



TASMANIAN GOVERNMENT GAZETTE

PUBLISHED BY
AUTHORITY
ISSN 0039-9795

FRIDAY 13 AUGUST 2010

No. 21 083

PRELIMINARY OUTCOMES REPORT 2009-10

Department of Treasury and Finance
August 2010

Contents

1	Introduction	1423
2	Key Interim Fiscal Strategy Measures	1425
	Net Operating Balance	1427
	Underlying Net Operating Balance	1427
	Capital Expenditure	1427
	Fiscal Balance	1428
	Net Debt	1428
3	General Government Preliminary Outcome	1429
	Income Statement	1429
	Balance Sheet	1437
	Cash Flow Statement	1441
4	Consolidated Fund Preliminary Outcome	1445
5	Concepts and Definitions	1451
	Compliance Framework	1451
	Income Statement	1452
	Balance Sheet	1453
	Cash Flow Statement	1454
	Consolidated Fund	1455
	Consolidation of Transactions	1455
	Rounding	1455
	General Government Entities	1456

1 INTRODUCTION

The Preliminary Outcomes Report is prepared in accordance with section 26 of the *Financial Management and Audit Act 1990*, which requires the publication of a financial report for a given financial year by 15 August the following year.

This Report is based on unaudited financial data from agencies and other General Government Sector authorities. In accordance with section 28 of the Act, agencies and General Government Sector authorities have 45 days from 30 June to forward their financial statements to the Auditor-General. Financial information for this Report is required by Treasury by 15 July to enable compilation of the Report by 15 August. Consequently, estimation methods are applied, where appropriate, in accordance with the principles of AASB 134 *Interim Financial Reporting* to ensure that the financial information can be provided within the short timeframe. The final audited Budget Outcome will be released in the Treasurer's Annual Financial Report, to be published by 31 October 2010.

The Preliminary Outcomes Report contains the following information:

- Section 2 provides an update on progress against the Key Interim Fiscal Strategy Measures;
- Section 3 presents the Income Statement, Balance Sheet and Cash Flow Statement for the General Government Sector. The Statements present the 2009-10 preliminary outcomes together with the original Budget estimates in accordance with AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*. Commentary is provided on material changes between original Budget estimates and preliminary outcomes;
- Section 4 summarises details of the receipts to and expenditure from the Consolidated Fund; and
- Section 5 provides an overview of the key concepts and definitions used within this Report.

2 KEY INTERIM FISCAL STRATEGY MEASURES

A fiscal strategy is an effective planning tool for the Government, providing clear signals to financial markets, the business sector and the community as to the Government's intentions in financial management. The purpose of a fiscal strategy is to establish a benchmark for the evaluation of the Government's year-to-year and medium term fiscal performance and to increase public awareness of its fiscal policies.

As a result of the global slowdown, the Government could not achieve its previous Fiscal Strategy targets over the 2009-10 Budget and Forward Estimates period without breaching the Government's commitments to maintain frontline services, minimise the impact on public sector jobs and invest in infrastructure.

The Interim Fiscal Strategy establishes a set of targets, the progressive achievement of which will return the Budget to a sustainable position. The Government has set aside the current Fiscal Strategy until normal economic conditions resume. The Interim Fiscal Strategy is being adopted for the period 2009-10 to 2014-15.

Table 2.1 presents progress against a number of key Interim Fiscal Strategy measures that were in place for the 2009-10 Budget, comparing the preliminary outcome to the original Budget estimates for 2009-10 and the actual 2008-09 outcome.

These comparisons show that the preliminary outcomes for 2009-10 are an improvement from the original Budget outlook.

Table 2.1: Key Interim Fiscal Strategy Measures

Interim Target	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Net Operating Surplus on average over four-year rolling period by 2014-15 ¹	(38)	2	14
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15 ²	(124)	(100)	7
Fiscal Surplus by 2014-15	(569)	(242)	(95)
Consolidated Fund Surplus by 2014-15	(350)	(266)	(11)
Net Unfunded Superannuation Liability to be extinguished by 2035 ³	3 107	3 504	2 710
General Government Sector to remain Net Debt free	(487)	(755)	(982)
Capital Expenditure in excess of depreciation, on average, over four-year rolling period ⁴	159	120	47

Notes:

1. To calculate the four-year rolling average of the Net Operating Balance as at 30 June 2010, the prior year outcomes for 2006-07, 2007-08 and 2008-09 were used, being a \$39 million deficit, a \$53 million surplus, and a \$78 million deficit respectively. The Average Net Operating Surplus measures disclosed are as per the original 2009-10 Budget Papers, based on the preliminary outcome and as reported in the 2008-09 Treasurer's Annual Financial Report.
2. Achievement of an Underlying Net Operating Surplus on average over a four-year rolling period by 2014-15 is measured on an underlying basis that removes the impact of one-off Australian Government funding for specific major capital programs. To calculate the four-year rolling average of the Underlying Net Operating Balance as at 30 June 2010, the prior year outcomes for 2006-07, 2007-08 and 2008-09 were used, being a \$39 million deficit, a \$53 million surplus, and a \$106 million deficit respectively.
3. The Net Unfunded Superannuation Liability will continue to increase in the medium-term. The Government is making sufficient provisions so as to achieve the target in 2035.
4. In the 2009-10 Budget Papers and the 2009-10 Mid-Year Financial Report, the Capital Expenditure in excess of depreciation measure was presented as the differences between the four-year aggregates of capital expenditure and depreciation. The 2009-10 Preliminary Outcomes Report estimates have been presented on an "average over four years" basis as required by the Interim Fiscal Strategy. To calculate the four-year rolling average as at 30 June 2010, the prior year outcomes 2006-07, 2007-08 and 2008-09 were used, being excesses of \$26 million, \$19 million, and \$57 million respectively.

