



Tasmanian Audit Office

Making a Difference

**REPORT OF THE AUDITOR-GENERAL
No. 2 of 2008**

**Government Departments and
Public Bodies 2007-2008**

VOLUME ONE

**Executive Summary, Executive and Legislature
and Government Departments**

November 2008



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 Financial Management and Audit Act 1990.

Our major responsibility is to conduct financial or 'attest' audits of State public sector entities' annual financial reports. We also audit the General Government Financial Statements, the Public Account Statements and the Whole-of-Government Financial Statements.

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

Financial reports by agencies are prepared 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, the Office issues a variety of reports to agencies and reports periodically to the Parliament. In combination these reports give opinions on the truth and fairness of financial reports, and comment on agencies 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. Performance audits examine whether an agency 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 an entities' operations, or consider particular issues across a number of agencies.

Compliance audits are aimed at ensuring compliance by agencies 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, with all financial audits included in one of two 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 Houses in their review of the performance of executive Government.

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



2008

PARLIAMENT OF TASMANIA

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**GOVERNMENT DEPARTMENTS
AND PUBLIC BODIES 2007-2008**

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and Government Departments**

November 2008

*Presented to both Houses of Parliament in accordance with the requirements of
Section 57 of the Financial Management and Audit Act 1990*

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TABLE OF CONTENTS

VOLUME 1

Foreword.....	5
Executive Summary.....	6
Current and Previous Audit Matters.....	7
Timeliness and Quality of Financial Statements.....	25
Land Under Roads	27
Global Financial Crisis	28
Determination of Audit Fees.....	32
Audits Dispensed With.....	34
Treasurer’s Annual Financial Report.....	35
General Government Financial Statements and Public Account Statements	35
Whole-of-Government Financial Statements	59
Executive & Legislature.....	77
House of Assembly	78
Legislative Council	83
Legislature-General	88
Office of the Governor.....	93
Government Departments	99
Department of Economic Development and Tourism	103
Tasmanian Development and Resources	119
Tourism Tasmania.....	129
Department of Education.....	137
Department of Health and Human Services	147
Housing Tasmania	165
Tasmanian Ambulance Service	177
Department of Infrastructure, Energy and Resources.....	186
Department of Justice	198
Department of Police and Emergency Management	214
Department of Premier and Cabinet	224
Department of Primary Industry and Water	237
Department of Environment, Parks, Heritage and the Arts.....	250
Department of Treasury and Finance	262
Appendix 1 - Guide to Using This Report.....	280
Appendix 2 - Audit Status.....	286
Appendix 3 - Acronyms and Abbreviations	293
Appendix 4 - Recent Reports	296
Index.....	297
Vision and Values	302



18 November 2008

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Sirs

In accordance with the requirements of Section 57 of the *Financial Management and Audit Act 1990*, I have pleasure in presenting my Report on the audit of the financial statements of Government Departments, Government Businesses, Superannuation Funds and other public bodies for the year ended 30 June 2008.

Also included are brief analyses of the Whole-of-Government Financial Statements, the General Government Financial Statements and the Public Account Statements.

Yours sincerely

H M Blake

AUDITOR-GENERAL

FOREWORD

This Report summarises the results of audits, and the financial performance, of public sector entities for the year ended 30 June 2008. Included in the Executive Summary is commentary following up matters reported in 2007.

It covers the audits of 42 entities – including the State’s Government Departments, Government Businesses, Superannuation Funds as well as Other Public Bodies.

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 in this Report is a summary of the State’s Whole-of-Government Financial Statements, which, along with the General Government Financial Statements were prepared, for the first time, in accordance with new Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Treasury is commended for completing these reports at the same time.

It is noteworthy that all but one of the audit opinions issued on entities’ financial statements were clear and, despite ever increasing complexity in financial reporting and the need to comply with a growing number of accounting standards, this Report notes continuing improvement in the relevance and timeliness of financial reporting providing Parliamentarians and the community with useful information on which to assess the financial performance and condition of these entities and of the State’s finances as a whole. Proposed arrangements in the Audit Bill first tabled in Parliament on 29 October 2009, if proclaimed as drafted, will bring forward still further financial reporting and auditing obligations, a move I strongly supported.

New sections included this year are brief summaries of the broad implications on two public sector entities of turmoils in the world’s equities and capital markets, specific impacts on a small number of Councils of their investments in collateralised debt obligations, effects of AASB 1051 *Land Under Roads* for entities recognising road assets (all included in the Executive Summary), and an update on the State’s various Infrastructure Funds, which totalled \$557.148m at 30 June 2008 (included in the General Government Financial Statements Chapter). Also included in the Executive Summary is a section detailing how we determined audit fees in 2007-08.



HM Blake
Auditor-General
18 November 2008

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 public bodies. Comparative information is also provided for groups of similar entities such as energy entities. This Executive Summary includes relevant 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 Whole-of-Government Financial Statements.

The Chapter for the Department of Treasury and Finance includes a summary of movements in the Government's various Infrastructure 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 or otherwise rests on my perception of the public interest in each point and the need to confine comments to those matters that have more than a managerial dimension. Also included below are summaries of the more significant accounting changes impacting some entities.

CURRENT AND PREVIOUS AUDIT MATTERS

This section summarises significant matters highlighted for information as well as matters that I consider may require management attention. Matters dealt may be entity specific and in such cases further details are provided in specific Chapters for each entity.

National Trust of Australia (Tasmania) – qualified audit report

- November 2007 Report, Volume 1
- November 2008 Report, Volume 1 (this Report)

It is pleasing to note that the Trust improved its financial situation over the past year. After previously recording deficits, it generated a surplus from operating activities totalling \$0.072m and moved to a positive working capital position at 30 June 2008. The new Board has implemented improved financial management practices and governance arrangements.

However, the Trust is some way from financial sustainability and continues to rely on contributions from the State Government.

The audit opinion on the Trust's financial statements for the year ended 30 June 2008 contained the following "except for" audit qualification:

Qualification

Included in revenue are amounts relating to proceeds from functions, fundraising activities, donations and admittance fees, totalling \$277 104 (2007, \$191 226) over which it is not practicable to establish accounting controls prior to receipt of such funds due to the cash nature of that revenue. Accordingly, it was not practicable for my examination to extend beyond amounts recorded as having been received and as shown in the accounting records of the Trust.

The Trust has failed to comply with Australian Accounting Standards AASB 116 *Property, Plant and Equipment* by not depreciating or amortising freehold buildings and leasehold improvements respectively. In addition, the Trust possesses certain heritage collections referred to in Note 1 of the financial statements, but these assets have not been recognised in the financial statements. Due to the nature of the assets, it is not possible to quantify the financial effects of the Trust's failure to comply with the accounting standard.

As detailed in Note 7 to the financial statements, the Trust has recognised grant income in advance totalling \$75 000. The income in advance does not meet the recognition criteria for a liability. Accordingly, current liabilities should be reduced by \$75 000 and the surplus for the year and retained earnings should be increased by \$75 000.

Department of Health and Human Services (DHHS)

- November 2007 Report, Volume 1
- November 2008 Report, Volume 1 (this Report)

In my last report I commented that the Department's cash position had declined significantly from cash holdings of \$97.808m at 30 June 2004 to \$34.516m at 30 June 2007. Included in the latter amount was \$15.614m carried forward under Section 8A(2) of the *Public Account Act, 1986*. In my November 2007 report I noted my view that, at 30 June 2007 the Department was not in a strong liquid position.

For the year ended 30 June 2008 the Department recorded a net increase in cash of \$35.164m taking the cash holdings at 30 June 2008 to \$69.680m. The cash resources of the Department at 30 June were allocated to:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
DHHS	60 015	25 075	36 861	51 123
Housing	9 665	9 441	8 805	30 799
Ambulance	0	0	0	0
Total	69 680	34 516	45 666	81 922

Included in the Department's balance in 2006-07 and 2007-08 was \$15.614m and \$22.512m respectively, being funds carried forward under Section 8A(2) of the *Public Account Act 1986*.

This analysis suggests to me that the Department's liquidity position improved this year. Its 2007-08 financial results also indicate:

- it continued to record a Net operating deficit. In 2007 08 this was \$37.506m although after capital appropriations and other adjustments the Department recorded a Net surplus of \$6.491m
- Employee costs were \$722.652m, an increase of only \$14.197m (2.00%) mainly due to the secondment of Mersey Hospital employees to the Commonwealth
- the Loss on sale of assets was \$14.116m, mainly due to the disposal of the Mersey Hospital to the Australian Government at a nominal value
- the recurrent appropriation totalled \$1.139bn, an increase of \$87.762m (8.35%)
- User charges were \$151.245m an increase of \$6.958m (5.00%), including rentals from dwelling \$59.632m which increased by \$6.374m (11.96%)
- capital appropriations totalled \$31.757m, an increase of \$11.689m (5.80%) including amounts carried forward
- Net assets increased \$329.707m (20.03%) to \$1.976bn mainly due to revaluation of all land and buildings.

Housing Tasmania

- November 2007 Report, Volume 1 (this Report)

It is pleasing to report that many of the concerns raised in previous financial audits have, or are being, addressed by Housing.

Housing operated at significant deficits in each year under review. Operating deficits totalled \$90.151m over the last four-year period. However, total Equity increased by \$191.963m over the same period, primarily due to revaluation increments of Housing's extensive portfolio of residential properties and land. This year saw a significant increase in operating expenses, mainly driven by the \$29.996m spent on maintenance.

During 2006-07 a new affordable housing organisation in the form of a private not-for-profit unlisted public company was created with the registration of Tasmanian Affordable Housing Limited (TAHL). The company was established to ensure the provision of affordable housing using a head-lease model. All construction of housing will be undertaken by private sector investors who will develop and lease housing to TAHL. TAHL will then make that housing available to eligible tenants drawn from public housing waiting lists managed by Housing.

TAHL is accountable as an independent Company and the only transactions that will appear will be funds provided to TAHL from Government under a funding agreement. In terms of shareholdings in the company, the Crown holds one ordinary share as an ordinary shareholder under the constitution. The State has representatives on the board of TAHL. However, it was essential that the company be totally independent of Government as its business viability and financial status requires that there is no Government control.

There are currently agreements with private and not-for-profit developers for the construction of 245 new affordable homes, 53 of which have been completed.

There is one other matter noted, that due to its nature is not clear from an analysis of the primary financial statements of Housing. Information is available in the notes to its financial statements. A number of Community Housing properties are held as dwelling stock. These properties are operated by community organisations throughout the State. The total value at 30 June 2008 was \$88.160m (2006-07, \$81.898m). Of these properties, 262 (2006-07, 261) have titles that have been transferred into the name of a community organisation, with Housing still holding a significant equity interest. These properties are disclosed as a Contingent asset with a value of \$30.878m (2006-07, \$30.518m). The remainder of the properties, with a value of \$57.282m (2006-07, \$51.380m), remained in the title of the "Director of Housing" as non-rental dwellings.

Department of Infrastructure, Energy and Resources (DIER)

- November 2007 Report, Volume 1
- November 2008 Report, Volume 1 (this Report)

During the course of the 2005-06 audit, DIER was queried on the;

- extended period of time (since 1996) it had used indices to update bridge asset valuations
- currency of its review of useful lives used to determine the annual depreciation expense.

It is pleasing to note that in 2006-07 DIER undertook a revaluation of its major bridges together with a review of useful lives of its assets.

During 2006-07, the Tasmanian Government acquired rail infrastructure assets from Pacific National for the nominal amount of \$1. The rail infrastructure and its management, assessment and oversight is 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. The valuation will be reviewed annually.

Department of Economic Development and Tourism

- November 2007 Report, Volume 1

In my previous report I commented that the Department's annual financial statements included the financial results of Tasmania Development and Resources (TDR) which is a separate statutory authority established under the provisions of the Tasmanian Development Act 1983 (the Act) to encourage and promote balanced economic development of Tasmania. The Act establishes the Tasmanian Development Board (TD Board) which is responsible for the performance of TDR and its functions.

During the previous year, I raised a matter regarding the financial reporting and governance aspects of TDR and the Department. I noted that TDR did not employ staff in its own right with staff directly employed by the Department.

Whilst I raised this matter for review it was important to note that there had been no failure by either the Department or TDR to provide full disclosure of financial information as required by legislation.

This matter was reviewed during 2007-08 with the outcome being changes to disclosures in the TDR financial statements so that the above situation is made clearer to readers. In the absence of changes to legislation the revised disclosures are appropriate.

Department of Environment, Parks, Heritage and the Arts (formerly Tourism, Arts and the Environment)

- November 2007 Report, Volume 1

In 2006-07 the Department's annual financial statements included the financial results of Tourism Tasmania (TT), which is a separate statutory authority established under the provisions of the *Tourism Tasmania Act 1996* (the Act). Since 2002, TT

has been part of a Department (or its forerunner departmental bodies). The Act establishes the Tourism Tasmanian Board which is responsible for the performance of TT and its functions. Previously, the Authority was part of the former Department of Tourism, Arts and the Environment. Following a restructure in February 2008, TT was transferred to the newly formed Department of Economic Development and Tourism (the Department).

During the previous year, I raised a matter regarding the financial reporting and governance arrangements between the former Department and TT. TT has its own Act, prescribed governance arrangements and associated functions. However, as a business unit of the Department, all TT staff are directly employed by the Department in accordance with the *State Service Act 2000*.

Whilst I raised this matter for review it was important to note that there had been no failure by either the Department or TT to provide full disclosure of financial information as required by legislation.

This issue was reviewed during 2007-08 with the outcome being changes to disclosures in the TT financial statements so that the above situation is made clearer to readers. In the absence of changes to legislation the revised disclosures are appropriate.

Department of Primary Industries and Water

- November 2008 Report, Volume 1 (this Report)

For 2007-08 the Department recorded a Net Surplus Attributable to the State of \$55.747m. This surplus resulted from the receipt of Special Capital Investment Funds for the Water Infrastructure Fund, \$80.000m, offset in part by increased Grants and subsidies paid of \$12.056m. This had the effect of increasing the Department's Net Assets at 30 June 2008 to \$416.377m (2007, \$354.236m), reflected mainly by an improvement in cash balances to \$183.675m as at 30 June 2008 (2007, \$118.548m).

The \$80.000m Water Infrastructure Fund has been established to enable major investment in Tasmania's water infrastructure which is understood will include the development of a number of significant irrigation projects with the potential to provide the State with an additional 250 gegalitres per annum of irrigation water.

Department of Treasury and Finance – Finance-General

- November 2008 Report, Volume 1 (this Report)

The Division of Finance-General reported a Net Surplus of \$847.805m in 2007-08. The net surplus is considerably higher than budget and previous years primarily due to the sale of a number of government owned businesses and an increase in the net carrying amount of Finance-General's investment in the equity in government businesses.

During 2007-08 the Government sold Hobart International Airport Pty Ltd (a subsidiary company of Tasports), the printing Authority of Tasmania and the Southern Regional Cemetery Trust through competitive bid process. Details of the sale transactions are disclosed within the Additional Financial Information – Administered Transactions section of the Department of Treasury and Finance Chapter in this Report.

The majority of the net proceeds from the sales have been transferred to Special Capital Investment Funds, specifically the Infrastructure Tasmania Fund.

The increase in equity investments in Finance-General represents changes in the net carrying amounts of the Government's investments in Government Business Enterprises and State-owned Companies. Net carrying amounts of these investments represent the net assets at each 30 June of these entities. The net increase of \$446.385m in 2007-08 was principally due to movements in the equity of:

- Hydro Tasmania, \$451.311m
- TT-Line \$46.544m
- Transend Networks Pty Ltd, \$35.926m.
- Motor Accidents Insurance Board, negative \$51.100m
- Forestry Tasmania, negative \$41.938m

Reasons for these movements can be ascertained from individual Chapters for each entity in this Report.

Hydro-Electric Corporation (Hydro)

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

In my last Report I commented that 2006-07 had been a challenging year for Hydro. It had to adapt operationally to the new environment of operating with Basslink and market conditions under the National Energy Market (NEM). At the same time it had to manage historically low storage inflows at a time of high market prices.

The 2007-08 year has seen a continuation of historically low inflows into Hydro storages. Hydro responded to this by adjusting its trading and generation strategies so that electricity is imported from Victoria to meet Tasmania's energy demands while prudently managing storage levels. As a consequence of a statistical review of low inflow patterns over the last 11 years Hydro de-rated the system inflows by 500GWh per annum to where 9 000GWhs of inflows are now assumed for planning and financial modelling purposes.

Hydro also continued to operate the Bell Bay thermal plant.

On 30 June 2008 the Government indicated its support for Hydro by providing a \$220m capital injection in the form of a swap of debt and equity between Transend and Hydro. In addition, during the year, the Government provided \$50m in new equity capital to support Hydro's continued investment in Roaring 40s. The capital injection by the Government also designed to improve the credit standing of Hydro in the NEM. It was not designed to counter the impacts of low inflows into storages.

Hydro has historically had a high level of borrowings. At disaggregation Hydro was left with \$1.046bn in debt. As noted, during 2007-08 gross debt was reduced by \$221m and cash holdings increased by \$42m. At an operational level Hydro was cash positive but at a level significantly lower than prior years. Liquidity was assisted by the removal of the cash flow ratios associated with the Australian Financial Services licence by the Australian Securities and Investment Commission. The ongoing cash constraints of Hydro are associated with:

- the loss of revenue associated with low inflows which results in reduced hydro generation attributable to electricity being imported from Victoria and increased gas fired generation at Bell Bay
- funding the Corporation's capital refurbishment program and
- funding continued investment in R40s.

Hydro's capital investment program continued in 2007-08 and was targeted at sustaining generation assets and reducing their risks to assist Hydro to actively operate in the NEM.

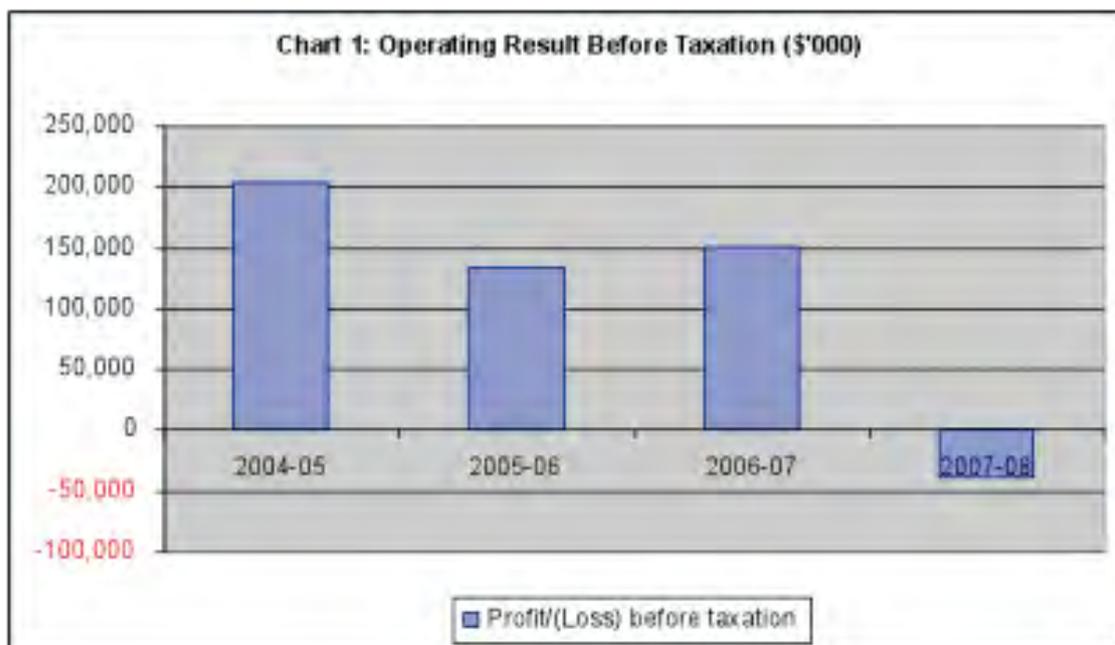
The most significant accounting issues for 2007-08 were the decision to adopt fair value accounting for generation assets and to adopt a Tasmanian yield curve for the valuation of Tasmanian contracts. The financial impacts of these decisions are outlined in the Hydro Chapter of this Report.

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

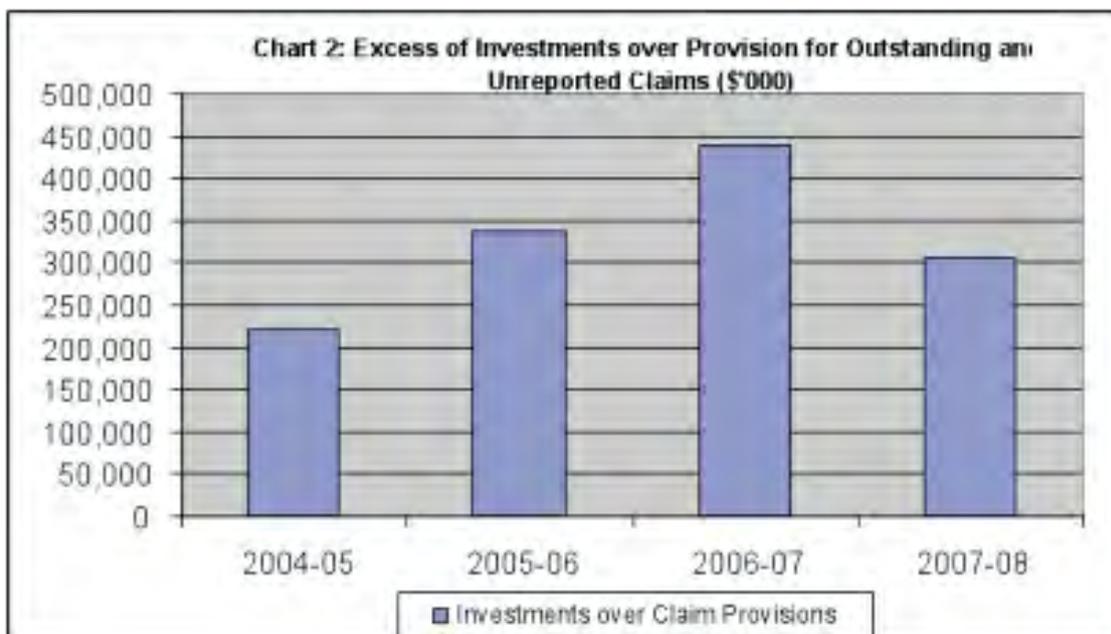
Motor Accidents Insurance Board

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

For the year ended 30 June 2008 the MAIB incurred a loss before taxation of \$39.227m, which included an unrealised investment loss of \$138.236m. Chart 1 below shows the movement in net profit before taxation.



Despite the unfavourable 2007-08 result the Board maintained a strong Solvency ratio and total investments remained well above the Provision for outstanding and unreported claims as illustrated by Chart 2 below.



The MAIB produced positive underwriting results in each of the four years under review. The Underwriting result comprises two significant components, Premium revenue and Claims expense.

In the initial three-year period under review, the positive Underwriting results were further enhanced by Investment revenue, resulting in a strong Net profit before taxation.

In 2007-08, Investment revenue reflected a loss in the MAIB's investment portfolio. The table below shows \$65.300m in realised losses and \$138.236m in unrealised losses in 2007-08.

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Investment income	109 330	42 582	48 993	44 663
<i>Changes in net market values</i>				
Investments held at end of reporting period	(138 236)	74 879	71 006	42 079
Investments realised during the reporting period	(65 300)	21 387	6 242	6 348
Less investment related expenses	(1 240)	(1 539)	(1 729)	(1 250)
Total investment revenue	(95 446)	137 309	124 512	91 840

The Board's investment portfolio includes Australian equities, international equities, emerging market equities, diversified property, direct property, infrastructure and cash. It adopts an investment strategy in which it seeks to maximise long-term growth, consequently the investment portfolio contains an inherent volatility that may cause returns from year to year to fluctuate significantly. The poor investment result in 2007-08 must not be taken in isolation, and should be considered together with the previous strong market results.

Forestry Tasmania

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

During the four year period under review, Forestry's operating results (before accounting for valuation outcomes) fluctuated from an operating profit in 2004-05 of \$17.289m to operating profits of less than \$2m in each of 2005-06 and 2006-07 improving to \$8.568m in the current year. Total revenue in 2007-08 returned to the same level as that achieved in 2004-05 – around \$184.500m. However, operating profitability was less than half that achieved in 2004-05 primarily due to increases in amounts paid to contractors which represented 62% of Forest revenue in 2007-08 (53% in 2004-05).

Forestry's before tax result in 2007-08 was a loss of \$55.242m (\$19.422m profit). In addition to the effect of higher payments to contractors, profitability reduced due to a downward adjustment of \$73.889m (\$11.997m increase in 2006-07) in the valuation of its forest resource. Its net assets were \$548.477m at 30 June 2008 (2006-07, \$586.560m). The reduction in net assets was mainly due to a decrease in both plantation and native forests principally due to timing of the wood flows over the 90 year forecast period.

During the period Forestry also faced exposure to fluctuating international demand and varying exchange rates impacting sale prices, volumes and ultimately returns on sales. Working capital declined significantly from positive \$31.084m at 30 June 2005 to negative \$7.830m at 30 June 2008 due principally to conversion of a proportion of the longer term borrowings into short term. Its capacity to generate cash from operating activities also declined, with this source of funds declining from \$21.265m in 2004-05 to \$4.695m in 2007-08.

Despite this, Forestry continued to invest in plantations, roads and other capital assets with the average annual cash spend exceeding \$27.000m funded primarily by small equity contributions, borrowings and proceeds from the Tasmania Community Forest Agreement (TCFA). Higher borrowings resulted in net interest costs increasing from \$1.425m in 2004-05 to \$2.410m in 2007-08. Returns to government in the form of taxes and dividends paid declined from a high of \$9.010m in 2004-05 to nil in 2007-08.

Not surprisingly, as a result of its tight liquidity position, Forestry proposed no dividend for the 2007-08 financial year. It is also noted that no dividend was paid during 2007-08 in relation to the 2006-07 financial year. Improved Operating profits and cash flows are required if Forestry is to return to paying dividends.

Therefore, cash from operations is tight. Improved Operating profits and cash flows are required if Forestry is to return to paying dividends. Management are keenly aware of this position and are monitoring operations closely. I am advised that management is developing longer term strategies to maintain future sustainability.

A major change in accounting policy this year related to Forestry's native forest asset class. In 2004-05 and 2005-06 this asset was accounted for under AASB116 *Property, Plant and Equipment* with the movement taken directly to equity. In 2007-08 the Board determined that native forests should be accounted for under AASB 141 *Agriculture*, in line with plantation biological assets, 2006-07 balances have been adjusted to reflect

this policy change. I was satisfied that the changes in forestry practices and future growth modelling justified this change in accounting policy.

Tasmanian Public Finance Corporation (Tascorp)

- November 2008 Report, Volume 2 (this Report)

2007-08 was a challenging year for Tascorp. The sub-prime collapse in August last year and the resultant fallout in financial markets tested the risk management systems in place at Tascorp.

Its loss after income tax equivalent of \$1.894m compared to a profit after tax the previous year of \$3.846m. Net assets at 30 June 2008 were \$16.652m. At this date its gross assets were \$6.492bn (2007, \$6.477bn) and its total liabilities were \$6.475bn (2007, \$6.455bn).

Southern Regional Cemetery Trust

- November 2008 Report, Volume 2 (this Report)

The sale of the Trust on 30 June 2008 for \$0.665m to Southern Cemeteries Pty Ltd resulted in a loss on sale of \$0.808m. The purchaser acquired real property, plant and equipment, debtors and employee leave liabilities of the Trust as at 30 June 2008. The State retained residual net assets of \$2.617m made up of cash held in the Trust, as well as investments, the Cornelian Bay property including the Crematorium, and assumed the outstanding creditors and other liabilities as at 30 June 2008.

Aurora Energy Pty Ltd

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

In my last Report I noted that Aurora had to adapt to operating on the NEM. It is trading in a competitive environment at a time when its liquidity was tight particularly due to its capital expenditure program. I advised Management that it will need to manage carefully the associated risks.

I noted at that time that this conclusion was reached not taking into account any impacts on Aurora's profitability and liquidity of the price determination made by the industry regulator effective 1 January 2008.

In this Report I note that:

- Aurora continues to operate in a challenging environment being one of price volatility in the wholesale spot energy market, it must manage contracts for differences and the net cost of energy purchases, and enters into competitive hedge contracts
- Aurora continues to trade in a competitive environment with tight margins leading to relatively low net profits based on turnover
- Aurora's cash situation at 30 June 2008 was tight as indicated by low cash holdings at that point in time due primarily to its on going capital investment program and dividend payments. Management are aware of this situation and are managing it. This conclusion was reached not taking into account any impacts

on Aurora's profitability or liquidity of the recent announcement by Government that Aurora is to acquire the Tamar Valley Power Station.

- Whilst Aurora's prices did increase for residential and non contestable business customers in January 2008, net profit still declined due to reasons noted in the separate Aurora Chapter in this Report.
- Aurora faces competition from other retailers over the next three years as the Tasmanian market is progressively opened up through a series of annual tranches, progressively through to 1 July 2010 leading to full contestability subject to public benefit assessment.

Three significant developments this year were:

1. Subsequent event - Tamar Valley Power Station (TVPS)

Aurora included in its financial statements a subsequent event note which is reproduced in full as follows:

'The Tasmanian Government announced on 18 August 2008 that it had entered into a heads of agreement with Babcock & Brown Power Limited (BBP) under which the State would purchase from BBP the Tamar Valley Power Station development. The Government has indicated that the purchasing entity will be Aurora Energy or an Aurora subsidiary.

The heads of agreement provides for the sale and purchase agreement to the development to be executed by 29 August 2008 and for completion of the sale by 15 September 2008. A number of conditions precedent are included in the sale and purchase agreement, including ACCC approval, with the right of termination if the conditions precedent are not satisfied or waived.

The purchase price of the partially constructed power station will be \$100M and the estimated cost to complete the project is \$240M. The Government intends to make a \$100M equity injection into Aurora to facilitate the transaction and Aurora will fund the completion costs by borrowing from Tascorp.

Aurora had previously entered into an operating lease with BBP, relating to the purchase of electricity from the Tamar Valley Power Station, which was due to commence in April 2009.'

As at 30 June 2008, the operating lease for the TVPS was for a term of nine years, with options to extend for a further 16 years. The total amount of commitments for this lease as disclosed in Aurora's financial report at 30 June 2008 was \$215.930m over the initial nine year term.

At the time of finalising this Report to Parliament on 31 October 2008, all conditions precedent had been met and Aurora had established a subsidiary company which now owns the TVPS.

2. Subsequent event - Ezikey Group Pty Ltd (Ezikey)

Aurora fully owns and operates Ezikey, which promotes pre-payment metering systems. Through its operations, Ezikey have a contract with Bill Express, which collects monies on behalf of Ezikey for the prepayment of electricity sales.

On 8 July 2008 Bill Express went into liquidation. Funds outstanding to Ezikey were recovered during July 2008.

3. Impact of not recognising the existence of a Tasmanian Market Price Curve (referred to below as the "Yield Curve")

Aurora has in place hedge arrangements for its Tasmanian market contracts with contestable customers. The hedges take the form of load following or fixed volume electricity swap agreements. The economic effect of these arrangements is to transfer to the counterparties the variable price risk and to fix the cost of electricity to Aurora, in line with the revenue streams that are contracted with customers. These hedges have been classified as either a Fair Value or Cash Flow hedges.

In the absence of a Tasmanian Market price curve for electricity, Aurora values these contracts against the contract price. As a result there is no mark to market movement or valuation of these hedges in the financial statements. Aurora is currently assessing the effectiveness of using a derived Tasmanian Market price curve to value these hedges in future. While Aurora is able to construct such a curve, it cannot be assured that it will be sufficiently robust to meet the valuation methodology requirements of the accounting standards.

On the analysis currently available the derived Tasmanian Market price curve together with the adoption of hedge accounting would have resulted in an estimated fair value of financial assets of \$692m at 30 June 2008, with financial liabilities of \$694m and equity movements of \$2m debit (excluding tax impacts).

Aurora viewed the net effect on the Balance Sheet as immaterial, with any valuations based on the Tasmanian market yield curve not sufficiently robust for financial reporting purposes.

Metro Tasmania Pty Ltd

- November 2008 Report, Volume 2 (this Report)

At the time of preparing this Report, Metro was negotiating a new Community Service Agreement with the Government (via the Department of Infrastructure, Energy and Resources (DIER)), with contract payments historically designed to enable it to achieve a break-even operating result. The agreement includes provision for concession travel and the provision of non-commercial services.

Metro receives the majority of its revenue, approximately 70%, from the contract with DIER. As a result it remains economically dependent on the State Government for its continued operations. In 2007-08 the contribution was \$27.845m (2006-07, \$26.421m; 2005-06, \$24.939m; 2004-05, \$22.617m). This is an increase of 5.4% over the two most recent periods under review. This contract expired on 30 June 2008, however DIER recently granted an extension of the contract to 31 December 2008. Despite this renewal, Metro has raised with me concerns about its ability, in the

absence of a viable long term contract with DIER, to fund future capital expenditure necessary to meet its community service obligations.

Metro continues to maintain a major bus replacement program aimed at:

- stabilising the average age of its vehicle fleet at around 12 years
- meeting the requirements of the *Commonwealth Disability Discrimination Act 1992*
- providing Metro customers and staff with a fleet of modern, convenient and comfortable vehicles.

This program ensures that Metro maintains an appropriate mix of vehicle ages and sizes in its fleet to meet the needs of customers. Metro has committed itself to new capital purchases of 20 buses and implementation of a new ticketing system during 2008.

TT-Line Company Pty Ltd

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

Since the Company sold Spirit III early in the 2005-06 financial year, its financial performance has continued to improve resulting in a stronger balance sheet. Operating profits before taxation and other accounting adjustments improved from a loss of \$36.044m in 2004-05 to a profit of \$13.570m in 2007-08. A number of factors have contributed to this including:

- Sales growth. Revenue grew by \$11.527m mainly due to increased yields in the passenger side of the business and from an increase in freight volumes. The Net asset position at 30 June 2008 improved by \$23.145m due to the net profit after tax for the year of \$16.532m and by \$6.613m due to an increase in the fair value of Spirits I and II.
- Lower costs as evidenced by decreasing expenses relative to sales. Review of the Income Statement indicates that expenses as a percentage of sales dropped from 97.2% in 2004-05 to 88.7% in 2007-08.
- Lower Borrowing costs which decreased from \$16.110m in 2004-05 to \$5.161m in 2007-08. Debt repayments over the period of review were made possible by shareholder capital injections of \$159.948m and from the sale of Spirit III. Capital injections ceased in 2006-07.

The improved operating performance resulted in:

- Cash generated from operations improving from a deficit in 2004-05 of \$8.933m to surplus cash of \$31.660m in 2007-08
- Debt repayments totalling \$205.560m funded by proceeds from the sale of Spirit III in 2006-07 of \$110.600m and shareholder injections.
- Equity improving from \$108.613m at 30 June 2005 to \$258.544m at 30 June 2008. This improvement of \$149.931m comprised capital injections since 30 June 2005 of \$84.767m, \$21.800m in asset revaluations with the remaining \$43.364m being retained profits.

Tasmanian Ports Corporation Pty Ltd (Tasports)

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

In January 2008, the Company sold its shares in Hobart International Airport Pty Ltd for \$353.134m. This is the most significant event since the Company was formed. The sale had a major impact on this year's operating results with a reported net profit before tax of \$315.924m. If the results of the Airport sale were eliminated, the profit before tax would have been \$13.435m, representing an increase of \$5.894m or 78% on the previous year's profit.

Proceeds from the airport sale were returned to the State by way of a special dividend and capital reduction as detailed below:

	\$'000s
Sale Proceeds	
Purchase price	350 500
Adjustment to purchase price	2 634
Total Sale Proceeds before:	353 134
Repayment of loan from Tascorp	(35 890)
Repayment of inter-company loan	(6 930)
Option fee	(15 000)
Stamp Duty	(600)
Net Sale Proceeds	294 714
 Return to Government	
Net sale proceeds	294 714
Option fee	15 000
Total Return to Government	309 714
 Reconciliation of Return to Government	
Dividend	302 489
Return of capital	7 225
Total Return to Government	309 714
 Reconciliation of Sale Proceeds to Gain on Sale of Shares	
Net sale proceeds	294 714
less Tasports' initial investment	(7 225)
Gain on sale of shares as shown in Tasport's Income Statement	287 489

In August 2007 Tasports expanded into a tug boats business by acquiring assets of North Western Shipping and Towage Pty Ltd with these activities operated on a divisional basis rather than in a separate company. Tasports also expanded its stevedoring operations by forming a joint venture with P&O Automotive and General Stevedoring Pty Ltd. The new entity, Capital P&O Logistics Pty Ltd commenced trading on 1 May 2008. Both expansions were funded from existing cash reserves.

Valuation of long-lived assets

In previous Reports I commented on the the valuation basis Tasports applied to recognising its property, plant and equipment. Tasports adopts the cost basis. As a considerable proportion of these assets include long-life wharves and infrastructure assets, I consider TasPorts should adopt the fair value basis for recognising these assets.

As an initial step towards revaluing its infrastructure assets, Tasports included a note in its 2006-07 financial statements disclosing a fair value assessment of its Property, plant and equipment. The fair value disclosed totalled \$140.684m which was based on an independent market valuation of non-infrastructure land and buildings, an income based approach for infrastructure, which considered the future income-earning capacity of this asset, and other assets at cost. The amount of \$140.684m value was \$24.460m greater the amount at which Property, Plant and equipment was recorded on the Balance Sheet of the company at that time.

Continuing difficulties with obtaining market values due to the unique nature of many of these assets meant that Property, plant and equipment was still carried at cost less accumulated depreciation at 30 June 2008. However, Tasports again provided estimates of the fair values in the notes to the financial statements as it relates only to land, buildings and infrastructure. The estimates were calculated using the net income valuation method, taking into account income earning capacity of these assets over the next 20 years, inflation rates and the weighted average cost of capital. The following table provides comparison of the two bases of valuation:

	2007-08	2006-07	2006
	\$'000s	\$'000s	\$'000s
Long-lived infrastructure assets and land and buildings			
at cost less accumulated depreciation	98 332	100 450	n/a
at fair value	122 436	122 075	n/a

N/A = INFORMATION NOT AVAILABLE AT THAT DATE

TOTE Tasmania Pty Ltd

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

TOTE's financial results in 2007-08 compared to prior years, along with its improved net asset position, are characterised by improved profits and the near completion of the Tasman Park race facility.

Growth in operating activities, in particular wagering, due to increased turnover garnered through large and internet betting customers, was significant for 2007-08 despite the effects of the equine influenza outbreak on race meetings. Net wagering income increased by \$27.498m or 60% over the four year period under review \$15.835m occurring in 2007-08. This led to a \$3.232m increase in net profit before tax since 2004-05 with the increase in 2007-08 being \$1.764m or 76.2%. These operating results led to a \$6.980m increase in TOTE's equity. Its debt remained largely

unchanged since 30 June 2006. During the period under review, TOTE paid a dividend on only one occasion that being \$0.249m paid in 2004-05 but relating to 2003-04.

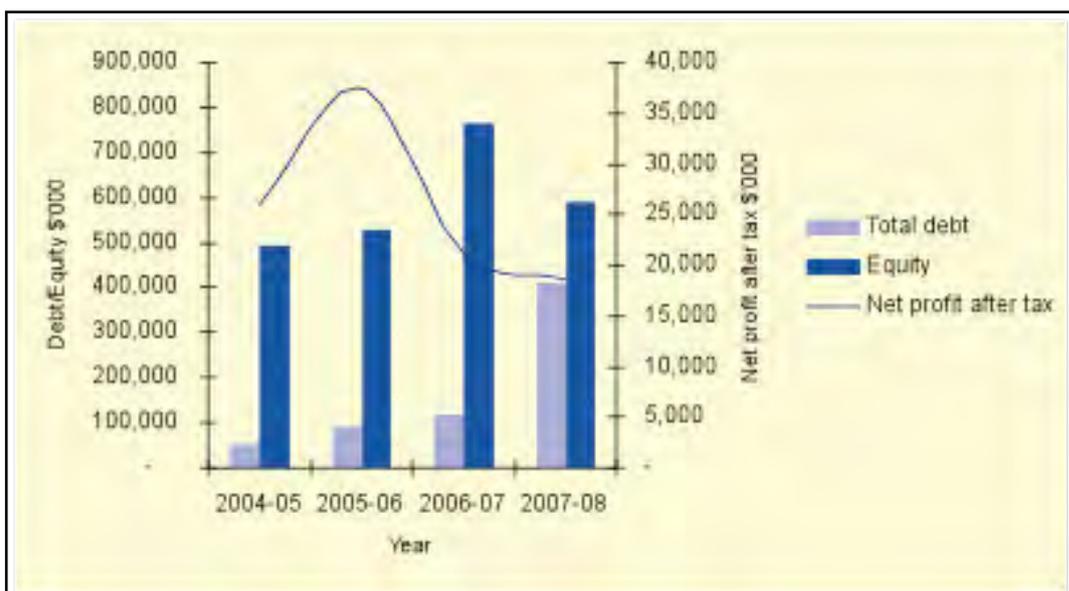
In my last Report I commented that the TOTE Board had confirmed its commitment to funding the Mowbray racecourse redevelopment. During 2007-08 these works commenced.

Transend Networks Pty Ltd

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

In my November 2007 Report I commented that Transend had a strong net asset position, enhanced in that year by the revaluation of network assets. However, its liquidity was tight due primarily to the mix of short-term and long-term debt and the funding thereof from internal sources and borrowings. While noting that liquidity was tight, it was acknowledged that a debt equity ratio of 15.4% was low and that Transend had unused borrowing capacity available to it.

Transend’s performance and financial position for 2007-08 was underpinned by the change in the debt/equity structure and revaluation of non-current assets. The graph below shows the trend in performance, debt levels and equity for the past four years.



In December 2007, Transend made a return to shareholders of \$50.m and in June 2008 the Treasurer directed Transend to make another return to shareholders of \$220m. Both shareholder returns were funded by debt increasing Transend’s total debt at 30 June 2008 to \$408.6m (30 June 2007, \$118.1m). As a consequence, Transend’s Debt to equity ratio changed from 15.4% at 30 June 2007 to 69.11% at 30 June 2007 08.

Transend continues to apply the Depreciated Optimised Replacement Cost methodology for valuing its transmission assets with its total assets recognised at an amount of \$1.295bn at 30 June 2008 (30 June 2007, \$1.110bn). As at 30 June 2008 Transend revalued its network assets based on the application of appropriate indices. This resulted in uplift to these assets by approximately \$133.334m and followed the full

reevaluation undertaken in 2006-07 which resulted in a substantial increase in the value of these assets and a consequential increase in depreciation expense, one of the major drivers for the decrease in profit in both 2006-07 and 2007-08.

Transend's net profit after tax decreased \$2.405m in 2007-08 with the majority of this driven by the higher depreciation expense, higher finance costs driven by the increase in borrowings and increasing use of consultants and contractors.

Retirement Benefits Fund Board

- November 2008 Report, Volume 2 (this Report)

The combined effects of the previous year's sub-prime crisis in the United States and the current Wall Street stock market decline has flowed through into the International and Australian equities markets. The effect is of particular relevance in that each of RFBF's diversified options, including those in the Contributory Scheme, has significant exposure to equity markets. Australian and international equity markets have been particularly buoyant in recent years. Up until 31 December 2007 returns remained high but experienced significant volatility leading up to and beyond 30 June 2008.

In my previous report I noted that RFBF's main investment managers, JANA Investment Advisers, commented that the RFBF "has managed to avoid the major problem areas that have plagued markets over the past year by having:

- no direct exposure to US sub-prime debt issuance
- no direct exposure to collateralised debt obligations (CDOs)
- near zero exposure to listed property trusts, including Centro."

Although the RFBF has avoided these difficulties, it has still been impacted. In the period under review the net gains in the change in market values of prior years have, on average, been reversed by net reductions in the current year. The average net investment income over the three financial years 2005-2007 was \$358.0m per year. However, the impact of the recent market decline resulted in negative net investment income of \$181.0m in the current year.

The effect of the negative net investment income was partially offset by contribution from members, employers and transfers, which increased from \$609.1m in 2006-07 to \$1.7493bn in 2007-08. Consequently, Net Assets of \$3.312bn have only reduced marginally when compared to the previous year (\$3.382bn). Over the period Net Assets increased by \$1.109bn.

Since the end of the financial year (and up to the time of signing the financial statements) global financial markets continued to experience volatility and declines with the ASX200 and MSCI World (in Australian Dollars) falling 11.79% (Standard & Poor's Indices) and 3.68% (JANA), respectively during the period July to September 2008.

State Fire Commission

- November 2007 Report, Volume 1
- November 2008 Report, Volume 1 (this Report)

In my last Report I commented that the Commission had operated at a net deficit in 2006-07 following surpluses of \$2.622m in 2004-05 and \$2.114m in 2005-06.

Analysis of the Commission's financial situation identifies that it reported negative Working Capital in each of the last four years and that it was taking on average 63 days to pay its creditors. After incurring a deficit for the year ended 30 June 2007 of \$1.156m it reverted to making net surpluses in 2007-08, \$4.354m. My concern at 30 June 2007, based on its deficit and negative working capital position, was that the Commission could not maintain its capital expenditure program without government support. Whilst its working capital was again negative at 30 June 2008, and at that date it was taking 87 days to pay its suppliers, the surplus of \$4.354m indicates to me that its financial position improved this year.

Aboriginal Land Council

- November 2007 Report, Volume 2
- November 2008 Report, Volume 2 (this Report)

I previously reported that, under the provisions of the Aboriginal Land Council's enabling legislation, it must submit financial statements to the Auditor-General for audit by 31 August each year. This timeframe has not been met in recent years Council's financial statements for 2006-07 were not received until 16 October 2007 (2005-06, 30 March 2007). For 2007-08 signed financial statements were received on 13 October 2008. While the last two years show a significant improvement over 2005-06, Council still needs to review its processes to ensure compliance with the deadline in future years.

Council has an economic dependency on continued funding from both State and Commonwealth Governments. Without continued funding, the viability of the Council's operations would be in question.

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS

STATUTORY FINANCIAL REPORTING REQUIREMENTS

Under section 28 of the *Financial Management and Audit Act 1990* (FMAA) and section 52 of the *Government Business Enterprises Act 1995* (GBE) specific dates are set by when relevant entities are to provide financial statements to Audit to formally allow the audit process to commence. In both cases the requirement is that these entities submit financial statements for audit within 45 days after the end of the financial year.

Whilst no specific deadline is set for completion of financial statements of Statutory Authorities, I have taken the view that similar deadlines apply.

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 to my Office.

These dates have been set to allow sufficient time for audits to be completed and for the reporting entities to prepare their Annual Reports for tabling in Parliament by 31 October each year. To facilitate this I set an internal deadline requiring my staff and my contractors to complete audits by no later than 15 October.

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, which I have interpreted as 30 September, and submit them to me as soon as practicable. State-Owned Companies must comply with the reporting requirements detailed in the Corporations Act 2001.

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

Under the FMAA the entities listed below are required to submit completed financial statements within 45 days of financial year-end:

- Tasmanian Museum and Art Gallery (8 September 2008)
- Tasmanian Risk Management Fund (2 September 2008)
- Private Forests Tasmania (26 August 2008)
- Council of Law Reporting (still outstanding)
- Nominal Insurer (still outstanding).

31 AUGUST DEADLINE

Statutory Bodies

- Aboriginal Land Council (13 October 2008)
- Legal Aid Commission of Tasmania (20 September 2008)
- Teachers Registration Board (20 September 2008)
- Local Government Association of Tasmania (31 August 2008)
- Clyde Water Trust (6 October 2008).

30 SEPTEMBER DEADLINE

Local Government

- Brighton Council (21 October 2008)
- Devonport City Council (26 October 2008)
- Flinders Council (still outstanding)
- Northern Midlands Council (21 October 2008)
- George Town Council (20 October 2008)
- Latrobe Council (still outstanding)
- Dulverton Regional Waste Management Authority (still outstanding).

Reporting Timeframes

With the tighter reporting timeframe now in place for FMAA entities and GBEs, the prospect of even tighter deadlines in the future together with an increased desire by Boards or others charged with governance to achieve earlier sign off, an effective internal quality assurance process and accurate work papers supporting all elements of the financial statements are essential. Work papers should contain sufficient detail to enable verification by both management and my staff when conducting audits.

LAND UNDER ROADS

Accounting Standard AASB 1051 *Land Under Roads* issued in December 2007 specifies the requirements for financial reporting of land under roads by local governments, government departments, the General Government Sector and whole of governments.

Under the standard entities may elect to recognise (including continue to recognise or to recognise for the first time), or not to recognise (including continue not to recognise or to derecognise) as an asset, land under roads acquired before the end of the first reporting period ending on or after 31 December 2007 (30 June 2008 for entities with a June balance date).

For entities with a 30 June reporting date this election will be effective as at 1 July 2008. It will therefore affect the 2008-09 financial statements. Any adjustments that arise from the election will then be made against the opening balance of accumulated surplus (deficiency) for that year. The election can be made at any time prior to the completion of the financial statements for 2008-09, but will be effective as at the first day of that period, ie 1 July 2008.

Land under roads acquired from 1 July 2008 must be accounted for under AASB 116 *Property, Plant and Equipment*.

This information is provided as a reminder to public sector entities that control land under roads to consider the requirements of AASB 1051 as early as possible.

GLOBAL FINANCIAL CRISIS

US Sub-prime market downturn – impact on local government

On page 24 of my No. 2 Report tabled in November 2007 I commented on possible effects of the downturn in August 2007 of the US sub-prime market. I noted that two councils had invested in collateralised debt obligations (CDOs), but had not been significantly affected at that time.

During 2007-08 audits a further review of council investments has confirmed that some councils have investments in CDOs. As the value of CDOs has fallen significantly since 30 June 2007, and they are unsecured assets, affected councils have written down or impaired the value of these investments in their 30 June 2008 financial statements. While audits have still to be completed, and some numbers may change, at time of writing this Report, the total estimated write downs amounted to \$6.981m. See table below:

Council	Face Value	Fair Value	Write Down
	\$'000s	\$'000s	\$'000s
Circular Head	4 500	1 033	3 467
Huon Valley	4 000	782	3 218
Sorell	500	204	296
Total	9 000	2 019	6 981

Audits under way to date have also found a number of councils and a local government authority investing in floating rate notes and other liquid investments. The nature of these investments is such that market values will fluctuate over the term of the instrument. At 30 June 2008, market values were in general below the face value of these investments. Although unsecured, by their nature holding these to maturity should result in recoupment of the face value. Early redemption may incur penalties.

It should be noted that by investing in CDOs or floating rate notes councils have not contravened the Local Government Act 1993 which provides broad investment powers as follows:

75. Investments

A council may invest any money –

- (a) in any manner in which a trustee is authorised by law to invest trust funds;*
- and*
- (b) in any investment the Treasurer approves.*

The Trustee Act 1898 contains the following:

6. Power of trustee to invest

A trustee, unless expressly forbidden by the instrument creating the trust, may –

- (a) invest trust funds in any form of investment; and*

- (b) *at any time, vary an investment or realise an investment of trust funds and reinvest money resulting from the realisation in any form of investment.*

Based on the above, it is evident councils have broad investment powers. However, section 8 of the *Trustee Act 1898*, whilst not limiting the power to invest, does put forward some points to consider. I intend to see that council investment policies have due regard to these matters.

8. Matters to which trustee may have regard

(1) *Without limiting the matters that a trustee may take into account when exercising a power of investment, a trustee, so far as is appropriate to the provisions of the trust, may have regard to any one or more of the following:*

- (a) *the purposes of the trust and the needs and circumstances of the beneficiaries;*
- (b) *the desirability of diversifying trust investments;*
- (c) *the nature of existing trust investments and other trust property;*
- (d) *the need to maintain the real value of the capital or income of the trust;*
- (e) *the risk of capital loss or depreciation;*
- (f) *the potential for capital appreciation;*
- (g) *the likely income and the timing of the income return;*
- (h) *the length of the term of the proposed investment;*
- (i) *the probable duration of the trust;*
- (j) *the liquidity and marketability of the proposed investment during, and on the determination of, the term of the proposed investment;*
- (k) *the aggregate value of the trust estate;*
- (l) *the effect of the proposed investment in relation to the tax liability of the trust;*
- (m) *the likelihood of inflation affecting the value of the proposed investment or other trust property;*
- (n) *the costs, including any commission, fee, charge or duty payable, of making the proposed investment;*
- (o) *the results of a review of any existing trust investments.*

(2) A trustee may –

- (a) obtain and consider independent and impartial advice reasonably required for the investment of trust funds or the management of the investment, from a person whom the trustee reasonably believes to be competent to give that advice; and
- (b) pay out of trust funds the reasonable costs of obtaining the advice.

As the majority of council audits have yet to be completed, I will provide greater detail of the above impacts and outcomes in my Report No. 1, 2009 scheduled for tabling in the second quarter of 2009.

Stock market downturn

The global stock market slump continues, driven initially by the crisis in the sub-prime lending market and several financial institution collapses in the United States of America. Share values have decreased considerably in world markets, including Australia. In general, State Government entities are immune from the impact of the stock market. However, the MAIB and RBF are impacted. While Tascorp is not impacted by movements in stock prices, it has been impacted by consequent effects on the world's capital markets.

The table below summarises investment income including unrealised gains and losses on equities markets for 2007-08 and 2006-07, and the impact of changes in market values. Tascorp is not included because it is not exposed directly to equities markets.

	MAIB		RBF		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Investment income*	108	41	218	198	326	239
Changes in net market value	(204)	96	(389)	281	(593)	377
Total investment revenue	(96)	137	(171)	479	(267)	616

* net of investment related expenses

Overall, these entities recorded a negative Change in net market values at 30 June 2008 of \$0.267bn, a turnaround of \$0.883bn from 2006-07, with the RBF carrying the majority of the decrease. I note that each entity carries its investments at market values and that the majority of the negative change in value was unrealised at balance date.

The table below summarises investment balances for 2007-08 and 2006-07.

Cash and Investments	MAIB		RBF		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
	\$m	\$m	\$m	\$m	\$m	\$m
Cash and cash equivalents	335	276	14	8	349	284
Fixed income and debt securities	96	200	0	0	96	200
Listed instruments	485	643	0	0	485	643
Unlisted instruments	51	0	0	0	51	0
Investment properties	16	13	0	0	16	13
Investments	0	0	3 374	3 482	3 374	3 482
Total Investments	983	1 132	3 388	3 490	4 371	4 622

Although there was a significant negative Change in net market values, the cash and investment balances only decreased by \$0.251bn (or 5.45%). The impact of the Change in net market values was offset by revenue generated by the entities during 2007-08. The MAIB generated a solid revenue stream from premium revenue of \$0.123bn and the RFBF generated \$1.719bn from contributions from members, employers and transfers.

DETERMINATION OF AUDIT FEES

Section 56(1) of the *Financial Management and Audit Act 1990* (FMAA) provides that:

“The Treasurer shall after consultation with the Auditor-General, determine whether a fee is to be charged for an audit under this Act and the amount of that fee.”

In April 2008 I sought approval from the Treasurer for proposed fees for 2007-08 audits. These fees were subsequently approved on 29 May 2008.

In arriving at the proposed fees I reviewed the process followed and conducted a comparative review of every fees taking into account the following for each entity audited by my Office:

- Turnover in dollar terms and general level of activity
- Size of balance sheet
- Structure of the organisation (Agency, GBE, SOC, council etc)
- Accounting framework (for example cash or accrual)
- Complexity of operations (factors such as the existence of financial instruments/ asset valuations/ computer environment and so on)
- Risks
- Fees charged by our external contractors and
- Comparability within and across industry groups.

In addition, I took into account a number of other factors affecting all audits including:

- Impact of new auditing and accounting standards
- Inflationary impacts and
- A reassessment of travel costs, which are now calculated separately from the base fee.

My assessment had due regard for what I believe will be required to efficiently and effectively complete the audit process bearing in mind the need for me to comply with the *Financial Management and Audit Act 1990*, other relevant legislation, force of law auditing standards and public sector perspectives including probity and waste.

This review highlighted a number of occasions where fees were comparatively out of line, some were too high and some too low resulting in upward or downward movements to many fees proposed to the Treasurer. In cases where the increase in a fee was high, the increase will be phased in over a two year period. Where this was the case, details were provided to audit clients on a case by case basis.

While the fees were approved by the Treasurer, in seeking his approval I advised him that they may be subject to further adjustment, pending the outcome of the public sector wage negotiations under way at that time. Given the timing of the final outcome of these negotiations, fees for 2007 08 have not been affected. However, some impact will be reflected in the fees for 2008-09 and beyond due to the higher operating costs

that will be faced by my Office as a result of the final salary increases negotiated. At the time of writing this Report fees for 2008-09 had yet to be determined.

I will provide information regarding proposed 2008-09 fees, together with a more detailed analysis of the methodology used to determine them, in Report No 1, 2009.

AUDITS DISPENSED WITH

Specific audits

Section 41 of the *Financial Management and Audit Act 1990* (FMAA) permits the Auditor-General to dispense with audits. The decision to dispense with an audit is made annually with information provided to Members of Parliament in these reports to Parliament. The Auditor-General's No 1 Report for 2008, tabled on 19 June 2008, listed 31 entities the audits of which had been dispensed with. Since that time I have not dispensed with any further audits.

Categories of audits

Those public bodies that receive grant funding from the State Government via its various Departments.

