5.4 THE 2002-03 FINANCIAL POSITION

This chapter provides an overview of the financial position for the 2002-03 Budget and the forward estimates for the General Government Sector.

Financial Position of the General Government Sector

Table 5.4.1 below provides a summary of the financial position of the General Government Sector for the 2002-03 Budget and across the forward estimates.

Table 5.4.1 - General Government Sector Financial Position 2002-03 Budget and Forward Estimates

Budget 30/6/02 $m		Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Var %	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m
7 574	Total Assets	7 755	7 876	2	7 964	8 155	8 373
2 675	Total Liabilities	2 807	2 912	4	3 021	3 199	3 394
4 899	**Total Funds Employed**	**4 948**	**4 964**	**..**	**4 943**	**4 956**	**4 979**

NB. Tables may not add due to rounding

Short-Term Outlook - Liquidity

The current ratio is used to indicate the Territory's liquidity and equates to current assets over current liabilities. The ratio indicates the Territory's ability to meet short-term debt from cash and cash equivalents.

Superannuation investments and liabilities have been excluded in calculating the current ratio, as by legislation, these investments are not available for the repayment of any debt other than superannuation liabilities.

A ratio less than 1:1 may indicate an inability to meet short-term liabilities.

Table 5.4.2 - General Government Sector Liquidity 2002-03 Budget and Forward Estimates

	Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m	**The current ratio equals current assets divided by current liabilities.**
Current Assets	1 021	724	623	672	749	
Current Liabilities	529	495	461	469	473	
Current Ratio	**1.93:1**	**1.46:1**	**1.35:1**	**1.43:1**	**1.59:1**	

The General Government Sector ration of 1.46:1 as at 30 June 2003 indicates that the sector is more than able to meet its short-term debt from short-term cash and equivalents.

The drop in the current ratio between June 2002 and June 2003 reflects the reallocation of the current investments under the Strategic Asset Allocation (SAA).

Longer-Term Outlook – Financial Stability

The debt ratio (total liabilities over total assets) is used to indicate the Territory's longer term stability, in particular its ability to meet debts from its asset base. The lower the percentage, the better is the ability to cover debt from assets. This ratio also excludes the superannuation investments, as well as the total superannuation liability.

Table 5.4.3 - General Government Sector Financial Stability
2002-03 Budget and Forward Estimates

	Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m	The debt ratio equals total liabilities over total assets.
Total Liabilities	1 193	1 157	1 114	1 121	1 130	
Total Assets	6 761	6 724	6 641	6 682	6 740	
Debt Ratio*	18%	17%	17%	17%	17%	

* The debt ratio has been calculated excluding equity investments, superannuation investments and superannuation liabilities.

The General Government Sector debt ratio of 17% indicates that the sector continues to maintain a manageable financial outlook with the ability to meet both short and longer term debt and maintain its asset base. This relatively low ratio demonstrates a prudent level of liabilities.

General Government Sector Assets

Composition of Assets

The following table outlines the composition of assets of the General Government Sector.

Table 5.4.4
General Government Sector Assets

	Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m
Cash	78	57	51	50	47
Receivables	631	607	579	560	544
Investments	1 584	1 655	1 724	1 921	2 157
Inventories	19	30	33	31	33
Land	205	205	205	206	206
Property, Plant and Equipment	5 225	5 295	5 344	5 369	5 374
Other	12	27	28	20	13
Total Assets	**7 755**	**7 876**	**7 964**	**8 155**	**8 373**

Cash and Investments

The following tables provide a summary of the total level of cash and investments, including non current investments for the General Government Sector.

Table 5.4.5
Cash and Investments

	Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m
Cash	78	57	51	50	47
Current Investments	705	426	327	371	446
Non Current Investments	879	1 229	1 397	1 549	1 711
	1 662	1 712	1 775	1 970	2 204
$ movement	129	50	63	195	233
% growth	*8%*	*3%*	*4%*	*11%*	*12%*

Total cash and investments are currently forecast to show marginal growth in the budget year, improving across the forward years.