Net Operating Balance

The preliminary 2009-10 Net Operating Balance is estimated to be a surplus of \$70 million, an increase of \$187 million from the original Budget deficit of \$117 million. This increase is due to an increase in Revenues from transactions of \$426 million, partially offset by an increase in Expenses from transactions of \$240 million. Details of the significant variations are provided in Section 3.

Underlying Net Operating Balance

The Underlying Net Operating Balance is the Net Operating Balance adjusted to remove the effects of one-off Australian Government funding for specific major capital programs (most of which was associated with the *Nation Building - Economic Stimulus Plan* program). The preliminary 2009-10 Underlying Net Operating Balance is estimated to be a deficit of \$307 million, a decrease of \$128 million from the original Budget Deficit of \$435 million.

Table 2.2: Underlying Net Operating Balance

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Net Operating Balance	(117)	70	(78)
Less Impact of One-off Australian Government Funding for Specific Major Capital Programs ¹	318	377	28
Underlying Net Operating Balance	(435)	(307)	(106)
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15 ²	(124)	(100)	7

Notes:

1. The Impact of One-off Australian Government funding for Specific Major Capital Programs reflects the net impact of the *Nation Building – Economic Stimulus Plan*, and additional funding for Nation Building (formerly Auslink) and Water for the Future.
2. To calculate the four-year rolling average of the Underlying Net Operating Balance as at 30 June 2010, the prior year outcomes for 2006-07, 2007-08 and 2008-09 were used, being a \$39 million deficit, a \$53 million surplus, and a \$106 million deficit respectively. The Average Net Operating Surplus measures disclosed are as per the original 2009-10 Budget Papers, based on the preliminary outcome and as reported in the 2008-09 Treasurer's Annual Financial Report.

Capital Expenditure

Investment in infrastructure is necessary to ensure the effective delivery of Government services to the community and to foster economic and industry development. Maintaining capital expenditure to be at least equal to depreciation levels ensures that the real value of General Government infrastructure assets is maintained. The preliminary 2009-10 capital expenditure, in excess of depreciation, is estimated to be \$377 million, a decrease of \$153 million below the original Budget estimate of \$530 million. The variance is primarily due to lower than budgeted expenditure as a consequence of the deferral of some capital projects to 2010-11.

Fiscal Balance

The preliminary 2009-10 Fiscal Balance is estimated to be a \$242 million deficit, an improvement of \$327 million from the original Budget estimate of a \$569 million deficit. The preliminary Fiscal Balance result is primarily due to the favourable movement in the Net Operating Balance and decreased capital expenditure, as described above. The preliminary outcome is estimated to be \$147 million less than the 2008-09 Fiscal Deficit of \$95 million. Details of the significant variations are provided in Section 3.

Net Debt

Net Debt is estimated to be negative \$755 million as at 30 June 2010, which is an improvement of \$268 million from the original Budget estimate of negative \$487 million. The preliminary outcome represents a decline of \$227 million from the balance of Net Debt as at 30 June 2009 of negative \$982 million.

3 GENERAL GOVERNMENT PRELIMINARY OUTCOME

Income Statement

The preliminary 2009-10 Fiscal Balance outcome of a \$242 million deficit is an improvement of \$327 million on the original 2009-10 Budget estimate of a \$569 million deficit. The General Government Income Statement for 2009-10 is detailed in Table 3.1. The significant variations to Revenue from transactions, Expenses from transactions, Net acquisition of non-financial assets and Other economic flows are outlined below.

Revenue from transactions

The 2009-10 preliminary outcome for Revenue from transactions is \$4 642 million, \$426 million or 10 per cent greater than the original 2009-10 Budget estimate of \$4 216 million. The main variations are as follows:

- Grants revenue of \$3 079 million is \$320 million above the original Budget estimate of \$2 759 million;
 - General purpose payments of \$1 639 million are \$112 million above the original Budget estimate of \$1 527 million. This increase reflects additional Goods and Services Tax collections as a result of a stronger than expected performance of the Australian economy and an associated increase in the national GST pool;
 - Australian Government National partnership payments of \$769 million are \$126 million above the original Budget estimate of \$643 million. The increase is primarily due to additional payments for Schools of \$73 million, Infrastructure Services of \$27 million and Grants to the State for Local Government of \$17 million (which reflects a pull-forward of financial assistance to councils);
 - Specific purpose payments of \$580 million are \$17 million above the original Budget estimate of \$563 million, reflecting additional funding from the Australian Government of \$17 million for Schools; and
 - Other grants and subsidies revenue of \$92 million is \$64 million above the original Budget estimate of \$28 million. The increase is primarily due to \$32 million of extra funding to the Department of Health and Human Services for Acute Health Services, \$11 million to the Department of Primary Industries, Parks, Water and Environment relating to environmental services and \$12 million in funding provided to the Department of Education under the Training Infrastructure Investment for Tomorrow program;
- Taxation revenue of \$868 million is \$58 million above the original Budget estimate of \$810 million. The increase is due to additional Financial transaction taxes of \$24 million, Payroll tax of \$16 million, Fire service levies of \$6 million and additional Motor vehicle fees and taxes of \$5 million. The increase in Financial transaction taxes reflects revenue from a number of large commercial transactions and improving property values and turnover;

