

# Preliminary Outcomes Report 2016-17





**Preliminary Outcomes Report 2016-17**

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# 1 INTRODUCTION

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The *Preliminary Outcomes Report 2016-17* provides the General Government's preliminary financial results for 2016-17. The preliminary financial data for the General Government Sector is presented against the forecasts contained in the 2016-17 Budget and the 2016-17 Estimated Outcome (published in the 2017-18 Budget). The requirements for a Preliminary Outcomes Report are set out in section 26D of the *Financial Management and Audit Act 1990*.

The financial statements have been prepared in accordance with applicable Australian Accounting Standards including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Presentation of the financial statements is consistent with the 2016-17 Budget and reporting requirements of the Uniform Presentation Framework. Financial information for this Report is provided by Government entities to Treasury by 15 July for publication by 15 August. Due to the short timeframe for the preparation of the Report, estimation methods are applied using AASB 134 *Interim Financial Reporting*. Therefore, data is unaudited and preliminary in nature and may change before final compilation of the *Treasurer's Annual Financial Report*, published by 31 October 2017.

The Report contains the following information:

- Section 2 presents the preliminary financial statements for the General Government Sector; and
- Section 3 summarises receipts to, and expenditure from, the Consolidated Fund.

This Report should be read in conjunction with the *2016-17 Budget Papers* and the *Guide to the Budget*.

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

All Agency variation comments have been adjusted to remove the impact of inter-entity transactions within the General Government Sector.



# 2 GENERAL GOVERNMENT PRELIMINARY OUTCOME

## Income Statement

Table 2.1 provides a summary of the key General Government Sector Income Statement line items. The full General Government Preliminary Income Statement for 2016-17 is presented in Table 2.3.

Table 2.1: General Government Summary of Operating Result

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
Revenue from transactions	5 573.7	6 499.6	6 499.0	5 434.2
Expenses from transactions	5 496.3	5 687.6	5 657.6	5 372.1
<b>Net Operating Balance – Surplus/(Deficit)</b>	<b>77.3</b>	<b>812.0</b>	<b>841.4</b>	<b>62.1</b>
Less Net acquisition of non-financial assets	237.9	198.9	122.2	58.5
<b>Equals Fiscal Balance – Surplus/(Deficit)</b>	<b>(160.6)</b>	<b>613.1</b>	<b>719.2</b>	<b>3.6</b>

### *Estimated Outcome*

The 2016-17 Estimated Outcome is presented in Appendix 3 of the 2017-18 Budget (published 25 May 2017). The Estimated Outcome is compiled from information provided by agencies in March 2017. The Estimated Outcome does not take into account changes to revenues and expenses that occur in the final quarter of the financial year. In particular, Australian Government Grant revenues can be amended and additional funding provided close to 30 June. These changes are reflected in the Preliminary Outcome.

### *Preliminary Outcome*

The preliminary Net Operating Surplus of \$841.4 million represents an improvement of \$764.1 million from the 2016-17 Budget Estimate of a \$77.3 million surplus, and an improvement of \$29.4 million from the Estimated Outcome Surplus of \$812 million. As reported in the Estimated Outcome, including March Quarterly Report, the major cause of the improvement in the Net Operating Balance was the expected receipt of a significant one-off Australian Government payment of \$730.4 million for the transfer of the Mersey Community Hospital to the State. The Mersey Community Hospital funds were received by the State on 29 June 2017.

The main variations from the Estimated Outcome are set out below.

Preliminary Revenue from Transactions is \$6 499 million, which is \$600 000 below the Estimated Outcome of \$6 499.6 million. This movement is mainly due to:

- an increase in Taxation revenue of \$5.2 million, which is primarily due to additional Conveyance duty revenue of \$6.9 million;
- an increase in Sales of goods and services of \$4.6 million, which is primarily due to additional revenue for the Department of State Growth reflecting revenue for the West Coast Wilderness Railway (\$4.2 million);
- an increase in Fines and regulatory fees of \$3.6 million, which is primarily due to additional fees collected by the Department of Primary Industries, Parks, Water and Environment (\$1.5 million), Department of Justice (\$1.1 million) and the Department of Police, Fire and Emergency Management (\$1 million);
- a decrease in Dividend, tax and rate equivalent revenue of \$11.4 million, which primarily reflects a decrease in income tax equivalent revenue of \$11.4 million, due to a decline in the preliminary 2016-17 profits forecast by the Public Non-Financial Corporations and Public Financial Corporations Sectors compared to the profit forecasts used for the Estimated Outcome.

Preliminary Expenses from Transactions is \$5 657.6 million, which is \$30 million below the Estimated Outcome of \$5 687.6 million. The main factors which have contributed to this variation include:

- Grant expenses is \$27.3 million below the Estimated Outcome. This variation primarily relates to:
  - a decrease in Grant expenses for the Department of Health and Human Services of \$18.4 million, which primarily reflects timing delays in the expenditure of grants for disability services (\$14.2 million), children's services (\$3.2 million) and housing services (\$2 million); and
  - a decrease in Grant expenses for the Department of Police, Fire and Emergency Management of \$7.8 million, which is due to expenditure for the Fuel Reduction Unit being reclassified to Other expenses.

