

2008-09 Mid-Year Financial Report (Consolidated)



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CONVENTIONS

Figures in tables and in the text have been rounded. Discrepancies in tables between totals and sums of component items reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts. The notation used in the 2008-09 Mid-Year Financial Report is as follows:

na not available, or not applicable

.... zero, or rounded to zero

\$'000 \$ thousand

\$m \$ million

1 INTRODUCTION

The *2008-09 Mid-Year Financial Report (Consolidated)* is prepared in accordance with section 26 of the *Financial Management and Audit Act 1990*. Due to the impact of the global financial crisis on the Australian and Tasmanian economies, the Government presented the Report in two parts. This Report presents the full requirements for a half-yearly report. It combines the information contained in the *2008-09 Mid-Year Financial Report (Preliminary)* and *2008-09 Mid-Year Financial Report (31 December Outcome)*. There has been no new or additional information included in this Report.

The *2008-09 Mid-Year Financial Report (Consolidated)* contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures detailed in the 2008-09 Budget Papers and commentary on significant variations to the Budget outlook.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2008-09 Budget Papers.
- Section 4 presents the Income Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing year-to-date results, original Budget and revised Budget estimates presented in accordance with the applicable Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where required, commentary is provided on material changes between original and revised Budget estimates. A Policy and Parameter Statement is presented reconciling the movements in the Net Operating Balance and Fiscal Balance between the original and revised Budget estimates.
- Section 5 presents revised fiscal estimates for the General Government, Public Non-Financial Corporations and Total Non-Financial Public Sectors, in accordance with the Uniform Presentation Framework requirements for a Mid-Year Report.
- 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.

The *2008-09 Mid-Year Financial Report (Consolidated)* includes action taken by the Government in response to the global financial crisis.

These actions include: agency efficiency dividends; changes in indexation arrangements; adjustments to the funding arrangements for the unfunded superannuation liability; revisions to the rate of accumulation of cash to fund the new Royal Hobart Hospital; and revisions to the funding profile of some projects included in the capital works program. Further action will be considered by the Government as required and will be reflected in the 2009-10 Budget and the 2008-09 Financial Statements.

2 KEY FISCAL STRATEGY MEASURES

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 and how these issues will be addressed.

The current Fiscal Strategy commenced in 2006-07 and extends for a period of five years. The five year period of the Fiscal Strategy represents an appropriate medium-term timeframe in which to set Tasmania's fiscal goals.

Table 2.1 summarises the major General Government Sector headline Budget measures and the revised Budget estimates. Generally, the Forward Estimates for the three-year period 2009-10 to 2011-12 have been prepared on the assumption that 2008-09 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 2008-09, and are anticipated to have a material impact on the financial projections, the Budget and Forward Estimates have been revised accordingly. These changes are detailed in the Policy and Parameter Statement presented in Section 4 of this Report.

Table 2.1 shows that the Government will continue to meet its Net Debt free and capital expenditure targets. However, the Government will be required to undertake further action to ensure it meets its Fiscal Strategy targets of maintaining the Net Operating Balance and the Fiscal Balance in surplus over the four-year rolling average period of the 2008-09 Budget and Forward Estimates.

The General Government Sector financial statements reflect agencies' best estimates of the revised Budget and Forward Estimates. These financial estimates may vary from the final outcome.

Table 2.1: Key Fiscal Strategy Measures

Tactical Target	2008-09	2008-09	2008-09	2009-10	2010-11	2011-12	Assessment of Progress
	Dec YTD Actual	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate	
	\$m	\$m	\$m	\$m	\$m	\$m	
General Government Net							
Operating Balance to be maintained in surplus, on average, over four-year rolling period							
Net Operating Surplus/(Deficit)	(106.6)	105.7	(91.3)	9.5	30.9	142.2	
Four-year rolling average	na	88.0	(8.4)	(16.9)	0.6	22.8	🕒
General Government Fiscal							
Balance to be maintained in surplus, on average, over four-year rolling period							
Fiscal Surplus/(Deficit)	(139.5)	30.2	(148.1)	(81.4)	(80.5)	74.7	
Four-year rolling average	na	71.0	(11.5)	(33.5)	(52.1)	(58.8)	✖
Consolidated Fund maintained in surplus							
	(109.5)	14.1	1.4	9.4	16.5	23.3	✓
Net Unfunded Superannuation Liability to be extinguished by 2035¹							
	2 739.2	2 506.0	2 996.2	3 064.2	3 102.1	3 129.7	✓
General Government Sector to remain Net Debt free							
	(846.5)	(1 122.8)	(948.5)	(999.2)	(1 063.4)	(1 269.2)	✓
General Government Capital Expenditure to at least equal depreciation, on average, over four-year rolling period							
Capital expenditure ² in excess of depreciation	(15.1)	127.2	104.1	155.0	155.1	108.6	
Four-year rolling average	na	72.0	59.0	76.1	108.3	130.7	✓

Key: ✓ On Target, 🕒 Issues to be addressed, ✖ Remedial action required

Notes:

1. The Net Unfunded Superannuation Liability Fiscal Strategy target has been extended from 2033 to 2035 as part of the Government's response to manage the Budget and Forward Estimates in light of the impact of the global financial crisis.
2. Capital expenditure is referred to as Purchase of non-financial assets in the General Government Income Statement.

3 TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 3.1: 2008-09 Economic Forecasts

	2007-08	2008-09	2008-09
	Actual	Budget Forecasts	Revised Forecast
State economic activity (real, % change) ^{1,2}	....	3¼	2¾
Employment (year-average, % change)	2.8	2	2½
Level of employment (year-average, '000s)	230.7	234	237
Labour force participation rate (year-average, %)	61.0	60¾	61¾
Unemployment rate (year-average, %)	4.9	5	4½
Consumer price index (Hobart, year-average, % change)	3.0	3¼	4
Population (year-average, % change)	0.9	0.8	0.9

Sources:

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 2008-09 focuses on the underlying movements in output and is based on trends in key indicators. This estimate is not designed to be consistent with, or to forecast, the Gross State Product series produced by the ABS.
2. Actual unavailable. See note 1.

Economies worldwide are experiencing an unprecedented level of uncertainty due to the global financial crisis. International business and consumer confidence have fallen sharply and the global economy has now entered a downturn. The US economy now appears to be moving into a marked recessionary period, with rapidly rising unemployment; other major economies, including Japan, are also expected to go into recession in 2008-09. Even China, which has sustained the high global economic growth in recent years, is facing an appreciably weaker economic outlook and this looks to be deteriorating further.

It is not possible to assess how deep or sustained the global financial crisis will be, or whether the fiscal and monetary policies of the major economies will be effective in restoring financial conditions and business and consumer confidence. It is becoming clear, however, that the so-called "real economy" impacts have already taken hold across a large number of countries and that these are the most challenging economic conditions in several decades. These circumstances have made it very difficult to assess how and to what extent regional economies will be affected over the next 12 to 24 months.

Furthermore, this is the first time that the globally integrated financial markets have been put under major stress. Given the significant challenge of assessing the impacts of these very volatile events for the current year, it will still be quite some time before enough information is to hand to fully assess what will hold for coming years, although the outlook for 2009-10 is already looking appreciably weaker than the outcome for this year is likely to be.

Without doubt, the national economy is experiencing the effects of the financial crisis, initially in the financial markets and, more recently, through lower commodity prices, a stalling in credit growth and a small decline in retail sales. As a result the Australian Treasury has revised its estimate of national economic growth for 2008-09 from 2¾ per cent to 2 per cent.

The Tasmanian economy will not be immune from these global and national developments, nor would it be expected to be, since about half of the State's output is destined for interstate and overseas markets. How Tasmania will be affected is difficult to anticipate and it may be the case that the impact in Tasmania is not as severe, at least in the short term, as will be the case nationally. To date, the direct impacts have generally been industry-specific rather than economy-wide. Examples include the deferral of some major projects, such as the Musselroe Bay tourism venture, and the closure of the Hellyer zinc mine in September 2008 due to the sharp decline in zinc prices. Although retail spending has continued to grow in Tasmania, there has been a reduction in secured housing finance commitments and in new vehicle purchases, which suggests some households are deferring expenditure on major items.

According to Australian Bureau of Statistics data, the labour market in Tasmania has been very strong in recent months, with large increases in employment, a very sharp fall in the unemployment rate and a rising participation rate. All labour market indicators were more favourable by October 2008 than anticipated at Budget time. In trend terms, employment in the six months to October 2008 grew by more than 9 000 persons - an increase of 3.9 per cent over the past six months. This has been accompanied by a 0.8 percentage point decrease in the unemployment rate. Tasmania's unemployment rate in October 2008 was 3.7 per cent, which was 0.6 percentage points below the national level.

This indicates very strong economic growth for the first quarter of the 2008-09 financial year, which was not anticipated at Budget time. This growth is likely to have been higher than national economic growth over this period. This is consistent with past economic cycles, where there has usually been a lag of between six months and 18 months between changes in national economic conditions and changes in the Tasmanian economy. The smaller impact to date in Tasmania may also have been due to lower average household wealth and debt levels in Tasmania, relative to Australia as a whole, which has limited the exposure of Tasmanian households to the large declines in equity values and the volatility in interest rates.

However, given the national and international conditions, this momentum is not sustainable. Firstly, the labour market is currently very tight: the unemployment rate for persons unemployed for more than one month is approximately two per cent and the participation rate is around record high levels. Labour is therefore in short supply, especially skilled labour. Secondly, and more significantly, the growth in labour demand cannot be sustained in the face of increasing adverse external factors and a downturn in some forward indicators, such as housing approvals and housing finance commitments.

In revising its economic forecasts for the current financial year, Tasmanian Treasury has had to balance the recent strong growth with declining future prospects, reflected already in a downturn in some leading indicators. Revised estimates have been more difficult to develop this year due to the ever-changing global and national economic environment and the rolling out of major policy responses in Australia and in other developed economies.

Expressed in year-average terms, however, economic growth over 2008-09 is still expected to be above trend, which very much reflects the very strong growth already having occurred in the first four months of this year. The growth in State economic activity for 2008-09 is estimated to be 2¾ per cent, slightly below the 3¼ per cent growth forecast at the time of the 2008-09 Budget.

Consumer spending was a key driver of economic growth in 2007-08, rising by 4.7 per cent over the year. It was supported largely by population growth, increased visitor numbers and sustained growth in household income and wealth. However, to the extent that the recent financial market turmoil is encouraging households to reduce their debt levels, there will be some softening in consumer spending ahead, despite recent falls in official interest rates. Furthermore, unlike in some mainland states, house prices have continued to grow, though at a much lower rate than experienced earlier in the decade. Prices are now stalling and turnover in the residential real estate market in particular has declined substantially.

