

2009-10 Mid-Year Financial Report (Preliminary)

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CONVENTIONS

Figures in tables and in the text have been rounded. Discrepancies in tables between totals and sums of component items reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts. The notation used in the 2009-10 Mid-Year Financial Report (Preliminary) is as follows:

na not available, or not applicable

.... zero, or rounded to zero

\$'000 \$thousand

\$m \$million

1 INTRODUCTION

In accordance with section 26 of the *Financial Management and Audit Act 1990*, the Treasurer is required to publish in the *Gazette* a half yearly report by 15 February each year for the six months ended the previous 31 December. The Government has prepared this preliminary report to provide a timely update of the 2009-10 Budget and Forward Estimate positions.

The 2009-10 Mid-Year Financial Report (Preliminary) reflects the impact of the Government's recent announcements relating to the capping of water and sewerage increases; the reduction in land tax; the allocation of additional resources to frontline services including health, education, police and parks; and revisions to the timing of capital expenditure.

The 2009-10 Mid-Year Financial Report (Preliminary) contains the following information:

- Section 2 provides an update on progress against the Key Interim Fiscal Strategy Measures detailed in the 2009-10 Budget Papers and commentary on significant variations to the Budget outlook.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2009-10 Budget Papers.
- Section 4 presents for the 2009-10 financial year, the Income Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing original Budget and revised Budget estimates presented in accordance with the applicable Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where required, commentary is provided on material changes between original and revised Budget estimates.

A Policy and Parameter Statement is presented reconciling the movements in the Net Operating Balance and Fiscal Balance between the original and revised Budget estimates.

An Underlying Net Operating Balance is presented which removes the distorting impact of one-off Australian Government funding for specific major capital projects linked to the *Nation Building - Economic Stimulus Plan*.

- Section 5 provides revised Forward Estimates for the General Government Sector in accordance with the applicable Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.
- Section 6 summarises the receipts to and expenditure from the Consolidated Fund.
- Section 7 provides an overview of the key concepts and definitions used within this Report.

Explanations are provided for significant variations in financial estimates.

The 2009-10 Mid-Year Financial Report (Preliminary) does not include actual 31 December 2009 results. Actual year-to-date results will be included in the 2009-10 Mid-Year Financial Report, which will be released by 15 February 2010.

2 KEY INTERIM FISCAL STRATEGY MEASURES

A fiscal strategy is an effective planning tool for the Government and it provides clear signals to financial markets, the business sector and the community of the Government's intentions in financial management. The purpose of a fiscal strategy is to establish a benchmark for the evaluation of the Government's fiscal performance and increase public awareness of its fiscal policies.

As a result of the Global Financial Crisis, the Government could not achieve its previous Fiscal Strategy targets over the 2009-10 Budget and Forward Estimates without breaching the Government's commitment to maintain frontline services, minimise the impact on public sector jobs and invest in infrastructure.

The Interim Fiscal Strategy (IFS) establishes a set of targets, the progressive achievement of which will return the Budget to a sustainable position. The Government has set aside the current Fiscal Strategy until normal economic conditions resume. It is intended that the IFS initially be adopted for the period 2009-10 to 2014-15.

Table 2.1 shows the IFS targets and an assessment of the current position against those measurable targets, based on the revised 2009-10 Budget and Forward Estimates.

As the IFS is focussed on the achievement of a number of targets in the two years beyond the current Forward Estimates, projections for 2013-14 and 2014-15 have been included. These are based on projected movements in key revenue and expense items from the 2012-13 Forward Estimate. The projections are prepared on a same policy basis and provide an indication of the Government's progress in achieving its IFS targets by 2014-15.

The Table shows that over the 2009-10 Budget and Forward Estimates period, the Government is estimated to make significant progress towards the achievement of its IFS targets.

Table 2.1: Key Interim Fiscal Strategy Measures

Interim Target	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Progress
	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate	Projection	Projection	
Net Operating Surplus on average over four-year rolling period by 2014-15 (\$m)	(23)	(58)	(92)	(70)	(46)	16	✓
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15 (\$m) ¹	(121)	(219)	(280)	(253)	(138)	(14)	🌀
Fiscal Surplus by 2014-15 (\$m)	(286)	(390)	(341)	(230)	(2)	49	✓
Consolidated Fund Surplus by 2014-15 (\$m)	(88)	(96)	(284)	(271)	(10)	54	✓
Net Unfunded Superannuation Liability to be extinguished by 2035 ²	2 771	2 851	2 916	2 969	3 072	3 174	✓
Ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector to not exceed 110 per cent in 2014-15 (%) ³	99	111	112	114	113	109	✓
General Government Sector to remain Net Debt free	(730)	(447)	(207)	(93)	(106)	(227)	✓
Tasmania's Tax Severity (as measured by the CGC) to be maintained below the average of all states (Avg=100) ⁴	<100	<100	<100	<100	<100	<100	✓
Capital Expenditure in excess of depreciation, on average, over four-year rolling period (\$m)	380	658	939	1 163	941	751	✓

Source: Department of Treasury and Finance, Commonwealth Grants Commission (CGC) and the Australian Bureau of Statistics (ABS).

Key: ✓ On Target, 🌀 Issues to be addressed, X Remedial action required, na data not available

Notes:

1. The Net Operating Surplus on average over a four-year rolling period by 2014-15 is measured on an underlying basis that removes the impact of one-off Australian Government funding for specific major capital programs.

2. The Net Unfunded Superannuation Liability will continue to increase in the medium-term. The Government is making sufficient provisions to achieve the target in 2035.
3. For the purposes of the Interim Fiscal Strategy, Net Financial Liabilities represents Net Debt less Advances Paid plus the Superannuation liability. Net Financial Liabilities is divided by Revenue from Transactions to derive the Net Financial Liabilities to Revenue ratio. This is in accordance with the methodology used by Standard & Poor's ratings agency.
4. The Commonwealth Grants Commission's measure of relative Taxation Severity is calculated on the actual taxation levels of states and territories. The Commission does not prepare forecasts of this measure. Tasmania's Taxation Severity for 2007-08 was 92.66 per cent of the national average.

3 TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 3.1: 2009-10 Economic Forecasts

	2008-09	2009-10	2009-10
		Budget	Revised
	Actual	Forecast	Forecast
Gross State Product (real, % change) ^{1,2}	–	-¾	¼
Employment (year-average, % change)	2.8	-2	-1½
Level of employment (year-average, '000s)	238.2	233	234
Labour force participation rate (year-average, %)	61.9	61½	60¾
Unemployment rate (year-average, %)	4.6	7	5¼
Consumer price index (year-average, % change)	2.9	2	2¼
Population (year-average, % change)	1.0	0.8	0.9

Sources:

Data – Australian Bureau of Statistics (ABS) and Reserve Bank of Australia.

Forecasts – Department of Treasury and Finance.

Notes:

1. This GSP estimate is not intended to be benchmarked against the GSP estimates produced by the ABS due to ongoing concerns over the reliability of the ABS estimates of year on year changes in Tasmania's GSP.
2. Actual unavailable. See note 1.

The outlook for the global economy in 2009-10 now looks more optimistic than at the time of the 2009-10 Budget. Most advanced economies are showing tentative signs of recovery after experiencing recessionary conditions. Australia has outperformed other advanced economies during this period of global instability, due to a range of factors including its strong fiscal position at the start of the crisis, the healthy state of the domestic banking sector, effective monetary and fiscal stimulus measures, and the pick-up in trade with China.

Tasmania entered this period of global economic recession with above trend economic growth, strong investment levels and low unemployment. The Tasmanian economy therefore faced the downturn in a stronger position than during previous national recessions. Tasmania's performance during this period has been mixed, with the economy performing in some areas at a level near the optimistic scenario forecast at the time of the 2009-10 Budget.

The degree of uncertainty in Tasmania's economic outlook for 2009-10 is less than at the time of the 2009-10 Budget. The downside risks to the revised forecasts are now viewed as being more balanced with the upside risks.

As with the 2009-10 Budget forecasts, three scenarios have been developed: the base scenario, an optimistic scenario and a pessimistic scenario. The range between these forecasts has narrowed in line with the reduced uncertainty. Together with a narrower band of outcomes, the outlook is generally more favourable.

Tasmania's GSP is now expected to increase by $\frac{1}{4}$ of one per cent in 2009-10, compared with the forecast decline of $\frac{3}{4}$ of one per cent at the time of the 2009-10 Budget. This remains below the forecast of national GDP for 2009-10 in the Australian Government's 2009-10 *Mid-Year Economic and Fiscal Outlook*, primarily due to the weaker outlook for Tasmanian private investment and international exports relative to the rest of the country on average.

Consumption expenditure is expected to be positive in all three scenarios, with growth of $1\frac{1}{2}$ per cent expected in the base scenario, compared with the previously forecast $\frac{1}{4}$ of one per cent in growth. This stronger forecast is based on the resilience in retail trade spending in Tasmania since the start of the downturn and the recovery of consumer confidence. Consumption expenditure is the most significant component of Tasmanian Gross State Product, accounting for just over 60 per cent of GSP in 2007-08, the highest proportion of any jurisdiction. Tourism expenditure in the State is also reported to have held up well.

The outlook for Tasmanian private investment is markedly improved compared to the 2009-10 Budget forecast, based on forward indicators of investment declining by less than expected and a sharp rebound in business confidence over recent months. Private investment is now expected to decline by around 5 per cent in 2009-10, compared with the previous forecast of a fall of 15 per cent. This expectation is based on modest growth in dwelling investment and a slightly less weak outlook for new investment projects. However, under the optimistic scenario, Tasmanian private investment is still expected to show negative growth in 2009-10 .