The preliminary Fiscal Surplus of \$719.2 million represents an improvement of \$106.1 million from the Estimated Outcome Surplus of \$613.1 million. The variation from the Estimated Outcome is primarily due to:

- the movement in the Net Operating Balance, as outlined above; and
- the decrease in Purchases of non-financial assets, which is \$75.5 million below the Estimated Outcome. This decrease primarily reflects revised cash flows for:
  - the Department of Health and Human Services of \$24.7 million, which primarily relates to revised cash flows for the Royal Hobart Hospital redevelopment and Housing projects;
  - the Department of State Growth of \$21.4 million, which primarily relates to revised cash flows to the Roads program;
  - the Tasmanian Health Service of \$11.1 million, which primarily relates to revised cash flows for Plant and equipment purchases;
  - Finance-General of \$8.6 million, which primarily relates to revised cash flows for the Parliament Square Project; and
  - the Department of Police, Fire and Emergency Management of \$8.2 million, which primarily relates to revised timing of the Emergency Services Computer Aided Dispatch Project (\$5.2 million) and the Police Vessel replacement (\$2 million).



## Underlying Net Operating Balance

The Underlying Net Operating Balance is a measure which removes the distorting impact of one-off Australian Government funding for specific capital projects, including Roads and Rail Funding, Water for the Future and the transfer of the Mersey Community Hospital from the Australian Government to the State.

The preliminary 2016-17 Underlying Net Operating Balance is estimated to be a deficit of \$29.7 million, an improvement of \$65.5 million from the Estimated Outcome Deficit of \$95.2 million.

**Table 2.2: Underlying Net Operating Balance**

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Net Operating Balance</b>	<b>77.3</b>	<b>812.0</b>	<b>841.4</b>	<b>62.1</b>
<i>Less Impact of One-off Australian Government funding</i>				
Roads and Rail Funding	127.9	119.8	109.8	81.1
Royal Hobart Hospital Redevelopment	25.0	25.0	4.5	....
Water for the Future Funding	18.7	22.0	26.4	....
<i>Mersey Community Hospital Transfer</i>				
Australian Government payment	....	730.4	730.4	....
Asset value transfer <sup>1</sup>	....	10.0	....	....
	<b>171.5</b>	<b>907.2</b>	<b>871.1</b>	<b>81.1</b>
<b>Underlying Net Operating Balance</b>	<b>(94.2)</b>	<b>(95.2)</b>	<b>(29.7)</b>	<b>(19.0)</b>

Note:

1. The asset was transferred to the State on 1 July 2017. As a result, the impact on the Net Operating Balance will be in 2017-18 rather than 2016-17 as expected in the Estimated Outcome.

**Table 2.3: General Government Income Statement**

	<b>2016-17 Original Budget</b>	<b>2016-17 Estimated Outcome</b>	<b>2016-17 Preliminary Outcome</b>	<b>2015-16 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue from transactions</b>				
Grants	3 634.6	4 371.9	4 374.1	3 510.5
Taxation	1 055.6	1 094.1	1 099.3	1 067.9
Sales of goods and services	352.9	411.2	415.8	375.0
Fines and regulatory fees	96.5	95.9	99.5	95.8
Interest income	16.5	22.1	18.7	19.8
Dividend, tax and rate equivalent income	263.8	316.0	304.6	222.4
Other revenue	153.8	188.4	187.2	142.8
	<b>5 573.7</b>	<b>6 499.6</b>	<b>6 499.0</b>	<b>5 434.2</b>
<b>Expenses from transactions</b>				
Employee expenses	2 311.0	2 371.5	2 382.5	2 266.3
Superannuation	284.6	339.9	335.0	300.7
Depreciation	264.6	267.1	264.2	252.9
Supplies and consumables	1 105.9	1 187.9	1 183.4	1 128.0
Nominal superannuation interest expense	288.2	236.3	235.1	259.4
Borrowing costs	10.3	10.4	10.6	10.0
Grant expenses	1 206.2	1 243.0	1 215.7	1 125.0
Other expenses	25.4	31.6	31.2	29.8
	<b>5 496.3</b>	<b>5 687.6</b>	<b>5 657.6</b>	<b>5 372.1</b>
<b>Equals NET OPERATING BALANCE</b>	<b>77.3</b>	<b>812.0</b>	<b>841.4</b>	<b>62.1</b>
<b>Plus Other economic flows – Included in Operating Result</b>				
Gain/(loss) on sale of non-financial assets	10.5	11.3	(5.3)	(6.4)
Revaluation of equity investment in PNFC and PFC Sectors	19.5	392.2	143.9	14.0
Revaluation of superannuation liability	....	2 914.6	1 211.4	(1 512.9)
Other gains/(losses)	(21.2)	(24.7)	76.9	30.6
	<b>8.8</b>	<b>3 293.5</b>	<b>1 426.9</b>	<b>(1 474.6)</b>
<b>Equals Operating Result</b>	<b>86.1</b>	<b>4 105.5</b>	<b>2 268.3</b>	<b>(1 412.6)</b>

Table 2.3: General Government Income Statement (continued)

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Plus Other economic flows – Other movements in equity</b>				
Revaluations of non-financial assets	252.3	224.9	541.9	0.5
Other non-owner movements in equity	3.3	8.6	16.8	(6.0)
	<b>255.5</b>	<b>233.5</b>	<b>558.8</b>	<b>(5.5)</b>
<b>Equals Comprehensive Result</b>	<b>341.6</b>	<b>4 339.0</b>	<b>2 827.1</b>	<b>(1 418.1)</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>77.3</b>	<b>812.0</b>	<b>841.4</b>	<b>62.1</b>
<b>Less Net acquisition of non-financial assets</b>				
Purchase of non-financial assets	530.8	495.3	419.8	351.9
Less Sale of non-financial assets	28.3	29.4	33.4	40.6
Less Depreciation	264.6	267.1	264.2	252.9
	<b>237.9</b>	<b>198.9</b>	<b>122.2</b>	<b>58.5</b>
<b>Equals FISCAL BALANCE – SURPLUS/(DEFICIT)</b>	<b>(160.6)</b>	<b>613.1</b>	<b>719.2</b>	<b>3.6</b>

