



Tasmania

**PRELIMINARY  
OUTCOMES  
REPORT  
2004-05**

Department of Treasury *and* Finance

August 2005



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# 1. INTRODUCTION

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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. The Report is to be gazetted by the following 15 August.

Outcomes in this Report are preliminary in nature and are based upon preliminary and unaudited financial data from agencies and other General Government Sector authorities. Agencies and General Government Sector authorities have 45 days from 30 June to prepare financial statements, whereas financial information for this report must be provided to Treasury within 15 days to enable compilation of the Report by 15 August. As a result, in accordance with the principles of *AASB 1029 Interim Financial Reporting*, estimation methods have been applied, where appropriate, to ensure that interim financial information provided within the short timeframe is relevant and reliable. The final audited Budget Outcome will be released in the Treasurer's Annual Financial Report, to be published by 31 October 2005.

The Preliminary Outcomes Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal 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 (section 5 of this Report refers). Where required, 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 AAS 5 *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 MEASURES

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### FISCAL SURPLUS

The preliminary 2004-05 Fiscal Surplus outcome is \$233 million, an increase of \$218 million from the original Budget estimate of \$15 million. The increase in the preliminary Fiscal Surplus outcome comprises a favourable movement in revenue of \$285 million, due primarily to an increase in GST grant revenue and taxation revenue as a result of the continued strong activity within the Tasmanian economy, partially offset by an increase in expenses of \$6 million and an increase in net acquisition of non-financial assets of \$61 million.

The preliminary 2004-05 Fiscal Surplus outcome does not reflect \$210.6 million of commitments and equity contributions to government businesses, comprised as follows:

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	<b>Equity Contributions and Commitments</b>
	<b>\$m</b>
<b>Equity Contributions to Government Businesses</b>	<b>98.8</b>
<b>Special Capital Investment Funds</b>	<b>94.1</b>
<b>Rescheduling of Capital Commitments</b>	<b>17.7</b>
<b>Total</b>	<b>210.6</b>

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#### *Equity Contributions to Government Businesses*

Although requiring a transfer of cash, investments made by way of equity contributions to Government Businesses are not recorded as an expense in the Operating Statement, but rather are reflected as an increase in the balance of Equity Investments in the Balance Sheet. The preliminary 2004-05 Fiscal Surplus outcome does not reflect equity contributions of \$98.8 million to Government Businesses in 2004-05, including contributions to TT-Line of \$35.2 million for the purchase of *Spirits of Tasmania I* and *II* and \$40 million relating to *Spirit of Tasmania III*.

#### *Special Capital Investment Funds*

The preliminary 2004-05 Fiscal Surplus outcome does not reflect contributions to Special Capital Investment Funds of \$94.1 million for capital projects to be progressed during 2005-06 and the Forward Estimates period. These contributions comprise funds appropriated in accordance with the *Consolidated Fund (Supplementary Appropriation for 2004-05) Act 2005* including funds for the Royal Hobart Hospital Redevelopment (\$35 million) and Better Roads Program (\$25 million). These inter-Fund transfers do not impact on the Fiscal Surplus, but represent funds committed to a specific capital purpose.

## *Rescheduling of Capital Commitments*

The preliminary 2004-05 Fiscal Surplus outcome does not reflect unexpended funds of \$17.7 million arising from the rescheduling of a number of 2004-05 Capital Investment Program projects. These unexpended funds were carried forward to 2005-06 to ensure that the projects will be completed. Although unexpended in 2004-05, these funds are committed to specific capital projects.

Adjusting the headline Fiscal Surplus of \$233 million for these commitments and equity contributions reveals an Adjusted Fiscal Surplus of \$22 million for 2004-05.

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	\$m
<b>Headline Fiscal Surplus</b>	<b>233</b>
<b>less Equity Contributions and Commitments</b>	<b>211</b>
<b>Adjusted Fiscal Surplus</b>	<b>22</b>

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A summary of the significant variations to the 2004-05 preliminary outcomes for revenue, expenses and net acquisition of non-financial assets is provided in Section 3.

## NET DEBT

Debt represents the stock of selected financial liabilities (advances received and borrowings) less selected financial assets (cash and deposits, advances paid, and investments, loans and placements).

It is estimated that holdings of financial assets will exceed gross debt by \$38 million as at 30 June 2005. Consequently, at that date, Net Debt is negative \$38 million. Financial asset holdings will vary through 2005-06 due to the timing of expenditures associated with Special Capital Investment Funds and rescheduled capital commitments, and the excess of financial assets over gross debt may fall below the \$38 million estimated at 30 June 2005.

