



**MID-YEAR
FINANCIAL
REPORT
as at
31 December 2003**



Department of Treasury and Finance

February 2004

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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.

This Report is the first report prepared under the new accrual based reporting framework. The new reporting framework has been introduced to align with the annual accrual Budget. 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 2003-04 Budget Papers and commentary on significant variations to the Budget outlook.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2003-04 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 Financial Statistics (GFS) basis. Where required, commentary is provided on material changes between original and revised Budget estimates.

The revised Budget estimates have been prepared on the basis of a number of assumptions. The primary assumption is that the revised Budget estimates are prepared on a 'same policy' basis. Revised estimates have been based on all information available as at 30 November 2003. Only material variations subsequent to that date have been reflected in the revised estimates within this Report.

- 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 1997, this Section presents revised fiscal estimates for the General Government, Public Non-Financial Corporations and Total Non-Financial Public Sectors. This information was previously released by Treasury as a separate publication in February each year. In order to harmonise the release of public sector financial information, this information has been incorporated into this Report.
- Section 6 summarises details of the receipts to and expenditure from the Consolidated Fund. This information is consistent with that previously provided in the Quarterly Statement of 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 and achievable medium-term Fiscal Strategy is an essential component of prudent 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 or problems and how these will be addressed.

The current Fiscal Strategy commenced in 2002-03 and extends for a period of six years. The six year period of the Fiscal Strategy represents an appropriate medium-term timeframe in which to set Tasmania's fiscal goals. The conclusion of the current Fiscal Strategy also coincides with a major target, the elimination of General Government Sector Net Debt by 30 June 2008.

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 2004-05 to 2006-07 have been prepared on the assumption that 2003-04 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 the 2003-04 financial year and are anticipated to have a material impact on the financial projections, the Budget and Forward Estimates have been revised accordingly.

Table 1: Key Fiscal Strategy Measures

Fiscal Strategy Target	2003-04	2003-04	2003-04	2004-05	2005-06	2006-07	Revised Assessment of Progress
	Dec YTD	Original	Revised	Revised	Revised	Revised	
	Actual	Budget	Budget	Budget	Budget	Budget	
	\$m	\$m	\$m	\$m	\$m	\$m	
General Government Fiscal Balance to be maintained in surplus	125	7	82	12	85	78	✓
General Government Net Financial Liabilities to be eliminated by June 2017	2 413	2 495	2 450	2 484	2 452	2 385	✓
General Government Net Debt to be below \$450m by June 2005 and to be eliminated by June 2008	366	461	367	329	232	106	✓
General Government Cash Surplus sufficient to meet Net Debt targets	154	83	123	75	136	128	✓

Key: ✓ On Target, ⚠ Issues to be addressed, ✗ Remedial action required, n.a data not available.

FISCAL SURPLUS

The 2003-04 Fiscal Surplus is estimated to be \$82 million, an increase of \$75 million from the original Budget estimate of \$7 million. The favourable movement in the revised 2003-04 Fiscal Surplus comprises a favourable revenue movement of \$95 million, an unfavourable movement in expenses of \$33 million and a favourable variation of \$14 million to the net acquisition of non-financial assets. Sound Fiscal Surplus results are projected over the Forward Estimates.

The projected General Government Fiscal Balance over the Forward Estimates is consistent with the Government's Fiscal Strategy target to maintain a Fiscal Surplus.

A summary of the significant variations to 2003-04 revenue, expenditure and net acquisition of non-financial assets is provided in Section 4.

NET FINANCIAL LIABILITIES

Net Financial Liabilities are estimated to be \$2 450 million as at 30 June 2004, a decrease of \$45 million or 1.8 per cent from the original Budget estimate of \$2 495 million.

The decrease in Net Financial Liabilities relates to a decrease in Net Debt of \$94 million, which is partially offset by an increase of \$49 million in the gross unfunded superannuation liability. The reduction in Net Financial Liabilities is consistent with the Government's Fiscal Strategy target to eliminate Net Financial Liabilities by June 2017.

A summary of the significant variations to 2003-04 liabilities is provided in Section 4.

NET DEBT

Net Debt is estimated to be \$367 million as at 30 June 2004, \$94 million or 20.6 per cent less than the original Budget estimate of \$461 million. This favourable movement is consistent with the Government's Fiscal Strategy to reduce Net Debt to \$450 million by 30 June 2005 and to fully eliminate Net Debt by June 2008.

CASH SURPLUS

The Cash Surplus is estimated to be \$123 million, \$40 million or 48.4 per cent greater than the original 2003-04 Budget estimate of \$83 million. The increase in the Cash Surplus reflects an anticipated increase in taxation revenue during the 2003-04 financial year. The achievement of a Cash Surplus in 2003-04 is consistent with the Government's Fiscal Strategy target of eliminating Net Debt by June 2008.

3. TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Very high levels of activity in the Tasmanian economy since finalising the current Budget have led to revisions of economic forecasts for the 2003-04 financial year. While economic data at the time of preparing the 2003-04 Budget pointed to strong economic performance in the State, the record level of activity achieved across a number of indicators has exceeded prior expectations.

Table 2: Economic Aggregates and Forecasts

	2002-03	2003-04	2003-04
	Actual	Budget Forecast	Mid-Year Revision
State economic activity (real, % change)¹	n.a.	3.5	6.2
Employment (year average, % change)	1.2	2.2	4.4
Level of employment (as at year end, trend, '000s)	205.0	205.8	209.6
Labour force participation rate (year average, %)	58.4	59.2	59.4
Unemployment rate (year average, %)	8.6	8.4	6.9
Consumer price index (year average, % change)	3.2	2.3	2.3
10 year Treasury bond rate (as at year end, %)	5.01	5.90	6.05
Population (year average, % change)	0.60	0.30	0.69

Sources: Actual data - Australian Bureau of Statistics and Reserve Bank of Australia; Forecasts - Department of Treasury and Finance.

Note:

1. Treasury's estimate of growth in real state economic activity for 2003-04 focuses on the underlying movements in output and is derived from trend projections based on a variety of indicators. This estimate is not designed to be consistent with the experimental GSP series produced by the ABS, or to forecast the ABS GSP estimate.

