



TASMANIAN GOVERNMENT GAZETTE

PUBLISHED BY
AUTHORITY
ISSN 0039-9795

THURSDAY 10 FEBRUARY 2011

No. 21 128

2010-11 MID-YEAR FINANCIAL REPORT

Department *of* Treasury and Finance
February 2011

CONTENTS

1	Introduction	259
2	Current Budget Position and Response	261
	The Current Budget Position and Interim Fiscal Strategy Assessment	262
	Budget Response	266
	Public Sector Productivity Strategy	266
	Operation of Government Businesses	267
	Immediate Savings	268
	Government Business Equity Transfers	269
	Infrastructure Investment	269
	Impact of Budget Response	270
3	Tasmanian Economic Aggregates and Forecasts	273
4	General Government Revised Budget Outlook	277
	Income Statement	277
	Underlying Net Operating Balance	283
	Disclosures	283
	Balance Sheet	284
	Cash Flow Statement	286
	Policy and Parameter Statement	289
5	Uniform Government Reporting	297
	General Government Sector	298
	Public Non-Financial Corporations Sector	304
	Total Non-Financial Public Sector	310
	Public Financial Corporations Sector	316
	Total State Sector	322
	Loan Council Allocation	328
6	Consolidated Fund	329
7	Concepts and Definitions	335

Compliance Framework	335
Income Statement	336
Balance Sheet	337
Cash Flow Statement	338
Consolidation of Transactions	339
Consolidated Fund	339
Rounding	339
Classification of the Tasmanian Public Sector	340

1 INTRODUCTION

The 2010-11 Mid-Year Financial Report has been prepared in accordance with Section 26 of the *Financial Management and Audit Act 1990*.

The 2010-11 Mid-Year Financial Report contains the following information:

- Section 2 provides commentary on the impact of the Global Financial Crisis on the State Budget, including an assessment of the 2010-11 Budget and Interim Fiscal Strategy Targets and details the strategies the Government is pursuing which will bring the Budget back into a sustainable position.
- Section 3 updates the Tasmanian economic aggregates and forecasts published in the 2010-11 Budget Papers.
- Section 4 presents General Government financial results for the six months ending 31 December 2010 and revised Budget estimates presented in accordance with the applicable Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Commentary is provided on material changes between original and revised Budget estimates.
- Section 5 presents revised fiscal estimates for the General Government, Public Non-Financial Corporations, Public Financial Corporations, Total Non-Financial Public and Total State Sectors, in accordance with the Uniform Presentation Framework reporting requirements for a Loan Council Mid-Year Report.
- Section 6 summarises the receipts to and expenditure from the Consolidated Fund.
- Section 7 provides an overview of the key concepts and definitions used within this Report.

The 2010-11 MYFR meets Tasmania's mandatory fiscal reporting requirements through the publication of the statements contained in Sections 4 - 6.

These statements reflect the results of the mid-year review of the 2010-11 Budget and Forward Estimates of revenue and expenses. The statements reflect policies and judgements made in the development of the 2010-11 Budget, modified by the latest trends in revenue and expenses, including the Australian Government estimates of GST.

The 2010-11 Budget focussed on maintaining prudent financial and economic management and was formulated against the uncertainty of the ongoing impact of the GFC on Tasmania. It is now evident that the global economic downturn continues to adversely impact household expenditure and building investment, important drivers of GST revenue.

The GFC has also created additional cost and demand pressures on State expenditure, both in matching and complementing Australian Government stimulus spending but also in relation to the increased demand for public services and support.

Similar pressures on revenue and expenditure are evident in the mid-year reports of several other states.

As a result of these pressures, it is now clear that without remedial action the State will not meet the key fiscal measures established in the 2010-11 Budget. In addition, a number of the Interim Fiscal Strategy Measures will not be achieved within the timeframes previously set.

In response, the Government has commenced putting in place corrective measures and strategies to bring the State Budget back into a sustainable position and to return it, over a period of time, to the strong position established prior to the GFC.

The corrective measures and strategies include:

- the deferral and cessation of a number of spending commitments made in the lead up to the March 2010 State election, until the full effect of the GFC has passed;
- cessation of non-critical infrastructure projects;
- the implementation of a system-wide public sector productivity strategy to reduce total input costs over a period of time to ensure that annual operating expenses are reduced to within the State's revenue capacity;
- the containment of annual capital expenditure to bring it back, over time, to sustainable levels consistent with capital expenditure levels experienced pre-GFC; and
- strengthened oversight and a renewed focus on the cost efficiency of government-owned businesses to strengthen their balance sheets and financial returns, to reduce risks to taxpayers and to reduce the impact of their operations on future prices for essential services.

Section 2 provides further detail on the impact of the GFC on the State's financial position and outlines the measures and strategies that will stabilise the State's declining net financial asset position to ensure that the General Government Sector will remain net-debt free. After the initial stabilisation objective is achieved (within three years), the same measures will rebuild the net financial asset position over a period of time.

The initial corrective measures announced in this Report are designed to ensure that the State will not breach the Government's Net Debt target. Further measures and strategies will be developed and announced in the lead up to the 2011-12 Budget. The impact of these changes will be reflected in the 2011-12 Budget allocation for government agencies.

2 CURRENT BUDGET POSITION AND RESPONSE

The period from 1998 to 2008 saw a significant improvement in the financial position of the State Government. Sound financial management coupled with above average economic growth resulted in Net Debt of \$1.6 billion being eliminated and cash surpluses being generated to assist in funding record infrastructure investment programs and future liabilities.

When the GFC commenced in the second half of 2008, the Government took action to address the Budget impact of falling revenue projections. As the impact of the GFC became clearer the Government was faced with the decision of significantly cutting services and reigning in infrastructure investment or using the foundation created by the strong financial position to seek to minimise the impact of the GFC on the Tasmanian community and economy. The Government was of the view that it had a responsibility to take the latter course of action for as long as it was financially appropriate. A new Interim Fiscal Strategy was established to reflect the changed financial conditions and new targets for the Forward Estimates were established.

Further remedial Budget action was taken in the *2008-09 Preliminary Mid-Year Financial Report* and the 2009-10 Budget. Whilst taking this action, the Government also moved to maintain government services, especially in relation to frontline services in health and education. The Government also placed a high priority on supporting the Tasmanian economy by working with the Australian Government to roll-out *Nation Building – Economic Stimulus Plan* funding in Tasmania.

During the course of 2009-10, State Taxation and GST revenues showed some signs of improvement. As a result, the Government took further action to support business confidence through initiatives such as the reduction in land tax and a range of initiatives which supported the Tasmanian community and economy.

The 2010-11 Budget was prepared within the framework of the Interim Fiscal Strategy. The Budget and Forward Estimate projections, at that time, showed that the Government was on target to meet its established financial targets.

THE CURRENT BUDGET POSITION AND INTERIM FISCAL STRATEGY ASSESSMENT

Since the 2010-11 Budget, the Government has been required to respond to ongoing major changes in the Budget environment.

The Australian Government has provided advice of further reductions in estimated GST revenues. These reductions amount to \$56.8 million in 2010-11 and total \$194.6 million over the Forward Estimates period. These reductions, together with previous reductions in GST revenue since the start of the GFC, have meant the loss of some \$800 million from the State Budget over the 2010-11 Budget and Forward Estimates period, when compared with pre-GFC growth levels.

The Government has also taken action to meet immediate cost pressures within the Department of Health and Human Services, through the injection of \$70 million per annum in additional funding and the Department of Education, through the provision of additional funding of \$27 million in 2010-11 and \$14 million in 2011-12.

There have also been significant changes in relation to infrastructure funding and expenditure including the receipt and expenditure of \$340 million in Australian Government funding for the Royal Hobart Hospital redevelopment; the allocation of additional State funding of \$125 million for the Royal Hobart Hospital redevelopment; the allocation of funding to community roads and West Coast roads initiatives; and the allocation of additional funding to the Brighton Transport Hub and Brighton Bypass projects. These projects will continue to support jobs and investment in the Tasmanian economy.

While there continues to be jobs growth and other positive economic signs in Tasmania, the outlook for the Tasmanian economy is weaker than at the time of the 2010-11 Budget. The impact of the global downturn continues to be felt, in particular:

- GST receipts are significantly below pre-GFC projections for the Current Budget and Forward Estimates;
- state taxes are not growing as fast as was previously the case;
- recurrent expenditure is higher than otherwise would have been the case due to the need to support frontline services, implement stimulus measures, minimise cost of living impacts and provide special assistance;
- significant infrastructure funding commitments continue at levels in excess of pre-GFC levels; and
- critically, while the State's financial position is currently still relatively strong, the financial information provided in this Report shows that the Government is no longer able to meet its Interim Fiscal Strategy targets and risks, in the absence of corrective action, moving into an unsustainable position.

Table 2.1 details the revised Key Budget and Forward Estimate aggregates.

A revised General Government Net Operating Surplus of \$11 million and a Fiscal Deficit of \$402 million are now forecast for 2010-11. The improvement in the Net Operating Balance primarily reflects the impact of the receipt of additional Australian Government infrastructure funding and does not represent an underlying improvement in the Budget position.

Table 2.1: Key Budget and Forward Estimate Aggregates

	2010-11	2011-12	2012-13	2013-14
	\$m	\$m	\$m	\$m
Net Operating Balance				
2010-11 Budget	(65)	(82)	32	53
Movement	76	(1)	(65)	(137)
2010-11 MYFR	11	(83)	(33)	(84)
Underlying Net Operating Balance				
2010-11 Budget	(332)	(195)	28	53
Movement	(163)	(138)	(135)	(137)
2010-11 MYFR	(495)	(333)	(107)	(84)
Fiscal Balance				
2010-11 Budget	(530)	(197)	(66)	1
Movement	128	(214)	(117)	(152)
2010-11 MYFR	(402)	(411)	(183)	(151)
Net Debt				
2010-11 Budget	(309)	(220)	(262)	(382)
Movement	(97)	154	343	482
2010-11 MYFR	(406)	(66)	81	100

Table 2.2 shows the IFS targets and an assessment of the current position against those targets, based on the revised 2010-11 Budget and Forward Estimates.

Table 2.2: Key Interim Fiscal Strategy Targets

Interim Target	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate	2014-15 Projection⁴	Progress
Net Operating Surplus on average over four-year rolling period by 2014-15 (\$m)	1	(33)	(22)	(47)	(66)	X
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15 (\$m) ¹	(228)	(324)	(324)	(254)	(147)	X
Fiscal Surplus by 2014-15 (\$m)	(402)	(411)	(183)	(151)	(116)	X
Consolidated Fund Surplus by 2014-15 (\$m)	(557)	(306)	(302)	(189)	(149)	X
Net Unfunded Superannuation Liability to be extinguished by 2035	3 560	3 615	3 656	3 682	3 707	X
Ratio of Net Financial Liabilities to Revenue for the Non-Financial Public Sector to not exceed 110 per cent in 2014-15 (%) ²	109	118	120	120	117	X
General Government Sector to remain Net Debt free	(406)	(66)	81	100	29	X
Tasmania's Tax Severity (as measured by the CGC) to be maintained below the average of all states (Avg=100) ³	<100	<100	<100	<100	<100	✓
Capital Expenditure in excess of depreciation, on average, over four-year rolling period (\$m)	231	318	350	282	170	✓

Source: Department of Treasury and Finance, Commonwealth Grants Commission (CGC) and the Australian Bureau of Statistics (ABS).

Key: ✓ On Target, **X** Remedial action required

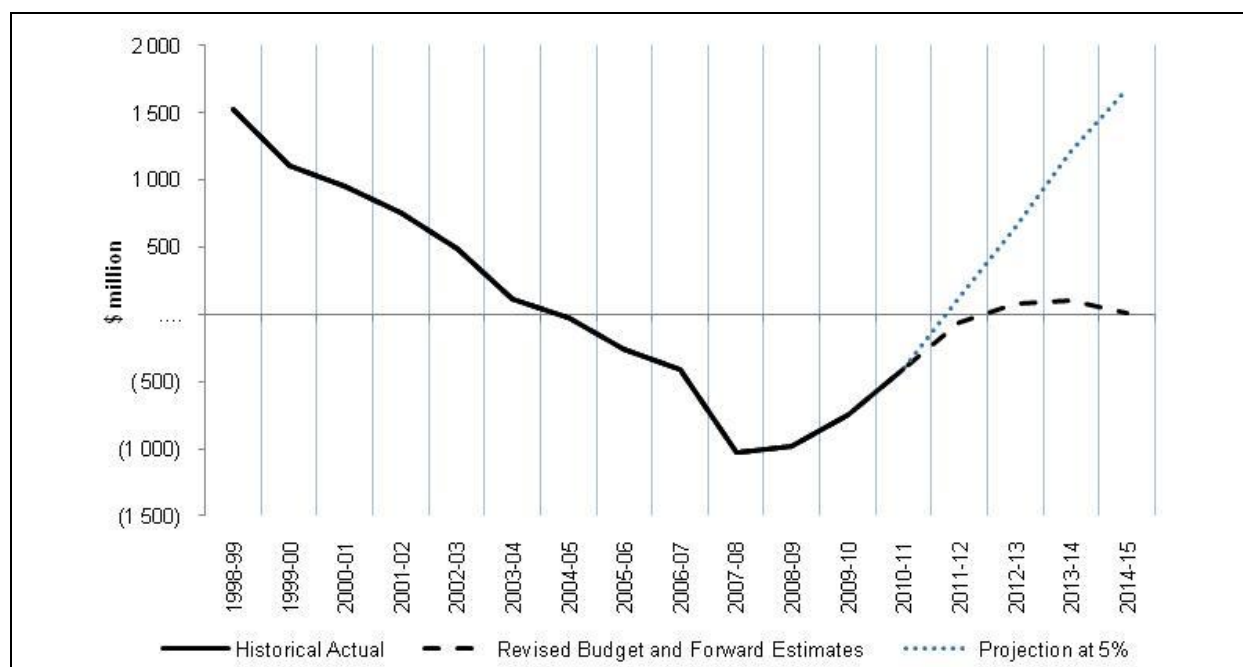
Notes:

1. 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.
2. For the purposes of the Interim Fiscal Strategy, Net Financial Liabilities represents Net Debt less Advances Paid plus the Superannuation Liability. Net Financial Liabilities is divided by Revenue from Transactions to derive the Net Financial Liabilities to Revenue ratio. This is in accordance with the methodology used by Standard & Poor's ratings agency.
3. The Commonwealth Grants Commission (CGC) no longer identifies total taxation severity. Rather, it separately assesses a measure referred to as 'own-source revenue severity' (which also includes mining revenue, returns from Government businesses and miscellaneous user charges). However, based on the CGC's *Report on GST Revenue Sharing Relativities 2010 Review*, it is possible to assess the states and territories taxation severity excluding gambling taxes (approximately 87 per cent of the total taxation used to determine previous taxation severity). On this basis, this new indicator of Tasmania's taxation severity ratio of 93.08 was the second lowest of any state. This is based on data for 2008-09, the latest available assessment.
4. As the IFS is focussed on the achievement of a number of targets in the financial year beyond the current Forward Estimates, projections for 2014-15 have been included.

The current Forward Estimates allow for expenditure growth in aggregate of approximately 1 per cent per annum for the period 2011-12 to 2013-14. This reflects the achievement of agency savings, wage restraint and the flow through of some one-off expenditure. This level of expenditure growth compares with historical average expenditure growth of approximately 6.4 per cent per annum.

