



ACT
Government

Australian
Capital Territory
**Budget
2017-18**

For a better Canberra



BUDGET REVIEW

For a better Canberra



Australian
Capital Territory

BUDGET 2017-18

For a better Canberra

Budget Review

GUIDE TO THE BUDGET PAPERS

Structure and Content of the 2017-18 Budget Papers

Budget Review

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

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INTRODUCTION

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

The purpose of the 2017-18 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 2017-18 Budget.

The 2017-18 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 2016-17);
- updates financial and economic parameters, and incorporates the consequential changes to the estimated outcome and the forward years' forecasts;
- identifies the impact of policy initiatives that have been decided since the 2017-18 Budget;
- identifies the impact of refined cash expenditure forecasts associated with the Territory's Infrastructure Investment Program;
- identifies events and risks that have emerged since the 2017-18 Budget, and incorporates them 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 2017. The estimates have also been updated to reflect the financial impact of the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2017-18*.

This report also contains statements that are consistent with the requirements of the Uniform Presentation Framework. 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

The 2017-18 Budget Review demonstrates that after a tough few years, the ACT's economy is now powering ahead.

Last year, over 10,000 new jobs were created in Canberra: the strongest year of job creation in a decade. Over 80 per cent of those new jobs were full time – giving Canberra families the stability and security they need. Importantly too, the new jobs emerging in our economy have been in a diverse range of sectors from education and healthcare to tourism, retail and professional services, creating opportunities for Canberrans from all backgrounds.

More jobs are being created because our economy is now undergoing a sustained expansion. The ACT's Gross State Product grew by 4.6 per cent (real terms) in 2016-17, up from 3.9 per cent in 2015-16. This was the highest growth rate for any state or territory, and significantly exceeded Australia's 2 per cent growth in Gross Domestic Product during 2016-17.

Our economy is forecast to continue growing strongly throughout 2017-18 at 4 per cent, before a moderation to 3¼ per cent growth in 2018-19 and a return to trend growth thereafter. Growth in real Gross State Product per capita in the ACT was 2.9 per cent in 2016-17, the second highest in the country and again significantly exceeding Australia's 0.4 per cent average growth.

The ACT Government has encouraged this growth by promoting Canberra as a city of innovation and opportunity, attracting investment, and supporting local entrepreneurship and creativity.

In recent months we have launched a partnership with the Governments of South Australia and the Northern Territory to develop Australia's space industry, which will grow the opportunities for our local firms in the defence, cyber security and space technology sectors. We have also signed a Memorandum of Understanding with the University of New South Wales to explore the possibility of establishing a second major campus in Canberra for up to 10,000 students. This will build on Canberra's status as the education capital and further grow our international education offering, which is now the ACT's largest export.

The Government is also investing in Canberra – growing more good jobs and delivering the infrastructure our growing city needs. Work is well under way on Stage 1 of light rail from Gungahlin to the city, and we have recently refined the options for Stage 2 which will extend the network to the Woden Town Centre. The Government will select the preferred route later this year, and consult the community further on issues like the stop locations once this has been chosen.

The Government's \$608 million Public Housing Renewal program is progressing well, with 661 new properties already delivered and around 420 additional properties expected to be completed by the end of 2018. This is just one part of a \$3.0 billion Infrastructure Investment Program which is also renewing our local schools and classrooms, delivering road upgrades and better transport connections, and laying the groundwork for significant new health facilities like the Surgical Procedures, Interventional Radiology and Emergency (SPIRE) Centre at the Canberra Hospital.

It is against this backdrop of expanding economic activity and strengthening growth that the Government delivers the 2017-18 Budget Review. We have halved the deficit for 2017-18 to \$41.5 million, compared with the \$83.4 million deficit forecast at the time of the Budget. The Budget Review also projects strengthening surpluses across the forward estimates, with a net surplus of \$89.4 million over four years.

A strengthening budget position creates room for more investment in Canberra's frontline services, and that is what the Government is delivering through this Budget Review.

We will deliver more surgeries – including elective surgeries – this year, cutting waiting times to get more Canberrans back to health sooner. We are delivering on our election commitment to recruit a full new ambulance crew, while also hiring more paramedics to help meet demand pressures across the ACT Ambulance Service. We are rolling out laptops to all Canberra public secondary students ahead of schedule to ensure they have the right tools to thrive at school. And we are investing more in our courts and community safety to make sure the justice system continues to deal with crime effectively and efficiently, while respecting people's rights.

As detailed in prior budget updates, the Government's budget strategy remains focused on:

- strengthening and diversifying the ACT economy, with an emphasis on the creation of good jobs and the delivery of high quality services to Canberrans;
- maintaining a strong operating balance over the medium term; and
- investing in infrastructure projects that will protect Canberra's liveability and boost our productivity as the city grows.

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 develop timely and appropriate responses to changes in our economic circumstances, while ensuring that sound financial management remains at the centre of the Government's longer-term planning.

Since the October 2016 election, the Government has been focused on delivering our election commitments across the priority areas of health services, better schools, a smart and integrated public transport system, a revitalised city centre and tidier suburbs.

The 2017-18 Budget Review continues to deliver on these commitments while achieving a balanced budget in 2018-19 and maintaining the Territory's AAA credit rating. We are delivering today and investing for tomorrow to ensure Canberra keeps getting even better for everyone who lives here.

CHAPTER 1

ECONOMIC PERFORMANCE AND OUTLOOK

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1.1 ECONOMIC OVERVIEW

The ACT economy is going from strength to strength with a period of sustained expansion. Growth in Gross State Product reached 4.6 per cent in 2016-17, following on from 3.9 per cent growth in 2015-16. This is above the 10 year average of 3.2 per cent. This high rate of growth is set to continue in the near term, with 4 per cent growth estimated for 2017-18 and a forecast of 3¼ per cent in 2018-19.

This economic growth is being accompanied by strong jobs growth, with over 10,000 jobs created in the ACT during 2017. This represents an employment growth rate of 4.6 per cent which is well above the national rate of 3.3 per cent. Unemployment in the ACT remains well below 4 per cent, the lowest of any jurisdiction in the country.

A key driver of this growth has been the expansion of the *Professional, Scientific and Technical Services* sector, followed closely by an expanding international education sector. International students attending our university and vocational education sector now contribute over three quarters of a billion dollars to the ACT economy each year.

As has been the case for some years, the key downside risks to the ACT economy centre on the policies and decisions of the Commonwealth Government. In particular, the push to move entire Public Service agencies out of Canberra remains a significant risk, including to our local town centres where many agencies are based.

On the other hand, ongoing economic growth in China could see further strong demand for tertiary education services located within the ACT which would further strengthen our economy above current estimates. Further positive economic outcomes may also be realised in relation to residential and commercial construction activity associated with the construction of the light rail which has already boosted jobs and construction activity along the Stage 1 route from Gungahlin to Civic.

1.2 INTERNATIONAL ECONOMIC OUTLOOK

The International Monetary Fund January 2018 *World Economic Outlook Update* contained modest upward revisions to the Fund's global growth projections. Growth is now anticipated to accelerate from 3.7 per cent in 2017 to 3.9 per cent in both 2018 and 2019.

Upward revisions to the growth outlook in the January 2018 *World Economic Outlook Update* were driven primarily by improvements in the outlook for advanced economies – namely the United States (US), Euro Area and the United Kingdom – although the outlook for emerging economies was also revised up. This follows upward revisions to the growth outlook in the October 2017 update, driven by improvements in the outlook for both advanced and emerging economies.

Since the 2017-18 Budget, the outlook for Australia's major trading partners has also improved, although China's growth rate is expected to remain stable over the forecast period. Of Australia's major trading partners, the US and India are expected to experience a meaningful acceleration in growth over the forecast period.

Despite near-term upward revisions to the outlook, the International Monetary Fund considers that risks to the outlook over the medium term remain skewed to the downside. In particular, the Fund notes that globally easy financial conditions may create a build-up of financial vulnerabilities both in advanced and developed economies.

1.3 AUSTRALIAN ECONOMIC OUTLOOK

The Australian economy expanded by 2 per cent in 2016-17, after growth of 2.8 per cent in 2015-16. The Commonwealth's *Mid-Year Economic and Fiscal Outlook 2017-18* (2017-18 MYEFO) forecasts the Australian economy to strengthen in 2017-18, with growth anticipated to be 2½ per cent. This is lower, though, than the 2¾ per cent forecast in the Commonwealth's 2017-18 Budget. The growth outlook for 2018-19 remains unchanged at 3 per cent.

The prevailing low interest rate environment is expected to support this growth, aided by growth in non-mining business investment. The Commonwealth's 2017-18 Budget forecast subdued real wages growth that is expected to persist until at least 2018-19. This is likely to flow through to subdued growth in household income and consumption.

This subdued wages outlook is expected to persist, despite the 2017-18 MYEFO forecasting an improvement in labour market conditions on the back of recent strong labour market outcomes. The 2017-18 MYEFO anticipates that spare capacity in the economy will be absorbed over the medium term.

1.4 ACT ECONOMIC OUTLOOK

The ACT economy is undergoing a period of sustained expansion, with the economy growing by 4.6 per cent in 2016-17, the highest rate of growth of any jurisdiction in Australia. This outcome was significantly above the estimate of 3¼ per cent growth at the time of the 2017-18 Budget. It also follows on from upwardly revised growth of 3.9 per cent in 2015-16. The size of the ACT economy now stands at \$37.6 billion – larger than the economies of Tasmania or the Northern Territory.

This growth was driven primarily by the *Professional, Scientific and Technical Services* sector, which expanded by an extraordinary 34.6 per cent in 2016-17, contributing more than half our total growth. This demonstrates Canberra’s growing role as a hub for highly skilled technical services in areas like IT, cyber security, defence and intelligence, as well as other professional services.

International service exports are also contributing strongly to our economic growth. International education exports increased by 24.4 per cent during 2016-17 to reach \$786 million¹, making this the Territory’s largest export.

Other sectors recording strong growth included the *Health Care and Social Assistance* sector which expanded by 7.1 per cent, and the *Construction* sector which grew by 6.3 per cent off the back of strong pipeline of private residential construction activity and the Government’s infrastructure initiatives, including light rail. Together, the strength of these sectors demonstrates that the ACT Government’s plans to continue diversifying our economic base are working.

Overall, the ACT’s growth in real Gross State Product per capita was 2.9 per cent in 2016-17, bringing it to \$92,436.

The Australian Bureau of Statistics (ABS) made significant revisions to its estimates of Gross State Product and State Final Demand for all states and territories in late 2017, resulting in changes to the historical values and growth rates for both series. A methodological change in how social benefits to households are allocated to the states and territories has substantially changed the measured level of the ACT’s State Final Demand.

This is because the ABS previously used the distribution of Commonwealth wages and salaries across Australia, as reported by the Survey of Employment and Earnings, to apportion total Commonwealth Government Final Consumption Expenditure to each state and territory.

¹ Current prices.

Under the improved methodology, social benefits to households such as Medicare, the Pharmaceutical Benefits Scheme and the National Disability Insurance Scheme are now allocated to each of the states and territories using estimated resident population rather than Commonwealth wages and salaries. This more accurately reflects where the expenditure takes places.

This change has resulted in a substantial downwards revision to the ACT's share of Commonwealth Government Final Consumption Expenditure and therefore the ACT's State Final Demand. This has also affected historical growth rates for State Final Demand.

Further analysis will be undertaken by Treasury ahead of the 2018-19 Budget of the implications of these revisions to the expected outcomes over the projection period, and may result in their adjustment going forward.

Table 1.4.1 shows the estimated outcome, forecast, and projections for the 2017-18 Budget Review.

Table 1.4.1: Economic forecasts, 2017-18 Budget Review, percentage change

	Actual	Estimate	Forecast	Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21
ACT					
Gross State Product ¹	4.6 (+1.35)	4 (+1¼)	3¼ (+¾)	2½	2½
State Final Demand ^{1,2}	3.4 (-1.6)	3¼	2¾ (-¾)	4	4
Employment ³	1.4 (+0.15)	4½ (+3)	2 (+½)	1½	1½
Wage Price Index ^{3,4}	1.9 (+0.15)	2	2¼ (-¾)	3	3
Consumer Price Index ³	2.1 (-0.4)	2¼ (+¼)	2¼	2½	2½
Population ³	1.7 (+0.2)	1¼ (+¼)	1½	1½	1½
Australia					
Gross Domestic Product ^{1,2,5}	2 (+¼)	2½ (-¼)	3	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 2017-18 MYEFO; 2017-18 Commonwealth Budget.

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. Numbers in brackets for ACT parameters represent the change from the ACT 2017-18 Budget.

1. Real values.
2. Year average basis.
3. Through the year basis.
4. Total hourly rates of pay, excluding bonuses.
5. These are the Commonwealth's 2017-18 MYEFO forecasts. Comparisons are to the 2017-18 Commonwealth Budget.

Gross State Product

The outlook for Gross State Product is for robust growth of 4 per cent in 2017-18, before a moderation to 3¼ per cent growth in 2018-19 and a return to trend growth thereafter.

The estimated outcome for 2017-18 is being driven by strong employment growth, with 8,700 jobs added to the ACT economy during the second half of the 2017 calendar year.

The growth outlook is also underpinned by ongoing solid population growth, with an upwardly revised estimate of 1¼ per cent growth in 2017-18. This population growth flows through to the broader economy, including expected moderate growth in household consumption over the forward estimates. However, expected flat real wage outcomes over this period, particularly driven by Commonwealth Public Service wage agreements, are still likely to continue to constrain household spending compared to similar periods of economic growth in the past.

Service exports for international students and international tourism are also expected to support growth over the forward estimates as these sectors continue to expand.

State Final Demand

National Government Consumption expenditure in the ACT grew by a solid 5.8 per cent in 2016-17, although this is expected to slow on the back of lower growth in the 2017 September quarter. National Government Investment for the ACT grew by an exceptional 17.5 per cent in 2016-17. High growth is forecast to continue in the current year and beyond, driven by defence, IT and ongoing construction activity by the Australian National University.

Overall, however, the National Government share of the ACT economy has declined over recent years, with a largely offsetting increase in private sector activity. Since 2011 the Commonwealth Government's share of the economy has declined from 44.7 per cent to 41.2 per cent. Over this same period, the private sector's share has risen from 45.8 per cent to 48.6 per cent².

ACT Government consumption and investment are both expected to contribute to growth over the forward estimates, driven by the roll-out of major health, education and transport infrastructure initiatives as well as increased demand for ACT Government services brought about by a growing population.

The 2017-18 Budget Review shows the Government is investing a record \$3.0 billion over the four years to 2020-21 on infrastructure. This includes a number of previously announced initiatives, including: \$564 million on health facilities; \$100 million on upgrading schools; \$196 million on roads and \$376 million on renewing public housing.

In partnership with the private sector, the Government is also progressing the \$707 million Light Rail – Stage 1³, and the \$160 million ACT Law Courts Facilities⁴, while developing a business case for Light Rail – Stage 2 to extend the network to Woden.

² December 2011 to September 2017. As measured by State Final Demand, rolling 4 quarter total.

³ Light Rail – Stage 1: total project budget from 2015-16 to 2018-19, including Territory retained risks.

⁴ ACT Law Courts Facilities: total project budget from 2015-16 to 2018-19.

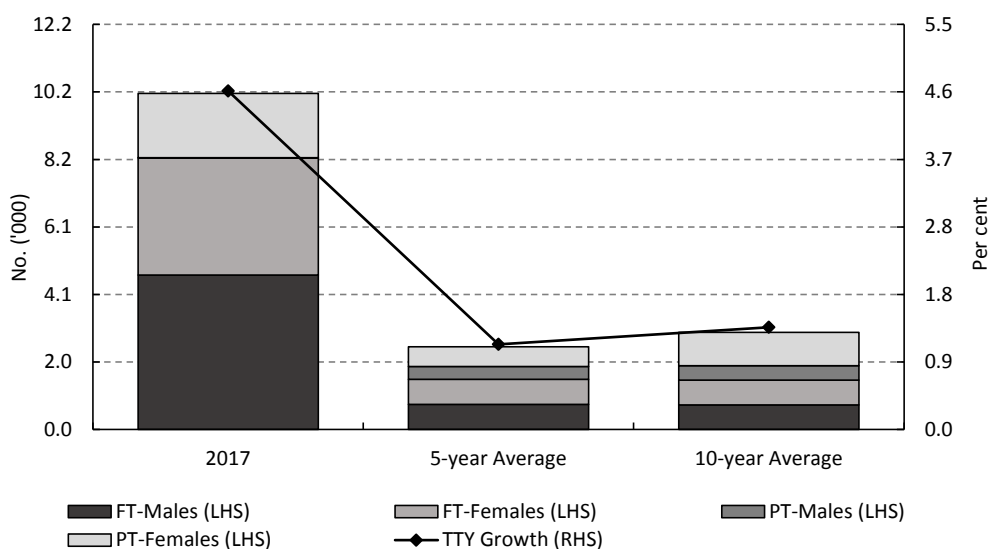
Residential dwelling investment increased by 7.3 per cent in real terms over the year to the September quarter of 2017⁵, supported by population and employment growth and low interest rates. The ACT Government’s land release program, asbestos eradication scheme and public housing renewal will continue to support residential construction activity.

Non-residential construction activity in the private sector remains strong, with \$565 million worth of work completed over the year to the September quarter of 2017⁶. Going forward, activity will be supported by notable projects such as the \$150 million Canberra Data Centre⁷ and the planned redevelopments of Garema Centre (\$100 million)⁷ and Woden Town Centre (\$380 million)⁷.

Labour market

The ACT’s labour market conditions have been stronger than expected at the time of the 2017-18 Budget, with over 10,000 jobs created over the year to December 2017. This 4.6 per cent growth rate is well above the ten year average rate of growth of 1.4 per cent. Importantly, 80 per cent of these additional jobs were full time (8,200 jobs). Details of the through-the-year employment growth are provided in Figure 1.4.1.

Figure 1.4.1: ACT through the year employment growth by employment status and gender



Source: ABS Cat. No. 6202.0

Note: FT = Full time; PT = Part time

⁵ ABS cat no 5206.0.

