

September Quarterly Report 2015-16



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1 INTRODUCTION

The *September Quarterly Report 2015-16* 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 2015 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 2015-16.

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 2015-16 Budget and reporting requirements of the Uniform Presentation Framework.

The Report contains the following information:

- Section 2 presents the financial results for the General Government Sector for the three months ending 30 September 2015; and
- Section 3 summarises receipts to and expenditure from the Consolidated Fund.

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

2 GENERAL GOVERNMENT SECTOR OUTCOME

Income Statement

The General Government Sector Net Operating Balance for the three months ending 30 September 2015 is a surplus of \$9 million which is above the pro-rata Original Budget estimate of a \$14.6 million deficit. Quarterly results are impacted by timing and cyclical factors and, as such, care should be taken in trying to extrapolate the likely outcome for 2015-16.

Revenue from transactions

Revenue from transactions for the three months ending 30 September 2015 is \$1 410.5 million, which is \$83.5 million above the pro-rata Original Budget estimate of \$1 327 million. The main variations for the three months ending 30 September 2015 are:

- Grants revenue is \$30 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership payments which will be received later in 2015-16;
- Taxation revenue is \$122.2 million above the pro-rata Original Budget estimate. Land tax revenue is \$80.4 million above the pro-rata Original Budget estimate due to the timing of tax collections. The majority of Land tax revenue for 2015-16 is recognised in the September quarter. Taxes on financial and capital transactions is \$38.4 million above the pro-rata Original Budget estimate, primarily due to the receipt of large individual conveyance duty payments in the September quarter, with one payment of \$17.9 million received in September 2015;
- Fines and regulatory fees is \$5.1 million above the pro-rata Original Budget estimate. This is primarily due to additional Fines revenue of \$4.3 million collected by the Department of Justice; and
- Dividend, tax and rate equivalent income is \$20.8 million below the pro-rata Original Budget estimate. This is due to the timing of dividend instalments from State-owned Companies and Government Business Enterprises, which are generally received in the December quarter.

Expenses from transactions

Expenses from transactions for the three months ending 30 September 2015 is \$1 401.5 million, which is \$59.9 million above the pro-rata Original Budget estimate of \$1 341.6 million. The major expense variations for the three months ending 30 September 2015 are:

- Supplies and consumables are \$30.4 million below the pro-rata Original Budget estimate. The variation is primarily due to timing and cyclical factors which have resulted in decreases for the:
 - Department of Health and Human Services of \$11 million primarily relating to Output expenditure for Health Service System Management and Housing Services;
 - Tasmanian Health Service of \$11 million primarily reflecting timing issues which have impacted expenditure for medical, surgical and pharmacy supplies; and

- Finance-General of \$11.9 million, which primarily relates to the Tasmanian Risk Management Fund with increased expenditure anticipated at the end of 2015-16.
- Grant expenses are \$93.8 million above the pro-rata Original Budget estimate. The variation is primarily a result of an increase for:
 - the Department of Education of \$30.6 million which reflects the timing of payments for Non-Government Schools Grants, which were made in the September quarter;
 - the Department of Primary Industries, Parks, Water and Environment of \$27.3 million, primarily due to the full year payment of some grants in the September quarter, resulting in increases above the pro-rata Budget estimate for Tasracing Pty Ltd (\$22 million), Port Arthur Historic Site Management Authority (\$2.5 million), Institute of Marine and Antarctic Studies (\$2 million) and Tasmanian Institute of Agriculture (\$1.5 million); and
 - Finance-General of \$19.6 million, primarily due to duties related ex gratia payments for corporate reconstructions (\$13.4 million) as a result of all anticipated payments for 2015-16 being made in the September quarter. In addition, there was a higher proportion of Pensioner rate remissions (\$9.7 million) and First Home Owner Grants (\$3 million) paid out in the September quarter. These increases have been partly offset by lower than pro-rata payment of Local Government Grants (\$8.9 million) as a result of the timing of receipt of these funds from the Australian Government.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the three months ending 30 September 2015 is negative \$27 million, which is \$51.7 million below the pro-rata 2015-16 Original Budget estimate of \$24.7 million. The major variations are outlined below:

- Purchases of non-financial assets for the three months ending 30 September 2015 is \$49.9 million, which is \$53.6 million below the pro-rata Original Budget estimate. This reflects the impact of timing factors on the following:
 - Department of State Growth \$24.1 million below the pro-rata Original Budget Estimate. This is primarily due to the impact of timing on the Midland Highway (\$11 million), Rokeby Main Road Stage 2 (\$4.8 million) and Infrastructure maintenance (\$7.3 million);
 - Department of Health and Human Services \$16.4 million below the pro-rata Original Budget Estimate. The decrease primarily relates to the impact of timing on the Royal Hobart Hospital Redevelopment, including the Women's and Children's Precinct. Expenditure is expected to increase in the last half of 2015-16 as the project moves in to the construction phase;
 - Department of Education \$9.4 million below the pro-rata Original Budget Estimate. This is primarily due to a number of new Capital Investment Projects which are currently in the design and planning phases of the projects. Only a small percentage of the project cost is expended on a project during these phases. The expenditure will increase significantly during the construction phase which is expected to occur in the last half of 2015-16; and
 - Department of Police \$3.1 million below the pro-rata Original Budget Estimate. This is primarily due to the project for the purchase of a new police vessel of \$5 million, which went to tender in September 2015 with the procurement process expected to be completed in 2016-17. Timing issues have also impacted expenditure on the Emergency Services Computer Aided Dispatch System (\$1.7 million).

Table 2.1: General Government Income Statement

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Revenue from transactions			
Grants	788.2	3 453.3	833.3
Taxation	312.9	1 027.1	379.0
Sales of goods and services	81.3	357.8	94.1
Fines and regulatory fees	22.3	96.1	29.1
Interest income	2.1	16.7	3.6
Dividend, tax and rate equivalent income	34.4	213.4	32.6
Other revenue	20.8	143.4	38.8
	1 262.0	5 307.8	1 410.5
Less Expenses from transactions			
Employee expenses	550.0	2 237.3	560.7
Superannuation	62.1	261.8	64.6
Depreciation	62.9	285.3	66.3
Supplies and consumables	243.0	1 059.0	234.4
Nominal superannuation interest expense	70.6	285.7	71.4
Borrowing costs	2.8	10.8	2.9
Grant expenses	385.0	1 200.6	393.9
Other expenses	3.3	25.8	7.5
	1 379.8	5 366.3	1 401.5
Equals NET OPERATING BALANCE	(117.8)	(58.5)	9.0
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	3.6	11.1	1.0
Revaluation of equity investment in PNFC and PFC sectors	....	58.9	....
Other gains/(losses)	(132.6)	(33.9)	(0.1)
	(129.0)	36.2	0.9
Equals Operating Result	(246.8)	(22.4)	9.8

Table 2.1: General Government Income Statement (continued)

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Plus Other economic flows – Other non-owner movements in equity			
Revaluations of non-financial assets	85.2	290.1	72.5
Other movements in equity	18.7	3.8	(9.3)
	103.9	293.9	63.3
Equals Comprehensive Result	(142.9)	271.6	73.1
 KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(117.8)	(58.5)	9.0
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	38.7	414.0	49.9
Less Sale of non-financial assets	7.8	30.2	10.7
Less Depreciation	62.9	285.3	66.3
	(32.0)	98.6	(27.0)
Equals FISCAL BALANCE	(85.8)	(157.1)	36.0

Balance Sheet

Assets Variations

General Government Assets are \$17 738.4 million at 30 September 2015, an increase of \$55.8 million from the 30 June 2015 balance of \$17 682.6 million. The main variations are:

- Cash and deposits is \$88.5 million lower. This primarily reflects the use of cash to finance the Consolidated Fund deficit for the September quarter. Further information regarding the Consolidated Fund can be found in Section 3 of this Report;
- Investments are \$6 million lower. This is primarily due to the repayment of \$4.9 million in loan advances held by the Department of State Growth;
- Receivables \$135.5 million higher. This primarily reflects the increase in state tax accruals for the September quarter of \$119.6 million. In particular, the accrual for Land tax receivable increased by \$94.1 million due to the issue of the 2015-16 invoices for Land tax in the September 2015 quarter; and
- Assets held for sale \$4.6 million lower. This is primarily due to a decrease of \$4.5 million for the Department of Health and Human Services as a result of the sale of land and buildings in the September quarter.

Liability Variations

General Government Liabilities are \$9 061.9 million at 30 September 2015, a decrease of \$6.6 million from the 30 June 2015 balance of \$9 068.5 million. The main variations are:

- An increase in the Superannuation liability of \$29.7 million. The increase in the liability is primarily due to the cash cost of superannuation payments made in the September quarter being less than the accrual based service cost expense; and
- A decrease in Payables of \$39.6 million, which reflects the general level of payables during the year. Generally, the level of payables will increase at the end of the financial year as all payables and accrued expenses are compiled by agencies to complete their audited financial statements.

