



AUSTRALIAN CAPITAL TERRITORY

COMMISSION OF AUDIT

**REPORT ON THE STATE OF THE TERRITORY'S
FINANCES AT 31 OCTOBER 2001**

March 2002

Report on the State of the Territory's Finances at 31 October 2001

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Report on the State of the Territory's Finances at 31 October 2001

1. Executive Summary

This chapter provides a summary of the conduct, findings and conclusions of the Commission of Audit (the Commission).

1.1 Conduct of the Commission of Audit

The Treasurer announced the establishment of the Commission on 15 January 2002. Under the terms of reference and further advice from the Treasurer, the Commission's task was to undertake a review in two stages on the state of the Territory's finances and the risks arising from the operation of its business entities and its exposure to financial investments. This report addresses item 1 of the terms of reference, which was to 'determine the state of the Territory's finances at the time of the change of Government' at 31 October 2001.

The Commission has not conducted an audit of the financial statements of the Territory. Rather, it has inquired into the reasonableness and completeness of the financial aggregates and projections on the basis of policies prevailing at the time of the change of government, concentrating on what it considered to be the major issues and risks facing the Territory at that time. The Commission has necessarily relied heavily on the existing Treasury processes and systems for providing financial information for the Territory supplemented by inputs from other agencies to identify the financial concerns and issues facing the Territory at the end of October 2001.

The Commission has built on the work of the public service with the guidance of an external Chair to develop findings and conclusions independent of the views of the present or previous ACT governments.

It is important to note that matters arising after 31 October 2001 have not been taken into account. Knowledge gained after the end of October 2001 has not been applied to the forecasting of any projected financial results. This is consistent with the Treasurer's direction that a view was to be formed only on existing knowledge, at the time of the expiry of the last Government.

The conduct of the Commission of Audit is discussed in chapter 2. Given the Commission's reliance on existing financial processes and systems, an outline of the Territory's annual cycle of preparing and presenting financial reports, the budget and forward estimates has been provided at chapter 3.

1.2 Financial Results and Position at 31 October 2001

1.2.1 Methodology

The financial results and position at 31 October 2001 were determined using the systems and processes which have been in place in Treasury for the last five years.

1.2.2 Results

The financial results and position at 31 October 2001 for the General Government Sector, Public Trading Enterprise Sector and Total Territory are provided in Table 1.1.

Table 1.1: Summary of Financial Results and Position at 31 October 2001

	October Year to Date		
	Operating Result \$m	Net Assets \$m	Net Cash Inflow \$m
General Government Sector	89	5,016	133
Public Trading Enterprises Sector	37	2,441	13
Total Territory¹	122	7,451	146

In summary, the Territory's 'bottom line' at 31 October 2001 was:

- An operating surplus of \$122m;
- Net assets of \$7,451m; and
- A net cash inflow from operating activities of \$146m.

The Commission's assessment of the financial results and position of the Territory at 31 October 2001 is presented in chapter 4.

1.3 Estimated Outcome and Forward Estimates

1.3.1 Methodology

In September 2001, Treasury prepared an update to the forward estimates for the General Government Sector contained in the 2001-02 budget. This update provided revised estimated operating results for 2001-02 to 2004-05, and was issued by the then Chief Minister and Treasurer on 2 October 2001².

In order to prepare the Commission's report, the information released on 2 October 2001 was updated by Treasury to 31 October 2001 and its coverage expanded to include public trading enterprises, in order to provide whole of Territory consolidated estimates. The Commission sought to confirm the 'base line' through discussions with agencies on the impact of the adjustments included in the 2 October release. The Commission then identified issues which either emerged between 2 October and 31 October 2001 or were known to agencies prior to the 2 October release, but had not been advised to Treasury pending further consideration by the relevant agencies. The impact of the issues which were considered relevant were then incorporated in to the estimates.

The whole of government and agency specific issues considered by the Commission are discussed in chapters 5 and 6 respectively.

¹ The results for the General Government and Public Trading Enterprise sectors do not necessarily add to the total Territory result, as in consolidation the transactions between the two sectors are eliminated.

² 'Revised Territory Forward Estimates', media release.

1.3.2 Results

Estimates (at 31 October 2001) of the operating results for 2001-02 to 2004-05 for the General Government Sector, Public Trading Enterprise Sector and Total Territory are provided below.

Table 1.2: Estimated Operating Results

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
General Government Sector	(5)	46	15	13
Public Trading Enterprises Sector	53	65	58	61
Total Territory³	9	62	26	23

In summary, the estimated operating result for the Territory in 2001-02 is a \$9m surplus. This is \$19m less than the estimate in the 2001-02 budget presented on 1 May 2001. The operating surplus of the Territory is estimated to rise to \$62m in 2002-03.

A number of whole of government and agency specific issues underpin these estimates. A key whole of government issue in the estimated outcome for 2001-02 is the rate of return on investments, which fell dramatically in the second half of the 2001 calendar year. At 31 October 2001, Treasury had expected that investments would recover sufficiently to record a zero rate of return by 30 June 2002. This view, which implies a \$63m reduction in General Government Sector revenues from the May budget estimate, has been reflected in the Commission's estimated outcome for 2001-02.

1.4 Risks to the Forward Estimates

The following significant risks to the forward estimates were identified by the Commission and are discussed further in chapters 5 and 6. Within the time available to the Commission, it has not been possible to identify the extent of the risk posed by each of the issues raised. The Commission nevertheless believes that each of the issues raised below is significant and requires further attention by Government.

1.4.1 Whole of Government Issues

As discussed above, the rate of return on investments is a key issue in the estimated outcome for 2001-02. It is also a key issue in the forward estimates, which assume a real rate of return on superannuation investments of 5% per annum. This equates to about \$80m in 2002-03, increasing by about \$10m each year.

Other significant whole of government risks to the forward estimates identified by the Commission are:

- The adequacy of provisions for information technology services;
- Pressures on the Territory's insurance costs;

³ The results for the General Government and Public Trading Enterprise sectors do not necessarily add to the total Territory result, as in consolidation the transactions between the two sectors are eliminated.

- Wage pressures;
- The 27th public service pay in 2003-04;
- The adequacy of infrastructure repair and maintenance expenditure; and
- The rate of growth of the net liability for superannuation.

1.4.2 Agency Specific Issues

The Commission identified a number of issues specific to particular agencies which it considered were likely risks to the forward estimates. These issues are:

- The Criminal Injuries Compensation scheme in the Department of Justice;
- Long Service Leave in the departments of Education and Health;
- Recurrent expenditure for the ACT Prison project in the Department of Justice;
- Canberra Tourism and Events Corporation; and
- ACTEW's Investment in TransACT Communications Pty Ltd (TransACT).

1.5 Service Capacity Issues

The Commission identified a number of budget pressures which are likely to have an impact on service capacity in agencies, either in relation to providing existing levels of service or meeting the growth in demand. The Commission has not adjusted the estimates as the government has policy options to address these concerns. These issues are:

- The cost of municipal services;
- ACTION's base funding;
- Students with disabilities in mainstream schools;
- Canberra Connect; and
- The Rural Medical School.

These issues are discussed in chapter 6.

2. Conduct of the Commission of Audit

2.1 Appointment

The Treasurer announced the establishment of the Commission on 15 January 2002. The Commission met for the first time on 21 January 2002.

The members of the Commission of Audit are:

- Mr Will Laurie (Chair), Chairman of Boyce, Chartered Accountants;
- Dr Penny Gregory, Chief Executive of the Department of Health and Community Care; and
- Mr Howard Ronaldson, Chief Executive of the Department of Treasury.

The Commission has been serviced by a secretariat comprising officers from the Department of Treasury.

2.2 Terms of Reference

The terms of reference provided to the Commission were:

- (1) Determine the state of the Territory's finances at the time of the change of Government. The following should be reviewed:
 - (a) financial results and position at the end of October 2001;
 - (b) the most likely full year financial results and position for 2001-02;
 - (c) coverage in the forward estimates of known, and probable, significant events likely to impact the Budget eg nurses wages increase and SACS⁴ award flow on.
- (2) Review the exposure of the Territory to any significant financial risks from operation of its business entities. The following would be reviewed:
 - (a) business outlook for ACTEW and ActewAGL, with particular regard to the likely rate of return for its investment in TransACT;
 - (b) the financial viability of the Australian International Hotel School (this is already subject to a \$0.2m review);
 - (c) ACTION;
 - (d) ACT Forests;
 - (e) the Canberra Tourism and Events Corporation; and
 - (f) Totalcare Industries Limited.

⁴ Social and Community Services

- (3) Review the financial performance of the Territory in relation to its exposure to investments.

2.3 Further Advice on the Commission

Further comments on the Commission's task were provided to the Chair of the Commission by the Treasurer on 30 January 2002. These comments included that:

- The Commission would undertake a two stage review, with the first stage addressing item 1 of the terms of reference, and the second stage addressing items 2 and 3;
- In relation to the first stage of the review, the Commission would produce a written report outlining the methodology, scope and findings of the review; and
- The Commission would not be expected to provide recommendations for actions in relation to its findings, with the Treasurer seeing this as a matter for him to address if and when required.

In addition, the Treasurer requested that the Commission allow the Auditor-General to comment on the findings of the Commission.

2.4 Scope

The Treasurer expected the Commission to be an advisory or review body and to act as a 'steering committee'. In this role, the Commission inquired into the reasonableness and completeness of the financial aggregates and projections at the end of October 2001 concentrating on what it considered to be the major issues and risks facing the Territory at that time.

The Commission was not to conduct an audit of the financial statements of the Territory. This, clearly, is the role of the Auditor-General.

The Commission of Audit differs from the commissions established in other Australian jurisdictions. It is worth noting, however, that commissions of audit are often assigned differing charters, leading to different considerations and work flow characteristics. In its approach as a steering committee, the Commission has relied heavily on past and present work of the Department of Treasury and inputs from other agencies to identify the financial concerns and issues facing the Territory at the end of October 2001.

The Commission has built on the work of the public service with the guidance of an external Chair to develop findings and conclusions independent of the views of the present or previous ACT Governments.

The scope of the Commission's work has been defined by the terms of reference and by the further comments provided by the Treasurer on 30 January 2002. The present report addresses item 1 of the terms of reference which is aimed at providing an understanding of the financial position of the Territory based on the prevailing policies at the time of the change of the Government (end October 2001). In doing so, it touches on issues relevant to items 2 and 3 of the terms of reference (which will be considered in a second report of the Commission) only to the extent of their potential impact on the Territory's finances at 31 October 2001.

In addressing item 1 of the terms of reference, the Commission has reported on the following matters:

- The financial results and position of the Territory at 31 October 2001;
- The estimated financial outcome for 2001-02 at 31 October 2001; and
- Forward estimates for 2002-03 to 2004-05 at 31 October 2001.

2.5 Approach

In carrying out its work, the Commission has necessarily relied heavily on the existing processes and systems for providing financial information for the Territory (see chapter 3).

To facilitate the Commission's work, the Department of Treasury prepared statements of the financial performance and position of the Territory at 31 October 2001; estimates of the financial outcomes for 2001-02 taking into account the assessed impact of any issues known at 31 October 2001; and forward estimates for 2002-03 to 2004-05, again taking into account the assessed impact of any issues known at 31 October 2001.

In order to gain a more comprehensive picture of the Territory's financial situation at the end of October 2001, the Commission sought information and comment from the Chief Executives of the six portfolio departments and other agencies including those identified in item 2 of the terms of reference.

Each agency made a presentation to the Commission and the Commission requested further written information where necessary. Appendix A outlines the Commission's initial request to agencies. Appendix B lists the agency officials interviewed by the Commission. The Commission has also had other information available to it, including reports⁵ and discussions with the Auditor-General.

2.5.1 Financial Results and Position at 31 October 2001

The statements of the financial performance and position of the Territory at 31 October 2001 have not been audited by the Auditor-General's Office. The systems, methods and processes used to prepare these results were the same as those used to prepare the unaudited quarterly whole of government financial reports prepared by Treasury under section 26 of the *Financial Management Act 1996*. The quarterly reports provide financial management information to the Legislative Assembly and are not intended to form audited financial statements.

⁵ Most notably, Auditor-General's Office, *Financial Audits with Years Ending to 30 June 2001* (Report No 11, 2001).

The Commission has tested the 31 October 2001 consolidated financial results to ensure their reasonableness. This testing has included a comparison with the audited Consolidated Annual Financial Statements for 2000-01 (released on 2 October 2001) and with the unaudited first and second quarter reports for 2001-02 (covering July to September 2001 and October to December 2001 respectively) prepared by Treasury in November 2001 and February 2002 respectively. The Commission also compared these results with the year to date results in the previous three years, as well as the trend information for the first four months in those years.

Under the Australian Accounting Standards, financial statements are normally adjusted for any event that occurs after reporting date that 'provides additional evidence of conditions that existed at reporting date'⁶. The Commission notes that this is relevant to the financial statements at 31 October 2001 (term of reference 1(a)), and not to the estimated outcome for 2001-02 or the forward estimates (terms of reference 1(b) and 1(c)).

The Commission noted that 31 October is not a standard reporting date. No processes were in place for balance date adjustments, such as, asset revaluations or the update of depreciation schedules. However, given that audited financial statements of the Territory for 2000-01 were released on 2 October 2001, the Commission considered that there would not be any material changes to asset values and depreciation between 30 June and 31 October 2001.

In relation to any events that could have had an impact on the end of October results, the Commission considered it necessary to make the distinction between:

- those events and conditions, which existed at 31 October 2001, and which would have materially affected the statements, but which came to light after 31 October 2001; and
- those events and conditions which occurred after 31 October 2001, with a potential impact on the result at 31 October 2001.

The Commission sought to identify events and conditions in the former category, to adjust the financial results at 31 October 2001. The latter category was excluded, as such events would have occurred after the change of government. The terms of reference of the Commission are to produce a report on the state of the Territory's finances at the time of the change of government (31 October 2001).

An overview of the Territory's financial results and position at 31 October 2001 is contained in chapter 4.

2.5.2 Estimated Outcome and Forward Estimates

The quarterly reports prepared by Treasury do not revise forward estimates and provide only a limited revision of the estimated outcome for the current financial year. Quarterly revisions are limited to certain parts of the revenue and expenses of the General Government Sector and do not include outcomes for the Public Trading Enterprise Sector. There is usually limited information available in the earlier part of the year to enable updates of the forward estimates.

⁶ AAS 8, *Events Occurring After Reporting Date*.

The Commission's estimates for 2001-02 to 2004-05 were prepared using the following method. In September 2001, Treasury prepared an update to the forward estimates for the General Government Sector contained in the 2001-02 budget. These estimates provided revised estimated operating results for 2001-02 to 2004-05, and were issued by the then Chief Minister and Treasurer on 2 October 2001⁷. This information has been updated to 31 October 2001 and its coverage expanded to include public trading enterprises, in order to provide whole of Territory consolidated estimates, as required by the Treasurer.

In its discussions with portfolio departments and agencies, the Commission sought, firstly, to establish whether Treasury's update of the 2001-02 estimated outcome and the forward estimates for the General Government Sector (released on 2 October 2001) reflected all known or probable significant events and financial risks. Second, the Commission sought information on any further events and risks which became known during October 2001.

In relation to the estimated outcome for 2001-02 (term of reference 1(b)) and the forward estimates (term of reference 1(c)), it is important to note that matters arising after 31 October 2001 have not been taken into account. Knowledge gained after the end of October 2001 has not been applied to the forecasting of any projected financial results. This is consistent with the Treasurer's direction that a view was to be formed only on existing knowledge, at the time of the expiry of the last Government.

During its deliberations the Commission was, however, presented with information relating to risks and events with potentially significant budgetary impact, which emerged after 31 October 2001. Some commentary, therefore, is included in the report on these issues to give a more complete appreciation of the pressures underlying the estimates.

The Commission recognises that the preparation of forward estimates is necessarily inexact and requires judgments and assumptions about economic parameters and government policies. The impacts of Commonwealth government decisions are also important, both as transmitted through the Commonwealth-State financial relations as well as the Commonwealth's own activities in the ACT. Economic parameters include assumptions about changes in gross state product, employment and inflation. Government policy assumptions cover a broad range of policy positions on matters such as wage increases, efficiencies to be achieved, and the extent to which growth in demand for services is to be funded. Economic parameters are discussed further in chapter 5 and significant policy assumptions and questions of service capacity are discussed in chapters 5 and 6.

The Commission's estimates of financial outcomes for 2001-02 to 2004-05 are presented in chapter 7. The whole of government and agency-specific considerations in preparing these estimates are presented in chapters 5 and 6 respectively.

⁷ 'Revised Territory Forward Estimates', media release.

2.6 Timing

The Commission met for the first time on 21 January 2002. Under advice from the Treasurer, the Commission was required to provide a report on the first term of reference by 28 February 2002, with the second and third terms of reference to be addressed in a second report.

3. The Financial Cycle

In addressing item 1 of its terms of reference, the Commission has, as noted in chapter 2, relied heavily on existing processes and systems for providing financial information to the Territory. This chapter provides an outline of the Territory's annual cycle of preparing and presenting financial reports, the budget and forward estimates. The roles of agencies, including the Department of Treasury and the Auditor-General's Office, are explained. A summary is also provided of the methods and quality controls for deriving, estimating and reporting financial information.

3.1 The Legislative and Administrative Framework

The core legislation which establishes and defines the Territory's financial management policies is the *Financial Management Act 1996* (the FMA). The FMA covers, among other things, the requirements for the Territory and Government departments to prepare and present budgets and financial statements containing operating statements, statements of financial position and statements of cash flows. Responsibility for financial budgeting, reporting, and cash management has been largely devolved to individual agencies. Each agency has implemented its own financial systems to collect data at departmental and output class levels. Treasury has overall responsibility for guiding agencies in their preparation of financial information. In particular, the Territory's Accounting Policy Manual, issued and periodically updated by the Treasury, provides specific guidance to agencies on a wide range of financial accounting policies and reporting issues.

3.2 Financial Reporting

The most important elements of financial reporting in the Territory are the annual financial statements of agencies and the consolidated annual financial statements of the Territory prepared by the Treasurer and the Chief Executive of Treasury. All of these statements, and the output and performance measures of the agencies, are audited by the Auditor-General. The audited consolidated financial statements for the Territory for 2000-01 were presented on 2 October 2001. The Commission has used this information as a base from which to prepare financial statements as at 31 October 2001.

The Territory's financial statements were prepared in accordance with Australian Auditing Standards, in particular *AAS 31 Financial Reporting by Governments*. Departments prepared their financial statements in accordance with Australian Accounting Standard *AAS 29 Financial Reporting by Government Departments*⁸.

