

Department of Treasury and Finance

Incoming Minister Briefing



Subject: 4. DRAFT - Fiscal Strategy Statement (Liberal)

Date prepared: 21 April 2021

Issue/Background

- Section 4 of the *Charter of Budget Responsibility Act 2007* states that the purpose of a fiscal strategy statement is to establish a benchmark for evaluating the Government's fiscal performance and to increase public awareness of the fiscal policies of the Government and Opposition parties.
- The Act provides for the public announcement and tabling of the first (and any subsequent) fiscal strategy statement for a particular Government and for the public announcement of a political party's fiscal strategy statement during a general election for the House of Assembly.
- The Act requires a fiscal strategy statement to be based on the Charter's principles of sound fiscal management and requires that a fiscal strategy statement:
 - specify the long-term objectives within which budgets will be framed; and
 - specify the key fiscal measures against which fiscal policy will be set and assessed;
 - specify the fiscal objectives and targets for the budget year and the following three financial years; and
 - identify how the fiscal objectives and strategic priorities relate to the principles of sound fiscal management.

Current status

- On 20 April 2021, the Premier publicly announced a fiscal strategy statement (attached), which is consistent with the Government's current Fiscal Strategy established in 2014.
- The Fiscal Strategy includes six strategic actions to achieve the principles of sound fiscal management set out in the Charter of Budget Responsibility:
 - Annual growth in General Government operating expenses will be lower than the long-term average growth in revenue.
 - General Government debt and defined benefit superannuation liabilities will be managed to ensure the combined annual servicing cost is less than six per cent of General Government cash receipts.
 - A competitive tax environment will be maintained with an objective for state taxes to be fair, simple, stable and sustainable.

- Government businesses will be required to deliver services to Tasmanians at the lowest sustainable cost, while also providing an appropriate financial return to Government.
 - Tasmanian Government infrastructure investment will maintain existing assets, respond to economic and population growth and reflect the changing needs of the community.
 - Public sector efficiency, productivity and financial transparency will be improved.
- The Revised Estimates Report 2020-21, released on 15 February 2021, showed that the Government was achieving all of its Fiscal Strategy Strategic Actions.

Next steps

- The 2021-22 Budget Papers will contain the Government's fiscal strategy statement and an assessment of progress in implementing the strategic actions.

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Department of Treasury and Finance

Incoming Minister Briefing



Subject: 4. DRAFT - Fiscal Strategy Statement

Date prepared: (Tasmanian Labor) 29 April 2021

Issue/Background

- Section 4 of the *Charter of Budget Responsibility Act 2007* states that the purpose of a fiscal strategy statement is to establish a benchmark for evaluating the Government's fiscal performance and to increase public awareness of the fiscal policies of the Government and Opposition parties.
- The Act provides for the public announcement and tabling of the first (and any subsequent) fiscal strategy statement for a particular Government and for the public announcement of a political party's fiscal strategy statement during a general election for the House of Assembly.
- The Act requires a fiscal strategy statement to be based on the Charter's principles of sound fiscal management and requires that a fiscal strategy statement:
 - specify the long-term objectives within which budgets will be framed; and
 - specify the key fiscal measures against which fiscal policy will be set and assessed;
 - specify the fiscal objectives and targets for the budget year and the following three financial years; and
 - identify how the fiscal objectives and strategic priorities relate to the principles of sound fiscal management.

Current status

- On 20 April 2021, the Leader of the Labor Party publicly announced a fiscal strategy statement (attached), which comprises five strategic actions:
 - The Budget will be in surplus by 2023 and larger ongoing surpluses will be maintained from 2024 onwards.
 - Investment in health, housing, education, skills and key industry sectors will ensure a better balance between economic growth and social needs, and will create 35 000 jobs.
 - A balanced program of infrastructure and capital spending will drive productivity growth and improve the quality of Tasmania's schools, hospitals, roads, ports, community facilities and environment.
 - Financial partnerships with key business sectors will create the right balance between public and private investment.

- Fiscal policy will be used to encourage a more balanced and diversified economy.
- The associated commentary on the Labor Party fiscal strategy statement also provided additional context for some of the strategic actions, including:
 - Labor anticipates sustainable surpluses of at least 2 per cent of Budget revenues based on present economic conditions and forecasts;
 - infrastructure investment and the maintenance of realistic surpluses will be achievable without any new taxes or asset sales;
 - Labor's new capital commitments will have net debt between 13 and 15 per cent of Gross State Product by 2024-25, depending on the detailed timing of projects and the pace of the State's economic growth; and
 - Tasmania's net debt will remain amongst the lowest of all state and federal jurisdictions.

Next steps

- The 2021-22 Budget Papers will contain the Government's fiscal strategy statement and an assessment of progress in implementing the strategic actions.

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DRAFT Incoming Government Briefing

2020-21 Budget Infrastructure Investment Program

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Background

- The 2020-21 Budget includes \$3.9 billion in General Government Sector infrastructure projects over the Budget and Forward Estimates with an additional \$776.9 million in equity funding to support increased investment by government businesses.
- The historically high infrastructure program has been boosted by the Government's COVID-19 response and recovery measures.

PEFO update

- The Table below sets out the infrastructure investment profile over the Budget and Forward Estimates taking into account March 2021 agency updates (as reflected in the PEFO).

	2020-21	2021-22	2020-23	2023-24	Total
	\$m	\$m	\$m	\$m	\$m
2020-21 Original Budget	1 073	959	863	998	3 894
Revised Profile	694	1 051	954	1 079	3 778
Variance	(379)	92	91	80	(116)

Current status

- Year-to-date expenditure across the Infrastructure Program as at 31 March February 2021 was \$379.7 million. This represents 35.4 percent of the total 2020-21 Budget.

	2020-21 Infrastructure Budget	YTD Expenditure (as at 28 February 2021)	YTD Expenditure (as at 28 February 2021) as a % of Infrastructure Budget	YTD Expenditure (as at 31 March 2021)	YTD Expenditure (as at 31 March 2021) as a % of Infrastructure Budget
	\$m	\$m	%	\$m	%
Agencies					
Communities Tasmania	135.9	62.3	45.8	68.7	50.6
Education	59.9	27.0	45.1	30.9	51.6
Health	191.1	48.0	25.1	50.8	26.6
Justice	46.7	13.4	28.6	16.6	35.6
Police, Fire and Emergency Management	42.8	3.7	8.6	5.9	13.7
Primary Industries, Parks, Water and Environment	85.4	13.8	16.1	14.6	17.1
State Growth	484.6	156.3	32.3	187.5	38.7
Other Entities	27.0	4.6	17.1	4.7	17.3
TOTAL INFRASTRUCTURE EXPENDITURE	1 073.4	329.1	30.7	379.7	35.4

Issues

- Based on YTD spend to 31 March, there is expected to be a significant underspend in 2020-21.
- The 2021-22 Budget development process will incorporate:
 - Revised estimates from agencies; and
 - New election commitments.