**Table 2.4: General Government Grants**

	2016-17 Original Budget \$m	2016-17 Estimated Outcome \$m	2016-17 Preliminary Outcome \$m	2015-16 Actual \$m
<b>Australian Government Grants</b>				
General purpose payments	2 299.2	2 255.0	2 254.9	2 281.3
Specific purpose payments	867.1	887.5	901.6	849.1
National partnership payments	354.5	1 104.6	1 066.1	222.3
Other grants and subsidies	113.8	124.7	151.4	157.7
	<b>3 634.6</b>	<b>4 371.9</b>	<b>4 374.1</b>	<b>3 510.5</b>

**Table 2.5: General Government Taxation**

	2016-17 Original Budget \$m	2016-17 Estimated Outcome \$m	2016-17 Preliminary Outcome \$m	2015-16 Actual \$m
<b>Payroll tax</b>	331.1	331.1	329.7	325.1
<b>Taxes on property</b>				
Land tax	93.8	102.1	100.2	96.9
Fire service levies				
Fire service contribution	40.2	41.0	41.0	38.9
Insurance fire levy	19.2	17.0	15.0	16.6
Government guarantee fees	21.5	20.5	20.7	20.1
Conveyance duty	191.2	225.5	232.4	216.2
<b>Taxes on the provision of goods and services</b>				
Gambling taxes				
Casino tax and licence fees	56.4	54.4	54.1	55.3
Betting exchange taxes and levies	3.4	0.4	0.4	3.6
Lottery tax	30.6	29.9	31.0	30.3
Totalizator wagering levy	7.3	7.2	7.2	7.1
Insurance taxes	84.7	85.6	87.3	83.2
<b>Taxes on the use of goods and services</b>				
Vehicle registration fees	40.4	40.9	41.1	39.5
Motor vehicle fees and taxes				
Motor vehicle duty	42.9	44.9	44.2	43.4
Motor tax	85.0	85.7	86.9	84.1
Motor vehicle fire levy	7.8	7.8	8.0	7.7
	<b>1 055.6</b>	<b>1 094.1</b>	<b>1 099.3</b>	<b>1 067.9</b>

## Revenue Variations from Original Budget

Revenue from transactions is estimated to be \$6 499 million in 2016-17, which is \$925.3 million higher than the 2016-17 Original Budget estimate of \$5 573.7 million. The main variations are:

Revenue Item	Variance from Budget	Reasons
Grants revenue	\$739.5 million higher	
General purpose payments	\$44.3 million lower	The decrease in General purpose payments funding is a result of estimated GST receipts being revised down. This change reflects an increase in Tasmania's share of the national population, offset by a \$1.5 billion reduction in the estimated GST pool available for distribution to the states and territories and a \$4.2 million residual adjustment for overpaid GST revenue to Tasmania in 2015-16.
Specific purpose payments	\$34.5 million higher	The increase in Specific purpose payments primarily reflects: <ul style="list-style-type: none"> <li>• an increase in Australian Government National Health Reform funding of \$28.6 million. This change is primarily due to a revision of Tasmanian Health Service activity profiles; and</li> <li>• an increase in Australian Government Students First funding of \$5.2 million.</li> </ul>
National partnership payments	\$711.6 million higher	The increase in National partnership payments primarily reflects additional revenue from the Australian Government for the following grants: <ul style="list-style-type: none"> <li>• the one-off Australian Government payment of \$730.4 million for the transfer of the Mersey Community Hospital to the State. These funds were transferred to the Tasmanian Public Finance Corporation as a one-off equity contribution and will be invested by Tascorp, with an annual dividend to be paid, equal to the operating costs of the Mersey Community Hospital, escalating at 3.5 per cent each year until cessation of the Mersey Community Hospital Fund;</li> <li>• an advance payment of 2017-18 Local Government grants of \$36.8 million, which was brought forward and received in June 2017. This advanced payment was on-paid to the Local Government Sector in June 2017 and reflected in Grant expenses;</li> </ul>

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
National partnership payments (continued)		<ul style="list-style-type: none"> <li>• Sustainable Rural Water Use and Infrastructure Program funding of \$7.7 million;</li> <li>• Payments under the National Partnership on Transfer of the Mersey Community Hospital for the Missiondale Recovery Centre, District Nurses and Palliative Care Tasmania of \$6.2 million; and</li> <li>• Public Dental Services for Adults funding of \$2.8 million.</li> </ul> <p>The increase in NPPs is partially offset by the following decreases in Australian Government payments due to timing changes for:</p> <ul style="list-style-type: none"> <li>• Road infrastructure funding of \$36.2 million;</li> <li>• Redevelopment of the Royal Hobart Hospital of \$20.5 million; and</li> <li>• Natural Disaster Relief and Recovery Arrangements funding of \$13 million.</li> </ul>
Other grants and subsidies	\$37.6 million higher	<p>The increase in Other grants and subsidies primarily reflects:</p> <ul style="list-style-type: none"> <li>• an increase in Australian Government funding of \$27.6 million relating to Commonwealth Own Purpose Expenditure funding for the Department of Health and Human Services and the Tasmanian Health Service; and</li> <li>• an increase in funding for the Department of Primary Industries, Parks, Water and Environment of \$6.3 million for services such as the Australian Quarantine Inspection Service.</li> </ul>

