



Tasmania

**PRELIMINARY
OUTCOMES
REPORT
2005-06**

Department of Treasury *and* Finance

August 2006

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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.

Outcomes in this Report are preliminary in nature and based upon unaudited financial data from agencies and other General Government Sector authorities. Agencies and General Government Sector authorities have 45 days from 30 June, in accordance with section 28 of the *Financial Management and Audit Act 1990*, to forward their financial statements to the Auditor-General, whereas financial information for this report is required by Treasury within 15 days to enable compilation of the Report by 15 August. Consequently, estimation methods are applied in accordance with the principles of AASB 1029 *Interim Financial Reporting*, where appropriate, 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 2006.

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 Operating Statement, Balance Sheet and Cash Flow Statement for the General Government Sector showing preliminary outcomes for the year and original Budget estimates presented in accordance with the accrual Uniform Presentation Framework (further explained in section 5 of this Report). Commentary is provided on material changes between original Budget estimates and preliminary outcomes. Materiality is based on the criteria set out in Australian Accounting Standard AASB 1031 *Materiality*.
- Section 4 summarises details of the receipts to and expenditure from the Consolidated Fund.
- Section 5 provides an overview of the key concepts and definitions used within this Report.

2. KEY FISCAL STRATEGY MEASURES

Table 1 presents the progress against the key Fiscal Strategy measures, comparing the preliminary outcome to the original and revised Budget estimates for 2005-06. For details of the Government's new Fiscal Strategy, which will extend over a five-year period from 2006-07 to 2010-11, refer to the 2006-07 Budget Papers.

Table 1: Key Fiscal Strategy Measures

Fiscal Strategy Target	2005-06	2005-06	2005-06	Assessment of Progress
	Original Budget	Revised Budget	Preliminary Outcome	
	\$m	\$m	\$m	
General Government Fiscal Balance to be maintained in surplus	(5)	58	63	✓
General Government Net Financial Liabilities to be eliminated by June 2017	2 997	3 306	2 936	✓
General Government Net Debt to be below \$450m by June 2005 and to be eliminated by June 2008	(13)	(202)	(261)	✓
General Government Cash Surplus sufficient to meet Net Debt targets	106	210	249	✓

Key: ✓ On Target, ⓪ Issues to be addressed, X Remedial action required, n.a data not available.

FISCAL BALANCE

The preliminary 2005-06 Fiscal Balance outcome is estimated to be a \$63 million surplus, an increase of \$68 million from the original Budget deficit of \$5 million. The increase in the preliminary Fiscal Surplus outcome comprises a favourable movement in revenue of \$125 million, primarily due to an increase in taxation revenue and other revenues, partially offset by an increase in expenses of \$66 million.

The preliminary 2005-06 Fiscal Surplus of \$63 million is an increase of \$5 million from the revised Budget estimate of \$58 million. The variance is primarily due to a favourable movement in net acquisition of non-financial assets of \$33 million partially offset by unfavourable movements in revenue of \$14 million and expenses of \$14 million.

A summary of the significant variations to the 2005-06 Preliminary Outcomes compared to the original Budget estimates for revenue, expenses and net acquisition of non-financial assets is provided in Section 3.

NET DEBT

Net Debt is estimated to be negative \$261 million as at 30 June 2006, \$248 million less than the original Budget estimate of negative \$13 million and \$59 million less than the revised Budget estimate of negative \$202 million. The preliminary outcome also represents an improvement of \$233 million from the balance of Net Debt as at 30 June 2005.

NET FINANCIAL LIABILITIES

The preliminary Net Financial Liabilities outcome is \$2 936 million as at 30 June 2006, a decrease of \$61 million or 2 per cent from the original Budget estimate of \$2 997 million. The decrease in Net Financial Liabilities reflects the decrease in the preliminary Net Debt outcome of \$248 million, which is partially offset by an increase of \$187 million in the gross unfunded superannuation liability.

The preliminary Net Financial Liabilities outcome of \$2 936 million is a decrease of \$370 million from the revised Budget estimate of \$3 306 million. The decrease in Net Financial Liabilities reflects decreases in the superannuation liability of \$311 million and Net Debt of \$59 million.

A summary of the significant variations to the 2005-06 Preliminary Outcomes compared to the original Budget estimates for liabilities is provided in Section 3.

