

March Quarterly Report 2020-21



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Published May 2021

Published by Department of Treasury and Finance

ISSN 2201-3652 (Online)

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I INTRODUCTION

The March Quarterly Report 2020-21 has been prepared in accordance with Section 38 of the *Financial Management Act 2016*. It presents financial results for the nine months ending 31 March 2021 for the General Government Sector and the Public Account.

The March Quarterly Report is generally published as part of the Tasmanian Budget, normally handed down in May or June of each year. However, given the 2021-22 Tasmanian Budget will not be released before August 2021, this quarterly report has been released as a separate report.

Seasonal and timing factors impact the State's finances, especially the timing of Grants revenue, Taxation revenue and Grant and subsidy expenses. Therefore, care should be taken using the quarterly information to extrapolate the likely outcome for 2020-21. The March Actuals have also been impacted by the COVID-19 pandemic. There is a greater than normal potential for the fiscal outcomes to vary materially from those forecast in the 2020-21 Budget as a consequence of changes in the trajectory of the pandemic and the resulting impacts on the Tasmanian community and economy. Further updates will be provided in the *Preliminary Outcomes Report 2020-21* due for release by 15 August 2021.

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*. Estimation methods have been used in the preparation of this Report which are based on the principles of AASB 134 *Interim Financial Reporting*.

Presentation of the financial statements is consistent with the 2020-21 Budget and reporting requirements of the Uniform Presentation Framework.

The Report contains the following information:

- Section 2 presents the financial results for the General Government Sector for the nine months ending 31 March 2021; and
- Section 3 summarises receipts to, and expenditure from, the Public Account for the nine months ending 31 March 2021.

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 OUTCOME

INCOME STATEMENT

The General Government Sector Income Statement is presented in Table 2.1. The General Government Sector Net Operating Balance for the nine months ending 31 March 2021 is a deficit of \$678.4 million.

Where relevant, the quarterly results have been compared to a pro-rata percentage (75 per cent) of the Original Budget estimate. It should be noted that this comparison point has not been adjusted to reflect seasonal and timing impacts for receipts and payments.

Revenue from transactions

Revenue from transactions for the nine months ending 31 March 2021 is \$4 763.3 million, which is \$57.8 million below the pro-rata Original Budget estimate of \$4 821.1 million, or 74.1 per cent of the Original Budget for 2020-21.

The main variations for the nine months ending 31 March 2021 are:

- Grants revenue is \$147.2 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership Payments that is expected to be received later in 2020-21;
- Taxation revenue is \$83.9 million above the pro-rata Original Budget estimate. This is due to:
 - the timing of Land tax revenue which is \$45.1 million above the pro-rata Original Budget estimate. The majority of Land tax revenue for 2020-21 is recognised in the September 2020 quarter. Tax refunds and waivers are recorded as they are approved/paid;
 - Conveyance duty revenue which is \$20.5 million above the pro-rata Original Budget estimate, which reflects stronger than budgeted year to date receipts; and
 - Motor vehicle duty revenue which is \$11 million above the pro-rata Original Budget estimate, which is due to increased new motor vehicle sales;
- Sales of goods and services is \$27 million below the pro-rata Original Budget estimate, which is primarily due to the timing of receipts for the Department of Health. This revenue is anticipated to increase towards the end of the financial year; and
- Other revenue is \$39.1 million above the pro-rata Original Budget estimate. The increase is primarily due to:
 - an increase of \$26.7 million for the Department of State Growth, which reflects additional revenue from mineral royalties as a result of strong iron ore and zinc prices; and
 - an increase of \$6 million for the Department of Education and \$3.9 million for the Department of Health due to the timing of miscellaneous recoveries revenue.

Expenses from transactions

Expenses from transactions for the nine months ending 31 March 2021 is \$5 441.7 million, which is \$217.9 million below the pro-rata Original Budget estimate of \$5 659.6 million, or 72.1 per cent of the Original Budget for 2020-21.

The major expense variation for the nine months ending 31 March 2021 is Supplies and consumables, which is \$197 million below the pro-rata Original Budget estimate. The variation is primarily due to timing issues and expenditure for GGS agencies being under budget in aggregate. For the nine months ending 31 March 2021, there has been no transfer of funds from the COVID-19 Provision of \$145 million held by Finance-General. Transfers are expected to occur in the June 2021 quarter. Similarly, there has been no additional expenditure incurred from the Treasurer's Reserve. Requests for additional funds are generally considered in the June 2021 quarter.