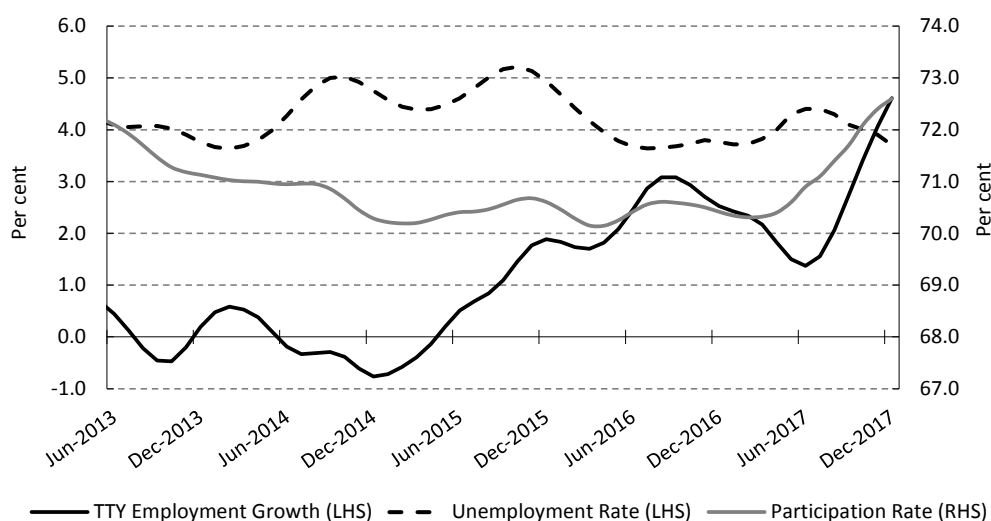
⁶ ABS cat no 8752.0.

⁷ Deloitte Access Economics *Investment Monitor*, December quarter 2017.

By industry, the increase in employment over the past year was dominated by new jobs in *Education and Training; Accommodation and Food Services; Administrative and Support Services; and Retail Trade*. The second half of 2017 also saw a significant increase in jobs in the *Public Administration and Safety; Professional, Scientific and Technical Services; Electricity, Gas, Water and Waste Services; and Health Care and Social Assistance* sectors.

The participation rate has increased by 2.2 percentage points to 72.6 per cent, which is the second highest participation rate of all jurisdictions. The ACT's unemployment rate of 3.7 per cent is now the lowest in the country, while the underutilisation rate has also fallen significantly to 5.6 per cent⁸. Details of the Territory's employment growth are presented in Figure 1.4.2 below.

Figure 1.4.2: Employment growth, unemployment rate and participation rate

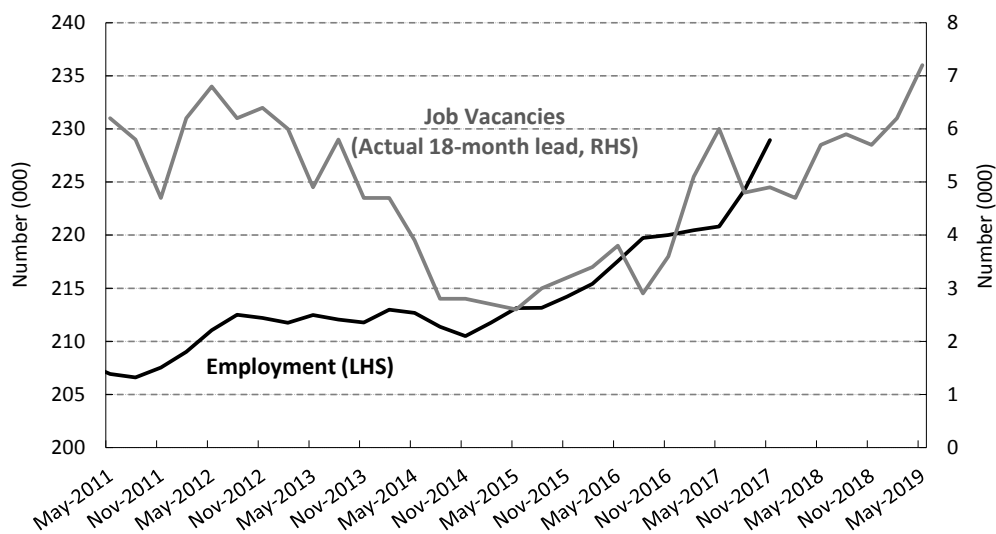


Source: ABS Cat. No. 6202.0

In light of significantly stronger outcomes to date, employment is forecast to grow by a strong 4.5 per cent in 2017-18. This is 3 percentage points higher than anticipated at the time of the 2017-18 Budget. This is consistent with leading indicators of labour demand, reflected in the strong growth in job vacancies. Employment growth is expected to move closer to its long-run average in 2018-19, at 2 per cent. Details of the Territory's employment and job vacancies are presented in Figure 1.4.3 below.

⁸ The underutilisation rate is the sum of the number of people unemployed and the number of people in underemployment, expressed as a proportion of the labour force. Underemployment is the number of employed people aged 15 years and over who want, and are available for, more hours of work than they currently have.

Figure 1.4.3: Employment and job vacancies



Source: ABS Cat. No. 6202.0 and 6354.0

Note: Employment is monthly trend data; Job vacancies are quarterly original data.

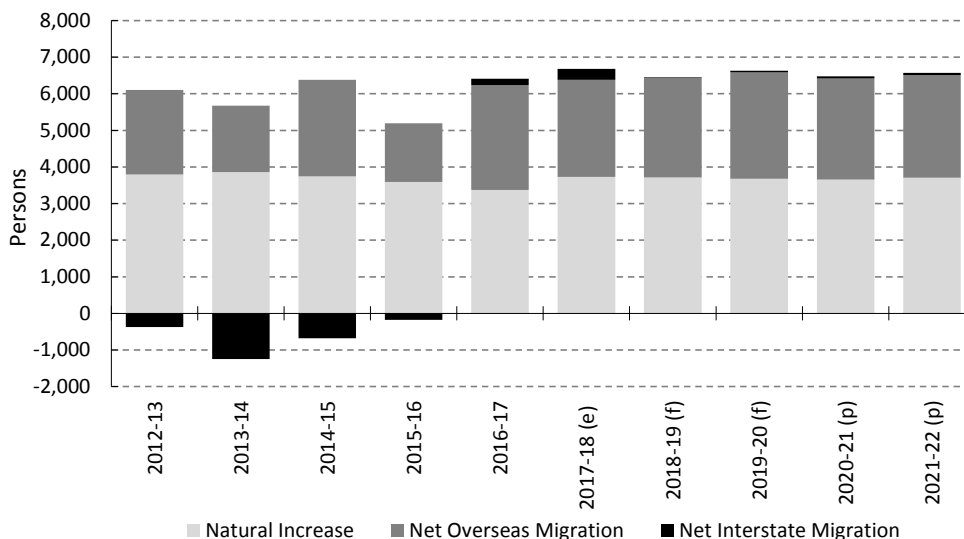
Population

Canberra is growing rapidly, with our population having expanded by over 11 per cent between the 2011 and 2016 Census counts – the fastest rate of growth in the country.

The ACT had an estimated population of 410,301 at 30 June 2017, which is an increase of 6,833 people since June 2016. This 1.7 per cent increase is slightly above the 2017-18 Budget estimate of 1½ per cent population growth. This is largely the result of higher than expected net overseas migration, which brought 2,801 more people to Canberra. Natural increase (births less deaths) contributed a further 3,369 people to the city’s total population growth.

Looking forward, the ACT’s estimated resident population is forecast to grow by 1¾ per cent in 2017-18 and 1½ per cent thereafter, reaching approximately 443,000 people by 2021-22. Population growth from natural increase will continue to be the largest contributor, supported by ongoing net overseas migration. Net interstate migration is also expected to make a small positive contribution to overall population growth, as the strong economic outlook and jobs growth continue to attract people to Canberra. Details of the ACT’s population growth by component are presented in Figure 1.4.4 below.

Figure 1.4.4: ACT population growth by component



Source: ABS Cat. No. 3101.1; CMTEDD.

Notes: (f) – forecast, (p) – projection.

Consumer Price Index

Inflation in the ACT is expected to rise slightly from the 2.1 per cent growth recorded over the course of 2016-17 to 2¼ per cent in 2017-18. Inflation is expected to remain at 2¼ per cent in 2018-19 before returning to the mid-point of the Reserve Bank of Australia’s target band thereafter.

The outlook for inflation in the ACT is essentially unchanged, with gradual upward price pressure expected over the next few years. The upward revision to the 2017-18 forecast from the 2017-18 Budget is as a result of an unexpectedly flat outcome for the June quarter 2017 Consumer Price Index result, which has the effect of increasing through the year price growth by June 2018.

There is some upside risk to the inflation outlook for the ACT over the near term. As a primarily services-driven economy, any upward pressure on wages growth driven by the continued tightening of the local labour market may increase inflationary pressure.

More likely, however, inflationary pressure over the forecast period will be driven by Consumer Price Index components which are unrelated to local labour market capacity.

Wage Price Index

The Wage Price Index is expected to grow by 2 per cent in 2017-18. This is essentially the same pace of wage inflation observed in the ACT over the course of 2016-17 (1.9 per cent) and is unchanged from the outlook at the 2017-18 Budget.

The downward revision to the forecast for 2018-19 from 2½ per cent to 2¼ per cent primarily reflects the impact of Australian Public Service wage negotiations, along with a subdued outlook for private sector wages growth. From 2019-20, the Wage Price Index is projected to grow at its long-run average of 3 per cent a year.

A number of large Australian Public Service departments have enacted enterprise bargaining agreements since the 2017-18 Budget. However, one key risk to the wages outlook is a repetition of the protracted bargaining process seen over recent years in relation to several soon-to-expire agreements.

1.5 RISKS TO THE ECONOMIC OUTLOOK

The ACT's economic forecasts show an outlook for ongoing strength. However, there are a number of risks to our continued strong growth with international and domestic risks to the broader Australian economy remaining the primary channel through which these risks may affect the ACT economy.

Nationally, household debt to Gross Domestic Product levels are amongst the highest in the developed world. Despite prevailing low interest rates, there are clear risks to households carrying this level of debt. While the pace of growth of riskier lending has moderated, the accumulation of debt increases the risk posed by a correction in the market.

It remains the case that a sudden tightening of financial conditions could also represent a risk to the pace of dwelling construction, household expenditure and economic activity in the ACT.

Commonwealth Government decisions on public sector expenditure carry further risks to the ACT outlook. The Commonwealth Government's increased efficiency dividend commenced this financial year, and may affect the growth outlook for the ACT.

Offsetting this is the ongoing growth potential represented by the ACT's education exports, which now contributes \$750 million a year to the ACT economy. The extraordinary strength of the ACT labour market in recent months also represents an opportunity for stronger than forecast economic and population growth for the Territory.

CHAPTER 2

BUDGET OUTLOOK AND FISCAL STRATEGY

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2.1 BUDGET OUTLOOK

The 2017-18 Budget Review provides an update of the Government's plan to renew Canberra with investment in our health services, schools, infrastructure and public places. It is delivered in the context of the Government's budget strategy that is working for Canberra; our diversified economy continues to grow strongly, and unemployment is the lowest in the country.

Canberrans have recognised the value of investing in our city to protect its liveability as we grow. They understand that a balanced budget is not an end in itself, but a means to strengthen our capacity to respond to future shocks and foster economic growth.

The ACT remains one of only three states and territories in Australia to maintain a AAA credit rating, a further endorsement of our clear fiscal plan for the Territory.

Net debt remains at prudent levels that are consistent with other AAA-rated jurisdictions while facilitating the investments we are making in renewing Canberra's health, education, transport and community assets.

Headline Net Operating Balance

The General Government Sector Headline Net Operating Balance is forecast to be in deficit by \$41.5 million in 2017-18, approximately half the estimated \$83.4 million deficit forecast at the time of the 2017-18 Budget. The improvement in 2017-18 is primarily due to a larger than anticipated national GST pool, an increase in the ACT's share of the national population in 2016-17, and additional dividend payments and tax equivalents from the Territory's land program. Further details are provided in the *Revenue and Expenses* section of this chapter.

Table 2.1.1 provides a summary of total revenue and expenses across the budget and forward estimates, as well as the Headline Net Operating Balance.

Table 2.1.1: General Government Sector Headline Net Operating Balance

	2016-17 Actual Outcome \$'000	2017-18 Original Budget \$'000	2017-18 Budget Review \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Revenue	5,217,842	5,341,439	5,423,478	5,588,397	5,863,509	6,195,984
Expenses	5,394,714	5,596,370	5,637,775	5,764,256	6,021,809	6,329,666
Superannuation return adjustment	150,197	171,522	172,753	186,991	198,725	213,082
HEADLINE NET OPERATING BALANCE	-26,676	-83,409	-41,544	11,132	40,425	79,400
Net Cash from Operating Activities	612,994	311,606	474,036	468,680	497,368	503,927
Net Debt (excluding superannuation)	1,452,851	2,001,138	1,630,484	2,300,901	2,422,524	2,494,176
Net Financial Liabilities	6,984,007	5,107,111	4,766,435	5,543,440	5,665,144	5,695,995

Note: Table may not add due to rounding.

Summary of movements

Table 2.1.2 shows the variations in the General Government Sector Headline Net Operating Balance between the 2017-18 Budget and the 2017-18 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 General Government Sector Headline Net Operating Balance

	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
2017-18 Budget	-83,409	9,793	27,928	63,272
Revenue¹				
Policy Decisions	29	-682	-450	-109
Technical Adjustments	82,010	50,374	63,597	155,756
Expenses²				
Policy Decisions	-19,945	-12,016	-16,273	-16,594
Technical Adjustments	-21,460	-43,059	-40,518	-129,493
Superannuation return adjustment	1,231	6,722	6,141	6,568
2017-18 Budget Review	-41,544	11,132	40,425	79,400

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 2017-18 Budget

	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000
Revenue¹				
GST Revenue	45,715	26,680	38,472	39,048
SLA Dividend and Income Tax Equivalents income	20,742	26,273	9,454	80,425
Other Commonwealth Grants	17,747	20,705	3,051	28,924
Other Technical Adjustments	14,732	-15,202	6,143	7,224
Territory Banking Account	3,074	1,918	6,477	135
Commercial Conveyance	-20,000	-10,000	0	0
Total Revenue – Technical Adjustments	82,010	50,374	63,597	155,756
Expenses²				
Parameter and Provision Adjustments	28,770	-8,323	-32,452	-101,166
Territory Banking Account	-57	867	2,277	2,615
Other Technical Adjustments	-5,772	-5,108	-5,095	-4,452
Estimated Outcome	-8,394	2,076	7,170	5,486
Commonwealth Grants	-10,394	-9,489	1,858	-10,640
Depreciation Expense	-25,613	-23,082	-14,276	-21,336
Total Expenses – Technical Adjustments	-21,460	-43,059	-40,518	-129,493

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 2017-18 is expected to be \$82 million higher than forecast in the 2017-18 Budget and \$350.5 million higher over the four years to 2020-21. Significant movements in revenue over the forward estimates include:

- an increase of \$45.7 million (\$149.9 million over four years) in GST revenue as a result of an increase in the ACT's share of the national population in 2016-17;
- an increase of \$20.7 million (\$136.9 million over four years) in dividend and income tax equivalents income from the Suburban Land Agency associated with higher forecast sales in Jacka 2, Kingston and the Hume industrial estate;
- an increase of \$17.7 million (\$70.4 million over four years) in Commonwealth grant funding for National Partnerships and Specific Purpose Payments. This is partly offset by an increase in expenses of \$10.4 million (\$28.7 million over four years) for the related service delivery costs; and
- a decrease of \$20 million (\$30 million over two years) in commercial conveyance revenue primarily due to changes in activity in the large commercial property sector to date in 2017-18.

Expenses

Total expenses in 2017-18 are expected to be \$41.4 million higher than forecast at the time of the 2017-18 Budget and \$299.4 million higher over the four years to 2020-21. The major movements are:

- an increase in expenses of \$19.9 million (\$64.8 million over four years) for policy decisions. Major initiatives include the delivery of more surgeries – including elective surgeries; more paramedics; and an increase in the Utilities Concession for low-income households; and
- an increase in depreciation expenses of \$25.6 million (\$84.3 million over four years) due to the revaluation of assets and the recognition of depreciation for contributed assets for the Transport Canberra and City Services Directorate.

Superannuation Return Adjustment

The 2017-18 Budget Review Headline Net Operating Balance includes an adjustment for long-term expected superannuation investment earnings (consistent with the long-term expected return objective of the Consumer Price Index plus 4.75 percentage points). This presentation has been adopted in the ACT Government's Budget Papers since 2006-07. The consistent and continued use of the Headline Net Operating Balance for budgetary purposes ensures that comparable, comprehensive and informed assessments can be made of the Territory's financial performance over time.

The variation for the superannuation return adjustment reflects market conditions as at 31 December 2017.

2.2 FISCAL STRATEGY

The Government's focus continues to be broadening and strengthening the Territory's economic base, while exercising fiscal restraint to return the budget to balance. At the same time, we are delivering world-class services and investing in key infrastructure to ensure these keep up as our city grows.

The Government has affirmed our commitment to the principles of responsible financial management. We have consistently demonstrated this by employing a flexible fiscal strategy which allows appropriate and timely responses to changes in local and national economic conditions.

The main features of this strategy include:

- strengthening the ACT economy, with a particular focus on creating good jobs and continuing to deliver high quality services to the community;
- continuing to invest in infrastructure projects and assets that generate economic growth and protect Canberra's liveability as our city grows; and
- sustaining a strong operating balance over the medium term, offsetting temporary deficits with surpluses in other periods.

This fiscal strategy has seen the Government take on temporary deficits in the last few years to counter the negative economic and financial headwinds that the Territory has faced, while working towards delivering a balanced budget in 2018-19. In response to the economic shocks – such as the Mr Fluffy asbestos response, and the Abbott Government's cuts – the Government chose to invest in Canberra. This helped keep our economy growing, even during the tough times. Now that these shocks have dissipated, the Government's ongoing efforts to expand and diversify the Territory's economy have contributed to the strong economic performance we see today.

This budget update also shows the Government is making progress in relation to its fiscal strategy, having halved the deficit for 2017-18 and improved the surplus in 2018-19 and the forward years. This is the sixth consecutive budget update in which the Government has forecast the return to balance in 2018-19, reinforcing our steady progress towards this target.

The Government's prudent management of the Territory's finances has again been acknowledged by international rating agency Standard & Poor's. The ratings agency affirmed the ACT's AAA long-term and A-1+ short-term local currency credit ratings on 30 August 2017. While the Territory's outlook remains negative, this is the highest rating possible given the Commonwealth Government has remained on negative outlook since July 2016.

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.

Sustainable economic growth

The Government is continuing to work to expand investment and diversify the Territory's economic base by promoting Canberra locally and internationally, pursuing new partnerships across a wide range of industries, and making it easier for local businesses to start up and thrive.

This strategy has helped create more good jobs, with our unemployment rate now at 3.8 per cent, the lowest rate of any jurisdiction in Australia. In the past 12 months, over 10,000 new jobs have been created in the Territory across a broad range of industries in both the private and public sectors. Importantly too, the majority (80 per cent) of these new jobs were full-time.

