



**Queensland Government**  

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**Treasury**

# Outcomes Report

*for the year ended  
30 June 2002*

Queensland Treasury

# OUTCOMES REPORT

## Introduction

The Outcomes Report for the 2001-02 financial year has been prepared in accordance with the *Loan Council Uniform Presentation Framework* requirements.

Consistent with this framework, the outcomes are presented on a Government Finance Statistics (GFS) basis.

This report will be supplemented, in December, with a comprehensive audit report prepared in accordance with Australian Accounting Standard *AAS31 Financial Reporting by Governments*.

## RESULTS

### Operating Result

The General Government (GG) sector has incurred an operating deficit of \$894M for 2001-02, compared to an estimated deficit of \$486M forecast in the 2002-03 Budget papers.

The estimated deficit of \$486M was based on an estimated earnings rate of 0% on the substantial financial assets held by the General Government sector associated with the full funding of superannuation and other employee entitlements. The estimated earnings rate reflected year to date returns as at the end of May when the Budget estimates were finalised.

During the month of June equity markets experienced a strong downturn, resulting in a final investment return of negative 5%. This significant reduction in return had an adverse impact on General Government sector revenue of approximately \$600M. This adverse impact was partially offset by an improvement in other revenue categories.

Budget estimates for investment returns are based on an expected long-term average return of 7.5% on investments made to meet future employee liabilities such as superannuation. The abnormal negative investment return experienced in 2001-02 has reduced revenues on these investments by some \$1.5B. Accordingly, had investment returns achieved the long-term average rate of return, the General Government sector operating result would have been a substantial surplus as set out in the table below:

<b>General Government Sector (\$ Million)</b>	<b>Estimated</b>	<b>Actual</b>
	<b>Actual</b>	
GFS Net Operating Balance	(486)	(894)
Employee Entitlements Investments Adjustment <sup>(1)</sup>	894	1,490
GFS Net Operating Balance Adjusted for Investment Volatility	408	596

(1) Represents the difference between actual investment returns on funds set aside for employee entitlements and the long-run actuarially assessed rate of 7.5% for these schemes.

The Public Trading Enterprise (PTE) sector operating result for 2001-02 recorded a deficit of \$192M compared with a forecast deficit of \$397M. This reflects the realisation of gains on the sale of the State's self generating and regenerating assets and reduced interest and property expenses.

The deficit in the PTE sector reflects the inclusion of some entities, which, in the course of their normal operations, do not operate in surplus. In addition, special dividend payments resulting from prior year surpluses, capital restructuring and gains on the sale of assets are reflected in the PTE sector deficit. Under GFS conventions, dividend payments arising from these sources produce negative operating results.

### **Net Worth**

The General Government sector's Net Worth of \$58,093M in 2001-02 represents a small improvement relative to the forecast position of \$57,801M.

In the year ended 30 June 2002, the financial position of the General Government sector has been impacted by a number of events, in particular negative returns on investments. Despite these events, the net worth of the General Government sector has grown by \$470M over the 2000-01 net worth. This is due to increases in assets as a result of revaluations of major assets as part of the State's asset revaluation cycle.

The Public Trading Enterprise sector's Net Worth of \$12,170M is significantly higher than the forecast position of \$11,655M, reflecting improved operating results and the increases in assets as a result of revaluations.

### **Cash Position**

The General Government sector recorded a cash surplus of \$188M. Negative returns on investments were partially offset by improvements in other revenue categories and lower general cash expenditure.

The Public Trading Enterprise sector GFS cash deficit of (\$317M) is a significant improvement from original forecast (\$582M), consistent with the PTE sector's improved operating position.

## Loan Council Allocation

The Australian Loan Council requires all jurisdictions to advise the Loan Council Allocations (LCA) outcome for the last financial year as part of the annual Outcomes Report. The LCA represents each Government's call on financial markets for a given financial year.

<b>Loan Council Allocation</b>	
	<b>Actual 2001-02 \$ million</b>
General Government Deficit (Surplus) <sup>1</sup>	(188)
Public Trading Enterprise Deficit (Surplus) <sup>1</sup>	317
<b>Non-PFE State Government Deficit (Surplus)<sup>1</sup></b>	<b>129</b>
Net cash flow from investments in financial assets for policy purposes	(156)
Memorandum Items <sup>2</sup>	(118)
<b>LOAN COUNCIL ALLOCATION</b>	<b>(145)</b>
Notes:	
1. Figures in brackets represent surpluses	
2. Other memorandum items include items such as local government borrowings	

