2 270	516	(77.3)
Tasmanian Community Fund⁴	8 237	4 270	(48.2)
Wheat Freight Subsidy	1 200	1 200	....
TOTAL	116 796	112 771	(3.5)

Notes:

1. Other Revenue from Government represents an amount carried forward from the 2002-03 Consolidated Fund appropriation, under section 8A(2) of the *Public Account Act 1986*, for payments under the First Home Owners Scheme which will not be disbursed until 2003-04.
2. Estimated expenditure for Other Grants and Subsidies has decreased in 2003-04 due to an expected decrease in financial assistance required by property owners in declared landslip areas.
3. The 2003-04 Budget estimate has been reduced to reflect the impact of the extinguishment and repayment of public bodies loans from 2002-03.
4. The decrease between the 2002-03 Budget estimate and the 2003-04 Budget estimate is primarily due to the introduction of accrual budgeting. The 2002-03 Budget estimate reflected the amount available for distribution in 2002-03 as a result of funds carried over from the previous year. The 2003-04 Budget estimate represents the anticipated expenses to be incurred in the payment of grants in 2003-04, excluding reserves to be carried forward into future years.

Commonwealth Contribution for Extension of Pensioner Concessions

The purpose of this item is to provide non-Budget sector agencies with funds to cover the additional cost of maintaining existing concession arrangements following the extension by the Commonwealth of eligibility for the Pensioner Concession Card. The balance of the Commonwealth assistance for this purpose is absorbed within the outlays of General Government sector agencies providing concessions.

Equalisation Payments and Subsidies

The purpose of this item is to provide funds for the payment of petroleum and liquor subsidies. The subsidies replace those that were in place as part of the safety net arrangements, which ceased on 30 June 2000.

The following subsidies are provided:

- 15 per cent of the pre-tax wholesale value of Tasmanian wine cellar door sales;
- 15 per cent of the pre-tax wholesale value of Tasmanian produced cider with an alcoholic content not exceeding 6.5 per cent;
- 1.95 cents per litre (cpl) for petrol; and
- 1.99 cpl for on-road diesel.

The aggregate cost of providing subsidies in 2003-04 is expected to be \$14.2 million (\$900 000 for cider and wine, \$9.5 million for petroleum and \$3.8 million for on-road diesel).

Off-road diesel concessions are now provided by the Commonwealth, although the Commonwealth takes into account the cost foregone by the State in providing the subsidy in calculating the guaranteed minimum amount for the purposes of Budget Balancing Assistance. The estimated cost foregone by the State is \$2.2 million for 2002-03 and \$2.2 million for 2003-04.

First Home Owners Grant Scheme (FHOGS)

As part of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), the states and territories agreed to establish, fund and administer a first home owners grant scheme which is designed to offset the impact of the introduction of the goods and services tax (GST). The FHOGS commenced on 1 July 2000. First home purchasers who meet the eligibility criteria are entitled to a \$7 000 grant.

In addition to this ongoing scheme, on 9 March 2001 the Commonwealth Government announced an additional \$7 000 grant for first homeowners who build their first home or purchase a new and previously unoccupied home. The additional grant is available to first home owners who:

- entered into a contract between 9 March 2001 and 31 December 2001 inclusive to build a new and previously unoccupied home; and
- met the eligibility criteria for the original grant.

On 9 October 2001, the Prime Minister announced variations to the terms and conditions of the additional grant, which was scheduled to cease on 31 December 2001. From 1 January 2002 until 30 June 2002 inclusive, the additional grant was reduced to \$3 000. In addition, the conditions for commencement and completion of the construction or purchase of a new but previously unoccupied home were changed. Whilst the additional grant has now ceased, payments may be required to be made for several years in relation to previously approved grants.

The Commonwealth is meeting the cost of both the additional grants. It is estimated that the cost of providing FHOGS grants will be \$21.5 million in 2003-04, an increase of \$300 000 over the original 2002-03 Budget estimate of \$21.2 million (the estimated Budget outcome for FHOGS grants in 2002-03 is \$25.9 million).

Local Government Grants

The estimated entitlement from the Commonwealth for Local Government Grants is comprised of two components: general purpose funding and identified local road funds. Under the Commonwealth *Local Government (Financial Assistance) Act 1995*, the Commonwealth Government each year provides an amount to the states for general purpose grants to Local Government. The distribution of these funds between councils is on the basis of recommendations made by the State Grants Commission.

Expenditure under this item is equal to Commonwealth payments to the State for Local Government. While the preliminary estimate for 2003-04 is \$49.0 million, the final level of the 2003-04 grant will depend upon the Consumer Price Index outcome for the year to March 2004 and final estimates of population figures as at 31 December 2003.

Other Grants and Subsidies

Child Care Centres - Grants

This grant payment provides financial assistance, estimated at \$120 000 in 2003-04, to child care centres through the provision of a grant equivalent to their payroll tax liability. The allocation for 2003-04 reflects the estimated payrolls of the child care centres for the year. Estimates are based on projected wages of the centres for the relevant year.

Beauty Point Landslip

A contingency amount of \$20 000 is provided for the purchase and demolition of properties which have suffered damage due to earth movement in the Beauty Point area, as defined by the *Beauty Point Landslip Act 1970*. Under the provisions of the Act, the Treasurer may, on the recommendation of the Beauty Point Advisory Committee, purchase or acquire land to which the above mentioned Act applies, that is, land subject to earth movement in the Beauty Point area.

Berriedale Landslip

The Government, together with the Glenorchy City Council, provides financial assistance to property owners in Casuarina Crescent, Berriedale where it is deemed by the Landslip Advisory Committee that:

- a dwelling on an affected property has become uninhabitable by virtue of earth movements; or
- an eligible owner who owned his or her affected property at the time it became an affected property is suffering, or is likely to suffer, special financial hardship by virtue of actual or potential earth movements.

At this stage, the Committee does not anticipate needing to consider any further applications for assistance from home owners, and thus no expense for this item has been included in the 2003-04 Budget. The budgeted amount of \$150 000 for 2002-03 reflected the expected net payment in respect of two outstanding claims.

