

Mid-Year Financial Report

as at 31 December 2007

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1. INTRODUCTION

The Mid-Year Financial Report is prepared in accordance with section 26 of the *Financial Management and Audit Act 1990*, which requires the publication of a financial report for the six months ending 31 December each year. The Report is to be gazetted by the following 15 February.

The Mid-Year Financial Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures contained within the 2007-08 Budget Papers and commentary on significant variations to the Budget outlook.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2007-08 Budget Papers.
- Section 4 presents the Operating Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing year-to-date results, original Budget and revised Budget estimates presented on a Government Finance Statistics (GFS) basis. Where required, commentary is provided on material changes between original and revised Budget estimates. A Policy and Parameter Statement is presented reconciling the movements in the Net Operating Balance and Fiscal Balance between the original Budget and revised Budget estimates. The revised Budget estimates have been based on information available as at 31 December 2007.
- Section 5 incorporates the uniform government reporting requirements for the Loan Council Mid-Year Report. In accordance with the Uniform Presentation Framework (UPF), agreed to by the Australian Loan Council in March 2000, this Section presents revised fiscal estimates for the General Government, Public Non-Financial Corporations and Total Non-Financial Public Sectors.
- Section 6 summarises details of the receipts to and expenditure from the Consolidated Fund.
- Section 7 provides an overview of the key concepts and definitions used within this Report.

Explanations are provided for significant variations in financial estimates.

2. KEY FISCAL STRATEGY MEASURES

A credible medium-term Fiscal Strategy is an essential component of contemporary financial management practice. It represents not only an effective planning tool for the Government, but also provides clear signals to financial markets, the business sector and the community of the Government's direction in financial management. A Fiscal Strategy also provides a framework for the Government to demonstrate to credit rating agencies the financial focus of the Government, any identified issues and how these issues will be addressed.

The current Fiscal Strategy commenced in 2006-07 and extends for a period of five years. The five year period of the Fiscal Strategy represents an appropriate medium-term timeframe in which to set Tasmania's fiscal goals.

Table 1 summarises the major General Government Sector headline Budget measures and the revised Budget estimates. Generally, the Forward Estimates for the three-year period 2008-09 to 2010-11 have been prepared on the assumption that 2007-08 Budget policies and parameters will continue over the period on a "same policy" basis. However, where variations have been identified during the first six months of 2007-08 and are anticipated to have a material impact on the financial projections, the Budget and Forward Estimates have been revised accordingly. These changes are outlined in the Policy and Parameter Statement presented in Section 4 of this Report.

Table 1 shows that all the Fiscal Strategy targets are met for the Budget and the Forward Estimates. The outlook at the time of the 2007-08 Budget indicated that strategies were required to meet the targets for the Fiscal Balance and Net Operating Balance with marginal deficits projected for both targets in 2009-10. The current outlook for both targets has improved substantially and surplus results are now projected for all years.

The General Government Sector financial statements reflect agencies' best estimates of the revised Budget and Forward Estimates. Treasury has accepted the advice of agencies on these financial estimates for the purposes of preparing the budgeted financial statements. However, these financial estimates may vary from the final outcome.

Table 1: Key Fiscal Strategy Measures

Tactical Target	2007-08	2007-08	2007-08	2008-09	2009-10	2010-11	Assessment of Progress
	Dec YTD	Original	Revised	Revised	Revised	Revised	
	Actual	Budget	Estimate	Estimate	Estimate	Estimate	
	\$M	\$M	\$M	\$M	\$M	\$M	
General Government Net Operating Balance to be maintained in surplus, on average, over four-year rolling period							
Net Operating Surplus/(Deficit)	66	(39)	144	179	203	198	
Four-year rolling average	na	62	130	115	135	181	✓
General Government Fiscal Balance to be maintained in surplus, on average, over four-year rolling period							
Fiscal Surplus/(Deficit)	98	(31)	126	147	211	255	
Four-year rolling average	na	53	117	101	133	185	✓
General Government Sector to remain Net Debt free	(569)	(456)	(940)	(1 173)	(1 448)	(1 799)	✓
General Government Capital expenditure to at least equal depreciation, on average, over four-year rolling period							
Capital expenditure in excess of depreciation	(8)	65	79	82	31	(19)	
Four-year rolling average	na	62	66	69	55	43	✓

Key: ✓ On Target, na not applicable.

3. TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 2: 2007-08 Economic Forecasts

	2006-07 Actual	2007-08 Budget Forecast	2007-08 Revised Estimate
State economic activity (real, % change) ¹	... ²	3½	3¼
Employment (year-average, % change)	0.8	2¼	2¼
Level of employment (year-average, '000s)	224.5	230	230
Labour force participation rate (year-average, %)	60.3	61	60¾
Unemployment rate (year-average, %)	5.7	5½	5½
Consumer price index (Hobart, year-average, % change)	2.5	2½	2¾
Population (year-average, % change)	0.7	0.7	0.7

Sources: Data – Australian Bureau of Statistics (ABS) and Reserve Bank of Australia;
Estimates – Department of Treasury and Finance.

Notes:

1. Treasury's estimate of growth in real State economic activity for 2007-08 focuses on the underlying movements in output and is derived from trend projections based on changes in employment. This estimate is not designed to be consistent with, or to forecast, the Gross State Product series produced by the ABS.
2. Actual unavailable. See note 1.

Tasmania's economic performance in recent quarters has been solid and economic growth is expected to remain strong. This is due to continuing favourable external economic conditions, increases in business investment and continuing growth in real household income. Tasmania's agricultural sector is also experiencing some recovery, following the drought and late frosts in 2006-07.

The growth in state economic activity for 2007-08 is estimated to be 3¼ per cent, slightly below the 3½ per cent growth forecast at the time of the 2007-08 Budget. This slight decline in the estimate is due to growth in total hours worked in the first five months of 2007-08 being marginally below the growth expected at the time of the 2007-08 Budget. The estimate of state economic activity for 2007-08 remains above the long-term trend in economic growth, as measured by the Australian Bureau of Statistics (ABS).

Employment in Tasmania is expected to grow by 2¼ per cent in 2007-08. According to the ABS, in the first six months of 2007-08, employment increased strongly, with stronger growth in part-time employment than full-time employment over this period. The employment growth estimate for 2007-08 and the estimated year-average employment level of 230 000 remain unchanged from the 2007-08 Budget forecasts.

Tasmania's participation rate has increased in recent months, as forecast in the 2007-08 Budget papers. The participation rate is now expected to average 60¾ per cent over 2007-08, a slight downward revision from the forecast of 61 per cent at Budget time. The estimated unemployment rate for 2007-08 remains unchanged at 5½ per cent.

The employment estimates for 2007-08 take into account the delay in the commencement of the pulp mill project and recent reports that significant on-site activity at Longreach is not expected before mid-2008. Construction activity and employment is expected to commence at a relatively modest rate and then grow at increasing rates before peaking after around 18 months.

After some easing in 2006, the level of private investment has returned to growth and continues to be well above the long-term trend. In the September quarter 2007 (the latest data available for 2007-08), private investment was only 5.6 per cent below the record high level achieved in the December quarter 2005, in trend terms. Several major investment projects have recently commenced or are scheduled to commence later in 2007-08, notably in the tourism, energy and mining sectors.

