



AUSTRALIAN CAPITAL TERRITORY

PRE-ELECTION
BUDGET UPDATE
2004 – 2005

SEPTEMBER 2004

ACT Department of Treasury



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Financial Management (Pre Election Budget Update) 2004 (No 1)

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made under the

Financial Management Act 1996, s20C Pre-election budget update

I, Megan Smithies, Acting 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 2004-05 financial year.
- b. Updated budget estimates for the financial year 2004-05 and each of the next three years for the:
 - i. General Government Sector;
 - ii. Public Trading Enterprise Sector; and
 - iii. 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. public 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 10 September 2004.



Megan Smithies
A/g Chief Executive
ACT Department of Treasury
15 September 2004

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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 2004-05 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. 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.

This Statement includes any material updates as a result of the Australian Government's Pre-Election Economic and Fiscal Outlook (PEFO) released on Friday 10 September 2004. Timing constraints have, however, precluded a full analysis of the impact of the Commonwealth PEFO. In short, estimated Goods and Services Tax (GST) receipts have been revised to take into account the Commonwealth Government's latest estimates.

Certain information that remains unchanged from that presented within the 2004-05 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 10 September 2004.

Update to the 2004-05 Budget Estimates

The Territory's economic outlook and financial performance remains largely unchanged from the position outlined at the time of the 2004-05 Budget.

The General Government Sector (GGS) operating result for 2004-05 and the forward estimates have improved, largely due to increased revenue, of which Goods and Services Tax (GST) revenue is the largest contributor. The Territory's Unencumbered Cash (TUC) position also remains strong with improvements in forecasts for the budget and forward estimates.

Economic conditions in the ACT remain sound and the outlook positive. The forecast for ACT Gross State Product growth in 2004-05 is unchanged from Budget (3.0%). The forecast for average annual employment growth in 2004-05 has been revised down one quarter of a percentage point from 1.0% at Budget to 0.75%, following a weaker than expected employment outcome in 2003-04 in the face of strong labour demand (as measured by job vacancies), and the continuing tight labour market (unemployment rate below 4%).

The following table provides a summary of the update to the 2004-05 Budget and the Forward Estimates.

2004-05 Budget Pre-Election Update	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
General Government Sector	20.9	-6.6	28.1	76.6
Public Trading Sector	60.7	62.1	55.8	62.0
Total Territory	-15.1	-7.4	22.7	73.3

Revised financial statements are at **Attachment B** to this statement.

2004-05 Pre-Election Budget Update

Reconciliation to Budget position - GGS Operating Statement

Changes to the General Government Sector (GGS) operating result from the 2004-05 Budget are listed and explained below. These changes have been split between policy and parameter changes.

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
GGS Operating Result - 2004-05 Budget Papers	7.9	-25.9	7.1	53.4
Policy Impact - Amendment to Appropriation Bill 2004-2005				
Commitment to Child Protection	-5.7	-5.9	-6.0	-6.2
<i>Sub-Total</i>	-5.7	-5.9	-6.0	-6.2
Policy Impact				
Wage Negotiations	-6.4	-5.6	-3.6	-6.1
ACTION - Funding	-1.5	-1.0	-1.0	-1.0
Cost of Hire Car Licences #	-0.2	-2.2	-0.0	0.0
<i>Sub-Total</i>	-8.1	-8.8	-4.7	-7.2
Parameter Impact				
Adjustment to GST Revenue	24.9	21.3	19.1	23.6
Superannuation - Actuarial Review Reserve	2.3	2.3	2.3	2.3
Superannuation - Investment Returns	2.6	3.0	3.2	4.0
Taxes, Fees and Fines	4.0	4.3	4.7	5.0
Interest Revenue	2.9	3.0	2.4	1.6
Commercialisation Investment Fund	-10.0	0.0	0.0	0.0
<i>Sub-Total</i>	26.8	34.0	31.8	36.6
Revised Operating Result - Pre-Election Budget Update	20.9	-6.6	28.1	76.6

GGS – General Government Sector

Figures in 2006-07 and 2007-08 round down to \$0m

Figures may not add due to rounding

Amendment to Appropriation Bill 2004-2005

Commitment to Child Protection

The Appropriation Bill 2004-2005 was amended after presentation of the bill to provide additional funding to the Office for Children, Youth and Family Support, for the implementation and delivery of improvements to child protection services recommended within *The Territory as Parent – Review of the Safety of Children in Care in the ACT and of ACT Child Protection Management* (Vardon Report).

