

September Quarterly Report 2013-14



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1 INTRODUCTION

The *September Quarterly Report 2013-14* is prepared in accordance with Section 26 of the *Financial Management and Audit Act 1990*. It presents financial results for the three months ending 30 September 2013 for the General Government Sector and the Consolidated Fund.

Seasonal and timing factors impact the State's finances, especially the timing of Grants revenue and Grant expenses. Therefore, care should be taken using the quarterly information to extrapolate the likely outcome for 2013-14.

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*. Estimation methods have been used in the preparation of this Report which are based on the principles of *AASB 134 Interim Financial Reporting*.

Presentation of the financial statements is consistent with the 2013-14 Budget and reporting requirements of the Uniform Presentation Framework. This Report should be read in conjunction with the *2013-14 Budget Papers* and the *Guide to the Budget*.

The Report contains the following information:

- Section 2 presents the financial results for the General Government Sector for the three months ending 30 September 2013;
- Section 3 summarises receipts to and expenditure from the Consolidated Fund; and
- Section 4 outlines key concepts used within this Report.

2 GENERAL GOVERNMENT SECTOR OUTCOME

Income Statement

The General Government Sector Net Operating Balance for the three months ending 30 September 2013 is a deficit of \$148.6 million. The quarterly results are impacted by the timing of expenditure and revenue items including:

- Taxation revenue is \$305.4 million, or 33 per cent of the 2013-14 Budget estimate of \$940 million. The year-to-date receipts reflect the timing of Land tax revenue. The majority of Land tax is recognised in the September 2013 quarter when the bulk of invoices for 2013-14 have been issued;
- Dividend, tax and rate equivalent income is \$14.9 million, or five per cent of the 2013-14 Budget estimate of \$330.1 million. Dividends from State-owned Companies and Government Business Enterprises are generally received in the December quarter;
- Grants revenue is \$747.1 million, or 26 per cent of the 2013-14 Budget estimate of \$2 850.9 million. This primarily reflects the timing of Australian Government Grant receipts;
- Expenses from transactions is \$1 359.5 million, or 27 per cent of the 2013-14 Budget estimate of \$5 059 million. This reflects the seasonal patterns of departmental spending, including timing differences for Grant expenses; and
- Revaluation of equity investment in the PNFC and PFC sectors is a loss of \$1 798 million for the three months ending 30 September 2013. This loss reflects the derecognition of the equity investment in the four Tasmanian Water and Sewerage Corporations which ceased trading on 30 June 2013. From 1 July 2013, all assets, rights, liabilities and employees of the four Corporations were transferred to TasWater which is classified by the Australian Bureau of Statistics to the Local Government Sector for reporting purposes. Accordingly, the net assets of TasWater will not be included within the value of the Equity investment for 2013-14.

Balance Sheet

Net Worth decreased by \$1 857.9 million from \$11 791.6 million as at 30 June 2013 to \$9 933.7 million as at 30 September 2013. The fall is primarily due to the derecognition of the Equity investment in the Tasmanian Water and Sewerage Corporations as outlined above.

Net Debt deteriorated by \$235.9 million from negative \$220.3 million as at 30 June 2013 to positive \$15.6 million as at 30 September 2013. The decline is due to the decrease in Cash and deposits of \$236 million primarily relating to the Consolidated Fund Deficit for the three months ending 30 September 2013 of \$208.5 million. Refer to Section 3 of this Report for more information on the Consolidated Fund Outcome.

Table 2.1: General Government Income Statement

	2012-13 Sept YTD Actual	2013-14 Original Budget	2013-14 Sept YTD Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	664.2	2 850.9	747.1
Taxation	276.8	940.0	305.4
Sales of goods and services	81.3	354.9	85.8
Fines and regulatory fees	24.4	106.4	22.4
Interest income	6.6	13.8	2.4
Dividend, tax and rate equivalent income	11.9	330.1	14.9
Other revenue	43.6	195.9	32.9
	1 108.8	4 792.1	1 210.9
Less Expenses from transactions			
Employee expenses	546.0	2 109.9	534.3
Superannuation	81.0	248.1	41.9
Depreciation	62.0	276.3	69.1
Supplies and consumables	229.1	1 086.9	241.7
Nominal superannuation interest expense	65.1	268.2	67.0
Borrowing costs	5.7	11.9	5.1
Grant expenses	333.1	1 025.9	390.8
Other expenses	9.9	31.9	9.5
	1 332.0	5 059.0	1 359.5
Equals NET OPERATING BALANCE	(223.2)	(266.9)	(148.6)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	0.2	8.3	0.9
Revaluation of equity investment in PNFC and PFC sectors	75.1	120.8	(1 798.0)
Revaluation of superannuation liability	....	....	....
Other gains/(losses)	1.5	11.9	1.8
	76.8	140.9	(1 795.3)
Equals Operating Result	(146.4)	(126.0)	(1 944.0)

