



Pre-Election Budget Update



2008 – 2009



Australian Capital Territory

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FORWARD

Financial Management (Pre-Election Budget Update) 2008 (No 1)

Notifiable instrument NI2008-427

made under the

Financial Management Act 1996, s20C Pre-election budget update

I, Megan Smithies, Chief Executive, Department of Treasury, do hereby exercise my authority under section 20C of the *Financial Management Act 1996* to present the Pre-Election Budget Update.

As required under section 20C I have provided a Pre-Election Budget Update that includes the following information:

- a. Updated financial statements for the 2008-09 financial year.
- b. Updated budget estimates for the financial year 2008-09 and each of the next three years for the:
 - i. General Government Sector;
 - ii. Public Trading Enterprise Sector; and
 - iii. Total Territory.
- c. Statement of Economic and Other Assumptions used in preparing the statements and estimates.
- d. Statement of Sensitivity of the statements, estimates and assumptions.
- e. Statement of Risk, quantified where possible, affecting economic or other assumptions including:
 - i. contingent liabilities; and
 - ii. publicly announced government commitments not yet included in the updated statements and estimates.

This update takes account of government decisions and other circumstances that may have a material effect on the statements and estimates.

This update is current as at 14 September 2008.



Megan Smithies
Chief Executive
Department of Treasury
17 September 2008

BACKGROUND

Section 20C of the *Financial Management Act 1996* (FMA) requires a Pre-Election Budget Update be provided to the Parliamentary Counsel for notification, at least 30 days before the polling day of an ordinary election.

The purpose of the Pre-Election Budget Update is to give the electorate an accurate picture of the Territory's financial position before the election, and to allow the assessment of the government's performance against its financial policy objectives and strategies as set out in the 2008-09 Budget Papers.

Principles of the Pre-Election Budget Update

The Pre-Election Budget Update incorporates Government decisions and announcements, technical changes and impacts of known external factors, where they are certain and quantifiable, since the time of the Budget. Where significant issues have been identified, but are not certain or unable to be quantified with reasonable certainty, they have been identified as potential risks.

Known and advised changes in the Commonwealth Budget, and the impact of agreed and signed intergovernmental agreements are included in the Pre-Election Budget Update forecasts, where they impact the financial position of the Territory.

Certain information that remains unchanged from that presented within the 2008-09 Budget Papers may not be reproduced in this report. A statement has been made where the information has remained unchanged.

The Pre-Election Budget Update incorporates information up to 14 September 2008.

CHAPTER 1: UPDATE TO THE 2008-09 BUDGET ESTIMATES

Overview

This chapter provides an update to the Territory's General Government Sector (GGS) estimates as published in the 2008-09 Budget.

The Territory's economic outlook and financial performance remains solid, as forecast in the 2008-09 Budget.

The outlook for the GGS Net Operating Balance for 2008-09 and across the forward estimates has declined slightly since the publication of the Budget. This deterioration is a result of a realisation of a number of risks as highlighted at the time of the 2008-09 Budget (most notably, weakening in the property market and investment returns).

The slightly weaker Budget outlook reflects:

- a reduction in forecast taxation revenue (namely, conveyance revenue);
- a reduction in dividend returns and income tax from Government Business Enterprises; and
- a decrease in investment earnings on the Territory's superannuation investments.

These factors are offset by a decrease in superannuation expenses in 2008-09 and increases in Goods and Services Tax (GST) revenue. GST revenue grant estimates have been revised since the 2008-09 Budget to reflect upwards revisions in the Commonwealth's GST revenue pool estimates and the Territory's relative share of the Australian population.

Nevertheless, the Territory's financial performance remains within the boundaries of the prescribed 2008-09 Budget fiscal strategy, and the Territory continues to maintain General Government Sector Net Operating Surpluses across the Budget and forward estimates.

The ACT economy remains solid. While the rate of growth is forecast to be below its long term average, the level of activity is forecast to remain at a high level. ACT Gross State Product has been revised down to 1¼ per cent in 2008-09.

Employment growth in 2008-09 is forecast to be flat as a result of reduced Commonwealth demand for labour, as well as the lagged effect of slower economic growth in 2007-08.

Despite the flat employment growth, unemployment is still expected to remain at low levels.

2008-09 Pre-Election Budget Update

Since the presentation of the 2008-09 Budget, interest rates, higher prices and the impact of lower Commonwealth Government outlays in the ACT as announced in the Commonwealth Budget, have all combined to place downward pressure on economic activity in 2007-08 and 2008-09.

The economic forecasts have been updated for this Pre-Election Budget Update. Table 12 details the latest forecasts.

The following table provides a summary of the update to the 2008-09 Budget and Forward Estimates.

Table 1: 2008-09 Pre-Election Budget Update

Net Operating Balance	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
General Government Sector	84.9	73.8	48.0	51.5	54.4
Public Trading Sector	107.3	94.6	100.0	77.8	81.3
Total Territory	57.8	45.1	18.7	9.3	9.8

Revised financial statements are at **Appendix 2** to this statement.

Net Operating Balance – General Government Sector

The GGS Net Operating balance is now forecast to be in surplus by \$73.8 million in 2008-09, this reflects a decrease from the \$84.9 million surplus estimated at the time of the 2008-09 Budget.

Table 2: General Government Sector Net Operating Balance

	2008-09 Original Budget	2008-09 Revised Budget	2009-10 Revised Estimate	2010-11 Revised Estimate	2011-12 Revised Estimate
	\$m	\$m	\$m	\$m	\$m
Total Revenue	3,318.1	3,304.5	3,454.6	3,611.2	3,782.9
Total Expenses	3,323.7	3,317.4	3,508.1	3,670.6	3,848.6
UPF Net Operating Balance	-5.6	-12.9	-53.4	-59.4	-65.7
<i>Plus</i>					
Expected long term capital gains on superannuation investments	90.5	86.7	101.5	111.0	120.1
Net Operating Balance	84.9	73.8	48.0	51.5	54.4

Reconciliation to the Budget Position – GGS Operating Statement

Table 3 below provides a reconciliation between the General Government Sector (GGS) Net Operating Balance published in the 2008-09 Budget and the revised estimates presented in the Pre-Election Update. Details of these variations have been split between policy and parameter changes.

Table 3: Summary of Movements in the Net Operating Balance

	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
GGS Net Operating Balance - 2008-09 Budget Papers	84.9	71.2	53.7	33.7
Parameter Impact				
GST Revenue	3.0	18.4	25.8	34.5
Australian Health Care Grant	-4.2	0	0	0
Taxation Revenue – Conveyance	-13.1	-19.6	-4.3	5.7
Taxation Revenue – Other	-0.4	-0.6	-0.7	-0.8
Superannuation Expenses	23.2	0	0	0
Superannuation Investment Earnings	-7.2	-7.8	-8.4	-9.0
Interest Revenue	6.7	3.3	0.8	0.4
Dividends and Income Tax	-15.1	-12.9	-12.0	-5.3
Water Abstraction Charge	-1.8	-0.7	-1.1	-1.1
Rhodium - Continuation of Trade	-1.5	0	0	0
Other	0	0	1.4	0.2
Sub-Total	-10.4	-19.9	1.5	24.6
Policy Impact				
Wage Agreements - ACT Ambulance Service	-0.1	0	0	0
Gungahlin Police Station - 24/7 Rostering	0	-3.1	-3.2	-3.3
Free Bus Trips for Cyclists	0	-0.1	-0.2	-0.2
Revitalise Community Facilities	-0.6	0	-0.3	-0.3
Sub-Total	-0.7	-3.2	-3.7	-3.8
Revised Operating Result - Pre-Election Budget Update	73.8	48.0	51.5	54.4

Figures may not add due to rounding

Details of Parameter Variations and Cost Pressures

GST Revenue

GST revenue estimates across each of the budget years have been increased since the 2008-09 ACT Budget. This reflects the upward revisions in the Commonwealth's GST revenue pool estimates and the Territory's relative population share, as announced in the 2008-09 Federal Budget on 13 May 2008. This has been partly offset by a downward revision due to the final determination of the 2007-08 pool, and the 2007-08 population share, and the subsequent flow-on into the Budget and forward estimates.

Australian Health Care Agreement

The Territory received additional funding in 2007-08 from the Australian Health Care Agreement partly due to an advance payment of 2008-09 funding. This will result in reduced revenue in 2008-09 due to the money being received in advance in 2007-08.

Taxation Revenue

The revised total taxation revenue forecast over the period 2008-09 to 2011-12 is a reduction of \$33.5 million from that presented in the Budget.

It is largely driven by a downward revision to residential conveyancing revenue of \$30.2 million over the budget and forecast period, and a decrease to general insurance revenue of \$12.9 million, offset by an upward revision of duty on motor vehicle registration and transfers of \$7.5 million over the forecast period resulting from higher than expected bases in 2007-08.

The downward revision to residential conveyancing reflects ongoing adjustments in price and turnover growth as a result of a changing economic environment, lower than expected Commonwealth spending and a change in the composition of sales in 2007-08, with a greater proportion of lower priced sales in the form of new land and affordable house and land packages released to the market.

Minor increases were also recognised for life insurance and the ambulance levy as a result of larger bases than forecast at budget time.

Superannuation Expense

Decreased superannuation expenses in 2008-09 reflect a higher discount rate at 30 June 2008 of 6.55 per cent, up from 6 per cent at Budget time.

Superannuation Investments

Decreased expected superannuation investment returns reflect negative returns in 2007-08 and a lower investment asset base at 30 June 2008 than originally estimated. Superannuation investment returns variations across the 2008-09 Revised Budget and forward estimates include the impact of forecast capital gains on superannuation investments.

Interest Earnings

Increased investment returns reflect the Territory Banking Account having a higher than estimated balance of investments outstanding as at 30 June 2008 (\$1.505 billion compared with the original estimate of \$1.248 billion). Further net outflows in the forward years will have a cumulative impact on the cash available for investment, reflecting the smaller upward variations in these years.

Dividends and Income Tax

ACTEW's and ACTTAB's dividend and income tax estimates have been revised to reflect the final version of their Statements of Corporate Intent (SCI), tabled in the Legislative Assembly on 28 August 2008.

ACTEW's Dividend and Income Tax estimates reflect a decrease in profitability associated with the continuation of water restrictions into 2008-09 and across the forward estimates compared to estimates provided in the Budget Papers.

The decrease in ACTTAB dividends and income tax reflects the imposition by the NSW Government of a product fee of up to 1.5 per cent of turnover on its gambling associated with NSW races.

Water Abstraction Charge

The decrease in the Water Abstraction Charge reflects low water consumption resulting from water restrictions continuing to remain in place across the Budget and forward estimates.

Rhodium – Continuation of Trade

The 2008-09 Budget assumed that Rhodium would be sold by 30 June 2008. As the sale did not proceed, Rhodium will remain owned by Government until it is wound down. The 2008-09 financial impact reflects the estimated operating loss for that year.

At this time it is not possible to quantify estimates of operating performance for inclusion in the forward estimates.

Details of Policy Changes

Wage Agreements - ACT Ambulance Service

The Pre-Election Budget Update includes the impact of the finalised wage negotiations above the estimates provided for in the 2008-09 Budget.

The adjustment reflects the additional cost of the agreed financial outcome associated with the ACT Ambulance Certified Agreement for the period 2007-08 to 2009-10.

Gungahlin Police Station – 24/7 Rostering

Operations at the Gungahlin Police Station will move to 24 hours a day, 7 days a week from 1 January 2009. Additional resourcing will include 24 new police officers, 2 new police cars and alterations to the station to facilitate the extended opening hours. This was announced by the Government on 5 August 2008.