Policy Impact

Wage Negotiations

The Pre-Election Budget Update includes the impact of finalised wage negotiations above original estimates provided for in the 2004-05 Budget estimates. The adjustment includes upward revisions for negotiations relating to Teachers, Nurses, Clerical, Firefighters and Bus Drivers.

ACTION - Funding

The additional funding reflects the Government's decision to reduce the existing savings targets for ACTION. The new targets are derived from a revised benchmarking study into ACTION's efficiency as a public sector bus operator.

Cost of Hire Car Licences

This represents the updated cost of introducing a reform program, giving effect to the Government response to the Independent Competition and Regulatory Commission review of the taxi and hire car industries. Since the initiative was announced in the 2003-04 Budget, the Government has decided not to sell additional taxi licences and instead to buy back twenty-two hire car licences.

Parameter Impact

Adjustment to GST Revenue

Commonwealth Grants have been updated by the ACT to reflect adjustments to Goods and Services Tax (GST) revenue pool announced in the Commonwealth PEFO on 10 September 2004. The adjustments to GST revenue since the 2004-05 Budget include the impact of revised GST pool estimates, GST deferral compensation payments and revised population estimates.

Superannuation – Actuarial Review Reserve

This adjustment reflects the impact of a change in the superannuation policy regarding the treatment of actuarial gains and losses. Since 1 July 1998, the ACT has accumulated the actuary's annual revision of the superannuation liability in a liability reserve, which is brought to account over multiple periods. The Government announced a change to this treatment in the June Quarterly Management Report, advising that the balance of the reserve as well as the outcome of the 2003-04 actuarial review would be brought to account in 2003-04. The adjustment reflects the reversal of the expensing of this reserve over the budget and forward estimates.

Superannuation - Investment Returns

Investment returns on superannuation assets have been revised to reflect the impact of improved investment returns in 2003-04, and the subsequent larger balance of

investment funds. The interim outcome published in the June Quarterly Management Report for superannuation investment returns represented an improvement of \$45.4m for 2003-04 from the estimated outcome presented in the 2004-05 Budget Papers.

Taxes, Fees and Fines

Tax estimates have been revised to reflect the update in economic parameters and flow on effects of interim results for 2003-04. The major impact is the increase in payroll tax.

The Payroll tax projections have increased from \$189.914m to \$195.827m for 2004-05. This is primarily the result of higher payroll tax revenue collections in 2003-04 (than estimated in the 2004-05 Budget), increasing the estimate by \$5.153m, and the impact of revised State Final Demand (SFD) estimates for 2004-05 (2.6% to 2.9%), increasing the estimates by \$0.759m.

Estimates of conveyancing revenue remain largely unchanged from the 2004-05 Budget, while the increase in payroll tax forecasts is offset by reductions in general insurance and lease duties flowing from the 2003-04 results.

Interest Revenue

The improvement largely reflects an increase in Territory Unencumbered Cash at the end of 2003-04, and the corresponding increases across the Forward Estimates as a result of other influences identified in the Pre-Election Budget Update.

Commercialisation Investment Fund

This represents expenditure on the Commercialisation Investment Fund which was deferred from 2003-04 to 2004-05. The appropriation was provided for in Appropriation Act 2003-2004 (No.3) and will be used to establish an ACT focused venture capital fund. A contract has been signed committing the Government to the provision of the funds. Expenditure is contingent on suitable investment opportunities arising.

Territory Unencumbered Cash (TUC)

The Territory's Unencumbered Cash (TUC) is the measure of the Territory's cash balance, which is not allocated to an operating or investing requirement at that point in time, and therefore is a measure of liquidity.

