

CHAPTER 8

ASSET AND LIABILITY MANAGEMENT

Chapter	Page
8.1 Net Debt and Net Financial Liabilities	289
8.2 Unfunded Superannuation Liability	293
8.3 Management of Assets and Liabilities	299

8.1 NET DEBT AND NET FINANCIAL LIABILITIES

The ACT Government continues to maintain a strong balance sheet. The key indicators, measured as a proportion of Gross State Product (GSP) and using the most recent budget documentation, are broadly in line with other AAA rated jurisdictions.

Table 8.1.1 provides a summary of the key balance sheet measures for the General Government Sector (GGS).

Table 8.1.1: General Government Sector Key Balance Sheet Measures

2015-16 Budget \$m	2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
2,425.7 Net Debt (excluding super)	1,832.5	2,080.2	2,103.8	2,902.7	2,581.3
5,663.9 Net Financial Liabilities	8,871.1	5,496.5	5,659.6	6,411.5	6,226.7
16,232.7 Net Worth	13,220.6	17,100.2	17,316.4	17,515.6	17,735.9

Comparisons with other jurisdictions can be found in the Fiscal Strategy (Chapter 2.2).

Net Debt

Net debt is a key balance sheet measure, taking into account gross debt liabilities – including the impact of Public Private Partnerships (PPPs) – as well as financial assets (such as cash reserves and investments). Table 8.1.2 below presents net debt and net debt to GSP for the GGS.

Table 8.1.2: General Government Sector Net Debt

2015-16 Budget \$m	2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
2,425.7 Net Debt (excluding super)	1,832.5	2,080.2	2,103.8	2,902.7	2,581.3
6.4% Net Debt to GSP	5.1%	5.6%	5.4%	7.1%	6.0%

Net debt over the budget and forward estimates period is positive, indicating that GGS cash reserves and investments are lower than gross debt liabilities, which include market and Commonwealth borrowings, and liabilities associated with PPPs.

Compared to the 2015-16 Budget, net debt has decreased in each year from 2015-16 to 2017-18. The improvement in net debt is largely reflective of a net decrease in borrowings, mainly due to the removal of the Light Rail – Stage 1 provision, which was included as a debt-funded capital project in the 2015-16 Budget, as well as higher capital distributions in relation to forecast sales under the land rent scheme.

Details of market and Commonwealth borrowings can be found at Table 8.3.2 in Management of Assets and Liabilities (Chapter 8.3).

Compared to the 2015-16 Budget, net debt is forecast to increase in 2018-19 largely due to the inclusion of lease liabilities associated with PPPs. Details of the budgetary and accounting treatments for PPPs, including the Light Rail – Stage 1 project, can be found in Infrastructure Investment in the ACT (Chapter 5.1), and in Accounting Treatment for Public Private Partnerships (Appendix C).

The increase of \$247.7 million in the 2016-17 Budget compared to the estimated outcome is influenced by a decrease in investments to meet forecast cash flow requirements.

Net Financial Liabilities

Net financial liabilities are a broad measure of GGS liabilities, including net debt and superannuation liabilities. Table 8.1.3 below details net financial liabilities and net financial liabilities to GSP for the GGS.

Table 8.1.3: General Government Sector Net Financial Liabilities

2015-16 Budget \$m	2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
5,663.9	8,871.1	5,496.5	5,659.6	6,411.5	6,226.7
14.9% Net Financial Liabilities to GSP	24.8%	14.9%	14.6%	15.8%	14.6%

Net financial liabilities are forecast to increase in 2015-16 compared to the original budget by \$3,207 million. This increase is mainly due to a higher than forecast superannuation liability arising from a change in the discount assumption used to value the liability. The discount rate assumption used in the estimated outcome is 3.2 per cent, compared to a long-term discount rate assumption of 6 per cent. This rate has been used to better reflect the expected value of the superannuation liability at 30 June 2016. The increase is also reflective of higher other provisions resulting from a revision to the estimated timing of settlements for the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme).

In 2016-17, net financial liabilities are forecast to decrease by \$3,375 million compared to the 2015-16 estimated outcome. This decrease is largely due to a return to the long-term discount rate assumption of 6 per cent to value the superannuation liability.

Across the forward estimates, net financial liabilities are forecast to increase until they peak in 2018-19, declining in 2019-20.

The ratio of net financial liabilities to GSP provides an indicator of the sustainability of a jurisdiction's debt. The ACT's ratio is broadly in line with other AAA rated jurisdictions. While this ratio is subject to volatility (net financial liabilities in particular can fluctuate, sometimes substantially, depending on the condition of financial markets), it is desirable that it remains broadly stable over time while maintaining sustainable levels of borrowings.

Net Worth

Net worth reflects the value of all financial and non-financial assets less liabilities. The ACT maintains strong positive net worth. Table 8.1.4 below presents net worth and net worth to GSP for the GGS.

