Preliminary Outcomes Report 2013-14

Department of Treasury and Finance

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Preliminary Outcomes Report 2013-14
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Contents

1 Introduction **1**

2 General Government Preliminary Outcome **3**

Income Statement 3

Underlying Net Operating Balance 5

Balance Sheet 15

Cash Flow Statement 19

3 Consolidated Fund **21**

4 Concepts **25**

1 INTRODUCTION

The *Preliminary Outcomes Report* provides details on the General Government's financial results for 2013-14. It presents the preliminary financial data for the General Government Sector against the forecasts contained in the 2013-14 Budget.

The financial statements have been prepared in accordance with applicable Australian Accounting Standards including AASB 1049 *Whole of Government and General Government Sector Financial Reporting.* Presentation of the financial statements is consistent with the 2013-14 Budget and reporting requirements of the Uniform Presentation Framework. This Report should be read in conjunction with the *2013-14 Budget Papers*.

Financial information for this Report is provided by Government entities to Treasury by 15 July for publication by 15 August. Due to the short timeframe for the preparation of the Report, estimation methods are applied using AASB 134 *Interim Financial Reporting.* Therefore, data is unaudited and preliminary in nature, and may change before final compilation of the *Treasurer's Annual Financial Report*, published by 31 October 2014.

The Report contains the following information:

- Section 2 presents the preliminary financial statements for the General Government Sector;
- Section 3 summarises receipts to, and expenditure from, the Consolidated Fund; and
- Section 4 outlines key concepts.

Information in relation to the Key Fiscal Strategy Measures will be published in the 2014-15 Budget.

The requirements for a Preliminary Outcomes Report are set out in section 26D of the *Financial Management and Audit Act 1990*.

Given the timing of the 2014-15 Budget (to be handed down on 28 August 2014), it is not mandatory to publish a Preliminary Outcomes Report. Nevertheless, the Secretary has recommended that a Preliminary Outcomes Report should be issued for 2013-14.

2 GENERAL GOVERNMENT PRELIMINARY OUTCOME

Income Statement

Table 2.1 provides a summary of the key General Government Sector Income Statement line items. The full General Government Preliminary Income Statement for 2013-14 is at Table 2.3.

Table 2.1: General Government Summary of Operating Result

	2013-14 Original Budget	2013-14 Revised Estimates Report	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m	$m
Revenue from transactions	4 792.1	4 801.8	4 897.8	4 717.1
Expenses from transactions	5 059.0	5 177.7	5 055.2	5 033.6
Net Operating Balance – Surplus/(Deficit)	**(266.9)**	**(375.9)**	**(157.4)**	**(316.4)**
Less Net acquisition of non-financial assets	42.2	65.1	(12.7)	(103.4)
Equals Fiscal Balance – Surplus/(Deficit)	**(309.1)**	**(441.0)**	**(144.7)**	**(213.0)**

Revised Estimates

Revised Budget estimates were released in the *Revised Estimates Report 2013-14* in February 2014. This information reflected the results of a mid-year review of the 2013-14 Budget.

The preliminary Net Operating Deficit of $157.4 million represents an improvement of $218.5 million from the Revised Estimate of $375.9 million. However, care should be taken in interpreting this preliminary result. The preliminary outcome has been significantly impacted by the timing of some transactions, due to the requirements of the Australian Accounting Standards. As a result, expenditure budgeted for 2013-14 has been deferred to 2014-15, and there is no real improvement in the overall Budget position.

The main factors which have impacted on the Net Operating Deficit are as follows:

- The 2013-14 preliminary Net Operating Deficit does not reflect unexpended funds of $62.1 million. This funding is committed to specific projects and has been carried forward to be spent by agencies in 2014-15. The impact has deferred the expenditure to 2014-15.
- Additional Australian Government funding of $85.5 million was received in the latter half of the financial year. This increase primarily reflects:
  - a net increase in receipted Specific Purpose Payments of $27.4 million, consisting of National Schools ($34.3 million), Disability services ($4.6 million) and partially offset by decreases in Health services funding ($12.2 million); and
  - a net increase in receipted National Partnership Payments of $52.6 million, consisting of National Policy Reform ($30.0 million), Infrastructure services ($17.3 million), Environmental services ($7.3 million), Health services ($3.9 million), Natural disaster relief ($2.8 million) and partially offset by decreases in grants for Housing ($3.3 million) and Forestry ($2.5 million).
- SPP and NPP funding is provided for specific purposes and projects. When additional funding is provided, there is a lag in utilising these funds for their designated purpose. Accordingly, this additional funding will be expended in 2014-15.
- Grant expenses are $51.9 million below the revised Budget estimate. This is primarily due to the revised timing of cashflows relating to grants paid under the Tasmanian Forest Agreement which are $25.4 million below the revised Budget estimate. These funds have been carried forward and will be expended in 2014-15.