It has always been acknowledged that achieving this low level of expenditure would be a difficult task. The extent of this task is reflected in Chart 2.1, which shows the impact on Net Debt if expenditure growth of 5 per cent occurred over the Forward Estimates period. Under this scenario, there would be an early and significant return to Net Debt and a continued deterioration to a poor and unsustainable Budget position.

Chart 2.1: Net Debt Projection



BUDGET RESPONSE

The Government's response to the current fiscal challenges is based on the following key objectives:

- return of the State's financial position over time to pre-GFC levels;
- improving government services through the prioritisation of funding and increasing productivity; and
- infrastructure investment that supports public and private sector productivity improvement and long-term economic growth.

In seeking to return the State's financial position to pre-GFC levels the Government will be targeting the generation of Net Operating Balance surpluses of the level necessary to ensure long-term Budget sustainability, to fund infrastructure investment and provide for future liabilities. To achieve these objectives it is estimated that operating revenues need to exceed expenditures by at least 4 per cent. In the context of the Net Operating Balance, this represents an average surplus of approximately \$240 million compared to the current underlying average Net Operating Balance of a deficit of \$228 million.

Some initial Budget actions are detailed in this Report. However, other actions will be the subject of further detailed work by Treasury and the Government over coming months. The impact of these actions will be incorporated in the 2011-12 Budget to be delivered in June this year and will also assist in meeting existing Budget savings measures.

It is expected that it will take two Budget cycles (2011-12 and 2012-13) to implement these actions.

Public Sector Productivity Strategy

The past decade has seen significant growth in the services provided to the Tasmanian community and with it an increase in the level of public sector employment. The number of General Government public sector employees has increased from 20 166 in 1999-00 to 25 001 in 2009-10. While based on a number of partial indicators, the Auditor-General has found that the increase in service delivery has exceeded growth in full-time employee numbers and that output per full-time-equivalent has increased, he also found that employee costs have increased more than service delivery. The key issues, however, are whether this increased level of government services reflects the underlying growth in the demand for services and whether, at current and likely future costs, it is sustainable to provide this higher level of government services.

The latest financial information included in this Report shows that it is clearly not sustainable to continue to provide the current level of services at the current cost. Given this position, action must be taken to achieve an increase in public sector productivity by reducing costs and reviewing service levels.

At the present time, employee costs account for just under 50 per cent of total costs. It is therefore neither feasible nor realistic to achieve the level of savings necessary without addressing public sector employment. Measures must, therefore, be adopted which improve the efficiency and productivity of the public sector.

A major review of agency programs will be undertaken as part of a Public Sector Productivity Strategy. The review will commence during the development of the 2011-12 Budget and is expected to take two Budget cycles to complete (ie 2011-12 and 2012-13).

The key focus of the review will be ceasing programs which:

- do not align with Government policy priorities and government responsibilities under formal agreements such as those with the Australian Government;
- are inefficient and ineffective; or
- duplicate equivalent programs in other agencies.

All areas of government expenditure will be subject to the review process.

A productivity savings target of 3 per cent per annum has been established for this strategy. Assuming restraint in wages growth, a 3 per cent productivity savings target would imply savings in public sector employment costs of \$200 million in 2014-15. This would be the equivalent of up to 2 300 FTEs over the next four years. To the extent that wage restraint is not achieved this target may need to increase.

Where possible, labour turnover, which is up to 5 per cent in the some agencies, and transfer policies will be used to achieve the necessary outcomes. However, specific targeted separations will be used where other measures are inefficient or ineffective.

A savings target of \$30 million in 2011-12 increasing to \$200 million per annum by 2014-15 has been established for this strategy.

In addition to this strategy, agencies will be expected to continue to identify and achieve savings in non-salary expenditure areas including the purchase of supplies and consumables, travel, advertising, motor vehicles and mobile phones.

Operation of Government Businesses

While recent Government business reforms have resulted in some progress in relation to overall governance, there has not been significant improvement in the financial performance of Government businesses. There is a need to ensure the efficient operation of Government businesses, including:

- appropriate returns to the Budget;
- reducing impacts on the Budget from Community Service Obligation funding and equity contributions;
- ensuring scarce capital resources are appropriately invested;
- reducing financial risks to the Budget; and
- minimising price increases to customers.

While it's not appropriate for the Government to become directly involved in the day to day operation of these businesses (this is the responsibility of boards and executive management), the Government considers it important that action be taken to review all areas where these businesses impact on the State Budget. In this regard, a review of the operation of Government businesses will be undertaken by Treasury prior to the 2011-12 Budget. It is expected that a new set of principles and directions to Government businesses will be established to:

- strengthen governance, accountability and clarity of objectives for Government businesses;
- improve operational efficiency and adequacy of returns to the Budget;
- revise funding arrangements for specific CSOs;
- improve risk assessment, particularly in respect of non-core activities;

- ensure detailed assessments of the forward capital expenditure programs of Government businesses; and
- improve customer pricing from increased operating and capital efficiency within Government businesses.

Immediate Savings

While the Government will be taking a range of actions to achieve significant Budget savings over the medium-term, it is also important that action be taken to immediately deliver Budget savings. These savings will be critical to improving the Government's financial position in the short-term while longer-term structural action is being taken.

The Government has reviewed its existing Budget funding commitments. As a result of this review, the initiatives listed in Table 2.3 will not be pursued or will be allocated reduced funding. The impact of these savings measures has not been included in these mid-year statements. The 2011-12 Budget will reflect these immediate savings.

Table 2.3: Initial Policy Review – Savings

	Total	2010-11	2011-12	2012-13	2013-14
	\$m	\$m	\$m	\$m	\$m
Information Technology					
Connected Classrooms	1.0	....	1.0	....	....
Digital Pavilion Experience Centre	0.5	0.5	....	....	....
Extension of the Wireless Waterfront Initiative	0.4	0.4	....	....	....
SmartGrid Trial	1.0	0.5	0.5	....	....
Virtual In-Home Health Care Demonstration Trial	1.0	1.0	....	....	....
	3.9	2.4	1.5	....	....
Other Savings					
Cosgrove Specialist Sports School	18.0	1.0	9.0	8.0	....
Events Attraction Program ¹	3.8	....	0.8	1.5	1.5
Helicopter Emergency Medical Service	30.9	1.1	6.8	11.4	11.7
Ministerial Restructure ¹	2.5	....	0.5	1.0	1.0
Renewable Energy Loan Fund ²	2.0	0.5	0.5	0.5	0.5
Withdrawal of Police from Prisoner Transport and Court Security ³	....	....	....	....	....
Revised equity policy for Government businesses	97.5	....	32.5	32.5	32.5
TOTAL SAVINGS	158.6	5.0	51.6	54.9	47.2

Notes:

1. These initiatives were initially allocated \$1.5 million per annum from 2010-11 and thereafter.
2. This saving represents a reduction in the original Budget and Forward Estimates allocation of 50 per cent.
3. Funding for this initiative was not included in 2010-11 Budget and Forward Estimates pending finalisation of the details of the initiative.

- Information Technology – The suite of information technology initiatives funded in the 2010-11 Budget will not now be progressed, except for the Digital Futures Development Fund. The Government will use the Fund to reassess its approach to IT development.
- Cosgrove Sports High School – This initiative will not be pursued. The Government will, however, continue to pursue ways in which participation in sport can be used to improve the engagement of some young Tasmanians in education.
- Events Attraction Program – Considerable funding is provided by the Government for major events around Tasmania including supporting AFL football at York Park, the V8 Supercars at Symmons Plains, the 10 Days on the Island Festival, MONA FOMA and the Wooden Boat Festival. The additional funding of \$1.5 million per annum provided to support new events attraction in the 2010-11 Budget will be reduced by \$800 000 in 2011-12 and then cease from 2012-13.
- Helicopter Emergency Medical Service – while the Government remains of the view that a dedicated helicopter based emergency medical service is important for the provision of future health services, it will not be able to proceed with this initiative at the present time. This initiative will be reconsidered in the future when the funding position has improved. In the interim, emergency medical services will continue to be provided through the police helicopter.
- Ministerial Restructure – The Government will make further savings of \$500 000 in 2011-12 increasing to \$1 million in following years, in the operation of ministerial offices and the funding provided to other Members of Parliament.
- Renewable Energy Loan Fund – The reduction in the funding allocation for this initiative reflects current loan take-up rates. The level of funding will be reconsidered in the event that there is a further change in take-up rates.
- Withdrawal of Police from Prisoner Transport and Court Security – Funding for this initiative had not previously been included in Budget figures pending the finalisation of the details of this initiative. The cost of this initiative over the 2011-12 Budget and Forward Estimates period is now estimated to be \$5.6 million. Given the magnitude of these costs the Government will not be pursuing this initiative at the present time.

Government Business Equity Transfers

The 2010-11 Budget and Forward Estimates included the provision of significant levels of funding for equity transfers to Government businesses, especially the Tasmanian Railway Pty Ltd. These equity requirements will now be met from within the Government business portfolio and consequently no funding will be required from the Budget.

The impact of this change will be reflected in the 2011-12 Budget.

Infrastructure Investment

As part of the 2010-11 Budget, the Government established a provision for Future Infrastructure Investment. The Government has utilised this provision to fund key infrastructure projects including the Community Roads and West Coast Roads Packages (\$87.6 million); the Tarkine Drive (\$17.7 million); and the Royal Hobart Hospital Redevelopment (\$20 million).

Given the Government's financial position, the full balance of the provision cannot be maintained. Accordingly, the provision has been reduced over the Forward Estimates period by \$90 million. A balance of almost \$60 million will remain in the provision for Future Infrastructure Investment projects.

Notwithstanding this adjustment to the provision, the level of infrastructure investment will continue to be significantly greater than historical levels. Further, this action will not result in any previously announced infrastructure projects not proceeding.

Table 2.4 compares the level of infrastructure investment in the 2010-11 Budget with the current estimates detailed in this Report. The level of infrastructure investment will remain above the normal historical level of approximately \$250 million per annum and continue to support jobs and investment in Tasmania.

Table 2.4: Infrastructure Investment

	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m
2010-11 Budget	725.8	382.0	379.2	340.7	na
2010-11 MYFR	675.6	599.6	414.0	325.2	300.0

The impact of this decision has been reflected in the financial statements in Sections 4 – 6 of this Report.

IMPACT OF BUDGET RESPONSE

Although full details of the impact of the Budget strategies will not be finalised until the 2011-12 Budget, it is expected that the implementation of these strategies will deliver on the Government's objective of first stabilising and then returning the State's financial position to its pre-GFC levels. In particular, it will ensure that the Government does not return to a General Government Net Debt position.

Notwithstanding this position, it is essential that it is recognised that the level of achievement of existing Budget savings and the savings to be delivered by the strategies detailed above will be crucial to the actual outcome. Chart 2.2 below provides an indication of possible Net Debt outcomes over the Forward Estimates period.

Three possible outcomes have been plotted which reflect the achievement of savings at a low, medium and high level. Each scenario results in a no Net Debt position by 2013-14. It is anticipated that under the high achievement scenario, Net Debt is returned to pre-GFC levels by 2016-17. This reflects the importance of the effective implementation of the Government's strategies over a number of years.

It should be noted that the indicative scenarios detailed below do not include the delivery of any benefit from the implementation of the Government's Government Business strategy. Budget savings resulting from this important strategy will assist in further improving the actual budget outcome.

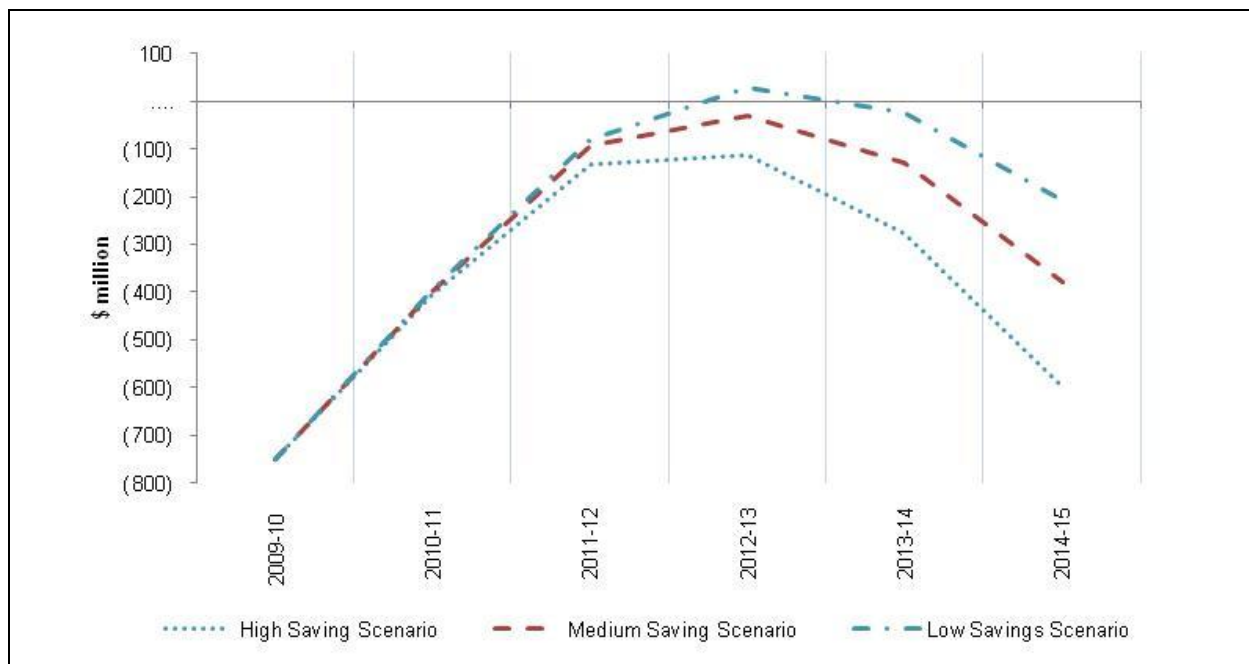
Chart 2.2: Net Debt – Impact of Budget Response

Table 2.5 identifies the net debt levels under each Budget response scenario.

Table 2.5: Net Debt – Impact of Budget Response

	2010-11	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m
Low Saving Scenario	(394)	(79)	27	(23)	(208)
Medium Saving Scenario	(398)	(93)	(30)	(130)	(377)
High Saving Scenario	(406)	(134)	(114)	(276)	(598)

3 TASMANIAN ECONOMIC AGGREGATES AND FORECASTS

Table 3.1: Economic Forecasts

	2009-10	2010-11	2010-11	2011-12	2012-13	2013-14
		Budget	Revised			
	Actual	Forecast	Estimate	Forecast	Projection	Projection
Gross State Product (real, % change) ¹	....	2¼	1¼	1¼	2¼	2¼
Employment (year-average, % change)	-1.6	1¼	1¼	½	1	1
Level of Employment (year-average, '000s)	234.5	239	238	239	241	244
Participation Rate (year-average, %)	60.9	61¼	61	61	61	61
Unemployment Rate (year-average, %)	5.6	5½	5¾	5¾	5¾	5¾
Consumer Price Index – Hobart	2.7	3	2¾	2¾	2¾	2¾
(year-average, % change)						
Population (year-average, % change)	0.9	0.8	0.8	0.8	0.8	0.8

Sources:

Data - Australian Bureau of Statistics; Estimates, Forecasts and Projections - Department of Treasury and Finance

Note:

1. This GSP estimate is not intended to be benchmarked against the GSP estimates produced by the ABS due to ongoing concerns over the reliability of the ABS estimates of year-on-year changes in Tasmania's GSP.