Table 8.1.4: General Government Sector Net Worth

2015-16 Budget \$m	2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
16,232.7 Net Worth	13,220.6	17,100.2	17,316.4	17,515.6	17,735.9
42.6% Net Worth to GSP	37.0%	46.4%	44.7%	43.1%	41.5%

Net worth is forecast to decrease in 2015-16, compared to the original budget, by \$3,012 million. This decrease is largely due to the increase in the superannuation liability and other provisions described above. Across the budget and forward estimates, net worth is forecast to increase from \$17.1 billion to \$17.7 billion.

The ACT continues to maintain one of the strongest net worth to GSP ratios compared to other jurisdictions at 46.4 per cent.

8.2 UNFUNDED SUPERANNUATION LIABILITY

Introduction

ACT Government employees (“employees”) are members of a number of different superannuation schemes as arrangements have changed over time due to the type of superannuation scheme available to the employee at the time of commencing employment.

Around one third of current full time employees are members of Commonwealth defined benefit superannuation schemes that are closed to new ACT employee members.

From 1 July 2005, new employees have accessed defined contribution scheme arrangements where the superannuation liabilities are extinguished by the ACT Government through fortnightly payments to each employee’s superannuation fund.

Fully funding the defined benefit superannuation liability over time is a key financial objective of the Government. Unlike other jurisdictions, the Government does not operate a superannuation fund for employees. The Government has established a Superannuation Provision Account (SPA) for the purpose of recognising the defined benefit superannuation liabilities and holding and investing the financial assets set aside to meet the Government’s ongoing employer superannuation benefit obligations (emerging cost payments) to the Commonwealth Government.

ACT Government Employee Superannuation Arrangements

The superannuation arrangements applicable to permanent employees are outlined below.

Defined Benefit Superannuation Schemes

The Commonwealth Government’s defined benefit superannuation schemes include the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). The CSS was closed to new ACT employee members from 1 July 1990 and the PSS from 1 July 2005.

The CSS and PSS are types of defined benefit superannuation schemes, in which some or all of the benefits payable to members are defined in advance according to a set of formulae which are linked to factors such as years of service, final average salary and level of individual member contribution over time. With the exception of employer productivity contributions, the employer financed component of entitlements is unfunded and is not required to be paid until a member receives their benefit entitlement.

The administration of the CSS and PSS is undertaken by the Commonwealth Government agency, Commonwealth Superannuation Corporation (CSC), with all benefits paid to entitled CSS and PSS members by CSC. The Government reimburses CSC annually for the Territory’s share of employer superannuation benefits paid to entitled ACT employees who are, or were, members of the CSS or PSS.

Public Sector Superannuation Accumulation Plan

From 1 July 2005, all new ACT employees were required to become members of the Public Sector Superannuation Accumulation Plan (PSSap), a defined contribution plan (accumulation) arrangement where the employer (ACT Government) is required to contribute 15.4 per cent of an employee's salary. Existing CSS and PSS members were not able to transfer to the new superannuation scheme. The PSSap closed to new employees on 6 October 2006.

Post 6 October 2006 – Fund of Choice Arrangements

From 6 October 2006, the Government introduced superannuation fund of choice arrangements for all new employees. Employees can elect to join a superannuation fund of their choice. If an employee does not elect a fund, he or she becomes an automatic member of the Government's appointed default superannuation fund.

The fund of choice arrangement is one where employees must join a defined contribution (accumulation) fund into which the employer (ACT Government) is required to contribute at a minimum, the prevailing superannuation guarantee percentage rate as set by Commonwealth Government legislation, currently 9.5 per cent. The Government is currently paying a contribution rate of 10.5 per cent. The Government will contribute an additional 1 per cent for employees who contribute 3 per cent or more of their salary to their chosen fund.

Members of the Legislative Assembly

There are two superannuation arrangements for Members of the ACT Legislative Assembly (MLAs). MLAs who were elected before the 2008 general election and have a relevant period of service, and no discontinuance, are members of an unfunded defined benefit superannuation arrangement (DB Scheme), prescribed under the *Legislative Assembly (Members' Superannuation) Act 1991*.

Those MLAs elected at, or after, the 2008 general election, and who were not an existing member of the DB Scheme prior to the election, assume membership of a choice of fund accumulation scheme. The employer (ACT Government) is required to contribute the equivalent of 14 per cent of the Member's eligible salary. The Government contributes an additional 1 per cent for MLAs who contribute 3 per cent or more of their salary to their chosen fund.

Defined Benefit Superannuation Liabilities

The ACT Government currently recognises a defined benefit superannuation liability for over 36,000 past and current employees, including current contributors, deferred beneficiaries and pensioners.

Table 8.2.1 outlines the breakdown of the defined benefit superannuation scheme employee members as at 30 June 2015.

