



Tasmania

**LOAN COUNCIL
MID-YEAR
REPORT
2002-03**

Department of Treasury *and* Finance
February 2003

INTRODUCTION

In accordance with the Uniform Presentation Framework, agreed to by the Australian Loan Council in March 1997, this Report presents revised fiscal estimates which take into account fiscal developments since the commencement of the Budget year.

Table 1 presents details of the revised Loan Council Allocation for 2002-03 and Tables 2 to 10 present Operating Statements, Balance Sheets, and Cash Flow Statements for the General Government, Public Non-Financial Corporations (PNFC) and Non-Financial Public sectors.

REVISED ESTIMATES

The revised fiscal surplus for the General Government sector for 2002-03 is \$37 million, a variation of \$30 million from the initial Budget-time Estimate of \$67 million. The major factors influencing this variation are an increase in revenue from taxation and grants and subsidies received, more than offset by increases in nominal interest on superannuation, employee expenses, and current grants and transfers. The increase in nominal interest on superannuation is as a result of a change in the interest rate used as the basis for the calculation. Nominal interest on superannuation is calculated by applying an appropriate interest rate to the unfunded superannuation liability. It is considered that the 10-year Commonwealth bond rate is an appropriate interest rate, and estimates have been updated to reflect the use of this interest rate.

It should be noted that the General Government revised estimates are based on the same assumptions regarding economic parameters and underlying growth as those presented in the 2002-03 State Budget Papers.

The revised fiscal surplus for the PNFC sector for 2002-03 is \$149 million, a variation of \$5 million from the initial Budget-time estimate of \$154 million. The major variations are an increase in sales of goods and services, more than offset by increases in employee expenses and capital expenditure.

The 2002-03 Mid-Year Report includes the Tasmanian Nominal Insurer in the General Government Sector for the first time. The Nominal Insurer was reported in the *Loan Council Outcomes Report 2001-02*, published in October 2002, as a Public Financial Corporation. The inclusion of the Nominal Insurer has no impact on the General Government fiscal surplus.

The estimated net worth of each sector has been revised to reflect the improvement in balances between actual outcome for 2001-02 and the revised estimates for 2001-02 published in the 2002-03 Budget Papers. The major variation in General Government net worth is the increase in other non-equity assets. This is as a result of the recognition of income tax equivalents receivable from the PNFC sector. In previous years, income tax equivalents were recognised on a cash basis, and no receivable was recognised in the General Government sector. There is no impact on Non-Financial Public Sector net worth.

LOAN COUNCIL ALLOCATION

Loan Council arrangements provide for each State and Territory to nominate a Loan Council Allocation (LCA) based on the estimated combined General Government and PNFC sector deficit, plus memorandum items. Memorandum items are other financing transactions which, for Loan Council purposes, are treated as analogous to borrowings. This measure of the level of financing, therefore, focuses on the call of the public sector on national savings.

The 2002-03 Mid-Year Revised Estimate of the Loan Council Allocation is within the \$54 million tolerance limit applying to the 2002-03 Budget full year estimate.

Table 1: Loan Council Allocation for 2002-03

	2002-03 Budget-time full year estimate	2002-03 Mid-Year revised full year estimate
	\$m	\$m
General Government Deficit/(Surplus)	(105)	(81)
PNFC Deficit/(Surplus)	(136)	(125)
Non-Financial Public Sector Deficit/(Surplus)¹	(241)	(198)
Non-Financial Public Sector Advances Paid	....	....
Memo Items		
Universities	8	....
Local Government	21	21
Total LCA	(212)	(177)

1. The Non-Financial Public Sector surplus is not the sum of the General Government and PNFC surpluses due to adjustments on consolidation.

MID-YEAR REPORT

Table 2: General Government Sector – Operating Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate	2003-04 Forward Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
GFS Revenue					
Taxation revenue	483	498	516	522	512
Grants and subsidies	1 787	1 798	1 817	1 857	1 956
Sales of goods and services	345	348	354	355	356
Interest income	21	21	20	17	14
Dividend income	99	99	87	79	68
Other	115	112	137	142	144
Total	2 850	2 875	2 931	2 972	3 050
less					
GFS Expenses					
Depreciation	149	149	148	149	149
Employee expenses	1 253	1 266	1 309	1 362	1 416
Other operating expenses	772	786	795	807	813
Nominal superannuation interest expenses	86	108	113	117	122
Other interest expenses	87	80	84	74	65
Current grants and transfers	454	467	446	439	437
Capital grants and transfers	8	8	....	....	....
Total	2 809	2 865	2 895	2 948	3 002
equals Net Operating Balance	41	11	36	24	48
less					
Net acquisition of non-financial assets					
Gross fixed capital formation	123	123	119	105	83
less Depreciation	149	149	148	149	149
plus Change in inventories	....	....	....	....	....
plus Other transactions in non-financial assets	....	....	....	....	....
Total	(26)	(26)	(29)	(44)	(66)
equals FISCAL BALANCE	67	37	65	68	114