The global economic recovery is continuing, with the world economy overall growing at a faster rate over the year to mid-2010 than the long-term historical trend. However, the recovery continues to be at different stages around the world. The Australian economy has been performing well, boosted mainly by the resources sector, which has contributed to the Australian dollar reaching parity with the US dollar for the first time in 28 years. The Reserve Bank of Australia has lifted the cash rate to a point where market borrowing rates are now slightly above long-term average rates in response to an increased risk of inflationary pressures.

The floods in the eastern states have caused a substantial, but temporary, disruption to production and distribution of agricultural output and natural resources. However, the national outlook remains positive due to strong growth in investment in the resources sector, the income flowing from strong commodity export prices and solid population growth.

The outlook for the Tasmanian economy is weaker than at the time of the 2010-11 Budget and earlier expectations about a slower recovery for the State are beginning to appear the most likely outcome. Higher borrowing rates and the high value of the Australian dollar are negatively impacting on Tasmania, which is not benefiting to the same extent from growth in the resources sector. The strong exchange rate is continuing to have an adverse effect on Tasmanian exports, particularly those in the manufacturing sector. This has resulted in a large number of job losses in this sector.

Tasmania's economy benefited from the fiscal stimulus measures, such as cash payments to eligible taxpayers and welfare recipients, the boost to the First Home Owner Grant and the public investment programs. However, unlike the national economy, private investment and exports in Tasmania have not sustained this economic growth as the fiscal and monetary stimulus measures are withdrawn.

Consumer sentiment has been weaker over the past year, and household spending has declined marginally in each of the three quarters to the September quarter 2010. Retail trade, which had received a boost from the cash payments to eligible taxpayers and welfare recipients, declined between October 2009 and September 2010. Households remain focused on reducing their exposure to debt as a priority. Growth in household spending in 2010-11 is expected to be weak and below the trend in recent years.

Private investment, the major driver of the growth in the Tasmanian economy over the past decade, has recently been flat and well below the very high levels before the global economic downturn. Furthermore, there is a lack of major private sector projects in the pipeline.

The ABS estimated an appreciable drop in dwelling investment in the September quarter 2010 and dwelling investment is likely to continue to be affected by higher borrowing rates and a lull in first home buyer activity, following the cessation of the first home owner boost. Over 2010-11, both business investment and dwelling investment are expected to decline, in year average terms.

While the State Government's infrastructure spending will remain at high levels over the medium term, public investment in Tasmania from the Australian Government will continue to fall as the fiscal stimulus measures cease from 2011-12. A recovery in private investment is critical to support economic growth as Tasmania adjusts to the post-downturn economic environment.

The Tasmanian forestry industry has been severely impacted by a range of factors, including the very high value of the Australian dollar, falling demand for woodchips from Japan and a shift in worldwide demand to accredited forestry products. Job losses in this sector have been high, especially in the forestry contracting sector, and several mills have been closed in response to weak conditions.

Tasmanian GSP growth in 2010-11 is now estimated to be 1¼ per cent, down from 2¼ per cent forecast at the time of the 2010-11 Budget. Growth of 1¼ per cent is also forecast for 2011-12. The Tasmanian economy is projected to grow by the long-term trend rate of 2¼ per cent in the out-years.

Growth in Tasmanian employment has resumed in recent months, but weaker GSP growth over the year is expected to result in a slightly lower rate of employment growth than forecast in the 2010-11 Budget. Employment growth is now estimated at 1¼ per cent in 2010-11, down from the 2010-11 Budget forecast of 1¾ per cent. Almost all this growth is expected to be in part-time positions. Employment growth of ½ of one per cent is forecast for 2011-12, with projected growth of one per cent in the out-years.

The participation rate is now forecast to be 61 per cent in 2010-11 and 2011-12, and is projected to remain around this level for each of the out-years. The result of this, and weaker job creation, is a higher unemployment rate, estimated at 5¼ per cent in 2010-11 and 2011-12 and to remain at around this rate for each of the out years.

Under a pessimistic scenario for 2010-11, there is no growth in household spending and a further deferral in the recovery in private investment. International exports would also remain very weak under this scenario, with the result that gross state product grows by less than one per cent and around 2 000 additional jobs are created in year average terms. However, the unemployment rate would remain low, compared to longer term levels.

An optimistic scenario for Tasmanian GSP growth in 2010-11 would include a return towards trend growth in household spending and a marginally greater increase in interstate and international exports of around 3 per cent. Under this scenario, growth in employment of around 3 500 jobs are created, in year average terms.

Tasmanian population growth is estimated to be 0.8 per cent in 2010-11, unchanged from the forecast made in the 2010-11 Budget. This estimate is slightly below the average rate of annual growth over the past five years, though remains above the long-term average rate of growth.

4 GENERAL GOVERNMENT REVISED BUDGET OUTLOOK

Income Statement

The General Government Income Statement for 2010-11 is detailed in Table 4.1.

The revised 2010-11 Budget forecasts:

- a Net Operating Surplus of \$10.6 million, a \$75.6 million improvement on the Budget estimate of a \$65.0 million deficit; and
- a Fiscal Deficit of \$401.7 million, a \$128.0 million improvement on the Budget estimate of a \$529.7 million deficit.

The improvement in the Net Operating Balance primarily reflects the impact of additional Australian Government infrastructure funding and does not represent an underlying improvement in the Budget position.

Table 4.1: General Government Income Statement

	2009-10 Dec YTD Actual	2010-11 Original Budget	2010-11 Revised Budget	Variance	2010-11 Dec YTD Actual
	\$m	\$m (a)	\$m (b)	\$m (b – a)	\$m
Revenue from transactions					
Grants	1 398.6	2 910.9	3 106.8	195.9	1 542.5
Taxation	449.1	875.7	876.0	0.3	453.0
Sales of goods and services	177.0	369.6	367.3	(2.3)	179.4
Fines and regulatory fees	34.3	88.6	90.1	1.5	34.6
Interest income	16.0	48.1	41.7	(6.4)	18.5
Dividend, tax and rate equivalent income	93.1	148.9	133.4	(15.5)	45.4
Other revenue	44.4	120.7	134.9	14.2	58.8
	2 212.6	4 562.5	4 750.3	187.8	2 332.2
Less Expenses from transactions					
Employee expenses	947.1	2 007.2	2 072.9	65.7	1 009.0
Superannuation	115.1	228.5	235.1	6.6	118.8
Depreciation	123.5	248.8	248.8	....	127.4
Supplies and consumables	447.0	992.4	1 013.0	20.6	460.6
Nominal superannuation interest expense	101.5	222.1	222.1	....	111.1
Borrowing costs	12.7	16.5	13.9	(2.6)	7.2
Grant and subsidy expenses	550.9	880.4	902.2	21.8	577.9
Other expenses	12.7	31.6	31.7	0.1	16.0
	2 310.6	4 627.5	4 739.7	112.2	2 428.0
Equals NET OPERATING BALANCE	(98.0)	(65.0)	10.6	75.6	(95.8)
Plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	(3.7)	16.5	16.5	....	8.7
Movement in equity investment in PNFC and PFC Sectors	1 766.0	238.6	96.4	(142.2)	....
Movements in superannuation liability	(11.9)	....	....	....	....
Other gains/(losses)	(1.4)	7.3	7.2	(0.1)	(1.6)
	1 749.0	262.4	120.2	(142.2)	7.1
Equals Operating Result	1 651.0	197.3	130.8	(66.5)	(88.7)

Table 4.1: General Government Income Statement (continued)

	2009-10 Dec YTD Actual \$m	2010-11 Original Budget \$m (a)	2010-11 Revised Budget \$m (b)	Variance \$m (b – a)	2010-11 Dec YTD Actual \$m
Plus Other economic flows – other movements in Equity					
Revaluations of non-financial assets	112.2	242.1	242.1	....	104.6
Other non-owner movement in equity	(48.6)	(101.9)	(9.4)	92.5	2.6
	63.6	140.2	232.7	92.5	107.2
Equals Comprehensive Result	1 714.6	337.6	363.4	25.8	18.5
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	(98.0)	(65.0)	10.6	75.6	(95.8)
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	200.0	772.0	719.6	(52.4)	384.0
Less Sale of non-financial assets	37.6	58.5	58.5	....	29.1
Less Depreciation	123.5	248.8	248.8	....	127.4
	38.9	464.7	412.3	(52.4)	227.5
Equals FISCAL BALANCE - SURPLUS/(DEFICIT)	(136.9)	(529.7)	(401.7)	128.0	(323.3)

Major Revenue Variations

Revenue from transactions is estimated to be \$4 750.3 million in 2010-11, which is \$187.8 million or 4.1 per cent higher than the 2010-11 Budget estimate of \$4 562.5 million. The main changes are:

Revenue Item	Variance from Budget	Reasons
Grants Revenue:	\$195.9 million higher	GST and National partnership payment variations.
<ul style="list-style-type: none"> General purpose payments 	\$56.8 million lower	GST revenue in 2010-11 has been revised down by \$56.8 million to reflect: revisions made by the Australian Government to the estimate of the national GST pool; and an adjustment for overpayment of GST by the Australian Government to the states in 2009-10.
<ul style="list-style-type: none"> National partnership payments 	\$249.5 million higher	<p>The increase is primarily due to additional Australian Government funding of \$220 million towards the redevelopment of the Royal Hobart Hospital.</p> <p>The increase also includes additional Australian Government funding of \$18 million for the Water for the Future Project.</p>
Dividend, tax and rate equivalent income:	\$15.5 million lower	<p>An upward revision of \$19.1 million in Government business dividend revenue is more than offset by a downward revision in tax equivalents revenue of \$34.5 million.</p> <p>Increased dividend returns are anticipated from Hydro Tasmania (\$13.7 million) and the Motor Accidents Insurance Board (\$7.4 million).</p> <p>A decrease in tax equivalents revenue is expected from Hydro Tasmania (\$25.1 million), the Motor Accidents Insurance Board (\$6.6 million) and TOTE Tasmania Pty Ltd (\$6.5 million).</p>

Further details relating to Grants and Taxation Revenue are provided in Tables 4.2 and 4.3.

Table 4.2: General Government Grants

	2009-10 Dec YTD Actual	2010-11 Original Budget	2010-11 Revised Budget	Variance	2010-11 Dec YTD Actual
	\$m	\$m (a)	\$m (b)	\$m (b – a)	\$m
Australian Government grants paid into the Consolidated Fund					
General purpose payments	766.5	1 761.1	1 704.3	(56.8)	866.3
Specific purpose payments	292.4	608.6	608.6	....	317.0
National partnership payments	291.2	501.0	750.5	249.5	313.1
Other grants and subsidies	2.9	35.0	38.2	3.2	22.3
Grants and Subsidies not paid into the Consolidated Fund	45.6	5.2	5.2	....	23.9
	1 398.6	2 910.9	3 106.8	195.9	1 542.5

Table 4.3: General Government Taxation

	2009-10 Dec YTD Actual	2010-11 Original Budget	2010-11 Revised Budget	Variance	2010-11 Dec YTD Actual
	\$m	\$m (a)	\$m (b)	\$m (b – a)	\$m
Payroll Tax	123.9	280.9	280.0	(0.9)	135.5
Taxes on property					
Land tax	83.3	76.7	78.7	2.0	76.1
Fire service levies	22.6	47.0	47.0	....	23.2
Government guarantee fees	0.2	24.1	24.4	0.3	2.2
Taxes on financial and capital transactions	80.0	169.9	163.0	(6.9)	73.9
	186.1	317.8	313.1	(4.7)	175.5
Taxes on the provision of goods and services					
Casino tax and licence fees	27.6	58.9	58.9	....	29.5
Betting Exchange Taxes and Levies	3.9	2.4	4.8	2.4	2.4
Lottery Tax	14.0	24.9	24.9	....	12.4
Totalizator Wagering Levy	6.3	6.4	6.4	....	6.4
Insurance tax	23.6	49.2	49.2	....	25.9
	75.3	141.8	144.2	2.4	76.6
Taxes on the use of goods and services					
Vehicle registration fees	15.3	30.0	32.9	2.9	16.1
Motor vehicle fees and taxes	48.6	105.2	105.7	0.5	49.3
	63.9	135.2	138.6	3.4	65.4
TOTAL TAXATION	449.1	875.7	876.0	0.3	453.0

Major Expense Variations

Total Expenses from transactions is estimated to be \$4 739.7 million in 2010-11, which is \$112.2 million or 2.4 per cent higher than the 2010-11 Budget estimate of \$4 627.5 million. The main changes are:

Department	Variance from Budget	Reasons
Department of Health and Human Services	\$73.9 million higher	<p>The Department's estimated expenditure has been revised upwards by \$73.9 million primarily for the provision of health services (\$58.1 million) and human services (\$11.8 million).</p> <p>Expenditure is estimated to increase in the areas of salaries and associated costs supplies and consumables and grant expenses.</p>
Department of Education	\$27.0 million higher	<p>The Department's estimated expenditure has been revised upwards by \$27 million.</p> <p>Expenditure is estimated to increase in the areas of salaries and supplies and consumables.</p>

Underlying Net Operating Balance

The Underlying Net Operating Balance is a measure which removes the distorting impact of one-off Australian Government funding for specific capital projects linked to the *Nation Building – Economic Stimulus Plan*, Nation Building (formerly AusLink), Water for the Future and the Royal Hobart Hospital Redevelopment.

Table 4.4: Underlying Net Operating Balance

	2010-11	2010-11	2011-12	2012-13	2013-14	2014-15
	Budget	Revised Budget	Forward Estimate	Forward Estimate	Forward Estimate	Projection
	\$m	\$m	\$m	\$m	\$m	\$m
Net Operating Balance	(65)	11	(83)	(33)	(84)	(64)
Less Impact of one-off Australian Government funding for Specific Major Capital Programs	(267)	(505)	(250)	(74)	....	....
Underlying Net Operating Balance	(332)	(495)	(333)	(107)	(84)	(64)
Underlying Net Operating Surplus on average over four-year rolling period by 2014-15	(182)	(228)	(324)	(324)	(254)	(147)

Disclosures

Royal Hobart Hospital Redevelopment – Australian Government Funding

The Revised 2010-11 Budget and Forward Estimates include anticipated receipts from the Australian Government for the Royal Hobart Hospital redevelopment (\$220 million in 2010-11 and \$120 million in 2011-12). These estimates are consistent with the cashflows provided by the Australian Government in its Mid-Year Economic and Fiscal Outlook 2010-11.

The Australian Government receipts include \$240 million from the Health and Hospitals Fund. The Health and Hospitals Fund Advisory Board is currently assessing the State's application for these funds. Until formal advice is received from the Board regarding the success of the State's application, there is a potential risk to both the level and timing of funding. If changes to either the level or the timing occur there would be flow-on effects on key fiscal measures including the Net Operating and Fiscal Balances and Net Debt.

