

September Quarterly Report 2018-19



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I INTRODUCTION

The *September Quarterly Report 2018-19* 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 2018 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 and subsidy expenses. Therefore, care should be taken using the quarterly information to extrapolate the likely outcome for 2018-19. Further updates will be provided in the *Revised Estimates Report 2018-19 (including December Quarterly Report)* due for release by 15 February 2019.

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 2018-19 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 2018; and
- Section 3 summarises receipts to, and expenditure from, the Consolidated Fund for the three months ending 30 September 2018.

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 2018 is a deficit of \$17.8 million which compares with a deficit of \$39.6 million recorded in the first quarter of 2017-18 and remains consistent with achieving a full year surplus of \$161.9 million for 2018-19. Quarterly results are impacted by timing and cyclical factors and, as such, care should be taken in trying to extrapolate the likely outcome for 2018-19.

Where relevant, the quarterly results have been compared to a pro-rata percentage (25 per cent) of the Original Budget estimate. It should be noted that 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 2018 is \$1 527.7 million, which is \$26.6 million below the pro-rata Original Budget estimate of \$1 554.3 million. The main variations for the three months ending 30 September 2018 are:

- Grants revenue is \$51.1 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership payments which will be received later in 2018-19;
- Taxation revenue is \$81.9 million above the pro-rata Original Budget estimate. Land tax revenue is \$85.7 million above the pro-rata Original Budget estimate due to the timing of tax collections. The majority of Land tax revenue for 2018-19 is recognised in the September 2018 quarter. This is consistent with expectations and the usual timing of these taxation receipts;
- Sales of goods and services is \$24.9 million below the pro-rata Original Budget estimate, which is primarily due to lower than anticipated revenue of \$23.1 million for the Department of Health. This reduced revenue is offset by a decrease in Supplies and consumables expenditure; and
- Dividend, tax and rate equivalent income is \$42.8 million below the pro-rata Original Budget estimate. This is due to the timing of the payment of dividend instalments by State-owned Companies and Government Business Enterprises. These payments are generally received in the December quarter.

Expenses from transactions

Expenses from transactions for the three months ending 30 September 2018 is \$1 545.4 million, which is \$31.5 million above the pro-rata Original Budget estimate of \$1 513.9 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 2018 are:

- Supplies and consumables is \$21.2 million below the pro-rata Original Budget estimate. The variation is primarily due to a decrease for the Department of Health of \$28.2 million which is consistent with the decline in Sales revenue for the September 2018 quarter.
- Grant and subsidy expenses are \$52.6 million above the pro-rata Original Budget estimate. The variation is primarily a result of increases for:
 - the Department of Education of \$39.6 million which reflects the timing of payments for Non-Government School Grants; and
 - the Department of Primary Industries, Parks, Water and Environment of \$29.6 million, primarily due to the full year payment of some grants in the September 2018 quarter, resulting in increases for Tasracing Pty Ltd (\$22.9 million), Port Arthur Historic Site Management Authority (\$2.9 million) and the Institute of Marine and Antarctic Studies (\$2 million).

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the three months ending 30 September 2018 is \$36.3 million, which is \$75.3 million lower than the pro-rata Original Budget estimate of \$111.6 million. This is mainly due to Purchases of non-financial assets for the three months ending 30 September 2018 being \$75.4 million below the pro-rata Original Budget estimate. This decrease primarily reflects the impact of timing on cashflows for:

- the Department of State Growth of \$39.1 million, which is primarily due to Road infrastructure projects such as the Midland Highway, Hobart Airport Interchange and State Road Upgrades;
- the Department of Primary Industries, Parks, Water and Environment of \$10.5 million, which is primarily due to projects such as the Cradle Mountain Visitor Experience (\$5.2 million), Tourism Infrastructure in Parks (\$1 million), and State-wide Visitor Infrastructure Improvements (\$1 million); and
- the Department of Education of \$9 million, which is primarily due to school infrastructure projects.