Underlying Net Operating Balance

The Underlying Net Operating Balance is a measure which removes the distorting impact of one-off Australian Government funding for specific capital projects, including the Nation Building – *Economic Stimulus Plan*, Roads and Rail Funding and Water for the Future. The underlying measure also removes the timing impact of the transactions outlined previously which have been carried forward to 2014-15.

The preliminary 2013-14 Underlying Net Operating Balance is estimated to be a deficit of $398.7 million, an increase of $44.7 million from the original Budget deficit of $354.0 million.

Table 2.2: Underlying Net Operating Balance

	2013-14 Original Budget	**2013-14 Preliminary Outcome**	**2012-13 Actual**
	$m	**$m**	**$m**
Net Operating Balance	**(266.9)**	**(157.4)**	**(316.4)**
Less Impact of One-off Australian Government funding			
Nation Building - *Economic Stimulus Plan*	....	....	5.1
Roads and Rail Funding	50.8	66.1	54.2
Macquarie Point Railyards Remediation Project	....	....	(50.0)
Water for the Future Funding	36.3	27.6	41.9
	87.1	**93.7**	**51.2**
Less Other timing impacts			
Expenditure carried forward to 2014-15	....	62.1	....
Australian Government Funding carried forward to 2014-15	....	85.5	....
Underlying Net Operating Balance	**(354.0)**	**(398.7)**	**(367.6)**

Table 2.3: General Government Income Statement

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Revenue from transactions			
Grants	2 850.9	2 967.1	2 940.8
Taxation	940.0	958.1	925.0
Sales of goods and services	354.9	387.7	346.0
Fines and regulatory fees	106.4	97.9	88.3
Interest income	13.8	13.1	20.6
Dividend, tax and rate equivalent income	330.1	317.6	239.8
Other revenue	195.9	156.4	156.6
	4 792.1	**4 897.8**	**4 717.1**
Expenses from transactions			
Employee expenses	2 109.9	2 182.0	2 107.0
Superannuation	248.1	286.3	315.0
Depreciation	276.3	270.5	245.7
Supplies and consumables	1 086.9	988.1	1 012.8
Nominal superannuation interest expense	268.2	252.7	178.4
Borrowing costs	11.9	11.7	14.0
Grant expenses	1 025.9	1 035.2	1 123.2
Other expenses	31.9	28.7	37.3
	5 059.0	**5 055.2**	**5 033.6**
Equals NET OPERATING BALANCE	**(266.9)**	**(157.4)**	**(316.4)**
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	8.3	(24.8)	(3.5)
Revaluation of equity investment in PNFC and PFC Sectors	120.8	(1 534.9)	(123.5)
Revaluation of superannuation liability	….	(374.0)	985.1
Other gains/(losses)	11.9	(284.0)	(80.9)
	140.9	**(2 217.7)**	**777.1**
Equals Operating Result	**(126.0)**	**(2 375.1)**	**460.7**

Table 2.3: General Government Income Statement (continued)

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	326.1	43.9	332.4
Other movements in equity	(59.7)	103.2	4.2
	266.5	**147.1**	**336.6**
Equals Comprehensive Result	**140.5**	**(2 228.0)**	**797.3**
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	**(266.9)**	**(157.4)**	**(316.4)**
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	344.8	283.6	197.8
Less Sale of non-financial assets	26.3	25.8	55.5
Less Depreciation	276.3	270.5	245.7
	42.2	**(12.7)**	**(103.4)**
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	**(309.1)**	**(144.7)**	**(213.0)**

Table 2.4: General Government Grants

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Australian Government Grants			
General purpose payments	1 800.5	1 819.3	1 728.8
Specific purpose payments	670.6	697.7	655.6
National partnership payments	286.2	314.2	405.0
Other grants and subsidies	93.7	135.9	151.3
	2 850.9	**2 967.1**	**2 940.8**

