



**ACT**  
Government

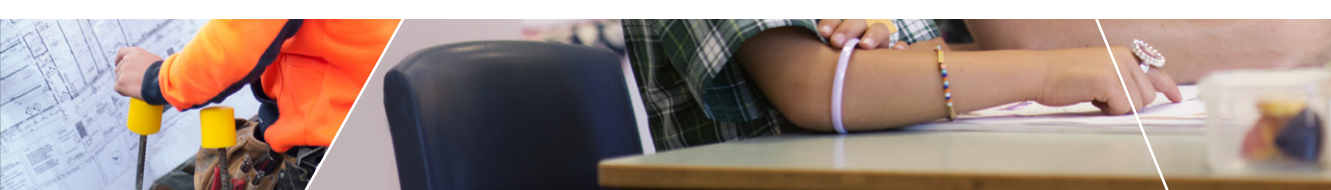
Australian Capital Territory

# BUDGET 2016-17



**BUDGET REVIEW**

For Canberra



# GUIDE TO THE BUDGET PAPERS

Structure and content of the 2016-17 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. This Budget Review will also take into account updated information presented in the *2016 Pre-Election Budget Update*.

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# INTRODUCTION

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

The purpose of the 2016-17 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 2016-17 Budget. Where relevant, the document presents updated information relative to the *2016 Pre-Election Budget Update (PEBU)*.

The 2016-17 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 2015-16);
- 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 PEBU;
- 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 PEBU, and incorporates these where they are certain and quantifiable; and
- presents a view of the Territory's financial position and risks to that position.

This update, and the impact of policy and parameter changes, incorporate activities up to 31 December 2016. The estimates have also been updated to reflect the financial impact of the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2016-17*.

This report also contains Uniform Presentation Framework statements consistent with the Territory's Australian Loan Council reporting obligations.

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.



## OVERVIEW

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The October 2016 ACT Legislative Assembly election saw the Barr Government returned with a clear mandate to continue to implement its vision for a positive, progressive future for the Territory.

That vision is to deliver more effective services today and in the coming years, and build on the Government's plan to secure a better future for Canberra. The ACT Government is putting the health and jobs of Canberrans first. That is why the Government has outlined a clear plan to deliver more nurses, doctors and teachers, better municipal services, better roads, schools and hospitals, and enhanced support for vulnerable Canberrans.

The Government is already moving to implement this agenda, and a number of election commitments are included in this Budget Review, including funding to kick start Light Rail – Stage 2. The 2017-18 Budget will see the rollout of a more comprehensive suite of election commitments, and items agreed under the *Parliamentary Agreement for the 9th Legislative Assembly for the Australian Capital Territory* (Parliamentary Agreement), with the remainder to be implemented across the Government's term of office.

Relative to the *2016 Pre-Election Budget Update* (PEBU), the 2016-17 Budget Review forecasts an improvement to the General Government Sector (GGS) Headline Net Operating Balance (HNOB) in 2016-17. The HNOB is now estimated to be in deficit by \$119.5 million in 2016-17, lower than the \$205.2 million deficit forecast at the time of the PEBU, despite a reduction in forecast GST revenue.

Over the forward estimates, reductions in GST and National Partnership Agreement payments are the most significant changes to the budget estimates since the PEBU. In the four years from 2016-17, GST payments to the ACT are expected to be \$101.6 million lower than previously forecast, reflecting revised Commonwealth Government estimates of the value of total GST collections.

Despite the negative impact of the GST revenue changes, the budget is forecast to remain in balance in 2018-19 and 2019-20, consistent with the Government's earlier forecasts and the estimates presented in the PEBU. In the absence of movements in GST and other revenue from the Commonwealth, the HNOB forecasts would have been slightly larger surpluses than those published in the PEBU for these two years.

As it has always done, the Government continues its efforts to build and strengthen the Territory in tough economic times. Despite factors such as the Australian Public Service job cuts in the past few years, the recent economic outcomes for the Territory highlight the success of the Government's efforts to strengthen the local economy and diversify job opportunities.

The ACT economy has now achieved its highest level of growth since 2010-11, growing by 3.4 per cent in 2015-16. This strong rate of growth was supported by the ACT Government and reflects higher government consumption as well as diversified growth across a broad range of sectors in the economy. The increasing role of services exports, including higher education, is of particular importance.

The Government's fiscal strategy remains on track. In August 2016, international ratings agency Standard & Poor's reaffirmed the ACT's AAA long term and A-1+ short term credit ratings, a strong endorsement of the Government's economic and fiscal management. In late 2016, the ratings agency placed the Commonwealth Government on a negative outlook. This has also seen the Territory's outlook revised, consistent with Standard & Poor's view that no State or Territory in Australia can maintain stronger credit characteristics than the sovereign (ie the Commonwealth Government).

The Government's budget strategy remains aligned with the principles of:

- supporting and boosting the ACT economy, with particular focus on creating jobs and continuing to deliver high quality services to the community;
- sustaining a strong operating balance over the medium term; and
- continuing to invest in important infrastructure projects to allow the Canberra community to enjoy the benefits of these assets in the longer term.

The Government will continue its strategy of expanding and diversifying the Territory's economy. The Government remains committed to a fiscal strategy that will achieve an operating balance over the medium term, with temporary deficits offset by surpluses in other periods. This approach allows the Government to respond in a timely manner and develop appropriate responses to challenging circumstances as they arise, while also ensuring that sound financial management remains a focus of its longer-term planning.

With this strategy in mind, the Government will continue its significant investment in healthcare, education, and public transport. It is implementing the new initiatives announced in and since the 2016-17 Budget to enhance the range of services provided to the community, including through the most substantial package designed to address family violence in the Territory's history. This funding is a clear embodiment of the Government's values and principles: prudent economic management, provision of world-class services, and support for those who need a helping hand.

## **The Way Ahead**

The Government is hitting the ground running in delivering on its election commitments.

The Government has announced, in the 2016-17 Budget Review, the commencement of a number of election commitments and Parliamentary Agreement items (refer to Chapter 2, Section 2.4 for additional details). This preliminary rollout will be supplemented by the delivery of additional items in the 2017-18 and subsequent Budgets. The Government will implement the most urgent items and then progressively prioritise and deliver further commitments in the years to come.



The Government remains committed to prudent financial management that affords the capacity to respond to unforeseeable shifts in economic conditions, and the flexibility to respond to fiscal shocks and emerging risks. The Government's focus will be on ensuring that high quality services are delivered to the community, and ensuring that the Government's investments continue to support economic growth.



# CHAPTER 1

## ECONOMIC PERFORMANCE AND OUTLOOK

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## 1.1 ECONOMIC OVERVIEW

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The ACT economy performed strongly in 2015-16, growing by 3.4 per cent on the back of growth in construction, education and training (in particular tertiary education exports), healthcare and social assistance, and public consumption.

Looking forward, economic growth is expected to return to long-run trend.

The labour market also performed strongly, with over 5,500 jobs created between June 2015 and December 2016. Employment growth is expected to moderate going forward in line with national labour market trends.

National government consumption patterns continue to remain a key risk to the ACT economy though, overall, the growing importance of service exports is helping to provide a buffer against any future shocks.

The main channel through which risks present themselves remains the impact of Commonwealth Government expenditure in the ACT, including the increase in the efficiency dividend on the Australian Public Service from 2017-18 onward. Additional risks centre around political and financial market uncertainty in the global economy, and vulnerabilities in the national housing market. Offsetting this somewhat is a robust outlook for the Chinese economy, which will offer ongoing support to the Australian economy.



## 1.2 INTERNATIONAL ECONOMIC OUTLOOK

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Global growth is forecast by the International Monetary Fund (IMF) to continue to pick up over the course of 2017 and 2018, with the January 2017 *World Economic Outlook Update* revising up forecasts for advanced economies, but lowering them for emerging economies. Growth amongst advanced economies was weak in 2016, primarily due to the protracted United States (US) recovery, though going forward US growth is forecast to accelerate, based partly on an assumed fiscal expansion in the US.

In contrast, the outlook for emerging economies has moderated somewhat, where financial conditions have generally tightened. China is a notable exception, with forecasts for growth revised up by the IMF in 2017.

The growth outlook for Australia's major trading partners remains stronger than global growth. In particular, China's growth is set to reach its annual target for 2016, and the outlook for China remains robust due, in part, to the impact of near-term policy stimulus. However, there are risks associated with China's transition from an export-led growth model to a more balanced, consumption-orientated economy, as well as risks in relation to China's financial system.

This global growth outlook is set against a backdrop of ongoing global political and financial uncertainty, which may mean that the prevailing environment of low productivity growth and weak trade growth will continue.





## 1.3 AUSTRALIAN ECONOMIC OUTLOOK

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The Australian economy continued to expand moderately over the first half of 2016, although an unexpected contraction in national growth in the September quarter 2016 saw the outlook for economic growth lowered.

Looking forward, the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2016-17* forecasts a reduction in the pace of real Australian Gross Domestic Product (GDP) growth, underpinned by a weakening labour market and moderate growth in household income. This is despite a recent increase in prices for iron ore and coal, which were the primary contributors to the upward revision to near-term nominal GDP growth.

Recent partial indicators such as retail trade and those for employment suggest that the pace of broader growth is moderating somewhat. Household incomes as well as business and dwelling investment are unlikely to be supported by further monetary policy loosening.



## 1.4 ACT ECONOMIC OUTLOOK

The ACT economy grew by a solid 3.4 per cent over the course of 2015-16, well above the 2 per cent forecast at the time of the *2016 Pre-Election Budget Update* (PEBU). Half of this economic growth was broad based, occurring across most sectors of the ACT economy. The remaining growth came from an expansion in the Public Administration and Safety sector, driven in part by the lifting of the Commonwealth Government's Public Service hiring freeze on 1 July 2015. State Final Demand (SFD) also grew strongly over the course of 2015-16, reflecting Commonwealth Government consumption, housing construction and household consumption.

Service exports continued to perform strongly, growing by 13.1 per cent over the course of 2015-16, with education exports exceeding \$0.5 billion and technical, trade-related and other business services exports growing by almost 40 per cent.

The ACT's labour market also experienced a significant turnaround over the course of 2015-16 with the unemployment rate falling from 5.1 per cent in October 2015 to 3.6 per cent in June 2016. Job growth continued during the latter half of 2016, with over 5,500 jobs created in the ACT between June 2015 and December 2016.

Table 1.4.1 below shows the 2016-17 Budget Review economic forecasts, with the numbers in brackets representing the difference from the PEBU. For Gross Domestic Product, the comparison is between the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO) and the Commonwealth's *Pre-election Economic and Fiscal Outlook 2016*.

**Table 1.4.1: Economic Forecasts, 2016-17 Budget Review, percentage change**

	Actual	Estimate	Forecast	Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>ACT</b>					
Gross State Product <sup>1</sup>	3.4 (+1.4)	2¼	2½	2½	2½
State Final Demand <sup>1,2,3</sup>	2.9 (-0.5)	3 (+½)	3 (-1)	4	4
Employment <sup>3,4</sup>	1.8 (+0.1)	1¼	1½	1½	1½
Wage Price Index <sup>4,5</sup>	1.9	2	2 (-1½)	3½	3½
Consumer Price Index <sup>4</sup>	0.8	2 (+1)	1¼ (-¾)	2½	2½
Population <sup>4</sup>	1.3 (-0.2)	1½	1½	1½	1½
<b>Australia</b>					
Gross Domestic Product <sup>1,2,6</sup>	2.7 (-0.2)	2 (-½)	2¾ (-¾)	3	3

**Sources:** ABS Cat. No. 5220.0, 5206.0, 6202.0, 6345.0, 6401.0 and 3101.0; Chief Minister, Treasury and Economic Development Directorate; Commonwealth *Mid-Year Economic and Fiscal Outlook 2016-17*.

**Notes:** Forecasts and projections are rounded to a ¼ of a percentage point, reflecting an appropriate level of accuracy in forecasting economic parameters. Projections are based on long-run trend assumptions.

1. Real values.
2. Year average basis.
3. Change in actual is due to Australian Bureau of Statistics' revisions.
4. Through the year basis.
5. Total hourly rates of pay, excluding bonuses.
6. Commonwealth MYEFO forecasts.

## Gross State Product

Looking forward, economic growth is expected to moderate from the high levels experienced in 2015-16, as key underlying drivers of growth return to more normal levels.

The Commonwealth's MYEFO also confirmed a constrained Commonwealth expenditure outlook in comparison to its growth during 2015-16, as a result of an expected slowing national economy and weaker revenue growth.

Economic growth in the ACT is expected to be underpinned by strong population growth, housing construction and national government consumption.

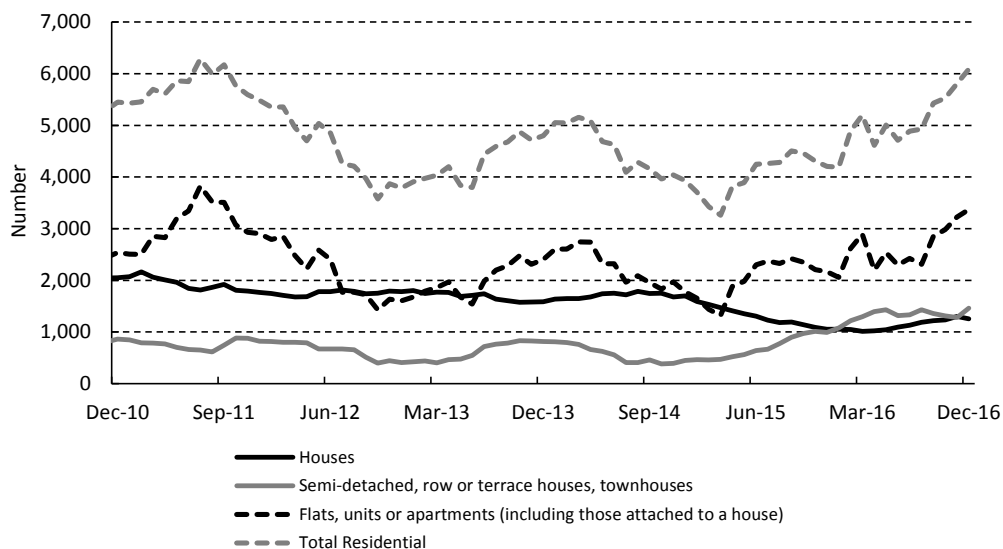
## State Final Demand

The outlook for SFD is supported by steady growth in household consumption driven by ongoing employment and private sector wages growth.

Residential construction is also supporting growth, with building approvals growing strongly over the year to December 2016. In addition, residential property prices are continuing to rise, with median house prices up 5.9 per cent over the year to December 2016, and unit/townhouse prices up 9.8 per cent over the same period. This suggests ongoing demand for new housing construction going forward.

In the longer term, housing activity in the ACT is expected to remain buoyant supported by solid employment growth, increasing confidence, population growth and a low interest rate environment.

**Figure 1.4.1: Dwelling approvals by type, original data**



Source: ABS Cat. No. 8731.0

The ACT Government will deliver an Infrastructure Investment Program exceeding \$2.9 billion over the next four years. This includes the Light Rail – Stage 1 project (\$623 million) and the ACT Law Courts Facilities (\$140 million) being undertaken in partnership with the private sector.

The Government will continue to develop the University of Canberra Hospital and improve health facilities across the Territory (\$403 million), upgrade and build new schools (\$129 million), build arterial and town centre roads (\$256 million), and progress the public housing renewal program (\$393 million). In addition, the Government made commitments in the context of the 2016 ACT Election to an extensive infrastructure program in the coming years. The major commitments include: advancing work towards Light Rail – Stage 2 to Woden; a new Surgical Procedures Interventional Radiology and Emergency Centre at the Canberra Hospital; the expansion of existing hospital infrastructure; new schools in Molonglo and Gungahlin; a significant upgrade program for existing schools; and the duplication of arterial roads such as William Slim, Athllon and Gundaroo Drives.

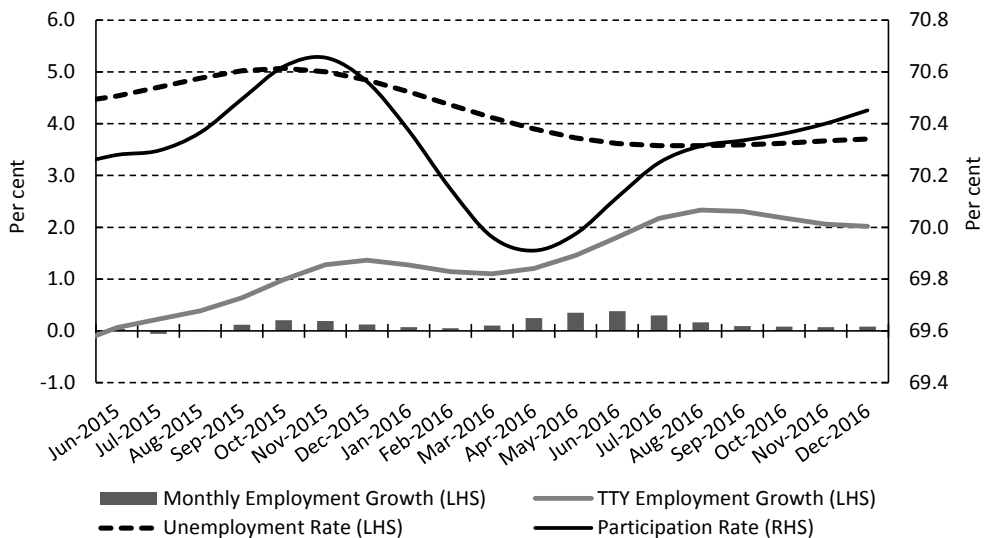
These significant investments will create jobs, diversify the economy and support growth.

## Employment

Employment is forecast to moderate in 2016-17, growing by 1¼ per cent, which represents an increase of around 2,700 jobs.

In 2017-18, employment is forecast to grow by 1½ per cent, consistent with a solid outlook for labour demand, indicated by strong growth in leading indicators such as job vacancy advertisements.

**Figure 1.4.2: Employment Growth, Unemployment Rate and Participation Rate**



Source: ABS Cat. No. 6202.0 (Monthly trend data)

The downside risk to this forecast growth arises from an additional \$1.9 billion efficiency dividend impost on the Australian Public Service (APS) from 2017-18 to 2019-20, announced in the 2016-17 Commonwealth Budget.

