7.4 MANAGEMENT OF ASSETS AND LIABILITIES

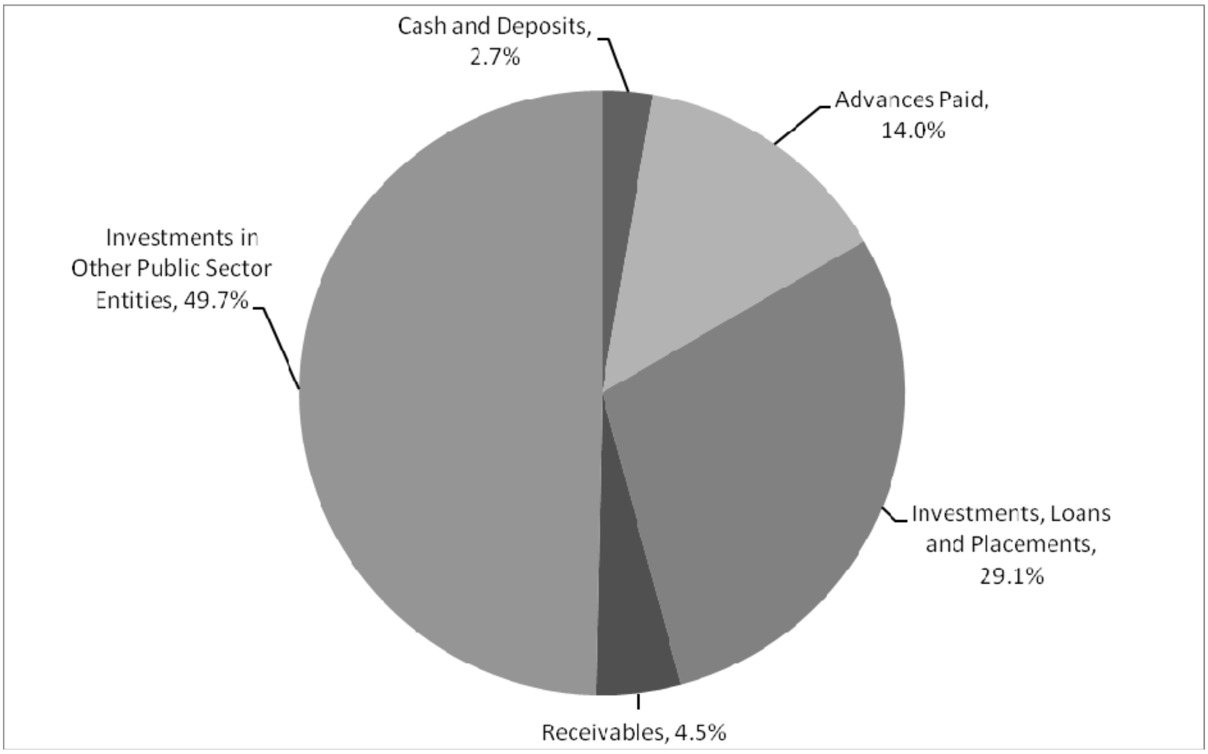
Financial Assets

The Territory's financial assets account for approximately 44 per cent of total assets held by the GGS.

Figure 7.4.1 shows the proportion of these assets by category. GGS investment in other public sector entities (the Public Trading Enterprise (PTE) sector) makes up half of the Territory's financial assets.

Investments held to meet future liabilities, such as superannuation also represent a significant portion of total financial assets at 29.1 per cent.

Figure 7.4.1
General Government Sector Estimated Financial Assets



Investments in Other Public Sector Entities

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

Financial Investments

The Chief Minister and Treasury Directorate manage the Territory Banking Account (TBA) and Superannuation Provision Account (SPA) investment portfolios.

The purpose and role of the investment portfolios is to derive competitive financial returns, based on prudent financial and portfolio management principles, with an investment structure that is low cost, efficient to manage, and effective in deriving market-based returns. Investment decisions are made on an overall risk and return basis incorporating many factors and considerations, such as economic, financial and identified environmental, social and corporate governance risks.