## NET FINANCIAL LIABILITIES

The preliminary Net Financial Liabilities outcome is \$2 254 million as at 30 June 2005, a decrease of \$108 million or 4.6 per cent from the original Budget estimate of \$2 362 million. The decrease in Net Financial Liabilities reflects the decrease in the preliminary Net Debt outcome of \$268 million, which is partially offset by an increase of \$159 million in the gross unfunded superannuation liability.

The reduction in Net Financial Liabilities is consistent with the Government's Fiscal Strategy target to eliminate Net Financial Liabilities by June 2017. A summary of the significant variations to the 2004-05 preliminary outcome for liabilities is provided in Section 3.



# CASH SURPLUS

The preliminary 2004-05 Cash Surplus outcome is \$246 million, which is \$150 million greater than the original 2004-05 Budget estimate of \$96 million. The increase in the Cash Surplus reflects an increase in GST receipts and taxation revenue during 2004-05. The achievement of a Cash Surplus has enabled the elimination of Net Debt by 30 June 2005.



# 3. GENERAL GOVERNMENT PRELIMINARY OUTCOME

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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 to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the System of National Accounts 1993 (SNA93) and the International Monetary Fund's (IMF) Government Finance Statistics Manual 2001). 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 Operating Statement shows a preliminary 2004-05 Fiscal Surplus of \$233 million, an increase of \$218 million on the original 2004-05 Budget estimate of \$15 million. The General Government Sector Operating Statement for 2004-05 is detailed in Table 1. The significant variations to revenue, expenses and net acquisition of non-financial assets are outlined below.

### *Revenue*

The preliminary outcome for Total Revenue is \$3 375 million in 2004-05, \$285 million or 9.2 per cent greater than the original 2004-05 Budget estimate of \$3 090 million. The favourable movement in Revenue reflects increases in:

- Grants and Subsidies revenue of \$133 million, primarily due to an additional \$65 million in GST revenue which resulted from higher than anticipated GST collections, greater than expected population growth in Tasmania, and the receipt of compensation relating to the deferral of GST collections in 2004-05 associated with measures introduced by the Australian Government to allow small businesses to lodge Business Activity Statements and pay GST annually. Specific Purpose Payments Revenue was also \$35 million above the original 2004-05 Budget estimate primarily due to the contribution of \$24 million from the Australian Government under the Tasmanian Community Forest Agreement. Table 2 details the components of Grants and Subsidies revenue;
- Taxation Revenue of \$81 million, primarily due to additional:
  - Payroll Tax revenue of \$20 million, due to an increase in employment in the payroll tax paying sector, together with wage increases;

- Financial Transaction Tax revenue of \$35 million, due to an unexpected increase in commercial property market activity;
- Land Tax of \$10 million, due to land values being increased by the Valuer-General at a higher rate than was anticipated when the 2004-05 Budget estimate was developed; and
- Casino and Other Gambling Taxes of \$6 million.

Table 3 details the components of Taxation Revenue;

- Interest Revenue of \$13 million, reflecting the availability of additional cash for investment purposes;
- Dividend and Tax Equivalent Income of \$20 million, primarily due to additional dividend and income tax returns from Aurora Energy (\$9.6 million), Hydro Tasmania (\$6.5 million) and Forestry Tasmania (\$2.9 million) reflecting improved profitability above that anticipated at Budget time; and
- Other Revenue of \$15 million primarily resulting from additional revenue recognised by the Department of Tourism, Parks, Heritage and the Arts of \$10 million and increased fine collections by the Department of Justice of \$3 million.

## *Expenses*

The preliminary outcome for Total Expenses is \$3 142 million in 2004-05, \$6 million or 0.2 per cent higher than the original 2004-05 Budget estimate of \$3 136 million. The outcome for Total Expenses is a result of an increase in some expense items which has been offset by corresponding decreases in other expense items. The main expense variations are as follows:

- Depreciation expense of \$173 million is \$10 million above the original Budget estimate of \$163 million primarily as a result of a revaluation of the Department of Education's Buildings and the impact of increased purchase costs of motor vehicle assets, together with a small increase in the number of vehicles in the vehicle fleet resulting from the provision of vehicles to medical practitioners;
- Employee Expenses of \$1 432 million, an increase of \$22 million above the original Budget estimate of \$1 410 million;
- Other Operating Expenses of \$809 million, an increase of \$96 million above the original Budget estimate of \$713 million, primarily due to additional costs incurred by agencies in relation to maintenance and property services, and other supplies and consumables; and
- Grants and Transfers expenses of \$564 million, a decrease of \$108 million from the original Budget estimate of \$672 million. The decrease is primarily due to the change in the classification of Special Capital Investment Fund expenditure. This decrease is partly offset by an increase in expenses for: the Department of Education's Community, Health and Well Being Program of \$5 million; and additional funding for York Park of \$5 million from the Economic and Social Infrastructure Fund.