- Sales of goods and services of \$352 million is \$23 million below the original Budget estimate of \$375 million. The decrease is primarily due to the reclassification of revenue that was included in Sales of goods and services for the original Budget estimate. The Department of Health and Human Services reclassified \$16 million to Grants and the Department of Treasury and Finance reclassified \$9 million to Fines and regulatory fees;
- Fines and regulatory fees of \$73 million is \$9 million above the original Budget estimate of \$64 million. This increase is primarily due to a reclassification of revenue by the Department of Treasury and Finance;
- Interest income of \$44 million is \$10 million above the original Budget estimate of \$34 million. The increase in Interest income is a result of favourable interest rate movements and higher than anticipated levels of cash available for investment;
- Dividend, tax and rate equivalent income of \$106 million is \$6 million above the original Budget estimate of \$100 million. The main variations are as follows:
 - Dividend income is \$8 million above the original Budget estimate due to additional dividends from the Motor Accidents Insurance Board (\$6 million), TOTE Tasmania Pty Ltd (\$3 million) Tasmanian Public Finance Corporation (\$3 million), Hydro Tasmania (\$3 million) and Transend Networks Pty Ltd (\$3 million). This is partly offset by a \$9 million reduction in dividends from the Tasmanian Ports Corporation Pty Ltd; and
 - Income tax equivalents income is \$2 million below the original Budget estimate. The decrease reflects a reduction in ITE payments from Aurora Energy Pty Ltd (\$14 million), Transend Networks Pty Ltd (\$6 million) and Tasmanian Ports Corporation Pty Ltd (\$2 million). This was partly offset by additional ITE payments from the Motor Accidents Insurance Board (\$14 million), TOTE Tasmania Pty Ltd (\$4 million) and Tasmanian Public Finance Corporation (\$2 million); and
- Other revenue of \$120 million is \$46 million above the original Budget estimate of \$74 million. The increase is primarily due to the following:
 - additional revenue of \$15 million for Mineral Royalties income received by the Department of Infrastructure, Energy and Resources as a result of stronger commodity prices for mineral resources;
 - additional revenue of \$9 million for the Department of Economic Development, Tourism and the Arts primarily relating to unanticipated revenue for the Tasmanian Museum and Art Gallery and Arts properties;
 - additional revenue of \$7 million for the Department of Police and Emergency Management for Public Safety; and
 - additional revenue of \$4 million for the State Fire Commission that primarily relates to sale of fire alarm equipment of \$2 million and reimbursement of wildfire expenses of \$2 million.

Expenses from transactions

The 2009-10 preliminary outcome for Expenses from transactions is \$4 573 million, \$240 million or 6 per cent greater than the original 2009-10 Budget estimate of \$4 333 million. The main variations are as follows:

- Employee expenses of \$1 949 million is \$74 million above the original Budget estimate of \$1 875 million. This is primarily due to additional funding to provide enhanced frontline services in the Department of Health and Human Services (\$30 million), the Department of Justice (\$7 million), the Department of Primary Industries, Parks, Water and Environment (\$6 million), the Department of Infrastructure, Energy and Resources (\$6 million), Post Year 10 Statutory Authorities (\$13 million) and additional expenses for the Department of Economic Development, Tourism and the Arts (\$7 million) which included redundancy payments relating to the closure of Tasmania's Temptations;
- Superannuation expenses of \$221 million is \$8 million above the original Budget estimate of \$213 million. Nominal superannuation interest expense of \$208 million is \$5 million above the original Budget estimate of \$203 million. These variations reflect the latest actuarial assessment of the Government's Superannuation liability;
- Depreciation expense of \$245 million is \$17 million above the original Budget estimate of \$228 million. The increase in Depreciation expense primarily reflects an increase of \$18 million in the Depreciation expense for the Department of Health and Human Services;
- Supplies and consumables expense of \$977 million is \$39 million above the original Budget estimate of \$938 million, reflecting additional expenditure on frontline services of \$29 million by the Department of Health and Human Services and additional expenditure of \$13 million by the Department of Police and Emergency Management; and
- Grant expenses of \$918 million is \$104 million above the original Budget estimate of \$814 million. This increase is primarily due to the following:
 - Grants for the Department of Education are \$68 million above the original Budget estimate. This is primarily due to additional grant funding provided to non-government schools of \$43 million plus expenditure of additional Australian Government funding for a range of initiatives;
 - rebates totalling \$14 million associated with the Government's Land Tax Reforms;
 - additional expenditure of \$10 million from the Water Infrastructure Fund for water infrastructure development;
 - the Water and Sewerage Community Service Obligation payment of \$6 million which was classified as an Other expense in the 2009-10 Budget; and
 - additional grants of \$7 million for school bus operators and \$3 million for Metro Services.

Other economic flows – Included in Operating Result

The 2009-10 preliminary outcome for Other economic flows – Included in Operating Result is a \$1 358 million inflow, \$1 251 million more than the original Budget estimate of a \$107 million inflow. The main variations are as follows:

- Gain/(loss) on sale of non-financial assets is anticipated to result in a loss of \$43 million, an increase of \$38 million from the original Budget estimate of a \$5 million loss. The result is primarily due to asset write-offs by the Department of Primary Industries, Parks, Water and Environment of \$28 million for land and buildings that were no longer held by the Department. There have also been delays in major assets sales that were anticipated in 2009-10 and included in the original Budget estimates, but which did not occur;
- Revaluation of equity investment in PNFC and PFC sectors is anticipated to result in a gain of \$2 094 million, \$1 984 million above the original Budget estimate of a \$110 million gain. The increase primarily relates to the decision of the Australian Bureau of Statistics to classify the local government owned water and sewerage entities within the Public Non-Financial Corporations Sector. Net assets for the water and sewerage corporations have been included in the equity investment valuation. In addition, Tasmanian Railway Pty Ltd was established in 2009-10 and net assets for the corporation have been recognised in the equity investment valuation;
- Movements in Superannuation liability are anticipated to result in a loss of \$699 million. The movement reflects the most recent actuarial projections of the Superannuation liability; and
- Other gains/(losses) are anticipated to result in a gain of \$7 million, an increase of \$5 million above the original Budget estimate of a \$2 million gain. This gain is primarily due to a \$16 million recognition of assets below fair value by the Department of Primary Industries, Parks, Water and Environment. This was partly offset by a \$5 million actuarial revaluation of the Tasmanian Risk Management Fund liability resulting in a loss of \$5 million, a decline of \$9 million from the original Budget estimate of a \$4 million gain.