Free Bus Trips for Cyclists

As an extension of the Integrated Transport System announced in the 2008-09 Budget, this will provide for the installation of bike racks on all buses from 2008-09 onwards, including new buses associated with the bus fleet replacement program.

Revitalise Community Facilities

In addition to the costs incorporated into the 2008-09 Budget, the Government will incur a further \$0.607 million in expenses for site preparation work and \$5.039 million for refurbishment of various buildings for community use.

As announced by the Government on 1 September 2008, the Government will invest a total of \$29.9 million to revitalise community facilities. Work will be undertaken at both Rivett and Mt. Neighbour sites to prepare them for aged and supported accommodation. There will be four Regional Community Centres at Cook, Melrose, Weston and Holt which will offer a range of services including culture, health, family, welfare and recreation. Neighbourhood Halls and Community Parks will also be developed at Hall, Tharwa, Holt, Cook, Weston, Griffith, Village Creek and Bonython.

Financial Position – General Government Sector (GGS)

Net Debt

Net Debt is a key balance sheet measure which takes into account gross debt liabilities, as well as assets such as cash reserves and investments. Net Debt is calculated as the sum of deposits held, advances received and borrowing, less the sum of cash and deposits, advances paid and investments loans and placements. SPA assets have been excluded in determining Net Debt.

The GGS Net Debt, excluding SPA assets, is forecast to be *minus* \$976.2 million, an improvement of \$86.3 million compared to the Budget forecast of *minus* \$889.9 million. A negative Net Debt indicates that GGS cash reserves and investments are greater than debt liabilities.

The improvement largely reflects higher investment balances, resulting from the improvement in the Interim 2007-08 Net Operating Balance.

Table 4: Net Debt

General Government Sector	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
Cash and Deposits	126.3	152.2	125.6	113.2	133.5
Advances Paid	934.7	933.3	960.1	957.8	951.2
Investments, Loans and Placements	3,351.3	3,484.9	3,707.0	4,108.7	4,530.2
Less: Superannuation Investments	2,344.6	2,242.6	2,469.0	2,702.0	2,921.2
Deposits Held	7.5	109.7	109.9	110.1	110.2
Advances Received	99.3	99.3	96.4	93.3	90.1
Borrowing*	1,071.0	1,142.5	1,122.5	1,105.0	1,084.8
Net Debt	-889.9	-976.2	-995.0	-1,169.3	-1,408.7

* Borrowings includes financial leases

Net Financial Liabilities

Net Financial Liabilities takes into account unfunded superannuation liabilities and provides a broader measure of debt than Net Debt. Net Financial Liabilities is calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets but excludes equity held by the GGS in public corporations (for example, ACTEW).

The revised forecast for Net Financial Liabilities for 2008-09 is \$816.5 million, an improvement of \$47 million compared to the budget forecast of \$863.5 million. The improvement in the Net Financial Liabilities position is largely due to higher than expected cash and investment balances resulting from improvements in the Interim 2007-08 Net Operating Balance.

Table 5: Net Financial Liabilities

General Government Sector	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
Financial Assets	10,118.5	10,515.6	11,003.5	11,675.0	12,404.4
Less: Equity Investments in PTEs	5,402.3	5,643.4	5,924.4	6,204.2	6,488.3
Total Liabilities	5,579.6	5,688.7	5,961.0	6,251.7	6,546.1
Net Financial Liabilities	863.5	816.5	881.9	780.8	630.0

Net Worth

Net Worth provides a broad measure of the Territory's balance sheet, and is calculated as total assets less total liabilities including superannuation.

The forecast GGS Net Worth for 2008-09 has been revised to \$13,810.4 million, an improvement of \$296.4 million compared to the budget forecast of \$13,514 million. The improvement in Net Worth is largely due to a revaluation of property, plant and equipment assets by Housing ACT, undertaken during the 2007-08 audit, and an improvement in the Interim 2007-08 Net Operating Balance.

Table 6: Net Worth

General Government Sector	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
Total Assets	19,093.7	19,499.1	20,324.4	21,207.9	22,053.6
Total Liabilities	5,579.6	5,688.7	5,961.0	6,251.7	6,546.1
Net Worth	13,514.0	13,810.4	14,363.4	14,956.2	15,507.5

Net Operating Cash – General Government Sector

The Net Operating Cash balance 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).

The revised forecast for the GGS Net Operating Cash at the end of 2008-09 is a \$493.1 million surplus, an increase of \$5 million compared to the budget forecast of \$488.1 million.

Table 7: Net Operating Cash Balance

General Government Sector	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
2008-09 Budget Net Operating Cash	488.1	469.6	456.8	435.6
2008-09 Pre-Election Budget Update Net Operating Cash	493.1	495.3	484.8	463.0

Total Territory Revised Estimates

The 2008-09 Budget forecast a Total Territory Net Operating Surplus of \$57.8 million in 2008-09. A Total Territory operating surplus of \$45.1 million is now anticipated, indicating a decline of \$12.7 million, largely reflecting the movements in the General Government Sector Net Operating Balance.

Table 8: Total Territory Revised Budget and Forward Estimates

	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
Total Revenue	3,544.0	3,523.3	3,675.6	3,844.9	4,063.6
Total Expenses	3,576.6	3,564.8	3,758.4	3,946.6	4,173.9
UPF Net Operating Balance	-32.7	-41.6	-82.8	-101.7	-110.3
<i>Plus</i>					
Expected Long-Term Capital Gains on Superannuation Investments	90.5	86.7	101.5	111.0	120.1
Net Operating Balance	57.8	45.1	18.7	9.3	9.8
Net Worth	13,505.8	13,789.6	14,321.6	14,892.9	15,421.8
Net Debt (excluding superannuation related investments)	-304.7	-376.5	-167.5	-290.1	-495.4
Net Financial Worth	-983.5	-1,063.0	-1,344.5	-1,308.0	-1,206.7

Public Trading Enterprises (PTE) Revised Estimates

A PTE Net Operating Balance of \$94.6 million is now forecast in 2008-09, indicating a decline of \$12.7 million from the original budget of \$107.3 million.

Table 9: Public Trading Enterprise Revised Budget and Forward Estimates

General Government Sector	2008-09 Original Budget \$m	2008-09 Revised Budget \$m	2009-10 Revised Estimate \$m	2010-11 Revised Estimate \$m	2011-12 Revised Estimate \$m
Total Revenue	733.1	716.6	744.7	765.5	826.3
Total Expenses	625.8	622.0	644.7	687.7	745.0
UPF Net Operating Balance	107.3	94.6	100.0	77.8	81.3
Net Worth	5,402.3	5,643.4	5,924.4	6,204.2	6,488.3
Net Financial Worth	-182.2	-287.2	-470.9	-510.1	-537.1
Net Debt	585.2	599.7	827.5	879.2	913.3

CHAPTER 2: FINANCIAL POLICY OBJECTIVES AND STRATEGIES

The Government's financial policy objectives and strategy, as detailed in the 2008-09 Budget presented to the Assembly on 6 May 2008, is centred around placing the Territory's finances on a sustainable platform, whilst providing targeted investment to respond to emerging need and maintaining quality services in high priority areas.

A highlight of the Government's strategy is the provision of strategic investments to grow and increase the productive capacity of the economy and reduce future costs. This platform provides the Territory with capacity to respond to any unforeseen fiscal shocks and unknown risks in the future.

Preservation of high quality services, while maintaining fiscal restraint, remain key parts of the Government's Fiscal Strategy.

The Government's 2008-09 Financial Policy Objectives and Fiscal Strategy remain unchanged from that published in 2008-09 Budget Paper No. 3:

- to achieve a General Government Sector Net Operating Surplus;
- to maintain operating cash surpluses;
- to maintain a AAA credit rating;
- to manage debt prudently and maintain Net Financial Liabilities within the range of all AAA rated jurisdictions;
- to fully fund the Territory's unfunded superannuation liability by 2030;
- to maintain quality services and infrastructure; and
- to maintain taxation revenue at sustainable levels.

Objective: Achieve a General Government Sector Net Operating Surplus

This measure relates to the achievement of Net Operating Surpluses, without the reliance on land revenue to finance the operating budget, as observed under the Australian Accounting Standards (AAS) regime.

Achievement of the projected Net Operating Surplus will ensure that the budget remains sustainable irrespective of land sales. Surpluses are required to provide for unforeseen circumstances.

The Government's objective to achieve Net Operating Surpluses remains intact across the Budget and forward estimates.

Table 10: Comparison of 2008-09 Budget to Pre-Election Budget Net Operating Balance

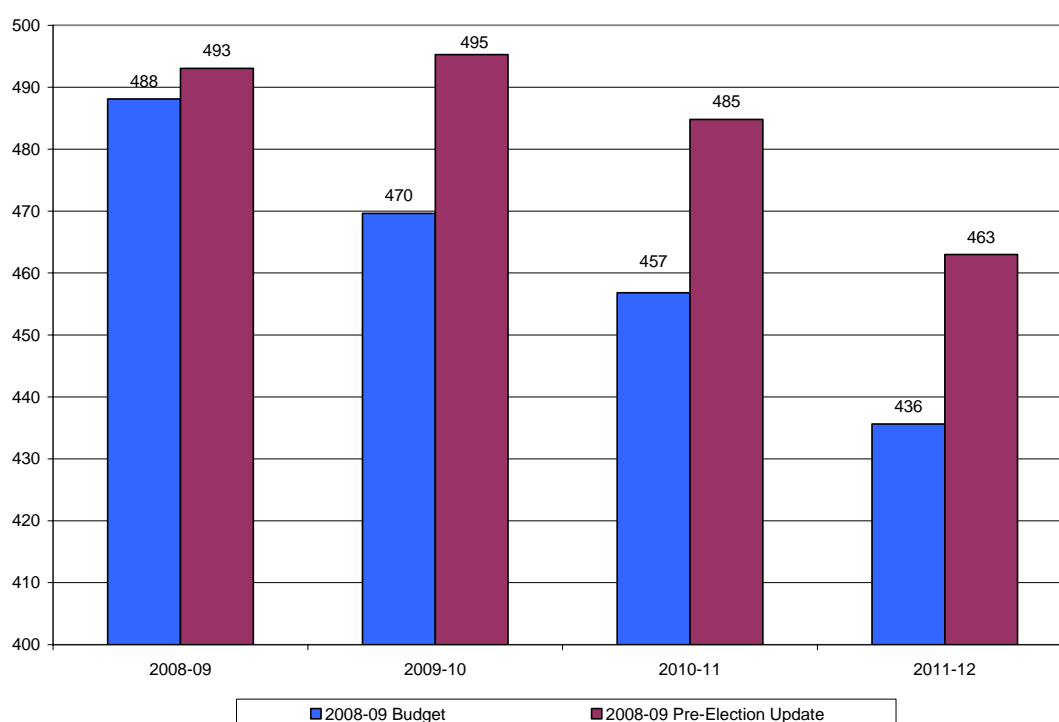
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m
2008-09 Budget				
Net Operating Balance	84.9	71.2	53.7	33.7
2008-09 Pre-Election Budget Update				
Net Operating Balance	73.8	48.0	51.5	54.4

Objective: Maintain Strong Operating Cash Surpluses

The Government's objective is to maintain strong operating cash surpluses in the general government sector at all times. The operating cash balance is the cash counterpart to the accrual Net Operating Balance. It measures all operating cash receipts each 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).

Figure 1 below shows that the GGS operating cash surplus for 2008-09 is expected to improve to \$493 million from \$488 million, an estimated increase of \$5 million. A strong operating cash balance ensures that there is sufficient cash generated from operations to cover the net outlay of the capital investment, to repay debt, and to put aside to address unfunded superannuation liabilities.

