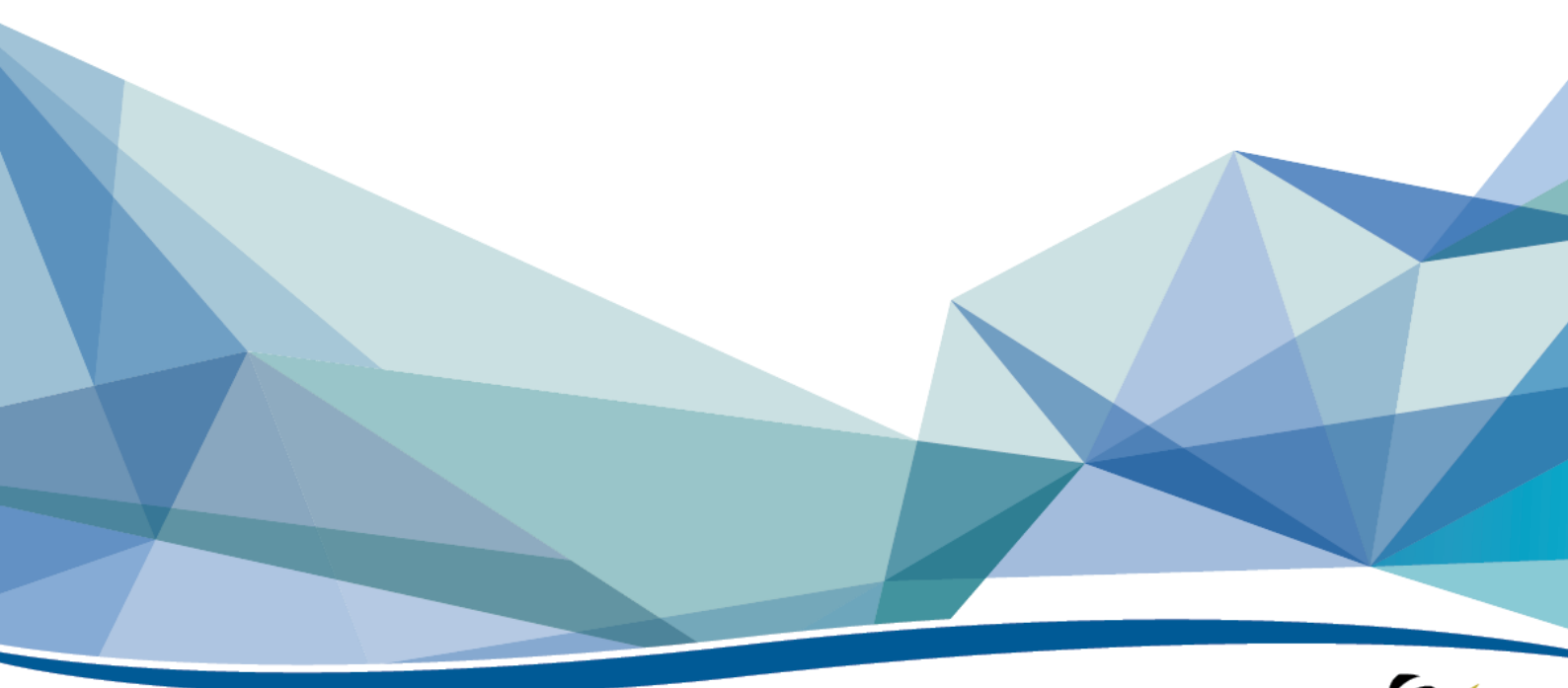


September Quarterly Report 2019-20



Department of Treasury and Finance



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I INTRODUCTION

The *September Quarterly Report 2019-20* is prepared in accordance with Section 35 of the *Financial Management Act 2016*. It presents financial results for the three months ending 30 September 2019 for the General Government Sector and the Public Account.

Seasonal and timing factors impact the State's finances, especially the timing of Grants revenue, Taxation revenue and Grant and subsidy expenses. Therefore, care should be taken using the quarterly information to extrapolate the likely outcome for 2019-20. Further updates will be provided in the *Revised Estimates Report 2019-20 (including December Quarterly Report)* due for release by 15 February 2020.

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 2019-20 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 2019; and
- Section 3 summarises receipts to, and expenditure from, the Public Account for the three months ending 30 September 2019.

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 2019 is a deficit of \$133.9 million. Quarterly results are impacted by timing and cyclical factors and, as such, care should be taken in trying to extrapolate the likely outcome for 2019-20.

