

March Quarterly Report 2023-24



Tasmanian
Government

March Quarterly Report 2023-24

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For further information please contact:
Department of Treasury and Finance
GPO Box 147
Hobart Tasmania 7001
Telephone: +61 3 6166 4444
Website: <https://www.treasury.tas.gov.au>

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CONTENTS

1	Introduction	1
2	General Government Sector Outcome	2
	Income Statement	2
	Balance Sheet	7
	Cash Flow Statement	10
3	Public Account	12
	Public Account Receipts	12
	Public Account Expenditure	13

I INTRODUCTION

The March Quarterly Report 2023-24 is prepared in accordance with Section 38 of the *Financial Management Act 2016*. It presents financial results for the nine months ending 31 March 2024 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 each year. However, given the 2024-25 Tasmanian Budget will not be released until 12 September 2024, 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 2023-24. Further updates will be provided in the *Preliminary Outcomes Report 2023-24* due for release by 15 August 2024.

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 2023-24 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 2024; and
- Section 3 summarises receipts to, and expenditure from, the Public Account for the nine months ending 31 March 2024.

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 2024 is a deficit of \$582.6 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 2024 is \$6 438.7 million, which is \$122 million above the pro-rata Original Budget estimate of \$6 316.7 million, or 76.4 per cent of the Original Budget for 2023-24.

The main variations for the nine months ending 31 March 2024 include:

- Grants revenue is \$47.3 million below the pro-rata Original Budget estimate. This primarily reflects:
 - a decrease in GST revenue of \$100.8 million which is due to:
 - the Australian Government decreasing Tasmania’s projected share of the national population in its *2023-24 Mid-Year Economic and Fiscal Outlook (MYEFO)*;
 - the Australian Government decreasing its forecast of the 2023-24 GST pool by \$1.6 billion in the 2023-24 MYEFO compared to the 2022-23 October Budget forecast that was used in the State’s 2023-24 Budget; and
 - a negative \$33.2 million residual adjustment to Tasmania for overpaid GST revenue in 2022-23, as a result of lower than anticipated GST receipts in that year; and
 - a decrease of \$157.9 million in National Partnership Payments, which is due to the timing of revenue recognition based on expenditure for various Road and Bridge infrastructure programs together with the advance payment by the Australian Government of 2023-24 Local Government grants in the 2022-23 financial year.

These decreases are partially offset by an increase in Specific Purpose Payments and Reform Funding of \$191.3 million which is primarily due to the upfront payment of *Quality Schools, Quality Outcomes* funding of \$130 million, the timing of National Health Reform Agreement funding of \$53.3 million and an additional \$14.9 million received for the Energy Bill Relief Fund;

- Taxation revenue is \$110.3 million above the pro-rata Original Budget estimate. This primarily reflects increases of:
 - \$40 million for land tax, due to the recognition in the September 2023 quarter of the majority of land tax revenue for 2023-24;
 - \$25.8 million for conveyance duty resulting from a number of unexpected large transactions;
 - \$25.5 million for payroll tax which is driven by strong wage growth; and
 - \$14.1 million for motor vehicle fees and taxes due to stronger than expected vehicle sales and registrations; and
- Dividend, tax and rate equivalent income is \$43.9 million above the pro-rata Original Budget estimate. This primarily reflects the timing of government business dividends which are generally all received in the December quarter, with the exception of the Mersey Community Hospital dividend which is due to be received in the June 2024 quarter. In addition, there has been an increase of \$73.8 million in Hydro Tasmania's dividend payment.

Expenses from transactions

Expenses from transactions for the nine months ending 31 March 2024 is \$7 021.3 million, which is \$481.5 million above the pro-rata Original Budget estimate of \$6 539.8 million, or 80.5 per cent of the Original Budget for 2023-24.

The major expense variations for the nine months ending 31 March 2024 include:

- Employee expenses are \$218.1 million above the pro-rata Original Budget estimate. This primarily reflects an increase for the Department of Health of \$207.2 million which is due to increased costs to meet demand in the Tasmanian Health Service, including Hospitals and Mental Health Services, primarily due to increased staff numbers and increased costs for medical locums, agency nurses and recruitment;
- Supplies and consumables are \$98.9 million above the pro-rata Original Budget estimate. This primarily reflects increases of:
 - \$56.8 million for the Department of Health, due to additional expenditure on information technology, unforeseen demand pressures and the Emergency Department review;
 - \$19.8 million for the Department of Police, Fire and Emergency Management, due to the timing of Tasmanian Government Radio Network and costs associated with rescue helicopter operations; and
 - \$19.1 million for the Department for Education, Children and Young People relating to additional expenditure on Special Care Package costs, planning for the new Youth Detention Centre together with additional education measures to Keep Tasmanians Safe;
- Borrowing costs are \$22.7 million below the pro-rata Original Budget estimate. This primarily reflects the timing of interest with increased costs expected in the June quarter; and