Figure 1: Net Cash Flows from Operating Activities – General Government Sector



Objective: Maintain a AAA Credit Rating

On 10 September 2008, Standard & Poor's Ratings Services reaffirmed its 'AAA and A-1+' local and foreign currency ratings on the Australian Capital Territory. The 'AAA' and 'A-1+' ratings are the highest ratings assigned by Standard & Poor's.

Standard & Poor's assessed the outlook for the ACT's finances as continuing to be "Stable".

The Standard & Poor's press release (10 September 2008) stated:

- the ACT's operating performance and balance sheet remain strong, comparing well against both its domestic and international peers;
- the fiscal strategy to achieve general government sector net operating surpluses and manage debt prudently has left the government in a strong net-creditor position; and
- the ACT's growth prospects are sound and well placed to respond to slowing conditions in the Australian economy.

Table 11: Standards & Poors

	Domestic Long Term	Domestic Short Term	Foreign Currency Long Term
Standard & Poor's	AAA	A1+	AAA

A Standard & Poor's credit rating is formally defined as a current assessment of the ability of a borrower to repay principal and interest with respect to a specific long or short-term obligation in a timely manner. The ratings are based to varying degrees, on the following considerations:

- likelihood of default-capacity and willingness of the borrower to make timely payment of interest and repayment of principal;
- nature and provisions of the obligations; and
- protection afforded by and relative position of, the obligation in the event of bankruptcy, reorganisation or other arrangements under the laws of bankruptcy and those affecting creditors' rights.

An obligation rated AAA has the highest rating assigned and indicates that the obligator's capacity to meet its financial commitments is strong. A short-term obligation/obligor rated A1+ is also the highest short-term rating assigned.

Objective: Manage Debt prudently and maintain Net Financial Liabilities within the range of all AAA rated jurisdictions

The ACT continues to have one of the strongest balance sheets of any government in Australia. The Territory's balance sheet remains strong and the ACT continues to maintain the capacity to support high priority investments in the future.

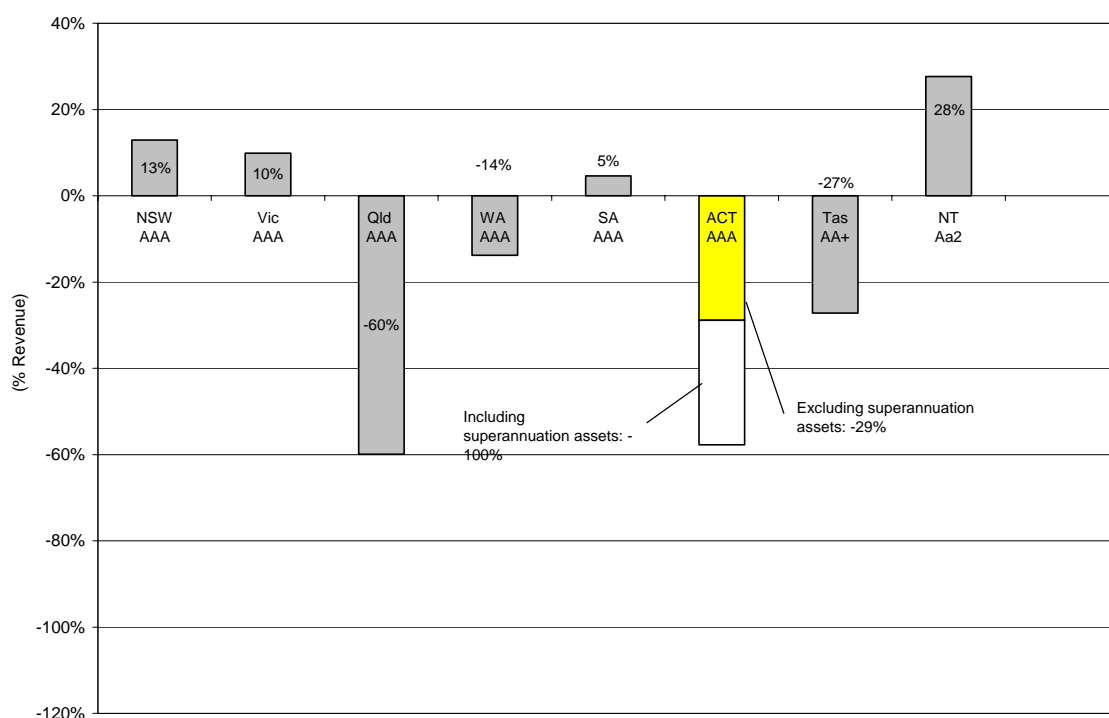
Net Debt

A key balance sheet measure in the GFS framework is net debt, which takes into account gross debt liabilities as well as assets (such as cash reserves and investments). The Commonwealth Government, for example, highlights net debt as the key measure of government debt.

Figure 2 below shows that the ACT is estimated to have negative general government sector net debt in 2008-09. This indicates that the Territory's general government sector cash reserves and investments are greater than its gross debt liabilities.

As indicated in the figure, net debt for some states, including the ACT and Queensland, is reduced because of the impact of investments held to fund superannuation liabilities. However, even if these assets are excluded, the ACT has negative net debt (equivalent to around 29 per cent of revenue).

Figure 2: Net Debt to Revenue Ratio – General Government Sector



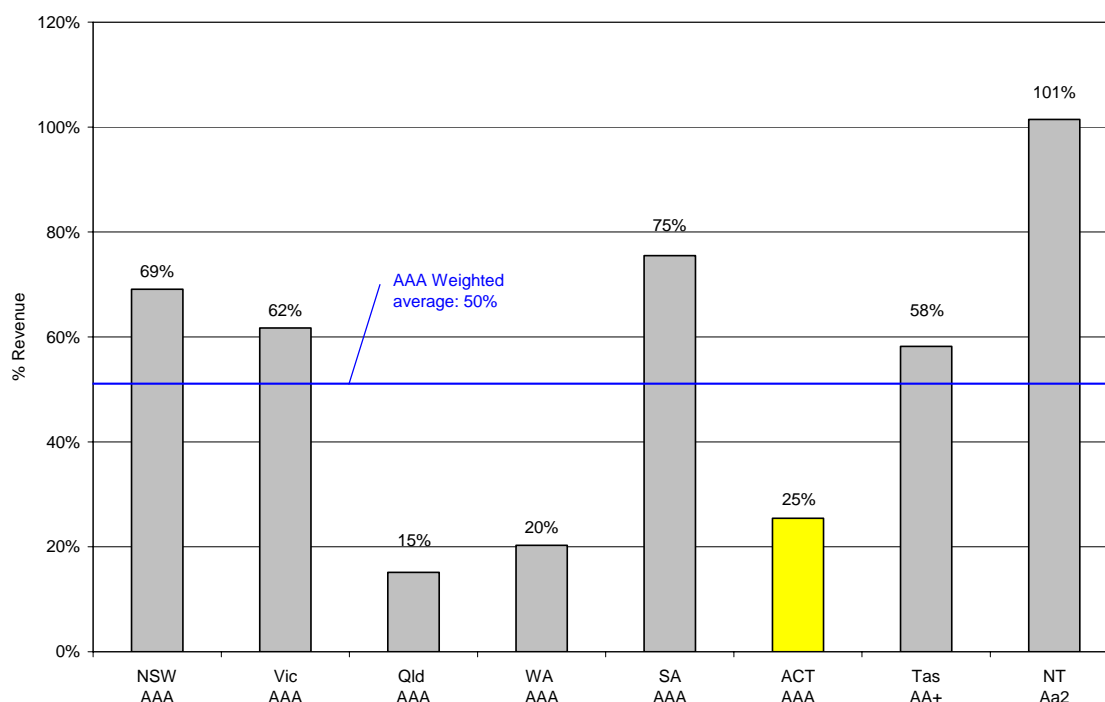
Net Financial Liabilities

While net debt is a widely used measure in the GFS framework, it does not take into account all financial liabilities. Most particularly, it does not take account unfunded superannuation liabilities. These unfunded superannuation liabilities are also a form of debt. As a consequence, a number of jurisdictions focus on a broader measure of debt, net financial liabilities, as a key balance sheet indicator.

Net Financial Liabilities is calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets, but excludes the value of equity held by the general government sector in public corporations (for example, ACTEW Corporation).

Figure 3 below compares the ACT's net financial liabilities as a proportion of revenue with other jurisdictions. It shows that the ACT has a lower level of net financial liabilities than most jurisdictions (and below the weighted average level for all AAA rated jurisdictions).

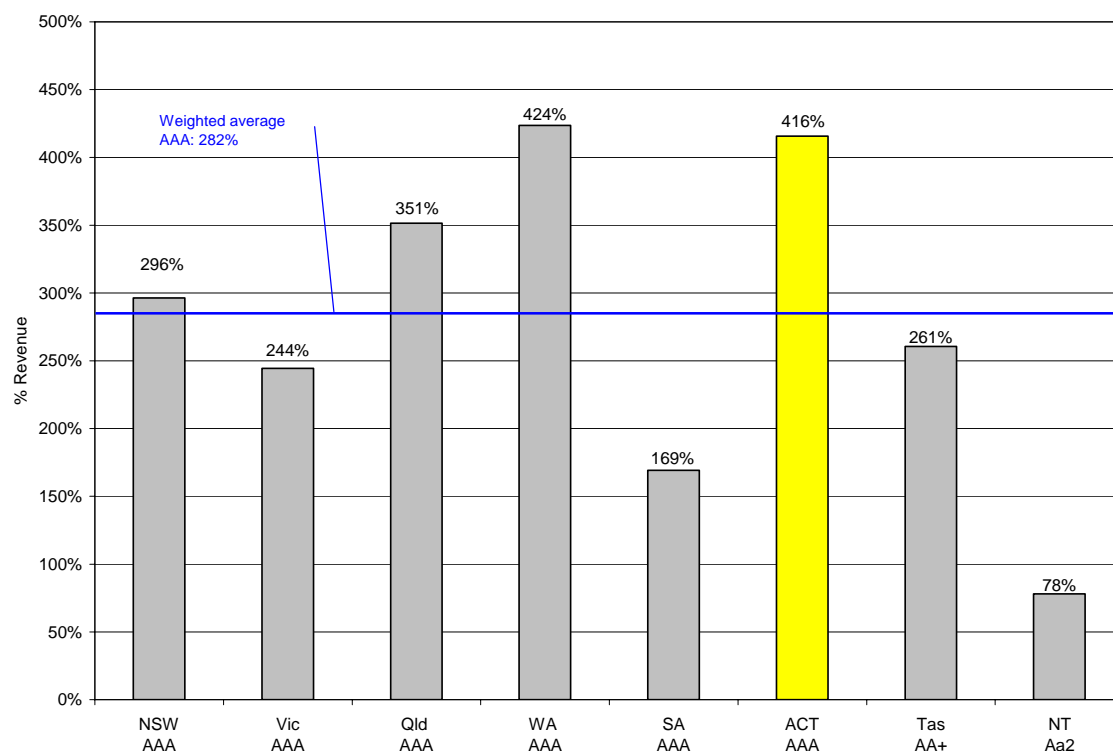
Figure 3: Net Financial Liabilities to Revenue Ratio – General Government Sector



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 revenue, one of the strongest of all Australian jurisdictions.

Figure 4: Net Worth to Revenue Ratio – General Government Sector



CHAPTER 3: STATEMENT OF ECONOMIC AND OTHER ASSUMPTIONS

Key Points

- The ACT economy remains solid. While the rate of growth in 2008-09 is forecast to be below its long term average, the level of activity is forecast to remain at a high level.
- Employment growth in 2008-09 is forecast to be flat as a result of reduced Commonwealth Government demand for labour, as well as the lagged effect of slower economic growth in 2007-08.
- Despite the flat employment growth, unemployment is still expected to remain at low levels.
- Since the presentation of the 2008-09 Budget, interest rates, higher prices and the impact of lower Commonwealth Government outlays in the ACT as announced in the Commonwealth Budget, have all combined to place downward pressure on economic activity in 2007-08 and 2008-09.
- The forecast growth in State Final Demand for 2008-09 has been revised down from 3¾ per cent to 1½ per cent.
- Gross State Product growth has been revised down from 1½ per cent to ½ per cent for 2007-08 and from 2½ per cent to 1¼ per cent for 2008-09.