Annual audits of these Departments continue to include audit work of their grant programs, an objective of which is to ensure that appropriate internal control arrangements are in place for making grant payments and for the acquittal thereof by the public bodies concerned. As a result, my Office did not conduct separate audits of these entities and I have not specifically dispensed with these audits.

TREASURER'S ANNUAL FINANCIAL REPORT

– GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS
– WHOLE OF GOVERNMENT

GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

INTRODUCTION

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

Explanations of the UPF components for preparing the GGS Statements are provided in notes to the 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 GGS net operating balance for 2007-08 was a small surplus of \$53m, which compares favourably with a budgeted deficit of \$39m. On a Comprehensive result basis however, the result was much stronger being \$1,655m due principally to:

- a \$150m increase in the net assets of GBEs and SOCs
- special dividends of \$298m arising from the sale of the Hobart International Airport Pty Ltd
- an actuarial gain of \$107m for the net unfunded superannuation liability
- upwards revaluation of the State's land, building and infrastructure assets, \$1.020bn.

These factors all contributed to the same \$1.655bn increase in the State's net worth.

The State's net cash inflows generated from its operating activities increased from \$341m in 2006-07 to \$508m in 2007-08. This extra cash, along with \$303m received in special dividends and other returns from the PNFC sector enabled the State to invest more than \$250m in non-financial assets, repay debt of \$60m with the majority of the balance invested in cash assets enabling an increase in financial assets from \$740m to \$1.306bn.

While the State's financial position at 30 June 2008 appeared sound, factors which pose a degree of risk and that could have major impacts on the its 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 is more pronounced given the recent global financial crisis
- the performance of the State economy including property markets, which influence State-sourced revenues
- the performance of financial and equity markets, which influence the investment revenues and superannuation expenses of the State
- changes in the State's population
- wage and salary growth pressures, which contribute to increased employment costs.

Public Account Statements

At 30 June 2008 the balance on the Special Deposits and Trusts fund (SDTF) was \$2.393bn (30 June 2007, \$1.889bn) before the Temporary Debt repayment of \$1.129bn (30 June 2007, \$1.170bn). Major balances in the SDTF included:

- Superannuation Provision Account, \$1.250bn (30 June 2007, \$1.145bn)
- a total of \$611m (30 June 2007, \$214m) held in the State's various infrastructure funds, the East Tamar Highway redevelopment account and the Crown Lands Administration Fund.

LEGISLATIVE REQUIREMENTS

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

The requirement for the TAFR to be prepared is spelt out 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 26B.
- 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.

Up until 30 June 2007, the Treasurer satisfied the requirements detailed in sections 26A(2)(a), (b) and (d) above 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 Accounting Standards (AGAAP).

The GFS Framework was inconsistent with Australian Accounting Standards and, as I have 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 is applicable for accounting periods beginning on or after 1 July 2008 although earlier adoption is permitted. The Treasurer chose to early adopt AASB 1049. Tasmania is one of only two jurisdictions in Australia to lead the way by doing so. To facilitate this, the 2008-09 budget papers were prepared under the AGAAP framework rather than GGS.

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 the 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 Whole of Government financial statements at the same time (see separate Chapter analysing the State's whole of government 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 Consolidated Whole of Government Statements are issued at the same time and together. The Treasurer satisfied this requirement.

OTHER DIFFERENCES BETWEEN THE AASB 1049 GGS STATEMENTS AND THE PREVIOUS GFS BASED STATEMENTS

Preparation of the 2007-08 GGS Statements required mostly minor changes to comparative results reported under GFS at 30 June 2007. These changes resulted in the following variances:

	2006-07	2006-07
	Original	Revised
	\$m	\$m
Net Operating Balance*	15	(39)
Fiscal Balance - Surplus/(Deficit)*	49	(6)
Net Assets**	9 660	9 726

* *The change is primarily due to the treatment of actuarial gains and losses relating to defined benefit superannuation schemes*

** *Liabilities were decreased to remove grants received in advance.*

ACCOUNTING DEVELOPMENTS

Now that the AASB has finalised AASB 1049, it has given attention to the need to update other public sector specific accounting standards although still within its policy that accounting standards be sector neutral.

In line with its policy of developing one set of common accounting standards, the AASB conducted a review of the three public sector standards AAS 27, 29 and 31 (now withdrawn). AASB's objective was to relocate the requirements from AAS 27, 29 and 31 into existing or new transaction-neutral topic-based standards and these are outlined below:

- AASB 1050 *Administered Items* applies to government departments and stipulates certain disclosures concerning administered income, expenses, assets and liabilities. AASB 1050 applies to annual reporting periods beginning on or after 1 July 2008, with earlier adoption permitted.
- AASB 1051 *Land under Roads* applies to local government, government departments, general government sectors and whole of governments.

Entities can elect to recognise or not recognise land under roads acquired before the end of the first reporting period ending on or after 31 December 2007. AASB 1051 applies to annual reporting periods beginning on or after 1 July 2008, with earlier adoption permitted.

- AASB 1052 *Disaggregated Disclosures* applies to local government and government departments and requires specific disclosures around functions, activities and objectives of the entity concerned. AASB 1052 applies to annual reporting periods beginning on or after 1 July 2008, with earlier adoption permitted.
- AASB 1004 *Contributions*, prescribes recognition and measurement criteria for contribution income received by not-for-profit entities. This standard applies to annual reporting periods beginning on or after 1 July 2008, with earlier adoption permitted.
- AASB 2007-9 *Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31*. AASB 2007-9 amends several standards as a result of the review including AASB 3 *Business Combinations*, AASB 5 *Non-current Assets held for Sale and Discontinued Operations* and AASB 101 *Presentation of Financial Statements*. AASB 127 *Consolidated and Separate Financial Statements* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. AASB 2007-9 applies to annual reporting periods beginning on or after 1 July 2008, with earlier adoption permitted.

Income from Government Grants and Other Non-Exchange Transactions

The 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. 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 2007-08 GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS

Section 26B, referred to in section 26A(2)(e), requires that the 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 to me on 30 September 2008.

To enable the Treasurer to table audited GG Statements and audited PA Statements by no later than 31 October 2008, I must complete my audits of these statements prior to this date. Separate unqualified audit opinions were issued on 29 October 2008.

My audits of the 2007-08 General Government Sector Statements and of the Public Account Statements were completed with satisfactory results.

GENERAL GOVERNMENT FINANCIAL STATEMENTS

This analysis focuses on the GGS Statements. In view of the application of AASB 1049, only two years' analysis is shown for the Operating Statement, Balance Sheet and Cash Flow Statement, as previous years' classifications are not consistent with the new format.

The Comments in this Chapter should be read alongside both the TAFR and the GGS Statements which include audited and un-audited commentary explaining the 2007-08 financial results against prior years and budget.

In preparing this analysis, some material does not appear in the Statements and has been extracted from other Chapters in this Report. Examples include FTE staffing numbers for the last five years.

OPERATING STATEMENT

	2007-08	2007-08	2006-07
	Original	Actual	Actual
	Budget		
	\$m	\$m	\$m
Revenue			
Grants	2 391	2 466	2 274
Taxation	752	830	748
Sales of goods and services	289	295	285
Fines and regulatory fees	42	83	70
Interest income	45	74	43
Dividend, tax and rate equivalent income	149	132	173
Other revenue	79	106	102
Total Revenue	3 747	3 986	3 695
Expenditure			
Depreciation	209	233	207
Employee expenses	1 660	1 654	1 592
Superannuation	161	215	213
Supplies, consumables and Other operating expenses	895	980	943
Nominal superannuation expense	188	163	144
Borrowing costs	17	20	23
Grant expenses	656	668	612
Total Expenditure	3 786	3 933	3 734
NET OPERATING BALANCE	(39)	53	(39)
Plus Other economic flows - Included in Operating Result			
Gain/(loss) on sale of non-financial assets	(1)	(19)	24
Revaluation of equity investment in GBES/SOCs	142	150	512
Special dividend and other flows from GBES/SOCs	0	293	0
Movements in Superannuation liability	8	107	(335)
Other gains/(losses)	(5)	13	12
Other economic flows - net	144	544	213
OPERATING RESULT	105	597	174
Plus Other economic flows - other movements in equity			
Revaluations of non-financial assets	36	1 020	281
Other non-owner movements in equity	28	38	9
Total Other equity movements	64	1 058	290
COMPREHENSIVE RESULT	169	1 655	464

	2007-08 Original Budget	2007-08 Actual	2006-07 Actual
	\$m	\$m	\$m
KEY FISCAL AGGREGATES			
Net Operating Balance	(39)	53	(39)
less Net acquisition of non-financial assets			
Purchase of non financial assets	274	252	233
Less Sale of non financial assets	72	68	60
Less Depreciation	209	233	207
Net acquisition of non-financial assets	(7)	(49)	(34)
FISCAL BALANCE	(32)	102	(5)

COMMENT

Net Operating Balance

In total GGS expenditure increased by \$199m or 5.33% and because revenue growth was higher being \$292m or 7.90% the Net Operating Balance improved on both the prior year actual result and the 2007-08 budget by \$93m.

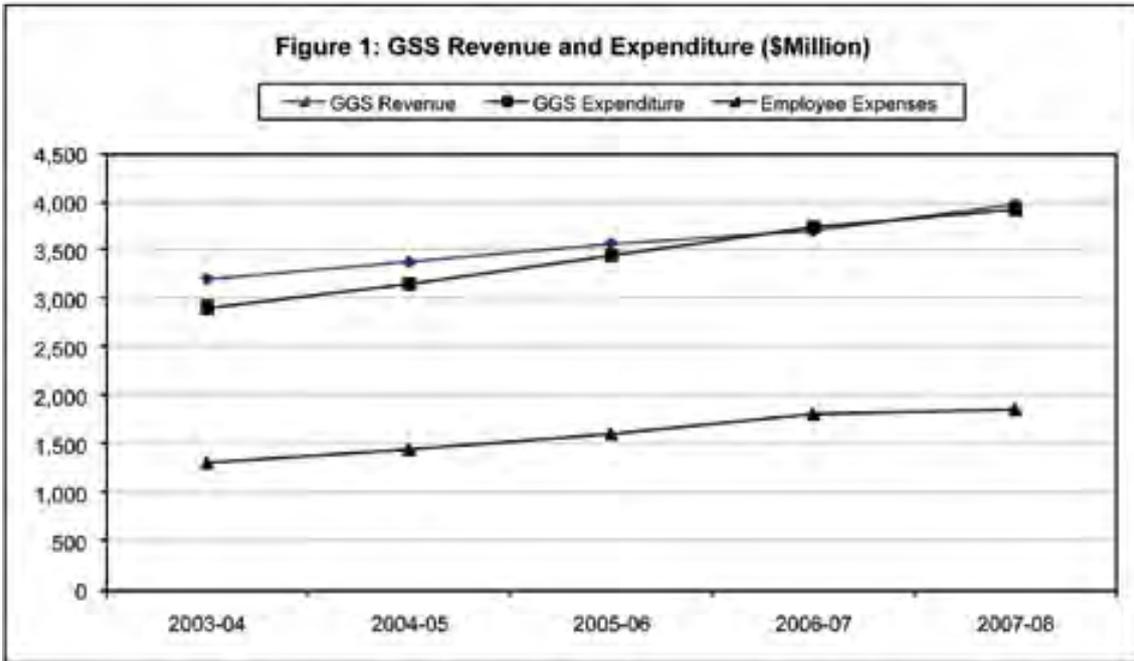
Revenue exceeded the Original Budget by \$241m, reflecting increases in:

- Financial transactions tax, \$43m
- Grants, \$75m, primarily comprised of revenues from the Australian Government in the form of general purpose payments (GST), specific purpose grants and capital grants
- Fines and regulatory fees, \$41m
- Payroll tax, \$24m
- Interest income, \$29m.

These revenue increases were, in the main, offset partly by expenses exceeding the original budget by \$147m reflecting increased:

- Superannuation expenses, \$54m
- Medical, surgical and pharmacy supply costs, \$12m
- Supplies consumables and other expenses, \$73m.

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



* For 2003-04, 2004-05 and 2005-06 revenues and expenditures were reported under GFS not AASB 1049. The financial impacts are relatively minor. To illustrate this, for 2006-07 the GFS Net Operating Result was a surplus of \$15m whereas under AASB 1049 the equivalent result was a deficit of \$39m, a shift of \$54m.

Figure 1 indicates that the rate of expenditure growth from 2003-04 to 2007-08 (annual average of 7.77%) exceeded the rate of revenue growth (annual average of 5.54%). However, for the reasons noted previously, in 2007-08 revenue growth exceeded expenditure growth resulting in the \$53m net operating balance in that financial year.

Table 1 below 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				
	2007-08	2006-07	2005-06	2004-05
Australian Government - General purpose payments (GST)	41.8	42.4	42.6	43.3
Australian Government - Specific purpose payments	12.3	12.0	12.4	12.5
Australian Government - Capital grants	1.6	1.3	1.3	1.3
Total revenue from the Australian Government	55.6	55.7	56.3	57.2
Other grants and subsidies	6.2	5.9	5.7	5.4
Payroll tax	6.3	5.9	6.0	5.7
Taxes on property	8.2	7.6	7.0	7.7
Gambling taxes	2.3	2.4	2.2	2.4
Motor vehicle fees and taxes	3.1	3.3	3.4	3.5
Taxes on insurance	1.0	1.0	1.0	1.0
Sales of goods and services	7.4	8.6	8.4	7.4
Dividends and income taxes	3.3	4.7	5.3	5.6
Interest income	1.9	1.2	0.9	1.3
Other revenue	4.8	3.7	3.8	2.8
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, the GST represented 41.8% of the State's revenues in 2007-08 decreasing in percentage terms since 2004-05. Other major movements include increasing revenues from:

- Other grants and subsidies – up \$65m since 2004-05
- Payroll tax – up \$58m since 2004-05
- Taxes on property – up \$67m since 2004-05
- Interest income – up \$31m since 2004-05 primarily reflecting higher interest rates and because the State is in a positive net debt position offset by decreasing revenues from dividends and income taxes from GBEs and SOCs.

Turning now to movements in expenditure. Employee expenses (including superannuation expenditure but not the nominal superannuation expense) in 2007-08 represented 47.53% (2006-07, 47.34%) of total expenditure and this cost increased by 3.55% or \$64m in 2007-08. This movement is favourable when compared to the 8.06% (\$130m) increase in 2006-07 over that incurred in 2005-06. The main

reason for this improvement was changes in Health as a result of the transfer to the Commonwealth of staff at the Mersey Community Hospital which is evident from table 2 below.

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

Table 2 Departmental FTE

Government Departments	FTEs at 30 June 2008	FTEs at 30 June 2007	FTEs at 30 June 2006	FTEs at 30 June 2005	FTEs at 30 June 2004
Economic Development and Tourism	404	240	232	211	200
Education*	8 101	8 068	8 151	8 010	7 799
Health and Human Services**	8 617	8 992	8 685	8 015	7 251
Infrastructure, Energy and Resources	594	503	512	618	674
Justice	999	972	961	740	710
Police and Emergency Management	1 672	1 658	1 652	1 589	1 535
Premier and Cabinet	477	467	454	407	406
Primary Industries and Water	984	966	976	1 085	1 040
Environment, Parks, Heritage and Arts	613	757	785	664	607
Treasury and Finance (excluding GPOC)	336	324	324	316	297
Total*******	22 797	22 947	22 732	21 655	20 519

* Excludes TAFE but includes Skills Tasmania

** In November 2007, 382 employees from the Mersey Community Hospital were seconded to the Australian Government.

*** 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.

After adjusting for the 382 employees transferred out of health, the number of Departmental employees at 30 June 2008 increased by about 232 FTE. The increase at Economic Development was primarily due to the transfer to it from Environment, Parks, Heritage and the Arts of staff in Tourism Tasmania.

Supplies, consumables and Other operating expenses include consultants, advertising, property services, building maintenance, travel and transport, medical, surgical and pharmacy supplies and information technology.

Nominal superannuation expense represents nominal interest on the unfunded superannuation liability.

Grant expenses comprise grants by government departments such as Health, Premier and Cabinet and Economic Development to non-government organisations, industry and local government. Also included in this line item are community service obligation payments to GBEs and SOCs.

Operating Result

The Operating result represents a healthy surplus in 2007-08 of \$598m (2006-07, \$174m) and is arrived at after adjusting the Net Operating Balance for other economic flows, which might loosely be termed “non-operating” items of revenue and expense. This year there were three major revenue items included in arriving at the Operating result:

- upward movement in the net assets in GBEs and SOCs based on the audited balance sheets of these entities. 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 offset by declines at Transend and the MAIB. Further details are available in individual Chapters in Volume 2 of this Report.
- the receipt of a special dividend of \$298m from Tasmanian Ports Corporation Pty Ltd following the sale of Hobart International Airport Pty Ltd.
- an actual gain of \$107m (actual loss of \$335m in 2006-07) for the net unfunded superannuation liability based on assessments by the State Actuary. Once again, it is difficult to budget for these movements and comparison between financial years is also difficult.

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 which increased significantly by \$1.020bn in 2007-08 and relates primarily to upward revaluations in land, building and road infrastructure assets.

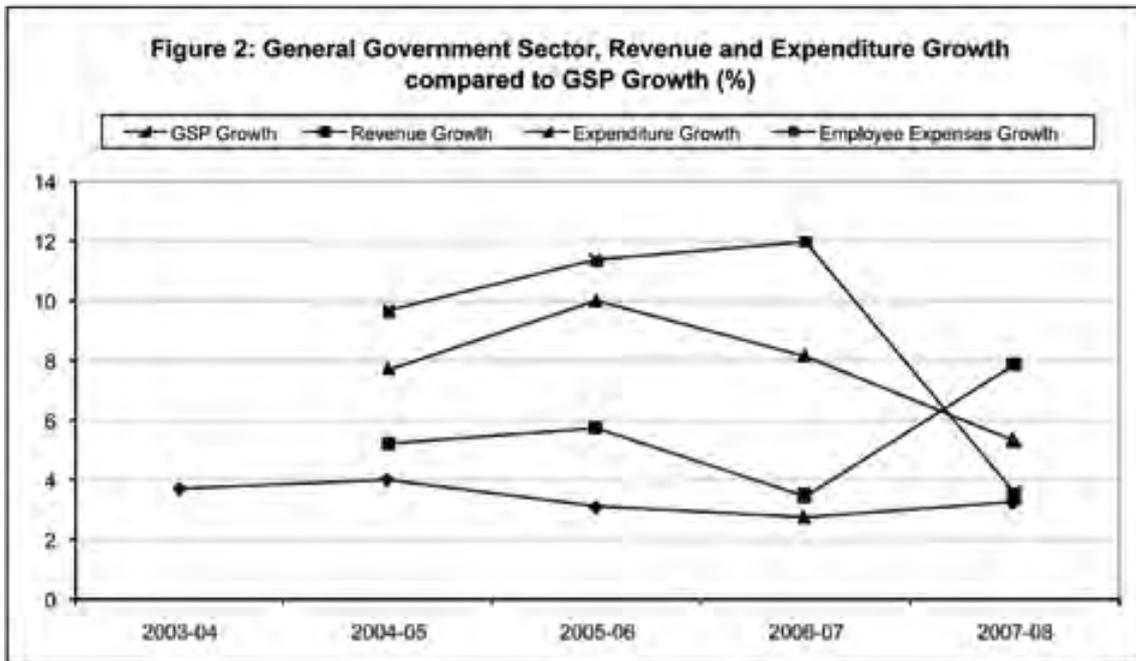
Key Fiscal Aggregates - disclosure of the State’s fiscal balance

AASB 1049 requires disclosure of key fiscal aggregates on the face of the Operating Statement. Tasmania has presented the key fiscal aggregates in a style that is consistent with the practice under GFS and 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 2007-08 financial year, the gross investment in non-financial assets was \$19m higher than in 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 three years. While there has been a change to accounting under AASB 1049 this year, because the changes were between AASB 1049 and GFS were not material at the Net Operating Balance level. This comparison is made over the period 2004-05 to 2007-08.



Note: The growth rates in revenue and expenditure to 2004-05 are based on AGAAP, while the growth rates from 2005-06 are based on AIFRS.

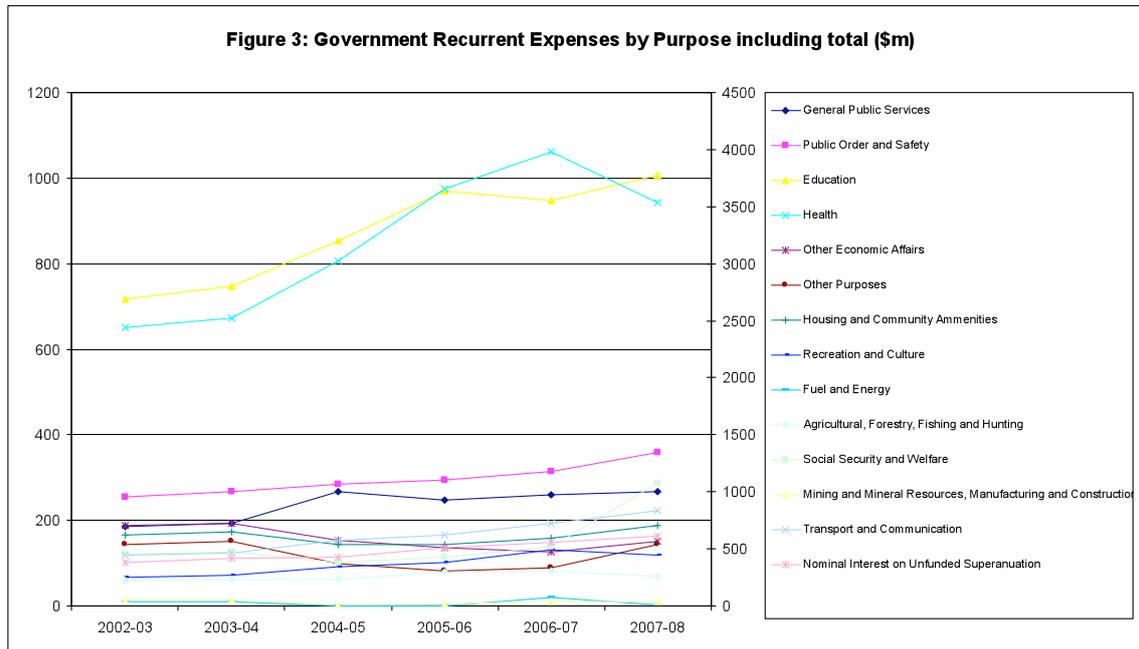
GSP data for financial years up to 2006-07 is sourced from the ABS, while the estimated GSP for 2007-08 is sourced from the Department of Treasury and Finance. GSP is defined equivalently to Gross Domestic Product (GDP) but refers to production at a state level. Therefore, GSP is the total market value 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 have been growing at a faster rate than the Tasmanian economy in each of the years under review (2007-08: revenue, 7.87%; expenditure, 5.30%; GSP, 3.25%).

The drop in the rate of growth in employee expenses was influenced by the secondment of 382 employees from the Mersey Community Hospital to the Australian Government mentioned previously. This is likely to be reversed in 2008-09 when these costs will once again be borne by the State. It is understood that funding of these salary costs is currently under discussion with the Commonwealth.

General Government Expenses by Purpose

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



* Data for this graph is sourced from the Treasurer's Annual Financial Report and is not audited.

Figure 3 highlights the increasing investment in health and education and, to a lesser extent in public order and safety. The decrease in Health in 2007-08 was due to the transfer of Mersey Hospital staff to the Commonwealth referred to previously.

BALANCE SHEET

		30 June 2008	30 June 2008	30 June 2007
	Note	Original Budget	Actual	Actual
		\$m	\$m	\$m
Assets				
Financial assets				
Cash and deposits	a	725	1 306	740
Investments	b	52	39	45
Equity in GBEs and SOCs		3 226	3 717	3 578
Other equity investments	c	6	6	6
Receivables	d	125	145	142
Other financial assets	e	882	996	975
Total financial assets	f	5 016	6 209	5 486
Non-financial Assets				
Land and buildings		4 155	4 636	4 259
Infrastructure		3 933	4 538	3 989
Plant and equipment		256	241	223
Heritage and cultural assets		345	417	399
Investment property		12	11	11
Intangible Assets		17	25	14
Assets held for sale		9	5	2
Other non-financial assets		20	32	40
		8 747	9 905	8 937
Total assets		13 763	16 114	14 423
Liabilities				
Borrowings	g	321	315	377
Superannuation		3 675	3 710	3 677
Employee entitlements		400	389	382
Payables		71	83	70
Other liabilities		234	236	191
Total liabilities	h	4 701	4 733	4 697
Net Assets		9 062	11 381	9 726
Equity				
Accumulated surplus*		5 601	6 953	6 319
Asset revaluation reserve		3 077	4 272	3 251
Other reserves		384	156	156
Net Worth		9 062	11 381	9 726
Net Worth		9 062	11 381	9 726
Net Financial Worth (a-b)		315	1 476	789
Net Financial Liabilities (a+b+c+d+e-h)		2 911	2 241	2 789
Net Debt (a+b-g)		(456)	(1 030)	(408)

* Accumulated surpluses included both contributed capital on formation and accumulated surpluses or deficits in subsequent years

Comment

GGS has shown a negative net debt position in recent years because debt-related financial assets exceeded gross debt liabilities (by \$1.030bn at 30 June 2008). This improvement was principally the result of operating surpluses, the repayment of borrowings and increases in cash and deposits.

Net Worth grew by \$1.655b in 2007-08 to \$11.381b in line with the Comprehensive result reported under the Operating Statement section of this Chapter.

Cash and deposits increased by \$566m in 2007-08 due primarily to:

- Net cash generated from operations (see Cash Flow Statement section of this Chapter) of \$508m
- Net sale proceeds from the Hobart International Airport Pty Ltd, Printing Authority of Tasmania and the Southern Regional Cemetery Trust (\$303m)
- Establishment of the Hospitals Capital Fund, \$75m, and Housing Fund, \$60m, utilising surplus cash in the Public Account.

The State's investments in its GBEs and SOCs increased by \$139m and represent 100% of the net assets of these entities, which at 30 June 2008 were:

GBE/SOC	2007-08 \$m	2006-07 \$m	2005-06 \$m	2004-05 \$m
Forestry Tasmania	548	597	569	697
Hydro Tasmania	1396	958	907	1 538
Motor Accidents Insurance Board	274	339	249	173
Port Arthur Historic Site	13	11	11	12
Printing Authority**	-	3	3	3
Private Forests Tasmania	2	1	1	1
The Public Trustee	5	4	4	4
Rivers and Waters Supply Commission****	-	10	14	43
Southern Regional Cemetery Trust**	-	7	7	6
Tasmanian Public Finance Corporation	17	22	20	20
Aurora Energy	410	403	333	404
Burnie Ports Corporation*	-	-	-	21
Hobart Ports Corporation*	-	-	-	64
Metro Tasmania	30	30	21	21
Port of Devonport Corporation*	-	-	-	38
Port of Launceston Corporation*	-	-	-	27
Tasmanian Ports Corporation***	125	157	146	-
TOTE Tasmania	46	42	40	40
Transend Networks	591	757	529	572

GBE/SOC	2007-08 \$m	2006-07 \$m	2005-06 \$m	2004-05 \$m
TT-Line Company	259	235	188	110
Total net assets	3 716	3 576	3 042	3 794
Amount recorded as equity	3 717	3 577	3 043	3 775
Variance accepted as not material	1	1	1	(19)

* Transferred to Tasmanian Ports Corporation on 1 January 2006.

** 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 elsewhere in this Report.

Other financial assets include income and deferred income taxes of \$963m (2006-07, \$945m) due to the State by GBEs and SOCs.

Non-financial assets increased by \$968m in 2007-08 due primarily to:

- an increase in infrastructure assets of \$623m by the Department of Infrastructure, Energy and Resources due to capital expenditure and revaluations
- Land, Infrastructure and Heritage asset revaluations by the Department of Environment, Parks, Heritage and the Arts, \$59m
- Land and building revaluations and capital expenditure by the Department of Health and Human Services, \$370m, and the Department of Education, \$85m.

These amounts were offset by Depreciation of \$233m.

Borrowings decreased consistent with Government policy of reducing net debt. During the year Borrowings reduced by \$62m (2006-07, \$22m).

The Superannuation liability increased by \$33m in 2007-08, due to a reassessment by the State Actuary.

The State Actuary advised that, subject to changes in economic assumptions such as discount rates, the Superannuation liability is likely to increase by around 6% per annum for another six years. This is because the average age of fund members is 49 with retirement available from age 55. It is estimated that the liability will be eliminated by 30 June 2033.

CASH POSITION

	2007-08 Original Budget \$m	2007-08 Actual \$m	2006-07 Actual \$m
Cash flows from operating activities			
Cash inflows			
Taxation	752	851	749
Sales of goods and services	286	286	260
Grants received	2 378	2 466	2 288
Dividend, tax and rate equivalents	149	166	171
Fines and regulatory fees	47	61	55
Interest received	45	72	47
Other receipts	216	263	265
	3 873	4 165	3 835
Cash outflows			
Employee entitlements	(1 630)	(1 643)	(1 552)
Superannuation	(218)	(222)	(202)
Supplies and consumables	(868)	(886)	(799)
Grants and subsidies paid	(656)	(681)	(693)
Borrowing costs	(17)	(19)	(24)
Other payments	(167)	(206)	(224)
	(3 556)	(3 657)	(3 494)
Net cash flows from operating activities	317	508	341
Cash flows from investing activities			
Net cash flows from investment in non-financial assets			
Purchases of non-financial assets	(274)	(252)	(233)
Sales of non-financial assets	72	68	61
	(202)	(184)	(172)
Net cash flows from investment in financial assets for policy purposes			
Equity injections	3	303	(25)
Net advances paid	....	6	10
	3	309	(15)
Net cash flows from investment in financial assets for liquidity purposes			
Net purchase of investments	....	1	(2)
	....	1	(2)
Net Cash flows from investing activities	(199)	125	(189)

	2007-08	2007-08	2006-07
Cash flows from financing activities			
Net borrowing	(61)	(60)	(25)
Other financing	0	(7)	(6)
Total	(61)	(67)	(31)
Net increase in cash held	57	566	121
Cash at the beginning of the year	668	740	620
Cash at the end of the year	725	1 306	741
KEY FISCAL AGGREGATES			
Net cash from operating activities	317	508	341
plus Net cash from investments in non-financial assets	(202)	(184)	(172)
CASH SURPLUS*	115	324	169

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

Comment

Reasons for movements in the State's cash flows are consistent with the commentary already provided relating to the Operating Statement and Balance Sheet.

PUBLIC ACCOUNT STATEMENTS

PUBLIC ACCOUNT BALANCE

	2007-08	2006-07	2005-06	2004-05	2003-04
	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m
Special deposits and trust fund	2 393	1 889	1 783	1 540	1 446
Balance 30 June (before Temporary debt repayments)	2 393	1 889	1 783	1 540	1 446
Less Temporary debt repayments	(1 129)	(1 170)	(1 203)	(973)	(822)
Balance 30 June (after Temporary debt repayments)	1 264	719	580	567	624
Represented by:					
Westpac Banking Corporation	14	(45)	(35)	19	(11)
Treasurer's account fixed deposits	1 165	710	584	520	608
Specific trust account fixed deposits	85	54	31	28	27
Balance 30 June	1 264	719	580	566	624

Comment

The Special Deposits and Trust Fund (SDTF) consists of various accounts established by the Treasurer. The majority of these funds represent departmental operating accounts, where funds appropriated from the Consolidated Fund by the annual *Consolidated Fund Appropriation Act* are deposited. These operating accounts also retain funds that are not identified for return to the Consolidated Fund.

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 \$2.393bn SDTF at 30 June 2008 were:

	2007-08	2006-07
	\$m	\$m
Superannuation Provision Account	1 250	1 145
Infrastructure Tasmania Fund	208	0
Risk Management Fund	152	123
Housing Fund	60	0
Health and Human Services	73	34
DIER*	94	74
DPIW**	184	119

* Includes Urban Renewal and Heritage fund of \$25m (2006-07, \$nil) and \$57m (2006-07, \$62m) for the East Tamar Highway redevelopment

** Includes \$53m (2006-07, \$59m) for the Crown lands Administration Fund and \$80m (2006-07, \$nil) for the Water Infrastructure Fund.

CONSOLIDATED FUND OUTCOME

	2007-08	2007-08	2006-07	2005-06	2004-05	2003-04
	Original Budget	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m	\$m
BALANCE 1 JULY	0	0	0	0	0	0
Receipts						
Recurrent receipts	3 255	3 466	3 156	2 994	2 917	2 755
Capital receipts	66	418	48	46	45	44
Total	3 321	3 884	3 205	3 040	2 962	2 799
Expenditure						
Recurrent services	3 094	3 209	2 994	2 862	2 700	2 553
Works and services	217	674	191	162	254	214
Total	3 311	3 883	3 186	3 024	2 954	2 767
Consolidated Fund Outcome	10	1	19	17	9	32

Comment

Recurrent receipts in 2007-08 increased by \$310m compared to 2006-07 and were also above budget by \$211m. The major factors for variations over the prior year include increased:

- GST revenue from the Australian Government, \$97.303m
- Health Care Grant from the Australian Government, \$39.735m
- State taxation of \$104.312m, mainly in the areas of payroll tax, land tax and financial transaction taxes
- Capital receipts in 2007-08 increased by \$370m compared to 2006-07, and were \$352m above budget. This was mainly due to net sale proceeds from the Hobart International Airport Pty Ltd, Printing Authority of Tasmania and the Southern Regional Cemetery Trust, \$303m which was not budgeted for.

Recurrent expenditure increased by \$215m in 2007-08 compared to 2006-07, and exceeded the budget by \$115m. The major factors for variations over the prior year included increases in:

- Education expenditures, \$38m, mainly due to wage increases
- Health and Human Services expenditures, \$102m, to fund higher staffing levels in hospitals, salary increments, one-off projects and additional expenditure in relation to the Australian Health Care Agreement.

Works and Services expenditure increased in 2007-08 by \$483m compared to 2006 07. The major factors for this included:

- Finance-General transfer to the Infrastructure Tasmania Fund, \$313m, Hospitals Capital Fund, \$75m and the Housing Fund, \$60m which is transferred in turn to government departments as funding for approved projects
- Infrastructure, Energy and Resources to provide additional funding to meet election promises.

Instances where departments required additional funding through "Requests for Additional Funds" were:

- Finance-General, \$77m Recurrent and \$448m for Works and Services including:
 - funding of \$448m allocated to the Infrastructure Tasmania Fund, Hospitals Capital Fund and the Housing Fund as mentioned previously
 - equity transfer from Transend Networks Pty Ltd to Hydro Tasmania, \$50m
 - rising interest rates and an increase in interest on agency balances in the SDTF, \$13.500m
 - funding for Government business divestment costs, \$6m.
- Health and Human Services, \$53m, including:
 - funding of \$21.338m, to meet the Department's end of year budget position

- one-off capital projects, \$11.100m
- additional expenditure in relation to the Australian Health Care Agreement, \$20m, to be carried forward into 2008-09.

SPECIAL INFRASTRUCTURE 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.

New Funds established in 2007-08

The Infrastructure Tasmania Fund (ITF) was created to provide significant investment in Tasmania's major infrastructure including roads, health infrastructure and information technology. The Fund was established with the allocation of \$312.9m from the proceeds of the divestments of the Hobart International Airport Pty Ltd and Printing Authority of Tasmania.

The Housing Fund was established with initial funding of \$60m to assist with increasing the supply of public housing.

The Hospitals Capital Fund was established with initial funding of \$75m to provide capacity to invest in the State's major hospital facilities at Hobart, Launceston and Burnie.

The Urban Renewal and Heritage Fund was established with initial funding of \$25m from the ITF to provide for the restoration of heritage assets and the renewal of urban areas in communities throughout Tasmania.

The Water Infrastructure Fund was established with initial funding of \$80m from the ITF to facilitate major investment in Tasmania's water infrastructure.

Existing Funds

The Better Roads Fund was established for road projects including associated maintenance.

The Economic and Social Infrastructure Fund (ESIF) was established in 2003-04 and funds projects assisting economic development and the provision of social infrastructure.

The Royal Hobart Hospital (RHH) Redevelopment Fund was established to develop and enhance the facilities at the RHH.

The East Tamar Highway Redevelopment Account was established to hold funds provided in advance by the Australian Government.

The following table sets out the transactions of each of the Funds during 2007-08.

	Opening Balance	Deposits	Withdrawals	Closing Balance
	\$m	\$m	\$m	\$m
Economic and Social Infrastructure Fund	64.975	23.45	(51.627)	36.798
Infrastructure Tasmania Fund	0.000	312.893	(105)	207.893
Housing Fund	0.000	60.000	0.000	60.000
Hospitals Capital Fund	0.000	75.000	0.000	75.000
Royal Hobart Hospital Redevelopment Fund	16.426	0.000	(6.220)	10.206
Better Roads Fund	11.563	0.000	(6.034)	5.529
Urban Renewal and Heritage Fund	0.000	25.000	0.000	25.000
East Tamar Highway Redevelopment A/c	62.047	3.914	(9.239)	56.722
Water Infrastructure Fund	0.000	80.000	0.000	80.000
Total	155.011	580.257	(178.120)	557.148

WHOLE-OF-GOVERNMENT FINANCIAL STATEMENTS

INTRODUCTION

The Whole-of-Government 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 Whole-of-Government 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.

OVERVIEW

The Whole-of-Government Operating result for 2007-08 was a surplus of \$540m, compared to a deficit of \$145m in 2006-07. The 2007-08 surplus included the Gain on sale of Hobart International Airport Pty Ltd (HIAPL), \$278m, and a gain in the movement in superannuation liability of \$125m.

The Comprehensive result - Total change in net worth for 2007-08 was a surplus of \$1.655bn, compared to a surplus of \$542m in 2006-07. The 2007-08 Comprehensive result included Revaluations of non-financial assets of \$1.133bn.

The Whole of Government net cash inflows generated from operating activities increased from \$591m in 2006-07 to \$808m in 2007-08. This cash surplus, along with \$353m received from the sale of HIAPL enabled the State to invest more than \$592m in non-financial assets and repay debt of \$461m.

AASB 1049 WHOLE OF GOVERNMENT AND GENERAL GOVERNMENT SECTOR FINANCIAL REPORTING

Up until 30 June 2007, the Treasurer prepared what was called the Treasurer's Annual Financial Report under the General Finance Statistics (GFS) framework. However, the financial reports of individual public sector entities were, and continue to be, prepared under Australian Accounting Standards (AGAAP) issued by the Australian Accounting Standards Board (AASB).

The GFS Framework was inconsistent with Australian Accounting Standards and, as I 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 *Whole-of-Government and General Government Sector Financial Reporting* which is applicable for accounting periods beginning on or after 1 July 2008 although earlier adoption is permitted. The Treasurer chose to early adopt AASB 1049. Tasmania is one of only two jurisdictions in Australia to lead the way by doing so.

The Treasurer chose to early adopt AASB 1049. Therefore, the 2007-08 Statements are prepared in accordance with Australian Accounting Standards and incorporate relevant reporting requirements of the AASB and the Uniform Presentation Framework

(UPF – which is based on the reporting standards of the Australian Bureau of Statistics GFS framework). The Statements comprise an Operating Statement, Balance Sheet, Cash Flow Statement and notes thereto.

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

- The reporting within the 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 the 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 General Government Financial Statements (GG Statements) (see separate Chapter analysing the GG financial statements) and the separate consolidated Whole of Government financial statements at the same time. 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 GGS in its own right, exempted the GG Statements from complying with AASB 127 but only if the GG Statements and the Whole-of-Government Statements were issued at the same time and together. This was achieved.

OTHER DIFFERENCES BETWEEN THE AASB 1049 STATEMENTS AND THE PREVIOUS GFS BASED STATEMENTS

Preparation of the 2007-08 Statements required mostly minor changes to comparative results reported under GFS at 30 June 2007. These changes resulted in the following variances:

Table1

	2006-07 Original \$m	2006-07 Revised \$m
Net Operating Balance*	40	(14)
Fiscal Balance – Surplus/ (Deficit)*	51	(3)
Net Assets**	9 660	9 726

** The change is primarily due to the treatment of actuarial gains and losses relating to defined benefit superannuation schemes*

*** Liabilities were decreased to remove grants received in advance.*

ACCOUNTING DEVELOPMENTS

Now that the AASB has finalised AASB 1049, it has given attention to the need to update other public sector specific accounting standards although still within its policy that accounting standards be sector neutral. Refer to the GGS chapter for a more detailed overview of these developments.

AUDIT OF THE 2007-08 WHOLE-OF-GOVERNMENT FINANCIAL STATEMENTS

Draft Statements were received on 8 October 2008, with signed Statements being received on 29 October 2008. An unqualified audit report was issued on 29 October 2008. Overall the State's financial position is sound and the 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

In view of the application of AASB 1049 only two year's analysis is shown for the Operating Statement, Balance Sheet and Cash Flow Statement, as previous year's classifications are not consistent with the new format.

The Comments in this Chapter should be read alongside both the Treasurer's Annual Financial Report (TAFR), which includes both the GG Financial Statements and the Public Account Statements, and the Whole-of-Government Financial Statements. These reports include audited and un-audited commentary explaining the 2007-08 financial results against prior years. In preparing this analysis, some material does not appear in the Statements and has been extracted from other Chapters in this Report.

Table 2: Operating Statement

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

Comment

The State's **Net Operating Balance** improved \$231m from a deficit of \$14m in 2006-07 to a surplus of \$217m in 2007-08. This was due to growth in revenues over this period of \$508m (9%) offset partly by increases in expenses of \$277m (5%).

The increase in revenues included:

- Grants \$197m (9%); GST revenue increased \$97m to \$1.665bn and Australian government specific purpose payments increased \$48m
- Taxation \$82m (11%); Financial transaction tax increased \$35m and payroll tax increased \$32m
- Sales of goods and services \$84m (4%)
- Dividend income increased \$67m (197%) and relates entirely to dividends earned by MAIB
- Interest income \$47m (17%) due to higher interest rates.

The increase in expenses included:

- Supplies and consumables \$198m (10%)
- Employee expenses \$73m (4%).

The **Operating Result** improved \$685m from a deficit of \$145m in 2006-07 to a surplus of \$540m in 2007-08, due to:

- An increase in operating revenues over operating expenses as noted earlier, \$231m
- Gain on Sale of HIAPL, \$278m. During 2007-08 the Tasmanian Ports Corporation Pty Ltd sold HIAPL for a gross amount of \$353m
- A gain in the actuarial assessment of the unfunded superannuation liability in 2007-08 of \$125m compared to a \$367m expense in 2006-07.

Offset by:

- Loss on sale of non financial assets of \$20m compared to a gain of \$27m in 2006-07. The 2007-08 loss comprised losses reported by the Department of Health and Human Services, \$14m, and the Department of Primary Industries and Water, \$9m
- Other losses of \$60m in 2007-08 compared to gains of \$209m in 2006-07, a turn around of \$270m.

These Other losses comprised:

- Hydro-Electric Corporation: Fair value gains of \$282m including electricity derivatives, \$96m, Basslink financial assets and liabilities, \$28m, and impairment reversal on generation assets, \$165m
- Forestry Tasmania: Forest net market value loss of \$75m
- Rivers and Water Supply Commission: Meander Dam impairment loss of \$24m
- Motor Accidents Insurance Board: Loss of \$203m in net market values of investments, with \$138m of this being unrealised
- Tasmanian Public Finance Corporation: Financial instrument losses of \$40m.

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. Under GFS such movements impacted net worth but did not require separate disclosure.

The 2007-08 comprehensive result of \$1.655bn (2006-07, \$542m) included the Operating Result of \$540m, Revaluations of non financial assets of \$1.133bn and other non-owner movements in equity of negative \$19m.

The revaluation gains were primarily derived from the general government sector, \$1.020bn and included the Department of Health and Human Services, \$312m, for property, plant and equipment and the Department of Infrastructure, Energy and Resources, \$551m, for infrastructure assets.

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 has presented the key fiscal aggregates in a style that is consistent with the practice under GFS and I 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 2007-08 financial year, the gross investment in non-financial assets was \$7m higher than in the previous year. Expenditure on non-financial assets is commented upon in the Balance Sheet section of this Chapter.

Tables 3 and 4 detail the net profits or losses before tax and dividends of the State's PFC's and PNFC's and the surpluses or deficits of the State's Government Departments respectively.

Table 3: Profit (Loss) Before Tax and Dividends of Public Financial Corporations and Public Non-Financial Corporations.

PFC/PNFC	Profit/(Loss) before tax (\$'000)			
	2007-08	2006-07	2005-06	2004-05
Aurora Energy Pty Ltd	39 641	45 151	32 076	42 273
Forestry Tasmania	(55 242)	19 422	31 312	(11 095)
Hydro Tasmania	224 185	113 493	39 819	(498 321)
Metro Tasmania Pty Ltd	(300)	307	30	(94)
Port Arthur	1 174	(1 427)	41	(514)
Printing Authority of Tasmania	0	68	(304)	(96)
Private Forests Tasmania	153	(16)	520	91
Rivers and Water Supply Commission	(13 053)	(2 349)	(1 902)	(3 194)
Velodrome	0	(310)	(409)	(383)
Southern Regional Cemetery Trust	0	(287)	(37)	(262)
Tasmanian Ports Corporation Pty Ltd	315 924	7 541	(7 244)	0
Hobart International Airport Pty Ltd	0	6 753	5 406	4 229
King Island Ports Corporation	276	757	731	845
The Public Trustee	1 265	1 248	1 507	1 573
TOTE Tasmania Pty Ltd	4 079	1 843	1 255	847
Transend Networks Pty Ltd	26 810	30 081	53 647	37 133
TT-Line Company Pty Ltd	13 698	4 712	2 682	(80 148)
MAIB	(39 227)	150 253	133 195	204 529
Tasmanian Public Finance Corporation	(2 706)	5 495	9 823	18 491
Total Profit (Loss) Before Income Tax and Dividends	516 677	382 735	302 148	(284 096)

**Sold in 2007-08*

The 2007-08 result for Hydro included the fair value gain of \$282m as mentioned earlier and Tasport's result included the \$278m gain on the sale of HIAPL.

As detailed within the table above, Hydro Tasmania and TT-Line reported large operating deficits for 2004-05. TT-Line's 2004-05 performance was impacted by a downward ship valuation adjustment (\$43m) and losses incurred on the Devonport to Sydney service (\$30m), which ceased with the sale of Spirit III in September 2006. Hydro's 2004-05 performance was adversely affected by an impairment loss on property, plant and equipment, (-\$542m). The significant movements between 2006-07 and 2007-08 relate to comments noted earlier.

Table 4: Surplus (Deficit) of Government Departments.

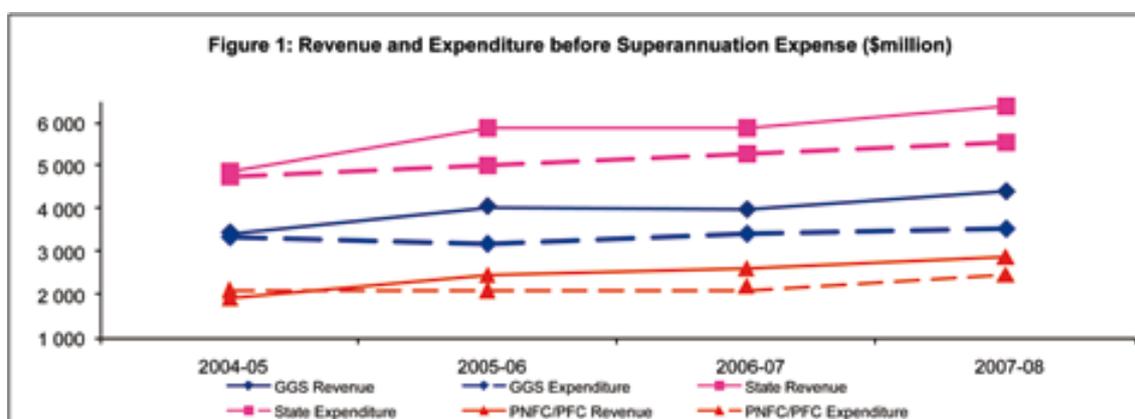
Government Departments	Surplus/(Deficit) (\$'000)			
	2004-05	2005-06	2006-07	2007-08
Economic Development and Tourism	26 681	4 607	19 655	(1 417)
Education	6 829	(8 381)	25 747	(2 917)
Health and Human Services	9 555	(12 899)	(58 942)	5 532
Infrastructure, Energy and Resources	19 073	33 167	(14 027)	14 412
Justice	12 903	(8 424)	17 509	9 375
Police and Emergency Management	7 943	(1 894)	(355)	6 019
Premier and Cabinet	(327)	1 091	2 622	(708)
Primary Industries and Water	27 174	21 330	(1 906)	55 747
Environment, Parks, Heritage and the Arts	3 040	344 567	10 704	4 081
Treasury and Finance	(1 281)	(27)	608	(397)
Net Surplus Attributable to the State	111 590	373 137	1 615	89 727

Primary Industries and Water’s surplus included the receipt of Special Capital Investment Funds for the Water Infrastructure Fund, \$80.000m.

The recognition of the TMAG collection, \$343m, in 2005-06 and an increased deficit from the Department of Health and Human Services for 2006-07 were the key factors influencing the \$262m (30%) decrease in the 2006-07 Net Surplus attributable to State before movements in superannuation liability when compared to 2005-06.

FOUR YEAR REVENUE AND EXPENDITURE ANALYSIS

Figure 1 presents revenue and expenditure trends for the GGS, PNFC’s and PFC’s, and the Whole of Government over the past four years before accounting for the movement in the State’s unfunded superannuation liability.



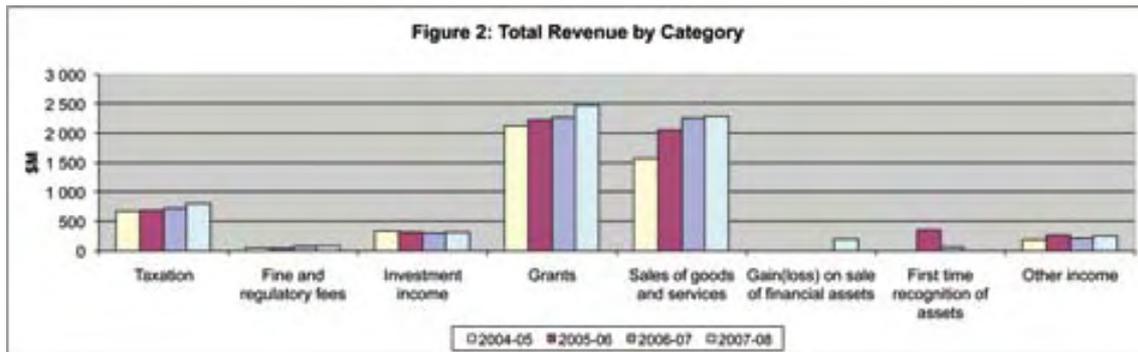
* For 2004-05 and 2005-06 revenues and expenditures were reported under GFS not AASB 1049. The financial impacts are relatively minor.

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

The 2004-05 financial year included impairment losses of \$542m recorded by Hydro Tasmania. Without this charge, revenue and expenditure between 2004-05 and 2006-07 increased 31%.

Revenue

Total revenue, including net gains from economic flows, (after inter-agency transactions have been eliminated) rose from \$4.882bn in 2004-05 to \$6.402bn in 2007-08, an increase of \$1.520bn (31%) in nominal terms. Figure 2 shows total revenue broken down into its major categories over four years.



Taxation revenue collected by the Government increased \$142m (21%) from \$661m to \$803m over the four years, mainly due to increased payroll tax, land tax and stamp duties.

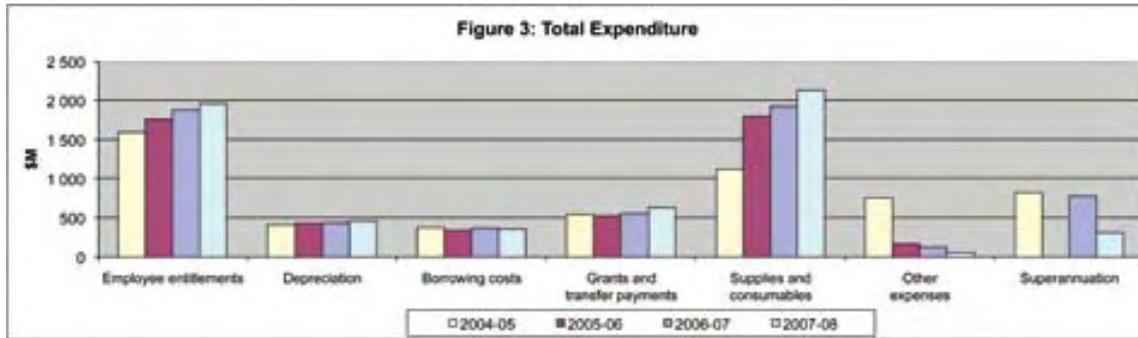
Grant revenues primarily comprise revenues from the Commonwealth in the form of GST, specific purpose grants and capital grants. This revenue source increased \$357m (17%) over the four years. In percentage terms, the 2007-08 Grants balance of \$2.472bn represented 39% of the State's revenues.

Sales of goods and services, predominantly by Government Business Enterprises and State Owned Companies, contribute around 36% of State revenue. This revenue source increased \$727m (47%) over the four years under review primarily due to entry into the National Electricity Market (NEM) by Hydro Tasmania and Aurora Energy Pty Ltd. This change had no impact on the Surplus/Deficit – all that happens is that from 2005-06 the NEM transactions were reported gross whereas in 2004-05 they were reported net. The increase in 2006-07 was primarily inflationary and volume related.

First time recognition of assets, as detailed within Figure 2, includes 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 have been eliminated) increased from \$4.761bn in 2004-05 to \$5.558bn in 2007-08, an increase of \$797m (17%) in nominal terms. Figure 3 details movements by year in major categories of expenditure.



Employee costs increased \$362m (22%) from 2004-05 to be \$1.953bn in 2007-08. The increase was caused primarily by award wage rises and recruitment of additional staff, particularly in the health sector where FTE increased by 1 366 and employee costs increased by \$185m.

Depreciation charges increased over the period by \$49m (12%), mainly because of ongoing investments in infrastructure and asset revaluations.

Supplies and consumables expense increased \$1.009bn (90%), principally due to an increase in the cost of sales of goods and services relating to the entry into the NEM referred to previously. In addition maintenance and property services increased over the four year period by \$47m (28%), travel and transport increased \$20m (40%) and medical, surgical and pharmacy supplies increased \$40m (38%).

Other expenses in 2004-05 were higher than normal and included impairment losses of Hydro Tasmania's generating assets, \$542m.

Table 5: Balance Sheet

	30 June 2008	30 June 2007
	\$m	\$m
Assets		
Financial Assets		
Cash and deposits ^a	346	16
Investments ^{b 1}	4 077	4 374
Equity investments ^{c 2}	652	737
Receivables ^d	426	453
Other financial assets ^{e 3}	594	546
Total Financial Assets ^f	6 095	6 126
Non-financial Assets		
Land and buildings	5 121	4 734
Infrastructure	11 288	9 957
Plant and equipment	394	369
Heritage and cultural assets	417	399
Biological assets	330	389
Investment property	30	28
Intangible assets	67	44
Assets held for sale	24	75
Other	88	64
Total Non-Financial Assets	17 759	16 059
Total Assets	23 854	22 185
Liabilities		
Borrowings ^g	4 734	5 070
Superannuation	4 231	4 214
Employee entitlements	469	455
Payables	304	473
Other liabilities ⁴	2 734	2 247
Total Liabilities ^h	12 472	12 459
Net Assets	11 382	9 727
Equity		
Accumulated surpluses ⁵	5 708	5 141
Asset revaluation reserves	5 155	4 022
Other reserves	519	564
Total Equity	11 382	9 727
Net Worth	11 382	9 727
Net Financial Worth (f-h)	(6 378)	(6 333)
Net Financial Liabilities (a+b+c+d+e-h)	6 378	6 333
Net Debt (a+b-g)	312	680

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 in subsequent years.

Comment

The State's Net Asset position improved by \$1.655bn (17%) to \$11.382bn in 2007-08 compared to \$9.727bn in 2006-07.

