

Preliminary Outcomes Report 2008-09



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1 INTRODUCTION

The Preliminary Outcomes 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 previous financial year by the following 15 August.

This Report is based on unaudited financial data from agencies and other General Government Sector authorities. In accordance with section 28 of the Act, agencies and General Government Sector authorities have 45 days from 30 June to forward their financial statements to the Auditor-General. Financial information for this Report is required by Treasury by 15 July to enable compilation of the Report by 15 August. Consequently, estimation methods are applied, where appropriate, in accordance with the principles of AASB 134 *Interim Financial Reporting* to ensure that the financial information can be provided within the short timeframe. The final audited Budget Outcome will be released in the Treasurer's Annual Financial Report, to be published by 31 October 2009.

The Preliminary Outcomes Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures contained within the preliminary Budget Outcome;
- Section 3 presents the Income Statement, Balance Sheet and Cash Flow Statement for the General Government Sector. The Statements disclose the 2008-09 preliminary outcomes and original Budget estimates in accordance with AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*. Commentary is provided on material changes between original Budget estimates and preliminary outcomes.
- Section 4 summarises details of the receipts to and expenditure from the Consolidated Fund; and
- Section 5 provides an overview of the key concepts and definitions used within this Report.

2 KEY FISCAL STRATEGY MEASURES

Table 2.1 presents progress against a number of key Fiscal Strategy measures that were in place for the 2008-09 Budget, comparing the preliminary outcome to the original Budget estimates for 2008-09 and the actual 2007-08 outcome. The Global Financial Crisis has had a significant adverse impact on the preliminary outcomes for 2008-09. This is primarily reflected by the decline in GST and Taxation revenues.

As a result of the GFC, the Government has introduced an Interim Fiscal Strategy for the period 2009-10 to 2014-15. For details of the Government's Interim Fiscal Strategy, refer to 2009-10 Budget Paper No 1 *The Budget*, Chapter 3.

Table 2.1: Key Fiscal Strategy Measures

Tactical Target	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
A Net Operating Surplus to be achieved on average over a four-year rolling period for the General Government Sector			
Net Operating Surplus/(Deficit)	106	(102)	53
Four-year rolling average	88	8	62
General Government Capital Expenditure to at least equal depreciation, on average, over a four-year rolling period			
Capital expenditure in excess of depreciation	127	77	19
Four-year rolling average	72	52	51
A Fiscal Surplus to be maintained on average over a four-year rolling period in the General Government Sector			
Fiscal Surplus/(Deficit)	30	(132)	102
Four-year rolling average	71	12	66
General Government Sector to remain Net Debt free			
Net Debt	(1 123)	(986)	(1 031)

Net Operating Balance

The preliminary 2008-09 Net Operating Balance is estimated to be a deficit of \$102 million, a decrease of \$208 million from the original Budget surplus of \$106 million. The decrease in the preliminary Net Operating Balance is due to an increase in Expenses from transactions of \$311 million, partially offset by an increase in Revenues from transactions of \$103 million. Details of the significant variations are provided in Section 3.

Capital Expenditure

Investment in infrastructure is necessary to ensure the effective delivery of Government services to the community and to foster economic and industry development. Maintaining capital expenditure to be at least equal to depreciation levels ensures that the real value of General Government infrastructure assets is maintained. The preliminary 2008-09 capital expenditure, in excess of depreciation, is estimated to be \$77 million, a decrease of \$50 million below the original Budget estimate of \$127 million. The variance is primarily due to delays in expenditure for some capital projects and the inclusion of maintenance expenditure of \$38 million in the original Budget estimates which are disclosed as an Expense from transactions in the preliminary outcome.

Fiscal Balance

The preliminary 2008-09 Fiscal Balance is estimated to be a \$132 million deficit, a decrease of \$162 million from the original Budget estimate of a \$30 million surplus. The preliminary Fiscal Balance result is primarily due to the unfavourable movement in the Net Operating Balance and decreased capital expenditure, as described above. The preliminary outcome is estimated to be \$234 million less than the 2007-08 Fiscal Surplus of \$102 million. Details of the significant variations are provided in Section 3.