The move from current investments to non current investments in the budget year, which is contributing to the reduction in the current ratio, reflects the reallocation of the superannuation investment portfolio with a move to 85% growth assets from the current strategic asset allocation to growth of 64%. Cash investments previously represented approximately 19% of the portfolio, compared to a budgeted 1%.

The following table presents Table 5.4.5 above, without superannuation investments.

Table 5.4.6
Cash and Investments – excluding Superannuation investments

	Est.Outcome 30/6/02 $m	Planned 30/6/03 $m	Planned 30/6/04 $m	Planned 30/6/05 $m	Planned 30/6/06 $m
Cash	78	57	51	50	47
Current Investments	514	426	327	371	446
Non Current Investments	79	80	78	79	81
	671	563	456	500	574
$ movement	84	-108	-107	44	74
% growth	*14%*	*-16%*	*-19%*	*10%*	*15%*

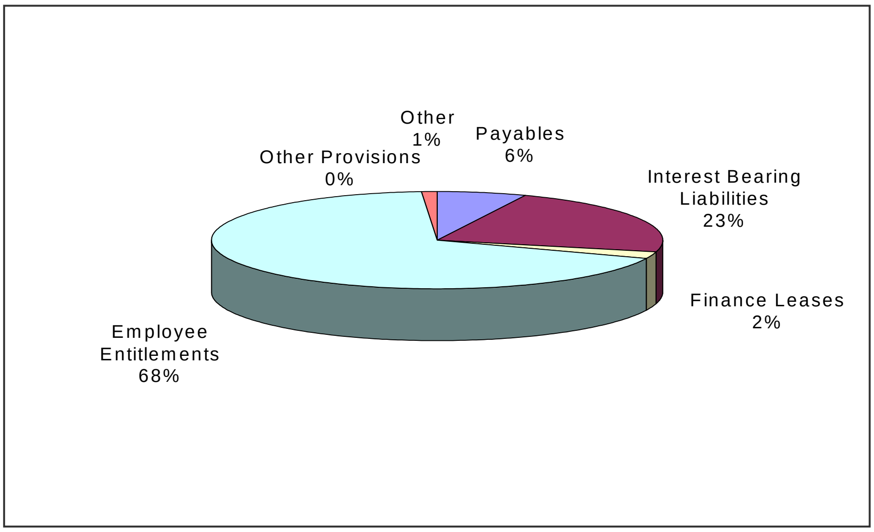
General Government Sector Liabilities

Composition of Liabilities

Total general government sector liabilities are anticipated to be $2.912 billion, an increase of $105.7m from the estimated opening balance.

Figure 5.4.1 below depicts the composition of the General Government Sector liabilities.

Figure 5.4.1
General Government Sector Liabilities



Superannuation

As illustrated in Figure 5.4.1 above, superannuation is the greatest contributor to general government sector liabilities (included within Employee Entitlements).

The level of superannuation liabilities has increased by $168.2m in the 2002-03 Budget from the 2001-02 estimated outcome. This is largely due to the update to superannuation liabilities that occurred during 2001-02, following the triennial review of superannuation.

The revised liability largely reflects and the removal of the assumption that the PSS will close to new entrants by 1 July 2002, with the associated continuing growth liabilities.

The table below, Table 5.4.4, illustrates the movement in the level of funded superannuation liabilities.