## **Wage Price Index**

The Wage Price Index (WPI) grew by 1.9 per cent through the year to June 2016, in line with expectations at the time of the 2016-17 Budget. Forecasts for the WPI remain unchanged for 2016-17 at 2 per cent. Wages are also forecast to grow at 2 per cent in 2017-18, given the protracted nature of APS wage bargaining agreements being only partially offset by a forecast mild improvement in private sector wage growth.

## **Consumer Price Index**

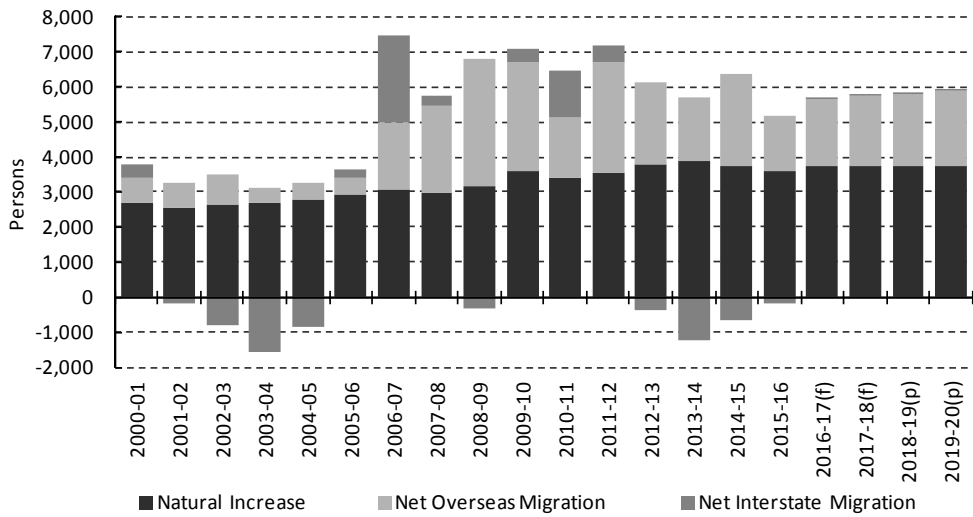
Inflation in the ACT, as measured by the Consumer Price Index (CPI) for 2015-16, was in line with the 2016-17 Budget forecast at 0.8 per cent. The Australian dollar has remained broadly around the levels seen at budget and there is little evidence to date to suggest that its recent fall is placing upward pressure on consumer prices. The upward revision to the 2016-17 forecast is the result of slightly stronger than expected inflation outcomes in the latter half of 2016, with the CPI forecast to grow by 1¼ per cent in 2017-18.

## **Population**

The estimated resident population in the ACT increased by 1.3 per cent in 2015-16, slightly lower than the 2016-17 Budget forecast of 1½ per cent. This was mainly due to lower than expected net overseas migration to the Territory.

Estimated resident population is forecast to continue to grow at around trend pace of 1½ per cent from 2016-17 onward. As shown in Figure 1.4.3 below, population growth from natural increase (births less deaths) will continue to be the largest contributor, supported by an expected stabilisation in net overseas migration. Previous net outflows from interstate migration are also expected to stabilise, driven by an improved economic outlook for the Territory.

**Figure 1.4.3: ACT population growth by component**



Sources: ABS Cat. No. 3101.0; CMTEDD.

**Notes:**

(f) – forecast

(p) – projection





## 1.5 RISKS TO THE ECONOMIC OUTLOOK

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While the ACT's economic forecasts show a gradual return to around trend growth, there are a number of risks around this central case. International and domestic risks to the broader Australian economy remain the primary channel through which downside risks may affect the ACT economy.

While the International Monetary Fund's (IMF's) forecasts for China's growth outlook have stabilised after a period of downgrades, risks to the wider Australian economy are linked to the nature of China's transition to a more consumption-orientated economy.

Correspondingly, there are risks to the Australian economic outlook associated with commodity prices falling more sharply than forecast. Risks to the ACT flowing from unanticipated Commonwealth revenue shortfalls could occur in the form of reduced Commonwealth expenditure in the ACT. Similarly, the commencement of the Commonwealth Government's increased efficiency dividend in 2017-18 represents a key downside risk to the ACT economy.

Recently, many prominent commentators have expressed concerns about the viability of sustained property price growth in Australia's larger capital cities. The Reserve Bank of Australia's October 2016 *Financial Stability Review* (FSR) noted that, in aggregate, while household mortgage debts remain comfortably offset by other savings, some pockets of the market may be more exposed than others – particularly households with limited wealth.

Moreover, while the FSR acknowledges that the pace of growth in riskier lending (high loan-to-valuation loans, and interest-only loans) has moderated recently, the accumulated stock of this higher risk debt has greater exposure to a correction in the market.

While property prices in Canberra are much more closely aligned to household income growth than in some other capital cities, a sudden tightening of financial conditions could represent a risk to the pace of dwelling construction, household expenditure and associated economic activity in the ACT.

Offsetting this is the potential upside risk that exists in relation to new development along the Northbourne Avenue corridor, as investors seek to take advantage of the construction of the new Light Rail route. The education sector, which has grown by an annual average rate of around 12 per cent since 2011-12 and now contributes more than \$0.5 billion to the ACT economy, may also represent a further upside risk to the outlook.



## CHAPTER 2

### BUDGET OUTLOOK AND FISCAL STRATEGY

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## 2.1 BUDGET OUTLOOK

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The 2016-17 Budget Review confirms that the Government is delivering on its budget strategy and building a better future for Canberra.

The Government is continuing to provide the high quality services that Canberrans expect in health, education, transport and community safety. It is working hard to deliver the new initiatives announced in the 2016-17 Budget and has commenced delivering on the commitments it made during the 2016 Election, including Light Rail – Stage 2. It is implementing the Safer Families package, the largest package of its type in the Territory's history, to address the scourge of domestic and family violence. And it is undertaking significant infrastructure investment in public transport, public housing and urban renewal that will transform and renew our city as well as supporting employment and the economy.

At the same time, the Government is on track to return the budget to balance from 2018-19, despite facing a sizeable reduction in GST receipts as a result of lower GST collections being forecast across the country as a whole.

### Headline Net Operating Balance

The General Government Sector (GGS) Headline Net Operating Balance (HNOB) is forecast to be in deficit by \$119.5 million in 2016-17, \$85.7 million lower than the estimated \$205.2 million deficit at the time of the *2016 Pre-Election Budget Update* (PEBU). The improvement in 2016-17 is largely associated with positive outcomes related to the Territory's land program – further details are provided in the Revenue and Expenses section of this Chapter.

As illustrated in Table 2.1.1, the Government is expecting to return the budget to balance from 2018-19. The decline in the HNOB since the PEBU for 2017-18 onwards is largely driven by expected decreases in Commonwealth payments (GST and grants), as detailed in the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO). It also reflects the impact of an increase in interest rates on the Territory's new borrowings.

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**

	2015-16 Actual Outcome \$m	2016-17 Original Budget \$m	2016-17 PEBU \$m	2016-17 Budget Review \$m	2017-18 Revised Estimate \$m	2018-19 Revised Estimate \$m	2019-20 Revised Estimate \$m
Revenue	4,785.1	5,058.2	5,048.3	5,135.9	5,058.0	5,353.4	5,545.4
Expenses	5,106.8	5,403.7	5,424.3	5,426.2	5,333.9	5,538.5	5,735.6
Superannuation return adjustment	148.0	163.6	170.8	170.8	181.6	190.0	203.5
<b>HEADLINE NET OPERATING BALANCE</b>	<b>-173.7</b>	<b>-182.0</b>	<b>-205.2</b>	<b>-119.5</b>	<b>-94.3</b>	<b>4.9</b>	<b>13.3</b>
Net Cash from Operating Activities	63.1	269.3	240.0	188.7	347.7	512.4	519.2
Net Debt (excluding superannuation)	1,646.5	2,080.2	1,916.0	2,001.7	2,310.7	2,830.7	2,650.4
Net Financial Liabilities	9,665.9	5,496.5	5,215.6	5,202.1	5,513.2	6,171.4	6,052.4

**Notes:** Table may not add due to rounding.

1. The Headline Net Operating Balance for the 2016-17 Budget incorporated 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 2016-17 Budget and the 2016-17 Budget Review. Further details of the major technical adjustments are shown in Table 2.1.3.

**Table 2.1.2: Summary of Movements in the GGS Headline Net Operating Balance**

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>2016-17 Budget</b>	<b>-181,999</b>	<b>-35,035</b>	<b>33,341</b>	<b>66,044</b>
<b>Revenue<sup>1</sup></b>				
Policy Decisions	391	1,231	1,268	1,293
Technical Adjustments	-10,286	-5,276	-239	-228
<b>Expenses<sup>2</sup></b>				
Policy Decisions	-3,900	-24,070	-30,872	-37,876
Technical Adjustments	-16,626	-140	5,657	3,538
Superannuation return adjustment	7,246	8,319	7,236	7,705
<b>2016 Pre-Election Budget Update</b>	<b>-205,174</b>	<b>-54,971</b>	<b>16,391</b>	<b>40,476</b>
<b>Revenue<sup>1</sup></b>				
Policy Decisions	-279	-18,616	2,038	2,471
Technical Adjustments	87,888	-23,198	-28,876	-39,995
<b>Expenses<sup>2</sup></b>				
Policy Decisions	-7,980	-8	1,025	1,025
Technical Adjustments	6,082	2,512	14,349	9,276
<b>2016-17 Budget Review</b>	<b>-119,463</b>	<b>-94,281</b>	<b>4,927</b>	<b>13,253</b>

**Notes:** Table may not add due to rounding.

1. A positive number represents an increase in revenue.
2. A negative number represents an increase in expenses.

**Table 2.1.3: Summary of Major Technical Adjustments since the 2016 Pre-Election Budget Update**

	2016-17	2017-18	2018-19	2019-20
	\$'000	\$'000	\$'000	\$'000
<b>Revenue<sup>1</sup></b>				
Land Development Agency Dividend and Income Tax Equivalents income	87,268	6,515	2,278	4,138
Territory Banking Account – Revenue	12,956	-1,016	3,227	4,839
Commercial Conveyance	10,000	0	0	0
GST Revenue	-21,400	-23,975	-27,933	-28,313
Other Commonwealth Grants	-3,427	-6,031	-7,053	-20,175
Other Technical Adjustments	2,491	1,309	605	-484
<b>Total Revenue – Technical Adjustments</b>	<b>87,888</b>	<b>-23,198</b>	<b>-28,876</b>	<b>-39,995</b>
<b>Expenses<sup>2</sup></b>				
Territory Banking Account – Expenses	-1,177	-4,441	-9,325	-13,922
Demand Pressures in Child and Youth Protection Services	-1,327	0	0	0
Australia Forum Provision Removal	0	8,000	0	0
Parameter and Provision Adjustments	1,491	2,663	7,925	14,250
Other Technical Adjustments	7,095	-3,710	15,749	8,948
<b>Total Expenses – Technical Adjustments</b>	<b>6,082</b>	<b>2,512</b>	<b>14,349</b>	<b>9,276</b>

**Notes:** Table may not add due to rounding.

1. A positive number represents an increase in revenue.
2. A negative number represents an increase in expenses.

## Revenue and Expenses

### Revenue

Total revenue in 2016-17 is expected to be \$87.6 million higher than forecast in the *2016 Pre-Election Budget Update* (PEBU), but \$18.6 million lower over the four years to 2019-20. Significant movements in revenue over the forward estimates include:

- an increase of \$87.3 million in 2016-17 in dividend and income tax equivalents income, as a result of a number of factors including: the receipt of land payments in 2016-17 for settlements delayed from 2015-16; better than budgeted land sale outcomes; and higher land valuations than previously expected;
- a decrease in GST revenue payments from the Commonwealth of \$21.4 million in 2016-17 (\$101.6 million over four years) associated with the combined effects of a decrease in the expected size of the overall GST pool and an expected decline in the ACT's share of the national population;
- an increase of \$10.0 million in taxation revenue (commercial conveyance) associated with stronger than expected performance in commercial property sales; and
- a decrease of \$3.4 million in 2016-17 (\$36.7 million over four years) associated with a reduction in capital grants funding from the Commonwealth, largely reflecting updated estimates of road funding published in its MYEFO.

## Expenses

Total expenses in 2016-17 are expected to be \$1.9 million higher than forecast at the time of the PEBU, and \$26.3 million lower over the four years to 2019-20. Expected decreases in expenses largely reflect:

- the impact of Government policy decisions totalling \$8.0 million in 2016-17 (\$5.9 million over four years) (see Chapter 2, Section 2.4 for additional details);
- an increase in Territory Banking Account expenses of \$1.2 million in 2016-17 (\$28.9 million over four years) as a consequence of movements in interest rates and a net increase in the cost of borrowing for the Territory (this cost is partially offset by an increase in interest revenue from Government lending);
- updates to the provisions for superannuation contribution expenses over the forward estimates; and
- the inclusion of a provision for reduced workers' compensation premiums from 2017-18 to reflect future changes to the management of the scheme.

## Superannuation Return Adjustment

The 2016-17 Budget HNOB included an adjustment for long-term expected superannuation investment earnings (consistent with the long-term expected return objective of the Consumer Price Index plus 5 percentage points). This presentation has been adopted in the ACT Government's Budget Papers since 2006-07, and the consistent and continued use of the HNOB for budgetary purposes ensures that comparable, comprehensive and informed assessments can be made of the Territory's financial performance over time.



## 2.2 FISCAL STRATEGY

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The 2016 ACT Legislative Assembly election delivered the Government a clear mandate to continue its plans to broaden and strengthen the Territory's economic base, foster innovation and the growth of local industries, and continue the delivery of world-class services to the Territory. Importantly, Canberrans have sent a strong signal that they support the delivery of major capital initiatives that will keep our city moving forward.

The Government will continue to adhere to its successful fiscal strategy as set out in the 2016-17 Budget. This strategy entails:

- supporting and boosting the ACT economy, with particular focus on creating jobs and continuing to deliver appropriate services to the community;
- sustaining a strong operating balance over the medium term; and
- continuing to invest in important infrastructure projects to allow the Canberra community to enjoy the benefits of these assets in the longer term.

The fiscal strategy further seeks to achieve an operating balance over time, offsetting temporary deficits with surpluses in other periods. Associated with this, the Government will continue its responsible and prudent management of the Territory's finances.

The most significant of the Government's transformational capital initiatives is the rollout of the Light Rail Network. Light Rail is the centrepiece of the Government's plan for an integrated public transport system, providing all Canberrans with easily accessible options to travel around our city. With works in relation to Stage 1 well underway, this Budget Review provides funding to kick start design work associated with Stage 2 – the extension of the Network from the City to Woden. The Government's investment in infrastructure assets such as Light Rail has been possible due to the maintenance of prudent levels of net debt, a clear fiscal plan, and an innovative use of Public Private Partnerships.

The Government will also continue to implement the Asbestos Eradication Scheme while meeting its fiscal strategy. The costs associated with the financial assistance and purchase phases of the Scheme have been progressively refined and are now well understood, and the costs for demolitions are within budget.

While the sales phase of the Scheme is still in its initial stages, early indications are that the sales revenue received for remediated blocks is broadly consistent with the estimates included in the 2016-17 Budget.

Consistent with prior budget updates, the Government's fiscal policy goals can be grouped into five high level objectives:

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

Further details in relation to each of these objectives are provided below.

## **Sustainable Economic Growth**

The Government is continuing its strategy of expanding and diversifying the Territory's economic base. The Government is providing support for local jobs and job creation strategies in the short to medium term, and targeting infrastructure investment to generate long-term economic benefits for the Territory.

This strategy has contributed to the strong performance of the Territory's economy, with growth of 3.4 per cent in 2015-16. The unemployment rate decreased in 2015-16 (at 3.6 per cent in June 2016), with over 5,500 jobs created in the ACT between June 2015 and December 2016.

Since the 2016-17 Budget, the Government has initiated a number of infrastructure projects to revitalise and renew our city. The Government is investing in a broad capital works program, totalling more than \$2.9 billion over four years from 2016-17. This contains a number of projects designed to help Canberra retain its place as one of the world's most liveable cities.

Work in relation to Stage 1 of the Light Rail project continues, with preparatory works occurring along the light rail corridor from the City to Gungahlin. The Light Rail Network will ultimately deliver a modern transport system that can meet the requirements of our growing, changing city, and deliver significant opportunities for local industry. In addition to job creation during construction and operation, local industry can build new capabilities and skills that will enable businesses in the Canberra region to participate in the global supply chain for future light rail and infrastructure work.

The 2016-17 Budget invested more than \$111 million to improve the Territory's road network, generating construction sector jobs and reducing congestion as our city grows. Since the release of the 2016-17 Budget, the Government has completed works to improve safety on the Barton Highway roundabout, and opened the extension of The Valley Avenue to Manning Clark Crescent. Access in and around the Gungahlin Town Centre will be further improved, with work to extend Manning Clark Crescent through to Anthony Rolfe Avenue continuing. These works are part of broader efforts to improve traffic capacity and reduce road congestion in the Gungahlin region, and will supplement projects such as the Horse Park Drive duplication.

Similar works to improve road capacity and improve access to new developments are also underway in the Weston Creek and Molonglo area, with work on the Cotter Road Stage 2 duplication now in progress. The 2016-17 Budget allocated \$28.9 million to improve the Cotter Road, providing a dual carriageway from west of the Tuggeranong Parkway to east of Yarralumla Creek. The 2016-17 Budget also provided an additional \$3.5 million to further enhance the duplication of Ashley Drive from Erindale Drive to Johnson Drive, with the installation of additional walking and cycling facilities. This builds on the Government's initial investment in the 2015-16 Budget.

These capacity enhancements will be further supplemented in the coming years, with the 2016 election campaign seeing the Government committing to a number of significant road projects, including the duplication of arterial roads such as William Slim, Gundaroo, and Athllon Drives.

The Government is promoting Canberra as a business and tourism destination domestically and internationally through the Visit Canberra initiative. In the 2016-17 Budget, the Government committed \$7.3 million over four years to undertake activities such as sales missions, consumer marketing and cooperative campaigns with industry partnership groups. In July 2016, the Government signed a Memorandum of Understanding with the Wellington Council in New Zealand to establish a sister city relationship. In September 2016, the Government also announced the establishment of a new fund to attract more international airlines to Canberra, promoting Canberra on the world stage.