Net Debt

Net Debt is estimated to be negative \$986 million as at 30 June 2009, which is a decline of \$137 million from the original Budget estimate of negative \$1 123 million. The preliminary outcome represents a decline of \$45 million from the balance of Net Debt as at 30 June 2008 of negative \$1 031 million.

3 GENERAL GOVERNMENT PRELIMINARY OUTCOME

Income Statement

The preliminary 2008-09 Fiscal Balance outcome of a \$132 million deficit is a decrease of \$162 million on the original 2008-09 Budget estimate of a \$30 million surplus. The General Government Income Statement for 2008-09 is detailed in Table 3.1. The significant variations to revenue from transactions, expenses from transactions, net acquisition of non-financial assets and other economic flows are outlined below.

Revenue from transactions

The 2008-09 preliminary outcome for Total Revenue is \$4 234 million, \$103 million or 2.5 per cent greater than the original 2008-09 Budget estimate of \$4 131 million. The main Revenue variations are as follows.

- Grants and subsidies revenue of \$2 692 million is \$167 million above the original Budget estimate of \$2 525 million. Significant reforms to Commonwealth-State relations were implemented on 1 January 2009, as a result of the Council of Australian Governments Intergovernmental Agreement on Federal Financial Relations. This has resulted in the reclassification of many Australian Government grants between the categories of Specific Purpose Payments, National Partnership Payments and Other Grants and Subsidies. Table 3.2 details the components of Grants and subsidies revenue.
 - General Purpose Payments of \$1 627 million are \$125 million below the original Budget estimate of \$1 752 million. This decrease reflects a reduction in Goods and Services Tax collections as a result of a slowing Australian economy, as well as a reduction in Tasmania's share of the GST pool as a result of a decrease in Tasmania's Grants Commission relativity factor.
 - Australian Government National Partnership Payments of \$130 million were implemented from 1 January 2009 as a result of the IGA. Grant revenue of \$52 million has been received for Healthcare, \$56 million for Schools, \$11 million for Housing and \$11 million for Other Services.
 - Specific Purpose Payments of \$522 million are \$32 million above the original Budget estimate of \$490 million. The increase in Specific Purpose Payments primarily reflects additional stimulus package funding from the Australian Government of \$16 million for Schools and \$17 million for Local Government Grants.
 - Other Grants and Subsidies revenue of \$324 million is \$129 million above the original Budget estimate of \$195 million. The increase is primarily due to unanticipated Australian Government funding of \$60 million for the State to provide services on its behalf at the Mersey Community Hospital; and \$19 million received for the Tasmanian Community Forest Agreement, which had originally been anticipated to be received in 2007-08.

- Taxation revenue of \$807 million is \$86 million below the original Budget estimate of \$893 million. This is mainly due to decreases in Financial transaction taxes (primarily conveyance duty) of \$76 million and Motor vehicle fees and taxes of \$9 million. Table 3.3 details the components of Taxation revenue.
- Sales of goods and services of \$330 million is \$16 million above the original Budget estimate of \$314 million. This increase is primarily due to \$13 million received by the Department of Health and Human Services in rental revenue and patient and ambulance fees. An additional \$3 million was received by the Department of Justice for the issue of licences by Workplace Standards. The Nominal Insurer received \$6 million for Sales of goods and services which was not included in the original Budget estimate. These increases are partially offset by a \$7 million decrease in rental revenue received by the Department of Primary Industries and Water.
- Interest income of \$68 million is \$27 million below the original Budget estimate of \$95 million. The decrease in Interest income reflects lower levels of cash held in the Public Account and lower than forecast interest rates.
- Other revenue of \$117 million is \$26 million above the original Budget estimate of \$91 million. The increase is primarily due to the following:
 - additional revenue of \$14 million for the Department of Health and Human Services which reflects an increase in cost recoveries for acute health services, housing and community services;
 - additional revenue of \$9 million for the Department of Primary Industries and Water, which includes \$3 million for collecting and disbursing Council Certificates on behalf of Councils .
 - additional revenue recognised by the Departments of Justice (\$8 million), Economic Development and Tourism (\$5 million), and Environment, Parks, Heritage and the Arts (\$4 million); and
 - these increases are partially offset by a \$16 million decrease in mineral royalties received by the Department of Infrastructure, Energy and Resources.

