

March Quarterly Report 2013-14



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Published April 2014
Printed by Ricoh Business Centre
ISSN 2201-3059 (Print)
ISSN 2201-3652 (Online)

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1 INTRODUCTION

The *March Quarterly Report 2013-14* is prepared in accordance with Section 26C of the *Financial Management and Audit Act 1990*. It presents financial results for the nine months ending 31 March 2014 for the General Government Sector and the Consolidated Fund.

Seasonal and timing factors impact the State's finances, especially the timing of Grants and Taxation revenue and returns from government businesses and the timing of major expenses, such as Grants and Supplies and consumables. It is, therefore, not possible to extrapolate the quarterly information to project the likely outcome for 2013-14.

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*. Estimation methods have been used in the preparation of this Report which are based on the principles of *AASB 134 Interim Financial Reporting*.

Presentation of the financial statements is consistent with the 2013-14 Budget and reporting requirements of the Uniform Presentation Framework. This Report should be read in conjunction with the *2013-14 Budget Papers* and the *Guide to the Budget*.

The Report contains the following information:

- Section 2 presents the financial results for the General Government Sector for the nine months ending 31 March 2014;
- Section 3 summarises receipts to and expenditure from the Consolidated Fund; and
- Section 4 outlines key concepts used within this Report.

2 GENERAL GOVERNMENT SECTOR OUTCOME

Income Statement

- The General Government Sector Net Operating Balance for the nine months ending 31 March 2014 is a deficit of \$25.2 million.
- Revenue from transactions is \$3 759.2 million, or 78 per cent of the 2013-14 original Budget estimate of \$4 792.1 million. The main variances from a pro-rata Budget estimate are as follows:
 - Grants revenue is \$2 213.1 million, or 78 per cent of the 2013-14 original Budget estimate of \$2 850.9 million. This primarily reflects the timing of Australian Government Grant receipts and the reclassification of Commonwealth Own Purpose Expenditure receipts from Other revenue to Grants revenue by the Department of Health and Human Services and the Tasmanian Health Organisations.
 - Taxation revenue is \$741.4 million, or 79 per cent of the 2013-14 original Budget estimate of \$940.0 million. The year-to-date revenue primarily reflects the timing of Land tax receipts. The majority of Land tax revenue is recognised in the September quarter when the bulk of invoices for 2013-14 have been issued. In addition, taxes on financial and capital transactions are \$121.7 million for the nine months ending 31 March 2014, which is 93 per cent of the original Budget estimate of \$131.5 million. This increase reflects greater than anticipated market activity.
 - Sales of goods and services is \$283.0 million, or 80 per cent of the 2013-14 original Budget estimate of \$354.9 million. This is primarily due to timing issues and the reclassification by the THOs of COPE revenue, from the Australian Government for Highly Specialised Drugs, from Other revenue to Sales of goods and services due to a change in the way this program is managed.
 - Dividend, tax and rate equivalent income is \$333.5 million, or 101 per cent of the 2013-14 original Budget estimate of \$330.1 million. Dividends and Income tax equivalent payments from State-owned Companies and Government Business Enterprises are generally all received by the March quarter.
 - Other revenue is \$108.2 million, or 55 per cent of the 2013-14 original Budget estimate of \$195.9 million. This is primarily due to the reclassification of COPE revenue to Grants revenue and Sales of goods and services, as noted above.
- Expenses from transactions is \$3 784.4 million, or 75 per cent of the 2013-14 original Budget estimate of \$5 059.0 million. The main variances from a pro-rata Budget estimate are as follows:
 - Supplies and consumables is \$688.9 million, or 63 per cent of the 2013-14 original Budget estimate of \$1 086.9 million. This is mainly due to seasonal impacts on expenses for: Finance-General, relating to Tasmanian Risk Management Fund and Property Management Services; and the Department of Education which are all below the pro-rata Budget estimate. However, these expenses are expected to be in line with the Budget forecasts by the end of the June quarter.