Table 2.5: General Government Taxation

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Payroll tax	303.9	301.2	304.1
Taxes on property			
Land tax	89.8	86.3	88.5
Fire service levies			
Fire service contribution	34.9	34.9	33.6
Insurance fire levy	17.8	16.2	17.2
Guarantee fees	30.5	29.7	28.8
Taxes on financial and capital transactions	131.5	156.0	139.1
Taxes on the provision of goods and services			
Gambling taxes			
Casino tax and licence fees	57.9	54.9	54.2
Betting exchange taxes and levies	2.8	3.3	3.1
Lottery tax	29.7	28.6	29.4
Totalizator wagering levy	6.9	6.9	6.5
Other gaming	0.1	....	....
Insurance taxes	79.6	80.3	69.7
Taxes on the use of goods and services			
Vehicle registration fees	35.0	36.4	35.2
Motor vehicle fees and taxes			
Motor vehicle duty	35.9	39.1	37.7
Motor tax	77.0	77.4	71.1
Motor vehicle fire levy	6.8	6.8	6.9
	940.0	**958.1**	**925.0**

Revenue Variations from Original Budget

Revenue from transactions is estimated to be $4 897.8 million in 2013-14, which is $105.7 million higher than the 2013-14 Original Budget estimate of $4 792.1 million. The main variations are:

Revenue Item Variance	Reasons
Grants revenue $116.2 million higher	
General purpose payments $18.8 million higher	This reflects an increase in GST revenue due to an upward revision by the Australian Government in the level of the National GST pool.
Specific purpose payments $27.1 million higher	The increase in SPPs primarily reflects additional funding for the following SPPs: • $34.3 million for National Schools; and • $4.6 million for Disability services. This was partially offset by a decrease in Health services of $11.4 million.
National partnership payments $28.0 million higher	The increase in NPPs primarily reflects additional Australian Government funding, consisting of: • $30.0 million for National Policy Reform; • $20.9 million for Health services; • $13.7 million for Natural Disaster relief scheme; and • $10.7 million for Infrastructure services. This was partially offset by a decrease in Australian Government funding of: • $37.6 million for Local Government Grants; • $10.6 million for Environmental services; and • $8.6 million for Community Services.
Other grants and subsidies $42.2 million higher	The increase primarily reflects the reclassification of Commonwealth Own Purpose Expenditure receipts of $32.9 million from Other Revenue to Grants Revenue by the Department of Health and Human Services. Refer to Table 2.4 for further detail on Grants revenue.
Taxation $18.1 million higher	The increase primarily reflects a $24.5 million increase in Taxes on financial and capital transactions due to increased market activity. Refer to Table 2.5 for further detail on Taxation revenue.

Revenue Item Variance	Reasons
Sales of goods and services $32.8 million higher	The increase primarily reflects: • reclassification by the Tasmanian Health Organisations of Commonwealth Own Purpose Expenditure revenue of $16.1 million, from the Australian Government for Highly Specialised Drugs, from Other revenue to Sales of goods and services; and • additional revenue of $8.9 million from the National E-Health Transition Authority to implement the Tasmanian eHealth Project. This funding is largely offset by increased expenditure.
Fines and regulatory fees $8.5 million lower	The decrease reflects a decline in Fines revenue recognised by the Department of Justice, primarily as a result of a decline in the number of infringement notices issued for the year.
Dividend, tax and rate equivalent income $12.5 million lower	The decrease primarily reflects lower than anticipated Income tax equivalent revenue from Government businesses.
Other revenue $39.5 million lower	The decrease primarily reflects: • the transfer of $49.0 million in Commonwealth Own Purpose Expenditure funding to Grants revenue and Sales of goods and services, as noted above; and • a reduction in mineral royalties of $16.9 million. This was partially offset by increases in Other revenue of $26.3 million.

