Tasmanian Audit Office

Making a Difference

REPORT OF THE AUDITOR-GENERAL
No. 2 of 2009

Government Departments and Other State Entities 2008-2009

VOLUME ONE

Executive Summary, TAFR, Executive and Legislature, and Government Departments

November 2009

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and therefore the Tasmanian Audit Office, are set out in the *Audit Act 2008*.

Our major responsibility is to conduct financial or 'attest' audits of the annual financial reports of State entities. As defined by the Act, State entity includes all public sector entities including those established under the *Local Government Act 1993*. It includes an agency, council, Government Business Enterprise, State-owned Company, State Authority, Corporations established by the *Water and Sewerage Corporations Act 2008* and the governing body of any corporation, body of persons or institution that are appointed by a Minister or by the Governor. We also audit those elements of the Treasurer's Annual Financial Report which report on financial transactions in the Public Account, the General Government financial report and the Whole of Government financial report.

Audits of financial reports are designed to add credibility to assertions made by accountable authorities in preparing financial reports, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to State entities to ensure sound financial management.

In the main accountable authorities prepare financial reports consistent with Accounting Standards and other mandatory financial reporting requirements in Australia. On occasion reports are "special purpose financial reports" such as the Public Account Statements. In all cases our audits are conducted in accordance with Australian Auditing Standards.

Following a financial audit, we issue a variety of reports to State entities and report periodically to the Parliament. In combination these reports give opinions on the truth and fairness of financial reports, and comment on compliance with certain laws, regulations and Government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits and compliance audits and, from time to time, special investigations. Performance audits examine whether a state entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or part of a State entity's operations, or consider particular issues across a number of State entities.

Compliance audits are aimed at ensuring compliance with directives, regulations and appropriate internal control procedures. Audits focus on selected systems (including information technology systems), account balances or projects.

Performance and compliance audits are reported separately and at different times of the year, whereas outcomes from financial statement audits are included in one of the regular volumes of the Auditor-General's reports to the Parliament normally tabled in May and November each year. In doing so the Auditor-General is providing information to the Parliament to assist both the House of Assembly and the Legislative Council in their review of the performance of Executive Government.

Accountable authorities are provided with opportunity to comment on any matters reported. Where they choose to do so, their responses are detailed within the reports.

TASMANIA

2009
PARLIAMENT OF TASMANIA

REPORT OF THE AUDITOR-GENERAL
No. 2 of 2009

GOVERNMENT DEPARTMENTS AND OTHER STATE ENTITIES 2008-2009

Volume One

Executive Summary, TAFR, Executive and Legislature and Government Departments

November 2009

Presented to both Houses of Parliament in accordance with the requirements of Section 29 of the Audit Act 2008

By Authority:
Government Printer, Tasmania

Auditor-General's reports are available from the Tasmanian Audit Office, HOBART.
This report and other recent reports published by the Office can be accessed via the Office's home page. For further information, please contact:

Tasmanian Audit Office
GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6226 0100
Fax: (03) 6226 0199
Email: admin@audit.tas.gov.au
Home Page: http://www.audit.tas.gov.au

This report is printed on recycled paper.

ISSN 1327 2608

17 November 2009

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Madam President

Dear Mr Speaker

In accordance with the requirements of Section 29 of the *Audit Act 2008*, I have pleasure in presenting my Report on the audit of the financial statements of Government Departments and Other State entities for the year ended 30 June 2009. The requirement of section 29(3) relating to describing the basis on which audit fees are calculated was met in my Report No 1 of 2009.

Yours sincerely

H M Blake
AUDITOR-GENERAL

TABLE OF CONTENTS

VOLUME ONE

Foreword 5

EXECUTIVE SUMMARY 6

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS 18

AUDITS DISPENSED WITH 20

GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS 21

TOTAL STATE FINANCIAL STATEMENTS 39

SPECIAL CAPITAL INVESTMENT FUNDS 56

EXECUTIVE AND LEGISLATURE 59

House of Assembly 59

Legislative Council 64

Legislature-General 69

Office of the Governor 74

MINISTERIAL DEPARTMENTS 79

Government Departments 79

Department of Economic Development and Tourism 84

Tasmania Development and Resources 94

Tourism Tasmania 101

Department of Education 108

Department of Health and Human Services 119

Housing Tasmania 135

Tasmanian Ambulance Service 143

Department of Infrastructure, Energy and Resources 148

Department of Justice 160

Department of Police and Emergency Management 171

Department of Premier and Cabinet 180

Department of Primary Industries and Water 190

Department of Environment, Parks, Heritage and the Arts 201

Department of Treasury and Finance 213

APPENDIX 1 – GUIDE TO USING THIS REPORT 225

APPENDIX 2 – AUDIT STATUS 231

APPENDIX 3 – ACRONYMS AND ABBREVIATIONS 237

APPENDIX 4 – RECENT REPORTS 240

INDEX 241

VISION AND PURPOSE 245

FOREWORD

This Report summarises the results of audits, and the financial performance, of State entities for the year ended 30 June 2009.

It covers the audits of 50 entities – including the State's Government Departments, Government Businesses, Superannuation Funds and Other State entities.

Consistent with practice in recent years, this Report also includes a summary of the General Government Financial Statements, which consolidate the financial results of the State's General Government Sector (formerly referred to as the Budget Outcomes Statements) and of the Public Account Statements. Also included is a summary of the Total State Financial Statements, which, along with the General Government Financial Statements were prepared in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Sector Financial Reporting.* This is the second time that these financial statements were prepared in accordance with this standard.

All of our audits resulted in unqualified audit opinions. In most cases management letters were issued raising matters requiring management attention although none of these matters were sufficiently material to draw into question the financial statements. The most common finding, referred to often in this Report, related to the need for better management of employee annual and long service leave entitlements.

A major change this year, brought about by implementation of the *Audit Act 2008* on 1 March 2009, was bringing forward our audit work as this related to Departments, some Statutory Authorities and Government Business Enterprises. Effective 30 June 2009, where these entities met their statutory reporting timeframes, all audits had to be completed by 30 September, which was achieved in all but one instance. This was an important development and was achieved despite many structural and other changes at a number of entities this year. Earlier reporting enables these entities to more quickly finalise their annual reports.

HM Blake
Auditor-General
17 November 2009

EXECUTIVE SUMMARY

This Report contains analysis of financial information reported by the Executive and Legislature, Government Departments, Government Businesses (including State-owned Corporations or SOCs), Statutory Authorities, Superannuation Funds and other State entities. Where relevant, this Executive Summary includes follow up of matters reported in previous reports to Parliament.

The accompanying text summarises significant matters identified from our analysis of the financial statements. A cross reference to the relevant detailed report is provided.

Not included are financial and reporting matters that are common across public sector entities, such as timeliness of reporting, because these are dealt with separately in this Report. Also not included, for the same reason, are matters dealt with in the analysis of the General Government Financial Statements, the Public Account Statements or the Total State Financial Statements.

A separate chapter is included summarising movements in the Government's various Special Capital Investment Funds.

The Report includes details of matters raised with entity management during the course of audits but only where the matter(s) raised warrant it. The rationale for inclusion rests on our perception of the public interest in each point.

This chapter summarises significant matters highlighted from our analysis of the annual financial statements of State entities audited for the year ended 30 June 2009 and included as separate Chapters in this Report. Matters dealt may be entity specific and in such cases further details are provided in specific Chapters for each entity.

SPECIAL CAPITAL INVESTMENT FUNDS

Infrastructure investment decisions are managed through the Government's Capital Investment Program (CIP). The CIP includes the Roads and Housing Programs, and is supplemented through allocations from Special Capital Investment Funds (SCIF) such as the Royal Hobart Redevelopment Fund, the Better Roads Fund and the Economic and Social Infrastructure Fund. The Government established several new infrastructure related funds during 2007-08 including the Infrastructure Tasmania Fund, the Hospitals Capital Fund, the Water Infrastructure Fund, the Urban Renewals and Heritage Fund and the Housing Fund.

During the 2008-09 financial year $177.536m was withdrawn from these funds with the balance at 30 June 2009 being $341.541m.

MINISTERIAL DEPARTMENTS

Department of Economic Development and Tourism

- November 2009 Report, Volume 1 (this Report)

In 2008-09 the Department recorded a Net Deficit of $5.908m which was $4.491m higher than 2007-08 due to lower Interest revenue, higher Employee entitlements, a decrease of $0.913m in the fair value of investment properties and lower travel sales through Tasmania's Temptations Holidays (ceased to operate in September 2009).

The Department is responsible for administering a new $100.000m Tasmanian Industry Support Scheme (TISS). TISS was set-up to provide support for sustainable private sector businesses experiencing difficulties during the economic downturn. By 30 June 2009, $15.592m had been loaned under this scheme.

Department of Education

- November 2009, Volume 1 (this Report)

At 30 June 2009, the Department's Equity totalled $808.108m, a decrease of $72.375m compared to 30 June 2008 and $56.355m lower than budget. The fall in Equity in 2008-09 was primarily due to the transfer of four colleges to the newly formed entities from the Tasmania *Tomorrow* reforms, $55.035m, and a Net deficit, $13.579m.

The Teacher Nexus and the Tasmanian State Service Agreement (TSSA) resulted in average pay increases of 4.7% for teaching staff and 5.5% for administrative staff, as well as additional increments for School Executive Officers of 3.0%. As a result, Employee benefit expenses increased by $28.377m, 5%.

The Department's capital funding increased by $19.162m, 94%, in order to support a number of existing and new projects including Building the Education Revolution, Launceston Northern Suburbs and Southern Support Schools.

Department of Health and Human Services (DHHS)

- November 2009 Report, Volume 1 (this Report)

On 1 September 2008 responsibility for operation of the Mersey Community Hospital was transferred back to the Department from the Australian Government. It was agreed that the Department would receive $60.000m per calendar year from the Australian Government to fund and operate the hospital.

The Department's deficit, before accounting for capital funding and superannuation adjustments, increased to $96.063m. This was an increase of $58.557m, mainly a result of:

- Increased employee costs, up 15%, $107.332m, due to negotiated wage increases and re-classification of positions into new bands. The return of Mersey Community Hospital employees, 264 FTEs, also impacted on increased employee costs, but was offset by additional funding from the Australian Government
- Increased supplies and consumables expenses, up 14%, $72.192m due to higher expenditure for consultants who were employed in new projects such as the new Royal Hobart Hospital, additional property maintenance for Housing, greater demand for pharmacy drugs in hospitals because of a range of factors including the swine flu pandemic.

The rising expenses were partly offset by:

- Increased funding from Government, up 6%, $64.785m.

- Additional grants from the Australian Government, $60.000m, to fund operations of the Mersey Community Hospital.

Housing Tasmania

- November 2009 Report, Volume 1 (this Report)

Housing Tasmania benefited from additional funding under various Australian Government initiatives on social housing and the economic stimulus package. This resulted in record spending on maintenance, $38.953m (2007-08, $29.996m) and capital additions to the housing portfolio of $23.901m ($14.752m).

Department of Infrastructure, Energy and Resources

- November 2009 Report, Volume 1 (this Report)

On 30 June 2009 the Crown signed a Heads of Agreement with Pacific National to purchase the Pacific National Tasmania (PNT) business subject to finalisation of a Business Sale Agreement (BSA). The Crown agreed to purchase the PNT business for $32.000m plus any adjustments for the residual Melba Line inventory, with completion scheduled for 30 November 2009.

Rail infrastructure assets were acquired by the Government from Pacific National in 2006-07 for the nominal amount of $1. The Department was provided with additional funding to cover track and other maintenance costs, which totalled $35.400m (2007-08, $19.300m).

Department of Primary Industries and Water

- November 2009 Report, Volume 1 (this Report)

For 2008-09 the Department recorded a Net Deficit of $34.457m which was a $90.204m turnaround on the surplus in the prior year. The 2007-08 surplus was mainly a result of a receipt from SCIF for the establishment of a Water Infrastructure Fund (the Fund), $80.000m. The Fund was established to enable major investment in Tasmania's water infrastructure.

In 2008-09, the Department made a capital contribution from the Fund, $14.224m, to the Rivers and Water Supply Commission to assist with the progression and development of water and irrigation schemes throughout the State.

Department of Environment, Parks, Heritage and the Arts

- November 2009, Volume 1 (this Report)

The Department of Environment, Parks, Heritage and the Arts ceased to exist on 1 July 2009. Its operational divisions were transferred to a newly formed Department of Primary Industries, Parks, Water and the Environment and Department of Economic Development, Tourism and the Arts.

Department of Treasury and Finance (including Finance-General)

- November 2009 Report, Volume 1 (this Report)

The Department reported a Net Deficit of $6.068m, primarily due to a transfer of $5.000m from a Departmental Contract Management Account to the Consolidated Fund, as a result of a budget management strategy to alleviate the Consolidated Fund deficit.

The Division of Finance-General reported a Net Surplus of $46.954m in 2008-09, considerably lower than $847.805m recorded in 2007-08. The 2007-08 result included proceeds from the sale of a number of government owned businesses, including Hobart International Airport Pty Ltd, $297.878m.

This year's results were significantly affected by:

- Funding provided for the acquisition of Alinta Energy (Tamar Valley) Pty Ltd (Tamar Valley Power Station), $100.000m, and funding in support of the strategic partnership agreement with Aurora Energy Pty Ltd (Aurora) for the future operation of the Optic Fibre Network, $2.900m.
- An increase in Grants from the Australian Government, mainly receipts of National Partnership Payments (NPP) and Specific Purpose Payments (SPP) which included additional economic stimulus funding. The increase was also a result of new centralised payment arrangements between the Commonwealth and the States. Under the new arrangements, all NPP and SPP payments are centrally processed by Commonwealth Treasury and paid direct to each State Treasury. State Treasuries are responsible for distributing the funding within their jurisdiction.

The effects of the foregoing were offset in part by:

- Increased Superannuation expense, up $305.571m. The increase was a combination of investment losses, due to the lower market values of superannuation assets, and application of a lower discount rate reflecting the drop in the Australian Government bond rate.
- Smaller growth in Net Assets of GBEs and SOCs owned by the Government, down $209.888m.

Optical Fibre Cable

In 2003 the State Government acquired the optical fibre cable for $23m following which further costs were incurred such that by 2009 the investment totalled $30.473m. This investment in optical fibre infrastructure spanned across the State extending alongside the gas distribution network into Hobart, Burnie, Devonport and Launceston. During the current year, the Government and Aurora entered into a *Strategic Alliance State-wide Fibre Network Agreement*, under which Aurora was appointed to operate, maintain and commercialise the optical fibre cable network. An annual license fee and a percentage of gross revenue from commercial services using the network are payable to TMD, a division of the Department of Premier and Cabinet. As there was no direct economic benefit to Finance-General, the asset was fully impaired. The impairment resulted in recognition of impairment losses of $30.473m in 2008-09.

GOVERNMENT BUSINESS ENTERPRISES

Forestry Tasmania

- November 2009 Report, Volume 2 (this Report)

The 2008-09 levels of revenue and expenditure were similar to 2007-08 with the current financial year starting strongly due to improved prices under the Gunns Wood Supply Agreement. Sales fell 25% in the second half of the year due to the economic downturn, which had a significant impact on the volume and price of forest sales. Forestry Tasmania's Operating margin and cash flow suffered as a result.

Significant accounting valuation outcomes included the Biological asset valuation adjustment and superannuation liability movement. A $43.449m increase in Biological assets was primarily driven by an increase in the average stumpage price for native forest pulpwood used in the valuation calculation.

Despite the continued decline in cash generated from operating activities, Forestry Tasmania continued to invest in plantations, roads and other capital assets with the average annual cash spend exceeding $27.000m funded primarily by borrowings and proceeds from the Tasmania Community Forest Agreement.

Forestry Tasmania proposed no dividend for the 2008-09 financial year and no dividend was paid during 2008-09 in relation to the 2007-08 financial year. Improved profits and higher levels of cash from operating activities are required if Forestry Tasmania is to return to paying dividends. In light of the current international market and continued reduced demand, 2009-10 will be a challenging year for Forestry Tasmania.

Hydro-Electric Corporation (Hydro)

- November 2009 Report, Volume 2 (this Report)

The 2008-09 year has seen the continuation of the storage rebuild program initiated last year. This strategy was implemented by Hydro by adjusting its trading and generation strategies so that electricity is imported from Victoria to meet Tasmania's energy demands while prudently managing the storage levels. This program was projected to be completed in the current five year plan period. As a consequence of a statistical review of low inflow patterns over the last 12 years Hydro de-rated the system inflows by a further 300 GWhs per annum to where 8 700 GWhs per annum of inflows are now assumed for planning and financial modelling purposes. Storages at 30 June 2009 were significantly higher than last year in line with the projections in the five year plan.

On 31 August 2008 Hydro acquired Momentum Energy Pty Ltd, an energy retailer based in Melbourne with retail licences in Victoria, South Australia, New South Wales and the Australian Capital Territory. The acquisition is to be completed in two tranches. On 31 August 2008 the first settlement including costs of $17.763m occurred. The balance will be paid in accordance with a formula included in the contract on 31 August 2010. At 30 June 2009 the present value of this payment was estimated to be $42.150m which was included as a provision in the financial statements. This gave rise to goodwill on consolidation of $47.796m. At 30 June 2009 it was anticipated that the final settlement would be in line with the provision.

During the year the Roaring 40s joint venture was restructured with the joint venture partner CLP Holdings Ltd acquiring the international operations. The share of profit from this restructure recorded by Hydro was $6.715m. Hydro's share of Roaring 40s operating loss for the year was $2.092m (2007-08, $3.022m).

The Bell Bay thermal plant was used for part of the year but was not used in recent months.

The ongoing cash issues for Hydro are:

- the loss of revenue associated with low inflows which results in reduced hydro generation and attributed to electricity being imported from Victoria
- funding the Corporation's capital refurbishment program
- funding continued investment in Roaring 40s
- funding the acquisition costs and working capital of Momentum.

Hydro's capital investment program continued in 2008-09 and was targeted at sustaining generation assets and reducing their risks to assist Hydro to actively operate in the National Electricity Market.

The challenge to Hydro continues to be one of balancing its internal capital needs, the funding of Momentum, the capital needs of its joint ventures, particularly Roaring 40s, and responding to the low storage situation as a result of the hydrological position.

Motor Accidents Insurance Board (MAIB)

- November 2009 Report, Volume 2 (this Report)

For the year ended 30 June 2009 the MAIB incurred a loss before taxation of $26.306m, which included an unrealised investment loss of $133.789m. The MAIB continued to produce positive underwriting results, i.e. premium revenue less claims expense, $52.891m (2007-08, $64.776m). Premium revenue increased by $2.855m,2.31%, in 2008-09. This was attributable to a higher number of registered vehicles. There have been no premium increases since 2004.

Tasmanian Public Finance Corporation (Tascorp)

- November 2009 Report, Volume 2 (this Report)

2008-09 saw the continuation of the challenges of the 2007-08 year. Despite these challenges, Tascorp operated at a net profit before tax for the year of $20.659m (2007-08, $2.706m net loss before tax) and at 30 June 2009 it had net assets of $31.113m (30 June 2008, $16.652m).

STATE OWNED CORPORATIONS

Aurora Energy Pty Ltd (Aurora)

- November 2009 Report, Volume 2 (this Report)

In the last report we noted that Aurora's cash situation at 30 June 2008 was tight as indicated by low cash holdings at that point in time primarily due to its on going capital investment program and dividend payments. Aurora's cash position improved mainly as a result of increased Receipts from customers $87.078m, due to the full impact of price increases. The Cash balance of $128.790m at 30 June 2009 included a security deposit held by the Australian Energy Market Operator, $119.098m, required due to the significant payable balance of $162.518m at 30 June 2009, for the purchase of power in June 2009. This deposit reduced significantly post balance date with the settlement of accrued expenses relating to the purchase of power and offsetting market traded receivables.

Aurora generated a Net Profit before tax of $9.100m lower by $17.917m, 66.38%, from 2007-08. The deterioration in profit for 2008-09 was primarily due to the impact of recognising Tasmanian market hedge contracts, losses generated by the newly acquired power station at Tamar Valley, and unusually high peaks in the National Energy Market, which resulted in unexpected increases in the cost of power.

Aurora valued and recognised its Tasmanian market hedge electricity contracts for the first time in 2008-09. The recognition of these contracts impacted unfavourably on the Income Statement, loss of $21.724m and Balance Sheet, net hedge liability, $35.017m.

Aurora purchased Alinta Energy (Tamar Valley) Pty Ltd (AETV) in September 2008 for $100m. The purchase was funded via an equity injection of the same amount from the State Government. AETV did not trade significantly in 2008-09 due to the on going construction of the power station, and incurred a loss of $9.615m. A better reflection of AETV's operations will occur over an extended period of time once the power station has been fully commissioned. The acquisition significantly effected the consolidated financial statements of Aurora primarily by bringing to account the partly completed power station and new borrowings, $192.800m.

Optical Fibre Cable

During the current year, the Government and Aurora entered into a Strategic Alliance State-wide Fibre Network Agreement, under which Aurora was appointed to operate, maintain and commercialise the optical fibre cable network. An annual license fee and a percentage of gross revenue from commercial services using the network are payable to TMD.

National Broadband Network (NBN)

Aurora signed a non-binding Memorandum of Understanding with the Australian Government in June 2009 to form a company to undertake the construction of the Tasmanian section of the NBN (TNBNCo). The State Government made an equity contribution to Aurora during the 2008-09 financial year, $2.900m in support of this strategic partnership.

In August 2009, Aurora entered into an agreement with TNBNCo providing the contractual framework for the roll-out of the NBN. Under the agreement Aurora will provide project management and support services for the first stage of network construction. There were no implications of these arrangements at 30 June 2009.

Metro Tasmania Pty Ltd

- November 2009 Report, Volume 2 (this Report)

Metro continued to operate at a net loss after tax, $0.146m (2007-08, loss $0.259m). During 2008-09, Metro entered into a four-year New Services Contract (NSC) with the State Government. As Metro is heavily reliant on Government funding, the agreement aims to ensure that contract payments are sustainable in the long-term helping Metro's to meet its capital and operational expenditure.

During the year Metro continued with its major bus replacement program and spent $3.897m (2007-08, $3.769m) and $1.218m ($0.666m) towards new buses and a new ticketing system, respectively.

TOTE Tasmania Pty Ltd

- November 2009 Report, Volume 2 (this Report)

In January 2008, the Government announced that it intended to explore the potential sale of TOTE. The sale has not yet been finalised. In preparation for the sale, the Parliament enacted the *Racing Regulation Amendment (Governance Reform) (Transitional and Consequential Provisions) Act 2008*, which transferred all responsibilities for the administration and conduct of racing in Tasmania to a newly created Tasmanian Racing Board (TRB) from 1 January 2009.

As a result of the creation of the TRB, the Income Statement contains six months of income and expenditure that relates to the administration of racing. TOTE's Balance Sheet was also impacted as assets and liabilities as at 31 December 2008 relating to racing were transferred to the TRB.

The Sportsbet pooling agreement was terminated by Tabcorp and ceased on 29 May 2009. TOTE entered into a joint venture with two other betting agencies to establish a new pool operator for its Sportsbet product. This required significant development work and a re-branding of the wagering product.

For the year ended 30 June 2009 TOTE generated a Net Profit, $6.514m, an increase of $3.650m on that generated in 2007-08.

Transend Networks Pty Ltd (Transend)

- November 2009 Report, Volume 2 (this Report)

Transend's 2008-09 financial performance and financial position was underpinned by the change in the debt/equity structure that occurred in 2007-08 resulting in significantly higher finance costs.

Whilst Transend's Total revenue increased $22.609m in 2008-09, Net Profit after tax decreased $11.495m with the majority of this being driven by:

- higher depreciation expense, increase of $7.057m in 2008-09, resulting from Transend's continued significant capital expenditure program
- higher defined benefit plan expense, increase of $7.481m
- higher finance costs, increase of $21.914m, driven by the increase in borrowings.

In December 2007, Transend made a return to shareholders of $50.000m and in June 2008 the Treasurer directed Transend to make another return to shareholders of $220.000m. Both shareholder returns were funded by debt. Transend also undertook further borrowings in 2008-09 to fund its major infrastructure developments which resulted in total debt at 30 June 2009 of $488.000m (30 June 2008, $408.677m). As a consequence, Transend's finance costs were $32.413m for 2008-09 (2007-08, $10.499m).

TT-Line Company Pty Ltd

- November 2009 Report, Volume 2 (this Report)

The Company recorded a profit before taxation of $5.823m for 2008-09 (2007-08 $13.698m). However, a tax expense reduced the result to an after tax loss of $2.436m ($16.532m profit).

The Net asset position at 30 June 2009 reduced by $21.709m as a result of:

- the devaluation of the vessels $7.067m (net of tax)
- decreased reserves as a result of a fuel cash flow hedge, $12.206m (net of tax)
- the loss after taxation for the year.

The Company faced a number of challenges during 2008-09. In response to high fuel costs, it adopted a fuel-hedging strategy in order to gain long-term certainty over one of its largest expenditure items and limit the volatility on its financial results. The Company continued to offer various promotions and discounted fares to maintain and increase passenger numbers during the year. Despite these difficulties, TT-Line repaid a further $25.000m in debt reducing its borrowings at 30 June 2009 to $50.000m.

SUPERANNUATION FUNDS

Retirement Benefits Fund Board (RBFB)

- November 2009 Report, Volume 2 (this Report)

The continued effects of the previous year's sub-prime crisis in the United States combined with a sustained stock market decline, at least until late in the 2008-09 financial year, flowed through into International and Australian equities markets. The effect was of particular relevance in that each of RBFB's diversified options, including those in the Contributory Scheme, had significant exposure to equity markets. Australian and international equity markets had been particularly buoyant in previous years. Up until 31 December 2007 returns remained high, but experienced significant deterioration leading up to 30 June 2008 and for most of 2008-09. The net market value of Property investments in 2008-09 was also significantly impacted, recording a negative result for the first time.

Net returns and gains in the change in market values of 2005-06 and 2006-07 were, on average, reversed by net reductions in 2006-07, 2007-08 and 2008-09. Average Investment revenue over the four years of review was $69.000m per annum.

OTHER STATE ENTITIES

Marine and Safety Authority of Tasmania

- November 2009 Report, Volume 2 (this Report)

In 2008-09 the Authority produced a larger than normal surplus of $3.775m, an increase of $3.919m compared to 2007-08. This was mainly due to the timing of triennial boat licence renewals due at the end of 2008-09.

Significant developments during the year included the receipt of $3.250m of state capital investment program grants for dredging operations at Pelican Point and sand removal at Blanche Beach, Stage 2 Southport Jetty reconstruction and Bridport Jetty and Nubeena Jetty reconstructions.

Tasmanian Racing Board

- November 2009 Report, Volume 2 (this Report)

The Tasmanian Racing Board (TRB) was formed under the *Racing Regulation Amendment Act 2008* as a Statutory Authority under the Department of Infrastructure, Energy and Resources.

Pursuant to the *Racing Regulation Amendment (Government Reform) (Transitional and Consequential Provisions) Act 2008*, the TRB was separated from TOTE Tasmania Pty Ltd (TOTE) and set up as an independent body. This resulted in the transfer of assets, liabilities, rights and employees that related to the administration and conduct of Racing from TOTE to the State Government on 1 January 2009. The State Government then transferred them to the TRB on the same day. This equity transfer in total amounted to $45.823m including buildings and leasehold property totalling $45.266m. In addition, net assets of $0.775m were transferred from the Tasmanian Thoroughbred Council.

For financial reporting purposes, the TRB was classified as not-for-profit. During the first six months of its operations, it relied on funding from TOTE and Betfair, via the State Government, to provide services to the racing industry and develop and maintain its assets.

The TRB recorded a Deficit before capital funding of $0.872m for the six months ended 30 June 2009. The surplus after capital funding of $7.287m was $6.415m. TRB's Balance Sheet was reasonably healthy with equity increasing from $46.598m at 1 January 2009 to $53.014m at 30 June 2009, due to the Net Surplus of $6.415m for the period. TRB's net working capital of $10.826m is healthy placing it in a strong position to meet its short term commitments. However, the bulk of these monies are committed to capital expenditure programs and to meet staff superannuation commitments.

Tasmanian *Tomorrow* Initiative

- November 2009 Report, Volume 2 (this Report)

Under the State Government's Tasmania *Tomorrow* initiative, the following three Statutory Authorities were created and commenced business on 1 January 2009:

- Tasmanian Polytechnic (Polytechnic) created under the *Education and Training (Tasmanian Polytechnic) Act 2008*
- Tasmanian Skills Institute (Skills Institute) created under the *Education and Training (Tasmanian Skills Institute) Act 2008*
- Tasmanian Academy (Academy) created under the *Education and Training (Tasmanian Academy) Act 2008.*

Each Authority has a statutory requirement to work collaboratively with one another to maximise the qualifications and skills of Tasmanians obtained through education and training undertaken after the completion of Year 10.

Also established was a Shared Services Division designed to provide common administrative functions to all three Authorities. These administrative functions include the provision of systems and staff relating to Financial Services, Human Resources, Client Services, Student Management, Information Technology, Capital Planning and Facilities Management. The Shared Services Division is contained within the Polytechnic, and the costs of providing these services are charged to the Authorities on a regular basis. Shared Services operates one bank account which is shared by all three Authorities.

To support continued operations over the next 12 months the Secretary for the Department of Education, on behalf of the Minister, provided the Boards of the Authorities with a letter of comfort which confirms that the Department, through a Memorandum of Understanding, will continue to fund each Authority for its 2009-10 financial obligations in relation to services as contracted.

The Boards of the Authorities agreed to progress the assignment of land and building assets, which currently reside within the Polytechnic, such that they will be distributed across the Authorities. It is expected that the necessary changes will be reflected in future balance sheets, once agreement has been reached on the distribution.

The activities managed by these three Authorities were previously undertaken either within the Department of Education (DoE) or by TAFE Tasmania.

Tasmanian Academy

- November 2009 Report, Volume 2 (this Report)

The Academy's Balance Sheet recorded net liabilities of $1.751m at 30 June 2009 and it generated a surplus of $0.610m for the first six months of its activities. Net liabilities arose mainly due to the Academy taking on employees and related employment benefits from DoE who were transferred to the Academy upon formation. No land or buildings were transferred to the Academy, all of these being transferred to the Polytechnic.

Tasmanian Polytechnic

- November 2009 Report, Volume 2 (this Report)

The Polytechnic's Balance Sheet was reasonably healthy with Net Assets at 30 June 2009 of $255.329m. However, this amount included all land and buildings related to the Polytechnic, Academy and Skills Institute.

Equity decreased from $259.526m at 1 January 2009 to $255.329m at 30 June 2009, due to the Net Deficit of $4.197m for the period.

Tasmanian Skills Institute

- November 2009 Report, Volume 2 (this Report)

The Tasmanian Skills Institute's (TSI) Balance Sheet showed minimal net assets, with Net Assets at 30 June 2009 of only $1.172m. This amount did not include land and buildings, as these were all held by the Polytechnic. Equity decreased from $2.333m at 1 January 2009 to $1.172m at 30 June 2009, due to a Net Deficit of $1.161m for the period. TSI had net working capital of $0.731m at 30 June 2009, meaning that it was in a reasonable position to meet its current commitments.

WATER AND SEWERAGE CORPORATIONS

Tasmanian Water and Sewerage Corporations

- November 2009 Report, Volume 2 (this Report)

In February 2008 State and Local Government reached agreement to establish three Local Government owned, vertically integrated Tasmanian Water and Sewerage Corporations (TWSC) to provide bulk, distribution and retail water and sewerage services, and a common service provider subsidiary company. The *Water and Sewerage Corporations Act 2008* (the Act) was subsequently enacted and received Royal Assent on 13 June 2008.

The three Regional Corporations and the shared services company together with their trading names were:

- TWSC (Southern Region) Pty Ltd – Southern Water
- TWSC (Northern Region) Pty Ltd – Ben Lomond Water
- TWSC (North Western Region) Pty Ltd – Cradle Mountain Water
- TWSC (Common Services) Pty Ltd – Onstream

The Act required the transfer of water and sewerage assets, rights, liabilities and employees of councils and bulk water authorities to the newly formed Regional Corporations and to the Common Services Corporation.

Minimal transactions occurred in the period from incorporation to 30 June 2009 and no revenue was generated. During this time, the Regional Corporations incurred development costs relating to the integration of assets to be transferred from owner councils and costs associated with establishing leasehold premises.

Full transfer of water and sewerage assets, liabilities and staff took place on 1 July 2009. From that date, responsibility for the provision of water and sewerage services moved from local councils to the Corporations.

In conjunction with the above Act, the *Water and Sewerage Industry Act 2008* was also proclaimed on 13 June 2008. This Act provides for the establishment of an economic regulatory framework for the water and sewerage industry, including the establishment of a licensing regime and regulation of prices, customer service standards and performance monitoring.

Full transition to the new regulatory framework including water pricing and servicing standards is not expected until January 2012.

Local Government Water Authorities

- November 2009 Report, Volume 2 (this Report)

Up until 30 June 2009 there were three joint bulkwater authorities operating in Tasmania:

- Cradle Coast Water
- Esk Water
- Hobart Regional Water.

With the full transfer of bulk water assets, other associated assets and liabilities and staff, by each Authority on 1 July 2009 to the new Regional Corporations, the financial statements prepared at 30 June 2009 were each Authority's final statements.

At 30 June 2009 the Net Assets of Hobart Regional Water Authority and Esk Water Authority to be transferred to the new Corporations were $245.654m and $112.800m respectively. At the time of finalising this Report, the audit of Cradle Coast Water was not complete.

MATTERS RAISED FOR THE ATTENTION OF THOSE CHARGED WITH GOVERNANCE

Included in individual chapters of the Report are brief outlines of matters reported to those charged with governance, for example Departmental Secretary, Board of Directors etc.

The most common matter raised related to the management of excessive annual and long service leave balances. It was pleasing to note that all items reported were being addressed by management.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING REQUIREMENTS

Under section 17 of the *Audit Act 2008* (the Audit Act) specific dates are set by when accountable authorities of State entities are to provide financial statements to the Auditor-General to formally allow the audit process to commence. The requirement is that financial statements are submitted for audit within 45 days after the end of the financial year. Transitional provisions apply to a number of entities whereby the provisions of the Audit Act will not apply until the year ending 30 June 2011.

In most cases entities have a 30 June financial year-end making 15 August the statutory date by when financial statements are to be transmitted.

These dates were set to allow sufficient time for audits to be completed and for the reporting entities to prepare Annual Reports for tabling in Parliament by 31 October each year.

For Local Government, Council General Managers are, pursuant to the *Local Government Act 1993*, required to prepare financial statements within 90 days after the end of the financial year and submit them for audit as soon as practicable. State-Owned Companies must comply with the reporting requirements detailed in the *Corporations Act 2001.* These deadlines will continue to apply until transitional provisions in the Audit Act take effect.

SIGNED STATEMENTS NOT RECEIVED ON OR BEFORE STATUTORY DEADLINES

Listed below are entities whose signed financial statements were not received prior to the statutory deadline. Dates shown in brackets represent the date signed financial statements were received, unless otherwise stated.

15 AUGUST DEADLINE

Other Statutory and Public Bodies

- Nominal Insurer (1 September 2009)
- Tasmanian Museum and Art Gallery (20 October 2009)

31 AUGUST DEADLINE

Statutory Bodies

- Clyde Water Trust (still outstanding)

30 SEPTEMBER DEADLINE

Local Government

- Glenorchy City Council (13 October 2009)
- Burnie City Council (still outstanding)

- Devonport City Council (still outstanding)
- Northern Midlands Council (still outstanding)
- Sorell Council (6 October 2009)
- George Town Council (14 October 2009)
- Glamorgan-Spring Bay Council (9 October 2009)
- King Island Council (still outstanding)
- Latrobe Council (22 October 2009)
- Southern Waste Strategy Authority (5 October 2009)
- Copping Refuse Disposal Site Joint Authority (15 October 2009)*

31 OCTOBER DEADLINE

Statutory Bodies

- Tasmanian Beef Industry (Research & Development) Trust (still outstanding)

* *Draft financial statements received before deadline. Delays in resolving some issues resulted in the deadline not being met.*

AUDITS DISPENSED WITH

SPECIFIC AUDITS

Section 18(c) of the *Audit Act 2008*, permits the Auditor-General, in respect of a particular financial year, to dispense, subject to any conditions that the Auditor-General may determine, with all or any part of the audit of a particular State entity or the audits of State entities included in a category or class of State entity specified by the Auditor-General, if the Auditor-General considers that it is appropriate in the circumstances. Section 18(3) requires the Auditor-General to consult with the Treasurer before exercising the power conferred by subsection (2).

The decision to dispense with audits is included in the annual Auditor-General's reports to Parliament.

Following consultation with the Treasurer, the audits of the annual financial statements for the year ended 30 June 2009 of the following entities were dispensed with:

- Agility Interactive Pty Ltd
- Tas Radio Pty Ltd.

Both of these companies are 100% controlled subsidiaries of TOTE Tasmania Pty Ltd (TOTE). While a full audit was not completed for each entity, their financial statements were reviewed as part of the audit of the consolidated financial statements of TOTE and in this circumstance the Auditor-General considered it appropriate that the audits be dispense with.

GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

INTRODUCTION

The General Government Financial Statements (the GG Statements) are prepared in accordance with Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The GG Statements incorporate the reporting requirements of the Australian Accounting Standards Board (AASB) and the Uniform Presentation Framework (UPF – based on the reporting standards of the Australian Bureau of Statistics' Government Finance Statistics framework). The GG Statements comprise an Operating Statement, Balance Sheet, Cash Flow Statement and notes thereto.

Explanations of the UPF Key Fiscal Aggregates for preparing the GG Statements are provided in notes to the GG Statements and are not repeated here.

The Public Account Statements (the PA Statements) are a special purpose financial report prepared on a cash accounting basis. Explanations for applying this basis for preparing the PA Statements are provided in Note 1 to these Statements and are not repeated here.

OVERVIEW

General Government Sector

The General Government Sector (GGS) reported a Net operating balance deficit of $78m compared to a surplus in the prior year of $53m. However, the Comprehensive result was $268m, an improvement on the Net operating balance due to:

- higher net assets in GBEs and SOCs, up $284m
- upwards revaluation of the State's land, building and infrastructure assets, $277m; less
- unfavourable movement in the GGS Superannuation liability of $148m.

Net Worth grew by $268m to $11.650bn in 2008-09 in line with the Comprehensive result.

The 2008-09 cash flow reported a Net decrease in cash held, $79m, compared to an increase, $566m, in 2007-08, a decline of $645m. The 2007-08 result included special dividends from the sale of government businesses, $303m. Other reasons for the decline included:

- cash from operating activities decreased, $208m, mainly due to higher Employee entitlements and Superannuation payments of $209m
- equity injections, $117m, including $100 contributed to Aurora Energy Pty Ltd (Aurora) for the purchase of Alinta Energy (Tamar Valley) Pty Ltd (Tamar Valley Power Station).

Factors which pose a degree of risk and could have major impacts on the State's financial performance and condition include:

- the performance of the national economy, including decisions of the Australian Government, which influence the level of grants to the State. This may be more pronounced given the recent global economic downturn
- the performance of the State economy including property markets, which influence state-sourced revenues

- the performance of financial and equity markets, which impact investment revenues and superannuation expenses
- changes in the State's population
- wage and salary growth pressures, contributing to increased employment costs.

Public Account Statements

At 30 June 2009 the balance of the Special Deposits and Trust fund was $2.346bn (2007-08, $2.393bn) before the Temporary Debt Repayment of $1.156bn (2007-08, $1.129bn). Major balances included:

- Superannuation Provision Account, $1.324bn ($1.250bn)
- various infrastructure funds, the East Tamar Highway Redevelopment Account and the Crown Lands Administration Fund, $405m ($611m)
- Australian Government Funding Management Account, $113m ($nil). This is a new account within Finance General set-up to record and manage unexpended funding received from the Australian Government pending the appropriation or application of those funds.
- Tasmanian State Service Risk Management Account, $163m ($152m)
- Other departmental operating accounts. For example, Environment, Parks, Heritage and the Arts, $31m ($31m), Health and Human Services, $31m ($52m), Primary Industries and Water, $36m ($42m).

LEGISLATIVE REQUIREMENTS

The Treasurer and the Secretary of the Department of Treasury and Finance sign both Statements, which are included as chapters within the Treasurer's Annual Financial Report (the TAFR).

The requirement for TAFR to be prepared is in section 26A of the *Financial Management and Audit Act 1990* (FMAA), which requires that:

1) As soon as practicable after the end of each financial year, the Treasurer is to prepare an annual report for that financial year.
2) The annual report is to contain for the financial year to which the report relates:
   - a) The original estimates disclosed in the budget papers in respect of the major Government Finance Statistics statements
   - b) The results in respect of the major GFS statements
   - c) Statements reporting on the transactions within the Public Account during that financial year and the balances in the Public Account at the end of that financial year
   - d) An explanation of any significant variations between the results for the financial year and the financial estimates and projections described in the budget papers
   - da) An assessment of the Government's fiscal performance against its current fiscal strategy statement, within the meaning of the *Charter of Budget Responsibility Act 2007*

e) The Auditor-General's report on the results and statements referred to in section 16 of the Audit Act.

3) The Treasurer may include in the annual report, in such form or manner as the Treasurer may determine, any other financial or statistical report.

The PA Statements satisfy the requirements specified in section 26A(2)(c) above.

BASIS OF ACCOUNTING

Up to 30 June 2007, the Treasurer satisfied the requirements detailed in sections 26A(2)(a), (b) and (d) by preparing what were called the Budget Outcomes Statements under the GFS framework. The State's Budgets were also prepared under the GFS framework. However, the financial reports of individual public sector entities were, and continue to be, prepared under Australian Generally Accepted Accounting Principles (AGAAP).

The GFS Framework was inconsistent with Australian Accounting Standards and, as reported in previous years, the AASB has for some time been working on a project to harmonise the AGAAP and GFS frameworks. This was achieved with its issue in 2007 of AASB 1049 which was applicable for accounting periods beginning on or after 1 July 2008 although earlier adoption was permitted. The Treasurer chose to early adopt AASB 1049 in 2007-08. Tasmania was one of only two jurisdictions in Australia to lead the way by doing so. To facilitate this, the 2007-08 budget papers were prepared under the AGAAP framework rather than GGS facilitating comparative reporting for the last two financial years.

AASB 1049 bridged the differences between AGAAP and GFS in various ways the most important of which were to require:

- the reporting within the GG Statements of the major GFS aggregates. The UPF continues to be an important economic and accounting framework for ensuring comparability of financial information across jurisdictions. There are a number of important areas where the UPF provides either additional information or clearer guidance on the preparation of government financial statements. For example, the Commonwealth, State and Territory governments agree that net debt, a fiscal indicator not required to be reported by AASB 1049, continues to be an important indicator of fiscal management and should continue to be presented on the face of the financial statements as a fiscal aggregate. Further, the UPF shall continue to apply to financial statements produced by government in budgets, mid-year budget updates and final budget outcome reports, whereas the new accounting standard applies only to outcome reports
- that governments prepare and issue the GG statements and the separate consolidated Total State financial statements at the same time (see separate Chapter analysing the Total State's financial report). This requirement avoided the need for the GG Statements to comply with AASB 127 *Consolidated and Separate Financial Statements*. In the normal course of events, AASB 127 would require that the GG Statements consolidate the Public Financial Corporation and Public-Non Financial Corporation Sectors. However, the AASB, in recognising the importance to users of financial reports of the General Government Sector in its own right, exempted the GG Statements from complying with AASB 127 but only if the GG Statements and the Total State Statements are issued at the same time and together. The Treasurer satisfied this requirement.

ACCOUNTING DEVELOPMENTS

Key changes in public sector financial reporting for this reporting period were a result of the AASB's objective of issuing transaction-neutral standards and its consideration of public sector operations. The AASB:

- issued new topic based standards
- transferred requirements in existing public sector standards to transaction–neutral standards
- withdrew specific public sector standards.

In February 2008, the AASB withdrew government specific standards, AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments*, and AAS 31 *Financial Reporting by Governments*, effective from 1 July 2008. The requirements of these standards were relocated into existing or new topic based standards:

- AASB 1050 *Administered Items*. This standard contains requirements on administered items, substantially unchanged from AAS 29 and applicable only to government departments
- AASB 1051 *Land Under Roads*. This standard:
    - o Allows an entity to elect to recognise or not to recognise, as an asset, land under roads acquired before 30 June 2008. This election is required to be made effective as at 1 July 2008.
    - o Allows an entity to measure land under roads acquired before 30 June 2008 at fair value at the date of election or to report the fair value at that date as deemed cost, therefore not needing to revalue the assets in future periods.
    - o Requires recognition of land under roads acquired after 1 July 2008 to be reported under AASB 116 *Property, Plant and Equipment*.
- AASB 1052 *Disaggregated Disclosures*. This standard contains requirements, unchanged from AAS 29, on reporting service costs and achievements by activity, applicable only to government departments.

These new and revised standards were applicable to annual reporting periods commencing on or after 1 July 2008.

The withdrawal and relocation of AAS 27, 29 and 31 did not significantly change the recognition, measurement and presentation of entity financial statements.

Income from Government Grants and Other Non-Exchange Transactions

Accounting for government grants, donations and similar non-exchange transactions is of particular importance to many not-for-profit entities. Non-exchange transactions are also called non-reciprocal transfers, which is a term presently used in AASB 1004 *Contributions*. One of the difficulties for not-for-profit entities is explaining a large surplus due to the receipt of grants just prior to year end. The AASB is currently reviewing guidance with a view to eventually replacing AASB 1004.

AUDIT OF THE 2008-09 GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

Statements referred to in sections 26A(2)(b) and (c) must be submitted to the Auditor-General for audit before 30 September in each year. Signed GG Statements and signed PA Statements were submitted on 29 September 2009.

The Treasurer is required to table audited GG Statements and audited PA Statements by no later than 31 October 2008. Separate unqualified audit opinions were issued on 28 October 2009.

Audits of the 2008-09 GG Statements and of the PA Statements were completed with satisfactory results and no major issues outstanding.

GENERAL GOVERNMENT FINANCIAL STATEMENTS

Comments in this Chapter should be read along with the TAFR and GG Statements which include audited and un-audited commentary explaining 2008-09 financial results against prior years and budget.

In preparing this analysis, some material that does not appear in the Statements has been extracted from other Chapters in this Report, for example FTE staffing numbers.

STATEMENT

	2008-09 Budget $m	2008-09 Actual $m	2007-08 Actual $m	2006-07 Actual $m
Revenue				
Grants	2 525	2 705	2 466	2 274
Taxation	893	804	830	748
Sales of goods and services	314	303	295	285
Fines and regulatory fees	60	92	83	70
Interest income	95	68	74	43
Dividend, tax and rate equivalent income	154	210	132	173
Other revenue	91	105	106	102
Total Revenue	**4 132**	**4 287**	**3 986**	**3 695**
Expenditure				
Depreciation	223	229	233	207
Employee expenses	1 761	1 863	1 654	1 592
Superannuation	171	257	215	213
Supplies, consumables and Other operating expenses	961	1 000	980	943
Nominal superannuation interest expense	168	193	163	144
Borrowing costs	17	16	20	23
Grant expenses	725	807	668	612
Total Expenditure	**4 026**	**4 365**	**3 933**	**3 734**
NET OPERATING BALANCE	**106**	**(78)**	**53**	**(39)**
***Plus* Other economic flows - Included in Operating Result**				
Gain/(loss) on sale of non-financial assets	8	3	(19)	24
Revaluation of equity investment in GBEs/ SOCs	147	284	150	512
Special dividend and other flows fromGBEs/SOCs	0	0	293	0
Movements in Superannuation liability	(25)	(148)	107	(335)
Other gains/(losses)	(9)	(28)	13	12
Other economic flows - net	**121**	**111**	**544**	**213**
OPERATING RESULT	**227**	**33**	**597**	**174**
***Plus* Other economic flows - other movements in equity**				
Revaluations of non-financial assets	246	277	1 020	281
Other non-owner movements in equity	15	(42)	38	9
Total Other equity movements	**261**	**235**	**1 058**	**290**
COMPREHENSIVE RESULT	**488**	**268**	**1 655**	**464**
KEY FISCAL AGGREGATES				
Net Operating Balance	**106**	**(78)**	**53**	**(39)**
less Net acquisition of non-financial assets				
Purchase of non-financial assets	350	286	252	233
Less Sale of non-financial assets	52	41	68	60
Less Depreciation	223	228	233	207
Net acquisition of non-financial assets	75	17	(49)	(34)
FISCAL BALANCE	**31**	**(95)**	**102**	**(5)**

COMMENT

Net Operating Balance

In total, GG revenue increased by $301m, 8%, however, as expenditure growth was higher at $432m, 11%, the Net Operating Balance resulted in a deficit of $78m.

The increase in expenses was mainly driven by:

- Higher Employee expenses, up $209m, due partly to the new Public Service Wage Agreement and application of a lower discount rate in long service leave provision calculations. Employee expenses were also affected by the return of the Mersey Community Hospital back to the State Government from 1 September 2008. However, additional funding for the management of the hospital, $60m, was provided by the Australian Government and included in Grants revenue

- Increased Grant and subsidy expenses of $139m, driven by higher capital grants, up $42m, local government grants, up $27m and grants to non-government schools, up $17m. Grants to the Department of Health and Human Services increased by $18m. Subsidies to school bus operators also increased by $12m.

The effects of the foregoing were offset in part by:

- Higher payments from the Australian Government, up $239m, due to additional funding received under National Partnership Agreements and economic stimulus packages. General purpose payments fell by $38m due to a reduction in Goods and Services Tax collections as a result of a slowing economy.

- Higher Dividend, tax and rate equivalent revenue, up $78m, due to additional income tax equivalents received from GBEs and SOCs.

The budgeted Net operating balance was a surplus of $106m. The actual result was a deficit of $79m, an overall decline against budget of $184m. This was a result of expenses being $339m, 8%, higher, while revenue exceeded original budget by only $155m, 4%.

Material variances included:

- higher Grants, up $180m due to the additional funding from the Australian Government

- higher income from Dividend, tax and rate equivalent revenue, up $56m, due to additional income tax equivalents received

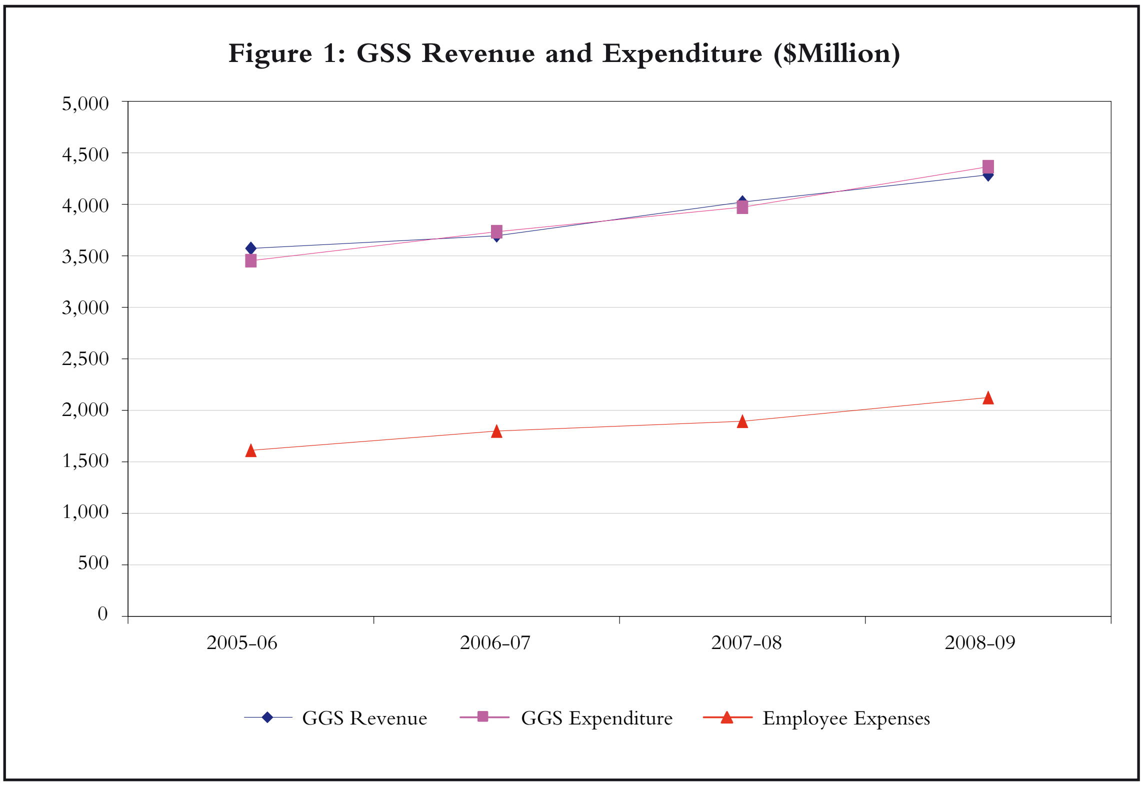
- lower Taxation, down $89m, due mainly to decreased financial transaction taxes of $74m following a reduction in sales activity in the property market

- higher Employee expenses, up $102m, for reasons explained previously

- higher Superannuation expense, up $86m, due to an actuarial reassessment

- higher Grant and subsidy expenses, up $82m, due mainly to additional grants received and distributed as part of economic stimulus funding.

Figure 1 presents, at the Net Operating Balance level, revenue, expenditure and employee cost trends for the GGS over the past four years.



Employee expenses in 2007-08 were adjusted to include the secondment of 382 employees from the Mersey Community Hospital to the Australian Government. 264 FTEs were returned back to the State in 2008-09. Revenue and expenditure for 2007-08 were also adjusted for the Mersey Community Hospital.

Figure 1 indicates that the rate of expenditure growth from 2005-06 to 2008-09 (annual average of 8.61%) exceeded the rate of revenue growth (annual average of 6.14%). The gap between revenue and expenditure in 2008-09 resulted in the $78m net operating deficit.

Table 1 records sources of State revenues, expressed as percentages, over the past four years.

Table 1 Revenues expressed as a percentage

Revenues expressed as a percentage	2008-09	2007-08	2006-07	2005-06
Australian Government - General purpose payments (GST)	37.9	41.8	42.4	42.6
Australian Government - Specific purpose payments	12.2	12.3	12.0	12.4
Australian Government - National Partnership payments	3.0	0.0	0.0	0.0
Australian Government - Capital grants	2.1	1.6	1.3	1.3
Total revenue from the Australian Government	**55.2**	**55.6**	**55.7**	**56.3**
Other grants and subsidies	7.9	6.2	5.9	5.7
Payroll tax	6.0	6.3	5.9	6.0
Taxes on property	6.8	8.2	7.6	7.0
Gambling taxes	2.2	2.3	2.4	2.2
Motor vehicle fees and taxes	2.8	3.1	3.3	3.4
Taxes on insurance	1.0	1.0	1.0	1.0
Sales of goods and services	7.1	7.4	8.6	8.4
Dividends and income taxes	4.9	3.3	4.7	5.3
Interest income	1.6	1.9	1.2	0.9
Other revenue	4.6	4.8	3.7	3.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

** The move from GFS to AASB 1049 had no impact in this table.*

In percentage terms, Tasmania's share of the Goods and Services Tax (GST) pool represented 37.9% of the State's revenues with this revenue source decreasing in percentage terms. In 2008-09, the decrease was attributed to reduced GST collections as a result of the economic downturn.

Other major movements included increased revenues from the Australian Government, mainly as a result of additional funding under National Partnership payments, $130m.

Turning now to movements in expenditure. Employee expenses (including superannuation expenditure but not the nominal superannuation expense) in 2008-09 represented 48.6% (2007-08, 47.53%) of total expenditure. Employee expenses increased by 13.43%, $251m, in 2008-09 to $2.120bn. The increase was mainly a result of the new Public Service Wage Agreement, higher staff numbers including the return of 264 FTEs of the Mersey Community Hospital back to the State Government in September 2008.

The GGS is primarily comprised of Government Departments and their staffing levels are detailed in Table 2.