Table 8.2.1: ACT Employee Defined Benefit Scheme Membership

	Contributors	Deferred Beneficiaries	Current Pensioners	Dependent Pensioners	Total
Group A Members¹					
CSS	652	207	5,559	423	6,841
PSS	7,855	8,506	3,720	181	20,262
Total	8,507	8,713	9,279	604	27,103
Group B Members²					
CSS	295	154	965	31	1,445
PSS	3,266	3,231	1,192	30	7,719
Total	3,561	3,385	2,157	61	9,164

Notes:

1. Group A membership data includes CSS and PSS contributors who were employees of the ACT Government at 30 June 2015, and CSS and PSS deferred beneficiaries and pensioners who were employees of the ACT Government when their employment ceased.
2. Group B membership data includes CSS and PSS contributors who were not employees of the ACT Government at 30 June 2015, but were so previously, and CSS and PSS deferred beneficiaries and pensioners who were not employees of the ACT Government when their employment ceased, but were so previously.

The value of accrued defined benefit employer superannuation liabilities is calculated as the present value of the future payment of retirement benefits that have actually accrued in respect of service as at the calculation date. This approach is in accordance with AASB119 *Employee Benefits* and the requirement to use a projected unit credit valuation approach.

Apart from the annual changes to the discount rate, which is required by Australian accounting standards, the annual actuarial review incorporates updated annual salary and membership data.

Every three years the actuary undertakes a more comprehensive review of the defined benefit employer superannuation liability by also incorporating a review of all financial and demographic assumptions, following a comprehensive review of actual outcomes and membership experience over time. The outcomes from this analysis form the basis for the financial and demographic assumptions adopted for the annual reviews of the liability and emerging cost projections.

The recent actuarial review, which utilised the latest salary and membership data as at 30 June 2015, was an annual actuarial review with the results incorporated into the 2016-17 Budget estimates.

Table 8.2.2 sets out the estimation of the liability.

Table 8.2.2: Defined Benefit Superannuation Liability

	2015-16 Est. Outcome \$'000	2016-17 Budget \$'000	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000
Opening Liability	8,485,855	9,704,977	6,242,964	6,501,030	6,750,522
Service Cost	233,494	268,926	131,841	127,415	122,785
Interest Cost	315,401	315,534	375,236	389,906	404,003
Benefit Payments	-196,914	-230,525	-249,013	-267,830	-288,251
Actuarial (Gain)/Loss ¹	867,139	-3,815,946	0	0	0
Closing Liability	9,704,977	6,242,964	6,501,030	6,750,522	6,989,060

Notes: Numbers may not add due to rounding.

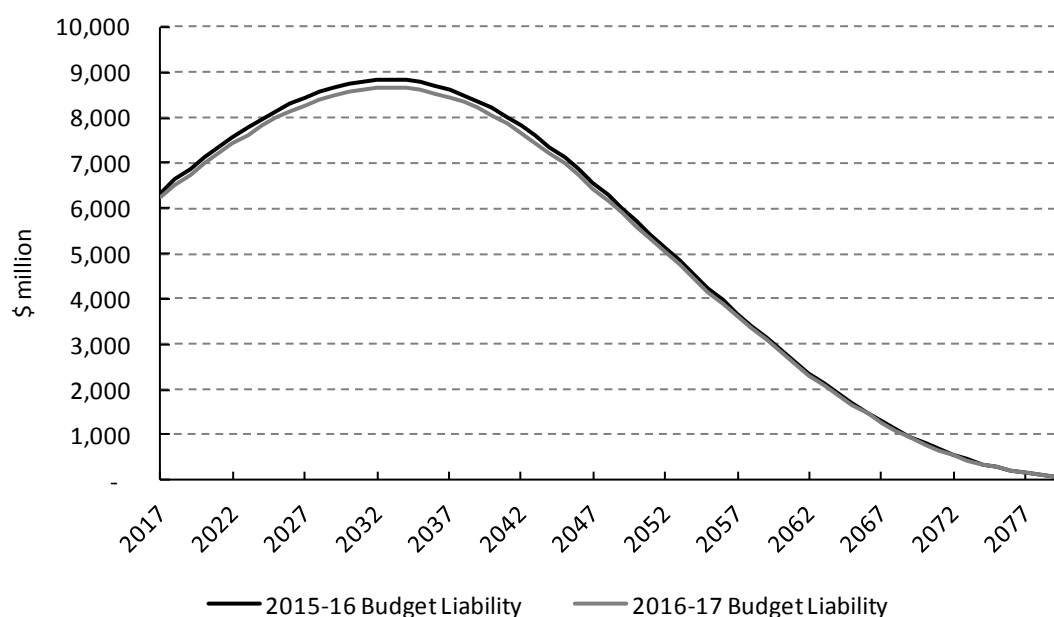
- The actuarial (gain)/loss is the change in the present value of the superannuation liability resulting from a change in the discount rate assumption. The liability valuation at 30 June 2016 utilises a discount rate assumption of 3.2 per cent. The liability valuations from 30 June 2017 utilise a long term discount rate assumption of 6 per cent. The actual discount rate at 30 June 2015 was 3.66 per cent. A lower discount rate leads to a higher liability valuation estimate.