Other economic flows – Other movements in equity

The 2009-10 preliminary outcome for Other economic flows – Other movements in equity is a \$332 million inflow, \$111 million more than the original Budget estimate of a \$221 million inflow. The main variations are as follows:

- Revaluations of non-financial assets for 2009-10 is anticipated to be a gain of \$410 million, an increase of \$187 million from the original Budget estimate of a \$223 million gain. This is primarily due to revaluation adjustments by agencies that have been recognised directly within the Asset revaluation reserve; and
- Other movements in equity for 2009-10 is anticipated to be a loss of \$78 million, an increase of \$77 million from the original Budget estimate of a \$1 million loss. This primarily reflects equity contributions that have been made to the Public Non-Financial Corporations Sector by the Department of Infrastructure, Energy and Resources and the Department of Primary Industries, Parks, Water and Environment.

Net Acquisition of Non-Financial Assets

The 2009-10 preliminary outcome for the Net acquisition of non-financial assets is \$311 million, \$141 million lower than the original Budget estimate of \$452 million. This is primarily due to lower than budgeted expenditure for the Purchase of non-financial assets. The main variations to the Purchase of non-financial assets are shown below:

- Purchases of non-financial assets by the Department of Health and Human Services is \$81 million below the original Budget estimate. This reflects the revision of cashflows for projects in relation to housing construction and hospital capital improvements;
- Purchases of non-financial assets by Finance-General is \$11 million below the original Budget estimate. This is due to a reduction in the number of Government vehicles acquired during 2009-10, resulting in an overall reduction in the size of the fleet by approximately 100 vehicles;
- Purchases of non-financial assets by the Department of Infrastructure, Energy and Resources is \$28 million below the original Budget estimate. This is primarily due to rail infrastructure expenditure that was included in the original Budget estimates which is now being undertaken by Tasmanian Railway Pty Ltd; and
- Purchases of non-financial assets by the Department of Education is \$7 million below the original Budget estimate as a result of the deferral to 2010-11 of committed school amalgamations.

Table 3.1: General Government Income Statement

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	2 759	3 079	2 705
Taxation	810	868	804
Sales of goods and services	375	352	303
Fines and regulatory fees	64	73	92
Interest income	34	44	68
Dividend, tax and rate equivalent income	100	106	210
Other revenue	74	120	104
	4 216	4 642	4 286
Expenses from transactions			
Employee expenses	1 875	1 949	1 863
Superannuation	213	221	257
Depreciation	228	245	229
Supplies and consumables	938	977	958
Nominal superannuation interest expense	203	208	193
Borrowing costs	18	18	16
Grant expenses	814	918	807
Other expenses	44	38	42
	4 333	4 573	4 365
Equals NET OPERATING BALANCE	(117)	70	(78)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	(5)	(43)	3
Revaluation of equity investment in PNFC and PFC Sectors	110	2 094	284
Revaluation of superannuation liability	....	(699)	(148)
Other gains/(losses)	2	7	(28)
	107	1 358	111
Equals Operating Result	(11)	1 428	33

Table 3.1 General Government Income Statement (continued)

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	223	410	277
Other movements in equity	(1)	(78)	(42)
	221	332	235
Equals Comprehensive Result	211	1 760	268
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(117)	70	(78)
Less Net acquisition of non-financial assets			
Purchase of non-financial assets	758	622	286
Less Sale of non-financial assets	78	66	41
Less Depreciation	228	245	229
	452	311	17
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(569)	(242)	(95)

Table 3.2: General Government Grants and Subsidies

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Australian Government Grants Paid to the Consolidated Fund ¹ :			
General purpose payments	1 527	1 639	1 627
Specific purpose payments	563	580	522
National partnership payments	643	769	130
Capital grants	....	....	89
Other grants and subsidies	28	92	337
	2 759	3 079	2 705

Note

1. Significant reforms to Commonwealth-State relations were implemented on 1 January 2009, resulting in a revised Intergovernmental Agreement on Federal Financial Relations. This has resulted in changes to the classification of many Australian Government grants between the categories of specific purpose payments, national partnership payments and Other grants and subsidies.

Table 3.3: General Government Taxation

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Payroll tax	257	273	259
Taxes on property			
Land tax ¹	90	91	80
Fire service levies	45	51	50
Government guarantee fees	20	18	9
Financial transaction taxes	134	158	151
Taxes on the provision of goods and services			
Casino tax and licence fees	58	59	62
Other gambling taxes	37	40	32
Insurance taxes	44	47	43
Taxes on the use of goods and performance of activities			
Motor vehicle fees and taxes	125	130	119
	810	868	804

Note:

1. Land Tax Rebates totalling \$14 million were paid in 2009-10 in accordance with the Government's Land Tax Reform as announced by the Premier, David Bartlett MP, on 10 December 2009. These rebates are reflected in Grant expenses.

