

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2023

The Management Discussion and Analysis (MD&A) reflects the consolidated Total Territory financial results.

Total Territory Financial Performance

Table 1.1 shows the Uniform Presentation Framework (UPF) net operating balance for the Total Territory is a deficit of \$892.2 million, which is \$29.4 million (3.4 per cent) higher than the Budget estimate deficit of \$862.7 million and \$30.4 million (3.3 per cent) lower than the 2021-22 deficit of \$922.6 million. More detailed information on these variances can be found below.

Table 1.1: Total Territory Operating Result 2022-23

	2022-23	2022-23	2021-22
	Actual	Budget	Actual
	\$'000	\$'000	\$'000
Total revenue	7,604,364	7,417,706	7,376,679
Total expenses	8,496,516	8,280,415	8,299,241
UPF net operating balance	(892,152)	(862,709)	(922,562)
Economic inflows/(outflows)	438,871	283,714	(297,650)
Operating surplus/(deficit)	(453,281)	(578,995)	(1,220,212)

Revenue

Total revenue of \$7,604.4 million for the 2022-23 financial year was \$186.7 million higher than the 2022-23 Budget estimate of \$7,417.7 million. The variance is mainly due to higher GST revenue consistent with the increase in the size of the national GST pool and the Territory's population share. The Territory also received new funding from the Commonwealth under the Social Housing Accelerator Program and increases in ongoing National Skills and Workforce Development and National School Specific performance programs.

Interest revenue was also higher than expected mainly due to interest earned on cash at bank associated with higher interest rates and market conditions and interest revenue received on the ACT Civil and Administrative Tribunal trust.

These increases were partially offset by lower land revenue reflective of delays in West Belconnen Joint Venture land sales due to the timing of the reduction in the Environmental Clearance Zone and the impact of property market conditions including higher interest rates and increased home building costs.

Total revenue in 2022-23 was \$227.7 million (3.1 per cent) higher than the 2021-22 financial year result of \$7,376.7 million. The actual result has increased mainly due to higher GST revenue due to an increase in the size and share of GST funding and higher taxation revenue largely reflecting an increasing number of properties subject to the General Rates charge, increases in the unimproved value of land for existing properties increasing rates income, and additional Land Tax compliance activities.

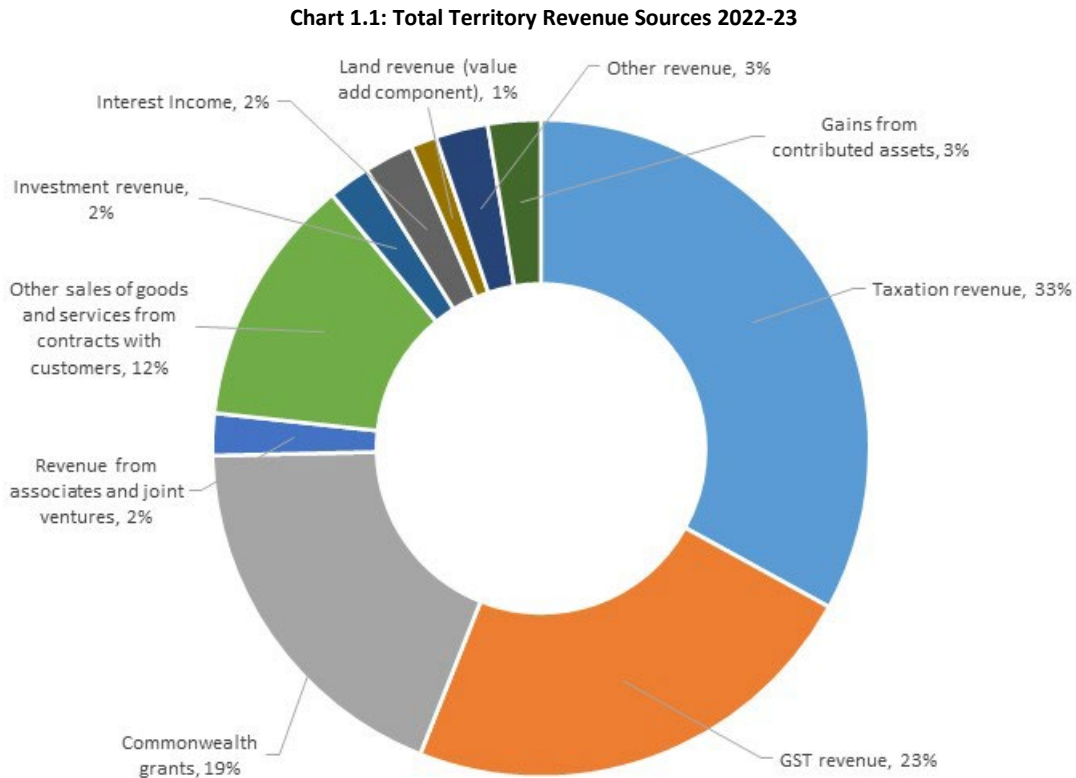
**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2023**

