

Preliminary Outcomes Report 2006-07

Contents

1. Introduction	1
2. Key Fiscal Strategy Measures	3
<i>Net Operating Balance</i>	4
<i>Capital Expenditure</i>	3
<i>Fiscal Balance</i>	4
<i>Net Debt</i>	4
3. General Government Preliminary Outcome	5
<i>Operating Statement</i>	5
<i>Balance Sheet</i>	9
<i>Cash Flow Statement</i>	11
4. Consolidated Fund	13
5. Concepts and Definitions	17
<i>Uniform Presentation Framework (UPF)</i>	17
<i>General Government Entities</i>	22

1. INTRODUCTION

The Preliminary Outcomes Report is prepared in accordance with section 26 of the *Financial Management and Audit Act 1990* (the Act), which requires the publication of a financial report for the previous financial year by the following 15 August.

Outcomes in this Report are preliminary in nature and based upon unaudited financial data from agencies and other General Government Sector authorities. Agencies and General Government Sector authorities have 45 days from 30 June, in accordance with section 28 of the Act, to forward their financial statements to the Auditor-General, whereas financial information for this Report is required by Treasury within 15 days to enable compilation of the Report by 15 August. Consequently, estimation methods are applied in accordance with the principles of AASB 1029 *Interim Financial Reporting*, where appropriate, to ensure that the financial information can be provided within the short timeframe. The final audited Budget Outcome will be released in the Treasurer's Annual Financial Report, to be published by 31 October 2007.

The Preliminary Outcomes Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures contained within the preliminary Budget Outcome.
- Section 3 presents the Operating Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing preliminary outcomes for the year and original Budget estimates presented in accordance with the accrual Uniform Presentation Framework (further explained in section 5 of this Report). Commentary is provided on material changes between original Budget estimates and preliminary outcomes. Materiality is based on the criteria set out in Australian Accounting Standard AASB 1031 *Materiality*.
- Section 4 summarises details of the receipts to and expenditure from the Consolidated Fund.
- Section 5 provides an overview of the key concepts and definitions used within this Report.

2. KEY FISCAL STRATEGY MEASURES

Table 1 presents the progress against the major Fiscal Strategy measures, comparing the preliminary outcome to the original Budget estimates for 2006-07 and the actual 2005-06 outcome. The Table shows that all major Fiscal Strategy Targets have been met for 2006-07 based on the preliminary outcomes. For details of the Government's Fiscal Strategy refer to the 2007-08 Budget Papers.

Table 1: Key Fiscal Strategy Measures

Tactical Target	2005-06	2006-07	2006-07	Assessment of Progress
	Actual	Original Budget	Preliminary Outcome	
	\$m	\$m	\$m	
General Government Net Operating Balance				
to be maintained in surplus on average over four-year rolling period				
Net Operating Surplus/(Deficit)	120	(90)	18	
Four-year rolling average	217	142	169	✓
General Government Capital Expenditure				
to at least equal depreciation, on average, over four-year rolling periods				
Capital expenditure ¹ in excess of depreciation	87	66	21	
Four-year rolling average	45	55	44	✓
General Government Fiscal Balance				
to be maintained in surplus on average over four-year rolling period				
Fiscal Surplus/(Deficit)	83	(84)	58	
Four-year rolling average	228	145	180	✓
General Government Sector to remain Net Debt free	(259)	(232)	(402)	✓

Key: ✓ On Target

Note:

- Capital expenditure is referred to as Purchase of non-financial assets in Table 2: General Government Operating Statement

NET OPERATING BALANCE

The preliminary 2006-07 Net Operating Balance is estimated to be an \$18 million surplus, an increase of \$108 million from the original Budget deficit of \$90 million. The increase in the preliminary Net Operating Balance is due to a favourable movement in Total Revenue of \$160 million, partially offset by an increase in Total Expenses of \$52 million. Details of the significant variations are provided in Section 3.