Gross State Product grew by 4.6 per cent (real terms) in 2016-17, up from 3.9 per cent in 2015-16, significantly exceeding the 2 per cent Gross Domestic Product growth seen across Australia.

The 2017-18 Budget announced a \$20 million jobs package to stimulate areas of the economy such as tertiary education, tourism, and emerging industries, and the benefits of this investment are now being realised. For example, a Memorandum of Understanding has recently been signed between the Government and the University of New South Wales to guide discussions on a possible major new campus and innovation precinct in Canberra.

The Memorandum of Understanding will allow the ACT Government and the University of New South Wales to collaborate on the proposal, including developing plans for land use, the design of the campus, and the range of services it would provide. The community will be engaged during development of the proposal, and it is anticipated that the innovation precinct will feature teaching and research facilities, resources to allow collaboration with industry, and services such as student housing and retail amenities to support the campus.

The Government has promoted Canberra as a tourist destination both within Australia and around the world, working to attract international carriers and low-cost carriers. We have also created a Major Events Fund to bring world-class exhibitions and events to the ACT. This helps to grow the value of our tourism economy, and promote Canberra as a vibrant, dynamic and creative city.

Canberra's tourism economy has grown significantly, with international visitors increasing by 10.2 per cent in the last 12 months, and domestic overnight visitors to Canberra increasing by 12.6 per cent to 2.7 million visitors. These visitors added over \$2 billion to the ACT economy. The rising popularity of Canberra as a tourist destination was recently highlighted by *Lonely Planet*, which ranked Canberra as the third best city in the world to visit in 2018. Our international visitor numbers will receive another significant boost in February 2018, when Qatar Airlines begins direct flights to Canberra, the second international carrier after Singapore Airlines.

Government investment in key infrastructure projects has delivered jobs and economic growth in the Territory, and continues to ensure there is productive infrastructure to support the city into the future. The Government is announcing further investment in this budget update to deliver even more of our election commitments.

Light rail will provide Canberrans with a convenient and efficient way to move around the city and cater for the transport needs of a growing population. The construction of the first stage of light rail is progressing well, with tracks being laid and the first tram carriages already arriving in Canberra. Design work and community consultation is under way for the second stage of the light rail network, which will connect the City to Woden and provide a north-south transit spine through the city.

Quality and efficient services

The Government remains committed to the efficient delivery of high quality public services as Canberra's population grows.

Canberrans already have access to high quality basic services, which contributes to the reputation of Canberra as a highly liveable city. The Government is continuing to invest in these frontline services including healthcare, education, public transport, municipal services, maintaining public spaces, and providing support for those most in need.

Public housing renewal is progressing throughout the city as the Government invests \$608 million over six years to 2020-21, to replace ageing public housing stock with fit-for-purpose housing. In addition, community consultation has begun on Section 72 in Dickson, which will be home to a new Common Ground development, and potentially include public and private housing along with community facilities.

Alongside the Public Housing Renewal Program, the Government has also worked with members of the community and the Housing Advisory Panel to deliver a Housing and Homelessness Summit. The aim of the Summit has been to identify ideas and policies that can be pursued to ensure housing is available and affordable for the most vulnerable members in our community.

The Government has created a Housing Innovation Fund of \$1 million to trial new affordable housing initiatives such as HomeGround affordable rental, Homeshare and the Nightingale housing model. An annual affordable public and community housing target has been established which will see 530 sites released this year for affordable home purchases, along with public and community housing. An affordable home purchase database will also be established to ensure that land sold under this scheme goes to those most in need.

The flexible bus service has been expanded to the inner north, providing a reliable transport service for seniors and people with mobility issues, and making it easier for people to make short trips around their community. The flexible bus service now covers the entire city, helping people who are mobility impaired to remain active in their community and access services away from their homes.

The Government is also accelerating the rollout of green bins after a successful pilot scheme in Kambah and Weston Creek. The rollout will be expanded to Tuggeranong next, before it is introduced to the rest of the city. The scheme will help divert green waste from landfill, improving environmental outcomes for the Territory by allowing it to be reused as compost.

Construction has begun on the new primary school in Taylor, which will provide quality public education to children living in the new suburbs of North Gungahlin. Taylor School will provide education for pre-schoolers to year six students, and will include specific facilities for music, science, technology, engineering, arts and mathematics to equip students for the best possible future.

Work continues on the University of Canberra Public Hospital, which is expected to be open in mid-2018. This will provide the Territory with its first specialist rehabilitation hospital, as well as research and on-campus clinical training opportunities for medical students studying at the University of Canberra.

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 forecasts a moderate deficit for 2017-18 and a return to surplus in 2018-19, as foreshadowed in the past five budget updates. The improving trajectory in the Territory's budget position across the budget year and forward estimates has been driven primarily by stronger economic growth, additional Commonwealth grant funding due to the Territory's growing population, and adjustments to the Territory's land release program to make more land available sooner. Increasing surpluses are also forecast for each year of the forward estimates, reaching \$79.4 million by 2020-21. Additional details regarding the Territory's bottom line are presented in *Budget Outlook* (Chapter 2.1).

The Government’s prudent fiscal management over a number of budget cycles has now effectively eliminated the budget deficit. This has been reduced from a peak of \$479 million in 2014-15, when the Government responded to a number of fiscal and economic shocks, including the Loose-fill Asbestos Insulation Eradication Scheme, the global financial crisis, and Commonwealth Government cuts.

In balancing the needs of the community and the Territory’s budget bottom line, the Government elected to invest in Canberra, providing a buffer against the negative financial impact of these shocks. From this foundation we now see strong economic growth, increasing employment across both the public and private sectors, and the lowest unemployment in Australia.

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.

Table 2.2.1: Net Operating Cash

General Government Sector	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
2017-18 Budget	311.6	495.8	366.3	564.4
2017-18 Budget Review	474.0	468.7	497.4	503.9

The revised net operating cash position for the General Government Sector in 2017-18 is \$474 million. This compares to the net cash position of \$311.6 million at the time of the 2017-18 Budget, and is largely a consequence of increased GST revenue and higher returns from the Suburban Land Agency.

The Territory’s credit rating

International ratings agency Standard & Poor’s reaffirmed the ACT’s AAA long-term and A-1+ short-term local currency credit ratings on 30 August 2017.

Consistent with the Commonwealth Government’s ratings outlook, Standard & Poor’s maintains a negative outlook on the ACT Government’s credit rating. Standard & Poor’s remains of the view that no state or territory in Australia can 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 a small number of Governments around the world – to hold this rating.

In its most recent assessment, Standard & Poor's indicated that the ACT's financial management compares favourably to domestic and international peers. The ratings agency noted the Government had successfully addressed a number of challenges over recent years including the Commonwealth Government's fiscal consolidation efforts and the substantial costs associated with the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme).

Standard & Poor's further stated that the ACT's strong financial management would allow the Government to successfully deliver its infrastructure plans, including Public Private Partnerships and the Asbestos Eradication Scheme while containing debt levels. The Government's long-term tax reforms, such as the changes to land tax, were also seen to support the ACT's budget position now and into the future, by providing a more stable revenue base.

Sustainable taxation revenue

A key component of the Government's fiscal strategy is to ensure that taxation revenue remains at a sustainable level through the ACT Taxation Reform program which commenced in 2012-13. Conveyance duty is being phased out over a 20-year period with the revenue replaced through the general rates system.

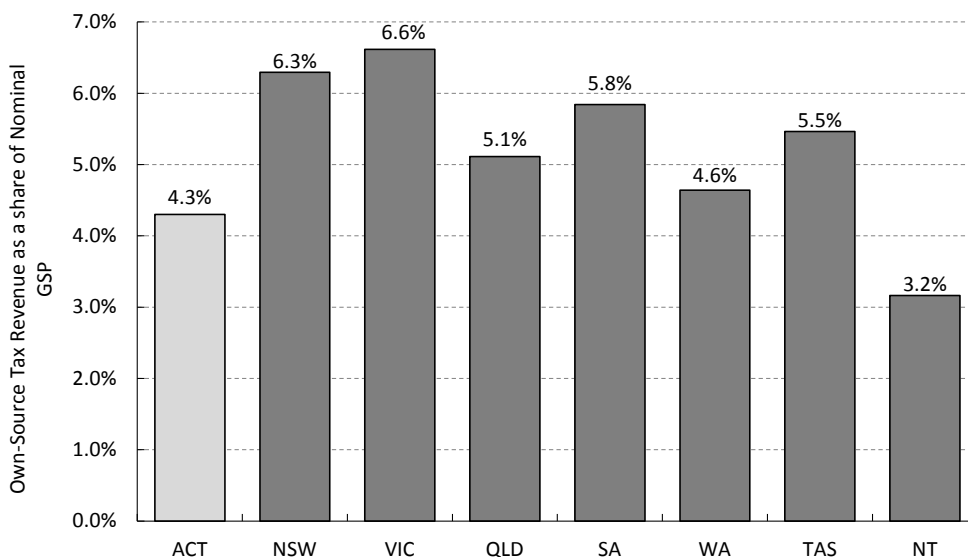
Changing the tax mix away from narrowly-based transaction taxes to a broad land tax base ensures stable and efficient revenue to fund the provision of high-quality government services into the future. As part of the second five-year phase of tax reform, from 2017-18 the Government has changed the methodology for calculating rates and land tax on units.

The intention of this change is to ensure that rates and land tax on units are better aligned with rates on freestanding homes with equivalent market values, as previously unit holders have paid much less in many cases. For example, under the previous methodology, someone with a \$500,000 unit in the city paid about \$400 a year less in rates than someone with an equivalent-value home in Charnwood.

The Government will continue to seek opportunities to make our revenue system fairer as we proceed with tax reform in the years ahead.

The ACT remains a relatively low taxing jurisdiction. Our own-source tax revenue as a share of Gross State Product remains the second lowest in Australia, as shown in Figure 2.2.1 below.

Figure 2.2.1: Comparison of own-source tax revenue as a share of Gross State Product, total state and local government, 2015-16



Sources: ABS 5506.0, 5220.0.

Notes:

1. Gross State Product is in nominal terms.
2. This comparison is made on the basis of total state and local government own-source tax revenue. The ACT undertakes both state and local functions.

A strong balance sheet

The ACT’s balance sheet continues to perform 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 2017-18 Budget estimate of 5.0 per cent, General Government Sector net debt as a percentage of Gross State Product has now fallen to 4.0 per cent in 2017-18.

The decrease in net debt as a percentage of Gross State Product is largely due to higher balances of funds held in cash and investments and lower borrowings. Further details can be found at *Net debt and net financial liabilities* (Chapter 5.1).

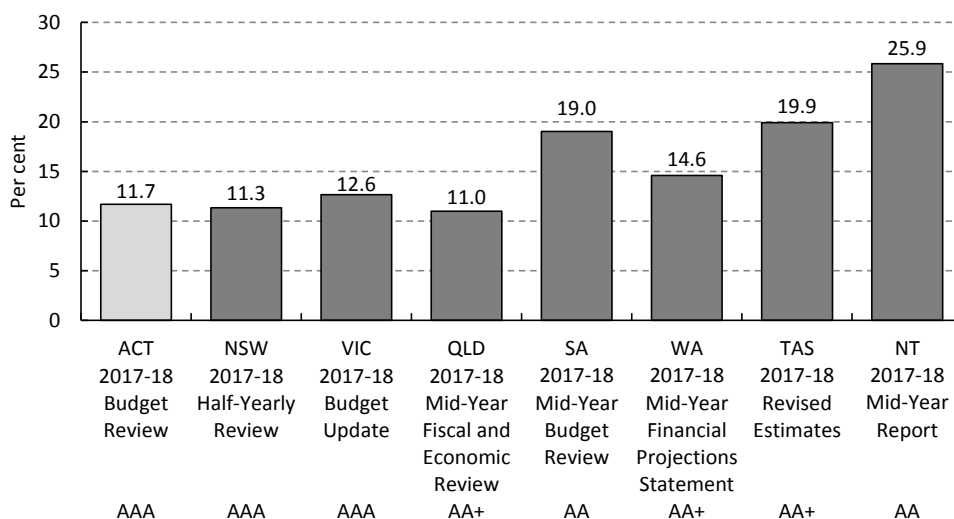
Net financial liabilities

Net financial liabilities are a broad measure of General Government Sector liabilities, including net debt and superannuation liabilities. Compared to the 2017-18 Budget estimate of 12.7 per cent, General Government Sector net financial liabilities as a percentage of Gross State Product are now estimated to be 11.7 per cent in 2017-18. This largely reflects the higher balances of funds held in cash and investments and lower borrowings 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 General Government Sector in public corporations.

Figure 2.2.2 below compares the ACT's net financial liabilities as a proportion of Gross State Product with other jurisdictions. The ACT remains broadly in line with the other AAA-rated jurisdictions, New South Wales and Victoria.

Figure 2.2.2: Net financial liabilities to Gross State Product Ratio (General Government Sector) – 2017-18 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 Gross State Product, it continues to be one of the strongest of all Australian jurisdictions at 45.6 per cent.

Compared to the 2017-18 Budget, net worth has increased by \$603.4 million in 2017-18. This increase largely reflects the changes in cash and investments and borrowings discussed above and an upward revaluation of the Territory's non-financial assets in 2016-17.

2.3 LOOSE-FILL ASBESTOS INSULATION ERADICATION SCHEME – FINANCIAL DETAILS

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 homeowners and their families across Canberra suburbs.

The decision to eradicate loose-fill asbestos from homes in the ACT recognises the significant health, social, practical and financial impacts it has had on owners and the wider community. The Asbestos Response Taskforce (the Taskforce) advised the Government in August 2014 that demolition of all affected homes 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 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 the former owner 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 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 15 eligible impacted properties – those connected to affected properties.

Of the eligible houses, 989 homeowners have agreed to participate in the Asbestos Eradication Scheme, comprising 978 affected houses and 11 impacted properties.

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

The sales phase of the Asbestos Eradication Scheme is ongoing and the market response to this unique land offering has been broadly consistent with expectations. However, actual sale prices and real estate market conditions will influence the overall costs of delivering the program.

As at 31 December 2017:

- 989 homeowners had accepted offers to sell their properties to the Government;
- 948 houses had been purchased, totalling \$678.9 million;
- 670 owners had exercised stamp duty concessions to the value of \$16.1 million; and
- \$11.8 million had been paid in emergency financial support to homeowners.

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

As at 31 December 2017, 894 houses had been demolished and 556 remediated blocks had been sold. The sale of remediated blocks commenced in April 2016 and is progressing. Additionally:

- as at 31 December 2017, 34 auctions had been held. Of the 629 blocks released for sale, 510 blocks have been sold;
- in addition to the properties sold at auction, 41 former owners who held first refusal rights have accepted the purchase price to buy back their remediated blocks; and
- an additional five remediated properties have been directly sold to an ACT Government agency.

Auction sales prices have ranged from \$330,000 to \$2.750 million.

Budget estimates

The estimated financial impacts of the Asbestos Eradication Scheme have not changed since the 2017-18 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

	2017-18	2018-19	2019-20	2020-21
	\$'000	\$'000	\$'000	\$'000
2017-18 Budget Review				
Payments				
Financial Assistance Package	400	20	80	0
Purchase Costs ¹	6,168	824	19,238	200
Demolition and Remediation	61,753	889	127	3,492
Other Costs ²	8,821	4,527	4,489	4,397
Total Payments	77,141	6,260	23,934	8,089
Receipts				
Net Sales Revenue	242,504	97,262	4,255	16,379
Total Receipts	242,504	97,262	4,255	16,379
Net Cash Flow	165,363	91,001	-19,679	8,290

Notes: 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 Response Taskforce costs.

Table 2.3.2: Asbestos Eradication Scheme – Headline Net Operating Balance (HNOB) impact

	2017-18	2018-19	2019-20	2020-21
	\$'000	\$'000	\$'000	\$'000
2017-18 Budget Review				
Financial Assistance Package	-400	-20	-80	0
Other Costs	-8,910	-4,877	-4,481	-4,488
Purchase Costs	-1,114	-102	-154	-200
Contingency	-1,265	-1,265	-1,265	-8,856
Total HNOB Impact (including contingency)	-11,690	-6,264	-5,980	-13,545

Note: Numbers may not add due to rounding.

Table 2.3.3: Asbestos Eradication Scheme – Cumulative cash flow impact (including financing costs)

	2014-15	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Cash Flow – Cumulative	-488,822	-702,503	-552,399	-387,037	-296,035
Indicative Annual Interest Cost ^{1,2,3}	-6,619	-16,131	-16,991	-12,720	-9,249
Total Cost (including financing costs)	-495,441	-718,634	-569,391	-399,756	-305,284
	2019-20	2020-21	2021-22	2022-23	2023-24
	\$'000	\$'000	\$'000	\$'000	\$'000
Net Cash Flow – Cumulative	-315,714	-307,424	-307,424	-307,424	-307,424
Indicative Annual Interest Cost ^{1,2,3}	-8,283	-8,437	-8,325	-8,325	-8,325
Total Cost (including financing costs)	-323,997	-315,861	-315,749	-315,749	-315,749

Notes: Numbers may not add due to rounding.

1. The indicative interest cost is calculated on the cumulative net cash flow from the Asbestos Eradication Scheme each year but interest is not cumulative. The interest cost is met from the total Territory budget, not the budget for the Asbestos Eradication Scheme.
2. Indicative interest cost is calculated assuming an equal spread of payments/receipts across the year.
3. The interest rate use is based on the weighted cost of the loan of 2.708 per cent.

2.4 NEW INITIATIVES

The new initiatives included in the 2017-18 Budget Review are detailed in Table 2.4.1 below. Consistent with the presentation of initiatives in the 2017-18 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, Section 2.1) which details the impact of variations on the Headline Net Operating Balance showing new revenue as a positive number and new spending as a negative number.

Table 2.4.1: Overview of initiatives

Summary of initiatives	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000	Total \$'000
Expense initiatives	16,724	8,658	8,028	7,242	40,652
Health funding envelope offset	0	-2,306	-813	-790	-3,909
Net expense initiatives	16,724	6,352	7,215	6,452	36,743
Expenses associated with infrastructure and capital initiatives	3,221	5,664	9,058	10,142	28,085
Total expense initiatives	19,945	12,016	16,273	16,594	64,828
Infrastructure and capital initiatives	35,343	44,697	18,498	17,596	116,134
Capital associated with expense initiatives	0	542	0	0	542
Total infrastructure and capital initiatives	35,343	45,239	18,498	17,596	116,676
Revenue initiatives	-39	-811	-510	-109	-1,469
Revenue associated with expense initiatives	68	129	60	0	257
Total revenue initiatives	29	-682	-450	-109	-1,212
Depreciation associated with new initiatives	1,222	3,296	5,351	6,390	16,259

2.4.1 EXPENSE INITIATIVES

The Government is investing in new expense initiatives totalling \$19.9 million in 2017-18 and \$64.8 million across the forward estimates. This is net of the \$3.9 million Health Funding Envelope offset.