Tasmania's international exports are still expected to decline in 2009-10, although the outlook for global trade has improved since the time of the 2009-10 Budget. International exports are now expected to decline by around $3\frac{1}{2}$ per cent in 2009-10, compared to the previous forecast of a fall of 5 per cent. Even under the optimistic scenario, international exports are not expected to increase over 2009-10.

Tasmania's export mix differs appreciably from Australia's as a whole and as a result its export performance remains largely independent of the Chinese economy. Just over one quarter of Tasmania's exports are categorised as manufactured goods, which includes non-ferrous metals (such as zinc), and woodchips (the market for which is primarily Japan, which is continuing to experience significant recessionary conditions). Both commodities experienced worldwide falls in both prices and volumes.

The strong appreciation in the Australian dollar has also negatively impacted on Tasmanian exports. The pessimistic scenario for Tasmanian international exports would see a further weakening in demand from key export destinations such as Japan.

Tasmanian interstate exports are now expected to grow by around $1\frac{1}{2}$ per cent in 2009-10, compared with a forecast decline of around one per cent at the time of the 2009-10 Budget. This revision is primarily due to the revised Australian GDP growth figures forecast by the Australian Treasury and the Reserve Bank of Australia. In line with a more positive outlook for interstate exports and consumption expenditure, Tasmanian imports (which detract from GSP growth) are also expected to increase, compared with an expected fall foreshadowed at the time of the 2009-10 Budget.

Prior to the Global Financial Crisis, the Australian and Tasmanian labour markets were at record highs. Unemployment was very low and a shortage of skilled workers consistently rated as the biggest concern of

businesses. Instead of large scale dismissals, as experienced in previous recessions, employers have tended to retain skilled labour by reducing overall hours worked in response to falling demand. Job losses have generally been concentrated in those industries most impacted directly by the Global Financial Crisis, namely manufacturing, mining and finance.

In Tasmania, the level of employment has fallen by around 3½ per cent since September 2008 (in trend terms), due to a very sharp decline in full-time employment. Some of this decline was offset by growth in part-time employment, although this trend has reversed in recent months with part-time employment easing since mid-2009.

Tasmanian employment is now forecast to decline by 1½ per cent in 2009-10 (in year-average original terms), a marginally lower reduction than the 2009-10 Budget forecast of a fall of 2 per cent. The job losses recently reported for the North-West region have been factored into these revised forecasts. Leading indicators of employment have improved in recent months but remain below pre-crisis levels. In particular, it is likely that employers will tend to increase the hours worked by existing staff before seeking additional workers.

The forecast of the participation rate has been revised down to 60¾ per cent (in year-average original terms), reflecting the trend of job seekers leaving the labour market either in anticipation of generally tougher job prospects or having already experienced this since September 2008. The 2009-10 Budget forecast of 61½ per cent had assumed that job seekers would enter the labour force in response to falling household income and the need to rebuild superannuation balances following the collapse in asset values through 2008-09.

The Tasmanian unemployment rate is now forecast to average 5¼ per cent in 2009-10, compared with the 2009-10 Budget forecast of 7 per cent. The increase in the unemployment rate in recent months in response to the weaker economic conditions has been constrained by employees working reduced hours and by the lower labour force participation rate.

Tasmanian population growth is now forecast to be 0.9 per cent in 2009-10, up marginally from the 0.8 per cent forecast in the 2009-10 Budget. This revision was due to the above-trend population growth experienced in 2008-09.

4 GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

INCOME STATEMENT

The Income Statement shows the estimated **Net Operating Balance** for 2009-10 to be a \$83.1 million deficit, a \$34.0 million improvement on the 2009-10 Budget estimate of a \$117.1 million deficit.

The estimated **Fiscal Balance** for 2009-10 is a \$285.6 million deficit, a \$283.9 million improvement on the 2009-10 Budget estimate of a \$569.5 million deficit. The General Government Sector Income Statement for 2009-10 is detailed in Table 4.1.

The significant variations to revenue, expenses and net acquisition of non-financial assets are outlined below.

Revenue

Total revenue is estimated to be \$4 465.7 million in 2009-10, \$249.9 million or 5.9 per cent more than the 2009-10 Budget estimate of \$4 215.8 million. The favourable movement in total revenue reflects:

- an increase in General Purpose Payments revenue of \$55.4 million, due to an increase in Goods and Services Tax (GST) collections as a result of an improving Australian economy and associated increases in the national GST Pool;
- an increase in National Partnership Payments revenue of \$76.7 million, which primarily reflects the impact of additional Australian Government receipts for: *National Building - Economic Stimulus Plan* Primary Schools for the 21st Century (\$15.7 million) and Science and Language Centres (\$31.3 million); the Training Infrastructure Investment Teaching and Learning Capital Fund (\$9.4 million); Trade Training Centres (\$5.1 million); Better TAFE Facilities (\$4.4 million); Government Smarter Schools (\$2.1 million); National Asian Languages and Studies (\$1.8 million); Digital Education Revolution (\$1.7 million); the Heavy Vehicle Program (\$1.2 million); and the North West Coast Assistance Package (\$3.0 million);
- an increase in Taxation revenue of \$58.6 million, primarily reflecting an increase in Conveyance Duty of \$28.0 million, Payroll Tax of \$16.4 million, Land Taxes of \$4.0 million (this will be offset by a Land Tax Rebate of \$18.3 million), and Casino Taxes of \$3.0 million.

The increase in the Conveyance Duty estimate reflects revenue from large transactions and higher than anticipated levels of activity in the property market, while the increase in the Payroll Tax estimate reflects growth in average weekly earnings and higher than anticipated employment levels. Table 4.2 provides a summary of the movements in taxation revenue;

- an increase in Interest Income of \$13.6 million due to higher than forecast interest rates and changes in the level of cash held in the Public Account;
- additional Dividend, Tax and Rate Equivalent Income of \$30.5 million. Dividend income is \$16.5 million greater than the 2009-10 Budget estimate largely due to an increase in receipts from the Motor Accidents Insurance Board of \$5.7 million, TOTE Tasmania Pty Ltd of \$3.0 million and an additional dividend from Tascorp of \$3.0 million. Income Tax Equivalent income is \$13.9 million greater than the 2009-10 Budget estimate largely due to additional payments from the Motor Accidents Insurance Board of \$26.6 million and TOTE Tasmania Pty Ltd of \$3.8 million, partly offset by a reduction in tax equivalents from Aurora Energy Pty Ltd of \$13.1 million and Transend Networks Pty Ltd of \$5.7 million; and
- an increase in Other Revenue of \$12.3 million, which primarily reflects a \$10.6 million increase in Mineral Royalties income as a result of an increase in commodity market prices for mineral resources.

Expenses

Total expenses for 2009-10 are estimated to be \$4 548.8 million, \$215.9 million or 5.0 per cent greater than the 2009-10 Budget estimate of \$4 332.9 million. The movement in expenses reflects:

- an increase in Employee Expenses of \$46.7 million, primarily relating to additional funding for the Department of Health and Human Services of \$30.7 million; the Department of Education of \$7.0 million; and the Department of Justice of \$2.3 million for the enhancement of front line services;
- an increase in Superannuation expense of \$10.6 million, reflecting the current actuarial assessment of the Government's unfunded superannuation liability and lump sum payments made to the Retirement Benefits Fund;
- an increase in Supplies and Consumables expense of \$36.0 million, primarily reflecting a reclassification of \$4.2 million in expenditure by the Department of Health and Human Services to Supplies and Consumables; additional funding to the Department of Economic Development, Tourism and the Arts of \$3.0 million for Tourism, Marketing, Communications and Major Events support; expenditure of Australian Government funding of \$14.1 million by the Department of Education; and additional expenditure of \$17.5 million by the Department of Health and Human Services relating to additional funding for frontline services and Special Capital Investment Fund projects; and
- an increase in Grant Expense of \$126.6 million, reflecting additional Australian Government funding of \$24.9 million for the Department of Education; funding of \$10.5 million provided for the North West Assistance Package to the Department of Economic Development, Tourism and the Arts; additional funding of \$6.8 million provided for ex-gratia payments made to adults who were abused as children for the Department of Health and Human Services; \$18.3 million for rebates associated with the Government's Land Tax Reforms; \$10.4 million associated with the Water and Sewerage reforms; \$9.0 million from the Water Infrastructure Fund for water infrastructure development; \$5.3 million for Transport Subsidies and Concessions; \$5.6 million for the Princes Wharf No. 1 redevelopment; additional funding of \$4.2 million for Tasmania *Tomorrow*; a further \$4.0 million for Metro Services; and \$3.4 million for non-government schools grants.

Other Economic Flows – Included in Operating Result

The Movement in Investments in GBEs and SOCs is anticipated to be \$120.6 million, \$10.3 million greater than the 2009-10 Budget estimate of \$110.3 million. The movement reflects the equity injection to the Rivers and Water Supply Commission from the Water Infrastructure Fund.

The Movements in Superannuation Liability of \$23.8 million reflects an assessment by the State's Actuary of the actuarial loss on the superannuation liability in 2009-10 due to a change in underlying assumptions in respect of part time employees and an increase in the pension take up rate, particularly offset by a gain due to a small increase in the discount rate.

Net Acquisition/(Disposal) of Non-Financial Assets

The movement in Net Acquisition/(Disposal) of Non-Financial Assets of \$249.7 million primarily reflects revised timing of capital projects. It is now anticipated that capital expenditure will be more evenly distributed over the 2009-10 Budget and Forward Estimate period (2010-11 to 2012-13).