The FMA also requires quarterly reports for the total Territory to be presented within 45 days of the end of the quarter. This was recently amended from monthly reporting, to allow more time for more robust financial analysis. A Statement of Financial Performance, Statement of Financial Position and Cash Flow Statement are prepared for the General Government Sector (GGS), Public Trading Enterprises (PTEs) and Total Territory to meet this requirement.

⁸ Auditor-General's Report No. 11, 2001, pp. 9-11.

Departments also report on outputs and performance measures on a quarterly basis to the Assembly. Quarterly reports are not audited by the Auditor-General.

While no longer tabled in the Assembly, agencies are still required to provide Treasury with monthly financial data. This allows consolidated financial statements to be prepared on a monthly basis.

To support these requirements, Ownership Agreements (for Departments), and Statements of Intent (for Territory authorities), provide timeframes and reporting requirements to the Treasurer. The Commission referred to budgets for the six departments, and statements of intents for the statutory authorities identified in the terms of reference.

3.3 The Budget and Forward Estimates

The development of the Territory's budget and forward estimates takes about 5 months, beginning in mid-December and ending with the tabling of the budget in the following May. This year, however, the Budget will be handed down by the Treasurer on 25 June 2002, allowing the Government more time to consult on aspects of its first budget. The budget process, which updates the forward estimates and extends them to an additional year, is summarised in this section.

3.3.1 The Basis of the Budget

Forward estimates from the previous year's budget are used as the starting base for each agency to begin budgeting. These forward estimates are updated for the outcome of the previous financial year. In this framework, the starting base for departments is established as the first forward estimate. In the first half of 2001, the budget for 2001-02 was updated using the forward estimates for 2001-02 from the 2000-01 budget presented in May 2000. These forward estimates were updated in early 2001 in the light of the outcome for the 1999-2000 budget prepared in late 2000. The Commission used the estimated 2001-02 outcome contained in the May 2001 Budget along with the forward estimates provided by Treasury on 2 October 2001 as the bases from which to review the 2001-02 outcome and forward estimates.

3.3.2 Outline of the Budget Process

Early in the process, the current year's estimates and the forward estimates are updated for the flow-on effects of the audited outcome for the previous year. This may include revised depreciation expenses and asset values.

An additional forward year is then added which is a 'roll forward' of the existing last forward year's estimate, adjusted for the forecast change in Consumer Price Index (CPI). Necessary adjustments to the additional years' estimates are also made to reflect the cessation of any expenditure initiatives from the previous years.

Government considers information in relation to the update of planning parameters such as the CPI and population growth which could impact on the financial position; and any known impacts on the forward estimates such as Commonwealth grants, capital works or the movement of functions between agencies.

Major items in the revenue base are assessed in terms of performance from previous years, against trend series information and also against economic parameters for taxation revenue. Commonwealth Grants Commission information is used as an indication of the funding that will be provided in the "Statement of Estimated Payments" considered at the annual Treasurers' Conference.

There are usually a minimum of two Budget Cabinet sessions set aside to consider the Budget. Budget Cabinet I usually considers all of the above (with the exception of the Timetable, which is considered earlier) in order to set the financial policy. Budget Cabinet II considers budget initiatives and policies proposed by agencies.

The capital works program usually starts earlier than the main budget due to the large lead times with projects, and the large financial and service delivery implications. Each agency is asked to bring forward "bids" for capital expenditure, and relate these to their asset management plans and their purchase agreements to determine the service delivery impact.

In this context, the forward estimates are maintained on a rolling basis and adjusted for the impact of economic parameters and new initiatives.

The Commission examined the Capital Works Program and, during discussions with agencies, inquired into issues surrounding the maintenance of assets.

3.3.3 Budget Presentation

The Budget is presented into the Legislative Assembly and then referred to an Assembly Select Committee on Estimates.

While the budget and forward estimates are based on generally accepted accounting practices, they are not audited by the Auditor-General. The Estimates Committee considers the Appropriation Bill in line with all the Budget documentation and provides a report to the Legislative Assembly on their findings and recommendations for the Budget. The Appropriation Bill is then debated in the Legislative Assembly. If successful, the Bill is passed by the Legislative Assembly, and agencies go about the task of implementing the policies contained in the Government's Budget.

4. Financial Results and Position at 31 October 2001

This chapter provides a summary of the financial results as at 31 October 2001. Appendices D-F provide consolidated statements of financial position at 31 October 2001, and a consolidated statement of financial performance and consolidated statement of cash flows for the period 1 July to 31 October 2001 for the General Government Sector (GGS), the Public Trading Enterprise (PTE) Sector, and the total Territory. This chapter therefore addresses item 1 (a) of the terms of reference by providing a 'bottom line' for the Territory at 31 October 2001.

4.1 Methodology

The financial position as at 31 October 2001 was determined using the systems and processes which have been in place in Treasury.

Prior to June 2001, Treasury was required to prepare a Consolidated Financial Management Report within 30 days of the end of every month to enable its tabling under Section 25 of the FMA. Monthly financial information was collected from agencies which formed the basis of consolidated results provided to the Assembly. A brief description of the systems and processes adopted by Treasury is provided below.

As discussed in Section 3.2, the reporting cycle changed from monthly to quarterly in June 2001, following amendments to the FMA. However, Treasury has continued to collect monthly financial information from agencies and prepare consolidated results for each month for monitoring and analysis purposes. Consequently, the systems and process used to determine the 31 October 2001 financial results were those used to prepare quarterly reports to the Legislative Assembly. These systems and processes have been in place and progressively updated since the introduction of financial reform in the Territory in 1996.

A flow chart of the monthly reporting process is included in Appendix C. In summary, the Financial and Budgetary Management Branch in Treasury takes information from agencies on a monthly basis. The Portfolio Officers perform a number of checks to ensure the integrity of the data, and its reasonableness. The information is then loaded into the Treasury database.

As the first step in consolidation, the financial information is aggregated for agencies within the GGS and the PTE sector. Internal trading between agencies within a particular sector is then eliminated to obtain GGS and PTE financial results. In the final step, both GGS and PTE are aggregated and trading between the GGS and PTE sectors is eliminated to obtain a Territory consolidated result.

4.2 Financial Results and Position: General Government Sector

The GGS consists of:

- those organisations whose primary function is to provide services which are mainly not market orientated, are mainly for the consumption of the community generally, involve

the transfer or redistribution of income, and are financed mainly through appropriation; and

- those organisations that are controlled by the Territory and provide investment or other financial services.

A summary of financial results and position to 31 October 2001 for the GGS is provided in Tables 4.1 to 4.3 below. Detailed financial statements are provided at Appendix D.

4.2.1 Statement of Financial Performance to 31 October 2001

Table 4.1: Statement of Financial Performance to 31 October 2001: General Government Sector

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Revenue	2,116	745	755	10
Expenses	2,051	662	666	4
OPERATING RESULT	65	83	89	6

With a variance of only \$6m, the year to date performance of the operating result is in line with budget. Returns on superannuation related equity investments were at -\$21m. However, these were offset by strong above year to date budget returns in lease revenue (\$9.0m above budget) and conveyance duty (\$19.0m above budget).

4.2.2 Statement of Financial Position at 31 October 2001

Table 4.2: Statement of Financial Position at 31 October 2001: General Government Sector

	2000-01 Audited \$m	Oct 2001 Actual \$m	Variance \$m
Total Assets	7,581	7,730	149
Total Liabilities	2,659	2,714	55
NET ASSETS	4,922	5,016	94

Total assets includes *service delivery assets*⁹, which at the end of October 2001 were \$5,359m, a decrease from the opening position by \$4m due to the net effects of depreciation and amortisation.

Total liabilities at the end of October 2001 were \$2,714m, an increase of \$55m from the opening position. This increase was mainly due to the budgeted increased superannuation liability of \$48m.

Net worth of the GGS at the end of October 2001 was \$5,016m, an increase of \$94m, mainly due to the recognition of the year to date operating surplus of \$89m.

⁹ Service delivery assets consist of Property, Plant and Equipment; Intangibles; and Capital Works in Progress.

4.2.3 Statement of Cash Flows at 31 October 2001

Table 4.3: Cash Flows from Operating Activities to 31 October 2001: General Government Sector

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Total Operating Receipts	2,018	699	811	111
Total Operating Payments	1,730	618	677	59
NET CASH INFLOW¹⁰	288	81	133	52

Net cash inflows from operating activities at the end of October 2001 reflected the stronger land and property prices. A greater balance of funds within the Central Financing Unit provided improved interest returns.

4.3 Financial Results: Public Trading Enterprise Sector

The PTE sector consists of those organisations whose primary function is to provide goods and services which are mainly market orientated and non-regulatory in nature and who may recover a significant part of their costs from individual consumers.

A summary of financial results and position to 31 October 2001 for the Public Trading Enterprise Sector is provided in Tables 4.4 to 4.6 below. Detailed financial statements are provided at Appendix E.

4.3.1 Statement of Financial Performance to 31 October 2001

Table 4.4: Statement of Financial Performance to 31 October 2001: Public Trading Enterprises

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Revenue	627	126	131	5
Expenses	530	102	98	(4)
Tax Equivalent	(1)	(1)	(1)	-
Injection for Operations	4	5	5	-
OPERATING RESULT	100	28	37	9

Greater energy sales and lower interest costs for ACTEW, along with lower administrative costs in other sector agencies, such as ACT Forests, ACT Housing and ACTION have contributed to the above year to date budget result.

¹⁰ The totals to this, and some of the subsequent tables, may not add due to rounding.

4.3.2 Statement of Financial Position at 31 October 2001

Table 4.5: Statement of Financial Position at 31 October 2001: Public Trading Enterprises

	2000-01 Audited \$m	Oct 2001 Actual \$m	Variance \$m
Total Assets	3,023	3,053	30
Total Liabilities	619	612	(7)
NET ASSETS	2,404	2,441	37

Total assets of \$3,053m include service delivery assets, which at the end of October 2001 were \$2,448m, a decrease from the opening position by \$10m due to the net effects of depreciation and amortisation.

Total liabilities at the end of October 2001 were \$612m, a decrease of \$7m from the opening position.

Net worth of the PTE at the end of October 2001 was \$2,441m, an increase of \$37m, mainly due to the recognition of the year to date operating surplus of \$37m.

4.3.3 Statement of Cash Flow to 31 October 2001

Table 4.6: Cash Flows from Operating Activities to 31 October 2001: Public Trading Enterprises

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Total Operating Receipts	413	102	110	8
Total Operating Payments	341	92	97	5
NET CASH INFLOW	72	10	13	3

Net cash inflows from operating activities at the end of October 2001 reflected the improved operating surplus against year to date budget.

4.4 Consolidated Total Territory Results to 31 October 2001

Summary statements and a brief discussion of the consolidated total Territory financial results to 31 October 2001 are provided in the following. Detailed consolidated total Territory financial statements are at Appendix F.

4.4.1 Statement of Financial Performance to 31 October 2001

A summary of the statement of financial performance for the four months to 31 October 2001 is presented in Table 4.7. Total revenue was \$816m and total expenses were \$694m. The net operating result was therefore a surplus of \$122m.

Table 4.7: Consolidated Total Territory Statement of Financial Performance to 31 October 2001

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Revenue	2,462	803	816	13
Expenses	2,362	693	694	1
OPERATING RESULT	100	110	122	12

The Commission compared the statement of financial performance to 31 October 2001 with the budget for the same period. Table 4.7 shows that the estimates of revenue and expenses are very close to budgeted figures. The slightly above year to date budget performance of revenue for both the GGS and PTE sector has driven the improved operating result.

4.4.2 Statement of Financial Position at 31 October 2001

A summary of the estimated statement of financial position as at 31 October 2001 is presented in Table 4.8.

Table 4.8: Consolidated Total Territory Statement of Financial Position at 31 October 2001

	2000-01 Audited \$m	Oct 2001 Actual \$m	Variance \$m
Total Assets	10,218	10,424	206
Total Liabilities	2,894	2,973	79
NET ASSETS	7,324	7,451	127

The Commission compared the statement of financial position at 31 October 2001 with the audited statement of financial position at 30 June 2001. The net assets of the Territory increased by \$127m from 30 June to 31 October 2001. This mainly relates to the flow through into equity of the year to date operating surplus of \$122m. This improved year to date surplus is reflected in a \$175m increase in short-term investments. This increase in assets is partly offset by a \$14m decrease in service delivery assets and a \$48m increase in the superannuation liability.

The Territory's liquidity is measured by the current ratio and equates to current assets over current liabilities. This ratio indicates the Territory's ability to meet short term debt from short term assets such as cash and cash equivalents.

Consistent with other Treasury reports, superannuation investments and liabilities were excluded in calculating the current ratio. This is because these investments are not available for the repayment of any debt other than superannuation liabilities. At 30 June 2001, the Territory had a short term asset to liability ratio of 1.54. That is, the Territory had \$1.54 in current assets available to meet each dollar of current liability. Using the same method of calculation, the ratio at 31 October 2001 was 2.41.

The long term financial position of the Territory can be assessed by a ratio of total assets to liabilities. In this regard, long term is defined as more than one year and the ratio excludes the total value of equity investments and superannuation investments, as well as the total superannuation liability. At 30 June 2001, the Territory had a long term liability to asset ratio of 0.20. That is, for every one dollar of assets, the Territory has 20 cents of liability. Using the same method of calculation, the ratio at 31 October 2001 was 0.19.

The superannuation liability as at 31 October 2001 of \$1,522m is the Territory's single largest liability. At 31 October 2001, it was 51% of total liabilities. Superannuation investments of \$954m existed at 31 October 2001, providing funding equivalent to 63% of the liability.

4.4.3 Statement of Cash Flow to 31 October 2001

A summary of the estimated cash flows from operating activities for the four months to 31 October 2001 is presented in Table 4.9.

Table 4.9: Consolidated Total Territory Cash Flows from Operating Activities to 31 October 2001

	2000-01 Audited \$m	October Year to Date		
		Budget \$m	Actual \$m	Variance \$m
Total Operating Receipts	2,223	731	844	113
Total Operating Payments	1,863	637	698	61
NET CASH INFLOW	360	94	146	52

The Commission compared the net cash inflow from operating activities to 31 October 2001 with the budget for the same period. Monthly (and therefore year to date) budget figures for the Territory are based on the view of agencies of their individual monthly budgets. These can be based on a simple pro rata division (that is, the budget for the year divided by twelve) or on estimates of monthly budgets that take account of seasonal effects on revenue and expenses over the financial year. Table 4.9 shows that the actual year to date net cash inflow was higher than budgeted by \$52m. This was due in particular to an increase in taxes, fees and fines of \$44m over year to date budget.

Total Unencumbered Cash (TUC) is the measure of the Territory's cash balance which is not allocated to an operating or investing requirement at that point in time, and is therefore a measure of liquidity.

Table 4.10 provides the movement in TUC for the year to date 31 October 2001. The TUC at 31 October 2001 of \$307.7m shows an increase since 30 June 2001.

Table 4.10: Territory's Unencumbered Cash Position at 31 October 2001

	2000-01 Audited \$m	Oct 2001 Actual \$m	Variance \$m
Territory Unencumbered Cash	230.5	307.7	77.2

The Commission notes that during the course of a financial year, TUC may not be available to spend, as it may be committed in the forward estimates. However, coupled with cash forecasts, TUC gives an indication of funds available for investment in the immediate short term. The Commission believes that the Territory's levels of TUC were adequate but worthy of close monitoring over time.

4.5 Commentary

4.5.1 Systems and Processes

The Commission has not undertaken an audit of the systems and processes used by Treasury. The Commission however notes that these tools and processes are also used to collect and consolidate information to prepare the audited annual financial statements. While the monthly or quarterly reports have not been subject to audit, the systems and processes utilised to prepare these reports have been subject to audit as part of the audit of the consolidated financial statements.

The Commission is satisfied with the robustness of the systems and processes used to determine the actual financial results as at 31 October 2001.

4.5.2 Year to Date Results

As part of quality assurance, the Commission has reviewed a number of reconciliations including:

- Reconciliation of aggregate operating result to the consolidated operating result;
- Reconciliation of movement in accumulated funds, for the GGS, PTE Sector and the total Territory;
- Reconciliation of closing cash on Statement of Cashflow to cash on the Statement of Financial Position, as at 31 October 2001; and
- Reconciliation of net assets between the GGS, PTE Sector and total Territory.

A comparison of the year to date result as a fraction of full year estimate with the previous years may not be appropriate, given some significant adjustments to the estimated outcome. The Commission however assessed the reasonableness of the 31 October 2001 financial results in the light of the trends on revenue and expenses in the previous years.

The Commission considers that, in general, the trend on revenue and expenses in the first four months was similar to those in the previous three years, and that those variations apparent at the end of October 2001, which are likely to have a material effect on the estimated outcome for 2001-02 (for example, increases in taxation and land revenue) have been incorporated in the update of the estimated outcome.

4.5.3 Comparison with Year to Date Budget

A review of the monthly budgets or the year to date budgets to 31 October 2001 was beyond the scope of the terms of reference. Treasury advised that monthly (and therefore year to date) budget figures for the Territory are based on the view of agencies of their individual monthly budgets. In general these are based on a simple pro rata division (that is, the budget for the year divided by twelve). However, in some cases, in preparing monthly budgets, agencies take account of seasonal effects on revenue and expenses over the financial year.

In this context, the variance figures for Statement of Financial Performance and Statement of Cashflows are only indicative. The Commission has not undertaken a detailed variance analysis of the underlying line items, other than noting that, as at 31 October 2001, the Territory had made a loss of \$21m on its superannuation investments, against a year to date budget surplus of \$20.6m. This was offset by higher than budget revenues from taxes, fees and fines of \$25m and grants from the Commonwealth of \$20m.

The Commission makes no judgement on the validity of year to date budgets for these items, however, it notes that the variance in grants from Commonwealth from the year to date budget is due to the timing of those grants, rather than part of a trend during the year.

4.5.4 The Bottom Line

In summary, the Territory's 'bottom line' at 31 October 2001 was:

- Operating Surplus of \$122m;
- Net Assets of \$7,451m; and
- Unencumbered Cash Position of \$308m.

Table 4.11: Summary of Financial Results and Position at 31 October 2001

	October Year to Date		
	Operating Result \$m	Net Assets \$m	Net Cash Inflow \$m
General Government Sector	89	5,016	133
Public Trading Enterprises Sector	37	2,441	13
Total Territory¹¹	122	7,451	146

¹¹ The results for the General Government and Public Trading Enterprise sectors do not necessarily add to the total Territory result, as in consolidation the transactions between the two sectors are eliminated.

