



Tasmanian  
Government

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

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# The Budget

**Budget Paper No 1**

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Presented by

Hon Peter Gutwein MP, Treasurer, for the information of  
Honourable Members, on the occasion of the Budget, 2015-16

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## Useful 2015-16 Budget and Government Websites

<a href="http://www.premier.tas.gov.au/budget_2015">www.premier.tas.gov.au/budget_2015</a>	Contains the 2015-16 Budget Paper documents and related information including Budget Fact Sheets and Government Media Releases.
<a href="http://www.treasury.tas.gov.au">www.treasury.tas.gov.au</a>	Contains the 2015-16 Budget Papers and Budget Paper archives.
<a href="http://www.tas.gov.au">www.tas.gov.au</a>	Provides links to the websites of Tasmanian public sector entities.
<a href="http://www.service.tas.gov.au">www.service.tas.gov.au</a>	Provides a comprehensive entry point to Government services in Tasmania.

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# CONTENTS

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- 1 The 2015-16 Budget**
- 2 Tasmanian Economy**
- 3 The Fiscal Strategy**
- 4 2015-16 Budget and Forward Estimates**
- 5 General Government Revenue**
- 6 Infrastructure Investment**
- 7 Assets and Liabilities**
- Appendix 1 Uniform Government Reporting**
- Appendix 2 Consolidated Fund Estimates**
- Appendix 3 2014-15 Estimated Outcome Including March Quarterly Report**
- Appendix 4 Budget Presentation and Accounting Issues**



# INDEX

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<b>1</b>	<b>The 2015-16 Budget</b>	<b>1</b>
	Background	2
	2015-16 Budget Priorities	3
	2015-16 Budget Estimates Summary	6
	Net Operating Balance	7
	Fiscal Balance	10
	Net Debt	11
	Sources of Revenue	12
	Purposes of Expenditure	13
	Infrastructure Investment	14
	Current Budget Risks and Sensitivities	15
	Grants	15
	White Papers on the Reform of Federation and Taxation	17
	State Taxation	17
	Returns from Government Businesses	18
	Other risks	18
	Appendix 1.1 Credit Status of the State Public Sector	21
<b>2</b>	<b>Tasmanian Economy</b>	<b>23</b>
	Current Environment - Overview	24
	Global Conditions	24
	Australian Conditions	25
	Economic Outlook	25
	Summary of 2014-15 Estimates and 2015-16 Forecasts	26
	Tasmania's Economic Outlook	27
	Risks to the Outlook	34
<b>3</b>	<b>The Fiscal Strategy</b>	<b>35</b>
	Fiscal Principles	36
	Strategic Actions	36
	Fiscal Strategy Progress	37

Overall 2015-16 Budget Assessment	42
Fiscal Strategy Data	42
<b>4 2015-16 Budget and Forward Estimates</b>	<b>47</b>
Overview	48
Government Financial Estimates	49
Policy and Parameter Statement	56
Introduction	56
Major Revenue Variations	70
Policy Decisions	70
Parameter Adjustments	70
Major Expense Variations	73
Policy Decisions	73
Parameter Adjustments	76
Major Purchases of Non-Financial Assets Variations	78
Policy Decisions	78
Parameter Adjustments	78
<b>5 General Government Revenue</b>	<b>81</b>
Total Revenue	82
Grants	84
GST Revenue	85
Commonwealth Payments for Specific Purposes	87
Federal Financial Relations	91
White Papers on the Reform of the Federation and Taxation	91
Commonwealth Grants Commission 2015 Methodology Review	92
National Disability Insurance Scheme	93
State Taxation	93
Tax Expenditure Statement	95
Other Revenue Sources	97
Sales of Goods and Services	97
Fines and Regulatory Fees	98
Interest Income	99
Dividend, Tax and Rate Equivalent Income	99

Other Revenue	102
<b>6 Infrastructure Investment</b>	<b>103</b>
Overview	104
Infrastructure Investment Projects by Agency	107
Major Areas of Infrastructure Investment in 2015-16	114
Schools and Education	114
Hospitals and Health	115
Human Services and Housing	116
Law and Order	118
Roads and Rail	118
Information and Communication Technology	119
Tourism, Recreation and Culture	119
Other Infrastructure	120
Roads Program	121
Reconciliation between Infrastructure Investment and Purchases of Non-Financial Assets	124
<b>7 Assets and Liabilities</b>	<b>125</b>
Balance Sheet	126
Assets	128
Equity Investment in PNFC and PFC Sectors	128
Other Financial Assets	129
Non-Financial Assets	130
Liabilities	130
General Government Superannuation Liability	131
Total State Superannuation Liability	136
Tasmanian Risk Management Fund	138
<b>Appendix 1 Uniform Government Reporting</b>	<b>141</b>
Introduction	142
Loan Council Allocation	142
Government Financial Estimates	144
<b>Appendix 2 Consolidated Fund Estimates</b>	<b>169</b>
Introduction	170

Consolidated Fund 2015-16 Budget and Forward Estimates	171
Expenditure	173
Reserved By Law Items	175
<b>Appendix 3 2014-15 Estimated Outcome Including March Quarterly Report</b>	<b>179</b>
Introduction	180
General Government Income Statement	180
Revenue Variations	183
Expense Variations	185
Other Economic Flows - Included in Operating Result	187
Net Acquisition of Non-Financial Assets	188
General Government Balance Sheet	189
General Government Cash Flow Statement	191
Consolidated Fund	193
<b>Appendix 4 Budget Presentation and Accounting Issues</b>	<b>197</b>
Agency Restructures	197
Changes in the Structure of <i>The Budget</i> Budget Paper No 1	199
Australian Government 2015-16 Budget Estimates	199
27 <sup>th</sup> Pay in 2015-16	200
Assumptions Underlying the 2015-16 Budget and Forward Estimates	200
Revenue	200
Expenses	201
Budget Paper Conventions	201
Classification of the Tasmanian Public Sector	201

# 1 THE 2015-16 BUDGET

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## *Key Issues*

- The 2015-16 Budget continues the work started by the Government in the 2014-15 Budget to return the Budget to a sustainable long-term position. It builds on the momentum that has been created by the implementation of 2014 election commitments and the Government's 365 Day Plan through the provision of significant additional funding to support the economy and jobs growth and improve services to the Tasmanian community.
- The 2015-16 Budget and Forward Estimates presented in this Budget Paper show that the General Government Net Operating Balance is expected to return to a surplus in 2016-17 which is three years ahead of the Government's target of 2019-20 as set out in the Government's first Budget. Furthermore, it is no longer expected that the General Government Sector will return to a Net Debt position. Instead, by the end of the current Forward Estimates period, on 30 June 2019, Net Cash and Investments will be \$493 million.
- The improvement in the Government's Budget position largely reflects a number of significant factors such as the implementation of structural savings in the Government's first Budget and the impact of Government decisions to constrain expenditure growth, consistent with its Fiscal Strategy. The improvement also reflects higher than expected GST revenues, although revenue growth still remains well below long-run trend levels.
- This improvement has been achieved while delivering on the Government commitment to implement no new additional structural savings in the 2015-16 Budget.
- The 2015-16 Budget has been prepared in an economic environment that has seen increased activity and jobs growth and high levels of business confidence. However, the economic recovery is uneven across Tasmania and remains challenging in some regions. Addressing this situation has been prioritised in this Budget.
- Over the 2015-16 Budget and Forward Estimates period, Government investment in infrastructure is estimated to total \$1.8 billion which includes \$179 million of new infrastructure funding including an additional \$56 million for schools and LINC's and funding of \$60 million to support major infrastructure projects in the North and North West of the State.
- There continue to be a number of risks to the achievement of the 2015-16 Budget and Forward Estimates. The Government remains fully committed to the ongoing implementation of all aspects of its Fiscal Strategy and to ensuring that its financial management decisions reflect an appropriate balance between the requirements of the Budget position, the potential impact of the external financial and economic environment and the needs of the Tasmanian community.

# BACKGROUND

The Government's first Budget in August 2014 was delivered against a background of a deteriorating financial position. From a peak General Government Net Cash and Investments position (equivalent to negative Net Debt) of \$1.0 billion in June 2008, in the 2013-14 Revised Estimates Report released in February 2014, this position was expected to deteriorate to a General Government Net Debt position of \$195 million by June 2017 (a deterioration of \$1.2 billion). Likewise, a General Government Net Operating surplus of almost \$250 million in 2004-05 had gradually fallen to a point where a Net Operating Balance deficit of \$376 million was being forecast in the 2013-14 Revised Estimates Report. Operating expenditure was growing at a greater rate than operating revenues.

In the 2014-15 Budget the Government announced its Fiscal Strategy. The Fiscal Strategy has a strong focus on achieving long-term financial sustainability and implementing responsible financial management. Key strategic actions included: restricting expenditure growth below revenue growth; managing debt and superannuation servicing costs; maintaining a competitive tax environment; and improving public sector efficiency. The Government also committed to returning the Budget back to a surplus position within six years.

In keeping with the requirements of the Fiscal Strategy, the 2014-15 Budget included agency Budget Savings Strategies amounting to \$745 million and increased returns from Government businesses of \$249 million while also providing additional funding of \$401 million to meet all of the Government's election commitments and \$276 million (recurrent and capital) for priority initiatives. The estimates presented in the 2014-15 Budget showed a significant improvement in the General Government Net Operating Balance compared to previously reported figures.

Following the tabling of the 2014-15 Budget on 28 August 2014, the *2014-15 Revised Estimates Report* was released on 11 February 2015. This Report presented a further slight improvement in the Net Operating Balance over the Budget and Forward Estimates period (\$23 million in total).

From a State economy perspective, following an extended period of subdued activity, there has been an improvement in a range of key indicators over the past year. In particular, the labour market has recorded solid growth since late 2013. Part of this improvement has been driven by the tourism industry, with record visitor numbers and high levels of spending contributing to increased employment in tourism-related industries. The impacts of record low interest rates and State Government support for first home builders have also been reflected in a recovery in dwelling investment. Importantly both consumer confidence and business confidence have also increased over the recent period.

The business investment outlook across the State is currently mixed. The South of the State is seeing some very high value private sector developments underway together with some very large public infrastructure projects. In the North of the State business investment is providing support to the construction industry through some medium-sized projects while in the North West investment is relatively weak and considerable uncertainty exists in relation to the future of some business activity.

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

# 2015-16 BUDGET PRIORITIES

The 2015-16 State Budget details comprehensive actions by the Government to build on the momentum that has been created to achieve key policy objectives such as ensuring Tasmania is open for business, growing the economy and supporting jobs, renewing infrastructure and improving the delivery of vital services to the Tasmanian community.

Key priorities being implemented as part of the 2015-16 Budget are detailed below. Further information on key deliverables for all government agencies is provided in individual agency chapters of *Government Services Budget Paper No 2*.

## *Rebuilding Health and Education Services*

The Government is continuing the task of rebuilding Tasmania's health and education services through the implementation of health and education sector reforms.

Through the *One State, One Health System, Better Outcomes* reforms, a single statewide Tasmanian health service will provide leadership and stewardship of the health system and break down the existing barriers to provide better health services for all Tasmanians. The Tasmanian Health Service will have greater accountability for its effectiveness and efficiency and, importantly, be engaged with the Tasmanian community.

Additional funding of \$100 million will be provided over four years to invest in frontline health services provided by the THS, which will be established on 1 July 2015 through the merger of the three existing Tasmanian Health Organisations. The Government is also investing \$24 million over the next four years, including \$10 million for capital upgrades, to provide improved patient transport and coordination.

Additional funding of \$14.5 million over four years will also be provided to support the operation of the North West Regional Cancer Centre.

The Government continues to deliver on its Students First education reforms, providing the full \$134 million of additional funding over the scheduled six years (\$98 million for the Government Sector and \$36 million for the Non-Government Sector).

The Government will also continue to roll out its Year 11 and 12 extension program and its review of the *Education Act 1994*, to ensure that it provides the best framework for Tasmania's education system. Furthermore, additional State and Australian Government funding is being provided for the Students First education reforms and the Reinvigorating Tasmanian High Schools package which will see \$68 million provided over the 2015-16 Budget and Forward Estimates period to improve high schools and other educational infrastructure around the State.

## *Supporting Jobs and Economic Growth*

Both full and part time employment has grown over the past year and, in April 2015, Tasmania's unemployment rate was 0.5 per cent lower than it was a year earlier (in trend terms). The 2015-16 Budget seeks to continue to build on this momentum through the funding of a number of new initiatives including:

- \$60 million over three years for the Northern Cities Major Development Initiative;
- \$8 million for a two year business and jobs attraction and population growth initiative;

- additional support for the tourism and hospitality sector and events of \$7.9 million, over the next four years;
- additional funding of \$5 million for the Regional Revival Fund;
- the extension of the First Home Builder's Boost program by a further six months;
- \$3.3 million to support the Office of the Coordinator-General with key tasks such as increased international engagement, investment attraction and facilitation and the Northern Cities Major Development Initiative;
- a total investment of \$119.6 million for rail infrastructure (50 per cent funded by the State Government); and
- \$1.7 million over two years to provide additional resources within the Department of Justice, to assist and accelerate the delivery of the Government's planning reform agenda.

In addition to specific initiatives aimed at improving the economy and supporting jobs, the 2015-16 Budget and Forward Estimates provide for \$1.8 billion in General Government Sector infrastructure investment including \$728 million for roads and \$496 million for the Royal Hobart Hospital Redevelopment.

### *Support for the North and North West*

It is clear that the economy is growing faster in the South than it is in the North and North West of the State. The 2015-16 Budget therefore provides significant new investment in job-creating infrastructure in these important regions. This includes:

- \$60 million over three years for the Northern Cities Major Development Initiative;
- new investment of \$51 million to improve North and North West school infrastructure, taking the total school investment in these regions to \$65 million across the Budget and Forward Estimates period;
- \$6 million for a North West Youth Accommodation and Training Centre;
- \$3 million for Launceston General Hospital Allied Health Clinics;
- \$2.8 million for the Burnie LINC; and
- significant funding from the total Budget allocation of \$2 million for police housing to improve police housing in regional areas.

In addition to this investment in infrastructure, \$3 million has been allocated for the Caterpillar Transition Taskforce to support affected workers and their families in Burnie and the North West Coast community.

### *Implementing the 365 Day Plan*

In March, the Government announced its 365 Day Plan for its second year in Government. The plan details the Government's planned achievements over the coming year. Funding provided in the 2015-16 Budget will support agencies implementing these important and wide ranging initiatives. More detailed information on specific 365 Day Plan deliverables is provided in individual agency chapters in *Government Services Budget Paper No 2*.

## *Implementing Election Commitments*

The 2015-16 Budget continues to provide significant funding to implement the Government's 2014 election commitments. The ongoing implementation of these election commitments is considered to be essential to the achievement of improvements in the delivery of services to Tasmanians and creating a stronger and more competitive Tasmanian economy.

## *2014-15 Budget Savings Strategies*

While the 2015-16 Budget does not include any new savings requirements, it is essential that 2014-15 Budget Savings Strategies continue to be implemented by agencies. The ongoing implementation of these strategies is important to the maintenance of expenditure constraint which is a key element of the Government's Fiscal Strategy.

## *2015-16 Budget Initiatives*

In addition to the significant 2015-16 Budget initiatives detailed above, the 2015-16 Budget also includes a number of other important initiatives that reflect key government policy priorities. These initiatives include:

- \$3.4 million over four years to implement an Ice and Other Drugs Strategy;
- \$2.4 million over four years for child and adolescent mental health services;
- \$1.2 million over two years to undertake initial work in relation to building a Joined Up Human Services Support System;
- \$2 million over four years to support the increased workload of the Mental Health Tribunal;
- \$2.6 million over four years to establish a planning reform unit in the Department of Justice to deliver the Government's planning reform agenda;
- \$8 million over two years for Parks High Priority Maintenance and Infrastructure;
- \$2 million over four years to increase biosecurity services with detector dog teams;
- \$2 million over two years to improve Tasmania's biosecurity capabilities;
- \$7.6 million in 2018-19 to meet the cost of the Equal Remuneration Order (ERO) relating to social and community services employees;
- \$8 million over four years, commencing in 2014-15, to support the building of a new pedestrian bridge by the Hobart City Council;
- \$15.3 million over two years for the Emergency Services Computer Aided Dispatch (ESCAD) System;
- \$1.2 million over four years to support emergency food relief distribution; and
- \$400 000 in 2015-16 to support local government voluntary amalgamations.

# 2015-16 BUDGET ESTIMATES SUMMARY

The following sections provide a summary of the key Budget estimates included in the 2015-16 Budget. Further detailed information on these estimates is provided in this Budget Paper and, on an agency by agency basis, within *Government Services* Budget Paper No 2.

**Table 1.1: Key Budget and Forward Estimate Aggregates**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>GENERAL GOVERNMENT</b>					
Revenue	4 963.7	5 307.8	5 400.5	5 486.3	5 677.6
Expenses	5 249.3	5 366.3	5 299.0	5 398.3	5 495.2
<b>Net Operating Surplus/(Deficit)<sup>1</sup></b>	<b>(285.6)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<b>Fiscal Surplus/(Deficit)</b>	<b>(366.8)</b>	<b>(157.1)</b>	<b>(127.0)</b>	<b>(18.6)</b>	<b>106.9</b>
<b>Net Debt at 30 June</b>	<b>(188.3)</b>	<b>(252.6)</b>	<b>(214.2)</b>	<b>(306.0)</b>	<b>(492.9)</b>
<b>Infrastructure Investment</b>	<b>391.1</b>	<b>409.8</b>	<b>524.5</b>	<b>448.1</b>	<b>424.5</b>

Note:

1. The 2014-15 estimated outcome for the General Government Net Operating Balance is a \$186.2 million deficit. This is a \$99.4 million improvement from the original 2014-15 Budget estimate of a \$285.6 million deficit.

# Net Operating Balance

The Net Operating Balance is estimated to be a deficit of \$58.5 million in 2015-16. This represents an improvement of \$227.1 million when compared with the 2014-15 Net Operating Balance estimate of a deficit of \$285.6 million presented in the 2014-15 Budget. The Government expects to achieve a Net Operating Balance surplus of \$101.5 million in 2016-17, which is three years ahead of its target date of 2019-20 set out in its first Budget.

Chart 1.1 highlights the change in the Net Operating Balance that has occurred since 2004-05 and the significant improvement in the Net Operating Balance that is now expected to be achieved over the 2015-16 Budget and Forward Estimates period.

**Chart 1.1: Net Operating Balance, 2004-05 to 2018-19**

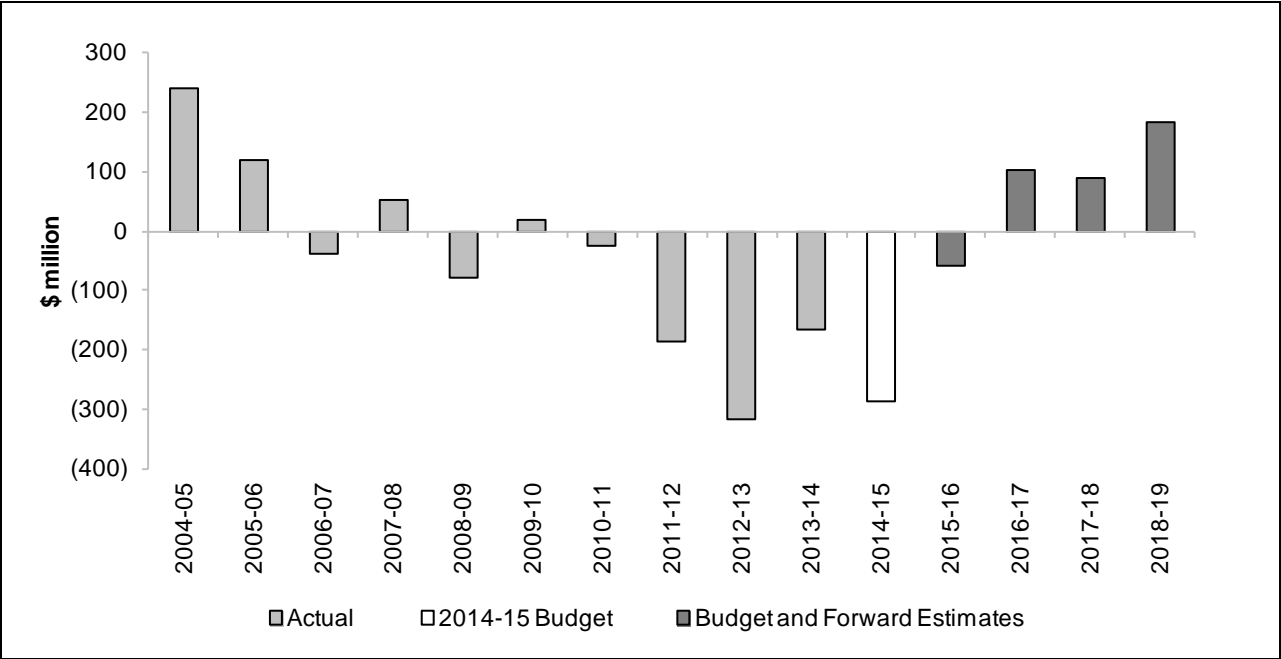
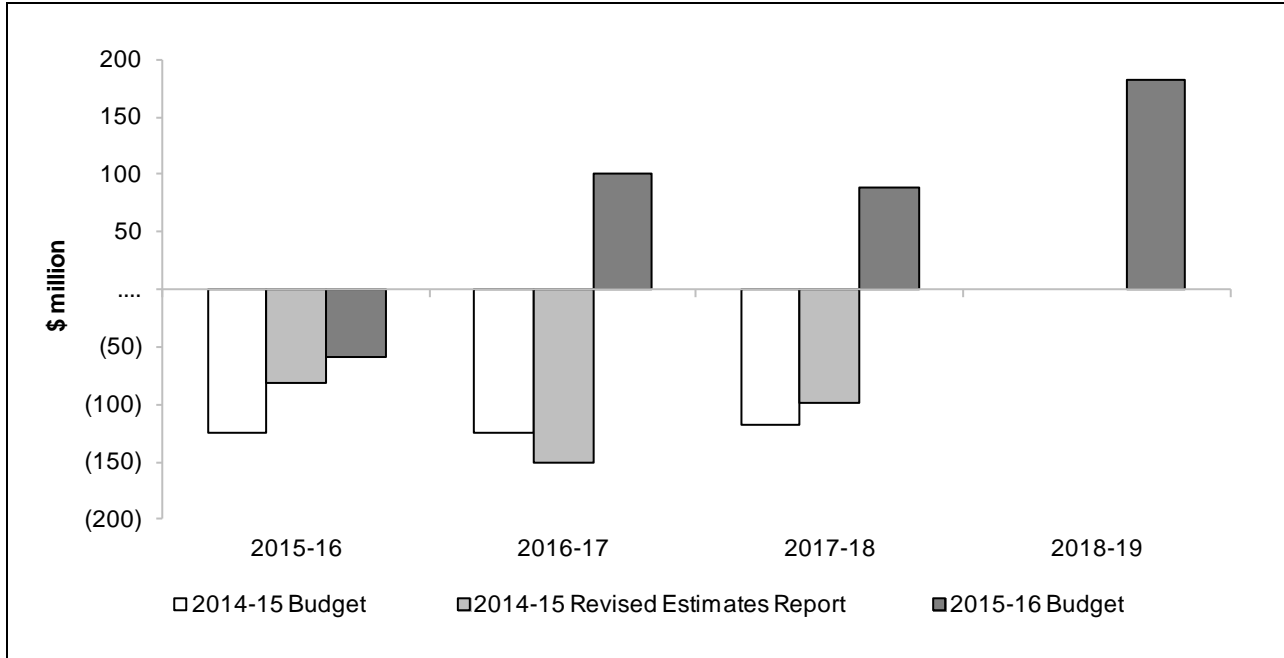


Chart 1.2 summarises the improvement in the Net Operating Balance estimates that have occurred since the 2014-15 Budget.

**Chart 1.2: Changes in Net Operating Balance Estimates since the 2014-15 Budget<sup>1</sup>**



Note:

1. Forward Estimates for 2018-19 were not available in the 2014-15 Budget and Revised Estimates Report.

It should be noted that the receipt of Australian Government funding for capital programs, particularly one-off major projects, has the effect of improving the Net Operating Balance outcome. Given the nature of the Net Operating Balance measure, it reflects the receipt of revenue from the Australian Government but does not factor in the expenditure of these funds on infrastructure projects.

Given this situation, the Underlying Net Operating Balance has been used for a number of years as a measure that removes the distorting impact of one-off Australian Government funding for specific capital projects. The Underlying Net Operating Balance measure was developed at a time when there were abnormally high levels of one-off Australian Government funding for infrastructure projects. The ongoing use of this measure in the current funding environment is subject to review.

Table 1.2 below provides information on the Underlying Net Operating Balance for the 2015-16 Budget and Forward Estimates period on an underlying basis.

**Table 1.2: Underlying Net Operating Balance, 2014-15 to 2018-19**

	2014-15 Estimated Outcome <sup>1</sup>	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Net Operating Balance</b>	<b>(186.2)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<i>Less One-off Australian Government Funding</i>					
Roads and Rail Funding	41.9	123.0	98.1	53.5	63.5
Royal Hobart Hospital Redevelopment	....	....	....	....	50.0
Water for the Future Funding	8.6	20.4	....	....	....
	<b>50.5</b>	<b>143.4</b>	<b>98.1</b>	<b>53.5</b>	<b>113.5</b>
<b>Underlying Net Operating Balance</b>	<b>(236.7)</b>	<b>(202.0)</b>	<b>3.4</b>	<b>34.5</b>	<b>68.9</b>

Note:

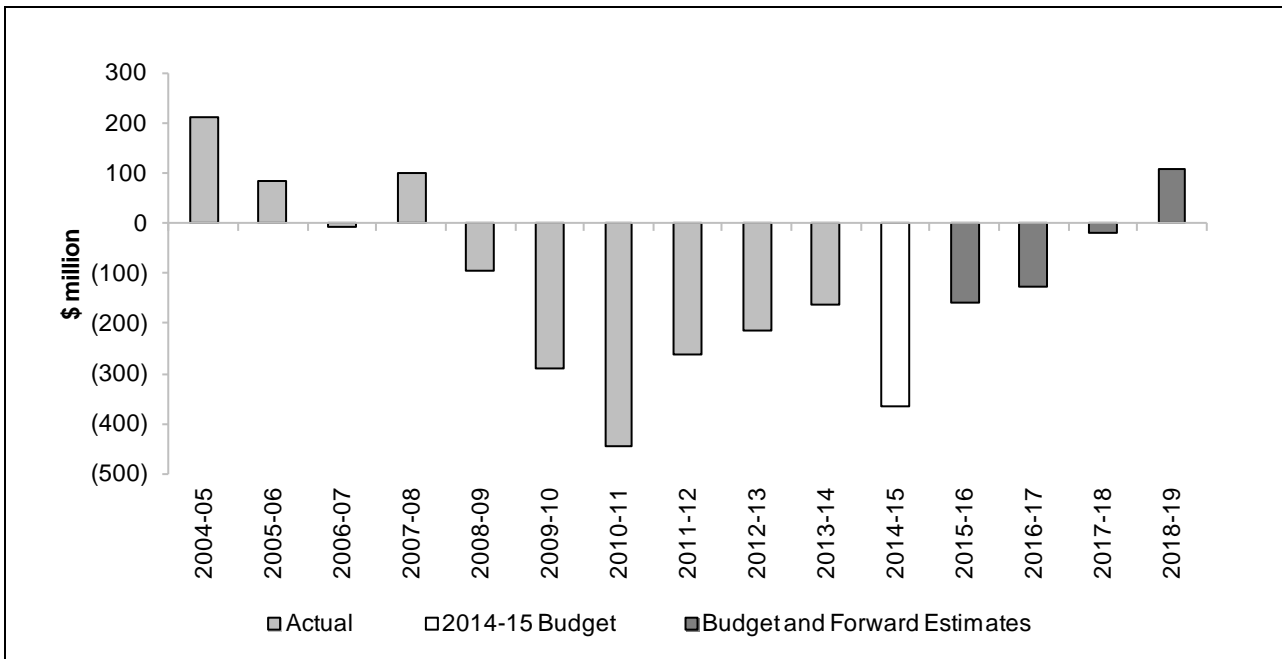
1. The presentation of the Underlying Net Operating Balance for 2014-15 differs from that included in the *Revised Estimates Report 2014-15*. Timing differences from 2013-14 have now been excluded in order to provide comparability with the calculation method used in the 2015-16 Budget and Forward Estimates. There are no significant timing differences which are expected to impact the 2015-16 Underlying Net Operating Balance.

# Fiscal Balance

A Fiscal Balance deficit of \$157.1 million is estimated for 2015-16 with the outcome improving over the Forward Estimates period to a surplus of \$106.9 million in 2018-19. While the Fiscal Balance can be affected by changes in the level of capital expenditure (i.e. Purchase of Non-Financial Assets), this improvement primarily relates to the improvement in the Government's Net Operating Balance position over the Budget and Forward Estimates period.

Chart 1.3 illustrates the Fiscal Balance since 2004-05.

**Chart 1.3: Fiscal Balance, 2004-05 to 2018-19**



# Net Debt

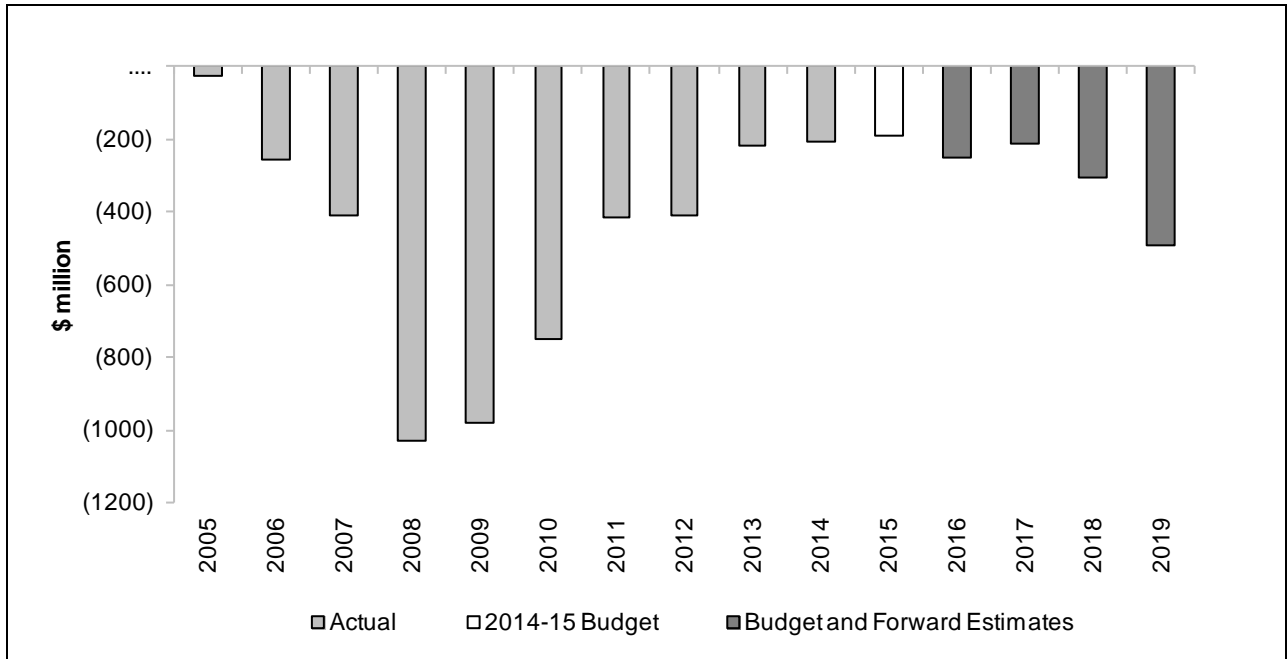
Net Debt represents Borrowings less the sum of Cash and Deposits and Investments. The reference to 'negative' Net Debt means that Cash and Deposits and Investments exceeds Borrowings. This can also be referred to as Net Cash and Investments.

It is estimated that General Government Net Debt will be negative \$252.6 million as at 30 June 2016. This Net Cash and Investments position represents a significant improvement of \$137.8 million on the estimated 30 June 2016 figure of negative \$114.8 million detailed in the *2014-15 Revised Estimates Report* in February 2015. This improvement reflects a number of factors including lower than expected expenditure on infrastructure and an improvement in the Government's operating and cash positions.

General Government Net Debt is currently estimated to improve over the Forward Estimates period reaching a level of negative \$492.9 million by 30 June 2019. This represents a significant improvement in the Government's General Government Net Debt position.

Chart 1.4 illustrates Net Debt since 2005.

**Chart 1.4: Net Debt, 2005 to 2019**

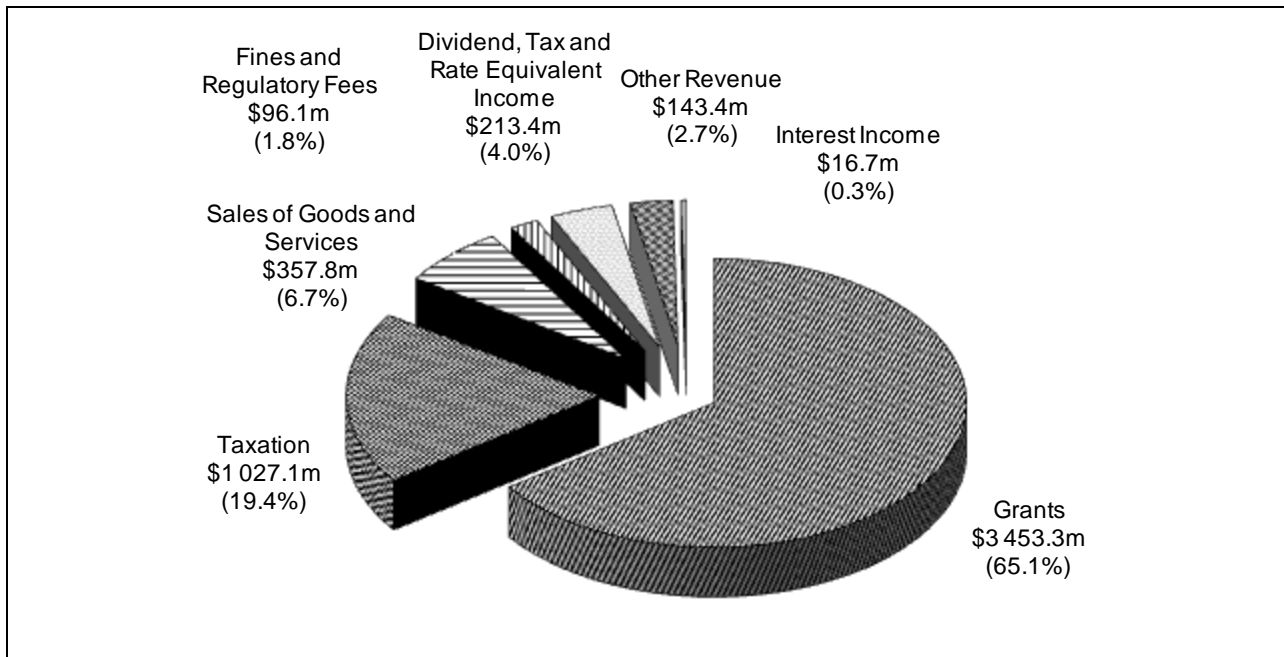


# Sources of Revenue

In 2015-16, General Government Sector total revenue is estimated to be \$5 307.8 million. This represents an increase of \$221.5 million on the 2014-15 Budget Forward Estimates for 2015-16 of \$5 086.3 million.

Chart 1.5 provides information on the major sources of General Government Sector Revenue in 2015-16. Chapter 5 of this Budget Paper provides a detailed explanation of the major revenue items included in the 2015-16 Budget and over the Forward Estimates period.

**Chart 1.5: Sources of General Government Revenue, 2015-16**

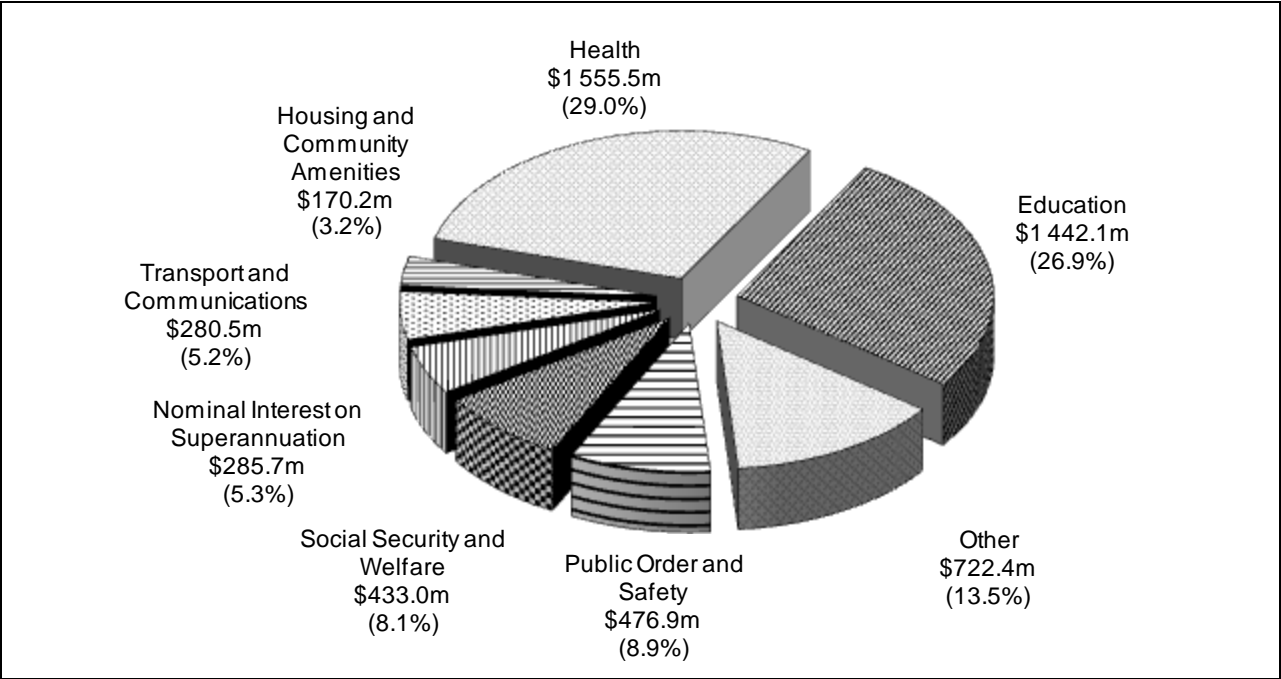


# Purposes of Expenditure

In 2015-16, General Government Sector total expenditure is estimated to be \$5 366.3 million. This represents an increase of \$154.9 million on the 2014-15 Budget Forward Estimate for 2015-16 of \$5 211.4 million.

Chart 1.6 provides information on the major purposes of General Government Sector Expenditure in 2015-16. This Chart reflects the detailed information provided in Table A1.14 in Appendix 1 of this Budget Paper. Chapter 4 of this Budget Paper provides a detailed explanation of the major expense variations included in the 2015-16 Budget and over the Forward Estimates period.

**Chart 1.6: General Government Expenses by Purpose, 2015-16**



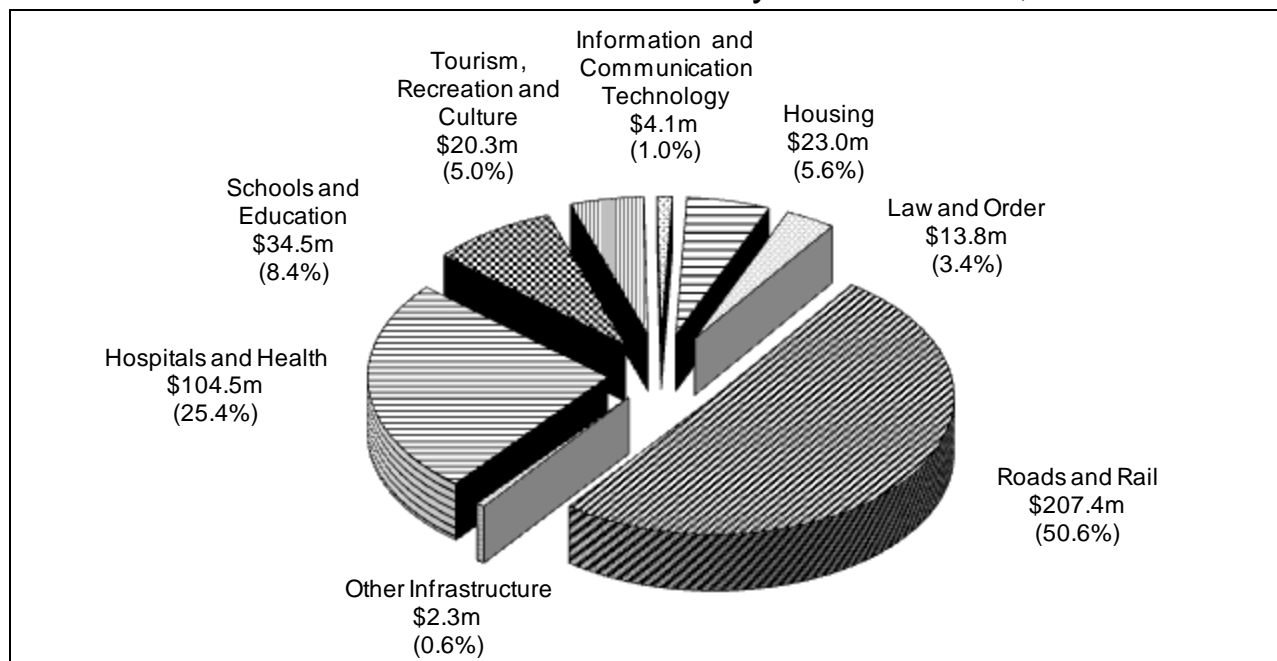
# Infrastructure Investment

Ongoing investment in infrastructure is a key element of the Government's Fiscal Strategy as well as its jobs and economic growth strategies. Infrastructure investment is also essential to the delivery of services to the community whether it be roads, hospitals, schools, housing, health centres or many other forms of essential public infrastructure. Infrastructure investment in 2015-16 is estimated to be \$409.8 million. Over the 2015-16 Budget and Forward Estimates period, the Government has allocated \$1.8 billion to infrastructure investment. Major infrastructure expenditure over the 2015-16 Budget and Forward Estimates period includes:

- \$495.6 million for the Royal Hobart Hospital Redevelopment;
- \$727.5 million for roads funding;
- \$95 million for education and LINC's infrastructure projects;
- \$60 million for the Northern Cities Major Development Initiative; and
- \$220.4 million of capital provisions set aside by the Government, which will be allocated to future infrastructure investment projects or used to provide capacity to meet cost variation and the impact of the re-scheduling of projects.

Chart 1.7 provides details of infrastructure investment expenditure for 2015-16 by classification. Chapter 6 in this Budget Paper provides a detailed explanation of the Government's investment in infrastructure over the 2015-16 Budget and Forward Estimates period.

**Chart 1.7: Infrastructure Investment by Classification, 2015-16**



# CURRENT BUDGET RISKS AND SENSITIVITIES

Notwithstanding the improvement in the Budget and Forward Estimates position that has been achieved since the 2014-15 Budget, there continues to be a number of risks to the achievement of the 2015-16 Budget and Forward Estimates. The Government therefore remains fully committed to the ongoing implementation of all aspects of its Fiscal Strategy and to ensuring that its financial management decisions reflect an appropriate balance between the requirements of the Budget position, the potential impact of the external financial and economic environment and the needs of the Tasmanian community.

Current major Budget risks and sensitivities are summarised below.

## Grants

### *Goods and Services Tax Revenue*

The risks to Tasmania's GST revenue estimate in the 2015-16 Budget 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 2015-16 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 Commonwealth Grants Commission (CGC)) has been finalised for 2015-16.

The Federation White Paper which the Australian Government will take to the next Federal election, is expected to address the GST distribution method again. Any changes to the method of distributing GST will pose a risk to Tasmania. This reform process is discussed in further detail in chapter 5 of this Budget Paper.

There is a one-to-one relationship between variations in the size of the national pool of GST available for distributions to the states and variations in GST revenue to Tasmania. For example, a one per cent variation in the GST pool would result in a \$22.5 million variation in Tasmania's GST revenue in 2015-16, assuming that the State's population share and assessed relativity remained constant.

### *Other Australian Government Funding*

Australian Government-State funding arrangements are linked directly to arrangements under the *Intergovernmental Agreement on Federal Financial Relations* (IGA) agreed by the Council of Australian Governments in November 2008. All states face some level of risk where they are reliant on Australian Government funding. The Australian Government's 2014-15 Budget saw unilateral cuts and changes to numerous agreements, highlighting the volatility and uncertainty faced by Tasmania due to this reliance.

Australian Government funding presents a further risk in that the CGC assesses the level of total funding received by each state in determining its relative financial needs and GST requirements. Where Tasmania receives a level of Australian Government funding above the national average, or where it is the only recipient, the State's GST revenue share decreases. This is explained further in the *Guide to the Budget* document that is available on the Department of Treasury and Finance website.

## *National Partnership Payments*

National Partnership Payments (NPP) are provided to each State through time-limited National Partnership Agreements and Project Agreements, with the specifics of each payment generally written into the agreement itself. The level of risk associated with these agreements is generally related to the nature of the payments provided and the difficulties of agencies adjusting expenditure levels when they cease. There are three types of NPPs which an agreement may contain a mix of:

- Facilitation payments - to assist a State to 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.

## *Specific Purpose Payments*

There are currently three Specific Purpose Payments (SPP) in operation: the National Affordable Housing SPP, the National Skills and Workforce Development SPP and the National Disability Services SPP.

Under the IGA, SPPs are indexed so that the level of funding moves broadly in line with changes in the costs of providing services. This provides states with some certainty as to 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 sensitive to assumptions underlying these parameters. SPP estimates for the 2015-16 Budget and Forward Estimates period will 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 low risk.

In recent years, the Education and Health SPPs have been replaced by reform agreements, namely the Students First funding arrangement and the National Health Reform (NHR) agreement respectively.

## *Students First Funding*

The 2014-15 Australian Government Budget revealed significant changes to the Students First funding arrangements. The Australian Government has honoured the Students First funding arrangements until the end of 2017, but not for the final two years in 2018 and 2019. Funding in the final two years will be indexed by CPI with an allowance for enrolment numbers, instead of the agreed amounts established under the National Education Reform agreement. This decision will begin to impact in the 2018-19 Forward Estimates and beyond.

The State Government continues to deliver on its Students First funding and education reforms, providing the full \$134 million of additional funding over the scheduled six years (\$98 million for the Government Sector and \$36 million for the Non-Government Sector).

## *National Health Reform Agreement*

In its 2014-15 Budget, the Australian Government announced the removal of funding guarantees that previously had ensured that states would be 'better off' under the NHR agreement. With the removal of these guarantees, in the period through to the end of 2016-17, the Australian Government funding contribution will no longer be supported by a guaranteed minimum funding safety net but be determined by actual activity undertaken. From 1 July 2017, the Australian Government will index its contribution for public hospitals funding by the Consumer Price Index and population growth, a level of indexation significantly less than that applying under the previous arrangements.

## *National Disability Insurance Scheme Funding*

The Heads of Agreement provides that the transition profile of clients coming into the Scheme between 2016 and 2019 will be agreed by September 2015 and that, from 2017, the risk sharing arrangements between the State and the Australian Government will be re-negotiated. To the extent that the outcomes differ from Tasmania's current estimates, these negotiations may have a material impact on the timing and size of Tasmania's financial contribution and, as such, represent a potential risk to the current Forward Estimates. It is anticipated that the improved State Budget position will provide capacity to meet the additional contributions negotiated with the Australian Government.

## White Papers on Reform of the Federation and Taxation

The Federation White Paper will consider reform to Commonwealth-State roles and responsibilities, vertical fiscal imbalance and horizontal fiscal equalisation. It aims to clarify roles and responsibilities between all levels of government to ensure that, as far as possible, each level of government is sovereign in its own sphere. Australia's substantial vertical fiscal imbalance and long-term fiscal pressures, for all levels of government, mean that the Federation White Paper will be closely linked to reforms considered in the Taxation White Paper and will necessitate close interaction between the two White Papers. The outcomes of these major national reviews could have significant implications for future state revenue and expenditure estimates.

## State Taxation

State Taxation 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.

For example, 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 1.4 per cent change in Tasmania's Payroll Tax revenue in 2015-16 and a one per cent variation in average weekly earnings in Tasmania would result in an estimated variation of 0.8 per cent change in Payroll Tax receipts in 2015-16.

Furthermore, it is estimated that a one per cent variation in the number of property sales would lead to a 0.9 per cent variation in Conveyance Duty revenue in 2015-16. A one per cent variation in property prices would lead to a 1.1 per cent variation in Conveyance Duty revenue in 2015-16.

Other factors that influence state taxes include business and consumer confidence, access to capital and the availability of labour, housing supply, interest rates and financial institutions' lending policies.

## Returns from Government Businesses

Returns from Government businesses are generally below that which would be expected from the Government's significant equity investment in the businesses. As detailed in chapter 5 of this Budget Paper, these returns are also subject to significant amounts of variability from year to year, which is driven by a range of external factors. These include market conditions, investment performance, infrastructure investment requirements and the implementation of major reform programs.

At the same time, there have been increasing demands from some businesses for substantial additional funding to meet capital expenditure requirements, community service obligations or to ensure ongoing financial sustainability. In the period from 2008-09 to 2014-15, in the order of \$1.38 billion has been provided by the Government to Government businesses. This excludes equity transfers between the businesses as well as considerable Australian Government funding.

While it is acknowledged that the Government business portfolio provides important services to customers and essential infrastructure to support economic development, the levels of funding historically injected into the Government businesses is unsustainable and this creates an underlying risk to the Government.

As detailed in the Fiscal Strategy, the Government will continue to hold Government business boards more accountable for business performance and, in particular, a focus on core business activities, and on delivering value for taxpayers and the community. This will also include a focus on ensuring the long-term sustainability of the businesses with a view to self-sufficiency rather than the historical reliance on Government financial support and undertaking a review of board appointment processes, including the arrangements for reviewing board performance and renewing board membership.

## Other risks

### *Superannuation funding*

The emerging cash cost of defined benefit superannuation payments is met from the Consolidated Fund, funded partly by agency contributions and by a Reserved by Law contribution, which comprises the balance of the Government's share of pension and lump sum benefit costs. A key Budget risk is that the cost to the Budget will increase significantly in coming years (increasing by 68 per cent over the next 14 years and peaking in 2029-30). In 2015-16, defined benefit superannuation costs are estimated to be 4.7 per cent of Cash Receipts from Operating Activities in the General Government Sector. Defined benefit superannuation costs as a percentage of General Government cash receipts is estimated to increase to 5.2 per cent within five years (by 2020-21) and 5.3 per cent in 10 years (2025-26). Defined benefit superannuation costs as a percentage of General Government cash receipts is estimated to peak at 5.4 per cent in 2023-24, and then is estimated to decrease to 4.5 per cent in 15 years (2030-31) and to 3.5 per cent in 20 years (2035-36). More information in respect of the General Government superannuation liability is provided in chapter 8 of this Budget Paper.

## *Public Sector Wages*

The 2015-16 Budget and Forward Estimates provide for wage indexation of two per cent per annum. This is consistent with the Government's current wages policy. Over the 2015-16 Budget and Forward Estimates period employee costs (including superannuation) represent approximately 47 per cent of total operating expenditure. To the extent that actual wage outcomes exceed the level of indexation on which Budget estimates are based, there will be a negative impact on the Budget outcome. A one per cent increase in employee costs across all employee areas, over and above that provided for, will (assuming no other changes) have a negative impact on the Budget position of approximately \$25 million.

## *Agency Expenditure and Implementation of 2014-15 Budget Savings Strategies*

The effective implementation of agency Budget Savings Strategies is a key element of the Government's financial management strategy. Since the 2014-15 Budget, the Government has closely monitored the implementation of these savings measures. To ensure that expenditure growth continues to be managed in accordance with the Government's Fiscal Strategy it will be important that agencies ensure that existing savings requirements are achieved and new additional funding requests are tightly controlled.