Economic Assumptions

The economic forecasts underlying the 2008–09 Pre-Election Budget Update (summarised in the table below) are largely unchanged from those forecast in the 2008-09 Budget.

Table 12: Economic Forecasts – 2008-09 Budget and Pre-Election Budget Update

	Actual		Forecasts ^(a)	Projections ^(b)		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<u>ACT</u>						
State Final Demand	10.5	0.7	1½	4¾	4¾	4¾
Employment	3.8	1	0	1½	1½	1½
Population	1.2	1.3	1	1	1	1
Consumer Price Index	2.9	3.6	3½	2½	2½	2½
Wage Price Index	3.9	4.1	4¼	4	4	4
Gross State Product ^(d)	5.0	½	1¼	3	3	3
<u>Australia</u>						
Gross Domestic Product ^(c)	3.3	3.7	2¾	3	3	3

Notes:

- Forecasts and projections are rounded to a ¼ of a percentage point to reflect the relative level of accuracy used in forecasting economic parameters. This is standard forecasting practice used by governments throughout Australia.
- Projections are based on long-run averages and are provided for planning purposes only. They do not reflect an expectation (forecast) of actual outcomes.
- Commonwealth Government forecasts are provided in the 2008-09 Budget published in May 2008.
- 2007-08 forecast. Actual data will be released in November 2008.

2007-08 Outcome

The ACT economy remained solid. While growth moderated off the record rates of recent years, activity in the ACT remained at high levels. Expenditure in the ACT economy, as measured by State Final Demand (SFD) grew by 0.7 per cent, down from 1¾ per cent forecast at Budget. The actual outcome reflected moderating private consumption and investment.

Household consumption was affected by high interest rates and consumer prices, and investment moderated as a number of projects were completed.

The ACT labour market continued to be robust. At the end of 2007-08 the unemployment rate was around historically low levels and the participation rate remained high. Employment growth in 2007-08 was 1 per cent, in line with forecasts. Persistent demand for labour did not result in correspondingly strong employment growth, as the economy was close to virtually full employment. Instead, the unemployment rate was driven down to record lows during 2007-08.

Dwelling investment was less robust than had been forecast, as the impact of successive interest rate increases (as well as non-official rate rises) weighed on the housing market.

Rising oil and food prices, as well as strong domestic demand, resulted in 3.6 per cent Consumer Price Index (CPI) growth in 2007-08, marginally higher than the forecast 3¼ per cent at Budget.

Annual growth in the Wage Price Index (WPI) in 2007-08 was 4.1 per cent. This was slower than forecast 4¼ per cent, as the tight labour market did not result in as high wages growth as had been expected.

Population growth in 2007-08 was 1.3 per cent, higher than forecast, mainly due to higher net interstate migration than expected.

Gross State Product (GSP) growth has been revised down to ½ per cent for 2007-08 in response to moderating demand.

Revisions to the Forward Estimates

The rate of growth in ACT employment is forecast to be zero per cent in 2008-09, as the previous supply constraints transform into reduced demand for labour, as high interest rates and reduced Commonwealth Government hiring take full effect. The increased efficiency dividend placed on most Commonwealth departments is expected to result in reduced Commonwealth recruitment. Furthermore, the Commonwealth Government has committed to reducing expenditure on consultants and contractors. Marginally offsetting these effects is the expected increase in ACT Government employment. In spite of these impacts, the unemployment rate is expected to continue at low levels. The flat employment growth rate for 2008-09 will largely reflect the moderate economic growth of 2007-08, as employers hesitate to lay-off workers they had difficulty hiring in the first place. An increase in activity in the construction sector should increase private sector employment; however the timing of this is uncertain.

SFD is forecast to grow at 1½ per cent in 2008-09. This is a downward revision from Budget as official and non-official interest rate rises have impacted dwelling investment more strongly than anticipated, and the Commonwealth Budget contained less spending than anticipated. This still, however, represents a rise in SFD growth from 2007-08 reflecting a pick-up in investment as a number of large commercial construction projects commence.

GSP is forecast to grow by 1¼ per cent in 2008-09, an acceleration from 2007-08, also reflecting the pick-up in the construction sector.

Population is forecast to grow at 1 per cent, its long term average. This is a result of continued high natural increase and overseas migration gains, offset by a net interstate loss.

The factors which placed upward pressure on the CPI in 2007-08 are forecast to continue in 2008-09. As such, the 2008-09 CPI has been forecast at 3½ per cent. Offsetting this, high interest rates are placing downward pressure on demand and therefore prices.

The WPI forecast for 2008-09 is 4¼ per cent. With inflation forecast to remain high and the labour market expected to remain relatively tight, wages are forecast to grow above their trend rate of 4 per cent.

Other Assumptions

Wage Negotiations

Public sector estimates have been updated and reflect the outcome of all wage negotiations for the current round of bargaining. A planning provision exists from 2009-10 and beyond for future wage negotiations that are not materially progressed.

Revenue Assumptions

Taxes, fees and fines, and other own source revenues are largely based on the economic assumptions discussed earlier in this Update.

The revisions to taxation revenue are largely driven by changes in residential conveyancing, which has been revised down by \$30.2 million over the forecast period. Most of this adjustment is in 2008-09 and reflects the recent slowing of activity in the housing market as a consequence of successive interest rate rises. In 2008-09, activity is expected to pick up as interest rate pressures ease and greater volumes of affordable house and land packages become available in the market. Activity is projected at normal levels in the outyears.

The forecast for commercial conveyance is largely unchanged from Budget.

There is also a downward revision to general insurance revenue of \$12.9 million over the forecast period. This reflects an adjustment to the base in the light of the 2007-08 (un-audited outcome).

An upward revision is forecast for the duty on motor vehicle registration and transfers. This revision is \$7.5 million over the forecast period, and largely reflects a high than forecast base in 2007-08. This higher level is expected to be sustained over the forecast period.

There were also some minor increases in life insurance duties and the ambulance levy.

GST Revenue Grants have been updated to reflect adjustments to the GST revenue pool estimates announced in the 2008-09 Federal Budget. This is partly offset by a downward revision in the 2007-08 final pool determination and a downward revision to the ACT's population estimates.

The land revenue estimates for 2008-09 and the forward estimates were developed for the Budget in consideration of the changing property market conditions in the ACT. It is apparent that the anticipated softening in the market conditions is occurring. The land supply targets, however, remain unchanged at this stage.

Treasurer's Advance

As outlined in the 2008-09 Budget Papers, the forward year Budget estimates include an assumption that additional expenditure of approximately 1 per cent of total appropriations will be made in every year as Treasurer's Advance.

Capacity for Future Capital Works Programs

As detailed in 2008-09 Budget Paper No. 5, the forward year Budget estimates include an assumption that a new investment in works of \$48 million will occur in each year beyond the Budget year, with \$0.480 million provided for the Percent-for-Art Scheme.

In addition, substantial funding for capital upgrades has also been provided for in the forward year Budget estimates to provide for works that extend the useful life or improve service delivery capacity of existing Territory assets.

The Government's Infrastructure Investment Program, as outlined in the 2008-09 Budget Papers, also provides future provisions for future works in the areas of transport, climate change, information and communication technology, and also further upgrade works to improve the urban amenity of the Territory.

CHAPTER 4: STATEMENT OF RISKS

The risks to Budget estimates are related to Economic Risks, Risks to Commonwealth Funding, Financial Risks, Guarantees and Contingent Liabilities. The 2008-09 Budget Paper No. 3 provides a comprehensive statement of significant new or ongoing fiscal risks. An update to this statement has been provided to include the following.

Economic Risks

The ACT economy remains robust with high levels of activity and employment, and as such is well placed to absorb future economic shocks.

The risk to the growth and employment forecasts for the ACT comes mainly from variations in government consumption spending, due to its relative size in the ACT. The forecast for national government consumption is premised on the 2008-09 Federal Budget forecasts for expenditure. There is some risk that the Commonwealth may make further spending cuts in the future, which is likely to have a downward impact on economic activity in the ACT.

A potential fall in employment could have a two-fold impact on State Final Demand. Firstly, the lower direct expenditure of employing Commonwealth Government staff in the ACT decreases national government consumption in the ACT. Secondly, assuming a less than 100 per cent take up of ex-Commonwealth Government staff by the ACT's private sector, fewer persons employed in the ACT would likely lead to lower private consumption spending.

Interest Rates

The possibility of further decreases in interest rates, while likely to increase consumption and investment, has some risks.

The Reserve Bank of Australia (RBA) has already begun to loosen monetary policy in response to slowing domestic demand. Changes to interest rates impact Territory investment returns. Lowering of interest rates may result in a more heated housing market forcing prices up and adversely impacting affordability.

Risk to Taxation Revenue

Payroll tax, duty, rates and land tax are exposed to risk associated with employment levels and wages in the ACT, which are driven largely by expenditure in the public sector. A significant change in Commonwealth Government public sector expenditure, particularly in the form of ACT based staffing levels, would affect the property market in the ACT with a flow-on effect on property related taxation revenue. This would also have a flow-on effect on private sector economic activity, and therefore affect payroll tax revenue.

Commonwealth Funding

As the GST is a broad based consumption tax, GST revenue collections are subject to consumer confidence and the state of the economy. Any adverse changes in these can lead to reduced revenue collections and thus a smaller pool of funding for the States. Given current economic circumstances, the Commonwealth's next revision to the pool (released as part of the Commonwealth's 2008-09 Mid Year Economic and Fiscal Outlook in November/December 2008) is more likely to be downward.

GST revenue grants to the ACT also remain subject to revisions by the Commonwealth Grants Commission (CGC) to States' GST relativities. The 2009-10 relativities will be released in February 2009 and significant, but as yet unquantifiable, changes are expected to the States' 2010-11 relativities following the outcome of the CGC's 2010 methodology review in February 2010.

The amalgamation of all Health Specific Purpose Payments, including the Australian Health Care Agreement, into a single payment from 1 July 2009 will alter the way States' GST revenue grant shares are calculated, although, at this stage, the overall outcome is expected to be revenue neutral.

Following a downward revision by the Australian Statistician to the States' 2007-08 populations, downward revisions are expected to be announced for out year population estimates. A reduction in the ACT's relative share of the Australian population will lead to a reduced share of the GST revenue pool.

COAG Reform

The Council of Australian Governments (COAG) has agreed to implement a new framework for Commonwealth-State financial relations. The new federal financial framework is planned to commence on 1 January 2009, with the reform of healthcare payments, as mentioned above, to be implemented by 1 July 2009.

Given that COAG is yet to reach agreement on a number of issues relating to this reform, it is unclear what the final financial implications will be and thus the impacts have not yet been factored into the forward estimates.

While further negotiation by COAG is required, the Commonwealth Government has guaranteed that no State will be worse off than they were in the current forward estimates as a result of the proposed changes.

National Partnerships

The reform framework includes national partnerships between the Commonwealth and States/Territories to deliver Commonwealth projects and reform initiatives.

The Prime Minister has indicated that States and Territories will be funded for legitimate additional costs arising from the delivery of Commonwealth projects. As such, there should be no operating result impact from the implementation of those initiatives.

Some National Partnership initiatives may involve co-investment by States/Territories where agreed. The National Partnership proposals are still being developed by the COAG working-groups for consideration, and as such at this stage, their potential impacts cannot be estimated.