Balance Sheet

Table 4.5: General Government Balance Sheet

	30 Jun 2010	30 Jun 2011	30 Jun 2011		31 Dec 2010
		Original	Revised		
	Actual	Budget	Budget	Variance	Actual
	\$m	\$m	\$m	\$m	\$m
		(a)	(b)	(b – a)	
Assets					
Financial assets					
Cash and deposits	966.0	551.5	620.2	68.7	646.8
Investments	55.7	80.0	69.5	(10.5)	55.4
Equity investments in PNFC and PFC Sectors	5 949.8	6 264.7	6 051.1	(213.6)	5 950.9
Other equity investments	3.0	5.5	3.0	(2.5)	2.5
Receivables	185.1	174.8	192.8	18.0	233.2
Other financial assets	942.0	1 196.7	1 036.9	(159.8)	959.9
	8 101.6	8 273.1	7 973.4	(299.7)	7 848.5
Non-financial assets					
Land and buildings	5 219.2	5 615.9	5 782.9	167.0	5 473.6
Infrastructure	4 836.8	5 040.5	4 942.8	(97.7)	4 939.5
Plant and equipment	215.9	219.6	217.5	(2.1)	255.6
Heritage and culture assets	553.0	468.5	563.9	95.4	552.3
Investment property	13.1	11.1	11.1	....	13.1
Intangible assets	34.1	27.5	33.0	5.5	32.0
Assets held for sale	21.3	12.3	21.4	9.1	11.6
Other non-financial assets	36.6	38.5	38.1	(0.4)	30.1
	10 929.9	11 433.8	11 610.7	176.9	11 307.8
Total Assets	19 031.5	19 706.9	19 584.1	(122.8)	19 156.3
Liabilities					
Borrowings	273.5	322.6	283.4	(39.2)	280.6
Superannuation	4 860.0	4 356.1	5 020.3	664.2	4 940.0
Employee entitlements	461.5	491.2	494.4	3.2	453.9
Payables	104.1	90.9	106.7	15.8	80.3
Other liabilities	267.1	235.1	250.6	15.5	317.7
Total Liabilities	5 966.2	5 495.9	6 155.4	659.5	6 072.4
NET ASSETS	13 065.3	14 211.0	13 428.7	(782.3)	13 083.9

Table 4.5: General Government Balance Sheet (continued)

	30 Jun 2010	30 Jun 2011	30 Jun 2011		31 Dec 2010
	Actual	Original Budget	Revised Budget	Variance	Actual
	\$m	\$m	\$m	\$m	\$m
		(a)	(b)	(b – a)	
Equity					
Accumulated surplus	7 627.3	9 062.1	8 080.7	(981.4)	7 541.1
Asset revaluation reserve	4 508.3	4 940.4	4 750.4	(190.0)	4 612.9
Other reserves	929.8	208.5	597.7	389.2	929.8
Total Equity	13 065.3	14 211.0	13 428.7	(782.3)	13 083.9

KEY FISCAL AGGREGATES

NET WORTH¹	13 065.3	14 211.0	13 428.7	(782.3)	13 083.9
NET FINANCIAL WORTH²	2 135.4	2 777.3	1 818.1	(959.2)	1 776.1
NET FINANCIAL LIABILITIES³	3 814.4	3 487.4	4 233.0	745.6	4 174.8
NET DEBT⁴	(748.2)	(308.9)	(406.3)	(97.4)	(421.5)

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investments in the PNFC and PFC Sectors.
4. Net Debt represents borrowings less cash and deposits and investments.

Net Debt

Net Debt is projected to be negative \$406.3 million at 30 June 2011, a \$97.4 million improvement on the Budget estimate of negative \$308.9 million. The improved Net Debt result in 2009-10 and the anticipated receipt of Australian Government funding for the Royal Hobart Hospital Redevelopment are primarily responsible for the projected improvement in the 2010-11 result.

Net Financial Liabilities

Net Financial Liabilities is projected to be \$4 233.0 million as at 30 June 2011, \$745.6 million higher than the Budget estimate of \$3 487.4 million. This estimated position is primarily due to an increase in the Superannuation liability of \$664.2 million. This increase reflects the higher than anticipated 2009-10 liability that resulted from an actuarial reassessment, taking into consideration changes in assumptions used to value the defined benefit obligation.

Cash Flow Statement

The General Government Cash Flow Statement for 2010-11 is detailed in Table 4.5.

The Cash Deficit is estimated to be \$220.6 million in 2010-11 which is a \$128.8 million improvement on the Budget estimate of \$349.4 million.

The improved position is primarily due to additional receipts of Australian Government Grants for the Royal Hobart Hospital Redevelopment.

Table 4.6: General Government Cash Flow Statement

	2009-10 Dec YTD Actual \$m	2010-11 Original Budget \$m (a)	2010-11 Revised Budget \$m (b)	Variance \$m (b – a)	2010-11 Dec YTD Actual \$m
Cash flows from operating activities					
Cash received					
Grants received	1 423.5	2 910.8	3 106.7	195.9	1 539.3
Taxation	417.7	875.7	876.0	0.3	420.0
Sales of goods and services	172.0	367.9	365.7	(2.2)	177.8
Fines and regulatory fees	31.2	82.7	84.1	1.4	32.4
Interest received	19.0	47.3	41.0	(6.3)	22.3
Dividend, tax and rate equivalents	90.1	148.9	133.4	(15.5)	45.4
Other receipts	145.6	287.9	303.0	15.1	176.6
	2 299.1	4 721.2	4 909.9	188.7	2 413.8
Cash paid					
Employee entitlements	(1 004.5)	(1 976.5)	(2 042.1)	(65.6)	(1 034.1)
Superannuation	(133.1)	(289.9)	(296.5)	(6.6)	(137.0)
Supplies and consumables	(446.1)	(994.8)	(1 015.4)	(20.6)	(462.3)
Borrowing costs	(2.5)	(15.9)	(13.5)	2.4	(2.2)
Grants and subsidies paid	(569.2)	(880.2)	(902.1)	(21.9)	(577.0)
Other payments	(104.8)	(199.8)	(199.8)	....	(124.7)
	(2 260.2)	(4 357.1)	(4 469.4)	(112.3)	(2 337.3)
Net cash flows from operating activities	39.0	364.1	440.5	76.4	76.5
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(200.0)	(772.0)	(719.6)	52.4	(384.0)
Sale of non-financial assets	37.6	58.5	58.5	....	29.1
	(162.4)	(713.4)	(661.1)	52.4	(354.9)
Financial assets (policy purposes)					
Equity injections	(41.4)	(105.9)	(121.1)	(15.2)	(36.8)
Net advances paid	(4.9)	(14.5)	(14.0)	0.5	(6.2)
	(46.3)	(120.4)	(135.1)	(14.7)	(43.0)
Financial assets (liquidity purposes)					
Net purchase of investments	0.5	....	....	....	(2.0)
	0.5	....	....	....	(2.0)
Net cash flows from investing activities	(208.2)	(833.9)	(796.2)	37.7	(400.0)

Table 4.6: General Government Cash Flow Statement (continued)

	2009-10 Dec YTD Actual	2010-11 Original Budget	2010-11 Revised Budget	Variance	2010-11 Dec YTD Actual
	\$m	\$m (a)	\$m (b)	\$m (b – a)	\$m
Cash flows from financing activities					
Net borrowing	22.1	11.2	9.9	(1.3)	4.2
Net cash flows from financing activities	22.1	11.2	9.9	(1.3)	4.2
Net increase/(decrease) in cash held	(147.1)	(458.7)	(345.8)	112.9	(319.2)
Cash at beginning of the year	1 226.8	1 010.1	966.0	(44.1)	966.0
Cash at end of the period	1 079.7	551.5	620.2	68.7	646.8
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	39.0	364.1	440.5	76.4	76.5
Plus Net cash from investments in non-financial assets	(162.4)	(713.4)	(661.1)	52.4	(354.9)
Equals CASH SURPLUS/(DEFICIT)	(123.4)	(349.4)	(220.6)	128.8	(278.4)

Policy and Parameter Statement

A Policy and Parameter Statement is a reconciliation of the major movements in the Net Operating Balance and the Fiscal Balance between two points in time. The movements reflect changes between the Budget and Forward Estimates reported in the 2010-11 Budget Papers and the revised estimates included in this Report.

The movements in the PPS are classified as revenue, expenses or net acquisition of non-financial assets, and then further categorised as a policy or parameter change. The classification of a variation as a policy or parameter change is a matter of judgment and it is recognised there may be some instances where part of a Government initiative may have both policy and parameter components.

Policy Variation

For the purpose of the PPS, a policy variation reflects a specific decision by the Government that has an impact on the Budget and Forward Estimates and is related to a new policy or represents a change in the Government's existing policy position since the previous Budget. A decision to change a Budget or Forward Estimate aggregate, which is consistent with an existing policy, is not a policy decision.

Parameter Variation

A parameter variation reflects changes to the Budget and Forward Estimates due to the economic environment, the agency operating environment or the timing of a transaction.

Parameter variations will reflect the impact of increased taxes, grants or other income that do not arise because of a Government decision; and demand and cost variations in agency service delivery, including the provision of indexation. Variations resulting from the rollover of a new Forward Estimate year and changes in accounting policies, such as a change in an agency depreciation policy, or where financial estimates are affected by a change in an Australian Accounting Standard are classified as parameter variations.

Table 4.6 provides a summary of the detailed policy and parameters changes listed in Table 4.7 that have impacted on the formulation of the revised 2010-11 Budget and Forward Estimates for inclusion in this Report.

Table 4.7: Summary Policy and Parameter Statement

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
Forward Estimates (Net Operating Balance) as per the 2010-11 Budget (A)	(65.0)	(82.0)	31.9	53.4
Forward Estimates (Fiscal Balance) as per the 2010-11 Budget (B)	(529.7)	(197.1)	(65.7)	1.4
REVENUE				
Parameter Adjustments	187.8	97.1	29.3	(53.1)
TOTAL REVENUE VARIATIONS (C)	187.8	97.1	29.3	(53.1)
EXPENSES				
Policy Decisions	102.8	99.0	87.0	75.2
Parameter Adjustments	9.4	(0.7)	7.2	8.6
TOTAL EXPENSE VARIATIONS (D)	112.2	98.3	94.1	83.8
NET OPERATING BALANCE (A+C-D)	10.6	(83.2)	(33.0)	(83.5)
Less NET ACQUISITION OF NON-FINANCIAL ASSETS				
Purchases of Non-Financial Assets				
Parameter Adjustments	(52.4)	212.5	52.0	15.6
NET ACQUISITION OF NON-FINANCIAL ASSETS VARIATIONS (E)	(52.4)	212.5	52.0	15.6
FISCAL BALANCE (B+C-D-E)	(401.7)	(410.8)	(182.6)	(151.1)

Table 4.8: Policy and Parameter Statement

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
Forward Estimates (Net Operating Balance) as per the 2010-11 Budget (A)	(65.0)	(82.0)	31.9	53.4
Forward Estimates (Fiscal Balance) as per the 2010-11 Budget (B)	(529.7)	(197.1)	(65.7)	1.4
REVENUE				
Parameter Adjustments				
Taxation				
Betting Exchange Taxes and Levies	2.4	(1.0)	0.3	0.7
Duties	(7.0)	(8.3)	0.3	0.6
Guarantee Fees	0.4	(0.1)	1.8	3.3
Land Tax	2.0	1.5	1.5	1.5
Motor Taxation	0.5	1.3	2.1	2.9
Payroll Tax	(0.9)	(0.9)	(3.4)	(10.9)
Vehicle Registration Fees	2.9	3.0	3.2	3.3
Total Taxation	0.3	(4.5)	5.7	1.4
Dividend, Tax and Rate Equivalent Income				
Dividend income				
Hydro Tasmania	13.7	6.9	13.2	0.8
Motor Accidents Insurance Board	7.4	6.7	3.7	6.2
TOTE Tasmania Pty Ltd	(0.1)	(6.4)	(3.5)	(6.5)
Tasmanian Ports Corporation	0.4	(0.5)	0.2	0.4
Tasmanian Public Finance Corporation	(1.9)	....	....	....
The Public Trustee	....	0.1	0.1	0.1
Transend Networks Pty Ltd	2.0	4.3	4.1	4.4
	21.5	11.2	17.8	5.5
Income Tax Equivalents				
Aurora Energy Pty Ltd	1.8	7.0	9.9	9.5
Hydro Tasmania	(25.1)	6.5	0.7	(0.5)
Motor Accidents Insurance Board	(6.5)	(14.4)	(1.0)	6.4
TOTE Tasmania Pty Ltd	(6.6)	(6.6)	(6.6)	(6.6)
Tasmanian Public Finance Corporation	1.9	....	....	....
The Public Trustee	(0.3)	....	....	....
	(34.8)	(7.5)	3.1	8.8
Rates Equivalent Payments				
Hydro Tasmania	0.3	0.3	0.3	0.3
	0.3	0.3	0.3	0.3

Table 4.8: Policy and Parameter Statement (continued)

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
Dividend, Tax and Rate Equivalent Income (continued)				
Special Dividend Income				
TOTE Tasmania Pty Ltd	(3.0)	(3.0)	(3.0)	....
Tasmanian Ports Corporation	0.6	....	....	....
	(2.4)	(3.0)	(3.0)	....
Total Dividend, Tax and Rate Equivalent Income	(15.4)	1.0	18.2	14.7
Interest Income	(6.4)	(17.9)	(33.8)	(33.8)
Australian Government Grants				
General Purpose Payments				
GST Revenue	(56.8)	(45.7)	(49.1)	(43.0)
	(56.8)	(45.7)	(49.1)	(43.0)
National Partnership Payments				
Environment	18.0	27.0	80.0	....
Healthcare ¹	230.4	129.3	2.3	....
Other	1.1	....	0.3	6.0
	249.5	156.3	82.6	6.0
Other	3.2	5.9	3.9	(0.1)
Total Australian Government Grants	195.9	116.5	37.4	(37.1)
Agency Revenue				
Finance-General	9.7	(0.1)	(0.1)	(0.1)
Infrastructure, Energy and Resources	4.5	2.2	4.2	4.2
Justice	1.8	2.3	....	....
Premier and Cabinet	(2.0)	(2.1)	(2.1)	(2.1)
Primary Industries, Parks, Water and Environment	(0.7)	(0.4)	(0.4)	(0.4)
Total Agency Revenue	13.4	2.1	1.8	1.7
Total Parameter Adjustments	187.8	97.1	29.3	(53.1)
TOTAL REVENUE VARIATIONS (C)	187.8	97.1	29.3	(53.1)

Table 4.8: Policy and Parameter Statement (continued)

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
EXPENSES				
Policy Decisions				
Agency Expenditure				
Economic Development, Tourism and the Arts				
Menzies Centre Redevelopment - State Government				
Contribution	....	5.0	10.0	....
Mersey Aquatic Centre - State Government				
Contribution	....	2.5	2.5	....
New agreement with the Hawthorn Football Club	....	2.5	3.5	3.5
Feasibility Study - Bass Strait electricity interconnector	0.5	....	....	....
Education				
Additional Funding for Education	27.0	14.0	....	....
Health and Human Services				
Additional Funding for Health	70.0	70.0	70.0	70.0
House of Assembly				
Additional House of Assembly Members	....	....	....	1.0
Joint Standing Committee on Integrity	0.1	0.1	0.1	0.1
Infrastructure, Energy and Resources				
Intelligent Access Project	0.8	....	....	....
Midland Highway Road Planning	....	1.2	....	....
Justice				
Risdon Prison Inquiry	0.5	....	....	....
Premier and Cabinet				
Electricity Supply Industry Expert Panel Review	1.5	1.5	....	....
Grant to Mersey-Leven Aboriginal Corporation	1.0	....	....	....
Sullivan's Cove Master Plan	0.7	1.4	0.2	....
Primary Industries, Parks, Water and Environment				
Port Arthur Historic Site Management Authority - Cascade Female Factory	0.6	0.8	0.7	0.6
Total Policy Decisions	102.8	99.0	87.0	75.2

Table 4.8: Policy and Parameter Statement (continued)

