

# Preliminary Outcomes Report 2011-12



**Preliminary Outcomes Report 2011-12**

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# 1 INTRODUCTION

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The *Preliminary Outcomes Report* provides details on the General Government's financial results for 2011-12. It presents the preliminary financial data for the General Government Sector against the forecasts contained in the 2011-12 Budget.

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 2011-12 Budget and reporting requirements of the Uniform Presentation Framework. This Report should be read in conjunction with the *2011-12 Budget Papers* and the *2011-12 Guide to the Budget*.

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 2012.

The Report contains the following information:

- Section 2 provides an update on progress against the Key Fiscal Strategy Measures;
- Section 3 presents the preliminary financial statements for the General Government Sector;
- Section 4 summarises receipts to and expenditure from the Consolidated Fund; and
- Section 5 outlines key concepts.

The Preliminary Outcomes Report is a requirement under section 26 of the *Financial Management and Audit Act 1990*. From 2012-13, the *Financial Management and Audit Amendment Act 2012* implements a new reporting model that incorporates a September Quarterly Report, a Revised Estimates Report, a December Quarterly Report, a March Quarterly Report and the Treasurer's Annual Financial Report.

In addition, the amendment requires the preparation of a Preliminary Outcomes Report if the preliminary outcomes result at 31 July differs materially from the revised estimates published in the Budget Papers. The Secretary of the Department of Treasury and Finance will be required, by 31 July in each financial year, to review the preliminary outcomes result and determine whether those results differ materially from the revised estimates published in the Budget Papers. Where there is no material difference, the Secretary must inform the Treasurer and publicly release a notice that no report will be issued. Based on the requirements of the Financial Management and Audit Amendment Act, a Report would be issued for 2011-12, as the preliminary results are materially different from the revised estimates contained in the *2012-13 Budget Papers*.



# 2 KEY FISCAL STRATEGY MEASURES

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The current Fiscal Strategy was first presented in the 2011-12 Budget and prepared in response to the financial challenges being faced by the State. The Fiscal Strategy was developed in accordance with the principles of sound fiscal management as specified in the *Charter of Budget Responsibility Act 2007*. In this regard the Fiscal Strategy:

- reinforces the significance of the changes in the State's financial position that have occurred;
- reflects the State's current financial circumstances and the Government's current policy position;
- improves accountability through the establishment of a stronger focus on the key measures and targets;
- simplifies the calculation of fiscal strategy targets; and
- increases the medium to long-term focus of the strategy.

The Fiscal Strategy focuses on the following key aspects of financial management:

- the establishment of a sustainable Budget position;
- debt and liability reduction;
- maintaining a competitive business and tax environment; and
- ongoing infrastructure investment.

Table 2.1 provides an update on the progress of the Fiscal Strategy, based on the 2011-12 preliminary outcomes.

Table 2.1: Key Fiscal Strategy Measures

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome
<b>Fiscal Strategy Achievement</b>			
<b>A Sustainable Budget Position</b>			
<b>Net Operating Surplus</b>			
Target (\$m)	>(120)	>(120)	>(120)
Actual/Estimated (\$m)	(114)	(289)	(138)
<b>Debt and Liability Reduction</b>			
<b>Ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector <sup>1</sup></b>			
Target (%)	<115	<115	<115
Actual/Estimated (%)	111	104	100
<b>General Government Net Debt <sup>2</sup></b>			
Target (\$m)	<0	<0	<0
Actual/Estimated (\$m)	(53)	(202)	(385)
<b>A Competitive Business and Taxation Environment</b>			
<b>Tasmania's Tax Severity <sup>3</sup></b>			
Target (Index)	<100	<100	<100
Actual/Estimated (Index)	92	87	na
<b>Ongoing Infrastructure Investment</b>			
<b>Capital Expenditure in Excess of Depreciation</b>			
Target (\$m)	>0	>0	>0
Actual/Estimated (\$m)	286	179	124

Notes:

1. For the purposes of the Fiscal Strategy, Net Financial Liabilities represents Net Debt less Advances Paid plus the Superannuation liability. Net Financial Liabilities is divided by Revenue from Transactions to derive the Net Financial Liabilities to Revenue Ratio. This is in accordance with the methodology used by Standard & Poor's ratings agency.
2. The established targets represent a continuous improvement in the State's General Government Net Debt position from being Net Debt free to having negative Net Debt of more than \$1.5 billion.
3. In its most recent publication, the *Report on GST Sharing Relativities – 2012 Update*, the Commonwealth Grants Commission has published total taxation severity ratios, allowing a direct comparison of tax severity to be made between states and territories. Tasmania has been assessed as having the lowest taxation severity of all states, and the second lowest of all states and territories, based on the taxation arrangements in place in each jurisdiction in 2010-11.



