# 7 Assets and Liabilities

Key Issues

General Government Sector Net Debt is estimated to be $3 497.2 million as at 30 June 2024. Net Debt is forecast to increase to $5 596 million as at 30 June 2027.

In accordance with the Australian Bureau of Statistics’ Government Finance Statistics reporting framework, General Government Sector GFS Net Debt excludes the impact of lease liabilities. GFS Net Debt is estimated to be $2 732 million as at 30 June 2024. GFS Net Debt is expected to increase to $4 942.4 million as at 30 June 2027.

GFS Net Debt as a percentage of Gross State Product is forecast to reach 9.5 per cent at 30 June 2027.

General Government Sector Net Worth is estimated to be $15 442.7 million as at 30 June 2024. Net Worth is estimated to increase over the Forward Estimates period to $17 212 million by 30 June 2027.

The General Government Sector Superannuation liability is estimated to be $7 759.3 million as at 30 June 2024. The liability is expected to decrease to $7 687.2 million at 30 June 2027.

The present value of superannuation liabilities is particularly sensitive to discount rate movements, although these movements do not impact on the emerging cash costs that require funding. The 2023‑24 Budget projections are based on a discount rate of 4.0 per cent.

The Government continues to meet the cash cost of the defined benefit superannuation schemes on an emerging basis. In 2023‑24, the cash payment will be $351.5 million, increasing to an anticipated peak in 2034‑35 of $490.8 million.

## Balance Sheet

The chapter provides an overview of the Balance Sheet for the 2023‑24 Budget and Forward Estimates including the 2022‑23 Estimated Outcome. Table 7.1 details the estimated General Government Sector assets and liabilities held between 30 June 2023 and 30 June 2027.

###### Table 7.1: General Government Sector Balance Sheet as at 30 June1

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
| Assets |  |  |  |  |  |  |
| Financial assets |  |  |  |  |  |  |
| Cash and deposits2 | 624.6 | 932.9 | 937.6 | 891.2 | 916.9 | 887.9 |
| Investments | 867.2 | 852.3 | 885.3 | 843.1 | 843.1 | 847.0 |
| Equity investment in PNFC and PFC sectors3 | 5 445.2 | 10 526.4 | 11 013.6 | 11 523.1 | 11 930.1 | 12 545.6 |
| Other equity investments | 201.4 | 139.9 | 189.9 | 190.0 | 190.0 | 190.0 |
| Receivables | 407.3 | 380.3 | 381.7 | 380.0 | 382.4 | 381.8 |
| Other financial assets | 596.5 | 677.9 | 640.1 | 602.8 | 568.7 | 543.1 |
|  | 8 142.2 | 13 509.7 | 14 048.4 | 14 430.2 | 14 831.3 | 15 395.4 |
|  |  |  |  |  |  |  |
| Non-financial assets |  |  |  |  |  |  |
| Land and buildings | 8 205.7 | 6 790.0 | 7 022.7 | 7 296.9 | 7 510.7 | 7 610.9 |
| Infrastructure4 | 6 938.9 | 6 846.2 | 7 591.4 | 8 255.2 | 8 793.1 | 9 257.3 |
| Plant and equipment | 342.9 | 347.1 | 388.2 | 394.3 | 406.5 | 414.7 |
| Heritage and cultural assets | 478.7 | 493.1 | 505.4 | 517.7 | 530.0 | 542.3 |
| Investment property | 3.2 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 |
| Intangibles | 136.9 | 133.8 | 201.6 | 255.6 | 295.4 | 345.7 |
| Assets held for sale | 2.8 | 9.7 | 10.9 | 12.4 | 10.8 | 10.3 |
| Lease ‑ right‑of‑use assets5 | 335.7 | 743.9 | 687.8 | 618.7 | 550.2 | 484.2 |
| Other non-financial assets6 | 910.8 | 101.4 | 99.6 | 98.4 | 97.8 | 97.3 |
|  | 17 355.6 | 15 469.1 | 16 511.6 | 17 453.0 | 18 198.2 | 18 766.7 |
|  |  |  |  |  |  |  |
| Total Assets | 25 497.8 | 28 978.9 | 30 560.0 | 31 883.2 | 33 029.5 | 34 162.0 |
|  |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |
| Borrowing7 | 4 125.6 | 3 286.1 | 4 555.0 | 5 599.0 | 6 204.8 | 6 677.3 |
| Lease liabilities5 | 360.2 | 782.0 | 765.1 | 728.1 | 690.9 | 653.5 |
| Superannuation8 | 8 397.6 | 7 744.4 | 7 759.3 | 7 753.0 | 7 729.3 | 7 687.2 |
| Employee entitlements9 | 871.4 | 878.6 | 898.8 | 920.3 | 940.4 | 877.0 |
| Payables | 182.5 | 173.5 | 178.0 | 181.7 | 182.1 | 183.4 |
| Other liabilities10 | 790.7 | 907.5 | 961.0 | 906.4 | 926.8 | 871.5 |
| Total Liabilities | 14 728.0 | 13 772.1 | 15 117.2 | 16 088.5 | 16 674.3 | 16 950.0 |
|  |  |  |  |  |  |  |
| Net Assets | 10 769.8 | 15 206.8 | 15 442.7 | 15 794.7 | 16 355.2 | 17 212.0 |

