

Pre-Election Financial Outlook Report - April 2021



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I. INTRODUCTION

The *Charter of Budget Responsibility Act 2007* establishes the requirements for the preparation and release of a Pre-Election Financial Outlook Report.

Part 5 of the Act requires the Secretary of the Department of Treasury and Finance to review and make an assessment as to whether the current estimates vary materially from the information presented in either the Revised Estimates Report or Budget Papers, whichever is the more recent.

If the current estimates do not vary materially, the Secretary must inform the Premier and publicly release a notice that no report will be issued.

If the estimates vary materially, the Secretary must prepare a report within ten business days of the commencement of the election costing period. This report is to be provided to the Premier and be publicly released.

Section 11 of the Act requires the Treasurer to disclose to the Secretary, details of any Government decision, or any other circumstance, that was in existence before the commencement of the election costing period that:

- has, or could have material financial implications for the estimates for the current budget year and the following three years; and
- the Secretary could not reasonably be expected to know about.

This statement was received from the Treasurer, Hon Peter Gutwein, MP, on 26 March 2021 and is included in Appendix C of this Report.

The Secretary has considered the statement provided by the Treasurer and has reviewed the economic, revenue and expenditure estimates and forecasts presented in the *Revised Estimates Report 2020-21 (including December Quarterly Report)*, published on 15 February 2021 and has formed a view that the 2020-21 Budget and Forward Estimates have varied materially and a Pre-Election Financial Outlook Report is required to be released, in accordance with the Act.

This Report, the *Pre-Election Financial Outlook Report - April 2021*, provides updated General Government Sector Budget estimates for the period 2020-21 to 2023-24. It also includes updated forecast economic indicators.

This Report should be read in conjunction with the 2020-21 Budget Papers and the Revised Estimates Report that are available on the Treasury website.

2. REVISED ECONOMIC OUTLOOK

Table 2.1: Economic Actuals, Forecasts and Estimates

| | 2020-21 Budget | | | PEFO | |
|--|----------------|-----------|---------|-----------|-----------|
| | 2019-20 | 2020-21 | 2021-22 | 2020-21 | 2021-22 |
| | Actual | Forecasts | | Estimates | Forecasts |
| Gross State Product (real, % change) ¹ | 0.3 | -1½ | 3¾ | 1½ | 2½ |
| State Final Demand (real, % change) ¹ | -0.2 | -¼ | 3½ | 2½ | 2½ |
| Employment (year-average, % change) ² | 1.4 | -1¾ | -1 | 1¾ | 1¾ |
| Labour Force Participation Rate (year-average, %) ² | 60.4 | 60½ | 59½ | 61¼ | 61½ |
| Unemployment Rate (year-average, %) ² | 5.9 | 8½ | 8¼ | 6½ | 6 |
| Consumer Price Index (year-average, % change) ³ | 2.4 | 1.7 | 1.2 | 1.3 | 1.6 |
| Population (year-average, % change) ⁴ | 1.2 | 0.5 | 0.6 | 0.6 | 0.6 |

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

Notes:

1. State Final Demand actual is an ABS estimate calculated using the December quarter 2020 National Accounts data, while Gross State Product is calculated using ABS State Accounts data.
2. Labour force actuals are ABS estimates calculated using February 2021 data.
3. Consumer Price Index actual is an ABS estimate calculated using the December quarter 2020 data.
4. Population actual is an ABS estimate calculated using the September quarter 2020 data.

The outlook for the Tasmanian economy has improved since the 2020-21 Budget and the Revised Estimates Report were published. The successful management of the COVID-19 pandemic has allowed the Tasmanian economy to continue to recover, the scale of which is now being reflected through new economic data released by the Australian Bureau of Statistics. The updated estimates and forecasts presented above reflect new data issued by the ABS since the publication of the 2020-21 Budget and Revised Estimates Report.

Despite a severe contraction in economic activity throughout Australia and Tasmania in the June quarter 2020, positive gross state product growth of 0.3 per cent was recorded in 2019-20. This was considerably higher than the decline of ½ per cent estimated in the 2020-21 Budget. Since then, new data from the ABS have shown strong growth in the second half of 2020, reflecting improved consumer confidence and underpinned by significant government stimulus and support measures.

Estimates of state final demand for the first two quarters of 2020-21, from the ABS, indicate a stronger and faster rebound in economic activity in Tasmania than was anticipated at the time of the 2020-21 Budget and the Revised Estimates Report. Growth was recorded across the major components that comprise state final demand - household consumption, private investment and government expenditure. Dwelling investment was particularly strong in the December quarter 2020, boosted by Australian and State Government support for housing construction.

Similar trends are expected to continue across most components of state final demand for the remainder of 2020-21, leading to a revised estimate of 2½ per cent growth in state final demand for 2020-21 (up from a decline of ¼ per cent forecast at the time of the 2020-21 Budget and growth of one per cent in the Revised Estimates Report). Due to the stronger performance expected for 2020-21 (increasing the base year from which growth is calculated) growth of 2½ per cent is forecast for 2021-22 (down from a 3½ per cent growth rate anticipated at the time of the 2020-21 Budget, but slightly higher than the growth of 2¼ per cent in the Revised Estimates Report).