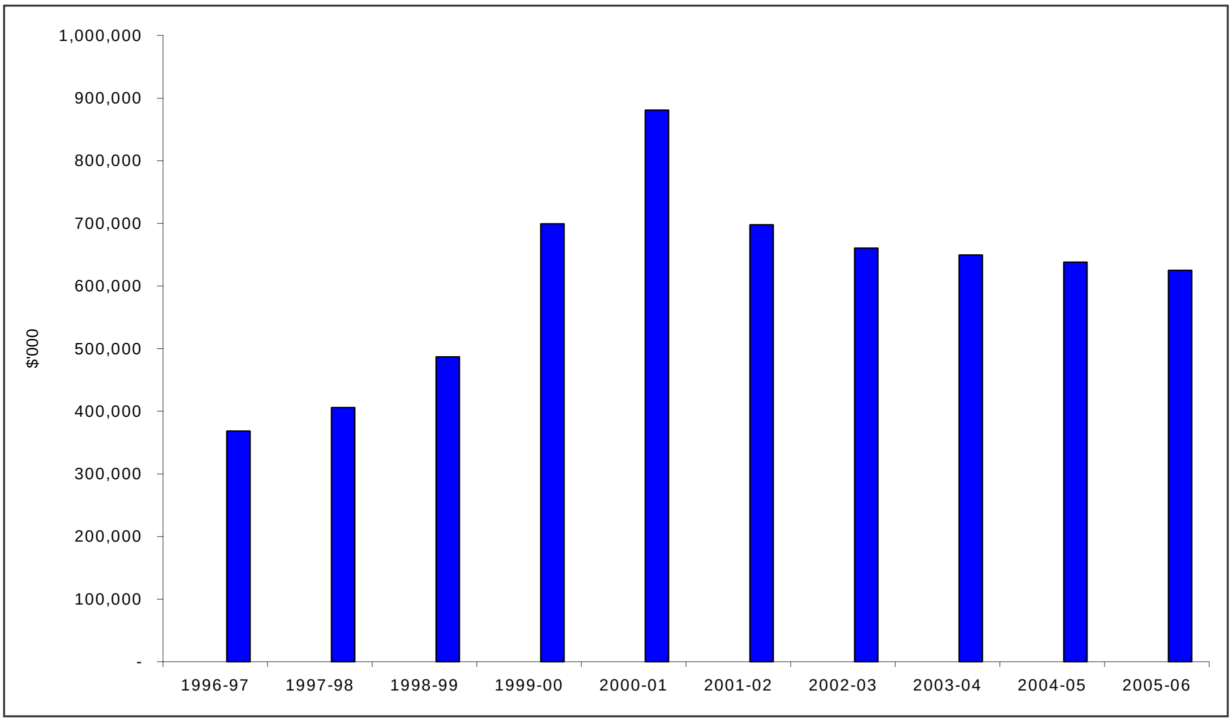
Table 5.4.7
Superannuation Liabilities Coverage

	2001-02 Est.Outcome $m	2002-03 Budget $m	2003-04 Estimate $m	2004-05 Estimate $m	2005-06 Estimate $m
Assets	993	1 151	1 321	1 470	1 630
Liabilities	1 449	1 617	1 796	1 986	2 190
% funded	68%	71%	74%	74%	74%

Borrowings

There are no new General Government Sector borrowings projected during the 2002-03 financial year. The following chart, Figure 5.4.2 illustrates the level of borrowings across the time.

Figure 5.4.2
General Government Sector Borrowings



2002-03 Capital Initiatives

Government initiatives have been provided to the community under the broad headings of Education and Training, Health, Planning, Community Engagement and Safety, Sustainability, Economic Growth, Public Service Capacity and Other Initiatives.

The 2002-03 Budget allows for initiatives totalling $115.614m. This includes $86.912m of recurrent funded initiatives and $28.702m of capital funded initiatives. This demonstrates the level of additional investment made into the community in the 2002-03 Budget.

Table 5.4.8
Initiatives - Capital

Initiatives – Capital	**2002-03 Estimate $'000**	**2003-04 Estimate $'000**	**2004-05 Estimate $'000**	**2005-06 Estimate $'000**
Education and Training	1 355	255	225	225
Health	0	3 700	2 000	0
Community Engagement and Safety	750	0	0	0
Sustainability	1 120	0	0	0
Public Service Capacity	19 627	1 935	1 000	2 000
Other Capital Initiatives	6 600	0	0	0
Total Capital Initiatives	**28 702**	**5 890**	**3 225**	**2 225**

Chapter 6.1 provides a summary of these initiatives by broad themes and by Portfolio, Chapter 6.2 provides greater detail with descriptions of each initiative.

In addition to the capital initiatives noted above, additional equity injections have been provided to the Superannuation Fund to allow the Fund to meet the 90% funding strategy by 2039-2040.