###### Table 7.1: General Government Sector Balance Sheet as at 30 June1 (continued)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Equity |  |  |  |  |  |  |
| Accumulated funds | 5 345.7 | 8 150.5 | 7 831.8 | 7 635.1 | 7 614.1 | 7 646.6 |
| Asset revaluation reserve | 6 113.2 | 6 100.3 | 6 374.4 | 6 648.5 | 6 922.6 | 7 196.7 |
| Other revaluation reserves | (689.1) | 956.1 | 1 236.6 | 1 511.1 | 1 818.5 | 2 368.7 |
| Total Equity | 10 769.8 | 15 206.8 | 15 442.7 | 15 794.7 | 16 355.2 | 17 212.0 |
|  |  |  |  |  |  |  |
| KEY FISCAL AGGREGATES |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| NET WORTH11 | 10 769.8 | 15 206.8 | 15 442.7 | 15 794.7 | 16 355.2 | 17 212.0 |
|  |  |  |  |  |  |  |
| NET FINANCIAL WORTH12 | (6 585.8) | (262.3) | (1 068.8) | (1 658.3) | (1 843.0) | (1 554.6) |
|  |  |  |  |  |  |  |
| NET FINANCIAL LIABILITIES13 | 12 031.0 | 10 788.8 | 12 082.5 | 13 181.4 | 13 773.1 | 14 100.2 |
|  |  |  |  |  |  |  |
| NET DEBT14 | 2 994.0 | 2 282.9 | 3 497.2 | 4 592.8 | 5 135.7 | 5 596.0 |
|  |  |  |  |  |  |  |
| GFS NET DEBT15 | 2 633.8 | 1 500.9 | 2 732.0 | 3 864.7 | 4 444.7 | 4 942.4 |
|  |  |  |  |  |  |  |

Notes:

1. Asset and Liability balances reflect the impact of the establishment of Homes Tasmania on 1 December 2022 which has been classified as a Public Non-Financial Corporations Sector entity. From this date, relevant housing assets and liabilities were transferred from the General Government Sector to the PNFC Sector. Further information on the establishment of Homes Tasmania is provided in chapter 1 of this Budget Paper.
2. The increase in Cash and deposits primarily reflects revised Specific Purpose Account opening balances based on actual 30 June 2022 outcomes.
3. The increase in the General Government Sector Equity investment in PNFC and PFC sectors reflects the inclusion of Homes Tasmania which was established on 1 December 2022.
4. The increase in Infrastructure primarily reflects the implementation of the Government’s infrastructure program. Further information on infrastructure investment is provided in chapter 6 of this Budget Paper.
5. The change in Lease right-of-use assets and Lease liabilities in 2024 and over the Forward Estimates primarily reflects revised estimates based on 30 June 2022 actuals together with the recognition of additional leases in 2022-23.
6. The decrease in Other non-financial assets reflects the transfer of Service Concession Assets to Homes Tasmania on 1 December 2022.
7. The increase in Borrowings as at 30 June 2024 and across the Forward Estimates primarily reflects the increase in borrowings to support the General Government Sector cash deficit.
8. The decrease in Superannuation reflects the latest actuarial advice provided by the State’s Actuary, which includes a change in the discount rate from 2.5 per cent (used in the 2022‑23 Budget) to a rate of 4.0 per cent used in the 2023‑24 Budget.
9. The decrease in Employee entitlements in 2027 primarily reflects the impact of the 27th pay in 2026-27 and the reduction in the associated liability accrued over prior years for this purpose.
10. The increase in Other liabilities in 2024 and variations across the Forward Estimates primarily reflect revised Australian Government funding contract liability balances.
11. Net Worth represents Total Assets less Total Liabilities.
12. Net Financial Worth represents Financial assets less Total Liabilities.
13. Net Financial Liabilities represents Total Liabilities less Financial assets, excluding Equity investment in PNFC and PFC sectors.
14. Net Debt represents Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments.
15. 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.

## Net Debt and GFS Net Debt

Net Debt is one of the key measures on the General Government Sector Balance Sheet. The measure is used to help assess the overall strength of a Government’s fiscal position. The Budget Papers present two Net Debt measures, Net Debt and GFS Net Debt. Net Debt comprises Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments. This measure has been impacted by the change to the Australian Accounting Standard AASB 16 Leases, which came into effect on 1 July 2019 and recognised applicable leases as liabilities on the Balance Sheet.

The GFS Net Debt measure excludes the impact of the changed treatment for lease liabilities. This measure is aligned to the Australian Bureau of Statistics Government Finance Statistics reporting framework, which has not recognised the 2019 accounting change to leases. Table 7.2 shows the calculation of General Government Sector Net Debt and GFS Net Debt.

###### Table 7.2: Composition of Net Debt and GFS Net Debt

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Borrowings | 4 125.6 | 3 286.1 | 4 555.0 | 5 599.0 | 6 204.8 | 6 677.3 |
| plus Lease liabilities | 360.2 | 782.0 | 765.1 | 728.1 | 690.9 | 653.5 |
| less Cash and deposits | 624.6 | 932.9 | 937.6 | 891.2 | 916.9 | 887.9 |
| less Investments | 867.2 | 852.3 | 885.3 | 843.1 | 843.1 | 847.0 |
| NET DEBT | 2 994.0 | 2 282.9 | 3 497.2 | 4 592.8 | 5 135.7 | 5 596.0 |
|  |  |  |  |  |  |  |
| less Lease liabilities | 360.2 | 782.0 | 765.1 | 728.1 | 690.9 | 653.5 |
|  |  |  |  |  |  |  |
| GFS NET DEBT | 2 633.8 | 1 500.9 | 2 732.0 | 3 864.7 | 4 444.7 | 4 942.4 |
|  |  |  |  |  |  |  |

As shown in Table 7.2 GFS Net Debt is estimated to be $2 732 million as at 30 June 2024, increasing to $4 942.4 million as at 30 June 2027. The increase is primarily due to:

* an increase in Borrowings of $2 122.3 million. This reflects new borrowings to support the General Government Sector cash deficit;
* a decrease in Cash and deposits of $49.7 million. The change is primarily due to variations in the balance of Specific Purpose Accounts held in the Public Account; and
* a decrease in Investments of $38.3 million. The decrease is primarily due to the repayment of advances made by the Department of State Growth.

