2012-13 Revised Estimates Report

Department of Treasury and Finance

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2012-13 Revised Estimates Report
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1 INTRODUCTION

Section 26A of the *Financial Management and Audit Act 1990* requires that the Treasurer publish a Revised Estimates Report by no later than 15 February in the financial year to which it relates. This Report is required to present detailed financial information including:

- revised estimates for the current financial year;
- revised estimates for the forward estimates period;
- an explanation of variations between the original Budget Paper estimates and the current revised estimates; and
- an assessment of the Government's fiscal performance against its established Fiscal Strategy.

The financial information provided in this Report reflects the results of the mid-year review of the 2012-13 Budget. The statements generally reflect the policies and judgements made in the development of the 2012-13 Budget (the impact of any new policy decisions is highlighted in the Policy and Parameter Statement), modified by the latest trends in revenues and expenses. Further review of the Forward Estimates will be undertaken as part of the development of the 2013-14 Budget. Information on significant issues that may impact on the Budget position and Forward Estimates in the future, but which are unable to be accurately quantified or remains uncertain at the time of the finalisation of this Report, is identified in the Report.

The Revised Estimates Report complements the financial information provided in the original Budget Papers for the current financial year, quarterly reports and the Treasurer's Annual Financial Report. It follows the recent release of the September Quarterly Report which provided information on actual revenue and expenditure for the quarter to 30 September 2012 and the publication of the Australian Government's Mid-Year Economic and Financial Outlook.

Further revised estimates for the current Budget year and the Forward Estimates period will be included in next financial year's Budget Papers. Detailed information on the 2012-13 Budget, including initiatives and services provided by agencies is available at www.treasury.tas.gov.au.

2 THE FISCAL STRATEGY

In the 2011-12 Budget, the Government adopted the current Fiscal Strategy. The current Fiscal Strategy replaced the Interim Fiscal Strategy that was implemented in 2009-10 after the initial onset of the GFC. Given the impact of the GFC was more prolonged than initially anticipated, it was appropriate for the Government to revise its Fiscal Strategy. The current Fiscal Strategy ensures strong financial accountability from the Government in the long-term sustainable management of the State's finances, including the implementation of Budget Savings Strategies.

The Fiscal Strategy focuses on the following key aspects of financial management:

- the establishment of a sustainable Budget position;
- debt and liability reduction;
- maintaining a competitive business and tax environment; and
- ongoing infrastructure investment.

Table 2.1 provides an update on the progress of the Fiscal Strategy, based on the revised 2012-13 Budget and Forward Estimates.

The table shows that the Government will not achieve its established targets for the Net Operating Balance and Net Debt in 2012-13 but will continue to achieve other established targets. Based on current revised estimate information and provided that strong financial management continues to be maintained, it is estimated that all Fiscal Strategy targets will be achieved by 2014-15.

Table 2.1: Fiscal Strategy Progress

Fiscal Strategy Achievement	2011-12 Actual	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2018-19 Target	2022-23 Target
A Sustainable Budget Position						
Net Operating Surplus[1]						
Target ($m)	>(120)	>(50)	>50	>50	>100	>200
Actual/Estimated ($m)	(186)	(327)	71	251	-	-
Debt and Liability Reduction						
Ratio of Net Financial Liabilities to Revenue for Non-Financial Public Sector[2,3]						
Target (%)	<115	<115	<115	<110	<110	<110
Actual /Estimated (%)	131	97	95	88	-	-
General Government Net Debt[4]						
Target ($m)	<0	<0	<(150)	<(300)	<(900)	<(1 500)
Actual/Estimated ($m)	(409)	37	(8)	(347)	-	-
A Competitive Business and Taxation Environment						
Tasmania's Tax Severity[5]						
Target (Index)	<100	<100	<100	<100	<100	<100
Actual/Estimated (index)	87	na	na	na	-	-
Ongoing Infrastructure Investment						
Capital Expenditure in Excess of Depreciation[6]						
Target ($m)	>0	>0	>0	>0	>0	>0
Actual/Estimated ($m)	129	137	123	45	-	-

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

Notes:

1. The established targets represent a continuous improvement in the Net Operating Surplus from the achievement of a deficit of better than $120 million to a surplus of better than $200 million.
2. For the purposes of the 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 Ratio. This is in accordance with the methodology used by Standard & Poor's ratings agency.
3. This ratio has been calculated using Non-Financial Public Sector estimates as at 30 June 2012. Updated Non-Financial Public Sector estimates will not be available until February 2013.
4. The established targets represent a continuous improvement in the State's General Government Net Debt position from being Net Debt free to having negative Net Debt of more than $1.5 billion.
5. In the *Report on GST Revenue Sharing Relativities – 2012 Update*, the CGC has published total taxation severity ratios, allowing a direct comparison of tax severity to be made between states and territories. Tasmania has been assessed as having the lowest taxation severity of all states, and second lowest of all states and territories, based on the taxation arrangements in place in each jurisdiction in 2010-11.
6. Movements in the Capital Expenditure in Excess of Depreciation Measure largely reflects the current timing of the Royal Hobart Hospital Redevelopment expenditure. Negotiations with the Australian Government for the funding of Roads Program expenditure beyond 2013-14 are also currently ongoing. A review of the Government's infrastructure program will be undertaken as part of the 2013-14 Budget development process.

3 TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 3.1: Economic Forecasts

	2011-12 Actual	2012-13 Budget Forecast	2012-13 Revised Estimate	2013-14 Forecast	2014-15 Projection	2015-16 Projection
Gross State Product (real, % change)[1]	….	1¼	1	1½	2	2
Employment (year-average, % change)	-0.9	-¼	-¼	½	1	1
Level of Employment (year-average, '000s)	234.5	235	234	235	237	240
Participation Rate (year-average, %)	60.6	60¾	60½	60½	60½	60½
Unemployment Rate (year-average, %)	6.3	7½	6¾	6¾	6¾	6¾
Consumer Price Index – Hobart (year-average, % change)	2.3	3	2½	2½	2½	2½
Population (year-average, % change)	0.3[2]	0.4	0.3	0.4	0.4	0.4

Source:
Data - Australian Bureau of Statistics; Estimates, Forecasts and Projections - 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. Treasury estimate.

Global and national economic environment

The Tasmanian economy continues to face unfavourable external economic conditions. For many advanced economies, economic growth is sluggish, or even negative, due in part to low levels of business and consumer confidence, which have dampened investment and consumer spending. This has been constraining global economic growth. The euro area, in particular, is reported to be in recession. The economies of Greece, Italy, Portugal and Spain have contracted severely in recent quarters, and growth has slowed even in the generally less indebted northern European region. Despite the efforts of policy makers, sovereign debt and banking problems in Europe remain unresolved and continue to dampen economic activity and confidence.

The US economy continues to gradually recover, and its long-depressed housing market has been showing some signs of improvement. However, unemployment remains high and a number of fiscal stimulus measures are scheduled to expire on 31 December 2012. While expiry of the fiscal stimulus measures would severely constrain economic growth, there is concern that a continuation of the measures would lead to rapidly increasing government budget deficits.

The developing world, and particularly developing Asia, continues to drive global growth. While several emerging economies have introduced tighter monetary policy and other measures to reduce inflation and growth rates, the outlook for most developing economies remains strong and these economies are expected to contribute most of the growth in the global economy in the near to medium term.

The Australian economy continues to expand at a faster rate than any other advanced economy. Unemployment is low, inflation has stayed within the Reserve Bank's target band, and the national government debt remains at relatively low levels. The resources sector and associated sectors continue to drive growth in the national economy, while most other sectors, including those that export non-mining goods and the retail industry, have been subdued in comparison. Household consumption has grown over the past year, but consumers remain cautious, especially regarding dwelling investment, and savings rates remain high, at around 10 per cent of their disposable incomes.

The prices for many key Australian commodities remain relatively high and the Australian dollar is becoming a "safe haven" for international investors, including many overseas public authorities. The result has been a sustained very strong exchange rate even though the terms of trade have eased and the Reserve Bank of Australia has continued to reduce the cash rate to historically very low levels.

Australia's near term economic outlook is reasonably strong but remains heavily reliant on mining-related investment, very little of which is generating economic activity in Tasmania. National unemployment is expected to remain low, though the patchwork nature of the economy is expected to persist, with below trend activity in non-mining construction, manufacturing, retail and tourism-related industries. This unevenness between sectors is likely to translate to different rates of performance among the state and territory economies.

Tasmanian economy

The strong Australian dollar continues to put pressure on Tasmania's export and import competing sectors. Despite growth in business investment and an improvement in international export volumes, Tasmania's economic growth in 2011-12 was estimated at a modest 0.5 per cent, according to the Australian Bureau of Statistics. This was due to declining household consumption, very modest growth in dwelling investment and no contribution to economic growth from public expenditure, due primarily to the winding down of the Australian Government's stimulus measures. While ABS data suggest recent improvements in some economic indicators, modest growth only is expected in the Tasmanian economy in 2012-13 and 2013-14.

Some of the forces driving Tasmania's recent economic performance are cyclical in nature. These include the very high value of the Australian dollar, the unwinding of the Australian Government's fiscal stimulus package and the exceptionally strong levels of mining-related investment in some jurisdictions which is contributing to the strong increase in population out-migration from Tasmania to the resource-rich states. These factors are having very significant adverse impacts on some Tasmanian industries, but are expected to be temporary in nature. For example, the mining investment phase is expected to peak in 2013-14, which is expected to reduce the net population outflow from Tasmania to the resource-rich states.

It is also uncertain whether the exchange rate can continue to remain very high over an extended period if the terms of trade continue to decline, as the Australian Treasury forecasts in the 2012-13 Mid-Year Economic and Fiscal Outlook. For export and import competing industries, such as tourism, and for those industries affected by consumer sentiment and general economic prospects, such as retail trade, the easing of these forces is expected to bring some improvement in Tasmania's economic conditions.