Balance Sheet

Table 3.4 details the preliminary General Government Balance Sheet as at 30 June 2010.

Budget estimates for the 2010 Balance Sheet were compiled in June 2009 prior to completion of the actual outcomes for 30 June 2009. As a result, the preliminary outcome variance from the original Budget estimate will reflect the difference between the estimated and actual opening balances for 2010. The following commentary is therefore based on movements between the 30 June 2009 actual outcome and the 30 June 2010 preliminary outcome.

Assets

General Government Assets are estimated to be \$19 340 million at 30 June 2010, an increase of \$2 559 million from the 30 June 2009 balance of \$16 781 million.

Financial assets are anticipated to increase by \$1 799 million due to the following:

- an increase in the Equity investment in PNFC and PFC sectors of \$2 052 million due to:
 - The inclusion of the net assets for water and sewerage entities as a result of the Australian Bureau of Statistics decision to classify these local government owned entities as part of the Public Non-Financial Corporations Sector;
 - an increase in the net assets held by the electricity entities; and
 - the establishment of Tasmanian Railway Pty Ltd; and
- a partially offsetting decrease in Cash and Deposits of \$256 million, which reflects:
 - equity injections totalling \$109 million for Tasmanian Railway Pty Ltd, Aurora Energy Pty Ltd and Rivers and Water Supply Commission; and
 - a reduction in the balance of cash as a result of the Consolidated Fund preliminary outcome of a \$266 million deficit. Details of the Consolidated Fund preliminary outcome are provided in Section 4 of this Report.

Non-financial assets are anticipated to increase by \$759 million primarily as a result of the following:

- an increase of \$368 million in Land and buildings due to:
 - capital investment which has primarily been undertaken by the Department of Education and the Department of Health and Human Services through the *Nation Building – Economic Stimulus Plan*; and
 - recognition of Rail Corridor Land by the Department of Infrastructure, Energy and Resources;
- an increase of \$294 million in Infrastructure assets primarily due to capital expenditure of \$198 million in road infrastructure projects such as the Brighton Bypass and Brighton Transport Hub; and
- an increase of \$93 million in Heritage and Cultural assets primarily due to the revaluation of the assets held by the Tasmanian Museum and Art Gallery.

Liabilities

General Government Liabilities are estimated to be \$5 930 million at 30 June 2010, \$799 million greater than the 30 June 2009 balance of \$5 131 million. The increase in liabilities is predominantly due to:

- an increase in the Superannuation liability of \$834 million as a result of an actuarial reassessment of the liability, taking into consideration changes in assumptions used to value the defined benefit obligation. Changes included a decrease in the discount rate based on Australian Government bond rates and an increase in members' expected retirement age;
- an offsetting decrease of \$19 million in Borrowings, reflecting the repayment of loans by Finance-General of \$32 million, offset by an increase in borrowings by the Department of Economic Development, Tourism and the Arts of \$13 million; and
- a decrease of \$15 million in Employee Entitlements, primarily due to a reduction in accrued salary entitlements of \$19 million for the Department of Health and Human Services, partly offset by an increase of \$4 million in General Government Sector employee leave provisions.

Table 3.4: General Government Balance Sheet as at 30 June

	2010 Original Budget	2010 Preliminary Outcome	2009 Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	728	971	1 227
Investments	70	58	48
Equity investment in PNFC and PFC sectors	3 966	6 157	4 105
Other equity investments	3	7	6
Receivables	154	174	183
Other financial assets	922	1 011	1 009
	5 843	8 377	6 578
Non-financial assets			
Land and buildings	5 235	5 175	4 807
Infrastructure	4 906	4 935	4 641
Plant and equipment	157	212	213
Heritage and cultural assets	454	540	447
Investment property	11	13	13
Intangible assets	24	38	29
Assets held for sale	7	7	15
Other non-financial assets	26	40	38
	10 821	10 962	10 203
Total Assets	16 664	19 340	16 781
Liabilities			
Borrowings	312	274	293
Superannuation	4 494	4 868	4 034
Employee entitlements	416	444	459
Payables	76	79	91
Other liabilities	254	266	254
Total Liabilities	5 552	5 930	5 131
NET ASSETS	11 112	13 410	11 650
Equity			
Accumulated funds	6 280	8 600	6 921
Asset revaluation reserve	4 701	4 531	4 448
Other equity	131	279	280
Total Equity	11 112	13 410	11 650

Table 3.4: General Government Balance Sheet as at 30 June
(continued)

	2010 Original Budget	2010 Preliminary Outcome	2009 Actual
	\$m	\$m	\$m
KEY FISCAL AGGREGATES			
NET WORTH¹	11 112	13 410	11 650
NET FINANCIAL WORTH²	292	2 448	1 447
NET FINANCIAL LIABILITIES³	3 674	3 710	2 658
NET DEBT⁴	(487)	(755)	(982)

Notes:

1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Total Financial assets less Total Liabilities.
3. Net Financial Liabilities represents Total Liabilities less Financial assets, excluding Equity investment in the Public Non-Financial Corporations and Public Financial Corporations sectors.
4. Net Debt represents the sum of Borrowings less the sum of Cash and deposits and Investments.

Cash Flow Statement

Table 3.5 details the preliminary General Government Cash Flow Statement for 2009-10.

The Cash Surplus/Deficit measure represents the Net cash flows from operating activities plus the Net cash flows from investments in non-financial assets. The 2009-10 preliminary Cash Deficit of \$113 million is \$316 million less than the original Budget estimate of a \$429 million deficit.

Net cash flows from operating activities are estimated to be \$443 million for 2009-10, \$188 million more than the original Budget estimate of \$255 million. These movements reflect variations that have occurred in the Income Statement.

