CHAPTER 8

ASSET AND LIABILITY MANAGEMENT

8.1 NET DEBT AND NET FINANCIAL LIABILITIES

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

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

Table 8.1.1
GGS Key Balance Sheet Measures

2014-15 Budget $m		2014-15 Estimated Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
4,435.6	**Net Financial Liabilities**	4,641.8	5,663.9	6,141.0	6,432.3	6,247.9
1,227.5	**Net Debt (excluding super)**	1,348.0	2,425.7	2,848.6	3,130.0	2,867.3
16,730.7	**Net Worth**	16,478.2	16,232.7	16,371.5	16,472.0	16,768.7

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

Net Debt

Net debt is a key balance sheet measure taking into account gross debt liabilities as well as financial assets (such as cash reserves and investments). Table 8.1.2 below presents net debt and net debt to GSP for the GGS.

Table 8.1.2
General Government Sector Net Debt

2014-15 Budget $m		2014-15 Estimated Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
1,227.5	**Net debt (excluding super)**	1,348.0	2,425.7	2,848.6	3,130.0	2,867.3
3.2%	**Net debt to GSP**	3.7%	6.4%	7.1%	7.5%	6.5%

Net debt over the budget and forward estimates period is positive, indicating that GGS cash reserves and investments are lower than gross debt liabilities. Compared to the 2014-15 Budget, net debt has increased. It is forecast to reach a peak in 2017-18 before declining, reflecting a net increase in borrowings over the budget and two forward years, before reducing as the budget returns to surplus.

The increase of $1,078 million in the 2015-16 Budget compared to the 2014-15 estimated outcome is substantially due to the impact of the loan provided by the Commonwealth to support the Asbestos Eradication Scheme. The increase also reflects borrowings undertaken to support the Territory's capital works program.

The net debt measure includes a provision for Capital Metro. Although the Government intends to fund that project as a Public Private Partnership (PPP), it has adopted the approach of including Capital Metro in the Infrastructure Investment Provision, which gives rise to an impact on net debt. If the project is procured through a PPP, there will be no requirement to debt fund the capital cost of the project.

Net Financial Liabilities

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

Table 8.1.3
General Government Sector Net Financial Liabilities

2014-15 Budget $m		2014-15 Estimated Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
4,435.6	**Net financial liabilities**	4,641.8	5,663.9	6,141.0	6,432.3	6,247.9
11.6%	**Net financial liabilities to GSP**	12.6%	14.9%	15.3%	15.3%	14.2%

Over the budget and first two forward years, net financial liabilities are forecast to increase as further borrowings are undertaken to support capital projects. This estimate includes capital provisions to account for some high value projects for which budgets are either yet to be settled or which are commercially sensitive. This increase is also attributed to a higher forecast superannuation liability. Net financial liabilities are estimated to peak in 2017-18, declining slightly in 2018-19.

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

Net Worth

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

Table 8.1.4
General Government Sector Net Worth

2014-15 Budget $m		2014-15 Estimated Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
16,730.7	**Net worth**	16,478.2	16,232.7	16,371.5	16,472.0	16,768.7
43.9%	**Net worth to GSP**	44.8%	42.6%	40.9%	39.2%	38.0%

Net worth is forecast to increase across the budget and forward estimates from $16.2 billion in 2015-16 to $16.8 billion in 2018-19.

With net worth to GSP at 42.6 per cent, the ACT continues to be one of the strongest of all Australian jurisdictions against this measure.

8.2 UNFUNDED SUPERANNUATION LIABILITY

Introduction

ACT Government employees ("employees") are members of a number of different superannuation schemes as arrangements have changed over time. A large proportion of current full time employees are members of defined benefit superannuation schemes that are closed to new employee members, and where the liabilities are unfunded. All superannuation liabilities incurred for new employees since 1 July 2005 are fully funded through defined contribution scheme arrangements.