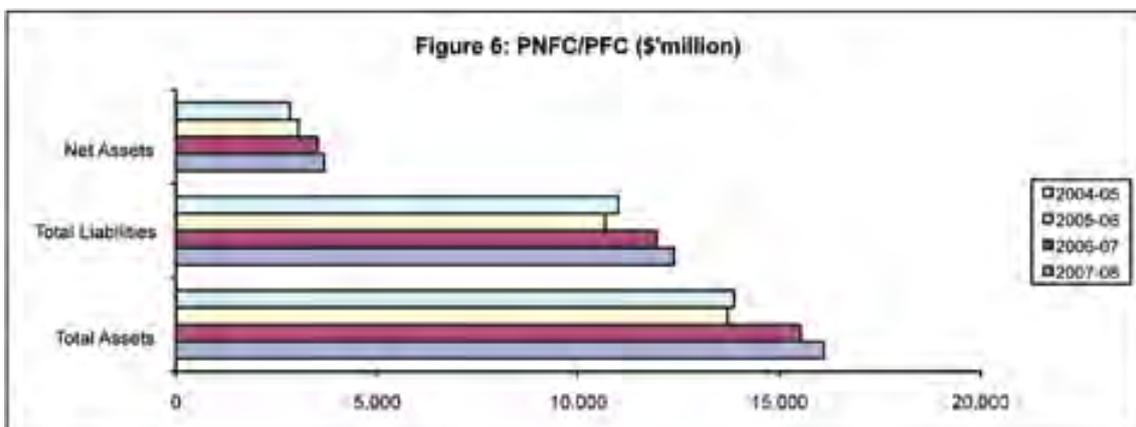
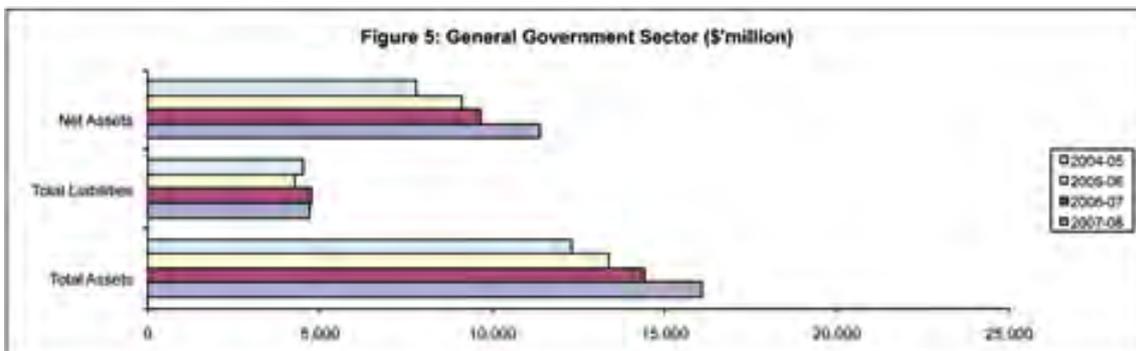
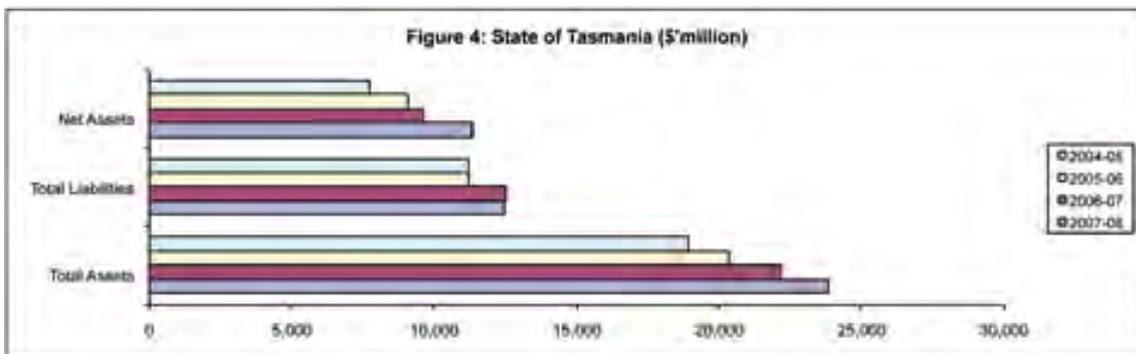
Non-financial assets increased \$1.700bn (11%) and included:

- Infrastructure of \$1.331bn
- Land and buildings of \$387m

Total Equity increased from 2006-07 to 2007-08 primarily due to asset revaluation increments \$1.113bn and the 2007-08 surplus of \$540m.

Since 2004-05 Net Assets improved \$3.641bn (47%).

Figures 4 to 6 provide a graphical representation of movements over the four years under review of total assets, total liabilities, and net assets of each sector.



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

Factors contributing to the improved Net Asset position over the four year period included an increase of \$4.230bn (31%) in the State's non-financial assets, comprising:

- Land and buildings increased \$840m (20%). Significant movements comprised asset purchases, \$504m, and revaluations, \$758m, offset by, asset sales, \$150m, and depreciation expense
- Plant and equipment increased by \$33m (10%) mainly due to asset upgrades across a number of departments, \$260m, offset by depreciation.
- Heritage and cultural assets (2007-08: \$417m) primarily represented the first time recognition of the TMAG collection.
- Infrastructure increased by \$2.832bn (34%). Combined movements for 2007-08, 2006-07 and 2005-06 include road infrastructure revaluation (\$1 729m) and infrastructure purchases (\$1.042bn) including capital upgrade programs of Aurora Energy Pty Ltd, Transend Networks Pty Ltd and Hydro Tasmania. In addition the grossing up of the Hydro generation assets by recognising the Basslink financial instruments and Tasmanian contracts also contributed to the increase. This was offset by infrastructure asset sales of \$193m and depreciation expense.

These increases in net assets were offset by:

- An increase of \$1.845bn (207%) in Other liabilities. In the main this increase relates to an increase of \$1.483bn in the financial instruments primarily due to Hydro Tasmania recognising the fair value of Basslink and other financial instrument liabilities from 1 July 2005.

Total Equity increased primarily due to asset revaluation increments during the four years of \$2.292bn and combined surpluses of \$1.276bn.

The State's net debt position has improved as demonstrated by Interest bearing liabilities as at 30 June 2008 exceeding Cash and Investments (excluding equity investments) by \$312m compared to Interest bearing liabilities exceeding cash and investments by \$818m as at 30 June 2005. This improvement is principally the result of fiscal surpluses. However it ignores the impact of the State's statutory superannuation liabilities which is dealt with in Figure 8.

Figure 7 reports the State's gearing ratio, expressing interest bearing liabilities as a percentage of total assets for the period.

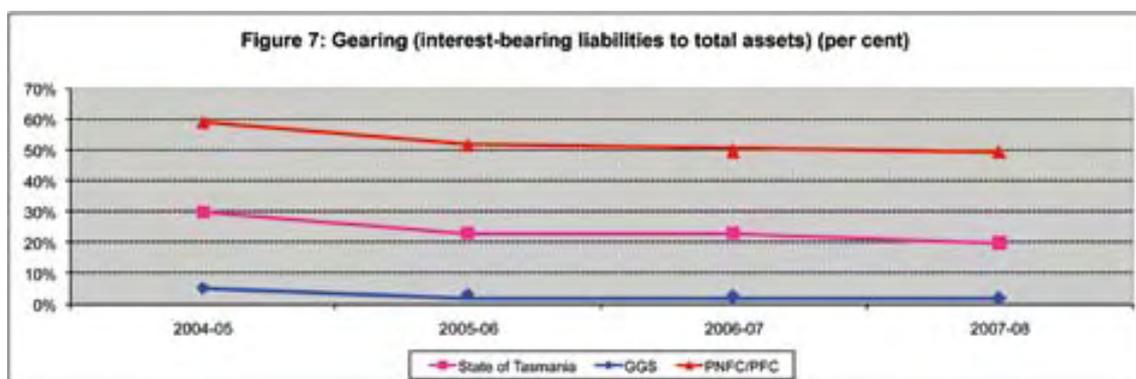


Figure 7 illustrates the gearing ratio was consistent over the past four years. The slight improvement in 2007-08 was primarily due to a higher total assets balance.

The level of debt sustainability is a key measure of the State's ability to support and finance its debt. A lower ratio indicates that the State is better able to service its debt obligations. Debt sustainability is determined by expressing interest bearing liabilities plus unfunded superannuation and comparing this to gross state product (GSP)

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

- Interest bearing liabilities plus unfunded superannuation liabilities to GSP.
- Interest bearing liabilities to GSP
- Unfunded superannuation liabilities to GSP.

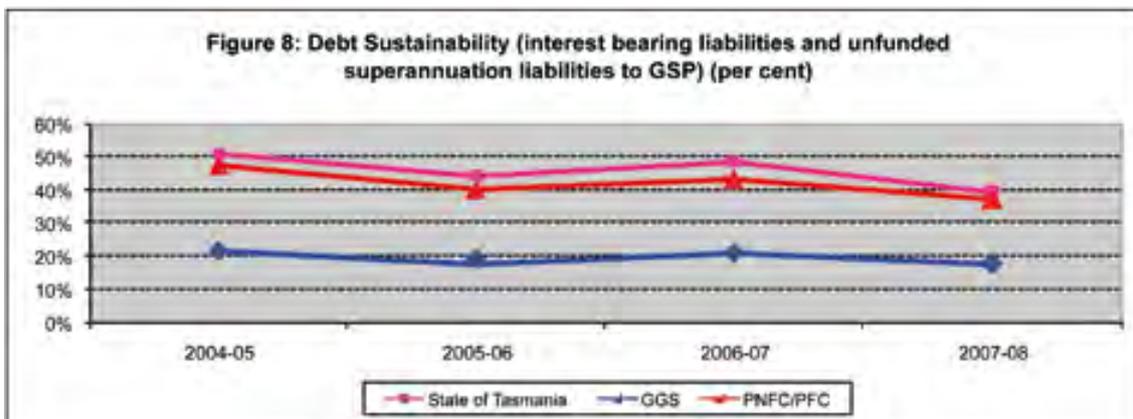


Figure 8 illustrates since 2004-05 the ratio has declined indicating improvement in the State's ability to support and finance its debt. However, the ratio worsened slightly between 2005-06 and 2006-07 due to higher interest bearing liabilities at 30 June 2007 - see Cash Flow section of this Chapter.

The Superannuation liability increased by \$534m at 30 June 2007 primarily due to a one-off change in the contributions tax liability, following changes to Australian Government tax legislation relating to pre-1 July 1988 Funding Credits, and actuarial assumptions including lower pensioner mortality rates.

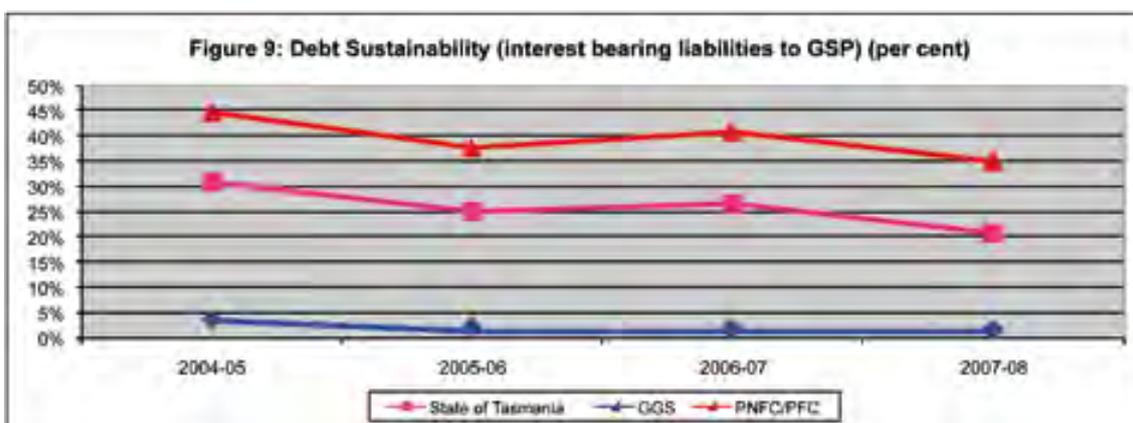


Figure 9 confirms the overall improvement over the period in the State's capability to support and finance its interest bearing liabilities and that the major cause for the slightly worsening position from 2005-06 to 2006-07 was in the PFC/PNFC sector. The ratio improved in 2007-08 from 2006-07 due to a reduction in the interest bearing liability combined with an approximate 2% increase in GSP.

Table 6 details the entities within the PNFC and PFC sector and their interest bearing liability balances.

Table 6: Interest Bearing Liabilities by Entity for PNFC/PFC sector

PNFC/PFC	2007-08	2006-07	2005-06	2004-05
	\$m	\$m	\$m	\$m
Aurora Energy Pty Ltd	555	505	461	437
Forestry Tasmania	40	41	35	32
Hydro Tasmania	971	1 192	1 077	1 212
Metro Tasmania Pty Ltd	4	3	3	3
Port Arthur	0	0	0	0
Printing Authority of Tasmania	0	0	0	0
Rivers and Water Supply Commission	25	15	4	7
Southern Regional Cemetery Trust	0	0	0	0
The Public Trustee	0	0	0	0
TOTE Tasmania Pty Ltd	2	2	2	2
Transend Networks Pty Ltd	409	118	93	53
TT-Line Company Pty Ltd	75	75	186	224
Tas Ports**	18	33	65	0
Burnie Port*	0	0	0	6
Devenport Port*	0	0	0	12
Hobart Port*	0	0	0	40
Launceston Port*	0	0	0	9
MAIB	0	0	0	0
Tascorp	4 257	4 457	4 004	5 019

NB – ignores eliminations – most borrowings are from Tascorp to GBEs and SOCs

Debt = Borrowings (current) + Borrowings (non current)

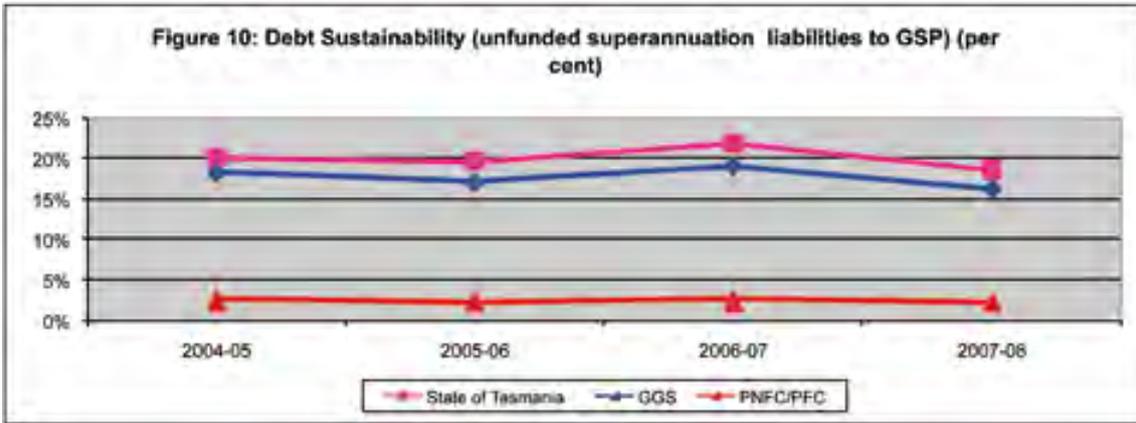
Tascorp borrowings exclude 'deposits from clients'

** Transferred to Tasmanian Ports Corporation on 1 January 2006*

***HIAPL sold in 2007-08*

Within the PNFC/PFC sector total borrowings decreased \$1.2bn or 16% from 2004 05 to 2005-06. Borrowings subsequently increased \$744m from 2005-06 to 2006-07 and increased again \$171m from 2006-07 to 2007 08. Borrowings increased each year over the four year period for Aurora and Transend. TT line reported decreases in borrowing each year over the first three years 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 transacted a \$50m equity transfer from Transend Networks Pty Ltd to Hydro Tasmania, via Finance-General, to capitalise on immediate growth opportunities. A further \$220m equity transfer from Transend Networks to Hydro Tasmania was effected by a transfer of debt from Hydro Tasmania to Transend Networks on 30 June 2008.



Between 2004-05 and 2005-06 the debt sustainability ratio, as illustrated in Figure 10, declined indicating improvement in the State's ability to support and finance the unfunded superannuation liability. However the ratio worsened slightly between 2005-06 and 2006-07 due to the increase in the unfunded superannuation liability at 30 June 2007. Whilst there was not a significant movement in the unfunded liability from 2006-07 to 2007-08 the approximate 2% increase in GSP caused an improvement in the Debt sustainability ratio.

Table 7: Cash Position

	2007-08	2006-07
Cash flows from operating activities	Actual	Actual
Cash inflows	\$m	\$m
Taxation	825	722
Sales of goods and services	2 401	2 220
Grants received	2 466	2 260
Dividend, tax and rate equivalents	0	0
Fines and regulatory fees	61	55
Interest received	313	290
Other receipts	679	550
	6 745	6 097
Cash outflows		
Employee entitlements	(1 941)	(1 795)
Superannuation	(271)	(229)
Supplies and consumables	(2 274)	(2 002)
Grants and subsidies paid	(636)	(636)
Borrowing costs	(337)	(339)
Other payments	(478)	(506)
	(5 937)	(5 507)
Net cash flows from operating activities	808	590
Cash flows from investing activities		
Net cash flows from investment in non-financial assets		
Purchases of non-financial assets	(592)	(585)
Sales of non-financial assets	123	182
	(469)	(403)
Net cash flows from investment in financial assets for policy purposes		
Equity injections	0	(1)
Net advances paid	35	10
	35	9
Net cash flows from investment in financial assets for liquidity purposes		
Net sale of investments	330	440
	330	440
Net Cash flows from (used in) investing activities	(104)	46
Cash flows from financing activities		
Net borrowing	(461)	285
Other financing	(7)	0
Total	(468)	285
Net increase/(decrease) in cash held	236	921
Cash at the beginning of the year	2 728	1 806
Cash at the end of the year	2 964	2 728
KEY FISCAL AGGREGATES		
Net cash from operating activities	808	590
plus Net cash from investments in non-financial assets	(469)	(403)
CASH SURPLUS/(DEFICIT)	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 received explained previously. This cash surplus, along with \$353m received from the sale of HIAPL enabled the State to invest more than \$592m in non-financial assets and repay debt of \$461m.

Table 8 provides a summary of the State's capital expenditure during the four years ended 30 June 2008 (based on cash outflows, not accrued expenditures).

Table 8: Capital Expenditure

	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05
	\$m	\$m	\$m	\$m
Capital Expenditure				
General government sector	252	233	262	241
PNFCs and PFCs	340	352	405	324
Total	592	585	667	565

The increase in capital expenditure by PNFCs in 2005-06 was primarily due to the capital upgrade programs of Aurora Energy Pty Ltd, Transend Pty Ltd and Hydro Tasmania.

EXECUTIVE AND LEGISLATURE

INTRODUCTION

The Parliament of Tasmania is comprised of the Crown (represented by the Governor), the Legislative Council and the House of Assembly that collectively form the Legislature.

Appropriation of funds to Legislature-General provides, amongst other matters, for general parliamentary functions including the Parliamentary Catering and Reporting Services. Designated officers of the Parliament administer these functions and financial transactions are recorded in the financial statements of:

- The House of Assembly
- The Legislative Council
- The Legislature-General
- The Office of the Governor.

Appropriation of funds to the Ministerial and Parliamentary Support Division provides for certain expenses and administrative support of Ministers and other Members of Parliament. The financial transactions of this Division are reported in the financial statements prepared by the Department of Premier and Cabinet.

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

- Introduction
- Audit of the 2007-08 Financial Statements
- Financial Results.

Where relevant, commentary is also provided on administered transactions and balances.

KEY FINDINGS AND OUTCOMES FROM AUDITS

- All agencies submitted financial statements within the statutory deadline.
- I issued four audit opinions on agencies' financial statements, all of which were unqualified. The audit opinions were issued on:

The House of Assembly	22 October 2008
The Legislative Council	22 October 2008
The Legislature-General	28 October 2008
The Office of the Governor	16 October 2008

INTRODUCTION

Officers of the House of Assembly 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 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008 with an amended statement received on 21 October 2008, and an unqualified audit report was issued on 22 October 2008.

The audit was completed satisfactorily with no outstanding issues.

FINANCIAL RESULTS

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

For 2007-08 the House recorded a Net deficit attributable to the state of \$0.016m. This deficit resulted from non-funded outlays for depreciation and employee provisions. This had the effect of decreasing the House's Net Assets at 30 June 2008 to \$0.708m (2007, \$0.724m), reflected mainly by the increase in Employee benefits to \$0.634m as at 30 June 2008 (2007, \$0.567m).

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	6 492	6 649	6 088	5 196	5 128
Revenue from government - capital	0	0	0	100	100
Other revenue	0	3	3	4	6
Total Income	6 492	6 652	6 091	5 300	5 234
Employee and member benefits	5 179	5 842	5 393	4 496	4 290
Depreciation	52	50	51	46	25
Supplies and consumables	1 284	688	644	624	660
Other expenses	60	88	81	74	72
Total Expenses	6 575	6 668	6 169	5 240	5 047
Net Surplus (Deficit) Attributable to the State	(83)	(16)	(78)	60	187

Comment

In a normal financial year Government agencies operate at a Deficit because they are not funded for Depreciation or increases in employee leave provisions. The Surpluses in 2004-05 and 2005-06 were primarily attributable to the Revenue from government - capital.

In respect to 2007-08 and 2006-07, the House incurred Net deficits of \$0.016m and \$0.078m respectively, mainly due to Employee and member benefits increasing by \$0.449m and \$0.897m, respectively, as a result of award and Parliamentary salary increases, offset by increases in Revenue from government of \$0.561m and \$0.792m respectively.

The increase in Revenue from government and Employee and member benefits in 2007-08 reflects the full year impact of increases in member entitlements resulting from the Second Committee of Review inquiring into Allowances and Benefits provided to members of the Tasmanian Parliament. This resulted in variances between the budget estimate and actual amounts of Revenue from government needed to fund Employee and member benefits.

The actual amount of expenditure on Supplies and consumables in 2007-08 was considerably less than budgeted due to a reduction in communications and travel expenditure and an offsetting increase in Fringe Benefits Tax associated with the Second Committee of Review noted previously.

BALANCE SHEET

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Financial Assets					
Cash and deposits	8	8	8	8	7
Prepaid expenses	0	54	9	0	0
Receivables	16	12	14	16	16
Non-financial Assets					
Plant and equipment	1 261	1 421	1 415	1 405	1 168
Total Assets	1 285	1 495	1 446	1 429	1 191
Liabilities					
Payables	85	149	151	85	70
Employee entitlements	696	634	567	599	514
Advance from government	4	4	4	4	4
Total Liabilities	785	787	722	688	588
Net Assets	500	708	724	741	603
Asset revaluation reserve					
		275	275	214	134
Accumulated surpluses					
		433	449	527	469
Total Equity	500	708	724	741	603

Comment

Net Assets decreased in 2007-08 by \$0.016m due to the current year's Net deficit. Net Assets decreased in 2006-07, mainly due to the \$0.078m deficit for the year partially offset by an increase in the Asset revaluation reserve of \$0.061m, resulting from a revaluation of assets.

Payables as at 30 June 2008 and 30 June 2007 varied from the budgeted amount due to the unbudgeted effects of the increase in member benefits noted previously. The actual balances for Plant and equipment and reserves varied from the budgeted amounts due to the revaluations in 2005-06 and 2006-07, not being fully carried through into the budget.

The growing Employee entitlements liability relates to the staff of the House which is further analysed under the Financial Analysis section of this Chapter.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	6 492	6 649	6 088	5 196	5 128
Receipts from government - capital	0	0	0	100	95
GST receipts	94	117	93	187	100
Other cash receipts	0	3	3	4	6
Payments to employees, members and suppliers	(6 472)	(6 596)	(6 091)	(5 092)	(5 042)
GST payments	(94)	(117)	(93)	(186)	(96)
Cash from operations	20	56	0	209	191
Payments for acquisition of assets	(20)	(56)	0	(208)	(192)
Cash (used in) investing activities	(20)	(56)	0	(208)	(192)
Net increase (decrease) in cash	0	0	0	1	(1)
Cash at the beginning of the year	7	8	8	7	8
Cash at end of the year	7	8	8	8	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.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(16)	(78)	60	187
Operating margin	>1.0	1.00	0.99	1.01	1.04
Financial Management					
Debt collection	30 days	n/a	n/a	n/a	n/a
Creditor turnover	30 days	30	31	32	38
Other Information					
Staff numbers (FTE's)		20	20	20	19
Average staff costs (\$'000s)		70	64	63	59
Average leave balance per FTE (\$'000s)		32	29	30	26

Comment

The Result from operations and the Operating margin are consistent with comments made under the Income Statement section.

The Average staff costs increased in 2007-08 due to salary reclassifications, higher duty payments and a contribution towards a salary of a trainee in the computer services area.

The Average leave balance per FTE is high and reflects the level of leave owing to several employees. On average \$32000 represents 105 days leave (annual and long service leave) accruing to staff of the House.

LEGISLATIVE COUNCIL

INTRODUCTION

Officers of the Legislative 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 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008 with amended financial statements received on 21 October 2008. An unqualified audit report was issued on 22 October 2008.

The audit was completed satisfactorily with no issues outstanding.

FINANCIAL RESULTS

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

For 2007-08 the Council recorded a Net surplus of \$0.145m. This Net surplus resulted from the receipt of additional funding to meet employee benefits due to retiring employees for accrued leave balances. This Surplus had the effect of increasing the Council's Net Assets at 30 June 2008 to \$0.505m (2007, \$0.359m).

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	5 265	5 480	4 873	4 133	3 910
Other operating revenue	0	0	2	2	2
Total Income	5 265	5 480	4 875	4 135	3 912
Employee and member benefits	4 224	4 425	4 121	3 514	3 276
Depreciation	26	29	27	22	9
Supplies and consumables	939	781	650	533	620
Other operating expenses	114	100	90	67	68
Total Expenses	5 303	5 335	4 888	4 136	3 973
Net Surplus (Deficit) attributable to the State	(38)	145	(13)	(1)	(61)

Comment

In a normal financial year Government agencies operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. In 2007-08 Council had a Net surplus of \$0.145m. This was attributable to the receipt of additional funding to meet employee benefits due to retiring employees for accrued leave balances.

The Report of the Second Committee of Review inquiring into Allowances and Benefits provided increases in benefits to members of the Tasmanian Parliament. This resulted in variances between the budget estimate and actual amounts of Revenue from government needed to fund Employee and member benefits.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	1	10	4	3	3
Receivables	8	8	14	6	8
<i>Non-financial Assets</i>					
Plant & Equipment	1 136	1 138	1 141	1 162	1 003
Other assets	15	16	23	20	0
Total Assets	1 160	1 172	1 182	1 191	1 014
<i>Liabilities</i>					
Payables	119	115	145	152	166
Employee entitlements	720	542	675	663	628
Other liabilities	3	10	3	3	3
Total Liabilities	842	667	823	818	797
Net Assets	318	505	359	373	217
Asset revaluation reserve		221	221	221	64
Accumulated surpluses		284	138	152	153
Total Equity	318	505	359	373	217

Comment

Total Equity increased from \$0.359m at 30 June 2007 to \$0.505m at 30 June 2008 due to the Net surplus generated for the year. In the previous year Total Equity decreased from \$0.373m at 30 June 2006 to \$0.359m at 30 June 2007 due to the Net deficit incurred in that year.

The Employee provisions liability relates to the staff of the Council. The balance due to staff dropped at 30 June 2008 primarily due to two retirements. This balance is further analysed under the Financial Analysis section of this Chapter.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	4 495	5 480	4 873	4 133	3 771
GST receipts	27	100	75	62	53
Other cash receipts	0	6	2	2	5
Payments to employees and members	(3 744)	(4 545)	(4 141)	(3 454)	(3 136)
Payments to suppliers	(642)	(831)	(638)	(565)	(613)
Other payments	(109)	(86)	(86)	(72)	0
GST payments	(27)	(100)	(75)	(62)	(53)
Cash from operations	0	24	10	44	27
Payments for acquisition of assets	0	(18)	(9)	(44)	(29)
Cash (used in) investing activities	0	(18)	(9)	(44)	(29)
Net increase (decrease) in cash	0	6	1	0	(2)
Cash at the beginning of the year	3	4	3	3	5
Cash at end of the year	3	10	4	3	3

Comment

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

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		145	(13)	(1)	(61)
Operating margin	>1.0	1.03	1.00	1.00	0.98
Financial Management					
Debt collection	30 days	n/a	n/a	n/a	n/a
Creditor turnover	30 days	12	28	42	51
Other Information					
Staff numbers (FTEs)		26	24	23	23
Average staff costs (\$'000s)		69	70	67	61
Average leave balance per FTE (\$'000s)		21	28	28	28

Comment

The Result from operations and the Operating margin are consistent with comments made under the Income Statement section.

The Creditor turnover exceeded benchmark in 2004-05 and 2005-06 due to the effects of some large contractual payments due at the end of those years.

The Average leave balances per FTE is high. The reduction in the current year was the result of the retirement of two employees who had high accrued leave balances. On average \$21 000 represents 70 days leave (annual and long service leave) accruing to staff of the Council.

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 the 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 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008, with amended financial statements received on 27 October 2008. An unqualified audit report was issued on 28 October 2008.

The audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

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

For 2007-08 Legislature-General recorded a Net surplus of \$0.225m. This Net surplus resulted from the receipt of Revenue from government including a capital appropriation which was used for the commencement of the refurbishment of the House of Assembly chamber and the provision of the television broadcasting facilities. This surplus had the effect of increasing Legislature-General's Net Assets at 30 June 2008 to \$25.969m (2007, \$25.744m).

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	4 839	4 896	5 035	4 697	3 937
Sales of goods and services	172	324	297	0	0
Other revenue	0	65	33	269	278
Total Income	5 011	5 285	5 365	4 966	4 215
Employee entitlements	2 521	2 576	2 343	2 114	1 994
Grants and transfer payments	59	55	56	0	0
Supplies and consumables	2 139	2 166	2 535	0	0
Cost of goods sold	139	248	219	0	0
Depreciation	363	368	371	357	334
Other operating expenses	143	136	129	2 547	2 591
Total Expenses	5 364	5 549	5 653	5 018	4 919
Net (Deficit) before:	(353)	(264)	(288)	(52)	(704)
Revenue from government - capital	0	489	0	0	353
Net Surplus (Deficit) Attributable to the State	(353)	225	(288)	(52)	(351)

Comment

In a normal financial year Government agencies operate at a deficit because they are not funded for depreciation or increases in employee leave provisions.

In 2007-08 Legislature-General had a Net operating surplus of \$0.225m. This was due to the receipt of Revenue from government capital appropriation of \$0.489 which was offset in part by non-funded charges for depreciation and accrued entitlements of \$0.373m.

In respect to 2006-07 Legislature-General had a Net operating deficit of \$0.288m compared to \$0.052m in 2005-06 and \$0.351m in 2004-05. The increase of \$0.236m in the deficit from 2005-06 to 2006-07 was mainly due to:

- an increase in Employee entitlements, \$0.229m, an increase in Supplies and consumables, \$0.346m, and an increase in purchases of stock, \$0.026m.

Offset in part by:

- increased State Government Appropriation Funding, \$0.338m, and sales generated by the Parliamentary dining room, \$0.040m.

Appropriation revenue and Other operating expenses were higher than budget in 2006-07 due to costs associated with a regional parliamentary sitting, sesquicentenary celebrations and essential repairs.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	47	13	13	3	43
Receivables	47	80	85	54	55
<i>Non-financial Assets</i>					
Inventory	23	50	31	37	29
Prepaid expenses	12	36	24	18	1
Property, plant and equipment	25 631	26 646	26 378	26 420	26 509
Total Assets	25 760	26 825	26 531	26 532	26 637
<i>Liabilities</i>					
Payables	174	239	215	140	282
Employee entitlements	602	617	572	575	486
Total Liabilities	776	856	787	715	768
Net Assets	24 984	25 969	25 744	25 817	25 869
Accumulated funds		10 361	10 136	10 424	10 476
Asset revaluation reserve		15 608	15 608	15 393	15 393
Total Equity	24 984	25 969	25 744	25 817	25 869

Comment

Net Assets increased from \$25.744m at 30 June 2007 to \$25.969m at 30 June 2008 due to the Net surplus generated for the year.

Net Assets decreased from \$25.869m at 30 June 2005, to \$25.744m at 30 June 2007. The main factors for the \$0.125m decrease were:

- an increase in liability for Employee entitlements, \$0.086m
- a decrease in Property, plant and equipment, \$0.131m
- a decrease in Cash, \$0.030m.

These were partly offset by:

- an increase in Receivables, \$0.030m
- a decrease in Payables, \$0.067m.

The majority of budget variations compared to actual reflected expectations and information available at the time the budget was prepared.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	4 839	4 896	5 035	4 697	3 911
GST receipts	333	362	281	314	297
Other cash receipts	172	870	326	264	270
Payments to employees	(2 481)	(2 537)	(2 346)	(1 996)	(2 000)
Payments to suppliers	(2 480)	(2 593)	(2 867)	(2 733)	(2 497)
GST payments	(333)	(363)	(306)	(318)	(298)
Cash from (used in) operations	50	635	123	228	(317)
Receipts from government - capital	0	0	0	0	353
Payments for acquisition of assets	(50)	(635)	(113)	(268)	(99)
Cash from (used in) investing activities	(50)	(635)	(113)	(268)	254
Net increase (decrease) in cash	0	0	10	(40)	(63)
Cash at the beginning of the year	47	13	3	43	106
Cash at end of the year	47	13	13	3	43

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.

FINANCIAL ANALYSIS

	Bench Mark	2007-08	2006-07	2005-06	2004-05
Financial Performance					
Result from operations (\$'000s)		(264)	(288)	(52)	(704)
Operating margin	>1.0	0.95	0.95	0.99	0.86
Financial Management					
Debt collection	30 days	43	46	49	43
Creditor turnover	30 days	27	22	15	37
Other Information					
Self-sufficiency %		1	1	5	13
Government funding %		105	95	99	92
Staff numbers (FTEs)		33	30	27	27
Average staff costs (\$'000s)		78	78	80	74
Average leave balance per FTE (\$'000s)		16	18	19	18

Comment

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

The Self-sufficiency ratio shows the level of independent funding that Legislature-General generated for use in achievement of its objectives.

The increase in Average staff costs in 2005-06 was caused by a large accrual for Hansard and Dining room casuals as Parliament sat for the full last week of June for Estimates Committees.

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 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008, with amended financial statements received on 6 October 2008. An unqualified audit report was issued on 16 October 2008.

The audit was completed with satisfactory results.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	3 041	3 027	2 773	2 688	2 885
Revenue from Special Capital Investment Funds	0	0	0	0	151
Resources received free of charge	0	118	0	0	0
Other operating revenue	0	6	12	0	0
Total Income	3 041	3 151	2 785	2 688	3 036
Employee entitlements	2 218	2 144	2 081	1 995	2 227
Depreciation	215	94	210	210	125
Other operating expenses	851	906	692	585	746
Total Expenses	3 284	3 144	2 983	2 790	3 098
Net Surplus (Deficit) Attributable to the State	(243)	7	(198)	(102)	(62)

Comment

The Office's recurrent funding does not cover depreciation, increases in provisions for employee entitlements and other movements in current assets and liabilities, shown by the budgeted deficit of \$0.243m and actual deficits in most years. The surplus in 2007-08 was due to the recognition of the Governor's car as revenue received free of charge and a decrease in depreciation due to the revaluation of land and buildings during the year.

Revenue from government increased by \$0.142m or 4.92% over the period under review. Employee expenses increased consistently over the period however they were higher in 2004-05 to cover a termination payment for a previous Governor.

Special Capital Investment Funds of \$0.151m received in 2004-05 were to cover maintenance costs which, following 2004-05, were built into the recurrent appropriation.

Resources received free of charge represented a motor vehicle, valued at \$0.136m, which was provided in 2007-08 to the Office of the Governor.

Depreciation expense decreased in 2007-08 following the revaluation of land and buildings at 1 April 2008.

Other operating expenses increased by \$0.160m or 21.45% over the period under review primarily due to higher property maintenance costs incurred and higher than budgeted purchases including upgrade of the telephone system.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	1	(3)	(7)	1	1
Other financial assets	45	80	92	45	35
<i>Non-financial Assets</i>					
Property, plant and equipment	29 998	34 225	32 448	30 222	18 070
Total Assets	30 044	34 302	32 533	30 268	18 106
<i>Liabilities</i>					
Payables	64	104	52	64	95
Employee entitlements	394	376	385	326	377
Total Liabilities	458	480	437	390	472
Net Assets	29 586	33 822	32 096	29 878	17 634
Reserves		20 549	18 830	16 414	4 052
Accumulated surpluses		13 273	13 266	13 464	13 582
Total Equity	29 586	33 822	32 096	29 878	17 634

Comment

During the four year period under review the Office's Total Equity increased by \$16.188m or 91.80% due to:

- land, buildings and heritage asset revaluation increases of \$16.497m offset by
- deficits over the period of \$0.316m and a surplus during the current year of \$0.007m.

The revaluations were not included in the budget and were the primary reason for the lower than budgeted Total Equity.

The only other major movement on the Balance Sheet this year is the increase in Property, plant and equipment primarily due to the asset revaluations of land and buildings, \$1.720m.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	3 041	3 027	2 773	2 688	2 885
Receipts from Special Capital Investment Funds	0	0	0	0	151
GST receipts	60	80	48	51	75
Other cash receipts	0	6	6	0	0
Payments to employees	(2 190)	(2 143)	(2 019)	(2 031)	(2 304)
Payments to suppliers	(851)	(856)	(745)	(657)	(887)
GST payments	(60)	(76)	(57)	(51)	(74)
Cash from (used in) operations	0	38	6	0	(154)
Proceeds from disposal of assets	0	0	6	0	0
Payments for acquisition of assets	0	(34)	(20)	0	0
Cash from (used in) investing activities	0	(34)	(14)	0	0
Net increase (decrease) in cash	0	4	(8)	0	(154)
Cash at the beginning of the year	1	(7)	1	1	155
Cash at end of the year	1	(3)	(7)	1	1

Comment

Other than in 2004-05, the Office generated small surpluses in cash generated from operations which is reasonably consistent with budget. The \$0.154m shortfall in 2004-05 was due to the need to meet various creditors outstanding at 30 June 2004. Other than in 2004-05, in the main, the Office operated at a break-even cash position.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(145)	(198)	(102)	(62)
Operating margin	>1.0	0.95	0.93	0.96	0.98
Financial Management					
Creditor turnover	30 days	27	11	22	39
Other Information					
Staff numbers (FTEs)		24	24	24	25
Average staff costs (\$'000s)		91	89	85	93
Average leave balance per FTE (\$'000s)		16	16	14	16

Comment

The operating margin has been reasonable consistent over the four year period of review. The 2007-08 margin of 0.95 indicates that revenue and expenses are closely matched and the Office is achieving a breakeven position.

The Creditor turnover ratio reduced from 39 days in 2004-05 to 27 days in 2007-08, reflecting a lower level of payables at 30 June 2008.

Average staff costs were higher in 2004-05 because of a termination payment to a previous Governor, noted under the Income Statement section.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

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

For 2004-05 the administered transactions all related to remuneration arrangements for the Governor. From 2005-06 these transactions were reclassified as controlled.

Administered Revenues and Expenses

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	0	0	0	337
Total Revenue	0	0	0	337
Employee entitlements	0	0	0	353
Total Expenses	0	0	0	353
Net (Deficit)	0	0	0	(16)

Comment

Nil.

Administered Assets and Liabilities

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>				
Employee entitlements	0	0	0	16
Total Liabilities	0	0	0	16
Net Liabilities	0	0	0	(16)
Accumulated deficits	0	0	0	(16)
Total Asset deficiency	0	0	0	(16)

Comment

Nil.

Administered Cash Flows

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	0	0	0	337
Payments to employees	0	0	0	(337)
Cash from operations	0	0	0	0
Net increase 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

Nil.

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 a separate Chapters on Tasmania Development and Resources and Tourism Tasmania)
- Education
- 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
- Environment, Parks, Heritage and the Arts
- Treasury and Finance.

Tasmania Development and Resources (TDR) and Tourism Tasmania (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 2007-08 Financial Statements
- Financial Results:
 - o Income Statement
 - o Balance Sheet
 - o Cash Position and
 - o Financial Analysis
- Additional Financial Information (administered transactions).

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 Standard AAS 29, *Financial Reporting by Government Departments*. In addition, departments comply with the relevant financial reporting requirements of Australian equivalents to International Financial Reporting requirements. 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.

Agencies 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. This was optional in 2005-06 but mandatory from 2006-07 onwards. I support this initiative, in particular the requirement for Agencies to provide explanations for variances. While the budget information reported is not subject to audit, we have ensured that the information reported agrees to the original Budget Papers.

KEY FINDINGS AND OUTCOMES FROM AUDITS

- The audits of all departments have been 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.
- As a result of a Ministerial portfolio redistribution in February 2008, Tourism Tasmania and Events Tasmania were transferred from the former Department of Tourism, Arts and the Environment to the newly formed **Department of Economic Development and Tourism**. The Department of Economic Development and Tourism's operations are funded predominantly by Parliamentary appropriations. The Department received \$91.640m for major infrastructure projects over the four year period under review. This was driven predominantly by funding of the second stage of the gas reticulation project, which ran between 2004-05 and 2006-07. The Department's operating result is affected by movements in the fair value of its investments properties.
- The **Department of Education** recorded Net operating deficits in each of the past four years. The Capital Investment Program appropriations increased in 2007-08 to support a number of new projects including the Kingston High School Redevelopment, Building for the Future and upgrades of Education Infrastructure. There was a write down of assets as a result of the total destruction of the Bridgewater High School in a fire in October 2007. During the year Net Assets increased by \$52.011m due to further asset revaluations totalling \$55.546m.
- In 2007-08 the **Department of Health and Human Services** recorded its lowest operating deficit over the four year period of review, \$37.506m, however after including capital appropriations and other adjustments, it recorded a Net surplus of \$6.491m. This was achieved despite the loss on sale of the Mersey Hospital to the Commonwealth Government of \$10.933m.

- The Department of Health and Human Services also improved its cash position reversing the negative cash flows from operations made in the prior two years and noted in last year's report.
- **Housing** continued to operate at a significant Operating deficit, which totalled \$21.410m this year. Operating deficits totalled \$90.151m over the four year period. Total equity increased by \$191.963m, despite the Operating loss, primarily due to revaluations of Housing's residential properties and land. This year saw a significant increase in operating expenses, mainly driven by the \$29.996m (2006-07, \$22.734m) spent on maintenance.
- The **Tasmanian Ambulance Service** reduced its operating deficit by almost 43% over the period under review from \$5.429m in 2004-05 to \$3.130m in the current year. This improved result was mostly due to the boost in Government funding, which increased by 40% during the same period. The 2007-08 Net Operating Deficit Attributable to the State, \$3.134m, was relatively consistent with budget and the deficits in the preceding two years. It was pleasing to note the Service's improvement in collecting receivables by 57 days (from 102 to 45 days) over the four year period of review.
- In 2007-08 the **Department of Infrastructure, Energy and Resources** recorded a Surplus Attributable to the State of \$14.985m. There were major increases in revenue from capital appropriations and the Special Capital Investment Funds. There were increases in expenditure in rail and road programs during the year. The Department's equity increased by \$451.880m primarily due to revaluation of road infrastructure.
- The Department of Infrastructure, Energy and Resources received \$25.000m, in relation to the Urban Renewal and Heritage Fund from the Department of Treasury and Finance. 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.
- The **Department of Justice's** operations are funded predominantly by Parliamentary appropriations. During the year the Monetary Penalty Enforcement Project (MPEP) Phase 1 was completed and the Office of the Ombudsman was transferred out of the control of the Department.
- The **Department of Police and Emergency Management** recorded a surplus of \$6.019m in 2007-08. The main reasons for the surplus were \$3.000m unspent funds relating to Launceston Flood Protection Levees and Capitalisation of expenditure on new assets totalling \$4.945m. . Total equity increased by \$25.208m mainly due to indexed revaluation of Land and buildings of \$19.189m.
- **Department of Premier and Cabinet** is dependent on appropriations to fund its various programs and projects. The Department has been responsible for administration of a number of new Government initiatives, which resulted in total expenses increasing by 26.7% during the four-year period under review. In 2007-08 the Recurrent appropriation increase of \$3.697m, included funding of \$1.000m for the Tasmanian Climate Change Office.
- 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 2007-08 were as follows:

	\$m
Opening balance	13.486
Commonwealth grant	-
State grant	9.000
Payments*	(13.875)
Closing balance	8.611

* All paid to Forestry Tasmania

- **Department of Primary Industries and Water** recorded a Net Surplus Attributable to the State of \$55.747m in 2007-08. This surplus resulted from the receipt of Special Capital Investment Funds for the Water Infrastructure Fund, \$80.000m, offset in part by increased Grants and subsidies paid of \$12.056m. The \$80.000m Water Infrastructure Fund was established to enable major investment in Tasmania's water infrastructure.
- As a result of the restructure on 29 February 2008, the name of the Department of Tourism, Arts and the Environment was changed to the **Department of Environment, Parks, Heritage and the Arts**. The Net operating deficit of \$2.076m in 2007-08 was due mainly to the decrease in the operating surplus of Tourism Tasmania by \$4.579m. A new Commonwealth grant was provided in relation to the Macquarie Island Eradication Program during the year.
- The **Department of Treasury and Finance** reported a Net operating surplus of \$0.294m, an improvement over a budgeted deficit of \$0.682m. Significant issues emerging from the year included funding wage agreements and increases in grant and subsidies expenses. The Division of Finance-General reported a Net surplus of \$847.805m in 2007-08. The net surplus is 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.
- During 2007-08 the Government sold the Hobart International Airport Pty Ltd (a subsidiary of Tasports), the Printing Authority of Tasmania and the Southern Regional Cemetery Trust through competitive bid processes.

DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM

INTRODUCTION

The Department of Economic Development and Tourism (formerly Department of Economic Development) facilitates economic and industry development and 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:

1. *Economic Development*, which encompasses Tasmania Development and Resources (TDR)
2. *Sport and Recreation*
3. *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. These chapters should be read together.

The Department is also responsible for managing the Intelligent Island program.

In my 2006-07 report, I raised a matter regarding financial reporting and governance aspects of TDR and the Department. I noted that TDR did not employ staff in its own right with staff directly employed by the Department. A comment was included in TDR's 2007-08 financial statements to explain the arrangement.

As at 30 June 2008 responsible Ministers were the Minister for Economic Development and Tourism, and the Minister for Sport and Recreation.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements for the Department were received on 15 August 2008, with amended financial statements received on 6 October 2008. An unqualified audit report was issued on 8 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

Over the four years under review, the Department recorded total net surpluses of \$49.526m, with 2007-08 being the only year the Department reported a deficit. Net assets increased by \$24.077m during the same period. Surpluses were primarily the results of a transfer of major assets at no consideration in 2006-07 debt forgiveness from both the State and Commonwealth Governments. The Department continued maintaining a strong financial position, with an average cash balance of \$58.096m.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government					
- recurrent	43 739	60 301	45 439	43 218	43 188
Revenue from government					
- appropriation carried forward	743	1 309	1 100	0	1 300
Revenue from economic and social infrastructure funds	0	17 281	24 283	24 510	25 566
Grants	10 209	262	308	662	523
Interest revenue	1 421	4 023	4 098	4 177	4 156
Sales of goods and services	763	5 697	0	0	0
Gain(loss) on sale of non-financial assets	0	(173)	12	(54)	1 364
Gain on fair value revaluations	0	1 399	(879)	(3 339)	1 118
Other operating revenue	0	7 288	6 532	8 088	6 270
Total Operating Income	56 875	97 387	80 893	77 262	83 485
Employee entitlements	16 859	23 033	18 477	17 688	15 694
Depreciation and amortisation	1 087	1 122	1 049	752	617
Grants and subsidies	34 225	37 379	26 647	21 363	30 036
Borrowing costs	1 428	1 690	1 607	1 766	3 485
Impairment losses	0	(1 135)	(169)	2 442	2 845
Write down of assets	0	287	12	33	2
Advertising and promotion	0	9 094	1 243	0	0
Contracted services	0	6 520	20 728	21 424	12 595
Other operating expenses	12 784	20 989	11 768	13 367	12 895

	2007-08	2007-08	2006-07	2005-06	2004-05
Total Operating Expenses	66 383	98 979	81 362	78 835	78 169
Net Operating Surplus (Deficit) before:	(9 508)	(1 592)	(469)	(1 573)	5 316
Resources received free of charge	0	175	20 124	115	0
Additional appropriation for debt repayment	0	0	0	0	19 865
Commonwealth debt forgiveness	0	0	0	6 065	0
Other debt forgiveness	0	0	0	0	1 500
Net Surplus (Deficit) Attributable to the State	(9 508)	(1 417)	19 655	4 607	26 681

Comment

Over the four years under review, the Department returned a Net Surplus attributable to the State of \$49.526m. This was predominately a result of non-operating revenue such additional appropriation of \$19.865m in 2004-05, debt forgiveness of \$6.060m in 2005-06 and transfer of assets at no consideration of \$20.124m in 2006-07. Operating results are therefore a better measure of the Department's performance. In each of the past three years, the Department reported operating deficits, totalling \$3.634m, which were offset by a surplus of \$5.316m in 2004-05. Government agencies generally operate at a deficit, as no funding is provided for depreciation or increases in employee leave provisions.

The Department's operations are funded predominantly by Parliamentary appropriations and the level of Government funding varies from year to year, depending on the extent of economic and social strategies earmarked for the year.

The Department received \$91.640m for major infrastructure projects over the period under review. This was driven predominantly by funding of the second stage of the gas reticulation project, which ran between 2004-05 and 2006-07. The following table details projects funded by the Government through the Special Capital Investment Fund (SCIF) and administered by the Department over the past four years. Distributions of the funds were included mainly in Contracted services, Grants and subsidies and Advertising and promotion.

Revenue from Economic and Social Infrastructure Funds	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
<i>Economic and Social Infrastructure Fund Program:</i>				
Gas Infrastructure (Stage 2A)	0	16 814	18 407	11 200
Gas Investment Attraction	0	0	72	63
UTAS Menzies Research Institute	6 000	0	0	0
Tourism Promotion Plan	4 759	0	0	0
Tasmanian Hockey Centre	2 250	4 000	0	0
Silverdome	1 776	1 113	68	0
Launceston Aquatic Centre	0	0	4 000	0
Northern Tasmania Sports	0	0	0	8 000
State Gymnastics	1 000	0	0	0
Aurora Stadium – Netball Support	0	1 690	0	0
Domain Tennis Centre	0	0	0	750
Northern Tennis Centre	0	20	0	0
Premier’s Physical Activity Council	0	0	19	146
National Fitness Southern Recreation Association	0	0	0	60
Elphin Sport Centre	0	0	500	0
New Town Oval Lighting	0	0	0	36
AFL - Hawthorn Football Club	787	0	0	0
Workforce Development Fund	0	0	742	258
Partnerships to Jobs Program	662	559	383	540
Industry Assistance Program	108	21	250	125
Trial Harbour Road Upgrade	0	0	0	1 500
Golf Links Development	0	0	0	200
Catamaran Bridge	0	0	0	500
TasColt	0	0	0	2 000
Derwent Valley Railway	0	66	60	0
Circular Head Community Recreation Centre	0	0	0	200
Total	17 342	24 283	24 501	25 578

The following items were considered to have a major impact on operating results throughout the period under review:

- Employee entitlements, which include all employee related expenses (salaries, leave, superannuation etc.) represented on average 22% of total expenditure. Changes in employee expenses between years reflected movements in staff numbers and indexation increases under the State Service Wages Agreement
- Gain on sale of non-financial assets in 2004-05 of \$1.364m was predominantly a result of the sale of the former Antarctic Adventure building in Salamanca Square. This year’s loss of \$0.173m was due to the sale of Maypole Bakery property in Glenorchy

- in June 2006, the State Government purchased the War Service Land Settlement Scheme (WSLS) portfolio from the Commonwealth. A subsequent revaluation of the WSLS portfolio resulted in an impairment loss of \$1.246m in 2005-06. The balance of the Loss on fair valuation that year of \$2.117m related to investment properties discussed later
- Other operating expenses, which comprised mainly of administration type expenditure, increased only marginally during the period under review. The only unusual movement was in the current year and was caused by the additional costs relating to the pulp mill unit of the Department
- Other operating revenue, which comprised rent, one-off grant funding and other fees and recoveries, as detailed in the table below:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Rent on investment properties ¹	970	1 130	606	390
Tasmanian Community Forest Agreement ²	0	0	3 250	0
Other fees and recoveries ³	6 318	5 402	4 232	5 880
Total Other Operating Revenue	7 288	6 532	8 088	6 270

¹ Rent on investment properties was reflective of level of occupancy. Also included was rent relating to the WSLS.

² In 2005-06, the Department received \$3.250m under the Tasmanian Community Forest Agreement for capital upgrades of two sawmills in the State.

³ Other fees and recoveries included fees collected from international students, State Government grants, recoveries from tenants for fit-out costs and similar items.

The Department's operating results are affected by movements 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. While the capital cost of the works and land values are taken into consideration, the main drivers in determining fair values of investment properties are occupancy rates and lease terms. For example, in 2004-05 the occupancy of the Tasmanian Technopark, the largest investment property in the Department's portfolio, was relatively low and as a result its value was impaired by \$2.117m. As occupancy rates improved, so did the value and in the current year the Department recognised a gain on revaluation of its investment properties of \$1.374m.

The variance in the Net Surplus Attributable to the State between the years reported above was due mainly to:

- one-off funding from Government received in 2004-05 for the repayment of borrowings, \$19.865m
- debt forgiveness of \$1.500m in 2004-05
- debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the WSLS portfolio from the Australian Government
- transfer of the Silverdome in Launceston from the Department of Primary Industries and Water (DPIW) in 2006-07. The value of \$20.124m represented

the net assets transferred to the Department at no consideration, following the wind-up of the Tasmanian International Velodrome Management Authority (TIVMA) in March 2007. At the time of the transfer, an independent valuation concluded that the value of the complex itself was \$20.000m. This was \$6.894m higher than the value reported in the DPIW's financial statements.

Tourism Tasmania and Events Tasmania

As mentioned earlier, the Department underwent an administrative restructure in February 2008. The following items were significantly affected by the transfer of Tourism Tasmania and Events Tasmania to the Department:

- recurrent funding increased as a result of funds appropriated to the former Department of Tourism, Arts and the Environment for funding of Tourism Tasmania and Events Tasmania and transferred to the Department
- revenue from economic and social infrastructure funds increased by funding attributed to Tourism Tasmania. In the 2006-07 State Budget, the Government announced a \$16.000m Tourism Promotion Plan in response to the sale of Spirit of Tasmania III. Tourism Tasmania received \$8.518m in the current year. The funding was used to pay for a range of activities, involving promotion, marketing and product and infrastructure development. Distributions of the funding were included in Grants and subsidies as well as Advertising and promotion expenditure
- sales of goods and services, comprising revenue from the sale of travel products through Tasmania's Temptations Holidays (wholesale arm of Tourism Tasmania). Sale proceeds are shown on a net basis, that is, sales less cost of sales, and include contributions from providers towards advertising and promotions
- employee entitlements increased following a transfer of Tourism Tasmania and Events Tasmania staff members (136 FTE's as at 30 June 2008) to the Department.

Budget Variances

The primary reason for budget variances was the administrative restructure and the transfer of Tourism Tasmania and Events Tasmania to the Department. Furthermore, classification differences of some items between budget and financial statements categories caused some variances. For example, budget variances in Revenue from economic and social infrastructure funds and Grants were the result of classification differences. Similarly, variances in some expenditure items such as Grants and subsidies, Contracted services and Other operating expenses were due to actual expenditure being recorded across categories different to budget.

Other significant variances between budget and actual results were:

- interest revenue was above budget due to lower than expected funding being disbursed through the Intelligent Island program, leading to higher balances in the investment account and consequently an increase in interest revenue
- other revenue was above budget due to greater than anticipated revenue being collected from investment and other activities undertaken by the Department
- other items, such as Gain on fair value revaluation or Impairment losses were not budgeted.

INTELLIGENT ISLAND PROGRAM

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

The 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, including a new research centre established in the State and a new grants program that will encourage local ICT companies to develop products and market them globally.

The table below shows the financial status of the program since 2002-03:

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Opening Balance	28 638	31 953	30 984	31 274	33 218	36 993
Interest received	1 659	1 749	1 592	1 686	1 649	1 659
Project grants	8 437	4 452	405	1 801	3 077	4 087
Administration	437	612	218	175	516	1 347
Total Payments	8 874	5 064	623	1 976	3 593	5 434
Cash Closing balance	21 423	28 638	31 953	30 984	31 274	33 218

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	41 096	55 246	55 209	61 630	60 301
Receivables	172	763	925	1 019	315
Loan advances	9 805	5 995	7 585	10 855	13 065
Equity investments	6 136	6 142	6 466	6 336	7 177
Others	907	0	0	0	0
<i>Non-financial Assets</i>					
Property, plant and equipment	11 758	37 740	33 257	11 834	12 386
Investment property	12 331	11 100	11 450	10 331	7 835
Intangibles	196	550	274	348	0
Other non-financial assets	340	3 596	1 560	1 302	2 560
Total Assets	82 741	121 132	116 726	103 655	103 639
<i>Liabilities</i>					
Payables	1 124	4 646	3 065	2 506	1 398
Interest bearing liabilities	16 027	14 024	14 027	21 027	21 671
Provisions	0	1 294	807	1 185	0
Employee entitlements	3 096	5 106	3 229	3 064	2 926
Other liabilities	1 808	2 443	1 793	1 723	8 102
Total Liabilities	22 055	27 513	22 921	29 505	34 097
Net Assets	60 686	93 619	93 805	74 150	69 542
Reserves	0	3 499	647	647	647
Accumulated funds	60 686	90 120	93 158	73 503	68 895
Total Equity	60 686	93 619	93 805	74 150	69 542

Comment

The increase in Net Assets over the four year period under review of \$24.077m was mainly due to the transfer of the Silverdome complex in 2006-07, \$20.000m, and debt forgiveness of \$6.065m in 2005-06, as discussed earlier.

Cash represented the largest component of Total Assets. Cash balances remained fairly stable over the past four years, with the exception of 2006-07 when the Department repaid some of its borrowings. As at 30 June 2008, cash balances comprised Intelligent Island funds of \$21.423m (2006-07, \$28.638m), Tascorp deposits of \$12.654m (\$9.978m), Departmental operating account, \$17.201m (\$16.063m), Tasmania's Temptations' operating account \$3.121m (nil), and other cash \$0.847m (\$0.530m).