### GFS Net Debt as a percentage of GSP/Revenue

GFS Net Debt as a percentage of Gross State Product and GFS Net Debt as a percentage of Revenue provide an indicator of the State’s ability to make future payments on its debt. Table 7.3 shows the 2023‑24 Budget and Forward Estimates for GFS Net Debt as a percentage of estimated Revenue and estimated GSP for the period 30 June 2023 to 30 June 2027.

###### Table 7.3: GFS Net Debt as a percentage of GSP/Revenue

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  |  |  |  |  |  |  |
| GFS Net Debt ($m) | 2 633.8 | 1 500.9 | 2 732.0 | 3 864.7 | 4 444.7 | 4 942.4 |
| GFS Net Debt as % of Revenue | 33.6 | 17.6 | 32.4 | 44.9 | 51.4 | 56.3 |
| GFS Net Debt as % of GSP | 6.4 | 3.6 | 6.1 | 8.2 | 8.9 | 9.5 |
|  |  |  |  |  |  |  |

Chart 7.1 shows General Government Sector GFS Net Debt as a percentage of GSP since 1991, together with Estimated Outcome for 2023 and projections for the 2023‑24 Budget and Forward Estimates.

###### Chart 7.1: General Government Sector GFS Net Debt as a percentage of GSP1

General Government Sector GFS Net Debt as a percentage of GSP
The chart shows that Net Debt as a percentage of GSP reached a historical high in 1990-91 and a historical low in 2007-08 before returning to a positive number in 2020-21. The ratio is expected to continue increasing from an estimated 3.6 per cent for 2023 to 9.5 per cent for 2027.  

Note:

1. The figures between 2023 and 2027 represent the 2022‑23 Estimated Outcome and 2023‑24 Budget and Forward Estimates.

### Interstate Comparison

The Net Debt burden in Tasmania is low relative to other jurisdictions. Chart 7.2 compares Tasmania’s General Government Sector Net Debt and Net Debt as a percentage of GSP forecast as at 30 June 2024 (based on the latest Budget estimate for other jurisdictions as at 14 May 2023). The chart shows that Tasmania has the lowest nominal level of Net Debt of $3 497 million as at 30 June 2024. This is significantly lower than the highest nominal level of Net Debt held by Victoria at $134 395 million.

At 7.9 per cent, Tasmania has the third lowest estimated GGS Net Debt as a percentage of GSP as at 30 June 2024 of all jurisdictions.

###### Chart 7.2: General Government Sector Net Debt and Net Debt as a percentage of GSP as at 30 June 2024, by Jurisdiction1

General Government Sector Net Debt and Net Debt as a percentage of GSP as at 30 June 2024, by Jurisdiction
The chart shows that by comparison, Tasmania is forecast to have the lowest Net Debt of all states as at 30 June 2024. As a percentage of GSP, Tasmania’s ratio of 7.9 per cent is expected to be the third lowest of all jurisdictions after Western Australia and Queensland.  

Note:

1. Net Debt estimates are based on the latest estimates released by jurisdictions.

Chart 7.3 compares Tasmania’s General Government Sector Net Debt plus Superannuation liability, in nominal terms and as a percentage of GSP forecast as at 30 June 2024, with the latest estimates for all other jurisdictions.

The 2023-24 Budget estimate for Tasmania’s Net Debt plus Superannuation liability is $11 256.5 million as at 30 June 2024. This is the second lowest nominal value across all jurisdictions. As a percentage of GSP, Net Debt plus Superannuation liability is 25.1 per cent as at 30 June 2024, which is ranked fifth across all jurisdictions.

###### Chart 7.3: General Government Sector Net Debt plus Superannuation Liability as at 30 June 2024 in nominal terms and as a percentage of GSP, by Jurisdiction1

General Government Sector Net Debt plus Superannuation Liability as at 30 June 2024 in nominal terms and as a percentage of GSP, by Jurisdiction
The chart shows that Tasmania is forecast to have the second lowest Net Debt plus Superannuation Liability following the Northern Territory. As a percentage of GSP Tasmania’s Net Debt plus Superannuation Liability ratio of 25.3 per cent is the fourth highest of all jurisdictions.

Note:

1. Net Debt estimates are based on the latest estimates released by jurisdictions.

### Borrowings

The growth in Net Debt is primarily driven by the increase in General Government Sector Borrowings. As at 30 June 2024, Borrowings is estimated to be $4 555 million which comprises:

* Tasmanian Public Finance Corporation borrowings of $4 305.1 million, which is the debt administered by Finance‑General to support the General Government Sector cash deficit; and
* Other borrowings of $249.9 million, which primarily consists of $244.9 million in debt held by the Department of State Growth which is used to fund loan advances to the private sector.

The maturity profile is an important factor which impacts the interest rate risk of the debt portfolio. When debt matures it is either repaid or refinanced at prevailing market interest rates. By structuring the maturity profile of the debt portfolio over a number of years, the risk to the portfolio of interest rate movements in the short to medium‑term is mitigated.