## **Quality and Efficient Services**

The Government remains committed to the efficient delivery of high quality public services.

As at December 2016, the Government had constructed and purchased 200 dwellings as part of the \$550 million Public Housing Renewal Program. The Public Housing Renewal Taskforce is on target to provide 1,288 new public housing dwellings by 2019. Outdated public housing is being progressively replaced with new, smaller-scale quality accommodation better placed throughout Canberra. The new accommodation is more energy efficient and will cost less to maintain. It will provide tenants with a better standard of accommodation, and support improved health, education and employment outcomes. Works associated with the Public Housing Renewal Program are anticipated to create more than 2,500 jobs over the Program's lifespan.

The new University of Canberra Public Hospital recently reached a major milestone, with the facility's foundations and basic roof structure now in place. Once completed, healthcare students will be able to experience work in an on-campus clinical environment, contributing to better and enhanced health services for the community. The new facility remains on track to receive patients in mid-2018.

The Asbestos Response Taskforce recently revised its Indicative Demolition Schedule, intended to keep homeowners, neighbours and the general public informed about planned demolitions. As at 7 December 2016, 502 houses had been demolished across Canberra through the ACT Government program. The release of the updated Schedule reflects indicative planning for the demolition of a further 388 properties through to late 2017.

As part of its social inclusion agenda, the Government remains committed to providing support for people with disability. December 2016 saw the Government create the Office for Disability, a focal point for disability-related programs and projects that will ensure support services can be accessed as needed.

More broadly, the Government will continue to ensure that service-related expenditure is carefully targeted to the Territory's priority needs. To ensure that services are efficiently provided, as part of its fiscal strategy, the Government will continue to review its expenditure and continuously look for areas of improvement through its Expenditure Review Program.

## **Sound Public Finances**

### **Headline Net Operating Balance**

The Government's objective is to achieve a net operating balance over the medium term; temporary deficits will be offset by surpluses at other times.

This Budget Review confirms a return to balance from 2018-19, despite significant downward revisions in GST and grant-related programs from the Commonwealth. The Commonwealth impacts, as detailed in its *Mid-Year Economic and Fiscal Outlook 2016-17*, reduce expected GST payments to the ACT by \$101.6 million over four years from 2016-17.

The forecast General Government Sector (GGS) HNOB of \$119.5 million in 2016-17 highlights the continual improvement in the public finances in recent years. Sustained sound fiscal management has steadily reduced the budget deficit from its peak of \$770.5 million in 2014-15, following the introduction of the Loose-fill Asbestos Insulation Eradication Scheme, the global financial crisis and Commonwealth cuts to health funding. At the same time, the Government has continued to provide high quality services to the people of Canberra, support the ACT economy and jobs, and invest in infrastructure that will transform our city.

## Net Operating Cash

Net Operating Cash (Table 2.2.1) 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 2016-17 is estimated to be a surplus of \$188.7 million. This represents a decrease of \$51.3 million compared to the *2016 Pre-Election Budget Update*, mainly reflecting lower GST receipts and revised timing of dividend payments from the Land Development Agency.

**Table 2.2.1: Net Operating Cash**

General Government Sector	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
2016-17 Budget	269.3	522.6	410.4	667.9
2016 Pre-Election Budget Update	240.0	515.0	409.1	631.8
<b>2016-17 Budget Review</b>	<b>188.7</b>	<b>347.7</b>	<b>512.4</b>	<b>519.2</b>

## The Territory's Credit Rating

International ratings agency Standard & Poor's Ratings Services affirmed the ACT's AAA long-term and A-1+ short-term local currency credit ratings on 26 August 2016.

In line with the Commonwealth Government's ratings outlook, the outlook for the Territory's finances is negative. Standard & Poor's does not consider that any state or territory in Australia, including the ACT, has the ability to maintain stronger credit characteristics than the sovereign in a stress scenario.

The AAA and A-1+ ratings are the highest ratings assigned by Standard & Poor's. The Territory is one of only three State or Territory Governments in Australia, and indeed remains one of only a small number of Governments in the world to hold this rating. The retention of the AAA credit rating is a strong endorsement of the Government's economic and fiscal management and recognises the Government's prudent responses to the significant external challenges faced in recent years.

## Sustainable Taxation Revenue

The sustainability of the Territory's taxation revenue is an important aspect of the Government's fiscal strategy.

The Government is continuing on its path to make the Territory's taxation system fairer, simpler and more efficient. Through the 2016-17 Budget, the Government continued its reforms of the Territory's taxation system. The Government is in the process of abolishing conveyance duty, and replacing the revenue through the general rates system. Insurance duties were fully phased out on 30 June 2016. These reforms are reducing the impact of inefficient taxes on the Territory's economy.

Following the implementation of these reforms, taxation revenue in 2016-17 is expected to be \$1.6 billion, or 4.3 per cent of nominal Gross State Product (GSP).

The Government is also investing in new information technology systems designed to improve the efficiency of revenue collection, a reflection of the Government's commitment to improve the efficiency of its taxation systems and processes and, in turn, improve the quality of services provided to the Territory's population. Broadly, the Government is in the process of implementing a 'barrier free' model for conveyance (stamp) duty collection, whereby property buyers and solicitors will pay stamp duty after the settlement of a property when a change in title is registered with the Land Titles Office. The new model will allow customers to complete their conveyance process at a single government agency (namely Access Canberra), and provide a cashflow benefit to a property purchaser.

## **A Strong Balance Sheet**

The ACT's balance sheet continues to perform relatively well compared to other jurisdictions and provides the Government with flexibility to support high priority investments.

### **Net Debt**

A key balance sheet measure in the Government Finance Statistics 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 2016-17 Budget estimate of 5.6 per cent, GGS Net Debt as a percentage of Gross State Product (GSP) has now fallen to 5.3 per cent in 2016-17.

The decrease in Net Debt as a percentage of GSP is largely due to higher balances of funds held in investments by the Territory Banking Account. Further details can be found at Chapter 5, Section 5.1.

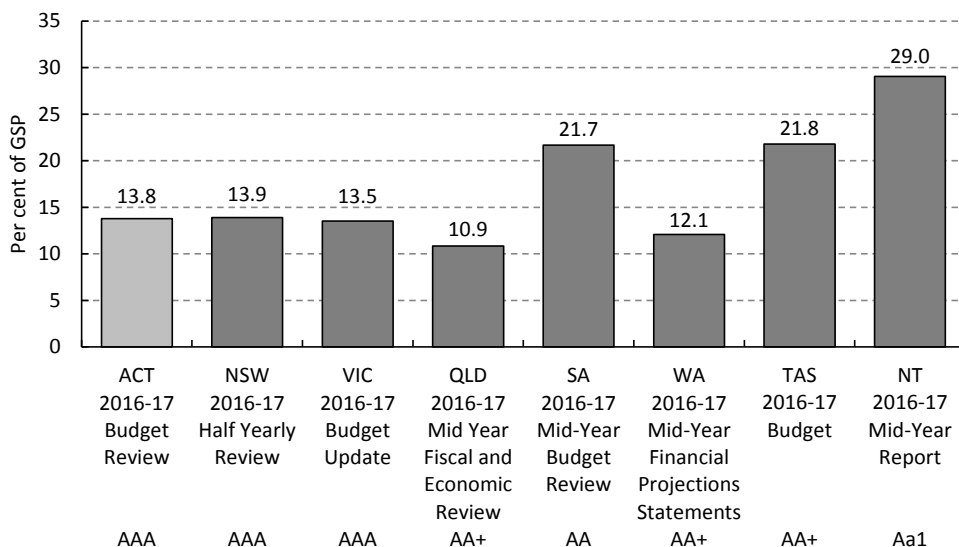
### **Net Financial Liabilities**

Net Financial Liabilities are a broad measure of GGS liabilities, including Net Debt and superannuation liabilities. Compared to the 2016-17 Budget estimate of 14.9 per cent, GGS Net Financial Liabilities as a percentage of GSP are now estimated to be 13.8 per cent in 2016-17. This largely reflects the higher balances of funds held in investments discussed above.

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 GGS in public corporations.

Figure 2.2.1 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 2.2.1: Net Financial Liabilities to GSP Ratio (General Government Sector) – 2016-17 Budget Review**



## 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 and, as a proportion of GSP, it continues to be one of the strongest of all Australian jurisdictions at 46.5 per cent.

Compared to the 2016-17 Budget, Net Worth has increased by \$455.3 million as at the 2016-17 Budget Review. This increase is largely due to an increase in the net assets of the Public Trading Enterprises Sector and higher investments held in the Territory Banking Account, as discussed in the Net Debt section above.





## 2.3 LOOSE-FILL ASBESTOS INSULATION ERADICATION SCHEME – FINANCIAL DETAILS

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On 28 October 2014, the Government announced the implementation of a voluntary buyback scheme for all ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation.

The legacy of loose-fill asbestos insulation has directly affected 1,023<sup>1</sup> homeowners and their families across 56 suburbs.

The decision to eradicate loose-fill asbestos from dwellings in the ACT recognises the significant health, social, practical and financial impacts it has had on owners of affected houses and the wider community. The Asbestos Response Taskforce (the Taskforce) advised the Government in August 2014 that demolition of all affected properties was the only enduring solution to the continuing impacts of this legacy issue.

Under the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme), the ACT Government has offered to acquire, demolish and safely dispose of all affected homes. Remediated blocks are being resold to defray some of the overall impact on the budget. Remediated blocks are being offered to their former owner (the First Right Holder) in the first instance, and then to the wider public.

The Asbestos Eradication Scheme also includes emergency financial assistance and relocation support, as well as stamp duty concessions to support affected owners to purchase another house in the ACT, or to support the purchase of their remediated block.

### Progress to date

There are 1,023 houses in the ACT eligible for the Asbestos Eradication Scheme, comprising 1,018 private homes and five government-owned homes. In addition, there are 12 eligible impacted properties (that is, those connected to affected properties).

Of the eligible houses, 988 home owners have agreed to participate in the Scheme, comprising 977 affected houses and 11 impacted properties.

The costs associated with the financial assistance and purchase phases of the Scheme are largely known, and the cost for demolitions to date indicate that the demolition phase is within budget.

While the sales phase of the Scheme is still in its initial stages, early indications are that the sales revenue received for remediated blocks is broadly consistent with the estimates included in the 2016-17 Budget.

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<sup>1</sup> An additional property in Downer was added to the Affected Residential Premises Register on 2 December 2016.

As at 31 December 2016:

- 988 homeowners had accepted offers to sell their properties;
- 916 houses had been purchased (totalling \$652 million);
- 625 owners had exercised stamp duty concessions to the value of \$15 million; and
- \$11.3 million had been paid in emergency financial support to homeowners, which includes the payment in full of 969 relocation assistance grants.

The Taskforce has engaged licensed asbestos assessors and removalists, and demolition contractors to safely demolish affected houses over the next few years. WorkSafe ACT is monitoring demolition work as part of its regulatory function.

The Taskforce continues to work closely with industry and relevant regulators to ensure affected properties are demolished safely, and the land is remediated efficiently and effectively. Safety is the key overarching consideration, particularly in relation to the health and wellbeing of workers and the wider community. Demolitions are being scheduled in a coordinated and efficient way to reduce costs and community disruption (including through geographical grouping of properties).

As at 31 December 2016, 518 houses had been demolished. The sale of remediated blocks is progressing and, as at 31 December 2016, 144 remediated blocks had been sold.

## Budget estimates

The estimated financial impacts of the Asbestos Eradication Scheme have not changed since the 2016-17 Budget. These impacts are summarised in Tables 2.3.1, 2.3.2 and 2.3.3.

**Table 2.3.1: Asbestos Eradication Scheme – Cash Flow Impact, excluding contingency**

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>2016-17 Budget Review</b>				
<b>Payments</b>				
Financial Assistance Package	-2,000	0	0	0
Purchase Costs <sup>1</sup>	-23,103	-4,896	-3,172	-18,269
Demolition and Remediation	-47,709	-49,135	-28,689	-476
Other Costs <sup>2</sup>	-9,862	-5,978	-5,887	-4,534
<b>Total Payments</b>	<b>-82,674</b>	<b>-60,009</b>	<b>-37,747</b>	<b>-23,278</b>
<b>Receipts</b>				
Net Sales Revenue	223,624	201,611	87,455	27,005
<b>Total Receipts</b>	<b>223,624</b>	<b>201,611</b>	<b>87,455</b>	<b>27,005</b>
<b>Net Cash Flow<sup>3</sup></b>	<b>140,949</b>	<b>141,602</b>	<b>49,708</b>	<b>3,726</b>

**Note:** Numbers may not add due to rounding.

1. Includes Purchase of House and Land, Purchase Transaction Costs, Board up Costs and Holding Costs.
2. Mainly comprises Asbestos Taskforce Costs.
3. The 2014-15 cash flow impact was \$489 million, excluding financing costs, and was estimated at \$219 million in 2015-16, excluding financing costs.

**Table 2.3.2: Asbestos Eradication Scheme – Headline Net Operating Balance (HNOB) Impact<sup>1</sup>**

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>2016-17 Budget Review</b>				
Financial Assistance Package	-2,000	0	0	0
Other Costs	-9,912	-6,028	-5,936	-4,557
Purchase Costs	-2,561	-2,008	-1,006	-221
Assisted Private Demolition	0	0	0	0
Contingency	-3,509	0	0	0
<b>Total HNOB Impact (including contingency)</b>	<b>-17,981</b>	<b>-8,036</b>	<b>-6,942</b>	<b>-4,778</b>

**Note:** Numbers may not add due to rounding.

1. The 2014-15 HNOB impact was \$358 million, excluding financing costs, and was estimated at \$75 million in 2015-16, excluding financing costs.

**Table 2.3.3: Asbestos Eradication Scheme – Cumulative Cash Flow Impact (including financing costs)**

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Net Cash Flow – Cumulative	-488,822	-708,155	-567,206	-425,604	-375,895
Indicative Annual Interest Cost <sup>1,2,3</sup>	-6,619	-16,207	-17,268	-13,443	-10,852
<b>Total Cost (including financing costs)</b>	<b>-495,441</b>	<b>-724,362</b>	<b>-584,474</b>	<b>-439,046</b>	<b>-386,748</b>
	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	2023-24 \$'000
Net Cash Flow – Cumulative	-372,169	-365,993	-365,993	-365,993	-365,993
Indicative Annual Interest Cost <sup>1,2,3</sup>	-10,129	-9,995	-9,911	-9,911	-9,911
<b>Total Cost (including financing costs)</b>	<b>-382,298</b>	<b>-375,988</b>	<b>-375,904</b>	<b>-375,904</b>	<b>-375,904</b>

**Note:** Numbers may not add due to rounding.

1. The indicative interest cost is calculated on the cumulative net cash flow from the Scheme each year but interest is not cumulative. The interest cost is met from the total Territory budget, not the budget for the Scheme.
2. Indicative interest cost is calculated assuming an equal spread of payments/receipts across the year.
3. The interest rate used is based on the weighted cost of the loan of 2.708 per cent. The Commonwealth Government provided the Territory with a loan to support the financing of the Scheme. The total loan of \$1 billion was provided in two tranches: \$750 million in January 2015 at a fixed interest rate of 2.605 per cent, and \$250 million in July 2015 at a fixed interest rate of 3.015 per cent.



## 2.4 NEW INITIATIVES

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The new initiatives included in the 2016-17 Budget Review are detailed below. Consistent with the presentation of initiatives in the 2016-17 Budget Papers, both new spending and new revenue are presented as positive numbers in the tables below while a reduction in spending or revenue is shown as a negative number. 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 Headline Net Operating Balance (HNOB) showing new revenue as a positive number and new spending as a negative number.

### CHIEF MINISTER, TREASURY AND ECONOMIC DEVELOPMENT DIRECTORATE

#### Better Services – Ice sports facility consultation

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	75	0	0	0	75

The Government, in partnership with the ACT Ice Sports Federation, will undertake community and industry consultation for a new ice sports facility in South Canberra.

#### Bigger and Better Events for Canberra – Art, Not Apart Festival

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	110	0	0	0	110

The Government will support the Art, Not Apart Festival, which assists local artists and promotes Canberra as an arts and events destination.

#### Bigger and Better Events for Canberra – Floriade Fringe

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	250	0	0	0	250

The Government will support the inaugural Floriade Fringe to enhance the Floriade experience by extending into innovative, provocative and eclectic festival programming.

## Conveyance Duty – Barrier Free Model

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	Total \$'000
Revenue – Residential conveyances	0	-20,000	0	0	<b>-20,000</b>
Revenue – Land titles registration fee increase	0	1,300	1,359	1,420	<b>4,079</b>
<b>Net impact</b>	<b>0</b>	<b>-18,700</b>	<b>1,359</b>	<b>1,420</b>	<b>-15,921</b>

The Barrier Free Model will simplify the conveyancing process for taxpayers, solicitors and the Government. The requirement to pay conveyance duty on the sale of property will not arise until after a transfer of title is registered with the Land Titles Office. The new model will provide a cashflow benefit to a property purchaser, and allow for customers to complete a conveyance process at the end of the sales process.

There is a one-off impact to revenue in 2017-18 due to the shift in requirement to pay duty from the time that contracts are exchanged to after settlement. In some cases, such as off the plan transactions, this will delay payment by around 12 months.

The cost of this initiative will be partially offset by a \$100 increase in the land titles registration fee.

## Digital Canberra – Removing hurdles to increased organ donation

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	Total \$'000
Expenses	75	0	0	0	<b>75</b>

The Government will commence improvements to Access Canberra's information and communications technology systems to make it easier for Canberrans to become organ donors when they renew their drivers' licences.

## Greyhound Racing Grant Provision

	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	Total \$'000
Expenses	0	0	-1,033	-1,033	<b>-2,066</b>

The Government will cease grant funding for the greyhound racing industry in the ACT, effective from the expiry of the current Memorandum of Understanding on 30 June 2017. The grant funding of \$1.033 million in 2017-18 will be redirected to a transition program to assist workers to re-skill, as well as re-home and care for the greyhounds.

## Improving Arts Facilities – Signage upgrades

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	79	0	0	0	79
Associated Depreciation	0	8	8	8	24

The Government will provide improved signage at the Gorman House Arts Centre and the Ainslie Arts Centre.