Net cash flows from investing activities are estimated to be a \$677 million outflow, \$64 million less than the original Budget of a \$741 million outflow. This is primarily due to additional Equity injections of \$82 million to Tasmanian Railway Pty Ltd that were not included in the original Budget estimate, offset by a fall in Net advances paid of \$14 million and Purchase of non-financial assets of \$136 million. Additional information regarding the Purchase of non-financial assets can be found in the Income Statement.

Net cash flows from financing activities are estimated to be an outflow of \$22 million, \$35 million greater than the original Budget of a \$13 million inflow. This variation primarily reflects the early redemption by Finance-General of a Capital Indexed Bond of \$30 million that was not included in the original Budget estimate.

Table 3.5: General Government Cash Flow Statement

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Cash flows from operating activities			
Cash inflows			
Grants received	2 759	3 096	2 681
Taxation	810	873	792
Sales of goods and services	370	351	307
Fines and regulatory fees	58	68	63
Interest received	33	44	71
Dividend, tax and rate equivalents	100	106	152
Other receipts	207	313	279
	4 337	4 851	4 346
Cash outflows			
Employee entitlements	(1 874)	(1 980)	(1 805)
Superannuation	(268)	(288)	(269)
Supplies and consumables	(937)	(955)	(951)
Borrowing costs	(17)	(16)	(16)
Grants and subsidies paid	(814)	(920)	(797)
Other payments	(172)	(249)	(206)
	(4 081)	(4 408)	(4 046)
Net cash flows from operating activities	255	443	300
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchase of non-financial assets	(758)	(622)	(286)
Sale of non-financial assets	73	66	41
	(685)	(556)	(246)
Net cash flows from financial assets (policy purposes)			
Equity injections	(31)	(110)	(117)
Net advances paid	(25)	(11)	(12)
	(57)	(121)	(129)
Net cash flows from financial assets (liquidity purposes)			
Net purchase of investments	....	1	5
	....	1	5
Net Cash flows from investing activities	(741)	(677)	(370)

Table 3.5: General Government Cash Flow Statement (continued)

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Cash flows from financing activities			
Net borrowing	13	(22)	(22)
Other financing	....	....	12
	13	(22)	(10)
Net increase/(decrease) in cash held	(473)	(256)	(80)
Cash at the beginning of the year	1 201	1 227	1 306
Cash at the end of the year	728	971	1 227
KEY FISCAL AGGREGATES			
Net cash from operating activities	255	443	300
Plus Net cash from investments in non-financial assets	(685)	(556)	(246)
Equals CASH SURPLUS/(DEFICIT)	(429)	(113)	54

4 CONSOLIDATED FUND PRELIMINARY OUTCOME

The 2009-10 preliminary Consolidated Fund outcome is a \$266 million deficit, \$84 million less than the original 2009-10 Budget estimate deficit of \$350 million.

Table 4.1: Consolidated Fund Preliminary Outcome, 2009-10

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Receipts			
Australian Government sources			
General purpose payments	1 527	1 639	1 627
Specific purpose payments	562	580	522
National partnership payments	643	769	130
Other grants and subsidies	15	70	....
Total Australian Government sources	2 747	3 058	2 279
State sources			
Taxation	823	892	822
Receipts from government businesses	120	124	162
Departmental fees and recoveries	82	82	93
Sale and rent of government property	42	42	18
Resource rents and royalties	23	38	32
Other recurrent receipts	108	92	225
Total State sources	1 198	1 271	1 352
Capital Receipts			
Australian Government sources	1	....	89
	1	....	89
Total Receipts	3 946	4 329	3 720

Table 4.1: Consolidated Fund Preliminary Outcome, 2009-10
(continued)

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
less Expenditure			
Recurrent services			
Appropriation Act	3 527	3 867	3 342
Reserved by Law	147	137	133
Total Recurrent services	3 674	4 004	3 475
Works and services			
Appropriation Act	605	572	237
Economic and Social Infrastructure Fund	9	9	13
Hospitals Capital Fund	....	....	5
Infrastructure Tasmania Fund	7	10	....
	621	591	256
Total Expenditure	4 296	4 595	3 731
CONSOLIDATED FUND SURPLUS/(DEFICIT)	(350)	(266)	(11)

Table 4.2: Consolidated Fund Expenditure, 2009-10

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Economic Development, Tourism and the Arts			
Recurrent services	87	101	78
	87	101	78
Education			
Recurrent services	1 077	1 159	854
Works and services	223	233	39
	1 300	1 391	893
Environment, Parks, Heritage and the Arts¹			
Recurrent services	....	....	69
Works and services	....	....	5
	....	....	74
Finance-General			
Recurrent services	272	316	457
Reserved by Law	124	116	116
Works and services	16	18	18
	412	451	590
Health and Human Services			
Recurrent services	1 366	1 434	1 231
Works and services	142	75	23
	1 508	1 509	1 254
House of Assembly			
Recurrent services	2	2	2
Reserved by Law	5	5	5
	7	7	7
Infrastructure, Energy and Resources			
Recurrent services	145	238	125
Works and services	232	256	152
	377	494	277

Table 4.2: Consolidated Fund Expenditure, 2009-10 (continued)

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Justice			
Recurrent services	112	121	111
Reserved by Law	14	11	8
Works and services	....	....	12
	126	132	132
Legislative Council			
Recurrent services	3	3	3
Reserved by Law	3	3	3
	6	6	6
Legislature-General			
Recurrent services	5	5	6
Works and services	....	....	4
	5	5	10
Ministerial and Parliamentary Support			
Recurrent services	17	19	19
Reserved by Law	1	1	1
	18	20	20
Office of the Governor			
Recurrent services	3	3	3
	3	3	3
Office of the Ombudsman			
Recurrent services	1	2	1
	1	2	1
Police and Emergency Management			
Recurrent services	180	181	181
Works and services	3	3	1
	183	184	182