Table 4.1: General Government - Income Statement

	2009-10 Budget \$m	2009-10 Revised Budget \$m	Variation \$m
Revenue from Transactions			
Grants			
General Purpose Payments	1 526.5	1 581.9	55.4
Specific Purpose Recurrent Payments	562.4	563.8	1.4
National Partnership Payments	642.6	719.3	76.7
Other Grants and Subsidies	27.6	27.4	(0.2)
	2 759.1	2 892.4	133.3
Taxation			
Taxation	789.9	848.2	58.3
Government Businesses and State Authorities - Guarantee Fees	20.1	20.4	0.3
	810.0	868.6	58.6
Sales of Goods and Services	375.0	373.0	(2.0)
Fines and Regulatory Fees	64.1	67.7	3.6
Interest Income	33.8	47.4	13.6
Dividend, Tax and Rate Equivalent Income	100.0	130.5	30.5
Other Revenue	73.8	86.1	12.3
Total Revenue from Transactions	4 215.8	4 465.7	249.9
Less Expenses from Transactions			
Employee Expenses	1 875.3	1 922.0	46.7
Superannuation	213.3	223.9	10.6
Depreciation	228.3	231.8	3.5
Supplies and Consumables	937.9	973.9	36.0
Nominal Superannuation Interest Expense	202.6	203.0	0.4
Borrowing Costs	17.5	17.6	0.1
Grant Expenses	814.4	941.0	126.6
Other Expenses	43.6	35.6	(8.0)
Total Expenses from Transactions	4 332.9	4 548.8	215.9
Equals NET OPERATING BALANCE	(117.1)	(83.1)	34.0

Table 4.1: General Government - Income Statement (continued)

	2009-10 Budget \$m	2009-10 Revised Budget \$m	Variation \$m
Plus Other Economic Flows - Included in Operating Result			
Gain/(Loss) on Sale of Non-Financial Assets	(5.5)	(7.9)	(2.4)
Movement in Investments in GBEs and SOCs	110.3	120.6	10.3
Movements in Superannuation Liability	....	(23.8)	(23.8)
Other Gains/(Losses)	1.7	1.2	(0.5)
	106.5	90.1	(16.4)
Equals Operating Result	(10.6)	7.0	17.6
Plus Other Economic Flows - Other Movements in Equity			
Revaluations of Non-Financial Assets	222.6	226.8	4.2
Other Non-Owner Movements in Equity	(1.3)	(1.3)	....
	221.3	225.5	4.2
Equals Comprehensive Result	210.7	232.5	21.8
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(117.1)	(83.1)	34.0
Less Net Acquisition/(Disposal) of Non-Financial Assets			
Purchases of Non-Financial Assets	758.2	509.5	(248.7)
Sales of Non-Financial Assets	(77.6)	(75.1)	2.5
Depreciation	(228.3)	(231.7)	(3.4)
	452.3	202.6	249.7
Equals FISCAL BALANCE	(569.5)	(285.6)	283.9

Table 4.2: General Government - Taxation Revenue

	2009-10 Budget	2009-10 Revised Budget	Variation
	\$m	\$m	\$m
Financial Transaction Taxes			
Duties	213.2	244.8	31.6
Gambling Taxes			
Betting Exchange Taxes and Levies	7.3	7.3	....
Casino Tax and Licence Fees	58.5	61.5	3.0
Lottery Tax	23.8	25.8	2.0
Totalizator Wagering Levy	6.0	6.3	0.3
Land Tax ¹	90.0	94.0	4.0
Motor Taxation	54.2	55.2	1.0
Motor Vehicle Taxes and Fees	29.4	29.4	....
Payroll Tax	257.0	273.4	16.4
Receipts from Government Businesses			
Guarantee Fees	20.1	20.4	0.3
State Fire Commission Revenue	50.7	50.7	....
TOTAL TAXATION REVENUE	810.0	868.8	58.6

Note:

1. A Land Tax Rebate of \$18.3 million will be paid in 2009-10 in accordance with the Government's Land Tax Reform initiative as announced by the Premier, David Bartlett MP, on 10 December 2009.

BALANCE SHEET

Table 4.3 details the estimated General Government Sector Balance Sheet as at 30 June 2010.

Budget estimates for the 2009-10 Balance Sheet were compiled in May 2009 prior to the completion of the actual outcomes for 30 June 2009. As a result, the variance from the 2009-10 Budget estimate will be impacted by the difference between the estimated and actual opening balances for 2009-10.

The estimated Balance Sheet as at 30 June 2010 includes the following movements:

Assets

Total assets are estimated to be \$17 193.2 million at 30 June 2010, an increase of \$529.2 million above the 2009-10 Budget estimate of \$16 664.0 million.

Financial assets are anticipated to increase by \$741.3 million as a result of:

- an increase in Cash and Deposits of \$238.2 million, which primarily reflects an increase in revenues as reflected in the Income Statement and an anticipated under expenditure in 2009-10 for infrastructure projects;
- an increase in Equity Investments of \$364.4 million, primarily reflecting adjustments to 2009-10 opening balances for the value of the equity investments in the Public Non-Financial Corporations Sector and the establishment of the Tasmanian Railway Pty Ltd;
- an increase in Receivables of \$39.0 million, primarily reflecting adjustments to the 2009-10 opening balances for Finance-General (\$9.5 million); the Department of Health and Human Services (\$16.3 million); the Tasmanian Polytechnic (\$5.9 million); and the Tasmanian Skills Institute (\$4.2 million); and
- an increase in Other Financial Assets of \$94.8 million, primarily reflecting an adjustment to the 2009-10 opening balance for the deferred tax asset from the Public Non-Financial Corporations Sector and Public Financial Corporations Sector.

Non-Financial Assets are anticipated to decrease by \$212.2 million, primarily reflecting anticipated under expenditure in 2009-10 for infrastructure projects.

The decrease in Non-Financial Assets is offset by adjustments to 2009-10 opening balances as a result of asset revaluations by agencies.

Liabilities

Total liabilities are estimated to be \$5 311.3 million at 30 June 2010, \$240.4 million less than the 2009-10 Budget estimate of \$5 551.7 million. The decrease in liabilities primarily relates to a decrease in the Superannuation liability of \$298.0 million following an actuarial review of the liability, which is partly offset by increases in Employee Entitlements of \$45.3 million and Payables of \$18.3 million.

Table 4.3: General Government - Balance Sheet as at 30 June

	2010 Budget \$m	2010 Revised Budget \$m	Variation \$m
Assets			
Financial Assets			
Cash and Deposits	728.3	966.5	238.2
Investments	70.1	75.0	4.9
Equity Investments	3 969.1	4 333.5	364.4
Receivables	153.9	192.9	39.0
Other Financial Assets	922.0	1 016.8	94.8
	5 843.4	6 584.7	741.3
Non-Financial Assets			
Land and Buildings	5 234.9	5 256.2	21.3
Infrastructure	4 906.3	4 580.8	(325.5)
Plant and Equipment	156.8	225.4	68.6
Heritage and Cultural Assets	454.2	457.6	3.4
Investment Property	11.1	13.0	1.9
Intangibles	24.3	27.4	3.1
Assets Held for Sale	7.0	9.3	2.3
Other Non-Financial Assets	26.1	38.8	12.7
	10 820.6	10 608.4	(212.2)
Total Assets	16 664.0	17 193.2	529.2
Liabilities			
Borrowings	311.9	311.7	(0.2)
Superannuation	4 493.8	4 195.8	(298.0)
Employee Entitlements	416.1	461.4	45.3
Payables	75.6	93.9	18.3
Other Liabilities	254.4	248.5	(5.9)
Total Liabilities	5 551.7	5 311.3	(240.4)
NET ASSETS	11 112.3	11 881.8	769.5
Equity			
Accumulated Funds	6 280.3	6 936.7	656.4
Asset Revaluation Reserve	4 701.2	4 667.8	(33.4)
Other Equity	130.9	277.3	146.4
Total Equity	11 112.3	11 881.8	769.5

Table 4.3: General Government - Balance Sheet as at 30 June
(continued)

	2010	2010	
	Budget	Revised Budget	Variation
	\$m	\$m	\$m
NET WORTH¹	11 112.3	11 881.8	769.6
NET FINANCIAL WORTH²	291.7	1 273.4	981.7
NET FINANCIAL LIABILITIES³	3 674.3	3 054.5	(619.8)
NET DEBT⁴	(486.5)	(729.8)	(243.3)

Notes:

1. Net Worth represents total assets (both financial and non-financial) minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in Government businesses.
4. Net Debt represents borrowings less selected financial assets.

CASH FLOW STATEMENT

Table 4.4 details the Cash Flow Statement for 2009-10. The key measure of the Cash Flow Statement is the Cash Surplus/(Deficit).

The 2009-10 Cash Deficit is estimated to be \$152.3 million, an improvement of \$276.9 million on the 2009-10 Budget estimate of \$429.2 million.

The significant variations to the 2009-10 Cash Flow Statement are outlined below.

Cash Receipts from Operating Activities

Cash receipts from operating activities are estimated to be \$4 586.5 million, \$249.8 million or 5.8 per cent more than the 2009-10 Budget estimate of \$4 336.7 million. This reflects increases in Grants Received of \$133.3 million; Taxation received of \$58.6 million; Fines and Regulatory Fees of \$3.6 million; Interest Received of \$13.4 million; Dividend, Tax and Rate Equivalents income of \$30.5 million and Other Receipts of \$12.2 million. The increase in cash receipts is partly offset by a decrease in Sale of Goods and Services of \$2.1 million.

Cash Payments for Operating Activities

Cash payments for operating activities are estimated to be \$4 304.8 million, \$223.4 million or 5.5 per cent greater than the 2009-10 Budget estimate of \$4 081.4 million. The increase primarily relates to increases in payments for Employee Entitlements of \$46.7 million; Superannuation of \$21.2 million; Supplies and Consumables of \$36.0 million; and Grants and Subsidies Paid of \$127.8 million. The increase in cash payments is partly offset by decreases in Other Payments of \$8.0 million and Borrowing Costs of \$300 000.

