



Tasmania

**LOAN COUNCIL
OUTCOMES
REPORT
2002-03**

Department *of* Treasury *and* Finance
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CONTENTS

	Page
Introduction	1
Coverage	1
Outcomes 2002-03	3
Operating Statement	3
Balance Sheet	4
Cash Flow Statement	6
Loan Council Outcome	8
Appendix A - GFS Tables	9
Appendix B - Concepts and Definitions	30
Classification Basis of Government Finance Statistics	30
Consolidation of Transactions	31
Appendix C - Classification of Authorities	32
General Government	32
Public Non-Financial Corporations	32
Public Financial Corporations	33

INTRODUCTION

The purpose of this Outcomes Report is to present the 2002-03 outcomes for Government Finance Statistics (GFS) of the Tasmanian public sector.

The information presented in this report is in accordance with the Uniform Presentation Framework (UPF) using the accrual based GFS framework.

The accrual UPF was adopted as a result of the increased focus on accrual reporting in the public sector and the adoption of an accrual based GFS reporting framework by the Australian Bureau of Statistics (ABS) as published in *Government Financial Statistics, Australia 2001-02*, ABS Cat No 5512.0. Accrual based UPF information was also used as the basis of the 2003-04 Budget documents.

This Outcomes Report provides a complete presentation of 2002-03 GFS outcomes based on actual end of year results.

Coverage

The information presented on GFS is equivalent to the data published in Appendix 1 of the 2003-04 Budget Papers. Information regarding the Public Financial Corporations (PFC) Sector and Total State Government Sector is included, which was not reported in the 2003-04 Budget Papers.

The information presented in this Report is not directly comparable to data published in the *2002-03 Treasurer's Financial Statements* for a number of reasons, including:

- GFS presents a consolidated view of the transactions of the State Government, whereas the Treasurer's Statements concentrate on the transactions which impact on the Public Account;
- the classification and coverage of agencies and authorities differs between the publications (refer Appendix C for the classifications and coverage adopted for this Outcomes Report); and
- the definition or valuation of transactions may vary between the publications.

Classification of Public Sector Entities

Public sector entities have been classified according to the General Government, Public Non-Financial Corporation (PNFC) or Public Financial Corporation (PFC) Sectors. A detailed dissection of the coverage and classification of public sector entities for the UPF is provided in Appendix C.

The General Government Sector comprises those agencies of government, the primary function of which is to provide public services which are mainly non-market in nature, for the collective consumption of the community, or which involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies. This sector covers inner-Budget agencies and some statutory authorities such as the State Fire Commission.

The PNFC Sector comprises those entities that aim to cover the majority of their expenses by revenue from the sales of goods and services and which are mainly market, non-regulatory and non-financial in nature. Generally, this sector covers the State's Government Business Enterprises (GBEs) and State-owned Companies (SOCs).

The PFC Sector comprises those entities that perform central bank functions or have the authority to incur financial liabilities and acquire financial assets in the market on their own account. This sector covers the Motor Accidents Insurance Board and the Tasmanian Public Finance Corporation (Tascorp).

The Total Non-Financial Public Sector represents the consolidated total of the General Government and PNFC Sectors. The Total State Government Sector represents the consolidated total of the General Government, PNFC and PFC Sectors. The movement in these sectors is directly linked to the movement of the component sectors.

Rounding

Amounts are rounded to the nearest million dollars. As a consequence, rounded figures may not add to totals.

OUTCOMES 2002-03

Operating Statement

Table 1: Breakdown of 2002-03 Operating Results by Sector

	General		Total Non-Financial		Total State	
	Government Sector		Public Sector		Government Sector	
	2002	2003	2002	2003	2002	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Net Operating Balance	139	212	184	200	209	219
Fiscal Balance	169	250	(62)	156	(36)	175

General Government Sector

The General Government Sector fiscal surplus was \$250 million in 2002-03, an increase of \$81 million from the 2001-02 result of \$169 million. The result for the sector is influenced by a number of factors including an increase in grants, taxation revenue and sales of goods and services, offset by an increase in salary expenses and spending on community support services. The General Government Sector net operating balance was \$212 million in 2002-03, an increase of \$73 million from the 2001-02 result of \$139 million.

Public Non-Financial Corporations Sector

The PNFC Sector recorded a fiscal deficit of \$96 million, an increase of \$134 million compared to the 2001-02 fiscal deficit of \$230 million. The major factor leading to the deficit was the agreement to purchase *Spirit of Tasmania III* by TT-Line Company Pty Ltd.