# 3 GENERAL GOVERNMENT PRELIMINARY OUTCOME

## Income Statement

The General Government Income Statement for 2011-12 is detailed in Table 3.2.

The preliminary outcomes for 2011-12 are:

- a Net Operating Deficit of \$138 million, a \$24 million deterioration on the Budget deficit of \$114 million; and
- a Fiscal Deficit of \$211 million, a \$148 million improvement on the Budget deficit of \$359 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 linked to the Nation Building – *Economic Stimulus Plan*, Roads and Rail Funding, Water for the Future, Macquarie Point Railyards Remediation and the Royal Hobart Hospital Redevelopment. The preliminary 2011-12 Underlying Net Operating Balance is estimated to be a deficit of \$300 million, a deterioration of \$31 million from the original Budget deficit of \$269 million.

Table 3.1: Underlying Net Operating Balance

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Net Operating Balance</b>	<b>(114)</b>	<b>(289)</b>	<b>(138)</b>	<b>(23)</b>
<i>Less Impact of One-off Australian Government funding</i>				
Nation Building - <i>Economic Stimulus Plan</i>	14	7	7	143
Roads and Rail Funding	78	81	58	120
Royal Hobart Hospital Redevelopment	20	20	20	270
Macquarie Point Railyards Remediation Project	....	....	50	....
Water for the Future Funding	43	28	29	2
	<b>156</b>	<b>136</b>	<b>162</b>	<b>535</b>
<b>Underlying Net Operating Balance</b>	<b>(269)</b>	<b>(425)</b>	<b>(300)</b>	<b>(557)</b>

**Table 3.2: Income Statement**

	<b>2011-12 Original Budget</b>	<b>2011-12 Estimated Outcome</b>	<b>2011-12 Preliminary Outcome</b>	<b>2010-11 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue from transactions</b>				
Grants	2 855	2 854	2 995	3 191
Taxation	906	882	901	860
Sales of goods and services	391	381	334	303
Fines and regulatory fees	90	97	90	84
Interest income	26	30	28	40
Dividend, tax and rate equivalent income	218	216	216	159
Other revenue	131	135	148	129
	<b>4 618</b>	<b>4 595</b>	<b>4 713</b>	<b>4 767</b>
<b>Expenses from transactions</b>				
Employee expenses	1 991	2 031	2 093	2 070
Superannuation	230	257	291	271
Depreciation	265	242	242	236
Supplies and consumables	961	1 035	952	991
Nominal superannuation interest expense	229	239	239	232
Borrowing costs	14	14	14	14
Grant expenses	1 004	1 021	994	952
Other expenses	36	46	27	23
	<b>4 732</b>	<b>4 884</b>	<b>4 851</b>	<b>4 790</b>
<b>Equals NET OPERATING BALANCE</b>	<b>(114)</b>	<b>(289)</b>	<b>(138)</b>	<b>(23)</b>
<b>Plus Other economic flows – Included in Operating Result</b>				
Gain/(loss) on sale of non-financial assets	5	4	1	6
Revaluation of equity investment in PNFC and PFC Sectors	316	58	(169)	228
Revaluation of superannuation liability	....	342	340	85
Gain on sale of TOTE Tasmania Pty Ltd	....	95	89	....
Other gains/(losses)	(5)	(5)	(65)	(124)
	<b>316</b>	<b>494</b>	<b>196</b>	<b>195</b>
<b>Equals Operating Result</b>	<b>202</b>	<b>205</b>	<b>58</b>	<b>172</b>

Table 3.2: Income Statement (continued)

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Plus Other economic flows – Other movements in equity</b>				
Revaluations of non-financial assets	237	250	346	(807)
Other movements in equity	(134)	(45)	(35)	120
	<b>104</b>	<b>205</b>	<b>310</b>	<b>(688)</b>
<b>Equals Comprehensive Result</b>	<b>306</b>	<b>410</b>	<b>368</b>	<b>(515)</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>(114)</b>	<b>(289)</b>	<b>(138)</b>	<b>(23)</b>
<b>Less Net acquisition of non-financial assets</b>				
Purchase of non-financial assets	551	421	366	721
Less Sale of non-financial assets	42	42	51	62
Less Depreciation	265	242	242	236
	<b>245</b>	<b>137</b>	<b>73</b>	<b>423</b>
<b>Equals FISCAL BALANCE – SURPLUS/(DEFICIT)</b>	<b>(359)</b>	<b>(426)</b>	<b>(211)</b>	<b>(446)</b>

## Revenue Variations

Revenue from transactions is estimated to be \$4 713 million in 2011-12, which is \$95 million higher than the 2011-12 Budget estimate of \$4 618 million. The main changes are:

Revenue Item	Variance from Budget	Reasons
Grants revenue \$140 million higher		
General purpose payments	\$83 million lower	The decrease reflects a downward revision by the Australian Government in the level of the National GST pool.
National partnership payments	\$181 million higher	<p>The increase primarily reflects additional Australian Government funding, consisting of:</p> <ul style="list-style-type: none"> <li>• \$66 million as part of the Tasmanian Forests Intergovernmental Agreement;</li> <li>• \$50 million for the Macquarie Point Railyards Remediation Project;</li> <li>• \$27 million for Health Services;</li> <li>• \$19 million for Grants to Local Government as a result of the Australian Government paying 50 per cent of the 2012-13 Budget to councils prior to 30 June 2012 ;</li> <li>• \$15 million for Infrastructure Services: and</li> <li>• \$7 million for Schools.</li> </ul> <p>The increase in NPPs is partly offset by a reduction in funding for Environmental Services of \$14 million.</p>
Other grants and subsidies	\$40 million higher	<p>The increase is primarily due to the Department of Health and Human Services reclassifying Australian Government funding of \$64 million for the Mersey Community Hospital from Sales of goods and services to Grants.</p> <p>Refer to Table 3.3 for further detail on Grants revenue.</p>
<hr/>		
Sales of Goods and Services	\$57 million lower	The decrease is primarily due to a fall in revenue for the Department of Health and Human Services of \$40 million, reflecting the reclassification of Mersey Community Hospital funding to Grants, partly offset by additional patient fees. There was also a decrease due to the Department of Justice reclassifying \$7 million in revenue from Sales of goods and services to Fines and regulatory fees.

**Table 3.3: General Government Grants**

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
Australian Government Grants				
General purpose payments	1 743	1 660	1 660	1 653
Specific purpose payments	645	646	647	618
National partnership payments	407	477	588	791
Other grants and subsidies	60	71	100	129
	<b>2 855</b>	<b>2 854</b>	<b>2 995</b>	<b>3 191</b>

**Table 3.4: General Government Taxation**

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Payroll tax</b>	293	300	319	286
<b>Taxes on property</b>				
Land tax	86	88	88	75
Fire service levies				
Fire service contribution	32	32	32	31
Insurance fire levy	16	16	17	16
Guarantee fees	27	26	26	24
Taxes on financial and capital transactions	164	135	134	145
<b>Taxes on the provision of goods and services</b>				
Gambling taxes				
Casino tax and licence fees	59	59	58	59
Betting exchange taxes and levies	2	2	2	4
Lottery tax	26	26	27	25
Totalizator wagering levy	7	7	7	6
Insurance taxes	52	52	53	49
<b>Taxes on the use of goods and services</b>				
Vehicle registration fees	34	33	34	33
Motor vehicle fees and taxes				
Motor vehicle duty	39	36	35	38
Motor tax	64	64	63	62
Motor vehicle fire levy	6	6	7	6
	<b>906</b>	<b>882</b>	<b>901</b>	<b>860</b>

## Expense Variations

Expenses from transactions is estimated to be \$4 851 million in 2011-12, which is \$119 million higher than the 2011-12 Budget estimate of \$4 732 million. The major expense variations by Agency are:

<b>Expense Item Variance from Budget</b>	<b>Reasons</b>
Finance-General \$91 million higher	The increase in Finance-General primarily reflects additional grant expenses of \$80 million due to grants associated with the Tasmanian Forests Intergovernmental Agreement of \$66 million and additional grants provided to Local Government of \$19 million.
Department of Health and Human Services \$47 million higher	<p>The additional expenditure represents:</p> <ul style="list-style-type: none"><li>• additional recurrent funding of \$25 million provided by the State to meet cost and demand pressures in the delivery of Acute Services; and</li><li>• the utilisation of additional Australian Government funding of \$55 million for various projects including Home and Community Care, Highly Specialised Drugs, Elective Surgery Waiting List Reduction Plan and Oncology services in the North-West.</li></ul> <p>This was partly offset by delays in expenditure with regard to a number of projects amounting to \$27 million.</p>
Department of Police and Emergency Management \$26 million higher	<p>The increase reflects:</p> <ul style="list-style-type: none"><li>• additional Supplies and consumables of \$13 million, including expenditure relating to the Tasmanian Mobile Radio Network upgrade of \$6 million and Services fees for the TMRN of \$6 million;</li><li>• additional Employee expenses of \$7 million due to slower than anticipated reductions in Police staffing and the provision of Police services to the Pontville Detention Centre; and</li><li>• an increase in Grant expenses of \$4 million primarily due to expenditure of Australian Government funding for the National Partnership Agreement on Natural Disaster Resilience.</li></ul>