Expense Variations from Original Budget

Expenses from transactions is estimated to be $5 055.2 million in 2013-14, which is $3.8 million lower than the 2013-14 Original Budget of $5 059.0 million. The major expense variations are:

Expense Item Variance	**Reasons**
Finance-General $66.9 million lower	The decrease primarily reflects a reduction in expenditure on: • Supplies and consumables of $43.6 million primarily relating to decreased expenditure by the Tasmanian Risk Management Fund and Property Management Services; and • Grants and subsidies of $43.5 million, primarily due to a reduction of $37.6 million in Local Government Grants. The Australian Government paid part of the funding early for these grants in late 2012-13. As a result, the grants were paid to Local Government in 2012-13 rather than 2013-14. The impact is therefore Budget neutral. This is offset by an increase in superannuation related expenditure of $18.2 million, as a result of the most recent actuarial valuation of the Superannuation liability.
Department of Health and Human Services (including Tasmanian Health Organisations) $22.2 million higher	The increase primarily reflects the following movements in expenditure: • Employee expenses $43.4 million higher, as a result of increased employee numbers to meet increased demand for services in the THOs that was not originally budgeted for; • Supplies and consumables $10.6 million lower, predominantly due to the reclassification of some employee related expenditure to Employee expenses; and • Grants and subsidies $11.9 million lower.
Department of Economic Development, Tourism and the Arts $11.9 million higher	The increase primarily reflects additional expenses for: • Grants and subsidies of $7.8 million, primarily due to additional grants consisting of: – Industry development grants of $3.7 million; – Regional Economic Development grants of $2.8 million; and – Major Events grants of $2.3 million. • Supplies and consumables of $4.8 million, primarily due to additional operating costs for the Tasmanian Museum and Art Gallery and increased funding for the Business Growth and Industry Development units.

Expense Item Variance	Reasons
Department of Infrastructure, Energy and Resources $51.8 million higher	The increase reflects the following movements in expenditure: • Supplies and consumables $36.4 million higher, primarily as a result of additional expenditure on infrastructure maintenance of $17.9 million; • Grant expenses $35.3 million higher, reflecting Tasmanian Forest Agreement grants where funding from the Australian Government was received late in 2012-13; and • Depreciation $22.5 million lower, primarily due to a significant proportion of Road assets having reached their expected useful life, whereby depreciation ceases.

Other Economic Flows – Included in Operating Result Variations *from Original Budget*

Other economic flows – Included in Operating Result is estimated to be negative $2 217.7 million in 2013-14, which is $2 358.6 million lower than the 2013-14 Original Budget estimate of a $140.9 million inflow. The main changes are:

Variance from Original Budget	**Reasons**
Revaluation of equity investment in PNFC and PFC Sector $1 655.7 million lower	The decrease in the Equity investment in PNFC and PFC sectors reflects the derecognition of the equity investment in the Tasmanian Water and Sewerage Corporations which ceased trading on 30 June 2013. The new entity, TasWater, is classified by the Australian Bureau of Statistics in the Local Government Sector.
Revaluation of superannuation liability $374.0 million lower	The revaluation loss on the Superannuation liability of $374.0 million reflects the most recent actuarial valuation. The loss is a result of changes in actuarial assumptions, in particular a decrease in the discount rate from 4.25 per cent to 4.10 per cent.
Other gains/(losses) $295.9 million lower	The decrease in Other gains/(losses) primarily reflects the transfer and write-down by the Department of Health and Human Services of $387.9 million of housing assets. These assets have been transferred to the Non-Government Sector under Stage 2 of the *Better Housing Futures* Program. The loss is partially offset by: • a revision to the Income Tax Assets held by Finance-General of $49.7 million; and • dividends brought forward of $61.1 million from Aurora Energy Pty Ltd and Transend Networks Pty Ltd. These companies declared two years of dividends during 2013-14, consisting of: – dividends of $53.6 million that were declared in November 2013 and paid in December 2013. These were based on 2012-13 profits and recognised as Revenue from transactions; and – abnormal additional dividends of $61.1 million that were declared in June 2014, to be paid in 2014-15. Under normal circumstances, these dividends would have been declared and paid in 2014-15. However, these additional dividends were brought forward as an abnormal item due to the restructure of electricity entities and the commencement of TasNetworks Pty Ltd from 1 July 2014. Due to the abnormal circumstances of this transaction, the brought forward dividends are classified as an Other economic flow.

