

# Economic and Fiscal Update Report - August 2020



**Economic and Fiscal Update Report - August 2020**

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# I. REPORT CONTEXT

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This is the second Economic and Fiscal Update Report to be prepared by the Department of Treasury and Finance and follows the publication of the first report in May 2020. The publication of this Report reflects the Government's commitment to the provision of updated information on the Budget position prior to the tabling of the 2020-21 Budget, in Parliament, on 12 November 2020.

In the three months since the publication of the first Economic and Fiscal Update Report there have been ongoing developments in the impact of the COVID-19 pandemic at a state, national and international level.

The action taken by the Government (and the community's response) has helped Tasmania to constrain the incidence and impact of the virus and is helping to support our economy through this very difficult time.

In recent months, the Government has announced new measures to support Tasmanians and Tasmanian businesses. In particular, in June, the Government announced the Construction Blitz package. This package brought forward Government expenditure to stimulate investment in the private sector and support jobs that will strengthen and underpin the rebuilding of the Tasmanian economy. It included investment in housing, roads, irrigation, essential services (such as police stations, schools, child and family centres and courts) and community infrastructure.

In addition, the Interim Report of the Premier's Economic and Social Recovery Advisory Council was released on 20 July 2020. The Interim Report identifies a number of strategic priorities that will assist in shaping the immediate recovery response with a focus on rebuilding local demand and addressing structural issues. It also makes a number of recommendations to address these strategic priorities. The Government has indicated that this report and the final report to be provided by the Council will help guide future decisions to rebuild the Tasmanian economy.

Unfortunately, other states and countries are faced with a continuing pandemic challenge with, in many cases, the increasing spread of the virus and the imposition of higher levels of restrictions on the community and business. The current position in Victoria is of particular concern and the impact on the national and Tasmanian economy and the State's financial position (including the estimates presented in this document) is highly uncertain. This situation will continue to influence Government action to protect the Tasmanian community and support our economy while also being a major factor impacting economic and fiscal outcomes.

Another important factor is the Australian Government's response to the pandemic. The Australian Government continues to implement new measures and adjust existing measures to support individuals, businesses and the broader Australian economy. It is expected that the Australian Government's 2020-21 Budget, to be delivered on 6 October 2020, will include additional measures to address the national impact of the pandemic and this will, in turn, have implications for the Tasmanian Government's response.

Given these circumstances, this Economic and Fiscal Update Report has again been prepared in the context of an environment that continues to be very uncertain in relation to the extent of the impact of the pandemic on Tasmanians, the Tasmanian economy and the Government's Budget position. These circumstances should be taken into account when considering the information presented in this Report.

Notwithstanding this situation, with the inclusion of 2019-20 Preliminary Outcomes information in this Report rather than 2019-20 estimates (as were included in the May Update), this Report is able to provide the first indication of the actual impact of the COVID-19 pandemic on the State's Budget position for the period ending 30 June 2020. The Treasurer's Annual Financial Report (required to be published by 31 October 2020) will provide the final audited financial statements for 2019-20.

This Report has also been prepared prior to the development of the 2020-21 Budget and its tabling in Parliament on 12 November 2020. As noted above, PESRAC's Interim Report will be considered in this process as will updated community consultation submissions and the Government's policy priorities. In this regard, while the Government has a very strong focus on responding to the COVID-19 pandemic, the Government also has a number of policy priorities to improve the provision of services to the Tasmanian community and is also being faced with significant Budget challenges. The estimates to be presented in the 2020-21 Budget will be informed by these issues and the Government's response.

## 2. BASIS FOR PREPARATION OF REPORT

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This August Economic and Fiscal Update Report has again been prepared in a highly uncertain economic and fiscal environment, with the full impacts of the COVID-19 pandemic and the likely recovery timeframe remaining very uncertain. As such, it is currently not possible to reliably measure the full impacts of COVID-19 on Tasmania's economy and the State's Budget position. While preliminary actual results have been included for the 2019-20 Budget year, the preparation of this Report more broadly and particularly in relation to economic estimates and 2020-21 Budget estimates has required the exercise of considerable judgement and reliance on a greater than usual number of assumptions as to potential outcomes.

Furthermore, new policies and actions to address the impacts of the pandemic continue to be announced by the State and Australian Governments and these are expected to have an impact on the economic and fiscal estimates.

As with the May Report, given the timing of the preparation of this Report, some fiscal and economic information that would generally be taken into account in the preparation of full Budget estimates, has not been able to be taken into account.

The economic and budget estimates presented in this Report will be subject to ongoing review and amendment prior to their presentation in the 2019-20 Treasurer's Annual Financial Report and the 2020-21 Budget Papers.

Given the high level of uncertainty, this Report provides Preliminary Outcome estimates for 2019-20 and only includes 2020-21 Forward Estimates. Forward Estimates for 2021-22, 2022-23 and 2023-24 will be included in the 2020-21 Budget Papers.

The following matters are included in the fiscal estimates presented in this Report:

- variations reflected in the *2019-20 Preliminary Outcomes Report* (included at Appendix 2);
- updated GST estimates (reflecting the Commonwealth's Economic and Fiscal Update of 23 July 2020);
- updated estimates for State Taxation and Government Business Returns;
- 2020 State of the State Address commitments;
- estimates of expenditure and reduced revenue associated with the Social and Economic Support Measures, including the Government's Construction Blitz package and subsequent major other COVID-related announcements (up until the date of the finalisation of this Report);
- updated general agency revenues and expenditures provided as part of 2019-20 end-of-financial year processes; and
- the latest actuarial projection of the defined benefit superannuation obligation.

The following matters are not included in fiscal estimates:

- variations to general agency revenues and expenditures that have occurred post the receipt of agency 2019-20 end-of-year information; and
- the impact of changes in returns from Government businesses since the *2019-20 Revised Estimates Report* on the calculation of the Government's equity investment in those businesses as at 30 June 2020.

# 3. ECONOMIC UPDATE

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The COVID-19 pandemic has caused a severe weakening in economic activity on a global, national, and state level, as governments have closed borders and restricted activity to contain the virus. The impact of the shock to economies is profound.

In response to these impacts, governments and central banks across the world have introduced support packages to provide economic stability and support the efficient operation of global financial markets.

In Australia, targeted fiscal and regulatory measures have been put in place to support household and business demand in the economy, in the presence of public health measures and significant future uncertainty. These measures have taken the form of cash payments directly to households and businesses, as well as measures such as the JobKeeper Payment, designed to maintain the relationships between employers and employees that will hasten the recovery. Monetary policy measures have supported the availability of credit in the economy and the stability of the financial system.

The Tasmanian Government's Social and Economic Support Measures announced in response to the COVID-19 pandemic are valued at over \$1 billion and have provided assistance to both households and businesses. The Government has also announced a Construction Blitz package that builds on the Government's existing infrastructure package of \$1.8 billion over the next two years and supports estimated construction valued at \$3.1 billion.

The support measures implemented by the Australian and Tasmanian Governments are unprecedented in scale and have played an important role in moderating the social and economic impacts of the pandemic.

This chapter reports on ABS estimates of the labour force and consumer price index for 2019-20. Revised Treasury estimates of gross state product, state final demand and population are also presented for 2019-20. The outlook for the following financial year remains highly uncertain and is subject to a number of risks, which are discussed later in this chapter.

Forecasts for 2020-21 will be prepared as part of the 2020-21 Budget. The frequency and extent of potential future cases, and the scope of the public health measures implemented in response to them, will determine the level of consumer and business confidence, and the outlook for the recovery.

## *Global and national economic environment*

The pandemic has caused an acute contraction in global economic activity. According to the International Monetary Fund, in its most recent *World Economic Outlook* published in June 2020, the global economy is expected to contract by 4.9 per cent in 2020, with advanced economies to contract by 8.0 per cent. These June 2020 forecasts are generally worse than those published in April 2020 and reflect deeper disruptions to countries' domestic activity than was originally anticipated.

The global economic recovery is now expected to be more gradual than anticipated by the IMF in April 2020. The global economy is forecast by the IMF to grow by 5.4 per cent in 2021, with global GDP expected to just exceed its 2019 level. Advanced economies GDP is to remain below its 2019 level, with projected growth of 4.8 per cent in 2021.

The Australian Government published an Economic and Fiscal Update on 23 July 2020. Australian Treasury expects the Australian economy to fall into recession with real GDP expected to have fallen by seven per cent in the June quarter 2020, the largest quarterly fall on record, driven by record lows in consumer and business confidence. The Australian Treasury estimates that the Australian economy shrunk by  $\frac{1}{4}$  of a percentage point in 2019-20. Real GDP is expected to fall by  $2\frac{1}{2}$  per cent in 2020-21.

The Australian Government's Economic and Fiscal Update was released prior to the application of the recent increased public health measures imposed in Victoria. On 6 August 2020, the Prime Minister announced that the Australian Treasury had revised its forecasts for the September quarter 2020 in response to the situation in Victoria. The Australian Treasury estimates the impact of the Stage 3 and Stage 4 restrictions in Victoria, and the resulting impact on confidence and supply chains nationally, will reduce GDP in the September quarter 2020 by between \$10 billion and \$12 billion. These estimates are 2½ percentage points worse than previous estimates.

The scale of the impact on Australian labour market indicators is unprecedented. Both the participation rate and the unemployment rate recorded the fastest changes on record in April 2020. The ABS estimated that the participation rate was 64.0 per cent in June 2020, with an unemployment rate of 7.4 per cent.

Labour force participation is forecast by the Australian Treasury to remain below historical levels through 2020-21. The unemployment rate is expected to peak at around 9¼ per cent in the December quarter 2020, before gradually declining to be around 8¾ per cent in the June quarter 2021. The Australian Treasury has indicated that the forecast unemployment rate is highly uncertain. The gradual return of people to the labour force, and the staged changes to both the JobSeeker and JobKeeper payments, will create crosscurrents impacting Australia's labour force variables.

The Australian Treasury estimated the 'effective' unemployment rate to have been close to 11 per cent in June 2020 (this is an alternative measure of unemployment which takes into account the impacts of the Australian Government's JobKeeper and JobSeeker initiatives). However, the Australian Treasury now estimates that, with the increased public health measures implemented in Victoria in August 2020, the effective national unemployment rate is likely to rise to over 13 per cent.

The measured unemployment rate is anticipated by both the Australian Treasury and the Reserve Bank of Australia to rise higher than current levels, even as the effective unemployment rate recovers, before a gradual improvement is seen.

The continuation of public health measures to contain the virus; high levels of unemployment; and high levels of uncertainty weighing on aggregate demand, will impede Australia's economic recovery. The continued improvement of public health outcomes, on the other hand, will speed up the return of domestic consumer and business confidence, leading to an improvement in the outlook.

#### *Recent performance and outlook for the Tasmanian economy*

Prior to the COVID-19 outbreak, the Tasmanian economy was performing at its strongest rate in over a decade. Employment was robust and unemployment was at very low levels, supported by high levels of tourism, and population growth that was over double the long-term average rate. Due to the growth experienced over the first three quarters of 2019-20, the year-average estimates of economic performance may mask the impacts the pandemic has had on the economy.

The Tasmanian economy has been significantly impacted by the outbreak of COVID-19. Tasmania's strong economic performance in recent years was primarily driven by growth in tourism. The strength of the tourism sector led to increased investment in accommodation, food and recreation services. This resulted in strong investment in the construction industry. The Tasmanian economy was particularly vulnerable to disruptions to these sectors. While many of the public health measures have started to ease in Tasmania over the past two months, they continue to have an adverse impact on the economy, particularly on the retail, hospitality and tourism sectors. This has had a flow-on impact on the construction industry.

Gross state product is estimated to have declined by around 1¼ per cent in 2019-20. This compares with the estimated decline of 1¾ per cent in the May 2020 EFU. The revised estimate reflects the highly uncertain environment within which the May 2020 estimates were produced and assumptions made at that time in relation to the impact and timeframes associated with particular public health measures.

