



P A R L I A M E N T O F T A S M A N I A

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**Budget Paper No 1**

# **The Budget**

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Presented by

Lara Giddings MP, Treasurer, for the information of  
Honourable Members, on the occasion of the Budget, 2012-13

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## Useful 2012-13 Budget and Government Web sites

<a href="http://www.treasury.tas.gov.au">www.treasury.tas.gov.au</a>	Contains the Budget Papers and provides other Budget and financial publications.
<a href="http://www.media.tas.gov.au">www.media.tas.gov.au</a>	Contains the Government's Budget related media releases.
<a href="http://www.tas.gov.au">www.tas.gov.au</a>	Provides links to the Web sites of a wide range of Tasmanian public and private sector organisations.
<a href="http://www.service.tas.gov.au">www.service.tas.gov.au</a>	Provides a comprehensive entry point to Government services in Tasmania.
<a href="http://www.tasmaniatgether.tas.gov.au">www.tasmaniatgether.tas.gov.au</a>	Provides detailed information on Tasmania <i>Together</i> , including the current status of this initiative.

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# CONVENTIONS

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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 Budget Papers is as follows:

na                    not available, or not applicable

....                   zero, or rounded to zero

\$'000                \$thousand

\$m                    \$million

# ASSUMPTIONS UNDERLYING THE 2012-13 BUDGET AND FORWARD ESTIMATES

There are a number of assumptions underlying the 2012-13 Budget and Forward Estimates.

## Revenue

Revenue estimates are prepared on the basis of a number of assumptions and use information provided to Treasury by various entities, including government agencies, Government Business Enterprises (GBEs) and State-owned Companies (SOCs). The 2012-13 Budget and Forward Estimates for revenues are prepared on the following basis:

- Grants are based on agreements with the Australian Government. It is assumed that, unless otherwise stated, Specific Purpose Payments will be indexed as advised by the Australian Government;
- all General Purpose Payments, including GST revenue, received from the Australian Government can be used at the State's discretion;
- Taxation revenue for the Forward Estimates utilises economic forecasts prepared by Treasury. Taxation estimates reflect changes in tax policy up to and including any changes announced in the Budget;
- Interest Income is estimated by Treasury and reflects anticipated cash holdings within the Public Account and forecast interest rates; and
- Sale of Goods and Services; Fines, Fees and Charges; and Other Revenue are based on the best estimates of those agencies which provide the goods or services, or which actively manage the particular revenue item.

## Expenses

The 2012-13 Budget and Forward Estimates for expenses are prepared on the following basis:

- agency expenses reflect the impact of the Additional Agency Budget Savings Targets as outlined in Chapter 1, Introduction, of Budget Paper No 2 *Government Services*;
- projections over the Forward Estimates reflect the level and timing of expenditure anticipated by agencies;
- indexation on new wage agreements is provided at 2.0 per cent per annum across the Budget and Forward Estimates period;
- indexation of general operating expenses is provided at 2.5 per cent over the Forward Estimates period;
- funding provided to the Department of Health and Human Services for medical and pharmaceutical supplies is indexed at a rate of 4.0 per cent per annum; and
- agencies are fully funded for expected changes in Administered Items.

The Tasmanian State Budget is finalised prior to the delivery of the Australian Government Budget. Estimates in the State Budget may differ as a result.

# 1 THE 2012-13 BUDGET

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## *Features*

- The 2012-13 Budget continues to address the current fiscal challenge with further development and implementation of the Government's Budget Response which was first outlined in the *2010-11 Mid-Year Financial Report* and in the 2011-12 Budget.
- In 2012-13, a General Government Net Operating Balance deficit of \$283.0 million and a Fiscal Balance deficit of \$428.6 million are budgeted, with significant improvement in these measures forecast over the Forward Estimates period.
- Net Debt is forecast to peak at \$134.2 million in 2012-13, before decreasing to \$44.5 million in 2013-14 and being eliminated in 2014-15.
- As well as returning the State's Budget to a sustainable position over time, the 2012-13 Budget continues to provide significant levels of funding for the ongoing implementation of key Government services.
- Over the 2012-13 Budget and Forward Estimates period, the Government will invest \$1.5 billion in infrastructure projects.
- The Tasmanian economy continues to show resilience in the face of adverse external factors, including high exchange rates, the winding down of the Australian Government's fiscal stimulus measures and global and national conditions that do not favour Tasmania's export sector. The impact of the weaker economic conditions is flowing through to the labour market, with employment easing and the unemployment rate rising sharply in recent months. However, other indicators such as business investment are showing good growth.

# THE 2012-13 BUDGET

The Government has faced a significant deterioration in the State's financial position since the global economic downturn of 2008. Commencing with the *2010-11 Mid-Year Financial Report* and continuing in the 2011-12 Budget, the Government has implemented a number of strategies to ensure the State's Budget is returned to a sustainable position.

The Government's response to the fiscal challenge is based on:

- returning the State's financial position to a sustainable position;
- improving government services through the prioritisation of funding and increasing productivity; and
- providing public infrastructure investment that supports public and private sector productivity improvement and long-term economic growth.

The 2012-13 Budget continues the Government's strong fiscal actions and path of responsible financial management by:

- constraining expenditure growth over the Forward Estimates period;
- ensuring appropriate levels of funding are provided for the important services of health, education and police;
- maintaining investment in critical infrastructure;
- implementing tax measures while continuing to ensure the State's overall taxation competitiveness remains strong;
- obtaining an appropriate return from Government businesses; and
- investing in employment and innovation.

The 2012-13 Budget anticipates a Net Operating Deficit of \$283.0 million and a Net Debt position of \$134.2 million.

Table 1.1 details the Key Budget and Forward Estimate aggregates in the 2012-13 Budget.

Table 1.1: Key Budget and Forward Estimate Aggregates

	2011-12 Budget \$m	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>GENERAL GOVERNMENT</b>						
Revenue	4 617.8	4 594.9	4 631.5	4 924.9	5 192.4	5 272.3
Expenses	4 731.6	4 884.1	4 914.5	4 872.1	4 951.7	5 012.8
<b>Net Operating Surplus/(Deficit)</b>	<b>(113.8)</b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>
<b>Fiscal Surplus/(Deficit)</b>	<b>(358.5)</b>	<b>(425.7)</b>	<b>(428.6)</b>	<b>(35.2)</b>	<b>202.7</b>	<b>162.2</b>
<b>Net Debt at 30 June</b>	<b>(53.0)</b>	<b>(201.8)</b>	<b>134.2</b>	<b>44.5</b>	<b>(306.6)</b>	<b>(576.5)</b>
<b>Infrastructure Investment</b>	<b>490.2</b>	<b>411.2</b>	<b>437.7</b>	<b>379.9</b>	<b>326.3</b>	<b>384.5</b>

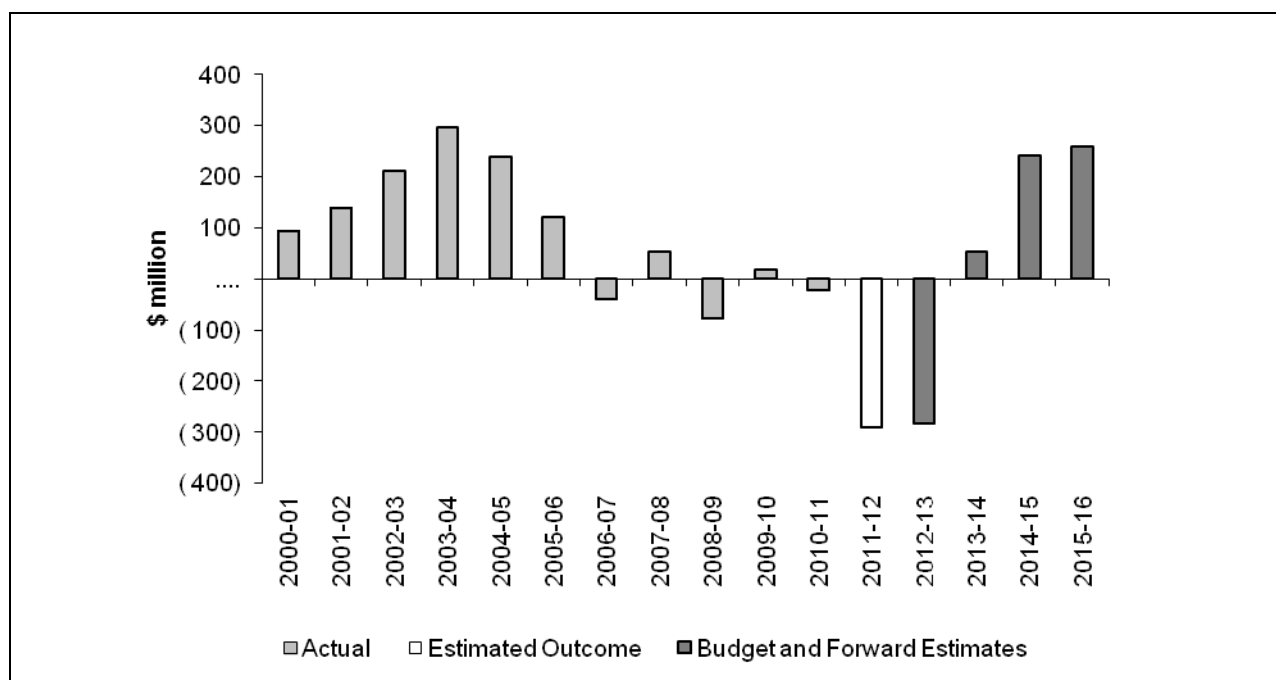
The Key Budget and Forward Estimate Aggregates are discussed further in this chapter.

## Net Operating Balance

The Net Operating Balance is estimated to be a deficit of \$283.0 million in 2012-13, a surplus of \$52.8 million in 2013-14, \$240.7 million in 2014-15 and \$259.5 million in 2015-16.

Chart 1.1 illustrates the Net Operating Balance since 2000-01.

Chart 1.1: Net Operating Balance



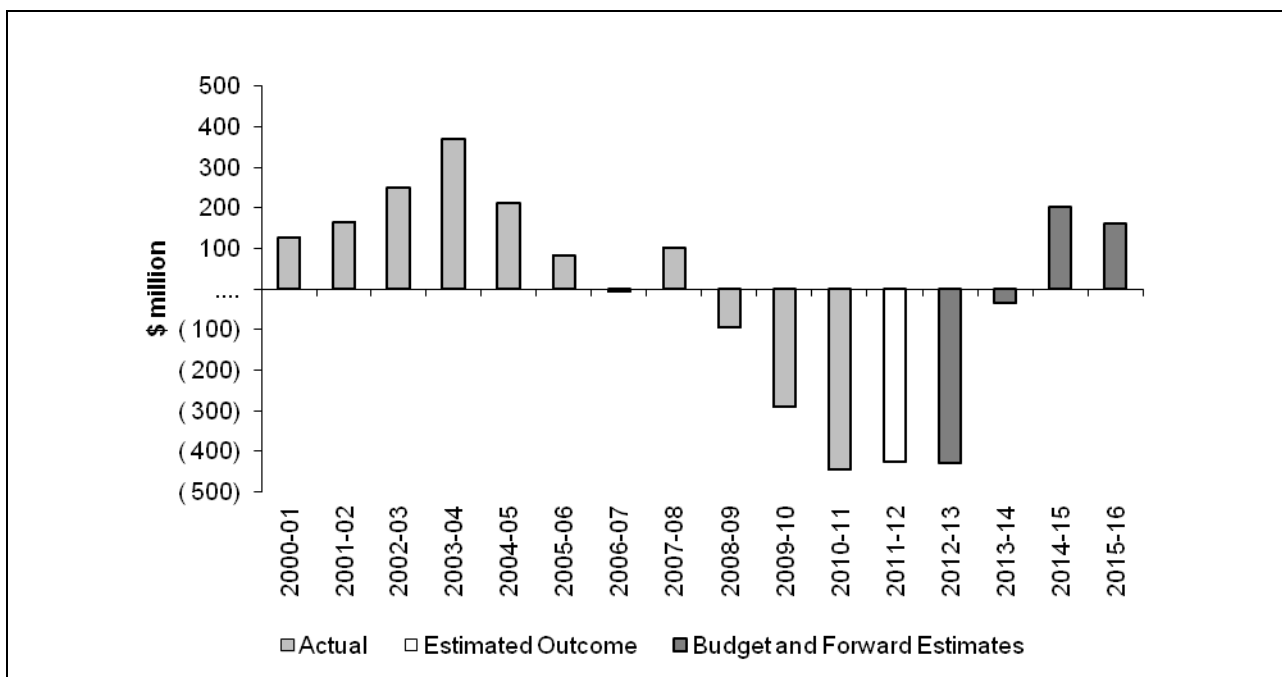
## Fiscal Balance

The Fiscal Balance is estimated to be a deficit of \$428.6 million in 2012-13, \$35.2 million in 2013-14 and a surplus of \$202.7 million in 2014-15 and \$162.2 million in 2015-16.

The receipt of Australian Government funding for capital programs, particularly one-off major projects, has the effect of inflating the Net Operating Balance outcome. The Net Operating Balance measure reflects the receipt of revenue from the Australian Government but does not factor in the capital expenditure component of these funds. The Fiscal Balance does not include this inflationary effect as it incorporates the expenditure of capital funds, including those funded by the Australian Government.

Chart 1.2 illustrates the Fiscal Balance since 2000-01.

Chart 1.2: Fiscal Balance

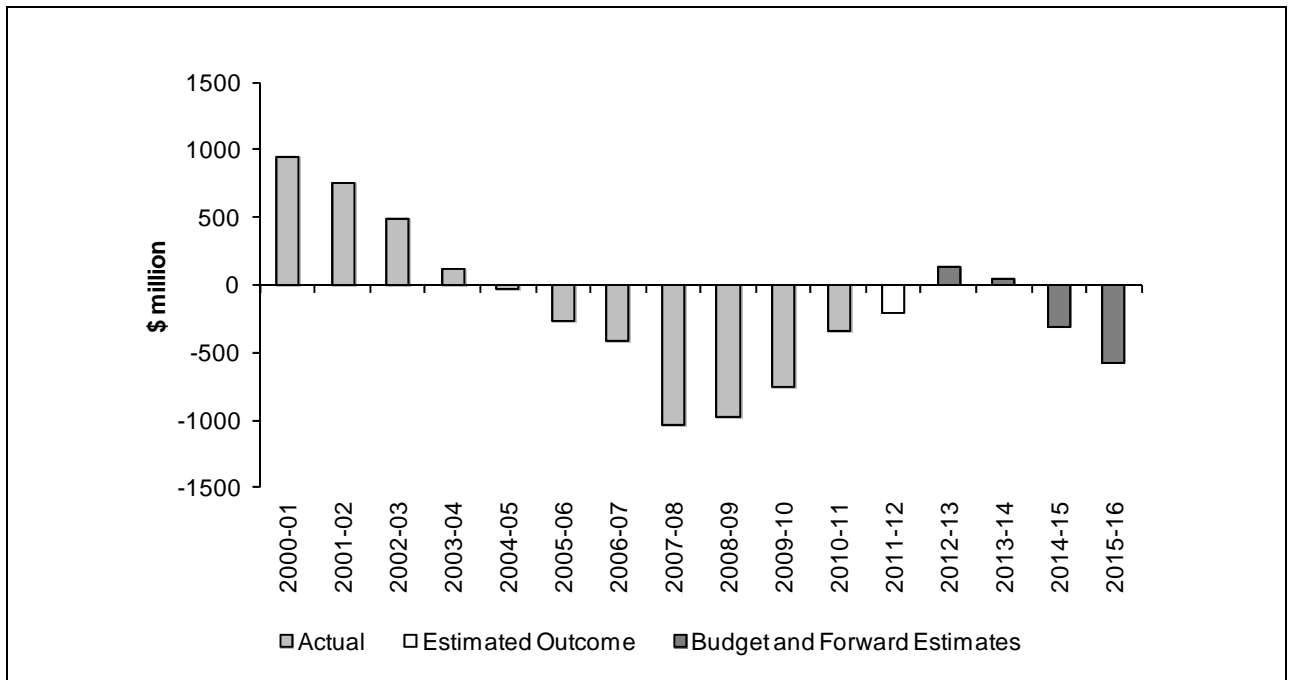


## Net Debt

It is estimated that Net Debt will be \$134.2 million as at 30 June 2013 and will decrease across the Forward Estimates from \$44.5 million in 2014 to a negative Net Debt position of \$306.6 in 2015 and \$576.5 million in 2016.

Chart 1.3 illustrates the Net Debt since 2000-01.

Chart 1.3: Net Debt

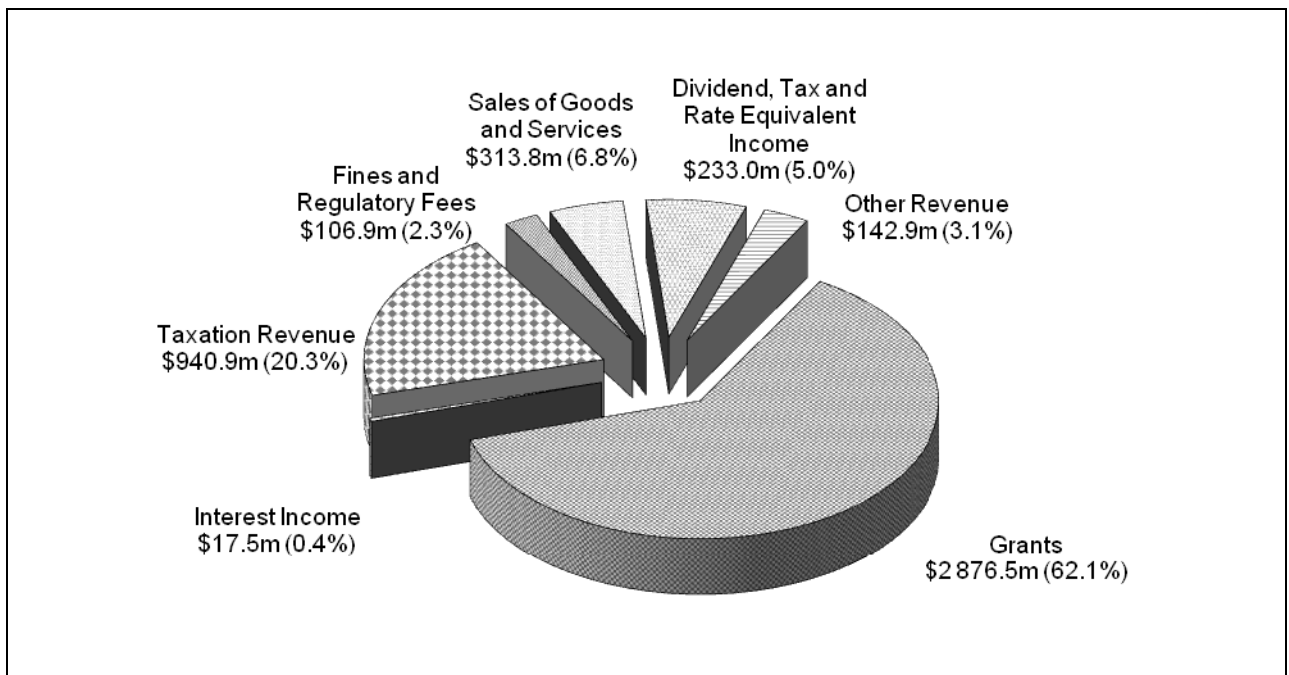


## Revenue Summary

In 2012-13, General Government Sector total revenue is estimated to be \$4 631.5 million in 2012-13, an increase of \$13.7 million or 0.3 per cent above the 2011-12 budgeted revenue of \$4 617.8 million.

Chart 1.4 shows the estimated total revenue in 2012-13 and a percentage breakdown of the major revenue categories.

Chart 1.4: General Government Revenue 2012-13



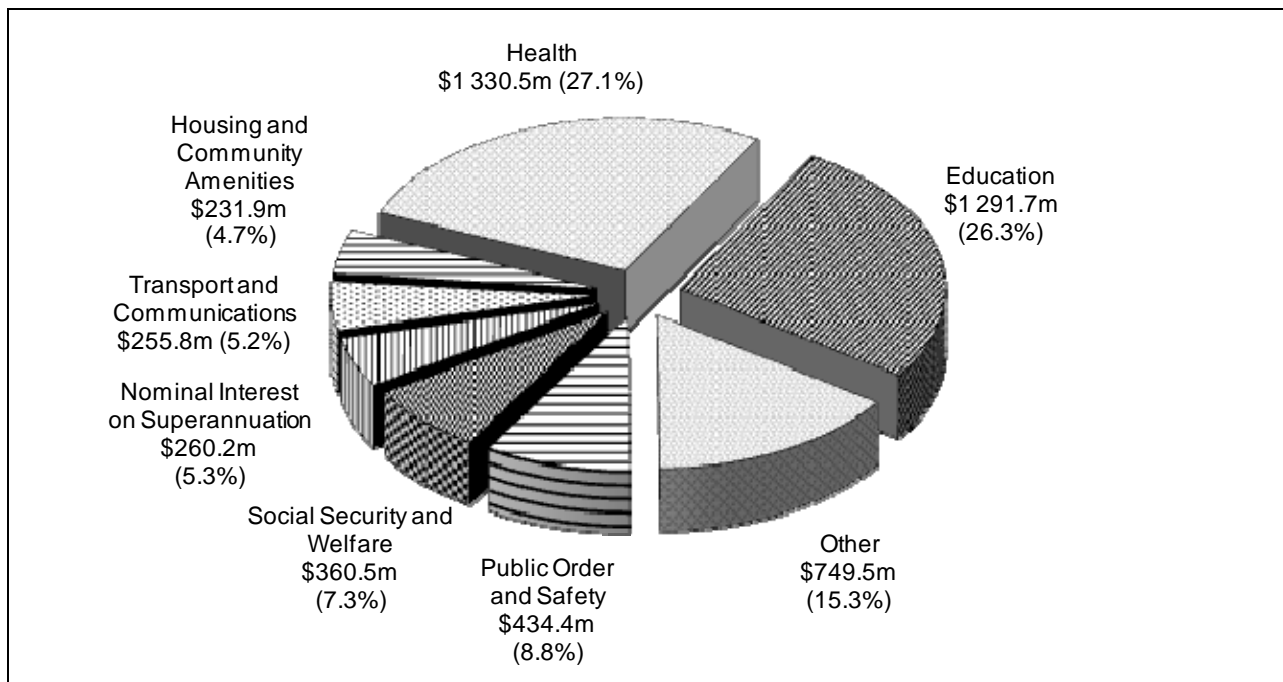
Chapter 4, General Government Revenue, of this Budget Paper provides a detailed explanation of the major revenue items included in the 2012-13 Budget and over the Forward Estimates period.

## Expenditure Summary

In 2012-13, General Government Sector total expenses are anticipated to be \$4 914.5 million, an increase of \$182.9 million or 3.9 per cent above the 2011-12 budgeted expenses of \$4 731.6 million.

Chart 1.5 provides a summary of General Government expenses by purpose. Further details of this expense classification are provided in Appendix 1 of this Budget Paper.

**Chart 1.5: General Government Expenses by Purpose, 2012-13**



Chapter 5 Expenses of this Budget Paper provides a detailed explanation of the major expense items in 2012-13 and over the Forward Estimates period, including Additional Agency Budget Savings Targets.

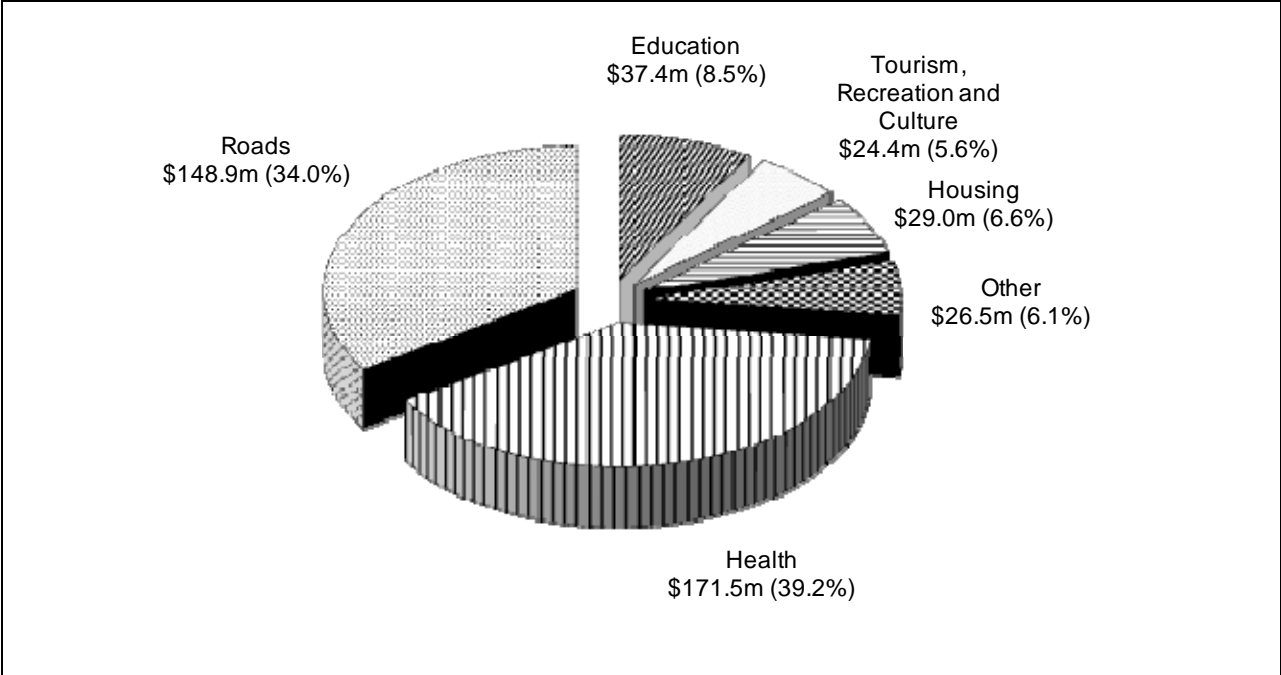


# Infrastructure Investment

The planned level of infrastructure investment is \$437.7 million in 2012-13, with a further \$1.1 billion estimated to be spent on General Government Sector infrastructure investment over the Forward Estimates period.

Chart 1.6 provides details of infrastructure investment expenditure by classification.

**Chart 1.6: Infrastructure Investment Expenditure by Classification, 2012-13**



Chapter 7 Infrastructure Investment of this Budget Paper provides a detailed explanation of the Government's investment in infrastructure.

# ECONOMIC OUTLOOK

The Australian economy continues to outperform most other advanced economies. The national economy has been supported by a record pipeline of investment in the resources sector and strong earnings from commodity exports. However, the performance of sectors within the Australian economy has been diverging.

The Tasmanian economy continues to show resilience in the face of adverse external factors, such as high exchange rates, the winding down of the Australian Government's fiscal stimulus measures and global and national conditions that do not favour Tasmania's export sector. Export demand is holding up and private investment has picked up in recent quarters.

The State's economic growth is forecast to increase by 1¼ per cent in 2012-13, the same growth rate estimated for 2011-12. Exports to mainland Australia are expected to be the primary driver of Tasmania's economic growth in 2012-13. A larger contribution from the construction sector is expected in 2012-13 than in 2011-12, driven by some major investment projects.

Some further softening of the labour market is forecast, with employment levels expected to decline by a further ¼ of one per cent or around 1 000 jobs from the 2011-12 year-average level. The unemployment rate is expected to increase to 7½ per cent in 2012-13 with the participation rate unchanged at 60¾ per cent.

Population growth is expected to ease from recent above-trend levels due to increased net out-migration to those mainland states with greater employment opportunities than in Tasmania. Population growth is forecast to remain at 0.4 per cent in 2012-13 before increasing slightly to 0.5 per cent in subsequent years as net out-migration to mainland Australia is expected to ease.

A detailed examination of the Tasmanian economy is provided in Chapter 2 Tasmanian Economy of this Budget Paper.

# MAJOR REFORMS AND BUDGET PRESENTATION ISSUES

This appendix provides an overview of a number of major industry and reform issues, and Budget presentation and accounting issues reflected in the 2012-13 Budget Papers.

Major industry and reform issues include:

- Electricity Supply Industry Reform;
- Electricity Prices;
- Forest Industry Reform;
- National Health Reform; and
- Taxation measures.

Budget presentation and accounting issues include:

- accounting for Australian Government National Partnership payments;
- Additional Agency Budget Savings Targets;
- Crown Law - revised funding arrangements;
- Goods and Services Tax Estimates;
- Superannuation funding arrangements;
- Superannuation Guarantee Charge changes;
- Temporary Debt Repayment Account closure; and
- 27<sup>th</sup> pay in 2015-16.

# Major Industry and Reform Issues

## *Electricity Supply Industry Reform*

In 2010, Parliament established an independent Expert Panel to undertake a comprehensive review of the Tasmanian electricity supply industry. The Expert Panel completed its final report in March 2012 and at the time of tabling the report, the Government advised that its response to the Expert Panel's recommendations would most likely be announced immediately prior to Budget day. The Government's response had not been finalised at the time the Budget Papers were prepared, apart from one important component – the method for calculating the regulated wholesale energy price.

For electricity tariffs from 1 July 2012, the Government is requiring the Tasmanian Economic Regulator to determine the allowance for the wholesale energy price by taking the midway value between an estimate of Long Run Marginal Cost (LRMC) and an estimate of the market supply cost for electricity. The impact of this particular decision on the future returns of the State's electricity businesses is reflected in the 2012-13 Budget and Forward Estimates and is explained in the section on electricity prices below.

Due to the timing of the Government's announcement of other key elements of these reforms and as the full effects of these will not be known until the reform implementation phase is well advanced, their financial impact is not reflected in the 2012-13 Budget and Forward Estimates. The impact of the reforms on the Government's financial position will be appropriately reflected in future Budget documents.

## *Electricity Prices*

There are a number of significant factors which, in the absence of any action by the Government or the State-owned electricity businesses, would have resulted in tariffs for non-contestable customers, as determined by the independent Tasmanian Economic Regulator, increasing substantially. The main factors impacting on the prospective increase to these customers are the pass through of the carbon price, which is increasing National Electricity Market (NEM) prices, the recoupment of revenue under-recoveries from previous years by the network companies, the impact of delaying wholesale energy price increases from previous years through the Regulator adopting price smoothing, and increases in renewable energy credits (RECs) and REC past under-recoveries. Part of the price increase is the result of increases approved in the past but deferred by the Regulator until July 2012 under the 2010 price determination, before it was known there would also be a carbon price.

The actual tariff increase on 1 July 2012 is expected to be around half the prospective increase that would have occurred in the absence of decisions by the Government and the electricity businesses. These include the decision of the Government to amend the calculation of the wholesale energy price and action by the network companies (Aurora Energy Pty Ltd and Transend Networks Pty Ltd) to achieve the Australian Energy Regulator's approval to smooth the impact of past revenue under-recoveries. The Government's decision on the wholesale energy price will reduce the 1 July 2012 price increase by approximately seven percentage points, as energy costs comprise around 40 per cent of final retail prices to customers. It is estimated that the smoothing of past under-recoveries will reduce the price rise by up to a further five percentage points.

The Government's decision on the wholesale energy price addresses the issue raised by the Expert Panel that the energy price included in the tariffs for non-contestable customers has been too high as it has not been reflecting the current supply and demand balance in the State. The full year cost to the Budget of this decision is \$37.0 million per annum and is funded from the proceeds of the "carbon uplift" to Hydro

Tasmania. It is estimated that the Government decision will more than offset the impact of the carbon price on retail tariffs arising from the Regulator's final price determination which takes effect from 1 July 2012.

The actions of the network companies in reducing their price increases from 1 July 2012 will also provide benefits to contestable customers on market contracts. This is especially important for some major industrial customers that have expressed concerns over the sharply rising network costs in recent years.

### *Forest Industry Reform*

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

As part of the broader forest industry reform process, the Government commissioned an independent review of the Government-owned Forestry Tasmania to provide recommendations on potential future structures, governance and business models. At the time the Budget Papers were prepared, a draft Report prepared by consultants URS and Deloitte has been received by the Government. While a final decision on action to be taken will be made by the Government following receipt of the final Report, the draft Report provides an indication of the cash deficit faced by Forestry Tasmania as a result of changes in the forest industry as well as the cost of non-commercial activities currently undertaken by Forestry Tasmania that may have to be undertaken by other entities in the future. Funding has been provided within Finance-General to meet these potential costs. It is possible that these estimated costs will be reduced following detailed consideration of the final consultant's report.

### *National Health Reform*

National Health Reform will be implemented in Tasmania from 1 July 2012 with the establishment of three Tasmanian Health Organisations (THOs) under the *Tasmanian Health Organisations Act 2011*. Each THO is a statutory authority with a Governing Council established under the Act. The functions of the THOs include improving, promoting, protecting and maintaining the health of Tasmanians as required by its service agreement; and managing public hospitals, health institutions, health services and health support services.

The THOs replace the Area Health Services previously managed directly by the Department of Health and Human Services. This has a significant impact on the quantum and type of expenditure managed by the Department and presented in its financial statements.

Under National Health Reform, the majority of funding previously provided by the Australian Government under the Health Specific Purpose Payment (SPP) is now provided to THOs via accounts held in the National Pool. In 2011-12, this funding was paid to the Department by way of a recurrent appropriation, while in 2012-13 this funding will flow as grants to the THOs.

As a result of these significant changes, detailed information on the funding of health services in Tasmania is provided in Budget Paper No 2 *Government Services*, Chapter 5 Department of Health and Human Services and separate chapters for each THO (Chapters 21, 22 and 23).

Further information on National Health Reform is also provided at [www.dhhs.tas.gov.au](http://www.dhhs.tas.gov.au) and [www.yourhealth.gov.au](http://www.yourhealth.gov.au).

## *Taxation Measures*

As part of the Government's broad response to meet the State's fiscal challenge, a review of state taxation options has been undertaken. This review found that some existing tax rates and thresholds had become outdated, given current asset and transaction values, or are inconsistent with those being applied in other states and territories. The Government has therefore made the decision to introduce some limited changes to existing taxation arrangements to assist in providing additional funding for key services, especially health services, while also assisting in returning the State Budget to a sustainable position. Notwithstanding these increases, Tasmania continues to maintain a highly competitive taxation environment when compared with other jurisdictions.

The changes in current taxation arrangements are:

- **Conveyance Duty** - From 1 October 2012, conveyance duty rates and thresholds will be revised so that they better reflect contemporary property prices and the duty regimes in other states. The new top marginal tax rate of 4.5 per cent remains low compared to other states, where the average top marginal tax rate is 5.5 per cent.
- **Insurance Duty** - From 1 October 2012, the rate of duty charged on contracts of general insurance will be increased from 8.0 per cent of the premium paid to 10.0 per cent of the premium paid. This measure will bring Tasmania's rate of duty on general insurance into line with the majority of other states.
- **Duty on Motor Accident Insurance Board (MAIB) premiums** - From 1 October 2012, the duty on MAIB premiums will be increased from \$6 per registration to \$20 per registration. Duty on MAIB premiums has not increased for many years and is relatively low in absolute dollar terms.
- **Motor Tax** - From 1 October 2012, motor tax on light vehicles will be increased by 20 per cent. Tasmania's taxes on motor vehicles are the second lowest of the states and territories on a per capita basis, and they will remain highly competitive.

It is estimated that these taxation measures will raise an additional \$28.7 million in 2012-13, with a full year impact in 2013-14 of \$39.4 million.

Further information on these changes in taxation arrangements is provided in Chapter 4 of this Budget Paper.

# Budget Presentation and Accounting Issues

## *Accounting for Australian Government National Partnership Payments*

From 1 July 2012, funding from the Australian Government for National Partnership payments will no longer be appropriated from the Consolidated Fund to agencies. Payments will now be received by Finance-General and then transferred to agency operating accounts based on agency expenditure estimates.

While making no difference to the overall funding provided to agencies from National Partnership payments, this change in accounting treatment does result in a reduction in some agency Consolidated Fund appropriations, but is fully offset by an increase in agency grant revenue.

Notes highlighting these changes are included in the financial statements of relevant agency chapters in Budget Paper 2 *Government Services*.

## *Additional Agency Budget Savings Targets*

To assist in moving the Budget to a sustainable basis in accordance with the Government's Fiscal Strategy, Additional Budget Savings Targets have been identified for selected agencies as part of the 2012-13 Budget.

The Additional Agency Budget Savings Targets will provide savings of \$68.4 million over the 2012-13 Budget and Forward Estimates period. The additional savings targets will not be required from the Department of Health and Human Services, the Department of Education or the Department of Police and Emergency Management.

The Additional Agency Savings Targets are equivalent to five per cent of the Consolidated Fund allocation over the period 2012-13 to 2014-15 (two per cent in 2012-13 and 2013-14, and one per cent in 2014-15) for most agencies. The Savings Targets for Parliament and Executive Offices and the Department of Justice are equivalent to three per cent of the Consolidated Fund allocation over the period 2012-13 to 2014-15 (one per cent each year).

Detailed information on individual Additional Agency Budget Savings Targets is provided in Table 1.4 of Budget Paper 2 *Government Services*.

## *Crown Law – Revised Funding Arrangements*

Crown Law encompasses the Office of the Solicitor-General, the Office of the Director of Public Prosecutions (ODPP) (Criminal and Civil Divisions) and the Crown Solicitor's Office. Traditionally, the ODPP Civil Division and the Crown Solicitor's Office generated income by charging agencies and instrumentalities for a range of legal services. The ODPP Criminal Division and the Office of the Solicitor-General were fully funded by an appropriation from the Consolidated Fund.

From 1 July 2012, all areas of Crown Law will be funded by an appropriation from the Consolidated Fund and will no longer charge agencies for legal services provided. Agency appropriations have been adjusted to ensure that the impact of this change is Budget neutral.

## *Goods and Services Tax Estimates*

GST revenue for each state is derived from three factors:

- the total GST pool;
- each state's share of the national population; and
- a per capita relativity.

Historically, Tasmania has relied on Australian Government forecasts to determine State GST revenue forecasts. The Australian Government projections of per capita relativities are based on a relatively simple financial model that does not take into account changes in states' fiscal capacities, or changes in the mix of national partnership payments (NPPs) received by the states. Over time, changes in states fiscal capacities and the distribution of NPPs have had material impacts on the movement in per capita relativities, and ultimately the distribution of GST revenue between the states.

Over the Budget and Forward Estimates period, the improvement in Western Australia's relative fiscal capacity (as a result of the mining boom), and the wind down in the Australian Government's economic stimulus and Royal Hobart Hospital payments to Tasmania, mean that these factors are expected to have a considerable impact on Tasmania's relativity. As a result, the Department of Treasury and Finance has developed its own financial model to forecast per capita relativities. This model seeks to better replicate the Commonwealth Grants Commission's (CGC) methodologies to calculate per capita relativities, and takes into consideration changes in states fiscal capacities, as well as the distribution of NPPs.

Tasmania's GST revenue forecasts in 2012-13 and the Forward Estimates period use the Australian Government's forecasts for the GST pool and national population shares, together with Treasury forecasts of per capita relativity. The resulting GST revenue forecasts used in these Budget Papers are higher than the Australian Government's over the Forward Estimates. Further information on this new methodology is provided in Chapter 4 of this Budget Paper.

## *Superannuation Funding Arrangements*

As part of the development of the 2012-13 Budget, the existing process of seeking to fund the unfunded superannuation liability associated with the now closed defined benefits scheme was reviewed. This process has been reflected in a past Fiscal Strategy objective to fully fund the Government's unfunded superannuation liability by a certain date. It was discontinued as an objective in the current Fiscal Strategy in recognition of the provision not being fully cash backed and following consideration of whether the objective was appropriate within the current fiscal environment.

As a result of this review, the Treasurer has approved new superannuation funding arrangements. Under these new arrangements, the Superannuation provision in the Special Deposits and Trust Fund will no longer be set aside and the emerging cash cost of the defined benefits superannuation scheme will be met directly from the Consolidated Fund. This new approach reflects the Government's key responsibility of meeting the emerging cost associated with the closed scheme, as and when it arises, while also increasing the financial transparency of the Government's superannuation arrangements.

Financial modelling shows that this is a fiscally responsible and manageable approach to the unfunded superannuation issue. The defined benefits scheme was closed in 1999 and the Budget provides funding that meets current pension costs and lump sum payments to retiring public servants and, with appropriate indexation, will meet future costs.



Further information on these new arrangements is provided in Chapter 6 of this Budget Paper.

### *Superannuation Guarantee Charge Changes*

In March 2012, the Australian Government amended its superannuation guarantee legislation to provide for a series of increases in the rate of compulsory employer contributions over a period of time. The superannuation guarantee rate will increase from 9 per cent to 9.25 per cent on 1 July 2013 and ultimately increase to 12 per cent on 1 July 2019. This increased cost will be met from existing agency allocations.

### *Temporary Debt Repayment Account Closure*

In conjunction with the implementation of an alternative funding model for the defined benefits superannuation scheme, the credit balance of the Superannuation Provision Account will be offset against the overdrawn (debit) balance of the Temporary Debt Repayment Account, with both accounts to be subsequently closed.

Instead of the current Temporary Debt Repayment Account transactions, at the end of each financial year, borrowings will now be undertaken to gross-up the Government's cash holdings to equate to the estimated balance of accounts in the Special Deposits and Trust Fund. An end-of-year borrowing transaction such as this was previously undertaken annually prior to 2002-03. The end-of-year borrowing is essentially a paper transaction as the same amount as that borrowed will be invested overnight on 30 June with the Tasmanian Public Finance Corporation, grossing up the amount of cash held and borrowings. The end of year borrowing has no impact on the Government's Net Debt and improves the transparency of the Government's end-of-year financial transactions.

### *27th Pay in 2015-16*

Salary payments to employees in the General Government Sector are made fortnightly. This usually means that there are 26 pay days in each year. However, approximately once every 11 or 12 years, there are 27 fortnightly pay days in a financial year. The next year with 27 pay days for agencies (other than the Department of Health and Human Services) will be 2015-16. The Department of Health and Human Services makes its salary payments on a different day each fortnight to the rest of the General Government Sector, therefore, it also makes a 27th pay in a different year.

Additional funding is provided to agencies for this additional cost from the Consolidated Fund. On a cash basis, this can be seen in the level of appropriation to agencies and in Employee Entitlements on the agency Cash Flow Statement. However, on an accrual basis there is no impact on Employee Entitlements on the agency Income Statement as the additional cash payment is offset by a downwards adjustment to accrued Employee Entitlements expense. This adjustment to accrued Employee Entitlements expense can also be seen as a reduction in the liability for Employee Entitlements on the agency Balance Sheet.



# 2 TASMANIAN ECONOMY

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## Features

- The Tasmanian economy continues to show resilience in the face of adverse external factors, including high exchange rates, the winding down of the Australian Government's fiscal stimulus measures and global and national conditions that do not favour Tasmania's export sector.
- Tasmania's performance has not matched Australia's as Tasmania is not a major exporter of high value minerals or metals. Furthermore, there has been little supply of goods or services from Tasmanian firms to mining and related businesses in the resource-rich states.
- The very strong Australian dollar is putting many of Tasmania's export industries under financial pressure. This has affected exporters of manufactured goods in particular, but also the tourism sector and may extend to the demand for education services from international students.
- Tasmania's forestry sector continues to face some major challenges, with woodchip sales remaining very low and large scale closure or downsizing of mills and other timber operations. The near term outlook for this sector remains very weak. By contrast, the prospects for Tasmania's agricultural sector have improved.
- The winding down of the Australian Government's fiscal stimulus measures has also detracted from Tasmania's economic growth in 2011-12. This has been offset by increased private sector activity in the Tasmanian economy, particularly business investment.
- The outlook for investment has improved primarily due to the progression of some large projects such as some dairy and irrigation-related investments and Hydro Tasmania's \$400 million Musselroe wind farm project.
- Household consumption in the State is expected to continue to grow slowly, as Tasmanian households maintain a high savings rate and remain uncertain about future economic conditions.
- The State's economy is estimated to grow by 1¼ per cent in both 2011-12 and 2012-13, which is below the long-term trend rate.
- The impact of the weaker economic conditions is flowing through to the labour market, with employment easing and the unemployment rate rising sharply in recent months. A decline in employment of ¾ of one per cent in 2011-12 is expected, followed by a further ¼ of one per cent decline in 2012-13. The unemployment rate is expected to be 6½ per cent in 2011-12, in year average terms, rising to 7½ per cent in 2012-13.

# CURRENT ENVIRONMENT – OVERVIEW

## Global Conditions

Global economic conditions remain uncertain, with European sovereign debt concerns and very weak economic growth across Europe continuing to weigh on the global outlook. Most commentators expect that growth in the global economy will be below long term trends in the near term.

In most advanced economies, growth has been subdued over the past year. In Europe, economic conditions are uneven, with some countries growing sluggishly, such as France and Denmark, but several contracting, including Germany, the United Kingdom, Italy and Spain. Sovereign debt concerns and fiscal consolidation efforts are likely to continue to dampen economic activity in the near term. Concerns over a deep and prolonged recession in Europe appear to have eased.

While much attention has been on Europe, the pace of growth in the US economy has improved. Labour market conditions have been improving, although the unemployment rate in the US remains high. Consumer spending and business investment have also continued to increase. Uncertainty remains, however, over the strength of the US recovery and how this may be affected by the fiscal measures needed to reduce US debt.

Japan has returned to growth and further strengthening is expected. The recovery from the earthquake, tsunami and nuclear accidents in March 2011 has been slower than expected, primarily reflecting delays in reconstruction efforts.

Developing economies have performed well in comparison, but weaker export demand from Europe and the disruption to supply chains from the recent floods in Thailand have constrained activity in much of East Asia. Annual growth in China is expected to slow to around 8 per cent in 2012.

Global commodity prices, including food and energy, remain high though the prices of some resources important to Australia have recently eased. The price of oil, by contrast, has increased over the past year due to political unrest in the Middle East and increased global demand.

Economic forecasts of global economic growth have been downgraded since late 2011. In April 2012, the IMF forecast world economic growth of 3.5 per cent in 2012, down from the 4.0 per cent growth forecast in September 2011. This downgrade has been attributed to a further deterioration in financial conditions and weaker prospects for a near-term recovery in economic activity in the advanced economies.

While forecast global economic growth remains below trend, the IMF expects Developing Asia, which includes China, to grow by 7.3 per cent in 2012. This region is a major market for Tasmania's exports. The Asian middle-class is expanding rapidly, potentially providing opportunities for Tasmania in areas including education services, tourism and food products.

Despite some promising signs for the global economy, the balance of risks continues to be on the downside. Growth in developing economies, led by China, is holding up and is forecast to continue to drive global growth. However, a further deterioration in the situation in Europe and any weakening of the recovery in the US would have spill-over effects on developing economies and weaken global and national economic prospects.

## Australian Conditions

The Australian economy continues to outperform most other advanced economies. The national economy has been supported by a record pipeline of investment in the resources sector and strong earnings from commodity exports.

However, the performance of sectors within the Australian economy has been diverging. The resources sector – principally mining and energy resources – continues to grow at an extraordinary rate, fuelled largely by demand from China. According to the Australian Treasury, investment in mining is expected to soon exceed all other private non-mining investment.

High mineral and other commodity prices have driven Australia's terms of trade to very high levels. This has boosted national income, but also has contributed to the high value of the Australian dollar against most major currencies. The trade-exposed sectors of the Australian economy have had no experience of competing in national and international markets with a sustained very strong Australian dollar.

Most other sectors are performing more modestly. The higher exchange rate has been negatively impacting on the competitiveness and profitability of many other export-oriented industries, particularly manufacturing. One consequence of this uneven performance between sectors of the economy has been the migration of workers and the shift of capital to the resource-rich jurisdictions, especially Western Australia.

Even before the 2008 global downturn, Australian household savings rates had been increasing. These savings rates remain at historically very high levels and are reflected in more cautious spending patterns, despite solid growth in household incomes. Nationally, consumer confidence remains below long term levels and the outlook for the retail trade sector, in particular, remains weak. The strong exchange rate encourages expenditure on imports, including directly imported goods, and Australian households are increasingly opting to travel overseas, rather than within Australia.

Another consequence of a high national household saving rate and low consumer confidence is that indirect taxes, such as the GST, duties and some other taxes have produced lower revenues than expected. All state and territory governments have the challenge of constraining public expenditure in response. Together with fiscal consolidation by the Australian Government, public sector activity is likely to detract from national economic growth in the near term.

Despite the uncertainty arising from the 'multi-speed' nature of the Australian economy, as a result of the strength of the resources sectors, the national economy is expected to grow close to the long-term trend in 2012-13. Household spending is likely to remain relatively subdued. These factors, together with the favourable price of international imports, suggest that the prospects for Tasmania's exports to mainland Australia are not as strong as in recent years. As international travel is so affordable, visits to Tasmania by mainland households have been easing and the indicators suggest this trend is likely to continue.

The national labour market reflects the multi-speed economy, with the manufacturing and retail sectors, for example, reducing employment levels, while the mining and mining services sectors have been recording solid increases over the past year. These adjustments have broadly offset each other over this period, with little net employment growth in the economy. Recently there have been modest increases in forecasts of the national unemployment rate.

Monetary conditions remain very favourable, with the inflation rate within the range set by the Reserve Bank of Australia and wages growth moderating over the past year. Public sector wage growth, in particular, has eased in recent quarters. The RBA's cash rate is currently well below the long term average, though the

spread between the cash rate and interest rates charged by financial institutions to households and businesses has increased since the 2008 global economic downturn.

## Tasmanian Conditions

The Tasmanian economy continues to show resilience in the face of adverse external factors, such as the high exchange rate, the winding down of the Australian Government's fiscal stimulus measures and global and national conditions that do not favour Tasmania's export sector. Export demand is holding up and private investment has picked up in recent quarters.

While Australia's economic strength has been largely driven by the very strong demand for Australian commodities in recent years, this is not the case in Tasmania. Tasmania is not a major exporter of high value minerals or metals. For the State's resource sector as a whole, the increases in prices have not been as large as nationally. In addition, due to the State's location and industry mix, few Tasmanian firms are in a position to supply goods or services to mining and related businesses in the resource-rich jurisdictions, particularly Western Australia.

Mineral-related exports from Tasmania have been relatively strong in recent quarters, over ninety per cent of which were sold to Asian countries. Exports of dairy and meat products have also grown recently, assisted by the return to more normal rainfall conditions following an extended period of drought.

However, exporters of other commodities, particularly manufactured goods, continue to struggle against the strong Australian dollar. In 2010-11, the manufacturing sector declined in Tasmania, subtracting almost one per cent from the State's economic growth in that year. It is likely that this trend is continuing.

Most recently, TEMCO, a large manganese alloy producer in northern Tasmania, suspended production in March 2012. Other exporters also face additional industry-specific pressures, such as the forest products sector which has been adversely affected by a large reduction in woodchip sales and Gunns Limited's decision to restructure its activities. The net effect of these influences is that export volumes remain around 10 per cent below the peak in 2008.

The winding down of the Australian Government's fiscal stimulus measures has also detracted from Tasmania's economic growth in 2011-12. The construction industry, in particular, has been facing much weaker conditions following the completion of many Australian Government-funded building projects.

This has been offset by increasing private sector activity in the Tasmanian economy. Business investment has grown in recent quarters, particularly investment in plant and equipment which was up almost 30 per cent in the year to the December quarter 2011. Despite business confidence being low, the outlook for business investment has improved, assisted by some large projects such as dairy and irrigation-related investments. The near-term prospects for dwelling investment remain subdued, as indicated by low levels of housing finance and a decline in new building approvals over the past two years.

Private consumption in the State continues to grow slowly, as savings rates remain high and employment prospects appear weaker, and consumer confidence has remained at low levels. Retail trade, in particular, has been sluggish over the past two years.

Employment has eased over the past year, in trend terms, especially full-time employment. Much of this can be explained by the decline in the forestry and forest products sector. Almost all trade-exposed businesses in Tasmania are looking to implement efficiency measures to remain competitive in response to the high exchange rate.

Furthermore, in common with other states and territories, the Tasmanian Government is required to implement measures to restore fiscal balance in the face of declining GST revenues and state taxes. This is resulting in lower employment levels across the public sector and further reductions are expected in the years ahead. Similar outcomes are expected in Tasmania from actions by the Australian Government and Local Government.

Together with the increase in the participation rate, these factors have led to a large increase in the unemployment rate in recent months to above 7 per cent, which has not been experienced since 2003.