Table 2.1: General Government Income Statement

	2017-18 Sept YTD Actual \$m	2018-19 Original Budget \$m	2018-19 Sept YTD Actual \$m
Revenue from transactions			
Grants	888.2	3 893.9	922.4
Taxation	360.9	1 215.2	385.7
Sales of goods and services	100.2	417.6	79.5
Fines and regulatory fees	24.3	98.6	27.3
Interest income	4.0	17.8	3.9
Dividend, tax and rate equivalent income	15.9	409.7	59.6
Other revenue	43.9	164.6	49.3
	1 437.5	6 217.3	1 527.7
Less Expenses from transactions			
Employee expenses	591.9	2 531.5	641.6
Superannuation	69.7	294.1	73.1
Depreciation	67.1	264.1	66.5
Supplies and consumables	268.7	1 232.7	287.0
Nominal superannuation interest expense	71.4	270.9	67.8
Borrowing costs	2.6	9.5	1.9
Grant and subsidy expenses	397.1	1 393.1	400.9
Other expenses	8.7	59.5	6.6
	1 477.1	6 055.4	1 545.4
Equals NET OPERATING BALANCE	(39.6)	161.9	(17.8)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	0.7	12.2	6.6
Revaluation of equity investment in PNFC and PFC sectors	....	(93.7)	....
Other gains/(losses)	(1.7)	(4.2)	1.1
	(1.0)	(85.7)	7.8
Equals Operating Result	(40.6)	76.2	(10.0)

Table 2.1: General Government Income Statement (continued)

	2017-18 Sept YTD Actual	2018-19 Original Budget	2018-19 Sept YTD Actual
	\$m	\$m	\$m
Plus Other economic flows – Other non-owner movements in equity			
Revaluations of non-financial assets	62.7	268.4	65.6
Other non-owner movements in equity	0.3	3.8	(3.4)
	63.0	272.2	62.2
Equals Comprehensive Result	22.4	348.4	52.2
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(39.6)	161.9	(17.8)
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	59.5	741.0	109.9
Less Sale of non-financial assets	7.3	30.4	7.1
Less Depreciation	67.1	264.1	66.5
	(14.9)	446.5	36.3
Equals FISCAL BALANCE	(24.8)	(284.6)	(54.0)

Balance Sheet

Table 2.2: General Government Balance Sheet

	30 June 2018	30 June 2019	30 Sept 2018
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 292.7	938.7	1 096.2
Investments	64.4	139.8	66.3
Equity investment in PNFC and PFC sectors	5 393.4	5 398.3	5 410.9
Other equity investments	20.5	47.9	22.0
Receivables	313.2	316.9	407.4
Other financial assets	796.7	802.9	774.8
	7 880.9	7 644.5	7 777.6
Non-financial assets			
Land and buildings	6 321.5	6 635.1	6 390.4
Infrastructure	5 477.8	5 259.9	5 506.2
Plant and equipment	234.6	255.9	237.0
Heritage and cultural assets	462.2	486.0	461.7
Investment property	3.6	4.0	3.4
Intangible assets	56.5	54.5	55.6
Assets held for sale	9.1	9.4	6.8
Other non-financial assets	39.5	43.6	44.7
	12 604.7	12 748.4	12 705.9
Total Assets	20 485.6	20 392.9	20 483.5
Liabilities			
Borrowings	493.2	748.9	480.5
Superannuation ¹	8 276.8	6 868.1	8 318.2
Employee entitlements	675.1	648.3	674.1
Payables	161.7	135.8	75.9
Other liabilities	378.5	398.4	382.2
Total Liabilities	9 985.2	8 799.6	9 930.9
NET ASSETS	10 500.4	11 593.3	10 552.6

Table 2.2: General Government Balance Sheet (continued)

	30 June 2018	30 June 2019	30 Sept 2018
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	4 557.3	6 098.7	4 543.9
Asset revaluation reserve	5 943.2	5 494.6	6 008.7
Total Equity	10 500.4	11 593.3	10 552.6
KEY FISCAL AGGREGATES			
NET WORTH²	10 500.4	11 593.3	10 552.6
NET FINANCIAL WORTH³	(2 104.3)	(1 155.1)	(2 153.3)
NET FINANCIAL LIABILITIES⁴	7 497.7	6 553.4	7 564.2
NET DEBT⁵	(863.9)	(329.6)	(681.9)

Notes:

1. There is a difference of \$1 450.1 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 per cent applied, in accordance with Australian Accounting Standard AASB 119 *Employee Benefits*, for financial reporting purposes and the long-term bond rate of 4.25 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