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Taxation	\$43.7 million higher	<p>The increase in Taxation primarily reflects:</p> <ul style="list-style-type: none"> <li>• an upwards revision in Conveyance duty receipts of \$41.2 million, driven by large commercial transactions and growth in residential property prices and transaction volumes; and</li> <li>• an upwards revision in Land tax of \$6.4 million, reflecting a net increase in land values across the State and system enhancements leading to improvements in debt management.</li> </ul> <p>These increases were partially offset by a decrease in Betting exchange taxes of \$3 million reflecting the surrender by Betfair of its Tasmanian Gaming Licence; and a decrease in Casino tax and licence fees of \$2.3 million reflecting lower than expected revenue for the year.</p>
Sales of goods and services	\$62.9 million higher	<p>The increase in Sales of goods and services primarily reflects additional revenue for the Tasmanian Health Service of \$61.7 million which is primarily due to the listing of Hepatitis C medications on the Pharmaceutical Benefits Scheme; and increases for the Training More Specialists in Tasmania Program.</p>
Dividend, tax and rate equivalent income	\$40.8 million higher	<p>The increase in Dividend, tax and rate equivalent income primarily reflects an increase in dividends of \$26.2 million and increased income tax equivalent revenue of \$14.8 million.</p> <p>The increase in dividends primarily reflects:</p> <ul style="list-style-type: none"> <li>• a \$13.1 million increase for Tasmanian Networks Pty Ltd due to a higher profit result for 2015-16 as a result of transmission and distribution revenues exceeding forecasts;</li> <li>• a \$6.1 million increase for Aurora Energy Pty Ltd as a result of a better profit outcome primarily due to expenditure control; and</li> <li>• a \$5.9 million increase for the Motor Accidents Insurance Board due to a better profit outcome for 2015-16 due to stronger investment returns and a lower claims expense.</li> </ul>

<b>Revenue Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Dividend, tax and rate equivalent income (continued)		The additional income tax equivalent revenue is primarily due to an increase for the Motor Accidents Insurance Board (\$15.8 million) reflecting higher taxable distributions from fund managers and a lower than expected claims expense.
Other revenue	\$33.4 million higher	<p>The increase in Other revenue primarily reflects:</p> <ul style="list-style-type: none"> <li>• an increase for the Department of State Growth of \$19.1 million reflecting revised mineral royalties;</li> <li>• an increase in the Department of Primary Industries, Parks, Water and Environment of \$6.5 million reflecting additional revenue for parks and wildlife management (\$4.1 million), and water resource management (\$800 000);</li> <li>• an increase in the Department of Health and Human Services of \$3.1 million, which is primarily due to additional revenue for Housing Services (\$2.5 million); and</li> <li>• an increase in the Tasmanian Health Service of \$3 million, which reflects additional revenue from the continuation of the Child Dental Benefit Schedule and from the Training More Specialist Doctors Program.</li> </ul>



## Expense Variations from Original Budget

Expenses from transactions is estimated to be \$5 657.6 million in 2016-17, which is \$161.3 million higher than the 2016-17 Original Budget of \$5 496.3 million. The major expense variations are:

Expense Item	Variance from Budget	Reasons
Employee expenses	\$71.5 million higher	<p>The increase in Employee expenses primarily reflects:</p> <ul style="list-style-type: none"> <li>an increase in the Tasmanian Health Service of \$69.7 million primarily reflecting increased National Health Reform funding as a result of revised activity levels and higher than budgeted employee expenditure; and</li> <li>an increase in the Department of Justice of \$5 million primarily due to additional costs for corrective and building and occupational licensing services (\$4.9 million).</li> </ul>
Superannuation	\$50.4 million higher	<p>The increase in Superannuation primarily reflects the most recent actuarial assessment of the increase in the present value of the defined benefit obligation resulting from employee service in the current period.</p>
Supplies and consumables	\$77.5 million higher	<p>The increase in Supplies and consumables primarily reflects:</p> <ul style="list-style-type: none"> <li>an increase of \$68.6 million for the Tasmanian Health Service primarily reflecting additional expenditure associated with the listing of Hepatitis C medications on the Pharmaceutical Benefits Scheme; and</li> <li>an increase of \$20.7 million for the Department of Health and Human Services primarily due to an unanticipated increase in the number and duration of children in special care package placements (\$16.5 million) and additional expenditure in information and communications technology services on the ICT Infrastructure Stabilisation Project (\$4.2 million).</li> </ul> <p>These increases were offset by a decrease of \$11.7 million for Finance-General, which is primarily due to amortisation of the Treasurer's Reserve (\$10 million).</p>
Nominal superannuation interest expense	\$53.1 million lower	<p>The decrease reflects the most recent actuarial estimate of the Superannuation liability which includes the application of the "spot" discount rate of 2.7 per cent for 30 June 2016 and 3.3 per cent for 30 June 2017 (a long-term rate of 4.75 per cent was used in the 2016-17 Budget) to determine interest costs and interest income with respect to the superannuation liability and plan assets, respectively.</p>

## *Other Economic Flows – Included in Operating Result Variations from Original Budget*

Other economic flows – Included in Operating Result is estimated to be an inflow of \$1 426.9 million in 2016-17, which is \$1 418.1 million higher than the 2016-17 Original Budget estimate of an \$8.8 million inflow. The main changes are:

<b>Item</b>	<b>Variance from Budget</b>	<b>Reasons</b>
Revaluation of equity investment in PNFC and PFC Sector	\$124.4 million higher	The revaluation is based on the movement in net assets in the PNFC and PFC sectors after excluding the impact of equity injections. The movement primarily reflects a higher than budgeted growth in net assets for Government businesses such as the Motor Accidents Insurance Board, Tasmanian Networks Pty Ltd and the Tasmanian Public Finance Corporation.
Revaluation of superannuation liability	\$1 211.4 million higher	The revaluation gain reflects the latest actuarial assessment. The gain is primarily due to changes in the actuarial assumptions, in particular, an increase in the discount rate from 2.7 per cent at 30 June 2016 to 3.3 per cent at 30 June 2017.
Other gains/(losses)	\$98.1 million higher	<p>The increase in Other gains/(losses) is primarily due to:</p> <ul style="list-style-type: none"> <li>• a revaluation gain of \$94.2 million recognised by the Department of Primary Industries, Water, Parks and Environment, which relates to road assets transferred from Forestry Tasmania and recognised for the first time in 2016-17; and</li> <li>• a revision to the Income tax assets held by Finance-General resulting in an additional revaluation gain of \$45.3 million.</li> </ul> <p>The increase in Other gains/(losses) was partly offset by:</p> <ul style="list-style-type: none"> <li>• a write-down of Building assets for the Tasmanian Health Service of \$28.8 million; and</li> <li>• a write down of \$14.1 million in assets held by the Department of State Growth relating to replaced roads (\$6.8 million), bridges (\$4.3 million), land and buildings (\$2.4 million) and investments (\$900 000).</li> </ul>

## Net Acquisition of Non-Financial Assets Variations from Original Budget

Net acquisition of non-financial assets is estimated to be \$122.2 million in 2016-17, which is \$115.7 million lower than the 2016-17 Original Budget estimate of \$237.9 million. The major variations are outlined below:

Item	Variance from Budget	Reasons
Purchase of non-financial assets	\$111 million lower	<p>This primarily reflects decreases for:</p> <ul style="list-style-type: none"> <li>• the Department of State Growth of \$58.9 million, which is primarily due to revised timing and re-prioritisation of the Roads Program funding and Capital Program including: <ul style="list-style-type: none"> <li>– Midland Highway (\$28.9 million);</li> <li>– Huon Highway/Summerleas Road (\$12.1 million);</li> <li>– Huon Highway - Glendevie Passing (\$2.3 million);</li> <li>– North East Freight Roads (\$1.3 million);</li> <li>– Road Safety and Traffic Management (\$8 million);</li> <li>– Asset Management (\$3.1 million);</li> <li>– Infrastructure Maintenance (\$2.6 million);</li> <li>– Heavy Vehicle Safety and Productivity (\$1.4 million); and</li> <li>– Northern Cities Major Development (\$4 million); and</li> </ul> </li> <li>• the Department of Health and Human Services of \$54.9 million, due to revised cashflows associated with the following projects: <ul style="list-style-type: none"> <li>– Royal Hobart Hospital Redevelopment (\$46.3 million);</li> <li>– New Housing (\$6.5 million); and</li> <li>– Health infrastructure (\$3.1 million).</li> </ul> </li> </ul>
Sale of non-financial assets	\$5.1 million higher	<p>The increase primarily reflects additional proceeds from the sale of:</p> <ul style="list-style-type: none"> <li>• Crown Land by the Department of Primary Industries, Parks, Water and Environment of \$2.9 million; and</li> <li>• housing assets by the Department of Health and Human Services of \$1.9 million.</li> </ul>

# Balance Sheet

Table 2.6: General Government Balance Sheet

	30 June 2017 Original Budget	30 June 2017 Estimated Outcome	30 June 2017 Preliminary Outcome	30 June 2016 Actual
	\$m	\$m	\$m	\$m
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	880.8	1 179.6	1 262.0	1 326.9
Investments	54.2	44.3	85.1	44.3
Equity investment in PNFC and PFC sectors	4 482.8	5 703.4	5 440.7	4 395.1
Other equity investments	27.4	23.1	19.8	19.5
Receivables	316.6	319.5	322.3	314.5
Other financial assets	847.0	807.1	848.5	798.8
	<b>6 608.9</b>	<b>8 077.0</b>	<b>7 978.4</b>	<b>6 899.2</b>
<b>Non-financial assets</b>				
Land and buildings	6 098.6	5 984.6	6 028.8	5 785.7
Infrastructure	4 779.3	4 521.4	4 745.1	4 277.6
Plant and equipment	224.6	240.5	241.0	242.0
Heritage and cultural assets	502.4	471.9	461.8	461.5
Investment property	3.0	3.2	3.4	2.4
Intangible assets	51.8	45.5	56.1	46.2
Assets held for sale	4.7	5.7	9.9	14.0
Other non-financial assets	31.5	38.3	36.0	33.5
	<b>11 696.0</b>	<b>11 311.0</b>	<b>11 582.2</b>	<b>10 862.9</b>
<b>Total Assets</b>	<b>18 304.9</b>	<b>19 388.0</b>	<b>19 560.6</b>	<b>17 762.1</b>
<b>Liabilities</b>				
Borrowings	633.7	564.1	550.2	625.3
Superannuation	6 345.5	6 176.4	7 873.2	8 840.6
Employee entitlements	583.0	612.7	622.8	591.9
Payables	134.9	132.8	127.6	141.0
Other liabilities	358.7	408.3	404.9	408.6
<b>Total Liabilities</b>	<b>8 055.7</b>	<b>7 894.3</b>	<b>9 578.8</b>	<b>10 607.4</b>
<b>NET ASSETS</b>	<b>10 249.2</b>	<b>11 493.7</b>	<b>9 981.8</b>	<b>7 154.7</b>

Table 2.6: General Government Balance Sheet (continued)

