



ACT
Government

AUSTRALIAN CAPITAL TERRITORY

BUDGET

2014-15

INVESTING **IN** CANBERRA

BUDGET REVIEW

GUIDE TO THE BUDGET PAPERS

STRUCTURE AND CONTENT OF THE 2014–15 BUDGET PAPERS

BUDGET REVIEW

The purpose of the Budget Review is to provide updated information to allow an assessment of the Government's financial performance against its financial policy objectives and strategies as set out in the previous Budget.

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INTRODUCTION

Section 20A of the *Financial Management Act 1996* requires the preparation of a budget review for each financial year.

The purpose of the 2014-15 Budget Review is to provide updated information to allow an assessment of the Government's financial performance against its financial policy objectives and strategies as set out in the 2014-15 Budget.

The 2014-15 Budget Review:

- provides an update to the financial forecast projections for the current financial year and the next three financial years, taking into account the audited results for the previous financial year (ie 2013-14);
- updates financial and economic parameters, and incorporates the consequential changes to the estimated outcome and the forward years' forecasts;
- identifies the impact of the policy initiatives that have been decided since the 2014-15 Budget;
- identifies the impact of refined cash expenditure forecasts associated with the Territory's Infrastructure Investment Program;
- identifies events and risks that have emerged since the 2014-15 Budget, and incorporates these where they are certain and quantifiable;
- presents a view of the Territory's financial position and risks to that position; and
- includes changes arising from the publication of the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2014-15*.

This update and the impact of policy and parameter changes incorporate activities up to 30 November 2014, except for the ministerial portfolios at Appendix A, which reflect the new structure announced on 20 January 2015.

Where significant issues have been identified, but are not certain, or are unable to be quantified with reasonable certainty, they have been identified as potential risks to the estimates. These risks may have either positive or negative budgetary implications.

Also published in this report are Uniform Presentation Framework statements to meet the Territory's Australian Loan Council reporting obligations.

OVERVIEW

Through the 2014-15 Budget, the Government's response to the Commonwealth's fiscal consolidation efforts was to invest in Canberra. Instead of applying harsh austerity measures to accelerate a return to a balanced budget, the Government elected to accept temporary deficits in the short term to support jobs and maintain service delivery. Commonwealth Government fiscal restraint and the downsizing of the Australian Public Service (APS) continue to present challenges for the Territory's economy.

The 2014-15 Budget Review demonstrates that the Government is continuing to implement its priorities as outlined in the 2014-15 Budget. The focus on investing in Canberra remains the overarching objective, with record levels of investment in health, education, community services and infrastructure being used to buffer the Territory's economy from the effects of the Commonwealth's fiscal consolidation and significant job losses.

The 2014-15 Budget invested almost \$5 billion in the Canberra community. This included:

- more than \$164 million over four years for growth and new initiatives in the ACT health system;
- more than \$1 billion for schools and training;
- funding for transformational projects such as the University of Canberra Public Hospital and Capital Metro light rail;
- more than \$23 million in funding to help the Territory's innovative businesses; and
- almost \$85 million in new information and communication technology projects to fast track Canberra's progress towards becoming a truly digital city.

The Government announced an additional priority on 28 October 2014, namely to implement a buyback scheme for all ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation. This decision was based on advice from the ACT Asbestos Response Taskforce that eradication of the ongoing risk of asbestos exposure through demolition of all such properties is the only enduring solution to the health risks affected homes pose to current and future residents, visitors and workers, and their associated social, financial and practical effects. The financial details of the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme) are provided in Chapter 2, Section 2.2.

The financial impact of the Asbestos Eradication Scheme on the ACT will be significant. In cash terms, the Government expects to spend around \$1 billion purchasing and remediating properties and undertaking the administrative tasks associated with that Scheme. This amount will be partly offset by the resale of remediated land, which is forecast to generate net proceeds totalling around \$517 million.

The Commonwealth has agreed to provide the ACT with a \$1 billion loan for a 10 year term. The ACT Government will incur the full net cost of the Asbestos Eradication Scheme as well as the interest costs on the Commonwealth loan.

The initial estimates of the Asbestos Eradication Scheme, included in the *Appropriation (Loose-fill Asbestos Insulation Eradication) Bill 2014-2015* (which was tabled in the ACT Legislative Assembly on 25 November 2014) assumed a 100 per cent take-up rate and settlement of affected properties by 30 June 2015. On this basis, an amount of \$762.0 million was appropriated for costs expected in the 2014-15 financial year; this included a capital component of \$412.2 million. In relation to the Asbestos Eradication Scheme itself (ie excluding the interest payable on the Commonwealth loan), the impact on the Government's key budget measure – the Headline Net Operating Balance (HNOB) for the General Government Sector (GGS) – was estimated at \$512.3 million in 2014-15, offset by an additional impact of \$37.5 million across the three forward years. At that time, the impact over the forward estimates period totalled approximately \$549.8 million.

This assumption has since been revised to a 75 per cent take-up rate in 2014-15, with the balance occurring in the 2015-16 financial year. As a result, the impact on the HNOB has been revised downward in the Budget Review to \$384.6 million in 2014-15, with an additional impact of \$145.9 million across the three forward years. The total revised impact over the forward estimates period is now estimated to be approximately \$530.5 million. The difference of \$19.3 million relates to the waiver of stamp duty; this cost of the Asbestos Eradication Scheme has been excluded from the HNOB.

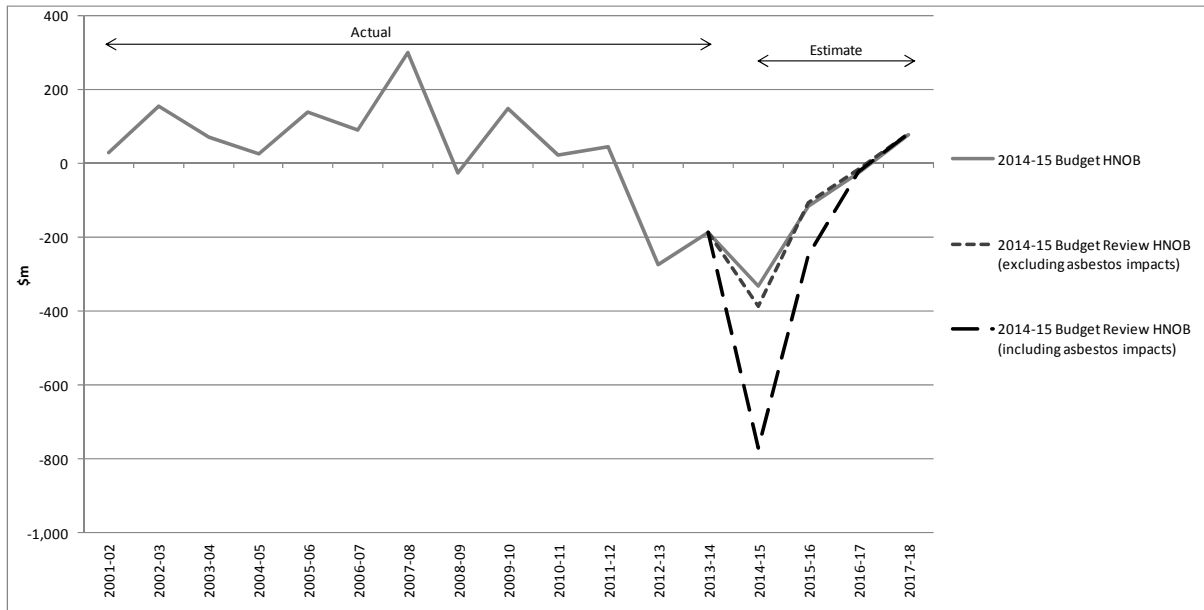
Further details of the financial impacts of the Asbestos Eradication Scheme – as well as the interest payable on the Commonwealth loan – can be found in Chapter 2, Section 2.2 and in Chapter 5, Section 5.3.

The Territory's credit rating was reviewed by Standard & Poor's following the Government's announcement of the Asbestos Eradication Scheme. The Territory's AAA credit rating and stable outlook was affirmed, with Standard & Poor's concluding that the Asbestos Eradication Scheme is a one-off hit to the ACT budget.

The Government's economic and fiscal strategies continue to successfully support the economy and the Canberra community. The financial position outlined in the 2014-15 Budget Review remains consistent with that contained in the 2014-15 Budget. Setting aside the financial impact of the Asbestos Eradication Scheme itself, the net reduction in the HNOB across the four financial years is \$32.7 million. These movements primarily relate to parameter variations, technical adjustments (such as the audited outcome impact on the Territory's superannuation expenses), and the net interest costs associated with the loan from the Commonwealth.

Moreover, the short to medium-term outlook for the Territory's economy remains consistent with that expected at the time of the 2014-15 Budget. The changes to the HNOB estimates, both with and without the impacts of the Asbestos Eradication Scheme, are reflected in Figure 1 below.

Figure 1
General Government Sector: Net Operating Balance



Note: The Net Operating Balance is presented on an Australian Accounting Standards (AAS) basis up until 2005-06 and reflects the Annual Consolidated Financial Statements. From 2006-07, the Net Operating Balance is presented on a Headline basis, the ACT's key fiscal indicator. This indicator is a representation of the AAS Net Operating Balance from transactions adjusted for the investment return differential on superannuation investments. The Headline Net Operating Balance is not available prior to 2006-07.

The Way Ahead

The Government's fiscal strategy continues to focus on managing the public finances of the Territory in a prudent manner, with an objective of achieving an operating balance over time by offsetting temporary deficits with surpluses in other periods. Achieving an operating balance over the medium term provides the Government with the necessary flexibility to adapt to changes in our economic climate. As illustrated above in Figure 1, the Asbestos Eradication Scheme will have a considerable impact on our financial position, but the budget is expected to return to broad balance from 2016-17, consistent with the forecast provided in the 2014-15 Budget.

In returning the budget to balance, the Government will endeavour to offset all new spending proposals at an aggregate level, and identify programs and activities where efficiencies and savings can be made. The current short-term fiscal strategy will focus on securing the Territory's economic future against the significant impact of the Commonwealth Government's contraction in spending and job losses, and managing the financial impact of the Asbestos Eradication Scheme.

CHAPTER 1

ECONOMIC PERFORMANCE AND OUTLOOK

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1.1 ECONOMIC OVERVIEW

Since the 2014-15 Budget, the economic outlook for the ACT has remained challenging as a result of Commonwealth Government spending restraint and downsizing of the APS.

The Commonwealth Government has reduced the size of the APS by approximately 8,000 positions through the year to 30 June 2014, of which about 3,300 were in the Territory. It had been expected that the Commonwealth would reduce the announced 16,500 positions over the four years from 2013-14; however, almost half of those positions have been shed in the first financial year.

As a result, the ACT labour market has weakened more than expected over the past six months. Further, there have also been a number of announcements to relocate Commonwealth departments (and hence jobs) from Canberra to other areas which could dampen the market over the next 12 months. Given the size of the Commonwealth's employment base in Canberra, the loss of APS positions and announcements about relocations have a significant flow-through to the local economy in terms of activity and confidence.

The national economic outlook remains broadly consistent with that outlined in the 2014-15 Budget. Real economic growth remains below trend as the national economy transitions to non-resource growth drivers. Structural adjustment in the economy is being forced by the depreciation of the Australian dollar and a substantial decline in the terms of trade. The Commonwealth's *Mid-Year Economic and Fiscal Outlook 2014-15* (MYEFO) showed a deterioration in the Federal Government's budget position, increasing pressure on the Commonwealth Government to further restrain spending.

The International Monetary Fund has lowered its forecasts for global economic growth since the release of the 2014-15 Budget. This was led by a slowdown in momentum in both the euro area and Japan. Global risks relate to the possibility of increased volatility in financial markets due to geopolitical tensions.

1.2 GLOBAL AND NATIONAL ECONOMIC OUTLOOK

Global Economic Outlook

Global economic activity was weaker than expected in the first half of 2014 and is now expected to grow slightly less than what was anticipated in the 2014-15 Budget.

China continues along its transitional phase towards consumption-led growth. While property market weakness has emerged as a key concern in China, the central government has taken steps to support the economy.

The United States has experienced strong growth with positive outcomes in the labour market, which have brought the Federal Reserve's asset purchase program to an end.

Economic growth in Japan was weakened by the consumption tax hike, while conditions in Europe remain a concern as deflation and structurally high unemployment persist.

National Economic Outlook

The national economic outlook has not changed substantially since the 2014-15 ACT Budget. The domestic economy continues to adjust from investment-led growth in the resource sector towards broader based growth in the non-resource sector. The Commonwealth's expectations, outlined in MYEFO, are for national economic growth to return to trend growth in 2015-16.

The only significant change in economic parameters in MYEFO was in nominal GDP growth in 2014-15 which has been revised down significantly from 3 per cent to 1½ per cent. This is primarily due to a decline in the terms of trade and weaker wage growth. The decrease in nominal GDP growth will continue to have a negative impact on Commonwealth revenue.

1.3 ACT ECONOMIC OUTLOOK

Notwithstanding the greater than expected Commonwealth job cuts in 2013-14, the short to medium-term outlook for the Territory's economy remains broadly consistent with that expected in the 2014-15 ACT Budget.

Commonwealth Government fiscal restraint is expected to continue as pressure remains to return the budget to surplus. The 2014-15 MYEFO announced a 'Smaller Government' reform package which is expected to suppress ACT economic growth in the short to medium term, in anticipation of cuts to spending through streamlining Commonwealth Government departments.

More broadly, the Commonwealth's 'Budget Repair Strategy', also announced in MYEFO, is anticipated to have a disproportionate impact on the ACT economy as public consumption and investment are significant components of our economic growth. The Repair Strategy, which limits new spending, will stay in place until a surplus is achieved.

The rapid decline in APS jobs has weakened the Territory's labour market. Rising unemployment and declining participation rates have contributed to increased spare capacity. This will continue to exert significant downward pressure on wage growth in the short term, particularly in the public sector.

Retail trade growth in the ACT has diverged from strong national growth in annual terms and is now the lowest in Australia. Factors supporting private consumption growth nationally, such as a strengthening labour market, solid population growth and increasing house prices, have been absent from the Territory.

Total investment in the ACT is forecast to stabilise following two years of consecutive decline since 2011-12. Nonetheless, investment growth faces a challenging period ahead due to subdued economic activity and slowing population growth.

Inflation pressures are expected to remain well contained in the Territory due to below trend economic growth, spare capacity in the labour market, and protracted wage negotiations in the APS.

The Territory has recorded a net interstate migration loss in five of the last six quarters. While this is expected to be partially offset by an increase in international student numbers, in line with national trends, and an increase in overseas migration into the ACT, overall population growth in the ACT is forecast to slow.

Economic Forecasts

The economic forecasts have been updated for this Review. Table 1.3.1 details the latest forecasts and compares them to those published in the 2014-15 Budget.

**Table 1.3.1
Economic Forecasts, Year-on-year Percentage Change**

	Actual	2014-15 Budget		2014-15 Budget Review		Projections
	2013-14	2013-14	2014-15	2014-15	2015-16	2016-17 to 2017-18
ACT						
State Final Demand (a)	1.9	1¾	1¼	2½	2	4
Gross State Product (a)	0.7	2¼	1¾	1½	1½	2½
Employment	0.6	¾	½	¼	¾	1½
Wage Price Index (b)	2.4	2¾	2½	2	2¾	3½
Consumer Price Index	2.2	2¼	2¼	2	2½	2½
Population	1.2	1½	1½	1¼	1¼	1½
Australia						
Gross Domestic Product (a)	2.5	2¾	2½	2½	3	3½

Notes: Forecasts and projections are rounded to a ¼ of a percentage point to reflect the relative level of accuracy used in forecasting economic parameters. All forecasts are in year-on-year terms.

Projections are based on medium-term assumptions and are provided for planning purposes only. They do not reflect an expectation (forecast) of actual outcomes.

(a) Economic growth is forecast in real terms.

(b) Total hourly rates of pay excluding bonuses.

Economic Outlook for 2014-15

State Final Demand (SFD) growth has been revised up from 1¼ per cent to 2½ per cent, reflecting stronger than expected growth in public sector spending and private investment activity over the past six months. As expected at Budget, residential construction has begun to rebound, while commercial construction activity is showing signs of improvement.

SFD growth forecast of 2½ per cent in 2014-15 is well below the long-run average of 4.6 per cent, and represents only a modest improvement on the 1.9 per cent achieved in 2013-14. Commonwealth Government fiscal restraint and downsizing continues to dampen the broader ACT economic outlook.

Gross State Product (GSP) growth has been revised down from 1¾ per cent to 1½ per cent in 2014-15. The downward revision to GSP growth in 2014-15, compared to an upward revision to SFD growth, is primarily due to weak employment growth.

Labour market conditions have deteriorated noticeably over the past six months, with the increased trend unemployment rate and a drop in the trend labour force participation rate. Commonwealth Government job cuts have had a major impact on the ACT labour market, with the latest data from the Australian Public Service Commission showing a 3,335 reduction in APS jobs in the Territory through-the-year to 30 June 2014. Restrictive hiring practices by the Commonwealth Government have also limited employment growth, which has been revised down accordingly, from ½ per cent to ¼ per cent.

Wage Price Index (WPI) growth has been revised down ½ of a percentage point to 2 per cent in 2014-15. Stalled APS Enterprise Bargaining negotiations and spare capacity in the labour market more broadly will continue to exert significant downward pressure on wages growth in the short term.