Expenses from transactions

The 2008-09 preliminary outcome for Expenses from transactions is \$4 337 million, \$311 million or 7.7 per cent greater than the original 2008-09 Budget estimate of \$4 026 million. The main Expense variations are as follows.

- Employee expenses of \$1 842 million is \$81 million above the original Budget estimate of \$1 761 million. This is primarily due to employee expenses for the Department of Health and Human Services which is \$43 million above the original Budget estimate due to recognition of employee expenses for the Mersey Community Hospital (offset by the Australian Government funding). Employee expenses were also above the original Budget estimate for the Department of Justice (\$7 million), the Department of Primary Industries and Water (\$7 million) and the Department of Infrastructure, Energy and Resources (\$9 million).
- Superannuation expenses of \$256 million is \$85 million above the original Budget estimate of \$171 million. These expenses reflect the total employer service cost, based on the actuarial assessment.
- Nominal superannuation interest expense of \$193 million is \$25 million more than the original Budget estimate of \$168 million. The increase reflects the latest actuarial assessment of the Government's unfunded superannuation liability and expenses.
- Grant expenses of \$805 million is \$80 million above the original Budget estimate of \$725 million. This increase is primarily due to the following:
 - grants for the Department of Premier and Cabinet are \$41 million above the original Budget estimate. This is due to the reclassification of \$22 million expenditure under the Tasmanian Community Forestry Agreement to Grant expenses where the original Budget estimate was classified to Supplies and consumables. Expenses for this item are also \$19 million above the original Budget estimate as a result of the additional receipt and payment of the final TCFA contribution from the Australian Government, which was originally anticipated to be received in 2007-08;
 - additional expenditure of \$10 million for the Department of Education for grant transfers to non-government schools;
 - grants transferred by the State to Local Government are \$17 million higher than budgeted;
 - grant payments issued under the First Home Owners Grant Scheme are \$7 million higher than budgeted; and
 - these additional grant transfer payments are partially offset by a \$19 million decrease in Grant expenses by the Department of Health and Human Services. This is due to a \$13 million reclassification of expenses to medical supplies, travel and property and a decrease of \$5 million in the Aurora Pensioners Concession.
- Other Expenses of \$52 million is \$36 million above the original Budget estimate of \$16 million. This increase is mainly due to additional costs of:
 - \$13 million incurred by the Tasmanian Risk Management Fund;
 - \$8 million incurred by the State Fire Commission for support given to local fire brigades to combat wild fires, communication infrastructure and small equipment; and
 - \$3 million incurred by the Department of Primary Industries and Water for the Land Titles Office.

Other economic flows – Included in Operating Result

The 2008-09 preliminary outcome for Other economic flows – Included in the Operating Result is a \$75 million inflow, \$46 million less than the original Budget estimate of \$121 million. The main variations are as follows.

- Gain/(loss) on sale of non-financial assets is anticipated to result in a loss of \$5 million, \$13 million less than the original Budget estimate of a \$8 million gain. The result is primarily due to a loss on sale of non-financial assets of \$10 million for the Department of Primary Industries and Water.
- Revaluation of equity investment in PNFCs and PFCs is anticipated to result in a gain of \$236 million, \$89 million above the original Budget estimate of a \$147 million gain. The movement is due to the change in the net asset value of government businesses and, in particular, growth in net assets held by the electricity entities.
- Movements in superannuation liability is anticipated to result in a loss of \$138 million, \$113 million below the original Budget estimate of a \$25 million loss. The movement is due to the revision of the Superannuation liability and expense estimates on the basis of the revised actuarial projections.
- Other gains/(losses) is anticipated to result in a loss of \$19 million, \$10 million less than the original Budget estimate of a \$9 million loss. The preliminary result is due to the impairment of infrastructure assets by Finance-General of \$30 million partially offset by assets acquired below fair value by the Department of Environment, Parks, Heritage and the Arts of \$16 million.

Other economic flows – Other movements in equity

The 2008-09 preliminary outcome for Other economic flows – Other movements in equity is a \$112 million inflow, \$149 million less than the original Budget estimate of \$261 million. The main variations are as follows.