Some sectors of the economy, such as manufacturing and forestry, also face longer term structural changes which are not necessarily reversible. Tasmania's manufacturing sector, for example, is facing increasing competition from some emerging countries, which are able to supply an increasingly large range and share of global products at lower cost than is possible in Tasmania. The decline in manufacturing has been particularly sharp in recent years, exacerbated by the very strong exchange rate. According to the ABS, in

2011-12, manufacturing detracted around one percentage point from the State's economic growth; a similar result was reported for 2010-11.

The forestry sector is being affected by rapid changes in the global market for forest products, with demand falling for previously important Tasmanian products such as native forest woodchips. This has led to a sharp decline in employment in these industries, as firms have either closed or been forced to increase productivity by reducing labour costs. The economic forecasts do not include the potential impact of the recent agreement between several forestry industry groups and environmental groups that were parties to the *Tasmanian Forests Statement of Principles.* This is because it is unclear, at this stage, what the final economic impacts will be, including from any further financial support from the Australian Government.

By contrast, the size of some other sectors has been increasing in Tasmania in recent years, particularly health care, education, aged care and other government services, as well as most private sector services such as finance and insurance, telecommunications, recreation and professional services. Demand for services is expected to continue to increase in the long term in Tasmania as the population continues to age and household spending patterns change in line with growth in real incomes. The prospects for agriculture, particularly dairy, and aquaculture also remain strong, with several major developments recently announced or underway.

Major economic indicators and forecasts for Tasmania

From late 2008 until late 2011, private expenditure and public expenditure tended to exert opposing forces on the Tasmanian economy. More recently, private expenditure has been declining sharply at the same time as public expenditure has been relatively unchanged. This led to subdued economic activity in early 2012 and the modest overall level of economic growth for 2011-12 and reduced employment, especially full-time employment.

Household consumption has been particularly weak in recent quarters, and retail trade is yet to recover to the level in 2009. Consumer surveys suggest generally low levels of confidence among Tasmanian households and it appears Tasmanian households on average, in common with households across Australia, are maintaining high savings rates. Household consumption is estimated to grow by ¾ of one per cent in 2012-13 and then increase to over one per cent in 2013-14.

Underlying conditions for business and dwelling investment remain weak at this point in the economic cycle. Modest private investment growth is expected for 2012-13. Private investment is forecast to increase by more in 2013-14, due in part to the growth in dwelling investment from the First Home Builders Boost Scheme under the Government's recently announced Tasmanian Jobs Package.

Tasmania's international exports are expected to remain subdued over 2012-13 due to the strong Australian dollar. Some modest increase is expected in 2013-14, as external economic conditions are expected to improve. Exports to mainland Australia are expected to hold up well, reflecting the relatively strong national economic prospects.

Growth in Tasmania's gross state product for 2012-13 is estimated to be one per cent, down slightly from the forecast of 1¼ per cent at the time of the 2012-13 Budget. GSP growth is forecast to be greater at 1½ per cent in 2013-14 for the reasons set out above. It is expected that the high Australian dollar and the weak international outlook will continue to adversely affect the growth of the Tasmanian economy over this period. Tasmania's economy is projected to grow at the long term trend rate of two per cent in the out-years.

The ABS estimates that the number of people in employment has increased in Tasmania recently, but remains at a lower level than a year earlier. The labour market has been weakest in the north west of the State, which has been particularly affected by the decline in the manufacturing sector. The weak global outlook and the sustained high exchange rate is expected to lead to a subdued labour market in the near term.

A decline in Tasmanian employment of ¼ of one per cent is estimated for 2012-13 in year-average terms. Employment prospects appear improved for 2013-14, with major initiatives including the expansion of the NBN rollout, the impacts of the Tasmanian Jobs Package and the commencement of activity under the *parliament square* project. Year-average employment levels are forecast to increase by ½ of one per cent in 2013-14, and are projected to grow at around one per cent annually in the out-years.

The unemployment rate is estimated to be around 6¾ per cent in Tasmania in 2012-13, which is lower than forecast at the time of the 2012-13 Budget, and to remain around this level in 2013-14 and in the out-years. The participation rate is forecast to remain stable at 60½ per cent over the Forward Estimates period.

National inflation is forecast to be within the Reserve Bank of Australia's target range of two to three per cent in the near to medium term. Hobart's CPI is forecast to increase at around 2½ per cent per year over the Forward Estimates period, partly reflecting an expected slowdown in wages growth.

Annual population growth in Tasmania is forecast to be around 0.3 per cent in 2012-13. This is below the average rate of the past few years and reflects a slowing in recent quarters due to greater interstate migration outflows from Tasmania. Annual population growth is forecast to increase modestly to 0.4 per cent in 2013-14 and in the out-years. While the rates of out-migration are likely to ease from the current high level, some net out-migration is expected over the medium term.

4 GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

Income Statement

The General Government Income Statement for 2012-13 is detailed in Table 4.1.

The revised 2012-13 Budget forecasts:

- a Net Operating Deficit of $326.8 million, a $43.8 million deterioration on the Budget estimate of a $283.0 million deficit; and
- a Fiscal Deficit of $432.7 million, a $4.1 million deterioration on the Budget estimate of a $428.6 million deficit.

The deterioration in the Net Operating Balance in 2012-13 primarily reflects the impact of falling State Taxation, Mineral Royalties and Fines and Fees revenue and an increase in expenditure by agencies, including the Government's Tasmanian Jobs Package, the utilisation of funds previously budgeted to be expended in 2011-12 and funding received from the Australian Government in prior years.

Table 4.1: General Government Income Statement

	2012-13 Budget	2012-13 Revised Budget	Variance
	$m	$m	$m
	(a)	(b)	(b - a)
Revenue from Transactions			
Grants	2 876.5	2 861.7	(14.8)
Taxation	940.9	921.8	(19.1)
Sales of Goods and Services	313.8	335.9	22.1
Fines and Regulatory Fees	106.9	101.7	(5.2)
Interest Income	17.5	17.1	(0.4)
Dividend, Tax and Rate Equivalent Income	233.0	225.6	(7.4)
Other Revenue	142.9	169.4	26.5
	4 631.5	**4 633.1**	**1.6**
Less Expenses from Transactions			
Employee Expenses	2 026.4	2 049.3	22.9
Superannuation	236.2	232.3	(3.9)
Depreciation	248.1	248.1	....
Supplies and Consumables	1 022.1	1 079.4	57.3
Nominal Superannuation Interest Expense	260.2	250.3	(9.9)
Borrowing Costs	14.1	13.9	(0.2)
Grant Expenses	1 070.0	1 047.9	(22.1)
Other Expenses	37.4	38.8	1.4
Total Expenses from Transactions	**4 914.5**	**4 959.9**	**45.4**
Equals NET OPERATING BALANCE	**(283.0)**	**(326.8)**	**(43.8)**
Plus Other Economic Flows - Included in Operating Result			
Gain/(Loss) on Disposal of Non-Financial Assets	(0.2)	(9.3)	(9.1)
Movement in Investments in GBEs and SOCs	300.5	300.5	....
Movements in Superannuation Liability[1]	....	2 285.9	2 285.9
Other Gains/(Losses)	(17.5)	(17.5)	....
	282.8	**2 559.6**	**2 276.8**
Equals Operating Result	**(0.2)**	**2 232.8**	**2 233.0**

Table 4.1: General Government Income Statement (continued)

	2012-13 Budget $m (a)	2012-13 Revised Budget $m (b)	Variance $m (b - a)
Plus Other Economic Flows - Other Movements in Equity			
Revaluations of Non-Financial Assets	248.8	248.8	....
Other Non-Owner Movements in Equity	(20.7)	(34.3)	(13.6)
	228.1	**214.5**	**(13.6)**
Equals Comprehensive Result	**227.9**	**2 447.3**	**2 219.4**
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	**(283.0)**	**(326.8)**	**(43.8)**
Less Net Acquisition of Non-Financial Assets			
Purchases of Non-Financial Assets	434.2	385.3	(48.9)
Less Sales of Non-Financial Assets	40.5	31.4	(9.1)
Less Depreciation	248.1	248.1	....
	145.6	**105.9**	**(39.7)**
Equals FISCAL BALANCE	**(428.6)**	**(432.7)**	**(4.1)**

Note:

1. Since 2009-10, due to the volatility of the bond market and the long-term nature of the liability, the Budget projections of the superannuation liability are based on an average discount rate of 6.0 per cent. This rate has been determined by Treasury after an analysis of Reserve Bank of Australia historical data and more appropriately reflects the average bond rate over the life of the liability, than a point of time bond rate. However, for financial reporting purposes, in accordance with AASB 119, the current Australian Government long-term bond rate as at 30 June each year is used. The increase in Movements in Superannuation Liability reflects the difference between the discount rate applied by the actuary in accordance with AASB 119 for financial reporting purposes and the long-term bond rate which is used for Budget purposes.

Major Revenue Variations

Revenue from transactions is estimated to be $4 633.1 million in 2012-13, which is $1.6 million higher than the 2012-13 Budget estimate of $4 631.5 million. The main changes are:

Revenue Item	Variance from Budget	Reasons
Grants:	$14.8 million lower	Includes the impact of changes in GST receipts, Intergovernmental Agreements and reclassification of Commonwealth Own Purpose Expenditure estimates.
• General Purpose Payments	$54.8 million higher	GST revenue has been revised upwards by $54.8 million to reflect the revisions made by the Australian Government in its MYEFO. This primarily reflects: • an increase in the estimated GST pool for 2012-13; • a marginal increase in Tasmania's share of the national population; and • a residual adjustment as a result of higher than anticipated GST receipts in 2011-12.
• Specific Purpose Payments	$20.1 million lower	The decrease in SPPs primarily reflects a reduction in the Schools SPP ($17.5 million) and National Health Reform funding ($4.6 million) to reflect revised Australian Government funding estimates published in the MYEFO.
• National Partnership Payments	$28.7 million lower	The decrease in NPPs primarily reflects a reduction in financial assistance grants to Local Government ($43.2 million). This reflects an advance payment made in 2011-12 for 2012-13. This decrease is partially offset by increases in other NPPs ($14.5 million) including: • Housing NPPs ($1.4 million); • Reducing Elective Surgery Waiting Lists ($7.2 million); • National Solar School Program ($1.3 million); • Investing in Focus Schools Project ($1.2 million); and • Youth Attainment and Transitions ($1.2 million).