	30 June 2017 Original Budget	30 June 2017 Estimated Outcome	30 June 2017 Preliminary Outcome	30 June 2016 Actual
	\$m	\$m	\$m	\$m
<b>Equity</b>				
Accumulated funds	5 293.3	6 782.4	4 953.5	2 668.3
Asset revaluation reserve	4 955.9	4 711.3	5 028.4	4 486.4
<b>Total Equity</b>	<b>10 249.2</b>	<b>11 493.7</b>	<b>9 981.8</b>	<b>7 154.7</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET WORTH<sup>1</sup></b>	<b>10 249.2</b>	<b>11 493.7</b>	<b>9 981.8</b>	<b>7 154.7</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(1 446.7)</b>	<b>182.6</b>	<b>(1 600.3)</b>	<b>(3 708.2)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>5 929.6</b>	<b>5 520.8</b>	<b>7 041.0</b>	<b>8 103.3</b>
<b>NET DEBT<sup>4</sup></b>	<b>(301.3)</b>	<b>(659.8)</b>	<b>(796.9)</b>	<b>(745.9)</b>

Notes:

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

## Balance Sheet Variations from Original Budget

Budget estimates for the 2017 Balance Sheet were compiled in May 2016, prior to completion of the actual outcomes for 30 June 2016. The preliminary outcome variance from the original Budget estimate will reflect the difference between the estimated and actual opening balances for 2016. The following commentary is therefore based on movements between the 30 June 2016 actual outcome and the 30 June 2017 preliminary outcome.

### Assets Variations

General Government Assets are estimated to be \$19 560.6 million at 30 June 2017, an increase of \$1 798.5 million from the 30 June 2016 balance of \$17 762.1 million.

<b>Item</b>	<b>Variance from 2016</b>	<b>Reasons</b>
Cash and deposits	\$64.9 million lower	<p>The decrease primarily reflects an estimated decrease in the balance of the Special Deposits and Trust Fund with decreases in balances recorded by:</p> <ul style="list-style-type: none"><li>• Tasmanian Health Service (\$34.1 million); and</li><li>• Finance-General (\$21.9 million).</li></ul> <p>There was also a decrease in cash held by the statutory authorities outside the Special Deposits and Trust Fund of \$10.2 million, primarily due to a decrease in cash held by the State Fire Commission (\$8 million).</p>
Investments	\$40.8 million higher	<p>The increase primarily relates to the investment of \$40 million with the Tasmanian Public Finance Corporation to establish the TT-Line Vessel Replacement Fund. The Fund will be used to accrue funds to assist with the financing of replacement vessels for the TT-Line Company Pty Ltd.</p>
Equity investment in PNFC and PFC sectors	\$1 045.6 million higher	<p>The increase primarily reflects the increase in net assets for the PFC Sector of \$811 million, reflecting the investment of the one-off Australian Government payment of \$730.4 million for the transfer of the Mersey Community Hospital to the State. These funds were transferred as an equity contribution by the State to the Tasmanian Public Finance Corporation.</p> <p>In addition, there is a forecast increase in net assets for the PNFC Sector of \$234.5 million, primarily due to a forecast increase in net assets for Aurora Energy Pty Ltd, Tasmanian Networks Pty Ltd and Forestry Tasmania.</p>

<b>Item</b>	<b>Variance from 2016</b>	<b>Reasons</b>
Other Financial Assets	\$49.7 million higher	<p>The increase is primarily due to:</p> <ul style="list-style-type: none"> <li>• an increase of \$39 million in the deferred tax assets held by Finance-General to mirror the tax liabilities held by the PNFC and PFC Sectors; and</li> <li>• an increase in prepayment assets of \$6.6 million, primarily due to increases recognised by the Department of Health and Human Services (\$3.1 million) and the Tasmanian Health Service (\$3.2 million).</li> </ul>
Land and buildings	\$243.1 million higher	<p>The increase primarily relates to increases for:</p> <ul style="list-style-type: none"> <li>• the Department of Health and Human Services of \$120.8 million, primarily as a result of capital works projects, such as the Royal Hobart Hospital Redevelopment;</li> <li>• the Department of Primary Industries, Parks, Water and Environment of \$60.7 million, primarily as a result of the revaluation of land assets;</li> <li>• the Department of Education of \$44.9 million, primarily reflecting the capital works undertaken with regard to school infrastructure; and</li> <li>• Finance-General of \$22.5 million, which is primarily due to capital works undertaken on land and buildings projects, such as Parliament Square fitout.</li> </ul>
Infrastructure	\$467.5 million higher	<p>The increase primarily relates to increases for:</p> <ul style="list-style-type: none"> <li>• the Department of State Growth of \$333.7 million as a result of capital works and the revaluation of road infrastructure assets; and</li> <li>• the Department of Primary Industries, Parks, Water and Environment of \$129.1 million, primarily as a result of the first time recognition of road assets, transferred from Forestry Tasmania in prior years and the revaluation of existing assets.</li> </ul>

## Liability Variations

General Government Liabilities are estimated to be \$9 578.8 million at 30 June 2017, a decrease of \$1 028.6 million from the 30 June 2016 balance of \$10 607.4 million.

<b>Item</b>	<b>Variance from 2016</b>	<b>Reasons</b>
Borrowings	\$75.1 million lower	The decrease primarily reflects the application of the Consolidated Fund Surplus of \$73.5 million to reduce debt. Further detail on the Consolidated Fund can be found in Part 3 of this Report.
Superannuation	\$967.4 million lower	The Superannuation liability reflects the most recent actuarial estimate of the liability. The decrease is primarily a result of changes in actuarial assumptions, in particular an increase in the discount rate from 2.7 per cent at 30 June 2016 to 3.3 per cent at 30 June 2017.
Employee Entitlements	\$30.9 million higher	The increase primarily reflects increases in accrued salaries and long service leave liabilities with increases recognised by: <ul style="list-style-type: none"><li>• the Tasmanian Health Service (\$19.3 million);</li><li>• the Department of Education (\$7.7 million); and</li><li>• the Department of State Growth (\$2.1 million).</li></ul>