Gross state product forecasts have also been revised, consistent with the changes impacting state final demand. Gross state product is forecast to grow 1½ per cent in 2020-21 (compared to a contraction of 1½ per cent in the Budget and an increase of ¾ per cent in the Revised Estimates Report), and 2½ per cent in 2021-22 (compared to growth of 3¾ per cent in the 2020-21 Budget and three per cent in the Revised Estimates Report).

Recent data from the ABS have shown that the Tasmanian labour market has experienced stronger than expected growth over the past six months. The ABS estimates that, in February 2021, the Tasmanian employment level was 261 200 persons, almost 10 000 persons higher than at the time of the 2020-21 Budget and close to the series-high level recorded just before the pandemic. The labour market was still being supported by the JobKeeper Payment program until the end of March 2021. While the end of the JobKeeper Payment program is expected to lead to a temporary drop in the number of people employed, the decline in employment is now anticipated to be considerably smaller than assumed at the time of the 2020-21 Budget and the Revised Estimates Report. In 2020-21, employment is estimated to grow by 1¾ per cent, significantly higher than the decline in employment of 1¾ per cent forecast in the 2020-21 Budget and the estimated growth of ½ per cent in the Revised Estimates Report. Employment growth of 1¾ per cent is also forecast for 2021-22, again much higher than the decline of one per cent in the 2020-21 Budget and estimated growth of ½ per cent in the Revised Estimates Report.

Consistent with employment growth, there has been an increase in the number of people participating in the labour market and a decline in the unemployment rate. The ABS estimates that the Tasmanian unemployment rate peaked at 8.2 per cent in October 2020 and then declined to 7.0 per cent in December 2020, falling further to be 5.7 per cent in February 2021, slightly less than the national unemployment rate. In 2020-21, the year-average unemployment rate is estimated to be 6½ per cent, around two percentage points lower than the unemployment rate of 8½ per cent forecast in the 2020-21 Budget and lower than the seven per cent estimated in the Revised Estimates Report. The unemployment rate is forecast to decline further to six per cent in 2021-22.

Over the past year, prices have been volatile. After a large decline in Hobart's Consumer Price Index in the June quarter 2020, prices have increased to now be at a higher level than prior to the pandemic. Weaker inflation is expected in 2020-21 than at the time of the 2020-21 Budget. Stronger price growth is now forecast for 2021-22 due to the overall stronger growth expected in the economy.

At the end of September 2020, Tasmania's population increased to 541 100 persons. The closure of international borders in March 2020 has led to limited overseas migration in recent quarters. However, interstate migration has continued to be positive. Tasmania's population growth is expected to be 0.6 per cent in both 2020-21 and 2021-22, which is around the long-term trend for Tasmania and similar to the rates published in the 2020-21 Budget and the Revised Estimates Report.

3. PEFO ESTIMATES CONTEXT

As required under the Act, this Report has been prepared based on an assessment undertaken to determine if the most recent publicly available Budget estimates have varied materially.

Given the recent publication of the Revised Estimates Report and the limited timeframe available for this Report's preparation, the updated financial information included is based on information held by or provided to Treasury since the publication of the Revised Estimates Report. Treasury has not sought additional updated information from agencies or Government businesses specifically in relation to the preparation of this Report.

This Report does not incorporate the impact of new commitments made by any political party or candidate in the context of the 2021 Election campaign.

Items included in PEFO Report estimates

In preparing this Report, Treasury has undertaken an assessment of the 2020-21 Budget and Forward Estimates, and where material variations have been identified, they have been incorporated into this Report. Significant revisions have been made in the following areas:

- GST forecasts;
- own source revenue, including State taxation;
- Infrastructure Investment Program expenditure, including corresponding changes to the timing of funding recognised under relevant National Partnership Agreements; and
- Debt and Borrowing Costs.

Details of movements incorporated into this Report are included in Section 4.

Items excluded from PEFO Report estimates

Updated estimates have not been included in this Report, in the following areas, for the reasons identified below:

- General Government Superannuation Expenses and Liabilities - updated estimates were not available from the State Actuary within the timeframes for the preparation of this Report;
- costs associated with the Commission of Inquiry into the Tasmanian Government's Responses to Child Sexual Abuse in Institutional Settings - a reliable estimate of costs, over the 2020-21 Budget and Forward Estimates period, was not available within the timeframes for the preparation of this Report. To the extent that funding is required in 2020-21, Treasury considers that there will be sufficient capacity within the Treasurer's Reserve to meet these costs. Allocation of funding for future years will be included in the 2021-22 Budget;

- State of the State 2021 address - commitments made in the State of the State address, including the costs associated with implementing the recommendations of the final report of the Premier's Economic and Social Recovery Advisory Council, are not included in this Report. However, to the extent that some commitments have commenced in 2020-21, an estimate has been made within the 2020-21 Treasurer's Reserve to meet these costs; and
- updates for Specific Purpose Payment estimates, with the exception of *Quality Schools, Quality Outcomes* where updated information was included in the Revised Estimates Report.