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

ACT Government Employee Superannuation Arrangements

Superannuation arrangements for employees vary due to the type of superannuation scheme available at the time of commencing employment. The superannuation arrangements applicable to permanent employees are outlined below.

Defined Benefit Superannuation Schemes

The defined benefit superannuation schemes are the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). The CSS has been closed to new members since 1 July 1990 and the PSS since 30 June 2005.

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

The Trustee of the CSS and PSS is the Commonwealth Government agency, Commonwealth Superannuation Corporation (CSC)[1]. The administration of the CSS and PSS is undertaken by the Commonwealth Government agency, ComSuper[1], with all benefits paid to employees by ComSuper. The Government reimburses ComSuper for the annual cost of superannuation benefits paid in respect of current and former employees that reflects the period of service with the ACT Government.

[1]CSC and ComSuper will merge on 1 July 2015, subject to the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* introduced into the Commonwealth House of Representatives on 19 March 2015. The new entity will be called Commonwealth Superannuation Corporation (CSC). The merger will have no impact on scheme rules, member entitlements or services.

Public Sector Superannuation Accumulation Plan (PSSap)

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

Post 6 October 2006 – Fund of Choice Arrangements

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

The fund of choice arrangement is one where employees must join a defined contribution (accumulation) fund into which the employer (ACT Government) is required to contribute at a minimum, the prevailing superannuation guarantee percentage rate as set by Commonwealth Government legislation. The current employer contribution rate is 9.50 per cent. The Government will contribute an additional 1 per cent for employees who contribute 3 per cent or more of their salary to their chosen fund.

Members of the Legislative Assembly (MLAs)

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

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

Defined Benefit Unfunded Superannuation Liabilities

The value of accrued defined benefit employer superannuation liabilities is calculated as the present value of the future payment of benefits that have actually accrued in respect of service at the calculation date. This approach is in accordance with *AASB 119 Employee Benefits* and the requirement to use a projected unit credit valuation approach.

Table 8.2.1 sets out details on the estimation and calculation of the liability.

Table 8.2.1
Defined Benefit Superannuation Liability

	2014-15 Est. Outcome $'000	2015-16 Budget $'000	2016-17 Estimate $'000	2017-18 Estimate $'000	2018-19 Estimate $'000
Opening Liability	7,475,138	5,812,710	6,094,657	6,367,832	6,632,690
Service Cost	219,221	142,195	137,177	132,777	128,535
Interest Cost	313,820	350,898	366,913	382,446	397,490
Benefit Payments	-185,435	-211,146	-230,915	-250,365	-269,757
Actuarial Gain [1]	-2,010,035	0	0	0	0
Closing Liability	**5,812,710**	**6,094,657**	**6,367,832**	**6,632,690**	**6,888,958**

Notes: This table may not add due to rounding.

1. The actuarial gain/loss is the change in the present value of the superannuation liability resulting from a change in the discount rate assumption. The liability valuation at 30 June 2015 and forward years utilises a long term discount rate assumption of 6 per cent. The actual discount rate at 30 June 2014 was 4.08 per cent. A lower discount rate leads to a higher liability valuation estimate.

The defined benefit superannuation liability is estimated to grow to approximately $6.889 billion by 30 June 2019. The service cost associated with the accrual of new employee superannuation benefits is forecast to decrease over time as ACT employee members leave the schemes through resignation or retirement. The interest cost is forecast to increase due to past benefits accrued by ACT employee members becoming one year closer to payment.

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

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

The recent actuarial review, which utilised salary and membership data as at 30 June 2014, was a triennial actuarial review with the results incorporated into the 2015-16 Budget estimates.