Consumer spending has been a key driver of economic growth in the first half of 2007-08, supported by population growth, increased visitor numbers and sustained growth in household income and wealth. The two official interest rate increases, in August 2007 and November 2007, do not appear to have had a significant effect on consumer spending in Tasmania to 31 December 2007. However, to the extent that spending since the interest rate rises has resulted in higher levels of debt, there could be some softening in consumer spending ahead, particularly if there are further interest rate rises. An offsetting effect is lower average household debt levels in Tasmania, relative to Australia as a whole. Furthermore, unlike in some mainland states, house prices have continued to grow, though not at the rate experienced earlier in the decade.

Export growth is expected to contribute positively to economic growth for the remainder of 2007-08. The upturn in the value of overseas exports since mid-2004 has largely been driven by strong increases in commodity prices. The value of Tasmania's overseas merchandise exports grew by 13.9 per cent to \$3.72 billion in nominal terms in the year to November 2007, compared to the previous year. This growth in export value and improvements in Tasmania's terms of trade have contributed to real income growth in Tasmania. Japan was the single largest importer of Tasmanian goods in the year to November 2007, accounting for 19.9 per cent of Tasmania's export sales. Hong Kong was the second largest, due principally to its position as the gateway to China. Combined, Hong Kong and China accounted for 21.8 per cent of total Tasmanian overseas exports in the year to November 2007.

The forecast for growth in the Hobart Consumer Price Index (CPI) has been revised to 2¾ per cent, from 2½ per cent published in the 2007-08 Budget. This reflects the recent CPI data and the view of the Reserve Bank of Australia that medium term inflationary risks have been increasing, due to the impact of continuing productive capacity pressures within the economy. Petrol prices, in particular, have increased significantly in the first half of 2007-08 due to high world oil prices, and are expected to remain high. The Australian Treasury also increased its estimate of national inflation over 2007-08 to 2¾ per cent in its 2007-08 Mid-Year Economic and Fiscal Outlook.

There have been some recent forecasts of higher national inflation. Some of these forecasts refer to underlying inflation, rather than the headline rate estimated by the Australian Bureau of Statistics. Some forecasts are also expressed on a quarter to same quarter basis, such as CPI growth from the December quarter 2007 to the December quarter 2008. These forecasts use a different methodology from the above forecast for Tasmania, which refers to the headline Hobart CPI and is expressed in year average terms.

Population growth is expected to continue at around current rates over 2007-08, supported by strong natural increase (birth minus deaths) and high levels of overseas in-migration. In recent quarters there has been modest net interstate out-migration, reversing the trend of recent years. This is likely to be due, in part, to Tasmania's sustained house price increases reducing migration flows from mainland states to Tasmania. Population growth is expected to be maintained at 0.7 per cent in 2007-08.

4. GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

OPERATING STATEMENT

The Operating Statement shows the revised 2007-08 Net Operating Balance to be a surplus of \$144 million, an increase of \$183 million on the original Budget estimate of a deficit of \$39 million. The 2007-08 Fiscal Balance is estimated to be a surplus of \$126 million, an increase of \$157 million on the original Budget estimate of a deficit of \$31 million. The General Government Sector Operating Statement for 2007-08 is detailed in Table 3. The significant variations to revenue, expenses and net acquisition of non-financial assets are outlined below.

Revenue

Total revenue is estimated to be \$3 997 million in 2007-08, \$250 million or 6.7 per cent greater than the original 2007-08 Budget estimate of \$3 747 million. The favourable movement in revenue reflects:

- an increase in Grants and subsidies revenue of \$43 million, primarily due to additional GST revenue of \$30 million, additional funding of \$6 million from the Australian Government for Natural Resource Management grants and an additional \$11 million relating to Health grants for community programs;
- an increase in Taxation revenue of \$117 million, primarily due to an increase in revenue from conveyance duty of \$80 million, payroll tax of \$26 million, and land tax of \$5 million. The conveyance duty revised estimate is higher than the original 2007-08 Budget primarily due to a number of large commercial transactions and strong growth in both residential and non-residential property market activity. The 2007-08 revised estimate for payroll tax revenue is higher than the original 2007-08 Budget, due to growth in wages, whilst the increase in the land tax estimate reflects higher assessed aggregated property values than at the time of the 2007-08 Budget;
- an increase in Sales of goods and services of \$25 million, primarily due to additional revenue of \$17 million within the Department of Health and Human Services relating to user charges, and additional rental revenue from Crown Land properties of \$5 million and Housing of \$3 million;
- an increase in Interest income of \$18 million primarily due to an increase in interest rates and cash held in the General Government Sector;
- additional Dividend, tax and rate equivalent income of \$18 million, primarily due to an increase in income tax equivalents of \$20 million reflecting an increase of \$23 million from the Motor Accidents Insurance Board, and an increase of \$5 million from Transend Networks Pty Ltd, partly offset by a reduction of \$6 million from Hydro Tasmania. Special dividends have been reduced by \$3 million in 2007-08 due to the deferral of the special dividend from TOTE Tasmania Pty Ltd; and

- an increase in Other revenue of \$30 million, including \$17 million for fines and fees revenue raised by the Department of Justice to more accurately reflect the likely Budget outcome, additional Mineral Royalties income of \$4 million as a result of continuing strength in the commodity market and additional revenue of \$7 million within the Department of Health and Human Services.

Year-to-date, as at 31 December 2007:

- Grants and subsidies revenue is \$1 167 million, \$50 million or 4.1 per cent below the pro rata 2007-08 revised Budget estimate. This variation is primarily due to the timing of payments of GST Revenue by the Australian Government to the State; and
- Dividend, tax and rate equivalent income is \$142 million, \$59 million or 70.2 per cent above the pro rata 2007-08 revised Budget estimate. The year-to-date receipts reflect the timing of payments by Government Business Enterprises (GBEs) and State-owned Companies (SOCs), with the bulk of dividend payments for 2007-08 being received in December 2007.

Expenses

Total expenses are estimated to be \$3 853 million, \$68 million or 1.8 per cent greater than the original 2007-08 Budget estimate of \$3 785 million. The movement in expenses reflects:

- a decrease in Depreciation expense of \$6 million, primarily due to a review of the Department of Infrastructure, Energy and Resources' depreciation policy;
- an increase in Employee expenses of \$44 million, primarily relating to the Department of Health and Human Services, representing additional employee costs in public hospitals, primary health care, disability services and children and family services. These additional costs are partly offset by an increase in revenue from sales of goods and services;
- an increase in Other operating expenses of \$53 million, primarily relating to the Department of Health and Human Services, representing additional costs in a number of areas including public hospitals, primary health care, disability services and children and family services. These additional costs are partly offset by an increase in revenue from sales of goods and services; and
- a decrease in the Nominal superannuation interest expense of \$24 million, reflecting the current actuarial assessment of the Government's unfunded superannuation liability and the higher than anticipated value of the superannuation assets at 30 June 2007.

The movement in Net acquisition of non-financial assets of \$26 million represents an increase in the Purchase of non-financial assets of \$8 million, a decrease in the Sale of non-financial assets of \$11 million and a decrease in Depreciation of \$6 million. The increase in the Purchases of non-financial assets is primarily due to delays in capital projects from the previous financial year, whilst the decrease in the Sales of non-financial assets is due to delays in the sale of major selected Government properties.