5. Whole of Government Issues at 31 October 2001

This chapter describes the whole of government issues considered by the Commission in preparing revised financial estimates for 2001-02 and forward estimates for 2002-03 to 2004-05 (presented in chapter 7). Some of these issues have generated sets of adjustments that have been incorporated into the financial estimates presented in chapter 7. These are:

- Economic parameters (section 5.1);
- Revenue (section 5.2);
- Commonwealth payments (section 5.3);
- Returns on financial investments (section 5.4); and
- Magnitude of the net superannuation liability.

Other whole of government issues have been noted by the Commission as presenting risks to the forward estimates, but have not been incorporated into the financial estimates presented in chapter 7. These issues (presented in section 5.5) are:

- Information technology services;
- Insurance costs;
- Wage pressures;
- 27th public service pay; and
- Infrastructure maintenance.

5.1 Economic Parameters

Economic conditions in the Territory will affect the Government's financial situation. For example, population growth rates will affect the demand for government services and the revenue from stamp duty on housing sales. Major economic parameters such as population growth, gross state product, state final demand, employment and inflation (as measured by the CPI) are considered when framing the budget and forward estimates.

The 2001-02 budget presented on 1 May 2001 identified the Government's forecasts for these parameters for 2001-02 and its planning assumptions for the forward estimates from 2002-03 to 2004-05. The planning assumptions for the economic parameters are not forecasts of actual annual changes in the parameters. Rather they are Treasury's estimated average annual changes for the three year period of the forward estimates.

In preparing its Update to Forward Estimates released on 2 October 2001, Treasury revised its forecasts and planning assumptions for four of the five major economic parameters. The only economic parameter not to be changed was population growth. These revisions are identified in Table 5.1 and compared with original budget figures.

The Commission has concluded that no further changes would have been considered necessary at 31 October 2001 given the short time elapsed since 2 October 2001. The Commission's estimates for 2001-02 and the outyears have therefore been based on the revised economic parameters presented in Table 5.1. Further discussion of the major economic parameters follows.

Table 5.1: Economic Parameters in the 2001-02 Budget and 2 October 2001 Revision by Treasury

	May Budget 2001-02	October Revision 2001-02	May Budget Forward Estimates	October Revision Forward Estimates
	% Change on 2000-01		Average annual increase (%)	
Gross State Product	4.6	3.1	4.4	3.9
State Final Demand	3.0	3.3	2.7	2.2
Employment	1.3	0.0	2.5	1.2
Consumer Price Index	2.25	2.0	2.25	2.5

5.1.1 Gross State Product

Gross State Product (GSP) is a measure of economic activity that is calculated by summing household income and business profit. Treasury's 2 October 2001 revision reduced the forecast of GSP growth for 2001-02 from 4.6% to 3.1%. The assumed GSP growth rates in the forward estimates were reduced by 0.5%.

These reductions reflected the effects of international tensions and disruptions in domestic aviation on consumer and investor behaviour. It was expected that employment would not grow as previously anticipated and company profits were likely to grow at a reduced rate. The revisions have a minimal impact on Territory revenue projections.

5.1.2 State Final Demand

State Final Demand (SFD) measures the overall level of spending in the ACT and is the sum of household final consumption, public final consumption and investment (including both public and private investment) and dwelling construction.

During 2000-01 growth in SFD was largely underpinned by continued strong growth in household and public final consumption. In September 2001, this was expected to continue for 2001-02 and to be supported by a rebound in investment expenditure, particularly dwelling construction. Forward indicators such as the number of building approvals had increased suggesting that the decline in new housing investment was over and the housing sector would add to economic activity. The outlook for other areas of private sector investment also appeared to be improving with the continuing fall in interest rates.

For the reasons above, the 2 October 2001 revision increased the forecast of SFD growth for 2001-02 from 3.0% to 3.3%. The estimated rise in SFD for 2001-02 is likely to marginally increase Territory revenues, and partly offset any adverse impact on business confidence of the forecast decrease in the rate of growth of GSP. It was incorporated in the 2 October 2001 Update.

The assumed SFD growth rates in the forward estimates were reduced by 0.5% in the Treasury update of 2 October 2001. The forecast lower rate of growth of SFD in 2002-03 and after was due to an anticipated reversal of the current decline in interest rates and the consequential dampening of the growth in dwelling investment and private sector investment in general. The Commonwealth Government was also forecasting a reduced growth in Commonwealth outlays in 2002-03 compared to this financial year.

5.1.3 Employment

The 2 October 2001 revision reduced the forecast of employment growth for 2001-02 from 1.3% to 0.0%. These reductions reflected the actual SFD in 2000-01 being lower than estimated for the 2000-01 budget. Movements in employment lag changes in economic conditions. The lower than estimated results for SFD in 2000-01 will therefore result in a lower employment growth in 2001-02 than was estimated in the May 2001-02 budget.

The latest indicators available in October 2001 suggested that, while recruitment intentions remained subdued, they nonetheless were consistent with expectations of a resumption of employment growth in the latter half of 2001-02. On balance, the outlook was for moderate employment growth through the remainder of 2001-02, but only sufficient for employment to remain unchanged in year average terms for 2001-02 compared to 2000-01.

Employment was projected to return to longer-term growth paths and resume growth in 2002-03 in response to the gradually improving economic conditions. Employment growth forecasts were nevertheless revised downwards from 2.5% to 1.2% for 2002-03 as it was not expected that economic conditions would improve as quickly as anticipated in the 2001-02 budget. This expectation was based on downward revisions in relevant Commonwealth Government forecasts.

5.1.4 Inflation

The 2 October 2001 revision reduced the forecast of inflation for 2001-02 (as measured by the CPI) from 2.25% to 2.0%. The assumed inflation rate in the forward estimates was increased by 0.25%. These relatively minor adjustments reflected the updated information available in September 2001 that was not available prior to presenting the budget on 1 May 2001.

CPI directly influences revenue items formally indexed by the CPI. Under the current Commonwealth-State financing arrangements, the total pool of general revenue assistance is guaranteed to be maintained in real per capita terms. This means that an increase in CPI will directly flow through to an increase in the total pool. The ACT's share of the pool will depend on both its population share and the relativity determined by the Commonwealth Grants Commission. Taxes, with the exception of general rates, are indirectly influenced by the CPI through increases in asset values or costs, such as house prices or insurance premiums, to which duty applies.

5.1.5 Population

Population growth forecasts in the 2 October 2001 revision remained unchanged from the 2001-02 budget with a 0.7% increase forecast for 2001-02 and 0.8% increase in 2002-03.

Historically, population growth has been a strong stimulus to housing demand, but current strength in the housing market is attributed to the low interest rate climate and unmet demand indicated by low rental vacancy rates. Over the medium term, the ACT's low population growth rate relative to other jurisdictions will contribute to a decline in the ACT's share of national Gross Domestic Product (GDP). The relatively low rate of population growth is also likely to have an adverse impact on the ACT's share of Commonwealth grants funding.

5.2 Revenue

Revenues for the general government for 2001-02 broadly comprise:

- GST revenue and grants from the Commonwealth (46%);
- taxes, fees and fines (29%);
- other revenue including lease sales, land revenue, interest, and return on financial investments (16%); and
- user charges (9%).

The 2 October Update included known changes in the following major revenue items: Commonwealth payments, taxation revenue, motor vehicle registration fees and land revenue.

Further changes to Commonwealth payments between the 2 October 2001 Update and 31 October 2001 are discussed in section 5.3. Returns on financial investments are discussed in section 5.4. The other sources of revenue (taxes, fees and fines; lease sales and land revenue; and user charges) are influenced by economic conditions, which have already been discussed in detail in section 5.1. The Commission has noted that changes were made to four of the major economic parameters in the 2 October 2001 Update. These changes were reflected in the Commission's estimates.

As part of its methodology the Commission reviewed the 2 October 2001 Update and concluded that a further revision to the taxation revenue estimates was unnecessary. The Commission does, however, note the particular variability of conveyancing revenue, which depends on market turnover and housing prices. Conveyancing has been a difficult revenue item to predict in other jurisdictions. The forward estimates are based on the level of turnover and average prices, adjusted for CPI, current at the beginning of 2001-02.

5.3 Commonwealth Payments

In addition to the influence of economic conditions, the Territory's finances are also affected by changes in Commonwealth payments to the Territory. Adjustments to Commonwealth funding made after the 2 October 2001 revision and before 31 October 2001 are summarised in Table 5.2 and discussed below. These changes have been incorporated in the Commission's estimates for 2001-02 and the forward years.

Table 5.2: Changes to Commonwealth Payments Included in the Commission's Estimates

	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000	2004-05 \$'000
Commonwealth Grants	10,000	-2,700	-3,200	
First Home Owners' Scheme	-2,200			

Commonwealth grants are the largest single component of the Territory's revenue (41% of total revenue in 2000-01). The Commission was advised that this component is generally stable within individual years. Changes in the level of these grants between financial years usually occur as a result of specific negotiations and intergovernmental processes. In this context, actual changes to revenues from this source are generally known prior to the formulation of annual Budgets. Some adjustments, however, occur after the budget.

Estimates of GST-related payments from the Commonwealth are provided by the Commonwealth Government and projected for the outyears using a nationally agreed model managed by the South Australian Treasury. Changes to estimates are made following the release of annual revenue sharing relativities (in February) and periodic changes to parameter estimates in the Commonwealth's Budget, Mid-Year Economic and Fiscal Outlook (MYEFO) and final year outcomes.

On 28 September 2001 a report on the final Commonwealth Budget Outcome for 2000-01 was released. The adjustments in this report led to a bottom line increase in the ACT's 2001-02 Budget of +\$4.6m. This increase was as a result of an upward revision in the Commonwealth's estimates of the ACT's population and Revenue Replacement Payment Estimate (alcohol and petroleum products). This change was advised to Treasury on 10 October 2001.

The Commonwealth's MYEFO advice of 18 October 2001 identified several adjustments which related to revised Commonwealth forecasts of CPI and First Home Owners Scheme (FHOS) compensation resulting in a net addition of \$5.4m. This outcome, combined with the earlier adjustment, improved the ACT's bottom line by \$10m in 2001-02. This is offset by the additional FHOS expenditure of \$2.2m.

5.4 Returns on Financial Investments

Changes in the performance of Territory financial investments can have a significant effect on the Territory's financial results and on estimates of future outcomes.

5.4.1 General Government Investment Portfolio

The cash of the general government not required for immediate expenditure is invested in a cash enhanced fund and a domestic fixed interest fund. These investment funds comprise the cash balance from the Territory Public Account and the cash held by ACT Government Departments. Territory Authorities and Corporations have the option of transferring cash to these funds for investment. Specialist external fund managers manage these funds on behalf of the Territory. The key investment objective for these funds is to achieve returns after fees greater than the rate of return on overnight cash investment. General government funds are invested in 'defensive' assets such as high grade fixed interest bonds.

5.4.2 Superannuation Provision Account Investment Portfolio

Cash is held for investment purposes in the Superannuation Provision Account (SPA). These funds are invested in accordance with an established asset allocation strategy that takes into account the long-term nature of the liabilities and projected cash flow requirements. These funds are managed by a number of specialist external funds managers.

The key investment objective of the SPA is to achieve a long-term real annual rate of return averaging 5% (net of fees). This rate is considered to provide a balance between short-term volatility and long-term returns appropriate to the growth in corresponding liabilities. The actuary uses this rate in modelling the achievement of a long-term objective of a 90% level of funding of the Territory employer superannuation liability by 2039-40. A major assumption in this projection is the closure of the PSS scheme to new entrants to the Public Service from 1 July 2002. The PSS, being a defined benefits scheme, imposes high costs. New entrants would be able to choose their own scheme and the Territory, as employer, would meet the guaranteed minimum contribution.

The existing Government policy required that agencies would meet the superannuation expense associated with the new scheme from current budgets. While the cost of the new scheme over the budget period would be minimal, as only new employees would be in the scheme, ultimately, under this policy, the amount to be absorbed by agencies would equate to 9% of the total salary cost. This level of absorption would require substantial savings by agencies in the longer term or, alternatively, significant budget impost.

The Commission noted that a triennial actuarial review of the superannuation liabilities started in December 2001. At the time of writing this report, the outcome of the review was not known.

5.4.3 Commission of Audit Treatment

The 2001-02 budget presented on 1 May 2001 estimated the return on investments for 2001-02 at \$63m.

In Treasury's Update to Forward Estimates released by the Treasurer on 2 October 2001, investment returns were identified as a risk to achieving the budgeted outcome for 2001-02. The Update stated that:

The achievement of the budgeted result is significantly under threat due to the downturn of investment returns. This has been effected by the weakening world economy and recent events in New York. The budget estimate for investment returns for 2001-02 is \$63m. Currently the return on investment is negative.

Information on the investment position at the end of September 2001 was not available until after the Update was released on 2 October 2001. When this information became available, it showed that losses had been incurred to 30 September 2001 of \$45m. This was \$108m below the budgeted result at 30 June 2002 of \$63m. Information on losses to 31 October 2001 did not become available until November 2001.

While noting the negative return on investment, the Update of 2 October 2001 did not revise the budget estimate of investment returns of \$63m. The general practice of Treasury is to revise the estimated return on investment for the financial year after December information becomes available (that is, at the halfway mark for the financial year). This policy reflects the inherent variability of investments in the short term.

In order to acquit the Terms of Reference, the Commission had to choose between several ways of accounting for the return on investments in its estimate of the financial outcome for 2001-02. These were to:

- Make no change to the budget estimate for 2001-02 of \$63m, as revisions are not normally made until after the half-yearly review; or
- Make an estimate based on financial market information available at 31 October 2001, including information on losses incurred to 30 September 2001 of \$45m; or
- Make an estimate based on the losses to 31 October 2001, relying on market information that became available in November 2001; or
- Make an estimate based on the present state of knowledge, including the half-yearly review.

While recognising Treasury's practice of not revising year-end estimates until after the half-yearly review, the Commission believes that for the purposes of this report, it is reasonable to update the end-of-year projections presented in 2001-02 budget, on the basis that there existed a significant gap between the budget projections and results to date in October 2001. The Commission notes that such an approach presents a further problem as views at 31 October 2001 on the short term performance of investments were necessarily on the basis of the September result. At that date, Treasury had expected that investments would recover sufficiently to record a zero rate of return by 30 June 2002. This was \$63m below the budget estimate but \$45m better than the level of losses as at 30 September 2001. This view, which implies a \$63m reduction in the May 2001 Budget revenue forecast, has been reflected in the Commission's estimated outcome for 2001-02.

Revisions to forward estimates are less problematic as short term fluctuations (even of a significant and extraordinary nature) are incorporated into longer run trends for return on investment. Estimates of investment returns in the forward estimates are based on these long term trends. The Commission has taken the position that as the exact path of future returns cannot be predicted, it is reasonable to base forward estimates on the estimated long term performance of investments of 5%. For this reason, the forward estimates have not been revised.

5.5 Risks to the Forward Estimates

The following significant risks to the forward estimates were identified by the Commission of Audit. Given the limited time available to the Commission, it has not been possible to identify the extent of the risk posed by each of the issues raised. The Commission nevertheless believes that all of the issues raised below are significant and require the attention of Government.

5.5.1 Information Technology (IT) Services

The Commission has not been in a position to review the adequacy of provisions for IT expenditure in the financial estimates for 2001-02 and after. The Commission notes, however, that the Government has incurred significant costs in moving to a common IT platform across the public service.

Changes in information technology, along with rapid growth in usage and demand, has put pressure on the IT infrastructure, resulting in higher costs of maintaining the capability of the platform. A number of systems need replacement over the forward estimates period. For example, the Chief Minister's Department advised the Commission that it was recognised by the end of October 2001 that *PERSPECT*, the Territory's human resource management system, would need to be replaced. At that time, however, the cost had not been determined. As the cost and timing of *PERSPECT*'s replacement is subject to considerable uncertainty, the Commission has not included this item in its revision of the forward estimates. The Commission notes that, while the ACT's IT strategy was evolving at the time, there are significant future IT requirements which are yet to be specified or fully costed.

5.5.2 Insurance Costs

The update to the forward estimates released on 2 October 2001 included an increased estimate of future insurance costs. The update stated that 'Projected reinsurance premiums will increase for 2002-03 due to a world wide reinsurance premium rates increase which is irrespective of claims performance'. The increase in insurance costs in 2002-03 was estimated at \$1.2m, rising to \$2.8m in 2003-04 and \$3.7m in 2004-05.

At the time of the 2 October 2001 update, it was apparent that insurance costs throughout Australia, including the ACT, were under considerable pressure. This pressure reflected specific international and national events, most notably the terrorist attacks in the United States and the collapse of HIH¹², and widespread concerns about rising public liability insurance.

The Commission notes that there has continued to be widespread concern about insurance costs. There is still considerable potential for the Territory's insurance costs to rise in response to the pressure outlined above. The Commission, however, is not in a position to provide an estimate of the likely effect of this pressure on the Territory's finances. Legislative and regulatory responses by the Government could influence the extent to which the Territory's insurance costs rise. Insurance policy is a matter requiring attention by all Australian governments including the ACT Government.

5.5.3 Wage Pressures

Employee expenses (excluding superannuation) were nearly one third of total Territory expenses in the 2000-01. Even small changes in wage rates can therefore have a material effect on financial outcomes and estimates.

¹² The Commission noted that in the 2000-01 annual financial statements, the Territory recognised a liability of \$64m in relation to the Workers' Compensation Supplementation Fund. At 31 October 2001, no further actuarial information was available. Further actuarial information available in 2002 shows that while the payments for the Fund have been slow, the liability recognised has not materially changed.

In the 2001-02 budget, allowance was made for future wage increases across the public sector. Of this, 1.3% was included in agency budgets and a central cost allowance was made which was, in part, utilised to meet the cost of the recent pay rise for nurses.

In the Update of 2 October 2001, further provision was made of \$4m in the 2001-02 outcome and in each of the three forward estimate years for community sector organisations providing services under contract to the departments of Health and Education. The Commission noted that the estimates of additional costs related to SACS award ranged between \$6m and \$10m. However, there was an expectation that the Commonwealth would provide additional funding to cover part of the costs. The Commission decided not to change the estimate in the 2 October release.

The Chief Executive of the Chief Minister's Department indicated to the Commission that, as at 31 October 2001, the budget had a level of provision for wage increases which was consistent with the government's wages policy at the time.

The Commission has not undertaken a review of the ACT labour market. The Commission notes, however, that negotiations in October 2001 on an Enterprise Bargaining Agreement with nurses indicated that the provision in the budget for annual wage increases were below the likely rate of increase.