- Grant and subsidy expenses are \$156.5 million above the pro-rata Original Budget estimate. This primarily reflects increases of:
 - \$160.1 million for the Department for Education, Children and Young People, due to the timing of *Quality Schools, Quality Outcomes* non-government school grants; and
 - \$83.1 million for the Department of Premier and Cabinet, due to the timing of grant payments for disability services and grant payments to Homes Tasmania.

These increases are partially offset by the following decreases of:

- \$36.6 million for the Department of State Growth, which is primarily due to the timing of payments for infrastructure Tasmania and skills and workforce growth; and
- \$59.5 million for Finance-General, due to the advance payment by the Australian Government of 2023-24 Local Government grants in the 2022-23 financial year which is partially offset by an increase for the Australian Government funded Energy Bill Relief Fund Specific Purpose Payments.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the nine months ending 31 March 2024 is \$182.3 million, which is \$336.2 million lower than the pro-rata Original Budget estimate of \$518.5 million, or 26.4 per cent of the Original Budget for 2023-24. This primarily reflects Purchases of non-financial assets for the nine months ending 31 March 2024 being \$341.5 million below the pro-rata Original Budget estimate and includes the timing impact on cash flows of:

- \$150.3 million for the Department of State Growth primarily for road infrastructure projects;
- \$64.8 million for the Department of Health primarily for hospital redevelopments and upgrades;
- \$28.7 million for the Department of Justice primarily for correctional and court facilities infrastructure;
- \$27.6 million for the Department of Natural Resources and Environment Tasmania primarily for National Park infrastructure; and
- \$27.4 million for the Department of Police, Fire and Emergency Management primarily for police station upgrades and Project Unify.

Infrastructure Expenditure

Infrastructure investment for the nine months ending 31 March 2024 is \$624.1 million, which is \$302 million below the pro-rata Original Budget estimate of \$926.1 million, or 50.5 per cent of the Original Budget for 2023-24. This is consistent with the prior year period Infrastructure investment of \$651.3 million which was 49.2 per cent of the Original Budget estimate. The decrease compared to the Original Budget primarily reflects timing differences impacting the purchase of non-financial assets.

Table 2.1: General Government Income Statement

	2022-23	2023-24	2023-24
	March YTD	Original	March YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	4 309.1	5 619.0	4 167.0
Taxation	1 241.0	1 684.5	1 373.7
Sales of goods and services	301.4	418.7	297.2
Fines and regulatory fees	101.9	126.4	111.7
Interest income	36.9	74.6	58.1
Dividend, tax and rate equivalent income	211.6	302.8	271.0
Other revenue	220.9	196.4	160.1
	6 422.8	8 422.2	6 438.7
Less Expenses from transactions			
Employee expenses	2 692.7	3 710.5	3 001.0
Superannuation	341.7	439.6	343.0
Depreciation	340.1	448.1	336.1
Supplies and consumables	1 315.1	1 650.0	1 336.4
Nominal superannuation interest expense	218.1	289.2	217.3
Borrowing costs	44.1	144.9	86.0
Grant and subsidy expenses	1 555.7	1 991.8	1 650.3
Other expenses	32.8	45.7	51.1
	6 540.4	8 719.7	7 021.3
Equals NET OPERATING BALANCE	(117.6)	(297.5)	(582.6)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	2.7	20.6	6.6
Other gains/(losses)	3.6	(41.8)	(6.8)
	6.4	(21.2)	(0.2)
Equals Operating Result	(111.2)	(318.7)	(582.8)

Table 2.1: General Government Income Statement (continued)

	2022-23 March YTD Actual \$m	2023-24 Original Budget \$m	2023-24 March YTD Actual \$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	211.5	274.1	205.6
Revaluation of equity investment in PNFC and PFC Sectors	....	280.5	....
Other non-owner movements in equity	(11.4)	....	5.5
	200.1	554.6	211.1
Equals Comprehensive Result	88.9	236.0	(371.7)
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(117.6)	(297.5)	(582.6)
Less Net acquisition of non-financial assets			
Purchases of non-financial assets	529.8	1 178.2	542.2
Less Sales of non-financial assets	18.4	38.8	23.7
Less Depreciation	226.5	448.1	336.1
	284.8	691.3	182.3
Equals FISCAL BALANCE - SURPLUS/(DEFICIT)	(402.4)	(988.8)	(765.0)

BALANCE SHEET

The General Government Sector Balance Sheet is presented in Table 2.2. The Net Worth for the General Government Sector has decreased by \$371.7 million from \$16 906.3 million as at 30 June 2023 to \$16 534.6 million as at 31 March 2024.