Other economic flows – Included in Operating Result

Other economic flows – Included in Operating Result for the nine months ending 31 March 2021 is an outflow of \$5.3 million, which is \$78.4 million below the pro-rata Original Budget estimate of a \$73.1 million inflow. The main variation is in Other gains/(losses) which is \$61.6 million below the pro-rata Original Budget estimate. This is due to the timing of the revaluation of deferred tax assets, which is not undertaken until the end of the financial year.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the nine months ending 31 March 2021 is \$8.3 million, which is \$488 million lower than the pro-rata Original Budget estimate. This variation is primarily due to a decrease of \$496.2 million in Purchases of non-financial assets (compared to the pro-rata Original Budget estimate), which reflects decreases for:

- the Department of State Growth of \$197.3 million, due to the timing of cash flows for road infrastructure;
- the Department of Health of \$104.6 million, due to the timing of cash flows for hospital redevelopments and upgrades;
- the Department of Communities Tasmania of \$53.7 million, due to the timing of cash flows for housing projects and redevelopment of the Derwent Entertainment Centre;
- the Department of Primary Industries, Parks, Water and Environment of \$46.7 million, due to the timing of cash flows for National Park infrastructure, including the Cradle Mountain Experience;
- the Department of Justice of \$26.1 million, due to the timing of cash flows for the Southern Remand Centre and other prison infrastructure assets; and
- the Department of Education of \$18.5 million, due to the timing of cash flows for school infrastructure.

Table 2.1: General Government Income Statement

	2019-20	2020-21	2020-21
	March YTD	Original	March YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	2 854.8	4 066.1	2 902.4
Taxation	1 040.9	1 220.6	999.3
Sales of goods and services	307.7	433.4	298.1
Fines and regulatory fees	87.3	102.2	77.7
Interest income	6.9	14.9	5.7
Dividend, tax and rate equivalent income	469.5	413.1	307.6
Other revenue	131.3	177.9	172.5
	4 898.4	6 428.2	4 763.3
Less Expenses from transactions			
Employee expenses	2 124.7	3 051.7	2 271.1
Superannuation	282.4	373.8	289.3
Depreciation	255.4	388.1	292.1
Supplies and consumables	971.6	1 731.8	1 101.9
Nominal superannuation interest expense	135.2	161.8	121.2
Borrowing costs	2.1	29.3	12.8
Grant and subsidy expenses	1 190.5	1 771.0	1 327.2
Other expenses	37.0	38.7	26.2
	4 998.9	7 546.2	5 441.7
Equals NET OPERATING BALANCE	(100.5)	(1 118.0)	(678.4)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	(23.9)	16.6	(4.4)
Other gains/(losses)	153.9	80.9	(0.9)
	129.9	97.5	(5.3)
Equals OPERATING RESULT	29.4	(1 020.5)	(683.8)

Table 2.1: General Government Income Statement (continued)

	2019-20 March YTD Actual \$m	2020-21 Original Budget \$m	2020-21 March YTD Actual \$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	211.9	220.2	165.9
Revaluations of equity investment in PNFC and PFC Sectors	148.3
Movement in superannuation liability	(1 198.2)
Other non-owner movements in equity	(249.1)	5.2
	(37.2)	(829.6)	171.2
Equals COMPREHENSIVE RESULT	(7.8)	(1 850.1)	(512.6)
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(100.5)	(1 118.0)	(678.4)
Less Net acquisition of non-financial assets			
Purchases of non-financial assets	303.4	1 085.5	318.0
Less Sales of non-financial assets	21.0	35.7	17.5
Less Depreciation	255.4	388.1	292.1
	27.1	661.7	8.3
Equals FISCAL BALANCE - SURPLUS/(DEFICIT)	(127.6)	(1 779.7)	(686.7)

BALANCE SHEET

The General Government Sector Balance Sheet is presented in Table 2.2. Net Worth for the Sector has decreased \$512.6 million from \$7 862.8 million as at 30 June 2020 to \$7 350.2 million as at 31 March 2021.

