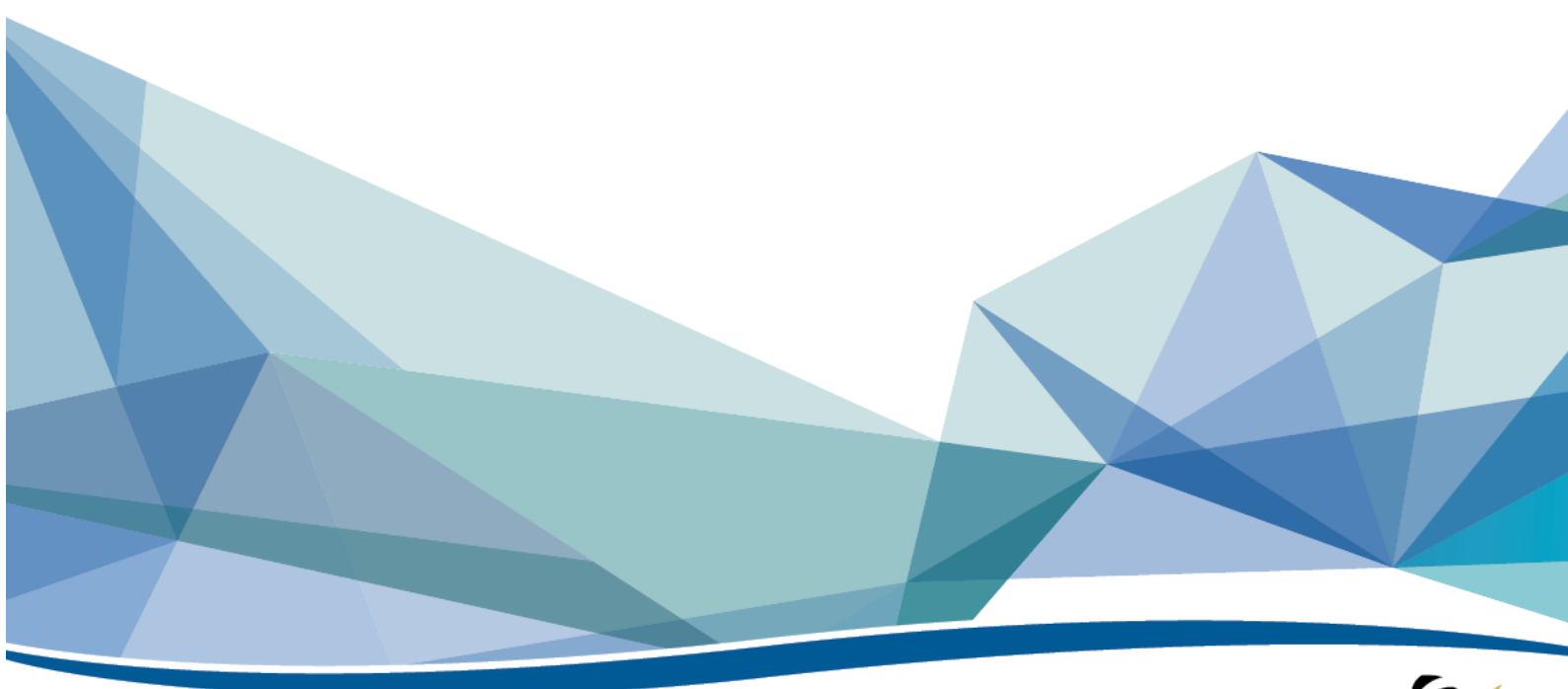


September Quarterly Report 2020-21



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INTRODUCTION

The September Quarterly Report 2020-21 is prepared in accordance with Section 35 of the *Financial Management Act 2016*. It presents financial results for the three months ending 30 September 2020 for the General Government Sector and the Public Account.

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 September 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 *Revised Estimates Report 2020-21 (including December Quarterly Report)* due for release by 15 February 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 three months ending 30 September 2020; and
- Section 3 summarises receipts to, and expenditure from, the Public Account for the three months ending 30 September 2020.

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 Net Operating Balance for the three months ending 30 September 2020 is a deficit of \$310.4 million.