Consumer Price Index (CPI) growth has been revised down by $\frac{1}{4}$ of a percentage point to 2 per cent in 2014-15. Inflationary pressures are expected to remain well contained due to below trend economic growth and subdued wages growth.

The ACT's **population** growth slowed more than expected in 2013-14 due to a net outflow of interstate migration and moderation in overseas migration, dampening the effect of the increase in the number of births. Net outflows to interstate migration are expected to continue, and population growth has accordingly been revised down by $\frac{1}{4}$ of a percentage point to $1\frac{1}{4}$ per cent in 2014-15.

Economic Outlook for 2015-16

SFD is forecast to increase by 2 per cent in 2015-16. A moderation in public consumption is likely to be offset somewhat by a recovery in private consumption. Leading indicators point to a decline in dwelling investment in 2015-16, partially offset by a slow recovery in non-dwelling investment. However, investment is expected to remain patchy until a broader pick-up in economic activity materialises, particularly from the private sector.

GSP is forecast to increase by $1\frac{1}{2}$ per cent in 2015-16. The lack of momentum in production is due to countervailing forces. While employment growth is forecast to improve in 2015-16, adding to production, weak business investment due to spare capacity of fixed assets, particularly office buildings, is expected to offset the boost from employment.

Employment is forecast to increase by $\frac{3}{4}$ per cent in 2015-16, due to expected improvement in private demand, supporting employment growth. Nonetheless, APS job cuts in the Territory are expected to lead to a higher unemployment rate and a decrease in labour force participation rate over the short to medium term.

WPI is forecast to increase by $2\frac{3}{4}$ per cent in 2015-16, based on the finalisation of Enterprise Bargaining Agreements for the majority of Commonwealth Government departments. Nonetheless, wages growth of $2\frac{3}{4}$ per cent is well below the long-run average.

The 2015-16 forecast for **CPI** is based on a return to the mid-point of the Reserve Bank of Australia's inflation target band of $2\frac{1}{2}$ per cent. The upward pressure lifting CPI growth is due in-part to the finalisation of APS wage negotiations and forecast depreciation in the Australian dollar adding to inflation.

Population growth is forecast to increase by $1\frac{1}{4}$ per cent. A net outflow to interstate migration is forecast to delay the return to trend growth of 1.5 per cent.

Forward Year Projections

The projections of key economic parameters, based on medium-term assumptions, for the 2016-17 and 2017-18 financial years are unchanged from the 2014-15 Budget.

1.4 RISKS TO THE ECONOMIC OUTLOOK

Commonwealth Government fiscal restraint and downsizing remain the key downside risks for the Territory's economic outlook.

The economic forecasts face the risk of lower than expected Commonwealth Government spending and higher than expected APS job cuts. In addition to job losses, there is an ongoing risk that APS jobs will be relocated from the ACT to other parts of Australia. Moreover, the current APS wage negotiations are a key risk for income growth and will have significant implications for consumption growth in the Territory.

The 'Smaller Government' reform package announced in MYEFO is expected to suppress the ACT economic growth in the short to medium term, in anticipation of cuts to spending through streamlining Commonwealth Government departments.

Further, the Commonwealth's 'Budget Repair Strategy' is anticipated to have a disproportionately large impact on the ACT economy as public consumption and investment are significant components of the Territory's economy.

The reduction in employment opportunities in the Territory as a result of the Commonwealth downsizing has had a greater impact on population growth than expected. The Budget Review incorporates revised population growth forecasts to accommodate the latest population data. However, there is a risk that population growth may fall further, due to uncertainty around interstate migration flows.

Private consumption has weakened substantially over the first half of the year. Economic growth forecasts for 2014-15 have incorporated a downward revision to private consumption; however, the risk remains that actual growth could be lower than forecast.

The Australian economy is facing higher global risks from a slower recovery of the global economy, which could have a significant impact on domestic economic growth, employment and income.

Additional challenges faced by the global economy include the possibility of prolonged subdued growth, deflation in the euro area and increased geopolitical tensions. Any changes to global economic conditions will impact the Territory through financial markets, trade, tourism and consumer confidence.

CHAPTER 2

BUDGET OUTLOOK AND FISCAL STRATEGY

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2.1 BUDGET OUTLOOK

The 2014-15 Budget Review shows that the Government continues to implement its priorities as outlined in the 2014-15 Budget. The focus on investing in Canberra remains the overarching objective, with record levels of investment in health, education, community services and infrastructure used to support the Territory's economy against the effects of the Commonwealth's fiscal consolidation and significant job losses.

The Government announced an additional priority on 28 October 2014, namely to implement a buyback scheme for all ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation. This decision was based on advice from the ACT Asbestos Response Taskforce that eradication of the ongoing risk of asbestos exposure through demolition of all such properties is the only enduring solution to the health risks affected homes pose to current and future residents, visitors and workers, and their associated social, financial and practical effects. The financial details of the Asbestos Eradication Scheme are provided in Chapter 2, Section 2.2.

The financial position outlined in the 2014-15 Budget Review remains consistent with that detailed in the 2014-15 Budget. Setting aside the financial impact of the Asbestos Eradication Scheme itself, the net reduction in the Headline Net Operating Balance (HNOB) across the four financial years is \$32.7 million. These movements primarily relate to parameter variations, technical adjustments (such as the audited outcome impact on the Territory's superannuation expenses), and the net interest costs associated with the loan from the Commonwealth. Similarly, the short to medium-term outlook for the Territory's economy remains broadly in line with the forecasts expected at the time of the 2014-15 Budget.

Headline Net Operating Balance Details

The General Government Sector (GGS) HNOB is forecast to be in deficit by \$770.5 million in 2014-15, a decline of \$437.7 million compared to the estimated 2014-15 Budget deficit of \$332.8 million. This decline has been largely driven by the impact of the Asbestos Eradication Scheme.

In 2015-16, the HNOB is also forecast to be lower than expected at the time of the 2014-15 Budget. The decline of \$131.9 million arises almost entirely from the Asbestos Eradication Scheme. Forecasts for 2016-17 and 2017-18 are broadly in line with the 2014-15 Budget estimates, maintaining a forecast return to broad balance from 2016-17.

Table 2.1.1 provides a summary of total revenue and expenses across the budget and forward estimates, as well as the HNOB.

Table 2.1.1
General Government Sector Headline Net Operating Balance

	2013-14 Actual Outcome \$m	2014-15 Original Budget \$m	2014-15 Budget Review \$m	2015-16 Revised Estimate \$m	2016-17 Revised Estimate \$m	2017-18 Revised Estimate \$m
Revenue	4,341.7	4,411.9	4,445.9	4,689.4	4,921.4	5,168.2
Expenses	4,574.9	4,858.3	5,326.1	5,054.5	5,078.0	5,231.6
Superannuation return adjustment ¹	45.5	113.7	109.8	115.3	133.8	143.8
HEADLINE NET OPERATING BALANCE	-187.8	-332.8	-770.5	-249.8	-22.8	80.4
Net Cash from Operating Activities	615.5	189.9	-92.3	274.0	531.3	619.0
Net Debt (excluding superannuation)	312.7	1,227.5	1,590.0	2,225.0	2,296.4	2,277.5
Net Financial Liabilities	5,559.0	4,435.6	4,990.0	5,659.9	5,741.6	5,730.6

Notes: Table may not add due to rounding.

1. The Headline Net Operating Balance incorporates the impact of long-term superannuation investment earnings in order to provide an accurate assessment of the longer term sustainability of the budget position.

Summary of Movements

Table 2.1.2 shows the variations in the GGS HNOB between the 2014-15 Budget and the 2014-15 Budget Review. Details of these variations have been split between revenue, expenses and policy decisions.

Table 2.1.2
Summary of Movements in the Headline Net Operating Balance (HNOB)

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
2014-15 Budget	-332,835	-117,803	-26,276	77,470
Revenue				
Payroll Tax	-5,000	0	0	0
Estimated Outcome	-3,629	1,198	2,017	2,915
Commonwealth Grants – Other	-2,707	-86	-5,150	-6,962
Fees and Charges	0	-1,169	-1,403	-1,855
Superannuation Earnings	1,152	1,250	1,350	1,462
ACTEW – Revised Dividends and Income Tax Equivalents Payment	4,110	0	0	0
Land Development Agency – Revised Dividends and Income Tax Equivalents Payment	5,045	3,185	9,157	10,800
Territory Banking Account – Revised Earnings	12,158	8,437	2,686	6,406
Commonwealth Grants – National Healthcare SPP	18,347	14,722	7,601	-9,724
Sub-Total Revenue Impacts	29,476	27,537	16,258	3,042
Expenses				
Superannuation Expense	-54,969	0	0	0
Rollovers from Prior Years (Section 16B)	-26,530	0	0	0
Territory Banking Account – Revised Expenses	-1,902	-16,280	-12,048	-11,028
Indexation of Expenditure	0	480	620	769
Estimated Outcome	883	818	4,810	7,232
Revised Funding Profiles	5,416	-1,937	-97	-194
Sub-Total Expense Impacts	-77,102	-16,739	-6,715	-3,221
Policy Decisions ¹				
Recurrent Initiatives	-5,394	-11,987	-11,959	-8,942
General Savings	0	11,000	11,000	11,000
Sub-Total Policy Impacts	-5,394	-987	-959	2,058
2014-15 Budget Review Sub-Total	-385,855	-107,992	-17,692	79,349
Loose-fill Asbestos Insulation Eradication Scheme ²	-384,613	-141,760	-5,148	1,009
2014-15 Budget Review	-770,468	-249,752	-22,840	80,358

Notes: Table may not add due to rounding.

1. Details of Policy Decisions are provided in Chapter 2, Section 2.4.
2. Net impact, excluding the interest costs on the Commonwealth loan.

As shown in Table 2.1.2, when the effects of the Asbestos Eradication Scheme are excluded, the 2014-15 Budget Review HNOB deficit estimate for 2014-15 has declined by \$53.0 million compared to the 2014-15 Budget. In contrast, each subsequent year is forecast to marginally improve over the 2014-15 Budget estimate (ie a net increase of \$9.8 million in 2015-16, \$8.6 million in 2016-17 and \$1.9 million in 2017-18).

Taking into account the financial impacts associated with the rollout of the Asbestos Eradication Scheme, there is a significant decline in the HNOB in 2014-15, reflecting the acquisition cost of properties from homeowners, as well as additional expenses associated with housing demolition, soil remediation, financial assistance packages, and the administrative costs of the Asbestos Taskforce. The HNOB progressively improves over the forward estimates, returning to broad balance in 2016-17.

A technical analysis of the financial impacts associated with the Asbestos Eradication Scheme is presented in Chapter 2, Section 2.2.

Revenue and Expenses

Revenue

The material increases in revenue across the four financial years, as detailed in Table 2.1.2, are outlined below:

- a net increase of \$30.9 million in the National Healthcare Special Purpose payments from the Commonwealth across the budget and forward years;
- an amount of \$29.7 million in relation to revised earnings for the Territory Banking Account due to the net flow-on impact of higher cash and investment balances at 30 June 2014;
- an increase of \$28.2 million in revised dividends and income tax equivalent payments from the Land Development Agency due to the acceleration of land releases in Moncrieff, Throsby and Denman Prospect; and
- an increase in superannuation earnings of \$5.2 million reflecting the flow-on impact of a higher investment balance as at 30 June 2014.

These increases are expected to be partly offset by the following variations:

- decreases totalling \$14.9 million in other Commonwealth grants as published in MYEFO, primarily reflecting reductions in capital road grants; and
- a decrease of \$5 million in payroll tax arising from the removal of the genuine employer exemption from the *Payroll Tax Act 2011* from 1 January 2015, six months later than was announced in the 2014-15 Budget.

Expenses

The material increases in expenses across the four financial years, as detailed in Table 2.1.2, are outlined below:

- an increase of \$55 million in superannuation expenses arising from the 2013-14 audited outcome;
- a net increase of \$41.3 million for the Territory Banking Account, predominantly relating to the \$1 billion Commonwealth loan to fund the costs of the Asbestos Eradication Scheme; and
- the rollover of \$26.5 million in expenses from 2013-14 to 2014-15 in accordance with section 16B of the *Financial Management Act 1996*.

These increases are expected to be partially offset by the following reductions:

- net decreases totalling \$13.7 million in various agencies' expense estimates; and
- a net decrease of \$3.2 million reflecting reductions in depreciation and amortisation due to the re-profiling of a number of capital works projects.

Asbestos Eradication Scheme

The Asbestos Eradication Scheme will have a (negative) estimated net operating impact of \$530.5 million over four years, as discussed in Chapter 2, Section 2.2.

2.2 LOOSE-FILL ASBESTOS INSULATION ERADICATION SCHEME – FINANCIAL DETAILS

Loose-fill Asbestos Insulation Eradication Scheme

On 28 October 2014, the Government announced the implementation of a buyback scheme for all ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation. This decision was based on advice from the ACT Asbestos Response Taskforce that eradication of the ongoing risk of asbestos exposure through demolition of all such properties is the only enduring solution to the health risks affected homes pose to current and future residents, visitors and workers, and their associated social, financial and practical effects.

Under the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme), the ACT Government will acquire, demolish and safely dispose of all affected homes, remediate affected blocks and then resell them to defray overall Scheme costs. That Scheme also includes the emergency financial assistance, asbestos assessment and hazard reduction program undertaken by the Asbestos Response Taskforce since it was formed in mid-2014, as well as the ongoing relocation assistance grants payable as affected homes are vacated.

The Commonwealth has agreed to provide the ACT with a \$1 billion loan for a 10 year term. The ACT Government will, however, incur the full net cost of the Asbestos Eradication Scheme as well as the interest costs on the Commonwealth loan.

The initial estimates of the Asbestos Eradication Scheme assumed a 100 per cent take-up rate and settlement of affected properties by 30 June 2015. On this basis, an amount of \$762.0 million was included in the *Appropriation (Loose-fill Asbestos Insulation Eradication) Bill 2014-2015* for costs expected in the 2014-15 financial year; this included a capital component of \$412.2 million. In relation to the Asbestos Eradication Scheme itself, its impact on the Government's key budget measure – the HNOB for the General Government Sector – was estimated at \$512.3 million in 2014-15 and an additional \$37.5 million across the three forward years.

This assumption has since been revised to a 75 per cent take-up rate in 2014-15, with the balance occurring in the 2015-16 financial year. As a result, the impact on the HNOB has been revised downward in the Budget Review to \$384.6 million in 2014-15 and \$145.9 million across the three forward years. Further information on the changes to the HNOB is provided in Chapter 2, Section 2.1.

Accounting Treatment

As outlined above, the Asbestos Eradication Scheme will have a significant impact on the HNOB in 2014-15 and 2015-16, as a large portion of the costs are required to be expensed.

The Government can only capitalise that portion of the payments to homeowners that meet the criteria under the applicable accounting standards. Specifically, the Government can only recognise an asset when it is expected that future economic benefits will be derived; only the land portion of the payments meets this criteria. As the houses in question are being purchased for the express purpose of demolition, they will have no future economic benefit and therefore cannot be capitalised.

As a result, that portion of the payment above the estimated value of the contaminated land (the current value of the land) will be expensed and will be categorised as a capital grant in accordance with the Government Finance Statistics Framework.

Other costs relating to the Asbestos Eradication Scheme include expenses associated with the demolition of affected houses, financial assistance packages and administrative costs associated with the ACT Asbestos Response Taskforce.

As the Government has a constructive obligation to undertake the demolition of a house once it has purchased the property from the homeowner, an accrual (ie an expense and matching provision) will be included for these costs at the time of purchase. As a result, the HNOB (which is an accrual figure) will include expenses for these works in 2014-15 and 2015-16, even though the works will not physically be undertaken and paid for until a later date.

The above accounting treatments result in the majority of the financial impacts for the Asbestos Eradication Scheme being estimated to occur in the 2014-15 and 2015-16 financial years. Impacts on the key fiscal measures estimated beyond this timeframe include administrative costs associated with the ACT Asbestos Response Taskforce and a portion of land revenue. This land revenue, also known as the 'value add' component, reflects the estimated revenue attributed to the works undertaken that have directly contributed to an increase in the value of the land.

The financial impacts of the Asbestos Eradication Scheme included in this Budget Review are indicative only and are based on a range of assumptions using the best available current information. Actual costs for the Asbestos Eradication Scheme will vary based on a range of factors, including the cost of purchasing homes, actual demolition and remediation costs, and proceeds realised from subsequent land sales.

Financial Impacts of the Asbestos Eradication Scheme

As outlined above, the negative impact of the Asbestos Eradication Scheme on the HNOB arises primarily as costs associated with purchasing and remediating properties (and associated administrative activities) are only partially offset by the proceeds from the resale of remediated land.

The indicative cash and appropriation impacts of the Asbestos Eradication Scheme are discussed below.

Cash Impact

The estimated net cash impact over the life of the Asbestos Eradication Scheme (excluding interest costs) is approximately \$483 million (this includes an amount of \$126 million for contingencies). This is comprised of total payments of \$1 billion, partially offset by around \$517 million in net sales revenue.

The timing of these payments, and recognition of the associated expenses, will depend on the response rate and the timing of responses from householders.

Interest payments on the Commonwealth loan are estimated to be \$11 million in 2014-15, increasing to \$32 million per year until the loan repayments commence. However, the actual financing costs and their impact on cash and the HNOB will ultimately be determined by the timing of all revenues and payments flowing through the Territory's accounts, including the specific timings of cash flows associated with the Asbestos Eradication Scheme.