4. REVISIONS TO GENERAL GOVERNMENT SECTOR KEY FISCAL MEASURES

Since the publication of the 2020-21 Budget, it is estimated that the General Government Sector Net Operating Balance has improved by approximately \$607 million over the Budget and Forward Estimates period. This improvement, together with revised Infrastructure Investment estimates has also driven an improvement in Net Debt over the period.

Table 4.1 summarises the impact of updated financial information on Key Fiscal Measures since the publication of the 2020-21 Budget. Major reasons for the movements are provided following the Table.

Table 4.1: General Government Sector Key Fiscal Measures

| | 2020-21 Revised Budget | 2021-22 Forward Estimate | 2022-23 Forward Estimate | 2023-24 Forward Estimate |
|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$m | \$m | \$m | \$m |
| Net Operating Balance | | | | |
| Budget 2020-21 | (1 118.0) | (281.5) | 13.9 | 17.2 |
| Variations | 159.2 | 56.1 | 178.6 | 213.2 |
| 2020-21 Revised | (958.8) | (225.4) | 192.4 | 230.4 |
| Fiscal Balance | | | | |
| Budget 2020-21 | (1 779.7) | (745.9) | (338.3) | (437.9) |
| Variations | 520.2 | (3.9) | 94.2 | 138.1 |
| 2020-21 Revised | (1 259.5) | (749.8) | (244.1) | (299.8) |
| Net Debt¹ | | | | |
| Budget 2020-21 | 1 854.8 | 2 854.4 | 3 729.1 | 4 380.5 |
| Variations | (594.0) | (613.5) | (680.3) | (717.2) |
| 2020-21 Revised | 1 260.8 | 2 240.9 | 3 048.8 | 3 663.3 |

Table 4.1: General Government Sector Key Fiscal Measures (continued)

| | 2020-21 Revised Budget | 2021-22 Forward Estimate | 2022-23 Forward Estimate | 2023-24 Forward Estimate |
|----------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$m | \$m | \$m | \$m |
| GFS Net Debt² | | | | |
| Budget 2020-21 | 1 432.8 | 2 466.2 | 3 370.0 | 4 048.8 |
| Variations | (594.0) | (613.5) | (680.3) | (717.2) |
| 2020-21 Revised | 838.8 | 1 852.7 | 2 689.6 | 3 331.7 |
| Infrastructure Investment | | | | |
| Budget 2020-21 | 1 073.4 | 959.4 | 863.2 | 998.4 |
| Variations | (379.3) | 92.0 | 91.1 | 80.4 |
| 2020-21 Revised | 694.1 | 1 051.4 | 954.3 | 1 078.8 |

Notes:

1. Net Debt represents Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments. This measure incorporates the impact of Lease liabilities on the Balance Sheet.
2. 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.

Major Reasons for Variations

Revenue Variations

Estimates of GST Revenue in the 2020-21 Tasmanian Budget were prepared against a background of considerable uncertainty. The primary driver of lower estimates of GST revenue to Tasmania in the 2020-21 Tasmanian Budget was a significant reduction in the Australian Government's forecasts of the GST pool since the publication of the 2019-20 Australian Government Budget, largely driven by the impact of the COVID-19 pandemic. Virus containment measures, particularly health and travel restrictions, significantly impacted consumption throughout 2020 and, in particular, the consumption of services and discretionary expenditure that is subject to GST.

In its *Mid-Year Economic and Fiscal Outlook 2020-21*, the Australian Government increased its forecasts of the GST pool by \$4.9 billion across the Budget and Forward Estimates reflecting updated expectations of the ongoing impacts of the COVID-19 pandemic on consumption. The impact of this revision on Tasmania's GST estimates was reflected in the Revised Estimates Report.

On 25 March 2021, the Australian Government Treasurer, Hon Josh Frydenberg MP, accepted the GST revenue sharing relativities recommended by the Commonwealth Grants Commission in its 2021 update, resulting in an increase in Tasmania's relativity to 1.96 in 2021-22, increasing Tasmania's share of the GST pool. As a result, forecast GST revenue has improved by \$406 million over the Budget and Forward Estimates, since publication of the Revised Estimates Report.

The combination of these factors result in forecast GST revenue to Tasmania increasing by \$475 million over the Budget and Forward Estimates period, compared to the 2020-21 Budget.

As noted in the Revised Estimates Report, estimated Australian Government receipts for *Quality Schools, Quality Outcomes* are projected to decrease by approximately \$40.2 million across the Budget and Forward Estimates period, reflecting an advance payment by the Australian Government, received in 2019-20 for Non-Government Schools, updated indexation rates used by the Australian Government, together with minor revisions of student enrolments for the Non-Government sector.