This would be the first decline in GSP for Tasmania since 2012-13 and the largest decline in the history of the State Accounts series (which dates back to 1989-90).

**Table 3.1: Tasmanian Economic Estimates**

	<b>2018-19</b>	<b>May EFU</b> <b>2019-20</b>	<b>August EFU</b> <b>2019-20</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
Gross State Product (real, % change)	3.6	-1 <sup>3</sup> / <sub>4</sub>	-1 <sup>1</sup> / <sub>4</sub>
State Final Demand (real, % change)	4.5*	-1 <sup>1</sup> / <sub>2</sub>	- <sup>3</sup> / <sub>4</sub>

Source: Actual - Australian Bureau of Statistics; Estimates - Treasury

Note:

\* State Final Demand actual has been calculated using the March quarter 2020 National Accounts data.

State final demand is expected to have fallen by around <sup>3</sup>/<sub>4</sub> of one per cent in 2019-20. This compares with the estimated decline of 1<sup>1</sup>/<sub>2</sub> per cent in the May 2020 EFU.

Household consumption is expected to have reduced in 2019-20. This reflects solid growth in consumption in the first half of the year, followed by a decline in the March quarter 2020 as restrictions impacted consumer activity. It is expected that a significant decline in consumption was experienced in the June quarter 2020, with falls in most consumption categories, particularly those areas impacted by public health measures including hotels, cafés and restaurants and transport services. It is possible that consumer activity will remain dampened well into 2020-21, with consumer confidence expected to remain low for some time to come.

It is also expected that private investment fell in the June quarter 2020. While government fiscal stimulus will have provided some support over the quarter, it is anticipated that a slow-down in business activity and low business confidence have more than offset these measures. Dwelling investment is likely to have reduced in the June quarter 2020 as households put building plans on hold due to low consumer confidence. While government stimulus policies have been implemented to support investment into the future, a decline in population growth associated with restrictions on movement as well as uncertainty about incomes may continue to be a drag on dwelling investment into 2020-21.

International exports are also expected to have declined, driven by substantial impacts on international service exports. This is due to the cessation of international tourism in the June quarter 2020 and significant impacts on international education. The export of goods is also expected to have fallen, although at a lower rate than services, with reduced global demand and reduced international air freight. With international borders likely to remain closed for some time, international exports could remain subdued.

The pandemic has had a significant impact on the labour market in Tasmania, with large reductions in employment experienced between March and June 2020. The ABS estimates that the number of persons employed over this period declined by 4.9 per cent, with the largest decline experienced in May 2020, with some limited recovery in June 2020. Despite the reductions, the ABS estimated that Tasmania's level of employment increased in 2019-20 by 1.1 per cent. This result is driven by very strong growth in employment in the first three quarters of 2019-20.

**Table 3.2: Tasmanian Labour Force Estimates**

	May EFU			August EFU	
	2018-19 <sup>1</sup>	2019-20 <sup>1</sup>	June 2020 <sup>3</sup>	2019-20 <sup>1</sup>	June 2020 <sup>3</sup>
	Actual <sup>2</sup>	Estimate	Estimate	Actual	Actual <sup>2</sup>
Employment (% change)	0.2	-¼	-10¾ <sup>4</sup>	1.1	-4.9 <sup>4</sup>
Labour force participation rate (%)	60.6	60½	59	60.4	59.2
Unemployment rate (%)	6.3	7¼	12¼	5.9	6.9

Source: Actual - Australian Bureau of Statistics; Estimates, forecasts - Treasury

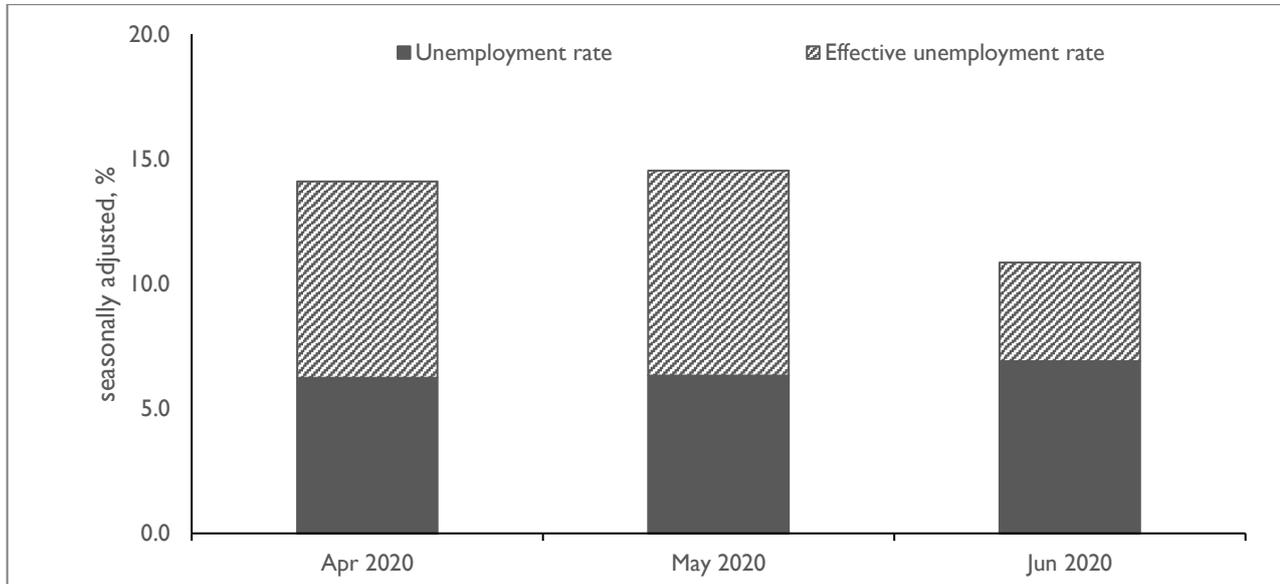
Notes:

1. Year-average.
2. Labour Force actuals are based on June 2020 data.
3. Monthly seasonally adjusted estimate.
4. Change between March 2020 and June 2020.

As discussed in relation to national labour force statistics, it is likely that the full impact of the pandemic and associated measures are not apparent in Tasmania’s official labour market statistics due to a range of factors, but most notably due to the impact of the Australian Government’s JobKeeper and JobSeeker initiatives. JobKeeper has kept some people who would otherwise be considered unemployed, categorised as employed by the ABS. The change to mutual obligations for JobSeeker has resulted in some unemployed people also being classified as not in the labour force.

It is estimated that Tasmania’s ‘effective’ unemployment rate would have been approximately 11 per cent in June 2020 (Chart 3.1).

**Chart 3.1: Effective Unemployment Rate**

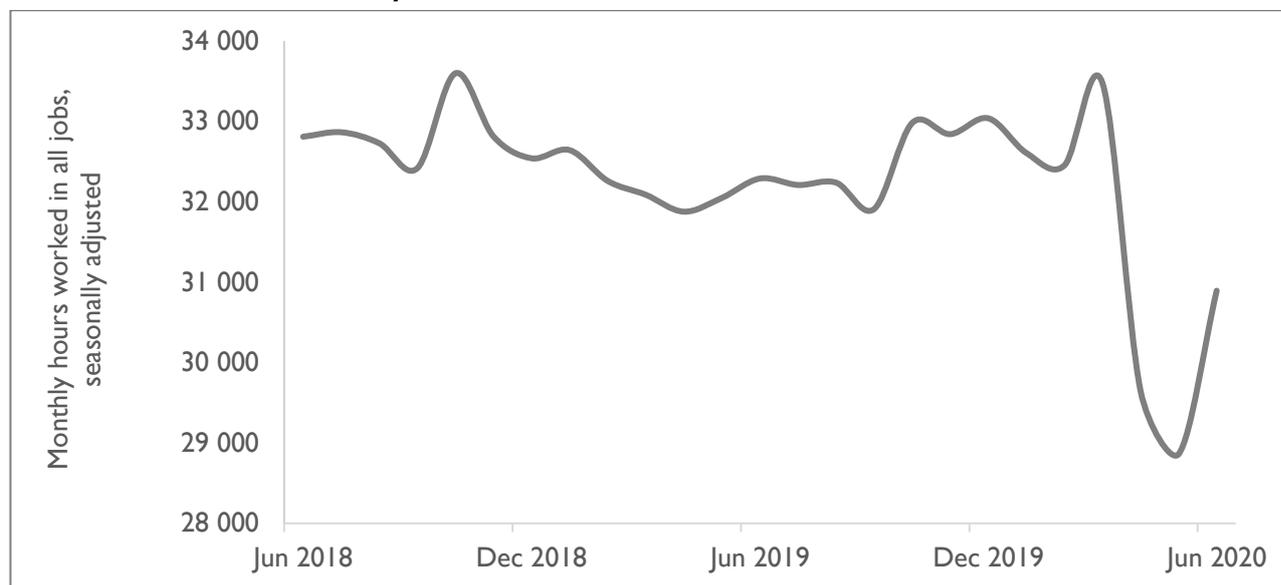


Source: Labour Force, Australia, ABS Cat No 6202.0, Treasury calculations

It is likely that much of the impact of the pandemic on the labour market has been hidden by reductions in hours worked, and increases in underemployment. As well as those classified as unemployed, Tasmania has a segment of the labour force who are underemployed. These are people who are employed, but would like to have more hours of work.

The ABS has reported that both of these measures were impacted over the June quarter 2020. The underemployment rate peaked at 16.4 per cent in April 2020, the highest level on record. The level of monthly hours worked in Tasmania is estimated to be 7.7 per cent lower in June 2020 than the level in March 2020 (Chart 3.2).

**Chart 3.2: Monthly Hours Worked**



Source: Labour Force, Australia, ABS Cat No 6202.0

It is anticipated that the labour market will continue to be adversely impacted by the pandemic and associated public health measures into 2020-21. The protracted nature of this issue is likely to lead to structural changes in the labour force that will have adverse impacts on employment for some time, including the long-term discouragement of the unemployed from seeking work. The removal of the JobKeeper program may result in an increase in the measured number of people unemployed. Similarly, the changes with JobSeeker may increase the recorded participation rate which will also increase the measured unemployment rate.

The ABS estimates that Hobart's Consumer Price Index declined by 1.4 per cent in the June quarter, one of the largest quarterly falls on record. The main contributors to the decline were reductions in the retail price of automotive fuel and the refund of some education levies. Despite the decline in the June quarter 2020, the ABS estimates that Hobart's CPI increased by 2.4 per cent in 2019-20.

Prior to the outbreak of COVID-19, Tasmania's population had been increasing at a rate around double the long-term average. This growth had been driven by positive net interstate migration and higher levels of overseas migration. Border restrictions in place since late March 2020 have reduced levels of both overseas and interstate migration, with incoming arrivals largely restricted to Tasmanian residents returning. Despite this, Tasmania's population is expected to increase by around one per cent in 2019-20 due to high levels of growth in the first three quarters of the year.

#### *Risks for the outlook*

There are significant risks and uncertainties regarding Tasmania's economic recovery as the State navigates its public health response to the COVID-19 pandemic. The global status of the pandemic is still highly uncertain. The profound effect on the global economy from the pandemic will have a prolonged impact on consumer confidence, economic activity and trade. This may be exacerbated by potential future case number increases that are either localised within a particular country/region or more widespread.

Consumer confidence represents a further critical unknown, and will be impacted by potential future case number increases and the extent to which they can be contained and managed. Reduced savings from reduced hours worked or unemployment, as well as uncertainty about the future, may result in a prolonged period of lower spending.

Even with the attainment and continued preservation of acceptable public health outcomes in the near-term, the recovery will be protracted and there will continue to be substantial adverse impacts associated with the pandemic through 2021. The Australian Treasury expects that national real GDP growth in 2021 will not recover the loss experienced in 2020. It is likely that economic conditions will deteriorate further during the 2020-21 financial year, before progressively improving in the later part of 2021.