Rosetta Landslip: Financial Assistance

The Government, together with the Glenorchy City Council, provides financial assistance to property owners in the Rosetta Landslip Area where it is deemed by the Landslip Advisory Committee that:

- a dwelling on an affected property has become uninhabitable by virtue of earth movements; or
- an eligible owner who owned his or her affected property at the time it became an affected property is suffering, or is likely to suffer, special financial hardship by virtue of actual or potential earth movements.

The landslip now appears to have been stabilised and all the properties eligible for assistance under the first category above have been purchased. The assistance package is therefore provided to property owners who have been unable to sell and are either taking up employment elsewhere or have demonstrated financial hardship. There is no way of predicting the number of applicants or actual cost of claims under this item for any year. In the absence of any additional information, the 2003-04 Budget estimate for this item has been maintained at the 2002-03 level of \$150 000.

Mineral Royalties – Copper Mines of Tasmania

The current mineral royalty regime was approved in August 1997 following negotiations with the mining industry. Under the agreement, royalty rates progressively increased over a number of years. The final increment came into effect from 1 July 2000 with royalty set at 1.6 per cent of net sales plus profit. Under a separate agreement between the Government and Copper Mines of Tasmania (CMT), industry assistance is provided to CMT via a rebate of mineral royalties paid. The agreement with CMT expires as at 31 March 2004. The expected royalty rebate to Copper Mines of Tasmania in 2003-04 is \$1.0 million, and no further provision has been included in the Forward Estimates for royalty rebates to CMT beyond 2003-04.

Other Subsidies on Borrowings.

An amount of \$8 000 has been provided for the Municipality of Sorell to subsidise interest costs on borrowings under the *Midway Point Improvement Act 1975*. A total amount of \$3.5 million was borrowed by the Government at an interest rate of 9.765 per cent in 1975, on behalf of the Sorell Council, for the improvement of streets and the provision of a storm water drainage system at Midway Point. Principal outstanding as at 30 June 2002 was \$253 000.

The Government provides a 50 per cent interest subsidy for that portion of the outstanding principal used to fund the street improvement program (a subsidy in respect of drainage works is payable by the Land and Water Resources Division of the Department of Primary Industries, Water and Environment).

The loan is repayable in quarterly instalments over a period of 35 years. Capital repayments are also made when affected properties in the Midway Point area are sold or at the discretion of the Municipality of Sorell.

Payments under the Local Government (Rates and Charges Remissions) Act 1991

In accordance with the provisions of the *Local Government (Rates and Charges Remissions) Act 1991*, local authorities are required to remit 30 per cent of rates and charges levied on eligible pensioners up to an annual maximum per dwelling, to be indexed annually by the Consumer Price Index from 1 July 2002. Local authorities are subsequently reimbursed from Finance-General. Eligible pensioners are residential property owners who hold a current Commonwealth Pensioner Concession Card.

The cost of providing pensioner remissions increases from year to year due to increases in rates and charges imposed by local authorities and growth in the total pool of eligible pensioners. From 1 July 2003, the maximum remission will increase to \$318 (from \$307 in 2002-03). The slight decrease between the 2002-03 Budget estimate and the estimate for 2003-04 for this item reflects a lower than originally anticipated expense in 2002-03 (the estimated Budget outcome for this item in 2002-03 is \$13.4 million).

Payroll Tax Assistance

The purpose of this grant is to provide financial assistance to approved organisations and other organisations employing apprentices that are declared an approved trade or vocation. Approved organisations receive assistance by way of grants equivalent to their payroll tax liability and are entitled to assistance when their payroll expenditure exceeds the threshold limit, currently \$1.01 million per annum. The allocation is based on anticipated salary and wages levels for 2003-04. Other organisations, which have

a payroll tax liability and employ apprentices, are entitled to receive assistance equivalent to the payroll tax liability accruing on apprentices' wages.

Since 1 July 1999, the Government has provided a full payroll tax rebate to all firms specialising in the development of computer software, business computer solutions and the manufacture of computers and related hardware. This rebate has been maintained in 2003-04.

An amount of \$1.1 million has been provided in 2002-03 to allow for reimbursements of payroll tax to Copper Mines of Tasmania (CMT). The agreement with CMT, under which the Government agreed to provide financial assistance via the reimbursement of royalties and payroll tax, is due to cease as at 31 March 2004. Thus, no provision is included in the Forward Estimates for the reimbursement of payroll tax paid by CMT beyond this date.

The Tasmanian Symphony Orchestra (TSO) became liable for payroll tax upon incorporation. To maintain the financial position of the TSO prior to incorporation, assistance of \$240 000 has been provided to meet the TSO's payroll tax expense in 2003-04.

Public Bodies Assistance Act 1971: Subsidy on Debt Charges

This item provides for the payment of subsidies to public bodies to assist in meeting the debt charges on loans raised for the purposes of the *Public Bodies Assistance Act 1971*. Details of subsidies are provided in the Annual Report of the Department of Treasury and Finance. A moratorium on new loans under the Act continues to apply. The reduction in the estimated cost of this item between 2002-03 and 2003-04 reflects the extinguishment of a number of subsidised public bodies loans.

During 2000-01, a review of the future management of the public bodies loans portfolio was initiated. The review took into consideration recommendations from the Auditor-General's Special Report No 36 *Collection of Receivables and Loans in Government Departments*, issued in June 2001. The Auditor-General, while recognising that the loan portfolio is well managed, commented on the way in which the loans were structured, and recommended extinguishing loans which were more than 90 per cent subsidised.

The review, which was completed in December 2001, supported the finding of the Auditor-General, and found that the public bodies loan portfolio reflects a past process that ceased in 1991. No loans had been made in over 10 years and a number of alternate Government funding options are now available to meet community infrastructure needs.

The Treasurer subsequently endorsed the final recommendations of the review and agreed to:

- extinguish all loans subsidised greater than 90 per cent;
- offer community groups an incentive, of 10 per cent of the net value of the loan, to repay their loans, with a \$1 000 minimum incentive; and
- offer councils the opportunity to redeem loans at face value without penalty.