## GENERAL GOVERNMENT SECTOR EXPENSES BY FUNCTION

	<b>2001-2002 Actual \$'Million</b>
General Public Services	1,652
Public Order and Safety	1,874
Education	5,054
Health	4,071
Social Security and Welfare	720
Housing and Community Amenities	1,095
Recreation and Culture	445
Fuel and Energy	662
Agriculture, Forestry, Fishing and Hunting	633
Mining, Manufacturing and Construction	72
Transport and Communications	2,047
Other Economic Affairs	613
Other Purposes	813
<b>Total Expenses</b>	<b>19,751</b>

## Operating Statement 2001-2002 (\$Million) - by sector

	<u>General Government</u>		<u>Public Trading Enterprises</u>		<u>Non-financial public sector</u>		<u>Public Financial Enterprises</u>	
	<u>Estimated</u>		<u>Estimated</u>		<u>Estimated</u>		<u>Estimated</u>	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual (a)	Actual
<b>GFS Revenue</b>								
Taxation revenue	4,800	4,815	..	..	4,511	4,533	..	..
Current grants and subsidies	9,485	9,520	916	988	9,496	9,478	..	..
Capital grants	631	696	38	43	670	734	..	..
Sales of goods and services	1,797	1,837	5,555	6,012	7,191	7,733	..	826
Interest income	167	(464)	58	72	212	(393)	..	1,599
Other	2,461	2,453	170	280	1,326	1,419	..	31
<i>Total revenue</i>	<i>19,342</i>	<i>18,857</i>	<i>6,737</i>	<i>7,395</i>	<i>23,406</i>	<i>23,504</i>	..	<i>2,456</i>
<b>less GFS Expenses</b>								
Gross operating expenses	13,633	13,733	5,096	5,573	18,294	19,187	..	667
Nominal superannuation interest expense	625	626	..	..	625	626	..	..
Other interest expenses	246	223	699	629	932	850	..	1,454
Other property expenses	..	..	1,323	1,289	..	..	..	(14)
Current transfers	4,806	4,713	11	88	3,922	3,491	..	23
Capital transfers	519	456	5	7	516	457	..	..
<i>Total expenses</i>	<i>19,828</i>	<i>19,751</i>	<i>7,134</i>	<i>7,587</i>	<i>24,289</i>	<i>24,612</i>	..	<i>2,130</i>
<b>equals GFS net operating balance</b>	<b>(486)</b>	<b>(894)</b>	<b>(397)</b>	<b>(192)</b>	<b>(883)</b>	<b>(1,108)</b>	..	<b>325</b>
<b>less Net acquisition of non-financial assets</b>								
Gross fixed capital formation	2,092	2,221	1,464	1,434	3,555	3,632	..	20
less Depreciation	1,504	1,511	1,065	1,080	2,570	2,591	..	7
plus Change in inventories	(2)	(2)	(11)	(4)	(13)	(6)	..	..
<i>equals Total net acquisition of non-financial assets</i>	<i>585</i>	<i>708</i>	<i>387</i>	<i>349</i>	<i>972</i>	<i>1,035</i>	..	<i>13</i>
<b>equals GFS Net lending / Borrowing (Fiscal balance)</b>	<b>(1,071)</b>	<b>(1,602)</b>	<b>(784)</b>	<b>(541)</b>	<b>(1,855)</b>	<b>(2,144)</b>	..	<b>312</b>

(a) In accordance with UPF requirements, estimates for Public Financial Enterprises are not included in Budget documentation.

## Balance Sheet 2001-2002 (\$million) - by sector

	<u>General Government</u>		<u>Public Trading Enterprises</u>		<u>Non-financial public sector</u>		<u>Public Financial Enterprises</u>	
	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual
	Actual	Actual	Actual	Actual	Actual	Actual	Actual (a)	Actual
<b>Assets</b>								
Financial assets								
Cash and deposits	366	1,179	744	732	1,110	1,911	..	14
Advances paid	155	152	..	..	137	133	..	..
Investments, loans and placements	14,146	13,161	975	973	15,012	14,069	..	28,072
Other non-equity assets	4,400	4,319	1,422	1,738	2,585	2,919	..	121
Equity	12,417	12,804	76	51	835	719	..	..
Total financial assets	31,486	31,615	3,218	3,494	19,680	19,751	..	28,207
Non-financial assets	44,847	45,485	24,891	25,133	69,738	70,584	..	38
<i>Total assets</i>	<i>76,332</i>	<i>77,100</i>	<i>28,109</i>	<i>28,627</i>	<i>89,418</i>	<i>90,335</i>	..	28,244
<b>Liabilities</b>								
Deposits held	..	..	73	72	73	72	..	3,575
Borrowing	3,602	3,459	12,338	12,269	15,812	15,645	..	22,026
Superannuation liability	9,946	10,062	..	..	9,946	10,062	..	..
Other employee entitlements and provisions	3,054	3,360	3,262	3,088	3,191	3,484	..	1,762
Other non-equity liabilities	1,930	2,125	782	1,028	2,596	2,979	..	192
<i>Total liabilities</i>	<i>18,531</i>	<i>19,007</i>	<i>16,454</i>	<i>16,458</i>	<i>31,617</i>	<i>32,242</i>	..	27,554
<b>Net Worth</b>	<b>57,801</b>	<b>58,093</b>	<b>11,655</b>	<b>12,170</b>	<b>57,801</b>	<b>58,093</b>	..	<b>690</b>
Net financial worth	12,954	12,609	(13,236)	(12,964)	(11,937)	(12,491)	..	653
Net debt	(11,066)	(11,032)	10,692	10,636	(375)	(396)	..	(2,485)