Table 2.2: General Government Balance Sheet

	30 June 2015	30 June 2016	30 Sept 2015
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 282.4	889.3	1 193.9
Investments	52.2	64.5	46.2
Equity investment in PNFC and PFC sectors	4 381.2	4 515.0	4 390.7
Other equity investments	16.7	20.0	16.8
Receivables	322.2	331.5	457.7
Other financial assets	804.1	661.4	801.2
	6 858.6	6 481.7	6 906.4
Non-financial assets			
Land and buildings	5 686.1	5 969.2	5 695.6
Infrastructure	4 333.3	4 668.9	4 342.7
Plant and equipment	233.0	253.5	225.2
Heritage and cultural assets	478.1	490.6	477.9
Investment property	2.4	19.0	2.4
Intangible assets	42.9	45.4	41.6
Assets held for sale	16.8	7.0	12.2
Other non-financial assets	31.4	30.7	34.4
	10 824.0	11 484.2	10 832.0
Total Assets	17 682.6	17 965.9	17 738.4
Liabilities			
Borrowings	802.1	701.3	804.5
Superannuation ¹	7 150.8	5 470.5	7 180.5
Employee entitlements	596.1	549.9	583.8
Payables	139.5	108.4	99.9
Other liabilities	379.9	376.6	393.2
Total Liabilities	9 068.5	7 206.7	9 061.9
NET ASSETS	8 614.1	10 759.2	8 676.5

Table 2.2: General Government Balance Sheet (continued)

	30 June 2015	30 June 2016	30 Sept 2015
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	4 173.1	5 712.1	4 163.0
Asset revaluation reserve	4 441.0	5 047.1	4 513.5
Total Equity	8 614.1	10 759.2	8 676.5
KEY FISCAL AGGREGATES			
NET WORTH²	8 614.1	10 759.2	8 676.5
NET FINANCIAL WORTH³	(2 209.9)	(725.0)	(2 155.5)
NET FINANCIAL LIABILITIES⁴	6 591.1	5 240.0	6 546.1
NET DEBT⁵	(532.4)	(252.6)	(435.6)

Notes:

1. There is a difference of \$1 710 million between the Original Budget and the September year to date valuation of the Superannuation liability. This reflects the difference between the discount rate of 3.7 per cent applied, in accordance with Australian Accounting Standard AASB 119 Employee Benefits, for financial reporting purposes and the long-term bond rate of 5.5 per cent which is used for Budget purposes.
2. Net Worth represents total assets less total liabilities.
3. Net Financial Worth represents financial assets less total liabilities.
4. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investment in the PNFC and PFC sectors.
5. Net Debt represents borrowings less cash and deposits and investments.

Cash Flow Statement

Table 2.3: General Government Cash Flow Statement

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Cash flows from operating activities			
Cash inflows			
Grants received	769.7	3 452.2	836.1
Taxation	233.0	1 027.1	255.6
Sales of goods and services	86.1	356.4	91.3
Fines and regulatory fees	22.0	96.1	22.5
Interest received	2.3	16.7	3.9
Dividend, tax and rate equivalents	34.4	225.0	32.6
Other receipts	63.5	313.2	94.5
	1 211.1	5 486.8	1 336.4
Cash outflows			
Employee entitlements	(554.6)	(2 261.0)	(582.9)
Superannuation	(102.6)	(418.1)	(109.4)
Supplies and consumables	(269.4)	(1 076.6)	(250.9)
Borrowing costs	(0.7)	(10.9)	(0.7)
Grants and subsidies paid	(369.5)	(1 200.5)	(391.5)
Other payments	(49.2)	(195.8)	(37.1)
	(1 346.0)	(5 163.0)	(1 372.5)
Net cash flows from operating activities	(134.9)	323.8	(36.1)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchase of non-financial assets	(38.7)	(410.4)	(49.9)
Sale of non-financial assets	7.8	30.2	10.7
	(30.8)	(380.3)	(39.2)
Net cash flows from financial assets (policy purposes)			
Equity injections	(17.7)	(53.7)	(10.6)
Net advances paid	0.8	(2.0)	(0.2)
	(16.9)	(55.7)	(10.8)
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	0.1	....	0.1
	0.1	....	0.1
Net cash flows from investing activities	(47.6)	(435.9)	(50.0)

Table 2.3: General Government Cash Flow Statement (continued)

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Cash flows from financing activities			
Net borrowing	....	(135.0)	(2.5)
Net cash flows from financing activities	....	(135.0)	(2.5)
Net increase/(decrease) in cash held	(182.6)	(247.1)	(88.6)
Cash at the beginning of the year	1 308.5	1 136.4	1 282.4
Cash at the end of the period	1 126.0	889.3	1 193.9
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(134.9)	323.8	(36.1)
Plus Net cash from investments in non-financial assets	(30.8)	(380.3)	(39.2)
Equals CASH SURPLUS/(DEFICIT)	(165.8)	(56.4)	(75.3)