Implementation of the above recommendations in late 2001-02 reduced the number of outstanding public bodies loans from 169, as at 30 June 2001, to 37 at 30 June 2002. As a result of further acceptance by community groups and councils of the incentives offered for early loan repayment, the number of outstanding public bodies loans continued to decrease during 2002-03, numbering only 23 as at 31 March 2003.

The 2002-03 Budget estimate of subsidies on debt charges under this item did not fully reflect the impact of the extinguishment of subsidised loans. Nor was it possible at the time of preparing the 2002-03 Budget to accurately estimate the rate of take up during 2002-03 of the incentives offered for the early repayment of outstanding loans and the consequent impact on subsidy costs. The 2003-04 Budget estimate has been reduced in line with the impact during 2002-03 of the extinguishment and repayment of public bodies loans.

Tasmanian Community Fund

The Tasmanian Community Fund (TCF) was established under the *Trust Bank Sale Act 1999* to make grants to worthwhile community organisations. Section 34 of the Trust Bank Sale Act outlines the amounts that are to be paid into the TCF. The amounts appropriated to the Fund are a Reserved by Law appropriation. The Act provides that:

- money held by the former Trust Bank Foundation be transferred into the Fund and maintained in real terms;
- immediately following the retirement of State Debt, an amount representing half the interest savings stemming from the retirement of debt using the proceeds of the sale of the Trust Bank for the period to the next 30 June be transferred to the Fund; and
- an annual amount representing half the interest savings relating to the total amount of debt retired, indexed in line with the Consumer Price Index, is transferred to the Fund each year.

The TCF Board has the discretion to either distribute or accumulate all or part of this amount.

The decrease between the 2002-03 Budget estimate and the 2003-04 Budget estimate is primarily due to the introduction of accrual budgeting. The 2002-03 Budget estimate reflected the amount available for distribution in 2002-03 as a result of funds carried over from the previous year. The funds carried over represented:

- a reserve held by the TCF Board to fund exceptionally large projects that have a significant benefit to the Tasmanian Community; and
- funds allocated for grants by the TCF Board in 2001-02 which were not distributed until 2002-03.

The 2003-04 Budget estimate represents the anticipated expenses to be incurred in the payment of grants in 2003-04, excluding reserves to be carried forward into future years.

Wheat Freight Subsidy

The Wheat Freight Subsidy Account in the Special Deposits and Trust Fund records the receipt and disbursement of funds under the Wheat Freight Subsidy Agreement between the Commonwealth and the State pursuant to the *Wheat Marketing Act 1989*.

Figures provided by the Commonwealth indicate that the annual payment of \$1.2 million will again be provided for disbursement in 2003-04.

Capital Investment Program

The Capital Investment Program of the Department of Treasury and Finance previously contained three 'continuing projects' – Building Services Maintenance, Essential Maintenance and Property Services Office Works. All three sub-programs are whole-of-government focused and relate to the government owned and leased office accommodation. During 2002-03, a review of the Output structures of the Department of Treasury and Finance and Finance-General recommended that funding and reporting for the three whole-of-government continuing projects within the Capital Investment Program be transferred to Finance-General commencing with the 2003-04 Budget presentation.

Table 4.7: Capital Investment Program¹

	2003-04
	Budget
	\$'000
Continuing Projects	
Building Services Maintenance	816
Essential Maintenance	6 655
Property Services Office Works	1 138
TOTAL CAPITAL INVESTMENT PROGRAM	8 609

Note:

1. For more information regarding the Capital Investment Program, see Chapter 6 in Budget Paper No 1 *Budget Overview 2003-04*.

Building Services Maintenance

Building Services Maintenance provides for the maintenance of infrastructure in government owned office accommodation to ensure that the Government meets its statutory obligations as a building owner. Payments in respect of contracted statutory maintenance requirements for government owned office accommodation are met from this sub-program.

Essential Maintenance

Essential Maintenance provides funding to agencies to enable them to fund urgent maintenance projects that arise outside the annual process of applying for funding from the Capital Investment Program.

Property Services Office Works

Property Services Office Works provides for building consultancies and landlord works for government owned and leased office accommodation. Funding for building condition audits and subsequent works arising from these audits is sourced from this sub-program.

Economic and Social Infrastructure Fund

One of the Government's key initiatives for 2003-04 is the establishment of a new Economic and Social Infrastructure Fund (ESIF) of \$107.0 million. The ESIF will comprise the balance of the Major Projects Fund of \$25.4 million plus a second appropriation during 2002-03 of \$78.0 million. It is anticipated that up to \$25.0 million of the 2002-03 ESIF appropriation will be utilised in 2002-03 for the Government to exercise its existing option to take control of the optic fibre cable that has been installed with the Duke Energy natural gas pipeline. This transaction will conclude an agreement between the Government and a telecommunications subsidiary of Downer EDI Ltd, which established this option. The option agreement was entered into by the Government to ensure that this critical piece of telecommunications infrastructure remained available to facilitate a statewide optic fibre network.

The \$78.4 balance of the ESIF will be brought forward to 2003-04, and an additional appropriation of \$28.5 million will be made to the ESIF in 2003-04, from the proceeds from the sale of Government business assets. This will bring the total funds available in the ESIF in 2003-04 to \$107.0 million. These funds will be utilised in the 2003-04 Budget and Forward Estimates for projects assisting economic development and social infrastructure. Economic development projects primarily relate to the opportunities around the major infrastructure projects. Social infrastructure projects involve education, tourism, parks, heritage, health and housing throughout the State.

Of the total funds of \$107.0 million, \$85.1 million has been allocated to capital expenditure. Further information on the application of capital funding from the ESIF is available in Chapter 6 of Budget Paper No 1 *Budget Overview 2003-04*.

A summary of ESIF funding and estimated expenditure for projects in 2003-04 is provided in Table 4.8. It should be noted that estimated total expenditure from the ESIF in 2003-04 is \$43.5 million and that \$63.4 million will be carried forward to 2004-05.