However, these forecasts predated the imposition of Stage 4 restrictions in Victoria. The Governor of the Reserve Bank of Australia issued a statement on 4 August 2020 that indicated that the reintroduction of public health measures in Australia would likely delay the economic recovery, with the loss of incomes and jobs even more pronounced than originally anticipated. The RBA expects that there would be more lasting effects on business and household balance sheets, as well as damage to employment and supplier relationships as businesses fail and jobs are lost.

If stricter public health measures were required to be reimposed in Tasmania similar to the Victorian situation, it is estimated that the initial impact would result in the Tasmanian economy being between \$500 million and \$600 million worse off than it currently is. The reapplication of public health measures would also have a more profound long-term impact on the State's economy.

The timing of easing all Tasmanian border restrictions continues to represent a challenge for Tasmanian businesses, particularly those in the tourism and hospitality sectors. When the public health situation allows the recommencement of interstate travel, the level of tourism to the State will largely be dependent on consumer confidence and the effective management of the virus. Prolonged impacts from international travel constraints include reductions in overseas migration, international students and tourism.

The recently announced extension of the JobKeeper and JobSeeker initiatives by the Australian Government, while resulting in reduced payments to recipients, will allow businesses and individuals additional time to adjust to the expected removal of the programs in 2021. These changes will provide incentives for recipients to resume searching for work and may result in an increase in the labour force with implications for the participation rate.

The path to recovery remains highly uncertain and is conditional on a range of interdependent health and economic factors. The short-term outlook for Tasmania's economy is dependent on Tasmania's continued successful containment of the virus. In the medium to long-term, the nature and speed of the economic recovery will be dependent on how businesses and consumers respond to, and are affected by, protracted high-levels of uncertainty.

# 4. FISCAL UPDATE

Table 4.1 summarises the impact on the Key Fiscal Measures of variations between the original 2019-20 Budget Estimates and the updated estimates presented in this Report. The information presented in this Report for 2019-20 reflects the estimates included in the 2019-20 Preliminary Outcomes Report. These estimates will be subject to ongoing review and audit, with final actual outcomes for 2019-20 to be presented in the 2019-20 Treasurer's Annual Financial Report (required to be published by 31 October 2020). The 2019-20 Preliminary Outcomes Report provides further details on variations between the 2019-20 Budget Estimates and the preliminary outcome estimates together with other information not presented in this Report. Estimates presented in this Report for 2020-21 will be subject to the impact of ongoing changes in the current economic and fiscal environment and will be reviewed and amended prior to updated estimates being presented in the 2020-21 Budget Papers.

**Table 4.1: Key Fiscal Measures Summary**

	<b>Original 2019-20 Budget</b>	<b>May EFU 2019-20</b>	<b>2019-20 Preliminary Outcome</b>	<b>Original 2020-21 Forward Estimate</b>	<b>May EFU 2020-21</b>	<b>Revised 2020-21 Forward Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Net Operating Balance	57.4	(716.4)	(273.1)	85.1	(1 007.5)	(936.7)
Fiscal Balance	(248.4)	(1 035.1)	(391.3)	(225.7)	(1 469.2)	(1 490.9)
Net Debt	284.5	645.9	(177.8)	643.1	2 348.9	1 578.6
GFS Net Debt	(50.4)	299.2	(526.8)	321.0	2 016.2	1 240.0
Infrastructure Investment	723.3	722.2	516.2	715.9	826.3	986.9

The General Government Income Statement for 2019-20 and 2020-21 is detailed in Table 4.2.

**Table 4.2: General Government Income Statement**

	<b>Original 2019-20 Budget</b>	<b>2019-20 Preliminary Outcome</b>	<b>Original 2020-21 Forward Estimate</b>	<b>Revised 2020-21 Forward Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue from transactions</b>				
Grants	3 973.3	3 884.3	4 075.4	3 913.6
Taxation	1 215.5	1 260.9	1 251.6	1 105.5
Sales of goods and services	416.0	396.1	421.3	420.7
Fines and regulatory fees	103.1	107.6	104.3	104.1
Interest income	16.8	13.9	16.6	10.4
Dividend, tax and rate equivalent income	524.1	544.0	375.4	389.4
Other revenue	157.9	215.6	153.0	157.2
	<b>6 406.7</b>	<b>6 422.2</b>	<b>6 397.6</b>	<b>6 101.0</b>
<b>Less Expenses from transactions</b>				
Employee expenses	2 675.1	2 932.2	2 712.9	2 942.4
Superannuation	305.1	373.1	303.3	362.6
Depreciation	329.4	325.3	352.0	376.6
Supplies and consumables	1 293.8	1 290.8	1 277.4	1 540.7
Nominal superannuation interest expense	271.3	180.5	274.4	143.6
Borrowing costs	14.1	5.2	23.7	22.6
Grant and subsidy expenses	1 461.2	1 518.6	1 424.6	1 609.4
Other expenses	(0.7)	69.6	(55.8)	39.9
	<b>6 349.3</b>	<b>6 695.3</b>	<b>6 312.5</b>	<b>7 037.7</b>
<b>Equals NET OPERATING BALANCE</b>	<b>57.4</b>	<b>(273.1)</b>	<b>85.1</b>	<b>(936.7)</b>
<b>Plus Other economic flows - included in Operating Result</b>				
Gain/(loss) on sale of non-financial assets	16.7	(11.0)	16.7	17.3
Revaluation of equity investment in PNFC and PFC sectors	(227.6)	....	(38.2)	....
Movements in superannuation liability	....	(44.3)	....	....
Other gains/(losses)	(2.0)	108.9	(7.7)	3.2
	<b>(212.9)</b>	<b>53.5</b>	<b>(29.1)</b>	<b>20.5</b>
<b>Equals Operating Result</b>	<b>(155.6)</b>	<b>(219.6)</b>	<b>56.0</b>	<b>(916.2)</b>

Table 4.2: General Government Income Statement (continued)

	Original 2019-20 Budget	2019-20 Preliminary Outcome	Original 2020-21 Forward Estimate	Revised 2020-21 Forward Estimate
	\$m	\$m	\$m	\$m
<b>Plus Other economic flows - other movements in Equity</b>				
Revaluations of non-financial assets	282.7	(144.6)	300.9	218.2
Revaluation of equity investment in PNFC and PFC sectors	....	(151.4)	....	(136.3)
Other non-owner movements in Equity	(210.8)	(378.3)	....	2.6
	<b>71.9</b>	<b>(674.4)</b>	<b>300.9</b>	<b>84.5</b>
<b>Equals Comprehensive Result</b>	<b>(83.6)</b>	<b>(893.9)</b>	<b>356.8</b>	<b>(831.6)</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET OPERATING BALANCE</b>	<b>57.4</b>	<b>(273.1)</b>	<b>85.1</b>	<b>(936.7)</b>
<b>Less Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	700.1	500.2	718.6	987.2
Less Sales of non-financial assets	65.0	56.7	55.9	56.4
Less Depreciation	329.4	325.3	352.0	376.6
	<b>305.7</b>	<b>118.2</b>	<b>310.8</b>	<b>554.2</b>
<b>Equals FISCAL BALANCE</b>	<b>(248.4)</b>	<b>(391.3)</b>	<b>(225.7)</b>	<b>(1 490.9)</b>

The General Government Balance Sheet as at 30 June 2020 and 30 June 2021 is detailed in Table 4.3.

**Table 4.3: General Government Balance Sheet**

	<b>Original 2020 Budget</b>	<b>2020 Preliminary Outcome</b>	<b>Original 2021 Forward Estimate</b>	<b>Revised 2021 Forward Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	926.6	1 180.3	894.7	119.3
Investments	158.8	216.7	191.7	307.9
Equity investments in PNFC and PFC sectors	5 451.5	4 977.7	5 503.1	4 978.0
Other equity investments	71.5	68.9	127.0	139.4
Receivables	307.8	333.9	303.8	328.9
Other financial assets	822.9	569.7	843.5	580.4
	<b>7 739.1</b>	<b>7 347.1</b>	<b>7 863.8</b>	<b>6 454.0</b>
<b>Non-financial assets</b>				
Land and buildings	6 953.3	7 056.0	7 195.7	7 328.5
Infrastructure	6 115.9	5 833.2	6 494.8	6 355.1
Plant and equipment	270.9	270.4	291.8	282.2
Heritage and cultural assets	486.5	439.1	498.7	451.3
Investment property	4.1	3.4	4.4	3.8
Intangibles	51.4	59.7	48.9	61.3
Assets held for sale	6.6	13.8	5.6	16.2
Leases - right-of-use assets	333.4	349.5	321.6	338.7
Other non-financial assets	41.6	65.2	38.0	63.6
	<b>14 263.7</b>	<b>14 090.4</b>	<b>14 899.6</b>	<b>14 900.6</b>
<b>Total Assets</b>	<b>22 002.7</b>	<b>21 437.6</b>	<b>22 763.4</b>	<b>21 354.6</b>
<b>Liabilities</b>				
Borrowings	1 035.0	870.2	1 407.4	1 667.2
Lease liabilities	334.9	349.0	322.1	338.6
Superannuation	7 007.8	10 277.5	7 071.7	10 276.7
Employee entitlements	665.2	764.8	679.4	778.3
Payables	164.7	167.5	166.9	170.3
Other liabilities	464.4	678.9	428.3	625.5
<b>Total Liabilities</b>	<b>9 671.9</b>	<b>13 107.9</b>	<b>10 075.8</b>	<b>13 856.6</b>
<b>Net Assets</b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>12 687.6</b>	<b>7 498.0</b>

Table 4.3: General Government Balance Sheet (continued)

	Original 2020 Budget	2020 Preliminary Outcome	Original 2021 Forward Estimate	Revised 2021 Forward Estimate
	\$m	\$m	\$m	\$m
<b>Equity</b>				
Accumulated funds	5 830.6	3 791.1	5 886.6	2 877.5
Asset revaluation reserve	6 500.2	5 100.0	6 801.0	5 318.3
Other revaluation reserves	....	(561.5)	....	(697.8)
<b>Total Equity</b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>12 687.6</b>	<b>7 498.0</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>NET WORTH<sup>1</sup></b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>12 687.6</b>	<b>7 498.0</b>
<b>NET FINANCIAL WORTH<sup>2</sup></b>	<b>(1 932.9)</b>	<b>(5 760.8)</b>	<b>(2 212.0)</b>	<b>(7 402.6)</b>
<b>NET FINANCIAL LIABILITIES<sup>3</sup></b>	<b>7 384.4</b>	<b>10 738.5</b>	<b>7 715.0</b>	<b>12 380.7</b>
<b>NET DEBT<sup>4</sup></b>	<b>284.5</b>	<b>(177.8)</b>	<b>643.1</b>	<b>1 578.6</b>
<b>GFS NET DEBT<sup>5</sup></b>	<b>(50.4)</b>	<b>(526.8)</b>	<b>321.0</b>	<b>1 240.0</b>

Notes:

1. Net Worth represents Total Assets less Total Liabilities.
2. Net Financial Worth represents Total Financial assets less Total Liabilities.
3. Net Financial Liabilities represents Total Liabilities less Financial assets, excluding Equity investment in PNFC and PFC sectors.
4. Net Debt represents Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments.
5. GFS Net Debt represents Borrowings less the sum of Cash and deposits and Investments. This is equivalent to Net Debt based on the Australian Bureau of Statistics Government Finance and Statistics reporting framework, and excludes the impact of Lease liabilities (this reflects how Net Debt has been calculated prior to the introduction of AASB 16 in 2019-20).

The General Government Cash Flow Statement for 2019-20 and 2020-21 is detailed in Table 4.4.