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
Parameter Adjustments				
Borrowing Costs	(2.6)	(2.5)	(2.7)	(2.7)
Agency Expenditure				
Economic Development, Tourism and the Arts	3.6	(1.8)	(3.2)	(3.2)
Education	....	(1.0)	....	....
Finance-General	(13.4)	(4.3)	2.6	1.2
Health and Human Services	3.9	11.1	10.0	10.0
Infrastructure, Energy and Resources	7.9	1.3	1.3	1.3
Justice	3.9	1.5	0.2	0.4
Legislature-General	0.3	....	....	....
Ministerial and Parliamentary Support	(0.2)	(0.2)	(0.2)	(0.2)
Office of the Director of Public Prosecutions	1.2	....	....	....
Office of the Ombudsman	0.2	....	....	0.1
Police and Emergency Management	0.8	(0.1)	(0.1)	(0.1)
Premier and Cabinet	9.8	5.0	5.1	7.0
Primary Industries, Parks, Water and Environment	(2.0)	(5.0)	(5.7)	(5.7)
Treasury and Finance	0.5	....	....	....
Other	(4.5)	(4.8)	(0.2)	0.5
Total Agency Expenditure	12.1	1.8	9.9	11.3
Total Parameter Adjustments	9.4	(0.7)	7.2	8.6
TOTAL EXPENSE VARIATIONS (D)	112.2	98.3	94.1	83.8
NET OPERATING BALANCE²	10.6	(83.2)	(33.0)	(83.5)

Table 4.8: Policy and Parameter Statement (continued)

	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m
less NET ACQUISITION OF NON-FINANCIAL ASSETS FROM TRANSACTIONS				
Purchases of Non-Financial Assets				
Parameter Adjustments				
Economic Development, Tourism and the Arts	(2.8)	0.3	3.4	....
Education	4.7	(7.4)	....	....
Health and Human Services ³	62.3	63.0	77.9	95.6
Infrastructure, Energy and Resources ⁴	31.0	7.6	44.4	48.8
Justice	0.8	....	....	....
Police and Emergency Management	1.7	1.8	(3.2)	....
Primary Industries, Parks, Water and Environment	(0.2)	7.1	6.0	....
Provision for Future Infrastructure Investment Drawdown ⁵	....	(10.0)	(76.5)	(128.8)
Whole-of-Government Capital Adjustment ⁶	(150.0)	150.0	....	....
Total Parameter Adjustments	(52.4)	212.5	52.0	15.6
Total Purchases of Non-Financial Assets	(52.4)	212.5	52.0	15.6
TOTAL NET ACQUISITION OF NON-FINANCIAL ASSETS VARIATIONS (E)	(52.4)	212.5	52.0	15.6
FISCAL BALANCE⁷	(401.7)	(410.8)	(182.6)	(151.1)

Notes:

1. The increase in the Healthcare National Partnership Payment primarily reflects additional Australian Government funding for the Royal Hobart Hospital Redevelopment (\$220 million in 2010-11 and \$120 million in 2011-12).
2. Net Operating Balance is equal to A+C-D.
3. The increase in Health and Human Services represents the expenditure of State and Australian Government capital funding for the Royal Hobart Hospital Redevelopment.
4. The increase in Infrastructure, Energy and Resources represents the allocation of projects for the Community Roads and West Coast Roads Packages, and the Tarkine Drive. This expenditure is partially offset by the drawdown of funds from the Provision for Future Infrastructure Investment announced in the 2010-11 Budget.
5. The decrease in the Provision for Future Infrastructure Investment Drawdown primarily reflects the application of funds for the Community Roads and West Coast Roads Packages, the Tarkine Drive and the State's contribution to the Royal Hobart Hospital Redevelopment.
6. The Whole-of-Government Capital Expenditure Adjustment of \$150 million in 2010-11 allows for anticipated changes to capital expenditure estimates which will occur between the formulation of the Budget estimates and the end of the financial year.
7. Fiscal Balance is equal to B+C-D-E.

5 UNIFORM GOVERNMENT REPORTING

In accordance with the Uniform Presentation Framework, agreed by the Australian Loan Council in March 2000, this Report presents revised fiscal estimates that take into account fiscal developments since the commencement of the Budget year.

Tables 5.1 to 5.15 present Income Statements, Balance Sheets and Cash Flow Statements for the General Government, Public Non-Financial Corporations, Public Financial Corporations, Total Non-Financial Public and Total State Sectors.

General Government Sector

Table 5.1: General Government Income Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	2 910.9	3 106.8	2 996.9	3 039.0	2 975.0
Taxation	875.7	876.0	909.6	964.0	1 003.2
Sales of goods and services	369.6	367.3	377.1	381.3	386.4
Fines and regulatory fees	88.6	90.1	92.4	87.5	83.4
Interest income	48.1	41.7	28.3	15.0	11.8
Dividend, tax and rate equivalent income	148.9	133.4	166.9	194.1	212.3
Other revenue	120.7	134.9	120.8	124.4	124.9
	4 562.5	4 750.3	4 691.9	4 805.2	4 796.9
Less Expenses from transactions					
Employee expenses	2 007.2	2 072.9	2 115.4	2 194.4	2 286.0
Superannuation	228.5	235.1	239.6	243.6	252.0
Depreciation	248.8	248.8	265.2	274.0	279.1
Supplies and consumables	992.4	1 013.0	1 007.3	999.3	982.3
Nominal superannuation interest expense	222.1	222.1	228.8	230.3	223.0
Borrowing costs	16.5	13.9	13.9	12.8	12.2
Grant and subsidy expenses	880.4	902.2	874.3	852.0	815.6
Other expenses	31.6	31.7	30.6	31.8	30.1
	4 627.5	4 739.7	4 775.1	4 838.2	4 880.4
Equals NET OPERATING BALANCE	(65.0)	10.6	(83.2)	(33.0)	(83.5)
Plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	16.5	16.5	(0.3)	(1.4)	(0.4)
Movement in equity investment in PNFC and PFC Sectors	238.6	96.4	171.7	372.2	263.0
Other gains/(losses)	7.3	7.2	(12.5)	(14.2)	(14.6)
	262.4	120.2	159.0	356.6	248.0
Equals Operating Result	197.3	130.8	75.8	323.6	164.5

Table 5.1: General Government Income Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Plus Other economic flows – other movements in equity					
Revaluations of non-financial assets	242.1	242.1	253.4	264.9	269.1
Other non-owner movements in equity	(101.9)	(9.4)	(198.0)	(131.4)	(21.6)
	140.2	232.7	55.4	133.5	247.5
Equals Comprehensive Result	337.6	363.4	131.2	457.1	412.0
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	(65.0)	10.6	(83.2)	(33.0)	(83.5)
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	772.0	719.6	629.8	461.6	385.8
Less Sale of non-financial assets	58.5	58.5	37.0	38.0	39.1
Less Depreciation	248.8	248.8	265.2	274.0	279.1
	464.7	412.3	327.6	149.6	67.6
Equals FISCAL BALANCE–SURPLUS/(DEFICIT)	(529.7)	(401.7)	(410.8)	(182.6)	(151.1)

Table 5.2: General Government Balance Sheet as at 30 June

	2011 Original Budget \$m	2011 Revised Budget \$m	2012 Revised Estimate \$m	2013 Revised Estimate \$m	2014 Revised Estimate \$m
Assets					
Financial assets					
Cash and deposits	551.5	620.2	282.8	115.5	82.3
Investments	80.0	69.5	72.7	76.3	80.5
Equity investments in PNFC and PFC					
Sectors	6 264.7	6 051.1	6 222.8	6 595.0	6 858.1
Other equity investments	5.5	3.0	2.7	2.9	3.2
Receivables	174.8	192.8	200.9	208.5	215.5
Other financial assets	1 196.7	1 036.9	1 001.1	999.3	1 006.6
	8 273.1	7 973.4	7 783.0	7 997.6	8 246.2
Non-financial assets					
Land and buildings	5 615.9	5 782.9	5 991.1	6 209.0	6 383.6
Infrastructure	5 040.5	4 942.8	5 245.1	5 429.1	5 582.5
Plant and equipment	219.6	217.5	219.1	218.4	215.8
Heritage and culture assets	468.5	563.9	574.6	585.8	597.2
Investment property	11.1	11.1	11.5	12.0	12.4
Intangible assets	27.5	33.0	29.0	24.2	19.1
Assets held for sale	12.3	21.4	23.1	22.8	20.9
Other non-financial assets	38.5	38.1	38.7	39.4	40.2
	11 433.8	11 610.7	12 132.3	12 540.7	12 871.7
Total Assets	19 706.9	19 584.1	19 915.3	20 538.3	21 117.9
Liabilities					
Borrowings	322.6	283.4	289.9	272.7	263.0
Superannuation	4 356.1	5 020.3	5 175.7	5 319.8	5 452.9
Employee entitlements	491.2	494.4	521.5	547.5	577.6
Payables	90.9	106.7	109.4	112.2	115.2
Other liabilities	235.1	250.6	258.9	268.9	280.1
Total Liabilities	5 495.9	6 155.4	6 355.3	6 521.2	6 688.8
NET ASSETS	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
Equity					
Accumulated surplus	9 062.1	8 080.7	7 957.2	8 148.1	8 289.7
Asset revaluation reserve	4 940.4	4 750.4	5 003.8	5 268.7	5 537.8
Other equity	208.5	597.7	599.0	600.3	601.6
Total Equity	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1

Table 5.2: General Government Balance Sheet as at 30 June (continued)

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
NET FINANCIAL WORTH²	2 777.3	1 818.1	1 427.7	1 476.4	1 557.4
NET FINANCIAL LIABILITIES³	3 487.4	4 233.0	4 795.1	5 118.6	5 300.7
NET DEBT⁴	(308.9)	(406.3)	(65.6)	80.9	100.2

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investment in the PNFC and PFC Sectors.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.3: General Government Cash Flow Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
Cash received					
Grants received	2 910.8	3 106.7	2 996.8	3 038.9	2 974.9
Taxation	875.7	876.0	909.6	964.0	1 003.2
Sales of goods and services	367.9	365.7	375.0	378.5	384.2
Fines and regulatory fees	82.7	84.1	86.4	81.4	77.4
Interest received	47.3	41.0	27.5	14.2	11.0
Dividend, tax and rate equivalents	148.9	133.4	166.9	194.1	212.3
Other receipts	287.9	303.0	288.7	292.5	294.5
	4 721.2	4 909.9	4 850.8	4 963.6	4 957.5
Cash paid					
Employee entitlements	(1 976.5)	(2 042.1)	(2 087.1)	(2 162.1)	(2 250.0)
Superannuation	(289.9)	(296.5)	(312.6)	(328.6)	(340.5)
Supplies and consumables	(994.8)	(1 015.4)	(1 008.2)	(999.9)	(982.6)
Borrowing costs	(15.9)	(13.5)	(13.4)	(12.5)	(11.8)
Grants and subsidies paid	(880.2)	(902.1)	(874.2)	(852.0)	(815.7)
Other payments	(199.8)	(199.8)	(197.1)	(197.6)	(197.4)
	(4 357.1)	(4 469.4)	(4 492.6)	(4 552.7)	(4 598.0)
Net cash flows from operating activities	364.1	440.5	358.2	410.9	359.5
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(772.0)	(719.6)	(629.8)	(461.6)	(385.8)
Sale of non-financial assets	58.5	58.5	37.0	38.0	39.1
	(713.4)	(661.1)	(592.8)	(423.5)	(346.7)
Financial assets (policy purposes)					
Equity injections	(105.9)	(121.1)	(94.5)	(141.5)	(45.5)
Net advances paid	(14.5)	(14.0)	(3.5)	(3.7)	(3.8)
	(120.4)	(135.1)	(98.0)	(145.2)	(49.3)
Net cash flows from investing activities	(833.9)	(796.2)	(690.8)	(568.7)	(396.0)

Table 5.3: General Government Cash Flow Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowing	11.2	9.9	(4.8)	(9.4)	3.2
Net cash flows from financing activities	11.2	9.9	(4.8)	(9.4)	3.2
Net increase/(decrease) in cash held	(458.7)	(345.8)	(337.4)	(167.3)	(33.2)
Cash at beginning of the year	1 010.1	966.0	620.2	282.8	115.5
Cash at end of the year	551.5	620.2	282.8	115.5	82.3
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	364.1	440.5	358.2	410.9	359.5
Plus Net cash from investments in non-financial assets	(713.4)	(661.1)	(592.8)	(423.5)	(346.7)
Equals CASH SURPLUS/(DEFICIT)	(349.4)	(220.6)	(234.6)	(12.7)	12.8

Public Non-Financial Corporations Sector

Table 5.4: Public Non-Financial Corporations Sector Income Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	134.4	144.2	137.5	137.4	141.2
Sales of goods and services	2 702.7	2 720.3	2 924.3	3 082.8	3 213.2
Interest income	6.9	9.6	9.0	11.1	13.5
Other revenue	80.6	81.6	71.3	72.4	76.2
	2 924.5	2 955.8	3 142.1	3 303.8	3 444.2
Less Expenses from transactions					
Employee expenses	423.7	422.0	440.8	460.3	475.6
Superannuation	49.0	49.2	50.4	51.6	52.6
Depreciation	354.8	354.1	370.2	379.2	382.0
Supplies and consumables	1 622.1	1 612.0	1 700.2	1 763.7	1 782.9
Borrowing costs	194.9	193.3	210.4	244.4	257.6
Dividend, tax and rate equivalent expenses	109.3	91.1	125.2	157.0	164.5
Grant and subsidy expenses	24.1	24.0	24.6	25.2	25.8
Other expenses	21.7	20.9	22.1	23.1	24.0
	2 799.6	2 766.6	2 943.9	3 104.6	3 165.1
Equals NET OPERATING BALANCE	124.9	189.2	198.2	199.2	279.1
Plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	2.4	2.4	1.2	1.2	1.2
Other gains/(losses)	(49.3)	(78.8)	(54.9)	(59.2)	(62.5)
	(46.8)	(76.4)	(53.7)	(58.0)	(61.3)
Equals Operating Result	78.0	112.8	144.5	141.2	217.8

Table 5.4: Public Non-Financial Corporations Sector Income Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Plus Other economic flows – other movements in equity					
Revaluations of non-financial assets	45.0	32.9	42.1	46.4	48.8
Other non-owner movements in equity	100.4	(59.3)	(28.1)	159.6	(28.1)
	145.5	(26.4)	14.1	206.0	20.7
Equals Comprehensive Result	223.5	86.4	158.6	347.2	238.5
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	124.9	189.2	198.2	199.2	279.1
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	832.7	838.6	891.0	837.6	656.3
Less Sale of non-financial assets	12.8	11.3	3.8	3.9	3.8
Less Depreciation	354.8	354.1	370.2	379.2	382.0
	465.1	473.1	517.0	454.4	270.5
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(340.2)	(283.9)	(318.8)	(255.2)	8.6

