

September Quarterly Report 2016-17





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1 INTRODUCTION

The *September Quarterly Report 2016-17* 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 2016 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 2016-17. Further updates will be provided in the *Revised Estimates Report 2016-17 (including December Quarterly Report)* due for release by 15 February 2017.

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 2016-17 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 2016; 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 2016 is a deficit of \$3.1 million which compares with a surplus of \$9 million achieved in the first quarter of 2015-16 and remains consistent with achieving a full year surplus of \$77.3 million for 2016-17. Quarterly results are impacted by timing and cyclical factors and, as such, care should be taken in trying to extrapolate the likely outcome for 2016-17.

Where relevant, the quarterly results have been compared to a pro-rata percentage (25 per cent) of the Original Budget estimate, however this comparison point has not been adjusted to reflect seasonal and timing impacts for receipts and payments.

Revenue from transactions

Revenue from transactions for the three months ending 30 September 2016 is \$1 411.9 million, which is \$18.5 million above the pro-rata Original Budget estimate of \$1 393.4 million. The main variations for the three months ending 30 September 2016 are:

- Grants revenue is \$23.3 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership payments which will be received later in 2016-17;
- Taxation revenue is \$80.9 million above the pro-rata Original Budget estimate. Land tax revenue is \$80 million above the pro-rata Original Budget estimate due to the timing of tax collections. The majority of Land tax revenue for 2016-17 is recognised in the September 2016 quarter. This is consistent with expectations and the usual pattern of receipt;
- Sales of goods and services is \$8.3 million above the pro-rata Original Budget estimate. This is primarily due to timing issues, with additional revenue of \$8.8 million recorded by the Tasmanian Health Service; and
- Dividend, tax and rate equivalent income is \$45.2 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 2016 is \$1 415 million, which is \$40.9 million above the pro-rata Original Budget estimate of \$1 374.1 million. This result is consistent with the original Budget estimates and previous year expenditure patterns. The major expense variations for the three months ending 30 September 2016 are:

- Employee expenses are \$19.9 million below the pro-rata Original Budget estimate. This variation mainly relates to the timing of employee expenses for the Department of Education (\$19.9 million lower for the September 2016 quarter) which are not evenly distributed across the financial year. This is due to the impact of seasonal variations such as school holidays and separation/fixed-term contract payments that occur at the end of the school year in December.
- Supplies and consumables is \$24.2 million below the pro-rata Original Budget estimate. The variation is primarily a result of timing and cyclical factors which have resulted in decreases for:
 - the Tasmanian Health Service of \$7.4 million primarily due to the timing of payments relating to Admitted services; and
 - the Department of Education of \$13.3 million primarily due to the timing of expenses which reflect school year timing.
- Grant expenses are \$88 million above the pro-rata Original Budget estimate. The variation is primarily a result of an increase for:
 - the Department of Education of \$33.1 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 \$32.5 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 (\$29.5 million), Port Arthur Historic Site Management Authority (\$3.5 million), Institute of Marine and Antarctic Studies (\$2.6 million) and AgriGrowth Tasmania (\$4.5 million); and
 - Finance-General of \$7.3 million, primarily due to a higher proportion of grants paid out in the September quarter for Local Government grants (\$10 million). This increase is partly offset by the timing of Energy Retailer Concessions which are \$2.4 million below the pro-rata Original Budget estimate.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the three months ending 30 September 2016 is negative \$14.8 million, which is \$74.3 million lower than the pro-rata Original Budget estimate of \$59.5 million. The major variations are outlined below:

- Purchases of non-financial assets for the three months ending 30 September 2016 is \$61.2 million, which is \$71.5 million below the pro-rata Original Budget estimate. This reflects the impact of timing factors on the following:
 - the Department of State Growth is \$31.2 million below the pro-rata Original Budget Estimate. This is primarily due to the impact of timing of cash flows on projects such as the Midland Highway (\$12.1 million), Huon Highway/Summerleas Road (\$4 million), Road Safety and Traffic Management (\$3.4 million); and the Northern Cities Major Development Initiatives (\$3.8 million); and
 - the Department of Health and Human Services is \$25.7 million below the pro-rata Original Budget Estimate which primarily reflects the impact of timing of cash flows for the Royal Hobart Hospital Redevelopment (\$17.9 million).