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 2019 is \$1 531.6 million, which is \$70.1 million below the pro-rata Original Budget estimate of \$1 601.7 million, or 23.9 per cent of the Original Budget for 2019-20.

The main variations for the three months ending 30 September 2019 are:

- Grants revenue is \$54.2 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership payments which will be received later in 2019-20;
- Taxation revenue is \$108.3 million above the pro-rata Original Budget estimate. This is primarily due to the timing of Land tax revenue which is \$103.4 million above the pro-rata Original Budget estimate. The majority of Land tax revenue for 2019-20 is recognised in the September 2019 quarter. This is consistent with expectations and the usual timing of these taxation receipts; and
- Dividend, tax and rate equivalent income is \$105.5 million below the pro-rata Original Budget estimate. This is due to the timing of the payment of dividend instalments by government businesses. These payments are generally received in the December quarter.

Expenses from transactions

Expenses from transactions for the three months ending 30 September 2019 is \$1 665.5 million, which is \$78.2 million above the pro-rata Original Budget estimate of \$1 587.3 million, or 26.2 per cent of the Original Budget for 2019-20. 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 2019 are:

- Employee expenses is \$22.8 million above the pro-rata Original Budget estimate. The variation is primarily due to an increase in Employee expenses for the Department of Health of \$22.3 million;

- Grant and subsidy expenses are \$69.4 million above the pro-rata Original Budget estimate. The variation is primarily a result of increases for:
 - the Department of Education of \$37.4 million, which reflects the timing of payments for Non-Government School Grants; and
 - the Department of Primary Industries, Parks, Water and Environment of \$22 million, which is primarily due to the full year payment of a grant to Tasracing Pty Ltd in the September 2019 quarter; and
- Other expenses is \$10.9 million above the pro-rata Original Budget estimate. The variation is primarily due to budget savings measures of \$50 million which were initially classified to Other expenses in the Original Budget estimate. These savings will be reflected across all Expenses as savings measures are implemented by agencies during the year. An update on these savings measures will be provided around the time of the *Revised Estimates Report 2019-20*.

Other economic flows – Included in Operating Result

Other economic flows – Included in Operating Result for the three months ending 30 September 2019 is an inflow of \$161.3 million, which is \$214.5 million above the pro-rata Original Budget estimate of a \$53.2 million outflow. The major variations for the three months ending 30 September 2019 are:

- Revaluation of equity investment in PNFC and PFC sectors is currently nil for the three months ending 30 September 2019. The revaluation is based on the movement in net assets for Government businesses, and is undertaken at the end of the financial year; and
- Other gains/(losses) is \$157.3 million above the pro-rata Original Budget estimate. The variation is primarily due to the inflow recognised as a result of the Australian Government’s waiver of the State’s outstanding housing related loans of \$157.6 million.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the three months ending 30 September 2019 is \$14.1 million, which is \$62.3 million lower than the pro-rata Original Budget estimate of \$76.4 million. This is mainly due to Purchases of non-financial assets for the three months ending 30 September 2019 being \$71.8 million below the pro-rata Original Budget estimate. This decrease primarily reflects the impact of timing on cash flows for the following projects:

- Road infrastructure for the Department of State Growth of \$37.6 million;
- Hospital redevelopments and upgrades for the Department of Health of \$9.2 million;
- National Park infrastructure for the Department of Primary Industries, Parks, Water and Environment of \$6 million; and
- School infrastructure for the Department of Education of \$5.4 million.

Table 2.1: General Government Income Statement

	2018-19 Sept YTD Actual \$m	2019-20 Original Budget \$m	2019-20 Sept YTD Actual \$m
Revenue from transactions			
Grants	922.4	3 973.3	939.1
Taxation	385.7	1 215.5	412.2
Sales of goods and services	79.5	416.0	74.1
Fines and regulatory fees	27.3	103.1	32.1
Interest income	3.9	16.8	2.3
Dividend, tax and rate equivalent income	59.6	524.1	25.5
Other revenue	49.3	157.9	46.2
	1 527.7	6 406.7	1 531.6
Less Expenses from transactions			
Employee expenses	641.6	2 675.1	691.6
Superannuation	73.1	305.1	79.2
Depreciation	66.5	329.4	79.9
Supplies and consumables	287.0	1 293.8	301.5
Nominal superannuation interest expense	67.8	271.3	67.8
Borrowing costs	1.9	14.1	....
Grant and subsidy expenses	400.9	1 461.2	434.7
Other expenses	6.6	(0.7)	10.7
	1 545.4	6 349.3	1 665.5
Equals NET OPERATING BALANCE	(17.8)	57.4	(133.9)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	6.6	16.7	4.5
Revaluation of equity investment in PNFC and PFC sectors	....	(227.6)	....
Other gains/(losses)	1.1	(2.0)	156.8
	7.8	(212.9)	161.3
Equals Operating Result	(10.0)	(155.6)	27.4