The Government, however, has agreed to implement an initiative 'A Place to Call Home' to address homelessness, with funding of \$5 million over 6 years from the Commonwealth and provision of 4-8 blocks of land by the Territory. The impact on financial statements is difficult to determine at this stage, but is likely to be immaterial.

The Government has also agreed to progress the extension of universal pre-school access to 15 hours through the implementation of a pilot program in 5 schools. The program is to be funded by the Commonwealth through \$2.3 million over two years.

Commonwealth Tax Review

The Commonwealth Government has announced a wide ranging review of Australia's tax and transfer system. The review will cover State/Territory taxes. The review panel is expected to release its final report in December 2009. At this stage, the extent to which any possible recommendations of the review are accepted and implemented, and their potential impact on taxation revenue is difficult to gauge.

Other Financial Risks

Water Restrictions

Stage 4 Water Restrictions, which effectively stop all outdoor water use, will be needed if the ACT's water storage levels fall below a determined minimum level, currently set at around 30 per cent of capacity. Combined dam levels as at the beginning of September 2008 were around 48 per cent, ACTEW advises that it is unlikely that Stage 4 restrictions will be required in 2008 provided current restrictions remain effective and the community's water saving efforts continue.

Besides the impact on the community from a decrease in economic activity, Stage 4 Water Restrictions would also have a significant impact on the Budget. Lower than expected water consumption volumes would reduce ACTEW's revenue and would therefore impact on the dividend paid to the Government. Lower water consumption volumes would also decrease the revenue received by the Government from the Water Abstraction Charge.

Payroll Tax Concession Scheme

The Government has agreed to a program to provide payroll tax concessions as part of its investment facilitation strategy. The potential impact through revenue foregone will be dependent on the number of companies seeking this assistance and being eligible for it given the already high level of investment, this is likely to be small initially and reaching around \$5 million per annum over the coming years.

Given the uncertainty mentioned above, this has not been incorporated in the financial estimates.

Rhodium

It is expected Rhodium will take at least 3 years to complete the wind down process. During the wind down phase Rhodium will incur ongoing losses as lease revenues decline at a greater rate relative to changes in operating costs. At this time these amounts cannot be quantified, but could be around \$1 million per annum.

Wage Agreements - ACT Ambulance Service

A work value review of Intensive Care Paramedics is current being progressed as part of the ACT Ambulance Service Collective Agreement 2007-10 by an independent arbitrator. The possible impact of the review on the financial statements can not be assessed until it is finalised.

Emissions Trading

The Commonwealth Government announced its intention to introduce an Emissions Trading Scheme (ETS), referred to as a 'Carbon Pollution Reduction Scheme' (CPRS), by 2010. A Green Paper was released by the Government in July 2008, outlining factors central to the scheme, including the sale by the Federal Government of permits to industrial interests which emit carbon pollution as part of their commercial activities.

A paper prepared by the Australian Institute 'The Impact of an Emissions Trading Scheme on State Government Budgets' in August 2008 flags potential risks for state and territory governments in relation to the impacts of introducing the scheme.

The quantum of the potential risk for the Territory's Budget has not been quantified at this stage.

Establishment of a Canberra A-League Football Team

Grant funding has been guaranteed to assist a bid to have a Canberra team compete in the Hyundai A-League as of 2010-11. The grant will be dependant on the success of the bid, and will be provided to assist the club meet Football Federation of Australia (FFA) financial requirements.

Government Investments and Borrowings

There have been no substantial changes in the risks associated with Government Investment and Borrowings as outlined in the 2008-09 Budget Papers.

Changes to the sensitivity of assumptions associated with Government Investments and Borrowings have been updated as a result of the 30 June 2008 investment valuation and the recalculation of the potential impacts from this new starting base, these results are outlined in the Statement of Sensitivity at Chapter 4.

Superannuation Liabilities

The level of employer liability associated with defined benefit superannuation schemes is actuarially determined. The Territory's net superannuation liabilities are sensitive to:

- the level of ACT public sector wages;
- demographic assumptions (including salary increases from promotions, invalidity, mortality, retirement, resignation, preservation, pension election by PSS members, member contribution levels for the PSS, and spouse assumptions);
- the discount rate (reflecting estimated average timing of benefit payments and the time value of money), currently valued using a discount rate equivalent to the 10 year Commonwealth Government long-term bond rate; and
- financial assumptions (e.g., CPI or wage inflation).

The actuarial assessment of the superannuation liabilities requires setting a range of demographic and financial assumptions that are fully reviewed every three years (triennial review), the process can result in volatile fluctuations in the valuation of the liability and a corresponding direct impact on the net operating balance of the General Government Sector.

Guarantees and Contingent Liabilities

A summary of the Territory's guarantees and contingent liabilities as at 30 June 2008 is at **Appendix 3** to the Pre-Election Budget Update.

CHAPTER 5: STATEMENT OF THE SENSITIVITY OF BUDGET ESTIMATES

The sensitivity of the General Government Sector operating result to changes in the budget assumptions presented within this section have been reviewed since they were presented in the 2008-09 Budget Papers.

Sensitivity of Budget Estimates

The following sensitivity analysis has been applied to economic parameters used in the formulation of the revised forward estimates.

Territory revenues are sensitive to changes in economic conditions, both in the ACT and nationally, for example, through GST revenues.

Territory expenses are less sensitive to economic conditions. However, over time, changes in parameters such as population, the age profile of the population or other demographic variables may affect the demand for government services. In response, policy decisions may be taken to vary expenditure levels to accommodate the change in demand.

The following table sets out the sensitivity of economic and other assumptions on the General Government Sector Net Operating Balance. This represents a 'rule of thumb' for the magnitude of changes, based on 2008-09 information.

Table 13: Sensitivity of Budget Estimates

Economic or other Assumption	Key Revenue / Expense Lines Effected	Movement in Economic Indicator	2008-09	2009-10	2010-11	2011-12
			\$'000	\$'000	\$'000	\$'000
CPI	Taxation Revenue	+/-1%	+/-382	+/-708	+/-1,104	+/-1,536
	Sales of Goods and Services, Commonwealth Government Grants ¹ and Other Revenue	+/-1%	+/-0	+/-10,594	+/-22,181	+/-34,520
	Expenses	+/-1%	+/-0	+/-17,928	+/-37,666	+/-59,494
WPI	Taxation Revenue	+/-1%	+/-0	+/-2,003	+/-4,269	+/-6,753
Conveyance – Volume	Conveyance Revenue	+/-1%	+/-1,876	+/-4,007	+/-6,572	+/-9,309
Conveyance – Price	Conveyance Revenue	+/-1%	+/-2,660	+/-5,696	+/-9,296	+/-12,873
Interest Rates	TBA - Interest Revenue	+/-1%	+/- 10,500	+/- 10,300	+/- 10,400	+/- 11,300
	SPA - Interest Revenue		+/- 1,332	+/-234	+/- 257	+/- 280
	TBA Borrowing Costs		+/- 1,337	+/- 3,927	+/- 4,430	+/- 4,430
Currency Valuation (\$A)	TBA	+/-1%	+/- 4,469	+/- 4,912	+/- 5,376	+/- 5,813
Equity Valuations	SPA 1% change in valuation	+/-1%	+/- 14,523	+/- 15,963	+/- 17,473	+/- 18,893
Liability Valuations	SPA 1% change in discount rate	+/-1%	+/- 49,000	+/- 47,000	+/- 45,000	+/- 43,000

1. Refers to specific purpose payments only.

Sensitivity of Other Assumptions

Employee Wage Negotiations

Wages make up the single largest cost in providing government services. As a result, the budget estimates are sensitive to the outcome certified agreement negotiations. The 2008-09 Budget and forward estimates make provision for a moderate level of wages growth.

APPENDIX 1: LEGISLATIVE REQUIREMENTS

The *Financial Management Act 1996* specifies the following requirements for the Pre-Election Budget Update:

20C Pre-election budget update

- (1) At least 30 days before the polling day for an ordinary election, the chief executive must prepare a pre-election budget update and give it to the parliamentary counsel for notification.
- (2) At least 20 days before the polling day for an election mentioned in the Self-Government Act, section 16 (Dissolution of Assembly by Governor-General) or section 48 (Resolution of no confidence in Chief Minister), the chief executive must prepare a pre-election budget update and give it to the parliamentary counsel for notification.
- (3) A pre-election budget update is a notifiable instrument.

Note A notifiable instrument must be notified under the Legislation Act.

- (4) In this section:

ordinary election—see the *Electoral Act 1992*, dictionary.

polling day—see the *Electoral Act 1992*, dictionary.

20D Purpose and contents of pre-election budget update

- (1) The purpose of a pre-election budget update for an election is —
 - (a) to allow the assessment of the government’s financial performance against the financial policy objectives and strategies set out in the latest financial policy objectives and strategies statement; and
 - (b) to give the electorate an accurate picture of the Territory’s financial position before the election.
- (2) A pre-election budget update must be based on the latest financial policy objectives and strategies statement.
- (3) A pre-election budget update for an election must include —
 - (a) updated financial statements required under the financial management guidelines for the financial year in which the election is to be held; and
 - (b) updated budget estimates for the general government sector, the public trading enterprise sector and the Territory for that financial year and for each of the next 3 financial years; and

- (c) a statement of the economic or other assumptions used in preparing the updated financial statements and budget estimates; and
- (d) statement about the sensitivity of the updated financial statements and budget estimates to changes in the economic or other assumptions; and
- (e) a statement of the risks, quantified if possible, that may affect the economic or other assumptions, including—
 - (i) contingent liabilities; and
 - (ii) publicly announced government commitments that are not yet included in the updated financial statements and budget estimates.
- (4) Information in the pre-election budget update must—
 - (a) take into account government decisions and other circumstances that may have material effect on the financial statements and budget estimates; and
 - (b) state the date as at when the updating was done.
- (5) However, if particular information required to be included in the pre-election budget update is unchanged from information set out in full in the latest financial statements, the budget estimates mentioned in section 11 (Territory budgets) or budget review, the pre-election budget update may instead summarise the information and state that it is unchanged from that set out in the financial statements, budget estimates or budget review.