Total Non-Financial Public Sector

The Total Non-Financial Public Sector fiscal balance is the consolidated total of the General Government, and PNFC Sectors. The movement is therefore directly linked to the movement in the fiscal balance of the component sectors.

The Total Non-Financial Public Sector recorded a fiscal surplus of \$156 million in 2002-03, a turnaround of \$218 million from the 2001-02 deficit of \$62 million.

Total State Government Sector

The Total State Government Sector net operating balance increased by \$10 million from \$209 million to \$219 million between 30 June 2002 and 30 June 2003. The Total State Government Sector fiscal surplus is the consolidated total of the General Government, PNFC and PFC Sectors. The Total State Government Sector fiscal surplus was \$175 million in 2002-03, an increase of \$211 million from the 2001-02 deficit of \$36 million.

Balance Sheet

Net Debt

A summary breakdown of Net Debt as at 30 June 2002 and 30 June 2003 is provided in Table 2.

Table 2: Breakdown of Net Debt ¹ (nominal terms) as at 30 June

	General		Total Non-Financial		Total State	
	Government Sector		Public Sector		Government Sector	
	2002	2003	2002	2003	2002	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Gross Debt	1 896	1 063	3 691	2 780	4 456	4 328
less Financial Assets	1 144	577	1 272	732	2 366	2 708
Net Debt	752	486	2 419	2 048	2 090	1 620

Note:

1. Due to the consolidation process, Gross Debt and Financial Assets for the Total State Government Sector will not equal the sum of the component sectors. However, Net Debt is additive.

General Government Sector

General Government Sector Net Debt decreased by \$266 million, or 35 per cent, from \$752 million to \$486 million between 30 June 2002 and 30 June 2003. The movement reflects a decrease in the gross debt level more than offsetting a decrease in financial assets (cash).

Surplus cash is used to repay maturing debt within a financial year, thus delaying refinancing borrowing until the latest possible time and reducing borrowing costs. For this reason, both cash balances and gross debt are maintained as low as possible during the year. In past years, at the end of the financial year, a temporary overnight borrowing was undertaken which had the effect of grossing up both cash and debt as at 30 June. With the move to accrual budgeting, the practice of the end of year borrowing has been discontinued. As a consequence, temporary debt repayments made throughout the year will no longer be offset by a temporary overnight borrowing at year end, and are now recorded in a new Temporary Debt Repayment Account within the Special Deposits and Trust Fund, which results in the Account being overdrawn.

General Government Sector Gross Debt decreased by \$833 million, or 44 per cent in nominal terms, from \$1 896 million to \$1 063 million between 30 June 2002 and 30 June 2003. The major factors affecting this decrease were discontinuation of end of year borrowing (\$700 million), repayment of State Debt (\$125 million) and repayment of Commonwealth debt (\$8 million).

The General Government debt burden steadily decreased in real terms over the six year period to 30 June 2003. The improved debt position reflects the repayment of advances by the PNFC Sector, successive Fiscal Strategies which have led to increasing cash surpluses and the application of proceeds from major asset sales to debt retirement. General Government Net Debt is targetted to fall to zero by June 2008.

Total Non-Financial Public Sector

Net Debt for the Total Non-Financial Public Sector decreased by \$371 million, or 15 per cent, from \$2 419 million at 30 June 2002 to \$2 048 million at 30 June 2003. The Total Non-Financial Public Sector is the consolidated total of the General Government and PNFC Sectors. The movement in Net Debt is therefore linked directly to the movement in the Net Debt of the component sectors after eliminating inter-sector transactions. The decrease in PNFC Net Debt is due to a general reduction in borrowings by the PNFC Sector. Although TT-Line Pty Ltd purchased *Spirit of Tasmania III* during 2002-03, delivery did not take place until September 2003, and payment (and associated borrowings) was not required until that time. The impact on Net Debt of this purchase will therefore take effect in 2003-04.

Public Financial Corporations Sector

Net Debt for the PFC Sector is in a negative position, meaning the Sector holds net assets. PFC Sector net assets were \$431 million as at 30 June 2003, an increase of \$103 million from the level at 30 June 2002. The net asset position of the PFC Sector is primarily a result of the net assets held by the Motor Accidents Insurance Board (MAIB). The MAIB holds a significant level of cash and investments in order to fund its liability for outstanding claims. However, the liability is not reflected in the Net Debt calculation, as it is reported below the line as Other Non-equity Liabilities.