CASH SURPLUS

The preliminary 2005-06 Cash Surplus outcome is \$249 million, which is \$143 million greater than the original 2005-06 Budget estimate of \$106 million. The increase in the Cash Surplus is primarily due to additional receipts in relation to Taxes Received, Sales of Goods and Services, Grants and Subsidies Received and Other Receipts, partially offset by a reduction in investment in non-financial assets and increased cash payments for operating activities. The preliminary outcome also includes \$60 million in funding from the Australian Government relating to the East Tamar Highway redevelopment that was not included in the original Budget estimate.

The preliminary 2005-06 Cash Surplus outcome of \$249 million is \$39 million greater than the revised Budget estimate of \$210 million. The increase in the Cash Surplus is primarily due to lower than estimated Purchase of Non-Financial Assets of \$39 million, and higher than estimated receipts for Sales of Goods and Services of \$27 million and Other Receipts of \$16 million. These variations were partially offset by less than estimated receipts for Grants and Subsidies of \$23 million and higher than estimated Grants and Subsidies Paid of \$22 million.

3. GENERAL GOVERNMENT PRELIMINARY OUTCOME

The General Government Preliminary Outcomes are presented in accordance with the Government Finance Statistics (GFS) framework. The GFS reporting framework is a specialised accounting system designed for the public sector. It is consistent with international statistical standards (the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*). For further information on the GFS framework, refer to *The Tasmanian Government Financial System*.

More information on the significant accounting policies that form the basis of how the Preliminary Outcomes have been prepared is provided in Section 5.

OPERATING STATEMENT

The preliminary 2005-06 Fiscal Balance outcome of a \$63 million surplus is an increase of \$68 million on the original 2005-06 Budget estimate of a \$5 million deficit. The General Government Operating Statement for 2005-06 is detailed in Table 2. The significant variations to revenue, expenses and net acquisition of non-financial assets are outlined below.

Revenue

The 2005-06 preliminary outcome for Total Revenue is \$3 529 million, \$125 million or 3.7 per cent greater than the original 2005-06 Budget estimate of \$3 404 million. The main Revenue variations are as follows:

- Grants and subsidies revenue of \$2 191 million is \$5 million below the original Budget estimate of \$2 196 million. Australian Government Specific Purpose Payments were \$17 million below the original Budget estimate of \$460 million. This is the result of reduced revenue relating to the Tasmanian Community Forest Agreement, due to delays in advancing some elements of the Agreement. This reduction was partially offset by an increase of \$5 million in GST revenue;
- Table 3 details the components of Grants and Subsidies revenue;
- Taxation Revenue of \$704 million is \$35 million above the original Budget estimate of \$669 million, primarily due to additional:
 - Payroll Tax revenue of \$16 million and Financial Transaction Tax revenue of \$8 million. The additional Payroll Tax reflects an increase in employment in the payroll tax paying sector and wage increases; and
 - Land Tax revenue of \$11 million, which is due to land values being increased by the Valuer-General at a higher rate than anticipated when the 2005-06 Budget estimate was developed;

- Table 4 details the components of Taxation Revenue;
- Sales of Goods and Services of \$314 million is \$41 million above the original Budget estimate of \$273 million. This is primarily due to \$26 million of revenue above the Budget estimate from Hospital Inpatient Fees within the Department of Health and Human Services;
- Interest Revenue of \$32 million is \$13 million below the original Budget estimate of \$45 million. This reflects a decrease in surplus funds available for investment relative to the amounts anticipated at the time of the original Budget estimate;
- Other Revenue of \$124 million is \$61 million above the original Budget estimate of \$63 million. The increase is primarily due to:
 - additional Mineral Royalty revenue of \$10 million;
 - one-off revenue to the Government of \$5 million as part of the agreement with Betfair Australia. This amount was paid to the Tasmanian Racing Industry in 2005-06;
 - a return of \$8 million to the Government by the Launceston City Council. The funds were initially provided to fund a new aquatic centre, which did not proceed as anticipated; and
 - funding of \$4 million from the Australian Government for the Aboriginal Employment Program.