Table 4.8: Economic and Social Infrastructure Fund (incorporating the Major Projects Fund), 2003-04

	2003-04
	Budget
	\$'000
Balance brought forward	78 428
Consolidated Fund:	
Annual Appropriation	28 500
TOTAL SOURCE OF FUNDS	106 928
OUTFLOWS	
Economic Development Projects	12 000
Department of Economic Development	
Gas Infrastructure	8 000
Industry Assistance Program	2 000
Partnership to Jobs Program	1 400
Department of Education	
Information and Communications Technology (ICT) Strategy	2 420
Increasing Child Care Provision in Schools	2 000
Library Resources	500
Department of Health and Human Services	
Hospital Infrastructure Projects	1 800
Housing (low cost)	3 000
Department of Tourism, Parks, Heritage and the Arts	
Tourism Icon of NW - Highfield House	388
Parks and Heritage	5 000
York Park	2 500
Tourism	1 000
Department of Primary Industries, Water and Environment	
Water Infrastructure	1 500
TOTAL OUTFLOWS	43 508
CLOSING BALANCE	63 420

The projects to which funding from the ESIF has been allocated are:

- Economic Development Projects - \$12.0 million is provided for the facilitation of direct and indirect opportunities arising from infrastructure and major projects. The provision of this funding from the ESIF is complemented by specific funding to the Department of Economic Development to manage issues affecting the securing of major projects and promoting enterprise development. In addition, a number of other government agencies and business enterprises involved with energy and infrastructure will devote considerable expenditures to infrastructure developments.
- Gas Infrastructure – \$8.0 million has been committed to meet the Government's obligations under the Natural Gas Distribution Project Stage One Development Agreement. This agreement facilitates the construction and operation by Powerco Ltd of a backbone pipeline system that will initially connect gas to up to 23 large industrial and commercial customers. Under the terms of the agreement, Powerco will be responsible for building distribution networks into Hobart, Launceston, Devonport, Burnie and Bell Bay. The backbone pipeline system will provide the capacity to ultimately distribute gas past more than 100 000 smaller industrial and commercial customers and households.
- Industry Assistance Program - \$2.0 million is to be provided for grants, subsidies and development support projects to assist with the development of businesses that can demonstrate a net economic benefit to the State.
- Partnership to Jobs Program - \$1.4 million is provided to identify and seed fund community based enterprise opportunities that are job generating, innovative or entrepreneurial and suitable for disadvantaged jobseekers. This will be a partnership working with community groups, other organisations and levels of government to develop job creating businesses.
- Information and Communications Technology (ICT) Strategy - \$2.4 million has been allocated for the maintenance of information and communication technology support to schools and the continuation of the e-Magine and information technology skills development for teachers. A total of \$16.7 million of funding will be provided for this program over a period of four years.
- Increasing Child Care Provision in Schools - \$4.0 million will be provided over two years to create more child care places by converting surplus school space into child care centres to be run by private service providers.
- Library Resources - \$1.0 million will be spent over two years, for more library books in Tasmania.
- Hospital Infrastructure Projects - \$1.8 million will be provided for improvements to infrastructure at the Launceston General Hospital and the Intensive Care Unit at the North West Regional Hospital.
- Housing (low cost) - \$3.0 million has been allocated to the Affordable Housing Strategy focused on solutions for people who are at risk of homelessness, either because of support needs or difficult behaviour, or because there are particular family housing requirements not readily met by the market.
- Tourism Icon of NW: Highfield House - a further \$645 000, of which \$388 000 will be spent in 2003-04 and \$257 000 in 2004-05, has been provided for the implementation of the business plan relating to the commercial management and promotion of Highfield House near Stanley.
- Parks and Heritage - \$10.0 million is provided over two years for Parks and Heritage purposes which will be allocated to projects such as:
 - upgrading the Overland Track overnight accommodation;

- conservation and infrastructure development on Sarah Island;
 - construction of camping sites and toilets at Arthur River;
 - further development of the Cradle Mountain Infrastructure Project;
 - refurbishment of the Hastings Thermal Pool amenities; and
 - improvements to infrastructure in the Freycinet National Park.
- York Park - \$2.5 million has been allocated for the further development of York Park in Launceston, to provide for the construction of roofing over all the outer terraced seating areas.
 - Tourism - \$1.0 million has been provided to further promote Tasmania's tourism assets. These funds will be allocated to projects implementing the recommendations of the *Tasmanian Experience Strategy*, including the implementation of the Cradle Valley tourism precinct strategy and the development of an integrated tourism precinct strategy for the Coles Bay/Freycinet area.
 - Water Infrastructure - \$1.5 million has been allocated for implementation of the Water Development Plan for Tasmania, to identify sustainable water development opportunities and emphasise the need to advance these developments to meet Tasmania's economic and social objectives.

Social Infrastructure Fund

The Social Infrastructure Fund (SIF) was a 2002-03 Budget initiative designed to improve services to the community and address social infrastructure needs. The portion of the SIF allocated for capital works was announced in the 2002-03 Budget as \$14.2 million, with \$15.8 million allocated for recurrent expenditure. The funding for capital works was increased by \$2.0 million through an additional allocation during the 2001-02 financial year.

A summary of SIF capital projects in 2003-04 is provided in Chapter 6 of Budget Paper No 1 *Budget Overview 2003-04*.

In the 2002-03 Budget Papers, it was anticipated that \$17.0 million would be expended from the SIF in 2002-03, with the remainder of the Fund to be expended during 2003-04. Total estimated expenditure from the SIF in 2002-03 has since been revised downward to \$15.0 million, with \$17.0 million to be carried forward to 2003-04. It is now estimated that expenditure from the SIF during 2003-04 for continuing projects will be \$10.0 million, with the remaining \$7.0 million to be expended in 2004-05 and 2005-06.

A summary of the projects to which funding will be applied in 2003-04 is provided in Table 4.9 below.

Table 4.9: Social Infrastructure Fund, 2003-04

	2003-04
	Budget
	\$'000
Balance Brought Forward	17 000
TOTAL SOURCE OF FUNDS	17 000
OUTFLOWS	
Community Renewal Program	4 000
<i>Department of Economic Development</i>	
Bicentenary Celebrations	300
Physical Activities Council	100
Department of Education	
Managing and Retaining Secondary Students at School (MARSSS)	800
TAFE Business Skills Development Program	300
TAFE Flexible Learning IT Centres	1 600
<i>Department of Health and Human Services</i>	
Dental Health Package	1 300
Elective Surgery Package	1 300
<i>Department of Infrastructure, Energy and Resources</i>	
Road Safety	300
TOTAL OUTFLOWS	10 000
CLOSING BALANCE¹	7 000

Note:

1. Of the closing balance of \$7.0 million, funding of \$4.2 million has been allocated for expenditure in 2004-05 and \$2.8 million in 2005-06, for the continuation of Social Infrastructure Fund projects.