The recovery in private investment has been sustained, with growth over the 2007-08 financial year of 19.9 per cent to reach a record level of \$4.2 billion. Business investment is expected to remain above trend in 2008-09, with several major projects underway, though a further easing in dwelling investment is expected. A substantial amount of public sector investment is planned for 2008-09, especially in infrastructure.

The likely commencement date for several major projects has been reassessed in light of current credit conditions, especially major investments that rely on a large share of funding from overseas. Most significantly, the forecasts for 2008-09 do not incorporate the commencement of the pulp mill at Longreach, in contrast to the assumption made when the 2008-09 Budget was prepared.

Export growth is expected to soften over the remainder of 2008-09. The upturn in the value of overseas exports since mid-2004 has largely been driven by very strong increases in commodity prices. However, these price rises have recently been unwinding in light of concerns over future world economic growth and reduced demand for commodities. The value of Tasmania's overseas merchandise exports fell by 0.6 per cent to \$3.67 billion in nominal terms in the year to September 2008, compared to the previous year. Almost half of Tasmania's merchandise export sales are to the Republic of Korea, Hong Kong, China, Taiwan and India - countries which have only recently been experiencing the effects of the financial crisis. Some respite will be provided by the recent depreciation of the Australian dollar against most major currencies, which will boost export earnings for local producers.

Employment in Tasmania is expected to grow by 2½ per cent in 2008-09. This is higher than the 2 per cent growth rate forecast at the time of the 2008-09 Budget and reflects the recent employment growth described above. According to the ABS, almost three-quarters of the growth in employment over the past six months has been in full-time employment. The estimated year-average employment level for 2008-09 has been revised upwards to 237 000 from 234 000 forecast at the time of the 2008-09 Budget. However, it is difficult to anticipate how the prospect of job shedding that is expected to occur nationally will impact on Tasmania.

ABS data indicate that Tasmania's participation rate has also increased in recent months, with the participation rate now expected to settle slightly below its current level (in trend terms) to 61¾ per cent over the course of 2008-09 - an increase from the level of 60¾ per cent forecast at Budget time. The unemployment rate for 2008-09 is expected to increase slightly over coming months to average around 4½ per cent over 2008-09, down from 5 per cent as forecast at Budget time.

The year-average growth estimate for Hobart Consumer Price Index has been revised upwards to 4 per cent, from 3¼ per cent. This reflects the recent increase in inflation in Tasmania and the view of the

Reserve Bank of Australia that, nationally, near-term inflation will remain high, despite some easing due to lower petrol prices.

Population growth is expected to continue at around current rates over 2008-09, supported by strong natural increase (birth minus deaths), high levels of overseas in-migration and modest net interstate in-migration. This in-migration is expected to be assisted by Tasmania's greater housing affordability and increased employment opportunities relative to some other states. Population growth is expected to be maintained at 0.9 per cent in 2008-09, the same rate as in 2007-08 and marginally above the Budget time estimate of 0.8 per cent.

The revised forecast of economic activity, which suggests that the Tasmania economy will perform slightly weaker over 2008-09 than Treasury anticipated at Budget time, may not seem consistent with the significant revenue impacts reported elsewhere in this Report. Those revenue impacts are comprised largely of reductions in Tasmania's share of (national) GST collections and conveyance duties on the transfer of properties. Treasury does not believe that the property market on its own is a reliable indicator of the general state of the Tasmanian economy and although the national economy appears already to be slowing as a result of international circumstances, Treasury believes that there will be a lagged effect for Tasmania, from six months to possibly as long as twelve months (which is a slightly shorter timeframe than historical experience would suggest). Payroll tax collections are currently running ahead of Budget targets.

4 GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

INCOME STATEMENT

The Income Statement shows the estimated Net Operating Balance for 2008-09 to be a \$91.3 million deficit, \$197.0 million below the 2008-09 Budget estimate of a \$105.7 million surplus.

The estimated Fiscal Balance for 2008-09 is a \$148.1 million deficit, \$178.3 million below the 2008-09 Budget estimate of a \$30.2 million surplus. The General Government Sector Income Statement for 2008-09 is detailed in Table 4.1.

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

Revenue

Total revenue is estimated to be \$4 123.9 million in 2008-09, \$7.4 million or 0.2 per cent less than the 2008-09 Budget estimate of \$4 131.3 million. The unfavourable movement in revenue reflects:

- a decrease in General purpose payments revenue of \$71.1 million, due to a reduction in Goods and Services Tax collections as a result of a slowing Australian economy and the associated decrease in the national GST pool;
- an increase in Specific purpose recurrent payments revenue of \$48.1 million, primarily reflecting the impact of additional Australian Government funding as determined by the Council of Australian Governments for the Departments of Health and Human Services and Education of \$55.3 million; and increases in the Disability Services Grant of \$2.9 million; and the Home and Community Care Program of \$1.5 million. These increases are partly offset by the receipt of Australian Government funding for the Health Care Grant of \$12.5 million which was originally budgeted to be received in 2008-09, however, was received in 2007-08;
- an increase in Other grants and subsidies revenue of \$88.7 million, largely reflecting payment by the Australian Government of \$60.0 million for the State Government to manage the Mersey Community Hospital; Health grants for community programs including \$6.4 million for Elective Surgery and \$3.2 million for the Dental Health Program; and an additional \$19.0 million relating to the final Australian Government contribution under the Tasmanian Community Forest Agreement which was originally anticipated to be received in 2007-08;

- a decrease in Taxation revenue of \$63.5 million, primarily reflecting reductions in revenue from Duties of \$73.2 million, Land tax of \$4.1 million and Motor tax of \$1.0 million. These decreases are partially offset by an increase in revenue from Payroll tax of \$10.0 million, Vehicle registration fees of \$2.6 million, and additional Guarantee fees paid by Government Businesses of \$2.9 million.

The decrease in Duties is attributable to a decrease in conveyance duty due to a reduction in activity in the residential property market. The 2008-09 Budget Land tax estimate was based on preliminary land values and property ownership, while the revised Budget estimate reflects actual land values and property ownership as at 1 July 2008.

The revised Payroll tax estimate is greater than the 2008-09 Budget due to higher than expected employment levels and strong wages growth. Table 4.2 provides a summary of the movements in taxation revenue;

- a decrease in Sales of goods and services of \$5.4 million, which primarily reflects a reduction in revenue within the Department of Economic Development and Tourism from bookings through Tasmania's Temptations Holidays of \$3.1 million and a reduction in Land Title Office revenue of \$2.2 million;
- a decrease in Interest income of \$9.5 million due to lower than forecast interest rates and changes in the level of cash held in the Public Account;
- additional Dividend, tax and rate equivalent Income of \$8.0 million. The increase is due to higher than anticipated income tax equivalents of \$13.9 million, which reflects additional payments from the Motor Accidents Insurance Board of \$20.0 million, partly offset by a reduction in tax equivalents from Aurora Energy Pty Ltd of \$5.8 million. Dividend income is \$5.9 million below the 2008-09 Budget estimate largely due to a decrease in receipts from Transend Networks of \$5.6 million; and
- a decrease in Other revenue of \$5.6 million, which reflects a \$15.1 million reduction in mineral royalties income as a result of a significant decrease in commodity market prices for mineral resources. However, this decrease is partly offset by an increase in revenue within the Department of Justice of \$6.5 million reflecting increased turnover from WorkCover Tasmania activities, and revenue from conducting Local Government elections; and additional revenue within the Department of Economic Development and Tourism of \$3.4 million reflecting a reclassification of income, an increase in rent income and an increase in international education fees.

Year-to-date, as at 31 December 2008:

- Grants revenue is \$1 200.6 million, \$94.3 million or 7.3 per cent below the pro rata 2008-09 revised Budget estimate. This variation is primarily due to the timing of payments of GST Revenue and Specific Purpose Payments by the Australian Government to the State; and
- Taxation revenue is \$435.2 million, \$20.6 million or 5.0 per cent above the pro rata 2008-09 revised Budget estimate. The year-to-date receipts reflect the timing of Land tax revenue, where the bulk of all invoices for 2008-09 were issued in November 2008.

Expenses

Total expenses for 2008-09 are estimated to be \$4 215.2 million, \$189.6 million or 4.7 per cent greater than the 2008-09 Budget estimate of \$4 025.6 million. The movement in expenses reflects:

- an increase in Employee expenses of \$38.9 million, primarily relating to the Department of Health and Human Services. The increase represents additional employee costs in public hospitals, primary health care, disability services, and children and family services funded from additional Australian Government revenue and the recognition of Mersey Community Hospital related expenditure;
- an increase in Superannuation expense of \$42.1 million, primarily reflecting the current actuarial assessment of the Government's unfunded superannuation liability and lump sum payments made to the Retirement Benefits Fund;
- an increase in Supplies and consumables expense of \$48.0 million, primarily reflecting increased expenditure by the Department of Health and Human Services. The increase represents additional costs in public hospitals, primary health care, disability services, and children and family services funded from additional Australian Government revenue and the recognition of Mersey Community Hospital related expenditure, also offset by Australian Government revenue;
- an increase in the Nominal superannuation interest expense of \$27.3 million, reflecting the current actuarial assessment of the Government's unfunded superannuation liability and a lower than anticipated value of the superannuation assets; and
- an increase in Other expenses of \$26.6 million, primarily relating to the Department of Premier and Cabinet, representing additional expenditure of \$19.0 million relating to the final Australian Government contribution under the Tasmanian Community Forest Agreement; an increase in expenditure within the Department of Justice of \$3.3 million by Workplace Standards Tasmania; and a reclassification of \$3.1 million in budgeted expenditure to Other expenses by the Department of Economic Development and Tourism.

Year-to-date, as at 31 December 2008:

- Grants expenses are \$456.7 million, \$91.6 million or 25.1 per cent above the pro rata 2008-09 revised Budget estimate. This variation reflects the timing of the distribution of grants. For example, primarily all funds to be distributed for 2008-09 under the Tasmanian Community Forest Agreement, amounting to \$34.0 million, were paid by December 2008.

Other Economic Flows – included in Operating Result

The Revaluation of superannuation liability is anticipated to be a loss of \$477.9 million, \$453.3 million greater than the 2008-09 Budget estimate of \$24.6 million. The movement reflects the revision to the Superannuation liability and expense estimates on the basis of a recent actuarial assessment.