A summary of the expense initiatives is shown in Table 2.4.1.1 below.

Table 2.4.1.1: Summary of expense initiatives

Summary of expense initiatives	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000	Total \$'000
Expense initiatives	16,724	8,658	8,028	7,242	40,652
Health funding envelope offset	0	-2,306	-813	-790	-3,909
Net Expense Initiatives	16,724	6,352	7,215	6,452	36,743
Expenses associated with infrastructure and capital initiatives	3,221	5,664	9,058	10,142	28,085
Total expense initiatives	19,945	12,016	16,273	16,594	64,828
<i>Associated capital</i>	0	542	0	0	542
<i>Depreciation</i>	0	58	77	77	212

CHIEF MINISTER, TREASURY AND ECONOMIC DEVELOPMENT DIRECTORATE

Better support when it matters – Delivery of the Reportable Conduct Scheme

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	615	0	0	0	615

The Government will provide additional support for the Reportable Conduct Scheme by resourcing the ACT Ombudsman to undertake additional investigations, and prepare for the inclusion of religious organisations in the Scheme from 1 July 2018.

Building a better city – Circuit Mark Webber Track – Stage 1 upgrades

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	200	0	0	0	200

The Government will deliver on our election commitment to provide a grant to the Canberra Kart Racing Club to support the Stage 1 upgrades of the Circuit Mark Webber Track at the Fairbairn Motorsport Complex.

More and better jobs – Ensuring everyone's views are heard

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	630	0	0	0	630

The Government will establish an online panel to strengthen our community engagement processes, and use the data and insights gained to better inform policy and project development.

More and better jobs – Major projects facilitation

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	300	0	0	0	300

The Government will establish a Project Facilitation Unit in the Chief Minister, Treasury and Economic Development Directorate to lead major projects for the Directorate that will create local jobs and grow economic activity.

More and better jobs – Secure local jobs for Canberrans

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	155	0	0	0	155

The Government is delivering better outcomes for Canberra's workers through the *Secure Local Jobs for Local Workers* reform package. These reforms will improve Government procurement processes to ensure we set the highest standard for rights and safety at work. Two full-time equivalent staff will be employed to develop the materials – such as legislative instruments and guidelines – required for the implementation of this reform package.

CITY RENEWAL AUTHORITY

Building a better city – City Renewal Authority – Operational funding

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	2,472	2,209	2,251	0	6,932
Offset – Expenses	-1,698	-1,444	-1,469	0	-4,611
Net Expenses	774	765	782	0	2,321

The Government will resource the City Renewal Authority to deliver community engagement, sales and marketing activities, financial management functions, and other operating activities.

COMMUNITY SERVICES DIRECTORATE

Better support when it matters – Drug and Alcohol Court establishment

See the Justice and Community Safety Directorate capital initiative *Better support when it matters – Drug and Alcohol Court establishment* for further details.

Better support when it matters – Early intervention for vulnerable children and their families – Phase 1

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	907	620	0	0	1,527

The Government will work to improve the integration of early intervention services across the service system to better support vulnerable children and their families.

Better support when it matters – Reconciliation Day Public Holiday

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	200	0	0	0	200

The Government will mark the first Reconciliation Day on 28 May 2018 by holding a major public event, as well as providing support for community-led Reconciliation Day events across the ACT.

Better support when it matters – Strengthening the National Multicultural Festival

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	255	0	0	0	255

The Government will enhance the National Multicultural Festival by providing additional event management and planning resources to improve the experience for visitors and participants.

Better support when it matters – Veterans' Support Centre

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	60	0	0	0	60

The Government will continue to support targeted services for Canberra's veterans through assistance to the Veterans' Support Centre.

ENVIRONMENT, PLANNING AND SUSTAINABLE DEVELOPMENT DIRECTORATE

Better support when it matters – Housing Innovation Fund

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	500	0	0	0	500
Provision – Expenses	0	500	0	0	500
Net Expenses	500	500	0	0	1,000

The Government has established a Housing Innovation Fund to support practical projects aimed at increasing the supply of affordable housing for low income Canberrans. A central provision will also be established to fund further projects arising from community and sector input through the ACT Housing and Homelessness Summit.

HEALTH DIRECTORATE

A Health Funding Envelope is used to provide funding certainty for the Health Directorate and the Local Hospital Network (collectively referred to as ACT Health) regardless of changes in Commonwealth funding contributions and other sources of income. The operating costs associated with new capital initiatives are also funded from the envelope. The envelope includes annual indexation for price growth as well as growth in activity.

Better care when you need it – Meningococcal W vaccines

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	1,443	0	0	0	1,443

The Government will start a vaccination program for Meningococcal ACWY, to be administered to Year 10 students in the ACT. The vaccine provides protection against the meningococcal A, C, W and Y strains, and will primarily be administered through schools. The program will help to protect Canberra's young people and the community.

Better care when you need it – More surgeries

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	6,372	0	0	0	6,372

The Government will fund additional surgeries – including elective surgery – this year to help improve wait times. Better access to surgery will help patients receive treatment within recommended timeframes.

Better care when you need it – New ACT Health data warehouse

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	1,506	0	0	0	1,506
Offset – Expenses	0	-1,426	80	80	-1,266
Offset – Savings	0	-80	-80	-80	-240
Net Expenses	1,506	-1,506	0	0	0

The Government will establish a new ACT Health data warehouse to improve the management of critical health data. The new warehouse will leverage the Government's wider investment in cloud computing, and provide additional capacity and reliability to support ACT Health's growing data management requirements. The net cost of this initiative will be offset against the Health Funding Envelope in 2018-19.

Better care when you need it – Rare cancers treatment trial

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	101	212	123	0	436
Offset – Expenses	-33	0	0	0	-33
Associated Revenue	-68	-129	-60	0	-257
Net Expenses	0	83	63	0	146

The Government will take part in a research-based clinical trial to treat Canberra patients with rare cancers, in partnership with the Kinghorn Cancer Institute. The trial will give patients fighting a range of cancers access to advanced, personalised treatments, reducing the need for patients and their families to travel interstate. The cost of this initiative will be offset against the Health Funding Envelope in 2018-19 and 2019-20.

Better support when it matters – Drug and Alcohol Court establishment

See the Justice and Community Safety Directorate capital initiative *Better support when it matters – Drug and Alcohol Court establishment* for further details.

Better support when it matters – Integrating the Winnunga Model of Care and enhancing health services in the Alexander Maconochie Centre

See the Justice and Community Safety Directorate capital initiative *Better support when it matters – Integrating the Winnunga Model of Care and enhancing health services in the Alexander Maconochie Centre* for further details.

JUSTICE AND COMMUNITY SAFETY DIRECTORATE

Better support when it matters – Director of Public Prosecutions – Additional resources to confiscate criminals' assets

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	323	647	0	0	970

The Government will strengthen the capacity of the Office of the Director of Public Prosecutions to address organised crime, by providing additional prosecutors to specialise in seizing criminal assets, depriving criminal organisations of the financial proceeds of crime.

Better support when it matters – Enhancing security at the Alexander Maconochie Centre

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	964	2,413	2,696	2,736	8,809

The Government will strengthen the Alexander Maconochie Centre's leadership structure, governance and intelligence capability to enhance operational control and oversight. The implementation of a stronger management structure will enhance security and safety within the Centre.

Better support when it matters – Criminal law reforms

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	181	366	0	0	547

The Government will support the implementation of criminal law reform recommendations arising from the Royal Commission into Institutional Responses to Child Sexual Abuse. Implementing the Commission's recommendations will improve the criminal justice system through increased protection and support for child victims of sexual abuse.

Better support when it matters – More paramedics

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	256	2,294	3,859	3,930	10,339
Offset – Savings	-256	0	0	0	-256
Depreciation	0	58	77	77	212
Net Expenses	0	2,352	3,936	4,007	10,295
Associated Capital	0	542	0	0	542

The Government is delivering on our election commitment to grow the capacity of the ACT Ambulance Service by increasing the number of frontline paramedics and ambulances. The Government will progressively recruit 24 new ambulance officers, and add two ambulances to the Territory's fleet to boost response capacity as population and demand grow. The \$256,000 in 2017-18 will be funded by the Directorate.

Better support when it matters – Redress for survivors of child sexual abuse in institutions

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	293	0	0	0	293

The Government will contribute to the implementation of the Commonwealth Redress Scheme for Survivors of Child Sexual Abuse in Institutions, with preparatory work ahead of its commencement on 1 July 2018. The Government will also provide additional resources for the Canberra Rape Crisis Centre to help meet increased demand for its services.

Better support when it matters – Stronger resourcing for the Government Solicitor's Office

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	278	563	571	579	1,991

The Government will increase the capacity of the ACT Government Solicitor to support the implementation of the ACT Digital Strategy, as well as the provision of legal advice to directorates on employment law and workplace rights.

LEGAL AID COMMISSION (ACT)

Better support when it matters – Drug and Alcohol Court establishment

See the Justice and Community Safety Directorate capital initiative *Better support when it matters – Drug and Alcohol Court establishment* for further details.

TRANSPORT CANBERRA AND CITY SERVICES DIRECTORATE

Building a better city – Faster rail between Canberra and Sydney

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	700	300	0	0	1,000

The Government will continue pursuing upgrades to the rail line between Canberra and Sydney by participating in the Commonwealth's competitive bid process for major infrastructure financing. *Transport for NSW* has agreed in principle to share the costs associated with the preparation of a joint bid for track upgrades that can reduce travel times, and improve reliability on this critical route. Funds will be released once a Memorandum of Understanding between the ACT and NSW Governments is in place.

2.4.2 INFRASTRUCTURE AND CAPITAL INITIATIVES

The Government is investing in new infrastructure and capital initiatives totalling \$23.3 million in 2017-18 and \$25.4 million over four years. Table 2.4.2.1 below outlines the impact of these new initiatives.

Table 2.4.2.1: Summary of infrastructure and capital initiatives

Summary of infrastructure and capital initiatives	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000	Total \$'000
Infrastructure and capital initiatives	35,343	44,697	18,498	17,596	116,134
Offset – capital provisions	-12,033	-24,100	-54,982	-185	-91,300
Net infrastructure and capital initiatives	23,310	20,597	-36,484	17,411	24,834
Capital associated with expense initiatives	0	542	0	0	542
Total infrastructure and capital initiatives	23,310	21,139	-36,484	17,411	25,376
Associated expenses (new capital works)	1,999	2,426	3,784	3,829	12,038
Depreciation	1,222	3,238	5,274	6,313	16,047
Total operating impact	3,221	5,664	9,058	10,142	28,085

CHIEF MINISTER, TREASURY AND ECONOMIC DEVELOPMENT DIRECTORATE

Building a better city – Dickson office accommodation

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	0	2,000	14,000	10,000	26,000
Offset – Capital provision	0	0	-26,000	0	-26,000
Net Capital	0	2,000	-12,000	10,000	0
Depreciation	0	0	650	1,300	1,950

The Government will allocate the capital funding provisioned in the 2017-18 Budget for the Dickson Office Building fit-out.

More and better jobs – Data analytics for smarter policy

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	354	641	0	0	995
Depreciation	0	0	199	199	398
Associated Expenses	909	2,139	2,541	2,952	8,541
Offset – Associated Expenses	-909	-2,139	-2,541	-2,952	-8,541
Net Expenses	0	0	199	199	398

The Government will create a data analytics platform to enhance evidence-based policy decisions, performance measurement, privacy-safe data sharing, and the delivery of more personalised services for Canberrans.

More and better jobs – Improving Manuka Oval facilities – Stage 2

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	3,706	0	0	0	3,706
Depreciation	0	93	93	93	279

The Government will provide additional funding for the broadcast and media centre facilities at Manuka Oval to configure and fit-out these facilities to the standard required for hosting regular international and domestic sporting events such as test cricket, Big Bash Cricket, and the 2020 T20 World Cup.

CITY RENEWAL AUTHORITY

Building a better city – City Renewal Authority – City precinct improvements

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	2,750	4,200	550	0	7,500
Offset – Capital provision	0	-7,500	0	0	-7,500
Net Capital	2,750	-3,300	550	0	0

The Government will allocate some of the capital funding provisioned in the 2017-18 Budget for the City Renewal Authority to undertake a range of city precinct upgrades, including London Circuit footpaths and public realm improvements on Lonsdale and Elouera Streets.

COMMUNITY SERVICES DIRECTORATE

Better support when it matters – Bimberi Youth Justice Centre – Infrastructure upgrades

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	1,044	145	0	0	1,189
Depreciation	0	238	238	238	714

The Government will refresh security infrastructure at the Bimberi Youth Justice Centre to support the ongoing safety and security of young people, staff and visitors at the Centre.

EDUCATION DIRECTORATE

Better schools for our kids – Laptops in schools

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	7,332	1,529	1,589	0	10,450
Provision – Capital	0	0	0	7,286	7,286
Offset – Capital provision	-4,033	-4,053	-4,428	-4,652	-17,166
Net Capital	3,299	-2,524	-2,839	2,634	570
Depreciation	1,222	2,699	3,219	3,476	10,616
Associated Expenses	519	254	260	268	1,301
Net Expenses	1,741	2,953	3,479	3,744	11,917

The Government is delivering on our election commitment to advance technology-enabled learning by ensuring that all public school students in Years 7 to 12 have access to a device to support and enhance their learning.

Better schools for our kids – Narrabundah College and Campbell Primary School upgrades

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	11,831	11,366	359	310	23,866
Offset – Capital provision	0	-5,322	-24,554	4,467	-25,409
Net Capital	11,831	6,044	-24,195	4,777	-1,543
Depreciation	0	0	57	114	171

The Government will remove hazardous materials to ensure these two local schools continue to meet the current and future needs of students, teachers and the community.

ENVIRONMENT, PLANNING AND SUSTAINABLE DEVELOPMENT DIRECTORATE

Better services in your community – Red Hill Nature Reserve – Landfill remediation

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	0	433	0	0	433
Offset – Capital	0	-128	0	0	-128
Net Capital	0	305	0	0	305

The Government will cap the former landfill site at the Red Hill Nature Reserve to ensure the site's suitability as a nature reserve. The cost of this initiative will be partially offset by remaining funding provided for the project's design works which was allocated in the 2013-14 Budget.

HEALTH DIRECTORATE

Better care when you need it – New medical imaging equipment

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	0	500	0	0	500
Depreciation	0	0	50	50	100
Associated Expenses	0	0	0	5	5
Offset – Associated Expenses	0	0	0	-5	-5
Net Expenses	0	0	50	50	100

The Government will invest in a new magnetic resonance imaging device to be located at the Calvary Public Hospital in Bruce, with procurement to commence in the current financial year. This equipment will provide high-quality diagnostic imaging services for all Calvary patients. The associated expenses of this initiative will be offset against the Health Funding Envelope.

Better care when you need it – Replacement of polyethylene aluminium composite panels – Centenary Hospital for Women and Children

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	1,625	0	0	0	1,625
Depreciation	0	41	41	41	123
Associated Expenses	0	0	16	32	48
Offset – Associated Expenses	0	0	-16	-32	-48
Net Expenses	0	41	41	41	123

The Government is undertaking works at the Centenary Hospital for Women and Children to remove specific polyethylene aluminium composite panels that have been identified by an independent assessment as needing replacement. The associated expenses of this initiative will be offset against the Health Funding Envelope.

JUSTICE AND COMMUNITY SAFETY DIRECTORATE

Better support when it matters – Drug and Alcohol Court establishment

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	300	0	0	0	300
Associated Expenses – JACS	600	0	0	0	600
Associated Expenses – Health	74	0	0	0	74
Associated Expenses – Legal Aid	37	0	0	0	37
Associated Expenses – CSD	37	0	0	0	37
Net Expenses	748	0	0	0	748

The Government will continue working to deliver the Drug and Alcohol Court by developing a model of care, procedures and design as well as finalising costs. This builds on the Government's earlier investment in scoping and planning works through the 2017-18 Budget.

Better support when it matters – Integrating the Winnunga Model of Care and enhancing health services in the Alexander Maconochie Centre

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	2,011	2,011	0	0	4,022
Depreciation	0	151	201	201	553
Associated Expenses – JACS	732	1,119	910	0	2,761
Associated Expenses – Health	0	797	814	0	1,611
Provision – Associated Expenses	0	0	0	1,707	1,707
Offset – Associated Expenses – Health	0	-797	-814	-833	-2,444
Net Expenses	732	1,270	1,111	1,075	4,188

The Government will introduce the Winnunga Model of Care at the Alexander Maconochie Centre, and provide additional office accommodation for staff at the Hume Health Centre. This initiative will also deliver more custodial officers to boost detainee escort services, including for detainees accessing health services within the Centre. The associated expenses for the Health Directorate will be offset against the Health Funding Envelope.

OFFICE OF THE LEGISLATIVE ASSEMBLY

Building a better city – Legislative Assembly building works

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	390	0	0	0	390
Depreciation	0	16	16	16	48

The Government will improve the energy efficiency of the Legislative Assembly building by installing window double glazing.

TRANSPORT CANBERRA AND CITY SERVICES DIRECTORATE

Building a better city – Monaro Highway – Overtaking lane between Williamsdale and Royalla

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Provision – Capital	0	1,000	2,000	0	3,000
Depreciation	0	0	0	75	75

The Government will provision funding for an overtaking lane on the Monaro Highway between Williamsdale Road and Royalla Drive. This funding will be made available if the Commonwealth Government provides matched funding under the *Building Better Regions Fund*.

Building a better city – Nara Peace Park landscaping

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	60	148	0	0	208
Offset – Capital	-60	-148	0	0	-208
Net Capital	0	0	0	0	0
Depreciation	0	0	10	10	20
Associated Expenses	0	2	14	16	32
Offset – Associated Expenses	0	-2	-24	-26	-52
Net Expenses	0	0	0	0	0

The Government will design and construct landscaping works and a connecting pathway to boost access to the World Peace Bell that will be installed by the Rotary Club of Canberra Burley Griffin in the Nara Peace Park. The landscaping works and World Peace Bell will be a site for commemorative events as part of celebrations marking the 25th Anniversary of Canberra's Sister City relationship with Nara in October 2018. This initiative will be funded from within existing resources.

Building a better city – New bus depot at Woden

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital	4,000	21,000	0	0	25,000
Offset – Capital provision	-8,000	-7,225	0	0	-15,225
Net Capital	-4,000	13,775	0	0	9,775
Depreciation	0	0	500	500	1,000
Associated Expenses	0	303	1,984	2,019	4,306
Offset – Expenses	0	-47	-190	-192	-429
Net Expenses	0	256	2,294	2,327	4,877

The Government will construct a new bus depot in Phillip for up to 120 buses to accommodate growth in the bus fleet. The depot will provide undercover bus parking, administrative facilities and offices, as well as maintenance and refuelling facilities. The depot will also provide future capacity for electric buses, including charging infrastructure, battery space, and solar panels. The capital component is partially offset by a provision established in the 2017-18 Budget.