Revenue continued

Interest revenue and gains from contributed assets were also higher than the 2021-22 result mainly reflecting higher cash balances and interest rates. The increase was also impacted by restructuring the Territory’s loan with Community Housing Canberra (CHC), this loan was repaid in exchange for properties which will be managed by CHC and owned by the Territory.

These increases were partially offset by lower land revenue, largely reflecting higher land sales in Taylor and Whitlam in 2021-22 associated with the planned development of those suburbs.

Chart 1.1 below shows that 42 per cent of the Territory's revenue is from GST and Commonwealth grants, followed by 33 per cent from own source taxation revenue. This is broadly consistent with 2021-22.



AUSTRALIAN CAPITAL TERRITORY GOVERNMENT MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2023

Expenses

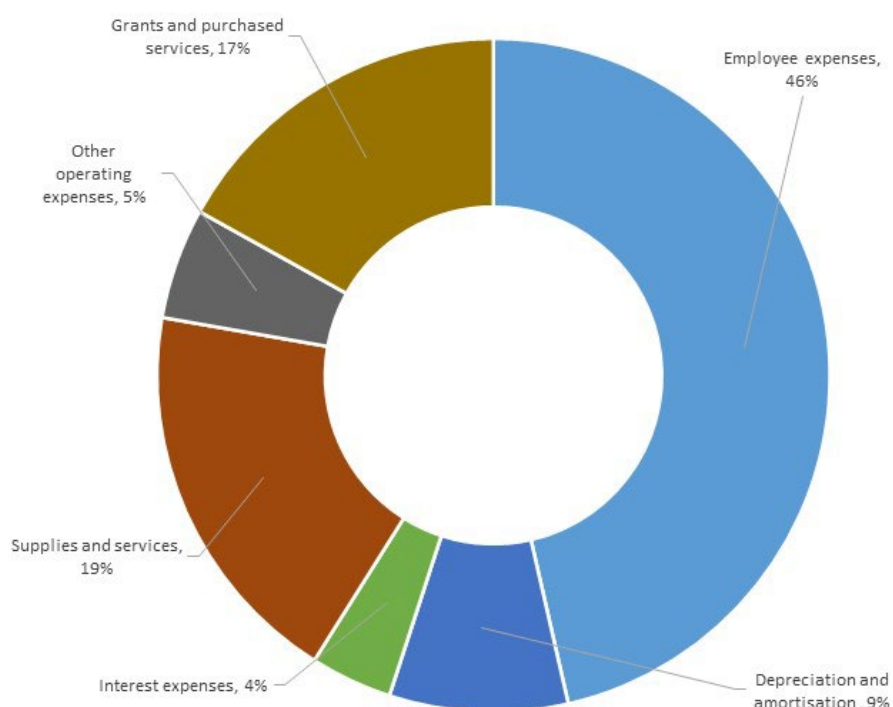
Total expenses for the 2022-23 financial year of \$8,496.5 million were higher by \$216.1 million (2.6 per cent) compared to the 2022-23 Budget estimate of \$8,280.4 million. This variance largely reflects higher employee expenses due to increased demand driven government service deliveries, particularly in Canberra Health Services and Access Canberra, and the transition of some contractors to direct employment.