**Table 4.4: General Government Cash Flow Statement**

	<b>Original 2019-20 Budget</b>	<b>2019-20 Preliminary Outcome</b>	<b>Original 2020-21 Forward Estimate</b>	<b>Revised 2020-21 Forward Estimate</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Cash flows from operating activities</b>				
<b>Cash received from operating activities</b>				
Grants received	3 838.7	3 863.8	4 036.1	3 860.4
Taxation	1 213.1	1 274.5	1 249.7	1 103.8
Sales of goods and services	414.7	398.5	420.9	420.3
Fines and regulatory fees	103.0	93.6	104.3	104.1
Interest received	17.2	10.8	15.7	9.4
Dividend, tax and rate equivalents	511.5	595.5	356.5	392.4
Other receipts	331.5	490.4	321.8	331.6
	<b>6 429.8</b>	<b>6 727.1</b>	<b>6 505.0</b>	<b>6 221.9</b>
<b>Cash payments for operating activities</b>				
Employee entitlements	(2 688.5)	(2 900.0)	(2 696.6)	(2 927.1)
Superannuation	(509.7)	(508.9)	(513.0)	(506.1)
Supplies and consumables	(1 296.8)	(1 404.4)	(1 276.3)	(1 545.2)
Borrowing costs	(14.3)	(2.0)	(23.9)	(22.6)
Grants and subsidies paid	(1 461.2)	(1 486.8)	(1 424.5)	(1 609.3)
Other payments	(172.7)	(281.7)	(114.4)	(215.4)
	<b>(6 143.2)</b>	<b>(6 583.8)</b>	<b>(6 048.8)</b>	<b>(6 825.8)</b>
<b>Net cash flows from operating activities</b>	<b>286.7</b>	<b>143.2</b>	<b>456.2</b>	<b>(603.9)</b>
<b>Cash flows from investing activities</b>				
<b>Net cash flows from non-financial assets</b>				
Purchases of non-financial assets	(688.4)	(500.2)	(706.5)	(975.1)
Sales of non-financial assets	61.2	56.7	52.7	53.2
	<b>(627.3)</b>	<b>(443.6)</b>	<b>(653.8)</b>	<b>(921.9)</b>
<b>Net cash flows from financial assets (policy purposes)</b>				
Equity injections	(116.9)	(107.1)	(145.2)	(207.1)
Net advances paid	4.1	(54.1)	6.6	(80.4)
Equity disposals	3.6	3.0	3.6	3.6
	<b>(109.2)</b>	<b>(158.1)</b>	<b>(135.1)</b>	<b>(283.9)</b>

Table 4.4: General Government Cash Flow Statement (continued)

	Original 2019-20 Budget	2019-20 Preliminary Outcome	Original 2020-21 Forward Estimate	Revised 2020-21 Forward Estimate
	\$m	\$m	\$m	\$m
<b>Net cash flows from financial assets (liquidity management purposes)</b>				
Net (purchase)/sale of investments	(54.9)	(41.7)	(39.5)	(10.8)
	<b>(54.9)</b>	<b>(41.7)</b>	<b>(39.5)</b>	<b>(10.8)</b>
<b>Net cash flows from investing activities</b>	<b>(791.4)</b>	<b>(643.4)</b>	<b>(828.4)</b>	<b>(1 216.6)</b>
<b>Cash flows from financing activities</b>				
Net borrowing	332.8	434.2	340.3	759.6
<b>Net cash flows from financing activities</b>	<b>332.8</b>	<b>434.2</b>	<b>340.3</b>	<b>759.6</b>
<b>Net increase/(decrease) in cash held</b>	<b>(171.9)</b>	<b>(66.0)</b>	<b>(31.9)</b>	<b>(1 061.0)</b>
<b>Cash at the beginning of the year</b>	<b>1 098.5</b>	<b>1 246.3</b>	<b>926.6</b>	<b>1 180.3</b>
<b>Cash at the end of the year</b>	<b>926.6</b>	<b>1 180.3</b>	<b>894.7</b>	<b>119.3</b>
<b>KEY FISCAL AGGREGATES</b>				
Net cash flows from operating activities	286.7	143.2	456.2	(603.9)
Plus Net cash flows from non-financial assets	(627.3)	(443.6)	(653.8)	(921.9)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(340.6)</b>	<b>(300.3)</b>	<b>(197.6)</b>	<b>(1 525.8)</b>

## Major Revenue Variations

### State Taxation

The May 2020 EFU included revenue estimates for 2019-20 and 2020-21 which were prepared against a background of significant ambiguity and uncertainty.

Since the May 2020 EFU, Tasmania has experienced an easing of the containment measures imposed in the early stages of the pandemic. This, combined with a lower than expected uptake in several of the Government's taxation related Social and Economic Support Measures including payroll tax and motor vehicle assistance, has led to a moderate improvement in State taxation revenue for 2019-20, from an Estimated Outcome of \$1 139.2 million at the time of the May 2020 EFU to a Preliminary Outcome of \$1 260.9 million. This is higher than the 2019-20 Original Budget of \$1 215.5 million.

Given the ongoing economic impact of the public health measures to limit the spread of COVID-19 and the related uncertainty, the revenue outlook for 2020-21 remains highly uncertain. As such, a range of assumptions have again been made in the preparation of the revised estimates for 2020-21. The impact of the Government's taxation related Social and Economic Support Measures for 2020-21 are also reflected in the revised estimates. This includes:

- the waiver of payroll tax on wages paid to employees under the Australian Government's JobKeeper Payment program - extended from 27 September 2020 to 28 March 2021; and
- land tax relief in 2020-21 for commercial property owners impacted by COVID-19.

Based on the assumptions, for 2020-21, taxation revenue is forecast to decrease by \$146.1 million from the 2020-21 forecast in the 2019-20 Budget of \$1 251.6 million to \$1 105.5 million. The major reductions to revenue include payroll tax (\$76.6 million), conveyance duty (\$29.8 million) and land tax (\$18.9 million).

However, forecast taxation revenue for 2020-21 has increased by \$137.1 million from the \$968.4 million forecast in the May 2020 EFU to \$1 105.5 million. The major increases to revenue include land tax (\$29.7 million), motor tax (\$28.7 million), conveyance duty (\$28.2 million) and payroll tax (\$16.9 million). As noted above, this largely reflects an earlier easing of the COVID-19 containment measures and lower than expected uptake of the Government's taxation related Social and Economic Support Measures. It is likely that the full impact of the pandemic has not yet been reflected in revenue collections to date.

There continues to be significant uncertainty around the revenue forecasts for 2020-21, particularly given the uncertain economic environment. If stricter public health measures were reimposed in Tasmania, as has occurred in Victoria through the imposition of Stage 4 restrictions, the underlying assumptions for the estimates for 2020-21 would be impacted.

### GST Revenue

Similarly, forecasts of GST Revenue for 2019-20 and 2020-21 included in the May 2020 EFU were prepared against a background of considerable uncertainty. Estimates at that time were based on a range of assumptions including the impact of social distancing policies on household consumption and GST collections to March 2020.

There remains a high level of uncertainty in relation to the continuing impact of COVID-19 on GST receipts, including the impact of stricter public health measures.

In its July Economic and Fiscal Update, the Australian Government reduced its forecasts of GST receipts for 2019-20 and 2020-21 by \$12.8 billion. This was the first update since the Mid-Year Economic and Fiscal Outlook in December 2019 and predates the Stage 4 public health measures imposed in Victoria and it is likely that there will be further downward revisions to the Australian Government's GST pool forecasts as part of the 2020-21 Australian Government Budget.

The current impact of reduced GST receipts on Tasmania over the two-year period will be recognised in 2020-21, rather than the year in which they occurred, as was expected at the time of preparing the May 2020 EFU estimates, with a significant decrease in GST revenue forecast in 2019-20, at that time.

As a result, the 2019-20 preliminary GST revenue for Tasmania has decreased by \$73.4 million compared to the 2019-20 Original Budget, however it has increased by \$236.4 million compared to the May 2020 EFU. For 2020-21, forecast GST revenue has reduced by \$363.3 million compared to the 2020-21 forecast in the 2019-20 Budget and by \$5.7 million compared to the May 2020 EFU.

The 2020-21 forecast includes an estimated adjustment for GST revenue that was overpaid to the State in 2019-20 of negative \$191.9 million. This relates to the difference between actual GST receipts received by the Australian Government which were significantly impacted as a result of the impact of COVID-19 on household consumption and payments made to the States based on forecasts contained in the Australian Government's MYEFO.

The reduction in forecast GST revenue has been partially offset by an increase in Tasmania's share of the GST pool for 2020-21 following the Commonwealth Grants Commission's 2020 Methodology Review.

#### *Dividend, Tax and Rate Equivalent Income*

Preliminary dividend, tax and rate equivalent income for 2019-20 is \$544.0 million, an increase of \$19.9 million from the 2019-20 Budget. The increase is largely driven by an increase in dividends of \$21.6 million, which relates to the profitability of Government businesses in 2018-19. Partially offset by a decrease in taxation equivalents of \$1.7 million reflecting the impact that public health measures to limit the spread of COVID-19 are likely to have on Government business profitability in 2019-20. However, the impact is estimated to be lower than that estimated at the May 2020 EFU as conditions did not deteriorate as much as estimated.

Dividend, tax and rate equivalent income is estimated to be \$389.4 million in 2020-21, an increase of \$14.0 million compared to the 2020-21 forecast in the 2019-20 Budget of \$375.4 million. The increase reflects an increase in dividends of \$21.8 million, primarily due to improved profit forecasts for Hydro Tasmania and Tasmanian Networks Pty Ltd in 2019-20. The increase in dividends is partly offset by a decrease in taxation equivalents revenue of \$7.8 million, reflecting the impact that public health measures to limit the spread of COVID-19 are likely to have on Government business profitability in 2020-21.

The dividend, tax and rate equivalent income forecast for 2020-21 has increased since the release of the May 2020 EFU, with Government businesses profitability not as significantly impacted from the public health measures to limit the spread of COVID-19 as initially expected.

#### *Major Expense Variations*

Expenditure estimates presented in this Report include a number of variations that were reflected in the May 2020 EFU. These variations included additional expenditure announced in the 2019-20 Revised Estimates Report (such as significant additional funding for health across the Budget and Forward Estimates period and the removal of efficiency dividends required from the Tasmanian Health Service), State of the State announcements (such as support for new bushfire and emergency management initiatives, the Tasmanian hydrogen industry and first home owners) and significant Social and Economic Stimulus Measures announced by the Government in response to the COVID-19 pandemic.

Estimated operating expenditure in 2019-20 is now \$6.7 billion and \$7 billion in 2020-21. This represents increased expenditure compared to original 2019-20 Budget estimates of \$346 million, in 2019-20, and \$725 million, in 2020-21. Compared to the May 2020 EFU, operating expenditure has fallen by \$50 million in 2019-20 and increased by \$286 million in 2020-21. This change in expenditure primarily reflects a reallocation of expenditure from 2019-20 to 2020-21 to reflect updated cashflow requirements, superannuation expenditure savings and increased expenditure in 2020-21 reflecting new Government COVID-19 support initiatives.

### *Social and Economic Support Measures*

In response to the COVID-19 pandemic, the Government has announced a broad range of initiatives to support the Tasmanian community and economy. These initiatives impact both revenue (detailed above) and expenditure estimates. This Report includes additional expenditure of \$455 million associated with these initiatives (further expenditure will also be incurred beyond the 2020-21 Budget year).

Expenditure associated with these initiatives reflected in this Report includes:

- \$38.1 million in 2019-20 and \$100 million in 2020-21 to meet health costs associated with managing the COVID-19 pandemic;
- \$59.4 million in 2019-20 and \$600 000 in 2020-21 for the Small Business Emergency Support Grants Program;
- \$68 million in additional expenditure reflecting the Government's decision to remove agency efficiency dividends in 2020-21 (with further impacts in future years);
- \$38.4 million in 2020-21 for operating expenditure associated with the Construction Blitz Package;
- \$6.3 million in 2019-20 and \$38.7 million in 2020-21 to fund the Public Building Maintenance Program;
- \$13.3 million in 2019-20 and \$2.5 million in 2020-21 for the Community Support Fund;
- \$15 million in 2020-21 for the Small Business Sustainability and Recovery Grant Program;
- \$10.5 million in 2020-21 for the State's matching contribution for the JobTrainer Fund initiative;
- \$300 000 in 2019-20 and \$6 million in 2020-21 for the Rapid Response Skills Initiative;
- \$3.8 million in 2019-20 and \$1.2 million in 2020-21 for Primary Health Support;
- \$2.1 million in 2019-20 and \$2.2 million in 2020-21 for Housing and Homelessness Support; and
- \$2 million in 2019-20 and \$2 million in 2020-21 for the Mental Health program.