Australian Government National Partnership Payments revenue has been adjusted downward by approximately \$91 million across the Budget and Forward Estimates to reflect the recognition of Australian Government funding provided, consistent with revised agency projected infrastructure program delivery. This reflects the appropriate treatment for revenue recognition in accordance with Australian Accounting Standards and not a change in the total amount of funding to be received by the Australian Government.

Forecasts of own-source revenue in the 2020-21 Budget were also prepared against a background of ambiguity. While some uncertainty remains, the Tasmanian economy continues to recover more quickly than expected at the time of the 2020-21 Budget and, more recently, the Revised Estimates Report.

Own-source revenue was revised up by \$177.7 million over the Budget and Forward Estimates period, in the Revised Estimates Report. This was primarily driven by an upward revision to conveyance duty as a result of strength in property transactions and housing prices.

Since publication of the Revised Estimates Report, continued strength in monthly conveyance receipts has led to a further upward revision in conveyance duty in 2020-21 and across the Forward Estimates. There has also been growth in new motor vehicle sales in 2020-21, resulting in upward revisions to Motor Vehicle Duty across the Budget and Forward Estimates. Strong iron and zinc prices in 2020-21 have also led to an increase in mineral royalties across 2020-21 and 2021-22.

These factors, combined with a lower than expected uptake of land tax relief in 2020-21 for commercial property owners impacted by COVID-19, have led to own-source revenue estimates increasing by \$265.7 million over the Budget and Forward Estimates, compared to the 2020-21 Budget.

In preparing this Report, updated estimates of Government business dividend, tax and rate equivalent income were not sought, given the timeframes for the preparation of this Report. However, the Revised Estimates Report reflected a decrease in dividend, tax and rate equivalent income of \$12.9 million, compared to the 2020-21 Budget, primarily as a result of a decrease in dividends from TT-Line Company Pty Ltd, reflecting a lower dividend payout ratio for 2020-21.

Expense Variations

Since the 2020 21 Budget, General Government Sector Expenses from transactions is estimated to increase by an estimated \$43.2 million across the Budget and Forward Estimates period (refer to Endnote 1).

Material variations to General Government Sector Expenses over the Budget and Forward Estimates period since the Revised Estimates Report include:

- a \$60 million downward revision of the 2020-21 Treasurer's Reserve allocation, reflecting Treasury's assessment that approximately 75 per cent of the total \$80 million allocation in 2020-21 will not be required as there will be sufficient capacity to meet agency 2020-21 additional funding requests from other agency savings;

- a \$23.3 million increase in Australian Government funded infrastructure expenditure to reflect the revised expenditure profile from agencies, including a reallocation from Purchases of Non-Financial Assets to Expenses;
- an increase of \$56.8 million in interest expense which reflects the updated forecast borrowing profile and variations to interest rate assumptions since the publication of the 2020-21 Budget;
- a further \$11.9 million increase in the cost of the Tasmanian Home Builder Grant program and the First Home Owner Grant, since publication of the Revised Estimates Report, reflecting a stronger uptake with applications across both grant programs continuing to exceed expectations;
- a \$3.5 million increase in funding to TasWater, to undertake initial works in relation to the relocation of the Macquarie Point Wastewater Treatment Plant. Changes to the timing of Government equity contributions provided over the Budget and Forward Estimates have also been incorporated; and
- a change in the timing associated with election costs of \$2.7 million from 2021-22 to 2020-21.

Information on the Government's expenditure commitments from the 2020-21 COVID-19 Provision, as at 31 March 2021, is included at Appendix B of this Report.

Purchases of Non-Financial Assets and Infrastructure Investment

The profile of Purchases of Non-Financial Assets, which is a key component in the calculation of the Fiscal Balance, is primarily driven by the Infrastructure Investment profile.

This Report reflects a Purchases of Non-Financial Assets and Infrastructure Investment profile based on project cashflow updates submitted to Treasury by agencies in March 2021.

However, Treasury is of the view that it is likely that Infrastructure Investment outcomes over the Forward Estimates period will be lower than currently projected by agencies.

This assessment is based on recent trends and data in infrastructure outcomes including:

- Historical under-expenditure of the General Government Sector Infrastructure budget - over the period 2014-15 to 2019-20 an average annual underspend of approximately 25 per cent has occurred against the General Government Sector Infrastructure budget;
- Actual levels of Infrastructure Investment - average expenditure over the five-year period to 2019-20 was approximately \$504 million, with 2018-19 expenditure approximately \$682 million;
- Actual year-on-year growth in Infrastructure Investment spending - the annual growth rate of actual expenditure from 2016-17 to 2019-20 is approximately 9 per cent; and
- Year-to-date Infrastructure Investment expenditure as at 28 February 2021 - was \$329 million or approximately 31 per cent of the total 2020-21 Budget.

Further, with significant State and Australian Government investment in building and construction and high levels of private investment, there are emerging signs of capacity constraints in some sectors of the construction industry.

The impact on the General Government Sector Infrastructure program of potential market constraints, and other variations to project costs and timeframes, together with the inclusion of additional projects arising from election commitments, will be reviewed on an individual project basis as part of the 2021-22 Budget

process. To the extent that the infrastructure investment expenditure is revised to lower levels than currently estimated, there will be a consequent reduction in Net Debt and improvement in General Government Sector Key Fiscal Measures.