Table 7.4 provides a breakdown of Finance‑General borrowings from the Tasmanian Public Finance Corporation as at 31 March 2023 by year of maturity. The Table shows the Tasmanian Public Finance Corporation debt portfolio is comprised of 39 fixed rate loans with maturities out to 2041-42. The weighted average interest rate of the Tasmanian Public Finance Corporation debt portfolio is 2.48 per cent and the weighted average term to maturity is 7.71 years.

###### Table 7.4: Tasmanian Public Finance Corporation Borrowings as at 31 March 2023, by Year of Maturity

|  |  |  |  |
| --- | --- | --- | --- |
| Maturity | Face Value | Number of Loans | Weighted Average  Interest Rate by Maturity |
|  | $m |  | % |
|  |  |  |  |
| 2023-24 | 191 | 5 | 0.98 |
| 2025-26 | 345 | 8 | 0.87 |
| 2027-28 | 403 | 6 | 2.74 |
| 2029-30 | 439 | 11 | 2.68 |
| 2031-32 | 500 | 3 | 2.77 |
| 2032-33 | 487 | 3 | 2.94 |
| 2033-34 | 200 | 1 | 4.29 |
| 2035-36 | 125 | 1 | 1.88 |
| 2041-42 | 150 | 1 | 2.41 |
| Total | 2 840 | 39 | 2.481 |
|  |  |  |  |

Note:

1. The total represents the weighted average interest rate of the loan portfolio.

## Debt Servicing Costs

Borrowing Costs are influenced by prevailing interest rates and the level of borrowings. A standard measure of the debt servicing burden is the Net Interest Cost Ratio which calculates the percentage of revenue which is allocated to service debt. Table 7.5 shows the General Government Sector Net Interest Cost Ratio for the 2022‑23 Budget and Estimated Outcome and over the 2023‑24 Budget and Forward Estimates.

###### Table 7.5: General Government Sector Net Interest Cost Ratio

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2022-23 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Borrowing costs | 90.0 | 86.3 | 144.9 | 201.6 | 250.7 | 285.5 |
| Interest income | 29.2 | 54.7 | 74.6 | 68.2 | 73.0 | 72.2 |
| Net Interest | 60.8 | 31.6 | 70.3 | 133.4 | 177.7 | 213.3 |
|  |  |  |  |  |  |  |
| Revenue from transactions less Interest income | 7 819.0 | 8 485.3 | 8 347.6 | 8 531.2 | 8 581.7 | 8 714.1 |
|  |  |  |  |  |  |  |
| Net Interest Cost Ratio | 0.8% | 0.4% | 0.8% | 1.6% | 2.1% | 2.4% |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

Table 7.5 shows the ratio increasing from an estimated 0.4 per cent in 2022‑23, to an estimated 2.4 per cent in 2026-27. The increase in the ratio reflects the increase in Net Debt and forecast increases in interest rates over the period. However, a ratio of 2.4 per cent is considered low and indicates that estimated debt levels over the Forward Estimates are manageable.

Borrowing cost estimates for the 2023‑24 Budget and Forward Estimates are based on forecast rates for 10 year bonds. The applicable rates used for new borrowings across the Budget and Forward Estimates are:

* 4.51 per cent for 2022-23;
* 4.68 per cent for 2023-24;
* 4.90 per cent for 2024-25;
* 5.15 per cent for 2025-26; and
* 5.38 per cent for 2026-27.

Chart 7.4 presents a sensitivity analysis of the impact of an increase in interest rates above the current assumptions used in the Budget and Forward Estimates.

The impact of higher interest rates is mitigated because:

* the current debt portfolio is comprised of a number of fixed interest rate loans and the impact of an increase in interest rates is not realised until the existing debt matures and is refinanced, or additional borrowings are undertaken; and
* additional Interest income will be earned as interest rates increase, which will partly offset the impact of the additional Borrowing costs. The interest income estimates are based on the average forecast earnings on Cash held with Westpac and Investments held with the Tasmanian Public Finance Corporation. The average rate of earnings across the Budget and Forward Estimates are:
* 3.26 per cent in 2022-23;
* 4.14 per cent in 2023-24;
* 4.01 per cent in 2024-25;
* 4.04 per cent in 2025-26; and
* 4.23 per cent in 2026-27.

The impact of a 50 basis point increase in base interest rate assumptions would result in Net interest costs increasing by $155 000 in 2023-24 and by $17.5 million in 2026‑27. Should the base interest rate assumptions increase by 100 basis points, net interest costs are estimated to increase by $330 000 in 2023‑24, and by $35.5 million in 2026‑27.

###### Chart 7.4: Sensitivity Analysis of the General Government Sector Net Interest Costs

Sensitivity Analysis of the General Government Sector Net Interest Costs
The chart shows that the increase in Net Interest Costs is amplified over time as interest rate increases.

## Net Worth

Net Worth provides a measure of the Government’s overall financial position. It includes the impact of Equity Investments, Non-financial assets such as Land and buildings and Infrastructure, as well as Superannuation and Other liabilities.