5.5.4 27th Public Service Pay

Normally, there are 26 public service pay days in a financial year. Approximately every twelve years, however, an additional pay day falls within a particular financial year.

A number of departments raised the issue of the extra (27th) public service pay day in 2003-04 and the associated funding requirements. This has not been specifically provided for in appropriations to agencies in the forward estimates. The Commission notes that the policy of the government at the time was that agencies provide for this cash requirement from their budgets.

5.5.5 Infrastructure Maintenance

In discussion with some agencies, the adequacy of repair and maintenance expenditure was identified as an issue.

The Territory's departments hold significant assets in the form of infrastructure, and are responsible for its maintenance and management. The value of some of the major assets and repair and maintenance expenditure on these assets for 2000-01 was as follows:

Asset	Value	Expenditure
Roads	\$2,282b	
• Routine		\$2.3m
• Periodic		\$9.5m
Stormwater	\$1,906b	
• Routine		\$2.7m
• Periodic		\$0.9m
Schools	\$544m	\$8.6m

This indicates expenditure of \$24m for assets with a value of approximately \$4.7 billion.

The Territory has had a high asset base in generally good condition (with the exception of its public housing stock). The Commission recognises that establishing a proper benchmark for expenditure on repair and maintenance is beyond its terms of reference. An appropriate level of repair and maintenance expenditure would, however, need to take into account the condition of assets, their usage, and requirements on their performance. Such a benchmark needs to be set in the context of life cycle asset management plans, which seek to minimise the economic costs over the life cycle of the assets, and assist in decisions to optimise replacement/renewal of those assets.

Given the limited time, the Commission could not review any asset management plans. However, a number of observations can be made. A brief review of the capital works program of the past few years indicates that a proportion relates to repair and maintenance works. This suggests less than optimum maintenance capacity in agencies' recurrent budgets, as a result of which, they needed to access the capital works program for repairs and maintenance activities. The Commission considers that delayed repairs and maintenance has the potential to increase the cost of any responses through the capital works program.

This comment is relevant, for example, in the case of schools. The annual maintenance expenditure is close to 2% of the written down value of the assets, which appears to be low given the general age of school buildings. The Department of Education and Community Services concurred with this view. The Department advised that increases under the real term guarantee had mostly gone towards other recurrent cost escalations, and that the maintenance expenditure had only been increased marginally by 2% over the last four years.

It appears that, in general, appropriate maintenance of assets has received lower priority compared to new recurrent initiatives every year. This approach has the potential to increase costs later due to the need for capital solutions to problems which could have been addressed through appropriate maintenance.

The Commission does not make a judgement on what is an appropriate level of expenditure on repairs and maintenance. However, it raises this as an issue which is likely to have an impact on service capacity, and therefore on the forward budgets in the medium to long term.

Another issue brought to the Commission's attention in relation to asset management is the capacity in agencies' budgets for the replacement of plant and equipment. The Commission notes that budgets for the annual replacement of plant and equipment were devolved to agencies some six years ago and, that in some instances, agencies have accessed the capital works program for the upgrade/replacement of plant and equipment.

Technological obsolescence and increased costs of replacement due to improvements in technology have put pressures on replacement budgets. This issue is particularly pertinent to The Canberra Hospital, Calvary Hospital and, to a lesser extent, ACT Community Care in relation to the replacement of clinical equipment. The Commission was advised that The Canberra Hospital will require \$28m for the replacement of clinical equipment over the next five years against a budgeted capacity of \$15m. While the Commission has not assessed the timing and costs, it notes this as a risk to the forward estimates.

6. Agency Specific Issues at 31 October 2001

This chapter describes the agency specific issues considered by the Commission in preparing revised financial estimates for 2001-02 and forward estimates for 2002-03 to 2004-05 (presented in chapter 7). Some of these issues have been incorporated into the financial estimates presented in chapter 7. Other issues are noted as assumptions and risks in the forward estimates or as raising questions of service capacity. These have not been incorporated into the financial estimates presented in chapter 7.

6.1 Issues Incorporated in the Commission's Estimates

In this section, a brief description is given of the issues that the Commission considered as warranting adjustment in the estimated outcome for 2001-02, or the forward estimates, as at 31 October 2001.

In some cases, the Commission decided to incorporate the impact of the particular issue in the 2001-02 estimate, but not to include its flow on effects in the forward years. Generally, this approach has been taken where the issues relate to the service capacity of an agency or growth in demand for the agency's service. In such cases the Commission considered that while these costs were unavoidable for 2001-02, given the policy at the time, there were policy choices available to address service capacity and demand pressures in the forward years.

6.1.1 Land Revenue

A significant component of land revenue is non-cash revenue in the form of the value of infrastructure assets received. These assets including roads, stormwater and water and sewerage infrastructure, are transferred by the developers at the completion of a development, to Urban Services (roads and stormwater) or ACTEW (water and sewerage).

The additional revenue identified by the Commission relates to the transfer of infrastructure for two estates "Conder 9/Banks 3" and "Dunlop 5.1".

At the time of the 1999-2000 budget, the accounting policy was to recognise infrastructure revenue when land was sold. The accounting policy was changed from 1 July 1999. Under the new accounting policy, the infrastructure revenue is to be recognised when a development is completed, rather than at the time of sale of greenfields. As a result, when the estates were sold in June 2000, the revenue was not recorded in 1999-2000, even though it was budgeted to be received in that year.

In subsequent budget development (for 2001-02), these two previously budgeted estates were not reviewed for amended inclusion in the budget. As a result, in 2001-02, the Department of Urban Services will receive an additional \$12.4m of infrastructure assets, and will recognise a corresponding \$12.4m of additional revenue, and ACTEW will receive an additional \$5.4m. The Territory therefore will receive an additional \$17.8m in non-cash revenue.

Similarly, in 2002-03, the Department of Urban Services will receive an additional \$8.7m of infrastructure assets, ACTEW will receive an additional \$3.8m, resulting in an additional \$12.5m of non-cash revenue for the Territory.

The increased revenue for ACTEW will, in turn, increase its profit and, therefore, its dividend to the GGS by the same amount

6.1.2 Totalcare Industries Limited

In the 2001-02 Budget, which was brought down in May 2001, Totalcare's estimate of operating result for 2001-02 was a profit before tax of \$629,000. This was revised to \$261,000 (before tax) in its Statement of Corporate Intent, which was prepared in late August 2001.

As a result of Totalcare reviewing its end year results based on its actual results to 30 September 2001, Totalcare revised the estimated outcome to a small loss of \$16,000. However, as Totalcare had not finalised its review by 2 October 2001, this was not advised to Treasury in time for the 2 October 2001 update. This view remained unchanged at 31 October 2001.

The deterioration of \$645,000 in the operating result mainly relates to the Williamsdale quarry (\$562,000). The Commission also asked for management's view at the end of October 2001 regarding the forward estimates. Similar losses on the quarry operations (in the order of \$0.5m) were projected in all the forward years, against the original budgeted profits of \$0.3m in 2002-03 increasing to \$0.6m in 2004-05.

The Commission notes that underlying this deterioration, Totalcare's revenue increased by \$13.3m and its expenses increased by \$13.9m, mainly reflecting the continuation of the building maintenance activity within the facilities management division of Totalcare. A business assumption was made in the 2001-02 ACT Budget that the building maintenance activity would cease as a result of the loss of the ACT Housing contract.

The Commission decided to adjust the 2001-02 estimated outcome and the forward estimates to reflect the October 2001 view. The Commission however notes that on 5 February 2002, Totalcare advised Treasury of a further deterioration in the operating result, with the full year operating loss now expected to be \$2.5m, largely reflecting losses in relation to Totalcare's investment in the Williamsdale quarry and a number of one off variances. It appears that the assessment in October 2001 was optimistic, although downward pressures on the operating result were evident.

The letter of 5 February does not provide advice on the flow on effects in the forward years. The Commission highlights the potential impact and the as yet unquantified risks to the forward estimates, which would be considered in stage 2.

6.1.3 Increase in Non-Government Schools Enrolments

The Commission was advised that per capita payments to non-government schools are estimated to be \$26.6m in 2001-02 compared to an appropriation of \$24m. This cost pressure was known before 31 October 2001. Treasury was advised on 16 October 2001 with the Department of Education requesting access to the Treasurer's Advance for this impact.

The Commission was advised that the enrolment increase has occurred progressively from 1999 and was previously covered by some adjustment to the Department's territorial provisions and Treasurer's Advance. For the forward years, additional costs of \$2.3m per annum are estimated.

For 2001-02, the Department is being provided an additional \$2.6m through a supplementary appropriation. The Commission agreed to reflect this increase in the estimated outcome and the forward estimates given that this cost pressure was known before 31 October 2001, and the Government policy at the time was to fund the increases in non-government school enrolments.

6.1.4 Substitute Care

The Department of Education and Community Services advised that it is forecasting a substantial increase in the number of substitute care days against the original budget estimate arising from increased demand for care, increased complexity of client needs and increased costs of court-ordered care plans.

The budget estimate was for 65,152 days. However, the full year estimate has increased by 27% to 82,743 days. This trend was known before 31 October 2001 and was highlighted in the Corporate Executive Management Report in September 2001 although Treasury was not advised at that time. The Department will receive \$1.5m in a supplementary appropriation to cover these costs.

The Commission noted that the outcome for 2000-01 was 82,592 days, which approximately equates to the 2001-02 revised estimate. The Commission therefore considers that in light of the actual result for 2000-01, and the trend for the first quarter, the Department would have been in a reasonable position at 31 October 2001 to estimate this outcome for 2001-02.

The Commission decided to adjust the estimated outcome for 2001-02. For the forward years, the Commission considered that this cost is not entirely unavoidable, and this is an issue of service capacity where the government could make policy decisions to address the growth in demand.

6.1.5 Kerbside Waste Collections

The Department of Urban Services extended the contracts for recyclable waste collection services to November 2002, pending the tendering of services. For 2001-02, the cost of the contracts increased by \$0.8m, and the Department is being provided additional funding in the supplementary appropriation.

The Commission decided to adjust the estimated outcome for 2001-02.

For the forward years, the Commission was advised that it is highly likely that the cost of services will increase. However, the Commission agreed not to adjust the forward estimates as, although these are financial risks, they may be manageable through future budgetary strategies.

6.1.6 Nurses' Pay Rise

There had been Enterprise Bargaining Agreement negotiations over several months prior to October 2001. The nurses at ACT Community Care had accepted the offer of a wage rise (17% over three years). However, the nurses at The Canberra Hospital (TCH) had declined the offer. The deadlock resulted in the then Minister for Health, Housing and Community Care withdrawing the offer to TCH nurses.

In the preparation of the 2001-02 Budget, some allowance had been made at the whole of government level to provide for this known but unquantified cost pressure. Treasury advised the Commission that if the TCH nurses had also accepted the offer, the allowance made in the budget would not have been sufficient to cover the increased salary costs. The consequent shortfall in the budget is shown below:

	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000	2004-05 \$'000
Cost of wages and incentives on offer	6,300	8,700	11,900	14,200
Provision in the budget	5,624	8,281	8,230	8,230
Shortfall in budget	-676	-419	-3 670	-5,970

The Commission noted that, at the time of the 2 October update, the ACT Community Care nurses had not accepted the pay offer. Therefore, there was no reason to make any adjustment in the 2 October release.

The Commission also noted that, as at 31 October 2001, the Minister had withdrawn the offer to TCH nurses. However, it was not the Government's policy at the time not to make a subsequent offer. As the ACT Community Care nurses had accepted an offer in October, it could be argued that the same offer was available to the TCH nurses. On this basis, the Commission agreed to adjust the estimated outcome for 2001-02 and the forward estimates by the amount of the shortfall in the provision.

6.2 Risks to the Forward Estimates

6.2.1 Criminal Injuries Compensation Scheme

The Department of Justice advised the Commission that it faced a potential liability of approximately \$3m arising from a Supreme Court ruling prior to 31 October 2001 on the retrospectivity of compensation to victims of crime.

The Commission decided not to include the amount identified by the Department in the revised financial estimates as the liability is likely to be spread over several years, with only a limited impact at most in 2001-02. The Commission nevertheless concluded that the potential liability should be noted as a risk to the forward estimates.

6.2.2 Long Service Leave

The Department of Education and Community Services advised the Commission that at some point in the future, a one-off payment may be requested by the Department in order to meet its long service liability. The Department of Health and Community Care provided similar advice.

The Department of Education and Community Services' accrued long service leave liability is anticipated to remain at \$40m for 2001-02, with long service leave expense in line with emerging long service leave cash payments of around \$2.4m. The Department is currently meeting long service leave expenditure and cash flow requirements from its recurrent budget. The Commission recognises that the rejuvenation of the work force would reduce the salary costs, and may provide capacity to meet the emerging liabilities. However, at some point, given the age profile of teachers (28% of whom are over 50 years of age), the Department may require supplementary funding to meet the cash flow effect of higher long service leave payouts and a subsequent reduction in the long service leave liability.

The accrued long service leave liability for ACT Community Care and The Canberra Hospital is \$20m.

The Commission decided not to include the amount identified by the Department in the revised financial estimates as the future cash need has not been quantified. The Commission nevertheless concluded that the potential liability should be noted as a risk to the forward estimates.

6.2.3 ACT Prison

Treasury's update of the forward estimates released on 2 October 2001 included cost adjustments for the construction of an ACT prison. These adjustments were \$5.6m in 2002-03 and \$8m in each of 2003-04 and 2004-05. These figures were for forgone interest revenue on \$40m of internal funding and interest payments on \$70m of borrowing. The total capital cost of the prison was estimated at \$110m.

These adjustments were included in the 2 October 2001 update as the then Government had committed in principle to the construction of the prison. Insufficient information was available on 31 October 2001 to provide a reliable estimate of the increase in recurrent costs resulting from building the prison. If construction began in 2002-03, as anticipated in October 2001, an increase in recurrent costs for prison services would have been expected in 2003-04 or 2004-05. If the prison were to be operated publicly, the increased recurrent costs of providing prison services over the present level of costs could be expected in 2003-04 due to the need to engage personnel early. Under private operations, such costs would be more likely to impact on 2004-05. Irrespective of management options, the recurrent costs of the prison will be offset by the elimination of the payments presently made to NSW for housing ACT prisoners.

6.2.4 Canberra Tourism and Events Corporation

The 2 October update included a deterioration in operating result of \$0.63m per annum for the Canberra Tourism and Events Corporation (CTEC). Treasury advised that this reflected its view at the time, rather than the view of the management.

Canberra Tourism and Events Corporation manages three major events, the V8 Supercar race, the Rally of Canberra and Floriade. Prior to 2001-02, it was also responsible for the Multicultural Festival, which has now been transferred to Chief Minister's Department. In the previous years, CTEC had made losses on all the events, with the exception of Floriade, and carried accumulated losses of \$2.4m. The Commission was advised that CTEC is being provided with a capital injection to address its cash shortfall due to previous years' losses.

The Commission sought to understand the management's views at 2 October 2001 and 31 October 2001. However, the then Chief Executive has since left the corporation.

The Commission was advised that the changes in CTEC's budget position have been mainly due to the V8 Supercar race. The June 2001 event made an operating loss of \$1.6m against a budgeted loss of \$0.6m. The 2001-02 budget was prepared prior to this event, and included a break even position for the 2002 event (operating surplus of \$28,000). This was based on an estimate of \$5.7m in own source revenue. By comparison, the 2001 event had generated \$4.1m in own source revenue.

At the time of the 2 October update, the then CTEC management held the view that it had identified reasonable strategies to increase revenue and contain costs, and that the budgeted result for the 2002 event would be maintained.

Papers provided to the Commission by the Treasury indicate a more conservative view, and conclude that CTEC was expected to make a loss of \$0.5m on the V8 Supercar race, and \$0.130m on the Rally of Canberra. Treasury also noted that while CTEC had made a commitment to achieving the budget results, not all strategies could be quantified, and that there remained a risk of a potential overall shortfall of \$0.630m for CTEC.

The Commission notes that this view is not inconsistent with the best result achieved so far in relation to the event, which was an operating loss of \$0.5m in 2000. The Commission was advised that further cost pressures have since been identified, and the full year result relating to the 2002 V8 Supercar race is now expected to be a loss of \$1.8m, which is to be addressed through a supplementary appropriation. Similar losses are now also forecast for the remaining two events in the forward years.

The Commission agreed that the revised position incorporated in the 2 October update remained appropriate. The Commission has not reviewed the validity of the latest forecasts. However, it notes this event as a potential risk to the forward estimates.

6.2.5 ACTEW's Investment in TransACT Communications Pty Ltd

ACTEW is the largest Territory Owned Corporation (TOC) and is subject to the *Territory Owned Corporations Act 1990* with additional reporting and compliance obligations under the *Corporations Act 2001*.

ACTEW has a dividend policy by which all of its profits are paid to the Government as dividends. Dividends from ACTEW are received as revenue by the General Government Sector. ACTEW's 2000-01 dividend was \$66.6m. The 2001-02 ACT Budget forecast dividends of \$40.8m in 2001-02, \$47.7m in 2002-03, \$50.9m in 2003-04 and \$53.3m in 2004-05. As at 31 October 2001, ACTEW was performing \$4.6m better than budget.

ACTEW's core businesses are mature with traditionally relatively stable customer bases and predictable levels of demand. Substantial variations in profitability can be driven by factors such as weather patterns, while the pricing paths set by the regulator and retail contestability challenge the management to maintain the efficiency and competitiveness of the ActewAGL joint venture which is a significant source of ACTEW's revenue.

Apart from several significant risk areas associated with core businesses in the contestable energy markets, the other significant issue facing ACTEW at the end of October 2001 was its investment in TransACT Communications Pty Ltd (TransACT), a private company rolling out a broadband network of fibre optic cable across Canberra.

PricewaterhouseCoopers (PWC) is the auditor under the *Corporations Act 2001*, and issued an unqualified audit opinion of the TransACT financial statements on 26 October 2001. The Auditor-General's Report No. 11 presented to the Legislative Assembly on 11 December 2001 reported a number of significant findings in relation to ACTEW's investment in TransACT.