## *Health Expenditure*

Increasing health care costs are a significant and long-standing risk that is being faced by all jurisdictions. While the 2015-16 Budget provides significant additional funding to support health services and the Government, through its important health reforms is redesigning the health system to ensure that existing health funding is spent more efficiently, the potential for future budget over-expenditure remains a significant risk.

## *Tasmanian Industry Support*

Since the 2014 State Election, the Government has encouraged investment by businesses in the State to promote growth and create jobs. Initiatives undertaken by the Government include the creation of the Department of State Growth and the establishment of the Office of the Coordinator-General within that Department to act as a single point of contact for businesses interested in investing in Tasmania.

This continues to be a major focus of Government and the Government has flagged that it is prepared to work closely with the private sector to support investment and jobs in Tasmania. Where appropriate, this may result in the allocation of additional funding or the foregoing of revenue over the Budget and Forward Estimates period.

## *Royal Hobart Hospital Redevelopment*

The Royal Hobart Hospital Redevelopment Project is one of the biggest public infrastructure projects undertaken in Tasmania. Following the Royal Hobart Hospital Rescue Taskforce Review, work has recommenced on the Project, with an additional \$71.9 million invested in the Project from previously unallocated infrastructure investment provisions to fund its completion. To the extent that actual costs associated with the Project exceed the funding provided there is a potential for there to be a further significant reduction in unallocated infrastructure investment funding, which would limit the flexibility the Government has to utilise that provision for changes in the scope of other committed projects or to take on new infrastructure commitments without negatively impacting on the Fiscal Balance and Net Debt position.

## *Mersey Hospital funding*

The Heads of Agreement for the continued management, operation and funding of the Mersey Community Hospital expires on 30 June 2015. The Government is currently in negotiation with the Australian Government to roll the Agreement over for a further two years. However, the nature of the current rolling agreements with the Australian Government creates a level of uncertainty regarding future funding. The 2015-16 Budget assumes a continuation of Australian Government funding over the Forward Estimates. To the extent that outcomes differ from Tasmania's current expectations, the financial impact on the Budget will change.

# APPENDIX 1.1 CREDIT STATUS OF THE STATE PUBLIC SECTOR

The current credit ratings and outlook for long-term domestic debt of the states and the territories by the two major rating agencies, Moody's Investors Service (Moody's) and Standard & Poor's (S&P), are detailed in Table 1.3.

**Table 1.3: Government Ratings**

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



# 2 TASMANIAN ECONOMY

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## *Key Issues*

- The Tasmanian economy is forecast to grow by 2½ per cent in 2015-16, following an estimated growth of 1¾ per cent for 2014-15.
- There has been an improvement in a range of key indicators over the past year, following an extended period of weak economic activity, although the recovery has been uneven across the State. In particular, the labour market has improved significantly since late 2013. Part of this improvement has been driven by the tourism industry, with record visitor numbers and high levels of spending contributing to increased employment in tourism-related industries.
- Business confidence has been high in recent months, with Tasmania recording higher levels of business confidence than nationally. Several major commercial investment projects are underway, with other major projects set to commence.
- The impacts of record low interest rates and State Government support for first home builders are reflected in a recovery in dwelling investment. Forward indicators suggest that this growth will continue through 2015-16.
- The devaluation in the Australian dollar is providing support to the State's exporting industries, including in the horticulture sector where export volumes have started to increase. Overall, however, export volumes have continued to decline, due partly to the weaker mining industry in Tasmania.
- Tasmania's population growth has been below trend, but is expected to increase marginally as the gap between Tasmanian and national economic conditions narrows.
- Employment is forecast to increase by a total of 3¼ per cent over the two years of 2014-15 and 2015-16. The unemployment rate is forecast to be 6¼ per cent in year-average terms in 2015-16, down slightly from an estimated 7 per cent in 2014-15.

# CURRENT ENVIRONMENT - OVERVIEW

## Global Conditions

The global economy generally improved through 2014, although some advanced economies experienced some unexpectedly weak results in the latter half of the year. The International Monetary Fund (IMF) has recently forecast global economic growth of 3.5 per cent in 2015 and a modest increase to 3.8 per cent in 2016, driven by developing economies. The risks to the outlook are considered to be more balanced than has been the case in recent times. Advanced economies are forecast by the IMF to grow by 2.4 per cent in each of 2015 and 2016, though the performance of these economies is expected to remain uneven. The IMF forecasts emerging and developing economies to grow by 4.3 per cent in 2015 and by 4.7 per cent in 2016 and has identified population ageing and lower investment and productivity growth as constraints on global economic activity.

The outlook for Asia as a whole, which accounts for around three quarters of Tasmania's international exports, continues to be strong. China is growing at less than the very strong growth of the past decade, though the size of the Chinese economy and its high growth rate, relative to other major economies, means that it remains a dominant driver of growth in Asia and globally. The Chinese government has set a lower growth target for China's economy, at 7 per cent for 2015, and is seeking to rebalance the economy away from investment projects and towards service industries and other industries that are benefiting from expanding household income. The outlook for Japan's economy remains weak due to weak household spending. Several other Asian countries, including Malaysia, Indonesia and India continue to experience strong growth rates.

Growth in the European Union was modest in 2014, and its prospects are generally considered to be weak. By contrast, the United States economy continues to expand above the average pace of advanced economies, with strong domestic demand leading to increased investment and falling unemployment. The IMF expects growth in the United States to be 3.1 per cent for both 2015 and 2016.

Despite these generally favourable economic conditions, the prices of many of Australia's and Tasmania's key export commodities remain weak. This reflects increased global supply in response to the previous very high prices, and, in some cases, lower demand such as from China where the rate of industrialisation has been easing.

Monetary policy remains highly accommodative in advanced economies. This has contributed to very substantial gains in equity values and extraordinarily low long-term government bond yields. It is uncertain what the implications of this monetary policy will be on global economic conditions when interest rates inevitably increase over the longer-term.

## Australian Conditions

Australia's economy continues to outperform many advanced economies, but growth has been below trend and has been easing further in recent quarters. The Australian economy continues to adjust to the winding down of the mining investment boom, compounded by significant weakness in the prices of some mineral commodities. The effect of this transition has been cushioned by strong growth in the volume of resource exports and a recovery in dwelling investment.

The value of the Australian dollar has been volatile against key currencies and has fallen substantially in recent months, particularly against the US dollar. A recovery in the prices of some key commodities, such as iron ore and coal, would put upward pressure on the Australian dollar.

The Australian labour market in the past year has not performed as strongly as in recent years. Employment growth has been weak, and has not quite kept pace with the growth in the working age population, leading to an increase in the national unemployment rate. Some of this increase in unemployment has been due to lower demand for workers in the resource-rich jurisdictions.

Nationally, consumer confidence has been below average according to most surveys and, according to some, is trending downwards. Households are reporting increasing concerns over job security. Business confidence is also subdued according to the National Australia Bank's Monthly Business Survey, falling further below the long run average level in the first quarter of 2015. Businesses in many industries are reporting weak demand and have not, to date, reported any major benefits from the lower Australian dollar. Many businesses in the resources sector remain concerned over low commodity prices.

The Reserve Bank of Australia (RBA) has lowered the cash rate over the past year, most recently in May 2015, to 2 per cent which is a record low, during which time core inflation has been well within the Reserve Bank's target band. The RBA stated in May 2015 that the key constraint on private demand in Australia is likely to be weakness in business capital expenditure in both the mining and non-mining sectors, and also that public spending is scheduled to be subdued.

In its most recent *World Economic Outlook*, the IMF has forecast economic growth of 2.8 per cent for Australia in calendar 2015 and 3.2 per cent for 2016, which is close to trend. The Australian Treasury, in the *2015-16 Budget*, estimates national growth of 2½ per cent in 2014-15 and forecasts marginally higher growth of 2¾ per cent in 2015-16. The national unemployment rate is forecast to be 6½ per cent by the June quarter 2016 according to the Australian Treasury.

## ECONOMIC OUTLOOK

Table 2.1 presents Treasury's estimates for key Tasmanian economic indicators for 2014-15, forecasts for 2015-16 and projections from 2016-17 to 2018-19.

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 measures that the Australian Bureau of Statistics (ABS) reports in its Australian National Accounts.

Table 2.1: Tasmanian Economic Estimates, Forecasts and Projections

	RER <sup>1</sup>		Budget 2015-16				
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Forecast	Estimate	Forecast	Projections		
Gross State Product <sup>2,3</sup>	1.2	1¾	1¾	2½	2	2	2
State Final Demand <sup>2,3</sup>	0.7	2	2¼	2½	2¼	2¼	2¼
Employment <sup>3</sup>	-0.4	2¾	2¾	½	1	1	1
Labour Force Participation Rate <sup>4</sup>	60.2	61½	61	60¾	60¾	60¾	60¾
Unemployment Rate <sup>4</sup>	7.7	7	7	6¾	6¾	6¾	6¾
Consumer Price Index (Hobart) <sup>3</sup>	2.5	1½	1¼	2¼	2½	2½	2½
Population <sup>3</sup>	0.3	0.4	0.4	0.5	0.6	0.6	0.6

Source: Data - ABS; Estimates Forecasts and Projections - Treasury.

Notes:

1. The *Revised Estimates Report 2014-15*, which was released on 11 February 2015.
2. Real, percentage change.
3. Year-average, percentage change.
4. Year-average, percentage level.

The projections over the period 2016-17 to 2018-19 contained in Table 2.1 are not forecasts. They are based on the long-term averages for each of the indicators and do not take into account the potential impact of any future economic events or policy changes by the State or Australian Governments.

## Summary of 2014-15 Estimates and 2015-16 Forecasts

Tasmania's state final demand is expected to grow by 2¼ per cent in 2014-15. Household spending has been the main driver of state final demand over the first half of 2014-15 and this is expected to continue over the year. Both business and dwelling investment have been increasing modestly since 2013-14 and further gains are anticipated over the second two quarters of 2014-15. Against this, public spending has been easing, due to lower public investment by all levels of government to the December quarter 2014. Some recovery in public spending by the State Government is likely in the second two quarters of 2014-15.

The real volume of overseas exports is expected to decrease over 2014-15, based on the export data to date and the significant reduction in copper exports arising from the suspension of mining at the Mount Lyell mine. Largely due to this weaker export performance, Tasmania's gross state product is expected to grow by less than state final demand and increase by 1¾ per cent over 2014-15.

Inflation has been particularly low in Tasmania over the first three quarters of 2014-15, partly reflecting the decline in petrol prices and in electricity prices as a result of the removal of the carbon price. The declining growth in private sector wages has also contributed to lower price increases. The Hobart Consumer Price Index is expected to increase by 1¼ per cent over 2014-15, around half the average growth of the past decade of around 2.5 per cent.

For 2015-16, further strengthening of the Tasmanian economy is expected. Economic growth is forecast to be stronger, again driven by private demand with business investment and dwelling investment both forecast to increase by more than in 2014-15. Some contribution to gross state product growth is expected from overseas exports and from public spending with the ramping up of public investment.

Inflation is expected to rise to 2¼ per cent in 2015-16, as the factors that drove down inflation in 2014-15 are not expected to apply. This forecast is marginally below the most recent forecast of the national inflation rate by the Australian Treasury of 2½ per cent for 2015-16.

Over the two years of 2014-15 and 2015-16 employment is expected to increase by a total of 3¼ per cent. Based on the official ABS labour force data, which have been very volatile over the past year, and also due to the base effects arising from year averaging, this appears as a 2¾ per cent increase in 2014-15 and a ½ of one per cent increase in 2015-16. The forecast of employment growth over 2015-16, if steady throughout the year, results in an additional 2 400 persons employed by June 2016.

The unemployment rate in Tasmania is closer to the national rate than a year earlier and a year-average rate of 7 per cent is now expected over 2014-15, declining marginally to 6¾ per cent over 2015-16.

Some modest further growth in Tasmania's population to 0.5 per cent is expected in 2015-16 as interstate migration flows adjust to the improvement in labour market conditions in Tasmania, relative to mainland Australia.

## Tasmania's Economic Outlook

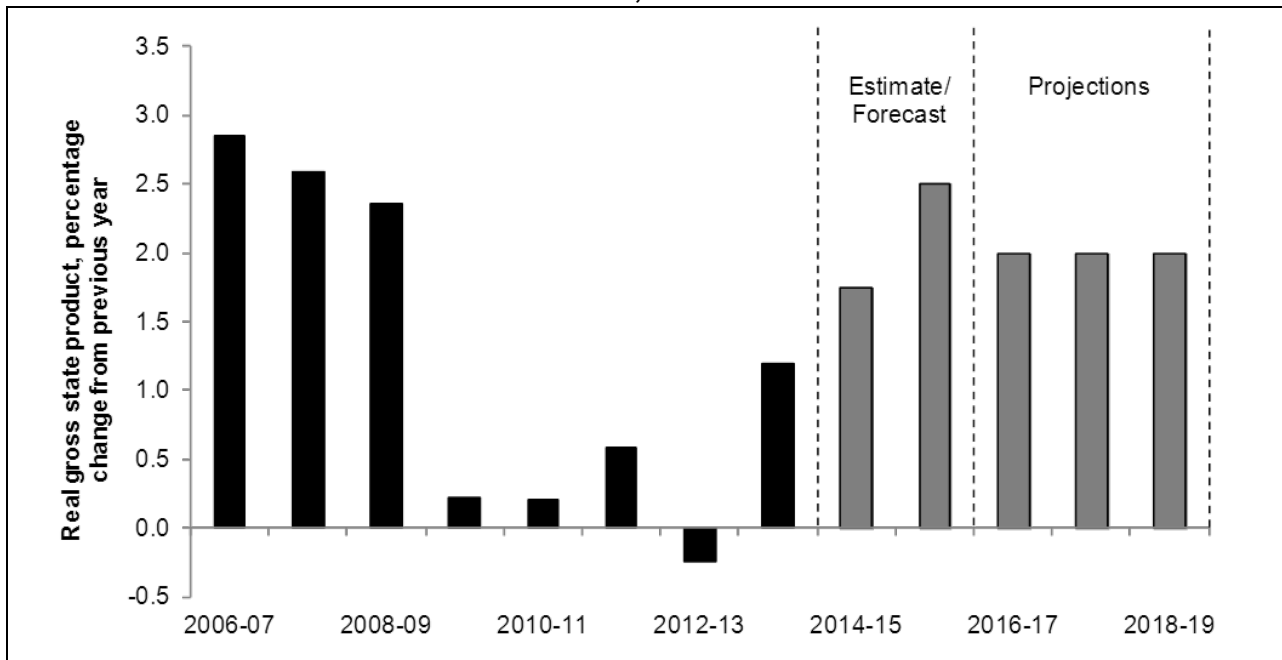
### *Gross State Product and State Final Demand*

Tasmania's prospects for economic growth, as measured by gross state product, are more encouraging than in recent years. Private demand has been increasing and the prospects are encouraging for the tourism sector and some primary industries, such as horticulture and dairy. The sharp decline in Tasmania's manufacturing, which had detracted from economic growth in recent years, appears to be largely ended. The health care and social assistance industry continues to expand and business confidence has been very high recently, which suggests that the outlook for investment and increased economic activity is positive.

Against this, Tasmania's low population growth rate, relative to the national average, constrains economic growth in the State. In addition, Tasmania's ageing population, and its large share of those aged 65 years and no longer in the workforce, impacts on household spending. The mining sector continues to struggle, with the winding down of the Henty gold mine and with the Mount Lyell copper mine still operating on a care and maintenance basis. The decline in the Australian dollar, if sustained, is likely to assist the mining sector.

Gross state product in Tasmania is expected to increase by 1¾ per cent in 2014-15 and is forecast to grow above the long-term trend rate at 2½ per cent in 2015-16.

Chart 2.1: Gross State Product, Tasmania



Source: Australian National Accounts: State Accounts, ABS Cat No 5220.0; Treasury forecasts and projections.

Tasmania's state final demand, a measure of spending within the State, increased slightly in each of the past seven quarters, but remains around 1.9 per cent below the recent peak level recorded in mid-2011. State final demand is expected to grow at 2¼ per cent in 2014-15, which is around the trend level, and by 2½ per cent in 2015-16.

The key elements of Tasmania's gross state product are set out in more detail through the remainder of this chapter.

### Household Consumption

Household consumption is the net expenditure on goods and services by households. Since mid-2013, household spending has grown at a pace at or above the average quarterly trend growth rate, supported by improving labour market outcomes, increased levels of consumer confidence and a supportive interest rate environment.

The growth in Tasmania's tourism sector has been stimulating consumption spending in the State. According to the Tasmanian Visitor Survey, visitor numbers were three per cent higher in the year to December 2014 compared to the previous year, at a record 1 068 100 persons and visitor expenditure increased by 11 per cent to \$1.8 billion.

The value of personal finance commitments in Tasmania has been increasing in recent months. This suggests generally households are more confident to borrow to fund their expenditure, some of which is likely to be related to the growth in dwelling investment as the demand for white goods and other dwelling-related items tends to be high when the housing market is strong. Household spending is expected to continue to grow in 2015-16 at around the long-term trend.

### *Private Investment*

Private investment in Tasmania comprises a smaller share of final demand than nationally and the current level is still well below the levels of 2008, prior to the global economic downturn. In part, this is because the decline in Tasmania's manufacturing, mining and forestry-related industries has resulted in lower levels of ongoing investment in plant and equipment in these industries. By contrast, expanding industries such as health care and social assistance and some in the tourism sector tend to be less capital intensive and generally require lower levels of ongoing capital investment.

The focus of business investment in Tasmania is now towards commercial, rather than industrial, developments, with some major investments including the Myer site redevelopment and the *parliament square* project in Hobart and the Silo Hotel and Penny Royal developments in Launceston.

The business investment outlook is mixed across the State. Some very high value developments are currently underway in the Hobart area, which is also benefitting from some very large public infrastructure projects. In the Northern region, business investment is providing support to the construction industry, including through some medium-sized projects, but not to the same extent as in the South. By contrast, investment is relatively weak in the North West of the State, where there has been some major downsizing of operations, such as at Caterpillar in Burnie, and there is ongoing uncertainty over the prospects for several small and large mines.

Business confidence indicators in Tasmania have been strong in recent months, particularly in the agriculture and tourism-related industries. Several industries are benefitting from the more favourable external trading environment, which includes not just the lower exchange rate but also increased access to some markets arising from free trade agreements and other internationally agreed arrangements. This is likely to support business investment in the medium-term.

Dwelling investment in Tasmania has increased in recent quarters, as anticipated in the 2014-15 Budget Papers. Forward indicators of dwelling investment, such as residential building approvals and housing finance, have improved in year-average terms and rental vacancy rates have decreased. This momentum is expected to be sustained over 2015-16.

The Government's First Home Builder Boost, which has been supported by low interest rates, has been highly effective in stimulating dwelling investment, with over 1 000 grants paid since the scheme commenced in November 2013. There is a substantial pipeline of housing construction contracts arising from the initial \$30 000 grant, which will result in strong investment levels over the remainder of 2014-15 and into 2015-16. The Government's decision to extend the \$20 000 grant from June 2015 to December 2015 will provide some further stimulus to dwelling investment over 2015-16 and the following year. Across the State, the take up has been relatively higher in the South and the North than in the North West.

## *Government Expenditure*

Government expenditure in Tasmania includes Australian, State and Local Government consumption and investment spending. This expenditure accounts for a larger share of Tasmania's final demand than nationally. Proportionate changes in government expenditure therefore have a larger impact on Tasmania's economy than nationally.

Total public spending in Tasmania has been steadily decreasing over the past year, continuing the trend since early 2010. This reflects, in part, the fiscal pressures faced by the Australian and State Governments and, to a lesser extent, in the local government sector.

Public spending is also influenced by the timing of major capital projects; this accounts for the decline in government expenditure in Tasmania in the first two quarters of 2014-15. The commencement of the University of Tasmania accommodation projects in Hobart and Launceston and the resumption of activity on the Royal Hobart Hospital redevelopment are expected to reverse this trend for the remaining quarters of 2014-15.

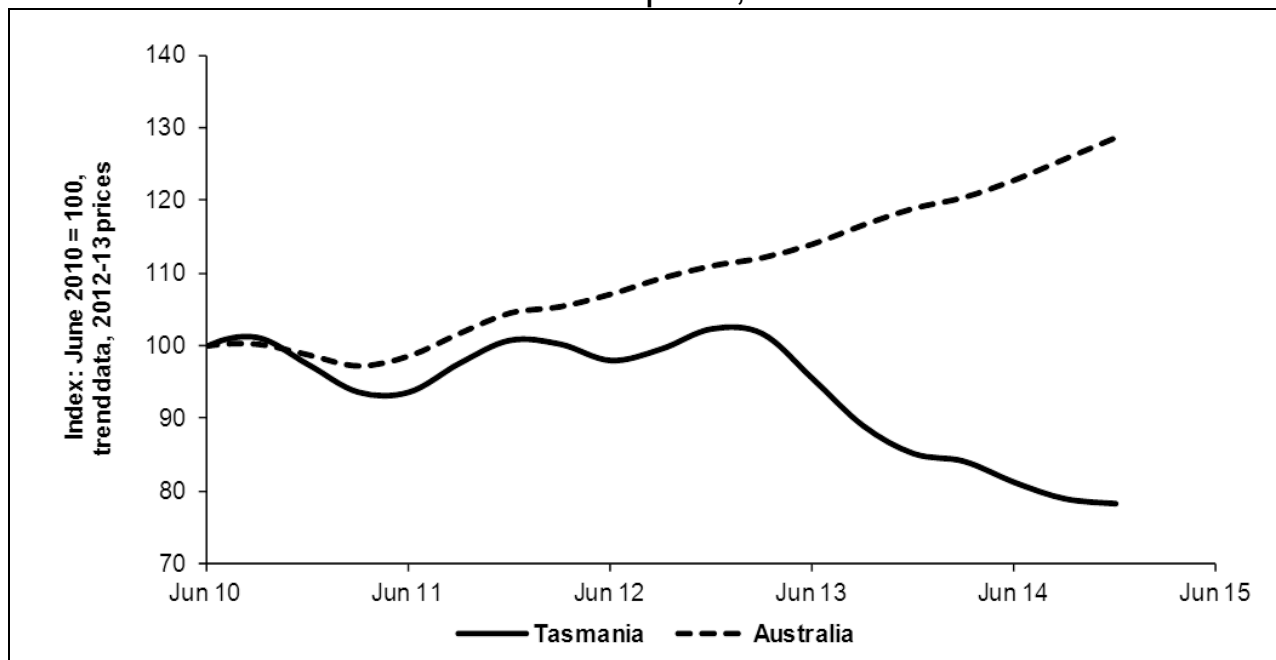
For 2015-16, modest growth in total government expenditure is forecast, supported by increased public investment by the State Government. Public investment by the State Government is expected to support around 2 500 jobs in the construction sector over 2015-16. Further information on this general government infrastructure can be found in chapter 6 of this Budget Paper.

## *Exports*

Tasmania's international export sector has faced very challenging conditions over the past decade. In recent years, the value of Tasmanian international merchandise exports has been falling due to decreased mining activity, a smaller manufacturing and forest products sector and weaker export prices, including zinc, aluminium and iron ore. Most recently, the nominal value of Tasmania's exports was estimated at \$2.55 billion in the year to March 2015, down 8.0 per cent from the previous year and well below the peak of \$3.8 billion in the year to August 2007.

In volume terms, export activity has been declining and is less than 20 per cent of the level of five years ago according to the ABS (Chart 2.2). While Treasury has some concerns over how Tasmania's international export levels are estimated by the ABS, it is clear that the recent trend has been unfavourable and that this has detracted from Tasmania's economic growth, unlike the trends at the national level, where Australia's strong export performance has provided a very substantial contribution to national economic growth.

Chart 2.2: Real International Exports, Tasmania and Australia



Source: *Balance of Payments and International Investment Position*, ABS Cat No 5302.0

Around three quarters of Tasmania's international merchandise exports, by value, are to Asian countries, with China (including Hong Kong) accounting for just under a third. Export sales to China declined in the year to March 2015, driven largely by a decrease in the sales of metallic ores.

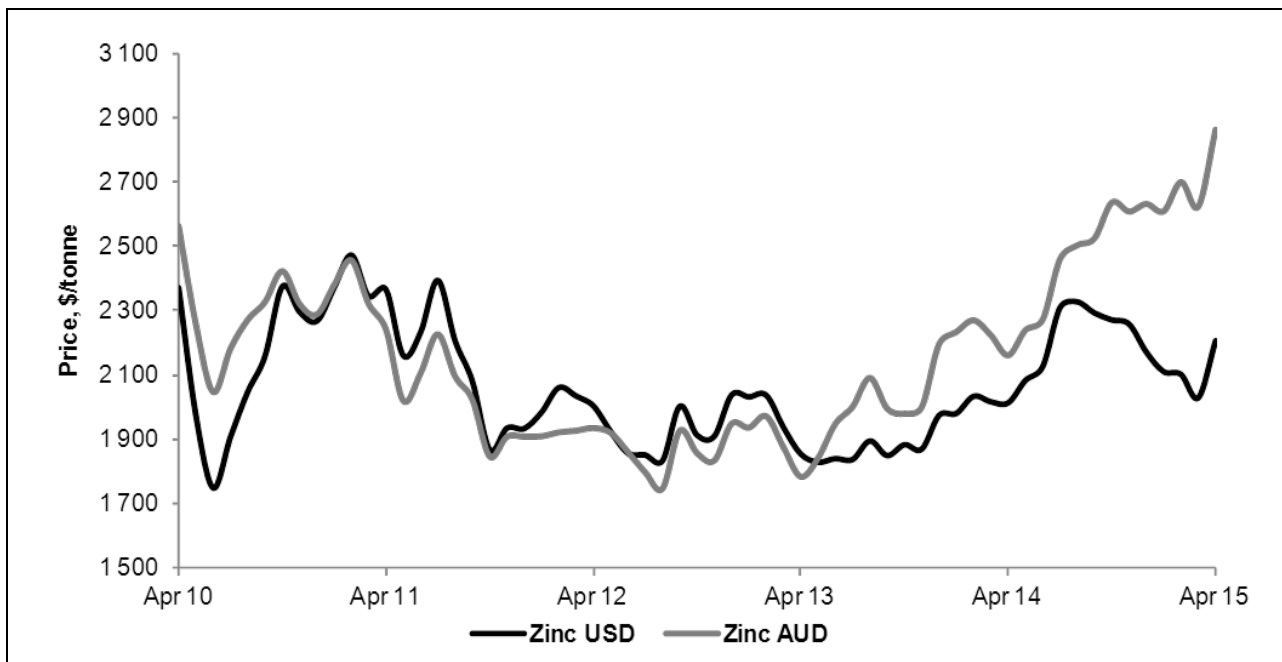
Tasmania's international export sales are expected to be relatively subdued in the near-term due to weaker export prices for milk products and iron ore, the loss of output at the Mount Lyell copper mine and the winding down of the Henty gold mine.

The medium-term prospects are more promising. The recent decline in the value of the Australian dollar against most currencies, and especially the US dollar, has boosted the competitiveness of Tasmania's export sector. On a trade weighted basis that reflects Tasmania's export mix, this decline has been around 14 per cent over the past three years, which compares with a decline of around 25 per cent against the US dollar.

For some of Tasmania's key commodities, the support from the lower exchange rate has been sufficient to outweigh the decline in global prices. An example is illustrated in the chart below, which shows that over the past nine months, the Australian dollar price for zinc has increased while it has fallen in US dollar terms. The zinc price in US dollars was almost 7 per cent lower in April 2015 than in April 2010, yet it was around 12 per cent higher than in April 2010 in Australian dollar terms. This was also the case for tin. Even for these commodities, however, unit production costs may have risen by more than the Australian dollar prices over this period.

By contrast, in the case of iron ore, the decline in price of around 67 per cent in US dollar terms between April 2010 and March 2015 was so great that the depreciation of the Australia dollar was only able to reduce this decrease to around 60 per cent. The price of aluminium and milk powder, two other important exports from Tasmania, were also lower in Australian dollar terms in April 2015 than in April 2010.

Chart 2.3: Movements in Zinc Prices - Australian and US Dollars



Source: Index Mundi; Oanda; Reserve Bank of Australia

The expansion of the Tasmanian Freight Equalisation Scheme to include international exports shipped through mainland Australian ports from January 2016 will provide further support for Tasmanian international exporters. Further export growth is expected from the expansion of the horticulture and dairy industries, which are heavily export oriented. Several primary sector exporters are benefiting from recent free trade agreements and other opportunities for greater access to overseas markets, particularly in Asia.

International merchandise exports, in volume terms, are forecast to return to modest growth in 2015-16.

Exports of goods to mainland Australia account for a larger share of Tasmania's gross state product than Tasmania's international exports, though it appears that some exports classed as interstate exports by the ABS are destined for overseas markets. These interstate exports tend to grow in line with Australia's economy and are therefore expected to increase in 2014-15 and in 2015-16.

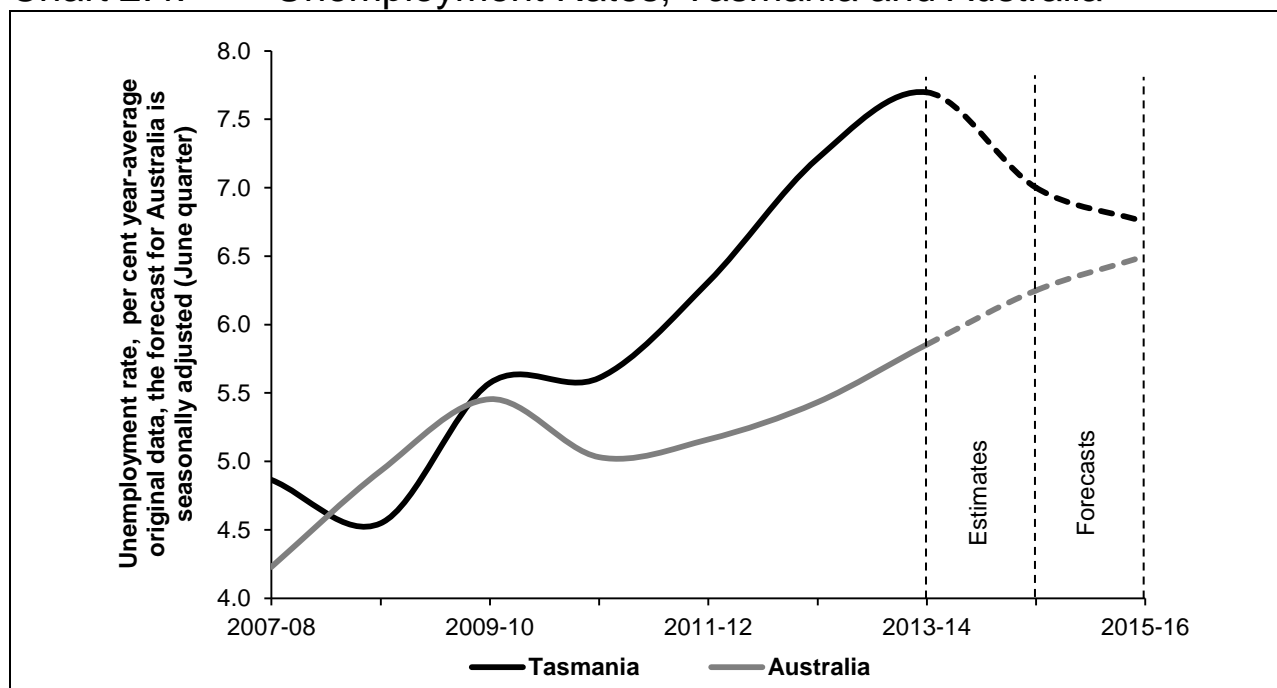
### *Labour Market*

The Tasmanian labour market has shown underlying improvement since 2013 after an extended period of weakness and the levels of both part-time and full-time employment are higher than a year earlier. Treasury's employment estimates and forecasts are based on official ABS labour force data. The ABS estimates of employment levels in seasonally adjusted terms, and of the levels of aggregate hours worked, have been volatile and have included some very high levels in late 2014.

For the two year period of 2014-15 and 2015-16, employment is expected to increase by 3¼ per cent. The volatility in recent data and the use of year-average estimates, where the results are very sensitive to the end of year employment level, generates an estimate of 2¼ per cent employment growth in 2014-15 and a growth forecast of a ½ of one per cent in 2015-16, even though employment growth through 2015-16 is forecast to be at the long-term trend rate of around one per cent. If employment grew at a constant rate throughout 2015-16, this would result in around 2 400 more persons employed in June 2016 than in June 2015.

Tasmania's unemployment rate was 0.5 of a percentage point lower in April 2015 than a year earlier, in trend terms. Tasmania's unemployment rate is estimated to be 7 per cent over 2014-15, falling to 6¾ per cent in 2015-16 and the out-years, based on long-term trend growth in employment.

**Chart 2.4: Unemployment Rates, Tasmania and Australia**



Source: *Labour Force, Australia*, ABS Cat No 6202.0; Treasury forecasts and projections; *2015-16 Budget*, Australian Treasury.

The ABS estimates of Tasmania's participation rate have also been volatile over the past year. Based on these data, Tasmania's participation rate is expected to be 61 per cent over 2014-15. The participation rate is forecast to decline to 60¾ per cent in 2015-16, consistent with more recent levels, and is projected to remain at that level over the medium-term. The gap between the Tasmanian and national participation rates is currently 4 percentage points, which is due, in part, to the State's older population profile.

### Tasmania's Population

Population growth in Tasmania has been very modest in recent years due to high rates of net out-migration to mainland states. This has been driven recently by low levels of interstate arrivals as much as by high rates of departures. Tasmania consistently receives a much lower share of international migrants, relative to its population share, than mainland states.

The growth rate of 0.3 per cent in 2013-14 was below the long-term average and much lower than the national increase of 1.7 per cent. The high rates of net out-migration have started to ease and further improvement is expected as labour market conditions become less favourable in other jurisdictions and housing affordability in Tasmania remains relatively high compared to the mainland.

Population growth of 0.4 per cent is expected in 2014-15 and a further modest increase to 0.5 per cent is forecast for 2015-16. The projections from 2016-17 onwards of 0.6 per cent growth reflect the long-term trend.

## *Monetary Conditions*

Monetary conditions continue to be very stable. The underlying inflation rate in Australia is currently around 2.4 per cent, which is within the Reserve Bank's medium-term target band of between two and three per cent. In the year to the March quarter 2015, Hobart's Consumer Price Index (CPI) increased by 1.7 per cent, below the national rate of 2.1 per cent. Over the long-term, the annual increase in the Hobart CPI has been around 0.2 of a percentage point below the national increase, which may reflect generally weaker demand conditions in the State.

The Reserve Bank of Australia decreased the cash rate in May 2015 by 25 basis points to 2 per cent, following a reduction of 25 basis points in February 2015. This has led to very low borrowing rates for households and businesses, but also to lower earnings for households that rely on interest-earning assets.

Hobart's CPI is estimated to increase by 1¼ per cent only in 2014-15, reflecting the very low quarterly increases to March 2015. For 2015-16, CPI growth is forecast at 2¼ per cent, which is marginally below the national CPI increase of 2½ per cent forecast by Australian Treasury.

## **Risks to the Outlook**

The forecast for economic growth for 2015-16 in Tasmania is above the long-term trend and is based on positive contributions from the private and public sectors. The forecasts also include a further decline in the unemployment rate to levels that are much closer to Australian Treasury forecasts for the national unemployment rate than in recent years.

Compared to nationally, business confidence has been very high in Tasmania. Any easing of this level towards national levels, which could arise if national economic conditions deteriorate, may be reflected in lower business investment.

Major public and private investment projects can often be delayed or progress more slowly than planned, such that the economic activity extends over a longer period than expected, and the level of investment in any one year is lower than anticipated. Furthermore, the price of imported capital equipment is likely to be increasing with the depreciation of the Australian dollar and some businesses may defer purchases in the hope that the Australian dollar value rises again.

Some very large construction projects are set to commence or ramp up in coming months, mostly in the Hobart area. A potential constraint on the increase in investment is the availability of sufficient skilled labour in the construction industry and these very large projects drawing resources away from other potential building activity.

An upside risk is that the recovery in Tasmania's international exports is more rapid than anticipated. The combination of the expansion of some parts of Tasmania's agriculture industry, such as horticulture, the increased access to markets, particularly in Japan and China, and the more favourable exchange rate could lead to stronger export growth than forecast.

Against this, however, is the uncertainty over future exchange rates, given the volatility over recent years, and the impact this could have on Tasmania's export sector. If this adds significantly to the risks exporters face, it may lead to some businesses deferring investment decisions until they consider the exchange rate environment is more settled.

# 3 THE FISCAL STRATEGY

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## *Key Issues*

- The 2015-16 Budget and Forward Estimates reflect the ongoing effective implementation of the Government's Fiscal Strategy.
- The Fiscal Strategy is based on enduring principles of strong and sound financial management which should be pursued by government regardless of changes in the financial and economic environment.
- These principles will be incorporated in legislation through proposed amendments to the *Charter of Budget Responsibility Act 2007*, due to be tabled in the second half of 2015.
- The Fiscal Strategy reflects the Government's commitment to improving public sector efficiency, constraining government expenditure, maintaining tax competitiveness, delivering improved services to the Tasmanian community and maintaining the Government's infrastructure investment.
- A key element of the Fiscal Strategy was the development of a set of important strategic actions that the Government will implement to achieve the established principles.
- Given the risks to the State Budget detailed in this Budget Paper and, in particular, the high level of uncertainty in relation to the level of future GST receipts and Australian Government funding, it is essential that action continues to be taken to ensure the achievement of the Fiscal Strategy over the medium to long-term and the return of the State Budget to a sustainable basis.

# FISCAL PRINCIPLES

The focus of the Government's Fiscal Strategy is on the achievement of long-term fiscal principles which reflect responsible financial management and aim to deliver long-term financial sustainability for Tasmania. Long-term fiscal principles are intended to be enduring and applicable across financial and economic cycles. The use of a principles based approach recognises that a government can legitimately depart from short-term objectives in response to changing circumstances, as long as that departure is necessary, transparent and justifiable. While the Fiscal Strategy has a core focus on the long-term, shorter-term objectives and relevant financial and economic statistics are still important in enabling the measurement of the Government's progress against the principles.

The Government has committed to include its announced long-term fiscal principles within legislation. To this end, amendments to the Charter of Budget Responsibility Act are currently being prepared that will see the following principles included in the legislation.

1. Manage the State's finances responsibly for the wellbeing of all Tasmanians.
2. Take care of the future for the next generation of Tasmanians.
3. Manage for the unexpected by building a robust financial position.
4. Improve services to Tasmanians by building a strong economy and efficiently allocating resources to gain the maximum community benefit.
5. Formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability.
6. Ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

# STRATEGIC ACTIONS

The Government's Fiscal Strategy includes a number of important strategic actions that are aimed at achieving the principles detailed above. These strategic actions are focussed on the long-term and do not involve the development of specific numerical targets. Furthermore, the strategic actions may change in the longer run in response to a changing budgetary and economic environment, in order to appropriately support the achievement of the fiscal principles.

The strategic actions that are initially being implemented by the Government to support the fiscal principles are detailed below.

1. Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue.
2. General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts.
3. A competitive tax environment will be maintained with an objective for state taxes to be efficient, fair, simple, stable and sustainable.
4. Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Government.

5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community.
6. Public sector efficiency, productivity and financial transparency will be improved.

## FISCAL STRATEGY PROGRESS

Table 3.1 summarises the current progress that has been made by the Government in implementing the strategic actions.

**Table 3.1 2015-16 Budget - Fiscal Strategy Progress**

Strategic Action	2015-16 Budget Progress
<p>1. Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue.</p>	<ul style="list-style-type: none"> <li>• Chart 3.1 summarises recent growth in Budget revenue and expenditure and the projected growth over the 2015-16 Budget and Forward Estimates period.</li> <li>• Chart 3.2 compares the compound annual growth rates of revenue and expenditure in the period 2005-06 to 2013-14 (actual) and 2014-15 (estimated outcome) to 2018-19 (2015-16 Budget and Forward Estimates).</li> <li>• The long-run growth in revenue is approximately 4.6 per cent per annum (1999-00 to 2013-14 actual). If the growth in revenue is calculated from the 2014-15 estimated outcome to the 2018-19 Forward Estimate, the compound annual growth rate is 2.8 per cent.</li> <li>• In comparison, if the growth in expenses is calculated from the 2014-15 estimated outcome to the 2018-19 Forward Estimate, the compound annual rate of growth is 1.1 per cent.</li> <li>• The 2015-16 Budget and Forward Estimates reflect the achievement of this strategic action.</li> <li>• A Net Operating Balance surplus is now estimated to be achieved in 2016-17, which is three years earlier than the Government's 2014-15 target of a surplus by 2019-20. The last time a Net Operating Balance surplus was achieved was in 2009-10.</li> <li>• While this strategic action is being achieved at this time, it is essential that expenditure continues to be constrained over the medium to long-term given the uncertainties in relation to financial transfers from the Australian Government. This includes ongoing constraint in public sector wage outcomes and careful management of public sector employment levels.</li> </ul>

**Table 3.1 2015-16 Budget - Fiscal Strategy Progress (continued)**

Strategic Action	2015-16 Budget Progress
<p>2. General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts.</p>	<ul style="list-style-type: none"> <li>• Table 3.2 shows that, over the 2015-16 Budget and Forward Estimates period, borrowing and defined benefit superannuation costs as a percentage of General Government cash receipts remain below the established maximum of six per cent. The figures presented in Table 3.2 represent an improvement on the estimates presented in the 2014-15 Budget due to an increase in the level of General Government cash receipts and a reduction in superannuation costs.</li> <li>• In addition to the improvement in the measure detailed above, the 2015-16 Budget and Forward Estimates show a significant improvement in the level of General Government Net Debt. General Government Net Debt is now estimated to be negative \$252.6 million as at 30 June 2016. This is an improvement of \$423.8 million from the estimate for Net Debt as at 30 June 2016 included in the <i>2013-14 Revised Estimates Report</i> (published in February 2014).</li> <li>• Due to the projected improvement in the Net Operating and Fiscal Balances, the Government is now not expected to return to a General Government Net Debt position in 2016-17 (as was expected to occur in both the 2014-15 Budget and <i>2014-15 Revised Estimates Report</i>) and is forecast to remain in an improving Net Debt position over the Forward Estimates period.</li> </ul>
<p>3. A competitive tax environment will be maintained with an objective for state taxes to be efficient, fair, simple, stable and sustainable.</p>	<ul style="list-style-type: none"> <li>• Tasmania needs a competitive tax environment to support business investment and drive economic growth.</li> <li>• Chart 3.3 shows that, according to the most recent Commonwealth Grants Commission data, Tasmania currently has the lowest taxation severity of all jurisdictions and is well below the national average.</li> <li>• A competitive tax environment complements other support provided by the Government to business through entities such as the Department of State Growth, the Office of the Coordinator-General and Tourism Tasmania.</li> <li>• In this Budget, the Government has announced the extension of the \$20 000 First Home Builders Boost payment for a further six months and the allocation of \$8 million to support a jobs attraction and population growth initiative.</li> <li>• As announced in the 2014-15 Budget, the Government has committed to reduce motor tax on light vehicles and duty on Motor Accidents Insurance Board premiums from 2017-18.</li> </ul>

**Table 3.1 2015-16 Budget - Fiscal Strategy Progress (continued)**

Strategic Action	2015-16 Budget Progress
<p>3. A competitive tax environment will be maintained with an objective for state taxes to be efficient, fair, simple, stable and sustainable (continued).</p>	<ul style="list-style-type: none"> <li>• Reforms arising from Australian Government White Papers on the Reform of Federation and the Reform of Australia's Taxation System may have significant implications for Tasmania. The Government will continue to actively participate in the White Paper development processes. Further information is provided in chapter 5 of this Budget Paper.</li> </ul>
<p>4. Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Government.</p>	<ul style="list-style-type: none"> <li>• Throughout 2014-15, the Government implemented a range of measures to enhance the financial transparency of government businesses. This has included: revised remuneration guidelines; new guidelines to enhance opportunities for local businesses to compete for Government business and increase the transparency of Government business procurement activities; and new guidelines to ensure the timely payment of accounts by all Government businesses.</li> <li>• The Government has also taken a number of steps to improve the efficiency and financial performance of government businesses and their contribution to the Budget, including: <ul style="list-style-type: none"> <li>- assessing options to better align the operations of the Tasmanian Ports Corporation Pty Ltd and Tasmanian Railway Pty Ltd and agreeing that both businesses should continue to operate as separate companies and work together to identify ways in which coordination and joint planning between the two businesses can be improved;</li> <li>- undertaking a review of Forestry Tasmania and starting the process to transition the business to a more financially sustainable model. Further information on the review of Forestry Tasmania is included in chapter 11 of <i>Government Services</i> Budget Paper No. 2;</li> <li>- continuing to progress a review of Hydro Tasmania's strategy and business model to ensure that the business can provide returns to the State commensurate with its equity in the business;</li> <li>- considering options for the future operations of the Retirement Benefits Fund, to protect the best interests of its members and reduce risk to Government. Further information on the future role of the Retirement Benefits Fund is included in chapter 11 of <i>Government Services</i> Budget Paper No. 2;</li> <li>- reallocating equity across the State owned electricity business portfolio; and</li> <li>- committing to the refurbishment of the Spirit of Tasmania vessels to encourage more tourists on TT-Line's vessels.</li> </ul> </li> </ul>

**Table 3.1 2015-16 Budget - Fiscal Strategy Progress (continued)**

Strategic Action	2015-16 Budget Progress
<p>4. Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to the Government (continued).</p>	<ul style="list-style-type: none"> <li>• Over the coming year, the Government will:               <ul style="list-style-type: none"> <li>- undertake reviews of: Treasurer's Instructions to reduce red tape and simplify administrative processes; Guarantee Fee Guidelines for Tasmanian Government businesses; and current board appointment processes;</li> <li>- continue to work with Hydro Tasmania to ensure it has an effective strategy and business model to deliver appropriate returns in the future;</li> <li>- continue to work with Tasracing Pty Ltd to develop an operating model that will allow it to operate sustainably within its annual Government grant funding allocation;</li> <li>- continue to work with Forestry Tasmania to implement reforms arising from the review of the business, to establish a financially sustainable model to manage and make commercially available Tasmania's production native forest resources;</li> <li>- undertake a review of board appointment processes, including the arrangements for reviewing board performance and renewing board membership; and</li> <li>- work with RBF and other parties to implement the Government's preferred reform options for managing public sector superannuation, to improve the delivery of public sector superannuation and minimise financial risks to the Government.</li> </ul> </li> <li>• Chart 3.4 shows actual and expected Government business returns over the period 2009-10 to 2018-19.</li> </ul>
<p>5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community.</p>	<ul style="list-style-type: none"> <li>• Infrastructure investment is essential to the delivery of services to the community and is also vital to supporting economic growth.</li> <li>• Over the Budget and Forward Estimates period, the Government will invest over \$1.8 billion in Tasmania's infrastructure to support the Tasmanian community.</li> <li>• In the <i>2014-15 Revised Estimates Report</i>, the Government committed an additional \$71.9 million to complete the Royal Hobart Hospital Redevelopment Project (total project value of \$636.9 million).</li> </ul>

**Table 3.1 2015-16 Budget - Fiscal Strategy Progress (continued)**

Strategic Action	2015-16 Budget Progress
<p>5. Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community (continued).</p>	<ul style="list-style-type: none"> <li>• The 2015-16 Budget includes \$179 million in additional funding for infrastructure projects over the 2015-16 Budget and Forward Estimates period including \$57 million for schools and LINC's, \$10 million for health transport infrastructure, \$15.3 million for a new Emergency Services Computer Aided Dispatch System, \$8 million for parks high priority maintenance and infrastructure and \$2 million for police housing.</li> <li>• The 2015-16 Budget and Forward Estimates also include an allocation of \$60 million for the Northern Cities Major Development Initiative.</li> <li>• Outside of the State Capital Program, the 2015-16 Budget also includes an additional \$37.2 million for rail infrastructure.</li> <li>• Chart 3.5 shows that, over the 2015-16 Budget and Forward Estimates period, investment by the Government in Non-Financial Assets continues to exceed the value of depreciation. Table 3.3 summarises 2015-16 Budget and Forward Estimates Depreciation and Purchases of Non-Financial Assets estimates.</li> </ul>
<p>6. Public sector efficiency, productivity and financial transparency will be improved.</p>	<ul style="list-style-type: none"> <li>• The Budget Savings Strategies announced in the 2014-15 Budget are continuing to be implemented by agencies and will assist in improving the productivity and efficiency of the Tasmanian public sector.</li> <li>• As a result of the 2014-15 Budget Savings Strategies and the additional agency savings required due to unions not agreeing to support a public sector pay pause (with the exception of the Police Association of Tasmania), General Government FTE numbers have reduced by 766 between 30 June 2014 and 31 March 2015.</li> <li>• Employee costs account for approximately 47 per cent of total General Government operating expenditure. It is essential that, as with all areas of Government expenditure, expenditure on employee costs continues to be constrained. The Government's wages policy provides for the negotiation of maximum wage increases of no greater than two per cent per annum including identified productivity offsets.</li> <li>• Action is being taken to increase financial transparency through the finalisation of amendments to the Charter of Budget Responsibility Act and finalising new financial management legislation with a view to tabling in the second half of 2015.</li> </ul>

Table 3.1 2015-16 Budget - Fiscal Strategy Progress (continued)

Strategic Action	2015-16 Budget Progress
6. Public sector efficiency, productivity and financial transparency will be improved (continued).	<ul style="list-style-type: none"> <li>In 2015-16 the Treasurer will release the first report on the long-run sustainability of the State's finances. Amendments will also be made to the Charter of Budget Responsibility Act to require a report to be released every five years.</li> </ul>

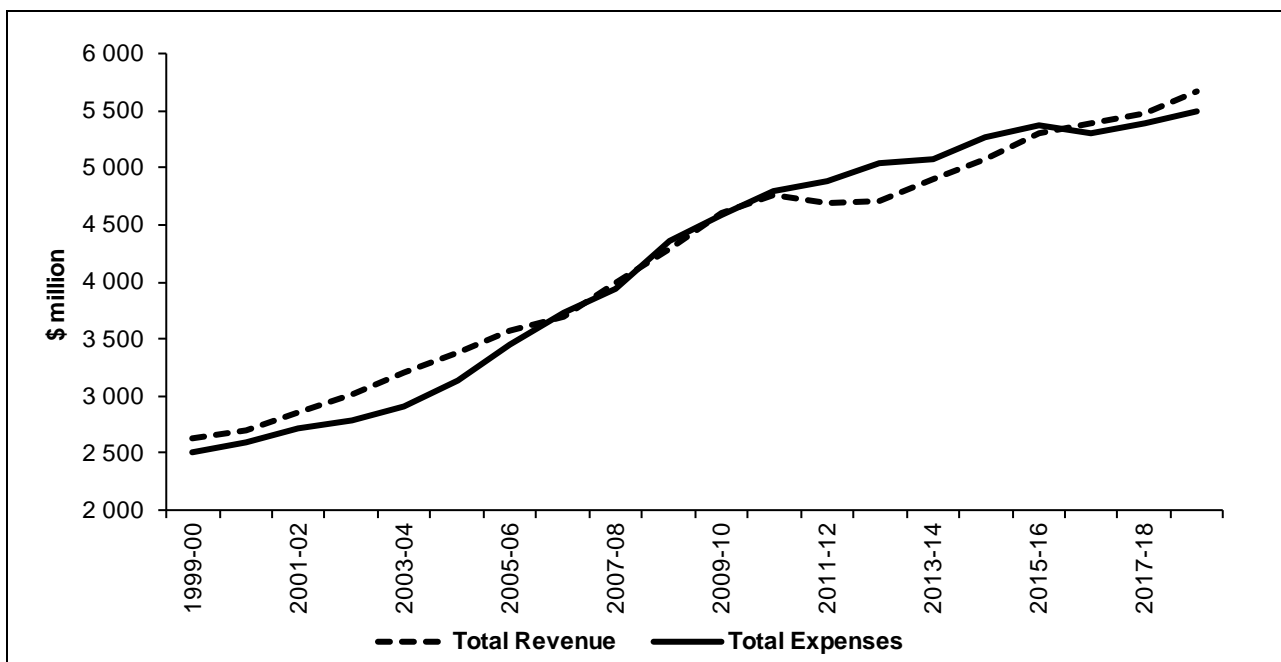
## OVERALL 2015-16 BUDGET ASSESSMENT

The 2015-16 Budget represents the continuation of the improvement in the Government's Budget position which commenced in the 2014-15 Budget. This improvement reflects a number of influences including the impact of both expenditure constraint and improvement in GST revenues. As indicated in chapter 1 of this Budget Paper, it is important to recognise that significant expenditure and revenue risks remain for the current Budget and Forward Estimates and in the medium-term. Furthermore, while the projected return of the Budget to surplus position is an important achievement, the Government has made it clear that its Fiscal Strategy has a long-term focus.