As at 31 December 2007, the General Government Sector year-to-date expenses for Purchase of non-financial assets was \$96 million, \$45 million or 31.9 per cent below the pro rata revised Budget estimate. This largely reflects the timing of payments for major capital projects by Budget sector agencies, such as the Roads Program where the majority of expenditure is anticipated to occur in the latter half of the financial year.

Table 3: General Government - Operating Statement

	2006-07 Dec YTD Actual \$M	2007-08 Original Budget \$M	2007-08 Revised Estimate \$M	2007-08 Dec YTD Actual \$M
Revenue				
Grants and subsidies (Refer Table 4)	1 085	2 391	2 434	1 167
Taxation revenue (Refer Table 5)	384	752	869	456
Sales of goods and services	155	317	342	135
Interest income	14	45	63	22
Dividend, tax and rate equivalent income	142	149	167	142
Other revenue	55	92	122	89
Total	1 835	3 747	3 997	2 011
less Expenses				
Depreciation	103	209	203	104
Employee expenses	869	1 820	1 864	928
Other operating expenses	446	892	945	449
Nominal superannuation interest expense	82	188	164	82
Other interest expense	12	17	16	8
Grants and transfers	352	659	660	374
Total	1 864	3 785	3 853	1 945
<i>equals</i> NET OPERATING BALANCE	(29)	(39)	144	66
less Net acquisition of non-financial assets				
Purchase of non-financial assets	74	274	282	96
less Sale of non-financial assets	24	72	61	23
less Depreciation	103	209	203	104
Total	(52)	(7)	19	(31)
<i>equals</i> FISCAL BALANCE – SURPLUS/(DEFICIT)	23	(31)	126	98

Table 4: General Government - Grants and Subsidies

	2006-07 Dec YTD Actual \$M	2007-08 Original Budget \$M	2007-08 Revised Estimate \$M	2007-08 Dec YTD Actual \$M
General purpose payments - GST revenue	768	1 646	1 676	813
Specific purpose payments	234	455	455	225
Capital grants	17	66	62	30
Other grants and subsidies	66	224	241	99
TOTAL	1 085	2 391	2 434	1 167

Table 5: General Government - Taxation Revenue

	2006-07 Dec YTD Actual \$M	2007-08 Original Budget \$M	2007-08 Revised Estimate \$M	2007-08 Dec YTD Actual \$M
Payroll tax	104	226	252	118
Taxes on property				
Land tax	61	69	74	73
Fire Service Levies	21	41	41	23
Government guarantee fees	4	9	9	4
Taxes on financial and capital transactions	71	157	237	111
Total	158	276	361	211
Taxes on the provision of goods and services				
Casino tax and licence fees	27	58	59	29
Other gambling taxes	15	31	29	14
Other taxes on insurance	20	40	40	21
Total	63	129	128	64
Taxes on the use of goods and performance of activities				
Motor vehicle fees and taxes	59	122	128	63
Total	59	122	128	63
TOTAL	384	752	869	456

BALANCE SHEET

Table 6 details the estimated General Government Sector Balance Sheet as at 30 June 2008.

Budget estimates for the 2007-08 Balance Sheet were compiled in June 2007 prior to the completion of the actual outcomes for 30 June 2007. As a result, the variance from the original Budget estimate will be impacted by the difference between the estimated and actual opening balances for 2007-08.

The estimated Balance Sheet as at 30 June 2008 includes the following movements:

Assets

General Government Assets are estimated to be \$14 865 million at 30 June 2008, an increase of \$1 101 million above the original 2007-08 Budget estimate of \$13 764 million.

Financial assets are anticipated to increase by \$794 million as a result of:

- an increase in Cash and deposits of \$488 million, which primarily reflects the cash held from the sale of Government businesses, and the growth in revenues as reflected in the improvement in the Net Operating Balance and Fiscal Balance;
- an increase in Other non-equity assets of \$145 million which primarily reflects an increase in income tax receivable from the Public Non-Financial Corporations (PNFC) Sector; and
- an increase in Equity assets of \$157 million, reflecting adjustments to the value of the equity investment in the PNFC sector, including the impact of the divestment of Government businesses.

Non-financial assets are anticipated to increase by \$307 million, primarily due to adjustments to 2007-08 opening balances as a result of asset revaluations by agencies, including:

- the Department of Infrastructure, Energy and Resources (\$69 million);
- the Department of Police and Emergency Management (\$45 million);
- the Department of Tourism, Arts and the Environment (\$62 million);
- the Department of Economic Development (\$20 million); and
- the Department of Education (\$32 million), which primarily includes the first time recognition of the Allport Library and Museum of Fine Arts heritage asset collection valued at \$30 million.

Liabilities

General Government liabilities are estimated to be \$4 782 million at 30 June 2008, \$80 million more than the original 2007-08 Budget estimate of \$4 702 million. The increase in liabilities primarily relates to an increase in the Superannuation liability of \$84 million following an actuarial review of the liability.

Table 6: General Government - Balance Sheet

	31 Dec 2006	30 June 2008	30 June 2008	31 Dec 2007
	Actual	Original Budget	Revised Estimate	Actual
	\$M	\$M	\$M	\$M
Assets				
Financial assets				
Cash and deposits	679	725	1 213	880
Advances paid	42	49	43	32
Investments, loans and placements	1	2	13	1
Other non-equity assets	1 054	1 006	1 151	1 147
Equity	3 180	3 232	3 389	3 248
Total	4 957	5 015	5 809	5 308
Non-financial assets				
Land and fixed assets	8 733	8 710	8 984	8 984
Other non-financial assets	49	38	72	54
Total	8 782	8 749	9 056	9 037
Total Assets	13 739	13 764	14 865	14 345
Liabilities				
Advances received	248	236	240	240
Borrowings	159	85	89	104
Superannuation liability	3 258	3 675	3 759	3 713
Other employee provisions	370	400	410	390
Other non-equity liabilities	274	305	284	356
Total Liabilities	4 309	4 702	4 782	4 803
NET WORTH¹	9 429	9 062	10 083	9 542
NET FINANCIAL WORTH²	647	313	1 027	504
NET FINANCIAL LIABILITIES³	2 943	3 219	2 819	3 144
NET DEBT⁴	(315)	(456)	(940)	(569)

Notes:

1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Total Financial assets less Total Liabilities.
3. Net Financial Liabilities represents Net Debt plus Superannuation liability.
4. Net Debt equals the sum of Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

CASH FLOW STATEMENT

Table 7 details the General Government Sector Cash Flow Statement for 2007-08. The key measure of the Cash Flow Statement is the Cash Surplus.

The 2007-08 Cash Surplus is estimated to be \$228 million, \$112 million greater than the original Budget estimate of \$116 million.

The significant variations to the 2007-08 Cash Flow Statement are outlined below.

Cash Receipts from Operating Activities

Cash receipts from operating activities are estimated to be \$4 102 million, \$229 million or 5.9 per cent greater than the original 2007-08 Budget estimate of \$3 873 million. The increase relates to estimated additional receipts in relation to Taxes received of \$111 million, Receipts from the sales of goods and services of \$25 million, Grants and subsidies of \$42 million, Dividend, tax and rate equivalent income of \$19 million, Interest received of \$18 million and Other receipts of \$14 million.

Cash Payments for Operating Activities

Cash payments for operating activities are estimated to be \$3 653 million, \$97 million or 2.7 per cent greater than the original Budget estimate of \$3 556 million. The increase primarily relates to an increase in Payments for goods and services of \$95 million.