Table 2.1: General Government Income Statement

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Revenue from transactions			
Grants	833.3	3 634.6	885.4
Taxation	379.0	1 055.6	344.8
Sales of goods and services	94.1	352.9	96.5
Fines and regulatory fees	29.1	96.5	22.9
Interest income	3.6	16.5	4.1
Dividend, tax and rate equivalent income	32.6	263.8	20.8
Other revenue	38.8	153.8	37.5
	1 410.5	5 573.7	1 411.9
Less Expenses from transactions			
Employee expenses	560.7	2 311.0	557.9
Superannuation	64.6	284.6	67.4
Depreciation	66.3	264.6	66.2
Supplies and consumables	234.4	1 105.9	252.3
Nominal superannuation interest expense	71.4	288.2	72.0
Borrowing costs	2.9	10.3	2.6
Grant expenses	393.9	1 206.2	389.5
Other expenses	7.5	25.4	7.1
	1 401.5	5 496.3	1 415.0
Equals NET OPERATING BALANCE	9.0	77.3	(3.1)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	1.0	10.5	(1.6)
Revaluation of equity investment in PNFC and PFC sectors	....	19.5	....
Other gains/(losses)	(0.1)	(21.2)	1.8
	0.9	8.8	0.1
Equals Operating Result	9.8	86.1	(3.0)

Table 2.1: General Government Income Statement (continued)

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Plus Other economic flows – Other non-owner movements in equity			
Revaluations of non-financial assets	72.5	252.3	63.1
Other movements in equity	(9.3)	3.3	1.7
	63.3	255.5	64.8
Equals Comprehensive Result	73.1	341.6	61.8
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	9.0	77.3	(3.1)
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	49.9	530.8	61.2
Less Sale of non-financial assets	10.7	28.3	9.8
Less Depreciation	66.3	264.6	66.2
	(27.0)	237.9	(14.8)
Equals FISCAL BALANCE	36.0	(160.6)	11.7

Balance Sheet

Assets Variations

General Government Assets are \$17 784.7 million at 30 September 2016, an increase of \$22.6 million from the 30 June 2016 balance of \$17 762.1 million. The main variations are:

- Cash and deposits is \$127.2 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;
- Receivables is \$84.4 million higher. This is primarily due to an increase in state tax accruals for Finance-General, in particular Land tax receivable, which increased by \$99.3 million as a result of the 2016-17 invoices for Land tax being recognised in the September 2016 quarter;
- Land and Buildings is \$32.1 million higher. This increase primarily reflects the capital expenditure of \$12.6 million for the Department of Education and \$16 million for the Department of Health and Human Services; and
- Infrastructure assets is \$24.4 million higher. This increase primarily reflects the capital expenditure of \$19.4 million by the Department of State Growth in relation to its Roads program.

Liability Variations

General Government Liabilities are \$10 572.4 million at 30 September 2016, a decrease of \$35 million from the 30 June 2016 balance of \$10 607.4 million. The main variations are:

- An increase in the Superannuation liability of \$39.3 million. The increase in the liability is primarily due to the cash cost of superannuation payments made in the September 2016 quarter being less than the accrual based service cost expense; and
- A decrease in Payables of \$55.9 million. Generally, the level of payables at 30 September will be lower than at 30 June, when all payables and accrued expenses are compiled by agencies to complete their audited financial statements.

Table 2.2: General Government Balance Sheet

	30 June 2016	30 June 2017	30 Sept 2016
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 326.9	880.8	1 199.7
Investments	44.3	54.2	45.1
Equity investment in PNFC and PFC sectors	4 395.1	4 482.8	4 399.2
Other equity investments	19.5	27.4	19.7
Receivables	314.5	316.6	398.9
Other financial assets	798.8	847.0	795.3
	6 899.2	6 608.9	6 857.9
Non-financial assets			
Land and buildings	5 785.7	6 098.6	5 817.8
Infrastructure	4 277.6	4 779.3	4 302.0
Plant and equipment	242.0	224.6	244.0
Heritage and cultural assets	461.5	502.4	460.9
Investment property	2.4	3.0	2.5
Intangible assets	46.2	51.8	46.2
Assets held for sale	14.0	4.7	10.2
Other non-financial assets	33.5	31.5	43.1
	10 862.9	11 696.0	10 926.8
Total Assets	17 762.1	18 304.9	17 784.7
Liabilities			
Borrowings	625.3	633.7	624.1
Superannuation ¹	8 840.6	6 345.5	8 879.9
Employee entitlements	591.9	583.0	574.4
Payables	141.0	134.9	85.1
Other liabilities	408.6	358.7	409.0
Total Liabilities	10 607.4	8 055.7	10 572.4
NET ASSETS	7 154.7	10 249.2	7 212.3