The Government is therefore committed to the ongoing implementation of all aspects of its Fiscal Strategy and to ensuring that its financial management decisions reflect an appropriate balance between the requirements of the Budget position, the potential impact of the external financial and economic environment and the needs of the Tasmanian community.

## FISCAL STRATEGY DATA

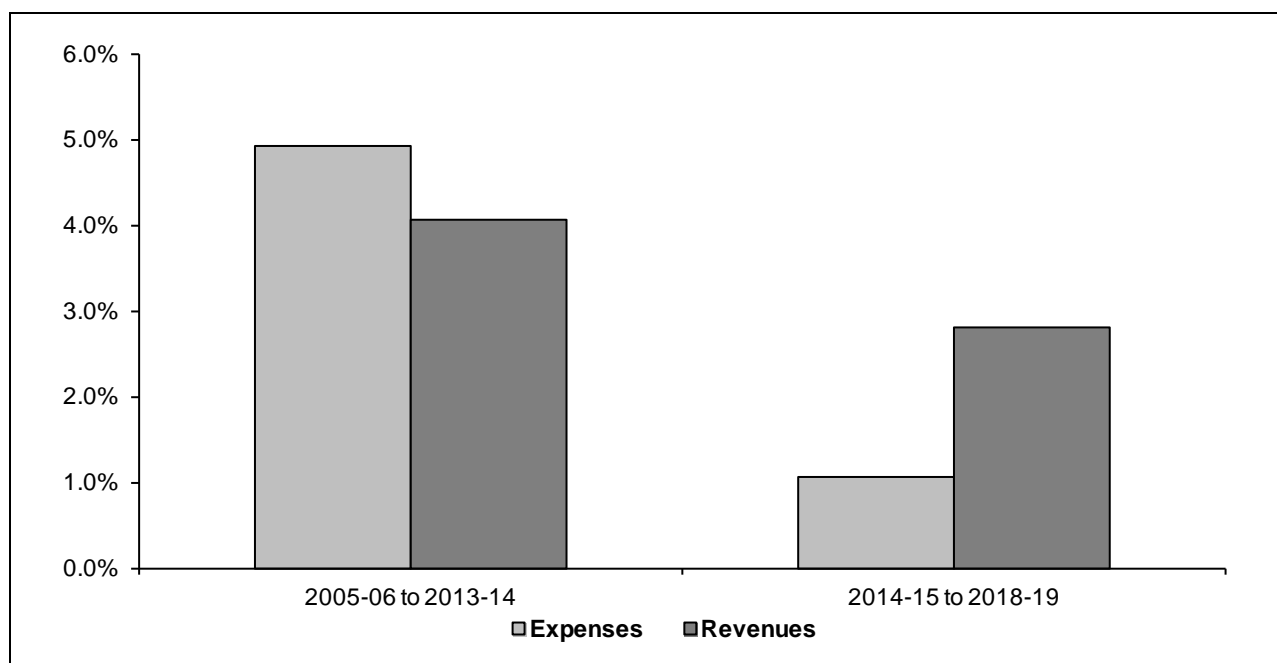
Chart 3.1: General Government Revenues and Expenses, 1999-00 to 2018-19<sup>1</sup>



Note:

1. This Chart is based on actual data for the period 1999-00 to 2013-14, the Estimated Outcome for 2014-15 and the Budget and Forward Estimates for 2015-16 to 2018-19.

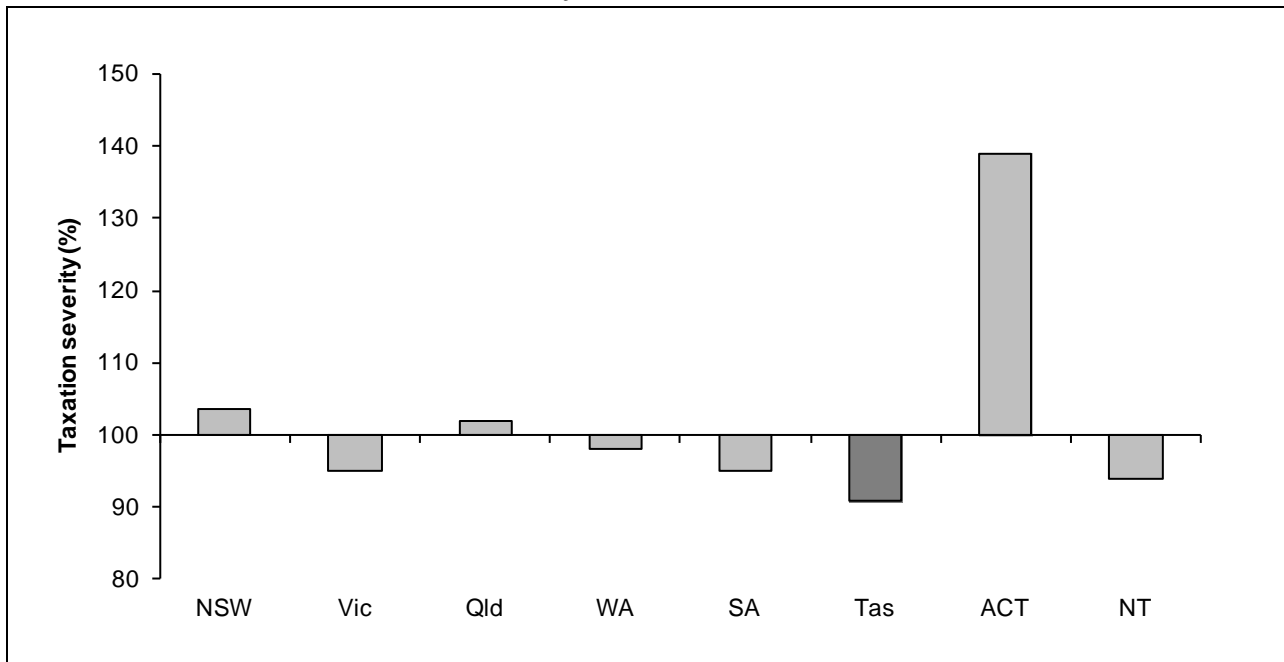
**Chart 3.2: Comparative Compound Annual Growth Rates of General Government Revenue and Expenditure, 2005-06 to 2018-19**



**Table 3.2: General Government Borrowing and Defined Benefit Superannuation Costs, 2015-16 to 2018-19**

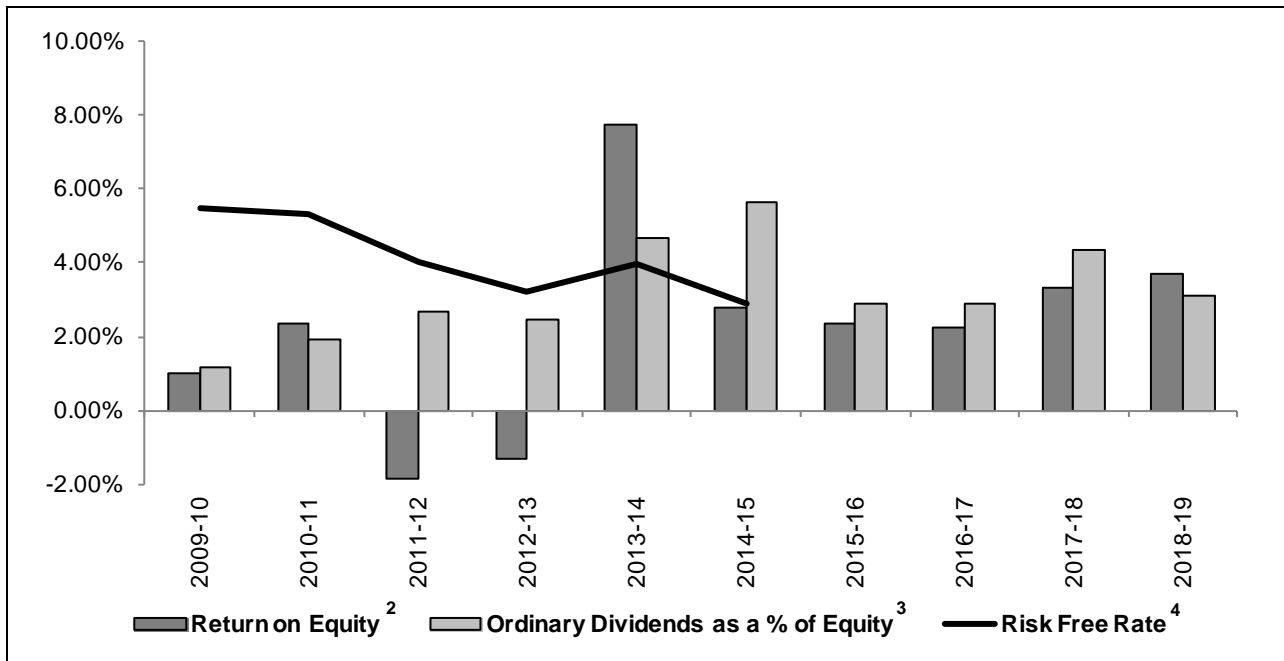
	2015-16	2016-17	2017-18	2018-19
	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m
Superannuation - defined benefit schemes	260.0	272.6	285.2	300.8
Borrowing costs	10.9	10.4	10.0	9.9
<b>Total borrowing and defined benefit scheme costs</b>	<b>270.9</b>	<b>283.0</b>	<b>295.2</b>	<b>310.7</b>
<b>Borrowing and defined benefit costs as a percentage of General Government cash receipts</b>	<b>4.9%</b>	<b>5.1%</b>	<b>5.2%</b>	<b>5.3%</b>

Chart 3.3: Taxation Severity, 2013-14



Source: Commonwealth Grants Commission 2015 Report on GST Revenue Sharing Relativities

Chart 3.4: Government Business Returns, 2009-10 to 2018-19<sup>1</sup>



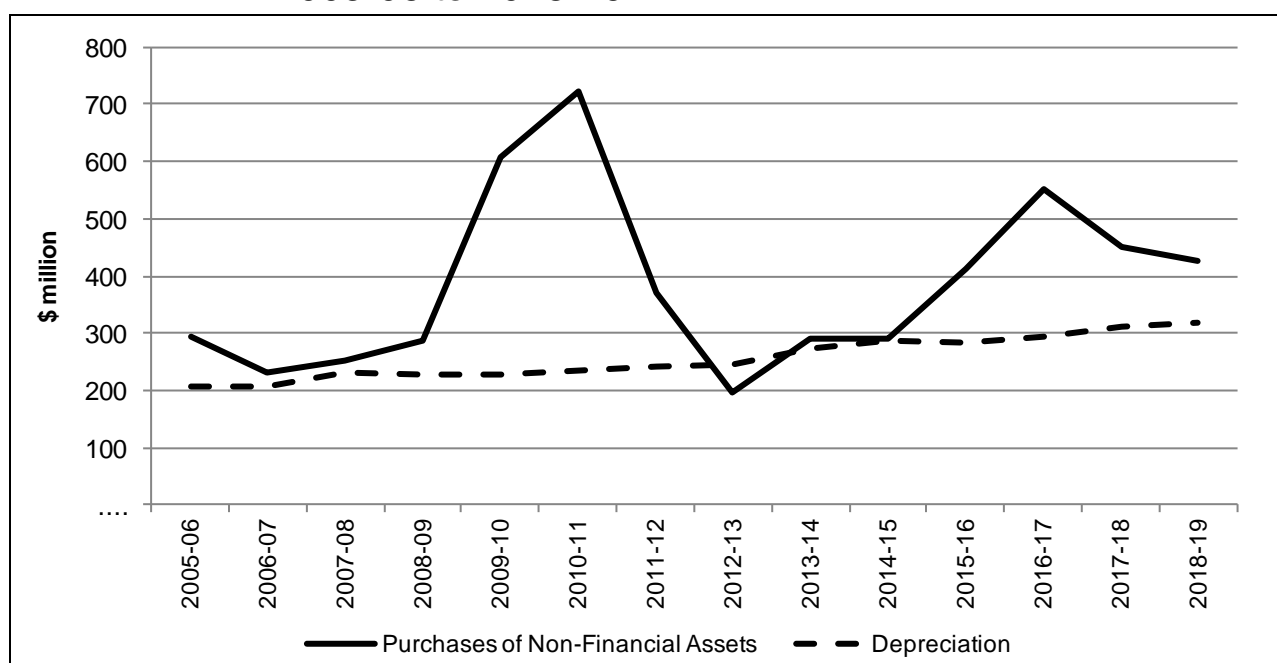
Notes:

1. The Chart includes ordinary dividend returns from Government Business Enterprises and State-owned Companies. It should be noted that dividends are paid by entities in the year following the financial year to which they relate. For example, returns in 2013-14 reflect the profitability of entities in 2012-13.
2. Return on equity is calculated as the total for all government businesses of net profit divided by equity.
3. The increase in dividends in 2013-14 and 2014-15 was assisted by the increase in Hydro Tasmania's returns as a result of the carbon tax.
4. The risk free rate is calculated as the average yearly yield on Australian Government 10 year bonds.

Table 3.3: Purchases of Non-Financial Assets in Excess of Depreciation, 2015-16 to 2018-19

	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m
<b>Purchases of Non-Financial Assets</b>	414.0	552.1	449.1	424.9
<b>Depreciation</b>	285.3	294.1	312.5	319.6
<b>Surplus</b>	<b>128.7</b>	<b>257.9</b>	<b>136.6</b>	<b>105.2</b>

Chart 3.5: Purchases of Non-Financial Assets and Depreciation, 2005-06 to 2018-19





# 4 2015-16 BUDGET AND FORWARD ESTIMATES

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## *Key Issues*

- The 2015-16 Budget includes funding to implement all of the Government's Budget Initiatives, while still achieving significant improvements in the General Government Net Operating Balance and General Government Net Debt over the 2015-16 Budget and Forward Estimates period.
- Over the Budget and Forward Estimates period, expenditure growth has been constrained to a compound annual rate of 1.1 per cent (measured from the 2014-15 Estimated Outcome), well below the expected annual revenue growth rate of 2.8 per cent over the same period and the long-run annual revenue growth rate of 4.6 per cent.
- In 2015-16, the General Government Net Operating Balance is estimated to be a deficit of \$58.5 million and, as at 30 June 2016, General Government Net Debt is estimated to be negative \$252.6 million.
- Total General Government expenses are anticipated to be \$5 366.3 million in 2015-16, an increase of \$117 million or 2.2 per cent above the 2014-15 budgeted expenses of \$5 249.3 million.

# OVERVIEW

This chapter includes the General Government Sector Financial Statements for the 2015-16 Budget and Forward Estimates period and the Policy and Parameter Statement which reflects changes between the Budget and Forward Estimates reported in the 2014-15 Budget Papers and the 2015-16 Budget Papers.

The financial statements in this chapter have been prepared in accordance with the Uniform Presentation Framework (UPF). The statements present information for the 2014-15 Budget and for the 2015-16 Budget and Forward Estimates. Taxation information, required under the UPF, is provided in chapter 5 of this Budget Paper.

In accordance with the UPF, the final end of year results for the General Government Sector will be available in the *Treasurer's Annual Financial Report 2014-15*, which will be publicly released by no later than 31 October 2015.

# GOVERNMENT FINANCIAL ESTIMATES

Tables 4.1 to 4.3 detail the Income Statement, Balance Sheet and Cash Flow Statement for the General Government Sector.

**Table 4.1: General Government Income Statement**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions<sup>1</sup></b>					
Grants <sup>2</sup>	3 027.5	3 453.3	3 530.4	3 558.4	3 736.7
Taxation	983.2	1 027.1	1 041.7	1 059.1	1 080.1
Sales of Goods and Services <sup>3</sup>	354.1	357.8	355.1	362.7	367.9
Fines and Regulatory Fees <sup>4</sup>	103.3	96.1	97.8	91.7	86.6
Interest Income	15.9	16.7	16.4	19.3	20.5
Dividend, Tax and Rate Equivalent Income <sup>5</sup>	342.9	213.4	218.7	255.4	241.8
Other Revenue <sup>4</sup>	136.8	143.4	140.4	139.7	144.0
	<b>4 963.7</b>	<b>5 307.8</b>	<b>5 400.5</b>	<b>5 486.3</b>	<b>5 677.6</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses <sup>6</sup>	2 137.0	2 237.3	2 230.1	2 271.1	2 317.4
Superannuation <sup>7</sup>	268.3	261.8	263.0	264.2	266.3
Depreciation	287.0	285.3	294.1	312.5	319.6
Supplies and Consumables <sup>8</sup>	1 083.9	1 059.0	1 062.4	1 079.5	1 075.4
Nominal Superannuation Interest Expense	283.1	285.7	292.7	299.1	304.7
Borrowing Costs	11.0	10.8	10.4	10.1	9.7
Grant Expenses <sup>9</sup>	1 148.3	1 200.6	1 125.1	1 141.6	1 183.6
Other Expenses <sup>10</sup>	30.5	25.8	21.2	20.1	18.4
	<b>5 249.3</b>	<b>5 366.3</b>	<b>5 299.0</b>	<b>5 398.3</b>	<b>5 495.2</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(285.6)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Disposal of Non-Financial Assets	11.3	11.1	10.7	10.8	10.8
Movement in Investments in GBEs and SOCs <sup>11</sup>	(347.8)	58.9	25.8	33.3	73.3
Other Gains/(Losses)	(176.8)	(33.9)	(5.7)	2.5	(4.6)
	<b>(513.2)</b>	<b>36.2</b>	<b>30.8</b>	<b>46.6</b>	<b>79.5</b>
<b>Equals Operating Result</b>	<b>(798.8)</b>	<b>(22.4)</b>	<b>132.3</b>	<b>134.6</b>	<b>261.9</b>

Table 4.1: General Government Income Statement (continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	340.7	290.1	316.3	302.5	304.3
Other Non-Owner Movements in Equity	3.8	3.8	3.8	(8.4)	(8.4)
	<b>344.5</b>	<b>293.9</b>	<b>320.1</b>	<b>294.2</b>	<b>295.9</b>
<b>Equals Comprehensive Result</b>	<b>(454.3)</b>	<b>271.6</b>	<b>452.3</b>	<b>428.8</b>	<b>557.9</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(285.6)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets <sup>12</sup>	400.8	414.0	552.1	449.1	424.9
Less Sale of Non-Financial Assets	32.6	30.2	29.5	30.1	29.6
Less Depreciation	287.0	285.3	294.1	312.5	319.6
	<b>81.2</b>	<b>98.6</b>	<b>228.5</b>	<b>106.5</b>	<b>75.6</b>
<b>Equals FISCAL BALANCE</b>	<b>(366.8)</b>	<b>(157.1)</b>	<b>(127.0)</b>	<b>(18.6)</b>	<b>106.9</b>

Notes:

1. Additional information on revenue estimates is provided in chapter 5 of this Budget Paper.
2. The increase in Grants in 2015-16 and 2018-19 reflects increases in Goods and Services Tax (GST) revenue and in some Payments for Specific Purposes. The movements in 2016-17 and 2017-18 are reflective of increased GST revenue partially offset by decreases in National Partnership Payments.
3. The movement in Sales of Goods and Services primarily reflects updates to revenue estimates for the Tasmanian Health Service (THS) to align with the most recent funding agreements with non-government organisations and updates to own source revenue and revised Department of Health and Human Services (DHHS) own source revenue estimates.
4. The decrease in Fines and Regulatory Fees and increase in Other Revenue primarily reflect revised actuarial estimates for the Asbestos Compensation Fund and a reclassification of this revenue from Fines and Regulatory Fees to Other Revenue to better align with the audited financial statements.
5. The decrease in Dividend, Tax and Rate Equivalent Income has largely been driven by the decision by the Motor Accidents Insurance Board to remit a Special Dividend in 2014-15, together with a reduction in ordinary dividends from Hydro Tasmania from 2015-16, driven by lower wholesale electricity prices reflecting the removal of carbon pricing and the softening of demand in the National Electricity Market.
6. The increase in Employee Expenses in 2015-16 primarily relates to additional funding for frontline health, Tasmanian Health Assistance Package and Rebuilding Health Services funding for elective surgery, activity based funding and block funding for the THS and National Partnership Agreement funding for the Department of Education. The reduction in Employee Expenses in 2016-17 primarily reflects a decrease of approximately \$30 million in expenditure by the THS between 2015-16 and 2016-17. The main reasons for this reduction are the ceasing of Australian Government funding for Tasmanian Health Assistance Package (Elective Surgery) which funded additional employee expenses of \$16.6 million in 2015-16; a reduction in salaries associated with Commonwealth Own Purpose Expenditure of \$3.4 million; and a reduction in salaries associated with other National Partnership Agreements of \$15.9 million.
7. The movement in Superannuation reflects revised actuarial assessment for the Defined Benefits Scheme and agency expenditure estimates for accumulation scheme members.
8. The movement in Supplies and Consumables primarily reflects revised rental cash flows for the *parliament square* project based on actual experience for 2013-14 and 2014-15 and the capitalisation of estimated leasehold improvements in Finance-General (following completion of the sale and transfer of the land, estimated leasehold improvements will be capitalised in 2015-16); and the reclassification of expenditure of \$5 million relating to the Royal Hobart Hospital Redevelopment asset purchases in DHHS.
9. The movement in Grant Expenses primarily reflects the expenditure of funds in THS in 2015-16 carried forward from 2014-15 of \$32.5 million for Tasmanian Health Organisation cross border obligations to other jurisdictions. This is partially offset by a decrease over the Forward Estimates period for the Department of State Growth, which is primarily attributable to revised cash flows for grants to the Tasmanian Railway Pty Ltd, West Coast Wilderness Railway, the impact of National Partnership Payments, funding for the Academy of Creative Industries and Performing Arts project and the timing of initiatives funded through the 2015-16 Budget.
10. The decrease in Other Expenses in 2015-16 primarily reflects cessation of one-off expenditure in 2014-15. It includes expenditure of proceeds of sale from Hayes Prison Farm; a reduction in estimated expenditure from the Asbestos Compensation Scheme; and reallocation of expense categories by agencies to better reflect the nature of expenditure. The reduction in expenditure in 2016-17 primarily reflects the cessation of one-off expenditure associated with the Domain Highway of \$4 million in 2015-16.
11. The increase in Movement in Investments in GBEs and SOCs reflects changes in the PNFC and PFC Sectors net assets for each year.
12. Additional information on agency 2015-16 Budget Infrastructure Investment is provided in chapter 6 of this Budget Paper.

Table 4.2: General Government Balance Sheet as at 30 June

	2015	2016	2017	2018	2019
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	1 041.1	889.3	698.0	707.9	678.1
Investments	77.7	64.5	66.4	68.3	70.5
Equity Investment in PNFC & PFC Sectors <sup>1</sup>	4 331.7	4 515.0	4 570.8	4 626.6	4 722.3
Other Equity Investments	14.7	20.0	20.4	20.9	21.2
Receivables	304.3	331.5	326.4	323.2	320.9
Other Financial Assets	755.2	661.4	681.8	673.5	679.2
	<b>6 524.8</b>	<b>6 481.7</b>	<b>6 363.7</b>	<b>6 420.2</b>	<b>6 492.2</b>
<b>Non-Financial Assets</b>					
Land and Buildings	5 829.6	5 969.2	6 281.7	6 504.1	6 626.4
Infrastructure	4 634.4	4 668.9	4 916.3	5 115.5	5 380.1
Plant and Equipment	231.2	253.5	243.4	237.3	238.0
Heritage and Cultural Assets	485.0	490.6	502.8	515.0	527.2
Investment Property	11.9	19.0	19.2	19.5	19.8
Intangibles	35.1	45.4	46.4	44.8	41.7
Assets Held for Sale	10.9	7.0	6.0	5.1	4.1
Other Non-Financial Assets	36.9	30.7	30.5	28.4	28.9
	<b>11 274.9</b>	<b>11 484.2</b>	<b>12 046.3</b>	<b>12 469.7</b>	<b>12 866.2</b>
<b>Total Assets</b>	<b>17 799.7</b>	<b>17 965.9</b>	<b>18 410.0</b>	<b>18 889.9</b>	<b>19 358.4</b>
<b>Liabilities</b>					
Borrowings <sup>2</sup>	930.6	701.3	550.2	470.1	255.7
Superannuation	5 448.0	5 470.5	5 592.1	5 701.4	5 795.2
Employee Entitlements	561.7	549.9	567.4	584.9	612.1
Payables	91.0	108.4	109.5	111.4	112.0
Other Liabilities	408.7	376.6	379.2	381.8	385.2
<b>Total Liabilities</b>	<b>7 439.9</b>	<b>7 206.7</b>	<b>7 198.5</b>	<b>7 249.6</b>	<b>7 160.2</b>
<b>NET ASSETS</b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>Equity</b>					
Accumulated Funds	5 434.6	5 712.1	5 848.2	5 974.4	6 228.0
Asset Revaluation Reserve	4 925.2	5 047.1	5 363.4	5 665.9	5 970.2
<b>Total Equity</b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

Table 4.2: General Government Balance Sheet as at 30 June  
(continued)

	2015	2016	2017	2018	2019
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>NET WORTH<sup>3</sup></b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>NET FINANCIAL WORTH<sup>4</sup></b>	<b>(915.1)</b>	<b>(725.0)</b>	<b>(834.8)</b>	<b>(829.3)</b>	<b>(668.0)</b>
<b>NET FINANCIAL LIABILITIES<sup>5</sup></b>	<b>5 246.8</b>	<b>5 240.0</b>	<b>5 405.5</b>	<b>5 455.9</b>	<b>5 390.3</b>
<b>NET DEBT<sup>6</sup></b>	<b>(188.3)</b>	<b>(252.6)</b>	<b>(214.2)</b>	<b>(306.0)</b>	<b>(492.9)</b>

Notes:

1. The Government's Equity Investment in PNFC & PFC Sectors is estimated to be \$4 515 million as at 30 June 2016, an increase of \$183.3 million from the 2014-15 Budget estimate of \$4 331.7 million as at 30 June 2015. The increase primarily reflects an increase in Net Assets for Hydro Tasmania, Motor Accidents Insurance Board, Tasmanian Irrigation Pty Ltd, and Tasmanian Ports Corporation Pty Ltd.
2. The estimated Borrowings of \$701.3 million as at 30 June 2016 includes an estimated end of year borrowing of \$477.8 million to be undertaken on 30 June 2016. The end of year borrowing has no impact on the Government's Net Debt 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. Borrowings in 2015-16 and the Forward Estimates period are lower compared to those published in the 2014-15 Budget. This reduction is primarily due to an improved Consolidated Fund position in all years.
3. Net Worth represents Total Assets less Total Liabilities.
4. Net Financial Worth represents Financial Assets less Total Liabilities.
5. Net Financial Liabilities represents Total Liabilities less Financial Assets, excluding Equity Investment in PNFC & PFC Sectors.
6. Net Debt represents Borrowings less the sum of Cash and Deposits and Investments.

Table 4.3: General Government Cash Flow Statement

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Receipts from Operating Activities</b>					
Grants Received	3 027.5	3 452.2	3 530.4	3 558.4	3 736.7
Taxation	983.4	1 027.1	1 042.0	1 059.5	1 080.2
Sales of Goods and Services	353.8	356.4	355.1	360.8	365.1
Fines and Regulatory Fees	103.3	96.1	97.8	91.7	86.6
Interest Received	16.1	16.7	16.5	19.3	20.5
Dividend, Tax and Rate Equivalents	576.7	225.0	204.0	264.7	231.8
Other Receipts	305.9	313.2	312.5	313.9	320.2
	<b>5 366.7</b>	<b>5 486.8</b>	<b>5 558.3</b>	<b>5 668.3</b>	<b>5 841.0</b>
<b>Cash Payments from Operating Activities</b>					
Employee Entitlements	(2 128.6)	(2 261.0)	(2 217.4)	(2 259.2)	(2 299.4)
Superannuation	(397.3)	(418.1)	(427.1)	(445.9)	(465.4)
Supplies and Consumables	(1 097.3)	(1 076.6)	(1 076.6)	(1 091.0)	(1 090.6)
Borrowing Costs	(10.8)	(10.9)	(10.4)	(10.0)	(9.9)
Grants and Subsidies Paid	(1 148.4)	(1 200.5)	(1 125.0)	(1 141.6)	(1 183.6)
Other Payments	(199.8)	(195.8)	(193.2)	(194.0)	(194.3)
	<b>(4 982.1)</b>	<b>(5 163.0)</b>	<b>(5 049.8)</b>	<b>(5 141.6)</b>	<b>(5 243.2)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>384.6</b>	<b>323.8</b>	<b>508.6</b>	<b>526.7</b>	<b>597.9</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchases of Non-Financial Assets	(400.3)	(410.4)	(546.1)	(442.1)	(417.8)
Sales of Non-Financial Assets	36.8	30.2	29.5	30.1	29.6
	<b>(363.5)</b>	<b>(380.3)</b>	<b>(516.6)</b>	<b>(412.0)</b>	<b>(388.2)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections <sup>1</sup>	(42.8)	(53.7)	(30.4)	(22.8)	(22.8)
Net Advances Paid	(20.6)	(2.0)	(2.0)	(2.0)	(2.2)
	<b>(63.4)</b>	<b>(55.7)</b>	<b>(32.4)</b>	<b>(24.9)</b>	<b>(25.0)</b>

Table 4.3: General Government Cash Flow Statement (continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>	0.7	....	....	....	....
	<b>0.7</b>	....	....	....	....
<b>Net Cash Flows from Investing Activities</b>	<b>(426.2)</b>	<b>(435.9)</b>	<b>(549.0)</b>	<b>(436.9)</b>	<b>(413.2)</b>
<b>Net Cash Flows from Financing Activities</b>					
Net Borrowing	(229.5)	(135.0)	(150.9)	(80.0)	(214.4)
	<b>(229.5)</b>	<b>(135.0)</b>	<b>(150.9)</b>	<b>(80.0)</b>	<b>(214.4)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(271.2)</b>	<b>(247.1)</b>	<b>(191.3)</b>	<b>9.9</b>	<b>(29.8)</b>
<b>Cash at Beginning of the Year</b>	<b>1 312.4</b>	<b>1 136.4</b>	<b>889.3</b>	<b>698.0</b>	<b>707.9</b>
<b>Cash at End of the Year</b>	<b>1 041.1</b>	<b>889.3</b>	<b>698.0</b>	<b>707.9</b>	<b>678.1</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	384.6	323.8	508.6	526.7	597.9
Plus Net Cash Flows from Non-Financial Assets	(363.5)	(380.3)	(516.6)	(412.0)	(388.2)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>21.0</b>	<b>(56.4)</b>	<b>(8.0)</b>	<b>114.7</b>	<b>209.7</b>

Note:

1. The movement in Equity Injections primarily reflects Australian Government Grants for Tasmanian Railway Pty Ltd (\$15 million per annum across the Forward Estimates), and Tasmanian Irrigation (\$20.4 million in 2015-16), as well as the Homeshare Program in the Department of Health and Human Services.

# POLICY AND PARAMETER STATEMENT

## Introduction

The Policy and Parameter Statement (PPS) 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 2014-15 Budget Papers and the 2015-16 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 changes in 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 4.4 provides a summary of the policy and parameter changes detailed in Table 4.5 that have impacted on the formulation of the 2015-16 Budget since the 2014-15 Budget.

### *Further Information*

Additional information on revenue estimates is provided in chapter 5 of this Budget Paper. Additional information on agency expenditure estimates is included in the relevant agency chapters in *Government Services Budget Paper No 2*.

It should be noted that the estimates presented in the Policy and Parameter Statement were finalised prior to the release of the Australian Government's 2015-16 Budget. Therefore, the movements included for Specific Purpose Payments and some National Partnership Payments may differ from those calculated using published Australia Government 2015-16 Budget estimates.

Table 4.4: Summary Policy and Parameter Statement, 2014-15 to 2018-19

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Forward Estimates (Net Operating Balance) as per the 2014-15 Budget (A)</b>	(285.6)	(125.2)	(125.3)	(118.0)	....
<b>Forward Estimates (Fiscal Balance) as per the 2014-15 Budget (B)</b>	(366.8)	(214.3)	(246.4)	(123.7)	....
<b>REVENUE</b>					
Policy Decisions	....	1.6	1.7	1.7	1.7
Parameter Adjustments	116.9	219.9	268.9	227.2	....
<b>TOTAL REVENUE VARIATIONS (C)</b>	<b>116.9</b>	<b>221.5</b>	<b>270.5</b>	<b>228.9</b>	<b>....</b>
<b>EXPENSES</b>					
Policy Decisions	(7.4)	86.8	61.8	45.5	49.0
Parameter Adjustments	24.8	68.0	(18.0)	(22.7)	....
<b>TOTAL EXPENSES VARIATIONS (D)</b>	<b>17.5</b>	<b>154.9</b>	<b>43.8</b>	<b>22.9</b>	<b>....</b>
<b>NET OPERATING BALANCE (A+C-D)</b>	<b>(186.2)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<b>less NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
<b>Purchases of Non-Financial Assets</b>					
Total Policy Decisions	0.3	35.8	78.7	33.4	31.2
Total Parameter Adjustments	(110.6)	(40.0)	28.9	81.4	....
	<b>(110.3)</b>	<b>(4.2)</b>	<b>107.6</b>	<b>114.7</b>	<b>....</b>
<b>Less Sale of Non-Financial Assets</b>	<b>7.9</b>	<b>(3.5)</b>	<b>1.8</b>	<b>(0.4)</b>	<b>....</b>
<b>Less Depreciation - Total Parameter Adjustments</b>	<b>0.2</b>	<b>(10.2)</b>	<b>(1.6)</b>	<b>14.2</b>	<b>....</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS VARIATIONS (E)</b>	<b>(118.4)</b>	<b>9.4</b>	<b>107.3</b>	<b>100.9</b>	<b>....</b>
<b>FISCAL BALANCE (B+C-D-E)</b>	<b>(148.9)</b>	<b>(157.1)</b>	<b>(127.0)</b>	<b>(18.6)</b>	<b>106.9</b>

Note:

- Parameter adjustments for 2018-19 are not reflected in the Table as the 2018-19 Forward Estimate was not published in the 2014-15 Budget. However, policy adjustments are reflected to show their full impact on the Budget and Forward Estimates.

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Forward Estimates (Net Operating Balance) as per the 2014-15 Budget (A)</b>	<b>(285.6)</b>	<b>(125.2)</b>	<b>(125.3)</b>	<b>(118.0)</b>	<b>....</b>
<b>Forward Estimates (Fiscal Balance) as per the 2014-15 Budget (B)</b>	<b>(366.8)</b>	<b>(214.3)</b>	<b>(246.4)</b>	<b>(123.7)</b>	<b>....</b>
<b>Revenue from Transactions</b>					
<b>Policy Decisions</b>					
Revenue Compliance	....	1.2	1.2	1.2	1.2
Unexplained Wealth Legislation Implementation - Revenue	....	0.4	0.5	0.5	0.5
<b>Total Policy Decisions</b>	<b>....</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
<b>Parameter Adjustments</b>					
<b>Taxation</b>					
Betting Exchange Taxes and Levies	....	0.2	(0.2)	(0.2)	....
Casino Tax and Licence Fees	....	0.5	1.0	1.5	....
Duties <sup>2</sup>	20.7	20.4	7.0	6.4	....
Guarantee Fees	(0.6)	(7.2)	(13.2)	(12.4)	....
Land Tax	2.1	1.9	1.9	1.8	....
Lottery Tax	(1.0)	(1.2)	(1.4)	(1.6)	....
Motor Taxation	....	....	....	(0.1)	....
Payroll Tax	(6.6)	(9.0)	(9.4)	(10.1)	....
Racing and Gaming Taxes	....	....	....	....	....
State Fire Commission Operating Account <sup>3</sup>	....	(0.1)	(0.5)	(0.4)	....
Totalizator Wagering Levy	(0.1)	(0.1)	(0.1)	(0.1)	....
Vehicle Registration Fees	0.6	1.1	1.7	2.4	....
	<b>15.2</b>	<b>6.7</b>	<b>(13.0)</b>	<b>(12.8)</b>	<b>....</b>
<b>Dividend, Tax and Rate Equivalent Income</b>					
<b>Dividend Income</b>					
Aurora Energy Pty Ltd	....	13.2	13.7	12.9	....
Hydro Tasmania	(7.5)	13.6	6.4	(48.3)	....
Motor Accidents Insurance Board	1.6	5.7	6.2	6.1	....
Tasmanian Networks Pty Ltd	....	(20.7)	(28.8)	(4.5)	....
Tasmanian Ports Corporation Pty Ltd	....	....	....	2.8	....
Tasmanian Public Finance Corporation	0.3	(1.7)	(0.6)	(0.6)	....
The Public Trustee	0.3	0.1	0.1	0.1	....
	<b>(5.3)</b>	<b>10.1</b>	<b>(3.0)</b>	<b>(31.5)</b>	<b>....</b>

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Income Tax Equivalents</b>					
Aurora Energy Pty Ltd	7.1	6.5	6.2	6.2	....
Forestry Tasmania	5.2	4.2	1.4	(2.2)	....
Hydro Tasmania	(0.6)	17.2	27.3	19.2	....
Metro Tasmania Pty Ltd	....	0.4	0.7	0.7	....
Motor Accidents Insurance Board	4.5	4.2	5.5	6.8	....
Tasmanian Networks Pty Ltd	15.5	18.2	11.8	3.1	....
Tasmanian Ports Corporation Pty Ltd	(0.8)	1.0	1.3	2.0	....
Tasmanian Public Finance Corporation	1.7	0.6	0.6	....	....
The Public Trustee	....	....	....	....	....
TT-Line Company Pty Ltd	(1.1)	(3.9)	4.1	2.7	....
	<b>31.5</b>	<b>48.3</b>	<b>59.0</b>	<b>38.4</b>	<b>....</b>
<b>Total Dividend, Tax and Rate Equivalent Income</b>	<b>26.2</b>	<b>58.4</b>	<b>56.0</b>	<b>7.0</b>	<b>....</b>
<b>Interest Income</b>	<b>2.3</b>	<b>0.3</b>	<b>1.1</b>	<b>5.0</b>	<b>....</b>
<b>Australian Government Grants</b>					
<b>General Purpose Payments</b>					
GST Revenue	37.0	150.9	212.4	220.4	....
	<b>37.0</b>	<b>150.9</b>	<b>212.4</b>	<b>220.4</b>	<b>....</b>
<b>National Partnership Payments</b>					
Community Services (including Disability)	13.4	2.0	4.1	4.2	....
Education	2.6	10.9	2.1	2.1	....
Environment	8.5	....	....	....	....
Housing	4.4	....	....	....	....
Healthcare	19.6	(36.5)	0.4	....	....
Infrastructure	(44.7)	19.2	(7.1)	(9.6)	....
Other Services	0.7	0.1	(1.2)	0.1	....
Skills and Workforce Development	(0.2)	0.3	....	....	....
	<b>4.3</b>	<b>(4.0)</b>	<b>(1.7)</b>	<b>(3.2)</b>	<b>....</b>

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Specific Purpose Payments</b>					
Students First	22.6	14.1	13.6	4.7	....
National Health Reform	4.1	4.3	4.4	4.5	....
	<b>26.7</b>	<b>18.4</b>	<b>17.9</b>	<b>9.2</b>	<b>....</b>
<b>Other Australian Government Grants<sup>4</sup></b>	<b>(2.4)</b>	<b>(13.1)</b>	<b>(1.5)</b>	<b>3.0</b>	<b>....</b>
<b>Total Australian Government Grants</b>	<b>65.6</b>	<b>152.2</b>	<b>227.1</b>	<b>229.4</b>	<b>....</b>
<b>Agency Revenue</b>					
Education	(1.7)	(8.4)	(8.7)	(7.8)	....
Finance-General	1.3	0.3	0.2	0.2	....
Health and Human Services	1.5	0.3	(0.4)	0.2	....
Justice	(1.8)	(1.1)	(1.2)	(1.4)	....
Police and Emergency Management	3.7	1.6	1.7	0.5	....
Premier and Cabinet	(0.8)	(1.7)	(1.9)	(1.9)	....
Primary Industries, Parks, Water and Environment	2.8	1.3	1.2	0.9	....
Royal Tasmanian Botanical Gardens	....	(1.0)	(1.1)	(1.1)	....
State Fire Commission	0.2	0.3	0.3	0.2	....
State Growth	(3.3)	(1.5)	(0.6)	0.1	....
TasTAFE	(1.2)	(1.8)	(1.7)	(1.6)	....
Tasmanian Audit Office	0.2	0.1	....	0.1	....
Tasmanian Health Service (Tasmanian Health Organisations)	6.2	13.7	9.9	10.2	....
Treasury and Finance	0.6	0.4	(0.1)	0.1	....
<b>Total Agency Revenue</b>	<b>7.6</b>	<b>2.3</b>	<b>(2.3)</b>	<b>(1.4)</b>	<b>....</b>
<b>Total Parameter Adjustments</b>	<b>116.9</b>	<b>219.9</b>	<b>268.9</b>	<b>227.2</b>	<b>....</b>
<b>TOTAL REVENUE VARIATIONS (C)</b>	<b>116.9</b>	<b>221.5</b>	<b>270.5</b>	<b>228.9</b>	<b>....</b>

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Expenses from Transactions</b>					
<b>Policy Decisions<sup>5</sup></b>					
<b>Agency Expenditure</b>					
<b>Director of Public Prosecutions</b>					
Unexplained Wealth Legislation Implementation	....	0.3	0.4	0.4	0.4
	....	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Finance-General</b>					
First Home Builder Boost	....	4.6	0.7	0.1	....
Local Government - Voluntary Amalgamations	....	0.4	....	....	....
Duties Related Ex-Gratia Payments	....	17.9	....	....	....
Whole-of-Government Radio Network Saving	....	(18.0)	(10.0)	....	....
	....	<b>4.8</b>	<b>(9.3)</b>	<b>0.1</b>	....
<b>Health and Human Services and</b>					
<b>Tasmanian Health Service</b>					
Additional Funding to Frontline Health	....	25.0	25.0	25.0	25.0
Building a Joined Up Human Support System	....	0.6	0.6	....	....
Children and Adolescent Mental Health Services	....	0.6	0.6	0.6	0.6
Equal Remuneration Order (ERO) Costs	....	....	....	....	7.6
Ice and Other Drugs Strategy	....	1.0	0.8	0.8	0.8
North West Regional Cancer Centre	....	2.5	3.0	4.5	4.5
Patient Transport to Support OneHealth	....	2.0	4.0	4.0	4.0
	....	<b>31.7</b>	<b>34.0</b>	<b>34.9</b>	<b>42.5</b>
<b>House of Assembly</b>					
Additional Support for Parliamentary Processes	....	0.2	0.3	0.3	0.3
	....	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Integrity Commission</b>					
Adjustment of Savings Requirement	....	0.1	0.1	0.1	0.1
Review Costs	....	0.1	....	....	....
Temporary Extension of Board Funding <sup>6</sup>	....	....	....	....	....
	....	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Justice</b>					
Additional Funding for Crown Law	....	0.3	0.3	0.3	0.3
Implement Reforms to Improve the Effectiveness of the Response to Family Violence	....	0.2	0.2	0.2	0.2
Investigation into the Establishment of a Single Tribunal in Tasmania <sup>7</sup>	....	0.1	....	....	....
Mental Health Support	....	0.5	0.5	0.5	0.5
Planning Reform <sup>8</sup>	....	1.3	0.4	....	....
Victims Support Service	....	0.1	0.1	0.1	0.1
	....	<b>2.4</b>	<b>1.5</b>	<b>1.0</b>	<b>1.0</b>
<b>Legislative Council</b>					
Additional Support for Parliamentary Processes	....	....	0.1	0.1	0.1
	....	....	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Legislature-General</b>					
Additional Support for Parliamentary Processes	....	0.2	0.2	0.2	0.2
	....	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Ministerial and Parliamentary Support</b>					
Structural Budget Issues and Increased International Engagement	....	0.8	0.8	0.8	0.8
	....	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Office of the Ombudsman</b>					
Tasmanian Custodial Inspector - Implementation Planning	....	0.2	....	....	....
	....	<b>0.2</b>	....	....	....
<b>Police and Emergency Management</b>					
Emergency Alert	....	0.7	0.2	0.2	0.2
	....	<b>0.7</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Premier and Cabinet</b>					
Burnie Tennis Courts	....	0.3	....	....	....
Community Participation and Appeals Program	....	0.1	0.1	0.1	0.1

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Premier and Cabinet (continued)</b>					
Emergency Food Relief Distribution	....	0.3	0.3	0.3	0.3
Hobart Pedestrian Bridge	1.2	2.0	3.0	1.8	....
Our Watch <sup>9</sup>	....	....	....	....	....
Silverdome - Operating Support	....	0.6	....	....	....
	<b>1.2</b>	<b>3.3</b>	<b>3.5</b>	<b>2.3</b>	<b>0.5</b>
<b>Primary Industries, Parks, Water and Environment</b>					
Increasing Biosecurity Services with Detector					
Dog Teams	....	0.5	0.5	0.5	0.5
Racing Integrity	....	0.2	0.2	0.2	0.2
West Coast Job Creation Package <sup>10</sup>	0.5	....	....	....	....
	<b>0.5</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
<b>State Growth</b>					
Business Events Strategy	....	0.1	0.1	0.1	0.1
Business and Jobs Attraction and Population					
Growth Initiative	....	4.0	4.0	....	....
Caterpillar Transition Taskforce	....	3.0	....	....	....
Forestry Reform Implementation	....	0.2	0.1	....	....
Forward Planning for Roads	....	....	0.5	0.5	0.5
Growing the Visitor Economy	....	1.0	1.0	1.0	....
International Shipping Saving	(11.0)	(11.0)	(11.0)	....	....
Masters Games	....	0.3	0.3	0.3	....
Mining for Tasmania's Future Policy	....	0.3	....	....	0.3
National Heavy Vehicle Regulator Revenue					
Transfer	....	0.2	....	....	....
Office of the Coordinator-General -					
International Engagement, Investment					
Attraction and Facilitation, and Northern					
Cities Major Development Initiatives	....	1.5	0.8	0.5	0.5
Premier's Literary Prizes <sup>11</sup>	....	....	....	....	....
Prosser River Entrance Stabilisation - Stage 1	....	0.5	....	....	....
Public Transport Bus Services Procurement	....	0.5	0.5	0.2	0.1

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>State Growth (continued)</b>					
Queen Victoria Museum and Art Gallery <sup>12</sup>	....	0.3	0.3	0.3	0.4
Rail Infrastructure	....	29.9	29.9	....	....
Regional Events Start-up Program	....	0.3	0.2	0.2	....
Regional Revival Fund - New Projects					
Investment	....	5.0	....	....	....
Regional Tourism Organisations	....	0.2	0.2	0.2	0.2
Serco Contact Centre Industry Support					
Package	....	0.3	0.2	....	....
St Helens Barway Stabilisation - Stage 1	....	0.6	0.6	....	....
Support to Local Councils for Transport					
Infrastructure	....	2.0	....	....	....
TMAG Operating Support Costs	....	0.5	0.3	....	....
UXC Enterprise Development Centre	....	0.7	0.4	....	....
Chinese Presidential Visit	1.1	....	....	....	....
West Coast Job Creation Package	0.8	....	....	....	....
	<b>(9.1)</b>	<b>40.2</b>	<b>28.2</b>	<b>3.2</b>	<b>2.0</b>
<b>Tasmanian Audit Office</b>					
Probity/Cross Sector Reviews	....	0.1	0.1	0.1	0.1
	....	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Tourism Tasmania</b>					
Tourism Marketing	....	1.0	1.0	1.0	....
	....	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	....
<b>Treasury and Finance</b>					
Revenue Compliance	....	0.1	0.2	0.2	0.2
	....	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Total Policy Decisions</b>	<b>(7.4)</b>	<b>86.8</b>	<b>61.8</b>	<b>45.5</b>	<b>49.0</b>
<b>Parameter Adjustments</b>					
Depreciation	<b>0.2</b>	<b>(10.2)</b>	<b>(1.6)</b>	<b>14.2</b>	....
Nominal Superannuation Interest Expense	<b>(14.9)</b>	<b>(5.9)</b>	<b>(6.4)</b>	<b>(7.0)</b>	....
Borrowing Costs	<b>(0.1)</b>	<b>0.2</b>	<b>0.1</b>	....	....

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Agency Expenditure</b>					
Director of Public Prosecutions	1.2	0.2	....	....	....
Education	11.9	23.5	11.4	0.3	....
Finance-General	(1.6)	(39.8)	(37.2)	(29.0)	....
Health and Human Services	(1.9)	(29.5)	(30.9)	(36.8)	....
House of Assembly	0.2	....	....	....	....
Inland Fisheries Service	....	....	0.1	....	....
Justice	4.7	....	(0.1)	(0.1)	....
Legislative Council	0.1	....	....	....	....
Legislature-General	0.3	....	....	....	....
Ministerial and Parliamentary Support	0.7	....	....	....	....
Office of the Governor	0.2	....	....	....	....
Office of the Ombudsman	....	0.1	....	....	....
Police and Emergency Management	2.9	3.1	0.7	0.5	....
Premier and Cabinet	0.5	(0.7)	(4.2)	(3.6)	....
Primary Industries, Parks, Water and Environment	5.0	1.2	0.9	0.2	....
Royal Tasmanian Botanical Gardens	....	(0.2)	(0.7)	(0.6)	....
State Fire Commission	3.6	1.8	3.0	2.8	....
State Growth	(25.1)	9.7	(15.3)	(18.2)	....
TasTAFE	(0.3)	(7.0)	(5.0)	(4.8)	....
Tasmanian Audit Office	....	0.1	0.1	0.2	....
Tasmanian Health Service (Tasmanian Health Organisations)	31.3	109.2	46.2	50.6	....
Treasury and Finance	(0.5)	(0.1)	(0.4)	(0.4)	....
Other <sup>13</sup>	6.2	12.7	21.5	9.1	....
<b>Total Agency Expenditure</b>	<b>39.6</b>	<b>84.0</b>	<b>(10.0)</b>	<b>(29.9)</b>	<b>....</b>
<b>Total Parameter Adjustments</b>	<b>24.8</b>	<b>68.0</b>	<b>(18.0)</b>	<b>(22.7)</b>	<b>....</b>
<b>TOTAL EXPENSES FROM TRANSACTIONS VARIANCE (D)</b>	<b>17.5</b>	<b>154.9</b>	<b>43.8</b>	<b>22.9</b>	<b>....</b>

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>NET OPERATING BALANCE<sup>14</sup></b>	<b>(186.2)</b>	<b>(58.5)</b>	<b>101.5</b>	<b>88.0</b>	<b>182.4</b>
<b>less NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS</b>					
<b>Purchases of Non-Financial Assets from Transactions</b>					
<b>Policy Decisions<sup>15</sup></b>					
<b>Education</b>					
Dunalley Primary School	....	1.0	....	....	....
Kings Meadows High School	....	1.0	4.0	....	....
LINC Tasmania Burnie	....	0.8	2.0	....	....
Latrobe High School	....	2.0	8.0	....	....
Parklands High School	....	0.2	4.8	....	....
Prospect High School	....	0.5	8.0	....	....
Riverside High School	....	....	....	2.4	7.2
School of Special Education North	....	2.6	....	....	....
School of Special Education North West	....	3.7	....	....	....
Smithton High School	....	1.4	5.6	....	....
Taroona High School	....	2.1	....	....	....
	....	<b>15.3</b>	<b>32.4</b>	<b>2.4</b>	<b>7.2</b>
<b>Health and Human Services</b>					
Health Transport and Coordination Infrastructure	....	....	5.0	5.0	....
Hospital and Health Centre Maintenance	....	3.3	4.3	0.8	....
Launceston General Hospital Allied Health Clinics	....	3.0	....	....	....
North West Youth Accommodation and Training Facility	....	....	1.5	4.5	....
Northern Suburbs Community Centre	....	0.1	0.9	0.7	....
St Helens Hospital Redevelopment	....	....	....	....	4.0
	....	<b>6.4</b>	<b>11.7</b>	<b>11.0</b>	<b>4.0</b>
<b>Justice</b>					
Jefferson Audio Video System (JAVS) Upgrade	....	0.5	....	....	....
	....	<b>0.5</b>	....	....	....