## Red Tape Reduction – ACT tax system

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue – residential conveyances	0	-40	-40	-40	-120

The Government is implementing a number of initiatives to reduce red tape within the tax system, including:

- converting all \$20 or \$200 conveyance duty concessions to full exemptions;
- allowing the Commissioner for ACT Revenue to adjust an employer's outstanding payroll tax balance of less than \$20 to zero after an annual reconciliation; and
- not imposing penalty tax and interest where the amount is less than \$20.

Abolition of nominal duty will reduce revenue by approximately \$40,000 per year, with the other initiatives estimated to have a negligible budget impact.

## Supporting Arts in the ACT – Additional grant funding

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	230	0	0	0	230

The Government will bring forward project grants funding to support Canberra's artists.

## Utilities Network Facilities Tax – Indexation

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	0	0	0	0	0

The Government will retain the indexation rate for the Utilities Network Facilities Tax at 5 per cent for the 2018-19 and 2019-20 financial years. This initiative will have no impact on the HNOB, as this indexation rate is already factored into the estimates for these years.

## Water Abstraction Charge – Indexation

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	0	370	680	1,050	<b>2,100</b>

The Water Abstraction Charge (WAC) is a charge set by the Government on users licensed to take water for urban and non-urban purposes in the ACT. The Government will increase indexation of the WAC from two per cent to three per cent from 1 July 2017.

## EDUCATION DIRECTORATE

### Safe Schools

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	100	0	0	0	<b>100</b>

The Government will build the capacity of ACT schools to support and actively include same sex attracted, intersex and gender diverse students, school staff and families.

## JUSTICE AND COMMUNITY SAFETY DIRECTORATE

### Improving Justice System Outcomes – Funding for the Environmental Defenders' Office

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	140	0	0	0	<b>140</b>

The Government will increase the capacity of the Environmental Defenders' Office to advocate for more effective laws and policies to protect the environment; facilitate effective and efficient community participation within the legal system in relation to environmental decision-making; and increase access to justice for related public interest matters.



## TRANSPORT CANBERRA AND CITY SERVICES DIRECTORATE

### Better Public Transport – Free concessional bus fares for off-peak daytime travel

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-279	0	0	0	-279

The Government will trial concession card and seniors card holders travelling free on ACTION buses between 9.45am and 4.15pm weekdays. This trial will help the Government evaluate the benefits of providing vulnerable and older Canberrans with better access to public transport, and allowing them greater capacity to move around the ACT during the day.

### Better Public Transport – Light Rail Stage 2

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	7,000	0	0	0	7,000

The Government will develop a project definition design followed by a business case for Light Rail – Stage 2 (City to Woden). This work will assist in understanding the route alignment and inform the best procurement approach.



# CHAPTER 3

## INFRASTRUCTURE AND CAPITAL

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## 3.1 CAPITAL WORKS

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### Introduction

The ACT Government is delivering a record level of investment of \$2.9 billion in our city, as announced in the 2016-17 Budget. This investment in infrastructure sets the foundation for improving productivity and addressing the needs of the Canberra community as the Government enhances services, diversifies the Territory's economic base, and attracts investment.

The Government is committed to the delivery of its \$2.9 billion Infrastructure Investment Program (the Program), including capital works being delivered under Public Private Partnerships (PPPs), over the four years to 2019-20. The Program over this period includes:

- \$1.6 billion for capital works projects;
- \$763 million for PPP infrastructure, incorporating Light Rail – Stage 1 and the new ACT Law Courts Facilities;
- \$161 million investment in information and communication technology projects;
- \$44 million for the acquisition of plant and equipment; and
- \$345 million in capital works provisions for future works.

The Government has a clear vision for ensuring Canberra remains the most liveable city in the world and for supporting the local economy. Investment in the Program will generate jobs for Canberra, stimulate the building and construction industry in the ACT, and provide the facilities and infrastructure our residents and businesses need for the future.

As part of this vision, the Government committed to major infrastructure investments during the 2016 ACT Election. These included advancing Light Rail to Woden, renewing the ACTION bus fleet, and expanding and improving health, education, road, active travel and public housing infrastructure. These commitments will ensure that Canberrans continue to have high quality, well maintained infrastructure and services of which we can all be proud.

## Capital Works Program Re-profiling

As part of the 2016-17 Budget Review, agencies reviewed the progress of their capital works programs and other projects over the last six months, and identified where re-profiling was appropriate. This process also included the opportunity to bring forward planned out-year expenditure to accelerate some existing projects or to return savings to the budget.

A total of \$77.3 million, across numerous projects, has been re-profiled from 2016-17 as a result of this review. A summary of these changes is provided in Table 3.1.1.

Appendix A details the changes to the Capital Works Program, by project.

**Table 3.1.1: Changes to the Capital Works Program<sup>1</sup>**

	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m
<b>Original 2016-17 Capital Works Program</b>	<b>752.5</b>	<b>505.3</b>	<b>302.9</b>	<b>68.3</b>
Rollovers from 2015-16 <sup>2</sup>	70.0	0.0	0.0	0.0
End of year adjustments <sup>3</sup>	-48.2	10.5	1.4	11.9
<b>Existing 2016-17 Capital Works Program</b>	<b>774.3</b>	<b>515.8</b>	<b>304.3</b>	<b>80.2</b>
Savings returned to budget	0.0	0.0	0.0	0.0
Changed Program timing <sup>4</sup>	-77.3	77.3	0.0	0.0
<b>Revised Capital Works Program<sup>5</sup></b>	<b>697.0</b>	<b>593.1</b>	<b>304.3</b>	<b>80.2</b>

**Notes:**

1. Table may not add due to rounding.
2. Reflects unspent funds being rolled over from 2015-16 into 2016-17. These are indicative pending finalisation through the appropriate Section 16B Instruments, under the *Financial Management Act 1996*.
3. Reflects program variations and adjustments, including to Australian Government project funding.
4. Net impact of re-profiling of capital works program across the four years to 2019-20.
5. The revised Capital Works Program excludes funding associated with the PPPs for the ACT Law Courts Facilities and Light Rail – Stage 1 project which are now being constructed by the private sector.

# CHAPTER 4

## FEDERAL FINANCIAL RELATIONS

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## 4.1 FEDERAL FINANCIAL RELATIONS UPDATE

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### Commonwealth Revenue

The ACT expects to receive 43.6 per cent of its funding from the Commonwealth in 2016-17.

Changes in Commonwealth revenue continue to have a significant impact on the overall budget position.

### GST Revenue

GST revenue grants for 2016-17 have been revised down by \$21.4 million since the 2016-17 Budget following the Commonwealth *Mid-Year Economic and Fiscal Outlook 2016-17* (MYEFO). Over the budget and forward estimates, the forecasts of GST payments to the ACT have declined by \$101.6 million since the 2016-17 Budget. This arises from:

- decreases in estimates for the total pool of GST and the ACT's population share over the budget and outyears in the MYEFO. These changes have reduced the ACT's GST estimates by \$18.5 million in 2016-17 and \$98.7 million between 2016-17 and 2019-20; and
- a balancing adjustment for an overpayment of GST in 2015-16 following the 2015-16 Commonwealth Final Budget Outcome. This has decreased the GST estimate for the ACT in 2016-17 by \$2.9 million compared to that published in the 2016-17 Budget.

### Specific Purpose Payments

A number of Specific Purpose Payments were subject to minor variations in the Commonwealth's MYEFO due to revised parameters, such as changes in population distribution across Australia or student enrolment levels.

## National Partnership Agreements

There has been a decrease in National Partnership Agreement (NPA) funding as a result of the Commonwealth's MYEFO. The net change to the 2016-17 ACT Budget is a reduction of \$1.6 million<sup>1</sup> with a total reduction of \$30.4 million<sup>2</sup> over four years to 2019-20. Of the \$30.4 million decrease, \$24.8 million can be attributed to a reduction in funding for the investment component of the NPA on Land Transport Infrastructure Projects. This reduction represents the shift in the Commonwealth's estimate from a notional allocation across States in its 2016-17 Budget (based on an equal per capita share) to the actual amounts granted by the Commonwealth for investment in roads in its MYEFO.

There are six NPAs for which funding has not yet been allocated to the ACT beyond their expiry date of 30 June 2017. The NPAs are:

- Health Services – Expansion of the Breastscreen Australia Program;
- Independent Public Schools Initiative;
- Building Australia's Future Workforce – Skills Reform;
- National Outcome Standards for Perpetrator Interventions;
- National Bushfire Mitigation; and
- National Disaster Resilience.

Reflecting the uncertainty, the forward estimates for the ACT Budget do not yet include any provision for the continuation of these NPAs. Funding for these agreements was \$11.7 million in 2015-16. The extension of existing agreements, or the signing of new agreements would strengthen the budget's forward position.

In the MYEFO, the Commonwealth indicated its intention to extend the following NPAs:

- Homelessness – a twelve month extension to 30 June 2018. The short-term extension of this agreement does not provide security of funding and service provision for the sector and, more importantly, for service users.
- Vaccine Preventable Diseases Surveillance Program – a three year extension through to 30 June 2020.

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<sup>1</sup> This amount excludes \$29.5 million in funding for the Asset Recycling Initiative in 2016-17 (\$55.3 million over four years) as the Commonwealth did not publish individual State information in the MYEFO. The Commonwealth has advised that funding for the Asset Recycling Initiative is expected to remain unchanged for the ACT in 2016-17 and the three forward years.

<sup>2</sup> This excludes \$55.3 million in funding for the Asset Recycling Initiative for the forward years including 2019-20 as the Commonwealth did not publish individual State information in its Budget. The Commonwealth has advised that funding for the Asset Recycling Initiative is expected to remain unchanged for the ACT in the forward years up to and including 2019-20.

The following two new NPAs have been announced by the Commonwealth:

- Family Advocacy and Support Services – a three year agreement commencing in 2016-17, totalling \$1.4 million in funding for the ACT. Discussions with the Commonwealth regarding this proposed NPA are yet to commence.
- Adult Public Dental Services – a new agreement covering the period January 2017 to June 2019, totalling \$242.5 million nationally, noting that a break-down of the funding was not provided in the MYEFO and the total amount is subject to ongoing negotiations. This agreement is intended to amend and replace the existing Adult Public Dental Services agreement which expired on 31 December 2016.

Funding and outlays relating to expiring agreements are not included in this Budget Review past their current expiry dates, except where the Commonwealth has made ongoing provision for funding.



## **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 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 Government assets (both financial and non-financial), less liabilities.

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

**Table 5.1.1: Net Debt (excluding superannuation)**

	2016-17 Estimate \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
2016-17 Budget	2,080.2	2,103.8	2,902.7	2,581.3
2016-17 Pre-Election Budget Update	1,916.0	1,987.0	2,834.8	2,538.5
2016-17 Budget Review	2,001.7	2,310.7	2,830.7	2,650.4
Net Debt to GSP (%)	5.3	5.9	6.8	6.1

Net Debt is projected to decrease in 2016-17 compared with the original 2016-17 Budget, mainly reflecting higher investments held by the Territory Banking Account. This is consistent with lower cash drawdowns by agencies over 2015-16. Compared to the *2016 Pre-Election Budget Update* (PEBU), Net Debt is forecast to increase by \$85.7 million, largely reflecting changes in the timing of cash payments from agencies to the Territory Banking Account in relation to the land release program and lower GST payments from the Commonwealth. The expected increase in Net Debt in 2017-18 since the PEBU largely reflects changes in the timing of cash payments from agencies to the Territory Banking Account that will be unwound in future years.

**Table 5.1.2: Net Financial Liabilities**

	2016-17 Estimate \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
2016-17 Budget	5,496.5	5,659.6	6,411.5	6,226.7
2016-17 Pre-Election Budget Update	5,215.6	5,423.2	6,221.1	6,058.2
2016-17 Budget Review	5,202.1	5,513.2	6,171.4	6,052.4
Net Financial Liabilities to GSP (%)	13.8	14.0	14.9	13.9

Net Financial Liabilities in 2016-17 are projected to decrease compared with the original 2016-17 Budget. This variation largely reflects higher investments held by the Territory Banking Account, consistent with lower cash drawdowns as discussed above. Net Financial Liabilities in 2016-17 are in line with the PEBU estimate.

Net Financial Liabilities are projected to increase across the forward estimates, consistent with annual borrowing requirements.

**Table 5.1.3: Net Worth**

	<b>2016-17 Estimate \$m</b>	<b>2017-18 Estimate \$m</b>	<b>2018-19 Estimate \$m</b>	<b>2019-20 Estimate \$m</b>
2016-17 Budget	17,100.2	17,316.4	17,515.6	17,735.9
2016-17 Pre-Election Budget Update	17,457.2	17,651.9	17,835.1	18,015.5
2016-17 Budget Review	17,555.5	17,667.7	17,920.6	18,065.6
Net Worth to GSP (%)	46.5	44.8	43.3	41.5

Net Worth in 2016-17 is projected to increase compared with the original budget. This increase is reflective of higher investments held by the Territory Banking Account.



## 5.2 UNFUNDED SUPERANNUATION LIABILITY

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ACT Government employees are members of a number of different superannuation schemes as arrangements have changed over time. The Government currently recognises a defined benefit superannuation liability for around 36,000 past and current employees, including current contributors, deferred beneficiaries and pensioners. As at 30 June 2016, 7,906 current full-time employees were contributors to the Commonwealth's closed defined benefit superannuation schemes – the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS).

With the exception of employer productivity contributions, the employer-financed component of member entitlements for both of these schemes is unfunded and is not required to be paid until members retire. The superannuation liability is a long-term liability with employee retirement benefits projected well into the future.

The Government maintains, as a key financial objective, a funding plan to extinguish the Territory's unfunded defined benefit superannuation liability by 2030. The funding plan involves the accumulation of funds in the Superannuation Provision Account (SPA). The SPA currently receives budget appropriation that is put towards annual benefit payments to the Commonwealth. Financial investment earnings are re-invested to support the growth of the financial investment assets over time.

### Superannuation Defined Benefit Liability

As the employer financial obligations will be settled many years into the future, the estimated financial obligation is measured on a discounted basis. The ultimate cost of the financial obligation will be influenced by several factors.

Actuarial assumptions of future events are required to measure the liability and expense. As required by the Australian Accounting Standards (AASB 119 *Employee Benefits*), the actuarial assumptions must be unbiased, being neither imprudent nor excessively conservative, and mutually compatible if they reflect the economic relationships between factors. The financial and demographic assumptions are the best estimates of the variables that will determine the ultimate cost of the defined benefit financial obligations. The financial and demographic assumptions supporting the valuation estimates are reviewed by the Government, in consultation with Treasury's appointed actuary, on an ongoing basis.

The projected benefit payments are determined from actual accrued member balances at valuation date and are actuarially projected forward using a range of financial and demographic assumptions such as inflation, wages growth, rates of retirement and resignation, investment returns, benefit stream election, and mortality rates.

AASB 119 requires the use of the yield (interest rate) on a suitable Commonwealth Government bond as the discount rate to estimate the present value of the future expected superannuation benefit payments ('the superannuation liability') at financial year end for the purpose of the annual financial statements.

The discount rate used to calculate the present value of the superannuation liability has a significant financial impact on the estimated present value of the superannuation liability and related superannuation expense. A lower discount rate leads to a higher estimate of the superannuation liability and related superannuation expense, and vice versa. As domestic interest rates increase, the superannuation liability valuation estimate will decrease.

A long-term average discount rate assumption of six per cent is currently used to estimate the superannuation liability valuation and superannuation expense projections over the budget and forward years.

The use of a long-term discount rate assumption for the budget and forward year estimates removes significant and unnecessary valuation volatility due to the day to day movement in domestic interest rates. This is particularly relevant in the current environment of historically low interest rates.

The level and volatility of domestic interest rates in the future will continue to significantly affect the estimated superannuation liability valuations and the funding position. If the current interest rate on the relevant Commonwealth Government bond remains below this estimated long-term average assumption, then the estimated superannuation liability (and the unfunded superannuation liability) will be higher than the budget estimate.

## **Superannuation Provision Account Investment Assets**

The SPA investment portfolio has a long-term investment strategy that is based on a strategic asset allocation that is projected to deliver a long-term average return of the Consumer Price Index (CPI) plus five per cent per annum.

The budget forward estimates do not attempt to forecast expected total portfolio investment returns. Due to the volatile nature of global investment markets, investment earnings recognised in any particular year will vary from the annual budget estimates.

Over the last 20 years to 30 June 2016, the SPA investment portfolio has achieved an annualised investment return of CPI plus five per cent per annum, which is in line with the long-term target investment return objective.

The financial year to date return is currently in line with the earnings estimate reflected in the *2016 Pre-Election Budget Update*.

## **Funding Ratio**

The coverage ratio of the Territory's defined benefit superannuation liability with investment assets is estimated to be 59 per cent as at 30 June 2017, based on the liability valuation estimate utilising the long-term budget discount rate assumption and the estimated investment return for the 2016-17 financial year.

Table 5.2.1 below outlines the revised estimates of the SPA.

**Table 5.2.1: Superannuation Provision Account**

	<b>2016-17 Budget Review \$m</b>	<b>2017-18 Estimate \$m</b>	<b>2018-19 Estimate \$m</b>	<b>2019-20 Estimate \$m</b>
Superannuation Assets	3,690.9	3,888.0	4,100.2	4,407.4
Superannuation Liabilities	6,243.0	6,501.0	6,750.5	6,989.1
Percentage of Funded Superannuation (%)	59	60	61	63

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



## 5.3 BORROWINGS

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

The debt securities issued include:

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

Other funding comprises residual Commonwealth loans provided to the Territory at self-government that are fixed rate, with annual principal and interest repayments until maturity. In 2014-15, the debt funding program was supplemented by a \$1 billion loan provided from the Commonwealth to support the financing of the Asbestos Eradication Scheme.

The estimated outstanding borrowings and interest expenses are detailed below in Tables 5.3.1 and 5.3.2.