# Cash Flow Statement

Table 2.7: General Government Cash Flow Statement

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Cash flows from operating activities</b>				
<b>Cash inflows</b>				
Grants received	3 634.6	4 371.9	4 333.5	3 512.8
Taxation	1 045.9	1 084.5	1 091.1	1 062.7
Sales of goods and services	353.7	404.1	408.7	352.7
Fines and regulatory fees	96.5	95.8	96.0	114.9
Interest received	16.6	22.1	19.5	20.2
Dividend, tax and rate equivalents	234.2	301.2	304.1	269.9
Other receipts	331.9	361.8	438.5	370.9
	<b>5 713.5</b>	<b>6 641.3</b>	<b>6 691.4</b>	<b>5 704.1</b>
<b>Cash outflows</b>				
Employee entitlements	(2 298.5)	(2 350.1)	(2 354.7)	(2 271.7)
Superannuation	(442.6)	(448.9)	(433.6)	(396.4)
Supplies and consumables	(1 117.6)	(1 217.4)	(1 204.9)	(1 100.7)
Borrowing costs	(10.4)	(10.5)	(10.9)	(10.6)
Grants and subsidies paid	(1 206.1)	(1 242.9)	(1 209.1)	(1 126.2)
Other payments	(205.9)	(215.5)	(251.6)	(229.9)
	<b>(5 281.2)</b>	<b>(5 485.2)</b>	<b>(5 464.8)</b>	<b>(5 135.4)</b>
<b>Net cash flows from operating activities</b>	<b>432.3</b>	<b>1 156.1</b>	<b>1 226.5</b>	<b>568.7</b>
<b>Cash flows from investing activities</b>				
<b>Net cash flows from non-financial assets</b>				
Purchase of non-financial assets	(524.8)	(476.3)	(419.8)	(351.9)
Sale of non-financial assets	28.3	29.4	33.4	40.6
	<b>(496.5)</b>	<b>(447.0)</b>	<b>(386.4)</b>	<b>(311.4)</b>
<b>Net cash flows from financial assets (policy purposes)</b>				
Equity injections	(63.2)	(795.9)	(788.6)	(41.3)
Net advances paid	....	....	(3.5)	5.7
Equity disposals	0.7	0.7	2.8	....
	<b>(62.5)</b>	<b>(795.2)</b>	<b>(789.3)</b>	<b>(35.5)</b>
<b>Net cash flows from financial assets (liquidity purposes)</b>				
Net purchase of investments	....	....	(40.0)	(0.8)
	<b>....</b>	<b>....</b>	<b>(40.0)</b>	<b>(0.8)</b>
<b>Net cash flows from investing activities</b>	<b>(559.0)</b>	<b>(1 242.1)</b>	<b>(1 215.8)</b>	<b>(347.7)</b>

Table 2.7: General Government Cash Flow Statement (continued)

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Cash flows from financing activities</b>				
Net borrowing	(35.7)	(61.4)	(75.7)	(176.5)
	<b>(35.7)</b>	<b>(61.4)</b>	<b>(75.7)</b>	<b>(176.5)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(162.5)</b>	<b>(147.4)</b>	<b>(64.9)</b>	<b>44.5</b>
<b>Cash at the beginning of the year</b>	<b>1 043.3</b>	<b>1 326.9</b>	<b>1 326.9</b>	<b>1 282.4</b>
<b>Cash at the end of the year</b>	<b>880.8</b>	<b>1 179.6</b>	<b>1 262.0</b>	<b>1 326.9</b>
<b>KEY FISCAL AGGREGATES</b>				
Net cash from operating activities	432.3	1 156.1	1 226.5	568.7
Plus Net cash from investments in non-financial assets	(496.5)	(447.0)	(386.4)	(311.4)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(64.2)</b>	<b>709.1</b>	<b>840.1</b>	<b>257.4</b>

# 3 CONSOLIDATED FUND

Table 3.1: Consolidated Fund Preliminary Outcome

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Recurrent Receipts</b>				
<b>Australian Government sources</b>				
General purpose payments	2 299.2	2 254.9	2 254.9	2 281.3
Specific purpose payments	508.1	510.6	513.9	481.8
National partnership payments	71.3	71.5	71.6	36.2
Other grants and subsidies	0.1	0.1	....	....
	<b>2 878.6</b>	<b>2 837.1</b>	<b>2 840.4</b>	<b>2 799.2</b>
<b>State sources</b>				
Taxation	929.6	969.8	975.2	941.8
Receipts from government businesses	247.9	274.4	276.8	291.3
Departmental fees and recoveries	95.9	96.5	101.5	95.9
Recoveries of state debt charges	0.1	0.1	....	....
Sale and rent of government property	5.0	5.0	5.0	5.0
Resource rents and royalties	25.0	45.6	43.7	19.5
Other recurrent receipts	147.8	176.6	154.3	187.5
	<b>1 451.2</b>	<b>1 568.1</b>	<b>1 556.4</b>	<b>1 541.1</b>
<b>Capital Receipts</b>				
<b>State sources</b>				
Other capital receipts	3.5	3.5	3.4	3.6
	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.6</b>
<b>Total Receipts</b>	<b>4 333.4</b>	<b>4 408.7</b>	<b>4 400.2</b>	<b>4 344.0</b>
<b>less Expenditure</b>				
<b>Recurrent services</b>				
Appropriation Act	3 751.3	3 801.4	3 782.0	3 684.6
Reserved by Law	324.2	317.7	307.3	281.6
	<b>4 075.5</b>	<b>4 119.1</b>	<b>4 089.3</b>	<b>3 966.1</b>
<b>Works and services</b>				
Capital Investment Program	238.3	242.2	237.4	180.7
	<b>238.3</b>	<b>242.2</b>	<b>237.4</b>	<b>180.7</b>
<b>Total Expenses</b>	<b>4 313.8</b>	<b>4 361.3</b>	<b>4 326.7</b>	<b>4 146.9</b>
<b>CONSOLIDATED FUND SURPLUS/(DEFICIT)</b>	<b>19.6</b>	<b>47.4</b>	<b>73.5</b>	<b>197.1</b>