The continuing projects to which the remaining \$17.0 million Social Infrastructure Fund balance will be applied are:

- Dental Health Package - \$4.0 million, of which \$1.3 million will be spent in 2003-04, \$1.3 million in 2004-05 and the remaining \$1.4 million in 2005-06;
- Elective Surgery Package - \$3.7 million, of which \$1.3 million will be spent in 2003-04, with \$1.2 million to be expended in both 2004-05 and 2005-06;

- Managing and Retaining Secondary Students at School (MARSS) Program - \$1.5 million, of which \$800 000 will be spent in 2003-04 and the balance of \$700 000 will be expended in 2004-05;
- TAFE Flexible Information Technology Learning Centres - \$1.6 million to be spent in 2003-04;
- TAFE Business Skills Development Program - \$600 000, with \$300 000 to be spent in both 2003-04 and 2004-05;
- Road Safety Program - \$700 000, of which \$300 000 will be spent in 2003-04, with \$200 000 to be spent in both 2004-05 and 2005-06;
- Community Renewal Program - \$4.0 million, including \$2.0 million unexpended from the 2002-03 allocation which has been brought forward to 2003-04, all of which will be spent in 2003-04;
- Bicentenary Celebrations Program - \$700 000, of which \$300 000 will be spent in 2003-04 and the remaining \$400 000 will be expended in 2004-05; and
- The Premier's Physical Activities Council - \$200 000, of which \$100 000 will be spent in both 2003-04 and 2004-05.

2001-02 Infrastructure Fund

The Infrastructure Fund (IF) was introduced in the 2001-02 Budget as a major Government initiative to provide one-off funding for Tasmanian economic and social infrastructure. Of the funding allocated for economic infrastructure in 2001-02, \$7.0 million remains to be carried forward into the 2003-04 Budget. Further information in relation to expenditure from the IF since 2001-02 is included in Chapter 6 of Budget Paper No 1 *Budget Overview 2003-04*.

Table 4.10: Infrastructure Fund, 2003-04

	2003-04 Budget
	\$'000
Balance Brought Forward	7 000
TOTAL SOURCE OF FUNDS	7 000
OUTFLOWS	
Meander Dam	7 000
TOTAL OUTFLOWS	7 000
CLOSING BALANCE	....

Meander Dam

A balance of \$7.0 million has been carried forward to 2003-04 from the 2001-02 Infrastructure Fund for the Meander Dam. This project will benefit the Tasmanian community by providing water to stimulate irrigation development in the Meander Valley region.

The environmental, engineering and economic feasibility studies for the project have been completed and released publicly. Relevant approvals for construction of the dam have been issued by the Assessment Committee for Dam Construction and the Environmental Management and Pollution Control Board. The Parliamentary Standing Committee for Public Works also approved the project. These approvals were overturned by the Resource Management and Planning Appeal Tribunal but, subsequent to this decision, the *Meander Dam Approvals Act 2003* was passed by both Houses of Parliament to effectively reinstated the approvals previously given to the project.

The tender process for financing, design, construction and operation of the dam is currently on hold pending Commonwealth Government approval of the project. If approval is received, tenders for dam construction will be let in late 2003. It is a matter for negotiation between the Government and the successful contractor as to when the funds from the Infrastructure Fund will be expended.

DETAILED BUDGET STATEMENTS

Table 4.11: Output Group Expense Summary for Finance-General

	2002-03	2003-04	
	Budget	Budget	Variation
	\$'000	\$'000	%
Output Group 1 - Debt Servicing and Management			
1.1 Debt Servicing	67 750	47 323	(30.2)
1.2 Interest on Sundry Deposits	2 200	2 000	(9.1)
1.3 Debt Management	11 875	11 663	(1.8)
	81 825	60 986	(25.5)
Output Group 2 - Employee Related Costs			
2.1 Superannuation and Pensions	202 492	196 579	(2.9)
2.4 Other	70	70	....
2.5 Provision for Wage Increases	13 000	13 000	....
	215 562	209 649	(2.7)
Output Group 3 - Government Businesses			
3.1 Forestry Tasmania	515	2 736	431.3
3.2 State Fire Commission	3 850	3 850	....
3.3 TT-Line	44 000	44 000	....
	48 365	50 586	4.6
Output Group 4 - Miscellaneous			
4.1 Structural and Performance Initiatives Program	....	7 792	....
4.2 Treasurer's Reserve	20 000	20 000	....
4.3 Miscellaneous	2 631	2 986	13.5
4.4 Payment to Australian Tax Office: GST Administration	13 400	13 500	0.7
4.5 Tasmanian Risk Management Fund	26 305	24 441	(7.1)
4.6 Fleet Management Services	39 000	39 935	2.4
4.7 Property Management Services	13 546	13 329	(1.6)
	114 882	121 983	6.2
Grants and Subsidies	116 796	112 771	(3.4)
Other	40 022	70 717	76.7
TOTAL AGENCY	617 452	626 692	1.5

Table 4.12: Statement of Financial Performance for Finance-General

	2002-03	2003-04	
	Budget	Budget	Variation
	\$'000	\$'000	%
OPERATING REVENUE			
Revenue from Government			
Annual Appropriation¹	301 056	341 142	13.3
Reserved by Law	154 470	157 255	1.8
Other	....	2 100	....
Taxation²	499 183	547 489	9.6
Fines and Regulatory Fees	30	30	....
Investment Income³	173 033	162 303	(6.3)
Grants⁴	1 479 517	1 546 109	4.5
Sales of Goods and Services	50 217	51 524	2.6
Proceeds from the Disposal of Assets	26 000	26 000	....
Other Revenue¹	95 733	127 096	32.8
TOTAL	2 779 239	2 961 048	6.5
OPERATING EXPENSES			
Employee Entitlements	13 070	13 070	....
Superannuation	202 492	196 579	(3.0)
Depreciation and Amortisation	8 426	8 426	....
Borrowing Costs⁵	81 825	60 986	(25.5)
Grants and Transfer Payments⁶	205 266	242 284	18.0
Supplies and Consumables	75 273	74 247	(1.4)
Transfer to the Consolidated Fund^{1,7}	2 141 159	2 294 990	7.1
Other Expenses	31 100	31 100	....
TOTAL	2 758 611	2 921 682	5.9
NET OPERATING RESULT⁸	20 628	39 366	90.8