**Table 5.3.1: Territory Borrowings – Principal Outstanding – 2016-17 Budget Review**

	2016-17 Budget Review \$m	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
<b>General Government Sector</b>				
Market Borrowings	1,941.8	2,142.4	2,444.3	2,341.3
Historic Commonwealth Loans (self-government)	71.8	67.8	63.7	59.4
Commonwealth Loan – Asbestos Eradication Scheme	1,000.0	950.0	900.0	850.0
<b>Sub-Total</b>	<b>3,013.6</b>	<b>3,160.2</b>	<b>3,408.0</b>	<b>3,250.7</b>
<b>Public Trading Enterprises Sector</b>				
Market Borrowings	1,638.2	1,716.1	1,751.6	1,791.3
Historic Commonwealth Loans (self-government)	62.8	58.1	53.5	49.0
<b>Sub-Total</b>	<b>1,701.0</b>	<b>1,774.2</b>	<b>1,805.1</b>	<b>1,840.3</b>
<b>Total<sup>1</sup></b>	<b>4,714.6</b>	<b>4,934.5</b>	<b>5,213.1</b>	<b>5,091.0</b>

**Note:**

1. Refer to sum of 'Advances Received' and 'Other Borrowings' in the Total Territory Financial Statements (Appendix D). This table does not include finance leases and lease liabilities associated with Public Private Partnerships.

**Table 5.3.2: Territory Borrowings – Interest Expense – 2016-17 Budget Review**

	<b>2016-17 Budget Review \$m</b>	<b>2017-18 Estimate \$m</b>	<b>2018-19 Estimate \$m</b>	<b>2019-20 Estimate \$m</b>
<b>General Government Sector</b>				
Market Borrowings	78.8	80.2	79.9	92.4
Historic Commonwealth Loans (self-government)	3.7	3.5	3.3	3.0
Commonwealth Loan – Asbestos Eradication Scheme	27.1	27.1	25.7	24.4
<b>Sub-Total</b>	<b>109.6</b>	<b>110.8</b>	<b>108.9</b>	<b>119.8</b>
<b>Public Trading Enterprise Sector</b>				
Market Borrowings	72.0	74.5	72.9	75.1
Historic Commonwealth Loans (self-government)	3.0	2.8	2.6	2.4
<b>Sub-Total</b>	<b>75.1</b>	<b>77.4</b>	<b>75.5</b>	<b>77.5</b>
<b>Total<sup>1</sup></b>	<b>184.7</b>	<b>188.1</b>	<b>184.4</b>	<b>197.4</b>

**Note:**

1. Refer to 'Interest Expenses' in the Total Territory Financial Statements (Appendix D). This table does not include interest expenses for finance leases and Public Private Partnerships.

The borrowing program over the budget and forward years remains largely unchanged from the estimates included in the 2016-17 Budget. There is a short-term increase in borrowings at the end of 2017-18 and 2019-20, compared with the 2016-17 Budget, reflecting changes in the timing of cash payments from agencies to the Territory Banking Account as well as lower GST payments from the Commonwealth.

## 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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Revenue</b>						
Taxation Revenue	1,568,249	1,633,960	1,642,927	1,729,834	1,871,120	1,969,686
Grants Revenue						
Commonwealth Grants	1,885,605	2,087,251	2,062,747	2,132,713	2,165,405	2,244,840
Gains from Contributed Assets	79,890	155,806	155,806	98,906	124,785	100,197
Sales of Goods and Services	515,524	479,416	479,589	505,052	520,787	530,400
Interest Income	129,782	116,210	123,790	112,205	105,231	112,139
Distributions from Financial Investments	53,835	36,391	29,845	39,489	49,426	52,637
Dividend and Income Tax Equivalents Income	408,546	405,808	493,410	291,213	365,213	385,048
Other Revenue	143,655	143,342	147,784	148,556	151,474	150,415
<b>Total Revenue</b>	<b>4,785,087</b>	<b>5,058,184</b>	<b>5,135,898</b>	<b>5,057,968</b>	<b>5,353,441</b>	<b>5,545,362</b>
<b>Expenses</b>						
Employee Expenses	1,865,868	1,892,025	1,897,725	1,902,752	1,945,412	1,982,161
Superannuation Expenses						
Superannuation Interest Cost	315,401	315,534	293,498	375,236	389,906	404,003
Other Superannuation Expenses	360,678	417,211	457,962	285,477	284,241	283,105
Depreciation and Amortisation	367,433	372,680	371,698	383,234	408,101	419,306
Interest Expense	176,217	187,445	186,212	202,558	215,695	232,429
Other Operating Expenses						
Supplies and Services	898,039	1,028,169	1,010,721	1,002,908	1,075,470	1,186,016
Other Operating Expenses	146,867	191,697	204,221	205,901	213,864	220,747
Grants and Purchased Services	976,264	998,988	1,004,136	975,807	1,005,858	1,007,829
<b>Total Expenses</b>	<b>5,106,766</b>	<b>5,403,749</b>	<b>5,426,173</b>	<b>5,333,873</b>	<b>5,538,547</b>	<b>5,735,596</b>
<b>UPF Net Operating Balance</b>	<b>-321,680</b>	<b>-345,565</b>	<b>-290,275</b>	<b>-275,905</b>	<b>-185,106</b>	<b>-190,234</b>
<b>Other Economic Flows – Included in the Operating Result</b>						
Dividends (Market Gains on Land Sales)	11,924	62,014	68,567	24,190	106,815	4,903
Net Land Revenue (Undeveloped Land Value)	91,721	94,092	86,305	50,908	47,292	48,955
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-85,485	-1,513	-1,513	-1,558	-1,572	-1,604
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	-5,430	163,566	232,108	181,624	190,033	203,487
Doubtful Debts	-10,276	-6,887	-6,887	-7,028	-7,155	-7,274
<b>Operating Result</b>	<b>-319,226</b>	<b>-34,293</b>	<b>88,305</b>	<b>-27,769</b>	<b>150,307</b>	<b>58,233</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Items that will not be Reclassified Subsequently to Profit or Loss</b>						
Payments to ACT Government Agencies	-32,846	-21,855	-23,855	-26,870	-26,930	-5,000
Capital Distributions	6,335	89,667	47,092	31,778	166,750	-
Transfer of Assets to the Public Trading Enterprises Sector	-36,136	-	-236,400	-122,000	-164,778	-
Superannuation Actuarial Gain/(Loss)	-1,876,734	3,815,947	4,843,871	-	-	-
Prior Year Adjustment	40,217	-	-	-	-	-
Other Movements	-49	889	889	888	888	888
Increase/(Decrease) in the Asset Revaluation Surplus	65,926	17,993	126,385	14,983	21,573	-6,431
Increase/(Decrease) in Other Reserves	300	-	-	-	-	-
<b>Items that may be Subsequently Reclassified to Profit or Loss</b>						
Increase/(Decrease) in Net Assets of Public Trading Entities	275,740	247,651	300,777	241,172	105,050	97,361
<b>Total Comprehensive Income</b>	<b>-1,876,472</b>	<b>4,115,999</b>	<b>5,147,064</b>	<b>112,182</b>	<b>252,860</b>	<b>145,051</b>
<b>UPF Net Operating Balance</b>	<b>-321,680</b>	<b>-345,565</b>	<b>-290,275</b>	<b>-275,905</b>	<b>-185,106</b>	<b>-190,234</b>
<b>less Net Acquisition of Non-Financial Assets</b>						
Payments for Non-Financial Assets	790,248	934,387	930,172	809,107	640,317	350,147
Sales of Non-Financial Assets	-65,194	-299,893	-285,247	-268,461	-157,291	-101,155
Land Revenue (Net Cash Receipts)	-79,356	-51,312	-55,320	-11,536	-29,021	-40,165
Depreciation and Amortisation	-367,433	-372,680	-371,698	-383,234	-408,101	-419,306
Other Movements in Non-Financial Assets	66,936	155,410	155,410	98,501	124,369	99,771
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>345,201</i>	<i>365,912</i>	<i>373,317</i>	<i>244,377</i>	<i>170,273</i>	<i>-110,708</i>
<b>Net Lending / (Borrowing)</b>	<b>-666,881</b>	<b>-711,477</b>	<b>-663,592</b>	<b>-520,282</b>	<b>-355,379</b>	<b>-79,526</b>
<b>GOVERNMENT FISCAL MEASURE – BUDGET OPERATING SURPLUS/DEFICIT</b>						
UPF Net Operating Balance	-321,680	-345,565	-290,275	-275,905	-185,106	-190,234
Superannuation Return Adjustment	147,992	163,566	170,812	181,624	190,033	203,487
<b>HEADLINE NET OPERATING BALANCE</b>	<b>-173,688</b>	<b>-181,999</b>	<b>-119,463</b>	<b>-94,281</b>	<b>4,927</b>	<b>13,253</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Financial Assets</b>						
Cash and Deposits	659,575	326,812	365,527	358,891	354,858	350,104
Advances Paid	1,608,017	1,717,094	1,713,980	1,788,353	1,820,417	1,856,750
Investments and Loans	4,126,405	4,196,927	4,282,820	4,429,790	4,756,076	5,082,384
Receivables	618,648	637,412	792,753	797,548	734,554	666,914
Equity - Investments in Other Public Sector Entities	6,311,764	6,443,155	6,612,541	6,853,713	6,958,763	7,056,124
<b>Total Financial Assets</b>	<b>13,324,409</b>	<b>13,321,400</b>	<b>13,767,621</b>	<b>14,228,295</b>	<b>14,624,668</b>	<b>15,012,276</b>
<b>Non-Financial Assets</b>						
<b>Produced Assets</b>						
Property, Plant and Equipment	11,571,758	11,610,181	11,720,326	12,067,237	13,067,262	13,139,384
Investment Properties	5,410	2,600	5,410	5,410	5,410	5,410
Intangibles	61,901	98,998	93,796	146,612	161,913	169,672
Inventories	17,650	15,734	17,715	17,914	18,114	18,314
Assets Held for Sale	54,258	50	54,258	54,258	54,258	54,258
Capital Works-in-Progress	707,292	973,167	959,247	906,027	694,884	453,279
<b>Non Produced Assets</b>						
Property, Plant and Equipment	2,947,894	3,164,004	3,007,497	3,010,399	3,084,345	3,185,366
Loose-Fill Asbestos Insulation Eradication Scheme Land	368,000	262,332	262,332	94,850	22,785	12,320
Biological Assets	28,476	26,516	24,490	24,490	24,234	24,490
<b>Total Non-Financial Assets</b>	<b>15,762,640</b>	<b>16,153,582</b>	<b>16,145,071</b>	<b>16,327,251</b>	<b>17,133,205</b>	<b>17,061,907</b>
<b>Total Assets</b>	<b>29,087,049</b>	<b>29,474,982</b>	<b>29,912,679</b>	<b>30,555,546</b>	<b>31,757,873</b>	<b>32,074,183</b>
<b>Liabilities</b>						
Deposits Held	15,842	17,195	16,843	15,344	15,342	15,342
Advances Received	1,075,689	1,071,835	1,071,835	1,017,833	963,676	909,357
<b>Borrowings</b>						
Finance Leases	2,608	3,292	5,607	109,205	487,914	475,955
Other Borrowings	3,511,086	3,606,518	3,579,970	3,858,519	4,195,981	4,132,697
Superannuation	10,719,228	6,253,375	6,245,724	6,504,027	6,753,767	6,992,563
Employee Benefits	651,526	633,714	679,483	706,044	732,971	759,921
Other Provisions	227,425	343,285	261,812	154,180	138,184	145,815
Payables	466,610	440,711	488,319	515,527	542,722	570,584
Other Liabilities	8,560	4,826	7,546	7,145	6,734	6,316
<b>Total Liabilities</b>	<b>16,678,574</b>	<b>12,374,751</b>	<b>12,357,139</b>	<b>12,887,824</b>	<b>13,837,291</b>	<b>14,008,550</b>
<b>Net Assets</b>	<b>12,408,475</b>	<b>17,100,231</b>	<b>17,555,540</b>	<b>17,667,722</b>	<b>17,920,582</b>	<b>18,065,633</b>
Equity in Public Trading Entities	6,311,764	6,443,155	6,612,541	6,853,713	6,958,763	7,056,124
Accumulated Funds	707,685	5,289,758	5,427,587	5,283,614	5,409,851	5,463,972
Asset Revaluation Surplus	5,388,227	5,366,818	5,514,612	5,529,595	5,551,168	5,544,737
Other Reserves	800	500	800	800	800	800
<b>Net Worth</b>	<b>12,408,475</b>	<b>17,100,231</b>	<b>17,555,540</b>	<b>17,667,722</b>	<b>17,920,582</b>	<b>18,065,633</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Net Financial Worth</b>	-3,354,164	946,649	1,410,482	1,340,471	787,377	1,003,726
<b>Net Financial Liabilities</b>	9,665,928	5,496,506	5,202,059	5,513,242	6,171,386	6,052,398
<b>Net Debt (Including Superannuation Related Investments)</b>	-1,788,772	-1,541,993	-1,688,072	-1,576,133	-1,268,438	-1,755,887
<b>Net Debt (Excluding Superannuation Related Investments)</b>	1,646,475	2,080,158	2,001,669	2,310,727	2,830,669	2,650,440

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Opening Equity</b>						
Opening Equity in Public Trading Entities	6,036,024	6,195,504	6,311,764	6,612,541	6,853,713	6,958,763
Opening Accumulated Funds	2,926,370	1,675,803	707,685	5,427,587	5,283,614	5,409,851
Opening Asset Revaluation Surplus	5,322,054	5,348,825	5,388,227	5,514,612	5,529,595	5,551,168
Opening Other Reserves	500	500	800	800	800	800
<b>Opening Balance</b>	<b>14,284,948</b>	<b>13,220,632</b>	<b>12,408,476</b>	<b>17,555,540</b>	<b>17,667,722</b>	<b>17,920,582</b>
<b>Comprehensive Income</b>						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	-319,226	-34,293	88,305	-27,769	150,307	58,233
Payments to ACT Government Agencies	-32,846	-21,855	-23,855	-26,870	-26,930	-5,000
Capital Distributions	6,335	89,667	47,092	31,778	166,750	-
Superannuation Actuarial Gain/(Loss)	-1,876,734	3,815,947	4,843,871	-	-	-
Prior Year Adjustment	40,217	-	-	-	-	-
Transfer of Assets to the Public Trading Enterprises Sector	-36,136	-	-236,400	-122,000	-164,778	-
Other Movements	-49	889	889	888	888	888
<i>Included in Equity in Public Trading Entities:</i>						
Increase/(Decrease) in Net Assets of Public Trading Entities	275,740	247,651	300,777	241,172	105,050	97,361
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	65,926	17,993	126,385	14,983	21,573	-6,431
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	300	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-1,876,472</b>	<b>4,115,999</b>	<b>5,147,064</b>	<b>112,182</b>	<b>252,860</b>	<b>145,051</b>
<b>Other</b>						
Transfer to/(from) Accumulated Funds	-246	-	-	-	-	-
Movement in the Asset Revaluation Surplus	246	-	-	-	-	-
<b>Total Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Transactions Involving Owners Affecting Accumulated Funds</b>						
<i>Included in Accumulated Funds:</i>						
Transfer of Assets to the Public Trading Enterprises Sector	-	-236,400	-	-	-	-
<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>0</b>	<b>-236,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing Equity</b>						
Closing Equity in Public Trading Entities	6,311,764	6,443,155	6,612,541	6,853,713	6,958,763	7,056,124
Closing Accumulated Funds	707,685	5,289,758	5,427,587	5,283,614	5,409,851	5,463,972
Closing Asset Revaluation Surplus	5,388,227	5,366,818	5,514,612	5,529,595	5,551,168	5,544,737
Closing Other Reserves	800	500	800	800	800	800
<b>Balance at the End of the Reporting Period</b>	<b>12,408,476</b>	<b>17,100,231</b>	<b>17,555,540</b>	<b>17,667,722</b>	<b>17,920,582</b>	<b>18,065,633</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Flows from Operating Activities</b>						
<i>Cash Receipts</i>						
Taxes Received	1,494,577	1,638,504	1,647,471	1,737,551	1,878,497	1,976,553
Receipts from Sales of Goods and Services	670,769	493,650	476,258	460,737	499,916	520,637
Grants/Subsidies Received	1,864,405	2,095,750	2,071,246	2,169,230	2,169,503	2,249,367
Distributions from Financial Investments	27,421	36,391	29,845	39,489	49,426	52,637
Interest Receipts	131,575	114,214	115,283	103,788	97,402	104,263
Dividends and Income Tax Equivalents	301,511	361,335	315,910	260,716	430,673	458,758
Other Receipts	423,687	408,014	410,227	411,170	410,835	411,972
<b>Total Cash Received from Operating Activities</b>	<b>4,913,945</b>	<b>5,147,858</b>	<b>5,066,240</b>	<b>5,182,681</b>	<b>5,536,252</b>	<b>5,774,187</b>
<i>Cash Payments</i>						
Payments for Employees	-2,247,552	-2,245,746	-2,254,744	-2,296,401	-2,359,284	-2,419,946
Payments for Goods and Services	-1,039,752	-958,421	-946,774	-899,289	-972,296	-1,111,057
Grants/Subsidies Paid	-926,063	-1,004,905	-1,010,029	-974,117	-1,006,608	-1,018,501
Interest Paid	-169,838	-186,570	-180,066	-194,197	-205,731	-223,465
Other Payments	-467,637	-482,956	-485,926	-471,027	-479,928	-482,030
<b>Total Cash Paid from Operating Activities</b>	<b>-4,850,842</b>	<b>-4,878,598</b>	<b>-4,877,539</b>	<b>-4,835,031</b>	<b>-5,023,847</b>	<b>-5,254,999</b>
<b>Net Cash Flows from Operating Activities</b>	<b>63,103</b>	<b>269,260</b>	<b>188,701</b>	<b>347,650</b>	<b>512,405</b>	<b>519,188</b>
<b>Cash Flows from Investing Activities</b>						
<b>Cash Flows from Investments in Non-Financial Assets</b>						
Sales of Non-Financial Assets	65,194	299,893	285,247	268,461	157,291	101,155
Payments for Non-Financial Assets	-790,248	-934,387	-930,172	-809,107	-640,317	-350,147
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>-725,054</b>	<b>-634,494</b>	<b>-644,925</b>	<b>-540,646</b>	<b>-483,026</b>	<b>-248,992</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>						
<i>Cash Receipts</i>						
Repayment of Loans	1,000	308	308	2,768	2,721	2,725
Dividends - Market Gains on Land Sales	11,924	62,014	68,567	24,190	106,815	4,903
Capital Distributions	-	95,002	61,285	31,778	167,950	-
<b>Total Cash Received from Investment in Financial Assets for Policy Purposes</b>	<b>12,924</b>	<b>157,324</b>	<b>130,160</b>	<b>58,736</b>	<b>277,486</b>	<b>7,628</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Payments</b>						
Issue of Loans	-	-62	-62	-62	-62	-62
Capital Payments to Government Agencies	-32,846	-21,855	-23,855	-26,870	-26,930	-5,000
<b>Total Cash Paid from Investments in Financial Assets for Policy Purposes</b>	<b>-32,846</b>	<b>-21,917</b>	<b>-23,917</b>	<b>-26,932</b>	<b>-26,992</b>	<b>-5,062</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>-19,922</b>	<b>135,407</b>	<b>106,243</b>	<b>31,804</b>	<b>250,494</b>	<b>2,566</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>						
Sales of Investments	234,564	591,241	485,712	398,312	383,319	413,465
Payments for Investments	-211,427	-371,363	-388,507	-384,869	-536,684	-531,125
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>23,137</b>	<b>219,878</b>	<b>97,205</b>	<b>13,443</b>	<b>-153,365</b>	<b>-117,660</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-721,838</b>	<b>-279,209</b>	<b>-441,477</b>	<b>-495,399</b>	<b>-385,897</b>	<b>-364,086</b>
<b>Cash Flows from Financing Activities</b>						
<b>Cash Receipts</b>						
Borrowings	825,665	133,596	130,080	603,748	365,599	245,543
<b>Total Cash Received from Financing Activities</b>	<b>825,665</b>	<b>133,596</b>	<b>130,080</b>	<b>603,748</b>	<b>365,599</b>	<b>245,543</b>
<b>Cash Payments</b>						
Borrowings	-254,051	-137,294	-133,855	-462,635	-496,140	-405,399
<b>Total Cash Paid from Financing Activities</b>	<b>-254,051</b>	<b>-137,294</b>	<b>-133,855</b>	<b>-462,635</b>	<b>-496,140</b>	<b>-405,399</b>
<b>Net Cash Flows from Financing Activities</b>	<b>571,614</b>	<b>-3,698</b>	<b>-3,775</b>	<b>141,113</b>	<b>-130,541</b>	<b>-159,856</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>-87,121</b>	<b>-13,647</b>	<b>-256,551</b>	<b>-6,636</b>	<b>-4,033</b>	<b>-4,754</b>
<b>Cash and Cash Equivalents at the Beginning of Reporting Period</b>	<b>710,200</b>	<b>370,480</b>	<b>622,079</b>	<b>365,528</b>	<b>358,892</b>	<b>354,859</b>
<b>Cash and Cash Equivalents at the End of Reporting Period</b>	<b>622,079</b>	<b>356,833</b>	<b>365,528</b>	<b>358,892</b>	<b>354,859</b>	<b>350,105</b>
<b>Key Fiscal Aggregates</b>						
Net Cash from Operating Activities	63,103	269,260	188,701	347,650	512,405	519,188
Investments in Non-Financial Assets	-725,054	-634,494	-644,925	-540,646	-483,026	-248,992
<b>Cash Surplus (+) / Deficit (-)</b>	<b>-661,951</b>	<b>-365,234</b>	<b>-456,224</b>	<b>-192,996</b>	<b>29,379</b>	<b>270,196</b>