The Pre-Election Budget Update forecast for TUC in outlined is the table below.

2004-05 Pre-Election Budget Update

TUC	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
2004-05 Budget Papers	300	166	133	176
2004-05 Pre-Election Budget Update	318	197	179	239

Net Assets

The Pre-Election Update forecast of net asset position for the General Government Sector (GGS) at the end of 2004-05 is \$5,443m compared to the budget forecast of \$5,661m. The deterioration in net asset position is mainly the result of the flow on effect of the interim results reported in the June Quarterly Management Report for 2003-04, offset by improvements in revenues in 2004-05. The deterioration in net assets reflects a change in accounting treatment for the recognition of land inventory (which recognises the value of land at 'nil' until sold, rather than its recognition upon receipt of valuation), and an update to the revaluation of stormwater and streetlight assets as previously shown in the estimated outcome.

For the total Territory, net assets at the end of 2004-05 are forecast at \$9,473m compared to the published budget of \$9,437m.

Statement of Economic and Other Assumptions

The following updates have been made to key economic and other assumptions for 2004-05, since publication in the 2004-05 Budget Papers:

- the forecast for ACT employment growth in 2004-05 is revised down from 1.0% to 0.75%;
- the forecast for ACT State Final Demand (SFD) growth in 2004-05 is revised up from 2.6% to 2.9%; and
- 2003-04 actual results available have also been updated from forecasts in the 2004-05 Budget.

Economic Assumptions

The economic forecasts underlying the 2004–05 Pre-Election Update (summarised in the table below) are largely unchanged from those forecast in the 2004-05 Budget.

	2002–03	2003–04	2004–05	2004-05	2005–06	2006–07	2007–08
	(Actual)	(Forecast)	(Budget Paper)	(Forecast)	(Forecast)	(Forecast)	(Planning)
	(Average annual growth)						
	Percentage change on previous year ^a						
Gross State Product	2.9	2.3	3.0	3.0	3.0	2.9	2.9
Gross Domestic Product ^b	2.8	3.6 ^f	3.5	3.5	3.5	3.5	3.5 ^c
Employment Growth	2.9	0.0 ^f	1.0	0.75	1.2	1.0	1.0
Consumer Price Index ^b	2.6	2.9 ^f	2.0	2.0	2.5	2.5	2.5
State Final Demand	4.8	3.9 ^f	2.6	2.9	2.9	2.8	2.8
Interest Rates ^d	4.75	5.0 ^f	5.5	5.5	5.5	5.5	5.5
Population ^e	0.4	0.9	0.9	0.9	0.9	0.9	0.9

(a) Based on seasonally adjusted and original data currently available, with financial data expressed in real terms. Percentage changes are expressed in year average or year total terms unless otherwise indicated.

(b) 2004–05 Commonwealth Budget estimates.

(c) ACT Treasury planning assumption.

(d) Reserve Bank of Australia, average cash rate target. The cash rate is the rate charged on overnight loans between financial intermediaries. It has a powerful influence on other interest rates and forms the base on which the structure of interest rates in the economy is built.

(e) As at 30 June each year.

(f) Actual result for 2003–04.

The ACT's State Final Demand (SFD) rose 3.9% in 2003-04, well above the 2.6% forecast at Budget. In part, this higher than expected result reflects strong growth in Commonwealth Government consumption and investment.

2004-05 Pre-Election Budget Update

SFD growth in 2004-05 has been revised from 2.6% at Budget up to 2.9%, reflecting the upward revision to Commonwealth Government outlays contained in the 2004-05 Commonwealth Budget (up from 3.0% to 3.6%). In the longer term, the rate of growth of SFD is forecast to remain steady at a little under 3%, as slower growth in Commonwealth Government outlays (mid-election cycle) are offset by increasing household consumption and a return to a more normal pattern of investment growth.

The 2004-05 Budget forecast for 2003-04 growth in GSP of 2.7% was predicated on employment growth of 0.7%, growth in real wages of 1.5%, and growth in business profits of around 3.5%.