- Revaluations of non-financial assets for 2008-09 is anticipated to be a gain of \$87 million, a decrease of \$159 million from the original Budget estimate of a \$246 million gain. This outcome primarily reflects an opening balance adjustment of \$123 million to Infrastructure assets held by the Department of Infrastructure, Energy and Resources.
- Other non-owner movements in equity for 2008-09 is anticipated to be a gain of \$25 million, an increase of \$10 million from the original Budget estimate of a \$15 million gain. This is primarily due to opening balance adjustments that have been recognised directly within Equity.

Net Acquisition of Non-Financial Assets

The 2008-09 preliminary outcome for the Net acquisition of non-financial assets is \$30 million, \$46 million lower than the original 2008-09 Budget estimate of \$76 million. The decrease is primarily due to lower than budgeted expenditure for Purchases of non-financial assets of \$58 million. The main variations to the Purchase of non-financial assets are:

- the Department of Infrastructure, Energy and Resources estimated Purchases of non-financial assets is \$41 million below the original Budget estimate. The original Budget estimate for capital purchases included maintenance expenditure of \$38 million which has been classified to Supplies and consumables for the preliminary outcome; and
- the Department of Health and Human Services estimated Purchases of non-financial assets is \$17 million below the original Budget estimate. The decrease reflects delays in progressing capital projects, with \$8 million declared in savings on projects and a further \$4 million carried forward to 2009-10.

Table 3.1: General Government Income Statement

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	2 525	2 692	2 466
Taxation	893	807	830
Sales of goods and services	314	330	295
Fines and regulatory fees	60	69	83
Interest income	95	68	74
Dividend, tax and rate equivalent income	154	152	132
Other revenue	91	117	107
	4 131	4 234	3 986
Expenses from transactions			
Employee expenses	1 761	1 842	1 654
Superannuation	171	256	215
Depreciation	223	215	233
Supplies and consumables	945	955	911
Nominal superannuation interest expense	168	193	163
Borrowing costs	17	17	20
Grant expenses	725	805	668
Other expenses	16	52	69
	4 026	4 337	3 932
Equals NET OPERATING BALANCE	106	(102)	53
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	8	(5)	(19)
Revaluation of equity investment in PNFCs and PFCs	147	236	150
Special dividend and other flows from PNFC Sector	....	....	293
Movements in superannuation liability	(25)	(138)	107
Other gains/(losses)	(9)	(19)	13
	121	75	544
Equals Operating Result	227	(27)	597

Table 3.1: General Government Income Statement (continued)

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	246	87	1 020
Other non-owner movements in equity	15	25	38
	261	112	1 058
Equals Comprehensive Result	488	85	1 655
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	106	(102)	53
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	350	292	252
Less Sale of non-financial assets	52	46	68
Less Depreciation	223	215	233
	76	30	(48)
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	30	(132)	102

Table 3.2: General Government Grants and Subsidies

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
General purpose payments	1 752	1 627	1 665
Australian Government specific purpose payments	490	522	490
Australian Government National Partnership payments	....	130	....
Australian Government capital grants	89	89	64
Other grants and subsidies	195	324	247
TOTAL GRANTS AND SUBSIDIES	2 525	2 692	2 466

Table 3.3: General Government Taxation

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Payroll tax	266	263	250
Taxes on property			
Land tax	84	80	72
Fire service levies	43	49	47
Guarantee fees	12	9	8
Financial transaction taxes	225	149	200
	363	288	327
Taxes on the provision of goods and services			
Casino tax and licence fees	60	63	59
Other gambling taxes	32	32	31
Taxes on insurance	44	43	41
	136	137	131
Taxes on the use of goods and performance of activities			
Motor vehicle fees and taxes	128	119	123
	128	119	123
TOTAL TAXATION	893	807	830

Balance Sheet

Table 3.4 details the preliminary General Government Balance Sheet as at 30 June 2009.

Budget estimates for the 2009 Balance Sheet were compiled in June 2008 prior to completion of the actual outcomes for 30 June 2008. As a result, the preliminary outcome variance from the original Budget estimate will be impacted by the difference between the estimated and actual opening balances for 2009. The following commentary is therefore based on movements between the 30 June 2008 actual outcome and the 30 June 2009 preliminary outcome.

Assets

General Government Total Assets are estimated to be \$16 547 million at 30 June 2009, an increase of \$433 million from the 30 June 2008 balance of \$16 114 million.