Recent population data suggest that the relatively stronger employment prospects in mainland states, especially in the construction industry, have encouraged the migration of workers to some mainland states. This is supported by data revealing weaker demand for rental accommodation in Tasmania. This trend, if sustained, affects not only the labour market, but also household consumption, including the demand for new dwellings.

Total hours worked have increased modestly in year average terms since early 2011, though they have declined recently. This suggests that economic activity in Tasmania has been maintained.

# ECONOMIC OUTLOOK

Table 2.1 presents Treasury's estimates for key Tasmanian economic indicators for 2011-12, forecasts for 2012-13 and projections to 2015-16.

Changes in Gross State Product are derived from component-based estimates of household consumption, private investment, government spending and net exports. This approach seeks to estimate movements in the same measure that the ABS reports in its Australian National Accounts. However, Treasury continues to have concerns with the reliability of the ABS estimates of annual changes in Tasmania's GSP. It therefore does not consider that its own GSP estimates should be benchmarked against the estimates produced by the ABS.

Treasury has assessed the Budget year forecasts under three scenarios: the base case presented in Table 2.1, a pessimistic scenario and an optimistic scenario. This scenario approach has been adopted to reflect the degree of uncertainty in the outlook and so that the possible range and magnitude of risks that the Tasmanian economy may face over the coming year can be assessed.

**Table 2.1: Tasmanian Economic Estimates, Forecasts and Projections**

	MYFR <sup>1</sup>		Budget 2012-13				
	2010-11	2011-12	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimate	Estimate	Forecast	Projections		
Gross State Product <sup>2,3,4</sup>	....	1½	1¼	1¼	2¼	2¼	2¼
Employment <sup>5</sup>	1.4	0	-¾	-¼	1	1	1
Level of Employment <sup>6</sup>	237.7	238	236	235	238	241	243
Labour Force Participation Rate <sup>7</sup>	61.1	60½	60¾	60¾	60½	60½	60½
Unemployment Rate <sup>7</sup>	5.6	5¾	6½	7½	7	7	7
Consumer Price Index (Hobart) <sup>5</sup>	2.9	2¾	2¾	3	2¾	2¾	2¾
Population <sup>5</sup>	0.7	0.6	0.4	0.4	0.5	0.5	0.5

Source: Data – Australian Bureau of Statistics; Estimates, Forecasts and Projections – Department of Treasury and Finance.

**Notes:**

1. The 2011-12 *Mid-Year Financial Report* was released on 15 February 2012.
2. This GSP estimate is not intended to be benchmarked against the GSP estimates produced by the ABS due to ongoing concerns over the reliability of the ABS estimates of year on year changes in Tasmania's GSP.
3. The 2010-11 actual is unavailable. See note 2.
4. Real, percentage change.
5. Year-average, percentage change.
6. Year-average, '000s.
7. Year-average, percentage level.



## Summary of 2011-12 Estimates and 2012-13 Forecasts

The data available for 2011-12 show that private sector activity has been recovering as the economy can no longer rely on public sector spending to drive economic growth. For the first time in many years, public sector activity is expected to detract from economic growth, due largely to the winding down of the very substantial stimulus measures funded by the Australian Government.

Household consumption, the largest single component of demand, has slowly been increasing and is expected to contribute to growth in 2011-12. Business investment has shown stronger growth, particularly investment in plant and equipment. However, dwelling investment remains subdued and is expected to detract from growth over 2011-12.

Overseas exports are not expected to grow over 2011-12, in volume terms, though some growth is expected in exports to mainland Australia. The trends in spending decisions by mainland business and households, however, suggest that Tasmania may not benefit from this national economic growth to the same extent as in recent years. This is partly because much of the growth is in mining-related construction, where demand for Tasmania's exports is low, and also because mainland households are spending a smaller share of their income on retail goods, including those exported from Tasmania.

Tasmania's GSP is estimated to grow by 1¼ per cent in 2011-12, which is below Tasmania's long-term growth rate. This growth is expected to be largely in the services sector, with some contribution from agriculture. As in 2010-11, the forestry and manufacturing sectors are expected to contract over 2011-12.

A decline of ¾ of one per cent or around 2 000 jobs is expected in employment levels over 2011-12. Employment data to date suggest that employers have been shedding full-time labour, and to a lesser extent part-time labour, but increasing the average number of hours of those in part time work. As a result the trend in the number of persons employed has not been the same as in the total number of hours worked.

The unemployment rate is expected to be 6½ per cent, in year-average terms, in 2011-12, a significant increase from 5.6 per cent over 2010-11. At the same time as employment has been easing, the participation rate has been increasing, which has led to a large increase in the number of unemployed, which is expected to average around 16 000 in 2011-12, which compares to the year-average level of around 14 000 persons in 2010-11.

In recent months, the decline in employment has been proportionally greater in the north-west of the State, which has a greater reliance on the forestry and manufacturing sector. It is likely that over the year the labour market in this region will be the most adversely affected by the modest growth in the State's economy.

Population growth is expected to ease from recent above-trend levels due to increased net out-migration to those mainland states with greater employment opportunities than in Tasmania. Population growth is expected to be 0.4 per cent over 2011-12, down from 0.7 per cent in 2010-11.

For 2012-13, these economic trends are largely expected to continue. There is little indication that global and national economic conditions will change significantly. The export sector is expected to remain resilient in 2012-13 in the face of continued pressure to remain competitive.

Some further recovery in household spending is expected and investment is likely to be sustained, supported by Hydro Tasmania's \$400 million Musselroe wind farm. Some major dairy-related investments

are also expected to be underway in 2012-13. A return to modest growth in dwelling investment is expected from current low levels in response to above trend population growth in recent years.

The forecasts for 2012-13 do not include the proposed Gunns pulp mill in northern Tasmania as the project is yet to be confirmed.

Importantly, there will be virtually no impact on economic growth from the reduced Australian Government stimulus measures in 2012-13, as the decline in spending associated with this program has predominantly affected growth rates in 2011-12. However, other public spending is expected to decline in 2012-13 as the Australian, state and local Governments respond to their budget challenges.

Tasmania's GSP is forecast to increase by 1¼ per cent in 2012-13, the same growth rate estimated for 2011-12. Exports to mainland Australia are expected to be the primary driver of Tasmania's economic growth in 2012-13. A larger contribution from the construction sector is expected in 2012-13 than in 2011-12, driven by some major investment projects.

Some further softening of the labour market is forecast, with employment levels expected to decline by a further ¼ of one per cent or around 1 000 jobs from the 2011-12 year-average level. The unemployment rate is expected to increase to 7½ per cent in 2012-13 with the participation rate unchanged at 60¾ per cent.

Population growth is forecast to remain at 0.4 per cent in 2012-13 before increasing slightly to 0.5 per cent in subsequent years as net out-migration to mainland Australia is expected to ease.

Under a more optimistic scenario, consumer confidence would recover more quickly in 2012-13, along with an associated pick-up in housing activity, with consumption approaching the longer term trend rate in 2012-13. With an improvement in business confidence and the confirmation of some new large projects, this would result in economic growth of 2¼ per cent in 2012-13, around the long-term trend rate. Under this scenario, employment would not decline from 2011-12 levels and there would be a smaller increase in the unemployment rate.

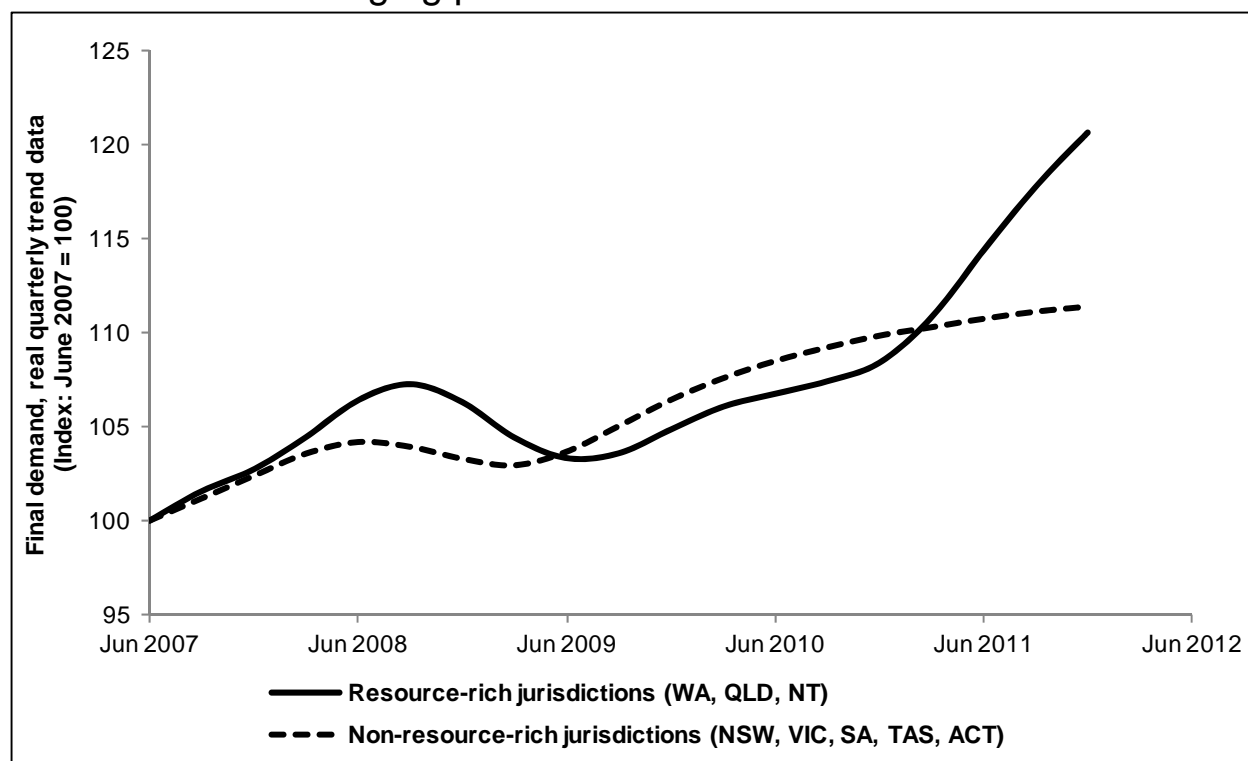
Under a more pessimistic case, there would be a worsening in consumer confidence and the closure of some major businesses in Tasmania. This could occur through a worsening of the sovereign debt problems in Europe and renewed concerns over global financial stability, or by some businesses becoming unsustainable in the face of the strong exchange rate or, in the case of building firms, low demand in the construction sector. This would lead to economic growth of only ¼ of one per cent in 2012-13 and an unemployment rate above 7½ per cent.

# Tasmania's Economic Outlook

## State Final Demand and Gross State Product

The level of Tasmanian state final demand was relatively unchanged over 2011. Chart 2.1 illustrates the diverging paths of the resource-rich jurisdictions and the non-resource-rich jurisdictions, such as Tasmania, particularly from early 2011. Modest growth in state final demand is expected in 2012-13 as increased household consumption and private investment are expected to outweigh a further decline in public sector activity.

Chart 2.1: Diverging paths of State Final Demand



Source: *Australian National Accounts: National Income, Expenditure and Product*, ABS Cat No 5206.0.

Gross state product is estimated to increase by 1¼ per cent in both 2011-12 and 2012-13. The key elements of Tasmania's gross state product are set out in more detail below.

## Household Consumption

Household consumption is estimated to increase by around 1½ per cent in 2011-12, which follows growth of 1.2 per cent in 2010-11. This consumption growth remains well below the long-term trend growth rate of 2.8 per cent per year.

As a result of changing household consumption patterns, retail trade has become a declining component of overall private consumption levels in Tasmania as well as for Australia. Retail trade now represents around one-third of consumption, down from a two-thirds share two decades ago due largely to the increasing prominence of expenditure on health, education, rent and other services that do not involve the retail sector. Trends in the retail sector provide a less reliable guide to household expenditure trends than in earlier

decades. Despite this, the retail sector continues to be a very important employer in the State, accounting for 11.3 per cent of total employment in the year to February 2012.

Near-term indicators of household consumption suggest that consumption growth is likely to remain below trend in 2011-12 and 2012-13. Low consumer confidence appears to be persisting and this is unlikely to recover while the unemployment rate remains higher than in recent years. Furthermore, property prices in Tasmania appear to have eased slightly in recent quarters and the volume of sales has fallen appreciably.

Retail trade is subdued, falling in nominal terms in recent months, and expenditure on discretionary items continues to fall, as it has since late 2009. Demand for personal finance has steadily declined since the 2008 global downturn as household savings rates have increased.

The migration of workers from Tasmania to some mainland states in response to improved employment opportunities is also expected to constrain total household consumption growth in Tasmania in the near term.

Under an optimistic scenario, Tasmanian consumer confidence would recover on the back of improved national conditions, leading to higher consumption, especially on discretionary items, and a recovery in housing activity. This would support dwelling investment and also stimulate demand for home alterations and associated expenditure on related items such as white goods and property services.

Under a pessimistic scenario, consumer confidence would weaken in the face of weaker employment prospects, leading to further falls in house prices and very modest growth in household consumption.

### *Changing Consumption Patterns*

Growth in household consumption in Tasmania has been subdued following the 2008 global downturn. Several factors have contributed to this, including increased household savings rates, weaker economic growth, a softening of labour market conditions and a subdued housing market.

While these are linked to cyclical drivers, there also appears to be an element of structural change occurring to household consumption patterns in Tasmania and nationally. Household savings rates had been increasing since before the 2008 global downturn and this trend may have continued even if the downturn had not occurred.

Other factors have emerged more recently. It appears an increasing number of Tasmanian workers with their families in the State are working interstate, with the effect that a smaller share of household spending is in Tasmania. Also, nationally, a record number of Australians are travelling overseas, which suggests that more of Tasmanian households' disposable income is being spent outside Tasmania.

Of particular consequence at the State Government level is the national trend over the past decade of an increasing proportion of household expenditure on items that do not attract the GST. This is partially due to expenditure growth on health and education services and some food goods, and increased online retail spending on GST-free transactions. The growth in overseas travel has also contributed to this trend.

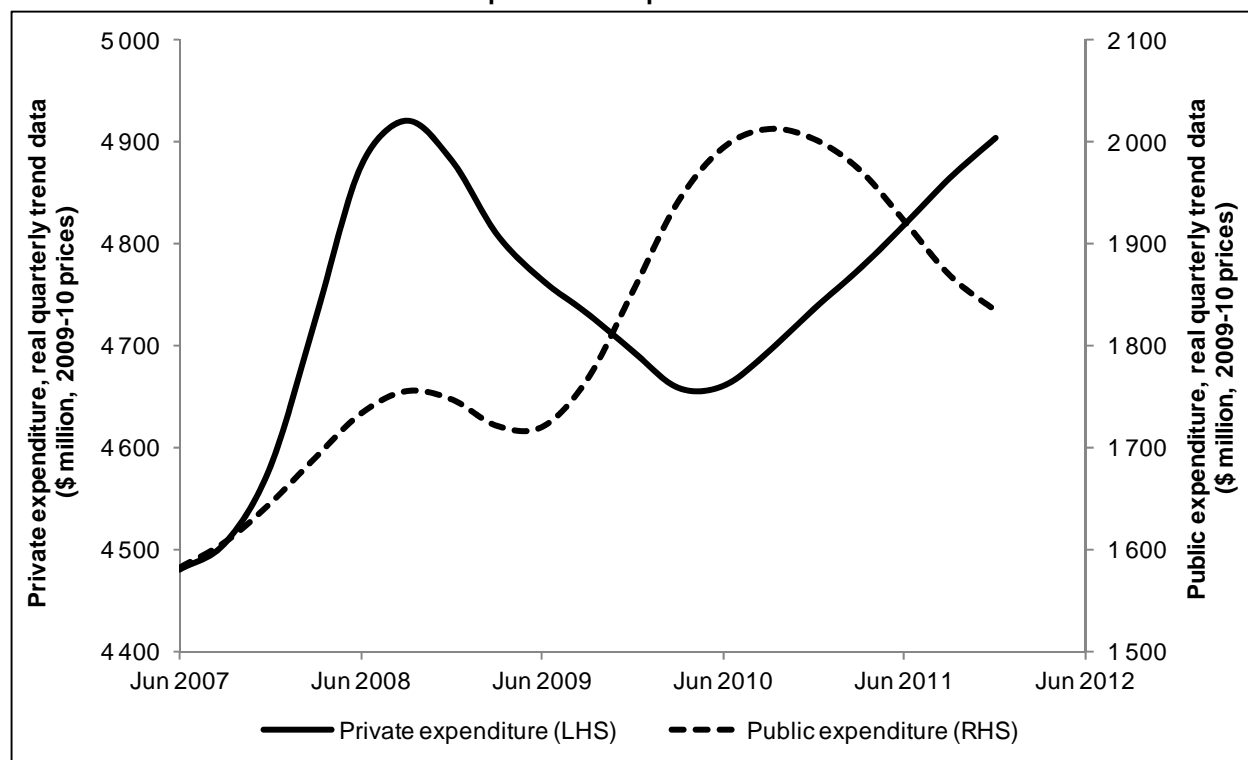
Due to the mixture of these cyclical and structural factors impacting upon consumption in Tasmania, it is likely that consumption growth will be below trend in 2012-13 and potentially over the Forward Estimates period.

## Government Expenditure

Public investment is returning to lower levels in 2011-12 and 2012-13 as the Australian Government's stimulus measures are wound down. Some decline is also expected in State Government public investment and the program of network infrastructure investment by Transend Networks and Aurora Energy is also scheduled to wind down. This will detract from economic growth in the near-term.

While public expenditure has been declining, private expenditure has been increasing, which is necessary for a self-sustaining recovery in the Tasmanian economy (Chart 2.2).

Chart 2.2: Private and public expenditure in Tasmania



Source: *Australian National Accounts: National Income, Expenditure and Product*, ABS Cat No 5206.0.

Revenue pressures will limit public consumption expenditure by the State and Australian Governments, and to a lesser extent, by local government, over the medium term. Lower than forecast GST receipts and own source taxation revenues have significantly reduced State Government revenues, in real terms. Australian Government taxation revenue has also been revised downwards.

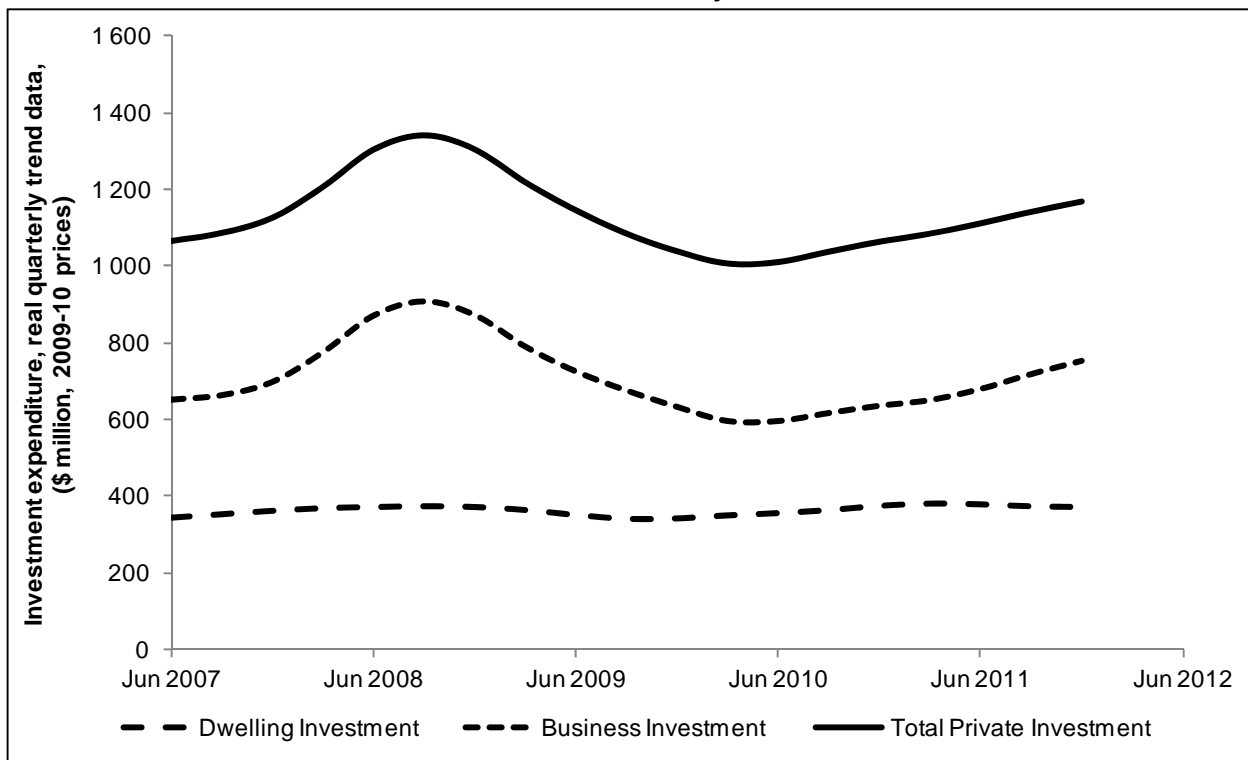
Public Government expenditure in Tasmania is forecast to decline in real terms by around 3 per cent in 2011-12 and a further 3.5 per cent in 2012-13.

Despite this forecast decline, some large public sector projects will sustain economic activity in Tasmania. These include the \$400 million Musselroe wind farm project by Hydro Tasmania which commenced recently, the ongoing National Broadband Network roll-out and expenditure linked to the Tasmanian Forests Intergovernmental Agreement.

## Private Investment

Private investment returned to growth in mid-2010 and has since recovered around half the ground lost during the 2008 global downturn. This is due to the solid growth in business investment, which contributes around two-thirds of private investment. In the December quarter 2011, business investment in trend terms was 18.6 per cent above the level of one year earlier.

Chart 2.3: Private investment activity in Tasmania



Source: *Australian National Accounts: National Income, Expenditure and Product*, ABS Cat No 5206.0.

Some Tasmanian firms appear to be taking advantage of the high exchange rate to import capital equipment. ABS National Accounts data reveal that in the December quarter 2011, purchases of machinery and equipment in Tasmania were 35.8 per cent higher than a year earlier.

Confidence in primary production, excluding forestry, is strong. There appear to be solid growth prospects for exports from Tasmanian agricultural and fishing sectors, linked to favourable prices and increasing global demand for food and primary produced goods.

Significant investment is underway in the dairy industry, which is expected to expand dairy farming in the State's north-west by establishing several new farms. Complementary investment is also occurring in value adding processes, such as in cheese and milk powder production. Further investment is also expected in the State's irrigation schemes and aquaculture industry, including one large project at Strahan on the State's west coast.

Demand has recently been strong for exploration licences and mining leases. The value of mineral exploration expenditure has increased by almost 25 per cent in the year to December 2011 compared to the previous year. This suggests a forward program of mining-related investment can be expected, though no large projects have recently been confirmed.

Prospects for business investment in other sectors are mixed. Some major commercial property investment is planned and a further boost would occur if the Parliament Square development in Hobart secures the necessary planning approvals. However, several sectors are not well placed to expand, including manufacturing, retail and tourism.

Business investment is expected to grow by above 10 per cent in 2011-12, in year average terms, before returning to growth of around 3.5 per cent 2012-13, which is closer to the long term trend rate.

An optimistic scenario for business investment would include some major new projects that are yet to be confirmed and an increased appetite for investment on the part of existing businesses in the State. This could lead to the growth at around the same rate in 2012-13 as in 2011-12. A pessimistic scenario would include the cancellation of some proposed major projects or some large industrial businesses closing or scaling back their operations in the face of deteriorating economic conditions.

The level of dwelling investment, which contributes around one-third of private investment, has not grown since the 2008 global downturn. Forward indicators of dwelling investment, such as residential building approvals and housing finance, remain subdued, while rental vacancy rates have increased in recent months. In addition, the risk remains of a further decline in house prices.

Against this, however, the housing stock has not expanded to meet underlying demand in recent years. Furthermore housing affordability in Tasmania has increased over the past year by around 10 per cent, according to the Housing Industry Association/Commonwealth Bank of Australia estimates, as real incomes have continued to grow, on average, and house prices have eased. A cumulative decrease in the cash rate of 100 basis points since November 2011 also provides some support for dwelling investment in the near term.

However, on balance, very modest growth in dwelling investment is forecast for 2012-13, following little change in 2011-12.

## *Exports*

International and interstate trade is a crucial component of the State's economy. According to ABS estimates, for every dollar spent on private investment in the State; two dollars are spent on the State's international and interstate exports.

The ABS estimates that the volume of Tasmanian exports to mainland Australia are almost double those to international destinations, and that Tasmanian interstate exports in volume terms have increased by an average 1.8 per cent per year over the five years to 2010-11. This demonstrates the important link between the performance of the national economy and the Tasmanian economy, particularly given the weakness in international trade volumes over this period. Interstate trade volumes are expected to increase by a little below the growth rate of national GDP in both 2011-12 and 2012-13.

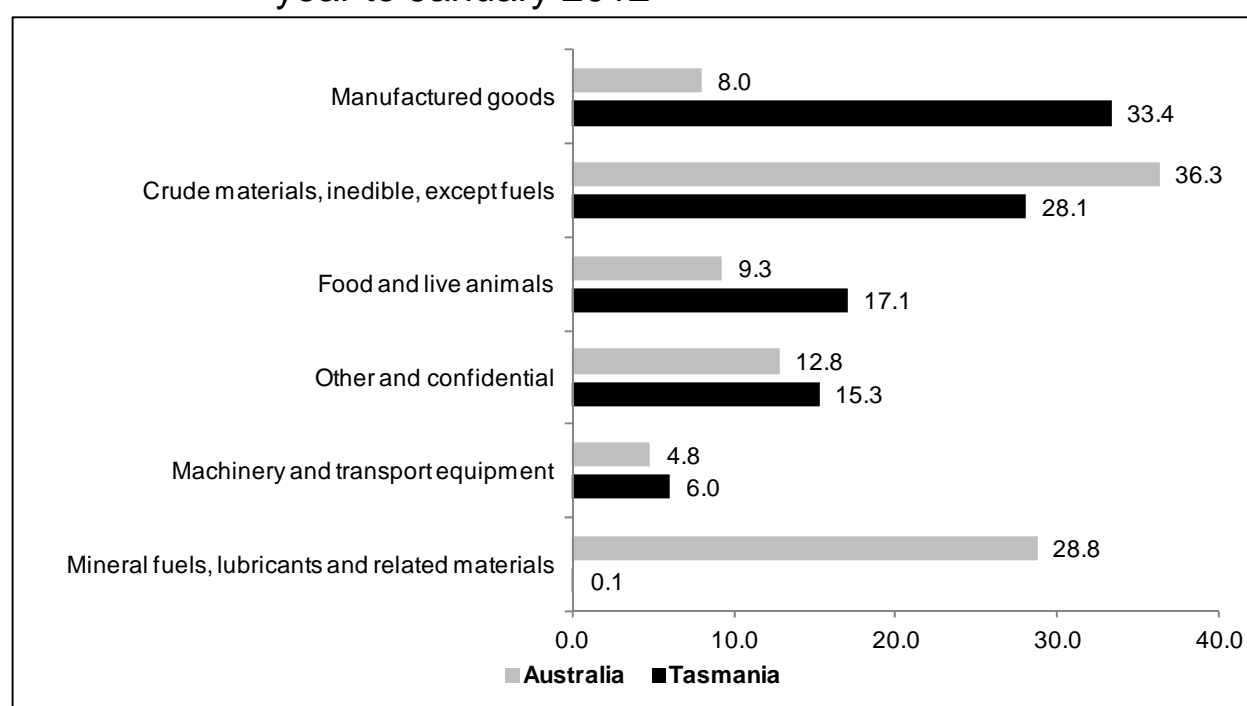
Although net Tasmanian export volumes have held up reasonably well over the past five years, international export volumes have declined by 1.6 per cent per year over the five years to 2010-11. This weakness is primarily due to external influences of reduced demand in some export markets and the emergence of a much stronger Australian dollar. This has particularly affected businesses that operate in highly competitive global markets and have little capacity to cut their margins or reduce their operating costs to sustain their volumes.

In contrast, exports from the national economy continue to steadily increase. The ABS estimates that Australian international export volumes increased by 2.7 per cent per year over the five years to 2010-11.

This divergence in performance is primarily due to differences in the composition of Tasmania's international exports and national exports. Tasmania exports relatively less bulk commodities and virtually no mineral fuels, and a greater proportion of manufactured goods (Chart 2.4). Also, compared to the national mix of mineral-related exports, the magnitude of the price increases for Tasmania's mineral concentrates and ores has been much lower than for Australia as a whole. In particular, a large share of Tasmania's exports is accounted for by aluminium and zinc, the prices of which have softened in recent years in Australian dollars.

It is expected that adverse external conditions will persist over the medium-term, particularly affecting producers of manufactured goods. In addition, some manufacturers are adversely affected by the recent closure of the international shipping service for containers at Bell Bay and increased fees at the Port of Melbourne from 1 July 2012.

**Chart 2.4: Percentage shares of international export sales in the year to January 2012**



Source: *International trade in goods and services*, ABS Cat No 5368.0 (data on subscription)

A stable volume of international exports is expected over 2011-12 and below average growth is forecast in 2012-13.

Exports of wood and woodchips continue to decline and current export levels are well below those that immediately preceded the 2008 global downturn. Although a number of industry specific factors have contributed to this decline, this decrease in exports has coincided with a change in the major destination by value of exports of wood and woodchips. In the year to January 2012, 57 per cent of Tasmanian exports of wood and woodchips were to China (including Hong Kong) and 27 per cent were to Japan, which attracts higher woodchip prices. Less than two years earlier, around two-thirds of exports of wood and woodchips were to Japan and only 20 per cent were to China (including Hong Kong). The near term prospects for forestry and forest products remain very weak.

Mineral-related exports from Tasmania continue to hold up, over 90 per cent of which are sold to Asian countries. However, Tasmania has a small number of mineral production operations that produce relatively

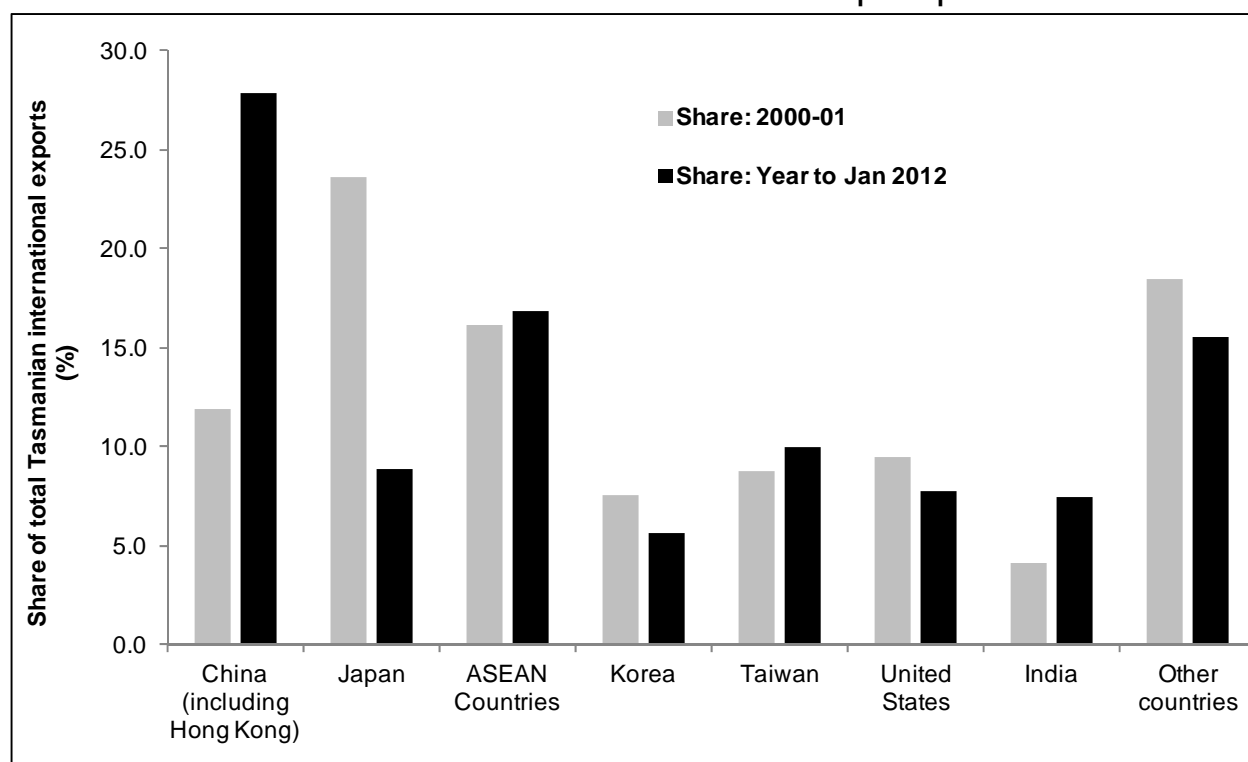


large volumes of the State's overall export volumes. Therefore, a downturn or closure of one of these businesses would have a significant impact on export volumes.

### Tasmanian export partners

The share of the Tasmanian international export destinations has been relatively stable over the past 10 years (Chart 2.5), with the notable exceptions of exports to China (including Hong Kong) and to Japan.

Chart 2.5: Relative shares of Tasmanian export partners



Source: *International trade in goods and services*, ABS Cat No 5368.0 (data on subscription)

The reduction in exports to Japan over the past 10 years has been dramatic, with the Japanese share of Tasmanian international exports declining from around 24 per cent to around 9 per cent. Exports to Japan had been dominated by exports of wood and woodchips, but the primary exports to Japan in the year to January 2012 were food and live animals (40 per cent), followed by non-ferrous metals (25 per cent), and wood and woodchips (15 per cent).

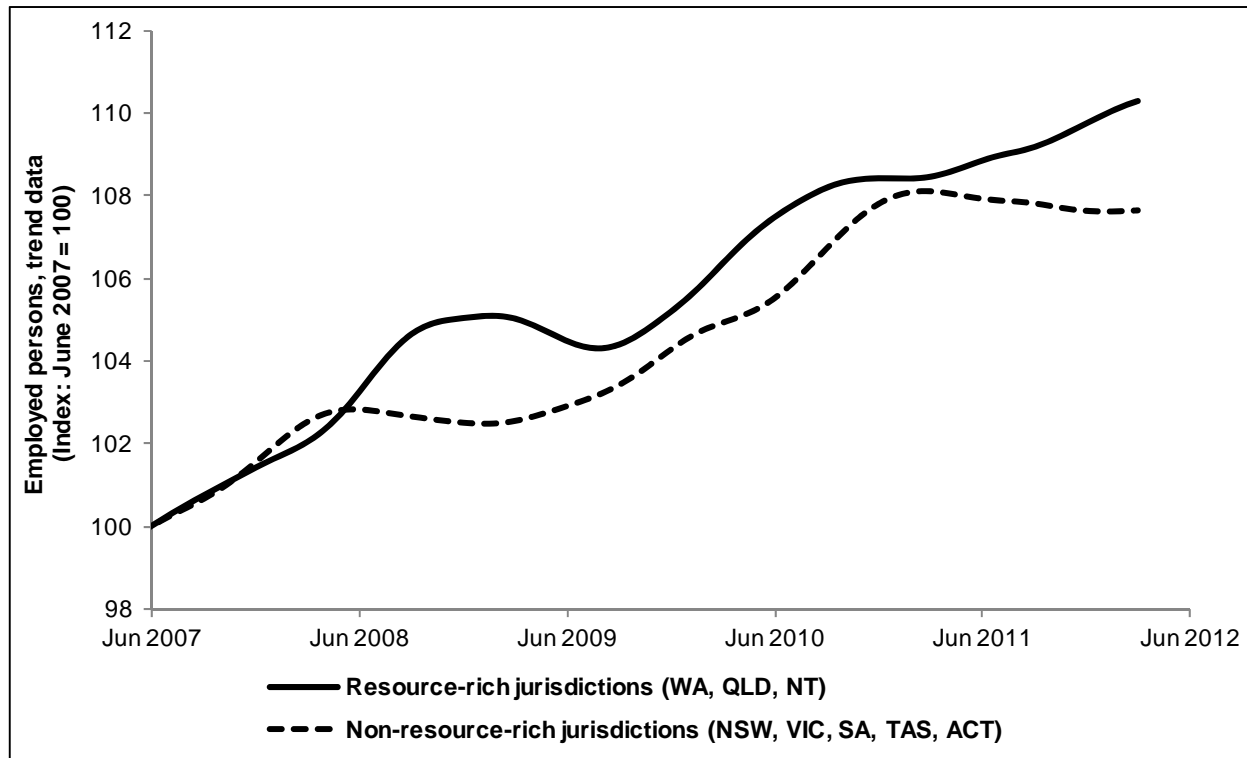
China (including Hong Kong) has been an extremely important growth market over this period of falling exports to Japan, growing from an initial share of around 12 per cent of Tasmanian international exports to around 28 per cent of all exports over the last 10 years. China (including Hong Kong) is now the destination of around 40 per cent of the State's exports of metallic ores and scrap, 30 per cent of the State's exports of non-ferrous metals and almost 60 per cent of the State's exports of wood and woodchips. It appears that the share of Tasmania's exports to China will continue to grow as the Chinese economy expands.

There is also longer term potential for increased exports to India, which is expected to industrialise over coming decades. Export growth to date has been modest, increasing from around 4 per cent of all Tasmanian exports to around 7½ per cent over the past 10 years. India is the destination of around 25 per cent of the State's exports of metallic ores and scrap and 20 per cent of the State's exports of dairy products.

## Labour Market

Uneven employment prospects across Australia have encouraged workers to migrate to the resource-rich jurisdictions. This is reflected in increasing levels of employment in these regions, compared to very weak employment growth recently in the non-resource jurisdictions, such as Tasmania (Chart 2.6).

Chart 2.6: Diverging paths of employment



Source: *Labour Force*, ABS Cat No 6220.0

Tasmania's labour market made a partial recovery from the 2008 global downturn, increasing by around 5 000 jobs from late 2009 to late 2011 before easing in recent months. In recent months there have been falls in both male and female employment, and in part-time and full-time employment. This is in contrast to past declines when most of the decline was in male full-time employment and female part-time employment tended to be sustained or even increase. Total employment in March 2012 was around 3 900 persons or 1.6 per cent below the level of one year earlier.

Part of the recent decline can be attributed to industry-specific factors. For example, forestry-related employment has declined by around 3 000 persons since 2006, including by over 1 000 persons from 2010 to 2011, arising from reduced export demand for woodchips and the decision by Gunns Ltd to restructure its activities. Other sectors such as retail, which is a prominent employer of females, and manufacturing have also been reducing employment in the face of reduced demand.

The retail, manufacturing, forestry and tourism sectors continue to face major challenges and are all affected, to some extent, by the high exchange rate. The demand for education services in Tasmania by international students has grown strongly for several years, particularly at the University of Tasmania, but is now expected to plateau or even decline, as demand for the University's pre-enrolment English language courses has been falling.

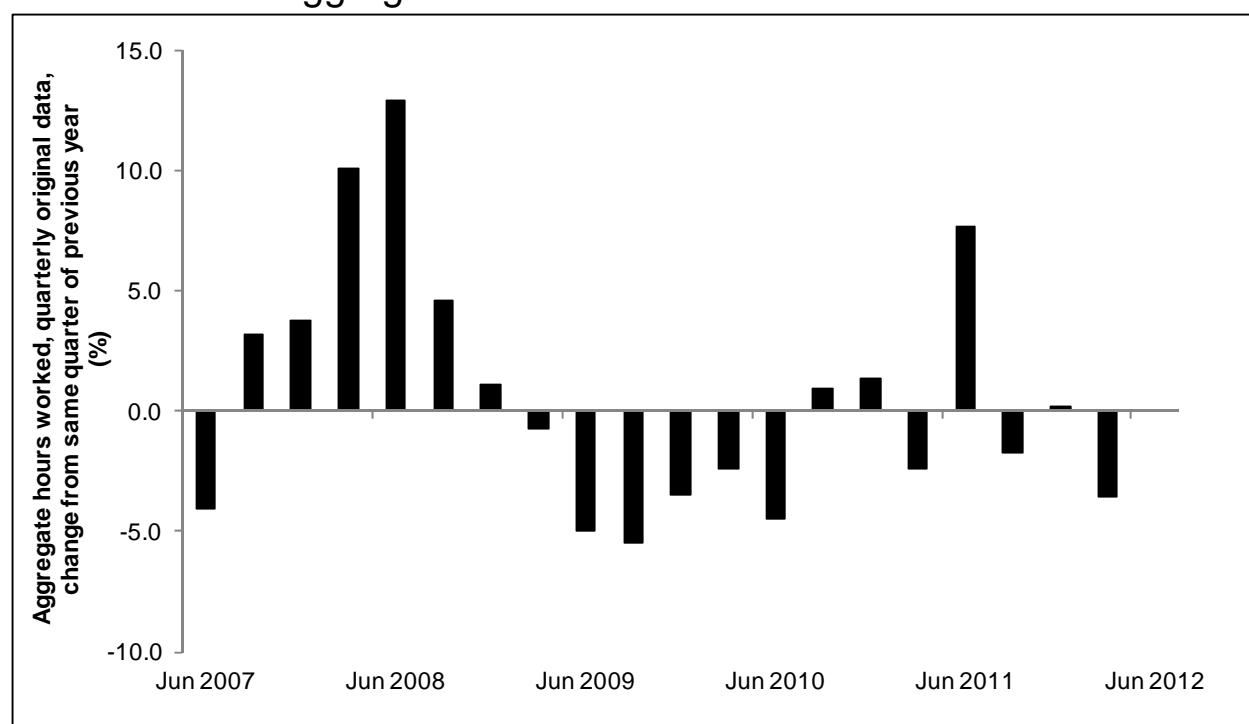
The level of employment directly and indirectly related to public sector activity has also been easing. This trend is expected to continue over 2012-13 and the Forward Estimates period under the State Government's Budget Savings Strategies. In response to reduced revenues and the need to find efficiencies in their operations, similar trends are expected for some of the State's larger government businesses, the Australian Government and, to a lesser extent, the Local Government sector in Tasmania.

Business confidence has been below the long-term average trend and this may limit private sector job creation over 2012-13. However, there are a number of large projects currently under consideration or development in irrigation, agriculture and energy and being supported by the Tasmanian Forests Intergovernmental Agreement.

Employers have responded to these challenging economic conditions by reducing employment but increasing the number of hours they have been offering to part-time, and possibly some full-time, employees.

Aggregate hours worked have been volatile in recent years (Chart 2.7). In year-average terms, hours worked increased by 0.6 per cent in the year to March 2012 compared with the year to March 2011. This includes a very small increase in the December quarter 2011 and a decline in the March quarter 2012 compared to the same quarters in the previous year.

**Chart 2.7: Aggregate hours worked – Tasmania**



Source: *Labour Force*, ABS Cat No 6291.0.55.001

Employment in 2011-12 is expected to be 236 000 persons in year-average terms, a decrease of ¼ of one per cent or around 2 000 persons on the year-average level recorded in 2010-11.

The participation rate increased in late 2011, following a decline to below trend levels in mid 2011. This recent increase contributed to the increase in the unemployment rate, which rose by 2.0 percentage points from 5.2 per cent in September 2011 to 7.2 per cent in March 2012.

A year-average participation rate of 60¾ per cent is estimated for 2011-12, with an accompanying year-average unemployment rate of 6½ per cent.

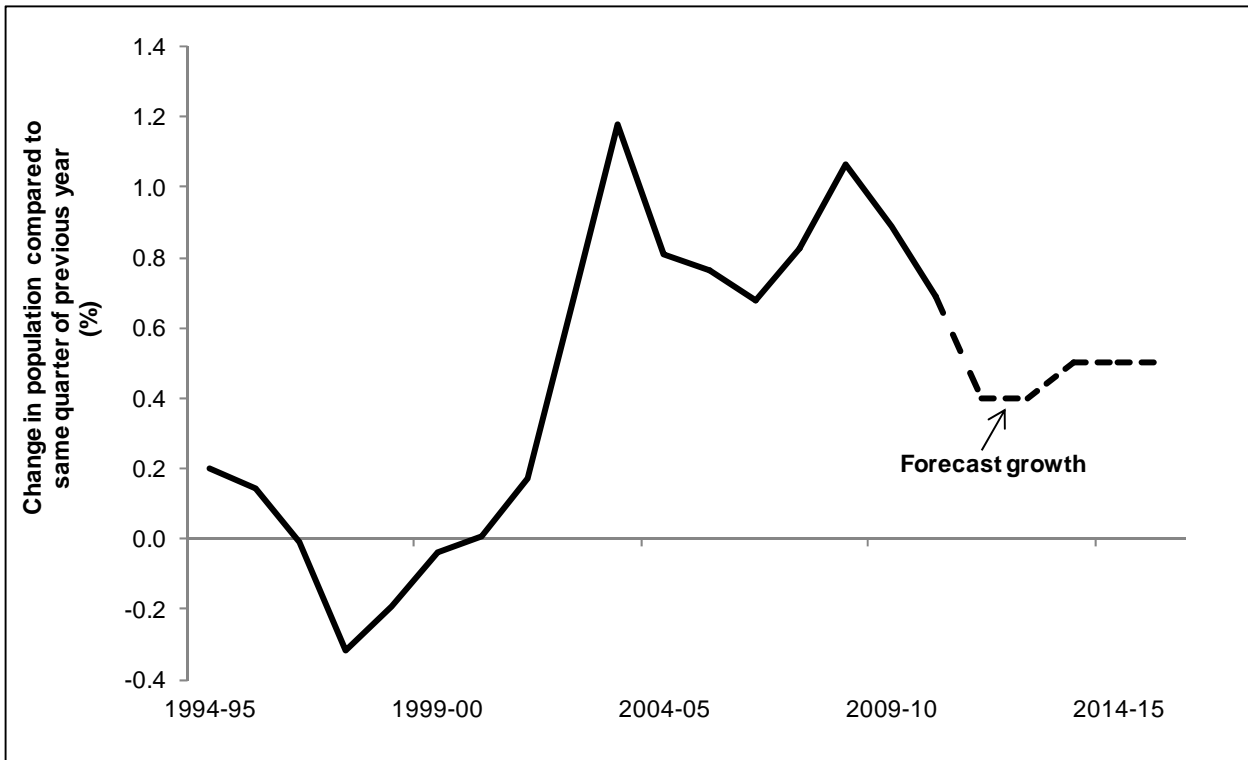
The year-average employment level in 2012-13 is expected to decline by a further ¼ of one per cent or around 1 000 persons from the 2011-12 year-average level.

For 2012-13, the participation rate is expected to remain at around 60¾ per cent. The unemployment rate is forecast to be 7½ per cent in 2012-13 in year-average terms before easing to 7 per cent over the Forward Estimates period.

### Tasmania's Population

Population growth of 0.7 per cent was recorded in 2010-11, which was above the long-term average growth rate of 0.6 of one per cent per year.

Chart 2.8: Tasmania's Annual Population Growth since 1994-95



Source: Australian Demographic Statistics, ABS Cat No 3101.0

Tasmania's population growth is expected to decrease to 0.4 of one per cent in 2011-12. This decline is due to the recent trend of net out-migration from Tasmania to some other states, most likely in response to improved employment opportunities interstate. The same growth rate is forecast for 2012-13, after which population growth is forecast to return to around 0.5 of one per cent, closer to the longer term average (Chart 2.8).

### Monetary Conditions

The underlying inflation rate in Australia is currently around 2¼ per cent, within the Reserve Bank of Australia's medium-term target band of between 2 and 3 per cent. The Reserve Bank forecasts underlying inflation to remain within the target range over the medium term.

The Reserve Bank's cash rate is below the long term average, though lenders have generally increased the spread between the cash rate and their market rates such that ending rates, especially to households and smaller businesses, remain close to their medium-term average.

Wage rates in Tasmania, as measured by the Labour Price Index, have been contained in recent quarters, increasing by 3.6 per cent in the year to the December 2011. Public sector wages growth, in particular, has been easing. The outlook is for further moderate wages growth as many industries face tough trading conditions and the labour market continues to soften.

In 2011-12, Hobart's CPI is estimated to increase by 2¾ per cent in year-average terms and then increase marginally to 3 per cent in 2012-13, due in part to the introduction of the carbon price, before falling back to 2¾ per cent over the Forward Estimates period.

## APPENDIX 2.1 TRENDS IN LIVING STANDARDS IN TASMANIA

There are frequent claims that cost of living pressures in Tasmania have been increasing and that living standards are not being maintained. Particular concern is expressed over the costs of electricity, water and sewerage services and other essential goods and services and the measures that households have to adopt to manage their budgets.

Several data sources provide a guide to trends in living standards, including the Australian Bureau of Statistics surveys on household expenditure and on income and housing, though there is no definitive measure. The ABS recently issued the results for 2009-10, which provides some useful insights into cost of living issues.

According to these ABS surveys, Tasmania's average household weekly gross income increased by 22.5 per cent since 2003-04, allowing for changes in the Consumer Price Index. This Index tends to overstate changes in the cost of living. As the ABS points out, it does not allow for households purchasing lower cost substitutes as the price of some items increase, such as bananas in 2011. The real increase in average household income is likely to have increased by more than 22.5 per cent over this period.

In response to this increase in real incomes since 2003-04, Tasmanian households increased their expenditure, on average, by 18.1 per cent in 2009-10, allowing for changes in the Consumer Price Index. The ABS estimates that the expenditure increase was greatest on housing costs, recreation, personal care, and food and non-alcoholic beverages. Much of the expenditure in these categories is discretionary; this is evident as this expenditure is much higher for higher income households. As the increase in income exceeded the increase in expenditure, households, on average, also increased their net savings from their current income over this period.

It was also estimated by the ABS that the mean net worth of Tasmanian households, a measure of wealth, increased by about 38.9 per cent in real terms over this period, greater than the estimated 29.7 per cent increase in household wealth nationally.

The proportion of spending on domestic fuel and power in Tasmania in 2009-10 was almost unchanged from six years earlier, despite the prices of electricity and some types of fuel having increased significantly over the period. In 2009-10, the ABS estimated that Tasmanian households spent an average of \$38 each week on domestic fuel and power, accounting for 3.6 per cent of total expenditure. As average household income increased by more than household expenditure from 2003-04 to 2009-10, this implies that domestic fuel and power expenditure was a smaller share of average income in 2009-10 than six years earlier.

The ABS also provides this information for households of different income levels. Of particular interest are trends in income and expenditure for those households in the lowest income quintile or lowest two quintiles. For the lowest two quintiles in Tasmania, or 40 per cent of all households, income rose by 22.4 per cent on average from 2003-04 to 2009-10, allowing for changes in the CPI. This represents an average annual increase of almost 3.5 per cent.

Over this period, expenditure by these households increased by an average of 12.2 per cent in Tasmania, according to the ABS. These households, on average, also increased their net savings from their current income over this period.

