



Tasmania

**MID-YEAR  
FINANCIAL  
REPORT  
as at  
31 December 2004**

Department of Treasury *and* Finance

February 2005



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# 1. INTRODUCTION

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The Mid-Year Financial Report is prepared in accordance with section 26 of the *Financial Management and Audit Act 1990*, which requires the publication of a financial report for the six months ending 31 December each year. The Report is to be gazetted by the following 15 February.

The Mid-Year Financial Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures contained within the 2004-05 Budget Papers and commentary on significant variations to the Budget outlook.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2004-05 Budget Papers.
- Section 4 presents the Operating Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing year-to-date results, original Budget and revised Budget estimates presented on a Government Finance Statistics (GFS) basis. Where required, commentary is provided on material changes between original and revised Budget estimates. The revised Budget estimates have been based on information available as at 31 December 2004.
- Section 5 incorporates the uniform government reporting requirements for the Loan Council Mid-Year Report. In accordance with the accrual Uniform Presentation Framework (UPF), agreed to by the Australian Loan Council in March 2000, this Section presents revised fiscal estimates for the General Government, Public Non-Financial Corporations and Total Non-Financial Public Sectors.
- Section 6 summarises details of 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.



## 2. KEY FISCAL STRATEGY MEASURES

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A credible medium-term Fiscal Strategy is an essential component of contemporary financial management practice. It represents not only an effective planning tool for the Government, but also provides clear signals to financial markets, the business sector and the community of the Government's direction in financial management. A Fiscal Strategy also provides a framework for the Government to demonstrate to credit rating agencies the financial focus of the Government, any identified issues or problems and how these will be addressed.

The current Fiscal Strategy commenced in 2002-03 and extends for a period of six years. The six year period of the Fiscal Strategy represents an appropriate medium-term timeframe in which to set Tasmania's fiscal goals.

Table 1 summarises the major General Government Sector headline Budget measures and the revised Budget estimates. Generally, the Forward Estimates for the three-year period 2005-06 to 2007-08 have been prepared on the assumption that 2004-05 Budget policies and parameters will continue over the period on a "same policy" basis. However, where variations have been identified during the first six months of 2004-05 and are anticipated to have a material impact on the financial projections, the Budget and Forward Estimates have been revised accordingly.

Table 1: Key Fiscal Strategy Measures

Fiscal Strategy Target	2004-05	2004-05	2004-05	2005-06	2006-07	2007-08	Assessment of Progress
	Dec YTD	Original	Revised	Revised	Revised	Revised	
	Actual	Budget	Budget	Budget	Budget	Budget	
	\$m	\$m	\$m	\$m	\$m	\$m	
General Government Fiscal Balance to be maintained in surplus	60	15	63	124	100	168	✓
General Government Net Financial Liabilities to be eliminated by June 2017	2 319	2 362	2 422	2 329	2 253	2 118	✓
General Government Net Debt to be below \$450m by June 2005 and to be eliminated by June 2008	33	230	77	(107)	(271)	(482)	✓
General Government Cash Surplus sufficient to meet Net Debt targets	123	96	147	197	180	234	✓

Key: ✓ On Target, ● Issues to be addressed, X Remedial action required, n.a data not available.

## FISCAL SURPLUS

The 2004-05 Fiscal Surplus is estimated to be \$63 million, an increase of \$48 million on the original Budget estimate of \$15 million. The favourable movement in the revised 2004-05 Fiscal Surplus comprises a favourable Revenue movement of \$189 million, an unfavourable movement in Expenses of \$29 million and an unfavourable variation of \$112 million in estimated Net acquisition of non-financial assets.

The projected General Government Fiscal Balance over the Forward Estimates is consistent with the Government's Fiscal Strategy target to maintain a Fiscal Surplus.

A summary of the significant variations to 2004-05 Revenue, Expenses and Net acquisition of non-financial assets is provided in Section 4.

## NET FINANCIAL LIABILITIES

Net Financial Liabilities are estimated to be \$2 422 million as at 30 June 2005, an increase of \$60 million or 2.5 per cent from the original Budget estimate of \$2 362 million.

The increase in Net Financial Liabilities relates to a decrease in Net Debt of \$153 million, partially offset by an increase of \$212 million in the Unfunded superannuation liability.

A summary of the significant variations to 2004-05 liabilities is provided in Section 4.

## NET DEBT

Net Debt is estimated to be \$77 million as at 30 June 2005, \$153 million or 66.5 per cent less than the original Budget estimate of \$230 million. A summary of the significant variations to estimated 30 June 2005 assets and liabilities impacting on Net Debt is provided in Section 4.

## CASH SURPLUS

The Cash Surplus is estimated to be \$147 million, \$51 million or 53.1 per cent greater than the original 2004-05 Budget estimate of \$96 million. The increase in the Cash Surplus reflects anticipated increases in Cash receipts from operating activities totalling \$181 million, mainly due to estimated additional Taxes received and Grants and subsidies received, offset by an anticipated net increase of \$18 million in Cash payments for operating activities and an estimated increase of \$111 million in Net cash flows from investments in non-financial assets. The achievement of a Cash Surplus in 2004-05, and projected Cash Surpluses over the period of the Forward Estimates, is consistent with the Government's Fiscal Strategy targets.



# 3. TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 2: 2004-05 Economic Forecasts

	2003-04 Actual	2004-05 Budget Forecast	2004-05 Mid-Year Revisions
State Economic Activity (real, % change) <sup>1</sup>	.... <sup>2</sup>	3.2	3.2
Employment (year average, % change)	4.3	2.4	2.5 <sup>3</sup>
Level of Employment (year average, '000s)	210.1	215.4	215.3
Labour Force Participation Rate (year average, %)	59.0	59.5	59.2
Unemployment Rate (year average, %)	6.9	6.7	6.3
Consumer Price Index (year average, % change)	2.5	2.3	2.5
10 year Commonwealth Bond Rate (as at year end, %)	5.87	6.05	5.80
Population (year average, % change)	1.12	0.70	0.90

Sources: Actual data - Australian Bureau of Statistics and Reserve Bank of Australia;  
Estimates - Department of Treasury and Finance.

Notes:

1. Treasury's estimate of growth in real State economic activity for 2004-05 focuses on the underlying movements in output and is derived from trend projections based on a variety of indicators. This estimate is not designed to be consistent with, or to forecast, the experimental GSP series produced by the Australian Bureau of Statistics (ABS).
2. Actual unavailable. The preliminary GSP estimate by the ABS for 2003-04 was 3.0 per cent.
3. While the estimate of Tasmania's employment growth in 2004-05 is higher than the estimate in the 2004-05 Budget, the estimate of the year average level of employment for 2004-05 is slightly lower. This is because the actual 2003-04 year average employment level was lower than estimated at Budget time.

## 2004-05 Economic Forecasts

At the time of the 2004-05 Budget, the forecast growth in State economic activity for 2004-05 was 3.2 per cent. Tasmania's economic performance in the first half of 2004-05 has largely been as anticipated, with continued strong employment growth and investment remaining at historically very high levels, with business and consumer confidence also high. The wealth effect associated with higher real estate prices, and the population growth, has supported continuing strong levels of consumption.