Expense Item Variance from Budget	Reasons
Department of Justice \$17 million higher	<p>The increase reflects:</p> <ul style="list-style-type: none"> <li>• additional Employee expenses of \$11 million primarily due to additional costs for Prison services, Workcover Tasmania Board and Workplace Standards, in addition to an increase in long service leave and annual leave liabilities; and</li> <li>• additional Other Expenses of \$4 million associated with compensation payments made out of the Asbestos Compensation Fund.</li> </ul>
Department of Economic Development, Tourism and the Arts \$15 million higher	<p>The increase primarily reflects grants distributed on behalf of the Australian Government as part of the Tasmanian Forests Intergovernmental Agreement of \$16 million.</p>
Department of Education \$47 million lower	<p>The decrease primarily reflects revisions to the expected timing of expenditure of Australian Government funding on the Productivity Places Program, resulting in a decrease in expenditure of \$20 million in 2011-12 and corresponding increases over the period 2012-13 to 2015-16.</p> <p>The Department's Depreciation expense also decreased by \$20 million due to the revision of the useful life for buildings, revised completion estimates for major capital projects and revised estimates for assets of the Tasmanian Polytechnic and Tasmanian Academy.</p> <p>Expenditure associated with the Tasmanian Polytechnic was classified in the original Budget as Grant expenses. However, amalgamation with the Department has meant this expenditure is now recorded against Employee entitlements and Supplies and consumables, resulting in variances for these line items.</p>

## Other Economic Flows – Included in Operating Result Variations

Other economic flows – Included in Operating Result is estimated to be \$196 million in 2011-12, which is \$120 million lower than the 2011-12 Budget estimate of a \$316 million inflow. The main changes are:

Variance from Budget	Reasons
Revaluation of equity investment in PNFC and PFC Sectors \$485 million lower	The decrease reflects a decline in net assets held by Forestry Tasmania, Water and Sewerage entities, Motor Accidents Insurance Board and Tasmanian Irrigation Pty Ltd, partly offset by an estimated increase in net assets of the electricity entities.
Revaluation of superannuation liability \$340 million higher	<p>The original Budget estimate was prepared in June 2011. The increase in revaluation reflects the actuarial gain on the superannuation liability that was calculated during May 2012 for the 2012-13 Budget process and included in the preliminary outcome.</p> <p>Final actuarial projections as at 30 June 2012 were not available for inclusion in the preliminary results. However, with the recent fluctuations in the Australian Government bond rate there is likely to be an increase in the Superannuation liability. The 30 June 2012 actuarial valuation will be presented in the 2011-12 <i>Treasurer's Annual Financial Report</i>.</p>
Gain on disposal of equity in TOTE Tasmania Pty Ltd \$89 million higher	The sale of TOTE Tasmania Pty Ltd to Tatts Group Limited for \$104 million was completed on 26 March 2012. On sale date, the value of Net Assets for TOTE was \$15 million, resulting in a gain on sale of \$89 million,
Other gains/(losses) \$60 million lower	The decrease primarily reflects: <ul style="list-style-type: none"> <li>• an unanticipated write-off of Housing assets of \$44 million by the Department of Health and Human Services; and</li> <li>• \$18 million relating to the impairment of Non-financial assets for the Department of Infrastructure, Energy and Resources of \$12 million and Health and Human Services of \$6 million.</li> </ul>



## *Net Acquisition of Non-Financial Assets Variations*

Net Acquisition of Non-Financial Assets is estimated to be \$73 million in 2011-12, which is \$172 million lower than the 2011-12 Budget estimate of \$245 million. The main changes are:

<b>Variance from Budget</b>	<b>Reasons</b>
Department of Education \$27 million higher	<p>Purchases of non-financial assets is \$7 million higher than the original Budget estimate, primarily reflecting increased expenditure of Building the Education Revolution funding.</p> <p>Depreciation is \$20 million below the original Budget estimate, primarily reflecting a revision of the useful life of buildings, revised completion estimates of major capital projects, and revised estimates for assets of the Tasmanian Polytechnic and Tasmanian Academy.</p>
Department of Health and Human Services \$106 million lower	<p>Purchases of non-financial assets is \$99 million below the original Budget estimate, reflecting a revision of cash flows due to project delays in relation to the Royal Hobart Hospital Redevelopment of \$20 million, Hospitals Capital Fund of \$25 million, Housing Fund of \$12 million, Launceston Acute Medical and Surgical Unit of \$9 million and various other projects.</p>
Department of Primary Industries, Parks, Water and Environment \$19 million lower	<p>Purchases of non-financial assets is \$4 million lower than the original Budget estimate, primarily as a result of the changed timeline for completion of the Three Capes Track.</p> <p>Sales of non-financial assets are \$10 million higher than the original Budget estimate, primarily reflecting the proceeds from the sale of Domain House and other Land sales.</p>