Total State Government Sector

Net Debt for the Total State Government Sector decreased by \$470 million, or 22 per cent in nominal terms, from \$2 090 million to \$1 620 million, between 30 June 2002 and 30 June 2003. The Total State Government Sector is the consolidated total of the General Government, the PNFC and PFC Sectors. The movement in Net Debt is therefore directly linked to the movement in the Net Debt of the component sectors after eliminating inter-sector transactions.

The decrease in Total State Government Sector Net Debt is primarily attributable to the movement in the General Government Sector, and is the result of a decrease in the gross debt level and growth in the Public Account balance, offset by discontinuation of end of year borrowing.

Table 3: Net Debt in Nominal Terms as at 30 June

	2002	2003
	\$m	\$m
General Government Sector	752	486
Public Non-Financial Corporations Sector	1 669	1 558
Total Non-Financial Public Sector	2 419	2 048
Public Financial Corporations Sector	(328)	(431)
Total State Government Sector	2 090	1 620

Net Financial Liabilities

Net Financial Liabilities consist of Net Debt and unfunded superannuation liabilities of government employees. Unfunded superannuation liabilities represent a significant liability of the State, with the General Government and PNFC Sector components being \$2 008 million and \$311 million respectively, as at 30 June 2003.

Net Financial Liabilities for the General Government, PNFC and PFC Sectors are depicted in Table 4.

Table 4: Net Financial Liabilities as at 30 June

	2002	2003
	\$m	\$m
General Government Sector	2 558	2 494
Public Non-Financial Corporations Sector	1 975	1 869
Public Financial Corporations Sector	(326)	(429)
Total State Government Sector	4 204	3 940

Accounts established to fund future employee benefits are not offset against the total amount of unfunded liabilities. In respect to General Government liabilities, as at 30 June 2003, amounts have been set aside in the Special Deposits and Trust Fund for superannuation (\$590 million). In accordance with accrual accounting concepts, PNFCs make provisions in their financial accounts which should cover the superannuation liability determined by the actuary.

More detail of the funding arrangements for superannuation and the Tasmanian Risk Management Fund is provided in Chapter 7 of Budget Paper No 1 - *Budget Overview 2003-04*.

Cash Flow Statement

Table 5: Breakdown of Cash Surplus by Sector

	General		Total Non-Financial		Total State	
	Government Sector		Public Sector		Government Sector	
	2002	2003	2002	2003	2002	2003
	\$m	\$m	\$m	\$m	\$m	\$m
Cash Surplus/(Deficit)	210	306	(20)	375	43	451

General Government Sector

The General Government Sector cash surplus increased by \$96 million, from \$210 million to \$306 million between 2001-02 and 2002-03. The surplus reflects an increase in taxes and grants and subsidies received and an increase in the sale of surplus public housing, offset by an increase in employee expenses and expenditure on road infrastructure.

Public Non-Financial Corporations Sector

The PNFC Sector recorded a cash surplus of \$70 million in 2002-03, an increase of \$302 million from the 2001-02 deficit of \$232 million. The increase is due to an increase in receipts from sales of goods and services, offset by a reduction in capital expenditure by TT-Line and increases in payments of salary and wages and interest payments. The cash outflow associated with the purchase of *Spirit of Tasmania III* by TT-Line in September 2003 will take place in 2003-04.

Total Non-Financial Public Sector

The Total Non-Financial Public Sector cash surplus increased by \$395 million from the 2001-02 deficit of \$20 million to a surplus of \$375 million in 2002-03. The Total Non-Financial Public Sector surplus is the consolidated total of the General Government and PNFC Sectors. The movement is therefore directly linked to the movement in the outcome of the component sectors.

Total State Government Sector

The Total State Government Sector surplus increased from \$43 million to \$451 million between 2001-02 and 2002-03. The Total State Government Sector surplus is the consolidated total of the General Government, PNFC and PFC Sectors. The movement is therefore directly linked to the movement in the surplus of the component sectors. The PFC Sector recorded a cash surplus of \$76 million in 2002-03.

LOAN COUNCIL OUTCOME

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.