Table 5.5: Public Non-Financial Corporations Sector Balance Sheet as at 30 June

	2011 Original Budget \$m	2011 Revised Budget \$m	2012 Revised Estimate \$m	2013 Revised Estimate \$m	2014 Revised Estimate \$m
Assets					
Financial assets					
Cash and deposits	141.5	185.7	159.8	190.7	231.4
Investments	14.4	11.1	7.6	3.3	3.6
Equity investment	208.0	207.2	218.5	218.6	220.3
Receivables	481.3	417.5	408.9	421.8	435.0
Other financial assets	894.3	937.8	912.3	911.5	905.0
	1 739.4	1 759.3	1 707.2	1 745.9	1 795.1
Non-financial assets					
Land, buildings and biological assets	1 013.4	652.1	662.6	682.9	694.3
Infrastructure	9 887.6	9 632.3	10 163.4	10 613.8	10 833.4
Plant and equipment	295.5	226.8	232.1	235.3	241.6
Investment property	0.6	0.6	0.6	0.6	0.6
Intangible assets	62.4	119.1	121.2	124.2	126.8
Assets held for sale	0.2	0.2	0.2	0.2	0.2
Other non-financial assets	109.6	115.4	72.1	68.1	61.3
	11 369.2	10 746.4	11 252.2	11 725.1	11 958.2
Total Assets	13 108.6	12 505.6	12 959.4	13 471.0	13 753.3
Liabilities					
Borrowings	3 132.6	2 941.6	3 148.7	3 324.3	3 365.5
Superannuation	513.9	643.4	641.2	639.1	637.5
Employee entitlements	121.1	87.8	91.4	96.6	102.3
Payables	452.0	356.0	348.4	335.3	327.7
Other liabilities	2 946.9	2 750.6	2 844.8	2 843.7	2 849.7
	7 166.4	6 779.4	7 074.5	7 238.9	7 282.8
NET ASSETS	5 942.2	5 726.3	5 884.9	6 232.1	6 470.5
Equity					
Accumulated surplus	2 143.2	1 797.1	1 745.0	1 843.8	1 986.0
Asset revaluation reserve	922.8	602.8	644.9	691.3	740.1
Other equity	2 876.2	3 326.4	3 495.0	3 697.0	3 744.5
Total Equity	5 942.2	5 726.3	5 884.9	6 232.1	6 470.5

Table 5.5: Public Non-Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	5 942.2	5 726.3	5 884.9	6 232.1	6 470.5
NET FINANCIAL WORTH²	(5 427.0)	(5 020.1)	(5 367.3)	(5 493.0)	(5 487.6)
NET FINANCIAL LIABILITIES³	5 427.0	5 020.1	5 367.3	5 493.0	5 487.6
NET DEBT⁴	2 976.7	2 744.8	2 981.3	3 130.2	3 130.6

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the PNFC Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.6: Public Non-Financial Corporations Sector Cash Flow Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
Cash received					
Grants received	139.4	144.3	138.5	138.0	139.7
Sales of goods and services	2 746.4	2 763.8	2 961.8	3 074.6	3 218.3
Interest received	6.2	6.3	7.2	9.3	11.7
Other receipts	266.7	241.4	256.7	286.3	298.3
	3 158.8	3 155.9	3 364.3	3 508.2	3 668.0
Cash paid					
Employee entitlements	(446.2)	(447.2)	(460.5)	(480.7)	(498.4)
Superannuation	(41.3)	(40.4)	(43.0)	(43.8)	(44.6)
Supplies and consumables	(1 713.3)	(1 677.8)	(1 754.4)	(1 818.2)	(1 867.7)
Borrowing costs	(206.5)	(201.1)	(217.0)	(247.4)	(258.9)
Grants and subsidies paid	(24.0)	(24.0)	(24.9)	(25.2)	(25.8)
Other payments	(168.3)	(170.0)	(183.5)	(193.4)	(202.0)
	(2 599.5)	(2 560.4)	(2 683.2)	(2 808.8)	(2 897.4)
Net cash flows from operating activities	559.3	595.4	681.1	699.4	770.5
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(832.7)	(838.6)	(891.0)	(837.6)	(656.3)
Sale of non-financial assets	12.8	11.3	3.8	3.9	3.8
	(819.9)	(827.2)	(887.2)	(833.6)	(652.5)
Financial assets (policy purposes)	106.5	121.1	94.5	141.8	45.8
Financial assets (liquidity purposes)	(33.7)	17.7	3.3	4.2	(0.4)
Net cash flows from investing activities	(747.1)	(688.5)	(789.4)	(687.6)	(607.1)

Table 5.6: Public Non-Financial Corporations Sector Cash Flow Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Dividends and tax equivalents paid	(109.3)	(91.1)	(125.2)	(157.0)	(164.5)
Net borrowing	278.9	170.2	207.6	176.1	41.8
Net cash flows from financing activities	169.6	79.1	82.4	19.1	(122.8)
Net increase/(decrease) in cash held	(18.2)	(13.9)	(25.9)	30.9	40.7
Cash at beginning of the year	159.7	199.6	185.7	159.8	190.7
Cash at end of the year	141.5	185.7	159.8	190.7	231.4
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	559.3	595.4	681.1	699.4	770.5
Plus Net cash flows from non-financial assets	(819.9)	(827.2)	(887.2)	(833.6)	(652.5)
Plus Dividends, tax and rate equivalents paid	(109.3)	(91.1)	(125.2)	(157.0)	(164.5)
Equals CASH SURPLUS/(DEFICIT)	(369.9)	(322.8)	(331.3)	(291.3)	(46.5)

Total Non-Financial Public Sector

Table 5.7: Total Non-Financial Public Sector Income Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	2 910.9	3 106.8	2 996.9	3 039.0	2 975.0
Taxation	830.0	830.7	856.9	898.5	933.5
Sales of goods and services	3 023.7	3 039.0	3 252.7	3 414.2	3 548.4
Fines and regulatory fees	88.6	90.1	92.4	87.5	83.4
Interest income	55.0	51.4	37.3	26.1	25.4
Dividend, tax and rate equivalent income	39.6	42.4	41.7	37.1	47.8
Other revenue	201.3	216.5	192.1	196.8	201.1
	7 149.1	7 376.9	7 470.0	7 699.1	7 814.5
Less Expenses from transactions					
Employee expenses	2 430.9	2 494.9	2 556.2	2 654.7	2 761.6
Superannuation	277.5	284.2	290.0	295.2	304.6
Depreciation	603.6	602.9	635.4	653.2	661.1
Supplies and consumables	2 565.9	2 576.4	2 658.9	2 713.0	2 714.1
Nominal superannuation interest expense	222.1	222.1	228.8	230.3	223.0
Borrowing costs	187.3	182.8	193.7	214.9	224.1
Grant and subsidy expenses	770.1	782.0	761.3	739.8	700.2
Other expenses	31.6	31.7	30.6	31.8	30.1
	7 089.1	7 177.1	7 355.0	7 532.9	7 618.9
Equals NET OPERATING BALANCE	60.0	199.8	115.0	166.2	195.6
Plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	18.9	19.0	0.9	(0.2)	0.8
Movement in equity investment in PFC Sector	20.0	10.0	13.1	25.1	24.5
Other gains/(losses)	(42.0)	(71.6)	(67.4)	(73.4)	(77.1)
	(3.1)	(42.6)	(53.3)	(48.5)	(51.7)
Equals Operating Result	56.9	157.1	61.7	117.6	143.8

Table 5.7: Total Non-Financial Public Sector Income Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Plus Other economic flows – other movements in equity					
Revaluations of non-financial assets	287.2	275.0	295.6	311.3	317.9
Other non-owner movements in equity	(6.4)	(68.7)	(226.1)	28.2	(49.7)
	280.8	206.3	69.5	339.5	268.2
Equals Comprehensive Result	337.6	363.4	131.2	457.1	412.0
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	60.0	199.8	115.0	166.2	195.6
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	1 604.7	1 558.1	1 520.8	1 299.1	1 042.0
Less Sale of non-financial assets	71.3	69.9	40.8	42.0	42.8
Less Depreciation	603.6	602.9	635.4	653.2	661.1
	929.8	885.4	844.6	604.0	338.1
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(869.8)	(685.6)	(729.6)	(437.8)	(142.5)

Table 5.8: Total Non-Financial Public Sector Balance Sheet as at 30 June

	2011 Original Budget \$m	2011 Revised Budget \$m	2012 Revised Estimate \$m	2013 Revised Estimate \$m	2014 Revised Estimate \$m
Assets					
Financial assets					
Cash and deposits	693.0	805.9	442.6	306.3	313.7
Investments	94.4	80.6	80.3	79.6	84.1
Equity investment in PFC Sector	322.5	324.8	337.9	363.0	387.5
Other equity investments	213.4	210.2	221.2	221.5	223.4
Receivables	656.1	610.2	609.8	630.3	650.5
Other financial assets	892.4	608.2	583.0	583.4	580.5
	2 871.8	2 639.9	2 274.9	2 184.0	2 239.7
Non-financial assets					
Land, buildings and biological assets	6 629.3	6 435.0	6 653.7	6 891.9	7 077.9
Infrastructure	14 928.1	14 575.1	15 408.5	16 042.9	16 415.9
Plant and equipment	515.0	444.2	451.2	453.7	457.4
Heritage and cultural assets	468.5	563.9	574.6	585.8	597.2
Investment property	11.6	11.7	12.1	12.5	13.0
Intangible assets	89.9	152.1	150.1	148.4	145.9
Assets held for sale	12.5	21.6	23.3	23.0	21.1
Other non-financial assets	148.1	153.4	110.8	107.6	101.6
	22 803.0	22 357.0	23 384.5	24 265.7	24 829.9
Total Assets	25 674.8	24 996.9	25 659.4	26 449.8	27 069.6
Liabilities					
Borrowings	3 455.1	3 225.0	3 438.6	3 597.0	3 628.5
Superannuation	4 870.0	5 663.7	5 816.9	5 958.9	6 090.4
Employee entitlements	612.3	582.2	612.8	644.1	679.8
Payables	542.9	462.6	457.8	447.5	442.9
Other liabilities	1 983.4	1 634.7	1 773.3	1 785.2	1 798.8
Total Liabilities	11 463.8	11 568.2	12 099.4	12 432.7	12 640.5
NET ASSETS	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
Equity					
Accumulated surplus	6 695.1	7 477.9	7 312.2	7 456.7	7 549.6
Asset revaluation reserve	5 863.2	5 353.1	5 648.7	5 960.0	6 277.9
Other equity	1 652.7	597.7	599.0	600.3	601.6
Total Equity	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1

Table 5.8: Total Non-Financial Public Sector Balance Sheet as at 30 June (continued)

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
NET FINANCIAL WORTH²	(8 591.9)	(8 928.3)	(9 824.5)	(10 248.6)	(10 400.8)
NET FINANCIAL LIABILITIES³	8 914.5	9 253.1	10 162.4	10 611.6	10 788.3
NET DEBT⁴	2 667.7	2 338.5	2 915.7	3 211.1	3 230.8

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investment in the PFC Sector.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.9: Total Non-Financial Public Sector Cash Flow Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
Cash received					
Grants received	2 915.8	3 106.8	2 997.7	3 039.5	2 973.3
Taxation	830.0	830.7	856.9	898.5	933.5
Sales of goods and services	3 065.7	3 080.9	3 288.2	3 403.1	3 551.2
Fines and regulatory fees	82.7	84.1	86.4	81.4	77.4
Interest received	53.5	47.3	34.8	23.5	22.7
Dividend, tax and rate equivalents	39.6	42.4	41.7	37.1	47.8
Other receipts	554.6	544.4	545.4	578.9	592.8
	7 541.9	7 736.6	7 851.1	8 062.0	8 198.8
Cash paid					
Employee entitlements	(2 422.7)	(2 489.3)	(2 547.6)	(2 642.9)	(2 748.3)
Superannuation	(331.2)	(336.9)	(355.5)	(372.4)	(385.1)
Supplies and consumables	(2 659.5)	(2 644.6)	(2 714.0)	(2 768.2)	(2 799.1)
Borrowing costs	(198.4)	(190.2)	(199.8)	(217.6)	(225.0)
Grants and subsidies paid	(769.8)	(781.8)	(761.5)	(739.8)	(700.3)
Other payments	(346.4)	(348.9)	(358.5)	(367.9)	(375.5)
	(6 727.9)	(6 791.7)	(6 936.9)	(7 108.7)	(7 233.3)
Net cash flows from operating activities	814.0	944.9	914.2	953.3	965.5
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(1 604.7)	(1 558.1)	(1 520.8)	(1 299.1)	(1 042.0)
Sale of non-financial assets	71.3	69.9	40.8	42.0	42.8
	(1 533.4)	(1 488.3)	(1 480.0)	(1 257.2)	(999.2)
Financial assets (policy purposes)	(13.9)	(14.0)	(3.5)	(3.4)	(3.5)
Financial assets (liquidity purposes)	(33.7)	17.7	3.3	4.3	(0.3)
Net cash flows from investing activities	(1 581.0)	(1 484.6)	(1 480.2)	(1 256.3)	(1 003.0)

Table 5.9: Total Non-Financial Public Sector Cash Flow Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowing	290.1	180.1	202.8	166.7	45.0
Net cash flows from financing activities	290.1	180.1	202.8	166.7	45.0
Net increase/(decrease) in cash held	(476.8)	(359.7)	(363.2)	(136.4)	7.4
Cash at beginning of the year	1 169.8	1 165.6	805.9	442.6	306.3
Cash at end of the year	693.0	805.9	442.6	306.3	313.7
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	814.0	944.9	914.2	953.3	965.5
Plus Net cash flows from non-financial assets	(1 533.4)	(1 488.3)	(1 480.0)	(1 257.2)	(999.2)
Equals CASH SURPLUS/(DEFICIT)	(719.3)	(543.4)	(565.8)	(303.9)	(33.7)

Public Financial Corporations Sector

Table 5.10: Public Financial Corporations Sector Income Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Sales of goods and services	136.1	136.2	140.6	148.8	157.8
Interest income	405.7	396.4	360.9	365.4	384.9
Other revenue	2.3	1.8	3.1	1.6	1.6
	544.1	534.4	504.6	515.7	544.4
Less Expenses from transactions					
Employee expenses	5.2	5.2	5.4	5.6	5.8
Superannuation	0.4	0.4	0.5	0.5	0.5
Depreciation	0.4	0.4	0.5	0.5	0.5
Supplies and consumables	175.2	155.8	172.6	185.4	198.7
Borrowing costs	312.7	336.7	307.4	314.3	313.6
Dividend and income tax equivalent expenses	40.9	41.8	41.7	37.1	47.8
Other expenses	0.1	3.0	2.0	2.1	2.2
	534.9	543.3	530.0	545.5	569.1
Equals NET OPERATING BALANCE	9.2	(8.9)	(25.5)	(29.7)	(24.8)
Plus Other economic flows – included in Operating Result					
Other gains/(losses)	....	44.2	37.9	51.2	45.0
	....	44.2	37.9	51.2	45.0
Equals Operating Result	9.2	35.3	12.4	21.5	20.2
Plus Other economic flows – other movements in equity					
Other non-owner movements in equity	10.8	(20.4)	0.7	3.6	4.3
	10.8	(20.4)	0.7	3.6	4.3
Equals Comprehensive Result	20.0	14.9	13.1	25.1	24.5

Table 5.10: Public Financial Corporations Sector Income Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	9.2	(8.9)	(25.5)	(29.7)	(24.8)
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	0.4	0.4	0.2	0.2	0.2
Less Depreciation	0.4	0.4	0.5	0.5	0.5
	....	....	(0.3)	(0.3)	(0.3)
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	9.2	(8.9)	(25.2)	(29.4)	(24.5)