The initiative also includes staff to undertake onsite management and administrative functions, as well as the operational and maintenance costs of the depot.

2.4.3 REVENUE INITIATIVES

Revenue initiatives contained in the 2017-18 Budget Review will result in a reduction of \$1.2 million in revenue over four years.

A summary of the revenue initiatives is shown in Table 2.4.3.1 below.

Table 2.4.3.1: Summary of revenue initiatives

Summary of initiatives	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000	Total \$'000
Revenue initiatives	-39	-811	-510	-109	-1,469
Revenue associated with expense initiatives	68	129	60	0	257
Total revenue initiatives	29	-682	-450	-109	-1,212

CHIEF MINISTER, TREASURY AND ECONOMIC DEVELOPMENT DIRECTORATE

Fairer revenue – Boosting the Utilities Concession

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	0	-1,700	-1,800	-1,900	-5,400

The Government will increase the Utilities Concession by \$50 in 2018-19 to help reduce cost of living pressures for low-income Canberrans due to utility price increases. This will bring the total annual concession available to \$654 per household.

Fairer revenue – Improving access to the Utilities Concession

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	-56	-112	-112	-112	-392

The Government will extend the Utilities Concession to eligible long-term residents of ACT caravan parks and retirement villages with embedded electricity networks. This change took effect on 1 January 2018 and will see pensioners gain access to more cost of living assistance. The cost of this initiative will be partly offset by changes to the Seniors Spectacles Scheme.

Fairer revenue – Better targeting concessions

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	0	60	60	60	180

The Government will help ensure that assistance schemes are targeted to those most in need by achieving savings from the Seniors Spectacles Scheme. This scheme is not means tested, and the savings will be used to improve access to the Utilities Concession for Canberra's most vulnerable pensioners.

Fairer revenue – Foreign investor land tax surcharge

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	0	900	1,300	1,800	4,000

The Government will introduce a land tax surcharge from 1 July 2018 on foreign investors who own residential property in the ACT. The surcharge will be 0.75 per cent of the property's average unimproved land value.

JUSTICE AND COMMUNITY SAFETY DIRECTORATE

Fairer revenue – Restructure of ACAT fees

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	10	24	25	26	85

The Government will align the ACT Civil and Administrative Tribunal (ACAT) fees schedule to better reflect processes in its Civil Disputes and Residential Tenancies jurisdictions.

Fairer revenue – Simplified fees for civil proceedings in the Supreme Court

	2017-18	2018-19	2019-20	2020-21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	7	17	17	17	58

The Government will simplify the fee structure relating to applications made in civil proceedings in the Supreme Court by charging the same filing fee, regardless of whether the application is heard by a judicial officer or a registrar.

CHAPTER 3

INFRASTRUCTURE AND CAPITAL

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3.1 CAPITAL WORKS

Introduction

As part of the 2017-18 Budget Review process, the Government agreed to new capital initiatives totalling \$116.7 million over four years to 2020-21. *Infrastructure and capital initiatives* (Chapter 2.4.2) outlines individual project details.

Significant initiatives include:

- the fit-out of the Government office building in Dickson (\$26 million);
- the construction of a new bus depot in Woden (\$25 million);
- infrastructure upgrades at Narrabundah College and Campbell Primary School (\$23.9 million);
- laptops for secondary students in ACT government schools (\$17.7 million);
- initial city renewal projects to be delivered by the City Renewal Authority (\$7.5 million);
- the upgrade of care facilities at the Alexander Maconochie Centre and infrastructure at the Hume Health Centre (\$4.022 million); and
- the Stage 2 upgrade of Manuka Oval facilities (\$3.7 million).

Approximately \$91.3 million of the cost of these new capital initiatives is being met from previously allocated capital provisions. The impact of these adjustments has resulted in a net reduction to the provisions made by the Government for the 2017-18 Infrastructure Investment Program; these now total \$702.5 million over the four years to 2020-21.

Table 3.1.1 provides a summary of the current forecasts for the 2017-18 Infrastructure Investment Program.

Table 3.1.1: Summary of the revised 2017-18 Infrastructure Investment Program

	2017-18 Allocation \$'000	2018-19 Allocation \$'000	2019-20 Allocation \$'000	2020-21 Allocation \$'000	Total Investment \$'000
New Capital Works					
Early Planning	13,127	6,675	500	0	20,302
Forward Design	1,200	0	0	0	1,200
Construction	111,712	145,075	65,831	14,655	337,273
Information and Communications Technology	22,633	12,900	7,948	4,012	47,493
Plant and Equipment	4,101	6,752	37,045	22,727	70,625
Capital Grants	0	0	0	0	0
Sub-Total New Capital Works	152,773	171,402	111,324	41,394	476,893
Better Infrastructure Fund	60,171	61,518	62,997	64,437	249,123
TOTAL NEW WORKS	212,944	232,920	174,321	105,831	726,016
Works-in-Progress	832,987	310,238	38,426	28,675	1,210,326
TOTAL CAPITAL WORKS PROGRAM¹	1,045,931	543,158	212,747	134,506	1,936,342
Infrastructure Investment Provisions	6,000	146,324	200,304	349,828	702,456
Capital Delivery Provision ²	-131,176	-35,548	131,176	35,548	0
CAPITAL WORKS PROGRAM FORECAST	920,755	653,934	544,227	519,882	2,638,798
Public Private Partnerships					
ACT Law Courts Facilities	59,456	19,088	0	0	78,544
Light Rail – Stage 1	249,626	15,353	190	0	265,169
TOTAL PUBLIC PRIVATE PARTNERSHIPS	309,082	34,441	190	0	343,713
TOTAL INFRASTRUCTURE INVESTMENT PROGRAM INCLUDING PROVISIONS³	1,229,837	688,375	544,417	519,882	2,982,511

Notes:

1. Reflects unspent funds being rolled over from 2016-17 into 2017-18. These are indicative pending finalisation of the Section 16B Instruments, under the *Financial Management Act 1996*.
2. The Capital Delivery Provision is applied to the Capital Works Program. This provision indicatively re-profiles approximately 15 per cent of the 2017-18 Capital Works Program into 2019-20, and 7 per cent of 2018-19 into 2020-21, providing forecast program expenditure based on historical trends.
3. Numbers may not add due to rounding.

Capital Works Program re-profiling

As part of the 2017-18 Budget Review, agencies reviewed the progress of their capital works programs over the last six months and identified where the re-profiling of projects was appropriate. This process also included the opportunity to bring forward planned outyear expenditure to accelerate some existing projects and to return any savings to the budget. The Government has also rolled over \$117.4 million of unspent project funding from 2016-17 into 2017-18.

A total of \$40.9 million, across numerous projects, has been re-profiled from 2017-18 into the forward years as part of Budget Review. A summary of these changes is provided in Table 3.1.2.

Table 3.1.2: Summary of the changes to the Capital Works Program¹

	2017-18	2018-19	2019-20	2020-21	Total Investment
	\$'000	\$'000	\$'000	\$'000	\$'000
Original 2017-18 Capital Works Program	887,647	503,273	195,712	120,521	1,707,153
Rollovers from 2016-17 ²	117,361	0	0	0	117,361
End of year adjustments ³	5,581	-4,352	537	3,676	5,442
Budget Review – New appropriation	35,343	44,239	16,498	10,310	106,390
Existing 2017-18 Capital Works Program	1,045,932	543,160	212,747	134,506	1,936,342
Savings returned to budget	0	0	0	0	0
Changed Program timing ⁴	-40,879	35,908	5,427	-456	0
Revised Capital Works Program⁵	1,005,052	579,068	218,174	134,050	1,936,342

Notes:

1. Table may not add due to rounding.
2. Reflects unspent funds being rolled over from 2016-17 into 2017-18. These are indicative pending finalisation of the 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 the re-profiling of the Capital Works Program across the four years to 2020-21.
5. The revised Capital Works Program excludes funding associated with the PPPs for the ACT Law Courts Facilities and Light Rail – Stage 1 projects, which are being constructed by the private sector.

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

CHAPTER 4

FEDERAL FINANCIAL RELATIONS

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4.1 FEDERAL FINANCIAL RELATIONS UPDATE

Commonwealth revenue

The ACT expects to receive 41.3 per cent of its funding from the Commonwealth in 2017-18. This figure has been revised upwards from the 2017-18 Budget following the Commonwealth's *Mid-Year Economic and Fiscal Outlook 2017-18* (2017-18 MYEFO).

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

GST revenue

GST revenue grants for 2017-18 have been revised upward by \$45.7 million since the 2017-18 Budget following the release of the 2017-18 MYEFO. The forecasts of GST payments to the ACT have increased by \$149.9 million over the budget and forward estimates since the 2017-18 Budget. These increases arise from:

- a balancing adjustment for underpayment of GST in 2016-17 following the release of the Commonwealth's 2016-17 Final Budget Outcome. This has increased the GST estimate for the ACT in 2017-18 by \$26 million compared to the 2017-18 Budget, comprising:
 - \$11.5 million from a higher than expected GST pool in 2016-17;
 - \$14.5 million from an increase in the ACT's share of the national population in 2016-17 following the release of the 2016 Census; and
- further increases in estimates for the total GST pool and the ACT's share of the national population over the budget and outyears in the 2017-18 MYEFO. These changes have increased the ACT's estimated GST receipts by \$19.7 million in 2017-18 and \$104.2 million between 2018-19 and 2020-21 compared to the 2017-18 Budget.

Specific Purpose Payments and health and education agreements

The 2017-18 Budget Review includes estimated payments to the ACT for Specific Purpose Payments and health and education funding agreements of \$3.0 billion¹ over four years (2017-18 to 2020-21). This is \$28.2 million higher than the estimates included in the 2017-18 Budget.

¹ This amount excludes the GST component of non-government school funding.

The key difference is that the 2017-18 Budget Review fully reflects the Commonwealth's 2017-18 MYEFO in respect of funding under the *Quality Schools Funding Agreement*. This agreement was not included in the ACT's 2017-18 Budget as the ACT did not have sufficient detail at that time about the conditions of the agreement. Reflecting the *Quality Schools Funding Agreement* has resulted in an increase in Commonwealth funding to government schools of \$40.3 million over four years and a decrease in Commonwealth funding to non-government schools of \$14.6 million over four years.

The 2017-18 Budget Review does not include any forecast changes to Commonwealth funding under the *National Health Reform Funding Agreement*. As a result, the 2017-18 ACT Budget estimates remain unchanged at \$1.582 billion over four years, which is \$62 million lower than the estimates included in the Commonwealth's 2017-18 Budget and the 2017-18 MYEFO. The ACT estimates are lower as the ACT Budget adopts more conservative assumptions about growth in activity levels in the ACT hospital system. Should activity be higher, receipts from the Commonwealth will be higher than assumed in this update.

National Partnership Agreements

National Partnership Agreement funding in the 2017-18 Budget Review reflects a net increase of \$22.1 million over the four years from 2017-18 to 2020-21 compared to the 2017-18 Budget. This is mainly driven by changes to Commonwealth estimates as published in the 2017-18 MYEFO.

Significant changes include an additional \$5.5 million in Commonwealth funding in 2017-18 for activities in the community services sector. However, of this amount, \$4.6 million reflects the deferral of funding originally anticipated to be received by the ACT in prior years. An additional \$15 million has also been included for *Payments from the DisabilityCare Australia Fund* to reflect anticipated changes to the timing of payments from the Commonwealth.

In the 2017-18 MYEFO, the Commonwealth also announced an additional \$15 million in funding for the ACT including:

- an amount of \$10 million for the National Rail Program; and
- an amount of \$5.1 million for Small Business Regulatory Reform.

These funding increases are partially offset by reductions in the following agreements:

- an amount of \$8.5 million for the Essential Vaccines National Partnership Agreement. This is due to a policy change whereby the Commonwealth will purchase vaccines directly and provide them to the states and territories instead of making cash payments;
- an amount of \$4.5 million for the Sustainable Rural Water Use and Infrastructure Program National Partnership Agreement; and

- an amount of \$2.4 million for the Investment – Road Component National Partnership Agreement.

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 of the 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)

	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
2017-18 Budget	2,001.1	2,746.9	2,866.9	2,826.9
2017-18 Budget Review	1,630.5	2,300.9	2,422.5	2,494.2
Net debt to GSP (%)	4.0	5.3	5.4	5.2

Net debt is projected to decrease in 2017-18 compared with the 2017-18 Budget, mainly due to higher GST revenue, higher returns from the Suburban Land Agency, and lower than expected cash drawdowns by agencies over 2016-17.

These factors also contributed to lower than previously forecast net debt across the forward estimates.

Table 5.1.2: Net financial liabilities

	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
2017-18 Budget	5,107.1	5,879.6	6,057.4	6,092.3
2017-18 Budget Review	4,766.4	5,543.4	5,665.1	5,696.0
Net financial liabilities to GSP (%)	11.7	12.9	12.5	12.0

Net financial liabilities in 2017-18 are projected to decrease compared with the 2017-18 Budget. This variation largely reflects the changes discussed above.

Table 5.1.3: Net worth

	2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
2017-18 Budget	18,002.3	18,168.7	18,344.8	18,578.1
2017-18 Budget Review	18,605.7	18,742.8	18,924.4	19,154.0
Net worth to GSP (%)	45.6	43.5	41.8	40.3

Net worth is projected to increase in all years compared with the 2017-18 Budget. These increases largely reflect the changes discussed above and upward revaluations of the Territory's non-financial assets in 2016-17.

5.2 UNFUNDED SUPERANNUATION LIABILITY

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 35,632 past and current employees, including current contributors, deferred beneficiaries and pensioners. As at 30 June 2017, 7,354 current full-time employees are 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. The account 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, all other things being equal, the estimated superannuation liability (and the unfunded superannuation liability) will be higher than the budget estimate.

Superannuation Provision Account investment assets

The Superannuation Provision Account 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 4.75 per cent a year.

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 past 21 financial years to 30 June 2017, the Superannuation Provision Account investment portfolio has achieved an annualised investment return of CPI plus 5.15 per cent a year.

Funding ratio

The coverage ratio of the Territory's defined benefit superannuation liability with investment assets is estimated to be 63 per cent as at 30 June 2018, based on the liability valuation estimate using the long-term budget discount rate assumption and the estimated investment return for the 2017-18 financial year.

Table 5.2.1 below outlines the revised estimates of the Superannuation Provision Account.

Table 5.2.1: Superannuation Provision Account

	2017-18 Budget Review \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
Superannuation assets	4,010.0	4,221.2	4,526.4	4,853.9
Superannuation liabilities	6,368.5	6,598.2	6,816.6	7,023.8
Percentage of funded superannuation (%)	63	64	66	69

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

5.3 BORROWINGS

Total Territory borrowings comprise raising money or obtaining credit, whether by dealing in securities or otherwise, and financing leases which include Public Private Partnership contracts.

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 that feature different maturity profiles (2020, 2030 and 2048), where the interest and principal repayments are indexed to inflation and the principal is repaid over time or at maturity;
- nominal bonds where the interest cost (coupon) is fixed for the life of each bond and which 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.

Finance leases mainly comprise the lease liabilities associated with the Public Private Partnership contracts for the ACT Law Courts Facilities and Light Rail.

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 – 2017-18 Budget Review

	2017-18 Budget Review \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
Total Territory				
Market borrowings	3,473.2	3,881.6	4,182.4	4,488.1
Historic Commonwealth loans (self-government)	125.9	117.2	108.3	99.4
Commonwealth loan – Asbestos Eradication Scheme	950.0	900.0	850.0	750.0
Finance leases	107.8	487.0	474.8	459.8
Total	4,656.9	5,385.7	5,615.5	5,797.4

Table 5.3.2: Territory borrowings – interest expense – 2017-18 Budget Review

	2017-18 Budget Review \$m	2018-19 Estimate \$m	2019-20 Estimate \$m	2020-21 Estimate \$m
Total Territory				
Market borrowings	149.8	144.2	155.6	164.9
Historic Commonwealth loans (self-government)	6.3	5.9	5.5	5.0
Commonwealth loan – Asbestos Eradication Scheme	27.1	25.7	24.4	23.0
Finance leases	5.8	28.6	32.1	31.3
Total	189.0	204.4	217.5	224.2

The borrowing program over the budget and forward years remains largely unchanged from the estimates set out in the 2017-18 Budget.