Financial assets are anticipated to increase by \$305 million due to the following.

- An increase in Equity investments in PNFC and PFC sectors of \$340 million, primarily due to an increase in assets held by the electricity entities.
- An increase of \$34 million in trade Receivables, primarily relating to the Department of Health and Human Services and the Department of Justice.
- A partially offsetting decrease in Cash and deposits of \$73 million, which reflects the reduction in the balance of Special Deposits and Trust Funds primarily due to equity injections for the electricity entities.

Non-financial assets are anticipated to increase by \$128 million primarily as a result of the following.

- An increase of \$85 million in Land and buildings due to:
 - revaluations by the Departments of Justice and Police and Emergency Management; and
 - capital investment which has primarily been undertaken by the Department of Health and Human Services and the Department of Education.
- A \$27 million increase in Heritage and cultural assets due to a revaluation of the assets held by the Tasmanian Museum and Art Gallery.

Liabilities

General Government Total Liabilities are estimated to be \$5 080 million at 30 June 2009, \$347 million greater than the 30 June 2008 balance of \$4 733 million. The increase in liabilities is predominantly due to:

- A \$316 million increase in the liability for unfunded Superannuation as a result of an actuarial reassessment of the liability, taking into consideration the decrease in the discount rate based on the Australian Government bond rate and investment losses due to the impact of the Global Financial Crisis on plan assets.
- An offsetting decrease of \$22 million in Borrowings, reflecting the repayment of maturing debt relating to the Commonwealth-State Housing Agreement, and other borrowings held by the Department of Justice and the Nominal Insurer.
- An increase in Employee entitlements of \$56 million, primarily relating to increased long service leave provisions held by the Departments of Health and Human Services and Education.

Table 3.4: General Government Balance Sheet as at 30 June

	2009 Original Budget	2009 Preliminary Outcome	2008 Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 386	1 233	1 306
Investments	45	47	39
Equity investment in PNFC and PFC sectors	3 823	4 057	3 717
Other equity investments	4	7	6
Receivables	134	179	145
Other financial assets	1 017	991	996
	6 409	6 514	6 209
Non-financial assets			
Land and buildings	4 432	4 721	4 636
Infrastructure	4 149	4 549	4 538
Plant and equipment	280	240	241
Heritage and cultural assets	409	444	417
Investment property	10	11	11
Intangible assets	22	26	25
Assets held for sale	1	8	5
Other non-financial assets	42	33	32
	9 346	10 033	9 905
Total Assets	15 755	16 547	16 114
Liabilities			
Borrowings	308	293	315
Superannuation	3 886	4 026	3 710
Employee entitlements	440	445	389
Payables	124	81	83
Other liabilities	230	235	233
Total Liabilities	4 987	5 080	4 733
NET ASSETS	10 767	11 467	11 381
Equity			
Accumulated funds	6 667	6 919	6 953
Asset revaluation reserve	3 427	4 268	4 272
Other equity	674	279	156
Total Equity	10 767	11 467	11 381

Table 3.4: General Government Balance Sheet as at 30 June
(continued)

	2009 Original Budget	2009 Preliminary Outcome	2008 Actual
	\$m	\$m	\$m
KEY FISCAL AGGREGATES			
NET WORTH ¹	10 767	11 467	11 381
NET FINANCIAL WORTH ²	1 421	1 434	1 476
NET FINANCIAL LIABILITIES ³	2 401	2 623	2 241
NET DEBT ⁴	(1 123)	(986)	(1 031)

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 Total Liabilities less Financial assets, excluding Equity investment in the Public Non-Financial Corporations and Public Financial Corporations sectors.
4. Net Debt represents the sum of Borrowings less the sum of Cash and deposits and Investments.

Cash Flow Statement

Table 3.5 details the preliminary General Government Cash Flow Statement for 2008-09.

The Cash Surplus/Deficit measure represents the Net cash flows from operating activities plus the Net cash flows from investments in non-financial assets. The 2008-09 preliminary Cash Surplus of \$75 million is \$85 million less than the original Budget estimate of \$160 million.

Net cash inflows from operating activities are estimated to be \$321 million for 2008-09, \$137 million less than the original Budget estimate of \$458 million. These movements reflect variations that have occurred in the Income Statement.