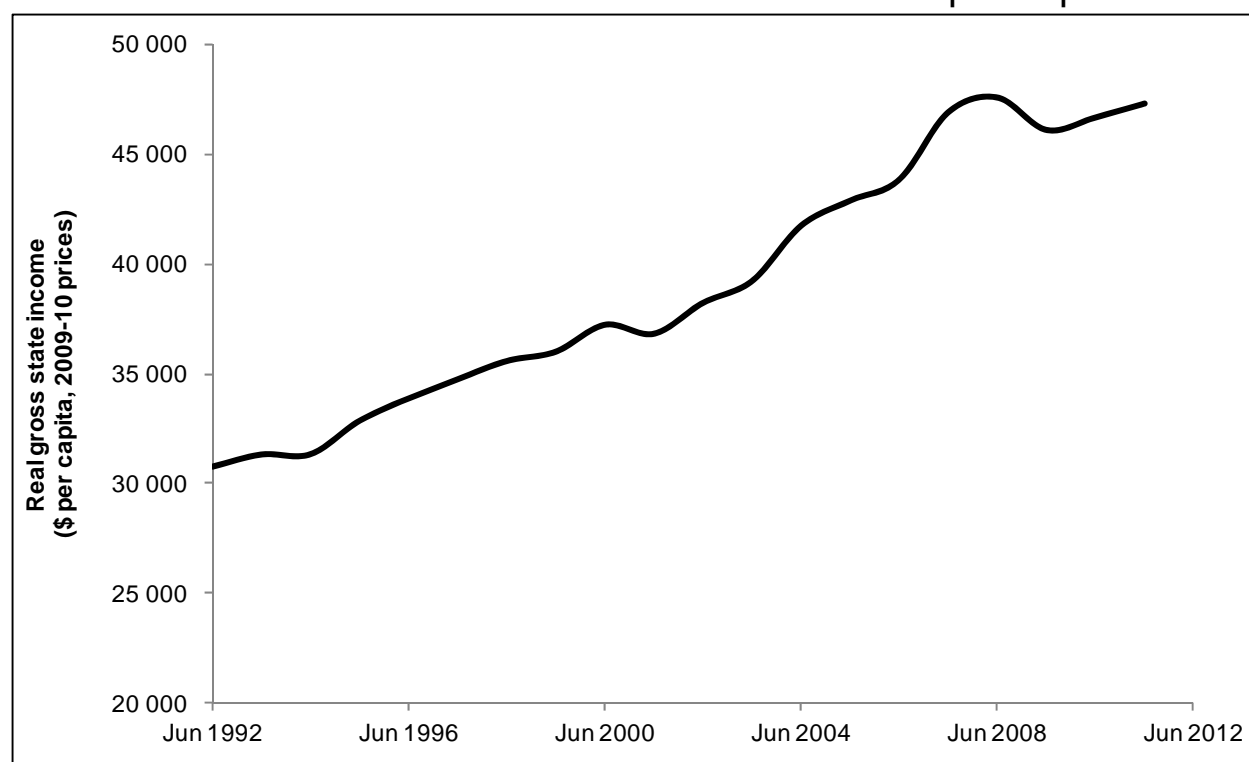
Expenditure growth for these households was largest in medical care and health expenses (up 45.1 per cent in real terms), followed by personal care (up 32.5 per cent) and recreation (up 30.6 per cent). These increases in weekly household expenditure were substantially greater than the increase in spending on domestic fuel and power (7.7 per cent).

The wealth of the lowest two income quintiles was estimated to have increased by 37.8 per cent, on average, over this period; similar to the average of all Tasmanian households. About 45 per cent of low income households in the State in 2009-10 were home owners without a mortgage.

In the case of the lowest income quintile in Tasmania, average household income was found to have increased by 28.2 per cent after allowing for inflation and average wealth by 20.3 per cent over this period. The purchasing power of these households, therefore, increased from 2003-04 to 2009-10.

The trends in the real purchasing power are supported by ABS estimates of real gross state income, which is calculated by adjusting gross state product for changes in the terms of trade. It provides an estimate of the real income of Tasmanian households, allowing for the prices of imported goods. Over the past two decades, real gross state income per capita in Tasmania increased by 53.7 per cent (Chart 2.9). This includes an increase of 1.3 per cent from 2009-10 to 2010-11.

**Chart 2.9: Tasmania’s Real Gross State Income per capita**



Source: *Australian National Accounts*, ABS Cat No 5220.0.

For the period from 2003-04 to 2009-10, real gross state income per capita increased by almost 12 per cent. Over this period, the share of gross state product allocated as wages and salaries increased by more than 10 per cent. This is likely to provide one reason why the household income increase in the ABS income and housing surveys was rather greater than the increase using the gross state income per capita estimate.

As with several measures, income and wealth levels in Tasmania lag behind those for Australia as a whole. Furthermore, the gap has been increasing as, on average, growth in income and wealth for Tasmanian

households has not matched national growth. However, over the past decade Tasmanian households have been benefiting from rising real incomes. It is likely that financial pressures that many households experience are attributable to decisions to increase spending in other areas, such as private education and health, recreation, and higher cost food, including meals consumed outside the home.

Trends in health and education also provide a guide to living standards. A common indicator used to measure the quality of health is life expectancy.

According to the ABS, there has been a long-term trend towards increased life expectancy in Tasmania. In 2008-10, life expectancy at birth increased by 2.3 years for a male to 78 years compared to a decade earlier. For Tasmanian females, the increase was 1.1 years to 82.3 years. While these are below national life expectancy levels, they are nonetheless improving and the ABS reports that life expectancy rates in Australia are amongst the highest in the world.

Improved educational attainment is often considered to be consistent with improved living standards. According to the ABS, the educational attainment for Tasmanians has improved for all categories:

- In 2011, 25.8 per cent of Tasmanians aged between 15 and 64 years had a Bachelor degree or higher level qualification, compared with 18.0 per cent in 2001;
- Around 19.7 per cent of Tasmanians aged between 15 and 64 years had certificate level qualifications in 2011, compared to 15.4 per cent in 2001;
- In 2011, around 15.0 per cent of Tasmanians aged between 15 and 64 years had completed Year 12 as their highest education attainment in 2011, compared to 13.7 per cent in 2001; and
- Around 39.5 per cent of Tasmanians aged between 15 and 64 years had not completed Year 12 in 2011, compared to 51.1 per cent in 2001.

While this analysis does not include all indicators that affect the standard of living, it does strongly suggest that the standard of living has been improving for Tasmanian households as a whole. There are many disadvantaged households in Tasmania that have been facing cost of living pressures. Expenditure for the lowest income quintile, for example, was estimated to have exceeded income in 2003-04 and, to a much lesser extent, in 2009-10. However, the ABS data do not support the claims that a large share of low income households in Tasmania face increasing cost of living pressures.

Furthermore, the surveys reveal that expenditure on domestic fuel and power has not been increasing, as a proportion of their total expenditure. The income and housing survey data provide no evidence that households, on average, have had to reduce expenditure in other areas to pay for increased domestic fuel and power costs.



# 3 THE FISCAL STRATEGY

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## *Features*

- The Fiscal Strategy increases accountability and guides the return of the State Budget to a sustainable position.
- A new Fiscal Strategy was established in the 2011-12 Budget to reflect the difficult financial and economic position faced by the Government.
- The 2012-13 Budget and Forward Estimates demonstrate that the Government is making strong progress towards the achievement of the Fiscal Strategy targets.
- The Government will continue to be required to take further action to achieve all of the challenging financial targets that have been established in the Fiscal Strategy.

# THE FISCAL STRATEGY

A fiscal strategy is an important planning tool for the Government and also performs an important role in providing clear signals to financial markets, the business sector and the community of the Government's financial objectives. The purpose of a fiscal strategy is to establish a benchmark for evaluation of the Government's fiscal performance and increase public awareness of its fiscal policies.

The current Fiscal Strategy was first presented in the 2011-12 Budget and prepared in response to the financial challenges being faced by the State. The Fiscal Strategy was developed in accordance with the principles of sound fiscal management as specified in the *Charter of Budget Responsibility Act 2007*. In this regard, the Fiscal Strategy:

- reinforces the significance of the changes in the State's financial position that have occurred;
- reflects the State's current financial circumstances and the Government's current policy position;
- improves accountability through the establishment of a stronger focus on key measures and targets;
- simplifies the calculation of fiscal strategy targets; and
- increases the medium to long-term focus of the strategy.

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

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

For each key financial management area, a guiding principle is established, financial measures identified and targets for those financial measures established.

Targets for four and eight years beyond the initial four year term of the Fiscal Strategy are also established.

The establishment of targets beyond initial four year period increases the medium and long-term focus of the Government's Fiscal Strategy and financial management in general. This extended period of focus is important for the establishment of the State's long-term financial sustainability.

# FISCAL STRATEGY STATUS

Table 3.1 provides a summary of the current status of the Fiscal Strategy measures and targets. It shows that while the Net Operating Surplus and Net Debt targets will not be achieved in 2012-13, the Government is on track to meet all of the Fiscal Strategy targets by 2014-15. As such, the Fiscal Strategy continues to represent an appropriate and challenging framework for the return of the State Budget to a sustainable position.

**Table 3.1: Fiscal Strategy Status**

Fiscal Strategy Target	Target/Progress	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2018-19 Target	2022-23 Target
<b>A Sustainable Budget Position</b>							
Net Operating Surplus <sup>1</sup>	Target (\$m)	>(120)	>50	>50	>50	>100	>200
	Actual/Estimated (\$m)	(289)	(283)	53	241	-	-
<b>Debt and Liability Reduction</b>							
Ratio of Net Financial Liabilities to Revenue for Non-Financial Public Sector <sup>2</sup>	Target (%)	<115	<115	<115	<110	<110	<110
	Actual/Estimated (%)	104	101	98	92	-	-
General Government Net Debt <sup>3</sup>	Target (\$m)	<0	<0	<(150)	<(300)	<(900)	<(1 500)
	Actual/Estimated (\$m)	(202)	134	45	(307)	-	-
<b>A Competitive Business and Taxation Environment</b>							
Tasmania's Tax Severity <sup>4</sup>	Target (Index)	<100	<100	<100	<100	<100	<100
	Actual/Estimated (Index)	87	na	na	na	-	-
<b>Ongoing Infrastructure Investment</b>							
Capital Expenditure in Excess of Depreciation	Target (\$m)	>0	>0	>0	>0	>0	>0
	Actual/Estimated (\$m)	179	186	116	65	-	-

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

Notes:

1. The established targets represent a continuous improvement in the Net Operating Surplus from the achievement of a deficit of better than \$120 million to a surplus of better than \$200 million.
2. For the purposes of the Fiscal Strategy, Net Financial Liabilities represents Net Debt less Advances Paid plus the Superannuation liability. Net Financial Liabilities is divided by Revenue from Transactions to derive the Net Financial Liabilities to Revenue Ratio. This is in accordance with the methodology used by Standard & Poor's ratings agency.
3. The established targets represent a continuous improvement in the State's General Government Net Debt position from being Net Debt free to having negative Net Debt of more than \$1.5 billion.
4. In its most recent publication, the *Report on GST Revenue Sharing Relativities – 2012 Update*, the CGC has published total taxation severity ratios, allowing a direct comparison of tax severity to be made between states and territories. Tasmania has been assessed as having the lowest taxation severity of all states, and the second lowest of all states and territories, based on the taxation arrangements in place in each jurisdiction in 2010-11.

## *A Sustainable Budget Position*

Table 3.1 shows that the Government has established challenging targets for the Net Operating Balance over the 2011-12 Budget and Forward Estimates period, and then over the medium to long-term.

While the Government will not meet the Net Operating Balance target of surpluses in 2011-12 or 2012-13, it is projected that the Government's strong Budget management strategies will return the State to surplus in the medium-term. It is anticipated the Net Operating Surpluses achieved in 2013-14 and thereafter will meet the Fiscal Strategy targets and be in excess of \$50 million per annum.

Over the long-term, the Government is targeting a surplus of in excess of \$200 million. Such a level of surplus is necessary to provide sufficient cash balances to fund infrastructure renewal and development, and other financial obligations.

## *Debt and Liability Reduction*

It is estimated that the Government will be in Net Debt in 2012-13. However, the Net Debt position is expected to improve significantly over the Forward Estimates period as the operating position also improves. Table 3.1 shows that by the end of the Fiscal Strategy period in 2014-15, the Government is projected to meet its Net Debt target of negative Net Debt in excess of \$300 million.

## *A Competitive Business and Taxation Environment*

Notwithstanding the increase in a small number of selected taxes in the 2012-13 Budget, it is expected that the level of tax severity in Tasmania will continue to remain well below the average level of all states and territories. The increase in revenue provided by these tax rate increases will assist in meeting the key Fiscal Strategy targets for a sustainable Budget position and debt and liability reduction.

## *Ongoing Infrastructure Investment*

Table 3.1 shows that, while the extent to which capital expenditure exceeds depreciation will fall in coming years, it will remain well above the target level.

# FISCAL STRATEGY TARGETS

The Fiscal Strategy targets determined for the 2011-12 Budget and the associated Forward Estimates period (2012-13 to 2014-15) will remain unchanged for the term of the Fiscal Strategy. This will provide for a straight-forward comparison between the Government's target outcomes and the actual outcomes in each year.

At the end of the four-year Fiscal Strategy period (2014-15), actual Budget performance will be assessed and new short, medium and long-term targets established.

## A Sustainable Budget Position

<i>Principle</i>	<i>To achieve and maintain a sustainable Budget position.</i>
<i>Financial Measure</i>	<i>Net Operating Balance</i>
<i>Net Operating Balance</i>	
<i>Short-term Target</i>	<i>2011-12: &gt; (\$120 million)</i>
<i>Medium-term Target</i>	<i>2014-15: &gt; \$50 million</i>
<i>Long-term Target</i>	<i>2022-23: &gt; \$200 million</i>

A key to maintaining a sustainable Government financial position is aligning expenditure growth and the need for infrastructure renewal and development, with long-term trend growth in revenue. This requires the maintenance of a Budget Net Operating Surplus, which ensures recurrent services can be fully funded from recurrent revenue. Achievement of a surplus of a sufficient magnitude also ensures the availability of funding to meet the cost of necessary infrastructure investment and other financial obligations. The Net Operating Surplus is the key measure that represents the ongoing sustainability of a government's financial position.

As has been highlighted in recent Budget Papers, the provision of significant levels of one-off Australian Government funding for specific capital programs, through programs such as the *Nation Building – Economic Stimulus Plan*, has significantly impacted on the Government's Net Operating Balance. However, the corresponding capital expenditure is not included in the calculation of the Net Operating Balance. Accordingly, whilst the headline Net Operating Balance is calculated in accordance with accounting standards it may portray a position that is better than the Government's true underlying financial position.

For transparency, the Budget Papers present information on the Government's Underlying Net Operating Balance. The Underlying Net Operating Balance removes the impact of the one-off Australian Government funding for specific infrastructure investment.

Table 3.2 shows the current Budget and Forward Estimate calculation of the Underlying Net Operating Balance.

Table 3.2: Underlying Net Operating Balance

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Net Operating Balance</b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>
<i>Less One-off Australian Government Funding</i>					
Nation Building - <i>Economic Stimulus Plan</i>	6.9	....	....	....	....
Roads and Rail Funding	80.8	64.5	50.8	35.0	35.0
Royal Hobart Hospital Redevelopment	20.0	....	....	....	50.0
Water for the Future Funding	28.4	44.9	27.0	16.1	....
	<b>136.1</b>	<b>109.3</b>	<b>77.8</b>	<b>51.1</b>	<b>85.0</b>
<b>Underlying Net Operating Balance</b>	<b>(425.2)</b>	<b>(392.3)</b>	<b>(25.0)</b>	<b>189.6</b>	<b>174.5</b>

## Debt and Liability Reduction

<i>Principle</i>	<i>The debt and liability burden on the Tasmanian community will continue to be reduced over the longer term and financial risks will be prudently managed.</i>
<i>Financial Measures</i>	<i>General Government Net Debt</i> <i>Ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector</i>
<i>General Government Net Debt</i>	
<i>Short-term Target</i>	<i>2011-12: &lt; \$0</i>
<i>Medium-term Target</i>	<i>2014-15: &lt; (\$300 million)</i>
<i>Long-term Target</i>	<i>2022-23: &lt; (\$1 500 million)</i>
<i>Ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector</i>	
<i>Short-term Target</i>	<i>2011-12: &lt; 115%</i>
<i>Medium-term Target</i>	<i>2014-15: &lt; 110%</i>
<i>Long-term Target</i>	<i>2022-23: &lt; 110%</i>

While the General Government Sector will enter a short period of Net Debt, the Government will move to return the State's debt and liability position to pre-GFC levels. The Government is also committed to achieving an improvement in the broader Non-Financial Public Sector through improving the financial position of Government businesses.

Keeping the General Government Sector Net Debt free has been a key focus of previous fiscal strategies. Achievement of a Net Debt free status is not by itself considered to be a sufficient debt and liability reduction target for the Government. The Fiscal Strategy, therefore, targets ongoing improvement in the General Government Net Debt position over the medium to long-term.

General Government Net Debt is a measure that focuses on a limited range of Government assets and liabilities. It is important that a broader, more all encompassing debt/liability measure also be included in a fiscal strategy.

The ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector, which was also included in the Interim Fiscal Strategy, is a broad debt and liability measure that increases financial accountability. It achieves this through the inclusion of a greater range of Government assets and liabilities (including the Government’s unfunded superannuation liability) and the extension of the measurement to the Non-Financial Public Sector rather than only the General Government Sector (thereby including the majority of the Government’s businesses).

The ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector is one of the financial measures that is a key focus of international credit rating agencies.

## A Competitive Business and Taxation Environment

<i>Principle</i>	<i>A competitive business and taxation environment will be maintained.</i>
<i>Financial Measure</i>	<i>Tasmania’s Tax Severity Index</i>
<i>Non-Financial Measure</i>	<i>No new taxes and no increase in the rate of any existing State tax</i>
<i>Tasmania’s Tax Severity Index</i>	
<i>Short-term Target</i>	<i>2011-12: &lt; 100</i>
<i>Medium-term Target</i>	<i>2014-15: &lt; 100</i>
<i>Long-term Target</i>	<i>2022-23: &lt; 100</i>

A competitive tax regime, which raises sufficient revenues to fund infrastructure and service delivery needs, while not hindering business expansion and economic growth, is seen as a key factor in fostering robust economic growth.

Data collected by the Commonwealth Grants Commission currently shows that the severity of taxes in Tasmania is well below the average of other jurisdictions. This reflects the current competitive nature of the Tasmanian tax system.

Over the period of the Fiscal Strategy, the Government is committed to maintaining Tasmania’s relatively low tax status.

## Ongoing Infrastructure Investment

<i>Principle</i>	<i>Investment in core General Government infrastructure will be maintained in real terms to support the delivery of Government services and to foster economic and industry development.</i>
<i>Financial Measure</i>	<i>Level of Capital Expenditure in Excess of Depreciation</i>
<i>Capital Expenditure in Excess of Depreciation</i>	
<i>Short-term Target</i>	<i>2011-12: &gt; \$0</i>
<i>Medium-term Target</i>	<i>2014-15: &gt; \$0</i>
<i>Long-term Target</i>	<i>2022-23: &gt; \$0</i>

Ongoing strong investment in State infrastructure has been a key policy of the Government. Not only has this provided improved infrastructure for Tasmanians but, together with the injection of significant Australian Government funding, it has assisted in supporting the Tasmanian economy following the GFC.

While the State's financial position will not enable recent above average infrastructure investment levels to continue, the Government believes that appropriate investment in infrastructure remains vital to the effective delivery of services to the community, to promote economic growth and to avoid asset erosion and the creation of financial burdens for future generations.

The investment in major infrastructure projects included in the Budget such as the redevelopment of the Royal Hobart Hospital and the Community Roads Program, together with significant ongoing investment in rail, irrigation, roads, health, housing and education infrastructure represent critical infrastructure to support Tasmania's future economic and social development.

The Government's level of infrastructure investment will continue to be measured by the extent to which capital expenditure exceeds depreciation. This is the most commonly used measure amongst the states as it shows that the Government is continuing to grow the State's infrastructure assets.



## APPENDIX 3.1 CREDIT STATUS OF THE STATES

Since the mid 1980s, the two major rating agencies, Moody's Investors Service (Moody's) and Standard & Poor's (S&P) have progressively assigned a credit rating to each state. Tasmania was first rated in 1991. Both of the major rating agencies review the credit ratings of all states on an annual basis.

The current credit ratings for long-term domestic debt of the states and the territories are detailed in Table 3.3.

**Table 3.3: Government Ratings**

	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
New South Wales	Aaa	AAA
Queensland	Aa1	AA+
Australian Capital Territory	na	AAA
Western Australia	Aaa	AAA
Victoria	Aaa	AAA
South Australia	Aaa	AAA
Tasmania	Aaa	AA+
Northern Territory	Aa1	na



# 4 GENERAL GOVERNMENT REVENUE

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- Total revenue is estimated to be \$4 631.5 million in 2012-13, an increase of \$13.7 million or 0.3 per cent above the 2011-12 budgeted revenue of \$4 617.8 million.
- Key components of the State's revenue in 2012-13 include:
  - GST revenue is estimated to be \$1 700.8 million, a decrease of \$42.2 million or 2.4 per cent below the 2011-12 estimate of \$1 743.0 million;
  - Australian Government payments for specific purposes are estimated to be \$1 042.1 million, a decrease of \$10.0 million or 1.0 per cent below the 2011-12 estimate of \$1 052.1 million;
  - Tasmania's share of revenue from Grants, including GST and Australian Government grants for specific purposes, equates to 62.1 per cent of total General Government revenue; and
  - taxation revenue is estimated to be \$940.9 million, an increase of \$34.2 million or 3.8 per cent above the 2011-12 estimate of \$906.7 million.
- GST revenue is the largest single source of revenue for Tasmania. From 2011-12 to 2013-14, GST revenue is expected to be lower than forecast in the 2011-12 Budget. Over the Forward Estimates period, GST revenue is forecast to grow strongly driven mainly by improvements in Tasmania's per capita relativity.
- The Government will implement several taxation measures that will raise \$28.7 million in 2012-13. While the overall rates of some taxes have been increased, no new taxes have been introduced and it is expected that Tasmania's overall taxation competitiveness will remain strong.

# INTRODUCTION

This chapter examines the key components of General Government revenue in 2012-13 and over the Forward Estimates period. The chapter includes:

- an overview of the 2012-13 Budget and Forward Estimates revenue estimates;
- detailed information regarding grants revenue, including GST payments and Payments for Specific Purposes that will be received from the Australian Government;
- details of State taxation revenue and proposed changes to current taxation arrangements;
- an overview of the State's other major revenue sources;
- a statement of risks and sensitivities which apply to the revenue estimates;
- Appendix 4.1 which provides information on major issues relating to Commonwealth-State Financial Relations and the Commonwealth Grants Commission *Report on GST Revenue Sharing Relativities - 2012 Update*; and
- Appendix 4.2 which provides an overview of State taxation reform and an assessment of the State's taxation competitiveness.

## OVERVIEW

Total revenue is estimated to be \$4 631.5 million in 2012-13, an increase of \$13.7 million or 0.3 per cent above the 2011-12 Budget estimate of \$4 617.8 million. Total revenue is anticipated to increase to \$5 272.3 million by 2015-16.

Table 4.1 lists the major General Government revenue sources.

**Table 4.1: General Government Revenue**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Grants	2 855.1	2 876.5	2 951.3	3 146.5	3 269.0
Taxation	906.7	940.9	992.5	1 035.0	1 078.9
Sales of Goods and Services	391.5	313.8	320.8	325.5	327.1
Fines and Regulatory Fees	89.6	106.9	108.3	112.8	113.5
Interest Income	25.8	17.5	15.3	24.8	35.5
Dividend, Tax and Rate Equivalent Income	218.2	233.0	401.0	410.8	310.7
Other Revenue	130.9	142.9	135.7	137.0	137.6
	<b>4 617.8</b>	<b>4 631.5</b>	<b>4 924.9</b>	<b>5 192.4</b>	<b>5 272.3</b>

# GRANTS

Grants primarily reflect transfers of funding from the Australian Government and are estimated to be \$2 876.5 million in 2012-13. This is an increase of \$21.4 million or 0.7 per cent above the 2011-12 Budget estimate of \$2 855.1 million.

**Table 4.2: Grants**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>General Purpose Payments (Untied Funding)</b>					
GST revenue	1 743.0	1 700.8	1 849.4	2 059.3	2 147.5
<b>Payments for Specific Purposes (Tied Funding)</b>					
<b>Specific Purpose Payments<sup>1</sup></b>					
To the State <sup>2</sup>	478.0	499.5	522.4	561.5	561.5
Through the State	167.0	178.7	182.3	186.0	189.7
	<b>645.0</b>	<b>678.1</b>	<b>704.7</b>	<b>747.5</b>	<b>751.2</b>
<b>National Partnership Payments<sup>1</sup></b>					
To the State	336.9	290.5	197.1	145.4	172.2
Through the State	70.2	73.5	76.0	78.8	82.0
	<b>407.1</b>	<b>364.0</b>	<b>273.1</b>	<b>224.2</b>	<b>254.1</b>
<b>Total Payments for Specific Purposes</b>	<b>1 052.1</b>	<b>1 042.1</b>	<b>977.8</b>	<b>971.6</b>	<b>1 005.4</b>
<b>Other Grants and Subsidies<sup>3</sup></b>	60.0	133.6	124.1	115.5	116.1
<b>Total</b>	<b>2 855.1</b>	<b>2 876.5</b>	<b>2 951.3</b>	<b>3 146.5</b>	<b>3 269.0</b>

**Notes:**

1. Estimates of Specific Purpose Payments and some National Partnership Payments may differ from those published in the Australian Government's 2012-13 Budget due to the need to finalise State estimates before the release of the Australian Government Budget.
2. Includes National Health Reform funding from 2012-13 onwards, which replaces the National Healthcare SPP.
3. Other Grants and Subsidies primarily relate to payments to the State for Australian Government Own Purpose Expenditure. From 2012-13, Other Grants and Subsidies includes the Mersey Community Hospital Grant, which was previously classified as Sales of Goods and Services revenue.

In 2012-13, it is estimated that total grants, including GST and Australian Government grants for specific purposes, will equate to 62.1 per cent of Tasmania's total General Government revenue. In accordance with the *Intergovernmental Agreement on Federal Financial Relations* (IGA), transfers from the Australian Government fall into two categories:

- General Purpose Payments, which are 'untied' payments that can be used at the State's discretion. The GST distribution will be the only GPP received by Tasmania in 2012-13; and

- conditional (tied) funding in the form of Specific Purpose Payments, National Partnership Payments and National Health Reform funding. These payments must only be spent for purposes as agreed with the Australian Government.

These transfers are discussed in further detail in the *Guide to the Budget* which can be found at [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au).

## GST Revenue

GST revenue is the largest single source of revenue for Tasmania. It is estimated that Tasmania's share of GST revenue will be \$1 700.8 million in 2012-13, a decrease of \$42.2 million or 2.4 per cent below the 2011-12 estimate of \$1 743.0 million.

In accordance with the *Intergovernmental Agreement on Federal Financial Relations* (IGA), the states receive all GST revenue collected by the Australian Government as GPPs. The states reimburse the Australian Government for GST administration costs. The GST collections are distributed among the states according to the Commonwealth Grants Commission's methodology. Section 8 of the *Guide to the Budget* provides further explanation of the CGC methodology.

Table 4.3 shows the sources of change in GST revenue estimates from the *2011-12 Mid-Year Financial Report* (MYFR) to the 2012-13 Budget. The primary attributes of the variation relate to the impacts of changes in Tasmania's forecast relativity and decreases in the size and growth rates attributable to the national pool of GST revenue available for distribution to the states.

The weaker outlook for the total GST pool reflects a revision in the outlook for consumption and displays a shift in consumption patterns toward GST exempt goods and services, and weaker forecast prices growth. Increased household savings associated with the 'cautious consumer' and the consolidation of household balance sheets have contributed to a decline in consumption as a share of gross domestic product.

**Table 4.3: Components of Change in GST Revenue**

	2012-13	2013-14	2014-15	2015-16
	Budget	Forward Estimate	Forward Estimate	Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m
GST revenue estimate - MYFR	1 818.3	1 844.3	1 905.3	....
Change due to GST relativity	(11.0)	126.6	294.0	....
Change due to share of national population	(2.4)	(3.4)	(4.7)	....
Change due to GST pool	(104.0)	(118.1)	(135.2)	....
<b>GST revenue estimate – 2012-13 Budget</b>	<b>1 700.8</b>	<b>1 849.4</b>	<b>2 059.3</b>	<b>2 147.5</b>

Note:

1. The 2011-12 MYFR did not include a Forward Estimate beyond 2014-15.

GST revenue for each state is derived from three factors:

- the total GST pool;
- each state's share of the national population; and
- a per capita relativity.

Historically, Tasmania has used the Australian Government's forward estimates of the total GST pool, state and territory populations and the Commonwealth's relativities projections, to determine state GST revenue forecasts.

As stated in the Australian Government Budget Paper No. 3, the Commonwealth's projections of GST relativities assume that the States fiscal capacities will be broadly consistent with the assessment of their relative fiscal assessed differences in the Commonwealth Grants Commission's 2012 update. This projection technique does not take into account future changes in States' fiscal capacities or changes in the mix of national partnership payments (NPPs) received by the States.

Over time, changes in states fiscal capacities and the distribution of NPPs have had material impacts on the movement in per capita relativities, and ultimately the distribution of GST revenue between the states.

Over the Budget and Forward Estimates period, these two factors are expected to have a considerable impact on Tasmania's relativity. As a result, the Department of Treasury and Finance has developed its own financial model to forecast per capita relativities. This model seeks to better replicate the CGC's methodologies to calculate per capita relativities, and takes into consideration changes in states fiscal capacities, as well as the distribution of NPPs.

Tasmania's GST revenue forecasts in 2012-13 and the Forward Estimates period use the Australian Government's forecasts for the GST pool and national population shares.

**Table 4.4: Comparison of GST Relativity and Revenue Forecasts**

	2012-13	2013-14	2014-15	2015-16
	Budget	Forward Estimate	Forward Estimate	Forward Estimate
<b>GST relativity</b>				
Commonwealth Budget <sup>1</sup>	1.58088	1.52185	1.50117	1.49181
Tasmanian Treasury model	1.58088	1.64145	1.75798	1.75798
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>GST revenue to Tasmania</b>				
Commonwealth Budget <sup>1</sup>	1 700.8	1 715.4	1 760.1	1 823.7
Tasmanian Treasury model	1 700.8	1 849.4	2 059.3	2 147.5
<b>Difference</b>	<b>....</b>	<b>134.0</b>	<b>299.3</b>	<b>323.8</b>

Note:

1. Based on preliminary pre-Budget estimates provided by the Australian Government.

Table 4.4 shows that Tasmania's forecast GST revenue is higher than the Australian Government's over the Forward Estimates.

This is primarily driven by two factors:

- changes in the national distribution of tied Australian Government payments. Tasmania has historically received above equal per capita shares of NPPs (in particular the Australian Government's economic stimulus payments and the health and hospitals funding) resulting in a lower per capita relativity. Over the Forward Estimates, Tasmania's share of NPPs is forecast to moderate toward equal per capita,

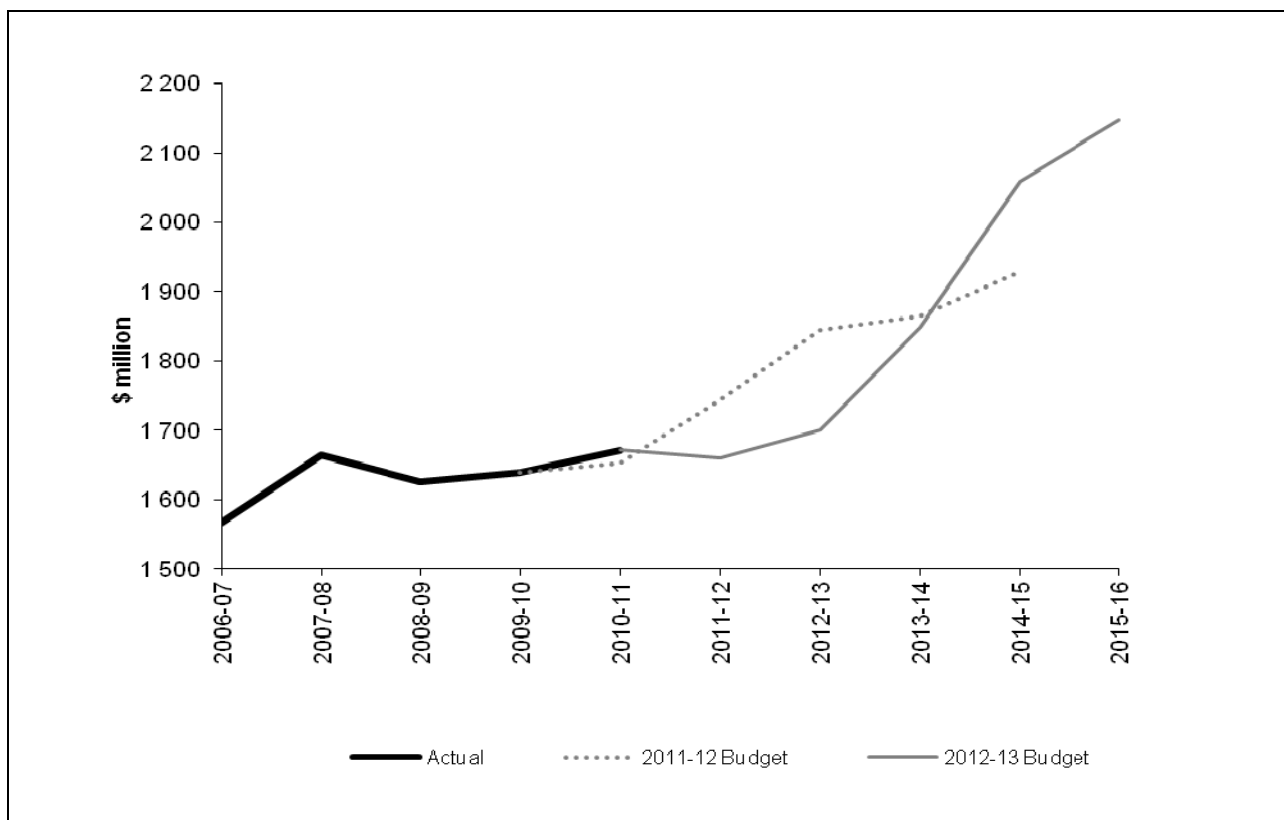
resulting in an increasing per capita relativity. As the relativities are based on the average of three years data, the negative impact of a high level of Australian Government funding for one-off payments, such as the Royal Hobart Hospital, will 'wash-out' after three years, resulting in a significant uplift in Tasmania's relativity in the later years of the Forward Estimates; and

- the continuing impact of the mining boom. As the resource rich States continue to benefit from the mining boom, Tasmania is experiencing a relative decline in its fiscal capacities which results in an increase in Tasmania's per capita relativity.

These two factors combine to have a strong positive impact on Tasmania's forecast per capita relativity. The Australian Government relativity model does not take into account these changes, and reflects the previous trend decline in Tasmania's relativity.

The GST Distribution Review is expected to publish a final report in late 2012. The implementation of recommendations is not likely to impact states shares of GST revenue until 2015-16. It is not possible to predict the impact, if any. However, due to the risks of a potential change to the distribution of GST revenue, Tasmanian's relativity for 2015-16 is held constant at the 2014-15 forecast level.

**Chart 4.1: GST Revenue to Tasmania, 2006-07 to 2015-16**



Sources: Tasmanian Government Budget Paper No 1 - *The Budget* (various years); Australian Government Final Budget Outcome (various years); Department of Treasury and Finance modelling.

As illustrated in Chart 4.1, GST revenue in 2011-12 and 2012-13 is expected to be considerably lower than forecast in the 2011-12 Budget. The shortfall is predominantly attributable to downward revisions in the Australian Government's forecasts for the total GST pool.



Over the Forward Estimates period GST revenue is forecast to grow at a compound annual rate of 8.1 per cent. This growth rate includes the impact of the forecast increase in Tasmania's per capita relativity and growth in the total GST pool. The Australian Government estimates that the pool will grow at a compound annual rate of 5.1 per cent over the same period.

Appendix 4.1 of this chapter provides a discussion of the implications of the CGC's 2012 Update Report.

## Commonwealth Payments for Specific Purposes

### *Specific Purpose Payments*

In 2012-13, Tasmania will receive an estimated \$678.1 million of funding in SPPs. This is an increase of \$33.1 million or 5.1 per cent above the \$645.0 million estimated for 2011-12. Over the Forward Estimates period, the growth in SPPs reflects indexation arrangements, which is partially offset by the transition to equal per capita distribution.

### *National Health Reform Funding*

From 1 July 2012, Tasmania will receive National Health Reform funding for the provision of public hospital services. This funding is governed by the terms and conditions of the National Health Reform Agreement (NHRA) and replaces the National Healthcare SPP. In 2012-13, Tasmania will receive an estimated \$298.8 million in National Health Reform funding.

### *National Partnership Payments*

In 2012-13, Tasmania will receive an estimated \$364.0 million of funding in NPPs, a decrease of \$43.1 million or 10.6 per cent below the \$407.1 million estimated for 2011-12. This primarily reflects payment profiles agreed with the Australian Government and the cessation of a number of NPPs.

Table 4.5 details the Payments for Specific Purposes that Tasmania will receive from the Australian Government in 2012-13 and over the Forward Estimates period.

Table 4.5: Commonwealth Payments for Specific Purposes<sup>1</sup>

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Specific Purpose Payments</b>					
<b>Education</b>					
National Schools - Government Schools	97.7	105.6	110.8	117.8	117.8
National Schools - Non-Government Schools	167.0	178.7	182.3	186.0	189.7
National Skills and Workforce Development	31.6	30.8	31.4	31.9	31.9
<b>Total Education Specific Purpose Payments</b>	<b>296.2</b>	<b>315.0</b>	<b>324.5</b>	<b>335.7</b>	<b>339.5</b>
<b>Health and Human Services</b>					
National Health Reform <sup>2</sup>	282.9	298.8	319.8	350.8	350.8
National Disability Services	33.2	32.6	32.1	32.1	32.1
National Affordable Housing	32.7	31.7	28.3	28.8	28.8
<b>Total Health and Human Services Specific Purpose Payments</b>	<b>348.8</b>	<b>363.1</b>	<b>380.2</b>	<b>411.7</b>	<b>411.7</b>
<b>Total Specific Purpose Payments</b>	<b>645.0</b>	<b>678.1</b>	<b>704.7</b>	<b>747.5</b>	<b>751.2</b>
<b>National Partnership Payments<sup>3</sup></b>					
<b>Education</b>					
Digital Education Revolution - Government Schools	3.8	3.1	3.1	3.1	3.1
Digital Education Revolution - Non-Government Schools	1.7	1.7	1.7	1.7	1.7
Early Childhood Reform	6.2	10.4	10.2	10.2	10.2
Indigenous Early Childhood Development	1.2	1.2	1.1	0.6	0.4
<i>Nation Building - Economic Stimulus Plan</i>					
Building the Education Revolution - Government Schools	9.7	....	....	....	....
<i>Smarter Schools</i>					
Low SES School Communities	17.5	17.0	10.4	5.9	4.4
Improving Teacher Quality <sup>4</sup>	5.1	4.2	....	....	....
Literacy and Numeracy	....	4.5	....	....	....
Supporting Students with Disabilities	....	1.6	0.8	....	....
Trade Training Centres in Schools	6.3	4.8	....	....	....
Other	0.1	2.5	1.2	1.7	0.3
<b>Total Education National Partnership Payments</b>	<b>51.5</b>	<b>51.0</b>	<b>28.6</b>	<b>23.2</b>	<b>20.2</b>

Table 4.5: Commonwealth Payments for Specific Purposes<sup>1</sup>  
(continued)

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Healthcare</b>					
National Health Reform					
Improving Public Hospital Services					
Elective Surgery	2.7	....	0.9	0.9	....
Elective Surgery (Capital)	2.5	....	....	....	....
Emergency Dept (Capital)	2.9	1.9	....	....	....
Flexible Pool for Emergency Departments, Elective					
Surgery and Sub Acute Areas	3.9	1.1	....	....	....
Four Hour National Access Target	2.2	3.2	0.9	1.1	....
Sub-Acute Beds	7.0	10.6	14.0	....	....
Essential Vaccines	7.3	8.3	7.9	7.7	7.0
Longer Stay Older Patients <sup>5</sup>	1.7	2.8	2.4	....	....
National Cancer System	9.3	2.3	0.7	....	....
Royal Hobart Hospital Redevelopment	20.0	....	....	....	50.0
Other	6.5	5.2	1.6	1.4	....
<b>Total Healthcare National Partnership Payments</b>	<b>65.9</b>	<b>35.4</b>	<b>28.4</b>	<b>11.1</b>	<b>57.0</b>
<b>Community Services (including Disability)</b>					
Home and Community Care	40.5	43.8	29.0	29.0	29.0
Certain Concessions for Pensioners and Seniors Card					
Holders	8.0	8.3	8.6	8.9	8.9
Other	3.1	0.6	....	....	....
<b>Total Community Services (including Disability)</b>	<b>51.7</b>	<b>52.7</b>	<b>37.6</b>	<b>37.9</b>	<b>37.9</b>
<b>Housing</b>					
Homelessness	2.6	2.6	....	....	....
Indigenous Housing	3.1	1.4	....	....	....
<i>Nation Building - Economic Stimulus Plan</i>					
Social Housing	4.6	....	....	....	....
<b>Total Housing National Partnership Payments</b>	<b>10.3</b>	<b>4.0</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>Infrastructure</b>					
Nation Building (includes former Auslink)	79.8	64.3	50.8	35.0	35.0
Other	0.2	4.2	....	....	....
<b>Total Infrastructure National Partnership Payments</b>	<b>80.0</b>	<b>68.5</b>	<b>50.8</b>	<b>35.0</b>	<b>35.0</b>

Table 4.5: Commonwealth Payments for Specific Purposes<sup>1</sup>  
(continued)

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Skills and Workforce Development</b>					
Productivity Places Program	14.9	....	....	....	....
Skills Reform	....	5.3	5.3	5.3	5.3
Other	....	1.8	2.7	1.0	1.0
<b>Total Skills and Workforce Development National Partnership Payments</b>	<b>14.9</b>	<b>7.1</b>	<b>8.0</b>	<b>6.4</b>	<b>6.4</b>
<b>Environment</b>					
Caring for Our Country (National Resource Management component only)	5.7	6.7	4.6	3.4	3.4
Water for the Future	43.1	45.5	27.4	16.6	0.2
Tasmanian Forests Intergovernmental Agreement	....	7.2	7.4	7.6	7.8
<b>Total Environment National Partnership Payments</b>	<b>48.9</b>	<b>59.4</b>	<b>39.5</b>	<b>27.5</b>	<b>11.4</b>
<b>Other Services</b>					
Financial Assistance Grants to Local Government	68.2	71.8	74.3	77.0	80.3
Natural Disaster Relief	5.8	5.0	....	....	....
Other	9.8	9.1	6.0	6.0	6.0
<b>Total Other Services National Partnership Payments</b>	<b>83.9</b>	<b>85.9</b>	<b>80.3</b>	<b>83.1</b>	<b>86.3</b>
<b>Total National Partnership Payments</b>	<b>407.1</b>	<b>364.0</b>	<b>273.1</b>	<b>224.2</b>	<b>254.1</b>
<b>TOTAL PAYMENTS FOR SPECIFIC PURPOSES</b>	<b>1 052.1</b>	<b>1 042.1</b>	<b>977.8</b>	<b>971.6</b>	<b>1 005.4</b>
<b>Total to the State</b>	<b>814.9</b>	<b>789.9</b>	<b>719.5</b>	<b>706.9</b>	<b>733.7</b>
<b>Total through the State</b>	<b>237.2</b>	<b>252.2</b>	<b>258.3</b>	<b>264.7</b>	<b>271.7</b>
	<b>1 052.1</b>	<b>1 042.1</b>	<b>977.8</b>	<b>971.6</b>	<b>1 005.4</b>

Notes:

1. Estimates of SPPs and some NPPs may differ from those published in the Australian Government's 2012-13 Budget due to the need to finalise State estimates before the release of the Australian Government Budget.
2. As part of the NHRA, National Health Reform funding replaces the National Healthcare SPP from 1 July 2012. Under the NHRA, the Australian Government will continue to pay the states base funding equivalent to that paid under the National Healthcare SPP. From 1 July 2014, the Australian Government will contribute 45 per cent of the efficient growth funding for public hospital services, increasing to 50 per cent from 1 July 2017. The efficient growth component of National Health Reform funding in 2014-15 is based upon the Australian Government estimate in MYEFO.
3. NPPs are time limited agreements. The decrease in NPP funding reflects the cessation of existing agreements. The increase in 2015-16 is largely attributable to the additional \$50.0 million funding for the Royal Hobart Hospital Development. Under the IGA, the Standing Council for Federal Financial Relations will make recommendations to COAG as to whether expiring NPPs should be continued, or converted into existing or new SPPs or general revenue assistance.
4. The Improving Teacher Quality component of the Smarter Schools program was included in Other in the 2011-12 Budget.
5. Funding for Longer Stay Older Patients was included in Other in the 2011-12 Budget.

## State Taxation

Total State taxation revenue for 2012-13 is estimated to be \$940.9 million, an increase of \$34.2 million or 3.8 per cent above the 2011-12 Budget estimate of \$906.7 million. Over the Forward Estimates period, taxation revenue is estimated to increase by a compound annual rate of 4.7 per cent per annum to \$1 078.9 million in 2015-16.

Table 4.6 provides details of the components of State taxation in accordance with the Uniform Presentation Framework. The components of State taxation revenue have been classified as:

- payroll tax;
- taxes on property;
- taxes on the provision of goods and services; and
- taxes on the use of goods and services.

**Table 4.6: State Taxation**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Payroll tax</b>	<b>292.6</b>	<b>310.2</b>	<b>326.1</b>	<b>342.4</b>	<b>359.3</b>
<b>Taxes on property</b>					
Land tax	86.1	88.1	91.6	95.1	98.6
Fire service levies <sup>1</sup>					
Fire service contribution	32.1	33.6	34.9	36.3	38.1
Insurance fire levy	16.2	16.4	16.6	16.8	17.0
Government guarantee fees	27.4	34.5	39.2	43.2	46.9
Taxes on financial and capital transactions					
Conveyance duty <sup>2</sup>	164.0	141.0	145.6	150.3	155.6
Sundry legal documents duty <sup>3</sup>	0.0	0.0	0.0	0.0	0.0
	<b>325.8</b>	<b>313.6</b>	<b>327.9</b>	<b>341.9</b>	<b>356.3</b>
<b>Taxes on the provision of goods and services</b>					
Gambling taxes					
Casino tax and licence fees <sup>4</sup>	58.5	58.5	61.7	63.3	65.2
Betting exchange taxes and levies	2.0	2.1	2.6	2.7	2.9
Lottery tax	25.5	26.7	27.4	28.0	28.7
Totalizator wagering levy	6.6	6.8	7.0	7.2	7.4
Other gaming <sup>5</sup>	0.1	0.1	0.1	0.1	0.1
Insurance duty <sup>6</sup>	51.6	70.9	79.4	82.7	86.1
	<b>144.3</b>	<b>165.0</b>	<b>178.1</b>	<b>184.1</b>	<b>190.4</b>
<b>Taxes on the use of goods and services</b>					
Vehicle registration fees	34.0	34.0	35.0	36.0	36.9
Motor vehicle fees and taxes					
Motor vehicle duty	39.5	35.5	36.4	37.3	38.2
Motor tax <sup>7</sup>	64.1	75.7	82.4	86.4	90.7
Motor vehicle fire levy <sup>1</sup>	6.4	6.8	6.8	7.1	7.1
	<b>144.0</b>	<b>152.1</b>	<b>160.5</b>	<b>166.8</b>	<b>172.9</b>
<b>TOTAL STATE TAXATION</b>	<b>906.7</b>	<b>940.9</b>	<b>992.5</b>	<b>1 035.0</b>	<b>1 078.9</b>

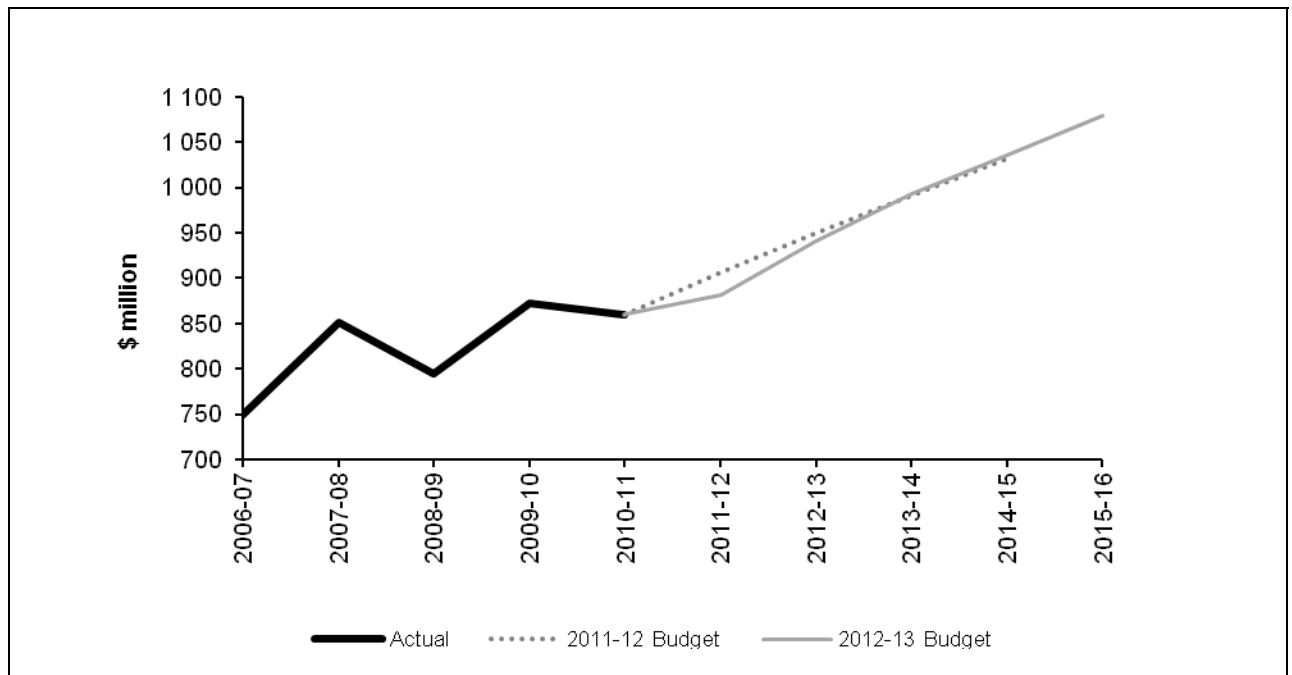
Notes:

1. Fire service levies are reported as a tax for the purposes of the Uniform Presentation Framework, however, all revenues go directly to the Tasmanian Fire Service.
2. The decrease in conveyance duty receipts in 2012-13 reflects a forecast decline as a result of reductions in the volume and value of property transactions. This decrease is partially offset by additional revenue generated from the reform of rates and thresholds, which better reflect contemporary property prices and the duty regimes in other states.
3. Duty from sundry legal documents is forecast to be \$40 000 across all years. This amount does not appear in the table due to rounding.
4. Casino tax and licence fees revenue is not expected to grow in 2012-13, and relatively slow growth is forecast thereafter, reflecting the impact of harm minimisation measures.

5. An amount of \$50 000 is included for Other gaming in 2012-13 and over the Forward Estimates period.
6. Insurance duty receipts in the 2012-13 Budget and Forward Estimates will increase as a result of changes to the rates of tax that applies to general insurance and Motor Accident Insurance Board premium duty.
7. Motor tax receipts in the 2012-13 and Budget and Forward Estimates will increase as a result of changes to the rates of tax that apply to light motor vehicles, and to some heavy vehicles.

Chart 4.2 shows that while 2011-12 and 2012-13 revenue is slightly below that forecast in the 2011-12 Budget, State taxation revenue will return to 2011-12 Budget forecast levels over the Forward Estimates.

**Chart 4.2: State Taxation Revenue, 2006-07 to 2015-16**



## Taxation Measures

As part of the Government's broad response to meet the State's fiscal challenge, a review of state taxation options was undertaken. The Government will not introduce any new taxes, however, there will be increases in the rates of some taxes as described below.

### *Conveyance Duty*

Tasmania's conveyance duty rates and thresholds have become outdated. Tasmania's top marginal rate of duty is 4.0 per cent, whereas the average top marginal rate of duty in other states is 5.5 per cent. Further, Tasmania's top marginal rate of duty currently commences at \$225 000. Forty eight per cent of transactions currently attract the top marginal rate of duty, including the average first home and the average home in Tasmania's capital city, Hobart.

From 1 October 2012, conveyance duty rates and thresholds will be revised so that they better reflect contemporary property prices and the duty regimes in other states. Tables 4.7 and 4.8 illustrate the changes to rates and thresholds.

Table 4.7 details the former conveyance duty rates:

**Table 4.7: Former conveyance duty rates**

Value Range	Rate
\$	
1 - 1 300	\$20
1 300 - 10 000	\$1.50 for every \$100, or part, of the dutiable value
10 000 - 30 000	\$150 plus \$2 for every \$100, or part, by which the dutiable value exceeds \$10 000
30 000 - 75 000	\$550 plus \$2.50 for every \$100, or part, by which the dutiable value exceeds \$30 000
75 000 - 150 000	\$1 675 plus \$3 for every \$100, or part, by which the dutiable value exceeds \$75 000
150 000 - 225 000	\$3 925 plus \$3.50 for every \$100, or part, by which the dutiable value exceeds \$150 000
225 000 and above	\$6 550 plus \$4 for every \$100, or part, by which the dutiable value exceeds \$225 000

Table 4.8 details the revised conveyance duty rates.