Note that a positive number denotes a cash inflow, while a negative sign denotes a cash outflow.



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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>						
<b>Cash Surplus (+) / Deficit (-)</b>	-661,951	-365,234	-456,224	-192,996	29,379	270,196
Acquisitions Under Finance Leases and Similar Arrangements(a)	-	-99	-99	-4,772	-377,489	-1,968
<b>ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements</b>	-661,951	-365,333	-456,323	-197,768	-348,110	268,228

**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**

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>General Tax</b>						
Payroll Tax	422,434	439,977	439,977	468,230	506,069	543,341
Tax Waivers	-	172	172	178	182	182
General Rates	422,635	447,179	447,216	488,211	530,133	570,151
Land Tax	101,008	110,345	110,345	130,079	138,212	144,195
<b>Total General Tax</b>	<b>946,076</b>	<b>997,673</b>	<b>997,710</b>	<b>1,086,698</b>	<b>1,174,596</b>	<b>1,257,869</b>
<b>Duties</b>						
Conveyances	286,289	266,975	275,901	250,263	279,403	285,265
General Insurance	13,233	-	-	-	-	-
Life Insurance	1,034	-	-	-	-	-
Motor Vehicle Registrations and Transfers	28,608	30,630	30,630	31,325	32,390	33,490
Shares and Marketable Securities <sup>#</sup>	3	-	-	-	-	-
<b>Total Duties</b>	<b>329,167</b>	<b>297,605</b>	<b>306,531</b>	<b>281,588</b>	<b>311,793</b>	<b>318,755</b>
<b>Gambling Taxes</b>						
Tabcorp Licence Fee	1,017	1,032	1,032	1,058	1,084	1,111
Gaming Tax	33,524	34,098	34,098	34,951	35,825	36,721
Casino Tax	2,300	2,254	2,254	2,310	2,368	2,427
Interstate Lotteries	14,414	14,886	14,886	15,258	15,639	16,030
<b>Total Gambling Taxes</b>	<b>51,255</b>	<b>52,270</b>	<b>52,270</b>	<b>53,577</b>	<b>54,916</b>	<b>56,289</b>
<b>Other Taxes</b>						
Motor Vehicle Registrations	115,676	127,371	127,371	135,660	144,560	144,502
Ambulance Levy	20,195	22,694	22,694	24,281	25,424	26,690
Lease Variation Charge	7,377	17,744	17,744	18,454	19,377	20,346
Utilities (Network Facilities) Tax	28,626	30,049	30,049	31,546	32,649	33,792
Fire and Emergency Service Levy	55,239	64,487	64,491	73,336	82,370	85,249
City Centre Marketing and Improvements Levy	1,986	1,986	1,986	1,989	1,992	1,995
Energy Industry Levy	3,129	3,637	3,637	3,728	3,821	3,917
Lifetime Care and Support Levy	9,522	13,744	13,744	14,277	14,822	15,382
Safer Families Levy	-	4,700	4,700	4,700	4,800	4,900
<b>Total Other Taxes</b>	<b>241,750</b>	<b>286,412</b>	<b>286,416</b>	<b>307,971</b>	<b>329,815</b>	<b>336,773</b>
<b>Total Taxation</b>	<b>1,568,249</b>	<b>1,633,960</b>	<b>1,642,927</b>	<b>1,729,834</b>	<b>1,871,120</b>	<b>1,969,686</b>

**Note:**

# Duty on shares and marketable securities was abolished on 1 July 2010. The 2015-16 actual outcome reflects payment for transactions relating to previous years.

## APPENDICES

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# APPENDIX A

## RE-PROFILED CAPITAL WORKS PROJECTS



## APPENDIX A: RE-PROFILED CAPITAL WORKS PROJECTS

Project Name <sup>1</sup>	Total Project Value	Prior Years Financing \$'000	Original Cash Flow			Re-profiled Capital Works Program				
			2016-17 <sup>2</sup> \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>Chief Minister, Treasury and Economic Development Directorate</b>										
Better Public Housing – New public housing properties	357,202	0	155,983	121,200	80,019	0	127,983	149,200	80,019	0
Better Roads for Gungahlin – Enhanced Town Centre road network	10,006	2,982	5,024	2,000	0	0	4,200	2,824	0	0
Better Roads for Gungahlin – Gungahlin Town Centre road network improvements	4,500	0	4,500	0	0	0	1,250	3,250	0	0
Better Roads for Gungahlin – Horse Park Drive duplication	14,983	706	10,477	3,800	0	0	10,250	4,027	0	0
Better Roads for the Inner South – Yarralumla Estate	250	0	250	0	0	0	180	70	0	0
Better Services – Weston Creek and Stromlo swimming pool and leisure centre	33,000	0	3,000	8,000	11,000	11,000	1,000	10,000	11,000	11,000
City to the Lake Arterial Roads Concept Design	2,750	800	1,950	0	0	0	1,314	636	0	0
Cravens Creek Water Quality Control Pond	11,273	7,789	1,784	1,700	0	0	1,743	1,741	0	0
Grant for Development of a New Basketball Centre and Player Amenities	3,000	1,499	1,501	0	0	0	1,436	65	0	0
Improving Our Suburbs – New Molonglo Valley infrastructure	32,970	0	5,600	13,000	14,370	0	1,250	17,350	14,370	0

Project Name <sup>1</sup>	Total Project Value	Prior Years Financing	Original Cash Flow					Re-profiled Capital Works Program				
			2016-17 <sup>2</sup>	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20		
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Isabella Weir Spillway – Upgrades	10,100	1,499	1,666	6,935	0	0	2,001	6,600	0	0		
Majura Parkway to Majura Road – Link road	14,756	5,353	6,977	2,426	0	0	6,902	2,501	0	0		
Molonglo 2 – Water Quality Control Ponds, Sewers and Cyclepath (Design)	1,000	276	368	356	0	0	15	709	0	0		
Molonglo 2 – Sewer and Pedestrian Bridge over Molonglo River	12,400	11,624	776	0	0	0	501	275	0	0		
Molonglo Infrastructure Investment	15,738	14,051	1,687	0	0	0	1,299	388	0	0		
Narrabundah Ballpark Upgrade – Best little ballpark in Australia	4,500	0	1,000	2,500	1,000	0	0	3,500	1,000	0		
National Arboretum Canberra – Event Terrace	1,484	299	1,185	0	0	0	685	500	0	0		
National Arboretum Canberra – Water Security	3,580	3,381	199	0	0	0	-73	272	0	0		
Public Art Scheme	7,348	7,055	293	0	0	0	223	70	0	0		
Stromlo Forest Park Planning and Infrastructure	2,800	1,690	1,110	0	0	0	210	900	0	0		
Throsby – Access road and Western Intersection	5,300	4,107	493	700	0	0	160	1,033	0	0		
Urban Renewal Program – Civic and Braddon public realm improvements	1,500	117	1,383	0	0	0	833	550	0	0		
Urban Renewal Program – Molonglo 3 infrastructure	2,970	263	1,037	1,670	0	0	827	1,880	0	0		
Urban Renewal Program – Phillip Oval upgrade	4,613	93	4,020	500	0	0	1,520	3,000	0	0		
Woden Valley Stormwater Retardation Basins (Design)	400	157	243	0	0	0	165	78	0	0		



Project Name <sup>1</sup>	Total Project Value \$'000	Prior Years Financing \$'000	Original Cash Flow				Re-profiled Capital Works Program			
			2016-17 <sup>2</sup> \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
<b>Environment, Planning and Sustainable Development Directorate</b>										
Enhancing the Protection of Endangered Species and Habitat	6,090	482	3,887	1,721	0	0	2,624	2,984	0	0
<b>Justice and Community Safety Directorate</b>										
Courts Public Private Partnership (PPP)- (Formerly called ACT Court Facilities Early Works Package)	7,927	198	5,544	2,004	181	0	2,967	4,581	181	0
ESA – Station Relocation and Upgrade – Phase 2 Due Diligence	2,690	1,306	984	400	0	0	600	784	0	0
Reforming Emergency Services – New SES station for Tuggeranong	2,756	0	1,667	1,089	0	0	1,000	1,756	0	0
<b>Transport Canberra and City Services Directorate</b>										
Better Public Transport – Active travel for schools and shopping centres	3,000	0	2,500	500	0	0	2,000	1,000	0	0
Better Roads for Belconnen – Aikman Drive duplication	9,801	0	5,801	4,000	0	0	5,301	4,500	0	0
Better Roads for Canberra – Stronger bridges to transport freight	6,500	0	2,400	2,300	1,800	0	1,900	2,800	1,800	0
Better Roads for Gungahlin – Gundaroo Drive duplication – Stage 1	31,185	2,985	28,200	0	0	0	16,200	12,000	0	0
Better Roads for Tuggeranong – Ashley Drive duplication – Stage 2	24,602	1,403	14,437	8,762	0	0	9,437	13,762	0	0

Project Name <sup>1</sup>	Total Project Value	Prior Years Financing	Original Cash Flow					Re-profiled Capital Works Program				
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			2016-17 <sup>2</sup>	2017-18	2018-19	2019-20	2016-17	2017-18	2018-19	2019-20		
Civic to Gungahlin Corridor Improvements	20,000	7,603	12,397	0	0	0	9,897	2,500	0	0		
Light Rail – Stage 1 – Procurement and delivery	51,777	13,163	16,545	12,185	9,884	0	12,419	16,311	9,884	0		
Urban Renewal Program – Erindale Group Centre – Gartside Street (south) development – Stage 1	860	81	779	0	0	0	529	250	0	0		
Urban Renewal Program – Phillip trade service area parking management	419	68	351	0	0	0	201	150	0	0		
Urban Renewal Program – Weston Group Centre – Brierly Street and Trenerry Square upgrades	860	46	814	0	0	0	514	300	0	0		

**Notes:**

1. Projects listed in the above table are only those in the 2016-17 Capital Works Program that have updated funding profiles.
2. Original cash flows include estimates of rollovers of funding from 2015-16 into 2016-17.

## **APPENDIX B**

### **STATEMENT OF RISKS**



## **APPENDIX B: STATEMENT OF RISKS**

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Consistent with Section 11(d) of the *Financial Management Act 1996* (FMA), each budget update is required to provide a statement describing the risks – quantified if possible – that may affect the budget estimates. Full details of economic and fiscal risks, and contingent liabilities, other commitments and outstanding claims liabilities were provided in Appendix B to the *2016 Pre-Election Budget Update* (PEBU).

The following risks have been identified at the time of publication of the 2016-17 Budget Review. Unless indicated below, risks identified in the PEBU are unchanged.

### **Economic Risks**

Commonwealth Government decisions in regard to expenditure patterns remain a significant risk to the ACT economy. The flow-on implications of any significant correction in national house prices also represent a risk to the outlook for household consumption and private investment activity in the ACT.

External risks to the national outlook include any stronger than forecast unwinding of the temporary spike in prices for major commodity exports and, related to this, the success and nature of China's transition towards a more consumption-orientated economy. Global political and financial sector instability also represent downside risks to the national outlook.

However, accelerated development of property along the Northbourne Avenue corridor represents an upside risk to the outlook, as does the potential for the low Australian dollar to attract more foreign students to study in Canberra and to increase ACT service exports more generally.

### **Contingent Liabilities**

Contingent liabilities are liabilities that result from uncertain timing or amounts. They arise from past events that are not recognised because their outflow of economic benefit is not probable or the liability cannot be measured reliably. Contingent liabilities can also occur when a liability is contingent on the outcome of an event outside the Territory's control, such as the outcome of a court case.

The types of claims lodged against the Territory include property damage, contract disputes, economic loss, personal injury and tax-related claims. Details of the Territory's contingent liabilities are identified in the ACT Government's Consolidated Annual Financial Statements, which are available online.

## Commonwealth Government Funding

Within the federal financial relations context, there is uncertainty surrounding the future direction of the Commonwealth which is generating fiscal risks for the ACT. Ongoing negotiations across a range of agreements in various sectors present risks to the ACT bottom line.

### 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 therefore in funding for the states and territories.

GST revenue grants to the ACT are also subject to annual revisions of state and territory GST relativities by the Commonwealth Grants Commission (the Commission). The Commission is expected to release its *Report on GST Revenue Sharing Relativities 2017 Update* (Update Report) in early 2017, recommending changes to relativities for 2017-18. There is potential for a change in the ACT's share of the GST pool from the outcomes of the Update Report.

### National Disability Insurance Scheme

The implementation of the National Disability Insurance Scheme represents a significant financial investment by the Commonwealth and States in improving the independence, quality of life, and outcomes of people with disability. The 2016-17 ACT Budget provided an additional \$22.3 million between 2016-17 and 2018-19 to meet the ACT's contribution to the National Disability Insurance Agency. Funding changes for 2019-20 and future years will be included in future budgets, when there is further certainty about the funding flows under full Scheme arrangements, including any potential changes to GST relativities and the ACT's GST revenue.

### Specific Purpose Payments

#### *National Health Reform Agreement*

The National Health Reform Agreement (NHRA) sets out the shared intention of the Commonwealth, and state and territory governments to deliver a nationally unified and locally controlled health system to improve health outcomes.

A new interim NHRA is currently being negotiated between the Commonwealth and the States which is intended to introduce a state-specific 'soft cap' of 6.5 per cent per annum funding growth for public hospitals. This change in funding will be reflected in an addendum to the main agreement, expected to be signed by the States in February 2017. The interim Agreement is expected to cover the period from 1 July 2017 to 30 June 2020. There is a low risk that the ACT will exceed the state specific soft cap based on current levels of growth activity and ACT Health estimates. If the ACT exceeds the soft cap, the full cost of the growth in those activities may need to be met by the ACT.

The ACT has also negotiated an individual bilateral schedule that provides a minimum health funding guarantee over the life of the Interim Health Agreement, further reducing the risk to the ACT. The minimum funding amount is the amount that would have been received under the block funding arrangements outlined in the Commonwealth's 2014-15 Budget.

### ***National Partnership Payments***

The uncertainty surrounding expiring agreements and other Commonwealth payments leaves the ACT without assurance of ongoing funding for many important services. The Commonwealth has been advised by the States, in the *2016 State Treasurers' Report on Expiring NPAs*, of the need for ongoing funding certainty in areas of national priority and, in particular, in sectors where National Partnership Payments have established a higher level of service delivered by the States.

The Commonwealth Government has extended or replaced expiring National Partnership Agreements with short-term arrangements. These short-term extensions to the Agreements impact on jurisdictions' ability to budget effectively and to maintain delivery of services to communities.