Table 2 Departmental FTE

Government Departments	FTEs# at 30 June 2009	FTEs# at 30 June 2008	FTEs# at 30 June 2007	FTEs# at 30 June 2006	FTEs# at 30 June 2005
Economic Development and Tourism	414	404	240	232	211
Education*	7 735	8 102	8 068	8 151	8 010
Health and Human Services**	9 010	8 617	8 992	8 685	8 015
Infrastructure, Energy and Resources	558	537	503	512	618
Justice	1 080	999	972	961	740
Police and Emergency Management	1 658	1 672	1 658	1 652	1 589
Premier and Cabinet	485	477	467	454	407
Primary Industries and Water	988	984	966	976	1 085
Environment, Parks, Heritage and Arts	714	613	757	785	664
Treasury and Finance (excluding GPOC)	325	336	324	324	316
Total* **	**22 967**	**22 741**	**22 947**	**22 732**	**21 655**

* *2009 excludes Tasmanian Academy, Tasmanian Polytechnics and Tasmanian Skill Institute, 2005 to 2008 excludes TAFE but includes Skills Tasmania*

** *In November 2007, 382 FTEs from the Mersey Community Hospital were seconded to the Australian Government. In September 2008, 264 FTEs were returned back to Health and Human Services.*

*** *Also excludes Tasmanian Audit Office, State Fire Commission, Inland Fisheries, MAST and Parliamentary Agencies.*

\# *Because these are average staffing levels, conclusions should be drawn with caution.*

The number of Full Time Equivalents (FTE) increased by 226 in 2008-09. The increase was predominantly due to the return of 264 staff of the Mersey Community Hospital back to the Department of Health and Human Services. The employees were transferred out when the management of the hospital was taken over by the Australian Government in 2007-08.

Operating Result

The Operating result showed a surplus in 2008-09 of $33m (2007-08, $597m) and was arrived at after adjusting the Net Operating Balance for Other Economic Flows, that are changes in the volume of an asset or liability that does not result from a transaction. The decrease of $564m comprised:

- decrease in Net Operating Balance, $131m, explained previously
- upward movement in the Net Assets in GBEs and SOCs based on the audited Balance Sheets of these entities, $134m. It is difficult to budget for these movements and comparison between financial years is also difficult. The growth in Net Assets was primarily at Hydro Tasmania and Aurora Energy, offset by declines at Transend and the MAIB. Further details are available in individual Chapters for these entities in this Report
- increased Movements in superannuation liability, up $255m, as a result of revised actuarial projections
- special dividend from the sale of State businesses, $293m, received in 2007-08.

Comprehensive Result – Total change in Net Worth

In order to further assess the operating performance of a government, AASB 1049 requires the inclusion on the face of the Operating Statement details of economic flows which adjust equity. In the financial statements of an agency or other public sector entity accounting standards require such movements to be shown in a separate statement. Under GFS such movements impacted net worth but did not require separate disclosure.

The major item in this category of economic flows was Revaluations of non-financial assets. The unusually high balance in 2007-08, $1.020bn, reflected major revaluations in land, building and road infrastructure assets in the Department of Infrastructure, Energy and Resources, $551m, Department of Health and Human Services, $312m, and Department of Education, $56m. This year's revaluations totalled $277m.

Key Fiscal Aggregates - disclosure of the State's fiscal balance

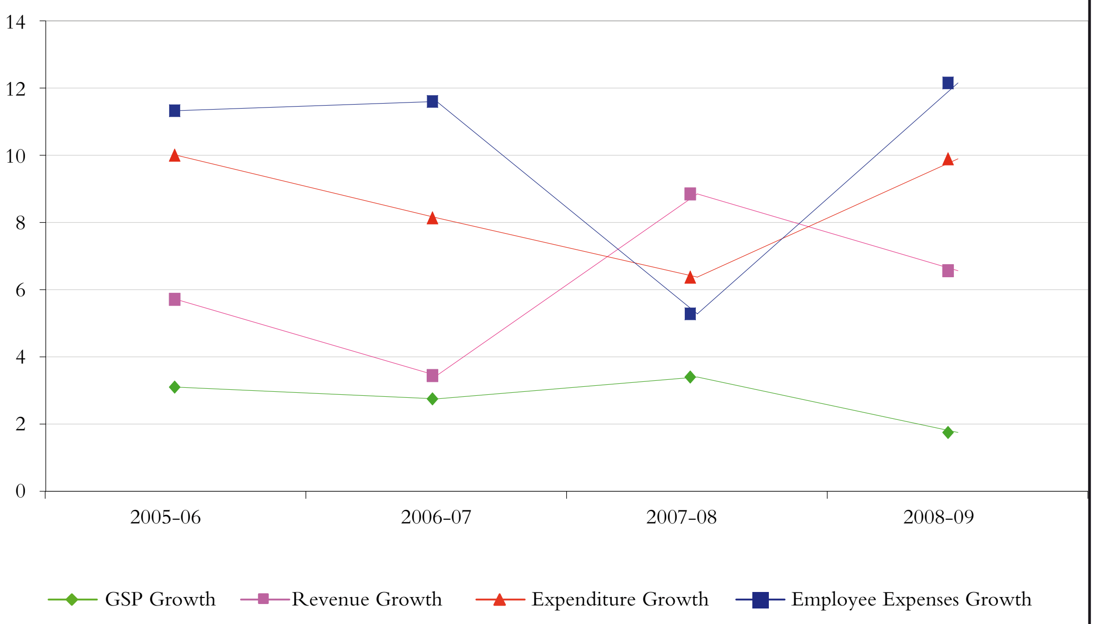
AASB 1049 does not require disclosure of this information on the face of the Operating Statement. However, this was the practice under GFS and we support its inclusion. Essentially this information shows the impact on the Net operating balance of the depreciation charge as against net expenditure on non-financial assets.

In the 2008-09 financial year, gross investment on non-financial assets was $34m higher than the previous year. Expenditure on non-financial assets is commented upon in the Balance Sheet section of this Chapter.

Comparison of operating revenues and expenditures with Gross State Product

Figure 2 compares the growth in revenues, expenditures and employee expenses with the growth in the State economy as measured by Gross State Product (GSP) over the past four years. While there was a change to accounting under AASB 1049 in 2007-08, because the changes between AASB 1049 and GFS were not material at the Net Operating Balance level, this comparison is made over the period 2005-06 to 2008-09.

Figure 2: General Government Sector, Revenue and Expenditure Growth compared to GSP Growth (%)



Growth Figures for 2007-08 were adjusted to include revenue and expenditure for the Mersey Community Hospital.

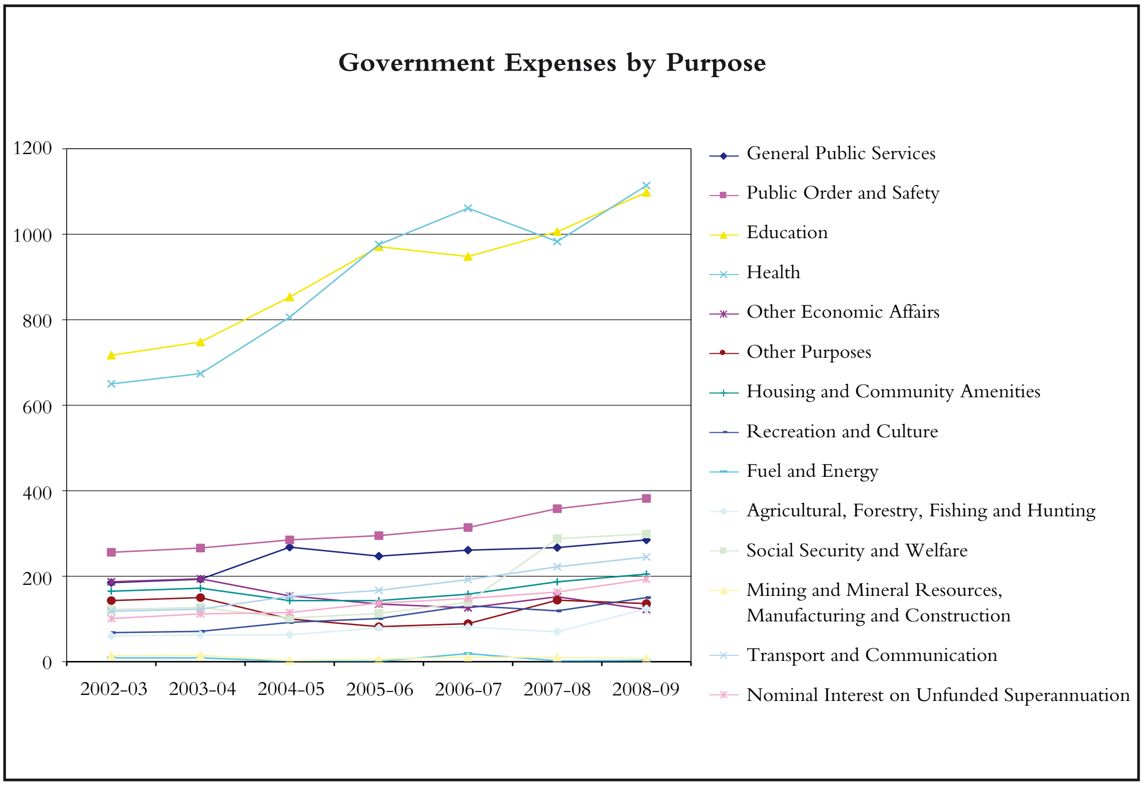
Note: The rate of growth in employee expenses in 2007-08 was adjusted to include the secondment of 382 employees from the Mersey Community Hospital to the Australian Government. 264 of these employees returned to the State in 2008-09.

GSP data for financial years up to 2007-08 is sourced from the ABS, while the estimated GSP for 2008-09 is sourced from the Department of Treasury and Finance. GSP is defined equivalently to Gross Domestic Product (GDP) but refers to production at a State level. Therefore, GSP is the total market value of goods and services produced in Tasmania within a given period, after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

Figure 2 shows that both GGS revenue and GGS expenditure grew at a faster rate than the Tasmanian economy in each of the years under review (2008-09: revenue, 7.53%; expenditure, 11.01%; GSP, 1.75%). However, the State cannot sustain expenditure increases at this level.

General Government Expenses by Purpose

The unaudited UPF section in TAFR includes details of general government recurrent expenses by purpose rather than by function. Figure 3 expresses graphically recurrent expenditure incurred over the past seven years:



* *Data for this graph is sourced from the Treasurer's Annual Financial Report and is not audited. Health expenses for 2007-08 were adjusted to include Mersey Community Hospital.*

Figure 3 highlights the continued investment in health and education and, to a lesser extent in public order and safety.

BALANCE SHEET

	30 June 2009 Original Budget	30 June 2009 Actual	30 June 2008 Actual	30 June 2007 Actual
	$m	$m	$m	$m
Assets				
Financial assets				
Cash and deposits	1 386	1 227	1 306	740
Investments	45	48	39	45
Equity in GBEs and SOCs	3 823	4 105	3 717	3 578
Other equity investments	4	6	6	6
Receivables	134	183	145	142
Other financial assets	1 017	1 009	996	975
	6 409	6 578	6 209	5 486
Non-financial Assets				
Land and buildings	4 432	4 807	4 636	4 259
Infrastructure	4 149	4 641	4 538	3 989
Plant and equipment	280	213	241	223
Heritage and cultural assets	409	447	417	399
Investment proprty	10	13	11	11
Intangible Assets	22	29	25	14
Assets held for sale	1	15	5	2
Other non-financial assets	43	38	32	40
	9 346	10 203	9 905	8 937
Total assets	**15 755**	**16 781**	**16 114**	**14 423**
Liabilities				
Borrowings	308	293	315	377
Superannuation	3 886	4 034	3 710	3 677
Employee entitlements	440	459	389	382
Payables	124	91	83	70
Other liabilities	230	254	236	191
Total liabilities	**4 988**	**5 131**	**4 733**	**4 697**
Net Assets	**10 767**	**11 650**	**11 381**	**9 726**
Equity				
Accumulated surplus	7 183	6 921	6 953	6 319
Asset revaluation reserve	3 427	4 448	4 272	3 251
Other reserves	157	281	156	156
Net Worth	**10 767**	**11 650**	**11 381**	**9 726**
Net Worth	**10 767**	**11 650**	**11 381**	**9 726**
Net Financial Worth	**1 421**	**1 447**	**1 476**	**789**
Net Financial Liabilities	**2 402**	**2 658**	**2 241**	**2 789**
Net Debt	**(1 123)**	**(982)**	**(1 031)**	**(408)**

Comment

The GGS showed a negative Net Debt position in recent years because debt-related financial assets exceeded gross debt liabilities (by $982m as at 30 June 2009). This improvement was principally the result of operating surpluses, the repayment of borrowings and increased cash and deposits.

Net Worth grew by $269m in 2008-09 to $11.650bn in line with the Comprehensive result reported under the Statement section of this Chapter. The increase was attributed to:

- increased Equity in GBEs and SOCs, up $388m. The increase was a combination of an equity contribution to Aurora Energy, $100m for the purchase of the Tamar Valley Power Station, and increased value of equity investments, $236m
- higher Non-financial Assets, up $298m, which was a combination of additions, $325m and revaluation increments, $397m, partly offset by depreciation, $202m and other movements.

These were offset party by:

- lower Cash and deposits, down $79m
- increased Superannuation liability, up $324m, due to decreased market value of the superannuation assets and application of a lower discount rate which reflected decreased Federal Government bond rates.

As mentioned earlier, the State's investments in GBEs and SOCs increased by $388m and represented 100% of the Net Assets of these entities, which at 30 June 2009 were:

GBE/SOC	2008-09 $m	2007-08 $m	2006-07 $m	2005-06 $m
Aurora Energy	518	410	403	333
Forestry Tasmania	629	548	597	569
Hydro Tasmania	1665	1397	959	908
Metro Tasmania	32	30	30	21
Motor Accidents Insurance Board	220	274	339	249
Port Arthur	15	13	11	11
Printing Authority**	–	–	3	3
Private Forests Tasmania	1	2	1	1
Rivers and Waters Supply Commission****	42	–	10	14
Southern Regional Cemetery Trust**	–	–	7	7
Tasmanian Ports Corporation***	126	125	157	146
Tasmanian Public Finance Corporation	31	17	22	20
Tasmanian Racing Board*	54	–	–	–
Public Trustee	5	5	4	4
TOTE Tasmania	5	46	42	40
Transend Networks	525	591	757	529
TT-Line Company	237	259	235	188
Total net assets	**4 105**	**3 717**	**3 577**	**3 043**

* *Commenced operations during 2008-09*
** *Sold during 2007-08*
*** *HIAPL sold in 2007-08*
*****RWSC accounts not finalised at the time of this report*

Reasons for the increases or decreases in the Net Assets of these GBEs and SOCs are outlined in individual Chapters in this Report.

CASH POSITION

	2008-09 Original Budget $m	2008-09 Actual $m	2007-08 Actual $m	2006-07 Actual $m
Cash flows from operating activities				
Cash inflows				
Taxation	893	792	851	749
Sales of goods and services	313	307	286	260
Grants received	2 525	2 681	2 466	2 288
Dividend, tax and rate equivalents	154	152	166	171
Fines and regulatory fees	59	63	61	55
Interest received	95	71	72	47
Other receipts	225	279	263	265
	4 264	**4 345**	**4 165**	**3 835**
Cash outflows				
Employee entitlements	(1 734)	(1 805)	(1 643)	(1 552)
Superannuation	(237)	(269)	(222)	(202)
Supplies and consumables	(947)	(951)	(886)	(799)
Grants and subsidies paid	(725)	(797)	(681)	(693)
Borrowing costs	(17)	(16)	(19)	(24)
Other payments	(145)	(207)	(206)	(224)
	(3 805)	**(4 045)**	**(3 657)**	**(3 494)**
Net cash flows from operating activities	**459**	**300**	**508**	**341**
Cash flows from investing activities				
Net cash flows from investment in non-financial assets				
Purchases of non-financial assets	(350)	(286)	(252)	(233)
Sales of non-financial assets	52	41	68	61
	(298)	**(245)**	**(184)**	**(172)**
Net cash flows from investment in financial assets for policy purposes				
Equity injections	3	(117)	303	(25)
Net advances paid	3	(12)	6	10
	6	**(129)**	**309**	**(15)**
Net cash flows from investment in financial assets for liquidity purposes				
Net purchase of investments	….	5	1	(2)
	….	5	1	(2)
Net Cash flows from investing activities	**(292)**	**(369)**	**125**	**(189)**
Cash flows from financing activities				
Net borrowing	(23)	(22)	(60)	(25)
Other financing	….	12	(7)	(6)
Total	**(23)**	**(10)**	**(67)**	**(31)**
Net increase in cash held	**144**	**(79)**	**566**	**121**
Cash at the beginning of the year	**1 243**	**1 306**	**740**	**620**
Cash at the end of the year	**1 387**	**1 227**	**1 306**	**741**
KEY FISCAL AGGREGRATES				
Net cash from operating activities	**459**	**300**	**508**	**341**
plus Net cash from investments in non-financial assets	**(298)**	**(245)**	**(184)**	**(172)**
CASH SURPLUS	**161**	**55**	**324**	**169**

* *Cash surplus is equal to Net cash flows from operating activities plus Net cash flows from investments in non-financial assets.*

Comment

In total, GGS Cash at the end of the year decreased by $79m to $1.227bn as at 30 June 2009. The decrease arose primarily because cash generated from operating activities, $300m, was not sufficient to fund net investing activities of $369m.

Reasons for movements in the State's cash flows are consistent with the commentary already provided in the Operating Statement and Balance Sheet sections of this Chapter.

PUBLIC ACCOUNT STATEMENTS

PUBLIC ACCOUNT BALANCE

	2008-09 Actual $m	2007-08 Actual $m	2006-07 Actual $m	2005-06 Actual $m
Special deposits and trust fund balance 30 June (before Temporary debt repayments)	**2 393**	**2 393**	**1 889**	**1 783**
Less Temporary debt repayments	(1 129)	(1 129)	(1 170)	(1 203)
Balance 30 June (after Temporary debt repayments)	**1 264**	**1 264**	**719**	**580**
Represented by:				
Westpac Banking Corporation	14	14	(45)	(35)
Treasurer's account fixed deposits	1 165	1 165	710	584
Specific trust account fixed deposits	85	85	54	31
Balance 30 June	**1 264**	**1 264**	**719**	**580**

Comment

The Special Deposits and Trust Fund (SDTF) consisted of various accounts established by the Treasurer. The majority of these funds represented departmental operating accounts, where funds appropriated from the Consolidated Fund by the annual *Consolidated Fund Appropriation Act* are deposited. These operating accounts also receipt Consolidated Fund revenues which are subsequently transferred to the Consolidated Fund. In addition, operating accounts can retain funds that are approved by the Treasurer as retained revenue.

Other accounts in the SDTF include trust, approved overdraft, whole-of-government, business unit accounts and accounts established under legislation.

Surplus cash is used to repay maturing debt within a financial year, thus delaying any refinancing until the latest possible time and to minimise borrowing costs. This is shown above as Temporary debt repayments.

The main balances making up the $2.346bn SDTF balance at 30 June 2009 were:

	2008-09	2007-08	2006-07
	$m	**$m**	**$m**
Superannuation Provision Account	1 324	1 250	1 145
Infrastructure Tasmania Fund	95	208	0
Risk Management Account	163	152	123
Housing Fund	56	60	0
Health and Human Services	58	73	34
DIER*	50	94	74
DPIW**	145	184	119
Australian Government Funding Management Account	113	0	0

* *Includes: East Tamar Highway Redevelopment Account, $46m (2007-08, $57m). Urban Renewal and Heritage Fund, $nil (2007-08, $25m), was transferred to Finance-General in 2008-09.*

** *Includes: Water Infrastructure Fund, $62m (2007-08, $53m) and Crown Lands Administration Fund, $39m (2007-08, $53m).*

CONSOLIDATED FUND OUTCOME

	2008-09 Original Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$m	$m	$m	$m
Receipts				
Recurrent receipts	3 598	3 631	3 466	3 156
Capital receipts	89	89	418	48
Total	**3 687**	**3 720**	**3 884**	**3 205**
Expenditure				
Recurrent services	3 335	3 475	3 209	2 994
Works and services	338	256	674	191
Total	**3 673**	**3 731**	**3 883**	**3 186**
Consolidated Fund Outcome	**14**	**(11)**	**1**	**19**

Comment

Consolidated Fund Outcome was a deficit of $11m in 2008-09, compared to a surplus of $1m in 2007-08. The turnaround of $12m was a result of:

- lower Capital receipts, down $329m. Capital receipts were unusually high in 2007-08 due to the sale of government businesses, mainly Hobart International Airport Pty Ltd
- higher Recurrent services expenditure, up $266m, due to increased funding across GGS, mainly Finance-General, $144m, Health and Human Services, up $57m and Education, up $54m.

These were partly offset by:

- higher Recurrent receipts, up $165m, due to additional funding from the Australian Government

- lower Works and services expenditure, down $418m, due to no transfers being made to the Infrastructure Tasmania Fund (2007-08, $313m) and slowdown in payments to the Hospitals Capital Fund, down $70m and Capital Investment Program, down $30m.

The Consolidated Fund deficit was $25m over budget caused mainly by increased Recurrent services expenditure, up $58m, 1.6%. Finance-General exceeded budget expenditure the most, up $144m, 46%. The unfavourable variance was predominantly a result of an equity contribution to Aurora Energy, $100m, for the purchase of Tamar Valley Power Station which was not originally budgeted and appropriated under the *Consolidated Fund Appropriation (Supplementary Appropriation for 2008-2009) Act 2008*.

The increased expenditure was partly offset by:

- savings made in Works and services expenditure, down $82m, due to lower outflows from the Hospitals Capital Fund
- higher Recurrent receipts, up $33m, due to increased revenue from the Australian Government.

TOTAL STATE FINANCIAL STATEMENTS

INTRODUCTION

The Total State Financial Statements (the Statements) consolidate all entities controlled by the State of Tasmania with segmented financial information provided for the General Government Sector (GGS), Public Non-Financial Corporation (PNFC), Public Financial Corporation (PFC) and Total State consolidated levels. The consolidated level is after eliminating inter-sector transactions.

The Statements provide information about the financial performance, financial position and cash flows of the State of Tasmania with the principal objective of providing to the Parliament informative, comprehensive and clear information on the State's overall financial position.

Comments in this Chapter should be read alongside the Treasurer's Annual Financial Report (TAFR), which includes the General Government Financial Statements, Public Account Statements and Total State Financial Statements. These reports include audited and un-audited commentary explaining the 2008-09 financial results against prior years. In preparing the analysis in this Chapter, some material does not appear in the Statements and has been extracted from other Chapters in this Report.

OVERVIEW

Total State **Net operating balance** for 2008-09 was a surplus of $20m compared with $217m in 2007-08. The $197m decrease primarily resulted from increased employee entitlements and supplies and consumables.

Total State **Operating result** for 2008-09 was a surplus of $73m, compared to a surplus of $540m in 2007-08. The $467m decrease primarily related to:

- gain on sale of Hobart International Airport Pty Ltd (HIAPL) in 2007-08, $278m
- superannuation liability gain in 2007-08, $125m, compared to the 2008-09 loss, $168m.

Offset partly by:

- o net gains of $218m in 2008-09 (2007-08, loss of $60m) in the valuation of financial assets (such as electricity derivatives and Motor Accidents Insurance Board (MAIB) investments), Biological assets and other non-financial assets.

Comprehensive result for 2008-09 was a surplus of $268m, compared to a surplus of $1.655bn in 2007-08. The 2008-09 Comprehensive result included Revaluation (gains) of non-financial assets of $235m, compared to $1.133bn in 2007-08.

Net acquisition of non-financial assets for 2008-09 was $470m, an increase of $455m on 2007-08. This was primarily due to an increase of $424m in the Purchase of non-financial assets due to the acquisition and on-going construction of the Tamar Valley Power Station.

The State's **Net assets** and **Equity** (also referred to as the State's **Net worth**) increased by $268m, 2.35%. However, there were a number of changes to individual line items in the State's Balance Sheet which are addressed in the Balance Sheet commentary following Table 4 in this Chapter.

Net financial worth (which equates with Net financial liabilities) increased by $658m to negative $7.036bn. This item represents the difference between the State's total financial assets less its total liabilities. The $7.036bn is mainly represented by the State's unfunded superannuation liability and the extent to which financial liabilities such as borrowings and other financial liabilities were used to fund infrastructure assets.

Net debt was negative $982m, a decrease of $670m on 2007-08. This item represents the difference between the State's Cash, deposits and investment assets, $4.345bn, and its Borrowings, $5.327bn. The $670m decrease arose primarily from an increase in total State Borrowings of $674m used to fund infrastructure investments, primarily by the three electricity utilities.

Total State **Net cash inflows** generated from operating activities decreased from $808m in 2007-08 to $612m in 2008-09. Despite the $197m decrease, continued positive operating cash inflows together with funds generated from the sale of investments of $199m enabled the State to invest a net $940m in non-financial assets.

AUDIT OF THE 2008-09 TOTAL STATE FINANCIAL STATEMENTS

Draft Statements were received on 3 October 2009, with signed Statements received on 9 October 2009. An unqualified audit report was issued on 28 October 2009. The audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS

In view of the first time application of Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* in 2007-08, only three year's analysis is shown for the Operating Statement, Balance Sheet and Cash Flow Statement.

Table 1: Operating Statement

Revenue	2008-09 $m	2007-08 $m	2006-07 $m
Grants	2 704	2 472	2 275
Taxation	775	803	721
Sales of goods and services	2 545	2 281	2 197
Fines and regulatory fees	92	83	70
Interest income	245	319	272
Dividend income	62	101	34
Other revenue	168	146	128
Total Revenue	**6 591**	**6 205**	**5 697**
Expenditure			
Depreciation	470	453	415
Employee expenses	2 172	1 953	1 880
Superannuation	291	244	236
Supplies, consumables and Other operating expenses	2 347	2 124	1 926
Nominal superannuation expense	225	185	168
Borrowing costs	310	351	364
Grant expenses	713	621	557
Other expenses	43	57	165
Total Expenditure	**6 571**	**5 988**	**5 711**
NET OPERATING BALANCE	**20**	**217**	**(14)**
***Plus* Other economic flows - Included in Operating Result**			
Gain (loss) on sale of non-financial assets	3	(20)	27
Gain on sale of HIAPL	0	278	0
Movements in Superannuation liability	(168)	125	(367)
Other gains (losses)	218	(60)	209
Other economic flows - net	**53**	**323**	**(131)**
OPERATING RESULT	**73**	**540**	**(145)**
***Plus* Other economic flows - other movements in equity**			
Revaluations of non-financial assets	235	1 133	513
Other non-owner movements in equity	(40)	(18)	174
Total Other equity movements	**195**	**1 115**	**687**
COMPREHENSIVE RESULT	**268**	**1 655**	**542**
KEY FISCAL AGGREGATES			
Net Operating Balance	**20**	**217**	**(14)**
less Net acquisition of non-financial assets			
Purchase of non financial assets	1 016	592	585
Less Sale of non financial assets	76	124	181
Less Depreciation	470	453	415
Net acquisition of non-financial assets	**470**	**15**	**(11)**
FISCAL BALANCE	**(450)**	**202**	**(3)**

Comment

The State's **Net Operating Balance** declined $197m from a surplus of $217m in 2007-08 to a surplus of $20m in 2008-09. The lowered Net operating balance was primarily due to growth in expenditure, $583m, 10%, exceeding revenue growth, $385m, 6.2%.

The higher expenses in 2008-09 primarily resulted from increases in:

- Employee and superannuation expenses, $266m, 12%
- Supplies, consumables and other operating expenses, $223m, 11%
- Grant expenses, $92m, 15%.

The improvement in revenues during 2008-09 primarily resulted from increases in:

- Grants revenue, $232m, 9%. Australian government specific purpose payments, National Partnership capital and other grants increased, $270m, however, GST grant revenue decreased, $38m
- Sales of goods and services revenue, $264m, 12%, primarily generated by Government Businesses.

Offset by:

- decreased Taxation revenue, $28m, 3%. Financial transaction tax decreased $51m, partly offset by increased payroll tax, $7m, land tax, $9m, casino tax and taxes on insurance, $6m
- a reduction in Dividend income, $39m, 39%, related entirely to dividends earned by MAIB
- lower Interest income, $74m, 23%, due to lower interest rates.

The **Operating Result** declined $467m from a surplus of $540m in 2007-08 to a surplus of $73m in 2008-09, due to:

- Gain in 2007-08 on the sale of HIAPL, $278m. During 2007-08 the Tasmanian Ports Corporation Pty Ltd (Tasports) sold HIAPL for a gross amount of $353m
- charge against profits arising from the increase in the unfunded superannuation liability in 2008-09, $168m, compared to the gain in 2007-08, $125m.

Offset in part by:

- Gain on sale of non financial assets, $3m, compared to a loss in 2007-08, $20m
- favourable net Other gains/(losses) of $218m, an improvement of $278m compared with 2007-08, and primarily comprising asset valuation adjustments credited directly to profit or loss rather than to equity. Examples include:
    - Hydro Tasmania (Hydro): fair value gains, $373m (2007-08, $282m) related to electricity derivatives, Basslink financial assets and liabilities, and generation asset impairments reversed
    - Forestry Tasmania: Biological asset net valuation gain, $44m (2007-08, loss of $75m)
    - MAIB: net market value loss, $152m (2007-08, $203m), with $134m being unrealised
    - Tasmanian Public Finance Corporation (Tascorp): financial instrument gain, $16m (2007-08, loss of $40m)
    - Aurora Energy Pty Ltd (Aurora): fair value loss, $32m, related to electricity derivatives
    - Finance-General: impairment of the Optic Fibre Cable, $32m
    - Department of Environment, Parks, Heritage and the Arts: fair value loss on land, $17m.

Comprehensive Result – Total change in Net Worth

In order to further assess the operating performance of a government, AASB 1049 requires the inclusion on the face of the Operating Statement details of economic flows which adjust equity. The major item in this category of economic flows was Revaluations of non-financial assets. In the financial statements of an agency or other public sector entity, accounting standards require such movements to be shown in a separate statement.

The 2008-09 comprehensive result, $268m (2007-08, $1.655bn), included the Operating Result, $73m ($540m), Revaluations of non-financial assets, $235m ($1.133bn), and Other non-owner movements in equity, negative $40m (negative $18m).

The 2008-09 revaluation gain of $235m was 1.25% of total non-financial assets. In 2007-08 the revaluation gain primarily related to non-financial assets held in the General Government Sector, $1.020bn, and included revaluing assets in the Department of Health and Human Services (DHHS), $312m, and the Department of Infrastructure, Energy and Resources (DIER), $551m.

Key Fiscal Aggregates - Disclosure of the State's Fiscal Balance

AASB 1049 requires disclosure of key fiscal aggregates on the face of the Operating Statement. Tasmania presented the key fiscal aggregates in a style that is consistent with the practice under General Finance Statistics (GFS) and we support its inclusion on this basis. Essentially this information shows the impact on the Net operating balance of net expenditure on non-financial assets rather than the depreciation charge.

In 2008-09, the gross investment in non-financial assets was $1.016bn, being $424m higher than the previous year. Expenditure on non-financial assets is commented on further following Table 4 of this Chapter.

This concludes our analysis of the Operating Statement as presented in Table 1. The Notes to the Total State Financial Statements, and this Report, include other financial information some of which is now dealt with.

Table 2 details the consolidated profits and losses, before taxation and dividends, of Government Businesses, also referred to as entities in the Public Financial (MAIB and Tascorp) and Public Non-Financial sectors. Table 3 details surpluses or deficits of the State's Government Departments.

Table 2: Consolidated Profit (Loss) Before Tax and Dividends of Public Financial Corporations and Public Non-Financial Corporations.

PFC/PNFC	Profile /(Loss) before tax ($'000)			
	2008-09	**2007-08**	**2006-07**	**2005-06**
Aurora Energy Pty Ltd	7 682	39 641	45 151	32 076
Forestry Tasmania	44 249	(55 242)	19 422	31 312
Hydro Tasmania	417 891	224 185	113 493	39 819
Metro Tasmania Pty Ltd	(511)	(300)	307	30
Port Arthur Historic Site Management Authority	1 122	1 174	(1 427)	41
Printing Authority of Tasmania*	0	0	68	(304)
Private Forests Tasmania	(304)	153	(16)	520
Rivers and Water Supply Commission	1 300	(13 053)	(2 349)	(1 902)
Tasmanian International Velodrome Management Authority **	0	0	(310)	(409)
Southern Regional Cemetery Trust*	0	0	(287)	(37)
Tasmanian Ports Corporation Pty Ltd	6 702	315 924	7 541	(7 244)
Hobart International Airport Pty Ltd*	0	0	6 753	5 406
Public Trustee	950	1 265	1 248	1 507
TOTE Tasmania Pty Ltd	9 768	4 079	1 843	1 255
Transend Networks Pty Ltd	9 887	26 810	30 081	53 647
TT-Line Company Pty Ltd	5 823	13 698	4 712	2 682
Motor Accidents Insurance Board	(26 306)	(39 227)	150 253	133 195
Tasmanian Public Finance Corporation	20 659	(2 706)	5 495	9 823
Total Profit (Loss) Before Income Tax and Dividends	**499 540**	**516 677**	**382 735**	**302 148**

**Sold in 2007-08*

***Transferred to Department of Economic Development in 2006-07*

The three largest net result variances for individual entities between 2007-08 and 2008-09 were:

- Tasports', result decreased $309.222m, primarily due to the gain on the sale of the HIAPL earned in 2007-08
- Hydro's result increased $193.706m, primarily due to higher gains on electricity derivatives, Basslink financial assets and liabilities, and reversal of a prior year impairment of generation assets
- Forestry Tasmania's result improved by $99.491m, primarily due to the higher valuation of Biological assets.

Refer to the above-named entities' Chapters within this Report for further explanation on movements.

Table 3 summarises the financial results of the State's main government departments.

Table 3: Surplus (Deficit) of Government Departments

Government Departments	Surplus/(Deficit) ($'000s)			
	2008-09	**2007-08**	**2006-07**	**2005-06**
Economic Development and Tourism	(5 908)	(1 417)	19 655	4 607
Education	(13 579)	(6 063)	25 747	(8 381)
Health and Human Services	(32 110)	5 532	(58 942)	(12 899)
Infrastructure, Energy and Resources	(27 550)	14 412	(14 027)	33 167
Justice	7 372	9 375	17 509	(8 424)
Police and Emergency Management	(424)	6 019	(355)	(1 894)
Premier and Cabinet	(600)	(708)	2 622	1 091
Primary Industries and Water	(34 457)	55 747	(1 906)	21 330
Environment, Parks, Heritage and the Arts	22 377	4 081	10 704	344 567
Treasury and Finance	(6 068)	(397)	608	(27)
Net Surplus Attributable to the State	**(90 947)**	**86 581**	**1 615**	**373 137**

The four largest Net Surplus movements for individual Departments between 2007-08 and 2008-09 were:

- Primary Industries and Water, a decrease of $90.204m
- Infrastructure, Energy and Resources, a decrease of $41.962m
- Health and Human Services, a decrease of $37.642m.

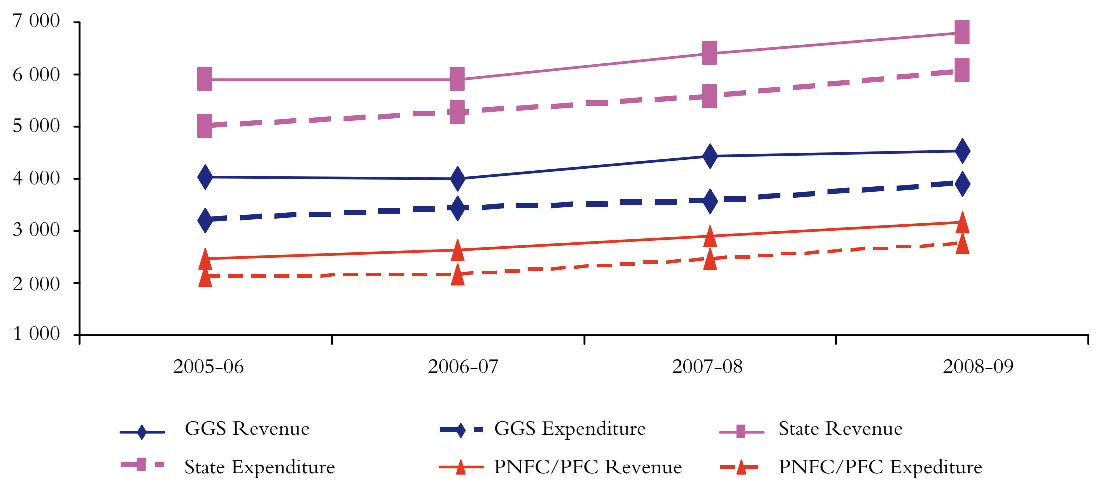
Refer to the above-named Departments' Chapters within this Report for more details.

FOUR YEAR REVENUE AND EXPENDITURE ANALYSIS

Revenue and expenditure

Figure 1 presents revenue and expenditure trends for the GGS, PNFC's and PFC's, and the Total State over the past four years. The revenue and expenditure trends incorporate other economic flows included in operating result, however excludes superannuation related expenditure and economic flows.

Figure 1: Revenue and Expenditure before Superannuation Expense ($million)



** For 2005-06 revenues and expenditures were reported under GFS not AASB 1049. The financial impacts were relatively minor.*

The main reason for the improvement in revenue for 2007-08 at all three levels was the effect of the gain on sale of HIAPL.

General government revenue for 2008-09 increased from 2007-08 primarily due to:

- increased Commonwealth grants, $239m
- an increase in the revaluation of equity investment in PNFC and PFC sectors, $134m
- higher dividend income, $78m.

General government expenditure increased in 2008-09 compared to 2007-08 primarily due to higher grant expenditure, $139m, and employee expenditure $209m.

PNFC/PFC sector revenue for 2008-09 improved on the prior year primarily due to:

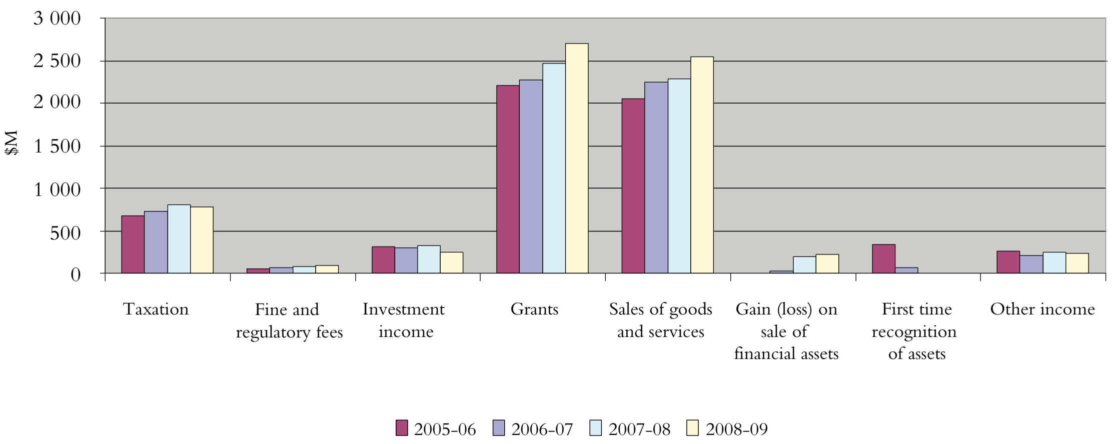
- increased sales of goods and services, $265m
- higher grant revenue, $36m
- favourable asset revaluation movements affecting net profit, $318m
- offset partly by the gain on sale of HIAPL in 2007-08, $278m.

Increased PNFC/PFC sector expenditure comprised higher supplies and consumables expenditure, $187m, and increased dividend expenditure, $78m.

Revenue

Total revenue, including net gains from economic flows, (after inter-agency transactions are eliminated) rose from $5.899bn in 2005-06 to $6.811bn in 2008-09, an increase of $912m, 15%, in nominal terms. Figure 2 shows total revenue broken down into major categories over four years.

Figure 2: Total Revenue by Category



Taxation revenue collected by the Government increased $96m, 14%, from $679m to $775m over the four years, mainly due to higher payroll tax, land tax and stamp duties.

Grant revenues primarily comprised revenues from the Commonwealth in the form of GST, specific purpose grants and capital grants. This revenue source increased $491m, 22%, over the four years. In percentage terms, in 2008-09 Grants of $2.704bn represented 40% of the State's revenues.

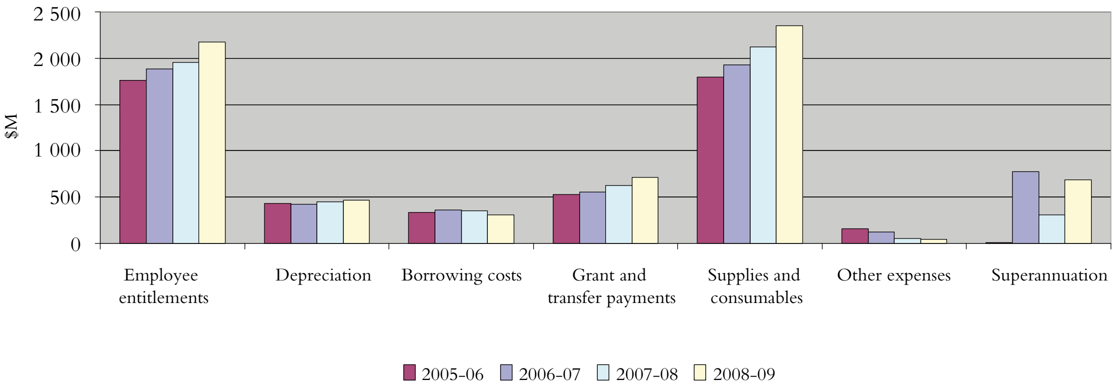
Sales of goods and services, predominantly by Government Businesses, contributed around 37% of State revenue. This revenue source increased $494m, 24%, over the four years under review. The increase in 2008-09, $263m, primarily related to Aurora, $117m, and Hydro, $158m.

First time recognition of assets included the Tasmanian Museum and Art Gallery (TMAG) collection brought to account for the first time in 2005-06, $343m.

Expenditure

Total expenditure before superannuation expense (after inter-agency transactions are eliminated) increased from $5.012bn in 2005-06 to $6.054bn in 2008-09, an increase of $1.042bn, 21%, in nominal terms. Figure 3 details annual movements by major categories of expenditure.

Figure 3: Total Expenditure



Employee costs increased $410m, 23%, from 2005-06 to $2.172bn in 2008-09. The increase was caused primarily by award wage rises and recruitment of additional staff, particularly in the health sector.

Supplies and consumables expense increased $551m, 31%, over the four year period. Cost of sales increased from $657m in 2005-06 to $911m in 2008-09 primarily due to entry into the National Electricity Market (NEM) by Hydro and Aurora. Consultants increased over the four year period by $70m, 179%, travel and transport increased $41m, 97%, and medical, surgical and pharmacy supplies increased $41m, 35%.

Grants increased over the period by $187m, 35%, primarily funded through increased grant revenue from the Commonwealth.

Borrowing costs declined in line with lower net borrowings and lower interest rates.

Depreciation charges increased over the period by $37m, 9%, mainly because of ongoing investments in infrastructure and asset revaluations.

The superannuation expense fluctuated primarily due to changes in actuarial assumptions such as applying a lower discount rate in 2008-09, lower values attributed to investments due to the global financial crisis and due to lower pensioner mortality rates.

Table 4: Balance Sheet

	30 June 2009 $m	30 June 2008 $m	30 June 2007 $m
Assets			
Financial Assets			
Cash and deposits [a]	325	346	16
Investments [b 1]	4 020	4 077	4 374
Equity investments [c 2]	818	652	737
Receivables [d]	590	426	453
Other financial assets [e 3]	841	594	546
Total Financial Assets [f]	**6 594**	**6 095**	**6 126**
Non-financial Assets			
Land and buildings	5 302	5 121	4 734
Infrastructure	11 849	11 288	9 957
Plant and equipment	381	394	369
Heritage and cultural assets	447	417	399
Biological assets	385	330	389
Investment property	29	30	28
Intangible assets	90	67	44
Assets held for sale	20	24	75
Other	183	88	64
Total Non-Financial Assets	**18 686**	**17 759**	**16 059**
Total Assets	**25 280**	**23 854**	**22 185**
Liabilities			
Borrowings [g]	5 327	4 734	5 070
Superannuation	4 585	4 231	4 214
Employee entitlements	544	469	455
Payables	425	304	473
Other liabilities [4]	2 749	2 734	2 247
Total Liabilities [h]	**13 630**	**12 472**	**12 459**
Net Assets	**11 650**	**11 382**	**9 727**
Equity			
Accumulated surpluses [5]	6 382	5 708	5 141
Asset revaluation reserves	5 290	5 155	4 022
Other reserves	(22)	519	564
Total Equity	**11 650**	**11 382**	**9 727**
Net Worth	**11 650**	**11 382**	**9 727**
Net Financial Worth (f-h)	**(7 036)**	**(6 378)**	**(6 333)**
Net Financial Liabilities (a+b+c+d+e-h)	**7 036**	**6 378**	**6 333**
Net Debt (a+b-g)	**982**	**312**	**680**

Note:

1 - Majority of Investments represented Tascorp loan advances and securities.
2 - Equity investments primarily related to MAIB investments.
3 - Other financial assets included Basslink related financial assets.
4 - Other liabilities included Tasmanian Risk Management Fund, $146m, MAIB provision for outstanding and unreported claims, $675m, and Basslink related financial liabilities.
5 - Accumulated surpluses included both contributed capital on formation and accumulated surpluses or deficits.

Comment

The State's Net Asset position as at 30 June 2009 was $11.650bn, an increase of $267m, 2%, from 2007-08.

The movement in Net Assets from 2007-08 comprised mainly:

- increased Financial assets, $499m, 8%, which included an increase in derivative financial instruments receivable, $150m, an increase in the Basslink financial asset, $50m, and increased MAIB equity investments, $151m
- increased Non-financial assets, $927m, 5%, which included Infrastructure, $561m, and Land and buildings, $181m
- partially offset by increased Total liabilities, $1.158bn, comprising higher borrowings, $593m, superannuation, $354m, and payables, $121m.

Total Equity increased $268m from 2007-08 to 2008-09 primarily due to asset revaluation increments, $333m, and the 2007-08 surplus of $73m.

Figures 4 to 6 provide a graphical representations of Total Assets, Total Liabilities, and Net Asset movements over the review period for each sector.

Figure 4: State of Tasmania ($m)

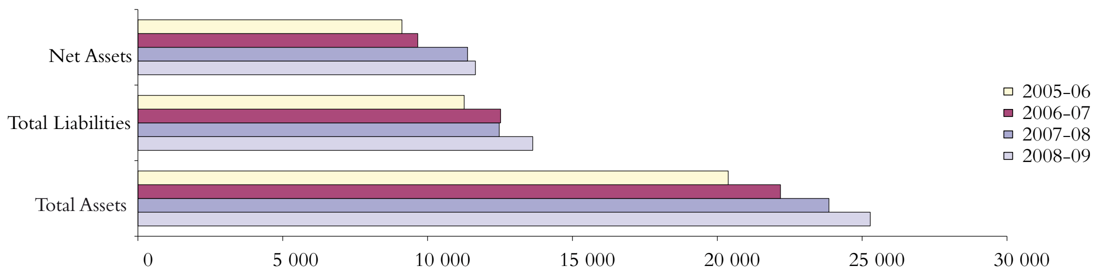
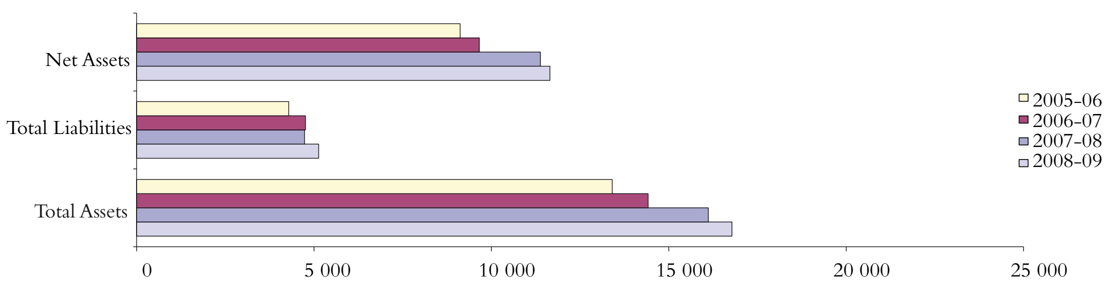
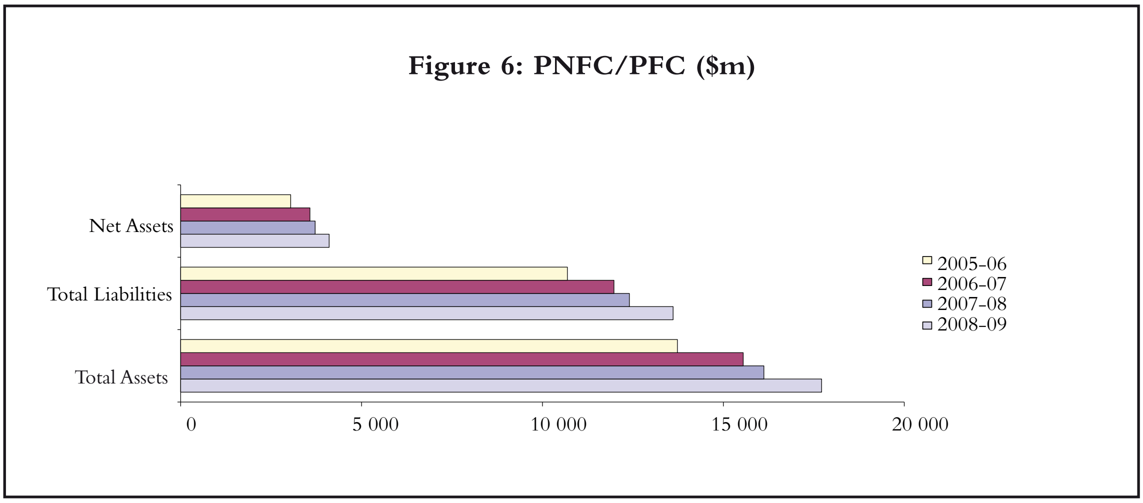


Figure 5: General Government Sector ($m)





** For 2004-05 and 2005-06 balances were reported under GFS not AASB 1049.*

Net Assets increased $2.536bn since 2005-06. Factors which contributed to this included increased non financial assets, $3.402bn, 22%, mainly:

- Increased Infrastructure, $2.491bn, 27%. Combined movements for 2008-09, 2007-08, and 2006-07 included road infrastructure revaluation, $2.047bn, and infrastructure purchases, $1.380bn, offset by depreciation expense, $816m. Infrastructure purchases included acquisition and on-going construction of the Tamar Valley Power Station (discussed further later) and capital upgrade programs of DIER, Aurora, Transend and Hydro
- Land and buildings increased $711m, 15%. Significant movements comprised asset purchases, $365m, and revaluations, $764m, offset by asset sales, $104m, and depreciation expense $269m.

These were partly offset by:

- an increase of $1.171bn, 12%, in Total Liabilities. In the main this related to borrowings, $257m, superannuation, $371m, and energy trading derivatives, $236m.

Figure 7 shows the State's gearing ratio for each sector, that is, interest bearing liabilities as a percentage of Total Assets, for the period.

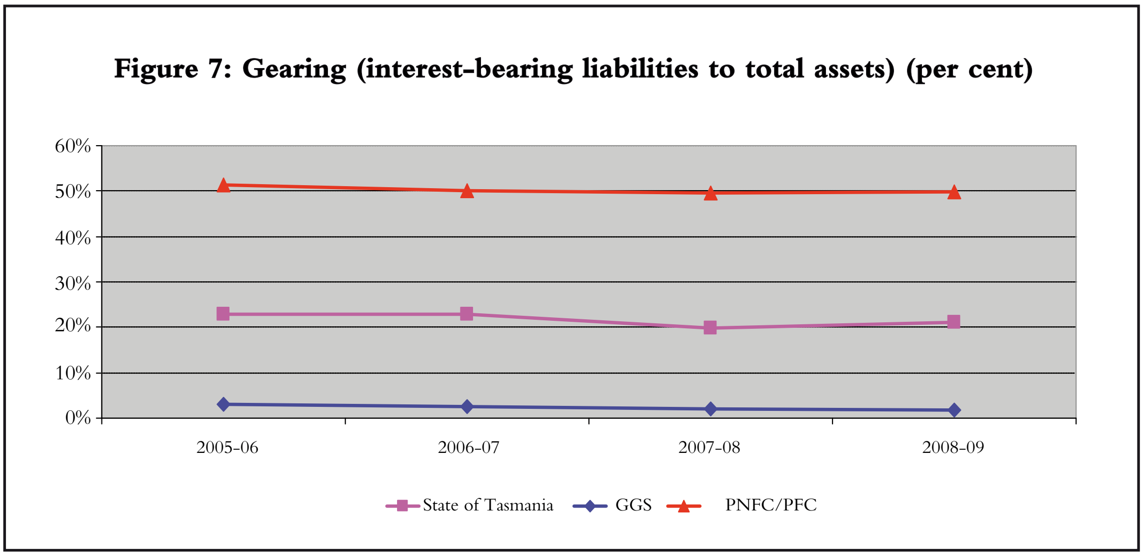


Figure 7 illustrates the gearing ratio was relatively consistent over the past four years.

Figures 8 to 10 depict debt sustainability at the following three levels for each sector over the period:

- Interest bearing liabilities and unfunded superannuation liabilities to Gross State Product (GSP)
- Interest bearing liabilities to GSP
- Unfunded superannuation liabilities to GSP.

Debt sustainability is a key measure of the State's ability to support and finance its debt. The lower the ratio, the better the State is able to service its debt obligations. Debt sustainability is determined by expressing interest bearing liabilities plus unfunded superannuation compared to GSP.

Actual 2007-08 GSP has been used for 2008-09 due to actual 2008-09 GSP not being available at the date of completing this Report.

Figure 8: Debt Sustainability (interest bearing liabilities and unfunded superannuation liabilities to GSP) (per cent)

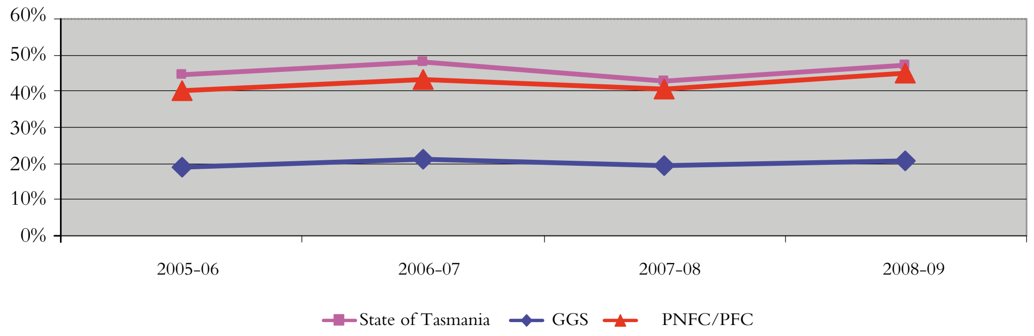


Figure 8 illustrates since 2005-06 the ratio increased slightly, primarily due to higher interest bearing liabilities within the PNFC sector, $646m, and the higher superannuation liability. However, overall the State's ability to support and finance its debt remained relatively consistent over the four year period.

The State's Superannuation liability increased by $911m, 25%, from 2005-06 to 2008-09 primarily due to changes in actuarial assumptions such as applying a lower discount rate in 2008-09, lower values attributed to investments due to the global financial crisis and due to lower pensioner mortality rates.