Table 3.2: Consolidated Fund Expenditure

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Education</b>				
Recurrent services	1 208.1	1 212.2	1 214.8	1 180.9
Works and services	56.2	47.9	48.2	32.3
	<b>1 264.3</b>	<b>1 260.1</b>	<b>1 263.0</b>	<b>1 213.2</b>
<b>Finance-General</b>				
Recurrent services	244.7	264.2	253.3	261.3
Reserved by Law	295.0	288.2	278.4	250.8
	<b>539.7</b>	<b>552.3</b>	<b>531.7</b>	<b>512.2</b>
<b>Health and Human Services</b>				
Recurrent services	1 244.6	1 250.3	1 249.5	1 197.0
Works and services	33.9	41.6	41.6	20.3
	<b>1 278.5</b>	<b>1 291.9</b>	<b>1 291.1</b>	<b>1 217.3</b>
<b>House of Assembly</b>				
Recurrent services	3.1	3.1	2.9	2.5
Reserved by Law	4.9	4.9	5.0	5.4
	<b>8.0</b>	<b>8.0</b>	<b>7.9</b>	<b>7.8</b>
<b>Integrity Commission</b>				
Recurrent services	2.3	2.3	2.3	2.4
	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>
<b>Justice</b>				
Recurrent services	130.3	133.7	134.5	126.7
Reserved by Law	12.3	12.7	12.0	13.2
Works and services	1.9	1.5	1.5	2.5
	<b>144.5</b>	<b>148.0</b>	<b>148.1</b>	<b>142.4</b>
<b>Legislative Council</b>				
Recurrent services	3.7	3.8	3.8	3.4
Reserved by Law	2.8	3.0	3.0	3.2
	<b>6.5</b>	<b>6.8</b>	<b>6.9</b>	<b>6.7</b>
<b>Legislature-General</b>				
Recurrent services	6.1	6.3	6.5	6.4
Works and services	0.9	0.9	0.8	....
	<b>7.0</b>	<b>7.2</b>	<b>7.3</b>	<b>6.4</b>
<b>Ministerial and Parliamentary Support</b>				
Recurrent services	18.4	18.4	19.2	18.2
Reserved by Law	1.1	1.1	1.1	1.0
	<b>19.6</b>	<b>19.5</b>	<b>20.2</b>	<b>19.2</b>
<b>Office of the Director of Public Prosecutions</b>				
Recurrent services	5.9	6.0	5.9	7.0
Reserved by Law	0.5	0.5	0.5	0.6
	<b>6.4</b>	<b>6.5</b>	<b>6.4</b>	<b>7.6</b>

Table 3.2: Consolidated Fund Expenditure (continued)

	2016-17 Original Budget	2016-17 Estimated Outcome	2016-17 Preliminary Outcome	2015-16 Actual
	\$m	\$m	\$m	\$m
<b>Office of the Governor</b>				
Recurrent services	3.4	3.4	3.4	3.1
Reserved by Law	0.6	0.6	0.5	0.5
	<b>4.0</b>	<b>4.0</b>	<b>3.9</b>	<b>3.7</b>
<b>Office of the Ombudsman</b>				
Recurrent services	2.1	2.1	2.1	2.5
	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.5</b>
<b>Police, Fire and Emergency Management</b>				
Recurrent services	209.5	209.9	208.0	196.6
Works and services	17.0	17.0	12.2	11.4
	<b>226.5</b>	<b>226.9</b>	<b>220.2</b>	<b>208.0</b>
<b>Premier and Cabinet</b>				
Recurrent services	66.0	64.9	66.3	65.0
Reserved by Law	6.4	6.3	6.3	6.3
Works and services	1.1	1.1	1.1	0.7
	<b>73.5</b>	<b>72.3</b>	<b>73.8</b>	<b>72.0</b>
<b>Primary Industries, Parks, Water and Environment</b>				
Recurrent services	163.2	171.5	172.4	183.4
Works and services	10.5	19.1	19.0	14.3
	<b>173.7</b>	<b>190.6</b>	<b>191.4</b>	<b>197.7</b>
<b>State Growth</b>				
Recurrent services	371.5	376.8	366.4	358.4
Reserved by Law	0.1	0.1	....	....
Works and services	113.5	110.4	110.4	97.8
	<b>485.0</b>	<b>487.3</b>	<b>476.8</b>	<b>456.3</b>
<b>Tasmanian Audit Office</b>				
Recurrent services	1.9	1.9	1.8	1.9
Reserved by Law	0.5	0.5	0.4	0.6
	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.5</b>
<b>Tourism Tasmania</b>				
Recurrent services	26.8	26.8	26.8	25.9
	<b>26.8</b>	<b>26.8</b>	<b>26.8</b>	<b>25.9</b>
<b>Treasury and Finance</b>				
Recurrent services	39.6	43.8	42.1	41.8
Works and services	3.2	2.6	2.6	1.4
	<b>42.9</b>	<b>46.4</b>	<b>44.7</b>	<b>43.2</b>
<b>TOTAL CONSOLIDATED FUND EXPENDITURE</b>	<b>4 313.8</b>	<b>4 361.3</b>	<b>4 326.7</b>	<b>4 146.9</b>



Tasmanian  
Government