Table 8.2.2
ACT Employee Defined Benefit Scheme Membership

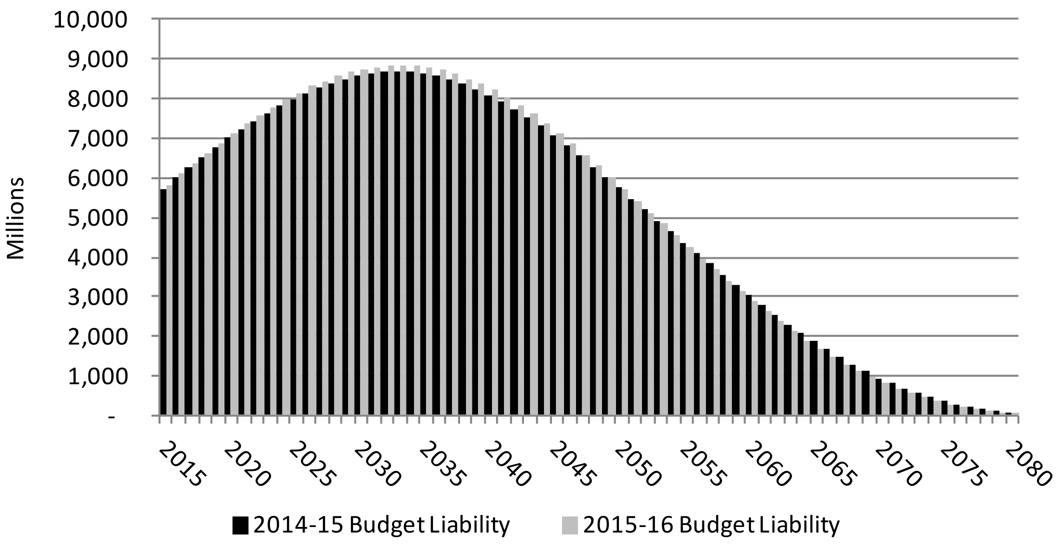
	Contributors	Deferred Beneficiaries	Current Pensioners	Dependent Pensioners	Total
Group A Members [1]					
CSS	789	236	5,452	395	6,872
PSS	8,288	8,629	3,372	159	20,448
Total	**9,077**	**8,865**	**8,825**	**554**	**27,320**
Group B Members [2]					
CSS	351	172	908	24	1,455
PSS	3,511	3,371	988	26	7,896
Total	**3,862**	**3,543**	**1,896**	**50**	**9,351**

Notes:
1. Group A membership data includes CSS and PSS contributors who were employees of the ACT Government at 30 June 2014 and CSS and PSS deferred beneficiaries and pensioners who were employees of the ACT Government when their employment ceased.
2. Group B membership data includes CSS and PSS contributors who were not employees of the ACT Government at 30 June 2014, but were so previously, and CSS and PSS deferred beneficiaries and pensioners who were not employees of the ACT Government when their employment ceased, but were so previously.

The 2015-16 Budget estimates for the liability and emerging cost payments have been impacted by a membership base being higher than assumed at the end of the 2013-14 financial year, higher salary growth, higher pension indexation, higher pension election rates by retiring employees, and an improvement in pensioner mortality expectations.

The impact on the estimates for the projected defined benefit employer superannuation liabilities is illustrated in Figure 8.2.1, with the impact on the benefit payment estimates illustrated in Figure 8.2.2.