Net cash outflows from investing activities are estimated to be \$371 million, \$79 million more than the original Budget of \$292 million. The main variations are additional Equity injections of:

- \$103 million to Aurora Energy Pty Ltd to fund the purchase of the Tamar Valley Power Station and as a contribution to the Optic Fibre Network; and
- \$14 million to the Rivers and Water Supply Commission to fund water infrastructure projects.

Table 3.5: General Government Cash Flow Statement

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Cash flows from operating activities			
Cash inflows			
Grants received	2 525	2 676	2 466
Taxation	893	794	851
Sales of goods and services	313	299	286
Fines and regulatory fees	59	57	61
Interest received	95	68	72
Dividend, tax and rate equivalents	154	153	166
Other receipts	225	268	263
	4 263	4 314	4 166
Cash outflows			
Employee entitlements	(1 734)	(1 804)	(1 643)
Superannuation	(237)	(270)	(222)
Supplies and consumables	(947)	(879)	(886)
Borrowing costs	(17)	(17)	(19)
Grants and subsidies paid	(725)	(817)	(681)
Other payments	(145)	(207)	(207)
	(3 804)	(3 993)	(3 657)
Net cash flows from operating activities	458	321	508
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(350)	(292)	(252)
Sales of non-financial assets	52	46	68
	(298)	(245)	(184)
Net cash flows from financial assets (policy purposes)			
Equity injections	3	(117)	....
Special dividend and other flows from PNFC Sector	....	....	303
Net advances paid	3	(13)	6
	6	(131)	309
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	....	5	1
	....	5	1
Net Cash flows from investing activities	(292)	(371)	127

Table 3.5: General Government Cash Flow Statement (continued)

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Cash flows from financing activities			
Net borrowing	(23)	(22)	(60)
Other financing	....	(1)	(7)
	(23)	(23)	(67)
Net increase/(decrease) in cash held	143	(73)	567
Cash at the beginning of the year	1 243	1 306	740
Cash at the end of the year	1 386	1 233	1 306
KEY FISCAL AGGREGATES			
Net cash from operating activities	458	321	508
Plus Net cash from investments in non-financial assets	(298)	(245)	(184)
Equals CASH SURPLUS/(DEFICIT)	160	75	324

4 CONSOLIDATED FUND PRELIMINARY OUTCOME

The 2008-09 preliminary Consolidated Fund outcome is a \$11 million deficit, \$25 million less than the original 2008-09 Budget estimate surplus of \$14 million.

Table 4.1: Consolidated Fund Preliminary Outcome, 2008-09

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Receipts			
Australian Government sources			
General purpose payments	1 752	1 627	1 665
Specific purpose payments	490	522	490
National Partnership payments	....	130	....
Total Australian Government sources	2 241	2 279	2 155
State sources			
Taxation	915	822	870
Receipts from government businesses	166	162	174
Departmental fees and recoveries	78	93	86
Recoveries of State debt charges	....	....	1
Sale and rent of government property	18	18	37
Resource rents and royalties	46	32	45
Other recurrent receipts	133	225	98
Total State sources	1 356	1 352	1 311
Capital Receipts			
Australian Government sources	89	89	64
State sources	....	....	354
	89	89	418
Total Receipts	3 687	3 720	3 884

Table 4.1: Consolidated Fund Preliminary Outcome, 2008-09
(continued)

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
less Expenditure			
Recurrent services			
Appropriation Act	3 183	3 342	3 076
Reserved by Law	152	133	133
Total Recurrent services	3 335	3 475	3 209
Works and services			
Capital Investment Program	250	237	267
Economic and Social Infrastructure Fund	13	13	20
Hospitals Capital Fund	75	5	75
Infrastructure Tasmania Fund	....	....	313
	338	256	674
Total Expenditure	3 673	3 731	3 884
CONSOLIDATED FUND SURPLUS/(DEFICIT)	14	(11)	1