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Revenue						
Taxation Revenue	1,694,661	1,752,032	1,743,627	1,887,763	2,001,630	2,112,134
Grants Revenue						
Commonwealth Grants	2,049,188	2,176,485	2,242,045	2,278,946	2,323,864	2,436,631
Gains from Contributed Assets	115,853	157,868	168,855	239,340	267,238	307,103
Sales of Goods and Services	521,617	520,623	504,550	532,374	544,621	557,337
Interest Income	130,527	125,124	126,664	114,540	125,744	115,436
Distributions from Financial Investments	37,629	36,851	31,498	39,008	46,921	50,316
Dividend and Income Tax Equivalent Income	507,019	407,963	452,090	353,846	413,837	473,412
Other Revenue	161,347	164,493	154,149	142,580	139,654	143,615
Total Revenue	5,217,842	5,341,439	5,423,478	5,588,397	5,863,509	6,195,984
Expenses						
Employee Expenses	1,931,858	1,963,198	1,978,004	1,996,021	2,046,956	2,100,387
Superannuation Expenses						
Superannuation Interest Cost	293,498	367,684	303,750	381,208	394,123	406,389
Other Superannuation Expenses	452,116	286,781	369,762	282,426	277,351	276,586
Depreciation and Amortisation	389,554	379,602	405,414	439,277	451,562	453,482
Interest Expense	182,861	200,728	197,234	207,995	229,330	226,409
Other Operating Expenses						
Supplies and Services	907,218	1,096,814	1,081,979	1,115,714	1,177,435	1,347,421
Other Operating Expenses	221,603	209,355	208,026	220,896	229,616	246,087
Grants and Purchased Services	1,016,006	1,092,208	1,093,606	1,120,719	1,215,436	1,272,905
Total Expenses	5,394,714	5,596,370	5,637,775	5,764,256	6,021,809	6,329,666
UPF Net Operating Balance	-176,873	-254,931	-214,297	-175,859	-158,300	-133,682
Other Economic Flows – Included in the Operating Result						
Dividends (Market Gains on Land Sales)	31,903	86,755	62,297	44,600	2,204	10,564
Net Land Revenue (Undeveloped Land Value)	93,656	68,695	78,463	61,179	40,390	36,685
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	13,420	-2,529	-2,529	-3,469	-4,439	-5,458
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	239,421	171,522	276,027	186,991	198,725	213,082
Doubtful Debts	-11,360	-7,018	-7,018	-7,139	-7,259	-7,400
Operating Result	190,168	62,494	192,943	106,303	71,321	113,791

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Other Economic Flows – Other Comprehensive Income						
Items that will not be Reclassified Subsequently to Profit or Loss						
Payments to ACT Government Agencies	-20,238	-36,370	-45,362	-79,630	-20,438	-5,000
Capital Distributions	54,137	50,849	75,593	147,970	-	-
Transfer of Assets to the Public Trading Enterprises (PTE) Sector	-127,858	-164,956	-190,063	-176,364	-	-
Superannuation Actuarial Gain/(Loss)	2,525,167	-	2,462,418	-	-	-
Prior Year Adjustment	6,229	46	46	178	169	169
Other Movements	-	-521	-522	-616	-593	-593
Increase/(Decrease) in the Asset Revaluation Surplus due to Revaluations	374,638	136,624	156,700	17,034	5,483	5,483
Items that may be Subsequently Reclassified to Profit or Loss						
Increase/(Decrease) in Net Assets of PTE	252,835	253,158	290,078	122,228	125,650	115,805
Total Comprehensive Income/(Loss)	3,255,377	301,324	2,941,830	137,103	181,592	229,655
UPF Net Operating Balance						
less Net Acquisition of Non-Financial Assets	-176,873	-254,931	-214,297	-175,859	-158,300	-133,682
Payments for Non-Financial Assets	666,722	900,010	988,692	669,463	624,427	631,142
Sales of Non-Financial Assets	-286,608	-330,092	-330,092	-196,516	-118,484	-151,837
Land Revenue (Net Cash Receipts)	-15,357	-15,806	-19,771	-37,724	-46,291	-51,724
Depreciation and Amortisation	-389,554	-379,602	-405,414	-439,277	-451,562	-453,482
Other Movements in Non-Financial Assets	114,877	120,177	129,555	159,693	129,843	131,643
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>90,080</i>	<i>294,687</i>	<i>362,970</i>	<i>155,639</i>	<i>137,933</i>	<i>105,742</i>
Net Lending / (Borrowing)	-266,953	-549,618	-577,267	-331,498	-296,233	-239,424
GOVERNMENT FISCAL MEASURE – BUDGET OPERATING SURPLUS/DEFICIT						
UPF Net Operating Balance	-176,873	-254,931	-214,297	-175,859	-158,300	-133,682
Superannuation Return Adjustment	150,197	171,522	172,753	186,991	198,725	213,082
HEADLINE NET OPERATING BALANCE	-26,676	-83,409	-41,544	11,132	40,425	79,400

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Financial Assets						
Cash and Deposits	781,802	308,172	442,766	451,609	463,242	474,355
Advances Paid	1,658,186	1,748,191	1,752,886	1,806,551	1,857,292	1,908,234
Investments and Loans	4,470,408	4,533,357	4,811,722	5,023,443	5,378,853	5,758,945
Receivables	599,900	678,565	517,255	501,953	484,375	487,316
Investments in Other Public Sector Entities	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360
Total Financial Assets	14,074,894	14,040,617	14,379,306	14,760,461	15,286,317	15,847,210
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	11,200,915	12,315,728	11,738,785	12,689,361	13,051,798	13,321,577
Investment Properties	5,410	5,410	5,410	5,410	5,410	5,410
Intangibles	98,604	224,507	208,592	285,925	331,038	329,036
Inventories	19,263	18,515	19,910	20,100	20,290	20,480
Assets Held for Sale	194,583	81,115	87,577	14,221	27,666	-
Capital Works-in-Progress	653,256	695,676	643,115	537,407	357,166	317,984
Non Produced Assets						
Property, Plant and Equipment	3,741,537	2,965,828	3,769,112	3,717,633	3,658,984	3,604,360
Loose-fill Asbestos Insulation Eradication Scheme Land	123,089	3,778	3,778	1,372	-	-
Biological Assets	29,917	26,514	29,917	29,917	29,917	29,917
Other Non-Financial Assets	16,689	-	11,246	7,976	4,699	2,905
Total Non-Financial Assets	16,083,261	16,337,071	16,517,442	17,309,322	17,486,968	17,631,669
Total Assets	30,158,156	30,377,688	30,896,748	32,069,783	32,773,285	33,478,879
Liabilities						
Deposits Held	15,632	-	15,632	15,632	15,632	15,632
Advances Received	1,071,835	1,017,833	1,017,833	963,676	909,357	804,869
Borrowings						
Finance Leases	254	110,964	107,753	487,002	474,813	459,847
Other Borrowings	3,555,235	3,584,532	3,486,638	3,894,992	4,195,759	4,501,515
Superannuation	8,573,657	6,369,460	6,368,688	6,598,410	6,816,775	7,023,985
Employee Benefits	638,392	678,692	666,963	694,789	722,663	752,676
Other Provisions	145,232	136,310	96,410	111,421	121,807	136,803
Payables	446,572	459,449	487,337	518,072	549,905	588,242
Other Liabilities	47,493	18,156	43,810	43,002	42,195	41,276
Total Liabilities	14,494,302	12,375,396	12,291,064	13,326,996	13,848,906	14,324,845
Net Assets	15,663,854	18,002,292	18,605,684	18,742,787	18,924,379	19,154,034
Equity in Public Trading Entities	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360
Accumulated Funds	3,334,945	5,603,377	5,829,998	5,827,839	5,878,298	5,986,665
Asset Revaluation Surplus	5,763,209	5,625,783	5,919,909	5,936,943	5,942,426	5,947,909
Other Reserves	1,100	800	1,100	1,100	1,100	1,100
Net Worth	15,663,854	18,002,292	18,605,684	18,742,787	18,924,379	19,154,034

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Net Financial Worth	-419,407	1,665,221	2,088,242	1,433,465	1,437,411	1,522,365
Net Financial Liabilities	6,984,007	5,107,111	4,766,435	5,543,440	5,665,144	5,695,995
Net Debt (Including Superannuation Related Investments)	-2,267,440	-1,876,391	-2,379,518	-1,920,301	-2,103,826	-2,359,671
Net Debt (Excluding Superannuation Related Investments)	1,452,851	2,001,138	1,630,484	2,300,901	2,422,524	2,494,176

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Opening Equity						
Opening Equity in Public Trading Entities (PTE)	6,311,764	6,519,174	6,564,599	6,854,677	6,976,905	7,102,555
Opening Accumulated Funds	707,685	5,691,835	3,334,945	5,829,998	5,827,839	5,878,298
Opening Asset Revaluation Surplus	5,388,227	5,489,159	5,763,209	5,919,909	5,936,943	5,942,426
Opening Other Reserves	800	800	1,100	1,100	1,100	1,100
Opening Balance	12,408,476	17,700,968	15,663,854	18,605,684	18,742,787	18,924,379
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	190,168	62,494	192,943	106,303	71,321	113,791
Payments to ACT Government Agencies	-20,238	-36,370	-45,362	-79,630	-20,438	-5,000
Capital Distributions	54,137	50,849	75,593	147,970	-	-
Superannuation Prior Year Actuarial Gain/(Loss)	2,525,167	-	2,462,418	-	-	-
Prior Year Adjustment	6,229	46	46	178	169	169
Transfer of Assets to the PTE Sector	-127,858	-164,956	-190,063	-176,364	-	-
Other Movements	-	-521	-522	-616	-593	-593
<i>Included in Equity in Public Trading Entities:</i>						
Increase/(Decrease) in Net Assets of PTE	252,835	253,158	290,078	122,228	125,650	115,805
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in Asset Revaluation Surplus	374,638	136,624	156,700	17,034	5,483	5,483
Total Comprehensive Income	3,255,377	301,324	2,941,830	137,103	181,592	229,655
Other						
Transfer to/(from) Accumulated Funds	-344	-	-	-	-	-
Transfer to/(from) Asset Revaluation Surplus	344	-	-	-	-	-
Total Other	0	0	0	0	0	0
Closing Equity						
Closing Equity in PTE	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360
Closing Accumulated Funds	3,334,945	5,603,377	5,829,998	5,827,839	5,878,298	5,986,665
Closing Asset Revaluation Surplus	5,763,209	5,625,783	5,919,909	5,936,943	5,942,426	5,947,909
Closing Other Reserves	1,100	800	1,100	1,100	1,100	1,100
Closing Balance	15,663,854	18,002,292	18,605,684	18,742,787	18,924,379	19,154,034

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Cash Flows from Operating Activities						
Cash Receipts						
Taxes Received	1,677,218	1,759,749	1,751,344	1,895,140	2,008,497	2,118,996
Receipts from Sales of Goods and Services	553,811	513,685	501,435	568,702	570,745	589,003
Grants/Subsidies Received	2,051,953	2,212,958	2,275,369	2,280,369	2,327,179	2,438,999
Distributions from Financial Investments	38,730	36,851	31,498	39,008	46,921	50,316
Interest Receipts	139,721	116,522	123,182	106,627	117,810	107,210
Dividends and Income Tax Equivalents	527,907	353,480	474,979	378,215	417,342	463,835
Other Receipts	520,417	431,978	426,250	375,684	395,732	402,210
Total Cash Received from Operating Activities	5,509,757	5,425,223	5,584,057	5,643,745	5,884,226	6,170,569
Cash Payments						
Payments for Employees	-2,283,818	-2,366,439	-2,382,387	-2,418,290	-2,488,853	-2,564,325
Payments for Goods and Services	-943,342	-1,094,113	-1,042,195	-1,072,504	-1,135,759	-1,312,430
Grants/Subsidies Paid	-1,003,981	-1,012,089	-1,054,697	-1,041,678	-1,087,221	-1,106,847
Interest Paid	-176,643	-192,286	-189,750	-197,381	-219,678	-215,992
Other Payments	-488,978	-448,690	-440,992	-445,212	-455,347	-467,048
Total Cash Paid from Operating Activities	-4,896,763	-5,113,617	-5,110,021	-5,175,065	-5,386,858	-5,666,642
Net Cash Flows from Operating Activities	612,994	311,606	474,036	468,680	497,368	503,927
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	286,608	330,092	330,092	196,516	118,484	151,837
Purchase of Non-Financial Assets	-666,722	-900,010	-988,692	-669,463	-624,427	-631,142
Net Cash Flows from Investments in Non-Financial Assets	-380,114	-569,918	-658,600	-472,947	-505,943	-479,305
Cash Flows from Investments in Financial Assets for Policy Purposes						
Cash Receipts						
Repayment of Loans	324	2,727	2,727	2,677	2,677	2,677
Dividends - Market Gains on Land Sales	31,903	86,755	62,297	44,600	2,204	10,564
Capital Receipts from Government Agencies	28,825	77,552	115,098	147,970	-	-
Total Cash Received from Investment in Financial Assets for Policy Purposes	61,052	167,034	180,122	195,247	4,881	13,241

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Cash Payments						
Capital Payments to Government Agencies	-20,238	-36,370	-45,362	-79,630	-20,438	-5,000
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-20,238	-36,370	-45,362	-79,630	-20,438	-5,000
Net Cash Flows from Investments in Financial Assets for Policy Purposes	40,815	130,664	134,760	115,617	-15,557	8,241
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	34,346	559,735	285,890	48,962	65,766	82,914
Payments for Investments	-175,065	-311,812	-311,812	-72,551	-221,013	-248,142
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-140,719	247,923	-25,922	-23,589	-155,247	-165,228
Net Cash Flows from Investing Activities	-480,018	-191,331	-549,762	-380,919	-676,747	-636,292
Cash Flows from Financing Activities						
Cash Receipts						
Borrowings	69,901	437,225	393,204	435,747	545,380	306,842
Total Cash Received from Financing Activities	69,901	437,225	393,204	435,747	545,380	306,842
Cash Payments						
Borrowings	-72,934	-541,187	-597,699	-514,665	-354,368	-163,364
Total Cash Paid from Financing Activities	-72,934	-541,187	-597,699	-514,665	-354,368	-163,364
Net Cash Flows from Financing Activities	-3,033	-103,962	-204,495	-78,918	191,012	143,478
Net Increase/(Decrease) in Cash and Cash Equivalents	129,943	16,313	-280,221	8,843	11,633	11,113
Cash and Cash Equivalents at the Beginning of Reporting Period	622,079	305,262	752,022	471,801	480,644	492,277
Cash and Cash Equivalents at the End of Reporting Period	752,022	321,575	471,801	480,644	492,277	503,390
Key Fiscal Aggregates						
Net Cash from Operating Activities	612,994	311,606	474,036	468,680	497,368	503,927
Investments in Non-Financial Assets	-380,114	-569,918	-658,600	-472,947	-505,943	-479,305
Cash Surplus (+)/Deficit (-)	232,881	-258,312	-184,564	-4,267	-8,575	24,622

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

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+)/Deficit (-)	232,881	-258,312	-184,564	-4,267	-8,575	24,622
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-871	-871	-376,950	-2,197	-4,349
ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements	232,881	-259,183	-185,435	-381,217	-10,772	20,273

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
General Tax						
Payroll Tax	448,645	470,254	478,083	510,883	548,878	587,478
Tax Waivers	-	178	178	182	182	187
General Rates	451,779	487,332	487,333	533,851	579,110	627,354
Land Tax	106,018	130,079	130,079	141,112	147,495	154,237
Total General Tax	1,006,442	1,087,844	1,095,673	1,186,028	1,275,665	1,369,256
Duties						
Conveyances	315,962	268,194	248,194	273,499	286,563	287,766
General Insurance	1,258	-	-	-	-	-
Leases*	3	-	-	-	-	-
Life Insurance	6	-	-	-	-	-
Motor Vehicle Registrations and Transfers	30,483	31,040	31,040	31,870	32,953	34,073
Shares and Marketable Securities#	-2	-	-	-	-	-
Total Duties	347,710	299,234	279,234	305,369	319,516	321,839
Gambling Taxes						
Tapcorp Licence Fee	1,031	1,053	1,053	1,077	1,104	1,132
Gaming Tax	33,821	33,523	33,523	36,236	37,081	37,932
Casino Tax	2,775	2,299	2,299	2,351	2,410	2,470
Interstate Lotteries	13,527	15,184	15,184	15,526	15,914	16,312
Total Gambling Taxes	51,154	52,059	52,059	55,190	56,509	57,846
Other Taxes						
Motor Vehicle Registrations	125,536	136,968	136,968	145,909	145,894	150,986
Ambulance Levy	21,550	22,199	23,274	24,438	25,782	27,200
Lease Variation Charge	21,008	22,851	22,851	25,840	26,982	28,181
Utilities (Network Facilities) Tax	33,727	34,306	36,138	38,667	41,373	43,235
Fire and Emergency Service Levy	64,985	73,336	73,336	82,370	85,249	88,209
City Centre Marketing and Improvements Levy	1,889	1,989	1,989	1,992	1,995	1,998
Energy Industry Levy	2,062	2,732	3,591	2,810	2,866	2,921
Lifetime Care and Support Levy	13,858	13,814	13,814	14,350	14,899	15,463
Safer Families Levy	4,741	4,700	4,700	4,800	4,900	5,000
Total Other Taxes	289,356	312,895	316,661	341,176	349,940	363,193
Total Taxation	1,694,661	1,752,032	1,743,627	1,887,763	2,001,630	2,112,134

Notes:

* Duty on leases was abolished on 1 July 2009. The 2016-17 actual outcome reflects payment for transactions relating to previous years.

Duty on shares and marketable securities was abolished on 1 July 2010. The 2016-17 actual outcome reflects payment for transactions relating to previous years.

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APPENDIX A

RE-PROFILED CAPITAL WORKS PROJECTS

APPENDIX A: RE-PROFILED CAPITAL WORKS PROJECTS

Project Name ¹	Total Project Value	Prior Years Financing	Original Cash Flow			Re-profiled Cash Flow				
			2017-18 ²	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Minister, Treasury and Economic Development Directorate										
Better Roads for Gungahlin – Horse Park Drive duplication	14,983	11,913	70	3,000	0	0	2,193	877	0	0
Better Services – Weston Creek and Stromlo swimming pool and leisure centre	33,000	10	10,990	11,000	11,000	0	4,000	17,990	11,000	0
Building a better city – Canberra Brickworks– Access road and Dudley Street upgrade	8,000	0	4,000	4,000	0	0	350	7,650	0	0
Building a better city – Civic and Dickson office accommodation	65,544	0	1,045	4,727	37,045	22,727	2,456	4,727	36,090	22,271
Building a better city – Indoor Sports Centres – Early planning	160	0	160	0	0	0	120	40	0	0
Caring for our Environment – Lake Tuggeranong Water Quality Improvement – Stage 2 (Isabella Weir)	9,000	0	500	8,500	0	0	3,750	5,250	0	0
Improving Our Suburbs – New Molonglo Valley infrastructure	32,970	258	9,342	23,370	0	0	8,616	14,000	10,096	0
Improving Road Safety – Traffic camera adjudication system upgrades	1,160	0	1,160	0	0	0	760	200	200	0
Land Title Business System Modernisation	1,790	485	1,305	0	0	0	761	544	0	0
Majura Parkway to Majura Road – Link road	14,756	12,232	524	2,000	0	0	2,524	0	0	0

Project Name ¹	Total Project Value	Prior Years Financing	Original Cash Flow				Re-profiled Cash Flow			
			2017-18 ²	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Stromlo Forest Park – Enclosed Oval (Early planning)	200	0	200	0	0	100	100	0	0	
Throsby – Multisport Complex (Design)	500	315	185	0	0	100	85	0	0	
Urban Renewal Program – Melrose football precinct	6,653	6,035	618	0	0	300	318	0	0	
Urban Renewal Program – Molonglo 3 infrastructure	2,970	1,355	615	1,000	0	464	1,151	0	0	
City Renewal Authority										
Building a better city – City Renewal Authority – Canberra’s lakeside	37,388	0	7,500	15,000	14,888	1,000	21,500	14,888	0	
Education Directorate										
Better Schools – Investment in Gungahlin school infrastructure	24,072	0	6,972	7,300	6,200	5,472	8,800	6,200	3,600	
Schools for the Future – Modernising Belconnen High	23,527	2,276	16,979	4,272	0	13,479	7,772	0	0	
Schools for the Future – North Gungahlin and Molonglo	28,609	1,175	17,236	10,198	0	14,236	13,198	0	0	
Supporting our School System – Improving ICT	35,751	7,660	10,508	5,861	5,861	10,008	6,361	5,861	5,861	
Environment, Planning and Sustainable Development Directorate										
Caring for our environment – Water Quality Improvement – Contributions to the Basin Priority Project	77,271	20,500	42,300	14,471	0	41,000	15,771	0	0	