Net Cash Flows from Investments in Non-Financial Assets

The movement of \$20 million in Net cash flows from investment in non-financial assets reflects the decrease in the Sales of non-financial assets of \$11 million and an increase in Purchases of non-financial assets of \$8 million.

Table 7: General Government - Cash Flow Statement

	2006-07 Dec YTD Actual \$M	2007-08 Original Budget \$M	2007-08 Revised Estimate \$M	2007-08 Dec YTD Actual \$M
Cash receipts from operating activities				
Taxes received	354	752	863	430
Receipts from sales of goods and services	152	314	339	147
Grants and subsidies received	1 103	2 378	2 420	1 169
Dividend, tax and rate equivalent income	142	149	168	143
Interest received	16	45	63	25
Other receipts	124	235	249	174
Total	1 891	3 873	4 102	2 087
Cash payments for operating activities				
Payments for goods and services	(1 304)	(2 716)	(2 811)	(1 323)
Grants and subsidies paid	(352)	(656)	(655)	(376)
Interest paid	(6)	(17)	(16)	(5)
Other payments	(89)	(167)	(171)	(131)
Total	(1 752)	(3 556)	(3 653)	(1 836)
Net cash flows from operating activities	139	317	449	251
Net cash flows from investments in non-financial assets				
Sale of non-financial assets	24	72	61	23
Purchases of non-financial assets	(74)	(274)	(282)	(96)
Total	(50)	(202)	(222)	(73)
Net cash flows from investments in financial assets for policy purposes	3	3	(9)	2
Net cash flows from financing activities				
Advances received (net)	....	( 6)	(3)	....
Borrowing (net)	(8)	(54)	(56)	(32)
Other financing (net)	(21)	....	309	(15)
Total	(29)	(61)	251	(46)
Net increase/(decrease) in cash held	62	59	469	134
CASH SURPLUS/(DEFICIT)¹	88	116	228	178

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

POLICY AND PARAMETER STATEMENT

A Policy and Parameter Statement (PPS) was included in the 2007-08 Budget Papers for the first time, and is subsequently included for the first time in this Report. The PPS is a reconciliation of the major movements in the Net Operating Balance and the Fiscal Balance between two points in time. The movements reflect changes between the Budget and Forward Estimates reported in the 2007-08 Budget Papers and the revised estimates included in this Report. The movements are classified as revenue, expenses or net acquisition of non-financial assets, and then further categorised as a policy or parameter change.

The classification of a variation as a policy or parameter change is a matter of judgment and it is recognised there may be some instances where part of a Government initiative may have both policy and parameter components.

Policy Variation

For the purpose of the PPS, a policy variation reflects a specific decision by the Government that has an impact on the Budget and Forward Estimates and is related to a new policy or represents a change in the Government's existing policy position. A decision to change a Budget or Forward Estimate aggregate, which is consistent with an existing policy, is not a policy decision.

Parameter Variation

A parameter variation reflects changes to the Budget and Forward Estimates due to the economic environment, the agency operating environment or the timing of a transaction.

Parameter variations will reflect the impact of demand and cost variations in agency service delivery, including the provision of indexation. Variations resulting from the rollover of a new Forward Estimate year and changes in accounting policies, such as a change in an agency depreciation policy, or where financial estimates are affected by a change in an accounting standard are classified as parameter variations.

Table 8 lists those policy and parameter changes that have impacted on the formulation of the revised 2007-08 Budget and Forward Estimates for inclusion in this Report.

Table 8: Policy and Parameter Statement 2007-08 to 2010-11

		2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
		\$M	\$M	\$M	\$M
2007-08 Budget - Net Operating Balance	(A)	(39)	22	17	17
2007-08 Budget - Fiscal Balance	(B)	(31)	(1)	47	85
REVENUE					
Policy decisions					
Deferral of TOTE special dividend		(3)	(3)	....	....
Total policy decisions		(3)	(3)	....	....
Parameter adjustments					
Taxation					
Betting exchanges		(2)	(3)	(4)	(6)
Casino tax		1	....	....	....
Duties ¹		84	49	50	52
Land tax		5	2	(2)	(6)
Motor taxation		1	....	1	1
Motor vehicle fees and taxes		1	....	....	....
Payroll tax ²		27	33	39	37
Total taxation		117	81	84	78
Government business returns ³		22	(6)	(4)	13
Interest income ⁴		18	34	43	41
Australian Government funding ⁵		42	47	68	80
Agency revenue ⁶		54	65	51	58
Total parameter adjustments		253	221	242	270
TOTAL REVENUE VARIATIONS	(C)	250	218	242	270

Notes:

1. The increase in Duties is primarily due to additional conveyance duty and reflects a number of large commercial transactions in 2007-08, and strong growth in both residential and non-residential property market activity.
2. The increase in Payroll tax reflects growth in wages.
3. The increase in Government business returns primarily reflects higher than anticipated income tax equivalents and dividends from the Motor Accidents Insurance Board and Transend, partly offset by a decrease in income tax equivalents from Hydro Tasmania.
4. The increase in Interest income is primarily due to an increase in interest rates and cash held in the General Government Sector.
5. The increase in Australian Government funding primarily reflects additional anticipated GST revenue and higher levels of funding for a range of health care grants.
6. The Agency revenue movement primarily reflects a more accurate Budget estimate of fines and fees revenue raised by the Department of Justice, and additional revenue from user charges for services provided by the Department of Health and Human Services.

Table 8: Policy and Parameter Statement 2007-08 to 2010-11
(continued)

	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M
EXPENSES				
Policy decisions				
<i>State of the State</i> announcements				
Family support services	2	2	2	2
Aurora pensioners' concession	4	10	11	12
Environmental protection authority	....	3	3	3
Eradication of rabbits on Macquarie Island	....	....	4	3
Divestment costs for the sale of Government businesses	6	....	....	....
Total policy decisions	12	15	20	20
Parameter adjustments				
Depreciation	(6)	(3)	(3)	....
Nominal superannuation interest expense ⁷	(24)	(25)	(26)	(26)
Agency expenditure ⁸	86	75	65	95
Special capital investment funds	(1)	(1)	....	....
Total parameter adjustments	55	46	36	69
TOTAL EXPENSE VARIANCE	(D) 67	61	56	89
NET OPERATING BALANCE⁹	144	179	203	198

Notes:

7. The decrease in Nominal superannuation interest expense reflects the current actuarial assessment of the Government's unfunded superannuation liability and the higher than anticipated value of the superannuation assets.
8. The Agency expenditure movement primarily reflects additional expenditure by the Department of Health and Human Services, which is partly offset by an increase in revenue for services.
9. Net Operating Balance is equal to A + C - D.

Table 8: Policy and Parameter Statement 2007-08 to 2010-11
(continued)

		2007-08	2008-09	2009-10	2010-11
		Revised	Revised	Revised	Revised
		Estimate	Estimate	Estimate	Estimate
		\$M	\$M	\$M	\$M
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchases of non-financial assets					
Parameter adjustments					
		6	14	19	11
	Movement in agency capital expenditure				
	Special capital investment funds	3	5	....	....
	Total parameter adjustments	9	19	19	11
	Total purchases of non-financial assets	9	19	19	11
(E)					
	less Sale of non-financial assets	(11)	13	....	....
(F)					
	less Depreciation	(6)	(3)	(3)	....
(G)					
	TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS VARIANCE¹⁰	26	9	22	11
(H)					
	FISCAL BALANCE¹¹	126	147	211	255

Notes:

10. Net acquisition of non-financial assets is equal to E - F - G

11. Fiscal Balance is equal to B + C - D - H

5. UNIFORM GOVERNMENT REPORTING

In accordance with the Uniform Presentation Framework (UPF), agreed to by the Australian Loan Council in March 2000, this Report presents revised fiscal estimates that take into account fiscal developments since the commencement of the Budget year.