# Balance Sheet

Table 3.5: Balance Sheet as at 30 June

	2012 Original Budget	2012 Estimated Outcome	2012 Preliminary Outcome	2011 Actual
	\$m	\$m	\$m	\$m
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	259	1 026	1 228	628
Investments	63	60	53	56
Equity investment in PNFC and PFC sectors	6 353	6 227	5 994	6 178
Other equity investments	4	5	6	4
Receivables	188	196	341	216
Other financial assets	1 011	1 113	1 027	1 031
	<b>7 877</b>	<b>8 628</b>	<b>8 649</b>	<b>8 113</b>
<b>Non-financial assets</b>				
Land and buildings	6 040	6 121	5 959	5 897
Infrastructure	5 263	3 942	4 078	3 787
Plant and equipment	218	214	227	224
Heritage and cultural assets	575	453	441	442
Investment property	14	13	12	12
Intangible assets	29	31	35	34
Assets held for sale	20	26	21	28
Other non-financial assets	38	35	40	35
	<b>12 197</b>	<b>10 835</b>	<b>10 813</b>	<b>10 459</b>
<b>Total Assets</b>	<b>20 075</b>	<b>19 463</b>	<b>19 462</b>	<b>18 573</b>
<b>Liabilities</b>				
Borrowings	269	885	896	269
Superannuation	5 176	4 802	4 802	4 966
Employee entitlements	523	512	524	488
Payables	95	53	69	97
Other liabilities	257	309	387	261
<b>Total Liabilities</b>	<b>6 320</b>	<b>6 562</b>	<b>6 676</b>	<b>6 081</b>
<b>NET ASSETS</b>	<b>13 755</b>	<b>12 902</b>	<b>12 785</b>	<b>12 492</b>

Table 3.5: Balance Sheet as at 30 June (continued)

	2012 Original Budget	2012 Estimated Outcome	2012 Preliminary Outcome	2011 Actual
	\$m	\$m	\$m	\$m
<b>Equity</b>				
Accumulated funds	8 135	8 951	8 739	8 791
Asset revaluation reserve	5 008	3 951	4 047	3 701
Other equity	612	....	....	....
<b>Total Equity</b>	<b>13 755</b>	<b>12 902</b>	<b>12 785</b>	<b>12 492</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET WORTH <sup>1</sup></b>	<b>13 755</b>	<b>12 902</b>	<b>12 785</b>	<b>12 492</b>
<b>NET FINANCIAL WORTH <sup>2</sup></b>	<b>1 558</b>	<b>2 066</b>	<b>1 973</b>	<b>2 032</b>
<b>NET FINANCIAL LIABILITIES <sup>3</sup></b>	<b>4 795</b>	<b>4 161</b>	<b>4 021</b>	<b>4 146</b>
<b>NET DEBT <sup>4</sup></b>	<b>(53)</b>	<b>(202)</b>	<b>(385)</b>	<b>(416)</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 investments in the PNFC and PFC Sectors.
4. Net Debt represents borrowings less cash and deposits and investments.

Budget estimates for the 2012 Balance Sheet were compiled in June 2011 prior to completion of the actual outcomes for 30 June 2011. The preliminary outcome variance from the original Budget estimate will reflect the difference between the estimated and actual opening balances for 2012. The following commentary is therefore based on movements between the 30 June 2011 actual outcome and the 30 June 2012 preliminary outcome.

## *Asset Variations*

General Government Assets are estimated to be \$19 462 million at 30 June 2012, an increase of \$889 million from the 30 June 2011 balance of \$18 573 million.

<b>Variance from 2010-11</b>	<b>Reasons</b>
Cash and deposits \$600 million higher	The increase primarily reflects an overnight increase in the Government's cash holdings as a result of the investment of the temporary overnight borrowing of \$650 million undertaken by Finance-General at 30 June 2012. The overnight borrowing grosses up the level of cash holdings to equal the balance of accounts in the Special Deposits and Trust Fund.
Equity Investment in PNFC and PFC Sectors \$184 million lower	The decrease reflects a decline in net assets held by Forestry Tasmania and the Water and Sewerage entities, partly offset by an estimated increase in net assets of the electricity entities.
Receivables \$125 million higher	The increase reflects the creation of a receivable of \$131 million by the Department of Justice in relation to the Asbestos Compensation Fund. This is offset by a provision that has been established in Other Liabilities amounting to \$137 million.
Infrastructure assets \$291 million higher	The increase reflects increased Infrastructure revaluations and additional capital expenditure undertaken by the Department of Infrastructure, Energy and Resources of \$204 million and the Department of Primary Industries, Parks, Water and the Environment of \$87 million.

## *Liability Variations*

General Government Liabilities are estimated to be \$6 676 million at 30 June 2012, \$595 million greater than the 30 June 2011 balance of \$6 081 million.