Where relevant, the quarterly results have been compared to a pro-rata percentage (25 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 three months ending 30 September 2020 is \$1 519.2 million, which is \$87.8 million below the pro-rata Original Budget estimate of \$1 607 million, or 23.6 per cent of the Original Budget for 2020-21.

The main variations for the three months ending 30 September 2020 are:

- Grants revenue is \$109.2 million below the pro-rata Original Budget estimate. This primarily relates to the timing of National Partnership Payments that will be received later in 2020-21;
- Taxation revenue is \$122.6 million above the pro-rata Original Budget estimate. This is primarily due to the timing of Land tax revenue which is \$119.5 million above the pro-rata Original Budget estimate. The majority of Land tax revenue for 2020-21 is recognised in the September 2020 quarter. This is consistent with expectations and the usual timing of these Taxation receipts;
- Sales of goods and services is \$23.1 million below the pro-rata Original Budget estimate, which is primarily due to lower than anticipated revenue of \$17.5 million for the Department of Health; and
- Dividend, tax and rate equivalent income is \$82.3 million below the pro-rata Original Budget estimate. This is due to the timing of the payment of dividend instalments by government businesses. These payments are generally received in the December quarter.

Expenses from transactions

Expenses from transactions for the three months ending 30 September 2020 is \$1 829.6 million, which is \$56.9 million below the pro-rata Original Budget estimate of \$1 886.5 million, or 24.2 per cent of the Original Budget for 2020-21. This result is consistent with the Original Budget estimates and previous year expenditure patterns. The major expense variations for the three months ending 30 September 2020 are:

- Supplies and consumables is \$55 million below the pro-rata Original Budget estimate. The variation is primarily due to a decrease for Finance-General of \$58.9 million. The Finance-General Budget for 2020-21 includes \$145 million as a COVID-19 Provision and \$80 million for the Treasurer's Reserve. The variation reflects that neither provision has been used in the September Quarter.

Other economic flows – Included in Operating Result

Other economic flows – Included in Operating Result for the three months ending 30 September 2020 is an inflow of \$1.5 million, which is \$22.9 million below the pro-rata Original Budget estimate of a \$24.4 million inflow. The main variation is in Other gains/(losses) which is \$20.6 million below the Original Budget estimate. This is due to the timing associated with the budgeted deferred tax assets revaluation gains. This revaluation will be calculated at the end of the year.

Net acquisition of non-financial assets

Net acquisition of non-financial assets for the three months ending 30 September 2020 is negative \$21.8 million, which is \$187.2 million lower than the pro-rata Original Budget estimate of \$165.4 million. This is mainly due to Purchases of non-financial assets for the three months ending 30 September 2020 being \$192.1 million below the pro-rata Original Budget estimate. This is consistent with expectations and the seasonal timing of these capital payments. The decrease primarily reflects the impact of timing on cash flows for the following projects:

- Road infrastructure for the Department of State Growth of \$84.5 million;
- Hospital redevelopments and upgrades for the Department of Health of \$29.9 million;
- Housing Projects and the upgrade to the Derwent Entertainment Centre for the Department of Communities Tasmania of \$21 million; and
- National Park infrastructure for the Department of Primary Industries, Parks, Water and Environment of \$16.8 million.

Income Statement

Table 2.1: General Government Income Statement

	2019-20 Sept YTD Actual	2020-21 Original Budget	2020-21 Sept YTD Actual
	\$m	\$m	\$m
Revenue from transactions			
Grants	939.1	4 066.1	907.3
Taxation	412.2	1 220.6	427.8
Sales of goods and services	74.1	433.4	85.3
Fines and regulatory fees	32.1	102.2	20.8
Interest income	2.3	14.9	1.6
Dividend, tax and rate equivalent income	25.5	413.1	21.0
Other revenue	46.2	177.9	55.4
	1 531.6	6 428.1	1 519.2
Less Expenses from transactions			
Employee expenses	691.6	3 051.7	753.8
Superannuation	79.2	373.8	95.4
Depreciation	79.9	388.1	97.0
Supplies and consumables	301.5	1 731.8	378.0
Nominal superannuation interest expense	67.8	161.8	40.4
Borrowing costs	....	29.3	3.0
Grant and subsidy expenses	434.7	1 771.0	448.4
Other expenses	10.7	38.7	13.6
	1 665.5	7 546.1	1 829.6
Equals NET OPERATING BALANCE	(133.9)	(1 118.0)	(310.4)
Plus Other economic flows – Included in Operating Result			
Gain/(loss) on sale of non-financial assets	4.5	16.6	1.9
Other gains/(losses)	156.8	80.9	(0.4)
	161.3	97.5	1.5
Equals Operating Result	27.4	(1 020.5)	(308.9)