- Grants expenses are \$858.2 million, or 84 per cent of the 2013-14 original Budget estimate of \$1 025.9 million. This primarily reflects the impact of grants of \$47.8 million paid under the Tasmanian Forests Agreement where funding was received late in 2012-13 and the expense was not included in the original Budget estimate. Grant expenses are above the pro-rata Budget estimate as a result of the timing for the payments of some grants, such as Non-Government Schools grants of \$249.1 million and Tasmanian Racing Assistance grants of \$29.3 million which have all been fully paid for 2013-14.
- Other economic flows – Included in Operating Result is a loss of \$1 759.1 million for the nine months ending 31 March 2014, which is a significant variance from the original 2013-14 Budget estimate for a gain of \$140.9 million. This variation is primarily due to the Revaluation of equity investment in the PNFC and PFC sectors which is a decrease of \$1 759.5 million. This reflects the derecognition of the equity investment in the four Tasmanian Water and Sewerage Corporations which ceased trading on 30 June 2013, with the new entity, TasWater, now classified by the Australian Bureau of Statistics in the Local Government Sector.
- Net acquisition of non-financial assets is negative \$43.5 million, which is \$85.7 million below the original 2013-14 Budget estimate of positive \$42.2 million. This variance is primarily due to Purchase of non-financial assets which is \$175.2 million, or 51 per cent of the 2013-14 original Budget estimate of \$344.8 million. This reflects the timing of payments for capital projects such as roads and prison infrastructure. In addition, the timing of cash flows for the Royal Hobart Hospital Redevelopment has significantly impacted the year to date outcome.

Balance Sheet

Net Worth decreased by \$1 660.9 million from \$11 791.6 million as at 30 June 2013 to \$10 130.7 million as at 31 March 2014. The fall is primarily due to the derecognition of the Equity investment in the Tasmanian Water and Sewerage Corporations as outlined above.

Net Debt deteriorated by \$7.9 million from negative \$220.3 million as at 30 June 2013 to negative \$212.4 million as at 31 March 2014.

Borrowings have increased by \$11.4 million from \$1 126.1 million as at 30 June 2013 to \$1 137.5 million as at 31 March 2014. This is primarily a result of additional borrowings of \$15 million by the Department of Economic Development, Tourism and the Arts from the Australian Government as part of its Farm Finance Initiative. Under the initiative, the Australian Government will lend a total of \$30 million over two years, for the purpose of providing concessional loans to eligible farm businesses in Tasmania. This initiative will have no impact on Net Debt for the State, as the Borrowings are offset by loan advances, which are recognised as a Financial asset.

The Superannuation liability as at 31 March 2014 is based on the actuarial valuation as at 30 June 2013 adjusted for service costs and the nominal interest expense, based on actuarial advice for the nine months ending 31 March 2014. The difference of \$1 054.3 million between the original 2013-14 Budget estimate and the March year to date valuation of the Superannuation liability reflects the difference between the discount rate applied by the actuary for financial reporting purposes, in accordance with AASB 119 *Employee Benefits*, and the estimated long-term bond rate which is used for Budget purposes.

Table 2.1: General Government Income Statement

	2012-13 March YTD Actual	2013-14 Original Budget	2013-14 March YTD Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	2 078.4	2 850.9	2 213.1
Taxation	684.5	940.0	741.4
Sales of goods and services	259.4	354.9	283.0
Fines and regulatory fees	79.1	106.4	72.0
Interest income	14.7	13.8	8.1
Dividend, tax and rate equivalent income	179.1	330.1	333.5
Other revenue	162.5	195.9	108.2
	3 457.7	4 792.1	3 759.2
Less Expenses from transactions			
Employee expenses	1 567.5	2 109.9	1 616.8
Superannuation	143.7	248.1	206.2
Depreciation	201.8	276.3	196.8
Supplies and consumables	720.1	1 086.9	688.9
Nominal superannuation interest expense	176.4	268.2	189.0
Borrowing costs	9.6	11.9	10.9
Grant expenses	752.5	1 025.9	858.2
Other expenses	11.7	31.9	17.7
	3 583.2	5 059.0	3 784.4
Equals NET OPERATING BALANCE	(125.5)	(266.9)	(25.2)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	(6.4)	8.3	(0.2)
Movement in equity investment in PNFC and PFC sectors	225.4	120.8	(1 759.5)
Movement in superannuation liability	....	....	....
Other gains/(losses)	(35.2)	11.9	0.6
	183.7	140.9	(1 759.1)
Equals Operating Result	58.2	(126.0)	(1 784.3)