Other operating expenses were also higher than the 2022-23 Budget estimate related to a net increase in incurred insurance claims predominantly due to deteriorating claims experience on both the medical malpractice and property portfolios and the expensing of items which do not meet the criteria to be capitalised under Australian Accounting Standards including the Human Resource and Information Management System.

Total expenses increased by \$197.3 million (2.4 per cent) from the 2021-22 outcome of \$8,299.2 million. This increase is largely related to higher demand for ICT and property project work, higher use of Visiting Medical Officers and agency nursing staff and increased consultancy services. This increase is also attributed to Enterprise Bargaining outcomes.

Chart 1.2 demonstrates the largest proportion of the Territory's expenses is for employee related expenses (46 per cent) which is consistent with 2021-22.

Chart 1.2: Total Territory Areas of Expenditure 2022-23



**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2023**

Financial Position

Table 1.2: Total Territory Key Balance Sheet Measures

	2022-23 Actual \$'000	2022-23 Budget \$'000	2021-22 Actual \$'000
Financial assets	10,649,239	10,484,757	10,848,449
Non-financial assets	34,109,552	32,405,120	32,808,923
Total assets	44,758,791	42,889,877	43,657,372
Total liabilities	24,517,907	23,427,069	24,195,817
Net assets	20,240,884	19,462,808	19,461,555
Net financial liabilities	14,911,399	13,951,268	14,339,549
Net debt	7,607,420	8,456,095	6,517,307

Net assets at 30 June 2023 of \$20,240.9 million were \$778.1 million (4 per cent) higher than the 2022-23 Budget estimate of \$19,462.8 million, and \$779.3 million (4 per cent) higher than the 2021-22 outcome of \$19,461.6 million.

The variance to the 2022-23 Budget is mainly due to revaluations of the Territory's property, plant and equipment including infrastructure assets, sportsgrounds and open public spaces, land and buildings largely due to increased land demand and construction and material costs, partially offset by an increase in the superannuation liability.

Compared to the 2021-22 outcome, the increase is attributed to the revaluations above and a higher value of capital works in progress including for new Light Rail vehicles and depot expansion, as well expanding capabilities at the Critical Services Building and Inpatient Unit as part of the Canberra Hospital expansion.

Net financial liabilities at 30 June 2023, were \$960.1 million higher than the 2022-23 Budget estimate of \$13,951.3 million, and \$571.9 million (4 per cent) higher than the 2021-22 outcome of \$14,339.5 million.

The variance compared to the 2022-23 Budget is largely due to updated financial assumptions applied by the Superannuation Provision Account's actuary (Willis Towers Watson) in estimating the defined benefit employer superannuation liability at 30 June 2023.

Compared to the 2021-22 outcome, the increase is mainly due to the recognition of the West Belconnen Landfill remediation provision, additional insurance claims liabilities in both the medical malpractice and property insurance classes and a lower amount of cash and deposits.

Net debt at 30 June 2023 was \$7,607.4 million. This is \$848.7 million (10 per cent) lower than the 2022-23 Budget estimate of \$8,456.1 million, and \$1,090.1 million (16.7 per cent) higher than the 2021-22 outcome of \$6,517.3 million.

The decrease compared to the 2022-23 Budget estimate is mainly due to lower borrowings and higher cash and deposits reflective of higher GST revenue and lower capital works payments attributed to the deferral of capital expenditure from 2022-23 to future years.