The increase in liabilities is predominantly due to:

<b>Variance from 2010-11</b>	<b>Reasons</b>
Superannuation liability \$164 million lower	The Superannuation liability reflects the actuarial projections included in the 2012-13 Budget. Final actuarial projections as at 30 June 2012 were not available for inclusion in the preliminary results. However, with the recent fluctuations in the Australian Government bond rate there is likely to be an increase in the Superannuation liability. The 30 June 2012 actuarial valuation will be presented in the <i>2011-12 Treasurer's Annual Financial Report</i> .
Borrowings \$627 million higher	The increase primarily reflects the \$650 million temporary overnight borrowing undertaken at 30 June 2012.
Other liabilities \$126 million higher	The increase reflects the establishment of a provision of \$137 million by the Department of Justice in relation to the Asbestos Compensation Fund.

# Cash Flow Statement

Table 3.6: Cash Flow Statement

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Cash flows from operating activities</b>				
<b>Cash inflows</b>				
Grants received	2 855	2 854	3 001	3 184
Taxation	907	882	886	847
Sales of goods and services	391	381	319	311
Fines and regulatory fees	88	95	95	86
Interest received	25	31	29	41
Dividend, tax and rate equivalents	218	216	211	126
Other receipts	304	315	342	383
	<b>4 788</b>	<b>4 774</b>	<b>4 882</b>	<b>4 977</b>
<b>Cash outflows</b>				
Employee entitlements	(1 965)	(2 007)	(2 051)	(2 046)
Superannuation	(303)	(318)	(340)	(305)
Supplies and consumables	(976)	(1 046)	(931)	(1 016)
Borrowing costs	(14)	(14)	(14)	(15)
Grants and subsidies paid	(1 004)	(1 021)	(1 038)	(931)
Other payments	(204)	(214)	(240)	(269)
	<b>(4 466)</b>	<b>(4 620)</b>	<b>(4 614)</b>	<b>(4 581)</b>
<b>Net cash flows from operating activities</b>	<b>322</b>	<b>154</b>	<b>268</b>	<b>395</b>
<b>Cash flows from investing activities</b>				
<b>Net cash flows from non-financial assets</b>				
Purchase of non-financial assets	(551)	(421)	(366)	(720)
Sale of non-financial assets	42	42	51	62
	<b>(509)</b>	<b>(378)</b>	<b>(315)</b>	<b>(658)</b>
<b>Net cash flows from financial assets (policy purposes)</b>				
Equity injections	(99)	(89)	(74)	(58)
Proceeds on sale of TOTE Tasmania Pty Ltd	....	103	104	....
Net advances paid	(8)	(7)	1	(9)
	<b>(107)</b>	<b>6</b>	<b>31</b>	<b>(67)</b>
<b>Net cash flows from financial assets (liquidity purposes)</b>				
Net purchase of investments	....	....	....	(1)
	<b>....</b>	<b>....</b>	<b>....</b>	<b>(1)</b>
<b>Net cash flows from investing activities</b>	<b>(616)</b>	<b>(372)</b>	<b>(284)</b>	<b>(726)</b>

Table 3.6: Cash Flow Statement (continued)

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Cash flows from financing activities</b>				
Net borrowing	(14)	616	626	(4)
Other financing	....	....	(11)	(1)
	<b>(14)</b>	<b>616</b>	<b>614</b>	<b>(5)</b>
<b>Net increase/(decrease) in cash held</b>	<b>(308)</b>	<b>398</b>	<b>599</b>	<b>(338)</b>
<b>Cash at the beginning of the year</b>	<b>567</b>	<b>628</b>	<b>628</b>	<b>966</b>
<b>Cash at the end of the year</b>	<b>259</b>	<b>1 026</b>	<b>1 228</b>	<b>628</b>
<b>KEY FISCAL AGGREGATES</b>				
Net cash from operating activities	322	154	268	395
Plus Net cash from investments in non-financial assets	(509)	(378)	(315)	(658)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(187)</b>	<b>(224)</b>	<b>(46)</b>	<b>(263)</b>