Net Cash Flows from Non-Financial Assets

The movement in Net Cash Flows from Non-Financial Assets of \$250.5 million reflects the decrease in Purchases of non-financial assets of \$248.7 million, and an increase in Sales of non-financial assets of \$1.8 million.

Financial Assets (Policy Purposes)

The movement in Financial Assets for policy purposes of \$70.2 million primarily reflects the Government's equity contribution to Tasmanian Railway Pty Ltd and additional funding for rail maintenance and rolling stock.

Net Cash Flows from Financing Activities

The movement in Net cash flows from financing activities of \$5.9 million more accurately reflects the Commonwealth loan repayments for the Commonwealth State Housing Agreement.

Table 4.4: General Government - Cash Flow Statement

	2009-10 Budget \$m	2009-10 Revised Budget \$m	Variation \$m
Cash Flows from Operating Activities			
Cash Receipts from Operating Activities			
Grants Received	2 759.1	2 892.4	133.3
Taxation	810.0	868.6	58.6
Sales of Goods and Services	369.9	367.8	(2.1)
Fines and Regulatory Fees	58.1	61.7	3.6
Interest Received	33.2	46.6	13.4
Dividend, Tax and Rate Equivalents	100.0	130.5	30.5
Other Receipts	206.6	218.8	12.2
Total	4 336.7	4 586.5	249.8
Cash Payments for Operating Activities			
Employee Entitlements	(1 873.7)	(1 920.4)	(46.7)
Superannuation	(268.0)	(289.2)	(21.2)
Supplies and Consumables	(936.8)	(972.8)	(36.0)
Borrowing Costs	(17.1)	(16.8)	0.3
Grants and Subsidies Paid	(814.2)	(942.0)	(127.8)
Other Payments	(171.5)	(163.5)	8.0
Total	(4 081.4)	(4 304.8)	(223.4)
Net Cash Flows from Operating Activities	255.3	281.7	26.4
Cash Flows from Investing Activities			
Cash Flows from Non-Financial Assets			
Purchases of Non-Financial Assets	(757.9)	(509.2)	248.7
Sales of Non-Financial Assets	73.3	75.1	1.8
Total	(684.6)	(434.1)	250.5
Financial Assets (Policy Purposes)			
Equity Injections	(31.4)	(101.6)	(70.2)
Net Advances Paid	(25.4)	(25.4)	....
Total	(56.8)	(126.9)	(70.2)
Net Cash Flows from Investing Activities	(741.4)	(561.0)	180.4

Table 4.4: General Government - Cash Flow Statement (continued)

	2009-10 Budget \$m	2009-10 Revised Budget \$m	Variation \$m
Net Cash Flows from Financing Activities			
Net Borrowing	13.1	19.0	5.9
Total	13.1	19.0	5.9
Net Increase/(Decrease) in Cash Held	(473.0)	(260.3)	212.7
Cash at Beginning of the Year	1 201.3	1 226.8	25.5
Cash at End of the Year	728.3	966.5	238.2
KEY FISCAL AGGREGATES			
Net Cash Flows from Operating Activities	255.3	281.7	26.4
Plus Net Cash Flows from Investments in Non-Financial Assets	(684.6)	(434.1)	250.5
Equals CASH SURPLUS/(DEFICIT)¹	(429.2)	(152.3)	276.9

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

POLICY AND PARAMETER STATEMENT

A Policy and Parameter Statement (PPS) is a reconciliation of the major movements in the Net Operating Balance and the Fiscal Balance between two points in time. The movements reflect changes between the Budget and Forward Estimates reported in the 2009-10 Budget Papers and the revised estimates included in this Report.

The movements in the PPS are classified as revenue, expenses or net acquisition of non-financial assets, and then further categorised as a policy or parameter change. The classification of a variation as a policy or parameter change is a matter of judgment and it is recognised there may be some instances where part of a Government initiative may have both policy and parameter components.

Policy Variation

For the purpose of the PPS, a policy variation reflects a specific decision by the Government that has an impact on the Budget and Forward Estimates and is related to a new policy or represents a change in the Government's existing policy position. A decision to change a Budget or Forward Estimate aggregate, which is consistent with an existing policy, is not a policy decision.

Parameter Variation

A parameter variation reflects changes to the Budget and Forward Estimates due to the economic environment, the agency operating environment or the timing of a transaction.

Parameter variations will reflect the impact of demand and cost variations in agency service delivery, including the provision of indexation. Variations resulting from the rollover of a new Forward Estimate year and changes in accounting policies, such as a change in an agency depreciation policy, or where financial estimates are affected by a change in an Australian Accounting Standard are classified as parameter variations.

Table 4.5 lists those policy and parameter changes that have impacted on the formulation of the revised 2009-10 Budget and Forward Estimates for inclusion in this Report.

Table 4.5: Policy and Parameter Statement

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
Forward Estimates (Net Operating Balance) as per the 2009-10 Budget (A)	(117.1)	(87.3)	(24.1)	73.6
Forward Estimates (Fiscal Balance) as per the 2009-10 Budget (B)	(569.5)	(491.6)	(167.6)	33.0
Revenue from Transactions				
Policy Decisions				
Land Tax Reform ¹	....	(28.1)	(28.9)	(29.6)
Local Government Revenue Guarantee Recoveries ²	....	(1.7)	(6.2)	(9.6)
Road Safety Initiatives Revenue	1.1	1.3	1.0	1.0
Shack Sites - Lease Fee Reduction	(0.2)	(0.3)	(0.3)	(0.3)
Total Policy Decisions	0.9	(28.8)	(34.3)	(38.4)
Parameter Adjustments				
Taxation				
Betting Exchange Taxes and Levies	....	(2.3)	(2.5)	(2.6)
Casino Tax and Licence Fees	3.0	0.1	(2.7)	(2.8)
Duties ³	31.7	33.7	35.3	36.5
Guarantee Fees ⁴	0.3	(3.9)	(11.3)	(10.1)
Land Tax	4.0	6.4	6.6	6.8
Lottery Tax	2.0	....	....	(0.1)
Motor Taxation	1.0	1.0	0.9	0.8
Payroll Tax ⁵	16.4	18.1	6.6	....
Totalizator Wagering Levy	0.3	0.3	0.3	0.2
Total Taxation	58.7	53.3	33.0	28.7
Dividend, Tax and Rate Equivalent Income				
Dividend income				
Aurora Energy Pty Ltd	0.5	(1.3)	(1.1)	(1.0)
Forestry Tasmania	....	(0.6)	(1.5)	(0.3)
Hydro Tasmania	2.7	....	(7.6)	(13.0)
Motor Accidents Insurance Board	5.7	11.9	12.6	11.2
TOTE Tasmania Pty Ltd ⁶	3.0	9.6	9.6	9.6
Tasmanian Ports Corporation	(0.9)	(1.0)	....	....
Tasmanian Public Finance Corporation	3.0	(0.5)	(0.7)	....
The Public Trustee	0.1	(0.1)	....	....
Transend Networks Pty Ltd	2.5	3.3	10.3	11.2
	16.5	21.3	21.6	17.8

Table 4.5 Policy and Parameter Statement (continued)

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
Income Tax Equivalents				
Aurora Energy Pty Ltd	(13.1)	(0.4)	(0.4)	(0.4)
Hydro Tasmania	....	(5.7)	(16.1)	(7.7)
Motor Accidents Insurance Board	26.6	6.2	4.4	4.5
TOTE Tasmania Pty Ltd ⁶	3.8	9.3	9.3	9.3
Tasmanian Public Finance Corporation	1.9	0.5	0.7	....
The Public Trustee	0.4	0.4	....	....
Transend Networks Pty Ltd	(5.7)	1.9	8.4	6.3
	13.9	12.1	6.2	12.0
Total Dividend, Tax and Rate Equivalent Income	30.5	33.4	27.8	29.8
Interest Income⁷	13.6	11.0	(0.8)	(11.9)
Australian Government Grants				
General Purpose Payments				
GST Revenue ⁸	55.4	72.7	69.6	44.9
	55.4	72.7	69.6	44.9
National Partnership Payments				
Education ⁹	70.9	(9.3)	10.2	0.4
Environment	1.8	....	....	....
Housing ¹⁰	(0.5)	(10.9)	(2.7)	....
Infrastructure	1.2	....	....	....
Other Services ¹¹	3.3	....	....	....
	76.7	(20.2)	7.5	0.4
Specific Purpose Payments				
Finance-General	0.2	(0.3)	0.1	0.2
Health and Human Services	1.2	1.2	1.2	1.2
	1.4	0.9	1.3	1.4
Other	(0.3)	(0.3)	(0.3)	(0.3)
Total Australian Government Grants	133.2	53.1	78.1	46.4

Table 4.5 Policy and Parameter Statement (continued)

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
Agency Revenue				
Education	(1.5)	(0.5)	(1.5)	(1.5)
Finance-General	2.1	2.0	3.1	3.4
Health and Human Services	(1.2)	(0.7)	(0.7)	(0.7)
Infrastructure, Energy and Resources ¹²	10.6	10.0	13.4	18.4
Justice	1.4	(0.5)	0.5	(0.6)
Police and Emergency Management	0.4	0.4	0.4	0.4
Premier and Cabinet	0.4	....	....	....
Primary Industries, Parks, Water and Environment	0.9	1.1	1.3	1.5
Total Agency Revenue	13.1	11.9	16.4	21.1
Total Parameter Adjustments	249.0	162.7	154.5	114.1
Total Revenue Variations(C)	249.9	133.9	120.2	75.7
Expenses from Transactions				
Policy Decisions				
Agency Expenditure				
Economic Development, Tourism and the Arts				
Disability Arts Funding	0.2	0.2	0.2	0.2
Falls Music and Arts Festival Infrastructure	0.1	0.1	0.1	....
North West Assistance Package	7.5	....	....	....
Review of Theatre Sector ¹³	....	....	....	....
Sports Grants Funding	0.3	0.3	0.3	0.3
Tasmanian Theatre Company Grant	0.1	....	....	....
Tourism Marketing, Communications and Major Events Support	4.0	....	....	....
Education				
Additional Funding for Frontline Services	13.1	11.4	9.3	8.8
Road Safety Initiatives	0.1	0.1	0.1	0.1
Finance-General				
First Home Builders Land Tax Rebate ¹⁴	....	0.6	0.6	0.6
Land Tax Reform Rebate ¹⁴	18.3	0.7	....	....
Local Government Water and Sewerage Reform				
Guarantee Payments	(5.0)	(6.9)	(7.1)	(7.2)
Parliament Square Fit-Out Costs	1.5	12.0	12.0	....
State Fire Commission - Community Protection Plans	0.3	0.5	0.5	0.3
Water and Sewerage Community Service Obligation	6.5	6.8	7.2	7.5
Water and Sewerage Corporations Payment	8.9	19.0	31.3	....