Table 2.1: General Government Income Statement (continued)

	2018-19 Sept YTD Actual	2019-20 Original Budget	2019-20 Sept YTD Actual
	\$m	\$m	\$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	65.6	282.7	70.1
Other non-owner movements in equity	(3.4)	(210.8)	12.7
	62.2	71.9	82.8
Equals Comprehensive Result	52.2	(83.6)	110.2
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(17.8)	57.4	(133.9)
Less Net acquisition of non-financial assets			
Purchases of non-financial assets	109.9	700.1	103.2
Less Sales of non-financial assets	7.1	65.0	9.3
Less Depreciation	66.5	329.4	79.9
	36.3	305.7	14.1
Equals FISCAL BALANCE - SURPLUS/(DEFICIT)	(54.0)	(248.4)	(148.0)

Balance Sheet

Table 2.2: General Government Balance Sheet

	30 June 2019	30 June 2020	30 Sept 2019
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 246.3	926.6	907.7
Investments	121.2	158.8	127.6
Equity investment in PNFC and PFC sectors	5 049.2	5 451.5	5 094.5
Other equity investments	45.9	71.5	47.4
Receivables	345.9	307.8	430.6
Other financial assets	609.9	822.9	594.4
	7 418.3	7 739.1	7 202.3
Non-financial assets			
Land and buildings	7 101.3	6 953.3	7 145.5
Infrastructure	5 976.5	6 115.9	6 004.3
Plant and equipment	244.7	270.9	242.5
Heritage and cultural assets	463.1	486.5	467.3
Investment property	3.0	4.1	3.1
Intangible assets	64.7	51.4	63.7
Assets held for sale	9.7	6.6	9.7
Lease - right-of-use assets	....	333.4	357.0
Other non-financial assets	39.5	41.6	42.7
	13 902.5	14 263.7	14 335.8
Total Assets	21 320.8	22 002.7	21 538.1
Liabilities			
Borrowings	593.5	1 035.0	443.8
Lease liabilities	....	334.9	358.4
Superannuation ¹	10 187.4	7 007.8	10 213.4
Employee entitlements	720.8	665.2	691.1
Payables	202.2	164.7	100.3
Other liabilities	393.4	464.4	397.3
Total Liabilities	12 097.3	9 671.9	12 204.3
Net Assets	9 223.6	12 330.8	9 333.7

Table 2.2: General Government Balance Sheet (continued)

	30 June 2019	30 June 2020	30 Sept 2019
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	4 389.0	5 830.6	4 429.0
Asset revaluation reserve	5 244.6	6 500.2	5 314.7
Other reserves	(410.0)	....	(410.0)
Total Equity	9 223.6	12 330.8	9 333.7
KEY FISCAL AGGREGATES			
NET WORTH²	9 223.6	12 330.8	9 333.7
NET FINANCIAL WORTH³	(4 679.0)	(1 932.9)	(5 002.0)
NET FINANCIAL LIABILITIES⁴	9 728.2	7 384.4	10 096.5
NET DEBT⁵	(774.0)	284.5	(233.2)
GFS NET DEBT⁶	(774.0)	(50.4)	(591.6)

Notes:

1. There is a difference of \$3 205.6 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 1.8 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 plus Lease liabilities, less the sum of Cash and deposits and Investments. This measure incorporates the impact of recognising Lease liabilities on the Balance Sheet as a result of the changes under AASB 16 *Leases* which are effective from 2019-20.
6. GFS Net Debt represents Borrowings less the sum of Cash and deposits and Investments. This is equivalent to Net Debt based on the Australian Bureau of Statistics Government Finance Statistics reporting framework.