5. FACTORS IMPACTING ON PEFO ESTIMATES

The estimates and forecasts presented in this Report are based on assumptions and judgments using information available at the time of preparation. Actual outcomes could vary substantially depending upon the extent to which developments are different from the underlying assumptions. There is a range of factors that present both upside and downside risks to the updated estimates contained in this Report. Some of the material factors that may impact on the estimates in this Report are discussed briefly below.

The ongoing impact of the COVID-19 pandemic continues to create uncertainty, with the threat of further outbreaks continuing to impact on business and consumer confidence. However, the economic outlook for the State has the potential to be better than forecast if more positive than expected COVID-19 outcomes are achieved nationally and internationally, leading to greater consumer and business confidence and growth. Conversely, further widespread outbreaks could lead to a material downward revision to the estimates.

In the medium to long-term, earlier than anticipated resumption of international travel, could have positive implications for Tasmania's tourism sector and economic growth. Greater than expected net migration to the State, due to the earlier re-commencement of international migration or the increasing relative attractiveness of Tasmania, in the context of a growing preference for living in regional areas, would also be positive for the Tasmanian economy.

Recent strength in the national economy, and in particular consumer confidence, may result in upwards revisions to the GST pool estimates in the 2021-22 Australian Government Budget resulting in further increases in GST revenue to Tasmania. However, in the medium term, there continues to be ongoing uncertainty related to Tasmania's relativity, which is calculated annually by the Commonwealth Grants Commission, and is currently at historically high levels.

The strength in the local and national economies also continues to underpin strong own-source revenue. Continued growth in the volume of property transactions and house prices in the Tasmanian market could support further increases in conveyance duty estimates.

It is expected that all agencies will deliver services within existing Budget and Forward Estimates allocations. However, there continues to be a range of cost pressures facing agencies including general increases in the cost of inputs and increasing demand for services. Recent years have seen additional funding allocated through Budget processes to key areas of service delivery. If demand increases at a faster rate than anticipated or agency costs rise faster this could lead to a deterioration in the General Government Sector estimates.

No adjustments or further funding provisions have been made in this Report for the State's COVID-19 response costs or recovery activities. The current provision is assumed to be fully utilised in 2020-21. Should circumstances change, further COVID-19 related costs may be incurred over the Forward Estimates period.

Other potential downside risks include; the potential employment impacts from the cessation of the JobKeeper Payment program and other forms of government employment support, higher growth in the

public sector workforce than anticipated in the Budget estimates, and the potential for wage outcomes above current indexation levels.

APPENDIX A

GENERAL GOVERNMENT SECTOR

FINANCIAL STATEMENTS

Table A1.1: General Government Income Statement

| | 2020-21 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|------------------|----------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Revenue from transactions | | | | | |
| Grants | 4 066.1 | 4 053.6 | 4 481.5 | 4 831.6 | 5 100.2 |
| Taxation | 1 220.6 | 1 290.7 | 1 348.3 | 1 400.2 | 1 447.6 |
| Sales of goods and services | 433.4 | 433.7 | 459.2 | 468.0 | 475.4 |
| Fines and regulatory fees | 102.2 | 102.3 | 108.8 | 109.6 | 110.9 |
| Interest income | 14.9 | 14.9 | 15.4 | 16.8 | 11.9 |
| Dividend, tax and rate equivalent income | 413.1 | 400.3 | 348.2 | 296.0 | 257.4 |
| Other revenue | 177.9 | 207.0 | 178.8 | 177.0 | 175.4 |
| | 6 428.1 | 6 502.4 | 6 940.2 | 7 299.1 | 7 578.7 |
| Less Expenses from transactions | | | | | |
| Employee expenses | 3 051.7 | 3 067.0 | 3 121.6 | 3 150.2 | 3 258.9 |
| Superannuation | 373.8 | 376.0 | 390.2 | 378.2 | 379.0 |
| Depreciation | 388.1 | 388.1 | 415.3 | 430.7 | 446.2 |
| Supplies and consumables | 1 731.8 | 1 679.1 | 1 388.0 | 1 392.8 | 1 477.5 |
| Nominal superannuation interest expense | 161.8 | 161.8 | 94.5 | 94.5 | 94.7 |
| Borrowing costs | 29.3 | 30.2 | 70.3 | 77.4 | 94.1 |
| Grant and subsidy expenses | 1 771.0 | 1 720.3 | 1 652.3 | 1 551.7 | 1 569.9 |
| Other expenses | 38.7 | 38.7 | 33.3 | 31.3 | 28.0 |
| | 7 546.1 | 7 461.2 | 7 165.7 | 7 106.7 | 7 348.4 |
| Equals NET OPERATING BALANCE | (1 118.0) | (958.8) | (225.4) | 192.4 | 230.4 |
| Plus Other economic flows - included in Operating Result | | | | | |
| Gain/(loss) on sale of non-financial assets | 16.6 | 16.6 | 25.0 | 17.9 | 17.3 |
| Other gains/(losses) | 80.9 | 20.7 | (2.4) | (26.9) | 2.8 |
| | 97.5 | 37.3 | 22.6 | (9.0) | 20.1 |