**Table 4.8: Revised conveyance duty rates**

Value Range	Rate
\$	
1 - 1 300	\$20
1 300 - 25 000	\$20 plus \$1.75 for every \$100, or part, by which the dutiable value exceeds \$1 300
25 000 - 75 000	\$435 plus \$2.25 for every \$100, or part, by which the dutiable value exceeds \$25 000
75 000 - 200 000	\$1 560 plus \$3.50 for every \$100, or part, by which the dutiable value exceeds \$75 000
200 000 - 375 000	\$5 935 plus \$4.00 for every \$100, or part, by which the dutiable value exceeds \$200 000
375 000 - 725 000	\$12 935 plus \$4.25 for every \$100, or part, by which the dutiable value exceeds \$375 000
725 000 and above	\$27 810 plus \$4.50 for every \$100, or part, by which the dutiable value exceeds \$725 000

The new top marginal tax rate of 4.5 per cent remains low compared to other states, where the average marginal tax rate is 5.5 per cent.

This measure is estimated to generate an additional \$5.6 million in 2012-13, and \$7.5 million in the first full year of operation.

### *Insurance Duty*

From 1 October 2012, the rate of duty charged on contracts of general insurance will be increased from 8.0 per cent of the premium paid to 10.0 per cent of the premium paid.

Insurers are liable to pay insurance duty. However, they are able to pass the cost onto policy holders. If the full impact of the duty increase is met by policy holders, they will experience a 1.9 per cent increase in the total cost of insurance and taxes as a result of this initiative.

This measure will bring Tasmania's rate of duty on general insurance into line with the majority of other states.

This measure is estimated to generate an additional \$9.4 million in 2012-13, and \$13.1 million in the first full year of operation.



From 1 October 2012, the duty on Motor Accident Insurance Board premiums will be increased from \$6 per registration to \$20 per registration. Duty on MAIB premiums has not been increased for many years and is relatively low in absolute dollar terms. This measure is estimated to generate an additional \$6.6 million in 2012-13, and \$8.8 million in the first full year of operation.

### *Motor Tax*

From 1 October 2012, motor tax on light vehicles will be increased by 20 per cent. Tasmania's taxes on motor vehicles are the second lowest of the states and territories on a per capita basis, and they will remain highly competitive. This measure is estimated to generate an additional \$7.1 million in 2012-13.

Motor tax rates are prescribed in schedules 1 and 2 of the *Vehicle and Traffic Act 1999*. Motor tax on light vehicles is expressed in fee units. The value of a fee unit in 2012-13 is \$1.44.

From 1 October 2012, motor tax on some classes of heavy vehicles will also be revised.

Motor tax rates for heavy vehicles are based on National Transport Commission (NTC) rates. The NTC has recently agreed to adjust the rates of tax that apply to various heavy vehicles to better reflect recent research on fleet road wear. Tasmania is required, along with the other states, to adjust its rates in order to maintain national harmonisation.

This measure is estimated to generate an additional \$900 000 in 2012-13, and \$1.2 million in the first full year of operation.

### *Payroll Tax*

Revenue from payroll tax in 2012-13 is estimated to be \$310.2 million, an increase of \$17.6 million or 6.0 per cent above the 2011-12 Budget estimate of \$292.6 million. The expected increase in collections in 2012-13 is due to higher average wages.

Payroll tax is imposed under the *Payroll Tax Act 2008* and is levied on employee wages and salaries, commissions, bonuses, fringe benefits and allowances, directors' remuneration and employer superannuation contributions paid to employees who provide services to their employer in Tasmania. The tax also applies to contract payments (where an employer - employee relationship is deemed to exist) and to employment agencies.

Tasmania's payroll tax arrangements are generally harmonised with other jurisdictions (Victoria and New South Wales in particular), except in terms of the tax free threshold and the rate of tax which applies in each state. In Tasmania, payroll tax is levied at a rate of 6.1 per cent of an employer's taxable wages above a \$1.01 million tax free threshold.

Table 4.9 details the number of employers and the total tax assessed in each liability range in 2010-11.

**Table 4.9: Assessed Payroll Tax, 2010-11**

Tax Liability Range			Number of Employers	Tax Assessed <sup>1</sup>
\$				\$m
1	-	50 000	2 104	22.4
50 001	-	100 000	260	18.6
100 001	-	250 000	259	40.7
250 001	-	500 000	103	35.8
500 001	-	1 000 000	56	41.1
1 000 001		and above	47	126.8
Total			2 829	285.3

Note:

1. Assessed payroll tax differs from tax collected (or budgeted) due to the timing of receipts and the application of penalties and interest.

The second Employee Incentive Scheme (Payroll Tax Rebate), introduced in the 2011-12 Budget, provides payroll tax relief by way of a rebate to employers who created new positions between 16 June 2011 and 30 June 2012, provided these positions are maintained continuously until 30 June 2013. Rebates for any payroll tax paid by eligible employers during this period will be paid toward wages paid up until 30 June 2013.

It is estimated that the second EISPR will support the creation of more than 850 jobs by providing payroll tax relief of \$5.5 million over three years to businesses that invest in Tasmania by creating new employment.

Payroll tax is also paid by government agencies, but in accordance with the consolidation process, receipts from these agencies are excluded from the estimated payroll tax receipts reported in this chapter.

## Taxes on Property

### *Land Tax*

It is expected that land tax collections in 2012-13 will be \$88.1 million, an increase of \$2.0 million or 2.3 per cent above the 2011-12 Budget estimate of \$86.1 million. This increase is largely attributable to an increase in land values.

Land tax is imposed under the *Land Tax Act 2000* (with rates set by the *Land Tax Rating Act 2000*). In 2011-12, land tax was levied on the basis of three land categories: general; primary production and principal residence land.

The principal residence category applies to land on which there is a dwelling or stratum unit that is occupied as the principal residence of the owner, or a related person as defined by the Land Tax Act. This category also includes retirement village units occupied as principal residences.

The primary production land category applies to land that is used substantially for the business of primary production. It includes land that has been declared a private timber reserve under the *Forest Practices Act 1985*, or a State forest under the *Forestry Act 1920*.

The rate of tax on both principal residence and primary production land has been set at zero since 1 July 1996, effectively exempting such land from land tax.

The general land classification includes all land that is not classified as principal residence or primary production land, including commercial and industrial land, land used for the rental of residential housing and vacant land.

Land tax is calculated on the assessed land value, as calculated by the Valuer-General, as at 1 July each year.

Certain not-for-profit sporting organisations and bodies that control or promote horse racing, dog racing, athletic sports or motor racing, are eligible for a concessional rate of land tax that is equal to 0.4 per cent of the assessed land value.

Further information on land tax rates can be found on the State Revenue Office website at [www.sro.tas.gov.au](http://www.sro.tas.gov.au).

Table 4.10 details the number of properties and the land tax assessed for each category of land in 2011-12.

**Table 4.10: Land Tax Calculation, 2011-12**

Property Value	Principal Residence		Primary Production		General Land	
	Number of Properties	Tax Payable	Number of Properties	Tax Payable	Number of Properties	Tax Payable
\$		\$m		\$m		\$m
less than - 25 000	2 399	....	32	....	3 368	....
25 000 - 349 999	141 869	....	4 723	....	53 044	31.5
350 000 - and over	4 382	....	4 512	....	5 686	56.2
<b>Total <sup>1</sup></b>	<b>148 650</b>	<b>....</b>	<b>9 267</b>	<b>....</b>	<b>62 098</b>	<b>87.7</b>

Note:

1. The total assessed land tax for 2011-12 differs from actual land tax collected in 2011-12 due to adjustments made after the issuing of land tax assessment notices to reflect changes in property use and the timing of receipts.

### *Fire Service Levies*

It is expected that revenue from fire service levies will amount to \$56.8 million in 2012-13, an increase of \$2.1 million or 3.8 per cent above the 2011-12 Budget estimate of \$54.7 million.

The major source of revenue for meeting the operational costs and capital needs of the Tasmanian Fire Service is received via a number of levies applied in accordance with the *Fire Service Act 1979*. The levies are a fire service contribution on property (levied on assessed annual values) that is collected by councils; a fire levy on prescribed classes of insurance; and a motor vehicle fire levy on vehicle registrations, excluding motor cycles (included under the heading 'Taxes on the use of goods and services' in Table 4.6).

## *Government Guarantee Fees*

It is expected that revenue from guarantee fees will be \$34.5 million in 2012-13, an increase of \$7.1 million on the 2011-12 Budget estimate of \$27.4 million. Over the Forward Estimates, guarantee fee receipts will increase steadily, to \$46.9 million by 2015-16. The forecast increase in guarantee fee revenue largely reflects refinancing of debt by the State-owned electricity businesses. New loans will attract higher guarantee fee rates compared to the loans that they are replacing. This is particularly evident in longer-term borrowings, such as those associated with the network businesses and Tamar Valley Power Station.

Guarantee fees are payable by Government Business Enterprises and State-owned Companies, on financial accommodation (primarily loans obtained from the Tasmanian Public Finance Corporation) to offset the borrowing cost advantage of public ownership. Without the payment of guarantee fees, Government businesses would receive an unfair advantage over their private sector counterparts as they would be able to access borrowings at lower costs given the implicit Government support.

## *Conveyance Duty*

It is estimated that revenue from conveyance duty in 2012-13 will be \$141.0 million, a decrease of \$23.0 million or 14.0 per cent below the 2011-12 Budget estimate of \$164.0 million. This reflects a forecast decline in conveyance receipts as a result of a reduction in the volume and value of property transactions.

This decline will be partially offset by revisions to conveyance duty rates and thresholds that will commence from 1 October 2012. This measure is discussed in the Taxation Measures section of this chapter.

Duties are imposed under the *Duties Act 2001*. Conveyance duty is assessed on the transfer of all real property, including vacant land, capital improved land and fixtures to land. Duty on the transfer of non-real property business assets was abolished as part of the IGA reforms and is no longer payable. In some cases, the transfer of shares will be subject to duty if those shares give the shareholder a land use entitlement, or are in a company that has land holding as its predominant asset.

Duty is assessed on the purchase price, or the value, of the asset transferred, whichever is higher. Property values determined by the Valuer-General are used by the Commissioner of State Revenue to establish the dutiable value of a property.

Duty is a progressive tax, in that the rate of duty increases as the value of the asset transferred increases. Details of rates and thresholds can be found on the State Revenue Office website at [www.sro.tas.gov.au](http://www.sro.tas.gov.au).

## **Taxes on the Provision of Goods and Services**

### *Gambling Taxes*

Taxation revenue from gambling taxes in 2012-13 is estimated to be \$94.1 million, an increase of \$1.5 million or 1.6 per cent above the 2011-12 Budget estimate of \$92.6 million.

Gambling tax revenue in Tasmania covers activities associated with lotteries, casinos (including table gaming, electronic gaming machines and keno), keno and electronic gaming machines in hotels and clubs, betting exchanges and an annual wagering levy for the conduct of totalizator wagering (the current licence is held by TOTE Tasmania Pty Ltd).

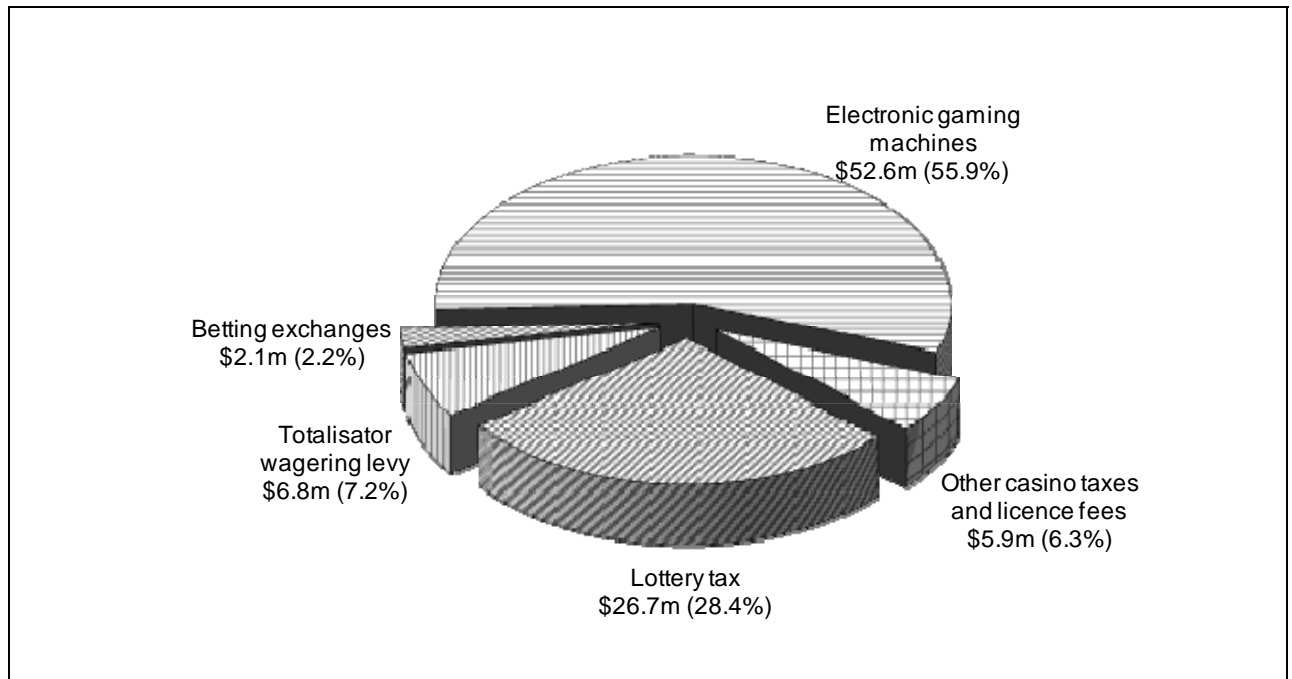
The Tasmanian Gaming Commission is responsible for the supervision of gambling activities in Tasmania. Information about the operations of the Tasmanian Gaming Commission and the regulation of gambling

under the *Gaming Control Act 1993* and *TT-Line Gaming Act 1993* can be found on the Liquor and Gaming website. These Acts also establish the arrangements for taxation of licensed gambling activities. Information on tax rates and licence fees are also available on the Treasury website at [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au).

Four per cent of the gross profit derived from gaming machines in hotels and clubs in Tasmania is paid into the Community Support Levy.

Chart 4.3 illustrates the components of gambling tax revenue in 2012-13.

**Chart 4.3: Gambling Taxation Revenue, 2012-13**



### *Insurance Duty*

Taxation revenue from insurance duty in 2012-13 is estimated to be \$70.9 million, an increase of \$19.3 million or 37.4 per cent above the 2011-12 Budget estimate of \$51.6 million.

This increase is primarily due to additional revenue generated from revisions to the rates of duty on general insurance and Motor Accident Insurance Board premiums that will commence from 1 October 2012. These measures are discussed in the Taxation Measures section of this chapter.

Insurance duty is imposed under the *Duties Act 2001*. It is based on the premium paid for contracts of general insurance that are applicable to property in Tasmania or a risk that may occur within Tasmania.

Insurance duty is also imposed on a contract for life insurance where the person or persons insured have their principal place of residence in Tasmania at the time the policy of insurance is issued. Mortgage insurance, term or temporary insurance and annuities are considered a form of life insurance.

The rates of duty charged on the different types of insurance are available on the State Revenue Office website at [www.sro.tas.gov.au](http://www.sro.tas.gov.au).

# Taxes on the use of Goods and Services

## *Vehicle Registration Fees*

Total vehicle registration fees are estimated to be \$34.0 million in 2012-13, the same amount as the 2011-12 Budget estimate.

Vehicle registration fees, payable in accordance with the *Vehicle and Traffic Act 1999*, are collected on the initial and annually ongoing registration and transfer of vehicle ownership.

## *Motor Vehicle Duty*

Motor vehicle duty is estimated to be \$35.5 million in 2012-13, a decrease of \$4.0 million or 10.1 per cent from the 2011-12 Budget estimate of \$39.5 million. This decrease reflects a reduction in the turnover of motor vehicles, consistent with the general reduction in discretionary spending that has been evidenced elsewhere in the Australian economy. The decrease is also consistent with the reduction in conveyance duty since 2009-10.

Motor vehicle registration duty is imposed under the *Duties Act 2001* and is paid at the time of initial registration and on the application to transfer ownership of a motor vehicle.

Motor vehicle registration duty is based on the type and dutiable value of the vehicle, being the greater of the amount paid or the market value of the vehicle.

The Department of Infrastructure, Energy and Resources collects motor vehicle registration duty on behalf of the Commissioner of State Revenue. Different rates of duty apply to passenger vehicles, vehicles subject to the manufacturer's fleet discount, and heavy vehicles with a mass greater than 4.5 tonnes, such as trucks, buses and heavy trailers. Further details are provided at [www.transport.tas.gov.au](http://www.transport.tas.gov.au).

## *Motor Tax*

Motor tax collections are estimated to be \$75.7 million in 2012-13, an increase of \$11.6 million or 18.1 per cent above the 2011-12 Budget estimate of \$64.1 million. This increase is predominantly a result of the increases to the rates of motor tax on light vehicles discussed under *Taxation Measures* above.

Motor tax is imposed under the *Vehicle and Traffic Act 1999* when a vehicle (or trailer) is first registered and each year thereafter. The amount of tax depends on the type of vehicle, and other factors (depending on the type of vehicle), such as number of cylinders, weight, seating capacity, and/or number of axles. The legislation specifies six classes of vehicles, each attracting its own scale of rates. A rebate of 40 per cent is available in certain cases to eligible pensioners owning commercial goods vehicles, provided they are not engaged in any trade or business, and commercial vehicles used predominantly for farming or horticultural purposes. Motor tax rates are indexed annually.

Motor tax rates for heavy vehicles are based on National Transport Commission (NTC) rates. The NTC has recently agreed to adjust the rates of tax that apply to various heavy vehicles to better reflect recent research on fleet road wear. Tasmania is required, along with the other states, to adjust its rates in order to maintain national harmonisation.

From 1 October 2012, motor tax on some classes of heavy vehicles will be revised. This is estimated to generate an additional \$900 000 in 2012-13, and \$1.2 million in the first full year of operation.

# OTHER REVENUE SOURCES

## Sales of Goods and Services

Revenue from the Sales of Goods and Services is estimated to be \$313.8 million in 2012-13, a decrease of \$77.7 million or 19.8 per cent below the 2011-12 Budget of \$391.5 million.

Table 4.11 details the major components of revenue from the Sales of Goods and Services.

**Table 4.11: Sales of Goods and Services<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Departmental Fees and Recoveries</b>					
Economic Development, Tourism and the Arts	2.0	2.0	2.0	2.1	2.1
Education <sup>2</sup>	50.3	47.8	49.8	49.5	49.6
Finance-General	0.8	0.8	0.8	0.8	0.8
Health and Human Services <sup>3</sup>	240.9	104.6	104.0	101.9	97.9
Infrastructure, Energy and Resources	5.8	6.0	6.1	6.2	6.3
Justice <sup>4</sup>	10.5	3.8	3.9	3.9	4.0
Marine and Safety Tasmania	5.1	4.5	3.8	5.6	4.8
Police and Emergency Management	0.2	0.2	0.2	0.2	0.2
Premier and Cabinet	7.6	9.4	9.4	9.2	9.2
Primary Industries, Parks, Water and Environment <sup>5</sup>	39.9	33.9	35.3	36.7	38.0
Tasmanian Skills Institute	15.4	11.4	13.0	13.4	13.8
Tasmanian Health Organisation <sup>6</sup>					
North	....	26.1	27.7	30.0	33.7
North-West	....	11.6	11.9	12.4	12.5
South	....	38.6	39.1	39.7	39.9
State Fire Commission	5.4	5.5	5.6	5.6	5.6
Tasmanian Audit Office	4.6	4.8	5.0	5.2	5.4
	<b>388.4</b>	<b>310.9</b>	<b>317.8</b>	<b>322.4</b>	<b>323.9</b>
Other Sales of Goods and Services	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>
<b>TOTAL SALES OF GOODS AND SERVICES</b>	<b>391.5</b>	<b>313.8</b>	<b>320.8</b>	<b>325.5</b>	<b>327.1</b>

Notes:

1. The information provided in this section may differ from the Sales of Goods and Services for each agency in Budget Paper No 2 *Government Services* due to the elimination of inter-agency transactions during the consolidation process.
2. The decrease in Education primarily reflects a decrease in estimated retail revenue from the Tasmanian Polytechnic.

3. The decrease in Health and Human Services primarily reflects recognition of Sales of Goods and Services by the three Tasmanian Health Organisations, which were previously recognised by the Department, and the reclassification of Australian Government funding for the Mersey Community Hospital which is now included in Other Grants and Subsidies revenue.
4. The decrease in Justice reflects the reclassification of revenue from Sales of Goods and Services to Fines and Regulatory Fees.
5. The decrease in Primary Industries, Parks, Water and Environment in 2012-13 primarily reflects a decrease in estimated rental revenue as a result of the sale of the Parliament Square site; a decrease in Lands Titles Office revenue; and the reclassification of revenue from Sales of Goods and Service to Fines and Regulatory Fees.
6. The increase in the Tasmanian Health Organisations reflects the recognition of the proportion of sales of goods and services revenue that was previously included in the Department of Health and Human Services.

## Fines and Regulatory Fees

Revenue from Fines and Regulatory Fees is estimated to be \$106.9 million in 2012-13, an increase of \$17.3 million or 19.3 per cent above the 2011-12 Budget of \$89.6 million. Table 4.12 details the major components of Fines and Regulatory Fees.

**Table 4.12: Fines and Regulatory Fees<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Fines</b>	29.3	28.4	29.0	29.1	29.7
<b>Fees</b>					
Abalone Licences	6.7	6.0	6.1	6.3	6.5
Water Licence Fees	1.8	1.9	1.9	2.0	2.0
Environment Fees	3.2	3.8	3.9	3.9	4.0
Certificate of Competency Fees	0.2	0.2	0.2	0.2	0.2
Drivers Licences <sup>2</sup>	8.0	6.2	5.9	8.7	8.4
Photo Licence Fees	1.6	1.5	1.5	1.5	1.6
Vehicle Inspection Services Fees <sup>3</sup>	0.0	0.0	0.0	0.0	0.0
Quarantine Fees	1.8	1.8	1.8	1.8	1.8
Consumer Affairs Office Fines and Regulatory Fees <sup>4</sup>	....	1.3	1.3	1.3	1.3
Magisterial Courts Fines and Regulatory Fees <sup>4</sup>	....	0.9	0.9	0.9	0.9
Registrar-General Fines and Regulatory Fees <sup>4</sup>	....	2.2	2.2	2.2	2.2
Supreme Court Fines and Fees Regulatory Fees <sup>4</sup>	....	0.7	0.7	0.7	0.7
Other <sup>5</sup>	37.0	52.4	53.0	54.2	54.2
<b>TOTAL FINES AND REGULATORY FEES</b>	<b>89.6</b>	<b>106.9</b>	<b>108.3</b>	<b>112.8</b>	<b>113.5</b>



Notes:

1. The information provided in this section will differ from the Fines and Regulatory Fees for each agency in Budget Paper No 2 *Government Services* due to the elimination of inter-agency transactions during the consolidation process.
2. The movement in Driver Licence Fees primarily reflects the five year licence renewal cycle and the revised estimates for the number of learner drivers progressing to the Provisional licence level.
3. Vehicle Inspection Service Fees are estimated to be \$42 000 in the 2012-13 Budget, increasing to \$45 000 in the 2015-16 Forward Estimate. This amount does not appear in the table due to rounding.
4. The increase in: Consumer Affairs Office; Magisterial Courts; Registrar-General; and Supreme Court Fines and Regulatory fees reflects a reclassification of these fees, which were previously classified as Sales of Goods and Services.
5. The increase in Other Fees in 2012-13 primarily reflects: the introduction of the Asbestos Compensation levy; the updated estimates for revenue and expenditure for the WorkCover Board; the reclassification of Primary Industries, Parks, Water and Environment revenue from Sales of Goods and Service to Fines and Regulatory Fees; and revised estimates for Liquor Licence fees.

## Interest Income

Interest Income is estimated to be \$17.5 million in 2012-13, a decrease of \$8.3 million or 32.2 per cent below the 2011-12 Budget estimate of \$25.8 million. This reduction in interest income reflects a decrease in the anticipated level of cash held during the year.

## Dividend, Tax and Rate Equivalent Income

Dividend, tax and rate equivalent income is estimated to be \$233.0 million in 2012-13, an increase of \$14.8 million or 6.8 per cent compared to the 2011-12 Budget estimate of \$218.2 million. In the State-owned electricity business portfolio, higher dividends are expected from all three businesses, reflecting improved after-tax profits in 2011-12. However, this is offset by lower expected dividends from the Motor Accidents Insurance Board, as the full impact of the global economic downturn is now reflected through its five year moving average dividend policy.

Due to the instalment system used by the Australian Taxation Office, tax equivalent payments reflect financial performance in both the previous and current year. Continued improvement by Hydro Tasmania and Transend Networks Pty Ltd is forecast to lead to higher tax equivalents payments. However, in the case of Aurora Energy Pty Ltd, lower receipts are forecast in 2012-13 due to the impact of lower revenues in 2011-12 generated by the distribution business.

Forecast increases are also offset by a decrease in tax equivalent payments from the Motor Accidents Insurance Board in 2012-13 due to the carried forward impact of overpaid tax in previous years. Forestry Tasmania is forecast to pay tax equivalents of \$10.0 million in 2012-13 in relation to the sale of its share in the softwood joint venture. This receipt will be returned to Forestry Tasmania as an equity injection to assist the business to retire debt and manage its declining operating revenues.

Over the Forward Estimates period, dividend, tax and rate equivalent income is forecast to grow to \$310.7 million by 2015-16. Hydro Tasmania's returns increase significantly due to the incorporation of carbon pricing as its existing portfolio of wholesale contracts is renegotiated over time. However, Aurora Energy Pty Ltd's returns deteriorate over time, as it is exposed to a lower wholesale energy allowance for regulated customers.

Table 4.13 provides a breakdown of dividend, tax and rate equivalent income.

Table 4.13: Dividend, Tax and Rate Equivalent Income

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Dividends</b>					
Aurora Energy Pty Ltd <sup>1</sup>	10.7	14.3	39.6	34.8	15.7
Hydro Tasmania <sup>2</sup>	47.6	50.9	129.0	148.8	116.5
Motor Accidents Insurance Board <sup>3</sup>	20.9	8.4	14.7	20.6	17.8
Tasmanian Ports Corporation	....	....	....	....	0.5
Tasmanian Public Finance Corporation	3.4	3.6	4.0	2.9	2.9
The Public Trustee	0.2	0.1	0.1	0.1	0.1
TOTE Tasmania Pty Ltd <sup>4</sup>	2.3	....	....	....	....
Transend Networks Pty Ltd <sup>5</sup>	25.1	28.9	21.6	20.5	19.2
	<b>110.2</b>	<b>106.2</b>	<b>209.0</b>	<b>227.7</b>	<b>172.7</b>
<b>Taxation Equivalents</b>					
Aurora Energy Pty Ltd <sup>6</sup>	18.7	6.1	45.6	38.3	13.4
Forestry Tasmania <sup>7</sup>	....	10.0	....	....	....
Hydro Tasmania <sup>8</sup>	59.7	74.1	119.7	108.2	84.3
Motor Accidents Insurance Board <sup>9</sup>	6.0	....	1.6	12.6	13.1
Tasmanian Ports Corporation	0.2	....	0.1	1.1	2.2
Tasmanian Public Finance Corporation	2.3	1.6	1.7	2.1	2.1
The Public Trustee	....	0.1	0.1	0.1	0.1
TOTE Tasmania Pty Ltd <sup>4</sup>	2.2	....	....	....	....
Transend Networks Pty Ltd <sup>10</sup>	15.7	31.7	20.0	17.4	19.3
	<b>104.8</b>	<b>123.5</b>	<b>188.8</b>	<b>179.8</b>	<b>134.5</b>
<b>Rates Equivalents</b>					
Hydro Tasmania	3.2	3.2	3.3	3.4	3.5
	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	<b>3.5</b>
<b>TOTAL DIVIDEND TAX AND RATE EQUIVALENT INCOME</b>					
	<b>218.2</b>	<b>233.0</b>	<b>401.1</b>	<b>410.8</b>	<b>310.7</b>

Notes:

1. From 2013-14, Dividends from Aurora Energy Pty Ltd reflect the under recovery of prior year revenue shortfalls as allowed by the Australian Energy Regulator.
2. The increase in Dividends from Hydro Tasmania over the years from 2013-14 to 2015-16 reflects the positive impact of carbon pricing, increased generation levels and growth in its interstate retail business.
3. The decrease in the Motor Accidents Insurance Board in 2012-13 reflects the impact of its dividend policy, which is based on a five-year moving average of net profit after tax. The movement in the Forward Estimates reflects the impact of the global economic downturn.
4. TOTE Tasmania Pty Ltd was sold in 2011-12 and no further returns will be received.
5. The decrease in Transend Networks Pty Ltd from 2013-14 reflects the Board's decision to limit future rises in regulated revenue to less than the increase in the consumer price index.
6. Aurora Energy Pty Ltd's Taxation Equivalents are expected to be volatile due to prior year under recovery of revenues, which will be recovered from 2012-13.

7. The increase in Taxation Equivalents from Forestry Tasmania in 2012-13 reflects the sale of the softwood joint venture.
8. The increase in Taxation Equivalents from Hydro Tasmania in 2013-14 reflects the positive effect of the introduction of carbon pricing, which will improve Hydro's revenues and profitability. The decrease in Taxation Equivalents in 2014-15 and 2015-16 reflects the diminishing positive impact of carbon pricing as it reverts from a fixed to a market driven price, combined with lower generation levels as storages settle around long run targets.
9. The decrease in Taxation Equivalents from the Motor Accidents Insurance Board in 2012-13 reflects overpaid tax instalments carried forward from 2011-12 that are expected to be absorbed during 2012-13 and 2013-14, with a return to more normal tax equivalent payments expected in 2014-15.
10. The increase in Taxation Equivalents from Transend Networks Pty Ltd in 2012-13 reflects a more accurate estimate based on the Company's anticipated outcome in 2011-12.

## Other Revenue

Other Revenue is anticipated to be \$142.9 million in 2012-13, an increase of \$12.0 million or 9.2 per cent above the 2011-12 Budget estimate of \$130.9 million. The increase primarily reflects additional mineral royalties due to improvements in commodity prices. Table 4.14 lists the sources of Other Revenue.

**Table 4.14: Other Revenue<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Mineral Royalties <sup>2</sup>	48.0	55.4	55.5	53.8	53.8
Regional Water Authority Licence Fees	2.3	2.3	2.3	2.3	2.3
Other Revenue by Agency					
Economic Development, Tourism and the Arts	1.3	1.3	1.4	1.4	1.4
Education	23.2	25.5	24.9	25.2	25.4
Finance-General	0.6	0.6	0.6	0.6	0.6
Health and Human Services <sup>3</sup>	24.4	6.4	6.6	9.5	9.3
Infrastructure, Energy and Resources	1.0	1.1	1.1	1.1	1.1
Justice <sup>4</sup>	9.3	12.6	13.9	13.2	13.5
Police and Emergency Management	6.5	5.0	5.1	5.2	5.2
Primary Industries, Parks, Water and Environment <sup>5</sup>	11.6	14.0	5.2	5.2	5.2
State Fire Commission	0.8	0.9	0.9	0.9	1.0
Treasury and Finance	0.9	0.8	0.9	0.9	0.9
Tasmanian Health Organisations <sup>3</sup>					
North	....	5.6	5.7	5.8	5.9
North-West	....	3.9	3.9	4.0	3.9
South	....	6.7	6.9	7.0	7.1
Other <sup>6</sup>	1.0	0.8	0.8	0.9	0.9
<b>TOTAL OTHER REVENUE</b>	<b>130.9</b>	<b>142.9</b>	<b>135.7</b>	<b>137.0</b>	<b>137.6</b>

Notes:

1. The information provided in this section will differ from Other Revenue estimates for each agency in Budget Paper No 2 *Government Services* due to the elimination of inter-agency transactions during the consolidation process.
2. The movement in Mineral Royalties primarily reflects revised estimates for anticipated commodity prices, exchange rates and production levels.

3. The decrease in Health and Human Services in 2012-13 reflects the establishment of the three Tasmanian Health Organisations which now recognise Other Revenue that was previously received by the Department.
4. The increase in Justice primarily reflects revised estimates for revenue and expenditure for the WorkCover Board.
5. The increase in Primary Industries, Parks, Water and Environment in 2012-13 reflects the major asset sales program and receipt of funds into the Crown Land Administration Fund.
6. The decrease in Other in 2012-13 primarily reflects revised estimates for fees received by the Office of the Director of Public Prosecutions, and revenue relating to the Tasmanian Skills Institute.

# STATEMENT OF RISKS AND SENSITIVITIES

To the degree possible, the 2012-13 Budget and Forward Estimates take into account known risk factors in terms of the timing and level of revenue. However, these estimates are subject to uncertainty due to either unforeseen events or delays, or the realisation of risks to a greater or lesser extent than have been anticipated. Specific factors that are considered potential risks to the revenue estimates are discussed below.

## Grants

### *Goods and Services Tax Revenue Grants*

The risks to Tasmania's GST revenue estimate in 2012-13 are linked directly to the State's share of the national population; the size of the GST revenue pool; and Tasmania's relativity factor. GST revenue collections are highly sensitive to changes in national consumer spending. GST revenue collection in 2012-13 and over the Forward Estimates period will be dependent on the rate of growth in the Australian economy.

Tasmania's relativity factor (as recommended by the CGC) has been finalised for 2012-13 and will not change. Refer to Appendix 4.1 of this chapter for a discussion of the CGC's 2012 Update Report. A major risk to GST revenue to Tasmania over the Forward Estimates period is the outcome of the GST Distribution Review referred to in Appendix 4.1 of this chapter.

Tasmania's relativity factors for 2013-14 to 2015-16 are based on Department of Treasury and Finance modelling. Small variations in the relativity factor can have a large impact on forecast GST revenue. To the extent that actual outcomes vary from the assumptions used in Treasury modelling, GST revenue will vary accordingly.

### *Other Australian Government Funding*

Commonwealth-State funding arrangements are linked directly to arrangements under the *Intergovernmental Agreement on Federal Financial Relations* agreed by Council of Australian Governments in November 2008. The risks associated with Australian Government payments to Tasmania for specific purposes vary depending on the type of payment.

In relation to all payments, the CGC assesses the level of total funding received by a state in determining the relative financial needs and GST requirements of each state. Where Tasmania receives a level of funding above the national average, or where it is the only recipient, the State's GST revenue share decreases. This is outlined in further detail in the *Guide to the Budget*.

### *Specific Purpose Payments*

Under the IGA, SPPs are indexed so that the level of SPP funding moves broadly in line with changes in the costs of providing services. This provides the states with some certainty as to their future receipts of SPP funding. However, because SPP indexation is based on certain economic and other parameters (such as cost indices), estimates of SPP revenue to Tasmania are moderately sensitive to assumptions underlying these parameters. SPP estimates for the 2012-13 Budget and for the Forward Estimates period are certain

to change marginally once the actual parameters are known. Indexation accounts for only a small proportion of total SPP funding and as such, this funding is very low risk.

### *National Partnership Payments*

Funding provided to each state under a NPP Agreement is generally written into the agreement itself. There are three types of NPP payments:

- Facilitation payments – to assist a state undertake priority reforms and pursue continuous improvement in service delivery. Facilitation payments are paid in advance to facilitate progress and are therefore low risk;
- Project payments – to support the delivery of projects of national importance. Project payments are generally based on the satisfactory attainment of minimum milestones by the State and therefore are medium risk; and
- Reward payments - contingent upon the State meeting ambitious milestones and performance targets. Reward payments are high risk, but only account for a very small proportion of total NPP funding.

### *National Health Reform Funding*

From 1 July 2012, Tasmania will receive NHR funding for the provision of public hospital services. This funding is governed by the terms and conditions of the National Health Reform Agreement and replaces the National Healthcare SPP.

The reforms outlined in the NHRA are being phased in over the period 1 July 2012 to 1 July 2014, and seek to:

- place public hospital funding onto a sustainable growth path by replacing block based funding with activity based funding wherever possible; and
- drive efficiencies through the NHRA public transparency and accountability framework.

Under the NHRA, the Australian Government will continue to pay the states funding equivalent to that paid under the National Healthcare SPP (i.e. base funding). From 1 July 2014, the Australian Government will contribute 45 per cent of the efficient growth funding for public hospital services, increasing to 50 per cent from 1 July 2017. The efficient growth funding component of NHR funding disclosed in the 2014-15 estimate is based upon the Australian Government estimate in MYEFO. This estimate of efficient growth funding is calculated on a per capita basis. The distribution of actual efficient growth funding will be determined by efficient growth in each State.

The base funding component of NHR funding is low risk. There is a degree of risk associated with the efficient growth component due to associated assumptions.

Further information on the NHRA is available on the Standing Council for Federal Financial Relations website at [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

## State Taxes

State tax revenue estimates are sensitive to changes in a range of economic parameters, such as employment, wages growth, and inflation, as well as prevailing economic conditions in Tasmania more generally. These parameters can result in either more or less state taxation revenue being collected.

### *Payroll Tax*

Payroll tax receipts are primarily driven by employment outcomes within the Tasmanian economy and wages growth. Estimates of payroll tax revenue are, therefore, subject to risk in the form of wages or employment outcomes that exceed, or fall short of, expectations.

It is estimated that a one per cent variation in the number of people employed within the Tasmanian economy would result in a variation of \$4.6 million in Tasmania's payroll tax revenue in 2012-13. Whereas, a one per cent variation in average weekly earnings in Tasmania would result in an estimated variation of \$2.4 million in payroll tax receipts in 2012-13.

### *Conveyance Duty*

Revenue from conveyance duty relies upon the number of dutiable property transfers as well as the value of the property transferred.

Relatively small variations between forecasts and actual property market outcomes have the potential to lead to appreciable variations in conveyance duty revenue. For instance, a one per cent variation in the number of property sales, or the average value of properties sold, would lead to a \$1.4 million variation in conveyance duty revenue in 2012-13.

However, conveyance duty estimates are more susceptible to significant upside risk, in the form of large, one-off commercial related transactions, which typically involve the transfer of significant business assets or large scale infrastructure. It is not possible to anticipate these transactions when framing the Budget.

## Returns from Government Businesses

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

The MAIB's operating results are largely driven by the performance of its investment portfolio and its claims expenses each year. Investment revenue is forecast to remain positive in 2012-13 and result in an operating profit in that year. However, the outlook for financial and equity markets remains unclear, which suggests a wide range of possible outcomes for the MAIB in 2012-13 and hence its returns over the Forward Estimates period.

Forestry Tasmania continues to face significant challenges and risks given global market pressures and the industry environment in which it operates. Forestry Tasmania's low financial returns to Government over the Forward Estimates period reflect this difficult operating environment. The estimated \$10.0 million tax equivalent payment in 2012-13 is a result of the sale of the softwood joint venture. The independent strategic review of Forestry Tasmania will provide recommendations to the Government in relation to the options for future structures, governance and business models under which Forestry Tasmania may operate in the future.

The estimated returns from both Aurora Energy Pty Ltd and Hydro Tasmania are based on maintaining the current structure of the State's energy portfolio, although some discrete elements of the announced reform package are reflected in these assumptions.

In particular, the methodology for pricing the energy consumed by non-contestable customers, which will reduce this component of electricity tariffs, has been taken into account. This will affect the financial performance of Aurora Energy Pty Ltd and Hydro Tasmania, given the contractual arrangements between them.

Uncertainty in relation to electricity demand, which has increased at a slower pace in recent years than originally expected, impacts revenue collection by the electricity businesses. This is reflected in both the timing of revenue collections and operating margins. For Hydro Tasmania, lower demand across the National Electricity Market (NEM) has depressed wholesale prices, which represents an ongoing risk once the impact of carbon pricing is removed.

These risks to the 2012-13 forecasts primarily relate to tax equivalents, which are paid during the current year on an instalment basis, whereas dividend payments reflect the after-tax profits achieved by each business in the previous year.



# APPENDIX 4.1 COMMONWEALTH-STATE FINANCIAL RELATIONS

## Major Issues

### *GST Distribution Review*

A Review of the Distribution of GST revenue was announced by the Australian Government on 30 March 2011, to consider whether the current methodology of sharing GST revenue among the states will ensure that Australia is best placed to respond to structural and other challenges.

While the principle of Horizontal Fiscal Equalisation (HFE) is endorsed, the Review is focussing on how the future challenges facing Australia will impact on equalisation. The challenges identified include continued globalisation, climate change, population growth and demographic change, the impact of technology and the need to address indigenous disadvantage. The Review will have regard to the principles of efficiency, equity, simplicity, and predictability and stability.

The Review represents potential financial risk to Tasmania. Tasmanian's share of GST Revenue equates to approximately 40 per cent of the States total revenue. Tasmania received more than one and a half times its population share of GST revenue due to its inherent disadvantages. Examples of this include:

- Tasmania's lower capacity to raise many types of revenue (lower per capita GSP and smaller tax bases);
- greater demand for government services due to the socio-demographic composition of Tasmanians (older population, lower socio-economic status and an above average proportion of indigenous people); and
- Tasmania's isolation and population dispersion, which increases the cost of delivering services per person.

On 1 July 2011, the Review Panel released an Issues Paper to formally commence the consultation phase. The State Government lodged a submission to the Issues Paper. This submission strongly argued, with supporting evidence, that the criticisms of the current equalisation system are misplaced, and that the long-standing practice of GST equalisation among the states has served Australia well and should be maintained.

On 17 November 2011, supplementary terms of reference were issued by the Australian Government to the Review Panel. As a result, the Review Panel released a Supplementary Issues Paper on 1 December 2011. The supplementary terms of reference seek consideration by the Review Panel of possible changes to the current equalisation system to provide incentives and disincentives to promote State policy decisions which improve the efficiency of State taxes and mineral royalties.

The State Government lodged a submission to the Supplementary Issues Paper which reiterated the view that incentives for the efficient delivery of State services, or State tax reform should be achieved outside the equalisation system.

The Review's first interim report was released on 23 April 2012, with a second interim report, responding to the supplementary terms of reference, expected to be released in mid-2012. Following submissions and consultation, a final report is to be provided to the Australian Government Treasurer by late 2012. Tasmania

will continue to participate in the Review to ensure that Tasmania's views and circumstances are appropriately recognised.

Further information can be found on the GST Distribution Review website at [www.gstdistributionreview.gov.au](http://www.gstdistributionreview.gov.au).

## *National Reforms*

The Australian and State Governments are currently negotiating the following major national reforms:

### *Skills Reform*

At the 13 April 2012 COAG meeting both the revised National Agreement for Skills and Workforce Development and a new National Partnership Agreement on Skills Reform were agreed.

The Skills Reform NPP, which commences on 1 July 2012, provides Tasmania with funding over a five year period (\$5.3 million in 2012-13) to assist with implementing a number of reforms to the national training system. Specific details of these reforms are to be agreed in the associated Tasmanian Implementation Plan in the coming months.

Further information can be found on the Department of Education, Employment and Workplace Relations website at [www.deewr.gov.au](http://www.deewr.gov.au).

### *National Disability Insurance Scheme*

The Australian Government released the Productivity Commission's final report into Disability Care and Support in August 2011, recommending, among other initiatives, the establishment of a National Disability Insurance Scheme. The Council of Australian Governments has since agreed that there is a need for fundamental reform of disability services and support in Australia.

To this end a COAG Select Council of Disability Ministers and Treasurers has been established to consider the recommendations of the Productivity Commission's report and to progress the development of a NDIS.

As currently proposed the NDIS is estimated to cost an additional \$8 billion per annum nationally, and will have wide ranging implications for the State, including potentially from a funding perspective. The Australian Government and the States are in the early stages of negotiations to agree the model, governance structure and funding arrangements of the NDIS.

Further information can be found on the NDIS website at [www.ndis.gov.au](http://www.ndis.gov.au).

### *Review of School Funding*

The Australian Government released the final Review of Funding for Schooling Report in February 2012, and has committed to developing the recommendations put forward by the Review Panel.

The Review Panel's recommendations are estimated to cost an additional \$5 billion per annum nationally, and will have wide ranging implications for the State, including potentially from a funding perspective. The Australian Government and the States are in the early stages of negotiations to agree a way forward to further consider and develop these recommendations.

The Review of Funding for Schooling Final Report and the Australian Government's preliminary response to the report can be found on the Your School, Our Future website at [www.schoolfunding.gov.au](http://www.schoolfunding.gov.au).

## Commonwealth Grants Commission 2012 Update Report

The CGC's *Report on GST Revenue Sharing Relativities – 2012 Update* (2012 Report) provides state relativities used in determining the distribution of GST revenue amongst the states for 2012-13. The Report shows that Tasmania's assessed per capita GST relativity has decreased slightly since the 2011 Update Report. This means that Tasmania will receive less GST revenue for 2012-13 than it would have done if the 2012-13 GST pool was distributed to the states according to the 2011-12 relativity.

The 2012-13 relativity is based on data from 2008-09 to 2010-11. The major reason why Tasmania's relativity has decreased is due to the CGC assessment that, compared to the average of other states, Tasmania's share of payments from the Australian Government has increased, particularly due to payments for the Royal Hobart Hospital Redevelopment and the New Women's and Children's Hospital.

Tasmania has the second lowest assessed fiscal capacity. Western Australia has the strongest assessed fiscal capacity. Tasmania has a higher per capita GST need than most other states and is a major beneficiary of the equalisation process. Tasmania will receive more than one and a half times its population share in GST revenue in 2012-13 because of the equalisation process. However, Tasmania's share of the GST Pool is estimated to fall from 3.6 per cent in 2011-12 to 3.5 per cent in 2012-13. This decline is due to decreases in both the 2012-13 relativity and Tasmania's share of the total population.

Further information on the 2012 Report can be found on the CGC website at [www.cgc.gov.au](http://www.cgc.gov.au).

# APPENDIX 4.2 STATE TAXATION

## Taxation Reform

### *State Tax Review*

On 22 November 2011, the State Tax Review Panel announced its decision not to continue the State Tax Review, due to the limited ability to reform State taxation in the current economic environment.

While the Review has not resulted in the release of a final report, the publication of the State Tax Review Discussion Paper, and the hosting of public forums and roundtable discussions with industry and community groups, has generated valuable debate and will help to inform an ongoing future tax dialogue. The consultation process also gave members of the community the opportunity to speak directly to their elected representatives and policy makers about taxation matters.

During the course of the Review, the Tax Review Panel recognised that the opportunity for meaningful tax reform is currently limited due to a number of factors including, budgetary pressures faced by both State governments and the Commonwealth, the challenging economic conditions confronting businesses and individuals, and the related cost of living pressures.

Following a National Tax Forum, held in October 2011, consensus was reached amongst the states and territories that tax reform would be most effective if it was pursued in co-operation with the Australian Government. The Tasmanian Government is working with other states and territories to progress co-ordinated state tax reform under a national reform agenda.

### *Taxation Concessions and Rebates Act 2011*

The *Taxation Concessions and Rebates Act 2011* implemented the Government's 2011-12 State Budget initiatives by amending the *Duties Act 2001*, the *Employment Incentive Scheme (Payroll Tax Rebate) Act 2009*, the *Land Tax Act 2000* and the *Land Tax Rating Act 2000*.

### *Taxation and Related Legislation (Miscellaneous Amendments) Act (No.2) 2011*

A number of minor legislative amendments were made in 2011-12 to maintain the operational integrity of various taxation Acts, clarify existing provisions, improve equity of application, ensure the maintenance of inter-jurisdictional consistency and provide certainty for taxpayers and grant applicants. Changes were made to the *Duties Act 2001*, the *Land Tax Act 2000*, the *Payroll Tax Act 2008*, the *Taxation Administration Act 1997* and the *First Home Owner Grant Act 2000*.

## Taxation Competitiveness

State taxation revenue is an essential source of funds to support the provision of services to Tasmanians. However, the capacity of Tasmania and the other states and territories to raise taxation revenues is constrained by the Constitution and by Australia's Commonwealth-State financial arrangements. As a result, the states are restricted in the range of taxes available to them, compared to the Australian Government. An effective state taxation regime must balance the need to raise revenue with the need to foster a sound and expanding business environment. This should be achieved while maintaining the lowest reasonable burden

of taxation on the community. Taxation competitiveness plays a key role in encouraging growth in the business environment.

An independent measure of taxation competitiveness across jurisdictions, the taxation severity ratio, is provided by the Commonwealth Grants Commission (CGC) in its annual reports and updates on state relativities.

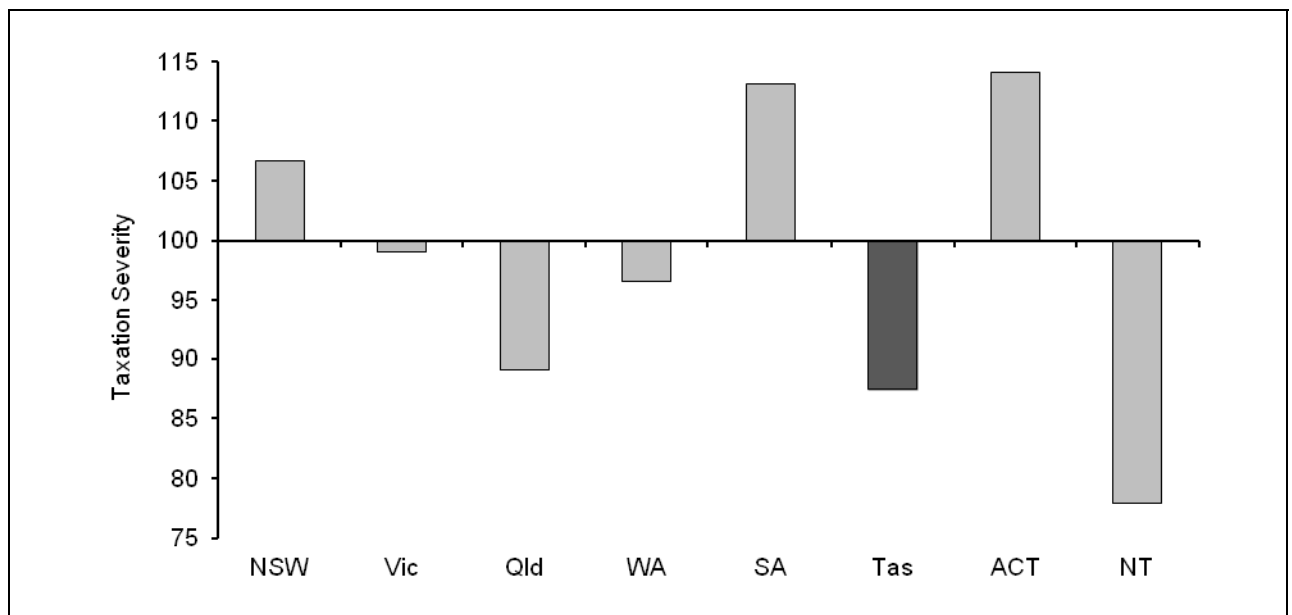
The taxation severity ratio is not a straightforward comparison of tax rates or the amount of tax collected in different states. Rather, it is an assessment by the CGC of the 'effort' made by each state to raise taxation as a ratio of its 'capacity' to raise taxes. A ratio greater than 100 indicates that the state or territory raised more revenue than average relative to the underlying capacity of its tax base to yield revenue. A ratio less than 100 indicates below average effort.

In its most recent publication, the *Report on GST Revenue Sharing Relativities – 2012 Update*, the CGC has published total taxation severity ratios, allowing a direct comparison of tax severity to be made between states and territories.

Tasmania has been assessed as having the second lowest taxation severity of all states, and territories, based on the taxation arrangements in place in each jurisdiction in 2010-11 (see Chart 4.4). This is a significant turnaround from the mid-1990s, when Tasmania was the second least competitive state in terms of its overall tax regime.

Since 2000-01, Tasmania's taxation severity has been assessed as being amongst the lowest three jurisdictions, and the State is one of only two jurisdictions that have been assessed as having taxation severity below the national average in every year from 2000-01.

**Chart 4.4: Taxation Severity, 2010-11**



Source: Commonwealth Grants Commission - *Report on GST Revenue Sharing Relativities - 2012 Update*.