Detailed information on actual expenditure in 2019-20 from the \$150 million COVID-19 Provision established in Finance-General is provided in Appendix I.

### *Agency expenditure updates*

This Report also includes a number of updates to agency expenditure estimates received from agencies as part of 2019-20 end-of-year Budget processes. Updates in expenditure have been reflected across a number of different expenditure types.

Major updates include:

- \$76.6 million, in 2019-20, and \$125 million, in 2020-21, for increased expenditure associated with the Australian Government National Partnership Agreement on COVID-19 Response;
- \$90.6 million in expenditure reallocated from 2019-20 to 2020-21 to reflect revised cashflow requirements;

- \$40.7 million in expenditure for 2019-20 brought forward from 2020-21 which reflects the advance payment by the Australian Government of Financial Assistance Grants in 2019-20 instead of 2020-21;
- a \$32 million decrease in expenditure in 2019-20 and a \$77 million decrease in 2020-21 reflecting the latest actuarial projection of the defined benefit superannuation obligation;
- \$21.4 million in 2019-20 and \$12.4 million in 2020-21 reflecting additional expenditure associated with revised Australian Government *Quality Schools* funding; and
- \$3.8 million in 2019-20 and \$40.1 million in 2020-21 reflecting the additional expenditure associated with revised Australian Government National Health Reform funding.

## *Purchases of Non-Financial Assets*

In the May 2020 EFU, minimal changes to estimates of Purchases of non-financial assets were included due to the highly uncertain nature of the environment that existed at the time and the absence of updated agency information. The May Report also stated that, due to the impacts of the COVID-19 pandemic, it was anticipated that delays in some projects would impact the level of Purchases of non-financial assets and result in a reduction in 2019-20 and an increase in 2020-21. The estimates presented in this Report reflect this expectation.

Purchases of non-financial assets for 2019-20 is now estimated to be \$500.2 million and \$987.2 million for 2020-21. This reflects a reduction of \$199.9 million in 2019-20 compared to the original estimates published in the 2019-20 Budget Papers and an increase for 2020-21 of \$268.6 million. When compared to the estimates presented in the May 2020 EFU, there has been a reduction of \$223.9 million for 2019-20 and an increase of \$105.8 million for 2020-21.

The reduction in estimates for 2019-20 do not reflect any change in the Government's infrastructure commitments. Instead it reflects current estimates of the timing of project expenditure particularly taking into account the impact that the COVID pandemic has had on infrastructure delivery, including delays in a number of health infrastructure projects. Approximately \$103 million in 2019-20 funding has been reallocated to 2020-21. The reallocation of funding to 2020-21 and subsequent years recognises the current environment and the nature of variations in infrastructure investment projects.

Since the May 2020 EFU was published, the Government has increased infrastructure investment through its announcement of the Construction Blitz package. This package is expected to create significant additional infrastructure investment in the State beyond its impact on the State Budget (estimated to total \$410 million) Construction Blitz expenditure of \$134.9 million has been included in this Report for 2020-21.

The estimates for Purchases of non-financial assets included in this Report continue to be uncertain and will be subject to ongoing review. In particular, the current COVID-19 pandemic situation in Victoria and the situation in other jurisdictions may have an impact on the capacity for projects to be delivered in accordance with the Government's preferred timeframes. Updated estimates will be included in the 2020-21 Budget.

## *Budget Risks*

As emphasised throughout this Report, there are material risks to the economic and fiscal estimates presented in the Report largely as a consequence of the ongoing uncertainty created by the COVID-19 pandemic. At the time of the finalisation of this Report, the situation in Victoria is of particular concern including its likely impacts on the national economy.

In addition to these COVID-19 pandemic risks, there is a range of other general risks to the revenue and expenditure estimates presented in this Report. These risks include matters such as those detailed in the 2019-20 Budget Papers and the *2019-20 Revised Estimates Report*. The impact of these risks will be considered further in the development of the 2020-21 Budget.



# APPENDIX I - EXPENDITURE OF THE 2019-20 COVID-19 \$150 MILLION SUPPORT PROVISION<sup>1</sup>

Initiative	Agency	2019-20 \$'000
Private Rental Incentive Scheme	Department of Communities Tasmania	250
Community Support Fund	Department of Communities Tasmania	12 800
No Interest Loan Scheme Increase	Department of Communities Tasmania	500
Child Safety System	Department of Communities Tasmania	1 250
Family Violence	Department of Communities Tasmania	1 000
Sport and Recreation Support	Department of Communities Tasmania	500
Returned Service League Support	Department of Communities Tasmania	500
State Sector - Casual Worker Support	Department of Premier and Cabinet	1 000
Essential Communications	Department of Premier and Cabinet	1 500
Creative and Cultural Industries Support	Department of State Growth	500
Rapid Response Skills Initiative	Department of State Growth	3 150
Small Business \$50 million Interest Free Loans	Department of State Growth	150
Tourism and Hospitality Financial Counselling	Department of State Growth	100
Small Business Grants Program	Department of State Growth	60 000
Digital Ready for Business program	Department of State Growth	100
Small Business Continuity Advice	Department of State Growth	750
Rural Financial Counselling Service	Department of State Growth	100
Supporting our local Chamber of Commerce	Department of State Growth	100
Critical Airfreight Support - Bass Strait Islands	Department of State Growth	1 600
Critical Airfreight Support - Time Sensitive Air Freight Including Seafood	Department of State Growth	1 000
Local Government \$150 million Interest Free Loans	Finance-General	400
Small Business Electricity Waiver	Finance-General	2 000
Primary Health Support	Department of Health	2 800
Health COVID-19 General Allocation	Department of Health	43 200
Mental Health Program	Department of Health	1 500
Parks and Wildlife Management	Department of Primary Industries, Parks, Water and Environment	225
Housing and Homelessness Support	Department of Communities Tasmania	2 085
Temporary Visa Holders	Department of Communities Tasmania	2 000
<b>Total Expenditure</b>		<b>141 060</b>
<b>Rollover of Unexpended Funding to 2020-21</b>		<b>8 940</b>
<b>Total</b>		<b>150 000</b>

Note:

1. The estimates presented in this table reflect agency end-of-year Budget information.



# APPENDIX 2 - PRELIMINARY OUTCOMES REPORT 2019-20

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## I. INTRODUCTION

The *Preliminary Outcomes Report 2019-20* provides details on the General Government's financial results for 2019-20. It presents the preliminary financial data for the General Government Sector against the forecasts contained in the 2019-20 Budget.

Preliminary Outcomes for 2019-20 have been significantly impacted by the Novel Coronavirus (COVID-19) Pandemic. Whilst the full impact of COVID-19 is still uncertain, the *Economic and Fiscal Update Report August 2020* provides an update on the initial impacts of this Pandemic on the State's Budget and Economic position.

The financial statements have been prepared in accordance with applicable Australian Accounting Standards including AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Presentation of the financial statements is consistent with the 2019-20 Budget and reporting requirements of the Uniform Presentation Framework. Financial information for this Report is provided by Government entities to Treasury in early July for publication by 15 August. Due to the short timeframe for the preparation of the Report, estimation methods are applied using AASB 134 *Interim Financial Reporting*. Therefore, data is unaudited and preliminary in nature and may change before final compilation of the *Treasurer's Annual Financial Report*, published by 31 October 2020.

The Report contains the following information:

- preliminary financial statements for the General Government Sector; and
- receipts to, and expenditure from, the Public Account; and
- supplementary estimates of all expenditure from the Public Account.

On 1 July 2019, the *Financial Management Act 2016* came into effect, replacing the *Public Account Act 1986* and the *Financial Management and Audit Act 1990*. As a result, the Consolidated Fund ceased to exist from 1 July 2019. Consequently, this Report will be the first Preliminary Outcomes Report to present information on the receipts and expenditure of the Public Account.

All amounts in the financial statements have been rounded to the nearest \$100 000, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$50 000 are indicated by "...".

## 2. GENERAL GOVERNMENT SECTOR

Table 2.1 provides a summary of the key General Government Sector Fiscal Measures. The full General Government Statements for 2019-20 are presented in Table 2.3, 2.4 and 2.5.

**Table 2.1: Key Fiscal Measures Summary**

	<b>2019-20 Original Budget</b>	<b>2019-20 Preliminary Outcome</b>	<b>2018-19 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Net Operating Balance - Surplus/(Deficit)	57.4	(273.1)	65.6
Underlying Net Operating Balance - Surplus/(Deficit)	(137.1)	(405.1)	(79.4)
Fiscal Balance - Surplus/(Deficit)	(248.4)	(391.3)	(220.5)
Net Debt	284.5	(177.8)	(774.0)
GFS Net Debt	(50.4)	(526.8)	(774.0)
Net Worth	12 330.8	8 329.6	9 223.6
Net Financial Liabilities	7 384.4	10 738.5	9 728.2

## Underlying Net Operating Balance

The Underlying Net Operating Balance is a measure which removes the impact of one-off Australian Government funding for specific capital projects, including Roads and Rail Funding, Royal Hobart Hospital Redevelopment and other non-operational capital related funding received from the Australian Government.

The preliminary 2019-20 Underlying Net Operating Balance is estimated to be a deficit of \$405.1 million, a deterioration of \$267.9 million from the Original Budget deficit of \$137.1 million.

**Table 2.2: Underlying Net Operating Balance**

	2019-20 Original Budget	2019-20 Preliminary Outcome	2018-19 Actual
	\$m	\$m	\$m
<b>Net Operating Balance</b>	<b>57.4</b>	<b>(273.1)</b>	<b>65.6</b>
<i>Less Impact of One-off Australian Government funding</i>			
Bridgewater Bridge	(6.0)	....	....
Cradle Mountain Experience	(5.0)	....	....
Roads and Rail Funding (Nation Building)	(83.9)	(69.7)	(92.9)
Roads of Strategic Importance	(13.0)	(4.7)	(2.2)
Royal Hobart Hospital Redevelopment	(54.7)	(43.6)	(17.5)
Sustainable Rural Water Use and Infrastructure Program	(15.7)	(14.0)	(32.5)
Urban Congestion Fund	(16.2)	....	....
	<b>(194.4)</b>	<b>(132.0)</b>	<b>(145.0)</b>
Underlying Net Operating Balance	<b>(137.1)</b>	<b>(405.1)</b>	<b>(79.4)</b>

# Income Statement

Table 2.3 presents the General Government Income Statement which includes the 2019-20 preliminary outcome, 2019-20 original Budget and 2018-19 actual outcome.