Cash Flow Statement

Table 2.3: General Government Cash Flow Statement

	2018-19 Sept YTD Actual \$m	2019-20 Original Budget \$m	2019-20 Sept YTD Actual \$m
Cash flows from operating activities			
Cash receipts from operating activities			
Grants received	925.5	3 838.7	916.9
Taxation	277.9	1 213.1	310.0
Sales of goods and services	91.6	414.7	99.2
Fines and regulatory fees	21.8	103.0	23.6
Interest received	4.1	17.2	3.8
Dividend, tax and rate equivalents	59.6	511.5	39.0
Other receipts	118.4	331.5	93.0
	1 498.8	6 429.8	1 485.6
Cash payments for operating activities			
Employee entitlements	(646.8)	(2 688.5)	(702.5)
Superannuation	(103.5)	(509.7)	(123.4)
Supplies and consumables	(321.1)	(1 296.8)	(353.6)
Borrowing costs	(0.2)	(14.3)	(0.2)
Grants and subsidies paid	(407.5)	(1 461.2)	(440.5)
Other payments	(79.1)	(172.7)	(62.9)
	(1 558.2)	(6 143.2)	(1 683.1)
Net cash flows from operating activities	(59.4)	286.7	(197.5)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(109.9)	(688.4)	(103.3)
Sales of non-financial assets	7.1	61.2	9.3
	(102.8)	(627.3)	(94.0)
Net cash flows from financial assets (policy purposes)			
Equity injections	(18.9)	(116.9)	(46.8)
Net advances paid	(4.1)	4.1	(8.5)
Equity disposals	1.0	3.6	1.0
	(22.0)	(109.2)	(54.3)
Net cash flows from financial assets (liquidity purposes)			
Net (purchase)/sale of investments	....	(54.9)	(0.2)
	....	(54.9)	(0.2)
Net cash flows from investing activities	(124.8)	(791.4)	(148.5)

Table 2.3: General Government Cash Flow Statement (continued)

	2018-19 Sept YTD Actual	2019-20 Original Budget	2019-20 Sept YTD Actual
	\$m	\$m	\$m
Cash flows from financing activities			
Net borrowing	(12.4)	332.8	7.5
Net cash flows from financing activities	(12.4)	332.8	7.5
Net increase/(decrease) in cash held	(196.5)	(171.9)	(338.6)
Cash at the beginning of the year	1 292.7	1 098.5	1 246.3
Cash at the end of the period	1 096.2	926.6	907.7
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(59.4)	286.7	(197.5)
Plus Net cash from investments in non-financial assets	(102.8)	(627.3)	(94.0)
Equals CASH SURPLUS/(DEFICIT)	(162.2)	(340.6)	(291.5)

3 PUBLIC ACCOUNT

2019-20 is the first year of the implementation of the new Financial Management Act. Tables 3.1 and 3.2 provide information on the total Receipts and Expenditure of the Public Account for the three months ending 30 September 2019. These Tables meet the requirements of section 35(4) of the Financial Management Act.

As this is the first year of reporting under the Financial Management Act, prior year comparatives are not presented.

These Tables reflect the gross cash receipts and expenditure from the Public Account. As such, they do not include the impact of the elimination of inter-entity transactions within the Public Account or whole-of-government investment and cash management activities within the Public Account. These transactions are fully reflected in the General Government Statements and the key financial measures, including the Net Operating Balance, Fiscal Balance and Net Debt. Consequently the receipts and expenditures detailed in the tables will not reconcile directly with those presented in the General Government Cash Flow Statement.

Table 3.1: Public Account Receipts

	2019-20 Original Budget	2019-20 Sept YTD Actual
	\$m	\$m
General Receipts		
Australian Government Sources	3 079.9	768.7
State Sources	1 982.8	388.0
	5 062.7	1 156.7
Specific Purpose Accounts	1 959.6	567.7
Statutory Authorities	235.7	58.5
Total Receipts	7 257.9	1 782.9

Table 3.2: Public Account Expenditure

	2019-20 Original Budget	2019-20 Sept YTD Actual
	\$m	\$m
Annual Appropriation		
Operating Services Expenditure	4 607.7	1 240.9
Capital Services Expenditure	480.2	68.2
	5 088.0	1 309.1
Reserved by Law	353.7	91.9
Specific Purpose Accounts	2 075.0	653.1
Statutory Authorities	240.1	58.9
Other Provisions	0.1	....
Total Expenditure	7 756.9	2 113.0



Tasmanian
Government

Department of Treasury and Finance

GPO Box 147

Hobart Tasmania 7001

Telephone: +61 3 6166 4444

Website: <https://www.treasury.tas.gov.au>