Table 2.1: General Government Income Statement (continued)

	2012-13 Sept YTD Actual	2013-14 Original Budget	2013-14 Sept YTD Actual
	\$m	\$m	\$m
Plus Other economic flows – Other non-owner movements in equity			
Revaluations of non-financial assets	62.2	326.1	81.5
Other movements in equity	9.0	(59.7)	20.7
	71.2	266.5	102.2
Equals Comprehensive Result	(75.2)	140.5	(1 841.7)
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(223.2)	(266.9)	(148.6)
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	48.4	344.8	41.4
Less Sale of non-financial assets	8.7	26.3	7.3
Less Depreciation	62.0	276.3	69.1
	(22.3)	42.2	(34.9)
Equals FISCAL BALANCE	(200.9)	(309.1)	(113.7)

Table 2.2: General Government Balance Sheet

	30 June 2013	30 June 2014	30 Sept 2013
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 298.3	857.6	1 062.3
Investments	48.1	42.4	47.6
Equity investment in PNFC and PFC sectors	6 174.7	6 628.0	4 377.2
Other equity investments	7.7	16.4	8.8
Receivables	306.2	354.5	432.8
Other financial assets	966.5	1 220.3	977.0
	8 801.5	9 119.2	6 905.8
Non-financial assets			
Land and buildings	6 165.9	6 948.3	6 162.9
Infrastructure	4 273.7	4 390.1	4 290.8
Plant and equipment	214.7	240.5	264.2
Heritage and cultural assets	460.9	473.9	460.9
Investment property	11.3	12.5	11.3
Intangible assets	37.6	34.6	38.8
Assets held for sale	22.4	11.3	15.2
Other non-financial assets	35.9	42.8	34.2
	11 222.4	12 154.0	11 278.4
Total Assets	20 023.9	21 273.2	18 184.2
Liabilities			
Borrowings	1 126.1	1 126.1	1 125.5
Superannuation	6 072.8	5 150.2	6 133.4
Employee entitlements	544.3	673.6	515.1
Payables	91.4	115.6	95.4
Other liabilities	397.6	417.9	381.2
Total Liabilities	8 232.3	7 483.4	8 250.5
NET ASSETS	11 791.6	13 789.8	9 933.7

Table 2.2: General Government Balance Sheet (continued)

	30 June 2013	30 June 2014	30 Sept 2013
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	7 350.6	9 035.3	5 411.1
Asset revaluation reserve	4 441.0	4 754.5	4 522.5
Total Equity	11 791.6	13 789.8	9 933.7
KEY FISCAL AGGREGATES			
NET WORTH ¹	11 791.6	13 789.8	9 933.7
NET FINANCIAL WORTH ²	569.2	1 635.7	(1 344.7)
NET FINANCIAL LIABILITIES ³	5 605.5	4 992.3	5 721.9
NET DEBT ⁴	(220.3)	226.1	15.6

Notes:

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

Table 2.3: General Government Cash Flow Statement

	2012-13 Sept YTD Actual \$m	2013-14 Original Budget \$m	2013-14 Sept YTD Actual \$m
Cash flows from operating activities			
Cash inflows			
Grants received	671.0	2 850.9	531.5
Taxation	187.2	941.2	213.1
Sales of goods and services	81.6	353.7	97.1
Fines and regulatory fees	20.2	106.4	21.4
Interest received	7.0	13.2	2.8
Dividend, tax and rate equivalents	16.8	352.0	14.9
Other receipts	98.6	365.1	74.5
	1 082.4	4 982.5	955.4
Cash outflows			
Employee entitlements	(524.5)	(2 090.0)	(539.2)
Superannuation	(77.3)	(375.5)	(74.3)
Supplies and consumables	(250.1)	(1 095.8)	(252.2)
Borrowing costs	(1.3)	(11.7)	(0.8)
Grants and subsidies paid	(332.2)	(1 025.8)	(219.7)
Other payments	(50.5)	(201.6)	(53.2)
	(1 236.0)	(4 800.4)	(1 139.4)
Net cash flows from operating activities	(153.6)	182.1	(184.0)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchase of non-financial assets	(48.4)	(344.8)	(41.4)
Sale of non-financial assets	8.7	26.3	7.3
	(39.8)	(318.5)	(34.2)
Net cash flows from financial assets (policy purposes)			
Equity injections	(6.6)	(65.9)	(16.2)
Net advances paid	12.6	(0.5)	(0.6)
	6.0	(66.4)	(16.8)
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	(0.5)	....	(0.6)
	(0.5)	....	(0.6)
Net cash flows from investing activities	(34.3)	(384.9)	(51.6)