Assets increased by \$938.7 million, which includes the following major movements:

- an increase in Cash and deposits of \$444.6 million. This primarily reflects an increase in the balance of cash held in the Public Account due to additional borrowings undertaken to support expected expenditure;
- an increase in Equity investment in PNFC and PFC sectors of \$74.8 million. This primarily reflects a net change in asset values across a range of government businesses and includes the impact of equity contributions provided by the GGS;
- an increase in Other equity investments of \$50 million. This reflects the impact of equity contributions provided to the Tasmanian Water and Sewerage Corporation Pty Ltd by the GGS;
- an increase in Land and buildings of \$1 19.2 million. This primarily reflects an increase of \$96.5 million for the Department for Education, Children and Young People which includes capital expenditure on schools of \$68.1 million together with the impact of revaluations of \$28.4 million; and
- an increase in Infrastructure of \$255.2 million. This primarily reflects an increase of \$199.9 million for the Department of State Growth which includes capital expenditure on road infrastructure assets.

Liabilities have increased by \$1 310.4 million, which includes the following major movements:

- an increase in Borrowings of \$1 286.4 million. This primarily reflects additional borrowings of \$1 302.3 million undertaken by Finance-General to support Public Account expenditure which is partially offset by a reduction in borrowings of \$15.8 million for the Department of State Growth; and
- an increase in Employee entitlements of \$81.5 million. This primarily reflects an increase of \$77.9 million for the Department of Health which includes accrued salaries of \$68 million.

General Government Net Debt as at 31 March 2024 is \$2 747.2 million, which is an increase of \$872.6 million from \$1 874.6 million as at 30 June 2023. This primarily reflects additional Borrowings undertaken by Finance-General.

Table 2.2: General Government Balance Sheet

	30 June 2023	30 June 2024	31 March 2024
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	979.2	937.6	1 423.8
Investments	757.5	885.3	737.5
Equity investments in PNFC and PFC sectors	10 021.2	11 013.6	10 096.0
Other equity investments	141.0	189.9	191.0
Receivables	391.3	381.7	388.3
Contract assets ¹	2.6	....	1.0
Other financial assets ¹	905.3	640.1	880.3
	13 198.2	14 048.4	13 718.0
Non-financial assets			
Land and buildings	8 305.2	7 022.7	8 424.4
Infrastructure	7 166.7	7 591.4	7 421.9
Plant and equipment	331.7	388.2	360.7
Heritage and cultural assets	482.9	505.4	482.4
Investment property	4.0	3.9	3.9
Intangibles	55.5	201.6	53.9
Assets held for sale	10.6	10.9	10.6
Lease - right-of-use assets	600.3	687.8	608.7
Other non-financial assets	86.5	99.6	95.6
	17 043.3	16 511.6	17 462.1
Total Assets	30 241.4	30 560.0	31 180.1
Liabilities			
Borrowings	2 959.7	4 555.0	4 246.1
Lease liabilities	651.7	765.1	662.4
Superannuation	7 401.6	7 759.3	7 403.8
Employee entitlements	937.5	898.8	1 019.0
Payables	232.9	178.0	156.6
Contract liabilities ¹	387.7	....	368.1
Other liabilities ¹	764.1	961.0	789.4
Total Liabilities	13 335.1	15 117.2	14 645.5
Net Assets	16 906.3	15 442.7	16 534.6

Table 2.2: General Government Balance Sheet (continued)

	30 June 2023	30 June 2024	31 March 2024
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	8 520.1	7 831.8	7 942.8
Asset revaluation reserve	7 936.4	6 374.4	8 141.9
Other revaluation reserves	449.9	1 236.6	449.9
Total Equity	16 906.3	15 442.7	16 534.6
KEY FISCAL AGGREGATES			
NET WORTH²	16 906.3	15 442.7	16 534.6
NET FINANCIAL WORTH³	(137.0)	(1 068.8)	(927.5)
NET FINANCIAL LIABILITIES⁴	10 158.2	12 082.5	11 023.6
NET DEBT⁵	1 874.6	3 497.2	2 747.2
GFS NET DEBT⁶	1 223.0	2 732.0	2 084.8

Notes:

1. The change in these balances compared with the 2023-24 Budget primarily reflects the reclassification of Contract assets and Contract liabilities from Other financial assets and Other liabilities.
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 Statistics reporting framework and excludes the impact of Lease liabilities.