Net Acquisition/(Disposal) of Non-Financial Assets

The movement in Net acquisition/(disposal) of non-financial assets of \$18.7 million represents a decrease in the Purchases of non-financial Assets of \$21.9 million, and a decrease in the Sale of non-financial assets of \$4.4 million, partly offset by an increase in Depreciation of \$1.2 million. The decrease in Purchases of non-financial assets primarily reflects revised timing of capital projects, whilst the decrease in Sales of non-financial assets primarily reflects a decrease in the sale of Housing stock.

As at 31 December 2008, the General Government Sector year-to-date expense for Purchase of non-financial assets was \$93.3 million, \$71.0 million or 43.2 per cent below the pro rata 2008-09 revised Budget estimate. This largely reflects the timing of payments for major capital projects by Budget Sector agencies, such as for roads and rail infrastructure where the majority of expenditure is anticipated to occur in the second half of the financial year.

Table 4.1: General Government Income Statement

	2007-08	2008-09	2008-09	2008-09
	Dec YTD	Original	Revised	Dec YTD
	Actual	Budget	Estimate	Actual
	\$m	\$m	\$m	\$m
Revenue from transactions				
Grants	1 166.7	2 525.1	2 589.7	1 200.6
Taxation	456.0	892.8	829.3	435.2
Sales of goods and services	123.5	314.0	308.6	175.4
Fines and regulatory fees	17.1	59.6	63.6	27.0
Interest income	21.7	94.6	85.1	38.6
Dividend, tax and rate equivalent income	142.6	154.2	162.2	79.4
Other revenue	83.5	91.0	85.4	59.8
	2 011.1	4 131.3	4 123.9	2 016.0
less Expenses from transactions				
Employee expenses	834.1	1 760.6	1 799.5	915.6
Superannuation	84.8	170.8	212.9	111.0
Depreciation	103.7	223.2	224.4	108.4
Supplies and consumables	415.7	944.7	992.7	402.1
Nominal superannuation interest expense	82.1	168.4	195.7	97.9
Borrowing costs	8.5	17.1	17.4	8.4
Grant expenses	371.7	725.1	730.3	456.7
Other expenses	44.0	15.7	42.3	22.4
	1 944.6	4 025.6	4 215.2	2 122.5
equals NET OPERATING BALANCE	66.5	105.7	(91.3)	(106.6)
plus Other economic flows – included in Operating Result				
Gain/(loss) on sale of non-financial assets	14.6	7.5	3.1	2.5
Revaluation of equity investment in PNFCs and PFCs	(336.6)	147.0	147.0	72.0
Revaluation of superannuation liability	(11.3)	(24.6)	(477.9)	(239.0)
Other gains/(losses)	....	(8.7)	(8.3)	(21.7)
	(333.3)	121.3	(336.2)	(186.2)
equals Operating Result	(266.8)	227.0	(427.5)	(292.8)

Table 4.1 General Government Income Statement (continued)

	2007-08 Dec YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 Dec YTD Actual \$m
plus Other economic flows – other movements in Equity				
Revaluations of non-financial assets	....	246.1	246.1	20.9
Other non-owner movement in equity	83.0	14.7	14.7	(29.1)
	83.0	260.8	260.8	(8.2)
equals Comprehensive Result – Total change in Net Worth	(183.8)	487.7	(166.7)	(300.9)
KEY FISCAL AGGREGATES				
NET OPERATING BALANCE	66.5	105.7	(91.3)	(106.6)
less Net acquisition/(disposal) of non-financial assets				
Purchase of non-financial assets	95.7	350.4	328.5	93.3
less Sale of non-financial assets	23.1	51.6	47.2	17.8
less Depreciation	103.7	223.2	224.4	108.4
	(31.1)	75.5	56.8	(32.9)
equals FISCAL BALANCE – SURPLUS/(DEFICIT)	97.6	30.2	(148.1)	(73.6)

Table 4.2: General Government Grants

	2007-08 Dec YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 Dec YTD Actual \$m
GST revenue	812.2	1 751.7	1 680.6	828.7
Australian Government specific purpose payments	225.3	489.7	537.8	235.2
Australian Government capital grants	29.8	88.9	87.9	15.0
Other grants and subsidies	99.4	194.8	283.5	121.6
TOTAL GRANTS AND SUBSIDIES	1 166.7	2 525.1	2 589.7	1 200.6

Table 4.3: General Government Taxation

	2007-08 Dec YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 Dec YTD Actual \$m
Payroll tax	117.7	266.1	276.1	129.3
Taxes on Property				
Land tax	73.4	83.9	79.8	79.7
Fire service levies	23.0	42.8	42.8	21.8
Government guarantee fees	4.2	11.6	14.5	4.4
Taxes on financial and capital transactions	111.0	224.8	156.1	75.8
	211.6	363.1	293.2	181.6
Taxes on the Provision of Goods and Services				
Casino tax and licence fees	28.7	60.3	60.3	29.7
Other gambling taxes	14.4	31.7	30.9	15.2
Other taxes on insurance	20.6	43.5	43.5	22.3
	63.7	135.5	134.7	67.2
Taxes on the Use of Goods and Services				
Motor vehicle fees and taxes	63.0	128.1	125.2	57.1
	63.0	128.1	125.2	57.1
TOTAL TAXATION REVENUE	456.0	892.8	829.3	435.2

BALANCE SHEET

Table 4.3 details the estimated General Government Sector Balance Sheet as at 30 June 2009.

Budget estimates for the 2008-09 Balance Sheet were compiled in May 2008 prior to the completion of the actual outcomes for 30 June 2008. As a result, the variance from the 2008-09 Budget estimate will be impacted by the difference between the estimated and actual opening balances for 2008-09.

The estimated Balance Sheet as at 30 June 2009 includes the following movements:

Assets

Total assets are estimated to be \$16 588.3 million at 30 June 2009, an increase of \$833.6 million above the 2008-09 Budget estimate of \$15 754.7 million.

Financial assets are anticipated to decrease by \$27.6 million as a result of:

- a decrease in Cash and deposits of \$185.3 million, which primarily reflects the reduction in revenues as reflected in the Income Statement, and the equity investment by the Government in Aurora Energy Pty Ltd to purchase the Tamar Valley Power Station; and
- an increase in Equity investments of \$141.2 million, primarily reflecting the acquisition of the Tamar Valley Power Station and adjustments to the value of the equity investment in the Public Non-Financial Corporations Sector.

Non-financial assets are anticipated to increase by \$861.3 million, reflecting adjustments to 2008-09 opening balances as a result of asset revaluations by agencies, including:

- the Department of Infrastructure, Energy and Resources (\$400.2 million);
- the Department of Health and Human Services (\$280.8 million);
- the Department of Environment, Parks, Heritage and the Arts (\$59.6 million);
- the Department of Education (\$42.8 million);
- the Department of Police and Emergency Management (\$28.3 million); and
- the Department of Economic Development and Tourism (\$9.5 million).

As at 31 December 2008, asset balances are consistent with the estimated Balance Sheet for 30 June 2009. Receivables are \$57.0 million above the revised Budget estimate at 30 June 2009. However, this reflects an accrual for land tax receivable due to the annual invoices for land tax being issued in November 2008.

Liabilities

Total liabilities are estimated to be \$5 373.5 million at 30 June 2009, \$386.1 million more than the 2008-09 Budget estimate of \$4 987.4 million. The increase in liabilities primarily relates to an increase in the Superannuation liability of \$460.1 million following an actuarial review of the liability, partly offset by decreases in Employee entitlements of \$25.0 million and Payables of \$38.3 million.

Table 4.4: General Government Balance Sheet

	31 Dec 2007	30 June 2009	30 June 2009	31 Dec 2008
	Actual	Original	Revised	Actual
	\$m	Budget	Estimate	\$m
Assets				
<i>Financial assets</i>				
Cash and deposits	880.3	1 386.0	1 200.7	1 106.7
Investments	33.0	44.8	47.2	40.0
Equity investments in PNFC and PFC Sectors	3 241.4	3 822.5	3 964.5	3 889.7
Other equity investments	6.4	4.1	3.3	6.1
Receivables	179.2	133.9	147.1	204.1
Other financial assets	967.7	1 017.4	1 018.3	992.3
	5 308.1	6 408.7	6 381.1	6 238.9
<i>Non-financial assets</i>				
Land and buildings	4 345.6	4 432.3	4 739.1	4 613.4
Infrastructure	3 982.7	4 149.1	4 723.5	4 547.7
Plant and equipment	225.9	280.4	243.7	250.0
Heritage and culture assets	417.0	409.3	427.3	419.9
Investment property	11.5	9.7	11.1	11.1
Intangible assets	12.6	21.9	25.6	22.4
Assets held for sale	1.1	1.4	5.9	3.5
Other non-financial assets	40.8	42.0	31.1	34.7
	9 037.1	9 346.0	10 207.3	9 902.6
Total Assets	14 345.2	15 754.7	16 588.3	16 141.5
Liabilities				
Borrowings	344.1	308.0	299.5	300.2
Superannuation	3 713.2	3 885.9	4 346.0	4 028.1
Employee entitlements	389.9	439.5	414.5	389.2
Payables	67.5	123.9	85.6	77.7
Other liabilities	288.7	230.1	227.9	265.6
Total Liabilities	4 803.4	4 987.4	5 373.5	5 060.7
NET ASSETS	9 541.8	10 767.3	11 214.9	11 080.8
Equity				
Accumulated surplus	6 134.8	6 666.8	6 550.4	6 632.2
Asset revaluation reserve	3 251.0	3 427.0	4 517.7	4 292.6
Other reserves	156.0	673.5	146.7	156.0
Total Equity	9 541.8	10 767.3	11 214.9	11 080.8

Table 4.4 General Government Balance Sheet (continued)

	31 Dec 2007	30 June 2009	30 June 2009	31 Dec 2008
	Actual	Original Budget	Revised Estimate	Actual
	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES				
NET WORTH¹	9 541.8	10 767.3	11 214.9	11 080.8
NET FINANCIAL WORTH²	504.7	1 421.3	1 007.6	1 178.2
NET FINANCIAL LIABILITIES³	2 736.7	2 401.2	2 957.0	2 711.5
NET DEBT⁴	(569.3)	(1 122.8)	(948.5)	(846.5)

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 Total Liabilities less Financial assets, excluding Equity investment in the Public Non-Financial Corporations and Public Financial Corporations sectors.
4. Net Debt represents Borrowings less the sum of Cash and deposits and Investments.