(a) In accordance with UPF requirements, estimates for Public Financial Enterprises are not included in Budget documentation.

**Cash Flow Statement 2001-2002 (\$million) - by sector**

	<u>General Government</u>		<u>Public Trading Enterprises</u>		<u>Non-financial public sector</u>		<u>Public Financial Enterprises</u>	
	Estimated Actual	Actual	Estimated Actual	Actual	Estimated Actual	Actual	Estimated Actual (a)	Actual
<b>Cash receipts from operating activities</b>								
Taxes received	4,910	4,910	..	..	4,615	4,638	..	16
Receipts from sales of goods and services	1,735	1,959	6,071	6,260	7,643	8,101	..	820
Grants/subsidies received	10,118	10,031	989	1,038	10,168	10,037	..	..
Other receipts	2,961	2,224	501	756	2,451	2,025	..	1,619
<i>Total receipts</i>	19,724	19,124	7,560	8,054	24,876	24,801	..	2,455
<b>Cash payments for operating activities</b>								
Payments for goods and services	(11,479)	(11,279)	(4,198)	(4,334)	(15,229)	(15,469)	..	(138)
Grants and subsidies paid	(4,751)	(4,506)	(11)	(85)	(3,818)	(3,561)	..	(18)
Interest paid	(254)	(237)	(759)	(659)	(929)	(844)	..	(1,461)
Other payments	(763)	(851)	(651)	(977)	(1,476)	(1,595)	..	(523)
<i>Total payments</i>	(17,247)	(16,873)	(5,619)	(6,055)	(21,453)	(21,468)	..	(2,141)
<b>Net cash flows from operating activities</b>	2,477	2,251	1,941	1,999	3,423	3,333	..	315
<b>Net cash flows from investments</b>								
<b>Non-financial assets</b>								
Sales of non-financial assets	321	351	648	675	969	1,015	..	3
Purchases of non-financial assets	(2,412)	(2,416)	(2,093)	(2,096)	(4,505)	(4,478)	..	(23)
<i>Net cash flows from investments in non-financial assets</i>	(2,092)	(2,065)	(1,445)	(1,420)	(3,537)	(3,463)	..	(20)
<b>Financial Assets</b>								
Net investments for policy purposes	505	430	(76)	27	80	156	..	..
Net investments for liquidity purposes	(817)	336	(14)	(121)	(813)	215	..	369
<b>Net cash flows from investing activities</b>	(2,404)	(1,299)	(1,535)	(1,515)	(4,270)	(3,092)	..	349
<b>Net cash flows from financing activities</b>								
Advances received (net)	(10)	..	(1)	(110)	(1)	(89)	..	..
Borrowing (net)	237	173	718	589	928	742	..	(1,524)
Deposits received (net)	..	..	..	(1)	..	(1)	..	(702)
Distributions paid	..	1	(995)	(895)	..	..	..	(146)
Other financing (net)	..	(13)	(348)	(299)	..	(12)	..	1,708
<b>Net cash flows from financing activities</b>	227	161	(627)	(716)	927	641	..	(664)
<b>Net increase (decrease) in cash</b>	301	1,114	(221)	(232)	80	881	..	..
<b>Net cash from operating activities and investments in non-financial assets</b>	385	186	496	579	(113)	(131)	..	295
Finance leases and similar arrangements	3	(2)	84	..	87	(2)	..	..
Distributions paid	..	..	(995)	(895)	..	..	..	..
<b>Surplus (+) / deficit (-)</b>	<b>382</b>	<b>188</b>	<b>(582)</b>	<b>(317)</b>	<b>(200)</b>	<b>(129)</b>	..	<b>295</b>

(a) In accordance with UPF requirements, estimates for Public Financial Enterprises are not included in Budget documentation.