One of the forms of assistance provided to industry is the provision of commercial loans and equity investments through TDR. Loans are provided to private sector entities and organisations to assist with the development of approved projects. The balance of Loan advances has been decreasing in recent years due to a number of factors, mainly repayments of a number of loans, write-offs of unrecoverable loans and a decline in new approvals. Favourable economic conditions in past years had an impact on the decline in new approvals, as businesses were able to source financing through commercial lenders.

There are two major groups of equity investments: listed shares and unlisted equity instruments. TDR held shares in Tassal Ltd (in liquidation), First Tasmania Investments Ltd, North West Bay Ships Pty Ltd and SDT Australia Pty Ltd. The fair value of TDR's shareholding at 30 June 2008 was estimated at \$1.939m, compared to the nominal value of \$9.951m. Over \$4.200m of unlisted equity instruments were represented by Screen Tasmania's investments in the film industry. These can take the form of direct production investments or funding towards project developments (other types of assistance, such as grants and subsidies are accounted for as expenses in the Income Statement).

Property, plant and equipment (PP&E) comprised:

- recreational properties, land \$2.600m, buildings \$26.775m
- WSLs properties, \$5.022m
- leasehold improvements, \$1.710m
- general equipment, \$1.633m.

The Silverdome dominated the balance of recreational properties, representing 87% of the 2007-08 balance. The complex underwent a \$2.972m refurbishment in the current year and in June 2008 was valued at \$25.500m. This represented a net increment of \$2.778m on its value of \$20.000m in March 2007.

The value of PP&E was further affected by the restructure, WSLs properties sold during the year, amortisation of leasehold improvements and depreciation charges for other equipment.

The nature of Investment properties and reasons for movements in their values were discussed in the Income Statement section of this Chapter.

Generally, government departments are not permitted to undertake borrowings. However, TDR is permitted to do so under the *Tasmanian Development Act 1983*. TDR borrows money to fund its activities, mainly lending and equity and property investments. Interest bearing liabilities represented more than one half of total liabilities and included fixed short-term (less than one year) and overnight loans. In 2006 07, \$7.000m of the debt was repaid, most of which was funded from loan recoveries of \$5.405m. Since then, the level of borrowings remained fairly constant at around \$14.000m. It is noted that the balance of Interest bearing liabilities does not include a loan from the State Government of \$7.895m, which is a non-repayable advance. However, TDR is required to pay interest on this loan, which totalled \$0.561m in the current year (2007, \$0.496m) and was included in Borrowing costs.

Other significant movements in assets and liabilities were:

- the decrease in Other liabilities in 2005-06 due to the reduction of the Department's liability in relation to the WSLs portfolio acquired from the Commonwealth. The Department repaid \$1.496m and the balance of \$6.065m was forgiven by the Commonwealth in accordance with a negotiated agreement transferring ownership of the Scheme to the State
- recognition of operating lease make good provisions for the first time in 2005-06, relating to offices leased by the Department. The provision is reviewed annually. The increase in the current year was a result of the Department recognising additional provision in relation to offices leased by Tourism Tasmania and Events Tasmania
- increases in Other non-financial assets, Payable and Other liabilities in the current year were attributed mainly to Tourism Tasmania. Tourism Tasmania provides services on a fee for service basis to tourism providers. This includes taking bookings and facilitating payments for accommodation and travel. Consequently, at balance date Tourism Tasmania:
 - held prepayments for bookings made by Tasmania's Temptations, which were recorded as Other non-financial assets
 - incurred Payables for purchased accommodation and travel products
 - carried revenue in advance for bookings taken by Tasmania's Temptations as Other liabilities.

Budget Variances

The primary reason for budget variances was the administrative restructure and the transfer of Tourism Tasmania and Events Tasmania to the Department. Other significant variances between budget and actual balances were:

- decrease in Loan advances as a result of unanticipated repayments, which also caused the unbudgeted increase in Cash and deposits
- increase in PP&E predominantly caused by the transfer of the Silverdome, which was not included in the original budget estimates. Similarly, the budget did not provide for revaluation increments, which also impacted on the variance in Reserves
- variance in Investment property caused by unbudgeted revaluation increments, partly offset by the sale of the Maypole Bakery property.

Commitments

Commitments are not recognised on an entity's balance sheet. In the case of the Department, they are however a significant item 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, \$15.890m (2006-07, \$0.900m) and assistance to industry commitments, \$10.847m (\$20.250m). The increase in loan commitments was due to some large loans approved towards the end of 2007-08. 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. The Department's assistance to industry commitments reduced primarily due to completion of major capital projects, including the gas roll-out.

Lease commitments, which represented rental costs for leased premises occupied by the Department, office equipment and motor vehicles were estimated to be \$9.954m at the end of the current year (2006-07, \$7.856m). Capital commitments were \$3.040m (\$2.639m).

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government					
- recurrent	43 739	61 240	46 748	43 218	43 188
Receipts from economic and social infrastructure funds	0	17 281	24 283	24 510	25 566
Grants	10 209	262	1 613	1 991	4 000
GST receipts	6 500	5 013	3 888	6 125	7 751
Interest received	1 421	4 094	4 055	3 797	4 243
Sales of goods and services	0	6 571	0	0	0
Other cash receipts	768	2 306	4 731	6 226	2 641
Payments to employees	(16 829)	(23 040)	(18 295)	(17 527)	(15 214)
Grants and subsidies	(34 125)	(37 999)	(26 626)	(21 356)	(30 037)
Interest payments	(1 478)	(1 747)	(1 610)	(1 472)	(4 303)
GST payments	(6 500)	(6 023)	(4 493)	(4 911)	(8 961)
Other cash payments	(13 539)	(29 461)	(33 473)	(34 756)	(26 246)
Cash from (used in) operations	(9 834)	(1 503)	821	5 845	2 628
Proceeds from disposal of assets	0	2 050	84	234	2 548
Repayment of loans by other entities	450	4 814	5 405	3 097	6 070
Receipts from government - capital	0	0	0	1 100	0
Receipts from investments	0	569	0	0	0
Net changes from trust activities		(540)	1 192	199	0
Loans made to other entities	0	(2 060)	(1 518)	(2 201)	(1 017)
Payments for acquisition of assets	(150)	(2 516)	(4 820)	(4 704)	(1 665)

	2007-08	2007-08	2006-07	2005-06	2004-05
Payments for investments	(50)	(533)	(585)	(200)	(268)
Cash from (used in) investing activities	250	1 784	(242)	(2 475)	5 668
Additional appropriation for debt repayment			0	0	19 865
Proceeds from borrowings	0	25 000	24 000	30 000	43 144
Repayment of borrowings	(1 000)	(25 003)	(31 000)	(32 041)	(68 133)
Cash (used in) financing activities	(1 000)	(3)	(7 000)	(2 041)	(5 124)
Net increase (decrease) in cash	(10 584)	278	(6 421)	1 329	3 172
Cash at the beginning of the year	51 680	55 209	61 630	60 301	57 129
Cash inflow on administrative restructure	0	(241)	0	0	0
Cash at end of the year	41 096	55 487	55 209	61 630	60 301

Comment

Variations in cash flow amounts and cash balances reflected the comments made in previous sections of this Chapter. The 2007-08 cash flow was significantly affected by the transfer of Tourism Tasmania and Events Tasmania to the Department.

Apart from the impact of the restructure, the main movements were:

- completion of the gas roll-out project, which resulted in a decrease in both Receipts from SCIF and Other cash payments between the current period and previous three years
- contribution towards the redevelopment of the Menzies Research Institute of \$6.000m reflected in Receipts from SCIF and the increase in payments for Grants and subsidies
- cash from investing activities included proceeds from the sale of the former Antarctic Adventure building of \$2.341m in 2004-05 and the Maypole Bakery property of \$1.630m in the current year
- redevelopment costs of the Tasmanian Technopark included in Payments for acquisition of non-financial assets between 2004-05 and 2006-07
- movements in financing cashflow reflected the short term nature of the Department's borrowings and the repayment of debt in 2006-07. In 2004-05, the Department received additional funding of \$19.865m for the repayment of debt.

As at 30 June 2008, cash balances comprised Intelligent Island funds of \$21.423m (2006-07, \$28.638m), Tascorp deposits of \$12.654m (\$9.978m), Departmental operating account, \$17.201m (\$16.063m), Tasmania's Temptations' operating account \$3.121m (nil), and other cash \$0.847m (\$0.530m).

Budget Variances

The primary reason for budget variances was the administrative restructure and the transfer of Tourism Tasmania and Events Tasmania to the Department. Furthermore, classification differences of some items between budget and financial statement categories caused some of the variances. For example, budget variances in Revenue from economic and social infrastructure funds and Grants were the result of classification differences.

Significant variances between budget and actual results were:

- interest received was above budget due to lower than expected funding being distributed through the Intelligent Island program, leading to higher balances in the investment account and consequently an increase in interest revenue
- other cash receipts were above budget due to greater than anticipated revenue being collected from investment and other activities undertaken by the Department
- variance in Investing activities due to unanticipated and unbudgeted events, which took place during the year such as sale of the Maypole Bakery or loan repayments from borrowers
- proceeds and repayments of borrowings reflected the maturity and subsequent roll-over of borrowings held by the Department.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(3 839)	253	4 241	7 045
Operating margin	>1.0	0.96	1.00	1.06	1.09
Underlying result ratio		(4%)	0%	5%	9%
Own source revenue		16 835	10 642	12 211	11 790
Financial Management					
Debt collection	30 days	21	36	49	16
Creditor turnover	30 days	10	0	5	0
Other Information					
Self-sufficiency % Government funding %		17	13	16	16
Average staff numbers (FTEs)		322	236	222	211
Average staff costs (\$'000s)		72	78	80	74
Average leave balance per FTE (\$'000s)		15	13	13	14

Comment

Government departments are generally expected to operate at a small loss or break-even. This is reflected in the Operating margin ratio, which is close to benchmark in each of the years under review and the Underlying results ratio. In each of the last three years under review, the Underlying results ratio was very close to a break-even position, indicating the inability of the Department to generate significant operating surpluses. The only exception was 2004-05, when the Department achieved an operating surplus.

Sales revenue generated by Tourism Tasmania through Tasmania's Temptations, recognised for the first time in 2007-08 following the restructure, resulted in the significant increase of Own source revenue.

The Debt collection ratio was slightly above the 30 day bench mark. The unusually high levels in 2005-06 and 2006-07 were due to fit-out costs recoverable by the Department from its Technopark tenants.

The Creditor turnover ratio remained low and well below the 30 day bench mark, as the Department paid its creditors on receipt of invoices, instead of according to individual credit terms.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. The ratio on average was 15%. Sales revenues generated by Tourism Tasmania through Tasmania's Temptations impacted on this year's percentage. The unusually high level in 2004-05 was due to the profit made on the sale of the former Antarctic Adventure building. 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.

The restructure of the Department impacted on the Average staff numbers, which increased by 86 FTEs. This year's Average staff costs are 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 are not shown in the Department's Income Statement, Balance Sheet or Cash Flow Statement.

Administered Income and Expenses

	2007-08	2007-08	2006-07
	Budget	Actual	Actual
	\$'000	\$'000	\$'000
Revenue from government - recurrent	1 755	2 005	2 390
Total Revenue	1 755	2 005	2 390
Grants and subsidies	1 755	2 005	2 390
Total Operating Expenses	1 755	2 005	2 390
Net Surplus (Deficit)			
Attributable to the State	0	0	0

Administered Assets and Liabilities

The Department did not hold any administered assets or liabilities.

Administered Cash Flow

	2007-08	2007-08	2006-07
	Budget	Actual	Actual
	\$'000	\$'000	\$'000
Receipts from government - recurrent	1 755	2 005	2 390
Cash infows	1 755	2 005	2 390
Grants and subsidies	(1 755)	(2 005)	(2 390)
Cash outflows	(1 755)	(2 005)	(2 390)
Net increase (decrease) in cash	0	0	0
Cash at the beginning of the year	0	0	0
Cash at the end of the year	0	0	0

Comment

Grants and subsidies paid in the current year were:

- Sullivan's Cove Waterfront Authority \$1.755m (2006-07, \$2.390m)
- Tasmanian Icons Program \$0.250m (2006-07, nil)

The increase in actual to budget was a result of the transfer of the Tasmanian Icon Program to the Department following the restructure discussed earlier.

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 had 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 2008 the responsible Minister was the Minister for Economic Development, and tourism.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements for TDR were received on 15 August 2008, with amended financial statements received on 6 October 2008. An unqualified audit report was issued on 8 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

In 2007-08 TDR recorded a Net surplus of \$3.417m, which was an improvement on the last year's surplus of \$0.808m. As a result, Net assets increased from \$38.329m in 2006-07 to \$41.746m. There was an increase in cash balances of \$4.186m to \$29.538m, while borrowings remained at the same level as last year (\$14.024m). The favourable operating results also had a positive impact on this year's operating margin. Completion of the gas-rollout project resulted in a considerable reduction in revenue and corresponding expenses.

INCOME STATEMENT

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	41 781	37 092	36 588	39 809
Revenue from economic and social infrastructure funds	6 771	17 461	19 920	16 389
Grants	0	27	199	1 790
Interest revenue	2 377	2 332	2 466	2 473
Other operating revenue	3 562	3 542	5 777	2 526
Total Operating Income	54 491	60 454	64 950	62 987
Employee entitlements	15 712	15 167	14 679	13 036
Depreciation and amortisation	571	771	630	535
Grants and subsidies	17 760	10 077	11 652	16 738
Borrowing costs	1 718	1 607	1 766	3 485
Impairment losses	(852)	(160)	2 442	2 838
Contracted services	2 553	19 476	21 166	12 387
Other operating expenses	14 893	11 854	11 596	12 377
Total Operating Expenses	52 355	58 792	63 931	61 396
Net Operating Surplus(Deficit) before:	2 136	1 662	1 019	1 591
Gain on fair value revaluations	1 350	0	0	1 147
Gain(loss) on sale of non-financial assets	(169)	(18)	(67)	1 371
Resources received free of charge	100	0	115	0
Loss on fair value revaluations	0	(836)	(3 363)	0
Write down of assets	0	0	(34)	(2)
Additional Government revenue for debt repayment	0	0	0	19 865
Commonwealth debt forgiveness	0	0	6 065	0
Other debt forgiveness	0	0	0	1 500
Net Surplus	3 417	808	3 735	25 472

Comment

TDR's operations are funded predominantly from the Department's appropriation. The level of Government funding varies from year to year, depending on the extent of economic and social strategies earmarked for the year. Generally, no funding is provided for depreciation and amortisation expenses or increases in employee leave provisions.

TDR's operating results are to a certain degree affected by movements in the fair value of its 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. While the capital cost of the works and land values are taken into consideration, the main drivers in determining fair values of investment properties are occupancy rates and lease terms. For example, in 2005-06 the occupancy of the Tasmanian Technopark, the largest investment property in TDR's portfolio, was relatively low and as a result its value was impaired by \$2.117m. As the occupancy rates improved, so did the value and in the current year, TDR recognised a gain on revaluation of its investment properties of \$1.350m.

Funding for major infrastructure projects is provided through the Economic and Social Infrastructure Fund (ESIF) administered by The Department of Treasury and Finance. In 2003, the Government committed \$46.400m towards the second stage of the gas reticulation project, which involved a wider rollout to small commercial and residential customers. The second stage was administered by TDR and represented the majority of its Revenue from ESIF for the next three years: \$11.200m in 2004-05, \$18.407m in 2005-06 and \$16.814m in 2006-07. Distribution of the roll-out funds was included within Contracted services.

ESIF funding in the current year comprised mainly of \$6.000m provided for the redevelopment of the University of Tasmania's Menzies Research Institute. Distribution of the funding was included within Grants and subsidies.

As mentioned earlier, TDR provides assistance to industry. Around \$11.000m is spent each year on a range of programs, which are driven by the Government's efforts to promote growth and maximise investment in Tasmania as well as election commitments. In addition to funding the core programs, other major Government contributions included:

- redevelopment of the Menzies Research Institute in 2007-08, \$6.000m, noted previously
- special funding of \$1.500m provided towards an upgrade of the Trial Harbour Road between Zeehan and the Avebury Nickel Mine in 2004-05
- the establishment of the Tascolt ultra broadband project in 2004-05, \$3.000m.

Apart from Contracted services and Grant and subsidies, operating results were mainly affected by employee costs. Attributed employee entitlements, which included all employee related expenses (salaries, leave, superannuation etc.) represented on average one quarter of total expenditure. (It is noted that the Authority does not employ staff in its own right and instead, staff are employed by the Department.)

The following items were considered to have a major impact on operating results in the past four years:

- Gain on sale of non-financial assets in 2004-05 of \$1.371m was predominantly a result of the sale of the former Antarctic Adventure building in Salamanca Square. This year's loss of \$0.169m was due to the sale of Maypole Bakery property in Glenorchy
- in June 2006, the State Government purchased the War Service Land Settlement Scheme (WSLS) portfolio from the Commonwealth. A subsequent revaluation of the WSLS portfolio resulted in an impairment loss of \$1.246m in 2005-06. The balance of the Loss on fair valuation of \$2.117m related to investment properties discussed earlier
- other operating expenses, comprised mainly of administration type expenditure, increased only marginally during the period under review. The only unusual movement was in the current year and was caused by additional costs of the pulp mill unit of TDR
- other operating revenue, which comprised rent, one-off grant funding and other fees and recoveries, as detailed in the table below:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Rent on investment properties ¹	962	955	606	390
Tasmanian Community Forest Agreement ²	0	0	3 250	0
Other fees and recoveries ³	2 600	2 587	1 921	2 136
Total Other Operating Revenue	3 562	3 542	5 777	2 526

¹ Rent on investment properties was reflective of level of occupancy. Also included was rent relating to the WSLS.

² In 2005-06, the Authority received \$3.250m under the Tasmanian Community Forest Agreement for capital upgrades of two sawmills in the State.

³ Other fees and recoveries included fees collected from international students and recoveries from tenants for fit-out costs and similar items.

The variance in the Net Surplus Attributable to the State between the years reported above was due mainly to:

- one-off funding from Government received in 2004-05 for the repayment of borrowings, \$19.865m
- debt forgiveness of \$1.500m in 2004-05
- debt forgiveness of \$6.065m in 2005-06 relating to the purchase of the WSLS portfolio from the Australian Government.

BALANCE SHEET

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	29 538	25 352	29 676	29 808
Receivables	400	676	817	262
Loan advances	5 655	7 245	10 524	12 734
Equity investments	6 142	6 466	6 336	7 177
<i>Non-financial Assets</i>				
Property, plant and equipment	7 098	7 600	8 358	9 208
Investment property	11 100	11 450	10 331	7 835
Intangibles	200	274	348	0
Other non-financial assets	2 945	1 552	1 281	2 234
Total Assets	63 078	60 615	67 671	69 258
<i>Liabilities</i>				
Payables	2 732	2 951	4 618	3 268
Interest bearing liabilities	14 024	14 027	21 027	21 671
Provisions	1 001	906	1 358	0
Attributed employee entitlements	2 708	2 649	2 557	2 462
Other liabilities	867	1 753	590	8 072
Total Liabilities	21 332	22 286	30 150	35 473
Net Assets	41 746	38 329	37 521	33 785
Reserves	647	647	647	647
Accumulated funds	41 099	37 682	36 874	33 138
Total Equity	41 746	38 329	37 521	33 785

Comment

During the period under review, Net Assets and Total Equity increased by \$7.961m due to surpluses earned in the period 2005-06 to 2007-08.

Cash represented the largest component of Net Assets. The cash balance remained fairly stable over the four years, with the exception of 2006-07 when TDR repaid some of its borrowings. The majority of cash was represented by funds held in an operating account with Treasury. The remainder of cash was invested with Tascorp. In the current year, the amount held in Tascorp increased by \$2.676m to \$12.654m.

One of the forms of assistance provided by TDR to industry is the provision of commercial loans and equity investments. Loans are provided to private sector entities and organisations to assist with the development of approved projects. The balance of Loan advances decreased in recent years due to a number of factors, mainly repayments of a number of loans, write-offs of unrecoverable loans and a decline in new approvals. Favourable economic conditions in recent years had an impact on the decline in new approvals, as businesses were able to source financing through commercial lenders.

There are two major groups of equity investments: listed shares and unlisted equity instruments. TDR held shares in Tassal Ltd (in liquidation), First Tasmania Investments Ltd, North West Bay Ships Pty Ltd and SDT Australia Pty Ltd. The fair value of TDR's shareholding was estimated at \$1.939m, compared to the nominal value of \$9.951m. Over \$4.200m of unlisted equity instruments was represented by Screen Tasmania's investments in the film industry. These can take the form of direct production investments or funding towards project developments (other types of assistance, such as grants and subsidies are accounted for as expenses in the Income Statement).

Property, plant and equipment (PP&E) comprised of the WSLs properties, \$5.022m, leasehold improvements, \$1.560m, and general equipment, \$0.516m. The value of PP&E was mainly affected by WSLs properties sold during the year, amortisation of leasehold improvements and depreciation charges for other equipment. Intangible assets were represented by the value of a Client Relationship Management System, put into operation in 2005-06 and amortised annually.

The nature of Investment properties and reasons for movements in their values were previously discussed in the Income Statement section of this Chapter.

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. Interest bearing liabilities represented more than one half of total liabilities and comprised fixed short-term (less than one year) and overnight loans. In 2006 07, some of the debt was repaid to the extent of \$7.000m, most of which was funded from loan recoveries of \$5.405m. Since then, the level of borrowings remained fairly constant at around \$14.000m. It is noted that the balance of Interest bearing liabilities does not include a loan from the State Government of \$7.895m, which is a non-repayable advance. However, TDR is required to pay interest on this loan, which totalled \$0.561m in the current year (2006-07, \$0.496m) and was included in Borrowing costs and funded by appropriation.

Included in the Other liabilities balance was the WSLs that had been established following World War II returning soldiers. This scheme was used to develop farms on land that was deemed to be suitable for agriculture and was later sold to the States. The balance of TDR's liability in relation the WSLs portfolio was \$7.482m in 2004 05, of which \$1.496m was repaid the following year, with the balance of \$6.060m forgiven by the Commonwealth in accordance with a negotiated agreement transferring ownership of the Scheme to TDR.

Provisions decreased by \$0.379m in 2006-07 mainly due to the recalculation of costs associated with make-good requirements on office leases.

Commitments

Commitments are not recognised on an entity's balance sheet nor are they required to be. In the case of TDR, they are however a significant item representing future outgoings to be funded from Government revenue.

The majority of TDR's commitments related to loans approved but not drawn down by clients of \$15.890m (2006-07, \$0.900m) and assistance to industry commitments of \$8.338m (\$15.200m). 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. TDR's assistance to industry commitments reduced from \$39.188m in 2005-06, primarily due to lower

commitments in regards to call centre support assistance and completion of major capital projects, including the gas roll-out. The increase in loan commitments was due to some large loans approved towards the end of 2007-08.

Lease commitments, which represented rental costs for leased premises occupied by TDR, office equipment and motor vehicles were estimated to be \$6.048m at the end of the current year (2006-07, \$7.095m).

CASH POSITION

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Attributed receipts from government - recurrent	41 047	40 791	36 715	38 509
Receipts from economic and social infrastructure funds	6 771	17 461	19 920	16 389
Grants	0	32	201	1 790
GST receipts	356	3 888	6 125	7 751
Interest received	2 433	2 305	2 205	2 557
Other cash receipts	3 352	3 091	5 308	2 369
Attributed payments to employees	(15 538)	(15 061)	(14 559)	(13 416)
Grants and subsidies	(16 507)	(12 442)	(11 656)	(16 734)
Interest payments	(1 767)	(1 610)	(1 472)	(4 303)
GST payments	(3 642)	(4 475)	(4 911)	(8 961)
Other cash payments	(16 276)	(31 057)	(32 889)	(24 691)
Cash from operations	229	2 923	4 987	1 260
Proceeds from investments and disposal of assets	2 609	34	207	2 548
Repayment of loan advances	4 814	5 405	3 097	6 328
Net changes from trust activities	(540)	(1 144)	653	0
Loans advanced	(2 060)	(1 518)	(2 201)	(752)
Payments for acquisition of non-financial assets	(330)	(2 439)	(4 634)	(1 206)
Payments for investments	(533)	(585)	(200)	(268)
Cash from (used in) investing activities	3 960	(247)	(3 078)	6 650
Additional Government revenue for debt repayment	0	0	0	19 865
Proceeds from borrowings	25 000	24 000	30 000	43 144
Repayment of borrowings	(25 003)	(31 000)	(32 041)	(68 133)
Cash (used in) financing activities	(3)	(7 000)	(2 041)	(5 124)
Net increase/(decrease) in cash	4 186	(4 324)	(132)	2 786
Cash at the beginning of the year	25 352	29 676	29 808	27 022
Cash at end of the year	29 538	25 352	29 676	29 808

Comment

Variations in cash flow amounts and cash balances reflect the comments made in previous sections of this Chapter. This year's surplus contributed to the favourable cash inflow and the increase in the balance of cash held at the end of the year. The main movements were:

- completion of the gas roll-out project, which resulted in a decrease in both Receipts from ESIF and Other cash payments between the current period and the previous three years
- contribution towards the redevelopment of the Menzies Research Institute of \$6.000m was reflected in Receipts from ESIF and the increase in payments for Grants and subsidies
- Cash from investing activities included proceeds from the sale of the former Antarctic Adventure building of \$2.341m in 2004-05 and the Maypole Bakery property of \$1.630m in the current year
- redevelopment costs of the Tasmanian Technopark were included in Payments for acquisition of non-financial assets between 2004-05 and 2006-07
- movements in financing cash flows reflected the short term nature of TDR's borrowings and the repayment of debt in 2006-07. In 2004-05, TDR received additional funding of \$19.865m for the repayment of debt.

FINANCIAL ANALYSIS

		Bench	2007-08	2006-07	2005-06	2004-05
		Mark				
Financial Performance						
Result from operations (\$'000s)			1 115	1 484	3 394	5 800
Operating margin	>1.0		1.02	1.03	1.06	1.10
Underlying result ratio			2%	2%	5%	9%
Own source revenue ('000s)			5 770	5 856	4 926	6 370
Financial Management						
Debt collection	30 days		29	50	95	28
Creditor turnover	30 days		0	0	7	3
Other Information						
Self-sufficiency %			19	20	24	20
Government funding %			108	102	96	108
Average staff numbers (FTEs)			199	195	186	180
Average staff costs (\$'000s)			79	78	79	72
Average leave balance per FTE (\$'000s)			12	13	13	13

Comment

Result from operations represents general operating revenue and expenses, excluding revenue received in the forgiveness of debt. Each year, the Operating margin was slightly above the bench mark, reflecting positive operating results. The Underlying result ratio mirrored movements in both Operating results and Operating margin. Own source revenue moved only marginally between the years under review, The Financial Performance indicators show that TDR operated at a surplus each year. Furthermore, the analysis suggests that TDR's overall results are greatly affected by non-operating transactions, such as movement in fair-value of its investment properties and debt forgiveness.

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

Creditor turnover ratio remained low and well below the 30 day bench mark, as TDR paid its creditors on receipt of invoices, instead of according to individual credit terms.

The Self-sufficiency ratio shows the level of independent funding that TDR generated for use in achievement of its objectives. The ratio remained steady at around 20%. 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 either the Average staff costs or Average leave balance, which remained fairly constant over the four-year period.

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 the 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 the recommendation of the Portfolio Minister.

The Authority's vision is for Tasmania to be a world leader in sustainable tourism. Its primary goal 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 of Economic Development and Tourism which reports aggregated financial performance. However, due to the restructure in February 2008 its financial results prior to March 2008 were reported in the new Department of Environment, Heritage and the Arts. Despite these administrative arrangements, the Authority's own financial performance is separately reported for the full 12 months and forms the basis for this Chapter.

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.

As at 30 June 2008 the Responsible Minister was the Minister for Economic Development and Tourism.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on the 15 August 2008. An unqualified audit report was issued on 8 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

Over the period under review, the Authority recorded a total surplus of \$1.000m, with 2007-08 being the only year it reported a deficit. The Authority received over \$13.000m of additional funding over the past two years as part of the Tourism Promotion Plan, announced in the 2006-07 Budget. The funding allowed for a range of marketing and development activities as reflected in the increased spending on advertising and grants. During the four year period under review, total equity improved by \$0.976m due to operating surpluses. However, the Authority had a negative equity balance in three of the four years under review.

Normally negative equity would raise questions regarding "going concern" but in view of its capacity of being publicly owned, this should not be an issue although the Board needs to take steps to ensure that it operates within its funding.

INCOME STATEMENT

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Attributed revenue from government - recurrent	24 840	24 462	23 141	22 768
Revenue from Special Capital Investment Funds	8 518	4 597	0	2 497
Grants	0	164	53	151
Sales of goods and services	4 611	6 347	6 707	8 700
Gain on sale of assets	0	5	0	1
Other operating revenue	28	310	156	142
Total Operating Income	37 997	35 885	30 057	34 259
Attributed employee entitlements	9 241	9 414	10 200	10 470
Depreciation and amortisation	186	253	71	120
Grants and subsidies	5 175	2 616	1 693	3 749
Borrowing costs	20	0	0	0
Impairment losses	6	0	0	0
Advertising and promotion	18 795	16 683	11 159	12 109
Other expenses	5 423	5 386	6 642	7 787
Total Operating Expenses	38 846	34 352	29 765	34 235
Net Surplus/(Deficit)	(849)	1 533	292	24

Comment

Over the period under review, the Authority has recorded a total surplus of \$1.000m, with 2007-08 the only year it reported a deficit.

The Authority's operations are predominantly funded via departmental recurrent funding and from SCIF. The increase in recurrent funding of 9.1% over the past four years was mainly due to annual indexation arrangements. SCIF funding fluctuates from year to year and depends on the extent of major projects committed to and planned

for the year. In the 2006-07 State Budget, the Government announced a \$16.000m Tourism Promotion Plan in response to the sale of *Spirit of Tasmania III*. Funding was provided from SCIF and the Authority received \$4.597m in 2006-07 and \$8.518m in the current year. The funding was used to pay for a range of activities, involving promotion, marketing and product and infrastructure development. Distributions of the funding were included in Grants and subsidies as well as Advertising and promotion expenditure. SCIF funding of \$2.497m received in 2004-05 was predominantly to run a TT-Line marketing campaign.

Another source of revenue, independent of the departmental attributions, is revenue from the sale of travel products through Tasmania's Temptations Holidays, which is the Authority's wholesale arm. The increased use of the internet to research, plan and book travel presents challenges to traditional communication and distribution channels such as brochures and travel agents. As a result, revenue from travel sales through Tasmania's Temptations dropped by almost one half over the past four years, as shown in the table below:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Travel sales	19 451	29 423	36 041	41 704
less Cost of sales	16 263	24 283	29 870	34 215
Surplus before:	3 188	5 140	6 171	7 489
Advertising & User Charges	1 423	1 207	536	1 211
Net Surplus	4 611	6 347	6 707	8 700

Attributed employee entitlements decreased by \$1.229m (or 11.7%) over the period, primarily due to the closure of the Retail Travel Centres in Melbourne and Sydney during 2006-07. (It is noted that the Authority does not employ staff in its own right and instead, staff are employed by the Department)

Since 2004-05, the Authority paid grants and subsidies totalling \$13.233m. Payments were made for programs including regional tourism and convention program support, sponsorships and other tourism development assistance.

Advertising and promotion are the Authority's largest expenditure items, with \$58.746m expended over the four years under review. This expenditure related principally to the continuation of existing marketing campaigns as well as additional advertising and promotion funded under the Tourism Promotion Plan.

Other expenses, which included items such as communication and information technology costs, leasing and property rental, travel and employee on costs, totalled \$25.238m over the four years but decreased each financial year.

BALANCE SHEET

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash and deposits	3 219	3 740	3 669	3 726
Receivables	94	249	139	367
<i>Non-financial Assets</i>				
Property, plant and equipment	169	170	222	59
Intangibles	351	444	276	0
Other non-financial assets	731	1 028	743	739
Total Assets	4 564	5 631	5 049	4 891
<i>Liabilities</i>				
Payables	1 331	1 185	1 778	1 903
Attributed employee entitlements	1 778	1 903	2 201	2 303
Provisions	453	326	0	0
Other liabilities	1 472	1 838	2 224	2 131
Total Liabilities	5 034	5 252	6 203	6 337
Net Assets (Liabilities)	(470)	379	(1 154)	(1 446)
Accumulated funds (deficits)	(470)	379	(1 154)	(1 446)
Total Equity	(470)	379	(1 154)	(1 446)

Comment

During the four year period under review, Total Equity improved by \$0.976m due to Operating surpluses. However, the Authority had a negative equity balance in three of the four years under review.

Normally negative equity would raise questions regarding "going concern" but in view of its capacity as being publically owned, this should not be an issue although the Board needs to take steps to ensure that it operates within its funding.

The Authority's major asset was Cash and deposits, which represented money held in Tourism Tasmania's trading account. The amount of cash decreased over the period and is further examined in the Cash Position section of this Chapter.

As noted previously, the Authority provides services on a fee for service basis to tourism providers. This includes taking bookings and facilitating payments for accommodation and travel. Consequently, at balance date the Authority:

- held prepayments for bookings made by Tasmania's Temptations, which were recorded as Other non-financial assets
- incurred Payables for purchased accommodation and travel products
- carried revenue in advance for bookings taken by Tasmania's Temptations as Other liabilities.

The timing of bookings and payments for accommodation and travel to providers and by clients will cause fluctuations in the above balances. Furthermore, the overall decrease in the above items was caused by the declining sales through Tasmania's Temptations.

Attributed employee entitlements represent approximately 35% of total liabilities, the single largest liability item on the Balance Sheet. The value of these entitlements decreased over the period, reflecting the decrease in staff numbers arising from the closure of the Retail Travel Centres in Melbourne and Sydney on 2006-07.

The Provisions balance represented make good provisions on operating leases relating to rental office properties used by the Authority. The provisions were recognised following this year's restructure and the Authority's move to the Department.

CASH POSITION

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Attributed receipts from government - recurrent	25 090	24 512	23 141	22 768
Receipts from special capital investment funds	8 518	4 597	0	2 497
Grants	0	164	130	75
Sale of goods and services	4 150	5 979	6 659	7 985
Other cash receipts	28	306	156	218
Attributed employee entitlements	(9 366)	(9 708)	(10 302)	(11 014)
Other cash payments	(28 842)	(25 559)	(19 331)	(23 743)
Cash from (used in) operations	(422)	291	453	(1 214)
Proceeds from disposal of assets	0	5	0	1
Payments for acquisition of assets	(99)	(225)	(510)	0
Cash from (used in) investing activities	(99)	(220)	(510)	1
Net increase (decrease) in cash	(521)	71	(57)	(1 213)
Cash at the beginning of the year	3 740	3 669	3 726	4 939
Cash at end of the year	3 219	3 740	3 669	3 726

Comment

As the Authority is reliant on recurrent grant funding, it does not generate strong operating cash flows. It recorded a decrease in cash over the period under review of \$1.720m which resulted from a negative cash from operations of \$0.892m and cash used in investing activities of \$0.828m.

As noted previously, major cash inflows from operating activities included receipts from government – recurrent of \$95.511m and special capital investment funds of \$15.612m. In addition, the Sale of goods and services provided \$24.773m in cash inflows. However, declining Tasmania’s Temptations’ sales resulted in sales receipts decreasing by \$3.835m (or 48%) over the four year period.

Cash outflows included \$40.390m for Attributed employee entitlements over the period and \$97.475m in Other cash payments, which primarily included grants and subsidies and advertising and promotion expenditure.

Payments for acquisition of assets included \$0.834m for the development of the Tourism Tasmania and Discover Tasmania websites, including the necessary infrastructure.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)	(	849)	1 533	292	24
Operating margin	>1.0	0.98	1.04	1.01	1.00
Underlying result ratio	(	2%)	4%	1%	0%
Own source revenue (\$'000s)		4 639	6 826	6 916	8 994
Financial Management					
Debt collection	30 days	7	14	6	15
Creditor turnover	30 days	15	19	35	32
Other Information					
Self-sufficiency %		12	19	23	26
Government funding %		86	85	78	74
Average staff numbers (FTEs)		130	149	181	186
Average staff costs (\$'000s)		71	63	57	56
Average leave balance per FTE (\$'000s)		14	13	12	12

Comment

The Operating margin ratio was close to benchmark in each of the years under review. In each of the years under review, the Underlying results ratio was very close to a break-even position, indicating the inability of the Authority to generate significant operating surpluses.

Own source revenue represented revenue generated by the Authority through its own operations, excluding any external funding from the Government, contributed assets and revaluation adjustments. The majority of the Authority’s Own source revenue was generated from the sale of accommodation and travel products through Tasmania’s Temptations. As noted previously, revenue from sales declined and this is illustrated by Own source revenue decreasing from 26.3% of total revenue in 2004-05 to 12.2% of total revenue in 2007-08.

The decline in the Authority's ability to generate revenue is further illustrated in the Self-sufficiency ratio, which indicates the level of independent funding generated against total operating expenditure.

Both Debt collection and Creditor turnover ratios indicated that revenue was collected and liabilities paid within generally accepted terms.

The Authority recorded a relatively high Government funding ratio in each of the years. The ratio indicates the strong reliance of the Authority on funding from the Government.

The decrease in the Average staff numbers in 2006-07 reflected the closure of interstate retail sales centres. However, the average number of staff does not reflect the increasing use of casual staff during the peak tourist season. Casual staff employed during the year but not included in the count of employees at year end skewed Average staff costs.

DEPARTMENT OF EDUCATION

INTRODUCTION

The Department of Education was formed on 18 September 1998 as a result of the *Administrative Arrangements Order (No 2) 1998*. The Department's areas of responsibility during 2007-08 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 funding received from the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

The responsible Minister is the Minister for Education and Skills.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008. The statements were re-signed on 10 October 2008. An unqualified audit report was issued on 15 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

Because the Department is not funded for depreciation and increases in employee entitlements, it incurs operating deficits prior to bringing to account capital funding. Therefore, as expected, a deficit was incurred in 2007-08. The deficit amounted to \$24.732m, was better than the budgeted deficit of \$49.586m.

The Department's Equity increased by \$138.907m over the period of review primarily due to revaluations of land, buildings and heritage assets. At 30 June 2008, Equity totalled \$883.632m which was \$81.862m greater than budget due mainly to under budgeting for revalued assets and under budgeting for cash holdings.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	751 504	759 702	720 490	694 896	648 055
User charges, fees, fines and other revenue	32 924	42 195	42 536	34 426	31 961
Revenue from Special Capital Investment Funds	0	0	6 209	10 764	30 350
Interest revenue	1 590	2 847	2 325	1 755	1 859
Australian Government grants	1 459	5 113	3 300	4 477	7 796
School levies	8 816	8 816	9 180	8 992	8 474
Total Operating Income	796 293	818 673	784 040	755 310	728 495
Employee entitlements	539 256	531 919	509 651	499 423	461 103
Depreciation and amortisation	26 566	31 204	28 629	26 849	25 417
Grants and subsidies	101 465	99 202	93 276	86 927	82 786
Loss on sale of non-financial assets	0	(116)	0	0	48
Supplies, consumables and other expenses	175 592	181 196	169 783	183 737	171 617
Total Operating Expenses	842 879	843 405	801 339	796 936	740 971
Net Operating (Deficit) before:	(49 586)	(24 732)	(17 299)	(41 626)	(12 476)
Revenue from government - capital	26 904	19 752	13 546	23 342	20 523
Assets brought to account for first time	0	187	29 500	0	8 684
Insurance recovery re school fire*	0	7 362	0	0	0
Write down of school buildings*	0	(5 483)	0	0	0
Gain/(Loss) on revaluation	0	0	0	9 903	(9 902)
Net Surplus (Deficit) attributable to the State	(19 682)	(2 914)	25 747	(8 381)	6 829

* These items relates to the write down of the net carrying amount of the Bridgewater High School and the insurance recovery in relation thereto.

Comment

The Department recorded Net operating deficits in each of the past four years. These deficits are determined before accounting for capital appropriations, assets brought to account for the first time and unusual asset write downs such as the Bridgewater fire.

In a normal financial year departments generally operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. Therefore, the Net operating deficits are not unexpected.

The Net surpluses in 2006-07 and 2004-05 were due to the receipt of capital and Special Capital Investment Funds (SCIF) and in 2006-07 the Net surplus was further boosted by a first time recognition of the Allport Library and Museum of Fine Arts heritage asset collection in the amount of \$29.500m.

Capital appropriations increased in 2007-08 to support a number of new projects including the Kingston High School Redevelopment, Building for the Future and upgrades of Education Infrastructure. Over the financial year, the Department's recurrent appropriation increased by \$39.212m or 5.44%. In the main this funded increases in employee entitlements of \$22.460m (4.37%) and increases in grants and subsidies paid (primarily to TAFE Tasmania) of \$5.926m (6.35%).

Explanations for significant movements in individual Income Statement line items in 2007 08 include:

- Australian government grant funding increased \$1.813m due to initiatives such as bulk personal computers procurement, skill centres and child care
- Employee entitlements increased by \$22.268m, due to higher salaries for teachers of 4.07% and for staff under the State Service Wage Agreement (SSWA) of 4.5%. These also had consequential effects, increasing employee leave liabilities and superannuation payments
- increased User charges, fees, fines and other revenue in 2007-08 included \$7.362m received from the Tasmanian Risk Management Fund as compensation for the Bridgewater High School fire offset in part by transfer of sale of land proceeds, \$0.621m, to the Crown Lands Administration Fund (CLAF)
- Depreciation expense increased \$2.575m primarily related to the upward movement in values of buildings
- Grants and subsidies rose by \$5.926m, mainly due to increased payments made to TAFE Tasmania through the Purchase Agreement covering wage increases and rates
- actual Revenue from government increased by \$39.212m (5.44%) to support increased wages and additional initiatives approved in the budget
- Special capital investment funds were nil in 2007-08 (2006-07, \$6.209m) due to the finalisation of the Information and Communications Technology strategy
- Supplies, consumables and other expenses increased \$11.413m due to a number of new initiatives from government, further supplementation funding from the Australian Government and expenses associated with Bridgewater High School refurbishment

- Capital investment funding increased in 2007-08 by \$6.206m to support a number of new projects including the Kingston High School Redevelopment, Building For the future and upgrades of Education Infrastructure such as at the Launceston Northern Primary School.

In relation to budget estimates:

- Sales of goods and services, and other revenue budget figures included all school based revenue against sales of goods and services whereas the financial statements split revenue between sales of goods and services and other revenue. This issue has been addressed in the 2008-09 budget
- an amount of \$7.900m was included in revenue to reflect the contribution from the Tasmanian Risk Management Fund for the redevelopment of the former Bridgewater Primary School site and upgrading of Green Point Primary School
- Depreciation variance was due to the previous growth in the Department's building values which resulted in a higher asset base and, in turn, increased the actual depreciation charge. This issue has been addressed in the 2008-09 budget
- School levies are not included in the Department's budget. Levies raised remained fairly stable over the past four years.

Write down of assets measured at fair value was the result of the Bridgewater High School in a fire in October 2007.

BALANCE SHEET

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>					
Cash and deposits	42 352	72 975	61 069	48 317	66 771
Receivables	10 010	10 452	8 393	6 804	5 878
<i>Non-financial Assets</i>					
Assets held for sale	8 139	3 479	1 122	8 139	7 474
Heritage assets	13 043	44 995	42 458	12 664	12 139
Plant and equipment	7 027	5 937	5 686	5 864	6 474
Land and buildings	830 687	857 137	815 183	782 506	732 922
Library book stock	12 049	14 325	13 952	13 714	12 999
Other non-financial assets	1 197	1 443	1 644	4 403	5 375
Total Assets	924 504	1 010 743	949 507	882 411	850 032
<i>Liabilities</i>					
Payables	6 243	7 024	5 464	5 791	5 711
Employee entitlements	106 144	102 199	98 339	97 824	89 554
Other liabilities	10 347	17 888	14 083	10 716	10 042
Total Liabilities	122 734	127 111	117 886	114 331	105 307
Net Assets	801 770	883 632	831 621	768 080	744 725
Reserves	99 288	130 139	74 593	34 704	1 021
Accumulated funds	702 482	753 493	757 028	733 376	743 704
Total Equity	801 770	883 632	831 621	768 080	744 725

Comment

Over the period under review, the Department's Total Equity increased due to net upward revaluations of its Land and buildings and the net surpluses generated in 2006-07 and 2004-05.

In 2007-08 Net Assets increased by \$52.011m due to further asset revaluations totalling \$55.546m offset in part by the net deficit of \$2.914m.

Cash and deposit accounts included cash and bank balances held by schools and colleges, \$51.548m (2006-07, \$45.130m), and cash held in the Special Deposits and Trust Fund, \$18.123m (\$15.158m).

Land, buildings and heritage assets increased due to revaluations and/or indexation of fair values by \$55.546m, and additions of \$16.239m offset by depreciation and amortisation of \$31.204m.

Assets held for sale in 2007-08 increased by \$2.357m due to the Department expecting to dispose of land with a higher carrying value.

Other liabilities increased by \$3.805m in 2007 08 mainly due to appropriations carried forward under section 8A(2) of the *Public Account Act 1986*.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	750 804	759 002	721 190	694 896	648 055
Receipts from Special Capital Investment Funds	0	0	6 209	10 764	30 350
User charges, fees and fines	35 150	17 059	18 913	789	517
Grants	1 459	5 113	3 300	4 477	7 796
School levies	0	8 816	9 180	8 992	8 474
GST receipts	29 000	20 156	22 573	22 715	21 528
Interest received	1 590	2 847	2 325	1 755	1 859
Other cash receipts	5 032	22 327	24 011	32 971	24 067
Payments to employees	(543 133)	(527 980)	(509 159)	(491 141)	(470 654)
Grants and subsidies	(13 824)	(99 202)	(93 276)	(87 574)	(82 786)
Other cash payments	(246 360)	(177 814)	(171 168)	(183 946)	(163 731)
GST payments	(29 000)	(21 258)	(20 591)	(22 752)	(22 393)
Net Cash from (used in) operations	8 962	9 066	13 507	(8 054)	3 082
Proceeds from disposal of assets	0	46	82	588	87
Capital grants	24 704	23 857	16 237	23 342	20 523
Payments for acquisition of assets	(22 591)	(21 063)	(17 074)	(34 330)	(26 714)
Cash from (used in) investing activities	(2 133)	2 840	(755)	(10 400)	(6 104)
Net increase (decrease) in cash	(6 849)	11 906	12 752	(18 454)	(3 022)
Cash at the beginning of the year	49 201	61 069	48 317	66 771	69 793
Cash at end of the Year	42 352	72 975	61 069	48 317	66 771

Comment

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.

Over the four year period under review the Department spent \$99.181m on capital expenditure. In the main this expenditure was for ongoing capital projects, school redevelopments and upgrades throughout the State.

FINANCIAL ANALYSIS

	Bench Mark	2007-08	2006-07	2005-06	2004-05
Financial Performance					
Result from operations (\$'000s)		(24 732)	(17 299)	(41 626)	(12 476)
Operating margin	>1.0	0.97	0.98	0.95	0.98
Underlying result ratio		(0.02)	(0.06)	(0.02)	(0.06)
Own source revenue ('000s)		53 306	54 041	45 173	40 230
Financial Management					
Debt collection	30 days	65	59	74	72
Creditor turnover	30 days	7	5	5	5
Other Information					
Self-sufficiency %		8	11	7	8
Government funding %		97	96	96	99
Teaching staff numbers (FTEs)		4 871	4 732	4 878	4 954
Total staff numbers (FTEs)		8 068	8 102	8 151	8 010
Average staff costs (\$'000s)		66	63	61	58
Average leave balance per FTE (\$'000s)		13	12	12	11

Comment

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

The Underlying result ratio provides a measure of the strength of the operating result. Over the period of the review, the Department's ratio has been just below zero 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, fee, fines and other sources plus interest earned.

Outstanding Debt collection days were higher in 2007-08 due to debtors invoices for grants remaining unpaid until 1 July 2008 and workers compensation claims, which generally take longer to collect.

Creditor turnover increased due to creditors previously excluded now identified and included at year end. The majority of previously excluded creditors related to training organisations and TAFE who are costed to grants and subsidies. The calculation of the Creditor turnover ratio has now been modified to include grants and subsidies expenditure.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This increased slightly over the four years under review primarily due to the increase in User charges, fees and fines.

The high Government funding ratio of 97% in 2007-08 is relatively consistent with prior years and in keeping with the nature of departments which derive the majority of their revenue from appropriation and grants.

Average staff costs rose over the four year period mainly due to salary increases for teachers (2005-06, 4.10%; 2006-07, 6.41%; 2007-08, 4.53%) and increased wages for other staff (3.5%; 3.5%; 4.5%) as a result of the SSWA.

In 2004-05 Teaching staff numbers included some non-teaching staff employed under the Teaching Service (Tasmanian Public Sector) Award. Improved reporting capabilities by the Department in 2005-06 enabled reporting specifically on staff teaching in schools, which resulted in what appears to be a decrease in numbers from the previous year.

Overall staff FTE numbers decreased by 34 over the past year due to natural attrition. Teaching staff numbers within this total increased by 139 because of the move of central resources previously involved in project work being transferred back to schools. The increase in 2005-06 was principally related to the inclusion of Adult Education, staff from On-Line Access Centres, new positions in relation to Skills Tasmania, and new staff as a result of other Government initiatives, such as school cluster administration support officers.

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 Income and Expenses

	2007-08	2007-08	2006-07	2006-07	2005-06	2004-05
	Budget	Actual	Budget	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	41 935	41 468	39 024	40 944	37 911	36 333
Revenue from Special Capital Investment Funds	0	0	0	0	0	750
Australian government grants	230 852	245 029	226 719	231 487	222 504	193 758
User charges, fees and fines	490	300	659	364	337	343
Other revenue	5 900	77	0	88	89	1 476
Total Revenue	279 177	286 874	266 402	272 883	260 841	232 660
Grants and subsidies	170 164	174 263	157 563	163 889	152 236	142 186
Supplies and consumables	6 515	9 512	8 333	13 408	0	0
Total Expenses	176 679	183 775	165 896	177 297	152 236	142 186
Net Surplus	102 498	103 099	100 506	95 586	108 605	90 474
Transfer to Consolidated Fund	103 113	105 886	100 506	101 400	98 518	90 481
Net Surplus (Deficit) Attributable to the State	(615)	(2 787)	0	(5 814)	10 087	(7)

Comment

Recurrent appropriations increased by \$0.524m in 2007-08, due mainly to additional Non-Government school grants. Capital funding from 2005-06 onward now flows through the Department of Treasury and Finance rather than directly from the Commonwealth Government.

Australian Government grants increased by \$13.542m in 2007-08. This was due to increases in Non-Government school recurrent funding from the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

Grants and subsidies expenses increased in 2007-08 by \$10.374m mainly due to the increase in DEEWR funding to Non-Government Schools outlined previously.

The Schedule of Administered Income and Expenses shows a deficit of \$2.787m in 2007-08 (deficit of \$5.814m in 2006-07), most of this deficit was due to the winding up of the *Investing in Our Schools Program*.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash	4 699	1 863	4 650	10 464	365
Receivables	0	0	0	0	12
Total Assets	4 699	1 863	4 650	10 464	377
<i>Liabilities</i>					
Total Liabilities	0	0	0	0	0
Net Assets	4 699	1 863	4 650	10 464	377
Accumulated funds	4 699	1 863	4 650	10 464	377
Total Equity	4 699	1 863	4 650	10 464	377

Comment

Most variations between administered assets and liabilities were due to timing issues. Cash decreased by \$2.787m in 2007-08 due to progress in expending funding on the *Investing in Our Schools Program*.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	41 935	41 468	40 944	37 911	36 333
Receipts from Special Capital Investment Funds	0	0	0	0	750
Australian government grants	230 852	245 029	231 487	222 504	193 758
User charges, fees and fines	490	300	364	337	343
Other receipts	5 900	77	88	101	1 371
Cash inflows from operating activities	279 177	286 874	272 883	260 853	232 555
Grants and subsidies	(170 164)	(174 263)	(163 889)	(152 236)	(142 186)
Transfers to Consolidated Fund	(103 113)	(105 886)	(101 400)	(98 518)	(90 481)
Supplies and consumables	(6 515)	(9 512)	(13 408)	(0)	(0)
Cash (outflows) from operating activities	279 792	289 661	278 697	250 754	232 667
Net increase (decrease) in cash	(615)	(2 787)	(5 814)	10 099	(112)
Cash at the beginning of the year	5 314	4 650	10 464	365	477
Cash at end of the year	4 699	1 863	4 650	10 464	365

Comment

Variations in cash flow receipt and payment amounts and movements in the cash amount reflect the comments made previously under 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.

One of the major issues facing the Department in the provision of health and human services system, as is the case in the other States and internationally is how to provide services, on a financially sustainable basis when faced with increasing demand and higher costs. 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 and Clinical Services plans*.

In 2007-08 the DHHS progressed a number of objectives including:

- developing and implementing structural reforms outlined in the above plans
- implementing the outcomes of reviews undertaken in the prior year
- finalising issues associated with administrative re-structures in the prior year
- redevelopment of the Royal Hobart Hospital (RHH)
- assisting in the transfer of the Mersey Hospital to the Australian Government.

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

- **Acute Health Services** – delivers hospital and ambulance services through the 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 \$689.243m for the current year, an increase of \$49.871m or 7.80% from the prior year and accounted for 50% of the expenditure budget.
- **Community Health Services** – provides primary, population and community support services through outputs 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 assessment, 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 \$303.345m for 2007-08, an increase of \$23.641m or 8.5% from the prior year and accounted for 22% 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 \$349.802m for 2007-08, an increase of \$26.205m or 8.1% from the prior year and accounting for 26% 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 Commissioners functions include promoting the rights and well being of children along 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 \$0.596m for 2007-08 an increase of \$0.117m or 20% from the prior year.
- **Shared Services** – although not a separate Output group, provides business support services to the organisation across the areas of finance, human resources, information technology, communications and marketing and facility management. The group also provides services that support the Department's performance management and business planning activities.

On the 1 November 2007 the ownership and running of the Mersey Community Hospital was transferred to the Australian Government. This resulted in 382 employees being seconded. This decreased the number of DHHS FTE's to 8 617 as at 30 June 2008, a decrease of 375 from the prior year.

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 included in following Chapters.

The Responsible Minister is the Minister for Health and Human Services.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Financial statements of the Department were received on 15 August 2008. Revised statements were received on 17 October 2008 and an unqualified opinion was issued on the 21 October 2008

FINANCIAL RESULTS

The Department's liquidity position improved in 2007-08. It's financial results also indicate:

- as the largest Tasmanian State Government agency, it's total Output expenditure budget was \$1.139bn for the financial year 2007-08 an increase of \$87.762bn or 8.35% from 2006-2007

- the Department continued to record a Net operating deficit in 2007-08, \$37.506m, however after capital appropriations and other adjustments recorded a Net surplus of \$6.491m
- the net surplus has improved the Cash position to \$69.680m reversing the negative cash flows from operations in the prior two years
- Employee costs were \$722.652m, an increase of only \$14.197m (2.00%) mainly due to the secondment of Mersey Hospital employees. On the 1 November 2007 the ownership and running of the Mersey Community Hospital was transferred to the Australian Government. This resulted in 382 employees being seconded. This decreased the number of DHHS FTE's to 8 617 as at 30 June 2008, a decrease of 375 from the prior year
- the Loss on sale of assets was \$14.116m, mainly due to the disposal of the Mersey Hospital to the Australian Government at a nominal value
- User charges were \$151.245m an increase of \$6.958m (5.00%), including rentals from dwelling \$59.632m which increased of \$6.374m (11.96%)
- Capital appropriations totalled \$31.757m, an increase of \$11.689m (5.80%)
- Net assets increased \$329.707m (20.03%) to \$1.976bn mainly due to revaluation of all land and buildings.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	1 107 545	1 139 283	1 051 521	947 101	842 051
Revenue from Special Capital Investment Funds	3 000	3 598	3 898	3 850	3 407
Grants	27 004	44 524	28 286	21 489	23 413
User charges	131 946	151 245	144 287	132 133	121 777
Interest revenue	1 348	3 196	2 499	3 368	5 127
Other operating revenue	17 017	28 228	24 207	19 635	20 011
Total Operating Income	1 287 860	1 370 074	1 254 698	1 127 576	1 015 786
Employee entitlements	722 954	722 652	708 455	632 177	539 287
Depreciation and amortisation	47 267	48 374	45 204	45 940	39 762
Supplies and consumables	143 082	159 176	159 184	149 094	123 943
Grants and subsidies	154 701	153 087	139 449	127 385	123 816
Medical, surgical and pharmacy expenses	132 581	140 783	137 366	118 415	106 468
Property expenses	94 083	100 295	94 252	92 779	79 195
Borrowing costs	10 732	10 728	10 998	11 523	12 324
Impairment losses	2 028	3 288	2 984	2 688	967
Other expenses	0	55 081	51 060	42 945	39 317
Loss on sale of assets	50 419	14 116	778	2 748	928
Total Operating Expenses	1 357 847	1 407 580	1 349 730	1 225 694	1 066 007
Net Operating (Deficit) before:	(69 987)	(37 506)	(95 032)	(98 118)	(50 221)
Revenue from government - capital	24 693	31 757	20 068	32 293	34 391

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from Special Capital Investment Funds	19 642	15 351	18 187	21 698	25 503
Asset transfers	0	0	0	22 990	0
Actuarial superannuation adjustment	0	(3 111)	(2 165)	8 238	(118)
Net Surplus (Deficit) attributable to the State	(25 652)	6 491	(58 942)	(12 899)	9 555

Comment

The Department recorded a Net operating deficits in all years under review. The primary reason is that the Department is funded on a cash basis, which excludes depreciation, asset impairments or increases in employee provisions. The above analysis has separated out capital funding, asset transfers and the recognised actuarial gain or loss on superannuation and recorded these below operating activities.