Table 5.11: Public Financial Corporations Sector Balance Sheet as at 30 June

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	87.7	1.0	1.8	1.9	1.9
Investments	6 787.7	7 290.7	6 845.1	7 068.5	7 157.7
Equity investments	108.6	108.6	116.7	125.6	135.9
Receivables	11.9	13.3	14.9	15.1	15.3
Other financial assets	44.0	40.0	42.8	44.8	45.1
	7 040.0	7 453.6	7 021.3	7 256.0	7 356.0
Non-financial assets					
Land and buildings	16.2	0.3	1.7	3.2	4.9
Plant and equipment	0.7	0.7	0.7	0.7	0.7
Investment property	....	15.7	15.7	15.7	15.7
	16.9	16.8	18.2	19.6	21.3
Total Assets	7 056.9	7 470.4	7 039.5	7 275.6	7 377.4
Liabilities					
Borrowings	5 876.7	6 304.8	5 770.9	5 906.8	5 893.1
Superannuation	3.1	3.1	3.2	3.3	3.3
Employee entitlements	0.4	0.4	0.4	0.4	0.4
Payables	9.4	5.0	7.9	8.2	8.2
Other liabilities	844.9	832.3	919.2	994.0	1 085.0
Total Liabilities	6 734.4	7 145.6	6 701.5	6 912.6	6 989.9
NET ASSETS	322.5	324.8	337.9	363.0	387.5
Equity					
Accumulated surplus	312.5	314.8	327.9	353.0	377.5
Other equity	10.0	10.0	10.0	10.0	10.0
Total Equity	322.5	324.8	337.9	363.0	387.5

Table 5.11: Public Financial Corporations Sector Balance Sheet as at 30 June (continued)

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	322.5	324.8	337.9	363.0	387.5
NET FINANCIAL WORTH²	305.6	308.0	319.8	343.4	366.2
NET FINANCIAL LIABILITIES³	(305.6)	(308.0)	(319.8)	(343.4)	(366.2)
NET DEBT⁴	(998.8)	(986.9)	(1 076.1)	(1 163.7)	(1 266.6)

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the PFC Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.12: Public Financial Corporations Sector Cash Flow Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
Cash received					
Sales of goods and services	150.9	151.6	166.2	161.2	184.7
Interest received	367.9	395.0	361.7	365.4	380.0
Other receipts	2.1	1.6	1.4	1.3	1.4
	520.9	548.3	529.3	528.0	566.1
Cash paid					
Employee entitlements	(5.2)	(5.2)	(5.4)	(5.6)	(5.8)
Supplies and consumables	(98.7)	(98.3)	(104.3)	(102.9)	(118.9)
Borrowing costs	(312.7)	(336.7)	(307.4)	(314.3)	(313.6)
Other payments	(8.7)	(11.9)	(11.2)	(11.8)	(12.5)
	(425.2)	(452.1)	(428.3)	(434.7)	(450.7)
Net cash flows from operating activities	95.7	96.1	101.0	93.3	115.4
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)
	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)
Financial assets (liquidity purposes)	(158.1)	(1 141.8)	473.1	(191.8)	(53.6)
Net cash flows from investing activities	(158.5)	(1 142.3)	472.9	(192.0)	(53.8)
Cash flows from financing activities					
Dividends and tax equivalents paid	(40.9)	(41.8)	(41.7)	(37.1)	(47.8)
Net borrowing	110.6	1 087.2	(531.4)	135.9	(13.8)
Net cash flows from financing activities	69.7	1 045.5	(573.2)	98.8	(61.6)
Net increase/(decrease) in cash held	6.9	(0.7)	0.8	0.1	....
Cash at beginning of the year	80.8	1.7	1.0	1.8	1.9
Cash at end of the year	87.7	1.0	1.8	1.9	1.9

Table 5.12: Public Financial Corporations Sector Cash Flow Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	95.7	96.1	101.0	93.3	115.4
Plus Net cash from non-financial assets	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)
Plus Dividends and tax equivalents paid	(40.9)	(41.8)	(41.7)	(37.1)	(47.8)
Equals CASH SURPLUS/(DEFICIT)	54.4	54.0	59.1	56.0	67.4

Total State Sector

Table 5.13: Total State Sector Income Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue from transactions					
Grants	2 910.9	3 106.8	2 996.9	3 039.0	2 975.0
Taxation	829.9	830.6	856.7	898.4	933.3
Sales of goods and services	3 152.3	3 167.7	3 385.6	3 554.9	3 697.9
Fines and regulatory fees	88.6	90.1	92.4	87.5	83.4
Interest income	260.6	198.2	157.5	137.2	152.0
Other revenue	202.4	218.9	195.1	198.3	202.7
	7 444.7	7 612.3	7 684.3	7 915.3	8 044.2
Less Expenses from transactions					
Employee expenses	2 436.1	2 500.2	2 561.6	2 660.3	2 767.5
Superannuation	278.0	284.7	290.5	295.7	305.1
Depreciation	604.0	603.3	635.9	653.7	661.6
Supplies and consumables	2 733.6	2 724.7	2 823.8	2 890.4	2 904.4
Nominal superannuation interest expense	222.1	222.1	228.8	230.3	223.0
Borrowing costs	300.0	270.0	260.3	275.0	279.4
Grant and subsidy expenses	770.1	782.0	761.3	739.8	700.2
Other expenses	31.6	34.6	32.5	33.7	32.1
	7 375.5	7 421.5	7 594.8	7 778.9	7 873.4
Equals NET OPERATING BALANCE	69.1	190.9	89.5	136.4	170.8
plus Other economic flows – included in Operating Result					
Gain/(loss) on sale of non-financial assets	18.9	19.0	0.9	(0.2)	0.8
Other gains/(losses)	(42.0)	(32.3)	(29.5)	(22.2)	(32.1)
	(23.1)	(13.3)	(28.5)	(22.4)	(31.3)
Equals Operating Result	46.1	177.5	61.0	114.1	139.5
plus Other economic flows – other movements in equity					
Revaluations of non-financial assets	287.2	275.0	295.6	311.3	317.9
Other non-owner movements in equity	4.4	(89.1)	(225.4)	31.7	(45.4)
	291.6	185.9	70.2	343.1	272.5
Equals Comprehensive Result	337.6	363.4	131.2	457.1	412.0

Table 5.13: Total State Sector Income Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET OPERATING BALANCE	69.1	190.9	89.5	136.4	170.8
Less Net acquisition/(disposal) of non-financial assets					
Purchase of non-financial assets	1 605.1	1 558.6	1 521.0	1 299.4	1 042.2
Less Sale of non-financial assets	71.3	69.9	40.8	42.0	42.8
Less Depreciation	604.0	603.3	635.9	653.7	661.6
	929.8	885.4	844.3	603.7	337.8
Equals FISCAL BALANCE – SURPLUS/(DEFICIT)	(860.7)	(694.6)	(754.8)	(467.2)	(167.0)

Table 5.14: Total State Sector Balance Sheet as at 30 June

	2011 Original Budget \$m	2011 Revised Budget \$m	2012 Revised Estimate \$m	2013 Revised Estimate \$m	2014 Revised Estimate \$m
Assets					
Financial assets					
Cash and deposits	356.1	186.0	161.0	192.0	233.0
Investments	4 129.3	3 554.6	2 920.4	2 838.8	2 890.6
Other equity investments	322.0	318.8	337.9	347.1	359.4
Receivables	668.0	623.5	624.7	645.4	665.8
Other financial assets	892.4	608.2	583.0	583.4	580.5
	6 367.8	5 291.1	4 627.0	4 606.7	4 729.3
Non-financial assets					
Land, buildings and biological assets	6 645.5	6 435.3	6 655.5	6 895.1	7 082.8
Infrastructure	14 928.1	14 575.1	15 408.5	16 042.9	16 415.9
Plant and equipment	515.7	444.9	451.9	454.4	458.1
Heritage and cultural assets	468.5	563.9	574.6	585.8	597.2
Investment property	11.6	27.4	27.8	28.3	28.7
Assets held for sale	89.9	152.1	150.1	148.4	145.9
Intangible assets	12.5	21.6	23.3	23.0	21.1
Other non-financial assets	148.1	153.4	110.8	107.6	101.6
	22 819.9	22 373.8	23 402.6	24 285.3	24 851.2
Total Assets	29 187.7	27 664.9	28 029.6	28 892.1	29 580.5
Liabilities					
Borrowings	6 154.3	5 092.2	4 921.0	5 078.3	5 087.8
Superannuation	4 873.1	5 666.7	5 820.1	5 962.2	6 090.8
Employee entitlements	612.7	582.6	613.2	644.4	680.2
Payables	552.3	467.6	465.7	455.7	451.0
Other liabilities	2 784.3	2 427.0	2 649.7	2 734.4	2 841.6
Total Liabilities	14 976.6	14 236.2	14 469.7	14 875.0	15 151.4
NET ASSETS	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
Equity					
Accumulated surplus	6 695.1	8 075.6	7 911.2	8 057.0	8 151.2
Asset revaluation reserve	5 863.2	5 353.1	5 648.7	5 960.0	6 277.9
Other equity	1 652.7	....	....	....	....
Total Equity	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1

Table 5.14: Total State Sector Balance Sheet as at 30 June (continued)

	2011 Original Budget	2011 Revised Budget	2012 Revised Estimate	2013 Revised Estimate	2014 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
KEY FISCAL AGGREGATES					
NET WORTH¹	14 211.0	13 428.7	13 560.0	14 017.1	14 429.1
NET FINANCIAL WORTH²	(8 608.8)	(8 945.1)	(9 842.7)	(10 268.2)	(10 422.1)
NET FINANCIAL LIABILITIES³	8 608.8	8 945.1	9 842.7	10 268.2	10 422.1
NET DEBT⁴	1 669.0	1 351.6	1 839.6	2 047.5	1 964.2

Notes:

1. Net Worth represents total assets minus total liabilities.
2. Net Financial Worth represents financial assets minus total liabilities.
3. Net Financial Liabilities represents total liabilities less financial assets. For the Total State Sector this is equivalent to negative Net Financial Worth.
4. Net Debt represents borrowings less cash and deposits and investments.

Table 5.15: Total State Sector Cash Flow Statement

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from operating activities					
Cash received					
Grants received	2 915.8	3 106.8	2 997.7	3 039.5	2 973.3
Taxation	829.9	830.6	856.7	898.4	933.3
Sales of goods and services	3 209.1	3 225.0	3 446.7	3 556.3	3 727.6
Fines and regulatory fees	82.7	84.1	86.4	81.4	77.4
Interest received	421.4	192.8	155.7	134.6	144.5
Other receipts	555.4	546.7	546.8	580.2	594.2
	8 014.3	7 985.9	8 090.1	8 290.4	8 450.2
Cash paid					
Employee entitlements	(2 427.9)	(2 494.5)	(2 553.0)	(2 648.5)	(2 754.1)
Superannuation	(331.2)	(336.9)	(355.5)	(372.4)	(385.1)
Supplies and consumables	(2 750.7)	(2 735.4)	(2 810.5)	(2 863.1)	(2 909.6)
Borrowing costs	(511.1)	(277.3)	(266.4)	(277.7)	(280.3)
Grants and subsidies paid	(769.8)	(781.8)	(761.5)	(739.8)	(700.3)
Other payments	(355.0)	(360.7)	(369.6)	(379.5)	(387.8)
	(7 145.5)	(6 986.7)	(7 116.6)	(7 280.9)	(7 417.2)
Net cash flows from operating activities	868.8	999.2	973.5	1 009.5	1 033.1
Cash flows from investing activities					
Non-financial assets					
Purchase of non-financial assets	(1 605.1)	(1 558.6)	(1 521.0)	(1 299.4)	(1 042.2)
Sale of non-financial assets	71.3	69.9	40.8	42.0	42.8
	(1 533.8)	(1 488.7)	(1 480.2)	(1 257.4)	(999.4)
Financial assets (policy purposes)	(13.9)	(14.0)	(3.5)	(3.4)	(3.5)
Financial assets (liquidity purposes)	(33.7)	(944.1)	679.2	(20.8)	(8.9)
Net cash flows from investing activities	(1 581.4)	(2 446.8)	(804.5)	(1 281.6)	(1 011.8)

Table 5.15: Total State Sector Cash Flow Statement (continued)

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Revised Estimate	2012-13 Revised Estimate	2013-14 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Cash flows from financing activities					
Net borrowings	867.9	1 486.6	(194.0)	303.2	19.8
Net cash flows from financing activities	867.9	1 486.6	(194.0)	303.2	19.8
Net increase/(decrease) in cash held	155.4	39.0	(25.0)	31.0	41.0
Cash at beginning of the year	200.7	147.0	186.0	161.0	192.0
Cash at end of the year	356.1	186.0	161.0	192.0	233.0
KEY FISCAL AGGREGATES					
Net cash flows from operating activities	868.8	999.2	973.5	1 009.5	1 033.1
Plus Net cash from investments in non-financial assets	(1 533.8)	(1 488.7)	(1 480.2)	(1 257.4)	(999.4)
Equals CASH SURPLUS/(DEFICIT)	(665.0)	(489.5)	(506.8)	(247.9)	33.6

Loan Council Allocation

Loan Council arrangements provide for each State and Territory to nominate a LCA based on the estimated combined General Government and PNFC sector deficit, plus memorandum items. Memorandum items are other financing transactions, which for Loan Council purposes, are treated as analogous to borrowings. This measure of the level of financing, therefore, focuses on the call of the public sector on national savings.

A tolerance band calculated as two per cent of Total Non-Financial Public Sector Cash received from operating activities (estimated to be \$150.8 million for 2010-11) applies between the budgeted LCA and the LCA outcome. Applying this band to Tasmania's original Budget LCA for 2010-11 gives a tolerance band of \$906.5 million to \$604.9 million. The tolerance band recognises that LCAs are nominated at an early stage of the Budget process and that estimates may change as a result of policy and parameter changes outside of the Budget process.

Table 5.16 shows that the revised estimate of the 2010-11 LCA outcome is not expected to remain within the tolerance limit. The 2010-11 mid-year revised estimate of a LCA deficit of \$589.7 million is a \$166 million change from the original Budget estimate. This exceeds the Tolerance Limit of \$150.8 million. The variance is due to an improvement in the General Government Cash Deficit of \$128.8 million and an improvement in the PNFC Sector Cash Deficit of \$47.1 million.

The variance in the General Government Cash Surplus is detailed in Section 4 of this Report. The decrease in the PNFC Sector Cash Deficit primarily reflects an estimated decrease in operating expenses across the Sector of \$39.1 million.

Table 5.16: Loan Council Allocation for 2010-11

	2010-11 Original Budget	2010-11 Revised Estimate
	\$m	\$m
General Government Sector Cash Deficit/(Surplus)	349.4	220.6
Public Non-Financial Corporations Sector Cash Deficit/(Surplus)	369.9	322.8
Total Non-Financial Public Sector Cash Deficit/(Surplus)	719.3	543.4
less Total Non-Financial Public Sector Net Cash Flows from Investments		
in Financial Assets for Policy Purposes	(13.9)	(14.0)
plus Local Government New Cash Borrowings	22.6	32.3
Total LCA Deficit/(Surplus)	755.7	589.7

6 CONSOLIDATED FUND

The Consolidated Fund Deficit is estimated to be \$557.5 million for 2010-11, an increase of \$322.9 million on the 2010-11 Budget estimated deficit of \$234.6 million.

The Consolidated Fund Deficit as at 31 December 2010 is \$304.3 million.