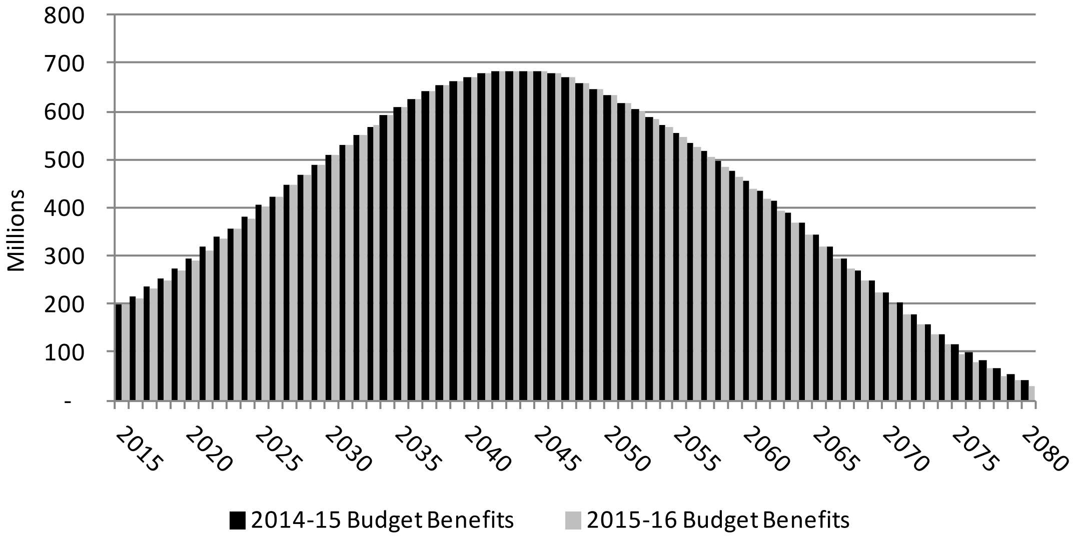
Figure 8.2.1
Triennial Actuarial Revision to the Estimated Employer Superannuation Liability



The defined benefit superannuation liability is projected to peak, in nominal terms, at approximately $8.8 billion by 30 June 2033.

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

Figure 8.2.2
Actuarial Revision to Estimated Employer Emerging Cost Payments



The annual superannuation payments (in nominal terms) made to the Commonwealth to extinguish the liability are projected to increase over time from approximately $185 million in 2014-15 to a peak of $685 million by 2043.

The total superannuation payments to the Commonwealth are projected to be approximately $962 million across the 2015-16 Budget and forward years.

Defined Benefit Superannuation Funding

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

The 2015-16 Budget maintains the defined benefit superannuation funding plan with Budget appropriation to the SPA matching the expected annual benefit payments to the Commonwealth. This allows the financial investment assets to grow over time with all investment earnings re-invested, leaving the SPA investment portfolio unencumbered by the management of the cash flows associated with benefit payments.

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

Table 8.2.3
Defined Benefit Superannuation Assets

	2014-15 Est. Outcome $'000	2015-16 Budget $'000	2016-17 Budget $'000	2017-18 Budget $'000	2018-19 Budget $'000
Opening Assets	**3,030,349**	**3,358,680**	**3,609,360**	**3,879,159**	**4,169,383**
Net Investment Earnings	320,968	256,100	275,213	295,786	317,926
Appropriation	198,209	211,146	230,915	250,365	269,757
Benefit Payments	-185,435	-211,146	-230,915	-250,365	-269,757
Other Payments	-5,412	-5,418	-5,414	-5,562	-5,561
Closing Assets	**3,358,680**	**3,609,360**	**3,879,159**	**4,169,383**	**4,481,748**

Note: This table may not add due to rounding.

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

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

Table 8.2.4
Superannuation Liability Funding

	2014-15 Est. Outcome $'000	2015-16 Budget $'000	2016-17 Estimate $'000	2017-18 Estimate $'000	2018-19 Estimate $'000
Superannuation Liability[1]	5,812,710	6,094,657	6,367,832	6,632,690	6,888,958
Investments	3,358,680	3,609,360	3,879,159	4,169,383	4,481,748
Unfunded Liability	**2,454,030**	**2,485,297**	**2,488,673**	**2,463,307**	**2,407,210**
Funding Percentage	**58%**	**59%**	**61%**	**63%**	**65%**

Notes: This table may not add due to rounding.

1. The superannuation liability estimate at 30 June 2015 and across the forward years assumes a long-term discount rate assumption of 6 per cent.