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate <sup>1</sup>
	\$m	\$m	\$m	\$m	\$m
<b>Police and Emergency Management</b>					
Emergency Services Computer Aided Dispatch System	....	6.6	8.6	....	....
Upgrade Police Housing	....	1.0	1.0	....	....
	....	<b>7.6</b>	<b>9.6</b>	....	....
<b>Premier and Cabinet</b>					
Silverdome - Maintenance	....	0.5	....	....	....
	....	<b>0.5</b>	....	....	....
<b>Primary Industries, Parks, Water and Environment</b>					
Increasing Biosecurity Capability	....	1.0	1.0	....	....
Parks High Priority Maintenance and Infrastructure	....	4.0	4.0	....	....
West Coast Job Creation Package	0.3	....	....	....	....
	<b>0.3</b>	<b>5.0</b>	<b>5.0</b>	....	....
<b>State Growth</b>					
Northern Cities Major Development Initiative	....	....	20.0	20.0	20.0
TMAG Building Roof Maintenance	....	0.5	....	....	....
	....	<b>0.5</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
<b>Total Policy Decisions</b>	<b>0.3</b>	<b>35.8</b>	<b>78.7</b>	<b>33.4</b>	<b>31.2</b>
<b>Parameter Adjustments</b>					
Education	(13.9)	9.4	(0.7)	(0.7)	....
Finance-General	(5.9)	1.3	29.6	(1.0)	....
Health and Human Services	(62.5)	(65.5)	3.4	121.1	....
Justice	(1.6)	0.9	....	....	....
Marine and Safety Tasmania	....	1.1	0.6	....	....
Police and Emergency Management	(0.5)	0.5	....	....	....
Premier and Cabinet	(0.6)	1.1	(0.2)	(0.1)	....
Primary Industries, Parks, Water and Environment	(6.7)	3.9	(2.1)	(2.1)	....
State Fire Commission	....	(1.5)	(0.1)	(0.1)	....
State Growth	(25.0)	27.2	2.0	....	....
TasTAFE	....	0.6	0.8	1.1	....

Table 4.5: Policy and Parameter Statement 2014-15 to 2018-19  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m <sup>1</sup>
<b>Parameter Adjustments (continued)</b>					
Tasmanian Audit Office	....	0.1	(0.1)	(0.1)	....
Tasmanian Health Service (Tasmanian Health Organisations)	8.1	0.7	0.7	0.8	....
Tourism Tasmania	(1.7)	....	....	....	....
Treasury and Finance	(0.3)	0.2	(0.1)	(0.1)	....
Provision for Future Infrastructure Investment	....	(20.0)	(5.0)	(37.4)	....
<b>Total Parameter Adjustments</b>	<b>(110.6)</b>	<b>(40.0)</b>	<b>28.9</b>	<b>81.4</b>	<b>....</b>
<b>Total Purchases of Non-Financial Assets from Transactions (E)</b>					
	<b>(110.3)</b>	<b>(4.2)</b>	<b>107.6</b>	<b>114.7</b>	<b>....</b>
<b>Less Sale of Non-Financial Assets from transactions (F)</b>					
	<b>7.9</b>	<b>(3.5)</b>	<b>1.8</b>	<b>(0.4)</b>	<b>....</b>
<b>Less Depreciation - Total Parameter Adjustments (G)</b>					
	<b>0.2</b>	<b>(10.2)</b>	<b>(1.6)</b>	<b>14.2</b>	<b>....</b>
<b>TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS VARIANCE (H)<sup>16</sup></b>					
	<b>(118.4)</b>	<b>9.4</b>	<b>107.3</b>	<b>100.9</b>	<b>....</b>
<b>FISCAL BALANCE<sup>17</sup></b>					
	<b>(148.9)</b>	<b>(157.1)</b>	<b>(127.0)</b>	<b>(18.6)</b>	<b>106.9</b>

Notes:

1. Parameter adjustments for 2018-19 are not reflected in the Table as the 2018-19 Forward Estimate was not published in the 2014-15 Budget. However, policy adjustments are reflected to show the full impact on the Budget and Forward Estimates.
2. Duties reflects changes in estimates for Conveyance Duty, Motor Vehicle Duty and Insurance Duty.
3. The minor movements in the State Fire Commission Operating Account reflect revisions to the estimated income to be received from the Motor Vehicle Fire Levy.
4. The decrease in Other Australian Government Grants reflects movements in revenue for Commonwealth Own Purpose Expenses, primarily the reclassification of revenue for Highly Specialised Drugs, in the Tasmanian Health Service.
5. For further information on expense policy decisions refer to the section following this table or the relevant agency chapter in *Government Services Budget Paper No 2*.
6. An amount of \$43 000 in 2015-16 is provided to the Integrity Commission for a temporary extension of board funding.
7. An amount of \$22 000 in 2016-17 is provided to the Department of Justice for an investigation into the establishment of a single tribunal in Tasmania.
8. From 2017-18, funding of \$445 000 per annum will be reallocated from the Tasmanian Planning Commission to continue this initiative.
9. An amount of \$22 000 per annum from 2015-16 is provided to the Department of Premier and Cabinet for Our Watch.
10. Total expenditure of \$1.7 million (\$1.4 million expense and \$270 000 capital) for the West Coast Job Creation Package was included for the Department of Primary Industries, Parks, Water and Environment in the *2014-15 Revised Estimates Report*. However, the Department of Primary Industries, Parks, Water and Environment has advised that it expects to spend \$815 000 of this amount in 2014-15 (\$545 000 expense and \$270 000 capital). The balance is expected to be spent in 2015-16 and is included as an agency parameter adjustment.
11. An amount of \$40 000 in 2015-16 and 2017-18 is provided to the Department of State Growth for Premier's Literary Prizes.
12. Additional funding has been provided to the Department of State Growth to meet costs associated with existing funding provided to the Queen Victoria Museum and Art Gallery under the Deed Agreement with Launceston Council.
13. The movement in Other primarily reflects adjustments to eliminations and indexation as well as cost estimates associated with the State's superannuation expense and liability.
14. Net Operating Balance is equal to A + C - D.
15. For further information on Non-Financial Asset policy decisions refer to chapter 6 of this Budget Paper.
16. Total Net Acquisition of Non-Financial Assets is equal to E - F - G.
17. Fiscal Balance is equal to B + C - D - H.

# MAJOR REVENUE VARIATIONS

## Policy Decisions

### *Revenue Compliance*

This initiative, administered by the Department of Treasury and Finance, involves the appointment of two additional revenue compliance inspectors to enable the Compliance Section of the State Revenue Office to accelerate the audit of compliance targets, thereby protecting and improving the State's revenue base, and ensuring that the correct amount of taxation revenue is being collected from taxpayers. Activity will primarily be focussed in the areas of land and payroll tax, adopting a risk management framework. This revenue policy decision reflects estimated additional tax revenues arising from taxpayers more fully complying with their tax obligations.

### *Unexplained Wealth Legislation Implementation - Revenue*

This initiative, administered by the Office of the Director of Public Prosecutions, contributes to the disruption of serious and organised crime through the enforcement of Unexplained Wealth legislation and the prosecution of crimes. This revenue policy decision reflects estimated additional revenues arising from an increased number of unexplained wealth investigations and prosecutions.

## Parameter Adjustments

### *Duties*

The increase in Duties is primarily due to increases from conveyances due to higher activity in the property market and an increased provision for duties from corporate reconstructions.

### *Guarantee Fees*

Guarantee Fees decrease across all years, largely driven by the outcomes of the Capital Structure Review of the State-owned electricity businesses together with changes to Tasmanian Networks Pty Ltd's Guarantee Fee assumptions, particularly relating to a portion of long-term debt that will be refinanced in 2017.

### *Payroll Tax*

Payroll Tax receipts in 2014-15 are estimated to be \$6.6 million lower than expected in the 2014-15 Budget. This results in a lower base from which the 2015-16 Budget and Forward Estimates have been developed, resulting in a \$28.5 million reduction in Payroll Tax for 2015-16 to 2017-18.

Since the 2014-15 Budget was developed, the level of employment in Tasmania has been higher than expected, however this has not flowed through to Payroll Tax receipts. This would suggest that most of the growth in employment has occurred in businesses that do not incur a Payroll Tax liability.

## *Dividend, Tax and Rate Equivalent Income*

Aurora Energy Pty Ltd's Dividends and Income Tax Equivalents reflect revised assumptions of customer retention and churn over the period relative to the 2014-15 Budget.

Hydro Tasmania's returns over the period are expected to be more consistent, but at a lower level in 2017-18, than estimated in the 2014-15 Budget. This reflects the progressive implementation of the Government's revised strategy for the business, including the outcomes of the Capital Structure Review.

Tasmanian Networks Pty Ltd commenced operations on 1 July 2014 taking over the network operations of Aurora Energy Pty Ltd and Transend Networks Pty Ltd. The movement in Dividends and Income Tax Equivalents from Tasmanian Networks Pty Ltd across the Forward Estimates reflects revised financial forecasts given greater certainty in the Company's operations since its establishment, the outcomes of the capital structure review of the State-owned electricity businesses, the staged implementation in Tasmanian Networks Pty Ltd of the revised Dividend policy and the forecast outcome of the Australian Energy Regulator's Distribution Revenue Reset that will take effect from 1 July 2017.

The Tasmanian Ports Corporation Pty Ltd has revised its forecast Dividends and Income Tax Equivalents due to increased freight volumes driving increased profit forecasts from 2016-17.

Forestry Tasmania is now forecasting nil Income Tax Equivalents from 2015-16 to 2018-19, reflecting a change in its policy regarding the recognition of future tax benefits relating to forecast losses. The variations in the table reflect the adjustment of returns to this nil Income Tax Equivalents position from a negative position.

The reduction in Income Tax Equivalents from TT-Line Company Pty Ltd in 2015-16 reflects an expected one-off negative impact of vessel revaluation calculations in that year, as well as the impact of annual exchange rate movements, which affect the vessel valuations.

## *GST Revenue*

The movement in GST reflects estimates and assumptions regarding the size of the GST pool, Tasmania's population and its GST relativity. The per capita relativity used for 2015-16 is the relativity recommended by the Commonwealth Grants Commission and determined by the Australian Treasurer. The per capita relativities from 2016-17 onwards are based on modelling by the Department of Treasury and Finance. For more information on GST receipts, refer to chapter 5 of this Budget Paper.

## *National Partnership Payments*

The increase in Community Services in 2014-15 reflects additional funding under the Municipal and Essential Services Agreement (\$13.4 million) as well as new funding under the DisabilityCare Australia Fund Payments Agreement in 2015-16 and across the Forward Estimates.

The increase in Education reflects the one year extension to the Universal Access to Early Childhood Education Agreement, as well as new funding to be received under the National School Chaplaincy Program.

The decrease in Healthcare in 2015-16 primarily reflects revised cash flows for the Royal Hobart Hospital redevelopment, including a \$50 million payment that was expected to be received in 2015-16, which is now expected to be received in 2018-19. This decrease is partially offset by increased funding in 2015-16 under the Elective Surgery program and revised cash flows for capital funding from the Health and Hospitals Fund.

The movement in Infrastructure reflects a change in rail funding in accordance with matching requirements and revised cash flows for road funding.

### *Specific Purpose Payments*

The increase in the Students First and National Health Reform funding reflects revised amounts to be provided by the Australian Government under these funding arrangements.

### *Agency Revenue*

#### *Education*

The movement in the Department of Education reflects expected trends for school revenue based on 2013-14 actuals.

#### *Police and Emergency Management*

The increase in revenue for 2014-15 for the Department of Police and Emergency Management primarily reflects the costs associated with the State Emergency Service (SES). Despite the revised reporting arrangements for the SES, which has transferred to the State Fire Commission, the Department continued to incur the costs relating to the SES in 2014-15 during the transition to the new reporting arrangements. The Department invoiced the Tasmania Fire Service for the SES costs it incurred in 2014-15.

The increases in revenue in 2015-16 and 2016-17 reflect the reclassification by the Department of Australian Government National Partnership Payments for Disaster Resilience from Grants to Other revenue.

#### *Tasmanian Health Service (Tasmanian Health Organisations)*

The increase in Tasmanian Health Service (THS) is due primarily to a number of revenue estimate updates. The major items driving the increases are general retained revenue estimate updates for each of the Tasmanian Health Organisations, which are now included within the THS:

- the THO North Operating Account was updated with increases in estimates of funding received from external non-government organisations;
- the THO South Operating Account was updated with increases in revenue and expense estimates to align with the most recent funding agreements with non-government organisations, including Rural Primary Health Service, Royal Australian College of Physicians, Royal Australian and New Zealand College of Psychiatrists, Magnetic resonance imaging agreement with UTAS and the Australasian College of Emergency Medicine. In addition, general updates were made to own source revenue received from sources including Pharmacy (including PBS revenue) and Orthotics, Prosthetics and Radiation; and
- within the THO South, additional revenue was recognised from the Tasmanian Health Assistance Package (THAP), with the main category of revenue relating to the Training More Specialists Program, as well as increases in expected receipts from Inpatient and Outpatient Fees.

# MAJOR EXPENSE VARIATIONS

## Policy Decisions

### *2014-15 Policy Decisions*

#### *Chinese Presidential Visit*

Additional funding of \$1.1 million in State Growth relates to the Chinese Presidential visit to Tasmania in November 2014. This funding includes costs incurred on behalf of the Department of Premier and Cabinet (\$100 000), and Tourism Tasmania (\$150 000).

#### *West Coast Job Creation Package*

Additional funding of \$1.3 million relates to projects overseen by the Department of State Growth and Department of Primary Industries, Parks, Water and Environment for the West Coast Job Creation Package. There are six projects that are expected to provide 141 new jobs. These projects were recommended for funding by the West Coast Economic Working Group in its interim report responding to the cessation of work at the Mt Lyell Mine. In addition to these projects, which will provide short to medium-term stimulus and employment opportunities, the Government is continuing to work with the proponents of the Avebury Nickel Mine to facilitate its reopening as a matter of priority.

### *2015-16 Budget and Forward Estimate Policy Decisions*

#### *Finance-General*

##### *First Home Builder Boost*

The Government has agreed to extend the First Home Builder Boost Scheme (\$20 000 grant) to 31 December 2015 which is expected to support ongoing demand for new homes by first home buyers and allow a slower taper of grant assistance. The tapering of grant assistance for first home buyers of newly constructed homes from \$30 000 to \$20 000 and then to \$10 000 was originally designed to minimise the impact on the building industry from a more sudden reduction. However, uptake of the \$30 000 grant has far exceeded expectations and this has impacted the transition to a reduced amount. Extending the grant at the level of \$20 000 will allow a slower taper of the current surge in residential building activity.

##### *Duties Related Ex-Gratia Payments*

The provision for ex-gratia payments for corporate reconstructions has been increased in 2015-16.

#### *Health and Human Services*

##### *Additional Funding to Frontline Health*

Additional funding of \$100 million will be provided over four years to invest in frontline health services provided by the Tasmanian Health Service, which will be established on 1 July 2015 through the merger of the three existing Tasmanian Health Organisations.

The establishment of the THS is a key component of the *One State, One Health System, Better Outcomes* reforms and is designed to improve the coordination of services and reduce duplication and inefficiencies within the health system.

The THS is required to manage its funding to ensure the efficient operation of the institutions and services under its control, and the efficient use of its resources and delivery of services purchased by the Government.

### *Equal Remuneration Order (ERO) Costs*

Additional funding of \$7.6 million is provided in 2018-19, bringing the total ERO supplementation in 2018-19 to \$31.8 million. The ERO is being implemented in nine instalments over eight years; 2018-19 will be year seven of the ERO. This funding will enable community sector organisations to fully meet their obligations and requirements under the Fair Work Australia ERO.

The funding supplementation included in this Budget is in addition to the \$82.5 million reported in the 2014-15 Budget for the first six years of the ERO. In total, the Tasmanian Government has committed \$114.3 million to funding the first seven years of the ERO. This funding represents the total cost of the ERO in Tasmania, less an anticipated contribution by the Australian Government of \$23.8 million for the same period. The Australian Government commitment is split across payments made to the State and paid directly to the National Disability Insurance Agency (NDIA).

### *North West Regional Cancer Centre*

The North West Regional Cancer Centre is currently under construction as part of the Statewide Cancer Project. Construction is due to be completed at the end of 2015. Additional funding of \$2.5 million in 2015-16, \$3.0 million in 2016-17, and \$4.5 million per annum from 2017-18 has been allocated for the operating costs associated with the North West component of the Northern Integrated Cancer Service.

Under the Northern Integrated Cancer Service, the North West Regional Cancer Centre in Burnie and Holman Clinic in Launceston will work closely together to provide better services across the North and North West of the State. Through the development of a critical mass of specialists, the new linear accelerator will be opened and operated at the North West Regional Hospital to provide vital radiation oncology treatment to cancer sufferers.

### *Patient Transport to Support One Health*

The Government is investing \$24 million over the next four years, including \$10 million for capital upgrades, to provide improved patient transport and coordination under the Government's *One State, One Health System, Better Outcomes* reforms.

Under the reforms, the health system will operate as a single statewide system, with each hospital having an important but different role to play. Hospitals will specialise in the procedures they are best suited to provide and patients will be treated at the hospital best suited to the patient's needs.

Funding will be used to improve emergency patient transport by streamlining patient transport between facilities, providing transport for people to access non-urgent medical appointments as well as financial support for private travel and accommodation where required.

Priorities for investment in improved patient transport services will be identified as part of the implementation planning to be undertaken during and post the finalisation of the *One Health System* White Paper.

## *Justice*

### *Planning Reform*

A key election commitment of the Government was to deliver a fairer, faster, cheaper and simpler planning system for Tasmania. Specific commitments include delivering a single statewide planning scheme, as well as reforms to streamline approvals processes, major projects approvals, Ministerial call-in powers and third party appeals. The additional funding of \$1.7 million over two years is to provide additional resources within the Department of Justice, to assist and accelerate the delivery of this planning reform agenda.

### *Premier and Cabinet*

#### *Hobart Pedestrian Bridge*

The Australian Government has guaranteed \$8 million from the ANZAC Centenary Public Fund for the construction of a pedestrian walkway linking the Cenotaph in Hobart with the Soldier's Memorial Avenue. The Public Fund is made up of donations from the Australian business community and public that will be used for projects of state and national significance during the Centenary of ANZAC period.

Funding from the Public Fund will be made available over the next three financial years as the level of donations allows for payments to be made. The Tasmanian Government will underwrite the cost of the walkway's construction to ensure it will be completed during the Centenary of World War One commemorations. The walkway is part of the broader redevelopment of the Queen's Domain that is being managed by the Hobart City Council. Two other projects - the installation of the Flame of Remembrance (\$300 000) and the finalisation of the redevelopment of the Soldier's Memorial Avenue (\$1.1 million) - have already received funds from the Public Fund.

## *State Growth*

### *Business and Jobs Attraction and Population Growth Initiative*

Funding has been provided to support the Government's population and business growth agendas, including targeted activities to attract new business to Tasmania, and other measures to facilitate population growth. Finalising the Population Strategy is part of the Government's 365 Day Plan.

### *International Shipping Saving*

Funding for this election commitment is no longer required given the extension of the Tasmanian Freight Equalisation Scheme for international exports being shipped to mainland ports.

### *Rail Infrastructure*

Additional funding has been provided to secure funding of \$59.8 million from the Australian Government for the Freight Rail Revitalisation Program, which requires a 50 per cent co-contribution from the State. The Freight Rail Revitalisation Program, undertaken by Tasmanian Railway Pty Ltd (TasRail), will raise the quality of the major lines on the Tasmanian rail network through selective re-sleepering, upgrading old rail and bridges as well as culvert strengthening, drainage and formation work.

### *Regional Revival Fund - New Projects Investment*

The Government is providing additional funding to the Regional Revival Fund in order to support new investments linked to industry and jobs growth in regional areas of Tasmania. This funding is in addition to previously announced projects.

The Department of State Growth will work with private investors and local councils to identify projects where support may be offered through a contribution towards total project cost. The funding is available to meet capital costs associated with new developments and there must be a clear demonstration of benefit for regional communities and relevant industries.

## Parameter Adjustments

### *Agency Expenditure*

#### *Education*

The increase for the Department of Education primarily reflects increased expenditure as a result of increased funding from the Australian Government. Estimated funding for Students First education reforms has been revised upwards following an adjustment to the Australian Government base, largely due to data corrections post the 2014-15 Budget. The Australian Government has also extended the National Partnership Agreement on Universal Access to Early Childhood Education.

#### *Finance-General*

The decrease in Finance-General primarily reflects revised rental cashflows for the *parliament square* project based on actual experience for 2013-14 and 2014-15 and the capitalisation of estimated leasehold improvements (following completion of the sale and transfer of the land, estimated leasehold improvements will be capitalised in 2015-16); decreased agency accommodation charges; electricity cost concessions; and revised actuarial estimates for the Tasmanian Risk Management Fund.

#### *Health and Human Services*

The major factors contributing to the significant parameter reduction for the Department of Health and Human Services expenses from 2015-16 are: the transfer of funding for the 2014 election commitments Rebuilding Health Services Elective Surgery Program and the Nurses Graduates Transition to Practice Program to the Tasmanian Health Service (THS) for implementation (this was previously administered by DHHS); the transfer of Cancer Screening Services from the Department to the THS upon its commencement; and the reallocation of capital project funding from expenses to Purchases of Non-Financial Assets.

#### *Premier and Cabinet*

The decrease in expenditure for the Department of Premier and Cabinet in 2016-17 and 2017-18 primarily reflects reductions in supplier contracts for whole-of-government IT services and reductions in employee costs for non-core business activities.

## *State Growth*

The decrease for the Department of State Growth in 2014-15 reflects reduced estimates for skills and workforce development National Partnership payments (\$11.9 million), a revised profile of funding for the Academy of Creative Industries and Performing Arts development (\$7.4 million), and a change in the funding profile of 2014-15 election commitments (\$6.8 million) from 2014-15 to 2015-16 and 2016-17.

The movement over the Forward Estimates includes revised cash flows for the following 2014-15 election commitments: Advancing the Case for a Nationally Funded Second Interconnector (\$1.3 million) to complement the Tasmanian Energy Strategy; Regional Revival Fund Craggy Ridge project (\$3.4 million) due to timing issues; and the Small Business Jobs Bonus (\$900 000) to meet employer demand. The decrease in 2016-17 and 2017-18 primarily reflects cash flow changes associated with Tasmanian Railway Pty Ltd.

## *Tasmanian Health Service (Tasmanian Health Organisations)*

The major factor increasing THO expenses in 2014-15 is the provision of an additional \$30 million identified in the *2014-15 Revised Estimates Report* for THO over-budget expenditure. In addition, the increase in Tasmanian Health Service in 2014-15 includes:

- a movement of \$32.5 million in expense from 2014-15, as the payment of the Cross-Border liabilities relating to 2013-14 and 2014-15 has been deferred to 2015-16;
- a transfer of Rebuilding Health Services Election Commitment funding from DHHS to the THS for expenditure (\$10.7 million);
- additional Tasmanian Health Assistance Package (THAP) funding for elective surgery (\$6.9 million);
- an increase of \$5.8 million in expenses in THO North relating to expenditure of funding received from external non-government organisations and updates to highly specialised drugs and property rates; and
- expenditure of \$5 million for the cost of staff separations.

In the Budget and Forward Estimates period, the major factors driving the increase in expenses for the THS are:

- 2015-16 Budget initiatives of approximately \$30 million in 2015-16 rising to \$35 million in 2018-19;
- provision of \$20 million per annum from 2015-16 to 2017-18 for the 2013-14 Rebuilding Health Services Election Commitment;
- \$23.7 million in election surgery THAP funding in 2015-16; and
- payment of the \$32.5 million Cross-Border liability in 2015-16 relating to previous years.

## *TasTAFE*

The decrease in expenditure in TasTAFE reflects revised estimates based on forecast activity levels and the organisational redesign undertaken by TasTAFE in 2014-15.

# MAJOR PURCHASES OF NON-FINANCIAL ASSETS VARIATIONS

## Policy Decisions

For detailed information on 2015-16 Budget Infrastructure Policy Decisions refer to chapter 6 of this Budget Paper.

## Parameter Adjustments

### *Education*

The movement for the Department of Education primarily reflects the estimated carry forward of funding from 2014-15 to 2015-16 for Capital Investment Program projects to meet changed cashflow requirements including Brooks High School and New Town High School. The reduction in other years reflects the reclassification of capital purchases to non-capital expenditure.

### *Finance-General*

The movement in Finance-General reflects the capitalisation of leasehold improvements following completion of the sale and transfer of the *parliament square* land and current replacement schedules for the Government's light vehicle fleet.

### *Health and Human Services*

The movement for the Department of Health and Human Services reflects revised cash flows for major infrastructure projects, including the Royal Hobart Hospital Redevelopment and Special Capital Investment Fund projects.

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

The decrease in the 2014-15 Estimated Outcome and the increase in the 2015-16 Budget for the Department of Primary Industries, Parks, Water and Environment primarily reflects revised cash flows for State and Australian Government funded expenditure for the Three Capes Track due to later than anticipated commencement of contractors for accommodation and track works. Cash flow adjustments relate to the construction of several track sections and public huts, which affect the timing of helicopter transport related expenditure. Work has commenced later than anticipated due to contract delays and the availability of the contractors. The movements in 2016-17 and 2017-18 reflect a more accurate estimate based on actual non-financial asset purchases in recent years and expected purchases over the Forward Estimates period; and the reclassification of Tasmanian Forests Agreement Resource Management funding from Plant and Equipment purchases to operational expenditure.

### *State Growth*

The decrease for the Department of State Growth for 2014-15 of \$25 million is primarily attributable to a change in the funding profile of a number of Australian Government funded infrastructure projects. The funding that was originally expected to be incurred in 2014-15 is now expected to be incurred in 2015-16. Projects include: the Midland Highway; Huon Highway/Summerleas Road Intersection; Tasman Ramps; and Brooker Highway Elwick, Goodwood, Howards Roads. State Government funding of \$1 million for the South Arm Highway/Rokeby Main Road Stage 2 project has been brought forward from 2015-16 to 2014-15 due to the project being ahead of schedule.

### *Tasmanian Health Service*

The increase in purchases of Non-Financial Assets in 2014-15 relates to expenditure on a range of capital projects by THO North in 2014-15, including two Acute Medical Unit (AMU) capital projects and the Flinders Island Accommodation project.

### *Provision for Future Infrastructure Investment*

The decrease in the Provision for Future Infrastructure Investment reflects the allocation of funds to specific infrastructure projects. Information on the current level of the Unallocated Provision for Future Infrastructure Investment is provided in chapter 6 of this Budget Paper.



# 5 GENERAL GOVERNMENT REVENUE

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## *Key Issues*

- Total General Government Sector revenue is estimated to be \$5 307.8 million in 2015-16, an increase of \$344.1 million above the 2014-15 Budget estimate of \$4 963.7 million.
- Over the Budget and Forward Estimates period, revenue growth is estimated to be an average annual rate of 2.8 per cent (measured from the 2014-15 Estimated Outcome). This is below the long-run trend of 4.6 per cent per annum.
- Key components of General Government Sector revenue in 2015-16 include:
  - GST Revenue is estimated to be \$2 246.1 million, an increase of \$334.7 million above the 2014-15 estimate of \$1 911.4 million;
  - Australian Government National Partnership Payments are estimated to be \$303.5 million, an increase of \$50.2 million above the 2014-15 estimate of \$253.3 million;
  - Tasmania's share of revenue from Grants, including GST and Australian Government Grants for Specific Purposes, equates to 65.1 per cent of total General Government sector revenue; and
  - Taxation Revenue is estimated to be \$1 027.1 million, an increase of \$43.9 million above the 2014-15 estimate of \$983.2 million. There are no new taxes or increases in the rate of taxes associated with this growth in revenue; rather it is primarily a function of economic activity levels and inflation.
- The current Federal Financial Relations environment presents a range of risks to Tasmania's Grant funding over the Forward Estimates.

# TOTAL REVENUE

This chapter provides an overview of Revenue for the 2015-16 Budget and Forward Estimates. Table 5.1 lists the major General Government Sector revenue sources.

**Table 5.1: General Government Sector Revenue**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Grants	3 027.5	3 453.3	3 530.4	3 558.4	3 736.7
Taxation	983.2	1 027.1	1 041.7	1 059.1	1 080.1
Sales of Goods and Services	354.1	357.8	355.1	362.7	367.9
Fines and Regulatory Fees	103.3	96.1	97.8	91.7	86.6
Interest Income	15.9	16.7	16.4	19.3	20.5
Dividend, Tax and Rate Equivalent Income	342.9	213.4	218.7	255.4	241.8
Other Revenue	136.8	143.4	140.4	139.7	144.0
	<b>4 963.7</b>	<b>5 307.8</b>	<b>5 400.5</b>	<b>5 486.3</b>	<b>5 677.6</b>

In 2015-16, Total General Government Sector revenue is forecast to be \$344.1 million higher than the 2014-15 Budget. From the 2014-15 Estimated Outcome to 2018-19, Total General Government Sector revenue is expected to grow by an average 2.8 per cent per annum which is above the average growth rate from the 2014-15 Budget, but still below the long-run trend of 4.6 per cent per annum. Lower than average long-run growth is mainly the result of an initial reduction in returns from Government businesses, and relatively low growth in Australian Government Grants (excluding GST) and other own-source revenue (including sales of goods and services and fines and regulatory fees).

Chart 5.1 shows the components of Total General Government Sector revenue for 2015-16 while Chart 5.2 shows the composition of Total General Government Sector revenue over time.

Tasmania's most significant source of funding is Grants revenue (including GST and Australian Government Grants), which comprises 65.1 per cent of Total revenue in 2015-16.

State Own-Source Revenue accounts for 34.9 per cent of Total revenue. The largest source of State Own-Source Revenue is Taxation, followed by Sales of Goods and Services. Major revenue risks and sensitivities are discussed in chapter 1 of this Budget Paper. The major variances in revenue compared to the 2014-15 Budget are discussed in the Policy and Parameter Statement in chapter 4 of this Budget Paper.

Chart 5.1: Composition of Total Revenue, 2015-16

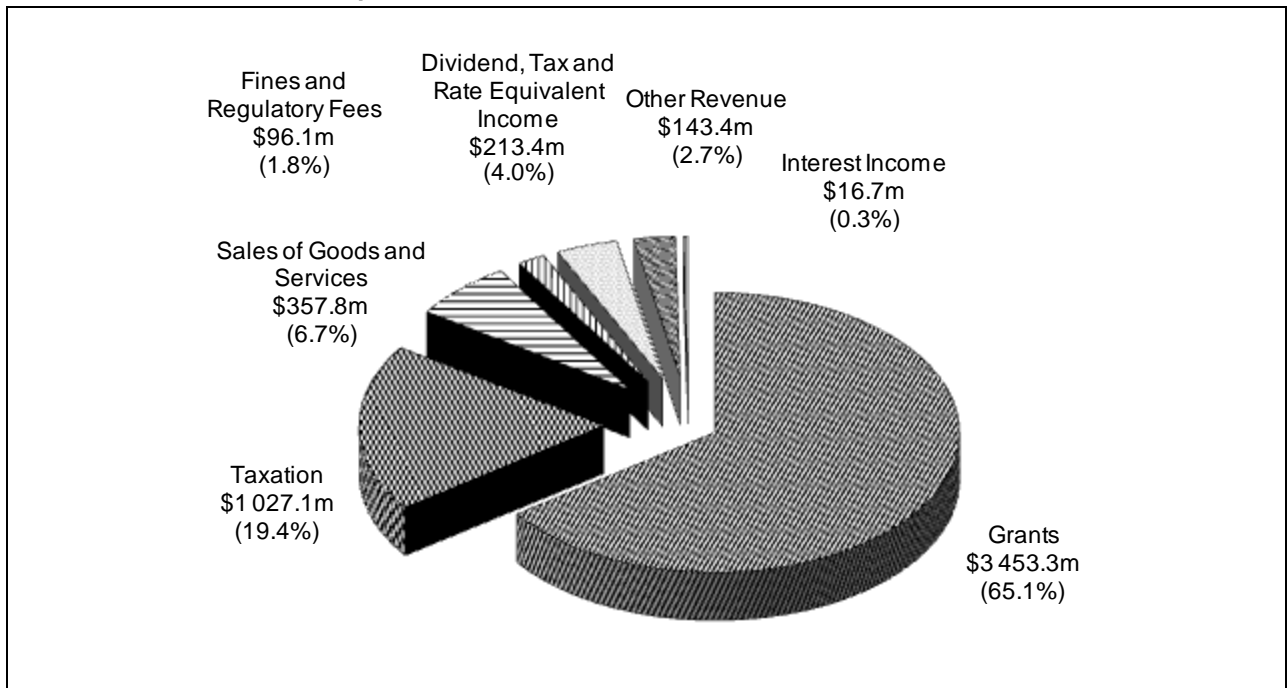
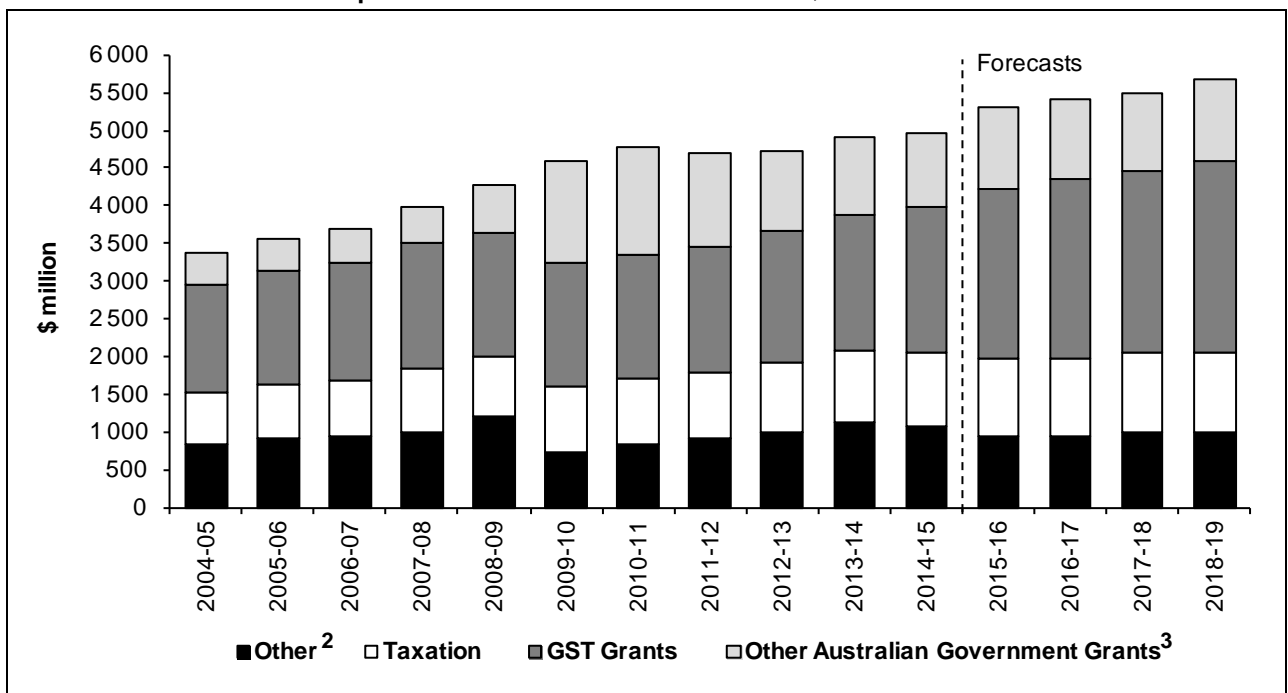


Chart 5.2: Composition of Total Revenue, 2004-05 to 2018-19<sup>1</sup>



Notes:

1. Data reflects actual outcomes for 2004-05 to 2013-14 and the original Budget estimates for 2014-15.
2. 'Other' includes: Sales of Goods and Services; Fines and Regulatory Fees; Interest Income; Dividend, Tax and Rate Equivalent Income; Other Revenue; and Other Grants and Subsidies.
3. 'Other Australian Government Grants' include Specific Purpose Payments and National Partnership Payments.

# GRANTS

Grants primarily reflect transfers of funding from the Australian Government and are estimated to be \$3 453.3 million in 2015-16. This is an increase of \$425.8 million above the 2014-15 Budget estimate of \$3 027.5 million.

**Table 5.2: Grants**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>General Purpose Payments (Untied Funding)</b>					
GST Revenue	1 911.4	2 246.1	2 362.1	2 423.4	2 521.3
<b>Payments for Specific Purposes (Tied Funding)</b>					
<b>Specific Purpose Payments<sup>1</sup></b>					
To the State <sup>2</sup>	539.1	569.4	591.2	601.6	607.8
Through the State	199.9	226.2	243.1	256.1	263.5
	<b>739.1</b>	<b>795.5</b>	<b>834.3</b>	<b>857.7</b>	<b>871.4</b>
<b>National Partnership Payments<sup>1</sup></b>					
To the State	181.2	231.9	151.8	90.2	144.8
Through the State	72.1	71.7	71.1	73.7	76.3
	<b>253.3</b>	<b>303.5</b>	<b>223.0</b>	<b>163.9</b>	<b>221.0</b>
<b>Total Payments for Specific Purposes</b>	<b>992.4</b>	<b>1 099.0</b>	<b>1 057.3</b>	<b>1 021.6</b>	<b>1 092.4</b>
<b>Other Grants and Subsidies</b>	123.7	108.2	111.0	113.4	123.0
<b>Total</b>	<b>3 027.5</b>	<b>3 453.3</b>	<b>3 530.4</b>	<b>3 558.4</b>	<b>3 736.7</b>

**Notes:**

1. Estimates of Specific Purpose Payments and some National Partnership Payments may differ from those published in the Australian Government's 2015-16 Budget due to the need to finalise State estimates before the release of the Australian Government Budget.
2. Includes National Health Reform and Students First education reforms funding.

In accordance with the *Intergovernmental Agreement on Federal Financial Relations (IGA)*, transfers from the Australian Government fall into two categories:

- General Purpose Payments (GPPs), which are 'untied' payments that can be used at the State's discretion. The GST distribution is the only GPP received by Tasmania in 2015-16; and
- conditional (tied) funding in the form of Payments for Specific Purposes, including National Partnership Payments, Specific Purpose Payments, National Health Reform funding and Students First education reforms funding. These payments must only be spent for purposes as agreed with the Australian Government.

# GST Revenue

GST Revenue is the largest single source of revenue for Tasmania representing 42.3 per cent of Total General Government Sector revenue in 2015-16.

In accordance with the *Intergovernmental Agreement on Federal Financial Relations*, all GST Revenue collected by the Australian Government is distributed amongst the states and territories. Each state's GST entitlement is dependent on three factors: national GST collections, the state's per capita relativity and the state's share of the national population.

The Commonwealth Grants Commission (CGC) makes recommendations to the Australian Government Treasurer regarding each jurisdiction's relativity. Further detail on the Commonwealth Grants Commission's methodology is provided in the Commonwealth-State Financial Relations section (Chapter 5) of the *Guide to the Budget* (available on the Treasury website).

Historically, Tasmania has been assessed by the CGC as having a lower than average fiscal capacity and requiring greater than its population share of GST. This reflects the relatively higher cost of service provision in the State and the below average capacity to raise revenue.

The CGC's *2015 Methodology Review of GST Revenue Sharing Relativities* has been completed and this is discussed in the Federal Financial Relations section of this chapter. The new methodology will apply from 2015-16.

For the 2015-16 Budget, Treasury has adopted its own financial model updated to account for changes arising from the CGC Review. The model used the 2015-16 per capita relativity recommended by the CGC and preliminary estimates of the national GST pool. The 2015-16 Australian Government Budget, released on 12 May 2015, forecasts stronger growth in the GST pool and a decline in Tasmania's relativity over the Forward Estimates. The revenue impact from the declines in relativity is largely offset by the increase in the GST pool estimates. The Australian Government Budget estimates show a net variance from Treasury's estimates of negative \$15 million over the four years from 2015-16 to 2018-19 (0.2 per cent of total GST revenue).

Notwithstanding the differences arising from the updated forecasts in the Australian Government Budget, the forecast of per capita relativities over the Forward Estimates period, estimated by Treasury's financial model, will also differ from the Australian Government Budget estimates as the Australian Government does not adjust for changes in jurisdictional fiscal capacities. The Australian Government acknowledges the limitations of its methodology in its 2015-16 Budget and included a discussion on the impact on forecast relativities of changes in iron ore prices and volumes. The Australian Government Treasury is expected to consult with the states and territories on its methodology for preparing relativity projections in its future Budget updates.

Table 5.3 shows GST Revenue estimates for the national pool and Tasmania.

**Table 5.3: Tasmanian GST Revenue Estimates**

	2015-16	2016-17	2017-18	2018-19
	Budget	Forward Estimate	Forward Estimate	Forward Estimate
National GST Collections (\$m) <sup>1</sup>	57 320	60 620	63 820	67 300
Tasmania's GST Share (%) <sup>2</sup>	3.92	3.90	3.80	3.75
Tasmania's GST Revenue (\$m) <sup>2</sup>	2 246.1	2 362.1	2 423.4	2 521.3

Notes:

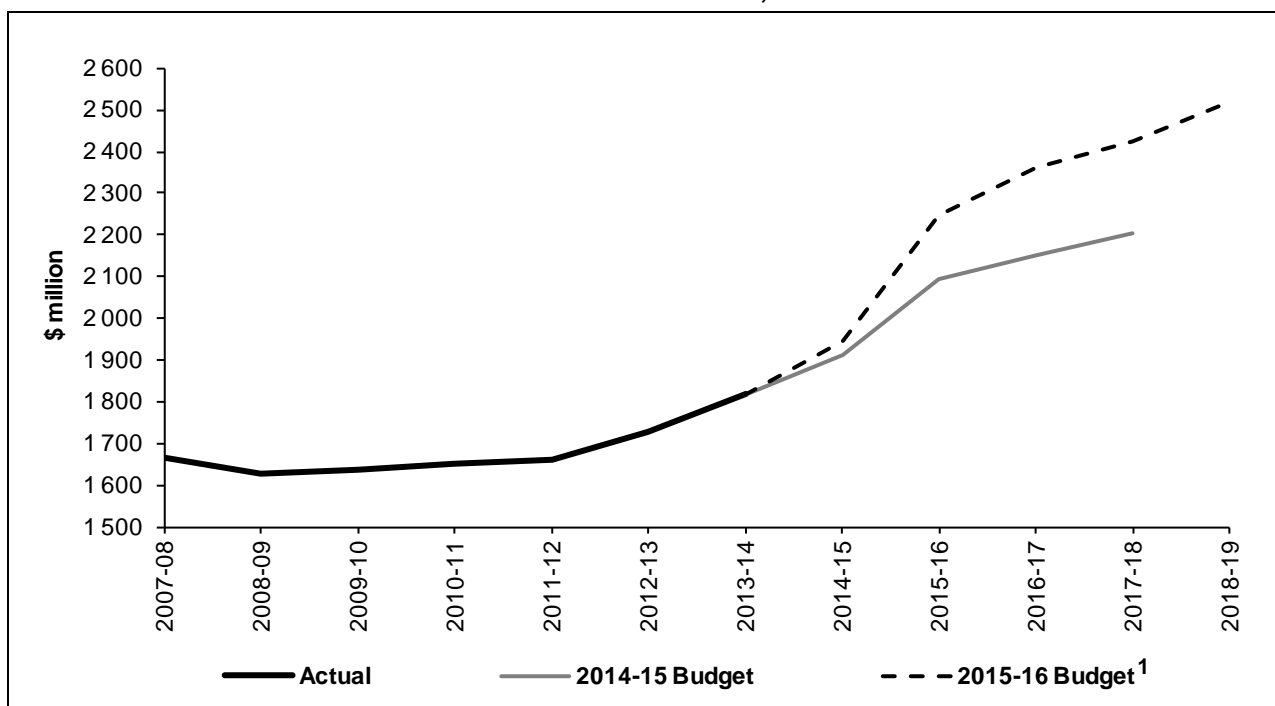
1. The national GST pool collections were preliminary estimates and differ from those released in the 2015-16 Australian Government Budget.
2. 2015-16 Budget is based on the actual relativity that will apply in 2015-16 as recommended by the CGC.

GST payments to Tasmania are expected to be \$2 246.1 million in 2015-16. This growth in GST revenue to Tasmania reflects GST pool growth and an increase in Tasmania's GST relativity, partially offset by lower than average population growth.

Chart 5.3 below illustrates the difference between the 2014-15 and 2015-16 State Budget estimates of GST revenue to Tasmania over the Forward Estimates. The compound annual growth rate of GST revenue from 2015-16 to 2018-19 is 3.9 per cent.

Tasmania's share of the GST pool has grown from approximately 3.6 per cent in 2014-15 to 3.9 per cent in 2015-16.

**Chart 5.3: GST Revenue to Tasmania, 2007-08 to 2018-19**



Note:

1. The 2015-16 Budget includes the estimated outcome for GST Revenue for 2014-15.

# Commonwealth Payments for Specific Purposes

## *Specific Purpose Payments and Reform Funding*

In 2015-16, Tasmania will receive an estimated \$795.5 million in Specific Purpose Payments (SPPs) and reform agreement funding. This is an increase of \$56.4 million above the \$739.1 million estimated in the 2014-15 Budget. The growth in SPPs and reform funding primarily reflects an increase in Education funding under the Students First education reforms.

SPPs are an ongoing funding arrangement from the Australian Government to the States for service delivery in a particular sector. There are currently three SPPs in operation: the National Skills and Workforce Development SPP; the National Disability Services SPP; and the National Affordable Housing SPP.

Reform funding arrangements, namely the National Health Reform Agreement and the Students First education reforms, replaced the former Health and Education SPPs as of July 2012 and January 2014 respectively.

## *National Partnership Payments*

National Partnership Payments (NPPs) are provided to each State through National Partnership Agreements and Project Agreements. The agreements are usually time-limited and aim to support the delivery of projects, facilitate reforms within the State or reward the State for delivering on national reforms.

In 2015-16, Tasmania will receive an estimated \$303.5 million of funding in NPPs, an increase of \$50.2 million above the \$253.3 million estimated for 2014-15. This primarily reflects increases in funding under the Land Transport Infrastructure program for roads and the Water for the Future program.

Table 5.4 details the Payments for Specific Purposes that Tasmania will receive from the Australian Government in 2015-16 and over the Forward Estimates period.

Table 5.4: Commonwealth Payments for Specific Purposes<sup>1</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Specific Purpose Payments</b>					
<b>Education</b>					
Students First - Government Schools <sup>2</sup>	147.3	165.1	178.4	180.1	177.3
Students First - Non-Government Schools <sup>2</sup>	199.9	226.2	243.1	256.1	263.5
National Skills and Workforce Development	31.2	31.2	31.4	31.4	31.4
<b>Total Education Specific Purpose Payments</b>	<b>378.4</b>	<b>422.5</b>	<b>452.8</b>	<b>467.5</b>	<b>472.2</b>
<b>Health and Human Services</b>					
National Health Reform <sup>3</sup>	315.7	327.9	336.3	344.8	353.6
National Disability Services	16.6	16.7	16.7	16.8	16.8
National Affordable Housing	28.4	28.4	28.5	28.6	28.8
<b>Total Health and Human Services Specific Purpose Payments</b>	<b>360.6</b>	<b>373.0</b>	<b>381.5</b>	<b>390.2</b>	<b>399.1</b>
<b>Total Specific Purpose Payments</b>	<b>739.1</b>	<b>795.5</b>	<b>834.3</b>	<b>857.7</b>	<b>871.4</b>
<b>National Partnership Payments</b>					
<b>Education</b>					
Early Childhood Education <sup>4</sup>	5.2	8.8	....	....	....
National School Chaplaincy Program	....	2.1	2.1	2.1	....
Trade Training Centres in Schools	1.8	....	....	....	....
Supporting Students with Disabilities	1.2	....	....	....	....
Independent Public Schools	0.6	0.6	0.6	....	....
<b>Total Education National Partnerships</b>	<b>8.8</b>	<b>11.5</b>	<b>2.7</b>	<b>2.1</b>	<b>....</b>

Table 5.4: Commonwealth Payments for Specific Purposes  
(continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Healthcare</b>					
<i>Health and Hospitals Fund</i>					
Royal Hobart Hospital Redevelopment	....	....	....	....	50.0
National Cancer System	6.8	9.0	....	....	....
LGH Acute Medical and Surgical <sup>5</sup>	1.0	....	....	....	....
<i>Improving Health Services in Tasmania</i>					
Reducing Elective Surgery Lists	7.1	10.9	....	....	....
Innovative Flexible Funding for Mental Health	1.0	1.0	....	....	....
Improving Patient Pathways through Clinical and System Redesign	5.1	5.1	....	....	....
Enhancing Subacute Care – Better Access to Community Based Palliative Care Services	1.7	1.7	....	....	....
Essential Vaccines	5.0	4.6	3.8	0.1	....
Commonwealth Dental Health Program	4.3	....	....	....	....
Supporting National Mental Health Reform	1.6	1.7	....	....	....
Expansion of BreastScreen Australia Program	....	0.4	0.4	....	....
Other <sup>6</sup>	0.7	0.5	....	....	....
<b>Total Healthcare National Partnerships</b>	<b>34.3</b>	<b>34.9</b>	<b>4.3</b>	<b>0.1</b>	<b>50.0</b>
<b>Community Services (including Disability)</b>					
Transitioning Responsibilities for Aged Care and Disability Services	27.0	14.8	15.8	16.8	17.9
Pay Equity for the Social and Community Services Sector	3.2	2.7	3.6	4.5	....
DisabilityCare Australia Fund Payments	....	2.0	4.1	4.2	4.4
Assist Preparation Towards Launch of the NDIS <sup>5</sup>	0.6	0.6	....	....	....
<b>Total Community Services (including Disability) National Partnerships</b>	<b>30.8</b>	<b>20.1</b>	<b>23.4</b>	<b>25.5</b>	<b>22.2</b>
<b>Infrastructure</b>					
Land Transport Infrastructure Projects – Road	66.8	108.1	83.1	38.5	48.5
Land Transport Infrastructure Projects – Rail	22.5	15.0	15.0	15.0	15.0
Black Spot Project	....	4.3	4.3	1.6	1.6
Land Transport Infrastructure Projects - Heavy Vehicle Safety	....	0.9	0.9	0.9	0.9
Other	0.4	0.1	0.1	0.1	0.1
<b>Total Infrastructure National Partnerships</b>	<b>89.7</b>	<b>128.2</b>	<b>103.3</b>	<b>56.0</b>	<b>66.0</b>

Table 5.4: Commonwealth Payments for Specific Purposes  
(continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Skills and Workforce Development</b>					
Australia's Future Workforce - National Partnership on Skills reform	8.4	8.4	11.6	....	....
Other	0.3	0.3	....	....	....
<b>Total Skills and Workforce Development National Partnerships</b>	<b>8.7</b>	<b>8.7</b>	<b>11.6</b>	<b>....</b>	<b>....</b>
<b>Environment</b>					
<i>Water for the Future</i>					
Sustainable Rural Water Use and Infrastructure	0.4	20.6	....	....	....
Caring for Our Country	0.2	....	....	....	....
<b>Total Environment National Partnerships</b>	<b>0.6</b>	<b>20.6</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>Other Services</b>					
Financial Assistance Grants to Local Government	72.1	71.7	71.1	73.7	76.3
Legal Aid	6.1	6.2	6.3	6.4	6.5
Disaster Resilience <sup>5</sup>	2.0	1.3	....	....	....
Provision of Fire Services <sup>5</sup>	0.3	0.3	0.3	....	....
<b>Total Other Services National Partnerships</b>	<b>80.4</b>	<b>79.4</b>	<b>77.7</b>	<b>80.1</b>	<b>82.8</b>
<b>Total National Partnership Payments</b>	<b>253.3</b>	<b>303.5</b>	<b>223.0</b>	<b>163.9</b>	<b>221.0</b>
<b>TOTAL PAYMENTS FOR SPECIFIC PURPOSES</b>	<b>992.4</b>	<b>1 099.0</b>	<b>1 057.3</b>	<b>1 021.6</b>	<b>1 092.4</b>
<b>Total to the State</b>	<b>720.3</b>	<b>801.2</b>	<b>743.1</b>	<b>691.8</b>	<b>752.6</b>
<b>Total through the State</b>	<b>272.1</b>	<b>297.8</b>	<b>314.2</b>	<b>329.7</b>	<b>339.8</b>
	<b>992.4</b>	<b>1 099.0</b>	<b>1 057.3</b>	<b>1 021.6</b>	<b>1 092.4</b>

Notes:

1. Estimates of Specific Purpose Payments and some National Partnership Payments may differ from those published in the Australian Government's 2015-16 Budget due to the need to finalise State estimates before the release of the Australian Government Budget.
2. From 2018, the Australian Government funding growth for Students First education reform will reduce to CPI with an allowance for changes to enrolment numbers.
3. From 2017-18, the Australian Government funding growth for Public Hospital services will reduce to CPI plus population growth.
4. Australian Government Funding for Universal Access to Early Childhood Education, from calendar year 2016, is subject to negotiation with the Australian Government.
5. Presented as Other in the 2014-15 Budget.
6. The value in 2016-17 for Other is estimated to be \$30 000. This amount does not appear in the Table due to rounding.