The Government has a strong balance sheet and holds significant financial investments. Table 7.4.1 outlines the components of investments held by the GGS including the TBA, SPA and other investments.

Table 7.4.1
General Government Sector Investments

Budget 30/06/13 $'000		Est.Outcome 30/06/13 $'000	Estimate 30/06/14 $'000	Var %	Estimate 30/06/15 $'000	Estimate 30/06/16 $'000	Estimate 30/06/17 $'000
203,878	Cash and Deposits	296,000	307,144	4	320,937	335,939	351,505
3,026,185	Investments, Loans and Placements	3,421,720	3,321,133	-3	3,590,681	3,787,770	4,087,664
3,230,063	**Total Investments**	**3,717,720**	**3,628,277**	**-2**	**3,911,618**	**4,123,709**	**4,439,169**
	Comprising:						
2,505,141	Superannuation Provision Account	2,578,146	2,767,179	7	2,970,533	3,189,144	3,424,208
2,154	Territory Banking Account	343,666	45,623	-87	68,129	17,638	59,625
20,249	Investments held on behalf of PTE Agencies	16,502	11,839	-28	19,298	31,753	38,954
364,289	ACTIA Investments	357,873	378,924	6	427,483	455,220	482,393
111,228	Home Loan Portfolio	120,038	115,639	-4	110,441	107,426	104,240
227,002	Other GGS Agency Investments	301,495	309,073	3	315,734	322,528	329,749
3,230,063	**Total Investments**	**3,717,720**	**3,628,277**	**-2**	**3,911,618**	**4,123,709**	**4,439,169**

Territory Banking Account Investment Portfolio

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

The estimated 2012-13 net nominal return for the total portfolio of invested funds is 5 per cent (original budget estimate 3.75 per cent net of fees).

The budgeted full year return (net of fees) for 2013-14 is 2.75 per cent.

Superannuation Provision Account Investment Portfolio

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

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

The long term Strategic Asset Allocation consistent with this long term investment objective, currently equates to 70 per cent of the portfolio invested in growth assets (such as shares and property) and 30 per cent of the portfolio being invested in defensive assets (such as cash and fixed interest investments).

The nominal return of the portfolio for 2012-13 is estimated to be in the order of 14.2 per cent (net of fees).