Notes:

- Increases in the 2003-04 Consolidated Fund appropriation, Other Revenue and Transfer to the Consolidated Fund include the impact of an estimated \$28.5 million in returns from the sale of Government businesses and assets. The returns from sale are receipted by Finance-General under Other Revenue, and subsequently transferred to the Consolidated Fund. The funding has then been appropriated to the new Economic and Social Infrastructure Fund. The increased 2003-04 Consolidated Fund appropriation also reflects the transfer of \$17.7 million to the Structural and Performance Initiatives Program, and a \$3.0 million contribution to the Tasmanian Risk Management Fund to meet the anticipated future cost of medical negligence claims. These increases in the 2003-04 appropriation are partially offset by a decrease of \$8.5 million in debt servicing and management costs funded from the Consolidated Fund.
- The increase in estimated 2003-04 taxation revenue above the 2002-03 original Budget estimate is due to anticipated continued high levels of payroll tax and duties revenue. Payroll tax revenue in 2003-04 is estimated to be \$236.0 million, an increase of \$15.7 million, or 7.1 per cent, on the 2002-03 Budget estimate of \$220.3 million, as a result of anticipated growth in employment in the payroll tax paying sector. Duties revenue is estimated to be \$138.4 million, an increase of \$22.2 million or 19.1 per cent on the 2002-03 Budget estimate of \$116.2 million, as a result of anticipated continuation of the high level of activity in the property market, which has resulted in increased property sales and prices.
- Investment income includes dividends and income tax equivalents from Government businesses. The decrease in the 2003-04 Budget estimate is principally due to a \$13.5 million reduction in the special dividend from Hydro

Tasmania. The Government has agreed that the \$40.0 million per annum special dividend will be phased out over a three year period, commencing in 2003-04. The decrease in dividend receipts is partially offset by an anticipated increase in income tax equivalents payable, largely as a result of changes in the tax position of Hydro Tasmania. In 2002-03, Hydro Tasmania's tax equivalent payments were significantly reduced, owing to a prepayment of tax in the two previous years, totalling \$11.6 million. As that prepayment has been absorbed, Hydro Tasmania's tax position will return to a normal level in 2003-04. Further information on returns from Government businesses can be found in Chapter 11 of Budget Paper No 1 *Budget Overview 2003-04*.

4. Grants revenue represents Commonwealth general purpose and special purpose recurrent payments to the State, and consists of GST Revenue, Budget Balancing Assistance (BBA), National Competition Payments to the State, and specific purpose payments which are tied to specific activities. The increase in the 2003-04 Budget estimate is due to anticipated increases of \$100.2 million in GST Revenue and \$6.3 million in the Health Care Grant, offset by an expected \$43.4 million decrease in BBA payments. Further information on Commonwealth Government payments is included in Chapter 4 and Chapter 10 of Budget Paper No 1 *Budget Overview 2003-04*.
5. The reduction in borrowing costs in 2003-04 is primarily due to savings from an overall reduction in the level of State Debt and from refinancing maturing debt at lower interest rates.
6. The increase in the 2003-04 Budget estimate for Grants and Transfer Payments principally reflects the increased transfer of funds to agencies from the Economic and Social Infrastructure Fund.
7. Transfer to the Consolidated Fund includes the transfer of taxation revenue, Commonwealth Government payments and returns from Government businesses (including the returns from the sale of Government businesses and assets). The increase in the 2003-04 Budget estimate reflects the increase in revenue from these items as explained above.
8. The Net Operating Result in the Summary Financial Information in Table 4.1 does not equate to the Net Operating Result presented in Table 4.12: Statement of Financial Performance. The reason for the difference is provided in the reconciliation section, and Table 4.16, at the end of this Chapter.

Table 4.13: Statement of Financial Position as at 30 June for Finance-General

	2003	2004	Variation
	Budget	Budget	
	\$'000	\$'000	%
CURRENT ASSETS			
Cash ¹	1 029 962	309 689	(70.0)
Receivables	46 267	46 267	....
Investments ²	24 404	17 967	(26.4)
Accrued Revenue	947	986	4.1
Tax Assets	291	291	....
TOTAL	1 101 871	375 200	(66.0)
NON-CURRENT ASSETS			
Investments ²	291 676	273 427	(6.3)
Equity Investments ³	515 913	541 708	5.0
Land and Buildings	29 527	29 001	(1.8)
Plant and Equipment	39 696	38 696	(2.6)
Infrastructure ⁴	....	25 000	....
TOTAL	876 812	907 832	3.5
TOTAL ASSETS	1 978 683	1 283 032	(35.2)
CURRENT LIABILITIES			
Payables	526	526	....
Interest Bearing Liabilities ^{1,5}	866 242	157 680	(81.8)
Superannuation ⁶	101 075	118 731	17.4
Accrued Expenses ⁷	21 592	15 488	(28.3)
Other	150 464	151 389	0.6
TOTAL	1 139 899	443 814	(61.1)
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities ⁵	784 874	600 337	(23.6)
Superannuation ⁶	1 799 925	1 915 224	6.4
Other	34 293	37 088	8.1
TOTAL	2 619 092	2 552 649	(2.6)
TOTAL LIABILITIES	3 758 991	2 996 463	(20.3)
NET ASSETS	(1 780 308)	(1 713 431)	(3.8)

Notes:

1. The decrease in estimated cash balances as at 30 June 2004 reflects the discontinuation of the former end of year borrowing practice. Surplus cash held in the Public Account is used to repay maturing debt within a financial year, thus delaying borrowing until the last possible point (30 June) and reducing borrowing costs. For this reason, during the year both cash balances and gross debt are maintained as low as possible. In past years, at the end of the financial year, a temporary overnight borrowing was undertaken which had the effect of grossing up both cash and debt as at 30 June. With the move to an accrual budget, the practice of the end of year borrowing will be discontinued. Transactions associated with the temporary repayment of State Debt from surplus funds will now be recorded in a new Temporary Debt Repayment Account in the Special Deposits and Trust Fund, which will result in the account being overdrawn. All monies deposited within the Special Deposits and Trust Fund remain available for their designated use at all times. Further information in relation to the discontinuation of the end of year borrowing practice can be found in Chapter 4 of *The Tasmanian Government Financial System*.
2. The Investments held by Finance-General comprise advances to State authorities, Housing Tasmania and Local Government and community organisations. The decrease in the estimated value of current and non-current investments as at 30 June 2004 reflects the repayment of advances, particularly by State authorities, during the financial year.
3. Equity Investments represents the value of Treasurer's stakeholder ownership of a number of State-owned Companies. The Treasurer is a 50 per cent stakeholder owner of Aurora Energy Pty Ltd, Transend Networks Pty Ltd, Port of Devonport Corporation Pty Ltd, Burnie Ports Corporation Pty Ltd, Hobart Ports Corporation Pty Ltd, Port of Launceston Corporation Pty Ltd, Metro Tasmania Pty Ltd, TT Line Company Pty Ltd and TOTE Tasmania Pty Ltd. The Premier, as Minister for Tourism, Parks and Heritage, is a 50 per cent stakeholder owner of TT Line Company Pty Ltd, and the Deputy Premier, as Minister for Economic Development, Energy and Resources and Minister for Racing, Sport and Recreation, is a 50 per cent stakeholder owner of the remaining State-owned Companies.
4. A \$25.0 million provision has been made in 2002-03 for the Government to exercise an existing option to take control of the optic fibre cable that has been installed with the Duke Energy natural gas pipeline. The Government's acquisition of the optic fibre cable telecommunications infrastructure has subsequently been recognised in the 2003-04 Statement of Financial Position of Finance-General. Further information in relation to the Government's acquisition of the optic fibre cable can be found in the section of this Chapter relating to the Economic and Social Infrastructure Fund, and in Chapter 1 of Budget Paper No 1 *Budget Overview 2003-04*.
5. Interest Bearing Liabilities represent previous borrowings from the Commonwealth under the *Financial Agreement Act 1927* (Commonwealth), other Commonwealth borrowings and borrowings through Tascorp. The substantial decrease in estimated current interest bearing liabilities at 30 June 2004 reflects the discontinuation of the end of year borrowing practice, as explained in note 1 above, together with the repayment of maturing debt during 2003-04.
6. Further information on the unfunded superannuation liability reported in Finance-General, which equates to the Gross Unfunded Superannuation Liability of the General Government Sector, can be found in Chapter 7 of Budget Paper No 1 *Budget Overview 2003-04*.
7. Accrued Expenses represent accrued interest on borrowings. The reduction in 2003-04 reflects the overall reduction in the level of State Debt.

Table 4.14: Statement of Cash Flows for Finance-General

	2002-03 Budget \$'000	2003-04 Budget \$'000	Variation %
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Revenue from Government			
Appropriation ¹	301 056	341 142	13.3
Reserved By Law	154 470	157 255	1.8
Taxation ²	499 183	547 489	9.6
Fines and Regulatory Fees	30	30	....
Interest Received ³	25 696	23 243	(9.6)
Grants ⁴	1 479 517	1 546 109	4.5
Sales of Goods and Services	50 217	51 524	2.6
GST Receipts	13 415	13 415	....
Other Receipts ¹	223 093	240 319	7.7
Payments			
Employee Entitlements	(13 070)	(13 070)	....
Superannuation	(119 194)	(118 731)	(0.4)
Borrowing Costs ⁵	(81 825)	(68 202)	(16.7)
Grants and Transfer Payments ⁶	(205 266)	(242 284)	18.0
Supplies and Consumables	(75 273)	(71 640)	(4.8)
Transfers to the Consolidated Fund ^{1,7}	(2 141 159)	(2 294 990)	7.1
GST Payments	(13 575)	(13 415)	(1.2)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	97 315	98 194	0.9
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Fixed Assets	26 000	26 000	....
Purchase of Fixed Assets	(38 000)	(38 000)	....
Net Customer Loans (Granted)/Repaid ⁸	21 341	24 678	15.6
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	9 341	12 678	35.7
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Borrowings	(8 350)	(188 991)	....
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(8 350)	(188 991)	....
Net Increase/(Decrease) In Cash Held	98 306	(78 119)	(179.5)
Cash at the Beginning of Reporting Period	931 656	387 808	(58.4)
Cash at the End of Reporting Period	1 029 962	309 689	(70.0)

Notes:

- Increases in the 2003-04 Consolidated Fund appropriation, Other Revenue and Transfer to the Consolidated Fund include the impact of an estimated \$28.5 million in returns from the sale of Government businesses and assets. The

returns from sale are received by Finance-General under Other Revenue, and subsequently transferred to the Consolidated Fund. The funding has then been appropriated to the new Economic and Social Infrastructure Fund. The increased 2003-04 Consolidated Fund appropriation also reflects the transfer of \$17.7 million to the Structural and Performance Initiatives Program, and a \$3.0 million contribution to the Tasmanian Risk Management Fund to meet the anticipated future cost of medical negligence claims. These increases in the 2003-04 appropriation are partially offset by a decrease of \$8.5 million in debt servicing and management costs funded from the Consolidated Fund.