The defined benefit superannuation liability is estimated to grow to approximately \$6.989 billion by 30 June 2020. The service cost associated with the accrual of employee superannuation benefits is forecast to decrease over time as ACT employee members leave the schemes through resignation or retirement. The interest cost is forecast to increase due to past benefits accrued by ACT employee members becoming one year closer to payment.

The 2016-17 Budget estimates for the liability and emerging cost payments have been reduced by salary growth over the 2014-15 financial year being lower than assumed, pension indexation being lower than assumed and crediting rates being higher than assumed, offset by the number of contributors being higher than assumed.

The impact on the estimates for the projected defined benefit employer superannuation liabilities is illustrated in Figure 8.2.1.

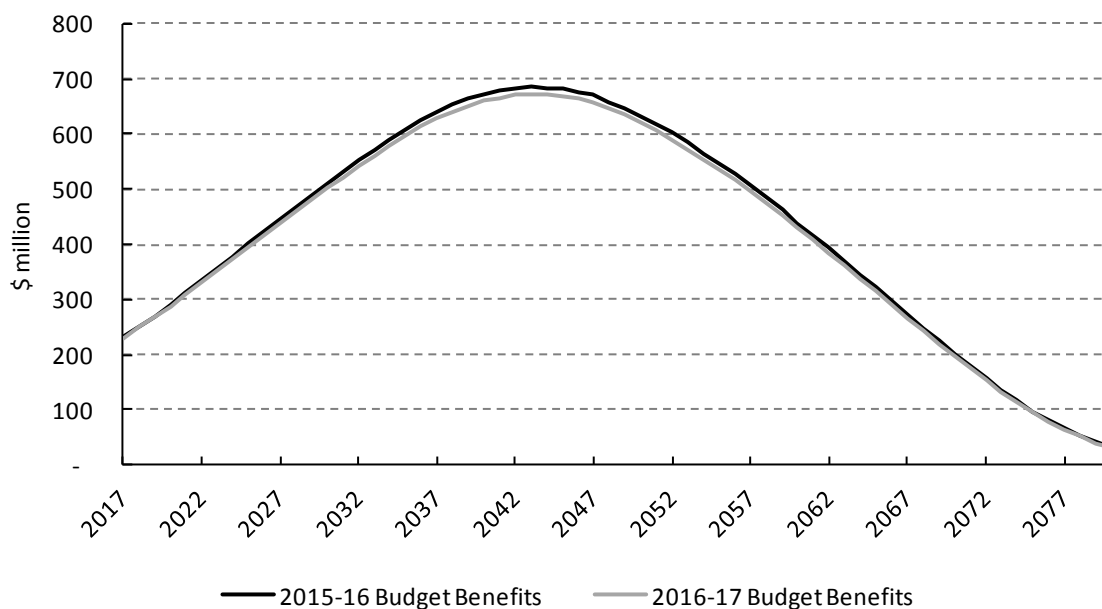
Figure 8.2.1: Triennial Actuarial Revision to the Estimated Employer Superannuation Liability



The defined benefit superannuation liability is projected to peak, in nominal terms, at approximately \$8.667 billion by 30 June 2033.

The impact on the estimates for the Territory’s projected emerging cost payments is illustrated below in Figure 8.2.2.

Figure 8.2.2: Actuarial Revision to Estimated Employer Emerging Cost Payments



The total superannuation payments to the Commonwealth are projected to be approximately \$1 billion over the 2016-17 Budget and forward years.

The annual superannuation payments (in nominal terms) made to the Commonwealth to extinguish the liability are projected to increase over time from approximately \$231 million in 2016-17 to a peak of \$672 million in 2042-43.

Defined Benefit Superannuation Funding

The Government maintains, as a key financial objective, a funding plan to extinguish the Territory’s unfunded defined benefit superannuation liability by way of accumulating funds in the SPA through investment earnings.

The long-term funding plan includes Budget appropriation for the SPA matching the expected annual benefit payments to the Commonwealth and allows the financial investment assets to grow over time with all investment earnings re-invested.

Due to the achievement of strong investment returns on the SPA investment portfolio over recent years, the amount of annual appropriation to the SPA is being reduced by \$75 million per annum for three years commencing in 2016-17. The funding objective remains on target with the funding plan monitored on an ongoing basis.

Details on the budget appropriation to the SPA, projected benefit payments to the Commonwealth, and the estimated investment portfolio assets, investment earnings, and SPA expenses are set out below in Table 8.2.3.

Table 8.2.3: Defined Benefit Superannuation Assets

	2015-16	2016-17	2017-18	2018-19	2019-20
	Est. Outcome	Budget	Budget	Budget	Budget
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Assets	3,342,058	3,448,912	3,627,877	3,820,304	4,027,509
Net Investment Earnings	97,720	259,192	272,829	287,507	307,098
Appropriation	211,146	155,525	174,013	192,830	288,251
Benefit Payments	-196,914	-230,525	-249,013	-267,830	-288,251
Other Payments	-5,097	-5,227	-5,402	-5,302	-5,406
Closing Assets	3,448,912	3,627,877	3,820,304	4,027,509	4,329,200

Note: Numbers may not add due to rounding.