	2017-18 Sept YTD Actual \$m	2018-19 Original Budget \$m	2018-19 Sept YTD Actual \$m
Cash flows from operating activities			
Cash inflows			
Grants received	887.6	3 893.9	925.5
Taxation	270.0	1 213.6	277.9
Sales of goods and services	93.9	417.0	91.6
Fines and regulatory fees	23.5	98.6	21.8
Interest received	4.3	17.8	4.1
Dividend, tax and rate equivalents	24.4	412.0	59.6
Other receipts	109.9	355.2	118.4
	1 413.5	6 407.9	1 498.8
Cash outflows			
Employee entitlements	(623.2)	(2 521.3)	(646.8)
Superannuation	(110.9)	(481.8)	(103.5)
Supplies and consumables	(313.6)	(1 244.5)	(321.1)
Borrowing costs	(2.7)	(9.5)	(0.2)
Grants and subsidies paid	(399.0)	(1 393.1)	(407.5)
Other payments	(67.4)	(252.1)	(79.1)
	(1 516.7)	(5 902.3)	(1 558.2)
Net cash flows from operating activities	(103.3)	505.6	(59.4)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(59.0)	(731.8)	(109.9)
Sales of non-financial assets	7.2	30.4	7.1
	(51.8)	(701.4)	(102.8)
Net cash flows from financial assets (policy purposes)			
Equity injections	(5.2)	(98.7)	(18.9)
Net advances paid	(6.5)	(27.6)	(4.1)
Equity disposals	0.4	1.1	1.0
	(11.2)	(125.1)	(22.0)
Net cash flows from financial assets (liquidity purposes)			
Net (purchase)/sale of investments	(0.3)	(40.5)	....
	(0.3)	(40.5)	....
Net cash flows from investing activities	(63.3)	(866.9)	(124.8)

Table 2.3: General Government Cash Flow Statement (continued)

	2017-18 Sept YTD Actual	2018-19 Original Budget	2018-19 Sept YTD Actual
	\$m	\$m	\$m
Cash flows from financing activities			
Net borrowing	6.9	170.0	(12.4)
Net cash flows from financing activities	6.9	170.0	(12.4)
Net increase/(decrease) in cash held	(159.7)	(191.3)	(196.5)
Cash at the beginning of the year	1 253.4	1 130.0	1 292.7
Cash at the end of the period	1 093.7	938.7	1 096.2
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(103.3)	505.6	(59.4)
Plus Net cash from investments in non-financial assets	(51.8)	(701.4)	(102.8)
Equals CASH SURPLUS/(DEFICIT)	(155.1)	(195.7)	(162.2)

3 CONSOLIDATED FUND OUTCOME

Table 3.1: Consolidated Fund Outcome

	2017-18 Sept YTD Actual \$m	2018-19 Original Budget \$m	2018-19 Sept YTD Actual \$m
Recurrent Receipts			
Australian Government sources			
General purpose payments	596.8	2 487.7	621.9
Specific purpose payments	132.5	529.6	132.3
National partnership payments	9.2	77.2	9.6
Other grants and subsidies	....	0.1	....
	738.6	3 094.5	763.7
State sources			
Taxation	234.9	1 087.6	242.6
Receipts from government businesses	33.6	388.4	67.7
Departmental fees and recoveries	24.5	102.7	24.9
Recoveries of state debt charges	....	0.1	....
Resource rents and royalties	10.0	38.8	13.8
Sale and rent of government property	....	5.0	....
Other recurrent receipts	36.1	247.1	34.5
	339.2	1 869.5	383.5
Capital Receipts			
State sources	0.7	3.5	0.7
	0.7	3.5	0.7
Total Receipts	1 078.4	4 967.4	1 147.9
less Expenditure			
Recurrent services			
Appropriation Act	1 040.6	4 350.2	1 123.7
Reserved by Law	86.6	341.0	75.7
	1 127.1	4 691.3	1 199.4
Works and services			
Capital Investment Program	31.6	439.1	80.4
	31.6	439.1	80.4
Total Expenses	1 158.8	5 130.4	1 279.8
Equals CONSOLIDATED FUND SURPLUS/(DEFICIT)	(80.4)	(162.9)	(131.9)