# FEDERAL FINANCIAL RELATIONS

Revenue transfers from the Australian Government are a vital source of revenue for the states. In 2015-16, it is estimated that Tasmania's total grants, which primarily reflect transfers from the Australian Government in the form of GST and payments for specific purposes, will equate to 65.1 per cent of Tasmania's total General Government Sector revenue.

States' dependence on grant funding is primarily the result of the fundamental imbalance between the revenue raising powers and expenditure responsibilities of each level of government, known as Vertical Fiscal Imbalance (VFI). A detailed description of VFI, and other characteristics of financial relations in the Australian Federation, including the principle of Horizontal Fiscal Equalisation (HFE), can be found in the Commonwealth-State Financial Relations section of the *Guide to the Budget*.

The current challenges that Tasmania faces within the Federal Financial Relations environment are outlined below.

## White Papers on the Reform of the Federation and Taxation

The Australian Government has committed to producing White Papers on the Reform of the Federation and the Reform of Australia's Taxation System for release in the lead up to the next Federal election.

The Federation White Paper will consider reform to Commonwealth-State roles and responsibilities, VFI and HFE. It aims to clarify roles and responsibilities between all levels of Government to ensure that, as far as possible, each level of Government is sovereign in its own sphere.

Issues papers have been released for the five areas of the Federation White Paper (A Federation for Our Future, Health, Education, Housing and Homelessness, and Federal Financial Relations). The Federation Green Paper is expected to be publicly released in the second half of 2015.

A Discussion Paper on Taxation was released in March 2015. The Discussion Paper focussed on how an efficient and fair tax system should be structured. Work has also commenced on potential reform options to be covered in the Taxation Green Paper, which is expected to be released in the second half of 2015.

Australia's substantial VFI and long-term fiscal pressures for all levels of government mean that the Federation White Paper will be closely linked to reforms considered in the Taxation White Paper and will necessitate close interaction between the two processes. Tasmania supports a coordinated approach to considering national and state taxation reform, recognising that there are inherent difficulties that inhibit individual states from achieving significant reform independently or without the support of the Australian Government.

Tasmania strongly supports retaining the principles of HFE. HFE is a cornerstone of the success of Australian society. It has served Australia well by responding and adapting to changing state circumstances, and allowing for the mobility of labour and capital across the national economy. Without HFE, certain states within the Federation, including Tasmania, would be significantly disadvantaged due to unavoidable differences in fiscal capacities and the cost of providing government services, given factors such as the composition of the State's population.

Due to these factors, Tasmania is a major beneficiary of the HFE process. In 2015-16, Tasmania will receive approximately 1.8 times its population share in GST, which is \$1 012 million above its population share. Tasmania will be materially disadvantaged by any softening of the principle of HFE and will continue to argue strongly that the current system has served the nation well. It is important to note that the majority of the GST pool is distributed on a per capita basis, with around 12 per cent of the pool used for equalisation purposes in 2015-16.

Tasmania will continue to actively participate in the future development of the two White Papers.

## Commonwealth Grants Commission 2015 Methodology Review

The Commonwealth Grants Commission's *Report on Goods and Services Tax (GST) Revenue Sharing Relativities - 2015 Methodology Review* and its supplementary advice on possible approaches to mitigate the effects of revenue volatility, were publicly released on 9 April 2015.

The *2015 Final Report* provides recommendations to the Australian Government Treasurer on the revenue sharing relativities to be used to distribute GST revenue between the states and territories in 2015-16. It also recommends adjustments to the underlying assessment methodology, which will subsequently be used to determine the relativities from 2015-16 until the next methodology review.

The supplementary advice, requested by the Australian Government in the context of declining mineral royalty revenues in Western Australia, provided the Commission's views on possible approaches to mitigate the effects of revenue volatility. The advice did not contain any recommendations or provide alternative approaches, with the Commission stating:

*"We have considered how the current system could be modified to both achieve HFE and have a GST distribution in the application year which more closely reflects the fiscal capacities of States in that year. We could not identify a modification which would operate with reliability over a span of years. While we can appreciate the budgetary pressures facing Western Australia, we do not consider that the HFE system is designed, or can reliably be redesigned, to provide partial responses to year to year budgetary problems and also achieve the objective of HFE."*

However, the Commission's advice did provide illustrative examples on how the Australian Government could increase the GST share for any state and offset this against other states. This was presented as three sets of relativities that would effectively move specific dollar amounts (\$100 million, \$300 million or \$500 million) to Western Australia.

The merit of mitigating the effects of volatile revenues through the GST distribution system was discussed at length at the Council for Federal Financial Relations meeting in April 2015. Except for Western Australia, all states and territories supported the Australian Government adopting the Commission's independent recommendations for 2015-16 and were strongly opposed to any 'one-off' changes to address the issue of Western Australia's declining mining royalties through the GST distribution system. The issue was also discussed at the Council of Australian Governments (COAG) meeting in April.

The Australian Government accepted the Commission's recommended GST revenue sharing relativities in its 2015-16 Budget.

Throughout the Review and subsequent debates, Tasmania argued that HFE is a fundamental characteristic of the success of Australia's Federation, and that using the GST distribution to address an issue for a specific state would materially undermine the fabric of the HFE system. Tasmania will continue to argue the merits of the principle of HFE throughout the White Paper on the Reform of the Federation process.

## National Disability Insurance Scheme

The previous Tasmanian and Australian Governments signed the *Heads of Agreement on the National Disability Insurance Scheme* (NDIS) (full scheme) in May 2013. The Heads of Agreement covers the transition years to the full Scheme in 2019-20. Tasmania's participation in the NDIS is fully funded in accordance with the Heads of Agreement.

The Heads of Agreement provides that the transition profile of clients coming into the Scheme between 2016 and 2019 will be agreed by September 2015 and that, from 2017, the risk sharing arrangements between the State and the Australian Government will be re-negotiated. To the extent that the outcomes differ from Tasmania's current estimates, these negotiations may have a material impact on the timing and size of Tasmania's financial contribution. It is expected that the future funding will be mutually agreed within the timeframes specified in the Heads of Agreement.

## STATE TAXATION

In 2015-16, State Taxation revenue is forecast to be \$43.9 million higher than the 2014-15 Budget, primarily due to increases in Conveyance Duty (\$24.7 million), Land Tax (\$5.4 million) and Payroll Tax (\$4.8 million).

State Taxation revenue is forecast to grow by \$53 million (compound annual growth rate of 1.7 per cent) from 2015-16 to 2018-19. The low growth rate is mainly the result of lower Guarantee Fees across the period and a reduction in Motor Tax and Insurance Duty receipts from 2016-17 due to the reinstatement of pre 1 October 2012 levels (adjusted for inflation) for Motor Tax on light vehicles and duty on Motor Accident Insurance Board premiums being phased in from 1 July 2017.

The Government has not introduced any new taxes or increased the rate of any existing taxes in the Budget or over the Forward Estimates period.

Table 5.5 provides details of the components of the State Taxation estimates.

Definitions of the State taxes, including relevant legislation, can be found in the Glossary section of the *Guide to the Budget*.

Table 5.5: State Taxation

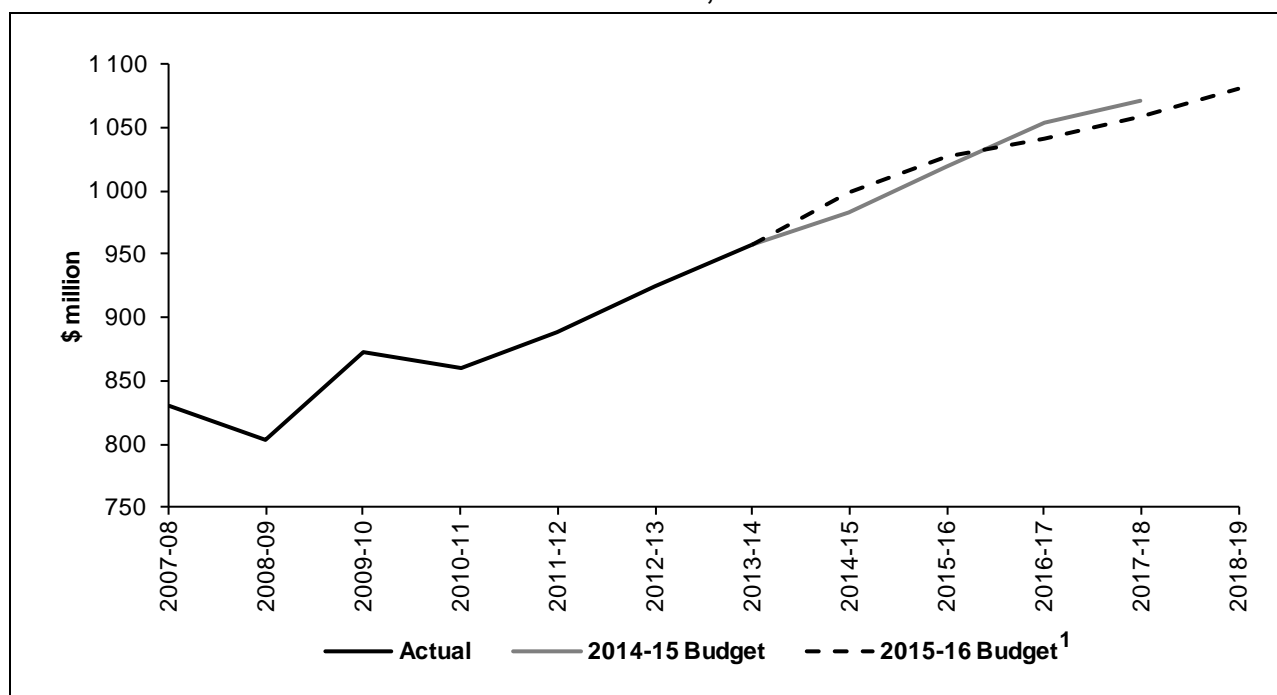
	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Payroll Tax</b>	<b>316.7</b>	<b>321.5</b>	<b>334.5</b>	<b>347.8</b>	<b>361.6</b>
<b>Taxes on Property</b>					
Land Tax	88.6	94.0	96.9	99.8	102.7
Fire Service Levies <sup>1</sup>	54.8	57.1	58.8	60.6	62.5
Guarantee Fees <sup>2</sup>	24.9	23.2	20.5	16.8	16.7
Conveyance Duty <sup>3</sup>	155.9	180.5	171.8	175.9	180.1
	<b>324.2</b>	<b>354.8</b>	<b>347.9</b>	<b>353.1</b>	<b>362.0</b>
<b>Taxes on Provision of Goods and Services</b>					
Gambling Taxes					
Casino Tax and Licence Fees	55.5	56.1	56.7	57.4	58.0
Betting Exchange Taxes and Levies	3.4	3.5	3.5	3.6	3.7
Lottery Tax	29.7	29.3	29.8	30.4	31.1
Totalizator Wagering Levy <sup>4</sup>	7.0	7.1	7.3	7.5	7.7
Insurance Duty <sup>5</sup>	83.0	85.8	88.8	87.3	85.9
	<b>178.6</b>	<b>181.9</b>	<b>186.2</b>	<b>186.2</b>	<b>186.4</b>
<b>Taxes on the Use of Goods and Services</b>					
Vehicle Registration Fees	36.4	38.2	39.4	40.7	42.0
Motor Vehicle Fees and Taxes					
Motor Vehicle Duty	39.1	39.5	39.5	39.5	39.5
Motor Tax <sup>6</sup>	80.7	83.6	86.6	83.7	80.5
Motor Vehicle Fire Levy	7.4	7.6	7.6	8.1	8.1
	<b>163.7</b>	<b>169.0</b>	<b>173.1</b>	<b>172.0</b>	<b>170.1</b>
<b>TOTAL STATE TAXATION</b>	<b>983.2</b>	<b>1 027.1</b>	<b>1 041.7</b>	<b>1 059.1</b>	<b>1 080.1</b>

Notes:

1. Fire Services Levies are reported as a tax for the purposes of the Uniform Presentation Framework, however, all revenues go directly to the State Fire Commission.
2. Guarantee Fees reduce across all years which is largely driven by the outcomes of the Capital Structure Review of the State-owned electricity businesses together with changes to Tasmanian Networks Pty Ltd's Guarantee Fee assumptions, particularly relating to a portion of long-term debt that will be refinanced in 2017.
3. The 2016-17 Conveyance Duty forecast is less than 2015-16 due to an increased provision for duties for corporate reconstructions in 2015-16. Sundry Legal Documents Duty is included in Conveyance Duty. The Budget estimate of \$40 000 for Sundry Legal Documents Duty in 2014-15 was presented separately in the 2014-15 Budget. Other Gaming is included in Totalizator Wagering Levy. The Budget estimate of \$32 000 for Other Gaming in 2014-15 was presented separately in the 2014-15 Budget.
4. Insurance Duty revenue in 2017-18 reduces due to reinstatement of the pre 1 October 2012 (adjusted for inflation) levels for duty on Motor Accidents Insurance Board premiums phased in over two years.
5. Motor Tax receipts reduce in 2017-18 due to reinstatement of the pre 1 October 2012 (adjusted for inflation) levels of Motor Tax for light vehicles phased in over two years.

Chart 5.4 shows that the 2015-16 Budget and Forward Estimates are consistent with the levels forecast in the 2014-15 Budget.

**Chart 5.4: State Taxation Revenue, 2007-08 to 2018-19**



Note:

1. The 2015-16 Budget includes the estimated outcome for State Taxation Revenue for 2014-15.

## Tax Expenditure Statement

This statement provides an estimate of the revenue the Government has forgone, or the financial benefit obtained by taxpayers, through concessions, benefits and incentives the Government provides through the tax system. Tax expenditures have been estimated for the main revenue lines of payroll tax, land tax and conveyance duty.

### *Methodology*

Tax exemptions, rebates and concessions are measured based on the revenue foregone approach, where the value of the revenue that would have been received if the standard rate of tax had been applied is estimated.

The methodology does not allow for any behavioural changes that may result if an exemption, rebate or concession was removed. The approach also does not allow for potential tax rate changes that may result if a tax exemption, rebate or concession were removed.

Where thresholds are removed, the resulting measure of expenditure is labelled a tax free threshold in the table below. The tax expenditure, or revenue foregone, associated with providing tax free thresholds has been calculated for payroll tax.

All other expenditure measures included in Table 5.6 are measured as deviations from the current tax settings.

**Table 5.6: Estimated Major Tax Expenditures<sup>1</sup>**

	2014-15	2015-16
	\$m	\$m
<b>Payroll Tax<sup>2</sup></b>		
Tax-free threshold	201.3	208.4
Educational institutions exemption	1.1	1.1
Health care service provider exemptions	1.1	1.1
Employer payroll tax rebate for additional positions created	3.5	4.3
	<b>207.0</b>	<b>214.9</b>
<b>Land Tax<sup>3</sup></b>		
Principal place of residence exemption	100.4	102.2
Primary production land exemption	75.9	77.2
Religious bodies, charitable institutions, or educational institutions exemption	5.7	5.8
Other	4.9	5.1
	<b>187.0</b>	<b>190.3</b>
<b>Conveyance Duty<sup>4</sup></b>		
Ex gratia relief provided for corporate reconstructions	0.6	20.6
Family farm transfers	1.7	1.7
Transfer of public road or park/garden to council	2.6	2.6
Relationship breakdown or spouse and significant relationship transfers	10.8	10.8
Other	1.1	1.1
	<b>16.7</b>	<b>36.8</b>
<b>TOTAL</b>	<b>410.6</b>	<b>442.0</b>

Notes:

1. The estimates in this table are based on data available at the publication of the 2015-16 Budget.
2. The Payroll Tax base is all wages paid in Tasmania. Estimates are based on the expected growth in payroll tax revenue.
3. The Land Tax base is all freehold land in Tasmania in 2014-15. Estimates are based on the expected growth in Land Tax revenue. Land classified as principal place of residence (PPR) and primary production land (PPL) is charged a nil rate of Land Tax.
4. The Conveyance Duty tax base is the concessional or exempt properties transferred in 2013-14. Estimates are based on the expected growth in conveyance duty revenue. Not all exempt transactions are recorded and not all valuation data is available, therefore the estimates are likely understated.

# OTHER REVENUE SOURCES

## Sales of Goods and Services

Revenue from the Sales of Goods and Services is estimated to be \$357.8 million in 2015-16, an increase of \$3.7 million above the 2014-15 Budget of \$354.1 million.

Table 5.7 details the major components of revenue from the Sales of Goods and Services.

**Table 5.7: Sales of Goods and Services<sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Departmental Fees and Recoveries</b>					
Education <sup>2</sup>	61.1	38.7	38.9	39.9	39.4
Finance-General	0.1	0.1	0.1	0.1	0.1
Health and Human Services <sup>3</sup>	82.0	77.5	76.6	77.8	79.1
Justice	3.9	3.1	3.2	3.2	3.3
Marine and Safety Tasmania <sup>4</sup>	5.8	4.9	4.2	6.0	5.1
Police and Emergency Management	2.6	2.1	2.1	2.1	2.1
Premier and Cabinet	11.0	9.9	10.1	10.2	12.2
Primary Industries, Parks, Water and Environment	34.5	37.1	37.6	38.0	38.5
State Fire Commission	5.8	5.9	6.0	6.2	6.3
State Growth	8.2	7.0	7.1	7.2	7.3
Tasmanian Audit Office	5.0	5.3	5.3	5.4	5.4
Tasmanian Health Service <sup>5</sup>	123.3	138.5	135.3	137.1	138.8
TasTAFE <sup>2</sup>	7.5	25.9	26.7	27.5	28.3
Tourism Tasmania	0.6	0.6	0.6	0.6	0.6
	<b>351.4</b>	<b>356.4</b>	<b>353.7</b>	<b>361.3</b>	<b>366.5</b>
<b>Other Sales of Goods and Services</b>	<b>2.7</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>
<b>TOTAL SALES OF GOODS AND SERVICES</b>	<b>354.1</b>	<b>357.8</b>	<b>355.1</b>	<b>362.7</b>	<b>367.9</b>

Notes:

1. The information provided in this section may differ from the Sales of Goods and Services for each agency in *Government Services Budget Paper No 2* due to the elimination of inter-agency transactions during the consolidation process.
2. The movement in Education and TasTAFE in 2015-16 reflects a change in the recognition of revenue between these two organisations.
3. The decrease from 2014-15 to 2015-16 primarily reflects the finalisation of receipts from the Australian Government for the Tasmania eHealth project.
4. The decrease in Marine and Safety Tasmania in 2015-16, 2016-17 and 2018-19 reflects the timing of recreational boating licence renewals, which occur every three years.

5. The increase in the Tasmanian Health Service (formerly the three Tasmanian Health Organisations) reflects updates to revenue estimates to align with the most recent funding agreements with non-government organisations and updates to own source revenue.

## Fines and Regulatory Fees

Revenue from Fines and Regulatory Fees is estimated to be \$96.1 million in 2015-16, a decrease of \$7.2 million below the 2014-15 Budget of \$103.3 million. Table 5.8 details the major components of Fines and Regulatory Fees.

**Table 5.8: Fines and Regulatory Fees<sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Fines</b>					
Commitment to Increase Fines					
Revenue <sup>2</sup>	1.5	3.0	3.0	3.0	3.0
Making Criminals Pay <sup>3</sup>	....	0.8	0.8	0.8	0.8
Other Fines <sup>4</sup>	20.2	20.3	20.8	20.7	20.3
	<b>21.7</b>	<b>24.0</b>	<b>24.5</b>	<b>24.4</b>	<b>24.0</b>
<b>Fees</b>					
Abalone Licences	4.6	4.7	4.7	4.7	4.8
Water Licence Fees	1.9	1.9	1.9	2.0	2.0
Environment Fees	4.5	4.6	4.7	4.8	5.0
Certificate of Competency Fees	0.2	....	....	....	....
Drivers Licences <sup>5</sup>	8.7	7.0	7.2	7.3	7.4
Photo Licence Fees	1.5	1.7	1.7	1.8	1.8
Vehicle Inspection Services Fees <sup>6</sup>	....	....	....	....	....
Quarantine Fees	1.8	1.8	1.8	1.9	1.9
Consumer Affairs Office Regulatory Fees	0.2	0.2	0.2	0.2	0.2
Magisterial Courts Regulatory Fees	1.2	1.2	1.2	1.2	1.2
Registrar-General Regulatory Fees	1.9	1.9	1.9	1.9	1.9
Supreme Court Regulatory Fees	0.8	0.8	0.8	0.8	0.8
Other Regulatory Fees <sup>7</sup>	54.3	46.3	47.0	40.7	35.5
	<b>81.7</b>	<b>72.1</b>	<b>73.2</b>	<b>67.3</b>	<b>62.6</b>
<b>TOTAL FINES AND REGULATORY FEES</b>	<b>103.3</b>	<b>96.1</b>	<b>97.8</b>	<b>91.7</b>	<b>86.6</b>

**Notes:**

1. The information provided in this section may differ from the Fines and Regulatory Fees for each agency in *Government Services Budget Paper No 2* due to the elimination of inter-agency transactions during the consolidation process.
2. This reflects the impact of the Government's election commitment to increase the levels of fines.

3. This increase in revenue of \$750 000 from 2015-16 reflects the Government's election commitment to impose an extra fee on those convicted in either the Magistrates Court or Supreme Court of a criminal offence. Convictions in the Magistrates Court will attract a \$50 fee and convictions in the Supreme Court will attract a fee of \$150.
4. Other Fines is primarily comprised of fines collected by Department of Justice, Inland Fisheries Service and Department of Police and Emergency Management.
5. The movement in Driver Licences 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.
6. Vehicle Inspection Services Fees are estimated to be \$45 000 in the 2015-16 Budget, increasing to \$48 000 in 2018-19. This amount does not appear in the Table due to rounding.
7. Other Regulatory Fees includes: the Tasmanian Economic Regulator; the Community Support Levy; and various other fees collected by agencies, such as recreational fishing licence fees. The reduction in Other Regulatory Fees in 2015-16 and the Forward Estimates period reflects the decision to reclassify the revenue generated by the Asbestos Compensation Fund to Other Revenue to better align with audited financial statements.

## Interest Income

Interest Income is estimated to be \$16.7 million in 2015-16, an increase of \$0.8 million compared to the 2014-15 Budget estimate of \$15.9 million. The increase reflects an increase in the anticipated level of cash held during the year.

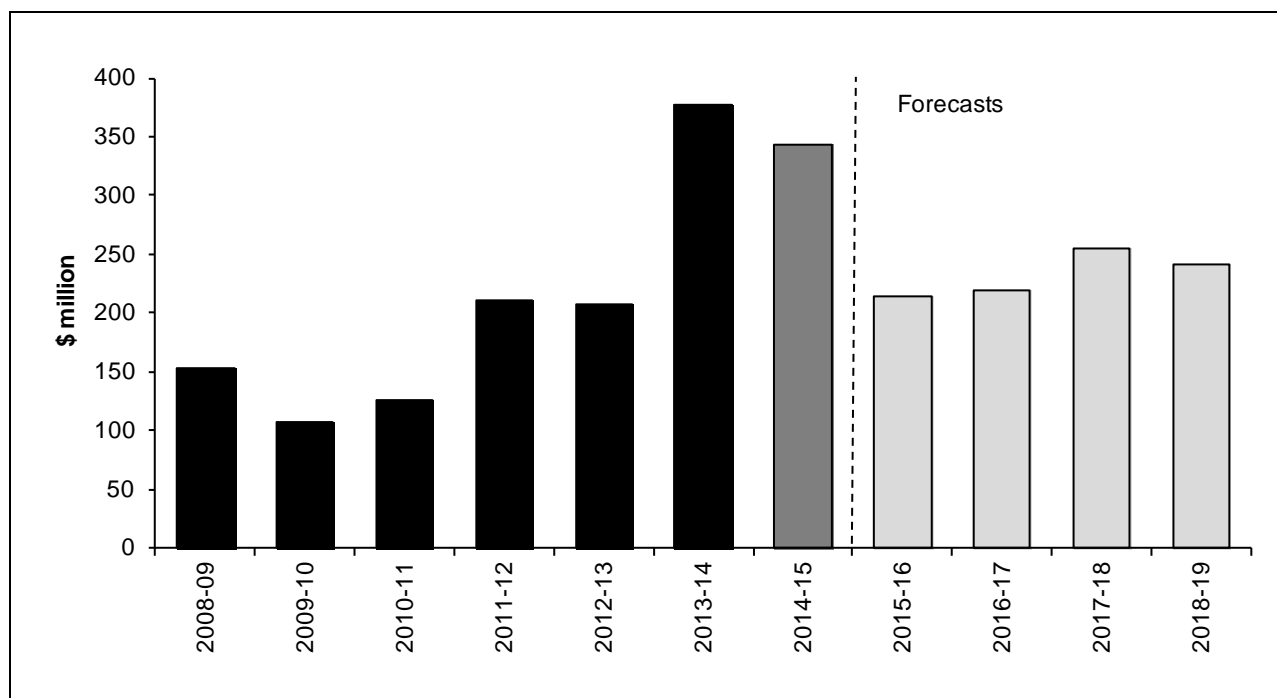
## Dividend, Tax and Rate Equivalent Income

Dividend, Tax and Rate Equivalent Income is estimated to be \$213.4 million in 2015-16, a decrease of \$129.5 million compared to the 2014-15 Budget estimate of \$342.9 million.

This has largely been driven by the decision by the Motor Accidents Insurance Board to remit a Special Dividend in 2014-15, together with a reduction in ordinary Dividends from Hydro Tasmania from 2015-16, driven by lower wholesale electricity prices reflecting the removal of carbon pricing and the softening of demand in the National Electricity Market.

This level of variability is not uncommon with returns from the Government businesses generally subject to some volatility, as shown in Chart 5.5.

Chart 5.5: Dividend, Tax and Rate Equivalent Income, 2008-09 to 2018-19<sup>1</sup>



Note:

1. Data reflects actual outcomes for 2008-09 to 2013-14 and the original Budget estimates for 2014-15.

Despite the reduction in 2015-16, returns have increased when compared to the estimates presented in the 2014-15 Budget Papers. This primarily reflects improved returns from Aurora Energy Pty Ltd and the Motor Accidents Insurance Board.

Table 5.9: Dividend, Tax and Rates Equivalent Income<sup>1</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Dividends</b>					
Aurora Energy Pty Ltd <sup>2</sup>	....	20.1	18.5	17.7	15.2
Hydro Tasmania <sup>3</sup>	126.1	13.6	6.4	26.7	27.9
Motor Accidents Insurance Board <sup>4</sup>	43.0	43.8	41.9	41.6	30.8
Tasmanian Networks Pty Ltd <sup>5</sup>	....	60.3	58.2	73.8	59.4
Tasmanian Ports Corporation <sup>6</sup>	....	....	....	5.1	10.4
Tasmanian Public Finance Corporation <sup>7</sup>	10.2	1.6	1.4	2.0	2.3
The Public Trustee	....	0.1	0.1	....	0.1
	<b>179.2</b>	<b>139.5</b>	<b>126.5</b>	<b>167.1</b>	<b>146.1</b>
<b>Special Dividends</b>					
Motor Accidents Insurance Board <sup>8</sup>	100.0	....	....	....	....
	<b>100.0</b>	<b>....</b>	<b>....</b>	<b>....</b>	<b>....</b>

**Table 5.9: Dividend, Tax and Rates Equivalent Income<sup>1</sup> (continued)**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Taxation Equivalents</b>					
Aurora Energy Pty Ltd <sup>2</sup>	3.3	8.8	8.4	7.3	6.3
Forestry Tasmania <sup>9</sup>	(5.2)	....	....	....	....
Hydro Tasmania <sup>3</sup>	7.0	2.9	12.6	13.2	23.9
Metro Tasmania Pty Ltd	....	0.4	0.7	0.7	0.6
Motor Accidents Insurance Board	1.3	1.2	0.7	0.4	0.1
Tasmanian Networks Pty Ltd <sup>5</sup>	50.2	56.7	55.9	50.0	47.5
Tasmanian Ports Corporation Pty Ltd <sup>6</sup>	(2.2)	....	2.7	5.2	6.5
Tasmanian Public Finance Corporation	1.7	3.6	3.0	2.7	2.7
The Public Trustee	0.1	....	....	0.1	0.1
TT-Line Company Pty Ltd <sup>10</sup>	3.6	(3.8)	4.0	4.4	3.6
	<b>59.7</b>	<b>69.8</b>	<b>88.0</b>	<b>84.1</b>	<b>91.3</b>
<b>Rates Equivalents</b>					
Hydro Tasmania	4.0	4.1	4.2	4.3	4.4
	<b>4.0</b>	<b>4.1</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>
<b>TOTAL DIVIDEND, TAX AND RATE EQUIVALENT INCOME</b>					
	<b>342.9</b>	<b>213.4</b>	<b>218.7</b>	<b>255.4</b>	<b>241.8</b>

Notes:

- All Dividend, Tax and Rates Equivalent Income is reported on an accrual basis for all years.
- The nil Dividend payable by Aurora Energy Pty Ltd in 2014-15 reflects that the Dividend payable in respect of profits earned in 2013-14 was accrued and reported by Aurora Energy Pty Ltd in 2013-14. Aurora Energy Pty Ltd's Dividends and Income Tax Equivalents over the Budget and Forward Estimates reflect revised assumptions of customer retention and churn over the period relative to the 2014-15 Budget.
- Hydro Tasmania's returns over the period are expected to be more consistent across the Budget and Forward Estimates, but at a lower overall level in 2017-18 than estimated in the 2014-15 Budget. This reflects the progressive implementation of the Government's revised strategy for the business, including the outcomes of the capital structure review.
- The decrease in Dividends from the Motor Accidents Insurance Board in 2018-19 reflects the significant profits generated in the 2012-13 financial year no longer being included in its five-year rolling average dividend calculation.
- Tasmanian Networks Pty Ltd commenced operations on 1 July 2014 taking over the network operations of Aurora Energy Pty Ltd and Transend Networks Pty Ltd. The movement in Dividends and Income Tax Equivalents from Tasmanian Networks Pty Ltd across the Forward Estimates reflect revised financial forecasts given greater certainty in the Company's operations since its establishment, the outcomes of the capital structure review of the State owned electricity businesses, the staged implementation in Tasmanian Networks Pty Ltd of the revised Dividend policy and the forecast outcome of the Australian Energy Regulator's Distribution Revenue Reset that will take effect from 1 July 2017.
- The Tasmanian Ports Corporation Pty Ltd has revised its forecast Dividends and Income Tax Equivalents due to increased freight volumes driving increased profit forecasts from 2016-17.
- An additional discretionary Dividend of \$10.0 million was paid in 2014-15, in accordance with Tascorp's Dividend policy.
- The Motor Accidents Insurance Board elected to pay a Special Dividend in 2014-15.
- Forestry Tasmania is forecasting nil Income Tax Equivalents from 2015-16 to 2018-19, reflecting a change in its policy regarding the recognition of future tax benefits relating to forecast losses.

10. The reduction in Income Tax Equivalents from TT-Line Company Pty Ltd in 2015-16 reflects an expected once-off negative impact of vessel revaluation calculations in that year, as well as the impact of annual exchange rate movements, which affect the vessel valuations.

## Other Revenue

Other Revenue is anticipated to be \$143.4 million in 2015-16, an increase of \$6.6 million above the 2014-15 Budget estimate of \$136.8 million.

Table 5.10 lists the sources of Other Revenue.

**Table 5.10: Other Revenue<sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Mineral Royalties	26.7	28.0	28.7	29.4	30.2
Regional Water Authority Licence Fees	2.3	2.3	2.3	2.3	2.3
Other Revenue by Agency					
Education <sup>2</sup>	23.4	18.3	18.6	20.2	19.5
Finance-General	3.4	3.6	3.6	3.6	3.6
Health and Human Services	18.9	18.8	19.3	18.9	19.2
Justice <sup>3</sup>	15.5	22.0	22.6	23.1	25.9
Police and Emergency Management	9.1	11.5	11.1	10.0	10.0
Premier and Cabinet	2.4	2.0	2.0	2.0	2.0
Primary Industries, Parks, Water and Environment	1.6	0.6	0.6	0.6	0.6
State Fire Commission	1.2	1.6	1.6	1.7	1.7
State Growth	2.7	2.7	2.0	2.0	2.0
Treasury and Finance	0.8	1.1	1.1	1.1	1.2
Tasmanian Health Service <sup>4</sup>	27.7	29.3	25.2	23.0	24.1
Other	1.2	1.5	1.7	1.7	1.7
<b>TOTAL OTHER REVENUE</b>	<b>136.8</b>	<b>143.4</b>	<b>140.4</b>	<b>139.7</b>	<b>144.0</b>

**Notes:**

1. The information provided in this section may differ from Other Revenue estimates for each agency in *Government Services* Budget Paper No 2 due to the elimination of inter-agency transactions during the consolidation process.
2. The decrease in Education primarily relates to revised estimates for other revenue in schools based on 2013-14 actual amounts.
3. The increase in Justice primarily reflects the decision to reclassify the revenue generated by the Asbestos Compensation Fund from Other Regulatory Fees to Other Revenue to better align with audited financial statements.
4. The increase in Tasmanian Health Service in 2015-16 reflects a more accurate estimate of salary and wages recoveries.

# 6 INFRASTRUCTURE INVESTMENT

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## *Key Issues*

- Investment in infrastructure is a key element of the Government's fiscal, service delivery and economic growth strategies. In particular, investment in infrastructure is essential to the ongoing delivery of quality services to the Tasmanian community. In the immediate term, a well targeted investment program can also assist in maintaining the momentum and supporting jobs growth, particularly in areas that have not benefitted as strongly in the recent upturn in the Tasmanian economy.
- In the 2015-16 Budget, the Government has committed additional funding of \$179 million over the Budget and Forward Estimates with total infrastructure expenditure of \$1.8 billion over this period.
- In addition to the allocated infrastructure investment expenditure, the Government has set aside \$220.4 million of capital provisions over the 2015-16 Budget and Forward Estimates period, which will be allocated to future infrastructure investment projects or used to provide capacity to meet cost variation and the impact of the re-scheduling of projects.
- The Government continues to progress the Royal Hobart Hospital Redevelopment with funding of \$495.6 million allocated over the 2015-16 Budget and Forward Estimates period. This project will provide a significant level of construction activity in the south of the State.
- The Government has also provided significant additional funding for a number of new infrastructure projects in the north of the State including the allocation of \$60 million over three years, commencing in 2016-17, for the Northern Cities Major Development Initiative. This Initiative will help revive communities through infrastructure investment projects. Immediate projects under consideration include the Devonport Living City project and the Launceston University of Tasmania Campus relocation project.
- Other additional infrastructure funding for projects in the north of the State includes:
  - \$54.2 million for northern-based education infrastructure projects;
  - \$6 million for a North West Youth Accommodation and Training Facility; and
  - \$3 million for Launceston General Hospital Allied Health Clinics.
- In addition to direct Government investment in infrastructure projects, there remains a strong focus on creating an economic environment that encourages private sector infrastructure investment through planning reform initiatives and providing appropriate support to major private sector infrastructure projects including the *parliament square* project and the Myer redevelopment.
- The Government will also extend the First Home Builder Boost which will expand new housing stock within the State and provide further opportunities for the Tasmanian construction industry.

# OVERVIEW

The Government's infrastructure program is designed to drive the economy, create jobs and support efficient and effective Government service delivery, through strategic investment in productive infrastructure. Over the 2015-16 Budget and Forward Estimates period, the Government will invest \$1.8 billion in infrastructure projects, with \$409.8 million to be invested in 2015-16 General Government Sector agency infrastructure projects in the following areas:

- schools and education;
- hospitals and health;
- human services and housing;
- law and order;
- roads and rail;
- information and communication technology; and
- tourism, recreation and culture.

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 are therefore not included in the definition of infrastructure investment for the purpose of this chapter.

The Government's \$1.8 billion infrastructure investment program includes state funding for co-funded (Australian and State Government) roads projects, the Government's Roads for Our Future Program and the continued delivery of the Government's infrastructure related 2014 election commitments. As part of this \$1.8 billion program, the Government has committed additional funding of \$179 million to agency infrastructure projects.

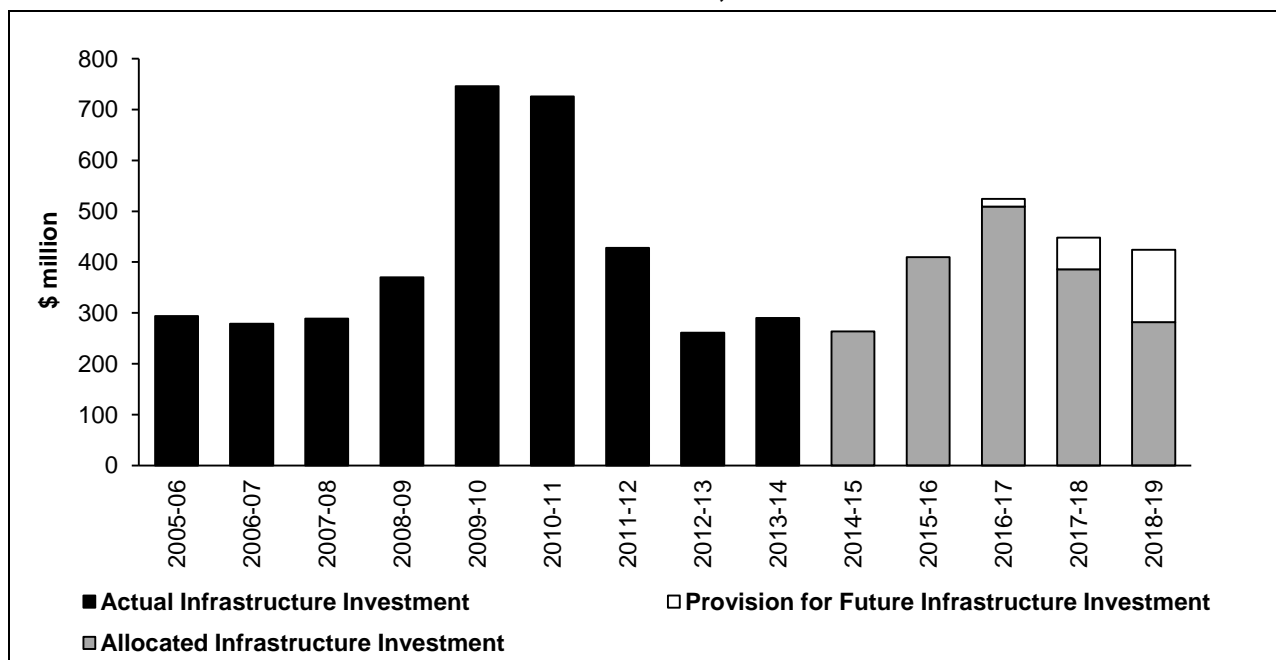
Taken as a whole, the four-year infrastructure program presented in this Budget is \$215 million, or 14 per cent, larger than the four-year program contained in the 2014-15 Budget. Of particular note, the infrastructure program for education is nearly two-thirds larger than in the 2014-15 Budget, and health and human services infrastructure investment has increased by \$30 million.

A long-term view has been adopted in the management of the State's core infrastructure to deliver the Government's vision to attract investment and create jobs. The Government has established Infrastructure Tasmania to provide advice on major infrastructure in Tasmania, including rail, major roads and ports. The Government will ensure that decisions about Tasmania's future infrastructure needs are properly understood and driven in the context of the best interests of the State's long-term future.

The investment of \$1.8 billion in infrastructure is significant and is well above long-term historical infrastructure investment levels. From a Fiscal Strategy perspective, the level of infrastructure investment continues to exceed depreciation in 2015-16 and across the Forward Estimates period.

Chart 6.1 outlines the infrastructure investment from 2005-06 to 2014-15 and the 2015-16 Budget and Forward Estimates.

**Chart 6.1: Infrastructure Investment, 2005-06 to 2018-19**



### *Structured Infrastructure Investment Review Process*

The Structured Infrastructure Investment Review Framework includes the Road Planning Process (managed by the Department of State Growth) and the Structured Infrastructure Investment Review Process (SIIRP) (managed by the Department of Treasury and Finance).

SIIRP is a staged review and assessment process for General Government Sector infrastructure investment proposals. The process ensures that infrastructure investment proposals, funded from the Budget:

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

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 each project. At each of the points, an assessment is made as to whether the project should proceed to the next stage, be the subject of further work, or not be progressed further.

An allocation of \$2 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).

## *Infrastructure Investment outside of the General Government Sector*

Infrastructure investment undertaken by Government Business Enterprises or State-owned Companies is outside of the General Government Sector and is therefore not included as infrastructure investment for the purpose of this chapter.

The 2015-16 Budget does, however, include funding to Tasmanian Irrigation Pty Ltd and Tasmanian Railway Pty Ltd to undertake major infrastructure works.

### *Tasmanian Irrigation Pty Ltd*

Funding of \$7.5 million per annum over the Budget and Forward Estimates period will be provided as an equity contribution to Tasmanian Irrigation Pty Ltd. This funding completes the implementation of the Government's \$30 million 2014 election commitment.

This funding will be allocated towards the development of second tranche irrigation schemes in the State, including proposed schemes in the Circular Head, Evandale, Scottsdale, Swan Valley and Southern Highlands regions. As with other schemes developed by Tasmanian Irrigation Pty Ltd, the development of these schemes is a public-private partnership and depends on financial contributions from the Australian Government and the private sector (irrigators and/or investors).

### *Tasmanian Railway Pty Ltd*

As part of the 2015-16 Budget, the State will contribute an additional \$37.2 million over the Budget and Forward Estimates to rail infrastructure projects via grants to Tasmanian Railway Pty Ltd. This funding includes a reprioritisation of Forward Estimates funding set aside in the 2014-15 Budget for international shipping, which is no longer required given the extension of the Tasmanian Freight Equalisation Scheme for international exports being shipped to mainland ports. This funding is in addition to the existing 2014-15 Budget provision for rail funding of \$22.6 million, bringing total State rail funding to \$59.8 million over the Budget and Forward Estimates period. The Australian Government will also provide funding of \$59.8 million to match the State's contribution.

# INFRASTRUCTURE INVESTMENT PROJECTS BY AGENCY

Table 6.1 details the infrastructure investment expenditure by agency and the provision for future infrastructure investment, while Table 6.2 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 6.1: Infrastructure Expenditure by Agency<sup>1</sup>**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Education	30.8	34.5	49.3	3.9	7.2
Health and Human Services	144.3	127.4	212.0	205.8	94.0
Justice	8.6	1.2	....	....	....
Police and Emergency Management	0.5	12.6	9.6	....	....
Premier and Cabinet	1.2	1.3	0.3	0.3	0.3
Primary Industries, Parks, Water and Environment	12.8	21.4	7.0	1.3	0.6
State Growth	191.6	207.8	227.7	172.7	179.7
Treasury and Finance	1.3	3.5	3.6	1.5	....
<b>ALLOCATED INFRASTRUCTURE EXPENDITURE</b>	<b>391.1</b>	<b>409.8</b>	<b>509.5</b>	<b>385.5</b>	<b>281.7</b>
Provision for Future Infrastructure Investment <sup>2</sup>	....	....	15.0	62.6	142.8
<b>TOTAL INFRASTRUCTURE EXPENDITURE</b>	<b>391.1</b>	<b>409.8</b>	<b>524.5</b>	<b>448.1</b>	<b>424.5</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 6.4 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 \$220.4 million of capital provisions over the 2015-16 Budget and Forward Estimates period, which will be allocated to future infrastructure investment projects or used to provide capacity to meet cost variation and the impact of the re-scheduling of projects.

Table 6.2 provides infrastructure investment project details by agency, including existing projects which are continuing from a previous Budget year and new priority infrastructure projects identified through SIIRP review and agency submissions. This table also continues to show election commitments that were fully funded in the 2014-15 Budget.

**Table 6.2: Infrastructure Investment Project Details by Agency<sup>1</sup>**

				Estimated	2015-16	2016-17	2017-18	2018-19
	New/ Existing	Start	Complete	Total Cost	Budget	Forward Estimate	Forward Estimate	Forward Estimate
				\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF EDUCATION</b>								
Bridgewater Child and Family Centre <sup>2</sup>	Existing	2009	2015	8.1	0.3	....	....	....
Brooks High School	Existing	2013	2016	7.3	5.9	....	....	....
Devonport High School	Existing	2014	2015	0.9	0.8	....	....	....
Dunalley Primary School <sup>3</sup>	Existing	2015	2016	1.0	1.0	....	....	....
Glenorchy Primary School	Existing	2015	2017	4.0	0.5	3.5	....	....
Kings Meadows High School	Existing	2015	2016	2.2	2.1	....	....	....
Kings Meadows High School - Additional 2015-16 Funding	New	2015	2017	5.0	1.0	4.0	....	....
Latrobe High School	New	2015	2017	10.0	2.0	8.0	....	....
Lauderdale Primary School	Existing	2014	2016	1.6	1.6	....	....	....
LINC Tasmania Burnie	New	2015	2016	2.8	0.8	2.0	....	....
Montrose Bay High School	Existing	2015	2017	5.8	1.2	4.6	....	....
New Town High School	Existing	2013	2016	2.8	2.5	....	....	....
Parklands High School	Existing	2015	2017	4.1	0.5	3.6	....	....
Parklands High School - Additional 2015-16 Funding	New	2015	2016	5.0	0.2	4.8	....	....
Prospect High School	New	2015	2017	8.5	0.5	8.0	....	....
Riverside High School <sup>4</sup>	New	2017	2019	12.0	....	....	2.4	7.2
School of Special Education North <sup>5</sup>	New	2015	2016	4.6	2.6	....	....	....
School of Special Education North West	Existing	2016	2016	0.8	0.3	0.6	....	....

Table 6.2: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

				Estimated	2015-16	2016-17	2017-18	2018-19
	New/ Existing	Start	Complete	Total Cost	Budget	Forward Estimate	Forward Estimate	Forward Estimate
				\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF EDUCATION</b>								
<b>(continued)</b>								
School of Special Education North West - Additional 2015-16 Funding								
	New	2015	2016	3.7	3.7	....	....	....
Smithton High School	New	2015	2017	7.0	1.4	5.6	....	....
South Hobart Primary School	Existing	2015	2017	3.6	0.5	3.1	....	....
Taroona High School	New	2015	2016	2.1	2.1	....	....	....
Wynyard High School Trades Room	Existing	2014	2016	0.3	0.2	....	....	....
Year 7-12 Implementation Plan - capital								
	Existing	2014	2018	6.0	2.9	1.5	1.5	....
<b>TOTAL</b>					<b>34.5</b>	<b>49.3</b>	<b>3.9</b>	<b>7.2</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
<b>Human Services and Housing Infrastructure</b>								
Church Street Youth Accommodation and Training Facility								
	Existing	2013	2015	11.4	3.3	....	....	....
Housing Fund	Existing	2008	2023	60.0	1.6	1.2	1.2	1.3
Housing Program <sup>6</sup>	Existing		Ongoing	na	16.7	14.3	14.3	14.2
Neighbourhood House Program	Existing	2013	2015	4.0	1.2	....	....	....
North West Youth Accommodation and Training Facility								
	New	2016	2017	6.0	....	1.5	4.5	....
Northern Suburbs Community Centre								
	New	2016	2018	1.7	0.1	0.9	0.7	....
					<b>22.9</b>	<b>17.9</b>	<b>20.7</b>	<b>15.5</b>

Table 6.2: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

				Estimated	2015-16	2016-17	2017-18	2018-19
	New/ Existing	Start	Complete	Total Cost	Budget	Forward Estimate	Forward Estimate	Forward Estimate
				\$m	\$m	\$m	\$m	\$m
<b>Health Infrastructure</b>								
Flinders Island Multi Purpose Centre Upgrade <sup>7</sup>	Existing	2010	2015	6.0	0.1	....	....	....
Glenorchy - Tier Three Community Health Services Facility	Existing	2010	2017	21.0	10.7	6.4	....	....
Health Transport and Coordination Infrastructure	New	2017	2018	10.0	....	5.0	5.0	....
Hospital and Health Centre Maintenance <sup>8</sup>	New	2015	2017	8.3	3.3	4.3	0.8	....
King Island Hospital and Health Centre Upgrade	Existing	2009	2015	5.0	0.1	....	....	....
Kingston - Tier Three Community Health Services Facility	Existing	2013	2017	6.5	2.0	4.4	....	....
Launceston General Hospital Allied Health Clinics	New	2015	2016	3.0	3.0	....	....	....
Mersey Hospital Upgrade	Existing	2013	2016	1.9	1.4	....	....	....
National Health and Hospitals Network Reform <sup>2</sup>	Existing	2010	2016	29.6	0.8	....	....	....
Redevelopment of Ravenswood Community Health Centre	Existing	2013	2016	2.4	0.8	....	....	....
Royal Hobart Hospital Redevelopment Fund <sup>9</sup>	Existing	2005	2016	35.0	0.6	....	....	....
Rural Breast Screening Clinics - Establishment and Upgrade	Existing	2013	2016	1.3	1.2	....	....	....
Statewide Cancer Services <sup>6,10</sup>	Existing	2010	2016	63.0	9.6	....	....	....
St Helens Hospital Redevelopment Project	New/ Existing	2016	2020	12.1	....	0.3	2.8	4.0
					<b>33.9</b>	<b>20.4</b>	<b>8.6</b>	<b>4.0</b>

Table 6.2: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

				Estimated	2015-16	2016-17	2017-18	2018-19
	New/ Existing	Start	Complete	Total Cost	Budget	Forward Estimate	Forward Estimate	Forward Estimate
				\$m	\$m	\$m	\$m	\$m
<b>Royal Hobart Hospital</b>								
<b>Redevelopment</b>								
<b>Funding</b>								
Royal Hobart Hospital (Hospitals Capital Fund)	Existing	2009	2016	100.0	16.2	....	....	....
Royal Hobart Hospital Redevelopment <sup>6</sup>	Existing	2011	2019	436.9	12.0	173.8	176.6	74.5
Royal Hobart Hospital Women's and Children's Precinct <sup>2</sup>	Existing	2010	2016	100.0	42.5	....	....	....
					<b>70.7</b>	<b>173.8</b>	<b>176.6</b>	<b>74.5</b>
<b>TOTAL</b>					<b>127.4</b>	<b>212.0</b>	<b>205.8</b>	<b>94.0</b>
<b>DEPARTMENT OF JUSTICE</b>								
Jefferson Audio Video System (JAVS) Upgrade	New	2015	2016	0.5	0.5	....	....	....
Prison Infrastructure Redevelopment Program	Existing	2011	2014	20.2	0.7	....	....	....
<b>TOTAL</b>					<b>1.2</b>	<b>....</b>	<b>....</b>	<b>....</b>
<b>DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT</b>								
Emergency Services Computer Aided Dispatch System	New	2015	2017	15.3	6.6	8.6	....	....
Large Vessel Replacement	Existing	2014	2016	5.0	5.0	....	....	....
Upgrade Police Housing	New	2015	2017	2.0	1.0	1.0	....	....
<b>TOTAL</b>					<b>12.6</b>	<b>9.6</b>	<b>....</b>	<b>....</b>

Table 6.2: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

				Estimated Total Cost	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	New/ Existing	Start	Complete	\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF PREMIER AND CABINET</b>								
Integrated Tasmanian Government Contact								
Centre (ITGCC)	Existing	2014	2016	0.6	0.6	....	....	....
Service Tasmania Shops								
Capital Investment	Existing	2006	Ongoing	na	0.3	0.3	0.3	0.3
Silverdome - Maintenance								
	New	2015	2016	0.5	0.5	....	....	....
<b>TOTAL</b>					<b>1.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>DEPARTMENT OF PRIMARY INDUSTRIES, PARKS, WATER AND ENVIRONMENT</b>								
Arthur Pieman Tracks								
	Existing	2015	2017	0.3	0.2	0.2	....	....
Crown Land Services - Structural								
Asset Upgrades	Existing		Ongoing	na	0.6	0.6	0.6	0.6
Dip Falls Bridge	Existing	2015	2015	0.1	0.1	....	....	....
Georges Bay Walkway	Existing	2015	2016	0.5	0.3	....	....	....
Increasing Biosecurity Capability								
	New	2015	2017	2.0	1.0	1.0	....	....
Meander Falls Access Bridges								
	Existing	2014	2016	0.5	0.5	....	....	....
Parks High Priority Maintenance and Infrastructure								
	New	2015	2017	8.0	4.0	4.0	....	....
South Coast Track	Existing	2014	2018	2.0	1.0	0.3	0.3	....
Three Capes Track <sup>11</sup>	Existing	2010	2015	25.3	10.5	....	....	....
Three Capes Track - Additional								
	Existing	2015	2018	4.0	2.5	1.0	0.5	....
West Coast Trails Projects								
	Existing	2015	2016	1.7	0.9	....	....	....
<b>TOTAL</b>					<b>21.4</b>	<b>7.0</b>	<b>1.3</b>	<b>0.6</b>

Table 6.2: Infrastructure Investment Project Details by Agency  
(continued)<sup>1</sup>

				Estimated Total Cost	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	New/ Existing	Start	Complete	\$m	\$m	\$m	\$m	\$m
<b>DEPARTMENT OF STATE</b>								
<b>GROWTH</b>								
Northern Cities Major Development Initiative	New	2015	2018	60.0	....	20.0	20.0	20.0
Roads Program Expenditure (for details refer to Table 6.3)	Existing				207.4	207.7	152.7	159.7
TMAG Building Roof Maintenance	New	2015	2016	0.5	0.5	....	....	....
<b>TOTAL</b>					<b>207.8</b>	<b>227.7</b>	<b>172.7</b>	<b>179.7</b>
<b>DEPARTMENT OF TREASURY AND FINANCE</b>								
Budget Information Management System Project	Existing	2014	2017	7.5	2.8	2.9	1.5	....
State Revenue System Replacement - Payroll Tax and Duties	Existing	2014	2017	2.1	0.7	0.7	....	....
<b>TOTAL</b>					<b>3.5</b>	<b>3.6</b>	<b>1.5</b>	<b>....</b>
<b>TOTAL ALLOCATED INFRASTRUCTURE PROJECTS</b>								
					<b>409.8</b>	<b>509.5</b>	<b>385.5</b>	<b>281.7</b>

Notes:

1. This Table does not include irrigation or rail related expenditure, as this type of expenditure is in the form of grants or equity injections to entities outside of the General Government sector and the resulting infrastructure is not held within the General Government Sector.
2. This Project is fully funded by the Australian Government.
3. This represents funding of the final costs associated with the rebuild of Dunalley Primary School.
4. Additional funding of \$2.4 million will be provided in 2019-20.
5. Additional funding of \$2 million is expected to be made available for this project following the sale of surplus property.
6. This Project is funded by both the State and Australian Government. More details are provided in the Department of Health and Human Services chapter in *Government Services Budget Paper No 2*.
7. Total funding for the Flinders Island Multi Purpose Centre Upgrade is \$6.2 million and includes a \$200 000 contribution from the Tasmanian Health Service.