The funding plan for the defined benefit superannuation liability will help reduce the longer term cost as investment returns provide a source of funding for future liabilities.

The difference between the estimated liability and investment assets represents the level of unfunded superannuation liability. The estimated funding percentage of the defined benefit superannuation liability over the Budget and forward years is projected to increase as illustrated below in Table 8.2.4.

Table 8.2.4: Superannuation Liability Funding

	2015-16	2016-17	2017-18	2018-19	2019-20
	Est. Outcome	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Superannuation Liability ¹	9,704,977	6,242,964	6,501,030	6,750,522	6,989,060
Investments	3,448,912	3,627,877	3,820,304	4,027,509	4,329,200
Unfunded Liability	6,256,065	2,615,087	2,680,726	2,723,013	2,659,860
Funding Percentage	36	58	59	60	62

Notes: Numbers may not add due to rounding.

1. The superannuation liability estimate at 30 June 2016 utilises a discount rate assumption of 3.2 per cent. The liability valuations from 30 June 2017 utilise a long-term discount rate assumption of 6 per cent. The actual discount rate at 30 June 2015 was 3.66 per cent. A lower discount rate leads to a higher liability valuation estimate.

8.3 MANAGEMENT OF ASSETS AND LIABILITIES

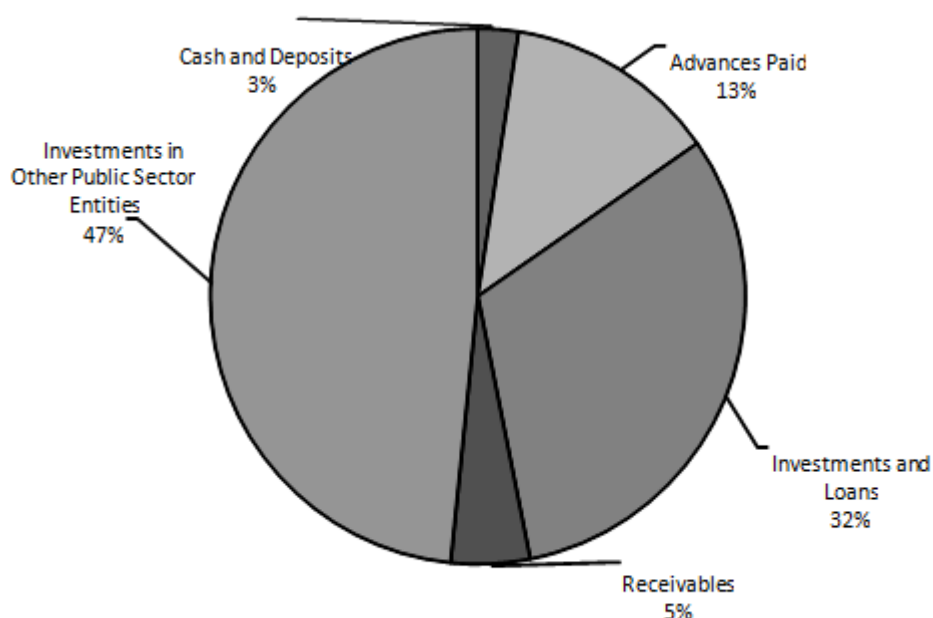
Financial Assets

The Territory's financial assets account for approximately 45 per cent of total assets held by the General Government Sector (GGS).

Figure 8.3.1 shows the proportion of these assets by category. GGS investment in other public sector entities (the Public Trading Enterprise (PTE) sector) makes up almost half of the Territory's financial assets.

Investments held to meet future liabilities, such as superannuation, also represent a significant portion of total financial assets at 32 per cent.

Figure 8.3.1: General Government Sector – Estimated Financial Assets



Investments in Other Public Sector Entities

Investments in other public sector entities reflect the GGS investment in the PTE sector as the carrying amount of the net assets held by the sector. Significant assets held by the PTE sector include land, water and sewerage infrastructure, and public housing.

Financial Investments

The Chief Minister, Treasury and Economic Development Directorate (CMTEDD) manages the Territory Banking Account (TBA) and Superannuation Provision Account (SPA) investment portfolios. These investment portfolios comprise the majority of the Territory's financial investment assets.

The purpose and role of the investment portfolios is to derive competitive financial returns, based on prudent financial and portfolio management principles, with an investment structure that is low cost, efficient to manage, and effective in deriving market-based returns. These investment assets are managed in accordance with an established Investment Plan and Responsible Investment Policy.

The Government holds significant financial investments. Table 8.3.1 outlines the components of investments held by the GGS, including the TBA and SPA.