The Auditor-General's Report indicates that as at 30 June 2001, TransACT had accumulated losses of \$20.5m, and ACTEW had raised a provision for diminution of \$5.7m in the value of its investments in TransACT. At that time, ACTEW's investment in TransACT was \$23m (27% ownership interest), which was to conditionally increase to \$59.5m (36%) by 30 June 2002. The Auditor-General noted that the additional investments by ACTEW increased ACTEW's exposure to TransACT's financial results. He also noted the ACTEW CEO's advice:

These losses need to be interpreted in the light of TransACT being a start up company. That is, it is entirely normal for a start up company to incur operating losses in the initial years for two key reasons:

- *While the infrastructure is being rolled out across Canberra, operating costs are still being incurred to support 'back office' functions without a commensurate revenue stream being generated; and*
- *There are significant up front capital costs associated with developing the head end that will service the fully rolled out network. Most of these costs are capitalised, however, a component represents general overhead operating costs.*

In relation to the total project cost, the then Chief Minister and Treasurer said in a ministerial statement to the Legislative Assembly on 29 August 2001:

I am advised that the total capital funding commitment agreed between TransACT's shareholders is in the order of \$230 million. This commitment includes share capital, vendor finance and operational income and goes to the total cost of the project under TransACT's business plan.

The Commission noted that the disclosures made by TransACT in the notes to its financial statements for 2000-01 included:

The consolidated entity has experienced operating losses during the financial period ending 30 June 2001. The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the consolidated entity receiving continued and additional financial support from its shareholders and achieving sufficient cashflows to enable its obligations to be met.

As at 1 August 2001, the shareholders had committed continued support to the consolidated entity and the directors believe that the consolidated entity will be successful in achieving the cashflows required, in addition to the shareholders continued support, to enable its obligations to be met.

The Commission sought advice from the Chief Executive of ACTEW regarding the ACTEW Board's confidence at the end of October 2001 in TransACT achieving the 'cash flows required'. The Commission was advised that the directors were and remain comfortable with the cash flows in addition to the shareholders' continued support.

The Commission was advised that as at 31 October 2001, ACTEW had funded \$20.5m of its additional conditionally committed investment to TransACT. This has been funded through accumulated cash and higher operating cash flows.

Against this background, and while sharing the ACTEW Chairman's reported view of the high risk nature of ACTEW's investment in TransACT, the Commission was given no reason as at 31 October 2001 to change the 2001-02 estimated outcome or forward estimates in respect of any change in ACTEW's performance.

6.3 Service Capacity Issues

A number of agencies brought forward issues which were known before 31 October 2001, but did not qualify under the criteria to be incorporated in the revised estimates. These included:

- budget pressures which had been considered by Government in the previous Budget(s), but not addressed either for the 2001-02 financial year, or the forward estimates. Such shortfalls could either be against the current level of services, or in view of an increase in demand for services; and
- significant policy initiatives to which the Government had made a commitment, however, no funding was provided in the budget, or the level of funding provided was not commensurate with the level of services envisaged, or the original costs advised.

Clearly, in such cases, the forward estimates reflect the budget policy as at 31 October 2001, and therefore should not be adjusted. On the other hand, it could be argued that there were unfunded services and policies at the end of October 2001. The Commission noted that there could be a number of reasons of such a budgetary policy. For example, it is possible that the Government:

- intended to fund such pressures in the future budgets, or as they emerged if they related to a projected growth in demand; or
- intended to maintain or 'ration' services at a particular level; or

- expected the relevant agencies to absorb the costs through savings and efficiencies; or
- intended to make a policy response in the future by changing the level or mix of services; or
- intended to make a legislative response to the issue later.

The Commission was not in a position to form a view on what was the ultimate policy position of the previous government in respect of the previous points.

The Commission considered it appropriate to highlight such issues as they broadly relate to service capacity within agencies. In identifying these issues, the Commission makes no judgment whether such issues are potential risks to, or the assumptions underpinning, the forward estimates. However, these would require a policy response from the Government.

6.3.1 Cost of Municipal Services

The Department of Urban Services identified budget pressures in a number of service areas such as domestic animal services, tree protection, sportsground maintenance and horticultural services. The Department advised that the pressures mainly relate to increased services due to new legislation or urban growth and expansion in infrastructure, without the commensurate increase in funding. The total cost identified by the Department was \$1.56m per annum. The Commission does not make any judgement on the validity of the estimated cost.

6.3.2 ACTION – Base Funding

The Department of Urban Services identified a shortfall in the base budget for ACTION as follows:

	2001-02	2002-03	2003-04	2004-05
	\$'000	\$'000	\$'000	\$'000
2001-02 Budget Estimates (a)	47,541	44,372	41,420	42,308
Funding included in 2 October Release (b)	540	540	540	540
Required base funding (c)	48,741	47,358	45,346	46,189
Shortfall (a+b-c)	-660	-2,446	-3,127	-3,831

This issue had been raised in previous budgets, and the Government had decided not to incorporate additional funding into the budget base.

The Commission is not in a position to dispute the magnitude, or indeed the existence of the gap. However, there are a number of policy options to close the funding gap. It is possible that the then Government might have considered that, at some time in future, there was scope to address this through trade-offs in low patronage services and increased fares.

6.3.3 Students with Disabilities in Mainstream Schools

The Department of Education and Community Services advised that since 1999 there has been a gradual increase in the number of students assessed as requiring the highest level of support – from 25 in 1999 to 142 in 2002.

The Department highlighted the increase in salary costs from \$0.24m in 1999 to \$1.3m in 2001. The 2001-02 financial year increase (for salaries only) is estimated at \$1.4m. For 2001-02, the Department will manage within the existing resources. It is not clear whether this trend will continue. The Department is developing a Disabilities Needs Assessment model, which will improve capacity to allocate available resources.

6.3.4 Canberra Connect

This is one of the significant policy initiatives in the 2001-02 Budget, and relates to the provision of access to government services through a single point of contact.

This project was originally in the Chief Minister's Department. From August 2001, Canberra Connect became a fully operational business unit and the responsibility for this function was transferred to the Department of Urban Services under the Administrative Arrangements Orders of November 2001. Urban Services advised the Commission that funding for this project drops in the forward years as follows:

	2001-02	2002-03	2003-04	2004-05
	\$'000	\$'000	\$'000	\$'000
2001-02 Budget Estimates – GPO	5,937	4,704	2,511	878
Required base funding	5,937	6,454	6,618	6,786
Funding Shortfall	0	-1,750	-4,107	-5,908

It was the view of the Department that if additional funding for the project is not provided, and/or the user charges are not increased, the shop fronts and the call centre would need to be closed.

The Commission sought clarification from the Chief Minister's Department, which was responsible for this function as at 31 October 2001. The Chief Executive of the Chief Minister's Department indicated that the level of funding provided for Canberra Connect in the current ACT Budget is insufficient from 2002-03 onwards. He agreed with the view that if further funding was not provided in these years, Canberra Connect would probably be forced to reduce the level of services it currently provided to the community.

The Commission notes that the forward years' budget was considered by the Government at the time, and that this is an issue which the Department needed to address either through scaling the project down, or coming back to future budgets. It is the view of the Commission that, based on what was in place as at 31 October 2001, the project can not continue at the same level in the forward years.

6.3.5 Rural Medical School

The former Government had agreed in principle to the setting up of a Rural Medical School in the ACT. The School is to be located in a new building at The Canberra Hospital.

A Memorandum of Understanding was signed between the then Minister for Health, Housing and Community Care and representatives of the ANU and the University of Canberra. It was expected that the School would receive funds from the Commonwealth for student places, however the ACT Government would be expected to provide the clinical teaching staff and a new building.

The Commission was advised by Treasury and the Department of Health that costings were available at the time of agreement in principle. However, the Government had agreed at the same time that the recurrent costs will be absorbed by the Health Portfolio. The cost estimates at the time were as follows:

	2001-02	2002-03	2003-04	2004-05
	\$'000	\$'000	\$'000	\$'000
Recurrent Costs	0	3,500	6,500	6,500
Capital Costs	0	10,000	0	0

The Department's proposed capital works program for 2002-03 includes a feasibility study to build the campus at The Canberra Hospital.

The Commission considers that there is evidence of a firm commitment by the Government at the time to the establishment of the Medical School, with the expectation that the recurrent costs will be absorbed. At the same time, recurrent budget pressures were identified in the Health Portfolio relating to The Canberra Hospital which warranted budget supplementation through a second appropriation. In addition, on the basis of the evidence of the Chief Executive of Health, it could not be demonstrated how the recurrent costs of the Medical School could be funded from the existing budget resources. The Commission considers that the Rural Medical School appears to be an unfunded policy.

7. Estimated Outcome and Forward Estimates

This chapter draws on the analysis in chapters 5 and 6 to provide the Commission of Audit's view on the likely financial outcomes for 2001-02 and forward estimates for 2002-03 to 2004-05. It therefore addresses items 1 (b) and 1 (c) of the terms of reference by providing 'bottom line' financial estimates for the Territory at 31 October 2001.

7.1 Methodology

The Commission's estimates for 2001-02 to 2004-05 were prepared using the following method.

In September 2001, Treasury prepared an update to the forward estimates for the GGS contained in the 2001-02 Budget. These estimates provided revised estimated operating results for 2001-02 to 2004-05, and were issued by the then Chief Minister and Treasurer on 2 October 2001.

This information was updated by Treasury to 31 October 2001 and its coverage expanded to include public trading enterprises, in order to provide whole of Territory consolidated estimates. In updating the 2 October estimates, the Commission adopted the following approach. The Commission first sought to confirm the 'base line' through discussions with agencies on the impact of the adjustments included in the 2 October release. The Commission then identified issues which:

- either emerged between 2 October and 31 October 2001; or
- were known, and probable, to agencies prior to the 2 October release, but had not been advised to Treasury, pending further analysis by the relevant agencies.

The impact of the issues which were considered material and satisfied the above criteria was then incorporated in to the estimates.

7.2 Summary of Adjustments

Table 7.1 below provides a summary of the adjustments to the estimates in the 2001-02 published results. This includes adjustments identified in the 2 October update, which were confirmed by the Commission as part of its methodology, and further adjustments considered necessary. As the 2 October update only related to the GGS, and its operating result, these adjustments identify the impact on the GGS¹³.

Table 7.1 shows that the Commission's estimated operating result for the GGS for 2001-02 (as at 31 October 2001) is a deficit of \$5m, which is \$43m less than the estimated operating result for 2001-02 presented in the update released by the Treasurer on 2 October 2001. The Commission's forward estimate for 2002-03 is \$46m, which is \$7m higher than the forward estimate presented in the update.

¹³ Some adjustments primarily relate to the Public Trading Enterprises. In such cases, their impact on the General Government Sector is identified, for example, changes in dividends received from PTEs, or increased expenses for the additional payments to PTEs.

Table 7.1: Summary of Adjustments

	2001-02 \$'000	2002-03 \$'000	2003-04 \$'000	2004-05 \$'000
GGS Operating Result - 2001-02 Budget Papers	12,285	20,285	12,968	10,703
Technical Adjustment to Forward Estimates				
Comm Grant - GST Revenue and Budget Balance Assist	-400	0	0	0
Comm Grant - National Capital Payments	0	-200	-200	-200
Comm Grant - FAGS	300	200	200	300
Comm Grant - Assistance for Water/Sewerage	82	119	163	214
Comm Grant - National Capital Influences	206	294	406	528
Gambling repayment not required	4,201	4,247	4,385	4,385
Unclaimed trust account return to Territory	4,000	0	0	0
Comm Grant - GST rev - impact of Gambling rev	-2,500	-2,000	-2,100	-2,200
Increase Cwlth contribution to the Barton Highway	1,700	0	0	0
Interest on Debt - saving (revised interest rates)	706	706	706	706
Motor Vehicle Reg and Speed/Red Light Camera Rev	2,000	2,000	2,000	2,000
Land Revenue - increased price	5,000	7,000	5,000	5,000
Insurance Costs	-43	-1,245	-2,768	-3,717
TCH cost pressures	-2,700	-2,700	-2,700	-2,700
Taxation Revenue - revised impact	19,294	19,270	22,386	20,896
Unallocated social capital funds	0	1,000	1,000	1,000
VFT Savings (not proceeding)	500	0	0	0
Impact of Government Decision				
Eradication Program for Red Imported Fire Ant	-289	-264	-264	-116
ACT Forests Business Restructure	-200	315	315	315
Global Biodiversity initiative not proceeding	150	150	150	0
Changes to Provision	476	1,106	-3,349	-3,099
Rates rebate	-10	-40	-50	-60
SACS award (DH&CC and DECS)	-4,000	-4,000	-4,000	-4,000
Additional Tourism initiatives	-800	0	0	0
Possible Cost Adjustments				
ACT Prison - forgone interest rev + int payments	0	-5,600	-7,993	-7,937
ACTION Operational Funding	-540	-540	-540	-540
CTEC - cost pressures	-630	-630	-630	0
Treasury Revised GGS Operating Result in 2 October 2001 Update	38,788	39,474	25,086	21,478
Comm Grant - GST revenue and Budget Balance Assist (section: - 5.3)	0	-2,700	-3,200	0
Comm Grant - GST revenue and Budget Balance Assist (section: - 5.3)	4,600	0	0	0
Comm Grant - GST revenue and Budget Balance Assist (section: - 5.3)	5,400	0	0	0
First Home Owners' Scheme (section: - 5.3)	-2,200	0	0	0
Superannuation Investment adjustment (section: - 5.4.3)	-63,000	0	0	0
Land Revenue - Infrastructure (section: - 6.1.1)	12,400	8,700	0	0
ACTEW Dividend (section: - 6.1.1)	5,400	3,800	0	0
Totalcare (section: - 6.1.2)	-645	-405	-421	-429
Non Govt enrolment adjustment (section: - 6.1.3)	-2,600	-2,300	-2,300	-2,300
Substitute Care (section: - 6.1.4)	-1,500	0	0	0
Kerbside Waste Collections (section: - 6.1.5)	-800	0	0	0
Nurses Pay rise (section: - 6.1.6)	-676	-419	-3,670	-5,970
Commission Revised GGS Operating Result at 31 October 2001	-4,833	46,150	15,495	12,779

7.3 Revised Estimates – General Government Sector

Summary financial statements based on the revised estimates for the GGS are provided in the Tables 7.2 to 7.4 below. Detailed statements are provided at Appendix G.

7.3.1 Estimated Financial Performance of the General Government Sector

A summary of the estimated financial performance of the GGS for 2001-02 to 2004-05 as at 31 October 2001 is presented in Table 7.2. Estimated total revenue for 2001-02 is \$2,050m and estimated total expenses are \$2,055m. The estimated net operating result for 2001-02 is therefore a deficit of \$5m.

The forward estimates show operating surpluses in 2002-03 to 2004-05. It should be noted that the estimated outcome for 2001-02 is based on a zero return on investments. The forward estimates, however, assume a real rate of return on superannuation investments of 5% per annum. This equates to about \$80m in 2002-03, increasing by about \$10m each year.

7.2: Estimated Financial Performance of the General Government Sector

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Revenue	2,050	2,118	2,138	2,183
Expenses	2,055	2,072	2,123	2,170
Operating Result	(5)	46	15	13

7.3.2 Estimated Financial Position of the General Government Sector

A summary of the estimated financial position of the General Government Sector for 30 June 2002 to 2005 as at 31 October 2001 is presented in Table 7.3. Both total assets and total liabilities are estimated to increase over the four years. The result is a small increase in net assets.

Table 7.3: Estimated Financial Position of the General Government Sector

	30 June 2002 Estimate \$m	30 June 2003 Estimate \$m	30 June 2004 Estimate \$m	30 June 2005 Estimate \$m
Total Assets	7,688	7,891	8,076	8,247
Total Liabilities	2,771	2,926	3,092	3,248
Net Assets	4,916	4,965	4,984	4,999

7.3.3 Estimated Cash Flow of the General Government Sector

A summary of the estimated cash flows from operating activities of the GGS for 2001-02 to 2004-05 is presented in Table 7.4. Estimated total operating receipts in 2001-02 are \$2,058m. Estimated operating payments are \$1,841m, resulting in a net cash inflow of \$217m. Net cash inflows in 2004-05 (\$173m) are less than the inflows in 2001-02 (\$217m) due primarily to rises in operating payments across this period.

Table 7.4: Estimated Cash Flow from Operating Activities of the General Government Sector

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Total Operating Receipts	2,058	2,041	2,047	2,081
Total Operating Payments	1,841	1,830	1,876	1,908
Net Cash Inflow	217	211	171	173

7.4 Revised Estimates – Public Trading Enterprise Sector

Summary financial statements based on the revised estimates for the PTE Sector are provided in the Tables 7.5-7.7 below. Detailed statements are provided at Appendix H.

7.4.1 Estimated Financial Performance of Public Trading Enterprises

A summary of the estimated financial performance of the PTE Sector for 2001-02 to 2004-05 as at 31 October 2001 is presented in Table 7.5. Estimated total revenue for 2001-02 is \$368m and estimated total expenses are \$315m. The estimated net operating result for 2001-02 is therefore a surplus of \$53m. The forward estimates show similar operating surpluses in 2002-03 to 2004-05. These mainly relate to ACTEW.

7.5: Estimated Financial Performance of Public Trading Enterprises

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Revenue	368	371	368	373
Expenses	315	306	310	312
Operating Result	53	65	58	61

7.4.2 Estimated Financial Position of Public Trading Enterprises

A summary of the estimated financial position of the PTE Sector for 30 June 2002 to 2005 as at 31 October 2001 is presented in Table 7.6. Total assets are estimated to fall slightly from 30 June 2002. The estimated fall in total liabilities is slightly larger, resulting in a small increase in net assets by 30 June 2005.

Table 7.6: Estimated Financial Position of Public Trading Enterprises

	30 June 2002 Estimate \$'million	30 June 2003 Estimate \$'million	30 June 2004 Estimate \$'million	30 June 2005 Estimate \$'million
Total Assets	3,021	3,025	3,018	3,007
Total Liabilities	601	588	568	545
Net Assets	2,420	2,438	2,450	2,462

7.4.3 Estimated Cash Flow of Public Trading Enterprises

A summary of the estimated cash flows from operating activities of the PTE Sector for 2001-02 to 2004-05 is presented in Table 7.7. Estimated total operating receipts in 2001-02 are \$355m. Estimated operating payments are \$276m, resulting in a net cash inflow of \$79m. Net cash inflows are shown for each year of the forward estimates.

Table 7.7: Estimated Cash Flow from Operating Activities of Public Trading Enterprises

	30 June 2002 Estimate \$m	30 June 2003 Estimate \$m	30 June 2004 Estimate \$m	30 June 2005 Estimate \$m
Total Operating Receipts	355	366	368	373
Total Operating Payments	276	274	283	285
Net Cash Inflow	79	91	84	88

7.5 Revised Estimates – Consolidated Total Territory

Consolidated total Territory summary financial statements based on the revised estimates are provided below along with a summary of change to the published estimates. Detailed statements are provided at Appendix I.