Figure 9: Debt Sustainability (interest bearing liabilities to GSP) (per cent)

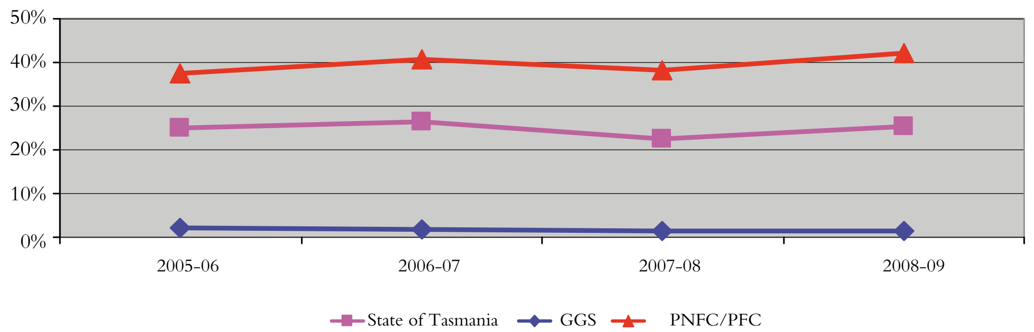


Figure 9 confirms the State's ability to support and finance its interest bearing liabilities remained relatively unchanged since 2005-06. The major reason for the variations between individual years was in the PNFC sector, due to higher interest bearing liabilities.

Table 5 details interest bearing liability balances within the PNFC and PFC sector.

Table 5: Interest Bearing Liabilities by Entity for PNFC/PFC sector

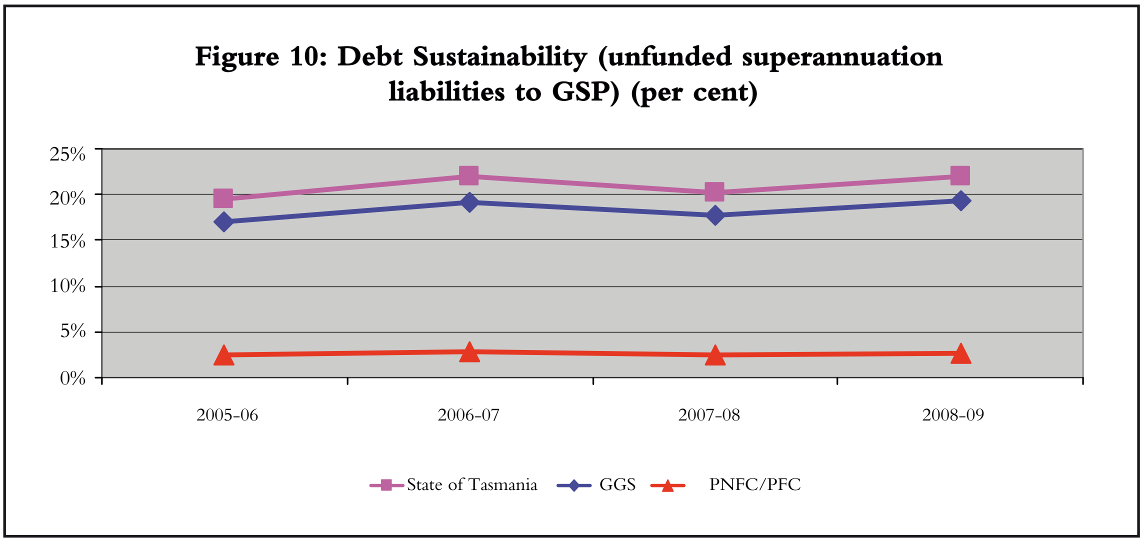
PNFC/PFC	**2008-09**	**2007-08**	**2006-07**	**2005-06**
	$m	**$m**	**$m**	**$m**
Aurora Energy Pty Ltd	933	555	505	461
Forestry Tasmania	53	40	41	35
Hydro Tasmania	941	971	1 192	1 077
Metro Tasmania Pty Ltd	0	0	3	3
Port Arthur Historic Site Managementy Authority	0	0	0	0
Rivers and Water Supply Commission	25	25	15	4
Public Trustee	0	0	0	0
TOTE Tasmania Pty Ltd	0	2	2	2
Transend Networks Pty Ltd	488	409	118	93
TT-Line Company Pty Ltd	50	75	75	186
Tasmanian Ports Corporation Pty Ltd	20	18	33	65
Motor Accidents Insurance Board	0	0	0	0
Tasmanian Public Finance Corporation	4 439	4 257	4 457	4 004

NB – ignores eliminations – most borrowings are from Tascorp to GBEs and SOCs
Debt = Borrowings (current) + Borrowings (non current)
Tascorp borrowings exclude 'deposits from clients'

Within the PNFC/PFC sector total borrowings increased $744m from 2005-06 to 2006-07, $171m from 2006-07 to 2007-08 and increased again from 2007-08 to 2008-09, $853m. Borrowings increased each year over the four year period for Aurora and Transend. Aurora's interest bearing liabilities increased $378m in 2008-09 as a result of the acquisition and ongoing construction of the Tamar Valley Power Station. This resulted in Aurora's non-current liabilities and current liabilities increasing $212m and $33m, respectively. Its Non-current assets and current assets also increased, $287m and $49m, respectively, as a result of the acquisition.

TT-Line reported lower borrowings in each year under review. Tascorp and Hydro comprise the major portion of the sector's overall borrowings and as such their borrowing movements were consistent with the overall trend.

During 2007-08, the Government transferred $50m equity from Transend to Hydro, via Finance-General, to capitalise on immediate growth opportunities. A further $220m equity transfer from Transend to Hydro was affected by a transfer of debt from Hydro to Transend on 30 June 2008.



Debt sustainability ratio (unfunded superannuation liabilities to GSP), as illustrated in Figure 10, worsened slightly between 2005-06 and 2008-09. This movement indicates a slight reduction in the State's ability to support and finance the unfunded superannuation liability.

The Superannuation liability increased by $911m, 25%, from 2005-06 to 2008-09 for reasons outlined previously.

Table 6: Cash Position

Cash flows from operating activities	2008-09 Actual	2007-08 Actual	2006-07 Actual
Cash inflows	**$m**	**$m**	**$m**
Taxation	765	825	722
Sales of goods and services	2 497	2 401	2 220
Grants received	2 679	2 466	2 260
Dividend, tax and rate equivalents	0	0	0
Fines and regulatory fees	63	61	55
Interest received	218	313	290
Other receipts	511	679	550
	6 733	**6 745**	**6 097**
Cash outflows			
Employee entitlements	(2 109)	(1 941)	(1 795)
Superannuation	(303)	(271)	(229)
Supplies and consumables	(2 304)	(2 274)	(2 002)
Grants and subsidies paid	(703)	(636)	(636)
Borrowing costs	(319)	(337)	(339)
Other payments	(383)	(478)	(506)
	(6 121)	**(5 937)**	**(5 507)**
Net cash flows from operating activities	**612**	**808**	**590**
Cash flows from investing activities			
Net cash flows from investment in non-financial assets			
Purchases of non-financial assets	(1 016)	(592)	(585)
Sales of non-financial assets	76	123	182
	(940)	**(469)**	**(403)**
Net cash flows from investment in financial assets for policy purposes			
Equity injections	0	0	(1)
Net advances paid	(12)	35	10
	(12)	**35**	**9**
Net cash flows from investment in financial assets for liquidity purposes			
Net sale of investments	199	330	440
	199	330	440
Net Cash flows from (used in) investing activities	**(753)**	**(104)**	**46**
Cash flows from financing activities			
Net borrowing	29	(461)	285
Other financing	12	(7)	0
Total	**41**	**(468)**	**285**
Net increase/(decrease) in cash held	**(100)**	**236**	**921**
Cash at the beginning of the year	**2 789**	**2 728**	**1 806**
Cash at the end of the year	**2 689**	**2 964**	**2 728**
KEY FISCAL AGGREGATES			
Net cash from operating activities	612	808	590
***plus* Net cash from investments in non-financial assets**	(940)	(469)	(403)
CASH SURPLUS/(DEFICIT)	**(328)**	**339**	**187**

Comment

The State's Net cash inflows from operating activities increased from $591m in 2006-07 to $808m in 2007-08, primarily due to higher revenues particularly from the Commonwealth. From 2007-08 to 2008-09 the State's Net cash inflows from operating activities decreased by $197m, mainly as a result of increased employee and superannuation entitlement payments.

Prior periods' cash surpluses, along with $353m received from the sale of HIAPL in 2007-08, enabled the State to invest $1.016bn in non-financial assets in 2008-09.

Table 7 provides a summary of the State's capital expenditure during the four years ended 30 June 2009 (based on cash outflows, not accrued expenditure).

Table 7: Capital Expenditure

	2008-09	2007-08	2006-07	2005-06
	$m	$m	$m	$m
General government sector	286	252	233	262
PNFCs and PFCs	730	340	352	405
Total	**1 016**	**592**	**585**	**667**

The increase in capital expenditure by PNFCs in 2008-09 was primarily due to Aurora's capital spending of $457m. This amount included the acquisition of the Tamar Valley Power Station for $100m and its ongoing construction. As noted previously, this acquisition resulted in Aurora's non-current assets and current assets increasing by $287m and $49m, respectively.

SPECIAL CAPITAL INVESTMENT FUNDS

Infrastructure investment decisions are managed through the Government's Capital Investment Program (CIP). The CIP includes the Roads and Housing Programs, and is supplemented through allocations from Special Capital Investment Funds such as the Royal Hobart Redevelopment Fund, the Better Roads Fund and the Economic and Social Infrastructure Fund. The Government established several new infrastructure related funds during 2007-08 including the Infrastructure Tasmania Fund, the Hospitals Capital Fund, the Water Infrastructure Fund and the Housing Fund.

The **Economic and Social Infrastructure Fund (ESIF)** was established in 2003-04 and funds projects assisting economic development and the provision of social infrastructure. Social infrastructure projects relate to education, tourism, parks, heritage, health and housing throughout the State. Economic development projects relate to a range of infrastructure and related developments, including the maintenance of the State's roads and bridges, and water infrastructure. Total expenditure in 2008-09 from this fund was $27.493m and included:

- University redevelopment (Menzies Centre), $3.000m
- AFL arrangement – Hawthorn Football Club, $3.387m
- Industry Assistance Program, $1.499m
- Launceston Aquatic Centre, $1.300m
- TMAG redevelopment, $2.075m
- Tourism promotion plan, $2.590m
- Hospital equipment, $6.751m
- Kingston bypass, $1.905m
- Main Street makeover, $1.029m.

The **Infrastructure Tasmania Fund (ITF)** was created in 2007-08 to provide significant investment in Tasmania's major infrastructure including roads, health infrastructure and information technology. The Fund was established with the allocation of $312.900m from the proceeds of the divestments of the Hobart International Airport Pty Ltd and Printing Authority of Tasmania.

Expenditure from the ITF for 2008-09 was $13.101m and comprised:

- Health Infrastructure, $1.418m
- Health Information Technology, $5.400m
- Brighton Transport Hub, $5.500m
- Tarkine Drive, $0.474m.

During 2008-09, an amount of $100.000m was transferred to the Consolidated Fund to fund an equity contribution to Aurora Energy Pty Ltd for the purchase of the gas-fired Tamar Valley Power Station from Babcock and Brown Power.

The **Housing Fund (HF)** was established in 2007-08 with initial funding of $60.000m to assist with increasing the supply of public housing. Expenditure from the Housing Fund for 2008-09 was $3.546m.

The **Hospitals Capital Fund (HCF)** was established in 2007-08 with initial funding of $75.000m to provide capacity to invest in the State's major hospital facilities at Hobart, Launceston and Burnie. Expenditure from the HCF for 2008-09 was $0.499m, and related to North West Regional Hospital Capital and Equipment Update.

The **Royal Hobart Hospital (RHH) Redevelopment Fund** was established in 2004-05 to develop and enhance the facilities at the RHH. Expenditure from this fund was $7.958m in 2008-09.

The **Better Roads Fund (BRF)** was established in 2004-05 for road projects including associated maintenance. Expenditure from the BRF for 2008-09 was $3.499m, and related to the Sisters Hill project managed by Department of Infrastructure, Energy and Resources.

The **Urban Renewal and Heritage Fund (URHF)** was established in 2007-08 with initial funding of $25.000m from the ITF to provide for the restoration of heritage assets and the renewal of urban areas in communities throughout Tasmania.

Expenditure from the URHF for 2008-09 was $3.501m and comprised:

- Department of Economic Development, Tourism and the Arts, $0.591m, relating to Axeman's Hall of Frame Project of $0.100m, Bushy Park Show Ground Update Project of $0.143m, Don River Railway Project of $0.184m and King George V Grandstand Replacement Project of $0.164m
- Department of Infrastructure, Energy and Resources, $0.286m, relating to Light Rail Study Project of $0.232m and Oatlands Underground Powerlines Project of $0.054m
- Department of Premier and Cabinet, $0.664m, relating to Bridport Cultural and Recreation Revitalisation Project of $0.164m, Rosebery Main Street Makeover Project of $0.250m and Queenstown Main Street Makeover Project of $0.250m
- Department of Primary Industries, Parks, Water and Environment, $1.612m, relating to Home Hill Update Project of $0.425m, Deloraine Cenotaph Restoration Project of $0.016m, Markers Workshop Tourism Centre Project of $1.000m and New Norfolk Memorial Hall of $0.171m
- Department of Treasury and Finance, $0.348m, relating to Princes Wharf Redevelopment Project.

The **Water Infrastructure Fund (WIF)** was established in 2007-08 with initial funding of $80.000m from the ITF to facilitate major investment in Tasmania's water infrastructure.

Expenditure from the WIF was $17.924m in 2008-09 and related to the Water Infrastructure Initiative Project managed by the Department of Primary Industries and Water.

The following table sets out the transactions of each of the Funds during 2008–09:

	Opening Balance $m	Deposits $m	Withdrawals $m	Closing Balance $m
Economic and Social Infrastructure Fund	36.798	13.650	27.493	22.955
Infrastructure Tasmania Fund	207.893	0.000	113.101	94.792
Housing Fund	60.000	0.000	3.561	56.439
Hospitals Captial Fund	75.000	5.000	0.499	79.501
Royal Hobart Hospital Redevelopment Fund	10.207	0.000	7.958	2.249
Better Roads Fund	5.529	0.000	3.499	2.030
Urban Renewal and Heritage Fund	0.000	25.000	3.501	21.499
Water Infrastructure Fund	80.000	0.000	17.924	62.076
TOTAL	**475.427**	**43.650**	**177.536**	**341.541**

FUNDING APPROVAL PROCESS

Approval and administration process for projects funded from Special Capital Investment Funds (SCIF) is governed by the *Infrastructure Fund Protocol* (the Protocol). The current Protocol was approved by the Treasurer and endorsed by the Budget Committee on 7 October 2008. Amendments to the Protocol require the approval of the Treasurer. There are additional guidelines for the Urban Renewal and Heritage Fund, which were developed by the Department of Premier and Cabinet and were endorsed by the Cabinet on 24 November 2008.

Requests for funding from SCIF can only be made by Government departments. The request must be submitted to the Treasurer by the relevant Minister on behalf of his or her department.

Applications are initially assessed by the Department of Treasury and Finance (Treasury) for consistency with the objectives of the relevant fund and evaluated against project criteria. The initial assessment and the application are then provided to the Treasurer for consideration. The Treasurer's decision to either approve or reject the request for funds is communicated to the relevant Minister and noted by the Budget Committee.

EXECUTIVE AND LEGISLATURE

HOUSE OF ASSEMBLY

INTRODUCTION

Officers of the House of Assembly (the House) provide the House, its Committees, the Speaker of the House and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The House is predominantly funded by Parliamentary and Reserved by Law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 1973.*

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2009 and an unqualified audit report was issued on 24 September 2009.

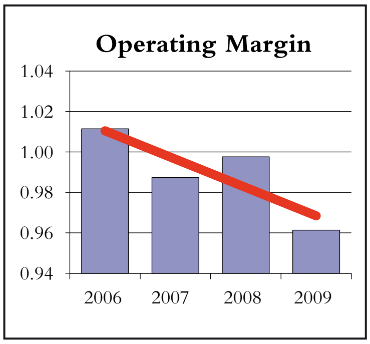
The audit was completed satisfactorily with no major items outstanding.

The level of leave owing to several employees remains high. Recommendations were made to House management who are taking steps to manage down this growing liability.

FINANCIAL RESULTS

The House's financial results largely reflect the receipt of appropriations and the expenditure of those funds.

For 2008-09 the House recorded a Net deficit attributable to the State of $0.285m. This deficit resulted predominantly from non-funded outlays for depreciation and employee provisions. This had the effect of decreasing the House's Net Assets at 30 June 2009 to $0.423m (2008, $0.708m), reflected mainly by the increase in Employee benefits to $0.738m as at 30 June 2009 ($0.634m).



Because depreciation and employee provisions are not funded the Operating Margin is usually below 1.0, indicating that the House's expenses exceed its income.

INCOME STATEMENT

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	6636	7 085	6 649	6 088
Revenue from government - capital	0	0	0	0
Other revenue	0	1	3	3
Total Revenue	**6 636**	**7 086**	**6 652**	**6 091**
Employee and member benefits	5 332	6 427	5 842	5 393
Depreciation	46	59	50	51
Supplies and consumables	1 251	789	688	644
Other expenses	62	96	88	81
Total Expenses	**6 691**	**7 371**	**6 668**	**6 169**
Net Surplus (Deficit) Attributable to the State	**(55)**	**(285)**	**(16)**	**(78)**

Comment

The House incurred a Deficit of $0.285m in 2008-09 for the following primary reasons – depreciation and increases in employee entitlements were not funded and additional revenues from government needed to fund increases in payroll costs were not sufficient. However, to an extent this was offset by savings in budgeted supplies and consumables costs.

Actual amounts of Revenue from government and Employee and member benefits in 2008-09 exceeded budgeted amounts by $0.449m and $1.095m, respectively. These were due to salary increases arising from the new Tasmanian State Service Award and increases in member entitlements resulting from the report of the Second Committee of Review inquiring into Allowances and benefits provided to members of the Tasmanian Parliament.

The actual amount of Supplies and consumables was $0.462m less than budgeted due to communications and travel expenditure being less than anticipated when the budget was prepared.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	8	3	8	8
Receivables	14	14	12	14
Non-financial Assets				
Prepaid expenses	9	5	54	9
Plant and equipment	1 357	1 369	1 421	1 415
Total Assets	**1 388**	**1 391**	**1 495**	**1 446**
Liabilities				
Payables	122	230	149	151
Employee entitlements	625	738	634	567
Other liabilities	33	0	4	4
Total Liabilities	**780**	**968**	**787**	**722**
Net Assets	**608**	**423**	**708**	**724**
Asset revaluation reserve	275	275	275	275
Accumulated surpluses	333	148	433	449
Total Equity	**608**	**423**	**708**	**724**

Comment

The House's Total Equity dropped by $0.285m in 2008-09 being its Deficit for the financial year. This was also the reason the budgeted Accumulated surpluses were less than actual. From a Net Assets perspective this decrease was primarily represented by higher Payables at year end and increases in Employee entitlements being amounts due to employees for annual and long service leave.

The result of the above was that the amount Accumulated surpluses were less than both the budgeted and 2007-08 amounts.

Actual Payables at 30 June 2009 exceeded the budgeted amount by $0.108m and the amount in 2007-08 by $0.081m, due to increases associated with new member benefits.

Employee entitlements exceeded the budgeted amount by $0.113m and the amount in 2007-08 by $0.104m, due to salary increases arising from the new Tasmanian State Service Award, noted under the Income Statement section, and increased number of leave days accrued.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	6 636	7 085	6 649	6 088
Receipts from government - capital	0	0	0	0
GST receipts	94	121	117	93
Other cash receipts	0	1	3	3
Payments to employees and members	(5 303)	(6 304)	(5 757)	(5 376)
Payments to suppliers and others	(1 313)	(775)	(839)	(715)
GST payments	(94)	(121)	(117)	(93)
Cash from operations	**20**	**7**	**56**	**0**
Payments for acquisition of assets	(20)	(8)	(56)	0
Cash (used in) investing activities	**(20)**	**(8)**	**(56)**	**0**
Repayment of advance	0	(4)	0	0
Cash (used by) financing activities	**0**	**(4)**	**0**	**0**
Net increase (decrease) in cash	**0**	**(5)**	**0**	**0**
Cash at the beginning of the year	8	8	8	8
Cash at end of the reporting period	**8**	**3**	**8**	**8**

Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

The House is generally funded by Appropriation on a cash break-even basis, and not for depreciation or provisions for employee entitlements. Therefore the cash reserves are low each year.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Results from operations ($'000s)		(285)	(16)	(78)	60
Operating margin	>1.0	0.96	1.00	0.99	1.01
Financial Management					
Debt collection	30 days	n/a	n/a	n/a	n/a
Creditor turnover	30 days	30	30	31	32
Other Information					
Staff numbers (FTEs)		19	20	20	20
Average staff costs ($'000s)		81	71	64	63
Average leave balance per FTE ($'000s)		39	32	29	30

Comment

Result from operations and the Operating margin are consistent with comments made under the Financial Results and Income Statement sections.

Staff numbers, expressed as full time equivalents, decreased in 2008-09 due to an employee on extended leave without pay. Average staff costs increased significantly in 2008-09 largely due to salary increases arising from the new Tasmanian State Service Award, noted under the Income Statement section.

Average leave balance per FTE was very high and reflected the level of leave owing to several employees as noted under the Audit Results section.

LEGISLATIVE COUNCIL

INTRODUCTION

Officers of the Legislative Council (the Council) provide the Council, its Committees, the President and Members with advisory, procedural, research and administrative support services to assist them to effectively undertake their constitutional and Parliamentary duties.

The Council is predominantly funded by Parliamentary and Reserved by Law appropriations for the above services and for the administration of payments of salaries and allowances as prescribed by the *Parliamentary Salaries, Superannuation and Allowances Act 1973*.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

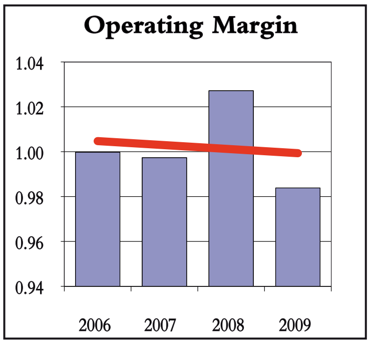
Signed financial statements were received on 11 August 2009 and an unqualified audit report was issued on 25 September 2009.

The audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS

The Council's financial results largely reflected receipt of appropriations and subsequent expenditure of those funds.

For 2008-09 the Council recorded a Net deficit attributable to the State of $0.093m. This deficit resulted predominantly from non-funded outlays for depreciation and employee provisions. This had the effect of decreasing the Council's Net Assets at 30 June 2009 to $0.412m (2008, $0.505m), reflected mainly by the increase in Employee benefits to $0.647m as at 30 June 2009 ($0.542m).



Because depreciation and employee provisions are not funded the Operating Margin is usually below 1.0, indicating that the Council's expenses exceed its income.

INCOME STATEMENT

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	5 529	5 657	5 480	4 873
Other revenue	0	0	0	2
Total Revenue	**5 529**	**5 657**	**5 480**	**4 875**
Employee and member benefits	4 433	4 949	4 425	4 121
Depreciation	30	26	29	27
Supplies and consumables	991	690	781	650
Other expenses	117	85	100	90
Total Expenses	**5 571**	**5 750**	**5 335**	**4 888**
Net Surplus (Deficit) attributable to the State	**(42)**	**(93)**	**145**	**(13)**

Comment

The Council incurred a Deficit of $0.093m in 2008-09 for the following primary reasons – depreciation and increases in employee entitlements were not funded and additional revenues from government needed to fund increases in payroll costs were not sufficient. However, to an extent this was offset by savings in budgeted supplies and consumables costs.

Actual Revenue from government exceeded budgeted and 2008-09 amounts by $0.128m and $0.177m, respectively, due to increased Member travel and committee activity.

Actual amounts of Employee and member benefits exceeded the budgeted amounts by $0.516m and $0.524m due to salary increases arising from the new Tasmanian State Service Award and increased member entitlements resulting from the report of the Second Committee of Review inquiring into Allowances and benefits provided to members of the Tasmanian Parliament, respectively.

Actual amounts of Supplies and consumables were less than both the budgeted and 2007-08 amounts as a result of higher than expected efficiency in operations, including internet usage in regional offices.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	4	0	10	4
Receivables	14	7	8	14
Non-financial Assets				
Plant and equipment	1 108	1 128	1 138	1 141
Other assets	0	0	16	23
Total Assets	**1 126**	**1 135**	**1 172**	**1 182**
Liabilities				
Payables	112	76	115	145
Employee entitlements	499	647	542	675
Other liabilities	36	0	10	3
Total Liabilities	**647**	**723**	**667**	**823**
Net Assets	**479**	**412**	**505**	**359**
Asset revaluation reserve	221	221	221	221
Accumulated surpluses	258	191	284	138
Total Equity	**479**	**412**	**505**	**359**

Comment

The Council's Total Equity dropped by $0.093m in 2008-09 being its Deficit for the financial year. This was also the reason for the budgeted Accumulated surpluses being less than actual. From a Net Assets perspective this decrease was primarily represented by increased Employee entitlements, being amounts due to employees for annual and long service leave, offset by decreased Payables.

The result of the above was that the amount Accumulated surpluses was less than both the budgeted and 2007-08 amounts.

Payables as at 30 June 2009 were less than both the budgeted and 2007-08 amounts due to efforts made to pay invoices within time.

Employee entitlements exceeded the budgeted amount by $0.148m and the amount in 2007-08 by $0.105m, due to salary increases arising from the new Tasmanian State Service Award, noted under the Income Statement section, and increased leave days accrued.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	5 529	5 646	5 480	4 873
GST receipts	66	17	100	75
Other cash receipts	0	0	6	2
Payments to employees and members	(4 140)	(4 637)	(4 545)	(4 141)
Payments to suppliers	(281)	(243)	(831)	(638)
Other payments	(1 108)	(776)	(86)	(86)
GST payments	(66)	(17)	(100)	(75)
Cash from operations	**0**	**(10)**	**24**	**10**
Payments for acquisition of assets	0	0	(18)	(9)
Cash (used in) investing activities	**0**	**0**	**(18)**	**(9)**
Net increase (decrease) in cash	**0**	**(10)**	**6**	**1**
Cash at the beginning of the year	4	10	4	3
Cash at end of the year	**4**	**0**	**10**	**4**

Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement section of this Chapter.

The Council is generally funded by Appropriation on a cash break-even basis, and not for depreciation or provisions for employee entitlements. Therefore, cash reserves are low each year.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Results from operations ($'000s)		(93)	145	(13)	(1)
Operating margin	>1.0	0.98	1.03	1.00	1.00
Financial Management					
Debt collection	30 days	n/a	n/a	n/a	n/a
Creditor turnover	30 days	22	20	28	42
Other Information					
Staff numbers (FTEs)		29	26	24	23
Average staff costs ($'000s)		74	69	70	67
Average leave balance per FTE ($'000s)		22	21	28	28

Comment

Result from operations and Operating margin are consistent with comments made under the Income Statement and Financial Results sections.

Average leave balances per FTE reflected the level of leave owing to employees, which has improved in recent years, but several employees still have high balances of leave owing.

LEGISLATURE-GENERAL

INTRODUCTION

Legislature-General consists of Joint House support staff, the Parliamentary Reporting Service, the Parliamentary Library Service and the Parliamentary Printing and Systems Service. These Services represent support provided to both Houses of Parliament and their Members.

The Clerk of the Legislative Council and the Clerk of the House of Assembly are jointly responsible for the effective and efficient support operations of Legislature-General, including the responsibility for all human resources and financial administration services. The Secretary to the Joint House Committee is responsible for the immediate control of support functions, liaison with and direction to the managers of the various branches.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

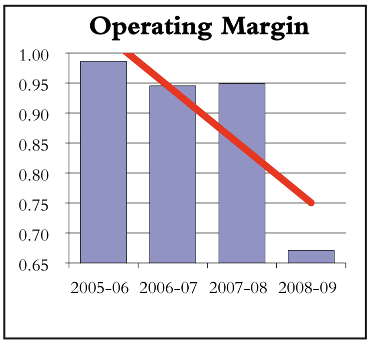
Signed financial statements were received on 15 August 2009 and an unqualified audit report was issued on 24 September 2009.

The audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

Legislature-General's financial results largely reflect receipt of appropriations and subsequent expenditure of those funds.

For 2008-09 Legislature-General recorded a Net surplus of $1.390m. This Net surplus resulted from the receipt of Revenue from government including a capital appropriation, $4.300m, which was used for upgrading the occupational health and safety, disability and televising services at Parliament House.



Operating Margin was usually below 1.0, indicating that Legislature-General's expenses exceeded its income. Government agencies are not funded by Appropriation for depreciation or increases in employee entitlements. The Operating Margin is calculated prior to including any Capital appropriation.

The lower amount in 2008-09 resulted from higher expenses mainly for the refurbishment of Parliament.

INCOME STATEMENT

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	5 361	5 567	4 896	5 035
Sales of goods and services	172	344	324	297
Other revenue	0	128	65	33
Total Revenue	**5 533**	**6 039**	**5 285**	**5 365**
Employee benefits	2 636	2 741	2 576	2 343
Grants and transfer payments	59	55	55	56
Depreciation	588	464	368	371
Supplies and consumables	2 511	5 288	2 166	2 535
Cost of goods sold	139	256	248	219
Other expenses	148	145	136	129
Total Expenses	**6 081**	**8 949**	**5 549**	**5 653**
Net (Deficit) before:	**(548)**	**(2 910)**	**(264)**	**(288)**
Revenue from government - capital	3 540	4 300	489	0
Net Surplus (Deficit) Attributable to the State	**2 992**	**1 390**	**225**	**(288)**

Comment

In a normal financial year Legislature-General operates at a deficit because it is not funded for Depreciation or increases in employee leave provisions. In 2008-09 Legislature-General had a Net surplus attributable to the State of $1.390m due to the receipt of Revenue from government for capital appropriation of $4.300m which was offset in part by an increase in Supplies and consumables, $3.122m, non-funded charges for depreciation, $0.464m, and increased employee entitlements of $0.077m.

Revenue from Sales of goods and services and Cost of goods sold were higher due to greater than anticipated level of activity, albeit relative to prior years.

Other revenue included payroll subsidies and miscellaneous cost recoveries, which varied and are not included in the budget as they are not required to be paid into the Consolidated Fund.

Actual amounts of Employee benefits exceeded the budgeted and 2007-08 amounts by $0.127m and $0.187m, respectively, due to salary increases arising from the new Tasmanian State Service Award.

The increase in Depreciation in 2008-09 reflected additional depreciation on the Parliament Restoration Project, but was less than the budgeted amount due to delays in completion of the work.

Increased Supplies and consumables in 2008-09 reflected expensing of those costs associated with refurbishment of the House of Assembly chamber that were of a maintenance type and leasehold improvements to the Treasurer's office at 10 Murray Street, $0.111m.

Revenue from government (capital) exceeded the budgeted amount due to the delay of some work in 2007-08 carried over to 2008-09.

BALANCE SHEET

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	13	10	13	13
Receivables	85	105	80	85
Non-financial Assets				
Inventory	31	51	50	31
Prepaid expenses	24	11	36	24
Property, plant and equipment	30 067	31 951	26 646	26 378
Total Assets	**30 220**	**32 128**	**26 825**	**26 531**
Liabilities				
Payables	215	183	239	215
Employee entitlements	592	694	617	572
Total Liabilities	**807**	**877**	**856**	**787**
Net Assets	**29 413**	**31 251**	**25 969**	**25 744**
Accumulated funds	13 805	11 751	10 361	10 136
Asset revaluation reserve	15 608	19 500	15 608	15 608
Total Equity	**29 413**	**31 251**	**25 969**	**25 744**

Comment

Total Equity increased by $5.282m in 2008-09 principally due to increased Property, plant and equipment, and decreased Payables, $0.056m, offset by increased Employee entitlements, $0.077m, being amounts due to employees for annual and long service leave.

The result of the above was that the Accumulated funds increased by the amount of the Net surplus attributable to the State, $1.390m, and Asset revaluation reserve increased by $3.892m as a result of the revaluation of buildings, noted previously.

Receivables in 2008-09 were higher than both budgeted and 2007-08 amounts due to inclusion of amounts recoverable from the House of Assembly and the Legislative Council that were not paid before financial year end.

Property, plant and equipment increased in 2008-09 largely as a result of revaluation of buildings, $3.892m, and additions, $2.363m (including television equipment, $2.038m).

Payables as at 30 June 2009 were less than both budgeted and 2007-08 amounts due to efforts made to pay invoices within time.

Employee entitlements exceeded budgeted amount by $0.102m and the amount in 2007-08 by $0.077m, due to salary increases arising from the new Tasmanian State Service Award, noted under the Income Statement section, and increased leave days accrued.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	5 361	5 567	4 896	5 035
GST receipts	343	830	362	281
Other cash receipts	172	441	870	326
Payments to employees	(2 626)	(2 686)	(2 537)	(2 346)
Payments to suppliers	(2 857)	(5 740)	(2 593)	(2 867)
GST payments	(343)	(838)	(363)	(306)
Cash from (used in) operations	**50**	**(2 426)**	**635**	**123**
Receipts from government - capital	3 540	4 300	0	0
Payments for acquisition of assets	(3 590)	(1 877)	(635)	(113)
Cash from (used in) investing activities	**(50)**	**2 423**	**(635)**	**(113)**
Net increase (decrease) in cash	**0**	**(3)**	**0**	**10**
Cash at the beginning of the year	13	13	13	3
Cash at end of the year	**13**	**10**	**13**	**13**

Comment

Reasons for variations in cash flow amounts and cash balances reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

Legislature-General is generally funded by Appropriation on a cash break-even basis, and not for depreciation or provisions for employee entitlements. Therefore cash reserves are low each year.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Results from operations ($'000s)		(2 910)	(264)	(288)	(52)
Operating margin	>1.0	0.67	0.95	0.95	0.99
Financial Management					
Debt collection	30 days	55	43	46	49
Creditor turnover	30 days	9	27	22	15
Other Information					
Self-sufficiency %		1	1	1	1
Government funding %		133	105	95	99
Staff numbers (FTEs)		33	33	30	27
Average staff costs ($'000s)		82	78	78	80
Average leave balance per FTE ($'000s)		18	16	18	19

Comment

As noted previously under the Financial Results section, the Operating Margin is usually below 1.0, because Government agencies are not funded by Appropriation for depreciation or increases in employee entitlements.

Debt collection was consistently above the benchmark of 30 days for the period under review due principally to higher than average debt levels at the end of June because of increased Parliamentary sitting days during the month for each House and their Budget Estimates Committees.

Self-sufficiency percentage shows that Legislature-General generated a negligible level of independent funding for use in achievement of its objectives.

Increased Average staff costs in 2008-09 was due to salary increases arising from the new Tasmanian State Service Award, noted under the Income Statement section.

OFFICE OF THE GOVERNOR

INTRODUCTION

His Excellency the Governor represents the Crown in Tasmania and discharges the official, constitutional and community responsibilities of the Office of the Governor (the Office). The Office provides His Excellency with the administrative support to carry out this function.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

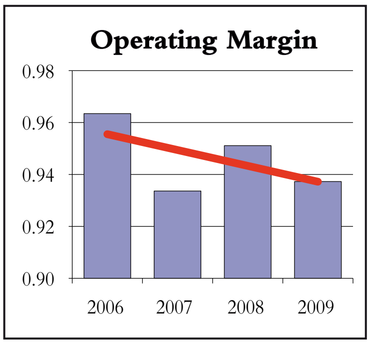
Signed financial statements were received on 15 August 2009 and an unqualified audit report was issued on 28 September 2009.

The audit was completed with satisfactory results.

FINANCIAL RESULTS

The Office's financial results largely reflect receipt of appropriations and subsequent expenditure of those funds.

The Office generally records a Net deficit resulting from non-funded outlays for depreciation and employee provisions. In 2008-09 the deficit attributable to the State was $0.212m.



The Operating Margin was usually below 1.0, indicating that the Office's expenses exceed its income, for the same reason.

INCOME STATEMENT

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	3 068	3 157	3 027	2 773
Resources received free of charge	0	0	118	0
Other revenue	0	11	6	12
Total Revenue	**3 068**	**3 168**	**3 151**	**2 785**
Employee benefits	2 266	2 331	2 144	2 081
Depreciation	230	271	263	210
Other expenses	833	778	906	692
Total Expenses	**3 329**	**3 380**	**3 313**	**2 983**
Net Deficit Attributable to the State	**(261)**	**(212)**	**(162)**	**(198)**

Comment

The Office incurred a Deficit of $0.212m in 2008-09 for the following primary reasons – depreciation and increases in employee entitlements were not funded and the additional revenues from government needed to fund increases in payroll costs were not sufficient. However, to an extent this was offset by savings in budgeted Other expenses.

Actual amounts of Employee benefits exceeded budgeted and 2007-08 amounts by $0.065m and $0.187m, respectively, due to salary increases arising from the new Tasmanian State Service Award and staff separation payments. Increased Revenue from government was required to fund the additional cost.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	1	(1)	(3)	(7)
Other financial assets	54	32	80	92
Non-financial Assets				
Property, plant and equipment	32 407	34 114	34 225	32 448
Total Assets	**32 462**	**34 145**	**34 302**	**32 533**
Liabilities				
Payables	75	68	104	52
Employee entitlements	430	409	376	385
Total Liabilities	**505**	**477**	**480**	**437**
Net Assets	**31 957**	**33 668**	**33 822**	**32 096**
Reserves	19 249	20 777	20 718	18 830
Accumulated surpluses	12 708	12 891	13 104	13 266
Total Equity	**31 957**	**33 668**	**33 822**	**32 096**

Comment

Total equity decreased in 2008-09 in line with the deficit of $0.212m offset by a small revaluation increment of $0.059m.

Other financial assets in 2008-09 were less than both budgeted and 2007-08 amounts due to prepayment of flights in 2007-08 and repayment of a Treasury advance for tax assets.

The actual amount of Property, plant and equipment in 2008-09 was above budgeted amount principally due to the budget being determined before revaluation of buildings in 2007-08. For the same reason Reserves were above the budgeted amount.

CASH POSITION

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	3 068	3 157	3 027	2 773
GST receipts	60	71	80	48
Other cash receipts	0	14	6	6
Payments to employees	(2 249)	(2 302)	(2 143)	(2 019)
Payments to suppliers	(819)	(767)	(856)	(745)
GST payments	(60)	(70)	(76)	(57)
Cash from operations	**0**	**103**	**38**	**6**
Proceeds from disposal of assets	0	0	0	6
Payments for acquisition of assets	0	(101)	(34)	(20)
Cash (used in) investing activities	**0**	**(101)**	**(34)**	**(14)**
Net (decrease) in cash	**0**	**2**	**4**	**(8)**
Cash at the beginning of the year	1	(3)	(7)	1
Cash at end of the year	**1**	**(1)**	**(3)**	**(7)**

Comment

Reasons for variations in cash flow amounts reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

The Office is generally funded by Appropriation on a cash break-even basis, and not for depreciation or provisions for employee entitlements. Therefore cash reserves are low each year.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(212)	(162)	(198)	(102)
Operating margin	>1.00	0.94	0.95	0.93	0.96
Financial Management					
Creditor turnover	30 days	15	25	11	22
Other Information					
Staff numbers (FTEs)		24	24	24	24
Average staff costs ($'000s)		99	91	89	85
Average leave balance per FTE ($'000s)		17	16	16	14

Comment

Result from operations and Operating margin were explained in the Income statement and Financial Results sections of this Chapter.

Creditor turnover reduced to 15 days in 2008-09, reflecting the lower amount of Payables.

Average staff costs increased significantly in 2008-09 largely due to salary increases arising from the new Tasmanian State Service Award and staff separation payments, noted previously under the Income Statement section.

MINISTERIAL DEPARTMENTS

GOVERNMENT DEPARTMENTS

INTRODUCTION

State Government Departments are established by order of the Governor under the provisions of the *State Service Act 2000* (SSA). Ministerial responsibility for departments is assigned under the provisions of the *Administrative Arrangements Act 1990*.

This part of the Report provides information on all Government Departments being the Departments of:

- Economic Development and Tourism (including separate Chapters on Tasmania Development and Resources (TDR) and Tourism Tasmania (TT))
- Education
- Environment, Parks, Heritage and the Arts
- Health and Human Services (again including separate Chapters for Housing Tasmania and the Tasmanian Ambulance Service)
- Infrastructure, Energy and Resources
- Justice
- Police and Emergency Management
- Premier and Cabinet
- Primary Industries and Water
- Treasury and Finance.

TDR and TT are separate statutory authorities which are, for accounting purposes, controlled by the Department of Economic Development and Tourism. Both TDR and TT prepare separate financial statements for audit.

The information on each department is summarised under the following headings:

- Introduction
- Audit of the 2008 09 Financial Statements
- Financial Results:
    - o Income Statement
    - o Balance Sheet
    - o Cash Position
    - o Financial Analysis
- Additional Financial Information (administered transactions).

In most cases we also provide a financial overview and outline significant developments, if any, in the current financial year.

The financial results discussed are derived from the audited financial statements that include Cash and Accrual components. The reporting framework for departments is prescribed through Treasurer's Instructions issued under the *Financial Management and Audit Act 1990* and the requirements of Australian Accounting Standards. Full (unabridged) financial statements are required to be published as part of each department's annual report which must be tabled in Parliament by 31 October following the end of the financial year; at which time they become public documents.

Departments are required to present financial statements in accordance with the Model Departmental Financial Statements developed by Treasury, which require the inclusion of budget information, in line with the original budget, on the face of the statements. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

In all cases our audits concluded that Departments completed their financial statements in accordance with Australian Accounting Standards. However, in our analysis of each Department's financial performance we have, in some cases, reallocated certain revenue or expenditure items to better assist readers interpret financial performance. For example, in the Income Statement appropriations received on capital account are shown after arriving at a Net surplus or deficit for the year and in the Cash Position statement funds received on capital account are shown as investing activities rather than as operating cash receipts.

KEY FINDINGS AND OUTCOMES FROM AUDITS

- Audits of all departmental financial statements were completed with unqualified audit opinions issued in each case.
- All departments submitted financial statements within the statutory deadline.
- Audits were all completed satisfactorily with no major issues outstanding though a number of matters, on which remedial action was agreed with management, were reported to the respective Secretary. Where relevant, details are provided in relevant chapters.

SUMMARY FINANCIAL ANALYSIS

We summarise below significant financial results for each Department. When evaluating the financial performance of Departments it is important to note that, while they are funded on an accruals basis, this does not include funding for depreciation and amortisation charges or for increases in provisions for employee entitlements such as annual and long service leave.

- The **Department of Economic Development and Tourism** recorded a Net deficit of $5.908m this year . Recurrent appropriation increased $17.954m, reflecting the first complete year of the new entity. The closure of Tasmania's Temptations Holidays was announced, as was the $100.00m Tasmanian Industry Support Scheme and the first state roll out of the National Broadband Scheme. First progress payments, for loans totalling $14.500m were made to assist with the construction of a Thermomechanical Pulp Project at Boyer and for construction of the 'Lost Farm' course at Bridport. Net assets decreased by $5.103m to $88.516m with major factors including a decrease in cash of $23.282m due to loan advances of $15.592m resulting from the Tasmanian Industry Support Scheme (TIS).

- The **Department of Educatio**n increased its Net deficit this year by $24.818m to $53.399m. Increased recurrent appropriation of $35.471m included $8.000m for Raising the bar and Closing the Gap initiatives, new Teacher Aides $3.650m and increased salary and wage funding $18.700m. Capital appropriations increased $91.620m to support existing and new projects including Building the Education Revolution. Employee benefits expense increased $28.377m and Grants and subsidies by $16.473m due to the Tasmania *Tomorrow* reforms. During the year Net Assets decreased by $72.375m to $808.108m due mainly to a decrease of $55.035m with the transfer of four college buildings to the Tasmanian Polytechnic.

- **Department of Health and Human Services** recorded a Net deficit of $96.063m a large increase of $58.559m compared to the deficit in the 2007-08 of $37.506m. Recurrent, Capital and SCIF Revenue from Government increased by $85.112m but this was offset by higher employee entitlement costs of $107.332m which, to a large degree reflected the transfer of 264 Mersey Hospital staff back to the Department. Commonwealth funding for the Mersey Hospital accounted for the majority of the increase in Grants revenue of $60.378m. Overall Net assets increased by $75.132m to $2.051bn primarily due to an increase in Housing of $74.552m reflecting revaluation increments and additions of buildings. The Department also recorded a net decrease in cash of $13.234 reversing.

- **Housing** incurred a Net Deficit this year of $21.410m, a marginal improvement from the prior year's deficit of $22.178m. The improvement was due almost entirely from additional funding provided under the national Building Economic Stimulus Package. Total Net assets increased by $141.716m to $1.532bn primarily due to revaluations of Housing's residential properties and land.

- The **Tasmanian Ambulance Service** increased its Net Deficit by $1.054m from last year to $3.692m. While Attributed appropriation rose by $6.147m, employee entitlements, which included five new ambulance positions, the actuarial superannuation expense and other operating expenditure also increased, but by $5.802m.

- **Department of Infrastructure, Energy and Resources** recorded a Net Deficit Attributable to the State of $27.550m a significant reversal of the prior years surplus of $ $14.985m. However, this included a transfer of $25.000m to the Department of Treasury and Finance representing the reallocation of the Urban Renewal and Heritage Fund. The Fund was established with initial funding of $25.000m from the Infrastructure Tasmania Fund (ITF) to provide for the restoration of heritage assets and the renewal of urban areas in communities throughout Tasmania. Revenue from Government – capital maintenance increased $14.182m due mainly to the Brighton bypass. Expenditure for employee entitlements rose by $8.847m, grants and subsidies by $8.119m, mainly due to higher payments to school bus operators, and supplies and consumables by $11.500m with increased spending on the transport hub and maintenance of rail infrastructure assets. Total Net assets increased by $183.398m to $4.612bn primarily due to revaluation of road infrastructure but also due to the commencement of major projects including the East Tamar Highway, the transport hub and the Brighton bypass. .

- The **Department of Justice** recorded a Net Deficit of $4.533m a large increase of $3.717m from the prior year's deficit of $0.816m. Recurrent appropriation increased $5.843m to fund various items including a new Prison perimeter fence, upgrades to Supreme Court holding cells and further prison operations. SCIF funding concluded last year due to the completion of the Monetary Penalty Enforcement Project. Expenditure on Employee entitlements rose $6.343m and Grants and Subsidies by $2.700m due to changes to Commonwealth funding for Legal Aid being received by the Department first rather than direct to Legal Aid. Net Assets increased by $28.894m to $148.931m mainly due to an increment of $ 21.522m relating to revaluations of land and buildings. The Department also received funding to enable it to repay its non-current debt during the year.

- The **Department of Police and Emergency Management** recorded a Net Deficit of $5.548m this, year a large turnaround from the 2007-08 surplus of $3.917m. Grant revenue decreased by $14.640m due to the cessation of funding from the Commonwealth under the National Disaster Mitigation Fund but related grant expenditure decreased by only $11.760m. Total Net assets increased by $20.619m to $160.607m mainly due to indexed revaluation of Land and buildings of $21.042m.
- **Department of Premier and Cabinet** recorded a lower Net deficit this year of $0.600m, a reduction of $0.357m on the prior year's $0.957m deficit. Revenue from government increased $7.635m to fund a large number of initiatives including additional services $3.388m, contributions to the Victorian Bushfires Appeal $1.022m and an IT transformation project of $0.500m. Sale of goods and services increased $1.722m from the prior year due to increased business activity including VMWare licenses and support, Data Centre growth, OSC business development and Tasmanian Training Consortium services. Employee benefits increased $5.225m due to the creation of a new Ministry, re-establishment of a ninth Ministerial Office and implementation of the Legal Practitioners Agreement. Supplies and consumables and Grants and subsidies increased $4.971m due to the first full operational year of the Tasmanian Climate Change Office and the Social Inclusion Unit. The reduction in Total Equity of $0.517m represented mainly the Net deficit incurred this year.

In July 2006 the Department of Premier and Cabinet assumed responsibility for the Tasmanian Community Forest Agreement (TCFA) from Finance-General.

Transactions in the TCFA account for 2008-09 were as follows:

	$m	
Opening balance	9.111	
State grant	15.000	-
Commonwealth grant	19.200	
Payments*	(41.400)	
Closing balance	**1.911**	

* *All paid to Forestry Tasmania*

- **Department of Primary Industries and Water** recorded a Net deficit Attributable to the State of $34.457m this year. This was a significant turnaround compared to the Surplus of $55.747m in the prior year. The deficit resulted, to a large degree from decreased SCIF funding for water resources of $80.750m. $80.000m of this related to the establishment in 2007-08 of the Water Infrastructure Fund (WIF) aimed at enabling major investment in Tasmania's water infrastructure. Commonwealth grants funding was also reduced due to the wind-down in drought relief of $7.995m. Increased expenditure included employee entitlements and consultants and contract services of $3.971 due to increased recoveries by Treasury in the administration of Crown Lands. Total Net assets decreased $47.282m primarily resulting from a fall in Cash and deposits of $40.120m due to $14.224m paid to Rivers and Water Supply Commission from the WIF and repatriation of $17.900m of CLAF funds to Treasury. In addition, Net assets declined by $7.179m being asset write downs following a reconciliation to Land and Title Office records that indicated estimates of assets held in records from prior years had been overstated.
- As In accordance with the State Service (Restructuring) Order 2008, under section 11 of the *State Services Act 2000*, the **Department of Environment, Parks, Heritage and the Arts** (the Department) ceased to exist on 1 July 2009. Despite this, the financial statements were prepared on a going concern basis. The operational divisions of the Department were transferred to a newly formed Department of Primary Industries, Parks, Water and the Environment (DPIPWE) and Department of Economic Development, Tourism and the Arts (DEDTA) effective 1 July 2009.

The Department incurred a Net Deficit of $5.869m. In the prior year in operated at a deficit of $3.307m. However, overall, the Net Surplus Attributable to the State was $22.377m, an increase of $18.296m from last year. This large increase resulted mainly from contributions received by the Department of $17.904m due to an Antarctic herbarium collection received from the Australian Antarctic Division valued at $14.611m and three properties donated by Henry Baldwin estate to Tasmanian Museum and Art Gallery. The Department also recognised assets for the first time, $5.337m. Net Assets increased by $12.295m to $1.057bn after offsetting a decrease of $10.082m resulting from Asset revaluations.

- The **Department of Treasury and Finance** reported a Net deficit of $1.072m, an increase of $0.673m from the prior's year deficit $0.399m. Revenue from Recurrent appropriations and SCIF funding increased $2.072m but was offset by increased employee expenditure of $1.562m and Grants and subsidies of $1.187m, due mainly to increased Bass Strait Islands CSO funding. Transfers to the Consolidated Fund included a transfer of $5.000m from the Contract Management Account, a trust fund account, as a result of a budget management strategy to alleviate the Consolidated Fund Deficit. Total Equity was a negative of $1.708m versus a surplus of $4.360m last year a turnaround of $6.068m reflecting the deficit recorded this year and the transfer of $5.000m from the Contract Management Account.

  The Division of Finance-General reported a net surplus of $46.954m a very large change from last year's surplus of $847.804m. This year's results were affected by additional recurrent funding including the acquisition of Alinta Energy (Tamar Valley) $100.00m. This was offset by increasing superannuation expense, up $305.571m and smaller growth in net assets of entities owned by the Government, down $209.888m. The 2007-08 net surplus was primarily due to the sale of a number of government owned businesses and an increase of $446.385m in Finance-General's equity investments in GBEs and SOCs.

  Since 2003, the State Government has invested $30.473m in optical fibre infrastructure with this asset recognised in the records of Finance General. As there was no direct economic benefit to Finance-General, the asset was fully impaired resulting in recognition of Impairment losses of $30.473m in 2008 09.

  This year's cash flows resulted in a Net decrease in cash of $73.611m compared to the prior year's increase of $562.380m. The decrease was caused mainly by an Equity contribution to Aurora for the acquisition of the Tamar Valley Power Station, $100.000m and the Public Account cash reimbursements of $118.091m, which represented the net movement of funds held on behalf of other agencies in the Special Deposits and Trust Fund. Also in 2007-08 an amount of $304.602m was recorded in Other cash receipts representing proceeds from the sale of Government Business assets.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

INTRODUCTION

The Department of Economic Development and Tourism facilitates economic and industry development provides opportunities for Tasmanians to participate in sport and recreation and promotes the Tasmanian tourism industry.

Ministerial portfolios were redistributed in February 2008, which resulted in the transfer of Tourism Tasmania and Events Tasmania from the former Department of Tourism, Arts and the Environment to the newly formed Department of Economic Development and Tourism (the Department).

The Department's objectives are realised through three output groups:

- Economic Development, which encompasses Tasmania Development and Resources (TDR)
- Sport and Recreation
- Tourism, which includes Tourism Tasmania and Events Tasmania.

Separate chapters are included for TDR and Tourism Tasmania, which are distinct statutory authorities operating under the *Tasmanian Development Act 1983* and *Tourism Tasmania Act 1996*, respectively. However, this Chapter analysis the amalgamated financial performance of the Department, TDR, Tourism Tasmania and Events Tasmania and the three chapters should be read together.

The Department is also responsible for managing the *Intelligent Island* program and for Tasmania's Temptations Holidays program.

Significant developments during 2008-09 included:

- released the first progress payment of a $4.500m loan to assist construction of the 'Lost Farm' course on the Barnbougle property at Bridport
- $100.000m Tasmanian Industry Support Scheme (TISS) launched to support businesses affected by the Global Financial Crisis
- released the first progress payment of a $10.000m loan to Norske Skog Paper Mills (Australia Limited) to assist the company with the construction of a Thermomechanical Pulp Project at its Boyer site
- announcement of Tasmania as the first state to roll out the $43.000bn National Broadband Network which is proposed to connect up to 90 per cent of Australian homes to ultra-fast broadband. This is commented upon further in the Aurora Energy Pty Ltd Chapter in this Report
- the Department of Environment, Parks, Heritage and the Arts ceased to exist from 1 July 2009. As a result of the government's administrative restructure the Tasmanian Museum and Art Gallery and Arts Tasmania have joined the Department
- the closure of Tourism Tasmania's travel wholesale arm Tasmania's Temptations Holidays by 30 September 2009.

As at 30 June 2009 responsible Ministers were the Minister for Economic Development and the Minister for Tourism, Arts and Sport and Recreation.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements for the Department were received on 14 August 2009, with amended financial statements received on 30 September 2009. An unqualified audit report was issued on 30 September 2009.

The audit was completed satisfactorily with no major items outstanding.

Matters reported to management and to the Secretary included the absence of current grant deeds or funding agreements for two annually administered grant payments, excessive leave balances for some employees and the need to review the recoverability of loans made to customers of Screen Tasmania currently recognised at cost.

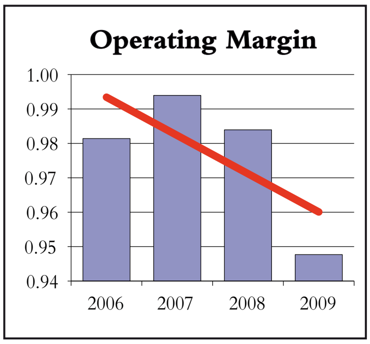
Management are addressing these matters.

FINANCIAL RESULTS

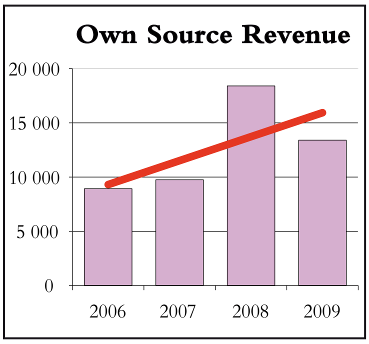
As expected, the Department generally operated at a deficit being largely dependent on Appropriations for its operations. It was not funded for its depreciation charges or increases in employee provisions.

In 2008-09 the Department recorded a Net Deficit of $5.908m which was $4.491m higher than 2007-08 due to lower Interest revenue, higher employee entitlements, a decrease of $0.913m in the fair value of investment properties and decreased travel sales from Tasmania Temptations Holidays.

The graphs below highlighted important aspects of the Departments operations:



Operating margin was below benchmark in all four years under review. The fall in 2008-09 was primarily due to the higher Net Deficit.



Own Source Revenue in 2007-08 and 2008-09, included sales revenue generated by Tourism Tasmania through Tasmania's Temptations. Travel revenue decreased by $0.758m in 2008-09. Other sources of revenue include interest, rent, fees and recoveries.