Expenses

The 2005-06 preliminary outcome for Total Expenses is \$3 441 million, \$66 million or 2 per cent greater than the original 2005-06 Budget estimate of \$3 375 million. The main Expense variations are as follows:

- Depreciation of \$189 million is \$13 million above the original Budget estimate of \$176 million. This is as a result of the Department of Health and Human Services assets being revalued as part of the adoption of the Australian Equivalents to International Financial Reporting Standards (AEIFRS);
- Employee Expenses of \$1 619 million is \$33 million above the original Budget estimate of \$1 586 million. This is primarily due to higher than budgeted wage costs for the Departments of Education, and Health and Human Services;
- Other Operating Expenses of \$864 million is \$25 million above the original Budget estimate of \$839 million. This is primarily due to higher than budgeted costs of \$22 million incurred by the Department of Health and Human Services for maintenance and medical supplies; and
- Nominal Superannuation Interest Expense of \$137 million is \$36 million less than the original Budget estimate of \$173 million. This is a result of the implementation of a revised methodology for calculation of this expense in accordance with AEIFRS.

Net Acquisition of Non-Financial Assets

- The 2005-06 preliminary outcome for the Net Acquisition of non-financial assets is \$26 million, \$8 million lower than the original 2005-06 Budget estimate of \$34 million. This is primarily the result of higher than budgeted depreciation of \$13 million, as discussed above, which is partially offset by lower than budgeted sales of non-financial assets of \$6 million.

Table 2: General Government Operating Statement

	2004-05 Actual	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$m	\$m	\$m
Revenue			
Grants and subsidies (Refer Table 3)	2 115	2 196	2 191
Taxation revenue (Refer Table 4)	686	669	704
Sales of goods and services	248	273	314
Interest income	43	45	32
Dividend and income tax equivalent income	190	158	164
Other revenue	96	63	124
Total Revenue	3 379	3 404	3 529
Less			
Expenses			
Depreciation	183	176	189
Employee expenses	1 448	1 586	1 619
Other operating expenses	765	839	864
Nominal superannuation interest expense	115	173	137
Other interest expense	49	27	27
Grants and transfers	578	574	604
Total Expenses	3 139	3 375	3 441
Equals NET OPERATING RESULT	240	29	88
Less			
Net acquisition of non-financial assets			
Purchase of non-financial assets	254	266	265
less Sale of non-financial assets	42	56	50
less Depreciation	183	176	189
Total	29	34	26
Equals FISCAL BALANCE	211	(5)	63

Table 3: General Government Grants and Subsidies

	2004-05 Actual	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$m	\$m	\$m
General Purpose Payments			
GST Revenue	1 444	1 499	1 504
Competition Payments	20	19	19
Total General Purpose Payments	1 464	1 517	1 523
Specific Purpose Payments	424	460	443
Capital Grants Revenue	45	43	46
Other Grants and Subsidies	182	176	180
TOTAL GRANTS AND SUBSIDIES	2 115	2 196	2 191

Table 4: General Government Taxation Revenue

	2004-05 Actual	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$m	\$m	\$m
Payroll tax	192	199	215
<i>Taxes on Property</i>			
Land tax	44	38	49
Fire Service Levies	40	40	41
Financial transaction taxes	169	144	152
Total taxes on property	253	222	243
<i>Taxes on the provision of goods and services</i>			
Guarantee fees	7	8	7
Casino tax on Licence Fees	59	59	55
Other gambling taxes	22	23	24
Taxes on insurance	34	37	37
Total taxes on the provision of goods and services	122	127	124
<i>Taxes on the use of goods and performance of activities</i>			
Motor vehicle fees and taxes	119	121	121
Total taxes on the use of goods and performance of activities	119	121	121
TOTAL TAXATION REVENUE	686	669	704

BALANCE SHEET

Table 5 details the preliminary General Government Balance Sheet as at 30 June 2006.

Budget estimates for the 2005-06 Balance Sheet were compiled in May 2005 prior to completion of the actual outcomes for 30 June 2005. 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 2005-06. The following commentary is therefore based on movements between the 30 June 2005 actual outcome and the 30 June 2006 preliminary outcome.

Assets

General Government Assets are estimated to be \$12 920 million at 30 June 2006, an increase of \$433 million from the 30 June 2005 balance of \$12 487 million.