Chart 7.5 shows Net Worth for the period 30 June 2018 to 30 June 2027. The chart shows that Net Worth is forecast to rise by $6 711 million over the period from $10 501 million as at 30 June 2018 to $17 212 million as at 30 June 2027. The increase reflects:

* an increase in financial assets of $7 514.4 million, which is primarily due to the increase in Equity investments in PNFC and PFC Sectors of $7 152.2 million reflecting the addition of Homes Tasmania to the PNFC Sector following the restructure and abolition of the former Department of Communities Tasmania from 1 December 2022. In addition, Other equity investments have increased by $169.5 million, reflecting the $187.1 million investment in the Tasmanian Water and Sewerage Corporation Pty Ltd;
* an increase in Non-financial assets of $6 162 million, which is primarily due to the increased value for Infrastructure of $3 779.6 million and Land and buildings of $1 289.4 million; and
* an increase in Liabilities of $6 964.8 million, which is primarily due to:
* the increase in Borrowings of $6 184.2 million reflecting the additional borrowings to support the General Government Sector cash deficit;
* an increase in Lease liabilities of $653.5 million due to the change in accounting standards; and
* an increase in Other liabilities of $493 million, which is primarily due to an increase in the Liability for Government grants received in advance of $231.6 million. These increases are offset by an improvement in Superannuation of $589.6 million due to the change in discount rates used to value the liability.

###### Chart 7.5: Net Worth, 30 June 2018 to 30 June 2027

Net Worth, 30 June 2018 to 30 June 2027
The chart shows stability in both Financial and Non-financial assets over time, and increases in the value of assets and liabilities. After a slight low in 2020, Net Worth is expected to remain stable in 2023-24 and increase slightly across the Forward Estimates. 

### Equity Investment in PNFC and PFC Sectors

Equity Investments in this section consists of the Government’s investment in the Net Assets of the Public Non‑Financial Corporations and Public Financial Corporations sectors.

The Government’s equity investment is estimated to be $11 013.6 million as at 30 June 2024, an increase of $5 568.4 million from the 2022-23 Budget of $5 445.2 million as at 30 June 2023. This reflects an increase in the Net Assets of the PNFC Sector of $5 677.2 million which is primarily due to the transfer of net assets to Homes Tasmania from the General Government Sector. Homes Tasmania was established as a PNFC Sector entity, effective from 1 December 2022. The increase is partly offset by a decrease in net assets of the PFC Sector of $108.8 million. This decrease is primarily due to the payment of the Mersey Community Hospital Dividend of $96.1 million by the PFC Sector in 2023-24.

Chart 7.6 illustrates the components of the Government’s equity investment holdings.

###### Chart 7.6: Equity Investment in PNFC and PFC Sectors as at 30 June 2024

Equity Investment in PNFC and PFC Sectors as at 30 June 2024
The chart shows that the largest component of the Government's Equity Investment holdings is in the Housing sector ($5.3 billion or 48%), followed by the Electricity sector ($3.4 billion or 31%) and the Financial sector ($876.5 million or 8%). 
The Government’s remaining holdings consist of the Transport sector ($694.6 million or 6%), the Ports function ($305.5 million or 3%), Resource Management sector ($210.7 million or 2%) and Other purposes ($254.1 million or 2%).

### Other Equity Investments

Other equity investments primarily consist of equity invested in the Tasmanian Water and Sewerage Corporation Pty Ltd. Other equity investments is estimated to be $189.9 million as at 30 June 2024, a decrease of $11.5 million from the 2022‑23 Budget of $201.4 million. Table 7.6 provides a breakdown of Other equity investments.

###### Table 7.6: Other Equity Investments as at 30 June

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Equity investment in TasWater1 | 150.0 | 137.1 | 187.1 | 187.1 | 187.1 | 187.1 |
| Other2 | 51.4 | 2.8 | 2.8 | 2.9 | 2.9 | 2.9 |
|  | 201.4 | 139.9 | 189.9 | 190.0 | 190.0 | 190.0 |
|  |  |  |  |  |  |  |

Notes:

1. The Equity investment in TasWater is recognised as the State’s equity interest in TasWater’s net asset value.
2. Other is primarily comprised of the balance of investments held by the Department of Natural Resources and Environment Tasmania.

### Non‑Financial Assets

Non‑financial assets include the value of Crown Land and other land holdings, including national parks and conservation areas, schools, hospitals and other buildings held by the Government. Non‑financial assets also includes Plant and equipment, Intangibles, Assets held for sale, Lease - right‑of‑use assets and Other non‑financial assets.

Land and buildings is estimated to be $7 022.7 million as at 30 June 2024, a decrease of $1 183 million from the 2022‑23 Budget of $8 205.7 million as at 30 June 2023. This decrease primarily reflects the transfer of housing assets to Homes Tasmania which is a PNFC Sector entity. Land and buildings is estimated to increase by $588.2 million to $7 610.9 million as at 30 June 2027. This primarily reflects increased capital expenditure on schools, hospital and prison assets undertaken by the Department for Education, Children and Young People, the Department of Health and the Department of Justice.

Infrastructure is estimated to be $7 591.4 million as at 30 June 2024, an increase of $652.5 million from the 2022‑23 Budget of $6 938.9 million as at 30 June 2023. Infrastructure is estimated to increase by $1 665.9 million to $9 257.3 million as at 30 June 2027, which primarily reflects capital expenditure on road and bridge infrastructure assets by the Department of State Growth.

Lease - right‑of‑use assets is estimated to be $687.8 million as at 30 June 2024. This consists of $668.4 million for Land and buildings, which primarily reflects the leasing of Government office accommodation held by Finance‑General and $19.4 million for Plant and equipment, which primarily reflects the leasing of equipment by the Department of Natural Resources and Environment Tasmania and the Department of Health.

The increase in Land and buildings and Infrastructure over the 2023‑24 Budget and Forward Estimates reflects the implementation of the Government’s Infrastructure Investment Program. Further information on infrastructure investment is provided in chapter 6 of this Budget Paper.