Although real wages are known to have grown by around 1.5% and the forecast for growth in business profits remains at 3.5%, actual employment growth in 2003-04 was 0.0%. Due to the lower than expected employment growth, the forecast for GSP growth in 2003-04 has been revised down from 2.7% at Budget to 2.3%.

The lower than expected employment growth during 2003-04 reflects, in part, strong national jobs growth and a consequent difficulty in attracting interstate migrants to the ACT.

Looking forward, the growth rates for GSP are unchanged from the 2004-05 Budget. The slightly lower forecast for employment growth in 2004-05, down a quarter of a percentage point from 1.0% to 0.75%, has been offset by a quarter of a percentage point upward revision to the real wage forecast in 2004-05. In line with business expectations, the prospects for business profits in the ACT remain sound.

The PEFO economic projections have amended the 2004-05 Commonwealth Budget forecasts for employment, CPI and wages. Employment growth is expected to be 0.5% higher (2.25%), CPI for 2004-05 only is 0.5% higher (2.5%) and wages (wage cost index) are forecast to be 0.25% lower (3.5%). Of these changes, only CPI has a direct influence on the Budget. It has not been possible to model the impact of the changed CPI on the Budget in the short time since its release. A guide to the impact of a change in CPI on Budget estimates is available in the Statement of Sensitivity of Budget Estimates section of this statement.

ACT economic growth is expected to lag that of the national economy throughout the Budget period. In part, this reflects the fact that the national economy will benefit more than the ACT from a strengthening global economy.

The inflation forecast for the out-years is 2.5%, the mid-point of the Reserve Bank of Australia's target range of 2 to 3%.

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 2006-07 and beyond for future wage increases.

Superannuation Liability

Access to the defined benefit Public Superannuation Scheme (PSS) will be closed to new entrants by 30 June 2005. From 1 July 2005 all new permanent employees of the ACT Government will be required join the new fully funded accumulation PSS operated by the Commonwealth Government. The impact of this change has not yet been determined by the Territory's actuary, but as it applies to new employees only, the impact on superannuation liabilities and cash flows during the budget period will be minimal. As such, access to the PSS scheme is assumed to continue past 30 June 2005, for the purpose of the Pre-Election Budget Update forecasts.

Revenue Assumptions

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

Commonwealth Grants have been updated to reflect adjustments to Goods and Services Tax (GST) revenue announced in the 2004-05 Commonwealth Budget and for material changes in the Commonwealth's Pre-Election Economic and Fiscal Outlook, released on 10 September 2004.

The outlook for conveyancing revenue remains consistent with the 2004-05 Budget which was for a soft landing of the market. The assumptions were for the activity to continue to drop in 2004-05 from the high level of 2002-03. From 2005-06 onwards, modest increases in activity and prices were assumed. The outlook for the property market remains unchanged in the light of 2003-04 actual results.

The land lease revenue estimate for 2004-05 was similarly developed in consideration of the changing property market conditions in the ACT. It is apparent that the anticipated softening in the market conditions is occurring. At this stage there appears no reason to vary current Budget projections for revenue from those incorporated in the Budget.

Other

2004-05 Budget Paper No. 3 (page 12) outlined assumptions relating to Treasurer's Advance and the capacity for the future capital works program. These remain unchanged.

Statement of Risk

The risks to Budget estimates are related to Financial Risk, Economic Risk, Guarantees and Contingent Liabilities.

2004-05 Budget Paper No. 3 outlined a series of general operational risks and policies; and borrowing and investment risks. Those have not changed substantially since budget time.

Financial Risk

Commonwealth Grants

The Australian Government's 2004-05 Budget foreshadowed a decision that the ACT will continue to receive Special Revenue Assistance (SRA) as recommended by the Commonwealth Grants Commission (CGC) in 2003-04 (\$15m) and 2004-05 (\$14.2m). However, from 2005-06, the ACT's fiscal needs are to be considered in the same way as other States and Territories, that is, through the CGC's calculation of GST relativities.

The ACT has interpreted this decision to mean that any future payment of SRA as recommended by the CGC will be funded from the GST pool which effectively cost shifts this liability to the States and Territories.

