

# Tasmanian Government Fiscal Sustainability Report 2019

## 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 used are consistent with those presented in the State Budget and include:

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

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

A 15-year projection period was chosen as:

- 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.

## What scenarios were used and why?

The Report has adopted four different projection scenarios. The scenarios were chosen to present a range of alternative potential outcomes, with two of the scenarios 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 past data to project forward 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 2019-20 Budget and Forward Estimates period. This scenario shows the impacts of the State Government's currently stated policies and fiscal intent, if these arrangements were maintained over the projection period.

### *High Expenditure*

Under this scenario, most inputs 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 inputs are projected based on their historical trends, but some revenue items have been projected at lower levels, including GST receipts, Australian Government payments, conveyance duty and returns from government businesses. This scenario shows the potential impacts of ongoing lower revenue outcomes in the absence of any policy response to raise additional revenue or reduce expenditure.

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

The projections assume no corrective policy action.

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

The scenarios are projections 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.

## Do other jurisdictions prepare this type of report?

Yes, many other jurisdictions prepare this type of report. Long-term fiscal sustainability reporting has become more common over recent times. Australia (both at the national and state level), New Zealand, the United Kingdom, the United States of America, Canada, the Republic of Korea and many other developed nations across the world produce reports on long-term fiscal sustainability.

## 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 2021.