Loan repayments will commence at the end of year four of the loan term, with the principal repayment schedule being \$50 million in each of the years four to six, \$100 million in each of the years seven to nine, and the balance of \$550 million in year ten.

Chapter 5, Section 5.3 provides further information on the loan from the Commonwealth.

Appropriation Details

The total appropriation (excluding interest costs) for the Asbestos Eradication Scheme is estimated at \$1 billion. The current split between operating and capital is estimated to be \$425 million in Capital Injection appropriation and \$575 million in Government Payment for Outputs.

A total of \$762.0 million was appropriated in 2014-15, and the remaining \$238.0 million will be appropriated in 2015-16. The actual payments will depend on take-up of the Asbestos Eradication Scheme, and the pace at which properties can be valued and transfers settled.

2.3 FISCAL STRATEGY

The Government's fiscal strategy remains unchanged from the 2014-15 Budget.

The main focus therefore continues to be managing the public finances of the Territory in a rigorous and prudent manner, and meeting the objective of achieving an operating balance over time by offsetting temporary deficits with surpluses in other periods.

The key objectives of the strategy are to achieve net operating surpluses over the medium term, prudently manage the Territory's balance sheet, make targeted investments to achieve economic growth, maintain taxation revenues at sustainable levels, and continue to plan for the delivery of high quality services to meet the needs of the ACT community.

The ACT's budgetary position has been negatively affected in the past few years by economic and fiscal shocks such as significant job losses in the APS and reductions in funding for the provision of health and hospital services. The Government determined that its priority in the 2014-15 Budget was to secure the ACT's economic future by continuing to implement major transformational projects, thereby supporting our economy and our people.

Since delivery of the 2014-15 Budget, the Government has announced the Asbestos Eradication Scheme, a buyback scheme for all ACT houses affected by loose-fill asbestos insulation. As outlined in the previous section of this Chapter, the full net cost of the Scheme will be borne by the ACT Government. This will impact on the fiscal strategy to the extent that there will be a net increase in borrowings. In particular, the additional borrowings will put further pressure on the Government's ability to achieve net operating surpluses over the medium term.

The fiscal strategy therefore continues to focus on the principles of:

- sustaining a strong operating balance over the medium term;
- using the strong balance sheet to invest in important city transformational projects; and
- supporting the ACT economy in the short term following the significant economic shock of changes in Commonwealth Government activity levels.

The five high level longer-term objectives of the Government's fiscal strategy are:

- sustainable economic growth;
- sound public finances;
- quality and efficient public services;
- sustainable taxation revenue; and
- a strong balance sheet.

Brief explanations of each objective, with any changes reflected as part of the 2014-15 Budget Review, are outlined below.

Sustainable Economic Growth

The Government is committed to building a productive and competitive economy through targeted investments that support economic growth. This infrastructure will transform the city in preparation for the challenges of Canberra's second century through the creation of jobs and investing in the economy.

As outlined in the 2014-15 Budget, the Government's Infrastructure Investment Program will be supported by the sale of existing assets, supported by the Commonwealth Government's Asset Recycling Initiative. Once the Government has determined which assets could be included under that initiative, they will be progressively announced.

The 2014-15 Budget Review reaffirms the Government's budget forecast of temporary deficits over the next three years. The return to surplus reflects the fact that sustainable public finances are a necessary factor for long-term economic growth and stability.

Sound Public Finances

Headline Net Operating Balance

The Government's objective is to achieve a net operating balance over the medium to long term; temporary deficits must only occur if they are offset by surpluses at other times.

The GGS HNOB is forecast to be in deficit by \$770.5 million in 2014-15 reflecting the cost of supporting the economy, jobs and public services in the ACT and the impact of the Asbestos Eradication Scheme.

Notwithstanding the Government's recent commitment to the Asbestos Eradication Scheme, the HNOB is forecast to be a surplus of \$80.4 million in 2017-18. This is consistent with the Government's fiscal strategy and clearly signals its intention to support the economic development and wellbeing of the Territory both now and in the future.

In order to adhere to its fiscal strategy, maintain fiscal discipline and return the budget to balance, the Government has offset the cost of its new initiatives in the forward years with savings as part of this Budget Review. Savings are a necessary part of the Government's strategic objective of achieving net operating surpluses over the longer term, and retaining some degree of capacity to accommodate a change in policy position should that be necessitated by a shift in economic circumstances.

Net Operating Cash

Net Operating Cash (Table 2.3.1) is the cash counterpart to the accrual Net Operating Balance. It measures all operating cash receipts for a financial year (for example, taxes, fees and fines, and operating grants from the Commonwealth Government) less all operating cash payments (including wages and salaries, cash superannuation payments, and payments for goods and services).

The revised net operating cash position for the GGS in 2014-15 is a deficit of \$92.3 million. The reduction in net operating cash associated with the Asbestos Eradication Scheme is estimated to be \$271.3 million in that year. The reduction in net operating cash across the forward estimates is also largely due to the impacts of the Asbestos Eradication Scheme.

**Table 2.3.1
Net Operating Cash**

General Government Sector	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
2014-15 Budget	189.9	393.3	561.1	622.7
2014-15 Budget Review	-92.3	274.0	531.3	619.0

The Territory's Credit Rating

International ratings agency Standard & Poor's Ratings Services affirmed the ACT's 'AAA' long-term and 'A-1+' (A1+) short-term local currency credit ratings on 26 September 2014, assessing the outlook for the ACT's finances as continuing to be 'Stable'. The 'AAA' and 'A-1+' ratings are the highest ratings assigned by Standard & Poor's.

The ACT remains one of a small number of governments in the world to hold this rating. NSW and Victoria are the only other states or territories in Australia to hold a AAA credit rating with a stable outlook.

On 27 November 2014, following consideration of the assumptions and financing arrangements in relation to the Asbestos Eradication Scheme, Standard & Poor's announced that the ACT's AAA credit rating and stable outlook would not be affected by that Scheme.

While Standard & Poor's expects the Territory's budgetary performance to weaken between 2015 and 2016 compared to previous forecasts, it views the asbestos eradication program as a one-off impact on the budget rather than a long-term structural issue.

The stable outlook reflects Standard & Poor's very positive view of the ACT Government's financial management, budgetary flexibility and liquidity, limited contingent liabilities, and the Territory's relatively high income economy.

The Government's economic and fiscal strategies continue to successfully support the economy and the Canberra community.

Quality and Efficient Public Services

The Government remains committed to delivering high quality services, with an objective of delivering more efficient and productive public services.

To achieve this objective, the Government implemented initiatives in the 2014-15 Budget such as regulatory reform, transformational service delivery, moving the delivery of government services to a digital platform, and conducting a number of reviews under the auspices of the Expenditure Review Committee of Cabinet.

Since the 2014-15 Budget, the Government has reviewed its own structures and processes to identify ways of delivering services more efficiently and, as a result, has implemented a number of administrative arrangements changes. This includes establishing *Access Canberra*, which will bring together customer service and regulatory functions from across government so there is 'no wrong door' for business, community organisations and individuals. *Access Canberra* aims to set a new benchmark in integrated and seamless service; with staff working together, and with the community, to support businesses to flourish in the Territory while still providing the appropriate protections to the community.

The Government is also continuing to invest in the provision of necessary public services including healthcare, education, and public transport to ensure that appropriate service quality is retained whilst being delivered in an efficient manner.

Sustainable Taxation Revenue

The Government's fiscal strategy depends on ensuring that taxation revenue is at sustainable levels. Additionally, the Government is committed to making the Territory's taxation system fairer, simpler and more efficient for the future.

The significant reforms to the Territory's taxation system, which were commenced in 2012-13, are continuing to be implemented. Under this program of reform, the Government is abolishing a number of inefficient taxes - including conveyance duty and insurance duty - and replacing the revenue through the collection of general rates. This approach will preserve the capacity of the Government to deliver public services in the future, while reducing the impact of the taxation system on the economy.

Following the implementation of these reforms, taxation revenue in 2014-15 is expected to be \$1.4 billion, or 3.7 per cent of nominal Gross State Product (GSP). This level of collections is broadly consistent with that in 2013-14 but remains below the long-run average.

Strong Balance Sheet

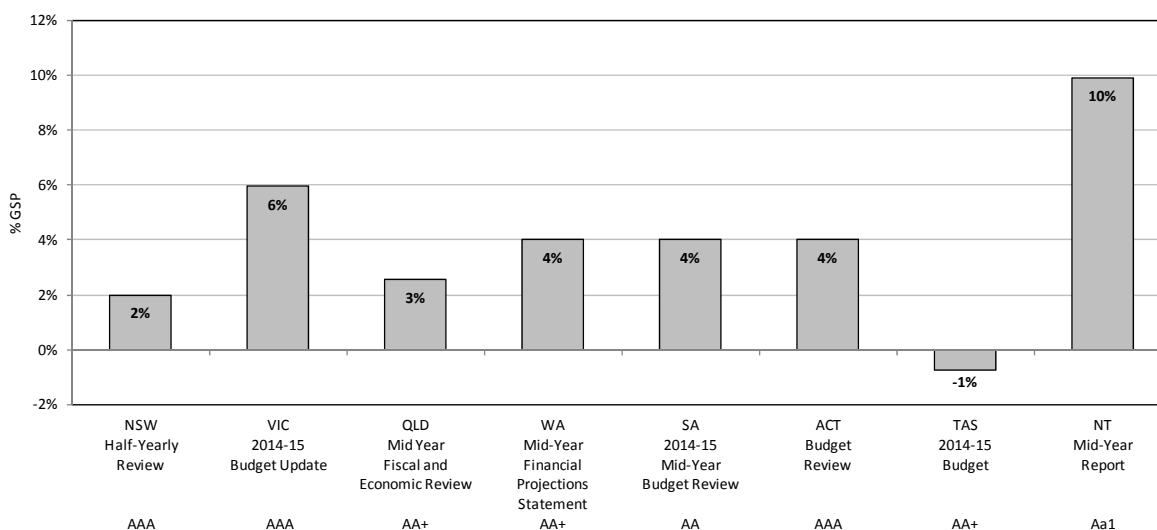
The ACT's Balance Sheet continues to perform well compared to other jurisdictions and is able to maintain its flexibility to support high priority investments.

Net Debt

A key balance sheet measure in the Government Financial Statement (GFS) framework is net debt, which takes into account gross debt liabilities as well as financial assets (such as cash reserves and investments). Compared to the 2014-15 Budget estimate of 3 per cent, the General Government Sector's net debt as a percentage of GSP is now estimated to be 4 per cent in 2014-15. This increase largely reflects the impact of the Asbestos Eradication Scheme.

Figure 2.3.1 below compares the ACT's net debt as a proportion of GSP with other jurisdictions. The ACT's net debt remains at prudent levels as a share of GSP and is broadly in line with, or lower than, other jurisdictions.

**Figure 2.3.1
Net Debt to GSP Ratio General Government Sector: 2014-15 Budget Review**



Source: The inter-jurisdictional data utilised in this comparison is taken from each jurisdiction's most current Budget documentation. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

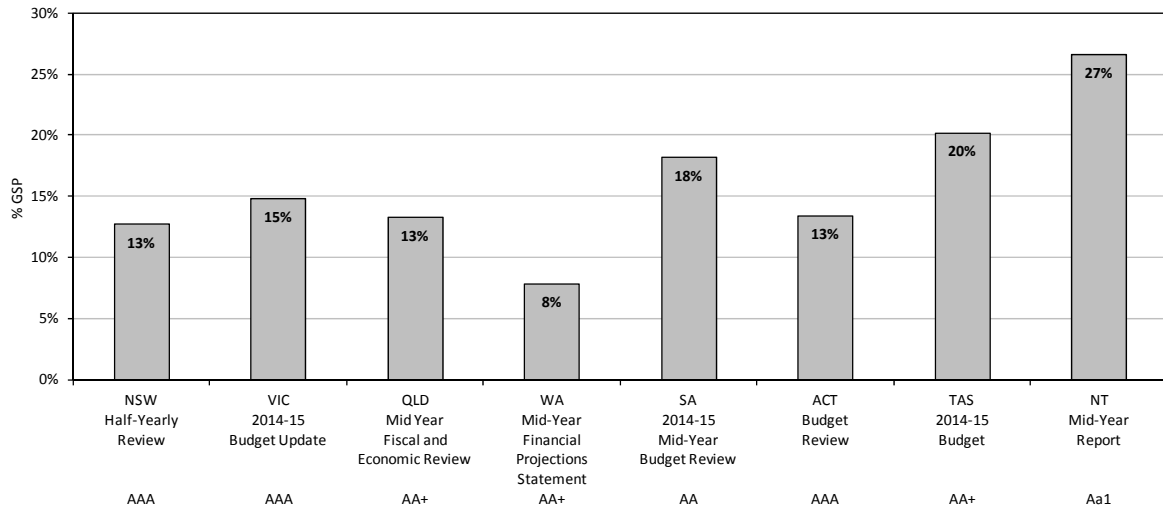
Net Financial Liabilities

Net Financial Liabilities are a broad measure of General Government Sector liabilities, including net debt and superannuation liabilities. Compared to the 2014-15 Budget estimate of 12 per cent, the Net Financial Liability to GSP ratio is now estimated to be 13 per cent in 2014-15.

Net Financial Liabilities are calculated as total liabilities less financial assets (such as cash reserves and investments). They take into account all non-equity financial assets, but exclude the value of equity held by the General Government Sector in public corporations (for example, ACTEW Corporation).

Figure 2.3.2 below compares the ACT's Net Financial Liabilities as a proportion of GSP with other jurisdictions. The ACT remains broadly in line with other AAA rated jurisdictions (New South Wales and Victoria).

Figure 2.3.2
Net Financial Liabilities to GSP Ratio General Government Sector: 2014-15 Budget Review

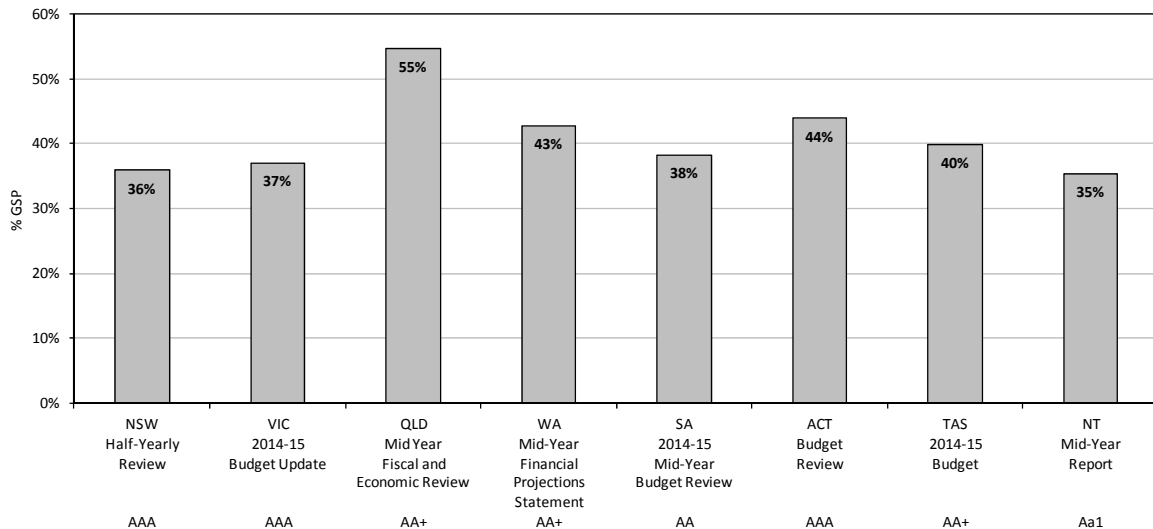


Source: The inter-jurisdictional data utilised in this comparison is taken from each jurisdiction’s most current Budget documentation. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

Net Worth

The broadest measure of a jurisdiction’s balance sheet is net worth, which measures the total value of all assets less all liabilities. The ACT has strong positive net worth (Figure 2.3.3) and, as a proportion of GSP, continues to be one of the strongest of all Australian jurisdictions. The 2014-15 revised estimate of 44 per cent for net worth as a proportion of GSP is consistent with the 2014-15 Budget.

Figure 2.3.3
Net Worth to GSP Ratio General Government Sector: 2014-15 Budget Review



Source: The inter-jurisdictional data utilised in this comparison is taken from each jurisdiction’s most current Budget documentation. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

Net Debt, Net Financial Liabilities and Net Worth are considered further in Chapter 5, Section 5.1.

2.4 NEW INITIATIVES

The new initiatives included in the 2014-15 Budget Review are detailed below. Note that, consistent with the presentation of initiatives in the 2014-15 Budget Papers, new spending is presented as positive numbers, while expense reduction initiatives are presented as negative numbers. This is in contrast to the presentation used in the Summary of Movements Table (Table 2.1.2 – Chapter 2, Section 2.1) which details the impact of variations on the HNOB.

COMMUNITY SERVICES DIRECTORATE

Out of Home Care Services

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	0	11,987	11,944	8,927	32,858
Associated Expenses (Depreciation)	0	0	15	15	30
Associated Capital	0	736	0	0	736

The Government will implement *A Step Up for Our Kids – One Step Can Make a Lifetime of Difference*, the ACT's new five year strategy for out of home care services. The aim of this initiative is to reduce the flow of children and young people into out of home care (for example, foster care or residential care), better support birth parents in retaining care of their children, improve outcomes for those in care and, wherever possible, place children and young people from care into permanent alternative families on a timely basis.