INCOME STATEMENT

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	79 348	78 114	60 301	45 439
Revenue from government - appropriation carried forward	0	940	1 309	1 100
Revenue from Economic and Social Infrastructure Funds	0	14 554	17 281	24 283
Grants	12 882	20	262	308
Interest revenue	924	2 426	4 023	4 098
Sales of goods and services	7 782	3 684	5 697	0
Gain on fair value revaluations	0	437	1 399	(879)
Other revenue	0	6 859	7 288	6 532
Total Revenue	**100 936**	**107 034**	**97 560**	**80 881**
Employee entitlements	29 034	32 388	23 033	18 477
Depreciation and amortisation	1 192	1 321	1 122	1 049
Gain(loss) on sale of non-financial assets	0	39	173	12
Grants and subsidies	45 601	44 413	37 379	26 647
Borrowing costs	1 473	1 302	1 690	1 607
Impairment losses	0	(75)	(1 135)	(169)
Write down of assets	0	0	287	12
Advertising and promotion	0	8 068	9 094	1 243
Contracted services	0	7 615	6 520	20 728
Other expenses	34 732	17 871	20 989	11 768
Total Expenses	**112 032**	**112 942**	**99 152**	**81 374**
Net Surplus (Deficit) before:	**(11 096)**	**(5 908)**	**(1 592)**	**(493)**
Resources received free of charge	0	0	175	20 124
Commonwealth debt forgiveness	0	0	0	0
Net Surplus (Deficit) Attributable to the State	**(11 096)**	**(5 908)**	**(1 417)**	**19 631**

Comment

Net Deficit increased by $4.491m from 2007-08 due mainly to:

- Interest revenue decreased by $1.597m, 39.69%, due to reduced cash holdings and lower interest rates
- lower contribution by $0.927m from the sale of travel products through Tasmania's Temptations Holidays
- redundancy payments from the closure of Tasmania's Temptations Holidays, approximately $0.779m, and increased Long service leave expenses, $1.488m
- a decrease of $0.913m in the fair value of investment properties. Investment properties are revalued annually by an independent valuer and any gain or loss arising from valuation is recognised in the Income Statement.

Budget Variances

There were two main reasons for variances between budget estimates and actual results, being:

- unbudgeted closure of Tasmania's Temptations Holidays resulted in unexpected wind-down of activities
- classification differences for some items between budget and financial statement categories. For example, budget variances in Revenue from Economic and Social Infrastructure Funds and Grants were the result of classification differences. Similarly, for some expense items such as Grants and subsidies, Contracted services and Other expenses actual expenses were recorded across categories different to budget.

In view of the varying classifications of revenues and expenditures, we analysed movements between budgeted revenues and expenses in total as follows:

- Actual Revenues exceeded budget by $6.098m due to:
  - o Interest revenue, over budget mainly due to lower than expected funding disbursed for the Intelligent Island program, leading to higher balances in the investment account compared to budget
  - o Other revenue, over budget due to greater then anticipated revenue being collected from investment properties and other sources including Silverdome activities.
- actual expenses were only $0.910m above budget requiring no comment.

INTELLIGENT ISLAND PROGRAM

Intelligent Island Program aims to create higher, long-term sustainable growth of the State's Information Communications and Technology (ICT) industries.

Initial funding of $40.000m was provided by the Australian Government from the partial sale of Telstra. On 21 December 2005, the Australian and Tasmanian Governments jointly announced new directions for Phase 2 of the Intelligent Island Program, which included a new research centre established in the State and a new grants program that would encourage local ICT companies to develop products and market them globally.

The table below showed the financial status of the program since 2005-06:

	2008-09	**2007-08**	**2006-07**	**2005-06**
	$'000s	$'000s	$'000s	$'000s
Cash Opening Balance	**21 423**	**28 638**	**31 953**	**30 984**
Interest received	1 112	1 659	1 749	1 592
Project grants	8 987	8 437	4 452	405
Administration	469	437	612	218
Total Payments	**9 456**	**8 874**	**5 064**	**623**
Cash Closing balance	**13 079**	**21 423**	**28 638**	**31 953**

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	29 799	31 964	55 246	55 209
Receivables	1 169	444	763	925
Loan advances	21 485	21 587	5 995	7 585
Equity investments	4 096	5 695	6 142	6 466
Others	2 497	0	0	0
Non-financial Assets				
Property, plant and equipment	30 153	38 069	37 740	33 257
Investment property	9 650	11 570	11 100	11 450
Intangibles	122	655	550	274
Other non-financial assets	765	3 336	3 596	1 560
Total Assets	**99 736**	**113 320**	**121 132**	**116 726**
Liabilities				
Payables	2 500	3 491	4 399	3 065
Interest bearing liabilities	20 027	12 021	14 024	14 027
Provisions	0	1 768	1 541	807
Employee entitlements	5 231	6 415	5 106	3 229
Other liabilities	4 366	1 109	2 443	1 793
Total Liabilities	**32 124**	**24 804**	**27 513**	**22 921**
Net Assets	**67 612**	**88 516**	**93 619**	**93 805**
Reserves	1 127	4 304	3 499	647
Accumulated funds	66 485	84 212	90 120	93 158
Total Equity	**67 612**	**88 516**	**93 619**	**93 805**

Comment

During 2008-09 the Department's Total Equity decreased by $5.103m due to the Net Deficit, $5.908m, which was offset by an upward revaluation of Land and buildings.

The corresponding decrease in Net Assets was mainly due to the following factors.

- Cash decreased by $23.282m. Details are provided in the Cash Position section of this Chapter
- Employee entitlements increased by $1.309m. This was primarily due to the 3.5% wage increase on 31 December 2008, higher FTE numbers and increased long service leave expenses, as explained previously.

These factors were offset partly by:

- Loan advances increased by $15.592m due to the Tasmanian Industry Support Scheme (TIS). The TIS is an initiative of the Tasmanian Government that provides support for sustainable private sector businesses which are otherwise at risk of closure or significant downsizing, or are experiencing impaired investment capacity, as a result of the current volatility in financial markets and consequent credit conditions

- Interest bearing liabilities decreased by $2.003m, 14.28%, due to repayments made during 2008-09
- Payables decreased by $1.155m, 24.86% due to reduced accrued interest on borrowings because of lower interest rates
- Other liabilities decreased by $1.134m due to drops in Revenue received in advance, $0.514m, and carried forward appropriations, $0.800m.

The primary reasons for variations between budget and actual results were:

- Receivables, under budget due to improved debtor collection procedures and continued run-off of the Tasmania's Temptations activities
- Equity investments, over budget due to investments in Screen Tasmania projects
- Property, plant, equipment and Intangibles, over budget due to increased investments in intangibles and leasehold improvements together with revaluations of sporting properties which consequently impacted the variance in Reserves
- Other non-financial assets, over budget due to the reclassification of Other assets and better capturing techniques
- Investment properties, over budget due to property revaluations
- Payables, over budget due to budget amount not reflecting trust account balances owed by other entities
- Interest bearing liabilities, under budget due to client loan repayments with subsequent reduction in related debts.

Commitments

Commitments were not recognised on a Department's Balance Sheet. However, they were significant items representing future outgoings to be funded from Government revenue.

The majority of the Department's commitments related to loans approved but not drawn down by clients totalling $6.550m (2007-08, $15.890m) and assistance to industry commitments of $20.300m ($10.847m). The assistance to industry commitments represented committed funding over a period greater than one year, on which the actual amount payable was dependent upon approved recipients meeting certain conditions.

Lease commitments, which represented rental costs for leased premises occupied by the Department, office equipment and motor vehicles, were estimated to be $7.864m at the end of the current year (2007-08, $9.954m). Capital commitments were $0.057m ($3.040m).

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	79 348	78 255	61 240	46 748
Receipts from economic and social infrastructure funds	0	14 554	17 281	24 283
Grants	12 882	20	262	1 613
GST receipts	6 500	700	5 013	3 888
Interest received	924	2 529	4 094	4 055
Sales of goods and services	7 782	3 378	6 571	0
Other cash receipts	0	6 296	2 306	4 731
Payments to employees	(28 856)	(31 457)	(23 040)	(18 295)
Grants and subsidies	(45 501)	(39 295)	(37 999)	(26 626)
Interest payments	(1 473)	(1 477)	(1 747)	(1 610)
GST payments	(6 500)	(7 793)	(6 023)	(4 493)
Other cash payments	(34 564)	(30 844)	(29 461)	(33 473)
Cash from (used in) operations	**(9 458)**	**(5 134)**	**(1 503)**	**821**
Proceeds from disposal of assets	0	651	2 050	84
Repayment of loans by other entities	450	2 249	4 814	5 405
Receipts from government - capital	0	0	0	0
Receipts from investments	2 700	690	569	0
Net proceeds from trust activities	0	(158)	(540)	1 192
Loans made to other entities	0	(17 130)	(2 060)	(1 518)
Payments for acquisition of assets	(150)	(1 628)	(2 516)	(4 820)
Payments for investments	0	(819)	(533)	(585)
Cash from (used in) investing activities	**3 000**	**(16 145)**	**1 784**	**(242)**
Proceeds from borrowings	0	0	25000	24 000
Repayment of borrowings	(1 000)	(2 003)	(25 003)	(31 000)
Cash (used in) financing activities	**(1 000)**	**(2 003)**	**(3)**	**(7 000)**
Net increase (decrease) in cash	**(7 458)**	**(23 282)**	**278**	**(6 421)**
Cash at the beginning of the year	37 257	55 246	55 209	61 630
Cash inflow on administrative restructure	0	0	(241)	0
Cash at end of the year	**29 799**	**31 964**	**55 246**	**55 209**

Comment

The Department's cash position decreased by $23.282m to $31.964m at 30 June 2009 mainly due to:

- increased Loan advances, $15.070m, as explained in the Balance Sheet section previously
- repayment of borrowings, $2.003m
- net Cash applied to operations, $5.134m which is consistent with the Deficit for the year.

There were two main reasons for variances between budget and actual results, being:

- closure of Tasmania's Temptations and therefore the unexpected wind-down of activities
- classification differences of some items between budget and financial statement categories.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(5 908)	(1 592)	(493)	(1 465)
Operating margin	>1.0	0.95	0.98	0.99	0.98
Underlying result ratio		(6%)	(2%)	(1%)	(2%)
Own source revenue		13 406	18 407	9 751	8 926
Financial Management					
Debt collection	30 days	15	21	36	49
Creditor turnover	30 days	13	12	22	9
Other Information					
Self-sufficiency (%)		12	18	12	12
Government funding (%)		94	98	99	98
Average staff numbers (FTEs)		400	322	236	222
Average staff costs ($'000s)		79	72	78	80
Average leave balance per FTE ($'000s)		13	15	13	13

Comment

As expected, because departments were not funded for depreciation or increases in employee entitlements, the Result from operations was in deficit and Operating margin below benchmark in all years under review. These results were consistent with the Net Deficit for the year the reasons for which were explained in the Income Statement section.

Underlying result ratio was close to break-even in all years under review and moved in line with Operating results. Being negative, this reflected the fact that the Department was not funded for all costs.

Sales revenue generated by Tourism Tasmania through Tasmania's Temptations, recognised for the first time in 2007-08 following a restructure, resulted in the significant increase of Own source revenue. The decrease in comparison to prior year was largely due to decreased travel revenue of Tasmania's Temptations. The increase in using of distribution channels such as the internet, to research, plan and book travel, presented challenges to traditional communication, such as brochures and travel agents. As a result revenue from travel sales halved. Interest revenue decreased substantially in comparison to prior year and was also a factor in lower Own source revenue.

Debt collection ratio was below the 30 day benchmark due to improved debtor collection procedures and the continued run-off of Tasmania's Temptations activities. The unusually high levels in 2005-06 and 2006-07 were due to fit-out costs recoverable by the Department from its Technopark tenants.

Creditor turnover remained low and well below the 30 day benchmark, as the Department paid its creditors on receipt of invoices, instead of individual credit terms.

Self-sufficiency ratio on average was 13.4%. Sales revenues generated by Tourism Tasmania through Tasmania's Temptations impacted on last year's percentage. The main sources of non-government revenue were interest, rent and other recoveries and fees and, commencing from the current year, travel sales. However, the heavy reliance on government funding continued, as indicated by the high levels of the Government funding ratio, in common with most departments.

Average staff numbers increased in comparison to prior year but Average staff costs and leave balance remain consistent over the period of review except for 2007-08 which related to the restructure of the Department.

In the 2007-08 the restructure of the Department impacted on Average staff numbers, which increased by 86 FTEs. Last year's Average staff costs was skewed, as the calculation did not include the first eight months of expenses for Tourism Tasmania and Events Tasmania employees before their transfer to the Department. The increase in Average leave balance in 2007-08 was also affected by the transfer.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions were not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement. The Department's has only recorded administered activities since 2006-07, following a transfer of activities resulting from a departmental restructure

In 2008-09 the Administered Income and Expenses related to the Tasmanian Icons Program.

Administered Income and Expenses

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000	$'000	$'000	$'000
Revenue from government - recurrent	1 000	1 000	2 005	2 390
Total Revenue	**1 000**	**1 000**	**2 005**	**2 390**
Grants and subsidies	1 000	1 000	2 005	2 390
Total Expenses	**1 000**	**1 000**	**2 005**	**2 390**
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**0**

Administered Cash Flow

	2008-09 Budget $'000	2008-09 Actual $'000	2007-08 Actual $'000	2006-07 Actual $'000
Receipts from government - recurrent	1 000	1 000	2 005	2 390
Cash infows	**1 000**	**1 000**	**2 005**	**2 390**
Grants and subsidies	(1 000)	(1 000)	(2 005)	(2 390)
Cash outflows	**(1 000)**	**(1 000)**	**(2 005)**	**(2 390)**
Net increase (decrease) in cash	**0**	**0**	**0**	**0**
Cash at the beginning of the year			0	0
Cash at the end of the year	**0**	**0**	**0**	**0**

Comment

Grants and subsidies paid in the current year related to the Tasmanian Icons Program $1.000m (2007-08, $0.250m).

In 2007-08, $1.755m was paid to Sullivan's Cove Waterfront Authority. No such funding was provided to the Authority in the current year.

The Department did not hold any administered assets or liabilities.

TASMANIA DEVELOPMENT AND RESOURCES

INTRODUCTION

Tasmanian Development Authority was established under the *Tasmanian Development Act 1983* and operates under the corporate name of Tasmania Development and Resources (TDR). The TDR Board (the Board) is responsible for the industry-related activities of the Department of Economic Development and Tourism (the Department).

TDR's key corporate objectives are to:

- develop a world class business environment
- provide ongoing strategic direction and data for industry development within the State
- provide strategic business support services
- identify, prioritise and develop relevant industry programs and products
- assist small businesses to grow
- provide training, skills enhancement and management support to business
- provide export support and culture
- attract new internal and external investment
- provide effective, efficient and quality administration of the Government's loan and property portfolios.

The Board has nine members, who were appointed by the Governor on the recommendation of the relevant Minister.

TDR is a separate reporting entity and as such is required to prepare its own financial statements, which are incorporated within the Department's annual report. The operations of TDR are funded by Appropriation to the Department, which then allocates funding to TDR activities based on its budget.

As at 30 June 2009 the responsible Minister was the Minister for Economic Development.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements for TDR were received on 13 August 2009. Amended financial statements were received on 29 September 2009, and an unqualified audit report was issued on the same day.

The audit was completed satisfactorily with no major items outstanding.

Matters reported to management and to the Board included the need for:

- board minutes to be signed
- a review of the carrying amounts of amounts owing to Screen Tasmania which are currently recognised at cost
- management of excessive leave balance for some employees.

Management are addressing these matters.

The Board also needs to resolve with Treasury whether or not it must recognise interest bearing liabilities from the State Government of $7.895m. TDR has not recognised this liability but was required to pay interest on it totalling $0.427m in the current year (2007-08, $0.561m).

Significant developments during 2008-09 included:

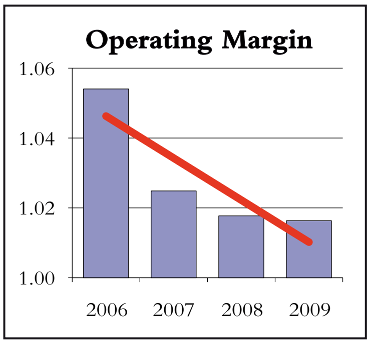
- released the first progress payment of a $4.500m loan to assist construction of the 'Lost Farm' course on the Barnbougle property at Bridport
- $100.000m Tasmanian Industry Support Scheme (TISS) launched to support businesses affected by the Global Financial Crisis
- released the first progress payment of a $10.000m loan to Norske Skog Paper Mills (Australia Limited) to assist the company with the construction of a Thermomechanical Pulp Project at its Boyer site
- announcement of Tasmania as the first state to roll out the $43.00bn National Broadband Network which is proposed to connect up to 90 per cent of Australian homes to ultra-fast broadband. This matter is commented upon further in the Aurora Energy Pty Ltd Chapter of this Report.

FINANCIAL RESULTS

TDR is largely dependent on Appropriations for its operations. Any surplus/deficit is primarily the result of the management of its investment and loan activities including interest earned and rents charged.

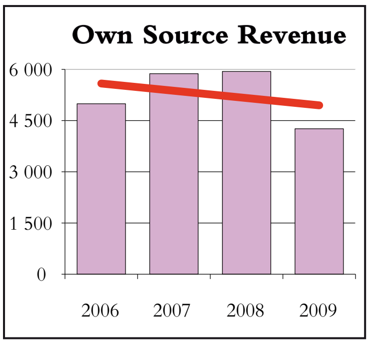
In 2008-09 TDR recorded a Net surplus of $1.291m, which was a decrease on the 2007-08 result of $3.417m. The main reason for this was a decrease in interest revenue of $0.974m and a decrease of $0.913m in the fair value of investment properties.

The graphs below highlight significant financial results:



TDR's Operating margin was consistently above the benchmark of one because its activities were primarily funded through appropriation on a break even-basis and it earned some Own source revenues such as interest. However, the margin is decreasing requiring management attention.

TDR's Own source revenue is sourced from interest, rent on investment properties and other fees and recoveries. At its highest, Own source revenue was 10.7% of total revenue.



INCOME STATEMENT

	2008-09 $'000s	2007-08 $'000s	2006-07 $'000s	2005-06 $'000s
Attributed revenue from government – recurrent	39 707	41 781	37 092	36 588
Revenue from economic and social infrastructure funds	4 514	6 771	17 461	19 920
Grants	0	0	27	199
Interest revenue	1 403	2 377	2 332	2 466
Gain on fair value revaluations	437	1 350	0	0
Resources received free of charge	0	100	0	115
Other revenue	2 858	3 562	3 542	5 777
Total Revenue	**48 919**	**55 941**	**60 454**	**65 065**
Attributed employee entitlements	16 720	15 712	15 167	14 679
Depreciation and amortisation	532	571	771	630
Grants and subsidies	14 738	17 760	10 077	11 652
(Gain) loss on sale of non-financial assets	23	169	18	67
Borrowing costs	1 273	1 718	1 607	1 766
Impairment (gains) losses	(75)	(852)	(160)	2 442
Loss on fair value revaluations	0	0	836	3 363
Write down of assets	0	0	0	34
Contracted services	3 402	3 261	20 266	21 166
Other expenses	11 015	14 185	11 064	11 596
Total Expenses	**47 628**	**52 524**	**59 646**	**67 395**
Net Surplus (Deficit) before:	**1 291**	**3 417**	**808**	**(2 330)**
Commonwealth debt forgiveness	0	0	0	6 065
Net Surplus attributable to the State	**1 291**	**3 417**	**808**	**3 735**

Comment

Net Surplus decreased by $2.126m from 2007-08 primarily due to:

- Interest revenue decreased by $0.974m, 40.97%, due to less cash holdings and decreased interest rates
- a decrease of $0.913m in the fair value of investment properties. Investment properties are revalued annually by an independent valuer and any gain or loss arising from valuation is recognised in the Income Statement
- decreased Other operating revenue, comprising of rent, one-off grant funding and other fees and recoveries, of $0.704m, 19.76%. The decrease was due to a lower level of activity associated with the International Education program which was transferred to the Tasmanian Polytechnic
- Attributed employee entitlements increased by a $0.649m increase in Long service leave expense, caused by changes to discount factors used in associated calculation of the provision.

The above factors were partly offset by:

- Borrowing costs decreased by $0.445m, 25.59%, due to lower interest rates in comparison to prior year and reduced borrowings
- Other operating expenses, comprising administration type expenditure, decreased by $3.170m, 22.34%. There was an overall decrease in expenditure during 2008-09 due a number of projects being reduced due to Government budget management strategies.

BALANCE SHEET

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	14 676	29 538	25 352	29 676
Receivables	249	400	676	817
Loan advances	21 247	5 655	7 245	10 524
Equity investments	5 695	6 142	6 466	6 336
Non-financial Assets				
Property, plant and equipment	6 499	7 098	7 600	8 358
Investment property	11 570	11 100	11 450	10 331
Intangibles	125	200	274	348
Other non-financial assets	2 256	2 945	1 552	1 281
Total Assets	**62 317**	**63 078**	**60 615**	**67 671**
Liabilities				
Payables	2 095	2 732	2 951	4 618
Interest bearing liabilities	12 021	14 024	14 027	21 027
Provisions	1 158	1 001	906	1 358
Attributed employee entitlements	3 591	2 708	2 649	2 557
Other liabilities	415	867	1 753	590
Total Liabilities	**19 280**	**21 332**	**22 286**	**30 150**
Net Assets	**43 037**	**41 746**	**38 329**	**37 521**
Reserves	647	647	647	647
Accumulated funds	42 390	41 099	37 682	36 874
Total Equity	**43 037**	**41 746**	**38 329**	**37 521**

Comment

During 2008-09 TDR's Total equity increased by $1.291m due to the Net Surplus.

The corresponding increase in Net asset was due to the following factors.

- Loan advances increased by $14.862m due to the Tasmanian Industry Support Scheme (TIS). The TIS is an initiative of the Tasmanian Government that provides support for sustainable private sector businesses which are otherwise at risk of closure or significant downsizing, or are experiencing an impaired investment capacity, as a result of the current volatility in financial markets and the consequent credit conditions
- Interest bearing liabilities decreased by $2.003m, 14.28%, due to repayments made during 2008-09. One of the distinctions between TDR and a government agency in general, is TDR's ability to borrow money to fund its activities, mainly lending and equity and property investments

- Other liabilities decreased by 52.13%, $0.452m, due to decreased Revenue received in advance. Revenue received in advance in the current year was $0.140m down from $0.576m in 2007-08.

These factors were offset partly by:

- Cash decreased by $14.862m. Details are provided in the Cash Position section of this Chapter
- Attributed employee benefits increased by $0.883m. This was predominately due to 3.5% increase on 31 December 2008, increased FTE numbers and an increase in long service leave expenses, as explained previously
- Property, plant and equipment decreased by $0.599m, mainly attributable to War Service Land Settlement properties sold during the year, amortisation of leasehold improvements and depreciation charges for other equipment.

Commitments

TDR had commitments related to loans approved but not drawn down by clients totalling $6.550m (2007-08, $15.890m) and assistance to industry commitments of $6.395m ($9.067m). The assistance to industry commitments represented committed funding over a period greater than one year, on which the actual amount payable is dependent upon the approved recipients meeting certain conditions.

In addition, TDR had lease commitments, which represented rental costs for leased premises occupied by TDR, office equipment and motor vehicles, estimated at $4.890m at 30 June 2009 (2007-08, $6.291m).

The above commitments were not recognised on TDR's Balance Sheet, however they represented future outgoings to be funded from Government revenue.

The balance of Interest bearing liabilities did not include a loan from the State Government of $7.895m, which was a non-repayable advance. However, TDR was required to pay interest on this loan, which totalled $0.427m in the current year (2007-08, $0.561m) and was included in Borrowing costs, and funded by appropriation.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Attributed receipts from government - recurrent	39 271	41 047	40 791	36 715
Receipts from Economic and Social Infrastructure funds	4 514	6 771	17 461	19 920
Grants	0	0	32	201
GST receipts	290	356	3 888	6 125
Interest received	1 417	2 433	2 305	2 205
Other cash receipts	2 583	3 352	3 091	5 308
Attributed payments to employees	(16 079)	(15 538)	(15 061)	(14 559)
Grants and Subsidies	(12 603)	(16 507)	(12 442)	(11 656)
Interest payments	(1 447)	(1 767)	(1 610)	(1 472)
GST payments	(2 856)	(3 642)	(4 475)	(4 911)
Other cash payments	(12 930)	(16 276)	(31 057)	(32 889)
Cash from operations	**2 160**	**229**	**2 923**	**4 987**
Proceeds from investments and disposal of assets	1 326	2 609	34	207
Repayment of loan advances	2 249	4 814	5 405	3 097
Net proceeds from trust activities	(158)	(540)	(1 144)	653
Loans advanced	(17 130)	(2 060)	(1 518)	(2 201)
Payments for acquisition of non-financial assets	(487)	(330)	(2 439)	(4 634)
Payments for investments	(819)	(533)	(585)	(200)
Cash from (used in) investing activities	**(15 019)**	**3 960**	**(247)**	**(3 078)**
Additional Government revenue for debt repayment	0	0	0	0
Proceeds from borrowings	0	25 000	24 000	30 000
Repayment of borrowings	(2 003)	(25 003)	(31 000)	(32 041)
Cash (used in) financing activities	**(2 003)**	**(3)**	**(7 000)**	**(2 041)**
Net increase (decrease) in cash	**(14 862)**	**4 186**	**(4 324)**	**(132)**
Cash at the beginning of the reporting period	29 538	25 352	29 676	29 808
Cash at end of the year	**14 676**	**29 538**	**25 352**	**29 676**

Comment

The TDR's cash position decreased by $14.862m to $14.672m at 30 June 2009 mainly due to:

- increased Loan advances of $15.070m as explained in the Balance Sheet section previously
- increased net repayment of borrowings of $2.000m.

These were offset by increased Cash from operations, $1.931m, decreased payments for Grants and subsidies and Other cash payments which compensated for decreased revenue from Recurrent appropriations and funding from the Economic and Social Infrastructure Fund.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operators ($'000s)		1 291	3 417	808	(2 330)
Operating margin	>1.0	1.02	1.02	1.02	1.05
Underlying result ratio		3%	6%	1%	(4%)
Own source revenue ($'000s)		4 261	5 939	5 874	4 993
Financial Management					
Debt collection	30 days	32	29	50	95
Creditor turnover	30 days	0	0	0	7
Other Information					
Self-sufficiency (%)		14	19	20	24
Government funding (%)		103	107	101	96
Average staff numbers (FTEs)		215	199	195	186
Average staff costs ($'000s)		78	79	78	79
Average leave balance per FTE ($'000s)		15	12	13	13

Comment

Financial Performance indicators show that TDR operated at a surplus each year. Furthermore, the analysis suggests that TDR's overall results were greatly affected by non-operating transactions, such as movement in fair-value of its investment properties and debt forgiveness. Operating margin was above benchmark, reflecting positive Result from operations. The Underlying result ratio and Owned source revenue decreased in comparison to prior year due to lower interest revenue.

Debt collection was just above the 30 day benchmark. The unusually high levels in 2005-06 and 2006-07 were due to fit-out costs recoverable by TDR from its Technopark tenants.

Self-sufficiency ratio showed the level of independent funding that TDR generated for use in achievement of its objectives. The ratio decreased to 14%, due to the lower Interest revenue. The main sources of non-government revenue were interest, rent and other recoveries and fees. However, the heavy reliance on government funding continued, as indicated by the high Government funding ratio. This was consistent with TDR's main function being to implement the Government's economic and social strategies.

Movements in staff numbers had minimal impact on Average staff costs over the four-year period. Average leave balances increased from prior year due to pay increases and changes to discount factors previously mentioned.

TOURISM TASMANIA

INTRODUCTION

Tourism Tasmania (the Authority) operates as a statutory authority under the *Tourism Tasmania Act 1996*. Previously, the Authority was part of the former Department of Tourism, Arts and the Environment. Following a restructure in February 2008, the Authority was transferred to the newly formed Department of Economic Development and Tourism (the Department).

The Tourism Tasmania Board (the Board) is responsible for management of the Authority and its functions. The Board comprises seven members including the Authority's Chief Executive Officer. With the exception of the Chief Executive Officer, Board members are appointed by the Governor on recommendation of the Portfolio Minister.

The Authority's vision is for Tasmania to be a world leader in sustainable tourism. Its primary role is to lead the tourism industry to jointly deliver marketing and development programs that drive benefits for Tasmania from domestic and international tourism.

In accordance with the *Tourism Tasmania Act 1996,* the Authority prepares annual financial statements for audit and it also prepares an annual report. In addition, its financial and operating performance is reported within the annual report of the Department which reports aggregated financial performance.

The Authority's operations are predominantly funded from two sources:

- attributed Parliamentary appropriations incorporating recurrent funding and project funding from Special Capital Investment Funds (SCIF)
- services provided on a fee for service basis including travel sales, advertising and other user charges.

A significant development in 2007-08 was Government's decision to close the Authority's travel wholesale arm Tasmania's Temptations Holidays by 30 September 2009. The Authority has, over a number of years redefined the way it does business in order to remain competitive in a challenging global tourism market. This decision allows the Authority to focus on providing comprehensive support and development opportunities to the Tasmanian tourism industry through a refocused digital and distribution Business Model including a Distribution Partnership team and the recently launched Tas e-Connect initiative. A restructured Tourism Tasmania Contact Centre was created from 1 July 2009. Staff affected by this decision were offered redundancies or transfers within the Department or other Government entities.

As at 30 June 2009 the Responsible Minister was the Minister for Tourism and the Arts.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009. An unqualified audit report was issued on 29 September 2009.

The 2008-09 audit was completed satisfactorily with no major issues outstanding.

Matters reported to management and the Board included the absence of current grant deeds or funding agreements for two annually administered grant payments and excessive leave balances for some employees.

Management are addressing these matters.

Comparatives 2007-08

The 2007-08 comparative figures were adjusted to reflect:

- inclusion of Events Tasmania resulting in $2.833m of revenue and $2.999m of expenditure, previously reported in the financial statements of the Department.
- a number of transactions incorrectly included in the Department's financial statements resulting in the reallocation of $1.500m of revenue and $1.566m of expenditure.

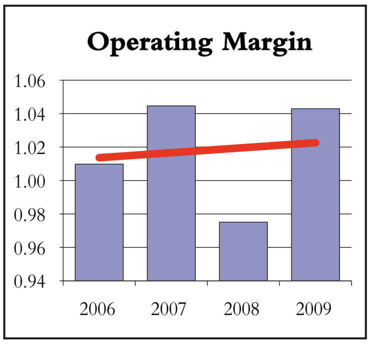
FINANCIAL RESULTS

In 2008-09 the Authority recorded a surplus of $1.620m, an increase of $2.701m from 2007-08. A major contributor to this change was reduction of $8.856m in advertising and promotion expenditure reflecting Government imposed budget constraints and the cessation of funding for the Tourism Promotion Plan. Funding from this program was used to pay for a range of activities, involving promotion, marketing and product and infrastructure development.

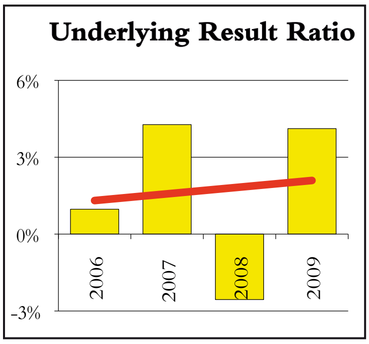
Total equity increased to $0.985m from prior year's negative equity of $0.635m.

Over the entire review period the Authority recorded a total deficit of $0.425m.

The following graphs highlight important aspects of the Authority's operations:



Operating margin increased from prior year reflecting the net surplus generated this year due mainly to decreased advertising and promotions expenditure. The operating margin fluctuated over the review period but was consistently around the benchmark of one.



The 2008-09 Underlying result ratio of 4% improved markedly from last year's negative 3% again reflecting the current year's surplus. This ratio provides a measure of the strength of the operating result, the higher the ratio the stronger the result.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from government – recurrent	28 768	28 517	24 462	23 141
Revenue from Special Capital Investment Funds	6 709	9 174	4 597	0
Grants	0	0	164	53
Sales of goods and services	3 684	4 611	6 347	6 707
Gain on sale of assets	0	0	5	0
Other revenue	197	28	310	156
Total Revenue	**39 358**	**42 330**	**35 885**	**30 057**
Attributed employee entitlements	11 874	10 302	9 414	10 200
Depreciation and amortisation	202	190	253	71
Grants and subsidies	9 180	7 897	2 616	1 693
Borrowing Costs	30	20	0	0
Impairment losses	0	6	0	0
Advertising and promotion	9 968	18 824	16 683	11 159
Other expenses	6 484	6 172	5 386	6 642
Total Expenses	**37 738**	**43 411**	**34 352**	**29 765**
Net surplus (deficit)	**1 620**	**(1 081)**	**1 533**	**292**
Net Surplus Attributable to the State	**1 620**	**(1 081)**	**1 533**	**292**

Comment

In 2008-09 the Authority recorded a surplus of $1.620m which was a significant reversal of the $1.081m deficit recorded in 2007-08. The surplus resulted from:

- Recurrent funding increased marginally by $0.251m due to annual indexation
- Other operating revenue increased by $0.169m mainly due to additional industry contributions
- A very large decrease of $8.856m in Advertising and promotion expenditure resulting from, as noted previously, Government imposed budget constraints and cessation of funding for the Tourism Promotion Plan from last year.

The above factors were partly offset by:

- Sale of goods and services (the Net Surplus in the table following) reduced by $2.743m representing revenue from the sale of travel products through Tasmania's Temptations Holidays. The increased use of distribution channels such the internet to research, plan and book travel presented challenges to traditional communication such as brochures and travel agents. As a result revenue from travel sales halved over the review period. The activities of Tasmania's Temptations Holidays are summarised in the table below:

	2008–09	**2007–08**	**2006–07**	**2005–06**	**2004–05**
	$'000s	$'000s	$'000s	$'000s	$'000s
Travel sales	16 708	19 451	29 423	36 041	41 704
less Cost of sales	14 278	16 263	24 283	29 870	34 215
Surplus before:	**2 430**	**3 188**	**5 140**	**6 171**	**7 489**
Advertising & User Charges	1 254	1 423	1 207	536	1 211
Net Surplus	**3 684**	**4 611**	**6 347**	**6 707**	**8 700**
Surplus expressed as a % of sales	15%	16%	17%	17%	18%

- SCIF funding decreased by $2.465m due to the cessation of funding for the Tourism Promotion Plan. Distribution of this funding was shown in Advertising and promotion and Grants and subsidies expenditure.

- Attributed employee entitlements increased by $1.572m due to a wage increase of 3.5% and inclusion of redundancy payments resulting from the closure of Tasmania's Temptations Holidays which totalled around $0.779m (It is noted that the Authority did not employ staff in its own right and instead, staff were employed by the Department with their costs 'attributed to the Authority).

- Grants and subsidies expenditure increased significantly by $1.283m from last year. Payments were made for new Government initiatives this year including the Urban Renewal Heritage Fund, $0.284m, and Spirit of the Sea, $0.180m. Payments were also made for a number of major events totalling $1.604m, an increase of $1.136m from last year in addition to sponsorship of the Hawthorn Football Club of around $3.387m, an increase of $0.974m on last year.

BALANCE SHEET

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	3 445	3 305	3 740	3 669
Receivables	113	94	249	139
Non-financial Assets				
Property, plant and equipment	550	319	170	222
Intangibles	530	351	444	276
Other non-financial assets	1 078	617	1 028	743
Total Assets	**5 716**	**4 686**	**5 631**	**5 049**
Liabilities				
Payables	1 333	1 353	1 185	1 778
Attributed employee entitlements	2 137	1 878	1 903	2 201
Provisions	619	548	326	0
Other liabilities	642	1 542	1 838	2 224
Total Liabilities	**4 731**	**5 321**	**5 252**	**6 203**
Net Assets (Liabilities)	**985**	**(635)**	**379**	**(1 154)**
Accumulated funds (deficits)	985	(635)	379	(1 154)
Total Equity	**985**	**(635)**	**379**	**(1 154)**

Comment

Total Equity increased this year due to the net surplus of $1.620m reflecting a significant turnaround from last year's negative equity of $0.635m.

The corresponding increase in Net Assets was due to:

- Improved Cash and deposits of $0.140m to $3.445m as explained in the Cash Position section later in this Chapter.
- Increased Property, plant and equipment expenditure of $0.231m mainly due to leasehold improvements. The 2007-08 comparative included $0.150m for leasehold assets which were previously included in Other non-financial assets.
- Intangibles increased by $0.179m because of software additions reflecting ongoing development of the digital distribution model.
- Other non-financial assets rose markedly by $0.569m due partly to the above mentioned adjustment to 2007-08 comparative and increased general prepayments of $0.272m, including $0.180m for Targa Tasmania.
- The above factors were partially offset by increased Attributed employee entitlements of $0.259m due to inclusion of accrued redundancy payments for Tasmania's Temptations Holidays staff of around $0.360m offset by reduced annual and long service leave balances, $0.098m, due to payouts as part of redundancy payments.

The operations of Tasmania's Temptations Holidays also had a material impact upon the Balance Sheet due to the provision of services, on a fee for service basis, to tourism providers. This included taking bookings and facilitating payments for accommodation and travel, the timing of which cause fluctuations in amounts included in the Balance Sheet. These balances included:

- Prepayments, for bookings made by Tasmania's Temptations Holidays recorded as Other non-financial assets, $0.161m, an amount similar to last year.
- Revenue in advance, for bookings taken by Tasmania's Temptations Holidays, included in Other liabilities, $0.526m, which decreased from last year by $0.515m because of declining sales.
- Payables for purchased accommodation and travel products of $1.167m, an increase of $0.199m on last year.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Cash flows from operating activities				
Attributed receipts from government - recurrent	28 404	28 881	24 512	23 141
Receipts from special capital investment funds	6 709	7 623	4 597	0
Grants	0	0	164	130
Sale of goods and services	3 150	4 150	5 979	6 659
Other cash receipts	197	28	306	156
Attributed employee entitlements	(11 615)	(10 312)	(9 708)	(10 302)
Other cash payments	(26 093)	(31 005)	(25 559)	(19 331)
Cash from (used in) operations	**752**	**(635)**	**291**	**453**
Cash flows from investing activities				
Proceeds from disposal of assets	0	299	5	0
Payments for acquisition of assets	(612)	(99)	(225)	(510)
Cash from (used in) investing activities	**(612)**	**200**	**(220)**	**(510)**
Net increase (decrease) in cash	**140**	**(435)**	**71**	**(57)**
Cash at the beginning of the year	3 305	3 740	3 669	3 726
Cash at end of the year	**3 445**	**3 305**	**3 740**	**3 669**

Comment

The Authority's cash position increased marginally by $0.140m in 2008-09 due to decreased expenditure of $4.912m mainly because of reduced advertising and promotions costs offset in part by:

- decreased revenue from recurrent and SCIF funding, $1.391m, and Sale of goods and services, $1.000m
- increased employee entitlements expenditure, $1.303m
- increased payments for the acquisition of non-financial assets, $0.612m, resulting from expenditure on the Authority's Discover Tasmania websites, including infrastructure.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		1 620	(1 081)	1 533	292
Operating margin	>1.0	1.04	0.98	1.04	1.01
Underlying result ratio		4%	(3%)	4%	1%
Own source revenue ($'000s)		3 881	4 639	6 826	6 916
Financial Management					
Debt collection	30 days	11	7	14	6
Creditor turnover	30 days	22	14	19	35
Other Information					
Self-sufficiency (%)		10	11	19	23
Government funding (%)		94	87	85	78
Average staff numbers (FTEs) *		130	141	149	181
Average staff costs ($'000s) **		0	0	0	0
Average leave balance per FTE ($'000s)		16	13	13	12

* *Average staff numbers exclude casual staff*

** *Average staff costs include casual staff costs which cannot be separated*

Comment

Reasons for the changes in Results from operations, Operating margin and Underlying result ratio were noted in the previous sections of this Chapter.

The majority of the Authority's Own source revenue was represented by Tasmania's Temptations Holidays net surplus which, as noted previously consistently decreased over the review period.

Debt collection and Creditor turnover, whilst fluctuating over the review period, indicated revenue was collected, and liabilities paid, within generally accepted terms.

The decline in the Authority's ability to generate revenue, outside Government funding, was again illustrated by the consistent decline in the Self-sufficiency ratio and the corresponding increase in the Government funding ratio.

Average staff numbers declined over the review period reflecting, for example, the closure of Retail Travel Centres in Melbourne and Sydney during 2006-07. The decrease this year was due to natural attrition plus eight Tasmania's Temptations Holidays employees accepting redundancies.

Average staff costs increased this year due to redundancy payments of around $0.362m for Tasmania's Temptations Holidays staff.

DEPARTMENT OF EDUCATION

INTRODUCTION

The Department's areas of responsibility during 2008-09 included:

- pre-compulsory and compulsory education through a network of primary schools, secondary schools, special schools and colleges
- funding, administration and regulation of post compulsory education and training through Skills Tasmania
- provision of access for all Tasmanians to education and information through the community knowledge network of libraries, on-line access centres, adult education centres and the Archives Office
- child care regulation and support.

The Department also administers Non-Government school recurrent and capital funding received from the Australian Government via the Tasmanian Treasury.

The responsible Minister is the Minister for Education and Skills.

On 1 January 2009, as a result of the restructuring of senior secondary education associated with the Tasmania *Tomorrow* initiative, four of the Department's colleges and some administrative support activities were transferred to the newly created Tasmanian Academy and Tasmanian Polytechnic.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

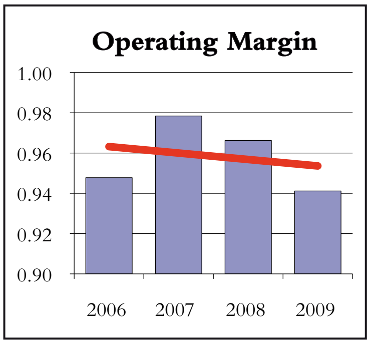
Signed financial statements were received on 14 August 2009. An unqualified audit report was issued on 29 September 2009.

The audit was completed satisfactorily with no major items outstanding.

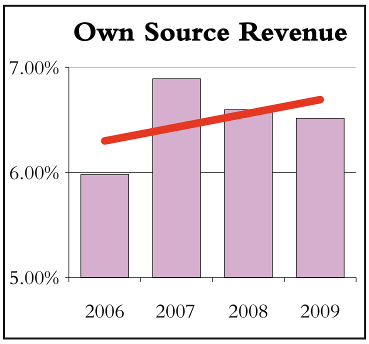
FINANCIAL RESULTS

As the Department is not funded for depreciation and increases in employee benefits, it incurs deficits prior to bringing to account capital funding. Therefore, as expected, a deficit was incurred in 2008-09. The deficit, $13.579m, was greater than the budgeted deficit of $5.445m. This variance is explained within the Income Statement section of this Chapter.

At 30 June 2009, the Department's Equity totalled $808.108m, a decrease of $72.375m compared to 30 June 2008 and $56.355m lower than budget. The fall in Equity in 2008-09 was primarily due to the transfer of four colleges to the newly formed entities from the Tasmania Tomorrow reforms, $55.035m, and the revaluation decrement to land.



The margin remains slightly below the benchmark of one. The fall in Operating margin in 2008-09 was primarily due to increased employee benefits as a result of wage increases for both teaching and non-teaching staff, some of which was unfunded.



Own source revenue remained stable over the period of review, fluctuating between 6% and 7%. The slight decrease in 2008-09 was attributable to the increase in recurrent revenue from government, to fund new initiatives and wage increases, rather than a decrease in Own source revenue.

INCOME STATEMENT

	2008–09 Budget $'000s	2008–09 Actual $'000s	2007–08 Actual $'000s	2006–07 Actual $'000s
Revenue from government – recurrent	791 694	794 473	759 002	720 490
User charges, fees, fines and other revenue	32 692	42 767	42 195	42 536
Interest revenue	1 719	2 814	2 847	2 325
Australian Government grants	3 978	3 955	5 113	3 300
Gain on sale of non-financial assets	0	866	116	0
School levies	9 204	9 204	8 816	9 180
Total Revenue	**839 287**	**854 079**	**818 089**	**784 040**
Employee benefits	565 530	563 264	534 887	509 651
Depreciation	33 132	34 051	31 204	28 629
Grants and subsidies	105 055	115 636	99 202	93 276
Supplies and consumbles	142 177	153 542	142 429	131 824
Impairment losses	0	231	228	0
Other expenses	40 146	40 754	38 720	37 959
Total Expenses	**886 040**	**907 478**	**846 670**	**801 339**
Net (Deficit) before:	**(46 753)**	**(53 399)**	**(28 581)**	**(17 299)**
Revenue from government – capital	41 169	39 614	20 452	13 546
Asset brought to account for first time	139	206	187	29 500
Insurance recovery re school fire*	0	0	7 362	0
Write down of school buildings*	0	0	(5 483)	0
Net Surplus (Deficit) attributable to the State	**(5 445)**	**(13 579)**	**(6 063)**	**25 747**

** These items related to the write down of the net carrying amount of the Bridgewater High School destroyed by fire and the payment from the Tasmanian Risk Management Fund in relation to the site clean up and modifications both to Bridgewater Primary School (so it could serve as a temporary High School) and to Green Point Primary School (so it could accommodate additional primary school students).*

Comment

The Department's Net deficit, $13.579m, was greater than prior year by $7.516m, primarily due to the following factors:

- increased Employee benefits expense, $28.377m, 5%. This was due to the Teacher Nexus and the Tasmanian State Service Agreement (TSSA) which resulted in average pay increases of 4.7% for teaching staff and 5.5% for administrative staff, as well as additional increments for School Executive Officers of 3.0%. These changes also increased the related annual and long service leave balances which impacted the employee entitlement expense
- increased Supplies and consumables expenses, $11.113m, primarily $8.986m by schools
- decreased Australian Government grants, $1.158m, 23%, due to changes in the funding process from 1 January 2009, whereby the Department received grants via the appropriation from the Department of Treasury and Finance, rather than directly from the Australian Government. Despite this change in process occurring half way through the year, due to the timing of these grants the fall in grants for the year was not representative of half the annual grants

- increased Depreciation, \$2.847m, 9%, attributable to the completion of capital projects totalling \$16.239m in the prior year which were depreciated for a full year in the current year. Furthermore, the current year indexation increment of 2.5% for buildings increased the base for depreciation
- increased Grants and subsidies, \$16.473m due to the Tasmania Tomorrow reforms. As a result of these reforms, the costs previously represented in employee benefits, supplies and consumables and other expenses in relation to the four colleges transferred out and were captured within grants payments provided by the Department to the Tasmanian Academy and Tasmanian Polytechnic.

The above factors, which resulted in an increase in the current year deficit, were offset by the following:

- Increased revenue from Government – recurrent, \$35.471m, including:
  - additional funding for new initiatives, primarily in relation to Raising the Bar and Closing the Gap (\$8.000m)
  - increased funding for Teacher Aides of \$3.650m, due to a new award for Teacher Aides and other school-based employees working on a 40 week basis per annum to increase this to 42 weeks per annum commencing 1 July 2008
  - increased funding for salaries and wages of 3.5% of prior year salaries and wages (circa \$18.700m) to contribute towards a portion of agreed salary increments as per industrial agreements and contracts
- Increased capital appropriations, \$19.162m, 94%, in order to support a number of existing and new projects including Building the Education Revolution, Launceston Northern Suburbs and Southern Support Schools.

The current year deficit of \$13.579m was greater than budget by \$8.134mprimarily due to the following factors:

- an additional draw down of \$4.000m over budget in cash and deposits by schools to cover increased supplies and consumables expenses
- capital appropriation, \$1.504m, in relation to the Building the Education Revolution initiative, expensed rather than capitalised
- a new initiative, Digital Education Revolution, resulting in expenses of \$1.000m
- increased Grants and subsidies, \$10.581m, 10%, due to the Tasmania *Tomorrow* reforms, and the indexation of VET funding, as described previously.

The above are offset by an increase in User charges, fees, fines and Other revenue, \$10.075m, 31%, over-budget. The budget was prepared as a best estimate at the time, with actual results varying to budget.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	51 693	59 199	72 975	61 069
Receivables	8 871	8 362	10 452	8 393
Non-financial Assets				
Assets held for sale	407	4 275	3 479	1 122
Heritage assets	42 458	45 760	44 995	42 458
Plant and equipment	5 515	5 290	5 937	5 686
Land and buildings	869 473	806 351	857 137	815 183
Library book stock	13 953	14 452	14 325	13 952
Other non-financial assets	1 749	1 255	1 443	1 644
Total Assets	**994 119**	**944 944**	**1 010 743**	**949 507**
Liabilities				
Payables	5 680	8 207	7 024	5 464
Employee benefits	113 313	111 563	105 167	98 339
Other liabilities	10 663	17 066	18 069	14 083
Total Liabilities	**129 656**	**136 836**	**130 260**	**117 886**
Net Assets	**864 463**	**808 108**	**880 483**	**831 621**
Reserves	113 395	126 069	130 139	74 593
Accumulated funds	751 068	682 039	750 344	757 028
Total Equity	**864 463**	**808 108**	**880 483**	**831 621**

Comment

In 2008-09 the Department's Total Equity decreased by $72.375m, 8%, which was primarily due to the following factors:

- increased draw down of cash and deposits, $8.986m, by schools and $1.735m by Corporate division. The draw down funded higher expenses, as well as cash transferred, $1.604m, to the Tasmanian Polytechnic and the Tasmanian Academy as part of the Tasmania *Tomorrow* reforms
- a decrease in land and buildings of $55.035m due to the transfer of four college buildings to the Tasmanian Polytechnic during the year, as a result of the Tasmania *Tomorrow* reforms
- net downward revaluations of land and buildings resulting in the recognition of a decrement of $4.835m, with a corresponding decrease in reserves
- increased employee benefits, $10.728m, due to the salaries and wages increases discussed under the Income Statement.

The above factors, which resulted in a decrease in net assets, are offset by the transfer of employee benefits and on costs in relation to the staff who transferred under the Tasmania *Tomorrow* reforms, $4.642m.

The Department's Total Equity of $808.108m was under budget by $56.355m, 7%, primarily due to the following factors:

- decreased land and buildings, \$55.035m, in respect to Tasmania *Tomorrow* reforms, which was not budgeted
- the net decrement of \$4.835m on the revaluation of land and buildings
- higher than budgeted payables,\$2.527m, 45%. The budget was based upon a best estimate at the time, with actual payables varying slightly to original estimates
- other liabilities exceeding budget due to the Department not budgeting for the carry forward of funds totalling \$7.609m from 2008-09 under s8A(2) of the *Public Account Act 1986*.

The above factors were offset by the following:

- cash and deposits exceeding budget, due to not budgeting for the carry forward of funds, as described previously
- increased assets held for sale by \$3.868m due to the identification of additional assets to be sold during the year following the preparation of the budget
- an increase of \$3.302m, 8%, in heritage assets. The budget was based upon a best estimate at the time, with actual movements in heritage assets varying slightly against original estimates.

CASH POSITION

	2008–09 Budget	2008–09 Actual	2007–08 Actual	2006–07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government – recurrent	791 694	802 082	759 002	721 190
User charges, other receipts, fees and fines	32 353	42 933	39 386	42 924
Grants	3 978	3 955	5 113	3 300
School levies	9 204	9 204	8 816	9 180
GST receipts	25 000	22 626	20 156	22 573
Interest received	1 719	2 814	2 847	2 325
Payments to employees	(557 589)	(552 685)	(527 980)	(509 159)
Grants and subsidies	(105 055)	(115 636)	(99 202)	(93 276)
Other cash payments	(181 854)	(192 520)	(177 814)	(171 168)
GST payments	(25 000)	(22 929)	(21 258)	(20 591)
Net Cash from (used in) operations	**(5 550)**	**(156)**	**9 066**	**13 507**
Proceeds from disposal of assets	0	48	46	82
Capital grants	33 636	32 124	23 857	16 237
Payments for acquisition of assets	(37 390)	(44 188)	(21 063)	(17 074)
Cash from (used in) investing activities	**(3 754)**	**(12 016)**	**2 840**	**(755)**
Cash outflow on administrative restructure	0	(1 604)	0	0
Cash from (used in) financing activities	**0**	**(1 604)**	**0**	**0**
Net increase (decrease) in cash	**(9 304)**	**(13 776)**	**11 906**	**12 752**
Cash at the beginning of the year	60 997	72 975	61 069	48 317
Cash at end of the Year	**51 693**	**59 199**	**72 975**	**61 069**

Comment

Reasons for movements in cash flows are consistent with commentary already provided in the Income Statement and the Balance Sheet sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(53 399)	(28 581)	(17 299)	(41 626)
Operating margin	>1.0	0.94	0.97	0.98	0.95
Underlying result ratio		(0.06)	(0.03)	(0.02)	(0.06)
Own source revenue		55 651	53 974	54 041	45 173
Financial Management					
Debt collection	30 days	58	75	59	57
Creditor turnover	30 days	7	7	5	5
Other Information					
Self-sufficiency (%)		6	7	6	7
Government funding (%)		97	96	96	99
Teaching staff numbers (FTEs)		4 465	4 871	4 732	4 878
Total staff numbers (FTEs)		7 735	8 102	8 068	8 151
Average staff costs ($'000s)		73	66	63	61
Average leave balance per FTE ($'000s)		14	13	12	12

Comment

Results from operations and the Operating margin were consistent with observations made previously in the Income Statement section of this Chapter.

Underlying result ratio and Operating margin provide a measure of the strength of the operating result. Over the period of the review, the Department's Underlying result ratio and Operating margin were just below zero and one respectively which is consistent with the policy of not funding depreciation or increases in employee provisions.

Own source revenue represents revenue generated by the Department from User charges, fees, fines and other sources plus interest earned. This remained consistent with prior year.

Outstanding Debt collection days decreased in the current year. This was primarily due to the transfer of the International Student activity to the Tasmanian Polytechnic, with all debtors in relation to this activity transferring also. Also, prior year Outstanding Debt collection days were high due to debtors invoices for grants remaining unpaid until 1 July 2008 and workers compensation claims, which generally take longer to collect.

Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This remained consistent with the prior year.

Government funding ratio of 97% in 2008-09 is consistent with the prior year and in keeping with the nature of funding for departments which derive the majority of their revenue from appropriations and grants.

Average staff costs increased on the prior year which is consistent with the salary increases discussed in the Income Statement section of this Chapter.

Overall staff FTE numbers decreased by 367 FTEs and teaching staff FTEs decreased by 406 FTEs over the past year primarily due to staff transferring to the Tasmanian Academy and Tasmanian Polytechnic as part of the Tasmania *Tomorrow* reforms.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department managed on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

The Department's Administered statements primarily relate to the funding of non government schools.

Administered Income and Expenses

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	42 958	59 029	41 468	40 944
Australian government grants	236 381	200 171	245 029	231 487
Sale of goods, services, fees and fines	419	194	300	364
Other revenue	0	41	77	88
Total Revenue	**279 758**	**259 435**	**286 874**	**272 883**
Grants and subsidies	172 958	200 674	174 263	163 889
Supplies and consumables	1 000	1 653	9 512	13 408
Total Expenses	**173 958**	**202 327**	**183 775**	**177 297**
Net Surplus	**105 800**	**57 108**	**103 099**	**95 586**
Transfer to Consolidated Fund	106 480	57 999	105 886	101 400
Net Surplus (Deficit) Attributable to the State	**(680)**	**(891)**	**(2 787)**	**(5 814)**

Comment

The net deficit of $0.891m represented an improvement on prior year of $1.896m, 68%, but was greater than budget by $0.211m, 31%. The movements on prior year and budget are attributable to the following factors:

- increased in recurrent appropriations to fund the new initiatives of Building the Education Revolution, $8.320m, and the Digital Education Revolution, $7.072m, within non government schools
- an increase in general funding of $8.886m from the Australian Government for non-government schools
- the wind-up of the Investing in our Schools program, which resulted in a decrease of $7.859m on prior year in supplies and consumables expenses
- a decrease in transfers to the Consolidated Fund of $47.887m, 45%, on prior year and $48.481m, 46%, on budget. This was predominantly due to changed funding processes, whereby from 1 January 2009, the Australian Government funded the Department of Treasury and Finance directly for non-government schools, rather than the funds flowing through the Department of Education via this transfer account.