Revenue Item	Variance from Budget	Reasons
Taxation	$19.1 million lower	The reduction in Taxation primarily reflects a decrease in: • Duties ($9.5 million) which reflects lower than anticipated activity in the property market and house prices; • Payroll Tax ($4.6 million); • Casino Taxes ($3.0 million); and • Guarantee Fees for Aurora Energy Pty Ltd ($4.1 million). This is partly offset by an increase in Land Tax ($1.7 million).
Fines and Regulatory Fees	$5.2 million lower	The reduction in Fines and Regulatory Fees reflects a decline in collection of fines and fees by the Monetary Penalties Enforcement Service, based on year-to-date receipts.
Dividend, tax and rate equivalent income	$7.4 million lower	The decrease in Dividend, tax and rate equivalent income primarily reflects a decrease in Dividend income ($5.7 million) and Income Tax Equivalents ($1.7 million). The decrease in Dividends relates to Transend Networks Pty Ltd ($3.0 million); Motor Accidents Insurance Board ($2.2 million); and Tasmanian Public Finance Corporation ($2.0 million). This is partly offset by an increase in Dividends from Aurora Energy Pty Ltd ($1.7 million). The decrease in ITEs reflects decreases from Forestry Tasmania ($10.0 million) and Transend Networks ($3.1 million). This reduction is partially offset by anticipated increases from Aurora Energy Pty Ltd ($4.7 million), TOTE Tasmania Pty Ltd ($4.9 million) and Tasmanian Public Finance Corporation ($1.8 million).

Revenue Item	Variance from Budget	Reasons
Other Revenue	$26.5 million higher	The increase in Other Revenue primarily reflects the reclassification of Commonwealth Own Purpose Expenditure receipts from Grants Revenue by the Department of Health and Human Services and the Tasmanian Health Organisations. This is partially offset by a decrease in Mineral Royalties revenue ($17.0 million). This reflects temporary plant closures of two mine sites as a result of seismic activity in 2012-13.

Table 4.2: General Government Grants

	2012-13 Budget	2012-13 Revised Budget	Variance
	$m	$m	$m
	(a)	(b)	(b – a)
General Government Grant Sources:			
General Purpose Payments	1 700.8	1 755.6	54.8
Specific Purpose Payments	678.1	658.0	(20.1)
National Partnership Payments	364.0	335.3	(28.7)
Other Grants and Subsidies	133.6	112.8	(20.8)
	2 876.5	**2 861.7**	**(14.8)**

Table 4.3: General Government Taxation

	2012-13 Budget $m (a)	2012-13 Revised Budget $m (b)	Variance $m (b – a)
Payroll Tax	310.2	305.7	(4.6)
Taxes on Property			
Land Tax	88.1	89.8	1.7
Fire Service Levies			
Fire Service Contribution	33.6	33.6	....
Insurance Levy	16.4	16.4	....
Government Guarantee Fees	34.5	30.5	(4.0)
Taxes on Financial and Capital Transactions	141.0	131.5	(9.5)
Taxes on the Provision of Goods and Services			
Gambling Taxes			
Casino Tax and Licence Fees	58.5	55.5	(3.0)
Betting Exchange Taxes and Levies	2.1	2.4	0.3
Lottery Tax	26.7	26.7	....
Totalizator Wagering Levy	6.8	6.8	....
Other Gaming	0.1	0.1	....
Insurance Duty	70.9	70.9	....
Taxes on the use of goods and services			
Vehicle Registration Fees	34.0	34.0	....
Motor Vehicle Fees and Taxes			
Motor Vehicle Duty	35.5	35.5	....
Motor Tax	75.7	75.7	....
Motor Vehicle Fire Levy	6.8	6.8	....
TOTAL TAXATION	**940.9**	**921.8**	**(19.1)**

Major Expense Variations

Total Expenses from Transactions is estimated to be $4 959.9 million, $45.4 million above the 2012-13 Budget Estimate of $4 914.5 million. The major changes are:

Expenditure Item	Variance from Budget	Reasons
Economic Development, Tourism and the Arts	$8.1 million higher	The increase in Economic Development, Tourism and the Arts primarily reflects additional funding for the following Tasmanian Jobs Package projects: • Aurora Stadium Lighting Upgrade ($1.0 million); • Hollybank Mountain Bike Park ($800 000); • Seaport Boardwalk Expansion ($1.0 million); • Cooperative Marketing ($1.0 million); • Tasmanian Government Innovation and Investment Fund ($2.5 million); and • Dairy Tas – Filling the Factories Dairy Conversion ($400 000).
Education	$6.4 million higher	The increase in Education primarily reflects: • additional funding for VET Reform Project Management Costs ($1.4 million); and • expenditure of additional Australian Government National Partnership Payment funding to be received in 2012-13 ($4.5 million).
Finance-General	$47.2 million lower	The decrease in Finance-General primarily reflects a reduction in financial assistance grants to Local Government ($43.2 million). This reflects an advance payment made by the Australian Government in 2011-12 for 2012-13. This reduction is partially offset by an increase in expenditure for the: • Tasmanian Jobs Package – Boost for First Home Builders ($2.5 million); and • Police Mobile Radio Network Upgrade ($3.2 million).

Expenditure Item	Variance from Budget	Reasons
Health and Human Services	$32.9 million higher	The increase in Health and Human Services primarily reflects: • additional funding provided due to an increase in demand for out-of-home care and child protection services ($7.7 million); • costs associated with outstanding claims through the Children abused in Care Scheme ($3.2 million); • Tasmanian Jobs Package - Community Infrastructure ($3.0 million); and • the expenditure of additional Australian Government National Partnership and Commonwealth Own Purpose Expenditure funding to be received in 2012-13 and received in prior periods (approximately $20 million).
Infrastructure, Energy and Resources	$17.8 million higher	Additional expenditure for DIER primarily reflects the expenditure of Australian Government Funding for assistance to exporters that was received in 2011-12 ($16.0 million).
Justice	$2.5 million higher	Additional expenditure for Justice primarily reflects additional funding for an increase in demand for Corrective Services ($2.5 million).
Primary Industries, Parks, Water and Environment	$4.7 million higher	The increase in DPIPWE expenditure is primarily due to additional funding for compensation payments under the provisions of the *Nature Conservation Act 2002* ($3.8 million).
Tasmanian Health Organisations	$36.2 million higher	The increase in the Tasmanian Health Organisations expenditure primarily reflects the recognition of increased revenue and expenditure, including Commonwealth Own Purpose Expenditure and additional expenditure funded from National Partnership Payments. This is partially offset by a decrease in National Health Reform funding as included in the Australian Government's *Mid-Year Economic and Fiscal Outlook 2012*.

Net Acquisition of Non-Financial Assets

Net Acquisition of Non-Financial Assets for 2012-13 is estimated to be $105.9 million, $39.7 million below the Budget Estimate of $145.6 million. The major changes are:

Item	Variance from Budget	Reasons
Purchases of Non-Financial Assets	$48.9 million lower	The decrease in Purchases of Non-Financial Assets primarily reflects: • revised cash flows for the Royal Hobart Hospital Redevelopment project ($62.2 million), partially offset by increased capital purchases for State-wide Cancer Services ($3.0 million) and other cash flow adjustments for Department of Health and Human Services capital projects ($19.7 million); • revised cash flows for the Community and West Coast Roads Program ($6.4 million); • savings as part of a reduction in the size of the Government's motor vehicle fleet, and changes to motor vehicle lease terms ($8.8 million); and • revised cash flows for a number of infrastructure projects.

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 - Roads and Rail Funding (formerly AusLink), Water for the Future and the Royal Hobart Hospital Redevelopment.

Table 4.4: Underlying Net Operating Balance

	2012-13 Budget	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m	$m
Net Operating Balance	**(283.0)**	**(326.8)**	**71.4**	**251.3**	**254.9**
Less One-off Australian Government Funding					
Nation Building - Roads and Rail Funding	64.5	64.5	50.8	35.0	35.0
Royal Hobart Hospital Redevelopment	....	....	....	....	50.0
Water for the Future Funding	44.9	44.9	27.0	16.1	....
	109.3	**109.3**	**77.8**	**51.1**	**85.0**
Underlying Net Operating Balance	**(392.3)**	**(436.1)**	**(6.4)**	**200.2**	**169.9**

Disclosures

Electricity Supply Industry Reform

In 2010, Parliament established an independent Expert Panel to undertake a comprehensive review of the Tasmanian electricity supply industry. The Expert Panel completed its final report in March 2012.

In response to the Expert Panel review, the Government announced a package of reforms on 15 May 2012. The key features of the reform package are:

- full retail competition will be introduced from 1 January 2014;
- the Government will sell and transfer Aurora Energy's retail customers in blocks to new, competing private sector retailers, from the start of Full Retail Contestability on 1 January 2014;
- Aurora Energy's distribution system and Transend Networks' transmission network will be integrated to form a single combined network business. The businesses will be merged from 1 July 2014; and
- independent regulation of Hydro Tasmania's wholesale market activities by the Tasmanian Economic Regulator from 1 July 2013.

Dedicated project teams have been established in the Department of Treasury and Finance to implement the reform package, with appropriate input and assistance from the State-owned electricity businesses.

Due to the timing of the Government's announcement, the financial impacts of the reform package were not reflected in the 2012-13 Budget and Forward Estimates. The impact of the reforms on the Government's financial position is dependent on a number of factors that are still to be finalised.

Carbon Pricing

The 2012-13 Budget and Forward Estimates included a significant increase in revenue from Hydro Tasmania largely due to the introduction of carbon pricing. Any change to the current Carbon Pricing arrangements has the potential to significantly reduce the amount of return to the State from Hydro Tasmania.