## **APPENDIX C**

### **PUBLIC TRADING ENTERPRISES FINANCIAL STATEMENTS**



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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Revenue</b>						
Government Payment for Outputs	164,078	172,362	178,816	177,883	183,156	188,175
Grants Revenue						
Commonwealth Grants	1,598	767	767	767	767	767
Gains from Contributed Assets	22,972	13,585	13,585	3,407	3,272	3,000
Sales of Goods and Services Revenue						
Revenue from Associates and Joint Ventures	106,525	73,163	73,163	78,968	77,094	95,854
Other Sales of Goods and Services	427,525	436,829	424,658	442,069	466,989	479,759
Interest Income	7,404	8,160	8,160	8,941	8,435	8,061
Distributions from Investments with the Territory Banking Account	128	-	-	-	-	-
Other Revenue						
Land Revenue (Value Add Component)	497,741	489,800	479,299	369,957	523,043	520,813
Other Revenue	14,025	9,333	27,509	23,734	23,024	23,514
<b>Total Revenue</b>	<b>1,241,994</b>	<b>1,203,999</b>	<b>1,205,957</b>	<b>1,105,726</b>	<b>1,285,780</b>	<b>1,319,943</b>
<b>Expenses</b>						
Employee Expenses	164,061	190,061	188,784	187,263	190,139	194,149
Other Superannuation Expenses	22,390	23,898	23,691	24,320	24,637	25,000
Depreciation and Amortisation	81,036	92,919	92,919	114,673	90,601	83,336
Interest Expenses	74,619	78,744	77,394	78,396	77,208	80,231
Other Property Expenses (Income Tax Expense)	124,873	125,551	151,192	80,228	120,752	100,933
Other Operating Expenses						
Supplies and Services	185,579	225,681	230,425	232,250	237,040	240,660
Other Operating Expenses	245,133	101,182	59,146	190,793	166,604	317,889
Grants and Purchased Services	91,568	130,359	130,359	72,458	97,450	73,535
<b>Total Expenses</b>	<b>989,258</b>	<b>968,395</b>	<b>953,910</b>	<b>980,381</b>	<b>1,004,431</b>	<b>1,115,733</b>
<b>UPF Net Operating Balance</b>	<b>252,736</b>	<b>235,604</b>	<b>252,047</b>	<b>125,345</b>	<b>281,349</b>	<b>204,210</b>
<b>Other Economic Flows - Included in the Operating Result</b>						
Land Revenue (Market Gains on Land Sales)	17,035	88,591	97,953	34,558	152,593	7,005
Net Land Revenue (Underdeveloped Land Value)	225	-	-	-	-	-
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-3,277	-78,924	-36,349	-31,800	-167,968	-24
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	587	312	312	312	312	312
Doubtful Debts	-2,848	-2,612	-2,612	-2,463	-2,462	-2,483
<b>Operating Result</b>	<b>264,458</b>	<b>242,971</b>	<b>311,351</b>	<b>125,952</b>	<b>263,824</b>	<b>209,020</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Other Economic Flows - Other Comprehensive Income</b>						
<b>Items that will not be Reclassified Subsequently to Profit or Loss</b>						
Prior Year Adjustment	19	-	-	-	-	-
Other Movements	366	-	-	-	-	-
Increase/(Decrease) in the Asset Revaluation Surplus	202,799	108,353	108,354	180,149	113,070	114,350
<b>Items that may be Subsequently Reclassified to Profit or Loss</b>						
Increase/(Decrease) in Other Reserves	-20	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>467,622</b>	<b>351,324</b>	<b>419,705</b>	<b>306,101</b>	<b>376,894</b>	<b>323,370</b>
<b>UPF Net Operating Balance</b>	<b>252,736</b>	<b>235,604</b>	<b>252,047</b>	<b>125,345</b>	<b>281,349</b>	<b>204,210</b>
<b>less Net Acquisition of Non-Financial Assets</b>						
Payments for Non-Financial Assets	184,369	172,070	194,078	180,891	127,178	93,603
Sales of Non-Financial Assets	-40,001	-33,551	-33,551	-38,881	-42,856	-46,350
Land Revenue (Net Cash Receipts)	-7,936	-90,172	-80,313	-30,939	-148,584	-4,360
Depreciation and Amortisation	-81,036	-92,919	-92,919	-114,673	-90,601	-83,336
Other Movements in Non-Financial Assets	-55,258	-99,476	-99,476	-45,094	-71,098	-46,771
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>138</i>	<i>-144,048</i>	<i>-112,181</i>	<i>-48,696</i>	<i>-225,961</i>	<i>-87,214</i>
<b>Net Lending / (Borrowing)</b>	<b>252,598</b>	<b>379,652</b>	<b>364,228</b>	<b>174,041</b>	<b>507,310</b>	<b>291,424</b>
UPF Net Operating Balance	252,736	235,604	252,047	125,345	281,349	204,210
<b>HEADLINE NET OPERATING BALANCE</b>	<b>252,736</b>	<b>235,604</b>	<b>252,047</b>	<b>125,345</b>	<b>281,349</b>	<b>204,210</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Financial Assets</b>						
Cash and Deposits	355,414	239,114	304,663	300,511	120,075	133,934
Investments and Loans	48,000	31,185	45,547	45,164	44,787	45,110
Receivables	158,677	143,225	165,379	178,592	191,924	205,920
Equity – Investments accounted for using the Equity Method	950,911	969,207	946,812	969,862	991,360	1,028,424
<b>Total Financial Assets</b>	<b>1,513,002</b>	<b>1,382,731</b>	<b>1,462,401</b>	<b>1,494,129</b>	<b>1,348,146</b>	<b>1,413,388</b>
<b>Non-Financial Assets</b>						
Produced Assets						
Property, Plant and Equipment	3,544,160	3,725,663	3,769,107	3,979,251	3,978,182	3,987,389
Investment Properties	8,634	10,111	9,615	10,596	11,577	12,558
Intangibles	41,205	23,297	41,006	40,854	40,729	40,729
Inventories	250,392	383,712	338,686	355,063	456,219	370,871
Assets Held for Sale	59,002	3,180	59,271	59,540	59,809	60,078
Capital Works-in-Progress	118,167	178,021	120,571	121,776	125,080	128,486
Non Produced Assets						
Property, Plant and Equipment	3,400,550	3,437,422	3,561,629	3,657,162	3,767,468	3,840,969
Other Non-Financial Assets						
Deferred Tax Assets	-	28,167	-	-	-	-
<b>Total Non-Financial Assets</b>	<b>7,422,109</b>	<b>7,789,573</b>	<b>7,899,885</b>	<b>8,224,242</b>	<b>8,439,064</b>	<b>8,441,080</b>
<b>Total Assets</b>	<b>8,935,111</b>	<b>9,172,304</b>	<b>9,362,286</b>	<b>9,718,371</b>	<b>9,787,210</b>	<b>9,854,468</b>
<b>Liabilities</b>						
Advances Received	1,606,094	1,712,335	1,706,683	1,779,336	1,809,709	1,844,273
Employee Benefits	70,772	57,998	61,496	62,624	63,767	64,924
Other Provisions	247,984	533,165	178,110	184,749	191,617	201,391
Payables	147,102	59,362	65,753	49,917	47,501	45,893
Other Liabilities						
Current Tax Liability	87,747	80,232	21,937	6,634	19,068	17,891
Deferred Tax Liability	400,097	37,848	400,097	400,097	400,097	400,097
Other Liabilities	63,369	248,209	315,669	381,301	296,688	223,875
<b>Total Liabilities</b>	<b>2,623,346</b>	<b>2,729,149</b>	<b>2,749,745</b>	<b>2,864,658</b>	<b>2,828,447</b>	<b>2,798,344</b>
<b>Net Assets</b>	<b>6,311,764</b>	<b>6,443,155</b>	<b>6,612,541</b>	<b>6,853,713</b>	<b>6,958,763</b>	<b>7,056,124</b>
Accumulated Funds	2,430,210	2,519,577	2,586,722	2,544,204	2,529,893	2,534,904
Asset Revaluation Surplus	3,871,734	3,913,738	4,015,999	4,299,689	4,419,050	4,511,400
Other Reserves	9,820	9,840	9,820	9,820	9,820	9,820
<b>Net Worth</b>	<b>6,311,764</b>	<b>6,443,155</b>	<b>6,612,541</b>	<b>6,853,713</b>	<b>6,958,763</b>	<b>7,056,124</b>
<b>Net Financial Worth</b>	<b>-1,110,344</b>	<b>-1,346,418</b>	<b>-1,287,344</b>	<b>-1,370,529</b>	<b>-1,480,301</b>	<b>-1,384,956</b>
<b>Net Debt</b>	<b>1,202,681</b>	<b>1,442,036</b>	<b>1,356,473</b>	<b>1,433,661</b>	<b>1,644,847</b>	<b>1,665,229</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Opening Equity</b>						
Opening Accumulated Funds	2,323,089	2,416,190	2,430,210	2,586,722	2,544,204	2,529,893
Opening Asset Revaluation Surplus	3,703,095	3,769,474	3,871,734	4,015,999	4,299,689	4,419,050
Opening Other Reserves	9,840	9,840	9,820	9,820	9,820	9,820
<b>Opening Balance</b>	<b>6,036,024</b>	<b>6,195,504</b>	<b>6,311,764</b>	<b>6,612,541</b>	<b>6,853,713</b>	<b>6,958,763</b>
<b>Comprehensive Income</b>						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	264,458	242,971	311,351	125,952	263,824	209,020
Other Movements	366	-	-	-	-	-
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	202,799	108,353	108,354	180,149	113,070	114,350
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	-20	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>467,622</b>	<b>351,324</b>	<b>419,705</b>	<b>306,101</b>	<b>376,894</b>	<b>323,370</b>
<b>Other</b>						
Transfer to/(from) Accumulated Funds	34,160	-35,911	-35,911	-103,541	-6,291	22,000
Movement in the Asset Revaluation Surplus	-34,160	35,911	35,911	103,541	6,291	-22,000
<b>Total Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transactions Involving Owners Affecting Accumulated Funds</b>						
Capital Injections	32,846	21,855	23,855	26,870	26,930	5,000
Capital Distributions	-6,335	-78,367	-35,792	-31,778	-166,750	-
Increase/(Decrease) in Net Assets from the General Government Sector	36,136	236,400	236,400	122,000	164,778	-
Dividends Approved	-253,297	-283,561	-343,391	-182,021	-296,802	-231,009
<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>-190,650</b>	<b>-103,673</b>	<b>-118,928</b>	<b>-64,929</b>	<b>-271,844</b>	<b>-226,009</b>
<b>Closing Equity</b>						
Closing Accumulated Funds	2,430,210	2,519,577	2,586,722	2,544,204	2,529,893	2,534,904
Closing Asset Revaluation Surplus	3,871,734	3,913,738	4,015,999	4,299,689	4,419,050	4,511,400
Closing Other Reserves	9,820	9,840	9,820	9,820	9,820	9,820
<b>Balance at the End of the Reporting Period</b>	<b>6,311,764</b>	<b>6,443,155</b>	<b>6,612,541</b>	<b>6,853,713</b>	<b>6,958,763</b>	<b>7,056,124</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Flows from Operating Activities</b>						
<i>Cash Receipts</i>						
Receipts from Sales of Goods and Services	1,007,770	1,061,496	1,030,282	849,358	1,162,478	1,039,470
Grants/Subsidies Received	164,727	172,231	178,685	177,724	182,983	188,002
Interest Receipts	7,518	7,520	7,831	7,084	6,874	6,696
Distribution from Investments with the Territory Banking Account	371	-	-	-	-	-
Other Receipts	112,796	142,790	153,777	108,499	112,943	89,295
<b>Total Cash Received from Operating Activities</b>	<b>1,293,182</b>	<b>1,384,037</b>	<b>1,370,575</b>	<b>1,142,665</b>	<b>1,465,278</b>	<b>1,323,463</b>
<i>Cash Payments</i>						
Payments for Employees	-193,227	-206,342	-204,858	-211,618	-214,917	-219,295
Payments for Goods and Services	-181,092	-250,219	-259,783	-258,199	-266,392	-269,115
Grants/Subsidies Paid	-24,715	-24,949	-24,949	-23,957	-23,080	-23,764
Interest Paid	-77,531	-84,954	-76,921	-76,624	-72,084	-74,916
Other Payments	-348,657	-382,689	-305,419	-254,238	-388,640	-313,309
<b>Total Cash Paid from Operating Activities</b>	<b>-825,223</b>	<b>-949,153</b>	<b>-871,930</b>	<b>-824,636</b>	<b>-965,113</b>	<b>-900,399</b>
<b>Net Cash Flows from Operating Activities</b>	<b>467,959</b>	<b>434,884</b>	<b>498,645</b>	<b>318,029</b>	<b>500,165</b>	<b>423,064</b>
<b>Cash Flows from Investing Activities</b>						
<b>Cash Flows from Investments in Non-Financial Assets</b>						
Sales of Non-Financial Assets	40,001	33,551	33,551	38,881	42,856	46,350
Payments for Non-Financial Assets	-184,369	-172,070	-194,078	-180,891	-127,178	-93,603
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>-144,369</b>	<b>-138,519</b>	<b>-160,527</b>	<b>-142,010</b>	<b>-84,322</b>	<b>-47,253</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>						
<i>Cash Receipts</i>						
Capital Receipts from Government Agencies	32,846	21,855	23,855	26,870	26,930	5,000
<b>Total Cash Received from Investment in Financial Assets for Policy Purposes</b>	<b>32,846</b>	<b>21,855</b>	<b>23,855</b>	<b>26,870</b>	<b>26,930</b>	<b>5,000</b>
<i>Cash Payments</i>						
Dividends – Market Gains on Land Sales	-11,924	-145,716	-118,552	-55,968	-274,765	-4,903
<b>Total Cash Paid from Investment in Financial Assets for Policy Purposes</b>	<b>-11,924</b>	<b>-145,716</b>	<b>-118,552</b>	<b>-55,968</b>	<b>-274,765</b>	<b>-4,903</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>20,922</b>	<b>-123,861</b>	<b>-94,697</b>	<b>-29,098</b>	<b>-247,835</b>	<b>97</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>						
Sales of Investments	31,180	302,106	370,603	379,216	392,810	649,996
Payments for Investments	-300	-349,516	-391,660	-392,102	-388,772	-644,462
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>30,880</b>	<b>-47,410</b>	<b>-21,057</b>	<b>-12,886</b>	<b>4,038</b>	<b>5,534</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-92,567</b>	<b>-309,790</b>	<b>-276,281</b>	<b>-183,994</b>	<b>-328,119</b>	<b>-41,622</b>
<b>Cash Flows from Financing Activities</b>						
<b>Cash Receipts</b>						
Borrowings	247,921	123,300	123,300	392,300	53,300	275,300
<b>Total Cash Received from Financing Activities</b>	<b>247,921</b>	<b>123,300</b>	<b>123,300</b>	<b>392,300</b>	<b>53,300</b>	<b>275,300</b>
<b>Cash Payments</b>						
Borrowings	-209,983	-75,380	-75,380	-339,462	-23,497	-241,193
Dividends Paid	-195,628	-184,516	-104,766	-91,587	-271,390	-296,118
Other Financing	-67,555	-125,829	-219,723	-98,322	-111,270	-105,249
<b>Total Cash Paid from Financing Activities</b>	<b>-473,166</b>	<b>-385,725</b>	<b>-399,869</b>	<b>-529,371</b>	<b>-406,157</b>	<b>-642,560</b>
<b>Net Cash Flows from Financing Activities</b>	<b>-225,245</b>	<b>-262,425</b>	<b>-276,569</b>	<b>-137,071</b>	<b>-352,857</b>	<b>-367,260</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>150,148</b>	<b>-137,331</b>	<b>-54,205</b>	<b>-3,036</b>	<b>-180,811</b>	<b>14,182</b>
<b>Cash and Cash Equivalents at the Beginning of Reporting Period</b>	<b>253,265</b>	<b>406,129</b>	<b>403,414</b>	<b>349,209</b>	<b>346,173</b>	<b>165,362</b>
<b>Cash and Cash Equivalents at the End of Reporting Period</b>	<b>403,414</b>	<b>268,798</b>	<b>349,209</b>	<b>346,173</b>	<b>165,362</b>	<b>179,544</b>
<b>Key Fiscal Aggregates</b>						
Net Cash from Operating Activities	467,959	434,884	498,645	318,029	500,165	423,064
Net Cash Flows from Investments in Non-Financial Assets	-144,369	-138,519	-160,527	-142,010	-84,322	-47,253
Distributions Paid	-263,183	-310,345	-324,489	-189,909	-382,660	-401,367
<b>Cash Surplus (+) / Deficit (-)</b>	<b>60,408</b>	<b>-13,980</b>	<b>13,629</b>	<b>-13,890</b>	<b>33,183</b>	<b>-25,556</b>
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>						
<b>Cash Surplus (+) / Deficit (-)</b>	<b>60,408</b>	<b>-13,980</b>	<b>13,629</b>	<b>-13,890</b>	<b>33,183</b>	<b>-25,556</b>
Acquisitions Under Finance Leases and Similar Arrangements <sup>(a)</sup>	-	-	-	-	-	-
<b>ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements</b>	<b>60,408</b>	<b>-13,980</b>	<b>13,629</b>	<b>-13,890</b>	<b>33,183</b>	<b>-25,556</b>