Net Acquisition of Non-Financial Assets Variations from Original Budget

Net Acquisition of Non-Financial Assets is estimated to be negative $12.7 million in 2013-14, which is $54.9 million lower than the 2013-14 Original Budget estimate of $42.2 million. The main changes relate to a decrease in Purchases of non-financial assets which comprise:

Variance from Original Budget	**Reasons**
Department of Health and Human Services $52.7 million lower	The decrease primarily relates to: • postponement of the Royal Hobart Hospital Redevelopment due to the announcement of the Royal Hobart Hospital Rescue Taskforce in May 2014 ($26.0 million); and • Revision of cash flows for other projects such as: – State-wide Cancer Services ($14.3 million); – Health Infrastructure ($13.4 million); and – Community Housing Projects ($6.5 million). The decrease is partially offset by increased expenditure on the Royal Hobart Hospital, Women's and Children's Hospital Unit ($11.4 million).
Department of Infrastructure, Energy and Resources $18.9 million lower	The decrease is primarily a result of revised cash flows for projects such as: • Bell Bay Intermodal Terminal ($3.6 million); • Murchison Highway Upgrade ($3.5 million); • Arthur Highway ($2.8 million); and • Other Roads and Infrastructure Maintenance ($19.0 million). These are partially offset by increased expenditure on projects such as: • Tarkine Forest Drive ($5.1 million); and • Other Infrastructure Development ($3.2 million).
Department of Police and Emergency Management $4.7 million higher	The increased expenditure relates to the Glenorchy Police Headquarters Upgrade of $4.7 million.

Balance Sheet

Table 2.6: General Government Balance Sheet

	30 June 2014 Original Budget	30 June 2014 Preliminary Outcome	30 June 2013 Actual
	$m	$m	$m
Assets			
Financial assets			
Cash and deposits	857.6	1 312.4	1 298.3
Investments	42.4	46.3	48.1
Equity investment in PNFC and PFC sectors	6 628.0	4 640.3	6 174.7
Other equity investments	16.4	12.2	7.7
Receivables	354.5	384.1	306.2
Other financial assets	1 220.3	950.3	966.5
	9 119.2	**7 345.7**	**8 801.5**
Non-financial assets			
Land and buildings	6 948.3	5 937.1	6 165.9
Infrastructure	4 390.1	4 345.3	4 273.7
Plant and equipment	240.5	223.9	214.7
Heritage and cultural assets	473.9	463.9	460.9
Investment property	12.5	11.7	11.3
Intangible assets	34.6	44.2	37.6
Assets held for sale	11.3	14.8	22.4
Other non-financial assets	42.8	49.0	35.9
	12 154.0	**11 090.0**	**11 222.4**
Total Assets	**21 273.2**	**18 435.6**	**20 023.9**
Liabilities			
Borrowings	1 126.1	1 150.9	1 126.1
Superannuation	5 150.2	6 623.0	6 072.8
Employee entitlements	673.6	563.6	544.3
Payables	115.6	80.1	91.4
Other liabilities	417.9	387.5	397.6
Total Liabilities	**7 483.4**	**8 805.2**	**8 232.3**
NET ASSETS	**13 789.8**	**9 630.5**	**11 791.6**

Table 2.6: General Government Balance Sheet (continued)

	30 June 2014 Original Budget	30 June 2014 Preliminary Outcome	30 June 2013 Actual
	$m	$m	$m
Equity			
Accumulated funds	9 035.3	5 145.6	7 350.6
Asset revaluation reserve	4 754.5	4 484.9	4 441.0
Total Equity	**13 789.8**	**9 630.5**	**11 791.6**
KEY FISCAL AGGREGATES			
NET WORTH [1]	**13 789.8**	**9 630.5**	**11 791.6**
NET FINANCIAL WORTH [2]	**1 635.7**	**(1 459.5)**	**569.2**
NET FINANCIAL LIABILITIES [3]	**4 992.3**	**6 099.9**	**5 605.5**
NET DEBT [4]	**226.1**	**(207.7)**	**(220.3)**

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

Balance Sheet Variations from Original Budget

Budget estimates for the 2014 Balance Sheet were compiled in May 2013 prior to completion of the actual outcomes for 30 June 2013. The preliminary outcome variance from the original Budget estimate will reflect the difference between the estimated and actual opening balances for 2014. The following commentary is therefore based on movements between the 30 June 2013 actual outcome and the 30 June 2014 preliminary outcome.

Assets

General Government Assets are estimated to be $18 435.6 million at 30 June 2014, a decrease of $1 588.3 million from the 30 June 2013 balance of $20 023.9 million.