# 4 CONSOLIDATED FUND

Table 4.1: Consolidated Fund Preliminary Outcome

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Recurrent Receipts</b>				
<b>Australian Government sources</b>				
General purpose payments	1 743	1 660	1 660	1 653
Specific purpose payments	645	646	647	618
National partnership payments	407	411	472	792
Other grants and subsidies	53	62	52	50
	<b>2 848</b>	<b>2 779</b>	<b>2 831</b>	<b>3 113</b>
<b>State sources</b>				
Taxation	914	894	901	874
Receipts from government businesses	246	241	236	148
Departmental fees and recoveries	93	87	89	87
Sale and rent of government property	6	11	11	5
Resource rents and royalties	52	52	54	49
Recoveries of state debt charges	1	1	1	1
Other recurrent receipts	117	132	52	73
	<b>1 429</b>	<b>1 418</b>	<b>1 343</b>	<b>1 237</b>
<b>Capital Receipts</b>				
<b>State sources</b>				
Proceeds on sale of TOTE Tasmania Pty Ltd	....	103	104	....
	....	<b>103</b>	<b>104</b>	....
	<b>4 276</b>	<b>4 300</b>	<b>4 278</b>	<b>4 350</b>
<b>less Expenditure</b>				
<b>Recurrent services</b>				
Appropriation Act	3 927	3 993	3 958	4 203
Reserved by Law	157	145	145	137
	<b>4 084</b>	<b>4 138</b>	<b>4 103</b>	<b>4 340</b>
<b>Works and services</b>				
Capital Investment Program	335	301	290	549
Economic and Social Infrastructure Fund	....	....	....	1
Hospitals Capital Fund	27	27	27	....
	<b>362</b>	<b>327</b>	<b>317</b>	<b>550</b>
	<b>4 446</b>	<b>4 465</b>	<b>4 420</b>	<b>4 890</b>
<b>CONSOLIDATED FUND SURPLUS/(DEFICIT)</b>	<b>(170)</b>	<b>(165)</b>	<b>(142)</b>	<b>(540)</b>

Table 4.2: Consolidated Fund Expenditure

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Economic Development, Tourism and the Arts</b>				
Recurrent services	101	104	104	115
	<b>101</b>	<b>104</b>	<b>104</b>	<b>115</b>
<b>Education</b>				
Recurrent services	1 165	1 168	1 152	1 168
Works and services	61	76	75	195
	<b>1 226</b>	<b>1 244</b>	<b>1 227</b>	<b>1 363</b>
<b>Finance-General</b>				
Recurrent services	278	289	294	531
Reserved by Law	129	119	119	113
Works and services	27	27	27	1
	<b>434</b>	<b>435</b>	<b>440</b>	<b>645</b>
<b>Health and Human Services</b>				
Recurrent services	1 513	1 575	1 565	1 558
Works and services	113	76	68	129
	<b>1 626</b>	<b>1 651</b>	<b>1 633</b>	<b>1 686</b>
<b>House of Assembly</b>				
Recurrent services	2	2	2	2
Reserved by Law	5	5	5	5
	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Infrastructure, Energy and Resources</b>				
Recurrent services	241	234	222	222
Works and services	140	141	139	219
	<b>381</b>	<b>375</b>	<b>362</b>	<b>441</b>
<b>Integrity Commission</b>				
Recurrent services	3	3	3	3
	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Justice</b>				
Recurrent services	116	119	120	120
Reserved by Law	12	10	10	9
Works and services	4	2	2	....
	<b>132</b>	<b>131</b>	<b>131</b>	<b>130</b>
<b>Legislative Council</b>				
Recurrent services	3	3	3	3
Reserved by Law	3	3	3	3
	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Legislature-General</b>				
Recurrent services	6	6	6	6
	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>

Table 4.2: Consolidated Fund Expenditure (continued)

	2011-12 Original Budget	2011-12 Estimated Outcome	2011-12 Preliminary Outcome	2010-11 Actual
	\$m	\$m	\$m	\$m
<b>Ministerial and Parliamentary Support</b>				
Recurrent services	18	19	19	21
Reserved by Law	1	1	1	1
	<b>19</b>	<b>20</b>	<b>20</b>	<b>21</b>
<b>Office of the Director of Public Prosecutions</b>				
Recurrent services	6	6	5	6
	<b>6</b>	<b>6</b>	<b>5</b>	<b>6</b>
<b>Office of the Governor</b>				
Recurrent services	3	3	3	3
Reserved by Law	....	....	1	....
	<b>3</b>	<b>3</b>	<b>4</b>	<b>3</b>
<b>Office of the Ombudsman</b>				
Recurrent services	2	2	2	2
	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Police and Emergency Management</b>				
Recurrent services	188	191	191	193
Works and services	8	3	3	4
	<b>196</b>	<b>194</b>	<b>194</b>	<b>198</b>
<b>Premier and Cabinet</b>				
Recurrent services	51	53	52	56
Reserved by Law	6	6	6	6
	<b>57</b>	<b>59</b>	<b>58</b>	<b>62</b>
<b>Primary Industries, Parks, Water and Environment</b>				
Recurrent services	188	173	172	153
Works and services	9	4	4	1
	<b>196</b>	<b>177</b>	<b>175</b>	<b>154</b>
<b>Tasmanian Audit Office</b>				
Recurrent services	2	2	2	2
Reserved by Law	1	1	....	....
	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
<b>Treasury and Finance</b>				
Recurrent services	40	41	40	41
	<b>40</b>	<b>41</b>	<b>40</b>	<b>41</b>
<b>TOTAL CONSOLIDATED FUND EXPENDITURE</b>	<b>4 446</b>	<b>4 465</b>	<b>4 420</b>	<b>4 890</b>