CASH FLOW STATEMENT

Table 4.4 details the Cash Flow Statement for 2008-09. The key measure of the Cash Flow Statement is the Cash Surplus.

The 2008-09 Cash Surplus is estimated to be \$24.5 million, \$135.5 million less than the 2008-09 Budget estimate of \$160.0 million.

The significant variations to the 2008-09 Cash Flow Statement are outlined below.

Cash received from operating activities

Cash receipts from operating activities are estimated to be \$4 243.3 million, \$19.6 million or 0.5 per cent less than the 2008-09 Budget estimate of \$4 262.9 million. The decrease reflects reductions in Taxation received of \$74.8 million; receipts from the Sales of goods and services of \$5.3 million; Interest received of \$9.5 million; and Other receipts of \$6.7 million. The decreases in cash receipts are partly offset by increases in Grants received of \$64.6 million; Dividend, tax and rate equivalents income of \$8.0 million; and an increase in Fines and regulatory fees of \$3.9 million.

Cash paid for operating activities

Cash payments for operating activities are estimated to be \$3 937.9 million, \$133.5 million or 3.5 per cent greater than the 2008-09 Budget estimate of \$3 804.4 million. The increase primarily relates to increases in payments for Employee entitlements of \$38.9 million; Superannuation of \$13.6 million; Supplies and consumables of \$51.3 million; Grants and subsidies paid of \$5.2 million; and Other payments of \$24.1 million.

Net cash flows from non-financial assets

Net cash flows from non-financial assets are estimated to be an outflow of \$280.9 million, \$17.5 million or 5.9 per cent less than the 2008-09 Budget estimate. This reflects the decrease in Purchases of non-financial assets of \$21.9 million and the decrease in Sales of non-financial assets of \$4.4 million.

As at 31 December 2008, the General Government Sector year-to-date cash payments for purchases of non-financial assets was \$93.3 million, \$70.8 million or 43.1 per cent below the pro rata 2008-09 revised Budget estimate. This primarily reflects the timing of payments for major capital programs where the payments are expected to occur in the second half of the financial year.

Financial assets (Policy purposes)

Net cash flows from investments in financial assets for policy purposes are estimated to be an outflow of \$111.1 million, \$117.2 million greater than the 2008-09 Budget estimate. This reflects the Government's equity contribution to Aurora Energy Pty Ltd to acquire the Tamar Valley Power Station.

Net cash flows from financing activities

Net cash flows financing activities are estimated to be an outflow of \$18.7 million, \$4.4 million or 19 per cent less than the 2008-09 Budget estimate. This reflects the estimated additional borrowings from the Tasmanian Public Finance Corporation to fund the Tasmanian Industry Support Scheme.

As at 31 December 2008, the General Government Sector year-to-date net borrowings was an outflow of \$15.9 million, compared to a revised Budget outflow of \$18.7 million. The result primarily reflects timing of payment of the final Prison finance lease payment, which was fully paid in the first half of the financial year.

Table 4.5: General Government Cash Flow Statement

	2007-08 Dec YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 Dec YTD Actual \$m
Cash Flows from operating activities				
<i>Cash received</i>				
Grants received	1 169.3	2 525.1	2 589.7	1 198.0
Taxation	429.5	892.8	818.0	379.4
Sales of goods and services	135.9	312.5	307.2	159.3
Fines and regulatory fees	21.0	59.1	63.0	26.3
Interest received	24.9	94.6	85.1	44.6
Dividend, tax and rate equivalents	142.6	154.2	162.2	79.4
Other receipts	163.7	224.7	218.0	133.2
	2 086.9	4 262.9	4 243.3	2 020.2
<i>Cash paid</i>				
Employee entitlements	(838.2)	(1 734.0)	(1 772.9)	(926.8)
Superannuation	(108.2)	(237.1)	(250.7)	(127.7)
Supplies and consumables	(363.4)	(946.6)	(997.9)	(409.5)
Borrowing costs	(5.4)	(16.6)	(16.9)	(3.2)
Grants and subsidies paid	(376.6)	(724.9)	(730.1)	(451.9)
Other payments	(144.4)	(145.2)	(169.3)	(103.3)
	(1 836.1)	(3 804.4)	(3 937.9)	(2 022.4)
Net cash flows from operating activities	250.8	458.4	305.4	(2.2)
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(95.7)	(350.0)	(328.1)	(93.3)
Sale of non-financial assets	23.1	51.6	47.2	17.8
	(72.6)	(298.4)	(280.9)	(75.4)
<i>Financial assets (Policy purposes)</i>				
Equity injections	(14.8)	2.7	(97.3)	(99.9)
Net advances paid	1.7	3.4	(13.8)	(6.6)
	(13.0)	6.1	(111.1)	(106.5)
<i>Financial assets (Liquidity management purposes)</i>				
Net purchase of investments	(0.3)	....	....	....
	(0.3)	....	....	....
Net cash flows from investing activities	(85.9)	(292.3)	(391.9)	(181.9)

Table 4.5 General Government Cash Flow Statement (continued)

	2007-08 Dec YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 Dec YTD Actual \$m
Cash flows from financing activities				
Net borrowing	(31.5)	(23.1)	(18.7)	(15.9)
Net cash flows from financing activities	(31.5)	(23.1)	(18.7)	(15.9)
Net increase/(decrease) in cash held	133.3	143.0	(105.2)	(200.0)
KEY FISCAL AGGREGATES				
Net cash flows from operating activities	250.8	458.4	305.4	(2.2)
plus Net cash from investments in non-financial assets	(72.6)	(298.4)	(280.9)	(75.4)
equals CASH SURPLUS/(DEFICIT)	178.2	160.0	24.5	(77.6)

POLICY AND PARAMETER STATEMENT

A Policy and Parameter Statement is a reconciliation of the major movements in the Net Operating Balance and the Fiscal Balance between two points in time. The movements reflect changes between the Budget and Forward Estimates reported in the 2008-09 Budget Papers and the revised estimates included in this Report.

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

Policy Variation

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

Parameter Variation

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

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

Table 4.6 lists those policy and parameter changes that have impacted on the formulation of the revised 2008-09 Budget and Forward Estimates for inclusion in this Report.

Table 4.6: Policy and Parameter Statement

		2008-09 Revised Budget	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
		\$m	\$m	\$m	\$m
2008-09 Budget - Net Operating Balance	(A)	105.7	203.2	170.8	275.3
2008-09 Budget - Fiscal Balance	(B)	30.2	50.5	22.3	154.8
REVENUE					
Policy decisions					
Tasmanian Industry Support Scheme ¹		0.2	0.7	0.8	0.7
Total policy decisions		0.2	0.7	0.8	0.7
Parameter adjustments					
Taxation					
Casino tax and licence fees		....	0.4	0.4	0.3
Conveyance duty ²		(68.7)	(93.2)	(101.4)	(110.2)
Guarantee fees		2.9	6.8	7.5	8.0
Insurances		....	0.1	0.1	....
Land tax ³		(4.1)	(4.3)	(4.6)	(4.9)
Lottery tax		(0.8)	(0.7)	(0.8)	(0.8)
Motor tax		(1.0)	(0.8)	(0.5)	(0.5)
Motor vehicle registration duty		(4.5)	(6.8)	(8.2)	(9.5)
Payroll tax ⁴		10.0	(1.6)	(8.9)	(16.8)
Vehicle registration fees		2.6	2.4	2.4	2.3
Total Taxation		(63.5)	(97.7)	(113.9)	(132.0)
Australian Government funding					
Government business returns ⁵		8.0	0.1	6.2	6.1
Interest income ⁶		(9.5)	(38.6)	(37.9)	(46.6)
Australian Government Funding					
GST revenue ⁷		(71.1)	(72.4)	(74.7)	(82.8)
COAG – national partnership agreements ⁸		45.7	4.7	....	....
COAG – specific purpose payments ⁸		14.3	34.3	25.3	23.1
Other ⁹		80.0	66.3	63.8	63.5
Total Australian Government funding		68.9	32.9	14.4	3.8
Agency revenue¹⁰		(11.4)	(11.8)	(10.2)	(10.5)
Total parameter adjustments		(7.6)	(115.1)	(141.4)	(179.2)
TOTAL REVENUE VARIATIONS	(C)	(7.4)	(114.4)	(140.6)	(178.5)

Table 4.6: Policy and Parameter Statement (continued)

	2008-09 Revised Budget	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
	\$m	\$m	\$m	\$m
EXPENSES				
Policy decisions				
Budget Management Strategies				
Agency efficiency dividend	(34.5)	(107.1)	(133.9)	(150.8)
Removal of non-salary indexation	(4.0)	(7.8)	(15.8)	(23.9)
TTAIS payroll tax assistance grants	4.0	4.0	4.0	4.0
Acquisition of tamar valley power station	1.5	....	....	....
Total policy decisions	(33.0)	(110.9)	(145.7)	(170.7)
Parameter adjustments				
Agency expenditure ¹¹	117.4	82.9	44.0	38.8
COAG – National Partnership Agreements ¹²	8.2	8.2	8.2	8.2
COAG – Specific Purpose Payments ¹²	14.3	34.3	25.3	23.1
Depreciation	1.2	2.3	3.2	4.0
Nominal superannuation interest expense ¹³	27.3	28.9	30.8	32.3
Special capital investment funds	12.0	0.6	0.1	....
Superannuation ¹⁴	42.1	33.1	33.3	18.9
Total parameter adjustments	222.6	190.2	145.0	125.3
TOTAL EXPENSE VARIATIONS	(D) 189.6	79.3	(0.7)	(45.4)
NET OPERATING BALANCE¹⁵	(91.3)	9.5	30.9	142.2
NET ACQUISITION/(DISPOSAL) OF NON-FINANCIAL ASSETS				
Purchases of non-financial assets				
Policy decisions				
Revised capital expenditure cash flows	....	(50.3)	(77.0)	(52.0)
Total policy decisions	....	(50.3)	(77.0)	(52.0)
Parameter adjustments				
Movement in agency capital expenditure ¹²	(17.5)	(11.7)	43.5	3.0
Special capital investment funds	(4.4)	2.8	0.1	....
Total parameter adjustments	(21.9)	(8.9)	43.6	3.0

Table 4.6: Policy and Parameter Statement (continued)

		2008-09	2009-10	2010-11	2011-12
		Revised	Forward	Forward	Forward
		Budget	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m
Total purchases of non-financial assets	(E)	(21.9)	(59.1)	(33.4)	(49.1)
less Sale of non-financial assets	(F)	(4.4)	0.4	0.4	...
less Depreciation	(G)	1.2	2.3	3.2	4.0
TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS					
VARIANCE¹⁶	(H)	(18.7)	(61.8)	(37.0)	(53.1)
FISCAL BALANCE¹⁷		(148.1)	(81.4)	(80.5)	74.7