A two percent tolerance band (calculated on Total Non-Financial Public Sector revenue) applies between the budgeted LCA and the LCA outcome. For 2002-03, the tolerance limit applicable to Tasmania's LCA was \$74 million.

Table 6 shows that Tasmania's LCA outcome for 2002-03 was outside the tolerance limit. This is primarily due to the strong General Government Sector cash results.

The cash surplus for the General Government sector for 2002-03 was \$306 million, a variation of \$201 million from the initial Budget-time estimate of \$105 million. This variation is a result of a number of positive factors such as reductions in debt servicing costs achieved as a result of repayment of gross debt and revenue being above the original Budget estimate.

The cash surplus for the PNFC Sector for 2002-03 was \$70 million, a variation of \$66 million from the initial Budget-time estimate of a surplus of \$136 million.

Table 6: Loan Council Outcome for 2002-03

	2002-03 Budget-time Estimate	2002-03 Actual
	\$m	\$m
General Government Cash Deficit/(Surplus)	(105)	(306)
PNFC Cash Deficit/(Surplus)	(136)	(70)
Total Non-Financial Public Sector Advances Paid	....	(13)
Total LCA Deficit/(Surplus)	(241)	(389)
Memorandum Items		
Universities	8	....
Local Government	21	14
Other	....	....
Total LCA	(212)	(375)

APPENDIX A - GFS TABLES

Table 7: General Government Sector – Operating Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
GFS Revenue		
Taxation revenue	529	559
Current grants and subsidies	1 712	1 815
Capital grants	72	35
Sales of goods and services	326	264
Interest income	23	24
Dividend Income and Income Tax Equivalents	155	173
Other	35	136
Total	2 852	3 006
less		
GFS Expenses		
Depreciation	151	159
Employee expenses	1 203	1 225
Other operating expenses	691	739
Nominal superannuation interest expenses	108	101
Other interest expenses	89	79
Grants and transfers	471	491
Total	2 713	2 794
equals NET OPERATING BALANCE	139	212
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	169	184
less Sales of non-financial assets	47	63
less Depreciation	151	159
plus Other transactions in non-financial assets	(1)	....
Total	(30)	(38)
equals FISCAL BALANCE	169	250

Table 8: General Government Sector – Balance Sheet

	2002	2003
	Actual	Actual
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	982	441
Advances paid	160	135
Investments, loans and placements	2	1
Other non-equity assets	263	309
Equity	3 974	4 014
Total	5 381	4 900
Non-financial assets		
Land and fixed assets	5 670	5 902
Other non-financial assets	....	....
Total	5 670	5 902
Total assets	11 051	10 802
Liabilities		
Deposits held	12	....
Advances received	323	315
Borrowing	1 561	748
Unfunded superannuation liabilities	1 806	2 008
Other employee provisions	343	332
Other provisions	....	....
Other non-equity liabilities	122	177
Total liabilities	4 167	3 580
Shares and other contributed capital	....	....
GFS NET WORTH	6 884	7 222
NET FINANCIAL WORTH	1 214	1 320
NET FINANCIAL LIABILITIES	2 558	2 494
NET DEBT	752	486

Table 9: General Government Sector – Cash Flow Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Cash receipts from operating activities		
Taxes received	511	558
Receipts from sales of goods and services	299	229
Grants and subsidies received	1 781	1 863
Interest received	19	22
Other receipts	301	483
Total	2 911	3 155
Cash payments for operating activities		
Payments for goods and services	(1 911)	(2 034)
Grants and subsidies paid	(465)	(506)
Interest paid	(95)	(79)
Other payments	(108)	(109)
Total	(2 579)	(2 728)
Net cash flows from operating activities	332	427
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	47	63
Purchases of non-financial assets	(169)	(184)
Total	(122)	(121)
Net cash flows from investments in financial assets for policy purposes	(16)	(20)
Net cash flows from investments in financial assets for liquidity purposes	....	....
Net cash flows from financing activities		
Advances received (net)	(36)	(11)
Borrowing (net)	27	(813)
Deposits received (net)	(1)	....
Other financing (net)	....	....
Total	(10)	(824)
Net Increase/(Decrease) in Cash Held	184	(538)
CASH SURPLUS /(DEFICIT)	210	306