Table A1.1: General Government Income Statement (continued)

| | 2020-21 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|------------------|------------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Equals Operating Result | (1 020.5) | (921.5) | (202.9) | 183.4 | 250.5 |
| Plus Other economic flows - other movements in Equity | | | | | |
| Revaluations of non-financial assets | 220.2 | 220.2 | 280.4 | 282.0 | 317.4 |
| Revaluation of equity investment in PNFC and PFC sectors | 148.3 | 50.8 | (151.9) | (19.3) | 28.1 |
| Movements in superannuation liability | (1 198.2) | (1 198.2) | | | |
| | (829.6) | (927.1) | 128.5 | 262.7 | 345.4 |
| Equals Comprehensive Result | (1 850.1) | (1 848.6) | (74.4) | 446.1 | 595.9 |
| KEY FISCAL AGGREGATES | | | | | |
| NET OPERATING BALANCE | (1 118.0) | (958.8) | (225.4) | 192.4 | 230.4 |
| Less Net acquisition of non-financial assets | | | | | |
| Purchases of non-financial assets | 1 085.5 | 724.4 | 982.8 | 903.3 | 1 011.9 |
| Less Sales of non-financial assets | 35.7 | 35.7 | 43.1 | 36.1 | 35.5 |
| Less Depreciation | 388.1 | 388.1 | 415.3 | 430.7 | 446.2 |
| | 661.7 | 300.6 | 524.3 | 436.5 | 530.2 |
| Equals FISCAL BALANCE | (1 779.7) | (1 259.5) | (749.8) | (244.1) | (299.8) |

Table A1.2: General Government Balance Sheet

| | 2021 | 2021 | 2022 | 2023 | 2024 |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Assets | | | | | |
| Financial assets | | | | | |
| Cash and deposits | 1 160.4 | 1 092.0 | 1 081.2 | 816.9 | 763.5 |
| Investments | 420.3 | 410.8 | 447.6 | 243.2 | 231.8 |
| Equity investments in PNFC and PFC sectors | 4 721.8 | 4 624.3 | 4 604.3 | 4 933.7 | 5 043.9 |
| Other equity investments | 124.8 | 94.8 | 140.3 | 195.8 | 251.3 |
| Receivables | 326.5 | 325.7 | 323.1 | 320.3 | 317.6 |
| Other financial assets | 585.3 | 511.9 | 528.8 | 543.8 | 592.5 |
| | 7 339.1 | 7 059.5 | 7 125.3 | 7 053.8 | 7 200.5 |
| Non-financial assets | | | | | |
| Land and buildings | 7 470.8 | 7 463.0 | 7 729.8 | 7 839.7 | 7 980.3 |
| Infrastructure | 6 405.0 | 6 052.2 | 6 629.4 | 7 266.4 | 8 016.1 |
| Plant and equipment | 291.9 | 291.5 | 289.5 | 290.6 | 289.8 |
| Heritage and cultural assets | 452.0 | 452.0 | 464.3 | 476.6 | 488.9 |
| Investment property | 3.3 | 3.3 | 3.7 | 4.0 | 4.3 |
| Intangibles | 71.9 | 71.9 | 97.0 | 116.2 | 121.4 |
| Assets held for sale | 16.7 | 16.7 | 15.0 | 15.7 | 14.6 |
| Lease - right-of-use-assets | 412.1 | 412.1 | 375.6 | 344.7 | 316.9 |
| Other non-financial assets | 48.2 | 47.2 | 46.2 | 46.2 | 46.2 |
| | 15 171.9 | 14 809.8 | 15 650.5 | 16 400.1 | 17 278.5 |
| Total Assets | 22 510.9 | 21 869.3 | 22 775.8 | 23 453.8 | 24 479.0 |
| Liabilities | | | | | |
| Borrowings | 3 013.5 | 2 341.6 | 3 381.5 | 3 749.8 | 4 326.9 |
| Lease liabilities | 422.1 | 422.1 | 388.2 | 359.1 | 331.7 |
| Superannuation | 11 481.0 | 11 481.0 | 11 426.9 | 11 350.1 | 11 252.3 |
| Employee entitlements | 800.0 | 800.0 | 818.6 | 837.3 | 856.4 |
| Payables | 191.7 | 199.6 | 203.3 | 204.7 | 206.3 |
| Other liabilities | 590.0 | 610.8 | 617.5 | 566.9 | 523.5 |
| Total Liabilities | 16 498.3 | 15 855.1 | 16 836.0 | 17 067.9 | 17 497.2 |
| Net Assets | 6 012.7 | 6 014.2 | 5 939.8 | 6 385.9 | 6 981.8 |