Project Name ¹	Total Project Value	Prior Years Financing	Original Cash Flow			Re-profiled Cash Flow				
			2017-18 ²	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Justice and Community Safety										
Directorate										
ACT Corrective Services – Information management	7,773	1,580	6,193	0	0	0	4,795	1,398	0	0
ACT Legislation Register Replacement	5,319	2,955	1,890	474	0	0	1,290	1,074	0	0
Courts Public Private Partnership (PPP) – (formerly called ACT Court Facilities Early Works Package)	7,927	1,539	6,207	181	0	0	2,707	3,681	0	0
Replacement of the Courts and Tribunal ICT Case Management System	10,618	5,421	5,197	0	0	0	4,599	598	0	0
Transport Canberra and City Services										
Directorate										
2017–18 Better Infrastructure Fund – TCCS	85,704	0	20,639	21,155	21,684	22,226	18,239	23,555	21,684	22,226
Better Public Transport – Trial of electric buses	600	0	600	0	0	0	179	421	0	0
Better Roads for Belconnen – Aikman Drive duplication	9,801	2,940	6,861	0	0	0	5,361	1,500	0	0
Better Roads for Canberra – Stronger bridges to transport freight	6,500	642	4,058	1,800	0	0	2,858	3,000	0	0
Better Roads for Gungahlin – Gundaroo Drive duplication – Stage 1	31,185	13,726	17,459	0	0	0	15,459	2,000	0	0
Better Roads for Gungahlin – Horse Park Drive duplication (Mulligans Flat Road to the Federal Highway)	57,000	2,117	26,883	28,000	0	0	21,883	33,000	0	0
Better Roads for Weston Creek – Cotter Road duplication (Tuggeranong Parkway to Yarralumla Creek)	28,900	7,311	12,589	9,000	0	0	21,589	0	0	0

Project Name ¹	Total Project Value	Prior Years Financing	Original Cash Flow				Re-profiled Cash Flow			
			2017-18 ²	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Better Services – Improved asset management	1,705	0	1,000	500	205	0	500	1,000	205	0
Better Services – Improving libraries – Self-service check out and improved access	2,200	53	1,947	200	0	0	347	1,800	0	0
Better services in your community – Essential waste management infrastructure	25,291	0	6,070	14,922	2,276	2,023	9,070	11,922	2,276	2,023
Better services in your community – Expanding the Domestic Animal Shelter	550	0	400	150	0	0	150	400	0	0
Better services in your community – Integrated bus and light rail ticketing	2,100	0	2,100	0	0	0	0	2,100	0	0
Better services in your community – Rehabilitating landfill sites	34,845	0	3,544	5,552	17,427	8,322	7,458	5,552	13,513	8,322
Building a better city – Gundaroo Drive duplication – Stage 2	30,000	0	5,000	15,000	10,000	0	4,000	16,000	10,000	0
Building a better city – Monaro Highway upgrade	1,000	0	0	500	500	0	200	300	500	0
Building a better city – Pialligo Avenue duplication	2,000	0	0	1,000	1,000	0	200	800	1,000	0
Building a better city – Upgrading stormwater infrastructure on Flemington Road	1,000	0	150	850	0	0	50	950	0	0
Expansion of the rapid bus network	45,300	0	23,370	21,930	0	0	17,370	27,930	0	0
Light Rail – Stage 1 – Procurement and delivery	49,691	21,656	18,958	9,077	0	0	14,958	13,077	0	0
Narrabundah Ballpark Upgrade – Best little ballpark in Australia	4,500	0	3,500	1,000	0	0	994	3,506	0	0

Notes:

1. The above table only contains projects in the 2017-18 Capital Works Program that have changed funding profiles.
2. Original cash flows include estimates of rollovers of funding from 2016-17 into 2017-18.

APPENDIX B

STATEMENT OF RISKS

APPENDIX B: STATEMENT OF RISKS

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, contingent liabilities, other commitments, and outstanding claims liabilities were provided in 2017-18 Budget Paper 3, Appendix K.

The following risks have been identified at the time of publication of the 2017-18 Budget Review. Unless indicated below, risks identified in the 2017-18 Budget Papers are unchanged.

Economic risks

Commonwealth Government policy decisions remain a significant risk to the ACT economy. In addition, the implications of any major correction in national house prices and the flow-on effects to economic activity and financial market stability remain a risk to the outlook for household consumption and private investment activity in the ACT.

Fiscal risks

Land Release Program

The ACT Government's land release program remains an important source of revenue for the Territory, as well as contributing to social and environmental objectives. The program is susceptible to risks related to the capacity of the ACT residential property market to grow and sustain the sale of all released land at forecast prices. Lower than expected demand or sale prices would reduce revenue received by the Government. Other risks to the program include achieving statutory clearances, the capacity of industry to deliver infrastructure and estate works, and the capacity of the market to absorb the additional supply offered through the Asset Recycling Initiative.

Of the 23 individual releases contained within the published 2017-18 program, there are risks associated with three releases:

- 234 dwellings scheduled for release in Strathnairn (Ginninderry) are currently subject to an ACT Civil and Administrative Tribunal appeal;
- a 10,000 square metre industrial site in Symonston is linked to the delayed Eastern Broadacre Strategic Assessment; and
- a 7,600 square metre commercial release in Wanniasa is likely to be delayed into a future year pending a resolution on amendments to car parking requirements related to the site.

These risks are likely to be partially offset by higher than previously expected yields on a number of residential releases and additional industrial releases in Hume.

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 Consolidated Annual Financial Statements, which are available online.

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 GST relativities are the proportion of the GST that each state and territory receives in accordance with the principle of Horizontal Fiscal Equalisation, relative to what it would receive if the GST were distributed equally per person in Australia. There is potential for change to the ACT's share of the GST pool from Grants Commission updates over the forward estimates.

Further changes from the Commission's processes may also present themselves from 2020-21, arising from the completion and release of the *2020 Methodology Review of GST Revenue Sharing Relativities*. The Commission conducts such reviews on a five-yearly basis and is next due to report on 28 February 2020.

A Productivity Commission inquiry into the impact on the national economy of Australia's system of horizontal fiscal equalisation has also introduced further uncertainty to the distribution of the GST from 2019-20 onwards. The Productivity Commission's Draft Report, released on 9 October 2017, indicated a possible shift in the objective of horizontal fiscal equalisation from 'full equalisation' to 'reasonable equalisation'. This potential shift presents a downside risk to the ACT's GST share. The Productivity Commission's final report is due to be released on 15 May 2018 for consideration by the Commonwealth Government.

National Disability Insurance Scheme

Implementation of the National Disability Insurance Scheme represents a significant financial investment by the Commonwealth and states and territories in improving the independence, quality of life, and outcomes of people with disability. The ACT is working with other jurisdictions and the Commonwealth to negotiate long-term agreements for the National Disability Insurance Scheme, including potential changes to financial arrangements as a result of the findings of the 2017 Productivity Commission *Study Report into National Disability Insurance Scheme Costs*. Should agreement be reached to change the ACT's financial contributions for the Scheme, these would be included in future ACT budgets at that time.

Commonwealth funding

The DisabilityCare Australia Fund was established to provide partial reimbursement to the states and territories for costs related to the National Disability Insurance Scheme. The ACT's allocated fund payment for 2017-18, as published in the Commonwealth's *Mid-year Economic and Fiscal Outlook 2017-18*, is \$15.2 million higher than the funding received to date, with receipt of this additional funding subject to further negotiations between the Commonwealth, and the states and territories. The ACT considers it unlikely that agreement will be reached in the current financial year and this revenue is therefore anticipated to be received in 2018-19.

Several recent agreements proposed by the Commonwealth – including the National Housing and Homelessness Agreement and the Skilling Australians Fund – contain input controls, whereby the Commonwealth places restrictions on how the ACT allocates own source funding in the relevant sector. This presents a future risk as it reduces budget flexibility for the ACT to respond to emerging issues unique to the Territory.

Enterprise bargaining

With the exception of the ACT *Public Sector Education and Training Directorate (Teaching Staff) Enterprise Agreement 2014-2018*, all ACT Public Service enterprise bargaining agreements have a nominal expiry date of 30 June 2017. The estimates contained in the 2017-18 Budget Review reflect the Government's offer at the time of publication. However, should forthcoming negotiations give rise to changes, these estimates to be affected.

Outstanding claims liability

The value of insurance liabilities is the present value of the future claim for payments that have accrued at the calculation date. This approach is required under Australian Accounting Standard 1023 *General Insurance Contracts*.

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

Sensitivity to discount rate

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. Australian Accounting Standard 1023 *General Insurance Contracts* requires the outstanding claims liabilities to be valued using a 'risk free' rate of return, which is generally accepted to be the discount rate derived from market yields on Commonwealth Government Bonds. The discount rates adopted match the weighted term to maturity of insurance claims. The long-term nature of the projected cash flows from the liability means that small changes in the discount rate adopted can lead to significant variations in the liability valuations and the claims expense.

The outstanding claims provision as at 30 June 2017 was \$238.5 million net of Reinsurance Recoveries. Variations in the discount rate of +/- one percentage point results in an estimated change to the liability of between a \$12 million decrease and a \$13 million increase, equivalent to a change of between -5.0 per cent and 5.4 per cent.

APPENDIX C

PUBLIC TRADING ENTERPRISES FINANCIAL STATEMENTS

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Revenue						
Controlled Recurrent Payments	166,251	187,486	190,817	195,202	201,839	206,711
Grants Revenue						
Commonwealth Grants	1,688	1,464	1,464	767	767	767
Gains from Contributed Assets	9,584	18,612	19,077	18,237	18,586	18,756
Sales of Goods and Services Revenue						
Revenue from Associates and Joint Ventures	88,371	77,943	95,638	60,449	77,529	82,989
Other Sales of Goods and Services	420,945	426,774	445,531	434,171	452,615	466,687
Interest Income	9,839	8,380	8,156	4,021	3,585	2,776
Land Revenue (Value Add Component)	444,397	436,522	449,599	511,019	544,312	618,238
Other Revenue	19,114	13,228	14,236	10,016	9,557	9,761
Total Revenue	1,160,185	1,170,409	1,224,518	1,233,882	1,308,790	1,406,685
Expenses						
Employee Expenses	175,787	178,258	173,648	181,729	183,966	192,817
Superannuation Expenses	23,593	25,226	24,470	25,802	25,850	26,771
Depreciation and Amortisation	94,687	115,244	113,363	94,897	86,268	88,955
Interest Expenses	73,788	78,775	73,856	76,421	77,234	78,333
Other Property Expenses (Income Tax Equivalents)	138,560	137,001	140,593	111,668	112,131	130,805
Other Operating Expenses						
Supplies and Services	204,086	235,604	256,252	254,959	260,894	261,648
Other Operating Expenses	65,722	163,780	107,466	115,125	255,007	222,231
Grants and Purchased Services	114,303	58,283	68,120	82,901	73,853	123,120
Total Expenses	890,527	992,171	957,768	943,502	1,075,203	1,124,680
UPF Net Operating Balance	269,658	178,238	266,750	290,380	233,587	282,005
Other Economic Flows - Included in the Operating Result						
Land Revenue (Market Gains on Land Sales)	49,847	123,936	92,149	66,081	3,143	15,988
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-55,769	-49,405	-79,156	-164,126	-11,963	-31,927
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	-	312	312	312	312	312
Doubtful Debts	-2,752	-2,464	-2,464	-2,469	-2,483	-2,494
Operating Result	261,598	250,617	277,591	190,178	222,596	263,884

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Other Economic Flows - Other Comprehensive Income						
Items that will not be Reclassified Subsequently to Profit or Loss						
Increase/(Decrease) in the Asset Revaluation Surplus due to Revaluations	234,733	150,933	154,296	55,088	134,758	142,635
Increase/(Decrease) in Other Reserves	-	-	3,362	-	-	-
Total Comprehensive Income/(Loss)	496,331	401,550	435,249	245,266	357,354	406,519
UPF Net Operating Balance	269,658	178,238	266,750	290,380	233,587	282,005
less Net Acquisition of Non-Financial Assets						
Payments for Non-Financial Assets	164,495	219,181	237,531	221,367	151,949	130,227
Sales of Non-Financial Assets	-67,196	-37,600	-37,600	-38,625	-39,650	-40,675
Land Revenue (Net Cash Receipts)	-52,325	-134,053	-103,800	-11,434	64,413	31,152
Depreciation and Amortisation	-94,687	-115,244	-113,363	-94,897	-86,268	-88,955
Other Movements in Non-Financial Assets	-85,555	-27,547	-36,925	-51,210	-41,389	-90,077
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>-135,268</i>	<i>-95,263</i>	<i>-54,157</i>	<i>25,201</i>	<i>49,055</i>	<i>-58,328</i>
Net Lending/(Borrowing)	404,926	273,501	320,907	265,179	184,532	340,333
UPF Net Operating Balance	269,658	178,238	266,750	290,380	233,587	282,005
HEADLINE NET OPERATING BALANCE	269,658	178,238	266,750	290,380	233,587	282,005

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Financial Assets						
Cash and Deposits	254,834	263,396	164,606	40,798	44,431	152,630
Advances Paid	9,371	-	34,503	68,985	-	-
Investments and Loans	52,396	30,000	29,000	29,000	29,000	29,000
Receivables	188,037	149,097	151,006	153,835	152,321	152,893
Investments accounted for using the Equity Method	975,439	1,047,579	1,011,077	1,014,526	1,025,555	1,037,545
Total Financial Assets	1,480,078	1,490,072	1,390,192	1,307,144	1,251,307	1,372,068
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	3,669,864	3,734,032	3,791,526	3,907,952	3,961,802	4,053,818
Investment Properties	16,391	10,596	10,355	11,336	12,317	13,298
Intangibles	13,274	2,099	13,009	12,870	12,858	12,858
Inventories	260,022	334,486	254,111	320,240	354,101	236,766
Assets Held for Sale	37,212	38,174	35,010	35,010	35,010	35,010
Capital Works-in-Progress	143,768	177,790	201,513	222,848	243,323	199,257
Non Produced Assets						
Property, Plant and Equipment	3,612,109	3,802,676	3,824,773	3,869,321	3,970,335	4,077,928
Other Non-Financial Assets						
Deferred Tax Assets	30,939	28,463	30,939	30,939	30,939	30,939
Other Non-Financial Assets	-	-	134	134	134	134
Total Non-Financial Assets	7,787,340	8,128,316	8,161,370	8,410,650	8,620,819	8,660,008
Total Assets	9,263,791	9,618,388	9,551,562	9,717,794	9,872,126	10,032,076
Liabilities						
Advances Received	1,651,916	1,739,412	1,744,108	1,795,654	1,844,384	1,893,424
Employee Benefits	70,119	59,569	62,520	63,267	64,733	65,888
Other Provisions	176,364	182,882	188,897	194,602	196,313	198,096
Payables	211,642	144,736	138,444	133,217	125,709	118,340
Other Liabilities						
Current Tax Liability	53,991	34,225	52,721	45,054	41,561	44,465
Deferred Tax Liability	435,934	428,561	430,447	430,447	430,447	430,447
Other Liabilities	99,226	256,671	79,748	78,648	66,424	63,056
Total Liabilities	2,699,191	2,846,056	2,696,885	2,740,889	2,769,571	2,813,716
Net Assets	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360
Accumulated Funds	2,555,892	2,571,029	2,671,268	2,631,155	2,644,047	2,639,217
Asset Revaluation Surplus	3,998,886	4,191,483	4,170,227	4,332,568	4,445,326	4,565,961
Other Reserves	9,820	9,820	13,182	13,182	13,182	13,182
Net Worth	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360
Net Financial Worth	-1,219,113	-1,355,984	-1,306,693	-1,433,745	-1,518,264	-1,441,648
Net Debt	1,335,314	1,446,016	1,550,502	1,725,856	1,770,953	1,711,794

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Opening Equity						
Opening Accumulated Funds	2,430,210	2,485,849	2,555,893	2,671,268	2,631,155	2,644,047
Opening Asset Revaluation Surplus	3,871,734	4,023,505	3,998,886	4,170,227	4,332,568	4,445,326
Opening Other Reserves	9,820	9,820	9,820	13,182	13,182	13,182
Opening Balance	6,311,764	6,519,174	6,564,599	6,854,677	6,976,905	7,102,555
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	261,598	250,617	277,591	190,178	222,596	263,884
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus due to Revaluations	234,733	150,933	154,296	55,088	134,758	142,635
<i>Included in Other Reserves</i>						
Increase/(Decrease) in Other Reserves	-	-	3,362	-	-	-
Total Comprehensive Income	496,331	401,550	435,249	245,266	357,354	406,519
Other						
Transfer to/(from) Accumulated Funds	107,581	-17,045	-17,045	-107,253	22,000	22,000
Movement in the Asset Revaluation Surplus	-107,581	17,045	17,045	107,253	-22,000	-22,000
Total Other	0	0	0	0	0	0
Transactions Involving Owners Affecting Accumulated Funds						
Capital Injections	20,238	36,370	45,362	79,630	20,438	5,000
Capital Distributions	-54,137	-39,549	-64,293	-147,970	-	-
Transfer of Assets from the General Government Sector	127,858	164,956	190,063	176,364	-	-
Dividends Approved	-337,455	-310,169	-316,303	-231,062	-252,142	-295,714
Total Transactions Involving Owners Affecting Accumulated Funds	-243,495	-148,392	-145,171	-123,038	-231,704	-290,714
Closing Equity						
Closing Accumulated Funds	2,555,893	2,571,029	2,671,268	2,631,155	2,644,047	2,639,217
Closing Asset Revaluation Surplus	3,998,886	4,191,483	4,170,227	4,332,568	4,445,326	4,565,961
Closing Other Reserves	9,820	9,820	13,182	13,182	13,182	13,182
Closing Balance	6,564,599	6,772,332	6,854,677	6,976,905	7,102,555	7,218,360