**Table 2.3: General Government Income Statement**

	2019-20 Original Budget	2019-20 Preliminary Outcome	2018-19 Actual
	\$m	\$m	\$m
<b>Revenue from transactions</b>			
Grants	3 973.3	3 884.3	3 996.7
Taxation	1 215.5	1 260.9	1 199.4
Sales of goods and services	416.0	396.1	409.1
Fines and regulatory fees	103.1	107.6	110.4
Interest income	16.8	13.9	22.1
Dividend, tax and rate equivalent income	524.1	544.0	432.9
Other revenue	157.9	215.6	206.2
	<b>6 406.7</b>	<b>6 422.2</b>	<b>6 376.8</b>
<b>Expenses from transactions</b>			
Employee expenses	2 675.1	2 932.2	2 688.3
Superannuation	305.1	373.1	330.9
Depreciation	329.4	325.3	297.0
Supplies and consumables	1 293.8	1 290.8	1 383.9
Nominal superannuation interest expense	271.3	180.5	243.5
Borrowing costs	14.1	5.2	9.1
Grant and subsidy expenses	1 461.2	1 518.6	1 324.5
Other expenses	(0.7)	69.6	34.0
	<b>6 349.3</b>	<b>6 695.3</b>	<b>6 311.2</b>
<b>Equals NET OPERATING BALANCE</b>	<b>57.4</b>	<b>(273.1)</b>	<b>65.6</b>
<b>Plus Other economic flows – included in Operating Result</b>			
Gain/(loss) on sale of non-financial assets	16.7	(11.0)	2.6
Revaluation of equity investment in PNFC and PFC sectors	(227.6)	....	....
Movements in superannuation liability	....	(44.3)	(1 829.5)
Other gains/(losses)	(2.0)	108.9	(91.0)
	<b>(212.9)</b>	<b>53.5</b>	<b>(1 918.0)</b>
<b>Equals Operating Result</b>	<b>(155.6)</b>	<b>(219.6)</b>	<b>(1 852.3)</b>

Table 2.3: General Government Income Statement (continued)

	2019-20 Original Budget	2019-20 Preliminary Outcome	2018-19 Actual
	\$m	\$m	\$m
<b>Plus Other economic flows – Other movements in Equity</b>			
Revaluations of non-financial assets	282.7	(144.6)	972.4
Revaluations of equity investment in PNFC and PFC sectors	....	(151.4)	(410)
Other non-owner movements in Equity	(210.8)	(378.3)	13.1
	<b>71.9</b>	<b>(674.4)</b>	<b>575.4</b>
<b>Equals Comprehensive Result</b>	<b>(83.6)</b>	<b>(893.9)</b>	<b>(1 276.9)</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>NET OPERATING BALANCE</b>	<b>57.4</b>	<b>(273.1)</b>	<b>65.6</b>
<b>Less Net acquisition of non-financial assets</b>			
Purchases of non-financial assets	700.1	500.2	612.4
Less Sales of non-financial assets	65.0	56.7	29.3
Less Depreciation	329.4	325.3	297.0
	<b>305.7</b>	<b>118.2</b>	<b>286.1</b>
<b>Equals FISCAL BALANCE – SURPLUS/(DEFICIT)</b>	<b>(248.4)</b>	<b>(391.3)</b>	<b>(220.5)</b>

**Table 2.4: General Government Grants**

	<b>2019-20 Original Budget</b>	<b>2019-20 Preliminary Outcome</b>	<b>2018-19 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Australian Government Grants</b>			
General purpose payments	2 475.3	2 401.9	2 445.1
Specific purpose payments	1 012.4	1 043.6	1 007.5
National partnership payments	435.9	385.6	480.6
Other grants and subsidies	49.7	53.1	63.6
	<b>3 973.3</b>	<b>3 884.3</b>	<b>3 996.7</b>

**Table 2.5: General Government Taxation**

	<b>2019-20 Original Budget</b>	<b>2019-20 Preliminary Outcome</b>	<b>2018-19 Actual</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Payroll tax</b>	379.4	339.4	370.9
<b>Taxes on property</b>			
Land tax	119.0	124.9	107.7
Fire service levies	68.1	71.1	67.0
Government guarantee fees	16.6	14.4	15.7
Conveyance duty	236.7	312.8	248.5
<b>Taxes on the provision of goods and services</b>			
Gambling taxes			
Casino tax and licence fees	51.2	38.0	50.7
Lottery tax	35.6	39.8	37.8
Annual wagering levy	....	0.7	....
Point of consumption wagering tax <sup>1</sup>	....	4.7	....
Totalizator wagering levy	7.6	3.8	7.4
Insurance duty	99.6	104.2	97.8
<b>Taxes on the use of goods and services</b>			
Vehicle registration fees	45.5	47.5	44.9
Motor vehicle fees and taxes			
Motor vehicle duty	50.3	49.4	48.7
Motor tax	96.7	100.8	93.5
Motor vehicle fire levy	9.0	9.3	8.8
	<b>1 215.5</b>	<b>1 260.9</b>	<b>1 199.4</b>

Note:

1. The Point of consumption wagering tax does not include outstanding accruals of \$1.3 million as at 30 June 2020.

## Revenue Variations from Original Budget

Preliminary Revenue from transactions is \$6 422.2 million in 2019-20, which is \$15.5 million higher than the 2019-20 Original Budget estimate of \$6 406.7 million. The main variations are outlined below.

Revenue Item	Variance	Reasons
Grants	\$89 million lower	
General purpose payments	\$73.4 million lower	<p>The decrease in General purpose payments is primarily a result of a reduction in the Australian Government's estimated GST pool available for distribution to the states.</p> <p>The impact of COVID-19 on the GST pool is not reflected in 2019-20. The Australian Government will reduce the 2020-21 GST distribution to Tasmania by approximately \$191.9 million for GST that was overpaid in 2019-20.</p>
Specific purpose payments	\$31.2 million higher	<p>The increase in Specific purpose payments primarily reflects:</p> <ul style="list-style-type: none"> <li>• an increase in Quality Schools, Quality Outcomes funding of \$22.3 million; and</li> <li>• an increase of \$8.3 million in National Health Reform funding due to a revision of activity estimates and the reconciliation of 2018-19 payments.</li> </ul>
National partnership payments	\$50.3 million lower	<p>From 1 July 2019, the introduction of AASB 15 <i>Revenue from Contracts with Customers</i>, has meant that National Partnership Payment revenue is recognised as performance obligations are met, rather than when the cash is received from the Australian Government. The decrease in National partnership payment revenue primarily reflects changes in the timing for the following:</p> <ul style="list-style-type: none"> <li>• \$17.3 million for Project Marinus;</li> <li>• \$16.2 million for the Urban Congestion Fund;</li> <li>• \$14.2 million for Nation Building Roads and Rail Program;</li> <li>• \$13.8 million for Natural Disaster Relief and Recovery Arrangements;</li> <li>• \$11 million for the Royal Hobart Hospital Redevelopment;</li> </ul>

<b>Revenue Item</b>	<b>Variance</b>	<b>Reasons</b>
National partnership payments (continued)		<ul style="list-style-type: none"> <li>• \$8.3 million for Roads of Strategic Importance;</li> <li>• \$6 million for the Bridgewater Bridge; and</li> <li>• \$5 million for the Cradle Mountain Experience.</li> </ul> <p>This decrease was partly offset by additional revenue of \$53.4 million for payments from the Australian Government in relation to the COVID-19 Response.</p>
Taxation	\$45.3 million higher	<p>The increase in Taxation primarily reflects:</p> <ul style="list-style-type: none"> <li>• an increase in Conveyance duty of \$76 million which is mainly due to an increase in average residential house prices across the State and a number of large commercial transactions;</li> <li>• an increase in Land tax of \$5.9 million, mainly due to land revaluations; and</li> <li>• an increase in Lottery tax of \$4.2 million, mainly due to larger jackpot draws.</li> </ul> <p>This increase is partially offset by a reduction in:</p> <ul style="list-style-type: none"> <li>• Payroll tax of \$40 million which is mainly due to the Government's waiver of payroll tax for eligible employers under the Government's Social and Economic Support Measures and the waiver of payroll tax for JobKeeper wages; and</li> <li>• Casino tax and licence fees of \$13.2 million which is due to the temporary closure of the casinos and other gaming venues during COVID-19 restrictions and the waiving of casino licence fees.</li> </ul>
Other revenue	\$57.6 million higher	<p>The increase in Other revenue primarily reflects additional revenue recognised by:</p> <ul style="list-style-type: none"> <li>• the Department of Health of \$36.4 million as a result of additional recoveries of \$26.3 million in relation to salaries and wages and workers compensation and \$10.1 million related to unbudgeted Contributions by volunteers in Ambulance Tasmania which are required to be recognised as revenue from 1 July 2019 as a result of an update to the Australian Accounting Standard 1058 <i>Income of Not-for-Profit Entities</i>;</li> <li>• the Department of Communities Tasmania of \$10.1 million, which reflects additional housing services revenue; and</li> </ul>

Revenue Item	Variance	Reasons
Other revenue (continued)		<ul style="list-style-type: none"> <li>the Department of Primary Industries, Parks, Water and Environment of \$18 million, primarily as a result of revenue not included in the original budget in relation to revenue associated with the Lands Building and its redevelopment, including owner contributions towards tenant works and lease incentive payments and unbudgeted revenue for the reimbursement of cost primarily in relation to insurance claims and workers compensation recoveries and the deployment of fires suppression staff to assist with the New South Wales bushfires.</li> </ul>

## Expense Variations from Original Budget

Preliminary Expenses from transactions is \$6 695.3 million in 2019-20, which is \$346.1 million higher than the 2019-20 Original Budget of \$6 349.3 million. The major variations are outlined below.

Expense Item	Variance	Reasons
Employee expenses	\$257.2 million higher	<p>The increase in Employee expenses primarily reflects:</p> <ul style="list-style-type: none"> <li>• an increase in the Department of Health of \$155.1 million reflecting additional funding associated with the Tasmanian Health Service and COVID-19 related expenses. In the <i>Revised Estimates Report 2019-20</i>, this increase was \$145.1 million which related to: <ul style="list-style-type: none"> <li>– an increase of \$110.9 million as part of the additional \$118 million in additional health funding for the THS; and</li> <li>– the transfer of \$28.2 million as part of the \$30 million of Health Demand funding from Finance-General provided in the 2019-20 Budget; and</li> </ul> </li> <li>• the impact of additional funding provided across the State Service for the finalisation of various wage agreements, COVID-19 related expenses and other funding for: <ul style="list-style-type: none"> <li>– the Department of Police, Fire and Emergency Management of \$19 million;</li> <li>– the Department of State Growth of \$17.2 million;</li> <li>– the Department of Education of \$16.7 million;</li> <li>– the Department of Justice of \$15.5 million;</li> <li>– the State Fire Commission of \$11.1 million; and</li> <li>– the Department of Primary Industries, Parks, Water and Environment of \$9.9 million.</li> </ul> </li> </ul>
Superannuation	\$67.9 million higher	<p>The increase in Superannuation expense primarily reflects the latest advice provided by the State's Actuary, in particular, a \$58.9 million increase in the employer service cost due to a decrease in the discount rate to 1.6 per cent (4.25 per cent in 2019-20 Original Budget).</p>

<b>Expense Item</b>	<b>Variance</b>	<b>Reasons</b>
Nominal superannuation interest expense	\$90.8 million lower	The decrease reflects the most recent actuarial assessment of the Government's superannuation liability, primarily due to the decrease in the discount rate to 1.6 per cent from 4.25 per cent used in 2019-20 Original Budget
Grant and subsidy expenses	\$57.4 million higher	<p>The variance in Grant and subsidy expenses primarily reflects increases for:</p> <ul style="list-style-type: none"> <li>the Department of State Growth of \$59.2 million due to the Small Business Emergency Support Grants Program, part of the Economic and Social Support measures implemented by the Government to mitigate the financial impacts of COVID-19;</li> <li>the Department of Communities Tasmania of \$33 million primarily due to additional Housing Project funding; and</li> <li>the Department of Education of \$19.2 million due to additional funding for Non-Government Schools grants;</li> </ul> <p>These increases are partially offset by decreases for:</p> <ul style="list-style-type: none"> <li>Finance-General of \$38 million, due to reduced expenditure for Natural Disaster Relief of \$7.4 million and for Energy Retailer Concessions of \$5.8 million. In addition \$25 million in Information Technology expenditure for the Tasmanian Government Radio Network Project was budgeted as a Finance-General grant expense, but the actual expense is recognised within supplies and consumables by the Department of Police, Fire and Emergency Management; and</li> <li>the Department of Health of \$15.3 million reflecting revised expenditure profiles of Australian Government funding.</li> </ul>
Other expenses	\$70.3 million higher	The increase in expenses primarily reflects the removal of the \$50 million agency efficiency dividend and \$20.3 million additional expenditure across all agencies for 2019-20.

