

Submitted by Greens Leader Cassy O'Connor MP

on behalf of the Tasmanian Greens, in accordance with the *Charter of Budget Responsibility Act 2007*.

On behalf of the Tasmanian Greens, I present the Greens' 2021 election Fiscal Strategy statement, which applies triple bottom line principles to the State Budget.

The purpose of a fiscal strategy statement under *Charter of Budget Responsibility Act 2007* (The Charter) is to –

- (a) establish a benchmark for evaluating the Government's fiscal performance; and*
- (b) increase public awareness of the fiscal policies of the Government and Opposition parties.*

However a Fiscal Strategy is far more than that. A Fiscal Strategy is an essential component of contemporary financial management practice, as not only does it represent an effective planning tool for the government of the day, but also provides clear signals to the community, business sector and markets of the policy priorities and financial direction of the Government and how social, environmental and economic targets are intended to be met.

This statement was developed in accordance with the principles of sound fiscal management as set out in Part 3 of The Charter, and complies with the requirements of Part 4 of The Charter.

The requirements of a Fiscal Strategy statement under The Charter are for it to –

- (a) specify the long-term objectives within which budgets will be framed; and*
- (b) specify the key fiscal measures against which fiscal policy will be set and assessed; and*
- (c) specify the fiscal objectives and targets for the budget year and the following 3 financial years; and*
- (d) identify how the fiscal objectives and strategic priorities relate to the principles of sound fiscal management.*

The principles of sound fiscal management as set out in The Charter are -

- (a) manage the State's finances responsibly for the wellbeing of all Tasmanians; and*
- (b) provide for the future for the next generation of Tasmanians; and*
- (c) prepare for unexpected events by building a robust financial position; and*
- (d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit; and*
- (e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability; and*
- (f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.*

The Greens Fiscal Objectives

The Greens Fiscal Strategy follows the principles of triple bottom line accounting. We firmly believe that *how* a government spends and manages its finances is no more important than *what* it spends on.

The Greens Fiscal Strategy contains 6 Fiscal Objectives (See Appendices for full statements against part three and four of The Charter) –

1. MANAGE OPERATIONAL EXPENDITURE

The Greens recognise that a sustainable state budget ensures that operational expenditure does not regularly exceed revenue.

The average of the underlying net operating balance in a given budget year and across the forward estimates will be positive, or closer to positive than in the previous budget.

2. INFRASTRUCTURE SUSTAINABILITY

The Greens recognise that, in an era of climate disruption, sustainable infrastructure investment and maintenance is essential for sustainable budget management.

State sector infrastructure expenditure will be equal to or greater than depreciation, averaged over four years, and infrastructure debt is to be accompanied by a justifying statement outlining the strategic objectives of the infrastructure investment program.

3. MANAGE HOUSEHOLD EXPENSE GROWTH

The Greens recognise that ensuring households don't pay an unreasonable amount in fees and charges is important for household wellbeing and prosperity.

Growth in average household payments of state government and government owned business taxes, fees, bills and charges is to be no greater than growth in average household income.

4. RESPONSIBLE ENVIRONMENTAL INVESTMENT

The Greens recognise that governments are responsible for ensuring that a healthy environment is maintained, for now and for future generations.

Expenditure on environmental protection, conservation, restoration and rehabilitation will exceed extractive activities.

5. REGIONAL EQUITY

The Greens recognise that it is the government's responsibility to ensure that investment in regions is equitable, and provides for comparable services across the State.

Per capita expenditure on infrastructure and region-specific services will be no higher than the next Australian Standard Geographical Classification Remoteness Area.

6. KPI RESPONSIVENESS

The Greens recognise that governments have a responsibility to ensure that declining performance is met with targeted investment.

We will ensure that a KPI underperformance is met with relevant, targeted investment.

Appendix 1 - Manage operational expenditure

(a) Long term objectives

Ensure that operational expenditure is sustainable.

(b) Key fiscal measures

This will be measured against the underlying net operating balance.

(c) Budget objectives and targets

The average of the underlying net operating balance in a given budget year and across the forward estimates will be positive, or closer to positive than in the previous budget.