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. This enables an assessment of the Department's management of operating revenues and expenses.

Before accounting for capital funding, Asset transfers and superannuation adjustments the Operating Deficit comprises:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
DHHS	(12 966)	(70 216)	(64 081)	(28 463)
Housing	(21 410)	(22 178)	(30 297)	(16 266)
Ambulance (Tas)	(3 130)	(2 638)	(3 740)	(5 492)
Total Operating (Deficit)	(37 506)	(95 032)	(98 118)	(50 221)

The Net Surplus (Deficit) comprises:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
DHHS	25 813	(36 554)	(5 444)	2 142
Housing	(16 188)	(20 768)	(11 701)	11 748
Ambulance (TAS)	(3 134)	(1 620)	4 246	(4 335)
Total Net Surplus (Deficit)	6 491	(58 942)	(12 899)	9 555

In 2007-08 DHHS recorded a net surplus of \$25.813m, a strong turnaround from previous years' results. This equates to a net surplus movement of \$62.367m from the 2006-07, or \$23.671m from 2004-05. Reasons for the movements relating to Housing and TAS are contained in the separate Chapters for each of these entities.

The Net surplus recorded in the 2007-08 reverses the trend of prior years deficits, with an improved Cash position (refer Cash Position commentary) of \$69.680m as at 30 June 2008. Included in the closing balance of \$69.680m is Appropriation carried forward of \$22.512m.

Significant changes in operating expenses over the four year period of review include:

- Employee costs have risen over the period by \$183.365m (34%). The most significant increases were in 2005-06 of \$92.890m (17.22%) and in 2006-07 of \$76.278m (12.07%). These increases were caused by award wage rises and recruitment of an additional 977 FTEs (12%) from 2004-05 to 2006-07. Total expenditure in 2007-08 was \$722.652m, an increase of only \$14.197m (2%) and marginally under budget. The lower than average increase was mainly due to secondment of Mersey Hospital employees to the Australian Government as commented upon previously. The secondments also impacted upon the balance of Employee leave provisions increasing by only \$2.996m
- Depreciation expenses increased by \$8.612m (21.66%) over the period. In 2007-08 the expense increased \$3.170m (7.00%) from the prior year with the majority due to increases in Housing and TAS of \$2.772m. The expense remained reasonably consistent between 2005-06, \$45.204m and 2006-07, \$45.940m. The large increase in 2005-06 of \$6.178m (16%) was primarily due to the first full year effect of substantial revaluations of Departmental buildings in 2004-05
- Supplies and consumables expenditure increased \$35.233m (28.43%) and the expense for 2006-07, \$159.176m was \$16.094m (11.25%) above budget estimates. The actual 2007-08 expense is however consistent with the prior year, \$159.184m. The increase over the four year period was mainly due to additional expenditure on Patient and client expenses \$7.216m, IT costs \$8.304m and Motor vehicles costs \$5.641m. Motor vehicle costs went up due to incentive employment arrangements relating to medical specialist packages introduced, associated increased running costs and higher costs for TAS including higher fuel
- an increase in Grants and subsidies of \$29.271m (23.64%) over the period. Whilst Disability services received an additional \$7.451m in 2007-08, the movement is mainly due to the indexing of grants each year for inflationary purposes. Grants and subsidies provide funding to non-government organisations mainly in the provision of services for disability services, home and community care, and support accommodation assistance
- expenditure on Medical, surgical and pharmacy expenses increasing by \$34.315m (32.23%) over the period. Large increases were recorded in 2005-06 \$11.947 and 2006-07 \$18.951, reflecting unbudgeted payments, increases in medical imaging contracts, increases in interstate charging, additional medical consumables relating to new operating theatres and a general increases in medical consumables. Increases in pharmacy requisites included vaccines

provided under the Australian Immunisation Agreement, vaccines for the human papilloma virus and increases in blood and pathology services

- Property expenses increased \$21.200m (26.64%) and the expense for 2007-08 was \$6.212m (6.60%) above the budget estimate. The most significant movement occurred between 2004-2005 and 2005-06 (\$13.584m or 17.15%). This was due to building and infrastructure maintenance increasing \$9.838m (including a \$3.659m rise in Housing maintenance). The balance of the increase related to other general items including statutory maintenance of \$4.214m and programmed general maintenance of \$2.588m. The increase in 2007-08 of \$6.043m (6.41%) was also due to additional building and infrastructure maintenance
- Other expenses comprise Payroll tax and workers compensation. Over the period Other expenses increased \$15.764m (40.00%). As expected this is in correlation with movements in Employee entitlements. A significant increase of \$8.115m (18.90%) occurred in 2006-07 due to the increase in employee numbers previously mentioned.
- a Loss on sale of assets of \$14.116m in 2007-08 was due mainly to the disposal of the Mersey Hospital to the Australian Government at a nominal value.

The effects of the foregoing were offset in part by:

- over the period there have been significant increases in the Department's Recurrent appropriation as part of Government initiatives and commitments to fund additional services. Recurrent appropriations increased by \$87.762m (8.35%) in 2007-08, following on from similar increases in 2006-07 of \$104.420m (11.03%) and \$105.050m (12.50%) in 2005-06. The Department's output statements indicate increases in funding across a number of key areas, including hospitals, mental health, disability services and child and family services. A significant portion of this increases is to fund increased staffing levels aimed at improving services and to meet increments in awards
- User charges increased steadily over the period by \$29.468m (24.20%). Rentals from dwelling tenants and other associated charges increased significantly by \$6.353m in 2006-07 and \$6.374m in 2007-08 due to up-dating of market rentals. Patient user charges, including inpatient, outpatient, ambulance, private patients and nursing home fees, were other contributors to the increase.

The above items contributed to an increase in total operating income over the period of review of \$354.288m (34.88%) which was greater than the rise in operating expenditure of \$341.573m (32.04%). This resulted in the lower Net operating deficit of \$37.506m in 2007-08 before capital, asset transfers and superannuation adjustments which is a marked improvement to the deficit in 2006-07 of \$95.032m. However, the impacts on future operating results of any decisions to take back the Mersey Hospital have not been concluded.

Capital appropriations include funding for Hospital and Housing Infrastructure. Appropriations over the period totalled \$118.509m and have decreased with completion of major works such as the redevelopment of the Department of Emergency Medicine at the Royal Hobart Hospital. Other components include redevelopment of Multi-Purpose Services within rural areas, equipment, Housing infrastructure and the purchase of new ambulances. Funding in 2007-08 included \$15.614m capital expenditure brought forwards under section 8A of the *Public Account Act 1986*.

The Asset transfer totalling \$22.990m in 2005-06 related to the transfer, for no consideration, of the Secure Mental Health Unit buildings, and associated plant and equipment at Risdon Prison, from the Department of Justice. Being a voluntary transfer between the two Departments, this must be recorded through the Income Statement as a revenue/expense for the transferring agencies, in accordance with Treasurer's Instruction 207 *Administrative Restructuring of Agencies*.

The Department is responsible for meeting the obligations of defined benefit schemes for Housing Tasmanian and the Tasmanian Ambulance Service Superannuation Scheme (TASSS). Actuaries undertook actuarial valuations of the present value of benefit obligations as part of recognition requirements under accounting standards in 2004-05. Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the recognised actuarial gain or loss are separately recognised in the Income Statement. Reviews in 2007-08 and 2006-07 resulted in the recognition of actuarial losses of \$3.111m and \$2.615m respectively and a gain in 2005-06 of \$8.238m.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	36 141	69 680	34 516	45 666	81 922
Receivables	20 382	19 886	17 765	19 455	17 218
Loan advances	22 057	11 583	14 695	20 598	27 978
Superannuation asset		2 038	6 002	5 883	0
Other financial assets	193	5 753	1 314	438	665
<i>Non-financial Assets</i>					
Inventory	7 281	7 710	7 811	7 281	7 618
Property, plant and equipment	2 074 431	2 349 098	2 056 772	2 032 138	1 953 882
Other non-financial assets	166		0	0	0
Total Assets	2 160 651	2 465 748	2 138 875	2 131 459	2 089 283
<i>Liabilities</i>					
Payables	43 467	40 150	38 101	33 467	16 127
Interest bearing liabilities	230 552	236 081	242 081	249 434	262 115
Superannuation liability	11 397	15 915	17 229	15 489	17 501
Employee entitlements	165 119	154 933	151 937	137 857	118 835
Other liabilities	20 624	42 894	31 991	17 923	28 637
Total Liabilities	471 159	489 973	481 339	454 170	443 215
Net Assets	1 689 492	1 975 775	1 657 536	1 677 289	1 646 068
Contributed capital	6 094	6 094	6 094	6 094	6 094
Reserves	1 242 127	1 553 875	1 242 127	1 203 528	1 159 408
Accumulated funds	441 271	415 806	409 315	467 667	480 566
Total Equity	1 689 492	1 975 775	1 657 536	1 677 289	1 646 068

Comment

Net assets increased from \$1 646.068m as at 30 June 2005 to \$1 975.775m as at 30 June 2008. Before accounting for inter-entity transactions, the Net assets comprised:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
DHHS	428 887	256 910	294 301	300 323
Housing	1 531 509	1 389 793	1 371 964	1 339 546
Ambulance	15 379	10 833	11 024	6 199
Total	1 975 775	1 657 536	1 677 289	1 646 068

The overall equity increase of \$329.707m was primarily due to increases in Housing \$191.963m, DHHS \$128.564m and Ambulance \$9.180m. DHHS equity declined between 2004-05 and 2006-07 due to operating deficits and increased in 2007-08 due to the positive Net surplus and asset revaluations

Significant movements in Assets and Liabilities over the years under review include:

- Cash and deposits decreased by \$12.242m over the period and is explained under the Cash Position analysis later in this Chapter
- Loan advances continued to decline as clients pay off their debts and no new loans are made. The reduction of \$16.395m relates primarily to the Home Ownership Assistance Program (HOAP) which is discussed under the Housing Tasmania Chapter which follows
- Property, plant and equipment increased \$395.216m due to additions, transfers and revaluations off-set by disposals and depreciation. The increase of \$292.326m in 2007-08 comprised additions of \$55.059m, revaluations of \$311.748m, off-set by disposals of \$26.135m and depreciation of \$48.346m. The other significant increase was in 2005-06, \$78.256m which was predominately due to additions of \$91.114m (including the \$22.990m for the Secure Mental Health Unit transferred from the Department of Justice and \$41.570m in Housing), revaluations \$44.120m, off-set by disposals of \$11.037m and depreciation of \$45.940m
- The fluctuation in Other liabilities is mainly due to movements in appropriations carried forward. The totals in 2004-05, 2005-06, 2006-07 and 2007-08 include carried forward funds of \$13.788m, \$4.644m, \$15.614m and \$22.512m respectively
- Payables more than doubled over the period of review increasing some \$24.023m. This increase is due to higher operating costs and higher capital creditors outstanding.
- Interest bearing liabilities declined by \$26.034m over the period. Borrowings relating solely to Housing. The largest reduction occurred within long term State and Commonwealth loans, \$17.265m, with the remaining balance comprising the HOAP debt portfolio, \$8.769m, which was fully repaid in 2006-07. Further commentary regarding the loan portfolio is contained in the Housing Chapter which follows

- Employee entitlements increased by \$36.098m over the period. Steady increases occurred in 2005-06 (\$14.068m) and 2006-07 (\$19.022m). Only a small increase occurred in 2007-08 (\$2.966m). This can be attributable to a decrease in the provision resulting from the transfer of the Mersey hospital employees to Australian Government employment. Overall movements are predominantly due to award increases and higher FTE's. Over the period annual leave increased \$14.215m (35.04%) and long service leave increased \$11.044m (20.00%)
- The Superannuation asset and liability represents the Department's present obligations and/or benefits under the defined benefit schemes of Housing and TASSS. These superannuation assets and liabilities are now recorded on the Balance Sheet due to accounting changes required under Australian Accounting Standard under AASB 119 *Employee Benefits*. The Department:
 - Meets the emerging costs of these schemes when they are in deficit (as is the case with the Housing scheme)
 - Benefits when they are in surplus (as is currently the case with the TASSS).

Actuarial reviews of Housing's defined benefit scheme determined a present liabilities of \$16.500m in 2004-05, \$15.489m in 2005-06, and \$17.229m in 2006-07 and \$15.915m in 2007-08. The decrease in provision in 2007-08 is the result of an actuarial gain of \$1.135m. For TASSS a liability of \$1.001m was reported in 2004-05, but this then reversed with the scheme assessed to be in surplus by \$5.883m in 2005-06, \$6.002m in 2006-07 and \$2.038m in 2007-08.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	1 107 545	1 134 943	1 051 879	947 101	827 992
Receipts from Special Capital Investment Funds	3 000	3 209	3 898	3 850	3 407
Grants	27 004	44 524	28 414	21 489	23 413
User charges	131 946	144 438	143 845	132 664	117 673
Interest received	1 348	3 177	2 499	3 368	5 127
Other cash receipts	17 017	28 228	23 953	20 121	19 226
GST receipts	45 060	52 282	44 981	41 136	36 796
	1 332	1 410			
Total cash inflows	920	801	1 299 469	1 169 729	1 033 634
Cash outflows					
Payments to employees	705 075	713 301	693 395	630 970	564 008
Community grants	154 701	153 087	139 449	127 385	123 816
Borrowing costs	10 732	10 725	10 993	11 490	12 226
Other cash payments	420 165	445 251	433 238	365 273	313 064
GST Payments	45 067	55 846	47 955	45 531	38 527
	1 335	1 378			
Total cash outflows	740	210	1 325 030	1 180 649	1 051 641
Cash from (used in) operations	(2 820)	32 591	(25 561)	(10 920)	(18 007)
Cash flows from investing activities					
Cash inflows					
Receipts from government - capital	15 360	29 198	30 680	23 149	46 883
Receipts from special capital investment funds	19 642	15 740	18 187	21 698	25 503
Proceeds from disposal of assets	7 000	8 895	9 091	7 228	4 692
Receipts from investments	2 384	3 100	5 576	3 880	11 912
Total cash inflows	44 386	56 933	63 534	55 955	88 990
Cash outflows					
Payments for acquisition of assets	42 856	48 360	41 770	68 608	66 555
Total cash outflows	42 856	48 360	41 770	68 608	66 555
Cash from (used in) investing activities	1 530	8 573	21 764	(12 653)	22 435

	2007-08	2007-08	2006-07	2005-06	2004-05
Cash flows from financing activities					
Cash inflows					
Proceeds from borrowings	0	0	0	342	61 470
Total cash inflows	0	0	0	342	61 470
Cash outflows					
Repayment of borrowings	(8 014)	(6 000)	(7 353)	(13 025)	(81 784)
Total cash outflows	(8 014)	(6 000)	(7 353)	(13 025)	(81 784)
Cash (used in) financing activities	(8 014)	(6 000)	(7 353)	(12 683)	(20 314)
Net increase (decrease) in cash	(9 304)	35 164	(11 150)	(36 256)	(15 886)
Cash at the beginning of the reporting period	45 445	34 516	45 666	81 922	97 808
Cash at end of the reporting period	36 141	69 680	34 516	45 666	81 922

Comment

The cash and deposits balance decreased by \$28.128m since 30 June 2004. This decrease was due to the outflows from operations totalling \$21.897m and Cash outflows from financing activities totalling \$46.350, offset by inflows from investing activities of \$40.119m.

In 2007-08 the Department recorded a consolidated net inflow from operating activities of \$32.591m with Housing Tasmania having inflows of \$2.962 and TAS an outflow of (\$1.494m), therefore the Department's own net inflow totalled \$31.123m. 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. This also holds for budget variances.

The Department paid \$225.293m over the period of review for the acquisition of assets. These have been funded predominately by capital appropriations, SCIF funding and in Housing Tasmania's case in part by asset sales. 2005-06 however, required the utilisation of cash balances which contributed to the net decrease in cash in that year.

It is noted that the cash resources of the Department at 30 June were allocated to:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
DHHS	60 015	25 075	36 861	51 123
Housing	9 665	9 441	8 805	30 799
Ambulance	0	0	0	0
Total	69 680	34 516	45 666	81 922

Included in the Department's balance in 2006-07 and 2007-08 was \$15.614m and \$22.512m respectively, being funds carried forward under Section 8A(2) of the *Public Account Act 1986*.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark	\$'000	\$'000	\$'000	\$'000
Financial Performance					
Result from operations (\$'000s)		(37 506)	(95 032)	(98 118)	(50 221)
Operating margin	>1.0	0.97	0.93	0.92	0.95
Underlying result ratio		(0.02)	(0.05)	(0.01)	0.01
Own source revenue (\$'000s)		182 669	170 993	155 136	146 915
Financial Management					
Debt collection	30 days	49	41	49	47
Creditor turnover	30 days	36	35	33	19
Other Information					
Self-sufficiency %		13%	13%	13%	14%
Government funding %		97%	92%	91%	95%
Staff numbers (FTEs)		8 618	8 992	8 685	8 015
Average staff costs (\$'000s)		75	68	63	58
Average leave balance per FTE (\$'000s)		18	17	16	15
Selected Hospital Statistics*					
Department of Emergency Medicine Presentations		101 998	97 687	94 402	91 090
Outpatient Department - Occasions of Service Admitted Patients		803 474	783 095	756 371	728 053
-Weighted Separations		92 039	91 156	89 071	85 658

* Not subject to audit.

Comment

The Results from operations are in deficit for the reasons outlined in the Income Statement section explained previously. The above figures are before capital revenues, asset transfers and actuarial movements on superannuation liabilities. Consistent with the Result from operations, the Operating margin remains below the benchmark of 1.0.

Own source revenue has increased steadily over the period mainly due to increases in User charges relating to rental of Housing dwellings and patient fees previously mentioned.

Higher year end receivables in 2005-06 and 2007-08, raised the Debt collection ratio in those years.

The Self-sufficiency ratio indicates that the Department's own source revenues have remained at around 13% during the period.

The Government funding ratio is less than 100% due to the net operating deficits incurred in by the Department.

Average staff costs have increased in line with award increases and recruitment of doctors. Also, new Departmental initiatives resulted in increased employment and an employee separation program costing \$3.700m was incurred during the year. Reasons for the movements in Staff numbers and Average leave balances have also been referred to previously.

Hospital statistics indicate a rise in the provision of services. 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 the complexity of their 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 Flows.

Administered Income and Expenses

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Revenue from government - recurrent	13 113	13 999	19 502	19 010	20 502
Australian government grants	300 768	336 576	291 174	275 545	85 602
Total Revenue	313 881	350 575	310 676	294 555	106 104
Grants and subsidies	13 113	14 729	20 218	18 494	20 414
Total Expenses	13 113	14 729	20 218	18 494	20 414
Net Surplus	300 768	335 846	290 458	276 061	85 690
Transfer to Consolidated Fund	300 768	336 576	291 174	275 545	85 602
Net Surplus (Deficits) Attributable to the State	0	(730)	(716)	516	88

Comment

Recurrent appropriations from government comprise a Community Service Agreement (CSA) with Aurora Energy Pty Ltd and ex-gratia payments. These are also shown as expenses in the table as Grants and subsidies.

The CSA with Aurora Energy Pty Ltd is for the provision of pensioner concessions to approximately 64 500 Tasmanian pensioners and Health Care Card Holders.

Recurrent appropriations decreased \$5.5503m from 2006-07 however, that year included \$8.299m (2005-06; \$7.064m; 2004-05 \$8.628m) in ex-gratia payments for adults who were abused as children in State care.

The movement in Australian government grants was largely due to increased funding available under the Australian Health Care Agreement (AHCA). During 2004-05 and previous financial years the grant was administered by the Department of Treasury and Finance, however from 2005-06 responsibility for administering the grant transferred to the Department. The grant of \$185.309m in 2005-06 increased to \$194.513m in 2006-07 and \$234.249m in 2006-07 being the main movement in each year.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Liabilities</i>					
Payables	2304	3750	3 020	2 304	2 820
Total Liabilities	2 304	3 750	3 020	2 304	2 820
Net Liabilities	(2 304)	(3 750)	(3 020)	(2 304)	(2 820)
Accumulated Deficits	(2 304)	(3 750)	(3 020)	(2 304)	(2 820)
Total Deficit	(2 304)	(3 750)	(3 020)	(2 304)	(2 820)

Comment

The payables balance represents the accrued CSA payable to Aurora Energy Pty Ltd for pensioner discounts due at year-end.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	13 113	13 999	19 502	19 010	20 502
Australian government grants	300 768	336 576	291 174	275 545	85 602
Total Cash Inflows	313 881	350 575	310 676	294 555	106 104
Transfers to the Consolidated Fund	300 768	336 576	291 174	275 545	85 602
Other cash payments	13 113	13 999	19 502	19 010	20 502
Total Cash Outflows	313 881	350 575	310 676	294 555	106 104
Net Cash Flow From Operations	0	0	0	0	0
Net Increase (Decrease) in cash	0	0	0	0	0
Cash at the beginning of the year	0	0	0	0	0
Cash at End of the year	0	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.

Its major focus 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 Health and Human Services.

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

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Financial statements for HOAP were received on 15 August 2008 with revised statement received on 15 October 2008. An unqualified audit report was issued on 20 October 2008.

Financial statements for the Director of Housing were received on 15 August 2008 with revised statements received on 17 October 2008. An unqualified report was issued on 21 October 2008.

The 2007-08 audits were completed with no major matters outstanding.

FINANCIAL RESULTS

Housing operated at significant deficits in each year under review. Operating deficits totalled \$90.151m over the four-year period. However, total Equity increased by \$191.963m over the same period, primarily due to revaluation increments of Housing's extensive portfolio of residential properties and land. This year saw a significant increase in operating expenses, mainly driven by the \$29.996m spent on maintenance.

There are two other matters highlighted, that due to their nature are not clear from an analysis of the annual primary financial statements of Housing. These are:

- A number of Community Housing properties are held as dwelling stock. These properties are operated by community organisations throughout the State. The total value at 30 June 2008 was \$88.160m (2006-07, \$81.898m). Of these properties, 262 (2006-07, 261) have titles that have been transferred into the name of a community organisation, with Housing still holding a significant equity interest. These properties are disclosed as a Contingent asset with a value of \$30.878m (2006-07, \$30.518m). The remainder of the properties, with a value of \$57.282m (2006-07, \$51.380m), remained in the title of the "Director of Housing" as non-rental dwellings

- During 2006-07 a new affordable housing organisation in the form of a private not-for-profit unlisted public company was created with the registration of Tasmanian Affordable Housing Limited (TAHL). The company was established to ensure the provision of affordable housing using a head-lease model. All construction of housing will be undertaken by private sector investors who will develop and lease housing to TAHL. TAHL will then make that housing available to eligible tenants drawn from public housing waiting lists managed by Housing.

TAHL is accountable as an independent company and the only transactions that will appear will be funds provided to TAHL from Government under a funding agreement. In terms of shareholdings in the company, the Crown holds one share as an ordinary shareholder under the constitution. The State has representatives on the board of TAHL. However, it was essential that the company be independent of Government as its business viability and financial status requires that there is no Government control.

There are currently agreements with private and not-for-profit developers for the construction of 245 new affordable homes, 53 of which have been completed.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	32 623	32 991	32 357	29 488	28 575
Revenue from Special Capital Investment Funds	3 089	3 598	3 898	3 850	3 407
User charges	1 700	903	1 246	1 504	1 663
Interest revenue	1 190	1 980	1 584	2 603	3 915
Rental revenue	53 500	59 632	53 258	46 905	46 358
Gain (Loss) on sale of assets	13 500	467	(187)	(2 032)	1 570
Other revenue	944	3 510	2 439	4 647	4 134
Total Operating Income	106 546	103 081	94 595	86 964	89 622
Employee entitlements	17 444	14 068	15 251	14 729	12 935
Depreciation and amortisation	25 434	25 407	23 112	23 884	24 513
Goods and services Recurrent maintenance	21 115	24 142	24 528	23 515	20 836
Administration	27 958	29 996	22 734	24 552	20 132
Grants and subsidies	8 141	8 770	7 752	7 803	7 242
Borrowing costs	2 224	4 024	4 975	4 728	1 683
Impairment losses	10 732	10 727	10 997	11 523	12 323
Costs on sale of disposed assets	900	2 398	3 025	2 038	1 945
Other expenses	636	485	666	531	243
Total Operating Expenses	4 879	4 474	3 733	3 958	4 037
Net Operating (Deficit) before:	(12 917)	(21 410)	(22 178)	(30 297)	(16 266)
Revenue from government - capital	3 275	4 086	3 258	7 262	9 514
Revenue from Special Capital Investment Funds	0	0	0	10 255	19 800
Actuarial Superannuation adjustment	0	1 136	(1 848)	1 078	(1 300)
Net Surplus (Deficit) attributable to the State	(9 642)	(16 188)	(20 768)	(11 701)	11 748

Comment

The above analysis has differentiated capital funding and the recognised actuarial gain or loss on superannuation by recording it below operating activities. This enables an assessment of the Housing's management of operating revenues and expenses. 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. This also encompasses TAHL, with expenditure included under Grants and subsidies.

Housing recorded Net operating deficits in each of the four years under review. The primary reason is that Housing does not charge full market rents to tenants, offering rebates based on an assessment of tenant incomes. Had full market rents been charged the total operating deficit over the period of \$117.066m would have been a deficit of \$18.357m. Potential rental income and the rebates over the four years of review were as follows:

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Potential rental income	94 206	76 286	67 574	66 796
Rebate	(34 574)	(23 028)	(20 669)	(20 438)
Reported rental revenue	59 632	53 258	46 905	46 358

The Rental revenue has been increasing since 2006-07, when Housing undertook a comprehensive market rent review, resulting in gradual increases to tenants' contributions. In 2006-07 Rental revenue increase by \$6.353m (13.55%) followed by another increase of \$6.374m (11.97%) in the current year.

Over the four year period of review Revenue from government for recurrent spending increased marginally by 5% on average. At the same time, general capital and capital SCIF funding declined due to a shift away from the capital funding component of the Affordable Housing Strategy.

The overall decline in Interest revenue over the past four years was caused by the declining HOAP lending activity and the use of surplus cash to repay HOAP borrowings. The repayment of borrowings was then reflected in the decrease in Borrowing costs.

The Loss on sale of non-financial assets in 2005-06, \$2.032m, related mainly to a loss of \$1.600m being the cost of the Welcome Inn at Kingston, which was transferred out of Housing during that year.

Detailed below are a number of reasons for variations in levels of expenditure particularly between the current year and 2006-07 when total expenses increased by \$7.718m or 6.6%. A similarly steep increase in expenses occurred between 2005-06 and 2004-05, when total expenditure increased by \$11.373m or 11%. The nature of Housing's operations makes it highly vulnerable to price increases. Construction costs and prices of general consumables increased significantly since 2004-05, having a negative impact on Housing's expenditure.

The most significant increase occurred in Recurrent maintenance expenditure, which rose by \$7.262m or 31.94% over the last year. Recurrent maintenance includes the provision of general maintenance, exterior painting, landscape maintenance and maintenance on vacated properties. In the past four years, Housing spent in total

\$120.935m on maintaining its rental properties. Apart from rising prices, this year's increase was predominantly a result of increased maintenance activity, conversion to gas and additional works to ensure compliance with relevant standards.

Goods and services costs rose by \$3.306m over the period with the largest increases being in insurance \$2.281m and property rates and charges \$1.677m. Rising property values contributed to the increase in rates, while rising construction costs and insurance claims added to the increase in insurance expenses.

The amount of Administration expenses (contribution to DHHS for salary and administration expenses, rent on administrative buildings, information technology and other general administration type expenses) tends to fluctuate from year to year. Administration expenses were 7% of total expenditure in 2007-08.

Other expenses comprise mainly assistance paid under the Private Rental Support Scheme (PRSS), a program under the Affordable Housing Strategy. The scheme aims to assist eligible people in accessing or maintaining a tenancy in the private rental market, thus reducing the pressure on public housing. Over the last four years, the scheme cost \$14.725m. This year saw an increase of \$0.729m or 21% on average assistance paid out over the past three years.

Employee entitlements increased by \$1.133m since 2004-05 due to annual increases in salaries under the State Service Wage Agreement (SSWA). The decrease in employee expenses between the current year and 2006-07 was caused by the drop in the number of staff from 208 FTEs to 174 FTEs.

Grants and subsidies increased in 2005-06 due to the commencement of a number of projects under the Community Housing Program, especially in relation to grants under the Commonwealth State Housing Agreement. These programs are ongoing.

Housing is responsible for meeting the obligations of its defined benefit superannuation scheme. An actuarial valuation was undertaken of the present value of benefit obligations as part of recognition requirements under new accounting standards in 2004-05. Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the assets or liabilities of the scheme have been separately disclosed. Of the recent reviews 2007-08 and 2005-07 resulted in the recognition of an actuarial gain with a loss recorded in 2006-07 and 2004-05.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	8 573	9 665	9 441	8 805	30 799
Receivables	1 200	1 433	3 701	1 017	1 288
Other financial assets	12 646	13 992	16 014	21 258	29 092
<i>Non-financial Assets</i>					
Property, plant and equipment	1 743 978	1 768 918	1 631 062	1 616 512	1 564 908
Total Assets	1 766 397	1 794 008	1 660 218	1 647 591	1 626 088
<i>Liabilities</i>					
Payables	2 500	3 616	2 864	3 797	1 421
Interest bearing liabilities	236 081	236 081	242 081	249 433	262 114
Superannuation	17 500	15 914	17 229	15 489	16 500
Employee entitlements	3 110	3 086	3 224	3 061	2 904
Other liabilities	2 515	3 802	5 027	3 846	3 604
Total Liabilities	261 706	262 499	270 425	275 627	286 542
Net Assets	1 504 691	1 531 509	1 389 793	1 371 964	1 339 546
Contributed capital	6 094	6 094	6 094	6 094	6 094
Reserves	1 250 000	1 270 593	1 112 690	1 074 091	1 029 972
Accumulated funds	248 597	254 822	271 009	291 779	303 480
Total Equity	1 504 691	1 531 509	1 389 793	1 371 964	1 339 546

Comment

During the period of review Housing's equity increased by \$191.963m primarily due to \$240.621m in asset revaluation increments, reflected in Reserves, off-set by deficits to Accumulated funds of \$48.658m.

In relation to Housing's Assets and Liabilities the most significant movements over the four year period were due to:

- An increase in Property, plant and equipment, \$204.010m
- A reduction in Interest bearing liabilities, \$26.033m
- A reduction in Other financial assets including loan advances, \$15.100m
- A decrease in Cash and deposits held, \$21.134m.

The increase in Property, plant and equipment was primarily driven by revaluation increments. Each year, the value of land and buildings is adjusted to reflect movements

in property values based on information provided by the Valuer-General. This year, Housing recorded a revaluation increment of \$157,903m. In total, the value of Housing properties increased by \$240.621m since 2004-05.

Over the four year period under review, Housing purchased or constructed \$117.264m worth of new properties. At the same time, it sold or disposed of properties valued at \$29.232m. Depreciation over the past four years totalled \$96.772m. The capital allocation phase of the Affordable Housing Program concluded at the end of 2004-05.

The reduction in Interest bearing liabilities was due to the reduction in State and Commonwealth loans (average \$5.637m repaid annually) and the complete extinguishing of HOAP debt in 2006-07. The remaining borrowings comprise long-term State and Commonwealth loans under the Commonwealth and State Housing Agreement (\$117.414m) and the State Housing and Works Assistance Loan (\$118.667m). All of these borrowings are long-term and at favourable fixed interest rates.

Loan advances in the Housing portfolio continued to decline as clients paid off their debt, and very few new loans were made. This is reflected in the reductions in Other financial assets, which comprised mainly of loans provided under the HOAP and other lending schemes no longer offered. In total, the loans portfolio reduced from \$28.003m in 2004-05 (HOAP \$22.304m, Other \$5.699m) to \$11.504m in the current year (HOAP \$8.289m, Other \$3.215m). Rises in house prices in recent years led to an increase in the total loan amount needed to be borrowed. This in turn led to increased capital and servicing costs, which resulted in a reduction in the demand for HOAP assistance.

Cash and deposits decreased by \$21.134m over the period mainly due to the aforementioned reduction in Interest bearing liabilities, purchase or construction of properties, increase in the maintenance on existing properties, off-set by the recovery of Loan advances. This is further explained under the Cash Position analysis later in this Chapter.

Although Receivables fluctuated due to timing, this balance was higher than usual at 30 June 2007 when it included \$2.200m in debtors for the sale of land at year end. Similarly, the balance of Other financial assets in the current year included \$1.876m being a prepayment for fixtures to be installed during 2008-09.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash inflows					
Receipts from government - recurrent	32 623	32 991	32 357	29 488	28 575
Receipts from Special Capital Investment Funds	3 089	3 598	3 898	3 850	3 407
User charges, fees and fines	1 700	1 071	1 259	1 565	1 696
Rent received from tenants	53 500	57 900	52 925	48 690	46 198
Interest received	1 190	1 960	1 584	2 666	3 904
Other cash receipts	5 080	3 665	2 125	3 488	3 870
Total cash inflows	97 182	101 185	94 148	89 747	87 650
Cash outflows					
Payments to employees	17 444	14 471	15 197	14 889	12 925
Payments to suppliers	21 098	24 127	24 513	21 164	20 836
Community grants	2 224	4 024	4 975	4 374	1 683
Interest payments	10 732	10 727	11 007	11 563	12 417
Administration	8 141	8 816	9 206	10 451	7 293
Other cash payments	33 216	36 058	27 549	27 964	25 107
Total cash outflows	92 855	98 223	92 447	90 404	80 261
Net cash from (used in) operating activities	4 327	2 962	1 701	(657)	7 389
Cash flows from investing activities					
Cash inflows					
Receipts from government - capital	3 275	4 086	3 258	7 262	9 514
Receipts from Special Capital Investment Funds	0	0	0	10 255	19 800
Proceeds from disposal of assets	7 100	10 535	6 788	7 137	4 356
Repayment of loan advances	5 300	4 663	6 207	9 816	14 591
Total cash inflows	15 675	19 284	16 253	34 470	48 261

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash outflows					
Payments for acquisition of assets	10 000	14 727	8 953	40 351	50 475
Loan advances	3 000	810	1 013	2 776	2 711
Other cash payments	500	485	198	264	507
Total cash outflows	13 500	16 022	9 966	43 127	53 186
Net cash from (used in) investing activities	2 175	3 262	6 287	(8 657)	(4 925)
Cash flows from financing activities					
Proceeds from borrowings	0	0	0	342	61 469
Total cash inflows	0	0	0	342	61 469
Repayment of borrowings	6 000	6 000	7 352	13 023	81 784
Total cash outflows	6 000	6 000	7 352	13 023	81 784
Net cash (used in) financing activities	(6 000)	(6 000)	(7 352)	(12 681)	(20 315)
Net increase (decrease) in cash	502	224	636	(21 995)	(17 851)
Cash at the beginning of the year	10 118	9 441	8 805	30 799	48 650
Cash at end of the year	10 620	9 665	9 441	8 805	30 799

Comment

Cash decreased by \$21.134m over the four year period under review as a result of:

- net debt repayments, \$46.348m
- net acquisitions/construction of property, plant and equipment, \$85.690m
- loans advanced, \$7.310m
- which was partly funded by recoveries of loan advances, \$35.277m
- inflows from operating activities of \$11.394m
- capital and SCIF funding, \$54.175m.

The outflows in financing activities were due to Housing reducing total debt as mentioned previously. Net repayments were substantially higher in 2004-05 due to surplus funds under HOAP being used to retire debt. Total HOAP outflows in that year were \$15.030m, followed by \$7.168m in 2005-06, with final extinguishment of

debt occurring in 2006-07, \$1.601m. Annual repayments of Long term State and Commonwealth loans averaged \$5.637m over the period.

Investing activities includes Payments for acquisition or construction of assets which represents capital expenditure on Housing assets. Significant additions occurred in 2004-05, \$50.475m, and 2005-06, \$40.351m, which were reflected in Property, plant and equipment balances in those years. Funding for these constructions was through receipt of government capital revenues, SCIF revenues and Cash and deposits monies held from prior years for construction purposes. These movements were the principal reason for the deficits in investing activities in those years. In 2007-08 and 2006-07 there was a reduction in construction activity.

Other movements in investing activities were due to proceeds received from the disposal of assets and net inflows from loan advances. Proceeds from disposal of non-current assets were higher in 2005-06 and 2006-07 due to increased asset sales combined with an increase in general market prices received. This year's proceeds also included a receipt of \$2.200m for land sold in June 2007 and included within the 2006-07 Receivables balance.

The Net cash from operating activities, with the exception of a minor deficit in 2005-06 of \$0.657m, has generally been in surplus indicating Housing has received sufficient funding, although only marginally, to sustain operating activities. This contrasts with the Net operating losses reported in the Income Statement and, to a large extent represents the non-cash nature of depreciation charges.

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

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(21 410)	(22 178)	(30 297)	(16 266)
Operating margin	>1.0	0.83	0.81	0.74	0.85
Underlying result ratio		(20.77%)	(23.44%)	(34.84%)	(18.15%)
Own source revenue (\$'000)		66 492	58 340	53 626	57 640
Financial Management					
Debt collection	30 days	9	25	8	10
Creditor turnover	30 days	21	19	25	11
Other Information					
Self-sufficiency %		53%	50%	47%	54%
Government funding %		63%	62%	52%	66%
Potential rental income (\$'000s)		94 206	76 286	67 574	66 796
Rental Rebate (\$'000s)		(34 574)	(23 028)	(20 669)	(20 438)
Net rents payable by tenants (\$'000s)		59 632	53 258	46 905	46 358
Rental dwellings (no. of properties)		12 563	12 602	12 373	12 668
Occupancy Rate (%) *		99.3%	98.9%	98.7%	98.5%
Average staff numbers (FTEs)		191	202	196	197
Average staff costs (\$'000s)		80	79	78	70
Average leave balance per FTE (\$'000s)		14	13	11	11
* <i>Not subject to audit.</i>					

Comment

With the Result from operations consistently being in deficit over the four years under review the Operating margin remained well below the bench mark. Although Housing sources revenues from tenants, it does so at reduced rates and is not fully funded for the shortfall. This was mirrored in the Underlying results ratio. Own source revenue, comprising mainly rent collected from Housing tenants has been increasing in line with rises in rents discussed previously.

Debt collection remains low as Housing benefits from prompt payment by its residential tenants. The unusually high value in 2006-07 was due to a large outstanding invoice for a sale of land at the end of June 2007. Changes to creditor payment procedures have increased the Creditor turnover but it remains within the benchmark.

The Self-sufficiency ratio indicates that Housing's own source revenues averaged 50% over the four year period of review. In 2005-06, the ratio dropped to 47% due to an increase in maintenance expenditure incurred during that year. In 2007-08, the ratio increased to 53% as a result of increased rents mentioned previously in this Chapter.

The Government funding ratio, for the four year period of review, is significantly less than 100%. This result is primarily due to rental income, user charges and interest income Housing receives. Changes in this ratio is of the same nature as the Self-sufficiency ratio discussed previously.

Potential rental income represents the maximum rent that can be charged (full market rent), whilst the value of the rental rebates reflects the difference between the maximum rental and the rent payable by tenants based on their personal income assessment. Although stock numbers fell in 2005-06 recent additions have reversed this position. The updating of market rents and the slight increase in the Occupancy rate has increased Potential rental income and Net rents payable by tenants.

Average staff costs have risen mainly due to increases in general rates of pay such as that provided by the State Service Wage Agreement.

TASMANIAN AMBULANCE SERVICE

INTRODUCTION

The Tasmanian Ambulance Service (the Service) is part of the Acute 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 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 47 stations staffed by salaried and volunteer ambulance officers.

The responsible Ministers are the Minister for Health and the Minister Human Services.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008 with re-signed statements received on 17 October 2008. An unqualified audit report was issued on 21 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Attributed revenue from government-recurrent	30 035	27 869	26 322	23 513	19 922
User charges	3 116	5 306	3 299	3 115	3 614
Other revenue	102	55	517	465	571
Total Operating Income	33 253	33 230	30 138	27 093	24 107
Employee entitlements	24 555	23 092	21 061	18 972	17 602
Client travel	3 114	3 259	3 219	3 127	3 100
Motor vehicle expenses	1 091	1 287	1 383	1 339	1 072
Depreciation	2 228	1 616	1 139	1 940	2 028
Goods and services	903	958	1 023	1 104	808
Administration	704	1 092	847	703	765
Impairment losses	0	179	3	427	1 291
Other expenses	3 716	4 877	4 101	3 221	2 933
Total Operating Expenses	36 311	36 360	32 776	30 833	29 599
Net Operating Deficit before:	(3 058)	(3 130)	(2 638)	(3 740)	(5 492)
Attributed revenue from government - capital	3 370	4 114	1 835	882	0
Actuarial superannuation assessment	0	(3 964)	(317)	7 160	1 182
Loss on sale of assets	(60)	(154)	(500)	(56)	(25)
Net Surplus (Deficit) Attributable to the State	252	(3 134)	(1 620)	4 246	(4 335)

Comment

Consistent with funding arrangements for government departments, the Service is not funded for depreciation, asset impairments or movements in employee leave entitlements. The budgeted Net Operating Deficit of \$3.058m is consistent with this arrangement with the depreciation budget being \$2.228m.

The Service reduced its operating deficit by almost 43% over the period under review from \$5.429m in 2004-05 to \$3.130m in the current year. This improved result was mostly due to the boost in Government funding, which increased by 40% during the same period.

The 2007-08 Net Operating Deficit Attributable to the State was relatively consistent with budget and the deficits in the preceding two years. The increase in the Net Deficit in 2007-08 compared with 2006-07 was the result of a change in the Actuarial superannuation re-assessment, \$4.083m, due to higher recognised actuarial gains of \$4.247m compared with \$0.317m in 2006-06. This was offset in part by increased Revenue from government – capital of \$2.279m.

User charges were fairly steady and reflected the annual indexation of ambulance fees (3.3% in 2007-08; 3.4% in 2006-07 and 2.6% in 2005-06) together with the increase in billable cases which correlated with the increasing case load. User charges further increased in 2007-08 due to higher than expected revenue from Department of Veterans Affairs (DVA) for ambulance services provided to eligible veterans and agreement by DVA to accept charges for previously unbilled ambulance transports not required dating back to July 2002.

In 2005, the Service underwent an internal investigation, following the discovery of fraudulent activities by a senior administration officer. Part of the investigation was a comprehensive review of unbilled cases, which resulted in additional revenues and the higher amount of User charges reported in 2004-05.

Other revenue was higher in the three years up to 2007-08 due to revenue transferred from health Connect as a result of the electronic patient care records project (ePCR) and funding from MAIB for a simulation centre project being received in those years.

Employee entitlements represented around 60% of the Service's Operating expenses. The increase in employee related expenditure over the period, \$5.490m or 31.2% was caused by:

- a 13% increase in the number of FTE's since 2004-05
- annual indexation of wages under an Enterprise Bargaining Agreement (4.0% in December 2007, 7.5% in December 2006; 7.0% in December 2005 and 7.0% in December 2004).

The 25% increase in Motor vehicle expenses in 2005-06 was predominantly the result of escalating fuel prices, a trend which started in 2006 and continues to the present.

The increase in Other operating expenses of \$1.944m over the period was a result of:

- a rise in corporate overheads from \$1.320m in 2004-05 to \$1.569m in 2007 08 caused by rising administration costs

- workers compensation insurance expense in 2007-08, \$0.624m, incurred directly by the Service for the first time in 2006-07 (following an administration change, whereby the responsibility for these costs was transferred from the Corporate division to individual budget centres)
- additional medical and general equipment for the newly purchased ambulance vehicles and new ambulance stations (discussed later)
- higher payroll tax expenses consistent with increased employee entitlements.

The current year's increase in Depreciation expense follows from additions of plant, equipment and vehicles, \$3.849m in 2007-08. Up until the current year Depreciation expenses had steadily declined reflecting the age of the Service's fleet. A large majority of ambulance vehicles were commissioned in 2000-01. These were fully depreciated at the end of the 2005-06, thus reducing depreciation charges by \$0.750m in that year. Large stocks of medical equipment also became fully depreciated by the end of 2005-06, reducing the depreciation expenditure by an additional \$0.105m.

High Impairment losses reported in 2004-05 and 2005-06 corresponded with write-offs of bad debts in those years. These write-offs were in relation to long outstanding accounts which became uncollectable.

The significant variation in non-operating items was due to an actuarial re-assessment of the Tasmanian Ambulance Service Superannuation Scheme (TASSS) in 2007-08. Based on the review, TASSS's net liability of \$1.001m in 2004-05 was revalued to a net superannuation asset of \$2.038m at 30 June 2008 (2006-07, \$6.002m). Whilst the operational service costs and employer contributions are recorded within Employee entitlements, fluctuations in the recognised actuarial gain or loss are separately disclosed. Over the period under review net actuarial gains of \$4.061m have been recognised, the most significant movements being an actuarial loss of \$3.964m in 2007-08 and an actuarial gain of \$7.160m in 2005-06. These gain and losses reflect investment performance by scheme assets in the respective years.

In 2006, the State Government committed \$10.670m over four years for the purchase of 100 new ambulances. The increase in capital funding for 2007-08 and 2006-07 is a direct result of that commitment (the fleet replacement program is discussed further in the Balance Sheet section). Capital appropriations in 2005-06 mainly comprised funding for the construction of an ambulance station at Sheffield and completion of a new station at Latrobe.

The 2007-08 Loss on sale of assets primarily related to the transfer of the Mersey Ambulance Station to the Commonwealth Government as part of the transfer of the Mersey Community Hospital. In 2006-07 the Loss on sale of non-financial assets included a write-off of a former ambulance station at Devonport, which was sold and the proceeds \$0.175m transferred to the Tasmanian Fire Service. The carrying value of the land and building written-off as a result of the sale was \$0.556m, partly off-set by a net gain of \$0.056m on the sale of decommissioned ambulance vehicles.

BALANCE SHEET

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>					
Loan advances	0	8	0	0	0
Cash and deposits	0	0	0	0	0
Receivables	932	696	818	932	1 007
Superannuation	5 883	2 038	6 002	5 883	0
<i>Non-financial Assets</i>					
Inventory	219	371	268	219	392
Property, plant and equipment	11 824	21 215	12 470	11 824	12 601
Total Assets	18 858	24 320	19 558	18 858	14 000
<i>Liabilities</i>					
Payables	663	763	614	663	418
Employee entitlements	6 566	7 358	7 268	6 566	5 849
Superannuation	0	0	0	0	1 001
Other liabilities	605	828	843	605	533
Total Liabilities	7 834	8 949	8 725	7 834	7 801
Net Assets	11 024	15 371	10 833	11 024	6 199
Reserves	8 583	15 307	8 583	8 583	8 583
Accumulated funds (deficits)	2 441	72	2 250	2 441	(2 384)
Total Equity	11 024	15 379	10 833	11 024	6 199

Comment

Higher capital expenditure and revaluations resulted in an increase in the balance of Property, plant and equipment, from \$12.601m in 2004-05 to \$21.215m in 2007-08. This, together with the upward revaluation of TASSS arrangements, from a net liability of \$1.001m in 2004-05, to a net asset of \$2.038m in 2007-08, contributed to the relatively significant increase in both the Net Assets and Total Equity of the Service.

The movements in Accumulated funds from year to year represents the Net surplus or deficit reported in the Income Statement adjusted for the extent of which the operations of the Service were supported by DHHS - \$0.956m in 2007-08, \$1.429m in 2006-7 and \$0.579m in 2005-06 – see Cash Position section.

In relation to cash, it should be noted that the Service does not operate its own bank account. Instead, all cash transactions are processed through bank accounts operated by the DHHS.

Apart from Superannuation, the only other major item on the Service's Balance Sheet is Property, plant and equipment. In 2007-08 Property, plant and equipment increased

as a result of a revaluation of land and buildings, revaluation increment of \$5.020m and \$1.704m respectively, together with additions of plant and equipment, specifically vehicles of \$3.849m. In 2006-07, as part of its fleet replacement program the Service acquired and fitted-out 14 additional ambulances, \$1.436m, and eight secondary response vehicles, \$0.367m. The drop of \$0.777m between 2004 05 and 2005-06 was due to the depreciation of ambulance vehicles \$1.035m and the writing-off of old vehicles and equipment. The decrease was partly off-set by the acquisition of three new ambulances \$0.305m and one secondary response vehicle \$0.046m during that year.

In addition to the foregoing, two new ambulance stations were constructed and put into service during the period under review, one at Latrobe \$0.286 in 2005 06 and another at Sheffield \$0.687 in 2006-07.

The balance of Receivables steadily declined over the period, from \$1.007m in 2004 05 to \$0.696m in 2007-08. This resulted from a review of the recoverability of receivables and the write off of bad debts.

There was a noticeable increase in Payables of almost 83% or \$0.345m over the period. A number of internal and external factors contributed to this rise, including:

- higher cost of supplies, especially those which are medical and travel related
- larger volume of purchases due to increased activity
- changes to the management of creditors, resulting in the average payment period moving closer to the 30 day benchmark.

Employee entitlements generally increased in line with annual indexation and as a result of additional staff. The increase in Other liabilities in 2006-07 was mainly due to revenue received in advance \$0.128m for the ePCR project.

The variance between budget and actual Balance Sheet items was mainly due to the budget being based on 2005-06 actual figures because at the time of budget preparation the 2006-07 actual figures had not yet been finalised.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government					
- recurrent	30035	27869	26 322	23 513	19 922
User charges	3116	5203	3 410	2 763	3 554
Other cash receipts	102	(160)	645	720	186
Total cash inflows	33 253	32 912	30 377	26 996	23 662
Employee entitlements	21399	22971	20 685	19 218	17 248
Goods and services	903	967	1 121	686	971
Client travel	3114	3259	3 219	3 127	3 100
Motor vehicle expenses	1091	1287	1 383	1 339	1 072
Administration	704	1092	847	949	765
Other payments	3716	4830	4 101	2 165	649
Total cash outflows	30 927	34 406	31 356	27 484	23 805
Cash from (used in) operations	2 326	(1 494)	(979)	(488)	(143)
Receipts from government					
- capital	3370	4114	1 835	882	0
Proceeds from disposal of assets	0	205	62	45	21
Total cash inflows	3 370	4 319	1 897	927	21
Payments for acquisition of assets	69	3781	2 347	1 018	216
Total cash outflows	69	3 781	2 347	1 018	216
Cash from (used in) investing activities	3 301	538	(450)	(91)	(195)
Net increase (decrease) in cash held by DHHS	5 627	(956)	(1 429)	(579)	(338)
Eliminate portion of operating account attributable to DHHS	(5 627)	956	1 429	579	530
Transfer of DHHS land and buildings to the Service	0	0	0	0	(192)
Cash at the beginning of the year	0	0	0	0	0
Cash at end of the year	0	0	0	0	0

Comment

Despite the increase in Government funding and rising cash receipts from User charges and Other receipts, the Service continued to operate with a negative operating cash flow. The operating cash flow worsened each year in the period under review and reached \$1.494m in 2007-08. This indicates that payments made to employees and suppliers increased faster than recurrent receipts, which is confirmed by the line "Net increase (decrease) in cash held by central DHHS operating account". This means that DHHS provided financial support to the Service in each of the four years under review.

The increased cash outflow from investing activities was a result of the acquisition of new ambulance and secondary response vehicles and the construction of new ambulance stations at Latrobe and Sheffield during the period under review.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(3 130)	(2 638)	(3 740)	(5 492)
Operating margin	>1.0	0.91	0.92	0.88	0.81
Underlying result ratio		(0.09)	(0.08)	(0.09)	(0.14)
Own source revenue ('000s)		5 361	3 140	3 816	3 580
Financial Management					
Debt collection	30 days	45	66	86	102
Creditor turnover	30 days	9	5	23	3
Other Information					
Self-sufficiency %		15	12	12	14
Government funding %		90	91	86	78
Staff numbers (FTEs)		273	252	232	223
Average staff costs (\$'000s)		80	78	74	70
Average leave balance per FTE (\$'000s)		21	25	25	24
Ambulance Statistics *					
Emergency ambulance responses		31 516	31 032	31 487	29 144
Total ambulance responses		54 294	62 756	61 774	56 066

* Not subject to audit.

Comment

The Operating margin remains below the benchmark, despite improvements in the Result from operations over the period under review.

Changes to debt collection practices implemented in 2005-06, where Corporate Finance oversees the follow-up of outstanding debts, resulted in a fall in the average collection period from 102 days three years ago to 45 days in 2007-08.

Apart from 2005-06, the Creditors turnover was well below benchmark as the Service was able to maintain a very low level of creditors to be paid at balance date. In 2005-06 the increase to 23 days was a result of payments being processed on or close to their due dates.

The Self-sufficiency ratio indicates that for the three years to 2006-07 the Service's own source revenues remained at around 12%. In 2007-08 the percentage increased to 15% due to the higher level of User charges commented on previously in the Income Statement section of this Chapter.

The Government funding ratio was less than 100% due to the net operating deficits incurred by the Service.

Over the period Staff numbers increased by 22.4% or from 223 FTEs in 2004-05 to 273 FTEs in 2007-08. Average staff costs also increased steadily each year due to the annual indexation of salaries and wages under various Awards.

Average leave balance per FTE remained steady over the first three years under review but decreased to \$21 000 per FTE in 2007-08 in line with the growth in employee entitlement balances slowing to only a 1.2% increase in 2007-08 as staff are encouraged to take leave. However, this average can be distorted by new starters who commenced employment in recent years.

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, accessible and equitable transport system that enhances economic development
- promotion of reliable, efficient and safe energy systems
- 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.

The Responsible Ministers are the Minister for Infrastructure, the Minister for Energy and Resources and the Minister for Racing.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008, with final amended statements received on 15 October 2008. An unqualified audit report was issued on 22 October 2008.

The 2007-08 audit was completed with satisfactory results and no major issues outstanding.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	97 694	96 338	97 929	94 125	91 277
Revenue from government - capital	135 213	67 716	42 935	39 420	28 990
Revenue from Special Capital Investment Funds	16 075	25 407	6 219	4 349	2 329
Grants	14 469	2 403	3 079	2 134	974
Sales of goods and services	425	988	1 222	616	1 536
Fines and regulatory fees	4 474	5 547	441	1 000	262
Other revenue	2 500	6 483	5 180	3 094	1 573
Total Operating Income	270 850	204 882	157 005	144 738	126 941
Employee entitlements	32 703	33 793	31 320	35 382	33 011
Depreciation and amortisation	87 299	80 580	78 949	75 713	79 560
Grants and subsidies	55 389	51 209	52 473	49 181	46 163
Supplies and consumables	58 641	84 658	68 171	55 417	42 722
Loss (profit) on sale of assets	0	89	392	603	60
Write down of assets	0	5 684	371	14 842	155
Other expenses	2 187	2 268	1 982	2 223	2 173
Total Operating Expenses	236 219	258 281	233 658	233 361	203 844
Net Operating Surplus (Deficit) before:	34 631	(53 399)	(76 653)	(88 623)	(76 903)
Revenue from government - capital	0	52 196	51 590	44 218	56 700
Revenue from Special Capital Investments	0	16 188	11 036	16 935	5 064
Commonwealth Grant - East Tamar Highway	0	0	0	60 000	0
Non-operating revenue	0	0	0	637	34 212
Net Surplus (Deficit) Attributable to the State	34 631	14 985	(14 027)	33 167	19 073

Comment

The Department consistently reported operating deficits in the four years under review. The Net operating deficit for 2007-08 amounted to \$53.399m (2007, \$76.653m), the lowest recorded in the four year period of review. The primary reason for the deficits is that the Department is funded on a cash basis, which excludes depreciation or increases in employment provisions. Operating deficits are funded to a certain extent by significant 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, although we were not able to separate for the budget. After the Operating deficit is adjusted for capital grant funding, the Department recorded a Net surplus attributable to the State of \$14.985m (2007, \$14.027m deficit).

Revenue from government – capital and SCIF used in asset maintenance are recorded as operating income. This enables an assessment of the Department's management of operating revenues and expenditures.

Total operating income for 2007-08 was \$204.882m up 30.4% on the prior year result of \$157.005m. The contributing factor was increases in capital appropriations and SCIF. Over the four year period of review capital appropriations and SCIF were the major contributors to changes in operating income.

The Department is still holding the Commonwealth funding of \$56.723m (includes interest earned) for the redevelopment of the East Tamar Highway of which \$8.739m had been expended to 30 June 2008.

In 2004-05, Non-operating revenue totalled \$34.212m when the Department took over the activities of the ABT Railway Ministerial Corporation Pty Ltd resulting in the consolidation of its activities into the Department's financial statements.

Total operating expenses for 2007-08 were \$258.281m, up 10.5% on the prior year result of \$233.658m. The contributing factor was an increase in supplies and consumables for contractor expenses for the road and rail programs.

Over the four year period total operating expenses increased by \$54.437m (26.70%). Significant operating expenses over that review period include:

- Employee entitlements were relatively stable over the four year period of review. The increase in 2007-08 of \$2.473m (7.80%) was due to a general wage agreement rise
- Supplies and consumables increased by \$16.487m (24.18%). The increase was principally the result of increased spending on roads following the Government's election commitments and expenditure relating to maintenance of rail infrastructure assets taken up during the year. Further information on the rail asset take-up is provided under the Balance Sheet section of this Chapter.