## *Other Economic Flows – included in Operating Result Variations from Original Budget*

Preliminary Other economic flows – included in Operating Result is an inflow of \$53.5 million in 2019-20, which is \$266.4 million higher than the 2019-20 Original Budget estimate of negative \$212.9 million. The main variances are detailed below.

<b>Line Item</b>	<b>Variance</b>	<b>Reasons</b>
Revaluation of equity investment in PNFC and PFC sectors	\$227.6 million higher	<p>The revaluation is based on the movement in net assets in the PNFC and PFC sectors after excluding the impact of equity injections.</p> <p>From 2018-19, the revaluation of \$151.4 million is recognised in Other economic flows - Other movements in Equity. The difference is due to changes between the budgeted and actual net asset values for PNFC and PFC sector entities, such as</p> <ul style="list-style-type: none"> <li>• Hydro Tasmania;</li> <li>• Tasmanian Irrigation Pty Ltd; and</li> <li>• Tasmanian Networks Pty Ltd.</li> </ul>
Movements in superannuation liability	\$44.3 million lower	The \$44.3 million actuarial loss primarily reflects the latest actuarial assessment of the Superannuation liability using a discount rate of 1.60 per cent.
Other gains/(losses)	\$110.8 million higher	<p>The increase in Other gains/(losses) is primarily due to an increase for the Department of Communities Tasmania of \$141.9 million, from the recognition of \$143 million in housing assets. The tenancy and property management for these dwellings was transferred to Community Housing Organisations, however the legal title is retained by Housing Tasmania. As a result, these properties are recognised in 2019-20 in accordance with the new Australian Accounting Standard AASB 1059 <i>Service Concession Assets</i>.</p> <p>This was partly offset by an increased revaluation loss of \$32.1 million primarily due to the write-down of road infrastructure assets.</p>

## Net Acquisition of Non-Financial Assets Variations from Original Budget

Preliminary Net acquisition of non-financial assets is \$118.2 million in 2019-20, which is \$187.5 million lower than the 2019-20 Original Budget estimate of \$305.7 million. The major variations are outlined below.

<b>Line Item</b>	<b>Variance</b>	<b>Reasons</b>
Purchases of non-financial assets	\$199.9 million lower	<p>This primarily reflects decreases for:</p> <ul style="list-style-type: none"><li>• the Department of Health of \$79.1 million, due to revised timing of cash flows for: the Royal Hobart Hospital Redevelopment \$51.2 million, upgrades at the Mersey Community Hospital \$9.2 million, and Rural hospitals and Ambulance Station Upgrades \$6.4 million;</li><li>• the Department of Communities Tasmania of \$28.1 million, due to revised cash flows for the Affordable Housing Strategy \$13.4 million, Housing new projects \$10 million, and the redevelopment of the Ashley Youth Detention Centre \$3.2 million;</li><li>• TasTAFE of \$21.7 million, which relates to revised cash flows for various TasTAFE campuses other Training Infrastructure assets;</li><li>• the Department of Primary Industries, Parks, Water and Environment of \$16.6 million, which is primarily due to revised cash flows for the Cradle Mountain Experience project and Parks infrastructure;</li><li>• the Department of Justice of \$16.1 million, due to revised cash flows for the New Southern Remand Centre; and</li><li>• the Department of State Growth of \$10.5 million, which is primarily due to revised timing of Roads Program funding.</li></ul>

# Balance Sheet

Table 2.6: General Government Balance Sheet as at 30 June

	2020 Original Budget	2020 Preliminary Outcome	2019 Actual
	\$m	\$m	\$m
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	926.6	1 180.3	1 246.3
Investments	158.8	216.7	121.2
Equity investment in PNFC and PFC sectors	5 451.5	4 977.7	5 049.2
Other equity investments	71.5	68.9	45.9
Receivables	307.8	333.9	345.9
Other financial assets	822.9	569.7	609.9
	<b>7 739.1</b>	<b>7 347.1</b>	<b>7 418.3</b>
<b>Non-financial assets</b>			
Land and buildings	6 953.3	7 056.0	7 101.3
Infrastructure	6 115.9	5 833.2	5 976.5
Plant and equipment	270.9	270.4	244.7
Heritage and cultural assets	486.5	439.1	463.1
Investment property	4.1	3.4	3.0
Intangibles	51.4	59.7	64.6
Assets held for sale	6.6	13.8	9.7
Lease - right-of-use assets	333.4	349.5	....
Other non-financial assets	41.6	65.2	39.5
	<b>14 263.7</b>	<b>14 090.4</b>	<b>13 902.5</b>
<b>Total Assets</b>	<b>22 002.7</b>	<b>21 437.6</b>	<b>21 320.8</b>
<b>Liabilities</b>			
Borrowings	1 035.0	870.2	593.5
Lease liabilities	334.9	349.0	....
Superannuation	7 007.8	10 277.5	10 187.4
Employee entitlements	665.2	764.8	720.8
Payables	164.7	167.5	202.2
Other liabilities	464.4	678.9	393.4
<b>Total Liabilities</b>	<b>9 671.9</b>	<b>13 107.9</b>	<b>12 097.3</b>
<b>Net Assets</b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>9 223.6</b>

Table 2.6: General Government Balance Sheet as at 30 June (continued)

	2020 Original Budget	2020 Preliminary Outcome	2019 Actual
	\$m	\$m	\$m
<b>Equity</b>			
Accumulated funds	5 830.6	3 791.1	4 389.0
Asset revaluation reserve	6 500.2	5 100.0	5 244.6
Other reserves <sup>1</sup>	....	(561.5)	(410.0)
<b>Total Equity</b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>9 223.6</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>NET WORTH<sup>2</sup></b>	<b>12 330.8</b>	<b>8 329.6</b>	<b>9 223.6</b>
<b>NET FINANCIAL WORTH<sup>3</sup></b>	<b>(1 932.9)</b>	<b>(5 760.8)</b>	<b>(4 679.0)</b>
<b>NET FINANCIAL LIABILITIES<sup>4</sup></b>	<b>7 384.4</b>	<b>10 738.5</b>	<b>9 728.2</b>
<b>NET DEBT<sup>5</sup></b>	<b>284.5</b>	<b>(177.8)</b>	<b>(774.0)</b>
<b>GFS NET DEBT<sup>6</sup></b>	<b>(50.4)</b>	<b>(526.8)</b>	<b>(774.0)</b>

Notes:

1. Other reserves represents the accumulated balance of revaluation increments/decrements for the Equity investment in PNFC and PFC Sectors from 1 July 2018. This value is negative due to the overall decline in value of these investments since that time.
2. Net Worth represents Total Assets less Total Liabilities.
3. Net Financial Worth represents Total Financial assets less Total Liabilities.
4. Net Financial Liabilities represents Total Liabilities less Financial assets, excluding Equity investment in PNFC and PFC sectors.
5. Net Debt represents Borrowings plus Lease liabilities less the sum of Cash and deposits and Investments.
6. GFS Net Debt represents Borrowings less the sum of Cash and deposits and Investments. This is equivalent to Net Debt based on the Australian Bureau of Statistics Government Finance and Statistics reporting framework, and excludes the impact of Lease liabilities (this reflects how Net Debt has been calculated prior to the introduction of AASB 16 in 2019-20).

## Balance Sheet Variations from 30 June 2019 Outcome

Budget estimates for the 2020 Balance Sheet were compiled in May 2019, prior to completion of the actual outcomes for 30 June 2019. The preliminary outcome variance from the Original Budget estimate will reflect the difference between the estimated and actual opening balances for 2019. The following commentary is therefore based on movements between the 30 June 2019 actual outcome and the 30 June 2020 preliminary outcome.

### Assets Variations

Preliminary General Government Assets are \$21 437.6 million at 30 June 2020, an increase of \$116.7 million from the 30 June 2019 balance of \$21 320.8 million. The major variations are outlined below.

Line Item	Variance from 2019	Reasons
Cash and deposits	\$66 million lower	The decrease primarily reflects: <ul style="list-style-type: none"> <li>a decrease in the balance of cash held in the Specific Purpose Accounts of \$80.8 million; and</li> <li>offset by an increase in cash held outside the Public Account of \$14.9 million.</li> </ul>
Investments	\$95.5 million higher	The increase primarily reflects increases in: <ul style="list-style-type: none"> <li>industry and business assistance loans of \$54.4 million, provided by the Department of State Growth; and</li> <li>the TT-Line Vessel Replacement Fund of \$40 million, which has been invested with the Tasmanian Public Finance Corporation.</li> </ul>
Equity investment in PNFC and PFC sectors	\$71.5 million lower	This primarily reflects a decrease in net assets held by: <ul style="list-style-type: none"> <li>Aurora Energy Pty Ltd;</li> <li>Motor Accidents Insurance Board; and</li> <li>Tasmanian Public Finance Corporation.</li> </ul>
Other equity investments	\$23 million higher	This primarily reflects the Government's contribution of \$20 million to TasWater in 2019-20. The Government has committed to provide \$300 million to TasWater over 10 years from 2018-19. The balance of this equity investment is \$40 million as at 30 June 2020.
Other financial assets	\$40.2 million lower	The decrease primarily reflects a decrease of \$43.2 million in the deferred tax assets held by Finance-General to mirror tax liabilities held in the PNFC and PFC sectors.

<b>Line Item</b>	<b>Variance from 2019</b>	<b>Reasons</b>
Land and buildings	\$45.3 million lower	<p>This movement reflects decreases for:</p> <ul style="list-style-type: none"> <li>the Department of Health of \$114.2 million, primarily due an adjustment to the opening balance;</li> <li>Finance-General of \$33.3 million, primarily due to the sale of Elizabeth Street Pier;</li> <li>the Department of Justice of \$25.3 million, primarily due to a \$19 million adjustment to the opening balance; and</li> <li>the Department of Communities Tasmania of \$22.3 million, primarily due to revaluations of buildings.</li> </ul> <p>These decreases are partially offset by the following revaluation increases for:</p> <ul style="list-style-type: none"> <li>the Department of Primary Industries, Parks, Water and Environment of \$78.3 million; and</li> <li>the Department of Education of \$74.4 million.</li> </ul>
Infrastructure	\$143.3 million lower	The decrease primarily reflects a \$135.5 million revaluation of road infrastructure assets by the Department of State Growth.
Lease - right-of-use assets	\$349.5 million higher	<p>Australian Accounting Standard AASB 16 <i>Leases</i> came into effect from 1 July 2019. The new Standard has resulted in the recognition of a right-of-use asset together with a corresponding Lease liability on the GGS Balance Sheet.</p> <p>Lease - right-of-use assets as at 30 June 2020 consists of \$321.8 million for Land and buildings which primarily represents the leasing of Government office accommodation held by Finance-General and \$27.6 million for Plant and equipment.</p>
Other non-financial assets	\$25.7 million higher	<p>This movement is primarily due to a \$31.1 million increase of Inventories held by the Department of Health in relation to medical supplies.</p> <p>This increase is partly offset by the reclassification of an \$11 million deposit paid to Devonport City Council for the Devonport Library located in the new Paranaple Centre. The building has now been completed and the asset reclassified from Other non-financial assets to Land and buildings.</p>

## Liability Variations

Preliminary General Government Liabilities are \$13 107.9 million at 30 June 2020, \$1 010.7 million higher than the 30 June 2019 balance of \$12 097.3 million. The major variations are outlined below.