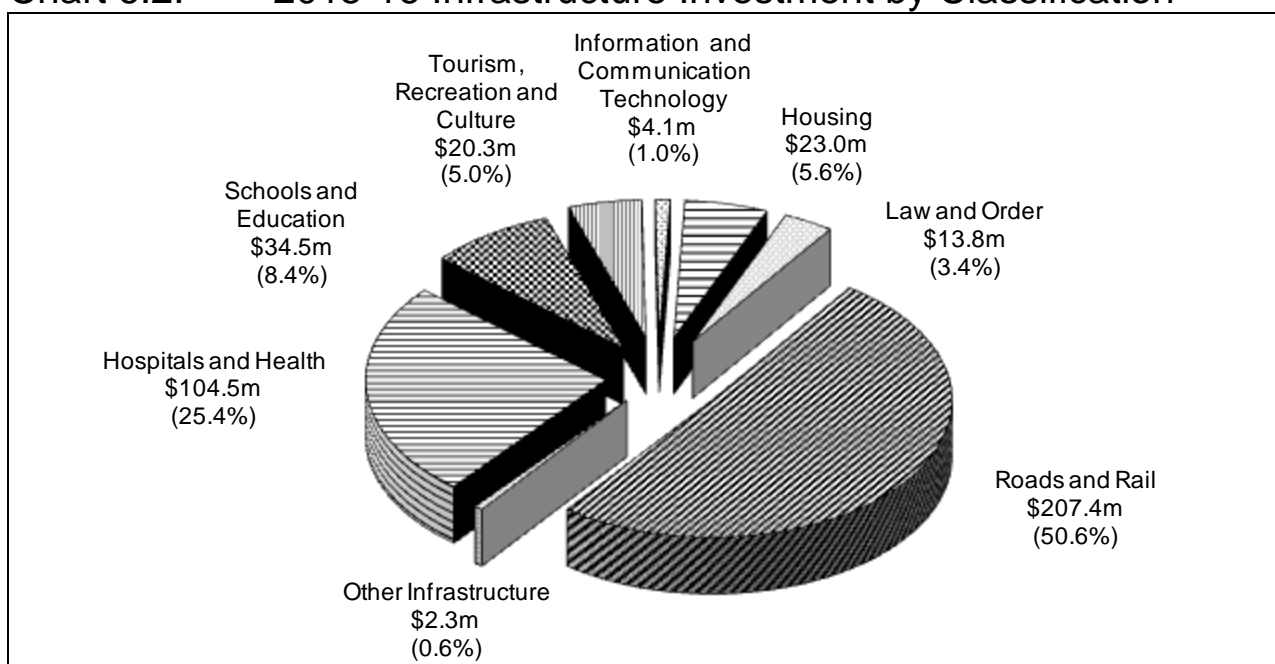
8. These projects are: HPH Chiller and Heat Pump Installation; LGH Substation Upgrade; Emergency Power Supplies Project; Launceston Ambulance Station Structural Works; Flinders Island Sewer Plant Upgrade; LGH ICU/ED Lift Upgrade; Energy Management/Recurrent Cost Reduction; Fire Systems Protection Upgrade; and Body Protection Wiring Rectification.
9. This funding is shown within Health Infrastructure as it relates to an original commitment of funding from the Tasmanian Government to progress the redevelopment of the Royal Hobart Hospital.
10. Total funding for Statewide Cancer Services is \$63 million, consisting of \$36.3 million from the Australian Government, \$23.9 million from the State Government and donated contributions of \$1.6 million from the Elphinstone Group Companies, \$600 000 from the Menzies Centre and \$600 000 from the Cancer Council.
11. This Project is funded by both the State and Australian Government. More details are provided in the Department of Primary Industries, Parks, Water and Environment chapter in *Government Services Budget Paper No 2*.

## MAJOR AREAS OF INFRASTRUCTURE INVESTMENT IN 2015-16

This section provides details on the key projects in 2015-16 within each of the major areas of infrastructure expenditure. Specific details on infrastructure projects not included in this section are available in individual agency chapters in *Government Services Budget Paper No 2*.

Chart 6.2 provides a breakdown of 2015-16 infrastructure expenditure by classification.

**Chart 6.2: 2015-16 Infrastructure Investment by Classification**



### Schools and Education

In 2015-16, total Education infrastructure expenditure is \$34.5 million. The 2015-16 Budget includes \$56.3 million in new Education infrastructure commitments across 10 projects, with \$54.2 million allocated for education facilities in the North and North West of the State. The major infrastructure projects include:

#### *Brooks High School*

Funding of \$5.9 million has been allocated in 2015-16 for construction and development of general learning areas at Brooks High School.

### *New Town High School*

Funding of \$2.5 million has been allocated in 2015-16 for the entrance and administration block construction at New Town High School.

### *School of Special Education North*

Funding of \$2.6 million has been allocated in 2015-16 to amalgamate the two School of Special Education North campuses.

### *School of Special Education North West - Additional 2015-16 Funding*

Funding of \$3.7 million has been allocated in 2015-16 for the refurbishment and relocation of the Special School of Education North West campuses.

### *Year 7 - 12 Implementation Plan*

Funding of \$2.9 million has been allocated in 2015-16 for the construction of new classrooms required to facilitate the Government's \$6 million election commitment target of extending 21 rural and regional High Schools to year 11 and 12.

## Hospitals and Health

In 2015-16, total Hospitals and Health infrastructure expenditure is budgeted to be \$104.5 million. Total funding for Hospitals and Health infrastructure investment over the Budget and Forward Estimates period is \$562.5 million. The major infrastructure projects include:

### *Glenorchy-Tier Three Community Health Services Facility*

Funding of \$10.7 million has been allocated in 2015-16 for the Glenorchy - Tier Three Community Health Services Facility. This project will expand and replace the existing Glenorchy Community Health Centre at a new site. The Centre will be a standalone integrated facility adjacent to the Glenorchy City Central Business District.

### *Hospital and Health Centre Maintenance*

Funding of \$3.3 million has been allocated in 2015-16 to fund the maintenance, replacement or upgrade of existing hospital and health centre infrastructure across the State, including at the Hobart Private Hospital, Launceston General Hospital, Flinders Island Hospital, Launceston Ambulance Station and at rural hospital locations. Over the Budget and Forward Estimates period total additional funding of \$8.3 million has been provided for hospital and health centre maintenance.

### *Launceston General Hospital Allied Health Clinics*

Funding of \$3 million has been allocated in 2015-16 to expand and refurbish the existing Specialist Clinic at the Launceston General Hospital, and for minor works in the Launceston General Hospital Allied Health Outpatient Services.

## *Statewide Cancer Services*

Funding of \$9.6 million has been allocated in 2015-16 to infrastructure for medical oncology and radiation therapy services and associated education and support facilities at the North West Regional Hospital (\$9.1 million) and the development of supporting IT systems for cancer centres across the State (\$483 000).

## *Royal Hobart Hospital Redevelopment*

Funding of \$70.7 million has been allocated in 2015-16 for the Royal Hobart Hospital Redevelopment. Since recommencement in 2014-15, total project funding has increased to \$636.9 million (original funding allocation for this project was \$565 million). An increased State Government contribution of \$71.9 million was approved in December 2014 as a result of the Royal Hobart Hospital Rescue Taskforce Review. The project is due to be completed by 30 June 2019.

Funding for this project is provided for three different elements:

- Royal Hobart Hospital (Hospitals Capital Fund) - This funding will be directed to complete works that had commenced prior to the project being placed on hold pending the outcome of the Royal Hobart Hospital Redevelopment Taskforce Review, and to complete construction of the new inpatient precinct;
- Royal Hobart Hospital Redevelopment - Funding for a major redevelopment of the Royal Hobart Hospital was secured following an application in late 2010 to the Board of the Health and Hospitals Fund (HHF). The \$436.9 million commitment to redevelop the Royal Hobart Hospital is a combined Australian and State Government project with \$240 million being provided by the Australian Government and \$196.9 million provided by the State Government (including the additional allocation of \$71.9 million); and
- Royal Hobart Hospital Women's and Children's Precinct - Funding of \$100 million has been provided by the Australian Government to fund the construction of a Women's and Children's Precinct within the broader redevelopment program of the Royal Hobart Hospital.

## *St Helens Hospital Redevelopment*

New funding of \$4 million has been provided in 2018-19 for the St Helens Hospital Redevelopment. This takes total funding over the Budget and Forward Estimates period to \$7.1 million. This funding will enable a full study of the long-term health infrastructure needs of the Break O'Day area and North East Tasmania to be completed, the new facility to be planned, and construction commenced.

## **Human Services and Housing**

In 2015-16, total Human Services and Housing infrastructure funding is budgeted to be \$22.9 million. The major infrastructure projects include:

## *Church Street Youth Accommodation and Training Facility*

Funding of \$3.3 million has been allocated in 2015-16 to complete construction of the Church Street Youth Accommodation and Training Facility. The project will deliver a mixed accommodation facility that will provide tenants with stable, supported, long-term accommodation, which will enable them to access key services, to reconnect with their family and community and to focus on employment, education and training opportunities. Construction works are underway and it is anticipated that construction will be completed in 2015-16.

## *North West Youth Accommodation and Training Facility*

Funding of \$6 million has been allocated over two years, commencing in 2016-17, to build a supported accommodation facility in Devonport with specialist support services for youth. The Youth Accommodation and Training Facility will provide around 25 units of accommodation for low income young people in the Devonport area, who are homeless, or at risk of homelessness. The facility will also include safe and secure accommodation options and support services suitable for young people living with disability.

## *Housing Fund*

Funding of \$1.6 million has been allocated in 2015-16 from the Housing Fund for the purpose of increasing the supply of affordable housing.

Major projects to be funded from the Housing Fund in 2015-16 include the:

- continuation of support for the National Rental Affordability Scheme (NRAS), with funding towards the development of up to 1 400 properties under NRAS stage 4 (\$1.1 million); and
- acquisition of suitable land for the development of affordable housing sites (\$465 000).

## *Housing Program*

Funding of \$16.7 million has been allocated in 2015-16 from the Housing Program for Major Housing Program projects including:

- the construction of adaptable dwellings in Lindisfarne (\$300 000);
- Government equity purchases under the HomeShare Program (\$2.4 million);
- new stock purchases, including land and existing dwellings (\$4.7 million); and
- redevelopment of Somerset Primary School (\$1.7 million).

The Department of Health and Human Services will also make a principal loan repayment of \$7.5 million to the Australian Government due under the former Commonwealth-State Housing Agreement (CSHA).

## *Neighbourhood Housing Program*

Funding of \$1.2 million has been allocated in 2015-16 for the Neighbourhood House Program. These funds will provide for both minor and more substantial capital works that will improve the suitability and sustainability of neighbourhood houses to deliver current, contemporary activities and programs.

## Law and Order

In 2015-16, total Law and Order Infrastructure funding is \$13.8 million. The major infrastructure projects include:

### *Jefferson Audio Video System (JAVS) Upgrade*

Funding of \$500 000 has been allocated in 2015-16 for a major upgrade of the Magistrate Courts' digital audio recording system. The software and hardware for the current Jefferson Audio Video System (JAVS) will be updated to the latest versions consistent with other Courts and Tribunals.

### *Prison Infrastructure Redevelopment Program - Stage D*

Funding of \$700 000 has been allocated in 2015-16 for construction of facilities associated with the Prison Infrastructure Redevelopment Program - Stage D. Construction is expected to be completed during 2015.

### *Emergency Services Computer Aided Dispatch System*

Funding of \$6.6 million has been allocated in 2015-16 to the Department of Police and Emergency Management to procure a common, integrated emergency services computer aided dispatch (ESCAD) system for Tasmania's emergency services (Tasmania Police, Ambulance Tasmania, the Tasmania Fire Service and the State Emergency Service). Computer Aided Dispatch systems are the principal application used by emergency service communication centres to manage police, fire, medical and emergency incidents and are important in keeping the community and emergency service responders safe.

### *Large Vessel Replacement*

Funding of \$5 million has been allocated in 2015-16 to procure a second police vessel capable of deploying out to 200 nautical miles in a range of circumstances and weather conditions.

### *Upgrade Police Housing*

Funding of \$2 million has been allocated over two years, commencing in 2015-16, to implement a structured program to address police housing issues. This infrastructure investment will improve facilities to support officers engaged in remote area policing.

## Roads and Rail

Funding of \$207.4 million has been allocated in 2015-16 for roads infrastructure projects with total funding over the Budget and Forward Estimates period of \$727.5 million. This represents State and Australian Government Funding. In addition to this funding there will also be an allocation of \$37.4 million for rail infrastructure with total rail funding over the Budget and Forward Estimates of \$119.6 million (rail funding is provided as a grant to Tasmanian Railway Pty Ltd and is therefore not reflected in general government sector infrastructure investment).

Significant roads funding in 2015-16 includes:

- \$64.6 million for the Midland Highway;
- \$65.2 million for road maintenance;
- \$12.7 million for road safety and traffic management;
- \$12.1 million for the Brooker Highway - Elwick, Goodwood, Howard Roads; and
- \$12 million for Tasman Ramps.

The Australian Government's Land Transport Infrastructure Investment Program for road and rail will contribute \$353.2 million over the 2015-16 Budget and Forward Estimates.

Further details of the Roads Program are provided in a separate section of this chapter.

## Information and Communication Technology

In 2015-16, total Information and Communication Technology funding is \$4.1 million. The major infrastructure projects include:

### *Budget Information Management System Project*

Funding of \$2.8 million has been allocated to the Department of Treasury and Finance in 2015-16 to progress the replacement of the legacy Budget Management System.

### *State Revenue System Replacement*

Funding of \$745 000 has been allocated to the Department of Treasury and Finance in 2015-16 to progress implementation of Stage 2 of the Client View Project (payroll tax and duties).

### *Integrated Tasmanian Government Contact Centre (ITGCC)*

Funding of \$555 000 has been allocated to the Department of Premier and Cabinet in 2015-16 to complete the ITGCC project.

## Tourism, Recreation and Culture

In 2015-16, total Tourism, Recreation and Culture infrastructure expenditure is budgeted to be \$20.3 million. The major projects include:

### *Parks High Priority Maintenance and Infrastructure*

Funding of \$4 million has been allocated in 2015-16 for high priority maintenance and infrastructure renewal in Parks and Reserves. The Department of Primary Industries, Parks, Water and Environment will undertake consultation with local councils and other identified stakeholder groups to identify priority asset projects which can improve visitation and community benefit.

## *South Coast Track*

Funding of \$1 million has been allocated in 2015-16 towards upgrading the South Coast Track (from Melaleuca to Cockle Creek) to improve access. The funding is being used to upgrade existing infrastructure and complete minor rerouting where the established tracks have become difficult to access and provide safe access to beach areas.

## *Silverdome - Maintenance*

Funding of \$500 000 has been allocated to the Department of Premier and Cabinet in 2015-16 for vital upgrades to ensure that the Silverdome complex remains compliant with workplace health and safety regulations.

## *Three Capes Track*

Funding of \$10.5 million has been allocated in 2015-16 to continue construction of the Three Capes Track. This initiative is comprised of the State's initial \$12.8 million commitment coupled with Australian Government funding of \$12.5 million. When complete this will be one of Australia's iconic coastal walking experiences, taking in the dramatic cliff top vistas of the Tasman National Park and will complement other iconic walks such as the Overland Track. Opening to the public in November 2015, this section of the track will provide an easy 4 day 3 night experience with hut-based accommodation commencing with a short boat journey from Port Arthur and finishing at Fortescue Bay via Cape Pillar and Cape Hauy. The walk will support the growth of tourism on the Tasman Peninsula and throughout the State.

Funding of \$2.5 million has also been allocated in 2015-16 towards construction of Stage Three of the track which will provide access to the third cape, Cape Raoul. The Government is seeking support from the Australian Government to ensure that this work is finalised.

## **Other Infrastructure**

In 2015-16, total Other Infrastructure expenditure is \$2.3 million. The major project is increasing biosecurity capability.

### *Increasing Biosecurity Capability*

Funding of \$1 million has been allocated in 2015-16 for the upgrade and development of biosecurity infrastructure and operating systems. The funding will be utilised to upgrade and develop ageing laboratory equipment and information systems and upgrade communications including signage at points of entry. This commitment will ensure that Tasmania continues to meet its state, national and international diagnostic responsibilities and standards. The improved capabilities will enhance Tasmania's biosecurity system and build on the capability and capacity to protect Tasmania's primary industries, natural environment and social amenity.

# ROADS PROGRAM

The Roads Program comprises new works projects and the upgrade and maintenance of established roads. In 2015-16, total roads expenditure is \$207.4 million. This includes a State Government allocation of \$94.2 million and an Australian Government allocation of \$113.2 million.

**Table 6.3: Roads Program Expenditure**

			Estimated	2015-16	2016-17	2017-18	2018-19
	Start	Complete	Total	Budget	Forward	Forward	Forward
			Cost	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>STATE FUNDED</b>							
<b>Co-contribution Projects</b>							
Brooker Highway - Elwick, Goodwood, Howards Roads <sup>1,2</sup>	2015	2017	6.4	1.0	4.4	1.0	....
Domain Highway Planning <sup>1,2</sup>	2017	2017	1.0	....	1.0	....	....
Huon Highway/Summerleas Road <sup>1,2</sup>	2016	2018	4.4	....	3.4	1.0	....
Midland Highway <sup>1,2,3</sup>	2014	2019	30.0	4.0	2.0	9.0	13.0
Midland Highway - Road Safety Program <sup>4</sup>	2015	2018	20.0	1.0	14.0	5.0	....
				<b>6.0</b>	<b>24.8</b>	<b>16.0</b>	<b>13.0</b>
<b>Roads for Our Future Program</b>							
Bridge Strengthening on Esk and Tasman Highways <sup>1</sup>	2016	2019	10.0	0.5	0.5	4.1	4.9
Bruny Island Main Road <sup>1</sup>	2015	2019	3.7	0.3	....	1.7	1.5
Colebrook Main Road <sup>1</sup>	2016	2019	6.5	0.5	1.0	3.5	1.5
Esk Main Road <sup>1</sup>	2015	2019	13.0	1.0	1.0	2.8	7.7
Highland Lakes Road <sup>1</sup>	2015	2018	4.0	....	2.0	1.9	....
Huon Highway Upgrade - Glendevie <sup>1</sup>	2015	2018	8.0	....	6.0	1.8	....
Murchison Highway <sup>1</sup>	2015	2018	8.0	1.0	4.0	2.0	....
South Arm Highway/Rokeby Main Road Stage 2 <sup>1</sup>	2015	2017	15.0	6.0	2.0	....	....
				<b>9.3</b>	<b>16.5</b>	<b>17.8</b>	<b>15.6</b>
<b>Other Roads Infrastructure</b>							
Asset Management		Ongoing	na	5.3	5.4	5.5	5.7
Environmental Management		Ongoing	na	0.5	0.6	0.6	0.6
Forward Planning	2014	2015	1.1	1.1	....	....	....
Hadspen Bridge Walkway	2014	2015	0.1	0.1	....	....	....
Infrastructure Development		Ongoing	na	0.1	0.1	0.9	1.0

Table 6.3: Roads Program Expenditure (continued)

			Estimated Total Cost	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	Start	Complete	\$m	\$m	\$m	\$m	\$m
Infrastructure Maintenance		Ongoing	na	57.9	59.4	61.1	62.7
Launceston Northbank	2015	2018	1.4	0.7	0.7	....	....
North East Freight Roads <sup>2</sup>	2009	2015	8.5	....	0.2	....	....
Program Management		Ongoing	na	1.0	1.1	1.2	1.2
Road Safety and Traffic Management		Ongoing	na	5.5	5.6	5.8	5.9
Road Safety Strategy - Infrastructure <sup>4</sup>		2017	na	2.9	2.3	....	....
Strategic Planning and Policy		Ongoing	na	2.8	2.8	2.9	3.0
Tasman Highway St Helen's Point Road	2014	2015	1.4	0.9	....	....	....
				<b>78.8</b>	<b>78.2</b>	<b>77.9</b>	<b>80.1</b>
<b>TOTAL STATE FUNDED ROADS</b>				<b>94.2</b>	<b>119.5</b>	<b>111.8</b>	<b>108.7</b>
<b>AUSTRALIAN GOVERNMENT</b>							
<b>FUNDED</b>							
<b>Investment Program</b>							
Brooker Highway - Elwick, Goodwood, Howards Roads <sup>2</sup>	2015	2017	25.6	11.1	12.2	....	....
Midland Highway <sup>2,3,4</sup>	2014	2019	200.0	59.6	50.0	30.0	40.0
Tasman Ramps	2013	2016	15.0	12.0	....	....	....
Contingency Funding	2014	2016	0.6	0.6	....	....	....
				<b>83.3</b>	<b>62.2</b>	<b>30.0</b>	<b>40.0</b>
<b>Off-Network</b>							
Domain Highway Planning <sup>2</sup>	2015	2016	4.0	4.0	....	....	....
Huon Highway/Summerleas Road Intersection <sup>2</sup>	2015	2017	17.5	6.8	10.5	....	....
North East Freight Roads <sup>2</sup>	2009	2015	34.0	2.3	....	....	....
				<b>13.1</b>	<b>10.5</b>	<b>....</b>	<b>....</b>
<b>Other Roads Infrastructure</b>							
Bridge Renewal		Ongoing	na	4.8	1.2	1.2	1.2
Heavy Vehicle Safety and Productivity		Ongoing	na	0.4	2.7	0.9	0.9
Road Safety and Traffic Management		Ongoing	na	4.3	4.3	1.6	1.6

Table 6.3: Roads Program Expenditure (continued)

			Estimated	2015-16	2016-17	2017-18	2018-19
	Start	Complete	Total	Budget	Forward	Forward	Forward
			Cost		Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
Road Specific Maintenance		Ongoing	na	7.3	7.3	7.3	7.3
				<b>16.8</b>	<b>15.5</b>	<b>11.0</b>	<b>11.0</b>
<b>TOTAL AUSTRALIAN GOVERNMENT FUNDED ROADS</b>				<b>113.2</b>	<b>88.2</b>	<b>41.0</b>	<b>51.0</b>
<b>TOTAL ROADS PROGRAM EXPENDITURE</b>				<b>207.4</b>	<b>207.7</b>	<b>152.7</b>	<b>159.7</b>

Notes:

1. Funding for these projects is provided as part of the State Government's election commitment of \$110 million for the roads funding package which includes the co-contribution and Roads for Our Future Projects.
2. These projects include both State and Australian Government funding.
3. The Australian Government commitment for the Midland Highway is \$400 million over 10 years. \$200 million is included in the current five-year agreement, with the remainder subject to future agreements.
4. The State's co-contribution to Australian Government roads infrastructure projects includes \$20 million sourced from the Road Safety Levy receipts for safety upgrades to the Midland Highway. Unless extended, the road safety levy will cease in December 2017.

# 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 this 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 are not classified as a Purchases 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 6.4 provides a reconciliation between the two measures.

**Table 6.4: Reconciliation between Purchases of Non-Financial Assets and Infrastructure Investment**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Purchases of Non-Financial Assets <sup>1</sup>	400.3	410.4	546.1	442.1	417.8
Less Purchases of Non-Financial Assets excluded from Infrastructure Investment	74.8	59.7	74.2	47.7	48.2
Plus Infrastructure Investment not included in Purchases of Non-Financial Assets	65.5	59.1	52.6	53.8	54.8
<b>Equals TOTAL INFRASTRUCTURE EXPENDITURE</b>	<b>391.1</b>	<b>409.8</b>	<b>524.5</b>	<b>448.1</b>	<b>424.5</b>

Note:

1. Reflects Purchases of Non-Financial Assets within the General Government Cash Flow Statement.

# 7 ASSETS AND LIABILITIES

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## *Key Issues*

- General Government Net Worth is estimated to be \$10 759.2 million as at 30 June 2016, an increase of \$399.5 million from the 2014-15 Budget estimate of \$10 359.7 million as at 30 June 2015. Net Worth is estimated to increase over the Forward Estimates period to \$12 198.2 million by 30 June 2019.
- General Government Net Debt is estimated to be negative \$252.6 million as at 30 June 2016, an improvement of \$64.3 million on the 2014-15 Budget estimate of negative \$188.3 million as at 30 June 2015. General Government Net Debt is estimated to improve across the Forward Estimates period to negative \$492.9 million by 30 June 2019.
- The improvement in General Government Net Debt reflects the significant improvement in the Net Operating Balance and Fiscal Balance over the 2015-16 Budget and Forward Estimates period. The funds required to meet this growing outlay are not able to otherwise meet frontline service delivery priorities.
- The Government continues to meet the cash cost of defined benefit superannuation on an emerging basis. Superannuation liabilities remain particularly sensitive to discount rate movements. A key ongoing Budget risk is that the cost to the Budget will increase significantly in the coming years, with cash payments increasing by 68 per cent over the next 14 years and now expected to peak in 2029-30.
- The ongoing implementation of the Government's Fiscal Strategy is critical to improving the Government's financial position and to managing risks such as superannuation liabilities.

# BALANCE SHEET

The Balance Sheet presented in this chapter provides assets and liabilities estimated as at 30 June 2015 to 2019 and reports key indicators for the same period. 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 7.1 details the estimated General Government Sector Balance Sheet as at 30 June from 2015 to 2019.

Table 7.1: General Government Balance Sheet as at 30 June

	2015	2016	2017	2018	2019
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	1 041.1	889.3	698.0	707.9	678.1
Investments	77.7	64.5	66.4	68.3	70.5
Equity Investment in PNFC and PFC Sectors	4 331.7	4 515.0	4 570.8	4 626.6	4 722.3
Other Equity Investments	14.7	20.0	20.4	20.9	21.2
Receivables	304.3	331.5	326.4	323.2	320.9
Other Financial Assets	755.2	661.4	681.8	673.5	679.2
	<b>6 524.8</b>	<b>6 481.7</b>	<b>6 363.7</b>	<b>6 420.2</b>	<b>6 492.2</b>
<b>Non-Financial Assets</b>					
Land and Buildings	5 829.6	5 969.2	6 281.7	6 504.1	6 626.4
Infrastructure	4 634.4	4 668.9	4 916.3	5 115.5	5 380.1
Plant and Equipment	231.2	253.5	243.4	237.3	238.0
Heritage and Cultural Assets	485.0	490.6	502.8	515.0	527.2
Investment Property	11.9	19.0	19.2	19.5	19.8
Intangibles	35.1	45.4	46.4	44.8	41.7
Assets Held for Sale	10.9	7.0	6.0	5.1	4.1
Other Non-Financial Assets	36.9	30.7	30.5	28.4	28.9
	<b>11 274.9</b>	<b>11 484.2</b>	<b>12 046.3</b>	<b>12 469.7</b>	<b>12 866.2</b>
<b>Total Assets</b>	<b>17 799.7</b>	<b>17 965.9</b>	<b>18 410.0</b>	<b>18 889.9</b>	<b>19 358.4</b>
<b>Liabilities</b>					
Borrowings	930.6	701.3	550.2	470.1	255.7
Superannuation	5 448.0	5 470.5	5 592.1	5 701.4	5 795.2
Employee Entitlements	561.7	549.9	567.4	584.9	612.1
Payables	91.0	108.4	109.5	111.4	112.0
Other Liabilities	408.7	376.6	379.2	381.8	385.2
<b>Total Liabilities</b>	<b>7 439.9</b>	<b>7 206.7</b>	<b>7 198.5</b>	<b>7 249.6</b>	<b>7 160.2</b>
<b>NET ASSETS</b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

Table 7.1: General Government Balance Sheet as at 30 June  
(continued)

	2015	2016	2017	2018	2019
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated funds	5 434.6	5 712.1	5 848.2	5 974.4	6 228.0
Asset Revaluation Reserve	4 925.2	5 047.1	5 363.4	5 665.9	5 970.2
<b>Total Equity</b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>NET WORTH<sup>1</sup></b>	<b>10 359.7</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(915.1)</b>	<b>(725.0)</b>	<b>(834.8)</b>	<b>(829.3)</b>	<b>(668.0)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>5 246.8</b>	<b>5 240.0</b>	<b>5 405.5</b>	<b>5 455.9</b>	<b>5 390.3</b>
<b>NET DEBT<sup>4</sup></b>	<b>(188.3)</b>	<b>(252.6)</b>	<b>(214.2)</b>	<b>(306.0)</b>	<b>(492.9)</b>

Notes:

1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Financial Assets less Total Liabilities. Net Financial Worth is estimated to be negative \$725 million as at 30 June 2016, an improvement of \$190.1 million from the 2014-15 Budget estimate of negative \$915.1 million as at 30 June 2015.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in government businesses.
4. Net Debt represents Borrowings less the sum of Cash and Deposits and Investments.

## ASSETS

Total Assets are estimated to be \$17 965.9 million as at 30 June 2016, an increase of \$166.2 million from the 2014-15 Budget estimate of \$17 799.7 million as at 30 June 2015. The increase primarily reflects an increase in Land and Buildings; Infrastructure; Plant and Equipment; Equity Investment in PNFC and PFC Sectors and Receivables partly offset by a decrease in Cash and Deposits and Other Financial Assets. Total assets are estimated to increase across the Forward Estimates period from \$17 965.9 million as at 30 June 2016 to \$19 358.4 million as at 30 June 2019.

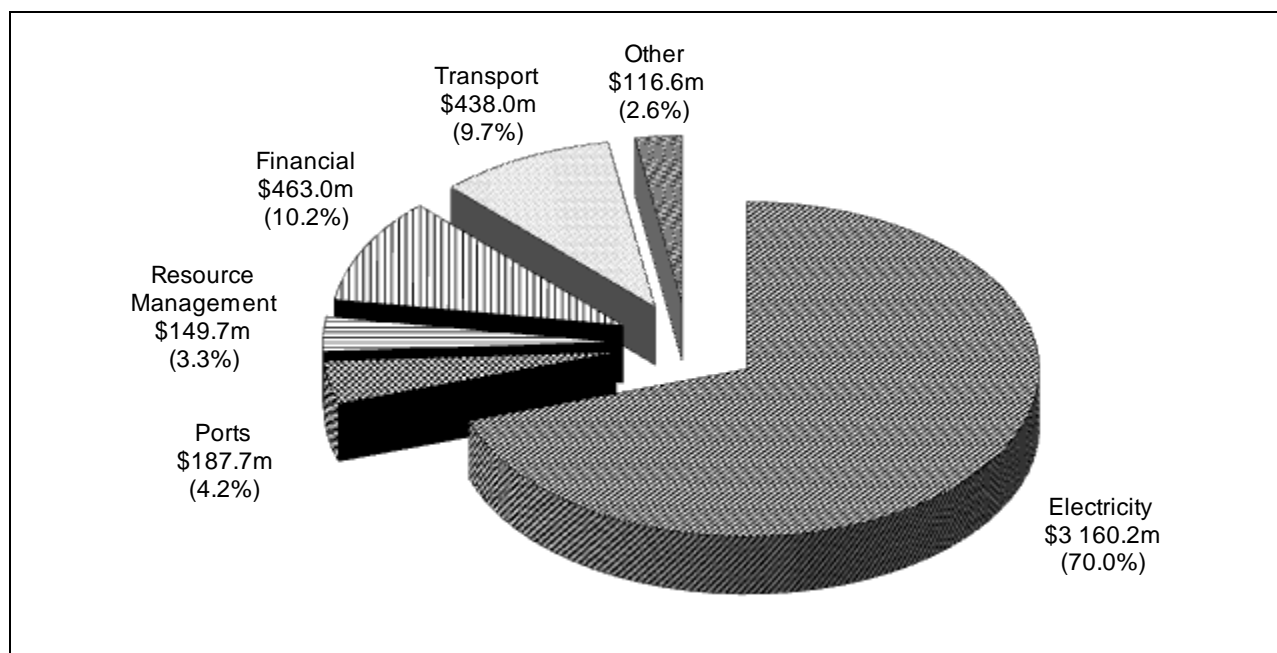
## Equity Investment in PNFC and PFC Sectors

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.

The Government's equity investment is estimated to be \$4 515 million as at 30 June 2016, an increase of \$183.3 million from the 2014-15 Budget estimate of \$4 331.7 million as at 30 June 2015. The increase primarily reflects an increase in Net Assets for Hydro Tasmania, Motor Accidents Insurance Board, Tasmanian Irrigation Pty Ltd, and Tasmanian Ports Corporation Pty Ltd.

Chart 7.1 illustrates the components of the Government's Equity Investment holdings.

**Chart 7.1: Equity Investment in PNFC and PFC Sectors as at 30 June 2016**



## Other Financial Assets

Other Financial Assets include Income Tax Equivalents Receivable, Prepayments and Other Financial Assets. Other Financial Assets is estimated to be \$661.4 million as at 30 June 2016, a decrease of \$93.8 million on the 2014-15 Budget estimate of \$755.2 million as at 30 June 2015. The decrease primarily reflects revised income tax equivalent estimates and a more accurate estimate based on actual 2014 balances.

Table 7.2 provides a summary of Other Financial Assets.

**Table 7.2: Other Financial Assets as at 30 June**

	2015	2016	2017	2018	2019
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Income Tax Equivalents Receivable <sup>1</sup>	731.7	639.2	659.3	650.9	656.3
Prepayments	21.9	21.1	21.3	21.5	21.7
Other Financial Assets	1.7	1.2	1.2	1.2	1.2
<b>Total</b>	<b>755.2</b>	<b>661.4</b>	<b>681.8</b>	<b>673.5</b>	<b>679.2</b>

**Note**

1. 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. The decrease in Income Tax Equivalents Receivable reflects revised tax estimates.

## Non-Financial Assets

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.

Land and Buildings is estimated to be \$5 969.2 million as at 30 June 2016, an increase of \$139.6 million on the 2014-15 Budget estimate of \$5 829.6 million as at 30 June 2015. Infrastructure is estimated to be \$4 668.9 million as at 30 June 2016, an increase of \$34.5 million on the 2014-15 Budget estimate of \$4 634.4 million as at 30 June 2015. The increase in Land and Buildings and Infrastructure over the 2015-16 Budget and Forward Estimates period partly reflects the implementation of the Government's \$1.8 billion infrastructure investment program. Further information regarding Infrastructure Investment is provided in chapter 6 of this Budget Paper.

## LIABILITIES

Total Liabilities is estimated to be \$7 206.7 million as at 30 June 2016 and remains relatively stable across the Forward Estimates period with estimated Total Liabilities of \$7 160.2 million as at 30 June 2019.

The estimated Borrowings of \$701.3 million as at 30 June 2016 includes an estimated end of year borrowing of \$477.8 million to be undertaken on 30 June 2016. The end of year borrowing has no impact on the Government's Net Debt 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. Borrowings in 2015-16 and the Forward Estimates period are lower compared to those published in the 2014-15 Budget. This reduction is primarily due to an improved Consolidated Fund position in all years.

Payables is estimated to be \$108.4 million as at 30 June 2016, an increase of \$17.4 million, on the 2014-15 Budget estimate of \$91 million. The increase primarily reflects a more accurate estimate, after taking into account the 2014 actual balances that were not known at the time of preparing the 2014-15 Budget.

Other Liabilities is estimated to be \$376.6 million as at 30 June 2016, a decrease of \$32.1 million compared to the 2014-15 Budget of \$408.7 million as at 30 June 2015. The decrease primarily reflects a more accurate estimate, after taking into account 2014 actual balances that were not known at the time of preparing the 2014-15 Budget and a revised actuary estimate for the Tasmanian Risk Management Fund liabilities.

## General Government Superannuation Liability

The 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, which were closed to new members with effect from May 1999.

The superannuation liability is an estimate of the Net Present Value of the Government's share of meeting current and future benefit payments for scheme members. The superannuation liability differs from many other financial liabilities, such as Borrowings, which can be called on for repayment in full at any point in time.

The superannuation liability has arisen over many decades because benefits have been funded on an emerging basis when scheme members become entitled to a pension or lump sum benefit. That is, the Government's portion of the final benefit is paid when it falls due, with the remaining part of the benefit being funded from the scheme's assets. The major schemes currently operating in the General Government Sector that have an unfunded liability are those established under the *Retirement Benefits Act 1993*, the former *Parliamentary Superannuation Act 1973*, the former *Parliamentary Retiring Benefits Act 1985* and the *Judges' Contributory Pensions Act 1968*.

While these schemes have been closed to new members, because of the long-term nature of superannuation benefits, the superannuation liability continues to grow as existing members accrue additional years of service as they approach retirement age. The liability is projected to grow until 2022-23 and then, as the 'baby boomer' generation reaches retirement age (the current average age is 52), gradually decline over the following five or six decades.

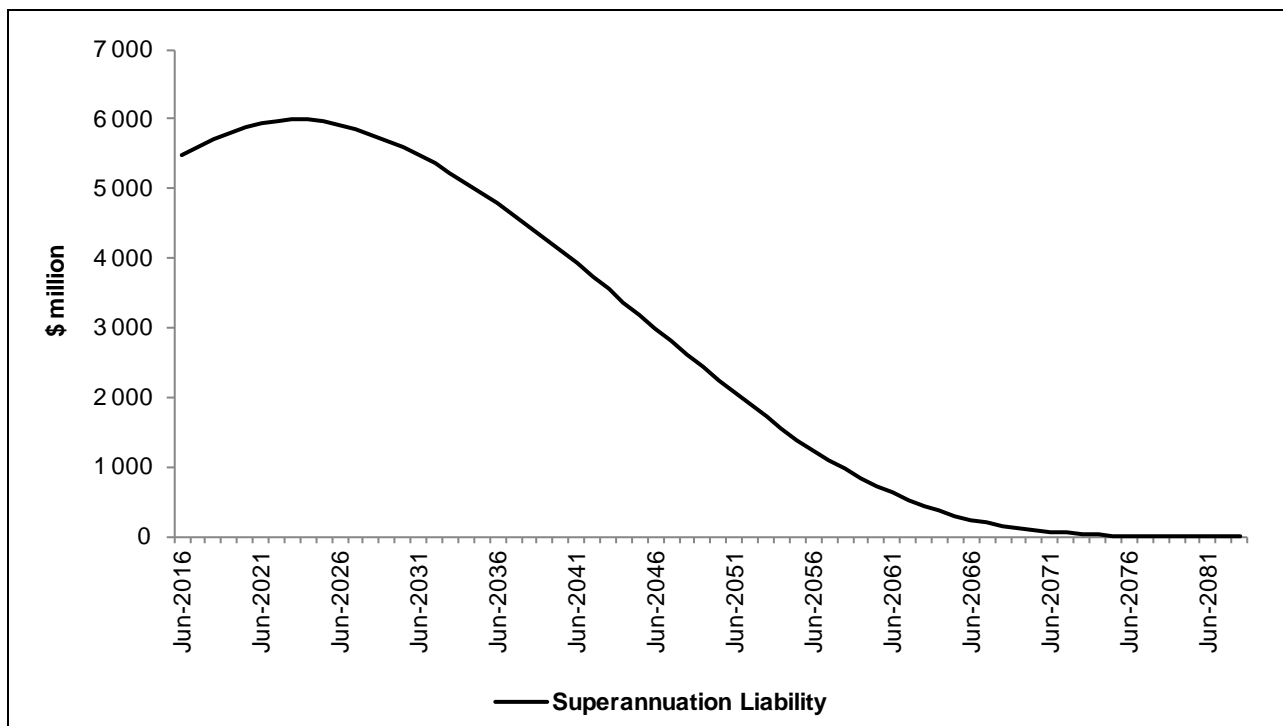
The estimated General Government Superannuation Liability as at 30 June 2016 is \$5 470.5 million, which is comprised of the estimated present value of the liability of \$7 147.4 million less the estimated fair value of plan assets of \$1 676.9 million.

**Table 7.3: General Government Superannuation Liability as at 30 June**

	2016 Budget \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
Present Value of Superannuation Liability	7 147.4	7 263.5	7 363.2	7 443.2
Fair Value of Plan Assets	(1 676.9)	(1 671.5)	(1 661.8)	(1 648.0)
<b>Total</b>	<b>5 470.5</b>	<b>5 592.1</b>	<b>5 701.4</b>	<b>5 795.2</b>

Chart 7.2 projects the General Government Superannuation Liability (net of plan assets) over the total life of the defined benefit schemes.

**Chart 7.2: General Government Superannuation Liability Projection, 30 June 2016 to 30 June 2083**



Independent actuarial assessments are prepared by the State Actuary to provide reporting and disclosure information, relating to the General Government Superannuation Liability, in respect of current and former employees who have defined benefits arising from membership of the closed defined benefit superannuation schemes.

The actuarial assumptions used are the State Actuary's best estimates of the variables that will determine the ultimate cost of providing long-term superannuation benefits. Actuarial assumptions must be unbiased (i.e. neither imprudent nor excessively conservative) and should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on scheme assets and discount rates.

Key assumptions recommended and used by the State Actuary in preparing the most recent actuarial estimate of the General Government Superannuation Liability are:

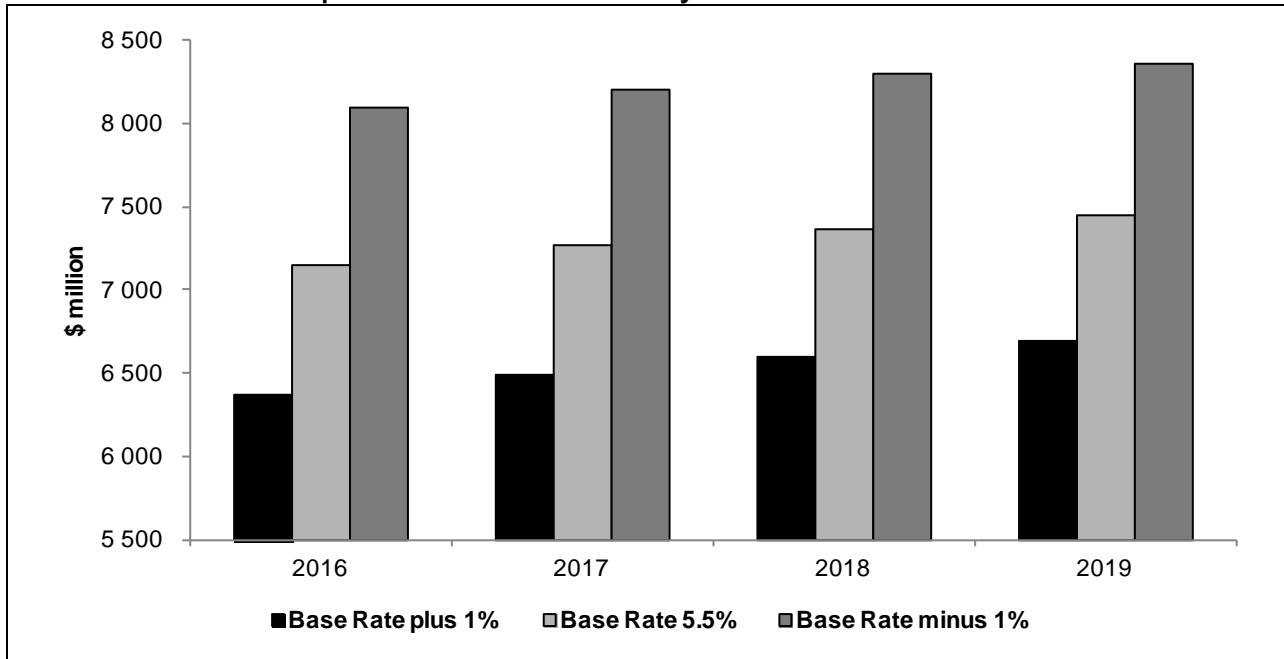
- Discount Rate - 5.5 per cent;
- Salary Increase Rate - 3.0 per cent;
- Pension Increase Rate - 2.5 per cent; and
- Investment Earnings - 5.5 per cent.

It is important to recognise that the actuarial estimate prepared by the State Actuary is a snapshot of a scheme's estimated financial position at a particular point in time, and that the actuarial results do not predict a scheme's future financial position or its ability to pay benefits in the future. Over time, a scheme's total cost will depend on a number of factors, including the amount of benefits the scheme pays, the number of people paid benefits, scheme expenses and the amount earned on any assets invested to pay the benefits. These amounts and others are uncertain at the valuation date and are estimated by the State Actuary.

The Superannuation Liability is particularly sensitive to discount rate movements. Since 2009-10, due to the volatility of the bond market and the long-term nature of the liability, the Budget projections of the Superannuation Liability do not use the current Australian Government long-term bond rate. The 2015-16 Budget projections are based on an average discount rate of 5.5 per cent.

There is a strong inverse relationship between the discount rate and the valuation of the liability. Chart 7.3 shows the impact of an increase or decrease of one per cent in the average discount rate used to value the General Government Superannuation Liability. The base rate column represents the estimated Present Value of the Superannuation Liability (Gross) as at 30 June in each year valued by the State Actuary using a discount rate of 5.5 per cent.

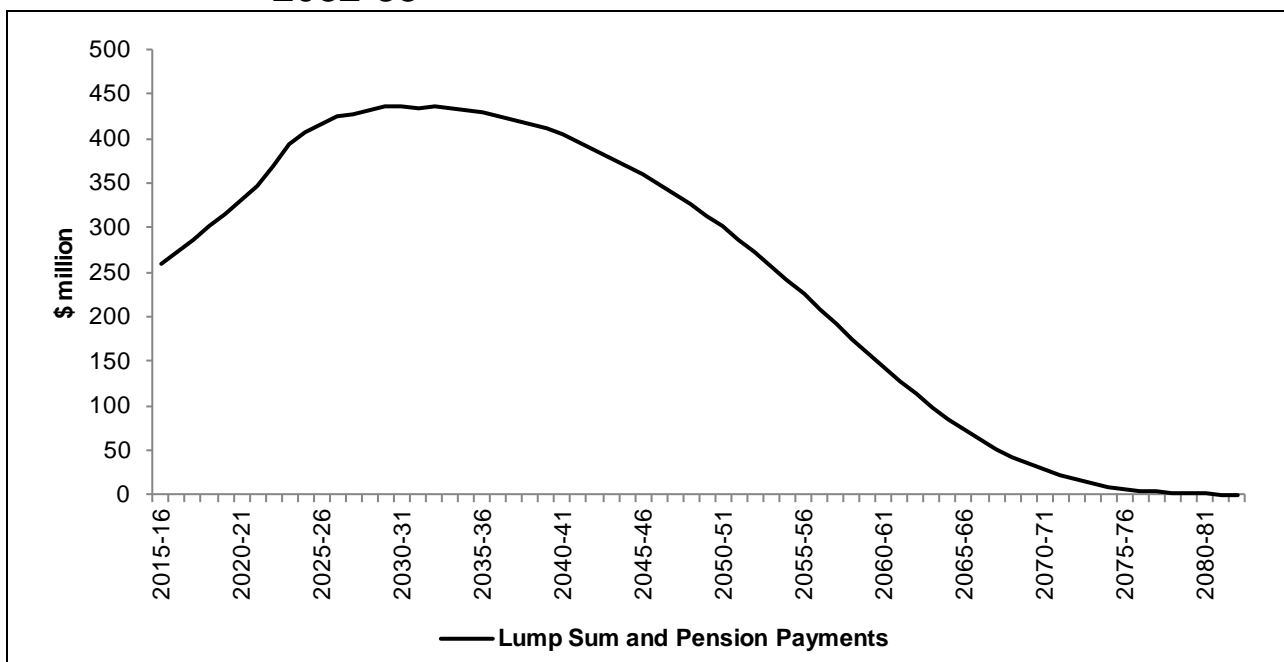
**Chart 7.3: Sensitivity Analysis of the General Government Superannuation Liability as at 30 June**



Currently, the emerging cash cost of defined benefit superannuation payments is met from the Consolidated Fund, funded partly by agency contributions and by a Reserved by Law contribution, which comprises the balance of the Government's share of pension and lump sum benefit costs.

Chart 7.4 shows the estimated employer contribution payments, made up of both pension and lump sum benefit costs, over the total life of the defined benefit schemes.

**Chart 7.4: Defined Benefit Superannuation Costs, 2015-16 to 2082-83**



A key budget risk is that the cost to the Budget will increase significantly in coming years, increasing by 68 per cent (83 per cent in the 2014-15 Budget) over the next 14 years and peaking in 2029-30, rather than 2030-31 as was projected in the 2014-15 Budget. The estimated cost to the Budget is based on the most recent actuarial estimates. The change from the projections in the 2014-15 Budget (a 15 percentage point reduction in the cost in 14 years and a one year forward movement in the expected peak) reflects a greater number of defined benefit member exits during 2014-15, than was projected in the 2014-15 Budget.