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



## APPENDIX D

### TOTAL TERRITORY FINANCIAL STATEMENTS



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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Revenue</b>						
Taxation Revenue	1,535,708	1,594,720	1,604,183	1,690,762	1,829,948	1,926,414
Grants Revenue						
Commonwealth Grants	1,887,203	2,088,018	2,063,514	2,133,480	2,166,172	2,245,607
Gains from Contributed Assets	24,177	63,981	56,330	53,812	53,688	53,426
Sales of Goods and Services						
Revenue from Associates and Joint Ventures	106,525	73,163	73,163	78,968	77,094	95,854
Other Sales of Goods and Services	857,646	840,832	841,026	880,358	913,813	931,330
Interest Income	58,875	44,099	54,096	34,727	34,431	37,771
Distributions from Financial Investments	53,835	36,391	29,845	39,489	49,426	52,637
Dividend and Income Tax Equivalents Income	51,760	50,990	48,900	50,363	51,522	54,870
Other Revenue						
Land Revenue (Value Add Component)	399,173	456,725	471,122	306,425	474,511	430,573
Other Revenue	137,785	135,456	165,659	154,330	157,661	157,471
<b>Total Revenue</b>	<b>5,112,687</b>	<b>5,384,375</b>	<b>5,407,838</b>	<b>5,422,714</b>	<b>5,808,266</b>	<b>5,985,953</b>
<b>Expenses</b>						
Employee Expenses	2,029,928	2,082,086	2,086,509	2,090,015	2,135,551	2,176,310
Superannuation Expenses						
Superannuation Interest Cost	315,401	315,534	293,498	375,236	389,906	404,003
Other Superannuation Expenses	372,308	426,099	466,643	294,918	294,112	293,421
Depreciation and Amortisation	448,469	465,599	464,617	497,907	498,702	502,642
Interest Expense	172,393	185,918	185,752	194,535	213,668	230,231
Other Operating Expenses						
Supplies and Services	1,036,327	1,225,846	1,222,797	1,204,073	1,277,565	1,386,525
Other Operating Expenses	278,468	187,123	160,578	286,353	272,017	395,961
Grants and Purchased Services	832,577	866,927	865,621	837,616	861,650	859,948
<b>Total Expenses</b>	<b>5,485,869</b>	<b>5,755,132</b>	<b>5,746,015</b>	<b>5,780,653</b>	<b>5,943,171</b>	<b>6,249,041</b>
<b>UPF Net Operating Balance</b>	<b>-373,182</b>	<b>-370,757</b>	<b>-338,177</b>	<b>-357,939</b>	<b>-134,905</b>	<b>-263,088</b>
<b>Other Economic Flows - Included in the Operating Result</b>						
Land Revenue (Market Gains on Land Sales)	17,035	88,591	97,953	34,558	152,593	7,005
Net Land Revenue (Undeveloped Land Value)	91,721	94,092	86,305	50,908	47,292	48,955
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-88,995	-80,437	-37,862	-33,358	-169,540	-1,628
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	-4,844	163,878	232,420	181,936	190,345	203,799
Doubtful Debts	-13,002	-9,499	-9,499	-9,491	-9,617	-9,757
<b>Operating Result</b>	<b>-371,267</b>	<b>-114,132</b>	<b>31,140</b>	<b>-133,386</b>	<b>76,168</b>	<b>-14,714</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Other Economic Flows - Other Comprehensive Income</b>						
<b>Items that will not be Subsequently Reclassified to Profit or Loss</b>						
Capital Distributions	-	11,300	11,300	-	-	-
Superannuation Actuarial Gain/(Loss)	-1,876,734	3,815,947	4,843,871	-	-	-
Prior Year Adjustment	-5,544	-	-	-	-	-
Other Movements	317	889	889	888	888	888
Increase/(Decrease) in the Asset Revaluation Surplus	462,436	157,876	218,448	241,890	172,854	155,739
Increase/(Decrease) in Other Reserves	280	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-1,790,512</b>	<b>3,871,880</b>	<b>5,105,648</b>	<b>109,392</b>	<b>249,910</b>	<b>141,913</b>
<b>UPF Net Operating Balance</b>	<b>-373,182</b>	<b>-370,757</b>	<b>-338,177</b>	<b>-357,939</b>	<b>-134,905</b>	<b>-263,088</b>
<b>less Net Acquisition of Non-Financial Assets</b>						
Payments for Non-Financial Assets	906,836	1,057,457	1,075,250	934,998	715,495	361,750
Sales of Non-Financial Assets	-105,195	-333,444	-318,798	-307,342	-200,147	-147,505
Land Revenue (Net Cash Receipts)	-118,078	-125,559	-94,810	-51,007	-174,137	-52,765
Depreciation and Amortisation	-448,469	-465,599	-464,617	-497,907	-498,702	-502,642
Other Movements in Non-Financial Assets	22,985	55,934	55,934	53,407	53,272	53,000
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>258,080</i>	<i>188,789</i>	<i>252,959</i>	<i>132,149</i>	<i>-104,219</i>	<i>-288,162</i>
<b>Net Lending / (Borrowing)</b>	<b>-631,261</b>	<b>-559,546</b>	<b>-591,136</b>	<b>-490,088</b>	<b>-30,686</b>	<b>25,074</b>
UPF Net Operating Balance	-373,182	-370,757	-338,177	-357,939	-134,905	-263,088
Superannuation Return Adjustment	147,992	163,566	170,812	181,624	190,033	203,487
<b>HEADLINE NET OPERATING BALANCE</b>	<b>-225,190</b>	<b>-207,191</b>	<b>-167,365</b>	<b>-176,315</b>	<b>55,128</b>	<b>-59,601</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Financial Assets</b>						
Cash and Deposits	1,014,989	565,926	670,190	659,402	474,933	484,038
Advances Paid	69,377	67,541	70,079	67,115	64,187	61,445
Investments and Loans	4,174,385	4,226,591	4,327,346	4,475,432	4,801,343	5,127,974
Receivables	561,263	738,553	582,505	546,470	562,507	576,583
Equity – Investments Accounted for Using the Equity Method	950,911	969,207	946,812	969,862	991,360	1,028,424
<b>Total Financial Assets</b>	<b>6,770,926</b>	<b>6,567,818</b>	<b>6,596,932</b>	<b>6,718,281</b>	<b>6,894,330</b>	<b>7,278,464</b>
<b>Non-Financial Assets</b>						
<b>Produced Assets</b>						
Property, Plant and Equipment	15,115,918	15,335,844	15,489,433	16,046,488	17,045,444	17,126,773
Investment Properties	14,044	12,711	15,025	16,006	16,987	17,968
Intangibles	103,105	122,295	134,802	187,466	202,642	210,401
Inventories	227,489	399,446	356,401	372,977	474,333	389,185
Assets Held for Sale	113,260	3,230	113,529	113,798	114,067	114,336
Capital Works-in-Progress	825,459	1,151,188	1,079,818	1,027,803	819,964	581,765
<b>Non Produced Assets</b>						
Property, Plant and Equipment	6,348,444	6,602,336	6,569,126	6,667,561	6,851,813	7,026,335
Loose-Fill Asbestos Insulation Eradication Scheme Land	368,000	262,332	262,332	94,850	22,785	12,320
Biological Assets	28,476	26,516	24,490	24,544	24,234	23,904
<b>Total Non-Financial Assets</b>	<b>23,144,195</b>	<b>23,915,898</b>	<b>24,044,943</b>	<b>24,551,493</b>	<b>25,572,269</b>	<b>25,502,987</b>
<b>Total Assets</b>	<b>29,915,121</b>	<b>30,483,716</b>	<b>30,641,875</b>	<b>31,269,774</b>	<b>32,466,599</b>	<b>32,781,451</b>
<b>Liabilities</b>						
Deposits Held	15,842	15,694	15,842	15,842	15,842	15,842
Advances Received	1,143,144	1,134,617	1,134,617	1,075,931	1,017,155	958,325
<b>Borrowings</b>						
Finance Leases	2,608	3,292	5,607	109,205	487,914	475,955
Other Borrowings	3,511,086	3,606,518	3,579,970	3,858,519	4,195,981	4,132,697
Superannuation	10,719,400	6,253,642	6,245,895	6,504,198	6,753,938	6,992,734
Employee Benefits	711,791	691,445	740,800	768,489	796,559	824,666
Other Provisions	367,997	844,740	404,246	302,641	290,302	304,905
Payables	552,340	477,614	519,353	530,413	554,873	580,797
Other Liabilities	9,268	4,655	8,253	7,852	7,441	7,023
<b>Total Liabilities</b>	<b>17,033,477</b>	<b>13,032,217</b>	<b>12,654,583</b>	<b>13,173,090</b>	<b>14,120,005</b>	<b>14,292,944</b>
<b>Net Assets</b>						
Accumulated Funds	3,097,027	7,779,499	7,948,316	7,712,277	7,783,042	7,791,216
Asset Revaluation Surplus	9,773,997	9,661,660	10,028,356	10,373,787	10,552,932	10,686,671
Other Reserves	10,620	10,340	10,620	10,620	10,620	10,620
<b>Net Worth</b>	<b>12,881,644</b>	<b>17,451,499</b>	<b>17,987,292</b>	<b>18,096,684</b>	<b>18,346,594</b>	<b>18,488,507</b>

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

	<b>2015-16 Actual Outcome \$'000</b>	<b>2016-17 Budget \$'000</b>	<b>2016-17 Revised Estimate \$'000</b>	<b>2017-18 Revised Estimate \$'000</b>	<b>2018-19 Revised Estimate \$'000</b>	<b>2019-20 Revised Estimate \$'000</b>
<b>Net Financial Worth</b>	-10,262,551	-6,464,399	-6,057,651	-6,454,809	-7,225,675	-7,014,480
<b>Net Financial Liabilities</b>	11,213,462	7,433,606	7,004,463	7,424,671	8,217,035	8,042,904
<b>Net Debt (Including Superannuation Related Investments)</b>	-586,071	-99,937	-331,579	-142,452	376,429	-90,638
<b>Net Debt (Excluding Superannuation Related Investments)</b>	2,849,176	3,522,214	3,358,162	3,744,408	4,475,536	4,315,689

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Opening Equity</b>						
Opening Accumulated Funds	5,316,340	4,101,406	3,097,027	7,948,316	7,712,277	7,783,042
Opening Asset Revaluation Surplus	9,345,476	9,467,873	9,773,997	10,028,356	10,373,787	10,552,932
Opening Other Reserves	10,340	10,340	10,620	10,620	10,620	10,620
<b>Opening Balance</b>	<b>14,672,156</b>	<b>13,579,619</b>	<b>12,881,644</b>	<b>17,987,292</b>	<b>18,096,684</b>	<b>18,346,594</b>
<b>Comprehensive Income</b>						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	-371,267	-114,132	31,140	-133,386	76,168	-14,714
Capital Distributions	-	11,300	11,300	-	-	-
Superannuation Actuarial Gain/(Loss)	-1,876,734	3,815,947	4,843,871	-	-	-
Prior Year Adjustment	-5,544	-	-	-	-	-
Other Movements	317	889	889	888	888	888
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus	462,436	157,876	218,448	241,890	172,854	155,739
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	280	-	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-1,790,512</b>	<b>3,871,880</b>	<b>5,105,648</b>	<b>109,392</b>	<b>249,910</b>	<b>141,913</b>
<b>Other</b>						
Transfer to/(from) Accumulated Funds	33,914	-35,911	-35,911	-103,541	-6,291	22,000
Movement in the Asset Revaluation Surplus	-33,914	35,911	35,911	103,541	6,291	-22,000
<b>Total Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing Equity</b>						
Closing Accumulated Funds	3,097,027	7,779,499	7,948,316	7,712,277	7,783,042	7,791,216
Closing Asset Revaluation Surplus	9,773,997	9,661,660	10,028,356	10,373,787	10,552,932	10,686,671
Closing Other Reserves	10,620	10,340	10,620	10,620	10,620	10,620
<b>Balance at the End of the Reporting Period</b>	<b>12,881,644</b>	<b>17,451,499</b>	<b>17,987,292</b>	<b>18,096,684</b>	<b>18,346,594</b>	<b>18,488,507</b>

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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Flows from Operating Activities</b>						
<i>Cash Receipts</i>						
Taxes Received	1,453,950	1,601,274	1,610,737	1,698,486	1,836,046	1,933,501
Receipts from Sales of Goods and Services	1,419,068	1,378,932	1,335,073	1,173,867	1,509,648	1,363,966
Grants/Subsidies Received	1,866,309	2,096,517	2,072,013	2,169,997	2,170,270	2,250,134
Distributions from Financial Investments	27,421	42,879	29,845	39,489	49,426	52,637
Interest Receipts	65,732	36,391	51,079	32,842	32,844	36,376
Dividends	54,404	51,699	49,737	51,165	52,281	55,678
Other Receipts	496,329	502,880	523,038	469,195	473,736	451,601
<b>Total Cash Received from Operating Activities</b>	<b>5,383,213</b>	<b>5,710,572</b>	<b>5,671,522</b>	<b>5,635,041</b>	<b>6,124,251</b>	<b>6,143,893</b>
<i>Cash Payments</i>						
Payments for Employees	-2,430,030	-2,437,075	-2,444,583	-2,493,131	-2,559,427	-2,624,550
Payments for Goods and Services	-1,110,356	-1,111,962	-1,118,209	-1,049,137	-1,128,590	-1,267,507
Grants/Subsidies Paid	-794,106	-873,743	-872,413	-836,853	-863,341	-871,561
Interest Paid	-173,633	-192,669	-185,263	-192,791	-206,383	-223,798
Other Payments	-660,081	-750,324	-737,508	-642,359	-788,600	-697,592
<b>Total Cash Paid from Operating Activities</b>	<b>-5,168,206</b>	<b>-5,365,773</b>	<b>-5,357,976</b>	<b>-5,214,271</b>	<b>-5,546,341</b>	<b>-5,685,008</b>
<b>Net Cash Flows from Operating Activities</b>	<b>215,007</b>	<b>344,799</b>	<b>313,546</b>	<b>420,770</b>	<b>577,910</b>	<b>458,885</b>
<b>Cash Flows from Investing Activities</b>						
<b>Cash Flows from Investments in Non-Financial Assets</b>						
Sales of Non-Financial Assets	105,195	333,444	318,798	307,342	200,147	147,505
Payments for Non-Financial Assets	-906,836	-1,057,457	-1,075,250	-934,998	-715,495	-361,750
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>-801,641</b>	<b>-724,013</b>	<b>-756,452</b>	<b>-627,656</b>	<b>-515,348</b>	<b>-214,245</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>						
<i>Cash Receipts</i>						
Repayment of Loans	1,000	308	308	2,768	2,721	2,725
Capital Distributions	-	11,300	11,300	-	-	-
<b>Total Cash Received from Investments in Financial Assets for Policy Purposes</b>	<b>1,000</b>	<b>11,608</b>	<b>11,608</b>	<b>2,768</b>	<b>2,721</b>	<b>2,725</b>
<i>Cash Payments</i>						
Issue of Loans	-	-62	-62	-62	-62	-62
<b>Total Cash Paid from Investments in Financial Assets for Policy Purposes</b>	<b>0</b>	<b>-62</b>	<b>-62</b>	<b>-62</b>	<b>-62</b>	<b>-62</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>1,000</b>	<b>11,546</b>	<b>11,546</b>	<b>2,706</b>	<b>2,659</b>	<b>2,663</b>



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

	2015-16 Actual Outcome \$'000	2016-17 Budget \$'000	2016-17 Revised Estimate \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>						
Sales of Investments	229,014	891,915	873,172	853,016	851,114	1,138,448
Payments for Investments	-93,513	-719,447	-796,713	-852,459	-1,000,441	-1,250,574
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>135,501</b>	<b>172,468</b>	<b>76,459</b>	<b>557</b>	<b>-149,327</b>	<b>-112,126</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-665,140</b>	<b>-539,999</b>	<b>-668,447</b>	<b>-624,393</b>	<b>-662,016</b>	<b>-323,708</b>
<b>Cash Flows from Financing Activities</b>						
<b>Cash Receipts</b>						
Borrowings	617,766	110,308	106,672	279,698	338,608	1,147
<b>Total Cash Received from Financing Activities</b>	<b>617,766</b>	<b>110,308</b>	<b>106,672</b>	<b>279,698</b>	<b>338,608</b>	<b>1,147</b>
<b>Cash Payments</b>						
Borrowings	-8,106	-66,086	-62,527	-85,747	-439,346	-126,896
<b>Total Cash Paid from Financing Activities</b>	<b>-8,106</b>	<b>-66,086</b>	<b>-62,527</b>	<b>-85,747</b>	<b>-439,346</b>	<b>-126,896</b>
<b>Net Cash Flows from Financing Activities</b>	<b>609,660</b>	<b>44,222</b>	<b>44,145</b>	<b>193,951</b>	<b>-100,738</b>	<b>-125,749</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>159,527</b>	<b>-150,978</b>	<b>-310,756</b>	<b>-9,672</b>	<b>-184,844</b>	<b>9,428</b>
<b>Cash and Cash Equivalents at the Beginning of Reporting Period</b>	<b>866,965</b>	<b>776,609</b>	<b>1,025,493</b>	<b>714,737</b>	<b>705,065</b>	<b>520,221</b>
<b>Cash and Cash Equivalents at the End of Reporting Period</b>	<b>1,025,493</b>	<b>625,631</b>	<b>714,737</b>	<b>705,065</b>	<b>520,221</b>	<b>529,649</b>
<b>Key Fiscal Aggregates</b>						
Net Cash from Operating Activities	215,007	344,799	313,546	420,770	577,910	458,885
Investments in Non-Financial Assets	-801,641	-724,013	-756,452	-627,656	-515,348	-214,245
<b>Cash Surplus (+) / Deficit (-)</b>	<b>-586,634</b>	<b>-379,214</b>	<b>-442,906</b>	<b>-206,886</b>	<b>62,562</b>	<b>244,640</b>
A positive number denotes a cash inflow, while a negative sign denotes a cash outflow.						
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>						
<b>Cash Surplus (+) / Deficit (-)</b>	<b>-586,634</b>	<b>-379,214</b>	<b>-442,906</b>	<b>-206,886</b>	<b>62,562</b>	<b>244,640</b>
Acquisitions Under Finance Leases and Similar Arrangements <sup>(a)</sup>	-	-99	-99	-4,772	-377,489	-1,968
<b>ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements</b>	<b>-586,634</b>	<b>-379,313</b>	<b>-443,005</b>	<b>-211,658</b>	<b>-314,927</b>	<b>242,672</b>

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



## **APPENDIX E**

### **LOAN COUNCIL ALLOCATION AND NOMINATION**



## APPENDIX E: 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 Total Territory 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 an 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 2017-18 LCA nomination and the revised 2016-17 estimate.

	2016-17 Budget Estimate	2016-17 Budget Review Estimate	2017-18 LCA Nomination
	\$m	\$m	\$m
General Government Sector (GGS) Cash Deficit/(Surplus) <sup>1</sup>	365	456	193
Public Non Financial Corporation (PNFC) Sector Cash Deficit/(Surplus) <sup>1</sup>	14	-14	14
Non Financial Public Sector (NFPS) Sector Cash Deficit/(Surplus) <sup>1,2</sup>	379	443	207
Acquisition under Finance Leases and Similar Arrangements <sup>1</sup>	0	0	5
<i>equals</i> Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) Cash Deficit/(Surplus) <sup>1,2</sup>	379	443	212
<i>less</i> Net Cash Flows from Investments in Financial Assets for Policy Purposes <sup>3</sup>	12	12	3
Adjusted NFPS Sector Cash Deficit/(Surplus)	368	431	209
<i>plus</i> Memorandum Items <sup>4</sup>	-8	-8	-4
<b>Loan Council Allocation</b>	<b>360</b>	<b>423</b>	<b>205</b>
Tolerance Limit (2 per cent of non-financial public sector cash receipts from operating activities)	+/- 114	+/- 113	+/- 113

### Notes:

1. 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.
2. 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.

3. 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.
4. Memorandum items are used to adjust the ABS GFS cash surplus/deficit to include in LCA 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 the 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.