The ACT has written to the Australian Government objecting to the cost shift. Notwithstanding this in principle objection, the ACT has sought assurance that a clear direction will be included in the terms of reference for the next CGC Report on State Revenue Sharing Relativities (2005 Update) to the effect that the ACT's fiscal needs will be included in the CGCs assessments. The terms of reference are yet to be issued.

Similarly, the Federal Budget did not include forward estimates for National Competition Policy (NCP) payments (approximately \$13m annually) from 2006-07.

With regards to payments beyond 2005-06, the Australian Government may cease competition payments to the States and Territories, however, this is unlikely as it could result in a reversal of NCP reforms undertaken by jurisdictions. A more likely Australian Government position is that payments will continue. The Federal budget papers include funding provisions for the out years beyond 2005-06, although no details are provided as to actual amounts. A Council of Australian Governments review of the NCP program is scheduled to occur before September 2005 and the ACT, along with all other States and Territories, will have the opportunity to discuss the future of funding arrangements in the course of this review.

GST revenue estimates are based on assumptions of strong economic growth nationally, supporting employment generation and company profits. Failure to

achieve this level of growth would have a moderating effect on future GST revenues.

At the 2004 Treasurers' Conference, the majority of the States and Territories, with the support of the Australian Government, agreed to a work program on the CGC's methodology, which is used to distribute the GST revenue pool between the States and Territories. The work is aimed at simplifying the methodology, which by its very nature could impose considerable risks for the ACT in relation to its existing share of the GST.

Commitment to Child Protection

The Government has agreed to implement the recommendations of Vardon Report. Further expenditure will be required to implement this commitment, beyond that provided within the amendment to the Appropriation Bill 2004-2005. The form and scope of this expenditure cannot, however, be quantified at this stage.

Totalcare Superannuation

In February 2004 the Treasurer announced that the Government was investigating possible inconsistencies with the application of appropriate superannuation arrangements for Totalcare employees. Employee records are being reviewed and the Government has indicated that all obligations relating to past and current employees will be met.

The current superannuation liability of the Territory incorporates an amount currently estimated at \$18 million. Work is, however, continuing on assessing the liability.

Insurance Claims

In 2003-04 ACT Insurance Authority (ACTIA) increased the provision for insurance claims by \$13m, from the provision included in the estimated outcome. This was due mainly to increases in the volume of medical malpractice and non-bushfire related public liability claims, offset by actuarial discounting of public liability claims relating to the January 2003 Bushfire. This result may impact on future provisions made by ACTIA.

ACT Government Asbestos Law Reform

In August 2004 the Dangerous Substances Act 2004 was amended to improve public awareness of the affects of asbestos. The amendments, among other things, included the following:

- the creation of the Asbestos Assessment Task Force to analyse the extent and impact of asbestos in the ACT and prepare a report of the analysis; and
- a new public education campaign to increase awareness of the risks of asbestos.

These proposals may have financial implications, which have not as yet been identified or assessed.

Capital Works

The Government recently announced that feasibility studies would be conducted into the establishment of a Nature Discovery Centre and Research Centre at Tidbinbilla Nature Reserve. In addition, the Government will be conducting a feasibility study into the establishment of a new Youth Detention Centre to replace the Quamby Youth Detention Centre.

It is too early to estimate what the financial implication of these works will be, if any. It is anticipated that the impact of these initiatives on the capital works program and the provision for capital works within the Budget estimates will be assessed as part of these feasibility studies.

Superannuation Liabilities

The Territory's net superannuation liabilities are sensitive to:

- the level of ACT public sector wages;
- changes in the market value of investments;
- demographic assumptions;
- financial assumptions (e.g., the assumed propensity for retiring members to opt for the indexed pension rather than the lump sum payment benefit); and
- forthcoming results from the current investigation of possible inconsistencies with the application of appropriate superannuation arrangements for Totalcare employees.

The actuarial assessment of the superannuation liabilities can result in volatile fluctuations in the valuation of the liability and a corresponding direct impact on the operating result of the General Government Sector.

Economic Risk

Any variation from forecasts relating to economic performance or market conditions may impact on the financial projections presented in this statement.