The above movements were offset by the following factors:

- a corresponding increase in grants and subsidies expenses, as a result of passing on increased funding to non-government schools
- decreased Australian Government grants, \$53.744m, on prior year and \$45.096m on budget. This was due to changes in the funding process noted previously. The decreased grants revenue does not represent a decrease by half due to the timing of grant payments throughout the year, in particular in relation to funding of non-government schools, whereby the majority of funds, \$141.627m, were received during the first half of the year, prior to the change in process implemented.

Administered Assets and Liabilities

	2008–09 Budget \$'000s	2008–09 Actual \$'000s	2007–08 Actual \$'000s	2006–07 Actual \$'000s
Financial Assets				
Cash	3 355	218	1 863	4 650
Receivables	0	754	0	0
Total Assets	**3 355**	**972**	**1 863**	**4 650**
Total Liabilities	**0**	**0**	**0**	**0**
Net Assets	**3 355**	**972**	**1 863**	**4 650**
Accumulated funds	3 355	972	1 863	4 650
Total Equity	**3 355**	**972**	**1 863**	**4 650**

Comment

Total Equity declined by \$0.891m on the prior year and \$2.383m on budget. This was primarily due to the reduction in cash reflecting the Administered Income and Expenses movements.

The decrease in cash was offset by an increase in receivables of \$0.754m. The higher receivables related to the Commonwealth's Department of Employment, Education and Workplace Relations (DEEWR), and were outstanding at year-end due to timing of the payment of the invoice by DEEWR, which was received by the Department post year-end.

Administered Cash Flows

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	42 958	59 029	41 468	40 944
Australian government grants	236 381	199 421	245 029	231 487
Sale of goods, services, fees and fines	419	201	300	364
Other receipts	0	47	77	88
Cash inflows from operating activities	**279 758**	**258 698**	**286 874**	**272 883**
Grants and subsidies	172 958	200 674	174 263	163 889
Transfers to Consolidated Fund	106 480	58 016	105 886	101 400
Supplies and Consumables	1 000	1 653	9 512	13 408
Cash outflows from operating activities	**280 438**	**260 343**	**289 661**	**278 697**
Net increase (decrease) in cash	**(680)**	**(1 645)**	**(2 787)**	**(5 814)**
Cash at the beginning of the year	4 035	1 863	4 650	10 464
Cash at end of the year	**3 355**	**218**	**1 863**	**4 650**

Comment

Reasons for movements in cash flows are consistent with commentary already provided in the Administered Income and Expenses and the Administered Assets and Liabilities sections of this Chapter.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INTRODUCTION

The Department of Health and Human Services (DHHS or the Department) is responsible for delivering integrated services in areas of health, housing and ambulance services. In addition to services provided directly, DHHS contracts and/or provides funding to service providers in private and non-government sectors. DHHS coordinates delivery of services through direct facilities, community services and home-based care.

The Department, as is the case in the other States and internationally is facing a number of challenges in the provision of health care services. Those challenges include:

- a dramatic increase in chronic disease
- an ageing population
- increasing costs of healthcare
- an ageing workforce and difficulties in recruiting staff.

To address these issues in 2007 the Government released *Tasmania's Health Plan* – a blueprint for the reform of Tasmania's health services into the future. The plan is underpinned by two supporting documents - the *Primary Health Services* and *Clinical Services* plans.

In 2008-09 DHHS progressed a number of objectives including:

- development of family support services
- implementation of disability service
- reform of out-of-home-care services
- implementation of the review of alcohol, tobacco and other drug services
- developing and implementing the structural reforms outline in *Tasmania's Health Plan* including the development of the *Clinical Service*s and *Primary Health Services* plans.

The Outputs of the Department are provided under the following Output Groups:

- **Acute Health Services** – delivers hospital and ambulances services through the Royal Hobart Hospital (RHH), Launceston General Hospital (LGH), Burnie Campus (NWRH Burnie) and the Tasmanian Ambulance Service (TAS) with arrangements for some private hospitals to treat public patients. Budgeted output expenditure was $757.503m for 2008-09, an increase of $68.260m, 9.9%, from the prior year and accounted for 50% of the expenditure budget.
- **Community Health Services** – provides primary, population and community support services through outputs in Primary, Mental, Population and Oral Health and State-wide Specialist Services. Services are delivered to people requiring mental health, palliative care, aged care, oral health and drug and alcohol services.

  Other services include cancer screening and control, community assessments, care and rehabilitation, orthotics and prosthetics and health care services to the prison community. Services are targeted at developing and supporting communities and individuals to remain, maintain or improve levels of physical function or independence in the community. Budgeted output expenditure was $333.602m for 2008-09, an increase of $30.257m, 9.9%, from the prior year and accounted for 21.9% of the expenditure budget.

- Human Services – provides for children, young people, families, individuals and the communities that support them. Services include child protection, child health and parenting, psychological support and therapeutic services, family violence counselling and support, and community support programs. Youth Justice assists young people in conflict with the law through provision of community support and custodial services for young offenders at the Ashley Youth Detention Centre. Disability Services provides accommodation, community support and access, respite, advocacy, information and research and development for people with a disability. Housing Tasmania's (Housing) focus is to ensure that low income Tasmanians have access to adequate, affordable, appropriate and secure housing options. Budgeted output expenditure was $382.948m for 2008-09, an increase of $33.128m, 9.4%, from the prior year and accounting for 25.1% of the expenditure budget.

- Independent Children's Services Review – includes the Office of the Commissioner for Children an independent, statutory office responsible to the Parliament of Tasmania. The Commissioner's functions include promoting the rights and well being of children through examining policies, practices and services provided for children and any laws affecting the health, welfare, care, protection and development of children. Budgeted output expenditure was $0.616m for 2008-09 an increase of $0.200m, 3.3%, from the prior year.

On 1 September 2008 responsibility for operation of the Mersey Community Hospital was transferred to back to the Department from the Federal Government. It was agreed that the Department would then receive $60.000m per calendar year from the Federal Government to fund and operate the hospital. This involved the return of 264 FTE's.

Commentary on the following pages relates to the consolidated results of the Department. Housing and TAS operate and report under their own legislation and separate commentary relating to these entities is also included in following Chapters.

The Responsible Ministers are the Minister for Health and the Minister of Human Services.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Financial statements of the Department were received on 15 August 2009. Revised statements were received on 30 September 2009 and an unqualified opinion was issued on the same day.

The audit was completed satisfactorily with no major items outstanding.

A number of audit findings were raised with the Secretary, with remedial action agreed with management. These findings covered the following areas:

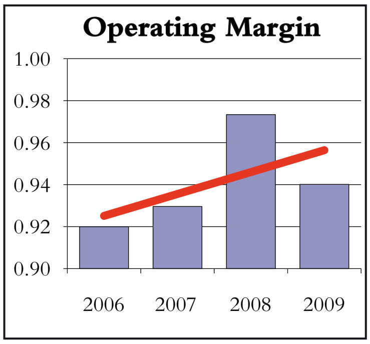
- clarity concerning delegations for the authorisation of expenditure
- errors found in bank reconciliations
- understatement of revenue and receivable balances primarily arising from lack of effective interface between subsidiary and primary ledgers
- security management over computer systems
- payroll controls processes not completed
- break down in cut-off controls
- excess leave balances.

FINANCIAL RESULTS

DHHS is the largest Tasmanian State Government agency. A summary of its financial results were as follows:

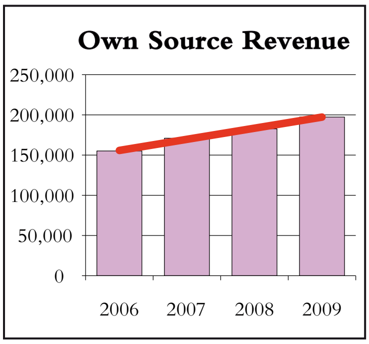
- total Output expenditure budget of $1.522bn for 2008-09 an increase of $152.975m, 11.2%, from 2007-08
- a deficit, $96.063m was recorded in 2008-09. After capital appropriations and other adjustments it recorded a deficit of $32.110m
- Employee costs were $829.984m, an increase of $107.332m, 14.8%, due to the transfer of Mersey Community Hospital employees back to the Department, negotiated wage increases and re-classification of positions into new bands
- Capital appropriations totalled $67.435m, an increase of $20.327m, 43.1%, on prior year
- Net assets increased by $75.132m, 3.8%, to $2.051bn mainly due to revaluation of all land and buildings

The following graphs detail DHHS' Operating margin and its Own source revenue capability.



With the exception of 2007-08, Operating margin remained relatively consistent. The 2008 result was the closest the Department came to achieving a break-even position over the period.

Own source revenue increased over the period with inpatient, outpatient and nursing home fees being a major contributor.



INCOME STATEMENT

	2008-09	2008-09	2007-08	2006-07
	Budget	Actual	Actual	Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government – recurrent	1 215 626	1 204 068	1 139 283	1 051 521
Revenue from Special Capital Investment Funds – recurrent	0	0	3 598	3 898
Grants	66 186	104 902	44 524	28 286
User charges	148 342	159 119	151 245	144 287
Interest revenue	1 870	2 181	3 196	2 499
Contributions received	0	2 029	0	0
Other revenue	22 012	35 984	28 228	24 207
Total Revenue	**1 454 036**	**1 508 283**	**1 370 074**	**1 254 698**
Employee entitlements	780 686	829 984	722 652	708 455
Depreciation and amortisation	49 382	49 714	48 374	45 204
Supplies and consumables	406 302	464 389	392 197	159 184
Grants and subsidies	187 399	169 519	153 087	139 449
Medical, surgical and pharmacy expenses	0	0	0	137 366
Property expenses	0	0	0	94 252
Borrowing costs	10 472	10 469	10 728	10 998
Impairment losses	0	2 987	3 288	2 984
Other expenses	55 446	76 433	63 138	51 060
Loss on sale of assets	(1 705)	851	14 116	778
Total Expenses	**1 487 982**	**1 604 346**	**1 407 580**	**1 349 730**
Net (Deficit) before:	**(33 946)**	**(96 063)**	**(37 506)**	**(95 032)**
Revenue from government – capital	22 797	41 569	31 757	20 068
Revenue from Special Capital Investment Funds – capital	0	25 866	15 351	18 187
Actuarial superannuation adjustment	0	(3 482)	(3 111)	(2 165)
Net Surplus (Deficit) attributable to the State	**(11 149)**	**(32 110)**	**6 491**	**(58 942)**

** For the year ended 30 June 2009, the Department made a decision to change the classification of some of the line items on its financial statements. The major re-classification related to expenses for Medical, surgical and pharmacy and Property expenses. These expenses were re-classified as Supplies and consumables as well as Other expenses in 2008-09 with the comparative, other than 2006-07, also changed.*

Comment

Before accounting for capital funding and superannuation adjustments the Deficit comprised:

	2008-09	2007-08	2006-07
	$'000s	$'000s	$'000s
DHHS	(75 997)	(12 966)	(114 572)
Housing	(22 031)	(21 410)	22 178
Ambulance	1 965	(3 130)	(2 638)
Total (Deficit)	**(96 063)**	**(37 506)**	**(95 032)**

The Net Surplus (Deficit) attributable to the State comprised:

	2008-09	2007-08	2006-07
	$'000s	$'000s	$'000s
DHHS	(21 278)	25 813	(36 554)
Housing	(7 203)	(16 188)	(20 768)
Ambulance	(3 629)	(3 134)	(1 620)
Total Net Surplus (Deficit)	**(32 110)**	**6 491**	**(58 942)**

In 2008-09 DHHS recorded a Net deficit of $32.110m, a turnaround from previous year's result which was a surplus of $6.491m. This equated to a net movement of $38.601m.

Significant changes to the net result over the two year period were as follows:

- Revenue from government – recurrent in 2008-09 amounted to $1.204bn an increase of $64.785m, 5.6%
- Grants received in 2008-09 amounted to $104.902m, up $60.378m on the prior year. This revenue entirely related to Federal Government funding of the Mersey Community Hospital
- User charges in 2008-09 amounted to $159.119m, an increase of $7.874m. The increase in user charges was attributable to inpatient, outpatient and nursing home fees raised by the three main regional hospitals. These hospitals all reported that they experienced an increase in demand for services, especially over the winter months
- Contributions received was a new line item introduced into the financial statements in 2008-09. The item amounted to $2.029m and represented properties formerly controlled by non-government organisations donated to the Department
- Other revenue in 2008-09 amounted to $35.984m, an increase of $7.756m. Other revenue consisted of salary, workers compensation and other cost recoveries. The Department sharpened its focus on cost recoveries and made noticeable efforts to recover costs wherever possible
- Revenue from government – capital increased by $9.812m and was for major infrastructure project at the RHH and LGH
- Revenue from special capital investment accounts - capital amounted to $25.866m and was for major health information technology projects such as Virtual Care, new regional infrastructure projects such as the Bruny Island community health centre, super clinics and funds for the Affordable Housing Innovations unit. The increase for the year was $10.515m
- Loss on sale of assets of $14.116m in 2007-08 was due mainly to the disposal of the Mersey Community Hospital to the Federal Government at a nominal value. The loss on sale for 2008-09 mainly related to the disposal of housing rental stock which was no longer useful or had been destroyed. When the activities associated with the Mersey Community Hospital were transferred back to the State, this did not include the Land and Buildings but did include hospital equipment.

The above factors were offset by:

- Revenue from special capital investment funds - recurrent was nil in 2008-09 whereas in the prior year it amounted to $3.598m. There was no recurrent allocation in the current year with all revenue from the special capital investment funds being of a capital nature in 2008-09. Such revenue previously included an allocation for expenditure under the Affordable Housing Strategy

- Employee costs rose over the period by $107.332m, 14.8%. These increases were attributable to the transfer of 264 Mersey Community Hospital employees back to the Department, negotiated wage increases and re-classification of positions into new bands. The Mersey Community Hospital employees also impacted on the balance of Employee leave provisions mentioned later in this Chapter
- Depreciation expenses increased by $1.340m over the two year period. The inclusion of the Mersey Community Hospital had a negligible effect on the Department's Property, plant and equipment balance
- Supplies and consumables expenditure amounted to $464.389m in 2008-09 an increase of $72.192m, 18.4%, on the prior year. This was attributable to higher expenditure for consultants who were employed in new projects such as the new RHH, additional property maintenance for Housing, greater demand for pharmacy drugs in hospitals because of a range of factors including the swine flu pandemic
- increased Grants and subsidies paid of $16.432m, 10.7%, over the two year period. In 2008-09 Grants and subsidies amounted to $169.519m up from $153.087m. The increase was attributable to the fulfilment of promises that the Government gave for disability services. Grants and subsidies provide funding to non-government organisations mainly for the provision of services for disability services, home and community care, and support accommodation assistance
- Other expenses mainly comprised payroll tax and workers compensation. Other expenses amounted to $76.433m in 2008-09 an increase of $13.295m, 21.1%, on prior period. A significant factor in this increase was the provision for a potential payroll tax liability of $7.000m. The department conducted a review of payroll tax and identified a number of issues that may give rise to this liability. As expected salary on-costs also moved in line with changes in Employee entitlements.

The primary reason for the Department's deficit is that its funding excludes depreciation, asset impairments or increases in employee provisions. In addition, deficits incurred by Housing and TAS, see comments in later Chapter, contributed to the DHHS deficit.

The Department is responsible for meeting the obligations of defined benefit schemes for Housing and Tasmanian Ambulance Service Superannuation Scheme (TASSS). Whilst operational service costs and employer contributions were recorded within Employee entitlements, actuarial gains or losses were separately shown in the Income Statement. Actuarial reviews in 2008-09 and 2007-08 resulted in the recognition of actuarial losses of $3.482m and $3.111m, respectively.

Reasons for variations between the 2008-09 budgeted and actual deficit of $20.961m. included:

- Grants were $38.716m more than budget due to Commonwealth funding for the Mersey Community Hospital
- User charges were $10.799m more than budget due to increased demand for services at the major hospitals resulting in higher patient fees
- Other revenue was $13.972m more than budget due to greater cost recoveries
- Grants and subsidies paid were $17.880m less than budget due to timing issues with payments and under-spends
- Revenue from government – capital was $18.772m more than budget due to additional spending on health facilities

- Revenue from special capital investment funds - capital of $25.886m was not budgeted.

The above factors were offset in part by the following:

- Revenue for government – recurrent was $11.558m less than budget as a result of cost recoveries and budgetary constraints such as vacancy control being applied
- Employee entitlements were $52.780m greater than budget due to the additional Mersey Community Hospital employees and unbudgeted salary increases
- Supplies and consumables were $58.087m greater than budget due to the Mersey Community Hospital services not being included in the budget and other unbudgeted costs for example associated with dealing with events such as the swine flue
- Impairment losses of $2.987m did not have a budget. Actual losses related to Receivables and Property, plant and equipment.
- Other expenses were $20.987m more than budget due to non-inclusion of Mersey Community Hospital employee on-costs and the discovered payroll tax provision of $7.000m.

Reasons for the movements relating to Housing and TAS are contained in the separate Chapters for each of these entities.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	12 002	56 446	69 680	34 516
Receivables	20 943	26 076	19 886	17 765
Loan advances	7 472	9 389	11 643	14 695
Superannuation asset	5 705	1 018	2 109	6 002
Other financial assets	0	0	0	1 314
Non-financial Assets				
Inventory	0	11 007	7 710	7 811
Assets held for sale	0	6 301	215	0
Property, plant and equipment	2 173 318	2 446 445	2 348 883	2 056 772
Intangibles	0	4 099	236	0
Other non-financial assets	8 611	1 434	5 386	0
Total Assets	**2 228 051**	**2 562 215**	**2 465 748**	**2 138 875**
Liabilities				
Payables	40 370	48 270	43 580	38 101
Interest bearing liabilities	231 081	229 820	236 081	242 081
Other financial liabilities	0	6 590	6 042	0
Superannuation liability	17 190	17 251	15 915	17 229
Employee entitlements	183 726	186 509	154 933	151 937
Other liabilities	15 495	22 868	33 422	31 991
Total Liabilities	**487 862**	**511 308**	**489 973**	**481 339**
Net Assets	**1 740 189**	**2 050 907**	**1 975 775**	**1 657 536**
Contributed capital	6 094	6 094	6 094	6 094
Reserves	1 365 337	1 660 219	1 553 875	1 242 127
Accumulated funds	368 758	384 594	415 806	409 315
Total Equity	**1 740 189**	**2 050 907**	**1 975 775**	**1 657 536**

Comment

Net assets increased from $1.976bn at 30 June 2008 to $2.051bn at 30 June 2009. Before accounting for inter-entity transactions, Net assets comprised:

	2008-09 $'000s	2007-08 $'000s	2006-07 $'000s
DHHS	430 981	428 887	256 910
Housing	1 606 061	1 531 509	1 389 793
Ambulance	13 865	15 379	10 833
Total Net Surplus (Deficit)	**2 050 907**	**1 975 775**	**1 657 536**

Overall equity increased by $75.132m, primarily due to increases/(decreases) in Housing, $74.552m, DHHS, $2.094m, and Ambulance, $1.514m.

Significant movements in Net assets for the two year review included:

- Receivables increased by $6.190m to $26.076m primarily due to an invoice raised late June 2009 for $6.000m for a Federal Government grant
- Inventories increased by $3.297m as a result of a build-up in pharmacy stocks held at major hospitals. The prevalence of cervical cancer vaccine and increased activity in hospitals precipitated this increase
- Assets held for sale increased by $6.086m as a result of an identification program where some housing properties used as rental stock were to be disposed of due to their age and condition
- Property, plant and equipment increased by $97.562m. This item consists of land and buildings held by the Department which predominately relates to Housing. The item also consists of medical, computer and motor vehicles such as ambulances. The increase in 2008-09 was attributable to revaluation increments. Equipment related to the Mersey Community Hospital was also included
- Interest bearing liabilities decreased by $6.261m as a result of repayment of loans held by Housing
- Other liabilities decreased by $10.554m due to appropriation carried forward in 2007-08, $22.498m, which fell to $4.362m in 2008-09. This was offset by the payroll tax provision of $7.000m.

The above were offset partly by the following:

- Cash and deposits decreased by $13.234m over the period and is explained under the Cash Position analysis later in this Chapter
- Loan advances decreased by $2.254m as a result of running down of the Housing loan portfolio such as the Home Ownership Assistance Program (HOAP) which is discussed in the Housing Chapter
- Other financial assets decreased by $1.097m due to the TASSS going into deficit as a result of falls in asset values due to effects of the global recession
- Other non-financial assets decreased by $3.952m in 2008-09. This item was introduced into the financial statements in 2008-09 and comprises prepayments for licences and rent
- Payables increased by $4.690m primarily as a result of improved identification of accrued expenses and creditors by business units. During the year, the Department commenced implementing an accrual accounting system and a purchase order system
- Superannuation liability increased by $1.336m primary due to the TASSS being in deficit to the value of $3.556m, offset by decreases in value of the Housing Retirement Benefits Fund provision
- Employee entitlements increased by $31.576m, 20.3%, in 2008-09. The increase was attributable to a number of factors including addition of 264 Mersey Community Hospital employees, the flow-on effect of the new wage agreement as well as on-going accumulation of leave

The Superannuation asset and liability mentioned previously represented the Department's present obligations and/or benefits under the defined benefit schemes of Housing and TASSS. These superannuation assets and liabilities are recorded on the Balance Sheet due to the requirements of the Australian Accounting Standard AASB 119 *Employee Benefits*. The Department:

- meets emerging costs of the Housing scheme
- benefits when TASSS is in surplus but not when it is in deficit.

Actuarial reviews of Housing's defined benefit scheme determined present liabilities of $13.695m in 2008-09 and $15.915m in 2007-08. For TASSS the liability was $3.556m for 2008-09, but it was in surplus by $2.038m in 2007-08.

The variation between budget and actual Net Assets for 2008-09 amounted to $310.718m. Significant budget variations included the following:

- Cash and deposits was higher than budget by $44.444m as a result of more funds received and retained by the Department
- Receivables were more than budget by $5.133m primary due to unbudgeted Commonwealth funding invoiced at year end
- Loan advances were $1.917m more than budget due to loans not being paid as quickly as anticipated
- Inventory amounting to $11.007m, Assets held for sale of $6.301m and Intangibles of $4.009m were not budgeted
- Property, plant and equipment were $273.127m more than budget due to under-estimation of revaluations
- Interest bearing liabilities were $1.261m less than budget due to earlier repayment of loans.

The above factors were offset in part by the following:

- Other financial assets were $4.687m less than budget due to the TASSS deficit
- Payables were $7.900m more than budget due to the inclusion of Mersey Community Hospital activities
- Other financial liabilities of $6.590m did not have a budget
- Employee entitlements were $2.783m more than budget due to the addition of Mersey Community Hospital employees
- Other non-financial assets were less than budget by $7.177m as a result of an over-estimation
- Other liabilities were more than budget by $7.373m being the unbudgeted payroll tax provision.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Cash flows from operating activities				
Cash inflows				
Receipts from government - recurrent	1 215 626	1 204 718	1 134 943	1 051 879
Receipts from special capital investment funds - recurrent	0	0	3 209	3 898
Grants	66 186	101 370	44 524	28 414
User charges	147 454	156 390	144 438	143 845
Interest received	1 870	2 224	3 177	2 499
Other cash receipts	22 012	36 296	28 228	23 953
GST receipts	45 058	64 902	52 282	44 981
Total cash inflows	**1 498 206**	**1 565 900**	**1 410 801**	**1 299 469**
Cash outflows				
Payments to employees	765 300	803 395	713 301	693 395
Supplies and consumerables	406 358	464 889	390 170	0
Community grants	187 399	169 957	153 087	139 449
Borrowing costs	10 472	10 469	10 725	10 993
Other cash payments	51 746	57 093	55 081	433 238
GST Payments	45 058	65 648	55 846	47 955
Total cash outflows	**1 466 333**	**1 571 451**	**1 378 210**	**1 325 030**
Cash from operations	**31 873**	**(5 551)**	**32 591**	**(25 561)**
Cash flows from investing activities				
Cash inflows				
Receipts from government - capital	22 028	22 783	29 198	30 680
Receipts from special capital investment funds - capital	0	24 785	15 740	18 187
Proceeds from disposal of assets	14 330	6 188	8 895	9 091
Receipts from investments	2 385	2 215	3 100	5 576
Total cash inflows	**38 743**	**55 971**	**56 933**	**63 534**
Cash outflows				
Payments for acquisition of assets	62 118	57 394	48 360	41 770
Total cash outflows	**62 118**	**57 394**	**48 360**	**41 770**
Cash (used in) investing activities	**(23 375)**	**(1 423)**	**8 573**	**21 764**
Cash flows from financing activities				
Cash outflows				
Repayment of borrowings	(6 260)	(6 260)	(6 000)	(7 353)
Cash (used in) financing activities	**(6 260)**	**(6 260)**	**(6 000)**	**(7 353)**
Net decrease in cash	**2 238**	**(13 234)**	**35 164**	**(11 150)**
Cash at the beginning of the year	9 764	69 680	34 516	45 666
Cash at end of the year	**12 002**	**56 446**	**69 680**	**34 516**

Comment

Cash and deposits balance decreased by $13.234m from $69.680m to $56.446m in 2008-09. Cash movements amounted to:

- Cash from operations decreased by $49.896m
- Cash from investing activities increased by $2.289m
- Cash used in financing activities remain consistent with the previous period.

Reasons for variations in cash flow receipt and payment amounts reflect comments made previously in the Income Statement and the Balance Sheet sections of this Chapter.

The Department paid $45.109m in 2008-09 for acquisition of assets. These were funded predominately by capital appropriations, SCIF funding and, in Housing's case, in part by asset sales.

The cash resources of the Department at 30 June were allocated to:

	2008-09	**2007-08**	**2006-07**
	$'000s	$'000s	$'000s
DHHS	41 947	60 015	25 075
Housing	14 499	9 665	9 441
Ambulance	0	0	0
Total Net Surplus (Deficit)	**56 446**	**69 680**	**34 516**

Included in the Department's balance in 2008-09 and 2007-08 were $4.362m and $22.512m, respectively, being funds carried forward under section 8A(2) of the *Public Account Act 1986*.

Budgeted cash at end of the year was $12.002m while actual was $56.446m, a difference of $44.444m. Major variations between budget and actual cash flows for 2008-09 included the following:

- Grants were $35.184m more than budget due to Mersey Community Hospital funding
- User charges were $8.936m more than budget due to increased demand for services in hospitals
- Other cash receipts were $14.284m more than budget due to greater cost recoveries
- Community grants were $17.442 less than budget due to timing of payments
- there was no budget for the Receipts from special capital investment funds – capital being $24.785m.

The above were partly offset by:

- Receipts from government – recurrent was $10.908m less than budget due to higher Own source funds
- Payments to employees were $34.228m more than budget due to unbudgeted addition of Mersey Community Hospital employees
- Supplies and consumables were $70.816m more than budget due to increased activity, additional Mersey Community Hospital and cervical cancer vaccine expenditure
- Other cash payments were $5.347m more than budget due to increased salary on-costs for Mersey Community Hospital employees.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result by operations ($'000s)		(96 063)	(37 506)	(95 032)	(98 118)
Operating margin	>1.0	0.94	0.97	0.93	0.92
Underlying result ratio		-0.06	(0.03)	(0.08)	(0.09)
Own source revenue ($'000s)		197,284	182,669	170,993	155,136
Financial Management					
Debt collection	30 days	53	44	41	49
Creditor turnover	30 days	29	37	35	33
Other Information					
Self-sufficiency (%)		11%	13%	13%	14%
Government funding (%)		95%	92%	91%	95%
Staff numbers (FTEs)		9 010	8 618	8 992	8 685
Average staff costs ($'000s)		69	71	68	63
Average leave balance per FTE ($'000s)		20	17	17	16
Selected Hospital Statistics *					
Department of Emergency Medicine Presentations		125 954	101 998	97 687	94 402
Outpatient Department - Occasions of Service		877 470	803 474	783 095	75 671
Admitted Patients -Weighted Separations		100 957	92 039	91 156	89 071

* *Not subject to audit.*

Comment

Results from operations were in deficit for reasons outlined in the Income Statement section. The above figures are before capital revenues, asset transfers and actuarially determined movements on superannuation liabilities. Consistent with the Result from operations, the Operating margin remained below benchmark.

Own source revenue increased steadily over the period mainly due to increased User charges. The increase this year was attributable to greater demand for hospital services.

Debt collection was substantially higher this year due to a large invoice raised at 30 June 2009 for a Commonwealth grant. Otherwise debt collection was consistent over the four year period.

Creditor turnover decreased in 2008-09 due to improved accounts payable processes implemented by the Department. This result reversed the upward trend in previous years. These processes included implementation of a purchase order system and encouraging creditors' payments by electronic means.

Self-sufficiency ratio indicated that the Department's own source revenues remained steady at around 11% during the period.

The Government funding ratio over the period was less than 100% due to the net deficits incurred by the Department.

Average staff costs were consistent over the period despite salary and wage increases this year. The increase in FTE's was primarily due to the additional Mersey Community Hospital employees.

Hospital statistics indicated a rise in the provision of services and was reflected in the financial results this year. Department of Emergency Medicine and Outpatient Services are based on the number of people presented. Admitted Patients is an activity measure that highlights admissions at each hospital, weighted by complexity of treatment or medical condition. A comprehensive list of performance measures can be found in the Department's Annual Report.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement and relate primarily to funding community service obligations paid to Aurora Energy Pty Ltd to support pensioners and health card holders for power costs and to fund grant programs.

Administered Income and Expenses

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	32 105	25 992	13 999	19 502
Australian government grants	337 393	311 787	336 576	291 174
Sales of goods and services	16	0	0	0
Total Revenue	**369 514**	**337 779**	**350 575**	**310 676**
Grants and subsidies	32 220	30 616	14 729	20 218
Total Expenses	**32 220**	**30 616**	**14 729**	**20 218**
Net Surplus	**337 294**	**307 163**	**335 846**	**290 458**
Transfer to Consolidated Fund	337 409	295 787	336 576	291 174
Net Surplus (Deficits) Attributable to the State	**(115)**	**11 376**	**(730)**	**(716)**

Comment

Net surplus attributable to the State increased by $12.106m this year. This was due to:

- Revenue from government – recurrent increasing to $11.993m being the appropriation for Community Service Obligation payments to Aurora Energy Pty Ltd (Aurora)
- Transfer to Consolidated Fund decreased by $40.789m attributable to a reduction in grants from the Federal Government

This was partly decreased by:

- Federal government grants decreased by $24.789m, which are specific purpose grants provided under the Australian Health Care Agreement
- Grants and subsidies increased by $15.887m comprising a Community Service Agreement (CSA) with Aurora and ex-gratia payments. The CSA with Aurora is for the provision of pensioner concessions to approximately 67 000 Tasmanian pensioners and Health Care Card Holders.

Administered Assets and Liabilities

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000s	$'000s	$'000s	$'000s
Assets				
Receivables	0	16341	0	0
Net Assets	**0**	**16 341**	**0**	**0**
Liabilities				
Payables	5355	8715	3750	3 020
Total Liabilities	**5 355**	**8 715**	**3 750**	**3 020**
Net Liabilities	**(5 355)**	**(8 715)**	**(3 750)**	**(3 020)**
Accumulated Deficits	(5 355)	7 626	(3 750)	(3 020)
Total Deficit	**(5 355)**	**7 626**	**(3 750)**	**(3 020)**

Comment

The receivables balance represented an unbudgeted Federal government grant accrued but not paid at 30 June 2009.

The Payables balance represented the accrued CSO payable to Aurora for pensioner discounts due at year-end.

Administered Cash Flows

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	32 105	25 992	13 999	19 502
Australian government grants	337 393	295 787	336 576	291 174
Sales of goods and servcies	16	0	0	0
Total Cash Inflows	**369 514**	**321 779**	**350 575**	**310 676**
Transfers to the Consolidated Fund	337 409	295 787	336 576	291 174
Other cash payments	32 105	25 992	13 999	19 502
Total Cash Outflows	**369 514**	**321 779**	**350 575**	**310 676**
Net Cash Flow From Operations	**0**	**0**	**0**	**0**
Net Increase (Decrease) in cash	**0**	**0**	**0**	**0**
Cash at the beginning of the year				0
Cash at End of the year	**0**	**0**	**0**	**0**

Comment

There was no movement in net cash in any of the four years. Reasons for movements in cash flow receipt and payment amounts reflect the comments made previously in the Administered Income and Expenses and Administered Assets and Liabilities sections of this Chapter.

HOUSING TASMANIA

INTRODUCTION

Housing Tasmania (Housing) was established under the *Homes Act 1935* to provide housing assistance and to improve housing conditions for persons within Tasmania.

The major focus of Housing is to ensure that low income Tasmanians have access to affordable, appropriate and secure housing options. In addition to the provision of public housing, financial assistance is available to low income Tasmanians to access or maintain housing in the private rental market or they may be assisted in purchasing their own home through the Home Ownership Assistance Program (HOAP).

Housing operates as a fully integrated division within the Department of Health and Human Services (the Department or DHHS).

The Responsible Minister is the Minister for Human Services.

This Chapter provides commentary on the aggregated results of Housing and HOAP.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

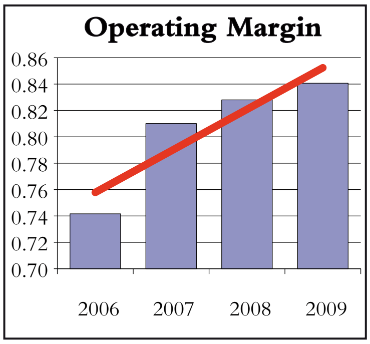
Separate financial statements for both Housing and HOAP were received on 9 September 2009 with revised statements received on 15 October 2009. However, neither entity provided signed financial statements by the statutory deadline of 15 August 2009. At the time of writing this Report, our audits were incomplete.

FINANCIAL RESULTS

Housing operated at significant losses in each year under review. Operating losses totalled $55.860m over the four-year period. This was primarily due to the rental income rebate provided by Housing Tasmania to its tenants. Over the four year period, a total rental rebate of $118.646m was provided.

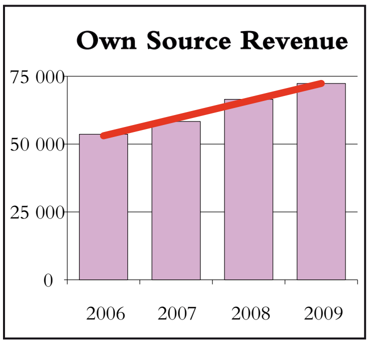
A significant development occurred for the 2008-09 year, Housing produced a lower than average Net deficit, due to additional capital funding received from the National Building and Economic Stimulus Package. Funding from this Package of $9.749m and was used for the purchase of new properties and capital upgrades to existing properties.

Housing's Total equity increased by $74.552m in 2008-09 which was largely due to the revaluation of land and buildings increasing by $81.755 million.



Operating margin improved over the four year period, but remained less than the benchmark of one primarily due to Housing not charging full market rents.

Housing's own source revenue increased over the period reflecting the annual increase in tenant revenue over the four year period.



HOAP generated a Net surplus in 2008-09 of $0.874m (2007-08, $0.980m). Its primary source of income was interest earned which totalled $1.035m ($1.227m).

At 30 June 2009 HOAP's Net assets totalled $16.897m (2007-08, $16.219m) primarily comprising Cash and deposits and Loan advances of $10.532m ($7.717m) and $6.148m ($8.277m), respectively.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	39 802	32 991	32 357	29 488
Revenue from special capital investment funds - recurrent	4 087	3 598	3 898	3 850
User charges	656	903	1 246	1 504
Interest revenue	1 225	1 980	1 584	2 603
Rental revenue	63 365	59 632	53 258	46 905
Gain (Loss) on sale of assets	0	467	(187)	(2 032)
Other revenue	7 090	3 510	2 439	4 647
Total Revenue	**116 225**	**103 081**	**94 595**	**86 964**
Employee entitlements	15 824	14 068	15 251	14 729
Depreciation and amortisation	24 933	25 407	23 112	23 884
Goods and services	28 198	24 142	24 528	23 515
Recurrent maintenance	38 953	29 996	22 734	24 552
Administration	7 890	8 770	7 752	7 803
Grants and subsidies	3 230	4 024	4 975	4 728
Borrowing costs	10 467	10 727	10 997	11 523
Impairment losses	2 383	2 398	3 025	2 038
Costs on sale of disposed assets	568	485	666	531
Other expenses	5 810	4 474	3 733	3 958
Total Expenses	**138 256**	**124 491**	**116 773**	**117 261**
Net Surplus (Deficit) before:	**(22 031)**	**(21 410)**	**(22 178)**	**(30 297)**
Revenue from government - capital	12 443	4 086	3 258	7 262
Revenue from special capital investment funds - capital	0	0	0	10 255
Actuarial Superannuation adjustment	2 385	1 136	(1 848)	1 078
Net Surplus (Deficit) attributable to the State	**(7 203)**	**(16 188)**	**(20 768)**	**(11 701)**

Comment

In 2008-09, Housing recorded a deficit $7.203m million, compared to a deficit of $16.188m in the prior year. Housing records a deficit due to not charging full market rents to tenants and offering rebates based on an assessment of tenant incomes. Potential rental income and the rebates over the four years of review were as follows:

	2008-09	2007-08	2006-07	2005-06
	$'000's	$'000's	$'000's	$'000's
Potential rental income	103 740	94 206	76 286	67 574
Rebate	(40 375)	(34 574)	(23 028)	(20 669)
Reported rental revenue	**63 365**	**59 632**	**53 258**	**46 905**

The Net deficit improved over the prior year by $8.985m. This was due to:

- Revenue from government – capital increased by $8.357m. This was provided under the National Building Economic Stimulus Package , and used to fund the purchase of new properties, and capital improvements to existing properties
- Revenue from government – recurrent increase by $6.811m, in line with the higher allocation from the Department of Health and Human Services. The additional allocation was, in the main used to fund higher maintenance costs
- Rental revenue increase by $3.733m. Rental revenue has been increasing since 2006-07, when Housing undertook a comprehensive market rent review, resulting in gradual increases to tenants' contributions
- an increase in Contributions revenue of $2.130m (included in other revenue), being properties received at no cost
- a decrease in Grants and subsidies paid of $0.794m and lower depreciation charges this year.

The above factors were partly offset by:

- Recurrent maintenance and Goods and services costs were up $8.957m and $4.056m respectively. These items were funded by the increase in DHHS allocated revenue. Due to the current high demand for construction material these expenditure items are very vulnerable to price increases
- Employee entitlements expenditure increased by $1.756m, in accordance with the State Service Wage Agreement.

The above analysis reports capital funding and the recognised actuarial gain or loss on superannuation separately enabling an assessment of Housing's management of controllable revenues and expenses. On this basis, the Net deficit each year other than in 2005-06 was less than the depreciation charge which is not funded either from the DHHS allocation or in rental charges.

Revenue from Special Capital Investment Funds (SCIF) includes a recurrent allocation for expenditure under the Affordable Housing Strategy which has been recorded as operating income.

BALANCE SHEET

	2008–09	2007–08	2006–07	2005–06
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	14 499	9 665	9 441	8 805
Receivables	2 016	1 433	3 701	1 017
Other financial assets	10 003	13 992	16 014	21 258
Non-financial Assets				
Property, plant and equipment	1 842 196	1 768 918	1 631 062	1 616 512
Total Assets	**1 868 714**	**1 794 008**	**1 660 218**	**1 647 591**
Liabilities				
Payables	12 903	3 616	2 864	3 797
Interest bearing liabilities	229 820	236 081	242 081	249 433
Superannuation	13 695	15 914	17 229	15 489
Employee entitlements	3 718	3 086	3 224	3 061
Other liabilities	2 517	3 802	5 027	3 846
Total Liabilities	**262 653**	**262 499**	**270 425**	**275 627**
Net Assets	**1 606 061**	**1 531 509**	**1 389 793**	**1 371 964**
Contributed capital	6 094	6 094	6 094	6 094
Reserves	1 352 348	1 270 593	1 112 690	1 074 091
Accumulated funds	247 619	254 822	271 009	291 779
Total Equity	**1 606 061**	**1 531 509**	**1 389 793**	**1 371 964**

Comment

Net assets improved by $74.552m over the two year period for the following major reasons:

- Property plant and equipment increased by $73.278m, due to the revaluation of rental stock, $81.757m, capital purchases and improvements at cost, $23.901m, offset by the annual depreciation charge of $24.906m
- reduction in Interest bearing liabilities by $6.261m, being the scheduled repayment of State and Commonwealth loans
- increase in the Cash and deposits of $4.834m, due to repayments of borrowings under the Home Ownership Assistance Program
- reduction in superannuation liabilities of $2.219m determined by actuarial valuations.

The above factors were partly offset by:

- increase in Payables liabilities of $9.287m, due to the timing of a substantial amount of expenditure incurred in June 2009, attributable to the National Building Economic Stimulus Funding
- reduction in Other assets $1.937m, as a result of having no prepayments at 30 June 2009
- reduction in Other liabilities of $1.816m, representing repayment of scheduled borrowings for 2008–09.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Cash flows from operating activities				
Cash inflows				
Receipts from government - recurrent	40 154	32 991	32 357	29 488
Receipts from special capital investment funds - recurrent	3 006	3 598	3 898	3 850
User charges, fees and fines	1 347	1 071	1 259	1 565
Rent received from tenants	62 672	57 900	52 925	48 690
Interest received	1 317	1 960	1 584	2 666
Other cash receipts	5 265	3 665	2 125	3 488
Total cash inflows	**113 761**	**101 185**	**94 148**	**89 747**
Cash outflows				
Payments to employees	15 074	14 471	15 197	14 889
Payments to suppliers	28 898	24 127	24 513	21 164
Community grants	3 230	4 024	4 975	4 374
Interest payments	10 467	10 727	11 007	11 563
Administration	3 654	8 816	9 206	10 451
Other cash payments	39 455	36 058	27 549	27 964
Total cash outflows	**100 778**	**98 223**	**92 447**	**90 404**
Net cash from (used in) operating activities	**12 983**	**2 962**	**1 701**	**(657)**
Cash flows from investing activities				
Cash inflows				
Receipts from government - capital	12 443	4 086	3 258	7 262
Receipts from special capital investment funds - capital	0	0	0	10 255
Proceeds from disposal of assets	6 027	10 535	6 788	7 137
Repayment of loan advances	2 208	4 663	6 207	9 816
Total cash inflows	**20 678**	**19 284**	**16 253**	**34 470**
Cash outflows				
Payments for acquisition of assets	22 567	14 727	8 953	40 351
Loan advances	0	810	1 013	2 776
Other cash payments	0	485	198	264
Total cash outflows	**22 567**	**16 022**	**9 966**	**43 127**
Net cash from (used in) investing activities	**(1 889)**	**3 262**	**6 287**	**(8 657)**
Cash flows from financing activities				
Proceeds from borrowings	0	0	0	342
Total cash inflows	**0**	**0**	**0**	**342**
Repayment of borrowings	6 260	6 000	7 352	13 023
Total cash outflows	**6 260**	**6 000**	**7 352**	**13 023**
Net cash (used in) financing activities	**(6 260)**	**(6 000)**	**(7 352)**	**(12 681)**
Net increase (decrease) in cash	**4 834**	**224**	**636**	**(21 995)**
Cash at the beginning of the year	9 665	9 441	8 805	30 799
Cash at end of the year	**14 499**	**9 665**	**9 441**	**8 805**

Comment

Housings cash position increased by $4.834m over 2007-08. This was due to:

- increased Net cash from operating activities of $10.021m, largely represented by the increase in appropriation revenue and rents received from tenants
- higher net investment in capital assets.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(22 031)	(21 410)	(22 178)	(30 297)
Operating margin	>1.0	0.84	0.83	0.81	0.74
Underlying result ratio		(18.96%)	(20.77%)	(23.44%)	(34.84%)
Own source revenue ($'000s)		72 336	66 492	58 340	53 626
Financial Management					
Debt collection	30 days	11	9	25	8
Creditor turnover	30 days	63	21	19	25
Other Information					
Self-sufficiency %		52%	53%	50%	47%
Government funding %		67%	63%	62%	52%
Potential rental income ($'000s)		103 740	94 206	76 286	67 574
Rental Rebate ($'000s)		(40 375)	(34 574)	(23 028)	(20 669)
Net rents payable by tenants ($'000s)		63 365	59 632	53 258	46 905
Rental dwellings (no. of properties)		12 645	12 563	12 602	12 373
Occupancy Rate (%) *		99.3%	99.3%	98.9%	98.7%
Average staff numbers (FTEs)		222	214	202	196
Average staff costs ($'000s)		73	71	79	78
Average leave balance per FTE ($'000s)		14	12	13	11

Comment

Result from operations was consistently in deficit over the four years under review primarily because of rental rebates and unfunded depreciation. The Operating margin remained well below the bench mark which was also primarily due to the rental rebate provided by Housing to its tenants of $40.375m in 2008-09.

Own source revenue, comprising mainly rent collected from Housing tenants.

Debt collection ratio remains low over the four year period as Housing benefits from prompt payment by its residential tenants. The unusually high ratio in 2006-07 was due to a large outstanding invoice for a sale of land at the end of June 2007.

The significant increase in the creditor balance as at 30 June 2009 increased the Creditor turnover ratio for the 2008-09 year. This was due to incurring a substantial amount of expenditure in June 2009, to meet the requirements of the National Building Economic Stimulus Fund.

Self-sufficiency ratio indicates that Housing's own source revenues averaged 50% over the four year period of review. The self sufficiency ratio is affected by the substantial rebate on rental income Housing offers its tenants.

As expected, the Government funding ratio was significantly less than 100% reflecting Housing's rental activities and other income sources.

Average staff costs have risen due to annual indexation of wages under the Tasmanian State Service Award (4.0% in December 2008, and 1% in March 2009). This was also reflected in the increase in the Average leave balance per FTE.

TASMANIAN AMBULANCE SERVICE

INTRODUCTION

The Tasmanian Ambulance Service (the Service) is part of the Health Services output group within the Department of Health and Human Services (DHHS). The Service was established and operates under the *Ambulance Service Act 1982*.

The Service provides emergency and urgent ambulance care, rescue and transport services (including air transport and non-urgent transfers) and safety cover at various sporting and public events. It operates through a network of 48 stations staffed by salaried and volunteer ambulance officers.

The responsible Ministers is the Minister for Health.

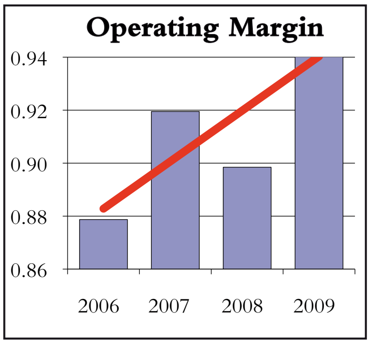
AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 15 October 2009 and an unqualified audit report was issued on 15 October 2009.

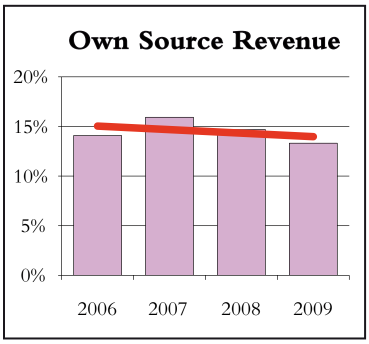
The audit was completed satisfactorily with no major items outstanding. However, signed financial statements were received after the deadline of 15 August 2009.

FINANCIAL RESULTS

Revenues earned and costs incurred by the Service have increased considerably over the past four years. Revenues are up from $27.093m in 2005-06 to $39.240m in 2008-09, an increase of $12.147m, 45%. Expenses increased from $30.833m to $41.322m being $10.489m, 34%.



Despite improvements, the Operating margin remained below the bench mark of one in each year of the review. This reflects the not-for-profit nature of Service's operating activities in providing emergency transport service to the general community.



Own source revenue ratio remained consistent over the years of review, indicating that the Service was primarily funded from government appropriation.

INCOME STATEMENT

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Attributed revenue from government-recurrent	34 016	27 869	26 322	23 513
User charges	4 786	4 347	3 299	3 115
Other revenue	438	452	517	465
Total Income	**39 240**	**32 668**	**30 138**	**27 093**
Employee entitlements	26 439	23 092	21 061	18 972
Client travel	3 616	3 259	3 219	3 127
Motor vehicle expenses	1 360	1 287	1 383	1 339
Depreciation	1 789	1 616	1 139	1 940
Goods and services	1 090	958	1 023	1 104
Administration	1 274	1 092	847	703
Impairment losses	52	179	3	427
Other expenses	5 702	4 877	4 101	3 221
Total Expenses	**41 322**	**36 360**	**32 776**	**30 833**
Net Deficit before:	**(2 082)**	**(3 692)**	**(2 638)**	**(3 740)**
Attributed revenue from government - capital	3 966	4 676	1 835	882
Actuarial superannuation assessment	(5 594)	(3 964)	(317)	7 160
Loss/(gain) on sale of assets	81	(154)	(500)	(56)
Net Surplus (Deficit) Attributable to the State	**(3 629)**	**(3 134)**	**(1 620)**	**4 246**

Comment

In 2008-09, the Service's Net Deficit increased by $0.495m. Factors contributing to the deficit were:

- an increase in employee entitlements expenditure of $3.347m due to fifteen new ambulance positions created in 2008-09, provision for back pay associated with career restructure in the Tasmanian Ambulance Service Agreement 2007 which was pending finalisation and annual indexation of wages under Tasmania Ambulance Service Agreement (3.5% in December 2008) and Tasmanian State Service Award (4.0% in December 2008 and 1% in March 2009)
- an increase in the actuarial superannuation assessment expense of $1.630m, in line with actuarial advice. This results from unfavourable market conditions following the global economic crisis starting in September 2008 and application of a lower discount rate
- an increase in other operating expenses of $0.825m due mainly to a rise in administration costs.

These increases in expenses were offset by an increase in attributed appropriation revenue of $6.147m in line with the approved allocation of funding provided by DHHS.

BALANCE SHEET

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Loan advances	0	8	0	0
Cash and deposits	0	0	0	0
Receivables	1 350	696	818	932
Superannuation	0	2 038	6 002	5 883
Non-financial Assets				
Inventory	603	371	268	219
Property, plant and equipment	25 661	21 215	12 470	11 824
Other assets	27	0	0	0
Total Assets	**27 641**	**24 328**	**19 558**	**18 858**
Liabilities				
Payables	1 031	763	614	663
Employee entitlements	8 683	7 358	7 268	6 566
Superannuation	3 556	0	0	0
Other liabilities	506	828	843	605
Total Liabilities	**13 776**	**8 949**	**8 725**	**7 834**
Net Assets	**13 865**	**15 379**	**10 833**	**11 024**
Reserves	15 896	15 307	8 583	8 583
Accumulated funds (deficits)	(2 031)	72	2 250	2 441
Total Equity	**13 865**	**15 379**	**10 833**	**11 024**

Comment

Total equity reduced by $1.514m over the prior year. This was due to:

- increased superannuation liability of $5.594m (previously an asset of $2.038m in 2007-08) in line with actuarial advice
- net deficit for the year of $3.629m
- increase in Employee entitlements in 2008-09 of $1.325m due to a provision for backpay of $0.600m and increases in salaries and wages rates generally.

This was offset by an:

- increase in Property, plant and equipment of $4.446m due to the purchase of new ambulance vehicles as part of the Service's fleet replacement program $3.846m, and the commencement of construction of four new ambulance stations and associated relief quarters with one station, Mowbray, fully operational in April 2009
- increase in receivables of $0.654m due mainly to ambulance services provided to eligible veterans at year end.

The Service does not operate its own bank account. Instead, all cash transactions are processed through bank accounts operated by DHHS.

CASH POSITION

	2008-09	2007-08	2006-07	2005-06
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	34 016	27 869	26 322	23 513
User charges	3 995	5 203	3 410	2 763
Other cash receipts	1 153	(160)	645	720
Total cash inflows	**39 164**	**32 912**	**30 377**	**26 996**
Employee entitlements	25 134	22 971	20 685	19 218
Goods and services	1 247	967	1 121	686
Client travel	3 595	3 259	3 219	3 127
Motor vehicle expenses	1 412	1 287	1 383	1 339
Administration	3 665	1 092	847	949
Other payments	3 390	4 830	4 101	2 165
Total cash outflows	**38 443**	**34 406**	**31 356**	**27 484**
Cash from (used in) operations	**721**	**(1 494)**	**(979)**	**(488)**
Repayment of loans	7	0	0	0
Receipts from government - capital	2 930	4 114	1 835	882
Proceeds from disposal of assets	124	205	62	45
Total cash inflows	3 061	4 319	1 897	927
Payments for acquisition of assets	5 646	3 781	2 347	1 018
Total cash outflows	**5 646**	**3 781**	**2 347**	**1 018**
Cash from (used in) investing activities	**(2585)**	**538**	**(450)**	**(91)**
Net increase (decrease) in cash held by central DHHS operating account attributable to the Service	**(1864)**	**(956)**	**(1 429)**	**(579)**
Cash on restructure	336	0	0	0
Eliminate portion of operating account attributable to DHHS	(1 528)	956	1 429	579
Transfer of DHHS land and buildings to the Service	1 528	0	0	0
Cash at the beginning of the year	0	0	0	0
Cash at end of the year	**0**	**0**	**0**	**0**

Comment

As previously noted, the Service does not operate its own bank account. Instead, all cash transactions are processed through bank accounts operated by the DHHS. The Service did not therefore hold any cash at year end.

The net cash from operations was positive for the first time in 2008-09. This was primarily due to increases in receipts from government and other receipts and, along with capital receipts from government; part funded the acquisition of new assets, mainly ambulances as well as a delay in commencement of initiatives associated with the 2008-09 budget funding of $5.000m resulting in expenditure savings for that year.

The nominal funding shortfall of $1.528m was made up by DHHS.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(2 082)	(3 692)	(2 638)	(3 740)
Operating margin	>1.0	0.95	0.90	0.92	0.88
Own source revenue ($'000s)		5 224	4 799	4 799	3 816
Financial Management					
Debt collection	30 days	103	55	66	86
Creditor turnover	30 days	35	28	32	35
Other Information					
Self-sufficiency (%)		13	13	12	12
Government funding (%)		94	88	91	86
Staff numbers (FTEs)		278	273	252	232
Average staff costs ($'000s)		95	85	84	91
Average leave balance per FTE ($'000s)		25	23	25	26
Ambulance Statistics *					
Emergency ambulance responses		32 632	31 516	31 032	31 487
Total ambulance responses		65 059	62 844	62 756	61 774

* *Not subject to audit.*

Comment

Operating margin remained below the bench mark in 2008-09, despite an improvement in the Result from operations compared to the prior year.

Increase in Debt collection was mainly due to outstanding invoice of $0.582m at 30 June 2009 for ambulance services provided to eligible veterans at year end.

Creditor turnover was above the bench mark in 2008-09 due to unpaid invoices of $0.288m at 30 June 2009 in relation to purchase of new Ambulance vehicles in June 2009. Before the vehicles could be put into service, they had still to be converted and equipped with internal fittings.

Increase in Average staff costs in 2008-09 was mainly due to an accrual at 30 June 2009 for estimated $0.600m in backpay (Refer details discussed in the Income Statement section of this Chapter). Average leave balance per FTE remained consistent with the prior year.

DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES

INTRODUCTION

The Department of Infrastructure, Energy and Resources (the Department) brings together the significant infrastructure activities of the State Government.

Its focus is on achieving the following major outcomes:

- facilitation of a safe and efficient transport system that enhances economic development
- promotion of reliable, efficient, safe and sustainable energy systems, and the promotion of energy efficiency and conservation
- facilitation of forest policy advice to underpin Tasmania's sustainable forestry practices and Tasmania's forest industries
- facilitation of mineral exploration and land management for Tasmanian land and offshore waters
- maintenance of probity and integrity in the racing industry.

The Department is predominantly funded by Parliamentary appropriations. Other funding sources include direct Commonwealth grants, industry grants and miscellaneous recoveries.