CAPITAL EXPENDITURE

Investment in infrastructure is necessary to ensure the effective delivery of Government services to the community and to foster economic and industry development. Maintaining capital expenditure to at least equal depreciation levels ensures the real value of General Government infrastructure assets is maintained. The preliminary 2006-07 capital expenditure, in excess of depreciation, is estimated to be \$21 million, a decrease of \$45 million below the original Budget estimate of \$66 million. The variance is primarily due to delays in expenditure for some capital projects which has resulted in Purchase of non-financial assets being \$39 million below the original Budget estimate.

FISCAL BALANCE

The preliminary 2006-07 Fiscal Balance outcome is estimated to be a \$58 million surplus, an increase of \$142 million from the original Budget estimate of negative \$84 million. The increase in the preliminary Fiscal Surplus comprises favourable movements in the Net Operating Balance and decreased capital expenditure, as described above. The preliminary outcome is estimated to be \$25 million less than the 2005-06 Fiscal Surplus of \$83 million. Details of the significant variations are provided in Section 3.

NET DEBT

Net Debt is estimated to be negative \$402 million as at 30 June 2007, which is an improvement of \$170 million from the original Budget estimate of negative \$232 million. The preliminary outcome represents an improvement of \$143 million from the balance of Net Debt as at 30 June 2006 of negative \$259 million.

3. GENERAL GOVERNMENT PRELIMINARY OUTCOME

OPERATING STATEMENT

The preliminary 2006-07 Fiscal Balance outcome of a \$58 million surplus is an increase of \$142 million on the original 2006-07 Budget estimate of a \$84 million deficit. The General Government Operating Statement for 2006-07 is detailed in Table 2. The significant variations to revenue, expenses and net acquisition of non-financial assets are outlined below.

Revenue

The 2006-07 preliminary outcome for Total Revenue is \$3 692 million, \$160 million or 4.5 per cent greater than the original 2006-07 Budget estimate of \$3 532 million. The main Revenue variations are as follows:

- Grants and subsidies revenue of \$2 270 million is \$17 million above the original Budget estimate of \$2 253 million. General purpose payments are \$11 million above the original Budget estimate of \$1 557 million. This is primarily due to additional Goods and Services Tax (GST) collections as a result of upward revisions by the Australian Government of the GST revenue pool. Other grants and subsidies are \$8 million above the original Budget estimate of \$205 million as a result of additional Australian Government funding to the Department of Primary Industries and Water for the National Water Initiative and Natural Resource Management land conservation projects. Table 3 details the components of Grants and subsidies revenue;
- Taxation revenue of \$748 million is \$20 million above the original Budget estimate of \$728 million, primarily due to additional Payroll tax revenue of \$8 million, reflecting an increase in employment in the payroll tax paying sector and wage increases, and additional Financial transaction taxes of \$22 million, offset by a reduction in Motor vehicle fees and taxes of \$7 million. Table 4 details the components of Taxation revenue;
- Sales of goods and services of \$338 million are \$42 million above the original Budget estimate of \$296 million. This is primarily due to \$27 million of additional revenue from Hospital Inpatient Fees within the Department of Health and Human Services;
- Interest income of \$45 million is \$12 million above the original Budget estimate of \$33 million. The increase reflects higher levels of cash held in the Public Account and higher than forecast interest rates;
- Dividend and income tax equivalent income of \$171 million is \$24 million above the original Budget estimate of \$147 million. This increase reflects additional income tax equivalent returns

from Hydro-Tasmania of \$8 million and the Motor Accidents Insurance Board of \$9 million, and additional dividend income of \$5 million from Transend Networks Pty Ltd; and

- Other revenue of \$121 million is \$45 million above the original Budget estimate of \$76 million. The increase is primarily due to:
 - additional Mineral Royalties revenue of \$19 million as a result of higher than anticipated commodity prices on the world market for mineral resources; and
 - revenue relating to cost recoveries, donations and industry research funds for the Department of Health and Human Services of \$8 million and higher than anticipated revenue of \$10 million for the Department of Justice primarily due to additional Workcover Board revenue.