Table 4.2: Consolidated Fund Expenditure, 2008-09

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Economic Development and Tourism			
Recurrent services	80	78	63
	80	78	63
Education			
Recurrent services	835	854	800
Works and services	34	39	25
	868	893	826
Environment, Parks, Heritage and the Arts			
Recurrent services	68	69	81
Works and services	6	5	3
	74	74	84
Finance-General			
Recurrent services	313	457	385
Reserved by Law	132	116	111
Works and services	88	18	468
	532	590	964
Health and Human Services			
Recurrent services	1 248	1 231	1 174
Works and services	22	23	18
	1 270	1 254	1 192
House of Assembly			
Recurrent services	2	2	2
Reserved by Law	4	5	4
	7	7	7
Infrastructure, Energy and Resources			
Recurrent services	120	125	116
Reserved by Law	....	....	1
Works and services	170	152	123
	290	277	238

Table 4.2: Consolidated Fund Expenditure, 2008-09 (continued)

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Justice			
Recurrent services	109	111	104
Reserved by Law	11	8	9
Works and services	12	12	9
	133	132	122
Legislative Council			
Recurrent services	3	3	3
Reserved by Law	3	3	3
	6	6	5
Legislature-General			
Recurrent services	5	6	5
Works and services	4	4	....
	9	10	5
Ministerial and Parliamentary Support			
Recurrent services	18	19	18
Reserved by Law	1	1	1
	19	20	19
Office of the Governor			
Recurrent services	3	3	3
	3	3	3
Office of the Ombudsman			
Recurrent services	1	1	1
	1	1	1
Police and Emergency Management			
Recurrent services	182	181	169
Works and services	1	1	1
	184	182	170

Table 4.2: Consolidated Fund Expenditure, 2008-09 (continued)

	2008-09 Original Budget	2008-09 Preliminary Outcome	2007-08 Actual
	\$m	\$m	\$m
Premier and Cabinet			
Recurrent services	62	62	51
Reserved by Law	....	....	5
	62	63	56
Primary Industries and Water			
Recurrent services	92	98	89
Works and services	1	1	1
	93	99	90
Tasmanian Audit Office			
Recurrent services	2	2	....
	2	2	....
Treasury and Finance			
Recurrent services	40	40	38
	40	40	38
TOTAL CONSOLIDATED FUND EXPENDITURE	3 673	3 731	3 884

5 CONCEPTS AND DEFINITIONS

Compliance Framework

The 2008-09 Preliminary Outcomes Report has been prepared in accordance with the Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

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

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

The AASB 1049 framework includes:

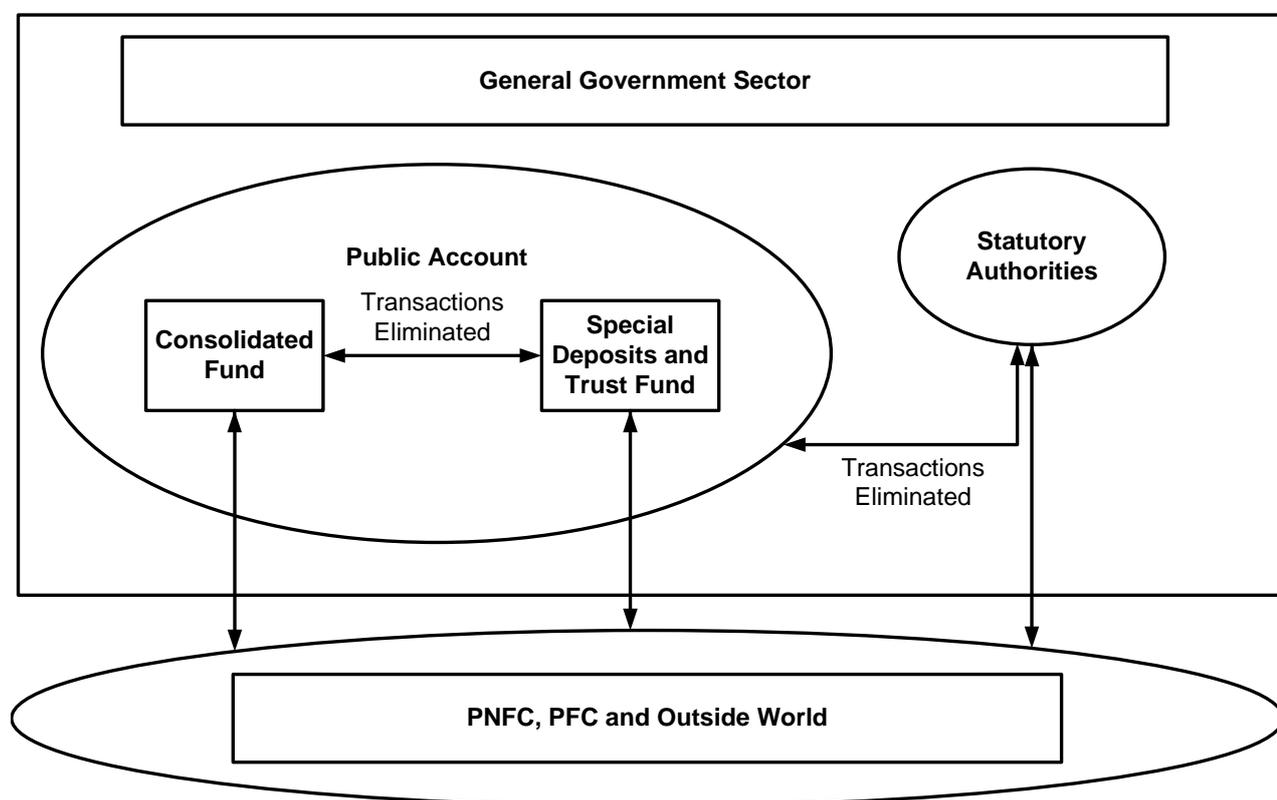
- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