Table 2.1: General Government Income Statement (continued)

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Plus Other economic flows – Other non-owner movements in equity			
Revaluations of non-financial assets	227.0	326.1	175.3
Other non-owner movements in equity	2.3	(59.7)	10.4
	229.3	266.5	185.7
Equals Comprehensive Result	287.5	140.5	(1 598.6)
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(125.5)	(266.9)	(25.2)
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	147.8	344.8	175.2
Less Sale of non-financial assets	29.3	26.3	21.9
Less Depreciation	201.8	276.3	196.8
	(83.3)	42.2	(43.5)
Equals FISCAL BALANCE	(42.3)	(309.1)	18.2

Table 2.2: General Government Balance Sheet

	30 June 2013	30 June 2014	31 March 2014
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 298.3	857.6	1 302.0
Investments	48.1	42.4	47.9
Equity investment in PNFC and PFC sectors	6 174.7	6 628.0	4 415.8
Other equity investments	7.7	16.4	11.0
Receivables	306.2	354.5	379.0
Other financial assets	966.5	1 220.3	969.2
	8 801.5	9 119.2	7 125.0
Non-financial assets			
Land and buildings	6 165.9	6 948.3	6 245.2
Infrastructure	4 273.7	4 390.1	4 299.8
Plant and equipment	214.7	240.5	258.6
Heritage and cultural assets	460.9	473.9	460.9
Investment property	11.3	12.5	11.3
Intangible assets	37.6	34.6	37.8
Assets held for sale	22.4	11.3	12.9
Other non-financial assets	35.9	42.8	32.5
	11 222.4	12 154.0	11 358.9
Total Assets	20 023.9	21 273.2	18 483.8
Liabilities			
Borrowings	1 126.1	1 126.1	1 137.5
Superannuation	6 072.8	5 150.2	6 204.5
Employee entitlements	544.3	673.6	529.1
Payables	91.4	115.6	88.9
Other liabilities	397.6	417.9	393.0
Total Liabilities	8 232.3	7 483.4	8 353.1
NET ASSETS	11 791.6	13 789.8	10 130.7

Table 2.2: General Government Balance Sheet (continued)

	30 June 2013	30 June 2014	31 March 2014
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	7 350.6	9 035.3	5 514.4
Asset revaluation reserve	4 441.0	4 754.5	4 616.3
Total Equity	11 791.6	13 789.8	10 130.7
KEY FISCAL AGGREGATES			
NET WORTH ¹	11 791.6	13 789.8	10 130.7
NET FINANCIAL WORTH ²	569.2	1 635.7	(1 228.2)
NET FINANCIAL LIABILITIES ³	5 605.5	4 992.3	5 643.9
NET DEBT ⁴	(220.3)	226.1	(212.4)

Notes:

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

Table 2.3: General Government Cash Flow Statement

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Cash flows from operating activities			
Cash received			
Grants received	2 079.5	2 850.9	2 209.5
Taxation	667.0	941.2	718.9
Sales of goods and services	250.7	353.7	271.2
Fines and regulatory fees	66.6	106.4	68.6
Interest received	15.1	13.2	7.6
Dividend, tax and rate equivalents	184.0	352.0	338.7
Other receipts	316.9	365.1	232.5
	3 579.8	4 982.5	3 847.0
Cash paid			
Employee entitlements	(1 577.7)	(2 090.0)	(1 621.3)
Superannuation	(251.1)	(375.5)	(274.9)
Supplies and consumables	(709.0)	(1 095.8)	(723.3)
Borrowing costs	(2.7)	(11.7)	(1.7)
Grants and subsidies paid	(788.1)	(1 025.8)	(881.8)
Other payments	(141.5)	(201.6)	(135.0)
	(3 470.0)	(4 800.4)	(3 638.0)
Net cash flows from operating activities	109.8	182.1	209.1
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchase of non-financial assets	(147.8)	(344.8)	(175.2)
Sale of non-financial assets	29.3	26.3	21.9
	(118.5)	(318.5)	(153.3)
Net cash flows from financial assets (policy purposes)			
Equity injections	(50.1)	(65.9)	(62.2)
Net advances paid	4.4	(0.5)	(0.9)
	(45.7)	(66.4)	(63.1)
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	(1.0)	....	(0.4)
	(1.0)	....	(0.4)
Net cash flows from investing activities	(165.2)	(384.9)	(216.8)

Table 2.3: General Government Cash Flow Statement (continued)

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Cash flows from financing activities			
Net borrowing	(37.5)	51.3	11.5
Net cash flows from financing activities	(37.5)	51.3	11.5
Net increase/(decrease) in cash held	(92.9)	(151.5)	3.8
Cash at the beginning of the year	1 252.2	1 009.1	1 298.3
Cash at the end of the period	1 159.3	857.6	1 302.0
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	109.8	182.1	209.1
Plus Net cash flows from investment in non-financial assets	(118.5)	(318.5)	(153.3)
Equals CASH SURPLUS/(DEFICIT)	(8.7)	(136.4)	55.8

3 CONSOLIDATED FUND OUTCOME

Table 3.1: Consolidated Fund Outcome

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	1 323.3	1 800.5	1 384.4
Specific purpose payments	325.5	358.9	347.9
National partnership payments	25.1	82.3	33.8
Other grants and subsidies	....	0.1	....
	1 673.9	2 241.8	1 766.1
State sources			
Taxation	639.0	817.9	645.3
Receipts from government businesses	200.6	383.6	356.8
Departmental fees and recoveries	67.1	87.4	68.3
Recoveries of State debt charges	....	0.1	0.1
Sale and rent of government property	....	6.5	....
Resource rents and royalties	24.9	52.9	28.4
Other recurrent receipts	101.8	135.4	98.3
	1 033.4	1 483.8	1 197.2
Capital Receipts			
Other capital receipts	....	0.7	5.3
Total Receipts	2 707.3	3 726.2	2 968.6
less Expenditure			
Recurrent services			
Appropriation Act	2 464.5	3 323.7	2 570.6
Reserved by Law	188.2	290.6	204.6
	2 652.7	3 614.2	2 775.2
Works and services			
Capital Investment Program	91.5	169.5	87.0
Total Expenses	2 744.2	3 783.7	2 862.2
Equals CONSOLIDATED FUND SURPLUS/(DEFICIT)	(36.9)	(57.5)	106.4

Table 3.2: Consolidated Fund Expenditure

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Economic Development, Tourism and the Arts			
Recurrent services	77.7	90.9	71.6
Works and services	....	0.3	0.2
	77.7	91.2	71.8
Education			
Recurrent services	909.5	1 113.1	925.3
Works and services	10.0	10.5	8.1
	919.5	1 123.7	933.4
Finance-General			
Recurrent services	81.1	233.4	111.8
Reserved by Law	168.6	258.8	182.7
Works and services	....	4.0	....
	249.7	496.2	294.5
Health and Human Services			
Recurrent services	816.0	1 135.0	871.3
Works and services	13.6	12.0	1.7
	829.6	1 147.0	872.9
House of Assembly			
Recurrent services	1.7	2.3	1.7
Reserved by Law	3.8	5.4	3.9
	5.5	7.6	5.6
Infrastructure, Energy and Resources			
Recurrent services	141.3	193.5	155.9
Reserved by Law	....	0.1	....
Works and services	64.6	124.9	73.0
	205.9	318.5	228.9
Integrity Commission			
Recurrent services	1.9	2.9	1.9
	1.9	2.9	1.9
Justice			
Recurrent services	90.8	114.2	91.6
Reserved by Law	7.4	14.9	9.5
Works and services	0.6	16.4	3.3
	98.9	145.5	104.4
Legislative Council			
Recurrent services	2.4	3.3	2.6
Reserved by Law	2.3	3.0	2.3
	4.8	6.4	4.9