Table 2.3: General Government Cash Flow Statement (continued)

	2012-13 Sept YTD Actual \$m	2013-14 Original Budget \$m	2013-14 Sept YTD Actual \$m
Cash flows from financing activities			
Net borrowing	(149.8)	51.3	(0.4)
Other financing	0.6	....	....
Net cash flows from financing activities	(149.2)	51.3	(0.4)
Net increase/(decrease) in cash held	(337.0)	(151.5)	(236.0)
Cash at the beginning of the year	1 252.0	1 009.1	1 298.3
Cash at the end of the period	914.9	857.6	1 062.3
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(153.6)	182.1	(184.0)
Plus Net cash from investments in non-financial assets	(39.8)	(318.5)	(34.2)
Equals CASH SURPLUS/(DEFICIT)	(193.3)	(136.4)	(218.2)

3 CONSOLIDATED FUND OUTCOME

Table 3.1: Consolidated Fund Outcome

	2012-13 Sept YTD Actual \$m	2013-14 Original Budget \$m	2013-14 Sept YTD Actual \$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	426.1	1 800.5	481.4
Specific purpose payments	92.2	358.9	84.5
National partnership payments	8.4	82.3	9.1
Other grants and subsidies	....	0.1	....
	526.7	2 241.8	574.9
State sources			
Taxation	205.7	817.9	197.3
Receipts from government businesses	19.0	383.6	17.2
Departmental fees and recoveries	20.4	87.4	21.3
Sale and rent of government property	....	0.1	....
Resource rents and royalties	11.1	6.5	6.7
Recoveries of state debt charges	....	52.9	....
Other recurrent receipts	35.0	135.4	31.8
	291.1	1 483.8	274.3
Capital Receipts			
Proceeds on sale of assets	....	....	3.7
Other capital receipts	....	0.7	....
	....	0.7	3.7
Total Receipts	817.8	3 726.2	852.9
less Expenditure			
Recurrent services			
Appropriation Act	940.2	3 323.7	980.5
Reserved by Law	63.8	290.6	59.2
	1 004.0	3 614.2	1 039.7
Works and services			
Capital Investment Program	24.7	169.5	21.7
	24.7	169.5	21.7
Total Expenses	1 028.7	3 783.7	1 061.4
Equals CONSOLIDATED FUND SURPLUS/(DEFICIT)	(210.9)	(57.5)	(208.5)

Note:

1. Proceeds on sale of assets for 2013-14 relates to the receipt of GST Credits under the sale agreement for the sale of TOTE Tasmania Pty Ltd.

Table 3.2: Consolidated Fund Expenditure

	2012-13 Sept YTD Actual \$m	2013-14 Original Budget \$m	2013-14 Sept YTD Actual \$m
Economic Development, Tourism and the Arts			
Recurrent services	24.0	90.9	24.7
Works and services	....	0.3	....
	24.0	91.2	24.8
Education			
Recurrent services	342.3	1 113.1	329.6
Works and services	4.6	10.5	0.1
	346.9	1 123.7	329.8
Finance-General			
Recurrent services	23.6	233.4	26.3
Reserved by Law	57.1	258.8	52.3
Works and services	....	4.0	....
	80.7	496.2	78.6
Health and Human Services			
Recurrent services	306.1	1 135.0	368.2
Works and services	4.2	12.0	3.1
	310.3	1 147.0	371.3
House of Assembly			
Recurrent services	0.7	2.3	0.6
Reserved by Law	1.3	5.4	1.3
	2.0	7.6	1.9
Infrastructure, Energy and Resources			
Recurrent services	71.7	193.5	69.1
Reserved by Law	....	0.1	....
Works and services	15.5	124.9	18.1
	87.2	318.5	87.2
Integrity Commission			
Recurrent services	0.8	2.9	0.6
	0.8	2.9	0.6
Justice			
Recurrent services	36.9	114.2	36.3
Reserved by Law	2.8	14.9	2.7
Works and services	....	16.4	0.1
	39.7	145.5	39.1
Legislative Council			
Recurrent services	0.9	3.3	0.9
Reserved by Law	0.7	3.0	0.8
	1.6	6.4	1.7

Table 3.2: Consolidated Fund Expenditure (continued)