In the 2003-04 Budget Papers, Treasury forecasted growth in State economic activity of 3.5 per cent. However, a continuation of strength in consumer spending, historically high levels of capital investment associated with energy and tourism-related projects, increased population and visitor numbers and low interest rates have all contributed to an acceleration in output and employment growth. These factors, combined within a context of strong conditions in the national economy and an improving world economy, have led to an upward revision of the forecast for State economic activity for 2003-04 to 6.2 per cent.

In the six months to December 2003, employment in average terms was 208 100. When compared to the same six month period in 2002, employment has increased by 4.6 per cent or around 9 100 jobs. In year average terms, employment is expected to increase by 4.4 per cent (up from 2.2 per cent in the 2003-04 Budget Papers), or 8 900 jobs. At year-end, trend employment is expected to be around 209 600.

Treasury considers that the improving employment conditions will encourage more workers to enter the labour market, resulting in a higher year average participation rate (59.4 per cent) than predicted in the 2003-04 Budget Papers (59.2 per cent). A significant revision to the unemployment rate has also been made. In the 2003-04 Budget Papers, the unemployment rate was forecast to be 8.4 per cent in year average terms. However, the large gains in employment are expected to only be partially offset by the increased participation rate, resulting in a revised unemployment rate forecast of 6.9 per cent for 2003-04.

Treasury continues to forecast an increase in Tasmanian CPI of 2.3 per cent for 2003-04. This forecast is below the most recent Tasmanian CPI increase of 2.9 per cent for the 12 months to December 2003. However, the recent strong appreciation of the Australian dollar is expected to put downward pressure on prices.

The stronger than expected growth in population in 2002-03 (0.60 per cent in year average terms) has led to a revision to the forecast year average growth figure for 2003-04 (up from 0.30 per cent to 0.69 per cent). This increase in growth has largely been driven by an increase in net interstate migration, such that Tasmania was the only state apart from Queensland to record four consecutive quarters of net in-migration through 2002-03. With employment opportunities increasing and housing affordability remaining the highest of all states, it is expected that this population growth will be sustained into 2003-04.

The strong appreciation of the Australian dollar against the US dollar, together with a more moderate appreciation against other major currencies, has had a negative impact on Australian exports. While Tasmania's exports were relatively resilient to the impact of the rising dollar for some time, the State's economy may now be starting to be affected by the rise. There is some downside risk to the revised economic activity and employment forecasts if there is a further significant appreciation of the Australian dollar.

4. GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

OPERATING STATEMENT

The Operating Statement shows a revised 2003-04 Fiscal Surplus of \$82 million, an increase of \$75 million on the original 2003-04 Budget estimate of \$7 million. The General Government Sector Operating Statement for 2003-04 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 now estimated to be \$3 085 million in 2003-04, \$95 million or 3.2 per cent greater than the original 2003-04 Budget estimate of \$2 990 million. The favourable movement in Revenue reflects an anticipated increase in:

- Grants and Subsidies revenue of \$66 million, primarily due to above Budget GST Revenue of \$51 million, which is partially offset by a decrease in GST Budget Balancing Assistance of \$9.3 million; additional revenue of \$7.5 million for the Australian Health Care Agreement; and anticipated increases in a number of Specific Purpose Payments. Table 4 details the components of Grants and Subsidies revenue;
- Taxation Revenue of \$69 million, primarily due to additional revenue from Duties of \$60.5 million (consisting of additional conveyance duty of \$52.0 million, motor vehicle registration duties of \$4.5 million and mortgage duty of \$4.0 million); and additional Guarantee Fees of \$3.2 million, Payroll Tax of \$2 million and Land Tax of \$1.8 million. Table 5 details the components of Taxation Revenue; and
- Interest Income of \$9 million, reflecting a change in interest rate forecasts and the availability of more recent cash flow forecast data, incorporating the revised estimates of Grants and Subsidies revenue and Taxation Revenue, and thus more recent estimates of the balance of surplus funds available for investment.

The anticipated increases in the Revenue items noted above are partially offset by a decrease in Other Revenue of \$54 million, which primarily relates to revised accounting treatment of a superannuation revenue elimination adjustment processed during the consolidation of the original 2003-04 Budget.

Year-to-date, as at 31 December 2003:

- Grants and Subsidies revenue is \$981 million, \$18 million or 1.8 per cent above the pro rata 2003-04 Revised Budget estimate. This variation is due to the timing of payments of GST Revenue by the Commonwealth to the State; and
- Dividend and Tax Equivalent revenue is \$91 million, \$19 million or 25.9 per cent above the pro rata 2003-04 Revised Budget estimate. The year-to-date receipts reflect the timing of payments by Government Business Enterprises and State-owned Companies.

Expenses

Total Expenses are now estimated to be \$3 039 million in 2003-04, \$33 million or 1.1 per cent greater than the original 2003-04 Budget estimate of \$3 006 million. The movement in Expenses reflects an anticipated increase in:

- Depreciation of \$9 million as a result of a revaluation of road and bridge infrastructure by the Department of Infrastructure, Energy and Resources;
- Employee Expenses of \$7 million; and
- Other Operating Expenses of \$21 million, primarily due to additional costs incurred by agencies in relation to maintenance and property services, and other supplies and consumables.

The anticipated increase in Expenses is partially offset by a decrease in Grants and Transfers expenses of \$3 million.

Net Acquisition of Non-Financial Assets

The movement in the Net Acquisition of Non-Financial Assets of \$14 million has a favourable impact on the revised 2003-04 Fiscal Surplus. The movement in the Net Acquisition of Non-Financial Assets is a result of an anticipated:

- decrease in the Purchase of New Non-Financial Assets of \$2 million;
- increase in the Sale of Non-Financial Assets of \$3 million; and
- increase in Depreciation of \$9 million.

As at 31 December 2003, the General Government Sector year-to-date expenses for Purchase of Non-Financial Assets was \$54 million, \$36 million or 39.7 per cent below the year-to-date pro rata 2003-04 Revised Budget estimate. This largely reflects the timing of planning, implementation and payments for major capital projects by Budget Sector agencies, the majority of expenditure for which is incurred in the latter half of the financial year.