Table 4.2: Consolidated Fund Expenditure, 2009-10 (continued)

	2009-10 Original Budget	2009-10 Preliminary Outcome	2008-09 Actual
	\$m	\$m	\$m
Premier and Cabinet			
Recurrent services	64	67	62
Reserved by Law	....	1	....
	64	67	63
Primary Industries, Parks, Water and Environment			
Recurrent services	149	174	98
Works and services	5	5	1
	154	179	99
Tasmanian Audit Office			
Recurrent services	2	2	2
	2	2	2
Treasury and Finance			
Recurrent services	41	41	40
	41	41	40
TOTAL CONSOLIDATED FUND EXPENDITURE	4 296	4 595	3 731

Note:

1. The Department of Environment, Parks, Heritage and the Arts ceased to exist on 30 June 2009. The operational Divisions of the Department were transferred to the Department of Primary Industries, Parks, Water and Environment and the Department of Economic Development, Tourism and the Arts effective from 1 July 2009

5 CONCEPTS AND DEFINITIONS

Compliance Framework

The 2009-10 Preliminary Outcomes Report has been prepared in accordance with the Australian Accounting Standards and, in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

AASB 1049 is based on the harmonised requirements of Generally Accepted Accounting Principles and Government Finance Statistics with the aim of improving the clarity and transparency of government financial statements. GFS is an accounting framework used by the Australian Bureau of Statistics in the preparation of public statistics. These, in turn, are based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. GAAP is represented by the Australian Accounting Standards developed by the Australian Accounting Standards Board.

The GFS classification adopts a nationally consistent format for presenting the financial transactions of governments and government trading enterprises. GFS is an accounting framework that facilitates comparison of financial performance across jurisdictions and is used by financial markets, credit rating agencies and other analysts and commentators.

Compliance with AASB 1049 will mean that the statements are also consistent with the reporting requirements of the Uniform Presentation Framework.

The AASB 1049 framework includes:

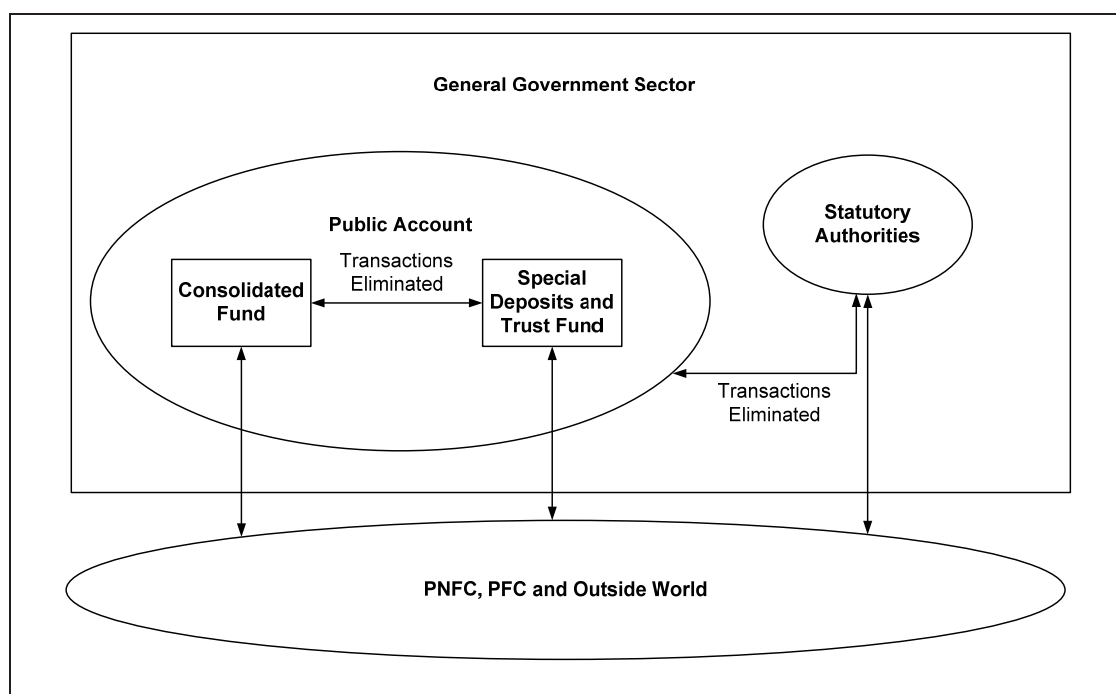
- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

The framework distinguishes between "transaction flows" and "other economic flows" in a manner that is consistent with the principles in the ABS GFS Manual. Transaction flows result directly from a mutually agreed interaction between two parties, for example, the sale of a good or service. The definition of a "transaction flow" also includes depreciation. This recognises that in the case of depreciation the one party is acting in two roles, as owner of the asset and consumer of the services provided by the asset.

An “other economic flow” is a change in the volume or value of an asset, or a liability, that does not result from a transaction. This includes a wide variety of events such as the revaluation of assets (holding gains or losses) arising from a change in market prices, and changes in the volume of assets that result from discoveries, depletion and destruction of assets. The impact of all “other economic flows” are reflected as gains or losses in the Income Statement. The combination of transaction flows and other economic flows reflects the total change in the value of net worth.