Variance from 2012-13	**Reasons**
Equity investment in PNFC and PFC sectors $1 534.4 million lower	The decrease reflects the derecognition of the equity investment in the Tasmanian Water and Sewerage Corporations as a result of a change in classification by the Australian Bureau of Statistics to the Local Government Sector.
Receivables $77.9 million higher	The increase is primarily due to recognition of an abnormal additional dividend of $61.1 million from Aurora Energy Pty Ltd and Transend Networks Pty Ltd. It also includes an increase in accrued revenue of $7.0 million by the Department of Infrastructure, Energy and Resources and an increase in trade receivables of $6.0 million by the Department of Premier and Cabinet.
Other financial assets $16.2 million lower	This primarily reflects a decrease in Income Tax Assets recorded by Finance-General of $12.1 million.
Land and buildings $228.8 million lower	The decrease primarily reflects the transfer of property by the Department of Health and Human Services to the Non-Government Sector under the *Better Housing Futures* Program. This decrease is partially offset by an increase in land acquisitions by the Department of Primary Industries, Parks, Water and Environment for Park and Wildlife Management and Crown Land Services.
Infrastructure $71.6 million higher	The increase primarily reflects additional capital expenditure by the Department of Infrastructure, Energy and Resources of $46.2 million. It also includes additional expenditure by the Department of Primary Industries, Parks, Water and Environment of $27.5 million for Park and Wildlife Management.

Liability Variations

General Government Liabilities are estimated to be $8 805.2 million at 30 June 2014, $572.9 million higher than the 30 June 2013 balance of $8 232.3 million.

Variance from 2012-13	**Reasons**
Borrowings $24.8 million higher	The increase primarily reflects additional loans to the Department of Economic Development, Tourism and the Arts of $15.0 million from the Australian Government as part of the Farm Finance Concessional Loan Scheme.
Superannuation $550.2 million higher	The Superannuation liability reflects the most recent actuarial estimate of the liability.

Cash Flow Statement

Table 2.7: General Government Cash Flow Statement

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Cash flows from operating activities			
Cash inflows			
Grants received	2 850.9	2 965.7	2 940.6
Taxation	941.2	957.0	919.0
Sales of goods and services	353.7	355.3	344.9
Fines and regulatory fees	106.4	88.4	90.4
Interest received	13.2	13.3	19.7
Dividend, tax and rate equivalents	352.0	377.0	207.1
Other receipts	365.1	336.6	326.1
	4 982.5	**5 093.3**	**4 847.9**
Cash outflows			
Employee entitlements	(2 090.0)	(2 163.4)	(2 109.1)
Superannuation	(375.5)	(361.9)	(346.8)
Supplies and consumables	(1 095.8)	(1 012.5)	(1 007.6)
Borrowing costs	(11.7)	(11.8)	(13.7)
Grants and subsidies paid	(1 025.8)	(1 025.3)	(1 123.8)
Other payments	(201.6)	(189.8)	(223.3)
	(4 800.4)	**(4 764.7)**	**(4 824.4)**
Net cash flows from operating activities	**182.1**	**328.6**	**23.6**
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchase of non-financial assets	(344.8)	(283.6)	(197.8)
Sale of non-financial assets	26.3	25.8	55.5
	(318.5)	**(257.8)**	**(142.3)**
Net cash flows from financial assets (policy purposes)			
Equity injections	(65.9)	(81.1)	(71.7)
Net advances paid	(0.5)	....	3.9
	(66.4)	**(81.1)**	**(67.8)**
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	....	....	2.4
	....	**....**	**2.4**
Net cash flows from investing activities	**(384.9)**	**(338.9)**	**(207.7)**

Table 2.7: General Government Cash Flow Statement (continued)

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Cash flows from financing activities			
Net borrowing	51.3	24.4	230.1
	51.3	**24.4**	**230.1**
Net increase/(decrease) in cash held	**(151.5)**	**14.1**	**46.1**
Cash at the beginning of the year	**1 009.1**	**1 298.3**	**1 252.2**
Cash at the end of the year	**857.6**	**1 312.4**	**1 298.3**
KEY FISCAL AGGREGATES			
Net cash from operating activities	182.1	328.6	23.6
Plus Net cash from investments in non-financial assets	(318.5)	(257.8)	(142.3)
Equals CASH SURPLUS/(DEFICIT)	**(136.4)**	**70.9**	**(118.7)**