Table 3: General Government Operating Statement

	2003-04 Dec YTD Actual \$m	2003-04 Original Budget \$m	2003-04 Revised Estimate \$m
GFS Revenue			
Grants and subsidies (Refer Table 4)	981	1 861	1 927
Taxation revenue (Refer Table 5)	310	533	602
Sales of goods and services	150	298	298
Interest income	12	18	27
Dividend and income tax equivalent income	91	139	144
Other revenue	52	141	87
Total Revenue	1 596	2 990	3 085
Less			
GFS Expenses			
Depreciation	81	154	163
Employee expenses	663	1 293	1 300
Other operating expenses	381	726	747
Nominal superannuation interest expense	58	116	116
Other interest expense	33	69	68
Grants and transfers	315	648	645
Total Expenses	1 532	3 006	3 039
Equals NET OPERATING RESULT	64	(16)	45
Less			
Net acquisition of non-financial assets			
Purchase of non-financial assets	54	181	179
less Sale of non-financial assets	34	50	53
less Depreciation	81	154	163
Total	(61)	(23)	(37)
Equals FISCAL SURPLUS	125	7	82

Table 4: Grants and Subsidies

	2003-04	2003-04	2003-04
	Dec YTD	Original	Revised
	Actual	Budget	Estimate
	\$'000	\$'000	\$'000
Commonwealth Sources			
Recurrent Revenue			
General Purpose Payments			
GST Revenue	667 970	1 299 700	1 350 700
GST Budget Balancing Assistance	....	9 300	....
Competition Payments	8 581	17 600	17 190
Total General Purpose Payments	676 551	1 326 600	1 367 890
Specific Purpose Payments	188 195	363 239	375 930
Capital Grants Revenue	10 721	26 615	29 085
Other Grants and Subsidies	106 000	144 243	154 555
TOTAL GRANTS AND SUBSIDIES	981 467	1 860 697	1 927 460

Table 5: General Government Taxation Revenue

	2003-04	2003-04	2003-04
	Dec YTD	Original	Revised
	Actual	Budget	Estimate
	\$'000	\$'000	\$'000
Payroll Tax	83 347	162 248	164 248
<i>Taxes on property</i>			
Land tax	29 944	25 547	27 347
Property owners contributions to fire brigade	16 225	32 450	32 450
Financial transactions taxes	80 656	95 934	155 184
Guarantee fees	2 723	5 425	5 503
Total taxes on property	129 548	159 356	220 484
<i>Taxes on the provision of goods and services</i>			
Casino taxes	25 852	50 853	50 853
Other gambling taxes	8 909	22 623	22 623
Taxes on insurance	17 272	36 737	33 593
Total taxes on the provision of goods and services	52 033	110 213	107 069
<i>Taxes on the use of goods and performance of activities</i>			
Motor vehicle fees and taxes	45 116	101 234	109 878
Total taxes on the use of goods and performance of activities	45 116	101 234	109 878
TOTAL TAXES	310 044	533 051	601 679

BALANCE SHEET

Table 6 details the estimated General Government Sector Balance Sheet as at 30 June 2004.

The \$75 million improvement in the estimated Fiscal Balance outcome for 2003-04 is reflected in the revised Balance Sheet with the following favourable movements:

- an increase in Net Worth of \$415 million;
- an increase in Net Financial Worth of \$242 million;
- a decrease in Net Financial Liabilities of \$45 million; and
- a decrease in Net Debt of \$94 million.

Assets

General Government Assets are estimated to be \$11 075 million at 30 June 2004, an increase of \$475 million on the original 2003-04 Budget estimate of \$10 600 million.

Financial Assets are anticipated to increase by \$302 million as a result of:

- an increase in Cash and Deposits of \$72 million, which primarily reflects estimated above Budget revenue for 2003-04 in relation to Taxation and Grants and Subsidies;
- a decrease in Advances Paid of \$15 million relating primarily to adjustments to the 2003-04 opening balance within Finance-General to reflect the actual 2002-03 closing balance. The 2002-03 closing balance differed from the Budget time estimate for a number of reasons, including the early repayment of a number of public bodies loans late in the 2002-03 financial year which were not anticipated or estimated at the time of preparing the 2003-04 Budget, and a revision to the Budget estimates to reflect the full impact of debt repayments by statutory authorities during 2002-03;
- an increase in Investments, Loans and Placements of \$8 million, which primarily reflects actual 2003-04 opening balances for investments held by the Department of Economic Development;
- an increase in Other Non-Equity Assets of \$31 million, primarily in relation to an increase in estimated receivables for General Government Sector entities; and
- an increase in Equity Assets of \$208 million, primarily reflecting:
 - an increase of \$184 million in the General Government Sector's equity interest in the Public Non-Financial Corporations Sector; and
 - a change in the accounting treatment of the payment to TT-Line Company Pty Ltd to meet the interest costs and extinguish half the debt associated with the purchase by TT-Line Company Pty Ltd during 2002-03 of *Spirit of Tasmania I and II*.

Non-Financial Assets are anticipated to increase by \$173 million. The most significant revisions within Non-Financial Assets include:

- an increase in Land and Fixed Assets due to a change in the valuation methodology applied to road infrastructure assets; and

- a decrease in Other Non-Financial Assets following the reclassification of Home Ownership Assistance Program (HOAP) advances to Advances Paid and a transfer of State Fire Commission assets and other General Government Sector assets to Land and Fixed Assets.

Liabilities

General Government Liabilities are estimated to be \$3 488 million at 30 June 2004, \$61 million greater than the original 2003-04 Budget estimate of \$3 427 million. The anticipated increase in liabilities relates to:

- a decrease in Borrowings of \$30 million, primarily reflecting actual 2003-04 opening balances for borrowings of Finance-General and the Department of Economic Development;
- an increase in Superannuation Liability of \$49 million due to salaries, pensions and compulsory preserved benefits all increasing at greater than anticipated rates during the year to 30 June 2003; and
- an increase in Other Non-Equity Liabilities of \$29 million, which primarily reflects actual 2003-04 opening balances for Finance-General liabilities.