Table 2.2: General Government Balance Sheet (continued)

	30 June 2016	30 June 2017	30 Sept 2016
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	2 668.3	5 293.3	2 662.9
Asset revaluation reserve	4 486.4	4 955.9	4 549.5
Total Equity	7 154.7	10 249.2	7 212.3
KEY FISCAL AGGREGATES			
NET WORTH²	7 154.7	10 249.2	7 212.3
NET FINANCIAL WORTH³	(3 708.2)	(1 446.7)	(3 714.5)
NET FINANCIAL LIABILITIES⁴	8 103.3	5 929.6	8 113.7
NET DEBT⁵	(745.9)	(301.3)	(620.8)

Notes:

1. There is a difference of \$2 534.4 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 2.7 per cent applied, in accordance with Australian Accounting Standard *AASB 119 Employee Benefits*, for financial reporting purposes and the long-term bond rate of 4.75 per cent which was 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

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Cash flows from operating activities			
Cash inflows			
Grants received	836.1	3 634.6	885.6
Taxation	255.6	1 045.9	255.0
Sales of goods and services	91.3	353.7	98.2
Fines and regulatory fees	22.5	96.5	21.8
Interest received	3.9	16.6	4.4
Dividend, tax and rate equivalents	32.6	234.2	23.1
Other receipts	94.5	331.9	80.7
	1 336.4	5 713.5	1 368.9
Cash outflows			
Employee entitlements	(582.9)	(2 298.5)	(575.9)
Superannuation	(109.4)	(442.6)	(100.6)
Supplies and consumables	(250.9)	(1 117.6)	(300.8)
Borrowing costs	(0.7)	(10.4)	(0.7)
Grants and subsidies paid	(391.5)	(1 206.1)	(394.5)
Other payments	(37.1)	(205.9)	(64.1)
	(1 372.5)	(5 281.2)	(1 436.6)
Net cash flows from operating activities	(36.1)	432.3	(67.7)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(49.9)	(524.8)	(62.6)
Sales of non-financial assets	10.7	28.3	9.8
	(39.2)	(496.5)	(52.7)
Net cash flows from financial assets (policy purposes)			
Net Equity injections	(10.6)	(62.5)	(3.6)
Net advances paid	(0.2)	....	(2.1)
	(10.8)	(62.5)	(5.7)
Net cash flows from financial assets (liquidity purposes)			
Net (purchase)/sale of investments	0.1	....	....
	0.1	....	....
Net cash flows from investing activities	(50.0)	(559.0)	(58.4)

Table 2.3: General Government Cash Flow Statement (continued)

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Cash flows from financing activities			
Net borrowing	(2.5)	(35.7)	(1.1)
Net cash flows from financing activities	(2.5)	(35.7)	(1.1)
Net increase/(decrease) in cash held	(88.6)	(162.5)	(127.2)
Cash at the beginning of the year	1 282.4	1 043.3	1 326.9
Cash at the end of the period	1 193.9	880.8	1 199.7
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(36.1)	432.3	(67.7)
Plus Net cash from investments in non-financial assets	(39.2)	(496.5)	(52.7)
Equals CASH SURPLUS/(DEFICIT)	(75.3)	(64.2)	(120.4)