Notes:

1. The increase in revenue reflects interest receipts on loans to small and medium sized Tasmanian businesses to support the local economy amid global financial uncertainty, as announced by the Premier on 14 October 2008.
2. The decrease in Conveyance Duty is due to reduced activity in the residential property market. The decrease is partially offset by the recognition of duty revenue relating to the sale of the Hobart International Airport Pty Ltd.
3. The decrease in Land Tax is due to a rebasing of the 2008-09 Budget and Forward Estimates to reflect lower than anticipated growth in property values.
4. The increase in Payroll Tax in 2008-09 reflects strong employment levels. Reductions over the Forward Estimates reflect a slowing in the rate of growth in Payroll Tax receipts arising from an expectation of relatively weaker employment conditions over the medium term.
5. The increase in Government Business Returns primarily reflects additional income tax equivalents of \$13.9 million due to an increase of \$20.0 million from the Motor Accidents Insurance Board, partly offset by a reduction of \$5.8 million from Aurora Energy Pty Ltd. Dividends income is \$5.9 million below the 2008-09 Budget estimate largely due to a decrease in receipts from Transend Networks of \$5.6 million.
6. The decrease in Interest Income primarily reflects lower interest rates and changes in the level of cash held in the Public Account.
7. The decrease in GST Revenue in 2008-09 and across the Forward Estimates primarily reflects a slowing of the Australian economy resulting in revised GST payments to Tasmania.
8. The increase in Australian Government funding reflects the estimated impact of additional Specific Purpose Payments and National Partnership Agreements as determined by the Council of Australian Governments for the Departments of Health and Human Services and Education.
9. The increase in Australian Government funding in 2008-09 reflects the recognition of funding from the Australian Government for the Mersey Community Hospital; additional funding for a range of Health care grants; and funding for the Tasmanian Community Forest Agreement.
10. The Agency Revenue movement reflects reductions in Other Grants and Subsidies, Sales of Goods and Services and Other Revenue, partially offset by an increase in Fines and Regulatory Fees.
11. The Agency Expenditure movement primarily reflects an increase in section 8A(2) *Public Account Act 1986* carry forwards; the recognition of expenditure for the Mersey Community Hospital; additional Australian Government funding provided for a range of Health Grants for community programs; increased expenditure under the abuse in State care scheme and expenditure relating to the final Australian Government contribution under the Tasmanian Community Forest Agreement.
12. The increase in expenditure reflects the estimated impact of additional Specific Purpose Payments and National Partnership Agreements as determined by the Council of Australian Governments for the Departments of Health and Human Services, and Education. This includes Purchases of Non-Financial Assets of \$4.7 million in 2009-10 and 2010-11.
13. The increase in Nominal Superannuation Interest Expense reflects the current actuarial assessment of the Government's unfunded superannuation liability and the lower than anticipated value of the superannuation assets.
14. The increase in Superannuation expense primarily reflects the current actuarial assessment of the Government's unfunded superannuation liability and lump sum payments made to the Retirement Benefits Fund.
15. Net Operating Balance is equal to A + C - D.
16. Net Acquisition/(Disposal) of Non-Financial Assets is equal to E - F - G.
17. Fiscal Balance is equal to B + C - D - H.

5 UNIFORM GOVERNMENT REPORTING

In accordance with the Uniform Presentation Framework, this Report presents revised fiscal estimates that take into account fiscal developments since the commencement of the Budget year.

Table 5.1 presents details of the revised Loan Council Allocation for 2008-09, and Tables 5.2 to 5.10 present Income Statements, Balance Sheets and Cash Flow Statements for the General Government, PNFC and Total Non-Financial Public Sectors.

Loan Council arrangements provide for each State and Territory to nominate a LCA based on the estimated combined General Government and PNFC Sector Cash Deficit/(Surplus) 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 tolerance band calculated as two per cent of Total Non-Financial Public Sector revenue (estimated to be \$124 million for 2008-09) applies between the budgeted LCA and the LCA outcome. Applying this band to Tasmania's approved LCA for 2008-09 gives a tolerance band of \$(154.3) million to \$93.7 million. The tolerance band recognises that LCAs are nominated at early stages of the Budget process and that estimates are likely to change as a result of policy and parameter changes before and after Budgets are brought down.

Table 5.1 shows that the revised estimate of the 2008-09 LCA outcome is not expected to remain within the tolerance limit. The 2008-09 Mid-Year revised estimate of an LCA outcome of \$196.9 million is \$227.2 million greater than the original Budget estimate. The variance is due primarily to the anticipated fall in the General Government Cash Surplus of \$135.5 million, and the anticipated increase in the PNFC Sector Cash Deficit of \$67.3 million.

The movement in the General Government Cash Surplus is outlined in Section 4 of this Report. The movement in the PNFC Sector Cash Deficit is due an anticipated increase in Cash payments from operating activities of \$115.6 million and an increase in the Purchase of non-financial assets of \$15.9 million, offset by an increase in Cash receipts from operating activities of \$50.2 million. Cash payments are anticipated to increase by 102.5 million in Supplies and consumables and \$16.6 million in Other payments, which is offset by reduced Borrowing costs of \$6.7 million. The increase in Cash receipts primarily relates to an increase of \$21.6 million in Sales of goods and services and \$29.7 million in Other receipts.

Table 5.1: Loan Council Allocation for 2008-09

	2008-09 Original Budget	2008-09 Revised Estimate
	\$m	\$m
General Government Sector Cash Deficit/(Surplus)	(160.0)	(24.5)
Public Non-Financial Corporations Sector Cash Deficit/(Surplus)	75.8	143.1
Total Non-Financial Public Sector Cash Deficit/(Surplus)	(84.2)	118.6
<i>less</i> Total Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes	6.1	(11.1)
<i>plus</i> Memorandum Item - Local Government New Cash Borrowings	60.0	67.2
Total LCA Deficit/(Surplus)	(30.3)	196.9

Table 5.2: General Government Income Statement

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	2 525.1	2 589.7	2 614.2	2 624.0	2 733.6
Taxation	892.8	829.3	842.7	868.6	893.8
Sales of goods and services	314.0	308.6	314.4	325.2	338.7
Fines and regulatory fees	59.6	63.6	68.4	70.3	72.3
Interest income	94.6	85.1	65.8	72.4	77.5
Dividend, tax and rate equivalent income	154.2	162.2	153.1	149.6	160.0
Other revenue	91.0	85.4	84.8	87.9	88.1
	4 131.3	4 123.9	4 143.3	4 198.0	4 363.9
less Expenses from transactions					
Employee expenses	1 760.6	1 799.5	1 809.6	1 849.5	1 892.0
Superannuation	170.8	212.9	203.6	209.2	209.4
Depreciation	223.2	224.4	230.8	236.9	243.9
Supplies and consumables	944.7	992.7	936.7	917.0	910.3
Nominal superannuation interest expense	168.4	195.7	202.6	209.2	215.0
Borrowing costs	17.1	17.4	17.0	16.9	16.8
Grant expenses	725.1	730.3	716.1	713.3	723.7
Other expenses	15.7	42.3	17.4	15.1	10.7
	4 025.6	4 215.2	4 133.8	4 167.1	4 221.8
equals NET OPERATING BALANCE	105.7	(91.3)	9.5	30.9	142.2
plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	7.5	3.1	10.1	3.6	4.9
Revaluation of equity investment in PNFC and PFC sectors	147.0	147.0	174.9	191.0	215.8
Revaluation of superannuation liability	(24.6)	(477.9)	....	....	....
Other gains/(losses)	(8.7)	(8.3)	(1.6)	(5.4)	(12.4)
	121.3	(336.2)	183.5	189.2	208.3
equals Operating Result	227.0	(427.5)	192.9	220.2	350.5

Table 5.2 General Government Income Statement (continued)

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
plus Other economic flows – other movements in Equity					
Revaluations of non-financial assets	246.0	246.0	235.2	243.4	243.1
Other non-owner movements in equity	14.7	14.7	13.4	22.8	19.3
	260.7	260.7	248.6	266.2	262.4
equals Comprehensive Result – Total change in Net Worth	487.7	(166.8)	441.6	486.4	612.8
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	105.7	(91.3)	9.5	30.9	142.2
less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	350.4	328.5	385.8	392.0	352.5
less Sale of non-financial assets	51.6	47.2	64.1	43.6	41.1
less Depreciation	223.2	224.4	230.8	236.9	243.9
	75.5	56.8	90.9	111.5	67.5
equals FISCAL BALANCE – SURPLUS/(DEFICIT)	30.2	(148.1)	(81.4)	(80.5)	74.7

Table 5.3: General Government Balance Sheet as at 30 June

	2009 Original Budget	2009 Revised Budget	2010 Forward Estimate	2011 Forward Estimate	2012 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
<i>Financial assets</i>					
Cash and deposits	1 386.0	1 200.7	1 241.1	1 304.3	1 501.6
Investments	44.8	47.2	51.0	45.1	38.5
Equity investments in PNFC and PFC sectors	3 822.5	3 964.5	4 139.5	4 330.5	4 546.3
Other equity investments	4.1	3.3	3.6	4.2	4.8
Receivables	133.9	147.1	152.2	159.6	166.8
Other financial assets	1 017.4	1 018.3	1 033.7	1 058.7	1 080.3
	6 408.7	6 381.1	6 621.1	6 902.4	7 338.3
<i>Non-financial assets</i>					
Land and buildings	4 432.3	4 739.1	4 883.6	5 029.2	5 194.3
Infrastructure	4 149.1	4 723.5	4 896.8	5 100.3	5 252.1
Plant and equipment	280.4	243.7	249.1	246.2	232.1
Heritage and cultural assets	409.3	427.3	436.1	445.1	454.4
Investment property	9.7	11.1	11.1	11.1	11.1
Intangible assets	21.9	25.6	22.9	20.3	17.9
Assets held for sale	1.4	5.9	7.9	5.9	5.9
Other non-financial assets	42.0	31.1	31.5	31.8	32.2
	9 346.0	10 207.3	10 539.0	10 890.0	11 199.9
Total Assets	15 754.7	16 588.3	17 160.1	17 792.4	18 538.2
Liabilities					
Borrowings	308.0	299.5	292.8	286.1	271.0
Superannuation	3 885.9	4 346.0	4 493.4	4 618.7	4 734.3
Employee entitlements	439.5	414.5	403.4	427.9	448.8
Payables	123.9	85.6	86.9	88.6	90.4
Other liabilities	230.1	227.9	227.1	228.3	238.1
Total Liabilities	4 987.4	5 373.5	5 503.7	5 649.6	5 782.6
NET ASSETS	10 767.3	11 214.9	11 656.4	12 142.8	12 755.6
Equity					
Accumulated surplus	6 666.8	6 550.4	6 755.5	6 997.2	7 365.6
Asset revaluation reserve	3 427.0	4 517.7	4 752.9	4 996.3	5 239.3
Other reserves	673.5	146.7	148.1	149.4	150.7
Total Equity	10 767.3	11 214.9	11 656.4	12 142.8	12 755.6