## *Net Acquisition of Non-Financial Assets*

The movement in the Net Acquisition of non-financial assets of \$61 million is due to the increased depreciation expense of \$10 million noted above offset by an increase in the Purchase of Non-Financial Assets of \$71 million which reflects:

- a change in classification of Special Capital Investment Fund expenditure. This includes a capital component of \$20 million for the *Affordable Housing Strategy* from the Economic and Social Infrastructure Fund that was previously classified as grants; and
- an increase in capital expenditure for the Department of Health and Human Services of \$10 million for the Better Hospitals package, \$2 million for the Mersey Community Hospital and \$29 million for Housing Tasmania.

Table 1: General Government Operating Statement

	2003-04 Actual	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$m	\$m	\$m
<b>Revenue</b>			
Grants and subsidies (Refer Table 2)	1 997	1 961	2 094
Taxation revenue (Refer Table 3)	631	607	688
Sales of goods and services	237	258	280
Interest income	33	31	44
Dividend and income tax equivalent income	181	155	175
Other revenue	134	79	94
<b>Total Revenue</b>	<b>3 212</b>	<b>3 090</b>	<b>3 375</b>
<b>Less</b>			
<b>Expenses</b>			
Depreciation	165	163	173
Employee expenses	1 321	1 410	1 432
Other operating expenses	818	713	809
Nominal superannuation interest expense	112	121	115
Other interest expense	67	57	49
Grants and transfers	433	672	564
<b>Total Expenses</b>	<b>2 916</b>	<b>3 136</b>	<b>3 142</b>
<b>Equals NET OPERATING RESULT</b>	<b>296</b>	<b>(45)</b>	<b>233</b>
<b>Less</b>			
<b>Net acquisition of non-financial assets</b>			
Purchase of non-financial assets	161	144	215
less Sale of non-financial assets	69	42	42
less Depreciation	165	163	173
<b>Total</b>	<b>(73)</b>	<b>(61)</b>	<b>...</b>
<b>Equals FISCAL SURPLUS</b>	<b>369</b>	<b>15</b>	<b>233</b>

Table 2: Grants and Subsidies

	2003-04 Actual	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$m	\$m	\$m
<b>Commonwealth Sources</b>			
General Purpose Payments			
GST Revenue	1 396	1 379	1 444
Competition Payments	17	16	20
<b>Total General Purpose Payments</b>	<b>1 413</b>	<b>1 395</b>	<b>1 464</b>
Specific Purpose Payments	379	389	424
Capital Grants Revenue	29	40	45
Other Grants and Subsidies	176	137	161
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>1 997</b>	<b>1 961</b>	<b>2 094</b>

Table 3: General Government Taxation Revenue

	2003-04 Actual	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$m	\$m	\$m
Payroll tax	166	174	194
<i>Taxes on Property</i>			
Land tax	27	34	44
Property owners contributions to fire brigade	39	39	40
Financial transaction taxes	168	134	169
Total taxes on property	234	207	253
<i>Taxes on the provision of goods and services</i>			
Guarantee fees	7	7	7
Casino taxes	58	53	59
Other gambling taxes	20	23	22
Taxes on insurance	34	35	34
Total taxes on the provision of goods and services	119	118	122
<i>Taxes on the use of goods and performance of activities</i>			
Motor vehicle fees and taxes	112	108	118
Total taxes on the use of goods and performance of activities	112	108	118
<b>TOTAL TAXATION REVENUE</b>	<b>631</b>	<b>607</b>	<b>688</b>



# BALANCE SHEET

Table 4 details the preliminary General Government Sector Balance Sheet as at 30 June 2005.

Budget estimates for the 2004-05 Balance Sheet were compiled in May 2004 prior to completion of the actual outcomes for 30 June 2004. 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 2004-05. The following commentary is therefore based on movements between the 30 June 2004 actual outcome and the 30 June 2005 preliminary outcome.

