

# Tasmanian Government Fiscal Sustainability Report 2021

## Q&As

### What is this Report about?

The Report provides a long-term perspective of the State's fiscal outlook beyond the reporting of the Budget and Forward Estimates - using a 15-year projection period.

The Report examines long-term fiscal sustainability under a number of different scenarios.

Consistent with the requirements of the *Charter of Budget Responsibility Act 2007*, the Report has regard to current Government policies and anticipated demographic changes and provides early notice of potential long-term fiscal pressures for the State to inform future fiscal management.

### How is fiscal sustainability measured?

The Report uses a number of measures to assess fiscal sustainability.

The measures are consistent with those presented in the Treasurer's Annual Financial Report, the State Budget and the previous 2019 Fiscal Sustainability Report.

The fiscal measures are:

- Net Operating Balance;
- Fiscal Balance; and
- Net Debt.

### Why was a 15-year timeframe chosen?

A 15-year projection period was chosen because:

- there is some level of knowledge of events that are likely to occur over the next 15 years, but reduced certainty beyond that timeframe;
- projections over a long-term would likely follow the trend established over 15 years and not add further value in relation to fiscal sustainability; and
- it is consistent with the OECD's guidance on long-term reporting, where long-term is considered to be between 10 and 40 years.

## Why hasn't more recent data been used from the Revised Estimates Report (RER) or the Pre-election Economic and Financial Outcomes Report (PEFO)?

The 2021 Fiscal Sustainability Report is based on the 2020-21 Budget and Forward Estimates data.

The more recent RER and PEFO data could not be used in the projections as those reports do not provide sufficient detail on expenditure and revenue categories required to produce projections.

Treasury undertook high level analysis of the impact of the PEFO, and while the revised revenue forecasts improve short-term outcomes, they do not change the conclusion that without intervention, fiscal pressures could become unsustainable over the longer-term.

## What scenarios were used and why?

The Report has adopted four projection scenarios. The scenarios are the same as were used in the 2019 Report, and were chosen to present a range of alternative potential outcomes. Two of the scenarios are intended to show how adverse outcomes in relation to expenditure or revenue may impact on the State's future financial position.

Each projection scenario is described briefly below.

### *Historical Trends Scenario*

This scenario uses historical data to project expenditure and revenue, including known significant future changes, to develop projections that may arise in the future without policy intervention.

### *Forward Estimates Scenario*

This scenario develops projections based on revenue and expenditure patterns over the 2020-21 Budget and Forward Estimates period. This scenario shows the impacts of the State Government's policy and fiscal intent, as expressed in the 2020-21 Budget, if these arrangements were maintained over the projection period.

### *High Expenditure*

Under this scenario, most expenditure categories are projected based on their historical trends, but some expenditure items have been projected at higher levels, including health, education and capital expenditure. This scenario shows the potential impacts on the State's finances of ongoing expenditure growth in the absence of policy responses to contain this additional growth or raise revenue.

### *Low Revenue*

Under this scenario, most revenue categories are projected based on their historical trends, but some revenue items have been projected at lower levels, including GST receipts, Australian Government payments and conveyance duty.

### How were the results determined?

The projections were developed using standard budgeting practices and were based on data that is consistent with that presented in the Treasurer's Annual Financial Reports.

Input data was adjusted for known, or expected changes in revenue, expenditure and major capital projects to determine results for the fiscal measures for each year of the 15-year projection period.

All projections assume there is no corrective policy action by government.

### Which of the scenarios is most likely to occur?

The scenarios are projected based on different assumptions. They are not forecasts, in that they are not attempting to predict what will happen in the future.

No scenario is considered more or less likely to occur.

### When will the next Report be published?

Under the provisions of the *Charter of Budget Responsibility Act 2007*, the next Report will be published before 30 June 2026.