Table 3.2: Consolidated Fund Expenditure (continued)

	2012-13 March YTD Actual \$m	2013-14 Original Budget \$m	2013-14 March YTD Actual \$m
Legislature-General			
Recurrent services	4.7	5.8	4.7
	4.7	5.8	4.7
Ministerial and Parliamentary Support			
Recurrent services	14.6	18.3	15.0
Reserved by Law	0.5	0.8	0.5
	15.2	19.1	15.6
Office of the Director of Public Prosecutions			
Recurrent services	4.5	6.8	4.7
Reserved by Law	0.4	0.6	0.5
	4.9	7.4	5.2
Office of the Governor			
Recurrent services	2.0	2.8	2.3
Reserved by Law	0.4	0.6	0.4
	2.4	3.4	2.7
Office of the Ombudsman			
Recurrent services	1.6	2.1	1.6
	1.6	2.1	1.6
Police and Emergency Management			
Recurrent services	150.4	182.2	140.5
Works and services	1.9	....	....
	152.3	182.2	140.5
Premier and Cabinet			
Recurrent services	35.8	45.0	34.2
Reserved by Law	4.4	6.0	4.5
Works and services	0.2	0.3	0.1
	40.4	51.2	38.7
Primary Industries, Parks, Water and Environment			
Recurrent services	100.0	132.1	107.0
Works and services	0.6	1.2	0.6
	100.6	133.2	107.6
Tasmanian Audit Office			
Recurrent services	1.6	1.8	1.4
Reserved by Law	0.3	0.5	0.3
	1.9	2.3	1.8
Treasury and Finance			
Recurrent services	26.7	38.0	25.7
	26.7	38.0	25.7
TOTAL	2 744.2	3 783.7	2 862.2

4 CONCEPTS

Compliance Framework

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

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

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

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

The AASB 1049 framework includes:

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

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

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

Income Statement

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

Net Operating Balance

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

Operating Result

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

Comprehensive Result

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

Fiscal Balance

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

Balance Sheet

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

Net Debt

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

Net Financial Liabilities

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

Net Financial Worth

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

Net Worth

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

Cash Flow Statement

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

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

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

Net Increase in Cash Held

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

Cash Surplus/(Deficit)

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

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

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

Consolidation of Transactions

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

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

Consolidated Fund

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

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

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

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

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

Consolidated Fund Surplus/(Deficit)

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

Rounding

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

General Government

This Report includes all General Government agencies and statutory authorities. The primary function of these entities is to provide public services which are mainly non-market in nature and for consumption by the community. The services provided by these entities are financed mainly through taxes and other compulsory levies. As at 31 March 2014, the following entities are classified within the General Government Sector:

Department of Economic Development, Tourism and the Arts
Department of Education
Department of Health and Human Services
Department of Infrastructure, Energy and Resources
Department of Justice
Department of Police and Emergency Management
Department of Premier and Cabinet
Department of Primary Industries, Parks, Water and Environment
Department of Treasury and Finance (including Finance-General)
House of Assembly
Inland Fisheries Service
Integrity Commission
Legislative Council
Legislature-General
Marine *and* Safety Tasmania
Office of the Director of Public Prosecutions
Office of the Governor
Office of the Ombudsman
Royal Tasmanian Botanical Gardens
State Fire Commission
Tasmanian Audit Office
Tasmanian Health Organisation - North
Tasmanian Health Organisation - North West
Tasmanian Health Organisation - South
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