Financial Assets are anticipated to increase by \$29 million primarily due to:

- an increase of \$601 million in Other Non-Equity Assets, which represents an increase in Income Tax Equivalent receivable from the Public Non-Financial Corporations Sector. This is due to a change in methodology for the calculation of the Income Tax Equivalent receivable asset as part of the adoption of AEIFRS; and
- a decrease in Equity Assets of \$561 million, due to an estimated decrease in the General Government Sector's equity interest in the Public Non-Financial Corporations Sector.

Non-Financial Assets are anticipated to increase by \$405 million primarily as a result of:

- the first time inclusion of the Tasmanian Museum and Art Gallery collections of \$345 million by the Department of Tourism, Arts and the Environment; and
- capitalised expenditure of \$31 million in relation to the Risdon Prison redevelopment.

Liabilities

General Government Liabilities are estimated to be \$4 252 million at 30 June 2006, \$774 million greater than the 30 June 2005 balance of \$3 478 million. The increase in liabilities relates to:

- an increase in the Unfunded Superannuation Liability of \$905 million due to the actuarial revaluation of the liability. The increase is primarily a result of the adoption of AEIFRS, which requires that the liability be discounted using an adjusted Commonwealth bond rate, rather than the earning rate of the fund. There has been no change to the underlying cash flows;
- an increase in Other Non-Equity Liabilities of \$90 million, primarily due to the recognition of a liability for \$60 million received from the Australian Government as an advance payment in 2005-06 for the redevelopment of the East Tamar Highway, in accordance with advice from the Australian Bureau of Statistics. Revenue will be recognised in future years as the funds are expended on the redevelopment; and
- a partially offsetting decrease in Borrowings of \$229 million, reflecting the repayment of maturing debt using surplus cash held in the Public Account.

Table 5: General Government Balance Sheet

	30 June 2005 Actual	30 June 2006 Original Budget	30 June 2006 Preliminary Outcome
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	623	346	608
Advances paid	42	52	53
Investments, loans and placements	10	5	4
Other non-equity assets	334	811	935
Equity	3 782	3 672	3 221
Total	4 792	4 886	4 821
Non-financial assets			
Land and fixed assets	7 633	6 506	8 054
Other non-financial assets	61	32	46
Total	7 694	6 538	8 099
Total assets	12 487	11 424	12 920
Liabilities			
Advances received	261	248	247
Borrowings	387	142	158
Superannuation liability	2 292	3 010	3 197
Other employee provisions	329	344	350
Other non-equity liabilities	210	165	300
Total liabilities	3 478	3 909	4 252
NET WORTH¹	9 008	7 515	8 669
NET FINANCIAL WORTH²	1 314	977	569
NET FINANCIAL LIABILITIES³	2 264	2 997	2 936
NET DEBT⁴	(28)	(13)	(261)

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 Advances Received and Borrowings less the sum of Cash and Deposits, Advances Paid and Investments, Loans and Placements.

CASH FLOW STATEMENT

Table 6 details the preliminary General Government Cash Flow Statement for 2005-06.

The 2005-06 preliminary Cash Surplus outcome is \$249 million, \$143 million greater than the original 2005-06 Budget estimate of \$106 million.

This is primarily due to additional receipts in relation to Taxes Received, Sales of Goods and Services, Grants and Subsidies Received and Other Receipts, partially offset by a reduction in investment in non-financial assets and increased cash payments for operating activities. The preliminary outcome includes \$60 million in funding from the Australian Government relating to the East Tamar Highway redevelopment that was not included in the original Budget estimate.

Table 6: General Government Cash Flow Statement

	2004-05 Actual	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$m	\$m	\$m
Cash receipts from operating activities			
Taxes received	681	669	698
Receipts from sales of goods and services	217	272	309
Grants and subsidies received	2 078	2 195	2 255
Dividend and income tax equivalent income	170	158	164
Interest received	41	46	27
Other receipts	230	186	238
Total	3 417	3 526	3 691
Cash payments for operating activities			
Payments for goods and services	(2 218)	(2 463)	(2 435)
Grants and subsidies paid	(567)	(572)	(628)
Interest paid	(52)	(37)	(34)
Other payments	(134)	(138)	(160)
Total	(2 971)	(3 210)	(3 258)
Net cash flows from operating activities	447	316	433
Net cash flows from investments in non-financial assets			
Sale of non-financial assets	42	56	50
Purchases of non-financial assets	(241)	(266)	(234)
Total	(199)	(210)	(184)
Net cash flows from investments in financial assets for policy purposes	22	7	9
Net cash flows from investments in financial assets for liquidity purposes	8
Net cash flows from financing activities			
Advances received (net)	(13)	(13)	(8)
Borrowing (net)	(242)	(262)	(254)
Other financing (net)	(106)	(41)	(19)
Total	(360)	(316)	(281)
Net Increase/(Decrease) in Cash Held	(90)	(203)	(16)
CASH SURPLUS/(DEFICIT)¹	248	106	249

