

2.3 SUMMARY OF MAJOR RISKS

This chapter provides a summary of the major risks faced by the Territory. Detailed information on the major risks faced by the Territory is provided in Appendix B.

The Territory faces a numbers of risks, particularly in regard to the economy, Commonwealth Government funding, water restrictions, financial investments, contingent and superannuation liabilities and insurable risk. These are summarised in turn below:

ACT Economy - the relative strength of recent years leaves the ACT well placed to react to any economic shocks. The economy is primarily susceptible to three major influences: changes in Commonwealth outlays, in particular the significant savings measures which have been forecast, and are factored into the Budget estimates; interest rate variations and the current contractionary monetary policy stance of the Reserve Bank of Australia (RBA); and the ongoing volatility of the stock market, which may impact on personal wealth, including through lower superannuation returns.

Commonwealth Government Funding - the largest contributing factor to ACT Government revenues, accounting for approximately 42 per cent of total revenues in 2008-09, with a significant portion of this being Goods and Services Tax (GST) revenue grants. Deteriorations in the national economy or the Territory's population share could impact negatively on the Territory's future GST revenues. Conversely, improvements in these areas will potentially have a positive impact on revenues received.

Water Restrictions - the imposition of Stage 4 Water Restrictions has the potential to adversely affect economic growth in the Territory, while also reducing expected Government returns. In light of this, the Government and ACTEW continue to investigate all available options to secure the ACT's water supply and minimise the economic impacts on those groups likely to be affected by further restrictions.

Financial Investments - the Budget is susceptible to a variety of risk factors, particularly those associated with the market and interest rates. Governance, advisory and consultancy arrangements have been put in place, designed to effectively minimise adverse financial outcomes.

Contingent Liabilities - reflecting claims against the Territory in areas including property damage, contract dispute, economic loss, personal injury and taxation. Further details in relation to these claims are disclosed in the Australian Capital Territory Consolidated Annual Financial Statements.

Superannuation Liabilities - actuarially determined, taking into account a multitude of variable factors. Small changes in the demographic and financial variables underpinning the calculation of the liability can lead to large impacts on the total liability estimate for the Territory.

Insurance - following world wide insurance events and the February 2007 hailstorms, insurance policies relevant to the ACT Insurance Authority (ACTIA) have become increasingly difficult and expensive to purchase. In line with the Enterprise Wide Risk Management Framework, ACTIA and Government agencies continue to work towards achieving the best possible risk management outcomes.