Expenses

The 2006-07 preliminary outcome for Total Expenses is \$3 674 million, \$52 million or 1.4 per cent greater than the original 2006-07 Budget estimate of \$3 622 million. The main Expense variations are as follows:

- Employee expenses of \$1 744 million is \$29 million above the original Budget estimate of \$1 715 million. This is a result of higher than budgeted wage costs for the Departments of Justice and Health and Human Services;
- Other operating expenses of \$935 million is \$48 million above the original Budget estimate of \$887 million. This is primarily due to higher than budgeted costs of \$23 million incurred by the Department of Health and Human Services for pharmacy cost (\$8 million), general medical consumables (\$5 million) and purchase of specialist services (\$9 million). The additional medical expenditure is consistent with the additional revenue generated by the Department.
- Nominal superannuation interest expense of \$148 million is \$10 million less than the original Budget estimate of \$158 million. The decrease reflects a lower than budgeted discount rate used by the actuary to calculate the nominal interest cost of the Superannuation liability; and
- Grants and transfers of \$623 million is \$21 million below the original Budget estimate of \$644 million. This is primarily due to delays in grant payments of \$12 million from the Tasmanian Community Forest Agreement.

Net Acquisition of Non-Financial Assets

The 2006-07 preliminary outcome for the Net acquisition of non-financial assets is negative \$39 million, \$33 million lower than the original 2006-07 Budget estimate of negative \$6 million. This is primarily due to lower than budgeted expenditure for Purchase of non-financial assets of \$39 million as a result of reductions in the cost of National Highway projects funded by the Australian Government and delays in advancing a number of the infrastructure projects including the Kingston High School (\$3 million), Cradle Mountain Sewerage Treatment Project (\$6 million) and Better Roads Fund projects (\$5 million). This is partially offset by lower than budgeted Sale of non-financial assets of \$12 million due to the delay in the sale of assets previously held by the Hobart Ports Corporation Pty Ltd.

Table 2: General Government Operating Statement

	2005-06 Actual	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$m	\$m	\$m
Revenue			
Grants and subsidies (Refer Table 3)	2 215	2 253	2 270
Taxation revenue (Refer Table 4)	703	728	748
Sales of goods and services	299	296	338
Interest income	33	33	45
Dividend and income tax equivalent income	188	147	171
Other revenue	134	76	121
Total Revenue	3 572	3 532	3 692
Less			
Expenses			
Depreciation	206	196	202
Employee expenses	1 612	1 715	1 744
Other operating expenses	874	887	935
Nominal superannuation interest expense	137	158	148
Other interest expense	27	23	23
Grants and transfers	596	644	623
Total Expenses	3 453	3 622	3 674
Equals NET OPERATING RESULT	120	(90)	18
Less			
Net acquisition of non-financial assets			
Purchase of non-financial assets	293	262	223
less Sale of non-financial assets	50	72	60
less Depreciation	206	196	202
Total	37	(6)	(39)
Equals FISCAL BALANCE	83	(84)	58

Table 3: General Government Grants and Subsidies

	2005-06 Actual	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$m	\$m	\$m
General purpose payments			
GST revenue	1 504	1 557	1 568
Competition payments	19
Total general purpose payments	1 523	1 557	1 568
Specific purpose payments	443	438	442
Capital grants revenue	46	53	48
Other grants and subsidies	202	205	213
TOTAL GRANTS AND SUBSIDIES	2 215	2 253	2 270

Table 4: General Government Taxation Revenue

	2005-06 Actual	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$m	\$m	\$m
Payroll tax	214	211	219
<i>Taxes on property</i>			
Land tax	49	61	62
Fire service levies	41	39	43
Financial transaction taxes	152	145	167
Guarantee fees	7	10	9
Total taxes on property	250	255	281
<i>Taxes on the provision of goods and services</i>			
Casino tax and licence fees	55	56	57
Other gambling taxes	25	36	30
Taxes on insurance	37	40	38
Total taxes on the provision of goods and services	117	132	124
<i>Taxes on the use of goods and performance of activities</i>			
Motor vehicle fees and taxes	121	130	123
Total taxes on the use of goods and performance of activities	121	130	123
TOTAL TAXATION REVENUE	703	728	748

BALANCE SHEET

Table 5 details the preliminary General Government Balance Sheet as at 30 June 2007.

Budget estimates for the 2006-07 Balance Sheet were compiled in June 2006 prior to completion of the actual outcomes for 30 June 2006. As a result, the preliminary outcome variance from the original Budget estimate will be impacted by the difference between the estimated and actual opening balances for 2006-07. The following commentary is therefore based on movements between the 30 June 2006 actual outcome and the 30 June 2007 preliminary outcome.