## *Assets*

General Government Assets are estimated to be \$11 424 million at 30 June 2005, a decrease of \$203 million from the 2003-04 balance of \$11 627 million.

Financial Assets have decreased by \$489 million primarily as a result of:

- a decrease in Equity Assets of \$424 million, due to an estimated decrease in the General Government Sector's equity interest in the Public Non-Financial Corporations Sector; and
- a decrease in Cash and Deposits of \$56 million, which primarily reflects the reduction in the balance of the Special Deposits and Trust Fund due to the expenditure of Special Capital Investment Funds and the repayment of maturing debt during 2004-05.

Non-Financial Assets are anticipated to increase by \$286 million. The most significant variation contributing to the preliminary result is an increase in the value of land and buildings by \$180 million as a result of a revaluation undertaken by the Department of Tourism, Parks, Heritage and the Arts and the inclusion of land assets amounting to \$75 million not previously recognised by that Department.

## *Liabilities*

General Government Liabilities are estimated to be \$3 448 million at 30 June 2005, \$199 million less than the 2003-04 balance of \$3 647 million. The anticipated decrease in liabilities relates to:

- a decrease in Advances Received of \$12 million reflecting the repayment of Australian Government loans including Commonwealth State Housing Agreement Debt;
- a decrease in Borrowings of \$216 million, reflecting the repayment of maturing debt using surplus cash held in the Public Account; and
- a decrease in Other Non-Equity Liabilities of \$17 million, which primarily reflects a reduction in the level of payables and accrued expenses recognised by General Government Sector entities.

The above decreases in liabilities are partially offset by an increase in the Superannuation Liability of \$50 million due to the actuarial revaluation of the liability.

Table 4: General Government Balance Sheet

	30 June 2004 Actual	30 June 2005 Original Budget	30 June 2005 Preliminary Outcome
	\$m	\$m	\$m
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	685	373	629
Advances paid	66	81	42
Investments, loans and placements	12	30	14
Other non-equity assets	314	343	325
Equity	4 206	4 260	3 782
<b>Total</b>	<b>5 282</b>	<b>5 087</b>	<b>4 793</b>
<b>Non-financial assets</b>			
Land and fixed assets	6 323	5 873	6 593
Other non-financial assets	22	16	38
<b>Total</b>	<b>6 345</b>	<b>5 889</b>	<b>6 631</b>
<b>Total assets</b>	<b>11 627</b>	<b>10 975</b>	<b>11 424</b>
<b>Liabilities</b>			
Advances received	273	261	261
Borrowings	603	453	387
Superannuation liability	2 242	2 133	2 292
Other employee provisions	311	321	308
Other non-equity liabilities	218	210	201
<b>Total liabilities</b>	<b>3 647</b>	<b>3 377</b>	<b>3 448</b>
<b>NET WORTH<sup>1</sup></b>	<b>7 980</b>	<b>7 598</b>	<b>7 976</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>1 635</b>	<b>1 710</b>	<b>1 345</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>2 356</b>	<b>2 362</b>	<b>2 254</b>
<b>NET DEBT<sup>4</sup></b>	<b>114</b>	<b>230</b>	<b>( 38)</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 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 5 details the General Government Sector Cash Flow Statement for 2004-05.

The 2004-05 preliminary Cash Surplus outcome is \$246 million, \$150 million greater than the original 2004-05 Budget estimate of \$96 million.

This is primarily due to additional receipts in relation to Taxes Received, Grants and Subsidies Received and Dividend, Tax and Rate Equivalent Income, partially offset by increased cash payments for operating activities and investment in non-financial assets.