Table 2.1: General Government Income Statement (continued)

	2019-20 Sept YTD Actual \$m	2020-21 Original Budget \$m	2020-21 Sept YTD Actual \$m
Plus Other economic flows – Other movements in equity			
Revaluations of non-financial assets	70.1	220.2	55.0
Revaluations of equity investment in PNFC and PFC Sectors	....	148.3	....
Movement in superannuation liability	....	(1 198.2)	....
Other non-owner movements in equity	12.7	....	(15.9)
	82.8	(829.6)	39.2
Equals Comprehensive Result	110.2	(1 850.1)	(269.7)
KEY FISCAL AGGREGATES			
NET OPERATING BALANCE	(133.9)	(1 118.0)	(310.4)
Less Net acquisition of non-financial assets			
Purchases of non-financial assets	103.2	1 085.5	79.3
Less Sales of non-financial assets	9.3	35.7	4.1
Less Depreciation	79.9	388.1	97.0
	14.1	661.7	(21.8)
Equals FISCAL BALANCE - SURPLUS/(DEFICIT)	(148.0)	(1 779.7)	(288.5)

Balance Sheet

Table 2.2: General Government Balance Sheet

	30 June 2020	30 June 2021	30 Sept 2020
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Assets			
Financial assets			
Cash and deposits	1 180.5	1 160.4	1 095.9
Investments	218.3	420.3	229.3
Equity investment in PNFC and PFC sectors	4 556.8	4 721.8	4 572.7
Other equity investments	69.3	124.8	71.0
Receivables	331.3	326.5	434.5
Other financial assets	492.4	585.3	438.1
	6 848.7	7 339.1	6 841.5
Non-financial assets			
Land and buildings	7 150.2	7 470.8	7 181.2
Infrastructure	5 833.8	6 405.0	5 878.2
Plant and equipment	270.3	291.9	258.2
Heritage and cultural assets	439.7	452.0	439.8
Investment property	3.0	3.3	3.1
Intangible assets	63.1	71.9	63.2
Assets held for sale	13.6	16.7	5.9
Lease - right-of-use assets	348.4	412.1	340.4
Other non-financial assets	55.4	48.2	90.7
	14 177.5	15 171.9	14 260.8
Total Assets	21 026.1	22 510.9	21 102.3
Liabilities			
Borrowings	867.8	3 013.5	1 264.5
Lease liabilities	355.5	422.1	348.0
Superannuation ¹	10 280.3	11 481.0	10 303.2
Employee entitlements	775.2	800.0	790.6
Payables	194.3	191.7	151.6
Other liabilities	690.2	590.0	651.2
Total Liabilities	13 163.3	16 498.3	13 509.2
Net Assets	7 862.8	6 012.7	7 593.1

Table 2.2: General Government Balance Sheet (continued)

	30 June 2020	30 June 2021	30 Sept 2020
	Actual	Original Budget	Actual
	\$m	\$m	\$m
Equity			
Accumulated funds	3 769.1	1 550.5	3 444.4
Asset revaluation reserve	5 076.1	5 296.3	5 131.1
Other reserves	(982.4)	(834.1)	(982.4)
Total Equity	7 862.8	6 012.7	7 593.1
KEY FISCAL AGGREGATES			
NET WORTH²	7 862.8	6 012.7	7 593.1
NET FINANCIAL WORTH³	(6 314.7)	(9 159.2)	(6 667.7)
NET FINANCIAL LIABILITIES⁴	10 871.4	13 881.0	11 240.3
NET DEBT⁵	(175.5)	1 854.8	287.3
GFS NET DEBT⁶	(531.1)	1 432.8	(60.8)

Notes:

1. There is a difference of \$1 177.8 million between the Original Budget and the September 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 as a result of the changes under AASB 16 Leases which was effective from 2019-20.
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.