The level of investment and consumption has contributed to the strong employment growth in the first half of 2004-05. However, at the time of the 2004-05 Budget, a rebound in exports was expected for this financial year. Despite a favourable movement in exchange rates in the first quarter of 2004-05, the value of exports did not improve. Though the second quarter appears to be showing more positive export results, it is likely that year-on-year growth will only be marginally positive. Considered together, these factors suggest that the expected growth in State economic activity for the year will be unchanged from the 2004-05 Budget forecast.

State economic activity growth is, therefore, expected to be significantly above the long-term trend in GSP growth (2.0 per cent over the past decade) and underpinned by strong employment growth, though not at the rate of the recent past. In the six months to December 2004, employment in average terms was 214 400. When compared to the same six month period in 2003, employment has increased by 2.8 per cent or around 5 900 jobs. In year average terms, employment is expected to increase by 2.5 per cent (just above the 2.4 per cent forecast in the 2004-05 Budget), or 5 200 jobs.

At the time of the 2004-05 Budget, Treasury was estimating an average participation rate of 59.5 per cent. However, the increase in participation rate over the first half of 2004-05 was less than anticipated. The effect of a strong rise in employment has been a very large fall in the unemployment rate, rather than strong growth in labour market participation. The participation rate is now estimated to average 59.2 per cent for the year, while the unemployment rate is estimated to average 6.3 per cent, significantly below the 6.7 per cent estimate in the 2004-05 Budget.

Treasury has revised its forecast for Tasmanian CPI from 2.3 per cent in the 2004-05 Budget to 2.5 per cent. The revised forecast is based on high oil prices prevailing longer than expected. However, this is expected to be offset, in part, by the stronger Australian dollar, which puts downward pressure on import prices.

The strong growth in population in 2003-04 (1.12 per cent in year-average terms and just below the national average of 1.20 per cent) appears to be flowing into 2004-05 resulting in an upward revision of the estimate for this year (from 0.70 per cent to 0.90 per cent). This increase in estimated growth has largely been driven by a sustained trend of positive net interstate migration, such that Tasmania has recorded eight consecutive quarters of net in-migration to the June quarter 2004. This is the key reason for Tasmania keeping pace with national growth for much of 2003-04. With many employment opportunities and housing affordability remaining high relative to major mainland capitals, it is expected that this population growth will be sustained into 2004-05.

# 4. GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

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## OPERATING STATEMENT

The Operating Statement shows a revised 2004-05 Fiscal Surplus of \$63 million, an increase of \$48 million on the original Budget estimate of \$15 million. The General Government Sector Operating Statement for 2004-05 is detailed in Table 3. The significant variations to Revenue, Expenses and Net acquisition of non-financial assets are outlined below.

### *Revenue*

Total revenue is now estimated to be \$3 279 million in 2004-05, \$189 million or 6.1 per cent greater than the original 2004-05 Budget estimate of \$3 090 million. The favourable movement in revenue reflects anticipated increases in:

- Grants and subsidies revenue of \$74 million, primarily due to above Budget GST revenue of \$63.8 million and additional revenue of \$3.7 million under the Australian Health Care Agreement. Table 4 details the components of Grants and subsidies revenue;
- Taxation revenue of \$76 million, primarily due to additional revenue from Duties of \$40 million (including additional conveyance duty of \$27.8 million, motor vehicle registration duties of \$6.0 million and mortgage duty of \$5.5 million) and additional Payroll Tax of \$11.9 million, Land Tax of \$11.6 million and Casino Tax and Licence Fees of \$10.8 million. Table 5 details the components of Taxation revenue;
- Sales of goods and services of \$23 million, primarily due to the reclassification of \$16.2 million from Other revenue to Sales of goods and services. This is offset by a reduction in Other revenue of \$16.2 million;
- Interest income of \$15 million, primarily due to the availability of more recent cash flow forecast data than was available during the 2004-05 Budget process, incorporating the revised estimates of Grants and subsidies revenue and Taxation revenue, and thus more recent estimates of the balance of surplus funds available for investment; and
- Dividend, tax and rate equivalent income of \$17 million, primarily due to an increase of \$2.9 million in Dividends from the Motor Accidents Insurance Board and an increase in Tax Equivalents from Hydro Tasmania of \$10 million.

Year-to-date, as at 31 December 2004:

- Grants and subsidies revenue is \$988 million, \$30 million or 2.9 per cent below the pro rata 2004-05 Revised Budget estimate. This variation is primarily due to the timing of payments of GST Revenue by the Commonwealth to the State, and also reflects that the Commonwealth National Competition Policy payment of \$10.3 million due in December 2004 was not received until January 2005; and
- Dividend and tax equivalent revenue is \$69 million, \$17 million or 19.8 per cent below the pro rata 2004-05 Revised Budget estimate. The year-to-date receipts reflect the timing of payments by Government Business Enterprises and State-owned Companies and the exclusion of \$14.1 million relating to December 2004 dividend payments received in January 2005.

### *Expenses*

Total expenses are estimated to be \$3 165 million, \$29 million or 0.9 per cent greater than the original 2004-05 Budget estimate of \$3 136 million. The movement in expenses reflects:

- an increase in Employee expenses of \$34 million, primarily due to an actuarial review of the Gross unfunded superannuation liability and additional funding of \$6.9 million for the Better Hospitals package and \$8.3 million for the Mersey Community Hospital;
- an increase in Other operating expenses of \$51 million, primarily due to a change in the classification within the Budget estimates of expenditure from the Infrastructure Funds. The 2004-05 original Budget classified all Infrastructure Fund expenses as Grants and transfers, however Infrastructure Fund expenses are now classified to the appropriate expense categories. The increase in Other operating expenses is also due to additional funding of \$1.5 million under the Better Hospitals package, \$1.1 million for the Mental Health Review, \$1.8 million for Disability Services and increased costs incurred by agencies in relation to consultants, communications, information technology, medical, surgical and pharmacy supplies and other supplies and consumables; and
- a decrease in Grants and transfers of \$55 million, primarily due to the change in classification within the Budget estimates of expenditure from the Infrastructure Funds.

### *Net Acquisition of Non-Financial Assets*

The movement in the Net acquisition of non-financial assets of \$112 million is a result of the anticipated increase in the Purchase of new non-financial assets and reflects:

- the changed classification of estimated Infrastructure Fund expenditures. This has resulted in certain Infrastructure Fund expenses being reclassified as capital expenditure, including \$20.8 million for the Affordable Housing Strategy; and
- an increase in the capital expenditure of the Department of Health and Services of \$10.1 million for the Better Hospitals package, \$4.4 million for the Mersey Community Hospital, \$1.7 million for the Mental Health Review and \$25.3 million for the Affordable Housing Strategy.

As at 31 December 2004, the General Government Sector year-to-date expenses for Purchase of new non-financial assets was \$77 million, \$49 million or 38.9 per cent below the pro rata 2004-05 Revised Budget estimate. This largely reflects the timing of planning, implementation and payments for major capital projects by Budget Sector agencies, the majority of expenditure for which is incurred in the latter half of the financial year.