In 2015-16, defined benefit superannuation costs are estimated to be 4.7 per cent of Cash Receipts from Operating Activities in the General Government Sector. Defined benefit superannuation costs, as a percentage of General Government cash receipts, is estimated to increase to 5.2 per cent within five years (by 2020-21) and 5.3 per cent in 10 years (2025-26). Defined benefit superannuation costs as a percentage of General Government cash receipts is estimated to peak at 5.4 per cent in 2023-24, and then is estimated to decrease to 4.5 per cent in 15 years (2030-31) and to 3.5 per cent in 20 years (2035-36).

While movements in discount rates have a significant impact on the valuation of the Superannuation Liability at any point of time, those discount rate movements do not impact on the nominal cash flows required to meet the emerging cost of benefits paid to members.

Table 7.4 shows the estimated nominal cash flows required to meet the emerging cost of superannuation benefits payable to members. This represents the estimated total cost of benefits payable and includes the General Government share, together with the share of benefits that are funded from scheme assets.

**Table 7.4: Undiscounted General Government Defined Benefit Obligations**

	<b>2015 Estimate</b>
	<b>\$m</b>
<b>Estimated total benefit payments to be made in the period</b>	
No later than 1 year	375
Later than 1 year and no later than 2 years	393
Later than 2 years and no later than 5 years	1 270
Later than 5 years and no later than 10 years	2 436
Later than 10 years and no later than 15 years	2 707
Later than 15 years and no later than 20 years	2 742
Later than 20 years and no later than 25 years	2 635
Later than 25 years and no later than 30 years	2 374
Later than 30 years and no later than 35 years	2 000
Later than 35 years and no later than 40 years	1 546
Later than 40 years and no later than 45 years	1 052
Later than 45 years and no later than 50 years	604
<b>Undiscounted defined benefit obligation</b>	<b>20 134</b>
After 50 years there is expected to be a reducing level of cash for a further 25 years totalling approximately:	382

## Total State Superannuation Liability

The estimated Total State Superannuation Liability as at 30 June 2016 is \$6 042.1 million, which is comprised of the estimated present value of the liability of \$7 887.1 million less the estimated fair value of plan assets of \$1 845.0 million. Total State includes Government Business Enterprises and State-owned Companies.

**Table 7.5: Total State Superannuation Liability as at 30 June**

	2016	2017	2018	2019
	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m
Present Value of Superannuation Liability	7 887.1	8 015.9	8 126.4	8 215.0
Fair Value of Plan Assets	(1 845.0)	(1 839.2)	(1 828.7)	(1 813.5)
<b>Total</b>	<b>6 042.1</b>	<b>6 176.6</b>	<b>6 297.7</b>	<b>6 401.5</b>

Chart 7.5 shows the impact of an increase or decrease of one per cent in the discount rate used to value the Total State Superannuation Liability. The base rate column represents the estimated Present Value of the Superannuation Liability (Gross) as at 30 June in each year valued by the State Actuary using a discount rate of 5.5 per cent.

**Chart 7.5: Sensitivity Analysis of the Total State Superannuation Liability as at 30 June**

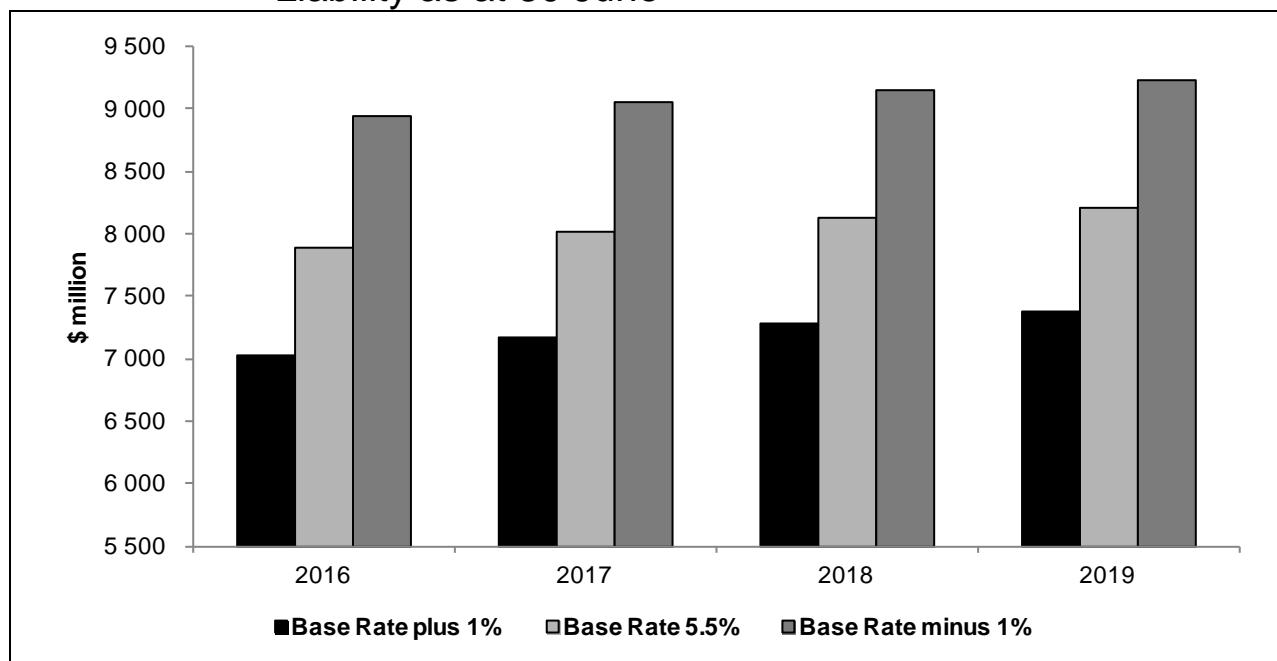


Table 7.6 shows the estimated nominal cash flows required to meet the emerging cost of superannuation benefits payable to members. This represents the estimated total cost of benefits payable and includes the Total State share, together with the share of benefits that are funded from scheme assets.

**Table 7.6: Undiscounted Total State Defined Benefit Obligations**

	<b>2015</b>
	<b>Estimate</b>
	<b>\$m</b>
<b>Estimated total benefit payments to be made in the period</b>	
No later than 1 year	413
Later than 1 year and no later than 2 years	433
Later than 2 years and no later than 5 years	1 401
Later than 5 years and no later than 10 years	2 687
Later than 10 years and no later than 15 years	2 987
Later than 15 years and no later than 20 years	3 026
Later than 20 years and no later than 25 years	2 908
Later than 25 years and no later than 30 years	2 622
Later than 30 years and no later than 35 years	2 210
Later than 35 years and no later than 40 years	1 709
Later than 40 years and no later than 45 years	1 163
Later than 45 years and no later than 50 years	668
<b>Undiscounted defined benefit obligation</b>	<b>22 225</b>
After 50 years there is expected to be a reducing level of cash for a further 25 years totalling approximately:	422

# 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. From 1 July 2015 it is anticipated that catastrophe cover will also be placed through an external insurance provider.

## *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.

There is expected to be an overall decrease in contributions for 2015-16 mainly due to reductions in both workers' compensation and general property contributions. The decrease in workers' compensation contributions is primarily as a result of an assumed lower number and cost of claims for 2015-16. The significant reduction in the general property contributions reflects favourable claims experience in this risk area and the large claims provision target being exceeded. Contributions for general liability and motor vehicles have also decreased moderately. These decreases have been offset to a large extent by a substantial increase in medical liability contributions following a reduction in the discount rate and an adjustment to the claim cost methodology. Overall, total agency contributions are expected to decrease from \$55.0 million in 2014-15 to \$54.0 million in 2015-16. It is noted that these contributions do not include the cost of purchasing external property insurance for catastrophe cover which is expected to be placed from 1 July 2015.

The Fund's Actuary takes into account the level of assets and liabilities in each risk category when determining annual contributions. 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 at the time agency contributions are determined.

Table 7.7: Financial Position of the Tasmanian Risk Management Fund as at 30 June

	2015	2016	2017	2018	2019
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Current Assets</b>					
Carried Forward Cash Equivalent					
Balance <sup>1</sup>	218.5	221.9	226.7	231.8	237.1
Receivables	1.2	1.2	1.2	1.2	1.2
	<b>219.7</b>	<b>223.1</b>	<b>227.9</b>	<b>233.0</b>	<b>238.3</b>
<b>Liabilities<sup>2</sup></b>					
Personal Injury	82.3	85.6	88.8	91.9	95.0
Property	5.9	2.8	2.9	3.0	3.1
Motor Vehicle	0.3	0.3	0.3	0.3	0.3
Liability	9.0	9.3	9.5	9.8	10.0
Medical	109.9	113.9	118.1	122.0	126.8
Payables	1.2	1.2	1.2	1.2	1.2
	<b>208.6</b>	<b>213.1</b>	<b>220.8</b>	<b>228.2</b>	<b>236.4</b>
<b>Net Assets</b>	<b>11.1</b>	<b>10.0</b>	<b>7.1</b>	<b>4.8</b>	<b>1.9</b>

Notes:

1. Includes the estimated balance from the previous year with adjustments for expected return on investments, with return rates set to ensure the long-term matching of increases in liabilities as provided by the Fund's actuary.
2. Liabilities are calculated by the Fund's actuary as at 31 December 2014.



# APPENDIX 1 UNIFORM GOVERNMENT REPORTING

## *Key Issues*

- The estimated Net Operating Balance for 2015-16 is a deficit of \$0.7 million for the PNFC Sector, a deficit of \$59.2 million for the TNFP Sector, a deficit of \$27.6 million for the PFC Sector and a deficit of \$86.9 million for the Total State Sector.
- The estimated Fiscal Balance for 2015-16 is a deficit of \$184.4 million for the PNFC Sector, a deficit of \$341.5 million for the TNFP Sector, a deficit of \$28.7 million for the PFC Sector and a deficit of \$370.1 million for the Total State Sector.
- As at 30 June 2016, PNFC Net Debt is forecast to be \$2 452.2 million, TNFP Sector Net Debt is forecast to be \$2 199.6 million, PFC Net Debt is forecast to be negative \$1 459.9 million and Total State Sector Net Debt is forecast to be \$739.7 million.
- Details for the General Government Sector are included in chapter 4 of this Budget Paper.

# 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:

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

Details for the General Government Sector are provided in chapter 4 of this Budget Paper.

The statements present the 2015-16 Budget Estimates and Forward Estimates for the period 2016-17 to 2018-19. For taxation information required under the UPF, refer to chapter 5 of this Budget Paper.

In accordance with the UPF, the final end of year results for 2014-15 will be released in the *Treasurer's Annual Financial Report 2014-15*. The Report will be publicly released by no later than 31 October 2015.

## 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 2015-16 LCA approved by the Loan Council in March 2015, with the revised LCA based on 2015-16 Budget estimates.

**Table A1.1 Loan Council Allocation 2015-16**

	2015-16 Nomination	2015-16 Budget Estimate
	\$m	\$m
General Government Cash Deficit/(Surplus)	28.2	56.4
Public Non-Financial Corporations Sector Cash Deficit/(Surplus)	210.7	215.7
<b>Non-Financial Public Sector Cash Deficit/(Surplus)</b>	<b>238.9</b>	<b>272.1</b>
Less Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes	(1.7)	(4.3)
Plus Memorandum Items <sup>1</sup>	56.5	82.2
<b>Loan Council Allocation Deficit/(Surplus)</b>	<b>297.1</b>	<b>358.6</b>
2015-16 Tolerance Limit <sup>2</sup>	165.4	160.2

Notes:

1. Memorandum Items include borrowings by local government (including TasWater) 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 2015-16 revised Budget estimate is a deficit of \$358.6 million, an increase of \$61.5 million which is within the Tolerance Limit of \$165.4 million estimated for Tasmania in March 2015. If a jurisdiction is likely to exceed its Tolerance Limit, it must provide an explanation to the Loan Council and make that explanation public.

The LCA Outcome for 2014-15 will be presented in the *Treasurer's Annual Financial Report 2014-15*.

# GOVERNMENT FINANCIAL ESTIMATES

Tables A1.2 to A1.13 provide details of the Income Statements, Balance Sheets and Cash Flow Statements for the PNFC Sector, TNFP Sector, PFC Sector and Total State Sector respectively.

**Table A1.2: Public Non-Financial Corporations Sector Income Statement**

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Revenue from Transactions</b>					
Grants	144.7	175.1	185.9	150.8	138.7
Sales of Goods and Services	2 882.5	2 645.1	2 799.0	2 877.1	3 001.6
Interest Income	9.6	8.6	7.9	7.9	8.2
Other Revenue	65.7	60.0	60.1	61.4	62.3
	<b>3 102.5</b>	<b>2 888.7</b>	<b>3 052.9</b>	<b>3 097.1</b>	<b>3 210.8</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	356.7	365.3	375.9	390.0	398.2
Superannuation	33.9	32.2	32.5	32.9	32.6
Depreciation	318.7	319.4	302.7	310.0	317.0
Supplies and Consumables	1 858.7	1 686.8	1 770.2	1 858.8	1 963.8
Nominal Superannuation Interest Expense	28.0	29.9	30.6	31.3	31.9
Borrowing Costs	188.7	189.0	185.9	173.6	172.3
Dividend and Income Tax Equivalent Expenses	204.8	163.2	171.7	208.6	205.8
Grant Expenses	36.8	36.8	35.0	33.2	31.6
Other Expenses	72.7	66.8	65.2	61.2	55.9
	<b>3 099.0</b>	<b>2 889.4</b>	<b>2 969.7</b>	<b>3 099.5</b>	<b>3 209.1</b>
<b>Equals NET OPERATING BALANCE</b>	<b>3.5</b>	<b>(0.7)</b>	<b>83.2</b>	<b>(2.4)</b>	<b>1.6</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Movement in Superannuation Liability	(50.5)	....	....	....	....
Other Gains/(Losses)	(115.6)	(27.0)	(107.8)	(26.3)	(1.2)
	<b>(166.1)</b>	<b>(27.0)</b>	<b>(107.8)</b>	<b>(26.3)</b>	<b>(1.2)</b>
<b>Equals Operating Result</b>	<b>(162.6)</b>	<b>(27.7)</b>	<b>(24.5)</b>	<b>(28.6)</b>	<b>0.4</b>

Table A1.2: Public Non-Financial Corporations Sector Income Statement (continued)

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	(310.0)	(21.7)	1.4	51.9	54.2
Other Non-Owner Movements in Equity	385.3	117.9	54.2	12.7	8.4
	<b>75.2</b>	<b>96.2</b>	<b>55.7</b>	<b>64.6</b>	<b>62.6</b>
<b>Equals Comprehensive Result</b>	<b>(87.3)</b>	<b>68.5</b>	<b>31.1</b>	<b>36.0</b>	<b>62.9</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>3.5</b>	<b>(0.7)</b>	<b>83.2</b>	<b>(2.4)</b>	<b>1.6</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets	390.9	507.4	433.0	397.0	362.8
Less Sale of Non-Financial Assets	1.3	4.3	....	0.2	0.1
Less Depreciation	318.7	319.4	302.7	310.0	317.0
	<b>70.9</b>	<b>183.7</b>	<b>130.2</b>	<b>86.7</b>	<b>45.7</b>
<b>Equals FISCAL BALANCE</b>	<b>(67.4)</b>	<b>(184.4)</b>	<b>(47.0)</b>	<b>(89.1)</b>	<b>(44.1)</b>

**Table A1.3 Public Non-Financial Corporations Sector Balance Sheet as at 30 June**

	2015 Estimated Outcome \$m	2016 Budget \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	237.7	197.2	190.9	206.4	200.7
Investments	15.2	14.6	14.0	13.5	13.1
Other Equity Investments	81.3	79.8	78.1	76.8	76.0
Receivables	513.3	507.1	503.6	494.4	490.3
Other Financial Assets	863.0	879.4	875.8	874.3	874.5
	<b>1 710.6</b>	<b>1 678.0</b>	<b>1 662.3</b>	<b>1 665.5</b>	<b>1 654.5</b>
<b>Non-Financial Assets</b>					
Land and Buildings	215.1	216.1	215.0	213.9	212.7
Infrastructure	7 334.2	7 418.1	7 470.8	7 562.3	7 654.6
Plant and Equipment	308.5	325.4	339.6	355.9	361.3
Biological Assets	89.9	108.8	108.8	108.8	108.8
Investment Property	0.6	0.6	0.6	0.6	0.6
Intangibles	50.0	52.2	55.1	58.6	62.4
Other Non-Financial Assets	125.1	247.5	237.4	195.6	195.3
	<b>8 123.4</b>	<b>8 368.6</b>	<b>8 427.2</b>	<b>8 495.7</b>	<b>8 595.6</b>
<b>Total Assets</b>	<b>9 833.9</b>	<b>10 046.7</b>	<b>10 089.5</b>	<b>10 161.2</b>	<b>10 250.1</b>
<b>Liabilities</b>					
Borrowings	2 542.4	2 664.0	2 641.1	2 663.9	2 651.1
Superannuation	552.2	566.0	578.6	589.9	599.6
Employee Entitlements	109.1	110.7	111.3	113.5	114.4
Payables	451.9	432.7	431.8	428.7	425.7
Other Liabilities	2 246.0	2 221.2	2 213.6	2 193.6	2 202.3
<b>Total Liabilities</b>	<b>5 901.7</b>	<b>5 994.6</b>	<b>5 976.4</b>	<b>5 989.6</b>	<b>5 993.1</b>
<b>NET ASSETS</b>	<b>3 932.2</b>	<b>4 052.1</b>	<b>4 113.2</b>	<b>4 171.6</b>	<b>4 257.0</b>
<b>Equity</b>					
Accumulated Funds	1 504.4	1 449.4	1 398.4	1 384.9	1 387.6
Asset Revaluation Reserve	587.4	565.8	567.2	619.1	673.3
Other Equity	1 840.3	2 036.9	2 147.5	2 167.5	2 196.1
<b>Total Equity</b>	<b>3 932.2</b>	<b>4 052.1</b>	<b>4 113.2</b>	<b>4 171.6</b>	<b>4 257.0</b>

Table A1.3: Public Non-Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2015 Estimated Outcome \$m	2016 Budget \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET WORTH<sup>1</sup></b>	3 932.2	4 052.1	4 113.2	4 171.6	4 257.0
<b>NET FINANCIAL WORTH<sup>2</sup></b>	(4 191.2)	(4 316.6)	(4 314.1)	(4 324.1)	(4 338.6)
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	4 191.2	4 316.6	4 314.1	4 324.1	4 338.6
<b>NET DEBT<sup>4</sup></b>	2 289.5	2 452.2	2 436.3	2 444.0	2 437.3

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 A1.4: Public Non-Financial Corporations Sector Cash Flow Statement

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Received from Operating Activities</b>					
Grants Received	147.8	178.5	189.3	154.0	141.8
Sales of Goods and Services	2 867.6	2 621.9	2 768.7	2 856.3	2 974.1
Interest Received	9.3	8.4	7.8	7.8	8.2
Other Receipts	139.0	139.6	142.3	135.5	134.1
	<b>3 163.8</b>	<b>2 948.5</b>	<b>3 108.0</b>	<b>3 153.6</b>	<b>3 258.1</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(376.9)	(385.3)	(394.5)	(410.7)	(416.8)
Superannuation	(82.5)	(84.3)	(84.8)	(86.0)	(86.0)
Supplies and Consumables	(1 842.6)	(1 648.8)	(1 720.0)	(1 770.4)	(1 919.4)
Borrowing Costs	(152.7)	(168.3)	(160.5)	(148.1)	(146.6)
Grants and Subsidies Paid	(38.6)	(36.8)	(35.0)	(33.2)	(31.6)
Other Payments	(146.6)	(165.3)	(141.8)	(128.8)	(117.7)
	<b>(2 639.9)</b>	<b>(2 488.8)</b>	<b>(2 536.6)</b>	<b>(2 577.2)</b>	<b>(2 718.1)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>523.9</b>	<b>459.7</b>	<b>571.4</b>	<b>576.4</b>	<b>540.0</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchases of Non-Financial Assets	(390.9)	(507.4)	(433.0)	(397.0)	(362.8)
Sales of Non-Financial Assets	1.3	4.3	....	0.2	0.1
	<b>(389.6)</b>	<b>(503.1)</b>	<b>(433.0)</b>	<b>(396.8)</b>	<b>(362.7)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	23.4	51.4	30.0	22.5	22.5
	<b>23.4</b>	<b>51.4</b>	<b>30.0</b>	<b>22.5</b>	<b>22.5</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>					
Net Purchase of Investments	2.6	2.2	2.3	1.8	1.2
	<b>2.6</b>	<b>2.2</b>	<b>2.3</b>	<b>1.8</b>	<b>1.2</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(363.7)</b>	<b>(449.5)</b>	<b>(400.7)</b>	<b>(372.5)</b>	<b>(339.0)</b>

Table A1.4: Public Non-Financial Corporations Sector Cash Flow Statement (continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Financing Activities</b>					
Net Borrowing	179.6	121.6	(22.9)	22.8	(12.8)
Dividends and Tax Equivalents Paid	(360.9)	(172.2)	(154.2)	(211.1)	(193.9)
<b>Net Cash Flows from Financing Activities</b>	<b>(181.3)</b>	<b>(50.7)</b>	<b>(177.1)</b>	<b>(188.3)</b>	<b>(206.8)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(21.1)</b>	<b>(40.5)</b>	<b>(6.3)</b>	<b>15.6</b>	<b>(5.8)</b>
<b>Cash at Beginning of the Year</b>	<b>258.9</b>	<b>237.7</b>	<b>197.2</b>	<b>190.9</b>	<b>206.4</b>
<b>Cash at End of the Year</b>	<b>237.7</b>	<b>197.2</b>	<b>190.9</b>	<b>206.4</b>	<b>200.7</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	523.9	459.7	571.4	576.4	540.0
Plus Net Cash Flows from Non-Financial Assets	(389.6)	(503.1)	(433.0)	(396.8)	(362.7)
Plus Dividends and Tax Equivalents Paid	(360.9)	(172.2)	(154.2)	(211.1)	(193.9)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(226.6)</b>	<b>(215.7)</b>	<b>(15.7)</b>	<b>(31.5)</b>	<b>(16.7)</b>

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

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Revenue from Transactions</b>					
Grants	3 094.3	3 453.3	3 530.4	3 558.4	3 736.7
Taxation	953.3	982.5	999.1	1 019.2	1 039.8
Sales of Goods and Services	3 206.0	2 969.3	3 120.6	3 206.2	3 336.1
Fines and Regulatory Fees	92.9	96.1	97.8	91.7	86.6
Interest Income	27.8	25.2	24.3	27.1	28.7
Dividend, Tax and Rate Equivalent Income	164.3	50.2	47.0	46.8	36.0
Other Revenue	216.3	203.3	200.5	201.1	206.3
	<b>7 755.0</b>	<b>7 780.2</b>	<b>8 019.7</b>	<b>8 150.7</b>	<b>8 470.1</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	2 549.9	2 602.6	2 606.0	2 661.1	2 715.6
Superannuation	323.2	294.0	295.5	297.1	298.9
Depreciation	606.0	604.7	596.9	622.5	636.7
Supplies and Consumables	2 878.6	2 712.3	2 799.1	2 904.8	3 005.8
Nominal Superannuation Interest Expense	296.2	315.6	323.3	330.4	336.6
Borrowing Costs	175.2	176.7	175.9	166.8	165.3
Grant Expenses	1 018.9	1 062.3	974.1	1 024.1	1 076.5
Other Expenses	89.6	71.3	64.2	58.3	50.7
	<b>7 937.6</b>	<b>7 839.4</b>	<b>7 835.0</b>	<b>8 065.1</b>	<b>8 286.1</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(182.6)</b>	<b>(59.2)</b>	<b>184.7</b>	<b>85.6</b>	<b>184.0</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	16.0	11.1	10.7	10.8	10.8
Movement in Investments in GBEs and SOCs	(61.4)	(9.6)	(5.3)	(2.6)	10.4
Movement in Superannuation Liability	1 364.2	....	....	....	....
Other Gains/(Losses)	(315.7)	(60.9)	(113.5)	(23.7)	(5.8)
	<b>1 003.0</b>	<b>(59.3)</b>	<b>(108.1)</b>	<b>(15.6)</b>	<b>15.3</b>
<b>Equals Operating Result</b>	<b>820.4</b>	<b>(118.6)</b>	<b>76.6</b>	<b>70.0</b>	<b>199.4</b>

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

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	(35.2)	268.5	317.7	354.5	358.5
Other Flows	372.4	121.7	58.0	4.3	....
	<b>337.2</b>	<b>390.1</b>	<b>375.7</b>	<b>358.8</b>	<b>358.5</b>
<b>Equals Comprehensive Result</b>	<b>1 157.6</b>	<b>271.6</b>	<b>452.3</b>	<b>428.8</b>	<b>557.9</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(182.6)</b>	<b>(59.2)</b>	<b>184.7</b>	<b>85.6</b>	<b>184.0</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets	681.4	921.4	985.0	846.1	787.7
Less Sale of Non-Financial Assets	41.8	34.5	29.5	30.3	29.8
Less Depreciation	606.0	604.7	596.9	622.5	636.7
	<b>33.6</b>	<b>282.2</b>	<b>358.7</b>	<b>193.3</b>	<b>121.2</b>
<b>Equals FISCAL BALANCE</b>	<b>(216.3)</b>	<b>(341.5)</b>	<b>(174.0)</b>	<b>(107.7)</b>	<b>62.8</b>

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

	2015 Estimated Outcome \$m	2016 Budget \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	1 374.2	1 086.5	888.9	914.3	878.8
Investments	77.4	79.1	80.3	81.7	83.6
Equity Investment in PFC Sector	472.5	463.0	457.6	455.0	465.4
Other Equity Investments	99.0	99.7	98.5	97.7	97.2
Receivables	848.0	838.5	830.0	817.6	811.1
Other Financial Assets	812.8	810.1	813.2	807.1	802.9
	<b>3 684.0</b>	<b>3 376.9</b>	<b>3 168.5</b>	<b>3 173.4</b>	<b>3 138.9</b>
<b>Non-Financial Assets</b>					
Land and Buildings	6 015.1	6 185.3	6 496.7	6 718.0	6 839.0
Infrastructure	11 783.5	12 087.0	12 387.0	12 677.8	13 034.7
Plant and Equipment	554.8	578.9	582.9	593.2	599.2
Heritage and Cultural Assets	478.5	490.6	502.8	515.0	527.2
Biological Assets	89.9	108.8	108.8	108.8	108.8
Investment Property	19.2	19.6	19.8	20.1	20.4
Intangibles	95.0	97.6	101.5	103.4	104.1
Assets Held for Sale	7.9	7.0	6.0	5.1	4.1
Other Non-Financial Assets	155.8	278.1	267.9	224.0	224.2
	<b>19 199.7</b>	<b>19 852.8</b>	<b>20 473.5</b>	<b>20 965.4</b>	<b>21 461.8</b>
<b>Total Assets</b>	<b>22 883.7</b>	<b>23 229.8</b>	<b>23 642.0</b>	<b>24 138.8</b>	<b>24 600.7</b>
<b>Liabilities</b>					
Borrowings	3 377.0	3 365.3	3 191.4	3 134.0	2 906.8
Superannuation	5 890.6	6 036.4	6 170.6	6 291.3	6 394.8
Employee Entitlements	688.0	660.6	678.7	698.3	726.4
Payables	563.5	541.2	541.3	540.1	537.7
Other Liabilities	1 877.0	1 867.1	1 848.4	1 834.6	1 836.7
<b>Total Liabilities</b>	<b>12 396.1</b>	<b>12 470.6</b>	<b>12 430.5</b>	<b>12 498.4</b>	<b>12 402.5</b>
<b>NET ASSETS</b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

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

	2015	2016	2017	2018	2019
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated Funds	5 143.2	5 146.3	5 281.0	5 355.3	5 554.7
Asset Revaluation Reserve	5 344.4	5 612.8	5 930.6	6 285.0	6 643.5
<b>Total Equity</b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

**KEY FISCAL AGGREGATES**

<b>NET WORTH<sup>1</sup></b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(8 712.1)</b>	<b>(9 093.6)</b>	<b>(9 262.0)</b>	<b>(9 325.0)</b>	<b>(9 263.6)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>9 184.7</b>	<b>9 556.6</b>	<b>9 719.6</b>	<b>9 780.0</b>	<b>9 728.9</b>
<b>NET DEBT<sup>4</sup></b>	<b>1 925.4</b>	<b>2 199.6</b>	<b>2 222.1</b>	<b>2 138.0</b>	<b>1 944.5</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 A1.7: Total Non-Financial Public Sector Cash Flow Statement**

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Receipts from Operating Activities</b>					
Grants Received	3 095.2	3 455.6	3 533.8	3 561.6	3 739.8
Taxation	953.5	982.6	999.4	1 019.6	1 039.8
Sales of Goods and Services	3 197.0	2 944.8	3 090.3	3 183.6	3 305.7
Fines and Regulatory Fees	92.9	96.1	97.8	91.7	86.6
Interest Received	27.7	25.1	24.2	27.1	28.7
Dividend, Tax and Rate Equivalents	216.0	52.8	49.8	53.6	37.8
Other Receipts	458.9	452.8	454.8	449.4	454.2
	<b>8 041.3</b>	<b>8 009.8</b>	<b>8 250.1</b>	<b>8 386.7</b>	<b>8 692.7</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(2 564.7)	(2 646.3)	(2 611.9)	(2 669.9)	(2 716.3)
Superannuation	(509.7)	(502.4)	(511.9)	(531.9)	(551.4)
Supplies and Consumables	(2 879.8)	(2 691.9)	(2 763.2)	(2 827.8)	(2 976.5)
Borrowing Costs	(139.3)	(156.0)	(150.4)	(141.3)	(139.8)
Grants and Subsidies Paid	(1 021.1)	(1 062.3)	(974.1)	(1 024.0)	(1 076.5)
Other Payments	(331.3)	(339.7)	(312.9)	(299.7)	(288.4)
	<b>(7 445.9)</b>	<b>(7 398.6)</b>	<b>(7 324.3)</b>	<b>(7 494.7)</b>	<b>(7 748.8)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>595.4</b>	<b>611.3</b>	<b>925.8</b>	<b>892.0</b>	<b>943.9</b>
<b>Cash flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchases of Non-Financial Assets	(681.0)	(917.8)	(979.0)	(839.1)	(780.6)
Sales of Non-Financial Assets	46.0	34.5	29.5	30.3	29.8
	<b>(635.0)</b>	<b>(883.4)</b>	<b>(949.5)</b>	<b>(808.8)</b>	<b>(750.9)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	(6.8)	(2.3)	(0.4)	(0.4)	(0.4)
Net Advances Paid	(13.8)	(2.0)	(2.0)	(2.0)	(2.2)
	<b>(20.6)</b>	<b>(4.3)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.6)</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>					
Net Purchase of Investments	2.6	2.2	2.3	1.8	1.2
	<b>2.6</b>	<b>2.2</b>	<b>2.3</b>	<b>1.8</b>	<b>1.2</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(653.0)</b>	<b>(885.4)</b>	<b>(949.6)</b>	<b>(809.4)</b>	<b>(752.2)</b>

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

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Financing Activities</b>					
Net Borrowings	(135.6)	(13.4)	(173.8)	(57.2)	(227.2)
<b>Net Cash Flows from Financing Activities</b>	<b>(135.6)</b>	<b>(13.4)</b>	<b>(173.8)</b>	<b>(57.2)</b>	<b>(227.2)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(193.2)</b>	<b>(287.6)</b>	<b>(197.6)</b>	<b>25.4</b>	<b>(35.5)</b>
<b>Cash at Beginning of the Year</b>	<b>1 567.4</b>	<b>1 374.2</b>	<b>1 086.5</b>	<b>888.9</b>	<b>914.3</b>
<b>Cash at End of the Year</b>	<b>1 374.2</b>	<b>1 086.5</b>	<b>888.9</b>	<b>914.3</b>	<b>878.8</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	595.4	611.3	925.8	892.0	943.9
Plus Net Cash Flows from Non-Financial Assets	(635.0)	(883.4)	(949.5)	(808.8)	(750.9)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(39.6)</b>	<b>(272.1)</b>	<b>(23.7)</b>	<b>83.2</b>	<b>193.0</b>

**Table A1.8: Public Financial Corporations Sector Income Statement**

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Revenue from Transactions</b>					
Sales of Goods and Services	134.1	136.4	142.9	150.1	157.7
Interest Income	284.5	289.7	306.5	269.9	292.3
Dividend, Tax and Rate Equivalent Income	37.5	39.1	40.9	42.9	45.4
Other Revenue	2.9	3.9	2.0	2.0	2.0
	<b>459.0</b>	<b>469.1</b>	<b>492.3</b>	<b>464.9</b>	<b>497.4</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	5.3	5.3	5.4	5.6	5.7
Superannuation	0.8	0.8	0.9	0.9	0.9
Depreciation	0.3	0.3	0.3	0.3	0.3
Supplies and Consumables	186.2	176.9	181.8	190.5	199.8
Borrowing Costs	251.2	258.1	276.1	239.4	259.1
Dividend and Income Tax Equivalent Expenses	164.3	50.2	47.0	46.8	35.9
Grant Expenses	5.5	4.8	4.9	5.1	5.3
Other Expenses	0.3	0.3	0.3	0.3	0.3
	<b>613.9</b>	<b>496.7</b>	<b>516.7</b>	<b>488.9</b>	<b>507.2</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(154.9)</b>	<b>(27.6)</b>	<b>(24.4)</b>	<b>(24.0)</b>	<b>(9.8)</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Other Gains/(Losses)	185.7	50.4	51.3	53.3	54.6
	<b>185.5</b>	<b>50.3</b>	<b>51.2</b>	<b>53.2</b>	<b>54.5</b>
<b>Equals Operating Result</b>	<b>30.6</b>	<b>22.6</b>	<b>26.8</b>	<b>29.2</b>	<b>44.7</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Other Flows	(92.0)	(32.2)	(32.2)	(31.9)	(34.3)
	<b>(92.0)</b>	<b>(32.2)</b>	<b>(32.2)</b>	<b>(31.9)</b>	<b>(34.3)</b>
<b>Equals Comprehensive Result</b>	<b>(61.4)</b>	<b>(9.6)</b>	<b>(5.3)</b>	<b>(2.6)</b>	<b>10.4</b>

Table A1.8: Public Financial Corporations Sector Income Statement  
(continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(154.9)</b>	<b>(27.6)</b>	<b>(24.4)</b>	<b>(24.0)</b>	<b>(9.8)</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets	0.4	1.3	0.5	0.5	0.5
Less Sale of Non-Financial Assets	....	0.1	0.1	0.1	0.1
Less Depreciation	0.3	0.3	0.3	0.3	0.3
	<b>0.1</b>	<b>1.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
<b>Equals FISCAL BALANCE</b>	<b>(155.0)</b>	<b>(28.7)</b>	<b>(24.6)</b>	<b>(24.2)</b>	<b>(9.9)</b>

Table A1.9: Public Financial Corporations Sector Balance Sheet as at 30 June

	2015 Estimated Outcome \$m	2016 Budget \$m	2017 Forward Estimate \$m	2018 Forward Estimate \$m	2019 Forward Estimate \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	285.9	298.0	312.2	327.0	346.1
Investments	7 334.0	7 210.4	7 424.5	6 823.1	7 229.2
Receivables	25.9	26.9	25.9	24.9	23.9
Other Financial Assets	165.0	156.5	153.8	156.0	154.7
	<b>7 810.9</b>	<b>7 691.8</b>	<b>7 916.3</b>	<b>7 331.0</b>	<b>7 753.8</b>
<b>Non-Financial Assets</b>					
Plant and Equipment	0.9	1.1	1.2	1.4	1.6
Investment Property	14.6	14.6	14.6	14.6	14.6
Intangibles	0.3	0.2	0.1	0.1	0.1
	<b>15.7</b>	<b>15.8</b>	<b>16.0</b>	<b>16.1</b>	<b>16.3</b>
<b>Total Assets</b>	<b>7 826.6</b>	<b>7 707.7</b>	<b>7 932.3</b>	<b>7 347.1</b>	<b>7 770.1</b>
<b>Liabilities</b>					
Borrowings	6 224.1	6 048.6	6 202.0	5 537.2	5 861.3
Superannuation	5.3	5.6	6.0	6.4	6.7
Employee Entitlements	1.1	1.1	1.1	1.1	1.1
Payables	2.2	2.3	2.3	2.3	2.3
Other Liabilities	1 121.3	1 187.1	1 263.3	1 345.2	1 433.3
<b>Total Liabilities</b>	<b>7 354.1</b>	<b>7 244.7</b>	<b>7 474.7</b>	<b>6 892.2</b>	<b>7 304.8</b>
<b>NET ASSETS</b>	<b>472.5</b>	<b>463.0</b>	<b>457.6</b>	<b>455.0</b>	<b>465.4</b>
<b>Equity</b>					
Accumulated Funds	462.5	453.0	447.6	445.0	455.4
Other Equity	10.0	10.0	10.0	10.0	10.0
<b>Total Equity</b>	<b>472.5</b>	<b>463.0</b>	<b>457.6</b>	<b>455.0</b>	<b>465.4</b>

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

	2015 Estimated Outcome	2016 Budget	2017 Forward Estimate	2018 Forward Estimate	2019 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET WORTH<sup>1</sup></b>	472.5	463.0	457.6	455.0	465.4
<b>NET FINANCIAL WORTH<sup>2</sup></b>	456.8	447.1	441.6	438.8	449.1
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	(456.8)	(447.1)	(441.6)	(438.8)	(449.1)
<b>NET DEBT<sup>4</sup></b>	(1 395.9)	(1 459.9)	(1 534.7)	(1 612.9)	(1 714.0)

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 A1.10: Public Financial Corporations Sector Cash Flow Statement

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 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	150.4	155.1	162.9	171.0	179.4
Interest Received	284.5	289.7	306.5	269.9	292.3
Dividend, Tax and Rate Equivalent Income	37.5	39.1	40.9	42.9	45.4
Other Receipts	0.6	0.7	0.7	0.7	0.7
	<b>473.1</b>	<b>484.6</b>	<b>511.0</b>	<b>484.5</b>	<b>517.8</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(5.6)	(5.5)	(5.7)	(5.8)	(5.9)
Superannuation	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Supplies and Consumables	(115.3)	(120.7)	(124.9)	(129.5)	(135.5)
Borrowing Costs	(251.2)	(258.1)	(276.1)	(239.4)	(259.1)
Grants and Subsidies Paid	(4.0)	(6.1)	(5.4)	(5.6)	(5.8)
Other Payments	(5.7)	(6.6)	(7.2)	(7.6)	(8.0)
	<b>(382.3)</b>	<b>(397.5)</b>	<b>(419.6)</b>	<b>(388.4)</b>	<b>(414.7)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>90.8</b>	<b>87.1</b>	<b>91.4</b>	<b>96.1</b>	<b>103.1</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchases of Non-Financial Assets	(0.4)	(1.3)	(0.5)	(0.5)	(0.5)
Sales of Non-Financial Assets	....	0.1	0.1	0.1	0.1
	<b>(0.4)</b>	<b>(1.3)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.4)</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>					
Net Purchase of Investments	974.7	154.6	(180.4)	637.5	(369.8)
	<b>974.7</b>	<b>154.6</b>	<b>(180.4)</b>	<b>637.5</b>	<b>(369.8)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>974.3</b>	<b>153.3</b>	<b>(180.8)</b>	<b>637.1</b>	<b>(370.3)</b>

Table A1.10: Public Financial Corporations Sector Cash Flow Statement (continued)

	2014-15 Estimated Outcome	2015-16 Budget	2016-17 Forward Estimate	2017-18 Forward Estimate	2018-19 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Cash Flows from Financing Activities</b>					
Net Borrowing	(852.9)	(175.6)	153.4	(664.8)	324.1
Dividends and Tax Equivalents Paid	(216.0)	(52.8)	(49.8)	(53.6)	(37.8)
<b>Net Cash Flows from Financing Activities</b>	<b>(1 068.9)</b>	<b>(228.3)</b>	<b>103.6</b>	<b>(718.4)</b>	<b>286.2</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(3.8)</b>	<b>12.1</b>	<b>14.1</b>	<b>14.8</b>	<b>19.1</b>
<b>Cash at Beginning of the Year</b>	<b>289.8</b>	<b>285.9</b>	<b>298.0</b>	<b>312.2</b>	<b>327.0</b>
<b>Cash at End of the Year</b>	<b>285.9</b>	<b>298.0</b>	<b>312.2</b>	<b>327.0</b>	<b>346.1</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	90.8	87.1	91.4	96.1	103.1
Plus Net Cash Flows from Non-Financial Assets	(0.4)	(1.3)	(0.5)	(0.5)	(0.4)
Plus Dividends and Tax Equivalents Paid	(216.0)	(52.8)	(49.8)	(53.6)	(37.8)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(125.6)</b>	<b>33.0</b>	<b>41.1</b>	<b>42.0</b>	<b>64.9</b>

Table A1.11: Total State Sector Income Statement

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Revenue from Transactions</b>					
Grants	3 094.3	3 453.3	3 530.4	3 558.4	3 736.7
Taxation	953.1	982.3	998.8	1 018.9	1 039.5
Sales of Goods and Services	3 340.2	3 105.7	3 263.5	3 356.4	3 493.7
Fines and Regulatory Fees	92.9	96.1	97.8	91.7	86.6
Interest Income	134.3	138.0	155.6	128.1	152.0
Dividend, Tax and Rate Equivalent Income	37.5	39.1	40.9	42.9	45.5
Other Revenue	219.2	207.3	202.5	203.2	208.3
	<b>7 871.4</b>	<b>8 021.8</b>	<b>8 289.5</b>	<b>8 399.5</b>	<b>8 762.4</b>
<b>Less Expenses from Transactions</b>					
Employee Expenses	2 555.2	2 607.9	2 611.4	2 666.7	2 721.3
Superannuation	324.0	294.8	296.4	298.0	299.8
Depreciation	606.2	605.0	597.1	622.8	637.0
Supplies and Consumables	3 064.9	2 889.2	2 981.0	3 095.3	3 205.6
Nominal Superannuation Interest Expense	296.2	315.6	323.3	330.4	336.6
Borrowing Costs	248.4	257.9	276.8	237.3	255.4
Grant Expenses	1 024.4	1 067.1	979.1	1 029.2	1 081.8
Other Expenses	89.6	71.3	64.2	58.3	50.7
	<b>8 208.9</b>	<b>8 108.7</b>	<b>8 129.3</b>	<b>8 337.9</b>	<b>8 588.1</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(337.5)</b>	<b>(86.9)</b>	<b>160.3</b>	<b>61.6</b>	<b>174.2</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>					
Gain/(Loss) on Sale of Non-Financial Assets	15.8	11.0	10.6	10.7	10.7
Movement in Superannuation Liability	1 364.2	....	....	....	....
Other Gains/(Losses)	(180.9)	(23.7)	(74.7)	17.0	36.9
	<b>1 199.1</b>	<b>(12.7)</b>	<b>(64.1)</b>	<b>27.6</b>	<b>47.5</b>
<b>Equals Operating Result</b>	<b>861.6</b>	<b>(99.5)</b>	<b>96.2</b>	<b>89.2</b>	<b>221.8</b>
<b>Plus Other Economic Flows - Other Movements in Equity</b>					
Revaluations of Non-Financial Assets	(35.2)	268.5	317.7	354.5	358.5
Other Flows	331.2	102.7	38.4	(14.9)	(22.4)
	<b>296.0</b>	<b>371.1</b>	<b>356.1</b>	<b>339.6</b>	<b>336.1</b>
<b>Equals Comprehensive Result</b>	<b>1 157.6</b>	<b>271.6</b>	<b>452.3</b>	<b>428.8</b>	<b>557.9</b>

Table A1.11: Total State Sector Income Statement (continued)

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>KEY FISCAL AGGREGATES</b>					
<b>NET OPERATING BALANCE</b>	<b>(337.5)</b>	<b>(86.9)</b>	<b>160.3</b>	<b>61.6</b>	<b>174.2</b>
<b>Less Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets	681.9	922.8	985.5	846.6	788.1
Less Sale of Non-Financial Assets	41.9	34.5	29.6	30.3	29.8
Less Depreciation	606.2	605.0	597.1	622.8	637.0
	<b>33.8</b>	<b>283.3</b>	<b>358.8</b>	<b>193.5</b>	<b>121.4</b>
<b>Equals FISCAL BALANCE</b>	<b>(371.3)</b>	<b>(370.1)</b>	<b>(198.6)</b>	<b>(131.9)</b>	<b>52.9</b>

Table A1.12: Total State Sector Balance Sheet as at 30 June

	2015	2016	2017	2018	2019
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Deposits	285.9	298.0	312.2	327.0	346.1
Investments	4 247.4	4 130.0	4 512.4	3 962.6	4 587.9
Other Equity Investments	99.0	99.7	98.5	97.7	97.2
Receivables	873.9	865.4	855.8	842.5	835.1
Other Financial Assets	948.0	939.3	934.9	924.5	910.8
	<b>6 454.2</b>	<b>6 332.4</b>	<b>6 713.8</b>	<b>6 154.2</b>	<b>6 777.0</b>
<b>Non-Financial Assets</b>					
Land and Buildings	6 015.1	6 185.3	6 496.7	6 718.0	6 839.0
Infrastructure	11 783.5	12 087.0	12 387.0	12 677.8	13 034.7
Plant and Equipment	555.7	579.9	584.2	594.7	600.9
Heritage and Cultural Assets	478.5	490.6	502.8	515.0	527.2
Biological Assets	89.9	108.8	108.8	108.8	108.8
Investment Property	33.8	34.2	34.5	34.7	35.0
Intangibles	95.2	97.8	101.6	103.5	104.2
Assets Held for Sale	7.9	7.0	6.0	5.1	4.1
Other Non-Financial Assets	155.8	278.1	267.9	224.0	224.2
	<b>19 215.5</b>	<b>19 868.7</b>	<b>20 489.5</b>	<b>20 981.5</b>	<b>21 478.1</b>
<b>Total Assets</b>	<b>25 669.7</b>	<b>26 201.1</b>	<b>27 203.2</b>	<b>27 135.7</b>	<b>28 255.1</b>
<b>Liabilities</b>					
Borrowings	5 062.8	5 167.8	5 512.0	4 814.6	5 164.5
Superannuation	5 895.9	6 042.1	6 176.6	6 297.7	6 401.5
Employee Entitlements	689.1	661.6	679.8	699.4	727.6
Payables	565.7	543.5	543.7	542.4	540.0
Other Liabilities	2 968.5	3 026.9	3 079.6	3 141.2	3 223.3
<b>Total Liabilities</b>	<b>15 182.0</b>	<b>15 441.9</b>	<b>15 991.7</b>	<b>15 495.3</b>	<b>16 056.9</b>
<b>NET ASSETS</b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

Table A1.12: Total State Sector Balance Sheet as at 30 June  
(continued)

	2015	2016	2017	2018	2019
	Estimated		Forward	Forward	Forward
	Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Equity</b>					
Accumulated Funds	5 133.2	5 136.3	5 271.0	5 345.3	5 544.7
Asset Revaluation Reserve	5 344.4	5 612.8	5 930.6	6 285.0	6 643.5
Other Equity	10.0	10.0	10.0	10.0	10.0
<b>Total Equity</b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>

**KEY FISCAL AGGREGATES**

<b>NET WORTH<sup>1</sup></b>	<b>10 487.6</b>	<b>10 759.2</b>	<b>11 211.5</b>	<b>11 640.3</b>	<b>12 198.2</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(8 727.8)</b>	<b>(9 109.5)</b>	<b>(9 277.9)</b>	<b>(9 341.2)</b>	<b>(9 279.9)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>8 727.8</b>	<b>9 109.5</b>	<b>9 277.9</b>	<b>9 341.2</b>	<b>9 279.9</b>
<b>NET DEBT<sup>4</sup></b>	<b>529.5</b>	<b>739.7</b>	<b>687.4</b>	<b>525.1</b>	<b>230.5</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 A1.13: Total State Sector Cash Flow Statement

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Cash Flows from Operating Activities</b>					
<b>Cash Receipts from Operating Activities</b>					
Grants Received	3 095.2	3 455.6	3 533.8	3 561.6	3 739.8
Taxation	953.2	982.3	999.1	1 019.3	1 039.5
Sales of Goods and Services	3 344.3	3 096.8	3 250.0	3 351.4	3 481.8
Fines and Regulatory Fees	92.9	96.1	97.8	91.7	86.6
Interest Received	134.2	137.9	155.5	128.1	152.0
Dividend, Tax and Rate Equivalents	37.5	39.1	40.9	42.9	45.4
Other Receipts	459.6	453.5	455.5	450.1	454.9
	<b>8 117.0</b>	<b>8 261.4</b>	<b>8 532.6</b>	<b>8 645.0</b>	<b>9 000.1</b>
<b>Cash Payments for Operating Activities</b>					
Employee Entitlements	(2 570.3)	(2 651.9)	(2 617.5)	(2 675.7)	(2 722.2)
Superannuation	(510.2)	(502.9)	(512.4)	(532.4)	(552.0)
Supplies and Consumables	(2 992.0)	(2 809.5)	(2 884.9)	(2 954.1)	(3 108.7)
Borrowing Costs	(212.5)	(237.2)	(251.4)	(211.8)	(229.9)
Grants and Subsidies Paid	(1 025.1)	(1 068.4)	(979.4)	(1 029.6)	(1 082.2)
Other Payments	(336.7)	(346.0)	(319.7)	(307.0)	(296.0)
	<b>(7 646.8)</b>	<b>(7 615.8)</b>	<b>(7 565.3)</b>	<b>(7 710.6)</b>	<b>(7 990.9)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>470.2</b>	<b>645.6</b>	<b>967.4</b>	<b>934.5</b>	<b>1 009.2</b>
<b>Cash Flows from Investing Activities</b>					
<b>Net Cash Flows from Non-Financial Assets</b>					
Purchases of Non-Financial Assets	(681.5)	(919.2)	(979.5)	(839.6)	(781.1)
Sales of Non-Financial Assets	46.1	34.5	29.6	30.3	29.8
	<b>(635.4)</b>	<b>(884.6)</b>	<b>(950.0)</b>	<b>(809.3)</b>	<b>(751.3)</b>
<b>Net Cash Flows from Financial Assets (Policy Purposes)</b>					
Equity Injections	(6.8)	(2.3)	(0.4)	(0.4)	(0.4)
Net Advances Paid	(13.8)	(2.0)	(2.0)	(2.0)	(2.2)
	<b>(20.6)</b>	<b>(4.3)</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.6)</b>
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>					
Net Purchase of Investments	845.4	150.5	(345.0)	589.3	(586.0)
	<b>845.4</b>	<b>150.5</b>	<b>(345.0)</b>	<b>589.3</b>	<b>(586.0)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>189.5</b>	<b>(738.4)</b>	<b>(1 297.4)</b>	<b>(222.4)</b>	<b>(1 339.9)</b>

Table A1.13: Total State Sector Cash Flow Statement (continued)

	2014-15 Estimated Outcome \$m	2015-16 Budget \$m	2016-17 Forward Estimate \$m	2017-18 Forward Estimate \$m	2018-19 Forward Estimate \$m
<b>Cash Flows from Financing Activities</b>					
Net Borrowings	(886.4)	104.9	344.2	(697.3)	349.8
<b>Net Cash Flows from Financing Activities</b>	<b>(886.4)</b>	<b>104.9</b>	<b>344.2</b>	<b>(697.3)</b>	<b>349.8</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(226.7)</b>	<b>12.1</b>	<b>14.1</b>	<b>14.8</b>	<b>19.1</b>
<b>Cash at Beginning of the Year</b>	<b>512.7</b>	<b>285.9</b>	<b>298.0</b>	<b>312.2</b>	<b>327.0</b>
<b>Cash at End of the Year</b>	<b>285.9</b>	<b>298.0</b>	<b>312.2</b>	<b>327.0</b>	<b>346.1</b>
<b>KEY FISCAL AGGREGATES</b>					
Net Cash Flows from Operating Activities	470.2	645.6	967.4	934.5	1 009.2
Plus Net Cash Flows from Non-Financial Assets	(635.4)	(884.6)	(950.0)	(809.3)	(751.3)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(165.2)</b>	<b>(239.1)</b>	<b>17.4</b>	<b>125.2</b>	<b>257.9</b>

**Table A1.14: General Government Expenses from Transactions by Purpose**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</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>
General Public Services	216.1	211.2	194.9	208.0	216.2
Public Order and Safety	470.1	476.9	484.9	498.0	507.8
Education	1 421.5	1 442.1	1 486.1	1 512.3	1 536.7
Health	1 496.2	1 555.5	1 486.6	1 505.3	1 517.8
Social Security and Welfare	416.0	433.0	456.5	500.7	547.9
Housing and Community Amenities	210.3	170.2	165.0	169.6	173.5
Recreation and Culture	201.9	182.3	177.6	180.9	172.0
Fuel and Energy	2.3	2.2	3.7	1.9	1.9
Agriculture, Forestry, Fishing and Hunting	95.9	91.4	79.3	77.3	71.9
Mining and Mineral Resources	6.6	6.2	6.1	6.2	6.4
Transport and Communications	257.9	280.5	276.0	252.9	257.0
Other Economic Affairs	115.7	144.2	105.1	98.3	92.7
Nominal Interest on Superannuation	268.2	285.7	292.7	299.1	304.7
Other Purposes	88.2	85.0	84.6	87.8	88.7
	<b>5 266.8</b>	<b>5 366.3</b>	<b>5 299.0</b>	<b>5 398.3</b>	<b>5 495.2</b>

Table A1.14 presents General Government Expenses from Transactions classified by purpose. This is presented in accordance with the Government Purpose Classification, which is based on the ABS 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 CONSOLIDATED FUND ESTIMATES

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## *Key Issues*

- The annual Budget Estimates are presented on a total resources basis for the General Government Sector. This includes, but is much broader than, the Consolidated Fund estimates presented in this Appendix. For further information on the Tasmanian Government financial management framework see the *Guide to the Budget* that is available on the Department of Treasury and Finance website.
- In 2015-16, it is estimated that the Consolidated Fund Outcome will be a surplus of \$129.1 million.
- Consolidated Fund Outcome projections for 2016-17 to 2018-19 are:
  - 2016-17: \$144.7 million surplus;
  - 2017-18: \$73.7 million surplus; and
  - 2018-19: \$207.9 million surplus.