Forest Industry Reform

The Forest Industry in Tasmania is currently undergoing a period of significant change and transition in response to current market conditions. The 2012-13 Budget included significant funding and expenditure that has been allocated to assist in this transition process. This funding and expenditure has largely been provided under the terms of the Intergovernmental Agreement signed between the Australian and State Governments to support the forest industry to progressively transition to a more sustainable and diversified footing and to build regional economic diversity and community resilience. This expenditure is detailed in the Budget information for the Department of Infrastructure, Energy and Resources; the Department of Economic Development, Tourism and the Arts; and Finance-General. The funding requirements of the recently signed Tasmanian Forest Agreement 2012, including Australian Government funding, are yet to be finalised.

As part of the broader Forest Industry reform process, the Government commissioned an independent review of the Government-owned Forestry Tasmania to provide recommendations on potential future structures, governance and business models. Following consideration of the URS Stage 2 Report, Cabinet agreed to a number of changes designed to improve Forestry Tasmania's financial sustainability and clarify its commercial objectives. These include an in-principle decision to separate its existing functions and powers with Forestry Tasmania remaining a Government Business Enterprise, retaining its commercial functions and with non-commercial functions and powers transferred to relevant Government agencies. Work has commenced to identify the commercial and non-commercial functions and to progress other key implementation actions.

Goods and Services Tax Estimates

GST revenue for each state is derived from three factors:

- the total GST pool;
- each state's share of the national population; and
- a per capita relativity factor calculated by the Commonwealth Grants Commission (CGC).

Tasmania's GST revenue forecasts in 2012-13 and the Forward Estimates period included in the 2012-13 Budget, used the Australian Government's forecasts for the GST pool and national population shares, together with Treasury forecasts of per capita relativities. These same relativity factor forecasts have been used in the 2012-13 Revised Estimates Report.

Since the Tasmanian Budget was released, the Australian Government has increased its estimate of the GST pool for 2012-13 and the Forward Estimate period, and has revised its population forecasts. This has resulted in an increase in estimated GST revenue to Tasmania in 2012-13 and over the Forward Estimates period.

In early March 2013, the CGC will release its 2013 Update Report on the per capita relativity factors that will apply to the distribution of the GST pool for 2013-14. The GST estimated revenue to Tasmania included in the 2013-14 Budget and Forward Estimates will use an updated forecast of Tasmania's relativity factor based on the CGC's 2013 Update Report and any changes resulting from the GST Distribution Review and the other factors included in the relativity forecasting model. These updated relativity forecasts will be used together with the latest forward estimates of the GST pool and state populations at Budget-time to estimate future GST receipts.

The final report of the GST Distribution Review was released recently and is yet to be considered by Governments. The implementation of any recommendation from this Review may impact on Tasmania's future relativity factors and therefore the share of GST funding received by Tasmania.

Based on the information available at this time, it is not possible to reliably predict any changes to Tasmania's GST share resulting from relativity factor changes.

Agency Cost Pressures

As detailed in the 2011-12 and 2012-13 Budget Papers, the Government requires agencies to implement savings strategies that ensure the State's Budget is managed on a sustainable basis. As noted in the Progress Report 2011-12 Budget Savings Strategies – June Quarter 2012, overall agencies are achieving the required savings.

However, some agencies are managing a range of Budget risks due to the increasing cost of providing services and increased demand for services. Treasury is currently working with these agencies to gain a detailed understanding of these issues and the impact of mitigating strategies being implemented by

agencies. Given the nature of these issues and their likelihood of having an eventual Budget impact, it is not possible to comprehensively determine the level of any Budget impact at the present time.

National Disability Insurance Scheme

The Australian Government has announced that it will provide $1 billion over four years from 2012-13 for the first stage of a NDIS. Tasmania has been successful in being accepted to host a launch site for the NDIS. This will provide services for nearly 1 000 Tasmanians living with a disability aged between 15 and 24. The Tasmanian Government has announced that it will contribute an additional $2.0 million per annum for three years from 1 July 2013 to create additional individualised care and support packages.

At the time of finalising this Report, funding arrangements for a full scheme have not yet been agreed with the Australian Government.

Review of Funding for Schooling (Gonski Review)

Through the Council of Australian Government's (COAG), the Australian Government has proposed a new model of funding for schools which is currently being discussed with States and Territories.

At the time of finalising this Report, funding arrangements are still being progressed with the Australian Government.

Other Government Business Cost Pressures

Government businesses are subject to a wide range of influences that can significantly impact the level of returns to Government. These include market conditions, infrastructure investment requirements and the implementation of major reform programs.

In addition to the Electricity Supply and Forest Industries, there are a number of challenges relating to the Government business portfolio. Reviews are currently underway into Metro Tasmania and The Public Trustee and other businesses face a range of cost pressures due to current economic conditions.

Social and Community Service Workers

On 1 February 2012, Fair Work Australia issued a decision in response to an application to provide wage increases to employees covered by the *Social, Community, Home Care and Disability Services Award 2010* to address wage inequality in the social and community services industry.

As part of the 2012-13 Budget, the Tasmanian Government provided additional funding of $3.0 million in 2012-13, increasing to $12.0 million in 2015-16 to assist with the cost of this initiative.

At the time of finalisation of this Report, the financial agreement had yet to be finalised with the Australian Government in relation to its contribution to the implementation of the new award. The level of Australian Government funding received will have significant implications for the source of future funding required for this initiative.

Agency Payroll Tax - Change in Arrangements

From 1 October 2012, most General Government Sector entities were no longer required to pay payroll tax. This is an administrative change and does not have any impact on the funding available to agencies to provide services to the community. The decrease in the Consolidated Fund allocation to agencies is matched by the decrease in expenditure on payroll tax.

This change should lead to administrative efficiencies within agencies and improved national comparability of some agency costs, particularly in the area of health and hospital services.

Balance Sheet

Table 4.5: General Government Balance Sheet

	2013 Budget $m (a)	2013 Revised Budget $m (b)	Variance $m (b-a)
Assets			
Financial Assets			
Cash and Deposits	914.9	957.9	43.0
Investments	59.1	47.6	(11.5)
Equity Investment in PNFC & PFC Sectors	6 537.9	6 652.7	114.8
Other Equity Investments	8.0	14.2	6.2
Receivables	193.1	335.4	142.3
Other Financial Assets	1 159.0	1 109.3	(49.7)
	8 872.0	**9 117.2**	**245.2**
Non-Financial Assets			
Land and Buildings	6 355.4	6 215.5	(139.9)
Infrastructure	4 096.3	4 243.7	147.4
Plant and Equipment	210.5	211.6	1.1
Heritage and Cultural Assets	464.7	462.0	(2.7)
Investment Property	13.9	12.7	(1.2)
Intangibles	29.5	35.1	5.6
Assets Held for Sale	23.5	17.2	(6.3)
Other Non-Financial Assets	36.2	38.8	2.6
	11 230.0	**11 236.6**	**6.6**
Total Assets	**20 102.1**	**20 353.8**	**251.7**
Liabilities			
Borrowings	1 108.2	1 042.6	(65.6)
Superannuation	4 977.2	4 772.6	(204.6)
Employee Entitlements	520.4	538.4	18.0
Payables	47.5	94.6	47.1
Other Liabilities	319.2	392.4	73.2
Total Liabilities	**6 972.5**	**6 840.5**	**(132.0)**
NET ASSETS	**13 129.6**	**13 513.3**	**383.7**

Table 4.5: General Government Balance Sheet (continued)

	2013 Budget $m (a)	2013 Revised Budget $m (b)	Variance $m (b - a)
Equity			
Accumulated Funds	8 929.8	9 138.8	209.0
Asset Revaluation Reserve	4 199.8	4 374.5	174.7
Total Equity	**13 129.6**	**13 513.3**	**383.7**
NET WORTH[1]	**13 129.6**	**13 513.3**	**383.7**
NET FINANCIAL WORTH[2]	**1 899.5**	**2 276.7**	**377.2**
NET FINANCIAL LIABILITIES[3]	**4 638.4**	**4 376.1**	**(262.3)**
NET DEBT[4]	**134.2**	**37.1**	**(97.1)**

Notes:
1. Net Worth represents total assets less total liabilities.
2. Net Financial Worth represents financial assets less total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets excluding equity investments in the PNFC and PFC Sectors.
4. Net Debt represents borrowings less cash and deposits and investments.

Cash Flow Statement

The General Government Cash Flow Statement for 2012-13 is detailed in Table 4.6.

The Cash Deficit is estimated to be $286.0 million in 2012-13 which is a deterioration of $46.8 million from the Budget estimate of a deficit $239.2 million.

Table 4.6: General Government Cash Flow Statement

	2012-13 Budget	2012-13 Revised Budget	Variance
	$m	$m	$m
	(a)	(b)	(b - a)
Cash Flows from Operating Activities			
Cash Receipts from Operating Activities			
Grants Received	2 876.5	2 861.7	(14.8)
Taxation	940.9	921.8	(19.1)
Sales of Goods and Services	314.3	336.3	22.0
Fines and Regulatory Fees	105.6	100.3	(5.3)
Interest Received	18.2	17.8	(0.4)
Dividend, Tax and Rate Equivalents	233.0	225.6	(7.4)
Other Receipts	317.1	343.5	26.4
	4 805.5	**4 807.0**	**1.5**
Cash Payments for Operating Activities			
Employee Entitlements	(2 014.2)	(2 037.1)	(22.9)
Superannuation	(320.1)	(348.6)	(28.5)
Supplies and Consumables	(1 029.3)	(1 086.6)	(57.3)
Borrowing Costs	(13.8)	(13.6)	0.2
Grants and Subsidies Paid	(1 069.9)	(1 047.8)	22.1
Other Payments	(203.7)	(205.4)	(1.7)
	(4 651.0)	**(4 739.1)**	**(88.1)**
Net Cash Flows from Operating Activities	**154.5**	**67.9**	**(86.6)**
Cash Flows from Investing Activities			
Cash Flows from Non-Financial Assets			
Purchases of Non-Financial Assets	(434.2)	(385.3)	48.9
Sales of Non-Financial Assets	40.5	31.4	(9.1)
	(393.7)	**(353.9)**	**39.7**

Table 4.6: General Government Cash Flow Statement (continued)

	2012-13 Budget $m (a)	2012-13 Revised Budget $m (b)	Variance $m (b – a)
Financial Assets (Policy Purposes)			
Equity Injections	(90.1)	(153.0)	(62.9)
Net Advances Paid	(5.6)	(2.3)	3.3
	(95.7)	**(155.4)**	**(59.7)**
Net Cash Flows from Investing Activities	**(489.4)**	**(509.3)**	**(19.9)**
Net Cash Flows from Financing Activities			
Net Borrowing	223.3	147.1	(76.2)
	223.3	**147.1**	**(76.2)**
Net Increase/(Decrease) in Cash Held	**(111.6)**	**(294.3)**	**(182.7)**
Cash at Beginning of the Year	**1 026.5**	**1 252.2**	**225.7**
Cash at End of the Year	**914.9**	**957.9**	**43.0**
KEY FISCAL AGGREGATES			
Net Cash Flows from Operating Activities	**154.5**	**67.9**	**(86.6)**
Plus Net Cash Flows from Investments in Non-Financial Assets	**(393.7)**	**(353.9)**	**39.7**
Equals CASH SURPLUS/(DEFICIT)	**(239.2)**	**(286.0)**	**(46.8)**

Policy and Parameter Statement

The 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 2012-13 Budget Papers and the 2012-13 Revised Estimates 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. In exercising judgement, Treasury aims to ensure that Government decisions are made transparent.