Table 8.3.1: General Government Sector Investments

2015-16 Budget \$'000		2015-16 Est. Outcome \$'000	2016-17 Budget \$'000	Var %	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000
317,777	Cash and Deposits	340,483	326,812	-4	324,319	326,067	321,378
4,231,169	Investments and Loans	4,250,869	4,196,927	-1	4,419,856	4,651,047	5,013,305
4,548,946	Total Investments	4,591,352	4,523,739	-1	4,744,175	4,977,114	5,334,683
	Comprising:						
3,605,656	Superannuation Provision Account	3,443,186	3,622,151	5	3,814,578	4,021,783	4,323,474
144,611	Territory Banking Account	422,411	211,471	-50	210,789	201,752	228,761
117,495	Investments held on behalf of PTE agencies	500	1,501	200	2	-	-
348,710	ACTIA Investments	368,542	337,866	-8	360,743	383,357	404,968
332,474	Other GGS agency investments	356,713	350,750	-2	358,063	370,222	377,480
4,548,946	Total Investments	4,591,352	4,523,739	-1	4,744,175	4,977,114	5,334,683

Territory Banking Account Investment Portfolio

Any cash of the GGS which is not required for immediate expenditure is invested domestically in accordance with an established Investment Plan and Responsible Investment Policy that takes into account liquidity requirements and risk tolerances. To facilitate an efficient cash and investment management structure, a centralised investment platform facility is provided through the TBA which makes available a range of single and multi-asset class funds for Directorates and Territory Authorities to meet their specific investment objectives.

The estimated 2015-16 net nominal return for the total portfolio of funds invested through the TBA is 2.6 per cent; this compares to the original Budget estimate of 2.4 per cent. The budgeted full year return for 2016-17 is estimated to be 2 per cent.

Superannuation Provision Account Investment Portfolio

Funds set aside in the SPA are earmarked to assist the Government in meeting its long-term defined benefit employer superannuation obligations. These funds are invested in accordance with an established Investment Plan and Responsible Investment Policy that takes into account the long-term nature of the superannuation liability and projected cash flow requirements.

The long-term net investment return objective for the SPA is Consumer Price Index (CPI) plus 5 per cent per annum. The investment strategy recognises the risk associated with targeting the long-term investment return objective and the asset allocation modelling identifies a risk of negative investment returns once every three to five years.

The long-term strategic asset allocation, consistent with this long-term investment objective, currently equates to 75 per cent of the portfolio being invested in growth assets (such as shares and property) and 25 per cent of the portfolio being invested in defensive assets (such as cash and fixed interest investments).

The nominal net return of the portfolio for 2015-16 is estimated to be 3.1 per cent, with investment earnings of approximately \$97 million. The actual net investment return for the 2014-15 financial year was 10.2 per cent with investment earnings of \$304 million.

Incorporating the estimated 2015-16 investment return outcome, the SPA portfolio will have generated an annualised net investment return of CPI plus 5 per cent over the past 20 years (1996-97 to 2015-16), which is matching the long-term investment return objective.

Loan Receivables

GGS financial assets include loans provided to Icon Water Ltd, ACTION and CMTEDD (for Community Housing Canberra and Exhibition Park).

- Icon Water Ltd loans are funded by matching external borrowings from the Territory's debt issuance program. Forms of funding include inflation-linked bonds, fixed rate medium term notes, and short-term discount securities. Loan maturity dates range from June 2018 to June 2048. The total estimated outstanding principal at 30 June 2016 is \$1.538 billion.

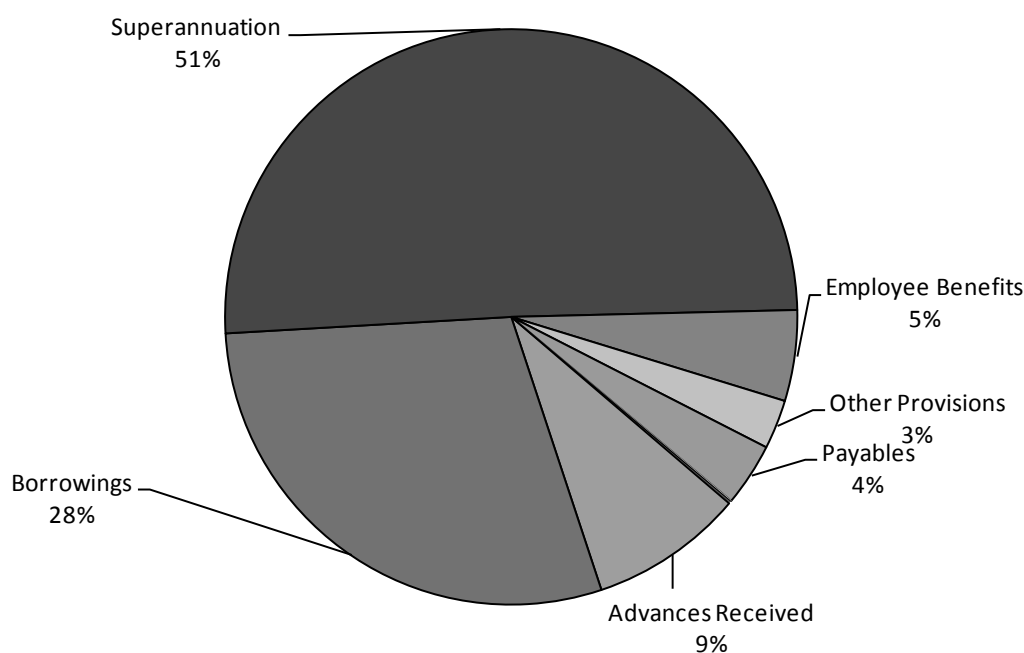
- CMTEDD Community Housing Canberra loans have been provided through capital injection appropriations from the budget. The total estimated outstanding principal at 30 June 2016 is \$68.112 million (refer to the Summary and Terms of Debt Capital Injection (Appendix O) for further information).
- The ACTION loan relates to funding provided from the Commonwealth Government at the commencement of self-government. The loan matures in June 2023. The total estimated outstanding principal at 30 June 2016 is \$2.4 million.
- The CMTEDD Exhibition Park loan is to support the development and operation of low cost accommodation facilities. The total estimated outstanding principal at 30 June 2016 is \$1.5 million (refer to the Summary and Terms of Debt Capital Injection (Appendix O) for further information).