### Superannuation

#### General Government Sector

The Government’s superannuation liability is an estimate of the obligations of the State with respect to liabilities arising from the current and former members of unfunded or partially funded Public Sector defined benefit superannuation schemes, which were closed to new members with effect from May 1999.

The superannuation liability is an estimate of the net present value of the Government’s share of meeting current and future benefit payments for scheme members. The superannuation liability differs from many other financial liabilities, such as Borrowings, which can be called on for repayment in full at any point in time.

The superannuation liability has arisen over many decades because benefits are funded on an emerging basis when scheme members become entitled to a pension or lump sum benefit. That is, the Government’s portion of the final benefit is paid when it falls due, with the remaining part of the benefit being funded from the scheme’s assets. The major schemes currently operating in the General Government Sector that have an unfunded liability are those administered under:

* the Public Sector Superannuation Reform Act 2016;
* the Public Sector Superannuation Reform Regulations 2017;
* the Public Sector Superannuation Reform (Parliamentary Superannuation) Regulations 2016; and
* the Judges’ Contributory Pensions Act 1968.

While these schemes have been closed to new members, because of the long‑term nature of superannuation benefits, the superannuation liability continues to increase as existing members accrue additional years of service as they approach retirement age.

The General Government Sector Superannuation liability is estimated to be $7 759.3 million as at 30 June 2024, which is comprised of the estimated present value of the liability of $9 731.3 million less the estimated fair value of plan assets of $1 972 million.

###### Table 7.7: General Government Sector Superannuation Liability as at 30 June

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Present value of superannuation liability | 10 443.9 | 9 736.1 | 9 731.3 | 9 693.9 | 9 631.5 | 9 542.5 |
| Fair value of plan assets | (2 046.3) | (1 991.7) | (1 972.0) | (1 940.9) | (1 902.1) | (1 855.4) |
|  |  |  |  |  |  |  |
| Total | 8 397.6 | 7 744.4 | 7 759.3 | 7 753.0 | 7 729.3 | 7 687.2 |
|  |  |  |  |  |  |  |

Chart 7.7 projects the General Government Sector Superannuation liability (net of plan assets) over the total life of the defined benefit schemes to 30 June 2084.

###### Chart 7.7: General Government Sector Superannuation Liability Projection 30 June 2024 to 30 June 2084

General Government Superannuation Liability Projection 30 June 2024 to 30 June 2084
The chart shows that the General Government Superannuation Liability gradually declines over the total life of the defined benefit scheme to reach zero by 30 June 2084.

Chart 7.8 shows the estimated employer contribution payments, made up of both pension and lump sum benefit costs, over the period 2023-24 to 2083-84.

###### Chart 7.8: Defined Benefit Superannuation Costs, 2023-24 to 2083‑84

Defined Benefit Superannuation Costs, 2023-24 to 2083-84
The chart shows that estimated employer contribution payments, made up of lump sum and pension payments, are predicted to peak in 2034-35 at $490.8 million and then gradually declines to zero by 2083-84. 

The current projections show the cost will increase by 39.6 per cent over the next 12 years, peaking in 2034‑35. The estimated cost to the Budget is based on the most recent actuarial estimates. The current estimated peak cost of $490.8 million represents an increase of $52 million from the estimated peak cost of $438.8 million included in the 2022-23 Budget.

In 2023‑24, defined benefit superannuation costs are estimated to be 4.0 per cent of Cash receipts from operating activities in the General Government Sector. Defined benefit superannuation costs, as a percentage of General Government Sector cash receipts, is estimated to peak at 4.5 per cent in five years (2027‑28), followed by a decrease to 3.4 per cent in 15 years (2038‑39) and 2.6 per cent in 20 years (2043‑44).

Table 7.8 shows the estimated nominal cash flows required to meet the emerging cost of superannuation benefits payable to members. This represents the estimated total cost of benefits payable and includes the General Government Sector share, together with the share of benefits that are funded from plan assets.

###### Table 7.8: Undiscounted Defined Benefit Obligations Payable to Employees of the General Government Sector

|  |  |
| --- | --- |
|  | 2023 |
|  | Estimate |
|  | $m |
| Estimated total benefit payments to be made in the period |  |
| No later than 1 year | 490.7 |
| Later than 1 year and no later than 2 years | 479.0 |
| Later than 2 years and no later than 5 years | 1 560.0 |
| Later than 5 years and no later than 10 years | 2 940.9 |
| Later than 10 years and no later than 15 years | 3 082.6 |
| Later than 15 years and no later than 20 years | 2 878.9 |
| Later than 20 years and no later than 25 years | 2 511.2 |
| Later than 25 years and no later than 30 years | 2 065.6 |
| Later than 30 years and no later than 35 years | 1 535.6 |
| Later than 35 years and no later than 40 years | 989.8 |
| Later than 40 years and no later than 45 years | 528.7 |
| Later than 45 years and no later than 50 years | 218.5 |
| Undiscounted defined benefit obligation | 19 281.5 |
|  |  |

#### Actuarial Assumptions and Sensitivity Analysis

Independent actuarial assessments are prepared by the Actuary to provide reporting and disclosure information, relating to the General Government Sector Superannuation liability, in respect of current and former employees who have defined benefits arising from membership of the closed defined benefit superannuation schemes.

The actuarial assumptions are used for the variables that will determine the ultimate cost of providing long‑term superannuation benefits. Actuarial assumptions must be unbiased (i.e. neither imprudent nor excessively conservative) and should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on scheme assets and discount rates.

Table 7.9 shows the key assumptions used by the Actuary in preparing 2022‑23 Budget, and the 2023‑24 Budget and Forward Estimates.