HEALTH DIRECTORATE

Demolition of Building 15 at the Canberra Hospital

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Associated Expenses (Depreciation)	5,394	0	0	0	5,394

The Government is undertaking demolition of Building 15 (the former Mental Health Psychiatric Unit) at the Canberra Hospital. This will result in an accelerated depreciation impact of \$5.4 million in 2014-15. That building will be replaced by a demountable building that provides double the floor space and is more suitable for administrative and clinical staff. It will also allow for the decanting of Buildings 2 and 3 as part of the overall Canberra Hospital redevelopment works.

WHOLE OF GOVERNMENT

General Savings Target

	2014-15	2015-16	2016-17	2017-18	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	0	-11,000	-11,000	-11,000	-33,000

The 2014-15 Budget Review foreshadows savings of \$11.0 million per annum, starting in 2015-16. Further details of these savings will be outlined in the 2015-16 Budget.

CHAPTER 3

INFRASTRUCTURE AND CAPITAL

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3.1 CAPITAL WORKS

Introduction

Through the 2014-15 Infrastructure Investment Program outlined in the 2014-15 Budget, the ACT Government announced a record level of capital investment of \$2.5 billion over four years from 2014-15 (including provisions). This investment in major infrastructure is setting the foundation for improving productivity and addressing the shifting needs of the Canberra community as the Government looks to diversify the Territory's economic base, attract investment, boost growth and create employment for the region.

The Government, in deciding to implement the Asbestos Eradication Scheme, also announced that there would be some delays in a number of capital works projects that are in their preliminary stages; these projects include the new convention centre (the Australia Forum) and City to the Lake. The Government will continue to actively engage with the local construction industry to develop strategies to stimulate demand in the ACT, but also work to smooth any peaks and troughs in construction activity to the fullest extent possible.

Investing in infrastructure will continue to revitalise the city as Canberra moves into its second century and ensure that, as a community, we are prepared to meet the economic, social and environmental challenges of the future.

Re-profiled Projects

The Government is committed to the delivery of its capital works program, with expenditure of \$958.8 million forecast across the Budget and forward estimates. In addition, the Government has budgeted for provisions, including commercially sensitive projects (\$1.2 billion) as well as investment in information and communication technology projects (\$136.9 million), plant and equipment (\$80.7 million) and the Capital Upgrade Program (\$158.7 million).

As part of the 2014-15 Budget Review, agencies reviewed their infrastructure, upgrades and other projects in light of the first six months of progress and identified where the re-profiling of their projects was appropriate. This process also included bringing forward planned out-year expenditure to accelerate some existing projects and returning savings to the Budget.

A total of \$80.7 million has been re-profiled from 2014-15 as a result of this review, with program savings of \$8.5 million being returned to budget in 2014-15. Details of these changes are provided in Table 3.1.1.

Appendix B details the changes to the capital works program, by project.

**Table 3.1.1
Changes to Capital Works Program**

	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
Original 2014-15 Capital Program	620.5	322.0	25.7	0.8
End of Year Rollovers ¹	64.3	0.0	0.0	0.0
End of Year Adjustments ²	-66.0	0.0	0.0	0.0
Existing 2014-15 Capital Program	618.8	322.0	25.7	0.8
Savings Returned to Budget	-8.5	0.0	0.0	0.0
Changed Program Timing ³	-80.7	59.3	21.4	..
Revised Capital Program	529.5	381.3	47.1	0.9

Notes: Table does not add due to rounding. '..' reflects not zero, but rounded to zero.

1. Reflects funds being reallocated from 2013-14 to 2014-15.
2. Reflects net unspent appropriation from the 2013-14 program and accrual adjustments.
3. Includes a rollover of \$20,000 into 2017-18 for *Environmental Offsets – Lawson South* (refer to Appendix B under the Territory and Municipal Services Directorate's capital programs).

CHAPTER 4

FEDERAL FINANCIAL RELATIONS

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4.1 FEDERAL FINANCIAL RELATIONS UPDATE

Commonwealth Revenue

The ACT will continue to receive approximately 42 per cent of its funding from the Commonwealth in 2014-15.

GST Revenue

GST revenue grants for 2014-15 have been revised to reflect the Commonwealth Government's updated MYEFO estimates. This has resulted in a total reduction in GST payments to the ACT over the budget and forward years of \$10.0 million.

A balancing adjustment of \$7.1 million will also be paid to the ACT in 2014-15 as a result of higher than forecast GST revenue collections and revised population estimates in the Commonwealth's final outcome for 2013-14.

The net effect of these two changes is a relatively minor decrease in GST grants since the 2014-15 Budget.

A number of factors have contributed to the revised GST numbers:

- GST forecasts from MYEFO estimate a net decrease of \$50 million in the GST pool over the budget and forward estimates period since the 2014-15 Budget; this movement reflects the Commonwealth's year to date GST revenue collections.
- The forecasts included in MYEFO reflect revised population estimates which, for the ACT, have decreased. The ACT's population growth rate is slowing (while other states are experiencing stronger growth) and this is expected to persist into the near future.
- Modelling by the ACT Treasury indicates that, in isolation, the decreased estimates of the GST pool would decrease the ACT's GST entitlements by around \$1.0 million across the years 2014-15 to 2017-18. The fall in the population growth rate over the same period would result in a decrease of about \$8.9 million in GST to the ACT.

Specific Purpose Payments

The revised estimates in MYEFO indicate that National Specific Purpose Payments and National Reform Payments will increase by \$45 million across the budget year and two forward years. This is largely related to an increase in funding for National Health Reform Payments of \$40.6 million which reflects higher activity estimates that are partly ameliorated by lower than expected National Efficient Price projections. From 2017-18, the Commonwealth's approach to health and education funding will change, with the Commonwealth's contribution to be indexed by CPI and population growth and distributed on a population share basis rather than according to activity.

From 2017-18, Commonwealth funding for health will also not include payment for health services provided to NSW residents; payment will be recouped directly from NSW. The 2017-18 HNOB is expected to be affected by a reduction in revenue from the Commonwealth of approximately \$10 million for public hospitals funding which will partly be recouped from NSW and, in line with the 2014-15 Budget decision to maintain the level of health funding, any remaining amount will instead be funded by the ACT Government.

From the 2018 school year, education funding indexation will move from the rates agreed in the National Education Reform Agreement to being indexed by CPI with an allowance for changes in enrolments. The 2014-15 Commonwealth Budget papers state that, from 2018, the Commonwealth will provide equal per student base funding, as well as an even proportion of existing loadings to address disadvantage, noting that final State allocations for the 2018 school year are subject to formal negotiations between the Commonwealth and the States and Territories, and the non-government sector. The reduction in 2017-18 Students First payments largely reflects changes in expected enrolment data and consequential changes in the share of base funding.

National Partnership Agreements

Net additional National Partnership Payments (NPPs) of \$61 million to the ACT are reflected in MYEFO across the budget and forward years. This is primarily related to the inclusion of payments for Assistance to States for Disability Care Australia from 2015-16 which will support the Territory's contribution to the National Disability Insurance Scheme (NDIS) for those ACT residents living with a disability who are participating in that Scheme. Specifically, the NDIS Agreement arrangements indicate that the Territory will increase its investment (excluding the Commonwealth contribution) in NDIS specific services from approximately \$95 million in 2014-15 to approximately \$167 million in 2019-20 when the scheme becomes fully operational.

Infrastructure payments are also expected to decline by \$12.3 million in MYEFO across the forward years, largely related to decreased funding for roads projects such as black spot projects, roads investment and roads to recovery.

MYEFO did not include any information about expiring NPPs.

CHAPTER 5

ASSET AND LIABILITY MANAGEMENT

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5.1 NET DEBT AND NET FINANCIAL LIABILITIES

Net Debt and Net Financial Liabilities are two key indicators of the strength of Government finances. Net Debt is a measure of the Government's ability to repay its liabilities. It is defined as the sum of the Government's gross debt, less its liquid financial assets (such as cash and investments). Net Financial Liabilities take into account unfunded superannuation liabilities and provide a broader measure of debt than Net Debt.

Net Worth is the sum of all of the Government assets (both financial and non-financial), less its liabilities.

Net Financial Liabilities and Net Debt are both forecast to increase in 2014-15 and across the forward estimates. The change in value of each key measure reflects an increase in advances received to finance the Asbestos Eradication Scheme, partially offset by a reduction in general government market borrowings.

Tables 5.1.1, 5.1.2, and 5.1.3 provide a summary of the key balance sheet measures for the General Government Sector.

**Table 5.1.1
Net Debt**

	2014-15 Original Budget \$m	2014-15 Budget Review \$m	2015-16 Estimate \$m	2016-17 Estimate \$m	2017-18 Estimate \$m
Net Debt (excluding super)	1,227.5	1,590.0	2,225.0	2,296.4	2,277.5
Net Debt to GSP	3.2%	4.3%	5.8%	5.7%	5.3%

**Table 5.1.2
Net Financial Liabilities**

	2014-15 Original Budget \$m	2014-15 Budget Review \$m	2015-16 Estimate \$m	2016-17 Estimate \$m	2017-18 Estimate \$m
Net Financial Liabilities	4,435.6	4,990.0	5,659.9	5,741.6	5,730.6
Net Financial Liabilities to GSP	11.6%	13.4%	14.6%	14.1%	13.5%

**Table 5.1.3
Net Worth**

	2014-15 Original Budget \$m	2014-15 Budget Review \$m	2015-16 Estimate \$m	2016-17 Estimate \$m	2017-18 Estimate \$m
Net Worth	16,730.7	16,323.1	16,232.1	16,473.9	16,810.8
Net Worth to GSP	43.9%	43.9%	42%	40.6%	39.4%

5.2 UNFUNDED SUPERANNUATION LIABILITY

The Government maintains, as a key financial objective, a funding plan to extinguish the Territory's unfunded defined benefit superannuation liability by 2030.

The 2014-15 Budget estimated the coverage of the Territory's defined benefit superannuation liability with investment assets to be 56 per cent as at 30 June 2014.

The superannuation liability is a long-term liability with employee retirement benefits projected well into the future. The budget superannuation liability valuation estimates therefore incorporate the use of a long-term discount rate estimate of 6 per cent to calculate the present value of these future estimated superannuation liabilities.

The Superannuation Provision Account (SPA) investment portfolio has a long-term investment strategy that is based on a strategic asset allocation that is expected to deliver a long-term average return of the Consumer Price Index (CPI) plus 5 per cent per annum (net of fees).

Over the 18 years to 30 June 2014, the SPA investment portfolio has achieved a return of CPI plus 5.0 per cent per annum (net of fees), which is in line with the long-term target return objective.

The coverage ratio is projected to be in the order of 57 per cent as at 30 June 2015, based on the liability valuation estimate utilising the long-term budget discount rate assumption and reflecting an investment return in line with the long-term objective.

Based on current estimates, the funding plan therefore remains on target. Table 5.2.1 below outlines the revised estimates of the SPA.

Table 5.2.1
Superannuation Provision Account

	2014-15	2015-16	2016-17	2017-18
	\$m	\$m	\$m	\$m
Superannuation Assets	3,255.8	3,498.3	3,759.1	4,039.6
Superannuation Liabilities	5,716.6	5,990.0	6,255.1	6,512.6
Percentage of Funded Superannuation (%)	57	58	60	62

Note: Superannuation liabilities reflect a long-term expected average discount rate of 6 per cent.

5.3 BORROWINGS

The Government's debt funding requirements are achieved through the issuance of debt securities in the domestic capital markets under the Government's debt issuance program.

The 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 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 and 2024) with repayment of principal at each maturity; and
- short-term discount debt securities with maturities less than 12 months.

There are also some residual Commonwealth loans that were provided to the Territory at self-government that are fixed rate, with annual principal repayments and final repayment in 2042.

In the 2014-15 financial year, the debt funding program will be supplemented by a \$1 billion loan provided from the Commonwealth to fund the costs of the Asbestos Eradication Scheme. Details of that loan are:

- the loan will be drawn down in two tranches: \$750 million in January 2015 and \$250 million in July 2015;
- the loan term is January 2015 to 30 June 2024;
- the interest rate will be fixed at the time of drawdown of each tranche at the prevailing Commonwealth Government 10-year bond rate and interest will be paid annually in arrears; and
- loan repayments will commence at the end of year four with the principal repayment scheduled at \$50 million in each of the years four to six, \$100 million in each of the years seven to nine, and the balance of \$550 million in year ten.

A summary of the current borrowing estimates for the 2014-15 Budget Review is detailed below in Table 5.3.1, while the original 2014-15 Budget estimates are provided in Table 5.3.2.

**Table 5.3.1
Territory Borrowings – Principal Outstanding – 2014-15 Budget Review**

2014-15 Budget Review	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
General Government Sector				
Market Borrowings	1,844.6	2,244.8	2,345.1	2,445.2
Historic Commonwealth Loans (self-government)	79.4	75.7	71.8	67.8
Commonwealth Loan – Asbestos Eradication Scheme	750.0	1,000.0	1,000.0	950.0
Sub-Total	2,674.0	3,320.5	3,416.9	3,463.0
Public Trading Enterprise Sector				
Market Borrowings	1,507.0	1,612.1	1,737.8	1,808.1
Historic Commonwealth Loans (self-government)	72.2	67.5	62.8	58.1
Sub-Total	1,579.2	1,679.6	1,800.6	1,866.2
Total ¹	4,253.2	5,000.1	5,217.5	5,329.2

Note:

1. Refer to sum of Advances Held and Other Borrowings in Appendix E: Total Territory Financial Statements.

**Table 5.3.2
Territory Borrowings – Principal Outstanding – 2014-15 Budget**

2014-15 Budget	2014-15 \$m	2015-16 \$m	2016-17 \$m	2017-18 \$m
General Government Sector				
Market Borrowings	2,146.0	2,546.2	2,646.4	2,746.6
Historic Commonwealth Loans (self-government)	79.4	75.7	71.8	67.8
Sub-Total	2,225.4	2,621.9	2,718.2	2,814.4
Public Trading Enterprise Sector				
Market Borrowings	1,509.6	1,614.7	1,740.4	1,810.5
Historic Commonwealth Loans (self-government)	72.2	67.5	62.8	58.1
Sub-Total	1,581.8	1,682.2	1,803.2	1,868.6
Total	3,807.2	4,304.1	4,521.4	4,683.0
2014-15 Budget to 2014-15 Budget Review Movement	446.0	696.0	696.1	646.2

The net increase in borrowings estimates from the 2014-15 Budget to the 2014-15 Budget Review is a result of the new Commonwealth Government loan to fund the costs of the Asbestos Eradication Scheme. Estimated general government sector market borrowings have been reduced by \$300 million in 2014-15, reflecting prevailing cash flow and liquidity estimates.

CHAPTER 6

GENERAL GOVERNMENT SECTOR FINANCIAL STATEMENTS

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6.1 GGS GFS/GAAP HARMONISED FINANCIAL STATEMENTS

Australian Capital Territory General Government Sector Operating Statement

	2013-14 Actual Outcome \$'000	2014-15 Original Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Revenue						
Taxation Revenue	1,295,978	1,390,101	1,397,150	1,484,851	1,579,866	1,685,941
Grants Revenue						
Commonwealth Grants	1,839,905	1,892,580	1,920,406	1,983,605	2,088,223	2,128,505
Gains from Contributed Assets	89,663	110,053	110,053	115,647	125,658	125,667
Sales of Goods and Services	500,496	468,892	449,193	463,961	476,812	541,959
Interest Income	140,816	122,177	130,702	135,199	136,765	140,992
Distributions from Financial Investments	117,876	55,566	57,490	72,096	75,295	80,912
Dividend and Income Tax Equivalents Income	215,167	237,640	249,695	293,268	291,581	306,997
Land Revenue (Value Add Component)	-	-	-	6,371	9,557	15,928
Other Revenue	141,795	134,845	131,174	134,411	137,599	141,284
Total Revenue	4,341,695	4,411,854	4,445,863	4,689,409	4,921,356	5,168,185
Expenses						
Employee Expenses	1,651,618	1,688,492	1,708,149	1,759,924	1,837,978	1,910,538
Superannuation Expenses						
Superannuation Interest Cost	299,563	334,958	313,820	351,456	367,587	383,253
Other Superannuation Expense	305,604	259,202	335,491	263,161	272,473	274,775
Depreciation and Amortisation	333,098	359,889	359,440	372,419	386,308	390,859
Interest Expense	149,604	168,474	170,376	209,801	221,434	229,466
Other Operating Expenses						
Supplies and Services	816,014	980,443	999,298	939,411	930,676	957,353
Other Operating Expenses	183,091	197,813	371,266	249,003	187,514	195,304
Grants and Purchased Services	836,349	869,077	1,068,263	909,324	873,994	890,029
Total Expenses	4,574,941	4,858,348	5,326,103	5,054,499	5,077,964	5,231,577
UPF Net Operating Balance	-233,245	-446,494	-880,240	-365,090	-156,608	-63,392
Other Economic Flows - Included in the Operating Result						
Dividends (Market Gains on Land Sales)	8,452	9,830	9,830	6,465	9,990	8,160
Net Land Revenue (Undeveloped Land Value)	49,953	76,790	76,790	103,562	155,331	133,526
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-29,137	-112	-1,898	-1,741	-1,838	-1,915
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	260,531	113,659	115,340	115,338	133,768	143,750
Doubtful Debts	-3,514	-4,409	-3,597	-3,675	-3,783	-3,882
Operating Result	53,040	-250,736	-683,775	-145,141	136,860	216,247