Table 10: Public Non-Financial Corporations Sector – Operating Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
GFS Revenue		
Current grants and subsidies	45	46
Capital grants	2	6
Sales of goods and services	1 008	1 051
Interest income	5	6
Total	<u>1 060</u>	<u>1 109</u>
less		
GFS Expenses		
Depreciation	177	185
Employee expenses	216	243
Other operating expenses	372	388
Other interest expenses	107	135
Dividend and Income Tax Equivalent expenses	144	173
Total	<u>1 016</u>	<u>1 124</u>
equals NET OPERATING BALANCE	<u>44</u>	<u>(15)</u>
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	471	342
less Sales of non-financial assets	17	75
less Depreciation	177	185
plus Change in inventories	(3)	....
plus Other transactions in non-financial assets	....	(1)
Total	<u>274</u>	<u>81</u>
equals FISCAL BALANCE	<u>(230)</u>	<u>(96)</u>

Table 11: Public Non-Financial Corporations Sector – Balance Sheet

	2002	2003
	Actual	Actual
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	152	136
Investments, loans and placements	9	39
Other non-equity assets	164	272
Equity	11	12
Total	336	459
Non-financial assets		
Land and fixed assets	6 039	6 095
Other non-financial assets	7	16
Total	6 046	6 111
Total assets	6 382	6 570
Liabilities		
Advances received	31	16
Borrowing	1 799	1 717
Unfunded superannuation liability	306	311
Other employee provisions	53	59
Other provisions	....	2
Other non-equity liabilities	308	547
Total liabilities	2 497	2 652
Shares and other contributed capital	3 885	3 918
GFS NET WORTH	....	....
NET FINANCIAL WORTH	(6 046)	(6 111)
NET FINANCIAL LIABILITIES	1 975	1 869
NET DEBT	1 669	1 558

Table 12: Public Non-Financial Corporations Sector – Cash Flow Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Cash receipts from operating activities		
Receipts from sales of goods and services	993	1 056
Grants and subsidies received	45	45
Interest received	2	4
Other receipts	61	97
Total	1 101	1 202
Cash payments for operating activities		
Payments for goods and services	(546)	(598)
Interest paid	(104)	(118)
Other payments	(88)	(91)
Total	(738)	(807)
Net cash flows from operating activities	363	395
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	17	75
Purchases of new non-financial assets	(471)	(255)
Total	(454)	(180)
Net cash flows from investments in financial assets for policy purposes	....	....
Net cash flows from investments in financial assets for liquidity purposes	(9)	(11)
Net cash flows from financing activities		
Distributions paid	(141)	(145)
Advances received (net)	(9)	(15)
Borrowing (net)	294	(101)
Other financing (net)	11	41
Total	155	(220)
Net Increase/(Decrease) in Cash Held	55	(16)
CASH SURPLUS /(DEFICIT)	(232)	70

Table 13: Total Non-Financial Public Sector – Operating Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
GFS Revenue		
Taxation revenue	510	543
Current grants and subsidies	1 713	1 823
Capital grants	74	35
Sales of goods and services	1 291	1 272
Interest income	24	26
Other	44	136
Total	3 656	3 835
less		
GFS Expenses		
Depreciation	328	344
Employee expenses	1 419	1 468
Other operating expenses	1 002	1 076
Nominal superannuation interest expenses	108	101
Other interest expenses	192	204
Grants and transfers	423	442
Total	3 472	3 635
equals Net Operating Balance	184	200
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	643	526
less Sales of non-financial assets	65	138
less Depreciation	328	344
plus Change in inventories	(3)	....
plus Other transactions in non-financial assets	(1)	....
Total	246	44
equals FISCAL BALANCE	(62)	156

Table 14: Total Non-Financial Public Sector – Balance Sheet

	2002	2003
	Actual	Actual
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	1 134	575
Advances paid	128	117
Investments, loans and placements	10	40
Other non-equity assets	314	349
Equity	101	109
Total	1 687	1 190
Non-financial assets		
Land and fixed assets	11 710	11 997
Other non-financial assets	6	6
Total	11 716	12 003
Total assets	13 403	13 193
Liabilities		
Deposits held	11	....
Advances received	321	315
Borrowing	3 359	2 465
Unfunded superannuation liability	2 112	2 319
Other Employee provisions	396	394
Other provisions	1	2
Other non-equity liabilities	319	476
Total liabilities	6 519	5 971
Shares and other contributed capital	....	....
GFS NET WORTH	6 884	7 222
NET FINANCIAL WORTH	(4 832)	(4 781)
NET FINANCIAL LIABILITIES	4 531	4 367
NET DEBT	2 419	2 048