APPENDIX 2: DETAILED FINANCIAL PROJECTIONS

General Government Sector

- Operating Statement
- Balance Sheet
- Cashflow Statement

Public Trading Sector

- Operating Statement
- Balance Sheet
- Cashflow Statement

Total Territory

- Operating Statement
- Balance Sheet
- Cashflow Statement

2008-09 Pre-Election Budget Update

Australian Capital Territory General Government Sector Operating Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Revenue				
Taxation Revenue	1,035,317	1,064,643	1,121,786	1,183,394
Grants Revenue	1,439,303	1,515,222	1,594,968	1,667,233
Sales of Goods and Services Revenue	373,674	387,416	398,927	412,258
Interest Income	168,961	178,732	185,109	194,887
Dividend and Income Tax Equivalent Income	146,064	155,040	149,715	156,851
Other Revenue	141,164	153,593	160,679	168,273
Total Revenue	3,304,483	3,454,646	3,611,184	3,782,896
Expenses				
Employee Expenses	1,147,316	1,188,346	1,233,314	1,278,430
Superannuation Expenses				
Superannuation Interest Cost	212,776	214,359	230,787	247,651
Other Superannuation Expenses	186,491	225,054	230,134	258,698
Depreciation and Amortisation Expenses	220,715	243,616	262,458	268,771
Interest Expenses	67,419	84,054	85,437	82,063
Other Operating Expenses				
Supplies and Services	725,266	770,633	820,563	879,666
Others	141,787	151,470	159,562	167,049
Grants Expenses	615,610	630,538	648,372	666,277
Total Expenses	3,317,380	3,508,070	3,670,627	3,848,605
UPF Net Operating Balance	-12,897	-53,424	-59,443	-65,709
Other Economic Flows - included in operating result				
Dividends - Market Gains on Land Sales	24,286	11,405	14,775	14,947
Net Land Revenue (Accrual Revenue)	302,256	237,013	271,295	218,959
Net Gain on Sale of Non-Financial Assets	460	460	464	468
Net Gain on Financial Assets or Liabilities at Fair Value	86,674	101,461	110,970	120,133
Bad Debts Written Off	-1,458	-1,504	-1,551	-1,601
Operating Result	399,321	295,411	336,510	287,197
Net Effect of a Correction for an Error	-1,875	0	0	0
Superannuation Prior Year Actuarial Movement	-207,507	0	0	0
Increase/(Decrease) in Other Reserves	2	3	-1	-3
Capital Injections	-32,864	-23,385	-23,405	-20,084
Increase/(Decrease) in Net Assets of PTE Entities	359,215	280,969	279,771	284,122
Comprehensive Result - Total Change in Net Worth	517,684	554,390	594,267	552,624
UPF Net Operating Balance	-12,897	-53,424	-59,443	-65,709
less Net Acquisition of Non-Financial Assets				
Purchases of Non-Financial Assets	571,195	531,347	414,054	328,749
Sales of Non-Financial Assets	-2,260	-2,260	-2,260	-2,260
Land Revenue (Cash Receipts)	-299,707	-246,682	-270,915	-218,578
Depreciation	-220,715	-243,616	-262,458	-268,771
Other Movements in Non-Financial Assets	45,553	46,832	50,996	50,996
Total Net Acquisition of Non-Financial Assets	94,066	85,621	-70,583	-109,864
Net Lending / Borrowing (Fiscal Balance)	-106,963	-139,045	11,140	44,155
AUSTRALIAN CAPITAL TERRITORY NET OPERATING BALANCE				
UPF Net Operating Balance	-12,897	-53,424	-59,443	-65,709
Expected Long Term Capital Gains on Superannuation Investments	86,674	101,461	110,970	120,133
HEADLINE NET OPERATING BALANCE	73,777	48,037	51,527	54,424

2008-09 Pre-Election Budget Update

Australian Capital Territory General Government Sector Balance Sheet

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Assets				
Financial Assets				
Cash and Deposits	152,177	125,566	113,240	133,546
Advances Paid	933,331	960,108	957,780	951,227
Investments, Loans and Placements	3,484,885	3,707,009	4,108,714	4,530,184
Receivables	301,744	286,434	291,087	301,136
Equity				
Investments in Other Public Sector Entities	5,643,431	5,924,400	6,204,171	6,488,293
Investments - Other	20	20	20	20
Total Financial Assets	10,515,588	11,003,537	11,675,012	12,404,406
Non-Financial Assets				
Land and Other Fixed Assets				
Property, Plant and Equipment	8,560,682	8,818,261	9,035,575	9,315,656
Investment Properties	70,761	70,761	70,761	70,761
Intangibles	17,487	18,785	22,101	20,371
Inventories	18,925	19,063	19,199	19,350
Capital Works-in-Progress	235,304	313,654	304,929	142,704
Other Non-Financial Assets	78,596	78,595	78,594	78,593
Total Non-Financial Assets	8,983,505	9,320,869	9,532,909	9,649,185
Total Assets	19,499,093	20,324,406	21,207,921	22,053,591
Liabilities				
Deposits Held	109,718	109,881	110,055	110,241
Advances Received	99,346	96,368	93,280	90,079
Borrowings				
Finance Leases	58,406	56,687	59,479	58,197
Other Borrowings	1,084,071	1,065,778	1,045,556	1,026,580
Superannuation	3,572,648	3,846,458	4,127,517	4,412,306
Other Employee Benefits	363,380	380,979	402,559	424,099
Payables	392,341	395,881	404,028	415,213
Other Liabilities	8,789	8,988	9,198	9,413
Total Liabilities	5,688,699	5,961,020	6,251,672	6,546,128
Net Assets	13,810,394	14,363,386	14,956,249	15,507,463
Equity in Public Trading Entities	5,643,431	5,924,400	6,204,171	6,488,293
Accumulated Funds	5,434,600	5,706,620	6,019,713	6,286,808
Asset Revaluation Reserve	2,722,014	2,722,014	2,722,014	2,722,014
Other Reserve	10,349	10,352	10,351	10,348
Net Worth	13,810,394	14,363,386	14,956,249	15,507,463
Net Financial Worth	4,826,889	5,042,517	5,423,340	5,858,278
Net Financial Liabilities	816,542	881,883	780,831	630,015
Net Debt (including Superannuation related Investments)	-3,218,852	-3,463,969	-3,871,364	-4,329,860
Net Debt (excluding Superannuation related Investments)	-976,205	-994,984	-1,169,315	-1,408,687

Australian Capital Territory General Government Sector Cash Flow Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Cash Receipts from Operating Activities				
Taxes Received	1,007,943	1,044,770	1,101,233	1,163,164
Receipts from Sales of Goods and Services	450,035	465,462	472,759	486,900
Grants/Subsidies Received	1,405,123	1,481,792	1,558,383	1,631,016
Interest Receipts	172,998	176,781	182,896	192,356
Dividends and Income Tax Equivalents	185,557	155,580	150,911	155,483
Other Receipts	301,876	312,336	320,989	331,996
Total Operating Receipts	3,523,532	3,636,721	3,787,171	3,960,915
Cash Payments for Operating Activities				
Payments for Employees	-1,278,373	-1,336,327	-1,399,665	-1,486,184
Payments for Goods and Services	-833,216	-838,685	-876,545	-932,624
Grants and Subsidies Paid	-638,578	-656,082	-675,561	-694,477
Interest Paid	-60,752	-67,869	-74,288	-73,867
Other Payments	-219,558	-242,482	-276,311	-310,789
Total Operating Payments	-3,030,477	-3,141,445	-3,302,370	-3,497,941
Net Cash Flows from Operating Activities	493,055	495,276	484,801	462,974
Cash Flows from Investments in Non-Financial Assets				
Sales of Non-Financial Assets	301,967	248,942	273,175	220,838
Purchases of Non-Financial Assets	-571,195	-531,347	-414,054	-328,749
Net Cash Flows from Investments in Non-Financial Assets	-269,228	-282,405	-140,879	-107,911
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-20,582	-19,138	-17,916	-11,530
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-168,901	-126,711	-296,777	-307,367
Net Cash Flows from Investing Activities	-458,711	-428,254	-455,572	-426,808
Cash Flows from Financing Activities				
Borrowings (Net)	-37,860	-55,586	-22,936	-17,308
Net Cash Flows from Financing Activities	-37,860	-55,586	-22,936	-17,308
Net Increase/(Decrease) in Cash held	-3,516	11,436	6,293	18,858
Cash and Cash Equivalents at the Beginning of Reporting Period	177,907	174,391	185,833	192,138
Cash and Cash Equivalents at the End of Reporting Period	174,391	185,827	192,126	210,996
Key Fiscal Aggregates				
Net Cash Flows from Operating Activities	493,055	495,276	484,801	462,974
Net Cash Flows from Investments in Non-Financial Assets	-269,228	-282,405	-140,879	-107,911
Cash Surplus (+) / Deficit (-)	223,827	212,871	343,922	355,063
Derivation of ABS GFS Cash Surplus/Deficit				
Cash Surplus (+) / Deficit (-)	223,827	212,871	343,922	355,063
Acquisitions Under Finance Leases and Similar Arrangements (a)	0	0	0	0
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	223,827	212,871	343,922	355,063

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

2008-09 Pre-Election Budget Update

Australian Capital Territory Public Trading Enterprise Operating Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Revenue				
Government Payment for Outputs and Subsidies	107,372	108,565	110,705	113,013
Grants Revenue	20,887	20,008	20,212	20,550
Sales of Goods and Services Revenue				
Revenue from Associates and Joint Ventures	90,261	91,926	78,009	72,128
Other Sales of Goods and Services	328,710	365,227	383,254	402,150
Interest Income	16,381	21,257	17,143	12,457
Other Revenue				
Land Revenue (Value Add Component)	146,634	131,563	149,906	199,636
Other Revenue	6,315	6,197	6,276	6,358
Total Revenue	716,560	744,743	765,505	826,292
Expenses				
Employee Expenses	91,071	93,906	96,011	98,042
Superannuation Expenses	11,878	12,259	12,620	12,985
Depreciation and Amortisation Expenses	56,499	60,405	68,176	70,403
Interest Expenses	46,171	65,923	71,490	71,272
Other Property Expenses (Income Tax Expense)	43,172	46,683	51,211	53,305
Other Operating Expenses				
Supplies and Services	110,150	112,200	115,071	117,729
Other Operating Expenses	214,443	205,258	218,357	268,983
Grants Expenses	48,566	48,088	54,738	52,316
Total Expenses	621,950	644,722	687,674	745,035
UPF Net Operating Balance	94,610	100,021	77,831	81,257
Other Economic Flows - included in operating result				
Land Revenue - Market Gains on Land Sales	34,765	16,279	21,050	21,295
Net Gain on Sale of Non-Financial Assets	8,159	-34	9	9
Bad Debts Written Off	-1,532	-1,552	-1,568	-1,580
Operating Result	136,002	114,714	97,322	100,981
Net Effect of a Correction for an Error	1	0	0	-1
Increase/(Decrease) in Asset Revaluation Reserve	295,526	240,644	250,323	259,541
Transfer to/from Reserves	22,000	22,000	22,000	22,000
Capital Injections	32,864	23,385	23,405	20,084
Dividend Approved	-127,178	-119,774	-113,279	-118,485
Comprehensive Result - Total Change in Net Worth	359,215	280,969	279,771	284,120
UPF Net Operating Balance	94,610	100,021	77,831	81,257
less Net Acquisition of Non-Financial Assets				
Purchases of Non-Financial Assets	294,024	321,267	156,448	132,135
Sales of Non-Financial Assets	-67,039	-70,823	-52,468	-44,961
Land Revenue (Cash Receipts)	-34,765	-16,279	-21,050	-21,295
Depreciation	-56,499	-60,405	-68,176	-70,403
Other Movements in Non-Financial Assets	-46,300	-46,832	-50,996	-50,996
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>89,421</i>	<i>126,928</i>	<i>-36,242</i>	<i>-55,520</i>
Net Lending / Borrowing (Fiscal Balance)	5,189	-26,907	114,073	136,777
AUSTRALIAN CAPITAL TERRITORY NET OPERATING BALANCE				
UPF Net Operating Balance	94,610	100,021	77,831	81,257
HEADLINE NET OPERATING BALANCE	94,610	100,021	77,831	81,257