Line Item	Variance from 2019	Reasons
Lease liabilities	\$349 million higher	<p>Australian Accounting Standard AASB 16 <i>Leases</i> came into effect from 1 July 2019. The new Standard has resulted in the recognition of a right-of-use asset together with a corresponding Lease liability on the GGS Balance Sheet.</p> <p>Lease liabilities as at 30 June 2020 consists of \$321.1 million for Land and buildings which primarily represents the leasing of Government office accommodation held by Finance-General and \$27.9 million for Plant and equipment.</p>
Borrowings	\$276.7 million higher	<p>This primarily reflects increases of:</p> <ul style="list-style-type: none"> <li>• \$360 million in borrowings from the Tasmanian Public Finance Corporation held by Finance-General. Borrowings were undertaken to support the fiscal balance; and</li> <li>• \$71.9 million in borrowings held by the Department of State Growth.</li> </ul> <p>These increases are partly offset by the decrease of \$157.6 million in Australian Government borrowings as a result of the Commonwealth State Housing Agreement loans being waived during 2019-20.</p>
Superannuation	\$90.1 million higher	<p>The Superannuation liability reflects the most recent actuarial estimate of the liability. The increase is primarily due to a decrease in the discount rate to 1.60 per cent (1.80 per cent as at 30 June 2019).</p>
Employee entitlements	\$44 million higher	<p>The increase primarily reflects increases in accrued salaries, annual leave and long service leave liabilities with increases recognised by:</p> <ul style="list-style-type: none"> <li>• the Department of Education of \$22.8 million;</li> <li>• the Department of Police, Fire and Emergency Management of \$9.1 million;</li> <li>• the Department of Primary Industries, Parks, Water and Environment of \$3.6 million; and</li> <li>• TasTAFE of \$2.3 million.</li> </ul>

<b>Line Item</b>	<b>Variance from 2019</b>	<b>Reasons</b>
Payables	\$34.7 million lower	<p>The decrease primarily reflects decreases in accrued expenses and trade creditors for:</p> <ul style="list-style-type: none"> <li>• the Department of Health of \$20.6 million; and</li> <li>• the Department of Justice of \$7.1 million.</li> </ul>
Other Liabilities	\$285.5 million higher	<p>The increase primarily reflects:</p> <ul style="list-style-type: none"> <li>• a Revenue in advance liability of \$217 million that is recognised for the first time in relation to the National Partnership Payments from the Australian Government. This liability is a result of the change in Australian Accounting Standard AASB 15 <i>Revenue from Contracts with Customers</i> that came into effect from 1 July 2019;</li> <li>• an increase of \$20.4 million in the Tasmanian Risk Management Fund outstanding claims liability from \$239.7 million as at 30 June 2019 to \$260.1 million as at 30 June 2020; and</li> <li>• an increase of \$30.9 million in Other liabilities held by the Department of Health primarily due to a Revenue in advance liability recognised in relation to Australian Government Grants, as a result of the change in AASB 15.</li> </ul>

# Cash Flow Statement

Table 2.7: General Government Cash Flow Statement

	2019-20 Original Budget	2019-20 Preliminary Outcome	2018-19 Actual
	\$m	\$m	\$m
<b>Cash flows from operating activities</b>			
<b>Cash received from operating activities</b>			
Grants received	3 838.7	3 863.8	3 994.9
Taxation	1 213.1	1 274.5	1 187.2
Sales of goods and services	414.7	398.5	400.6
Fines and regulatory fees	103.0	93.6	104.3
Interest received	17.2	10.8	20.9
Dividend, tax and rate equivalents	511.5	595.5	503.2
Other receipts	331.5	490.4	468.3
	<b>6 429.8</b>	<b>6 727.1</b>	<b>6 679.5</b>
<b>Cash payments for operating activities</b>			
Employee entitlements	(2 688.5)	(2 900.0)	(2 653.5)
Superannuation	(509.7)	(508.9)	(490.2)
Supplies and consumables	(1 296.8)	(1 404.4)	(1 321.1)
Borrowing costs	(14.3)	(2.0)	(9.5)
Grants and subsidies paid	(1 461.2)	(1 486.8)	(1 327.9)
Other payments	(172.7)	(281.7)	(293.6)
	<b>(6 143.2)</b>	<b>(6 583.8)</b>	<b>(6 095.7)</b>
<b>Net cash flows from operating activities</b>	<b>286.7</b>	<b>143.2</b>	<b>583.8</b>
<b>Cash flows from investing activities</b>			
<b>Net cash flows from non-financial assets</b>			
Purchase of non-financial assets	(688.4)	(500.2)	(612.5)
Sale of non-financial assets	61.2	56.7	29.3
	<b>(627.3)</b>	<b>(443.6)</b>	<b>(583.1)</b>
<b>Net cash flows from financial assets (policy purposes)</b>			
Equity injections	(116.9)	(107.1)	(93.1)
Net advances paid	4.1	(54.1)	(16.8)
Equity disposals	3.6	3.0	3.0
	<b>(109.2)</b>	<b>(158.1)</b>	<b>(106.9)</b>
<b>Net cash flows from financial assets (liquidity management purposes)</b>			
Net (purchase)/sale of investments	(54.9)	(41.7)	(40.5)
	<b>(54.9)</b>	<b>(41.7)</b>	<b>(40.5)</b>
<b>Net cash flows from investing activities</b>	<b>(791.4)</b>	<b>(643.4)</b>	<b>(730.5)</b>

Table 2.7: General Government Cash Flow Statement (continued)

	2019-20 Original Budget	2019-20 Preliminary Outcome	2018-19 Actual
	\$m	\$m	\$m
<b>Net cash flows from financing activities</b>			
Net borrowing	332.8	434.2	100.3
	<b>332.8</b>	<b>434.2</b>	<b>100.3</b>
<b>Net increase/(decrease) in cash held</b>	<b>(171.9)</b>	<b>( 66.0)</b>	<b>(46.4)</b>
<b>Cash at the beginning of the year</b>	<b>1 098.5</b>	<b>1 246.3</b>	<b>1 292.7</b>
<b>Cash at the end of the year</b>	<b>926.6</b>	<b>1 180.3</b>	<b>1 246.3</b>
<b>KEY FISCAL AGGREGATES</b>			
Net cash from operating activities	286.7	143.2	583.8
Plus Net cash flows from non-financial assets	(627.3)	(443.6)	(583.1)
<b>Equals CASH SURPLUS/(DEFICIT)</b>	<b>(340.6)</b>	<b>(300.3)</b>	<b>0.6</b>

### 3. PUBLIC ACCOUNT

2019-20 is the first year of the implementation of the *Financial Management Act 2016*. Tables 3.1 and 3.2 provide information on the total Receipts and Expenditure of the Public Account for the 2019-20. Tables 3.1 and 3.2 detail the gross cash receipts and expenditure from the Public Account. As such, they do not include the impact of the elimination of inter-entity transactions within the Public Account or whole-of-government investment and cash management activities within the Public Account. These transactions are fully reflected in the General Government Statements and the key financial measures, including the Net Operating Balance, Fiscal Balance and Net Debt. Consequently the receipts and expenditures detailed in these tables will not reconcile directly with those presented in the General Government Sector Cash Flow Statement.

Table 3.3 presents the summary of supplementary estimates of all expenditure from the Public Account that is authorised under section 20, 21, 22 or 30 of the *Financial Management Act* together with a summary of all determinations made under section 23(1) of the *Financial Management Act*. This Table reflects the requirements of section 24(1) of the *Financial Management Act*.

**Table 3.1: Public Account Receipts**

	<b>2019-20 Original Budget</b>	<b>2019-20 Preliminary Outcome</b>
	<b>\$m</b>	<b>\$m</b>
<b>General Receipts</b>		
Australian Government Sources	3 079.9	3 069.2
State Sources	1 982.8	2 054.8
	<b>5 062.7</b>	<b>5 123.9</b>
<b>Specific Purpose Accounts</b>	<b>1 959.6</b>	<b>2 948.2</b>
<b>Statutory Authorities</b>	<b>235.7</b>	<b>89.7</b>
<b>Total Receipts</b>	<b>7 257.9</b>	<b>8 161.8</b>

Table 3.2: Public Account Expenditure

	2019-20 Original Budget	2019-20 Preliminary Outcome
	\$m	\$m
<b>Annual Appropriation</b>		
Operating Services Expenditure	4 607.7	4 865.7
Capital Services Expenditure	480.2	340.2
	<b>5 088.0</b>	<b>5 205.9</b>
<b>Reserved by Law</b>	<b>353.7</b>	<b>335.9</b>
<b>Specific Purpose Accounts</b>	<b>2 075.0</b>	<b>2 970.0</b>
<b>Statutory Authorities</b>	<b>240.1</b>	<b>89.7</b>
<b>Other Provisions</b>	<b>0.1</b>	<b>....</b>
<b>Total Expenditure</b>	<b>7 756.9</b>	<b>8 601.6</b>

**Table 3.3: Supplementary Estimates Statement Summary**

<b>Authority</b>	<b>2019-20</b>
	<b>\$'000</b>
<b>Section 20 - Transfers</b>	
Communities Tasmania	
Minister for Aboriginal Affairs	139
Minister for Disability Services and Community Development	(842)
Minister for Housing	(871)
Minister for Human Services	1 160
Minister for Sport and Recreation	318
Minister for Veterans' Affairs	109
Minister for Women	(13)
<b>Total</b>	....
Finance-General	
Minister for Finance	(4 115)
Treasurer	4 115
<b>Total</b>	....
Health	
Minister for Health	(454)
Minister for Mental Health and Wellbeing	454
<b>Total</b>	....
Justice	
Attorney-General and Minister for Justice	870
Minister for Building and Construction	(370)
Minister for Corrections	(90)
Minister for Planning	(410)
<b>Total</b>	....
Primary Industries, Parks, Water and Environment	
Minister for Environment and Parks	18
Minister for Heritage	(18)
<b>Total</b>	....
State Growth	
Minister for Small Business, Hospitality and Events	165
Minister for Tourism	(165)
<b>Total</b>	....
Treasury and Finance	
Minister for Finance	835
Treasurer	(835)
<b>Total</b>	....

**Table 3.3: Supplementary Estimates Statement Summary (continued)**

<b>Authority</b>	<b>2019-20</b>
	<b>\$'000</b>
<b>Transfers across agencies</b>	
Brand Tasmania	34
Communities Tasmania	21 243
Education	(3 409)
Finance-General	(161 581)
Health	66 217
House of Assembly	(29)
Integrity Commission	18
Justice	678
Legislative Council	6
Legislature-General	(142)
Ministerial and Parliamentary Support	(132)
Office of the Director of Public Prosecutions	78
Office of the Governor	7
Office of the Ombudsman	34
Police, Fire and Emergency Management	(872)
Premier and Cabinet	2 199
Primary Industries, Parks, Water and Environment	2 418
State Growth	73 818
Tasmanian Audit Office	(24)
Tourism Tasmania	(21 1)
Treasury and Finance	(350)
<b>Total</b>	<b>....</b>
<b>Section 21 - Treasurer's Reserve</b>	
Justice	250
Legislative Council	106
Legislature-General	229
Ministerial and Parliamentary Support	1 300
Office of the Director of Public Prosecutions	339
Office of the Governor	146
Premier and Cabinet	4 009
State Growth	2 000
<b>Total</b>	<b>8 379</b>
<b>Section 22 - Appropriated Australian Government Funding</b>	
Communities Tasmania	97
Education	21 388
Finance-General	39 798
<b>Total</b>	<b>61 283</b>

**Table 3.3: Supplementary Estimates Statement Summary (continued)**

<b>Authority</b>	<b>2019-20</b>
	<b>\$'000</b>
<b>Section 23(1) - Rollovers of unexpended Appropriation</b>	
Brand Tasmania	(72)
Communities Tasmania	(28 204)
Education	(14 130)
Finance-General	(38 762)
Health	(69 876)
Integrity Commission	(40)
Justice	(8 450)
Office of the Ombudsman	(56)
Police, Fire and Emergency Management	(10 700)
Premier and Cabinet	(1 746)
Primary Industries, Parks, Water and Environment	(9 946)
State Growth	(25 457)
Tourism Tasmania	(900)
Treasury and Finance	(1 275)
<b>Total</b>	<b>(209 614)</b>