3 CONSOLIDATED FUND

Table 3.1: Consolidated Fund Preliminary Outcome

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	1 800.5	1 819.3	1 728.8
Specific purpose payments	358.9	407.7	363.7
National partnership payments	82.3	75.3	78.2
Other grants and subsidies	0.1	....	....
	2 241.8	**2 302.2**	**2 170.7**
State sources			
Taxation	817.9	835.9	835.0
Receipts from government businesses	383.6	406.8	235.7
Departmental fees and recoveries	87.4	92.6	90.2
Sale and rent of government property	0.1	0.1	5.4
Resource rents and royalties	6.5	6.5	34.0
Recoveries of state debt charges	52.9	36.4	....
Other recurrent receipts	135.4	137.6	146.4
	1 483.8	**1 515.9**	**1 346.8**
Capital Receipts			
State sources			
Proceeds on sale of assets	....	6.0	....
Other capital receipts	0.7	0.6	0.5
	0.7	**6.5**	**0.5**
Total Receipts	**3 726.2**	**3 824.7**	**3 518.1**
less Expenditure			
Recurrent services			
Appropriation Act	3 323.7	3 374.3	3 352.1
Reserved by Law	290.6	265.3	256.6
	3 614.2	**3 639.6**	**3 608.7**
Works and services			
Capital Investment Program	169.5	174.6	151.7
Hospitals Capital Fund	....	....	15.0
	169.5	**174.6**	**166.7**
Total Expenses	**3 783.7**	**3 814.3**	**3 775.3**
CONSOLIDATED FUND SURPLUS/(DEFICIT)	**(57.5)**	**10.4**	**(257.2)**

Table 3.2: Consolidated Fund Expenditure

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Economic Development, Tourism and the Arts			
Recurrent services	90.9	101.4	113.0
Works and services	0.3	0.3	....
	91.2	**101.7**	**113.0**
Education			
Recurrent services	1 113.1	1 153.6	1 103.0
Works and services	10.5	26.5	15.3
	1 123.7	**1 180.1**	**1 118.3**
Finance-General			
Recurrent services	233.4	186.2	237.8
Reserved by Law	258.8	234.7	229.6
Works and services	4.0	....	15.0
	496.2	**420.9**	**482.4**
Health and Human Services			
Recurrent services	1 135.0	1 152.6	1 143.5
Works and services	12.0	12.0	16.2
	1 147.0	**1 164.5**	**1 159.7**
House of Assembly			
Recurrent services	2.3	2.3	2.4
Reserved by Law	5.4	5.3	5.2
	7.6	**7.6**	**7.6**
Infrastructure, Energy and Resources			
Recurrent services	193.5	202.9	190.4
Reserved by Law	0.1	....	....
Works and services	124.9	123.5	106.5
	318.5	**326.3**	**296.9**
Integrity Commission			
Recurrent services	2.9	2.6	2.6
	2.9	**2.6**	**2.6**
Justice			
Recurrent services	114.2	118.4	114.0
Reserved by Law	14.9	13.7	10.7
Works and services	16.4	10.4	3.7
	145.5	**142.5**	**128.4**
Legislative Council			
Recurrent services	3.3	3.4	3.4
Reserved by Law	3.0	3.1	3.0
	6.4	**6.5**	**6.4**

Table 3.2: Consolidated Fund Expenditure (continued)