7.5.1 Statement of Financial Performance of the Territory

A summary of the estimated financial performance of the Territory for 2001-02 to 2004-05 as at 31 October 2001 is presented in Table 7.8. Estimated total revenue for 2001-02 is \$2,177m and estimated total expenses are \$2,168m. The estimated net operating result for 2001-02 is therefore a surplus of \$9m.

The forward estimates show operating surpluses in 2002-03 to 2004-05. It should be noted that the forward estimates assume a real rate of return on the superannuation investments of 5% per annum, which is in the order of \$80m increasing by \$10m per annum.

In the previous three years, revenue at 31 October has been between 34% and 38% of the full year result. Revenue at 31 October 2001 is 37% of the Commission's estimated revenue for 2001-02. In the previous three years, expenses at 31 October have been between 32% and 36% of the full year result. Expense at 31 October 2001 are 32% of the Commission's estimate of expenses for 2001-02. The Commission's estimates of revenue and expenses are therefore within expected bounds based on the relationship in previous years between results at 31 October and full year results.

7.8: Estimated Financial Performance of the Territory

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Revenue	2,177	2,246	2,271	2,317
Expenses	2,168	2,183	2,245	2,294
Operating Result	9	62	26	23

It should be noted that these estimates are subject to a number of risks as identified in chapters 5 and 6. To maintain these estimates, the Government will need to make some significant policy decisions in relation to some of the service areas.

Table 7.9 compares the Commission's revised estimates of the Territory's operating result with estimates provided in the 2001-02 budget. The Commission's estimated operating result for 2001-02 is \$19m less than the budget estimate. The Commission's forward estimates are either larger than or the same size as the forward estimates in the 2001-02 budget.

7.9: Comparison of the Estimated Operating Result for the Territory with the Budget

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
2001-02 Published Budget Papers	28	38	25	23
Commission of Audit Revised Estimates	9	62	26	23
Change to Published Estimates	(19)	24	1	0

7.5.2 Statement of the Financial Position of the Territory

A summary of the estimated financial position of the Territory for 30 June 2002 to 2005 as at 31 October 2001 is presented in Table 7.10. Both total assets and total liabilities are estimated to increase over the four years. The result is an increase in net assets.

Table 7.10: Estimated Financial Position of the Territory

	30 June 2002 Estimate \$m	30 June 2003 Estimate \$m	30 June 2004 Estimate \$m	30 June 2005 Estimate \$m
Total Assets	10,329	10,534	10,726	10,909
Total Liabilities	2,994	3,133	3,294	3,449
Net Assets	7,335	7,402	7,432	7,461

Table 7.11 compares the Commission's revised estimates of the Territory's financial position with estimates provided in the 2001-02 ACT Budget. The Commission's estimated financial position at 30 June 2002 shows net assets that are \$157m more than the budget estimate, which is not significant on an asset base of more than \$10 billion. The Commission's forward estimates show larger net assets than the forward estimates in the 2001-02 budget.

Table 7.11: Comparison of the Estimated Net Assets of the Territory with the Budget

	30 June 2002 Estimate \$m	30 June 2003 Estimate \$m	30 June 2004 Estimate \$m	30 June 2005 Estimate \$m
2001-02 Published Budget Papers	7,178	7,219	7,247	7,272
Commission of Audit Revised Estimates	7,335	7,402	7,432	7,461
Change to Published Results	157	183	185	189

Interest bearing liabilities totalled \$881m at 31 October 2001, representing 29.6% of total liabilities. The major components of ACT interest bearing liabilities are borrowings from the Commonwealth, Bonds and Bills.

Interest bearing liabilities marginally decrease over the forward estimates, totalling \$855m by 30 June 2005, and representing 24.7% of total liabilities.

The only significant impact upon the forward estimates of interest bearing liabilities was the possible cost adjustment for the proposed ACT prison made in the 2 October 2001 forward estimates update. The update assumed \$40m to be funded internally, with \$70m financed from external borrowings.

7.5.3 Statement of Cash Flows of the Territory

A summary of the estimated cash flows from operating activities of the Territory for 2001-02 to 2004-05 is presented in Table 7.12. Estimated total operating receipts in 2001-02 are \$2,227m. Estimated operating payments are \$1,930m, resulting in a net cash inflow of \$296m. Net cash inflows are shown for each year of the forward estimates.

Table 7.12: Estimated Cash Flow from Operating Activities of the Territory

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Total Operating Receipts	2,227	2,221	2,231	2,269
Total Operating Payments	1,930	1,920	1,976	2,008
Net Cash Inflow	296	302	255	261

Table 7.13 compares the Commission's revised estimates of the Territory's cash flows from operating activities with estimates provided in the 2001-02 budget. The Commission's estimated net cash inflow for 2001-02 is \$32m more than the budget estimate.

Table 7.13: Comparison of the Estimated Net Cash Inflows to the Territory with the Budget

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
2001-02 Published Budget Papers	264	288	254	259
Commission of Audit Revised Estimates	296	302	255	261
Change to Published Results	32	14	1	2

Table 7.14 provides the estimated Territory Unencumbered Cash from 2001-02 to 2004-05.

Table 7.14: The Territory's Unencumbered Cash Position

	2001-02 Estimate \$m	2002-03 Estimate \$m	2003-04 Estimate \$m	2004-05 Estimate \$m
Total Territory Unencumbered Cash	203	99	77	112

The Territory's TUC falls in 2002-03 and 2003-04 due mainly to the financing of the ACT prison.

Commission of Audit Letter to Chief Executive Officers

Chief Executive
ACT Department
Address
CANBERRA

Dear Chief Executive

In his letter to you of 31 January 2002, the Chief Executive of Treasury, Mr Howard Ronaldson, indicated that I might request your assistance in providing information to the Commission of Audit recently established by the Treasurer.

The role of the Commission, as prescribed by the Terms of Reference (TOR) at Attachment A, is to “determine the state of the Territory’s finances at the time of the change of Government.”

The Commission is required to report to the Treasurer on the first item of its TOR by 28 February 2002. To assist in achieving this goal, the Department of Treasury has agreed to supply the Commission with:

- the profit and loss, balance sheet and statement of cash flows for the Territory as at 31 October 2001;
- a revised full year result for 2001-02 and the forward years to 2004-05 taking account of the information known at 31 October 2001; and
- a commentary on the major underlying assumptions and risks inherent in the estimates.

The information provided by Treasury will provide a solid foundation for the Commission’s deliberations. However, the Commissioners believe that input from ACT agencies will be essential in gaining a comprehensive picture of the Territory’s financial situation at the end of October 2001. Therefore, I am seeking your cooperation to meet with the Commission and provide information specific to your organisation.

The Commission would hope to hear from selected agency CEOs from the 7th to the 12th of February 2002. I realise this is short notice, however, the Commission’s timetable is driven by the need to complete a draft report by 19 February 2002.

To further the Commission's understanding of the issues facing the Territory at 31 October 2001, the Commission would welcome a presentation covering:

- whether the 2 October 2001 revision of the Territory's forward estimates (Attachment B) reflected all "known, and probable, significant events" and financial risks to the financial performance of your agency at that time;
- "known, and probable, significant events" and risks as at the end of October 2001 that had the potential to impact on the estimated 2001-02 outcome and outyear projections to 2004-05; and
- the nature of key estimates (if any) that were made in the preparation of your agency's profit and loss, balance sheet and statement of cash flows at 31 October 2001.

I would appreciate if your presentation could address these issues for all business units and sub-agencies that fall within your portfolio responsibilities. Given the nature of this exercise, you may wish your Chief Financial Officer to attend the presentation.

I would also appreciate if you could provide a list of issues that you are likely to raise with the Commissioners in advance of the meeting.

If you wish to discuss the scope or approach of the Commission, please contact me on 6207 0213.

Questions regarding day-to-day aspects of the Commission's work should be directed to the project manager. A member of the Commission's secretariat will be in touch with your office in the near future to finalise a suitable time.

Thank you in advance for your cooperation.

Yours sincerely

Will Laurie
Chair

1 February 2002

Terms of Reference

1. Determine the state of the Territory's finances at the time of the change of Government. The following should be reviewed:
 - (a) financial results and position at the end of October 2001;
 - (b) the most likely full year financial results and position for 2001-02;
 - (c) coverage in the forward estimates of known, and probable, significant events likely to impact the Budget eg nurses wages increase and SACS award flow on.

2. Review the exposure of the Territory to any significant financial risks from operation of its business entities. The following would be reviewed:
 - (a) business outlook for ACTEW and ACTEWAGL, with particular regard to the likely rate of return for its investment in TRANSACT;
 - (b) the financial viability of the Australian International Hotel School (this is already subject to a \$0.2m review);
 - (c) ACTION;
 - (d) ACT Forests;
 - (e) the Canberra Tourism and Events Corporation; and
 - (f) Totalcare Industries Limited.

3. Review the financial performance of the Territory in relation to its exposure to investments.

Agency Officials Interviewed by the Commission

7 February 2002

Department of Education and Community Services

Fran Hinton, Chief Executive

Trevor Wheeler, Executive Director, Corporate Resources

Department of Justice and Community Safety

Tim Keady, Chief Executive

Michael Ockwell, Executive Director, Corporate

Brian Lenihan, Director Resource Management

8 February 2002

Totalcare Industries

Stephen Palywoda, Chief Executive Officer

Nicky McLay, Chief Financial Officer

Australian International Hotel School

Professor Michael Conlin, Chief Executive and Dean

Glen Gaskill, Deputy Director

Department of Urban Services

Alan Thompson, Chief Executive

Tony Bartlett Director, ACT Forests

Alan Phillips Director, Finance

12 February 2002

Chief Minister's Department

Robert Tonkin, Chief Executive

Meredith Whitten, Director, Corporate Services

Karl Phillips, Financial Controller

Graeme Dowell, Acting General Manager, InTACT

Ross Burton, Acting Financial Controller, InTACT

13 February 2002

Canberra Tourism and Events Corporation

Mark Jensen, Acting Chief Executive

Chris Sanchez, Finance & Contracts Manager, Events

Department of Treasury

Howard Ronaldson, Chief Executive

Tu Pham, Deputy Chief Executive

Megan Smithies, Executive Director, Financial and Budgetary Management

Roger Broughton, Director, Finance and Investment Group

Karl Phillips, Financial Controller

18 February 2002

Department of Health and Community Care

Penny Gregory, Chief Executive

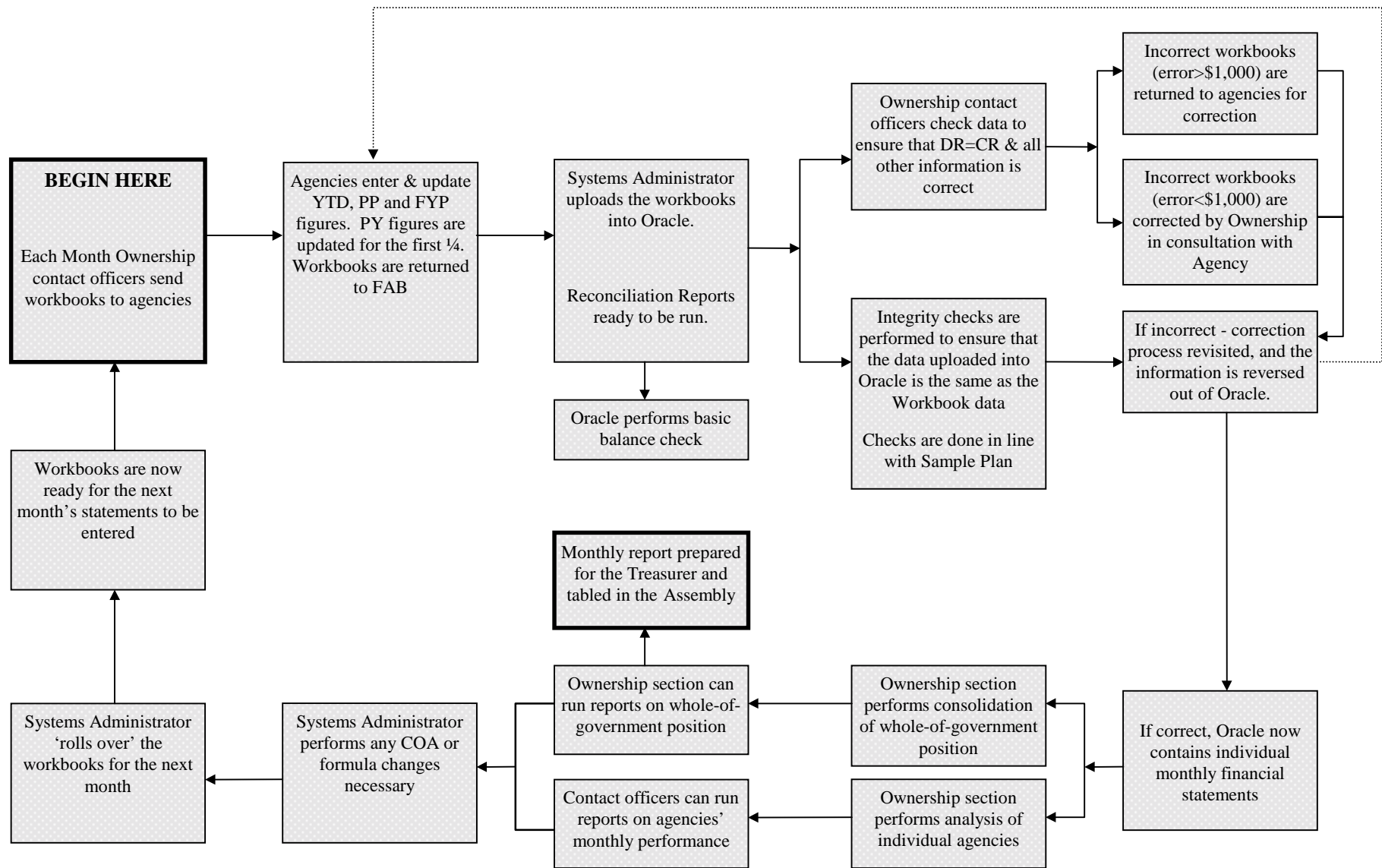
Ron Foster, Director, Financial Management and Support Services

21 February 2002

ACTEW Corporation

Paul Perkins, Chief Executive

Michael Luddy, Chief Finance Executive



**Consolidated General Government Sector
Statement of Financial Performance
for October 2001 Year to Date**

	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Revenue					
Taxes Fees and Fines	582,212	23,469	46,025	258,449	284,124
User Charges - Non ACT Government	163,041	18,942	14,340	57,119	53,744
User Charges - ACT Government	18,328	1,053	1,930	6,862	6,458
Grants from the Commonwealth	954,432	101,637	117,289	335,183	354,951
Interest	76,591	5,340	8,194	21,794	29,223
Revenue of Associates and Joint Ventures	32,719	2,109	1,717	13,024	8,791
Dividend Revenue	41,624	0	0	0	0
Other Revenue	173,715	6,247	20,223	52,921	17,699
Total Ordinary Revenue	2,042,662	158,797	209,718	745,352	754,991
Expenses					
Employee Expenses	658,272	54,238	57,475	221,835	224,307
Superannuation Expenses	165,399	14,134	14,160	56,511	56,799
Administrative Expenses	451,067	12,575	11,716	111,043	108,617
Depreciation and Amortisation	148,842	11,877	12,030	48,840	47,566
Borrowing Costs	51,172	4,448	3,589	17,088	17,340
Cost of Goods Sold	36,969	3,149	3,816	14,003	14,536
Grants and Purchased Services	404,533	55,411	58,749	153,605	154,411
Other Expenses	88,347	16,294	21,826	33,610	36,636
Expenses of Associates and Joint Ventures	20,286	3,130	2,555	5,388	4,967
Transfer Expenses	5,490	88	0	350	1,050
Total Ordinary Expenses	2,030,377	175,344	185,917	662,273	666,228
Result from Ordinary Activities	12,285	-16,547	23,801	83,079	88,763
Operating Result before Extraordinary Items	12,285	-16,547	23,801	83,079	88,763
Operating Result	12,285	-16,547	23,801	83,079	88,763

**Consolidated General Government Sector
Statement of Financial Position
for October 2001 Year to Date**

	2001-02 Audited Opening Balance \$'000	Revised Budgeted Result 30 Jun-02 \$'000	YTD Actual \$'000
Current Assets			
Cash	30,313	94,720	39,685
Receivables	276,150	174,892	280,551
Investments	591,015	324,243	789,310
Inventories	17,193	17,914	14,841
Capital Work in Progress	0	0	4,763
Other	8,032	22,009	51,786
Total Current Assets	922,703	633,778	1,180,936
Non Current Assets			
Receivables	373,102	447,744	364,167
Investments	912,056	1,063,071	815,211
Inventories	4,271	14,586	4,812
Property, Plant and Equipment	5,293,108	5,356,221	5,264,746
Intangibles	360	4,137	300
Capital Works in Progress	69,620	45,635	93,943
Other	5,553	9,072	6,068
Total Non Current Assets	6,658,069	6,940,466	6,549,246
Total Assets	7,580,773	7,574,244	7,730,182
Current Liabilities			
Creditors	121,067	95,235	109,125
Interest Bearing Liabilities	248,110	151,518	194,854
Finance Leases	26,429	25,841	26,199
Employee Entitlements	146,751	151,034	143,412
Other Provisions	1,528	298	2,367
Other	26,610	20,072	37,636
Total Current Liabilities	570,494	443,998	513,593
Non Current Liabilities			
Creditors	73,358	31,211	72,794
Interest Bearing Liabilities	461,808	528,144	527,339
Finance Leases	31,337	33,481	29,722
Employee Entitlements	1,519,090	1,635,644	1,567,587
Other Provisions	1,721	1,570	2,105
Other	921	1,117	1,020
Total Non Current Liabilities	2,088,234	2,231,167	2,200,567
Total Liabilities	2,658,728	2,675,165	2,714,160
Net Assets	4,922,044	4,899,079	5,016,022
Represented by Funds Employed			
Accumulated Funds	4,374,935	4,340,528	4,463,671
Reserves	547,109	558,551	552,352
Total Funds Employed	4,922,044	4,899,079	5,016,023