Note:

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

4. CONSOLIDATED FUND

The 2005-06 preliminary Consolidated Fund Surplus outcome is \$16.7 million, \$11.3 million greater than the original 2005-06 Budget estimate of \$5.4 million.

Table 7: Consolidated Fund Preliminary Outcome, 2005-06

	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$'000	\$'000
Receipts		
Commonwealth Sources		
Recurrent Receipts	1 977 634	1 947 640
Capital Receipts	42 653	46 180
Total Commonwealth Sources	2 020 287	1 993 819
State Sources		
Recurrent Receipts	1 008 648	1 046 127
Capital Receipts	25 285	256
Total State Sources	1 033 933	1 046 383
Total Receipts	3 054 220	3 040 203
Less Expenditure		
Recurrent Services		
Appropriation Act	2 705 749	2 678 930
Reserved by Law	185 319	182 669
Total Recurrent Services	2 891 068	2 861 599
Works and Services		
Capital Investment Program	157 810	161 973
Total Works and Services	157 810	161 973
Total Expenditure	3 048 878	3 023 571
Gross Consolidated Fund Surplus/(Deficit)	5 342	16 631
Add Loan Repayments	61	61
Consolidated Fund Surplus	5 403	16 692

Table 8: Consolidated Fund Expenditure, 2005-06

	2005-06 Original Budget	2005-06 Preliminary Outcome
	\$'000	\$'000
Economic Development		
Recurrent Expenditure	43 224	43 218
Capital Expenditure	1 100	1 100
Total	44 324	44 318
Education		
Recurrent Expenditure	728 434	732 807
Capital Expenditure	22 375	24 037
Total	750 809	756 844
Finance-General		
Recurrent Expenditure	554 375	506 688
Total	554 375	506 688
Health and Human Services		
Recurrent Expenditure	972 964	966 111
Capital Expenditure	23 888	23 149
Total	996 852	989 260
House of Assembly		
Recurrent Expenditure	5 206	5 196
Total	5 206	5 196
Infrastructure, Energy and Resources		
Recurrent Expenditure	111 157	110 512
Capital Expenditure	81 521	84 787
Total	192 678	195 299
Justice		
Recurrent Expenditure	78 805	91 154
Capital Expenditure	15 896	15 896
Total	94 701	107 050
Legislative Council		
Recurrent Expenditure	4 050	4 133
Total	4 050	4 133

Table 8: Consolidated Fund Expenditure, 2005-06 (continued)

	2005-06 Original Budget	2005-06 Preliminary Outcome
		\$'000
Legislature-General		
Recurrent Expenditure	4 414	4 697
Total	4 414	4 697
Ministerial and Parliamentary Support		
Recurrent Expenditure	14 245	14 924
Total	14 245	14 924
Office of the Governor		
Recurrent Expenditure	2 726	2 688
Total	2 726	2 688
Police and Emergency Management		
Recurrent Expenditure	144 069	148 044
Capital Expenditure	2 500	2 500
Total	146 569	150 544
Premier and Cabinet		
Recurrent Expenditure	31 505	31 255
Capital Expenditure	351	299
Total	31 856	31 554
Primary Industries and Water		
Recurrent Expenditure	88 071	86 377
Capital Expenditure	4 929	4 917
Total	93 000	91 294
Tasmanian Audit Office		
Recurrent Expenditure	290	276
Total	290	276
Tourism, Arts and the Environment		
Recurrent Expenditure	72 202	78 189
Capital Expenditure	5 250	5 288
Total	77 452	83 477

Table 8: Consolidated Fund Expenditure, 2005-06 (continued)

	2005-06 Original Budget \$'000	2005-06 Preliminary Outcome \$'000
Treasury and Finance		
Recurrent Expenditure	35 331	35 331
Total	35 331	35 331
TOTAL	3 048 878	3 023 571

5. CONCEPTS AND DEFINITIONS

UNIFORM PRESENTATION FRAMEWORK (UPF)

The Preliminary Outcomes Report is prepared on the Uniform Presentation Framework (UPF) basis.