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

Ensuring that current levels of expenditure can be maintained into future years is a necessity of responsible management, and also ensures ongoing investment in services critical for the wellbeing of Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Ensuring that current levels of expenditure can be maintained into future years ensures that the next generation of Tasmanians will not be disadvantaged in favour of current generations.

(c) prepare for unexpected events by building a robust financial position

Ensuring that current levels of expenditure can be maintained into future years will contribute towards a robust financial position by ensuring that debt does not accumulate in the funding of ongoing operations.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Sustainable and predictable investment in government services provides certainty to the community, businesses, and the non-for-profit sector, promoting a strong, sustainable economy. Sustainable operational expenditure is also a critical component of efficient allocation of public resources, maximising the return to the community.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

The underlying net operating balance is a critical measure of expenditure compared to revenue, and is a high level expression of spending and taxation policy. A commitment to maintaining a sustainable balance provides for stability and predictability, whilst also providing for equity between generations.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

The underlying net operating balance is a fairly straightforward, high level measure. The underlying net operating balance is also a more accurate representation of operational expenditure compared to the more commonly cited net operating balance. Reporting against the underlying net operating balance is, therefore, part of a transparent and accountable budget reporting framework.

Appendix 2 - Infrastructure Sustainability

(a) Long term objectives

Ensure that infrastructure investment is sufficient to make sure assets are maintained responsibly, now and into the future.

(b) Key fiscal measures

This will be measured against an Asset Renewal Ratio and infrastructure debt.

(c) Budget objectives and targets

General government sector infrastructure expenditure to be equal to or greater than depreciation.

Infrastructure financed through debt to be accompanied by a justifying statement outlining the strategic objectives of the infrastructure investment program including –

- i. The triple bottom line impact of the infrastructure program;
- ii. How debt will be managed, including the planned debt repayment schedule and the long term impact on the budget.

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

Maintaining and investing in infrastructure assets is part of the core business of government, and essential for providing for the wellbeing of all Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Maintaining infrastructure assets into the future provides for intergenerational equity.

(c) prepare for unexpected events by building a robust financial position

Infrastructure investment provides for economic activity and growth, which ensures strong returns to businesses, households and government.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Infrastructure investment provides for economic activity and growth, building a strong economy. Ensuring that investment outstrips depreciation ensures that public resources are appropriately allocated for long term public benefit.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

Ensuring stability in infrastructure investment contributes to spending which is equitable, stable and predictable.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

The asset renewal ratio is fairly straightforward, making it a transparent and accountable measure. Furthermore the requirement to provide details around an infrastructure project that is funded through borrowings is both transparent and accountable.

Appendix 3 - Manage household expense growth

(a) Long term objectives

Ensure that growth in household taxation, fees and bills expenses are equal to or lower than growth in household income.

(b) Key fiscal measures

Household expense and income.

(c) Budget objectives and targets

Expenditure on environmental protection, conservation, restoration and rehabilitation will exceed extractive activities.

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

Ensuring that state government components of household expenses do not grow faster than household incomes will contribute to the wellbeing of Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Managing household expenses in this way will achieve an equitable balance between government revenue and household disposable income growth. This will contribute towards a strong economy and stable government revenue, providing for future generations.

(c) prepare for unexpected events by building a robust financial position

The balance of this measure will contribute towards stable income for both household and governments, allowing both to build a robust financial position.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Providing for stable growth in household income will contribute towards a stronger economy, the balance this measure provides will also benefit the community by allowing for stable household income growth while maintaining public services.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

The structure of this measure ensures stability and predictability, as households can be confident that expenses will not increase in excess of their income. This is also equitable due to the fact that revenues from household fees only increase as the capacity to pay increases.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

This is a fairly straightforward measure, contributing to transparent and accountable reporting.

Appendix 4 - Responsible environmental investment

(a) Long term objectives

Ensuring that environmental assets and the ecosystem services they provide are maintained.

(b) Key fiscal measures

Environment asset maintenance reporting.