Cash Flow Statement

Table 2.3: General Government Cash Flow Statement

	2019-20 Sept YTD Actual	2020-21 Original Budget	2020-21 Sept YTD Actual
	\$m	\$m	\$m
Cash flows from operating activities			
Cash receipts from operating activities			
Grants received	916.9	3 966.0	895.0
Taxation	310.0	1 218.7	283.2
Sales of goods and services	99.2	432.0	100.3
Fines and regulatory fees	23.6	102.2	20.5
Interest received	3.8	14.0	1.9
Dividend, tax and rate equivalents	39.0	414.4	31.8
Other receipts	93.0	404.3	124.5
	1 485.6	6 551.6	1 457.2
Cash payments for operating activities			
Employee entitlements	(702.5)	(3 023.1)	(738.0)
Superannuation	(123.4)	(528.5)	(1 16.4)
Supplies and consumables	(353.6)	(1 737.6)	(436.3)
Borrowing costs	(0.2)	(29.4)	(2.5)
Grants and subsidies paid	(440.5)	(1 770.9)	(469.5)
Other payments	(62.9)	(267.5)	(76.5)
	(1 683.1)	(7 357.0)	(1 839.1)
Net cash flows from operating activities	(197.5)	(805.3)	(381.9)
Cash flows from investing activities			
Net cash flows from non-financial assets			
Purchases of non-financial assets	(103.3)	(1 073.2)	(79.3)
Sales of non-financial assets	9.3	32.7	4.1
	(94.0)	(1 040.5)	(75.2)
Net cash flows from financial assets (policy purposes)			
Equity injections	(46.8)	(72.2)	(16.0)
Net advances paid	(8.5)	(81.7)	(9.0)
Equity disposals	1.0	3.6	1.0
	(54.3)	(150.3)	(23.9)
Net cash flows from financial assets (liquidity purposes)			
Net (purchase)/sale of investments	(0.2)	(121.6)	(0.2)
	(0.2)	(121.6)	(0.2)
Net cash flows from investing activities	(148.5)	(1 312.3)	(99.3)

Table 2.3: General Government Cash Flow Statement (continued)

	2019-20 Sept YTD Actual \$m	2020-21 Original Budget \$m	2020-21 Sept YTD Actual \$m
Cash flows from financing activities			
Net borrowing	7.5	2 097.6	396.7
Net cash flows from financing activities	7.5	2 097.6	396.7
Net increase/(decrease) in cash held	(338.6)	(20.1)	(84.6)
Cash at the beginning of the year	1 246.3	1 180.5	1 180.5
Cash at the end of the period	907.7	1 160.4	1 095.9
KEY FISCAL AGGREGATES			
Net cash flows from operating activities	(197.5)	(805.3)	(381.9)
Plus Net cash from investments in non-financial assets	(94.0)	(1 040.5)	(75.2)
Equals CASH SURPLUS/(DEFICIT)	(291.5)	(1 845.8)	(457.1)

3 PUBLIC ACCOUNT

Tables 3.1 and 3.2 provide information on the total Receipts and Expenditure of the Public Account for the three months ending 30 September 2020. 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 35(4) 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 Sept YTD Actual	2020-21 Original Budget	2020-21 Sept YTD Actual
	\$m	\$m	\$m
General Receipts			
Australian Government Sources	768.7	2 864.9	706.2
State Sources	388.0	1 847.3	361.3
	1 156.7	4 712.2	1 067.5
Specific Purpose Accounts	567.7	2 956.7	602.1
Statutory Authorities	58.5	242.2	59.06
Total Receipts	1 782.9	7 911.1	1 728.6

Table 3.2: Public Account Expenditure

	2019-20	2020-21	2020-21
	Sept YTD	Original	Sept YTD
	Actual	Budget	Actual
	\$m	\$m	\$m
Annual Appropriation			
Operating Services Expenditure	1 240.9	5 431.6	1 348.1
Capital Services Expenditure	68.2	640.9	68.2
	1 309.1	6 072.5	1 416.4
Reserved by Law	91.9	560.7	84.2
Specific Purpose Accounts	653.1	2 950.2	567.3
Statutory Authorities	58.9	261.2	60.2
Other Provisions	....	0.2	....
Total Expenditure	2 113.0	9 844.9	2 128.0



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