Table 9 presents details of the revised Loan Council Allocation (LCA) for 2007-08, and Tables 10 to 18 present Operating Statements, Balance Sheets and Cash Flow Statements for the General Government, PNFC and Total Non-Financial Public Sectors.

Loan Council arrangements provide for each State and Territory to nominate a 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 tolerance band calculated as two per cent of Total Non-Financial Public Sector revenue (estimated to be \$117 million for 2007-08) applies between the budgeted LCA and the LCA outcome. Applying this band to Tasmania's approved LCA for 2007-08 gives a tolerance band of \$(65) million to \$169 million. The tolerance band recognises that LCAs are nominated at early stages of the Budget process and that estimates are likely to change as a result of policy and parameter changes before and after Budgets are brought down.

Table 9 shows that the revised estimate of the 2007-08 LCA outcome is within the tolerance limit. The 2007-08 Mid-Year revised estimate of an LCA outcome of \$(49) million is \$101 million better than the original Budget estimate. The variance is due primarily to the anticipated improvement in the General Government Cash Surplus of \$112 million, partly offset by the anticipated increase in the PNFC Sector Cash Deficit of \$20 million.

Table 9: Loan Council Allocation for 2007-08

	2007-08 Original Budget	2007-08 Revised Estimate
	\$M	\$M
General Government underlying Deficit/(Surplus)	(116)	(228)
Public Non-Financial Corporations (PNFC) underlying Deficit/(Surplus)	133	153
Total Non-Financial Public Sector underlying Deficit/(Surplus)	17	(75)
Total Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes	3	(8)
Local Government New Cash Borrowings	32	34
Total Loan Council Allocation	52	(49)

Table 10: General Government – Operating Statement

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Revenue					
Grants and subsidies	2 391	2 434	2 518	2 543	2 567
Taxation revenue	752	869	853	891	926
Sales of goods and services	317	342	346	353	363
Interest income	45	63	86	102	108
Dividend, tax and rate equivalent income	149	167	161	181	180
Other revenue	92	122	126	127	131
Total	3 747	3 997	4 091	4 198	4 275
<i>less</i> Expenses					
Depreciation	209	203	208	210	214
Employee expenses	1 820	1 864	1 932	1 996	2 085
Other operating expenses	892	945	920	936	922
Nominal superannuation interest expense	188	164	168	174	178
Other interest expense	17	16	14	16	15
Grants and transfers	659	660	669	664	662
Total	3 785	3 853	3 911	3 995	4 076
<i>equals</i> NET OPERATING BALANCE	(39)	144	179	203	198
<i>less</i> Net acquisition of non-financial assets					
Purchase of non-financial assets	274	282	290	241	195
less Sale of non-financial assets	72	61	50	38	38
less Depreciation	209	203	208	210	214
Total	(7)	19	32	(8)	(57)
<i>equals</i> FISCAL BALANCE – SURPLUS/(DEFICIT)	(31)	126	147	211	255

Table 11: General Government Balance Sheet as at 30 June

	2008	2008	2009	2010	2011
	Original	Revised	Revised	Revised	Revised
	Budget	Estimate	Estimate	Estimate	Estimate
	\$M	\$M	\$M	\$M	\$M
Assets					
Financial assets					
Cash and deposits	725	1 213	1 429	1 704	2 057
Advances paid	49	43	38	34	27
Investments, loans and placements	2	13	13	13	13
Other non-equity assets	1 006	1 151	1 178	1 210	1 255
Equity	3 232	3 389	3 521	3 667	3 829
Total	5 015	5 809	6 180	6 628	7 182
Non-financial assets					
Land and fixed assets	8 710	8 984	9 097	9 162	9 177
Other non-financial assets	38	72	73	73	73
Total	8 749	9 056	9 171	9 236	9 250
Total assets	13 764	14 865	15 350	15 864	16 431
Liabilities					
Advances received	236	240	235	231	226
Borrowings	85	89	72	72	72
Superannuation liability	3 675	3 759	3 886	3 993	4 094
Other employee provisions	400	410	434	428	448
Other non-equity liabilities	305	284	259	257	268
Total liabilities	4 702	4 782	4 885	4 981	5 108
NET WORTH¹	9 062	10 083	10 465	10 883	11 324
NET FINANCIAL WORTH²	313	1 027	1 294	1 647	2 073
NET FINANCIAL LIABILITIES³	3 219	2 819	2 712	2 545	2 295
NET DEBT⁴	(456)	(940)	(1 173)	(1 448)	(1 799)

Notes:

1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Total Financial Assets less Total Liabilities.
3. Net Financial Liabilities represents Net Debt plus Superannuation liability.
4. Net Debt equals the sum of Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

Table 12: General Government - Cash Flow Statement

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Cash receipts from operating activities					
Taxes received	752	863	853	891	926
Receipts from sales of goods and services	314	339	344	351	360
Grants and subsidies received	2 378	2 420	2 485	2 532	2 567
Dividend, tax and rate equivalent income	149	168	161	181	180
Interest received	45	63	86	102	107
Other receipts	235	249	245	237	238
Total	3 873	4 102	4 173	4 294	4 378
Cash payments for operating activities					
Payments for goods and services	(2 716)	(2 811)	(2 869)	(2 991)	(3 048)
Grants and subsidies paid	(656)	(655)	(665)	(660)	(658)
Interest paid	(17)	(16)	(14)	(15)	(15)
Other payments	(167)	(171)	(153)	(152)	(150)
Total	(3 556)	(3 653)	(3 702)	(3 818)	(3 872)
Net cash flows from operating activities	317	449	471	476	507
Net cash flows from investments in non-financial assets					
Sale of non-financial assets	72	61	50	38	38
Purchases of non-financial assets	(274)	(282)	(290)	(241)	(195)
Total	(202)	(222)	(240)	(203)	(157)
Net cash flows from investments in financial assets for policy purposes	3	(9)	4	5	7
Net cash flows from financing activities					
Advances received (net)	(6)	(3)	(5)	(4)	(4)
Borrowing (net)	(54)	(56)	(18)	....	....
Other financing (net)	....	309	3	....	....
Total	(61)	250	(20)	(5)	(5)
Net Increase/(Decrease) in Cash Held	59	469	216	274	352
CASH SURPLUS/(DEFICIT)	116	228	232	274	350

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

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

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Revenue					
Grants and subsidies	81	74	69	65	66
Sales of goods and services	1 881	1 867	1 976	2 069	2 145
Interest income	5	9	6	6	6
Other revenue	42	53	38	41	41
Total	2 009	2 003	2 089	2 180	2 258
less Expenses					
Depreciation	235	227	237	249	261
Employee expenses	348	338	351	364	383
Other operating expenses	1 099	1 145	1 134	1 162	1 196
Other interest expense	136	136	139	147	152
Grants and Transfers	24	29	29	31	32
Dividend and Income Tax Equivalent expenses	79	100	87	99	101
Total	1 923	1 975	1 978	2 053	2 124
equals NET OPERATING BALANCE	86	27	111	127	134
less Net acquisition of non-financial assets					
Purchases of non-financial assets	443	397	420	455	411
less Sale of non-financial assets	4	5	6	5	4
less Depreciation	235	227	237	249	261
Total	204	164	177	202	146
equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(117)	(137)	(66)	(74)	(12)