Table 5.3 General Government Balance Sheet as at 30 June
(continued)

	2009	2009	2010	2011	2012
	Original	Revised	Forward	Forward	Forward
	Budget	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	10 767.3	11 214.9	11 656.4	12 142.8	12 755.6
NET FINANCIAL WORTH²	1 421.3	1 007.6	1 117.4	1 252.8	1 555.7
NET FINANCIAL LIABILITIES³	2 401.2	2 957.0	3 022.0	3 077.7	2 990.6
NET DEBT⁴	(1 122.8)	(948.5)	(999.2)	(1 063.4)	(1 269.2)

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 Total Liabilities less Financial assets, excluding Equity investment in the Public Non-Financial Corporations and Public Financial Corporations sectors.
4. Net Debt represents Borrowings less the sum of Cash and deposits and Investments.

Table 5.4: General Government Cash Flow Statement

	2008-09 Original Budget	2008-09 Revised Budget	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
<i>Cash received</i>					
Grants received	2 525.1	2 589.7	2 614.2	2 624.0	2 733.6
Taxation	892.8	818.0	842.7	868.6	893.8
Sales of goods and services	312.5	307.2	313.1	324.0	337.4
Fines and regulatory fees	59.1	63.0	64.4	64.3	66.3
Interest received	94.6	85.1	65.1	71.6	76.8
Dividend, tax and rate equivalents	154.2	162.2	153.1	149.6	160.0
Other receipts	224.7	218.0	219.3	223.8	225.3
	4 262.9	4 243.3	4 271.9	4 325.9	4 493.3
<i>Cash paid</i>					
Employee entitlements	(1 734.0)	(1 772.9)	(1 816.9)	(1 823.9)	(1 868.2)
Superannuation	(237.1)	(250.7)	(261.5)	(293.0)	(308.8)
Supplies and consumables	(946.6)	(997.9)	(940.4)	(920.7)	(914.3)
Borrowing costs	(16.6)	(16.9)	(16.5)	(16.4)	(16.3)
Grants and subsidies paid	(724.9)	(730.1)	(715.9)	(713.1)	(723.5)
Other payments	(145.2)	(169.3)	(148.4)	(146.6)	(146.4)
	(3 804.4)	(3 937.9)	(3 899.7)	(3 913.6)	(3 977.5)
Net cash flows from operating activities	458.4	305.4	372.2	412.3	515.8
Cash flows from investing activities					
<i>Non-financial assets</i>					
Purchases of non-financial assets	(350.0)	(328.1)	(385.4)	(391.7)	(352.2)
Sales of non-financial assets	51.6	47.2	64.1	43.6	41.1
	(298.4)	(280.9)	(321.4)	(348.1)	(311.0)
<i>Financial assets (Policy purposes)</i>					
Equity injections	2.7	(97.3)	....	....	....
Net advances paid	3.4	(13.8)	(3.9)	5.8	6.5
	6.1	(111.1)	(3.9)	5.8	6.5
Net cash flows from investing activities	(292.3)	(391.9)	(325.2)	(342.2)	(304.5)

Table 5.4 General Government Cash Flow Statement (continued)

	2008-09 Original Budget	2008-09 Revised Budget	2009-10 Forward Estimate	2010-11 Forward Estimate	2011-12 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowing	(23.1)	(18.7)	(6.7)	(6.8)	(14.0)
Net cash flows from financing activities	(23.1)	(18.7)	(6.7)	(6.8)	(14.0)
Net increase/(decrease) in cash held	143.0	(105.2)	40.3	63.3	197.3
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	458.4	305.4	372.2	412.3	515.8
<i>plus</i> Net cash from investments in non-financial assets	(298.4)	(280.9)	(321.4)	(348.1)	(311.0)
<i>equals</i> CASH SURPLUS/(DEFICIT)	160.0	24.5	50.8	64.2	204.7

Table 5.5: Public Non-Financial Corporations Sector Income Statement

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	78.4	78.2	73.5	76.0	75.7
Sales of goods and services	1 898.7	1 938.9	2 025.7	2 123.4	2 227.8
Interest income	5.5	5.4	4.5	4.6	5.9
Other revenue	37.5	35.9	47.4	54.0	58.2
	2 020.2	2 058.4	2 151.2	2 258.0	2 367.6
less Expenses from transactions					
Employee expenses	276.1	277.6	291.8	304.6	316.6
Superannuation	40.5	41.1	42.4	42.9	43.4
Depreciation	234.8	251.9	271.1	285.9	299.1
Supplies and consumables	1 122.5	1 212.4	1 176.2	1 215.0	1 242.2
Borrowing costs	149.7	150.2	168.9	182.3	195.3
Dividend, tax and rate equivalent expenses	90.3	29.6	78.7	123.7	151.6
Grant expenses	20.2	20.0	21.0	21.5	22.0
Other expenses	11.1	12.1	12.5	13.1	13.6
	1 945.1	1 994.8	2 062.6	2 188.8	2 283.6
equals NET OPERATING BALANCE	75.1	63.5	88.6	69.2	84.0
plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	2.4	2.3	1.5	1.5	2.5
Other gains/(losses)	33.0	(18.7)	2.7	93.3	136.0
	35.4	(16.4)	4.2	94.9	138.5
equals Operating Result	110.5	47.2	92.8	164.1	222.4

Table 5.5 Public Non-Financial Corporations Sector Income Statement (continued)

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
plus Other economic flows – other movements in Equity					
Revaluations of non-financial assets	36.5	121.9	22.3	43.7	46.3
Other non-owner movements in equity	....	89.9	97.6	9.9	2.7
	36.5	211.8	119.9	53.7	49.0
equals Comprehensive Result – Total change in Net Worth	147.0	259.0	212.7	217.8	271.4
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	75.1	63.5	88.6	69.2	84.0
less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	412.1	428.0	477.4	461.9	414.2
less Sale of non-financial assets	4.5	4.3	3.3	8.5	4.6
less Depreciation	234.8	251.9	271.1	285.9	299.1
	172.9	171.8	203.0	167.6	110.6
equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(97.7)	(108.2)	(114.4)	(98.3)	(26.6)

Table 5.6: Public Non-Financial Corporations Sector Balance Sheet as at 30 June

	2009 Original Budget	2009 Revised Estimate	2010 Revised Estimate	2011 Revised Estimate	2012 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
<i>Financial assets</i>					
Cash and deposits	97.8	115.5	100.3	111.5	135.0
Investments	26.5	201.5	321.4	410.6	441.7
Equity investment	....	300.0	357.0	357.0	357.0
Receivables	335.4	307.0	338.4	351.1	358.0
Other financial assets	810.5	1 322.3	1 316.0	1 311.2	1 300.1
	1 270.2	2 246.3	2 433.1	2 541.5	2 591.7
<i>Non-financial assets</i>					
Land and buildings	896.3	819.7	915.0	924.7	940.3
Infrastructure	5 950.7	6 621.0	6 852.1	7 073.7	7 224.3
Plant and equipment	590.3	663.6	655.1	658.2	662.4
Assets held for sale	3.1	3.0	3.0	2.8	2.6
Other non-financial assets	40.2	70.5	52.4	52.7	55.7
	7 480.6	8 177.7	8 477.5	8 712.1	8 885.3
Total Assets	8 750.8	10 424.0	10 910.6	11 253.5	11 477.0
Liabilities					
Borrowings	2 200.3	2 430.5	2 640.7	2 814.3	2 863.0
Superannuation	497.1	494.5	518.8	524.6	530.5
Employee entitlements	129.1	103.1	110.2	114.4	120.1
Payables	336.9	317.8	349.8	358.4	341.7
Other liabilities	2 126.3	3 393.2	3 393.5	3 326.3	3 234.8
	5 289.8	6 739.0	7 012.9	7 138.0	7 090.1
NET ASSETS	3 461.0	3 685.0	3 897.7	4 115.5	4 386.9
Equity					
Accumulated surplus	1 411.9	1 609.4	1 772.0	1 937.2	2 160.4
Asset revaluation reserve	832.1	1 005.9	1 028.2	1 072.0	1 118.3
Other reserves	1 217.1	1 069.6	1 097.5	1 106.3	1 108.2
Total Equity	3 461.0	3 685.0	3 897.7	4 115.5	4 386.9

Table 5.6 Public Non-Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2009	2009	2010	2011	2012
	Original	Revised	Revised	Revised	Revised
	Budget	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	3 461.0	3 685.0	3 897.7	4 115.5	4 386.9
NET FINANCIAL WORTH²	(4 019.5)	(4 492.7)	(4 579.7)	(4 596.6)	(4 498.4)
NET FINANCIAL LIABILITIES³	4 019.5	4 492.7	4 579.7	4 596.6	4 498.4
NET DEBT⁴	2 076.0	2 113.5	2 219.0	2 292.2	2 286.3

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 Total Liabilities less Financial assets.
4. Net Debt represents Borrowings less the sum of Cash and deposits and Investments.