Assets

General Government Total Assets are estimated to be \$13 990 million at 30 June 2007, an increase of \$595 million from the 30 June 2006 balance of \$13 395 million.

Financial assets are anticipated to increase by \$326 million primarily due to:

- an increase of \$133 million in Cash and deposits which primarily reflects the growth in the balance of Accounts held in the Special Deposits and Trust Fund; and
- an increase in Equity assets of \$239 million, due to an estimated increase in the General Government Sector's equity interest in the Public Non-Financial Corporations Sector.

Non-financial assets are anticipated to increase by \$268 million primarily as a result of:

- an increase in infrastructure assets of \$152 million within the Department of Infrastructure, Energy and Resources primarily due to capital expenditure and revaluations; and
- an increase in land and plant and equipment assets of \$103 million within the Department of Tourism, Arts and the Environment primarily due to revaluations.

General Government Total Liabilities are estimated to be \$4 745 million at 30 June 2007, \$458 million greater than the 30 June 2006 balance of \$4 287 million. The increase in liabilities relates to:

- an increase in the Superannuation liability of \$478 million. The increase is partially due to a significant increase in contributions tax liability, due to a reduction in the level of pre-July 1988 funding credits and actuarial assumption changes, including the implication of lower pensioner mortality rates; and
- a partially offsetting decrease in Borrowings of \$21 million, reflecting the repayment of maturing debt using surplus cash held in the Public Account.

Table 5: General Government Balance Sheet

	30 June 2006 Actual	30 June 2007 Original Budget	30 June 2007 Preliminary Outcome
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	607	586	740
Advances paid	56	34	31
Investments, loans and placements	2	1	9
Other non-equity assets	1 039	882	1 010
Equity	3 049	3 148	3 288
Total	4 752	4 652	5 078
Non-financial assets			
Land and fixed assets	8 584	7 846	8 844
Other non-financial assets	58	33	68
Total	8 643	7 879	8 911
Total assets	13 395	12 532	13 990
Liabilities			
Advances received	248	241	242
Borrowings	157	148	136
Superannuation liability	3 199	3 631	3 677
Other employee provisions	356	365	379
Other non-equity liabilities	327	194	311
Total liabilities	4 287	4 579	4 745
NET WORTH¹	9 108	7 952	9 245
NET FINANCIAL WORTH²	464	73	333
NET FINANCIAL LIABILITIES³	2 940	3 399	3 275
NET DEBT⁴	(259)	(232)	(402)

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 Superannuation Liability.
4. Net Debt represents the sum of Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

CASH FLOW STATEMENT

Table 6 details the preliminary General Government Cash Flow Statement for 2006-07.

The 2006-07 preliminary Cash Surplus of \$151 million is \$98 million greater than the original 2006-07 Budget estimate of \$53 million. This is primarily due to additional receipts in relation to Grants and subsidies received, Taxes received, Sales of goods and services, and Other receipts, partially offset by increased Cash payments for operating activities.

Table 6: General Government Cash Flow Statement

	2005-06 Actual	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$m	\$m	\$m
Cash receipts from operating activities			
Taxes received	699	728	749
Receipts from sales of goods and services	268	293	297
Grants and subsidies received	2 258	2 257	2 282
Dividend and income tax equivalent income	164	147	171
Interest received	32	33	45
Other receipts	259	199	253
Total	3 680	3 656	3 795
Cash payments for operating activities			
Payments for goods and services	(2 446)	(2 597)	(2 634)
Grants and subsidies paid	(616)	(640)	(620)
Interest paid	(34)	(23)	(23)
Other payments	(132)	(153)	(204)
Total	(3 229)	(3 413)	(3 481)
Net cash flows from operating activities	451	242	314
Net cash flows from investments in non-financial assets			
Sale of non-financial assets	50	72	60
Purchases of non-financial assets	(262)	(262)	(223)
Total	(213)	(190)	(163)
Net cash flows from investments in financial assets for policy purposes	5	3	10
Net cash flows from investments in financial assets for liquidity purposes	8	...	(2)
Net cash flows from financing activities			
Advances received (net)	(13)	(6)	(6)
Borrowing (net)	(254)	(21)	(26)
Other financing (net)	(16)	(24)	(1)
Total	(283)	(51)	(33)
Net Increase/(Decrease) in Cash Held	(31)	5	127
CASH SURPLUS/(DEFICIT)¹	238	53	151

Note:

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

4. CONSOLIDATED FUND

The 2006-07 preliminary Consolidated Fund Surplus outcome is \$19.0 million, \$15.2 million greater than the original 2006-07 Budget estimate of \$3.8 million.