Table 3: General Government - Operating Statement

	2003-04 Dec YTD Actual \$m	2004-05 Original Budget \$m	2004-05 Revised Estimate \$m	2004-05 Dec YTD Actual \$m
<b>Revenue</b>				
Grants and subsidies (Refer Table 4)	981	1 961	2 035	988
Taxation revenue (Refer Table 5)	310	607	682	359
Sales of goods and services	150	258	281	117
Interest income	12	31	46	22
Dividend and income tax equivalent income	91	155	172	69
Other revenue	52	79	63	48
<b>Total</b>	<b>1 596</b>	<b>3 090</b>	<b>3 279</b>	<b>1 604</b>
<b>Less</b>				
<b>Expenses</b>				
Depreciation	81	163	163	82
Employee expenses	663	1 410	1 444	729
Other operating expenses	381	713	764	338
Nominal superannuation interest expense	58	121	122	61
Other interest expense	33	57	55	47
Grants and transfers	315	672	617	316
<b>Total</b>	<b>1 532</b>	<b>3 136</b>	<b>3 165</b>	<b>1 572</b>
<b>Equals NET OPERATING RESULT</b>	<b>64</b>	<b>(45)</b>	<b>114</b>	<b>31</b>
<b>Less Net acquisition of non-financial assets</b>				
Purchase of new non-financial assets	54	144	252	77
less Sale of non-financial assets	34	42	38	24
less Depreciation	81	163	163	82
<b>Total</b>	<b>(61)</b>	<b>(61)</b>	<b>51</b>	<b>(29)</b>
<b>Equals FISCAL SURPLUS</b>	<b>125</b>	<b>15</b>	<b>63</b>	<b>60</b>

Table 4: General Government - Grants and Subsidies

	2003-04 Dec YTD Actual \$'000	2004-05 Original Budget \$'000	2004-05 Revised Estimate \$'000	2004-05 Dec YTD Actual \$'000
<b>Commonwealth Sources</b>				
<b>Recurrent Revenue</b>				
<b>General Purpose Payments</b>				
GST Revenue	667 970	1 379 000	1 442 800	710 966
Competition Payments <sup>1</sup>	8 581	16 000	19 800	....
<b>Total General Purpose Payments</b>	<b>676 551</b>	<b>1 395 000</b>	<b>1 462 600</b>	<b>710 966</b>
<b>Specific Purpose Payments</b>	<b>188 195</b>	<b>388 830</b>	<b>392 424</b>	<b>193 464</b>
<b>Capital Grants Revenue</b>	<b>10 721</b>	<b>40 415</b>	<b>40 748</b>	<b>12 706</b>
<b>Other Grants and Subsidies</b>	<b>106 000</b>	<b>137 098</b>	<b>139 211</b>	<b>71 161</b>
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>981 467</b>	<b>1 961 343</b>	<b>2 034 983</b>	<b>988 297</b>

Note:

1. The Commonwealth National Competition Policy payment of \$10.3 million due in December 2004 was not received until January 2005.

Table 5: General Government - Taxation Revenue

	2003-04 Dec YTD Actual \$'000	2004-05 Original Budget \$'000	2004-05 Revised Budget \$'000	2004-05 Dec YTD Actual \$'000
<b>Payroll tax</b>	83 347	173 512	185 393	93 041
<i>Taxes on Property</i>				
<b>Land tax</b>	29 944	33 673	45 226	44 000
<b>Property owners contributions to fire brigades</b>	16 225	39 240	39 640	19 113
<b>Taxes on financial and capital transactions</b>	80 656	134 201	167 101	83 643
<b>Total taxes on property</b>	126 825	207 114	251 967	146 756
<i>Taxes on the provision of goods and services</i>				
<b>Levies on statutory corporations</b>	2 723	6 905	6 905	1 669
<b>Casino taxes</b>	25 852	53 208	64 008	30 528
<b>Other gambling taxes</b>	8 909	22 826	23 096	10 863
<b>Other taxes on insurance</b>	17 272	34 994	36 494	17 947
<b>Total taxes on the provision of goods and services</b>	54 756	117 933	130 503	61 007
<i>Taxes on the use of goods and performance of activities</i>				
<b>Motor vehicle fees and taxes</b>	45 116	108 028	114 628	58 069
<b>Total taxes on use of goods and performance of activities</b>	45 116	108 028	114 628	58 069
<b>TOTAL TAXATION REVENUE</b>	<b>310 044</b>	<b>606 587</b>	<b>682 491</b>	<b>358 873</b>

# BALANCE SHEET

Table 6 details the estimated General Government Sector Balance Sheet as at 30 June 2005.

The estimated Balance sheet as at 30 June 2005 includes the following favourable movements:

- an increase in Net Worth of \$698 million;
- an increase in Net Financial Worth of \$141 million;
- an increase in Net Financial Liabilities of \$60 million; and
- a decrease in Net Debt of \$153 million.

## *Assets*

General Government Assets are estimated to be \$11 855 million at 30 June 2005, an increase of \$880 million above the original 2004-05 Budget estimate of \$10 975 million.

Financial assets are anticipated to increase by \$323 million as a result of:

- an increase in Cash and deposits of \$153 million, which primarily reflects estimated above Budget revenue for 2004-05 in relation to Taxation and Grants and subsidies, together with adjustments to the 2004-05 opening balances to reflect the actual 2003-04 closing balances;
- a decrease in Advances paid of \$19 million relating primarily to adjustments to the 2004-05 opening balances to reflect the actual 2003-04 closing balance of advances;
- a decrease in Investments, loans and placements of \$18 million, which primarily reflects the actual 2004-05 opening balances for investments held by the Department of Economic Development;
- an increase in Other non-equity assets of \$28 million, primarily in relation to an increase in the estimated receivables for General Government Sector entities; and
- an increase in Equity assets of \$179 million, primarily reflecting adjustments to the 2004-05 opening balances to reflect the actual 2003-04 closing balances of equity interests.

Non-financial assets are anticipated to increase by \$556 million. The most significant variation to Non-financial assets is within Land and fixed assets and includes:

- adjustments to the 2004-05 opening balances to reflect the actual 2003-04 closing balances; and
- the change in classification of expenditure from the Infrastructure Funds which resulted in the capitalisation of certain Infrastructure Fund expenditure, including \$20.8 million for the Affordable Housing Strategy.

## *Liabilities*

General Government Liabilities are estimated to be \$3 559 million at 30 June 2005, \$182 million greater than the original 2004-05 Budget estimate of \$3 377 million. The anticipated increase in liabilities relates to:

- a decrease in Borrowings of \$37 million, primarily reflecting actual 2004-05 opening balances for borrowings of Finance-General and the Department of Economic Development; and
- an increase in the Unfunded superannuation liability of \$212 million due to an actuarial review of the liability and adjustments to the 2004-05 opening balance to reflect the actual 2003-04 closing balance.