Major variations between budget and actual outcomes for 2007-08 included the following:

- Capital appropriations: actual income was lower due to less capital investment expenditure being incurred of \$15.301m

- SCIF: unbudgeted income was received in relation to the Urban Renewal and Heritage Fund from the Department of Treasury and Finance (DOTAF)
- Grants: due to differing accounting treatment of the East Tamar Highway funds from Commonwealth by DOTAF
- Supplies and consumables: the budget anticipated that a significant proportion of expenditure would be capitalised, this was not the actual result.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	53 372	91 558	71 207	66 495	3 477
Receivables	827	1 265	1 123	827	1 497
Other financial assets	3 002	5 096	5 866	4 660	4 036
<i>Non-financial Assets</i>					
Assets held for sale	121	0	10	121	0
Plant and equipment	11 088	12 536	12 862	11 780	12 527
Land and buildings	14 007	21 568	20 801	14 277	14 338
Road infrastructure	3 808 414	4 266 946	3 840 916	3 786 477	3 487 052
Other infrastructure	36 592	34 504	36 702	32 413	33 451
Intangibles	14 615	17 252	8 770	5 503	2 754
Total Assets	3 942 038	4 450 725	3 998 257	3 922 553	3 559 132
<i>Liabilities</i>					
Payables	2 501	6 128	7 277	2 501	1 807
Employee entitlements	8 552	9 581	8 563	8 179	9 504
Other liabilities	35	4 712	3 993	1 353	1 032
Total Liabilities	11 088	20 421	19 833	12 033	12 343
Net Assets	3 930 950	4 430 304	3 978 424	3 910 520	3 546 789
Reserves	1 272 192	1 782 411	1 345 516	1 263 585	933 021
Accumulated funds	2 658 758	2 647 893	2 632 908	2 646 935	2 613 768
Total Equity	3 930 950	4 430 304	3 978 424	3 910 520	3 546 789

Comment

During 2007-08 the Department's net assets increased by \$451.880m 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 \$4.266bn (or 95.9% of total assets).

Cash and deposits significantly increased over the four year period of review. The balance as at 30 June 2008 was \$91.558m (2007, \$71.207m). This cash balance consisted of:

- Urban Renewal and Heritage Fund \$25.000m
- East Tamar Highway Fund \$56.723m
- Operating account \$8.800m.

Explanations for the movements in the Cash and deposits balances are provided under the Cash Position analysis later in this Chapter.

In 2006-07, Road infrastructure increased by \$54.439m which was primarily the result of capital improvements, \$61.208m, and CPI valuation increase of roads, \$98.734m, offset by depreciation, \$76.497m, and devaluation of bridges, \$59.985m. The increase 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.

The devaluation of bridges in 2006-07 was primarily due to the valuation of the major Tasmanian bridges (i.e. Tasman, Bowen, Bridgewater and Batman Bridges). In undertaking the valuation, it was found that modern construction costs of larger bridges had fallen relative to construction costs of bridges in general. The Department had been indexing all its bridge values since 1996, which overstated the value of major bridges, as found in the 2006-07 revaluation.

During 2006-07, the Tasmanian Government acquired rail infrastructure assets from Pacific National for the nominal amount of \$1. The rail infrastructure and its management, assessment and oversight is 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. The valuation will be reviewed annually.

Intangibles represent 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 RIMS project is being funded from SCIF and the MRS project from Appropriation.

Major variations between budget and actual outcomes for 2007-08 included the following:

- Cash and deposits: lower than expected expenditure of East Tamar Highway funds and greater interest received, carry forward of revenue received in advance of \$4.200m and the receipt of the unbudgeted \$25.000m Urban Renewal and Heritage Fund

- Lands and buildings: the budget was under estimated
- Road and infrastructure: the revaluation was not budgeted. The high revaluation reflects increases in the road and bridge construction costs over the last five years
- Payables: reflects higher than anticipated creditor and expense accruals.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	95 934	94 879	97 929	94 125	91 160
Receipts from government - capital	135 213	69 868	45 122	39 719	29 608
Revenue from Special Capital Investment Funds	16 075	25 411	6 219	4 348	2 329
Grants	1 119	3 006	2 713	2 277	584
Sales of goods and services	425	994	1 127	765	1 598
Fines and regulatory fees	4 474	5 538	443	998	261
GST receipts	10 398	20 980	16 153	16 093	13 326
Other cash receipts	2 496	5 868	5 233	3 307	1 726
Payments to employees	(32 462)	(32 835)	(30 948)	(34 704)	(36 174)
Grants and subsidies	(55 389)	(53 119)	(50 456)	(49 350)	(46 280)
Payments to suppliers	(58 641)	(83 029)	(64 882)	(55 403)	(39 954)
GST payments	(10 399)	(21 116)	(17 331)	(15 734)	(13 662)
Other cash payments	(2 187)	(2 235)	(1 965)	(3 405)	(1 257)
Cash from (used in) operations	107 056	34 210	9 357	3 036	3 265
Receipts from government - capital		52 196	51 591	44 218	56 700
Commonwealth Grant - East Tamar Highway		0	0	60 000	0
Revenue from Special Capital Investment Funds		16 188	11 036	16 935	5 064

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Proceeds from disposal of assets	4	5	3	5	1
Payments for acquisition of assets	(121 558)	(82 248)	(67 275)	(61 176)	(63 791)
Cash from (used in) investing activities	(121 554)	(13 859)	(4 645)	59 982	(2 026)
Net increase/ (decrease) in cash	(14 498)	20 351	4 712	63 018	1 239
Cash at the beginning of the year	67 870	71 207	66 495	3 477	2 238
Cash at end of the year	53 372	91 558	71 207	66 495	3 477

Comment

The Cash and deposits balance increased by \$88.081m over the four year period under review. This was principally as a result of the \$60.000m grant funding in 2005-06 relating to the redevelopment of the East Tamar Highway and the carried forward of funding as noted previously in the Balance Sheet section of this Chapter.

Over the four year period of review, cash movements amount to:

- Cash from operations \$49.868m
- Receipts from government – capital \$204.705m. We were not able to separate capital receipts between operating and capital funding
- Commonwealth grant –East Tamar highway \$60.000m
- Revenue from SCIF \$49.223m
- Payments for acquisition of assets \$274.490m.

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.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(53 399)	(76 653)	(88 623)	(76 903)
Operating margin	>1.0	0.79	0.67	0.62	0.62
Underlying result ratio		(0.26)	(0.49)	(0.61)	(0.61)
Own source revenue (\$'000s)		15 421	9 922	6 844	4 345
Financial Management					
Debt collection	30 days	29	33	32	107
Creditor turnover	30 days	14	27	8	11
Other Information					
Self-sufficiency (%)		6	4	3	2
Government funding (%)		78	66	61	61
Staff numbers (FTEs)		537	503	512	618
Average staff costs (\$'000s)		63	62	69	53
Average leave balance per FTE (\$'000s)		18	17	16	15

Comment

The operating margin was well below the benchmark in all four years under review. This is consistent with observations made under 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. The Underlying result ratio is similarly negative for all four years.

Own source revenue grew steadily over the four year period of the review. The increase in 2007-08 was attributable to mining rehabilitation bonds, interest income and new Road Safety levies.

Debt collection continued to improve from 107 days in 2004-05 to 29 days in 2007 08.

The Self sufficiency percentage was very low indicating the very high dependency on appropriations to fund operating expenditure.

The Government funding ratio was below 100%, which represents a break-even position that is common to most departments. The ratio was impacted by the significant operating deficits incurred by the Department primarily due to depreciation and employee entitlement provisions not being funded.

Average staff costs have fluctuated over the four year period. Employment in 2007-08 has increased by 34 FTE's. The additional employment has been for the following areas: rail management, driver testing, passenger transport review, Brighton transport hub and Office of the Secretary. Average staff costs in 2005-06 were impacted by the transfer of 124 Workplace Standards Tasmania (WST) employees to the Department of Justice.

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 include 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

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	21 504	20 700	17 922	16 586	15 036
Revenue from government - capital	0	500	600	850	0
Grants	49 781	44 483	32 569	34 446	37 488
Sales of goods and services	38 013	44 119	41 513	28 702	22 306
Fines and regulatory fees	33 749	38 628	36 388	32 191	31 516
Other revenue	34	548	618	102	240
Total Revenue	143 081	148 978	129 610	112 877	106 586
Employee entitlements	2 806	1 809	1 634	3 227	2 893
Depreciation and amortisation	1	3	4	9	12
Grants and subsidies	19 360	19 181	18 040	17 127	16 124
Supplies and consumables	699	3 705	575	1 956	2 872

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Resources provided free of charge	0	0	0	2 776	0
Other expenses	204	147	106	330	0
Total Expenses	23 070	24 845	20 359	25 425	21 901
Net Surplus	120 011	124 133	109 251	87 452	84 685
Transfer to Consolidated Fund	(120 131)	(128 320)	(105 876)	(87 678)	(84 901)
Equity interests	0	0	0	0	(264)
Net Surplus (Deficit)	(120)	(4 187)	3 375	(226)	(480)

Comment

In comparing actual to budget for 2007-08, major variances related to:

- Grants received were \$5.298m less than the budget estimate that included expected increased funding from the Australian Government for National Roads, which was subsequently revised down by \$5.300m
- Increased Fees and Fines reflecting stronger than expected revenues from motor registrations and drivers licences, and sales of Perpetual Taxi Licences

The increase in Sales of goods and services in 2007-08 was principally due to increased Mineral Royalties due to strong commodity prices, which also caused the difference compared to the budget estimate.

Major Grants and subsidies expended in 2007 08 included:

- school bus operators route service, \$6.933m
- transport access scheme, \$2.929m
- National Road Transport Commission, local government contribution, \$1.500m
- Tasmanian racing assistance, \$1.060m
- contribution to Marine and Safety Tasmania, \$0.800m.

Transfer to Consolidated Fund was higher in 2007-08 and exceeded the budget estimate due to larger revenue collections, particularly minerals royalties, public vehicle licensing, vehicle registration and driver licensing, noted previously.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash	1 725	3 102	3 258	1 935	3 543
Receivables	2 933	405	3 120	2 933	3 262
Other financial assets	82	479	2 747	82	67
<i>Non-financial Assets</i>					
Property, plant and equipment	6	39	2	6	19
Total Assets	4 746	4 025	9 127	4 956	6 891
<i>Liabilities</i>					
Payables	1 740	83	705	1 740	2 935
Employee entitlements	319	364	356	293	607
Other liabilities	121	1 588	1 889	121	321
Total Liabilities	2 180	2 035	2 950	2 154	3 863
Net Assets	2 566	1 990	6 177	2 802	3 028
Accumulated funds	2 566	1 990	6 177	2 802	3 028
Total Equity	2 566	1 990	6 177	2 802	3 028

Comment

In comparing actual to budget for 2007-08, major variances related to:

- Cash and deposits include third party collections held over the end of financial year
- actual receivables were lower than anticipated
- actual payables were lower than anticipated.

The changes in Total Equity are attributable to the Net surpluses (deficits) recorded.

Decreases in Cash, Receivables, Payables, Employee entitlements and Other liabilities in 2005-06 were caused by the transfer of WST and the WorkCover Tasmania Board, as noted previously.

Until 2005-06 Other financial assets consisted solely of the market value of shares held by the Minister in Murchison United Ltd. The amount in 2007-08 also included accrued revenue.

Receivables decreased by \$2.715m, which is attributable to debtor royalties not being taken up for the current financial year.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	21 504	20 700	17 922	16 386	15 036
Receipts from government - capital	0	500	600	850	0
Grants	49 781	44 510	32 587	33 335	31 623
Sales of goods and services	38 013	48 975	39 033	28 875	22 291
Fines and regulatory fees	33 749	39 090	36 242	32 183	31 563
Other receipts	33	365	975	104	6 581
Payments to employees	(2 791)	(1 802)	(1 571)	(3 293)	(2 880)
Grants and subsidies	(19 360)	(19 900)	(17 344)	(17 110)	0
Other cash payments	(903)	(4 234)	(1 245)	(5 260)	(19 324)
Transfers to the Consolidated Fund	(120 131)	(128 320)	(105 876)	(87 678)	(84 901)
Cash (used in) operating activities	(105)	(116)	1 323	(1 608)	(11)
Cash (used in) investing activities	0	(40)	0	0	(13)
Net increase (decrease) in cash	(105)	(156)	1 323	(1 608)	(24)
Cash at the beginning of the year	1 830	3 258	1 935	3 543	3 567
Cash at end of the year	1 725	3 102	3 258	1 935	3 543

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 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 Electoral Commission, Workers' Rehabilitation and Compensation Tribunal, WorkCover Tasmania Board, Forensic Tribunal, Guardianship and Administration Board, Mental Health Tribunal, Resource Management and Planning Appeal Tribunal and the Resource Planning and Development Commission. It also supports the statutory offices of the Solicitor-General, Director of Public Prosecutions, Parole Board of Tasmania, Public Guardian and the Anti-Discrimination Commissioner. Each of these areas is separately accountable to Parliament.

The Department includes: Corrective Services, Crown Law, the Office of Consumer Affairs and Fair Trading, the Registry of Births, Deaths and Marriages, the Poppy Advisory & Control Board, Workplace Standards Tasmania, Monetary Penalties Enforcement Service, Victims Support Services, Legislation Development & Review, Industrial Relations (Private Sector) and the Land Use Planning Branch.

As at 30 June 2008 the Department was responsible to two Ministers, the Attorney-General and Minister for Justice, and the Minister for Planning and Workplace Relations.

As a part of the State Government's administrative restructuring, effective 1 April 2006, the Department assumed responsibility for Workplace Standards Tasmania (WST) and Resource Planning, which includes the Resource Planning Development Commission (RPDC), Resource Management Planning Appeals Tribunal and Land Use Planning. There were no administrative restructures in 2006-07. From the start of 2007-08, the Office of the Ombudsman was transferred out of the control of the Department of Justice because from the commencement of that financial year it commenced reporting in its own right.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 11 August 2008, with amended and re-signed statements received on 13 October 2008. An unqualified audit report was issued on 16 October 2008.

The 2007-08 audit was completed with satisfactory results.

FINANCIAL RESULTS

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	111 205	112 941	106 904	91 154	73 031
Revenue from Special Capital Investment Funds	1 041	1 045	1 248	1 812	1 632
Sale of goods and services, fees and fines & grants	9 858	12 067	9 227	7 512	6 032
Resources received free of charge	0	0	0	0	30
Other operating revenue	2 271	5 435	7 935	6 566	5 864
Total Operating Income	124 375	131 488	125 314	107 044	86 589
Employee entitlements	74 270	76 837	72 887	62 787	49 622
Depreciation and amortisation	3 005	4 303	3 993	2 187	2 065
Grants and subsidies	5 385	5 991	4 736	4 378	4 515
Impairment losses	0	487	0	0	0
Other operating expenses	44 692	44 686	46 093	39 022	31 043
Total Operating Expenses	127 352	132 304	127 709	108 374	87 245
Net Operating (Deficit) before:	(2977)	(816)	(2 395)	(1 330)	(656)
Capital appropriations	9 242	9 242	19 904	15 896	13 559
Asset transfers	0	0	0	(22 990)	0
Net Surplus (Deficit) Attributable to the State	6 265	8 426	17 509	(8 424)	12 903

Comment

Recurrent appropriations increased 55% or \$39.910m over the four years under review. This increase was impacted by the following factors:

- in 2005-06 (April 2006) an administrative restructuring took effect. The impact of this administrative restructure resulted in an initial \$11.327m of additional appropriations in 2006-07. Given the absence of any other major administrative restructures since, this impact continued in 2007-08
- from 2004-05 to 2007-08 there were progressive increases in recurrent appropriations to fund the Correctional Officers' Agreement 2005, funding to cover the cost of the new operating model relating to the prison redevelopment and funding to cover the cost of the 15 year prison maintenance contract
- in 2007-08, part of the increase was due to initiative funding of \$1.000m, for the Beaconsfield Mine Inquiry and \$0.750m for Land Use Planning. The remaining increase related in part to \$2.500m of salary indexation as well as additional appropriations over the original budget (excluding the cost of providing jury services) discussed later in this chapter.

The Department received additional recurrent appropriations over its original 2007-08 budget totalling \$1.736m related to:

- salary indexation for the Legal Aid Commission, \$0.297m
- security work performed at Risdon, \$0.545m
- rent for Henty House, \$0.157m
- increased cost of providing jury services, \$0.100m
- items Reserved By Law, \$0.637m.

Revenue from the Special Capital Investment Funds continued to be provided for the Monetary Penalty Enforcement Project (MPEP). Phase 1 was completed in November 2007 which saw the roll-out of the FIND system. The current year funding of \$1.045m represented the final balance from the originally approved project funding of \$6.100m.

Sales of goods and services, fees and fines and grants increased 100% or \$6.035m over the four years under review. This increase has been impacted by the following factors:

- the administrative restructure mentioned previously contributed an additional \$0.190m in grants and \$0.753m in user charges in 2005-06 and an increase of \$0.777m in fees and fines in 2006-07
- in 2006-07 a new Commonwealth grant of \$0.969m was received relating to the Court Mandated Drug Diversion Program
- in 2007-08 fees and fines increased \$1.284m due to electrical safety inspection services that commenced in February 2008; \$0.504m increase in building practitioners accreditation as a result of an additional 1 900 fees collected; \$0.247m increase due to a large data purchase by an Australian Government Department; and \$0.529m increase due to the legal practice undertaking a larger volume of work.

Other operating revenue decreased 7% or \$0.393m over the four years under review. The budget was exceeded in 2007-08 due to increased revenue for local government elections and cost recoveries by the RPDC. There were however during this period increases and decreases due to the following factors:

- revenue from the Tasmanian Electoral Office varies each year depending on the timing of State and Local Council elections. In 2005-06, there was an increase in revenues of \$3.001m and 2006-07 saw a subsequent decrease in electoral revenue of \$1.029m. In 2007-08 there was an increase in electoral revenue totalling \$1.034m due to elections held bi-annually on behalf of Local Government
- from the start of 2007-08, the Office of the Ombudsman was transferred out of the control of the Department to its own reporting division. This resulted in a decrease of \$0.584m in recoveries from this Office in 2007-08. In 2006-07 revenue from this Office also decreased by \$0.653m due to the completion of the Child Abuse Review in 2005-06
- in 2006-07 there was additional revenue (received to off-set expenditure incurred) through the RPDC, for work undertaken on the assessment of the proposed pulp mill which totalled \$2.914m. In 2007-08 revenue resulting from assessments by the RPDC decreased by \$2.390m
- in 2007-08 there was a \$0.480m decrease related to significantly lower Crown Law activity level in the current year.

Employee entitlement expenses increased 55% or \$27.235m over the four years under review. This increase was primarily due to the new prison operating model. There was a substantial increase in prison staff from 307 in 2004-05; 337 in 2005-06; 344 in 2006-07 to 343 in 2007-08. As noted previously, there were substantial increases in Employee entitlement expenses arising from the Correctional Officers' and the Legal Practitioners Agreement, which allowed for annual step increases. The Employee entitlement expense was also impacted by the administrative restructure in April 2006 which resulted in an additional 154 FTEs.

Across the Department, wage increases on average rose by 3.5% in 2007-08. Further, full time equivalent employees increased from 740 in 2004-05; to 961 in 2005-06; 972 in 2006-07 to 999 in 2007-08.

The actual 2007-08 employee entitlement expense was \$2.587m over budget mainly due to additional salary costs resulting from industrial action at the Risdon Prison Complex during the year.

Depreciation and amortisation expenses increased by 108% or \$2.238m over the four years under review. This was mainly due to the new prison of which the women's prison was completed in 2005-06 and the main prison in 2006-07. In addition, Phase 1 of MPEP was completed in 2007-08 resulting in an additional \$0.122m in amortisation expense. As noted in the prior year, the provision for depreciation on the new prison buildings and related plant and equipment was not accurately budgeted for. This was corrected during the development of the 2008-09 Budget.

Grant and subsidies expenditure increased by 33% or \$1.476m over the four years under review. This was primarily a result of salary indexation for the Legal Aid Commission of \$0.797m in 2007-08.

Impairment losses of \$0.487m in 2007-08 related primarily to a \$0.330m write down of laundry assets to fair value. The remaining related to a change in impairment of receivables. These impairments were not budgeted for.

Other operating expenses increased by 44% or \$13.643m over the four years under review. This increase was generally in line with increases in the recurrent appropriation noted previously. In addition, in 2007-08 operating expenses decreased by \$1.407m. The completion of MPEP Phase 1 (discussed below) and the Pulp Mill Assessment during the year (discussed earlier) contributed to a decrease in IT and consulting expenses respectively.

Capital appropriations from 2004-05 to 2007-08 primarily related to the Prison Infrastructure Redevelopment Program (PIRP). This project commenced in 2003-04 and was completed in October 2006 which was the reason for the decrease of \$10.662m between 2006-07 and 2007-08. The funding of the PIRP was 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 process) which had one repayment outstanding and was due for payment in July 2008. Capital Appropriations received by the Department were used to repay the external borrowing commitments.

The asset transfer of \$22.990m in 2005-06 related to the transfer of the Secure Mental Health facility at the Risdon Prison to the Department of Health and Human Services.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	7 065	14 193	8 436	9 490	5 557
Receivables	1 100	2 267	3 336	2 119	1 180
<i>Non-financial Assets</i>					
Inventory	0	436	433	441	336
Property, plant and equipment	136 080	131 737	135 463	135 563	104 491
Intangibles	2 304	3 718	2 576	1 489	822
Total Assets	146 549	152 351	150 244	149 102	112 386
<i>Liabilities</i>					
Payables	2 419	4 192	3 190	7 424	5 195
Interest bearing liabilities	18 238	11 311	19 343	32 083	0
Employee entitlements	15 287	15 850	14 880	14 432	10 129
Other liabilities	160	961	1 005	846	673
Total Liabilities	36 104	32 314	38 418	54 785	15 997
Net Assets	110 445	120 037	111 826	94 317	96 389
Reserves	19 302	19 302	19 302	19 302	13 102
Accumulated funds	91 143	100 735	92 524	75 015	83 287
Total Equity	110 445	120 037	111 826	94 317	96 389

Comment

The Department's Total Equity increased by \$23.648m over the four years under review primarily due to:

- net surpluses in 2005-06, 2006-07, and 2007-08 of \$17.511m
- asset revaluations in 2005-06 of \$6.200m
- administrative restructuring in 2007-08 of \$0.209m.

Cash and deposits exceeded budget in 2007-08 due primarily to additional funds being received by Workplace Standards, revenue collected by the Tasmanian Electoral Commission for local government elections and cost recoveries by the RPDC.

Receivables increased by 92% or \$1.087m over the four years under review. This increase was impacted by the following factors:

- due to a change in the method used to account for Crown Law Work In Progress in 2005-06 there was a permanent increase in debtors at year end. This resulted in an increase of \$0.191m in 2005-06, \$0.301m in 2006-07, and \$0.074m in 2007-08

- an amount of \$1.271m due by the Department of Economic Development and Tourism for work performed by external consultants in relation to the proposed Tasmanian Pulp Mill was included in the balance at 2006-07. This amount was received during 2007-08.

Receivables exceeded the budget due to increased GST amounts and Crown Law work-in-progress recoveries.

Property, plant and equipment increased by 26% or \$27.246m over the four years under review. This increase was impacted by the following factors:

- between 2004-05 and 2006-07 approximately \$52.412m was added to Property, plant and equipment relating to the new prison which was completed in October 2006. The depreciation impact of this asset was \$1.692m in 2007-08 and \$1.621m in 2006-07. This increase was offset by the transfer in 2005-06 of the Secure Mental Health unit component of \$22.990m to the Department of Health and Human Services
- in 2007-08 there were additions of \$0.694m of which \$0.383m related to security at Risdon Prison and \$0.311m to general equipment purchases
- in 2007-08 there was a \$0.330m impairment charge related to laundry assets.

The budget figures were significantly higher than actual due to inaccurate budget estimates for depreciation. This was corrected during the 2008-09 Budget process.

Intangible assets increased by over 350% or \$2.896m over the four years under review. This increase is due to the following factors:

- capitalisation of costs associated with the MPEP (software development) totalling \$3.418m, \$1.109m of which was capitalised during 2007-08. Phase 1 was completed during 2007-08 and as such the Department commenced amortising these costs over the useful life of the asset. Current year amortisation totalled \$0.122m. Phase 2 is expected to be completed in 2008-09
- capitalisation of costs associated with the new Supreme Court Civil Registry Management System (CRMS) totalling \$0.422m, \$0.154m of which was capitalised during 2007-08. This project is expected to be completed in 2008-09.

The difference in comparison to budget is a result of the timing of the capitalisation of these project costs.

Payables decreased by 19% or \$1.003m over the four years under review. There were however during this period increases and decreases due to the following factors:

- the payables balance in 2004-05 and 2005-06 was impacted by the PIRP which had a tight cash flow budget at year end in 2005-06
- the balance in 2007-08 increased by \$1.002m over 2006-07, \$0.690m of which related to a timing difference at year end in respect to the June tax payment.

Interest bearing liabilities appeared for the first time in 2005-06 and related to a financing arrangement entered into in September 2005 between the Department, ANZ and John Holland/Fairbrother in respect to the PIRP. In October 2006 the PIRP was completed and therefore no additional costs were financed. Each July since 2006 there has been annual repayments to ANZ resulting in a reduced balance in 2007-08, which

represented the final payment under this arrangement due in July 2008. The interest rate relating to the borrowings was 8.21% as at the end of 2007-08. The interest expense totalled \$0.709m for 2007-08 and was fully expensed during the year.

Employee entitlements increased by over 56% or \$5.721m over the four years under review. This increase is consistent with the 55% increase in Employee entitlement expense, and therefore the movement is due to those same reasons noted previously under the Income Statement section of this Chapter.

Other liabilities related to payroll tax obligations in respect of employee entitlement balances. Payroll tax was 6.1% over the four years and these liabilities directly correlate with movements in the employee entitlement balances noted above.

Reserves increased by over 47% or \$6.200m over the four years under review. This related directly to a revaluation of land and buildings in 2005-06 which are valued at fair value.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	111 205	112 941	106 904	91 154	71 001
Sales of goods and services, fees and fines and grants	9 558	11 841	9 383	7 295	7 679
GST receipts	1 700	4 812	6 861	7 996	8 025
Other cash receipts	3 312	7 670	11 353	8 008	6 411
Payments to employees	(73 815)	(74 893)	(73 096)	(64 909)	(48 001)
Payments to suppliers	(49 777)	(49 900)	(54 378)	(37 685)	(35 166)
GST payments	(1 700)	(4 878)	(6 765)	(7 525)	(7 676)
Cash from operations	483	7 593	262	4 334	2 273
Receipts from government - capital	9 242	9 242	19 904	15 896	13 559
Proceeds from disposal of assets	0	0	0	29	0
Payments for acquisition of assets*	(1 203)	(2 022)	(7 290)	(17 010)	(16 457)
Cash outflow on administrative restructure	0	(315)	0	0	0
Cash from (used in) investing activities	8 039	6 905	12 614	(1 085)	(2 898)
Proceeds from administrative restructuring - cash transferred in	0	0	0	684	0
Repayment of borrowings (including interest)	(8 290)	(8 741)	(13 930)	0	0
Cash from (used in) financing activities	(8 290)	(8 741)	(13 930)	684	0
Net increase/(decrease) in cash	232	5 757	(1 054)	3 933	(625)
Cash at the beginning of the year	6 833	8 436	9 490	5 557	6 182
Cash at end of the year	7 065	14 193	8 436	9 490	5 557

*This excludes capital expenditure funded by the ANZ bank - see previous comments.

Comment

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

Budget variances in relation to GST receipts and payments, payments to employees and payments to suppliers are again due to inaccurate allocations of budget estimates. The budget estimates were corrected as part of the 2008-09 Budget. The decrease in both GST payments and receipts over the prior year are a direct result of a \$5.268m decrease in payments related to capital acquisitions as well as a \$4.478m decrease in payments to suppliers.

The \$2.022m noted for payments for acquisition of assets related primarily to the MPEP and the CRMS and is significantly lower when compared to the previous three years due to the completion of the Phase 1 of MPEP and the PIRP in November 2007 and September 2006, respectively. As noted previously, in September 2005 the Department entered into an arrangement with ANZ bank and John Holland/Fairbrother in respect of the PIRP. This involved the ANZ bank making net progress payments to John Holland/Fairbrother, the Department paying the GST and being required to make three annual payments commencing July 2006, the first two of which were shown as repayments of borrowings in 2006-07 and 2007-08. Consequently, payments for the acquisition of non-financial assets did not correspond to the capital costs of the PIRP project. As noted in the Balance Sheet analysis previously, the Department has a loan liability in relation to this funding by the ANZ.

Cash outflows associated with administrative restructuring of \$0.315m in 2007-08 related to the transfer of cash to the Ombudsman as part of its separation from the Department.

Cash proceeds from administrative restructuring of \$0.684m in 2005-06 related to the transfer in of cash from Workplace Standards Tasmania (WST) and Resource Planning which were transferred to the Department in that financial year.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance*					
Result from operations (\$'000s)		(816)	(2 395)	(1 330)	(656)
Operating margin	>1.0	0.99	0.98	0.99	0.99
Underlying result ratio		(0.01)	(0.03)	(0.02)	(0.02)
Own source revenue (\$'000)		16 302	15 956	13 841	11 849
Financial Management					
Debt collection	30 days	69	132	103	71
Creditor turnover	30 days	34	25	69	61
Other Information					
Self-sufficiency %		13	13	13	14
Government funding %		99	98	99	99
Staff numbers (FTEs)		999	972	961	740
Average staff costs (\$'000s)		77	75	65	67
Average leave balance per FTE (\$'000s)		16	15	15	14

**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) is in deficit for each year resulting in operating margins slightly below 1.

The Underlying result ratio was negative and reflects the deficits mentioned previously.

The Debt collection ratio was impacted by the \$1.271m debtor held at the end of 2006-07 relating to the Pulp Mill discussed under the Balance Sheet (receivables) section of this Chapter, rather than necessarily a change in the collectability of receivables.

The Department's normal payment period for creditors is 28 days, however, there were a number of expenditure streams which required shorter payment periods resulting in the 2006-07 creditor turnover ratio being 25 days. In 2005-06 there were unusually large creditors' balances at the end of the year which distorted the ratio due to tight cash flow as discussed previously under Balance Sheet section (payables). In 2007-08 the creditor turnover was affected by a \$0.690m ATO balance that was not paid until after the year end. Had this been paid prior to year end the turnover would have been 28 days which is in line with the normal payment period.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has remained constant over the four years under review.

The Government funding ratio is trending towards 100% which represents a break-even position, common to most departments.

Average staff costs for 2005-06 were distorted due to 154 FTEs transferred to the Department in April 2006 due to the administrative restructure. The average staff cost of \$0.075m in 2006-07 was up on 2004-05 due to significant pay rises for correctional officers and legal practitioners which were effected in 2005-06. The increase in average staff costs from 2006-07 to 2007-08 was due to the average wage increase of 3.5% discussed previously under the Income Statement section of this Chapter.

The movements in staff numbers and average leave balances have been commented on previously in 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 Flows.

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 Workplace Standards.

Administered Income and Expenses

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	0	0	0	0	1 544
Australian government grants	0	4 107	4 022	3 869	3 774
Sales of goods and services, fees and fines	22 202	28 906	28 886	21 759	21 267
Other revenue	0	6 078	5 384	2 984	6 068
Total Revenue	22 202	39 091	38 292	28 612	32 653
Grants and subsidies	0	23	3	0	0
Employee entitlements	0	1 660	1 453	340	0
Depreciation and amortisation	0	0	3	1	0
Impairment losses	0	2 465	0	2 014	1 697
Other expenses	0	5 308	5 390	4 786	8 480
Total Expenses	0	9 456	6 849	7 141	10 177
Net Surplus	22 202	29 635	31 443	21 471	22 476
Transfer to Consolidated Fund	22 202	23 434	23 944	21 319	21 569
Net Surplus Attributable to the State	0	6 201	7 499	152	907

Comment

The decrease in revenue from government - recurrent from \$1.544m in 2004-05 to nil in subsequent years was due to the recurrent appropriation and related expenses in respect to Criminal Injuries Compensation Fund being reclassified from Administered to Controlled from 2005-06.

Sales of goods and services, fees and fines increased by over 36% or \$7.639m over the four years under review. Budget estimates did not reflect revenue growth or changes in revenue classifications but should be adjusted in future years. This increase was due to the following factors:

- fees and fines are made up predominantly of fines collected by Fines Enforcement. In 2006-07 there was a change in the accounting estimation of impairment of fines debtors. This resulted in a decrease of \$3.123m in the provision which was recognised against the fines income. Further, a general increase in fines revenue of \$2.934m was experienced

- in 2006-07, an increase of \$1.000m was attributable to the full year effect of the administrative restructure in 2005-06.

Other revenue has not moved significantly over the four years under review. There were however during this period increases and decreases due to the following factors:

- the decrease in Other revenue from \$6.068m in 2004-05 to \$2.984m in 2005-06 was due to a \$3.000m reduction in income related to the legal practitioners fund, which was a variable stream of revenue dependent on the number of cases which go to court each year. There was a consequential reduction in other expenditures
- the increase in Other revenue from \$2.984m in 2005-06 to \$5.384m in 2006-07 was a result of the full year effect of the administrative restructure
- in 2007-08 there was a \$1.500m increase in contributions from several groups related to WorkCover Tasmania. The increased contributions were offset slightly by a \$0.795m decrease in cash received on behalf of third parties. This was due to lower collection of bail monies than in the previous year and less income collected under the legal practitioners fund.

Employee expenses increased from nil to \$1.660m over the four years under review. This increase was due to the administrative restructures which took place in 2005-06, having full effect in 2006-07. In 2007-08, there was a general increase of 3.5% in salary levels as well as two additional staff members working on administered activities.

Impairment losses relate to the fines receivables administered by the Fines Enforcement Unit. There was no impairment loss in 2006-07, rather a reversal of prior year provisions which is shown against fees and fines income above.

Other expenses decreased by over 37% or \$3.172m over the four years under review. This decrease was due to the following factors:

- in 2005-06 there was a decrease of \$3.694m due to the reduction in expenses relating to the legal practitioners fund as noted previously
- consistent with the increase in Other revenue, Other expenses increased in 2006-07 due to the full year effect of the administrative restructuring.

Net surpluses on administered transactions reflected the timing of funds received, which were then forwarded to the Department of Treasury and Finance, as recorded in the Transfer to Consolidated Fund.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash	2 359	3 313	2 179	2 359	449
Receivables	15 031	27 803	22 697	15 031	13 703
<i>Non-financial Assets</i>					
Property, plant and equipment	3	0	0	3	0
Total Assets	17 393	31 116	24 876	17 393	14 152
<i>Liabilities</i>					
Payables	155	65	86	155	83
Employee entitlements	217	336	282	229	0
Other liabilities	0	19	13	13	0
Total Liabilities	372	420	381	397	83
Net Assets	17 021	30 696	24 495	16 996	14 069
Accumulated funds	17 021	30 696	24 495	16 996	14 069
Total Equity	17 021	30 696	24 495	16 996	14 069

Comment

Receivables primarily relate to outstanding fines and penalties. The net receivable balance for 2007-08 shown above comprised:

- gross receivables of \$55.515m (2006-07, \$47.413m; 2005-06, \$42.962m; 2004-05, \$39.573m)
- provision for impairment of \$26.060m (2006-07, \$23.595m; 2005-06, \$25.569m; 2004-05, \$23.555m)
- provision for expected remissions of \$1.787m (2006-07, \$1.238m; 2005-06, \$2.387m; 2004-05, \$2.387m).

The level of impairment has been significant for many years. As noted above, an impairment loss was recognised for Administered fines receivables totalling \$26.060m. Australian Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement requires receivables to be measured at amortised cost, and discounted to present value where relevant, and financial assets to be assessed for impairment on the basis of objective evidence.

Prior to 2006-07, due to the restrictions of the fines receivable subsidiary ledger and its inability to provide appropriate data and reports to management, the Department was unable to obtain objective evidence to support the validity of the estimated impairment losses. However, in 2006-07 an independent auditor was commissioned to make an assessment of impairment of fines debtors. Three years data was obtained and used to gain an understanding of the historical level of bad debts. The resulting

profile was applied to debts to give an objective assessment of the impairment of fines receivables. Findings resulted in a decrease in both the provision for impairment and remissions, which was off-set against fines income in 2006-07. This methodology has been used to assess impairment in 2007-08 resulting in an increase in both the provision for impairment and expected remissions.

The MPEP, of which Phase 1 was completed in November 2007, when fully completed is expected to assist the Department in obtaining additional evidence to support its assessment of the impairment of fines receivables and expected timing of cash flows.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	0	0	0	0	1 544
Australian government grants	0	4 107	4 022	3 869	3 774
User charges, fees and fines	22 202	21 356	19 884	17 192	18 300
Other receipts	0	6 060	5 215	2 997	6 161
Payments to employees	0	(1 607)	(1 454)	(354)	0
Payments to suppliers	0	(5 349)	(3 904)	(3 496)	(8 487)
Transfers to the Consolidated Fund	(22 202)	(23 434)	(23 943)	(21 319)	(21 569)
Cash from (used in) operations	0	1 133	(180)	(1 111)	(277)
administrative restructuring - cash transferred in	0	1	0	3 021	0
Cash from financing activities	0	1	0	3 021	0
Net increase (decrease) in cash	0	1 134	(180)	1 910	(277)
Re-classification of carry forward to True Trust	0	0	0	0	(41)
Cash at the beginning of the year	2 359	2 179	2 359	449	767
Cash at end of the year	2 359	3 313	2 179	2 359	449

Comment

The increases in User charges, fees and fines, Other receipts, Payments to employees, and Payments to suppliers are consistent with the 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 geographic districts assisted by specialised police support units. Tasmania Police provides crime prevention, law enforcement and community policing services to make Tasmania safe.

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 is responsible for:

- the maintenance of public order
- public safety and security
- the prevention of crime
- the detection and prosecution of offenders
- traffic law enforcement and road safety education
- the protection of the State's fishing and poppy industries
- emergency management
- forensic Science Services.

The responsible Minister is the Minister for Police and Emergency Management.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008 and re-signed on 6 October 2008, an unqualified audit report was issued on 7 October 2008.

The 2007-08 audit was completed satisfactorily with no major issues 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.

The Department recorded Net Surpluses Attributable to the State of \$11.713m over the period under review and increased its equity by \$72.760m.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	169 075	169 275	161 713	148 044	136 309
Grants	5 388	18 638	5 790	4 669	3 609
Sales of goods and services	1 814	0	0	0	0
Other revenue	1 334	16 696	8 271	6 758	5 663
Gain (loss) on sale of assets	0	115	(130)	36	35
Total Operating Income	177 611	204 724	175 644	159 507	145 616
Employee benefits	133 934	133 508	124 760	115 941	105 055
Depreciation and amortisation	1 548	4 513	2 705	2 697	2 381
Supplies and consumables	30 665	25 026	24 106	23 512	0
Grants and subsidies	3 231	14 310	3 525	2 953	2 280
Resources provided free of charge	0	158	0	0	0
Other expenses	10 418	23 292	22 753	18 798	41 973
Total Operating Expenses	179 796	200 807	177 849	163 901	151 689
Net Operating Surplus (Deficit) before:	(2 185)	3 917	(2 205)	(4 394)	(6 073)
Revenue from government - capital	1 000	1 000	1 100	2 500	1 016
Revenue from Special Capital Investments Funds	750	1 102	750	0	0
Equity interests	0	0	0	0	13 000
Net Surplus (Deficit) Attributable to the State	(435)	6 019	(355)	(1 894)	7 943

Comment

In 2007-08 the Department made a surplus of \$6.019m compared to a loss of \$0.355m in 2006-07. The main reasons for the surplus were:

- \$3.000m unspent funds relating to Launceston Flood Protection Levees
- Capitalisation of expenditure on new assets totalling \$4.945m comprising the Tasmanian Mobile Radio Network (TMRN), \$2.600m, building works for the FSST, \$1.162m, the purchase of the Ellis Building from TAFE, \$0.500m, construction of a new police vessel \$0.400m and other minor asset purchases.

In previous years the Department recorded a Net operating deficit, principally because depreciation is not funded by appropriation, nor are increases in Employee provisions. This is common with all Government departments.

Revenue from government varied over the period due to:

- Revenue from government – recurrent increased by \$7.562m in 2007-08 due to normal inflationary increases, additional funding provided under revised budget indexation arrangements \$2.000m, fire-arms re-licensing \$0.300m and transport maintenance \$0.600m
- Revenue from government – recurrent increased by \$13.669m in 2006-07 to fund normal inflationary increases, ongoing impacts of increases in police numbers in 2005-06 plus 12 additional police officers, \$1.300m, an additional three 'at risk' Youth Officers, \$0.240m, continuation of Project U-Turn, \$0.150m, and the State's national obligations in relation to counter terrorism
- Revenue from government – recurrent increased by \$11.735m in 2005-06 to fund increases in salary and non-salary expenses, together with funding for 48 additional police officers, \$1.100m, Whole-of-Government Radio Network, \$1.100m, Natural Disaster Mitigation Reform initiative, \$0.800m, and the Safe at Home programme, \$0.800m.

The variance between the recurrent appropriation budget estimate and actual receipts of \$0.200m, was the result of a Supplementary Appropriation and Requests for Additional Funds approved for:

- \$0.100m relating to costs saved in 2006-07 but incurred in 2007-08 as a result of the replacement of one of the Department's sea going vessels, the 'Freycinet'
- \$0.100m for the reimbursement of costs incurred by the Department as a result of a legal settlement made on behalf of the Crown.

Grants revenue increased over the period due to:

- the increase in Grants, \$12.848m, in 2007-08 was largely due to increased funding from the Australian Government under the National Disaster Mitigation Fund for the Launceston Flood Levees, \$13.000m. This grant was not budgeted for
- the increase in Grants, \$2.019m, in 2006-07 was largely due to increased funding from the Australian Government for National Drug Law Enforcement Research Fund (NDLERF), \$1.727m, Minimum Nationwide Person Profile, \$0.614m, and funding from the Economic and Social Infrastructure Fund, \$0.750m, for the Huonville Police, Citizens and Youth Club (PCYC). The Department received

instalments of \$0.750m in both 2006 07 and 2007-08 to enable it to make equal grants to the Huonville PCYC for the construction of a new Huon Police and Community Youth Club at Huonville

- the increase in Grants, \$1.060m, in 2005-06 was largely due to increased funding from the Australian Government for State Emergency Service Disaster Mitigation Funding (SESDFM), \$0.822m, and new projects including Airport Security, \$0.880m, NDLERF, \$0.909m, and the Investigation and Consequence Management Exercise, \$0.450m.

Other revenue increased by \$8.425m in 2007-08. This is mainly due to the Department receiving an additional \$7.200m for the TMRN. This consists of an additional \$5.000m from the Department of Treasury of Finance to execute the TMRN Upgrade contract on behalf of the Crown and \$2.200m in services fees as part of the TMRN service agreement. Other revenue varied from budget due to the Department seconding a number of police officers to other police jurisdictions and the Australian Federal Police. This revenue was not anticipated at the time of the preparation of the budget.

Other revenue has been increasing due mainly to contributions from the Motor Accident Insurance Board for the Road Safety Taskforce, police officers seconded to other police jurisdictions, including the Australian Federal Police, national crime history checks and recognition of assets not previously brought to account

Employee benefits increased over the four year period and by \$8.748m (or 7%) in comparison to prior year. This was due to 13 additional staff, a 3.2% pay rise for Police officers from December 2007 and a 4.5% pay rise for State Service staff.

Employee benefits rose by \$10.886m in 2005-06 due to 62 additional staff, an 8% pay rise for Police officers from December 2005 and a 3.5% pay rise for State Service staff. The increase of \$8.819m in 2006-07 was due to additional officers for the Public Order Response Team, a further 8% pay rise for Police officers from December 2006 and a 3.5% pay rise for State Service staff.

Supplies and consumables expenditure was below budget by \$5.639m. The budget variance related to the operating leases being budgeted for within Supplies and consumables, while the expenditure is reported under Other expenses. Until 2005-06 Supplies and consumables were included with Other expenses which caused the significant difference between the actual amounts of both items and the budget estimates in 2006 07. These expenditures have increased in proportion to activities over the years.

Grants and subsidies expenditure varied over the period and to budget due to:

- increased payments of \$10.000m under the National Disaster Mitigation Fund for the Launceston Flood Levees not budgeted for in 2007-08
- increase in 2005-06 by \$0.673m, principally due to an additional \$0.722m to Councils for SESDFM, \$0.200m for Chemical Biological Radiological Enhancement and the Global Information System project
- increased expenditure in 2006-07, \$0.572m, largely due to a grant to the Huonville PCYC.

Other expenses varied significantly from budget, due to changes in expense classifications.

Equity interests in 2004-05 arose from an increase in assets resulting from an administrative restructuring.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	1 290	9 209	1 897	3 405	816
Receivables	1 588	1 339	1 437	1 587	248
<i>Non-financial Assets</i>					
Inventory	632	600	688	632	652
Property, plant and equipment	105 421	170 331	150 875	101 160	101 144
Other non-financial assets	1 449	2 087	1 981	1 450	1 091
Total Assets	110 380	183 566	156 878	108 234	103 951
<i>Liabilities</i>					
Payables	1 887	3 321	3 041	2 493	2 299
Employee benefits	38 068	37 944	37 540	38 292	34 424
Other liabilities	606	2 313	1 517	2 115	0
Total Liabilities	40 561	43 578	42 098	42 900	36 723
Net Assets	69 819	139 988	114 780	65 334	67 228
Reserves	30 896	91 414	72 225	30 896	30 896
Accumulated funds	38 923	48 574	42 555	34 438	36 332
Total Equity	69 819	139 988	114 780	65 334	67 228

Comment

Total Equity increased in comparison to the prior year by \$25.208m (or 22%). This was mainly due to:

- indexed revaluation of Land and buildings in 2007-08 of \$19.189m
- the surplus for the year of \$6.019m.

Cash and deposits increased by \$7.312m in 2007-08 and varied to budget, \$7.919m, primarily due to carry forward funds for the Launceston Flood Levee Project, \$3.000m, the NDLERF, \$2.200m, the Tasmanian Mobile Radio Network \$2.100m, other National Disaster Mitigation Fund projects, \$0.800m and the Huon PCYC project, \$0.352m.

Receivables increased in 2005-06 largely as a result of the need to raise invoices for reimbursements from various bodies, particularly for security arrangements, seconded police officers, and insurance recoveries for rescues.

Property, plant and equipment increased by \$19.456m in 2007-08 principally due to the revaluation of Land and buildings, \$19.189m. The revaluation was not reflected in the Budget, thus causing the variance. The amount also increased due to additions of \$1.967m and work in progress of \$2.978m. The increase was offset by depreciation, \$4.513m.

Property, plant and equipment increased by \$49.715m in 2006-07 principally due to a revaluation of land and buildings, \$41.329m, and transfer of the radio network at value \$8.472m to the Department upon settlement with Ericsson Australia Pty Ltd. The Department, together with Hydro Tasmania, had been in litigation with Ericsson in relation to usage of the current mobile radio network. As part of the settlement, the Government purchased the network from Ericsson (paid by the Department of Treasury and Finance – Finance-General as part of the *Supplementary Appropriation Bill 2007*) and transferred the asset to the Department of Police and Emergency Management.

Payables in 2007-08 are consistent in comparison to 2006-07. The variance between actual and budget is due to the difficulty in forecasting accurately. Payables increased in 2006-07 because of a change in the cut-off date for the calculation of creditors.

Employee benefits increased from 2006-07 by \$0.404m, mainly due to the additional staff and salary increases noted previously.

Other liabilities increased from 2006-07 by \$0.796m. This is mainly due to the additional staff and salary increases in comparison to the prior year. Other liabilities in 2007-08 and 2006-07 consisted of accrued payroll tax, due to a change of accounting method, which was not anticipated when the budget was prepared. Other liabilities of \$2.115m in 2005-06 consisted of Appropriation carried forward under section 8A (2) of the *Public Account Act 1986*.

The increase of \$19.189m in Reserves in 2007-08 was due to the revaluation of land and buildings noted earlier, \$41.329m, 2006-07.

The increase in Accumulated funds in 2007-08, \$6.019m, relates to the 2007-08 Net surplus. The increase in Accumulated funds in 2006-07, \$8.117m, consisted of an equity contribution of \$8.472m for the transfer of the radio network noted previously, offset by the Net deficit, \$0.355m.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	169 075	169 275	160 598	148 044	134 340
Revenue from Special Capital Investments Funds	750	1 102	750	0	0
Grants	5 388	18 062	6 441	5 985	4 110
Sale of goods and services	1 814	0	0	0	35
GST receipts	3 000	5 831	5 063	4 346	3 889
Other cash receipts	1 334	16 445	7 053	5 996	5 865
Payments to employees	(134 047)	(132 180)	(124 053)	(112 192)	(107 360)
Payments to suppliers	(44 314)	(61 403)	(50 846)	(45 558)	(37 615)
GST payments	(3 000)	(5 997)	(5 307)	(4 213)	(4 195)
Cash from (used in) operations	0	11 135	(301)	2 408	(931)
Proceeds from disposal of assets	0	122	0	36	35
Receipts from government - capital	1 000	1 000	1 100	2 500	1 016
Payments for acquisition of assets	(1 000)	(4 945)	(2 307)	(2 355)	(1 752)
Cash from (used in) investing activities	0	(3 823)	(1 207)	181	(701)
Net increase (decrease) in Cash	0	7 312	(1 508)	2 589	(1 632)
Cash at the beginning of the year	816	1 897	3 405	816	2 448
Cash at end of the year	816	9 209	1 897	3 405	816

Comment

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	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		3 802	(2 075)	(4 430)	(6 108)
Operating margin	>1.0	1.02	0.99	0.97	0.96
Underlying result ratio		0.02	(0.01)	(0.03)	(0.04)
Own source revenue ('000s)		11 811	8 141	6 794	5 698
Financial Management					
Debt collection	30 days	29	69	33	16
Creditor turnover	30 days	25	26	20	13
Other Information					
Self-sufficiency %		6	5	4	4
Government funding %		102	99	97	96
Staff numbers (FTEs)					
Commissioned officers		1 225	1 216	1 214	1 153
Non-commissioned staff		446	442	438	437
Total		1 672	1 658	1 652	1 589
Average staff costs (\$'000s)		80	75	70	66
Average leave balances per FTE (\$'000s)		23	23	23	22

Comment

The Net operating surplus, for 2007-08, is the reason for the Operating margins exceeding the benchmark and for the positive Underlying result ratio, 0.02.

The negative result in the Underlying result ratio in previous periods reflects the deficits incurred by the Department which is mainly due to the depreciation charge not being fully funded.

The improved average Debt collection in 2007-08 is the result of fewer Departmental invoices remaining outstanding at 30 June 2008 than anticipated.

The slower average Debt collections in 2005-06 and more so in 2006-07 are the result of delays in reimbursements and outstanding insurance claims noted previously.

The Self-sufficiency ratio suggests that the Department generates non-appropriation revenues to fund its activities to the extent of 6% in 2007 08 (5%, 2006-07). Most of these revenues are Grants and Other revenue (see comments under the Income Statement section), which have both increased over the period under review resulting in the growing percentage.

The increasing Government funding ratio is indicative of the Department moving to a more Breakeven result.

Staff number and cost increases in 2005-06, 2006-07 and 2007-08 were due to the employment of additional police officers and salary increases noted previously.

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 Natural Disaster Relief, Police Academy board payments, firearms registration and licence fees.

Administered Income and Expenses

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Grants	234	160	160	160	171
Sales of goods and services	1 419	269	285	288	666
Fees and fines	0	894	1 546	322	371
Total Revenue	1 653	1 323	1 991	770	1 208
Transfer to Consolidated Fund	1 653	1 323	1 991	770	1 208
Net Surplus (Deficit) Attributable to the State	0	0	0	0	0

Comment

Sales of goods and services decreased from 2005-06 and was 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 2007-08.

Fees and fines consist of firearm licences and registrations. The decrease of \$0.652m in 2007-08 and the increase of \$1.224m in 2006-07 reflect the large number of five year licences being renewed in 2007.

All administered income is transferred to the Consolidated Fund.

Administered Assets and Liabilities

The Department had no Administered Assets or Liabilities.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Grants	234	160	160	160	171
Sales of goods and services	1419	269	285	288	666
Fees and fines	0	894	1 546	322	371
Transfer to the Consolidated Fund	(1 653)	(1 323)	(1 991)	(770)	(1 208)
Cash From Operations	0	0	0	0	0
Net Increase (Decrease) in Cash	0	0	0	0	0
Cash at the beginning of the year	0	0	0	0	0
Cash at End of the year	0	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:
 - The Inter Agency Policy and Projects Unit
 - The *Service* Tasmania Unit
 - TMD.
- Public Sector Management Office
- State Service Commissioner
- Community Development which includes:
 - Directorate
 - Office of Aboriginal Affairs
 - Multicultural Tasmania
 - Seniors Bureau
 - Women Tasmania
 - Office of Children and Youth Affairs
 - Disability Bureau.
- Local Government Division.

For the purposes of this Report the Department also includes Ministerial and Parliamentary Support.

The responsible Ministers to whom the Department is responsible are the Premier and the Minister for Local Government.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008 with amended statements received 7 October 2008 and an unqualified audit report was issued on 9 October 2008.

The 2007-08 audit was completed with satisfactory results.

FINANCIAL RESULTS

The Department is largely dependent on Appropriation for its operations. It has been responsible for administration of a number of new Government initiatives, which resulted in total expenses increasing by 26.7% during the four-year period under review.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	56 612	60 223	56 526	45 329	42 184
Revenue from Special Capital Investment Funds	3 002	1 520	1 171	268	84
Grants	35	51	1 541	123	1 003
User charges, fees and fines - TASINET charges	19 336	17 661	16 608	17 403	17 900
User charges, fees and fines - other charges	7 439	9 661	9 810	9 841	9 185
Other revenue	0	917	1 660	1 537	1 129
Total Operating Income	86 424	90 033	87 316	74 501	71 485
Employee entitlements	34 109	36 450	32 906	29 306	27 420
Depreciation and amortisation	922	810	683	620	517
Net loss from sale of assets	0	31	115	0	0
Grants and subsidies	5 405	3 893	5 295	2 345	1 693
Other operating expenses - TASINET					
Communications	14 236	13 502	12 484	13 226	14 179
Supplies and consumables	19 769	18 221	33 471	28 212	28 003
Other operating expenses	12 678	18 083	0	0	0
Total Operating Expenses	87 119	90 990	84 954	73 709	71 812
Net Operating Surplus (Deficit) before:	(695)	(957)	2 362	792	(327)
Revenue from government - capital	350	249	260	299	0
Net Surplus (Deficit) Attributable to the State	(345)	(708)	2 622	1 091	(327)

Comment

Recurrent appropriation revenue increased over the four year period by \$18.039m, 42.8%, to fund a range of support services for Government, and other activities, programs and grants.

The Recurrent appropriation increase in 2006-07, \$11.197m, included funding for:

- the Premier's sundry grants program
- grants and contributions to the Jim Bacon Foundation

- the Timor Leste Eye Program
- Tasmanian Early Years Foundation
- a contribution to the Flinders Council following the transfer of Crown land on Cape Barren and Clarke Islands to the Tasmanian Aboriginal Community
- a range of support services for Government, and other activities, programs and employee entitlement related increases.

The Recurrent appropriation increase in 2007-08, \$3.697m, included funding of \$1.000m for the Tasmanian Climate Change Office.

Additional Revenue from special capital investment funds was received in 2006-07 and 2007-08 to fund the Main Street Makeover program.

Income from Grants varied over the four year period. This was due to funding in 2004-05 for the National Communications project Broadband for Regional Tasmania (BRT). The Department received unbudgeted grants of \$1.541m in 2006-07, primarily for a second National Communications project Broadband for Regional Communities (BRC) for TMD, \$1.450m.

TASINET charges have increased in 2007-08 to \$17.661m, up \$1.053m on the previous period. Increased activity and greater use of mobile phones has been responsible for this change.

Other revenue decreased in 2007-08 because of:

- the cessation of transfer of employee leave entitlement funding between agencies
- lower agency reimbursement for the Fair Dinkum Food Campaign
- a decrease in employee entitlement costs to be recovered.

Employee entitlements increased by 32.9% over the 4 year period mainly due to:

- salary increases in accordance with the State Service Wages Agreement (SSWA)
- restructuring of support services to Ministers in 2005-06, (prior to 2005-06 salaries of Ministers were recorded as an administered activity)
- in 2006-07, additional support staff for Members' electorate offices, additional salary costs primarily for support to the Stolen Generations Assessor and additional resources for new and expanded tasks (including establishing the Community Development Division) undertaken by the Department
- 17.1% increase in FTEs from 407 in 2004-05 to 477 in 2007-08.

Supplies and consumables and Transfers to *Service Tasmania* – Lead Agencies (mentioned on the following page) were in previous years included in Other operating expenses until 2006 07, but from 2007-08 have been reported separately.

Grants paid in 2007-08 decreased to \$3.893m with a fall in Aboriginal Affairs grants of \$2.000m on the previous year.

The decrease in Other expenses can be attributable in the fall in the transfer payments to other agencies with cessation of the arrangement whereby leave entitlements are funded when employees transfer to other agencies.