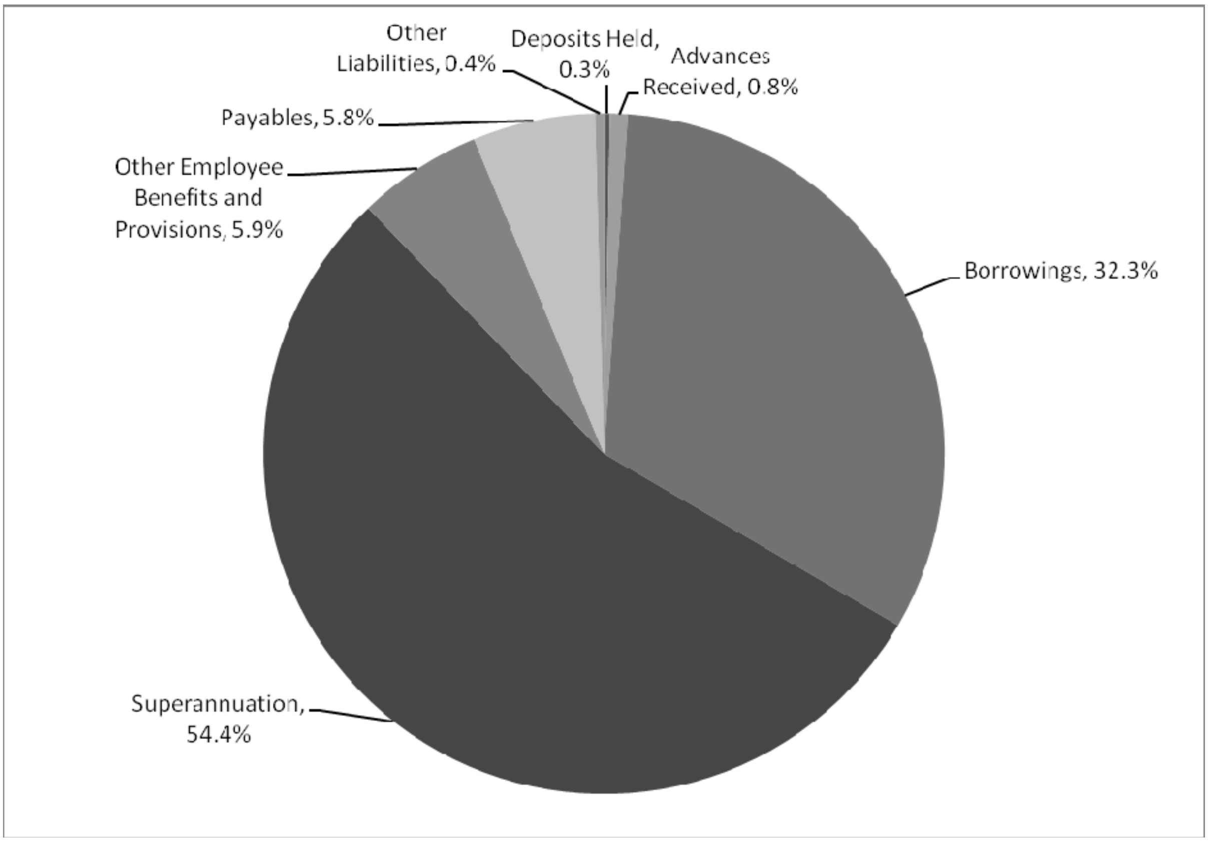
Incorporating this estimated outcome for 2012-13, the SPA portfolio will have returned an annualised net return of CPI plus 4.5 per cent over the past 17 years, compared with the current target investment return objective of CPI plus 5 per cent (net of fees). In dollar terms, the SPA portfolio earnings equate to a net gain of approximately $324 million in 2012-13.

Total Liabilities

Figure 7.4.2 demonstrates the proportion of liabilities by category. The majority of the GGS liabilities comprise superannuation (54.4 per cent) and borrowings (32.3 per cent).

Further details regarding the superannuation liability can be found in chapter 7.3 Unfunded Superannuation Liability.

Figure 7.4.2
General Government Sector Liabilities



Borrowings

The funding and management of the Government's borrowings is undertaken by the Chief Minister and Treasury Directorate. The Government's funding requirements are achieved by the issuance of debt securities in the domestic capital markets, including long-term fixed interest securities and short-term discount securities with a mix of durations under the Government's debt issuance program.

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

General Government Sector

Borrowings for the GGS comprise debt issued in the domestic capital markets (estimated $1.344 billion at 30 June 2013) and historic Commonwealth Government debt (estimated $86 million at 30 June 2013).

Net additional GGS borrowings of $396 million are estimated in 2013-14. Over the Budget and forward estimates period, the forecast total net increase in GGS borrowings is $192 million to meet budget funding requirements.

The level of GGS debt peaks at $2.073 billion in 2014-15 before declining as a result of debt maturities and repayments primarily as a result of the Government's Budget measures.

Public Trading Enterprise Sector

Borrowings for the Public Trading Enterprise (PTE) sector are related to ACTEW Corporation borrowings (estimated $1.382 billion at 30 June 2013) and historic Commonwealth Government debt (estimated $82 million at 30 June 2013).

Net additional PTE sector borrowings of $36 million are estimated in 2013-14. Over the Budget and forward estimates period, the forecast total net increase in PTE sector borrowings is forecast to increase by $309 million (net) to $1.772 billion by 2016-17.

Total Outstanding Borrowings

Figure 7.4.3 summarises the outstanding levels of borrowings separated between the GGS and the PTE Sector.

Figure 7.4.3
Total External Territory Borrowings