Table 5: General Government Sector Cash Flow Statement

	2003-04 Actual	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$m	\$m	\$m
<b>Cash receipts from operating activities</b>			
Taxes received	630	607	680
Receipts from sales of goods and services	234	257	261
Grants and subsidies received	1 963	1 961	2 096
Dividend and income tax equivalent income	156	155	170
Interest received	47	31	38
Other receipts	239	202	185
<b>Total</b>	<b>3 269</b>	<b>3 214</b>	<b>3 430</b>
<b>Cash payments for operating activities</b>			
Payments for goods and services	(2 155)	(2 165)	( 2 268)
Grants and subsidies paid	(422)	(669)	( 556)
Interest paid	(72)	(58)	( 53)
Other payments	(127)	(124)	( 148)
<b>Total</b>	<b>(2 776)</b>	<b>(3 016)</b>	<b>( 3 024)</b>
<b>Net cash flows from operating activities</b>	<b>493</b>	<b>198</b>	<b>406</b>
<b>Net cash flows from investments in non-financial assets</b>			
Sale of non-financial assets	76	42	42
Purchases of non-financial assets	(169)	(144)	( 202)
<b>Total</b>	<b>(93)</b>	<b>(103)</b>	<b>( 160)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>69</b>	<b>5</b>	<b>...</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>(11)</b>	<b>10</b>	<b>22</b>
<b>Net cash flows from financing activities</b>			
Advances received (net)	(50)	(13)	( 13)
Borrowing (net)	(145)	(191)	( 242)
Other financing (net)	(20)	(12)	( 99)
<b>Total</b>	<b>(215)</b>	<b>(216)</b>	<b>( 354)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>244</b>	<b>(106)</b>	<b>( 86)</b>
<b>CASH SURPLUS/(DEFICIT)<sup>1</sup></b>	<b>400</b>	<b>96</b>	<b>246</b>

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

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The preliminary Consolidated Fund Surplus outcome is \$8.6 million for 2004-05, \$30.8 million less than the original 2004-05 Budget estimate of \$39.4 million.

The reduced preliminary Consolidated Fund Surplus outcome reflects an increase of \$243.2 million in total expenditure, offset by an increase of \$212.4 million in total Consolidated Fund receipts.

Table 6: Consolidated Fund Preliminary Outcome, 2004-05

	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$'000	\$'000
<b>Receipts</b>		
<b>Commonwealth Sources</b>		
Recurrent Receipts	1 783 830	1 887 779
Capital Receipts	40 415	44 614
<b>Total Commonwealth Sources</b>	1 824 245	1 932 393
<b>State Sources</b>		
Recurrent Receipts	900 411	1 029 275
Capital Receipts	25 168	533
<b>Total State Sources</b>	925 579	1 029 808
<b>Total Receipts</b>	2 749 824	2 962 201
<b>Less Expenditure</b>		
<b>Recurrent Services</b>		
Appropriation Act	2 390 598	2 532 143
Reserved by Law	179 448	167 765
<b>Total Recurrent Services</b>	2 570 046	2 699 908
<b>Works and Services</b>		
Capital Investment Program	140 475	241 815
Economic and Social Infrastructure Fund	...	12 000
<b>Total Works and Services</b>	140 475	253 815
<b>Total Expenditure</b>	2 710 521	2 953 723
<b>Gross Consolidated Fund Surplus/(Deficit)</b>	39 303	8 478
Add Loan Repayments	124	124
<b>Consolidated Fund Surplus</b>	39 427	8 602

Table 7: Consolidated Fund Expenditure, 2004-05

	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$'000	\$'000
<b>Economic Development</b>		
Recurrent Expenditure	42 385	63 053
<b>Total</b>	42 385	63 053
<b>Education</b>		
Recurrent Expenditure	675 492	686 558
Capital Expenditure	17 616	33 233
<b>Total</b>	693 108	719 791
<b>Finance-General</b>		
Recurrent Expenditure	505 611	536 880
Capital Expenditure	9 274	75 909
<b>Total</b>	514 885	612 789
<b>Health and Human Services</b>		
Recurrent Expenditure	809 998	855 524
Capital Expenditure	13 760	39 854
<b>Total</b>	823 758	895 378
<b>House of Assembly</b>		
Recurrent Expenditure	5 000	5 128
<b>Total</b>	5 000	5 128
<b>Infrastructure, Energy and Resources</b>		
Recurrent Expenditure	103 720	106 197
Capital Expenditure	82 155	86 308
<b>Total</b>	185 875	192 505
<b>Justice</b>		
Recurrent Expenditure	68 155	72 545
Capital Expenditure	13 365	13 559
<b>Total</b>	81 520	86 104
<b>Legislative Council</b>		
Recurrent Expenditure	3 876	3 910
<b>Total</b>	3 876	3 910

Table 7: Consolidated Fund Expenditure, 2004-05 (continued)