	2013-14 Original Budget	2013-14 Preliminary Outcome	2012-13 Actual
	$m	$m	$m
Legislature-General			
Recurrent services	5.8	6.0	5.9
	5.8	**6.0**	**5.9**
Ministerial and Parliamentary Support			
Recurrent services	18.3	21.8	18.3
Reserved by Law	0.8	0.7	0.7
	19.1	**22.5**	**19.1**
Office of the Director of Public Prosecutions			
Recurrent services	6.8	6.0	5.8
Reserved by Law	0.6	0.7	0.5
	7.4	**6.8**	**6.3**
Office of the Governor			
Recurrent services	2.8	3.1	2.8
Reserved by Law	0.6	0.5	0.4
	3.4	**3.6**	**3.2**
Office of the Ombudsman			
Recurrent services	2.1	2.0	2.0
	2.1	**2.0**	**2.0**
Police and Emergency Management			
Recurrent services	182.2	188.9	184.0
Works and services	....	....	8.6
	182.2	**188.9**	**192.5**
Premier and Cabinet			
Recurrent services	45.0	46.7	46.9
Reserved by Law	6.0	6.1	5.9
Works and services	0.3	0.3	0.3
	51.2	**53.0**	**53.1**
Primary Industries, Parks, Water and Environment			
Recurrent services	132.1	137.1	135.6
Works and services	1.2	1.8	1.2
	133.2	**138.9**	**136.8**
Tasmanian Audit Office			
Recurrent services	1.8	1.8	2.0
Reserved by Law	0.5	0.5	0.4
	2.3	**2.2**	**2.4**
Treasury and Finance			
Recurrent services	38.0	37.6	38.5
	38.0	**37.6**	**38.5**
TOTAL CONSOLIDATED FUND EXPENDITURE	**3 783.7**	**3 814.3**	**3 775.2**

4 CONCEPTS

Compliance Framework

This Report has been prepared in accordance with the Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

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

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

The AASB 1049 framework includes:

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

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

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

Income Statement

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

Net Operating Balance

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

Operating Result

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

Comprehensive Result

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

Fiscal Balance

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

Balance Sheet

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

Net Debt

Net Debt is a measure used to assess the overall strength of a government's fiscal position. Net Debt comprises borrowings less the sum of cash and deposits and investments.

Net Financial Liabilities

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

Net Financial Worth

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

Net Worth

Net Worth is calculated as total assets (both financial and non-financial) minus total liabilities. Net Worth incorporates non-financial assets such as land and other infrastructure assets, which may be sold and used to repay debt. It also incorporates certain financial assets and liabilities not captured by the Net Debt measure, including accrued employee superannuation liabilities, ownership of equities, debtors and creditors.

Cash Flow Statement

The Cash Flow Statement records a government's cash receipts and payments, outlining how a government receives and spends cash.

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

The convention is that all inflows carry a positive sign and all outflows carry a negative sign. The Cash Flow Statement reports two major fiscal measures: Net Increase in Cash Held and Cash Surplus/(Deficit).

Net Increase in Cash Held

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

Cash Surplus/(Deficit)

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

The Cash Surplus/(Deficit) is used for cash management purposes. It is important to note that a Cash Surplus does not necessarily imply that there is cash available for spending.

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

Consolidation of Transactions

The AASB 1049 statements present a consolidated view of the financial transactions for all entities within the General Government Sector. Receipts, payments, financial assets and liabilities held with other agencies within the Sector are matched and eliminated to avoid double counting. This process is known as consolidation.

For example, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be matched and eliminated from the Income Statement as both agencies are classified within the GGS.

Consolidated Fund

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

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

Recurrent services funding is provided by Parliament to meet the cost of the ordinary annual services of the Government. The major expenses are salaries and other departmental operating costs including building services and maintenance, minor works and furniture and equipment purchases. Reserved by Law funds are also made available to departments on a recurrent basis, where there is a legislative requirement for funding to be provided for specific purposes without the necessity for annual appropriation through the Consolidated Fund Appropriation Act. Examples of Reserved by Law expenditure include funding for the salary of the Auditor-General and pensions payable under the *Judges' Contributory Pensions Act 1968*.

Works and services funding is provided to meet construction costs and the purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals.

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

Consolidated Fund Surplus/(Deficit)

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

Rounding

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

General Government

This Report includes all General Government agencies and statutory authorities. The primary function of these entities is to provide public services which are mainly non-market in nature and for consumption by the community. The services provided by these entities are financed mainly through taxes and other compulsory levies. As at 30 June 2014, the following entities are classified within the General Government Sector:

Department of Economic Development, Tourism and the Arts

Department of Education

Department of Health and Human Services

Department of Infrastructure, Energy and Resources

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance (including Finance-General)

House of Assembly

Inland Fisheries Service

Integrity Commission

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Office of the Director of Public Prosecutions

Office of the Governor

Office of the Ombudsman

Royal Tasmanian Botanical Gardens

State Fire Commission

Tasmanian Audit Office

Tasmanian Health Organisation - North

Tasmanian Health Organisation - North West

Tasmanian Health Organisation - South

TasTAFE

Tasmania

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