**Australian Capital Territory
General Government Sector
Operating Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Items that will not be Reclassified Subsequently to Profit or Loss						
Superannuation Actuarial Gain/(Loss)	-355,697	-	2,088,793	-	-	-
Prior Year Adjustment	-700	-	-	-	-	-
Other Movements	26	729	729	889	889	889
Increase/(Decrease) in the Asset Revaluation Surplus	-101,445	17,704	17,427	22,721	34,171	34,172
Items that may be Subsequently Reclassified to Profit or Loss						
Increase/(Decrease) in Other Reserves	1,744	-	-	-	-	-
Total Comprehensive Income	-403,033	-232,303	1,423,174	-121,531	171,920	251,308
UPF Net Operating Balance	-233,245	-446,494	-880,240	-365,090	-156,608	-63,392
less Net Acquisition of Non-Financial Assets						
Payments for Non-Financial Assets	659,728	747,680	1,031,607	809,607	534,868	581,872
Sales of Non-Financial Assets	-34,476	-2,649	-2,883	-49,463	-72,642	-119,377
Land Revenue (Net Cash Receipts)	-35,820	-79,743	-79,743	-109,570	-160,935	-140,473
Depreciation and Amortisation	-333,098	-359,889	-359,440	-372,419	-386,308	-390,859
Other Movements in Non-Financial Assets	84,985	109,799	106,831	115,387	125,387	125,387
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>341,318</i>	<i>415,198</i>	<i>696,372</i>	<i>393,542</i>	<i>40,370</i>	<i>56,550</i>
Net Lending / (Borrowing)	-574,563	-861,692	-1,576,612	-758,632	-196,978	-119,942
GOVERNMENT FISCAL MEASURE – BUDGET OPERATING SURPLUS/DEFICIT						
UPF Net Operating Balance	-233,245	-446,494	-880,240	-365,090	-156,608	-63,392
Superannuation Return Adjustment	45,458	113,659	109,772	115,338	133,768	143,750
HEADLINE NET OPERATING BALANCE	-187,787	-332,835	-770,468	-249,752	-22,840	80,358

**Australian Capital Territory
General Government Sector
Balance Sheet**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Financial Assets						
Cash and Deposits	422,003	302,963	339,683	297,144	297,610	301,420
Advances Paid	1,590,027	1,654,726	1,615,213	1,718,507	1,841,935	1,907,316
Investments and Loans	4,024,157	3,854,957	4,025,604	4,316,145	4,588,972	4,934,412
Receivables	369,998	406,599	352,945	375,464	392,753	389,414
Equity - Investments in Other Public Sector Entities	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970
Total Financial Assets	12,127,598	11,999,418	12,118,699	12,548,349	13,051,663	13,553,532
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	11,211,393	11,293,268	10,944,847	11,449,034	11,720,517	11,969,272
Investment Properties	2,600	2,600	2,600	2,600	2,600	2,600
Intangibles	29,525	79,835	61,586	73,840	67,228	81,918
Inventories	15,850	17,717	16,293	16,608	16,923	17,238
Assets Held for Sale	680	619	647	627	607	587
Capital Works-in-Progress	767,963	907,528	1,042,418	852,176	710,137	614,048
Non Produced Assets						
Property, Plant and Equipment	2,663,029	3,058,340	3,432,968	3,629,533	3,740,536	3,808,210
Biological Assets	26,457	26,099	26,502	26,502	26,502	26,502
Other Non-Financial Assets	26	45	-	-	-	-
Total Non-Financial Assets	14,717,524	15,386,051	15,527,861	16,050,920	16,285,050	16,520,375
Total Assets	26,845,122	27,385,469	27,646,560	28,599,269	29,336,713	30,073,907
Liabilities						
Deposits Held	131,343	42,469	115,602	108,857	94,858	94,359
Advances Received	82,975	79,400	829,400	1,075,688	1,071,835	1,017,833
Borrowings						
Finance Leases	22,809	21,447	21,697	20,765	20,007	19,274
Other Borrowings	3,085,118	3,655,656	3,351,637	3,856,914	4,082,843	4,253,295
Superannuation	7,483,304	5,725,337	5,726,467	5,998,836	6,264,648	6,522,805
Employee Benefits	610,254	577,760	598,502	591,285	617,227	641,822
Other Provisions	17,218	22,227	137,025	152,824	127,752	102,263
Payables	521,822	517,278	527,863	548,704	571,717	599,800
Other Liabilities	10,355	13,248	15,273	13,321	11,965	11,710
Total Liabilities	11,965,198	10,654,822	11,323,466	12,367,194	12,862,852	13,263,161
Net Assets	14,879,924	16,730,647	16,323,094	16,232,075	16,473,861	16,810,746
Equity in Public Trading Entities	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970
Accumulated Funds	3,874,849	5,527,363	5,236,749	5,067,174	5,185,485	5,397,621
Asset Revaluation Surplus	5,283,464	5,423,061	5,300,891	5,323,612	5,357,783	5,391,955
Other Reserves	200	50	200	200	200	200
Net Worth	14,879,924	16,730,647	16,323,094	16,232,075	16,473,861	16,810,746
Net Financial Worth	162,400	1,344,596	795,233	181,155	188,811	290,371
Net Financial Liabilities	5,559,012	4,435,577	4,990,021	5,659,934	5,741,582	5,730,599
Net Debt (Including Super Related Investments)	-2,713,942	-2,013,674	-1,662,164	-1,269,572	-1,458,974	-1,758,387
Net Debt (Excluding Super Related Investments)	312,703	1,227,538	1,589,962	2,224,988	2,296,406	2,277,527

**Australian Capital Territory
General Government Sector
Statement of Changes in Equity**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Opening Equity						
Opening Equity in Public Trading Entities	5,607,611	5,725,940	5,721,412	5,785,254	5,841,089	5,930,393
Opening Accumulated Funds	4,206,187	5,820,457	3,874,849	5,236,749	5,067,174	5,185,485
Opening Asset Revaluation Surplus	5,386,563	5,405,357	5,283,464	5,300,891	5,323,612	5,357,783
Opening Other Reserves	-1,544	50	200	200	200	200
Opening Balance	15,198,817	16,951,804	14,879,924	16,323,094	16,232,075	16,473,861
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	53,040	-250,736	-683,775	-145,141	136,860	216,247
Superannuation Actuarial Gain/(Loss)	-355,697	-	2,088,793	-	-	-
Prior Year Adjustment	-700	-	-	-	-	-
Other Movements	26	729	729	889	889	889
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	-101,445	17,704	17,427	22,721	34,171	34,172
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	1,744	-	-	-	-	-
Total Comprehensive Income	-403,033	-232,303	1,423,174	-121,531	171,920	251,308
Other						
Transfer to/(from) Accumulated Funds	1,654	-	-	-	-	-
Movement in the Asset Revaluation Surplus	-1,654	-	-	-	-	-
Total Other	0	0	0	0	0	0
Transactions Involving Owners Affecting Accumulated Funds						
<i>Included in Accumulated Funds:</i>						
Payments to ACT Government Agencies	-29,662	-43,087	-43,847	-25,323	-19,438	-5,000
<i>Included in Equity in Public Trading Entities:</i>						
Increase/(Decrease) in Net Assets of Public Trading Entities	113,801	54,233	63,842	55,835	89,304	90,577
Total Transactions Involving Owners Affecting Accumulated Funds	84,140	11,146	19,995	30,512	69,866	85,577
Closing Equity						
Closing Equity in Public Trading Entities	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970
Closing Accumulated Funds	3,874,849	5,527,363	5,236,749	5,067,174	5,185,485	5,397,621
Closing Asset Revaluation Surplus	5,283,464	5,423,061	5,300,891	5,323,612	5,357,783	5,391,955
Closing Other Reserves	200	50	200	200	200	200
Balance at the End of the Reporting Period	14,879,924	16,730,647	16,323,094	16,232,075	16,473,861	16,810,746

**Australian Capital Territory
General Government Sector
Cash Flow Statement**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Cash Flows from Operating Activities						
<i>Cash Receipts</i>						
Taxes Received	1,280,008	1,397,343	1,395,328	1,464,483	1,607,258	1,710,004
Receipts from Sales of Goods and Services	625,779	528,471	512,790	563,184	633,857	678,557
Grants/Subsidies Received	1,834,897	1,896,825	1,927,753	1,983,843	2,094,489	2,162,167
Distributions from Financial Investments	123,076	121,548	132,651	134,649	136,208	140,608
Interest Receipts	145,513	55,566	57,489	72,095	75,295	80,913
Dividends and Income Tax Equivalents	311,442	243,968	252,518	307,830	266,969	282,982
Other Receipts	463,291	375,476	372,929	379,605	383,387	389,507
Total Cash Received from Operating Activities	4,784,005	4,619,197	4,651,458	4,905,689	5,197,463	5,444,738
<i>Cash Payments</i>						
Payments for Employees	-1,872,887	-2,005,885	-2,039,235	-2,117,584	-2,197,610	-2,297,462
Payments for Goods and Services	-908,684	-916,895	-954,888	-888,118	-881,978	-918,003
Grants/Subsidies Paid	-835,542	-884,491	-1,080,649	-925,906	-891,686	-908,330
Interest Paid	-140,729	-166,993	-168,888	-208,392	-219,831	-227,754
Other Payments	-410,686	-455,039	-500,125	-491,654	-475,070	-474,155
Total Cash Paid from Operating Activities	-4,168,529	-4,429,303	-4,743,785	-4,631,654	-4,666,175	-4,825,704
Net Cash Flows from Operating Activities	615,476	189,894	-92,327	274,035	531,288	619,034
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	34,476	2,649	2,883	49,463	72,642	119,377
Payments for Non-Financial Assets	-659,728	-747,680	-1,031,607	-809,607	-534,868	-581,872
Net Cash Flows from Investments in Non-Financial Assets	-625,252	-745,031	-1,028,724	-760,144	-462,226	-462,495
Cash Flows from Investments in Financial Assets for Policy Purposes						
<i>Cash Receipts</i>						
Repayment of Loans	22,441	610	610	512	419	2,777
Dividends - Market Gains on Land Sales	8,452	9,830	9,830	6,465	9,990	8,160
Total Cash Received from Investment in Financial Assets for Policy Purposes	30,893	10,440	10,440	6,977	10,409	10,937
<i>Cash Payments</i>						
Issue of Loans	-1,510	-1,952	-1,952	-62	-62	-62
Capital Payments to Government Agencies	-29,662	-40,284	-41,044	-25,323	-19,438	-5,000
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-31,172	-42,236	-42,996	-25,385	-19,500	-5,062
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-279	-31,796	-32,556	-18,408	-9,091	5,875

**Australian Capital Territory
General Government Sector
Cash Flow Statement**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	151,514	522,027	536,124	313,525	349,685	357,800
Payments for Investments	-324,692	-416,046	-424,483	-494,939	-503,121	-560,374
Cash Flows from Investments in Financial Assets for Liquidity Purposes	-173,178	105,981	111,641	-181,414	-153,436	-202,574
Net Cash Flows from Investing Activities	-798,709	-670,846	-949,639	-959,966	-624,753	-659,194
Cash Flows from Financing Activities						
Cash Receipts						
Borrowings	494,341	592,846	1,077,352	777,105	250,901	497,186
Total Cash Received from Financing Activities	494,341	592,846	1,077,352	777,105	250,901	497,186
Cash Payments						
Borrowings	-251,395	-92,686	-95,166	-133,713	-156,970	-453,216
Total Cash Paid from Financing Activities	-251,395	-92,686	-95,166	-133,713	-156,970	-453,216
Net Cash Flows from Financing Activities	242,946	500,160	982,186	643,392	93,931	43,970
Net Increase/(Decrease) in Cash Held	59,713	19,208	-59,780	-42,539	466	3,810
Cash and Cash Equivalents at the Beginning of Reporting Period	355,289	299,485	415,002	355,222	312,683	313,149
Cash and Cash Equivalents at the End of Reporting Period	415,002	318,693	355,222	312,683	313,149	316,959
Key Fiscal Aggregates						
Net Cash from Operating Activities	615,476	189,894	-92,327	274,035	531,288	619,034
Investments in Non-Financial Assets	-625,252	-745,031	-1,028,724	-760,144	-462,226	-462,495
Cash Surplus (+) / Deficit (-)	-9,776	-555,137	-1,121,051	-486,109	69,062	156,539
<i>A positive number denotes a cash inflow, a negative sign denotes a cash outflow</i>						
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+) / Deficit (-)	-9,776	-555,137	-1,121,051	-486,109	69,062	156,539
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-	-	-	-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-9,776	-555,137	-1,121,051	-486,109	69,062	156,539

Note: (a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

**Australian Capital Territory
General Government Sector
Taxation Revenue**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
General Tax						
Payroll Tax	330,250	363,908	358,908	390,491	418,656	448,898
Tax Waivers	-	165	14,678	5,733	172	178
General Rates	339,602	379,940	379,371	424,261	473,660	518,338
Land Tax	79,416	89,065	89,065	93,238	98,786	103,970
Total General Tax	749,268	833,078	842,022	913,723	991,274	1,071,384
Duties						
Conveyances	226,520	226,428	226,428	237,065	252,644	263,787
General Insurance	31,325	23,478	23,478	12,326	-	-
Leases*	-5	-	-	-	-	-
Life Insurance	2,308	1,414	1,414	742	-	-
Motor Vehicle Registrations and Transfers	27,720	29,876	29,876	30,891	31,942	33,028
Shares and Marketable Securities [#]	15	-	-	-	-	-
Total Duties	287,884	281,196	281,196	281,024	284,586	296,815
Gambling Taxes						
ACTTAB/Tabcorp Licence Fee	1,694	1,757	1,672	1,025	1,051	1,077
Gaming Tax	33,685	34,852	32,939	33,793	34,639	35,505
Casino Tax	1,898	1,992	1,500	1,538	1,576	1,615
Interstate Lotteries	15,177	14,710	15,305	15,688	16,080	16,482
Total Gambling Taxes	52,454	53,311	51,416	52,044	53,346	54,679
Other Taxes						
Motor Vehicle Registrations	108,135	113,713	113,713	119,734	126,010	132,612
Ambulance Levy	18,066	19,188	19,188	20,148	21,156	22,212
Lease Variation Charge	14,203	14,580	14,580	16,767	18,112	18,710
Utilities (Network Facilities) Tax	25,480	25,695	25,695	27,003	28,364	29,807
Fire and Emergency Service Levy	34,393	44,008	44,008	48,998	51,528	54,150
City Centre Marketing and Improvements Levy	2,683	1,871	1,871	1,862	1,853	1,844
Energy Industry Levy	3,412	3,461	3,461	3,548	3,637	3,728
Total Other Taxes	206,372	222,516	222,516	238,060	250,660	263,063
Total Taxation	1,295,978	1,390,101	1,397,150	1,484,851	1,579,866	1,685,941

Notes:

*Duty on leases was abolished on 1 July 2009. The 2013-14 actual reflects transactions relating to the 2008-09 financial year.

Duty on shares and marketable securities was abolished on 1 July 2010. The 2013-14 actual reflects payment for transactions relating to previous years.

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APPENDIX A

STRUCTURE OF THE ACT GOVERNMENT

APPENDIX A: STRUCTURE OF THE ACT GOVERNMENT

Ministerial Portfolios

On 10 December 2014, Ms Katy Gallagher MLA formally resigned as the ACT Chief Minister. Following a vote in the ACT Legislative Assembly, the former Deputy Chief Minister, Andrew Barr, was declared the new Chief Minister on 11 December 2014.