Consolidated General Government Sector					
Statement of Cash Flows					
for October 2001 Year to Date					
	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Cash at Beginning of Reporting Period	109,859	213,199	623,762	109,859	641,629
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Taxes, Fees and Fines	585,413	41,066	51,495	200,341	245,688
User Charges	179,940	17,480	17,267	61,821	66,928
Interest Received	57,240	3,291	7,816	17,802	25,241
Grants Received from the Commonwealth	961,263	98,542	115,656	339,051	355,665
Other Revenue	214,231	29,612	55,945	80,424	117,137
Operating Receipts	1,998,087	189,991	248,179	699,440	810,658
Payments:					
Related to Employees	701,393	26,946	44,084	203,606	224,047
Related to Administration	388,027	24,655	52,413	124,491	146,996
Borrowing Costs	51,069	2,189	4,104	13,672	14,898
Grants and Purchased Services	411,364	60,925	55,214	165,616	164,779
Other	260,448	44,532	58,703	110,460	126,530
Payments to PTE Agencies for Outputs	1,050	-700	-1,050	350	0
Operating Payments	1,813,351	158,547	213,469	618,195	677,248
Net Cash Inflow/(Outflow) from Operating Activities	184,736	31,444	34,710	81,245	133,410
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	2,800	343	572	860	1,961
Proceeds of Sale of Land and Intangibles	5,800	-975	0	0	0
Proceeds from Sale/Maturities of Investments	1,426,760	118,919	-194,171	475,469	154
Repayment of Advance	2,190	183	1,095	730	71,095
Repayment of Home Loan Principal	19,492	1,624	3,393	6,497	11,404
Dividends	45,612	18,624	18,624	18,624	18,624
Investing Receipts	1,502,654	138,718	-170,487	502,180	103,238
Payments:					
Purchase of Property, Plant and Equipment	195,981	10,580	21,250	49,805	42,898
Purchase of Land and Intangibles	5,007	83	1	331	487
Purchase of Investments	1,470,708	140,660	-269,349	473,520	30,628
Advances Issued to Government Agencies	0	0	-232	0	70,182
Capital Payments to Government Agencies	4,440	-1,110	0	0	0
Investing Payments	1,676,136	150,213	-248,331	523,656	144,195
Net Cash Inflow/(Outflow) from Investing Activities	-173,482	-11,495	77,844	-21,476	-40,957
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Borrowings Received	431,391	-33,126	86,572	143,339	250,240
Finance Lease	840	70	-883	280	0
Financing Receipts	432,231	-33,056	85,689	143,619	250,240
Payments:					
Repayment of Borrowings	368,410	25,344	77,466	116,374	218,923
Repayment of Finance Lease	13,243	1,247	1,666	4,925	3,725
Repayment of Investments to Agencies (CFU only)	73,782	6,149	3,100	24,594	21,900
Financing Payments	455,435	32,739	82,232	145,894	244,548
Net Cash Inflow/(Outflow) from Financing Activities	-23,204	-65,795	3,458	-2,274	5,692
Net Increase/(Decrease) in Cash Held	-11,950	-45,846	116,012	57,495	98,145
Cash at the end of the reporting period	97,909	167,354	739,774	167,354	739,774

**Consolidated Public Trading Enterprise Sector
Statement of Financial Performance
for October 2001 Year to Date**

	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Revenue					
User Charges - Non ACT Government	201,854	16,496	16,386	64,350	64,499
User Charges - ACT Government	106,446	10,960	11,000	35,476	35,933
Grants from the Commonwealth	0	0	30	0	44
Interest	1,660	161	255	595	929
Revenue of Associates and Joint Ventures	33,000	2,409	4,221	18,107	20,536
Other Revenue	18,711	1,240	1,465	7,947	9,160
Total Ordinary Revenue	361,671	31,266	33,356	126,475	131,101
Expenses					
Employee Expenses	60,451	4,431	4,380	20,573	21,422
Superannuation Expenses	7,228	583	644	2,439	2,561
Administrative Expenses	83,671	11,474	10,587	44,225	41,381
Depreciation and Amortisation	37,836	3,127	3,359	12,500	12,568
Borrowing Costs	36,106	3,042	2,636	12,170	11,854
Cost of Goods Sold	56,686	438	350	1,750	1,386
Other Expenses	32,015	4,879	4,741	8,011	6,941
Transfer Expenses	0	0	0	0	0
Total Ordinary Expenses	313,993	27,974	26,696	101,667	98,113
Result from Ordinary Activities	47,678	3,291	6,660	24,808	32,988
Operating Result before Extraordinary Items	47,678	3,291	6,660	24,808	32,988
Income Tax Equivalent	501	47	29	978	868
Injection for Operating Requirements	9,888	788	0	5,050	5,050
Operating Result	57,065	4,032	6,631	28,880	37,170

Consolidated Public Trading Enterprise Sector			
Statement of Financial Position			
for October 2001 Year to Date			
	2001-02 Audit Opening Balance \$'000	Revised Budgeted Result 30 Jun-02 \$'000	YTD Actual \$'000
Current Assets			
Cash	9,654	7,694	11,217
Receivables	25,539	26,330	24,903
Investments	37,163	10,043	22,567
Inventories	120	4,138	3,490
Other	14,217	3,493	17,925
Total Current Assets	86,693	51,698	80,102
Non Current Assets			
Investments	391,837	395,751	415,473
Inventories	0	75,990	78,561
Property, Plant and Equipment	2,437,821	2,294,810	2,425,382
Intangibles	101	22	84
Capital Works in Progress	19,628	25,766	22,692
Tax Assets	0	0	20,619
Other	86,964	15,177	9,890
Total Non Current Assets	2,936,351	2,807,516	2,972,701
Total Assets	3,023,044	2,859,214	3,052,803
Current Liabilities			
Creditors	30,627	23,961	23,252
Interest Bearing Liabilities	25,606	6,905	24,511
Finance Leases	915	432	739
Employee Entitlements	16,599	15,030	16,070
Other Provisions	19,531	9,148	355
Tax Liability	480	0	0
Other	4,154	3,058	4,773
Total Current Liabilities	97,912	58,534	69,700
Non Current Liabilities			
Creditors	507	487	507
Interest Bearing Liabilities	487,100	489,610	487,282
Finance Leases	2,966	547	2,966
Employee Entitlements	19,276	19,601	18,983
Other Provisions	4,700	9,151	39,341
Non Current Tax Liability	5,953	0	-8,632
Other	160	0	1,468
Total Non Current Liabilities	520,662	519,396	541,916
Total Liabilities	618,575	577,930	611,616
Net Assets	2,404,470	2,281,284	2,441,188
Represented by Funds Employed			
Accumulated Funds	1,647,603	1,676,473	1,691,123
Reserves	756,867	604,810	750,064
Total Funds Employed	2,404,470	2,281,283	2,441,187

**Consolidated Public Trading Enterprise Sector
Statement of Cash Flows
for October 2001 Year to Date**

	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Cash at Beginning of Reporting Period	27,810	24,405	36,588	27,810	33,058
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Cash from Government - Operating	1,050	-263	-1,050	0	0
User Charges	316,837	21,561	24,068	99,131	106,780
Interest Received	1,860	196	370	802	1,205
Grants Received from the Commonwealth	0	0	30	0	44
Other Revenue	34,939	449	665	1,786	2,054
Operating Receipts	354,686	21,944	24,083	101,718	110,083
Payments:					
Related to Employees	67,802	5,287	4,597	23,110	23,307
Related to Administration	90,228	-2,268	-1,268	23,031	23,097
Borrowing Costs	35,722	6,284	6,269	12,321	12,103
Other	81,951	13,080	13,819	33,816	38,703
Operating Payments	275,703	22,384	23,417	92,278	97,210
Net Cash Inflow/(Outflow) from Operating Activities	78,983	-440	666	9,441	12,873
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	32,000	3,400	2,707	10,229	13,746
Proceeds from Sale/Maturities of Investments	56,260	461	-2,861	19,847	11,992
Investing Receipts	88,260	3,861	-154	30,076	25,738
Payments:					
Purchase of Property, Plant and Equipment	65,040	3,496	2,819	15,172	15,531
Purchase of Investments	66,378	-698	3,360	27,179	25,202
Investing Payments	131,418	2,798	6,179	42,351	40,733
Net Cash Inflow/(Outflow) from Investing Activities	-43,158	1,063	-6,333	-12,275	-14,995
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Capital Injection from Government	4,440	-60	0	0	0
Borrowings Received	0	70,182	70,182	70,182	70,182
Financing Receipts	4,440	70,122	70,182	70,182	70,182
Payments:					
Distributions to Government	0	-6,470	0	-6,470	0
Dividends to Government	45,612	18,624	18,624	18,624	18,624
Repayment of Borrowings	10,606	71,264	71,262	71,272	71,277
Repayment of Finance Lease	376	0	0	0	0
Financing Payments	56,594	83,418	89,886	83,426	89,901
Net Cash Inflow/(Outflow) from Financing Activities	-52,154	-13,297	-19,704	-13,244	-19,719
Net Increase/(Decrease) in Cash Held	-16,329	-12,674	-25,372	-16,079	-21,842
Cash at the end of the reporting period	11,481	11,732	11,216	11,732	11,216

**Consolidated Total Territory
Statement of Financial Performance
for October 2001 Year to Date**

	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Revenue					
Taxes Fees and Fines	562,640	21,093	43,629	246,221	270,757
User Charges - Non ACT Government	364,895	35,438	30,727	121,469	118,243
Grants from the Commonwealth	954,432	101,637	117,318	335,183	354,995
Interest	52,711	3,397	6,335	13,900	21,963
Revenue of Associates and Joint Ventures	65,719	4,518	5,938	31,131	29,327
Other Revenue	170,435	6,155	20,035	55,538	20,873
Total Ordinary Revenue	2,170,832	172,238	223,982	803,442	816,158
Expenses					
Employee Expenses	715,004	59,236	62,412	241,149	244,481
Superannuation Expenses	166,621	14,274	14,304	57,045	57,357
Administrative Expenses	509,219	17,097	17,548	143,404	140,783
Depreciation and Amortisation	186,678	15,004	15,389	61,340	60,134
Borrowing Costs	61,738	5,388	4,110	21,117	21,004
Cost of Goods Sold	88,401	3,587	4,166	15,753	15,922
Grants and Purchased Services	309,382	45,536	48,775	117,454	118,481
Other Expenses	85,777	19,669	23,778	30,325	31,316
Expenses of Associates and Joint Ventures	20,286	3,130	2,555	5,388	4,967
Total Ordinary Expenses	2,143,106	182,921	193,037	692,973	694,444
Result from Ordinary Activities	27,726	-10,683	30,945	110,469	121,714
Operating Result before Extraordinary Items	27,726	-10,683	30,945	110,469	121,714
Operating Result	27,726	-10,683	30,945	110,469	121,714

Consolidated Total Territory Statement of Financial Position for October 2001 Year to Date			
	2001-02 Audit Opening Balance \$'000	Revised Budgeted Result 30 Jun-02 \$'000	YTD Actual \$'000
Current Assets			
Cash	39,966	102,414	50,902
Receivables	188,265	170,649	251,043
Investments	614,853	328,850	789,702
Inventories	17,313	22,052	18,331
Capital Work in Progress	0	0	4,763
Other	21,682	25,287	69,711
Total Current Assets	882,080	649,252	1,184,452
Non Current Assets			
Receivables	116,715	119,878	104,357
Investments	1,303,873	1,458,802	1,230,684
Inventories	4,271	90,576	83,373
Property, Plant and Equipment	7,729,296	7,651,031	7,688,495
Intangibles	461	4,159	383
Capital Works in Progress	89,248	71,401	116,635
Other	92,517	24,249	15,958
Total Non Current Assets	9,336,381	9,420,096	9,239,885
Total Assets	10,218,460	10,069,348	10,424,337
Current Liabilities			
Creditors	137,735	103,167	124,860
Interest Bearing Liabilities	247,175	150,580	180,944
Finance Leases	27,344	26,273	26,938
Employee Entitlements	163,350	166,064	159,482
Other Provisions	2,143	1,280	2,722
Other	30,094	23,087	42,083
Total Current Liabilities	607,841	470,451	537,029
Non Current Liabilities			
Creditors	71,320	27,193	72,796
Interest Bearing Liabilities	634,249	696,410	699,961
Finance Leases	34,303	34,028	32,688
Employee Entitlements	1,538,367	1,655,245	1,586,570
Other Provisions	6,421	7,156	41,447
Other	1,081	1,117	2,488
Total Non Current Liabilities	2,285,739	2,421,149	2,435,949
Total Liabilities	2,893,580	2,891,600	2,972,979
Net Assets	7,324,881	7,177,748	7,451,358
Represented by Funds Employed			
Accumulated Funds	6,020,905	6,014,386	6,148,942
Reserves	1,303,976	1,163,361	1,302,416
Total Funds Employed	7,324,880	7,177,747	7,451,359

Consolidated Total Territory Statement of Cash Flows for October 2001 Year to Date					
	2001-02	Month		Year to Date	
	Budget \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000
Cash at Beginning of Reporting Period	137,669	183,192	660,350	137,669	674,687
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Taxes, Fees and Fines	569,788	33,386	52,043	188,967	233,457
User Charges	369,503	29,577	34,067	116,262	127,872
Interest Received	33,744	1,272	2,154	9,906	13,975
Grants Received from the Commonwealth	961,263	98,542	115,686	339,051	355,708
Other Revenue	232,258	28,652	55,307	76,740	113,576
Operating Receipts	2,166,556	191,430	259,257	730,926	844,589
Payments:					
Related to Employees	759,479	31,671	48,129	223,858	244,364
Related to Administration	449,629	23,863	50,545	133,815	159,290
Borrowing Costs	61,435	2,557	4,340	13,565	14,530
Grants and Purchased Services	316,213	56,132	50,487	131,877	131,259
Other	316,081	57,327	70,379	133,674	148,862
Operating Payments	1,902,837	171,549	223,881	636,788	698,306
Net Cash Inflow/(Outflow) from Operating Activities	263,719	19,881	35,376	94,138	146,283
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	34,800	3,743	3,279	11,089	15,707
Proceeds of Sale of Land and Intangibles	5,800	-975	0	0	0
Proceeds from Sale/Maturities of Investments	1,426,760	122,919	-192,882	483,469	16,296
Repayment of Home Loan Principal	19,492	1,624	3,393	6,497	11,404
Investing Receipts	1,486,852	127,311	-186,210	501,055	43,407
Payments:					
Purchase of Property, Plant and Equipment	261,021	14,076	24,069	64,977	58,429
Purchase of Land and Intangibles	5,007	83	1	331	487
Purchase of Investments	1,481,558	140,664	-265,739	484,636	51,130
Investing Payments	1,747,586	154,823	-241,670	549,944	110,046
Net Cash Inflow/(Outflow) from Investing Activities	-260,734	-27,512	55,460	-48,889	-66,640
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Borrowings Received	358,341	31,418	79,572	118,989	219,490
Finance Lease	840	70	-883	280	0
Financing Receipts	359,181	31,488	78,689	119,269	219,490
Payments:					
Repayment of Borrowings	376,826	25,097	77,219	116,556	219,105
Repayment of Finance Lease	13,619	1,247	1,666	4,925	3,725
Financing Payments	390,445	26,344	78,885	121,481	222,830
Net Cash Inflow/(Outflow) from Financing Activities	-31,264	5,145	-195	-2,212	-3,340
Net Increase/(Decrease) in Cash Held	-28,279	-2,486	90,641	43,037	76,304
Cash at the end of the reporting period	109,390	180,706	750,991	180,706	750,991

**Revised Statements
Consolidated General Government Sector
Statement of Financial Performance**

	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Taxes Fees and Fines	703,932	603,506	618,504	639,845	658,056
User Charges - Non ACT Government	170,082	174,968	163,394	158,878	156,173
User Charges - ACT Government	27,107	18,328	18,861	19,203	19,600
Grants from the Commonwealth	861,664	963,820	973,163	980,896	1,004,564
Interest	95,801	76,369	72,961	76,062	79,456
Revenue of Associates and Joint Ventures	30,415	34,332	18,402	6,144	4,916
Dividend Revenue	67,016	47,024	52,361	51,786	54,191
Other Revenue	160,306	132,115	200,797	205,286	205,819
Total Ordinary Revenue	2,116,321	2,050,462	2,118,443	2,138,100	2,182,775
Expenses					
Employee Expenses	643,689	660,238	670,384	684,460	698,770
Superannuation Expenses	151,234	165,416	176,979	191,752	202,675
Administrative Expenses	414,207	451,125	464,246	479,575	485,561
Depreciation and Amortisation	143,392	148,829	151,820	154,557	156,319
Borrowing Costs	61,892	50,339	48,373	50,486	47,711
Cost of Goods Sold	36,528	46,754	46,297	48,922	50,516
Grants and Purchased Services	373,128	416,662	415,700	417,316	431,816
Other Expenses	203,625	88,098	83,396	87,677	89,699
Expenses of Associates and Joint Ventures	22,327	22,343	13,389	6,151	5,219
Transfer Expenses	745	5,490	1,710	1,710	1,710
Total Ordinary Expenses	2,050,767	2,055,294	2,072,294	2,122,606	2,169,996
Operating Result	65,554	-4,832	46,149	15,494	12,779

Revised Statements
Consolidated General Government Sector
Statement of Financial Position

	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash	30,313	56,649	55,209	16,108	-12,461
Receivables	276,150	269,677	278,220	286,745	290,038
Investments	591,015	492,794	436,300	478,909	573,705
Inventories	17,193	12,269	9,446	20,311	6,812
Other	8,032	4,919	4,924	4,930	4,940
Total Current Assets	922,703	836,308	784,099	807,003	863,034
Non Current Assets					
Receivables	373,102	358,672	343,603	317,934	295,898
Investments	912,056	1,050,129	1,182,029	1,333,086	1,459,473
Inventories	4,271	14,441	20,271	8,141	14,641
Property, Plant and Equipment	5,293,108	5,382,419	5,535,504	5,600,403	5,611,881
Intangibles	360	3,692	1,742	-107	-720
Capital Works in Progress	69,620	37,164	18,043	5,604	878
Other	5,553	4,789	5,678	3,784	2,257
Total Non Current Assets	6,658,069	6,851,306	7,106,870	7,268,845	7,384,308
Total Assets	7,580,773	7,687,614	7,890,969	8,075,848	8,247,342
Current Liabilities					
Creditors	121,067	112,661	118,987	120,946	124,386
Interest Bearing Liabilities	248,110	242,851	239,440	239,073	238,069
Finance Leases	26,429	26,128	26,354	25,825	26,778
Employee Entitlements	146,751	153,574	155,033	153,544	163,510
Other Provisions	1,528	1,525	1,539	1,533	1,527
Other	26,610	27,024	31,361	33,439	34,636
Total Current Liabilities	570,494	563,763	572,714	574,360	588,906
Non Current Liabilities					
Creditors	73,358	83,493	93,029	100,331	107,779
Interest Bearing Liabilities	461,808	456,523	463,311	483,339	474,064
Finance Leases	31,337	31,044	30,594	27,585	25,871
Employee Entitlements	1,519,090	1,634,010	1,763,681	1,904,381	2,049,356
Other Provisions	1,721	1,691	1,662	1,673	1,684
Other	921	752	584	415	246
Total Non Current Liabilities	2,088,235	2,207,513	2,352,861	2,517,724	2,659,000
Total Liabilities	2,658,729	2,771,276	2,925,575	3,092,084	3,247,906
Net Assets	4,922,044	4,916,338	4,965,395	4,983,767	4,999,440
Represented by Funds Employed					
Accumulated Funds	4,374,935	4,373,111	4,422,297	4,441,029	4,453,508
Reserves	547,109	543,227	543,098	542,738	545,932
Total Funds Employed	4,922,044	4,916,338	4,965,395	4,983,767	4,999,440