Total Liabilities

Figure 8.3.2 demonstrates the proportion of liabilities by category. The majority of the GGS liabilities comprise superannuation (54 per cent) and borrowings (29 per cent).

Further details regarding the superannuation liability can be found in Unfunded Superannuation Liability (Chapter 8.2).

Figure 8.3.2: General Government Sector Liabilities



Borrowings

The funding and management of the Government's financial markets borrowings is undertaken by CMTEDD. The Government's funding requirements are mainly achieved by the issuance of debt securities in the financial capital markets.

Debt management objectives include: establishing bond lines of select debt maturity and volume (around \$500 million); maximising investor diversification; minimising refinancing risk; and managing the Government's funding and liquidity requirements.

Debt securities issued include:

- long-term inflation-linked bonds where the interest and principal repayments are indexed to inflation that feature differing maturity profiles (2020, 2030 and 2048), and the repayment of principal over time or at maturity;
- nominal bonds where the interest cost (coupon) is fixed for the life of each bond and that feature differing maturity profiles (2018, 2020, 2022, 2024 and 2026), with the repayment of principal at maturity; and
- short-term discount debt securities with maturities of less than 12 months.

The debt funding program was supplemented in 2014-15 by a loan provided from the Commonwealth to support the financing of the costs of the Asbestos Eradication Scheme. The costs of the scheme will be met by the ACT Government.

A summary of the current borrowing estimates for the 2016-17 Budget are detailed below in Tables 8.3.2 and 8.3.3.

Table 8.3.2: Territory Borrowings – Principal Outstanding

2015-16 Budget \$m		2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
General Government Sector						
2,244.7	Market Borrowings	1,946.2	1,946.4	1,946.6	2,448.0	2,244.5
75.7	Historic Commonwealth Loans (self-government)	75.7	71.8	67.8	63.7	59.4
1,000.0	Commonwealth Loan – Asbestos Eradication Scheme	1,000.0	1,000.0	950.0	900.0	850.0
3,320.4	Sub-Total	3,021.9	3,018.2	2,964.4	3,411.7	3,153.9
Public Trading Enterprise Sector						
1,582.0	Market Borrowings	1,536.6	1,646.4	1,724.1	1,759.5	1,798.0
67.5	Historic Commonwealth Loans (self-government)	67.5	62.8	58.1	53.5	49.0
1,649.5	Sub-Total	1,604.1	1,709.2	1,782.2	1,813.0	1,847.0
4,969.9	Total¹	4,625.0	4,727.4	4,746.6	5,224.7	5,000.9

Notes: Numbers may not add due to rounding.

1. Refer to sum of 'Advances Received' and 'Other Borrowings' Table K.6, Consolidated Financial Statements – Public Trading Enterprises and Total Territory (Appendix K). This table does not include finance leases and lease liabilities associated with Public Private Partnerships. For more information on the budgetary and accounting treatment for public private partnerships, refer to Accounting Treatment for Public Private Partnerships (Appendix C).

Table 8.3.3: Territory Borrowings – Interest Expense

2015-16 Budget \$m		2015-16 Est. Outcome \$m	2016-17 Budget \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
General Government Sector						
89.2	Market Borrowings	73.2	79.4	80.0	77.6	87.9
3.9	Historic Commonwealth Loans (self-government)	3.9	3.7	3.5	3.3	3.0
26.7	Commonwealth Loan – Asbestos Eradication Scheme	26.8	27.1	27.1	25.7	24.4
119.8	Sub-Total	103.9	110.2	110.6	106.6	115.3
Public Trading Enterprise Sector						
79.1	Market Borrowings	69.5	72.1	74.6	72.9	75.3
3.2	Historic Commonwealth Loans (self-government)	3.2	3.0	2.8	2.6	2.4
82.3	Sub-Total	72.7	75.1	77.4	75.5	77.7
202.1	Total¹	176.6	185.3	188.0	182.0	193.0

Notes: Numbers may not add due to rounding.