Chief Minister Barr announced his Ministry with updated ministerial portfolios on 20 January 2015 as summarised below:

Mr Andrew Barr MLA

- Chief Minister
- Treasurer
- Minister for Economic Development
- Minister for Urban Renewal
- Minister for Tourism and Events

Mr Simon Corbell MLA

- Deputy Chief Minister
- Attorney-General
- Minister for Health
- Minister for the Environment
- Minister for Capital Metro

Ms Joy Burch MLA

- Minister for Education and Training
- Minister for Police and Emergency Services
- Minister for Disability
- Minister for Racing and Gaming
- Minister for the Arts

Mr Shane Rattenbury MLA

- Minister for Territory and Municipal Services
- Minister for Justice
- Minister for Sport and Recreation
- Minister assisting the Chief Minister on Transport Reform

Mr Mick Gentleman MLA

- Minister for Planning
- Minister for Roads and Parking
- Minister for Workplace Safety and Industrial Relations
- Minister for Children and Young People
- Minister for Ageing

Ms Yvette Berry MLA

- Minister for Housing
- Minister for Aboriginal and Torres Strait Islander Affairs
- Minister for Community Services
- Minister for Multicultural Affairs
- Minister for Women
- Minister assisting the Chief Minister on Social Inclusion and Equality

CLASSIFICATION OF ACT ENTITIES

GENERAL GOVERNMENT SECTOR – DIRECTORATES

Chief Minister, Treasury and Economic Development	Capital Metro Agency	Community Services	Education and Training	Environment and Planning	Health	Justice and Community Services	Territory and Municipal Services
Office of the Legislative Assembly	Home Loan Portfolio				ACT Local Hospital Network		
ACT Executive	Lifetime Care and Support Fund						
Auditor-General	Superannuation Provision Account						
Electoral Commissioner	Territory Banking Account						

GENERAL GOVERNMENT SECTOR – OTHER ENTITIES

ACT Compulsory Third-Party Insurance Regulator	Canberra Institute of Technology	Legal Aid ACT	ACT Public Cemeteries Authority
ACT Gambling and Racing Commission		Public Trustee for the ACT	
ACT Insurance Authority			
Cultural Facilities Corporation			
Exhibition Park Corporation			
Independent Competition and Regulatory Commission			

PUBLIC TRADING ENTERPRISES / PUBLIC NON-FINANCIAL CORPORATIONS

ACTEW Corporation	Housing ACT	CIT Solutions	ACTION
ACTTAB Limited			
Land Development Agency			

APPENDIX B

RE-PROFILED CAPITAL WORKS PROJECTS

APPENDIX B: RE-PROFILED CAPITAL WORKS PROJECTS

Project Name ¹	Total Project Value \$'000	Original Cashflow					Total Revised Project Value \$'000	Re-profiled Capital Works Program				
		Prior Years Financing \$'000	2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000		Prior Years Financing \$'000	2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Chief Minister, Treasury and Economic Development Directorate												
Ainslie Music Hub	1,500	74	1,310	0	0	0	1,500	74	1,160	150	0	0
Australia Forum – Investment ready	1,500	0	1,500	0	0	0	1,500	0	900	600	0	0
City to Lake - West Basin Public Waterfront (Design)	3,120	0	3,120	0	0	0	3,120	0	2,820	300	0	0
City to the Lake Arterial Roads Concept Design	2,750	0	850	1,400	500	0	2,750	0	400	1,850	500	0
Conservation Management Plans for Heritage Buildings (Feasibility) – GPO	657	494	163	0	0	0	657	494	143	20	0	0
Cravens Creek Water Quality Control Pond	21,000	183	11,067	9,750	0	0	21,000	183	3,000	17,817	0	0
Dickson Group Centre Intersections – Upgrade	3,380	0	1,500	1,380	500	0	3,380	0	1,200	1,680	500	0
Fyshwick Depot – Fuel storage tanks removal and site remediation	1,500	0	500	1,000	0	0	1,500	0	700	800	0	0
Gorman House Multi-Art Hub	1,000	62	840	0	0	0	1,000	62	740	100	0	0
Grant for Development of a New Basketball Centre and Player Amenities	3,000	1,470	1,530	0	0	0	3,000	1,470	0	1,530	0	0
Horse Park Drive Extension to Moncrieff Group Centre	24,000	16,508	7,492	0	0	0	24,000	16,508	4,492	3,000	0	0
Isabella Weir Spillway – Upgrades	10,100	0	5,050	5,050	0	0	10,100	0	2,050	8,050	0	0
John Gorton Drive Extension to Molonglo 2 and Group Centre	61,927	41,270	11,757	8,900	0	0	61,927	41,270	9,300	11,357	0	0
Kenny – Floodways, Road Access and Basins (Design)	500	5	495	0	0	0	500	5	200	295	0	0
Lyneham Sports Precinct Development – Stage 1	8,600	7,850	750	0	0	0	8,600	7,850	0	750	0	0
Majura Parkway to Majura Road – Link road	9,856	0	3,300	6,556	0	0	9,856	0	2,500	7,356	0	0
Melrose Synthetic Football Facility (Design)	200	69	131	0	0	0	200	69	0	131	0	0
Molonglo 2 – Uriarra Road Upgrade	17,000	3,718	7,782	5,500	0	0	17,000	3,718	6,282	7,000	0	0
Molonglo 2 – Water Supply, Trunk Sewer and Stormwater Infrastructure – Stage 1	10,000	3,171	6,829	0	0	0	10,000	3,171	4,900	1,929	0	0
Molonglo 2 Sewer and Pedestrian Bridge over Molonglo River	12,400	43	7,857	4,500	0	0	12,400	43	5,857	6,500	0	0
Molonglo Infrastructure Investment	17,000	0	6,000	8,000	3,000	0	17,000	0	4,000	10,000	3,000	0
Molonglo Valley – Implementation of Commitments in the NES Plan	600	74	526	0	0	0	600	74	226	300	0	0
Office Accommodation	2,500	1,371	729	400	0	0	2,500	1,371	329	800	0	0

Project Name ¹	Original Cashflow						Total Revised Project Value \$'000	Re-profiled Capital Works Program				
	Total Project Value \$'000	Prior Years Financing \$'000	2014-15	2015-16	2016-17	2017-18		Prior Years Financing \$'000	2014-15	2015-16	2016-17	2017-18
			\$'000 ²	\$'000	\$'000	\$'000			\$'000 ²	\$'000	\$'000	
Public Art Scheme	7,348	6,913	427	0	0	0	7,348	6,913	347	80	0	0
Replacement of Canberra Seniors Centre (Design)	650	157	493	0	0	0	650	157	293	200	0	0
Revitalisation of Civic and Braddon (Design)	750	403	347	0	0	0	750	403	247	100	0	0
Stromlo Forest Park – Enclosed Oval (Feasibility)	200	0	200	0	0	0	200	0	0	200	0	0
Stromlo Forest Park – Implementation of bushfire management plan	1,650	0	500	650	500	0	1,650	0	100	1,050	500	0
Stromlo Forest Park Planning and Infrastructure	2,800	1,068	1,732	0	0	0	2,800	1,068	832	900	0	0
Throsby – Access road and western intersection	5,300	0	2,000	2,300	1,000	0	5,300	0	1,000	3,300	1,000	0
Throsby Multisport Complex (Design)	500	314	186	0	0	0	500	314	0	186	0	0
Woden Bus Interchange – Early Works	1,750	53	1,697	0	0	0	1,750	53	1,197	500	0	0
Woden Bus Interchange Redevelopment – Stage 1	3,250	0	1,250	2,000	0	0	3,250	0	500	2,750	0	0
Woden Bus Interchange Redevelopment (Finalisation of Design)	750	220	530	0	0	0	750	220	330	200	0	0
Woden/Weston Creek Community Hub (Feasibility and Forward Design)	550	253	297	0	0	0	550	253	97	200	0	0
<u>Education and Training Directorate</u>												
Bonner Primary School ³	43,270	40,770	2,191	0	0	0	41,370	41,079	291	0	0	0
Childcare Centre Upgrades – Stage 2	2,000	292	2,608	0	0	0	2,900	292	2,208	400	0	0
Hazardous Material Removal Program – Stage 3	3,000	0	1,000	1,000	1,000	0	3,000	0	750	1,750	500	0
Holder Early Childhood Centre ³	6,209	5,601	608	0	0	0	5,809	5,601	208	0	0	0
Upgrade of Early Childhood Facilities	0	5,798	1,918	0	0	0	7,716	5,798	1,718	200	0	0
<u>Health Directorate</u>												
Aboriginal Torres Strait Islander Residential Alcohol and Other Drug Rehabilitation Facility ³	13,529	1,247	3,798	5,686	0	0	13,529	1,247	2,792	2,142	4,550	0
Calvary Public Hospital – Car park	16,872	0	15,219	1,653	0	0	16,872	0	10,252	6,620	0	0
Clinical Services and Inpatient Unit Design and Infrastructure Expansion	40,780	272	9,566	30,942	0	0	40,780	272	3,563	21,945	15,000	0
Clinical Services Redevelopment – Phase 3	16,890	6,433	10,004	1,353	0	0	16,890	6,433	5,500	5,857	0	0
Continuity of Health Services Plan – Essential Infrastructure	20,367	3,902	12,216	4,249	0	0	20,367	3,902	7,530	8,935	0	0

Project Name ¹	Total Project Value \$'000	Prior Years Financing \$'000	Original Cashflow				Total Revised Project Value \$'000	Prior Years Financing \$'000	Re-profiled Capital Works Program			
			2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000			2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Health Infrastructure Program – Project management continuation	27,706	0	13,184	14,522	0	0	27,706	0	10,000	14,522	3,184	0
New Gungahlin Health Centre ³	18,000	17,528	472	0	0	0	17,540	17,528	12	0	0	0
Northside Hospital Specification and Documentation	4,000	1,704	2,296	0	0	0	4,000	1,704	4,000	-1,704	0	0
Secure Mental Health Unit	43,491	0	3,808	30,619	9,064	0	43,491	0	1,978	30,379	11,134	0
Staging and Decanting – Moving To Our Future	20,500	3,232	12,841	5,327	0	0	20,500	3,232	7,400	10,768	0	0
Staging, Decanting and Continuity of Services	19,430	10,396	7,190	1,844	0	0	19,430	10,396	4,843	4,191	0	0
The Canberra Hospital Redevelopment	21,241	0	3,052	13,000	5,189	0	21,241	0	0	17,941	3,300	0
University of Canberra Public Hospital (Design)	8,252	0	3,000	5,252	0	0	8,252	0	2,198	6,054	0	0
<u>Housing ACT</u>												
Expansion of Social Housing – Stage 2	5,000	200	4,800	0	0	0	5,000	200	4,000	800	0	0
<u>Justice and Community Safety Directorate</u>												
Alexander Maconochie Centre ³	134,533	132,576	1,957	0	0	0	133,553	132,576	977	0	0	0
Alexander Maconochie Centre Additional Facilities (Design) ³	5,777	1,857	3,920	0	0	0	3,473	1,857	1,616	0	0	0
Emergency Services Agency Station Upgrade and Relocation – Aranda station	18,864	0	8,569	10,164	131	0	18,864	0	7,169	11,564	131	0
ESA Station Upgrade and Relocation – South Tuggeranong Station ³	17,360	1,586	14,850	924	0	0	14,860	1,586	13,274	0	0	0
<u>Territory and Municipal Services Directorate</u>												
ACTION – Replace Underground Storage Tanks	6,536	0	1,000	5,536	0	0	6,536	0	2,000	4,536	0	0
Civic to Gungahlin Corridor Improvements	20,000	0	8,000	12,000	0	0	20,000	0	6,000	14,000	0	0
Constitution Avenue – GPO	42,000	4,384	29,616	8,000	0	0	42,000	4,384	25,616	12,000	0	0
Environmental Offsets – Lawson South	872	0	425	268	134	45	872	0	290	393	124	65
Local Shopping Centre Upgrades Program	2,000	0	350	1,650	0	0	2,000	0	225	1,775	0	0
Molonglo Riverside Park – Stage 1	4,500	1,854	2,646	0	0	0	4,500	1,854	1,746	900	0	0
Mugga 2 Quarry – Remediation	2,939	0	2,000	939	0	0	2,939	0	1,000	1,939	0	0
Mugga Lane – Replace Asbestos Disposal Site	1,223	0	700	523	0	0	1,223	0	350	873	0	0

Project Name ¹	Total Project Value \$'000	Original Cashflow					Total Revised Project Value \$'000	Re-profiled Capital Works Program				
		Prior Years Financing \$'000	2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000		Prior Years Financing \$'000	2014-15 \$'000 ²	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Mugga Lane – Replace Damaged Septic System	764	0	664	100	0	0	764	0	364	400	0	0
National Arboretum Canberra – Event Terrace and Precinct Facilities	1,484	0	643	841	0	0	1,484	0	343	1,141	0	0
National Arboretum Canberra – Water Security	3,580	1,564	519	499	998	0	3,580	1,564	1,401	615	0	0
Ramp Metering on Cotter Road	700	0	700	0	0	0	700	0	300	400	0	0
Red Hill Nature Reserve Remediation (Finalisation of Design)	135	0	135	0	0	0	135	0	0	135	0	0
Strategic Bushfire Management Plan	2,744	0	2,000	744	0	0	2,744	0	1,800	944	0	0
Transport for Canberra – Upgrading Erindale bus station	900	0	900	0	0	0	900	0	500	400	0	0
Transport for Canberra – Walking and Cycling Infrastructure – Stage 4	2,500	0	1,250	1,250	0	0	2,500	0	1,750	750	0	0

Notes:

1. Projects listed in the above table are only those in the 2014-15 Capital Works Program that have changed their expenditure profiles.
2. 2014-15 figures include Section 16B instruments under the *Financial Management Act 1996*.
3. Savings of \$8.5 million were returned to the Budget in 2014-15.

APPENDIX C

STATEMENT OF RISKS

APPENDIX C: STATEMENT OF RISKS

Consistent with Section 11(d) of the *Financial Management Act 1996*, each budget update is required to provide a statement describing the risks – quantified if possible – that may affect the budget estimates. The following risks have been identified at the time of the publication of the 2014-15 Budget Review. Unless indicated below, risks identified in the 2014-15 Budget are unchanged

Economic Risks

Commonwealth Government fiscal restraint and downsizing remain the key risks for the Territory's economic outlook.

The Commonwealth's *Mid-Year Economic and Fiscal Outlook 2014-15* (MYEFO) announced the 'Smaller Government' reform package and the 'Budget Repair Strategy', both of which could be expected to suppress economic growth in the Territory in the short to medium term.

The Australian economy is facing risks from a slower recovery of the global economy, which could have a significant impact on domestic economic growth, employment and income.

Additional challenges faced by the global economy include the possibility of prolonged subdued growth, deflation in the euro area and increased geopolitical tensions. Any changes to global economic conditions could impact the Territory through financial markets, trade, tourism and lower consumer confidence.

Fiscal Risks

There are a number of other risks that may impact on the Territory's finances. These are described below:

Loose-fill Asbestos Insulation Eradication Scheme

The Government has commenced a scheme to buy back, demolish and remediate all homes in the ACT affected by loose-fill asbestos insulation. The financial impacts of the Asbestos Eradication Scheme have been modelled using a range of assumptions together with the best estimates available.

Both the timing and quantum of financial impacts associated with the Asbestos Eradication Scheme are subject to uncertainty. Scheme opt in rates, house purchase prices, industry capacity to undertake demolition and remediation, and the actual complexity of the demolition and remediation required present risks to the Budget.

The timing of land sales following demolition and remediation may also impact on the Land Release Program, and the timing of dividend payments from the Land Development Agency.

National Disability Insurance Scheme

Under the arrangements agreed with the previous Commonwealth government, the National Disability Insurance Scheme (NDIS) trial (previously referred to as the NDIS launch) in the ACT commenced on 1 July 2014 and will run for three years, before transitioning in 2017-18 and 2018-19, with the full Scheme commencing in 2019-20.

During the trial and transition periods, the ACT's share of the NDIS costs will be 59.4 per cent and will reduce to 49 per cent with the commencement of the full scheme from 2019-20. The Commonwealth Government is currently in bilateral discussions with States and Territories to inform the timing of the roll out to full scheme. It is anticipated that these bilateral negotiations will be completed and outcomes announced by the end of June 2015. The Commonwealth Commission of Audit previously recommended that the phasing of clients transitioning into the NDIS be slowed down. The ACT's share of the costs will remain at a higher level for a longer period if that recommendation is implemented.

A slower phasing would also impact negatively on the ACT by delaying the offsetting impact of increased GST payments which the ACT is expected to receive on full implementation of the NDIS. In addition, slower phasing would increase uncertainty about the amounts and timing of draw-downs which the ACT will be able to make from the Medicare Levy surcharge.

Due to the timing of ACT clients phasing into the NDIS in the first two years, the ACT may not be able to access the Disability Care Australia funds at initial forecast levels of \$21.8 million over 2015-16 and 2016-17. The estimates included in the MYEFO state the ACT will receive \$13.9 million over this period. However, offsetting this, previous estimates indicated that in the transition period commencing 2017-18, the ACT would receive \$15.2 million and the MYEFO forecast states that the ACT will now receive \$43.8 million. If the related National Partnership Agreement is finalised in accordance with the MYEFO estimates, the ACT will need to manage the risk of this shortfall in anticipated payments from the Commonwealth during the trial years.

Tax Revenue

Slower economic growth and the downturn in the labour market could impact on key own source revenue lines such as Commercial Conveyance Duty, Residential Conveyance Duty and Payroll Tax.

Commonwealth Government Funding

GST

As the GST is a broad based consumption tax, GST revenue collections are subject to consumer confidence and the state of the economy at the national level. Changes in these factors can lead to variations in the size and growth of the national GST pool, and hence of the funding for the States.

The Commonwealth essentially affirmed its 2014-15 and forward year projections for GST revenue collections in MYEFO. A slight downward revision was made to the ACT population estimates to reflect our slowing population growth. The ACT population growth rate is also slowing relative to the national average. As this flows through to the Commonwealth population estimates, the ACT's population share may fall relative to other jurisdictions, reducing our share of the GST pool over the budget and forward estimates period. The next revision to the GST pool and population forecasts will be released as part of the Commonwealth's 2015-16 Budget in May 2015.

GST revenue grants to the ACT are subject to annual revisions by the Commonwealth Grants Commission (CGC) to State and Territory GST relativities¹. The CGC has been undertaking a review of fiscal equalisation methodologies to apply to the GST distribution and is expected to release its 2015 Review on GST Revenue Sharing Relativities in late February 2015. This report will recommend changes to State and Territory relativities to be applied in 2015-16.

Specific Purpose Payments (SPPs)

As noted in the 2014-15 ACT Budget, the Commonwealth's approach to health and education funding in its 2014-15 Budget has undermined the stability and certainty of the Specific Purpose Payments (SPP) which had previously been assured by the IGA FFR, significantly raising the level of risk to State and Territory budgets. The decisions to cap SPP funding in health and education, and to apply indexation based on CPI and population growth, create a major risk that such payments will not keep pace with future increases in cost and demand. As a result, there will be greater pressure on future ACT budgets to implement measures to control costs and to manage demand for these services.