	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$'000	\$'000
<b>Legislature-General</b>		
Recurrent Expenditure	3 848	3 911
<b>Total</b>	<b>3 848</b>	<b>3 911</b>
<b>Ministerial and Parliamentary Support</b>		
Recurrent Expenditure	13 988	14 054
<b>Total</b>	<b>13 988</b>	<b>14 054</b>
<b>Office of the Governor</b>		
Recurrent Expenditure	2 717	3 222
Capital Expenditure	8	....
<b>Total</b>	<b>2 725</b>	<b>3 222</b>
<b>Police and Public Safety</b>		
Recurrent Expenditure	134 341	134 341
Capital Expenditure	1 016	1 016
<b>Total</b>	<b>135 357</b>	<b>135 357</b>
<b>Premier and Cabinet</b>		
Recurrent Expenditure	25 952	28 154
<b>Total</b>	<b>25 952</b>	<b>28 154</b>
<b>Primary Industries, Water &amp; Environment</b>		
Recurrent Expenditure	79 371	83 886
Capital Expenditure	1 180	1 835
<b>Total</b>	<b>80 551</b>	<b>85 721</b>
<b>Tasmanian Audit Office</b>		
Recurrent Expenditure	263	301
<b>Total</b>	<b>263</b>	<b>301</b>
<b>Tourism, Parks, Heritage and the Arts</b>		
Recurrent Expenditure	62 525	69 402
Capital Expenditure	2 101	2 101
<b>Total</b>	<b>64 626</b>	<b>71 503</b>



Table 7: Consolidated Fund Expenditure, 2004-05 (continued)

	2004-05 Original Budget	2004-05 Preliminary Outcome
	\$'000	\$'000
Treasury and Finance		
Recurrent Expenditure	32 804	32 843
<b>Total</b>	<b>32 804</b>	<b>32 843</b>
<b>TOTAL</b>	<b>2 710 521</b>	<b>2 953 723</b>

# 5. CONCEPTS AND DEFINITIONS

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

The General Government Preliminary Outcomes are prepared on an accrual 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.

Accrual 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 accrual UPF gives details of the expenses, revenue, payments, receipts, assets and liabilities of the Tasmanian General Government Sector. For further information on the UPF, refer to *The Tasmanian Government Financial System*.

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

A Budget based on the total Public Account does not remove the need for an appropriation from the Consolidated Fund. A Consolidated Fund appropriation is currently required by legislation. However, the focus on the Consolidated Fund is reduced when the focus is on a total resources based Budget. Most Australian jurisdictions removed the presentation of the Consolidated Fund from the Budget Papers when adopting an accrual budgeting framework.

## Operating Statement

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

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

### *Net Operating Result*

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

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 that revenues are not sufficient to meet all expenses incurred for the current year.

### *Fiscal Surplus*

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

The Fiscal Surplus 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.

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 the government maintains control. The Balance Sheet is a financial snap-shot, taken at the point of financial year ending. 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. Net debt is the same under cash and accrual-based financial reporting. High levels of Net Debt impose a call on future revenue flows to service that debt and can therefore limit a government's flexibility to adjust expenditure.

### *Net Financial Liabilities*

Net Financial Liabilities is Net Debt plus gross unfunded superannuation liabilities. This additional information is important in gauging the strength of a government's overall fiscal position. This measure is 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 not 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. Net Worth reflects non-financial assets such as land and other infrastructure assets, which may be sold and used to repay debt. It also reflects 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 is the key indicator 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. As such, the Cash Surplus also equals Net cash flows from financing activities, plus Net cash flows from investments in financial assets plus Net Increase in Cash Held. Viewed in this way, the Cash Surplus measures the amount which is the subject of the financing decision. For this reason, the Cash Surplus is important for cash management purposes. It should be noted that the ABS concept of a surplus/(deficit) does not include equity contributions to Government Businesses and the repayment of advances. These items can have a major impact in any given year. The ABS classifies these transactions as Financing Transactions and, while reflecting on the Net Increase in Cash Held, have no impact on the calculation of the surplus/(deficit).

## Consolidation of Transactions

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

For example, in the case of GFS, the rental payment by the Department of Justice to the Department of Treasury and Finance 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, the Department of Treasury and Finance has on-lent Commonwealth State Housing Agreement funds to the Department of Health and Human Services (DHHS) and since both agencies are within the General Government Sector, the borrowing recorded by DHHS and the advance held by Treasury are eliminated.

## Consolidated Fund

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

There are two types of expenditure from the Consolidated Fund:

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

# 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 Public Safety  
Premier and Cabinet  
Primary Industries, Water and Environment  
Royal Tasmanian Botanical Gardens  
State Fire Commission  
TAFE Tasmania  
Tasmanian Audit Office  
The Nominal Insurer  
Tourism, Parks, Heritage and the Arts  
Treasury and Finance