8.3 MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

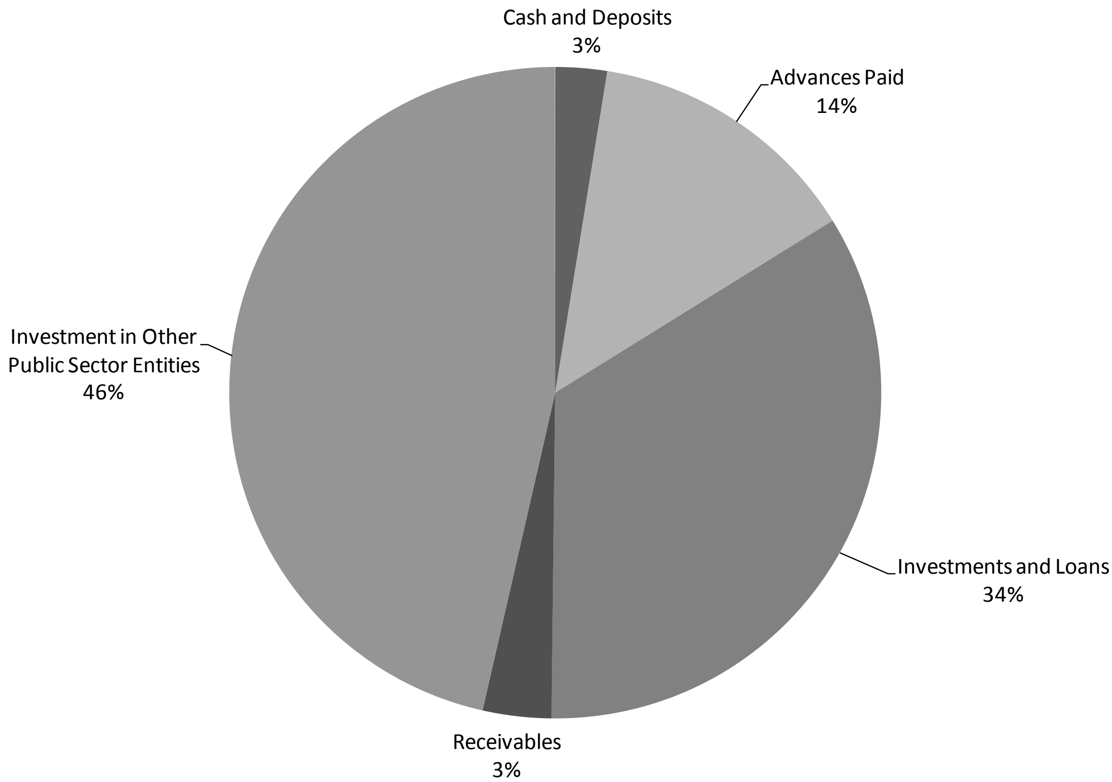
Financial Assets

The Territory's financial assets account for approximately 44 per cent of total assets held by the General Government Sector (GGS).

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

Investments held to meet future liabilities, such as superannuation, also represent a significant portion of total financial assets at 34 per cent.

Figure 8.3.1
General Government Sector – Estimated Financial Assets



Investments in Other Public Sector Entities

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

Financial Investments

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

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

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

Table 8.3.1
General Government Sector Investments

2014-15 Budget $'000		2014-15 Est. Outcome $'000	2015-16 Budget $'000	%	2016-17 Estimate $'000	2017-18 Estimate $'000	2018-19 Estimate $'000
302,963	Cash and Deposits	359,815	317,777	-12	312,802	310,130	306,649
3,854,957	Investments and Loans	4,162,137	4,231,169	2	4,440,287	4,831,265	5,161,601
4,157,920	**Total Investments**	**4,521,952**	**4,548,946**	**1%**	**4,753,089**	**5,141,395**	**5,468,250**
	Comprising:						
3,241,212	Superannuation Provision Account	3,354,976	3,605,656	7	3,875,455	4,165,679	4,478,044
79,103	Territory Banking Account	305,233	144,611	-53	141,064	128,761	111,885
26,739	Investments held on behalf of PTE agencies	112,658	117,495	4	25,888	104,095	103,512
375,020	ACTIA Investments	381,592	348,710	-9	374,466	398,952	422,246
110,179	Home Loan Portfolio[1]	-	-	-	-	-	-
325,667	Other GGS agency investments	367,493	332,474	-10	336,216	343,908	352,563
4,157,920	**Total Investments**	**4,521,952**	**4,548,946**	**1%**	**4,753,089**	**5,141,395**	**5,468,250**