Table 6: General Government Balance Sheet

	31 Dec 2003	30 June 2004	30 June 2004
	Actual	Original Budget	Revised Estimate
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	453	331	403
Advances paid	100	112	97
Investments, loans and placements	1	20	28
Other non-equity assets	307	335	366
Equity	4 064	4 065	4 273
Total	4 924	4 864	5 166
Non-financial assets			
Land and fixed assets	5 855	5 672	5 899
Other non-financial assets	10	64	10
Total	5 865	5 736	5 909
Total assets	10 790	10 600	11 075
Liabilities			
Advances received	288	273	273
Borrowings	632	651	621
Unfunded superannuation liability	2 047	2 034	2 083
Other employee provisions	294	301	314
Other non-equity liabilities	175	168	197
Total liabilities	3 436	3 427	3 488
NET WORTH¹	7 353	7 172	7 587
NET FINANCIAL WORTH²	1 488	1 436	1 678
NET FINANCIAL LIABILITIES³	2 413	2 495	2 450
NET DEBT⁴	366	461	367

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 Net Debt plus gross unfunded superannuation liability.
4. Net Debt equals the sum of Deposits Held, 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 2003-04. The key measures of the Cash Flow Statement are the Net Increase/(Decrease) in Cash Held and the Cash Surplus.

The 2003-04 Net Decrease in Cash Held is estimated to be \$38 million, a favourable movement of \$18 million on the original Budget estimate of \$56 million. The 2003-04 Cash Surplus is estimated to be \$123 million, \$40 million greater than the original 2003-04 Budget estimate of \$83 million.

The significant variations to the 2003-04 Cash Flow Statement are outlined below.

Cash Receipts from Operating Activities

Cash Receipts from Operating Activities are estimated to be \$3 201 million, \$94 million or 3.0 per cent greater than the original 2003-04 Budget estimate of \$3 106 million. The increase is largely due to estimated additional receipts in relation to Taxes Received, Grants and Subsidies Received and Interest Received. However, these additional receipts are partially offset by an estimated decrease in Other Receipts of \$54 million.

Cash Payments for Operating Activities

Cash Payments for Operating Activities are estimated to be \$2 951 million, \$59 million or 2.1 per cent greater than the original 2003-04 Budget estimate of \$2 892 million. The increase primarily relates to an increase in Payments for Goods and Services of \$61 million by General Government Sector entities.

Net Cash Flows from Investments in Financial Assets for Policy Purposes

Net Cash Flows from Investments in Financial Assets for Policy Purposes are estimated to increase by \$15 million above the original 2003-04 Budget estimate due to:

- a change in classification, based on advice from the Australian Bureau of Statistics (ABS), of the Government's annual contribution to TT-Line Company Pty Ltd to meet the interest costs and extinguish half the debt associated with the purchase by TT-Line Company Pty Ltd during 2002-03 of *Spirit of Tasmania I and II* from Grants and Subsidies Paid; and
- a reclassification of asset sales proceeds of \$28.5 million from Other Financing Activities in accordance with advice from the ABS.

Net Cash Flows from Investments in Financial Assets for Liquidity Purposes

Net Cash Flows from Investments in Financial Assets for Liquidity Purposes are estimated to increase by \$31 million primarily due to an improved cash position resulting from an estimated increase in receipts from Grants and Subsidies and Taxation revenue.

Net Cash Flows from Financing Activities

The most significant variations to Net Cash Flows from Financing Activities are:

- a decrease in Other Financing Activities of \$28.5 million following a reclassification of asset sales proceeds to Net Cash Flows from Investments in Financial Assets for Policy Purposes in accordance with advice from the ABS; and
- an increase in net borrowings of \$23 million due to a change in the annual Borrowing Program for 2003-04.

Table 7: General Government Sector Cash Flow Statement

	2003-04 Dec YTD Actual	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m	\$m
Cash receipts from operating activities			
Taxes received	305	533	602
Receipts from sales of goods and services	137	298	297
Grants and subsidies received	989	1 861	1 927
Dividend and income tax equivalent income	95	139	144
Interest received	23	18	26
Other receipts	85	258	204
Total	1 634	3 106	3 201
Cash payments for operating activities			
Payments for goods and services	(1 084)	(2 054)	(2 115)
Grants and subsidies paid	(291)	(648)	(645)
Interest paid	(35)	(76)	(76)
Other payments	(50)	(113)	(115)
Total	(1 459)	(2 892)	(2 951)
Net cash flows from operating activities	175	215	250
Net cash flows from investments in non-financial assets			
Sale of non-financial assets	34	50	53
Purchases of non-financial assets	(54)	(181)	(179)
Total	(21)	(131)	(126)
Net cash flows from investments in financial assets for policy purposes	2	20	35
Net cash flows from investments in financial assets for liquidity purposes	....	5	(26)
Net cash flows from financing activities			
Advances received (net)	(39)	(42)	(41)
Borrowing (net)	(117)	(151)	(128)
Deposits received (net)	(2)	....	(2)
Other financing (net)	....	29	....
Total	(158)	(164)	(171)
Net Increase/(Decrease) in Cash Held	(2)	(56)	(38)
CASH SURPLUS/(DEFICIT)¹	154	83	123

Note:

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

5. UNIFORM GOVERNMENT REPORTING

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

Table 8 presents details of the revised Loan Council Allocation for 2003-4, and Tables 9 to 17 present Operating Statements, Balance Sheets and Cash Flow Statements for the General Government, Public Non-Financial Corporations (PNFC) and Non-Financial Public Sectors.

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

A two percent tolerance band (calculated on Total Non-Financial Public Sector revenue) applies between the budgeted LCA and the LCA outcome. For 2003-04, the tolerance limit applicable to Tasmania's LCA was \$76 million. Table 8 shows that the revised estimate of the 2003-04 LCA outcome is within the \$76 million tolerance limit. The 2003-04 mid-year revised estimate of an LCA outcome of \$203 million, \$58 million above the original Budget estimate, is due primarily to the anticipated improvement in the General Government Sector Cash Surplus of some \$40 million above the original Budget estimate, and an increase of \$50 million in the estimated full year net cash inflows from Investments in Financial Assets for Policy Purposes due primarily to the reclassification of assets sales proceeds of \$28.5 million from Other Financing Activities in accordance with advice from the Australian Bureau of Statistics.