2. The increase in estimated 2003-04 taxation receipts above the 2002-03 original Budget estimate is due to anticipated continued high levels of payroll tax and duties receipts. Payroll tax receipts in 2003-04 is estimated to be \$236.0 million, an increase of \$15.7 million, or 7.1 per cent, on the 2002-03 Budget estimate of \$220.3 million, as a result of anticipated growth in employment in the payroll tax paying sector. Duties receipts is estimated to be \$138.4 million, an increase of \$22.2 million or 19.1 per cent on the 2002-03 Budget estimate of \$116.2 million, as a result of anticipated continuation of the high level of activity in the property market, which has resulted in increased property sales and prices.
3. Interest Received includes dividends and income tax equivalents from Government businesses. The decrease in the 2003-04 Budget estimate is principally due to a \$13.5 million reduction in the special dividend from Hydro Tasmania. The Government has agreed that the \$40.0 million per annum special dividend will be phased out over a three-year period, commencing in 2003-04. The decrease in dividend receipts is partially offset by an anticipated increase in income tax equivalents payable, largely as a result of changes in the tax position of Hydro Tasmania. In 2002-03 Hydro Tasmania's tax equivalent payments were significantly reduced, owing to a prepayment of tax in the two previous years, totalling \$11.6 million. As that prepayment has been absorbed, Hydro Tasmania's tax position will return to a normal level in 2003-04. Further information on returns from government business can be found in Chapter 11 of Budget Paper No 1 *Budget Overview 2003-04*.
4. Grants represents Commonwealth general purpose and special purpose recurrent payments to the State, and consists of GST Revenue, Budget Balancing Assistance (BBA), National Competition Payments to the State, and specific purpose payments which are tied to specific activities. The increase in the 2003-04 Budget estimate is due to anticipated increases of \$100.2 million in GST Revenue and \$6.3 million in the Health Care Grant, offset by an expected \$43.4 million decrease in BBA payments. Further information on Commonwealth Government payments is included in Chapter 4 and Chapter 10 of Budget Paper No 1 *Budget Overview 2003-04*.
5. The reduction in borrowing costs in 2003-04 is primarily due to savings from an overall reduction in the level of State Debt and from refinancing maturing debt at lower interest rates.
6. The increase in the 2003-04 Budget estimate for Grants and Transfer Payments principally reflects the increased transfer of funds to agencies from the Economic and Social Infrastructure Fund.
7. Transfer to the Consolidated Fund includes the transfer of taxation receipts, Commonwealth Government payments and returns from Government businesses (including the returns from the sale of Government businesses and assets). The increase in the 2003-04 Budget estimate thus reflects the increase in receipts from these items as explained above.
8. Net Customer Loans Repaid reflects the repayment of advances, particularly by State authorities, during the financial year.

Reconciliation of Operating Expenses to Consolidated Fund Appropriation

A reconciliation of operating expenses to the Consolidated Fund Appropriation is provided below in Table 4.15.

Table 4.15: Reconciliation of Operating Expenses to Consolidated Fund Appropriation

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Total Operating Expenses	617 452	626 692
Adjustments for Non-cash Items		
Superannuation Expense	(83 298)	(77 848)
Depreciation	(8 426)	(8 426)
Borrowing Costs	....	7 216
Supplies and Consumables	....	(2 607)
Other Expenses	(31 100)	(31 100)
Total Cash Cost of Outputs	494 628	513 927
Net Additional Contribution to Provisions¹	111 387	158 533
Other Funding Sources	(155 033)	(178 799)
Purchase of Capital Items	4 544	4 736
Total Consolidated Fund Appropriation	455 526	498 397

Note:

1. Net Additional Contribution to Provisions is comprised of additional contributions from the Consolidated Fund, over and above the immediate cash expenses budgeted for the relevant financial year, as follows:

	2002-03	2003-04
	\$'000	\$'000
Superannuation Provision Account	68 887	71 302
Structural and Performance Initiatives	....	9 865
Economic and Social Infrastructure Fund	....	28 500
Tasmanian Community Fund	....	266
Interest on Provision Accounts	31 500	34 600
Debt Management	7 000	7 000
27th Pay Provision	4 000	4 000
Tasmanian Risk Management Fund	....	3 000

Reconciliation of Net Operating Result

The Net Operating Result in the Summary Financial Information in Table 4.1 does not equate to the Net Operating Result presented in Table 4.12: Statement of Financial Performance. The reason for the difference is due to the accounting treatment of receipts of principal repayments and the subsequent transfer of certain of those receipts to the Consolidated Fund, and the transfer of funds from provisions within the Special Deposits and Trust Fund to the Consolidated Fund. In accordance with generally accepted accounting principles, receipts of principal debt repayments are not recorded as operating revenue in the Statement of Financial Performance, but rather are reflected as a reduction in the balance of investments in the Statement of Financial Position and included in cash receipts under 'Net Customer Loans Granted/(Repaid)' in the Statement of Cash Flows. However, the subsequent transfer of relevant amounts to the Consolidated Fund is included in operating expenses in the Statement of Financial Performance.

Similarly, the transfer of funds from provisions within the Special Deposits and Trust Fund is recorded only as expenditure and is not included in operating revenue within the Statement of Financial Performance. The 2003-04 Budget includes the transfer of \$22.4 million from the Payroll Provision Account within the Special Deposits and Trust Fund to the Consolidated Fund, for subsequent appropriation to those agencies incurring a 27th pay cost in 2003-04.

The Summary Financial Information presented at Table 4.1 excludes revenues collected on behalf of the Consolidated Fund and the transfer of those amounts to the Consolidated Fund. As principal receipts and transfers from provisions are not included in operating revenue but are included in operating expenses, the exclusion of these items results in a greater reduction in operating expense, in comparison with the Statement of Financial Performance, than the reduction in operating revenues. This in turn results in an increase in the Net Operating Result reported in the Summary Financial Information in comparison to the Statement of Financial Performance Net Operating Result. A reconciliation of the difference in Net Operating Result is set out in Table 4.16.

Table 4.16: Reconciliation of Net Operating Result

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Net Operating Result - Financial Summary (Table 4.1)	21 817	62 457
Add		
Revenue collected on behalf of the Consolidated Fund		
Recurrent receipts	2 139 970	2 271 899
Less		
Transfer to the Consolidated Fund		
Recurrent	(2 139 970)	(2 271 899)
Principal	(1 189)	(647)
Transfer from Provisions	....	(22 444)
	(2 141 159)	(2 294 990)
Net Operating Result - Statement of Financial Performance (Table 4.12)	20 628	39 366