Risk to Endogenous Revenue

Economic risk extends to the Territory tax revenue. Payroll Tax, Stamp 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 decline in Commonwealth public sector expenditure, particularly in the form of ACT based staffing levels would have an adverse affect on the value of property in the ACT,

and the resulting decline in the level of economic activity would also be reflected in lower collections of Payroll Tax.

Interest Rates

Changes in interest rates will impact on private consumption expenditure. If interest rates rise, households will need to devote more of their income to servicing the interest component of their outstanding mortgage and consumer debt, resulting in less disposable income for discretionary spending. The potential contractionary impact of interest rate rises is likely to be magnified by the recent growth in household debt.

A rise in interest rates is also likely to have a negative impact on investment, particularly private investment in dwellings. The residential construction sector has relatively high multiplier flow-on effects through the economy and, therefore, the negative impact on State Final Demand (SFD) of any downturn in this sector will be magnified.

Public Sector Expenditure Risk

While Commonwealth Government expenditure per capita continues to be significantly higher in the Territory than in other jurisdictions, the growth rate of Commonwealth expenditure in the ACT has fallen below the national average. The possibility of the Territory receiving a smaller share of planned increases in Commonwealth Government expenditure in forward years constitutes a downside risk to future economic activity in the Territory.

Guarantees and Contingent Liabilities

A summary of the Territory's guarantees and contingent liabilities as at 30 June 2004 is at **Attachment C** to the Pre-Election Budget Update.

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 2004-05 Budget Papers.

Sensitivity of Budget Estimates to Economic and Other Assumptions

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

While the Territory's revenue raising results from the policy decisions of Government, the quantum collected is largely driven by the Territory's economic parameters.

The Territory's expenses, on the other hand, are largely driven by Government policy decisions. As a general rule, Agency Budgets have recently been funded by the cost of wage growth and consumer price index movements in non-wage costs.

The following table sets out the sensitivity of economic and other assumptions on the General Government Sector operating result. This represents a 'rule of thumb' for the magnitude of changes, based on 2004-05 information.

Economic and Other Assumption	Key Revenue / Expense Lines Effected (Examples)	Movement in Economic Indicator (increase / decrease)	Sensitivity (\$m)
Consumer Price Index	Revenue (eg. <i>general rates, conveyancing, general insurance</i>)	+1%	1.6
		-1%	-1.6
	Revenue (eg. <i>fees and user charges</i>)	+1%	-3.9
		-1%	3.9
	Expense (eg. <i>supplies and services</i>)	+1%	-12.5
		-1%	12.5
Conveyance - activity level	Revenue (eg. <i>conveyance</i>)	+1%	1.4
		-1%	-1.4
Conveyance - price	Revenue (eg. <i>conveyance</i>)	+1%	2.2
		-1%	-2.2
Gross State Product	Revenue (eg. <i>General Insurance, Life Insurance</i>)	+1%	11.5
		-1%	-2.4
Interest Rates	Revenue (eg. <i>conveyance</i>)	+1%	-12.7
		-1%	34.4

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Economic and Other Assumption	Key Revenue / Expense Lines Effected (Examples)	Movement in Economic Indicator (increase / decrease)	Sensitivity (\$m)
Interest Rates	Revenue (<i>eg. investment earnings</i>)	+1%	9.8
	Expense (<i>eg. floating rate borrowing costs</i>)	-1%	-9.8
State Final Demand	Revenue (<i>eg. payroll tax</i>)	+1%	-4.7
		-1%	3.4
Wages	Revenue (<i>eg. payroll tax</i>)	+1%	1.9
	Expense (<i>total public sector wages</i>)	-1%	-1.9
	Expense (<i>total public sector wages</i>)	+1%	-11.7

Attachment A: 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 Australian Capital Territory (Self-Government) Act 1988 (Cwlth), 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, public trading enterprises 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) a 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 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.