Table 8: Loan Council Allocation for 2003-04

	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m
General Government underlying Deficit/(Surplus)	(83)	(123)
Public Non-Financial Corporations (PNFC) underlying Deficit/(Surplus)	(64)	(35)
Total Non-Financial Public Sector underlying Deficit/(Surplus)	(147)	(158)
Total Non-Financial Public Sector Net Cash Flows from Investments in Financial Assets for Policy Purposes	(20)	(70)
Memo Items		
University	8	8
Local Government	14	17
Other	...	...
Total Loan Council Allocation	(145)	(203)

Table 9: General Government – Operating Statement

	2003-04	2003-04	2004-05	2005-06	2006-07
	Original	Revised	Forward	Forward	Forward
	Budget	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
GFS Revenue					
Grants and subsidies	1 861	1 927	1 891	2 025	2 093
Taxation revenue	533	602	588	577	589
Sales of goods and services	298	298	311	312	313
Interest income	18	27	24	13	14
Dividend and income tax equivalent income	139	144	148	149	143
Other revenue	141	87	70	71	71
Total Revenue	2 990	3 085	3 032	3 148	3 223
Less					
GFS Expenses					
Depreciation	154	163	162	161	160
Employee expenses	1 293	1 300	1 343	1 391	1 433
Other operating expenses	726	747	764	773	828
Nominal superannuation interest expense	116	116	120	124	127
Other interest expense	69	68	54	37	26
Grants and transfers	648	645	637	632	638
Total Expenses	3 006	3 039	3 081	3 117	3 212
Equals NET OPERATING RESULT	(16)	45	(48)	30	11
Less					
Net acquisition of non-financial assets					
Purchase of non-financial assets	181	179	150	155	143
less Sale of non-financial assets	50	53	50	50	50
less Depreciation	154	163	162	161	160
Total	(23)	(37)	(61)	(55)	(67)
Equals FISCAL SURPLUS	7	82	12	85	78

Table 10: General Government Balance Sheet as at 30 June

	2004 Original Budget	2004 Revised Estimate	2005 Forward Estimate	2006 Forward Estimate	2007 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	331	403	265	224	344
Advances paid	112	97	95	97	100
Investments, loans and placements	20	28	23	18	13
Other non-equity assets	335	366	361	351	341
Equity	4 065	4 273	4 430	4 593	4 724
Total Financial assets	4 864	5 166	5 174	5 284	5 521
Non-financial assets					
Land and fixed assets	5 672	5 899	5 842	5 791	5 728
Other non-financial assets	64	10	10	10	10
Total Non-financial assets	5 736	5 909	5 852	5 801	5 738
Total assets	10 600	11 075	11 026	11 085	11 259
Liabilities					
Deposits held	....	....	....	....	....
Advances received	273	273	261	248	242
Borrowings	651	621	451	324	320
Unfunded superannuation liability	2 034	2 083	2 155	2 219	2 279
Other employee provisions	301	314	321	328	334
Other non-equity liabilities	168	197	196	188	190
Total liabilities	3 427	3 488	3 384	3 308	3 366
NET WORTH¹	7 172	7 587	7 643	7 777	7 892
NET FINANCIAL WORTH²	1 436	1 678	1 791	1 977	2 155
NET FINANCIAL LIABILITIES³	2 495	2 450	2 484	2 452	2 385
NET DEBT⁴	461	367	329	232	106

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 Net Debt plus Gross Unfunded Superannuation Liability.
4. Net Debt equals the sum of Deposits Held, Advances Received and Borrowings less the sum of Cash and Deposits, Advances Paid and Investments, Loans and Placements.

Table 11: General Government – Cash Flow Statement

	2003-04 Original Budget	2003-04 Revised Estimate	2004-05 Forward Estimate	2005-06 Forward Estimate	2006-07 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Cash receipts from operating activities					
Taxes received	533	602	588	577	589
Receipts from sales of goods and services	298	297	311	312	313
Grants and subsidies received	1 861	1 927	1 891	2 024	2 093
Dividend and income tax equivalent income	139	144	148	149	143
Interest received	18	26	24	13	14
Other receipts	258	204	187	191	191
Total	3 106	3 201	3 149	3 267	3 343
Cash payments for operating activities					
Payments for goods and services	(2 054)	(2 115)	(2 174)	(2 239)	(2 341)
Grants and subsidies paid	(648)	(645)	(637)	(629)	(632)
Interest paid	(76)	(76)	(59)	(48)	(36)
Other payments	(113)	(115)	(104)	(109)	(112)
Total	(2 892)	(2 951)	(2 973)	(3 025)	(3 122)
Net cash flows from operating activities	215	250	176	241	221
Net cash flows from investments in non-financial assets					
Sale of non-financial assets	50	53	50	50	50
Purchases of non-financial assets	(181)	(179)	(150)	(155)	(143)
Total	(131)	(126)	(101)	(106)	(93)
Net cash flows from investments in financial assets for policy purposes	20	35	(34)	(40)	(2)
Net cash flows from investments in financial assets for liquidity purposes	5	(26)	5	5	5
Net cash flows from financing activities					
Advances received (net)	(42)	(41)	(13)	(13)	(6)
Borrowing (net)	(151)	(128)	(170)	(127)	(3)
Deposits received (net)	....	(2)	(2)	(2)	(2)
Other financing (net)	29	....	....	....	....
Total	(164)	(171)	(184)	(142)	(11)
Net Increase/(Decrease in Cash Held)	(56)	(38)	(138)	(41)	119
CASH SURPLUS/(DEFICIT)¹	83	123	75	136	128

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 12: Public Non-Financial Corporations Sector – Operating Statement

	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m
GFS Revenue		
Grants and subsidies	89	45
Sales of goods and services	1 076	1 159
Interest income	4	4
Other	9	8
Total Revenue	1 178	1 216
less GFS Expenses		
Depreciation	192	196
Employee expenses	247	264
Other operating expenses	359	358
Other interest expense	125	127
Dividend and Income Tax Equivalent expenses	172	172
Grants and transfers	11	11
Total Expenses	1 107	1 128
equals NET OPERATING RESULT	72	89
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	263	249
less Sale of non-financial assets	26	8
less Depreciation	192	196
Total Net acquisition of non-financial assets	45	45
equals FISCAL SURPLUS	28	44