The Department's financial report encompasses all funds through which it controls resources to carry on its functions and includes the activities of the Forest Practices Authority and the WorkCover Tasmania Board (until 1 April 2006) as administered entities. The Forest Practices Authority is funded by industry contributions.

In addition to the transfer of WorkCover in April 2006, three other transactions significantly impacted, or will impact, the Department's financial performance:

- The receipt in 2005-06 of $60.000m from the Commonwealth to fund the redevelopment of the East Tamar Highway. At 30 June 2009 the Department was still holding the $45.572m (includes interest earned) of which $14.265m was expended during the year ended 30 June 2009
- During 2006-07 Government acquired rail infrastructure assets from Pacific National for the nominal amount of $1. The rail infrastructure and its management, assessment and oversight are presently the responsibility of the Department. For the 2007-08 financial year, the fair value of rail infrastructure assets were assessed at less than the $1 000 reporting threshold for the financial statements. This decision was affirmed during the 2008-09 year. The valuation is reviewed annually. During 2008-09, using funds received from both the State and Commonwealth governments, the Department spent $35.400m (2007-08, $19.300m) on track and other maintenance.
- On 30 June 2009 the Crown signed a Heads of Agreement with Pacific National to purchase the Pacific National Tasmania (PNT) business subject to finalisation of a Business Sale Agreement (BSA). The Crown agreed to purchase the PNT business for $32.000m plus any adjustments for the residual Melba Line inventory, with completion scheduled for 30 November 2009.

The Responsible Ministers are the Minister for Infrastructure, the Minister for Energy and Resources and the Minister for Racing.

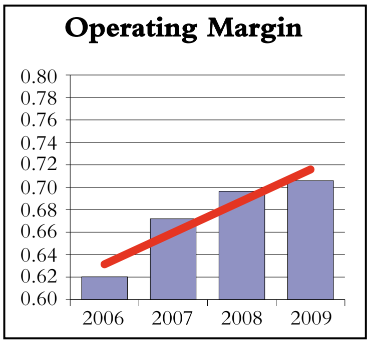
AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009, with final amended statements received on 25 September 2009. An unqualified audit report was issued on 30 September 2009.

The audit was completed satisfactorily with no major items outstanding.

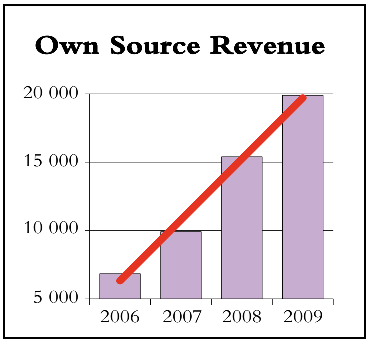
FINANCIAL RESULTS

The Department's financial results largely reflect the receipt of appropriations and grants, together with the transfer and expenditure of those funds.



Operating margin remained relatively consistent as highlighted in the following graph. The 2008 result was the closest the Department came to achieving a break even position over the period.

Own source revenue increased over the period with fines and regulatory fees being the major contributor.



INCOME STATEMENT

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	93 446	96 578	96 338	97 929
Revenue from government - capital maintenance	69 307	81 898	67 716	42 935
Revenue from special capital investment funds	0	4 885	407	6 219
Grants	2 999	3 195	2 403	3 079
Sales of goods and services	550	1 730	988	1 222
Fines and regulatory fees	9 963	9 707	5 547	441
Other revenue	3 153	5 259	6 464	5 180
Total Revenue	**179 418**	**203 252**	**179 863**	**157 005**
Employee entitlements	34 505	42 280	33 793	31 320
Depreciation and amortisation	87 084	86 941	80 580	78 949
Grants and subsidies	53 121	59 328	51 209	52 473
Supplies and consumables	66 638	96 167	84 658	68 171
Loss on sale of assets	0	25	89	392
Write down of assets	0	570	5 718	371
Other expenses	2 240	2 617	2 215	1 982
Total Expenses	**243 588**	**287 928**	**258 262**	**233 658**
Net (Deficit) before:	**(64 170)**	**(84 676)**	**(78 399)**	**(76 653)**
Revenue from government - capital	100 589	71 646	52 196	51 590
Revenue from special capital investments funds - capital	14 464	10 480	16 188	11 036
Net Surplus (Deficit) before	**50 883**	**(2 550)**	**(10 015)**	**(14 027)**
Urban Renewal and Heritage Fund transfer*	0	(25 000)	25 000	0
Net Surplus (Deficit) Attributable to the State	**50 883**	**(27 550)**	**14 985**	**(14 027)**

* *Government established the Urban Renewal and Heritage Fund in 2007-08 allocating it to the Department. In 2008-09 this Fund was transferred to the Department of Treasury and Finance. Commentary in the remainder of this Chapter focuses on transactions and performance before this transfer.*

Comment

Prior to accounting for capital revenues, the Department reported Deficits in the two years under review. The Net deficit for 2008-09 amounted to $84.676m compared to $78.399m last year, an increase of $6.277m. The primary reason for the deficits is that the Department is funded on a cash basis, which excludes depreciation or increases in employment provisions.

Revenues include capital grants and Special Capital Investment Funds (SCIF) funding. Capital funding is used to facilitate both asset replacement and asset maintenance. The above analysis has separated capital funding expended on asset replacement and recorded it below operating activities. After the Net Deficit is adjusted for capital grant funding, the Department recorded a Net Deficit attributable to the State of $2.550m compared to a deficit of $10.015m last year.

Revenue from government–capital and SCIF used in asset maintenance was recorded as operating income. This enables an assessment of the Department's management of operating revenues and expenditures.

Total Revenue income for 2008-09 was $203.252m up 13% on the prior year result of $179.863m, an increase of $23.389m. Significant changes included:

- Revenue from Government – capital maintenance increased by $14.182m primarily to fund higher rail maintenance expenditure of $35.400m (2007-08, $19.300m)
- an increase in special capital investment funds of $4.478m
- Fines and regulatory fees increased by $4.160m.

Total Expenses for 2008-09 were $287.928m, up 11.49% on the prior year result of $258.262m. an increase of $29.666m. Significant changes included:

- Employee entitlements increased by $8.847m, 25.07%, due to general wage rises and increased staff numbers
- Grants and subsidies increased by $8.119m, 15.85%, primarily due to higher payments to school bus operators for increased patronage and fuel costs
- Depreciation and amortisation increased by $6.361m, 7.89%, primarily relating to the road infrastructure
- Supplies and consumables increased by $11.509m, 13.59%. The increase was principally the result of increased spending of $16.100m on maintenance of rail infrastructure assets taken over.

These increases in cost were to an extent offset by lower asset write downs of $5.148m in 2008-09.

The variation between budget and actual operating deficit for 2008-09 amounted to $44.340m. The major variations included the following:

- Revenue from government – recurrent, $3.132m more than budget due to some programs being in excess of budget such as that for school bus operations
- Revenue from government – capital maintenance was $12.591m in excess of budget to assist with additional maintenance associated with rail infrastructure
- Revenue from SCIF for maintenance purposes of $4.885m had no budget.

These variations were partly offset by:

- Other revenue exceeded budget by $2.106m primarily due to a one-off recovery
- Employee entitlements exceeded budget by $7.775m as a result of new wage agreements and changes in the classification of positions
- Grants and subsidies were $6.207m above budget due to higher payments to school bus operators
- Supplies and consumables exceeded budget by $29.529m primarily because $35.400m rail expenditure budgeted to be capitalised was expensed.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	61 538	48 301	91 558	71 207
Receivables	1 123	2 116	1 265	1 123
Other financial assets	5 868	7 717	5 096	5 866
Non-financial Assets				
Assets held for sale	10	0	0	10
Plant and equipment	11 914	12 078	12 536	12 862
Land and buildings	23 147	25 212	21 568	20 801
Road infrastructure	4 073 407	4 489 346	4 266 946	3 840 916
Other infrastructure	34 504	33 986	34 504	36 702
Intangibles	18 083	16 841	17 252	8 770
Total Assets	**4 229 594**	**4 635 597**	**4 450 725**	**3 998 257**
Liabilities				
Payables	5 115	9 702	6 128	7 277
Employee entitlements	9 045	11 014	9 581	8 563
Other liabilities	2 600	1 179	4 712	3 993
Total Liabilities	**16 760**	**21 895**	**20 421**	**19 833**
Net Assets	**4 212 834**	**4 613 702**	**4 430 304**	**3 978 424**
Reserves	2 734 336	1 993 359	1 782 411	1 345 516
Accumulated funds	1 478 498	2 620 343	2 647 893	2 632 908
Total Equity	**4 212 834**	**4 613 702**	**4 430 304**	**3 978 424**

Comment

During 2008-09 the Department's Net Assets increased by $183.398m primarily due to asset revaluation increments. The Department revalues road, land under roads and bridge infrastructure on an annual basis through full revaluations or by applying indices between valuations.

As illustrated in the Balance Sheet, the Department's assets are dominated by road infrastructure assets, totalling $4.489bn (or 96.85% of Total Assets).

The Cash and deposits balance as at 30 June 2009 was $48.301m (2008, $91.558m). This cash balance consisted of:

- East Tamar Highway Fund, $45.572m
- Operating account, $2.729m.

Explanations for the movements in the Cash and deposits balances are provided under the Cash Position analysis later in this Chapter.

The increase in Road infrastructure in 2008-09 of $222.400m was due to indexation increases to all categories, $210.948m, and commencement of major projects such as expenditure of $14.265m on the East Tamar Highway and $12.200m on the transport hub and Brighton Bypass.

The increase in Road infrastructure in 2007-08 of $426.030m was mainly the result of a road revaluation $336.681m, land under roads revaluation $53.561m and CPI valuation increase of bridges, $36.078m.

Intangibles represented the costs associated with the redevelopment of the Motor Registry System (MRS) project and from 2006-07 the Roads Information Management System (RIMS) project. The MRS project was funded from SCIF and the RIMS project from Appropriation.

Major variations between budget and actual Net Assets for 2008-09 included the following:

- Cash and deposits: lower than expected expenditure of East Tamar Highway funds and the unbudgeted transfer of the $25.000m Urban Renewal and Heritage Fund to Department of Treasury and Finance
- Other financial assets: higher due to larger tax asset and prepayment accruals
- Lands and buildings: the budget was under estimated
- Road and Other infrastructure: the revaluation was not budgeted. The 2008-09 budget was prepared prior to the 2007-08 revaluation was completed. The high revaluation reflects increases in the road and bridge construction costs over the last five years
- Payables: reflected higher than anticipated creditor and expense accruals due to increased activity with major capital projects
- Employee entitlements: higher due to the new wage agreements and the employment of additional staff.

CASH POSITION

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	93 446	96 443	94 879	97 929
Receipts from government - capital	69 307	78 485	69 868	45 122
Revenue from special capital investment funds	0	4 885	411	6 219
Grants	2 999	2 448	3 006	2 713
Sales of goods and services	550	1 035	994	1 127
Fines and regulatory fees	9 963	9 711	5 538	443
GST receipts	10 398	23 476	20 980	16 153
Other cash receipts	3 149	6 210	5 868	5 233
Payments to employees	(34 264)	(40 804)	(32 835)	(30 948)
Grants and subsidies	(53 121)	(59 173)	(53 119)	(50 456)
Payments to suppliers	(66 638)	(95 160)	(83 029)	(64 882)
GST payments	(10 399)	(24 445)	(21 116)	(17 331)
Other cash payments	(2 240)	(2 403)	(2 235)	(1 965)
Cash from operations	**23 150**	**708**	**9 210**	**9 357**
Receipts from government - capital	100 589	71 646	52 196	51 591
Revenue from special capital investment funds	14 464	10 480	16 188	11 036
Proceeds from disposal of assets	4	4	5	3
Payments for acquisition of assets	(163 651)	(101 095)	(82 248)	(67 275)
Cash (used in) investing activities	**(48 594)**	**(18 965)**	**(13 859)**	**(4 645)**
Urban Renewal and Heritage fund transfer	**0**	**(25 000)**	**25000**	**0**
Net increase (decrease) in cash	**(25 444)**	**(43 257)**	**20 351**	**4 712**
Cash at the beginning of the year	86 982	91 558	71 207	66 495
Cash at end of the year	**61 538**	**48 301**	**91 558**	**71 207**

Comment

Cash and deposits balance decreased by $43.257m over the two year period under review primarily due to:

- Cash from operations declined by $8.502m to $0.708m mainly as a result of high maintenance expenditure
- Investment of $14.265m in the East Tamar Highway utilising funds brought forward for the purpose
- The transfer to Treasury of the $25.000m Urban Renewal and Heritage Fund.

Reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and Balance Sheet sections of this Chapter.

Major variations between budget and actual cash flows for 2008-09 included the following:

- Payments to employees were underestimated due to new wage agreements
- Payments to suppliers was higher due to the $28.000m being expensed as maintenance which was capitalised in the budget
- Receipts from Government - capital were $28.943m less than budget because the $35.400m budgeted for receipt on capital account was treated as a recurrent receipt
- Payment for the acquisition of assets was less than budget by $62.556m mainly due to the inclusion in the budget of $28.000m in maintenance expenditure which was expensed as Payments to suppliers.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(84 676)	(78 399)	(76 653)	(88 623)
Operating margin	>1.0	0.71	0.70	0.67	0.62
Underlying result ratio		(0.42)	(0.44)	(0.49)	(0.61)
Own source revenue ($'000s)		19 891	15 402	9 922	6 844
Financial Management					
Debt collection	30 days	35	25	33	32
Creditor turnover	30 days	29	14	27	8
Other Information					
Self-sufficiency (%)		7	6	4	3
Government funding (%)		68	68	66	61
Staff numbers (FTEs)		558	537	503	512
Average staff costs ($'000s)		76	63	62	69
Average leave balance per FTE ($'000s)		20	18	17	16

Comment

Result from operations was in deficit throughout the period and Operating margins were well below the benchmark. This is consistent with observations made in the Income Statement section, relating to the Department not being funded for depreciation or increases in employee entitlements provisions. Because both are significant expenses, it is expected that a deficit operating result and poor operating margin will continue. Underlying result ratio was similarly negative for all four years.

Own source revenue grew steadily over the four year period of the review. The increase in 2008-09 was attributable to mining rehabilitation bonds, interest income and Road Safety levies.

Debt collection increased from 25 days in 2007-08 to 35 days in 2008-09 primarily due to a large debt outstanding, $0.700m as at 30 June 2009, for a recovery to damages to a bridge. Otherwise, the four year analysis shows a decline in the debt collection ratio.

Self sufficiency percentage was very low indicating the very high dependency on appropriations to fund operating expenditure.

Creditor turnover varied over the four year period. This ratio was affected by the amount of project activity undertaken by the Department with consequential impact on the size of contractor payments unpaid at balance date.

The Government funding ratio was below 100% benchmark. The ratio was impacted by the operating deficits incurred by the Department primarily due to depreciation and employee entitlement provisions not being funded.

Employment numbers increased in 2008-09 by 21 FTE's. The additional employment was for the following areas: rail management, driver testing, passenger transport review, Brighton transport hub and Office of the Secretary.

Average staff costs generally increased over the four year period. The increase in 2008-09 was attributable to negotiated wage increases, including reclassifications of positions in new bands, new agreement for engineers, and annual wage escalation.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

Transactions administered by the Department included the Forest Practices Authority and the WorkCover Tasmania Board (until 1 April 2006), taxi licences, motor vehicle registrations and collecting mining royalties.

Administered Income and Expenses

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	27 042	28 245	20 700	17 922
Revenue from government - capital	0	2 000	500	600
Grants	64 403	73 725	44 483	32 569
Sales of goods and services	26 176	29 663	44 119	41 513
Fines and regulatory fees	55 263	42 860	38 628	36 388
Other revenue	2 062	641	465	618
Total Revenue	**174 946**	**177 134**	**148 895**	**129 610**
Employee entitlements	1 848	1 886	1 809	1 634
Depreciation and amortisation	1	15	3	4
Grants and subsidies	25 906	29 078	19 181	18 040
Supplies and consumables	696	1 900	3 705	575
Other expenses	157	153	64	106
Total Expenses	**28 608**	**33 032**	**24 762**	**20 359**
Net Surplus	**146 338**	**144 102**	**124 133**	**109 251**
Transfer to consolidated fund	(146 458)	(143 906)	(128 320)	(105 876)
Net Surplus (Deficit) attributable to the State	**(120)**	**196**	**(4 187)**	**3 375**

Comment

In comparing actual to budget for 2008-09, major variances related to:

- Grants received were $9.322m more than the budget estimate due to Australian Government funds for the National Roads and Rail programs
- increased Fees and fines reflected stronger than expected revenues from motor registrations and drivers licences, and sales of Perpetual Taxi Licences
- decreased Sales of goods and services in 2008-09 due principally to decreased mineral royalties due to lower commodity prices, which also caused the difference compared to the budget estimate.

Major Grants and subsidies expended in 2008-09 included:

- school bus operators route service, $13.784m
- transport access scheme, $3.443m
- conveyance allowance, $1.537m
- National Road Transport Commission, local government contribution, $1.500m
- Tasmanian racing assistance, $1.060m
- contribution to Marine and Safety Tasmania, $2.050m
- contribution to jetties, $2.000m
- Private Forests Tasmania, $1.311m
- Sullivans Cove Waterfront Authority, $1.755m.

Transfer to Consolidated Fund was higher in 2008-09 but less than the budget estimate due to larger revenue collections, particularly public vehicle licensing, vehicle registration and driver licensing, noted previously.

Administered Assets and Liabilities

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash	3 048	2 605	3 102	3 258
Receivables	3 120	584	405	3 120
Other financial assets	2 747	862	479	2 747
Non-financial Assets				
Property, plant and equipment	2	71	39	2
Total Assets	**8 917**	**4 122**	**4 025**	**9 127**
Liabilities				
Payables	705	99	83	705
Employee entitlements	386	390	364	356
Other liabilities	1 889	1 447	1 588	1 889
Total Liabilities	**2 980**	**1 936**	**2 035**	**2 950**
Net Assets	**5 937**	**2 186**	**1 990**	**6 177**
Accumulated funds	5 937	2 186	1 990	6 177
Total Equity	**5 937**	**2 186**	**1 990**	**6 177**

Comment

In comparing actual to budget for 2008-09, major variances related to:

- Cash and deposits which included third party collections held over at the end of the financial year
- actual Receivables and Payables being lower than anticipated.

Changes in Total Equity were attributable to the Net surpluses (deficits) recorded.

Other financial assets consisted of the market value of shares held by the Minister in Forte Energy NL (formerly Murchison United Ltd) and accrued revenue.

Administered Cash Flows

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	27 042	28 245	20 700	17 922
Receipts from government - capital	0	2 000	500	600
Grants	64 403	73 737	44 510	32 587
Sales of goods and services	48 238	33 521	48 975	39 033
Fines and regulatory fees	33 201	38 557	39 090	36 242
Other receipts	2 061	496	365	975
Payments to employees	(1 833)	(1 858)	(1 802)	(1 571)
Grants and subsidies	(25 906)	(28 994)	(19 900)	(17 344)
Other cash payments	(853)	(2 685)	(4 234)	(1 245)
Transfers to the consolidated fund	(146 458)	(143 906)	(128 320)	(105 876)
Cash from (used in) operating activities	**(105)**	**(887)**	**(116)**	**1 323**
Cash from (used in) investing activities	**0**	**390**	**(40)**	**0**
Net increase (decrease) in cash	**(105)**	**(497)**	**(156)**	**1 323**
Cash at the beginning of the year	3 153	3 102	3 258	1 935
Cash at end of the year	**3 048**	**2 605**	**3 102**	**3 258**

Comment

Reasons for changes in cash flow items have been discussed previously in the Administered Income and Expense section.

Reasons for variances between budget estimates and actual amounts in the Cash Flow Statement are also the same as those noted in the Administered Income and Expenses section.

DEPARTMENT OF JUSTICE

INTRODUCTION

The Department of Justice (the Department) provides systems and services in order to maintain and promote rights and responsibilities, resolve disputes and contribute to the aim of a safer and more inclusive society that will benefit the Tasmanian community as a whole.

The Department provides administrative support for the Supreme and Magistrates Courts; Tasmanian Industrial Commission; Tasmanian Legal Aid Commission; Tasmanian Electoral Commission; Workers Rehabilitation and Compensation Tribunal; WorkCover Tasmania Board; Forensic Tribunal; Guardianship and Administration Board; Mental Health Tribunal; Parole Board of Tasmania; the Poppy Advisory and Control Board; Resource Management and Planning Appeal Tribunal; Resource Planning and Development Commission; and the Sullivans Cove Waterfront Authority. It also supports the statutory offices of the Solicitor-General, Director of Public Prosecutions, Public Guardian and the Anti-Discrimination Commissioner. Each of these areas is separately accountable to Parliament.

The Department includes: Corrective Services; Crown Law; Office of Consumer Affairs and Fair Trading; Registry of Births, Deaths and Marriages; Workplace Standards Tasmania; Monetary Penalties Enforcement Service; Victims Support Services; Legislation Development and Review; Strategic Policies and Projects; Corporate Services; Industrial Relations (Private Sector); Land Use Planning; and the State Architect.

As at 30 June 2009 the Department was responsible to four Ministers: the Attorney-General and Minister for Justice; the Minister for Planning; the Minister for Corrections and Consumer Protection and Minister for Workplace Relations; and the Minister for Veterans Affairs (in respect of a single Act).

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009. An unqualified audit report was issued on 22 September 2009.

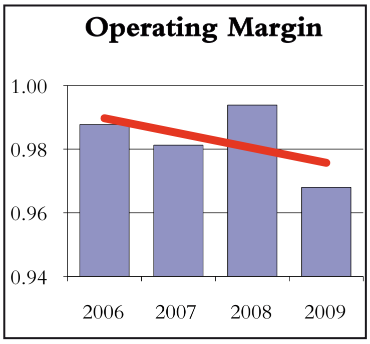
The audit was completed satisfactorily with no major items outstanding. No significant audit findings were identified.

Significant events to note during the year included a revaluation of land and buildings, which resulted in an increase of $21.522m in the carrying amount of these assets, and repayment of borrowings of $11.311m.

FINANCIAL RESULTS

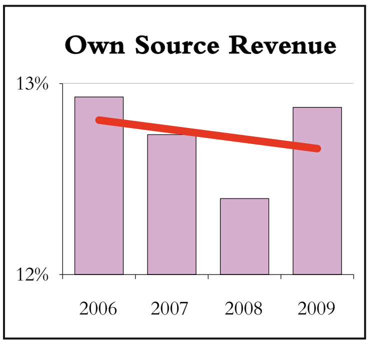
The Department's financial performance over the last four years was impacted by a number of major initiatives. The Prison Infrastructure Redevelopment Program (PIRP) commenced in 2004-05 and was completed in 2006-07 which required increased capital funding and recurrent appropriation to meet higher employee and maintenance costs. In 2005-06 an administrative restructure resulted in the Department assuming responsibility for Workplace Standards, the Resource Planning Development Commission, the Resource Management Planning Appeals Tribunal and Land Use Planning which included approximately 154 full time equivalents (FTEs).

The Department's Net Asset position improved each year since 2005-06 largely as a result of the repayment of borrowings to fund the PIRP. In addition the 2008-09 revaluation of land and buildings strengthened its Balance Sheet.



Operating margin remained slightly below the benchmark of one throughout the period. In 2008 the higher margin was a result of the full year effect of Workplace Standards which became part of the Department during that financial year. In 2009 the margin declined as a result of the completion of the Monetary Penalty Enforcement Project (MPEP) and the significant increase in employee entitlement provisions as a result of wage increases. In 2008-09 a new Public Service Union Wage Agreement (PSUWA) resulted in significant increases in employee entitlements.

Own source revenue percentage was fairly stable over the period under review, fluctuating between 12 and 13 percent. The Department is limited in its ability to generate own source revenues. The increase in 2009 was primarily due to fines and levies raised by Workplace Standards.



INCOME STATEMENT

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	120 473	118 784	112 941	106 904
Revenue from Special Capital Investment Funds	0	0	1 045	1 248
Sale of goods and services, fees and fines & grants	9 940	13 264	12 067	9 227
Other revenue	2 335	4 991	5 435	7 935
Total Revenue	**132 748**	**137 039**	**131 488**	**125 314**
Employee entitlements	78 319	83 180	76 837	72 887
Depreciation and amortisation	5 037	4 450	4 303	3 993
Loss on sale of non-financial assets	0	5	0	
Grants and subsidies	6 038	8 691	5 991	4 736
Impairment losses	0	131	487	0
Other expenses	48 312	45 115	44 686	46 093
Total Expenses	**137 706**	**141 572**	**132 304**	**127 709**
Net (Deficit) before:	**(4 958)**	**(4 533)**	**(816)**	**(2 395)**
Capital appropriations	12 270	11 905	9 242	19 904
Net Surplus (Deficit) Attributable to the State	**7 312**	**7 372**	**8 426**	**17 509**

Comment

The Net deficit before capital appropriations for the year increased compared to prior year by $3.717m which resulted from a $9.100m increase in Total Expenses compared to a $5.600m increase in Total Revenue.

The main factors causing higher expenditure were:

- Employee entitlement expenses increased 8%, $6.343m, over 2007-08. This was primarily due to the PSUWA, which included a new salary band structure, causing higher than budgeted wage increases. These changes also increased related annual and long service leave balances which in turn impacted on the employee entitlement expense

- Grant and subsidies expenditure increased 45%, $2.700m, over 2007-08. This was primarily due to changes in COAG arrangements from 1 January 2009 which resulted in the Department paying $1.800m in Commonwealth grants to the Legal Aid Commission. Previously these grants were paid direct to the Commission from the Commonwealth. These grants formed part of the increase in Revenue from government – recurrent; grant revenue decreased by $0.590m, 51%, in 2007-08.

The main factors relating to increased Total Revenue were:

- Recurrent appropriation increased $5.843m, 5%, in 2007-08 primarily due to the following budget initiatives:
    - o prison perimeter fence, $0.800m
    - o further prison operations, $1.600m
    - o upgrade to Supreme Court holding cells, $0.874m
    - o State architect, $0.268m.

  The recurrent appropriation was also impacted by salary indexation and changes to funding arrangements for Commonwealth grants.

- Sales of goods and services increased $1.197m, 9%, in 2007-08.

These increases were partly offset by:

- Revenue from the Special Capital Investment Funds concluded in 2007-08 due to the completion of the MPEP
- Other revenue decreased by $0.444m, 8%, in 2007-08.

In relation to movements against budget, the net deficit improved by $0.425m. The main contributing factors were:

- Sales of goods and services, fees and fines and grants increased 33% or $3.324m over budget. This increase was impacted by a number of Workplace Standards fees and fines which were not originally budgeted for, namely:
    - o $2.700m for electrical safety inspection fees
    - o $1.100m for building permit levies
    - o $0.780m for building practitioners accreditation.

  This was offset by a decrease in Grant revenue of $2.661m, 81%, on budget, due to changes in COAG arrangements and the budget estimate including some administered activities

- Other revenue increased in excess of 100% , $2.656m, over budget due to the following items which were not included in the budget:
    - o the newly formed Rental Deposit Authority Project which received $0.710m from the Property Agents Board
    - o increased revenue from prison industries of $0.650m
    - o increased confiscation of profits revenue of $0.600m.
- Other expenses which included supplies and consumables and other expenses decreased by 7%, $3.197m, over budget primarily due to the inclusion of the budget for the WorkCover Tasmania Board, which is an administered activity.

These movements were offset in part by:

- Employee entitlement expenses increased 6% or $4.861m over budget due to the PSUWA
- Grant and subsidies expenditure increased by 44%, $2.653m, over budget due to changes in COAG arrangements.

Recurrent appropriations decreased 1.4%, $1.689m, compared to budget. This decrease resulted from the following factors:

- implementation of the Government budget saving strategies in December 2008 which realised $2.020m
- decreased Reserved By Law funding for the Criminal Injuries Compensation Scheme of $2.500m due to a less than expected number of claims.

These were partially offset by:

- additional funding of $2.444m received due to the changes in the COAG arrangements from 1 January 2009 where Commonwealth Grants were paid directly to the Department of Treasury and Finance and then appropriated to the Department.

Capital appropriations relate to the PIRP. This project commenced in 2003-04 and was completed in October 2006. The PIRP was funded through the Capital Investment Program. However, from September 2005 bridging funding was provided by an external bank loan (to fast-track the completion of the project). The final payment of this loan was made in July 2008 funded by Capital Appropriations.

BALANCE SHEET

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Cash and deposits	9 060	15 079	14 193	8 436
Receivables	3 936	3 060	2 267	3 336
Non-financial Assets				
Inventory	433	461	436	433
Property, plant and equipment	129 624	150 085	131 737	135 463
Intangibles	2 713	4 278	3 718	2 576
Total Assets	**145 766**	**172 963**	**152 351**	**150 244**
Liabilities				
Payables	3 790	3 288	4 192	3 190
Interest bearing liabilities	0	0	11 311	19 343
Employee entitlements	15 790	18 646	15 850	14 880
Other liabilities	1 013	2 098	961	1 005
Total Liabilities	**20 593**	**24 032**	**32 314**	**38 418**
Net Assets	**125 173**	**148 931**	**120 037**	**111 826**
Reserves	19 302	40 824	19 302	19 302
Accumulated funds	105 871	108 107	100 735	92 524
Total Equity	**125 173**	**148 931**	**120 037**	**111 826**

Comment

The Department's Net Assets increased by $28.894m over 2007-08 primarily due to the revaluation of land and buildings as at 30 June 2009 which resulted in a revaluation increment of $21.522m.

This revaluation contributed to an overall increase in Property, plant and equipment of $18.348m, 14%, over 2007-08. There were no significant capital additions during the year.

The Cash and deposits balance as at 30 June 2009 was $15.079m (2008, $14.193m). Explanations for movements in this balance are provided under the Cash Position analysis later in this Chapter.

Total liabilities decreased by $8.282m, 26%. The major variations included the following:

- Interest bearing liabilities reduced to zero as the financing arrangement entered into in September 2005 between the Department, ANZ and John Holland/Fairbrother in respect to the PIRP was paid off during the year
- Payables decreased by $0.904m, 22%.

These variations were partially offset by:

- Employee entitlements increased by $2.796m, 18%, over 2007-08. This increase was primarily due to the pay increases and changes in salary bands noted previously
- Other liabilities increased by $1.137m, 118%, over 2007-08. This primarily related to $0.966m in Appropriation carried forward in the current year under section 8A of the *Public Account Act 1986* relating to funding for the Regional Settlement and Investment Strategies, $0.266m, and completion of the Risdon Prison perimeter fence, $0.700m. The remainder of the increase related to the accrual for payroll tax on leave liabilities and was due to the pay increases and changes in salary bands previously noted.

In comparison to budget, the position was higher net assets of $23.758m. The major variations included the following:

- Cash and deposits increased $6.019m being 66% over budget
- Property, plant and equipment increased $20.461m, 16%, over budget due to land and buildings revaluation
- Inventory increased $0.028m, 6%, over budget.

These variations were offset in part by:

- Employee entitlements increased by $2.856m, 18%, over budget – refer comments above
- Other liabilities increased by $1.085m or 107% over budget – refer comments above.

The independent land and buildings revaluation as at 30 June 2009 also resulted in Reserves increasing by 112%.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	120 473	119 750	112 941	106 904
Sales of goods and services, fees and fines and grants	9 640	13 247	11 841	9 383
GST receipts	5 700	4 376	4 812	6 861
Other cash receipts	2 335	4 050	7 670	11 353
Payments to employees	(77 856)	(80 598)	(74 893)	(73 096)
Payments to suppliers	(54 050)	(54 384)	(49 900)	(54 378)
GST payments	(5 700)	(4 337)	(4 878)	(6 765)
Cash from operations	**542**	**2 104**	**7 593**	**262**
Receipts from government - capital	12 270	11 905	9 242	19 904
Proceeds from disposal of assets	0	1	0	0
Payments for acquisition of assets	(1 832)	(1 846)	(2 022)	(7 290)
Cash outflow on administrative restructure	0	0	(315)	0
Cash from investing activities	**10 438**	**10 060**	**6 905**	**12 614**
Repayment of borrowings (including interest)	(10 602)	(11 278)	(8 741)	(13 930)
Cash (used in) financing activities	**(10 602)**	**(11 278)**	**(8 741)**	**(13 930)**
Net increase (decrease) in cash	**378**	**886**	**5 757**	**(1 054)**
Cash at the beginning of the year	8 682	14 193	8 436	9 490
Cash at end of the year	**9 060**	**15 079**	**14 193**	**8 436**

Comment

The decreased Cash from operations compared to prior year, $4.871m resulted from increased:

- Payments to employees and suppliers, $10.189m, offset by
- Receipts from government – recurrent, $6.809m.

Receipts from government – capital represented funding for the repayment of borrowings as reported within the financing activities section of the Cash Position table above.

Movements in individual cash flow items are consistent with commentary already provided in the Income Statement and Balance Sheet sections of this Chapter.

Cash and deposits marginally increased on 2007-08, however it was $6.019m, 66%, over budget. The budgeted opening cash of $8.682 at 1 July 2008 was based on the cash balance at 30 June 2007 and did not include unexpected retained revenue from the Building Administration Fund and from Building Practitioners Accreditation.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance*					
Results from operations ($'000s)		(4 533)	(816)	(2 395)	(1 330)
Operating margin	>1.0	0.97	0.99	0.98	0.99
Underlying result ratio		(0.03)	(0.01)	(0.01)	(0.02)
Own source revenue ($'000s)		17 645	16 302	15 956	13 841
Financial Management					
Debt collection	30 days	84	69	132	103
Creditor turnover	30 days	27	34	25	69
Other Information					
Self-sufficiency (%)		13	13	13	13
Government funding (%)		96	99	98	99
Staff numbers (FTEs)		987	999	972	961
Average staff costs ($'000s)		83	77	75	65
Average leave balance per FTE ($'000s)		19	16	15	15

**Before asset transfers and capital appropriations*

Comment

As expected, because departments are not funded for depreciation or increases in employee entitlements, the Result from operations (before capital appropriations and asset transfers) was in deficit and the Operating margin continued to be slightly below one.

Underlying result ratio was negative and reflected the deficits incurred.

Debt collection ratio increased in 2008-09 mainly due to a significant increase in legal work in progress compared to the prior year and changes in the process of invoicing Court Orders during this year.

The Department's normal payment period for creditors is 30 days which was consistent with the Creditors turnover for 2008-09.

Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This remained constant at 13%.

Government funding ratio moved from 99% to 96% reflective of the funding deficit position which government departments face.

Average staff costs and Average leave balances increased due to the PSUWA and new salary band restructure noted previously under the Income Statement section of this Chapter.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

The Department's administered statements primarily relate to the enforcement of monetary penalties, Supreme and Magisterial court services, Births, Deaths and Marriages, Maintenance of a fair, safe and equitable market place and the WorkCover Tasmania Board.

Administered Income and Expenses

	2008–09 Budget	2008–09 Actual	2007–08 Actual	2006–07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government – recurrent	1 755	0	0	0
Australian government grants	0	610	4 107	4 022
Sales of goods and services, fees and fines	33 168	36 944	28 906	28 886
Other revenue	0	6 207	6 078	5 384
Total Revenue	**34 923**	**43 761**	**39 091**	**38 292**
Grants and subsidies	1 755	43	23	3
Employee entitlements	0	2 143	1 660	1 453
Depreciation and amortisation	0	2	0	3
Impairment losses	0	3 066	2 465	0
Other expenses	0	6 166	5 308	5 390
Total Expenses	**1 755**	**11 420**	**9 456**	**6 849**
Net Surplus	**33 168**	**32 341**	**29 635**	**31 443**
Transfer to Consolidated Fund	27 168	25 720	23 434	23 944
Net Surplus Attributable to the State	**6 000**	**6 621**	**6 201**	**7 499**

* *Note, aside from grants and subsidies there was not a budget allocation for other expenses.*

Comment

Recurrent revenue from government was $1.755m below budget and 2007-08. During 2008-09, administrative responsibility for the Sullivans Cove Waterfront Authority (SCWA) was transferred from the Department of Infrastructure, Energy and Resources (DIER) to the Department. As a result, the 2008-09 budget was restructured to reflect the transfer but at the time of the administrative restructure DIER had paid the grant to SCWA and therefore received and recorded the appropriation revenue.

Australian Government Grants decreased by greater than 100%, $3.497m, over 2007-08. From 1 July 2008, grants ceased for revenue activities associated with business affairs (2007-08, $ 4.107m). This was partially offset by the new COAG arrangements which resulted in $0.610m revenue previously recognised as controlled now being recognised as administered.

Sales of goods and services, fees and fines increased by 11%, $3.776m, over budget and 28%, $8.038m, over 2007-08. This increase was primarily due to higher than expected fees and fines imposed under the *Monetary Penalties Enforcement Act* and improved collection rates which in total amounted to approximately $8.200m.

Net surpluses on administered transactions reflected the timing of funds received, which were then forwarded to Treasury, as recorded in the Transfer to Consolidated Fund.

Administered Assets and Liabilities

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash	2 179	3 087	3 313	2 179
Receivables	34 697	34 811	27 803	22 697
Non-financial Assets				
Total Assets	**36 876**	**37 898**	**31 116**	**24 876**
Liabilities				
Payables	86	116	65	86
Employee entitlements	282	438	336	282
Other liabilities	13	27	19	13
Total Liabilities	**381**	**581**	**420**	**381**
Net Assets	**36 495**	**37 317**	**30 696**	**24 495**
Accumulated funds	36 495	37 317	30 696	24 495
Total Equity	**36 495**	**37 317**	**30 696**	**24 495**

Comment

The only significant variance for the year related to Receivables, with the increase directly attributable to increased fees and fines revenue imposed during 2008-09. Receivables represent the balance at year end of fees and fines owing to Government.

ADMINISTERED CASH FLOWS

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	1 755	0	0	0
Australian government grants	0	610	4 107	4 022
User charges, fees and fines	20 034	26 850	21 356	19 884
Other receipts	7 134	6 227	6 060	5 215
Payments to employees	0	(2 040)	(1 607)	(1 454)
Payments to suppliers	(1 755)	(6 151)	(5 349)	(3 904)
Transfers to the Consolidated Fund	(27 168)	(25 720)	(23 434)	(23 943)
Cash from (used in) operations	**0**	**(224)**	**1 133**	**(180)**
Proceeds from administrative restructuring - cash transferred in	0	(2)	1	0
Cash from financing activities	**0**	**(2)**	**1**	**0**
Net increase(decrease) in cash	**0**	**(226)**	**1 134**	**(180)**
Cash at the beginning of the year	2 179	3 313	2 179	2 359
Cash at end of the year	**2 179**	**3 087**	**3 313**	**2 179**

Comment

The movement in Receipts from government, Australian government grants, User charges, fees and fines, Payments to suppliers and Transfers to the Consolidated Fund were consistent with comments made previously.

DEPARTMENT OF POLICE AND EMERGENCY MANAGEMENT

INTRODUCTION

The Department of Police and Emergency Management (the Department) consists of Tasmania Police, the State Emergency Service (SES) and Forensic Science Service Tasmania (FSST). In March 2006, after the State election and under the *Administrative Arrangements Order 2006*, the Department administratively incorporated the Tasmania Fire Service (TFS) and was renamed the Department of Police and Emergency Management.

Tasmania Police comprises four geographical districts which are assisted by specialised support areas. It plays a lead role in the achievement of the Tasmania Together goal of developing confident, friendly and safe communities.

SES provides an emergency volunteer response capability for rescue and retrieval services and emergency management advice and services to Government.

FSST provides forensic chemistry and biology services to government departments, external organisations and the public (limited).

TFS protects life, property and the environment from the impact of fire and other emergencies.

The Department aims to:

- provide a high visibility front-line service
- ensure people feel safe and are safe in public places
- reduce the impact of crime and continue the increase in crime clearance
- improve traffic law compliance
- enhance delivery of emergency and security management.

The responsible Minister is the Minister for Police and Emergency Management.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009. Re-signed financial statements were received on 22 September 2009 with an unqualified audit report issued on the same day.

The audit was completed satisfactorily with no major items outstanding.

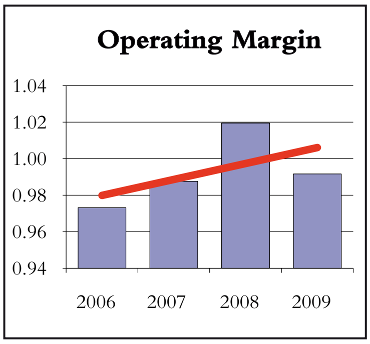
Matters reported to the Acting Secretary included the need to better manage excessive leave.

FINANCIAL RESULTS

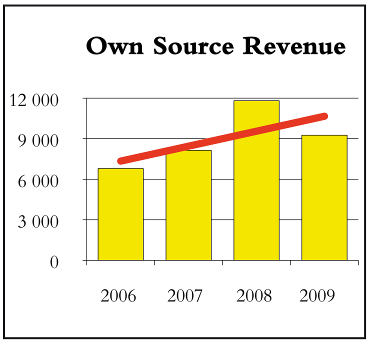
The Department's financial results largely reflect the receipt of appropriations and grants, together with the transfer and expenditure of those funds.

The Department recorded a Net Deficit attributable to the State of $0.424m, compared to a $6.019m surplus in the previous year, and increased its equity by $20.619m to $160.607m in 2008-09.

The following graphs summarise key ratios highlighting important aspects of the Department's financial performance over the past four years. In general, the ratios indicate:



Due to Net Deficits in all years under review except for 2007-08, the Operating margin was below benchmark of one. This is broadly in line with the Department not being funded for its depreciation charge and increases in employee provisions.



Own source revenue indicated that although this revenue increased from 2006 to 2008 there was a slight reduction in the current year. Own source revenue is a very small component of the Department's total revenue.

INCOME STATEMENT

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	182 361	180 579	169 275	161 713
Grants	3 455	3 998	18 638	5 790
Other revenue	6 126	9 288	16 696	8 271
Gain (loss) on sale of assets	0	(29)	115	(130)
Total Revenue	**191 942**	**193 836**	**204 724**	**175 644**
Employee benefits	137 183	141 859	133 508	124 760
Depreciation and amortisation	2 748	4 715	4 513	2 705
Supplies and consumables	40 853	24 511	25 026	24 106
Grants and subsidies	3 075	2 550	14 310	3 525
Resources provided free of charge	0	0	158	0
Other expenses	10 718	21 832	23 292	22 753
Total Expenses	**194 577**	**195 467**	**200 807**	**177 849**
Net Surplus (Deficit) before:	**(2 635)**	**(1 631)**	**3 917**	**(2 205)**
Revenue from government - capital	1 207	1 207	1 000	1 100
Revenue from special capital investments	0	0	1 102	750
Net Surplus (Deficit) Attributable to the State	**(1 428)**	**(424)**	**6 019**	**(355)**

Comment

In 2008-09 the Department recorded a Deficit of $0.424m compared to a Surplus of $6.019m in 2007-08. Before accounting for revenues of a capital nature, the 2008-09 deficit was $1.631m (2007-08, surplus of $3.917m) which is broadly in line with the fact that the Department is not funded for depreciation or increases in employee provisions.

Major variations between individual line items in the Income Statement were:

- an increase in the Appropriation by $11.304m primarily to fund higher salaries and for the upgrade of the Tasmanian Mobile Radio Network (TMRN) – see further comment below regarding Other revenue
- sharp decrease in Grants of $14.640m primarily due to the provision of one-off Federal Government funding for the Launceston Flood Levies
- increase in Employee benefits of $8.351m due to certified award increases and positive movement between Ranks of Police Officers
- other revenue decreased by $7.408m, 44.37%, mainly due to the inclusion of Government funding of $5.000m for the upgrade of the TRMN in Other Revenue in the previous year. In 2008-09 the TMRN was appropriated to the Department and therefore was included as an appropriation revenue item.

In relation to movements against budget, the net deficit improved by $1.004m which was not a significant change.

Reasons for individual line items movements were:

- Grants revenue was above budget by $0.543m, 15.7%, due to additional grants received that were not initially anticipated when the budget was formulated
- Other revenue was above budget by $3.162m, 51.6%, as the Department received additional unbudgeted revenue for a marine reserve patrolling program and contracted revenue received to offset the cost of the TMRN service fees
- Depreciation expenditure was above budget by $1.967m, 51.6%, due to upward revaluation of Buildings and the upgrade of the TMRN not budgeted for in 2008-09
- Supplies and consumables expenditure was below budget by $16.342m. The budget variance predominantly related to operating leases amounting to $11.114m being budgeted within Supplies and consumables, while the expenditure is reported under Other expenses. Conversely, Other expenses are over budget by $11.114m
- Grants and subsidies expenditure were below budget by $0.525m due to the timing of some grant payments which were not paid in 2008-09 as initially committed.

Capital appropriations related to funding of $0.707m for the Automatic Vehicle Location (AVL) project to develop and introduce AVL capability to departmental vehicles and $0.500m for professional fees allocated for the redevelopment and refurbishment of the department's Divisional Police Headquarters.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	1 897	10 401	9 209	1 897
Receivables	1 437	708	1 339	1 437
Non-financial Assets				
Inventory	688	585	600	688
Property, plant and equipment	152 358	196 907	170 331	150 875
Other non-financial assets	1 980	1 170	2 087	1 981
Total Assets	**158 360**	**209 771**	**183 566**	**156 878**
Liabilities				
Payables	2 814	3 902	3 321	3 041
Employee benefits	37 314	42 053	37 944	37 540
Other liabilities	1 745	3 209	2 313	1 517
Total Liabilities	**41 873**	**49 164**	**43 578**	**42 098**
Net Assets	**116 487**	**160 607**	**139 988**	**114 780**
Reserves	76 895	112 457	91 414	72 225
Accumulated funds	39 592	48 150	48 574	42 555
Total Equity	**116 487**	**160 607**	**139 988**	**114 780**

Comment

Total Equity increased in comparison to the prior year by $20.619m, 15%. This was mainly due to:

- An increase in Reserves due to upward revaluation of land and buildings of $21.042m

Offset partly by:

- The Net Deficit for the year of $0.424m.

The corresponding increase in Net Assets was due to:

- Property, plant and equipment increased by $26.576m, 15.6%, principally due to upward revaluation of land and buildings, $21.042m. The balance also increased due to additions of $2.474m, work-in-progress of $7.817m offset by depreciation, $4.715m
- improved Cash and deposits of $1.192m, 12.9%. Refer to the Cash Position section of this Chapter
- Other liabilities increased by $0.896m, 38.7%, due to an appropriation for the AVL project being carried forward under section 8A of the *Public Account Act 1986*.

These were offset in part by:

- Employee benefits increased by $4.109m, 10.83%, mainly due to the salary increases and provision effects noted previously in the Income Statement section of this Chapter
- Receivables decreased by $0.631m, 47.12%, largely as a result of better collection processes. This resulted in fewer departmental invoices remaining outstanding at 30 June 2009
- Other non-financial assets decreased by $0.917m, 43.95%, due to decreased accrued revenue and decreased GST refunds due from the Australian Tax Office.

In comparison to budget, Net Assets were higher by $44.120m predominantely due to:

- Property, plant and equipment increasing $44.549m, 29.20%, as the original budget did not reflect the effect of the upward revaluation of Land and buildings and the upgrade of the TMRN
- Cash and deposits were above budget by $8.504m, due to the inclusion of a number of grant programs managed on behalf of the State and Federal Governments. This variance arose due to the timing of receipts and payments, and the varying length of the contracts associated with these programs.

These were partially offset by increased Employee benefit liabilities of $4.739m due to award increases and positive movements between Ranks. These combined with a decline in discount rates had the consequential effects of increasing employee leave liabilities and superannuation payments. These were not fully allowed for when the budget was compiled.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	182 361	180 579	169 275	160 598
Revenue from special capital investments funds	0	0	1 102	750
Revenue from government - other	0	646	0	0
Grants	3 455	4 458	18 062	6 441
GST receipts	3 000	6 358	5 831	5 063
Other cash receipts	6 126	10 079	16 445	7 053
Payments to employees	(137 296)	(136 010)	(132 180)	(124 053)
Payments to suppliers	(54 646)	(50 149)	(61 403)	(50 846)
GST payments	(3 000)	(5 924)	(5 997)	(5 307)
Cash from (used in) operations	**0**	**10 037**	**11 135**	**(301)**
Proceeds from disposal of assets	0	13	122	0
Receipts from government - capital	1 207	1 207	1 000	1 100
Payments for acquisition of assets	(1 207)	(10 065)	(4 945)	(2 307)
Cash (used in) investing activities	**0**	**(8 845)**	**(3 823)**	**(1 207)**
Net increase (decrease) in Cash	**0**	**1 192**	**7 312**	**(1 508)**
Cash at the beginning of the year	1 897	9 209	1 897	3 405
Cash at end of the year	**1 897**	**10 401**	**9 209**	**1 897**

Comment

The Net increase in cash of $1.192m was above budget but down on the prior year by $6.120m, mainly due to increases in payments for acquisitions of assets. This variance relates to the capitalisation of expenditure on the TMRN, $7.300m, and refurbishment of police buildings, $2.200m.

Other reasons for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this Chapter.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(1 602)	3 802	(2 075)	(4 430)
Operating margin	>1.0	0.99	1.02	0.99	0.97
Underlying result ratio		(0.01)	0.02	(0.01)	(0.03)
Own source revenue ($'000s)		9 259	11 811	8 141	6 794
Financial Management					
Debt collection	30 days	28	29	69	33
Creditor turnover	30 days	38	25	26	20
Other Information					
Self-sufficiency (%)		5	6	5	4
Government funding (%)		99	102	99	97
Staff numbers (FTEs)					
Commissioned officers		1 234	1 225	1 216	1 214
Non-commissioned staff		424	446	442	438
Total		**1 658**	**1 672**	**1 658**	**1 652**
Average staff costs ($'000s)		86	80	75	70
Average leave balances per FTE ($'000s)		25	23	23	23

Comment

Comments on the Operating margin and Own source revenue are included in the Financial Results section of this Chapter.

Improved Debt collection in 2008-09 was the result of fewer Departmental invoices remaining outstanding at 30 June 2009. Slower average Debt collections in 2005-06 and more so in 2006-07 were the result of delays in reimbursements and outstanding insurance claims.

Creditor turnover increased in comparison to 2007-08. This was the result of a larger creditor balance at year end

Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This remained consistently low over the period of review, averaging only 5%, highlighting its dependence upon Government funding for its operations.

The slight reduction in the Government funding ratio is indicative of the Department moving to a more Breakeven result and reflected the small deficit recorded for the year.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement and relate primarily to Commonwealth recurrent grants for emergency management, Police Academy board payments, firearms registration and licence fees.

Administered Income and Expenses

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Grants	240	160	160	160
Sales of goods and services	327	305	269	285
Fees and fines	0	470	894	1 546
Total Revenue	**567**	**935**	**1 323**	**1 991**
Transfer to Consolidated Fund	567	935	1 323	1 991
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**0**

Comment

Sales of goods and services increased from 2007-08 and was slightly below budget, due to a proportion of the Budget amount needing to be allocated to Fees and fines, thus causing variances for both items. Budget allocations remained a problem in 2008-09.

Fees and fines consist of firearm licences and registrations. The decrease of $0.424m in 2008-09 and the decrease over the previous year reflected the large number of licences renewed for a five year period.

All administered income is transferred to the Consolidated Fund.

Administered Assets and Liabilities

The Department had no Administered Assets or Liabilities.

Administered Cash Flows

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Grants	240	160	160	160
Sales of goods and services	327	305	269	285
Fees and fines	0	470	894	1 546
Transfer to the Consolidated Fund	(567)	(935)	(1 323)	(1 991)
Cash From Operations	**0**	**0**	**0**	**0**
Net Increase (Decrease) in Cash	**0**	**0**	**0**	**0**
Cash at the beginning of the year	0	0	0	0
Cash at End of the year	**0**	**0**	**0**	**0**

Comment

See previous comments under Administered Income and Expenses.

DEPARTMENT OF PREMIER AND CABINET

INTRODUCTION

The Department of Premier and Cabinet (the Department) provides a range of services to support the Premier, the Cabinet and other Members of Parliament.

The Department comprises a number of divisions and sub-divisions being:

- Executive
- Policy
- Tasmanian Climate Change Office
- Social Inclusion Unit
- Parliamentary Counsel
- Corporate Services
- Government Information and Services which includes:
    - o The Inter Agency Policy and Projects Unit
    - o The *Service* Tasmania Unit
    - o TMD
- Public Sector Management Office
- State Service Commissioner
- Community Development which includes:
    - o Directorate
    - o Office of Aboriginal Affairs
    - o Multicultural Tasmania
    - o Seniors Bureau
    - o Women Tasmania
    - o Office of Children and Youth Affairs and
    - o Disability Bureau
- Local Government Division.

For the purposes of this Report the Department also includes Ministerial and Parliamentary Support.

The Ministers to whom the Department is responsible are the Premier, the Minister for Local Government and the Minister assisting the Premier on Climate Change.

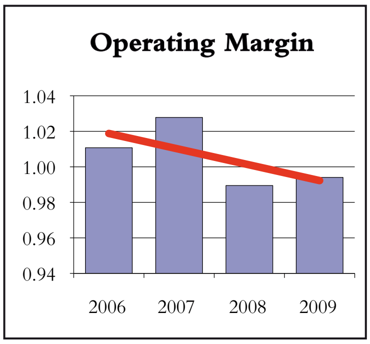
AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009 with amended statements received on 31 August 2009, and an unqualified audit report was issued on 11 September 2009.

The audit was completed satisfactorily with no major items outstanding.

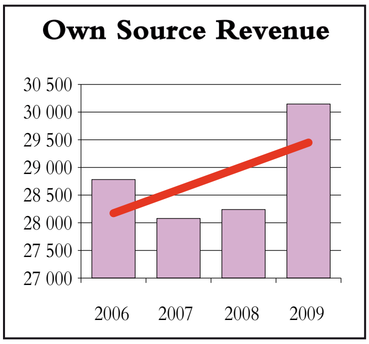
FINANCIAL RESULTS

The Department is largely dependent on Appropriations for its operations. It was responsible for the administration of a number of new Government initiatives, which resulted in total expenses increasing significantly during the four-year period under review.



The Department's Operating Margin generally remained close to 1.00, because its programs were fully funded by Appropriation and TMD provided its services on a break-even basis. In addition, having relatively low fixed assets resulted in a lower depreciation cost and therefore an Operating Margin closer to the benchmark than other Government departments that are also not funded for depreciation.

The Department's Own Source Revenue is sourced from its business units, the largest being TMD, for services provided.



INCOME STATEMENT

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	65 753	67 608	60 223	56 526
Revenue from Special Capital Investment Fund	1 204	1 693	1 520	1 171
Grants	30	424	51	1 541
Sale of goods and services	28 228	29 044	27 322	26 418
Other revenue	0	1 102	917	1 660
Total Revenue	**95 215**	**99 871**	**90 033**	**87 316**
Employee benefits	36 860	41 675	36 450	32 906
Depreciation and amortisation	1 054	889	810	683
Cost of goods sold	0	376	606	0
Loss on sale of non-financial assets	0	5	31	115
Supplies and consumables	39 070	34 427	33 058	33 471
Grants and subsidies	3 693	6 160	3 843	5 295
Transfers to Service Tasmania lead agencies	10 640	10 520	10 423	9 628
Other transfer payments	0	2 493	2 098	2 465
Other expenses	5 008	4 176	3 671	391
Total Expenses	**96 325**	**100 721**	**90 990**	**84 954**
Net Surplus (Deficit) before:	**(1 110)**	**(850)**	**(957)**	**2 362**
Revenue from government - capital	250	250	249	260
Net Surplus (Deficit) attributable to the State	**(860)**	**(600)**	**(708)**	**2 622**

Comment

Net Deficit decreased by $0.108m from 2007-08 principally due to:

- Revenue from government increasing by $7.385m over 2007-08 to fund a large number of initiatives including:
  - o additional services provided by Social Inclusion and Climate Change Divisions, $3.388m
  - o the State Government contribution to the Victorian Bushfires Appeal, $1.022m
  - o the IT Transformation Project, $0.500m.
- Sale of goods and services increased by $1.722m over 2007-08 due to increased business activity, including VMWare licences and support, shared services redevelopment, Data Centre growth, OCS business development and communications management, Tasmanian Training Consortium training services and legislation drafting fees.