2008-09 Pre-Election Budget Update

Australian Capital Territory Public Trading Enterprise Balance Sheet

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Financial Assets				
Cash and Deposits	73,748	77,497	74,259	75,998
Investments, Loans and Placements	353,047	201,899	151,057	109,912
Receivables	99,728	97,021	96,656	105,151
Equity				
Investments Accounted for Using Equity Method	542,448	607,512	644,486	670,664
Total Financial Assets	1,068,971	983,929	966,458	961,725
Non-Financial Assets				
Land and Other Fixed Assets				
Property, Plant and Equipment	5,449,170	5,848,051	6,409,037	6,718,177
Intangibles	1,584	1,242	663	481
Inventories	169,589	181,799	177,201	179,214
Assets Held for Sale	41,034	12,006	6,702	5,904
Capital Works-in-Progress	227,766	310,715	79,271	80,166
Other Non-Financial Assets				
Deferred Tax Assets	40,668	40,668	40,668	40,668
Other	775	775	775	775
Total Non-Financial Assets	5,930,586	6,395,256	6,714,317	7,025,385
Total Assets	6,999,557	7,379,185	7,680,775	7,987,110
Liabilities				
Advances Received	994,224	1,013,110	998,331	981,013
Borrowings				
Finance Leases	1,361	1,462	1,554	1,563
Other Borrowings	30,886	92,315	104,638	116,599
Superannuation	183	186	189	194
Other Employee Benefits	136,022	137,344	136,962	139,420
Payables	107,543	112,963	120,287	127,730
Other Liabilities				
Current Tax Liability	30,339	29,151	29,025	28,642
Deferred Tax Liability	55,481	68,254	85,618	103,656
Other Liabilities	87	0	0	0
Total Liabilities	1,356,126	1,454,785	1,476,604	1,498,817
Shares and Contributed Assets	5,643,431	5,924,400	6,204,171	6,488,293
Net Assets	5,643,431	5,924,400	6,204,171	6,488,293
Accumulated Funds	2,167,470	2,207,795	2,237,243	2,261,824
Asset Revaluation Reserve	3,465,439	3,706,083	3,956,406	4,215,947
Other Reserve	10,522	10,522	10,522	10,522
Net Worth	5,643,431	5,924,400	6,204,171	6,488,293
Net Financial Worth	-287,155	-470,856	-510,146	-537,092
Net Debt	599,676	827,491	879,207	913,265

2008-09 Pre-Election Budget Update

Australian Capital Territory Public Trading Enterprise Cash Flow Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Cash Receipts from Operating Activities				
Receipts from Sales of Goods and Services	538,301	543,814	590,511	657,225
Grants/Subsidies Received	127,512	128,573	130,917	133,563
Interest Receipts	16,381	21,257	17,143	12,457
Other Receipts	60,056	51,834	55,010	50,037
Total Receipts	742,250	745,478	793,581	853,282
Cash Payments for Operating Activities				
Payments for Employees	-100,644	-103,767	-106,102	-108,247
Payments for Goods and Services	-422,987	-354,825	-362,707	-425,504
Grants and Subsidies Paid	-2,266	-1,256	-3,742	-1,320
Interest Paid	-18,803	-10,715	-65,069	-64,409
Other Payments	-61,598	-80,925	-85,666	-81,097
Total Payments	-606,298	-551,488	-623,286	-680,577
Net Cash Flows from Operating Activities	135,952	193,990	170,295	172,705
Cash Flows from Investments in Non-Financial Assets				
Sales of Non-Financial Assets	101,804	87,102	73,518	66,256
Purchases of Non-Financial Assets	-294,024	-321,267	-156,448	-132,135
Net Cash Flows from Investments in Non-Financial Assets	-192,220	-234,165	-82,930	-65,879
Net Cash Flows from Investments in Financial Assets for Policy Purposes	8,578	11,980	8,630	5,137
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	50,538	3,289	4,068	10,408
Net Cash Flows from Investing Activities	-133,104	-218,896	-70,232	-50,334
Cash Flows from Financing Activities				
Borrowings (Net)	284,869	25,116	-8,866	-12,209
Net Cash Flows from Financing Activities	99,312	-130,464	-159,777	-167,692
Net Increase/(Decrease) in Cash Held	102,160	-155,370	-59,714	-45,321
Cash and Cash Equivalents at the Beginning of Reporting Period	222,187	324,347	168,977	109,263
Cash and Cash Equivalents at the End of Reporting Period	324,347	168,977	109,263	63,942
Net Cash flows from Operating Activities	135,952	193,990	170,295	172,705
Net Cash Flows from Investments in Non-Financial Assets	-192,220	-234,165	-82,930	-65,879
Dividends Paid	-185,557	-155,580	-150,911	-155,483
Cash Surplus (+) / Deficit (-)	-241,825	-195,755	-63,546	-48,657
A positive number denotes a cash inflow, a negative sign denotes a cash outflow				
Derivation of ABS GFS Cash Surplus/Deficit				
Cash Surplus (+) / Deficit (-)	-241,825	-195,755	-63,546	-48,657
Acquisitions Under Finance Leases and Similar Arrangements (a)	0	0	0	0
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-241,825	-195,755	-63,546	-48,657

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

2008-09 Pre-Election Budget Update

Australian Capital Territory Consolidated Total Territory Operating Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Revenue				
Taxation Revenue	1,002,982	1,038,842	1,094,768	1,153,423
Grants Revenue	1,393,497	1,468,884	1,544,466	1,616,731
Sales of Goods and Services Revenue				
Revenue from Associates and Joint Ventures	90,261	91,926	78,009	72,128
Other Sales of Goods and Services	639,430	687,292	715,872	745,898
Interest Income	141,064	136,340	135,068	142,522
Land Revenue (Value Add Component)	126,234	110,563	128,306	177,336
Other Revenue	129,783	141,733	148,393	155,528
Total Revenue	3,523,251	3,675,580	3,844,882	4,063,566
Expenses				
Employee Expenses	1,238,387	1,282,252	1,329,325	1,376,472
Superannuation Expenses				
Other Superannuation Expenses	189,479	208,445	212,090	239,153
Superannuation Interest Cost	212,784	234,020	251,955	270,365
Depreciation and Amortisation Expenses	277,214	304,021	330,634	339,174
Interest Expense	69,312	86,328	89,743	88,513
Other Operating Expenses				
Supplies and Services	807,120	855,097	907,269	967,476
Other Operating Expenses	250,831	254,354	273,067	326,484
Grants Expenses	519,703	533,835	552,515	566,219
Total Expenses	3,564,830	3,758,352	3,946,598	4,173,856
UPF Net Operating Balance	-41,579	-82,772	-101,716	-110,290
Other Economic Flows - included in operating result				
Land Revenue - Market Gains on Land Sales	34,765	16,279	21,050	21,295
Net Land Revenue (Accrual Revenue)	302,256	237,013	271,295	218,959
Net Gain on Sale of Non-Financial Assets	8,619	426	473	477
Net Gain on Financial Assets or liabilities at fair value	86,674	101,461	110,970	120,133
Bad Debts Written Off	-2,990	-3,056	-3,119	-3,181
Operating Result	387,745	269,351	298,953	247,393
Other Economic Flows - Other Movements in Equity				
Net Effect of a Correction for an Error	-1,874	0	0	-1
Superannuation Prior Year Actuarial Movement	-207,507	0	0	0
Increase/(Decrease) in Asset Revaluation Reserve	295,526	240,644	250,323	259,541
Increase/(Decrease) in other reserves	2	3	-1	-3
Transfer to/from Reserves	22,000	22,000	22,000	22,000
Comprehensive Result - Total Change in Net Worth	497,284	533,390	572,667	530,322
UPF Net Operating Balance	-41,579	-82,772	-101,716	-110,290
less Net Acquisition of Non-Financial Assets				
Purchases of Non-Financial Assets	844,819	831,614	548,902	438,584
Sales of Non-Financial Assets	-69,299	-73,083	-54,728	-47,221
Land Revenue (Cash Receipts)	-34,765	-16,279	-21,050	-21,295
Depreciation	-277,214	-304,021	-330,634	-339,174
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>463,541</i>	<i>438,231</i>	<i>142,490</i>	<i>30,894</i>
Net Lending / Borrowing (Fiscal Balance)	-505,120	-521,003	-244,206	-141,184
AUSTRALIAN CAPITAL TERRITORY NET OPERATING BALANCE				
Operating Balance from Transactions	-41,579	-82,772	-101,716	-110,290
Expected Long Term Capital Gains on Superannuation Investments	86,674	101,461	110,970	120,133
HEADLINE NET OPERATING BALANCE	45,095	18,689	9,254	9,843

2008-09 Pre-Election Budget Update

Australian Capital Territory Consolidated Total Territory Balance Sheet

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Assets				
Financial Assets				
Cash and Deposits	130,905	107,880	92,142	114,001
Advances Paid	44,548	43,513	49,871	55,691
Investments, Loans and Placements	3,837,932	3,908,908	4,259,771	4,640,096
Receivables	322,909	254,249	210,209	187,394
Equity				
Investments Accounted for Using Equity Method	542,448	607,512	644,486	670,664
Total Financial Assets	4,878,742	4,922,062	5,256,479	5,667,846
Non-Financial Assets				
Land and Other Fixed Assets				
Property, Plant and Equipment	14,009,852	14,666,312	15,444,612	16,033,833
Investment Properties	70,761	70,761	70,761	70,761
Intangibles	19,071	20,027	22,764	20,852
Inventories	188,514	200,862	196,400	198,564
Assets Held for Sale	22,013	4,391	2,820	2,311
Capital Works-in-Progress	463,070	624,369	384,200	222,870
Other Non-Financial Assets	79,371	79,370	79,369	79,368
Total Non-Financial Assets	14,852,652	15,666,092	16,200,926	16,628,559
Total Assets	19,731,394	20,588,154	21,457,405	22,296,405
Liabilities				
Deposits Held	14,698	14,698	14,698	14,698
Advances Received	205,787	193,883	184,702	176,556
Borrowings				
Finance Leases	58,767	57,149	60,033	58,760
Other Borrowings	1,114,957	1,158,093	1,150,194	1,143,179
Superannuation	3,572,831	3,846,644	4,127,706	4,412,500
Other Employee Benefits	501,348	520,341	541,548	565,560
Payables	464,507	466,737	476,436	493,929
Other Liabilities	8,876	8,988	9,198	9,413
Total Liabilities	5,941,771	6,266,533	6,564,515	6,874,595
Net Assets	13,789,623	14,321,621	14,892,890	15,421,810
Accumulated Funds	7,581,299	7,872,650	8,193,597	8,462,979
Asset Revaluation Reserve	6,187,453	6,428,097	6,678,420	6,937,961
Other Reserve	20,871	20,874	20,873	20,870
Net Worth	13,789,623	14,321,621	14,892,890	15,421,810
Net Financial Worth	-1,063,029	-1,344,471	-1,308,036	-1,206,749
Net Financial Liabilities	1,063,029	1,344,471	1,308,036	1,206,749
Net Debt (including superannuation related investments)	-2,619,176	-2,636,478	-2,992,157	-3,416,595
Net Debt (excluding superannuation related investments)	-376,529	-167,493	-290,108	-495,422