A sustained program of tax relief and tax abolition is the principal driver of Tasmania retaining its relatively low taxation severity. In 1999-00, the year before the GST was introduced, Tasmania collected over 25 taxes. In 2012-13, the State will collect only 14 taxes.

In relation to nationally agreed tax reform, from 1 July 2005, Tasmania had fully met its obligations under the *Intergovernmental Agreement on the Reform of Commonwealth - State Financial Relations* (IGA), having abolished financial institutions duty, duties on quoted marketable securities and debits duty.

Tasmania, along with the other states and territories, also committed to abolish a range of taxes that were originally listed in the IGA for review.

With the abolition of duty on non-real property (business) conveyances from 1 July 2008, Tasmania abolished its final 'review' tax ahead of all other jurisdictions except Victoria. Three jurisdictions are not scheduled to abolish their final 'review' taxes until 2012-13. Therefore, the Tasmanian business sector has received accelerated benefits from this national tax reform in comparison to most other jurisdictions.

# 5 GENERAL GOVERNMENT EXPENSES

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## *Features*

- Total Expenses are anticipated to be \$4 914.5 million in 2012-13, an increase of \$182.9 million or 3.9 per cent above the 2011-12 budgeted expenses of \$4 731.6 million.
- Over the Forward Estimates period, the Government's Budget Savings Strategies and the Additional Agency Savings Targets included in the 2012-13 Budget will reduce expenditure to an average annual growth rate of 0.7 per cent and return the Budget to a sustainable position.
- The 2012-13 Budget continues to provide significant levels of funding for the ongoing implementation of key Government services and initiatives, including:
  - the provision of \$791.5 million for the delivery of pre-compulsory and compulsory education in Tasmanian government and non-government schools;
  - the provision of over \$1.0 billion for health services provided by Tasmania's major public hospitals;
  - the provision of \$63.2 million for corrective services, including \$55.6 million for Tasmania's prison system; and
  - the provision of \$203.8 million for police and emergency management to provide support to the community, investigate crime, and for traffic law enforcement and road safety.

# OVERVIEW

In 2012-13, General Government expenses are anticipated to be \$4 914.5 million, an increase of \$182.9 million or 3.9 per cent above the 2011-12 budgeted expenses of \$4 731.6 million.

Over the Forward Estimates period, expenditure is budgeted to grow modestly at an average annual rate of 0.7 per cent. This low level of growth reflects the continued implementation of the Government's Budget Savings Strategies and the Additional Agency Budget Savings Targets included in the 2012-13 Budget. These savings measures will assist in returning the State's Budget to a long-term sustainable position.

Table 5.1 provides a summary of the movement in General Government expenditure since the 2011-12 Budget.

**Table 5.1: General Government Expenses – Summary**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Forward Estimate (Expenses) as per the 2011-12</b>					
<b>Budget</b>	<b>4 731.6</b>	<b>4 719.3</b>	<b>4 763.0</b>	<b>4 781.1</b>	<b>....</b>
<b>Policy Decisions</b>					
Additional Agency Budget Savings Targets	....	(8.4)	(16.3)	(21.6)	(21.9)
Other Policy Decisions	105.8	117.8	86.8	82.4	84.3
<b>Total Policy Decisions</b>	<b>105.8</b>	<b>109.4</b>	<b>70.4</b>	<b>60.7</b>	<b>62.3</b>
<b>Parameter Movements</b>					
Aurora Pensioner Concession on					
Electricity	7.0	11.7	11.1	11.5	....
Superannuation <sup>2</sup>	36.1	35.6	45.9	51.0	....
Other Parameter Movements <sup>3</sup>	3.6	38.5	(18.4)	47.2	....
<b>Total Parameter Movements</b>	<b>46.7</b>	<b>85.8</b>	<b>38.6</b>	<b>109.7</b>	<b>....</b>
<b>Total Expense Variations</b>	<b>152.5</b>	<b>195.2</b>	<b>109.1</b>	<b>170.6</b>	<b>....</b>
<b>Forward Estimate (Expenses) as per the 2012-13</b>					
<b>Budget</b>	<b>4 884.1</b>	<b>4 914.5</b>	<b>4 872.1</b>	<b>4 951.7</b>	<b>5 012.8</b>

**Notes:**

1. Parameter adjustments for 2015-16 are not reflected in the table as the 2015-16 Forward Estimate was not published in the 2011-12 Budget. However, the full impact of policy adjustments on the Budget and Forward Estimates is shown.
2. The Superannuation parameter movement reflects the whole-of-government superannuation expense as reflected in Finance-General. Individual agency superannuation expense movements are included in 'Other Parameter Movements' and discussed in the relevant chapters of Budget Paper No 2 *Government Services*.
3. Further detail of Other Parameter Movements is provided in Appendix 2 Policy and Parameter Statement of this Budget Paper.



# MAJOR POLICY DECISIONS

## Additional Agency Budget Savings Targets

To assist in moving the Budget to a sustainable basis, additional agency Budget savings targets have been identified, providing \$68.2 million of expense savings over the Budget and Forward Estimates period.

Table 5.2 lists the additional agency 2012-13 Budget savings targets.

**Table 5.2: Additional Agency Budget Savings Targets<sup>1,2</sup>**

	2012-13	2013-14	2014-15	2015-16
	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m
<b>Additional Agency Budget Savings Targets<sup>3</sup></b>	<b>2%</b>	<b>2%</b>	<b>1%</b>	<b>....</b>
Economic Development, Tourism and the Arts	(1.9)	(3.4)	(4.4)	(4.4)
Infrastructure, Energy and Resources	(1.0)	(1.7)	(1.9)	(2.0)
Premier and Cabinet	(0.6)	(1.3)	(1.7)	(1.8)
Primary Industries, Parks, Water and Environment	(2.7)	(5.4)	(6.9)	(6.9)
Treasury and Finance	(0.6)	(1.2)	(1.6)	(1.6)
<b>Additional Agency Budget Savings Targets<sup>3</sup></b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>....</b>
House of Assembly	....	(0.1)	(0.1)	(0.1)
Integrity Commission	....	(0.1)	(0.1)	(0.1)
Justice	(1.2)	(2.4)	(3.6)	(3.7)
Legislative Council	....	(0.1)	(0.1)	(0.1)
Legislature-General	(0.1)	(0.1)	(0.2)	(0.2)
Ministerial and Parliamentary Support	(0.2)	(0.4)	(0.6)	(0.6)
Office of the Director of Public Prosecutions	(0.1)	(0.1)	(0.2)	(0.2)
Office of the Governor	....	(0.1)	(0.1)	(0.1)
Office of the Ombudsman	....	....	(0.1)	(0.1)
Tasmanian Audit Office	....	....	(0.1)	(0.1)
<b>Total Additional Agency Budget Savings Targets</b>	<b>(8.4)</b>	<b>(16.3)</b>	<b>(21.6)</b>	<b>(21.9)</b>

**Notes:**

1. Additional Budget savings are not required from the Department of Health and Human Services, the Department of Education or the Department of Police and Emergency Management.
2. All agencies shown in this table are required to make savings every year. However, savings below \$50 000 are rounded to zero for presentation in this table.
3. The Additional Agency Budget Savings Targets percentage shows the Savings Target as a percentage of the Agency's annual Consolidated Fund allocation.

## Other Policy Decisions

Table 5.3 provides details of the expense policy decisions by agencies since the 2011-12 Budget. A description of the major policy movements follows the table.

**Table 5.3: Other Policy Decisions**

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Economic Development, Tourism and the Arts</b>					
Grant to University of Tasmania for Domain House	3.5	....	....	....	....
Hospitality Industry Training and Development	....	0.1	0.1	....	....
Major Events Funding	....	0.3	0.8	2.0	2.0
Sirolli Enterprises Facilitation	....	0.5	0.5	....	....
Small Business On-Line Retail Innovation	....	0.1	0.1	0.1	....
Tasmanian Forests Intergovernmental Agreement	16.0	....	....	....	....
Tasmanian Government Innovation and Investment Fund	....	5.0	....	....	....
	<b>19.5</b>	<b>6.0</b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>
<b>Finance-General</b>					
Electricity Supply Industry and Forestry Tasmania Reform	....	1.5	1.5	1.5	....
Forestry Tasmania	....	35.0	25.0	25.0	25.0
Tasmanian Forests Intergovernmental Agreement	49.5	7.2	7.4	7.6	7.8
	<b>49.5</b>	<b>43.7</b>	<b>33.9</b>	<b>34.1</b>	<b>32.8</b>
<b>Health and Human Services</b>					
Additional Funding for Health	25.0	....	....	....	....
Budget Savings Relief	....	27.3	33.1	30.0	30.0
Endoscopies and Elective Procedures	....	4.0	....	....	....
Energy Efficiency for Housing Tasmania Low Income Tenants	....	1.0	....	....	....
Social and Community Service Workers	....	3.0	6.0	9.0	12.0
	<b>25.0</b>	<b>35.3</b>	<b>39.1</b>	<b>39.0</b>	<b>42.0</b>
<b>Infrastructure, Energy and Resources</b>					
North West Cycleways - Feasibility Study	....	0.1	....	....	....
Passenger Transport Innovation Program	....	1.0	....	....	....
Tasmanian Forests Intergovernmental Agreement	0.5	15.0	....	....	....
	<b>0.5</b>	<b>16.1</b>	<b>....</b>	<b>....</b>	<b>....</b>

**Table 5.3: Other Policy Decisions (continued)**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Justice</b>					
Asbestos Compensation Fund	9.0	6.6	6.8	7.0	7.3
Prison Services - Cost Pressures	2.0	2.0	2.0	....	....
	<b>11.0</b>	<b>8.6</b>	<b>8.8</b>	<b>7.0</b>	<b>7.3</b>
<b>Premier and Cabinet</b>					
Aboriginal Land Council of Tasmania	....	0.1	0.1	0.1	0.1
Cost of Living	....	3.0	2.0	....	....
Support for Council On The Ageing	....	0.1	0.1	0.1	0.1
Trade Opportunities - Asia	....	0.1	....	....	....
	<b>....</b>	<b>3.3</b>	<b>2.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Primary Industries, Parks, Water and Environment</b>					
Coastal Protection Framework	....	0.2	....	....	....
Intensive Animal Farming Industry Development	....	1.5	1.0	....	....
Plastic Bag Ban - Implementation	....	0.7	....	....	....
Spatial Information Foundations project	0.3	2.4	0.3	....	....
	<b>0.3</b>	<b>4.8</b>	<b>1.3</b>	<b>....</b>	<b>....</b>
<b>Total Other Policy Decisions</b>	<b>105.8</b>	<b>117.8</b>	<b>86.8</b>	<b>82.4</b>	<b>84.3</b>

## *Economic Development, Tourism and the Arts*

### *Grant to University of Tasmania for Domain House*

During 2011, the Government sold Domain House to the University of Tasmania for \$4.5 million. As part of the sale agreement, the Government returned \$3.5 million of the sales proceeds to the University as a grant for the maintenance of Domain House.

### *Hospitality Industry Training and Development*

Funding of \$100 000 per annum is provided in 2012-13 and 2013-14 for a range of initiatives that will focus on workforce development and capacity building in the hospitality industry. Initiatives will seek to encourage a greater recognition of the hospitality industry as a career choice, improve the skills and capabilities of the hospitality industry workforce and assist the industry in preparing to meet the needs of emerging markets.

### *Major Events Funding*

Additional funding of \$325 000 in 2011-12, increasing to \$2.0 million in 2014-15, is provided for Major Events. The additional funding will be used to secure and grow existing events in Tasmania and will allow

Events Tasmania to support a diverse range of events and activities that deliver a range of social, cultural, economic and environmental benefits to the Tasmanian community.

### *Sirolli Enterprises Facilitation*

Funding of \$475 000 per annum in 2012-13 and 2013-14 is provided to implement the Sirolli Enterprise Facilitation model in forest industry change affected communities including Smithton, George Town and Scottsdale. The focus of the Sirolli Enterprise Facilitation model is on fostering entrepreneurship through delivering advice and facilitating business opportunities. Funding will be used to employ locally-based facilitators in each region to support enterprise and community development. Support will also include training and advice for the facilitators and voluntary management groups.

### *Small Business On-Line Retail Innovation*

Funding of \$125 000 per annum in 2012-13 and 2013-14, and \$130 000 in 2014-15, is provided for the Small Business On-Line Retail Innovation Program. The program will offer Tasmanian small businesses and retail operators free one-on-one coaching by specialists in the digital and e-commerce fields, to assist in boosting their online presence and on-line retail sale capacity.

This program is similar to the successful Tourism Tasmania's Digital Coach program, and aims to secure and grow Tasmanian and interstate customer bases. The program will assist Tasmanian retail internet sales to be competitive within the internet sales market.

### *Tasmanian Forests Intergovernmental Agreement*

Funding of \$16.0 million was provided in 2011-12 for regional economic diversification grants, as part of the Tasmanian Forests Intergovernmental Agreement. This funding will contribute towards a range of projects, including:

- the establishment of the Circular Head Agritas Trade College (\$4.3 million);
- the development of a freshwater dam to boost aquaculture production in the D'Entrecasteaux channel (\$3.9 million); and
- the Sensing Tasmania (SenseT) Program (\$3.6 million).

### *Tasmanian Government Innovation and Investment Fund*

Funding of \$5.0 million in 2012-13 is provided for the Tasmanian Government Innovation and Investment Fund. The Fund will provide grant funds to support investments and new activities that will broaden Tasmania's economy and deliver sustainable job creation, consistent with the Economic Development Plan, particularly in regional Tasmania.

The program will be divided into two components, one focused on encouraging investment and innovation by Tasmanian businesses, the second to leverage private sector investment in major projects.

The program will require recipients to at least match the total amount of grant funding provided.

## *Finance-General*

### *Electricity Supply Industry and Forestry Tasmania Reform*

Funding of \$1.5 million per annum is provided over three years to progress reform of Tasmania's Electricity Supply Industry and to implement the Government's decisions relating to the options and recommendations of the independent strategic review of Forestry Tasmania.

### *Forestry Tasmania*

Funding of \$35.0 million in 2012-13 and \$25.0 million per annum from 2013-14 is provided to ensure the Forestry Tasmania can continue to operate, meet its contractual obligations and perform its non-commercial functions in the event that market conditions do not improve.

The independent strategic review of Forestry Tasmania will provide recommendations to the Government in relation to the options for structures, governance and business models under which Forestry Tasmania may operate in the future. The funding provided in the Budget and Forward Estimates may be reduced following the Government's decisions on the recommendation of the independent strategic review of Forestry Tasmania.

### *Tasmanian Forests Intergovernmental Agreement*

Funding totalling \$79.5 million is provided in 2011-12 and over the 2012-13 Budget and Forward Estimates period for the Tasmanian Forests Intergovernmental Agreement. In 2011-12, funding of \$49.5 million has been used to:

- reach commercial settlement to extinguish native forest logging rights (\$34.5 million); and
- provide transition support payments to forest workers (\$15.0 million).

Additional funding is provided from 2012-13 for reserve management, with an initial allocation of \$7.2 million in 2012-13 and annual allocations indexed by the CPI thereafter.

## *Health and Human Services*

### *Additional Funding for Health*

Funding of \$25.0 million was allocated to the Department of Health and Human Services in 2011-12 due to delays in the implementation of the Department's Budget savings strategies and cost and demand pressures in the delivery of Acute Health Services.

### *Budget Savings Relief*

In the 2012-13 Budget, the Department of Health and Human Services ongoing Budget savings target has been reduced by approximately \$30 million per annum. The reduction in the target reflects a revised assessment that the impact of achieving a higher level of savings would be too great on critical health services.

Further information on the Department of Health and Human Services is provided in Chapter 5 of Budget Paper No 2 *Government Services*.

### *Endoscopies and Elective Procedures*

An additional \$4.0 million is provided in 2012-13 to relieve pressure on elective procedures and to increase the number of endoscopy procedures being performed. This funding will be utilised in accordance with clinical decisions to ensure that those patients who have waited the longest for elective surgery receive appropriate treatment. Waiting times for endoscopy will be reduced amongst both those patients who have waited longest and those whose clinical need has been identified as the most urgent.

### *Energy Efficiency for Housing Tasmania Low Income Tenants*

Additional funding of \$1.0 million is provided in 2012-13 to support improvements in energy efficiency for Housing Tasmania low income tenants. This initiative will assist low income Tasmanians with cost of living pressures through energy savings, and will complement work currently being undertaken by Housing Tasmania and the Tasmanian Climate Change Office.

This is in addition to the \$2.5 million per annum to be provided in 2012-13 and 2013-14 announced in the 2011-12 Budget to fund energy audits and energy efficiency improvements in public housing.

### *Social and Community Service Workers*

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

This wage increase will impact workers in the disability sector that are primarily employed by non-government organisations (NGOs) that are funded by the Tasmanian Government.

To assist these NGOs to meet this cost increase, the Tasmanian Government will provide an additional \$3.0 million in grant funding in 2012-13, increasing to \$12.0 million in 2015-16. It is anticipated that the Australian Government will provide a similar level of assistance to NGOs.

### *Infrastructure, Energy and Resources*

#### *North West Cycleways - Feasibility Study*

Funding of \$100 000 in 2012-13 is provided to undertake a feasibility study into the establishment of a North West Coast cycleway. The proposal to be studied consists of two stages, Devonport to Wynyard (Stage 1) and Wynyard to Smithton (Stage 2). The cycleway would provide a world class route for residential commuters and local recreational users, as well as present health, educational, and tourism benefits for the region.

#### *Passenger Transport Innovation Program*

An additional \$1.0 million is provided in 2012-13 for the implementation of programs consistent with the directions set under the Tasmanian Urban Passenger Transport Framework. This funding will supplement the Program's pre-existing \$2.1 million funding allocation for 2012-13, which was provided in the 2011-12 Budget.

Work is currently underway in each of the priority areas identified in the Framework, including targeted improvement on urban fringe bus routes, WiFi service trials on inter-regional and urban fringe bus routes and the development of a Greater Launceston Metropolitan Transport Plan.

### *Tasmanian Forests Intergovernmental Agreement*

A total \$15.5 million is provided to implement initiatives under the Tasmanian Forests Intergovernmental Agreement. Funding of \$500 000 was provided in 2011-12 for communications and marketing. In 2012-13, \$15.0 million is provided for a voluntary sawlog contract buyback program, to purchase native forest sawlog contracts from sawmillers who wish to exit the industry.

### *Justice*

#### *Asbestos Compensation Fund*

Funding of \$9.0 million in 2011-12, decreasing to \$7.3 million in 2015-16, is allocated for the establishment and operation of the Asbestos Compensation Fund. The Fund is established for the payment of compensation and certain other expenses related to the contraction of asbestos related diseases by workers who are exposed to asbestos in the course of their employment.

The initial setup costs are met from within existing resources and the ongoing cost of the scheme is funded by a four per cent levy on all workers compensation insurance premiums within Tasmania.

#### *Prison Services - Cost Pressures*

An additional \$2.0 million per annum has been allocated in 2011-12, 2012-13 and 2013-14 to meet cost pressures in Tasmania's Prison System.

The additional funding will relieve cost pressure relief while a number of major reforms, many of which will have a significant lead time, are implemented.

### *Premier and Cabinet*

#### *Aboriginal Land Council of Tasmania*

An additional \$90 000 per annum is provided to the Aboriginal Land Council of Tasmania. In total, the Government will now provided \$314 000 per annum to the Council. This increase will assist with the Council's operating costs and land management activities associated with land returned to the Aboriginal community. The increase will also support the Council's long-term financial sustainability and ensure that the Council is able to meet its community and legislative obligations.

#### *Cost of Living*

Funding of \$3.0 million in 2012-13 and \$2.0 million in 2013-14 is provided to ease the cost of living pressures for Tasmanians. This funding will be used to provide a Food Access and Affordability fund, a House Warming Program and an Emergency Relief Fund.

These initiatives will increase food security for low income Tasmanians, improve energy efficiency in homes and provide financial counselling and assistance for Tasmanians in need.

#### *Support for Council On The Ageing*

Additional funding of \$125 000 per annum is provided to the Council On The Ageing (COTA) Tasmania, to establish a knowledge hub that will help to ensure that the voices of older Tasmanians directly inform policy development, program planning and implementation and service delivery.

### *Trade Opportunities - Asia*

Funding of \$100 000 is provided in 2012-13 for the preparation of a White Paper on Tasmania's Place in the Asian Century. This paper will lay the foundations for Tasmania to navigate its way through the most transformative economic shift of power in generations.

The paper will build on the Economic Development Plan and detail the opportunities in Asia that Tasmanian businesses can exploit. It will also complement the Australian Government's White Paper on Australia and the Asian Century, which is being prepared by Dr Ken Henry AC.

### *Primary Industries, Parks, Water and Environment*

#### *Coastal Protection Framework*

Funding of \$240 000 is provided in 2012-13 to establish a Coastal Protection Framework. The Framework will deliver sustainable conservation and planning outcomes for Tasmania's coastal areas.

#### *Intensive Animal Farming Industry Development*

Funding of \$1.5 million in 2012-13 and \$1.0 million in 2013-14 is provided for Intensive Animal Farming Industry Development. This new initiative aims to increase the ability of Tasmanian producers engaged in intensive animal farming to respond to market trends that indicate consumers are increasingly sensitive to animal welfare.

New industry development strategies will be formulated and implemented to support industry sustainability, expansion and employment growth. The strategies will better enable producers to respond to trends in consumer preferences, and leverage marketing opportunities from investments in animal welfare, consistent with Tasmanian Brand values.

#### *Plastic Bag Ban - Implementation*

Additional funding of \$700 000 in 2012-13, and \$40 000 per annum in 2013-14 and 2014-15 is provided to implement the tripartite agreement to ban the use of non-biodegradable plastic shopping bags. This funding will provide staff resourcing to oversee the ban's implementation, as well as education and information materials for the general public, retail traders, local government and other stakeholders.

#### *Spatial Information Foundations Project*

Funding totalling \$3.0 million is provided to develop a contemporary, web-based platform for the distribution of spatial information across Government and the private sector, and facilitate the improved use of spatial information to support Government strategic planning and to deliver more cost effective and targeted delivery of key services.

This project will build on and enhance the core infrastructure of the LIST (Land Information System Tasmania) which has been widely used since it was developed in the 1990s.



# MAJOR PARAMETER MOVEMENTS

Since the release of the 2011-12 Budget, a number of parameter movements have impacted on the Budget and Forward Estimates. Major parameter movements are detailed in Table 5.1 and a description is provided below.

## *Aurora Pensioner Concession on Electricity*

Since the release of the 2011-12 Budget, expected expenditure on the Aurora Pensioner Concession on Electricity has increased by \$7.0 million to \$31.9 million in 2011-12. The cost of the concession is expected to continue to increase over the 2012-13 Budget and Forward Estimates period. Accordingly, additional funding of approximately \$11.7 million is provided in 2012-13 to meet the expected increase in the concession. The cost of the concession in 2015-16 is estimated to be \$39.6 million.

The increase in the level of concession payments in 2011-12 reflects the impact of the Tasmanian Economic Regulator's electricity price determination. The 2012-13 Budget and Forward Estimates include an allowance for price changes over the period.

## *Superannuation*

Since the release of the 2011-12 Budget, the whole-of-government superannuation expense has increased by \$36.1 million to \$379.6 million in 2011-12. The superannuation expense is expected to continue to increase over the 2012-13 Budget and Forward Estimate period to \$390.4 million in 2015-16.

The increase over the 2012-13 Budget and Forward Estimates period reflects actuarial projections of movements in the State's superannuation liability.

Further information on superannuation is provided in Chapter 6 Assets and Liabilities of this Budget Paper.



# 6 ASSETS AND LIABILITIES

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## *Features*

- Net Worth is estimated to be \$13 129.6 million as at 30 June 2013, a decrease of \$625.4 million or 4.5 per cent below the 2011-12 Budget estimate of \$13 755.0 million. Net Worth is estimated to increase over the Forward Estimates period to \$14 546.8 million by 30 June 2016.
- Net Financial Worth is estimated to be \$1 899.5 million as at 30 June 2013, an increase of \$341.7 million or 21.9 per cent above the 2011-12 Budget estimate of \$1 557.8 million. Net Financial Worth is anticipated to increase to \$2 297.4 million by 30 June 2016.
- Net Financial Liabilities are estimated to be \$4 638.4 million as at 30 June 2013, a decrease of \$156.3 million or 3.3 per cent below the 2011-12 Budget estimate of \$4 794.7 million. Net Financial Liabilities are estimated to decrease to \$4 504.5 million by 30 June 2016.
- Net Debt is estimated to be \$134.2 million as at 30 June 2013, an increase of \$187.2 million above the 2011-12 Budget estimate of \$53.0 million negative Net Debt. Net Debt is estimated to decrease to negative Net Debt of \$576.5 million by 30 June 2016.

# BALANCE SHEET

The Balance Sheet presented in this chapter provides a financial snap-shot of assets and liabilities taken at the end of the financial year and reports key indicators. By providing information on the nature of assets and liabilities held by the Government, this statement gives an indication of the State's financial strength.

The key measures presented in the Balance Sheet are Net Worth, Net Financial Worth, Net Financial Liabilities and Net Debt.

Table 6.1 details the estimated General Government Sector Balance Sheet as at 30 June from 2012 to 2016.

Table 6.1: General Government Balance Sheet as at 30 June

	2012	2013	2014	2015	2016
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	259.1	914.9	774.0	777.7	779.6
Investments	63.0	59.1	54.2	49.3	44.7
Equity Investment in PNFC and PFC Sectors	6 352.5	6 537.9	6 688.1	6 722.7	6 801.9
Other Equity Investments	4.3	8.0	14.0	17.0	20.0
Receivables	187.8	193.1	192.9	192.9	192.9
Other Financial Assets	1 010.7	1 159.0	1 118.8	1 072.0	1 060.7
	<b>7 877.4</b>	<b>8 872.0</b>	<b>8 841.9</b>	<b>8 831.7</b>	<b>8 899.8</b>
<b>Non-Financial Assets</b>					
Land and Buildings	6 040.0	6 355.4	6 544.2	6 710.8	6 905.9
Infrastructure	5 263.4	4 096.3	4 266.3	4 414.5	4 596.5
Plant and Equipment	217.8	210.5	190.7	171.5	153.9
Heritage and Cultural Assets	575.2	464.7	476.6	488.6	500.7
Investment Property	13.8	13.9	14.2	14.5	14.8
Intangibles	29.1	29.5	24.1	21.0	17.9
Assets Held for Sale	20.0	23.5	23.3	22.3	21.3
Other Non-Financial Assets	37.8	36.2	37.0	37.8	38.5
	<b>12 197.2</b>	<b>11 230.0</b>	<b>11 576.4</b>	<b>11 881.0</b>	<b>12 249.4</b>
<b>Total Assets</b>	<b>20 074.6</b>	<b>20 102.1</b>	<b>20 418.4</b>	<b>20 712.7</b>	<b>21 149.2</b>
<b>Liabilities</b>					
Borrowings	269.1	1 108.2	872.7	520.4	247.8
Superannuation	5 175.7	4 977.2	5 144.9	5 300.3	5 433.6
Employee Entitlements	523.3	520.4	532.8	545.9	523.7
Payables	94.7	47.5	48.3	48.3	48.3
Other Liabilities	256.8	319.2	329.0	338.8	349.0
<b>Total Liabilities</b>	<b>6 319.5</b>	<b>6 972.5</b>	<b>6 927.6</b>	<b>6 753.7</b>	<b>6 602.4</b>
<b>NET ASSETS</b>	<b>13 755.0</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>

Table 6.1: General Government Balance Sheet as at 30 June  
(continued)

	2012	2013	2014	2015	2016
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated Funds	8 135.3	8 929.8	9 037.4	9 244.6	9 567.1
Asset Revaluation Reserve	5 007.9	4 199.8	4 453.3	4 714.4	4 979.7
Other Equity	611.8	....	....	....	....
<b>Total Equity</b>	<b>13 755.0</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>
<b>NET WORTH<sup>1</sup></b>	<b>13 755.0</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>1 557.8</b>	<b>1 899.5</b>	<b>1 914.3</b>	<b>2 078.0</b>	<b>2 297.4</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>4 794.7</b>	<b>4 638.4</b>	<b>4 773.8</b>	<b>4 644.7</b>	<b>4 504.5</b>
<b>NET DEBT<sup>4</sup></b>	<b>(53.0)</b>	<b>134.2</b>	<b>44.5</b>	<b>(306.6)</b>	<b>(576.5)</b>

Notes:

1. Net Worth represents total assets (both financial and non-financial) less total liabilities.
2. Net Financial Worth represents financial assets less total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in PNFC and PFC Sectors.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

# ASSETS

Total assets are estimated to be \$20 102.1 million as at 30 June 2013, an increase of \$27.5 million above the 2011-12 Budget estimate of \$20 074.6 million.

## Cash and Deposits

Cash and Deposits is estimated to be \$914.9 million as at 30 June 2013, an increase of \$655.8 million or 253.1 per cent above the 2011-12 Budget estimate of \$259.1 million. The increase primarily reflects overnight end of year borrowings of \$861.6 million, undertaken to gross up the Government's cash holdings to the estimated balance of accounts in the Special Deposits and Trust Fund. The end of year borrowing transaction will be undertaken from 2012-13 to enhance the transparency of the Government's cash position. Further information on end of year borrowings is provided in the Borrowings section of this chapter.

Excluding the estimated temporary overnight end of year cash holdings described above, the underlying decrease in Cash from \$259.1 million to \$53.3 million reflects a number of other factors including:

- the forecast fall in GST receipts;
- the forecast fall in State Taxation revenue;
- expenditure of funds on the redevelopment of the Royal Hobart Hospital; and
- a more accurate estimate of Cash and Deposits, after taking into account 2011 actual balances that were not known at the time of preparing the 2011-12 Budget.

## Investments

Investments is estimated to be \$59.1 million as at 30 June 2013, a decrease of \$3.9 million or 6.2 per cent below the 2011-12 Budget estimate of \$63.0 million.

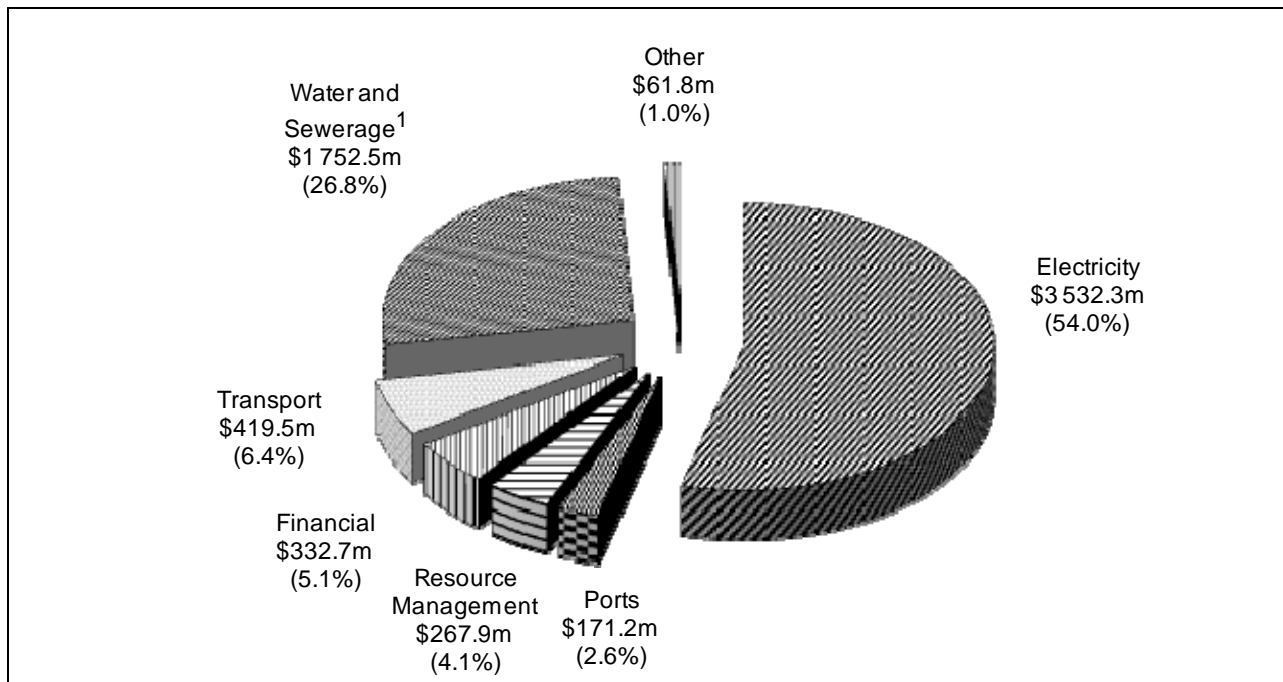
## Equity Investment in PNFC and PFC Sectors

This item consists of the Government's investment in the net assets of the Public Non-Financial Corporations (PNFC) and Public Financial Corporations (PFC) sectors.

Equity Investments is estimated to be \$6 537.9 million as at 30 June 2013, an increase of \$185.4 million, or 2.9 per cent above the 2011-12 Budget estimate of \$6 352.5 million.

Chart 6.1 illustrates the components of the Government's Equity Investment holdings.

Chart 6.1: Equity Investments in PNFC and PFC Sectors as at 30 June 2013



Note:

1. The net assets of the local government owned Water and Sewerage Corporations are included in the Government's equity investments as a result of the Australian Bureau of Statistics' decision to include these corporations as part of the PNFC Sector.

## Other Equity Investments

This item consists of other equity investments in private sector businesses. Other Equity Investments is estimated to be \$8.0 million as at 30 June 2013, an increase of \$3.7 million, or 86.0 per cent above the 2011-12 Budget estimate of \$4.3 million. The increase in 2013 and through the Forward Estimates period primarily reflects the investment in properties under the HomeShare initiative by the Department of Health and Human Services.

## Receivables

Receivables is estimated to be \$193.1 million as at 30 June 2013, an increase of \$5.3 million or 2.8 per cent above the 2011-12 Budget estimate of \$187.8 million. Receivables are expected to be stable over the Forward Estimates period. The increase in Receivables in 2013 primarily reflects a more accurate estimate based on actual 2011 balances.



## Other Financial Assets

Other Financial Assets include Income Tax Equivalents Receivable, Prepayments, Accrued Revenue, GST Receivable and Other Financial Assets. Table 6.2 provides a summary of Other Financial Assets.

**Table 6.2: Other Financial Assets as at 30 June**

	2012	2013	2014	2015	2016
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Income Tax Equivalents Receivable	965.8	1 119.3	1 078.4	1 030.7	1 018.5
Prepayments	14.0	17.1	17.4	17.7	17.9
Accrued Revenue	12.3	10.0	10.3	11.0	11.6
GST Receivable	17.1	11.4	11.4	11.4	11.5
Other Financial Assets	1.5	1.2	1.2	1.2	1.2
	<b>1 010.7</b>	<b>1 159.0</b>	<b>1 118.8</b>	<b>1 072.0</b>	<b>1 060.7</b>

### *Income Tax Equivalents Receivable*

Income Tax Equivalents Receivable is an asset held by the General Government Sector that mirrors the Income Tax Liabilities held by Government Business Enterprises and State-owned Companies within the PNFC and PFC sectors. The receivable reflects timing differences in the payment of income tax equivalents in accordance with Australian Accounting Standards.

## Non-Financial Assets

Non-Financial Assets are estimated to be \$11 230.0 million as at 30 June 2013, a decrease of \$967.2 million or 7.9 per cent below the 2011-12 Budget estimate of \$12 197.2 million.

Non-Financial Assets include the value of Crown Land and other land holdings, including national parks and conservation areas, schools, hospitals and other buildings held by the Government for the provision of goods and services. Non-Financial Assets also includes Intangibles, Assets Held for Sale and Other Non-Financial Assets.

Information regarding infrastructure investment is provided in Chapter 7 Infrastructure Investment of this Budget Paper.

### *Land and Buildings*

Land and Buildings is estimated to be \$6 355.4 million as at 30 June 2013, an increase of \$315.4 million or 5.2 per cent above the 2011-12 Budget estimate of \$6 040.0 million.

The increase in Land and Buildings is primarily due to:

- investment in Buildings by the Department of Health and Human Services and the Department of Education; and

- opening balance adjustments by the Department of Health and Human Services and the Department of Education.

### *Infrastructure*

Infrastructure is estimated to be \$4 096.3 million as at 30 June 2013, a decrease of \$1 167.1 million or 22.2 per cent below the 2011-12 Budget estimate of \$5 263.4 million.

The decrease in Infrastructure is primarily due to opening balance adjustments following revaluations, including a changed methodology for the valuation of land under roads and the calculation of depreciation on State sealed roads by the Department of Infrastructure, Energy and Resources.

### *Plant and Equipment*

Plant and Equipment is estimated to be \$210.5 million as at 30 June 2013, a decrease of \$7.3 million or 3.4 per cent below the 2011-12 Budget estimate of \$217.8 million.

### *Heritage and Cultural Assets*

Heritage and Cultural Assets are estimated to be \$464.7 million as at 30 June 2013, a decrease of \$110.5 million or 19.2 per cent below the 2011-12 Budget estimate of \$575.2 million.

The decrease in Heritage and Cultural Assets is primarily due to opening balance adjustments following revaluations of Heritage and Cultural Assets in 2010-11.

### *Investment Property*

Investment Property is estimated to be \$13.9 million as at 30 June 2013, an increase of \$100 000 or 0.1 per cent above the 2011-12 Budget estimate of \$13.8 million.

### *Intangibles*

Intangibles is estimated to be \$29.5 million as at 30 June 2013, an increase of \$400 000 or 1.4 per cent above the 2011-12 Budget estimate of \$29.1 million.

### *Assets Held for Sale*

Assets Held for Sale is estimated to be \$23.5 million as at 30 June 2013, an increase of \$3.5 million or 17.5 per cent above the 2011-12 Budget estimate of \$20.0 million.

### *Other Non-Financial Assets*

Other Non-Financial Assets includes Inventories and Other Non-Financial Assets. Other Non-Financial Assets is estimated to be \$36.2 million as at 30 June 2013, a decrease of \$1.6 million or 4.2 per cent below the 2011-12 Budget estimate of \$37.8 million.

# LIABILITIES

Total Liabilities is estimated to be \$6 972.5 million as at 30 June 2013, an increase of \$653.0 million or 10.3 per cent above the 2011-12 Budget estimate of \$6 319.5 million.

## Borrowings

Borrowings is estimated to be \$1 108.2 million as at 30 June 2013, \$839.1 million or 311.8 per cent higher than the 2011-12 Budget estimate of \$269.1 million. The increase in Borrowings in 2012-13 primarily reflects end of year borrowings of \$861.6 million to be undertaken on 30 June 2013 to gross up the Government's cash holdings to equate to the estimated balance of accounts in the Special Deposits and Trust Fund.

An end of year borrowing transaction was undertaken annually prior to 2002-03 and has been reintroduced from 2012-13 to enhance the transparency of the Government's cash position. The end of year borrowing is essentially a paper transaction as the same amount will be borrowed and invested overnight on 30 June with the Tasmanian Public Finance Corporation, grossing up the amount of cash held and borrowings. The end of year borrowing has no impact on the Government's Net Debt, the accepted measure of State indebtedness, as reflected in the Government's Fiscal Strategy.

## Superannuation Liability

The Tasmanian Government's superannuation liability is an estimate of the obligations of the State with respect to liabilities arising from the current and former members of unfunded or partially funded Public Sector defined benefit superannuation schemes, all of which are now closed to new membership.

The State Actuary projects that the superannuation liability will increase over the next ten years as the peak cohort of members retire, then gradually decline over the following five to six decades. This increase, then decline in the liability, is a consequence of the closure of the defined benefit schemes to new entrants in 1999.

Table 6.3 shows that the General Government Sector superannuation liability is estimated to be \$4 977.2 million as at 30 June 2013, an increase of \$175.5 million, or 3.7 per cent above the Estimated Outcome as at 30 June 2012 of \$4 801.7 million.

Table 6.3: Superannuation Liability as at 30 June

All Schemes - Unfunded Past Service Liabilities <sup>1</sup>	2012	2013	2014	2015	2016
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Retirement Benefit Fund</b>					
Defined Benefit Scheme	4 750.4	4 926.7	5 095.5	5 252.5	5 387.4
1973 Parliamentary Superannuation Scheme	15.7	15.5	15.2	14.9	14.5
1985 Parliamentary Retiring Benefits Scheme	2.1	1.8	1.4	1.0	0.7
1968 Judges' Scheme	33.5	33.2	32.7	31.9	31.0
<b>Total</b>	<b>4 801.7</b>	<b>4 977.2</b>	<b>5 144.9</b>	<b>5 300.3</b>	<b>5 433.6</b>

Note:

1. All of the schemes shown in this Table are closed to new entrants.

Actuarial estimates of the superannuation liability are based on a wide range of economic, financial and demographic assumptions.

Over time, actual outcomes can vary from those assumed by the State Actuary in relation to salary growth, investment returns, the number of resignations and retirements, pensioner mortality, indexation rates applied to pensions (linked to the Consumer Price Index) and members' preference for either lump sum benefits or pensions. The assumptions are therefore reviewed by the Actuary periodically.

The present values of the unfunded superannuation liability are based on an average discount rate of six per cent. Treasury has determined this rate after an analysis of Reserve Bank of Australia historical data and consider it appropriately reflects the average bond rate over the life of the superannuation liability.

Further information regarding the General Government Sector superannuation liability and the Government's strategies to manage the liability is provided later in this chapter.

## Employee Entitlements

This category includes provisions for accrued salaries, annual leave and long service leave.

Employee Entitlements is estimated to be \$520.4 million as at 30 June 2013, a decrease of \$2.9 million or 0.6 per cent below the 2011-12 Budget estimate of \$523.3 million. The decrease primarily reflects a more accurate estimate, after taking into account 2011 actual balances that were not known at the time of preparing the 2011-12 Budget.

## Payables

Payables is estimated to be \$47.5 million as at 30 June 2013, a decrease of \$47.2 million, or 49.8 per cent above the 2011-12 Budget estimate of \$94.7 million. The decrease primarily reflects a more accurate estimate, after taking into account 2011 actual balances that were not known at the time of preparing the 2011-12 Budget.

## Other Liabilities

Other Liabilities is estimated to be \$319.2 million as at 30 June 2013, an increase of \$62.4 million, or 24.3 per cent above the 2011-12 Budget estimate of \$256.8 million. The increase primarily reflects a more accurate estimate, after taking into account 2011 actual balances that were not known at the time of preparing the 2011-12 Budget.

# MANAGING THE STATE'S SUPERANNUATION AND INSURANCE LIABILITIES

The following section provides further information on the State's Superannuation Liability and the management of the State's self insured risks through the Tasmanian Risk Management Fund.

## Superannuation Liability

The State's superannuation liability arises from its defined benefit superannuation schemes, which are unfunded or partially unfunded in terms of employer contributions, with the employer share of benefits paid to scheme members being met on an emerging basis. All defined benefits schemes have now been closed to new members.

The superannuation liability represents the present value of future benefit payments to members of the defined benefits schemes. It differs from most other financial liabilities, such as debt, which can be called on for repayment at any particular point in time. From a budget management perspective the key funding responsibility is to meet the emerging cost over time. Table 6.4 shows the State Actuary's estimates of cash payments for superannuation (including pensions and lump sum payments) in relation to defined benefits schemes.

**Table 6.4: Superannuation Payments**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Estimated Outcome	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
Superannuation Payments	181.8	198.1	197.9	211.9	229.1	252.0

As part of the process of developing the 2012-13 Budget, the Treasurer has approved funding the emerging cash cost of the defined benefits superannuation liability directly from the Consolidated Fund rather than from funds notionally set aside in an un-backed Superannuation Provision Account in the Special Deposits and Trust Fund.

The current financial and economic environment has resulted in the State recording cash deficits since 2009-10. As reported in previous Budgets, a consequence of the deteriorating cash position is that the Superannuation Provision Account was not cash-backed. This did not diminish the Government's capacity to meet its current and future superannuation payment obligations as they emerged.

In the 2012-13 Budget and over the Forward Estimates period, there are sufficient inflows from the Reserved by Law contribution and agency contributions to meet the emerging cost of benefits paid.

Under the previous funding model, the unfunded portion of the final benefit was met by the Government (from the Superannuation Provision Account) when it fell due, with the remaining part of the benefit being funded from the Retirement Benefit Fund Board's assets. The outflows from the Superannuation Provision Account were the Government's share of pension and lump sum benefits paid to members.

From 2012-13, the emerging cash cost of defined benefits superannuation payments will be funded from the Consolidated Fund, by agency contributions (at the same total amount as currently required) and by an adjusted Reserved by Law contribution, which will comprise the balance of the Government's share of pension and lump sum benefits costs. There is no budgetary impact on agencies in 2012-13 or over the Forward Estimates period.

In conjunction with the implementation of an alternative funding model for defined benefits superannuation, the credit balance of the Superannuation Provision Account will be offset against the overdrawn (debit) balance of the Temporary Debt Repayment Account, with both accounts to be subsequently closed.

As described earlier in this chapter, the balance of accounts in the Special Deposits and Trust Fund will be fully cash-backed by a temporary overnight borrowing at 30 June. This is expected to enhance the transparency of the Government's cash position and to clarify the funding of its long-term superannuation obligations.

The Auditor-General's comments were sought in relation to the proposed offsetting, and closure, of the Superannuation Provision Account and the Temporary Debt Repayment Account and the revised funding of the defined benefits superannuation liability. The Auditor-General supported both proposals.

## Tasmanian Risk Management Fund

### *Purpose of the Fund*

The Tasmanian Risk Management Fund was established on 1 January 1999 to provide a whole-of-government approach to funding and managing the insurable liabilities of inner-Budget agencies.

Agencies are covered for the majority of insurable risks to which they are exposed, or for which they choose to accept responsibility, and the Fund agrees to cover, including:

- personal injury (including workers' compensation and personal accident);
- property (including buildings and contents, business interruption, motor vehicles, machinery, marine hull, transit and fraud);
- liability (including public and products, professional, and directors' and officers' liability);
- medical liability; and
- travel.

All classes are self-insured by the Fund except for marine hull and travel, which remain insured through the private sector, as this is more cost-effective than self-insurance for these two categories of risk. The Fund also obtains external reinsurance for the Tasmanian Museum and Art Gallery collection to meet the cost of losses between \$5.0 million and \$45.0 million.

### *Performance of the Fund*

The Fund operates on a cost recovery basis with all inner-Budget agencies making contributions each year in order to build up reserves to meet current and emerging costs. Contributions are based on advice from an independent actuary and are adjusted over time according to the claims experience of agencies.

The trend of workers' compensation contributions rising sharply in previous years stabilised in 2011-12, with contributions decreasing marginally. General property contributions have continued to increase steadily, reflecting higher losses experienced in recent years for smaller claims (those less than \$1.0 million) and a component for rebuilding a provision to fund future large claims. In view of the strong funding position in medical liability, there have been significant reductions in contributions over the past two years.

In 2012-13, increases are expected in general property and medical liability contributions. The increase in general property is attributable to continuing poor claims experience with property losses substantially higher than typical historical levels. While the funding position for medical liabilities remains sound, it has weakened from its strong position a year ago. This, together with the expected increased cost of future claims and the increased number of claims, will result in increased contributions in this risk area. Contributions for the other risk categories are expected to remain relatively stable with the exception of workers' compensation which will increase moderately, generally reflecting a lower discount rate and higher assumed average claim size. Overall, total agency contributions are estimated to increase from \$41.5 million in 2011-12 to \$50.1 million in 2012-13. It is noted that approximately \$1.3 million of this increase relates to the four per cent asbestos levy applied to workers' compensation contributions.

It is expected that as at 30 June 2013 the Fund will have a net asset position of \$7.8 million, as shown in Table 6.5. This result is mainly attributable to an excess of assets in the medical liability risk category (as at 31 December 2011 the estimated surplus was \$8.6 million). The Actuary has noted that uncertainty remains with the outstanding medical liability estimate because, despite substantial improvements in claims data, some limitations may still apply and it is a particularly long tailed class of risk. While this uncertainty exists, the Actuary maintains that it is prudent to retain a modest excess in assets in this risk area. As the aim is to match assets and liabilities over time, any surpluses will continue to be taken into account by the Fund's Actuary when setting agency contributions each year.

Table 6.5: Financial Position of the Tasmanian Risk Management Fund as at 30 June

	2011	2012	2013	2014	2015	2016
	Actual	Estimated Outcome	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>						
Special Deposits and Trust Fund Account	176.9	180.2	191.3	202.0	212.8	223.8
Receivables	1.8	1.8	1.8	1.8	1.8	1.8
	<b>178.7</b>	<b>182.0</b>	<b>193.1</b>	<b>203.8</b>	<b>214.6</b>	<b>225.6</b>
<b>Liabilities<sup>1</sup></b>						
Personal Injury	81.6	82.8	88.4	93.6	98.6	103.4
Property	6.7	7.4	7.5	7.6	7.7	7.8
Motor Vehicle	0.3	0.3	0.3	0.3	0.3	0.3
Liability	8.6	10.1	10.2	10.4	10.6	10.8
Medical	68.6	74.8	77.5	80.4	83.6	87.0
Payables and Provisions	1.4	1.4	1.4	1.4	1.4	1.4
	<b>167.2</b>	<b>176.8</b>	<b>185.3</b>	<b>193.7</b>	<b>202.2</b>	<b>210.7</b>
<b>NET ASSETS<sup>2</sup></b>	<b>11.5</b>	<b>5.2</b>	<b>7.8</b>	<b>10.1</b>	<b>12.4</b>	<b>14.9</b>

Notes:

- Liabilities are calculated by the Fund's Actuary as at 31 December 2011.
- The Fund's Actuary takes into account the level of assets and liabilities in each risk category when determining the annual contributions. These contributions are set for only one year, with the forward estimates escalated from the current year's base. The annual contributions review facilitates the Fund's aim of matching assets and liabilities over time.



# 7 INFRASTRUCTURE INVESTMENT

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## *Features*

- In 2012-13, the planned level of infrastructure investment is \$437.7 million and will include:
  - \$37.4 million for schools and education infrastructure;
  - \$171.5 million for hospitals and health infrastructure;
  - \$29.0 million for housing;
  - \$148.9 million for roads infrastructure; and
  - \$24.4 million for tourism, recreation and culture.
- In addition to the \$437.7 million of planned infrastructure investment, it is estimated that \$89 million will be spent by agencies on general asset maintenance in 2012-13.

# INTRODUCTION

In 2012-13, total expenditure by General Government Sector agencies on infrastructure related projects is estimated to be \$437.7 million, while over the 2012-13 Budget and Forward Estimates period, the Government will invest \$1.5 billion in infrastructure projects.

The Government's Infrastructure Investment program is designed to support economic growth and jobs, and maintain effective Government service delivery. To achieve these aims, the Government will invest in:

- health and housing infrastructure;
- road development and maintenance;
- education infrastructure;
- building construction and maintenance;
- information technology systems and development; and
- appropriate land acquisitions.

This chapter provides information on infrastructure investment in the General Government Sector. Infrastructure investments made by Government Business Enterprises or State-owned Companies are outside the General Government Sector and therefore not included in this chapter.

## *Structured Infrastructure Investment Review Process*

The Structured Infrastructure Investment Review Process (SIIRP) is a staged review and assessment process for General Government Sector infrastructure investment proposals. The process ensures that infrastructure investment proposals, including information and communications technology (ICT) projects, funded from the State Budget:

- appropriately meet the needs of the community;
- have been properly scoped and planned; and
- are based on reliable and realistic cost estimates.

The Tasmanian Government has traditionally employed an agency based model for managing and planning most of its ICT projects. This model has suited government well in the past. However, the development of a more coordinated and strategic approach to key elements of ICT within government is required to meet a range of pressures including:

- the challenges and opportunities facing the State are changing more rapidly;
- State policy responses increasingly involve co-ordinated responses from many agencies;
- National policy responses increasingly involve collaboration by many governments; and
- growing Budget pressures.

It is envisaged that in 2012-13 a number of whole-of-government ICT projects will be advanced through the SIIRP. Under the SIIRP, infrastructure investment proposals are subject to a series of decision points prior to being considered for funding and are required to meet reporting requirements during the development and following the completion of the project. At each of the points, an assessment is made as to whether the project should proceed to the next stage or be required to undertake further work for assessment, or be abandoned.

Submissions for infrastructure investment proposals are requested annually and an allocation of \$2.0 million per annum is provided through Finance-General to support infrastructure investment proposal identification and planning.

Further information on the SIIRP is provided at [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au).