Diagram 5.1 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 5.1: Transactions included in the General Government Sector



Income Statement

The Income Statement presents information on revenue and expenses. This Statement is designed to capture the composition of revenues, expenses and the net cost of government activities within a fiscal year. It shows the full cost of resources consumed by the government in achieving its objectives, and how these costs are met from various revenue sources. The Income Statement reports two major Fiscal Strategy measures: the Net Operating Balance and the Fiscal Balance. In accordance with the requirements of Australian Accounting Standards and, more specifically, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the Income Statement will now report two additional measures: the Operating Result and Comprehensive Result.

Net Operating Balance

The Net Operating Balance is a measure of the on-going sustainability of the operations of government. It indicates whether a government is generating enough revenue to cover the cost of its operations. A Net Operating Surplus indicates that a government has sufficient revenue to fund its operations and contribute to an increase in its asset base.

Operating Result

The Operating Result is similar to the Net Operating Balance in that it is a measure of the sustainability of the operations of government. However, this measure includes movements in asset and liability balances that result from movements in market values rather than as a result of government operations. These gains or losses on assets or liabilities are “unrealised” and are not available to fund government operations.

Comprehensive Result

The Comprehensive Result represents the total change in value of the Net Worth during a year arising from revenues, expenses and movements in the valuation of assets and liabilities. As such, the Comprehensive Result is equivalent to the total increase or decrease in Net Assets during the year. The Comprehensive Result is similar to the Operating Result in that it includes unrealised movements in the value of assets and liabilities that impact on net assets. These movements are not available to fund operations and do not arise as a result of government decisions.

Fiscal Balance

The Fiscal Balance indicates whether a sufficient surplus is being generated by the operations of government to fund its capital expenditure needs. It is determined as the difference between revenue from transactions over expenses from transactions, after allowing for the net addition to non-financial assets such as buildings and infrastructure.

Balance Sheet

The Balance Sheet is a financial snap-shot of assets and liabilities taken at the end of the financial year and discloses the resources over which a government maintains control. By providing information on the type of assets and liabilities held by a government, the statement shows a government’s financial position at that point in time. The major Balance Sheet indicators are Net Debt, Net Financial Liabilities, Net Financial Worth and Net Worth.

Net Debt

Net Debt is a measure used to help assess the overall strength of a Government’s fiscal position. Net Debt comprises borrowings less the sum of cash and deposits and investments.

Net Financial Liabilities

Net Financial Liabilities comprises total liabilities less financial assets, excluding equity investments in Government Businesses. This is a broader measure than Net Debt, as it incorporates other liabilities such as superannuation.

Net Financial Worth

Net Financial Worth is calculated as financial assets less liabilities. This measure is broader than Net Debt, as it incorporates provisions made (such as superannuation, but not depreciation and bad debts) as well as ownership of equity.

Net Worth

Net Worth is calculated as total assets (both financial and non-financial) minus total liabilities, shares, and other contributed capital. Net Worth incorporates non-financial assets such as land and other infrastructure assets, which may be sold and used to repay debt. It also incorporates certain financial assets and liabilities not captured by the Net Debt measure, most notably, accrued employee superannuation liabilities, ownership of equities, debtors and creditors.

Cash Flow Statement

The Cash Flow Statement records a government's cash receipts and payments, outlining how a government obtains and disposes of cash.

This statement categorises cash flows into operating, investing and financing activities. Operating activities related to the collection of taxes, the distribution of grants, and the provision of goods and services. Investing activities are related to the acquisition and disposal of financial and non-financial assets. Financing activities are related to changing the size and composition of a government's financial structure.

The convention is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows). The Cash Flow Statement reports two major fiscal measures: Net Increase in Cash Held and Cash Surplus/(Deficit).

Net Increase in Cash Held

Net Increase in Cash Held is the sum of net cash flows from all operating, investing and financing activities. This measure is consistent with the movement in cash and deposits reported in the Balance Sheet, and provides a mechanism for managing the cash position to ensure that sufficient cash is available to fund Government policy decisions.

Cash Surplus/(Deficit)

The Cash Surplus/(Deficit) comprises cash received from operating activities, and from sales and purchases of non-financial assets less finance leases and similar arrangements.

The Cash Surplus/(Deficit) is important for cash management purposes. It is important to note that a Cash Surplus does not necessarily imply that there is cash available for spending. This is because the Cash Surplus/(Deficit) includes funds allocated to provisions such as the Superannuation Provision Account.

It should be noted that the ABS does not include equity injections/withdrawals and the repayment of advances in the calculation of the surplus/(deficit). However, these items can have a major impact in any given year.

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 annual appropriation through the 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, as provided by that Act or any other Act, all revenue of the State is to be credited to the Consolidated Fund.

Consolidated Fund Surplus/(Deficit)

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 indicates that Consolidated Fund expenditure exceeds receipts in the Fund.

Consolidation of Transactions

The AASB 1049 statements present a consolidated view of the financial transactions for all entities within the General Government Sector. 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 the rental payment by the Department of Justice to Treasury for the Department of Justice's occupation of a Government owned building will be netted out from the Income Statement as both agencies are classified within the General Government Sector.

Rounding

All amounts in the financial statements have been rounded to the nearest million, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$500 000 are rounded to zero and are indicated by "....".

General Government Entities

Department of Economic Development, Tourism and Arts

Department of Education

Department of Health and Human Services

House of Assembly

Department of Infrastructure, Energy and Resources

Inland Fisheries Service

Department of Justice

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

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 Academy

Tasmanian Audit Office

Tasmanian Polytechnic

Tasmanian Skills Institute

The Nominal Insurer

Department of Treasury and Finance (including Finance-General)



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