Table 13: Public Non-Financial Corporations Sector – Balance Sheet as at 30 June

	2004	2004
	Original	Revised
	Budget	Estimate
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	226	183
Investments, loans and placements	7	7
Other non-equity assets	166	102
Equity	12	12
Total Financial assets	411	304
Non-financial assets		
Land and fixed assets	6 061	6 264
Other non-financial assets	46	141
Total Non-financial assets	6 107	6 405
Total assets	6 518	6 710
Liabilities		
Advances received	18	18
Borrowings	1 695	1 750
Unfunded superannuation liability	311	311
Other employee entitlements	64	64
Other provisions	253	215
Other non-equity liabilities	193	167
Total liabilities	2 535	2 524
Shares and other contributed capital	3 983	4 186
NET WORTH¹	....	....
NET FINANCIAL WORTH²	(6 106)	(6 405)
NET DEBT³	1 481	1 577

Notes:

1. Net Worth equals Total Assets less Total Liabilities (including Shares and Other Contributed Capital).
2. Net Financial Worth equals Total Financial Assets minus Total Liabilities and Shares and Other Contributed Capital.
3. Net Debt equals the sum of Deposits Held, Advances Received and Borrowings less the sum of Cash and Deposits, Advances Paid and Investments, Loans and Placements.

Table 14: Public Non-Financial Corporations Sector – Cash Flow Statement

	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m
Cash receipts from operating activities		
Taxes received		
Receipts from sales of goods and services	1 070	1 188
Grants and subsidies received	90	46
Interest received	3	3
Other receipts	6	3
Total	1 168	1 240
Cash payments for operating activities		
Payments for goods and services	(557)	(567)
Grants and subsidies paid	(11)	(11)
Interest paid	(125)	(136)
Other payments	(18)	(18)
Total	(711)	(733)
Net cash flows from operating activities	457	508
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	26	8
Purchases of non-financial assets	(263)	(336)
Total	(237)	(328)
Net cash flows from investments in financial assets for policy purposes	....	....
Net cash flows from investments in financial assets for liquidity purposes	....	32
Net cash flows from financing activities		
Advances received	(19)	2
Distributions paid	(157)	(144)
Borrowing (net)	(17)	35
Deposits received (net)	....	....
Other financing (net)	(14)	(54)
Total	(207)	(161)
Net Increase/(Decrease) in Cash Held	13	51
CASH SURPLUS /(DEFICIT)¹	64	35

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 15: Total Non-Financial Public Sector – Operating Statement

	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m
GFS Revenue		
Taxation revenue	522	591
Grants and subsidies	1 866	1 932
Sales of goods and services	1 374	1 457
Interest income	21	30
Other	148	92
Total	3 930	4 102
less GFS Expenses		
Depreciation	346	359
Employee expenses	1 540	1 564
Other operating expenses	1 085	1 105
Nominal superannuation interest expenses	116	116
Other interest expenses	190	191
Grants and transfers	564	605
Total	3 842	3 940
equals NET OPERATING RESULT	88	163
less		
Net acquisition of non-financial assets		
Purchases of non-financial assets	444	428
less Sale of non-financial assets	59	61
less Depreciation	346	359
Total	39	8
equals FISCAL SURPLUS	50	155

Table 16: Total Non-Financial Public Sector – Balance Sheet as at 30 June

	2004 Original Budget	2004 Revised Estimate
	\$m	\$m
Assets		
Financial assets		
Cash and deposits	557	586
Advances paid	94	79
Investments, loans and placements	27	35
Other non-equity assets	281	247
Equity	94	99
Total	1 054	1 046
Non-financial assets		
Land and fixed assets	11 708	12 163
Other non-financial assets	110	151
Total	11 818	12 314
Total assets	12 872	13 361
Liabilities		
Deposits held	10	....
Advances received	273	273
Borrowings	2 336	2 371
Unfunded superannuation liability	2 345	2 394
Other employee entitlements	365	378
Other provisions	....	(38)
Other non-equity liabilities	361	364
Total liabilities	5 691	5 741
Shares and other contributed capital	....	....
NET WORTH¹	7 180	7 620
NET FINANCIAL WORTH²	(4 638)	(4 695)
NET DEBT³	1 941	1 943

Notes:

1. Net Worth equals Total Assets less Total Liabilities.
2. Net Financial Worth equals Total Financial Assets minus Total Liabilities.
3. Net Debt equals the sum of Deposits Held, Advances Received and Borrowings less the sum of Cash and Deposits, Advances Paid and Investments, Loans and Placements.

Table 17: Total Non-Financial Public Sector – Cash Flow Statement

	2003-04 Original Budget	2003-04 Revised Estimate
	\$m	\$m
Cash receipts from operating activities		
Taxes received	522	591
Receipts from sales of goods and services	1 367	1 485
Grants and subsidies received	1 867	1 933
Interest received	20	28
Other receipts	122	204
Total	3 896	4 241
Cash payments for operating activities		
Payments for goods and services	(2 611)	(2 682)
Grants and subsidies paid	(564)	(605)
Interest paid	(200)	(211)
Other payments	(128)	(130)
Total	(3 504)	(3 629)
Net cash flows from operating activities	393	613
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	59	61
Purchases of non-financial assets	(444)	(515)
Total	(384)	(454)
Net cash flows from investments in financial assets for policy purposes	20	70
Net cash flows from investments in financial assets for liquidity purposes	5	6
Net cash flows from financing activities		
Advances received	(61)	(37)
Borrowing (net)	(169)	(93)
Deposits received (net)	1	(2)
Other financing (net)	15	(87)
Total	(214)	(219)
Net Increase/(Decrease) in Cash Held	(182)	16
CASH SURPLUS /(DEFICIT)¹	8	159

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 \$58.9 million for 2003-04, \$54.2 million greater than the original Budget estimate of \$4.7 million. The actual Consolidated Fund Surplus for the six months ended 31 December 2003 is \$32.5 million.