Capital appropriation revenue has been received since 2005-06 for *Service Tasmania* shop improvements.

In 2007-08 the significant variances of actual to the budget items follows:

- Revenue from Special Capital Investment Fund (SCIF) and Grants and subsidies were both lower than budgeted due to the timing of submission, assessment and approval of projects for the Main Street Makeover Program
- Sale of goods and services increased from higher TMD business activities and Tasmanian Training Consortium training services
- Other revenue, not budgeted, included salary reimbursements, Australia Day activity contributions, commissions received, and sponsorships and contributions for community development projects
- Employee entitlements increased to cover salary costs associated with the newly established Tasmanian Climate Change Office and Social Inclusion Unit, additional resources for the Community Development Division, increased salary costs of the Office of Parliamentary Counsel associated with the Legal Practitioners Agreement 2005 and increased Fringe Benefits Tax liability
- Supplies and consumables and Other expenses, due to the recasting of these expense items in the financial statements.

The Department is also responsible for providing administrative support to the *Service Tasmania* Board and is consequently responsible for management of Board approved funding. Details of funding arrangements are:

- Retained revenue derived by *Service Tasmania* from fees and charges (transaction based) and contributions from agencies (previously including transfer of budget allocations retained in various agency budgets). The reduction in 2007-08 to \$2.002m from \$4.125m from the previous year is due to a revised funding model whereby agency contributions previously paid to *Service Tasmania* are now included directly in the *Service Tasmania* Consolidated Fund allocation
- Funds transferred to the *Service Tasmania* lead agencies (DPIW, Education and TMD) for operation of the *Service Tasmania* delivery channels, including over the counter, phone and internet operations. This funding is from sources including the Consolidated Fund allocation to the Department and retained revenue mentioned previously. The amount paid this year was \$10.423m (2007, \$9.628m), up on the previous period due to increased activity.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	3 232	3 684	4 508	3 834	4 129
Receivables	1 275	4 208	2 231	1 932	1 171
Other financial assets	2 949	4 153	5 188	4 295	3 849
<i>Non-financial Assets</i>					
Inventory	22	408	6	11	20
Property, plant and equipment	4 222	2 555	2 628	1 008	1 130
Infrastructure	0	1 270	1 451	1 630	62
Intangibles	0	189	80	176	276
Total Assets	11 700	16 467	16 092	12 886	10 637
<i>Liabilities</i>					
Payables	1 394	2 646	2 535	1 599	1 386
Provisions	303	451	410	392	416
Employee entitlements	6 775	8 030	7 222	6 921	6 873
Other financial liabilities	1 198	1 516	1 393	2 060	1 150
Total Liabilities	9 670	12 643	11 560	10 972	9 825
Net Assets	2 030	3 824	4 532	1 914	812
Reserves	97	97	97	97	62
Accumulated funds	1 933	3 727	4 435	1 817	750
Total Equity	2 030	3 824	4 532	1 914	812

Comment

The movements in Total Equity each year were almost all attributable to the net surpluses (deficits) in the same years.

Cash and deposits in 2006-07 included funding for the development of the Salamanca Square offices for TMD.

Receivables have been gradually increasing over the period. The sharp increase to \$4.208m in 2007-08 was due to a redistribution between Receivables and other financial assets resulting from the timing of invoices issued by TMD.

Other financial assets in 2007-08 comprised GST receivable \$0.401m, prepayments \$3.070m and accrued revenue \$0.676m. The prepayments were primarily rent and IT related expenditure. The increase in 2006 07 was from accrued revenue arising from unbilled work in progress earned by TMD.

Inventory consisted of equipment and software held by TMD for its business operations. The stock in 2007-08 included VMWare software.

Property, plant and equipment consisted largely of leasehold improvements and computer hardware. The increase from 2006-07 arose from capital expenditure of \$1.759m on TMD's premises at Salamanca Square.

Other non-financial assets were Infrastructure, being the TMD Data Centre, and Intangibles, being software.

The increase in Payables in 2006-07 was predominantly due to accruals in relation to the Commonwealth Broadband for Regional Communities funded program, \$0.650m. The accrual was reversed in 2007-08, but was offset by an increase in creditors for services rendered.

Employee entitlements increased because of higher staff numbers and associated leave liabilities. There are annual leave entitlements exceeding statutory limits in the annual leave provision, the Department is taking corrective action to reduce these balances.

Other liabilities comprised revenue received in advance, \$1.181m, appropriation carried forward under section 8A(2) of the *Public Account Act 1986*, \$0.185m, and Discounts held, \$0.150m. The amount in 2005 06 included appropriation for the Tasmanian Together Community Survey, \$0.325m, and Support for Evidenced-based public policy, \$0.494m.

CASH POSITION

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
Receipts from government - recurrent	56 107	60 185	56 672	46 178	41 600
Receipts from Special Capital Investment Funds	3 002	1 520	1 084	268	84
Grants	35	51	910	104	1 003
Sale of goods and services	26 775	26 660	27 093	28 013	28 428
GST receipts	4 772	6 153	6 085	4 616	5 404
Other cash receipts	0	915	1 366	1 662	1 315
Employee entitlements	(34 029)	(35 614)	(34 384)	(29 411)	(28 906)
GST payments	(4 772)	(6 124)	(6 326)	(5 013)	(5 370)
Supplies and consumables	(34 005)	(34 068)	0	0	0
Other cash payments	(18 083)	(20 056)	(50 158)	(45 066)	(44 157)
Cash from (used in) operations	(198)	(378)	2 342	1 351	(599)
Proceeds from disposal of assets	0	8	0	54	0
Capital grants	662	249	260	299	0
Payments for acquisition of non-financial assets	(497)	(703)	(1 928)	(1 999)	(783)
Cash from (used in) investing activities	165	(446)	(1 668)	(1 646)	(783)
Net (decrease) increase in cash	(33)	(824)	674	(295)	(1 382)
Cash at the beginning of the year	3 265	4 508	3 834	4 129	5 511
Cash at end of the year	3 232	3 684	4 508	3 834	4 129

Comment

Over the four year period of review, Cash from operations totalled \$2.722m. Over the same period, Cash applied to investing activities totalled \$4.549m. The net accumulated decrease in cash holdings over the period was \$1.827m. This decrease in cash holdings was the result of capital expenditure exceeding Cash from operations.

With regard to Cash from (used in) operations, the yearly movements reflect the activities in revenue and expenses previously noted under the Income Statement section. For the 2007-08 year the budget closely aligns to the actual, with exceptions to receipts from special capital investment funds and Other cash payments.

With regard to Cash from (used in) investing activities the Department invested \$5.400m, predominantly from the Consolidated Fund, on capital items such as the TMD leasehold improvements, the TMD Data Centre and *Service Tasmania* shops establishment and refurbishment over the four year period of review. Capital funding was less than budgeted in 2007-08 resulting in less funds being used in investing activities.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(957)	2 362	792	(327)
Operating margin	>1.0	0.99	1.03	1.01	1.00
Underlying result ratio		(0.01)	0.03	0.01	(0.01)
Own source revenue (\$'000s)		28 239	28 078	28 781	28 214
Financial Management					
Debt collection	30 days	56	31	26	16
Creditor turnover	30 days	19	20	14	12
Other Information					
Self-sufficiency %		31	33	39	39
Government funding %		98	104	102	99
Staff numbers (FTEs)		477	467	426	407
Average staff costs (\$'000s)		76	70	69	67
Average leave balance per FTE (\$'000s)		16	15	16	17

Comment

The Operating margin remained consistent around the bench mark for the four year review period. The margin was high in 2004-05 due to the appropriations for the *Service Tasmania* shops.

A negative Underlying ratio indicates an operating deficit has been incurred. Negative operating deficits are not sustainable in the long term. There was a negative Underlying ratio in 2004-05 and 2007-08.

Debt collection increased over the period 2004-05 to 2006-07 as a result of increasing receivables. This means that over the period 2004-05 to 2006-07 the days taken to collect outstanding receivables has grown from 16 to 31 days. This was consistent with the Department's policy of collecting its receivables within 30 days. The sharp increase in 2007-08 was due to a change in accounting practices whereby the Department now accounts for all receivables in June rather than accruing revenue. In prior years unbilled revenue was accrued but not invoiced, meaning that accrued revenue was

excluded from the calculation. As at 30 June 2007 accrued revenue totalled \$2.188m whereas at 30 June 2008 this was only \$0.623m. As noted in the Balance Sheet section of this Chapter, this represents a one-off increase in receivables causing an increase in days debtors are turned over.

The Self sufficiency ratio indicates that the Department generated independent revenues to fund its expenses. Most of these revenues are from TMD which have fallen in proportion to the appropriation revenues over the four year period under review.

The Government funding ratio was greater than 100% in two of the four years of the review indicating that net cost of services was all provided for by government funding.

Staff numbers increased significantly over the four year period for support services to Ministers, additional staff for Members' electorate offices, salary costs for support to the Stolen Generations Assessor and additional resources for new and expanded programs and responsibilities, noted under the Income Statement section. Whilst there were increases in staff numbers over the period, the change in average staff costs was commensurate with salary award changes. Average leave balances remained relatively steady over the four year period of review.

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.

Effective 1 July 2005 Reserved by Law revenue and expenses have been treated as "controlled" expenses of the Department, in accordance with the revised definition of "administered" and "controlled" as detailed in Treasurer's Instruction 704 *Definition of Administered and Controlled*. This includes Ministerial salaries and allowances.

As a result, the Department did not administer any activities during 2005 06. The impact of these changes on the Department's Income Statement was not significant.

However, a further change was made 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

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	14 000	14 000	8 000	0	607
Grants and transfer payments	19 708	0	38 210	0	0
Other revenue	2	16	8	1	10
Total Revenue	33 710	14 016	46 218	1	617
Tasmanian Community Forest Agreement Regional Forest Agreement Funding	29 144	13 875	32 224	0	26 278
Stolen Generation of Aboriginal Children	5 000	5 000	0	0	0
Total Expenses	34 144	18 875	32 224	0	26 278
Net Surplus (Deficit)	(434)	(4 859)	13 994	1 (25 661)	
Transfer to Consolidated Fund	2	16	8	1	10
Net Surplus (Deficit) Attributable to the State	(436)	(4 875)	13 986	0 (25 671)	

Comment

In 2004-05, Regional Forest Agreement funding was transferred to the then Department of Primary Industries, Water and Environment. The transfer of \$26.278m recorded above was the opening balance of cash on hand at 1 July 2004.

As noted previously, Employee entitlements were transferred to "controlled" activities of the Department in 2005-06.

All transactions in 2006-07 relate to the TCFA, which was funded by the State \$8.000m, and by the Commonwealth being \$38.210m. The Commonwealth component is below budget due to the timing of receipt of payments by the Commonwealth. The payment of \$32.224m was made to Forestry Tasmania.

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*.

Differences between the budget and actual amounts for Grants and transfer payments and the TCFA resulted from the expected grant from the Australian Government not being received.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	0	9 111	13 986	0	0
Total Assets	0	9 111	13 986	0	0
Net Assets	0	9 111	13 986	0	0
Accumulated funds	0	9 111	13 986	0	0
Total Equity	0	9 111	13 986	0	0

Comment

There were no Administered Assets or Liabilities recorded for 2004 05 and 2005 06. However, the bank balances represented undistributed funding received under the TCFA. This was due to the timing of receipt and distribution of funding in accordance with provisions of the TCFA.

Differences between the budget and actual amounts for Cash and deposits and the Accumulated funds resulted from the expected grant from the Australian Government not being received. Payments in 2007-08 were from the Consolidated Fund allocation and from retained funds in 2006-07.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from					
government - recurrent	14 000	14 000	8 000	0	607
Grants	19 708	0	18 000	0	0
Other cash receipts	2	16	20 218	1	10
Tasmanian Community Forest Agreement Regional Forest Agreement Funding	(29 144)	(13 875)	(32 224)	0	(26 278)
Stolen Generation of Aboriginal Children ex-gratia payments	(5 000)	(5 000)	0	0	0
Transfers to Consolidated Fund	(2)	(16)	(8)	(1)	(10)
Cash from (used in) operations	(436)	(4 875)	13 986	0	(25 671)
Net increase (decrease) in cash	(436)	(4 875)	13 986	0	(25 671)
Cash at the beginning of the year	436	13 986	0	0	26 278
Cash at end of the year	0	9 111	13 986	0	607*

* Funds transferred to the department

Comment

Variations in cash flow amounts and cash balances have been discussed in comments under the Administered Income and Expenses section 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.

Previously the Department was also responsible for environmental management and pollution control and some planning functions. Following a restructure in April 2006, the Environment Protection and Analytical Services division transferred to the then Department of Tourism, Arts and the Environment (DTAE). Land Use Planning, Resource Planning and Development Commission, and Resource Management and Planning Appeal Tribunal were transferred to the Department of Justice at the same time.

The Responsible Minister is the Minister for Primary Industries and Water.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008. An unqualified audit report was issued on 1 October 2008.

The 2007-08 audit was completed with satisfactory results and no major issues 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.

For 2007-08 the Department recorded a Net Surplus Attributable to the state of \$55.747m. This surplus resulted from the receipt of Special Capital Investment Funds for the Water Infrastructure Fund, \$80.000m, offset in part by increased Grants and subsidies paid of \$12.056m. This had the effect of increasing the Department's Net Assets at 30 June 2008 to \$416.377m (2006-07, \$354.236m), reflected mainly by an improvement in cash balances to \$183.675m as at 30 June 2008 (\$118.548m).

The \$80.000m Water Infrastructure Fund has been established to enable major investment in Tasmania's water infrastructure, which is understood will include the development of a number of significant irrigation projects with the potential to provide the State with an additional 250 gigalitres per annum of irrigation water.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	79 346	79 925	74 670	75 487	74 417
Revenue from Special Capital Investment Funds	1 150	80 750	470	9 595	1 845
Grants	17 720	28 951	24 911	27 900	48 137
Fees and fines	4 577	9 532	8 728	10 455	10 199
Interest revenue	690	1 983	2 037	2 744	2 565
Other operating revenue	26 709	26 543	28 088	25 623	22 993
Total Operating Income	130 192	227 684	138 904	151 804	160 156
Employee entitlements	62 946	62 769	59 428	63 002	61 920
Depreciation and amortisation	3 292	2 992	3 229	4 205	3 267
Grants and subsidies	21 743	33 571	21 515	17 089	11 343
Rent and other property expenses	15 421	10 463	11 252	0	0
Supplies and consumables	8 565	10 745	10 835	0	0
Other operating expenses	27 597	32 734	30 723	53 558	57 411
Total Operating Expenses	139 564	153 274	136 982	137 854	133 941
Net Operating Surplus (Deficit) before:	(9 372)	74 410	1 922	13 950	26 215
Revenue from government - capital	1 143	1 143	1 147	4 891	1 512
Gain on sale of non-financial assets	38 093	1 033	4 019	14 389	5 992
Resources received free of charge	0	23 403	17 734	0	0
Assets recognised for the first time	0	2 733	5 161	0	0
Assets transferred to other agencies	0	(8 350)	(28 975)	0	0
Assets written off	0	(1 950)	(2 914)	(399)	(442)
Transfer to administered funds	(36 675)	(36 675)	0	(11 501)	(6 103)
Net Surplus (Deficit) Attributable to the State	(6 811)	55 747	(1 906)	21 330	27 174

Comment

Government agencies are not expected to report high surpluses, especially as no funding is provided for depreciation or increases in employee leave provisions. Fluctuations in operating results are, to a certain extent, due to timing differences between Grants revenue and Grants and subsidies paid, as grant monies are generally paid in instalments and the number and timing of grant programs may also vary between years. Another factor can be the receipt of capital funding which under accounting standards is treated as income.

In 2007-08 the Department reported a Net operating surplus before non-operating items of \$74.410m, resulting primarily from Special Capital Investment Funds (SCIF) for the Water Infrastructure Fund, \$80.000m, offset in part by increased Grants and subsidies paid. Without this revenue source the Department would have incurred an operating deficit of \$5.590m which is more in line with budget.

High operating surpluses were also reported in 2004-05 and 2005-06 due to:

- additional funding received in 2004-05 under the Supplementary Agreement to the Tasmanian Regional Forest Agreement signed in May 2005 (\$26.278m included in Grants income)
- Capital funding received in 2005-06 for a number of major capital projects, including:
 - Meander Dam, \$6.700m, transferred to the Rivers and Water Supply Commission
 - Water infrastructure \$1.146m
 - St Helen's sewerage, \$1.000m.

Total Operating income was well above budget in 2007-08, largely due to revenue from the SCIF for the Water Infrastructure Fund, noted earlier. Other variances to the budget for revenue items were:

- an increase of \$11.231m in Grants revenue that is related to funding from the Australian Government for the Exceptional Circumstances Interest Rate Subsidy Scheme, the Fox Eradication Program and other funding not included in the budget
- an increase of \$4.955m in Fees and fines due to classification differences between budget and actual items since included.

Total Operating expenses were 17.2% above budget largely the result of:

- an increase of \$11.828m in Grants and subsidies paid because of increased Natural Resource Management (NRM) and Natural Heritage Trust (NHT) activities which were not included in the budget
- an increase of \$15.437m in Other operating expenses because of a write-down of assets, \$10.300m, not included in budgets, and underestimation of other expenses.

The significant budget variances in non-operating items related to the budgeted Gain on sale of assets which included assets transferred to the Department from the Department of Treasury and Finance (Treasury) and sold through the Crown

Lands Administration Fund (CLAF), which is administered by the Department. The Department recognises these transfers as revenue (Resources received free of charge) and when sold result in an accounting profit of nil. Although included in the 2007-08 budget, the sale of the Elizabeth Street Pier was deferred 2008-09.

The movement in Depreciation expenses reflected the fact that some 350 items of Plant and equipment were fully depreciated by the end of 2005-06 which, along with a devaluation of buildings in the same year, reduced the amount of depreciation in subsequent years.

The amount of grants redistributed by the Department continued to increase. This was attributed to greater levels of activity mainly in the NRM and NHT programs.

Rent and other property expenses and Supplies and consumables were included in Other operating expenses until 2006-07, when the Department began to account for them separately.

Gain on sale of non-financial assets mainly comprised proceeds from the sale of Crown land and buildings and associated costs of acquiring of assets. Crown properties are sold through CLAF. All sales revenue relating to the sale of Crown property is deposited in CLAF. The decrease in the gain on sale of non-financial assets in 2007-08 was due to the smaller quantities of land sold. In 2007 08 \$21.156m was earned from the sale of buildings. No gain was made on these sales as the properties were transferred from Treasury and recognised for the first time by the Department. Further commentary on funds held in CLAF is made in the Balance Sheet section of this Chapter.

Resources received free of charge in 2007-08 consisted mainly of property transferred by Treasury upon their sale through CLAF.

The Department recognised in 2007-08, \$2.379m (2006-07, \$5.161m) of land and buildings not previously recorded.

In 2006-07 Assets transferred to other agencies related to land and buildings transferred to other government entities under the Crown Land Assessment and Classification (CLAC) project amounting to \$28.975m. The assets were transferred for no consideration. The primary items making up this expense were:

- Silverdome in Launceston transferred to the Department of Economic Development, \$13.106m
- Narryna Folk Museum transferred to the then DTAE, \$1.600m
- transfers of land primarily to DTAE and Forestry Tasmania.

In 2007-08 Assets transferred to other agencies of \$8.350m included transfers to the Tasmanian Institute of Agricultural Research (TIAR) of \$3.811m and Tasmanian Aquaculture and Fisheries Institute (TAFI) of \$1.791m. The Department's agricultural and aquacultural research functions were transferred during the year to TIAR and TAFI, both entities of the University of Tasmania.

Assets written off in 2007-08 amounted to \$1.950m. The 2006-07 amount of \$2.914m, included a \$2.352m accounting adjustment representing the value of land and buildings sold in previous years but not recorded in the Department's asset register.

Transfers to administered funds in 2007-08, \$36.675m, reflected the transfer of funds from CLAF to the Consolidated Fund as a result of the sale of assets formerly held by the former Hobart Ports Corporation.

BALANCE SHEET

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	85 485	183 675	118 548	82 686	83 691
Receivables	2 070	4 410	4 442	9 573	17 688
Other financial assets	625	711	625	625	625
<i>Non-financial Assets</i>					
Inventory	2 246	343	2 218	2 029	1 404
Property, plant and equipment	253 607	241 417	241 931	256 730	233 384
Infrastructure	2 329	2 699	2 092	2 305	2 125
Intangibles	0	839	480	0	0
Other assets	2 878	2 050	2 685	2 878	3 021
Prepayments	0	1 241	1 690	1 089	630
Total Assets	349 240	437 385	374 711	357 915	342 568
<i>Financial Liabilities</i>					
Payables	1 093	4 631	5 292	1 993	1 035
Interest-bearing liabilities	0	0	121	535	933
Other financial liabilities	0	2 394	1 215	1 703	1 233
<i>Non-financial Liabilities</i>					
Employee entitlements	16 328	13 809	13 847	15 214	16 376
Other non-financial liabilities	31	174	0	31	2 045
Total Liabilities	17 452	21 008	20 475	19 476	21 622
Net Assets	331 788	416 377	354 236	338 439	320 946
Reserves		91 023	84 629	74 940	45 141
Accumulated funds		325 354	269 607	263 499	275 805
Total Equity	331 788	416 377	354 236	338 439	320 946

Comment

During the four year period under review the Department's Equity increased by \$95.431m due to Net Surpluses and asset revaluation increments.

The Cash and deposits amount in 2007-08, \$183.675m, included unspent funds relating to the Water Infrastructure Fund, \$80.000m, noted in the Income Statement section, and CLAF monies totalling \$53.251m.

The table below details the movements in the CLAF account over the past four years.

Crown Land Administration Fund (CLAF)

	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Opening balance	58 657	28 372	20 116	17 881
Receipts (Note 1)	35 692	35 570	25 184	16 219
Transfers out (Note 2)	(41 098)	(5 285)	(16 928)	(13 984)
Closing Balance	53 251	58 657	28 372	20 116
Note 1 - Receipts				
Proceeds from asset sales	27 524	26 032	18 193	7 957
Rent on Government owned properties	7 746	9 066	7 003	6 742
Other receipts	422	472	(12)	1 520
Total Receipts	35 692	35 570	25 184	16 219
Note 2 - Transfers Out				
Employee entitlements	946	1 064	1 025	951
Professional and consulting fees	1 874	1 749	2 635	3 209
Disbursement of revenue to other agencies	476	392	94	24
Legal costs	295	179	206	151
General property expenses	439	1 166	1 039	3 078
Other transfers	393	735	429	468
Administration costs	4 423	5 285	5 428	7 881
Transfer to administered funds	36 675	0	11 500	6 103
Total Transfers Out	41 098	5 285	16 928	13 984

In relation to Receipts, the last two year's balances were more representative in its composition than in the previous two years. The 2005-06 balance included \$5.500m of financial assistance committed by the Commonwealth Government under the Supplementary Regional Forest Agreement for the establishment of the Forest Conservation Fund. The 2004-05 balance included \$13.916m due from Australian Bulk Minerals that was later transferred to DTAE.

The method of valuation of the map stock was changed in 2007-08 resulting in a significant decrease in the reported amount of Inventory to \$0.343m (2006-07, \$2.218m).

In 2005-06, the Department revalued land and building assets upwards by \$23.481m and \$6.037m, respectively. The revaluation was based on the land value adjustment factors published by the Office of the Valuer-General. The adjustment factors reflect the fluctuations in the property market from year to year and are commonly used to estimate property values between revaluation cycles. In the current reporting period, and based on a valuation done by the Valuer-General, the value of land increased by an additional \$29.888m, while the value of buildings dropped by \$12.303m. However, the overall increase in value was largely offset by the value of land and buildings transferred for no consideration as part of the CLAF Project. The value transferred in 2006-07 was around \$30.000m and, as mentioned previously, included the Silverdome in Launceston and the Narryna Folk Museum.

The variance between budget and actual Total assets in 2007-08 was due to the following:

- Cash and deposits funding of \$80.000m provided from the Water Infrastructure Fund noted earlier
- Receivables, as a result of a number of one-off debtors at 30 June 2008 and the introduction of the Exceptional Circumstances Grant funding program that year
- Inventories, due to the change of valuation of map stock noted previously.

The amount of Payables increased significantly in 2006-07. A number of internal and external factors contributed to this rise, including:

- a back-pay of \$1.122m due to the Australian Tax Office (ATO) resulting from a Goods and Services Tax (GST) audit
- changes in the creditors' payment policy. DPIW used to pay its creditors on the receipt of invoice, and now pays in accordance with specified credit terms
- increased Grants payable from \$0.300m in 2006 to \$1.006m in 2007 as a result of the higher activity in the NRM and NHT programs.

Employee entitlements, comprising mainly annual and long service leave provisions, remained steady in 2007-08. The slight decrease of \$1.367m in 2006-07 was due to the restructure of the Department.

Other financial liabilities consisted largely of Appropriation carried forward under Section 8A(2) of the *Public Account Act 1986* being \$2.371m in 2007-08 (2006-07, \$1.187m).

The variance between budget and actual Total liabilities in 2007-08 was due to the following:

- a combination of underestimated payables when the budget was prepared plus a GST liability not included in the budget
- the Department not budgeting for Appropriation carried forward included in Other financial liabilities
- the original budget for Employee entitlements being based on an increasing long service leave balance trend, incremented by the effect of the State Service Wage Agreement increase. However, the Department's policy of reducing outstanding leave balances has been effective to some extent.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	77 926	79 925	73 638	75 487	75 211
Receipts from Special Capital Investment Funds	1 150	81 934	470	9 595	1 845
Grants	17 720	29 397	30 207	26 526	48 137
Fees and fines	4 463	9 493	11 119	10 455	8 031
Interest received	690	1 936	1 993	2 744	2 565
Other cash receipts	30 943	33 380	27 811	21 400	18 614
Payments to employees	(62 287)	(62 918)	(60 786)	(66 149)	(65 286)
Payments to suppliers	(79 531)	(94 772)	(74 199)	(66 985)	(65 808)
Cash from (used in) operations	(8 926)	78 375	10 253	13 073	23 309
Proceeds from disposal of assets	38 093	27 718	26 289	18 439	7 577
Receipts from government - capital	1 143	1 143	1 147	4 891	1 512
Loan payment received	0	16	0	0	0
Payments for acquisition of assets	(500)	(5 450)	(1 827)	(3 071)	(2 102)
Transfer to Administered Funds	(36 675)	(36 675)	0	(11 501)	(6 103)
Cash from (used in) investing activities	2 061	(13 248)	25 609	8 758	884
Net increase (decrease) in cash	(6 865)	65 127	35 862	21 831	24 193
Cash at the beginning of the year	92 350	118 548	82 686	83 691	59 498
Cash transferred due to administrative restructure	0	0	0	(22 836)	0
Cash at end of the year	85 485	183 675	118 548	82 686	83 691

Comment

Overall cash inflows from operating activities decreased from 2004-05 to 2006-07. This drop was mainly attributable to the decline in government appropriations, especially revenues from the SCIF in 2006-07. The unusually high cash inflows in 2004-05 were a result of the previously explained transfer of the Regional Forest Agreement funding to the Department. Payments to suppliers include grants and subsidies paid by the Department. The greater level of activity in the NRM and NHT

programs led to increased operating payments and consequently contributed to the overall decline in cash from operations in 2005-06 and 2006-07. This decrease in cash inflow from operating activities would have continued in 2007-08 except for the receipt of \$80.000m from the Water Infrastructure Fund noted previously in this Chapter. Without this receipt, Net cash from operations would have been negative \$1.625m.

The sharp increase in Cash from investing activities from 2004-05 to 2006-07 was a result of the increased number of property sales through CLAF, discussed earlier. Furthermore, in 2006-07, Cash from investing activities was also affected by the absence of the transfer between CLAF and administered funds. The decrease in 2007-08 was due to the transfer of \$36.675m from CLAF to the Consolidated Fund noted in the Income Statement section.

The variance between budget and actual cash flow in 2007-08 was due to the following factors:

- receipts from SCIF relating to the receipt of \$80.000m from the Water Infrastructure Fund noted previously
- grants relating to funding from the Australian Government in relation to the Exceptional Circumstances Interest Rate Subsidy Scheme, the Fox Eradication Program and other funding not included in the budget
- classification differences between budget and actual items including Fees and fines
- payments to suppliers because of increased NRM and NHT activities which were not budgeted and underestimation of other operating costs
- proceeds from the disposal of non-financial assets due to the deferral of the sale of the Elizabeth Street Pier complex until 2008-09
- payments for acquisition of non-financial assets due to underestimation of the Department's asset requirements when the budget was prepared. This underestimation included items such as the purchase of land through the Karst Forest Program, major software purchases and various other small equipment purchases.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		74 410	1 922	13 950	26 215
Operating margin	>1.0	1.49	1.01	1.10	1.20
Underlying result ratio		0.57	0.01	0.10	0.17
Own source revenue (\$'000s)		38 058	38 853	38 822	35 757
Financial Management					
Debt collection	30 days	39	25	27	34
Creditor turnover	30 days	4	4	0	7
Other Information					
Self-sufficiency %		44	47	48	63
Government funding %		139	77	86	78
Staff numbers (FTEs)		965	975	1 090	1 061
Average staff costs (\$'000s)		65	61	58	58
Average leave balance per FTE (\$'000s)		14	14	13	15

Comment

The Department recorded strong positive operating results in 2004-05, 2005-06 and 2006-07 financial years due to the factors discussed under the Income Statement section, which also impacted on Operating margins in those years.

The Operating margin of 1.49 for 2007-08 was higher due to the receipt of \$80.000m from the Water Infrastructure Fund, offset in part by the transfer of \$36.675m to CLAF. Without these items the margin would have been 1.16. Similarly, the Underlying result ratio is high because of the Water Infrastructure Fund revenue.

The Debt collection ratio was below the benchmark during 2005-06 and 2006-07. The increase in 2007-08 was the result of a number of one-off debtors at 30 June 2008 noted earlier under the Balance Sheet section of this Chapter.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. In 2004 05, the Department's Self-sufficiency ratio was abnormally high at 63%, due to the transfer of the Regional Forest Agreement funding. In the following three years, the ratio gradually stabilised.

The Government funding ratios in 2005-06 and 2007-08 were influenced by receipts from SCIF.

The number of full time equivalents (FTEs) dropped to 975 in 2006-07 following the restructure of the Department in April 2006. The increases in 2007-08 of the Average staff costs was due to the annual increment of 3.5% for the State Service

Wages Agreement and separation payments to the Tasmanian Institute of Agricultural Research on the transfer of employees.

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 Income and Expenses

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	8 893	7 562	8 785	10 446	8 935
Sale of goods and services	14 403	15 225	14 807	30 891	28 916
Fees and fines	16 667	16 170	19 786	0	0
Other revenue	36 675	36 675	4	11 513	6 242
Total Revenue	76 638	75 632	43 382	52 850	44 093
Grants and subsidies	8 893	7 586	8 753	10 412	8 707
Other expenses	0	5	0	0	0
Total Expenses	8 893	7 591	8 753	10 412	8 707
Net Surplus	67 745	68 041	34 629	42 438	35 386
Transfer to the Consolidated Fund	67 745	68 041	34 629	42 557	35 253
Net Surplus (Deficit)	0	0	0	(119)	133

Comment

Explanations of material variances between budget and actual amounts for 2007-08 are:

- Revenue from government, \$1.330m, less than budget mainly caused by a saving of \$1.568m in the allocation to the Rivers and Water Supply Commission due to the early repayment of their loans. An additional allocation of \$0.238m was approved for the Inland Fisheries Service to fund a back-payment of payroll tax
- Grants and subsidies – for the same reason.

There is a close relationship between the amount of government appropriations received and the amount of grants and subsidies paid. Additional funding for the Sullivans Cove Waterfront Authority of around \$1.500m was provided in 2005-06.

Note, this authority was transferred to the Department of Economic Development on 1 February 2007.

Fees and fines were included in Sale of goods and services until 2006-07, but were reported separately this year together with comparative amounts for the prior year.

There has been a continuing increase in revenue for services provided by the Land Titles Office, abalone royalties and other fees and licences collected by the Department. Part of the increase from 2006-07 is due also to improved accounting and reporting practices adopted in that year.

Other revenue largely consists of transfers of funds from CLAF to the Consolidated Fund. The amount in 2007-08, \$36.675m, was discussed under the Income Statement section. The Transfer to the Consolidated Fund basically consists of these amounts plus revenue from Sale of goods and services and Fees and fines.

Administered Assets and Liabilities

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>					
Receivables	835	3152	3 531	1 052	1 430
Total Assets	835	3 152	3 531	1 052	1 430
<i>Liabilities</i>					
Payables	365	2179	2 519	4	0
Revenue received in advance	0	509	548	584	649
Total Liabilities	365	2 688	3 067	588	649
Net Assets	470	464	464	464	781
Accumulated funds	470	464	464	464	781
Total Equity	470	464	464	464	781

Comment

Explanations of material variances between budget and actual amounts for 2007-08 are:

- Receivables – due to abalone licences receivable that were not budgeted for
- Payables – due to the corresponding payable to the Consolidated Fund as a result of recognising increased revenue from abalone licences
- Revenue received in advance – due to recognition of marine farm leases received in advance that were not budgeted for.

The increase in Receivables from 2006-07 was due to the improved billing processes discussed previously. This had a consequent increase in Payables, because funds collected will be paid into the Consolidated Fund. In 2005-06, the Department

transferred \$0.286m of Receivables to DTAE under the previously mentioned restructuring arrangements.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	8 893	7 562	8 785	10 446	8 935
Fees and fines	15 597	15 985	16 497	30 896	29 150
Sale of goods and services	15 473	15 183	14 129	11 500	6 103
Transfers from controlled funds	36 675	36 675	0	0	0
Grants and subsidies	(8 893)	(7 562)	(8 747)	(8 240)	(8 935)
Transfers to the Consolidated Fund	(67 745)	(67 843)	(30 664)	(44 602)	(35 253)
Cash from operations	0	0	0	0	0
Net increase (decrease) in cash	0	0	0	0	0
Cash at the beginning of the year	0	0	0	0	0
Cash at end of the year	0	0	0	0	0

Comment

Explanations of material variances between budget and actual amounts are the same as for the Administered Income and Expenses.

Movements in the cash flow amounts and cash balances are of the same nature mentioned in the Administered Income and Expenses section.

DEPARTMENT OF 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*, Tourism Tasmania and Events Tasmania were transferred from the former Department of Tourism, Arts and the Environment to the former Department of Economic Development, effective for financial reporting from 29 February 2008.

As a result of the restructure, the name of the Department was changed to the Department of Environment, Parks, Heritage and the Arts.

The Department's primary goals are 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.

As at 30 June 2008 the Responsible Minister was the Minister for Environment, Parks, Heritage and the Arts.

AUDIT OF THE 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 15 August 2008. An unqualified audit report was issued on 30 September 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

The Department's financial results incorporate those of the statutory authority, Tourism Tasmania for eight months. A separate Chapter has been prepared outlining the financial results of Tourism Tasmania. 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.

The Government announced in February 2006 that it would allocate \$30.000m to redevelop the Tasmanian Museum and Art Gallery (TMAG). To date \$2.737m has been spent on the project.

INCOME STATEMENT

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	83 988	72 761	81 028	71 150	62 945
Revenue from Special Capital Investment Funds	16 730	13 787	12 076	9 971	27 198
Grants	350	2 778	3 139	3 029	2 720
Sales of goods and services	13 856	13 339	15 979	14 127	15 751
Fees and Fines	890	1 204	1 254	811	0
Interest revenue	850	1 507	1 293	522	61
Other operating revenue	720	4 000	1 754	1 143	727
Gain (loss) on sale of assets	0	51	14	(175)	(842)
Total Operating Income	117 384	109 427	116 537	100 578	108 560
Employee entitlements	43 408	43 194	44 139	37 787	33 781
Depreciation and amortisation	6 499	7 653	7 599	6 180	5 969
Supplies and consumables	47 203	41 607	45 451	40 480	0
Grants and subsidies	12 874	14 661	13 546	14 415	29 099
Impairment losses	0	(58)	25	10	11
Write down of assets	0	784	102	378	0
Other expenses	3 277	3 662	3 908	3 207	39 497
Total Operating Expenses	113 261	111 503	114 770	102 457	108 357
Net Operating Surplus (Deficit) before:	4 123	(2 076)	1 767	(1 879)	203
Resources received free of charge	0	2 605	4 612	0	2 736
Resources provided free of charge	0	(229)	(570)	0	0
Revenue from government - capital	10 392	3 781	4 690	2 717	101
Recognition of TMAG collection	0	0	0	343 729	0
Net Surplus Attributable to the State	14 515	4 081	10 499	344 567	3 040

Comment

For each of the four years covered by this review the Department recorded an approximate breakeven Net operating result before the impacts of resources received and provided free of charge, capital grant income and the initial recognition of the TMAG collection.

The Net operating deficit of \$2.076m in 2007-08 compared to the surplus of \$1,767m in 2006-07, was a reduction of \$3.843m due mainly to the decrease in the operating surplus of Tourism Tasmania by \$4.579m. Prior to its transfer, Tourism Tasmania operated at a deficit of \$1.786m for the period ended 29 February 2008 compared to a surplus of \$2.793m in 2006-07.

The Department recorded a Net Surplus Attributable to the State of \$4.081m in 2007-08 compared to \$10.499m in 2006-07, a reduction of \$6.418m or 157%, primarily due to above mentioned and a reduction in resources received free of charge of \$2.007m.

The Net Surplus Attributable to the State of \$344.567m in 2005-06 was primarily due to the initial recognition of the TMAG collection of \$343.729m.

Revenue from government (recurrent and capital) varied over the period and to budget due to:

- Revenue from government – recurrent for 2007-08 was less than budget by \$11.227m due to the transfer of funding of \$14.042m which related to the administrative restructuring of Tourism Tasmania. This was offset by approved requests for additional funds, the major item being funding for fire suppression costs of \$2.204m.
- Revenue from government – recurrent decreased by \$8.267m between 2006-07 and 2007-08 due to decreased funding of \$14.042m in relation to the administrative restructuring of Tourism Tasmania. This was offset by increased funding in relation to parks infrastructure maintenance, \$3.000m, Arts; grants, \$1.500m, fuel reduction burning program, \$0.497m, asbestos removal costs, \$0.300m and environmental monitoring projects, \$0.400m.
- Revenue from government - recurrent increased by \$9.878m between 2005-06 and 2006-07 due to additional funding provided for a new tourism marketing campaign, environmental air quality monitoring programs and full year funding for the Environment Division operational costs resulting from the administrative restructure from the former Department of Primary Industries, Water and the Environment effective from 1 April 2006.
- Revenue from government - recurrent increased by \$8.205m between 2004-05 and 2005-06 due to additional funding provided for improvements to TMAG infrastructure, Parks and Wildlife Service infrastructure projects, Environment Division operating costs from 1 April 2006 resulting from the administrative restructure and funding for a legal compensation payment.

During the four year period under review, the Department received \$63.032m for projects funded through the Economic and Social Infrastructure Fund (referred to as Special Capital Investment Funds (SCIF)) in the Income Statement. Major projects included:

- the TMAG redevelopment, \$2.464m, Hawthorn Football Club Agreement, \$1.683m, Tourism Infrastructure, \$1.560m, the Living Environment Initiative, \$1.985m, and the Tourism Promotion Plan, \$3.801m in 2007-08
- the Tourism Promotion Plan, \$4.618m, the Hawthorn Football Club Agreement, \$2.285m, Tourism Infrastructure, \$1.874m and the building of a new Analytical Services Laboratory, \$1.646m in 2006-07
- the Queen Victoria Museum, \$3.000m, Parks and Heritage Infrastructure, \$1.907m, Tourism Infrastructure, \$1.633m, and the Cradle Tourism Development Plan, \$2.028m in 2005-06
- the York Park development, \$9.616m, Symmons Plains infrastructure \$5.240m, Parks and Heritage Infrastructure, \$4.310m, and TT-Line marketing, \$2.014m, in 2004-05.

Revenue from government – capital was \$6.611m less than budget due to a revision in the timing of expenditure in 2007-08. This was due primarily to delays associated with the Cradle Mountain Sewerage project with \$6.527m carried forward to 2008-09 and 2009-10.

Grant revenue exceeded budget by \$2.428m in 2007-08. The budget figure did not include estimates for future grants unless a formal agreement was in place. The increase is mainly due to a Commonwealth grant in relation to the Macquarie Island Eradication Program of \$1.500m.

Sales of goods and services revenue decreased by \$2.640m between 2006-07 and 2007-08 mainly due to the transfer of Tourism Tasmania, which resulted in a decrease in revenue of \$3.753m. This was offset by an increased revenue from entry/user fees, and other sales of goods and services of \$1.13m.

Interest revenue has been increasing over the four year period mainly due to the Department assuming responsibility for the Environment Division, which included a cash balance of \$23.244m, in 2005-06. Interest revenue exceeded budget by \$0.657m in 2007-08 due to larger than forecast cash holdings for remediation works at Mt Lyell and Savage River.

Other revenue increased by \$2.246m between 2006-07 and 2007-08 and exceeded budget by \$3.280m primarily due to \$1.800m being recognised in relation to insurance recoveries and first time recognition of infrastructure assets identified by the Parks and Wildlife Service of \$0.928m. The insurance recoveries related to remediation work undertaken to restore damaged infrastructure assets.

Employee entitlements increased by \$9.413m over the four year period. The decrease of \$0.945m between 2006-07 and 2007-08 was a consequence of the transfer of Tourism Tasmania, previously mentioned. The increase of \$6.352m between 2005-06 and 2006-07 was mainly due to the first full year effect of the transfer of staff from the Environment Division to the Department. The increase of \$4.006m between 2004-05 and 2005-06 was mainly due to the administrative restructure of the Environment Division, effective from 1 April 2006, \$1.684, and the effect of salaries and wages increase.

Depreciation and amortisation charges increased by 28% over the period of review primarily in line with revaluations and asset growth. Depreciation and amortisation

exceeded budget by \$1.154m in 2007-08 due to higher building and infrastructure asset values as a result of valuation increases and additional capitalised costs.

Until 2005-06, Supplies and consumables expenses were included within other operating expenses. The main expenditure associated with this category related to tourism advertising and promotion, travel and transport, and rental and accommodation. The expense was \$3.844m less between 2006-07 and 2007-08 and \$5.596m less than budget primarily due to the transfer of Tourism Tasmania. This decline was however to an extent offset by costs expended on the TMAG redevelopment, which resulted in increased consultant and professional fees. The increase in Supplies and consumables expenses of \$4.971m between 2005-06 and 2006-07 was primarily due to an increase in advertising and promotion expenditure of \$5.521m, offset against a reduction in other supplies and consumables expenditure of \$1.610m.

Grants and subsidies expenditure exceeded budget by \$1.787m in 2007-08 due to expenses incurred through the Tourism Promotion Plan not being included within the original budget figures. The budget for the Tourism Promotion Plan is recorded within the Department of Treasury and Finance budget.

Resources received free of charge represent the fair value of land assumed under the *Nature Conservation Act 2002* and in 2007 08 included the Wingaroo Nature Reserve of \$0.837m. Resources received free of charge decreased by \$2.007m between 2006-07 and 2007-08 as the fair value of Narryna Heritage Museum of \$1.900m was recognised in 2006-07.

BALANCE SHEET

	2007-08 Budget \$'000	2007-08 Actual \$'000	2006-07 Actual \$'000	2005-06 Actual \$'000	2004-05 Actual \$'000
<i>Financial Assets</i>					
Cash and deposits	30 768	31 879	34 591	34 073	8 943
Receivables	1 935	1 317	1 446	1 458	1 201
Other financial assets	0	415	417	424	397
<i>Non-financial Assets</i>					
Inventory	603	659	690	603	271
Property, plant and equipment	560 858	652 074	603 264	557 082	520 539
Heritage assets	344 704	369 270	353 724	344 704	0
Intangibles	1 056	1 467	1 490	1 056	423
Other non-financial assets	16 014	11 136	12 285	15 992	3 604
Total Assets	955 938	1 068 217	1 007 907	955 392	535 378
<i>Liabilities</i>					
Payables	2 711	1 385	2 314	3 004	2 510
Employee entitlements	9 475	8 119	9 590	9 255	7 703
Provisions	13 839	10 461	10 711	13 839	0
Other liabilities	4 994	3 139	5 517	7 505	3 487
Total Liabilities	31 019	23 104	28 132	33 603	13 700
Net Assets	924 919	1 045 113	979 775	921 789	521 678
Contributed equity	0	353 415	353 415	348 120	326 215
Reserves	0	337 354	277 717	235 525	201 886
Accumulated funds (deficits)	925 919	354 344	348 643	338 144	(6 423)
Total Equity	925 919	1 045 113	979 775	921 789	521 678

Comment

Equity increased from \$521.678m at 30 June 2005 to \$1.045bn at 30 June 2008, primarily due to:

- revaluations of land, buildings, infrastructure and heritage assets, \$135.468m
- Accumulated funds increasing by \$344.567m in 2005-06, of which \$343.729m was due to recognition of the TMAG collection
- Contributed equity increasing by \$21.905m in 2005-06 due mainly to the transfer of the Environment Division of \$20.787m
- Net Surplus Attributable to the State of \$4.081m in 2007-08, \$10.499m in 2006-07 and \$3.040m in 2004-05 but offset by
- the decrease in net liabilities of \$1.620m in relation to transfer of Tourism Tasmania in 2007-08.

Cash and deposits remained relatively consistent over the period under review. The majority of the cash balance as at 30 June 2008 related to funds held for the remediation of Savage River, Queen and King Rivers and Macquarie Harbour. Cash and deposits increased significantly in 2005-06 due principally to the transfer of \$23.244m in relation to the Environment Division associated with the administrative restructure. The Balance Sheet does not recognise any commitments for the remediation work at the various sites mentioned above.

Receivables remained relatively consistent over the period under review. Receivables were \$0.618m less than the budget in 2007-08 due to the reallocation of the Environment Division regulatory fee debtors from controlled to administered.

Inventory remained relatively consistent over the period under review. The increase of \$0.332m between 2004-05 and 2005-06 was due to the initial recognition of stock held by TMAG.

Property, plant and equipment increased by \$131.535m over the four years under review. This is due to a combination of capital asset purchases and annual revaluations within these asset classes. In 2007-08 revaluations totalled \$44.665m and there were further acquisitions and work in progress assets costing \$8.609m. Property, plant and equipment exceeded budget by \$91.216m mainly due to the revaluations not being available at the time of preparing the original budget figures.

Heritage assets consist of the TMAG collection, first recognised in 2005 06 at a value of \$343.729m. This amount has increased over the period by \$24.566m mainly due to revaluations of \$23.388m. Heritage assets exceeded budget by \$24.566m in 2007-08 due to the revaluations not being available at the time of preparing the original budget figures.

Other non-financial assets increased by \$12.388m between 2004-05 and 2005-06 due to the transfer of the Australian Bulk Mineral Agreement debt from the former Department of Primary Industries, Water and Environment, \$13.839m, relating to the remediation of the Savage River mine site. A corresponding provision for remediation works was recognised for the first time in 2005-06 within provisions. Both Other non-financial assets and Provisions are lower than the original budget estimates due to an under-estimate of the level of works completed under the Agreement.

Payables remained relatively consistent over the period under review. Payables decreased by \$0.929m between 2006-07 and 2007-08 and were \$1.326m less than budget due to the transfer of Tourism Tasmania as mentioned previously.

Employee entitlements remained relatively consistent over the period under review. Employee entitlements decreased by \$1.471m between 2006-07 and 2007-08 and were \$1.356m less than budget due to the transfer of staff in relation to Tourism Tasmania as mentioned previously. Employee entitlements increased by \$1.552m between 2004-05 and 2005-06 as a consequence of the transfer of staff of the Environment Division due to the administrative restructure.

The changes in Other liabilities were principally due to the amounts of appropriation carried forward under section 8A of the *Public Account Act 1986*, which vary from year to year. The decrease of \$2.378m between 2006-07 and 2007-08 was also due to other revenue received in advance reducing by \$1.635m due to the transfer of Tourism Tasmania mentioned previously. Other liabilities increased by \$4.018m between 2004-05 and 2005-06 due to an increase in carry forwards and the recognition of the environment bonds transferred to the Department in relation to the Environment Division associated with the administrative restructure.

CASH POSITION

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	83 708	72 481	81 308	70 380	63 715
Receipts from Special Capital Investment Funds	16 730	12 876	12 076	9 971	27 198
Grants	350	2 698	2 520	3 007	2 673
Sale of goods and services	12 516	17 057	15 653	14 503	14 694
Fees and fines	890	1 182	1 283	727	742
GST receipts	8 300	6 938	7 265	7 425	6 303
Interest received	850	1 499	1 285	498	61
Other cash receipts	720	1 362	1 701	1 069	1 152
Employee entitlements	(43 604)	(42 583)	(43 805)	(37 850)	(35 175)
Other cash payments	(63 407)	(59 313)	(62 588)	(57 298)	(9 139)
GST payments	(7 800)	(7 210)	(7 638)	(6 769)	(67 057)
Cash from operations	9 253	6 987	9 060	5 663	5 167
Proceeds from disposal of assets	0	51	14	6	93
Receipts from government - capital	9 842	3 315	2 669	5 288	101
Repayment of loans by other entities	0	104	109	123	110
Payments for acquisition of assets	(20 793)	(8 609)	(11 182)	(8 952)	(4 745)
Loans made to other entities	0	(93)	(152)	(242)	(270)
Cash (used in) investing activities	(10 951)	(5 232)	(8 542)	(3 777)	(4 711)
Net increase (decrease) in cash	(1 698)	1 755	518	1 886	456
Cash at the beginning of the year	31 126	34 591	34 073	8 943	8 487
Funds transferred on administrative restructure	0	(4 467)	0	23 244	0
Cash at end of the year	29 428	31 879	34 591	34 073	8 943

Comment

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

Cash from operations was lower by \$2.073m in 2007-08 mainly because of decreased Revenues from government of \$8.827m, offset by lower Other cash payments of \$3.275m.

Over the four year period, \$33.488m was spent on the acquisition of assets, covering a range of parks, heritage, infrastructure and building assets as well as environmental air monitoring equipment and the building of a new Analytical Services Laboratory. In 2007-08, there was significant expenditure in relation to Cradle Mountain Sewerage infrastructure, Windy Ridge Hut redevelopment and upgrades to the Wineglass Bay walking track. This was primarily funded by capital appropriations and SCIF funding.

FINANCIAL ANALYSIS

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		(2 076)	1 767	(1 879)	203
Operating margin	>1.0	0.98	1.02	0.98	1.00
Underlying result ratio	>0.0	(0.02)	(0.02)	0.02	(0.02)
Own source revenue (\$'000)		20 101	20 294	16 428	15 697
Financial Management					
Debt collection	30 days	36	33	35	28
Creditor turnover	30 days	12	19	24	23
Other Information					
Self-sufficiency %		21	20	19	17
Government funding %		98	102	98	100
Staff numbers (FTEs)		613	757	785	664
Average staff costs (\$'000s)		61	58	48	51
Average leave balance per FTE (\$'000s)		13	13	12	12

Comment

The negative result in the Underlying result ratio reflects the deficits incurred by the Department mainly due to the depreciation charge not being fully funded, a position common to most government departments.

Creditor turnover has been decreasing over the period under review. The balance as at 2007-08 is due to a lower Payables balance at 30 June 2008 brought about by the transfer of Tourism Tasmania as mentioned previously.

The Self-sufficiency ratio shows the level of independent funding that the Department generated for use in achievement of its objectives. This has increased slightly over the four years under review.

The Government funding ratio is around 100% which represents a break-even position in common with most departments.

The decrease in full time equivalent employees (FTEs) in 2007-08 mainly relates to the transfer of Tourism Tasmania.

Average staff costs increased over the period, primarily in line with annual award pay increases but, particularly in 2007-08 due to eight months of Tourism Tasmania's employee costs totalling \$5.291m included in employee expenses but the FTE's as at 30 June 2008 are not included.

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 world heritage funding, environmental funding such as for the Port Arthur Historic Site Management Authority, the arts and fees raised from entry to Tasmania's parks.

Administered Income and Expenses

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	7456	8561	10 121	8 024	5 472
Revenue from government - capital	0	0	0	0	2 000
Commonwealth grants	3400	3400	3 400	3 400	3 400
Fees and Fines	1981	2555	1 631	729	415
Total Revenue	12 837	14 516	15 152	12 153	11 287
Grants and subsidies	7456	8561	10 121	8 024	7 472
Total Expenses	7 456	8 561	10 121	8 024	7 472
Net Surplus	5 381	5 955	5 031	4 129	3 815
Transfer to Consolidated Fund	5381	5955	5 031	4 129	3 815
Net Surplus (Deficit) Attributable to the State	0	0	0	0	0

Comment

Revenue from government (recurrent) was lower in 2007-08 mainly due to decreased allocations to the North East Tourist Trail of \$1.800m offset against an increase of \$1.000m to the Port Arthur Historic Site Management Authority. The increase from the budgeted figure is primarily due to an increased allocation to the Port Arthur Historic Site Management Authority for conservation funding.

Commonwealth grants represent funds for world heritage purposes.

Grants and subsidies paid in 2007-08 were:

- Royal Tasmanian Botanical Gardens, \$2.558m
- Wellington Park Management Authority, \$0.110m
- Ten Days on the Island, \$0.600m
- Tasmanian Symphony Orchestra, \$1.393m
- Tasmanian Icon Program, \$0.750m
- Theatre Royal, \$0.150m
- Port Arthur Historic Site Management Authority, \$3.000m

Fees and fines increased in 2007-08 due to larger than estimated fee revenue collections from the introduction of new environment regulatory fee structures.

Administered Assets and Liabilities

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	0	0	0	0	215
Receivables	0	619	291	373	0
Total Assets	0	619	291	373	215
<i>Liabilities</i>					
Payables	0	619	291	373	215
Total Liabilities	0	619	291	373	215
Net Assets	0	0	0	0	0
Accumulated funds	0	0	0	0	0
Total Equity	0	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. Administered cash and liabilities in 2004-05 consisted of Appropriation carried forward under section 8A of the *Public Account Act 1986*.

Administered Cash Flows

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	7 456	8 561	10 121	7 809	5 687
Receipts from government - capital	0	0	0	0	2 000
Australian government grants	3 400	3 400	3 400	3 400	3 400
User charges, fees and fines	1 981	2 227	1 631	729	415
Grants and subsidies	(7 456)	(8 561)	(10 121)	(8 024)	(7 472)
Transfers to the Consolidated Fund	(5 381)	(5 627)	(5 031)	(4 129)	(3 815)
Cash from (used in) Operations	0	0	0	(215)	215
Net increase (decrease) in cash	0	0	0	(215)	215
Cash at the beginning of the year	0	0	0	215	0
Cash at end of the year	0	0	0	0	215

Comment

Details of the nature of cash flows are reflected in the comments made under Administered Income, Expenses, 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 the management of Government financial resources.

Appropriation from the Consolidated Fund is provided to the Department under two Divisions (3: Finance-General, and 12: Treasury and Finance) of the *Consolidated Fund Appropriation Act 2007*.

The resources of the Department are managed through the Treasury and Finance Division and are reported as controlled and include 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 the Government's financial assets and liabilities, accounting for State taxation receipts and Australian Government General Purpose Payments, meeting the Government's pension and other superannuation commitments, administration of the Tasmanian Risk Management Fund, management of the 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 2007-08 FINANCIAL STATEMENTS

Signed financial statements were received on 13 August 2008, with final amended statements being received on 29 September 2008. An unqualified audit report was issued on 30 September 2008.

The 2007-08 audit was completed satisfactorily with no major issues outstanding.

FINANCIAL RESULTS

The Department of Treasury and Finance reported a net operating surplus of \$0.294m, an improvement over a budgeted deficit of \$0.682m.

The Division of Finance-General reported a net surplus of \$847.804m in 2007-08. The net surplus is considerably higher than budget and previous years primarily due to the sale of a number of government owned businesses.

The Tasmanian Government sold Hobart International Airport Pty Ltd (HIAPL) to a private consortium made up of Macquarie Capital and Retirement Benefits Fund Board (RBF) for a gross price of \$350m. The Printing Authority of Tasmania (PAT) and Southern Regional Cemetery Trust (SRCT) were also sold during 2007-08. Details of the sale transactions are disclosed within the Additional Financial Information – Administered Transactions section of this Chapter.

The majority of the net proceeds from the sales have been transferred to Special Capital Investment Funds, specifically the Infrastructure Tasmania Fund.

INCOME STATEMENT – TREASURY AND FINANCE

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	38 572	37 398	35 669	35 123	32 748
Revenue from Special Capital Investment Funds	100	143	198	427	1 791
Sales of goods and services	9 136	7 069	6 948	7 291	7 534
Gain on sale of assets	0	12	0	6 998	1 720
Other operating revenue	0	949	982	1 059	2 555
Total Operating Income	47 808	45 571	43 797	50 898	46 348
Employee expenses	25 270	22 304	21 798	20 258	19 486
Depreciation	330	459	359	172	86
Supplies and consumables	8 529	5 929	5 374	5 983	0
Grants and subsidies	12 734	13 138	11 520	13 328	14 945
Write down of assets	0	0	0	0	3
Transfer receipts on disposal of assets to CLAF	0	0	0	7 319	1 559
Other operating expenses	1 627	3 447	3 417	3 200	10 973
Total Operating Expenses	48 490	45 277	42 468	50 260	47 052
Net Operating Surplus (Deficit)	(682)	294	1 329	638	(704)
Transfer to the Consolidated Fund	(637)	(691)	(721)	(665)	(577)
Net Surplus (Deficit) Attributable to the State	(1 319)	(397)	608	(27)	(1 281)

Comment

In most years departments operate at a deficit because they are not funded for depreciation or increases in employee leave provisions. With the exception of 2004 05 the Department recorded results close to breakeven.