Table 14: Public Non-Financial Corporations Sector –
Balance Sheet as at 30 June

	2008 Original Budget	2008 Revised Estimate	2009 Revised Estimate	2010 Revised Estimate	2011 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Assets					
Financial assets					
Cash and deposits	89	92	89	108	120
Investments, loans and placements	129	120	159	173	182
Other non-equity assets	350	352	347	354	382
Equity	80	80	80	80	80
Total	648	643	676	715	764
Non-financial assets					
Land and fixed assets	6 776	6 993	7 231	7 477	7 640
Other non-financial assets	329	460	255	257	281
Total	7 105	7 453	7 486	7 735	7 921
Total Assets	7 753	8 097	8 162	8 450	8 685
Liabilities					
Borrowings	2 059	2 003	2 056	2 190	2 258
Superannuation liability	425	464	441	446	450
Other employee entitlements	122	121	122	127	130
Other provisions	....	27	22	22	21
Other non-equity liabilities	2 183	2 331	2 229	2 238	2 265
Total Liabilities	4 788	4 946	4 870	5 023	5 124
Shares and other contributed capital	2 965	3 150	3 291	3 427	3 561
NET WORTH¹	....	....	....	....	....
NET FINANCIAL WORTH²	(7 105)	(7 453)	(7 486)	(7 735)	(7 921)
NET FINANCIAL LIABILITIES³	2 266	2 256	2 249	2 354	2 406
NET DEBT⁴	1 841	1 792	1 808	1 908	1 956

Notes:

1. Net Worth represents Total Assets less Total Liabilities and Shares and other contributed capital.
2. Net Financial Worth represents Total Financial assets less Total Liabilities and Shares and other contributed capital.
3. Net Financial Liabilities represents Net Debt plus the Superannuation liability.
4. Net Debt equals Borrowings less the sum of Cash and deposits and Investments, loans and placements.

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

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Cash receipts from operating activities					
Receipts from sales of goods and services	1 860	1 961	2 056	2 167	2 239
Grants and subsidies received	57	77	69	65	65
Interest received	5	9	6	6	6
Other receipts	197	137	185	195	204
Total	2 119	2 184	2 316	2 433	2 515
Cash payments for operating activities					
Payments for goods and services	(1 281)	(1 368)	(1 413)	(1 445)	(1 503)
Grants and subsidies paid	(13)	(13)	(13)	(14)	(14)
Interest paid	(132)	(137)	(141)	(151)	(159)
Other payments	(324)	(366)	(312)	(316)	(322)
Total	(1 751)	(1 884)	(1 878)	(1 926)	(1 999)
Net cash flows from operating activities	368	299	437	507	516
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	4	5	6	5	4
Purchases of non-financial assets	(443)	(397)	(420)	(455)	(411)
Total	(438)	(392)	(414)	(450)	(407)
Net cash flows from investments in financial assets for liquidity purposes	(29)	(28)	(34)	(7)	4
Net cash flows from financing activities					
Distributions paid	(63)	(61)	(100)	(124)	(128)
Borrowing (net)	117	178	110	102	32
Total	54	118	11	(20)	(95)
Net Increase/(Decrease) in Cash Held	(44)	(2)	2	30	20
CASH SURPLUS /(DEFICIT)¹	(133)	(153)	(77)	(67)	(18)

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets plus Distributions paid (Income tax equivalents and dividends).

Table 16: Total Non-Financial Public Sector – Operating Statement

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Revenue					
Taxation revenue	752	869	853	891	926
Grants and subsidies	2 391	2 434	2 518	2 543	2 567
Sales of goods and services	2 198	2 209	2 322	2 421	2 508
Interest income	50	72	92	108	114
Dividend and income tax equivalent income	76	100	86	76	61
Other revenue	134	175	164	168	172
Total	5 602	5 859	6 034	6 206	6 348
<i>less</i> Expenses					
Depreciation	444	430	445	459	475
Employee expenses	2 168	2 202	2 283	2 360	2 468
Other operating expenses	1 991	2 090	2 054	2 098	2 118
Nominal superannuation interest expenses	188	164	168	174	178
Other interest expenses	153	152	153	163	167
Grants and transfers	602	615	630	630	628
Total	5 548	5 655	5 733	5 884	6 033
<i>equals</i> NET OPERATING BALANCE	54	204	302	322	315
<i>less</i> Net acquisition of non-financial assets					
Purchases of non-financial assets	717	679	710	696	606
<i>less</i> Sale of non-financial assets	76	66	56	43	42
<i>less</i> Depreciation	444	430	445	459	475
Total	197	183	209	194	89
<i>equals</i> FISCAL BALANCE – SURPLUS/(DEFICIT)	(143)	21	93	128	226

Table 17: Total Non-Financial Public Sector – Balance Sheet as at 30 June

	2008 Original Budget	2008 Revised Estimate	2009 Revised Estimate	2010 Revised Estimate	2011 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Assets					
Financial assets					
Cash and deposits	814	1 305	1 518	1 812	2 177
Advances paid	44	43	38	34	27
Investments, loans and placements	137	133	172	186	195
Other non-equity assets	550	697	709	740	797
Equity	347	317	310	319	348
Total	1 891	2 495	2 747	3 091	3 544
Non-financial assets					
Land and fixed assets	15 486	15 977	16 328	16 639	16 816
Other non-financial assets	367	532	328	330	354
Total	15 854	16 509	16 656	16 969	17 170
Total Assets	17 745	19 004	19 403	20 061	20 714
Liabilities					
Advances received	236	240	235	231	226
Borrowings	2 144	2 092	2 128	2 262	2 330
Superannuation liability	4 100	4 223	4 327	4 439	4 544
Other employee entitlements	522	531	556	555	578
Other provisions	....	27	22	22	21
Other non-equity liabilities	1 682	1 809	1 672	1 671	1 693
Total Liabilities	8 684	8 921	8 940	9 179	9 392
Shares and other contributed capital	....	....	....	....	....
NET WORTH¹	9 061	10 083	10 463	10 882	11 322
NET FINANCIAL WORTH²	(6 792)	(6 426)	(6 193)	(6 088)	(5 848)
NET FINANCIAL LIABILITIES³	5 485	5 074	4 962	4 900	4 701
NET DEBT⁴	1 385	851	635	461	157

Notes:

1. Net Worth represents Total Assets less Total Liabilities and Shares and other contributed capital.
2. Net Financial Worth represents Total Financial assets less Total Liabilities and Shares and other contributed capital.
3. Net Financial Liabilities represents Net Debt plus Superannuation liability.
4. Net Debt equals the sum of Advances received and Borrowings less the sum of Cash and deposits, Advances paid and Investments, loans and placements.