CASH FLOW STATEMENT

Table 2.3: General Government Cash Flow Statement

	2022-23	2023-24	2023-24
	March YTD	Original	March YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Cash flows from operating activities			
Cash receipts from operating activities			
Grants received	4 325.2	5 665.8	4 197.9
Taxation	1 221.0	1 682.8	1 347.3
Sales of goods and services	301.8	416.7	300.4
Fines and regulatory fees	94.7	126.3	102.9
Interest received	38.3	70.6	62.2
Dividend, tax and rate equivalents	211.6	314.7	271.0
Other receipts	534.4	446.7	502.9
	6 726.9	8 723.7	6 784.5
Cash payments for operating activities			
Employee entitlements	(2 666.5)	(3 689.0)	(2 935.2)
Superannuation	(511.0)	(712.1)	(558.9)
Supplies and consumables	(1 382.4)	(1 659.6)	(1 370.9)
Borrowing costs	(48.9)	(143.4)	(88.5)
Grants and subsidies paid	(1 596.3)	(1 991.7)	(1 676.0)
Other payments	(331.7)	(296.8)	(361.1)
	(6 536.9)	(8 492.5)	(6 990.7)
Net cash flows from operating activities	190.1	231.1	(206.2)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(529.8)	(1 219.3)	(542.2)
Sales of non-financial assets	18.4	35.0	23.7
	(511.3)	(1 184.3)	(518.4)
Net cash flows from financial assets (policy purposes)			
Equity injections	(174.9)	(256.7)	(124.8)
Net advances paid	(10.5)	(33.0)	13.7
Equity disposals	37.4	....	....
	(148.0)	(289.7)	(111.1)
Net cash flows from financial assets (liquidity management purposes)			
Net (purchase)/sale of investments	43.2	0.5	0.4
	43.2	0.5	0.4
Net cash flows from investing activities	(616.1)	(1 473.5)	(629.1)

Table 2.3: General Government Cash Flow Statement (continued)

	2022-23 March YTD Actual \$m	2023-24 Original Budget \$m	2023-24 March YTD Actual \$m
Cash flows from financing activities			
Net borrowing	549.0	1 247.1	1 279.9
Net cash flows from financing activities	549.0	1 247.1	1 279.9
Net increase/(decrease) in cash held	122.9	4.7	444.6
Cash at the beginning of the year	973.1	932.9	979.2
Cash at the end of the period	1 096.0	937.6	1 423.8
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	190.1	231.1	(206.2)
Plus Net cash flows from non-financial assets	(511.3)	(1 184.3)	(518.4)
Equals CASH SURPLUS/(DEFICIT)	(321.2)	(953.2)	(724.6)

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 2024. Receipts are categorised based on the source and nature of each receipt. Expenditure is categorised by the relevant Authority for Expenditure from the Public Account as provided under the *Financial Management Act 2016*.

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

Table 3.1: Public Account Receipts

	2022-23 March YTD Actual \$m	2023-24 Original Budget \$m	2023-24 March YTD Actual \$m
General Receipts			
Australian Government Sources	3 446.4	4 354.3	3 232.6
State Sources	1 683.8	2 244.6	1 807.2
	5 130.2	6 598.9	5 039.9
Specific Purpose Accounts	2 513.3	3 383.7	2 728.6
Statutory Authorities	175.1	311.3	235.1
Total Receipts	7 818.6	10 293.9	8 003.6

Table 3.2: Public Account Expenditure

	2022-23	2023-24	2023-24
	March YTD	Original	March YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Annual Appropriation			
Operating Services Expenditure	4 758.5	6 669.2	5 094.7
Capital Services Expenditure	420.0	776.5	415.4
	5 178.5	7 445.6	5 510.1
Reserved by Law	374.7	439.4	366.7
Specific Purpose Accounts	2 542.6	3 316.7	2 704.2
Statutory Authorities	212.2	329.9	278.1
Other Provisions	(2.2)
Total Expenditure	8 308.1	11 529.5	8 859.0



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