1. Refer to 'Interest Expenses', Table K.5, Consolidated Financial Statements – Public Trading Enterprises and Total Territory (Appendix K). This table does not include interest expenses for finance leases and Public Private Partnerships (PPPs). For more information on the budgetary and accounting treatment for PPPs, refer to Accounting Treatment for Public Private Partnerships (Appendix C).

General Government Sector

Total market financed borrowings for the GGS are estimated to be \$1.946 billion as at 30 June 2016 compared with the 2015-16 Budget estimate of \$2.245 billion. It is estimated that there will be a net increase in GGS borrowings of \$132 million over the 2016-17 Budget and forward estimates period.

The 2016-17 Budget plan reflects updated borrowing requirements based on estimated cash flow and liquidity requirements, the removal of the Capital Metro provision, which was included as a debt-funded capital project in the 2015-16 Budget, as well as higher capital distributions in relation to forecast sales under the land rent scheme.

The Government remains committed to a fiscal strategy that achieves an operating balance over time, offsetting temporary deficits with surpluses in other periods. The keystone of this strategy, as for prior years, remains the responsible management of the Territory's public finances. The Government's 2016-17 Budget strategy remains focused on sustaining debt at prudent levels while creating the capacity for investment in Canberra's infrastructure projects/assets that generate long-term economic growth and benefits.

Public Trading Enterprise Sector

Total market-financed borrowings for the Public Trading Enterprise (PTE) sector are estimated to be \$1.537 billion as at 30 June 2016 compared with the 2015-16 Budget estimate of \$1.582 billion. The decrease is due to Icon Water having a lower new borrowing requirement.

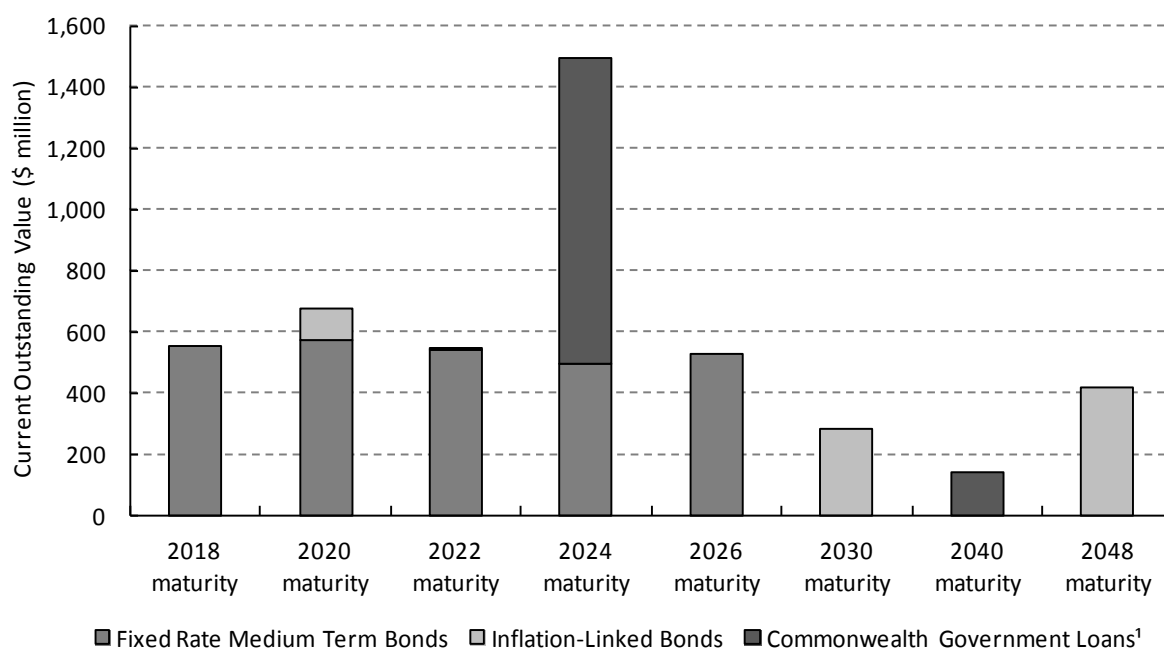
It is estimated that there will be a net increase in PTE market-financed borrowings (for Icon Water) of \$261.4 million over the 2016-17 Budget and forward estimates period.

The Government has a preference for Icon Water to maintain an appropriate and sustainable capital structure during various phases of the capital investment cycle. Reflecting this objective, Icon Water will support ActewAGL Distribution in introducing a debt program to assist with funding its regulated capital expenditure program which will enable increased cash distributions to Icon Water.

Total Outstanding Borrowings

Figure 8.3.3 shows the total outstanding principal value of borrowings by funding type and year of maturity estimated as at 30 June 2016.

Figure 8.3.3: Total External Territory Borrowings



Note:

1. Commonwealth Government Loans relates to the Asbestos Eradication Scheme