Table 15: Total Non-Financial Public Sector – Cash Flow Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Cash receipts from operating activities		
Taxes received	494	542
Receipts from sales of goods and services	1 248	1 245
Grants and subsidies received	1 781	1 864
Interest received	23	23
Other receipts	215	430
Total	3 761	4 104
Cash payments for operating activities		
Payments for goods and services	(2 413)	(2 581)
Grants and subsidies paid	(420)	(461)
Interest paid	(195)	(187)
Other payments	(178)	(199)
Total	(3 206)	(3 428)
Net cash flows from operating activities	555	676
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	65	138
Purchases of new non-financial assets	(640)	(439)
Total	(575)	(301)
Net cash flows from investments in financial assets for policy purposes	(24)	(11)
Net cash flows from investments in financial assets for liquidity purposes	(9)	(11)
Net cash flows from financing activities		
Advances received (net)	(36)	(11)
Borrowing (net)	321	(914)
Deposits received (net)	(1)	....
Other financing (net)	11	13
Total	295	(912)
Net Increase/(Decrease) in Cash Held	242	(559)
CASH SURPLUS /(DEFICIT)	(20)	375

Table 16: Public Financial Corporations Sector – Operating Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
GFS Revenue		
Sales of goods and services	92	96
Interest income	395	402
Dividend Income and Income Tax Equivalents	5	13
Other	....	2
Total	492	513
less		
GFS Expenses		
Depreciation	1	1
Employee expenses	3	4
Other operating expenses	92	112
Other interest expenses	367	370
Dividend and Income Tax Equivalent expenses	5	4
Grants and transfers	1	3
Total	469	494
equals NET OPERATING BALANCE	23	19
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	....	....
less Sales of non-financial assets	....	1
less Depreciation	1	1
Total	(1)	(1)
equals FISCAL BALANCE	24	20

Table 17: Public Financial Corporations Sector – Balance Sheet

	2002	2003
	Actual	Actual
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	2	3
Investments, loans and placements	5 523	5 127
Other non-equity assets	93	89
Equity	213	178
Total	5 831	5 397
Non-financial assets		
Land and fixed assets	51	52
Other non-financial assets	....	....
Total	51	52
Total assets	5 882	5 449
Liabilities		
Deposits held	1 282	900
Borrowing	3 915	3 799
Unfunded superannuation liability	2	2
Other provisions	532	575
Other non-equity liabilities	72	87
Total liabilities	5 803	5 363
Shares and other contributed capital	79	86
GFS NET WORTH	....	....
NET FINANCIAL WORTH	(51)	(52)
NET FINANCIAL LIABILITIES	(326)	(429)
NET DEBT	(328)	(431)

Table 18: Public Financial Corporations Sector – Cash Flow Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Cash receipts from operating activities		
Receipts from sales of goods and services	98	107
Grants and subsidies received	....	....
Interest received	520	497
Other receipts	10	21
Total	628	625
Cash payments for operating activities		
Payments for goods and services	(86)	(88)
Grants and subsidies paid	(2)	(3)
Interest paid	(456)	(444)
Other payments	(8)	(6)
Total	(552)	(541)
Net cash flows from operating activities	76	84
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	1	....
Purchases of new non-financial assets	....	(1)
Total	1	(1)
Net cash flows from investments in financial assets for policy purposes	....	....
Net cash flows from investments in financial assets for liquidity purposes	(408)	423
Net cash flows from financing activities		
Distributions paid	(14)	(7)
Borrowing (net)	120	(116)
Deposits received (net)	291	(382)
Other financing (net)	(65)	(37)
Total	332	(542)
Net Increase/(Decrease) in Cash Held	1	(36)
CASH SURPLUS /(DEFICIT)	63	76

Table 19: Total State Government Sector – Operating Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
GFS Revenue		
Taxation Revenue	514	543
Current grants and subsidies	1 711	1 822
Capital grants	74	35
Sales of goods and services	1 375	1 361
Interest income	237	238
Other	45	147
Total	3 956	4 146
less		
GFS Expenses		
Depreciation	329	344
Employee expenses	1 422	1 472
Other operating expenses	1 085	1 185
Nominal superannuation interest expenses	108	101
Other interest expenses	376	383
Grants and transfers	427	442
Total	3 747	3 927
equals NET OPERATING BALANCE	209	219
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	643	527
less Sales of non-financial assets	66	139
less Depreciation	329	344
plus Change in inventories	(3)	....
plus Other transactions in non-financial assets	....	....
Total	245	44
equals FISCAL BALANCE	(36)	175