Attachment B: Financial Statements

- General Government Sector Statement of Financial Performance
- General Government Sector Statement of Financial Position
- General Government Sector Statement of Cashflows

- Public Trading Sector Statement of Financial Performance
- Public Trading Sector Statement of Financial Position
- Public Trading Sector Statement of Cashflows

- Total Territory Statement of Financial Performance
- Total Territory Statement of Financial Position
- Total Territory Statement of Cashflows

2004-05 Pre-Election Budget Update

General Government Sector Statement of Financial Performance

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
Revenue				
Taxes Fees and Fines	843 104	876 957	921 592	970 988
User Charges - Non ACT Government	180 184	183 307	185 873	188 597
User Charges - ACT Government	17 002	17 327	17 720	17 993
Grants from the Commonwealth	1 092 093	1 139 518	1 185 213	1 244 794
Interest	77 277	68 791	62 154	61 695
Revenue of Associates and Joint Ventures	1 600	11 000	10 500	7 000
Dividend Revenue	96 721	62 931	61 238	65 316
Other Revenue	317 363	330 114	350 139	386 277
Resources Received free of charge	0	0	0	0
Total Ordinary Revenue	2 625 344	2 689 945	2 794 429	2 942 660
Expenses				
Employee Expenses	895 976	919 733	939 443	962 391
Superannuation Expenses	269 253	280 841	296 035	313 241
Supplies and Services	583 781	618 264	658 993	702 253
Depreciation and Amortisation	162 489	168 643	171 380	170 470
Borrowing Costs	45 574	44 581	42 945	42 222
Cost of Goods Sold	38 256	53 184	32 925	32 280
Grants and Purchased Services	472 301	479 606	486 222	501 856
Other Expenses	95 807	92 763	102 753	105 448
Expenses of Associates and Joint Ventures	0	0	0	0
Transfer Expenses	40 932	38 907	35 607	35 891
Total Ordinary Expenses	2 604 369	2 696 522	2 766 303	2 866 052
Operating Result From Ordinary Activities	20 975	- 6 577	28 126	76 608
Extraordinary Expense	102	0	0	0
Operating Result	20 873	- 6 577	28 126	76 608

2004-05 Pre-Election Budget Update

General Government Sector Statement of Financial Position

	2004-05 Revised 30/06/2005 \$'000	2005-06 Revised 30/06/2006 \$'000	2006-07 Revised 30/06/2007 \$'000	2007-08 Revised 30/06/2008 \$'000
Current Assets				
Cash	50 424	61 386	76 488	87 372
Receivables	147 366	116 366	112 961	110 950
Investments	657 515	517 085	482 638	536 792
Inventories	46 132	14 916	31 498	62 503
Other	22 611	22 592	22 486	22 557
Total Current Assets	924 048	732 345	726 071	820 174
Non Current Assets				
Receivables	423 519	412 775	401 718	389 569
Investments	1 607 581	1 795 826	1 994 896	2 219 437
Property, Plant and Equipment	5 951 940	6 173 953	6 325 502	6 327 320
Intangibles	26 720	20 288	15 160	11 267
Capital Works in Progress	101 161	100 347	8 312	112
Total Non Current Assets	8 110 921	8 503 189	8 745 588	8 947 705
TOTAL ASSETS	9 034 968	9 235 533	9 471 658	9 767 878
Current Liabilities				
Payables	129 809	131 546	131 614	131 700
Interest Bearing Liabilities	49 443	51 509	53 114	55 444
Finance Leases	35 879	36 081	36 014	34 103
Employee Benefits	188 060	198 442	207 241	217 420
Other	33 013	32 801	32 458	32 339
Total Current Liabilities	436 204	450 379	460 441	471 006
Non Current Liabilities				
Payables	86 211	82 174	82 026	85 253
Interest Bearing Liabilities	655 617	641 282	625 738	608 258
Finance Leases	46 889	47 982	44 241	42 009
Employee Benefits	2 361 752	2 571 898	2 789 168	3 014 600
Other Provisions	4 885	4 985	5 085	5 185
Total Non Current Liabilities	3 155 354	3 348 321	3 546 258	3 755 305
TOTAL LIABILITIES	3 591 558	3 798 700	4 006 699	4 226 311
NET ASSETS	5 443 410	5 436 833	5 464 959	5 541 567