Table 4.5 Policy and Parameter Statement (continued)

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
Agency Expenditure (continued)				
Health and Human Services				
Additional Funding for Frontline Services	46.8	30.3	30.3	30.3
Aurora Pensioner Concession - Changed Indexation	....	0.6	1.1	1.7
Infrastructure, Energy and Resources				
Bass Strait Islands Energy Project	0.4	....	....	....
Metro Services	4.0	4.0	4.0	4.0
Road Safety Initiatives	0.4	0.4	0.4	0.4
Justice				
Additional Funding for Frontline Services	3.5	3.5	3.5	3.5
Crown Law Budget Management Strategies				
Quarantine	0.2	0.4	0.4	0.4
Crown Law Interview Rooms	0.4	....	....	....
Hayes Prison Farm Fire Safety Infrastructure	0.5	....	....	....
Integrity Commission	0.7	2.8	2.8	2.8
Police and Emergency Management				
Additional Funding for Frontline Services	....	1.9	2.8	3.1
Road Safety Initiatives	0.5	0.7	0.5	0.5
Premier and Cabinet				
National Broadband Network Grants	1.0	....	....	....
Social Inclusion	1.0	0.5	....	....
Primary Industries, Parks, Water and Environment				
Dairy Farmers Assistance Package	0.4	....	....	....
National Parks – Additional Funding for Frontline				
Services	0.6	2.5	2.5	2.5
Bushfire Preparedness	1.4	1.4	1.4	1.4
Community Protection Plans	0.1	0.1	0.1	0.1
Valuer-General - Land Tax Reform	0.5	1.5	1.5	4.0
Treasury and Finance				
Land Tax Reform	0.2	0.1	0.1	0.1
Total Agency Expenditure	118.4	95.6	106.0	65.3
Total Policy Decisions	118.4	95.6	106.0	65.3

Table 4.5 Policy and Parameter Statement (continued)

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
Parameter Adjustments				
Depreciation ¹⁵	3.5	9.2	14.8	15.0
Nominal Superannuation Interest Expense	0.4	12.9	13.8	9.9
Superannuation Expense ¹⁶	10.6	21.7	25.7	33.1
Borrowing Costs	0.1	0.1	....	0.3
Agency Expenditure				
Economic Development, Tourism and the Arts	7.2	0.6	0.1	0.1
Education ¹⁷	46.9	4.1	3.3	3.6
Finance-General	(14.5)	13.6	(1.7)	4.5
Health and Human Services ¹⁸	19.7	1.6	1.1	1.1
Infrastructure, Energy and Resources ¹⁹	6.0	8.0	9.0	8.9
Justice	1.3	1.0	2.1	1.7
Office of the Ombudsman	0.3	0.3	0.3	0.4
Premier and Cabinet	1.5	(0.4)	(0.4)	(0.4)
Primary Industries, Parks, Water and Environment ²⁰	16.2	5.9	5.0	0.5
Treasury and Finance	0.7	(0.3)	(0.4)	(0.4)
Other ²¹	(2.5)	(2.0)	(1.8)	(3.5)
Total Agency Expenditure	82.8	32.3	16.6	16.5
Total Parameter Adjustments	97.4	76.3	71.0	74.7
Total Expenses from Transactions Variance (D)	215.9	171.9	177.0	140.0
NET OPERATING BALANCE²²	(83.1)	(125.2)	(80.8)	9.3

Table 4.5 Policy and Parameter Statement (continued)

	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m
less NET ACQUISITION OF NON-FINANCIAL ASSETS				
FROM TRANSACTIONS				
Purchases of Non-Financial Assets from Transactions				
Policy Decisions				
Education				
Cressy District High School	1.0	....	....	....
School Amalgamations	6.3	15.1	....	....
Justice				
Prisoner Transport Vehicle PODS	0.2	....	....	....
Total Policy Decisions	7.5	15.1	....	....
Parameter Adjustments				
Economic Development, Tourism and the Arts	(5.4)	....	2.7	2.7
Education ¹⁷	25.5	30.1	9.9	....
Finance-General	(0.7)	....	....	....
Health and Human Services	(3.9)	7.3	13.7	10.5
Infrastructure, Energy and Resources ²³	(33.1)	(13.8)	(63.4)	(38.3)
Justice	0.7	....	....	....
Police and Emergency Management	0.6	....	....	....
Primary Industries, Parks, Water and Environment	....	....	....	....
Whole-of-Government Capital Expenditure Adjustment ²⁴	(240.0)	(170.0)	170.0	240.0
Total Parameter Adjustments	(256.2)	(146.4)	132.9	214.9
Total Purchases of Non-Financial Assets from Transactions (E)	(248.7)	(131.4)	132.9	214.9
Sales of Non-Financial Assets from Transactions (F)	(2.4)	(1.2)	1.0	0.9
Depreciation - Total Parameter Adjustments (G)	3.5	9.2	14.8	15.0
TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS VARIANCE (H)²⁵	(249.7)	(139.4)	117.1	199.0
FISCAL BALANCE²⁶	(285.6)	(390.2)	(341.4)	(230.3)

Notes:

- The decrease in revenue reflects the implementation of the Government's Land Tax Reform initiative as announced by the Premier, David Bartlett MP, on 10 December 2009. The cost of the Land Tax Rebates provided to business and first home builders under the initiative is reflected in Finance-General as an expense.

2. Following changes to the implementation of the Water and Sewerage Reforms, receipts from Local Government Revenue Guarantee Recoveries will not be received.
3. The increase in Duties largely reflects the receipt of additional Conveyance Duty as a result of higher than anticipated levels of activity in the property market.
4. The reduction in Guarantee Fees from 2010-11 primarily reflects a decrease in guarantee fees paid by Hydro Tasmania.
5. The increase in the Payroll Tax estimate from 2009-10 to 2011-12 reflects higher than anticipated employment levels and growth in the average weekly earnings. Payroll Tax receipts are expected to return to budgeted levels by 2012-13.
6. The recognition of Dividend and Income Tax Equivalent income from TOTE Tasmania Pty Ltd reflects the Government's decision to not proceed with its sale.
7. The movement in interest income reflects higher than anticipated interest rates and changes to the level of cash held in the Public Account.
8. The increase in GST Revenue reflects Australian Government estimates in the *Mid-Year Economic and Fiscal Outlook 2010* and anticipated growth in the GST pool.
9. The increase in Australian Government funding for Education primarily reflects additional receipts for: Primary Schools for the 21st Century (\$15.7 million); Science and Language Centres (\$31.3 million); Trade Training Centres (\$5.1 million); Better TAFE Facilities (\$4.4 million); and Government Smarter Schools (\$2.1 million).
10. The decrease in Australian Government funding for Housing reflects the redirection by the Australian Government of *Nation Building - Economic Stimulus Plan* funding.
11. The increase in Australian Government funding for Other Services includes the receipt of \$3.0 million from the Australian Government as part of its \$12.5 million commitment to the \$20 million assistance package to stimulate innovation, investment and jobs in North West and Northern Tasmania. The State will contribute \$7.5 million to the assistance package.
12. The increase in Infrastructure, Energy and Resources revenue reflects a greater level of Mineral Royalties as a result of stronger than anticipated commodity market prices for mineral resources.
13. Additional funding of \$25 000 has been provided to the Department of Economic Development, Tourism and the Arts in 2009-10 to undertake a review of the Tasmanian theatre sector.
14. The increase in expenditure reflects the implementation of the Government's Land Tax Reform initiative as announced by the Premier, David Bartlett MP, on 10 December 2009.
15. The increase in Depreciation reflects a review of the expense estimate following the actual depreciation expense outcome in 2008-09 and the anticipated impact of infrastructure investment.
16. The increase in the Superannuation Expense reflects the current actuarial assessment of the Government's unfunded superannuation liability and lump sum payments made to the Retirement Benefits Fund.
17. The increase in Education expenditure in 2009-10 reflects the impact of additional Australian Government funding.
18. The increase in Health and Human Services expenditure in 2009-10 reflects a pensioner concession payment to Aurora that was previously anticipated to be paid in 2008-09 (\$4.6 million), and additional payments for Children Abused in Care (\$6.8 million).
19. The increase in Infrastructure, Energy and Resources expenditure primarily reflects additional funding for Transport Concessions and Subsidies.
20. The increase in Primary Industries, Parks, Water and Environment reflects additional funding for fire suppression costs (\$1.0 million); expenditure from the Crown Lands Administration Fund on the Princes Wharf No 1 redevelopment (\$3.0 million); and the allocation of monies from the Water Infrastructure Fund (\$9.0 million in 2009-10, \$4.5 million in 2010-11; and \$4.5 million in 2011-12).
21. Other primarily reflects the impact of whole-of-government eliminations and indexation.
22. Net Operating Balance is equal to $A + C - D$.
23. The decrease in Infrastructure, Energy and Resources primarily reflects the reclassification of rail infrastructure to Equity Investments in Government businesses to account for the creation of the new rail entity Tasmanian Railway Pty Ltd.
24. The Whole-of-Government Capital Expenditure Adjustment reflects anticipated under-expenditure in infrastructure investment. It is expected that the under-expenditure in 2009-10 and 2010-11 will be offset through additional activity in 2011-12 and 2012-13.
25. Net Acquisition/(Disposal) of Non-Financial Assets is equal to $E - F - G$.
26. Fiscal Balance is equal to $B + C - D - H$.