### *Reconciliation between Infrastructure Investment and Purchases of Non-Financial Assets*

Purchases of Non-Financial Assets is an accounting classification under the Australian Accounting Standards. It appears on the Income Statement and Cash Flow Statement and reflects purchases of non-financial assets such as land, buildings, plant and equipment, infrastructure, and intangible assets. Whilst the majority of the Purchases of Non-Financial Assets is comprised of Infrastructure Investment projects, there is a portion of Purchases of Non-Financial Assets expenditure which is not included in the Infrastructure Investment Chapter. Such items include Budget allocations for:

- the Government's fleet management services;
- ambulance, surgical and medical equipment;
- computer software; and
- other smaller capital items.

Conversely, Infrastructure Investment projects can include allocations of expenditure which is not classified as a Purchase of Non-Financial Assets under the Australian Accounting Standards but are directly related to infrastructure projects. This expenditure can include items such as employee entitlements, infrastructure maintenance, Australian Government Loan Repayments and other supplies and consumables.

Table 7.1 provides a reconciliation between the two measures.

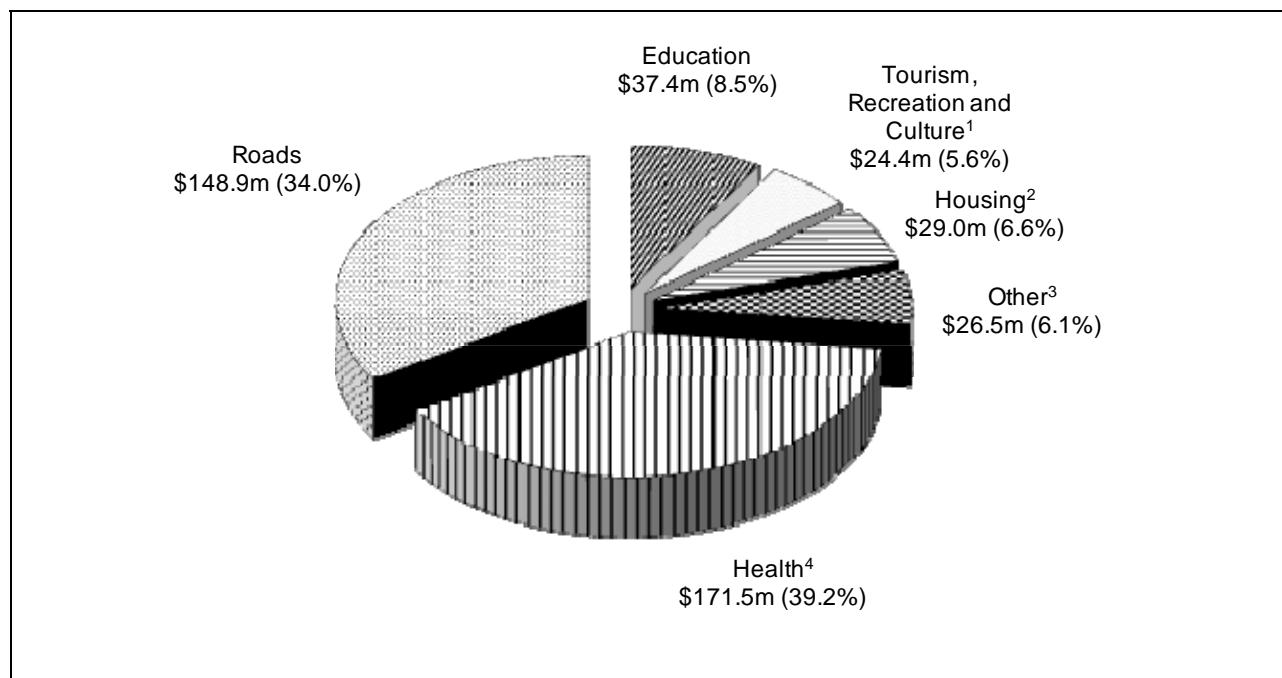
Table 7.1: Reconciliation between Purchases of Non-Financial Assets and Infrastructure Investment

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Purchases of Non-Financial Assets</b>	<b>551.0</b>	<b>434.2</b>	<b>369.3</b>	<b>321.1</b>	<b>380.3</b>
Less Purchases of Non-Financial Assets excluded from Infrastructure Investment	123.4	67.9	45.6	47.2	46.7
Plus Infrastructure Investment not included in Purchases of Non-Financial Assets	62.6	71.4	56.2	52.4	50.8
<b>Equals TOTAL INFRASTRUCTURE EXPENDITURE</b>	<b>490.2</b>	<b>437.7</b>	<b>379.9</b>	<b>326.3</b>	<b>384.5</b>

## MAJOR AREAS OF INFRASTRUCTURE INVESTMENT

The most significant areas of infrastructure expenditure are roads, health, housing and education. Chart 7.1 illustrates significant areas of infrastructure investment in 2012-13.

Chart 7.1: Infrastructure Investment, 2012-13



Notes:

1. Tourism, Recreation and Culture reflects infrastructure investment by the Department of Economic Development, Tourism and the Arts (\$11.3 million), and expenditure by the Department of Primary Industries, Parks, Water and Environment (\$13.1 million).

2. Housing infrastructure investment is provided through Housing Tasmania, a Division of the Department of Health and Human Services and includes expenditure from the Housing Fund (\$14.2 million) and the Housing Program (\$14.8 million).
3. Other includes infrastructure investment by the Department of Justice (\$15.4 million), the Department of Primary Industries, Parks, Water and Environment (\$556 000), the Department of Police and Emergency Management (\$10.3 million) and the Department of Premier and Cabinet (\$250 000).
4. Health infrastructure investment reflects expenditure by the Department of Health and Human Services, not including expenditure by Housing Tasmania.

## Education

In 2012-13, total education infrastructure expenditure is budgeted to be \$37.4 million. The major infrastructure projects include:

- Bridgewater Child and Family Centre - funding of \$8.0 million was allocated in 2009-10 for a Bridgewater Child and Family Centre. It is estimated that \$3.4 million of the \$8.0 million total allocation will be spent in 2012-13;
- Child and Family Centres (CFCs) - funding of \$10.0 million will be provided in 2012-13 for the ongoing project to construct 11 CFCs around Tasmania. In 2012-13, construction will be undertaken on centres at Chigwell, Derwent Valley, Burnie and George Town. These centres will add to the seven centres already completed and operating in Beaconsfield, Queenstown, East Devonport, Clarence Plains, Ravenswood, Risdon Cove and St Helens;
- LINC Tasmania (Learning and Information Network Centres) – total funding of \$6.9 million has been provided in 2012-13 towards the establishment of Learning and Information Network Centres (LINC)s at Scottsdale and George Town. This allocation includes \$500 000 under the Building for the Future Infrastructure Package announced in 2008-09. Construction of two LINC)s at Bridgewater and Queenstown has been completed as part of a total funding allocation of \$14.6 million over four years;
- Port Sorell Primary School – funding of \$13.0 million over four years was provided in 2010-11 to construct a new modern primary school with state of the art facilities at Port Sorell. It is estimated that \$4.5 million of the total allocation of \$13.0 million will be spent in 2012-13;
- School Transition Fund – funding of \$1.2 million will be made available in 2012-13 and a further \$2.3 million in 2013-14 to support agreed local initiatives that enhance school service provision; and
- Trade Training Centres – funding of \$13.7 million was allocated in 2011-12 for Australian Government funded National Partnership on Trade Training Centres in Schools. It is estimated that \$7.1 million will be expended in 2012-13. This will see the completion of two more Trade Training Centres for the Meander Valley and Sorell municipalities adding to the six Trade Training Centres that are already operational in the Break O'Day, Huon Valley, Circular Head, Brighton, Dorset and George Town municipalities.

# Health

In 2012-13, total health infrastructure expenditure will be \$171.5 million. The major infrastructure projects include:

- Glenorchy - Tier Three Community Health Services Facility – total funding from the State Government is \$21.0 million. The project will expand and upgrade the Glenorchy Community Health Centre. It is planned for the Tier Three Community Health Services Facility to be an integral part of the proposed Glenorchy City Central Business District Precinct project. This precinct, bounded by Terry Street, Barry Street, Tolosa Street and Main Road, Glenorchy will include a range of health and other public and Government services. It is estimated that \$5.0 million of the \$21.0 million total allocation will be spent in 2012-13. The project is expected to be completed in 2016;
- Launceston General Hospital Acute Medical and Surgical Unit - total funding of \$40.0 million was provided in 2009-10 by the Australian Government over four years for the construction of a new Acute Medical Assessment Unit and the upgrade of the Surgical Services Unit and Intensive Care Unit. Services proposed include providing patient assessment, early treatment and care planning. The Acute Medical Unit was operational in early January 2012. Work will begin on the refurbishment of the Surgical Services Unit and Intensive Care Unit in July 2012 and take around 12 months to complete. It is estimated that \$10.6 million of the total \$40.0 million allocation will be spent during 2012-13;
- Launceston General Hospital Car Park - funding of \$15.0 million was allocated in 2009-10 for the construction of a new low-level, multi-storey car park. It is expected that 400 additional car parking spaces will be available for medical staff and patients. It is estimated that \$1.9 million of the allocation will be spent during 2012-13, with the project expected to be completed by July 2012;
- Royal Hobart Hospital Redevelopment – total funding of \$565.0 million has been provided for redevelopment of the Royal Hobart Hospital. The State Government has provided \$225.0 million for the project, while the Australian Government has provided \$340.0 million. Funding for this project is provided for three different elements:
  - Royal Hobart Hospital Redevelopment - funding for a major redevelopment of the Royal Hobart Hospital has been secured following an application in late 2010 to the Board of the Health and Hospitals Fund (HHF). The \$365.0 million available to redevelop the RHH is a combined Australian and State Government commitment, with \$240.0 million being provided by the Australian Government and \$125.0 million provided by the State Government. Overall, the project will build the capacity to deliver 195 new overnight beds and twelve new operating and procedure rooms. It is anticipated that \$10.0 million will be expended on the project during 2012-13;
  - Royal Hobart Hospital Women's and Children's Hospital - \$100.0 million has been provided by the Australian Government to fund the construction of a Women's and Children's Hospital within the broader redevelopment program of the Royal Hobart Hospital. In 2012-13, \$60.0 million will be available for site establishment and demolition of an existing building within the site to make way for the commencement of construction of Stage 1 of the new inpatient precinct; and

- Royal Hobart Hospital – in 2012-13, \$43.8 million will be allocated from the State Government's \$100.0 million Hospitals Capital Fund to improve existing infrastructure and expand key services including:
  - o the Intensive Care Unit;
  - o the construction of the air bridge and fit out of clinical space in the Wellington Centre; and
  - o the Lower Statton building (Repatriation Centre) fit out; and
- State-wide Cancer Services - funding for cancer services at the Royal Hobart Hospital, the Launceston General Hospital and for a state-wide IT system has been secured to build specialist Cancer Centres within those hospital precincts. The total commitment is \$31.6 million, with \$13.9 million from the Australian Government, \$16.5 million from the State and donated contributions from the Menzies Centre (\$600 000) and the Cancer Council (\$600 000). In 2012-13, funding of \$17.4 million will be provided. At the Launceston General Hospital, \$2.7 million will be utilised for upgrading and expanding Medical Oncology. At the Royal Hobart Hospital, \$15.2 million will be spent on completing the new bunker to hold a linear accelerator; relocation of the rehabilitation ward and oncology day centre; and refurbishment of the integrated patient care centre. The development of supporting IT for the Cancer Centres will receive \$1.1 million in 2012-13.

## Housing

In 2012-13, total housing infrastructure expenditure is \$29.0 million. This expenditure includes \$14.2 million from the Housing Fund to increase the supply of social housing and \$14.8 million from the Housing Program.

### *Housing Fund*

The Housing Fund was established in 2007-08 with an allocation of \$60.0 million for the purpose of increasing the supply of affordable housing. In 2012-13, it is anticipated that \$14.2 million will be spent from the Housing Fund on public projects.

Major projects to be funded from the Housing Fund in 2012-13 include:

- the acquisition of land for the development of affordable housing sites (\$1.0 million);
- contributions towards the Housing Reform project (\$3.5 million);
- construction of 35 units at Brisbane Street, Hobart (\$1.5 million); and
- the continuation of support for the National Rental Affordability Scheme (\$8.2 million).

### *Housing Program*

In 2012-13, it is anticipated that \$14.8 million will be expended from the Housing Program. Projects include:

- contributions towards the Housing Reform project (\$6.0 million);
- development of a Community Centre and two subdivisions at Clarendon Vale (\$500 000); and
- construction and upgrading activity under the Remote Indigenous Housing National Partnership Agreement (\$1.3 million).

The Department will also make a principal loan repayment of \$7.0 million to the Australian Government due under the former Commonwealth-State Housing Agreement (CSHA).

## Law and Order

In 2012-13 and over the Forward Estimates period, the Department of Justice and the Department of Police and Emergency Management will invest significantly in major infrastructure projects including the:

- Prisons Infrastructure Redevelopment Program Stage D - expenditure of \$20.2 million has been provided over four years for Stage D of the Prisons Infrastructure Redevelopment Program. The Stage D Redevelopment Program will provide for new facilities in the Risdon Prison Complex. The Program commenced in 2010-11 and is expected to be completed by 2014; and
- Divisional Headquarters Refurbishment Program - funding of \$12.4 million has been provided for the redevelopment and refurbishment of Police Headquarters at Devonport and Glenorchy. In 2012-13, it is estimated that \$4.9 million will be spent on the Devonport Headquarters, while \$5.4 million will be spent on the Glenorchy Headquarters.

## Roads and Rail

In 2012-13, total roads expenditure is \$148.9 million. This includes State Government funding of \$130.7 million, and Australian Government funding of \$18.2 million. Further details of the Roads Program are provided in a separate section of this chapter.

The Australian Government will provide \$30.4 million in 2012-13 as an equity contribution to Tasmanian Railway Pty Ltd for the critical upgrade of the Tasmanian rail network infrastructure and the Company's rolling stock assets.

## Tourism, Recreation and Culture

In 2012-13, total tourism, recreation and cultural infrastructure expenditure is \$24.4 million. This includes expenditure by the Department of Primary Industries, Parks, Water and Environment (\$13.1 million), and expenditure by the Department of Economic Development, Tourism and the Arts on the Tasmanian Museum and Art Gallery (\$11.3 million). These projects are described below.

- Off-Road Vehicle and Track Management – funding of \$300 000 will be provided in 2012-13 to the sustainable Off-Road Vehicle and Track Management project in the Arthur-Pieman Conservation Area. The project involves upgrades to the track network, works to protect Aboriginal heritage, education and interpretation material and other infrastructure required to provide safe and quality visitor experiences. The implementation of the recommendation contained in the *Arthur-Pieman Conservation Area Sustainable Recreational Vehicle Access Report 2012* will be implemented from 1 July 2012 following the successful introduction of a new recreational vehicle permit system in December 2010.
- Tasmanian Museum and Art Gallery (TMAG) Redevelopment Project - this project provides for a major redevelopment of the Hobart TMAG city site. It is estimated that \$11.3 million of the total \$30.0 million allocation will be spent during 2012-13. The project is anticipated to be completed early in 2013.



- Three Capes Track – funding is provided to continue the progression of works to establish the Three Capes Track, a \$12.8 million initiative by the Government, supported by additional private sector investment and a matching component of \$12.5 million provided from the Australian Government. Works focusing on the upgrading of existing track and the construction of new track sections and the overnight hut nodes will be proceeding in earnest in 2012-13. This five night, six day, 68 kilometre walk will cater for 'free and independent' walkers and commercially guided walkers and will take in dramatic vistas at three capes within the Tasman National Park: Cape Raoul, Cape Pillar and Cape Hauy. The walk will increase Tasmania's profile as an iconic walking destination and support the growth of tourism on the Tasman Peninsula.

## Infrastructure Investment Projects by Agency

Table 7.3 details the infrastructure investment expenditure by agency, including the provision for future infrastructure investment, while Table 7.4 details the estimated cost of individual infrastructure investment projects by agency. Costs will vary as projects proceed to tender and some re-scheduling of individual projects is likely to occur over the life of projects.

**Table 7.3: Infrastructure Expenditure by Agency<sup>1</sup>**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Economic Development, Tourism and the Arts	9.0	11.3	....	....	....
Education	64.2	37.4	7.1	1.3	1.3
Health and Human Services	243.3	200.5	180.5	165.2	115.4
Infrastructure, Energy and Resources	151.0	148.9	160.2	98.5	81.4
Justice	3.5	15.4	3.2	....	....
Police and Emergency Management	8.7	10.3	....	....	....
Premier and Cabinet	0.3	0.3	0.3	0.3	0.3
Primary Industries, Parks, Water and Environment	10.3	13.6	9.4	0.6	0.6
<b>ALLOCATED INFRASTRUCTURE EXPENDITURE</b>	<b>490.2</b>	<b>437.7</b>	<b>360.7</b>	<b>265.8</b>	<b>198.9</b>
Provision for Future Infrastructure Investment <sup>2</sup>	....	....	19.2	25.5	150.5
Estimated Future Australian Government Roads Funding <sup>3</sup>	....	....	....	35.0	35.0
<b>TOTAL INFRASTRUCTURE EXPENDITURE</b>	<b>490.2</b>	<b>437.7</b>	<b>379.9</b>	<b>326.3</b>	<b>384.5</b>

**Notes:**

1. This table includes expenditure (both purchases of non-financial assets and associated expenses) for all infrastructure projects, but does not include minor asset purchases for non-infrastructure projects. For these reasons, the Table is not equivalent to the Net Acquisition of Non-Financial Assets presented in Appendix 1 - Uniform Government Reporting. Table 7.1 provides a reconciliation of Purchases of Non-Financial Assets to Total Infrastructure Expenditure.
2. In addition to the allocated infrastructure investment expenditure, the Government has set aside \$195.2 million of capital provisions over the Forward Estimates period, which will be allocated to infrastructure investment projects that

have met the requirements of the Structured Infrastructure Investment Review Process and provide capacity to meet cost variation and re-scheduling of projects.

3. The existing five-year roads funding agreement with the Australian Government expires at the end of 2013-14. Negotiations between the State and Australian Governments are currently underway for a new agreement. Based on Australian Government road funding provided over the past ten years, an Estimated Future Australian Government Roads Funding allocation of \$35.0 million has been included in 2014-15 and 2015-16 to provide a more accurate estimate of the likely level of infrastructure expenditure that will occur in the Forward Estimates.

**Table 7.4: Infrastructure Investment Project Details by Agency<sup>1</sup>**

			Estimated	2012-13	2013-14	2014-15	2015-16
	Start	Complete	Total	Forward	Forward	Forward	Forward
			Cost	Budget	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND THE ARTS</b>							
Tasmanian Museum and Art Gallery							
Infrastructure	2007	2013	30.0	11.3	....	....	....
<b>TOTAL</b>				<b>11.3</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>DEPARTMENT OF EDUCATION</b>							
Bridgewater Child and Family Centre							
Centre	2009	2015	8.0	3.4	1.0	0.4	0.4
Campbell Town Child Care Centre	2010	2012	1.0	0.8	....	....	....
Child and Family Centres	2009	2013	34.5	10.0	....	....	....
LINC Tasmania - Learning and Information Network Centres							
Renewing our Education System	2009	2013	11.0	6.4	....	....	....
Local Schools Working Together	2010	2013	1.2	1.2	....	....	....
Port Sorell Primary School	2009	2012	2.5	0.5	....	....	....
Post Year 10 Reforms	2010	2013	13.0	4.5	3.0	....	....
Post Year 10 Reforms - Infrastructure Support <sup>2</sup>	2008	2012	7.8	1.0	....	....	....
School Transition Fund		Ongoing	na	0.9	0.9	0.9	0.9
School Transition Fund	2012	2014	3.5	1.2	2.3	....	....
Trade Training Centres	2011	2013	13.7	7.1	....	....	....
				<b>36.9</b>	<b>7.1</b>	<b>1.3</b>	<b>1.3</b>
<b>Building for the Future Infrastructure Package</b>							
Learning and Information Network Centre (LINC)							
Centre (LINC)	2009	2012	3.6	0.5	....	....	....
				<b>0.5</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>TOTAL</b>				<b>37.4</b>	<b>7.1</b>	<b>1.3</b>	<b>1.3</b>

Table 7.4: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

	Start	Complete	Estimated Total Cost \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b><i>Housing Infrastructure</i></b>							
<b>Housing Fund</b>	2008	2015	60.0	14.2	....	3.0	....
<b>Housing Program</b>		Ongoing	na	14.8	13.8	13.7	14.0
				<b>29.0</b>	<b>13.8</b>	<b>16.7</b>	<b>14.0</b>
<b><i>Health Infrastructure</i></b>							
Flinders Island Multi Purpose Centre Upgrade	2010	2013	6.0	4.1	1.2	....	....
Glenorchy – Tier Three Community Health Services Facility	2010	2016	21.0	5.0	7.0	7.0	1.4
Hospital Equipment Fund	2007	2013	25.0	2.8	....	....	....
King Island Hospital and Health Centre Upgrade <sup>3</sup>	2009	2013	5.8	2.0	....	....	....
Kingston – Tier Three Community Health Services Facility	2012	2014	6.5	1.5	3.9	0.8	....
Launceston General Hospital Acute Medical and Surgical Unit	2009	2013	40.0	10.6	....	....	....
Launceston General Hospital Car Park	2009	2012	15.0	1.9	....	....	....
Launceston Integrated Care Centre (ICC) <sup>4</sup>	2008	2012	22.5	0.5	....	....	....
Mersey Hospital Upgrade	2012	2013	1.9	1.9	....	....	....
National Health and Hospitals Network Reform <sup>5</sup>	2010	2014	25.8	5.0	2.0	....	....
North West Regional Hospital Car Park	2010	2013	5.5	4.0	....	....	....
Royal Hobart Hospital Redevelopment Fund	2006	2012	35.0	0.7	....	....	....
State-wide Cancer Services <sup>6</sup>	2010	2013	31.6	17.4	2.5	....	....
Tasmanian Ambulance Headquarters Upgrade	2010	2013	8.5	0.5	....	....	....
				<b>57.7</b>	<b>16.7</b>	<b>7.8</b>	<b>1.4</b>

Table 7.4: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

			Estimated Total Cost	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	Start	Complete	\$m	\$m	\$m	\$m	\$m
<b>Royal Hobart Hospital</b>							
<b>Redevelopment Funding</b>							
Royal Hobart Hospital (Hospitals Capital Fund)	2009	2013	100.0	43.8	....	....	....
Royal Hobart Hospital Redevelopment	2011	2016	365.0	10.0	114.3	140.8	100.0
Royal Hobart Hospital Women's and Children's Hospital	2010	2014	100.0	60.0	35.8	....	....
				<b>113.8</b>	<b>150.0</b>	<b>140.8</b>	<b>100.0</b>
<b>TOTAL</b>				<b>200.5</b>	<b>180.5</b>	<b>165.2</b>	<b>115.4</b>
<b>DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES</b>							
<b>Roads Program Expenditure (for details refer to Table 7.5)<sup>7</sup></b>							
				<b>148.9</b>	<b>160.2</b>	<b>98.5</b>	<b>81.4</b>
<b>TOTAL</b>				<b>148.9</b>	<b>160.2</b>	<b>98.5</b>	<b>81.4</b>
<b>DEPARTMENT OF JUSTICE</b>							
Prison Infrastructure							
Redevelopment Program Stage D	2011	2014	20.2	15.4	3.2	....	....
<b>TOTAL</b>				<b>15.4</b>	<b>3.2</b>	<b>....</b>	<b>....</b>
<b>DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT</b>							
Devonport Headquarters	2009	2013	6.2	4.9	....	....	....
Glenorchy Headquarters	2009	2013	6.2	5.4	....	....	....
<b>TOTAL</b>				<b>10.3</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>DEPARTMENT OF PREMIER AND CABINET</b>							
Service Tasmania Shops Capital							
Investment	2006	Ongoing	na	0.3	0.3	0.3	0.3
<b>TOTAL</b>				<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

Table 7.4: Infrastructure Investment Project Details by Agency (continued)<sup>1</sup>

			Estimated Total Cost	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	Start	Complete	\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT</b>							
Crown Land Services - Structural							
Asset Upgrades		Ongoing	na	0.6	0.6	0.6	0.6
Off-Road Vehicle and Track							
Management	2010	2013	1.5	0.3	....	....	....
Three Capes Track	2010	2014	25.3	12.8	8.9	....	....
<b>TOTAL</b>				<b>13.6</b>	<b>9.4</b>	<b>0.6</b>	<b>0.6</b>
<b>TOTAL INFRASTRUCTURE PROJECTS</b>							
				<b>437.7</b>	<b>360.7</b>	<b>265.8</b>	<b>198.9</b>

Notes:

1. This Table does not include expenditure from the Water Infrastructure Fund, as expenditure from this fund is in the form of grants or equity injections outside of the General Government Sector.
2. This funding was previously presented as an allocation to the Post Year 10 Reforms Statutory Authorities.
3. Total funding for the King Island Hospital and Health Centre Upgrade includes an additional \$800 000 from the Department of Health and Human Services specifically for asbestos removal.
4. Total funding for the Launceston Integrated Care Centre (ICC) is \$22.5 million, consisting of \$15.0 million of State Government Works and Services funding, \$4.5 million from the University of Tasmania, and \$3.0 million from the Infrastructure Tasmania Fund.
5. Total funding for the National Health and Hospitals Network Reform consists of funding for the National Health and Hospitals Network Reforms: Emergency Department, National Health and Hospitals Network Reforms: Elective Surgery and National Health and Hospitals Network Reforms: Flexible Pool for Emergency Departments, Elective Surgery and Sub Acute Areas.
6. Total funding for State-wide Cancer Services has increased from \$31.2 million to \$31.6 million to reflect revised contributions under the Implementation Plan with the Australian Government.
7. These allocations do not include the Estimated Future Australian Government Roads Funding estimates of \$35.0 million per annum in 2014-15 and 2015-16.

# ROADS PROGRAM

The Roads Program comprises new works projects and the upgrade and maintenance of established roads. In 2012-13, total roads expenditure is \$148.9 million. This includes a State Government allocation of \$130.7 million and an Australian Government allocation of \$18.2 million.

**Table 7.5: Roads Program Expenditure**

			Estimated Total Cost	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	Start	Complete	\$m	\$m	\$m	\$m	\$m
<b>STATE FUNDED</b>							
<b>Environmental Management</b>		Ongoing	na	0.5	0.5	0.5	0.6
				<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
<b>Infrastructure Development</b>							
Arthur Highway <sup>1</sup>	2011	2015	18.0	2.2	8.0	7.5	....
Bass Highway/Mersey Main Road Junction upgrade <sup>1</sup>	2011	2013	2.5	1.8	....	....	....
Bass Highway/Stanley Highway Junction <sup>1</sup>	2011	2013	1.5	1.2	0.3	....	....
Bell Bay Intermodal Terminal <sup>2</sup>	2011	2013	3.9	0.5	3.3	....	....
Bell Bay Main Road <sup>1</sup>	2012	2013	1.0	0.8	0.3	....	....
Brighton Bypass <sup>2</sup>	2008	2013	2.5	2.5	....	....	....
Esk Main Road Upgrading <sup>1</sup>	2011	2014	5.0	2.5	2.1	....	....
Ferry Main Road Kettering upgrade and Waste Water Treatment Plant <sup>1</sup>	2011	2014	8.0	1.5	4.0	0.3	....
Highland Lakes Road sealing between Breona and Brandum Creek <sup>1</sup>	2011	2013	2.5	0.7	....	....	....
Huon Highway Upgrade <sup>1</sup>	2011	2014	8.0	1.3	4.0	2.2	....
Kingston Bypass <sup>2</sup>	2008	2012	38.0	0.2	....	....	....
Mudwalls Road Pavement Improvement <sup>1</sup>	2011	2013	8.0	6.3	0.2	....	....
Murchison Highway Upgrade <sup>3</sup>	2011	2015	21.0	4.6	9.0	6.0	....
North East Freight Roads <sup>2</sup>	2009	2013	8.5	8.0	....	....	....
Port Sorell Main Road <sup>2</sup>	2012	2013	3.0	3.0	....	....	....
Richmond Heavy Vehicle Link Road <sup>1</sup>	2011	2014	6.0	0.8	2.5	2.2	....
Ridgley Main Road <sup>1</sup>	2011	2013	4.0	0.7	....	....	....
Rokeby Main Road <sup>1</sup>	2011	2014	10.0	1.5	7.0	0.7	....
Tarkine Forest Drive	2012	2014	19.2	10.0	7.7	....	....

Table 7.5: Roads Program Expenditure (continued)

	Start	Complete	Estimated Total Cost \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Infrastructure Development</b>							
<b>(continued)</b>							
Tasman Highway Scottsdale to Launceston <sup>1</sup>	2012	2014	4.0	0.5	3.0	0.1	....
West Coast Wilderness Railway		Ongoing	na	0.1	0.1	0.1	0.1
West Tamar Highway upgrade between Waldhorn Drive and Brady's Lookout <sup>1</sup>	2012	2014	9.0	5.5	2.8	0.2	....
West Tamar Highway junction with Cormiston Road – Traffic Signals <sup>1</sup>	2012	2012	0.3	0.3	....	....	....
				<b>56.5</b>	<b>54.3</b>	<b>19.3</b>	<b>0.1</b>
<b>Infrastructure Maintenance</b>							
Assistance to Local Government		Ongoing	na	0.3	0.3	0.3	0.3
Bridge Maintenance		Ongoing	na	5.5	5.5	5.5	5.5
<b>Bridge Reinstatement</b>							
Arthur Highway, Iron Creek	2011	2013	4.5	3.9	0.6	....	....
Emergency and Flood Repairs		Ongoing	na	0.5	2.0	5.5	6.0
Lyell Highway, Nive River (Bronte)	2013	2014	4.2	....	0.2	....	....
Maintenance of Other Infrastructure		Ongoing	na	0.1	0.1	0.1	0.1
Minor Bridge Reinstatement Projects		Ongoing	na	0.5	2.0	3.7	3.0
Road and Bridge Lighting Maintenance		Ongoing	na	0.7	0.8	0.8	0.9
Timber Bridge Replacements		Ongoing	na	....	0.2	....	....
Vehicle Mass and Dimension Management		Ongoing	na	0.3	0.3	0.3	0.3
<b>Road Reinstatement</b>							
Brooker Highway (between Cleary's Gates and end dual carriage way to Midland Highway)	2011	2013	3.4	3.0	1.0	....	....

Table 7.5: Roads Program Expenditure (continued)

	Start	Complete	Estimated Total Cost \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Road Reinstatement (continued)</b>							
Investigation and Implementation of Priority Projects	2011	2016	15.8	0.7	1.5	3.4	2.9
Midland Highway (between Melton Mowbray and south of Perth)	2011	2014	5.9	1.9	0.6	....	....
Minor Road Reinstatement Projects		Ongoing	na	0.6	0.8	....	....
Road Routine Maintenance		Ongoing	na	18.0	19.1	20.0	20.8
Road Specific Maintenance		Ongoing	na	15.6	15.5	15.7	17.1
				<b>51.6</b>	<b>50.5</b>	<b>55.3</b>	<b>56.9</b>
<b>Other Roads Infrastructure</b>							
Infrastructure Policy and Planning		Ongoing	na	2.6	2.6	2.8	2.9
Program Management		Ongoing	na	2.3	2.2	2.3	2.3
Road Safety and Traffic Management		Ongoing	na	5.0	6.2	5.3	5.5
Road Safety Strategy - Infrastructure		Ongoing	na	7.0	7.5	7.5	7.5
Transport Infrastructure		Ongoing	na	5.2	5.4	5.5	5.7
				<b>22.1</b>	<b>23.9</b>	<b>23.4</b>	<b>23.9</b>
<b>TOTAL STATE FUNDED ROADS</b>				<b>130.7</b>	<b>129.3</b>	<b>98.5</b>	<b>81.4</b>
<b>AUSTRALIAN GOVERNMENT FUNDED<sup>4</sup></b>							
<b>Nation Building Program</b>							
<b>Infrastructure Development</b>							
<b>On Network</b>							
Brighton Bypass <sup>2</sup>	2011	2013	186.2	0.2	....	....	....
Other Road Development Projects	2012	2014	6.2	1.6	....	....	....
<b>Off Network</b>							
Illawarra Main Road	2009	2013	3.1	0.7	....	....	....
North East Freight Roads <sup>2</sup>	2009	2014	34.0	6.9	21.0	....	....
Port Sorell Main Road <sup>2</sup>	2012	2012	1.0	....	1.0	....	....
				<b>9.4</b>	<b>22.0</b>	<b>....</b>	<b>....</b>



Table 7.5: Roads Program Expenditure (continued)

		Estimated Total Cost	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	Start	Complete	\$m	\$m	\$m	\$m
<b>Infrastructure Maintenance</b>						
Bridge and Road Lighting Maintenance		Ongoing	na	0.2	0.2	....
Bridge Maintenance		Ongoing	na	1.1	1.1	....
Road Routine Maintenance		Ongoing	na	4.2	4.3	....
Road Specific Maintenance		Ongoing	na	1.8	1.7	....
				<b>7.3</b>	<b>7.3</b>	....
<b>Other Roads Infrastructure</b>						
Road Safety and Traffic Management		Ongoing	na	1.6	1.6	....
				<b>1.6</b>	<b>1.6</b>	....
<b>TOTAL AUSTRALIAN GOVERNMENT FUNDED ROADS</b>				<b>18.2</b>	<b>30.9</b>	....
<b>TOTAL ALLOCATED ROADS PROGRAM EXPENDITURE</b>				<b>148.9</b>	<b>160.2</b>	<b>98.5</b>
<b>Estimated Future Australian Government Roads Funding<sup>4</sup></b>				....	....	<b>35.0</b>
<b>TOTAL ROADS PROGRAM EXPENDITURE</b>				<b>148.9</b>	<b>160.2</b>	<b>133.5</b>

Notes:

1. Funding for these projects has been provided as part of the State Government's \$90.0 million Community Roads Program.
2. This project includes both State and Australian Government funding.
3. Funding for this project has been provided from the West Coast Roads Program.
4. The existing five-year roads funding agreement with the Australian Government expires at the end of 2013-14. At the time of the finalisation of the Budget, negotiations between the State and Australian Governments were underway for a new agreement. Based on Australian Government road funding provided over the past ten years, an Estimated Future Australian Government Roads Funding allocation of \$35.0 million has been included in 2014-15 and 2015-16 to provide a more accurate estimate of the likely level of infrastructure expenditure that will occur in the Forward Estimates.



# 8 ESTIMATED OUTCOME, 2011-12

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## *Features*

- The estimated Net Operating Balance for 2011-12 is a \$289.2 million deficit, a \$175.4 million deterioration from the 2011-12 Budget estimate of a \$113.8 million deficit.
- The estimated Fiscal Balance for 2011-12 is a \$425.7 million deficit, a \$67.2 million deterioration from the 2011-12 Budget estimate of a \$358.5 million deficit.
- Total revenue for 2011-12 is estimated to be \$4 594.9 million, \$22.9 million or 0.5 per cent below the Budget estimate of \$4 617.8 million.
- Total expenses for 2011-12 are estimated to be \$4 884.1 million, \$152.5 million or 3.2 per cent above the Budget estimate of \$4 731.6 million.

# INTRODUCTION

The 2011-12 Estimated Outcome is based on agency assessments of their indicative additional funding requirements or potential savings, and revised whole-of-government revenue estimates. The latest available information prior to the finalisation of the 2011-12 Budget Papers is used to form the Estimated Outcome. Estimates are determined using information from a number of sources including the latest State taxation estimates and advice from the Australian Government, Government Business Enterprises, State-owned Companies and agencies.

Detailed information on the final Outcome for 2011-12 will be published in:

- the Preliminary Outcomes Report, which will be published by 15 August 2012;
- the Treasurer's Annual Financial Report, which will be tabled in Parliament by 31 October 2012; and
- agency Annual Reports, which will be tabled in Parliament by 31 October 2012.

Table 8.1 provides details of the Estimated Outcome for 2011-12, compared to the 2011-12 Budget estimates.

Table 8.1: Estimated Outcome, 2011-12

	2011-12 Budget \$m	2011-12 Estimated Outcome \$m	Variation \$m
<b>Revenue from Transactions</b>			
Grants	2 855.1	2 854.0	(1.1)
Taxation	906.7	882.3	(24.4)
Sales of Goods and Services	391.5	381.3	(10.2)
Fines and Regulatory Fees	89.6	96.7	7.1
Interest Income	25.8	30.3	4.5
Dividend, Tax and Rate Equivalent Income	218.2	215.6	(2.6)
Other Revenue	130.9	134.7	3.8
	<b>4 617.8</b>	<b>4 594.9</b>	<b>(22.9)</b>
<b>Less Expenses from Transactions</b>			
Employee Expenses	1 991.5	2 031.0	39.5
Superannuation	229.9	256.5	26.6
Depreciation	264.7	241.6	(23.1)
Supplies and Consumables	961.5	1 034.5	73.0
Nominal Superannuation Interest Expense	228.8	239.4	10.6
Borrowing Costs	14.5	14.3	(0.2)
Grant Expenses	1 004.5	1 020.8	16.3
Other Expenses	36.3	45.9	9.6
	<b>4 731.6</b>	<b>4 884.1</b>	<b>152.5</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(113.8)</b>	<b>(289.2)</b>	<b>(175.4)</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>			
Gain/(Loss) on Sale of Non-Financial Assets	4.7	4.1	(0.6)
Movement in Equity Investment in the PNFC and PFC Sector	316.5	57.9	(258.6)
Movements in Superannuation Liability	....	341.8	341.8
Other Gains/(Losses)	(5.4)	90.0	95.4
	<b>315.7</b>	<b>493.8</b>	<b>178.1</b>
<b>Equals Operating Result</b>	<b>202.0</b>	<b>204.6</b>	<b>2.6</b>

Table 8.1: Estimated Outcome, 2011-12 (continued)

	2011-12	2011-12	
	Budget	Estimated	Variation
	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>			
Revaluations of Non-Financial Assets	237.5	250.1	12.6
Other Non-Owner Movements in Equity	(133.6)	(44.6)	89.0
	<b>103.8</b>	<b>205.4</b>	<b>101.6</b>
<b>Equals Comprehensive Result</b>	<b>305.8</b>	<b>410.0</b>	<b>104.2</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>NET OPERATING BALANCE</b>	<b>(113.8)</b>	<b>(289.2)</b>	<b>(175.4)</b>
<b>Less Net Acquisition of Non-Financial Assets</b>			
Purchases of Non-Financial Assets	551.0	420.6	(130.4)
Less Sales of Non-Financial Assets	41.5	42.3	0.8
Less Depreciation	264.7	241.6	(23.1)
	<b>244.7</b>	<b>136.6</b>	<b>(108.1)</b>
<b>Equals FISCAL BALANCE</b>	<b>(358.5)</b>	<b>(425.7)</b>	<b>(67.2)</b>

# REVENUE

Total revenue for 2011-12 is estimated to be \$4 594.9 million, \$22.9 million or 0.5 per cent below the Budget estimate of \$4 617.8 million. The major revenue variations are described in Table 8.2.

**Table 8.2: Major Revenue Variations**

Revenue Item	Variance from Budget	Reasons
Grants:	\$1.1 million lower	
<ul style="list-style-type: none"> <li>General Purpose Payments</li> </ul>		GST revenue has been revised down by \$83.2 million to reflect the revision made by the Australian Government to the estimate of the national GST pool.
<ul style="list-style-type: none"> <li>National Partnership Payments (NPPs)</li> </ul>		<p>The increase is primarily due to additional Australian Government funding of \$66.0 million as part of the Tasmanian Forests Intergovernmental Agreement.</p> <p>The increase in NPPs also includes additional funding for the:</p> <ul style="list-style-type: none"> <li>Longer Stay Older Patients initiative (\$3.2 million);</li> <li>Essential Vaccines agreement (\$1.0 million);</li> <li>Empowering Local Schools initiative (\$2.0 million);</li> <li>Indigenous Early Childhood Development – Bridgewater/Geeveston Child and Family Centre (\$1.2 million);</li> <li>Smarter Schools Literacy and Numeracy program (\$1.4 million);</li> <li>Support for Improving Learning Experiences and Educational Outcomes for Students with Disability program (\$1.6 million);</li> <li>National Solar Schools Program (\$1.3 million);</li> <li>Trade Training Centres in Schools program (\$1.5 million);</li> <li>Youth Attainment and Transitions reward funding (\$1.2 million); and</li> <li>Local Government Reform program (\$922 500).</li> </ul>

**Table 8.2: Major Revenue Variations (continued)**

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
<ul style="list-style-type: none"> <li>National Partnership Payments (NPPs) (continued)</li> </ul>		<p>The increase in NPPs is partly offset by a reduction in funding for the:</p> <ul style="list-style-type: none"> <li>Water for the Future program (\$14.2 million); and</li> <li>Natural Disaster Relief and Recovery Arrangements (\$5.8 million).</li> </ul> <p>Funding for these projects is now anticipated to be received in 2012-13 and over the Forward Estimates period.</p>
<ul style="list-style-type: none"> <li>Other Grants and Subsidies</li> </ul>		<p>The increase in Other Grants and Subsidies reflects an increase in:</p> <ul style="list-style-type: none"> <li>anticipated reimbursements from the Australian Government for the expected increase in expenditure on Highly Specialised Drugs (\$4.9 million);</li> <li>Australian Government funding for Water Resources Management (\$1.4 million), Resource Management and Conservation activities (\$835 000), Parks and Wildlife (\$622 000) and Environment Protection and Analytical Services (\$538 000); and</li> <li>Australian Government funding for eHealth lead sites (\$2.2 million).</li> </ul>
Taxation	\$24.4 million lower	The decrease in Taxation primarily reflects a reduction in estimated Duties (\$32.1 million) and Guarantee Fees (\$1.9 million), which is partially offset by an increase in Payroll Tax (\$7.7 million) and Land Tax receipts (\$2.0 million).
Sales of Goods and Services	\$10.2 million lower	The decrease in Sales of Goods and Services primarily reflects the reclassification of receipts from Court Fees and receipts earned by the Office of Consumer Affairs and Fair Trading (\$6.3 million) to fines and regulatory fees.



**Table 8.2: Major Revenue Variations (continued)**

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Fines and Regulatory Fees	\$7.1 million higher	<p>The increase in Fines and Regulatory Fees primarily reflects fees collected from insurers for the Asbestos Compensation Fund (\$1.5 million) and monies collected by the Monetary Penalties Enforcement Service on behalf of Local Governments, not previously reflected in the Budget statements of the Department of Justice (\$3.0 million). The increase is also due to the reclassification of receipts from Court Fees and receipts earned by the Office of Consumer Affairs and Fair Trading (\$6.3 million) to fines and regulatory fees.</p> <p>This increase was partially offset by a decrease in Fines (\$1.8 million), Driver Licence fees (\$1.6 million), Abalone Licences (\$336 000) and Photo Licences (\$200 000).</p>
Interest Income	\$4.5 million higher	The increase in Interest Income reflects a higher level of interest earned on a greater than anticipated Cash and Deposits balance at 1 July 2011.

# EXPENSES

Total expenses for 2011-12 are estimated to be \$4 884.1 million, \$152.5 million or 3.2 per cent above the Budget estimate of \$4 731.6 million. The major expense variations by Agencies are described in Table 8.3.

**Table 8.3: Major Expense Variations**

<b>Agency</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Economic Development, Tourism and the Arts	\$22.4 million increase	The increase in Economic Development, Tourism and the Arts predominantly reflects a grant to the University of Tasmania for maintenance of Domain House (\$3.5 million) and grants distributed for new investment proposals on behalf of the Australian Government as part of the Tasmanian Forests Intergovernmental Agreement (\$16.0 million).
Education	\$31.8 million decrease	<p>The decrease in Education primarily reflects:</p> <ul style="list-style-type: none"> <li>• revisions to the expected timing of expenditure of Australian Government funding on the Productivity Places Program, resulting in a decrease in expenditure in 2011-12 and corresponding increases over the Forward Estimates (\$19.5 million); and</li> <li>• a reduction in the Depreciation expense due to a revision of the useful life for Buildings, revised completion estimates for major capital projects, and revised estimates for assets of the Tasmanian Polytechnic and Tasmanian Academy (\$27.2 million).</li> </ul> <p>This decrease is partially offset by the expenditure of additional Australian Government funding on projects including the:</p> <ul style="list-style-type: none"> <li>• National Solar Schools Program (\$1.3 million);</li> <li>• Trade Training Centres in Schools program (\$1.5 million);</li> <li>• Smarter Schools Literacy and Numeracy program (\$1.4 million);</li> <li>• Indigenous Early Childhood Development – Bridgewater/Geeveston Child and Family Centre (\$1.2 million);</li> </ul>

**Table 8.3: Major Expense Variations (continued)**

<b>Agency</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Education (continued)		<ul style="list-style-type: none"> <li>• Support for Improving Learning Experiences and Educational Outcomes for Students with Disability program (\$1.6 million);</li> <li>• Youth Attainment and Transitions reward funding (\$1.2 million); and</li> <li>• Empowering Local Schools initiative (\$2.0 million).</li> </ul>
Finance-General	\$60.3 million increase	<p>The increase in Finance-General primarily reflects increases in:</p> <ul style="list-style-type: none"> <li>• grants associated with the Tasmanian Forests Intergovernmental Agreement (\$66.0 million); and</li> <li>• payments to the Retirement Benefits Fund (\$13.8 million) and an actuarial update for the defined benefits Superannuation liability (\$22.3 million).</li> </ul> <p>These increases are partially offset by a decrease in the estimated cost of the First Home Owners Grant scheme (\$3.2 million), a revision to the timing of Local Government Grants paid by the Australian Government (\$16.6 million) and the amortisation of the Treasurer's Reserve (\$20.0 million).</p>
Health and Human Services	\$62.0 million increase	<p>The increase in Health and Human Services primarily reflects:</p> <ul style="list-style-type: none"> <li>• the provision of additional funding for Health (\$25.0 million) due to delays in the implementation of Budget saving strategies and cost and demand pressures in the delivery of Acute Services;</li> <li>• expenditure of additional Australian Government funding on various projects including Home and Community Care, Highly Specialised Drugs, Elective Surgery Waiting List Reduction Plan and Oncology services in the North-West (\$23.6 million);</li> <li>• an increase in the Aurora Pensioner Concession on electricity as a result of an increase in electricity prices (\$7.0 million); and</li> <li>• additional ex-gratia payments for the Children Abused in Care program (\$1.8 million).</li> </ul>

**Table 8.3: Major Expense Variations (continued)**

Agency	Variance from Budget	Reasons
Justice	\$21.1 million increase	<p>The increase in Justice primarily reflects:</p> <ul style="list-style-type: none"> <li>• estimates for the Asbestos Compensation Fund (\$9.0 million);</li> <li>• cost pressures for Prison Services (\$2.0 million); and</li> <li>• an increase in expenses associated with the Enforcement of Monetary Penalties (\$3.2 million), WorkCover Tasmania (\$2.8 million) and Workplace Standards (\$2.8 million).</li> </ul>
Police and Emergency Management	\$4.6 million increase	<p>The increase in Police and Emergency Management reflects:</p> <ul style="list-style-type: none"> <li>• expenditure of asset sale proceeds for the upgrade of Police residences as part of the Police Accommodation Strategy (\$1.1 million);</li> <li>• the provision of Police services to the Pontville Detention Centre on behalf of the Australian Government (\$1.0 million); and</li> <li>• the expenditure of Australian Government funding for the National Partnership Agreement on Natural Disaster Resilience (\$2.2 million).</li> </ul>

# NET ACQUISITION OF NON-FINANCIAL ASSETS

Net Acquisition of Non-Financial Assets for 2011-12 is estimated to be \$136.6 million, \$108.1 million below the Budget estimate of \$244.7 million. The major variations in the Net Acquisition of Non-Financial Assets are described in Table 8.4.

**Table 8.4: Major Net Acquisition of Non-Financial Assets Variations**

<b>Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Purchases of Non-Financial Assets	\$130.4 million decrease	<p>The decrease in Purchases of Non-Financial Assets primarily reflects:</p> <ul style="list-style-type: none"> <li>revised cash flows for the Royal Hobart Hospital Redevelopment project (\$20.0 million);</li> <li>savings as part of a reduction in the size of the Government's motor vehicle fleet and changes to motor vehicle lease terms (\$10.4 million);</li> <li>a reversal of the Whole-of-Government Capital Expenditure Adjustment from the 2011-12 Budget (\$50.0 million); and</li> <li>revised cash flows for various infrastructure projects.</li> </ul>
Depreciation	\$23.1 million decrease	The decrease in Depreciation primarily reflects a revision of the useful life of Education's Buildings, revised completion estimates of Education's major capital projects, and revised estimates for assets of the Tasmanian Polytechnic and Tasmanian Academy.



# APPENDIX 1 UNIFORM GOVERNMENT REPORTING

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## *Features*

- The budgeted Net Operating Balance for 2012-13 is a deficit of \$283.0 million for the General Government Sector, a surplus of \$227.2 million for the PNFC Sector, a surplus of \$13.3 million for the PFC Sector and a deficit of \$42.5 million for the Total State Sector.
- The budgeted Fiscal Balance for 2012-13 is a deficit of \$428.6 million for the General Government Sector, a deficit of \$53.2 million for the PNFC Sector, a surplus of \$13.2 million for the PFC Sector and a deficit of \$468.6 million for the Total State Sector.
- Over the Forward Estimates period, the General Government Sector Fiscal Balance improves from an estimated deficit of \$428.6 million in 2012-13 to an estimated surplus of \$162.2 million in 2015-16. The General Government Sector cash position improves from an estimated Cash Deficit of \$239.2 million in 2012-13 to an estimated Cash Surplus of \$272.1 million in 2015-16.
- Between 30 June 2012 and 30 June 2013, General Government Net Debt is forecast to deteriorate from negative \$201.8 million to \$134.2 million, PNFC Net Debt is forecast to improve from \$2 694.5 million to \$2 681.4 million, PFC Net Debt is forecast to improve from negative \$1 162.0 million to negative \$1 286.7 million and Total State Sector Net Debt is forecast to increase from \$1 330.8 million to \$1 528.9 million.
- Over the Forward Estimates period, General Government Net Debt improves from negative \$201.8 million at 30 June 2012 to negative \$576.5 million by 30 June 2016, while Total State Sector Net Debt improves from an estimated \$1 330.8 million at 30 June 2012 to an estimated \$841.0 million by 30 June 2016.

# INTRODUCTION

The financial information in this Appendix has been prepared in accordance with the Uniform Presentation Framework (UPF). This Appendix provides Income Statement, Balance Sheet and Cash Flow Statement estimates for the:

- General Government Sector;
- Public Non-Financial Corporations (PNFC) Sector;
- Total Non-Financial Public (TNFP) Sector;
- Public Financial Corporations (PFC) Sector; and
- Total State Sector.

The statements present the 2011-12 Estimated Outcome, the 2012-13 Budget Estimates and Forward Estimates for the period 2013-14 to 2015-16. For taxation information required under the UPF, refer to Chapter 4.

In accordance with the UPF, the final end of year results will be released in the *Treasurer's Annual Financial Report 2011-12*. The Report will be publicly released by no later than 31 October 2012.

## Loan Council Allocation

Under Loan Council arrangements, every year the Australian Government and each state and territory nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated Cash Deficit/(Surplus) of the General Government and PNFC Sectors;
- net cash flows from investments in financial assets for policy purposes; and
- Memorandum Items, which are other financing transactions that are treated as borrowing equivalents for Loan Council purposes.

The Loan Council evaluates LCA nominations by referring to each jurisdiction's fiscal position and the macro-economic implications of the aggregate figure.



Table A1.1 compares Tasmania's 2012-13 LCA approved by the Loan Council in March 2012, with the revised LCA based on 2012-13 Budget estimates.

**Table A1.1: Loan Council Allocation 2012-13**

	2012-13 Nomination	2012-13 Budget Estimate
	\$m	\$m
General Government Cash Deficit/(Surplus)	10.3	239.2
Public Non-Financial Corporations Sector Cash Deficit/(Surplus)	606.5	42.6
<b>Non-Financial Public Sector Cash Deficit/(Surplus)</b>	<b>616.8</b>	<b>281.8</b>
Less Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes	(8.6)	(8.6)
Plus Memorandum Items <sup>1</sup>	36.0	21.2
<b>Loan Council Allocation Deficit/(Surplus)</b>	<b>661.4</b>	<b>311.6</b>
2012-13 Tolerance Limit <sup>2</sup>	168.2	175.8

Notes:

1. Memorandum items include borrowings by local government and the University of Tasmania.
2. The Tolerance Limit is equal to two per cent of Total Non-Financial Public Sector cash receipts from operating activities, and applies from the time that the LCA is approved by the Loan Council until the budgeted LCA is released. The Tolerance Limit will change with each revision to the Budget. 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.