Note:

1. The Home Loan Portfolio investments have been transferred to the Territory Banking Account and the Chief Minister, Treasury and Economic Development Directorate.

Territory Banking Account Investment Portfolio

Any cash of the GGS which is not required for immediate expenditure is invested domestically with exposures to shorter term money markets and fixed interest securities, including cash, bank term deposits, bank bill securities, residential mortgage backed securities and bonds issued by the Commonwealth and State Governments and some corporate investment grade bonds. The investments are currently made via allocations to three externally managed funds: the Cash Fund; the Cash Enhanced Fund; and the Fixed Interest Fund.

The estimated 2014-15 net nominal return for the total portfolio of invested funds is 3.4 per cent; this compares to the original Budget estimate of 2.5 per cent, net of fees. The budgeted full year return (net of fees) for 2015-16 is estimated to be 2.4 per cent.

Superannuation Provision Account Investment Portfolio

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

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

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

The nominal net return of the portfolio for 2014-15 is estimated to be 10.7 per cent, with investment earnings of approximately $321 million. The actual net investment return for the 2013-14 financial year was 15.8 per cent with investment earnings of $407 million.

Incorporating the estimated 2014-15 investment return outcome, the SPA portfolio will have generated an annualised net investment return of CPI plus 5.1 per cent over the past 19 years (1996-97 to 2014-15), which is currently ahead of the long-term investment return objective.