UNDERLYING NET OPERATING BALANCE

The Underlying Net Operating Balance is a measure which removes the distorting impact of one-off Australian Government funding for specific capital projects linked to the *Nation Building – Economic Stimulus Plan* and Auslink.

Table 4.6: Underlying Net Operating Balance

	2009-10	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate	Projection	Projection
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net Operating Balance	(117.1)	(83.1)	(125.2)	(80.8)	9.3	12.4	121.1
Less Impact of One-off Australian Government funding for Specific Major Capital Programs ¹	317.7	364.2	249.4	112.6	4.0	....	....
Underlying Net Operating Balance	(434.8)	(447.3)	(374.6)	(193.4)	5.3	12.4	121.1
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15	(124.0)	(121.4)	(218.8)	(280.4)	(252.5)	(137.6)	(13.6)

Note:

1. The impact of one-off Australian Government funding for Specific Major Capital Programs reflects the net impact of the *Nation Building - Economic Stimulus Plan* of \$436.2 million and additional funding for Nation Building (formerly Auslink) of \$294.0 million over the 2009-10 Budget and Forward Estimates.

5 BUDGET FORWARD ESTIMATES

Table 5.1: General Government – Income Statement

	2009-10 Budget	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from Transactions					
Grants	2 759.1	2 892.4	2 730.4	2 797.8	2 821.3
Taxation	810.0	868.6	855.2	875.9	916.6
Sales of Goods and Services	375.0	373.0	380.1	389.4	391.9
Fines and Regulatory Fees	64.1	67.7	74.2	75.6	73.2
Interest Income	33.8	47.4	42.2	27.5	22.2
Dividend, Tax and Rate Equivalent Income	100.0	130.5	150.9	147.6	168.9
Other Revenue	73.8	86.1	80.4	86.2	91.1
	4 215.8	4 465.7	4 313.3	4 399.9	4 485.2
Less Expenses from Transactions					
Employee Expenses	1 875.3	1 922.0	1 931.1	1 973.3	2 003.2
Superannuation	213.3	223.9	224.4	225.7	227.1
Depreciation	228.3	231.8	244.9	255.7	261.8
Supplies and Consumables	937.9	973.9	922.4	917.8	909.6
Nominal Superannuation Interest Expense	202.6	203.0	222.1	228.8	230.3
Borrowing Costs	17.5	17.6	17.7	17.5	16.1
Grant Expenses	814.4	941.0	849.0	839.7	805.1
Other Expenses	43.6	35.6	26.8	22.2	22.7
	4 332.9	4 548.8	4 438.5	4 480.7	4 475.9
Equals NET OPERATING BALANCE	(117.1)	(83.1)	(125.2)	(80.8)	9.3

Table 5.1: General Government – Income Statement (continued)

	2009-10	2009-10	2010-11	2011-12	2012-13
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Plus Other Economic Flows - Included in Operating Result					
Gain/(Loss) on Sale of Non-Financial Assets	(5.5)	(7.9)	1.3	4.6	4.8
Movement in Investments in GBEs and SOCs	110.3	120.6	168.1	314.8	305.0
Movement in Superannuation Liability	....	(23.8)	....	....	....
Other Gains/(Losses)	1.7	1.2	0.1	(10.4)	(11.1)
	106.5	90.1	169.5	309.0	298.8
Equals Operating Result	(10.6)	7.0	44.3	228.1	308.1
Plus Other Economic Flows - Other Movements in Equity					
Revaluations of Non-Financial Assets	222.6	227.0	234.6	239.4	235.7
Other Non-Owner Movements in Equity	(1.3)	(1.3)	16.9	54.5	48.2
	221.3	225.7	251.6	293.9	283.9
Equals Comprehensive Result	210.7	232.7	295.9	522.1	591.9
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	(117.1)	(83.1)	(125.2)	(80.8)	9.3
Less Net Acquisition/(Disposal) of Non-Financial Assets					
Purchases of Non-Financial Assets	758.2	509.5	548.7	556.5	542.7
Sales of Non-Financial Assets	(77.6)	(75.1)	(38.8)	(40.2)	(41.3)
Depreciation	(228.3)	(231.8)	(244.9)	(255.7)	261.8)
	452.3	202.6	265.0	260.6	239.6
Equals FISCAL BALANCE	(569.5)	(285.6)	(390.2)	(341.4)	(230.3)

Table 5.2: General Government Balance Sheet as at 30 June

	2010	2010	2011	2012	2013
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial Assets					
Cash and Deposits	728.3	966.5	683.7	435.6	312.7
Investments	70.1	75.0	93.5	81.2	59.6
Equity Investments	3 969.1	4 333.5	4 580.1	4 968.6	5 326.8
Receivables	153.9	192.9	200.3	208.2	215.6
Other Financial Assets	922.0	1 016.8	1 045.2	1 108.2	1 153.9
	5 843.4	6 584.7	6 602.8	6 801.9	7 068.6
Non-Financial Assets					
Land and Buildings	5 234.9	5 256.2	5 627.8	5 797.6	5 926.2
Infrastructure	4 906.3	4 580.8	4 679.3	4 999.3	5 342.8
Plant and Equipment	156.8	225.4	234.8	229.4	221.7
Heritage and Cultural Assets	454.2	457.6	468.5	479.2	490.4
Investment Property	11.1	13.0	13.0	13.0	13.0
Intangibles	24.3	27.4	24.9	22.2	19.6
Assets Held for Sale	7.0	9.3	7.6	7.6	7.6
Other Non-Financial Assets	26.1	38.8	39.3	39.9	40.6
	10 820.6	10 608.4	11 095.2	11 588.2	12 062.0
Total Assets	16 664.0	17 193.2	17 698.0	18 390.1	19 130.6
Liabilities					
Borrowings	311.9	311.7	329.9	309.8	279.2
Superannuation	4 493.8	4 195.8	4 356.1	4 511.5	4 655.6
Employee Entitlements	416.1	461.4	491.3	515.2	538.5
Payables	75.6	93.9	96.4	99.1	102.0
Other Liabilities	254.4	248.5	246.5	254.6	263.6
Total Liabilities	5 551.7	5 311.3	5 520.3	5 690.3	5 838.9
NET ASSETS	11 112.3	11 881.8	12 177.7	12 699.8	13 291.7

Table 5.2: General Government Balance Sheet as at 30 June
(continued)

	2010	2010	2011	2012	2013
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Equity					
Accumulated Funds	6 280.3	6 936.7	6 991.1	7 271.1	7 624.6
Asset Revaluation Reserve	4 701.2	4 667.8	4 902.4	5 141.8	5 377.5
Other Equity	130.9	277.3	284.3	286.9	289.6
Total Equity	11 112.3	11 881.8	12 177.7	12 699.8	13 291.7
NET WORTH¹	11 112.3	11 881.8	12 177.7	12 699.8	13 291.7
NET FINANCIAL WORTH²	291.7	1 273.4	1 082.6	1 111.6	1 229.7
NET FINANCIAL LIABILITIES³	3 674.3	3 054.5	2 883.5	3 851.8	4 091.9
NET DEBT⁴	(486.5)	(729.8)	(447.3)	(207.0)	(93.1)

Notes:

1. Net Worth represents total assets (both financial and non-financial) minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in Government businesses.
4. Net Debt represents borrowings less selected financial assets.