The 2012-13 revised Budget estimate is a deficit of \$311.6 million, an improvement of \$349.8 million which exceeds the Tolerance Limit of \$168.2 million estimated for Tasmania in March 2012. If a jurisdiction is likely to exceed its Tolerance Limit, it must provide an explanation to Loan Council and make that explanation public.

The change of \$349.8 million in the LCA between the 2012-13 nomination and 2012-13 Budget estimate is primarily due to an improvement in the PNFC Sector Cash Deficit of \$563.9 million due to an increase in Sale of Non-Financial Assets, which reflects the construction and divestment of Hydro Tasmania's Mussleroe Wind Farm which is now expected to be completed by 30 June 2013.

The LCA Outcome for 2011-12 will be presented in the *Treasurer's Annual Financial Report 2011-12*.

# GOVERNMENT FINANCIAL ESTIMATES

Tables A1.2 to A1.16 provide details of the Income Statements, Balance Sheets and Cash Flow Statements for the General Government Sector, PNFC Sector, TNFP Sector, PFC Sector and Total State Sector respectively.

**Table A1.2: General Government Income Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Grants	2 854.0	2 876.5	2 951.3	3 146.5	3 269.0
Taxation	882.3	940.9	992.5	1 035.0	1 078.9
Sales of Goods and Services	381.3	313.8	320.8	325.5	327.1
Fines and Regulatory Fees	96.7	106.9	108.3	112.8	113.5
Interest Income	30.3	17.5	15.3	24.8	35.5
Dividend, Tax and Rate Equivalent Income	215.6	233.0	401.1	410.8	310.7
Other Revenue	134.7	142.9	135.7	137.0	137.6
	<b>4 594.9</b>	<b>4 631.5</b>	<b>4 924.9</b>	<b>5 192.4</b>	<b>5 272.3</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	2 031.0	2 026.4	2 055.9	2 095.2	2 124.6
Superannuation	256.5	236.2	232.9	232.8	228.0
Depreciation	241.6	248.1	253.1	255.9	257.2
Supplies and Consumables	1 034.5	1 022.1	1 012.7	1 033.4	1 023.6
Nominal Superannuation Interest Expense	239.4	260.2	270.1	279.2	287.5
Borrowing Costs	14.3	14.1	12.4	11.6	11.1
Grant Expenses	1 020.8	1 070.0	998.6	1 012.2	1 050.7
Other Expenses	45.9	37.4	36.3	31.5	30.1
	<b>4 884.1</b>	<b>4 914.5</b>	<b>4 872.1</b>	<b>4 951.7</b>	<b>5 012.8</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	4.1	(0.2)	1.8	2.3	2.6
Movement in Investments in GBEs and SOCs	57.9	300.5	150.2	34.5	79.2
Movement in Superannuation Liability	341.8	....	....	....	....
Other Gains/(Losses)	90.0	(17.5)	(13.7)	(10.6)	(10.7)
	<b>493.8</b>	<b>282.8</b>	<b>138.4</b>	<b>26.3</b>	<b>71.1</b>
<b>Equals Operating Result</b>	<b>204.6</b>	<b>(0.2)</b>	<b>191.2</b>	<b>267.0</b>	<b>330.6</b>

Table A1.2: General Government Income Statement (continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	250.1	248.8	253.6	261.1	265.3
Other Non-Owner Movements in Equity	(44.6)	(20.7)	(83.6)	(59.8)	(8.1)
	<b>205.4</b>	<b>228.1</b>	<b>170.0</b>	<b>201.3</b>	<b>257.2</b>
<b>Equals Comprehensive Result</b>	<b>410.0</b>	<b>227.9</b>	<b>361.2</b>	<b>468.3</b>	<b>587.8</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchase of Non-Financial Assets	420.6	434.2	369.3	321.1	380.3
Less Sale of Non-Financial Assets	42.3	40.5	28.2	27.3	25.8
Less Depreciation	241.6	248.1	253.1	255.9	257.2
	<b>136.6</b>	<b>145.6</b>	<b>88.0</b>	<b>38.0</b>	<b>97.2</b>
<b>Equals FISCAL BALANCE</b>	<b>(425.7)</b>	<b>(428.6)</b>	<b>(35.2)</b>	<b>202.7</b>	<b>162.2</b>

Table A1.3: General Government Balance Sheet as at 30 June

	2012	2013	2014	2015	2016
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	1 026.5	914.9	774.0	777.7	779.6
Investments	60.2	59.1	54.2	49.3	44.7
Equity Investment in PNFC and PFC Sectors	6 227.4	6 537.9	6 688.1	6 722.7	6 801.9
Other Equity Investments	5.0	8.0	14.0	17.0	20.0
Receivables	195.9	193.1	192.9	192.9	192.9
Other Financial Assets	1 113.0	1 159.0	1 118.8	1 072.0	1 060.7
	<b>8 628.0</b>	<b>8 872.0</b>	<b>8 841.9</b>	<b>8 831.7</b>	<b>8 899.8</b>
<b>Non-Financial Assets</b>					
Land and Buildings	6 120.6	6 355.4	6 544.2	6 710.8	6 905.9
Infrastructure	3 941.6	4 096.3	4 266.3	4 414.5	4 596.5
Plant and Equipment	214.3	210.5	190.7	171.5	153.9
Heritage and Cultural Assets	452.9	464.7	476.6	488.6	500.7
Investment Property	13.1	13.9	14.2	14.5	14.8
Intangibles	31.0	29.5	24.1	21.0	17.9
Assets Held for Sale	26.3	23.5	23.3	22.3	21.3
Other Non-Financial Assets	35.5	36.2	37.0	37.8	38.5
	<b>10 835.3</b>	<b>11 230.0</b>	<b>11 576.4</b>	<b>11 881.0</b>	<b>12 249.4</b>
<b>Total Assets</b>	<b>19 463.3</b>	<b>20 102.1</b>	<b>20 418.4</b>	<b>20 712.7</b>	<b>21 149.2</b>
<b>Liabilities</b>					
Borrowings	884.9	1 108.2	872.7	520.4	247.8
Superannuation	4 801.7	4 977.2	5 144.9	5 300.3	5 433.6
Employee Entitlements	512.4	520.4	532.8	545.9	523.7
Payables	53.4	47.5	48.3	48.3	48.3
Other Liabilities	309.3	319.2	329.0	338.8	349.0
<b>Total Liabilities</b>	<b>6 561.6</b>	<b>6 972.5</b>	<b>6 927.6</b>	<b>6 753.7</b>	<b>6 602.4</b>
<b>NET ASSETS</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>
<b>Equity</b>					
Accumulated Funds	8 950.7	8 929.8	9 037.4	9 244.6	9 567.1
Asset Revaluation Reserve	3 951.0	4 199.8	4 453.3	4 714.4	4 979.7
<b>Total Equity</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>

Table A1.3: General Government Balance Sheet as at 30 June  
(continued)

	2012	2013	2014	2015	2016
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET WORTH <sup>1</sup></b>	12 901.7	13 129.6	13 490.7	13 959.0	14 546.8
<b>NET FINANCIAL WORTH <sup>2</sup></b>	2 066.3	1 899.5	1 914.3	2 078.0	2 297.4
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	4 161.0	4 638.4	4 773.8	4 644.7	4 504.5
<b>NET DEBT <sup>4</sup></b>	(201.8)	134.2	44.5	(306.6)	(576.5)

Notes:

1. Net Worth represents total assets (both financial and non-financial) 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 PNFC and PFC Sectors.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

**Table A1.4: General Government Cash Flow Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Received from Operating Activities</b>					
Grants Received	2 854.0	2 876.5	2 951.3	3 146.5	3 269.0
Taxation	882.3	940.9	992.5	1 035.0	1 078.9
Sales of Goods and Services	381.5	314.3	322.5	330.2	331.8
Fines and Regulatory Fees	95.1	105.6	108.3	112.8	113.5
Interest Received	30.8	18.2	14.7	24.1	35.0
Dividend, Tax and Rate Equivalents	215.6	233.0	401.1	410.8	310.7
Other Receipts	315.2	317.1	311.6	311.7	313.0
	<b>4 774.5</b>	<b>4 805.5</b>	<b>5 102.0</b>	<b>5 371.2</b>	<b>5 452.0</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(2 006.8)	(2 014.2)	(2 040.3)	(2 081.5)	(2 141.7)
Superannuation	(318.5)	(320.1)	(334.4)	(355.7)	(385.8)
Supplies and Consumables	(1 045.9)	(1 029.3)	(1 025.0)	(1 044.8)	(1 035.0)
Borrowing Costs	(14.0)	(13.8)	(11.9)	(11.2)	(10.6)
Grants and Subsidies Paid	(1 020.8)	(1 069.9)	(998.5)	(1 012.1)	(1 050.6)
Other Payments	(214.0)	(203.7)	(205.4)	(202.1)	(201.7)
	<b>(4 620.0)</b>	<b>(4 651.0)</b>	<b>(4 615.5)</b>	<b>(4 707.4)</b>	<b>(4 825.4)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>154.5</b>	<b>154.5</b>	<b>486.6</b>	<b>663.7</b>	<b>626.6</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchase of Non-Financial Assets	(420.6)	(434.2)	(369.3)	(321.1)	(380.3)
Sale of Non-Financial Assets	42.3	40.5	28.2	27.3	25.8
	<b>(378.2)</b>	<b>(393.7)</b>	<b>(341.1)</b>	<b>(293.8)</b>	<b>(354.5)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	(89.5)	(90.1)	(52.9)	(19.1)	(3.0)
Equity Disposals	103.0	....	....	....	....
Net Advances Paid	(7.5)	(5.6)	2.0	5.3	5.2
	<b>6.0</b>	<b>(95.7)</b>	<b>(50.9)</b>	<b>(13.9)</b>	<b>2.2</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(372.1)</b>	<b>(489.4)</b>	<b>(392.0)</b>	<b>(307.7)</b>	<b>(352.3)</b>

Table A1.4: General Government Cash Flow Statement (continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financing Activities</b>					
Net Borrowing	615.8	223.3	(235.5)	(352.3)	(272.3)
	<b>615.8</b>	<b>223.3</b>	<b>(235.5)</b>	<b>(352.3)</b>	<b>(272.3)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>398.1</b>	<b>(111.6)</b>	<b>(140.9)</b>	<b>3.8</b>	<b>1.9</b>
<b>Cash at Beginning of the Year</b>	<b>628.3</b>	<b>1 026.5</b>	<b>914.9</b>	<b>774.0</b>	<b>777.7</b>
<b>Cash at End of the Year</b>	<b>1 026.5</b>	<b>914.9</b>	<b>774.0</b>	<b>777.7</b>	<b>779.6</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	154.5	154.5	486.6	663.7	626.6
Plus Net Cash from Investments in Non-Financial Assets	(378.2)	(393.7)	(341.1)	(293.8)	(354.5)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(223.7)</b>	<b>(239.2)</b>	<b>145.4</b>	<b>369.9</b>	<b>272.1</b>

**Table A1.5: Public Non-Financial Corporations Sector Income Statement**

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>Estimated</b>		<b>Forward</b>	<b>Forward</b>	<b>Forward</b>
	<b>Outcome</b>	<b>Budget</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue from Transactions</b>					
Grants	137.9	146.4	146.2	145.0	143.2
Sales of Goods and Services	3 284.0	3 990.1	4 266.1	4 522.6	4 813.2
Interest Income	9.2	7.2	7.6	8.7	8.8
Other Revenue	61.8	79.8	79.5	83.0	86.6
	<b>3 493.0</b>	<b>4 223.4</b>	<b>4 499.4</b>	<b>4 759.3</b>	<b>5 051.7</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	403.6	395.9	407.5	419.5	430.0
Superannuation	67.3	66.1	68.5	71.0	72.0
Depreciation	364.9	382.2	409.7	428.1	436.9
Supplies and Consumables	2 112.3	2 605.2	2 738.0	3 034.2	3 396.2
Borrowing Costs	225.2	222.1	245.1	265.4	282.3
Dividend, Income Tax and Rate Equivalent Expenses	197.2	235.3	395.8	390.0	293.2
Grant Expenses	31.8	39.1	36.6	38.1	39.6
Other Expenses	48.9	50.2	51.2	52.5	53.7
	<b>3 451.2</b>	<b>3 996.2</b>	<b>4 352.5</b>	<b>4 698.7</b>	<b>5 004.1</b>
<b>Equals NET OPERATING BALANCE</b>	<b>41.8</b>	<b>227.2</b>	<b>146.9</b>	<b>60.6</b>	<b>47.6</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	8.6	10.0	(0.1)	(0.1)	(0.1)
Movement in Superannuation Liability	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Other Gains/(Losses)	(70.3)	(76.5)	(144.6)	(97.7)	(35.9)
	<b>(62.2)</b>	<b>(67.1)</b>	<b>(145.2)</b>	<b>(98.4)</b>	<b>(36.6)</b>
<b>Equals Operating Result</b>	<b>(20.5)</b>	<b>160.1</b>	<b>1.6</b>	<b>(37.8)</b>	<b>11.1</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	106.4	19.9	26.6	20.4	20.3
Other Flows	(7.2)	98.5	91.9	25.6	14.2
	<b>99.2</b>	<b>118.4</b>	<b>118.5</b>	<b>46.0</b>	<b>34.5</b>
<b>Equals Comprehensive Result</b>	<b>78.8</b>	<b>278.6</b>	<b>120.1</b>	<b>8.2</b>	<b>45.5</b>



Table A1.5: Public Non-Financial Corporations Sector Income Statement (continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>41.8</b>	<b>227.2</b>	<b>146.9</b>	<b>60.6</b>	<b>47.6</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchase of Non-Financial Assets	764.3	1 114.9	632.4	552.8	552.0
Less Sale of Non-Financial Assets	332.3	452.4	1.9	1.6	2.2
Less Depreciation	364.9	382.2	409.7	428.1	436.9
	<b>67.1</b>	<b>280.4</b>	<b>220.8</b>	<b>123.0</b>	<b>112.8</b>
<b>Equals FISCAL BALANCE</b>	<b>(25.3)</b>	<b>(53.2)</b>	<b>(73.9)</b>	<b>(62.4)</b>	<b>(65.2)</b>

**Table A1.6: Public Non-Financial Corporations Sector Balance Sheet as at 30 June**

	2012 Estimated Outcome \$m	2013 Budget \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	169.8	133.1	161.4	186.7	206.0
Investments	8.7	6.9	4.4	3.5	2.7
Equity Investments	39.6	73.7	70.6	67.6	102.3
Receivables	434.7	461.0	465.2	473.7	497.4
Other Financial Assets	1 403.3	1 405.5	1 429.8	1 215.8	1 236.8
	<b>2 056.1</b>	<b>2 080.1</b>	<b>2 131.3</b>	<b>1 947.3</b>	<b>2 045.2</b>
<b>Non-Financial Assets</b>					
Land, Buildings and Biological Assets	473.1	476.5	475.7	476.7	475.3
Infrastructure	9 874.2	10 132.6	10 239.0	10 323.3	10 464.1
Plant and Equipment	245.4	306.1	341.1	357.7	354.6
Investment Property	0.6	0.6	0.6	0.6	0.6
Intangibles	130.8	138.9	147.1	151.7	151.8
Assets Held for Sale	0.1	0.1	0.1	0.1	0.1
Other Non-Financial Assets	158.7	162.6	166.2	164.4	166.6
	<b>10 883.0</b>	<b>11 217.3</b>	<b>11 369.7</b>	<b>11 474.5</b>	<b>11 613.0</b>
<b>Total Assets</b>	<b>12 939.1</b>	<b>13 297.5</b>	<b>13 501.0</b>	<b>13 421.7</b>	<b>13 658.2</b>
<b>Liabilities</b>					
Borrowings	2 873.0	2 821.4	2 946.5	3 109.1	3 297.0
Superannuation	646.3	655.2	656.5	650.7	656.1
Employee Entitlements	104.5	112.8	120.1	126.5	128.5
Payables	311.9	332.4	335.2	346.3	359.2
Other Liabilities	3 076.7	3 170.4	3 117.4	2 855.5	2 838.3
<b>Total Liabilities</b>	<b>7 012.4</b>	<b>7 092.3</b>	<b>7 175.7</b>	<b>7 088.2</b>	<b>7 279.1</b>
<b>NET ASSETS</b>	<b>5 926.7</b>	<b>6 205.2</b>	<b>6 325.3</b>	<b>6 333.5</b>	<b>6 379.1</b>
<b>Equity</b>					
Accumulated Funds	1 916.8	2 078.3	2 100.3	2 031.4	2 010.2
Asset Revaluation Reserve	721.5	741.4	767.9	788.3	808.6
Other Equity	3 288.4	3 385.6	3 457.1	3 513.8	3 560.3
<b>Total Equity</b>	<b>5 926.7</b>	<b>6 205.2</b>	<b>6 325.3</b>	<b>6 333.5</b>	<b>6 379.1</b>

Table A1.6: Public Non-Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2012 Estimated Outcome	2013 Budget	2014 Forward Estimate	2015 Forward Estimate	2016 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET WORTH <sup>1</sup></b>	5 926.7	6 205.2	6 325.3	6 333.5	6 379.1
<b>NET FINANCIAL WORTH <sup>2</sup></b>	(4 956.3)	(5 012.1)	(5 044.4)	(5 140.9)	(5 233.9)
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	4 956.3	5 012.1	5 044.4	5 140.9	5 233.9
<b>NET DEBT <sup>4</sup></b>	2 694.5	2 681.4	2 780.7	2 918.9	3 088.3

Notes:

1. Net Worth represents total assets (both financial and non-financial) less total liabilities.
2. Net Financial Worth represents total financial assets less total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the PNFC Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

**Table A1.7: Public Non-Financial Corporations Sector Cash Flow Statement**

	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>Estimated</b>		<b>Forward</b>	<b>Forward</b>	<b>Forward</b>
	<b>Outcome</b>	<b>Budget</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Cash Flows from Operating Activities</b>					
<b>Cash Received from Operating Activities</b>					
Grants Received	152.7	145.5	145.0	144.3	146.2
Sales of Goods and Services	3 320.9	4 008.0	4 305.1	4 547.2	4 802.5
Interest Received	9.9	8.0	7.7	8.7	8.5
Other Receipts	237.0	263.0	259.2	263.0	269.8
	<b>3 720.4</b>	<b>4 424.5</b>	<b>4 717.0</b>	<b>4 963.2</b>	<b>5 227.0</b>
<b>Cash Payments from Operating Activities</b>					
Employee Entitlements	(429.8)	(409.6)	(422.7)	(436.4)	(446.2)
Superannuation	(54.2)	(47.8)	(48.7)	(49.6)	(50.2)
Supplies and Consumables	(2 212.0)	(2 630.0)	(2 880.7)	(3 171.5)	(3 479.5)
Borrowing Costs	(198.7)	(201.6)	(223.7)	(244.0)	(260.4)
Grants and Subsidies Paid	(31.1)	(39.1)	(36.6)	(38.1)	(39.6)
Other Payments	(200.0)	(239.2)	(221.5)	(232.7)	(242.9)
	<b>(3 125.8)</b>	<b>(3 567.3)</b>	<b>(3 833.9)</b>	<b>(4 172.3)</b>	<b>(4 518.7)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>594.6</b>	<b>857.2</b>	<b>883.1</b>	<b>790.9</b>	<b>708.4</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchase of Non-Financial Assets	(764.3)	(1 114.9)	(632.4)	(552.8)	(552.0)
Sale of Non-Financial Assets	332.3	452.4	1.9	1.6	2.2
	<b>(432.0)</b>	<b>(662.5)</b>	<b>(630.5)</b>	<b>(551.1)</b>	<b>(549.7)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	77.8	87.1	46.9	16.1	....
	<b>77.8</b>	<b>87.1</b>	<b>46.9</b>	<b>16.1</b>	<b>....</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>					
	<b>(25.2)</b>	<b>(29.6)</b>	<b>2.5</b>	<b>0.9</b>	<b>(36.7)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(379.4)</b>	<b>(605.0)</b>	<b>(581.1)</b>	<b>(534.1)</b>	<b>(586.5)</b>

Table A1.7: Public Non-Financial Corporations Sector Cash Flow Statement (continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Net Cash Flows from Financing Activities</b>					
Dividends, Tax and Rate Equivalents Paid	(203.3)	(237.3)	(398.9)	(394.2)	(290.5)
Net Borrowing	(44.9)	(51.6)	125.2	162.6	188.0
	<b>(248.2)</b>	<b>(288.9)</b>	<b>(273.7)</b>	<b>(231.6)</b>	<b>(102.5)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(33.0)</b>	<b>(36.7)</b>	<b>28.3</b>	<b>25.3</b>	<b>19.4</b>
<b>Cash at Beginning of the Year</b>	<b>202.8</b>	<b>169.8</b>	<b>133.1</b>	<b>161.4</b>	<b>186.7</b>
<b>Cash at End of the Year</b>	<b>169.8</b>	<b>133.1</b>	<b>161.4</b>	<b>186.7</b>	<b>206.0</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	594.6	857.2	883.1	790.9	708.4
Plus Net Cash Flows from Non-Financial Assets	(432.0)	(662.5)	(630.5)	(551.1)	(549.7)
Plus Dividends, Tax and Rate Equivalents Paid	(203.3)	(237.3)	(398.9)	(394.2)	(290.5)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(40.7)</b>	<b>(42.6)</b>	<b>(146.3)</b>	<b>(154.4)</b>	<b>(131.9)</b>

**Table A1.8: Total Non-Financial Public Sector Income Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Grants	2 854.0	2 876.5	2 951.3	3 146.5	3 269.0
Taxation	833.3	882.6	928.8	966.3	1 005.8
Sales of Goods and Services	3 648.4	4 284.9	4 569.5	4 829.7	5 121.0
Fines and Regulatory Fees	96.7	106.9	108.3	112.8	113.5
Interest Income	39.5	24.7	22.9	33.5	44.2
Dividend, Tax and Rate Equivalent Income	33.0	16.8	25.5	41.7	39.7
Other Revenue	196.6	222.7	215.1	220.0	224.2
	<b>7 701.4</b>	<b>8 415.2</b>	<b>8 821.3</b>	<b>9 350.5</b>	<b>9 817.5</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	2 434.5	2 422.4	2 463.4	2 514.6	2 554.7
Superannuation	323.8	302.3	301.5	303.8	300.0
Depreciation	606.5	630.2	662.8	684.0	694.2
Supplies and Consumables	3 129.9	3 608.4	3 733.4	4 049.2	4 400.6
Nominal Superannuation Interest Expense	239.4	260.2	270.1	279.2	287.5
Borrowing Costs	214.1	201.8	218.4	233.8	246.5
Dividend and Income Tax Equivalent Expenses	14.7	19.2	20.2	20.8	22.2
Grant Expenses	914.7	962.8	889.1	905.2	947.1
Other Expenses	71.2	63.8	62.8	58.6	57.7
	<b>7 948.8</b>	<b>8 471.0</b>	<b>8 621.6</b>	<b>9 049.1</b>	<b>9 510.4</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(247.4)</b>	<b>(55.8)</b>	<b>199.7</b>	<b>301.4</b>	<b>307.1</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	12.7	9.9	1.7	2.2	2.5
Movement in Investments in GBEs and SOCs	(20.9)	22.0	30.1	26.3	33.7
Movement in Superannuation Liability	341.3	(0.6)	(0.6)	(0.6)	(0.6)
Other Gains/(Losses)	19.7	(94.1)	(158.3)	(108.3)	(46.6)
	<b>352.8</b>	<b>(62.8)</b>	<b>(127.0)</b>	<b>(80.4)</b>	<b>(11.0)</b>
<b>Equals Operating Result</b>	<b>105.4</b>	<b>(118.6)</b>	<b>72.7</b>	<b>221.0</b>	<b>296.1</b>

Table A1.8: Total Non-Financial Public Sector Income Statement  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	356.4	268.7	280.1	281.5	285.5
Other Flows	(51.8)	77.9	8.3	(34.2)	6.1
	<b>304.6</b>	<b>346.5</b>	<b>288.5</b>	<b>247.3</b>	<b>291.7</b>
<b>Equals Comprehensive Result</b>	<b>410.0</b>	<b>227.9</b>	<b>361.2</b>	<b>468.3</b>	<b>587.8</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(247.4)</b>	<b>(55.8)</b>	<b>199.7</b>	<b>301.4</b>	<b>307.1</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchase of Non-Financial Assets	1 184.8	1 549.1	1 001.7	873.9	932.3
Less Sale of Non-Financial Assets	374.6	492.9	30.1	28.9	28.1
Less Depreciation	606.5	630.2	662.8	684.0	694.2
	<b>203.7</b>	<b>426.0</b>	<b>308.8</b>	<b>161.0</b>	<b>210.1</b>
<b>Equals FISCAL BALANCE</b>	<b>(451.0)</b>	<b>(481.8)</b>	<b>(109.1)</b>	<b>140.4</b>	<b>97.1</b>

Table A1.9: Total Non-Financial Public Sector Balance Sheet as at 30 June

	2012 Estimated Outcome \$m	2013 Budget \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	1 196.2	1 047.9	935.3	964.4	985.7
Investments	68.9	66.0	58.6	52.8	47.4
Equity Investment in PFC Sector	300.7	332.7	362.8	389.2	422.8
Other Equity Investments	44.6	81.7	84.6	84.7	122.3
Receivables	630.5	654.1	658.0	666.6	690.3
Other Financial Assets	1 134.2	1 136.2	1 150.0	923.8	931.9
	<b>3 375.3</b>	<b>3 318.6</b>	<b>3 249.4</b>	<b>3 081.4</b>	<b>3 200.4</b>
<b>Non-Financial Assets</b>					
Land, Buildings and Biological Assets	6 593.8	6 831.9	7 020.0	7 187.5	7 381.2
Infrastructure	13 815.8	14 228.9	14 505.3	14 737.8	15 060.7
Plant and Equipment	459.7	516.6	531.8	529.2	508.4
Heritage and Cultural Assets	452.9	464.7	476.6	488.6	500.7
Investment Property	13.7	14.5	14.7	15.0	15.3
Intangibles	161.9	168.5	171.2	172.8	169.7
Assets Held for Sale	26.4	23.6	23.3	22.4	21.4
Other Non-Financial Assets	194.2	198.9	203.2	202.2	205.1
	<b>21 718.3</b>	<b>22 447.4</b>	<b>22 946.2</b>	<b>23 355.5</b>	<b>23 862.4</b>
<b>Total Assets</b>	<b>25 093.6</b>	<b>25 766.0</b>	<b>26 195.6</b>	<b>26 436.9</b>	<b>27 062.8</b>
<b>Liabilities</b>					
Borrowings	3 757.9	3 929.5	3 819.1	3 629.4	3 544.8
Superannuation	5 448.0	5 632.4	5 801.4	5 951.1	6 089.7
Employee Entitlements	616.8	633.3	652.9	672.4	652.2
Payables	365.3	379.9	383.5	394.6	407.6
Other Liabilities	2 003.9	2 061.3	2 047.9	1 830.3	1 821.8
<b>Total Liabilities</b>	<b>12 191.9</b>	<b>12 636.4</b>	<b>12 704.9</b>	<b>12 477.9</b>	<b>12 516.0</b>
<b>NET ASSETS</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>



Table A1.9: Total Non-Financial Public Sector Balance Sheet as at 30 June (continued)

	2012	2013	2014	2015	2016
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated Funds	8 229.2	8 188.4	8 269.5	8 456.3	8 758.5
Asset Revaluation Reserve	4 672.5	4 941.1	5 221.3	5 502.7	5 788.3
<b>Total Equity</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>

**KEY FISCAL AGGREGATES**

<b>NET WORTH <sup>1</sup></b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>
<b>NET FINANCIAL WORTH <sup>2</sup></b>	<b>(8 816.6)</b>	<b>(9 317.8)</b>	<b>(9 455.5)</b>	<b>(9 396.5)</b>	<b>(9 315.6)</b>
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	<b>9 117.3</b>	<b>9 650.5</b>	<b>9 818.3</b>	<b>9 785.7</b>	<b>9 738.4</b>
<b>NET DEBT <sup>4</sup></b>	<b>2 492.7</b>	<b>2 815.6</b>	<b>2 825.3</b>	<b>2 612.3</b>	<b>2 511.8</b>

Notes:

1. Net Worth represents total assets (both financial and non-financial) 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 PFC Sector.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

**Table A1.10: Total Non-Financial Public Sector Cash Flow Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Receipts from Operating Activities</b>					
Grants Received	2 868.8	2 875.7	2 950.1	3 145.8	3 272.0
Taxation	833.3	882.6	928.8	966.3	1 005.8
Sales of Goods and Services	3 685.4	4 303.3	4 610.2	4 859.0	5 115.1
Fines and Regulatory Fees	95.1	105.6	108.3	112.8	113.5
Interest Received	40.7	26.3	22.5	32.8	43.6
Dividend, Tax and Rate Equivalents	33.0	16.8	25.5	41.7	39.7
Other Receipts	552.2	580.1	570.8	574.7	582.8
	<b>8 108.4</b>	<b>8 790.3</b>	<b>9 216.1</b>	<b>9 733.1</b>	<b>10 172.5</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(2 436.7)	(2 423.8)	(2 463.0)	(2 517.9)	(2 587.8)
Superannuation	(372.6)	(367.8)	(383.1)	(405.3)	(436.0)
Supplies and Consumables	(3 241.0)	(3 640.3)	(3 888.3)	(4 197.9)	(4 495.2)
Borrowing Costs	(187.2)	(181.0)	(196.6)	(212.0)	(224.1)
Grants and Subsidies Paid	(914.0)	(962.7)	(889.0)	(905.1)	(947.0)
Other Payments	(390.4)	(419.1)	(402.2)	(409.4)	(418.4)
	<b>(7 541.9)</b>	<b>(7 994.8)</b>	<b>(8 222.1)</b>	<b>(8 647.6)</b>	<b>(9 108.6)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>566.5</b>	<b>795.5</b>	<b>994.0</b>	<b>1 085.5</b>	<b>1 063.9</b>
<b>Cash flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchase of Non-Financial Assets	(1 184.8)	(1 549.1)	(1 001.7)	(873.9)	(932.3)
Sale of Non-Financial Assets	374.6	492.9	30.1	28.9	28.1
	<b>(810.2)</b>	<b>(1 056.2)</b>	<b>(971.6)</b>	<b>(844.9)</b>	<b>(904.2)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	(11.7)	(3.0)	(6.0)	(3.0)	(3.0)
Equity Disposals	103.0	....	....	....	....
Net Advances Paid	(7.5)	(5.6)	2.0	5.3	5.2
	<b>83.8</b>	<b>(8.6)</b>	<b>(4.0)</b>	<b>2.3</b>	<b>2.2</b>

Table A1.10: Total Non-Financial Public Sector Cash Flow Statement  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>	(25.2)	(29.6)	2.5	0.9	(36.7)
<b>Net Cash Flows from Investing Activities</b>	(751.5)	(1 094.4)	(973.1)	(841.8)	(938.8)
<b>Net Cash Flows from Financing Activities</b>					
Dividends, Tax and Rate Equivalents Paid	(20.7)	(21.1)	(23.2)	(25.0)	(19.5)
Net Borrowings	570.9	171.7	(110.3)	(189.7)	(84.4)
	<b>550.1</b>	<b>150.6</b>	<b>(133.6)</b>	<b>(214.7)</b>	<b>(103.9)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>365.1</b>	<b>(148.3)</b>	<b>(112.6)</b>	<b>29.1</b>	<b>21.3</b>
<b>Cash at Beginning of the Year</b>	<b>831.1</b>	<b>1 196.2</b>	<b>1 047.9</b>	<b>935.3</b>	<b>964.4</b>
<b>Cash at End of the Year</b>	<b>1 196.2</b>	<b>1 047.9</b>	<b>935.3</b>	<b>964.4</b>	<b>985.7</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	566.5	795.5	994.0	1 085.5	1 063.9
Plus Net Cash Flows from Non-Financial Assets	(810.2)	(1 056.2)	(971.6)	(844.9)	(904.2)
Plus Dividends, Tax and Rate Equivalents Paid	(20.7)	(21.1)	(23.2)	(25.0)	(19.5)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(264.4)</b>	<b>(281.8)</b>	<b>(0.8)</b>	<b>215.5</b>	<b>140.2</b>

**Table A1.11: Public Financial Corporations Sector Income Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Sales of Goods and Services	139.5	142.4	148.9	156.0	163.5
Interest Income	355.8	351.7	353.4	357.5	357.5
Dividend, Tax and Rate Equivalent Income	35.3	49.4	59.3	65.3	71.1
Other Revenue	1.7	2.7	2.7	2.7	2.7
	<b>532.3</b>	<b>546.3</b>	<b>564.2</b>	<b>581.4</b>	<b>594.7</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	4.4	4.5	4.7	4.8	4.9
Superannuation	0.7	0.6	0.6	0.6	0.6
Depreciation	0.4	0.2	0.2	0.2	0.2
Supplies and Consumables	154.3	170.5	173.8	169.1	181.7
Borrowing Costs	337.3	334.8	336.6	337.9	337.6
Dividend and Income Tax Equivalent Expenses	29.6	13.4	22.0	41.1	40.6
Grant Expenses	4.7	4.9	5.1	5.4	5.6
Other Expenses	3.2	4.2	3.5	4.2	4.2
	<b>534.6</b>	<b>533.0</b>	<b>546.4</b>	<b>563.3</b>	<b>575.4</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(2.3)</b>	<b>13.3</b>	<b>17.8</b>	<b>18.1</b>	<b>19.3</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Other Gains/(Losses)	....	31.3	32.6	35.5	39.0
	....	<b>31.3</b>	<b>32.6</b>	<b>35.5</b>	<b>39.0</b>
<b>Equals Operating Result</b>	<b>(2.3)</b>	<b>44.5</b>	<b>50.4</b>	<b>53.7</b>	<b>58.3</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Other Flows	(27.1)	(12.6)	(20.2)	(27.3)	(24.6)
	<b>(27.1)</b>	<b>(12.6)</b>	<b>(20.2)</b>	<b>(27.3)</b>	<b>(24.6)</b>
<b>Equals Comprehensive Result</b>	<b>(29.4)</b>	<b>32.0</b>	<b>30.1</b>	<b>26.3</b>	<b>33.7</b>

Table A1.11: Public Financial Corporations Sector Income Statement  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(2.3)</b>	<b>13.3</b>	<b>17.8</b>	<b>18.1</b>	<b>19.3</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchase of Non-Financial Assets	0.4	0.3	0.2	0.1	0.2
Less Sale of Non-Financial Assets	0.1	0.1	0.1	0.1	0.1
Less Depreciation	0.4	0.2	0.2	0.2	0.2
	<b>(0.1)</b>	<b>0.1</b>	<b>....</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Equals FISCAL BALANCE</b>	<b>(2.2)</b>	<b>13.2</b>	<b>17.8</b>	<b>18.2</b>	<b>19.4</b>

Table A1.12: Public Financial Corporations Sector Balance Sheet as at 30 June

	2012 Estimated Outcome \$m	2013 Budget \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	0.4	0.9	0.9	0.9	0.9
Investments	8 488.2	8 397.7	8 529.3	8 837.2	9 177.6
Receivables	14.5	14.6	14.7	14.8	16.7
Other Financial Assets	36.2	25.2	15.1	6.3	1.3
	<b>8 539.3</b>	<b>8 438.5</b>	<b>8 560.0</b>	<b>8 859.2</b>	<b>9 196.5</b>
<b>Non-Financial Assets</b>					
Plant and Equipment	1.6	1.6	1.5	1.4	1.4
Investment Property	15.3	15.3	15.3	15.3	15.3
Intangible assets	0.1	0.1	....	....	....
Other Non-Financial Assets	8.0	1.6	....	....	....
	<b>24.9</b>	<b>18.5</b>	<b>16.9</b>	<b>16.8</b>	<b>16.7</b>
<b>Total Assets</b>	<b>8 564.2</b>	<b>8 457.0</b>	<b>8 576.9</b>	<b>8 876.0</b>	<b>9 213.2</b>
<b>Liabilities</b>					
Borrowings	7 326.7	7 111.9	7 116.9	7 302.8	7 507.8
Superannuation	3.5	3.6	3.7	3.9	4.0
Employee Entitlements	0.6	1.0	1.0	1.1	1.1
Payables	2.0	2.2	2.2	2.2	2.2
Other Liabilities	930.6	1 005.5	1 090.2	1 176.9	1 275.3
<b>Total Liabilities</b>	<b>8 263.4</b>	<b>8 124.3</b>	<b>8 214.1</b>	<b>8 486.8</b>	<b>8 790.4</b>
<b>NET ASSETS</b>	<b>300.7</b>	<b>332.7</b>	<b>362.8</b>	<b>389.2</b>	<b>422.8</b>
<b>Equity</b>					
Accumulated Funds	262.5	322.7	352.8	379.2	412.8
Other Equity	38.2	10.0	10.0	10.0	10.0
<b>Total Equity</b>	<b>300.7</b>	<b>332.7</b>	<b>362.8</b>	<b>389.2</b>	<b>422.8</b>

Table A1.12: Public Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2012 Estimated Outcome \$m	2013 Budget \$m	2014 Forward Estimate \$m	2015 Forward Estimate \$m	2016 Forward Estimate \$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET WORTH <sup>1</sup></b>	300.7	332.7	362.8	389.2	422.8
<b>NET FINANCIAL WORTH <sup>2</sup></b>	275.9	314.2	346.0	372.4	406.1
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	(275.9)	(314.2)	(346.0)	(372.4)	(406.1)
<b>NET DEBT <sup>4</sup></b>	(1 162.0)	(1 286.7)	(1 413.3)	(1 535.3)	(1 670.7)

Notes:

1. Net Worth represents total assets (both financial and non-financial) less total liabilities.
2. Net Financial Worth represents total financial assets less total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the PFC Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

Table A1.13: Public Financial Corporations Sector Cash Flow Statement

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Received from Operating Activities</b>					
Sales of Goods and Services	154.4	159.4	167.0	175.0	183.4
Interest Received	355.8	351.7	353.4	355.0	355.0
Dividend, Tax and Rate Equivalent Income	39.5	59.3	71.8	85.3	93.0
Other Receipts	4.4	1.6	1.6	1.7	1.7
	<b>554.2</b>	<b>572.0</b>	<b>593.8</b>	<b>617.0</b>	<b>633.1</b>
<b>Cash Payments from Operating Activities</b>					
Employee Entitlements	(4.3)	(4.7)	(4.9)	(5.0)	(5.1)
Superannuation	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Supplies and Consumables	(85.5)	(98.5)	(104.2)	(106.6)	(110.6)
Borrowing Costs	(337.3)	(338.7)	(336.6)	(337.9)	(337.6)
Grants and Subsidies Paid	(4.8)	(5.2)	(5.5)	(5.7)	(6.0)
Other Payments	(12.6)	(9.7)	(13.4)	(13.9)	(14.4)
	<b>(444.8)</b>	<b>(457.2)</b>	<b>(464.9)</b>	<b>(469.5)</b>	<b>(474.0)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>109.3</b>	<b>114.8</b>	<b>128.9</b>	<b>147.5</b>	<b>159.1</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchase of Non-Financial Assets	(0.4)	(0.3)	(0.2)	(0.1)	(0.2)
Sale of Non-Financial Assets	0.1	0.1	0.1	0.1	0.1
	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>	<b>(587.8)</b>	<b>114.1</b>	<b>(111.5)</b>	<b>(292.3)</b>	<b>(323.3)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(588.1)</b>	<b>113.8</b>	<b>(111.6)</b>	<b>(292.3)</b>	<b>(323.4)</b>
<b>Net Cash Flows from Financing Activities</b>					
Dividends and Tax Equivalents Paid	(29.6)	(13.4)	(22.3)	(41.1)	(40.6)
Net Borrowing	507.4	(214.8)	5.0	186.0	205.0
	<b>477.8</b>	<b>(228.1)</b>	<b>(17.4)</b>	<b>144.9</b>	<b>164.3</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(1.0)</b>	<b>0.5</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>Cash at Beginning of the Year</b>	<b>1.4</b>	<b>0.4</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Cash at End of the Year</b>	<b>0.4</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>



Table A1.13: Public Financial Corporations Sector Cash Flow Statement (continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	109.3	114.8	128.9	147.5	159.1
Plus Net Cash Flows from Non-Financial Assets	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)
Plus Dividends and Tax Equivalentents Paid	(29.6)	(13.4)	(22.3)	(41.1)	(40.6)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>79.4</b>	<b>101.2</b>	<b>106.5</b>	<b>106.3</b>	<b>118.4</b>

**Table A1.14: Total State Sector Income Statement**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Grants	2 854.0	2 876.5	2 951.3	3 146.5	3 269.0
Taxation	833.1	882.4	928.6	966.1	1 005.6
Sales of Goods and Services	3 785.2	4 424.6	4 715.5	4 982.9	5 281.6
Fines and Regulatory Fees	96.7	106.9	108.3	112.8	113.5
Interest Income	166.8	175.0	160.0	148.7	135.9
Dividend, Tax and Rate Equivalent Income	38.7	52.9	62.8	65.9	70.1
Other Revenue	198.3	225.4	217.9	222.7	226.9
	<b>7 972.9</b>	<b>8 743.7</b>	<b>9 144.3</b>	<b>9 645.5</b>	<b>10 102.7</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	2 438.9	2 426.9	2 468.1	2 519.4	2 559.5
Superannuation	324.5	302.9	302.1	304.4	300.6
Depreciation	607.0	630.4	663.0	684.1	694.3
Supplies and Consumables	3 281.5	3 776.1	3 904.4	4 215.5	4 579.3
Nominal Superannuation Interest Expense	239.4	260.2	270.1	279.2	287.5
Borrowing Costs	322.9	335.0	338.7	329.4	318.3
Dividend and Income Tax Equivalent Expenses	14.7	19.2	20.2	20.8	22.2
Grant Expenses	919.4	967.7	894.2	910.6	952.7
Other Expenses	74.3	67.8	66.1	62.6	61.7
	<b>8 222.5</b>	<b>8 786.2</b>	<b>8 926.8</b>	<b>9 326.0</b>	<b>9 776.3</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(249.7)</b>	<b>(42.5)</b>	<b>217.5</b>	<b>319.5</b>	<b>326.4</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	12.7	9.9	1.7	2.2	2.5
Movement in Superannuation Liability	341.3	(0.6)	(0.6)	(0.6)	(0.6)
Other Gains/(Losses)	28.2	(62.8)	(125.7)	(72.8)	(7.6)
	<b>382.2</b>	<b>(53.5)</b>	<b>(124.5)</b>	<b>(71.2)</b>	<b>(5.7)</b>
<b>Equals Operating Result</b>	<b>132.5</b>	<b>(96.0)</b>	<b>93.0</b>	<b>248.3</b>	<b>320.7</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	356.4	268.7	280.1	281.5	285.5
Other Flows	(78.9)	55.3	(11.9)	(61.5)	(18.5)
	<b>277.5</b>	<b>323.9</b>	<b>268.2</b>	<b>219.9</b>	<b>267.1</b>
<b>Equals Comprehensive Result</b>	<b>410.0</b>	<b>227.9</b>	<b>361.2</b>	<b>468.3</b>	<b>587.8</b>

Table A1.14: Total State Sector Income Statement (continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(249.7)</b>	<b>(42.5)</b>	<b>217.5</b>	<b>319.5</b>	<b>326.4</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchase of Non-Financial Assets	1 185.2	1 549.5	1 001.9	874.0	932.4
Less Sale of Non-Financial Assets	374.7	493.0	30.2	29.0	28.1
Less Depreciation	607.0	630.4	663.0	684.1	694.3
	<b>203.6</b>	<b>426.1</b>	<b>308.7</b>	<b>160.9</b>	<b>210.0</b>
<b>Equals FISCAL BALANCE</b>	<b>(453.2)</b>	<b>(468.6)</b>	<b>(91.3)</b>	<b>158.6</b>	<b>116.4</b>

Table A1.15: Total State Sector Balance Sheet as at 30 June

	2012 Estimated Outcome	2013 Budget	2014 Forward Estimate	2015 Forward Estimate	2016 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	94.0	110.0	104.0	121.0	116.0
Investments	5 036.7	4 759.1	5 007.0	5 487.7	5 917.8
Other Equity Investments	44.6	81.7	84.6	84.7	122.3
Receivables	645.1	668.7	672.8	681.5	707.1
Other Financial Assets	1 135.4	1 137.4	1 151.2	925.0	933.2
	<b>6 955.8</b>	<b>6 756.9</b>	<b>7 019.7</b>	<b>7 299.9</b>	<b>7 796.3</b>
<b>Non-Financial Assets</b>					
Land, Buildings and Biological Assets	6 593.8	6 831.9	7 020.0	7 187.5	7 381.2
Infrastructure	13 815.8	14 228.9	14 505.3	14 737.8	15 060.7
Plant and Equipment	461.3	518.2	533.3	530.7	509.8
Heritage and Cultural Assets	452.9	464.7	476.6	488.6	500.7
Investment Property	29.0	29.8	30.0	30.3	30.6
Intangibles	161.9	168.5	171.2	172.8	169.7
Assets Held for Sale	26.4	23.6	23.3	22.4	21.4
Other Non-Financial Assets	202.2	200.4	203.2	202.2	205.1
	<b>21 743.1</b>	<b>22 465.9</b>	<b>22 963.1</b>	<b>23 372.3</b>	<b>23 879.1</b>
<b>Total Assets</b>	<b>28 699.0</b>	<b>29 222.8</b>	<b>29 982.7</b>	<b>30 672.1</b>	<b>31 675.4</b>
<b>Liabilities</b>					
Borrowings	6 461.5	6 398.0	6 523.0	6 685.7	6 874.8
Superannuation	5 451.6	5 636.1	5 805.1	5 954.9	6 093.7
Employee Entitlements	617.4	634.3	654.0	673.5	653.2
Payables	367.3	382.2	385.7	396.9	409.8
Other Liabilities	2 899.6	3 042.7	3 124.2	3 002.2	3 097.1
<b>Total Liabilities</b>	<b>15 797.3</b>	<b>16 093.2</b>	<b>16 492.0</b>	<b>16 713.2</b>	<b>17 128.6</b>
<b>NET ASSETS</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>

Table A1.15: Total State Sector Balance Sheet as at 30 June  
(continued)

	2012	2013	2014	2015	2016
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated Funds	8 229.2	8 188.4	8 269.5	8 456.3	8 758.5
Asset Revaluation Reserve	4 672.5	4 941.1	5 221.3	5 502.7	5 788.3
<b>Total Equity</b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>

**KEY FISCAL AGGREGATES**

<b>NET WORTH <sup>1</sup></b>	<b>12 901.7</b>	<b>13 129.6</b>	<b>13 490.7</b>	<b>13 959.0</b>	<b>14 546.8</b>
<b>NET FINANCIAL WORTH <sup>2</sup></b>	<b>(8 841.5)</b>	<b>(9 336.3)</b>	<b>(9 472.3)</b>	<b>(9 413.3)</b>	<b>(9 332.3)</b>
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	<b>8 841.5</b>	<b>9 336.3</b>	<b>9 472.3</b>	<b>9 413.3</b>	<b>9 332.3</b>
<b>NET DEBT <sup>4</sup></b>	<b>1 330.8</b>	<b>1 528.9</b>	<b>1 412.0</b>	<b>1 077.0</b>	<b>841.0</b>

Notes:

1. Net Worth represents total assets (both financial and non-financial) less total liabilities.
2. Net Financial Worth represents total financial assets less total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the Total State Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less the sum of cash and deposits and investments.

Table A1.16: Total State Sector Cash Flow Statement

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Receipts from Operating Activities</b>					
Grants Received	2 868.8	2 875.7	2 950.1	3 145.8	3 272.0
Taxation	833.1	882.4	928.6	966.1	1 005.6
Sales of Goods and Services	3 837.1	4 459.9	4 774.4	5 031.2	5 295.6
Fines and Regulatory Fees	95.1	105.6	108.3	112.8	113.5
Interest Received	193.6	195.7	181.8	168.1	423.6
Dividend, Tax and Rate Equivalents	43.0	62.7	75.3	85.9	92.1
Other Receipts	556.6	581.7	572.4	576.4	584.5
	<b>8 427.3</b>	<b>9 163.8</b>	<b>9 590.9</b>	<b>10 086.2</b>	<b>10 786.9</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(2 441.0)	(2 428.5)	(2 467.9)	(2 522.9)	(2 592.9)
Superannuation	(372.9)	(368.1)	(383.4)	(405.6)	(436.3)
Supplies and Consumables	(3 323.8)	(3 736.1)	(3 989.7)	(4 301.7)	(4 603.0)
Borrowing Costs	(321.6)	(337.5)	(339.1)	(330.1)	(586.7)
Grants and Subsidies Paid	(918.8)	(967.9)	(894.4)	(910.9)	(953.0)
Other Payments	(402.9)	(428.6)	(415.4)	(423.0)	(432.6)
	<b>(7 781.1)</b>	<b>(8 266.8)</b>	<b>(8 489.9)</b>	<b>(8 894.3)</b>	<b>(9 604.5)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>646.2</b>	<b>897.0</b>	<b>1 101.0</b>	<b>1 191.9</b>	<b>1 182.4</b>
<b>Cash flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchase of Non-Financial Assets	(1 185.2)	(1 549.5)	(1 001.9)	(874.0)	(932.4)
Sale of Non-Financial Assets	374.7	493.0	30.2	29.0	28.1
	<b>(810.5)</b>	<b>(1 056.5)</b>	<b>(971.7)</b>	<b>(845.0)</b>	<b>(904.3)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	(11.7)	(3.0)	(6.0)	(3.0)	(3.0)
Equity Disposals	103.0	....	....	....	....
Net Advances Paid	(7.5)	(5.6)	2.0	5.3	5.2
	<b>83.9</b>	<b>(8.6)</b>	<b>(4.0)</b>	<b>2.3</b>	<b>2.2</b>

Table A1.16: Total State Sector Cash Flow Statement (continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>	111.4	268.8	(232.7)	(469.8)	(454.8)
<b>Net Cash Flows from Investing Activities</b>	(615.2)	(796.4)	(1 208.4)	(1 312.6)	(1 357.0)
<b>Net Cash Flows from Financing Activities</b>					
Dividends, Tax and Rate Equivalents Paid	(20.7)	(21.1)	(23.6)	(25.0)	(19.5)
Net Borrowings	(55.5)	(63.5)	125.0	162.7	189.1
	<b>(76.2)</b>	<b>(84.6)</b>	<b>101.4</b>	<b>137.7</b>	<b>169.6</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(45.2)</b>	<b>16.0</b>	<b>(6.0)</b>	<b>17.0</b>	<b>(5.0)</b>
<b>Cash at Beginning of the Year</b>	<b>139.2</b>	<b>94.0</b>	<b>110.0</b>	<b>104.0</b>	<b>121.0</b>
<b>Cash at End of the Year</b>	<b>94.0</b>	<b>110.0</b>	<b>104.0</b>	<b>121.0</b>	<b>116.0</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	646.2	897.0	1 101.0	1 191.9	1 182.4
Plus Net Cash Flows from Non-Financial Assets	(810.5)	(1 056.5)	(971.7)	(845.0)	(904.3)
Plus Dividends, Tax and Rate Equivalents Paid	(20.7)	(21.1)	(23.6)	(25.0)	(19.5)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(185.0)</b>	<b>(180.6)</b>	<b>105.7</b>	<b>321.9</b>	<b>258.6</b>

**Table A1.17: General Government Expenses from Transactions by Purpose**

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
General Public Services	208.1	214.0	217.7	227.4	204.8
Public Order and Safety	435.8	434.4	435.7	439.6	447.4
Education	1 257.6	1 291.7	1 304.5	1 324.6	1 349.7
Health	1 368.3	1 330.5	1 336.2	1 362.2	1 386.1
Social Security and Welfare	356.9	360.5	366.2	375.6	384.6
Housing and Community Amenities	216.5	231.9	219.2	223.9	223.1
Recreation and Culture	169.0	167.2	169.0	170.6	173.9
Fuel and Energy	4.4	1.7	1.6	1.4	1.4
Agriculture, Forestry, Fishing and Hunting	144.9	146.7	99.2	97.8	98.5
Mining and Mineral Resources other than Fuels, Manufacturing and Construction	6.7	6.5	6.2	5.6	5.7
Transport and Communications	254.9	255.8	251.2	245.3	247.6
Other Economic Affairs	136.8	111.4	91.5	92.3	92.6
Nominal Interest on Superannuation	239.4	260.2	270.1	279.2	287.5
Other Purposes	84.7	102.0	103.6	106.0	109.7
	<b>4 884.1</b>	<b>4 914.5</b>	<b>4 872.1</b>	<b>4 951.7</b>	<b>5 012.8</b>

Table A1.17 presents General Government Expenses from Transactions classified by purpose. This is done in accordance with the Government Purpose Classification (GPC), which is based on the Australian Bureau of Statistics classifications used as part of the Government Finance Statistics reporting framework. The GPC provides a standard framework to allocate Government expenditure according to functions. Disclosure of this information can assist users in identifying the resources committed to particular functions and the costs of service delivery that are attributable to those functions.