Table 5.7: Public Non-Financial Corporations Sector Cash Flow Statement

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
<i>Cash received</i>					
Grants received	78.4	77.4	73.2	75.6	75.8
Sales of goods and services	1 871.7	1 893.3	1 976.9	2 069.2	2 223.1
Interest received	5.1	4.9	4.5	4.2	5.5
Other receipts	156.1	185.8	194.3	210.0	227.6
	2 111.3	2 161.5	2 248.9	2 359.0	2 532.0
<i>Cash paid</i>					
Employee entitlements	(284.1)	(287.3)	(301.3)	(311.8)	(326.6)
Superannuation	(35.2)	(35.4)	(36.5)	(37.1)	(37.7)
Supplies and consumables	(860.4)	(962.9)	(904.5)	(970.2)	(1 052.8)
Borrowing costs	(154.0)	(147.3)	(165.6)	(180.3)	(192.1)
Grants and subsidies paid	(20.1)	(19.9)	(20.9)	(21.4)	(21.9)
Other payments	(345.3)	(361.9)	(352.3)	(335.1)	(355.8)
	(1 699.1)	(1 814.7)	(1 781.2)	(1 856.0)	(1 987.0)
Net cash flows from operating activities	412.2	346.7	467.8	503.1	545.0
Cash flows from investing activities					
<i>Non-financial assets</i>					
Purchase of non-financial assets	(412.1)	(428.0)	(477.4)	(461.9)	(414.2)
Sale of non-financial assets	4.5	4.3	3.3	8.5	4.6
	(407.6)	(423.7)	(474.1)	(453.5)	(409.6)
<i>Financial assets (Policy purposes)</i>	....	100.0	....	....	....
<i>Financial assets (Liquidity management purposes)</i>	(76.1)	(228.0)	(150.5)	(84.2)	(25.5)
Net cash flows from investing activities	(483.8)	(551.7)	(624.6)	(537.7)	(435.1)

Table 5.7 Public Non-Financial Corporations Sector Cash Flow Statement (continued)

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowing	133.2	300.8	211.2	165.2	41.4
Dividends and income tax equivalents	(80.3)	(66.1)	(69.4)	(117.9)	(125.8)
Net cash flows from financing activities	52.9	234.7	141.8	47.4	(84.4)
Net increase/(decrease) in cash held	(18.7)	29.7	(15.1)	12.7	25.4
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	412.2	346.7	467.8	503.1	545.0
<i>plus</i> Dividends and income tax equivalents	(80.3)	(66.1)	(69.4)	(117.9)	(125.8)
<i>plus</i> Net cash from investments in non-financial assets	(407.6)	(423.7)	(474.1)	(453.5)	(409.6)
<i>equals</i> CASH SURPLUS/(DEFICIT)	(75.8)	(143.1)	(75.7)	(68.3)	9.5

Table 5.8: Total Non-Financial Public Sector Income Statement

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	2 525.1	2 589.7	2 614.2	2 624.0	2 733.6
Taxation	892.8	829.3	842.7	868.6	893.8
Sales of goods and services	2 212.8	2 247.5	2 340.1	2 448.6	2 566.5
Fines and regulatory fees	59.6	63.6	68.4	70.3	72.3
Interest income	100.2	90.5	70.3	77.0	83.4
Dividend, tax and rate equivalent Income	73.6	93.1	64.6	47.7	41.5
Other revenue	128.6	121.3	132.2	141.9	146.3
	5 992.6	6 034.9	6 132.6	6 278.1	6 537.4
less Expenses from transactions					
Employee expenses	2 036.7	2 077.1	2 101.4	2 154.1	2 208.6
Superannuation	211.3	254.0	246.0	252.1	252.8
Depreciation	458.0	476.3	501.9	522.8	543.0
Supplies and consumables	2067.2	2 205.1	2 112.9	2 132.0	2 152.5
Nominal superannuation interest expense	168.4	195.7	202.6	209.2	215.0
Borrowing costs	166.8	167.6	185.9	199.2	212.1
Grant expenses	666.9	672.1	663.5	658.8	670.0
Other expenses	26.8	54.4	29.9	28.2	24.3
	5 802.0	6 102.2	6 044.2	6 156.2	6 278.2
equals NET OPERATING BALANCE	190.6	(67.3)	88.4	121.9	259.3
plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	9.9	5.4	11.6	5.1	7.4
Revaluation of superannuation liability	(24.6)	(477.9)	....	....	....
Other gains/(losses)	2.6	(27.0)	1.1	87.9	123.6
	(12.0)	(499.5)	12.7	93.1	131.0
equals Operating Result	178.5	(566.8)	101.1	215.0	390.2

Table 5.8 Total Non-Financial Public Sector Income Statement
(continued)

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
plus Other economic flows – other movements in Equity					
Revaluations of non-financial assets	281.3	367.9	257.5	287.1	289.4
Other flows	15.9	31.8	82.9	(15.9)	(66.6)
	297.2	399.7	340.5	271.2	222.8
equals Comprehensive Result – Total change in Net Worth	475.7	(167.1)	441.6	486.2	613.0
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	190.6	(67.3)	88.4	121.9	259.3
less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	762.5	756.5	863.2	853.9	766.7
less Sale of non-financial assets	56.1	51.5	67.4	52.1	45.7
less Depreciation	458.0	476.3	501.9	522.8	543.0
	248.4	228.7	293.9	279.1	178.1
equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(57.8)	(296.0)	(205.4)	(157.1)	81.2

Table 5.9: Total Non-Financial Public Sector Balance Sheet as at 30 June

	2009 Original Budget	2009 Revised Estimate	2010 Revised Estimate	2011 Revised Estimate	2012 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
<i>Financial assets</i>					
Cash and deposits	1 483.8	1 316.2	1 341.4	1 415.8	1 636.6
Investments	71.3	248.7	372.4	455.7	480.2
Equity investment in PFC sector	361.5	279.5	241.8	215.0	159.4
Other equity investments	4.0	303.3	360.6	361.2	361.8
Receivables	469.3	454.1	490.6	510.7	524.8
Other financial assets	742.9	1 405.8	1 372.3	1 359.8	1 314.9
	3 132.8	4 007.6	4 179.1	4 318.2	4 477.6
<i>Non-financial assets</i>					
Land and buildings	5 328.5	5 558.8	5 798.6	5 953.9	6 134.6
Infrastructure	10 099.7	11 344.5	11 748.9	12 174.0	12 476.4
Plant and equipment	870.7	907.3	904.2	904.4	894.5
Heritage and cultural assets	409.3	427.3	436.1	445.1	454.4
Investment property	9.7	11.1	11.1	11.1	11.1
Assets held for sale	4.6	8.9	10.9	8.7	8.5
Intangible assets	21.9	25.6	22.9	20.3	17.9
Other non-financial assets	82.2	101.6	83.9	84.5	87.9
	16 826.6	18 385.0	19 016.5	19 602.0	20 085.3
Total Assets	19 959.4	22 392.6	23 195.6	23 920.2	24 562.9
Liabilities					
Borrowings	2 508.3	2 730.0	2 933.5	3 100.4	3 134.0
Superannuation	4 383.0	4 840.5	5 012.2	5 143.3	5 264.8
Employee entitlements	568.6	517.6	513.6	542.3	568.9
Payables	460.8	403.4	436.7	447.0	432.1
Other liabilities	1 271.5	2 686.3	2 643.2	2 544.4	2 407.4
Total Liabilities	9 192.2	11 177.7	11 539.1	11 777.5	11 807.2
NET ASSETS	10 767.2	11 214.8	11 656.5	12 142.9	12 755.6
Equity					
Accumulated surplus	5 582.5	5 283.8	5 438.8	5 627.9	5 948.1
Asset revaluation reserve	4 259.1	5 523.6	5 781.1	6 068.3	6 357.6
Other reserves	925.6	407.3	436.6	446.7	449.9
Total Equity	10 767.2	11 214.8	11 656.5	12 142.9	12 755.6

Table 5.9 Total Non-Financial Public Sector Balance Sheet as at 30 June (continued)

	2009 Original Budget	2009 Revised Estimate	2010 Revised Estimate	2011 Revised Estimate	2012 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	10 767.2	11 214.8	11 656.5	12 142.9	12 755.6
NET FINANCIAL WORTH²	(6 059.4)	(7 170.1)	(7 360.0)	(7 459.3)	(7 329.6)
NET FINANCIAL LIABILITIES³	6 420.9	7 449.6	7 601.7	7 674.3	7 489.0
NET DEBT⁴	953.2	1 165.1	1 219.7	1 228.9	1 017.2

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 Total Liabilities less Financial assets, excluding Equity investment in the Public Financial Corporations sectors.
4. Net Debt represents Borrowings less the sum of Cash and deposits and Investments.

Table 5.10: Total Non-Financial Public Sector Cash Flow Statement

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
<i>Cash received</i>					
Grants received	2 525.1	2 589.7	2 614.2	2 624.0	2 733.6
Taxation	892.8	818.0	842.7	868.6	893.8
Sales of goods and services	2 184.2	2 200.5	2 290.0	2 393.2	2 560.5
Fines and regulatory fees	59.1	63.0	64.4	64.3	66.3
Interest received	99.7	90.0	69.6	75.8	82.3
Dividend, tax and rate equivalents	73.6	96.1	83.7	31.7	34.2
Other receipts	380.8	403.8	413.6	433.8	452.9
	6 215.2	6 261.2	6 378.2	6 491.5	6 823.6
<i>Cash paid</i>					
Employee entitlements	(2 018.1)	(2 060.2)	(2 118.2)	(2 135.7)	(2 194.8)
Superannuation	(272.3)	(286.1)	(298.0)	(330.1)	(346.5)
Supplies and consumables	(1 807.0)	(1 960.8)	(1 844.9)	(1 890.9)	(1 967.1)
Borrowing costs	(170.6)	(164.2)	(182.1)	(196.7)	(208.4)
Grants and subsidies paid	(666.6)	(672.6)	(663.6)	(658.9)	(669.6)
Other payments	(490.5)	(531.2)	(500.7)	(481.7)	(502.2)
	(5 425.2)	(5 675.1)	(5 607.5)	(5 694.1)	(5 888.7)
Net cash flows from operating activities	790.0	586.0	770.7	797.4	934.8
Cash flows from investing activities					
<i>Non-financial assets</i>					
Purchase of non-financial assets	(762.1)	(756.1)	(862.8)	(853.6)	(766.4)
Sale of non-financial assets	56.1	51.5	67.4	52.1	45.7
	(706.0)	(704.6)	(795.4)	(801.6)	(720.7)
<i>Financial assets (Policy purposes)</i>	6.1	(11.1)	(3.9)	5.8	6.5
<i>Financial assets (Liquidity management purposes)</i>	(76.1)	(228.0)	(150.5)	(84.2)	(25.5)
Net cash flows from investing activities	(776.1)	(943.7)	(949.8)	(880.0)	(739.7)

Table 5.10 Total Non-Financial Public Sector Cash Flow Statement
(continued)

	2008-09 Original Budget	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowings	110.1	282.1	204.5	158.4	27.4
Net cash flows from financing activities	110.1	282.1	204.5	158.4	27.4
Net increase/(decrease) in cash held	124.0	(75.6)	25.3	75.8	222.5
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	790.0	586.0	770.7	797.4	934.8
<i>plus</i> Net cash from investments in non-financial assets	(706.0)	(704.6)	(795.4)	(801.6)	(720.7)
<i>equals</i> CASH SURPLUS/(DEFICIT)	84.0	(118.6)	(24.7)	(4.2)	214.1

6 CONSOLIDATED FUND

The Consolidated Fund Surplus is estimated to be \$1.4 million for 2008-09, \$12.7 million less than the original Budget estimate of \$14.1 million.