The CFS as at 31 December 2003 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 18: Consolidated Fund Outcome, 2003-04

	2003-04	2003-04	2003-04
	Dec YTD	Original	Revised
	Actual	Budget	Budget
	\$'000	\$'000	\$'000
Receipts			
Commonwealth Sources			
Recurrent Receipts	864 745	1 689 839	1 743 820
Capital Receipts	10 722	26 615	29 085
Total Commonwealth Sources	875 467	1 716 454	1 772 905
State Sources			
Recurrent Receipts	462 327	835 153	912 130
Capital Receipts	12 785	28 920	28 945
Total State Sources	475 112	864 073	941 075
Total Receipts	1 350 579	2 580 527	2 713 980
Less Expenditure			
Recurrent Services			
Appropriation Act	1 174 432	2 253 541	2 279 059
Reserved by Law¹	89 005	172 190	170 831
Total Recurrent Services	1 263 437	2 425 731	2 449 890
Works and Services			
Capital Investment Program	42 612	123 707	127 163
Economic and Social Infrastructure Fund²	12 475	26 855	78 455
Total Works and Services	55 087	150 562	205 618
Total Expenditure (Refer Table 19)	1 318 524	2 576 293	2 655 508
Gross Consolidated Fund Surplus	32 055	4 234	58 472
Add Loan Repayments¹	435	436	436
Consolidated Fund Surplus	32 490	4 670	58 908

Notes:

1. For the purpose of calculating the Consolidated Fund Surplus, Reserved by Law expenditure includes the amount of the contribution payable to the Debt Retirement Reserve Trust Account. This figure is also shown as Loan Repayments.
2. An additional Works and Services contribution of \$51.6 million will be made to the Economic and Social Infrastructure Fund during 2003-04. This additional contribution primarily relates to funding for the advancement of the Government's Affordable Housing Strategy.

Table 19: Consolidated Fund Expenditure, 2003-04

	2003-04 December YTD Actual \$'000	2003-04 Original Budget \$'000	2003-04 Revised Budget \$'000
Economic Development			
Recurrent Expenditure	16 951	43 302	44 802
Capital Expenditure	....	....	....
Total	16 951	43 302	44 802
Education			
Recurrent Expenditure	353 799	654 810	660 680
Capital Expenditure¹	7 231	14 470	17 053
Total	361 030	669 280	677 733
Finance-General			
Recurrent Expenditure	212 010	462 933	464 452
Capital Expenditure²	15 199	35 464	87 064
Total	227 209	498 397	551 516
Health and Human Services			
Recurrent Expenditure	415 223	757 090	758 577
Capital Expenditure	2 508	14 303	14 190
Total	417 730	771 393	772 767
House of Assembly			
Recurrent Expenditure	2 664	4 871	4 871
Capital Expenditure	....	....	....
Total	2 664	4 871	4 871
Infrastructure, Energy and Resources			
Recurrent Expenditure	54 404	101 218	101 859
Capital Expenditure	25 398	67 145	67 145
Total	79 802	168 363	169 004

Notes:

1. Capital Expenditure for the Department of Education is estimated to be \$17.1 million in 2003-04, \$2.6 million or 17.8 per cent greater than the original 2003-04 Budget estimate of \$14.5 million. The revised estimate reflects above Budget expenditure for 2003-04 as a result of the receipt of Commonwealth funding originally anticipated to be received by the Department in 2002-03.
2. Capital Expenditure for Finance-General is estimated to be \$87.1 million in 2003-04, \$51.6 million or 145 per cent greater than the original 2003-04 Budget estimate of \$35.5 million. The revised estimate primarily reflects the transfer of funds to the Economic and Social Infrastructure Fund in relation to the Government's Affordable Housing Strategy.

Table 19: Consolidated Fund Expenditure, 2003-04 (continued)

	2003-04 December YTD Actual \$'000	2003-04 Original Budget \$'000	2003-04 Revised Budget \$'000
Justice and Industrial Relations			
Recurrent Expenditure	34 088	62 139	62 976
Capital Expenditure	1 322	14 966	14 966
Total	35 410	77 105	77 942
Legislative Council			
Recurrent Expenditure	1 937	3 774	3 774
Capital Expenditure	....	....	....
Total	1 937	3 774	3 774
Legislature-General			
Recurrent Expenditure	2 017	3 762	3 762
Capital Expenditure	....	....	....
Total	2 017	3 762	3 762
Ministerial and Parliamentary Support			
Recurrent Expenditure	6 762	13 819	13 819
Capital Expenditure	....	....	....
Total	6 762	13 819	13 819
Office of the Governor			
Recurrent Expenditure	1 133	2 052	2 492
Capital Expenditure	5	8	8
Total	1 139	2 060	2 500
Police and Public Safety			
Recurrent Expenditure	66 733	125 202	126 565
Capital Expenditure	1 347	1 921	1 921
Total	68 081	127 123	128 486
Premier and Cabinet			
Recurrent Expenditure ¹	11 688	23 416	29 998
Capital Expenditure	....	....	....
Total	11 688	23 416	29 998

Note:

1. Recurrent Expenditure for the Department of Premier and Cabinet is estimated to be \$30.0 million in 2003-04, \$6.6 million or 28.0 per cent above the original 2003-04 Budget estimate of \$23.4 million. The increase primarily reflects estimated expenditure of \$5.4 million in relation to child abuse compensation claims.

Table 19: Consolidated Fund Expenditure, 2003-04 (continued)

	2003-04 December YTD Actual \$'000	2003-04 Original Budget \$'000	2003-04 Revised Budget \$'000
Primary Industries, Water and Environment			
Recurrent Expenditure	37 812	76 120	79 642
Capital Expenditure	58	154	154
Total	37 870	76 274	79 796
Tasmanian Audit Office			
Recurrent Expenditure	230	254	254
Capital Expenditure	....	....	....
Total	230	254	254
Tourism, Parks, Heritage and the Arts			
Recurrent Expenditure	32 290	58 858	59 151
Capital Expenditure	2 018	2 131	3 117
Total	34 307	60 989	62 268
Treasury and Finance			
Recurrent Expenditure	13 260	32 111	32 216
Capital Expenditure	....	....	....
Total	13 260	32 111	32 216
TOTAL	1 318 089	2 576 293	2 655 508

7. CONCEPTS AND DEFINITIONS

Financial Transactions included in the Accrual Uniform Presentation Framework (UPF)

Accrual UPF Budget 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 Budget Statements; and
- includes accrual transactions such as depreciation and nominal interest on superannuation.