Table 3.2: Consolidated Fund Expenditure

	2017-18 Sept YTD Actual	2018-19 Original Budget	2018-19 Sept YTD Actual
	\$m	\$m	\$m
Health and Human Services¹			
Recurrent services	369.8	....	....
Works and services	5.9	....	....
	375.8	....	....
Communities Tasmania¹			
Recurrent services	n/a	522.0	107.7
Reserved by Law	n/a	6.5	....
Works and services	n/a	47.0	0.5
	n/a	575.5	108.2
Education			
Recurrent services	334.2	1 321.6	348.2
Works and services	5.5	59.0	5.6
	339.7	1 380.7	353.7
Finance-General			
Recurrent services	33.3	265.2	55.4
Reserved by Law	79.4	309.6	70.4
Works and services	....	24.8	1.1
	112.6	599.6	126.9
Health¹			
Recurrent services	n/a	1 072.1	293.6
Works and services	n/a	93.3	40.8
	n/a	1 165.4	334.5
House of Assembly			
Recurrent services	0.6	3.4	0.6
Reserved by Law	1.5	6.0	1.6
	2.1	9.4	2.1
Integrity Commission			
Recurrent services	0.5	2.5	0.5
	0.5	2.5	0.5
Justice			
Recurrent services	41.5	179.9	42.6
Reserved by Law	3.0	13.9	2.7
Works and services	0.5	13.7	1.1
	45.0	207.5	46.3
Legislative Council			
Recurrent services	0.9	3.9	1.2
Reserved by Law	0.8	3.1	0.7
Works and services	0.1	....	....
	1.7	7.0	1.9

Table 3.2: Consolidated Fund Expenditure (continued)

	2017-18 Sept YTD Actual \$m	2018-19 Original Budget \$m	2018-19 Sept YTD Actual \$m
Legislature-General			
Recurrent services	1.8	6.7	0.9
	1.8	6.7	0.9
Ministerial and Parliamentary Support			
Recurrent services	4.1	22.3	5.0
Reserved by Law	0.1	0.2	0.1
	4.1	22.5	5.1
Office of the Director of Public Prosecutions			
Recurrent services	2.1	7.3	2.0
Reserved by Law	0.1	0.5	0.1
	2.2	7.8	2.1
Office of the Governor			
Recurrent services	0.9	3.6	0.9
Reserved by Law	0.1	0.6	0.1
	1.0	4.2	1.0
Office of the Ombudsman			
Recurrent services	0.6	2.3	0.5
	0.6	2.3	0.5
Police, Fire and Emergency Management			
Recurrent services	48.7	229.0	52.0
Works and services	3.6	6.9	2.8
	52.3	235.9	54.8
Premier and Cabinet¹			
Recurrent services	12.4	37.7	9.5
Reserved by Law	1.6	....	....
Works and services	0.1	0.3	....
	14.1	38.0	9.5
Primary Industries, Parks, Water and Environment			
Recurrent services	72.0	182.5	75.9
Works and services	2.5	38.4	3.0
	74.5	220.9	79.0
State Growth			
Recurrent services	102.1	394.7	113.5
Reserved by Law	....	0.1	....
Works and services	13.2	154.2	25.5
	115.3	548.9	139.0
Tasmanian Audit Office			
Recurrent services	0.5	2.0	0.4
Reserved by Law	0.1	0.5	0.1
	0.6	2.5	0.5

Table 3.2: Consolidated Fund Expenditure (continued)

	2017-18 Sept YTD Actual	2018-19 Original Budget	2018-19 Sept YTD Actual
	\$m	\$m	\$m
Tourism Tasmania			
Recurrent services	2.8	33.0	4.8
	2.8	33.0	4.8
Treasury and Finance			
Recurrent services	11.8	58.5	8.8
Works and services	0.3	1.5	0.1
	12.2	60.0	8.9
TOTAL CONSOLIDATED FUND EXPENDITURE	1 158.8	5 130.4	1 279.8

Note

- I. From 1 July 2018, the Department of Health and the Department of Communities Tasmania were established through the amalgamation of part of the former Department of Human and Health Services and part of the Department of Premier and Cabinet. As part of the restructure, the Department of Health and Human Services ceased on 30 June 2018. Comparatives have not been adjusted to reflect this change.