Table 3: General Government Sector – Balance Sheet

	2002-03 Budget Estimate	2002-03 Revised Estimate	2003-04 Forward Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	989	1 039	1 114	1 232	1 357
Advances paid	165	172	163	156	157
Investments, loans and placements	....	....	....	....	....
Other non-equity assets	92	341	354	355	357
Equity	3 962	3 974	4 093	4 215	4 341
Total	5 208	5 526	5 724	5 958	6 212
Non-financial assets					
Land and fixed assets	5 672	5 746	5 777	5 793	5 807
Other non-financial assets	5	6	7	7	7
Total	5 677	5 752	5 784	5 800	5 814
Total assets	10 885	11 278	11 508	11 758	12 026
Liabilities					
Deposits held	19	5	5	5	5
Advances received	318	315	277	267	258
Borrowing	1 492	1 543	1 546	1 526	1 512
Unfunded superannuation liability	1 901	1 806	1 889	1 966	2 037
Other employee provisions	379	255	244	254	263
Other non-equity liabilities	125	204	154	149	144
Total liabilities	4 234	4 128	4 115	4 167	4 219
GFS NET WORTH	6 651	7 150	7 393	7 591	7 807
NET DEBT	675	652	551	410	261
NET FINANCIAL WORTH	974	1 398	1 609	1 791	1 993

Table 4: General Government Sector – Cash Flow Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate	2003-04 Forward Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Cash receipts from operating activities					
Taxes received	484	504	510	522	514
Receipts from sales of goods and services	309	312	389	390	393
Grants and subsidies received	1 757	1 768	1 790	1 835	1 934
Interest received	21	21	20	17	14
Other receipts	258	255	169	172	162
Total	2 829	2 859	2 878	2 936	3 017
Cash payments for operating activities					
Payments for goods and services	(2 038)	(2 061)	(2 045)	(2 101)	(2 236)
Grants and subsidies paid	(455)	(468)	(445)	(439)	(436)
Interest paid	(92)	(85)	(84)	(74)	(55)
Other payments	(16)	(42)	(84)	(76)	(58)
Total	(2 601)	(2 656)	(2 658)	(2 690)	(2 785)
Net cash flows from operating activities	228	203	220	246	232
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	31	31	45	59	74
Purchases of new non-financial assets	(154)	(154)	(164)	(164)	(157)
Total	(123)	(123)	(119)	(105)	(83)
Net cash flows from investments in financial assets for policy purposes	(2)	(2)	(9)	(7)	....
Net cash flows from investments in financial assets for liquidity purposes	(1)	(1)	....	....	....
Net cash flows from financing activities					
Advances received (net)	(6)	(6)	(39)	(10)	(10)
Borrowing (net)	(30)	(4)	(3)	(21)	(14)
Deposits received (net)	....	....	....	....	....
Other financing (net)	4	4	26	14	(2)
Total	(32)	(6)	(16)	(17)	(26)
Net Increase/(Decrease) in Cash Held	70	72	76	117	123
SURPLUS /(DEFICIT)	105	81	101	141	149

Table 5: Public Non-Financial Corporations Sector – Operating Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
GFS Revenue		
Current grants and subsidies	88	88
Sales of goods and services	976	996
Interest income	4	4
Dividend Income	....	....
Other	4	4
Total	1 072	1 092
less GFS Expenses		
Depreciation	190	184
Employee expenses	203	225
Other operating expenses	366	363
Nominal superannuation interest expenses	....	....
Other interest expenses	122	123
Dividend and Income Tax Equivalent expenses	136	131
Current grants and transfers	11	11
Total	1 028	1 037
equals Net Operating Balance	44	56
less		
Net acquisition of non-financial assets		
Gross fixed capital formation	80	97
less Depreciation	190	190
plus Change in inventories	....	....
plus Other transactions in non-financial assets		
Total	(110)	(93)
equals FISCAL BALANCE	154	149