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

An important distinction in the UPF framework from the Australian Accounting Standards (AAS) framework, is that of '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 liability that does not result from a transaction. This includes a wide variety of events such as 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' are excluded from the UPF operating statement. These changes impact directly on equity in the balance sheet in the UPF treatment. This means that differences currently exist between the UPF operating statement and the statement of financial performance prepared in compliance with the Australian Accounting Standards. (For a more detailed discussion of the differences between reports prepared in compliance with the Australian Accounting Standards and UPF reports see *Harmonisation of Government Financial Statistics and Generally Accepted Accounting Principles: Issues Paper, Department of Treasury and Finance, Tasmania and Department of Finance and Administration, March 2003*, available on the Australian Accounting Standards Board website www.aasb.com.au/whatsnew).

Details of public sector estimates and outcomes are presented within the accrual UPF in three primary statements: the operating statement, balance sheet and cash flow statement. These statements form the core of the accrual UPF.

A Budget based on the total Public Account does not alleviate the need for an appropriation from the Consolidated Fund. A Consolidated Fund appropriation is currently required by legislation. However, the focus on the Consolidated Fund is reduced when the focus is on a total resources based Budget. Most

Australian jurisdictions removed the presentation of the Consolidated Fund from the Budget Papers when adopting an accrual budgeting framework.

Operating Statement

The operating statement presents information on revenue and expenses. This statement is designed to capture the composition of expenses and revenues 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 Result and the Fiscal Surplus. The Fiscal Surplus is the Government's headline Budget measure.

Net Operating Result

The GFS Net Operating Result is the excess of revenue over expenses. The Net Operating Result excludes capital expenditure, but includes non-cash costs such as accruing superannuation entitlements and depreciation. By including all accruing costs, including depreciation, the Net Operating Result encompasses the full costs of providing government services. This makes it a good measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

The Net Operating Surplus indicates 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, sourced from cash reserves, to meet one off projects or programs, and/or revenues are not sufficient to meet all expenses for the current year.

Fiscal Surplus

The Fiscal Surplus represents the difference between General Government revenue over expenses. It includes capital expenditure, but excludes depreciation.

The Fiscal Surplus measures a government's investment-saving balance and is a useful indicator of funds available for application to either assets or liabilities. A Fiscal Surplus indicates that the government is saving more than enough to finance all of its investment spending.

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

Balance Sheet

The balance sheet records a government's stocks of 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 of a government, taken at the end of each financial year. By providing information on the type of assets and liabilities held by a government, the statement gives an indication of the government's financial strength.

The balance sheet includes data on the make up of a government's financial assets, on its holdings of fixed 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 Worth, Net Financial Worth, Net Financial Liabilities and Net Debt.

Net Worth

Net Worth provides a more comprehensive picture of a government's overall financial position than the net debt measure. It is calculated as total assets (both financial and non-financial) minus total liabilities, minus shares and other contributed capital. Net Worth incorporates a government's non-financial assets such as land and other infrastructure assets, 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.

Net Financial Worth

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

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 fiscal position. This measure is not included in the UPF. However it is commonly used by international credit ratings agencies as it targets the significant financial assets and liabilities held by most governments.

Net Debt

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

Cash Flow Statement

The cash flow statement records a government's cash receipts and payments. The cash flow statement reveals how a government obtains and expends cash.

This statement requires cash flows to be categorised into operating, investing and financing activities. Operating activities are those which relate to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are those which relate to the acquisition and disposal of financial and non-financial assets. Financing activities are those which relate to changing the size and composition of a government's financial structure.

The signing convention within the cash flow statement 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 is the sum of net cash flows from all operating, investing and financing activities. The cash surplus comprises only net cash received from operating activities, and from sales and purchases of non-financial assets, minus distributions paid (in the case of public financial corporations and public non-financial corporations), minus finance leases and similar arrangements.

Cash Surplus

The Cash Surplus measure is comparable with the previous cash-GFS surplus measure, allowing for comparisons between the two frameworks.

It should be noted that the ABS concept of a surplus/(deficit) does not include major asset sales 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).

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.

Consolidation of Transactions

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

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

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

Consolidated Fund

The Consolidated Fund contributes to the operations of all on-Budget agencies, is the source of funding for Reserved by Law payments, and may make some contribution to the operations of off-Budget entities. The Fund receives all State taxation revenue, the majority of Commonwealth payments to Tasmania, territorial revenue and certain other classes of revenue.

There are two types of expenditure from the Consolidated Fund:

- Recurrent Services expenditure that meets the cost of the ordinary annual services provided by the government; and
- Works and Services expenditure which provides for the construction, purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals.

CLASSIFICATION OF AUTHORITIES

General Government

Abt Railway Ministerial Corporation
Economic Development
Education
Health and Human Services
House of Assembly
Infrastructure, Energy and Resources
Inland Fisheries Service
Justice and Industrial Relations
Legislative Council
Legislature-General
Marine and Safety Tasmania
Office of the Governor
Police and Public Safety
Premier and Cabinet
Primary Industries, Water and Environment
Royal Tasmanian Botanical Gardens
State Fire Commission
TAFE Tasmania
Tasmanian Audit Office
The Nominal Insurer
Tourism, Parks, Heritage and the Arts
Treasury and Finance

Public Non-Financial Corporations

Aurora Energy Pty Ltd
Burnie Port Corporation Pty Ltd
Flinders Island Port Company Pty Ltd
Forestry Tasmania
Hobart Ports Corporation Pty Ltd
Hydro Tasmania
King Island Ports Corporation
Metro Tasmania Pty Ltd
Port Arthur Historic Site Management Authority
Port of Devonport Corporation Pty Ltd
Port of Launceston Pty Ltd
Printing Authority of Tasmania
Private Forests Tasmania
Rivers and Water Supply Commission
Southern Regional Cemetery Trust

Public Non-Financial Corporations (continued)

Tasmanian International Velodrome Management Authority

The Public Trustee

TOTE Tasmania Pty Ltd

Transend Networks Pty Ltd

TT-Line Company Pty Ltd