Table 18: Total Non-Financial Public Sector – Cash Flow Statement

	2007-08 Original Budget	2007-08 Revised Estimate	2008-09 Revised Estimate	2009-10 Revised Estimate	2010-11 Revised Estimate
	\$M	\$M	\$M	\$M	\$M
Cash receipts from operating activities					
Taxes received	752	863	853	891	926
Receipts from sales of goods and services	2 174	2 300	2 400	2 518	2 599
Grants and subsidies received	2 378	2 420	2 485	2 532	2 567
Interest received	50	72	92	108	113
Other receipts	508	486	516	508	503
Total	5 862	6 141	6 346	6 557	6 709
Cash payments for operating activities					
Payments for goods and services	(3 997)	(4 179)	(4 282)	(4 436)	(4 551)
Grants and subsidies paid	(612)	(591)	(609)	(609)	(607)
Interest paid	(149)	(153)	(155)	(166)	(174)
Other payments	(491)	(537)	(465)	(468)	(472)
Total	(5 250)	(5 461)	(5 511)	(5 679)	(5 804)
Net cash flows from operating activities	612	680	834	878	905
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	76	66	56	43	42
Purchases of non-financial assets	(717)	(679)	(710)	(696)	(606)
Total	(640)	(612)	(654)	(653)	(564)
Net cash flows from investments in financial assets for policy purposes	3	(8)	5	6	8
Net cash flows from investments in financial assets for liquidity purposes	(29)	(28)	(34)	(7)	3
Net cash flows from financing activities					
Advances received	(6)	(1)	(4)	(3)	(3)
Distribution paid (net)					
Borrowings (net)	63	122	92	102	32
Other financing (net)	....	309	3	....	....
Total	56	430	91	99	29
Net Increase/(Decrease) in Cash Held	4	462	243	323	382
CASH SURPLUS /(DEFICIT)¹	(27)	68	180	225	342

Note:

1. Cash Surplus/(Deficit) is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.

6. CONSOLIDATED FUND

The Consolidated Fund Surplus (CFS) is estimated to be \$175.2 million for 2007-08, an improvement of \$164.9 million from the original Budget estimate of \$10.3 million. The actual CFS for the six months ended 31 December 2007 is \$123.2 million.

The CFS as at 31 December 2007 may reflect cyclic variations in revenue collections and expenditure through the Consolidated Fund and does not provide a pro rata indication of the Consolidated Fund Outcome for the full financial year.

Table 19: Consolidated Fund Outcome 2007-08

	2006-07 December YTD Actual \$'000	2007-08 Original Budget \$'000	2007-08 Revised Estimate \$'000	2007-08 December YTD Actual \$'000
Receipts				
Commonwealth sources				
Recurrent receipts	1 002 720	2 101 014	2 130 371	1 037 524
Capital receipts	17 453	66 016	62 485	29 846
Total Commonwealth sources	1 020 173	2 167 030	2 192 856	1 067 370
State sources				
Recurrent receipts	592 949	1 154 139	1 313 423	678 388
Capital receipts	17	253	360 248	50 421
Total State sources	592 966	1 154 392	1 673 671	728 809
Total receipts	1 613 140	3 321 422	3 866 527	1 796 179
<i>less</i> Expenditure				
Recurrent services				
Appropriation Act	1 478 190	2 951 066	3 041 156	1 529 463
Reserved by law	63 774	143 235	142 012	69 979
Total recurrent services	1 541 964	3 094 301	3 183 168	1 599 442
Works and services	64 488	216 807	508 143	73 558
Total expenditure (Refer Table 19)	1 606 452	3 311 108	3 691 311	1 673 000
<i>equals</i> CONSOLIDATED FUND SURPLUS	6 688	10 314	175 216	123 179

Table 20: Consolidated Fund Expenditure 2007-08

	2006-07 December YTD Actual \$'000	2007-08 Original Budget \$'000	2007-08 Revised Estimate \$'000	2007-08 December YTD Actual \$'000
Economic Development				
Recurrent Expenditure	17 934	45 494	48 654	20 760
Capital Expenditure	....	....	....	....
Total	17 934	45 494	48 654	20 760
Education				
Recurrent Expenditure	400 757	792 739	794 086	424 439
Capital Expenditure	3 388	24 704	24 704	3 946
Total	404 145	817 443	818 790	428 385
Finance-General				
Recurrent Expenditure	188 331	429 474	486 176	166 637
Capital Expenditure	....	19 950	323 950	....
Total	188 331	449 424	810 126	166 637
Health and Human Services				
Recurrent Expenditure	607 404	1 120 658	1 141 348	639 170
Capital Expenditure	7 277	15 360	12 444	4 321
Total	614 681	1 136 018	1 153 792	643 491
House of Assembly				
Recurrent Expenditure	3 159	6 492	6 492	3 345
Total	3 159	6 492	6 492	3 345
Infrastructure, Energy and Resources				
Recurrent Expenditure	60 054	117 435	117 733	57 474
Capital Expenditure	32 378	135 216	129 068	53 998
Total	92 432	252 651	246 801	111 472
Justice				
Recurrent Expenditure	48 368	111 205	113 212	56 373
Capital Expenditure	19 490	9 242	9 242	9 209
Total	67 858	120 447	122 454	65 582
Legislative Council				
Recurrent Expenditure	2 459	5 265	5 265	2 700
Total	2 459	5 265	5 265	2 700
Legislature-General				
Recurrent Expenditure	2 731	4 839	4 879	2 574
Capital Expenditure	....	....	1 000	....
Total	2 731	4 839	5 879	2 574

Table 20: Consolidated Fund Expenditure 2007-08 (continued)

	2006-07 December YTD Actual \$'000	2007-08 Original Budget \$'000	2007-08 Revised Estimate \$'000	2007-08 December YTD Actual \$'000
Ministerial and Parliamentary Support				
Recurrent Expenditure	8 885	18 091	18 091	9 705
Total	8 885	18 091	18 091	9 705
Office of the Governor				
Recurrent Expenditure	1 268	3 041	3 041	1 314
Total	1 268	3 041	3 041	1 314
Office of the Ombudsman				
Recurrent Expenditure	....	1 280	1 280	679
Total	....	1 280	1 280	679
Police and Emergency Management				
Recurrent Expenditure	78 814	169 075	169 524	85 866
Capital Expenditure	706	1 000	1 000	1 000
Total	79 519	170 075	170 524	86 866
Premier and Cabinet				
Recurrent Expenditure	19 667	52 328	53 015	25 542
Capital Expenditure	1	350	350	18
Total	19 668	52 678	53 365	25 561
Primary Industries and Water				
Recurrent Expenditure	41 155	86 819	89 489	41 573
Capital Expenditure	652	1 143	1 143	501
Total	41 808	87 962	90 632	42 074
Tasmanian Audit Office				
Recurrent Expenditure	156	330	330	163
Total	156	330	330	163
Tourism, Arts and the Environment				
Recurrent Expenditure	44 099	91 164	91 928	44 635
Capital Expenditure	597	9 842	5 242	566
Total	44 696	101 006	97 170	45 201
Treasury and Finance				
Recurrent Expenditure	16 722	38 572	38 625	16 487
Total	16 722	38 572	38 625	16 487
TOTAL	1 606 452	3 311 108	3 691 311	1 673 000

7. CONCEPTS AND DEFINITIONS

UNIFORM PRESENTATION FRAMEWORK

The Mid-Year Financial Report is prepared on a Uniform Presentation Framework (UPF) basis.