3 CONSOLIDATED FUND OUTCOME

Table 3.1: Consolidated Fund Outcome

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	558.9	2 299.2	576.7
Specific purpose payments	116.8	508.1	124.9
National partnership payments	9.0	71.3	17.9
Other grants and subsidies	....	0.1	....
	684.7	2 878.6	719.5
State sources			
Taxation	238.0	929.6	226.3
Receipts from government businesses	35.0	247.9	24.8
Departmental fees and recoveries	22.4	95.9	22.7
Sale and rent of government property	....	5.0	....
Resource rents and royalties	11.2	25.0	9.5
Recoveries of state debt charges	....	0.1	....
Other recurrent receipts	32.0	147.8	33.0
	338.5	1 451.2	316.3
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	1 023.9	4 333.4	1 036.5
less Expenditure			
Recurrent services			
Appropriation Act	1 016.8	3 751.3	995.4
Reserved by Law	87.4	324.2	79.2
	1 104.2	4 075.5	1 074.6
Works and services			
Capital Investment Program	19.9	238.3	33.8
	19.9	238.3	33.8
Total Expenses	1 124.2	4 313.8	1 108.4
Equals CONSOLIDATED FUND SURPLUS/(DEFICIT)	(100.2)	19.6	(71.8)

Table 3.2: Consolidated Fund Expenditure

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Education			
Recurrent services	315.6	1 208.1	307.5
Works and services	0.7	56.2	10.6
	316.3	1 264.3	318.1
Finance-General			
Recurrent services	70.2	244.7	50.5
Reserved by Law	80.2	295.0	72.8
	150.4	539.7	123.3
Health and Human Services			
Recurrent services	332.0	1 244.6	345.2
Works and services	2.3	33.9	3.8
	334.3	1 278.5	348.9
House of Assembly			
Recurrent services	0.7	3.1	0.5
Reserved by Law	1.3	4.9	1.2
	2.0	8.0	1.8
Integrity Commission			
Recurrent services	0.6	2.3	0.5
	0.6	2.3	0.5
Justice			
Recurrent services	37.7	130.3	38.2
Reserved by Law	3.0	12.3	2.2
Works and services	....	1.9	0.1
	40.7	144.5	40.4
Legislative Council			
Recurrent services	0.9	3.7	0.8
Reserved by Law	0.8	2.8	0.8
	1.7	6.5	1.6
Legislature-General			
Recurrent services	1.9	6.1	1.8
Works and services	....	0.9	....
	1.9	7.0	1.8
Ministerial and Parliamentary Support			
Recurrent services	5.8	18.4	5.6
Reserved by Law	0.2	1.1	0.2
	6.0	19.6	5.8
Office of the Director of Public Prosecutions			
Recurrent services	2.1	5.9	1.9
Reserved by Law	0.1	0.5	0.1
	2.2	6.4	2.0

Table 3.2: Consolidated Fund Expenditure (continued)

	2015-16 Sept YTD Actual \$m	2016-17 Original Budget \$m	2016-17 Sept YTD Actual \$m
Office of the Governor			
Recurrent services	0.8	3.4	0.7
Reserved by Law	0.1	0.6	0.1
	1.0	4.0	0.8
Office of the Ombudsman			
Recurrent services	0.7	2.1	0.4
	0.7	2.1	0.4
Police, Fire and Emergency Management			
Recurrent services	50.6	209.5	46.7
Works and services	0.1	17.0	3.0
	50.8	226.5	49.7
Premier and Cabinet			
Recurrent services	17.8	66.0	13.8
Reserved by Law	1.6	6.4	1.6
Works and services	....	1.1	....
	19.4	73.5	15.4
Primary Industries, Parks, Water and Environment			
Recurrent services	75.0	163.2	74.4
Works and services	4.4	10.5	1.1
	79.4	173.7	75.4
State Growth			
Recurrent services	89.8	371.5	95.3
Reserved by Law	....	0.1	....
Works and services	12.1	113.5	14.8
	101.9	485.0	110.1
Tasmanian Audit Office			
Recurrent services	0.3	1.9	0.4
Reserved by Law	0.1	0.5	0.1
	0.4	2.3	0.5
Tourism Tasmania			
Recurrent services	4.8	26.8	4.8
	4.8	26.8	4.8
Treasury and Finance			
Recurrent services	9.4	39.6	6.6
Works and services	0.3	3.2	0.5
	9.8	42.9	7.1
TOTAL CONSOLIDATED FUND EXPENDITURE	1 124.2	4 313.8	1 108.4