Table 7: Consolidated Fund Preliminary Outcome, 2006-07

	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$'000	\$'000
Receipts		
Commonwealth Sources		
Recurrent Receipts	1 995 719	2 027 279
Capital Receipts	52 922	48 107
Total Commonwealth Sources	2 048 641	2 075 387
State Sources		
Recurrent Receipts	1 081 135	1 129 153
Capital Receipts	270	340
Total State Sources	1 081 405	1 129 493
Total Receipts	3 130 046	3 204 880
Less Expenditure		
Recurrent Services		
Appropriation Act	2 796 927	2 876 923
Reserved by Law	121 475	117 490
Total Recurrent Services	2 918 402	2 994 413
Works and Services		
Capital Investment Program	186 543	170 158
Economic and Social Infrastructure Fund	21 325	21 325
Total Works and Services	207 868	191 483
Total Expenditure	3 126 270	3 185 896
Consolidated Fund Surplus	3 776	18 984

Table 8: Consolidated Fund Expenditure, 2006-07

	2006-07 Original Budget \$'000	2006-07 Preliminary Outcome \$'000
Economic Development		
Recurrent Services	43 648	49 138
Total	43 648	49 138
Education		
Recurrent Services	758 049	762 134
Works and Services	18 596	16 236
Total	776 645	778 370
Finance-General		
Recurrent Services	396 082	432 938
Works and Services	21 325	21 325
Total	417 407	454 263
Health and Human Services		
Recurrent Services	1 060 511	1 071 589
Works and Services	31 973	30 680
Total	1 092 484	1 102 268
House of Assembly		
Recurrent Services	5 379	6 088
Total	5 379	6 088
Infrastructure, Energy and Resources		
Recurrent Services	115 449	117 136
Works and Services	104 420	97 313
Total	219 869	214 449
Justice		
Recurrent Services	104 131	106 904
Works and Services	19 904	19 904
Total	124 035	126 808
Legislative Council		
Recurrent Services	4 495	4 873
Total	4 495	4 873

Table 8: Consolidated Fund Expenditure, 2006-07 (continued)

	2006-07 Original Budget \$'000	2006-07 Preliminary Outcome \$'000
Legislature-General		
Recurrent Services	4 531	5 035
Total	4 531	5 035
Ministerial and Parliamentary Support		
Recurrent Services	17 514	17 514
Total	17 514	17 514
Office of the Governor		
Recurrent Services	2 798	2 773
Total	2 798	2 773
Police and Emergency Management		
Recurrent Services	156 612	160 598
Works and Services	700	1 100
Total	157 312	161 698
Premier and Cabinet		
Recurrent Services	39 167	47 157
Works and Services	500	260
Total	39 667	47 416
Primary Industries and Water		
Recurrent Services	86 802	82 939
Works and Services	1 147	1 147
Total	87 949	84 086
Tasmanian Audit Office		
Recurrent Services	319	301
Total	319	301
Tourism, Arts and the Environment		
Recurrent Services	87 210	91 429
Works and Services	9 303	3 519
Total	96 513	94 948

Table 8: Consolidated Fund Expenditure, 2006-07 (continued)

	2006-07 Original Budget	2006-07 Preliminary Outcome
	\$'000	\$'000
Treasury and Finance		
Recurrent Services	35 705	35 867
Total	35 705	35 867
TOTAL EXPENDITURE	<u>3 126 270</u>	<u>3 185 896</u>

5. CONCEPTS AND DEFINITIONS

UNIFORM PRESENTATION FRAMEWORK (UPF)

The Preliminary Outcomes Report is prepared on the Uniform Presentation Framework (UPF) basis.