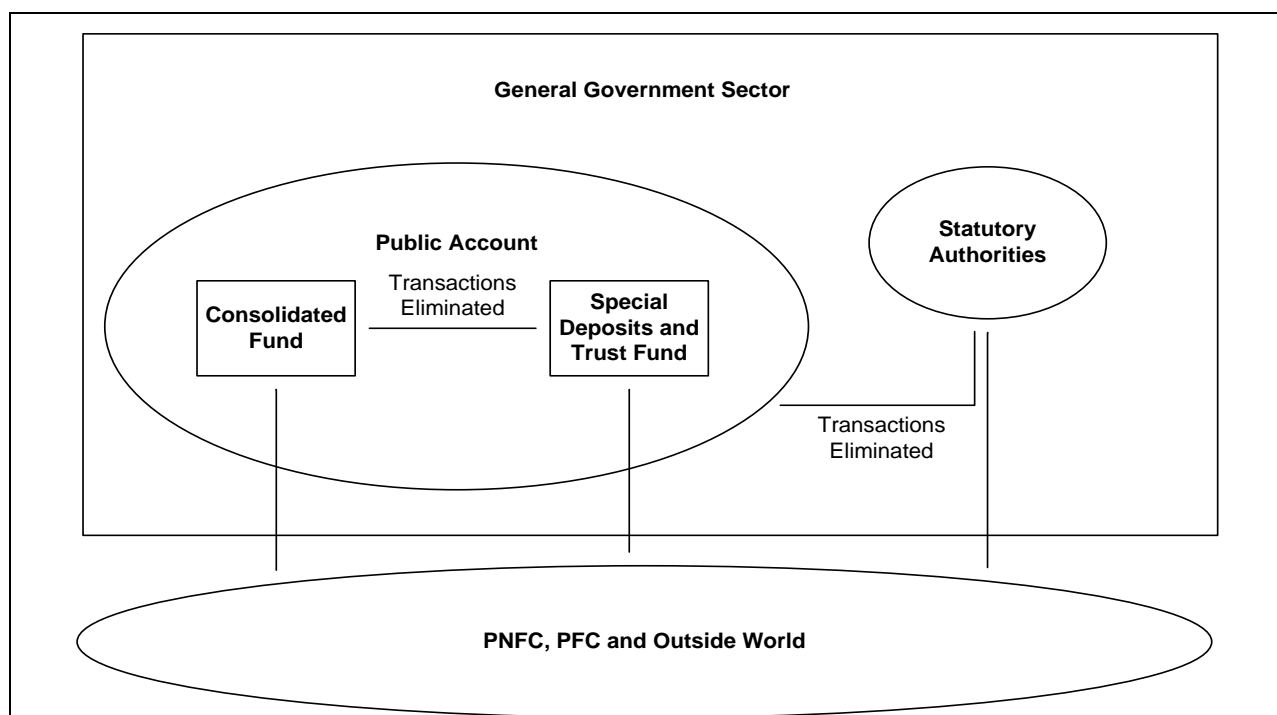
# 5 CONCEPTS

## Compliance Framework

The financial statements have been prepared in accordance with applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Where there is no conflict with these standards, statements are consistent with the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*. The GFS facilitates comparison of financial performance across jurisdictions and is used by financial markets, credit rating agencies and other analysts. Compliance with *AASB 1049 Whole of Government and General Government Sector Financial Reporting* means the statements are consistent with the reporting requirements of the Uniform Presentation Framework.

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

Diagram 5.1: Transactions included in the General Government Sector



## Consolidation of Transactions

The AASB 1049 statements present a consolidated view of the financial transactions for all entities within the GGS. Receipts, payments, financial assets and liabilities held with other agencies within the Sector are matched and eliminated to avoid double counting. This process is known as consolidation.

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

## Consolidated Fund

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

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

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

Works and services funding is provided to meet construction costs and the purchase and maintenance of major capital assets such as roads, public housing, schools and hospitals.

Under the *Public Account Act 1986*, unless specifically excluded by that Act or any other Act, all revenue of the State is credited to the Consolidated Fund.

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

## Rounding

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

# General Government Sector

This Report includes all General Government agencies and statutory authorities. The primary function of these entities is to provide public services which are mainly non-market in nature and for consumption by the community. The services provided by these entities are financed mainly through taxes and other compulsory levies. As at 30 June 2012, the following entities are classified within the General Government Sector.

Department of Economic Development, Tourism and the Arts

Department of Education

Department of Health and Human Services

House of Assembly

Department of Infrastructure, Energy and Resources

Inland Fisheries Service

Integrity Commission

Department of Justice

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Office of the Director of Public Prosecutions

Office of the Governor

Office of the Ombudsman

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Royal Tasmanian Botanical Gardens

State Fire Commission

Tasmanian Audit Office

Tasmanian Skills Institute

Department of Treasury and Finance (including Finance-General)