Table 20: Total State Government Sector – Balance Sheet

	2002	2003
	Actual	Actual
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	44	1
Advances paid	128	117
Investments, loans and placements	2 194	2 590
Other non-equity assets	369	420
Equity	235	201
Total	2 970	3 329
Non-financial assets		
Land and fixed assets	11 761	12 049
Other non-financial assets	6	6
Total	11 767	12 055
Total assets	14 737	15 384
Liabilities		
Deposits held	202	223
Advances received	321	315
Borrowing	3 933	3 790
Unfunded superannuation liability	2 114	2 320
Other employee provisions	396	395
Other provisions	565	577
Other non-equity liabilities	352	542
Total liabilities	7 883	8 162
Shares and other contributed capital	....	....
GFS NET WORTH	6 854	7 222
NET FINANCIAL WORTH	(4 913)	(4 833)
NET FINANCIAL LIABILITIES	4 204	3 940
NET DEBT	2 090	1 620

Table 21: Total State Government Sector – Cash Flow Statement

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Cash receipts from operating activities		
Taxes received	498	558
Receipts from sales of goods and services	1 497	1 390
Grants and subsidies received	1 783	1 909
Interest received	303	334
Other receipts	100	447
Total	4 181	4 638
Cash payments for operating activities		
Payments for goods and services	(2 674)	(2 637)
Grants and subsidies paid	(420)	(509)
Interest paid	(464)	(451)
Other payments	(5)	(289)
Total	(3 563)	(3 886)
Net cash flows from operating activities	618	752
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	66	139
Purchases of new non-financial assets	(641)	(440)
Total	(575)	(301)
Net cash flows from investments in financial assets for policy purposes	(24)	11
Net cash flows from investments in financial assets for liquidity purposes	(108)	(454)
Net cash flows from financing activities		
Advances received (net)	(36)	(6)
Borrowing (net)	148	(100)
Deposits received (net)	23	21
Other financing (net)	(12)	34
Total	123	(51)
Net Increase/(Decrease) in Cash Held	34	(43)
CASH SURPLUS /(DEFICIT)	43	451

Table 22: General Government Expenses by Purpose

	2002-03
	Actual
	\$m
GENERAL PUBLIC SERVICES	
Government superannuation benefits	92
Other public services	93
	<u>185</u>
PUBLIC ORDER AND SAFETY	
Police and fire protection services	
Police services	110
Fire protection services	42
Law courts and legal services	45
Prisons and corrective services	58
Other public order and safety	....
	<u>256</u>
EDUCATION	
Primary and secondary education	
Primary education	341
Secondary education	249
Primary and secondary education nec	....
Tertiary Education	80
Pre-school education and education not definable by level	
Preschool education	23
Special education	....
Other education not definable by level	....
Transportation of students	
Transport of non-urban school children	24
Transportation of other students	....
Education n.e.c.	....
	<u>717</u>
HEALTH	
Acute care institutions	
Admitted patients	256
Non admitted patients	73
Mental health institutions	16
Nursing homes for the aged	11
Community health services	
Community health (excluding community mental health)	114
Community mental health	29
Patient transport	26

Table 22: General Government Expenses by Purpose (continued)

	2002-03
	Actual
	\$m
HEALTH CONTINUED	
Public health services	26
Pharmaceuticals, medical aids and appliances	100
Health research	....
Health administration n.e.c.	....
	<u>650</u>
SOCIAL SECURITY AND WELFARE	
Social security	....
Welfare services	
Family and children services	45
Welfare services for the aged	19
Welfare services for people with a disability	38
Welfare services n.e.c.	20
	<u>122</u>
HOUSING AND COMMUNITY AMENITIES	
Housing and community development	
Housing	159
Community development	1
Water supply	....
Sanitation and protection of the environment	5
Other community amenities	....
	<u>165</u>
RECREATION AND CULTURE	
Recreation facilities and services	
National parks and wildlife	25
Recreation facilities and services	....
Cultural facilities and services	29
Broadcasting and film production	....
Recreation and culture n.e.c.	14
	<u>68</u>
FUEL AND ENERGY	
Fuel affairs and services	
Coal, petroleum and other fuel affairs and services	....
Gas	....
Electricity and other energy	
Electricity	9
Other energy	....
Fuel and energy n.e.c.	....
	<u>9</u>