Assets increased by \$565.4 million, which is due to the following major movements:

- an increase in Cash and deposits of \$289.1 million. This is primarily due to an increase in the balance of cash held in the Public Account and additional borrowings undertaken to support expected expenditure;
- an increase in Investments of \$120.5 million. This primarily reflects an increase of \$108 million in investments held by Finance-General, due to deposits into the TT-Line Vessel Replacement Fund;
- an increase of \$75.7 million in Land and buildings. This reflects a revaluation of \$82 million in land and building assets;
- an increase of \$69.1 million in Infrastructure. This is primarily due to a revaluation of \$68.7 million in infrastructure assets; and
- an increase of \$44.8 million in Other non-financial assets. This is primarily due to an increase of \$37.9 million for the Department of Health for additional personal protective equipment and medical equipment held in response to the COVID-19 pandemic.

Liabilities have increased by \$1 078 million, which is primarily due to an increase of \$1 145.5 million in Borrowings. This is a result of additional borrowings of \$1 151.7 million undertaken by Finance-General to support year-to-date and expected expenditure.

General Government Net Debt as at 31 March 2021 is \$551.7 million, which is a deterioration of \$727.2 million from negative \$175.5 million as at 30 June 2020. This reflects additional Borrowings undertaken by Finance-General.

Table 2.2: General Government Balance Sheet

	30 June 2020	30 June 2021	31 March 2021
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 180.5	1 160.4	1 469.7
Investments	218.3	420.3	338.8
Equity investment in PNFC and PFC sectors	4 556.8	4 721.8	4 532.2
Other equity investments	69.3	124.8	90.8
Receivables	331.3	326.5	328.0
Other financial assets	492.4	585.3	444.9
	6 848.7	7 339.1	7 204.4
Non-financial assets			
Land and buildings	7 150.2	7 470.8	7 225.9
Infrastructure	5 833.8	6 405.0	5 902.9
Plant and equipment	270.3	291.9	307.4
Heritage and cultural assets	439.7	452.0	439.7
Investment property	3.0	3.3	3.3
Intangible assets	63.1	71.9	63.5
Assets held for sale	13.6	16.7	5.1
Lease - right-of-use assets	348.4	412.1	339.0
Other non-financial assets	55.4	48.2	100.2
	14 177.5	15 171.9	14 387.1
Total Assets	21 026.1	22 510.9	21 591.5
Liabilities			
Borrowings	867.8	3 013.5	2 013.2
Lease liabilities	355.5	422.1	346.9
Superannuation ¹	10 280.3	11 481.0	10 295.4
Employee entitlements	775.2	800.0	809.0
Payables	194.3	191.7	126.4
Other liabilities	690.2	590.0	650.4
Total Liabilities	13 163.3	16 498.3	14 241.3
Net Assets	7 862.8	6 012.7	7 350.2

Table 2.2: General Government Balance Sheet (continued)

	30 June 2020	30 June 2021	31 March 2021
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	3 769.1	1 550.5	3 121.4
Asset revaluation reserve	5 076.1	5 296.3	5 211.3
Other reserves	(982.4)	(834.1)	(982.4)
Total Equity	7 862.8	6 012.7	7 350.2
KEY FISCAL AGGREGATES			
NET WORTH²	7 862.8	6 012.7	7 350.2
NET FINANCIAL WORTH³	(6 314.7)	(9 159.2)	(7 036.9)
NET FINANCIAL LIABILITIES⁴	10 871.4	13 881.0	11 569.1
NET DEBT⁵	(175.5)	1 854.8	551.7
GFS NET DEBT⁶	(531.1)	1 432.8	204.8

Notes:

1. There is a difference of \$1 185.7 million between the Original Budget and the March year to date valuation of the Superannuation liability. This reflects the difference between the discount rate of 1.6 per cent applied, in accordance with Australian Accounting Standard AASB 119 Employee Benefits, for financial reporting purposes and the long-term bond rate of 1 per cent which was used in the 2020-21 Budget.
2. Net Worth represents total assets less total liabilities.
3. Net Financial Worth represents financial assets less total liabilities.
4. Net Financial Liabilities represents total liabilities less financial assets, excluding equity investment in the PNFC and PFC sectors.
5. Net Debt represents Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments. This measure incorporates the impact of recognising Lease liabilities on the Balance Sheet.
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 Statistics reporting framework and excludes the impact of Lease liabilities.