Table 6.1: Consolidated Fund Outcome

	2009-10 Dec YTD Actual \$m	2010-11 Original Budget \$m	2010-11 Revised Budget \$m	2010-11 Dec YTD Actual \$m
Recurrent Receipts				
Australian Government sources				
General purpose payments	766.5	1 761.1	1 704.3	866.3
Specific purpose payments	292.4	608.6	608.6	313.1
National partnership payments	291.2	501.0	750.5	317.0
Other grants and subsidies	2.9	35.0	38.2	22.3
	1 353.1	2 905.7	3 101.6	1 518.8
State sources				
Taxation	445.7	892.0	892.0	447.6
Receipts from government businesses	90.2	172.9	157.8	47.2
Departmental fees and recoveries	58.0	83.8	86.0	39.5
Recoveries of State debt charges	....	0.4	1.0	0.3
Sale and rent of government property	....	29.0	29.0	....
Resource rents and royalties	19.3	40.1	44.6	27.4
Other recurrent receipts	27.0	150.3	134.8	39.3
	640.2	1 368.5	1 345.2	601.5
Capital receipts				
State sources	....	0.2	0.2	....
	....	0.2	0.2	....
Total Receipts	1 993.3	4 274.4	4 447.0	2 120.2
Less Expenditure				
Recurrent services				
Appropriation Act	1 942.2	3 814.7	4 244.3	2 050.8
Reserved by Law	74.4	148.8	144.1	71.6
	2 016.7	3 963.5	4 388.3	2 122.4
Works and services				
Capital Investment Program	193.8	544.5	615.1	302.1
Economic and Social Infrastructure Fund	....	1.0	1.0	....
	193.8	545.5	616.1	302.1
Total Expenditure	2 210.4	4 509.0	5 004.5	2 424.6
CONSOLIDATED FUND SURPLUS/(DEFICIT)	(217.2)	(234.6)	(557.5)	(304.3)

Table 6.2: Consolidated Fund Expenditure

	2009-10 Dec YTD Actual \$m	2010-11 Original Budget \$m	2010-11 Revised Budget \$m	2010-11 Dec YTD Actual \$m
Economic Development, Tourism and the Arts				
Recurrent services	39.2	116.4	118.2	48.8
	39.2	116.4	118.2	48.8
Education				
Recurrent services	643.6	1 127.5	1 154.4	628.4
Works and services	76.5	212.9	220.3	115.0
	720.1	1 340.4	1 374.7	743.5
Finance-General				
Recurrent services	141.0	408.1	701.1	143.1
Works and services	....	1.0	1.0	....
	141.0	409.1	702.1	143.1
Health and Human Services				
Recurrent services	756.6	1 435.2	1 505.1	834.4
Works and services	13.5	136.6	166.2	77.2
	770.1	1 571.7	1 671.3	911.5
House of Assembly				
Recurrent services	3.7	7.3	7.4	3.6
	3.7	7.3	7.4	3.6
Infrastructure, Energy and Resources				
Recurrent services	139.0	259.4	261.9	146.3
Works and services	97.9	189.2	221.5	107.9
	237.0	448.6	483.4	254.3
Integrity Commission				
Recurrent services	....	2.9	2.9	1.0
	....	2.9	2.9	1.0
Justice				
Recurrent services	64.5	126.5	130.3	68.8
Works and services	....	0.1	0.1	....
	64.5	126.6	130.4	68.8
Legislative Council				
Recurrent services	2.8	5.7	5.7	3.1
	2.8	5.7	5.7	3.1
Legislature-General				
Recurrent services	3.0	5.3	5.5	3.2
	3.0	5.3	5.5	3.2

Table 6.2: Consolidated Fund Expenditure (continued)

	2009-10 Dec YTD Actual	2010-11 Original Budget	2010-11 Revised Budget	2010-11 Dec YTD Actual
	\$m	\$m	\$m	\$m
Ministerial and Parliamentary Support				
Recurrent services	10.1	20.0	19.8	11.7
	10.1	20.0	19.8	11.7
Office of the Director of Public Prosecutions				
Recurrent services	....	6.3	6.3	2.6
	....	6.3	6.3	2.6
Office of the Governor				
Recurrent services	1.4	3.3	3.3	1.4
	1.4	3.3	3.3	1.4
Office of the Ombudsman				
Recurrent services	0.8	2.1	2.1	1.0
	0.8	2.1	2.1	1.0
Police and Emergency Management				
Recurrent services	88.3	190.3	190.2	97.9
Works and services	0.8	4.5	5.8	1.8
	89.1	194.7	196.0	99.7
Premier and Cabinet				
Recurrent services	27.2	50.7	61.9	28.7
Works and services	0.2	0.3	0.3	....
	27.5	50.9	62.1	28.7
Primary Industries, Parks, Water and Environment				
Recurrent services	75.1	153.0	168.1	77.4
Works and services	4.8	1.0	1.0	0.2
	79.9	154.0	169.0	77.7
Tasmanian Audit Office				
Recurrent services	1.2	2.5	2.5	1.2
	1.2	2.5	2.5	1.2
Treasury and Finance				
Recurrent services	18.9	41.3	41.8	19.8
	18.9	41.3	41.8	19.8
TOTAL	2 210.4	4 509.0	5 004.5	2 424.6

Table 6.3: Consolidated Fund Forward Estimates

	2010-11 Original Budget	2010-11 Revised Budget	2011-12 Forward Estimate	2012-13 Forward Estimate	2013-14 Forward Estimate
	\$m	\$m	\$m	\$m	\$m
Recurrent Receipts					
Australian Government sources					
General purpose payments	1 761.1	1 704.3	1 820.6	1 937.2	2 005.8
Specific purpose payments	608.6	608.6	645.0	676.9	708.7
National partnership payments	501.0	750.5	484.7	378.2	223.3
Other grants and subsidies	35.0	38.2	41.3	41.4	32.0
	2 905.7	3 101.6	2 991.7	3 033.7	2 969.8
State sources					
Taxation	892.0	892.0	920.5	963.8	999.9
Receipts from government businesses	172.9	157.8	197.5	236.4	258.1
Departmental fees and recoveries	83.8	86.0	88.1	90.1	92.0
Recoveries of State debt charges	0.4	1.0	0.8	0.6	0.4
Sale and rent of government property	29.0	29.0	....	....	....
Resource rents and royalties	40.1	44.6	44.7	46.8	46.8
Other recurrent receipts	150.3	134.8	76.1	40.0	28.7
	1 368.5	1 345.2	1 327.7	1 377.7	1 425.9
Capital receipts					
State sources	0.2	0.2	0.2	0.2	0.2
	0.2	0.2	0.2	0.2	0.2
Total Receipts	4 274.4	4 447.0	4 319.6	4 411.6	4 395.9
Less Expenditure					
Recurrent services					
Appropriation Act	3 814.7	4 244.3	4 119.0	4 161.6	4 052.4
Reserved by Law	148.8	144.1	155.2	162.3	172.6
	3 963.5	4 388.3	4 274.2	4 324.0	4 224.9
Works and services					
Capital Investment Program	544.5	615.1	349.6	374.8	335.4
Economic and Social Infrastructure Fund	1.0	1.0	....	....	....
Hospitals Capital Fund	....	....	1.9	15.0	25.0
	545.5	616.1	351.5	398.8	360.4
Total Expenditure	4 509.0	5 004.5	4 625.7	4 713.8	4 585.3
CONSOLIDATED FUND SURPLUS/(DEFICIT)	(234.6)	(557.5)	(306.2)	(302.2)	(189.4)

7 CONCEPTS AND DEFINITIONS

Compliance Framework

The 2010-11 Mid-Year Financial 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 to improve 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 national 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 means that the statements are also consistent with the reporting requirements of the Uniform Presentation Framework.

The AASB 1049 framework includes:

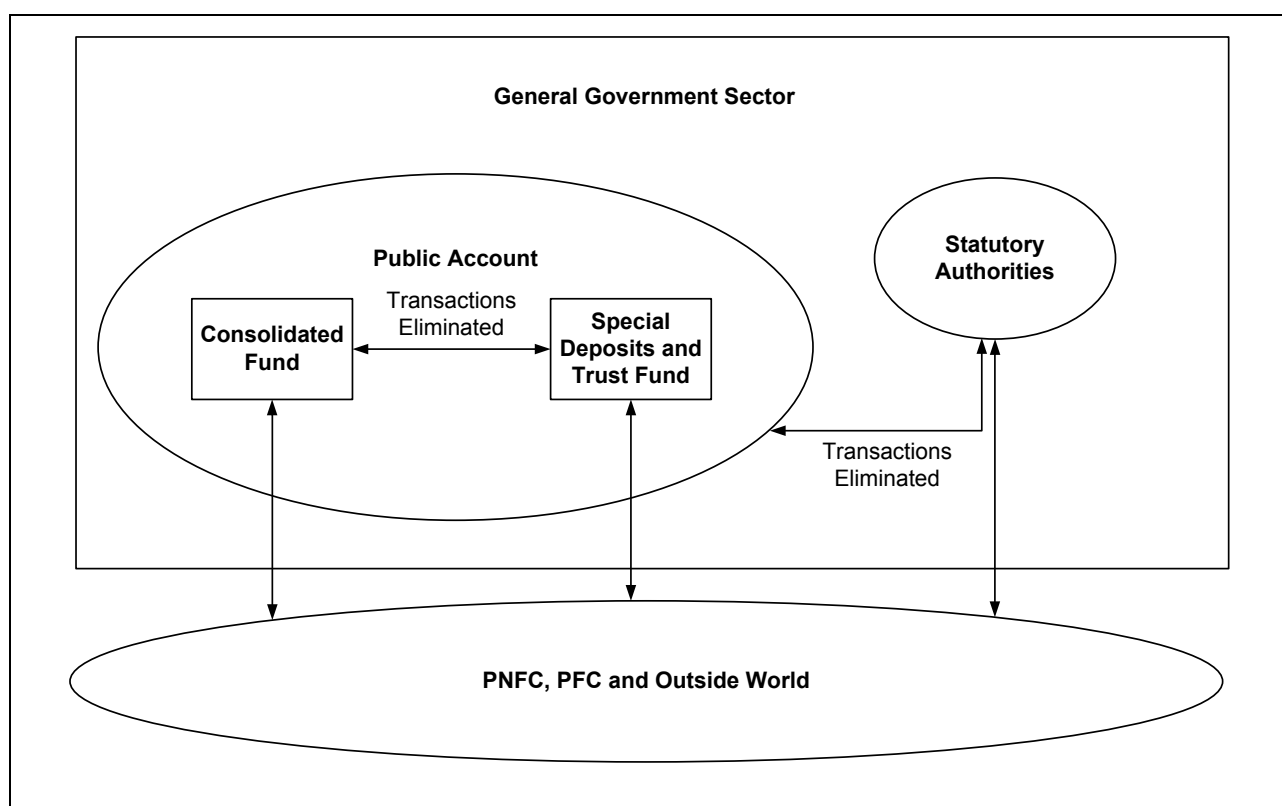
- the balances and transactions of both the Consolidated Fund and the Special Deposits and Trust Fund; and
- accrual transactions such as depreciation and nominal interest on superannuation.

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 number of events such as the revaluation of assets (holding gains or losses) arising from changes 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 shown 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 7.1 illustrates the transactions included under AASB 1049 for the General Government Sector. Transactions included are only those with entities outside the General Government Sector, with intra-sector transactions eliminated.

Diagram 7.1: 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 a 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 because it measures 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 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 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 which a government controls. 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 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 includes provisions made (such as superannuation, but not depreciation and bad debts) and ownership of equity.

Net Worth

Net Worth is calculated as total assets (both financial and non-financial) minus total liabilities. 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, including 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 receives and spends cash.

This Statement categorises cash flows into operating, investing and financing activities. Operating activities include 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. 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 used 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.

Consolidation of Transactions

The AASB 1049 statements present a consolidated view of the financial transactions for all entities within the GGS. 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 matched and eliminated from the Income Statement as both agencies are classified within the General Government Sector.

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 by that Act or any other Act, all revenue of the State is 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 to the Fund.

Rounding

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 (or in Table 3.1, less than ¼) are indicated by "....".

Classification of the Tasmanian Public Sector

The Tasmanian Public Sector comprises several different types of entities. These are classified according to the sectors comprising the UPF, namely General Government, Public Non-Financial Corporations or Public Financial Corporations Sectors.

The General Government Sector comprises those agencies of government, where the primary function is to provide public services. These services are mainly non-market in nature, for the collective consumption of the community, or involve the transfer or redistribution of income. GGS services are financed mainly through taxes and other compulsory levies. This Sector includes government departments and a number of entities that act outside the Public Account including the Inland Fisheries Service, Marine *and* Safety Tasmania, the Royal Tasmanian Botanical Gardens and the State Fire Commission.

The PNFC Sector comprises entities that cover the majority of their expenses from revenue by the sales of goods and services and which are mainly market, non-regulatory and non-financial in nature. This Sector are all the State-owned Companies and Government Business Enterprises. These entities have a variety of functions and responsibilities, are established in varying ways and also have different relationships with the Budget. The regional water and sewerage corporations, although owned by local government, are included in the PNFC Sector as a result of the classification decision of the Australian Bureau of Statistics.

The PFC Sector comprises two organisations in Tasmania, the Tasmanian Public Finance Corporation and the Motor Accidents Insurance Board. These entities perform central bank functions or have the authority to incur financial liabilities and acquire financial assets in the market on their own account.

The following provides a breakdown of the Tasmanian Public Sector entities by sector.

General Government

Department of Economic Development, Tourism and the Arts

Department of Education

Department of Health and Human Services

Department of Infrastructure, Energy and Resources

Department of Justice

Department of Police and Emergency Management

Department of Premier and Cabinet

Department of Primary Industries, Parks, Water and Environment

Department of Treasury and Finance (including Finance-General)

House of Assembly

Inland Fisheries Service

Integrity Commission

Legislative Council

Legislature-General

Marine *and* Safety Tasmania

Office of the Director of Public Prosecutions

Office of the Governor

Office of the Ombudsman

Royal Tasmanian Botanical Gardens

State Fire Commission

Tasmanian Academy

Tasmanian Audit Office

Tasmanian Polytechnic

Tasmanian Skills Institute

Public Non-Financial Corporations

Aurora Energy Pty Ltd

Forestry Tasmania

Hydro Tasmania

Metro Tasmania Pty Ltd

Port Arthur Historic Site Management Authority

Private Forests Tasmania

Rivers and Water Supply Commission

Tasmanian Ports Corporation Pty Ltd

Tasmanian Railway Pty Ltd

Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd

Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (North-Western Region) Pty Ltd

Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd

Tasracing Pty Ltd

The Public Trustee

TOTE Tasmania Pty Ltd

Transend Networks Pty Ltd

TT-Line Company Pty Ltd

Public Financial Corporations

Motor Accidents Insurance Board

Tasmanian Public Finance Corporation

Entities Not Consolidated

The Retirement Benefits Fund Board has not been included in this financial report because the assets are not available for the benefit of the State. Also, the University of Tasmania, certain professional, occupational and marketing boards and local government authorities are not included in this financial report because they are not controlled by the State.

Other Government bodies that are controlled but are not considered material, for whole-of-government purposes, are also excluded from this financial report.

Disclaimer

Products and services advertised in this publication are not endorsed by the State of Tasmania and the State does not accept any responsibility for the content or quality of reproduction. The Contractor reserves the right to reject any advertising material it considers unsuitable for government publication.

Copyright

The Tasmanian Government Gazette and Tasmanian State Service Notices are subject to the Copyright Act. No part of any material published in the Tasmanian Government Gazette or the Tasmanian State Service Notices may be reproduced except in accordance with the Copyright Act.

Printed by Print Applied Technology Pty Ltd under authority of the Government of the State of Tasmania