Loan Receivables

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

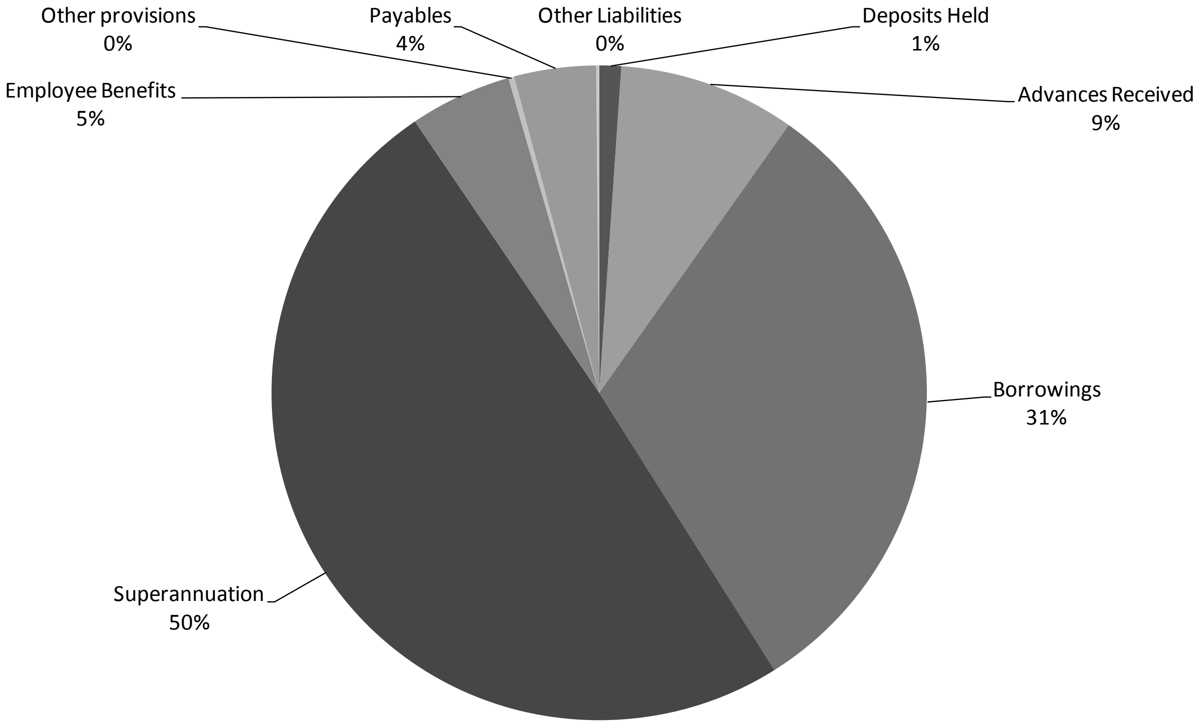
- Icon Water Ltd loans are funded by matching external borrowings from the Territory’s debt issuance program. Forms of funding include inflation-linked bonds, fixed rate medium term notes, and short-term discount securities. Loan maturity dates range from June 2018 to June 2048. The total estimated outstanding principal at 30 June 2015 is $1.492 billion.
- CMTEDD Community Housing Canberra loans have been provided through capital injection appropriations from the budget. The total estimated outstanding principal at 30 June 2015 is $68.112 million (refer to the Summary and Terms of Debt Capital Injection (Appendix N) for further information).
- The University of Canberra loan has been provided from the TBA from a credit facility established by a disallowable instrument. The total estimated outstanding principal at 30 June 2015 is $31.409 million.
- The ACTION loan relates to funding provided from the Commonwealth Government at the commencement of self-government. The loan matures in June 2023. The total estimated outstanding principal at 30 June 2015 is $2.7 million.
- The CMTEDD Exhibition Park loan is to support the development and operation of low cost accommodation facilities. The total estimated outstanding principal at 30 June 2015 is $1.5 million (refer to the Summary and Terms of Debt Capital Injection (Appendix N) for further information).

Total Liabilities

Figure 8.3.2 demonstrates the proportion of liabilities by category. The majority of the GGS liabilities comprise superannuation (50 per cent) and borrowings (31 per cent).

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

Figure 8.3.2
General Government Sector Liabilities



Borrowings

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

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

Debt securities issued include:

- long-term inflation-linked bonds where the interest and principal repayments are indexed to inflation that feature differing maturity profiles (2020, 2030 and 2048), and the repayment of principal over time or at maturity;

- nominal bonds where the interest cost (coupon) is fixed for the life of each bond and that feature differing maturity profiles (2018, 2020, 2022 and 2024), with the repayment of principal at maturity; and
- short-term discount debt securities with maturities of less than 12 months.

The debt funding program was supplemented in 2014-15 by a loan provided from the Commonwealth to support the funding of the costs of the Asbestos Eradication Scheme.

A summary of the current borrowing estimates for the 2015-16 Budget are detailed below in Tables 8.3.2 and 8.3.3.

Table 8.3.2
Territory Borrowings – Principal Outstanding

2014-15 Budget $m		2014-15 Est. Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
	General Government Sector					
2,146.0	Market Borrowings	1,644.6	2,244.7	2,695.0	3,045.2	2,846.6
79.4	Historic Commonwealth Loans (self-government)	79.4	75.7	71.8	67.8	63.7
0	Commonwealth Loan – Asbestos Eradication Scheme	750.0	1,000.0	1,000.0	950.0	900.0
2,225.4	**Sub-Total**	**2,474.0**	**3,320.4**	**3,766.8**	**4,063.0**	**3,810.3**
	Public Trading Enterprise Sector					
1,509.6	Market Borrowings	1,490.2	1,582.0	1,677.9	1,755.3	1,798.4
72.2	Historic Commonwealth Loans (self-government)	72.2	67.5	62.8	58.1	53.5
1,581.8	**Sub-Total**	**1,562.4**	**1,649.5**	**1,740.7**	**1,813.4**	**1,851.9**
3,807.2	**Total** [1]	**4,036.4**	**4,969.9**	**5,507.5**	**5,876.4**	**5,662.2**