Table 6: General Government - Balance Sheet

	31 Dec 2003	30 June 2005	30 June 2005	31 Dec 2004
	Actual	Original Budget	Revised Estimate	Actual
	\$m	\$m	\$m	\$m
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	453	373	526	627
Advances paid	100	81	62	63
Investments, loans and placements	1	30	12	1
Other non-equity assets	307	343	371	312
Equity	4 064	4 260	4 439	4 264
<b>Total</b>	<b>4 924</b>	<b>5 087</b>	<b>5 410</b>	<b>5 267</b>
<b>Non-financial assets</b>				
Land and fixed assets	5 855	5 873	6 404	6 255
Other non-financial assets	10	16	41	24
<b>Total</b>	<b>5 865</b>	<b>5 889</b>	<b>6 445</b>	<b>6 279</b>
<b>Total assets</b>	<b>10 790</b>	<b>10 975</b>	<b>11 855</b>	<b>11 546</b>
<b>Liabilities</b>				
Advances received	288	261	261	277
Borrowings	632	453	416	446
Gross unfunded superannuation liability	2 047	2 133	2 345	2 286
Other employee provisions	294	321	332	324
Other non-equity liabilities	175	210	205	218
<b>Total liabilities</b>	<b>3 436</b>	<b>3 377</b>	<b>3 559</b>	<b>3 552</b>
<b>NET WORTH<sup>1</sup></b>	<b>7 353</b>	<b>7 598</b>	<b>8 296</b>	<b>7 994</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>1 488</b>	<b>1 710</b>	<b>1 851</b>	<b>1 715</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>2 413</b>	<b>2 362</b>	<b>2 422</b>	<b>2 319</b>
<b>NET DEBT<sup>4</sup></b>	<b>366</b>	<b>230</b>	<b>77</b>	<b>33</b>

Notes:

1. Net Worth represents Total assets less Total liabilities.
2. Net Financial Worth represents Total financial assets less Total liabilities.
3. Net Financial Liabilities represents Net Debt plus Gross unfunded superannuation liability.
4. Net Debt equals the sum of Deposits held, Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

# CASH FLOW STATEMENT

Table 7 details the General Government Sector Cash Flow Statement for 2004-05. The key measure of the Cash Flow Statement is the Cash Surplus.

The 2004-05 Cash Surplus is estimated to be \$147 million, \$51 million greater than the original Budget estimate of \$96 million.

The significant variations to the 2004-05 Cash Flow Statement are outlined below.

## *Cash Receipts from Operating Activities*

Cash receipts from operating activities are estimated to be \$3 395 million, \$181 million or 5.6 per cent greater than the original 2004-05 Budget estimate of \$3 214 million. The increase is largely due to estimated additional receipts in relation to Taxes received and Grants and subsidies received (mainly GST Revenue). However, these additional receipts are partially offset by an estimated decrease in Other receipts of \$23 million.

## *Cash Payments for Operating Activities*

Cash payments for operating activities are estimated to be \$3 034 million, \$18 million or 0.6 per cent greater than the original Budget estimate of \$3 016 million. The increase is primarily related to an increase in Payments for goods and services of \$72 million by General Government Sector entities. This increase in the Payment for goods and services is partially offset by a decrease in Grants and subsidies paid of \$54 million primarily due to the change in classification of budgeted expenditures from the Infrastructure Funds.

## *Net Cash Flows from Investments in Non-Financial Assets*

The movement of \$111 million in Net cash flows from investment in non-financial assets reflects the changed classification of estimated Infrastructure Fund expenditures and an increase in the capital expenditure of the Department of Health and Services for Better Hospitals (\$10.1 million), the Mersey Community Hospital (\$4.4 million), the Mental Health Review (\$1.7 million) and the Affordable Housing Strategy (\$25.3 million).

Table 7: General Government - Cash Flow Statement

	2003-04 Dec YTD Actual \$m	2004-05 Original Budget \$m	2004-05 Revised Estimate \$m	2004-05 Dec YTD Actual \$m
<b>Cash receipts from operating activities</b>				
Taxes received	305	607	682	334
Receipts from sales of goods and services	137	257	281	117
Grants and subsidies received	989	1 961	2 035	991
Dividend and income tax equivalent income	95	155	172	80
Interest received	23	31	46	19
Other receipts	85	202	179	100
<b>Total</b>	<b>1 634</b>	<b>3 214</b>	<b>3 395</b>	<b>1 641</b>
<b>Cash payments for operating activities</b>				
Payments for goods and services	(1 084)	(2 165)	(2 237)	(1 068)
Grants and subsidies paid	(291)	(669)	(615)	(312)
Interest paid	(35)	(58)	(57)	(23)
Other payments	(50)	(124)	(125)	(61)
<b>Total</b>	<b>(1 459)</b>	<b>(3 016)</b>	<b>(3 034)</b>	<b>(1 465)</b>
<b>Net cash flows from operating activities</b>	<b>175</b>	<b>198</b>	<b>361</b>	<b>177</b>
<b>Net cash flows from investments in non-financial assets</b>				
Sale of non-financial assets	34	42	38	24
Purchases of non-financial assets	(54)	(144)	(252)	(77)
<b>Total</b>	<b>(21)</b>	<b>(103)</b>	<b>(214)</b>	<b>(53)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>3</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>....</b>	<b>10</b>	<b>....</b>	<b>....</b>
<b>Net cash flows from financing activities</b>				
Advances received (net)	(39)	(13)	(13)	(8)
Borrowing (net)	(117)	(191)	(186)	(157)
Deposits received (net)	(2)	(2)	(2)	....
Other financing (net)	....	(10)	(109)	(58)
<b>Total</b>	<b>(158)</b>	<b>(216)</b>	<b>(310)</b>	<b>(222)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(2)</b>	<b>(106)</b>	<b>(159)</b>	<b>(96)</b>
<b>CASH SURPLUS/(DEFICIT)<sup>1</sup></b>	<b>154</b>	<b>96</b>	<b>147</b>	<b>123</b>

Note:

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



# 5. UNIFORM GOVERNMENT REPORTING

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In accordance with the accrual Uniform Presentation Framework, agreed to by the Australian Loan Council in March 2000, this Report presents revised fiscal estimates that take into account fiscal developments since the commencement of the Budget year.

Table 8 presents details of the revised Loan Council Allocation for 2004-05, and Tables 9 to 17 present Operating Statements, Balance Sheets and Cash Flow Statements for the General Government, Public Non-Financial Corporations (PNFC) and Non-Financial Public Sectors.

Loan Council arrangements provide for each State and Territory to nominate a Loan Council Allocation (LCA) based on the estimated combined General Government and PNFC sector deficit, plus memorandum items. Memorandum items are other financing transactions which, for Loan Council purposes, are treated as analogous to borrowings. This measure of the level of financing, therefore, focuses on the call of the public sector on national savings.

A two per cent tolerance band (calculated on Total Non-Financial Public Sector revenue) applies between the budgeted LCA and the LCA outcome. For 2004-05, the tolerance limit applicable to Tasmania's LCA is \$83 million. Table 8 shows that the revised estimate of the 2004-05 LCA outcome is within the \$83 million tolerance limit. The 2004-05 mid-year revised estimate of an LCA outcome of \$111 million, \$70 million above the original Budget estimate, is due primarily to the anticipated improvement in the General Government Sector Cash Surplus of \$51 million above the original Budget estimate, together with an anticipated improvement of \$20 million in the Public Non-Financial Corporations Sector Cash Deficit, a reduction in the net cash inflows for Non-Financial Public Sector Investments in Financial Assets for Policy Purposes, and lower than originally estimated borrowings by Local Government Authorities.