The Commonwealth is also undertaking reviews of policy in relation to housing and homelessness during 2014-15. This will have potential impacts on future payments which are currently received through the Affordable Housing SPP and the National Partnership Agreement on Homelessness which expires in June 2015. The current uncertainty around future Commonwealth funding commitments and the timing of policy decisions also presents a risk to the ACT's capacity to deliver services to the housing and homelessness sector.

National Partnership Payments

As stated in the 2014-15 ACT Budget, decisions by the Commonwealth in its 2014-15 Budget to allow a number of National Partnership Agreements (NPAs) to expire, and to terminate others in advance of their scheduled expiry dates, have had a negative impact on the capacity of the ACT to deliver services.

While the rationalisation program has substantially reduced the number of continuing NPAs, with consequent reduced risk to the ACT's funding in the medium term, there remains risk in the short-term nature of these funding arrangements and the uncertainty of the Commonwealth's commitment to ongoing funding.

The 2014-15 Commonwealth Budget contained a provision for involvement in the new Asset Recycling NPA. As this NPA involves a capped funding pool to be allocated to States and Territories on a first-come, first-served basis, there are risks to the ACT's potential to participate in the initiative from delays in bringing forward asset sale proposals.

In addition, the 2014-15 MYEFO indicates that the Commonwealth will provide \$12.3 million less funding than the 2014-15 ACT Budget estimates for infrastructure services over the forward years, up to and including 2017-18. This reduction is mostly related to funding for roads projects.

1. GST Relativity (weight) – a factor assessed by the CGC made up of various disabilities/factors when compared with all States' average. It is used by Commonwealth Treasury in calculating the share of the GST revenue a State requires to achieve horizontal fiscal equalisation.

Funding and outlays related to expiring agreements have not been included in the ACT Budget past their current expiry dates, except where the Commonwealth has made ongoing provision for funding in the Federal Budget or MYEFO.

Outstanding Insurance Claims Liability

The value of insurance liabilities is the present value of the future claim payments that have accrued at the calculation date. This approach is required under Australian Accounting Standard AASB1023 *General Insurance Contracts*.

Accounting for insurance claims is complex and actuarial assumptions are required to estimate the Authority's obligations and claims expense. There is uncertainty in the estimate of the liability and this can result in actuarial gains or losses when the claims experience differs from the estimates. The liabilities are discounted to allow for the time value of money as claims may be settled many years after the claim is incurred.

Sensitivity to Discount Rate

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. Australian Accounting Standard AASB1023 *General Insurance Contracts* requires the outstanding claims liabilities to be valued using a 'risk free' rate of return, which are generally accepted to be the discount rate derived from market yields on Commonwealth Government Bonds. The discount rates adopted match the weighted term to maturity of insurance claims. The long term nature of the projected cashflows from the liability means that small changes in the discount rate adopted can lead to significant variations in the liability valuations and the claims expense.

The outstanding claims provision as at 30 June 2014 was \$293.020 million net of Reinsurance Recoveries. Variations in the discount rate of +/- 1 percentage point results in an estimated change to the liability of between a \$13 million decrease and a \$14 million increase, equivalent to a change of between -4.4 per cent and 4.8 per cent.

APPENDIX D

PUBLIC TRADING ENTERPRISES FINANCIAL STATEMENTS

**Australian Capital Territory
Public Trading Enterprises
Operating Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Government Payment for Outputs	156,904	162,050	167,307	146,041	149,917	153,059
Grants Revenue						
Commonwealth Grants	1,070	-	-	-	-	-
Gains from Contributed Assets	4,253	-	-	-	-	-
Sales of Goods and Services Revenue						
Revenue from Associates and Joint Ventures	107,081	90,507	95,568	83,537	84,524	87,840
Other Sales of Goods and Services	428,792	449,733	442,679	428,407	439,181	463,577
Interest Income	4,093	2,964	2,935	1,653	1,636	1,586
Distributions from Investments with the Territory Banking Account	4,399	1,668	1,838	1,150	800	787
Other Revenue						
Land Revenue (Value Add Component)	173,559	223,333	223,333	367,773	357,358	376,475
Other Revenue	35,194	18,580	19,483	14,013	14,610	15,077
Total Revenue	915,346	948,835	953,143	1,042,574	1,048,026	1,098,401
Expenses						
Employee Expenses	177,181	184,698	184,845	169,290	173,811	177,531
Other Superannuation Expenses	22,060	21,351	22,212	21,169	21,840	22,346
Depreciation and Amortisation	71,087	72,660	72,470	70,878	73,542	76,061
Interest Expenses	84,843	85,372	82,716	91,277	99,135	104,068
Other Property Expenses (Income Tax Expense)	64,458	57,212	58,617	73,012	72,193	76,527
Other Operating Expenses						
Supplies and Services	170,972	222,016	218,672	209,682	215,822	223,430
Other Operating Expenses	123,013	118,425	120,148	170,533	154,773	171,699
Grants and Purchased Services	78,943	85,349	85,349	88,692	99,571	100,634
Total Expenses	792,557	847,083	845,029	894,533	910,687	952,296
UPF Net Operating Balance	122,790	101,752	108,114	148,041	137,339	146,105
Other Economic Flows - Included in the Operating Result						
Land Revenue (Market Gains on Land Sales)	12,074	14,043	14,043	9,235	14,272	11,658
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-5,145	-20,293	-15,076	-18,594	-18,613	-18,610
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	129	318	318	314	312	312
Doubtful Debts	-2,538	-2,139	-2,139	-2,263	-2,392	-2,477
Operating Result	127,310	93,681	105,260	136,733	130,918	136,988

**Australian Capital Territory
Public Trading Enterprises
Operating Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Items that will not be Reclassified Subsequently to Profit or Loss						
Prior Year Adjustment	647	-	-	-	-	-
Increase/(Decrease) in the Asset Revaluation Surplus	100,430	48,239	48,214	83,070	107,898	127,655
Items that may be Subsequently Reclassified to Profit or Loss						
Increase/(Decrease) in Other Reserves	-	-	-	-3,000	-	-
Total Comprehensive Income	228,387	141,920	153,474	216,803	238,816	264,643
UPF Net Operating Balance	122,790	101,752	108,114	148,041	137,339	146,105
less Net Acquisition of Non-Financial Assets						
Payments for Non-Financial Assets	121,611	186,666	156,917	178,690	187,714	118,323
Sales of Non-Financial Assets	-38,235	-49,732	-60,502	-39,451	-33,650	-34,400
Land Revenue (Net Cash Receipts)	-33,910	-31,431	-31,431	-3,952	-9,453	-8,197
Depreciation and Amortisation	-71,087	-72,660	-72,470	-70,878	-73,542	-76,061
Other Movements in Non-Financial Assets	-54,651	-59,799	-59,799	-65,387	-75,387	-75,387
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>-76,272</i>	<i>-26,956</i>	<i>-67,285</i>	<i>-978</i>	<i>-4,318</i>	<i>-75,722</i>
Net Lending / (Borrowing)	199,062	128,708	175,399	149,019	141,657	221,827
UPF Net Operating Balance	122,790	101,752	108,114	148,041	137,339	146,105
HEADLINE NET OPERATING BALANCE	122,790	101,752	108,114	148,041	137,339	146,105

**Australian Capital Territory
Public Trading Enterprises
Balance Sheet**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Financial Assets						
Cash and Deposits	110,081	80,151	98,713	100,611	102,945	107,749
Investments and Loans	112,015	72,616	87,847	79,963	65,769	65,283
Receivables	193,076	159,561	175,118	179,791	187,443	194,902
Equity - Investments Accounted for Using the Equity Method	634,309	665,278	664,652	691,238	720,712	739,752
Total Financial Assets	1,049,481	977,606	1,026,330	1,051,603	1,076,869	1,107,686
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	3,324,155	3,410,391	3,353,356	3,440,418	3,549,466	3,598,109
Investment Properties	7,361	8,992	8,469	9,452	10,433	11,414
Intangibles	19,250	19,221	19,306	18,841	18,841	18,841
Inventories	221,849	215,691	249,742	246,029	248,609	257,428
Assets Held for Sale	25,760	18,866	15,259	2,540	2,809	3,078
Capital Works-in-Progress	143,573	107,849	138,374	136,605	135,836	135,067
Non Produced Assets						
Property, Plant and Equipment	3,181,536	3,269,642	3,239,248	3,303,550	3,385,534	3,469,568
Other Non-Financial Assets						
Deferred Tax Assets	30,163	26,772	28,116	28,163	28,163	28,163
Other Non-Financial Assets	8	6	11	11	11	11
Total Non-Financial Assets	6,953,655	7,077,430	7,051,881	7,185,609	7,379,702	7,521,679
Total Assets	8,003,135	8,055,036	8,078,211	8,237,212	8,456,571	8,629,365
Liabilities						
Advances Received	1,526,038	1,585,907	1,583,266	1,683,225	1,803,812	1,868,823
Borrowings						
Finance Leases	805	906	826	845	864	883
Employee Benefits	67,240	59,068	68,860	65,891	66,934	67,950
Other Provisions	172,186	129,184	163,998	163,594	163,522	165,445
Payables	130,033	118,834	101,295	93,960	98,364	100,669
Other Liabilities						
Current Tax Liability	4,903	15,847	10,423	12,638	15,370	19,708
Deferred Tax Liability	359,241	329,207	347,196	347,241	342,241	342,241
Other Liabilities	21,277	35,910	17,093	28,729	35,071	42,676
Total Liabilities	2,281,723	2,274,863	2,292,957	2,396,123	2,526,178	2,608,395
Net Assets	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970
Accumulated Funds	2,222,024	2,238,146	2,259,651	2,261,919	2,265,325	2,250,247
Asset Revaluation Surplus	3,486,549	3,529,187	3,512,763	3,569,330	3,655,228	3,760,883
Other Reserves	12,840	12,840	12,840	9,840	9,840	9,840
Net Worth	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970
Net Financial Worth	-1,232,243	-1,297,257	-1,266,627	-1,344,520	-1,449,309	-1,500,709
Net Debt	1,304,748	1,434,046	1,397,532	1,503,496	1,635,962	1,696,674

**Australian Capital Territory
Public Trading Enterprises
Statement of Changes in Equity**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Opening Equity						
Opening Accumulated Funds	2,178,637	2,210,152	2,222,024	2,259,651	2,261,919	2,265,325
Opening Asset Revaluation Surplus	3,416,134	3,502,948	3,486,549	3,512,763	3,569,330	3,655,228
Opening Other Reserves	12,840	12,840	12,840	12,840	9,840	9,840
Opening Balance	5,607,611	5,725,940	5,721,412	5,785,254	5,841,089	5,930,393
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	127,310	93,681	105,260	136,733	130,918	136,988
Prior Year Adjustment	647	-	-	-	-	-
<i>Included in Asset Revaluation</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	100,430	48,239	48,214	83,070	107,898	127,655
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	-	-	-	-3,000	-	-
Total Comprehensive Income	228,387	141,920	153,474	216,803	238,816	264,643
Other						
Transfer to/(from) Accumulated	30,015	22,000	22,000	26,503	22,000	22,000
Movement in the Asset Revaluation Surplus	-30,015	-22,000	-22,000	-26,503	-22,000	-22,000
Total Other	0	0	0	0	0	0
Transactions Involving Owners Affecting Accumulated Funds						
Capital Injections	29,662	43,087	43,847	25,323	19,438	5,000
Increase/(Decrease) in ACTTAB Net Assets	-	-	-	-15,429	-	-
Dividends Approved	-144,247	-130,774	-133,480	-170,862	-168,950	-179,066
Total Transactions Involving Owners Affecting Accumulated Funds	-114,585	-87,687	-89,633	-160,968	-149,512	-174,066
Closing Equity						
Closing Accumulated Funds	2,222,024	2,238,146	2,259,651	2,261,919	2,265,325	2,250,247
Closing Asset Revaluation Surplus	3,486,549	3,529,187	3,512,763	3,569,330	3,655,228	3,760,883
Closing Other Reserves	12,840	12,840	12,840	9,840	9,840	9,840
Balance at the End of the Reporting Period	5,721,412	5,780,173	5,785,254	5,841,089	5,930,393	6,020,970

**Australian Capital Territory
Public Trading Enterprises
Cash Flow Statement**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Cash Flows from Operating Activities						
Cash Receipts						
Receipts from Sales of Goods and Services	691,689	782,492	776,975	903,706	957,622	973,462
Grants/Subsidies Received	158,488	167,096	167,096	146,041	149,917	153,059
Interest Receipts	3,559	4,157	4,298	1,653	1,636	1,586
Distribution from Investments with the Territory Banking Account	5,099	1,841	1,841	1,300	800	787
Other Receipts	108,395	95,777	95,777	93,708	90,537	94,402
Total Cash Received from Operating Activities	967,229	1,051,363	1,045,987	1,146,408	1,200,512	1,223,296
Cash Payments						
Payments for Employees	-179,330	-207,653	-208,661	-195,286	-198,862	-203,112
Payments for Goods and Services	-218,757	-216,818	-213,777	-202,659	-207,222	-214,654
Grants/Subsidies Paid	-21,720	-25,732	-25,732	-23,567	-24,619	-25,683
Interest Paid	-86,574	-85,308	-82,652	-91,271	-99,129	-104,061
Other Payments	-257,570	-319,388	-321,111	-387,049	-427,365	-411,949
Total Cash Paid from Operating Activities	-763,951	-854,899	-851,933	-899,832	-957,197	-959,459
Net Cash Flows from Operating Activities	203,278	196,464	194,054	246,576	243,315	263,837
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	38,235	49,732	60,502	39,451	33,650	34,400
Payments for Non-Financial Assets	-121,611	-186,666	-156,917	-178,690	-187,714	-118,323
Net Cash Flows from Investments in Non-Financial Assets	-83,376	-136,934	-96,415	-139,239	-154,064	-83,923
Cash Flows from Investments in Financial Assets for Policy Purposes						
Cash Receipts						
Capital Receipts from Government Agencies	29,662	40,284	41,044	25,323	19,438	5,000
Total Cash Received from Investment in Financial Assets for Policy Purposes	29,662	40,284	41,044	25,323	19,438	5,000
Cash Payments						
Dividends - Market Gains on Land Sales	-8,451	-9,830	-9,830	-6,465	-9,990	-8,160
Total Cash Paid from Investment in Financial Assets for Policy Purposes	-8,451	-9,830	-9,830	-6,465	-9,990	-8,160
Net Cash Flows from Investments in Financial Assets for Policy Purposes	21,210	30,454	31,214	18,858	9,448	-3,160

**Australian Capital Territory
Public Trading Enterprises
Cash Flow Statement**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	123,736	348,787	351,647	347,515	402,912	406,752
Payments for Investments	-99,032	-331,305	-391,803	-341,599	-391,742	-409,082
Cash Flows from Investments in Financial Assets for Liquidity Purposes	24,704	17,482	-40,156	5,916	11,170	-2,330
Net Cash Flows from Investing Activities	-37,461	-88,998	-105,357	-114,465	-133,446	-89,413
Cash Flows from Financing Activities						
Cash Receipts						
Borrowings	148,164	73,300	40,300	115,300	138,300	385,300
Total Cash Received from Financing Activities	148,164	73,300	40,300	115,300	138,300	385,300
Cash Payments						
Borrowings	-60,746	-14,367	-16,983	-16,642	-18,879	-321,337
Dividends Paid	-209,619	-124,594	-129,210	-153,716	-152,690	-161,380
Other Financing	-78,038	-69,878	-63,098	-76,294	-74,461	-72,190
Total Cash Paid from Financing Activities	-348,403	-208,839	-209,291	-246,652	-246,030	-554,907
Net Cash Flows from Financing Activities	-200,239	-135,539	-168,991	-131,352	-107,730	-169,607
Net Increase/(Decrease) in Cash Held	-34,422	-28,073	-80,294	759	2,139	4,817
Cash and Cash Equivalents at the Beginning of Reporting Period	201,213	153,633	166,791	86,497	87,256	89,395
Cash and Cash Equivalents at the End of Reporting Period	166,791	125,560	86,497	87,256	89,395	94,212
Key Fiscal Aggregates						
Net Cash from Operating Activities	203,278	196,464	194,054	246,576	243,315	263,837
Net Cash Flows from Investments in Non-Financial Assets	-83,376	-136,934	-96,415	-139,239	-154,064	-83,923
Distributions Paid	-287,657	-194,472	-192,308	-230,010	-227,151	-233,570
Cash Surplus (+) / Deficit (-)	-167,754	-134,942	-94,669	-122,673	-137,900	-53,656
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+) / Deficit (-)	-167,754	-134,942	-94,669	-122,673	-137,900	-53,656
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-	-	-	-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-167,754	-134,942	-94,669	-122,673	-137,900	-53,656