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 since the previous Budget. 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 increased Taxes, Grants or Other Income that do not arise because of a Government decision; and 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 the impact on estimates of a change in an Australian Accounting Standard are classified as parameter variations.

Table 4.7 provides a summary of the policy and parameters changes that have impacted on the 2012-13 Budget.

Table 4.7: Policy and Parameter Statement

	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m
Forward Estimates (Net Operating Balance) as per the 2012-13 Budget (A)	**(283.0)**	**52.8**	**240.7**	**259.5**
Forward Estimates (Fiscal Balance) as per the 2012-13 Budget (B)	**(428.6)**	**(35.2)**	**202.7**	**162.2**
Revenue from Transactions				
Policy Decisions				
Boost for First Home Builders Additional Duties Impact	0.5	2.4	0.3	....
Total Policy Decisions	**0.5**	**2.4**	**0.3**	**....**
Parameter Adjustments				
Taxation				
Betting Exchange Taxes and Levies	0.3	0.2	0.1	0.1
Casino Tax and Licence Fees	(3.0)	(2.9)	(3.1)	(3.4)
Duties[1]	(10.0)	(11.9)	(14.2)	(15.0)
Government Guarantee Fees	(4.0)	....	....	....
Land Tax	1.7	(1.8)	(3.9)	(5.2)
Motor Taxation	....	(0.3)	(0.6)	(1.0)
Payroll Tax[2]	(4.6)	(14.0)	(19.2)	(24.6)
Totalizator Wagering Levy	....	....	(0.1)	(0.1)
Total Taxation	**(19.6)**	**(30.7)**	**(41.0)**	**(49.2)**
Dividend, Tax and Rate Equivalent Income				
Dividend income				
Aurora Energy Pty Ltd	1.7	....	....	....
Hydro Tasmania	(0.2)	....	....	....
Motor Accidents Insurance Board	(2.2)	....	....	....
Tasmanian Public Finance Corporation	(2.0)	....	....	....
The Public Trustee	0.1	....	....	....
Transend Networks Pty Ltd	(3.0)	....	....	....
	(5.7)	**....**	**....**	**....**

Table 4.7: Policy and Parameter Statement (continued)

	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m
Income Tax Equivalents				
Aurora Energy Pty Ltd	4.7	....	....	....
Forestry Tasmania[3]	(10.0)	....	....	....
TOTE Tasmania Pty Ltd[4]	4.9	....	....	....
Tasmanian Public Finance Corporation	1.8	....	....	....
Transend Networks Pty Ltd	(3.1)	....	....	....
	(1.7)	**....**	**....**	**....**
Total Dividend, Tax and Rate Equivalent Income	**(7.4)**	**....**	**....**	**....**
Interest Income	**(0.4)**	**18.4**	**8.3**	**5.3**
Australian Government Grants				
General Purpose Payments				
GST Revenue[5]	54.8	20.5	28.7	23.9
	54.8	**20.5**	**28.7**	**23.9**
National Partnership Payments				
Education	2.1	7.9	4.3	21.5
Healthcare	17.2	15.8	12.0	8.7
Housing	(4.0)	....	....	....
Skills and Workforce Development	0.9	(1.2)	3.0	2.3
Other services[6]	(44.9)	(0.5)	(0.6)	(1.1)
	(28.7)	**21.9**	**18.7**	**31.4**
Specific Purpose Payments[7]				
Affordable Housing	(0.3)	1.9	0.2	0.2
Disability Services	1.2	(2.3)	(0.8)	0.6
National Health Reform	(4.6)	(8.1)	(12.5)	15.9
National Schools	(17.5)	(10.5)	(4.9)	8.1
Skills and Workforce Development	1.0	0.5	(0.2)	0.1
	(20.2)	**(18.5)**	**(18.3)**	**24.9**
Other	**(22.8)**	**(20.3)**	**(21.2)**	**(24.3)**
Total Australian Government Grants	**(16.9)**	**3.6**	**7.9**	**55.9**

Table 4.7: Policy and Parameter Statement (continued)

	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m
Agency Revenue				
Finance-General	(4.0)	(4.2)	(4.6)	(5.0)
Health and Human Services[8]	19.8	9.5	5.4	10.2
Infrastructure, Energy and Resources[9]	(17.0)	0.1	0.1	0.1
Justice	(5.3)	....	....	....
Office of the Ombudsman	0.1	....	....	....
Police and Emergency Management	(1.0)	(1.0)	(1.0)	(1.0)
Primary Industries, Parks, Water and Environment	(0.2)	....	....	....
THO - North-West[8]	10.6	6.2	6.2	6.2
THO – South[8]	26.2	24.6	24.7	24.8
THO - North[8]	16.2	12.0	10.4	10.5
Total Agency Revenue	**45.3**	**47.2**	**41.2**	**45.8**
Total Parameter Adjustments	**1.1**	**38.5**	**16.5**	**57.8**
TOTAL REVENUE VARIATIONS (C)	**1.6**	**40.9**	**16.8**	**57.8**
Expenses from Transactions				
Policy Decisions				
Tasmanian Jobs Package				
Aurora Stadium Lighting Upgrade	1.0	....	....	....
Boost for First Home Builders	2.5	5.8	5.7	....
Community Infrastructure	3.0	....	....	....
Cooperative Marketing	1.0	....	....	....
Dairy Tas - Filling the Factories Dairy Conversion	0.4	....	....	....
Hollybank Mountain Bike Park	0.8	....	....	....
Payroll Tax Rebate	....	0.5	2.1	1.4
Seaport Boardwalk Expansion	1.0	....	....	....
Tasmanian Government Innovation and Investment Fund	2.5	....	....	....
	12.2	**6.3**	**7.8**	**1.4**
Other Policy Decisions				
Education				
VET Reform Project Management Costs	1.4	....	....	....
Health and Human Services				
Apology for Forced Adoptions	0.1	0.1	....	....
National Disability Insurance Scheme Test Sites	....	2.0	2.0	2.0

Table 4.7: Policy and Parameter Statement (continued)

	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m
Premier and Cabinet				
King Island Council Partnership Agreement	0.3	0.1	0.1	....
Total Policy Decisions	**14.0**	**8.5**	**9.9**	**3.4**
Parameter Adjustments				
Depreciation	**....**	**0.2**	**0.7**	**0.7**
Nominal Superannuation Interest Expense[10]	**(10.0)**	**(12.4)**	**(14.8)**	**(16.9)**
Borrowing Costs	**(0.2)**	**0.3**	**0.3**	**....**
Agency Expenditure				
Economic Development, Tourism and the Arts	1.4	....	....	....
Education	5.0	(4.6)	(0.1)	29.6
Finance-General[11]	(49.7)	(1.5)	(2.2)	(3.5)
Health and Human Services[12]	29.8	18.9	7.3	13.7
Infrastructure, Energy and Resources	17.8	0.1	0.1	0.1
Integrity Commission	0.1	....	....	....
Justice	2.5	2.5	2.5	2.5
Legislative Council	0.1	0.1	0.1	0.1
Ministerial and Parliamentary Support	....	....	....	0.1
Police and Emergency Management	(1.0)	(1.0)	(1.0)	(1.0)
Premier and Cabinet	0.4	....	....	....
Primary Industries, Parks, Water and Environment	4.7	(0.1)	(0.1)	(0.2)
THO - North-West[12]	6.5	1.4	0.7	5.7
THO – South[12]	17.2	13.4	10.8	23.4
THO- North[12]	12.5	6.6	1.7	11.4
Treasury and Finance	0.4	0.1	....	....
Other[13]	(6.0)	(10.3)	(9.5)	(6.6)
Total Agency Expenditure	**41.6**	**25.7**	**10.1**	**75.2**
Total Parameter Adjustments	**31.4**	**13.8**	**(3.7)**	**59.0**
TOTAL EXPENSE VARIATIONS (D)	**45.4**	**22.3**	**6.2**	**62.4**
NET OPERATING BALANCE[14]	**(326.8)**	**71.4**	**251.3**	**254.9**

Table 4.7: Policy and Parameter Statement (continued)