###### Table 7.9: Actuarial Assumptions

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2023  Budget | 2024  Budget and Forward Estimates |
|  |  | % | % |
|  |  |  |  |
| Discount rate |  | 2.5 | 4.0 |
| Salary increase rate |  | 3.0 | 3.5 |
| Pension increase rate |  | 2.25 | 3.5 to 2.51 |
| Asset earnings rate |  | 2.5 | 4.0 |
|  |  |  |  |

Note:

1. Pension increase rate 3.5 per cent for 2023-24 Budget and 2024-25 Forward Estimate; 3.0 per cent for 2025-26 Forward Estimate; and 2.5 per cent thereafter.

It is important to recognise that the actuarial estimate is a snapshot of a scheme’s estimated financial position at a particular point in time, and that the actuarial results do not predict a scheme’s future financial position or its ability to pay benefits in the future. Over time, a scheme’s total cost will depend on a number of factors, including the amount of benefits the scheme pays, the number of people paid benefits (for example mortality and marital status are estimated), scheme expenses and the amount earned on any assets invested to pay the benefits. These variables will change over the life of the liability. The variables are uncertain at the valuation date and are estimated by the Actuary.

The 2022-23 Budget was based on a discount rate of 2.5 per cent, which was calculated using a point in time, 10 year Government Bond rate rounded to the nearest 0.5 per cent. Bond rates have been increasing and as a result, the discount rate applied to determine the Superannuation liability for the 2023‑24 Budget has increased to 4.0 per cent, which is based on the current 15 year Government Bond rate rounded to the nearest 0.5 per cent.

There is a strong inverse relationship between the discount rate and the valuation of the liability. Chart 7.9 shows the impact of an increase or decrease of 50 basis points in the average discount rate used to value the General Government Sector Superannuation liability. The base rate column represents the estimated present value of the superannuation liability (gross) as at 30 June in each year valued by the Actuary using a discount rate of 4.0 per cent.

###### Chart 7.9: Sensitivity Analysis of the General Government Sector Superannuation Liability as at 30 June

Sensitivity Analysis of the General Government Sector Superannuation Liability as at 30 June
The chart demonstrates that there is a strong inverse relationship between the discount rate and the valuation of the liability and shows the impact of an increase or decrease of 0.5 per cent in the average discount rate used to value the General Government Superannuation Liability.

Movements in the discount rate assumption have a significant impact on the valuation of the superannuation liability at any point of time. However, these movements have no impact on the cash flows required to meet the emerging cost of benefits paid to members. The asset earnings rate is an assumption that impacts on the cash cost of employer contributions. A change in the asset earnings rate will directly impact on the value of Plan Assets.

Chart 7.10 shows the value of Plan Assets based on a number of different asset earning rate assumptions, ranging from the Budget assumption of 4 per cent up to 7 per cent.

###### Chart 7.10: General Government Sector Superannuation Plan Assets based on different Asset Earning Rates

General Government Sector Superannuation Plan Assets based on different Asset Earning Rates
The chart demonstrates that the higher the asset earning rate, the higher the level of General Government Superannuation Plan Assets. Under all scenarios, asset levels decrease and fall to zero by 2059. The six per cent and seven per cent scenarios show a slight increase to 2029 before decreasing to zero by 2059. 

An increase in Plan Assets will have an impact on the cash‑based cost of Employer contributions as more assets are available to be used to fund the emerging cost of the liability. The difference in Employer contributions under each scenario for asset earning rates is shown in Chart 7.11. The chart shows an increase in the asset earning rate can reduce the cash cost of employer contributions over the life of the scheme.

###### Chart 7.11: General Government Sector Employer Contributions based on different Asset Earning Rates

General Government Sector Employer Contributions based on different Asset Earning Rates
The chart demonstrates that the higher the asset earning rate, the higher the level of General Government Sector Employer Contributions. Under the seven per cent scenario, contributions peak in 2033-34. Under all other scenarios, contributions peak in 2034-35. Contributions fall to zero in 2084 under all scenarios. 

#### Total State Sector Superannuation

The Total State Sector Superannuation Liability as at 30 June 2024 is estimated to be $8 325.8 million, which is comprised of the estimated present value of the liability of $10 433.5 million less the estimated fair value of plan assets of $2 107.7 million. Total State Sector Superannuation includes government businesses.

###### Table 7.10: Total State Sector Superannuation Liability as at 30 June

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
|  |  |  |  |  |  |  |
| Present value of superannuation liability | 11 191.0 | 10 438.7 | 10 433.5 | 10 393.6 | 10 326.6 | 10 231.3 |
| Fair value of plan assets | (2 187.8) | (2 128.6) | (2 107.7) | (2 074.8) | (2 033.6) | (1 983.8) |
|  |  |  |  |  |  |  |
| Total | 9 003.3 | 8 310.1 | 8 325.8 | 8 318.7 | 8 293.1 | 8 247.6 |
|  |  |  |  |  |  |  |

Chart 7.12 shows the impact of an increase or decrease of 50 basis points in the discount rate used to value the Total State Sector Superannuation Liability. The base rate column represents the estimated present value of the superannuation liability (gross) as at 30 June in each year valued by the Actuary using a discount rate of 4.0 per cent.

###### Chart 7.12: Sensitivity Analysis of the Total State Sector Superannuation Liability as at 30 June

Sensitivity Analysis of the Total State Superannuation Liability as at 30 June
The chart demonstrates that there is a strong inverse relationship between the discount rate and the valuation of the liability. It shows the impact of an increase or decrease of 0.5 per cent in the average discount rate used to value the Total State Superannuation Liability.