**Table 8: Loan Council Allocation for 2004-05**

	2004-05 Original Budget	2004-05 Revised Estimate
	\$m	\$m
<b>General Government underlying Deficit/(Surplus)</b>	<b>(96)</b>	<b>(147)</b>
<b>Public Non-Financial Corporations (PNFC) underlying Deficit/(Surplus)</b>	<b>40</b>	<b>20</b>
<b>Non-Financial Public Sector underlying Deficit/(Surplus)</b>	<b>(56)</b>	<b>(127)</b>
<b>Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(5)</b>	<b>2</b>
<b>Memo Items</b>		
<b>University</b>	....	....
<b>Local Government</b>	<b>20</b>	<b>14</b>
<b>Other</b>	....	....
<b>Total Loan Council Allocation</b>	<b>(41)</b>	<b>(111)</b>

Table 9: General Government – Operating Statement

	2004-05 Original Budget	2004-05 Revised Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate	2007-08 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue</b>					
Grants and subsidies	1 961	2 035	2 123	2 145	2 219
Taxation revenue	607	682	673	680	692
Sales of goods and services	258	281	275	276	273
Interest income	31	46	43	43	42
Dividend, rates and income tax equivalent income	155	172	163	161	169
Other revenue	79	63	59	59	59
<b>Total</b>	<b>3 090</b>	<b>3 279</b>	<b>3 336</b>	<b>3 364</b>	<b>3 454</b>
<b>Less</b>					
<b>Expenses</b>					
Depreciation	163	163	163	163	161
Employee expenses	1 410	1 444	1 537	1 600	1 655
Other operating expenses	713	764	786	806	803
Nominal superannuation interest expense	121	122	127	132	137
Other interest expense	57	55	32	30	26
Grants and transfers	672	617	581	579	562
<b>Total</b>	<b>3 136</b>	<b>3 165</b>	<b>3 226</b>	<b>3 310</b>	<b>3 344</b>
<b>Equals NET OPERATING RESULT</b>	<b>(45)</b>	<b>114</b>	<b>110</b>	<b>54</b>	<b>110</b>
<b>Less Net acquisition of non-financial assets</b>					
Purchase of new non-financial assets	144	252	192	160	146
less Sale of non-financial assets	42	38	43	43	43
less Depreciation	163	163	163	163	161
<b>Total</b>	<b>(61)</b>	<b>51</b>	<b>(14)</b>	<b>(46)</b>	<b>(58)</b>
<b>Equals FISCAL SURPLUS</b>	<b>15</b>	<b>63</b>	<b>124</b>	<b>100</b>	<b>168</b>

Table 10: General Government Balance Sheet as at 30 June

	2005 Original Budget	2005 Revised Estimate	2006 Forward Estimate	2007 Forward Estimate	2008 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	373	526	440	598	762
Advances paid	81	62	61	61	61
Investments, loans and placements	30	12	12	12	12
Other non-equity assets	343	371	364	357	350
Equity	4 260	4 439	4 699	4 733	4 771
<b>Total</b>	<b>5 087</b>	<b>5 410</b>	<b>5 576</b>	<b>5 761</b>	<b>5 956</b>
<b>Non-financial assets</b>					
Land and fixed assets	5 873	6 404	6 424	6 414	6 385
Other non-financial assets	16	41	43	43	42
<b>Total</b>	<b>5 889</b>	<b>6 445</b>	<b>6 467</b>	<b>6 457</b>	<b>6 427</b>
<b>Total assets</b>	<b>10 975</b>	<b>11 855</b>	<b>12 043</b>	<b>12 218</b>	<b>12 383</b>
<b>Liabilities</b>					
Deposits held	....	....	....	....	....
Advances received	261	261	248	242	236
Borrowings	453	416	158	158	117
Gross unfunded superannuation liability	2 133	2 345	2 436	2 524	2 600
Other employee provisions	321	332	349	366	387
Other non-equity liabilities	210	205	196	197	197
<b>Total liabilities</b>	<b>3 377</b>	<b>3 559</b>	<b>3 387</b>	<b>3 487</b>	<b>3 537</b>
<b>NET WORTH<sup>1</sup></b>	<b>7 598</b>	<b>8 296</b>	<b>8 656</b>	<b>8 731</b>	<b>8 846</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>1 710</b>	<b>1 851</b>	<b>2 189</b>	<b>2 274</b>	<b>2 419</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>2 362</b>	<b>2 422</b>	<b>2 329</b>	<b>2 253</b>	<b>2 118</b>
<b>NET DEBT<sup>4</sup></b>	<b>230</b>	<b>77</b>	<b>(107)</b>	<b>(271)</b>	<b>(482)</b>

Notes:

1. Net Worth represents Total assets less Total liabilities.
2. Net Financial Worth represents Total financial assets less Total liabilities.
3. Net Financial Liabilities represents Net Debt plus Gross unfunded superannuation liability.
4. Net Debt equals the sum of Deposits held, Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

Table 11: General Government – Cash Flow Statement

	2004-05 Original Budget	2004-05 Revised Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate	2007-08 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash receipts from operating activities</b>					
Taxes received	607	682	673	680	692
Receipts from sales of goods and services	257	281	275	275	273
Grants and subsidies received	1 961	2 035	2 122	2 145	2 219
Dividend and income tax equivalent income	155	172	163	161	169
Interest received	31	46	43	43	42
Other receipts	203	179	181	181	176
<b>Total</b>	<b>3 214</b>	<b>3 395</b>	<b>3 457</b>	<b>3 485</b>	<b>3 571</b>
<b>Cash payments for operating activities</b>					
Payments for goods and services	(2 165)	(2 237)	(2 361)	(2 452)	(2 525)
Grants and subsidies paid	(669)	(615)	(579)	(577)	(559)
Interest paid	(58)	(57)	(42)	(30)	(27)
Other payments	(124)	(125)	(129)	(129)	(123)
<b>Total</b>	<b>(3 016)</b>	<b>(3 034)</b>	<b>(3 111)</b>	<b>(3 188)</b>	<b>(3 234)</b>
<b>Net cash flows from operating activities</b>	<b>198</b>	<b>361</b>	<b>346</b>	<b>297</b>	<b>337</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sale of non-financial assets	42	38	43	43	43
Purchases of non-financial assets	(144)	(252)	(192)	(160)	(146)
<b>Total</b>	<b>(103)</b>	<b>(214)</b>	<b>(149)</b>	<b>(117)</b>	<b>(103)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>5</b>	<b>4</b>	<b>....</b>	<b>1</b>	<b>1</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>10</b>	<b>....</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	(13)	(13)	(13)	(6)	(6)
Borrowing (net)	(191)	(186)	(256)	1	(39)
Deposits received (net)	(2)	(2)	(2)	(2)	(2)
Other financing (net)	(10)	(109)	(15)	(17)	(22)
<b>Total</b>	<b>(216)</b>	<b>(310)</b>	<b>(286)</b>	<b>(24)</b>	<b>(69)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(106)</b>	<b>(159)</b>	<b>(89)</b>	<b>157</b>	<b>166</b>
<b>CASH SURPLUS/(DEFICIT)</b>	<b>96</b>	<b>147</b>	<b>197</b>	<b>180</b>	<b>234</b>

Note:

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

Table 12: Public Non-Financial Corporations Sector - Operating Statement

	2004-05 Original Budget	2004-05 Revised Estimate
	\$m	\$m
<b>Revenue</b>		
Grants and subsidies	49	49
Sales of goods and services	1 168	1 161
Interest income	4	5
Other	18	12
<b>Total</b>	<b>1 239</b>	<b>1 227</b>
<b>less Expenses</b>		
Depreciation	215	214
Employee expenses	285	289
Other operating expenses	440	453
Other interest expense	148	129
Dividend and Income Tax Equivalent expenses	155	172
<b>Total</b>	<b>1 244</b>	<b>1 258</b>
<b>equals NET OPERATING RESULT</b>	<b>(5)</b>	<b>(31)</b>
<b>less Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	334	348
less Sale of non-financial assets	22	93
less Depreciation	215	214
<b>Total</b>	<b>97</b>	<b>41</b>
<b>equals FISCAL SURPLUS</b>	<b>(102)</b>	<b>(72)</b>