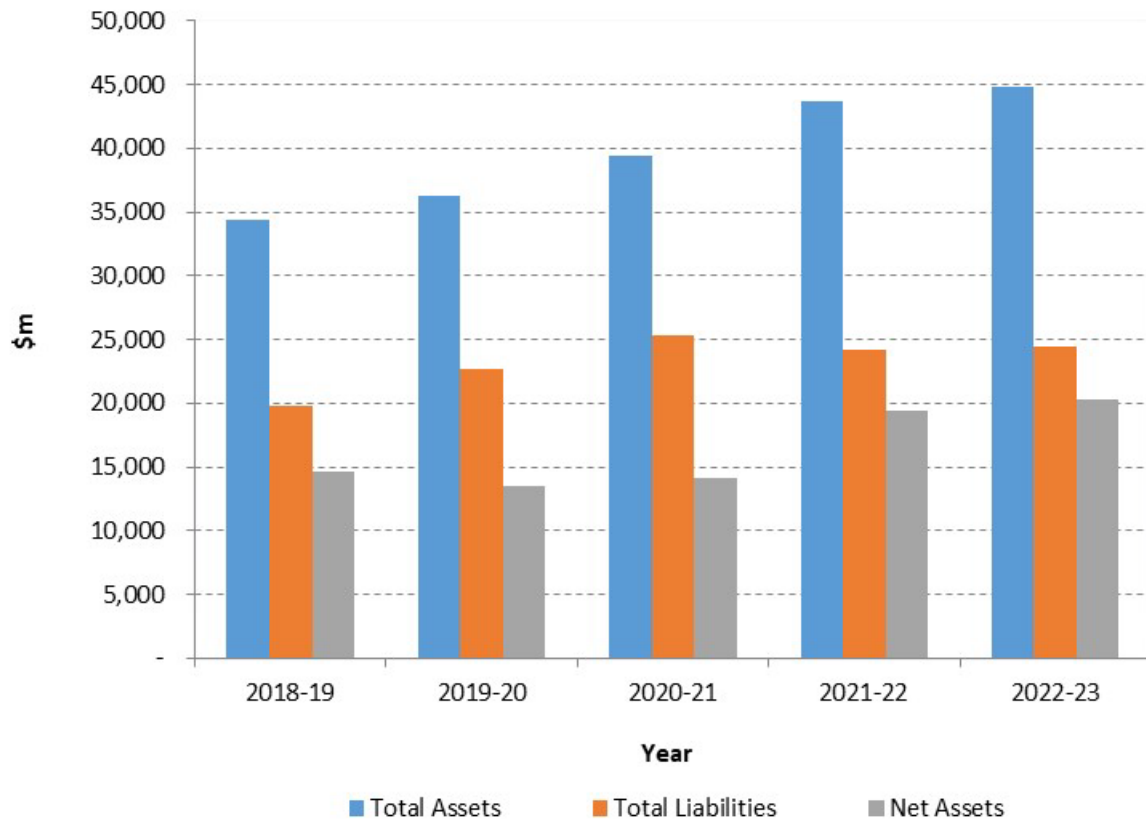
**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2023**

Financial Position continued

The increase compared to the 2021-22 outcome result is largely due to a higher level of borrowings and lower cash and deposits reflecting prevailing cash flow requirements.

Chart 2.1 demonstrates the Territory's assets and liabilities over the period 2018-19 to 2022-23.

Chart 2.1: Total Territory Assets and Liabilities 2022-23



**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2023**

Total Territory – Infrastructure Program

Table 1.3: Total Territory Capital Works Program

	2022-23 Actual \$'000	2022-23 Budget \$'000	2021-22 Actual \$'000
Capital works program	1,054,235	1,274,385	845,534

The 2022-23 capital works program (the Program) annual budget totalled \$1,274.4 million.

Adjustments associated with funding variations, program savings, the impact of 2022-23 Budget Review and capital works reserve advances result in the total funds available for the 2022-23 Program of \$1,297.4 million.

The outcome of the 2022-23 Program was a total infrastructure spend for the Territory of \$1,054.2 million, or 81 per cent of the total funds available within the Program.

The key drivers of Program underspend are weather delays, environmental and regulatory approval timing and continued constraints in material and labour supply.

The capital works reserve (the Reserve) was set at \$250 million in 2022-23. The Reserve permits agencies with multi-year budget allocations for capital works to advance their program of works by drawing on their future funding if their capital expenditure exceeds their budgeted program allocation. The 2022-23 capital works reserve was used by City Renewal Authority (\$2.007 million) with advances totalling \$2.007 million in 2022-23.

Major infrastructure investments physically completed in 2022-23 included (but were not limited to):

- Alexander Maconochie Centre Detainee Industries and Activities Enhancement Project
- Building a better city – Gundaroo Drive duplication – Stage 2
- Clinical Services and Inpatient Unit Design and Infrastructure Expansion
- Expanding Franklin Early Childhood School
- More schools, better schools – Delivering Molonglo P-10
- Components of replacing the Human Resources Information Management System