The UPF is based on the concepts and classifications used by the Australian Bureau of Statistics (ABS) in the preparation of public finance reports. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. The Government Finance Statistics classification adopts a nationally consistent format for presenting the financial transactions of governments.

The UPF was first established by the Australian Loan Council in May 1991. The Council revised the UPF in March 2000 to adopt accrual Government Finance Statistics based reporting. The primary objective of the UPF is to ensure that the Australian, State and Territory governments present their budgets on a standard, comparable basis. It was recognised that a more uniform approach to the presentation of budgets, forward estimates and outcomes would facilitate understanding of individual government's financial results and projections.

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

An important distinction made in the UPF framework is between "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 a liability, that does not result from a transaction. This includes a wide variety of events such as the revaluation of assets (holding gains or losses) arising from a change in market prices, and changes in the volume of assets that result from discoveries, depletion and destruction of assets. The impact of all “other economic flows” is excluded from the UPF Operating Statement. These changes impact directly on equity in the Balance Sheet in the UPF treatment. This is a major source of differences between the UPF Operating Statement and the Income Statement prepared in accordance with the Australian Accounting Standards.

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

Operating Statement

The Operating Statement presents information on revenues and expenses. This statement is designed to capture the composition of revenues and expenses 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 Balance and the Fiscal Balance.

Net Operating Balance

The Net Operating Balance is the best measure of the on-going sustainability of the ordinary operations of government. It is determined as the excess of revenues over expenses. The Net Operating Balance excludes capital expenditure, but includes non-cash costs such as accrued employee entitlements and depreciation. By including all accruing costs, including depreciation, the Net Operating Balance encompasses the full cost of providing government services.

A Net Operating Surplus indicates that the ordinary operations of government are sustainable and 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 to meet one-off projects or programs; and/or revenues are not sufficient to meet all expenses for the current year.

Fiscal Balance

The Fiscal Balance indicates whether a sufficient surplus is being generated by the ordinary 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 the capital stock.

The Fiscal Balance measures the investment–saving balance. A Fiscal Surplus indicates that the Government is saving more than enough to finance all of its investment spending, whilst a Fiscal Deficit indicates that the Government is spending reserves, including previously accumulated surpluses, to fund its investment spending.

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

Balance Sheet

The Balance Sheet records 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, taken at a point in time, for instance, the end of the financial year. By providing information on the type of assets and liabilities held by a government, the statement shows the government's financial position at that point in time.

The Balance Sheet includes information on the make-up and value of a government's financial 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 Debt, Net Financial Liabilities, Net Financial Worth and Net Worth.

Net Debt

Net Debt is a measure used to help judge the overall strength of a jurisdiction's fiscal position. Net Debt comprises the stock of selected gross financial liabilities less selected financial assets. 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. Currently, Tasmania's selected financial assets exceed the stock of specified gross financial liabilities. Therefore, the State has a "negative" Net Debt and is considered a net investor of funds.

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 overall fiscal position. This measure is not included in the UPF, but is commonly used by international credit ratings agencies.

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 a government's cash receipts and payments, outlining how a government obtains and disposes of cash.

This statement categorises cash flows into operating, investing and financing activities. Operating activities related to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are related to the acquisition and disposal of financial and

non-financial assets. Financing activities are related to changing the size and composition of a government's financial structure.

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

Net Increase in Cash Held

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

Cash Surplus

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

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

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

Consolidation of Transactions

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

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

For example, in the case of GFS, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Operating Statement as both agencies are classified as General Government. Similarly, Treasury has on-lent Commonwealth State Housing Agreement funds to the Department of Health and Human Services and since both agencies are within the General Government Sector, the borrowing recorded by the Department of Health and Human Services and the advance held by Treasury are eliminated.

Consolidated Fund

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

Expenditure from the Consolidated Fund is subject to appropriation by Parliament and actual expenditure and receipts are compared with the annual estimates.

GENERAL GOVERNMENT ENTITIES

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 Emergency Management
Premier and Cabinet
Primary Industries and Water
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
The Nominal Insurer
Tourism, Arts and the Environment
Treasury and Finance