Table 13: Public Non-Financial Corporations Sector – Balance Sheet  
as at 30 June

	2005 Original Budget	2005 Revised Estimate
	\$m	\$m
<b>Assets</b>		
<b>Financial assets</b>		
Cash and deposits	178	222
Investments, loans and placements	8	40
Other non-equity assets	322	321
<b>Total</b>	<b>508</b>	<b>583</b>
<b>Non-financial assets</b>		
Land and fixed assets	6 513	6 460
Other non-financial assets	39	41
<b>Total</b>	<b>6 552</b>	<b>6 500</b>
<b>Total assets</b>	<b>7 060</b>	<b>7 083</b>
<b>Liabilities</b>		
Advances received	35	4
Borrowings	1 801	1 910
Superannuation liabilities	329	328
Other employee entitlements	76	81
Other non-equity liabilities	564	455
<b>Total liabilities</b>	<b>2 807</b>	<b>2 779</b>
<b>Shares and other contributed capital</b>	<b>4 253</b>	<b>4 305</b>
<b>NET WORTH<sup>1</sup></b>	<b>....</b>	<b>....</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(6 552)</b>	<b>(6 500)</b>
<b>NET DEBT<sup>3</sup></b>	<b>1 650</b>	<b>1 652</b>

Notes:

1. Net Worth equals Total assets less Total liabilities (including Shares and other contributed capital).
2. Net Financial Worth equals Total financial assets minus Total liabilities and Shares and other contributed capital.
3. Net Debt equals the sum of Deposits held, Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

Table 14: Public Non-Financial Corporations Sector – Cash Flow Statement

	2004-05 Original Budget	2004-05 Revised Estimate
	\$m	\$m
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	1 186	1 172
Grants and subsidies received	26	26
Interest received	2	3
Other receipts	102	108
<b>Total</b>	<b>1 316</b>	<b>1 308</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services	(728)	(744)
Interest paid	(113)	(117)
Other payments	(149)	(158)
<b>Total</b>	<b>(990)</b>	<b>(1 018)</b>
<b>Net cash flows from operating activities</b>	<b>325</b>	<b>290</b>
<b>Net cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	21	92
Purchases of non-financial assets	(334)	(348)
<b>Total</b>	<b>(313)</b>	<b>(256)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>....</b>	<b>....</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>41</b>	<b>3</b>
<b>Net cash flows from financing activities</b>		
Advances received	50	....
Distributions paid	(53)	(55)
Borrowing (net)	(66)	(6)
Deposits received (net)	....	....
Other financing (net)	....	110
<b>Total</b>	<b>(69)</b>	<b>50</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(15)</b>	<b>87</b>
<b>CASH SURPLUS / (DEFICIT)<sup>1</sup></b>	<b>(40)</b>	<b>(20)</b>

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets plus Distributions paid (Income Tax Equivalents and Dividends).

Table 15: Total Non-Financial Public Sector – Operating Statement

	2004-05 Original Budget	2004-05 Revised Estimate
	\$m	\$m
<b>Revenue</b>		
Taxation revenue	595	669
Grants and subsidies	1 964	2 038
Sales of goods and services	1 427	1 443
Interest income	28	44
Other	96	74
<b>Total</b>	<b>4 110</b>	<b>4 268</b>
<b>less Expenses</b>		
Depreciation	378	377
Employee expenses	1 684	1 721
Other operating expenses	1 153	1 216
Nominal superannuation interest expenses	121	122
Other interest expenses	199	179
Grants and transfers	625	570
<b>Total</b>	<b>4 160</b>	<b>4 186</b>
<b>equals NET OPERATING RESULT</b>	<b>(50)</b>	<b>82</b>
<b>less Net acquisition of non-financial assets</b>		
Purchases of non-financial assets	478	600
less Sale of non-financial assets	63	130
less Depreciation	378	377
<b>Total</b>	<b>37</b>	<b>93</b>
<b>equals FISCAL SURPLUS</b>	<b>(87)</b>	<b>(10)</b>

Table 16: Total Non-Financial Public Sector – Balance Sheet as at 30 June

	2005 Original Budget	2005 Revised Estimate
	\$m	\$m
<b>Assets</b>		
<b>Financial assets</b>		
Cash and deposits	551	748
Advances paid	81	62
Investments, loans and placements	38	52
Other non-equity assets	552	506
Equity	....	134
<b>Total</b>	1 222	1 502
<b>Non-financial assets</b>		
Land and fixed assets	12 387	12 864
Other non-financial assets	40	67
<b>Total</b>	12 427	12 930
<b>Total assets</b>	13 649	14 433
<b>Liabilities</b>		
Advances received	296	265
Borrowings	2 255	2 326
Superannuation liabilities	2 462	2 673
Other employee entitlements	399	415
Other non-equity liabilities	646	535
<b>Total liabilities</b>	6 057	6 214
<b>Shares and other contributed capital</b>	....	....
<b>NET WORTH<sup>1</sup></b>	7 591	8 218
<b>NET FINANCIAL WORTH<sup>2</sup></b>	(4 834)	(4 712)
<b>NET DEBT<sup>3</sup></b>	1 880	1 729

Notes:

1. Net Worth equals Total assets less Total liabilities.
2. Net Financial Worth equals Total financial assets minus Total liabilities.
3. Net Debt equals the sum of Deposits held, Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

Table 17: Total Non-Financial Public Sector – Cash Flow Statement

	2004-05 Original Budget	2004-05 Revised Estimate
	\$m	\$m
<b>Cash receipts from operating activities</b>		
Taxes received	595	669
Receipts from sales of goods and services	1 443	1 453
Grants and subsidies received	1 940	2 014
Interest received	28	44
Other receipts	304	254
<b>Total</b>	<b>4 310</b>	<b>4 433</b>
<b>Cash payments for operating activities</b>		
Payments for goods and services	(2 881)	( 2 969)
Grants and subsidies paid	(467)	(413)
Interest paid	(166)	(168)
Other payments	(272)	(291)
<b>Total</b>	<b>(3 786)</b>	<b>( 3 842)</b>
<b>Net cash flows from operating activities</b>	<b>523</b>	<b>591</b>
<b>Net cash flows from investments in non-financial assets</b>		
Sales of non-financial assets	63	130
Purchases of non-financial assets	(478)	(600)
<b>Total</b>	<b>(415)</b>	<b>(470)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>5</b>	<b>(2)</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>51</b>	<b>3</b>
<b>Net cash flows from financing activities</b>		
Advances received	(16)	(8)
Borrowing (net)	(257)	(246)
Deposits received (net)	(2)	....
Other financing (net)	(10)	(10)
<b>Total</b>	<b>(285)</b>	<b>(264)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(120)</b>	<b>(141)</b>
<b>CASH SURPLUS/(DEFICIT)<sup>1</sup></b>	<b>109</b>	<b>122</b>

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

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The Consolidated Fund Surplus (CFS) is estimated to be \$47.7 million for 2004-05, \$8.3 million greater than the original Budget estimate of \$39.4 million. The actual Consolidated Fund Surplus for the six months ended 31 December 2004 is \$56.4 million.