These improvements in the Net deficit were partly offset by:

- Employee benefits in 2008-09 were $5.225m, 14.3%, greater than the 2007-08 amount because of the creation of a new Ministry late in the financial year, re-establishment of a ninth Ministerial Office and other staffing restructures and associated costs for similar reasons, implementation of the Legal Practitioners Agreement and the new Tasmanian State Service Award, increased Fringe Benefits Tax liability, and higher leave balances

- Supplies and consumables in 2008-09 being $1.369m, 4.1%, above the 2007-08 amount largely due to 2008-09 being the first full operational year of the Tasmanian Climate Change Office and the Social Inclusion Unit

- Grants and subsidies exceeded the 2007-08 amount by $2.317m, 60.3%, due to: the State Government contribution to the Victorian Bushfires Appeal, $1.022m, and the inclusion of Climate Change and Social Inclusion grants previously included under Other expenses.

Transfers to *Service* Tasmania lead agencies related to recoveries by lead agencies (Department of Education, TMD and the Department and Primary Industries and Water) for delivery of services on behalf of *Service* Tasmania.

Other transfer payments, $2.493m, reflected recasting of expenses between Supplies and consumables, Other transfer payments and Other expenses in the Financial Statements since the Budget for 2008-09 was prepared.

BALANCE SHEET

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	3 037	4 695	3 684	4 508
Receivables	1 943	4 063	4 208	2 231
Other financial assets	2 724	1 090	1 083	2 674
Non-financial Assets				
Inventory	0	137	408	6
Plant, equipment and leasehold improvements	1 991	2 483	2 555	2 628
Infrastructure	1 115	1 188	1 270	1 451
Intangibles	0	327	189	80
Other non-financial assets	2 558	2 967	3 070	2 514
Total Assets	**13 368**	**16 950**	**16 467**	**16 092**
Liabilities				
Payables	1 343	2 795	2 646	2 535
Employee entitlements	7 382	9 346	8 030	7 222
Other liabilities	2 835	1 502	1 967	1 803
Total Liabilities	**11 560**	**13 643**	**12 643**	**11 560**
Net Assets	**1 808**	**3 307**	**3 824**	**4 532**
Reserves	97	180	97	97
Accumulated funds	1 711	3 127	3 727	4 435
Total Equity	**1 808**	**3 307**	**3 824**	**4 532**

Comment

Accumulated funds decreased by $0.600m being the Net deficit for the year and Reserves increased by $0.083m due to a revaluation of heritage furniture.

The increase in Employee entitlements of $1.316m, 16.4%, over the previous year was due to salary increases in accordance with the Tasmanian State Service Award (4.0% in November 2008 and 1.5% in March 2009), an increase in the number of staff and an additional day in accrued salaries. This balance was $1.964m, 26.6%, above the budgeted amount due to higher than anticipated leave balances for Departmental staff and salary increases in accordance with the Tasmanian State Service Award.

Cash and deposits in 2008-09 increased by $1.011m from the previous year mainly due to increases in:

- business activities, $0.669m
- State funded projects, $0.253m
- Commonwealth funding, $0.289m.

Other liabilities decreased by $0.465m due to the inclusion in 2007-08 of: additional revenue received in advance by TMD; section 8A(2) carry forwards, $0.185m; and discounts held, $0.150m.

Receivables were $2.120m above the budgeted amount due to redistribution between Receivables, Accrued revenue and Revenue in advance. The redistribution was due to the timing of the issue of invoices by TMD for services provided.

Inventory consists of equipment and software held by TMD for its business operations. In 2008-09 the stock included OCS telephone equipment, $0.110m, as well as VMWare software.

Plant, equipment and leasehold improvements were $0.492m above the budgeted amount principally due to a decrease in the capitalisation threshold for TMD assets from $5 000 to $1 000. The capitalisation threshold for Intangibles, being software for the TMD Data Centre, similarly decreased causing an increase in that item, not separated for budget purposes.

Payables were $1.452m above the budgeted amount due to additional TMD creditors for new services in 2008-09.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	65 753	67 423	60 185	56 672
Receipts from Special Capital Investment Fund	1 204	1 702	1 520	1 084
Grants	30	422	51	910
Sale of goods and services	28 308	29 185	26 660	27 093
GST receipts	4 772	6 411	6 153	6 085
Other cash receipts	0	1 104	915	1 366
Employee benefits	(36 780)	(40 637)	(35 614)	(34 384)
GST payments	(4 772)	(6 404)	(6 124)	(6 326)
Supplies and consumables	(39 073)	(36 669)	(34 068)	0
Other cash payments	(19 341)	(20 982)	(20 056)	(50 158)
Cash from (used in) operations	**101**	**1 555**	**(378)**	**2 342**
Proceeds from disposal of assets	0	0	8	0
Capital grants	250	250	249	260
Payments for acquisition of non-financial assets	(517)	(794)	(703)	(1 928)
Cash (used in) investing activities	**(267)**	**(544)**	**(446)**	**(1 668)**
Net (decrease) increase in cash	**(166)**	**1 011**	**(824)**	**674**
Cash at the beginning of the year	3 203	3 684	4 508	3 834
Cash at end of the year	**3 037**	**4 695**	**3 684**	**4 508**

Comment

The increase in Cash over the previous year, $1.011m, largely resulted from increased Receipts from government and Sale of goods and services, offset by increased payments for Employee benefits and Supplies and consumables.

Revenue from government increased to fund a number of initiatives which were referred to in the Income Statement section.

Sale of goods and services increased due to higher business activity.

Reasons for the increase in payment of Employee benefits were also noted in the Income Statement section. Employee benefits payments were $3.857m above the budgeted amount because of the creation of a new Ministry late in the financial year, re-establishment of a ninth Ministerial Office and other staffing restructures and associated costs for similar reasons, implementation of the Legal Practitioners Agreement and the new Tasmanian State Service Award, and increased Fringe Benefits Tax liability.

Payment of Supplies and consumables increased largely due to 2008-09 being the first full operational year of the Tasmanian Climate Change Office and the Social Inclusion Unit.

GST payments were $1.632m above the budgeted amount, reflecting the actual level of GST paid on purchases.

Payments for Supplies and consumables were $2.404m below the budgeted amount and Other cash payments were $1.641m above the budgeted amount due to a recasting of expenses between those two items.

Payments for acquisition of non-financial assets were all for TMD in 2008-09.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Results from operations ($'000s)		(850)	(957)	2 362	792
Operating margin	>1.0	0.99	0.99	1.03	1.01
Underlying result ratio		(0.01)	(0.01)	0.03	0.01
Own source revenue ($'000s)		30 146	28 239	28 078	28 781
Financial Management					
Debt collection	30 days	51	56	31	26
Creditor turnover	30 days	20	21	14	11
Other Information					
Self-sufficiency (%)		30	31	33	39
Government funding (%)		99	98	104	102
Staff numbers (FTEs)		485	477	467	426
Average staff costs ($'000s)		86	76	70	69
Average leave balance per FTE ($'000s)		18	16	15	16

Comment

Comments on the Operating margin and Underlying ratio are included in the Financial Results section.

Debt collection increased over the period of 2005-06 to 2006-07 as a result of increasing receivables. The sharp increase from 2007-08 was due to a change in accounting practices whereby the Department now accounts for all receivables in June rather than accruing revenue, thereby causing Debt collection to appear to be high.

Self sufficiency ratio suggests that the Department generated non-appropriation revenues to fund its expenses. Most of these revenues were from TMD and fell in proportion to the Appropriation revenues over the four-year period under review.

Government funding ratio was greater than 100% in two of the four years under review indicating that net cost of services was all provided for by government funding.

Staff numbers steadily increased over the four year period primarily for support services to Ministers, additional staff for Members' electorate offices, and additional programs within the Department. Staff numbers increased in 2008-09 with the re-establishment of a ninth Ministerial Office and transfer of Security Offices from the Department of Justice to the Department.

Average staff costs increased significantly in 2008-09, commensurate with changes arising from the Tasmanian State Service Award.

Average leave balances continued to increase in 2008-09 due to both the new salary award and increased number of days leave accrued. It was noted during the audit that the amount of excess leave had reduced.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

From 2006-07 when the Department assumed responsibility for management (including receipt and distribution) of Tasmanian Community Forest Agreement (TCFA) funding.

In 2007-08 the Department was responsible for ex-gratia payments made under the *Stolen Generations of Aboriginal Children Act 2006*.

Administered Income and Expenses

	2008-09 Budget	**2008-09 Actual**	**2007-08 Actual**	**2006-07 Actual**
	$'000s	$'000s	$'000s	$'000s
Receipts from government	15 000	15 000	14 000	8 000
Grants and transfer payments	0	19 200	0	38 210
Other revenue	0	8	16	8
Total Revenue	**15 000**	**34 208**	**14 016**	**46 218**
Transfers to the Consolidated Fund	0	8	16	8
Tasmanian Community Forest Agreement	22 200	41 400	13 875	32 224
Stolen Generation of Aboriginal Children	0	0	5 000	0
Total Expenses	22 200	41 408	18 891	32 232
Net Surplus (Deficit) Attributable to the State	**(7 200)**	**(7 200)**	**(4 875)**	**13 986**

Comment

Receipts from government in 2007-08 consisted of $9.000m for the TCFA and $5.000m for the ex-gratia payments made under the *Stolen Generations of Aboriginal Children Act 2006*. In 2008-09 this revenue item all related to the Tasmanian Government contribution under the TCFA, set at $15.000m for this year.

The differences between the budgeted and actual amounts in 2008-09 for Grants and transfer payments were because the 2007-08 TCFA grant expected from the Australian Government was not received and distributed until 2008-09. All future funding for the TCFA will be State funding only.

Administered Assets and Liabilities

	2008–09 Budget $'000s	2008–09 Actual $'000s	2007–08 Actual $'000s	2006–07 Actual $'000s
Financial Assets				
Cash and deposits	4 940	1 911	9 111	13 986
Total Assets	**4 940**	**1 911**	**9 111**	**13 986**
Net Assets	**4 940**	**1 911**	**9 111**	**13 986**
Accumulated Funds	4 940	1 911	9 111	13 986
Total Equity	**4 940**	**1 911**	**9 111**	**13 986**

Comment

Differences between the budgeted and actual amounts for Cash and deposits and Accumulated Funds resulted from timing of the receipt and payment of TCFA monies.

The bank balances represented undistributed funding received under the TCFA. These were due to the timing of receipt and distribution of funding in accordance with provisions of the TCFA.

Administered Cash Flows

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government	15 000	15 000	14 000	8 000
Grants	0	19 200	0	18 000
Other cash receipts	0	8	16	20 218
Tasmanian Community Forest Agreement	(22 200)	(41 400)	(13 875)	(32 224)
Stolen Generation of Aboriginal Children ex gratia payments	0	0	(5 000)	0
Transfers to Consolidated Fund	0	(8)	(16)	(8)
Cash from (used in) operations	**(7 200)**	**(7 200)**	**(4 875)**	**13 986**
Net increase (decrease) in cash	**(7 200)**	**(7 200)**	**(4 875)**	**13 986**
Cash at the beginning of the year	12 140	9 111	13 986	0
Cash at end of the year	**4 940**	**1 911**	**9 111**	**13 986**

Comment

Variations in budgeted and actual cash flow amounts and cash balances have been discussed in comments under the Administered Income and Expenses and Balance Sheet sections of this Chapter.

DEPARTMENT OF PRIMARY INDUSTRIES AND WATER

INTRODUCTION

The Department of Primary Industries and Water (the Department) plays a central role in industry development, natural resource management, land information services and the conservation of our natural environment. It is responsible for agriculture; fisheries and aquaculture; land and water resource management; nature conservation; Crown land management; quarantine; and Service Tasmania shop management.

The Premier announced a Departmental restructure on 14 May 2009 which took effect after balance date on 1 July 2009. The Department of Environment, Parks, Heritage and the Arts, except Arts Tasmania and the Tasmanian Museum and Art Gallery, were amalgamated with the Department. The Department was renamed the Department of Primary Industries, Water and the Environment.

The Responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009. Revised financial statements were received on 29 September 2009 with an unqualified audit report issued on the same day.

The audit was completed with satisfactory results with no major items outstanding.

A number of audit findings were raised with the Secretary and remedial action agreed with management. Those findings were not of a high risk nature and covered the following areas:

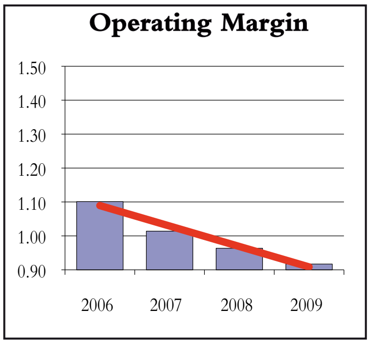
- Errors in depreciation calculations relating a number of buildings
- Cut off problems with 30 June receipts
- non-inclusion of salary on-costs on employee provisions
- excessive leave balances. At 30 June 2009, 47 employees had accrued annual leave exceeding the statutory limit of 40 days.

FINANCIAL RESULTS

The Department's financial results largely reflected the receipt of appropriations and grants, together with the transfer and expenditure of those funds.

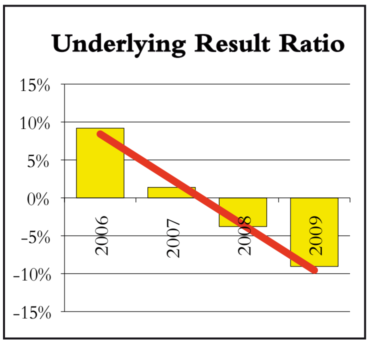
In 2008-09 the Department recorded a Net deficit of $13.689m which was $8.099m higher than in the prior year net deficit, $5.590m and was mainly attributable to increased employee entitlements associated with the Public Sector Union Wage Agreement (PSUWA). The Department of Treasury and Finance (Treasury) required all departments to fund these increases within existing budgets.

The Department's Equity decreased to $369.095mat 30 June 2009, a decrease of $47.282m compared to the position at 30 June 2008. In the main the decrease was caused by the overall deficit for the year of $34.457m and the equity contribution to Rivers and Water Supply Commission from the Water Infrastructure Fund of $14.224m.



Operating margin declined from a high of 1.1 in 2006 to below the benchmark in 2008-09 because the Department operated at a deficit in this financial year. This is more in line with the fact that the Department is not funded for depreciation and increases in employee provisions.

The declining Underlying result ratio reflected the deficits incurred in the last two financial years.



INCOME STATEMENT

	2008-09 Budget $'000's	2008-09 Actual $'000's	2007-08 Actual $'000's	2006-07 Actual $'000's
Revenue from government - recurrent	83 006	93 860	79 925	74 670
Revenue from special capital investment funds - recurrent	0	0	750	470
Grants	15 556	20 996	28 951	24 911
Fees and fines	1 692	8 789	9 532	8 728
Interest revenue	920	1 042	1 983	2 037
Other revenue	32 151	26 641	26 543	28 088
Total Revenue	**133 325**	**151 328**	**147 684**	**138 904**
Employee entitlements	64 637	72 106	62 769	59 428
Depreciation and amortisation	2 642	2 687	2 992	3 229
Grants and subsidies	20 705	33 282	33 571	21 515
Rent and other property expenses	15 948	9 622	10 463	11 252
Supplies and consumables	13 344	10 745	10 745	10 835
Other expenses	20 159	36 575	32 734	30 723
Total Expenses	**137 435**	**165 017**	**153 274**	**136 982**
Net Surplus (Deficit) before:	**(4 110)**	**(13 689)**	**(5 590)**	**1 922**
Revenue from government - capital	1 056	1 056	1 143	1 147
Gain on sale of non-financial assets	9 400	1 599	1 033	4 019
Water Infrastructure Fund allocated to DPIW	0	0	80 000	0
Resources received free of charge	0	1 864	23 403	17 734
Assets recognised for the first time	0	0	2 733	5 161
Assets transferred to other agencies	0	(208)	(8 350)	(28 975)
Assets written off	0	(7 179)	(1 950)	(2 914)
Transfer to consolidated funds	(17 900)	(17 900)	(36 675)	0
Net Surplus (Deficit) Attributable to the State	**(11 554)**	**(34 457)**	**55 747**	**(1 906)**

Comment

The Net deficit attributable to the State for 2008-09, $34.457m, represented a turnaround of $90.204m compared to the result in 2007-08, $55.747m surplus. This turnaround was primarily due to the following factors:

- receipt in 2007-08 of the $80.000m Water Infrastructure Fund
- receipt in 2007-08 of Resources received free of charge of $23.403m, which was $21.539m more than in the current year. This in turn resulted partly in the lower transfer to Consolidated fund of $17.900m compared with $36.675m in 2007-08 all of which related to the Crown Lands Administration Fund
- the higher Net deficit of $13.689m which was $8.099m greater than the prior year Net deficit, $5.590m. This was mainly attributable to increased employee entitlements associated with the PSUWA.

Higher Total Revenue for the year was due to increased appropriation of $13.931m offset by lower Commonwealth grants due to a wind-down in drought relief of $7.995m.

The main factors causing higher expenses were:

- increased Employee entitlements of $9.337m. This was primarily due to the new PSUWA, which included a new salary band structure resulting in higher than budgeted wage increases. These changes also increased related annual and long service leave balances which further impacted on employee entitlement expense
- Consultants and contract services rose $3.971m, 51%, due to increased recoveries by the Department of Treasury and Finance (Treasury) in the administration of Crown lands and higher use of contractors and consultants in vegetation management and a number of other areas.

In relation to movements against budget, the actual Net deficit attributable to the State was $22.903m higher than budget in 2008-09. The main factors were:

- Other expenses, $16.416m more than budget due to expenses not included in the original budget such as:
    - o Crown land administration fund contract expenses, $3.400m
    - o disbursement of revenue expenses, $5.300m
    - o Tasmanian Vegetable marketing campaign expenses, $1.400m
- Grants and subsidies were more than budget by $12.577m due to increased Caring for our country, Foxes eradication, Devils and Natural resource management activities not in the original budget. Also, a $3.116m payment to Tasmanian Irrigation Development Board during the year was not budgeted
- Gain on sale of non-financial asset was less than budget by $7.801m because a planned disposal did not proceed
- Employee entitlements were $7.469m, greater than budget due to the PSUMA mentioned previously and the change in discount factors in calculating long service leave liability
- Assets written off amounting to $7.179m not budgeted for. This write-off occurred because reconciliations identified assets that had been transferred to other entities in previous financial years
- Other revenue was $5.510m less due to over-estimation of Crown land services rental income when the original budget was prepared.

These factors were partly offset by:

- Rent and property costs less than budget by $6.236m, due to an overstatement in the original budget
- Supplies and consumables $2.599m less than budget due to a different classification when framing the budget
- Grant and subsidies increased above budget by 61%, $12.577m due to changes in COAG arrangements
- increased Recurrent appropriations of $10.854m, 13.1%, compared to budget due to changes in processing additional requests for funding from the Australian Government. Previously these were paid to the Department directly but the arrangements were altered so that the Australian Government now pays the funds directly to Treasury. The Department then receives the funds through appropriation.

BALANCE SHEET

	2008-09 Budget $'000's	2008-09 Actual $'000's	2007-08 Actual $'000's	2006-07 Actual $'000's
Financial Assets				
Cash and deposits	167 789	143 555	183 675	118 548
Receivables	3 409	3 357	4 410	4 442
Other financial assets	625	693	711	625
Non-financial Assets				
Inventory	2 218	272	343	2 218
Property, plant and equipment	239 030	235 914	241 417	241 931
Infrastructure	6 750	2 576	2 699	2 092
Intangibles	0	675	839	480
Other assets	2 847	1 599	2 050	2 685
Prepayments	1 724	1 176	1 241	1 690
Total Assets	**424 392**	**389 817**	**437 385**	**374 711**
Financial Liabilities				
Payables	2 569	4 037	4 631	5 292
Interest bearing liabilities	0	0	0	121
Other financial liabilities	0	149	2 394	1 215
Employee entitlements	15 196	16 114	13 809	13 847
Other non-financial liabilities	29	422	174	0
Total Liabilities	**17 794**	**20 722**	**21 008**	**20 475**
Net Assets	**406 598**	**369 095**	**416 377**	**354 236**
Reserves	0	90 602	91 023	84 629
Water Infrastructure Fund	0	62 076	80 000	0
Accumulated funds	0	216 417	245 354	269 607
Total Equity	**406 598**	**369 095**	**416 377**	**354 236**

Comment

The Department's Net Equity fell by $47.282m compared to 2007-08 primarily due to the following factors:

- the deficit in 2008-09, $34.457m
- equity transfers from the Water Infrastructure Fund to the Rivers and Water Supply Commission of $14.224m.

In comparison to the 2008-09 budget, the position was lower Net Assets of $37.503m. The major variations included the following:

- Cash and deposits were $24.234m less. A significant part of this was unbudgeted expenditure from the Water Infrastructure Fund
- Infrastructure and Property, plant and equipment was $7.747m, 3.1%, under budget due to land and buildings write-offs
- Inventory being $1.946m, 87.7%, below budget.

The table below details the movements in the CLAF account.

Crown Land Administration Fund (CLAF)

	2008-09	2007-08	2006-07	2005-06
	$'000's	$'000's	$'000's	$'000's
Opening balance	**53 251**	**58 657**	**28 372**	**20 116**
Receipts (Note 1)	11 770	35 692	35 570	25 184
Transfers out (Note 2)	(25 851)	(41 098)	(5 285)	(16 928)
Closing Balance	**39 170**	**53 251**	**58 657**	**28 372**
Note 1 - Receipts				
Proceeds from asset sales	4 126	27 524	26 032	18 193
Rent on Government owned properties	7 081	7 746	9 066	7 003
Other receipts	563	422	472	(12)
Total Receipts	**11 770**	**35 692**	**35 570**	**25 184**
Note 2 - Transfers Out				
Employee entitlements	674	946	1 064	1 025
Professional and consulting fees	5 105	1 874	1 749	2 635
Disbursement of revenue to other agencies	381	476	392	94
Legal costs	465	295	179	206
General property expenses	370	439	1 166	1 039
Other Transfers	956	393	735	429
Administration costs	7 951	4 423	5 285	5 428
Transfer to administered funds	17 900	36 675	0	11 500
Total Transfers Out	**25 851**	**41 098**	**5 285**	**16 928**

Comment

Proceeds from Asset sales fell relative to the prior year. The major sale was the old LGH building for $0.450m with the remainder being smaller properties. In the prior year asset sales included the Marine Board building for $17.000m.

In 2008-09 $17.900m was transferred to Treasury.

CASH POSITION

	2008-09 Budget $'000's	2008-09 Actual $'000's	2007-08 Actual $'000's	2006-07 Actual $'000's
Receipts from government - recurrent	83 006	91 489	79 925	73 638
Receipts from special capital investment funds - recurrent	0	0	1 934	470
Grants	15 556	21 446	29 397	30 207
Fees and fines	1 692	9 332	9 493	11 119
Interest received	920	1 142	1 936	1 993
Other cash receipts	37 353	34 777	33 380	27 811
Payments to employees	(63 947)	(69 657)	(62 918)	(60 786)
Payments to suppliers	(75 376)	(98 813)	(94 772)	(74 199)
Cash from (used in) operations	**(796)**	**(10 284)**	**(1 625)**	**10 253**
Water Infrastructure Fund (WIF) investments				
Funds received	0	0	80 000	0
Funds transferred to Rivers and Water Supply Commission	0	(14 224)	0	0
Cash from (used in) WIF	**0**	**(14 224)**	**80 000**	**0**
Proceeds from disposal of assets	9 400	4 346	27 718	26 289
Receipts from government - capital	1 056	1 056	1 143	1 147
Loan payment received	0	23	16	0
Payments for acquisition of assets	(5 500)	(3 137)	(5 450)	(1 827)
Transfer to Administered Funds	(17 900)	(17 900)	(36 675)	0
Cash from (used in) investing activities	**(12 944)**	**(15 612)**	**(13 248)**	**25 609**
Net increase (decrease) in cash	**(13 740)**	**(40 120)**	**65 127**	**35 862**
Cash at the beginning of the year	85 845	183 675	118 546	82 684
Cash at end of the year	**72 105**	**143 555**	**183 675**	**118 548**

Comment

Overall, cash from operations decreased by $8.659m which was generally in line with the Net deficit for the year of $13.689m less the depreciation charge of $2.687m.

Movements in individual cash flow items are consistent with commentary already provided in the Income Statement and Balance Sheet sections of this Chapter.

The overall Net decrease in cash was $26.380m greater than budget. The major variations were:

- Payments to suppliers $23.437m higher than budget, mainly comprising grants and subsidies $12.895m, 62%, over budget and other cash payments $15.292m, 98%, over budget while rent and property expenses were $6.233m, 39%, under budget
- Payments to employees $5.710m over budget
- Original budget included proceeds from asset sales of $5.031m which did not eventuate
- Other cash receipts, mainly rents, over-estimated in the budget, $6.909m.

These were partly offset by additional receipts received in the areas of Recurrent receipts, $8.483m, Grants received, $5.890m and Fees and fines, $7.640m.

FINANCIAL ANALYSIS

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Result from operations ($'000s)		(13 689)	(5 590)	1 922	13 950
Operating margin	>1.0	0.92	0.96	1.01	1.10
Underlying result ratio		(0.09)	(0.04)	0.01	0.09
Own source revenue ($'000s)		36 472	38 058	38 853	38 822
Financial Management					
Debt collection	30 days	25	39	25	27
Creditor turnover	30 days	10	4	4	Nil
Other Information					
Self-sufficiency (%)		35	44	47	48
Government funding (%)		73	70	77	86
Staff numbers (FTEs)		984	965	975	1 090
Average staff costs ($'000s)		73	65	61	58
Average leave balance per FTE ($'000s)		16	14	14	13

Comment

The 2008-09 deficits in Result from operations in the current and prior year compared to modest surpluses reported in previous years represented a return to the norm, as government agencies are not expected to report large surpluses as funding is not provided for depreciation or increases in employee leave provisions.

Positive operating results in 2005-06 to 2006-07 were due to the level of grant funding received.

Operating margin and Underlying result ratio moved in line with the Results from operations.

Debt collection ratio was below benchmark in all years except 2007-08 which was impacted by a number of one-off debtors at 30 June 2008.

The Government funding percentage over the period was influenced by receipts from SCIF.

Staff numbers (FTEs) rose from 965, in 2007-08, to 984, in 2008-09, due to additional projects being undertaken. The drop from 1 090 in 2005-06 to 975 in 2006-07 resulted from a restructure of the Department in April 2006. Average staff costs increased steadily over the period in line with wage increases. The higher increase in 2008-09 was due to the impact of the Public Sector Union Wage Agreement. Increased Average leave balances per FTE were consistent with rising Average staff costs.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

Administered items included:

- Grants paid to research and industry body joint ventures. The Tasmanian Institute of Agricultural Research (TIAR) and the Tasmanian Aquaculture and Fisheries Institute (TAFI) are joint ventures between the University of Tasmania (UTAS) and the Department. TIAR has research centres in Hobart, New Town, Launceston Devonport and Burnie. TIAR works closely with industry in research, development and extension programs to address agricultural productivity, efficiency, safe food production, social and national resource management issues. (TAFI) is a marine research centre that supports the development and sustainable management of living marine resources with the University of Tasmania
- grant paid to the Inland Fisheries Service
- Lands and title office fees for land dealings and copies
- abalone licence, other marine licence, water royalty and quarantine fees
- proceeds from Crown land sales transferred to the Consolidated Fund.

Administered Income and Expenses

	2008–09 Budget $'000's	2008–09 Actual $'000's	2007–08 Actual $'000's	2006–07 Actual $'000's
Revenue from government – recurrent	8 997	6 218	7 562	8 785
Australian Government Grants	0	13 175	0	0
Sale of goods and services	18 630	12 940	15 225	14 807
Fees and fines	12 628	16 732	16 170	19 786
Other revenue	17 900	17 900	36 675	4
Total Revenue	**58 155**	**66 965**	**75 632**	**43 382**
Grants and subsidies	8 997	6 194	7 586	8 753
Other expenses	0	(4)	5	0
Total Expenses	**8 997**	**6 190**	**7 591**	**8 753**
Net Surplus before:	**49 158**	**60 775**	**68 041**	**34 629**
Transfer to the Consolidated Fund	49 158	60 775	68 041	34 629
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**0**

Comment

Net surplus before Transfer to Consolidated Fund fell $7.266m compared to the prior year due to:

- Crown land sales being $18.775m lower as the Marine Board building was sold in 2007–08

- Sales of goods and services fell $2.285m due to decreased Lands Titles Office revenue from reduced activity in the Tasmanian property market.

These were partly offset by:

- Australian Government grants of $13.715m received in 2008-09 due to revised administrative arrangements discussed previously.

The 2008-09 net surplus was $11.617m above budget due to:

- Australian Government grants of $13.175m not budgeted for
- Fees and fines $4.104m greater than budget.

These factors were partly offset by:

- lower appropriation revenue of $2.763m due to early repayment of a loan
- less revenue from Lands and Titles Office of $5.690m due to reduced activity in the property market.

Administered Assets and Liabilities

	2008-09 Budget $'000's	**2008-09 Actual** $'000's	**2007-08 Actual** $'000's	**2006-07 Actual** $'000's
Financial Assets				
Receivables	3590	6299	3152	3 531
Total Assets	**3 590**	**6 299**	**3 152**	**3 531**
Liabilities				
Payables	2567	5339	2179	2 519
Revenue received in advance	559	496	509	548
Total Liabilities	**3 126**	**5 835**	**2 688**	**3 067**
Net Assets	**464**	**464**	**464**	**464**
Accumulated funds	464	464	464	464
Total Equity	**464**	**464**	**464**	**464**

Comment

Net Assets did not change. However, Total Assets increased $3.147m due to a one-off Australian grant debtor at 30 June. This was offset by a one-off payment, $3.400m, to the Consolidated Fund.

Material variances between budget and actual amounts for 2008-09 were:

- Receivables, due to the 3.400m grant debtor discussed above
- Payables, due to the one-off Australian grant debtors at 30 June of 3.400m
- Revenue received in advance, due to a reduction in marine farm leases.

Administered Cash Flows

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000's	$'000's	$'000's	$'000's
Receipts from government - recurrent	8 997	6 218	7 562	8 785
Australian Government Grants	0	9 775	0	0
Fees and fines	12 628	16 567	15 985	16 497
Sale of goods and services	18 630	12 865	15 183	14 129
Transfers from controlled funds	17 900	17 900	36 675	0
Grants and subsidies	(8 997)	(6 178)	(7 562)	(8 747)
Transfers to the Consolidated Fund	(49 158)	(57 147)	(67 843)	(30 664)
Cash from operations	**0**	**0**	**0**	**0**
Net increase (decrease) in cash	**0**	**0**	**0**	**0**
Cash at the beginning of the year	0	0	0	0
Cash at end of the year	**0**	**0**	**0**	**0**

Comment

Reasons for movements in cash flow amounts from 2007-08 compared to 2008-09 and between budget and actual amounts are the same as those previously mentioned in the Administered Income and Expenses section.

DEPARTMENT ENVIRONMENT, PARKS, HERITAGE AND THE ARTS

INTRODUCTION

In accordance with the State Service (Restructuring) Order 2008, under section 11 of the *State Services Act 2000*, the Department of Environment, Parks, Heritage and the Arts (the Department) ceased to exist on 1 July 2009. Despite this, the financial statements were prepared on a going concern basis. The operational divisions of the Department were transferred to a newly formed Department of Primary Industries, Parks, Water and the Environment (DPIPWE) and Department of Economic Development, Tourism and the Arts (DEDTA) effective 1 July 2009 in the following manner:

Operational Division:	**Transferring Department**
Parks and Wildlife Service	DPIPWE
Aboriginal Heritage Office	DPIPWE
Heritage Tasmania	DPIPWE
Environment	DPIPWE
Arts Tasmania	DEDTA
Tasmanian Museum and Art Gallery	DEDTA

Previously, Tourism Tasmania and Events Tasmania were transferred from the Department to the former Department of Economic Development and Tourism (DEDT), effective 29 February 2008. The inclusions of the results for Tourism Tasmania and Events Tasmania for the first eight months of last year makes comparison with current year revenues and expenses difficult. Material movements which were a result of the restructure were disregarded in the analysis in this Chapter and are summarised in the table below:

Income Statement item	Explanation of the movement	Change ($'000s)
Revenue from government	Recurrent funding attributed to Tourism Tasmania	(16 242)
Revenue from Special Capital Investment Funds	Funding for the Tourism Promotion Plan and Hawthorn Football Club	(5 484)
Sales of goods and services	Tasmania's Temptations Holidays sales and advertising income	(2 360)
Employee entitlements	Transfer of Tourism Tasmania employees to DEDT	(7 214)
Supplies and consumables	Tourism marketing and advertising costs	(10 125)
Grants and subsidies	Payments for regional tourism support, sponsorships and other tourism development assistance	(8 848)

This change must be borne in mind when assessing the Department's financial performance.

The Department's primary goals were to benefit current and future generations through the development and recognition of Tasmania's:

- unique natural, Aboriginal and historic heritage
- clean and healthy environment
- world renowned parks and reserve system
- innovative and creative arts
- iconic botanical, heritage and visitor sites
- attractiveness to visitors.

Up to 30 June 2009 the Responsible Minister was the Minister for Environment, Parks, Heritage and the Arts. From 1 July 2009, the Responsible Ministers became the Minister for Environment, Parks and Heritage and the Minister for Tourism and the Arts.

AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

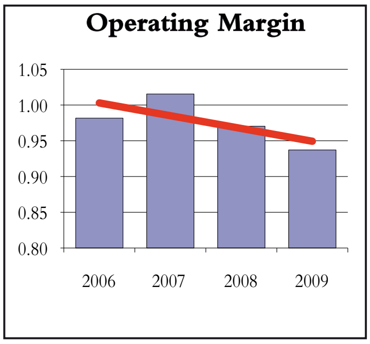
Signed financial statements were received on 13 August 2009. An unqualified audit report was issued on 14 August 2009.

The audit was completed satisfactorily with no major items outstanding.

Audit matters reported to the Secretary included shortcomings in some documentation relating to the accounting for stock at retail outlets. The same observation was made during last year's audit. Management is undertaking corrective action by providing staff with necessary training on inventory control and use of point-of-sale equipment. We were informed that a subsequent review by the Department confirmed that stocktakes have been taken out accurately and loaded on to the point-of-sale system at each site. Given the nature of some of the items (high volume, low value) the Department expects low dollar value variance may occur.

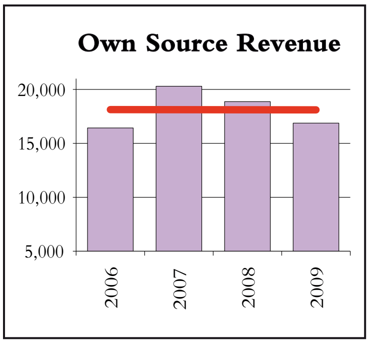
FINANCIAL RESULTS

The Department's financial results for 2007-08 incorporated those of the statutory authority, Tourism Tasmania for 8 months. The transfer had a financial impact on the majority of line items within the Department's Income Statement and Balance Sheet reported in this Chapter.



Operating margin was below the benchmark of one in three of the four years under review. Government departments are generally expected to operate at a loss or break-even as they are not fully funded for depreciation or increases to employee provisions. Capital expenditure against Special Capital Investment Funds contributed to a higher Operating Margin in 2006-07.

Own Source Revenue remained relatively constant throughout the period under review. The increase in 2006-07 reflected additional income in the form of interest and environmental fees, following the transfer of the Environment Division to the Department. The fall in 2008-09 was attributed to forgone revenue generated previously through Tasmania's Temptations Holidays, which is part of Tourism Tasmania.



INCOME STATEMENT

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	63 250	63 929	72 761	81 028
Revenue from Special Capital Investment Funds	6 475	4 731	13 787	12 076
Sales of goods and services	11 852	11 347	13 339	15 979
Fees and fines	800	1 351	1 204	1 254
Grants	3 805	1 947	2 778	3 139
Other revenue	1 605	4 178	4 327	3 061
Total Revenue	**87 787**	**87 483**	**108 196**	**116 537**
Employee entitlements	37 597	42 468	43 367	44 139
Supplies and consumables	32 212	29 282	41 607	45 451
Grants and subsidies	9 541	10 196	14 661	13 546
Depreciation and amortisation	6 971	7 757	7 653	7 599
Other expenses	2 895	3 649	4 215	4 035
Total Expenses	**89 216**	**93 352**	**111 503**	**114 770**
Net Surplus (Deficit) before:	**(1 429)**	**(5 869)**	**(3 307)**	**1 767**
Revenue from government - capital	5 922	5 006	3 781	4 690
Contributions received	0	17 903	2 605	4 612
Contributions provided	0	0	(229)	(570)
Assets recognised for the first time	0	5 337	1 231	0
Net Surplus Attributable to the State	**4 493**	**22 377**	**4 081**	**10 499**

Comment

Commentary focuses on comparing actual against budget and 2008-09 against 2007-08.

In both years covered by this review, the Department recorded a Net Deficit before capital revenues, contributions and assets recognised for the first time. Overall, the Department recorded a Net Surplus Attributable to the State of $22.377m, compared to $4.081m last year, an increase of $18.296m. This large increase was primarily due to contributions received by the Department and assets recognised for the first time, both of which are discussed later in this Chapter.

The Department's operations are funded predominantly by Parliamentary appropriations. The level of Government funding, including Revenue from SCIF (Special Capital Investment Funds) and capital appropriations varies from year to year, depending on the activities earmarked for the year.

The majority of capital funding received over the past three years was for the construction of a new central sewerage treatment plant at Cradle Mountain, $9.261m. Other projects included improvements to tourism infrastructure and upgrades to air monitoring equipment. The following table provides a breakdown of major programs funded from SCIF:

Revenue from Special Capital Investment Fund			
	2008–09	**2007–08**	**2006–07**
Major programs:	$'000s	$'000s	$'000s
Tourism Promotion Plan	0	3 801	4 618
Tourism Infrastructure	437	1 560	1 874
Tasmanian Museum and Art Gallery Redevelopment	2 075	2 464	273
AFL – Hawthorn Football Club	0	1 683	2 285
Living Environment Program	679	1 985	1 120
Pirates Bay Infrastructure Works	0	1 300	0
Urban Renewal and Heritage Fund projects	1 612	0	0
Analytical Services Tasmania	0	479	1 646

The new Public Service Wage Agreement had a significant impact on employee expenses, both actual and budgeted. In addition, employee expenses were impacted by increased staff numbers due to Government initiatives such as the establishment of the new Environment Protection Authority and application of a lower discount rate in long service leave provision calculations. Employee entitlements increased by 17% from $36.153m in 2007–08 to $42.468m in the current year, after adjusting for Tourism Tasmania and Events Tasmania.

Assets recognised for the first time represented assets which were not formally valued or included in the Department's asset register in the past. This year, the Department identified and recognised the following assets: artwork and antiques at Parks and Wildlife Service historic sites, $2.171m; infrastructure and plant, $1.555m; Entally House, $1.198m and two lighthouses at Deal Island and Cape Wickham valued at $0.413m.

Contributions received comprised:

- an Antarctic herbarium collection received from the Australian Antarctic Division valued at $14.611m
- three properties at Hampden Road, Sandy Bay valued at $2.219m donated from the Henry Baldwin Estate to the Tasmanian Museum and Art Gallery
- remaining sections of the Female Factory, $0.528m
- land assumed under the *Nature Conservation Act 2002*, $0.545m (2008, $2.031m).

In relation to budget estimates, the Department exceeded its budget Deficit by $4.440m. Total Income was close to the budget although there were material variances between budgeted and actual revenues in the following items:

- Revenue from SCIF was lower due to delays in the Tasmanian Museum and Art Gallery redevelopment project, which resulted in a reallocation of $3.784m into 2009–10. The decrease was partly offset by additional funding of $1.612m from the Urban Renewal and Heritage Fund
- higher than budgeted Fees and fines from Parks and Wildlife Service leases and licenses
- Other revenue, up by $2.573m, primarily due to reimbursements of costs that were not included in the original forecast.

Total Operating Expenditure was 4.6% or $4.136m over original budget. The variance was caused by:

- higher Employee entitlements as a result of the new Public Service Wage Agreement, voluntary separation payments and application of a lower discount rate. Higher salaries and wages also impacted adversely on payroll tax expense, included in Other expenses
- increased Grants and subsidies in line with the new funding allocation from the Urban Renewal and Heritage Fund
- Depreciation and amortisation expense was higher than expected due to valuation increases and capitalised expenditure not factored into the original estimate.

The variances were partly offset by decreased Supplies and consumables due to lower than expected expenditure on the Macquarie Island Eradication Program.

BALANCE SHEET

	2008–09 Budget $'000s	2008–09 Actual $'000s	2007–08 Actual $'000s	2006–07 Actual $'000s
Financial Assets				
Cash and deposits	39 653	31 465	31 879	34 591
Receivables	1 217	1 242	1 317	1 446
Other financial assets	464	724	415	417
Non-financial Assets				
Inventory	690	696	659	690
Property, plant and equipment	630 606	642 423	652 074	603 264
Heritage assets	361 143	395 251	369 270	353 724
Intangibles	1 490	1 572	1 467	1 490
Other non-financial assets	9 698	10 300	11 136	12 285
Total Assets	**1 044 961**	**1 083 673**	**1 068 217**	**1 007 907**
Liabilities				
Payables	990	2 564	1 385	2 314
Employee entitlements	7 548	9 384	8 119	9 590
Provisions	10 011	10 294	10 461	10 711
Other liabilities	2 684	4 023	3 139	5 517
Total Liabilities	**21 233**	**26 265**	**23 104**	**28 132**
Net Assets	**1 023 728**	**1 057 408**	**1 045 113**	**979 775**
Contributed equity	350 490	353 415	353 415	353 415
Asset revaluation reserve	310 586	327 272	337 354	277 717
Accumulated funds	362 652	376 721	354 344	348 643
Total Equity	**1 023 728**	**1 057 408**	**1 045 113**	**979 775**

Comment

Equity increased by $12.295m to $1 057bn due mainly to the Net surplus attributable to the State of $22.377m, offset by a decrease in the Asset revaluation reserve of $10.082m.

The majority of the increase in Total Assets of $15.456m was due to movement in Property, plant and equipment and Heritage assets which related to:

- continuing works on the Cradle Mountain Central Sewerage Treatment Plan project, which resulted in an addition of $5.610m to work in progress
- leasehold improvements of $1.247m for new Arts Tasmania premises and works at the ANZ Centre and Lands Building
- assets recognised for the first time, $5.337m, and Contributions received, $17.903m, discussed earlier in the Income Statement part of this Chapter
- revaluation increment of Heritage assets, $9.199m, offset by a revaluation decrement of Property, plant and equipment, $19.281m.

The effects of the foregoing were offset in part by:

- increased Payables, up $1.179m, due to the recognition of voluntary separation payments, $0.475m, and the inclusion of an estimate of accrued expenses, $0.426m
- increased Employee entitlements, up $1.265m, due to higher salaries and a lower discount rate, which increased the present value of the non-current portion of the long service leave provision
- receipt of a rehabilitation bond of $0.756m, held in the Environmental Protection Fund and included in Other liabilities.

Cash and deposits remained relatively consistent over the period under review. The majority of the cash balance at 30 June 2009 related to funds held for the remediation of Savage River, $13.800m, and Queen and King Rivers and Macquarie Harbour, $7.060m. The Balance Sheet does not recognise any commitments for the remediation work at these sites. The decrease in cash compared to budget was due to an overstatement of the budget at the time of the administrative restructure of Tourism Tasmania and Events Tasmania to DEDT.

CASH POSITION

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Receipts from government - recurrent	62 750	64 279	72 481	81 308
Receipts from special capital investment funds	6 475	4 731	12 876	12 076
Grants	3 805	2 044	2 698	2 520
Sale of goods and service and other receipts	16 654	19 899	26 539	25 902
Interest received	1 383	1 416	1 499	1 285
Employee entitlements	(37 793)	(40 560)	(42 583)	(43 805)
Payments to suppliers	(48 496)	(47 236)	(66 523)	(70 226)
Cash from operations	**4 778**	**4 573**	**6 987**	**9 060**
Proceeds from disposal of assets	0	34	51	14
Proceeds from bond deposits	0	756	0	0
Receipts from government - capital	5 922	4 922	3 315	2 669
Repayment of loans by other entities	0	112	104	109
Payments for acquisition of assets	(12 562)	(10 438)	(8 609)	(11 182)
Loans made to other entities	0	(373)	(93)	(152)
Cash (used in) investing activities	**(6 640)**	**(4 987)**	**(5 232)**	**(8 542)**
Net increase (decrease) in cash	**(1 862)**	**(414)**	**1 755**	**518**
Cash at the beginning of the year	41 515	31 879	34 591	34 073
Funds transferred on administrative restructure	0	0	(4 467)	0
Cash at end of the year	**39 653**	**31 465**	**31 879**	**34 591**

Comment

Reasons for variations in cash flow amounts, including budget variances, mostly reflect comments made previously in the Income Statement and Balance Sheet sections of this Chapter. Cash from operations in 2008-09 was affected by:

- additional Receipts from government – recurrent for the Environment Protection Authority, Tamar River Siltation, Three Capes Walk and Water and Sewerage Regulation
- lower Receipts from Special Capital Investment Funds due to funding deferral of the Tasmanian Museum and Art Gallery Redevelopment and completion of the Tourism Infrastructure and Living Environment programs
- higher Employee entitlements due to the new Public Service Wage Agreement.

Proceeds from bond deposits, $0.756m, represented a rehabilitation bond received by the Department.

The increase in Receipts from government – capital of $1.607m correlated with the increase in Payments for acquisition of assets, $1.829m and mainly related to the ongoing works on the Cradle Mountain Central Sewerage Treatment Plan.

Cash flows from Repayments of loans by other entities and Loans made to other entities related to advances and repayments of loans provided by Arts Tasmania.

Receipts from government – capital and Payments for acquisition of assets were both below budget due to inter year transfers of expenditure relating to the Cradle Mountain Sewage Treatment Project of $0.890m.

FINANCIAL ANALYSIS

	Bench Mark	**2008-09**	**2007-08**	**2006-07**	**2005-06**
Financial Performance					
Results from operations ($'000s)		(5 869)	(3 307)	1 767	(1 879)
Operating margin	>1.0	0.94	0.97	1.02	0.98
Underlying result ratio	>0.0	(0.07)	(0.03)	0.02	(0.02)
Own source revenue ($'000s)		16 876	18 870	20 294	16 428
Financial Management					
Debt collection	30 days	19	19	18	21
Creditor turnover	30 days	19	11	19	24
Other Information					
Self-sufficiency (%)		18	17	18	16
Government funding (%)		92	96	102	98
Staff numbers (FTEs)		640	613	785	664
Average staff costs ($'000s)		66	61	56	57
Average leave balance per FTE ($'000s)		15	13	13	12

Comment

The Department recorded operating deficits in three of the four years under review. Government departments are generally expected to operate at a loss or break-even as they are not fully funded for depreciation or increases to employee provisions. This was reflected in the Operating margin and Underlying result ratios, both of which were below the benchmark in those years. Capital expenditure against Special Capital Investment Funds contributed to a higher Operating margin in 2006-07.

Own Source Revenue remained relatively constant throughout the period under review. The increase in 2006-07 reflected additional income in the form of interest and environmental fees, following the transfer of the Environment Division to the Department. The fall in 2008-09 was attributed to forgone revenue generated previously through Tasmania's Temptations Holidays, which was the Tourism Tasmania's wholesale arm.

Staff numbers increased in 2008-09 due to the establishment of the new Environment Protection Authority and other Government initiatives, including water and sewerage regulation and the Tasmanian Museum and Art Gallery redevelopment project.

Average staff costs and Average leave balances increased due to the new Public Service Wage Agreement and application of a lower discount rate in long service leave provision calculations.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the Government. These transactions are not shown in the Department's Income Statement, Balance Sheet or Statement of Cash Flows and primarily relate to world heritage funding, environmental funding such as for the Port Arthur Historic Site Management Authority.

Administered Income and Expenses

	2008–09 Budget	2008–09 Actual	2007–08 Actual	2006–07 Actual
	$'000	$'000	$'000	$'000
Revenue from government – recurrent	4 986	5 370	8 561	10 121
Commonwealth grants	3 400	1 770	3 400	3 400
Fees and fines	1 976	3 222	2 555	1 631
Total Revenue	**10 362**	**10 362**	**14 516**	**15 152**
Grants and subsidies	4 986	5 370	8 561	10 121
Total Expenses	**4 986**	**5 370**	**8 561**	**10 121**
Net Surplus	**5 376**	**4 992**	**5 955**	**5 031**
Transfer to Consolidated Fund	5 376	4 992	5 955	5 031
Net Surplus (Deficit) Attributable to the State	**0**	**0**	**0**	**0**

Comment

Net surplus represented the amount of Commonwealth grants and Fees and fines received by the Department and transferred to the Consolidated Fund. In 2008-09, the Commonwealth provided funding for the Macquarie Island project of $1.770m. Commonwealth grants reported in 2007-08 related to funding for the Tasmanian Wilderness World Heritage Area. Due to new payment arrangements between the Commonwealth and the States, this funding is no longer administered revenue received by the Department. These changes occurred after the original budget was finalised.

Fees and fines increased in 2008-09 due to the full year impact of new environment regulatory fee structures. The level of Transfers to the Consolidated Fund reflected the combined impact of the above.

Revenue from government – recurrent and corresponding Grants and subsidies represented funding provided by the State Government and its allocation to various recipients as shown in the table below:

Distribution of Grants and Subsidies	2008-09	2007-08	2006-07
	$'000s	$'000s	$'000s
Royal Tasmanian Botanical Gardens	0	2 558	2 303
Wellington Park Management Authority	110	110	110
Ten Days on the Island	1 750	600	800
Tasmanian Symphony Orchestra	1 352	1 393	1 465
Tasmanian Icon Program	0	750	1 000
North East Tourist Trail	0	0	1 800
Theatre Royal	158	150	643
Port Arthur Historic Site Management Authority	2 000	3 000	2 000
Total Grants and Subsidies	**5 370**	**8 561**	**10 121**

Administered Assets and Liabilities

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Financial Assets				
Receivables	291	792	619	291
Total Assets	**291**	**792**	**619**	**291**
Liabilities				
Payables	291	792	619	291
Total Liabilities	**291**	**792**	**619**	**291**
Net Assets	**0**	**0**	**0**	**0**
Accumulated funds	0	0	0	0
Total Equity	**0**	**0**	**0**	**0**

Comment

Receivables increased in 2007-08 due to the re-classification of environment regulatory fee debtors from a controlled item to an administered item. The increase in the current year correlated with the increase in Fees and fines, following the introduction of new environment regulatory fee structures.

Administered Cash Flows

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	4 986	5 370	8 561	10 121
Australian government grants	3 400	1 770	3 400	3 400
User charges, fees and fines	1 976	3 222	2 227	1 631
Grants and subsidies	(4 986)	(5 370)	(8 561)	(10 121)
Transfers to the Consolidated Fund	(5 376)	(4 992)	(5 627)	(5 031)
Cash from (used in) Operations	**0**	**0**	**0**	**0**
Net increase (decrease) in cash	**0**	**0**	**0**	**0**
Cash at the beginning of the year	0	0	0	0
Cash at end of the year	**0**	**0**	**0**	**0**

Comment

Details of the nature of cash flows are reflected in the comments made under Administered Income and Expenses, and Assets and Liabilities sections of this Chapter.

DEPARTMENT OF TREASURY AND FINANCE

INTRODUCTION

The Department of Treasury and Finance (the Department) is responsible for implementing strategies to achieve the Government's economic and financial objectives and is the central agency responsible for management of Government financial resources.

Appropriation from the Consolidated Fund is provided to the Department under two Divisions (4: Finance-General, and 12: Treasury and Finance) of the *Consolidated Fund Appropriation Act 2008*.

The resources of the Department are managed through the Treasury and Finance Division and are reported as controlled including all funds through which the Department controls its resources to carry out its functions.

The Administered Statements encompass all activities of the Finance-General Division that are administered on behalf of Government. The revenues and expenditures that are managed through the Finance-General Division reflect whole-of-government activities. These include management of Government's financial assets and liabilities, accounting for State taxation receipts and the majority of Australian Government funding, meeting Government's pension and other superannuation commitments, administration of the Tasmanian Risk Management Fund, management of Government's light vehicle fleet and property portfolio and transactions with Government businesses.

The responsible Minister for the Department is the Treasurer.

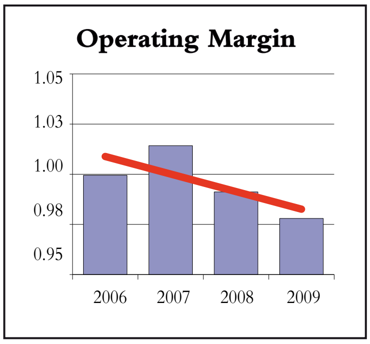
AUDIT OF THE 2008-09 FINANCIAL STATEMENTS

Signed financial statements were received on 14 August 2009, with final amended statements received on 25 September 2009. An unqualified audit report was issued on the same day.

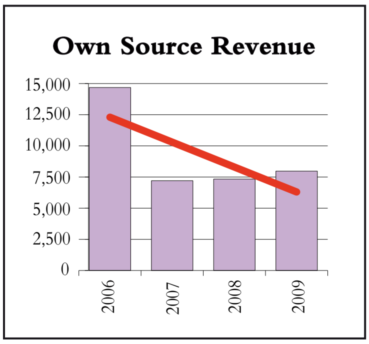
The audit was completed satisfactorily with no major items outstanding.

FINANCIAL RESULTS

The Department reported a net deficit of $6.068m, which included a transfer of $5.000m from a Departmental Contract Management Account to the Consolidated Fund.



The Department's Operating margin was slightly below the benchmark of one in the last two years as operating expenses, mainly Employee expenses increased at a higher rate than revenue.



A gain from property sales of $6.998m in 2005-06 had a positive effect on the Department's Own source revenue that year. Since then, Own source revenue, comprising mainly the community support levy, contract management fees and recovery of expenses, remained fairly constant.

The Division of Finance-General reported a Net Surplus of $46.954m in 2008-09, considerably lower than $847.805m recorded in 2007-08. The 2007-08 result included proceeds from the sale of a number of government owned businesses, including Hobart International Airport Pty Ltd, $297.878m.

INCOME STATEMENT – TREASURY AND FINANCE

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Revenue from government - recurrent	40 263	39 266	37 398	35 669
Revenue from Special Capital Investment Funds	0	347	143	198
Sales of goods and services	9 779	6 784	6 376	6 224
Other revenue	0	1 191	961	982
Total Revenue	**50 042**	**47 588**	**44 878**	**43 073**
Employee expenses	26 479	23 866	22 304	21 798
Depreciation	413	522	459	359
Supplies and consumables	9 431	6 395	5 929	5 374
Grants and subsidies	12 826	14 325	13 138	11 520
Other expenses	1 687	3 552	3 447	3 417
Total Expenses	**50 836**	**48 660**	**45 277**	**42 468**
Net Surplus (Deficit)	**(794)**	**(1 072)**	**(399)**	**605**
Liquor licensing revenue	662	742	693	724
Transfer to the Consolidated Fund	(662)	(5 738)	(691)	(721)
Net Surplus (Deficit) Attributable to the State	**(794)**	**(6 068)**	**(397)**	**608**

Comment

The Department's Net Deficit before licensing revenues and Consolidated Fund transfers, increased by $0.673m to $1.072m in 2008-09. Total Income grew by 6%, $2.710m, but was offset by a 7% increase, $3.383m, in Total Expenses.

The revenue growth was mainly attributed to increased recurrent appropriation of 5%, $1.868m. The increase in Revenue from Special Capital Investment Fund, $0.204m, was due to funding for the Princes Wharf Renewal project funded from the Urban Renewal and Heritage Fund. Other income items showed moderate increases only.

Offsetting the increase in revenues were rises in:

- Employee expenses, up $1.562m, 7%, as a result of the new Public Service Wage Agreement
- Grants and subsidies, up $1.187m, 9%, mainly due to increased Bass Strait Islands Community Service Obligation (CSO). The Tasmanian Government has a formal agreement with Hydro Tasmania to provide concessional arrangements to electricity customers on the Bass Strait islands as a declared CSO.