3 CONSOLIDATED FUND OUTCOME

Table 3.1: Consolidated Fund Outcome

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	477.9	2 246.1	558.9
Specific purpose payments	108.3	467.6	116.8
National partnership payments	18.2	71.7	9.0
Other grants and subsidies	....	0.1	....
	604.4	2 785.4	684.7
State sources			
Taxation	206.3	904.0	238.0
Receipts from government businesses	36.7	248.2	35.0
Departmental fees and recoveries	22.4	91.8	22.4
Sale and rent of government property	....	5.0	....
Resource rents and royalties	6.5	32.7	11.2
Recoveries of state debt charges	....	0.1	....
Other recurrent receipts	32.4	176.4	32.0
	304.2	1 458.1	338.5
Capital Receipts			
Proceeds on sale of assets	0.7	3.0	0.7
Other capital receipts	....	0.5	....
	0.7	3.5	0.7
Total Receipts	909.3	4 247.0	1 023.9
less Expenditure			
Recurrent services			
Appropriation Act	991.3	3 640.7	1 016.8
Reserved by Law	83.5	315.3	87.4
	1 074.8	3 956.1	1 104.2
Works and services			
Capital Investment Program	20.4	161.9	19.9
	20.4	161.9	19.9
Total Expenses	1 095.2	4 118.0	1 124.2
Equals CONSOLIDATED FUND SURPLUS/(DEFICIT)	(185.9)	129.1	(100.2)

Table 3.2: Consolidated Fund Expenditure

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Education			
Recurrent services	335.5	1 182.9	315.6
Works and services	....	24.6	0.7
	335.5	1 207.4	316.3
Finance-General			
Recurrent services	46.8	243.3	70.2
Reserved by Law	77.9	283.7	80.2
	124.7	527.0	150.4
Health and Human Services			
Recurrent services	311.4	1 165.0	332.0
Works and services	....	11.1	2.3
	311.4	1 176.1	334.3
House of Assembly			
Recurrent services	0.7	2.5	0.7
Reserved by Law	1.3	5.4	1.3
	1.9	7.9	2.0
Integrity Commission			
Recurrent services	0.6	2.4	0.6
	0.6	2.4	0.6
Justice			
Recurrent services	36.8	126.3	37.7
Reserved by Law	2.9	14.0	3.0
Works and services	0.7	0.5	....
	40.4	140.8	40.7
Legislative Council			
Recurrent services	0.9	3.4	0.9
Reserved by Law	0.8	3.1	0.8
	1.7	6.5	1.7
Legislature-General			
Recurrent services	1.9	6.1	1.9
	1.9	6.1	1.9
Ministerial and Parliamentary Support			
Recurrent services	5.9	18.2	5.8
Reserved by Law	0.2	0.8	0.2
	6.1	19.0	6.0
Office of the Director of Public Prosecutions			
Recurrent services	1.9	7.1	2.1
Reserved by Law	0.3	0.6	0.1
	2.2	7.7	2.2

Table 3.2: Consolidated Fund Expenditure (continued)

	2014-15 Sept YTD Actual \$m	2015-16 Original Budget \$m	2015-16 Sept YTD Actual \$m
Office of the Governor			
Recurrent services	0.7	2.9	0.8
Reserved by Law	0.1	0.6	0.1
	0.8	3.5	1.0
Office of the Ombudsman			
Recurrent services	0.6	2.1	0.7
	0.6	2.1	0.7
Police and Emergency Management			
Recurrent services	52.1	196.2	50.6
Works and services	....	12.1	0.1
	52.1	208.4	50.8
Premier and Cabinet			
Recurrent services	27.6	59.6	17.8
Reserved by Law	....	6.4	1.6
Works and services	....	0.8	....
	27.6	66.7	19.4
Primary Industries, Parks, Water and Environment			
Recurrent services	41.5	167.3	75.0
Works and services	0.3	18.9	4.4
	41.8	186.2	79.4
State Growth			
Recurrent services	114.5	389.1	89.8
Reserved by Law	....	0.1	....
Works and services	19.4	90.6	12.1
	133.9	479.8	101.9
Tasmanian Audit Office			
Recurrent services	0.4	1.8	0.3
Reserved by Law	0.1	0.6	0.1
	0.5	2.3	0.4
Tourism Tasmania			
Recurrent services	2.7	25.9	4.8
	2.7	25.9	4.8
Treasury and Finance			
Recurrent services	8.8	38.9	9.4
Works and services	....	3.2	0.3
	8.8	42.1	9.8
TOTAL CONSOLIDATED FUND EXPENDITURE	1 095.2	4 118.0	1 124.2