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Cash Flows from Operating Activities						
Cash Receipts						
Receipts from Sales of Goods and Services	926,928	1,022,668	1,002,915	1,021,019	981,982	1,106,092
Grants/Subsidies Received	171,755	183,878	192,281	195,969	202,606	207,478
Interest Receipts	10,182	6,282	7,609	2,712	2,571	2,414
Other Receipts	113,235	108,211	65,851	107,792	108,310	101,693
Total Cash Received from Operating Activities	1,222,100	1,321,039	1,268,656	1,327,492	1,295,469	1,417,677
Cash Payments						
Payments for Employees	-190,245	-203,464	-201,119	-207,625	-208,889	-219,063
Payments for Goods and Services	-195,764	-251,377	-262,654	-251,901	-270,506	-268,539
Grants/Subsidies Paid	-24,640	-23,008	-23,467	-23,852	-24,420	-24,975
Interest Paid	-76,799	-85,441	-80,564	-82,230	-83,677	-82,997
Other Payments	-264,747	-279,627	-176,129	-285,631	-367,032	-256,578
Total Cash Paid from Operating Activities	-752,196	-842,917	-743,933	-851,239	-954,524	-852,152
Net Cash Flows from Operating Activities	469,904	478,122	524,723	476,253	340,945	565,525
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	67,196	37,600	37,600	38,625	39,650	40,675
Payments for Non-Financial Assets	-164,495	-219,181	-237,531	-221,367	-151,949	-130,227
Net Cash Flows from Investments in Non-Financial Assets	-97,299	-181,581	-199,931	-182,742	-112,299	-89,552
Cash Flows from Investments in Financial Assets for Policy Purposes						
Cash Receipts						
Repayment of Loans	-	-	-	15,595	69,999	362
Capital Receipts from Government Agencies	20,238	36,370	45,362	79,630	20,438	5,000
Total Cash Received from Investment in Financial Assets for Policy Purposes	20,238	36,370	45,362	95,225	90,437	5,362
Cash Payments						
Issue of Loan	-5,641	-	-10,523	-48,768	-	-
Dividends - Market Gains on Land Sales	-31,903	-86,755	-62,297	-44,600	-2,204	-10,564
Distributions to Government	-28,825	-66,252	-103,798	-147,970	-	-
Total Cash Paid from Investment in Financial Assets for Policy Purposes	-66,369	-153,007	-176,618	-241,338	-2,204	-10,564
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-46,131	-116,637	-131,256	-146,113	88,233	-5,202

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	1,492	12,867	20,321	-	-	-
Payments for Investments	-	-34,212	-	-638	-647	-
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	1,492	-21,345	20,321	-638	-647	-
Net Cash Flows from Investing Activities	-141,938	-319,563	-310,866	-329,493	-24,713	-94,754
Cash Flows from Financing Activities						
Cash Receipts						
Borrowings	69,656	409,300	555,300	74,300	289,300	45,800
Total Cash Received from Financing Activities	69,656	409,300	555,300	74,300	289,300	45,800
Cash Payments						
Borrowings	-24,870	-320,962	-464,188	-23,314	-240,981	-5,043
Dividends Paid	-307,212	-133,184	-275,625	-203,164	-249,950	-278,477
Other Financing	-162,119	-138,112	-142,573	-118,390	-110,968	-124,852
Total Cash Paid from Financing Activities	-494,201	-592,258	-882,386	-344,868	-601,899	-408,372
Net Cash Flows from Financing Activities	-424,545	-182,958	-327,086	-270,568	-312,599	-362,572
Net Increase/(Decrease) in Cash and Cash Equivalents	-96,579	-24,399	-113,229	-123,808	3,633	108,199
Cash and Cash Equivalents at the Beginning of Reporting Period	403,414	317,795	306,835	193,606	69,798	73,431
Cash and Cash Equivalents at the End of Reporting Period	306,835	293,396	193,606	69,798	73,431	181,630
Key Fiscal Aggregates						
Net Cash from Operating Activities	469,904	478,122	524,723	476,253	340,945	565,525
Net Cash Flows from Investments in Non-Financial Assets	-97,299	-181,581	-199,931	-182,742	-112,299	-89,552
Distributions Paid	-469,331	-271,296	-418,198	-321,554	-360,918	-403,329
Cash Surplus (+) / Deficit (-)	-96,726	25,245	-93,406	-28,043	-132,272	72,644
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+) / Deficit (-)	-96,726	25,245	-93,406	-28,043	-132,272	72,644
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-	-	-	-	-
ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements	-96,726	25,245	-93,406	-28,043	-132,272	72,644

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**

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Revenue						
Taxation Revenue	1,653,616	1,712,302	1,704,302	1,845,594	1,957,767	2,066,412
Grants Revenue						
Commonwealth Grants	2,050,876	2,177,949	2,243,509	2,279,713	2,324,631	2,437,398
Gains from Contributed Assets	38,045	130,951	133,025	188,130	225,849	217,026
Sales of Goods and Services						
Revenue from Associates and Joint Ventures	88,371	77,943	95,638	60,449	77,529	82,989
Other Sales of Goods and Services	859,360	863,560	873,645	877,420	904,588	929,456
Interest Income	65,164	48,305	52,756	38,581	40,279	37,633
Distributions from Financial Investments	37,629	36,851	31,498	39,008	46,921	50,316
Dividend Income	54,282	52,255	56,781	56,661	56,424	60,506
Other Revenue						
Land Revenue (Value Add Component)	426,360	388,522	401,599	461,019	490,312	534,238
Other Revenue	162,335	160,161	151,703	135,479	132,764	136,603
Total Revenue	5,436,037	5,648,799	5,744,456	5,982,054	6,257,064	6,552,577
Expenses						
Employee Expenses	2,107,645	2,141,456	2,151,652	2,177,750	2,230,922	2,293,204
Superannuation Expenses						
Superannuation Interest Cost	293,498	367,684	303,750	381,208	394,123	406,389
Other Superannuation Expenses	464,295	296,091	379,194	292,360	287,848	287,685
Depreciation and Amortisation	484,241	494,846	518,777	534,174	537,830	542,437
Interest Expense	181,260	194,304	189,026	204,436	217,514	224,163
Other Operating Expenses						
Supplies and Services	1,067,536	1,270,903	1,284,100	1,306,911	1,374,529	1,544,067
Other Operating Expenses	190,950	270,571	212,953	229,028	372,824	345,448
Grants and Purchased Services	883,650	943,650	942,091	963,458	1,050,646	1,103,904
Total Expenses	5,673,075	5,979,505	5,981,543	6,089,325	6,466,236	6,747,297
UPF Net Operating Balance	-237,038	-330,706	-237,087	-107,271	-209,172	-194,720
Other Economic Flows – Included in the Operating Result						
Land Revenue (Market Gains on Land Sales)	49,847	123,936	92,149	66,081	3,143	15,988
Net Land Revenue (Undeveloped Land Value)	98,551	68,695	78,463	61,179	40,390	36,685
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-42,349	-51,934	-81,685	-167,595	-16,402	-37,385
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	240,034	171,834	276,339	187,303	199,037	213,394
Doubtful Debts	-14,013	-9,482	-9,482	-9,608	-9,742	-9,894
Operating Result	95,033	-27,657	118,697	30,089	7,254	24,068

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Other Economic Flows – Other Comprehensive Income						
Items that will not be Subsequently Reclassified to Profit or Loss						
Capital Distributions	-	11,300	11,300	-	-	-
Superannuation Actuarial Gain/(Loss)	2,525,167	-	2,462,418	-	-	-
Prior Year Adjustment	6,229	46	46	178	169	169
Other Movements	-	-521	-522	-616	-593	-593
Increase/(Decrease) in the Asset Revaluation Surplus due to Revaluations	578,957	272,729	296,168	44,317	98,666	115,457
Increase/(Decrease) in Other Reserves	-	-	3,362	-	-	-
Total Comprehensive Income	3,205,686	255,897	2,891,469	73,968	105,496	139,101
UPF Net Operating Balance	-237,038	-330,706	-237,087	-107,271	-209,172	-194,720
<i>less Net Acquisition of Non- Financial Assets</i>						
Payments for Non-Financial Assets	813,672	1,071,191	1,178,223	840,830	722,376	677,369
Sales of Non-Financial Assets	-353,739	-367,692	-367,692	-235,141	-158,134	-192,512
Land Revenue (Net Cash Receipts)	-68,176	-149,859	-123,571	-49,158	18,122	-20,572
Depreciation and Amortisation	-484,241	-494,846	-518,777	-534,174	-537,830	-542,437
Other Movements in Non-Financial Assets	31,061	95,471	95,471	113,296	95,490	49,055
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>-61,423</i>	<i>154,265</i>	<i>263,654</i>	<i>135,653</i>	<i>140,024</i>	<i>-29,097</i>
Net Lending / (Borrowing)	-175,615	-484,971	-500,741	-242,924	-349,196	-165,623
UPF Net Operating Balance	-237,038	-330,706	-237,087	-107,271	-209,172	-194,720
Superannuation Return Adjustment	150,197	171,522	172,753	186,991	198,725	213,082
HEADLINE NET OPERATING BALANCE	-86,841	-159,184	-64,334	79,720	-10,447	18,362

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Financial Assets						
Cash and Deposits	1,036,636	571,568	607,372	492,407	507,673	626,985
Advances Paid	78,424	66,877	101,380	133,362	61,877	59,377
Investments and Loans	4,522,784	4,563,337	4,840,702	5,052,423	5,407,833	5,787,925
Receivables	520,578	477,197	376,591	307,521	230,465	140,449
Investments Accounted for Using the Equity Method	975,439	1,047,579	1,011,077	1,014,526	1,025,555	1,037,545
Total Financial Assets	7,133,861	6,726,558	6,937,122	7,000,239	7,233,403	7,652,281
Non-Financial Assets						
Produced Assets						
Property, Plant and Equipment	14,870,779	16,049,760	15,530,311	16,597,313	17,013,600	17,375,395
Investment Properties	21,801	16,006	15,765	16,746	17,727	18,708
Intangibles	111,878	226,606	221,601	298,795	343,896	341,894
Inventories	251,805	358,255	274,021	340,340	374,391	257,246
Assets Held for Sale	231,795	119,289	122,587	49,231	62,676	35,010
Capital Works-in-Progress	797,024	873,466	844,628	760,255	600,489	517,241
Non Produced Assets						
Property, Plant and Equipment	7,353,645	6,768,504	7,593,885	7,586,954	7,629,319	7,682,288
Loose-fill Asbestos Insulation Eradication Scheme Land	123,089	3,778	3,778	1,372	-	-
Biological Assets	29,917	26,514	29,917	29,917	29,917	29,917
Other Non-Financial Assets	16,822	-	11,380	8,110	4,833	3,039
Total Non-Financial Assets	23,808,555	24,442,178	24,647,873	25,689,033	26,076,848	26,260,738
Total Assets	30,942,415	31,168,736	31,584,995	32,689,272	33,310,251	33,913,019
Liabilities						
Deposits Held	15,632	-	15,632	15,632	15,632	15,632
Advances Received	1,134,617	1,075,931	1,075,932	1,017,156	958,326	849,436
Borrowings						
Finance Leases	254	110,964	107,753	487,002	474,813	459,847
Other Borrowings	3,555,235	3,584,532	3,486,638	3,894,992	4,195,759	4,501,515
Superannuation	8,573,657	6,369,631	6,368,703	6,598,425	6,816,790	7,024,000
Employee Benefits	699,703	738,082	729,468	758,041	787,381	818,549
Other Provisions	271,218	349,586	215,131	232,635	241,929	255,906
Payables	556,778	543,991	562,712	589,203	618,746	649,077
Other Liabilities	47,993	18,337	44,228	43,420	42,613	41,694
Total Liabilities	14,855,086	12,791,054	12,606,197	13,636,506	14,151,989	14,615,656
Net Assets	16,087,329	18,377,682	18,978,798	19,052,766	19,158,262	19,297,363
Accumulated Funds	5,830,691	8,079,793	8,405,585	8,327,983	8,356,813	8,402,457
Asset Revaluation Surplus	10,245,718	10,287,269	10,558,931	10,710,501	10,787,167	10,880,624
Other Reserves	10,920	10,620	14,282	14,282	14,282	14,282
Net Worth	16,087,329	18,377,682	18,978,798	19,052,766	19,158,262	19,297,363

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Net Financial Worth	-7,721,225	-6,064,496	-5,669,075	-6,636,267	-6,918,586	-6,963,375
Net Financial Liabilities	8,696,664	7,112,075	6,680,152	7,650,793	7,944,141	8,000,920
Net Debt (Including Superannuation Related Investments)	-932,106	-430,355	-863,499	-263,410	-332,853	-647,857
Net Debt (Excluding Superannuation Related Investments)	2,780,938	3,447,174	3,146,503	3,957,792	4,193,497	4,205,990

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Opening Equity						
Opening Accumulated Funds	3,097,027	8,113,670	5,830,691	8,405,585	8,327,983	8,356,813
Opening Asset Revaluation Surplus	9,773,997	9,997,495	10,245,718	10,558,931	10,710,501	10,787,167
Opening Other Reserves	10,620	10,620	10,920	14,282	14,282	14,282
Opening Balance	12,881,644	18,121,785	16,087,329	18,978,798	19,052,766	19,158,262
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	95,033	-27,657	118,697	30,089	7,254	24,068
Capital Distributions	-	11,300	11,300	-	-	-
Superannuation Actuarial Gain/(Loss)	2,525,167	-	2,462,418	-	-	-
Prior Year Adjustment	6,229	46	46	178	169	169
Other Movements	-	-521	-522	-616	-593	-593
<i>Included in Asset Revaluation Surplus:</i>						
Increase/(Decrease) in the Asset Revaluation Surplus due to Revaluations	578,957	272,729	296,168	44,317	98,666	115,457
<i>Included in Other Reserves:</i>						
Increase/(Decrease) in Other Reserves	-	-	3,362	-	-	-
Total Comprehensive Income	3,205,686	255,897	2,891,469	73,968	105,496	139,101
Other						
Transfer to/(from) Accumulated Funds	107,236	-17,045	-17,045	-107,253	22,000	22,000
Movement in the Asset Revaluation Surplus	-107,236	17,045	17,045	107,253	-22,000	-22,000
Total Other	0	0	0	0	0	0
Closing Equity						
Closing Accumulated Funds	5,830,691	8,079,793	8,405,585	8,327,983	8,356,813	8,402,457
Closing Asset Revaluation Surplus	10,245,718	10,287,269	10,558,931	10,710,501	10,787,167	10,880,624
Closing Other Reserves	10,920	10,620	14,282	14,282	14,282	14,282
Closing Balance	16,087,329	18,377,682	18,978,798	19,052,766	19,158,262	19,297,363

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Cash Flows from Operating Activities						
Cash Receipts						
Taxes Received	1,643,510	1,720,026	1,712,026	1,851,692	1,964,854	2,073,494
Receipts from Sales of Goods and Services	1,365,968	1,389,352	1,360,779	1,417,567	1,367,875	1,472,776
Grants/Subsidies Received	2,049,878	2,213,491	2,275,902	2,280,188	2,326,977	2,438,800
Distributions from Financial Investments	38,730	36,851	31,498	39,008	46,921	50,316
Interest Receipts	80,053	45,490	55,654	37,165	39,159	37,167
Dividends	56,496	53,023	57,616	57,494	57,255	61,397
Other Receipts	598,581	501,024	453,006	445,356	465,928	465,979
Total Cash Received from Operating Activities	5,833,217	5,959,257	5,946,481	6,128,470	6,268,969	6,599,929
Cash Payments						
Payments for Employees	-2,462,649	-2,553,984	-2,567,687	-2,610,045	-2,682,388	-2,767,715
Payments for Goods and Services	-1,071,088	-1,234,874	-1,196,647	-1,208,374	-1,288,986	-1,461,672
Grants/Subsidies Paid	-868,015	-867,298	-906,949	-890,151	-930,364	-946,208
Interest Paid	-183,594	-200,413	-195,177	-207,437	-222,133	-226,528
Other Payments	-651,848	-633,119	-548,391	-640,032	-722,672	-616,645
Total Cash Paid from Operating Activities	-5,237,193	-5,489,688	-5,414,851	-5,556,039	-5,846,543	-6,018,768
Net Cash Flows from Operating Activities	596,023	469,569	531,630	572,431	422,426	581,161
Cash Flows from Investing Activities						
Cash Flows from Investments in Non-Financial Assets						
Sales of Non-Financial Assets	353,739	367,692	367,692	235,141	158,134	192,512
Payments for Non-Financial Assets	-813,672	-1,071,191	-1,178,223	-840,830	-722,376	-677,369
Net Cash Flows from Investments in Non-Financial Assets	-459,933	-703,499	-810,531	-605,689	-564,242	-484,857
Cash Flows from Investments in Financial Assets for Policy Purposes						
Cash Receipts						
Repayment of Loans	324	2,727	2,727	18,272	72,676	3,039
Capital Distributions	-	11,300	11,300	-	-	-
Total Cash Received from Investments in Financial Assets for Policy Purposes	324	14,027	14,027	18,272	72,676	3,039
Cash Payments						
Issue of Loans	-5,641	-	-10,523	-48,768	-	-
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-5,641	0	-10,523	-48,768	0	0

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-5,317	14,027	3,504	-30,496	72,676	3,039
Cash Flows from Investments in Financial Assets for Liquidity Purposes						
Sales of Investments	38,733	573,533	307,143	49,272	66,088	83,876
Payments for Investments	-177,897	-346,092	-311,812	-72,551	-221,013	-248,142
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-139,164	227,441	-4,669	-23,279	-154,925	-164,266
Net Cash Flows from Investing Activities	-604,414	-462,031	-811,696	-659,464	-646,491	-646,084
<i>Cash Flows from Financing Activities</i>						
<i>Cash Receipts</i>						
Borrowings	46,076	45,100	300	408,933	301,177	306,509
Total Cash Received from Financing Activities	46,076	45,100	300	408,933	301,177	306,509
<i>Cash Payments</i>						
Borrowings	-4,322	-60,724	-113,683	-436,865	-61,846	-122,274
Total Cash Paid from Financing Activities	-4,322	-60,724	-113,683	-436,865	-61,846	-122,274
Net Cash Flows from Financing Activities	41,754	-15,624	-113,383	-27,932	239,331	184,235
Net Increase/(Decrease) in Cash and Cash Equivalents	33,363	-8,086	-393,449	-114,965	15,266	119,312
Cash and Cash Equivalents at the Beginning of Reporting Period	1,025,493	623,057	1,058,856	665,407	550,442	565,708
Cash and Cash Equivalents at the End of Reporting Period	1,058,856	614,971	665,407	550,442	565,708	685,020
Key Fiscal Aggregates						
Net Cash from Operating Activities	596,023	469,569	531,630	572,431	422,426	581,161
Investments in Non-Financial Assets	-459,933	-703,499	-810,531	-605,689	-564,242	-484,857
Cash Surplus (+) / Deficit (-)	136,090	-233,930	-278,901	-33,258	-141,816	96,304

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

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

	2016-17 Actual Outcome \$'000	2017-18 Budget \$'000	2017-18 Revised Estimate \$'000	2018-19 Revised Estimate \$'000	2019-20 Revised Estimate \$'000	2020-21 Revised Estimate \$'000
Derivation of ABS GFS Cash Surplus/Deficit						
Cash Surplus (+) / Deficit (-)	136,090	-233,930	-278,901	-33,258	-141,816	96,304
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-871	-871	-376,950	-2,197	-4,349
ABS GFS Cash Surplus (+)/Deficit (-) Including Finance and Similar Arrangements	136,090	-234,801	-279,772	-410,208	-144,013	91,955

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