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

An “other economic flow” is a change in the volume or value of an asset, or a liability, that does not result from a transaction. This includes a 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” are reflected as gains or losses in the Income Statement. The combination of transaction flows and other economic flows reflects the total change in the value of net worth.

Diagram 5.1 illustrates the transactions included under AASB 1049 for the GGS. Transactions included are only those with entities outside the GGS, with intra-sector transactions eliminated.

Diagram 5.1: Transactions included in the General Government Sector



Income Statement

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

Net Operating Balance

The Net Operating Balance is a measure of the on-going sustainability of the operations of government. It indicates whether a government is generating enough revenue to cover the cost of its operations. A Net

Operating Surplus indicates that a government has sufficient revenue to fund its operations and contribute to an increase in its asset base.

Operating Result

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

Comprehensive Result

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

Fiscal Balance

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

Balance Sheet

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

Net Debt

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

Net Financial Liabilities

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

Net Financial Worth

Net Financial Worth is calculated as financial assets less liabilities. This measure is broader than Net Debt, as it 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/(Deficit).

Net Increase in Cash Held

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

Cash Surplus/(Deficit)

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

The Cash Surplus/(Deficit) is important for cash management purposes. 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/(Deficit) 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).

Consolidated Fund

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

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

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

Works and Services funding is provided to meet construction costs and the purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals. Works and Services expenditure is provided under the Capital Investment Program, incorporating the Building, Roads and Housing Programs. The CIP links investment by the Government in capital and maintenance projects with the corporate and asset management plans of departments and specific Government policy objectives.

Under the *Public Account Act 1986*, unless specifically excluded, as provided by that Act or any other Act, all revenue of the State is to be credited to the Consolidated Fund. The Consolidated Fund receives funds from a number of sources, including receipts from:

- the Australian Government for general recurrent purposes such as GST Revenue;
- the Australian Government for specific purposes such as healthcare, school education, skills and workforce development, disability services and housing;
- the Australian Government for National Partnership Agreements such as early childhood education, social housing and homelessness;
- State Taxation, the major items being payroll tax, duties, casino related taxes and licence fees;
- payments by Government Business Enterprises and State-owned Companies such as dividends, tax equivalents and guarantee fees;
- Departmental fees and recoveries such as land titles office fees, drivers licence fees and vehicle registration fees; and
- Resource rents and royalties, the major item being mineral royalties.

Consolidated Fund Surplus/(Deficit)

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

Consolidation of Transactions

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

For example the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Income Statement as both agencies are classified within the General Government Sector.

Rounding

All amounts in the financial statements have been rounded to the nearest million, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$500 000 are rounded to zero.

General Government Entities

Economic Development and Tourism

Education

Environment, Parks, Heritage and the Arts

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

State Fire Commission

Tasmanian Academy

Tasmanian Audit Office

Tasmanian Polytechnic

Tasmanian Skills Institute

The Nominal Insurer

Treasury and Finance