Note:
1. Refer to sum of 'Advances Received' and 'Other Borrowings' Table I.6, Consolidated Financial Statements – Public Trading Enterprises and Total Territory (Appendix I).

Table 8.3.3
Territory Borrowings – Interest Expense

2014-15 Budget $m		2014-15 Est. Outcome $m	2015-16 Budget $m	2016-17 Estimate $m	2017-18 Estimate $m	2018-19 Estimate $m
	General Government Sector					
82.1	Market Borrowings	71.4	89.2	99.7	113.7	118.7
4.1	Historic Commonwealth Loans (self-government)	4.1	3.9	3.7	3.5	3.3
0	Commonwealth Loan – Asbestos Eradication Scheme	8.2	26.7	27.0	27.0	25.7
86.2	**Sub-Total**	**83.7**	**119.8**	**130.4**	**144.2**	**147.7**
	Public Trading Enterprise Sector					
79.7	Market Borrowings	70.3	79.1	83.6	86.0	81.5
3.5	Historic Commonwealth Loans (self-government)	3.5	3.2	3.0	2.8	2.6
83.2	**Sub-Total**	**73.8**	**82.3**	**86.6**	**88.8**	**84.1**
169.4	**Total**[1]	**157.5**	**202.1**	**217.0**	**233.0**	**231.8**

Note:

1. Refer to 'Interest Expenses', Table I.5, Consolidated Financial Statements – Public Trading Enterprises and Total Territory (Appendix I).

General Government Sector

Total market financed borrowings for the GGS are estimated to be $1.645 billion as at 30 June 2015 compared with the 2014-15 Budget estimate of $2.146 billion. No new long-term GGS borrowings were required in 2014-15 as a result of actual cash flows and liquidity outcomes.

It is estimated that there will be a net increase in GGS borrowings of $1.2 billion (excluding the Commonwealth loan supporting the Asbestos Eradication Scheme) over the 2015-16 Budget and forward estimates period. This increase is consistent with the borrowing plan estimated in the 2014-15 Budget (a $1.1 billion increase over the 2014-15 Budget and forward estimates). The 2015-16 borrowing plan reflects re-profiling of borrowing requirements due to prevailing cash flow and liquidity requirements.

The borrowings in the forward years are largely to support future capital projects. Capital provisions are included in these estimates to account for some high value projects for which budgets are either yet to be settled or which are commercially sensitive. As planning or procurement progresses, future Territory budgets will contain specific financial details for these projects. However, these projects may be procured as Public Private Partnerships, in which case the direct borrowing associated with the future works provision in the 2015-16 Budget may not eventuate.

Public Trading Enterprise Sector

Total market-financed borrowings for the Public Trading Enterprise (PTE) sector are estimated to be $1.490 billion as at 30 June 2015 compared with the 2014-15 Budget estimate of $1.510 billion. The decrease is due to Icon Water having a lower new borrowing requirement and higher than anticipated inflation-linked bond principal repayments.

It is estimated that there will be a net increase in PTE market-financed borrowings (for Icon Water) of $308.2 million over the 2015-16 Budget and forward estimates period. This increase is slightly lower than the funding requirements estimated in the 2014-15 Budget (a $365.8 million increase over the 2014-15 Budget and forward estimates).

Total Outstanding Borrowings

Figure 8.3.3 shows the total outstanding principal value of borrowings by funding type and year of maturity estimated as at 30 June 2015.

Figure 8.3.3
Total External Territory Borrowings