Table 6: Public Non-Financial Corporations Sector - Balance Sheet

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	120	213
Advances paid	....	....
Investments, loans and placements	7	7
Other non-equity assets	145	155
Equity	12	11
Total	284	386
Non-financial assets		
Land and fixed assets	6 141	6 271
Other non-financial assets	21	54
Total	6 162	6 325
Total assets	6 446	6 711
Liabilities		
Deposits held	....	(2)
Advances received	37	37
Borrowing	1 712	1 729
Unfunded superannuation liability and other employee entitlements	357	357
Other provisions	290	311
Other non-equity liabilities	145	178
Total liabilities	2 541	2 610
Shares and other contributed capital	3 905	4 101
GFS NET WORTH	....	....
NET DEBT	1 622	1 544
NET FINANCIAL WORTH	(6 162)	(6 325)

Table 7: Public Non-Financial Corporations Sector – Cash Flow Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
Cash receipts from operating activities		
Taxes received	....	....
Receipts from sales of goods and services	1 031	1 044
Grants and subsidies received	88	88
Interest received	4	4
Other receipts	2	8
Total	1 125	1 143
Cash payments for operating activities		
Payments for goods and services	(601)	(613)
Grants and subsidies paid	(11)	(11)
Interest paid	(126)	(126)
Other payments	(31)	(31)
Total	(769)	(781)
Net cash flows from operating activities	356	362
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	74	74
Purchases of new non-financial assets	(154)	(171)
Total	(80)	(97)
Net cash flows from investments in financial assets for policy purposes	....	....
Net cash flows from investments in financial assets for liquidity purposes	....	....
Net cash flows from financing activities		
Distributions paid	(140)	(140)
Borrowing (net)	(112)	(112)
Deposits received (net)	(1)	(1)
Other financing (net)	49	49
Total	(204)	(204)
Net Increase/(Decrease) in Cash Held	72	61
SURPLUS /(DEFICIT)	136	125

Table 8: Non-Financial Public Sector – Operating Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
GFS Revenue		
Taxation revenue	472	487
Current grants and subsidies	1 758	1 769
Sales of goods and services	1 321	1 344
Interest income	16	16
Other	101	98
Total	3 668	3 714
less GFS Expenses		
Depreciation	339	333
Employee expenses	1 445	1 480
Other operating expenses	1 138	1 144
Nominal superannuation interest expenses	86	108
Other interest expenses	201	194
Current grants and transfers	386	399
Total	3 595	3 659
equals Net Operating Balance	73	55
less		
Net acquisition of non-financial assets		
Gross fixed capital formation	203	220
less Depreciation	339	339
plus Change in inventories	....	....
plus Other transactions in non-financial assets	....	....
Total	(136)	(119)
equals FISCAL BALANCE	209	174

Table 9: Non-Financial Public Sector – Balance Sheet

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	1 109	1 262
Advances paid	128	134
Investments, loans and placements	7	8
Other non-equity assets	231	159
Equity	92	213
Total	1 567	1 776
Non-financial assets		
Land and fixed assets	11 813	12 018
Other non-financial assets	26	20
Total	11 839	12 038
Total assets	13 406	13 814
Liabilities		
Deposits held	19	6
Advances received	319	317
Borrowing	3 204	3 277
Unfunded superannuation liability and other employee entitlements	2 636	2 683
Other provisions	290	4
Other non-equity liabilities	264	377
Total liabilities	6 732	6 664
Shares and other contributed capital	....	....
GFS NET WORTH	6 674	7 150
NET DEBT	2 298	2 196
NET FINANCIAL WORTH	(5 165)	(4 888)

Table 10: Non-Financial Public Sector – Cash Flow Statement

	2002-03 Budget Estimate	2002-03 Revised Estimate
	\$m	\$m
Cash receipts from operating activities		
Taxes received	473	493
Receipts from sales of goods and services	1 339	1 355
Grants and subsidies received	1 758	1 769
Other receipts	130	133
Total	3 700	3 749
Cash payments for operating activities		
Payments for goods and services	(2 627)	(2 662)
Grants and subsidies paid	(378)	(391)
Interest paid	(209)	(202)
Other payments	(47)	(73)
Total	(3 263)	(3 330)
Net cash flows from operating activities	437	419
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	105	105
Purchases of new non-financial assets	(309)	(326)
Total	(204)	(221)
Net cash flows from investments in financial assets for policy purposes	(2)	(2)
Net cash flows from investments in financial assets for liquidity purposes	(1)	(1)
Net cash flows from financing activities		
Advances Received (net)	(117)	(117)
Borrowing (net)	(31)	(5)
Deposits received (net)	48	48
Other financing (net)	31	31
Total	(69)	(43)
Net Increase/(Decrease) in Cash Held	161	152
SURPLUS /(DEFICIT)	233	198

APPENDIX A - CONCEPTS AND DEFINITIONS

Classification Basis of Government Finance Statistics

The GFS data is prepared on the basis of concepts and classifications used by the ABS in the preparation of public finance statistics. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *System of National Accounts*.