Table 7.11 shows the estimated nominal cash flows required to meet the emerging cost of superannuation benefits payable to members. This represents the estimated total cost of benefits payable and includes the Total State share, together with the share of benefits that are funded from plan assets.

###### Table 7.11: Undiscounted Defined Benefit Obligations Payable to Employees of the Total State Sector

|  |  |
| --- | --- |
|  | 2023 |
|  | Estimate |
|  | $m |
| Estimated total benefit payments to be made in the period |  |
| No later than 1 year | 525.7 |
| Later than 1 year and no later than 2 years | 513.5 |
| Later than 2 years and no later than 5 years | 1 671.8 |
| Later than 5 years and no later than 10 years | 3 152.2 |
| Later than 10 years and no later than 15 years | 3 304.7 |
| Later than 15 years and no later than 20 years | 3 086.3 |
| Later than 20 years and no later than 25 years | 2 692.8 |
| Later than 25 years and no later than 30 years | 2 215.3 |
| Later than 30 years and no later than 35 years | 1 646.9 |
| Later than 35 years and no later than 40 years | 1 061.4 |
| Later than 40 years and no later than 45 years | 566.9 |
| Later than 45 years and no later than 50 years | 234.3 |
| Undiscounted defined benefit obligation | 20 671.8 |
|  |  |

### Tasmanian Risk Management Fund

#### Purpose of the Fund

The Tasmanian Risk Management Fund’s claims liability is recognised within Other liabilities on the General Government Sector Balance Sheet. The Fund was established on 1 January 1999 to provide a whole‑of‑government approach to managing the funding of insurable liabilities of inner‑Budget agencies.

Agencies are covered for the majority of insurable risks to which they are exposed or for which they choose to accept responsibility and the Fund agrees to cover, including:

* personal injury (including workers’ compensation and personal accident);
* property (including buildings and contents, business interruption, motor vehicles, machinery, marine hull, transit and fraud);
* liability (including public and products, professional, and directors and officers liability);
* medical liability; and
* travel.

All classes are self‑insured by the Fund apart from marine hull and travel. These classes remain insured through the purchase of a commercial insurance policy, as this is more cost-effective than self‑insurance for these two categories of risk. Since 1 July 2015, an Industrial Special Risks insurance policy has also been purchased to cover catastrophe risk for property assets (currently for claims above $6.25 million).

#### Performance of the Fund

The Fund operates on a cost recovery basis with agencies making contributions each year in order to build up reserves to meet current and emerging costs. Contributions are based on advice from an independent actuary and are adjusted over time according to the claims experience of agencies.

The overall increase in contributions for 2023‑24 is principally due to an increase in workers’ compensation contributions and an increase in general property contributions. The workers’ compensation contribution increase is primarily as a result of higher claim costs in recent years, higher staffing costs, an increase in the incidence and cost of psychological claims and other inflationary factors. Contributions for general property also increased reflecting a higher retention that is expected to apply under the Fund’s Industrial Special Risks policy in 2023-34 and an allowance for higher inflationary impacts on claims costs. Contributions for medical liability decreased moderately, which was mainly due to the continued favourable funding position of this risk category. While contributions increased for all other categories of risk, the increases were not significant in terms of quantum. Overall, total agency contributions increased from $132.2 million in 2022‑23 to an estimated $149.2 million in 2023‑24.

As at 30 June 2024, the Fund is estimated to have Net Assets of $48.4 million. This balance reflects surpluses in the funding position for medical liability, general liability and workers’ compensation risk categories. The funding level for workers’ compensation has improved substantially as a result of additional funding of $105 million from the Public Account in 2021-22 (through the Appropriation (Supplementary Appropriation for 2021-22) Act 2022). Maintaining provisions in these risk categories is considered prudent, particularly for latent claims that can take many years to be reported and many more years to reach a settlement. These reporting and settlement delays mean that the outstanding claims liability in these risk categories is subject to considerable uncertainty.

###### Table 7.12: Financial Position of the Tasmanian Risk Management Fund as at 30 June

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | 2023 | 2024 | 2025 | 2026 | 2027 |
|  |  | Estimated |  | Forward | Forward | Forward |
|  | Budget | Outcome | Budget | Estimate | Estimate | Estimate |
|  | $m | $m | $m | $m | $m | $m |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 429.0 | 458.8 | 493.1 | 521.8 | 550.9 | 580.1 |
| Receivables | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
|  | 430.2 | 460.1 | 494.4 | 523.2 | 552.3 | 581.4 |
| Liabilities1 |  |  |  |  |  |  |
| Personal injury | 240.3 | 252.3 | 284.6 | 310.0 | 331.8 | 351.9 |
| Property | 8.7 | 18.8 | 12.7 | 9.2 | 9.6 | 10.1 |
| Motor vehicle | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 |
| Liability | 6.0 | 5.0 | 5.3 | 5.5 | 5.7 | 5.9 |
| Medical | 142.9 | 134.3 | 141.3 | 146.2 | 153.1 | 159.6 |
| Payables and employee entitlements | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
|  | 399.8 | 412.5 | 446.0 | 472.9 | 502.5 | 529.8 |
|  |  |  |  |  |  |  |
| Net Assets | 30.4 | 47.6 | 48.4 | 50.2 | 49.8 | 51.7 |
|  |  |  |  |  |  |  |

Note:

1. Liabilities are calculated by the Fund’s Actuary as at 31 December 2022.