Table 5.3: General Government - Cash Flow Statement

	2009-10	2009-10	2010-11	2011-12	2012-13
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Cash Flows from Operating Activities					
Cash Receipts from Operating Activities					
Grants Received	2 759.1	2 892.4	2 730.4	2 797.8	2 821.3
Taxation	810.0	868.6	855.2	875.9	916.6
Sales of Goods and Services	369.9	367.8	377.8	386.5	388.3
Fines and Regulatory Fees	58.1	61.7	68.2	69.6	67.2
Interest Received	33.2	46.6	41.5	26.7	21.4
Dividend, Tax and Rate Equivalents	100.0	130.5	150.9	147.6	168.9
Other Receipts	206.6	218.8	213.5	220.8	227.2
	4 336.7	4 586.5	4 437.4	4 524.9	4 611.0
Cash Payments for Operating Activities					
Employee Entitlements	(1 873.7)	(1 920.4)	(1 901.7)	(1 947.8)	(1 973.2)
Superannuation	(268.0)	(289.2)	(286.2)	(299.1)	(312.4)
Supplies and Consumables	(936.8)	(972.7)	(922.1)	(917.8)	(909.3)
Borrowing Costs	(17.1)	(16.8)	(17.2)	(17.0)	(15.6)
Grants and Subsidies Paid	(814.2)	(942.0)	(848.9)	(839.6)	(804.9)
Other Payments	(171.5)	(163.5)	(156.2)	(155.9)	(156.2)
	(4 081.4)	(4 304.8)	(4 132.1)	(4 177.0)	(4 171.6)
Net Cash Flows from Operating Activities	255.3	281.7	305.3	347.9	439.4
Cash Flows from Investing Activities					
Net Cash Flows from Non-Financial Assets					
Purchases of Non-Financial Assets	(757.9)	(509.2)	(548.4)	(556.2)	(542.4)
Sales of Non-Financial Assets	73.3	75.1	38.8	40.2	41.3
	(684.6)	(434.1)	(509.6)	(516.0)	(501.1)
Net Cash Flows from Financial Assets (Policy Purposes)					
Equity Injections	(31.4)	(101.6)	(78.0)	(73.0)	(53.2)
Net Advances Paid	(25.4)	(25.4)	(18.7)	12.0	21.5
	(56.8)	(126.9)	(96.7)	(61.1)	(31.7)
Net Cash Flows from Investing Activities	(741.4)	(561.0)	(606.3)	(577.0)	(532.8)

Table 5.3: General Government - Cash Flow Statement (continued)

	2009-10 Budget	2009-10 Revised Budget	2010-11 Forward Estimate	2011-12 Forward Estimate	2012-13 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Net Cash Flows from Financing Activities					
Net Borrowing	13.1	19.0	18.2	(19.0)	(29.5)
	13.1	19.0	18.2	(19.0)	(29.5)
Net Increase/(Decrease) in Cash Held	(473.0)	(260.3)	(282.8)	(248.1)	(123.0)
Cash at Beginning of the Year	1 201.3	1 226.8	966.5	683.7	435.6
Cash at End of the Year	728.3	966.5	683.7	435.6	312.7
KEY FISCAL AGGREGATES					
Net Cash Flows from Operating Activities	255.3	281.7	305.3	347.9	439.4
Plus Net Cash Flows from Non-Financial Assets	(684.6)	(434.1)	(509.6)	(516.0)	(501.1)
Equals CASH SURPLUS/(DEFICIT)¹	(429.2)	(152.3)	(204.3)	(168.1)	(61.7)

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

6 CONSOLIDATED FUND

The Consolidated Fund Deficit is estimated to be \$87.9 million for 2009-10, an improvement of \$261.7 million on the 2009-10 Budget estimated Deficit of \$349.6 million.

Table 6.1: Consolidated Fund Outcome 2009-10

	2009-10 Budget	2009-10 Revised Budget
	\$m	\$m
Receipts		
Recurrent Receipts		
Australian Government Sources		
General Purpose Payments	1 526.5	1 581.9
Specific Purpose Payments	562.4	563.8
National Partnership Payments	642.6	719.3
Other Grants and Subsidies	15.4	15.2
Total Australian Government Sources	2 746.9	2 880.2
State Sources		
Taxation	822.8	883.1
Receipts from Government Businesses	120.1	150.9
Departmental Fees and Recoveries	82.2	80.6
Recoveries of State Debt Charges	0.4	0.4
Sale and Rent of Government Property	42.0	42.0
Resource Rents and Royalties	23.1	33.7
Other Recurrent Receipts	107.7	174.9
Total State Sources	1 198.3	1 365.6
Total Recurrent Receipts	3 945.2	4 245.8
Capital Receipts		
Australian Government Sources	0.5	0.5
State Sources	0.3	0.3
	0.8	0.8
Total Receipts	3 946.0	4 246.6

Table 6.1: Consolidated Fund Outcome 2009-10 (continued)

	2009-10	2009-10
	Budget	Revised
	\$m	\$m
Less Expenditure		
Recurrent Services		
Appropriation Act	3 527.3	3 792.0
Reserved by Law	147.1	146.4
	3 674.4	3 938.4
Works and Services		
Capital Investment Program	605.4	380.3
Economic and Social Infrastructure Fund	8.8	8.8
Infrastructure Tasmania Fund	7.0	7.0
	621.2	396.1
Total Expenditure	4 295.5	4 334.5
Consolidated Fund Surplus/(Deficit)	(349.6)	(87.9)

Table 6.2: Consolidated Fund Expenditure 2009-10

	2009-10 Budget \$m	2009-10 Revised Budget \$m
Economic Development, Tourism and the Arts		
Recurrent Expenditure	86.9	102.2
Total	86.9	102.2
Education		
Recurrent Expenditure	1 077.4	1 137.2
Capital Expenditure	222.6	259.0
Total	1 300.0	1 396.2
Finance-General		
Recurrent Expenditure	396.8	442.9
Capital Expenditure	15.8	15.8
Total	412.5	458.6
Health and Human Services		
Recurrent Expenditure	1 366.3	1 435.9
Capital Expenditure	142.1	120.1
Total	1 508.4	1 556.0
House of Assembly		
Recurrent Expenditure	6.7	6.7
Total	6.7	6.7
Infrastructure, Energy and Resources		
Recurrent Expenditure	145.0	207.1
Capital Expenditure	232.1	232.5
Total	377.0	439.6
Justice		
Recurrent Expenditure	112.3	130.8
Capital Expenditure	13.7	....
Total	126.0	130.8
Legislative Council		
Recurrent Expenditure	5.5	5.5
Total	5.5	5.5
Legislature-General		
Recurrent Expenditure	5.2	5.2
Total	5.2	5.2

Table 6.2: Consolidated Fund Expenditure 2009-10 (continued)

	2009-10 Budget \$m	2009-10 Revised Budget \$m
Ministerial and Parliamentary Support		
Recurrent Expenditure	18.1	18.1
Total	18.1	18.1
Office of the Governor		
Recurrent Expenditure	3.1	3.1
Total	3.1	3.1
Office of the Ombudsman		
Recurrent Expenditure	1.4	1.8
Total	1.4	1.8
Police and Emergency Management		
Recurrent Expenditure	179.9	178.3
Capital Expenditure	3.1	3.1
Total	183.0	181.4
Premier and Cabinet		
Recurrent Expenditure	64.0	65.9
Capital Expenditure	0.5	0.5
Total	64.5	66.4
Primary Industries, Parks, Water and Environment		
Recurrent Expenditure	149.1	154.2
Capital Expenditure	5.1	5.1
Total	154.1	159.2
Tasmanian Audit Office		
Recurrent Expenditure	2.1	2.1
Total	2.1	2.1
Treasury and Finance		
Recurrent Expenditure	40.9	41.7
Total	40.9	41.7
Whole of Government Capital Adjustment	....	240.0
TOTAL	4 295.5	4 334.5

7 CONCEPTS AND DEFINITIONS

BUDGET FRAMEWORK

The 2009-10 Mid-Year Financial Report (Preliminary) has been prepared in accordance with the Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Revised Budget and Forward Estimates detail the accrued revenues and expenses, receipts, payments, assets and liabilities of the General Government Sector (GGS) in a standardised format.

AASB 1049 is based on the harmonised requirements of Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) with the aim of improving the clarity and transparency of government financial statements. GFS is an accounting framework used by the Australian Bureau of Statistics in the preparation of public statistics. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. GAAP is represented by the Australian Accounting Standards developed by the Australian Accounting Standards Board.

The GFS classification adopts a nationally consistent format for presenting the financial transactions of governments and government trading enterprises. GFS is an accounting framework that facilitates comparison of financial performance across jurisdictions and is used by financial markets, credit rating agencies and other analysts and commentators.

The following information details the AASB 1049 framework and illustrates the transactions included under AASB 1049 for the GGS.

GGS Budget information includes:

- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

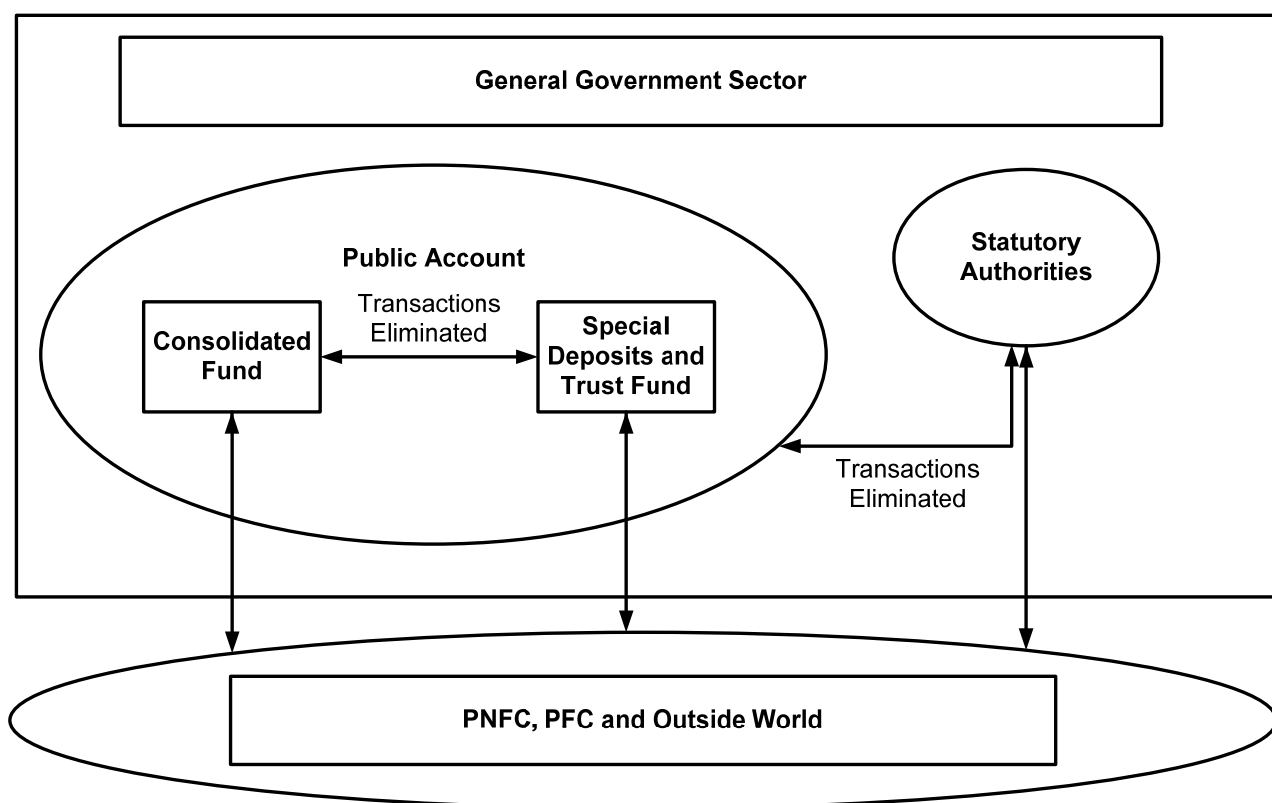
The framework distinguishes between 'transaction flows' and 'other economic flows'. Transaction flows result directly from a mutually agreed interaction between two parties, for example, the sale of a good or service. The definition of a 'transaction flow' also includes depreciation. This recognises that in the case of depreciation the one party is acting in two roles, as owner of the asset and consumer of the services provided by the asset.