Revised Statements Consolidated General Government Sector Statement of Cash Flows					
	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at Beginning of Reporting Period	364,686	641,629	665,949	663,704	624,814
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Taxes, Fees and Fines	663,879	606,707	621,832	638,534	657,816
User Charges	164,308	191,867	180,202	176,152	173,873
Interest Received	79,007	57,018	51,695	53,187	55,269
Grants Received from the Commonwealth	866,817	970,651	980,323	988,398	1,012,426
Other Revenue	244,388	231,844	207,030	190,752	181,545
Operating Receipts	2,018,398	2,058,087	2,041,082	2,047,023	2,080,929
Payments:					
Related to Employees	684,172	703,376	716,188	736,994	746,554
Related to Administration	420,004	390,585	402,322	418,563	424,789
Borrowing Costs	64,189	50,236	48,124	50,236	47,460
Grants and Purchased Services	369,461	423,493	422,860	424,818	439,678
Other	192,181	272,041	240,440	245,097	248,881
Payments to PTE Agencies for Outputs	0	1,050	450	450	450
Operating Payments	1,730,006	1,840,781	1,830,384	1,876,158	1,907,812
Net Cash Inflow/(Outflow) From Operating Activities	288,392	217,306	210,698	170,865	173,117
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	7,399	2,800	0	0	0
Proceeds of Sale of Land and Intangibles	950	5,800	0	0	0
Proceeds from Sale/Maturities of Investments	1,076,513	1,426,760	1,492,200	1,427,700	1,427,578
Repayment of Advance	7,670	2,190	2,407	1,338	4,647
Repayment of Home Loan Principal	33,859	19,492	19,406	19,406	19,406
Dividends	67,417	51,012	50,979	51,145	53,714
Capital Distributions from Government Agencies	119,696	0	0	0	0
Investing Receipts	1,313,505	1,508,054	1,564,992	1,499,589	1,505,345
Payments:					
Purchase of Property, Plant and Equipment	123,534	197,681	269,076	179,900	132,317
Purchase of Land and Intangibles	18	5,007	0	0	0
Purchase of Investments	1,136,234	1,470,708	1,499,412	1,532,699	1,548,494
Capital Payments to Government Agencies	895	4,440	1,260	1,260	1,260
Advances Issued to Government Agencies	5,573	0	0	0	0
Investing Payments	1,266,254	1,677,836	1,769,748	1,713,859	1,682,071
Net Cash Inflow/(Outflow) From Investing Activities	47,250	-169,782	-204,756	-214,270	-176,726
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Borrowings Received	431,649	431,391	436,361	447,625	417,625
Receipt of Transferred Cash Balances	137	0	0	0	0
Finance Lease	5,989	840	0	0	0
Financing Receipts	437,775	432,231	436,361	447,625	417,625
Payments:					
Repayment of Borrowings	382,236	368,410	359,335	351,414	355,067
Repayment of Finance Lease	13,052	13,243	11,398	14,979	13,211
Repayment of Investments to Agencies	101,186	73,782	73,815	76,717	74,054
Financing Payments	496,475	455,435	444,548	443,110	442,332
Net Cash Inflow/(Outflow) From Financing Activities	-58,700	-23,204	-8,187	4,515	-24,707
Net Increase/(Decrease) in Cash Held	276,942	24,320	-2,245	-38,890	-28,316
Cash at the End of the Reporting Period	641,629	665,949	663,704	624,814	596,498

Revised Statements
Consolidated Public Trading Enterprise Sector
Statement of Financial Performance

	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
User Charges - Non ACT Government	296,213	201,854	207,650	214,613	218,203
User Charges - ACT Government	105,001	107,186	103,220	95,161	94,556
Grants from the Commonwealth	445	0	0	0	0
Interest	6,031	1,660	1,304	1,547	1,787
Revenue of Associates and Joint Ventures	166,611	33,000	38,883	40,308	41,517
Other Revenue	53,032	24,111	20,126	16,633	16,800
Resources Received free of charge	57	0	0	0	0
Total Ordinary Revenue	627,390	367,811	371,183	368,262	372,863
Expenses					
Employee Expenses	74,697	60,651	59,432	59,205	59,987
Superannuation Expenses	8,466	7,228	7,218	7,191	7,285
Administrative Expenses	118,176	84,211	81,229	83,175	83,873
Depreciation and Amortisation	43,133	37,836	39,277	40,609	41,553
Borrowing Costs	42,873	36,106	35,510	34,264	33,445
Cost of Goods Sold	57,688	56,686	57,470	59,019	60,733
Other Expenses	43,463	32,015	26,124	26,355	24,849
Expenses of Associates and Joint Ventures	141,287	0	0	0	0
Total Ordinary Expenses	529,783	314,733	306,260	309,818	311,725
Operating Result Before Extraordinary Items	97,607	53,078	64,923	58,444	61,138
Income Tax Equivalent	965	501	516	532	548
Injection for Operating Requirements	4,369.00	9,888	5,803	5,803	5,803
Operating Result	101,011	62,465	70,210	63,715	66,393

Revised Statements
Consolidated Public Trading Enterprise Sector
Statement of Financial Position

	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash	9,654	1,420	3,282	5,560	4,552
Receivables	25,539	27,032	27,497	28,079	27,847
Investments	37,163	22,986	26,999	26,569	30,277
Inventories	120	140	140	140	140
Other	14,217	14,196	14,194	14,192	14,190
Total Current Assets	86,693	65,774	72,112	74,540	77,006
Non Current Assets					
Investments	391,837	407,887	409,358	409,714	410,016
Inventories	0	0	0	0	0
Property, Plant and Equipment	2,437,821	2,442,191	2,440,072	2,430,951	2,417,886
Intangibles	101	57	35	35	35
Capital Works in Progress	19,628	19,628	19,628	19,628	19,628
Tax Assets	18,541	18,541	18,541	18,541	18,541
Other	68,423	66,523	65,523	64,523	63,523
Total Non Current Assets	2,936,351	2,954,827	2,953,157	2,943,392	2,929,629
Total Assets	3,023,044	3,020,601	3,025,269	3,017,932	3,006,635
Current Liabilities					
Creditors	30,627	29,842	30,122	29,393	27,529
Interest Bearing Liabilities	25,606	26,002	25,120	28,624	28,832
Finance Leases	915	971	1,086	539	539
Employee Entitlements	16,599	15,811	15,371	14,932	14,544
Other Provisions	19,531	15,467	16,810	17,410	17,848
Tax Liability	480	480	480	480	480
Other	4,154	4,047	3,940	3,833	3,726
Total Current Liabilities	97,912	92,620	92,929	95,211	93,498
Non Current Liabilities					
Creditors	507	507	507	507	507
Interest Bearing Liabilities	487,100	476,098	465,977	452,352	438,518
Finance Leases	2,966	2,534	1,987	1,987	1,987
Employee Entitlements	19,276	18,118	17,517	16,914	16,344
Other Provisions	10,653	10,653	8,432	1,112	-6,269
Non Current Tax Liability	-	0	0	0	0
Other	160	160	160	160	160
Total Non Current Liabilities	520,662	508,070	494,580	473,032	451,247
Total Liabilities	618,575	600,691	587,510	568,244	544,746
Net Assets	2,404,471	2,419,911	2,437,760	2,449,689	2,461,890
Represented By Funds Employed					
Accumulated Funds	1,647,603	1,673,544	1,701,893	1,723,822	1,746,023
Reserves	756,867	746,367	735,867	725,867	715,867
Total Funds Employed	2,404,470	2,419,911	2,437,760	2,449,689	2,461,890

Revised Statements Consolidated Public Trading Enterprise Sector Statement of Cash Flows					
	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out. \$'000	Rev. Bud \$'000	Revised \$'000	Revised \$'000	Revised \$'000
Cash at Beginning of Reporting Period	24,918	33,058	11,329	17,919	23,385
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Cash from Government - Operating	0	1,050	450	450	450
User Charges	400,635	317,577	319,050	318,170	321,778
Interest Received	6,184	1,860	1,304	1,547	1,787
Grants Received from the Commonwealth	445	0	0	0	0
Other Revenue	5,638	34,939	44,773	47,542	48,894
Operating Receipts	412,901	355,426	365,577	367,709	372,909
Payments:					
Related to Employees	82,913	68,002	66,730	66,479	67,271
Related to Administration	72,533	90,228	86,980	88,921	89,604
Borrowing Costs	35,954	36,262	36,084	35,931	35,877
Other	149,806	81,951	84,679	91,907	92,307
Operating Payments	341,205	276,443	274,473	283,238	285,059
Net Cash Inflow/(Outflow) From Operating Activities	71,696	78,983	91,104	84,471	87,850
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	38,624	32,000	39,718	36,393	36,393
Proceeds from Sale/Maturities of Investments	178,810	56,260	55,643	57,022	54,359
Repayment of Home Loan Principal	100	0	0	0	0
Investing Receipts	217,534	88,260	95,361	93,415	90,752
Payments:					
Purchase of Property, Plant and Equipment	72,434	65,040	63,794	58,463	55,464
Purchase of Investments	8,813	66,378	54,928	53,405	53,405
Issue of Loan	0	0	0	0	0
Investing Payments	81,247	131,418	118,722	111,868	108,869
Net Cash Inflow/(Outflow) From Investing Activities	136,287	-43,158	-23,361	-18,453	-18,117
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Capital Injection from Government	895	4,440	1,260	1,260	1,260
Borrowings Received	3349	0	0	0	0
Financing Receipts	4,244	4,440	1,260	1,260	1,260
Payments:					
Distributions to Government	119,001	0	0	0	0
Dividends to Government	67,417	51,012	50,979	51,145	53,714
Repayment of Advance	3,205	0	0	0	0
Repayment of Borrowings	13,302	10,606	11,002	10,120	13,625
Repayment of Finance Lease	328	376	432	547	0
Payments of Transferred Cash Balances	833	0	0	0	0
Financing Payments	204,087	61,994	62,413	61,812	67,339
Net Cash Inflow/(Outflow) From Financing Activities	-199,843	-57,554	-61,153	-60,552	-66,079
Net Increase/(Decrease) in Cash Held	8,141	-21,729	6,590	5,466	3,654
Cash at the End of the Reporting Period	33,058	11,329	17,919	23,385	27,039

**Revised Statements
Consolidated Total Territory
Statement of Financial Performance**

	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out.	Rev. Bud	Revised	Revised	Revised
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Taxes Fees and Fines	678,085	583,934	598,903	620,187	638,201
User Charges - Non ACT Government	466,295	376,822	371,044	373,491	374,376
Grants from the Commonwealth	862,109	963,820	973,163	980,896	1,004,564
Interest	70,748	52,489	48,736	52,631	56,381
Revenue of Associates and Joint Ventures	197,026	65,719	55,632	44,758	44,697
Other Revenue	187,685	134,235	198,265	198,765	199,090
Total Ordinary Revenue	2,461,947	2,177,019	2,245,743	2,270,728	2,317,309
Expenses					
Employee Expenses	712,895	717,170	726,084	739,882	754,920
Superannuation Expenses	152,736	166,638	178,207	192,907	203,848
Administrative Expenses	500,795	509,817	518,322	533,896	540,006
Depreciation and Amortisation	186,525	186,665	191,097	195,166	197,872
Borrowing Costs	73,682	60,905	58,354	59,772	56,294
Cost of Goods Sold	88,174	98,186	98,470	102,562	105,708
Grants and Purchased Services	280,255	320,771	324,243	334,300	349,797
Other Expenses	203,722	85,528	75,232	80,324	80,359
Expenses of Associates and Joint Ventures	163,614	22,343	13,389	6,151	5,219
Total Ordinary Expenses	2,362,398	2,168,023	2,183,398	2,244,960	2,294,023
Operating Result	99,550	8,996	62,345	25,768	23,286

**Revised Statements
Consolidated Total Territory
Statement of Financial Position**

	2000-01 Aud.Out. \$'000	2001-02 Rev. Bud \$'000	2002-03 Revised \$'000	2003-04 Revised \$'000	2004-05 Revised \$'000
Current Assets					
Cash	39,966	58,068	58,490	21,667	-6,910
Receivables	188,265	186,591	190,602	205,928	225,250
Investments	614,853	503,187	451,471	497,317	596,825
Inventories	17,313	12,409	9,586	20,451	6,952
Other	21,682	18,548	18,551	18,555	18,563
Total Current Assets	882,079	778,803	728,700	763,918	840,680
Non Current Assets					
Receivables	116,715	104,447	90,717	69,695	52,277
Investments	1,303,873	1,457,996	1,591,367	1,742,780	1,869,469
Inventories	4,270	14,440	20,270	8,140	14,640
Property, Plant and Equipment	7,729,296	7,822,977	7,973,943	8,029,721	8,028,134
Intangibles	461	3,749	1,777	-72	-685
Capital Works in Progress	89,248	56,792	37,671	25,232	20,506
Other	92,517	89,853	89,742	86,848	84,321
Total Non Current Assets	9,336,380	9,550,254	9,805,487	9,962,344	10,068,662
Total Assets	10,218,459	10,329,057	10,534,187	10,726,262	10,909,342
Current Liabilities					
Creditors	137,735	130,430	133,344	136,270	138,930
Interest Bearing Liabilities	247,175	242,827	240,368	243,863	244,071
Finance Leases	27,344	27,099	27,440	26,364	27,317
Employee Entitlements	163,350	169,385	170,404	168,476	178,054
Other Provisions	2,143	2,064	2,038	1,992	1,946
Other	30,094	30,401	34,631	36,602	37,692
Total Current Liabilities	607,841	602,206	608,225	613,567	628,010
Non Current Liabilities					
Creditors	71,320	79,475	87,609	95,721	103,821
Interest Bearing Liabilities	634,249	620,368	618,374	629,424	610,962
Finance Leases	34,303	33,577	32,580	29,571	27,857
Employee Entitlements	1,538,367	1,652,129	1,781,199	1,921,296	2,065,701
Other Provisions	6,421	5,776	3,937	4,289	11,893
Other	1,081	912	744	575	406
Total Non Current Liabilities	2,285,739	2,392,237	2,524,443	2,680,876	2,820,640
Total Liabilities	2,893,580	2,994,443	3,132,668	3,294,443	3,448,650
Net Assets	7,324,879	7,334,615	7,401,521	7,431,822	7,460,696
Represented By Funds Employed					
Accumulated Funds	6,020,905	6,045,021	6,122,556	6,163,217	6,197,897
Reserves	1,303,976	1,289,594	1,278,965	1,268,605	1,261,799
Total Funds Employed	7,324,880	7,334,615	7,401,521	7,431,822	7,459,696

Revised Statements Consolidated Total Territory Statement of Cash Flows					
	2000-01	2001-02	2002-03	2003-04	2004-05
	Aud.Out. \$'000	Rev. Bud \$'000	Revised \$'000	Revised \$'000	Revised \$'000
Cash at Beginning of Reporting Period	389,604	674,689	674,780	679,125	645,701
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
Taxes, Fees and Fines	636,812	591,082	603,845	615,287	633,748
User Charges	432,476	381,430	375,173	377,941	379,443
Interest Received	54,397	33,522	27,436	28,629	30,302
Grants Received from the Commonwealth	867,261	970,651	980,323	988,398	1,012,426
Other Revenue	232,009	249,871	234,679	220,856	212,840
Operating Receipts	2,222,955	2,226,556	2,221,456	2,231,111	2,268,759
Payments:					
Related to Employees	755,037	761,662	773,204	793,668	803,900
Related to Administration	463,545	452,727	460,623	478,059	484,011
Borrowing Costs	69,348	60,602	58,105	59,522	56,043
Grants and Purchased Services	275,892	327,602	331,403	341,802	357,659
Other	299,044	327,674	296,319	302,724	306,179
Operating Payments	1,862,867	1,930,267	1,919,654	1,975,775	2,007,792
Net Cash Inflow/(Outflow) From Operating Activities	360,089	296,289	301,802	255,336	260,967
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts:					
Proceeds from Sale of Property, Plant & Equipment	46,023	34,800	39,718	36,393	36,393
Proceeds of Sale of Land and Intangibles	950	5,800	0	0	0
Proceeds from Sale/Maturities of Investments	1,255,323	1,426,760	1,492,200	1,427,700	1,427,578
Repayment of Home Loan Principal	33,959	19,492	19,406	19,406	19,406
Investing Receipts	1,336,255	1,486,852	1,551,324	1,483,499	1,483,377
Payments:					
Purchase of Property, Plant and Equipment	195,968	262,721	332,870	238,363	187,781
Purchase of Land and Intangibles	18	5,007	0	0	0
Purchase of Investments	1,147,862	1,481,558	1,499,462	1,532,749	1,548,544
Issue of Loan and Advance	0	2,500	0	0	0
Investing Payments	1,343,848	1,751,786	1,832,332	1,771,112	1,736,325
Net Cash Inflow/(Outflow) From Investing Activities	-7,593	-264,934	-281,008	-287,613	-252,948
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts:					
Borrowings Received	368,800	358,341	363,311	374,575	344,575
Finance Lease	5,989	840	0	0	0
Financing Receipts	374,789	359,181	363,311	374,575	344,575
Payments:					
Repayment of Borrowings	393,348	376,826	367,930	360,196	364,045
Repayment of Finance Lease	13,381	13,619	11,830	15,526	13,211
Repayment of Investments to Agencies	35,471	0	0	0	0
Financing Payments	442,200	390,445	379,760	375,722	377,256
Net Cash Inflow/(Outflow) From Financing Activities	-67,411	-31,264	-16,449	-1,147	-32,681
Net Increase/(Decrease) in Cash Held	285,085	91	4,345	-33,424	-24,662
Cash at the End of the Reporting Period	674,689	674,780	679,125	645,701	621,039