The UPF is based on the concepts and classifications used by the Australian Bureau of Statistics (ABS) in the preparation of public finance reports. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. The Government Finance Statistics classification adopts a nationally consistent format for presenting the financial transactions of governments.

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

UPF information:

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

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

An important distinction made in the UPF framework is between "transaction flows" and "other economic flows". Transactions result directly from a mutually agreed interaction between two parties, for example, the sale of a good or service. The definition of a "transaction flow" also includes depreciation, which does not involve interaction between two parties. The treatment of depreciation recognises that in this case the one party is acting in two roles, as owner of the asset and consumer of the services provided by the asset.

An “other economic flow” is a change in the volume or value of an asset, or a liability, that does not result from a transaction. This includes a wide variety of events such as the revaluation of assets (holding gains or losses) arising from a change in market prices, and changes in the volume of assets that result from discoveries, depletion and destruction of assets. The impact of all “other economic flows” is excluded from the UPF Operating Statement. These changes impact directly on equity in the Balance Sheet in the UPF treatment. This is a major source of differences between the UPF Operating Statement and the Income Statement prepared in accordance with the Australian Accounting Standards.

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

Operating Statement

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

The Operating Statement reports two major fiscal measures: the Net Operating Result and the Fiscal Balance. The Fiscal Balance is the Government’s headline Budget measure.

Net Operating Result

The Net Operating Result is the excess of revenues 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.

A 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 to meet one off projects or programs, and/or revenues are not sufficient to meet all expenses for the current year.

Fiscal Balance

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

The Fiscal Balance measures the 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. A Fiscal Deficit indicates that the Government is spending reserves, including previously accumulated surpluses, to fund its investment spending.

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

Balance Sheet

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

The Balance Sheet includes information on the make up and value of a government's financial assets and on the extent of liabilities such as borrowings and unfunded superannuation. This allows for intertemporal and interjurisdictional comparisons of asset and liability levels. The major Balance Sheet indicators are Net Debt, Net Financial Liabilities, Net Financial Worth and Net Worth.

Net Debt

Net Debt is a measure used to help judge the overall strength of a jurisdiction's fiscal position. Net Debt comprises the stock of specified gross financial liabilities less selected financial assets. High levels of Net Debt impose a call on future revenue flows to service that debt and can therefore limit a government's flexibility to adjust expenditure. Currently, Tasmania's selected financial assets exceed the stock of specified gross financial liabilities. Therefore, the State has a "negative" Net Debt and is considered a net investor of funds.

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 Financial Worth

Net Financial Worth 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 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, 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. 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 convention is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows). The Cash Flow Statement reports two major fiscal measures: Net Increase in Cash Held and Cash Surplus.

Net Increase in Cash Held

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

Cash Surplus

The Cash Surplus comprises 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.

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

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

Consolidation of Transactions

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

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

For example, in the case of GFS, the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Operating Statement as both agencies are classified as General Government. Similarly,

Treasury has on-lent Commonwealth State Housing Agreement funds to the Department of Health and Human Services and since both agencies are within the General Government Sector, the borrowing recorded by the Department of Health and Human Services and the advance held by Treasury are eliminated.

Consolidated Fund

The Consolidated Fund contributes to the operations of all on-Budget departments, is the source of funding for Reserved by Law payments and may contribute 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.

Expenditure from the Consolidated Fund is subject to appropriation by Parliament and actual expenditure and receipts are compared with the annual estimates.

GENERAL GOVERNMENT ENTITIES

Economic Development

Education

Health and Human Services

House of Assembly

Infrastructure, Energy and Resources

Inland Fisheries Service

Justice

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Office of the Governor

Police and Emergency Management

Premier and Cabinet

Primary Industries and Water

Royal Tasmanian Botanical Gardens

State Fire Commission

TAFE Tasmania

Tasmanian Audit Office

The Nominal Insurer

Tourism, Arts and the Environment

Treasury and Finance