	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m
less NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS				
Purchases of Non-Financial Assets from Transactions				
Parameter Adjustments				
Economic Development, Tourism and the Arts	5.8	....	....	....
Education	(2.2)	(0.6)	2.3	2.4
Finance-General	(8.8)	(6.4)	(1.6)	(1.9)
Health and Human Services[15]	(37.4)	13.7	(24.4)	46.6
Infrastructure, Energy and Resources	(6.4)	1.2	5.2	....
Justice	0.7	....	....	....
Police and Emergency Management	0.5	....	....	....
THO - North-West	(0.4)	(0.5)	(0.5)	(0.5)
THO - South	(0.2)	(0.2)	(0.3)	(0.3)
THO- North	(0.4)	(0.4)	(0.4)	(0.4)
Total Parameter Adjustments	**(48.9)**	**6.8**	**(19.6)**	**45.8**
TOTAL PURCHASES OF NON-FINANCIAL ASSETS (E)	**(48.9)**	**6.8**	**(19.6)**	**45.8**
Less Sales of Non-Financial Assets (F)	**(9.2)**	**(5.4)**	**(1.4)**	**(0.5)**
Less Depreciation - Total Parameter Adjustments (G)	**....**	**0.2**	**0.7**	**0.7**
TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS VARIANCE (H)[16]	**(39.7)**	**12.0**	**(18.9)**	**45.7**
FISCAL BALANCE[17]	**(432.7)**	**(28.6)**	**232.3**	**112.0**

Notes:

1. The decrease in Duties primarily reflects a reduction in duty from conveyances due to lower than anticipated activity in the property market and house prices.
2. The decrease in the Payroll Tax estimate from 2012-13 reflects lower than anticipated employment levels and a reduction in average weekly earnings.
3. Forestry Tasmania anticipated paying tax equivalents of $10.0 million in 2012-13, in relation to the sale of its share in the softwood joint venture. The Government had agreed to return an equivalent amount as an equity injection to the business. However, due to operating losses in 2011-12, Forestry Tasmania was not liable to make any tax equivalent payments in respect to that period. Therefore, both the anticipated tax equivalent payment and the associated return of equity will no longer take place.
4. The increase in TOTE Tasmania Income Tax Equivalents received in 2012-13 reflects the timing of the receipt of the final payment relating to the business's operation under Government ownership.
5. The increase in GST Revenue reflects revised estimates in the Australian Government's *Mid-Year Economic and Fiscal Outlook 2012*.
6. The movement in Other services primarily reflects the impacts of the revision to the timing of Financial Assistance Grants to Local Government received from the Australian Government. A higher grant was received and paid out by the State in 2011-12, resulting in a reduction in the grant amount expected to be received in 2012-13.

7. The movement in Specific Purpose Payments primarily reflects the revised revenue estimates adjusted in accordance with the Australian Government's *Mid-Year Economic and Fiscal Outlook 2012*.
8. The increase in Health and Human Services and the Tasmanian Health Organisations primarily reflects a reclassification of Australian Government Grants revenue to Other Revenue by the Department since the 2012-13 Budget and the recognition of increased revenue and expenditure, including Commonwealth Own Purpose Expenditure.
9. The decrease in Infrastructure, Energy and Resources primarily reflects lower than anticipated Mineral Royalty receipts in 2012-13.
10. The decrease in Nominal Superannuation Interest Expense in 2012-13 primarily reflects revised Superannuation liability and accruals as determined by the State Actuary.
11. The decrease in Finance-General in 2012-13 primarily reflects the impacts of the revision to the timing of Financial Assistance Grants to Local Government received from the Australian Government. A higher grant was received and paid out by the State in 2011-12, resulting in a reduction in the grant amount to be paid in 2012-13.
12. The increase in Health and Human Services and the Tasmanian Health Organisations primarily reflects the recognition of increased revenue and expenditure, including Commonwealth Own Purpose Expenditure and additional expenditure funded from National Partnership Payments. This is partially offset by a decrease in National Health Reform funding as included in the Australian Government's *Mid-Year Economic and Fiscal Outlook 2012*.
13. The movement in Other primarily reflects adjustments to eliminations, indexation and cost estimates associated with the State's superannuation expense and liability.
14. Net Operating Balance is equal to A + C - D.
15. The movement in Health and Human Services primarily reflects cash flow adjustments related to the Royal Hobart Hospital Redevelopment project and various Special Capital Investment Fund projects.
16. Net Acquisition/(Disposal) of Non-Financial Assets is equal to E - F – G.
17. Fiscal Balance is equal to B + C - D – H.

5 BUDGET FORWARD ESTIMATES

Table 5.1: General Government Income Statement

	2012-13 Budget	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m	$m
Revenue from Transactions					
Grants	2 876.5	2 861.7	2 949.7	3 148.0	3 318.5
Taxation	940.9	921.8	964.3	994.4	1 029.7
Sales of Goods and Services	313.8	335.9	335.9	345.0	350.7
Fines and Regulatory Fees	106.9	101.7	108.3	112.8	113.5
Interest Income	17.5	17.1	33.7	33.1	40.7
Dividend, Tax and Rate Equivalent Income	233.0	225.6	401.1	410.8	310.7
Other Revenue	142.9	169.4	172.9	165.2	166.2
	4 631.5	**4 633.1**	**4 965.8**	**5 209.3**	**5 330.1**
Less Expenses from Transactions					
Employee Expenses	2 026.4	2 049.3	2 064.9	2 079.4	2 119.1
Superannuation	236.2	232.3	223.9	222.1	221.2
Depreciation	248.1	248.1	253.3	256.5	257.9
Supplies and Consumables	1 022.1	1 079.4	1 048.9	1 076.2	1 104.7
Nominal Superannuation Interest Expense	260.2	250.3	257.7	264.4	270.5
Borrowing Costs	14.1	13.9	12.7	11.9	11.1
Grant Expenses	1 070.0	1 047.9	1 000.1	1 017.7	1 064.1
Other Expenses	37.4	38.8	32.8	29.6	26.5
	4 914.5	**4 959.9**	**4 894.3**	**4 957.9**	**5 075.2**
Equals NET OPERATING BALANCE	**(283.0)**	**(326.8)**	**71.4**	**251.3**	**254.9**

Table 5.1: General Government Income Statement (continued)

	2012-13 Budget	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m	$m
Plus Other Economic Flows - Included in Operating Result					
Gain/(Loss) on Disposal of Non-Financial Assets	(0.2)	(9.3)	(3.5)	1.0	2.0
Movement in Investments in GBEs and SOCs	300.5	300.5	150.2	34.5	79.2
Movement in Superannuation Liability[1]	....	2 285.9	....	....	....
Other Gains/(Losses)	(17.5)	(17.5)	(13.7)	(10.6)	(10.7)
	282.8	**2 559.6**	**133.0**	**24.9**	**70.6**
Equals Operating Result	**(0.2)**	**2 232.8**	**204.4**	**276.2**	**325.5**
Plus Other Economic Flows - Other Movements in Equity					
Revaluations of Non-Financial Assets	248.8	248.8	253.6	261.1	265.3
Other Non-Owner Movements in Equity	(20.7)	(34.3)	(83.6)	(59.8)	(8.1)
	228.1	**214.5**	**170.0**	**201.3**	**257.2**
Equals Comprehensive Result	**227.9**	**2 447.3**	**374.4**	**477.5**	**582.7**
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	**(283.0)**	**(326.8)**	**71.4**	**251.3**	**254.9**
Less Net Acquisition of Non-Financial Assets					
Purchases of Non-Financial Assets	434.2	385.3	376.1	301.5	426.2
Less Sale of Non-Financial Assets	40.5	31.4	22.8	25.9	25.3
Less Depreciation	248.1	248.1	253.3	256.5	257.9
	145.6	**105.9**	**100.0**	**19.0**	**142.9**
Equals FISCAL BALANCE	**(428.6)**	**(432.7)**	**(28.6)**	**232.3**	**112.0**

Note:

1. Since 2009-10, due to the volatility of the bond market and the long-term nature of the liability, the Budget projections of the superannuation liability are based on an average discount rate of 6.0 per cent. This rate has been determined by Treasury after an analysis of Reserve Bank of Australia historical data and more appropriately reflects the average bond rate over the life of the liability, than a point of time bond rate. However, for financial reporting purposes, in accordance with AASB 119, the current Australian Government long-term bond rate as at 30 June each year is used. The increase in Movements in Superannuation Liability reflects the difference between the discount rate applied by the actuary in accordance with AASB 119 for financial reporting purposes and the long-term bond rate which is used for Budget purposes.

Table 5.2: General Government Balance Sheet

	2013 Budget	2013 Revised Budget	2014 Forward Estimate	2015 Forward Estimate	2016 Forward Estimate
	$m	$m	$m	$m	$m
Assets					
Financial Assets					
Cash and Deposits	914.9	957.9	788.2	686.2	729.9
Investments	59.1	47.6	44.8	40.3	36.6
Equity Investment in PNFC & PFC Sectors	6 537.9	6 652.7	6 803.0	6 837.5	6 916.7
Other Equity Investments	8.0	14.2	22.4	28.4	33.9
Receivables	193.1	335.4	335.6	336.3	336.9
Other Financial Assets	1 159.0	1 109.3	1 068.7	1 021.3	1 009.3
	8 872.0	**9 117.2**	**9 062.7**	**8 950.0**	**9 063.4**
Non-Financial Assets					
Land and Buildings	6 355.4	6 215.5	6 410.2	6 554.0	6 797.5
Infrastructure	4 096.3	4 243.7	4 414.9	4 568.4	4 750.4
Plant and Equipment	210.5	211.6	190.0	168.0	147.2
Heritage and Cultural Assets	464.7	462.0	473.9	485.9	498.0
Investment Property	13.9	12.7	13.0	13.3	13.6
Intangibles	29.5	35.1	31.0	27.9	24.8
Assets Held for Sale	23.5	17.2	17.0	16.0	15.1
Other Non-Financial Assets	36.2	38.8	39.6	40.4	41.0
	11 230.0	**11 236.6**	**11 589.6**	**11 873.9**	**12 287.5**
Total Assets	**20 102.1**	**20 353.8**	**20 652.3**	**20 823.9**	**21 350.9**
Liabilities					
Borrowings	1 108.2	1 042.6	824.9	379.8	234.6
Superannuation	4 977.2	4 772.6	4 891.8	5 008.4	5 110.0
Employee Entitlements	520.4	538.4	550.5	563.3	540.8
Payables	47.5	94.6	96.0	96.6	97.2
Other Liabilities	319.2	392.4	401.6	410.8	420.4
Total Liabilities	**6 972.5**	**6 840.5**	**6 764.7**	**6 458.8**	**6 403.0**
NET ASSETS	**13 129.6**	**13 513.3**	**13 887.7**	**14 365.2**	**14 947.9**