CASH FLOW STATEMENT

Table 2.3: General Government Cash Flow Statement

	2019-20 March YTD Actual \$m	2020-21 Original Budget \$m	2020-21 March YTD Actual \$m
Cash flows from operating activities			
Cash receipts from operating activities			
Grants received	2 840.9	3 966.0	2 894.4
Taxation	1 013.7	1 218.7	995.3
Sales of goods and services	309.2	432.0	300.9
Fines and regulatory fees	78.0	102.2	74.8
Interest received	8.3	14.0	6.1
Dividend, tax and rate equivalents	482.9	414.4	313.8
Other receipts	327.8	404.3	408.1
	5 060.9	6 551.6	4 993.4
Cash payments for operating activities			
Employee entitlements	(2 131.6)	(3 023.1)	(2 245.6)
Superannuation	(368.0)	(528.5)	(396.9)
Supplies and consumables	(992.1)	(1 737.6)	(1 200.9)
Borrowing costs	(0.9)	(29.4)	(11.1)
Grants and subsidies paid	(1 207.1)	(1 770.9)	(1 358.4)
Other payments	(197.9)	(267.5)	(221.6)
	(4 897.7)	(7 357.0)	(5 434.5)
Net cash flows from operating activities	163.2	(805.3)	(441.2)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(303.4)	(1 073.2)	(318.0)
Sales of non-financial assets	21.0	32.7	17.5
	(282.4)	(1 040.5)	(300.4)
Net cash flows from financial assets (policy purposes)			
Equity injections	(87.3)	(72.2)	4.5
Net advances paid	(21.9)	(81.7)	(10.9)
Equity disposals	2.5	3.6	4.2
	(106.8)	(150.3)	(2.3)
Net cash flows from financial assets (liquidity purposes)			
Net (purchase)/sale of investments	(41.6)	(121.6)	(105.9)
	(41.6)	(121.6)	(105.9)
Net cash flows from investing activities	(430.8)	(1 312.3)	(408.5)

Table 2.3: General Government Cash Flow Statement (continued)

	2019-20 March YTD Actual \$m	2020-21 Original Budget \$m	2020-21 March YTD Actual \$m
Cash flows from financing activities			
Net borrowing	28.4	2 097.6	1 138.8
Net cash flows from financing activities	28.4	2 097.6	1 138.8
Net increase/(decrease) in cash held	(239.2)	(20.1)	289.1
Cash at the beginning of the year	1 246.3	1 180.5	1 180.5
Cash at the end of the period	1 007.1	1 160.4	1 469.6
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	163.2	(805.3)	(441.2)
Plus Net cash from investments in non-financial assets	(282.4)	(1 040.5)	(300.4)
Equals CASH SURPLUS/(DEFICIT)	(119.3)	(1 845.8)	(741.6)

3 PUBLIC ACCOUNT

Tables 3.1 and 3.2 provide information on the total Receipts and Expenditure of the Public Account for the nine months ending 31 March 2021. Estimated receipts are categorised based on the source and nature of each receipt. Estimated expenditure is categorised by the relevant Authority for Expenditure from the Public Account as provided under the *Financial Management Act 2016*.

These tables meet the requirements of section 38(5) of the FMA.

These tables reflect 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 the tables will not reconcile directly with those presented in the General Government Cash Flow Statement.

Table 3.1: Public Account Receipts

	2019-20 March YTD Actual	2020-21 Original Budget	2020-21 March YTD Actual
	\$m	\$m	\$m
General Receipts			
Australian Government Sources	2 350.8	2 864.9	2 299.2
State Sources	1 595.2	1 847.3	1 479.6
	3 946.0	4 712.2	3 778.8
Specific Purpose Accounts	1 864.4	2 956.7	2 579.5
Statutory Authorities	61.9	242.2	57.4
Total Receipts	5 872.3	7 911.1	6 415.7

Table 3.2: Public Account Expenditure

	2019-20	2020-21	2020-21
	March YTD	Original	March YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Annual Appropriation			
Operating Services Expenditure	3 554.4	5 431.6	4 023.3
Capital Services Expenditure	257.4	640.9	279.5
	3 811.8	6 072.5	4 302.8
Reserved by Law	244.6	560.7	265.3
Specific Purpose Accounts	1 941.5	2 950.2	2 523.5
Statutory Authorities	61.9	261.2	29.1
Other Provisions	0.2
Total Expenditure	6 059.8	9 844.9	7 120.7



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