# APPENDIX 2 POLICY AND PARAMETER STATEMENT

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## *Features*

- The Policy and Parameter Statement reflects changes between the Budget and Forward Estimates reported in the 2011-12 Budget Papers and the 2012-13 Budget Papers.
- Revenue policy decisions will provide additional receipts to the State of \$28.7 million in 2012-13, increasing to \$42.2 million in 2015-16.
- Expense policy decisions show an increase in expenditure of \$109.4 million in 2012-13, decreasing to \$62.3 million in 2015-16. This increase primarily reflects a reduction of the Department of Health and Human Services Budget Savings Strategies Targets and new Budget initiatives, partially offset by Additional Agency Budget Savings Targets.

# INTRODUCTION

The 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 2011-12 Budget Papers and the 2012-13 Budget Papers.

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

## *Policy Variation*

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

## *Parameter Variation*

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

Parameter variations will reflect the impact of increased taxes, grants or other income that do not arise because of a Government decision; and demand and cost variations in agency service delivery, including the provision of indexation. Variations resulting from the rollover of a new Forward Estimate year and changes in accounting policies, such as a change in an agency depreciation policy, or the impact on estimates of a change in an Australian Accounting Standard are classified as parameter variations.

Table A2.1 provides a summary of the policy and parameters changes detailed in Table A2.2 that have impacted on the formulation of the 2012-13 Budget since the preparation of the 2011-12 Budget.

## *Further Information*

The policy and parameter statement included in this Appendix is designed to provide an overview of movements between the publication of the 2011-12 Budget and the preparation of the 2012-13 Budget for revenue, expense and net acquisition of non-financial assets items. Additional information on revenue estimates is provided in Chapter 4 General Government Revenue of this Budget Paper. Detailed information on agency expenditure estimates is included in Chapter 5 General Government Expenses of this Budget Paper and in the relevant agency chapters in Budget Paper No 2 *Government Services*.

Table A2.1: Summary Policy and Parameter Statement

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Forward Estimates (Net Operating Balance) as per the 2011-12 Budget (A)</b>	(113.8)	48.4	(14.5)	1.9	....
<b>Forward Estimates (Fiscal Balance) as per the 2011-12 Budget (B)</b>	(358.5)	(67.5)	(32.3)	(27.5)	....
<b>REVENUE</b>					
Policy Decisions	....	28.7	39.4	40.8	42.2
Parameter Adjustments	(22.9)	(164.4)	136.9	369.3	....
<b>TOTAL REVENUE VARIATIONS (C)</b>	<b>(22.9)</b>	<b>(136.2)</b>	<b>176.5</b>	<b>409.6</b>	<b>....</b>
<b>EXPENSES</b>					
Policy Decisions	105.8	109.4	70.4	60.7	62.3
Parameter Adjustments	46.7	85.8	38.6	109.7	....
<b>TOTAL EXPENSE VARIATIONS (D)</b>	<b>152.5</b>	<b>195.2</b>	<b>109.1</b>	<b>170.6</b>	<b>....</b>
<b>NET OPERATING BALANCE (A+C-D)</b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>
<b>Less NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
<b>Purchases of Non-Financial Assets</b>					
Policy Decisions	....	1.2	2.3	(0.1)	(0.1)
Parameter Adjustments	(130.4)	2.5	29.2	(25.3)	....
	<b>(130.4)</b>	<b>3.7</b>	<b>31.4</b>	<b>(25.4)</b>	<b>....</b>
<b>Less Sales of Non-Financial Assets</b>	<b>0.8</b>	<b>(1.4)</b>	<b>(13.9)</b>	<b>(15.3)</b>	<b>....</b>
<b>Less Depreciation - Total Parameter Adjustments</b>	<b>(23.1)</b>	<b>(24.7)</b>	<b>(24.9)</b>	<b>(18.6)</b>	<b>....</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS VARIATIONS (E)</b>	<b>(108.2)</b>	<b>29.8</b>	<b>70.2</b>	<b>8.6</b>	<b>....</b>
<b>FISCAL BALANCE (B+C-D-E)</b>	<b>(425.7)</b>	<b>(428.6)</b>	<b>(35.1)</b>	<b>202.7</b>	<b>162.2</b>

Note:

1. The 2015-16 parameter adjustments are not reflected in the Table as the 2015-16 Forward Estimate was not published in the 2011-12 Budget. However, policy adjustments are reflected to show their full impact on the Budget and Forward Estimates.

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Forward Estimates (Net Operating Balance) as per the 2011-12 Budget (A)</b>	<b>(113.8)</b>	<b>48.4</b>	<b>(14.5)</b>	<b>1.9</b>	<b>....</b>
<b>Forward Estimates (Fiscal Balance) as per the 2011-12 Budget (B)</b>	<b>(358.5)</b>	<b>(67.5)</b>	<b>(32.3)</b>	<b>(27.5)</b>	<b>....</b>
<b>REVENUE</b>					
<b>Policy Decisions</b>					
<b>Taxation Policy<sup>2</sup></b>					
Conveyances Duty	....	5.6	7.5	7.8	8.1
Insurance Duty	....	9.4	13.1	13.7	14.3
Motor Vehicle Duty	....	6.6	8.8	8.8	8.8
Motor Tax <sup>3</sup>	....	7.1	10.0	10.5	11.0
<b>Total Policy Decisions</b>	<b>....</b>	<b>28.7</b>	<b>39.4</b>	<b>40.8</b>	<b>42.2</b>
<b>Parameter Adjustments</b>					
<b>Taxation</b>					
Casino Tax and Licence Fees	....	1.2	2.9	3.1	....
Duties <sup>4</sup>	(32.1)	(34.6)	(41.4)	(47.6)	....
Guarantee Fees <sup>5</sup>	(1.9)	(10.0)	(9.5)	(7.4)	....
Land Tax	2.0	(1.6)	(1.8)	(1.9)	....
Lottery Tax	0.5	0.5	0.5	0.5	....
Motor Tax	....	1.2	1.5	1.5	....
Payroll Tax <sup>6</sup>	7.7	5.5	8.9	12.5	....
State Fire Commission Receipts	0.2	0.9	1.2	1.5	....
Vehicle Registration Fees	(0.7)	(0.7)	(0.7)	(0.7)	....
<b>Total Taxation</b>	<b>(24.4)</b>	<b>(37.5)</b>	<b>(38.3)</b>	<b>(38.6)</b>	<b>....</b>
<b>Dividend, Tax and Rate Equivalent Income</b>					
<b>Dividend income</b>					
Aurora Energy Pty Ltd <sup>7</sup>	1.2	(10.5)	14.3	8.7	....
Hydro Tasmania <sup>8</sup>	1.4	5.0	75.2	87.0	....
Motor Accidents Insurance Board	(0.6)	(4.6)	(3.6)	(2.1)	....
TOTE Tasmania Pty Ltd <sup>9</sup>	(2.3)	(4.5)	(3.7)	(3.2)	....
Tasmanian Ports Corporation	....	(0.9)	(0.4)	(1.8)	....
Tasmanian Public Finance Corporation	3.0	....	....	....	....
The Public Trustee	....	(0.1)	(0.1)	(0.1)	....
Transend Networks Pty Ltd <sup>10</sup>	3.5	1.9	(7.1)	(11.5)	....
	<b>6.2</b>	<b>(13.7)</b>	<b>74.6</b>	<b>77.0</b>	<b>....</b>

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Income Tax Equivalents</b>					
Aurora Energy Pty Ltd <sup>7</sup>	(18.7)	(12.6)	24.1	13.9	....
Forestry Tasmania <sup>11</sup>	....	10.0	....	....	....
Hydro Tasmania <sup>8</sup>	(3.9)	12.5	73.8	52.1	....
Motor Accidents Insurance Board	(6.0)	(27.5)	(15.5)	(6.6)	....
TOTE Tasmania Pty Ltd	4.9	(3.8)	(3.1)	(2.8)	....
Tasmanian Ports Corporation	(0.2)	(0.8)	(0.3)	(0.4)	....
Tasmanian Public Finance Corporation	0.6	....	....	....	....
The Public Trustee	0.1	....	....	....	....
Transend Networks Pty Ltd <sup>10</sup>	14.1	14.9	2.0	(0.4)	....
	<b>(9.1)</b>	<b>(7.3)</b>	<b>81.0</b>	<b>55.7</b>	<b>....</b>
<b>Rates Equivalent Payments</b>					
Hydro Tasmania	0.3	....	....	....	....
	<b>0.3</b>	<b>....</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>Total Dividend, Tax and Rate Equivalent Income</b>	<b>(2.6)</b>	<b>(21.0)</b>	<b>155.6</b>	<b>132.7</b>	<b>....</b>
<b>Interest Income</b>	<b>4.5</b>	<b>2.9</b>	<b>(2.6)</b>	<b>0.1</b>	<b>....</b>
<b>Australian Government Grants</b>					
<b>General Purpose Payments</b>					
GST Revenue <sup>12</sup>	(83.2)	(144.2)	(15.7)	131.3	....
	<b>(83.2)</b>	<b>(144.2)</b>	<b>(15.7)</b>	<b>131.3</b>	<b>....</b>
<b>National Partnership Payments</b>					
Education	2.9	5.0	(9.7)	16.3	....
Environment <sup>13</sup>	52.6	(2.3)	21.9	27.6	....
Healthcare <sup>14</sup>	27.3	0.9	(1.7)	2.4	....
Housing	....	(1.3)	....	....	....
Infrastructure <sup>15</sup>	6.8	5.9	2.0	35.0	....
Skills and Workforce Development	2.9	(7.8)	8.0	6.4	....
Other Services	(22.4)	6.0	0.3	3.1	....
	<b>70.1</b>	<b>6.2</b>	<b>20.8</b>	<b>90.6</b>	<b>....</b>
<b>Specific Purpose Payments</b>	<b>0.9</b>	<b>1.2</b>	<b>(3.9)</b>	<b>38.8</b>	<b>....</b>
<b>Other<sup>16</sup></b>	<b>11.6</b>	<b>78.8</b>	<b>80.2</b>	<b>71.3</b>	<b>....</b>
<b>Total Australian Government Grants</b>	<b>(0.6)</b>	<b>(58.0)</b>	<b>81.4</b>	<b>332.0</b>	<b>....</b>

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Agency Revenue</b>					
Education	(2.0)	(0.9)	....	1.6	....
Health and Human Services <sup>16,17</sup>	0.9	(152.6)	(157.6)	(163.4)	....
Infrastructure, Energy and Resources	(2.4)	0.5	0.1	1.1	....
Justice <sup>18</sup>	7.1	10.7	11.1	11.5	....
Marine and Safety Tasmania	0.1	0.2	0.1	0.3	....
Office of the Director of Public Prosecutions	....	(0.7)	(0.7)	(0.7)	....
Police and Emergency Management	....	(1.6)	(1.6)	(1.6)	....
Premier and Cabinet	2.2	2.0	1.7	1.6	....
Primary Industries, Parks, Water and Environment	(5.0)	4.6	(3.6)	(2.7)	....
Royal Tasmanian Botanical Gardens	0.4	0.6	0.6	0.7	....
State Fire Commission	(0.5)	(0.4)	(0.5)	(0.6)	....
Tasmanian Health Organisations <sup>17</sup>					
North	....	31.7	33.4	35.8	....
North-West	....	15.4	15.8	16.3	....
South	....	43.2	45.9	46.6	....
Tasmanian Audit Office	0.1	0.3	0.3	0.5	....
Tasmanian Skills Institute	(0.6)	(4.3)	(3.3)	(3.7)	....
Treasury and Finance	(0.2)	0.1	(0.7)	(0.7)	....
<b>Total Agency Revenue</b>	<b>0.1</b>	<b>(51.2)</b>	<b>(59.0)</b>	<b>(57.4)</b>	<b>....</b>
<b>Total Parameter Adjustments</b>	<b>(22.9)</b>	<b>(164.4)</b>	<b>136.9</b>	<b>369.3</b>	<b>....</b>
<b>TOTAL REVENUE VARIATIONS (C)</b>	<b>(22.9)</b>	<b>(136.2)</b>	<b>176.5</b>	<b>409.6</b>	<b>....</b>
<b>EXPENSES</b>					
<b>Policy Decisions</b>					
<b>Additional Agency Budget Savings Targets<sup>19</sup></b>					
Economic Development, Tourism and the					
Arts	....	(1.9)	(3.4)	(4.4)	(4.4)
House of Assembly	....	....	(0.1)	(0.1)	(0.1)
Infrastructure, Energy and Resources	....	(1.0)	(1.7)	(1.9)	(2.0)
Integrity Commission	....	....	(0.1)	(0.1)	(0.1)
Justice	....	(1.2)	(2.4)	(3.6)	(3.7)
Legislative Council	....	....	(0.1)	(0.1)	(0.1)
Legislature-General	....	(0.1)	(0.1)	(0.2)	(0.2)
Ministerial and Parliamentary Support	....	(0.2)	(0.4)	(0.6)	(0.6)

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
Office of the Director of Public Prosecutions	....	(0.1)	(0.1)	(0.2)	(0.2)
Office of the Governor	....	....	(0.1)	(0.1)	(0.1)
Office of the Ombudsman	....	....	....	(0.1)	(0.1)
Premier and Cabinet	....	(0.6)	(1.3)	(1.7)	(1.8)
Primary Industries, Parks, Water and Environment	....	(2.7)	(5.4)	(6.9)	(6.9)
Tasmanian Audit Office	....	....	....	(0.1)	(0.1)
Treasury and Finance	....	(0.6)	(1.2)	(1.6)	(1.6)
<b>Total Additional Agency Budget Savings Targets</b>	....	<b>(8.4)</b>	<b>(16.3)</b>	<b>(21.6)</b>	<b>(21.9)</b>
<b>Other Policy Decisions<sup>20</sup></b>					
<b>Economic Development, Tourism and the Arts</b>					
Grant to University of Tasmania for Domain House	3.5	....	....	....	....
Hospitality Industry Training and Development	....	0.1	0.1	....	....
Major Events Funding	....	0.3	0.8	2.0	2.0
Sirrolli Enterprises Facilitation	....	0.5	0.5	....	....
Small Business On-Line Retail Innovation	....	0.1	0.1	0.1	....
Tasmanian Forests Intergovernmental Agreement	16.0	....	....	....	....
Tasmanian Government Innovation and Investment Fund	....	5.0	....	....	....
<b>Finance-General</b>					
Electricity Supply Industry and Forestry Tasmania Reform	....	1.5	1.5	1.5	....
Forestry Tasmania	....	35.0	25.0	25.0	25.0
Tasmanian Forests Intergovernmental Agreement	49.5	7.2	7.4	7.6	7.8
<b>Health and Human Services</b>					
Additional Funding for Health	25.0	....	....	....	....
Budget Savings Relief	....	27.3	33.1	30.0	30.0
Endoscopies and Elective Procedures	....	4.0	....	....	....
Energy Efficiency for Housing Tasmania Low Income Tenants	....	1.0	....	....	....

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Health and Human Services (continued)</b>					
Social and Community Service Workers	....	3.0	6.0	9.0	12.0
<b>Infrastructure, Energy and Resources</b>					
North West Cycleways - Feasibility Study	....	0.1	....	....	....
Passenger Transport Innovation Program	....	1.0	....	....	....
Tasmanian Forests Intergovernmental Agreement	0.5	15.0	....	....	....
<b>Justice</b>					
Asbestos Compensation Fund	9.0	6.6	6.8	7.0	7.3
Prison Services - Cost Pressures	2.0	2.0	2.0	....	....
<b>Premier and Cabinet</b>					
Aboriginal Land Council of Tasmania	....	0.1	0.1	0.1	0.1
Cost of Living	....	3.0	2.0	....	....
Support for Council On The Ageing	....	0.1	0.1	0.1	0.1
Trade Opportunities - Asia	....	0.1	....	....	....
<b>Primary Industries, Parks, Water and Environment</b>					
Coastal Protection Framework	....	0.2	....	....	....
Intensive Animal Farming Industry Development	....	1.5	1.0	....	....
Plastic Bag Ban - Implementation	....	0.7	....	....	....
Spatial Information Foundations project	0.3	2.4	0.3	....	....
<b>Total Other Policy Decisions</b>	<b>105.8</b>	<b>117.8</b>	<b>86.8</b>	<b>82.4</b>	<b>84.3</b>
<b>Total Policy Decisions</b>	<b>105.8</b>	<b>109.4</b>	<b>70.4</b>	<b>60.7</b>	<b>62.3</b>
<b>Parameter Adjustments</b>					
<b>Depreciation<sup>21</sup></b>	<b>(23.1)</b>	<b>(24.7)</b>	<b>(24.9)</b>	<b>(18.6)</b>	<b>....</b>
<b>Nominal Superannuation Interest Expense<sup>22</sup></b>	<b>10.6</b>	<b>29.9</b>	<b>47.0</b>	<b>56.1</b>	<b>....</b>
<b>Borrowing Costs</b>	<b>(0.2)</b>	<b>0.9</b>	<b>0.2</b>	<b>(0.4)</b>	<b>....</b>



Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>Agency Expenditure</b>					
Economic Development, Tourism and the Arts	2.2	(0.9)	(0.6)	....	....
Education <sup>23</sup>	(3.9)	20.1	34.1	39.3	....
Finance-General <sup>24</sup>	5.1	28.8	(14.1)	(0.5)	....
Health and Human Services <sup>17</sup>	37.0	(990.8)	(1 015.0)	(991.5)	....
Infrastructure, Energy and Resources	(3.0)	6.8	(1.2)	0.1	....
Inland Fisheries Service	0.4	0.4	....	....	....
Integrity Commission	(0.1)	....	....	....	....
Justice <sup>18</sup>	9.6	10.8	11.2	11.8	....
Legislative Council	0.1	0.1	0.1	0.1	....
Marine <i>and</i> Safety Tasmania	1.7	0.4	0.4	0.4	....
Ministerial and Parliamentary Support	0.7	1.0	1.0	1.0	....
Office of the Director of Public Prosecutions	(0.3)	1.0	1.1	1.3	....
Office of the Ombudsman	0.1	....	....	....	....
Police and Emergency Management	4.6	(1.4)	(1.6)	(1.8)	....
Premier and Cabinet	0.4	(1.6)	(0.6)	(0.9)	....
Primary Industries, Parks, Water and Environment	(0.9)	2.4	(2.9)	(1.2)	....
Royal Tasmanian Botanical Gardens	0.5	0.6	0.6	0.6	....
State Fire Commission	0.6	1.5	0.9	0.4	....
Tasmanian Audit Office	0.1	0.1	0.2	0.2	....
Tasmanian Health Organisations <sup>17</sup>					
North	....	320.6	328.7	332.2	....
North West	....	212.8	211.7	215.7	....
South	....	480.5	479.6	490.0	....
Tasmanian Skills Institute	4.3	(4.4)	(5.4)	(5.6)	....
Treasury and Finance	(0.4)	0.2	(1.1)	(0.7)	....
Other	0.6	(9.3)	(11.0)	(18.2)	....
<b>Total Agency Expenditure</b>	<b>59.3</b>	<b>79.6</b>	<b>16.2</b>	<b>72.6</b>	<b>....</b>
<b>Total Parameter Adjustments</b>	<b>46.7</b>	<b>85.8</b>	<b>38.6</b>	<b>109.7</b>	<b>....</b>
<b>TOTAL EXPENSE VARIATIONS (D)</b>	<b>152.5</b>	<b>195.2</b>	<b>109.1</b>	<b>170.6</b>	<b>....</b>
<b>NET OPERATING BALANCE<sup>25</sup></b>	<b>(289.2)</b>	<b>(283.0)</b>	<b>52.8</b>	<b>240.7</b>	<b>259.5</b>

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome \$m	2012-13 Budget \$m	2013-14 Forward Estimate \$m	2014-15 Forward Estimate \$m	2015-16 Forward Estimate \$m
<b>less NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS</b>					
<b>Purchases of Non-Financial Assets from Transactions</b>					
<b>Policy Decisions</b>					
<b>Additional Agency Budget Savings Targets<sup>19</sup></b>					
Infrastructure, Energy and Resources	....	....	....	(0.1)	(0.1)
<b>Other Policy Decisions</b>					
<b>Education</b>					
School Transition Fund	....	1.2	2.3	....	....
<b>Total Policy Decisions</b>	<b>....</b>	<b>1.2</b>	<b>2.3</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Parameter Adjustments</b>					
Economic Development, Tourism and the Arts					
Arts	1.0	0.1	....	....	....
Education					
Education	0.6	13.8	(1.5)	....	....
Finance-General <sup>26</sup>					
Finance-General <sup>26</sup>	(10.4)	(1.3)	(18.1)	(16.9)	....
Health and Human Services <sup>27</sup>					
Health and Human Services <sup>27</sup>	(68.4)	26.7	26.5	(28.7)	....
Infrastructure, Energy and Resources <sup>28</sup>					
Infrastructure, Energy and Resources <sup>28</sup>	0.7	(20.5)	7.3	12.4	....
Inland Fisheries Service					
Inland Fisheries Service	2.0	0.5	....	....	....
Justice					
Justice	(1.2)	2.0	....	....	....
Marine and Safety Tasmania					
Marine and Safety Tasmania	0.7	....	....	....	....
Police and Emergency Management					
Police and Emergency Management	(6.6)	7.1	....	....	....
Premier and Cabinet					
Premier and Cabinet	2.3	0.2	0.3	(0.3)	....
Primary Industries, Parks, Water and Environment					
Environment	(4.9)	(0.9)	6.8	....	....
State Fire Commission					
State Fire Commission	3.6	(0.1)	(0.1)	....	....
Tasmanian Audit Office					
Tasmanian Audit Office	....	0.1	....	0.1	....
Tasmanian Health Organisations					
North					
North	....	0.8	0.8	0.8	....
North West					
North West	....	4.0	0.5	0.5	....
South					
South	....	1.6	1.6	1.7	....

Table A2.2: Policy and Parameter Statement 2011-12 to 2015-16  
(continued)

	2011-12 Estimated Outcome	2012-13 Budget	2013-14 Forward Estimate	2014-15 Forward Estimate	2015-16 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Parameter Adjustments (continued)</b>					
Treasury and Finance	0.2	....	....	....	....
Provision for Future Infrastructure Investment Drawdown <sup>29</sup>	....	(31.5)	5.0	(30.0)	....
Estimated Future Australian Government Roads Funding <sup>15</sup>	....	....	....	35.0	....
Whole-of-Government Capital Adjustment <sup>30</sup>	(50.0)	....	....	....	....
<b>Total Parameter Adjustments</b>	<b>(130.4)</b>	<b>2.5</b>	<b>29.2</b>	<b>(25.3)</b>	<b>....</b>
<b>TOTAL PURCHASES OF NON-FINANCIAL ASSETS (E)</b>					
	<b>(130.4)</b>	<b>3.7</b>	<b>31.4</b>	<b>(25.4)</b>	<b>....</b>
<b>Less Sales of Non-Financial Assets from Transactions (F)</b>					
	<b>0.8</b>	<b>(1.4)</b>	<b>(13.9)</b>	<b>(15.3)</b>	<b>....</b>
<b>Less Depreciation - Total Parameter Adjustments (G)</b>					
	<b>(23.1)</b>	<b>(24.7)</b>	<b>(24.9)</b>	<b>(18.6)</b>	<b>....</b>
<b>TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS VARIANCE (H)<sup>31</sup></b>					
	<b>(108.2)</b>	<b>29.8</b>	<b>70.2</b>	<b>8.6</b>	<b>....</b>
<b>FISCAL BALANCE<sup>32</sup></b>					
	<b>(425.7)</b>	<b>(428.6)</b>	<b>(35.1)</b>	<b>202.7</b>	<b>162.2</b>

Notes:

1. The 2015-16 parameter adjustments are not reflected in the Table as the 2015-16 Forward Estimate was not published in the 2011-12 Budget. However, policy adjustments are reflected to show their full impact on the Budget and Forward Estimates.
2. For further information on Taxation Policy decisions refer to Chapter 4 General Government Revenue of this Budget Paper.
3. The increase in Motor Tax reflects the policy decision to increase motor tax on light vehicles by 20 per cent. The change in motor tax rates for heavy vehicles in accordance with the National Transport Commission rates is included as a parameter adjustment to Motor Tax.
4. The decrease in Duties primarily reflects a reduction in duty from conveyances due to lower than anticipated activity in the property market.
5. The decrease in Guarantee Fees primarily reflects lower borrowings anticipated by Government businesses, particularly the State-owned Energy Businesses.
6. The increase in Payroll Tax primarily reflects higher than anticipated year-to-date receipts and continued growth in employment levels and average weekly earnings by those employers that are required to pay Payroll tax.
7. The change in returns from Aurora Energy Pty Ltd reflects general changes in the operational environment, offset by a decrease in revenue arising from the change in methodology for pricing of non-contestable electricity customers.
8. The increase in returns from Hydro Tasmania primarily reflects additional revenue relating to the implementation of the Australian Government Carbon Tax from 1 July 2012, offset by a decrease in revenue arising from the change in methodology for pricing of non-contestable electricity customers and changes in the operational environment.
9. The decrease in returns for TOTE Tasmania reflects the removal of estimates included in the 2011-12 Budget following the sale of the business.

10. The decrease in returns for Transend Networks primarily reflects general changes in the operational environment and the change in methodology for pricing of non-contestable electricity customers.
11. The increase in Income Tax Equivalents for Forestry Tasmania in 2012-13 reflects the sale of the softwood joint venture. This receipt is returned to Forestry Tasmania as an equity injection to assist the business to retire debt and manage its declining operating revenues.
12. The movement in GST receipts reflects estimates and assumptions regarding the size of the GST pool and Tasmania's GST relativity. For more information on GST receipts refer to Chapter 4 General Government Revenue of this Budget Paper.
13. The movement in Environment primarily reflects funding received for the Tasmanian Forests Agreement and revised cash flows for the Water for the Future program.
14. The movement in Healthcare primarily reflects revised cash flows for a range of Australian Government funded health programs.
15. The increase in Infrastructure in 2014-15 reflects an estimate of additional roads funding the State will receive from the Australian Government when Roads Program renegotiations are finalised.
16. The increase in Other from 2012-13 and corresponding decrease in Health and Human Services Agency Revenue reflects the reclassification of revenue received from the Australian Government for the Mersey Hospital from Sales of Goods and Services to Australian Government Grants.
17. The changes in Health and Human Services and Tasmanian Health Organisations (THOs) primarily reflect the recognition of operational revenue and expenditure by the relevant THO and the removal of estimates from the Department.
18. The increase in Justice primarily reflects revised revenue and expense estimates for the WorkCover Board and the inclusion of revenue and expenses for the Asbestos Compensation Board as part of the Department's estimates.
19. For more information on the Additional Agency Budget Savings Targets refer to Chapter 5 General Government Expenses of this Budget Paper.
20. For further information on Other Policy Decisions refer to Chapter 5 General Government Expenses of this Budget Paper.
21. The decrease in Depreciation primarily reflects revisions of the useful lives of the Department of Education's buildings following independent advice from the Department's property valuer.
22. The increase in Nominal Superannuation Interest Expense reflects a revised actuarial projection of the State's superannuation liability.
23. The increase in Education from 2012-13 primarily reflects: additional expenditure by State and Australian Governments for the Non-Government School Grants; revised cashflows for the Australian Government's Productivity Places program; and the inclusion of the new Building Australia's Future Workforce – Vocational Education Australian Government funded program.
24. The movement in Finance-General primarily reflects superannuation expenses arising from a revised projection of the State's superannuation liability.
25. Net Operating Balance is equal to  $A + C - D$ .
26. The decrease in Finance-General primarily reflects the impact of savings achieved as a result of the Government's revised Motor Vehicle Fleet policy.
27. The movement in Health and Human Services primarily reflects revised cash flows for major capital projects, including the Royal Hobart Hospital Redevelopment and Special Capital Investment Fund projects.
28. The movement in Infrastructure, Energy and Resources reflects revised cash flows for the State and Australian Government funded components of the Roads Program.
29. The movement in the Provision for Future Infrastructure Investment primarily reflects revised cashflows of the State's contribution to the Royal Hobart Hospital Redevelopment and the amortisation of the provision as funds are allocated to specific projects.
30. The movement in the Whole-of-Government capital adjustment reflects reduction of this provision since the 2011-12 Budget.
31. Net Acquisition/(Disposal) of Non-Financial Assets is equal to  $E - F - G$ .
32. Fiscal Balance is equal to  $B + C - D - H$ .

# APPENDIX 3 CONSOLIDATED FUND ESTIMATES

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## *Features*

- In 2011-12, the Consolidated Fund Estimated Outcome is a \$165.3 million deficit, compared to the 2011-12 Budget estimate of a \$169.6 million deficit.
- Total receipts are estimated to be \$4 300.0 million in 2011-12, an increase of \$23.5 million or 0.5 per cent on the 2011-12 Budget estimate of \$4 276.5 million.
- Expenditure in 2011-12 is estimated to be \$4 465.3 million, an increase of \$19.1 million or 0.4 per cent on the 2011-12 Budget estimate of \$4 446.2 million.
- In 2012-13, it is estimated that the Consolidated Fund Outcome will be a \$163.5 million deficit.
- Total Consolidated Fund receipts are estimated to be \$3 731.4 million in 2012-13, a decrease of \$545.1 million on 2011-12 budgeted receipts of \$4 276.5 million. Over the Forward Estimates period, Consolidated Fund receipts will be \$4 098.0 million in 2013-14, \$4 389.6 million in 2014-15, and \$4 478.1 million in 2015-16.
- Consolidated Fund expenditure is estimated to be \$3 894.9 million in 2012-13, a decrease of \$551.3 million or 12.4 per cent on 2011-12 budgeted expenditure of \$4 446.2 million. Over the Forward Estimates period, Consolidated Fund expenditure will be \$3 862.3 million in 2013-14, \$4 037.4 million in 2014-15, and \$4 142.1 million in 2015-16.
- Consolidated Fund Outcome projections for 2013-14 to 2015-16 on a same policy basis are:
  - 2013-14: \$235.7 million surplus;
  - 2014-15: \$352.2 million surplus; and
  - 2015-16: \$336.0 million surplus.

# INTRODUCTION

This Appendix provides information on the 2011-12 Consolidated Fund Estimated Outcome, the 2012-13 Consolidated Fund Budget Estimates and the Consolidated Fund Forward Estimates for the years 2013-14 to 2015-16. The information in this Appendix has been prepared on a cash basis, representing receipts into, and payments from, the Consolidated Fund.

The 2011-12 Consolidated Fund Estimated Outcome has been based on agency assessments of their indicative funding requirements or potential savings, using the latest available information prior to the finalisation of the 2012-13 Budget Papers. Estimates are determined using information from a number of sources including the latest advice from the Australian Government, Government Business Enterprises, State-owned Companies and agencies.

Detailed information on the final Consolidated Fund Outcome for 2011-12 will be published in:

- the Preliminary Outcomes Report, which will be published by 15 August 2012;
- the Treasurer's Annual Financial Report, which will be tabled in Parliament by 31 October 2012; and
- agency Annual Reports, which will be tabled in Parliament by 31 October 2012.

# CONSOLIDATED FUND ESTIMATED OUTCOME, 2011-12

Table A3.1 details the Consolidated Fund Estimated Outcome for 2011-12 and expected variances from the 2011-12 Budget estimates by receipt and expenditure categories.

Table A3.1: Consolidated Fund 2011-12 Estimated Outcome

	2011-12 Budget	2011-12 Estimated Outcome	Variation
	\$m	\$m	\$m
<b>Receipts</b>			
<b>Recurrent Receipts</b>			
<b>Australian Government Sources</b>			
General Purpose Payments <sup>1</sup>	1 743.0	1 659.8	(83.2)
Specific Purpose Payments	645.0	645.9	0.9
National Partnership Payments	407.1	411.1	4.0
Other Grants and Subsidies	52.5	62.3	9.8
	<b>2 847.6</b>	<b>2 779.1</b>	<b>(68.5)</b>
<b>State Sources</b>			
Taxation <sup>2</sup>	914.2	894.4	(19.8)
Receipts from Government Businesses	245.6	241.0	(4.6)
Departmental Fees and Recoveries	93.1	86.8	(6.3)
Recoveries of State Debt Charges	0.8	0.9	0.1
Sale and Rent of Government Property	6.4	10.9	4.5
Resource Rents and Royalties	51.8	51.5	(0.3)
Other Recurrent Receipts	116.9	132.2	15.3
	<b>1 428.8</b>	<b>1 417.7</b>	<b>(11.1)</b>
<b>Total Recurrent Receipts</b>	<b>4 276.3</b>	<b>4 196.8</b>	<b>(79.5)</b>
<b>Capital Receipts</b>			
State Sources <sup>3</sup>	0.2	103.2	103.0
	<b>0.2</b>	<b>103.2</b>	<b>103.0</b>
<b>Total Receipts</b>	<b>4 276.5</b>	<b>4 300.0</b>	<b>23.5</b>

Table A3.1: Consolidated Fund 2011-12 Estimated Outcome  
(continued)

	2011-12 Budget	2011-12 Estimated Outcome	Variation
	\$m	\$m	\$m
<b>Less Expenditure</b>			
<b>Recurrent Services</b>			
Appropriation Act <sup>4</sup>	3 926.9	3 993.1	66.2
Reserved by Law <sup>5</sup>	157.2	144.8	(12.4)
	<b>4 084.2</b>	<b>4 137.9</b>	<b>53.7</b>
<b>Works and Services</b>			
Capital Investment Program <sup>6</sup>	335.1	300.5	(34.6)
Hospitals Capital Fund	26.9	26.9	....
	<b>362.0</b>	<b>327.4</b>	<b>(34.6)</b>
<b>Total Expenditure</b>	<b>4 446.2</b>	<b>4 465.3</b>	<b>19.1</b>
<b>Consolidated Fund Surplus</b>	<b>(169.6)</b>	<b>(165.3)</b>	<b>4.3</b>

Notes:

1. The decrease in General Purpose Payments reflects an estimated reduction in Tasmania's share of GST revenue and the pool of GST revenue.
2. The decrease in Taxation reflects a decrease in Duties receipts; this decrease is partially offset by an increase in Payroll tax receipts.
3. The increase in Capital Receipts from State Sources reflects the proceeds from the sale of TOTE Tasmania Pty Ltd.
4. The increase in Appropriation Act expenditure reflects an increase in agency expenses. For more information in regard to additional expenditure by agencies, refer to Chapter 8 Estimated Outcome of this Budget Paper.
5. The decrease in Reserved by Law expenditure reflects a drawdown of the Treasurer's Reserve.
6. The decrease in Capital Investment Program expenditure primarily reflects revised cash flows for the Royal Hobart Hospital redevelopment.



# EXPENDITURE

Table A3.2: Consolidated Fund - Revised Expenditure by Agency, 2011-12

Agency	2011-12 Estimated Outcome					Total	Variation
	2011-12	Recurrent	Reserved	Works and			
	Budget	Services	by Law	Services			
	\$m	\$m	\$m	\$m	\$m	\$m	
	(a)				(b)	(b-a)	
Economic Development, Tourism and the Arts	100.9	104.4	....	....	104.4	3.5	
Education <sup>1</sup>	1 226.5	1 168.4	....	76.1	1 244.5	18.0	
Finance-General	433.7	288.9	118.8	26.9	434.6	0.9	
Health and Human Services <sup>2</sup>	1 626.2	1 575.0	....	75.5	1 650.6	24.4	
House of Assembly	7.5	2.3	5.2	....	7.5	....	
Infrastructure, Energy and Resources	381.5	234.1	0.1	140.6	374.7	(6.8)	
Integrity Commission	3.3	3.2	....	....	3.2	(0.1)	
Justice	131.6	119.2	9.8	1.5	130.5	(1.1)	
Legislative Council	6.2	3.4	2.9	....	6.3	0.1	
Legislature-General	5.7	5.7	....	....	5.7	....	
Ministerial and Parliamentary Support	19.0	19.0	0.7	....	19.8	0.8	
Office of the Director of Public Prosecutions	6.4	5.6	0.5	....	6.1	(0.3)	
Office of the Governor	3.3	2.8	0.5	....	3.3	....	
Office of the Ombudsman	2.1	2.2	....	....	2.2	0.1	
Police and Emergency Management	195.7	190.7	....	2.8	193.5	(2.2)	
Premier and Cabinet	57.4	52.7	5.8	0.3	58.7	1.3	
Primary Industries, Parks, Water and Environment <sup>3</sup>	196.4	172.8	....	3.8	176.6	(19.8)	
Tasmanian Audit Office	2.6	2.1	0.5	....	2.6	....	
Treasury and Finance	40.3	40.6	....	....	40.6	0.3	
<b>TOTAL EXPENDITURE</b>	<b>4 446.2</b>	<b>3 993.1</b>	<b>144.8</b>	<b>327.4</b>	<b>4 465.3</b>	<b>19.1</b>	

Notes:

1. The increase in Education primarily reflects the expenditure of additional Australian Government funding.
2. The increase in Health and Human Services primarily reflects additional funding provided to meet cost pressures.
3. The decrease in Primary Industries, Parks, Water and Environment reflects revised cash flows for Water for the Future Projects and the Three Capes Track.

For more information on expenditure variations from the 2011-12 Budget, refer to Chapter 8 Estimated Outcome of this Budget Paper.

# CONSOLIDATED FUND 2012-13 BUDGET AND FORWARD ESTIMATES

Table A3.3 provides a summary of the Consolidated Fund Budget for 2012-13 and the Forward Estimates period.

**Table A3.3: Consolidated Fund Forward Estimates**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Receipts<sup>1</sup></b>					
<b>Recurrent Receipts</b>					
<b>Australian Government Sources</b>					
General Purpose Payments	1 743.0	1 700.8	1 849.4	2 059.3	2 147.5
Specific Purpose Payments	645.0	400.2	407.2	421.2	425.0
National Partnership Payments	407.1	124.5	111.9	115.0	118.2
Other Grants and Subsidies	52.5	3.6	2.3	2.3	2.3
	<b>2 847.6</b>	<b>2 229.1</b>	<b>2 370.8</b>	<b>2 597.8</b>	<b>2 693.0</b>
<b>State Sources</b>					
Taxation	914.2	942.3	987.3	1 025.7	1 064.6
Receipts from Government Businesses	245.6	267.5	440.3	454.1	357.6
Departmental Fees and Recoveries	93.1	87.8	90.5	95.7	97.9
Recoveries of State Debt Charges	0.8	3.8	7.2	7.3	7.3
Sale and Rent of Government Property	6.4	5.4	6.5	5.0	5.0
Resource Rents and Royalties	51.8	59.3	59.4	57.8	57.7
Other Recurrent Receipts	116.9	135.9	135.6	146.2	194.8
	<b>1 428.8</b>	<b>1 502.0</b>	<b>1 726.8</b>	<b>1 791.8</b>	<b>1 784.9</b>
<b>Total Recurrent Receipts</b>	<b>4 276.3</b>	<b>3 731.1</b>	<b>4 097.7</b>	<b>4 389.4</b>	<b>4 477.9</b>
<b>Capital Receipts</b>					
Australian Government Sources	....	....	....	....	....
State Sources	0.2	0.2	0.3	0.2	0.2
	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>
<b>Total Receipts</b>	<b>4 276.5</b>	<b>3 731.4</b>	<b>4 098.0</b>	<b>4 389.6</b>	<b>4 478.1</b>

Table A3.3: Consolidated Fund Forward Estimates (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Less Expenditure<sup>2</sup></b>					
<b>Recurrent Services</b>					
Appropriation Act	3 926.9	3 452.6	3 429.3	3 503.7	3 599.9
Reserved by Law	157.2	255.8	273.9	291.4	317.1
	<b>4 084.2</b>	<b>3 708.4</b>	<b>3 703.2</b>	<b>3 795.1</b>	<b>3 916.9</b>
<b>Works and Services</b>					
Capital Investment Program	335.1	171.4	159.0	242.3	225.2
Hospitals Capital Fund	26.9	15.0	....	....	....
	<b>362.0</b>	<b>186.4</b>	<b>159.0</b>	<b>242.3</b>	<b>225.2</b>
<b>Total Expenditure</b>	<b>4 446.2</b>	<b>3 894.9</b>	<b>3 862.3</b>	<b>4 037.4</b>	<b>4 142.1</b>
<b>Consolidated Fund Surplus/(Deficit)</b>	<b>(169.6)</b>	<b>(163.5)</b>	<b>235.7</b>	<b>352.2</b>	<b>336.0</b>

Notes:

1. Refer to Chapter 4 General Government Revenue of this Budget Paper for more information on estimated Receipts.
2. Refer to Chapter 5 General Government Expenses of this Budget Paper for more information on estimated Expenditure.

# EXPENDITURE

Table A3.4 details Consolidated Fund Expenditure by Agency for the 2011-12 Budget. Table A3.5 details Consolidated Fund Expenditure by Agency over the Forward Estimates period.

**Table A3.4: Consolidated Fund Expenditure by Agency, 2012-13<sup>1</sup>**

Agency	2012-13 Budget				Total	Variation
	2011-12	Recurrent	Reserved	Works and		
	Budget	Services	by Law	Services		
	\$m	\$m	\$m	\$m	\$m	\$m
	(a)				(b)	(b-a)
Economic Development, Tourism and the Arts	100.9	106.4	....	....	106.4	5.5
Education	1 226.5	1 129.9	....	12.1	1 142.0	(84.5)
Finance-General	433.7	221.3	227.2	15.0	463.5	29.8
Health and Human Services	1 626.2	1 224.8	....	7.9	1 232.8	(393.4)
House of Assembly	7.5	2.3	5.3	....	7.6	0.1
Infrastructure, Energy and Resources	381.5	192.8	0.1	123.6	316.5	(65.0)
Integrity Commission	3.3	3.0	....	....	3.0	(0.3)
Justice	131.6	113.6	11.9	15.4	141.0	9.4
Legislative Council	6.2	3.4	3.0	....	6.4	0.2
Legislature-General	5.7	5.8	....	....	5.8	0.1
Ministerial and Parliamentary Support	19.0	18.8	0.8	....	19.7	0.7
Office of the Director of Public Prosecutions	6.4	7.0	0.5	....	7.5	1.1
Office of the Governor	3.3	2.8	0.5	....	3.4	0.1
Office of the Ombudsman	2.1	2.1	....	....	2.1	....
Police and Emergency Management	195.7	188.4	....	8.6	196.9	1.2
Premier and Cabinet	57.4	48.5	6.0	0.3	54.7	(2.7)
Primary Industries, Parks, Water and Environment	196.4	138.9	....	3.6	142.6	(53.8)
Tasmanian Audit Office	2.6	2.1	0.5	....	2.6	....
Treasury and Finance	40.3	40.7	....	....	40.7	0.4
<b>TOTAL EXPENDITURE</b>	<b>4 446.2</b>	<b>3 452.6</b>	<b>255.8</b>	<b>186.4</b>	<b>3 894.9</b>	<b>(551.3)</b>

Note:

1. For more information relating to agency expenditure, refer to the relevant agency chapter in Budget Paper No 2 *Government Services*.

Table A3.5: Consolidated Fund Expenditure by Agency – Forward Estimates<sup>1</sup>

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Recurrent Services</b>					
Economic Development, Tourism and the Arts	100.9	106.4	86.3	87.3	89.4
Education	1 165.4	1 129.9	1 160.0	1 188.9	1 236.9
Finance-General	406.8	448.4	440.2	491.9	503.9
Health and Human Services	1 513.0	1 224.8	1 227.4	1 237.0	1 269.4
House of Assembly	7.5	7.6	7.7	7.8	8.0
Infrastructure, Energy and Resources	241.4	192.8	190.1	191.4	196.1
Integrity Commission	3.3	3.0	3.1	3.1	3.2
Justice	128.1	125.6	129.1	127.3	132.7
Legislative Council	6.2	6.4	6.4	6.5	6.7
Legislature-General	5.7	5.8	5.9	5.9	6.1
Ministerial and Parliamentary Support	19.1	19.7	19.8	20.0	20.8
Office of the Director of Public Prosecutions	6.4	7.5	7.7	7.8	8.3
Office of the Governor	3.3	3.4	3.4	3.5	3.6
Office of the Ombudsman	2.1	2.1	2.1	2.1	2.2
Police and Emergency Management	187.5	188.4	185.9	189.4	196.8
Premier and Cabinet	57.2	54.4	51.2	49.9	51.4
Primary Industries, Parks, Water and Environment	187.7	138.9	134.5	132.2	136.9
Tasmanian Audit Office	2.6	2.6	2.6	2.6	2.7
Treasury and Finance	40.3	40.7	39.9	40.4	42.0
	<b>4 084.2</b>	<b>3 708.4</b>	<b>3 703.2</b>	<b>3 795.1</b>	<b>3 916.9</b>
<b>Works and Services</b>					
Education	61.1	12.1	5.3	....	....
Finance-General	26.9	15.0	....	....	....
Health and Human Services	113.1	7.9	....	125.0	....
Infrastructure, Energy and Resources	140.2	123.6	121.7	91.0	73.8
Justice	3.5	15.4	3.2	....	....
Police and Emergency Management	8.2	8.6	....	....	....
Premier and Cabinet	0.3	0.3	0.3	0.3	0.3
Primary Industries, Parks, Water and Environment	8.8	3.6	9.4	0.6	0.6
Provision for Future Infrastructure Investment	....	....	19.2	25.6	150.5
	<b>362.0</b>	<b>186.4</b>	<b>159.0</b>	<b>242.3</b>	<b>225.2</b>
<b>TOTAL EXPENDITURE</b>	<b>4 446.2</b>	<b>3 894.9</b>	<b>3 862.3</b>	<b>4 037.4</b>	<b>4 142.1</b>

Note:

1. For more information relating to agency expenditure, refer to the relevant agency chapter in Budget Paper No 2 *Government Services*.

# RESERVED BY LAW ITEMS

Reserved by Law items are not included in the annual Appropriation Acts. The authority to spend from these items is provided by the legislation under which the particular items are established.

Table A3.6 details Expenditure on Reserved by Law items by agency.

**Table A3.6: Expenditure on Reserved by Law Items**

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Finance-General</b>					
Appropriation to the Treasurer's Reserve ( <i>Public Account Act 1986</i> )	10.0	10.0	10.0	10.0	10.0
Contribution to the Superannuation Provision Account ( <i>Retirement Benefits Act 1993</i> )	101.0	....	....	....	....
Superannuation Benefits payable under the <i>Retirement Benefits Act 1993</i>	....	197.9	211.9	229.1	252.5
Payments to Municipalities under the ( <i>Local Government (Rates and Charges Remissions) Act 1991</i> )	14.5	15.2	15.9	16.8	17.6
Payments under the <i>Retirement Benefits (Parliamentary Superannuation) Regulations 2002</i>	1.4	1.8	1.8	1.8	1.8
Superannuation Benefits Payable under the <i>Governor of Tasmania Act 1982</i>	0.1	0.1	0.1	0.1	0.1
Superannuation Benefits Payable under the <i>Judges' Contributory Pensions Act 1968</i>	1.7	1.9	2.1	2.2	2.2
Superannuation Benefits Payable under the <i>Solicitor-General Act 1983</i>	0.2	0.2	0.3	0.3	0.3
	<b>128.9</b>	<b>227.2</b>	<b>242.0</b>	<b>260.2</b>	<b>284.5</b>
<b>House of Assembly<sup>1</sup></b>					
Parliamentary Salaries and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 1973</i> )	4.5	4.6	4.6	4.7	4.8
Travelling Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 1973</i> )	0.7	0.7	0.7	0.7	0.7
	<b>5.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.4</b>	<b>5.5</b>

Table A3.6: Expenditure on Reserved by Law Items (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Infrastructure, Energy and Resources</b>					
Contribution towards Construction of Streets in Towns by Municipal Councils ( <i>Local Government Act 1993</i> )	0.1	0.1	0.1	0.1	0.1
<b>Justice<sup>2</sup></b>					
Expenses of Parliamentary Elections and Referendums ( <i>Electoral Act 2004</i> and <i>Referendum Procedures Act 2004</i> )	0.9	1.0	3.4	1.6	1.7
Salaries of Judges ( <i>Supreme Court Act 1887</i> )	3.0	3.1	3.3	3.5	3.8
Salaries of Magistrates ( <i>Magistrates Court Act 1987</i> )	4.9	5.3	5.6	6.0	6.5
Salary and Travelling Allowance, Associate Judge of the Supreme Court ( <i>Supreme Court Act 1959</i> )	0.4	0.4	0.5	0.5	0.5
Salary, Solicitor-General ( <i>Solicitor-General Act 1983</i> )	0.5	0.5	0.6	0.6	0.7
<i>Victims of Crime Assistance Act 1976</i>	2.5	1.5	1.5	1.5	1.5
	<b>12.1</b>	<b>11.9</b>	<b>14.9</b>	<b>13.7</b>	<b>14.7</b>
<b>Legislative Council<sup>3</sup></b>					
Parliamentary Salaries and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 1973</i> )	2.6	2.7	2.7	2.8	2.8
Travelling Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 1973</i> )	0.3	0.3	0.3	0.3	0.3
	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>
<b>Ministerial and Parliamentary Support</b>					
Allowances of Ministers ( <i>Parliamentary Salaries, Superannuation and Allowances Act 1973</i> )	0.8	0.8	0.8	0.8	0.8
<b>Office of the Director of Public Prosecutions</b>					
Salary, Director of Public Prosecutions ( <i>Director of Public Prosecutions Act 1973</i> )	0.5	0.5	0.6	0.6	0.7
<b>Office of the Governor<sup>4</sup></b>					
Salary, His Excellency the Governor ( <i>Governor of Tasmania Act 1982</i> )	0.5	0.5	0.5	0.6	0.6

Table A3.6: Expenditure on Reserved by Law Items (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Premier and Cabinet</b>					
Tasmanian Community Fund ( <i>Tasmanian Community Fund Act 2005</i> )	5.8	6.0	6.1	6.3	6.5
<b>Tasmanian Audit Office</b>					
Salary and Travelling Allowance, Auditor General ( <i>Audit Act 2008</i> )	0.5	0.5	0.5	0.5	0.6
<b>Treasury and Finance<sup>5</sup></b>	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>157.2</b>	<b>255.8</b>	<b>273.8</b>	<b>291.3</b>	<b>316.9</b>

Notes:

1. An amount of \$31 000 per annum is provided to the House of Assembly under Members' Committee Fees and Allowances (*Parliamentary Salaries, Superannuation and Allowances Act 1973*). This does not appear in the Table due to rounding.
2. The Department of Justice is provided with amounts of \$5 000 per annum under the *Legislative Council Electoral Boundaries Act 1995*, and \$5 000 in 2012-13, 2014-15 and 2015-16 and \$25 000 in 2011-12 and 2013-14 under the Expenses of Aboriginal Land Council of Tasmania Elections (*Aboriginal Lands Act 1995*, section 17). These amounts do not appear in the Table due to rounding.
3. An amount of \$40 000 per annum is provided to the Legislative Council under Members' Committee Fees and Allowances (*Parliamentary Salaries, Superannuation and Allowances Act 1973*). This does not appear in the Table due to rounding.
4. Under the Salary, The Administrator (*Governor of Tasmania Act 1982*, section 5(1)) an amount of \$8 000 per annum is provided to the Office of the Governor in 2011-12, increasing to \$9 000 from 2012-13, and increasing again to \$10 000 from 2014-15. This does not appear in the Table due to rounding.
5. An amount of \$27 000 per annum in 2011-12 to 2012-13, and \$28 000 per annum from 2013-14 onwards is provided to the Department of Treasury and Finance under the Contribution to the Community Support Levy Account from Betting Exchange Revenues (*Gaming Control Act 1993*, section 151). These amounts do not appear in the Table due to rounding.