The CFS as at 31 December 2004 may reflect cyclic variations in revenue collections and expenditure through the Consolidated Fund and does not provide a pro rata indication of the Consolidated Fund Outcome for the full financial year.

Table 18: Consolidated Fund Outcome, 2004-05

	2003-04 December YTD Actual \$'000	2004-05 Original Budget \$'000	2004-05 Revised Budget \$'000	2004-05 December YTD Actual \$'000
<b>Receipts</b>				
<b>Commonwealth Sources</b>				
Recurrent Receipts	864 745	1 783 830	1 856 524	904 434
Capital Receipts	10 722	40 415	40 748	12 706
<b>Total Commonwealth Sources</b>	875 467	1 824 245	1 897 272	917 140
<b>State Sources</b>				
Recurrent Receipts	462 327	900 411	1 016 786	497 762
Capital Receipts	12 785	25 168	185	193
<b>Total State Sources</b>	475 112	925 579	1 016 971	497 955
<b>Total Receipts</b>	1 350 579	2 749 824	2 914 243	1 415 095
<b>Less Expenditure</b>				
<b>Recurrent Services</b>				
Appropriation Act	1 174 432	2 390 598	2 488 805	1 227 243
Reserved by Law <sup>1</sup>	89 005	179 448	179 015	89 260
<b>Total Recurrent Services</b>	1 263 437	2 570 046	2 667 820	1 316 503
<b>Works and Services</b>				
Capital Investment Program	42 612	140 475	198 822	42 274
Economic and Social Infrastructure Fund	12 475	....	....	....
<b>Total Works and Services</b>	55 087	140 475	198 822	42 274
<b>Total Expenditure (Refer Table 19)</b>	1 318 524	2 710 521	2 866 642	1 358 777
<b>Gross Consolidated Fund Surplus</b>	32 055	39 303	47 601	56 318
Add Loan Repayments <sup>1</sup>	435	124	124	124
<b>Consolidated Fund Surplus</b>	32 490	39 427	47 725	56 442

Note:

1. For the purpose of calculating the Consolidated Fund Surplus, Reserved by Law expenditure includes the amount of the contribution payable to the Debt Retirement Reserve Trust Account. This figure is also shown as Loan Repayments.

Table 19: Consolidated Fund Expenditure, 2004-05

	2003-04 December YTD Actual	2004-05 Original Budget	2004-05 Revised Budget	2004-05 December YTD Actual
	\$'000	\$'000	\$'000	\$'000
<b>Economic Development</b>				
Recurrent Expenditure	16 951	42 385	43 740	17 135
Total	16 951	42 385	43 740	17 135
<b>Education</b>				
Recurrent Expenditure	353 799	675 492	697 563	351 537
Capital Expenditure	7 231	17 616	18 188	6 539
Total	361 030	693 108	715 751	358 076
<b>Finance-General</b>				
Recurrent Expenditure	212 445	505 611	523 335	217 951
Capital Expenditure	15 199	9 274	49 274	2 923
Total	227 644	514 885	572 609	220 875
<b>Health and Human Services</b>				
Recurrent Expenditure	415 223	809 998	854 796	456 429
Capital Expenditure	2 508	13 760	31 341	1 212
Total	417 730	823 758	886 137	457 641
<b>House of Assembly</b>				
Recurrent Expenditure	2 664	5 000	5 130	2 634
Total	2 664	5 000	5 130	2 634
<b>Infrastructure, Energy and Resources</b>				
Recurrent Expenditure	54 404	103 720	106 238	55 090
Capital Expenditure	25 398	82 155	82 155	28 479
Total	79 802	185 875	188 393	83 569
<b>Justice</b>				
Recurrent Expenditure	34 088	68 155	69 616	36 610
Capital Expenditure	1 322	13 365	13 559	826
Total	35 410	81 520	83 175	37 437
<b>Legislative Council</b>				
Recurrent Expenditure	1 937	3 876	3 876	2 012
Total	1 937	3 876	3 876	2 012
<b>Legislature-General</b>				
Recurrent Expenditure	2 017	3 848	3 848	2 109
Total	2 017	3 848	3 848	2 109

Table 19: Consolidated Fund Expenditure, 2004-05 (continued)

	2003-04 December YTD Actual \$'000	2004-05 Original Budget \$'000	2004-05 Revised Budget \$'000	2004-05 December YTD Actual \$'000
<b>Ministerial and Parliamentary Support</b>				
Recurrent Expenditure	6 762	13 988	14 063	7 425
Total	6 762	13 988	14 063	7 425
<b>Office of the Governor</b>				
Recurrent Expenditure	1 133	2 717	3 217	1 925
Capital Expenditure	5	8	8	6
Total	1 138	2 725	3 225	1 931
<b>Police and Public Safety</b>				
Recurrent Expenditure	66 733	134 341	135 721	66 472
Capital Expenditure	1 347	1 016	1 016	225
Total	68 081	135 357	136 737	66 697
<b>Premier and Cabinet</b>				
Recurrent Expenditure	11 688	25 952	27 126	14 146
Total	11 688	25 952	27 126	14 146
<b>Primary Industries, Water and Environment</b>				
Recurrent Expenditure	37 812	79 371	81 750	38 582
Capital Expenditure	58	1 180	1 180	55
Total	37 870	80 551	82 930	38 637
<b>Tasmanian Audit Office</b>				
Recurrent Expenditure	230	263	263	168
Total	230	263	263	168
<b>Tourism, Parks, Heritage and the Arts</b>				
Recurrent Expenditure	32 290	62 525	64 004	32 020
Capital Expenditure	2 018	2 101	2 101	2 008
Total	34 307	64 626	66 105	34 028
<b>Treasury and Finance</b>				
Recurrent Expenditure	13 260	32 804	33 534	14 257
Total	13 260	32 804	33 534	14 257
<b>TOTAL</b>	<b>1 318 524</b>	<b>2 710 521</b>	<b>2 866 642</b>	<b>1 358 777</b>

# 7. CONCEPTS AND DEFINITIONS

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## ACCRUAL UNIFORM PRESENTATION FRAMEWORK (UPF)

Accrual UPF information:

- is presented on a total source of funds basis, meaning that balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund are included in the UPF Outcomes Statements; and
- includes accrual transactions such as depreciation and nominal interest on superannuation.

The accrual UPF gives details of the expenses, revenue, payments, receipts, and assets and liabilities of the Tasmanian General Government Sector.

An important distinction in the UPF framework from the Australian Accounting Standards (AAS) framework, is that of “transaction flows” and “other economic flows”. Transactions 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 which does not involve interaction between two parties. The treatment of depreciation recognises that in this case 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 liability that does not result from a transaction. This includes a wide variety of events such as 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 excluded from the UPF Operating Statement. These changes impact directly on equity in the Balance Sheet in the UPF treatment. This means that differences currently exist between the UPF Operating Statement and the Statement of Financial Performance prepared in compliance with the Australian Accounting Standards. (For a more detailed discussion of the differences between reports prepared in compliance with the Australian Accounting Standards and UPF reports see *Harmonisation of Government Financial Statistics and Generally Accepted Accounting Principles: Issues Paper, Department of Treasury and Finance, Tasmania and Department of Finance and Administration, March 2003*, available on the Financial Management Reform section of the Treasury website ([www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)).