Table 5.2: General Government Balance Sheet (continued)

	2013 Budget $m	2013 Revised Budget $m	2014 Forward Estimate $m	2015 Forward Estimate $m	2016 Forward Estimate $m
Equity					
Accumulated Funds	8 929.8	9 138.8	9 259.6	9 476.1	9 793.5
Asset Revaluation Reserve	4 199.8	4 374.5	4 628.0	4 889.1	5 154.4
Total Equity	**13 129.6**	**13 513.3**	**13 887.7**	**14 365.2**	**14 947.9**
NET WORTH[1]	**13 129.6**	**13 513.3**	**13 887.7**	**14 365.2**	**14 947.9**
NET FINANCIAL WORTH[2]	**1 899.5**	**2 276.7**	**2 298.0**	**2 491.2**	**2 660.4**
NET FINANCIAL LIABILITIES[3]	**4 638.4**	**4 376.1**	**4 504.9**	**4 346.3**	**4 256.3**
NET DEBT[4]	**134.2**	**37.1**	**(8.2)**	**(346.8)**	**(531.9)**

Notes:
1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Financial Assets less Total Liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in Government businesses.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.3: General Government Cash Flow Statement

	2012-13 Budget $m	2012-13 Revised Budget $m	2013-14 Forward Estimate $m	2014-15 Forward Estimate $m	2015-16 Forward Estimate $m
Cash Flows from Operating Activities					
Cash Receipts from Operating Activities					
Grants Received	2 876.5	2 861.7	2 949.7	3 148.0	3 318.5
Taxation	940.9	921.8	964.3	994.4	1 029.7
Sales of Goods and Services	314.3	336.3	337.6	349.7	355.4
Fines and Regulatory Fees	105.6	100.3	108.3	112.8	113.5
Interest Received	18.2	17.8	33.1	32.5	40.3
Dividend, Tax and Rate Equivalents	233.0	225.6	401.1	410.8	310.7
Other Receipts	317.1	343.5	348.8	339.9	341.7
	4 805.5	**4 807.0**	**5 142.9**	**5 388.0**	**5 509.7**
Cash Payments from Operating Activities					
Employee Entitlements	(2 014.2)	(2 037.1)	(2 049.3)	(2 065.8)	(2 136.1)
Superannuation	(320.1)	(348.6)	(361.5)	(369.1)	(393.8)
Supplies and Consumables	(1 029.3)	(1 086.6)	(1 061.1)	(1 087.6)	(1 116.0)
Borrowing Costs	(13.8)	(13.6)	(12.2)	(11.5)	(10.6)
Grants and Subsidies Paid	(1 069.9)	(1 047.8)	(1 000.0)	(1 017.6)	(1 064.0)
Other Payments	(203.7)	(205.4)	(202.2)	(200.5)	(198.3)
	(4 651.0)	**(4 739.1)**	**(4 686.3)**	**(4 752.1)**	**(4 919.0)**
Net Cash Flows from Operating Activities	**154.5**	**67.9**	**456.6**	**635.9**	**590.8**
Cash Flows from Investing Activities					
Net Cash Flows from Non-Financial Assets					
Purchases of Non-Financial Assets	(434.2)	(385.3)	(376.1)	(301.5)	(426.2)
Sales of Non-Financial Assets	40.5	31.4	22.8	25.9	25.3
	(393.7)	**(353.9)**	**(353.3)**	**(275.6)**	**(400.9)**

Table 5.3: General Government Cash Flow Statement (continued)

	2012-13 Budget $m	2012-13 Revised Budget $m	2013-14 Forward Estimate $m	2014-15 Forward Estimate $m	2015-16 Forward Estimate $m
Net Cash Flows from Financial Assets (Policy Purposes)					
Equity Injections	(90.1)	(153.0)	(55.1)	(22.1)	(5.5)
Net Advances Paid	(5.6)	(2.3)	(0.1)	4.9	4.2
	(95.7)	**(155.4)**	**(55.2)**	**(17.2)**	**(1.3)**
Net Cash Flows from Investing Activities	**(489.4)**	**(509.3)**	**(408.5)**	**(292.8)**	**(402.2)**
Net Cash Flows from Financing Activities					
Net Borrowing	223.3	147.1	(217.7)	(445.1)	(144.9)
	223.3	**147.1**	**(217.7)**	**(445.1)**	**(144.9)**
Net Increase/(Decrease) in Cash Held	**(111.6)**	**(294.3)**	**(169.7)**	**(102.0)**	**43.7**
Cash at Beginning of the Year	**1 026.5**	**1 252.2**	**957.9**	**788.2**	**686.2**
Cash at End of the Year	**914.9**	**957.9**	**788.2**	**686.2**	**729.9**
KEY FISCAL AGGREGATES					
Net Cash Flows from Operating Activities	154.5	67.9	456.6	635.9	590.8
Plus Net Cash Flows from Non-Financial Assets	(393.7)	(353.9)	(353.3)	(275.6)	(400.9)
Equals CASH SURPLUS/(DEFICIT)	**(239.2)**	**(286.0)**	**103.3**	**360.3**	**189.9**

6 CONSOLIDATED FUND

Table 6.1: Consolidated Fund Outcome

	2012-13 Budget	2012-13 Revised Budget
	$m	$m
Recurrent Receipts		
Australian Government Sources		
General Purpose Payments	1 700.8	1 755.6
Specific Purpose Payments	400.2	384.6
National Partnership payments	124.5	81.3
Other Grants and Subsidies	3.6	1.3
	2 229.1	**2 222.9**
State Sources		
Taxation	942.3	843.6
Receipts from Government Businesses	267.5	256.1
Departmental Fees and Recoveries	87.8	87.8
Recoveries of State Debt Charges	3.8	3.8
Sale and Rent of Government Property	5.4	5.4
Resource Rents and Royalties	59.3	42.3
Other Recurrent Receipts	135.9	135.7
	1 502.0	**1 374.7**
Capital Receipts		
State Sources		
Other Capital Receipts	0.2	0.2
	0.2	**0.2**
Total Receipts	**3 731.4**	**3 597.8**
Less Expenditure		
Recurrent Services		
Appropriation Act	3 452.6	3 326.1
Reserved by Law	255.8	250.6
	3 708.4	**3 576.7**
Works and Services		
Capital Investment Program	171.4	176.6
Hospitals Capital Fund	15.0	15.0
	186.4	**191.6**
Total Expenditure	**3 894.9**	**3 768.3**
CONSOLIDATED FUND SURPLUS/(DEFICIT)	**(163.5)**	**(170.5)**

Table 6.2: Consolidated Fund Expenditure[1]

	2012-13 Budget	2012-13 Revised Budget	Variance
	$m	$m	$m
	(a)	(b)	(b-a)
Economic Development, Tourism and the Arts			
Recurrent Services	106.4	111.9	5.5
	106.4	**111.9**	**5.5**
Education			
Recurrent Services	1 129.9	1 086.2	(43.7)
Works and Services	12.1	15.9	3.8
	1 142.0	**1 102.1**	**(39.9)**
Finance-General			
Recurrent Services	448.5	389.4	(59.1)
Works and Services	15.0	15.0	....
	463.5	**404.4**	**(59.1)**
Health and Human Services			
Recurrent Services	1 224.8	1 202.3	(22.5)
Works and Services	7.9	15.7	7.8
	1 232.8	**1 218.0**	**(14.8)**
House of Assembly			
Recurrent Services	7.6	7.6	....
	7.6	**7.6**	**....**
Infrastructure, Energy and Resources			
Recurrent Services	192.8	191.2	(1.6)
Works and Services	123.6	117.2	(6.4)
	316.5	**308.4**	**(8.1)**
Integrity Commission			
Recurrent Services	3.0	2.9	(0.1)
	3.0	**2.9**	**(0.1)**
Justice			
Recurrent Services	125.6	125.6	....
Works and Services	15.4	15.4	....
	141.0	**141.0**	**....**
Legislative Council			
Recurrent Services	6.4	6.3	(0.1)
	6.4	**6.3**	**(0.1)**
Legislature-General			
Recurrent Services	5.8	5.7	(0.1)
	5.8	**5.7**	**(0.1)**

Table 6.2: Consolidated Fund Expenditure (continued)

	2012-13 Budget $m (a)	2012-13 Revised Budget $m (b)	Variance $m (b-a)
Ministerial and Parliamentary Support			
Recurrent Services	19.7	18.9	(0.8)
	19.7	**18.9**	**(0.8)**
Office of the Director of Public Prosecutions			
Recurrent Services	7.5	7.2	(0.3)
	7.5	**7.2**	**(0.3)**
Office of the Governor			
Recurrent Services	3.4	3.4	....
	3.4	**3.4**	....
Office of the Ombudsman			
Recurrent Services	2.1	2.0	(0.1)
	2.1	**2.0**	**(0.1)**
Police and Emergency Management			
Recurrent Services	188.4	183.4	(5.0)
Works and Services	8.6	8.6	....
	196.9	**191.9**	**(5.0)**
Premier and Cabinet			
Recurrent Services	54.4	53.3	(1.1)
Works and Services	0.3	0.3	....
	54.7	**53.5**	**(1.2)**
Primary Industries, Parks, Water and Environment			
Recurrent Services	138.9	137.4	(1.5)
Works and Services	3.6	3.6	....
	142.6	**141.0**	**(1.6)**
Tasmanian Audit Office			
Recurrent Services	2.6	2.5	(0.1)
	2.6	**2.5**	**(0.1)**
Treasury and Finance			
Recurrent Services	40.7	39.7	(1.0)
	40.7	**39.7**	**(1.0)**
TOTAL	**3 894.9**	**3 768.3**	**(126.6)**

Note:
1. The reduction in agency Consolidated Fund recurrent expenditure includes the removal of Payroll Tax in agency appropriations from 1 October 2012, in accordance with the Government's policy of ceasing the payment of payroll tax by most General Government Sector entities.