The transactions used in the preparation of the GFEs are:

- the Economic Transactions Framework, which categorises outlays, revenue, grants received and financing transactions according to their effect on the rest of the economy;
- the Government Purpose Classification, which groups outlays on similar functions; and
- the Taxes Classification, which gives a detailed dissection of these revenue sources.

Net Operating Balance

The GFS net operating balance, or operating result, is the excess of GFS revenue over GFS expenses. The net operating balance excludes capital expenditure, but includes non-cash costs such as accruing superannuation entitlements and depreciation. By including all accruing costs, including depreciation, the net operating balance encompasses the full costs of providing government services.

Fiscal Balance

GFS net lending, or fiscal balance, measures a government's investment-saving balance. A fiscal surplus indicates that a government is saving more than enough to finance all of its investment spending and is therefore not contributing directly to the current account deficit.

GFS Net Worth

Net worth provides a more comprehensive picture of a government's overall financial position than the net debt measure. It is calculated as total assets (both financial and non-financial) minus total liabilities, minus shares and other contributed capital. Net worth incorporates a government's non-financial assets such as land and other infrastructure assets, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

Net Debt

Net Debt comprises the stock of selected gross financial liabilities less financial assets. The stock of net debt is a common measure used to help judge the overall strength of a jurisdiction's fiscal position. High levels of net debt impose a call on future revenue flows to service that debt and can therefore limit a government's flexibility to adjust expenditure.

Net Debt rather than Gross Debt is a more appropriate concept for analytical purposes as any analysis based on Gross Debt will not reflect holdings of financial assets. The General Government sector has significant holdings of financial assets in the form of cash investments and loans to the Public Trading Enterprise sector.

Net Financial Worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation provisions, but excludes depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Cash Deficit/Surplus

The cash deficit/surplus measures the call on financing for the Government. It is calculated as the difference between receipts and outlays less any increases in provisions.

In providing a measure of the financing task of government, the cash deficit/surplus also provides information for assessing the economic impact of a government's fiscal policies. However, it needs to be qualified in that it includes transactions which only represent a transformation of assets.

Consolidation of Transactions

GFS data presents a consolidated view of the financial transactions of the General Government and PNFC Sectors. The Non-Financial Public Sector represents a consolidation of the General Government and PNFC Sectors.

To compile statistics for the financial activities of the Non-Financial Public Sector, or its component sectors, the receipts, payments, financial assets and liabilities held with other units within the chosen grouping have to be matched and eliminated to avoid double counting. This process is known as consolidation.

For example, in the case of GFS, transactions between the Department of Treasury and Finance and the Department of Primary Industries, Water and Environment are netted out as both agencies are classified as General Government. Transactions between the Department of Treasury and Finance and Hydro Tasmania are not netted out of the General Government and PNFC tables as the former agency is classified as General Government while the latter is a PNFC. However, such transactions are netted out for the purposes of the Non-Financial Public Sector tables.

APPENDIX B - CLASSIFICATION OF AUTHORITIES

General Government

Health and Human Services
Economic Development
Education
Home Ownership Assistance Program (HOAP)
House of Assembly
Housing Tasmania
Infrastructure, Energy and Resources
Inland Fisheries Commission
Justice and Industrial Relations
Legislative Council
Legislature-General
Marine and Safety Tasmania
Office of the Governor
Police
Premier and Cabinet
Primary Industries, Water and Environment
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
The Nominal Insurer
Tourism, Parks, Heritage and the Arts
Treasury and Finance

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Burnie Port Corporation Pty Ltd
Civil Construction Services Corporation
Egg Marketing Board
Flinders Island Port Company Pty Ltd
Forestry Tasmania
Hobart Ports Corporation Pty Ltd
Hydro Tasmania
King Island Ports Corporation
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Port of Devonport Corporation Pty Ltd
Port of Launceston Pty Ltd
Printing Authority of Tasmania
Private Forests Tasmania

Public Non-Financial Corporations (continued)

Rivers and Water Supply Commission

Southern Regional Cemetery Trust

Stanley Cool Stores Board

Tasmanian Grain Elevators Board

Tasmanian International Velodrome Management Authority

The Public Trustee

Tote Tasmania Pty Ltd

Transend Networks Pty Ltd

TT-Line Company Pty Ltd