Table A1.2: General Government Balance Sheet (continued)

| | 2021 | 2021 | 2022 | 2023 | 2024 |
|----------------------------|----------------|----------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Equity | | | | | |
| Accumulated funds | 1 550.5 | 1 649.5 | 1 446.6 | 1 630.0 | 1 880.5 |
| Asset revaluation reserve | 5 296.3 | 5 296.3 | 5 576.7 | 5 858.7 | 6 176.1 |
| Other revaluation reserves | (834.1) | (931.6) | (1 083.5) | (1 102.8) | (1 074.8) |
| Total Equity | 6 012.7 | 6 014.2 | 5 939.8 | 6 385.9 | 6 981.8 |

KEY FISCAL AGGREGATES

| | | | | | |
|--|------------------|------------------|------------------|-------------------|-------------------|
| NET WORTH¹ | 6 012.7 | 6 014.2 | 5 939.8 | 6 385.9 | 6 981.8 |
| NET FINANCIAL WORTH² | (9 159.2) | (8 795.6) | (9 710.7) | (10 014.2) | (10 296.7) |
| NET FINANCIAL LIABILITIES³ | 13 881.0 | 13 419.9 | 14 315.0 | 14 947.9 | 15 340.5 |
| NET DEBT⁴ | 1 854.8 | 1 260.8 | 2 241.0 | 3 048.7 | 3 663.3 |
| GFS NET DEBT⁵ | 1 432.8 | 838.8 | 1 852.7 | 2 689.6 | 3 331.7 |

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. This measure incorporates the impact of recognising Lease liabilities on the Balance Sheet.
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 Statistics reporting framework, and excludes the impact of Lease liabilities.

Table A1.3: General Government Cash Flow Statement

| | 2020-21 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Cash flows from operating activities | | | | | |
| Cash received from operating activities | | | | | |
| Grants received | 3 966.0 | 3 991.9 | 4 467.0 | 4 759.7 | 5 037.7 |
| Taxation | 1 218.7 | 1 288.8 | 1 345.7 | 1 397.5 | 1 445.0 |
| Sales of goods and services | 432.0 | 432.3 | 457.5 | 466.8 | 473.3 |
| Fines and regulatory fees | 102.2 | 102.3 | 108.8 | 109.6 | 110.9 |
| Interest received | 14.0 | 14.0 | 15.7 | 16.0 | 11.9 |
| Dividend, tax and rate equivalents | 414.4 | 414.8 | 344.4 | 286.2 | 246.9 |
| Other receipts | 404.3 | 436.8 | 410.5 | 408.5 | 408.9 |
| | 6 551.6 | 6 680.8 | 7 149.6 | 7 444.4 | 7 734.5 |
| Cash payments for operating activities | | | | | |
| Employee entitlements | (3 023.1) | (3 038.4) | (3 102.0) | (3 130.3) | (3 238.8) |
| Superannuation | (528.5) | (530.7) | (537.5) | (548.0) | (570.0) |
| Supplies and consumables | (1 737.6) | (1 684.6) | (1 378.2) | (1 383.8) | (1 470.5) |
| Borrowing costs | (29.4) | (22.4) | (69.2) | (77.6) | (94.2) |
| Grants and subsidies paid | (1 770.9) | (1 720.3) | (1 652.2) | (1 551.7) | (1 569.9) |
| Other payments | (267.5) | (286.8) | (267.6) | (265.2) | (264.1) |
| | (7 357.0) | (7 283.2) | (7 006.6) | (6 956.5) | (7 207.5) |
| Net cash flows from operating activities | (805.3) | (602.4) | 143.0 | 487.9 | 527.0 |
| Cash flows from investing activities | | | | | |
| Net cash flows from non-financial assets | | | | | |
| Purchases of non-financial assets | (1 073.2) | (712.1) | (970.7) | (891.4) | (999.9) |
| Sales of non-financial assets | 32.7 | 32.7 | 39.4 | 32.3 | 31.7 |
| | (1 040.5) | (679.4) | (931.3) | (859.1) | (968.3) |
| Net cash flows from financial assets (policy purposes) | | | | | |
| Equity injections | (72.2) | (42.2) | (177.4) | (404.3) | (137.6) |
| Net advances paid | (81.7) | (2.7) | (38.2) | (23.6) | (13.8) |
| Equity disposals | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| | (150.3) | (41.2) | (212.0) | (424.3) | (147.8) |