Table 22: General Government Expenses by Purpose (continued)

	2002-03
	Actual
	\$m
AGRICULTURE, FORESTRY FISHING AND HUNTING	
Agriculture	49
Forestry, fishing and hunting	11
	<u>60</u>
MINING AND MINERAL RESOURCES OTHER THAN FUELS	
MANUFACTURING AND CONSTRUCTION	
Mining and mineral resources other than fuels	14
Manufacturing	....
Construction	....
	<u>14</u>
TRANSPORT AND COMMUNICATION	
Road transport	
Road maintenance	112
Road transport n.e.c.	....
Water transport	
Other water transport services	1
Urban water transport services	1
Rail transport	
Urban rail transport services	....
Non-urban rail transport freight services	4
Non-urban rail transport passenger services	....
Air transport	

Pipelines	

Other transport	
Multi-mode urban transport	....
Other transport n.e.c.	....
	<u>118</u>
OTHER ECONOMIC AFFAIRS	
Storage, saleyards and markets	....
Tourism and area promotion	84
Labour and employment affairs	
Vocational training	7
Other labour and employment affairs	9
Other economic affairs	86
	<u>187</u>

Table 22: General Government Expenses by Purpose (continued)

	2002-03
	Actual
	\$m
OTHER PURPOSES	
Public debt transactions	79
General purpose inter-government transactions	57
Natural disaster relief	....
Other purposes n.e.c.	8
	143
NOMINAL INTEREST ON UNFUNDED SUPERANNUATION	101
	2 794
TOTAL GENERAL GOVERNMENT EXPENSES	2 794

Table 23: General Government Capital Expenditure by Purpose

	2002-03
	Actual
	\$m
General public services	36
Public order and safety	11
Education	30
Health	16
Social security and welfare	....
Housing and community amenities	16
Recreation and culture	1
Agriculture, forestry, fishing and hunting	....
Transport and communications	73
Other economic affairs	1
Other purposes	....
	184

Table 24: General Government Taxes

	2001-02	2002-03
	Actual	Actual
	\$m	\$m
Employers' Pay-roll Taxes	149	155
<i>Taxes on property</i>		
Land tax	26	25
Property owners contributions to fire brigade	20	20
Taxes on financial and capital transactions	116	142
Total taxes on property	162	187
<i>Taxes on the provision of goods and services</i>		
Levies on statutory corporations	2	...
<i>Taxes on gambling</i>		
Taxes on private lotteries	21	21
Casino taxes	46	50
Race betting taxes	1	1
Total taxes on gambling	68	72
<i>Taxes on insurance</i>		
Insurance companies' contributions to fire brigades	10	15
Third party insurance taxes	....	....
Taxes on insurance nec	41	29
Total taxes on insurance	51	44
Total taxes on the provision of goods and services	121	116
<i>Taxes on use of goods and performance of activities</i>		
<i>Motor vehicle taxes</i>		
Vehicle registration fees and taxes	65	64
Stamp duties on vehicle registration	32	35
Total motor vehicle taxes	98	99
Safety Net Revenues	....	....
Total taxes on use of goods and performance	98	99
Total Taxes	529	559

APPENDIX B - 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 Non-Financial Corporations 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, PNFC and PFC Sectors. The Total Non-Financial Public Sector represents a consolidation of the General Government and PNFC Sectors. The Total State Government sector is a consolidation of the General Government, PNFC and PFC Sectors

To compile statistics for the financial activities of the whole State Government, 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 Total Non-Financial Public Sector and Total State Government Sector tables.

APPENDIX C - CLASSIFICATION OF AUTHORITIES

General Government

Economic Development
Education
Health and Human Services (including Home Ownership Assistance Program and Housing Tasmania)
House of Assembly
Infrastructure, Energy and Resources
Inland Fisheries Service
Justice and Industrial Relations
Legislative Council
Legislature-General
Marine and Safety Tasmania
Office of the Governor
Police and Public Safety
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
Forestry Tasmania
Hobart Ports Corporation Pty Ltd
Hydro Tasmania
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
Rivers and Water Supply Commission
Southern Regional Cemetery Trust

Public Non-Financial Corporations (continued)

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

Public Financial Corporations

Motor Accidents Insurance Board

Tasmanian Public Finance Corporation