2008-09 Pre-Election Budget Update

Australian Capital Territory Consolidated Total Territory Cash Flow Statement

	2008-09 Revised Budget \$'000	2009-10 Revised Estimate \$'000	2010-11 Revised Estimate \$'000	2011-12 Revised Estimate \$'000
Cash Receipts from Operating Activities				
Taxes Received	977,653	1,019,035	1,075,251	1,134,222
Receipts from sales of Goods and Services	1,189,528	1,153,739	1,229,739	1,254,744
Grants/Subsidies Received	1,405,617	1,482,286	1,558,877	1,631,510
Interest Receipts	141,691	136,938	135,615	142,945
Other Receipts	322,177	319,986	328,054	331,211
Total Operating Receipts	4,036,666	4,111,984	4,327,536	4,494,632
Cash Payments for Operating Activities				
Payments for Employees	-1,370,211	-1,430,890	-1,496,274	-1,584,619
Payments for Goods and Services	-1,162,864	-1,096,971	-1,141,024	-1,257,113
Grants and Subsidies Paid	-533,472	-548,773	-568,598	-582,784
Interest Paid	-31,867	-17,484	-74,933	-76,408
Other Payments	-215,495	-258,498	-293,207	-317,234
Total Operating Payments	-3,313,909	-3,352,616	-3,574,036	-3,818,158
Net Cash Flows from Operating Activities	722,757	759,368	753,500	676,474
Cash Flows from Investments in Non-Financial Assets				
Sales of Non-Financial Assets	104,064	89,362	75,778	68,516
Purchases of Non-Financial Assets	-844,819	-831,614	-548,902	-438,584
Net Cash Flows from Investments in Non-Financial Assets	-740,755	-742,252	-473,124	-370,068
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-12,004	-7,158	-9,286	-6,393
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-118,363	-123,416	-292,697	-296,941
Net Cash Flows from Investing Activities	-871,122	-872,826	-775,107	-673,402
Cash Flows from Financing Activities				
Borrowings (Net)	247,009	-30,470	-31,802	-29,517
Net Cash Flows from Financing Activities	247,009	-30,470	-31,802	-29,517
Net Increase/(Decrease) in Cash held	98,644	-143,928	-53,409	-26,445
Cash and Cash Equivalents at the Beginning of Reporting Period	400,094	498,738	354,810	301,401
Cash and Cash Equivalents at the End of Reporting Period	498,738	354,810	301,401	274,956
Key Fiscal Aggregate				
Net Cash from Operating Activities	722,757	759,368	753,500	676,474
Investments in Non-Financial Assets	-740,755	-742,252	-473,124	-370,068
Cash Surplus (+) / Deficit (-)	-17,998	17,116	280,376	306,406
A positive number denotes a cash inflow, a negative sign denotes a cash outflow				
Derivation of ABS GFS Cash Surplus/Deficit				
Cash Surplus (+) / Deficit (-)	-17,998	17,116	280,376	306,406
Acquisitions Under Finance Leases and Similar Arrangements (a)	0	0	0	0
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-17,998	17,116	280,376	306,406

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

APPENDIX 3: GUARANTEES, CONTINGENT LIABILITIES AND INDEMNITIES

Details of the Territory's guarantees, contingent liabilities and indemnities as at 30 June 2008 are outlined below.

Table 14: Quantifiable Contingent Liabilities and Guarantees

	2007-08
Contingent Liabilities	72
Guarantees	5
Indemnities	-
Total Quantifiable Contingent Liabilities and Guarantees	77

Guarantees

Guarantees are legally binding promises whereby one party undertakes to another party to be responsible for the debt or obligations of a third party, should that third party default in some way.

The Territory is guarantor for the loan facility (\$4.5 million) taken out by the Canberra Racing Club for the purpose of upgrading Thoroughbred Park. The amount payable under this guarantee and indemnity is limited to \$4.5 million, plus interest, bill discounts and line fines incurred by the Club under the loan facility, and any costs reasonably and directly incurred by the Commonwealth Bank of Australia under the terms of the loan facility.

On 13 April 2006, the Territory unconditionally and irrevocably indemnified the Commonwealth Bank of Australia against any loss the Bank suffers in relation to the liability to pay the \$4.5 million.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Territory.

Due to the nature of the liabilities it is difficult to put an exact value on these claims.

All taxation related claims being made against the Territory have been assessed and where the court decision is likely to favour the plaintiff, the amounts in dispute have been provided for as a liability. This amount represents claims against the Territory for which no provision has been made.

Non-taxation related contingencies are largely comprised of pending legal claims. Claims lodged against the Territory include property damage, contract disputes, economic loss and personal injury.

Due to the protracted nature of legal proceedings and the various discoveries that can be made over the foreseeable period, it is not possible, with any degree of accuracy, to make an assessment of liabilities of some legal claims. The contingent liabilities reported by agencies have used this methodology.

Chief Minister's Department

The Department has a potential liability for up to \$8.970 million as at 30 June 2008 (\$14.496 million at 30 June 2007) attributed to the following contingencies.

- As part of the ACT Business Incentive Fund (ACTBIF) the Department will provide cash grants, payroll tax waivers, stamp duty waivers, rent waivers and land discounts to various organisations. The quantifiable and expected residual value of this Fund is estimated to be in the vicinity of \$4.815 million. This financial assistance is contingent on organisations meeting milestones as detailed in individual contracts.
- The Department will also provide up to \$4 million of payroll tax waivers, subject to claimants meeting qualification milestones included in agreements between the Department and the potential grant recipients.

ACT Health

ACT Health is currently defending 232 actions (462 actions in 2007). These actions have an estimated net liability of \$10.913 million (\$17.170 million at 30 June 2007).

Department of Territory and Municipal Services

The Department has public liability claims of \$7.943 million (\$8.413 million at 30 June 2007).

ACTION

ACTION is subject to various claims as at the reporting date, with the total public liability being \$8.264 million.

Housing ACT

Housing ACT has contingent liabilities for public liability claims arising from operations amounting to \$1.077 million to 30 June 2008 (\$1.190 million at 30 June 2007), which are currently with the ACT Government Solicitor's Office for assessment.

Department of Justice and Community Safety

The Department has contingent liability of \$1.185 million as at 30 June 2008, comprising:

- \$0.450 million associated with the testing, identification of requirements and removal of underground fuel tanks at various Emergency Services Agency sites; and
- \$0.735 million relating to legal claims against the Department.

Department of Education and Training

The estimated liability of \$2.430 million for a known personal injury litigation cases not settled as at 30 June 2008 (\$3.393 million at 30 June 2007).

Department of Treasury

The Department has contingent liabilities of \$6.548 million (\$14.008 million as at 30 June 2007) in relation to claims for damages costs and First Home Owners Grant payments.

ACTEW Corporation Limited

ACTEW has underwritten a \$25 million (30 June 2007 \$25 million) standby debt facility for TransACT Communications. At 30 June 2008, \$3 million was undrawn (30 June 2007 \$0.5 million).

Cultural Facilities Corporation

The Corporation has a contingent liability set aside for claims for damages and legal advice indicates that outstanding contingent liabilities resulting from legal matters as at 30 June 2008 is \$0.180 million.

ACT Planning and Land Authority (ACTPLA)

ACTPLA has contingent liabilities relating to third party claims that are estimated to be up to \$1.540 million as at 30 June 2008 (\$0.350m at 30 June 2007) and are based on advice by the ACT Government Solicitor. The major component relates to a personal liability action through the Supreme Court where ACTPLA has been joined as third defendant.

Rhodium Asset Solutions Ltd

Rhodium has entered into a number of agreements which guarantee the residual value of assets under lease at the end of the lease terms which fall due between 2008 and 2013. The total residual value guaranteed is \$2.234 million.

Land Development Agency (LDA)

LDA has the following contingent liabilities, in which LDA:

- has received a claim of \$1.4 million for compensation in respect of losses allegedly incurred through the inability of a purchaser to develop land purchased from the government in a previous year, which has no service connections to the site. LDA is currently assessing the validity of the claim; and
- LDA may also have claims made against it by developers arising from variations to development requirements after execution of Deeds of Agreement or Prescribed Conditions associated with contracts of sale.

LDA is responsible for Government land development and sales and is therefore responsible for the costs of any remediation work, where this is provided for in a contract of sale.

Indemnities

The Government has provided the following indemnities.

Rhodium Asset Solutions

On 9 February 2007, the Territory indemnified the Directors on the Rhodium Asset Solutions (Rhodium) Board and the Rhodium Management Team against any claim and all costs with regard to their assistance to the Territory in selling Rhodium.

On 12 March 2007, the Territory indemnified Rhodium against all liabilities, claims, and costs incurred by Rhodium in relation to, or arising out of, the sale of Rhodium (although now not proceeding) and not otherwise met by Rhodium's resources or any indemnity, including under any policy of insurance or contract up to \$1.3 million.

Totalcare

The Government will continue to provide such support as necessary for Totalcare to meet its financial obligations, as it has done in the past.

On 21 March 2003, the Territory indemnified the Board of Totalcare Industries Ltd in respect of all liabilities, claims, demands, costs and expenses incurred in relation to or arising out of the operations of the wind-up. An overall payment of \$1.149 million has been made since 2004-05 to assist Totalcare to settle its liabilities. All of Totalcare's operations, except for the fleet business unit, were transferred to Government departments during the 2003-04 financial year. The operations of Totalcare Fleet were transferred to Rhodium on 1 January 2005.

APPENDIX 4: TREASURER'S ADVANCE

Treasurer's Advance allows the Treasurer to authorise expenditure under Section 18 of the *Financial Management Act 1996*.

Treasurer's Advance is provided to agencies requesting appropriation for items and issues that were not addressed through the last available appropriation, being the *2008-2009 Appropriation Act*, as agreed by the Treasurer.

The financial impacts of the use of Treasurer's Advance are Budget neutral, as the budget anticipated this expenditure, and therefore do not impact on the Net Operating Balance. The authorised limit for the Treasurer's Advance for 2008-09 is \$32 million.

Table 15 below shows the payments actually authorised against the Advance, as at the time of the Pre-Election Budget Update cut-off date (14 September 2008).

Table 15: Treasurer's Advance

	2008-09 Projection \$'000
Authorised Limit	32,000
Total drawn against Treasurer's Advance	
Comprising	
- Recurrent Expenditure	2,716
- Capital Expenditure	0
Remaining Balance	29,284

Authorised Payments

ACTPLA - Molonglo Leaseholder Compensation (\$2.426 million) - to enable ACTPLA to pay compensation to rural leaseholders in the Molonglo Valley.

DET (\$0.107 million) - Commonwealth funding for government schools.

CIT (\$0.183 million) - Direct Grant to Lions Youth Haven to deliver learning opportunities at Westwood Farm.

APPENDIX 5: CAPITAL IMPROVEMENT PROGRAM

The 2008-09 Budget included \$3 million for the continuation of the Capital Improvement Program (CIP). The CIP is a central fund held for the purpose of addressing urgent, unforeseen or other works to ACT Government assets as they arise throughout the year.

The Program enhances the government's ability to respond to the needs of the community in a timely manner and provide the flexibility to deal with issues as they emerge/crystallise during the year.

The following are examples of works that will be considered:

- improvements to government assets (e.g., playgrounds, parks and public spaces) where potential OH&S issues arise;
- works to restore government owned community assets where a continuation of the drought (or other factors) may lead to an unacceptable level of degradation;
- capital works that respond to urgent needs identified by the Community; or
- capital projects that will significantly benefit the Community.

A reconciliation of funds agreed for distribution from this program is provided below, as at the Pre-Election Budget Update cut-off date (14 September 2008).

Table 16: Capital Improvement Funds Reconciliation for 2008-09

Agency	Description of Request	Actual/Expected Payment Request
2008-09 Budget Funding		\$3,000,000
Uncommitted from 2007-08		\$450,234
2008-09 Opening Balance		\$3,450,234
CMD	Planning Study Melbourne/Sydney Precinct	\$100,000
DET	Tree Plantings at Schools	\$142,500
TAMS	Floriade in the City	\$475,800
TAMS	Scrivener Dam Picnic Area	\$250,000
Balance of Funds		\$2,481,934

Authorised Projects

CMD - Planning Study Melbourne/Sydney Precincts (\$0.1 million) - a study to examine the options for the buildings and surrounding areas, as well as the design of proposed paving and other infrastructure, street furniture and lighting.

DET - Tree Plantings at Schools (\$0.143 million) - to initiate planning for Spring 2009 plantings within strategic locations at schools so as to reduce energy consumption.

TAMS - Floriade in the City (\$0.476 million) – an extension to Floriade, this project provides for the installation or replacement of minor capital infrastructure such as street furniture, lighting, planter boxes, tree and tree surrounds, paving and grassed spaces within the City precinct.

TAMS – Scrivener Dam Picnic Area - Landscaping Plans (\$0.3 million) – provision of approximately 200 additional tree plantings, picnic tables, waste bin and bin enclosure, bollards for traffic management, granite gravel resurfacing of picnic area, access for hazard reduction mowing, and a double gas BBQ at the Scrivener Dam Picnic Area.