An 'other economic flow' is a change in the volume or value of an asset, or a liability, that does not result from a transaction. This includes a wide variety of events such as the revaluation of assets (holding gains or losses) arising from a change in market prices, and changes in the volume of assets that result from discoveries, depletion and destruction of assets. The impact of all 'other economic flows' are reflected as

gains or losses in the GGS Income Statement. The combination of transaction flows and other economic flows reflects the total change in the value of the GGS.

Diagram 7.1 illustrates the transactions included under AASB 1049 for the GGS. Transactions included are only those with entities outside the GGS, with intra-sector transactions eliminated.

Diagram 7.1: Transactions included in the General Government Sector



Income Statement

The Income Statement presents information on revenue and expenses. This statement is designed to capture the composition of revenues, expenses and the net cost of government activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources. The Income Statement reports two major Fiscal Strategy measures: the Net Operating Balance and the Fiscal Balance. In accordance with the requirements of Australian Accounting Standards and, more specifically, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the Operating Statement will now report two additional measures: the Operating Result and Comprehensive Result.

Net Operating Balance

The Net Operating Balance is a measure of the on-going sustainability of the operations of government. It indicates whether the government is generating enough revenue to cover the cost of its operations. A Net Operating Surplus indicates that a government has sufficient revenue to fund its operations and contribute to an increase in its asset base.

Operating Result

The Operating Result is similar to the Net Operating Balance in that it is a measure of the sustainability of the operations of government. However, this measure includes movements in asset and liability balances that result from movements in market values rather than as a result of government operations. These gains or losses on assets or liabilities are "unrealised" and are not available to fund government operations.

Comprehensive Result

The Comprehensive Result represents the total change in value of the GGS during a year arising from revenues, expenses and movements in the valuation of assets and liabilities. As such, the Comprehensive Result is equivalent to the total increase or decrease in Net Assets during the year. The Comprehensive Result is similar to the Operating Result in that it includes unrealised movements in the value of assets and liabilities that impact on net assets. These movements are not available to fund operations and do not arise as a result of government decisions.

Fiscal Balance

The Fiscal Balance indicates whether a sufficient surplus is being generated by the operations of government to fund its capital expenditure needs. It is determined as the difference between General Government revenue over expenses, after allowing for the net addition to non-financial assets such as buildings and infrastructure.

Balance Sheet

The Balance Sheet is a financial snap-shot of assets and liabilities taken at the end of the financial year and discloses the resources over which a government maintains control. By providing information on the type of assets and liabilities held by a government, the statement shows the government's financial position at that point in time. The major Balance Sheet indicators are Net Debt, Net Financial Liabilities, Net Financial Worth and Net Worth.

Net Debt

Net Debt is a measure used to help judge the overall strength of a government's fiscal position. Net Debt comprises a stock of selected gross financial liabilities less selected financial assets.

Net Financial Liabilities

Net Financial Liabilities comprises total liabilities less financial assets, excluding equity investments in Government Businesses. This is a broader measure than Net Debt, as it incorporates other liabilities such as superannuation.

Net Financial Worth

Net Financial Worth is calculated as financial assets minus liabilities. This measure is broader than Net Debt, as it incorporates provisions made (such as superannuation, but not depreciation and bad debts) as well as ownership of equity.

Net Worth

Net Worth is calculated as total assets (both financial and non-financial) minus total liabilities, shares, and other contributed capital. Net Worth incorporates non-financial assets such as land and other infrastructure assets, which may be sold and used to repay debt. It also incorporates certain financial assets and liabilities not captured by the Net Debt measure, most notably, accrued employee superannuation liabilities, ownership of equities, debtors and creditors. Table 4.3 provides an example of the GGS Balance Sheet.

Cash Flow Statement

The Cash Flow Statement records a government's cash receipts and payments, outlining how a government obtains and disposes of cash.

This statement categorises cash flows into operating, investing and financing activities. Operating activities related to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are related to the acquisition and disposal of financial and non-financial assets. Financing activities are related to changing the size and composition of a government's financial structure.

The convention is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows). The Cash Flow Statement reports two major fiscal measures: Net Increase in Cash Held and Cash Surplus.

Net Increase in Cash Held

Net Increase in Cash Held is the sum of net cash flows from all operating, investing and financing activities. This measure is consistent with the movement in cash and deposits reported in the Balance Sheet, and provides a mechanism for managing the cash position to ensure that sufficient cash is available to fund Government policy decisions.

Cash Surplus

The Cash Surplus comprises cash received from operating activities, and from sales and purchases of non-financial assets, less distributions paid (in the case of Public Financial Corporations and Public Non-Financial Corporations), less finance leases and similar arrangements.

The Cash Surplus is important for cash management purposes. The Cash Surplus represents the difference between General Government operating and investing receipts over expenditure (including capital expenditure). It is important to note that a Cash Surplus does not necessarily imply that there is cash available for spending. This is because the Cash Surplus includes funds allocated to provisions such as the Superannuation Provision Account.

It should be noted that the ABS concept of a surplus/(deficit) does not include equity injections/withdrawals and the repayment of advances. These items can have a major impact in any given year. The ABS classifies these transactions as Financing Transactions, which have no impact on the calculation of the surplus/(deficit).

Consolidation of Transactions

The GFS statements present a consolidated view of the financial transactions for all entities within the General Government Sector.

To compile statistics for the financial activities of the General Government Sector the receipts, payments, financial assets and liabilities held with other agencies within the Sector are matched and eliminated to avoid double counting. This process is known as consolidation.

For example, in the case of GFS, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Income Statement as both agencies are classified as General Government.

CLASSIFICATION OF THE TASMANIAN PUBLIC SECTOR

The Tasmanian Public Sector comprises several different types of entities. These are classified according to the sectors comprising the UPF, namely General Government, Public Non-Financial Corporations (PNFC) or Public Financial Corporations (PFC) Sectors.

The General Government Sector comprises those agencies of government, the primary function of which is to provide public services which are mainly non-market in nature, for the collective consumption of the community, or which involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies. This Sector includes government departments and a number of entities that act outside the Public Account including the Inland Fisheries Service, Marine *and* Safety Tasmania, the Royal Tasmanian Botanical Gardens, the State Fire Commission and the Nominal Insurer (a statutory entity created by the *Workers Rehabilitation and Compensation 1988 Act*). The 2008-09 Mid-Year Financial Report (Preliminary) is based on the General Government Sector.

The PNFC Sector comprises those entities that aim to cover the majority of their expenses by revenue from the sales of goods and services and which are mainly market, non-regulatory and non-financial in nature. Generally, this Sector covers the State-owned Companies (SOCs) and Government Business Enterprises (GBEs). These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

The PFC Sector comprises those entities that perform central bank functions or have the authority to incur financial liabilities and acquire financial assets in the market on their own account. In Tasmania, there are two organisations in this Sector. These are the Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board.

The following provides a breakdown of the Tasmanian Public Sector entities by sector.

General Government

Department of Economic Development, Tourism and the Arts

Department of Education

Department of Health and Human Services

Department of Infrastructure, Energy and Resources

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance (including Finance-General)

House of Assembly

Inland Fisheries Service

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Office of the Governor

General Government (continued)

Office of the Ombudsman
Royal Tasmanian Botanical Gardens
State Fire Commission
Tasmanian Academy
Tasmanian Audit Office
Tasmanian Polytechnic
Tasmanian Skills Institute
The Nominal Insurer

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Forestry Tasmania
Hydro Tasmania
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Private Forests Tasmania
Rivers and Water Supply Commission
Tasmanian Ports Corporation Pty Ltd
Tasracing Pty Ltd
Tasmanian Railway Pty Ltd
Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd
Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd
Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd
Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd
The Public Trustee
TOTE Tasmania Pty Ltd
Transend Networks Pty Ltd
TT-Line Company Pty Ltd

Public Financial Corporations

Motor Accidents Insurance Board
Tasmanian Public Finance Corporation

Entities Not Consolidated

The Retirement Benefits Fund Board has not been included in this financial report because the assets are not available for the benefit of the State. Also, the University of Tasmania, certain professional, occupational and marketing boards and Local Government authorities are not included in this financial report because they are not controlled by the State. Other Government bodies that are controlled but are not considered material, for whole-of-government purposes, are also excluded from this financial report.



Tasmania

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