The UPF is based on the concepts and classifications used by the Australian Bureau of Statistics (ABS) in the preparation of public finance reports. 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*. The Government Finance Statistics classification adopts a nationally consistent format for presenting the financial transactions of governments.

The UPF was first established by the Australian Loan Council in May 1991. The Council revised the UPF in March 2000 to adopt accrual Government Finance Statistics based reporting. The primary objective of the UPF is to ensure that the Australian, State and Territory governments present their budgets on a standard, comparable basis. It was recognised that a more uniform approach to the presentation of budgets, forward estimates and outcomes would facilitate understanding of individual government's financial results and projections.

UPF information:

- is presented on a total source of funds basis, meaning that balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund are included in the UPF Outcomes Statements; and
- includes accrual transactions such as depreciation and nominal interest on superannuation.

The UPF gives details of the expenses, revenue, payments, receipts, assets and liabilities of the Tasmanian General Government Sector.

An important distinction made in the UPF framework is between "transaction flows" and "other economic flows". Transactions 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, which does not involve interaction between two parties. The treatment of depreciation recognises that in this case 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 wide variety of events such as the revaluation of assets (holding gains or losses) arising from a change in market prices, and changes in the volume of assets that result from discoveries, depletion and destruction of assets. The impact of all "other economic flows" is excluded from the UPF Operating Statement. These changes impact directly on equity in the Balance Sheet in the UPF treatment. This is a major source of differences between the UPF Operating Statement and the Income Statement prepared in accordance with the Australian Accounting Standards.

Details of public sector estimates and outcomes are presented within the UPF in three primary statements: the Operating Statement, the Balance Sheet and the Cash Flow Statement. These statements form the core of the UPF.

Operating Statement

The Operating Statement presents information on revenues and expenses. This statement is designed to capture the composition of revenues and expenses and the net cost of a government's activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources.

The Operating Statement reports two major fiscal measures: the Net Operating Balance and the Fiscal Balance.

Net Operating Balance

The Net Operating Balance is the best measure of the on-going sustainability of the ordinary operations of government. It is determined as the excess of revenues over expenses. The Net Operating Balance excludes capital expenditure, but includes non-cash costs such as accrued employee entitlements and depreciation. By including all accruing costs, including depreciation, the Net Operating Balance encompasses the full cost of providing government services.

A Net Operating Surplus indicates that the ordinary operations of government are sustainable and that there are funds available, on an accrual basis, to increase service delivery, increase assets, or to decrease liabilities. A deficit indicates that one-off expenditure may have occurred to meet one-off projects or programs; and/or revenues are not sufficient to meet all expenses for the current year.

Fiscal Balance

The Fiscal Balance indicates whether a sufficient surplus is being generated by the ordinary operations of government to fund its capital expenditure needs. It is determined as the difference between General Government revenue over expenses, after allowing for the net addition to the capital stock.

The Fiscal Balance measures the investment–saving balance. A Fiscal Surplus indicates that the Government is saving more than enough to finance all of its investment spending, whilst a Fiscal Deficit indicates that the Government is spending reserves, including previously accumulated surpluses, to fund its investment spending.

In a year in which the Government undertakes major capital works, other things being equal, the Fiscal Balance will be significantly lower than the Net Operating Balance.

Balance Sheet

The Balance Sheet records financial and non-financial assets and liabilities. This statement discloses the resources over which a government maintains control. The Balance Sheet is a financial snap-shot, taken at a point in time, for instance, the end of the financial year. By providing information on the type of assets and liabilities held by a government, the statement shows the government's financial position at that point in time.

The Balance Sheet includes information on the make-up and value of a government's financial assets, and on the extent of liabilities such as borrowings and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels. 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 help judge the overall strength of a jurisdiction's fiscal position. Net Debt comprises the stock of selected gross financial liabilities less selected financial assets. 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 Financial Liabilities

Net Financial Liabilities is Net Debt plus gross unfunded superannuation liabilities. This additional information is important in gauging the strength of a government's overall fiscal position. This measure is not included in the UPF, but is commonly used by international credit ratings agencies.

Net Financial Worth

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

Net Worth

Net Worth is calculated as total assets (both financial and non-financial) minus total liabilities, shares and other contributed capital. 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, most notably, 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 obtains and disposes of cash.

This statement categorises cash flows into operating, investing and financing activities. Operating activities related to the 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 (regardless of whether they are gross or net cash flows). The Cash Flow Statement reports two major fiscal measures: Net Increase in Cash Held and Cash Surplus.

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

The Cash Surplus comprises cash received from operating activities, and from sales and purchases of non-financial assets, less distributions paid (in the case of Public Financial Corporations and Public Non-Financial Corporations), less finance leases and similar arrangements.

The Cash Surplus is important for cash management purposes. The Cash Surplus represents the difference between General Government operating and investing receipts over expenditure (including capital expenditure). It is important to note that a Cash Surplus does not necessarily imply that there is cash available for spending. This is because the Cash Surplus includes funds allocated to provisions such as the Superannuation Provision Account.

It should be noted that the ABS concept of a surplus/(deficit) does not include equity injections/withdrawals and the repayment of advances. These items can have a major impact in any given year. The ABS classifies these transactions as Financing Transactions, which have no impact on the calculation of the surplus/(deficit).

Consolidation of Transactions

The GFS statements present a consolidated view of the financial transactions for all entities within the General Government Sector.

To compile statistics for the financial activities of the General Government Sector the receipts, payments, financial assets and liabilities held with other agencies within the Sector have to be matched and eliminated to avoid double counting. This process is known as consolidation.

For example, in the case of GFS, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Operating Statement as both agencies are classified as General Government. Similarly, Treasury has on-lent Commonwealth State Housing Agreement funds to the Department of Health and Human Services and since both agencies are within the General Government Sector, the borrowing recorded by the Department of Health and Human Services and the advance held by Treasury are eliminated.

Rounding

All amounts in the Mid-Year Financial Report are rounded to the nearest million dollars, unless otherwise stated. As a consequence, rounded figures may not add to totals.

CLASSIFICATION OF THE TASMANIAN PUBLIC SECTOR

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

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 includes government departments and a number of entities that act outside the Public Account including the Inland Fisheries Service, Marine *and* Safety Tasmania, the Royal Tasmanian Botanical Gardens, the State Fire Commission and the Nominal Insurer (a statutory entity created by the *Workers Rehabilitation and Compensation 1988 Act*). The 2007-08 State Budget is based on the General Government Sector.

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-owned Companies (SOCs) and Government Business Enterprises (GBEs). These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget.

The PFC Sector comprises 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. In Tasmania, there are two organisations in this Sector. These are the Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board.

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

General Government

Economic Development
Education
Health and Human Services
House of Assembly
Infrastructure, Energy and Resources
Inland Fisheries Service
Justice
Legislative Council
Legislature-General
Marine *and* Safety Tasmania
Office of the Governor
Office of the Ombudsman
Police and Emergency Management
Premier and Cabinet
Primary Industries and Water
Royal Tasmanian Botanical Gardens

General Government (continued)

State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
The Nominal Insurer
Tourism, Arts and the Environment
Treasury and Finance

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Forestry Tasmania
Hydro Tasmania
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Printing Authority of Tasmania
Private Forests Tasmania
Rivers and Water Supply Commission
Southern Regional Cemetery Trust
Tasmanian Ports Corporation Pty Ltd
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



Tasmania
Explore the possibilities