	2012-13 Sept YTD Actual \$m	2013-14 Original Budget \$m	2013-14 Sept YTD Actual \$m
Legislature-General			
Recurrent services	1.8	5.8	1.8
	1.8	5.8	1.8
Ministerial and Parliamentary Support			
Recurrent services	6.2	18.3	6.1
Reserved by Law	0.2	0.8	0.2
	6.4	19.1	6.2
Office of the Director of Public Prosecutions			
Recurrent services	1.9	6.8	1.9
Reserved by Law	0.1	0.6	0.1
	2.1	7.4	2.0
Office of the Governor			
Recurrent services	0.7	2.8	0.9
Reserved by Law	0.2	0.6	0.2
	0.8	3.4	1.1
Office of the Ombudsman			
Recurrent services	0.8	2.1	0.6
	0.8	2.1	0.6
Police and Emergency Management			
Recurrent services	54.9	182.2	47.5
	54.9	182.2	47.5
Premier and Cabinet			
Recurrent services	13.1	45.0	9.2
Reserved by Law	1.5	6.0	1.5
Works and services	....	0.3	....
	14.6	51.2	10.7
Primary Industries, Parks, Water and Environment			
Recurrent services	43.7	132.1	48.1
Works and services	0.2	1.2	0.2
	43.9	133.2	48.3
Tasmanian Audit Office			
Recurrent services	0.5	1.8	0.4
Reserved by Law	0.1	0.5	0.1
	0.6	2.3	0.5
Treasury and Finance			
Recurrent services	9.4	38.0	7.8
	9.4	38.0	7.8
TOTAL CONSOLIDATED FUND EXPENDITURE	1 028.7	3 783.7	1 061.4

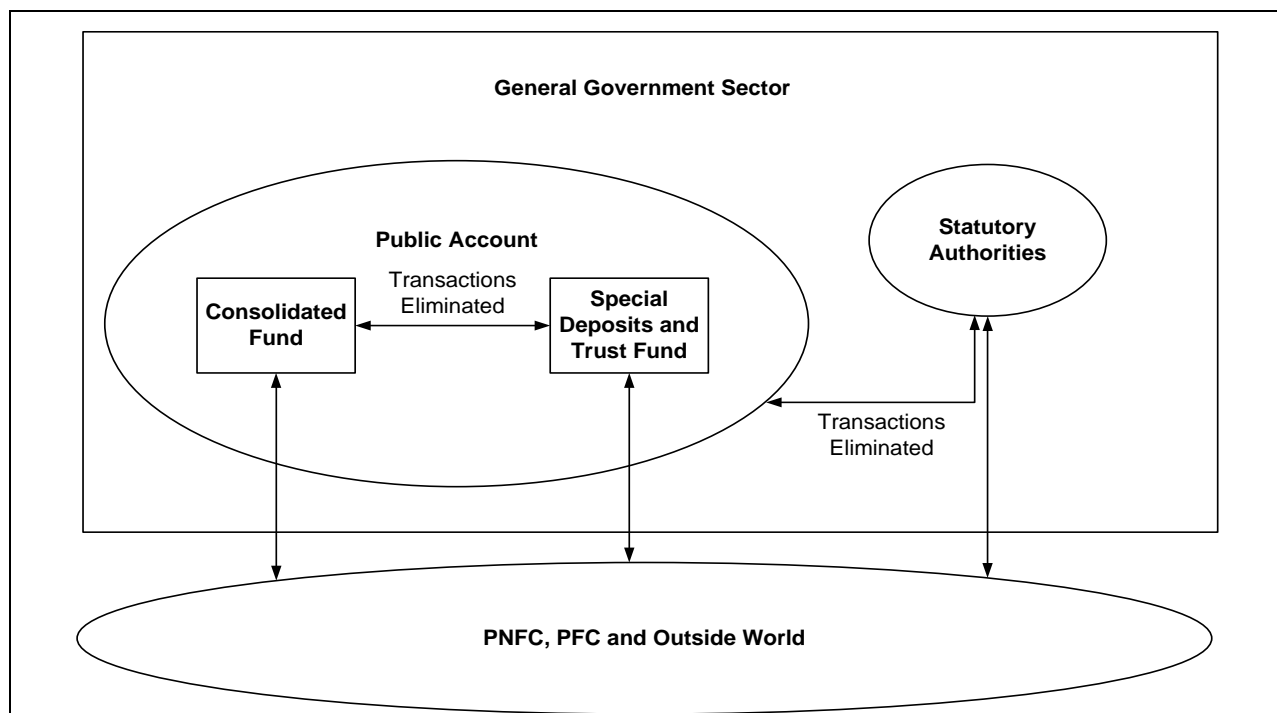
4 CONCEPTS

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 4.1 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 4.1: 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, a rental payment by the Department of Justice for the occupation of a Government owned building will be matched and eliminated against the corresponding rental revenue recorded by the Department of Treasury and Finance, 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 appropriation through the annual 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 occurs when Consolidated Fund expenditure exceeds receipts to the Fund.

Rounding

All amounts in the financial statements have been rounded to the nearest \$100 000, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$50 000 are 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 September 2013, 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 Health Organisation - North

Tasmanian Health Organisation - North West

Tasmanian Health Organisation - South

TasTAFE

Department of Treasury and Finance (including Finance-General)