Details of public sector estimates and outcomes are presented within the accrual UPF in three primary statements: the Operating Statement, Balance Sheet and Cash Flow Statement. These statements form the core of the accrual UPF.

A Budget based on the total Public Account does not alleviate the need for an appropriation from the Consolidated Fund. A Consolidated Fund appropriation is currently required by legislation. However,

the focus on the Consolidated Fund is reduced when the focus is on a total resources based Budget. Most Australian jurisdictions removed the presentation of the Consolidated Fund from the Budget Papers when adopting an accrual budgeting framework.

## Operating Statement

The Operating Statement presents information on revenue and expenses. This statement is designed to capture the composition of expenses and revenues and the net cost of a government's 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 Operating Statement reports two major fiscal measures: the Net Operating Result and the Fiscal Surplus. The Fiscal Surplus is the Government's headline Budget measure.

### *Net Operating Result*

The GFS Net Operating Result is the excess of revenue over expenses. The Net Operating Result excludes capital expenditure, but includes non-cash costs such as accruing superannuation entitlements and depreciation. By including all accruing costs, including depreciation, the Net Operating Result encompasses the full costs of providing government services. This makes it a good measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

The Net Operating Surplus indicates that there are funds available, on an accrual basis, to increase service delivery, increase assets or to decrease liabilities. A deficit indicates that one off expenditure may have occurred, sourced from cash reserves, to meet one off projects or programs, and/or revenues are not sufficient to meet all expenses for the current year.

### *Fiscal Surplus*

The Fiscal Surplus is the balance of General Government revenue less expenses less net capital investment. Thus, the Fiscal Surplus includes the impact of net expenditure on non-financial assets (purchases less sales) rather than consumption of non-financial assets (depreciation).

The Fiscal Surplus measures a government's investment-saving balance and is a useful indicator of funds available for application to either assets or liabilities. A Fiscal Surplus indicates that the government is saving more than enough to finance all of its investment spending.

In a year in which the Government undertakes major capital works, other things being equal, a Fiscal Surplus will be significantly lower compared with the Net Operating Result.

## Balance Sheet

The Balance Sheet records a government's stocks of financial and non-financial assets and liabilities. This statement discloses the resources over which a government maintains control. The Balance Sheet is a financial snap-shot of a government, taken at the end of each financial year. By providing information on the type of assets and liabilities held by a government, the statement gives an indication of the government's financial strength.

The Balance Sheet includes data on the make up of a government's financial assets, on its holdings of fixed assets, and on the extent of liabilities such as borrowings and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels. The major Balance Sheet indicators are Net Worth, Net Financial Worth, Net Financial Liabilities and Net Debt.

### *Net Worth*

Net Worth provides a more comprehensive picture of a government's overall financial position than the net debt measure. It is calculated as total assets (both financial and non-financial) minus total liabilities, minus shares and other contributed capital. Net Worth incorporates a government's 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.

### *Net Financial Worth*

Net Financial Worth measures a government's net holdings of financial assets. It is calculated from the Balance Sheet as financial assets minus liabilities. Net Financial Worth is a broader measure than Net Debt, in that it incorporates provisions made (such as superannuation, but excludes depreciation and bad debts) as well as ownership of equity. Net Financial Worth includes all classes of financial assets and liabilities, only some of which are included in Net Debt.

### *Net Financial Liabilities*

Net Financial Liabilities is Net Debt plus gross unfunded superannuation liabilities. This additional information is important in gauging the strength of a government's fiscal position. This measure is not included in the UPF. However it is commonly used by international credit ratings agencies as it targets the significant financial assets and liabilities held by most governments.

### *Net Debt*

Net debt is the same under cash and accrual-based financial reporting. Net Debt comprises the stock of specified gross financial liabilities less selected financial assets. The stock of Net Debt is a common measure used to help judge the overall strength of a jurisdiction's fiscal position. High levels of Net Debt impose a call on future revenue flows to service that debt and can therefore limit a government's flexibility to adjust expenditure.

## Cash Flow Statement

The Cash Flow Statement records a government's cash receipts and payments. The Cash Flow Statement reveals how a government obtains and expends cash.

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

The signing convention within the Cash Flow Statement 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 is the sum of net cash flows from all operating, investing and financing activities. The cash surplus comprises only net cash received from operating activities, and from sales and purchases of non-financial assets, minus distributions paid (in the case of public financial corporations and public non-financial corporations), minus finance leases and similar arrangements.

### *Cash Surplus*

The Cash Surplus measure is comparable with the previous cash-GFS surplus measure, allowing for comparisons between the two frameworks.

It should be noted that the ABS concept of a surplus/(deficit) does not include equity contributions to Government Business Enterprises/State-owned companies, major asset sale proceeds 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).

### *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.

## Consolidation of Transactions

GFS statements present a consolidated view of the financial transactions of the General Government and PNFC Sectors. The Non-Financial Public Sector represents a consolidation of the General Government and PNFC Sectors.

To compile statistics for the financial activities of the Non-Financial Public Sector, or its component Sectors, the receipts, payments, financial assets and liabilities held with other units within the chosen grouping have to be matched and eliminated to avoid double counting. This process is known as consolidation.

For example, in the case of GFS, transactions between the Department of Treasury and Finance and the Department of Primary Industries, Water and Environment are netted out as both agencies are classified as General Government. Transactions between the Department of Treasury and Finance and Hydro Tasmania are not netted out of the General Government and PNFC tables as the former agency is classified as General Government while the latter is a PNFC. However, such transactions are netted out for the purposes of the Non-Financial Public Sector tables.

# Consolidated Fund

The Consolidated Fund contributes to the operations of all on-Budget agencies, is the source of funding for Reserved by Law payments, and may make some contribution to the operations of off-Budget entities. The Fund receives all State taxation revenue, the majority of Commonwealth payments to Tasmania, territorial revenue and certain other classes of revenue.

There are two types of expenditure from the Consolidated Fund:

- Recurrent Services expenditure that meets the cost of the ordinary annual services provided by the government; and
- Works and Services expenditure which provides for the construction, purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals.

# 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 State Budget in 2004-05 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 organizations 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

Economic Development  
Education  
Health and Human Services  
House of Assembly  
Infrastructure, Energy and Resources  
Inland Fisheries Service  
Justice  
Legislative Council  
Legislature-General  
Marine *and* Safety Tasmania  
Office of the Governor  
Police and Public Safety  
Premier and Cabinet  
Primary Industries, Water and Environment  
Royal Tasmanian Botanical Gardens

## General Government (continued)

State Fire Commission  
TAFE Tasmania  
Tasmanian Audit Office  
The Nominal Insurer  
Tourism, Parks, Heritage and the Arts  
Treasury and Finance

## Public Non-Financial Corporations

Aurora Energy Pty Ltd  
Burnie Port Corporation Pty Ltd  
Forestry Tasmania  
Hobart Ports Corporation Pty Ltd  
Hydro Tasmania  
Metro Tasmania Pty Ltd  
Port Arthur Historic Site Management Authority  
Port of Devonport Corporation Pty Ltd  
Port of Launceston Pty Ltd  
Printing Authority of Tasmania  
Private Forests Tasmania  
Rivers and Water Supply Commission  
Southern Regional Cemetery Trust  
Tasmanian International Velodrome Management Authority  
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