(c) Budget objectives and targets

Expenditure on protection, conservation and rehabilitation to exceed extractive activities, specifically –

- i. Growth in expenditure on protected areas to be equal to or exceed growth in visitation numbers;
- ii. Growth in expenditure on rehabilitation of former resource extraction sites to be equal to or exceed growth in resource royalties;

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

The Tasmanian environment is vital to the health, recreational and economic wellbeing of Tasmanians. Ensuring that investment is adequate to prevent degradation is therefore responsible management of the State's finances for the wellbeing of all Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Ensuring that the next generation inherits an environment that has had minimal impacts upon it by the previous generation is a significant part of intergenerational equity.

(c) prepare for unexpected events by building a robust financial position

Much of Tasmania's economic activity is due to nature tourism and brand dependent sectors. Ensuring our environment is well maintained is critical for future revenues in both the government and private sectors, and therefore, instrumental in building a robust financial position.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Many businesses rely wholly or in part on nature tourism. Our environment is a critical plank of our economy, and ensuring that investment in these assets matches extraction and traffic is an efficient allocation of resources.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

This measure also provides for spending policy that is responsive to demand, and therefore equitable, as well as providing for a measure of stability and predictability.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

These measures are fairly straightforward and have a clear rationale, making them part of a transparent and accountable framework.

Appendix 5 - Regional Equity

(a) Long term objectives

Ensuring that investment by region is equitable.

(b) Key fiscal measures

Regional investment levels by Australian Standard Geographical Classification Remoteness Area.

(c) Budget objectives and targets

Per Capita expenditure on Infrastructure and region specific services to be no higher than the next ASGC-RA, specifically –

- i. ASGC-RA2 per capita expenditure on Infrastructure and region-specific services to be no greater than ASGC-RA3 per capita expenditure;
- ii. ASGC-RA3 per capita expenditure on Infrastructure and region-specific services to be no greater than ASGC-RA4 per capita expenditure.

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

This framework helps to ensure that funding between regions is equitable without being overly prescriptive to allow for flexibility if required, this contributes to ensuring the budget is managed in a way that benefits all Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Regional inequality is one of the biggest predictors of health, education and financial outcomes of future generations. Beginning to act on regional inequality now will help to provide the next generation with more options.

(c) prepare for unexpected events by building a robust financial position

Appropriate investment across regions builds financial and industry capacity across our state, which in turn results in stronger and more stable revenue to governments, contributing to a robust financial position.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Appropriate investment and services across regions contributes to a stronger economy throughout the State, and also provides for broader community benefit.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

This measure provides Tasmanian regions with a degree of certainty around levels of investment, it also provides for regional equity.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

These measures are fairly straightforward and have a clear rationale, making them part of a transparent and accountable framework.

Appendix 6 - KPI responsiveness

(a) Long term objectives

Ensuring that declining performance is met with targeted investment.

(b) Key fiscal measures

Agency KPIs.

(c) Budget objectives and targets

KPI targets that have not been met, or KPI performance that has declined meaningfully, is to be met with relevant, targeted strategies or investment.

(d) Principles of sound fiscal management

(a) manage the State's finances responsibly for the wellbeing of all Tasmanians

Ensuring that declining KPIs are responded to is essential for providing effective services to Tasmanians, and therefore it is both responsible to respond to these declines, and contributes to the wellbeing of Tasmanians.

(b) provide for the future for the next generation of Tasmanians

Many services, particularly health and education, are critical for early development and can have a lasting impact on young children. Ensuring that performance does not decline is therefore critical for the future of any given generation.

(c) prepare for unexpected events by building a robust financial position

Maintaining effective services is essential for building and maintaining a strong, healthy and well trained workforce, a decline in service performance can drain the economy, which impacts on State revenues. Ensuring service standards are maintained contributes to a stable revenue base and contributed to the financial position of future budgets.

(d) improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit

Ensuring that service standards do not drop maximises community benefit and ensures that the economy does not suffer from a lack of essential services.

(e) formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability

This measure provides for spending on services that contributes to equity, stability and predictability by committing to service standards not declining.

(f) ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

Providing a measure that requires declining KPIs to be rectified is both a transparent and accountable part of the budget process.