The Consolidated Fund Deficit as at 31 December 2008 of \$109.5 million reflects 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 6.1: Consolidated Fund Outcome 2008-09

	2007-08 December YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 December YTD Actual \$m
Receipts				
Australian Government sources				
Recurrent receipts	1 037.5	2 241.4	2 218.4	1 064.0
Capital receipts	29.8	88.9	87.9	15.0
Total Australian Government sources	1 067.4	2 330.3	2 306.3	1 079.0
State sources				
Recurrent receipts	678.4	1 356.1	1 364.2	696.5
Capital receipts	50.4	0.3	0.3	0.4
Total State sources	728.8	1 356.4	1 364.5	696.9
Total Receipts	1 796.2	3 686.7	3 670.8	1 775.9
less Expenditure				
Recurrent services				
Appropriation Act	1 529.5	3 183.3	3 270.6	1 737.6
Reserved by Law	70.0	151.8	143.2	75.0
Total Recurrent services	1 599.4	3 335.1	3 413.8	1 812.6
Works and services	73.6	337.5	255.6	72.7
Total Expenditure	1 673.0	3 672.6	3 669.4	1 885.4
<i>equals</i> CONSOLIDATED FUND SURPLUS/(DEFICIT)	123.2	14.1	1.4	(109.5)

Table 6.2: Consolidated Fund Expenditure 2008-09

	2007-08 December YTD Actual \$m	2008-09 Original Budget \$m	2008-09 Revised Estimate \$m	2008-09 December YTD Actual \$m
Economic Development and Tourism				
Recurrent services	20.8	80.3	77.6	32.8
Total	20.8	80.3	77.6	32.8
Education				
Recurrent services	424.4	834.7	844.5	455.9
Works and services	3.9	33.6	33.6	4.5
Total	428.4	868.3	878.1	460.4
Environment, Parks, Heritage and the Arts				
Recurrent services	44.6	67.7	70.2	36.5
Works and services	0.6	5.9	6.9	1.5
Total	45.2	73.7	77.1	37.9
Finance-General				
Recurrent services	166.6	444.3	499.8	270.4
Works and services	....	87.7	17.7	....
Total	166.6	532.0	517.5	270.4
Health and Human Services				
Recurrent services	639.2	1 247.7	1 274.6	678.5
Works and services	4.3	22.0	20.1	5.7
Total	643.5	1 269.8	1 294.6	684.2
House of Assembly				
Recurrent services	3.3	6.6	6.8	3.6
Total	3.3	6.6	6.8	3.6
Infrastructure, Energy and Resources				
Recurrent services	57.5	120.5	118.1	65.0
Works and services	54.0	169.9	159.0	45.6
Total	111.5	290.4	277.1	110.6
Justice				
Recurrent services	56.4	120.5	118.7	59.7
Works and services	9.2	12.3	12.3	11.5
Total	65.6	132.7	131.0	71.2
Legislative Council				
Recurrent services	2.7	5.5	5.6	2.8
Total	2.7	5.5	5.6	2.8

Table 6.2 Consolidated Fund Expenditure 2008-09 (continued)

	2007-08 December YTD Actual	2008-09 Original Budget	2008-09 Revised Estimate	2008-09 December YTD Actual
	\$m	\$m	\$m	\$m
Legislature-General				
Recurrent services	2.6	5.4	5.3	2.5
Works and services	....	3.5	3.5	3.1
Total	2.6	8.9	8.8	5.6
Ministerial and Parliamentary Support				
Recurrent services	9.7	18.7	18.5	10.6
Total	9.7	18.7	18.5	10.6
Office of the Governor				
Recurrent services	1.3	3.1	3.0	1.6
Total	1.3	3.1	3.0	1.6
Office of the Ombudsman				
Recurrent services	0.7	1.4	1.4	0.8
Total	0.7	1.4	1.4	0.8
Police and Emergency Management				
Recurrent services	85.9	182.4	178.9	96.0
Works and services	1.0	1.2	1.2	0.2
Total	86.9	183.6	180.1	96.2
Premier and Cabinet				
Recurrent services	25.5	62.1	60.8	31.0
Works and services	....	0.3	0.3	....
Total	25.6	62.3	61.1	31.0
Primary Industries and Water				
Recurrent services	41.6	92.0	88.3	44.4
Works and services	0.5	1.1	1.1	0.7
Total	42.1	93.1	89.4	45.2
Tasmanian Audit Office				
Recurrent services	0.2	2.0	2.0	1.0
Total	0.2	2.0	2.0	1.0
Treasury and Finance				
Recurrent services	16.5	40.3	39.7	19.4
Total	16.5	40.3	39.7	19.4
TOTAL	1 673.0	3 672.6	3 669.4	1 885.4

7 CONCEPTS AND DEFINITIONS

COMPLIANCE FRAMEWORK

The 2008-09 Mid-Year Financial Report has been prepared in accordance with the Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

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

Compliance with AASB 1049 will mean that the statements are also consistent with the reporting requirements of the Uniform Presentation Framework.

The AASB 1049 framework includes:

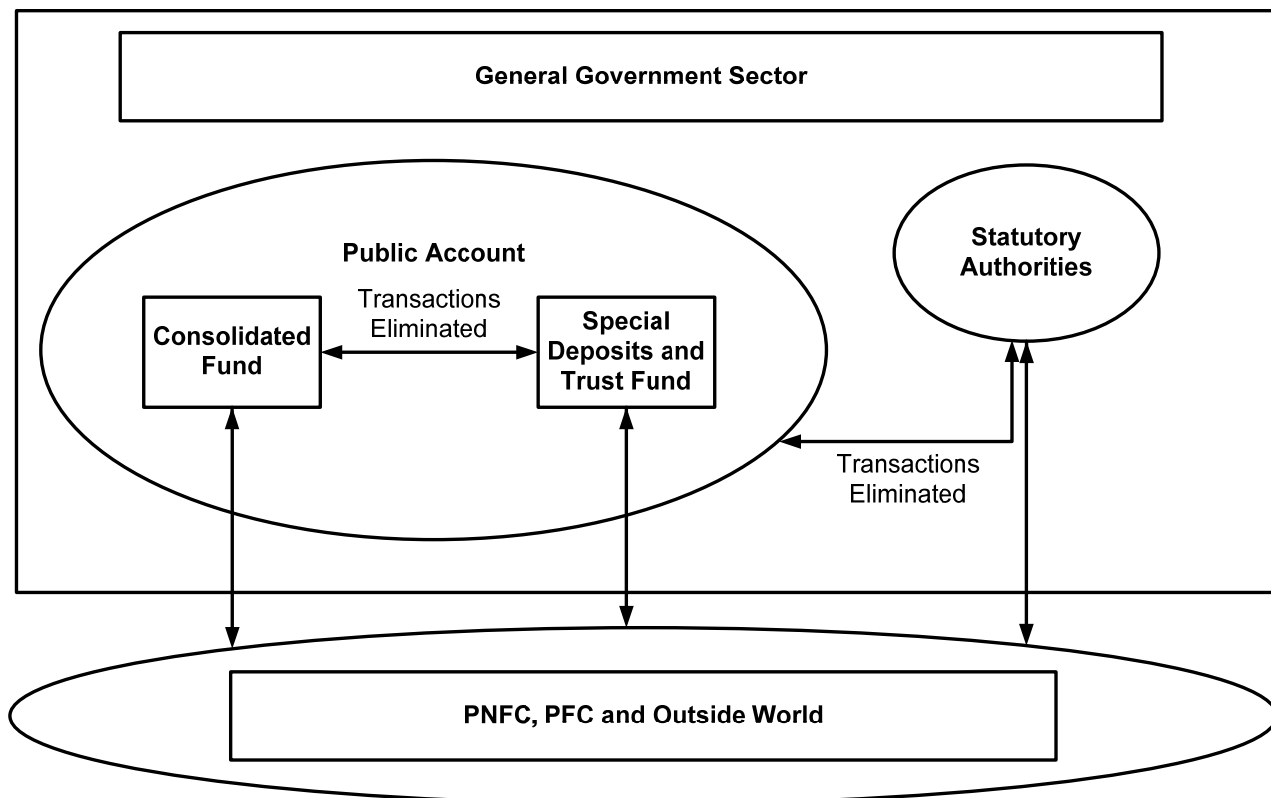
- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

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

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

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

Diagram 7.1: Transactions included in the General Government Sector



Income Statement

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

Net Operating Balance

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

Operating Result

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

Comprehensive Result

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

Fiscal Balance

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

Balance Sheet

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

Net Debt

Net Debt is a measure used to help judge the overall strength of a Government’s fiscal position. Net Debt comprises borrowings less the sum of cash and deposits and investments.

Net Financial Liabilities

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

Net Financial Worth

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

Net Worth

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

Cash Flow Statement

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

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

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

Net Increase in Cash Held

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

Cash Surplus

The Cash Surplus comprises cash received from operating activities, and from sales and purchases of non-financial assets, less dividends and income tax equivalents 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. 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 statements present a consolidated view of the financial transactions for all entities within the Government Sectors. Receipts, payments, financial assets and liabilities held with other agencies within the Sector are matched and eliminated to avoid double counting. This process is known as consolidation.

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

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 or Public Financial Corporations 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 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 and Government Business Enterprises. These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

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

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

General Government

Economic Development and Tourism
Education
Environment, Parks, Heritage and the Arts
Finance-General
Health and Human Services
House of Assembly
Infrastructure, Energy and Resources
Inland Fisheries Service
Justice
Legislative Council
Legislature-General
Marine *and* Safety Tasmania
The Nominal Insurer
Office of the Governor
Office of the Ombudsman
Police and Emergency Management
Premier and Cabinet
Primary Industries and Water
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
Treasury and Finance

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Forestry Tasmania
Hydro Tasmania
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Rivers and Water Supply Commission
Tasmanian Ports Corporation Pty Ltd
The Public Trustee
TOTE Tasmania Pty Ltd
Transend Networks Pty Ltd
TT-Line Company Pty Ltd

Public Financial Corporations

Motor Accidents Insurance Board
Tasmanian Public Finance Corporation