Table A1.3: General Government Cash Flow Statement (continued)

| | 2020-21 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|------------------|------------------|------------------|------------------|------------------|
| | Budget | Revised Budget | Forward Estimate | Forward Estimate | Forward Estimate |
| | \$m | \$m | \$m | \$m | \$m |
| Net cash flows from financial assets (liquidity management purposes) | | | | | |
| Net (purchase)/sale of investments | (121.6) | (191.2) | (2.2) | 206.3 | |
| | (121.6) | (191.2) | (2.2) | 206.3 | |
| Net cash flows from investing activities | (1 312.3) | (911.8) | (1 145.5) | (1 077.1) | (1 116.1) |
| Cash flows from financing activities | | | | | |
| Net borrowing | 2 097.6 | 1 425.7 | 991.6 | 324.9 | 535.7 |
| Net cash flows from financing activities | 2 097.6 | 1 425.7 | 991.6 | 324.9 | 535.7 |
| Net increase/(decrease) in cash held | (20.1) | (88.5) | (10.8) | (264.2) | (53.5) |
| Cash at the beginning of the year | 1 180.5 | 1 180.5 | 1 092.0 | 1 081.2 | 816.9 |
| Cash at the end of the year | 1 160.4 | 1 092.0 | 1 081.2 | 816.9 | 763.5 |
| KEY FISCAL AGGREGATES | | | | | |
| Net cash flows from operating activities | (805.3) | (602.4) | 143.0 | 487.9 | 527.0 |
| Plus Net cash flows from non-financial assets | (1 040.5) | (679.4) | (931.3) | (859.1) | (968.3) |
| Equals CASH SURPLUS/(DEFICIT) | (1 845.8) | (1 281.8) | (788.3) | (371.2) | (441.3) |

APPENDIX B

2020-21 COVID-19 PROVISION

The 2020-21 Budget allocated \$145 million to Finance-General as a central funding provision to meet unknown or uncertain COVID-19 related costs.

Table BI below reflects the Government's expenditure commitments that have been approved by the Treasurer to be funded from the 2020-21 COVID-19 Provision and estimated additional costs that have been, or are likely to be, incurred by agencies that are yet to be approved. The first tranche of allocations was approved by the Treasurer in December 2020.

The information in Table BI is based on information held by Treasury as at 31 March 2021. However, final costs and timing of expenditure are currently uncertain, with a proportion of the funding likely to be required after 30 June 2021 (ie in 2021-22). Funding allocations, including timing, from the Provision will be revised and updated as part of 2020-21 End of Year and 2021-22 Budget processes. Funding allocations will be transferred to the relevant agency responsible for meeting the COVID-19 related costs, following approval by the Treasurer.

Table BI: 2020-21 COVID-19 Provision Allocation estimates as at 31 March 2021

| | 2020-21 \$'000 |
|---|-------------------|
| 2020-21 COVID-19 Provision | 145 000 |
| Less Expenditure Commitments Approved by the Treasurer | |
| Department of Communities Tasmania | |
| Public Housing Initiatives - solar and gas | 15 000 |
| Women's Strategy | 2 500 |
| Seasonal Workers | 2 000 |
| | 19 500 |
| Finance-General | |
| Interstate Hotel Quarantine Costs | 2 338 |
| Department of Justice | |
| Workplace Inspections | 225 |
| Department of Premier and Cabinet | |
| Strategic Growth - Employment Partnerships | 1 400 |

Table BI: 2020-21 COVID-19 Provision Allocation estimates as at 31 March 2021 (continued)

| | 2020-21 |
|--|----------------|
| | \$'000 |
| Department of Primary Industries, Parks Water and Environment | |
| Rural Youth Agfest Support | 300 |
| Circular Economy | 10 000 |
| Border Response and Good 2 Go | 6 000 |
| | 16 300 |
| Department of State Growth | |
| Arts and Cultural Grants Fund | 2 500 |
| Assistance for Commercial Building Projects | 10 000 |
| Energy Rebates for Hospitality Businesses | 10 000 |
| | 22 500 |
| Total approved commitments as at 31 March 2021 | 62 263 |
| Less Commitments Yet to be Approved | |
| Border and Biosecurity Control Costs | 2 140 |
| Coordination Unit Costs | 20 460 |
| Health Costs | 26 000 |
| Landlord Relief Fund and Rent Relief Extension | 2 500 |
| Seafood Industry Recovery Initiatives | 1 200 |
| Tasmanian Hotel Quarantine Extension Costs | 12 000 |
| Traveller Management System | 770 |
| Vaccine Costs | 17 000 |
| | 82 070 |
| Total Unallocated Funding | 667 |

APPENDIX C

STATEMENT BY THE TREASURER



PREMIER OF TASMANIA

26 MAR 2021

Mr Tony Ferrall
Secretary
Department of Treasury and Finance

PRE-ELECTION FINANCIAL OUTLOOK REPORT

In accordance with section 11 of the *Charter of Budget Responsibility Act 2007*, I advise that I am not aware of any Government decision, or any other circumstance that was in existence before the commencement of the election costing period that will have material financial implications for the estimates in the Pre-election Financial Outlook Report that is referred to in section 9 of the Act.

A handwritten signature in blue ink, appearing to read 'Peter Gutwein', written over the text of the statement.

Peter Gutwein
Premier
Treasurer

Endnote 1

Since the original publication of the PEFO Report on 13 April 2021, the narrative on page 11 under the heading Expense Variations has been revised to correct the description of the movement in General Government Sector expenses. The sentence previously read: “Since the 2020-21 Budget, General Government Sector Expenses from transactions is estimated to decrease by an estimated \$43.2 million across the Budget and Forward Estimates period.”

No estimate in the Report has been impacted by this change.