The Transfer to the Consolidated Fund represented Liquor licensing fees collected by the Department on behalf of the State Government and remitted to the Consolidated Fund. In the current year, the amount also included a transfer of $5.000m from the Contract Management Account, a trust fund account, as a result of a budget management strategy to alleviate the Consolidated Fund deficit. This balance represented income generated from contract management fees accumulated over a number of years.

Actual total income and expenses were under budget by 5%, $2.454m, and 4%, $2.176m, respectively. The lower than expected revenues were offset by savings in Employee expenses, $2.613m. However, Grants and subsidies were higher than budget, up $1.499m, due to the higher cost of the Bass Strait Islands Electricity Subsidy and Pensioner Concessions costs as savings included in the original budget did not eventuate.

Variances in Supplies and consumables and Other expenses were a result of differences in the presentation of budget estimates and financial reporting. Budget for operating lease expenditure was included in Supplies and consumables, however the actual expenditure was recorded in Other expenses.

The previously mentioned transfer from the Contract Management Account to the Consolidated Fund was in response to decreased Government revenue and was not budgeted for.

BALANCE SHEET – TREASURY AND FINANCE

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	7 455	2 878	7 976	7 734
Receivables	130	260	55	114
Non-financial Assets				
Plant and equipment	753	133	126	118
Leasehold improvements	0	1 078	1 196	942
Heritage assets	73	73	73	73
Intangibles	923	579	856	1 132
Other non-financial assets	493	649	652	469
Total Assets	**9 827**	**5 650**	**10 934**	**10 582**
Liabilities				
Payables	831	1 705	1 478	792
Employee entitlements	5 838	5 307	4 786	4 727
Other liabilities	0	346	310	306
Total Liabilities	**6 669**	**7 358**	**6 574**	**5 825**
Net Assets (Liabilities)	**3 158**	**(1 708)**	**4 360**	**4 757**
Accumulated funds (deficit)	3 151	(1 715)	4 353	4 750
Reserves	7	7	7	7
Total Equity (Deficit)	**3 158**	**(1 708)**	**4 360**	**4 757**

Comment

This year's deficit resulted in Total Equity being negative $1.708m as at 30 June 2009, compared to positive $4.360m at 30 June 2008. The main factor contributing to this turnaround of $6.068m was the transfer of $5.000m from the Contract Management Account, discussed previously. The transfer resulted in a decrease in both Cash and deposits and Accumulated funds.

Negative Equity should not be seen as suggesting that the Department was insolvent at 30 June 2009. This was clearly not the case.

Other significant movements in 2008-09 which impacted on the overall decline in Total Equity included:

- decreased Intangibles (computer software), down $0.277m, due to the amortisation expense for the year
- increased Payables, up $0.227m largely due to the Bass Strait Islands CSO accrual at year-end
- increased Employee entitlements, up $0.521m due to increased salaries under the new Public Service Wage Agreement and related growth in accrued annual and long service leave balances. This increase had a flow-on effect on Other liabilities, which comprised payroll tax for employee entitlements.

The effects of the foregoing were offset in part by:

- Receivables, up $0.205m, due to the timing of billing cycles, mainly for contract management fees.

Budget estimates were affected largely by the $5.000m transfer from the Contract Management Account, which impacted unfavourably on Cash and deposits, Net Liabilities, Accumulated deficits and Total Equity. Other material variances included:

- higher receivables, up $0.130m, due to a number of invoices for contract management fees remaining outstanding as at 30 June 2009

- higher payables, up $0.874m, due to increased amount owed for a CSO.

Other variances were a result of differences in the presentation of budget estimates and financial reporting:

- budget variance in Employee entitlements and Other liabilities related to payroll tax, which was not separated in the original budget

- budget figures for all four categories of Non-financial Assets were separated for the first time in 2008-09. Overall, the variance between actual and estimated Non-financial Assets was only $0.114m and related to new assets acquired during the year.

CASH POSITION – TREASURY AND FINANCE

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	40 263	39 266	37 395	35 669
Receipts from Special Capital Investment Funds	0	347	143	198
Fees and fines	9 783	7 367	7 048	7 060
Other cash receipts	1 600	2 200	1 922	2 411
Payments to employees	(26 185)	(23 244)	(22 125)	(21 378)
Grants and subsidies	(12 826)	(14 239)	(12 555)	(11 959)
Supplies and consumables	(12 783)	(10 923)	(10 444)	(10 174)
Transfers to the Consolidated Fund	(662)	(5 738)	(691)	(721)
Cash from (used in) operations	**(810)**	**(4 964)**	**693**	**1 106**
Payments for acquisition of assets	0	(134)	(451)	(278)
Cash from (used in) investing activities	**0**	**(134)**	**(451)**	**(278)**
Net increase (decrease) in cash	**(810)**	**(5 098)**	**242**	**828**
Cash at the beginning of the year	7 603	7 976	7 734	6 906
Cash at end of the year	**6 793**	**2 878**	**7 976**	**7 734**

Comment

The Net decrease in cash of $5.098m resulted from the transfer of $5.000m from the Contract Management Account to the Consolidated Fund.

Explanations for variations in cash flow receipt and payment amounts reflect the comments made previously in the Income Statement and the Balance Sheet sections of this Chapter.

FINANCIAL ANALYSIS – TREASURY AND FINANCE

	Bench Mark	2008-09	2007-08	2006-07	2005-06
Financial Performance					
Results from operations ($'000s)		(1 072)	(399)	605	(27)
Operating margin	>1.0	0.98	0.99	1.01	1.00
Underlying result ratio	>0.0	(0.02)	(0.01)	0.01	(0.00)
Own source revenue ($'000s)		7 975	7 337	7 206	14 683
Self financing ratio		(0.10)	0.02	0.03	(0.13)
Financial Management					
Debt collection	30 days	43	11	20	23
Creditor turnover	30 days	1	1	1	1
Other Information					
Self-sufficiency (%)		16	16	17	15
Government funding (%)		97	99	102	100
Average staff numbers (FTEs)		321	320	324	322
Average staff costs ($'000s)		74	70	67	63
Average leave balance per FTE ($'000s)		15	14	14	13

Comment

Results from operations are before transfers to the Consolidated Fund. This year's deficit of $1.072m was caused by expenses, mainly Employee expenses and Grants and subsidies, having increased at a faster rate than revenue. Government departments are generally expected to operate at a loss or break-even as they are not fully funded for depreciation or increases to employee provisions. This was reflected in the Operating margin and Underlying result ratios, both of which were slightly below their relevant benchmarks.

Own source revenue, which included the community support levy, contract management fees and recovery of expenses, increased marginally over the period under review. The 2005-06 figure included gain on sale of government properties, $6.998m. Movement in the Self financing ratio reflected higher expenditure compared with income generated by the Department from own sources.

Debt collection ratio was affected by the timing of billing cycles. In the current year, large contract management fees remained outstanding at year end resulting in the ratio deteriorating to 43 days. Creditor turnover remained low consistent with the Department's policy of paying its suppliers in a timely manner.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the whole-of-Government. These transactions were shown in the Department's Administered Statements and comprised the activities of Finance-General.

Administered Income and Expenses – Finance-General

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Revenue from government - recurrent	444 335	572 595	470 517	432 938
Revenue from government - capital	87 650	17 650	493 043	21 325
Revenue from government - other	0	0	821	24 609
Australian Government grants	1 818 968	1 940 205	1 729 001	1 629 342
State taxation	926 046	855 278	858 045	780 978
Sales of goods and services	71 171	72 623	70 843	69 468
Investment income	258 508	226 159	245 121	220 632
Revaluation of equity investments	147 015	236 497	446 385	215 245
Other revenue	80 948	130 006	384 421	92 123
Gain (Loss) on sale of assets	0	3 024	5 731	4 152
Total Revenue	**3 834 641**	**4 054 037**	**4 703 928**	**3 490 812**
Employee expenses	70	0	0	0
Superannuation	275 802	485 582	180 011	607 284
Depreciation and amortisation	20 993	21 972	21 520	20 139
Supplies and consumables	96 847	76 513	89 128	81 898
Grants and subsidies	194 047	210 675	302 551	247 248
Borrowing costs	26 992	24 553	30 518	32 178
Impairment losses	0	31 560	86	10
Transfer to the Consolidated Fund	2 999 291	3 143 149	3 214 655	2 643 824
Other expenses	6 845	13 079	17 654	11 909
Total Expenses	**3 620 887**	**4 007 083**	**3 856 123**	**3 644 490**
Net Surplus (Deficit) Attributable to the State	**213 754**	**46 954**	**847 805**	**(153 678)**

Comment

The fall of $800.851m in Net Surplus Attributable to the State between 2007-08 and 2008-09 was a combination of lower revenues, down by 14%, $649.891m, and higher expenses, up by 4%, $150.960m.

Total Revenue in 2007-08 was significantly affected by the divestment of government business assets, in particular Hobart International Airport Pty Ltd, which impacted on:

- capital appropriations in 2007-08, which increased to $493.043m following a supplementary appropriation of Consolidated Fund receipts from the divestment
- Other revenue, which included a special dividend, $297.878m, received from Tasmanian Ports Corporation Pty Ltd.

This year's results were affected by:

- additional recurrent funding for the acquisition of Alinta Energy (Tamar Valley) Pty Ltd (Tamar Valley Power Station), $100.000m and funding in support of the strategic partnership agreement with Aurora Energy Pty Ltd (Aurora Energy) for the future operation of the Optic Fibre Network, $2.900m

- increased Grants from the Australian Government, mainly receipts of National Partnership Payments (NPP) and Specific Purpose Payments (SPP) which included additional economic stimulus funding. The increase was also a result of new centralised payment arrangements between the Commonwealth and the States. Under the new arrangements, all NPP and SPP payments were centrally processed by Commonwealth Treasury and paid direct to each State Treasury. State Treasuries were responsible for distributing the funding within their jurisdiction
- a transfer of the Urban Renewal and Heritage Fund of $25.000m from the Department of Infrastructure, Energy and Resources and a return of unexpended funds from the Department of Health and Human Services of $15.279m, both of which were included in Other revenue
- reduced Grants and subsidies, down $91.876m, mainly due to lower grants from the Special Capital Investment Fund. In 2007-08, additional grants were provided from the Infrastructure Tasmania Fund to the Water Infrastructure Fund, $80.000m, and the Urban Renewal and Heritage Fund, $25.000m.

The effects of the foregoing were offset in part by:

- increased Superannuation expense, up $305.571m. The increase was a combination of investment losses due to the lower market values of superannuation assets and application of a lower discount rate reflecting the drop in the Australian Government bond rate
- smaller growth in net assets of entities owned by the Government, down $209.888m. Revaluation of equity investments represents changes in the net carrying amounts of Government's ownership interests in Government Business Enterprises (GBEs) and State-owned Companies (SOCs). This is discussed further in the Balance Sheet section of this Chapter
- decreased Investment income, due to lower dividends, down $13.512m, and lower interest income, down $5.392m due to the decline in economic conditions.

Transfers to the Consolidated Fund relate to revenue collections administered by the Finance-General Division, which largely comprised State taxation revenue, returns from Government businesses, Australian Government funding and interest income. The fall in Transfers to the Consolidated Fund of $71.506m was as a result of movements in those items explained previously.

Variances between Budget and actual outcomes were largely the result of movements previously explained. Other material variances included:

- lower than budgeted capital appropriations, down $70.000m, which reflected the Government's decision to revise its contributions to the Hospitals Capital Fund to better match expected outflows from the Fund
- higher Revaluation of equity investments, up $89.482m, which reflected the increase in net assets of government businesses, and in particular, growth in net assets held by Aurora Energy and Hydro Tasmania
- lower Supplies and consumables expenses, down $20.334m, primarily due to savings of $20.000m in the Treasurer's Reserve provision
- higher Transfer to the Consolidated Fund, up $143.858m, reflecting higher receipts from the Australian Government and subsequent transfers to the Consolidated Fund
- higher Other expenses, up $6.234m, due to an actuarially based increase in the Tasmanian Risk Management Fund liability.

Optical Fibre Cable

In 2003 the State Government acquired the optical fibre cable for $23m following which further costs were incurred such that by 2009 the investment totalled $30.473m. This investment in optical fibre infrastructure spanned across the State extending alongside the gas distribution network into Hobart, Burnie, Devonport and Launceston. During the current, the Government and Aurora entered into a *Strategic Alliance State-wise Fibre Network Agreement*, under which Aurora was appointed to operate, maintain and commercialisie the optical fibre cable network. Ann annual to operate, maintain and commercialise the optical fibre cable network. An annual license fee and percentage of gross revenue from commercial services using the network are payable to the TMD of the Department of Premier and Cabinet. As there was no direct economic benefit to Finance-General, the asset was fully impaired. The impairment resulted in recognition of impairment losses of $30.473m in 2008-09.

Tasmanian Risk Management Fund

The Tasmanian Risk Management Fund (the Fund) is the Tasmanian Government's self-insurance fund managed by the Department. A Fund Administration Agent is retained on a contract basis for claims administration, the provision of advice in relation to claims management and the placement of insurance as required.

The Fund reviewed its reporting obligations and concluded that it will no longer be preparing separate financial statements. Instead, concise financial statements were included within the Department's Notes to the Administered Statements.

In 2008-09, the Fund reported a deficit of $1.190m, which was a turnaround of $12.221m on Net surplus of $11.031m reported in 2007-08. However, the 2007-08 result included a one-off contribution from the Government, $25.200m, towards the Bridgewater High School fire claim.

Net Assets fell from $5.099m at 30 June 2008 to $3.909m at 30 June 2009. The decrease, $1.190m, was a result of increased Outstanding claims, up $13.011m, which were offset by higher Cash, up $11.060m. The increase in Outstanding claims liability was a result of new claims and an actuarial reassessment, which was impacted by the application of a lower discount rate.

Administered Assets and Liabilities – Finance-General

	2008-09 Budget $'000s	2008-09 Actual $'000s	2007-08 Actual $'000s	2006-07 Actual $'000s
Financial Assets				
Cash and deposits	1 258 699	1 166 977	1 240 588	678 208
Receivables	71 887	73 786	68 598	72 166
Equity investments	3 822 541	4 056 928	3 717 531	3 281 428
Other financial assets	240 637	240 505	245 548	253 301
Non-financial Assets				
Assets held for sale	1 000	4 668	1 687	701
Motor vehicles	64 862	70 777	65 263	65 755
Land and buildings	49 845	46 105	50 970	70 590
Infrastructure	29 592	0	29 659	26 738
Total Assets	**5 539 063**	**5 659 746**	**5 419 844**	**4 448 887**
Liabilities				
Payables	924	4 839	3 245	924
Interest-bearing liabilities	276 294	275 986	279 911	323 353
Superannuation	3 868 710	4 005 869	3 692 994	3 659 971
Other liabilities	500 973	547 050	664 646	512 579
Total Liabilities	**4 646 901**	**4 833 744**	**4 640 796**	**4 496 827**
Net Assets (Liabilities)	**892 162**	**826 002**	**779 048**	**(47 940)**
Accumulated funds (deficits)	877 092	810 932	763 978	(63 010)
Asset revaluation reserve	15 070	15 070	15 070	15 070
Total Equity (Deficit)	**892 162**	**826 002**	**779 048**	**(47 940)**

Comment

Finance-General's Total Equity increased 6%, $46.954m, to $826.002m as a result of this year's surplus. Reasons for the movements in Finance-General's various assets and liabilities during the period under review were:

- Equity investments vary each year depending on the net assets of GBEs and SOCs. The most noticeable growths were in net assets held by Hydro Tasmania, $0.269m and Aurora Energy Pty Ltd, $0.108m. These were partly offset by a reduction in net assets held by Transend Networks Pty Ltd, $0.066m and Motor Accidents Insurance Board, $0.054m. The original budget did not anticipate the extent of these movements
- Assets held for sale, which included two properties listed for sale and valued at $3.880m. These properties were Highfield House (124 Murray St, Hobart) and 114-116 Bathurst Street, Hobart. The original budget estimates anticipated that the sale of these properties would be completed during 2008-09
- impairment of the optical fibre cable, discussed previously in the Income Statement section, resulted in nil carrying value of Infrastructure assets. The impairment was not factored into the Budget estimates
- increased Superannuation liability of $312.875m due to the decline in the fair values of plan assets and the application of a lower discount rate in the actuarial valuation of this liability. The extent of these losses was not anticipated in the original estimates.

Cash and deposits was the third single largest item on the Balance Sheet following Equity investments and Superannuation. Cash and deposits included the balance of the Special Deposits and Trust Fund Accounts held by Finance-General and other cash administered or held in a trustee capacity or under an agency arrangement. The majority of monies were invested with the Tasmanian Public Finance Corporation. The decrease was discussed later in the Administered Cash Flows section of this Chapter.

Administered Cash Flows – Finance General

	2008-09 Budget	2008-09 Actual	2007-08 Actual	2006-07 Actual
	$'000s	$'000s	$'000s	$'000s
Receipts from government - recurrent	444 335	572 595	471 338	451 921
Receipts from government - capital	87 650	17 650	493 043	21 325
Australian Government grants	1 818 968	1 940 205	1 729 001	1 647 342
State taxation	926 046	831 243	878 915	766 215
Sales of goods and services	71 171	73 570	70 824	68 573
GST receipts	13 500	19 507	19 714	17 144
Interest received	104 305	77 886	76 648	50 785
Dividends and income tax equivalents	154 153	152 167	165 805	168 144
Other cash receipts	80 948	132 634	90 787	101 981
Employee entitlements	(70)	0	0	0
Superannuation	(149 249)	(171 462)	(145 707)	(131 206)
Supplies and consumables	(97 302)	(77 494)	(92 534)	(82 216)
Borrowing costs	(26 630)	(25 255)	(30 497)	(32 373)
GST payments	(13 500)	(19 518)	(19 123)	(17 667)
Grants and subsidies	(194 048)	(210 220)	(298 360)	(242 295)
Transfers to the Consolidated Fund	(2 999 291)	(3 143 149)	(3 214 655)	(2 643 824)
Other cash payments	(1 000)	0	(4 482)	(533)
Cash from operations	**219 986**	**170 359**	**190 717**	**143 316**
Proceeds from disposal of assets	26 550	28 358	27 482	26 316
Repayment of loans by other entities	6 511	6 364	6 466	6 151
Other cash receipts	0	0	304 602	125 139
Payments for acquisition of assets	(44 945)	(52 261)	(47 880)	(58 046)
Payments for investments	0	(104 414)	0	(508)
Cash from (used in) investing activities	**(11 884)**	**(121 953)**	**290 670**	**99 052**
Public Account cash collection	0	0	124 434	0
Repayment of borrowings	(4 023)	(3 926)	(43 441)	(107 663)
Public Account cash reimbursement	(77 463)	(118 091)	0	0
Cash from (used in) financing activities	**(81 486)**	**(122 017)**	**80 993**	**(107 663)**
Net increase (decrease) in cash	**126 616**	**(73 611)**	**562 380**	**134 705**
Cash at the beginning of the year	1 132 083	1 240 588	678 208	543 503
Cash at end of the year	**1 258 699**	**1 166 977**	**1 240 588**	**678 208**

Comments

This year's cash flows resulted in a Net decrease in cash of \$73.611m. The decrease was caused mainly by:

- Equity contribution to Aurora for the acquisition of the Tamar Valley Power Station, \$100.000m, included in Payments for investments
- Public Account cash reimbursements of \$118.091m, which represented the net movement of funds held on behalf of other agencies in the Special Deposits and Trust Fund.

Reasons for other variations in cash flow receipt and payment amounts reflected the comments made previously under the Administered Income and Expenses and the Administered Assets and Liabilities sections of this Chapter.

Cash at the end of the period consists of balances within the Special Deposits and Trust Fund, excluding true trust accounts.

APPENDIX 1 – GUIDE TO USING THIS REPORT

This Report is prepared under section 29 of the *Audit Act 2008* (the Audit Act), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of State entities and audited subsidiaries of State entities in respect of the preceding financial year. The issue of more than one report now satisfies this requirement each year.

During the 2009 calendar year two reports were tabled:

- Report No. 1 of 2009 tabled on 19 May 2009 – this report dealt with June 2008 financial statement audits incomplete at the time of tabling the November 2008 report and those financial statement audits with 31 December 2008 balance dates
- Report No. 2 of 2009 tabled on 17 November 2009– which is this Report. It deals with those audits of financial statements of entities with a 30 June 2009 financial year-end completed on 31 October 2009 with the exception of local government authorities. The outcomes from audits of local government authorities together with those audits completed after this date will be reported in the first half of 2010.

This Report comprises two volumes:

- Volume 1 – Executive Summary – which includes an analysis of the General Government Financial Statements, the Public Account Statements and the Total State Financial Statements; Executive and Legislature and Government Departments
- Volume 2 – Government Businesses, State Owned Corporations, Superannuation Funds and Other State Entities.

Where relevant, Agencies and Entities are provided with the opportunity to comment on any of the matters reported. Where they choose to do so, responses are detailed within that particular section.

FORMAT OF THE FINANCIAL ANALYSIS

Each entity's financial performance is analysed by discussing the Income Statement, Balance Sheet and Cash Flow Statement (noted as Cash Position) supplemented by financial analysis applying the indicators documented in the Financial Analysis sections of this Report. The layout of some of these primary statements has been amended from the audited statements to, where appropriate:

- make the statements more relevant to the nature of the entity's business
- highlight the entity's working capital, which is a useful measure of liquidity.

Departments are now required to present budget amounts on the face of their primary statements. As a consequence details and commentary in relation to these amounts have been included in this Report.

FINANCIAL ANALYSIS

The following tables illustrate the methods of calculating:

- performance indicators used in the individual financial analysis sections of this Report, together with a number of benchmarks used to measure financial performance
- additional performance indicators used in the local government comparative analysis.

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Financial Performance		
Earnings Before Interest and Tax (EBIT) ($'000s)		Result from Ordinary Activities before Tax and before Gross Interest Expense
EBITDA ($'000s)		Result from Ordinary Activities before Tax, before Gross Interest Expense, Depreciation and Amortisation
Operating margin	>1.0	Operating Revenue divided by Operating Expenses
Own source revenue		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments
Result from operations ($'000s)		Operating Revenue less Operating Expenses
Return on assets		EBIT divided by Average Total Assets
Return on equity		Result from Ordinary Activities after Taxation divided by Average Total Equity
Return on investments	5.5%	Net Investment income divided by Average Investments
Self financing ratio		Net Operating Cash Flows divided by Operating Revenue
Underlying result ratio		Operating Net Surplus divided by Operating Revenue
Financial Management		
Capital expenditure/ depreciation	>100%	Payments for Property, plant and equipment divided by Depreciation expenses
Capital expenditure on existing assets/depreciation *	100%	Payments for Property, plant and equipment on existing assets divided by Depreciation expenses
Cost of debt	6.9%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365
Current ratio	>1	Current Assets divided by Current Liabilities
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Debt service ratio		Borrowing costs plus Repaid borrowings divided by Operating revenue
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
Indebtedness Ratio		Non Current Liabilities divided by Own Source Revenue
Interest cover – EBIT	>2	EBIT divided by Gross Interest Expense
Interest cover – Funds from Operations	>2	Cash from Operations plus Gross Interest Expense divided by Gross Interest Expense
Leverage ratio		Total Assets divide by Shareholders' Equity

Financial Performance Indicator	Benchmark[1]	Method of Calculation
Returns to Government		
Dividends paid or payable ($'000s)		Dividends paid or payable that relate to the year subject to analysis
Dividend payout ratio	50%	Dividend divided by Result from Ordinary Activities after Tax
Dividend to equity ratio		Dividend paid or payable divided by Average Total Equity
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
Income tax paid or payable ($'000s)		Income Tax paid or payable that relates to the year subject to analysis
Total return to the State ($'000s)		Dividends plus Income Tax and Loan Guarantee fees
Total return to equity ratio		Total Return divided by Average Equity
Other Information		
Average staff costs [(2)] ($'000s)		Total employee expenses (including capitalised employee costs) divided by Staff Numbers
Average leave per FTE ($'000s)		Total employee annual and long service leave entitlements divided by Staff Numbers
Employee costs [(2)] as a % of operating system*		Total employee costs divided by Total Operating Expenses
Employee costs capitalised ($'000s) *		Capitalised employee costs
Employee costs expensed ($'000s) *		Total employee costs per Income Statement
Government Funding %		Income from Government divided by Surplus/Deficit excluding Income from Government.
Staff numbers FTEs		Effective full time equivalents
Self Sufficiency %		Own Source Revenue divided by Operating Expenses.

* Relevant to local government authorities.

[1] Benchmarks vary depending on the nature of the business being analysed. For the purposes of this Report, a single generic benchmark has been applied.

[2] Employee costs include capitalised employee costs, where applicable, plus on-costs.

An explanation of the performance indicators is provided below:

FINANCIAL PERFORMANCE

- Earnings before interest and tax (EBIT) – measures how well an entity can earn a profit, regardless of how it is financed (debt or equity) and before it has to meet external obligations such as income tax. This is a measure of how well it goes about its core business.
- Earnings before income tax, depreciation and amortisation (EBITDA) – measures how well an entity can generate funds without the effects of financing (debt or equity), depreciation and amortisation and before it has to meet external obligations such as income tax. This measure is of particular relevance in cases of entities with large amounts of non-current assets as the distortionary accounting and financing effects on the entity's earnings are removed, enabling comparisons to be made across different entities and sectors.
- Operating margin – this ratio serves as an overall measure of operating effectiveness.
- Own source revenue – represents revenue generated by a council' through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments.
- Result from operations – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference.
- Return on assets – measures how efficiently management used assets to earn profit. If assets are used efficiently, they earn profit for the entity. The harder the assets work at generating revenues, and thus profit, the better the potential return for the owners.
- Return on equity – measures the return the entity has made for the shareholders on their investment.
- Return on investments – measures how effective management have been in earning interest income from available investment assets.
- Self financing ratio – this is a measure of council's ability to fund the replacement of assets from cash generated from operations.
- Underlying results ratio - this ratio provides a measure of the strength of the operating result. The higher the ratio, the stronger the result. Negative results indicate an operating deficit that can not be sustained in the longer term.

FINANCIAL MANAGEMENT

- Capital expenditure/depreciation – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing non-current assets (caution should be exercised when interpreting this ratio for entities with significant asset balances at cost as the level of depreciation may be insufficient).
- Capital expenditure on existing assets/depreciation – indicates whether the entity is maintaining its physical capital by reinvesting in or renewing existing non-current assets (caution should be exercised when interpreting this ratio as the amount of capital expenditure on existing assets has largely been provided by the respective councils and not subject to audit).
- Cost of debt – reflects the average interest rate applicable to debt.
- Creditors turnover – indicates how extensively the entity utilises credit extended by suppliers.
- Current ratio – current assets should exceed current liabilities by a 'considerable' margin. It is a measure of liquidity that shows an entity's ability to pay its short term debts.

- Debt collection – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers.
- Debt service ratio – indicates the capacity of the entity to service debt by repaying principal as well as interest on borrowings.
- Debt to equity – an indicator of the risk of the entity's capital structure in terms of the amount sourced from borrowings and the amount from Government.
- Debt to total assets – an indicator of the proportion of assets that are financed through borrowings.
- Indebtedness ratio – compliments the liquidity ratio and illustrates a council's ability to meet longer term commitments.
- Interest cover – EBIT – an indicator of the ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.
- Interest cover – Funds from operations – examines the exposure or risk in relation to debt, an indicator of the ability to meet periodic interest payments from funds from operations (before interest expense). The level of interest cover gives a guide of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced funds from operations.
- Leverage ratio – measures the proportion of equity funding in the asset base.

RETURN TO GOVERNMENT

- Dividends paid or payable – payment by the entity to its shareholders (whether paid or declared as a payable).
- Dividend payout ratio – the amount of dividends relative to the entity's net income.
- Dividend to equity – the relative size an entity's dividend payments to shareholders' equity. A low dividend to equity ratio may indicate that profits are being retained by the entity to fund capital expenditure.
- Effective tax rate – is the actual rate of tax paid on profits.
- Income tax paid or payable – tax payments (paid or payable) by the entity to the State.
- Total return to the State – is the funds paid to the Owners consisting of income tax, dividends and guarantee fees.
- Total return to equity ratio – measures the Government's return on its investment in the entity.

OTHER INFORMATION

- Average staff costs – measures the average cost of employing staff in the entity for the year.
- Average leave balance per FTE ($'000s) – indicates the extent of unused leave at balance date.
- Employee costs as a percentage of operating expenses indicates the relative significance of employee costs compared to other operating expenses.
- Employee costs capitalised ($'000s) – represents employee costs that have been capitalised rather than expensed.
- Employee costs expensed ($'000s) – represents the level of employee costs expensed, ie. included in the Income Statement. This together with the Employee costs Capitalised will provide a total employee cost figure for use in other related ratios.
- Government funding percentage – indicates the level of reliance on government funding.
- Staff numbers FTEs – as at the end of the reporting period the number of staff employed expressed as full-time equivalents (FTEs).
- Self sufficiency percentage – shows the level of independent funding that the entity generated for use in achievement of its objectives.

The above indicators are used because they are commonly applied to the evaluation of financial performance. Care should be taken in interpreting these measures, as by definition they are only indicators, and they should not be read in isolation.

APPENDIX 2 – AUDIT STATUS

Entity	Financial Statement deadline	Financial statements: Signed Financial Statements Received	Financial statements: Re-signed/ Amended Financial Statements Received	Clear opinion issued	Audit opinion signed	Timeliness of audit opinion issue from balance date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS, SUPERANNUATION FUNDS AND OTHER AUTHORITIES OR BODIES											
Executive & Legislature											
House of Assembly	15 August 2009	15 August 2009	17 September 2009	✓	24 September 2009				•		
Legislative Council	15 August 2009	11 August 2009	14 August 2009	✓	25 September 2009				•		
Legislature-General	15 August 2009	15 August 2009	17 August 2009	✓	24 September 2009				•		
Office of the Governor	15 August 2009	15 August 2009	14 August 2009	✓	28 September 2009				•		
Ministerial Departments											
Department of Economic Development and Tourism	15 August 2009	14 August 2009	30 September 2009	✓	30 September 2009				•		
Tasmanian Development and Resources	15 August 2009	14 August 2009	29 September 2009	✓	29 September 2009				•		
Tourism Tasmania	15 August 2009	14 August 2009	24 September 2009	✓	29 September 2009				•		
Department of Education	15 August 2009	14 August 2009	28 September 2009	✓	29 September 2009				•		
Department of Health and Human Services	15 August 2009	15 August 2009	30 September 2009	✓	30 September 2009				•		
Housing Tasmania	No date	9 September 2009	15 October 2009	✓	-						
Tasmanaina AmbulanceService	No date	15 October 2009	-	✓	15 October 2009					•	
Department of Infrastructure, Energy and Resources	15 August 2009	14 August 2009	25 September 2009	✓	30 September 2009				•		
Department of Justice	15 August 2009	14 August 2009	-	✓	22 September 2009				•		
Department of Police and Emergency Management	15 August 2009	14 August 2009	22 September 2009	✓	23 September 2009				•		
Department of Premier and Cabinet	15 August 2009	14 August 2009	10 September 2009	✓	11 September 2009			•			
Department of Primary Industry and Water	15 August 2009	14 August 2009	29 September 2009	✓	29 September 2009				•		
Department of Environment, Parks, Heritage and the Arts	15 August 2009	13 August 2009	-	✓	14 August 2009	•					
Department of Treasury and Finance	15 August 2009	14 August 2009	25 September 2009	✓	25 September 2009				•		
General Government Financial Statements & Public Account Statements	30 September 2009	29 September 2009	9 October 2009	✓	28 October 2009						•
Total State Financial Statements	No date	9 October 2009	-	✓	28 October 2009						•

Entity	Financial Statement deadline	Financial statements: Signed Financial Statements Received	Financial statements: Re-signed/ Amended Financial Statements Received	Clear opinion issued	Audit opinion signed	Timeliness of audit opinion issue from balance date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Superannuation Funds											
Retirement Benefits Fund Board – Contributory Scheme	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Retirement Benefits Fund Board – Investment Account	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Retirement Benefits Fund Board – Tasmanian Accumulation Scheme	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Parliamentary Superannuation Fund	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Parliamentary Retiring Benefits Fund	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Retirement Benefits Fund Board – Tasmanian Ambulance Service Superannuation Scheme	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Retirement Benefits Fund Board – State Fire Commission Superannuation Scheme	No date	24 September 2009	28 September 2009	✓	6 October 2009				•		
Other State Entities											
Aboriginal Land Council	31 August 2009	28 August 2009	–	✓	23 October 2009						•
Clyde Water Trust	31 August 2009	–	–		–						
Council of Law Reporting	15 August 2009	17 August 2009	–	✓	15 September 2009			•			
Forest Practices Authority	31 October 2009	14 August 2009	–	✓	29 September 2009				•		
Government Prices Oversight Commission	No date	17 August 2009	25 September 2009	✓	25 September 2009				•		
Home Ownership Assistance Program	No date	21 October 2009	–		–						
Inland Fisheries Service	15 August 2009	15 July 2009	4 September 2009	✓	29 September 2009				•		
Jim Bacon Foundation	31 October 2009	12 August 2009	–	✓	25 August 2009	•					
Legal Aid Commission of Tasmania	31 August 2009	15 August 2009	20 October 2009	✓	15 October 2009					•	
Marine and Safety Authority	15 August 2009	3 August 2009	20 August 2009	✓	21 August 2009	•					
National Trust of Australia (Tasmania)	31 October 2009	23 October 2009	–	✗	23 October 2009						•
Nominal Insurer	15 August 2009	1 September 2009	27 October 2009	✓	29 October 2009						•
Office of Ombudsman	15 August 2009	14 August 2009	10 September 2009	✓	10 September 2009			•			
Office of the Tasmanian Energy Regulator	No date	17 August 2009	25 September 2009	✓	25 September 2009				•		

Entity	Financial Statement deadline	Financial statements: Signed Financial Statements Received	Financial statements: Re-signed/ Amended Financial Statements Received	Clear opinion issued	Audit opinion signed	Timeliness of audit opinion issue from balance date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Private Forests Tasmania	15 August 2009	14 August 2009	29 September 2009	✓	30 September 2009				•		
RBF Tas Planning Pty Ltd	No date	9 September 2009	–	✓	9 September 2009			•			
Royal Tasmanian Botanical Gardens	15 August 2009	17 August 2009	1 October 2009	✓	30 September 2009				•		
State Fire Commission	15 August 2009	14 August 2009	14 September 2009	✓	21 September 2009			•			
Sullivans Cove Waterfront Authority	15 August 2009	14 August 2009	8 October 2009	✓	9 October 2009					•	
Tasmanian Academy	15 August 2009	13 August 2009	–	✓	30 September 2009				•		
Tasmanian Beef Industry (Research & Development) Trust	31 October 2009	–	–		–						
Tasmanian Building and Construction Industry Training Board	30 September 2009	15 August 2009	–	✓	15 September 2009			•			
Tasmanian Community Fund	No date	7 September 2009	–	✓	30 September 2009				•		
Tasmanian Dairy Industry Authority	30 September 2009	7 September 2009	–	✓	14 October 2009					•	
Tasmanian Heritage Council	30 September 2009	13 August 2009	20 October 2009	✓	20 October 2009					•	
Tasmanian Museum and Art Gallery	15 August 2009	20 October 2009	–		–						
Tasmanian Polytechnic	15 August 2009	13 August 2009	28 September 2009	✓	30 September 2009				•		
Tasmanian Racing Board	15 August 2009	13 August 2009	6 October 2009	✓	6 October 2009				•		
Tasmanian Skills Institute	15 August 2009	13 August 2009	28 September 2009	✓	30 September 2009				•		
Teachers Registration Board	31 August 2009	28 August 2009	13 October 2009	✓	13 October 2009					•	
Tsuneichi Fujii Fellowship Trust	15 August 2009	30 June 2009	–	✓	25 August 2009	•					
Wellington Park Management Trust	31 August 2009	17 August 2009	–	✓	15 October 2009					•	
WorkCover Tasmanian Board	No date	14 August 2009	–	✓	22 September 2009			•			
GOVERNMENT BUSINESSES											
Government Business Enterprises											
Forestry Tasmania	15 August 2009	14 August 2009	–	✓	15 August 2009	•					
Hydro-Electric Corporation	15 August 2009	13 August 2009	–	✓	13 August 2009	•					
Motor Accidents Insurance Board	15 August 2009	13 August 2009	–	✓	13 August 2009	•					
Port Arthur Historic Site Management Authority	15 August 2009	14 August 2009	–	✓	25 September 2009				•		
Rivers and Water Supply Commission	15 August 2009	13 August 2009	20 October 2009	✓	23 October 2009						•
Tasmanian Irrigation Schemes Pty Ltd	15 August 2009	13 August 2009	20 October 2009	✓	23 October 2009						•
Tasmanian Irrigation Development Board Pty Ltd	15 August 2009	14 August 2009	20 October 2009	✓	23 October 2009						•

		Financial statements				Timeliness of audit opinion issue from balance date					
Entity	Financial Statement deadline	Signed Financial Statements Received	Re-signed/ Amended Financial Statements Received	Clear opinion issued	Audit opinion signed	< 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Tasmanian Public Finance Corporation (TASCORP)	15 August 2009	10 August 2009	-	✓	10 August 2009	•					
The Public Trustee	15 August 2009	14 August 2009	-	✓	31 August 2009		•				
State Owned Corporations											
Aurora Energy Pty Ltd	No date	21 September 2009	-	✓	23 September 2009				•		
Metro Tasmania Pty Ltd	No date	13 August 2009	-	✓	13 August 2009	•					
TOTE Tasmania Pty Ltd	No date	25 August 2009		✓	26 August 2009	•					
Transend Networks Pty Ltd	No date	27 August 2009	-	✓	9 September 2009			•			
TT-Line Company Pty Ltd	No date	20 August 2009	27 August 2009	✓	27 August 2009		•				
Tasmanian Ports Corporation Pty Ltd	No date	17 September 2009	-	✓	17 September 2009			•			
King Island Ports Corporation Pty Ltd	No date	7 August 2009	-	✓	11 August 2009	•					
LOCAL GOVERNMENT AUTHORITIES											
Major Cities											
Clarence City Council	30 September 2009	25 September 2009	-	✓	30 October 2009						•
Glenorchy City Council	30 September 2009	13 October 2009	-	✓	14 October 2009					•	
Hobart City Council	30 September 2009	25 September 2009	-		-						
Launceston City Council	30 September 2009	29 September 2009	19 October 2009	✓	20 October 2009					•	
Other Urban and Large Rural Councils											
Brighton Council	30 September 2009	30 September 2009	-		-						
Burnie City Council	30 September 2009	-	-		-						
Central Coast Council	30 September 2009	30 September 2009	-	✓	23 October 2009						
Derwent Valley Council	30 September 2009	30 September 2009	-		-						
Devonport City Council	30 September 2009	-	-		-						
Huon Valley Council	30 September 2009	25 September 2009	20 October 2009	✓	21 October 2009						•
Kingborough Council	30 September 2009	30 September 2009	-		-						
Meander Valley Council	30 September 2009	30 September 2009	-		-						
Northern Midlands Council	30 September 2009	-	-		-						
Sorell Council	30 September 2009	6 October 2009	-		-						
Waratah-Wynyard Council	30 September 2009	30 September 2009	-		-						
West Tamar Council	30 September 2009	28 September 2009	-		-						

Entity	Financial Statement deadline	Financial statements: Signed Financial Statements Received	Financial statements: Re-signed/ Amended Financial Statements Received	Clear opinion issued	Audit opinion signed	Timeliness of audit opinion issue from balance date: < 8 weeks	8 to 10 weeks	10 to 12 weeks	12 to 14 weeks	14 to 16 weeks	> 16 weeks
Other Rural Councils											
Break O'Day Council	30 September 2009	1 October 2009	–		–						
Central Highlands Council	30 September 2009	15 September 2009	–		–						
Circular Head Council	30 September 2009	30 September 2009	–		–						
Dorset Council	30 September 2009	30 September 2009	–		–						
Flinders Council	30 September 2009	2 October 2009	9 October 2009		–						
George Town Council	30 September 2009	14 October 2009	–		–						
Glamorgan-Spring Bay Council	30 September 2009	9 October 2009	–		–						
Kentish Council	30 September 2009	30 September 2009	–		–						
King Island Council	30 September 2009	–	–		–						
Latrobe Council	30 September 2009	22 October 2009	–		–						
Southern Midlands Council	30 September 2009	1 October 2009	–		–						
Tasman Council	30 September 2009	30 September 2009	–		–						
West Coast Council	30 September 2009	30 September 2009	–		–						
Local Government Business Units											
Copping Refuse Disposal Site Joint Authority	30 September 2009	15 October 2009	–		–						
Dulverton Regional Waste Management Authority	30 September 2009	25 August 2009	–		–						
Southern Waste Strategy Authority	30 September 2009	5 October 2009	–		–						
Southern Tasmanian Councils Authority	No date	23 October 2009	–		–						
Local Government Water Authorities											
Cradle Coast Authority	30 September 2009	9 September 2009	30 September 2009	✓	1 October 2009				•		
Esk Water Authority	30 September 2009	31 August 2009	1 October 2009	✓	30 September 2009				•		
Hobart Regional Water Authority	30 September 2009	17 September 2009	–	✓	17 September 2009			•			
Tasmanian Water and Sewerage Corporation (North Western Region) Pty Ltd	15 August 2009	12 August 2009	–	✓	13 August 2009	•					
Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd	15 August 2009	12 August 2009	–	✓	13 August 2009	•					

		Financial statements				Timeliness of audit opinion issue from balance date					
Entity	**Financial Statement deadline**	**Signed Financial Statements Received**	**Re-signed/ Amended Financial Statements Received**	**Clear opinion issued**	**Audit opinion signed**	**< 8 weeks**	**8 to 10 weeks**	**10 to 12 weeks**	**12 to 14 weeks**	**14 to 16 weeks**	**> 16 weeks**
Tasmanian Water and Sewerage Corporation (Southern Region) Pty Ltd	15 August 2009	12 August 2009	-	✓	13 August 2009	•					
Tasmanian Water and Sewerage Corporation (Common Services) Pty Ltd	15 August 2009	12 August 2009	-	✓	13 August 2009	•					
Local Government Other											
Local Government Association of Tasmania	31 August 2009	-			-						

APPENDIX 3 – ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
AGAAP	Australian Generally Accepted Accounting Principles
AHCA	Australian Health Care Agreement
AIFRS	Australian International Financial Reporting Standards
APRA	Australia Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BBP	Bell Bay Power Pty Ltd
BRC	Broadband for Regional Communities
BRT	Broadband for Regional Tasmania
CDO	Collateralised Debt Obligations
CIP	Capital Investment Program
CLAF	Crown Land Administration Fund
CPI	Consumer Price Index
CRMS	Court Civil Registry Management System
CSA	Community Service Agreement
CSL	Community Support Levy
CSO	Community Service Obligation
DEEWR	Commonwealth Department of Education, Employment and Workplace Relations
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DOE	Department of Education
DOTAF	Department of Treasury and Finance
DPIW	Department of Primary Industry and Water
DTAE	Department of Tourism Arts and the Environment
DVA	Department of Veterans Affairs
EBA	Enterprise Bargaining Agreement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ePCR	electronic patient care records
ESIF	Economic and Social Infrastructure Fund
FMAA	*Financial Management and Audit Act 1990*
FSST	Forensic Science Service Tasmania
FTE	Full-time equivalent
GBE	Government Business Enterprise
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GGS	General Government Sector
GMO	Grantham, Mayo and Otterloo
GPOC	Government Prices Oversight Commission
GSP	Gross State Product
GST	Goods and Services Tax

HEC	Hydro-Electric Corporation
HIAPL	Hobart International Airport Pty Ltd
HOAP	Home Ownership Assistance Program
IBNR	Incurred But Not Reported
IFAC	Inland Fisheries Advisory Council
IRRs	Inter Regional Revenues
IT	Information Technology
ITF	Infrastructure Tasmania Fund
JV	Joint Venture
LGH	Launceston General Hospital
MAIB	Motor Accidents Insurance Board
MIC	Member Investment Choice
MPEP	Monetary Penalty Enforcement Project
MRS	Motor Registry System
NDLERF	National Drug Law Enforcement Research Fund
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited
NRM	Natural Resource Management
NHT	Natural Heritage Trust
NTER	National Taxation Equivalent Regime
NWRH	North West Regional Hospital
NWST	North Western Shipping and Towage
OTTER	Office of the Tasmanian Energy Regulator
PA	Public Account
PAT	The Printing Authority of Tasmania
PCYC	Police, Citizens and Youth Club
PIRP	Prison Infrastructure Redevelopment Program
PJFC's	Pre 1 July 1988 Funding Credits
POAGS	P&O Automotive & General Stevedoring Pty Limited
PRFB	Parliamentary Retiring Funds Benefit
PSF	Parliamentary Superannuation Fund
R40s	Roaring 40s Renewable Energy Pty Ltd
RBF	Retirement Benefits Fund
RBFB	Retirements Benefits Fund Board
RHH	Royal Hobart Hospital
RIMS	Roads Information Management System
RPDC	Resource Planning Development Commission
RSTF	Road Safety Task Force
SCIF	Special Capital Investment Funds
SDTF	Special Deposits and Trust Fund
SES	State Emergency Service
SESDMF	State Emergency Service Disaster Mitigation Funding
SFCSS	State Fire Commission Superannuation Scheme
SOC	State Owned Company
SRCT	Southern Regional Cemetery Trust
SSA	*State Service Act*
SSWA	State Service Wage Agreement
TAFE	TAFE Tasmania
TAFI	Tasmanian Aquaculture and Fisheries Institute

TAFR	Treasurers Annual Financial Report
TAHL	Tasmanian Affordable Housing Limited
TAS	Tasmanian Ambulance Service (DHHS)
TASCORP	Tasmanian Public Finance Corporation
TasPorts	Tasmanian Ports Corporation Pty Ltd
TASSS	Tasmanian Ambulance Service Superannuation Scheme
TCFA	Tasmanian Community Forest Agreement
TFS	Tasmania Fire Service
TIAR	Tasmanian Institute of Agricultural Research
TMAG	Tasmanian Museum and Art Gallery
TMRN	Tasmanian Mobile Radio Network
TNSP	Transmission Network Service Provider
TRMF	Tasmanian Risk Management Fund
UPF	Uniform Presentation Framework
VaR	Value at Risk
WACD	Weighted Average Cost of Debt
WST	Workplace Standards Tasmania

APPENDIX 4 – RECENT REPORTS

YEAR	REPORT TITLE
2009	Special Report No. 84 Tasmanian Education Foundation
2009	Special Report No. 83 Communications by Government and The Tasmanian Brand project
2009	Special Report No. 82 Head of Agency contract renewal
2009	Special Report No. 81 Contract management
2009	Special Report No. 80 Hydro hedges
2009	Special Report No. 79 Follow up of performance audits
2009	Report of the Auditor-General Report No. 1 of 2009 - Local Government Authorities, Including Business Units and Other State Entities 2007-2008
2009	Special Report No. 78 Management of threatened species
2008	Special Report No. 77 Food safety: safe as eggs?
2008	Report of the Auditor-General No. 2 of 2008 - Government Departments and Public Bodies 2007-2008
2008	Special Report No. 76 Complaint handling in local government
2008	Report of the Auditor-General Report No. 1 of 2008 - Local Government Authorities, Superannuation Funds and Other Public Bodies 2006-2007

Auditor-General's reports are available from the Tasmanian Audit Office. These and other published reports can be accessed via the Office's homepage. http://www.audit.tas.gov.au

INDEX

A

ACRONYMS AND ABBREVIATIONS, V1-237

AUDITS DISPENSED WITH, V1-20

AUDIT STATUS, V1-230

AURORA ENERGY PTY LTD, V1-11, V2-64, V2-67

B

BELL BAY POWER PTY LTD, V1-23

BELL BAY THREE PTY LTD, V1-23

BURNIE CITY COUNCIL, V1-18

C

CLYDE WATER TRUST, V1-18

COPPING REFUSE DISPOSAL SITE JOINT AUTHORITY, V1-19

D

DEVONPORT CITY COUNCIL, V1-18

E

ECONOMIC DEVELOPMENT AND TOURISM, DEPARTMENT OF, V1-7, V1-80, V1 84

EDUCATION, DEPARTMENT OF, V1-7, V1-81, V1-108

ENVIRONMENT, PARKS, HERITAGE AND THE ARTS, DEPARTMENT OF, V1-8, V1-82, V1-201

ESK WATER AUTHORITY, V2-226

EXECUTIVE AND LEGISLATURE, V1-59

EXECUTIVE SUMMARY, V1-6

F

FORESTRY TASMANIA, V1-9, V2-7, V2-9

FORWARD, V1-5

G

GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS, V1-21

GEORGE TOWN COUNCIL, V1-19

GLAMORGAN SPRING BAY COUNCIL, V1-19

GLENORCHY CITY COUNCIL, V1-18

GOVERNMENT DEPARTMENTS, V1-79

GOVERNMENT BUSINESSES, V2-4

GOVERNMENT BUSINESS ENTERPRISES, V2-6

GUIDE TO USING THIS REPORT, V1-225

H

HEALTH AND HUMAN SERVICES, DEPARTMENT OF, V1-7, V1-81, V1-119

HOBART REGIONAL WATER AUTHORITY, V2-234

HOME OWNERSHIP ASSISTANCE PROGRAM, V1-135

HOUSE OF ASSEMBLY, V1-59

HOUSING TASMANIA, V1-8, V1-81, V1-135

HYDRO-ELECTRIC CORPORATION, V1-10, V2-7, V2-23

I

INFRASTRUCTURE, ENERGY AND RESOURCES, DEPARTMENT OF, V1-81, V1 148

INLAND FISHERIES SERVICE, V2-177

INTELLIGENT ISLAND PROGRAM, V1-87

J

JUSTICE, DEPARTMENT OF, V1-81, V1-160

K

KING ISLAND COUNCIL, V1-19

KING ISLAND PORTS CORPORATION PTY LTD, V2-125

L

LATROBE COUNCIL, V1-19

LEGAL AID COMMISSION, V2-165, V2-213

LEGISLATIVE COUNCIL, V1-64

LEGISLATURE-GENERAL, V1-69

LOCAL GOVERNMENT WATER AUTHORITIES, V2-224

LOFTY RANGES POWER PTY LTD, V1-23

M

MARINE AND SAFETY AUTHORITY, V2-165, V2-172

METRO TASMANIA PTY LTD, V1-12, V2-65, V2-84

MOMENTUM ENERGY PTY LTD, V2-24, V2-28

MOTOR ACCIDENTS INSURANCE BOARD, V1-10, V2-7, V2-35

N

NATIONAL BROADBAND NETWORK, V2-70

NATIONAL TRUST OF AUSTRALIA (TASMANIA), V1-19

NEWOOD HOLDINGS PTY LTD, V2-22

NORTHERN MIDLANDS COUNCIL, V1-19

O

OFFICE OF THE GOVERNOR, V1-74

OPTICAL FIBRE CABLE, V1-221

OTHER STATE ENTITIES, V2-165

P

PARLIAMENTARY SUPERANNUATION FUND, V2-152

PARLIAMENTARY RETIRING BENEFITS FUND, V2-155

POLICE AND EMERGENCY MANAGEMENT, DEPARTMENT OF, V1-82, V1-171

PORT ARTHUR HISTORIC SITE MANAGEMENT AUTHORITY, V2-7, V2 46

PREMIER AND CABINET, DEPARTMENT OF, V1-82, V1-180

PRIMARY INDUSTRIES, AND WATER, DEPARTMENT OF, V1-8, V1-82, V1-190

PRIVATE FORESTS, TASMANIA, 2-178

R

RE STORAGE PROJECT HOLDING PTY LTD, V2-23

RECENT REPORTS, V1-240

RETIREMENT BENEFITS FUND BOARD, V1-13

RETIREMENT BENEFITS FUND BOARD – CONTRIBUTORY SCHEME, V2 135

RETIREMENT BENEFITS FUND BOARD – INVESTMENT ACCOUNT, V2 141

RETIREMENT BENEFITS FUND BOARD – TASMANIAN ACCUMULATION SCHEME, V2 147

RETIREMENT BENEFITS FUND BOARD – TASMANIAN AMBULANCE SERVICE SUPERANNUATION SCHEME, V2-158

RETIREMENT BENEFITS FUND BOARD – STATE FIRE COMMISSION SUPERANNUATION SCHEME, V2-161

RIVERS AND WATER SUPPLY COMMISSION, V2-8

ROARING 40S RENEWABLE ENERGY PTY LTD, V2-23, V2-28

S

SORELL COUNCIL, V1-19

SOUTHERN WASTE STRATEGY AUTHORITY, V1-19

SPECIAL CAPITAL INVESTMENT FUND, V1-56

STATE FIRE COMMISSION, V2-165, V2-185

STATE OWNED CORPORATIONS, V2-64

SUPERANNUATION FUNDS, V2-131

T

TAMAR VALLEY POWER STATION, V2-69

TASMANIAN ACADEMY, V1-15, V2-165, V2-203

TASMANIAN AMBULANCE SERVICE, V1-81, V1-143

TASMANIAN BEEF INDUSTRY TRUST, V1-19

TASMANIAN COMMUNITY FOREST AGREEMENT, V1-82, V2-7, V2-18

TASMANIAN DEVELOPMENT AND RESOURCES, V1-94

TASMANIAN MUSEUM AND ART GALLERY, V1-18

TASMANIA TOMORROW INIATIVE, V1-14, V2-196

TASMANIA POLYTECHNIC, V1-15, V2-165. V2-197

TASMANIAN PORTS CORPORATION PTY LTD, V2-65, V2-117

TASMANIAN PUBLIC FINANCE CORPORATION, V1-11, V2-7, V2-51

TASMANIAN RACING BOARD, V1-14, V2-92, V2-191

TASMANIAN RISK MANAGEMENT FUND, V1-221

TASMANIAN SKILLS INSTITUTE, V1-15, V2-165, V2-208

TASMANIAN WATER AND SEWERAGE CORPORATIONS, V1-16, V2-218

THE PUBLIC TRUSTEE, V2-8, V2-57

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS, V1-18

TMD, V1-180

TOTE TASMANIA PTY LTD, V1-12, V2-65, V2-92

TOTAL STATE FINANCIAL STATEMENTS, V1-39

TOURISM TASMANIA, V1-101

TRANSEND NETWORKS PTY LTD, V1-12, V1-65, V2-101

TREASURY AND FINANCE, DEPARTMENT OF, V1-8, V1-83, V1-213

TT-LINE COMPANY PTY LTD, V1-13, V2-66, V2-108

Our Vision

STRIVE | LEAD | EXCEL | TO MAKE A DIFFERENCE

Our Purpose

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

Availability of reports

Auditor-General's reports are available from the Tasmanian Audit Office, HOBART.
This report and other recent reports published by the Office can be accessed via the Office's home page. For further information please contact:

Tasmanian Audit Office
GPO Box 851
Hobart
TASMANIA 7001

Phone: (03) 6226 0100, Fax (03) 6226 0199
Email: admin@audit.tas.gov.au
Home Page: http://www.audit.tas.gov.au

This report is printed on recycled paper.

FRONT AND BACK COVER PICTURES BY MARCUS WESTBERG

AUDIT MANDATE AND STANDARDS APPLIED

MANDATE

Section 17(1) of the *Audit Act 2008* states that "… An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects. …"

Under the provisions of section 18, the Auditor-General:

"...(1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).

Under the provisions of section 19, the Auditor-General:

"...(1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards.

(2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity's appropriate Minister and provide a copy to the relevant accountable authority.

STANDARDS APPLIED

Section 31 specifies that:

'… The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

(a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and

(b) the Australian Auditing and Assurance Standards. …'

The auditing standards referred to are Australian Auditing Standards as produced by the Australian Auditing and Assurance Standards Board.

Phone (03) 6226 0100
Fax (03) 6226 0199
email admin@audit.tas.gov.au
Web www.audit.tas.gov.au

Address 15 Murray Street, Hobart
Postal Address GPO Box 851, Hobart 7001