Appropriation revenue represented over 80% of total revenue in 2007-08. This is followed by sales of goods and services, approximately 15%, which consist mainly of Community Support Levy receipts, contract management fees, and liquor and gaming machine licensing revenues.

Employee expenses represented approximately 50% of total operating expenses in 2007-08, followed by Grants, approximately 9% and supplies and consumables, 3%.

Significant movements within individual line items over the period included:

- Revenue from government - recurrent increased \$2.375m in 2005-06 from additional funding for the Bass Strait Islands Community Service Obligation (CSO) and the Telecommunications Infrastructure project. Recurrent revenue increased \$1.729m in 2007-08 primarily due to the additional amounts provided to fund wage agreement increases
- Gain on sale of assets increased \$5.278m in 2005 06 due to a higher number of Government property sales compared to 2004-05, which was offset by Transfer receipts on disposal of assets to the Crown Lands Administration Fund (CLAF). This ceased after 2005-06 due to the transfer of Government property sales to Finance-General
- Grants and subsidy expenses decreased \$1.617m in 2005-06. The 2004-05 amounts included \$0.631m as a loan repayment for the Triabunna Call Centre. Grants from the Community Support Levy (CSL) decreased by \$0.256m as a result of less funding being available due to the reduction in Gaming tax. The Bass Strait CSO was \$0.537m lower than the previous year mainly due to timing of recognising the grant expenditure. There was a further decrease of \$1.808m in 2006-07, principally due to a reduction in funds carried forward from the previous year in the CSL Trust Fund. Grants and subsidies increased \$1.618m in 2007-08 primarily due to CSL grants (\$0.840m) as a result of carry forwards and additional levy revenue, and Bass Strait CSO grants (\$0.474m) as a result of the higher cost of diesel.

The effects of the foregoing were offset in part by:

- Other operating revenue decreased by \$1.496m in 2005-06 mainly due to reductions in property related revenue, \$0.518m, due to fewer property disposals, and lower recoveries of expenses, \$0.991m, because the 2004 05 amount included recoveries for the Gaming and Liquor Information System, the Telecommunications Infrastructure Project and the Capital Investment Program, which were not repeated in 2005-06. These decreases were offset by an increase in management fees, \$0.105m, relating to the sale of Government property
- Employee expenses increased by \$2.818m, over the period primarily due to salary indexation of 3.5% in each year, increases in the number of FTEs, and increasing tenure of staff. Long service leave expenses decreased \$0.278m from 2006-07 to 2007-08 due to a change in the probability factors used in the calculation.

Up until 2005-06 Supplies and consumables expenses were included with Other operating expenses.

Actual total operating income and expenses for 2007-08 were under budget by \$2.237m (4.7%) and \$3.213m (6.6%) respectively. This was primarily due to the budget estimate including revenue and expenditure for the Government Prices Oversight Commission (GPOC) and the Office of the Tasmanian Energy Regulator (OTTER). However the financial transactions of GPOC and OTTER are not included in Treasury's Income Statement.

Revenue from Special Capital Investment Funds exceeded budget as additional funding was approved for a Telecommunications project.

Depreciation exceeded budget due to higher than anticipated asset values.

Transfers to the Consolidated Fund consist primarily of Liquor Licence fees collected.

BALANCE SHEET – TREASURY AND FINANCE

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	7 065	7 976	7 734	6 906	7 849
Receivables	304	55	114	183	543
<i>Non-financial Assets</i>					
Plant and equipment	2 216	126	118	114	83
Leasehold improvements	0	1 196	942	988	318
Heritage assets	0	73	73	73	73
Intangibles	0	856	1 132	1 172	394
Other non-financial assets	571	652	469	521	1 003
Total Assets	10 156	10 934	10 582	9 957	10 263
<i>Liabilities</i>					
Payables	2 251	1 478	792	1 218	1 747
Employee entitlements	5 153	4 786	4 727	4 327	4 341
Other liabilities	0	310	306	263	0
Total Liabilities	7 404	6 574	5 825	5 808	6 088
Net Assets	2 752	4 360	4 757	4 149	4 175
Accumulated funds	2 752	4 353	4 750	4 142	4 169
Reserves	0	7	7	7	6
Total Equity	2 752	4 360	4 757	4 149	4 175

Comment

Total equity decreased at 30 June 2008 due to the \$0.397m net deficit generated for the 2008 financial year.

Net Assets increased from \$4.175m at 30 June 2005 to \$4.360m at 30 June 2008. The main factors which contributed to this were:

- Leasehold improvements increased by \$0.254m in 2007-08 and \$0.670m in 2005-06. The increase in 2007-08 primarily related to Franklin Square Tenancy improvements. The 2005-06 increase included improvements to 80 Elizabeth Street and to Henty House. The variance between the budget estimate and actual amounts for Leasehold improvements has occurred as a result of the budget for Leasehold improvements being included within the Plant and equipment line item on the Balance Sheet.
- Intangibles consist of computer software developments, and increased by \$0.778m in 2005-06 due to work associated with the Gaming and Liquor Information System. The decrease in 2007-08 related to the amortisation expense for the year.
- Payables decreased by \$0.269m over the period largely due to the Bass Strait Islands CSO accrual at year-end. In 2005-06 two months was accrued, but in 2006-07 an interim invoice was paid in June, so the accrual required was significantly less. The 2007-08 Bass Strait CSO accrual was larger than 2006-07 due to an increase in operating expenses.

The effects of the foregoing were offset in part by:

- Receivables decreased by \$0.488m over the period under review due to the timing of billing cycles and improved debtor management. The reason that the actual amount of Receivables was lower than the budget estimate is the result of debtors promptly paying outstanding invoices prior to 30 June 2008.
- Employee entitlements increased by \$0.445m over the period primarily due to salary indexation of 3.5% in each year and an increase in the number of FTEs. In 2007-08 there was a \$0.096m decrease in long service leave due to a change in probability factors.
- Cash and deposits were lower in 2005-06, principally as the result of an accelerated grants program associated with the CSL (grants exceeded revenue from the Levy). The reason that the actual amount of Cash and deposits was higher than the budget estimate for 2007-08, was that the budget estimates were compiled in May 2007 prior to finalisation of the actual outcomes for 30 June 2007. Also, additional funds were held in the CSL account to allow for future consultant fees for the social and economic impact study into gambling in Tasmania.
- Other liabilities from 2005-06 include Payroll tax and Workers Compensation insurance, which were previously included with Employee entitlements, and were not transferred when determining the budget for Other liabilities at 30 June 2008.
- Other non financial assets comprise, tax assets, prepayments and accrued revenue and in total decreased \$0.351m over the period under review.

CASH POSITION – TREASURY AND FINANCE

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	38 572	37 395	35 669	35 123	32 748
Receipts from Special Capital Investment Funds	100	143	198	427	1 791
Grants	0	3	0	0	0
Fees and fines	9 136	7 048	7 060	0	0
GST receipts	1 600	1 047	1 404	2 759	1 973
Other cash receipts	0	872	1 007	9 016	9 182
Payments to employees	(25 020)	(22 125)	(21 378)	(21 581)	(20 559)
GST payments	(1 600)	(1 029)	(1 388)	(2 563)	(2 151)
Grants and subsidies	(12 734)	(12 555)	(11 959)	(13 833)	(13 837)
Transfers to the Consolidated Fund	(637)	(691)	(721)	(665)	(577)
Supplies and consumables	(8 529)	(5 971)	(5 467)	0	0
Other cash payments	(1 627)	(3 444)	(3 319)	(14 974)	(11 114)
Cash from (used in) operations	(739)	693	1 106	(6 291)	(2 544)
Proceeds from disposal of assets	0	0	0	6 998	1 727
Payments for acquisition of assets	0	(451)	(278)	(1 650)	(751)
Cash from (used in) investing activities	0	(451)	(278)	5 348	976
Net increase (decrease) in cash	(739)	242	828	(943)	(1 568)
Cash at the beginning of the year	7 167	7 734	6 906	7 849	9 417
Cash at end of the year	6 428	7 976	7 734	6 906	7 849

Comment

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 – Treasury and Finance

	Bench	2007-08	2006-07	2005-06	2004-05
	Mark				
Financial Performance					
Result from operations (\$'000s)		294	1 329	638	(704)
Operating margin	>1.0	1.01	1.03	1.01	0.99
Underlying result ratio	>0.0	0.01	(0.03)	0.01	0.02
Own source revenue (\$'000)		8 030	7 930	15 345	11 809
Self financing ratio		0.02	(0.03)	0.03	(0.12)
Financial Management					
Debt collection	30 days	11	20	23	26
Creditor turnover	30 days	2	1	1	5
Other Information					
Self-sufficiency %		18	19	17	21
Government funding %		101	104	102	98
Staff numbers (FTE)		336	324	324	316
Average staff costs (\$'000s)		66	67	63	62
Average leave balance per FTE (\$'000s)		14	15	13	14

Comment

Results from operations are before transfers to the Consolidated Fund.

The Self-sufficiency ratio shows that the level of independent funding that the Department generates for use in achievement of its objectives remained around 17% to 21% throughout the period under review.

The Government funding ratio has remained slightly above the break-even position of 100% over the period, representing the surplus for the year.

Creditor turnover for the period is low as a result of small creditor balances at year end.

Staff numbers increased in 2007-08 and 2005-06 so as to provide additional resources to satisfy the changing needs of the Department's key stakeholders.

ADDITIONAL FINANCIAL INFORMATION

Administered Transactions

Administered transactions are those that the Department manages on behalf of the whole-of-Government. These transactions are shown in the Department's Administered Statements and comprise the activities of Finance-General.

Administered Income and Expenses – Finance-General

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from government - recurrent	429 474	470 517	432 938	501 124	536 880
Revenue from government - capital	19 950	493 043	21 325	0	75 909
Revenue from government - other Australian	0	821	24 609	16 570	8 672
Government grants	1 710 395	1 729 001	1 629 342	1 629 057	1 725 822
State Taxation	782 238	857 761	780 978	729 481	706 060
Sales of goods and services	67 343	70 843	69 468	62 796	59 924
Interest revenue	56 351	79 384	49 642	35 392	49 066
Dividends, tax and rates equivalent income	148 923	165 737	170 990	163 747	159 576
Revaluation of equity investments	142 395	446 385	215 245	101 566	(368 745)
Other revenue	79 121	384 421	92 123	100 899	75 441
Gain (Loss) on sale of assets	(5 644)	5 731	4 152	(721)	(204)
Total Revenue	3 430 546	4 703 644	3 490 812	3 339 911	3 028 401
Employee expenses	70	0	0	0	0
Superannuation	255 575	180 011	607 284	(56 000)	648 643
Depreciation and amortisation	15 876	21 520	20 139	16 666	12 712
Supplies and consumables	102 993	93 380	81 898	73 335	0
Grants and subsidies	189 759	298 299	242 248	247 529	248 726
Borrowing costs	27 237	30 518	32 178	30 516	51 248
Impairment losses	0	0	10	88	0
Other expenses	7 400	17 456	16 909	13 777	76 878
Total Expenses	598 910	641 184	1 000 666	325 911	1 038 207
Net Surplus	2 831 636	4 062 460	2 490 146	3 014 000	1 990 194
Transfer to the Consolidated Fund	(2 689 476)	(3 214 655)	(2 643 824)	(2 508 177)	(2 638 746)
Net Surplus (Deficit) Attributable to the State	142 160	847 805	(153 678)	505 823	(648 552)

Comment

The Net Surplus Attributable to the State increased over the period by \$1.496bn to \$847.805m.

Revenue from government – recurrent increased in 2007-08 by \$37.579m or 8.6% from 2006-07. The increase represented supplementary funding for the equity transfer from Transend Networks Pty Ltd to Hydro Tasmania and an increase in funding for interest on sundry deposits offset, by the devolution to agencies of the provision for wages increases, the conclusion in 2006-07 of the Government's equity contribution to TT-Line Company Pty Ltd and a decrease in grants relating to equalisation payments and subsidies.

Revenue from government – recurrent in 2007 08 was \$41.043m more than the budget estimate principally due to:

- a \$50.000m increase associated with the equity transfer from Transend Networks Pty Ltd to Hydro Tasmania as provided for in the *Consolidated Fund Appropriation (Supplementary Appropriation for 2007-08) Act 2007*
- a \$13.500m increase in interest on sundry deposits due to increased interest rates and an increase in the balance of interest bearing accounts in the Special Deposits and Trust Fund
- a \$6.000m increase in funding for Government business divestment costs.

The effects of the foregoing were offset in part by savings under the Treasurer's Reserve of \$20.000m.

There was a large decrease of \$68.186m in 2006-07. This decrease reflected numerous positive and negative variances, but may be mainly attributed to a budgeted reduction of \$64.415m in the contribution to the Superannuation Provision Account. This reduction was in accordance with the Government's current Fiscal Strategy, introduced in the 2006-07 Budget, which extended the target date to extinguish the State's net unfunded superannuation liability from 2018 to 2033.

Revenue from government – recurrent decreased by \$35.756m in 2005 06 mainly due to a decrease in debt servicing cost funding, \$40.900m, and a reduction in the equity contribution to the TT-Line, \$15.000m, offset by increases in interest credited to accounts in the Special Deposits and Trust Fund, \$10.600m, and miscellaneous payments, \$5.900m.

Revenue from government – capital in 2007-08 included funding allocated to the Infrastructure Tasmania Fund, \$312.900m, Hospitals Capital Fund, \$75.000m, and the Housing Fund, \$60.000m, and additional funding for the Tasmanian Risk Management Fund, \$25.200m, associated with property claims for the Bridgewater High School replacement. The increase reflects the supplementary appropriation of Consolidated Fund receipts from the divestment of Government Business assets as discussed later in this Chapter.

Revenue from government – capital in 2004-05 included a one-off amount for the Better Roads Fund, \$25.000m, and the Royal Hobart Hospital Redevelopment Fund, \$35.000m. Appropriation for the essential maintenance component of the capital investment program has since been devolved to agency recurrent budgets. The \$21.325m in 2006-07 consisted of a transfer to the Economic and Social Infrastructure Fund (ESIF). Appropriation is provided in Finance-General's Budget to enable transfers

to Special Capital Investment Funds (SCIF), which are transferred in turn to government departments as funding of approved projects as required.

Revenue from government – other primarily represents the Consolidated Fund surplus transferred at 30 June each year to the T900 Temporary Debt Repayment Account. The decrease of \$23.788m from 2006-07 to 2007-08 reflects the change in the consolidated fund surplus and the absence of revenue relating to section 8A(2) carry forwards in 2007-08 (\$5.600m in 2006-07).

Australian government grants in 2007-08 consisted of:

General

- GST Revenue, \$1.665bn (2006-07, \$1.568bn)

Specific

- Local Government Grants, \$57.538m (2006-07, \$55.299m)
- Pensioner Concession Compensation, \$6.545m (2006-07, \$6.411m)
- Natural Disaster Grant, Nil (2006-07, \$0.016m).

The reduction in these grants in 2005-06 compared to 2004-05 was largely due to the Health Care Grant (2004-05, \$178.764m) being transferred from Finance-General to the Department of Health and Human Services from 2005-06, offset by an increase in GST Revenue, \$59.586m.

Significant changes in State taxation during the four-year period under review have been:

- increases in Payroll tax resulting from employment and wages growth
- increases in Land tax, particularly in 2006-07 and 2007-08, due to the growth in property values
- a decrease in Financial transactions tax in 2005-06 as a result of the abolition of Debits Duty from 1 July 2005. The increase since, is the result of growth in property sales.

The table below shows the various levels of tax receipts over the last four years.

State Taxation	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Payroll tax	353 334	321 280	307 476	276 936
Land tax	70 678	61 969	49 104	43 616
Motor vehicle tax	54 432	57 528	55 762	51 925
Financial transactions tax	280 269	244 075	229 612	245 165
Gambling taxes	90 627	86 253	79 028	81 003
Other taxes*	0	1 233	1 306	4
Guarantee taxes	8 422	8 640	7 193	7 411
Total Revenue	857 762	780 978	729 481	706 060

* - reclassified as Financial transactions tax

The actual amount of Taxation received was \$75.523m more than the budget estimate due to increases not anticipated when the budget was prepared.

Sales of goods and services consists of payments from agencies for property, motor vehicle fleet and risk management services. The increase in 2006-07 of \$6.672m was largely the result of higher lease rates for vehicles and increased rents for property resulting from the acquisition of properties of the former Hobart Ports Corporation in 2005-06. The 2007-08 actual revenues were \$3.500m higher than the budgeted estimate due to the receipt of revenues unforeseen at the time of preparation of the budget.

Interest revenue for 2007-08 and 2006-07 increased \$29.742m and \$14.250m respectively primarily due to higher Public Account cash balances available for investment and increased interest rates.

Interest revenue decreased considerably during 2005-06 primarily due to the repayment of maturing debt, which resulted in a reduction in Public Account cash available for investment.

The budget figure for investment income of \$205.274m included interest (2007-08 actual \$79.384m) and returns from Government Businesses in the form of dividends, income tax and rates equivalent income (2007-08 actual \$165.737m).

The 3.8% increase in Dividends, tax and rates equivalent income for the period under review primarily reflects the variability in profitability of Government Businesses.

The Revaluation of equity investments represents changes in the net carrying amounts of the Government's investments in Government Business Enterprises (GBEs) and State-owned Companies (SOCs). Net carrying amounts of these investments represent the net assets at each 30 June of these entities. The net increase of \$446.385m in 2007-08 was principally due to movements in the equity of:

- Hydro Tasmania, \$451.311m
- TT-Line \$46.544m
- Transend Networks Pty Ltd, \$35.926m.
- Motor Accidents Insurance Board, negative \$51.100m
- Forestry Tasmania, negative \$41.938m

Reasons for these movements can be ascertained from individual Chapters for each entity in this Report.

Other revenue for 2007-08 consists of:

Nature of income (expense)	\$m
Special dividend from Tasmanian Ports Corporation Pty Ltd (Tasports)	297.878
Superannuation contributions from agencies and authorities	82.584
Net gain on sale of Printing Authority of Tasmania (PAT)	0.394
Net loss on sale of Southern Regional Cemetery Trust (SRCT)	(4.816)
Other	8.381
Total	384.421

During 2007-08 the Government sold HIAPL (a subsidiary company of Tasports), the PAT and the Southern Regional Cemetery Trust through competitive bid processes.

In respect of the HIAPL sale, Finance-General recognised special dividend revenue from Tasports following the Government's decision to withdraw its equity from Tasports. The table below reconciles the airport sale price to the special dividend proceeds received by Finance-General.

Nature of Transactions	\$m
Sale Price (including net asset adjustment and interest on deposit)	353.139
Less Tasports Debt Repayment	(6.930)
Less Tascorp Debt Repayment	(35.890)
Less Revenue in Advance	(12.441)
Total	297.878

In respect of the sale of PAT and SRCT the net gain (loss) on sale is broken down in the following table:

Nature of transactions	PAT \$m	SRCT \$m
Sale Price	2.010	0.575
Equity Withdrawal	0.964	2.309
Net Assets as at 30 June 2007	2.580	(7.700)
Gain (Loss)	\$0.394	(\$4.816)

The net loss on the sale of SRCT did not include the transfer of certain land and buildings, valued at \$1.680m, to the Department of Primary Industries and Water and a superannuation liability of \$1.950m which was transferred to Finance-General prior to sale.

The superannuation gain or loss each year results from an actuarial revaluation of the State's net liability in respect of the contributory service of current and past government employees. The gain of \$56.000m in 2005-06 was caused principally by an increase in the discount rate applied and strong investment performance by fund assets.

The superannuation loss of \$607.284m in 2006-07 was due to an increase in the discount rate resulting in a higher nominal interest expense, an increase in employer service costs, and a large increase in contributions tax, which doubled from 7% to 14% due to the expected loss of pre-1 July 1988 funding credits.

The 2007-08 superannuation loss of \$180.011m comprised:

Superannuation Expense in the Income Statement	2007-08 \$m	2006-07 \$m
Current service cost	135.450	124.369
Interest Cost	263.427	233.604
Expected return on plan assets	(98.820)	(85.792)
Actuarial gains and losses	(120.046)	335.103
Total	180.011	607.284

The actual expense in 2007-08 was less than the budget estimate by \$75.564m primarily due to a higher than budgeted opening balance of the unfunded superannuation liability.

The Depreciation expense relates to Government-owned buildings and the motor vehicle fleet. The increase in 2005-06 resulted from property transferred from the Hobart Ports Corporation Pty Ltd and an increase in motor vehicles. The increase in 2006-07 is principally due to an increase in the value of the vehicle fleet. The 2007-08 depreciation expense was \$5.600m higher than budget and reflects a higher than budgeted value of buildings and motor vehicles.

Until 2004-05 Supplies and consumables expenses were included with Other expenses. The increase in 2006-07 was principally due to increased expenses of the Tasmanian Risk Management Fund, \$7.498m, due to an increase in payments of \$2.505m for medical negligence and \$2.942m for workers' compensation.

Supplies and consumables expenses increased in 2007-08 due to costs associated with the divestment of Government Business assets (\$6.000m) and a net increase of approximately \$7.400m in TRMF claims expenses, including expenses associated with the Bridgewater High School fire claim. However, the actual expenses were \$9.613m less than the 2007-08 budget due to offsetting savings in the Treasurer's Reserve, the expenditure of which is included in agencies and other Finance-General output expenditure.

The table below shows the Grants and subsidies paid over the last four years.

Grants and Subsidies	2007-08	2006-07	2005-06	2004-05
	\$'000	\$'000	\$'000	\$'000
Special Capital Investment				
Fund grants	167 561	81 517	99 360	105 491
Local Government grants	57 539	55 299	53 400	50 710
First Home Owner grants	19 052	20 375	18 538	16 740
Tasmanian Community Forest Agreement	0	19 710	27 980	14 500
TT-Line	0	0	2 210	4 296
Tasmanian Community Fund	5 176	4 986	0	0
Launceston Flood Protection	0	10 000	0	0
Payroll tax assistance	6 562	5 421	5 473	4 726
Other grants	19 933	10 427	8 783	20 573
Equalisation payments and subsidies	4 912	14 487	14 062	14 776
Payments under <i>Local Government (Rates and Charges Remissions) Act 1991</i>	15 467	15 277	14 955	14 396
Other subsidies	2 097	4 749	2 768	2 518
Total Payments	298 299	242 248	247 529	248 726

The \$108.540m increase in Grant expenses above the budget estimate represents an increase in SCIF grants to agencies, principally due to the funding provided from the Infrastructure Tasmania Fund to the Water Infrastructure Fund, \$80.000m, and the Urban Renewal and Heritage Fund, \$25.000m. This was partially offset by a decrease in grants to agencies from ESIF and decreased subsidies relating to the discontinued diesel and petroleum subsidies.

Borrowing costs decreased by \$20.732m in 2005-06 primarily due to the repayment of maturing debt. Actual costs exceeded the budget estimate by \$3.281m in 2007-08 due to increased interest paid on accounts in the Special Deposits and Trust Funds due to interest rate rises and higher than anticipated balances of interest bearing accounts.

Other expenses exceeded the budget estimate by \$10.056m primarily due to an increase in the actuarial estimate of the Tasmanian Risk Management Fund liability.

Transfers to the Consolidated Fund relates to revenue collections administered by the Finance-General Division, which is largely comprised of State taxation revenue, returns from Government businesses, Australian Government General Purpose Payments and interest income. The 2007-08 Consolidated Fund Transfers exceeded budget by \$525.179m and prior year by \$570.831m primarily due to

- greater than budgeted State taxation, Australian Government grants, Investment and other revenues collected on behalf of the Consolidated Fund
- the return of equity from the sale of Government Business assets of \$303.263m, which was not included within the original Budget estimate.

Administered Assets and Liabilities – Finance-General

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>					
Cash and deposits	640 672	1 240 588	678 208	543 503	534 428
Receivables	67 201	68 598	72 166	84 836	60 130
Equity investments	3 226 212	3 717 531	3 281 428	3 042 282	2 894 224
Other financial assets	245 955	245 548	253 301	259 007	272 748
<i>Non-financial Assets</i>					
Assets held for sale	795	1 687	701	4 615	1 449
Motor vehicles	63 727	65 263	65 755	63 617	56 439
Land and buildings	26 159	50 970	70 590	63 080	45 015
Infrastructure	29 515	29 659	26 738	23 573	23 331
Total Assets	4 300 236	5 419 844	4 448 887	4 084 513	3 887 764
<i>Liabilities</i>					
Payables	1 279	3 245	924	1 279	448
Interest-bearing liabilities	280 698	279 911	323 353	328 551	590 931
Superannuation	3 654 663	3 692 994	3 659 971	3 183 893	3 308 124
Other liabilities	406 753	664 646	512 579	456 031	368 728
Total Liabilities	4 343 393	4 640 796	4 496 827	3 969 754	4 268 231
Net Assets (Liabilities)	(43 157)	779 048	(47 940)	114 759	(380 467)
Accumulated funds (deficits)	(43 157)	763 978	(63 010)	114 759	(380 467)
Asset revaluation reserve	0	15 070	15 070	0	0
Total Equity	(43 157)	779 048	(47 940)	114 759	(380 467)

Comment

Finance-General's Total Equity varied considerably over the period under review. In summary what has happened is that:

- the deficit at 30 June 2005 resulted from the adoption of International Financial Reporting Standards, which had the effect of reducing Finance-General's equity by \$1.896bn. This was caused by an increase in the unfunded superannuation liability, \$1.016bn and decreases in the carrying amounts of net assets of GBEs and SOCs, \$880.662m. Further reasons for these significant changes are outlined in Volume One of my November 2006 Report
- Finance-General generated a Net surplus of \$505.823m in 2005-06 which is the predominant reason for the equity of \$114.759m
- the Net deficit for the 2007 financial year of \$153.678m, together with decreases in net assets totalling \$24.092m recognised directly in equity, caused equity to revert to an overall deficit, which was, to an extent, offset by the revaluation of assets by \$15.070m during 2006-07
- Finance-General's net surplus for the 2008 financial year of \$847.805m returned equity to a positive \$779.048m as at 30 June 2008.

During 2007-08, the Government transacted a \$50.000m equity transfer from Transend Networks Pty Ltd to Hydro Tasmania, via the Finance-General Division, to capitalise on immediate growth opportunities. A further \$220.000m equity transfer from Transend Networks to Hydro Tasmania was effected by a transfer of debt from Hydro Tasmania to Transend Networks. These transactions did not impact on the level of equity as at 30 June 2008.

Reasons for movement in Finance-General's various assets and liabilities during the period under review were:

- Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by Finance-General and other cash held, which are administered or held in a trustee capacity or agency arrangement. Factors resulting in the 30 June 2008 Cash and deposits exceeding budget by \$599.916m and the prior year by \$562.380m include the additional receipts from the sale of Government Business assets and the transfer of those receipts to Special Capital Investment Funds within the Special Deposits and Trust Fund, together with an increase in monies held on behalf of agencies
- Receivables increased by \$24.706m in 2005-06. Amounts for 2005-06 were abnormally high and included \$18.000m owing by the Australian Government's Department of Agriculture, Fisheries and Forestry for the Tasmanian Community Forest Agreement. Receivables consist mainly of State Taxes, but also include interest on loans to public bodies and other recoveries
- Equity investments vary each year depending on the net assets of GBEs and SOCs, with the most notable increases during 2007 08 listed earlier in this Chapter
- Other financial assets consist largely of Commonwealth-State Housing Debt for housing and loans made under various Acts of Parliament and to State Authorities. These are gradually declining as repayments are being made, with no new loans being provided

- Assets held for sale increased by \$3.166m in 2005-06, reflecting the listing of 171 Westbury Road, Prospect. In 2007-08 assets held for sale comprised vehicles in the Government's light vehicle fleet, an item which is difficult to budget for
- Motor vehicles increased by \$7.178m in 2005-06 due mainly to the acquisition of 171 additional vehicles, including 119 for medical officers in the Department of Health and Human Services
- the decrease in land and buildings of \$19.620m in 2007-08 reflects the sale of Government owned buildings, 1 Franklin Wharf and 7-9 Franklin Wharf. Land and buildings increased by \$18.065m in 2005-06 due largely to property transferred from the former Hobart Ports Corporation Pty Ltd on amalgamation of the four port corporations. The budget estimate for 2007-08 was prepared before the results of the valuation and additions and sales could be known, thus resulting in the actual amount, \$50.970m, being \$24.811m above the budget estimate
- Infrastructure consists of the optic fibre cable purchased by the State in 2002-03 for \$23.061m plus costs capitalised since then. The increase over the period reflects additional capital expenditure
- the \$1.966m higher than budgeted outcome for Payables primarily reflects an unexpected Retirement Benefits Fund claim for the employer share of a number of superannuation pensions for which the Fund had not previously claimed reimbursement
- Interest-bearing liabilities decreased by \$262.380m in 2005-06 due to the repayment of three large loans from Tascorp, together with the final repayment of Financial Agreement Debt to the Australian Government totalling \$7.217m. Interest Bearing liabilities have been decreasing over the period under review due to the repayment of maturing debt
- the Superannuation liability decreased by \$124.231m in 2005-06 mainly due to the actuarial estimation noted previously. The liability increased by \$476.078m in 2006-07 due to a one-off change in contributions tax liability following changes to Australian Government tax legislation relating to Pre 1 July 1988 Funding Credits and actuarial assumption changes, including lower pensioner mortality rates.

In 1999 the State Government made significant reforms to superannuation arrangements, including the closure of defined benefit schemes, and capped the unfunded liability. It was accepted, however, that the unfunded liability would continue to increase for a number of years (as salaries increased and members worked additional years of service), but that eventually this liability would decline as membership of the closed schemes declines. It is now estimated that the unfunded liability will be eliminated by 30 June 2033

- Other liabilities increased significantly during the period under review principally due to increases in the Special Deposits and Trust Fund held by Finance-General on behalf of agencies, \$245.830m, and the Tasmanian Risk Management Fund liability, \$44.514m. The actual amount exceeded the budget estimate in 2007-08 primarily to unforeseen increases in monies held on behalf of agencies within the Special Deposits and Trust Fund.

Administered Cash Flows – Finance General

	2007-08	2007-08	2006-07	2005-06	2004-05
	Budget	Actual	Actual	Actual	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from government - recurrent	429 474	471 338	451 921	523 319	536 880
Receipts from government - capital	19 950	493 043	21 325	0	75 909
Australian Government grants	1 710 395	1 729 001	1 647 342	1 611 057	1 725 822
State taxation	782 238	878 915	774 855	715 515	693 295
Sales of goods and services	67 343	70 824	68 573	91 364	0
GST receipts	13 500	19 714	17 144	17 379	15 527
Interest received	56 514	76 648	50 785	35 641	47 427
Dividends and income tax equivalents received	148 923	165 805	168 144	160 884	166 779
Other cash receipts	76 778	90 787	93 341	83 304	155 237
Employee entitlements	(70)	0	0	0	0
Superannuation	(136 681)	(145 707)	(131 206)	(119 401)	(115 743)
Supplies and consumables	(102 993)	(92 534)	(82 216)	(72 910)	(56 462)
Borrowing costs	(27 331)	(30 497)	(32 373)	(38 672)	(54 018)
GST payments	(13 500)	(19 123)	(17 667)	(16 655)	(16 298)
Grants and subsidies	(189 758)	(298 360)	(242 295)	(247 663)	(248 722)
Transfers to the Consolidated Fund	(2 689 476)	(3 214 655)	(2 643 824)	(2 508 177)	(2 638 868)
Other cash payments	(900)	(4 482)	(533)	(152)	(5 568)
Cash from operations	144 406	190 717	143 316	234 833	281 197
Proceeds from disposal of assets	25 400	27 482	26 316	24 265	26 320
Repayment of loans by other entities	6 281	6 466	6 151	5 892	9 706
Receipts from investments	0	0	0	7 994	0
Other cash receipts	0	304 602	125 139	2 137	0
Payments for acquisition of assets	(49 728)	(47 880)	(58 046)	(47 548)	(42 246)
Payments for investments	0	0	(508)	0	(99 243)
Cash from (used in) investing activities	(18 047)	290 670	99 052	(7 260)	(105 463)
Other cash receipts	0	484 757	0	51 171	0
Repayment of borrowings	(42 983)	(43 441)	(5 199)	(255 239)	(234 095)
Public Account cash reimbursements	(52 421)	(360 323)	102 465	(14 430)	(7 294)
Cash from (used in) financing activities	(95 404)	80 993	(107 663)	(218 498)	(241 389)
Net increase (decrease) in cash	30 955	562 380	134 705	9 075	(65 655)
Cash at the beginning of the year	609 717	678 208	543 503	534 428	600 083
Cash at end of the year	640 672	1 240 588	678 208	543 503	534 428

Comments

Reasons for variations in cash flow receipt and payment amounts reflect 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 57 (1) of the *Financial Management and Audit Act 1990* (FMAA), which requires the Auditor-General, on or before 31 December in each year, to report to Parliament in writing on the audit of Government Departments and public bodies in respect of the preceding financial year. The issue of more than one report now satisfies this requirement each year.

During the 2008 calendar year two reports were tabled:

- Report No. 1 of 2008 tabled on 19 June 2008 – this report dealt with June 2007 financial statement audits incomplete at the time of tabling the November 2007 report and those financial statement audits with 31 December 2007 balance dates
- Report No. 2 of 2008 tabled on 18 November 2008 – which is this Report. It deals with those audits of financial statements of entities with a 30 June 2008 financial year-end completed on 31 October 2008 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 2009.

This Report comprises two volumes:

- Volume 1 – Executive Summary – which includes an analyses of the General Government Financial Statements (formerly the Budget Outcomes Statements), the Public Account Statements and the Whole-of-Government Financial Statements; Executive and Legislature and Government Departments
- Volume 2 – Government Businesses, State Owned Corporations, Superannuation Funds and Other Public Bodies.

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.

Financial Performance Indicator	Benchmark*	Method of Calculation
Financial Performance		
Result from operations (\$'000s)		Operating Revenue less Operating Expenses
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
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
Financial Management		
Debt to equity		Debt divided by Total Equity
Debt to total assets		Debt divided by Total Assets
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
Current ratio	>1	Current Assets divided by Current Liabilities
Leverage ratio		Total Assets divide by Shareholders' Equity
Cost of debt	7.5%	Gross Interest Expense divided by Average Borrowings (include finance leases)
Debt service ratio		Borrowing costs plus Repaid borrowings divided by Operating revenue
Debt collection	30 days	Receivables divided by billable Revenue multiplied by 365
Creditor turnover	30 days	Payables divided by credit purchases multiplied by 365

Financial Performance Indicator	Benchmark*	Method of Calculation
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
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
Income tax paid or payable (\$'000s)		Income Tax paid or payable that relates to the year subject to analysis
Effective tax rate	30%	Income Tax paid or payable divided by Result form Ordinary Activities before Tax
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		
Employee costs (1) as a % of operating expenses*		Total employee costs divided by Total Operating Expenses
Employee costs expensed (\$'000)*		Total costs per Income Statement
Employee costs capitalised (\$'000)*		Capitalised employee costs
Staff numbers FTEs		Effective full time equivalents
Average staff costs (1) (\$'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
Underlying Result Ratio		Operating Net Surplus divided by Operating Revenue.
Self Financing Ratio		Net Operating Cash Flows divided by Operating Revenue
Own Source Revenue (\$'000s)		Total Revenue less Total Grant Revenue, Contributed Assets and Asset Revaluation Adjustments.
Indebtedness Ratio		Non Current Liabilities divided by Own Source Revenue.

Financial Performance Indicator	Benchmark*	Method of Calculation
Self Sufficiency Ratio		Own Source Revenue divided by Operating Expenses
Government Funding Ratio		Income from Government divided by Surplus/Deficit excluding Income from Government

* Benchmarks vary depending on the nature of the business being analysed.

For the purposes of this Report, a single generic benchmark has been applied.

(1) Employee costs include capitalised employee costs, where applicable, plus oncosts.

An explanation of the performance indicators is provided below:

- Result from operations – summarises revenue transactions and expense transactions incurred in the same period of time and calculates the difference
- 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 interest, 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. An operating margin greater than 1 indicates that an entity is achieving a better than break-even operating result
- 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
- 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
- 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. A high or increasing ratio is usually a positive sign, showing the entity is better able to pay its borrowing costs with its earnings. A ratio of 1.0 is minimal, showing the entity is barely able to meet its expense payments. A ratio of 1.5 to 2.0 is desirable
- 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. The higher the current ratio, the more capable the entity is of paying its obligations. A ratio under 1 suggests that the entity would be unable to pay off its obligations if they came due at that point
- Leverage ratio – measures the proportion of equity funding in the asset base
- Cost of debt – reflects the average interest rate applicable to debt
- Debt service ratio – indicates the capacity of the entity to service debt by repaying principal as well as interest on borrowings
- Debt collection – indicates how effectively the entity uses debt collection practices to ensure timely receipt of monies owed by its customers. Benchmark of 30 days reflects normal credit terms
- Creditors turnover – indicates how extensively the entity utilises credit extended by suppliers. Benchmark of 30 days reflects normal credit terms
- Capital expenditure/depreciation – this ratio compares capital spending with the accounting allowance for depreciation of assets. Should the ratio be greater than 100% then capital spending is in excess of depreciation and an entity's capital capacity is likely to be expanding. A ratio less than 100% indicates that capital replacement is not in keeping with the depreciation of assets. Ratios significantly different from 100% for sustained periods should be the result of a clear strategy
- 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 profit. Benchmark of 50% reflects the usual dividend policy applied to government businesses
- 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
- Income tax paid or payable – tax payments (paid or payable) by the entity
- Effective tax rate – is the actual rate of tax paid on profits. Benchmark of 30% reflects the current corporate rate of taxation

- 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 Owner’s return on its investment in the entity
- Employee costs as a % of operating expenses shows employee costs as a proportion of total operating costs
- Staff numbers FTEs – as at the end of the reporting period the number of staff employed expressed as full-time equivalents (FTEs)
- 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
- 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
- Self financing ratio – this is a measure of an entity’s ability to fund the replacement of assets from cash generated from operations
- Own source revenue – represents revenue generated by an entity through its own operations. It excludes any external government funding, contributed assets and revaluation adjustments
- Indebtedness ratio – compliments the liquidity ratio and illustrates an entity’s ability to meet longer term commitments
- Self sufficiency ratio – shows the level of independent funding that the entity generated for use in achievement of its objectives
- Government funding ratio – indicates the level of reliance on government funding.

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.

The Capital expenditure on existing assets/depreciation ratio should be treated with some caution as the amount of capital expenditure on existing assets has largely been provided by the respective entity and not subject to audit.

APPENDIX 2 – AUDIT STATUS

Entity	Financial Statement deadline	Signed 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
EXECUTIVE AND LEGISLATURE, GOVERNMENT DEPARTMENTS, SUPERANNUATION FUNDS AND OTHER AUTHORITIES OR BODIES									
Executive & Legislature									
House of Assembly	15 August 2008	15 August 2008	✓	22 October 2008					•
Legislative Council	15 August 2008	15 August 2008	✓	22 October 2008					•
Legislature-General	15 August 2008	15 August 2008	✓	28 October 2008					•
Office of the Governor	15 August 2008	15 August 2008	✓	16 October 2008					•
Government Departments									
Department of Economic Development and Tourism	15 August 2008	15 August 2008	✓	8 October 2008					•
Tasmanian Development and Resources	15 August 2008	15 August 2008	✓	8 October 2008					•
Tourism Tasmania	15 August 2008	15 August 2008	✓	8 October 2008					•
Department of Education	15 August 2008	15 August 2008	✓	15 October 2008					•
Department of Health and Human Services	15 August 2008	15 August 2008	✓	21 October 2008					•
Housing Tasmania	No date	15 August 2008	✓	21 October 2008					•
Tasmaniana AmbulanceService	No date	15 August 2008	✓	21 October 2008					•
Department of Infrastructure, Energy and Resources	15 August 2008	15 August 2008	✓	22 October 2008					•
Department of Justice	15 August 2008	11 August 2008	✓	16 October 2008					•
Department of Police and Emergency Management	15 August 2008	15 August 2008	✓	7 October 2008					•
Department of Premier and Cabinet	15 August 2008	15 August 2008	✓	9 October 2008					•

Entity	Financial Statement deadline	Signed 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	> 16 weeks
Department of Primary Industry and Water	15 August 2008	15 August 2008	✓	1 October 2008	•			
Department of Environment, Parks, Heritage and the Arts	15 August 2008	15 August 2008	✓	30 September 2008	•			
Department of Treasury and Finance	15 August 2008	13 August 2008	✓	30 September 2008	•			
General Government Financial Statements & Public Account Statements	30 September 2008	30 September 2008	✓	29 October 2008	•			
Whole of Government Financial Statements	No date	29 October 2008	✓	29 October 2008	•			
Superannuation Funds								
Retirement Benefits Fund Board - Contributory Scheme	No date	22 October 2008	✓	22 October 2008	•			
Retirement Benefits Fund Board - Investment Account	No date	22 October 2008	✓	22 October 2008	•			
Retirement Benefits Fund Board - Tasmanian Accumulation Scheme	No date	22 October 2008	✓	22 October 2008	•			
Parliamentary Superannuation Fund	No date	22 October 2008	✓	22 October 2008	•			
Parliamentary Retiring Benefits Fund	No date	22 October 2008	✓	22 October 2008	•			
Retirement Benefits Fund Board - Tasmanian Ambulance Service Superannuation Scheme	No date	22 October 2008	✓	22 October 2008	•			
Retirement Benefits Fund Board - State Fire Commission Superannuation Scheme	No date	22 October 2008	✓	22 October 2008	•			
Other Authorities								
Private Forests Tasmania	15 August 2008	26 August 2008	✓	20 October 2008	•			

Entity	Financial Statement deadline	Signed 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	> 16 weeks
RBF Tas Planning Pty Ltd	No date	29 September 2008	✓	29 September 2008			•		
State Fire Commission	15 August 2008	13 August 2008	✓	19 September 2008		•			
Sullivans Cove Waterfront Authority	15 August 2008	15 August 2008	✓	27 October 2008					•
TAFE Tasmania	15 August 2008	15 August 2008	✓	19 September 2008		•			
Tasmanian Community Fund	15 August 2008	14 August 2008	✓	7 October 2008					•
Tasmanian Dairy Industry Authority	30 September 2008	15 August 2008	✓	20 October 2008					•
Teachers Registration Board	31 August 2008	20 September 2008	✓	9 October 2008					•
<i>Miscellaneous Public Bodies</i>									
Aboriginal Land Council	31 August 2008	13 October 2008	✓	21 October 2008					•
Ben Lomond Ski Field Management	n/a	5 May 2008	✓	21 May 2008	•				
Clyde Water Trust	31 August 2008	6 October 2008		-					
Council of Law Reporting	15 August 2008			-					
Ezikey Pty Ltd	No date	30 September 2008	✓	29 September 2008		•			
Forest Practices Statutory	31 October 2008	15 August 2008	✓	7 October 2008					•
Government Prices Oversight Commission	No date	15 August 2008	✓	7 October 2008					•
Home Ownership Assistance Program	No date	15 August 2008	✓	15 October 2008					•
Inland Fisheries Service	15 August 2008	15 August 2008	✓	2 October 2008				•	
Jim Bacon Foundation	31 October 2008	15 August 2008	✓	9 October 2008					•
Legal Aid Commission of Tasmania	31 August 2008	20 September 2008	✓	22 October 2008					•
Marine and Safety Authority	15 August 2008	1 August 2008	✓	17 September 2008				•	

Entity	Financial Statement deadline	Signed 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	> 16 weeks
Rivers and Water Supply Commission	15 August 2008	15 August 2008	✓	29 October 2008					•
Tasmanian Public Finance Corporation (TASCORP)	15 August 2008	13 August 2008	✓	13 August 2008	•				
The Public Trustee	15 August 2008	14 August 2008	✓	27 October 2008					•
Southern Regional Cemetry trust	15 August 2008	25 August 2008	✓	25 August 2008	•				
State Owned Corporations									
Aurora Energy Pty Ltd	No date	28 August 2008	✓	28 August 2008		•			
Metro Tasmania Pty Ltd	No date	22 August 2008	✓	26 August 2008		•			
TOTE Tasmania Pty Ltd	No date	28 August 2008	✓	28 August 2008		•			
Transend Networks Pty Ltd	No date	25 September 2008	✓	30 September 2008			•		
TT-Line Company Pty Ltd	No date	3 September 2008	✓	10 September 2008		•			
Tasmanian Ports Corporation Pty Ltd	No date	25 September 2008	✓	2 October 2008			•		
King Island Ports Corporation Pty Ltd	No date	17 September 2008	✓	19 September 2008			•		
LOCAL GOVERNMENT AUTHORITIES									
Major Cities									
Clarence City Council	30 September 2008	26 September 2008		-					
Glenorchy City Council	30 September 2008	26 September 2008	✓	26 September 2008			•		
Hobart City Council	30 September 2008	10 September 2008	✓	16 October 2008				•	
Launceston City Council	30 September 2008	30 September 2008	✓	13 October 2008					•

Entity	Financial Statement deadline	Signed 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	> 16 weeks
Other Urban and Large Rural Councils								
Brighton Council	30 September 2008	21 October 2008	-	-	-	-	-	-
Burnie City Council	30 September 2008	29 September 2008	-	-	-	-	-	-
Central Coast Council	30 September 2008	15 August 2008	✓	9 September 2008	•	-	-	-
Derwent Valley Council	30 September 2008	30 September 2008	-	-	-	-	-	-
Devonport City Council	30 September 2008	26 October 2008	-	-	-	-	-	-
Huon Valley Council	30 September 2008	30 September 2008	✓	31 October 2008	•	-	-	-
Kingborough Council	30 September 2008	25 August 2008	✓	20 October 2008	•	-	-	-
Meander Valley Council	30 September 2008	26 September 2008	-	-	-	-	-	-
Northern Midlands Council	30 September 2008	21 October 2008	-	-	-	-	-	-
Sorell Council	30 September 2008	30 September 2008	-	-	-	-	-	-
Waratah-Wynyard Council	30 September 2008	2 September 2008	✓	17 September 2008	•	-	-	-
West Tamar Council	30 September 2008	19 August 2008	✓	9 September 2008	•	-	-	-
Other Rural Councils								
Break O'Day Council	30 September 2008	29 September 2008	✓	31 October 2008	•	-	-	-
Central Highlands Council	30 September 2008	22 September 2008	-	-	-	-	-	-
Circular Head Council	30 September 2008	1 September 2008	-	-	-	-	-	-
Dorset Council	30 September 2008	8 September 2008	-	-	-	-	-	-
Flinders Council	30 September 2008		-	-	-	-	-	-
George Town Council	30 September 2008	20 October 2008	-	-	-	-	-	-
Glamorgan Spring Bay Council	30 September 2008	30 September 2008	-	-	-	-	-	-

Entity	Financial Statement deadline	Signed 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
Kentish Council	30 September 2008	30 September 2008	-	-	-	-	-	-	-	-
King Island Council	30 September 2008	24 September 2008	-	-	-	-	-	-	-	-
Latrobe Council	30 September 2008	-	-	-	-	-	-	-	-	-
Southern Midlands Council	30 September 2008	29 September 2008	-	-	-	-	-	-	-	-
Tasman Council	30 September 2008	29 September 2008	-	-	-	-	-	-	-	-
West Coast Council	30 September 2008	30 September 2008	-	-	-	-	-	-	-	-
Local Government Business Units										
Cradle Coast Authority	30 September 2008	11 September 2008	✓	15 September 2008	-	-	-	-	-	-
Dulverton Regional Waste Management Authority	30 September 2008	-	-	-	-	-	-	-	-	-
Southern Waste Strategy Authority	30 September 2008	17 September 2008	-	-	-	-	-	-	-	-
Local Government Water Authorities										
Cradle Coast Water	30 September 2008	8 September 2008	✓	7 October 2008	-	-	-	-	-	-
Esk Water Authority	30 September 2008	27 August 2008	✓	11 September 2008	-	-	-	-	-	-
Hobart Regional Water Authority	30 September 2008	18 September 2008	✓	26 September 2008	-	-	-	-	-	-
Local Government Other										
Local Government Association of Tasmania	31 August 2008	-	-	-	-	-	-	-	-	-
110										

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
GGG	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
SEDMF	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
2008	Report of the Auditor-General Report No. 1 of 2008 - Local Government Authorities, Superannuation Funds and Other Public Bodies 2006-2007
2008	Special Report No. 75 Executive termination payments
2008	Special Report No. 74 Follow-up audits
2008	Special Report No. 73 Timeliness in the Magistrates Court
2008	Special Report No. 72 Public sector performance information
2007	Report of the Auditor-General No. 2 of 2007 - Government Departments and Public Bodies 2006-2007
2007	Special Report No. 71 Property in police possession and Control of assets: Portable and attractive items
2007	Special Report No. 70 Procurement in government departments and Payment of accounts by government departments
2007	Special Report No. 69 Public building security
2007	Special Report No. 68 Risdon Prison: Business case
2007	Special Report No. 67 Corporate credit cards
2007	Special Report No. 66 Follow-up audits
2007	Special Report No. 65 Management of an award breach and Selected allowances and nurses' overtime
2007	Report of the Auditor-General Report No. 1 of 2007 - Local Government Authorities and Other Public Bodies 2005-2006

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INDEX

A

ABORIGINAL LAND COUNCIL, V1-24, V1-26, V2-223

ACRONYMS AND ABBREVIATIONS, V1-293

AUDITS DISPENSED WITH, V1-34

AUDIT STATUS, V1-286

AURORA ENERGY PTY LTD, V1-16, V2-4, V2-7, V2-81

B

BRIGHTON COUNCIL, V1-26

C

CIRCULAR HEAD COUNCIL, V1-28

CLYDE WATER TRUST, V1-26

COUNCIL OF LAW REPORTING, V1-25

CURRENT AND PREVIOUS AUDIT MATTERS, V1-7

D

DETERMINATION OF AUDIT FEES, V1-32

DEVONPORT CITY COUNCIL, V1-26

DULVERTON REGIONAL WASTE MANAGEMENT AUTHORITY, V1-26

E

ECONOMIC DEVELOPMENT AND TOURISM, DEPARTMENT OF, V1-10, V1 103

EDUCATION, DEPARTMENT OF, V1-136

ENERGY BUSINESSES, V2-7

ENVIRONMENT, PARKS, HERITAGE AND THE ARTS, DEPARTMENT OF, V1-10, V1-250

EXECUTIVE AND LEGISLATURE, V1-77

EXECUTIVE SUMMARY, V1-6

F

FLINDERS COUNCIL, V1-26

FORESTRY TASMANIA, V1-15, V2-4, V2-15, V2-17

FORWARD, V1-5

G

GENERAL GOVERNMENT FINANCIAL STATEMENTS AND PUBLIC ACCOUNT STATEMENTS, V1-35

GEORGE TOWN COUNCIL, V1-26

GLOBAL FINANCIAL CRISIS, V1-28

GOVERNMENT DEPARTMENTS, V1-99

GOVERNMENT BUSINESSES, V2-4

GOVERNMENT BUSINESS ENTERPRISES, V2-15

GUIDE TO USING THIS REPORT, V1-280

H

HEALTH AND HUMAN SERVICES, DEPARTMENT OF, V1-8, V1-147

HOME OWNERSHIP ASSISTANCE PROGRAM, V1-165

HOUSE OF ASSEMBLY, V1-78

HOUSING TASMANIA, V1-9, V1-165

HUON VALLEY COUNCIL, V1-28

HYDRO-ELECTRIC CORPORATION, V1-12, V2-4, V2-7, V2-15, V2-34

I

INFRASTRUCTURE, ENERGY AND RESOURCES, DEPARTMENT OF, V1-10, V1 186

INLAND FISHERIES SERVICE, V2-184

J

JUSTICE, DEPARTMENT OF, V1-198

K

KING ISLAND PORTS CORPORATION PTY LTD, V2-140

L

LAND UNDER ROADS, V1-27

LATROBE COUNCIL, V1-26

LEGAL AID COMMISSION, V1-26, V2-228

LEGISLATIVE COUNCIL, V1-83

LEGISLATURE-GENERAL, V1-88

LOCAL GOVERNMENT ASSOCIATION OF TASMANIA, V1-26

M

MARINE AND SAFETY AUTHORITY, V2-191

METRO TASMANIA PTY LTD, V1-18, V2-4, V2-96

MOTOR ACCIDENTS INSURANCE BOARD, V1-13, V2-4, V2-15, V2-45

N

NATIONAL TRUST OF AUSTRALIA (TASMANIA), V1-7, V2-234

NOMINAL INSURER, V1-25

NORTHERN MIDLANDS COUNCIL, V1-26

O

OFFICE OF THE GOVERNOR, V1-93

OTHER PUBLIC BODIES, V2-184

P

PARLIAMENTARY SUPERANNUATION FUND, V2-169

PARLIAMENTARY RETIRING BENEFITS FUND, V2-173

POLICE AND EMERGENCY MANAGEMENT, DEPARTMENT OF, V1-214

PORT ARTHUR HISTORIC SITE MANAGEMENT AUTHORITY, V2-4, V2 56

PREMIER AND CABINET, DEPARTMENT OF, V1-224

PRIMARY INDUSTRIES, AND WATER, DEPARTMENT OF, V1-11, V1-237

PRIVATE FORESTS, TASMANIA, V1-25, V2-197

R

RECENT REPORTS, V1-296

RETIREMENT BENEFITS FUND BOARD, V1-23

RETIREMENT BENEFITS FUND BOARD – CONTRIBUTORY SCHEME, V2 152

RETIREMENT BENEFITS FUND BOARD – INVESTMENT ACCOUNT, V2 158

RETIREMENT BENEFITS FUND BOARD – TASMANIAN ACCUMULATION SCHEME,
V2 164

RETIREMENT BENEFITS FUND BOARD – TASMANIAN AMBULANCE SERVICE
SUPERANNUATION SCHEME, V2-176

RETIREMENT BENEFITS FUND BOARD – STATE FIRE COMMISSION
SUPERANNUATION SCHEME, V2-180

S

SORELL COUNCIL, V1-28

SOUTHERN REGIONAL CEMETARY TRUST, V1-16, V2-62

STATE FIRE COMMISSION, V1-24, V2-205

STATE OWNED CORPORATIONS, V2-78

SUPERANNUATION FUNDS, V2-148

T

TAFE TASMANIA, V2-211

TASMANIAN AMBULANCE SERVICE, V1-177

TASMANIAN DEVELOPMENT AND RESOURCES, V1-119

TASMANIAN MUSEUM AND ART GALLERY, V1-25

TASMANIAN PORTS CORPORATION PTY LTD, V1-20, V2-4, V2-130

TASMANIAN PUBLIC FINANCE CORPORATION, V1-16, V2-4, V2-15, V2-67

TASMANIAN RISK MANAGEMENT FUND, V1-25, V2-218

TEACHERS REGISTRATION BOARD, V1-26

THE PUBLIC TRUSTEE, V2-73

TIMELINESS AND QUALITY OF FINANCIAL STATEMENTS, V1-25

TOTE TASMANIA PTY LTD, V2-4, V2-105

TOURISM TASMANIA, V1-129

TRANSEND NETWORKS PTY LTD, V1-12, V1-22, V2-4, V2-7, V2-113

TREASURER'S ANNUAL FINANCIAL REPORT, V1-35

TREASURY AND FINANCE, DEPARTMENT OF, V1-11, V1-262

TT-LINE COMPANY PTY LTD, V1-19, V2-4, V2-121

U

US SUB-PRIME MARKET DOWNTURN, V1-28

W

WHOLE-OF-GOVERNMENT FINANCIAL STATEMENTS, V1-59



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AUDIT MANDATE AND STANDARDS APPLIED

MANDATE

Section 39 of the *Financial Management and Audit Act 1990* states that the Auditor-General is:

'... the auditor of the accounts of the Treasurer, of all Government departments and public bodies and of the financial administration of each appropriation referred to in Column 1 of Schedule 2. ...'

The conduct of such audits is generally known as financial auditing.

Under the provisions of section 40, the Auditor-General:

'... (1) On performing an audit under this or any other Act of the financial statements of the Treasurer, a Government department, a public body or the financial administration of an appropriation referred to in Column 1 of Schedule 2, the Auditor-General must, except as provided by any other written law, make a report on those financial statements in accordance with this section.

(2) Subject to subsection (3), a report made under subsection (1) -

- (a) is to include an opinion as to whether the financial statements have been drawn up so as to present fairly the financial transactions during the period specified in the statements and the financial position at the end of that period; and
- (b) may include particulars of any other matter arising from the audit which the auditor-General considers should be included in the report.

(3) Where, under this or any other Act, the financial statements are not required to make full disclosure of financial position, the Auditor-General's opinion as to financial position may be limited to such components of financial position as may be specified in the Treasurer's Instructions and such other components of financial position as are included in those statements. ...'

STANDARDS

Section 43 specifies that:

'... The Auditor-General shall perform the audits required by this or any other Act in such manner as the Auditor-General thinks fit having regard to -

- (a) this Act and any other relevant written law relating to the financial management of the Government department or public body concerned; and
- (b) recognised professional auditing standards and practices. ...'

The auditing standards referred to above are Australian Auditing Standards as produced by the Australian Auditing Standards Boards.



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