Table 6.3: Consolidated Fund Forward Estimates

	2012-13 Budget	2012-13 Revised Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	$m	$m	$m	$m	$m
Recurrent Receipts					
Australian Government Sources					
General Purpose Payments	1 700.8	1 755.6	1 869.9	2 088.0	2 171.4
Specific Purpose Payments	400.2	384.6	396.8	415.5	433.9
National Partnership Payments	124.5	81.3	111.4	114.4	117.1
Other Grants and Subsidies	3.6	1.3	0.1	0.1	0.1
	2 229.1	**2 222.9**	**2 378.1**	**2 617.9**	**2 722.5**
State Sources					
Taxation	942.3	843.6	834.4	857.5	886.3
Receipts from Government Businesses	267.5	256.1	440.3	454.1	357.6
Departmental Fees and Recoveries	87.8	87.8	90.4	95.5	97.8
Recoveries of State Debt Charges	3.8	3.8	7.2	7.3	7.3
Sale and rent of Government Property	5.4	5.4	6.5	5.0	5.0
Resource Rents and Royalties	59.3	42.3	59.5	57.9	57.8
Other Recurrent Receipts	135.9	135.7	154.2	154.8	199.8
	1 502.0	**1 374.7**	**1 592.5**	**1 632.1**	**1 611.6**
Capital Receipts					
State Sources					
Other Capital Receipts	0.2	0.2	0.3	0.2	0.2
	0.2	**0.2**	**0.3**	**0.2**	**0.2**
Total Receipts	**3 731.4**	**3 597.8**	**3 971.0**	**4 250.1**	**4 334.4**
Less Expenditure					
Recurrent Services					
Appropriation Act	3 452.6	3 326.1	3 310.6	3 388.2	3 486.6
Reserved by Law	255.8	250.6	273.7	291.1	316.7
	3 708.4	**3 576.7**	**3 584.3**	**3 679.3**	**3 803.3**
Works and Services					
Capital Investment Program	171.4	176.6	158.1	123.3	351.0
Hospitals Capital Fund	15.0	15.0	....	....	....
	186.4	**191.6**	**158.1**	**123.3**	**351.0**
Total Expenditure	**3 894.9**	**3 768.3**	**3 742.4**	**3 802.7**	**4 154.3**
CONSOLIDATED FUND SURPLUS/(DEFICIT)	**(163.5)**	**(170.5)**	**228.6**	**447.5**	**180.1**

7 CONCEPTS AND DEFINITIONS

COMPLIANCE FRAMEWORK

The 2012-13 Revised Estimates Report has been prepared in accordance with the principles of Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Report details the estimated 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 *Government Finance Statistics Manual 2001* and the United Nations' *System of National Accounts 2008*. 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.

The AASB 1049 framework includes:

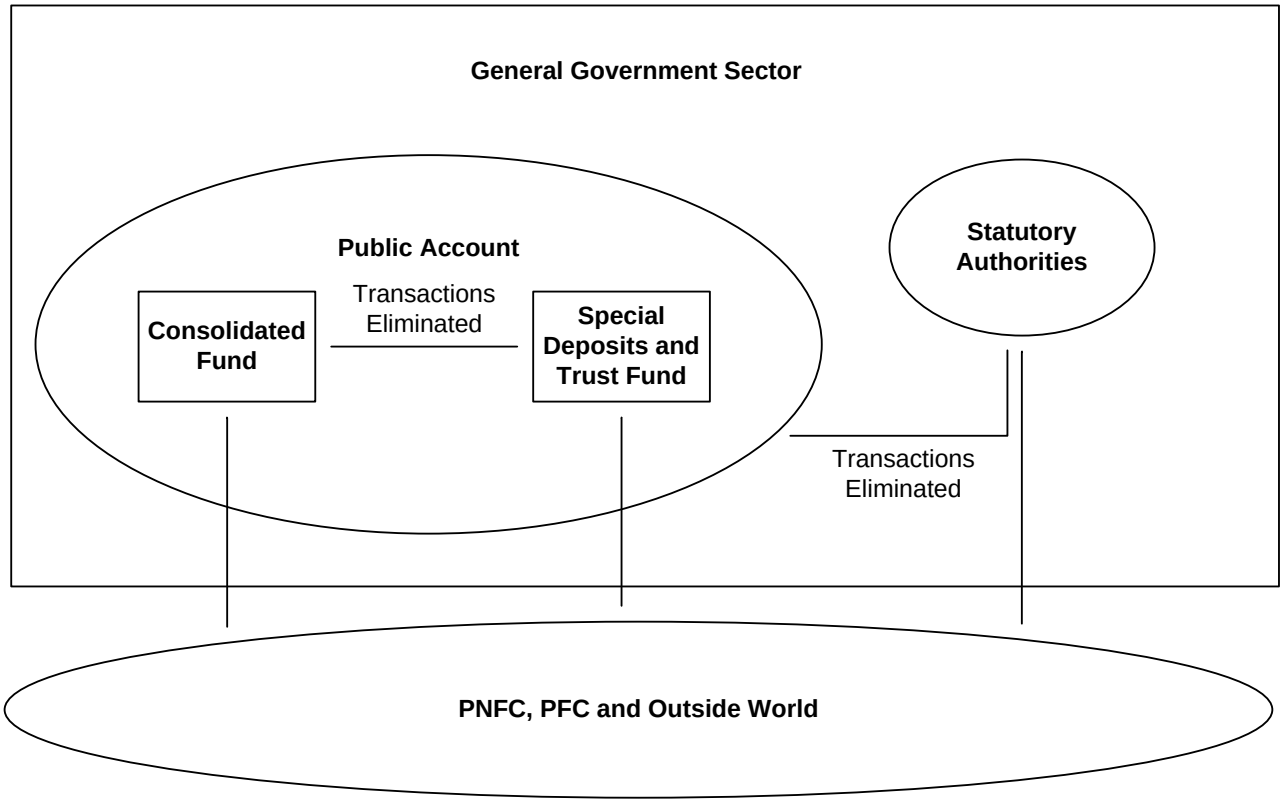
- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

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 impacts of all "other economic flows" are reflected as gains or losses in the GGS Operating 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 General Government Sector. 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 financial 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, and two sustainability measures: the Operating Result and the Comprehensive Result.

Net Operating Balance

The Net Operating Balance is a measure of the ongoing 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.

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.

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.

BALANCE SHEET

The Balance Sheet is a financial snap-shot of assets and liabilities taken at the end of the financial year (30 June) and discloses the resources over which the government maintains control. By providing information on the type of assets and liabilities held by the 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 the 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.

CASH FLOW STATEMENT

The Cash Flow Statement records the Government's cash receipts and payments, outlining how the Government obtains and uses its cash.

The statement categorises cash flows into operating, investing and financing activities.

Within the Cash Flow Statement, cash inflows are positive, whilst cash outflows are identified by a negative sign (parenthesis).

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/(Deficit)

The Cash Surplus/(Deficit) comprises cash received from operating activities, and from sales and purchases of non-financial assets less finance leases and similar arrangements.

The Cash Surplus/(Deficit) includes funds allocated to provisions such as the Superannuation Provision Account.

It should be noted that the ABS does not include equity injections/withdrawals and the repayment of advances in the calculation of the surplus/(deficit). However, these items can have a major impact in any given year.

CONSOLIDATION OF TRANSACTIONS

The AASB 1049 statements present a consolidated view of the estimated financial transactions for all entities within the GGS. Receipts, payments, financial asset 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, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be matched and eliminated from the Income Statement as both agencies are classified within the General Government Sector.

CONSOLIDATED FUND

The Consolidated Fund is the source of funding for appropriations and Reserved by Law payments.

Consolidated Fund appropriations are provided for two types of expenditure, Recurrent Services, and Works and Services.

Recurrent Services funding is provided by Parliament to meet the cost of the ordinary annual services of the Government. The major expenses are salaries and other departmental operating costs including building services and maintenance, minor works and furniture and equipment purchases. Reserved by Law funds are also made available to departments on a recurrent basis, where there is a legislative requirement for funding to be provided for specific purposes without the necessity for annual appropriation through a Consolidated Fund Appropriation Act. Examples of Reserved by Law expenditure include interest payments

on debt, funding for the salary of the Auditor-General and pensions payable under the *Judges' Contributory Pensions Act 1968*.

Works and Services funding is provided to meet construction costs and the purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals. Works and Services expenditure is provided under the Capital Investment Program (CIP), incorporating the Building, Roads and Housing Programs.

Under the *Public Account Act 1986*, unless specifically excluded as provided by that Act or any other Act, all revenue of the State is to be credited to the Consolidated Fund.

Funds may only be expended from the Consolidated Fund under the authority of an Act of Parliament.

Consolidated Fund Surplus/Deficit

The excess of Consolidated Fund receipts over the expenditure of these funds (net of loan repayments) is the Consolidated Fund Surplus (CFS). A CFS represents funds that are available for the retirement of debt or the accumulation of financial assets. A Consolidated Fund Deficit indicates that Consolidated Fund expenditure exceeds receipts in the Fund.

ROUNDING

All amounts in the financial statements have been rounded to the nearest $100 000, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than $50 000 are indicated by '....'.

CLASSIFICATION OF THE GENERAL GOVERNMENT SECTOR

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 by the community, or which involve the provision of income support and are financed mainly through taxes and other compulsory levies. This Sector includes government departments, other government agencies and GGS Statutory Authorities.

The following provides a breakdown of the Tasmanian General Government 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

Integrity Commission

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Ministerial and Parliamentary Support

Office of the Director of Public Prosecutions

Office of the Governor

Office of the Ombudsman

Royal Tasmanian Botanical Gardens

State Fire Commission

Tasmanian Audit Office

Tasmanian Health Organisation North

Tasmanian Health Organisation North West

Tasmanian Health Organisation South

Tasmanian Skills Institute

Tasmania

Explore the possibilities