# INTRODUCTION

This appendix provides information on the 2015-16 Consolidated Fund Budget Estimates and the Consolidated Fund Forward Estimates for the years 2016-17 to 2018-19. The information in this appendix has been prepared on a cash basis, representing receipts into, and payments from, the Consolidated Fund.

# CONSOLIDATED FUND 2015-16 BUDGET AND FORWARD ESTIMATES

Table A2.1 provides a summary of the Consolidated Fund Budget for 2015-16 and the Forward Estimates period.

**Table A2.1: Consolidated Fund Budget and Forward Estimates**

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Receipts<sup>1,2</sup></b>					
<b>Recurrent Receipts</b>					
<b>Australian Government Sources</b>					
General Purpose Payments	1 911.4	2 246.1	2 362.1	2 423.4	2 521.3
Specific Purpose Payments	423.4	467.6	498.1	512.9	517.8
National Partnership Payments	72.1	71.7	71.1	73.7	76.3
Other Grants and Subsidies	0.1	0.1	0.1	0.1	0.1
	<b>2 407.0</b>	<b>2 785.4</b>	<b>2 931.3</b>	<b>3 010.0</b>	<b>3 115.4</b>
<b>State Sources</b>					
Taxation	862.4	904.0	918.4	936.0	954.0
Receipts from Government Businesses <sup>3</sup>	601.8	248.2	224.8	281.9	248.5
Departmental Fees and Recoveries	90.1	91.8	94.5	96.6	98.8
Recoveries of State Debt Charges	0.1	0.1	0.1	0.1	0.1
Sale and Rent of Government Property	5.0	5.0	5.0	5.0	5.0
Resource Rents and Royalties	31.3	32.7	33.4	34.1	34.8
Other Recurrent Receipts <sup>4</sup>	135.0	176.4	140.8	144.7	152.2
	<b>1 725.7</b>	<b>1 458.1</b>	<b>1 416.9</b>	<b>1 498.3</b>	<b>1 493.3</b>
<b>Total Recurrent Receipts</b>	<b>4 132.7</b>	<b>4 243.5</b>	<b>4 348.2</b>	<b>4 508.3</b>	<b>4 608.7</b>
<b>Capital Receipts</b>					
State Sources	3.3	3.5	3.5	3.5	3.5
	<b>3.3</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Total Receipts</b>	<b>4 136.0</b>	<b>4 247.0</b>	<b>4 351.7</b>	<b>4 511.8</b>	<b>4 612.2</b>

Table A2.1: Consolidated Fund Budget and Forward Estimates  
(continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Less Expenditure</b>					
<b>Recurrent Services</b>					
Appropriation Act	3 423.5	3 640.7	3 658.2	3 709.6	3 736.3
Reserved by Law	297.9	315.3	329.1	346.2	360.1
	<b>3 721.3</b>	<b>3 956.1</b>	<b>3 987.2</b>	<b>4 055.8</b>	<b>4 096.4</b>
<b>Works and Services</b>					
Capital Investment Program	159.2	161.9	219.7	382.4	307.9
	<b>159.2</b>	<b>161.9</b>	<b>219.7</b>	<b>382.4</b>	<b>307.9</b>
<b>Total Expenditure</b>	<b>3 880.6</b>	<b>4 118.0</b>	<b>4 207.0</b>	<b>4 438.2</b>	<b>4 404.3</b>
<b>Consolidated Fund Surplus</b>	<b>255.4</b>	<b>129.1</b>	<b>144.7</b>	<b>73.7</b>	<b>207.9</b>

Notes:

1. Refer to chapter 5 of this Budget Paper for more information on General Government Revenue.
2. Classification of Revenue for the purposes of the Consolidated Fund is not consistent with classifications shown in the Statement of Comprehensive Income prepared in accordance with the Uniform Presentation Framework.
3. The decrease in Receipts from Government Businesses in 2015-16 has largely been driven by the decision by the Motor Accidents Insurance Board to remit a Special Dividend in 2014-15, together with a reduction in ordinary Dividends from Hydro Tasmania from 2015-16, driven by lower wholesale electricity prices reflecting the removal of carbon pricing and the softening of demand in the National Electricity Market. In addition, the cash receipts for Income Tax Equivalents are expected to be lower than 2014-15 primarily due to Hydro Tasmania, Tasmanian Networks Pty Ltd and Motor Accidents Insurance Board.
4. The increase in Other Recurrent Receipts in 2015-16 primarily reflects the transfer to the Consolidated Fund of \$38.4 million from the Payroll Provision Account held in the Special Deposit and Trust Fund for funding the 27<sup>th</sup> pay.

# EXPENDITURE

Table A2.2 details Consolidated Fund Expenditure by Agency for the 2015-16 Budget. Table A2.3 details Consolidated Fund Expenditure by Agency over the Forward Estimates period.

**Table A2.2: Consolidated Fund Expenditure by Agency, 2015-16<sup>1</sup>**

Agency	2015-16 Budget				Total
	2014-15	Recurrent	Reserved	Works and	
	Budget	Services	by Law	Services	
	\$m	\$m	\$m	\$m	\$m
Education	1 110.1	1 182.9	....	24.6	1 207.4
Finance-General	494.5	243.3	283.7	....	527.0
Health and Human Services	1 116.6	1 165.0	....	11.1	1 176.1
House of Assembly	7.6	2.5	5.4	....	7.9
Integrity Commission	2.4	2.4	....	....	2.4
Justice	138.0	126.3	14.0	0.5	140.8
Legislative Council	6.4	3.4	3.1	....	6.5
Legislature-General	5.8	6.1	....	....	6.1
Ministerial and Parliamentary Support	17.6	18.2	0.8	....	19.0
Office of the Director of Public Prosecutions	7.1	7.1	0.6	....	7.7
Office of the Governor	3.4	2.9	0.6	....	3.5
Office of the Ombudsman	2.1	2.1	....	....	2.1
Police and Emergency Management	184.3	196.2	....	12.1	208.4
Premier and Cabinet <sup>2</sup>	81.8	59.6	6.4	0.8	66.7
Primary Industries, Parks, Water and Environment <sup>2</sup>	167.8	167.3	....	18.9	186.2
State Growth <sup>2</sup>	469.4	389.1	0.1	90.6	479.8
Tasmanian Audit Office	2.2	1.8	0.6	....	2.3
Tourism Tasmania	24.6	25.9	....	....	25.9
Treasury and Finance	38.8	38.9	....	3.2	42.1
<b>TOTAL EXPENDITURE</b>	<b>3 880.6</b>	<b>3 640.7</b>	<b>315.3</b>	<b>161.9</b>	<b>4 118.0</b>

Notes:

1. For more information relating to agency expenditure, refer to the relevant agency chapter in *Government Services Budget Paper No 2*.
2. As a result of the agency restructure that will take effect from 1 July 2015, 2014-15 Budget estimates have been recast to align with the current agency structure. Therefore, the 2014-15 Budget estimates presented in this Table do not match those presented in the 2014-15 Budget.

Table A2.3: Consolidated Fund Expenditure by Agency - Forward Estimates<sup>1</sup>

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Recurrent Services</b>					
Education	1 093.7	1 182.9	1 211.4	1 249.7	1 273.5
Finance-General	494.5	527.0	525.4	519.7	536.3
Health and Human Services	1 108.7	1 165.0	1 210.0	1 269.6	1 281.2
House of Assembly	7.6	7.9	8.0	8.2	8.3
Integrity Commission	2.4	2.4	2.3	2.3	2.4
Justice	132.0	140.3	138.9	143.9	143.4
Legislative Council	6.4	6.5	6.5	6.7	6.8
Legislature-General	5.8	6.1	6.1	6.2	6.4
Ministerial and Parliamentary Support	17.6	19.0	19.1	19.5	19.9
Office of the Director of Public Prosecutions	7.1	7.7	7.8	8.0	8.1
Office of the Governor	3.4	3.5	3.6	3.7	3.8
Office of the Ombudsman	2.1	2.1	2.0	2.0	2.0
Police and Emergency Management	183.8	196.2	198.5	206.4	210.4
Premier and Cabinet <sup>2</sup>	80.7	66.0	61.5	61.3	58.8
Primary Industries, Parks, Water and Environment <sup>2</sup>	159.3	167.3	167.3	169.6	161.2
State Growth <sup>2</sup>	351.9	389.1	351.2	309.5	304.0
Tasmanian Audit Office	2.2	2.3	2.3	2.4	2.4
Tourism Tasmania	24.6	25.9	26.2	26.7	26.2
Treasury and Finance	37.5	38.9	39.3	40.4	41.4
	<b>3 721.3</b>	<b>3 956.1</b>	<b>3 987.2</b>	<b>4 055.8</b>	<b>4 096.4</b>
<b>Works and Services</b>					
Education	16.5	24.6	49.3	3.9	7.2
Finance-General	....	....	....	....	....
Health and Human Services	7.9	11.1	11.9	186.1	28.5
Justice	6.0	0.5	....	....	....
Police and Emergency Management	0.5	12.1	9.6	....	....
Premier and Cabinet	1.1	0.8	0.3	0.3	0.3
Primary Industries, Parks, Water and Environment	8.5	18.9	7.0	1.3	0.6
State Growth	117.5	90.6	123.1	126.7	128.6
Treasury and Finance	1.3	3.2	3.6	1.5	....
Provision for Future Infrastructure Investment	....	....	15.0	62.6	142.8
	<b>159.2</b>	<b>161.9</b>	<b>219.7</b>	<b>382.4</b>	<b>307.9</b>
	<b>3 880.6</b>	<b>4 118.0</b>	<b>4 207.0</b>	<b>4 438.2</b>	<b>4 404.3</b>

Notes:

1. For more information relating to agency expenditure, refer to the relevant agency chapter in *Government Services Budget Paper No 2*.

2. As a result of the agency restructure that will take effect from 1 July 2015, 2014-15 Budget estimates have been recast to align with the current agency structure. Therefore, the 2014-15 Budget estimates presented in this Table do not match those presented in the 2014-15 Budget.

## 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 A2.4 details Expenditure on Reserved by Law items by agency.

**Table A2.4: Expenditure on Reserved by Law Items**

	2014-15	2015-16	2016-17	2017-18	2018-19
	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
Payments to Municipalities under the <i>Local Government (Rates and Charges Remissions) Act 1991</i>	16.1	16.5	17.1	17.8	18.5
Payments under the <i>Retirement Benefits (Parliamentary Superannuation) Regulations 2012</i>	1.4	1.3	1.2	1.4	1.4
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>	2.3	2.1	2.2	2.2	2.3
Superannuation Benefits Payable under the <i>Retirements Benefits Act 1993</i>	237.1	253.4	266.0	278.7	294.3
Superannuation Benefits Payable under the <i>Solicitor-General Act 1983</i>	0.3	0.3	0.3	0.3	0.3
	<b>267.4</b>	<b>283.7</b>	<b>296.9</b>	<b>310.5</b>	<b>326.9</b>
<b>House of Assembly</b>					
Members' Committee Fees and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> ) <sup>1</sup>	....	....	....	....	....
Parliamentary Salaries and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> )	4.7	4.7	4.8	4.9	5.0
Travelling Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> )	0.7	0.7	0.7	0.7	0.7
	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>	<b>5.6</b>	<b>5.7</b>

Table A2.4: Expenditure on Reserved by Law Items (continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Justice</b>					
Expenses of Aboriginal Land Council of Tasmania Elections ( <i>Aboriginal Lands Act 1995</i> , Section 17) <sup>2</sup>	....	....	....	....	....
Expenses of Parliamentary Elections and Referendums ( <i>Electoral Act 2004</i> and <i>Referendum Procedures Act 2004</i> )	1.2	1.2	1.2	4.3	1.3
Expenses under the <i>Legislative Council Electoral Boundaries Act 1995</i> <sup>3</sup>	....	....	0.2	....	....
Salaries of Judges ( <i>Supreme Court Act 1887</i> )	3.5	3.8	3.7	3.8	3.9
Salaries of Magistrates ( <i>Magistrates Court Act 1987</i> )	5.9	6.4	6.4	6.5	6.6
Salary and Travel Allowances, Solicitor-General ( <i>Solicitor-General Act 1983</i> )	0.6	0.6	0.6	0.7	0.7
Salary and Travelling Allowance, Associate Judge of the Supreme Court ( <i>Supreme Court Act 1959</i> )	0.5	0.5	0.5	0.5	0.5
<i>Victims of Crime Assistance Act 1976</i>	1.5	1.5	1.5	1.5	1.5
	<b>13.2</b>	<b>14.0</b>	<b>14.2</b>	<b>17.3</b>	<b>14.5</b>
<b>Legislative Council</b>					
Members' Committee Fees and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> ) <sup>4</sup>	....	....	....	....	....
Parliamentary Salaries and Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> )	2.7	2.7	2.8	2.9	2.9
Travelling Allowances ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> )	0.3	0.3	0.3	0.3	0.3
	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>
<b>Ministerial and Parliamentary Support</b>					
Allowances of Ministers ( <i>Parliamentary Salaries, Superannuation and Allowances Act 2012</i> )	0.8	0.8	0.8	0.8	0.8
<b>Office of the Director of Public Prosecutions</b>					
Salary, Travel and Other Allowances, Director of Public Prosecutions ( <i>Director of Public Prosecutions Act 1973</i> )	0.6	0.6	0.6	0.6	0.7

Table A2.4: Expenditure on Reserved by Law Items (continued)

	2014-15	2015-16	2016-17	2017-18	2018-19
	Budget	Budget	Forward Estimate	Forward Estimate	Forward Estimate
	\$m	\$m	\$m	\$m	\$m
<b>Office of the Governor</b>					
Salary, Her Excellency the Governor ( <i>Governor of Tasmania Act 1982</i> )	0.6	0.6	0.6	0.7	0.7
Salary, The Administrator ( <i>Governor of Tasmania Act 1982, Section 5(1)</i> ) <sup>5</sup>	....	....	....	....	....
	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
<b>Premier and Cabinet</b>					
Tasmanian Community Fund ( <i>Tasmanian Community Fund Act 2005</i> )	6.2	6.4	6.6	6.8	7.0
<b>State Growth</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>Tasmanian Audit Office</b>					
Salary and Travelling Allowance, Auditor-General ( <i>Audit Act 2008</i> )	0.5	0.6	0.6	0.6	0.6
<b>Treasury and Finance</b>					
Contribution to the Community Support Levy Account from Betting Exchange Revenues ( <i>Gaming Control Act 1993, Section 151</i> ) <sup>6</sup>	....	....	....	....	....
<b>TOTAL</b>	<b>297.9</b>	<b>315.3</b>	<b>329.1</b>	<b>346.2</b>	<b>360.1</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 2012*).
2. The Department of Justice is provided with \$5 000 per annum under the Expenses of Aboriginal Land Council of Tasmania Elections (*Aboriginal Lands Act 1995, section 17*).
3. The Department of Justice is provided with \$5 000 per annum under the *Legislative Council Electoral Boundaries Act 1995* with a one-off increase to \$184 000 in 2016-17 reflecting the timing of the next major review.
4. 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 2012*).
5. Under the Salary, The Administrator (*Governor of Tasmania Act 1982, section 5(1)*) an amount of \$10 000 is provided to the Office of the Governor in 2015-16, increasing to \$15 000 per annum in 2016-17 to 2018-19.
6. An amount of \$27 000 in 2015-16, \$28 000 in 2016-17, \$30 000 in 2017-18 and \$31 000 in 2018-19 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*).



# APPENDIX 3 2014-15

## ESTIMATED OUTCOME

### INCLUDING MARCH QUARTERLY REPORT

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#### *Key Issues*

- Information on the Estimated Outcome was not presented in the 2014-15 Budget Papers due to the timing of the 2014-15 Budget on 28 August 2014 shortly after the publication of preliminary outcomes information for 2013-14 (on 12 August 2014). With the return of the Budget to the May preceding the Budget year, Estimated Outcome information is again presented in this Budget Paper.
- The Estimated Outcome information presented in this appendix reflects financial estimates available to Treasury at the time of the finalisation of the Budget Papers and includes agency assessments of funding requirements, current estimates of State taxation and information available from the Australian Government and Government Businesses.
- This appendix also meets the information requirements for a March Quarterly Report as specified in Section 26C of the *Financial Management and Audit Act 1990*. It presents financial results for the nine months ending 31 March 2015 for the General Government Sector and the Consolidated Fund.
- The estimated General Government Net Operating Balance for 2014-15 is a \$186.2 million deficit, a \$99.4 million improvement from the 2014-15 Budget estimate of a \$285.6 million deficit.
- The actual General Government Net Operating Balance for the nine months to 31 March 2015 is a \$139.1 million deficit.

# INTRODUCTION

This appendix presents the 2014-15 Estimated Outcome which is based on agency assessments of indicative additional funding requirements or potential savings and revised whole-of-government revenue estimates. The latest available information prior to the finalisation of the 2015-16 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 2014-15 will be published in:

- the Preliminary Outcomes Report, required to be published by 15 August 2015 in the event that the preliminary outcomes result differs materially from the Estimated Outcome published in this appendix;
- the Treasurer's Annual Financial Report, which will be tabled in Parliament by 31 October 2015; and
- agency Annual Reports, which will be tabled in Parliament by 31 October 2015.

This appendix also meets the information requirements for a March Quarterly Report as specified in Section 26C of the Financial Management and Audit Act. It presents financial results for the nine months ending 31 March 2015 for the General Government Sector and the Consolidated Fund.

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*. Preparation of the Report requires the application of estimation methods in accordance with the principles of *AASB 134 Interim Financial Reporting*.

## GENERAL GOVERNMENT INCOME STATEMENT

Table A3.1 provides details of the Estimated Outcome for 2014-15, compared to the 2014-15 Budget estimates.

Table A3.1: General Government Income Statement 2014-15

	2014-15 Budget \$m	2014-15 Estimated Outcome \$m	2014-15 March YTD Actual \$m
<b>Revenue from Transactions</b>			
Grants	3 027.5	3 094.3	2 357.7
Taxation	983.2	998.4	743.7
Sales of Goods and Services	354.1	357.0	248.7
Fines and Regulatory Fees	103.3	92.9	76.8
Interest Income	15.9	18.2	9.5
Dividend, Tax and Rate Equivalent Income	342.9	369.1	268.9
Other Revenue	136.8	150.6	123.4
	<b>4 963.7</b>	<b>5 080.6</b>	<b>3 828.6</b>
<b>Less Expenses from Transactions</b>			
Employee Expenses	2 137.0	2 193.2	1 671.2
Superannuation	268.3	289.3	219.7
Depreciation	287.0	287.3	215.5
Supplies and Consumables	1 083.9	1 053.5	726.7
Nominal Superannuation Interest Expense	283.1	268.2	200.7
Borrowing Costs	11.0	10.9	7.9
Grant Expenses	1 148.3	1 126.8	914.4
Other Expenses	30.5	37.6	11.5
	<b>5 249.3</b>	<b>5 266.8</b>	<b>3 967.7</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(285.6)</b>	<b>(186.2)</b>	<b>(139.1)</b>
<b>Plus Other Economic Flows - Included in Operating Result</b>			
Gain/(Loss) on Disposal of Non-Financial Assets	11.3	16.0	(0.2)
Movement in Investments in GBEs and SOCs	(347.8)	(140.1)	....
Movements in Superannuation Liability	....	1 414.7	....
Other Gains/(Losses)	(176.8)	(208.7)	(111.3)
	<b>(513.2)</b>	<b>1 081.8</b>	<b>(111.6)</b>
<b>Equals Operating Result</b>	<b>(798.8)</b>	<b>895.6</b>	<b>(250.7)</b>

Table A3.1: General Government Income Statement 2014-15  
(continued)

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Plus Other Economic Flows - Other Movements in Equity</b>			
Revaluations of Non-Financial Assets	340.7	274.8	206.1
Other Non-Owner Movements in Equity	3.8	(12.9)	35.8
	<b>344.5</b>	<b>261.9</b>	<b>241.9</b>
<b>Equals Comprehensive Result</b>	<b>(454.3)</b>	<b>1 157.6</b>	<b>(8.8)</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>NET OPERATING BALANCE</b>	<b>(285.6)</b>	<b>(186.2)</b>	<b>(139.1)</b>
<b>Less Net Acquisition of Non-Financial Assets</b>			
Purchases of Non-Financial Assets	400.8	290.5	138.0
Less Sale of Non-Financial Assets	32.6	40.5	35.8
Less Depreciation	287.0	287.3	215.5
	<b>81.2</b>	<b>(37.3)</b>	<b>(113.3)</b>
<b>Equals FISCAL BALANCE</b>	<b>(366.8)</b>	<b>(148.9)</b>	<b>(25.8)</b>

# REVENUE VARIATIONS

Total revenue for 2014-15 is estimated to be \$5 080.6 million, \$116.9 million above the Budget estimate of \$4 963.7 million. The major revenue variations are described in Table A3.2.

**Table A3.2: Major Revenue Variations**

Revenue Item	Variance from Budget	Reasons
Grants:	\$66.8 million higher	
<ul style="list-style-type: none"> <li>General Purpose Payments</li> </ul>	\$37 million higher	<p>The increase in General Purpose Payments (GPP) funding is a result of GST revenue being revised upwards by \$37 million to reflect the revisions made by the Australian Government. This primarily reflects:</p> <ul style="list-style-type: none"> <li>a residual adjustment of \$14.7 million in GST revenue paid to Tasmania in 2014-15, as a result of higher than anticipated GST receipts in 2013-14; and</li> <li>an adjustment as a result of higher than anticipated GST receipts in 2014-15.</li> </ul>
<ul style="list-style-type: none"> <li>Specific Purpose Payments</li> </ul>	\$26.7 million higher	<p>The increase in Specific Purpose Payments reflects increases in:</p> <ul style="list-style-type: none"> <li>Students First education reforms funding of \$22.6 million; and</li> <li>National Health Reform funding of \$4.1 million due to revised activity levels.</li> </ul>
<ul style="list-style-type: none"> <li>National Partnership Payments</li> </ul>	\$4.3 million higher	<p>The increase in National Partnership Payments primarily reflects increases in grants relating to Healthcare (\$19.6 million); Community Services (\$13.4 million); and Environment (\$8.5 million). These have been partially offset by a reduction in grants for Infrastructure in 2014-15 reflecting a change in rail funding in accordance with matching requirements and revised cash flows for road funding.</p>
Taxation	\$15.2 million higher	<p>The increase in Taxation primarily reflects an increase in estimated Conveyance Duties of \$20.7 million, which is partially offset by a decrease in Payroll Tax of \$6.6 million.</p>
Fines and Regulatory Fees	\$10.4 million lower	<p>The reduction in Fines and Regulatory Fees primarily reflects a reclassification of revenue relating to the Asbestos Compensation Fund from Fines and Regulatory Fees to Other Revenue (\$8.2 million).</p>

**Table A3.2: Major Revenue Variations (continued)**

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Dividend, Tax and Rate Equivalent Income	\$26.2 million higher	The increase in Dividend, Tax and Rate Equivalent Income is primarily due to higher than budgeted Income Tax Equivalents from Tasmanian Networks Pty Ltd of \$15.5 million reflecting revised financial forecasts given greater certainty in the Company's operations since its establishment and the outcomes of the capital structure review of the State-owned electricity businesses; and from Aurora Energy Pty Ltd of \$7.1 million reflecting revised customer retention relative to the 2014-15 Budget estimate.
Other Revenue	\$13.8 million higher	The increase in Other Revenue primarily reflects: <ul style="list-style-type: none"> <li>• a reclassification of revenue relating to the Asbestos Compensation Fund from Fines and Regulatory Fees to Other Revenue (\$8.2 million); and</li> <li>• additional revenue of \$2.4 million in the Tasmanian Health Organisations reflecting additional funding from various medical professional colleges for the Training More Specialists Program.</li> </ul>

# EXPENSE VARIATIONS

Total expenses for 2014-15 are estimated to be \$5 266.8 million, \$17.5 million above the Budget estimate of \$5 249.3 million. The major expense variations are described in Table A3.3.

**Table A3.3: Major Expense Variations**

<b>Expense Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Employee Expenses	\$56.2 million increase	<p>The increase in Employee Expenses primarily reflects:</p> <ul style="list-style-type: none"> <li>• Department of Health and Human Services - reallocation of \$8.1 million in expenses from other expense items to Employee Expenses to better align with expected expenditure patterns;</li> <li>• Tasmanian Health Organisations - \$15.6 million reflecting the Employee Expenses portion of an additional \$30 million above Budget expenditure; \$7.5 million from the reallocation of the Election Commitment for Rebuilding Health Services from the Department of Health and Human Services; \$5 million for employee separation costs; and \$4.9 million reflecting the Employee Expenses portion of additional Australian Government funding for the Tasmanian Health Assistance Package;</li> <li>• Department of State Growth - additional expenditure of \$7.5 million for employee separation costs; and</li> <li>• the impact of delays in the timing of employee separations compared to budgeted employee savings.</li> </ul>
Superannuation	\$21 million increase	The increase in Superannuation expense reflects the most recent actuarial estimates of the Superannuation liability.

**Table A3.3: Major Expense Variations (continued)**

<b>Agency</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Supplies and Consumables	\$30.4 million decrease	The decrease in Supplies and Consumables primarily reflects a reduction in Finance-General due to lower than expected costs for the Tasmanian Risk Management Fund (\$14 million); cash flow adjustments for the <i>parliament square</i> project; and the amortisation of the Treasurer's Reserve (\$10 million).
Nominal Superannuation Interest Expense	\$14.9 million decrease	The decrease in Nominal Superannuation Interest Expense reflects the latest actuarial projection of the Government's Superannuation liability.
Grant Expenses	\$21.5 million decrease	<p>The decrease in Grant Expenses primarily reflects:</p> <ul style="list-style-type: none"> <li>• Finance-General - the deferral of expected payments under the Tasmanian Forest Agreement from 2014-15 to 2015-16 (\$8.5 million);</li> <li>• Department of State Growth - savings of \$11 million have been achieved as a consequence of the International Shipping election commitment no longer being required given the extension of the Tasmanian Freight Equalisation Scheme for international exports being shipped to mainland ports. Future year savings have been redirected to fund rail infrastructure; and</li> <li>• the deferral of expected payments for the Academy of Creative Industries and Performing Arts (\$7.4 million) and Regional Revival Fund - Craggy Ridge project (\$3.4 million) from 2014-15 to 2015-16.</li> </ul> <p>These decreases have been partly offset by additional Australian Government grants to Non-Government Schools under the Students First education reforms of \$14.4 million.</p>
Other Expenses	\$7.1 million increase	The increase in Other Expenses primarily reflects the expenditure of the proceeds of sale from the Hayes Prison Farm of \$2.1 million and an increase in Other Expenses relating to the Asbestos Compensation Fund of \$2 million to better reflect expenditure patterns in the Department of Justice.

# OTHER ECONOMIC FLOWS - INCLUDED IN OPERATING RESULT

Other economic flows - Included in the Operating Result is estimated to be an inflow of \$1 081.8 million in 2014-15, which is \$1 595 million higher than the 2014-15 Budget of a \$513.2 million outflow. The major changes are detailed in Table A3.4.

**Table A3.4: Other Economic Flows - Included in Operating Result Variations**

<b>Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Movement in Investment in GBEs and SOCs	\$207.7 million higher	The increase in the Movement in Investment in GBEs and SOCs primarily relates to additional impairment, undertaken in 2013-14, of electricity generation assets. This lowered the opening balance for the equity investment by \$134.7 million and thus reduced the revaluation decrement for 2014-15. There is also an anticipated increase of \$73 million in net assets for the PNFC Sector held at 30 June 2015.
Movements in Superannuation Liability	\$1 414.7 million higher	The increase in the Superannuation Liability reflects the latest actuarial valuation. The increase primarily reflects the difference between the discount rate applied by the State Actuary, in accordance with Australian Accounting Standard AASB 119 <i>Employee Benefits</i> , for financial reporting purposes and the estimated long-term bond rate which is used for Budget purposes.

# NET ACQUISITION OF NON-FINANCIAL ASSETS

Net Acquisition of Non-Financial Assets for 2014-15 is estimated to be negative \$37.3 million, \$118.5 million below the Budget estimate of \$81.2 million. The major variations in the Net Acquisition of Non-Financial Assets are described in Table A3.5.

**Table A3.5: Major Net Acquisition of Non-Financial Assets Variations**

<b>Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Purchases of Non-Financial Assets	\$110.3 million decrease	<p>The decrease in Purchases of Non-Financial Assets primarily reflects revised cash flows for:</p> <ul style="list-style-type: none"> <li>• Department of Education of \$13.9 million including Brooks High School (\$7.9 million), New Town High School (\$2 million) and Year 7-12 Implementation (\$1.4 million);</li> <li>• Department of Health and Human services of \$62.5 million including the Royal Hobart Hospital Redevelopment (\$31.4 million), Statewide Cancer Services (\$8.3 million), Housing projects (\$6 million) and Glenorchy and Kingston Community Health Services facilities (\$4.4 million); and</li> <li>• Department of State Growth mainly reflecting timing changes in the Roads Program.</li> </ul> <p>Actual Expenditure to 31 March 2015 on Purchases of Non-Financial Assets is significantly below pro rata estimated expenditure. This is primarily due to the timing of expenditure by the Department of Health and Human Services relating to the Royal Hobart Hospital Redevelopment and the Department of State Growth in relation to the Roads Program. This expenditure is now reflected in the 2015-16 Budget and Forward Estimates.</p>
Sale of Non-Financial Assets	\$7.9 million increase	<p>The increase in Sale of Non-Financial Assets primarily reflects the sale of the <i>parliament square</i> site as part of the <i>parliament square</i> project (\$8.3 million).</p>

# GENERAL GOVERNMENT BALANCE SHEET

Table A3.6: General Government Balance Sheet

	2015 Budget	2015 Estimated Outcome	2015 March YTD Actual
	\$m	\$m	\$m
<b>Assets</b>			
<b>Financial Assets</b>			
Cash and Deposits	1 041.1	1 136.4	1 554.1
Investments	77.7	62.2	52.9
Equity Investment in PNFC and PFC Sectors	4 331.7	4 404.7	4 539.8
Other Equity Investments	14.7	17.7	16.1
Receivables	304.3	334.8	363.8
Other Financial Assets	755.2	698.1	796.6
	<b>6 524.8</b>	<b>6 653.9</b>	<b>7 323.2</b>
<b>Non-Financial Assets</b>			
Land and Buildings	5 829.6	5 800.0	5 765.1
Infrastructure	4 634.4	4 449.3	4 357.9
Plant and Equipment	231.2	246.3	259.7
Heritage and Cultural Assets	485.0	478.5	466.1
Investment Property	11.9	18.7	11.6
Intangibles	35.1	44.9	37.3
Assets Held for Sale	10.9	7.9	9.2
Other Non-Financial Assets	36.9	30.8	32.0
	<b>11 274.9</b>	<b>11 076.4</b>	<b>10 938.8</b>
<b>Total Assets</b>	<b>17 799.7</b>	<b>17 730.2</b>	<b>18 262.0</b>
<b>Liabilities</b>			
Borrowings	930.6	834.5	1 149.6
Superannuation	5 448.0	5 338.4	6 735.8
Employee Entitlements	561.7	578.9	579.9
Payables	91.0	111.5	106.9
Other Liabilities	408.7	379.3	400.0
<b>Total Liabilities</b>	<b>7 439.9</b>	<b>7 242.6</b>	<b>8 972.1</b>
<b>NET ASSETS</b>	<b>10 359.7</b>	<b>10 487.6</b>	<b>9 289.8</b>

Table A3.6: General Government Balance Sheet (continued)

	2015	2015	2015
	Budget	Estimated Outcome	March YTD Actual
	\$m	\$m	\$m
<b>Equity</b>			
Accumulated Funds	5 434.6	5 730.7	4 601.6
Asset Revaluation Reserve	4 925.2	4 756.9	4 688.2
<b>Total equity</b>	<b>10 359.7</b>	<b>10 487.6</b>	<b>9 289.8</b>

**KEY FISCAL AGGREGATES**

<b>NET WORTH<sup>1</sup></b>	<b>10 359.7</b>	<b>10 487.6</b>	<b>9 289.8</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(915.1)</b>	<b>(588.8)</b>	<b>(1 648.9)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>5 246.8</b>	<b>4 993.5</b>	<b>6 188.7</b>
<b>NET DEBT<sup>4</sup></b>	<b>(188.3)</b>	<b>(364.1)</b>	<b>(457.4)</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 PNFC and PFC Sectors.
4. Net Debt represents Borrowings less the sum of Cash and Deposits and Investments.

# GENERAL GOVERNMENT CASH FLOW STATEMENT

Table A3.7: General Government Cash Flow Statement

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Cash Flows from Operating Activities</b>			
<b>Cash Received from Operating Activities</b>			
Grants Received	3 027.5	3 092.1	2 356.2
Taxation	983.4	998.6	740.1
Sales of Goods and Services	353.8	362.9	242.5
Fines and Regulatory Fees	103.3	92.9	76.0
Interest Received	16.1	18.4	8.8
Dividend, Tax and Rate Equivalents	576.7	576.9	451.9
Other Receipts	305.9	319.9	250.2
	<b>5 366.7</b>	<b>5 461.7</b>	<b>4 125.7</b>
<b>Cash Payments for Operating Activities</b>			
Employee Entitlements	(2 128.6)	(2 187.8)	(1 666.4)
Superannuation	(397.3)	(427.3)	(315.9)
Supplies and Consumables	(1 097.3)	(1 070.7)	(716.6)
Borrowing Costs	(10.8)	(11.0)	(1.4)
Grants and Subsidies Paid	(1 148.4)	(1 127.2)	(898.8)
Other Payments	(199.8)	(205.4)	(140.2)
	<b>(4 982.1)</b>	<b>(5 029.3)</b>	<b>(3 739.3)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>384.6</b>	<b>432.4</b>	<b>386.4</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net Cash Flows from Non-Financial Assets</b>			
Purchases of Non-Financial Assets	(400.3)	(290.1)	(138.0)
Sales of Non-Financial Assets	36.8	44.7	35.8
	<b>(363.5)</b>	<b>(245.4)</b>	<b>(102.2)</b>
<b>Net Cash Flows from Financial Assets</b>			
<b>(Policy Purposes)</b>			
Equity Injections	(42.8)	(30.1)	(31.4)
Net Advances Paid	(20.6)	(13.8)	(7.2)
	<b>(63.4)</b>	<b>(43.9)</b>	<b>(38.6)</b>

Table A3.7: General Government Cash Flow Statement (continued)

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Net Cash Flows from Financial Assets (Liquidity Purposes)</b>			
Net Purchase of Investments	0.7	....	0.2
	<b>0.7</b>	<b>....</b>	<b>0.2</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(426.2)</b>	<b>(289.3)</b>	<b>(140.7)</b>
<b>Net Cash Flows from Financing Activities</b>			
Net Borrowing	( 229.5)	(315.2)	(0.1)
	<b>(229.5)</b>	<b>(315.2)</b>	<b>(0.1)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(271.2)</b>	<b>(172.1)</b>	<b>245.6</b>
<b>Cash at Beginning of the Year</b>	<b>1 312.4</b>	<b>1 308.5</b>	<b>1 308.5</b>
<b>Cash at End of the Year</b>	<b>1 041.1</b>	<b>1 136.4</b>	<b>1 554.1</b>
<b>KEY FISCAL AGGREGATES</b>			
Net Cash Flows from Operating Activities	384.6	432.4	386.4
Plus Net Cash from Investments in Non-Financial Assets	(363.5)	(245.4)	(102.2)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>21.0</b>	<b>187.0</b>	<b>284.2</b>

# CONSOLIDATED FUND

Table A3.8: Consolidated Fund Outcomes

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Recurrent receipts</b>			
<b>Australian Government sources</b>			
General purpose payments	1 911.4	1 948.4	1 449.7
Specific purpose payments	423.4	445.9	397.4
National Partnership Payments	72.1	72.6	54.5
Other Grants and Subsidies	0.1	0.1	....
	<b>2 407.0</b>	<b>2 467.0</b>	<b>1 901.6</b>
<b>State sources</b>			
Taxation	862.4	877.6	665.1
Receipts from government businesses	601.8	601.5	465.1
Departmental fees and recoveries	90.1	89.0	70.1
Recoveries of State debt charges	0.1	0.1	....
Sale and rent of government property	5.0	5.0	....
Resource rents and royalties	31.3	31.3	19.3
Other recurrent receipts	135.0	163.1	96.9
	<b>1 725.7</b>	<b>1 767.6</b>	<b>1 316.5</b>
<b>Capital receipts</b>			
<b>State sources</b>			
Other capital receipts	3.3	3.5	2.4
	<b>3.3</b>	<b>3.5</b>	<b>2.4</b>
<b>Total Receipts</b>	<b>4 136.0</b>	<b>4 238.1</b>	<b>3 220.4</b>
<b>Less Expenditure</b>			
<b>Recurrent services</b>			
Appropriation Act	3 423.5	3 447.5	2 607.1
Reserved by Law	297.9	327.9	239.1
	<b>3 721.3</b>	<b>3 775.5</b>	<b>2 846.2</b>
<b>Works and services</b>			
Capital Investment Program	159.2	149.6	82.9
	<b>159.2</b>	<b>149.6</b>	<b>82.9</b>
<b>Total Expenditure</b>	<b>3 880.6</b>	<b>3 925.0</b>	<b>2 929.1</b>
<b>CONSOLIDATED FUND SURPLUS</b>	<b>255.4</b>	<b>313.1</b>	<b>291.4</b>

Table A3.9: Consolidated Fund Expenditure by Agency

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Education</b>			
Recurrent services	1 093.7	1 109.1	896.2
Works and services	16.5	13.1	1.8
	<b>1 110.1</b>	<b>1 122.2</b>	<b>898.0</b>
<b>Finance-General</b>			
Recurrent services	494.5	529.2	359.9
	<b>494.5</b>	<b>529.2</b>	<b>359.9</b>
<b>Health and Human Services</b>			
Recurrent services	1 108.7	1 123.9	804.5
Works and services	7.9	7.4	0.6
	<b>1 116.6</b>	<b>1 131.3</b>	<b>805.2</b>
<b>House of Assembly</b>			
Recurrent services	7.6	7.8	5.6
	<b>7.6</b>	<b>7.8</b>	<b>5.6</b>
<b>Integrity Commission</b>			
Recurrent services	2.4	2.4	1.8
	<b>2.4</b>	<b>2.4</b>	<b>1.8</b>
<b>Justice</b>			
Recurrent services	132.0	134.8	104.6
Works and services	6.0	6.0	3.7
	<b>138.0</b>	<b>140.8</b>	<b>108.3</b>
<b>Legislative Council</b>			
Recurrent services	6.4	6.6	5.0
	<b>6.4</b>	<b>6.6</b>	<b>5.0</b>
<b>Legislature-General</b>			
Recurrent services	5.8	6.1	4.7
	<b>5.8</b>	<b>6.1</b>	<b>4.7</b>
<b>Ministerial and Parliamentary Support</b>			
Recurrent services	17.6	18.4	14.5
	<b>17.6</b>	<b>18.4</b>	<b>14.5</b>
<b>Office of the Director of Public Prosecutions</b>			
Recurrent services	7.1	7.4	5.7
	<b>7.1</b>	<b>7.4</b>	<b>5.7</b>

Table A3.9: Consolidated Fund Expenditure by Agency (continued)

	2014-15 Budget	2014-15 Estimated Outcome	2014-15 March YTD Actual
	\$m	\$m	\$m
<b>Office of the Governor</b>			
Recurrent services	3.4	3.6	2.7
	<b>3.4</b>	<b>3.6</b>	<b>2.7</b>
<b>Office of the Ombudsman</b>			
Recurrent services	2.1	2.0	1.3
	<b>2.1</b>	<b>2.0</b>	<b>1.3</b>
<b>Police and Emergency Management</b>			
Recurrent services	183.8	184.3	144.6
Works and services	0.5	0.5	....
	<b>184.3</b>	<b>184.8</b>	<b>144.6</b>
<b>Premier and Cabinet</b>			
Recurrent services	79.3	80.8	64.8
Works and services	1.1	1.1	....
	<b>80.4</b>	<b>81.9</b>	<b>64.8</b>
<b>Primary Industries, Parks, Water and Environment</b>			
Recurrent services	128.6	129.6	100.5
Works and services	8.5	4.8	1.3
	<b>137.2</b>	<b>134.4</b>	<b>101.8</b>
<b>State Growth</b>			
Recurrent services	384.0	364.9	284.8
Works and services	117.5	115.5	74.8
	<b>501.5</b>	<b>480.4</b>	<b>359.7</b>
<b>Tasmanian Audit Office</b>			
Recurrent services	2.2	2.2	1.7
	<b>2.2</b>	<b>2.2</b>	<b>1.7</b>
<b>Tourism Tasmania</b>			
Recurrent services	24.6	24.6	15.3
	<b>24.6</b>	<b>24.6</b>	<b>15.3</b>
<b>Treasury and Finance</b>			
Recurrent services	37.5	37.7	27.7
Works and Services	1.3	1.3	0.6
	<b>38.8</b>	<b>39.0</b>	<b>28.3</b>
<b>TOTAL</b>	<b>3 880.6</b>	<b>3 925.0</b>	<b>2 929.1</b>



# APPENDIX 4 BUDGET PRESENTATION AND ACCOUNTING ISSUES

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This appendix provides a summary of presentation and accounting issues that have been taken into account in the preparation of the 2015-16 Budget Papers. These are:

- agency restructures;
- changes in the structure of *The Budget* Budget Paper No 1;
- the timing of Australian Government 2015-16 Budget Estimates; and
- the 27<sup>th</sup> pay in 2015-16.

This appendix also provides information on Budget Paper assumptions, conventions and the structure of the Tasmanian public sector.

## Agency Restructures

The following changes have been reflected in the 2015-16 Budget, and are effective from 1 July 2015. Consistent with the practice that has been adopted in prior years, the comparative financial information for restructured agencies for 2014-15 is provided on the basis of the new agency structure.

### *Department of Education*

The Department's new Output structure has been established to better align with the Government's education policy and initiatives. The Outputs no longer distinguish between compulsory education and post-compulsory education, with Output Group 1 being renamed to Education from Pre-Compulsory and Compulsory Education.

Other major changes to the Outputs are as follows.

- Output 1.2 Learning Services and Output 1.3 Education Performance Services have been amalgamated into a new Output 1.2 School Support Services. Additionally, some of the cost of delivering these services has been transferred from Output 1.1 In School Education to the new Output.
- Output 1.4 Early Years has been renamed to Output 1.3 Early Learning.
- Output 1.5 Grants and Financial Assistance has been removed and split between Output 1.1 In School Education and Output 1.3 Early Learning.

- Output Group 2 Post-Compulsory Education has been removed with the former Output 2.1 Tasmanian Academy and Output 2.2 Post-Compulsory Education now amalgamated into Output 1.1 In School Education.
- A new Output 1.4 Statutory Offices has been created and incorporates the former Output 2.3 Tasmanian Qualifications Authority.
- The LINC Tasmania Output has changed from Output Group 3 to Output Group 2.

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

- Output 1.3 *Service Tasmania* within the Department of Primary Industries, Parks, Water and Environment has been transferred to Output 3.2 Management and Ongoing Development of *Service Tasmania* within the Department of Premier and Cabinet to reflect the consolidation of *Service Tasmania's* operations under a single agency.
- The former Output Group 3 Resource Management and Conservation has been renamed Natural and Cultural Heritage.
- The former Output 3.2 Conservation of Tasmania's Flora and Fauna has been consolidated into Output 3.1 which has been renamed Resource Management and Conservation.
- The former Output 4.2 Water Resource Assessment has been consolidated into Output 4.1 Water Resource Management.
- The former Output 9.1 Historic Heritage Services has been transferred to Output Group 3 and becomes Output 3.2 Historic Heritage Services.
- The former Output 9.2 Aboriginal Heritage has been transferred to Output Group 3 and becomes Output 3.3 Aboriginal Heritage.
- The former Output 9.3 Royal Tasmanian Botanical Gardens has been transferred to Output Group 3 and becomes Output 3.4 Royal Tasmanian Botanical Gardens.
- As at 1 July 2015, the Minister for Racing Portfolio will be transferred from the Department of State Growth to the Department of Primary Industries, Parks, Water and Environment. The Racing Portfolio includes the former Department of State Growth Output 5.1 Racing Regulation and Policy, and the Tasmanian Racing Assistance Administered payment. The 2015-16 Budget reflects these Outputs within the Department of Primary Industries, Parks, Water and Environment as Output 9.1 Racing Regulation and Policy, and the Tasmanian Racing Assistance payment as an Administered expense. The Minister for Racing remains the Deputy Premier, Hon Jeremy Rockliff, MP.

### *Department of Premier and Cabinet*

- Output 1.3 *Service Tasmania* within the Department of Primary Industries, Parks, Water and Environment has been transferred to Output 3.2 Management and Ongoing Development of *Service Tasmania* within the Department of Premier and Cabinet to reflect the consolidation of *Service Tasmania's* operations under a single agency.

## *Department of State Growth*

- As a result of the transfer of the Racing Portfolio from State Growth to the Department of Primary Industries, Parks, Water and Environment, the former Output Group 7 Subsidies and Concessions has become Output Group 6 Subsidies and Concessions, and the former Output Group 6 Cultural and Creative Industry Development has become Output Group 5 Culture and Creative Industries.
- The former Output 7.2 Metropolitan General Access Regular Passenger Transport Services has been renamed Output 6.2 Metropolitan General Access Services, and the former Output 7.4 Non-Metropolitan General Access Regular Passenger Transport Services has been renamed Output 6.4 Non-Metropolitan General Access Services.

## *Tasmanian Health Service*

- As part of the Government's 'One State, One Health System, Better Outcomes' initiative, the existing three Tasmanian Health Organisations (THOs) will be replaced by a single Tasmanian Health Service (THS). The restructure results in the amalgamation of the previous three THO Outputs in the Department of Health and Human Services into a single Tasmanian Health Service Output. The restructure also results in the removal of the three separate THO chapters in *Government Services Budget Paper No 2* and the presentation of a single THS chapter.
- Cancer Screening Services has been transferred from the Department of Health and Human Services to the new THS Agency to reflect new service delivery arrangements.

## Changes in the Structure of *The Budget Budget Paper No 1*

A review of the information provided in *The Budget Budget Paper No 1* is undertaken each year to ensure it reflects the current Budget environment. Changes implemented in 2015-16 are:

- the removal of the Budget Savings and Revenue Strategies chapter from *The Budget Budget Paper No 1*. This change reflects the fact that no new additional structural savings measures are required to be implemented by agencies as a result of the 2015-16 Budget; and
- the addition of the 2014-15 Estimated Outcome as an appendix to *The Budget Budget Paper No 1*. No Estimated Outcome information was presented in the 2014-15 Budget due to the timing of the presentation of the Budget in August 2014.

## Australian Government 2015-16 Budget Estimates

Estimates presented in this Budget Paper were required to be finalised prior to the release of the Australian Government's 2015-16 Budget. As a result, estimates of Specific Purpose Payments and some National Partnership Payments (or data based on these estimates) may differ from those published in the Australian Government's 2015-16 Budget. Any changes will be reflected in the *2015-16 Revised Estimates Report*.

## 27<sup>th</sup> 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 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 and will make 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 is included in the Appropriation to agencies and in Employee benefits on the agency Statement of Cash Flows. However, on an accrual basis, there is no impact on the agency Statement of Comprehensive Income as the additional cash payment is offset by an adjustment to accrued Employee benefits expense. This adjustment to accrued Employee benefits expense is also reflected in a reduction in the liability for Employee benefits in the agency Statement of Financial Position.

# ASSUMPTIONS UNDERLYING THE 2015-16 BUDGET AND FORWARD ESTIMATES

## Revenue

Revenue estimates are prepared on the basis of a number of assumptions and use information provided to the Department of Treasury and Finance (Treasury) by various entities, including the Australian Government, government agencies, Government Business Enterprises (GBEs) and State-owned Companies (SOCs). The 2015-16 Budget and Forward Estimates for revenue 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
- Sales 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 2015-16 Budget and Forward Estimates for expenses are prepared on the following basis:

- projections over the Forward Estimates reflect the level and timing of expenditure anticipated by agencies;
- borrowing costs are estimated by Treasury and reflect anticipated borrowings within the Public Account and forecast interest rates;
- the Forward Estimates are premised on the provision of future public sector wage outcomes of a maximum of two per cent per annum including identified productivity offsets;
- 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.

## BUDGET PAPER CONVENTIONS

The information provided in the Budget Papers has been prepared taking into account the following conventions.

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

na not available, or not applicable

.... zero, or rounded to zero

\$'000 \$ thousand

\$m \$ million

## CLASSIFICATION OF THE TASMANIAN PUBLIC SECTOR

The Tasmanian Public Sector comprises several different types of entities. These are classified according to the sectors comprising the Uniform Presentation Framework, namely General Government, Public Non-Financial Corporations (PNFC) or Public Financial Corporations (PFC) Sectors.

The General Government Sector (GGS) comprises those agencies of government, where the primary function is to provide public services. These services are mainly non-market in nature, for the collective consumption of the community, or involve the transfer or redistribution of income. GGS services are financed mainly through taxes and other compulsory levies. This Sector includes government departments and a number of entities that operate outside the Public Account including the Inland Fisheries Service, Marine *and* Safety Tasmania, the Royal Tasmanian Botanical Gardens and the State Fire Commission.

The PNFC Sector comprises entities that cover the majority of their expenses from revenue by the sales of goods and services and which are mainly market, non-regulatory and non-financial in nature. This Sector includes the State-owned Companies and Government Business Enterprises. These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

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

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

## *General Government Sector*

Department of Education

Department of Health and Human Services

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of State Growth

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 Service  
TasTAFE  
Tourism Tasmania

### *Public Non-Financial Corporations Sector*

Aurora Energy Pty Ltd  
Forestry Tasmania  
Hydro Tasmania  
Macquarie Point Development Corporation  
Metro Tasmania Pty Ltd  
Port Arthur Historic Site Management Authority  
Private Forests Tasmania  
Public Trustee  
Tasmanian Irrigation Pty Ltd  
Tasmanian Ports Corporation Pty Ltd  
Tasmanian Railway Pty Ltd  
Tasmanian Networks Pty Ltd  
Tasracing Pty Ltd  
TT-Line Company Pty Ltd

### *Public Financial Corporations Sector*

Motor Accidents Insurance Board  
Tasmanian Public Finance Corporation