Note: (a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

APPENDIX E

TOTAL TERRITORY FINANCIAL STATEMENTS

**Australian Capital Territory
Consolidated Total Territory
Operating Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Taxation Revenue	1,259,913	1,354,738	1,359,822	1,445,651	1,536,892	1,642,987
Grants Revenue						
Commonwealth Grants	1,840,975	1,892,580	1,915,899	1,983,605	2,088,223	2,128,505
Gains from Contributed Assets	35,011	50,254	50,254	50,260	50,271	50,280
Sales of Goods and Services						
Revenue from Associates and Joint Ventures	107,081	90,507	95,568	83,537	84,524	87,840
Other Sales of Goods and Services	847,277	839,103	816,344	813,635	835,347	921,395
Interest Income	64,172	42,404	53,731	49,436	44,839	47,241
Distributions from Financial Investments	117,876	55,566	57,490	72,096	75,295	80,912
Dividend Income	24,319	54,527	57,427	56,672	55,428	59,563
Other Revenue						
Land Revenue (Value Add Component)	81,161	139,710	139,710	336,144	301,915	332,403
Other Revenue	160,035	141,408	143,066	136,456	140,287	144,575
Total Revenue	4,537,820	4,660,797	4,689,311	5,027,492	5,213,021	5,495,701
Expenses						
Employee Expenses	1,828,799	1,873,190	1,892,994	1,929,214	2,011,789	2,088,069
Superannuation Expenses						
Superannuation Interest Cost	299,563	334,958	313,820	351,456	367,587	383,253
Other Superannuation Expense	316,466	269,791	346,860	273,708	283,789	286,773
Depreciation and Amortisation	404,186	432,549	431,910	443,297	459,850	466,920
Interest Expense	149,313	169,383	171,460	212,483	226,207	237,410
Other Operating Expenses						
Supplies and Services	942,997	1,167,742	1,182,637	1,109,701	1,105,582	1,136,806
Other Operating Expenses	198,156	208,743	381,307	318,866	234,364	256,963
Grants and Purchased Services	706,959	741,222	940,408	797,972	759,934	774,188
Total Expenses	4,846,437	5,197,578	5,661,396	5,436,697	5,449,102	5,630,382
UPF Net Operating Balance	-308,617	-536,781	-972,085	-409,205	-236,081	-134,681
Other Economic Flows - Included in the Operating Result						
Land Revenue (Market Gains on Land Sales)	12,074	14,043	14,043	9,235	14,272	11,658
Net Land Revenue (Undeveloped Land Value)	49,953	76,790	76,790	103,562	155,331	133,526
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-34,273	-20,405	-16,974	-20,335	-20,451	-20,525
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	260,622	113,977	115,828	115,652	134,080	144,062
Doubtful Debts	-6,052	-6,548	-5,736	-5,938	-6,175	-6,359
Operating Result	-26,294	-358,924	-788,134	-207,029	40,976	127,681

**Australian Capital Territory
Consolidated Total Territory
Operating Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Items that will not be Subsequently Reclassified to Profit or Loss						
Superannuation Actuarial Gain/(Loss)	-355,697	-	2,088,793	-	-	-
Prior Year Adjustment	-53	-	-	-	-	-
Other Movements	26	729	729	889	889	889
Increase/(Decrease) in the Asset Revaluation Surplus	22,967	132,140	183,405	134,392	194,922	207,316
Items that may be Subsequently Reclassified to Profit or Loss						
Increase/(Decrease) in Other Reserves	1,744	-	-	-3,000	-	-
Total Comprehensive Income	-357,307	-226,055	1,484,793	-74,748	236,787	335,886
UPF Net Operating Balance	-308,617	-536,781	-972,085	-409,205	-236,081	-134,681
less Net Acquisition of Non-Financial Assets						
Payments for Non-Financial Assets	693,479	823,951	1,078,129	950,297	657,582	639,195
Sales of Non-Financial Assets	-72,711	-52,381	-63,385	-88,914	-106,292	-153,777
Land Revenue (Net Cash Receipts)	-74,268	-84,402	-84,402	-107,151	-160,831	-131,742
Depreciation and Amortisation	-404,186	-432,549	-431,910	-443,297	-459,850	-466,920
Other Movements in Non-Financial Assets	34,057	50,000	47,032	50,000	50,000	50,000
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>176,372</i>	<i>304,619</i>	<i>545,464</i>	<i>360,935</i>	<i>-19,391</i>	<i>-63,244</i>
Net Lending / (Borrowing)	-484,989	-841,400	-1,517,549	-770,140	-216,690	-71,437
UPF Net Operating Balance	-308,617	-536,781	-972,085	-409,205	-236,081	-134,681
Superannuation Return Adjustment	45,458	113,659	109,772	115,338	133,768	143,750
HEADLINE NET OPERATING BALANCE	-263,159	-423,122	-862,313	-293,867	-102,313	9,069

**Australian Capital Territory
Consolidated Total Territory
Balance Sheet**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash and Deposits	471,583	383,114	377,896	337,255	340,055	348,669
Advances Paid	140,875	140,972	104,099	102,735	100,904	96,590
Investments and Loans	4,080,848	3,900,814	4,073,868	4,363,270	4,635,902	4,981,355
Receivables	373,651	445,612	405,792	424,225	440,715	428,094
Equity – Investments Accounted for Using the Equity Method	634,309	665,278	664,652	691,238	720,712	739,752
Total Financial Assets	5,701,267	5,535,790	5,626,307	5,918,723	6,238,288	6,594,460
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	14,535,548	14,703,659	14,298,203	14,889,452	15,269,983	15,567,381
Investment Properties	9,961	11,592	11,069	12,052	13,033	14,014
Intangibles	48,776	99,056	80,892	92,681	86,069	100,759
Inventories	215,390	216,504	243,726	240,328	243,223	252,357
Assets Held for Sale	26,440	21,863	15,906	3,167	3,416	3,665
Capital Works-in-Progress	911,536	1,015,377	1,180,792	988,781	845,973	749,115
Non Produced Assets						
Property, Plant and Equipment	5,844,565	6,328,674	6,672,568	6,933,890	7,127,332	7,279,495
Biological Assets	26,457	26,150	26,513	26,513	26,513	26,513
Other Non-Financial Assets	34	-	-	-	-	-
Total Non-Financial Assets	21,618,707	22,422,875	22,529,669	23,186,864	23,615,542	23,993,299
Total Assets	27,319,974	27,958,665	28,155,976	29,105,587	29,853,830	30,587,759
Liabilities						
Deposits Held	15,539	15,730	15,539	15,539	15,539	15,539
Advances Received	159,862	151,553	901,552	1,143,141	1,134,616	1,075,930
Borrowings						
Finance Leases	23,614	22,353	22,523	21,610	20,871	20,157
Other Borrowings	3,085,118	3,655,656	3,351,637	3,856,914	4,082,843	4,253,295
Superannuation	7,483,529	5,725,501	5,726,691	5,999,064	6,264,878	6,523,034
Employee Benefits	677,268	636,664	667,138	656,948	683,931	709,543
Other Provisions	107,132	98,181	223,944	239,744	214,670	189,185
Payables	564,873	575,131	554,341	572,145	600,570	629,533
Other Liabilities	10,260	16,134	15,041	13,089	11,732	11,477
Total Liabilities	12,127,196	10,896,903	11,478,406	12,518,194	13,029,650	13,427,693
Net Assets						
Net Assets	15,192,778	17,061,762	16,677,570	16,587,393	16,824,180	17,160,066
Accumulated Funds	6,113,493	7,682,629	7,436,881	7,241,815	7,305,680	7,456,250
Asset Revaluation Surplus	9,066,244	9,366,243	9,227,649	9,335,538	9,508,460	9,693,776
Other Reserves	13,040	12,890	13,040	10,040	10,040	10,040
Net Worth	15,192,778	17,061,762	16,677,570	16,587,393	16,824,180	17,160,066
Net Financial Worth	-6,425,929	-5,361,113	-5,852,099	-6,599,471	-6,791,362	-6,833,233
Net Financial Liabilities	7,060,238	6,026,391	6,516,751	7,290,709	7,512,074	7,572,985
Net Debt (Including Superannuation Related Investments)	-1,409,174	-579,608	-264,612	233,944	177,008	-61,693
Net Debt (excluding Superannuation related Investments)	1,617,471	2,661,604	2,987,514	3,728,504	3,932,388	3,974,221

**Australian Capital Territory
Consolidated Total Territory
Statement of Changes in Equity**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Equity						
Opening Accumulated Funds	6,463,841	8,018,824	6,113,493	7,436,881	7,241,815	7,305,680
Opening Asset Revaluation Surplus	9,074,947	9,256,103	9,066,244	9,227,649	9,335,538	9,508,460
Opening Other Reserves	11,296	12,890	13,040	13,040	10,040	10,040
Opening Balance	15,550,084	17,287,817	15,192,778	16,677,570	16,587,393	16,824,180
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	-26,294	-358,924	-788,134	-207,029	40,976	127,681
Superannuation Actuarial Gain/(Loss)	-355,697	-	2,088,793	-	-	-
Prior Year Adjustment	-53	-	729	889	889	889
Other Movements	26	729	-	-	-	-
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	22,967	132,140	183,405	134,392	194,922	207,316
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	1,744	-	-	-3,000	-	-
Total Comprehensive Income	-357,307	-226,055	1,484,793	-74,748	236,787	335,886
Other						
Transfer to/(from) Accumulated Funds	31,669	22,000	22,000	26,503	22,000	22,000
Movement in the Asset Revaluation Surplus	-31,669	-22,000	-22,000	-26,503	-22,000	-22,000
Total Other	0	0	0	0	0	0
Transactions Involving Owners Affecting Accumulated Funds						
Increase/(Decrease) in ACTTAB Net Assets	-	-	-	-15,429	-	-
Total Transactions Involving Owners Affecting Accumulated Funds	-	-	-	-15,429	-	-
Closing Equity						
Closing Accumulated Funds	6,113,493	7,682,629	7,436,881	7,241,815	7,305,680	7,456,250
Closing Asset Revaluation Surplus	9,066,244	9,366,243	9,227,649	9,335,538	9,508,460	9,693,776
Closing Other Reserves	13,040	12,890	13,040	10,040	10,040	10,040
Balance at the End of the Reporting Period	15,192,778	17,061,762	16,677,570	16,587,393	16,824,180	17,160,066

**Australian Capital Territory
Consolidated Total Territory
Cash Flow Statement**

	2013-14 Actual Outcome \$'000	2014-15 Annual Budget \$'000	2014-15 Revised Estimate \$'000	2015-16 Revised Estimate \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000
Cash Flows from Operating Activities						
Cash Receipts						
Taxes Received	1,239,863	1,364,657	1,354,228	1,449,661	1,545,283	1,652,241
Receipts from Sales of Goods and Services	1,103,151	1,042,610	1,022,183	1,244,469	1,291,986	1,379,846
Grants/Subsidies Received	1,835,974	1,896,825	1,927,753	1,983,843	2,094,489	2,162,167
Interest Receipts	73,002	43,526	57,721	49,414	44,810	47,393
Distributions from Financial Investments	123,076	55,566	57,489	72,095	75,295	80,913
Dividends	21,403	55,698	58,461	57,535	56,087	60,271
Other Receipts	546,811	441,823	440,366	444,460	444,911	454,803
Total Cash Received from Operating Activities	4,943,281	4,900,705	4,918,201	5,301,477	5,552,861	5,837,634
Cash Payments						
Payments for Employees	-2,040,955	-2,202,776	-2,237,053	-2,302,244	-2,385,943	-2,490,220
Payments for Goods and Services	-1,053,833	-1,060,456	-1,099,074	-1,018,759	-1,015,173	-1,055,122
Grants/Subsidies Paid	-711,378	-757,030	-953,188	-814,817	-778,062	-792,926
Interest Paid	-146,128	-168,223	-170,403	-211,435	-225,115	-236,227
Other Payments	-547,741	-628,423	-659,391	-695,271	-666,105	-674,838
Total Cash Paid from Operating Activities	-4,500,035	-4,816,908	-5,119,109	-5,042,526	-5,070,398	-5,249,333
Net Cash Flows from Operating Activities	443,246	83,797	-200,908	258,951	482,463	588,301
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	72,711	52,381	63,385	88,914	106,292	153,777
Payments for Non-Financial Assets	-693,479	-823,951	-1,078,129	-950,297	-657,582	-639,195
Net Cash Flows from Investments in Non-Financial Assets	-620,768	-771,570	-1,014,744	-861,383	-551,290	-485,418
Cash Flows from Investments in Financial Assets for Policy Purposes						
Cash Receipts						
Repayment of Loans	22,441	610	610	512	419	2,777
Total Cash Received from Investments in Financial Assets for Policy Purposes	22,441	610	610	512	419	2,777
Cash Payments						
Issue of Loans	-1,510	-1,952	-1,952	-62	-62	-62
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-1,510	-1,952	-1,952	-62	-62	-62
Net Cash Flows from Investments in Financial Assets for Policy Purposes	20,931	-1,342	-1,342	450	357	2,715
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	175,272	796,648	876,343	585,159	674,320	756,911
Payments for Investments	-296,253	-675,491	-744,426	-760,697	-816,597	-961,815
Cash Flows from Investments in Financial Assets for Liquidity Purposes	-120,981	121,157	131,917	-175,538	-142,277	-204,904
Net Cash Flows from Investing Activities	-720,818	-651,755	-884,169	-1,036,471	-693,210	-687,607

**Australian Capital Territory
Consolidated Total Territory
Cash Flow Statement**

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	Actual	Annual	Revised	Revised	Revised	Revised
	Outcome	Budget	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Financing Activities						
Cash Receipts						
Borrowings	378,150	573,828	1,024,967	756,266	227,974	172,600
Total Cash Received from Financing Activities	378,150	573,828	1,024,967	756,266	227,974	172,600
Cash Payments						
Borrowings	-47,785	-14,735	-19,464	-14,216	-14,622	-64,667
Other Financing	-	-	-	-6,310	-	-
Total Cash Paid from Financing Activities	-47,785	-14,735	-19,464	-20,526	-14,622	-64,667
Net Cash Flows from Financing Activities	330,365	559,093	1,005,503	735,740	213,352	107,933
Net Increase/(Decrease) in Cash Held	52,792	-8,865	-79,574	-41,780	2,605	8,627
Cash and Cash Equivalents at the Beginning of Reporting Period	468,502	453,118	521,293	441,719	399,939	402,544
Cash and Cash Equivalents at the End of Reporting Period	521,293	444,253	441,719	399,939	402,544	411,171
Key Fiscal Aggregates						
Net Cash from Operating Activities	443,246	83,797	-200,908	258,951	482,463	588,301
Investments in Non-Financial Assets	-620,768	-771,570	-1,014,744	-861,383	-551,290	-485,418
Cash Surplus (+) / Deficit (-)	-177,523	-687,773	-1,215,652	-602,432	-68,827	102,883
A positive number denotes a cash inflow, a negative sign denotes a cash outflow						
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+) / Deficit (-)	-177,523	-687,773	-1,215,652	-602,432	-68,827	102,883
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-	-	-	-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-177,523	-687,773	-1,215,652	-602,432	-68,827	102,883

Note: (a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

APPENDIX F

LOAN COUNCIL ALLOCATION AND NOMINATION

APPENDIX F: LOAN COUNCIL ALLOCATION AND NOMINATION

Each jurisdiction is required to estimate its Loan Council Allocation (LCA) for the forthcoming year to give an indication of the jurisdiction's probable cash call on the financial markets over the year. The LCA nomination is calculated broadly as the reverse of the whole of government cash surplus/deficit.

- A positive allocation indicates a net borrowing position and cash being drawn from financial markets or investments.
- A negative allocation indicates a net lending position and cash being contributed to the financial market or increase in investments.

Each jurisdiction must report against the nominated allocation.

- Should the final outcome result be outside the tolerance limit (measured as +/- 2 per cent of total public sector receipts) then advice of this deviation needs to be provided to all jurisdictions.

The table below indicates the 2015-16 nomination and the revised 2014-15 estimate.

	2014-15 Budget Estimate \$m	2014-15 Budget Review Estimate \$m	2015-16 LCA Nomination \$m
General Government Sector (GGS) Cash Deficit/(Surplus) (a)	554	1,121	486
Public Non Financial Corporation (PNFC) Sector Cash Deficit/(Surplus) (a)	135	95	123
Non Financial Public Sector (NFPS) Sector Cash Deficit/(Surplus) (a) (b)	688	1216	602
Acquisition under Finance Leases and Similar Arrangements (a)	0	0	0
<i>equals</i> Australian Bureau of Statistics (ABS) Government Finance <i>less</i> Statistics (GFS) Cash Deficit/(Surplus) (a) (b)	688	1,216	602
Net Cash Flows from Investments in Financial Assets for Policy Purposes (c)	-1	-1	0
Adjusted NFPS Sector Cash Deficit/(Surplus)	687	1,217	602
<i>plus</i> Memorandum Items (d)	22	22	25
Loan Council Allocation	709	1,239	627
Tolerance Limit (2 per cent of non-financial public sector cash receipts from operating activities)	+/- 98	+/- 98	+/- 106

Notes:

- Cash surplus/deficits and finance leases are displayed with the opposite sign to that under which they are reported in cash flow statements. That is, a surplus is displayed as a negative number and vice versa.
- May not directly equate to the sum of the GGS and PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out, and/or rounding.
- Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements.
- Memorandum items are used to adjust the ABS GFS cash surplus/deficit to include in LCA's transactions - such as operating leases - that have many of the characteristics of public sector borrowings, but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS GFS cash surplus/deficit transactions that Loan Council has agreed should not be included in LCAs, for example, the funding of more than employers emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Memorandum items also include the net surplus/deficit of public Universities in the jurisdiction controlled by the Government. For the ACT, the University of Canberra has been included to reflect its financing requirement.

APPENDIX G

REPORT ON GOVERNMENT SERVICES

APPENDIX G: REPORT ON GOVERNMENT SERVICES

Budget Review documents produced by the ACT Government ordinarily contain a summary of the findings of the Productivity Commission's annual Report on Government Services. At the time of finalising this publication, the *Report on Government Services 2015* had not been made available. As such, this Report will be considered instead as part of the 2015-16 Budget.