2004-05 Pre-Election Budget Update

	2004-05 Revised 30/06/2005 \$'000	2005-06 Revised 30/06/2006 \$'000	2006-07 Revised 30/06/2007 \$'000	2007-08 Revised 30/06/2008 \$'000
REPRESENTED BY FUNDS EMPLOYED				
Accumulated Funds	4 728 955	4 722 378	4 750 504	4 827 112
Reserves	714 455	714 455	714 455	714 455
TOTAL FUNDS EMPLOYED	5 443 410	5 436 833	5 464 959	5 541 567

Note: results are updated to reflect the interim results for 2003-04 published in the June Quarterly Report

2004-05 Pre-Election Budget Update

General Government Sector Statement of Cashflow

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Taxes, Fees and Fines	843 466	877 331	921 964	971 254
User Charges	195 429	198 449	201 370	204 477
Interest Received	76 284	68 095	61 511	61 028
Grants Received from the Commonwealth	1 101 118	1 149 149	1 195 490	1 255 772
Other Revenue	381 787	382 565	381 070	382 552
Operating Receipts	2 598 084	2 675 589	2 761 405	2 875 083
Payments				
Related to Employees	953 874	980 749	1 010 792	1 040 676
Related to Supplies and Services	574 280	611 142	644 181	686 735
Borrowing Costs	45 297	44 580	42 945	42 222
Grants and Purchased Services	477 341	485 279	492 541	508 876
Other	342 399	323 617	335 359	341 729
Payments to PTE Agencies for Outputs	29 987	30 307	30 607	30 891
Extraordinary Payments	102	0	0	0
Operating Payments	2 423 280	2 475 674	2 556 425	2 651 129
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	174 804	199 915	204 980	223 954
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds from Sale of Property, Plant & Equipment	4 639	100	122	100
Proceeds from Sale/Maturities of Investments	16 833	8 878	9 753	6 253
Repayment of Advance	6 160	7 229	8 349	8 973
Repayment of Home Loan Principal	2 852	2 531	2 248	2 001
Dividends	77 647	69 638	61 540	64 509
Investing Receipts	108 131	88 376	82 012	81 836
Payments				
Purchase of Property, Plant and Equipment	292 798	279 301	172 100	113 798
Purchase of Land and Intangibles	6 427	77	77	77
Purchase of Investments	110 389	98 936	90 780	85 549
Advances Issued to Government Agencies	24 768	0	0	0
Capital Payments to Government Agencies	8 945	8 600	5 000	5 000
Investing Payments	443 327	386 914	267 957	204 424

2004-05 Pre-Election Budget Update

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	- 335 196	- 298 538	- 185 945	- 122 588
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowings Received	16 383	622	569	515
Finance Lease	29 920	29 920	29 920	29 920
Financing Receipts	46 303	30 542	30 489	30 435
Payments				
Repayment of Borrowings	2 620	12 785	14 456	15 665
Repayment of Finance Lease	46 431	46 175	44 984	45 167
Repayment of Investments to Agencies (CFU only)	12 605	0	0	0
Payments of Transferred Cash Balances	0	0	0	0
Financing Payments	61 656	58 960	59 440	60 832
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	- 15 353	- 28 418	- 28 951	- 30 397
NET INCREASE/(DECREASE) IN CASH HELD	- 175 745	- 127 041	- 9 916	70 969
CASH AT BEGINNING OF REPORTING PERIOD	878 155	702 410	575 369	565 453
CASH AT THE END OF THE REPORTING PERIOD	702 410	575 369	565 453	636 422

2004-05 Pre-Election Budget Update

Public Trading Enterprise Sector Statement of Financial Performance

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
Revenue				
Government Payment for Outputs	40 932	38 907	35 607	35 891
User Charges - Non ACT Government	233 009	244 554	254 122	264 351
User Charges - ACT Government	79 054	79 462	80 913	82 628
Grants from the Commonwealth	18 733	18 908	19 085	19 265
Interest	4 442	3 447	2 166	2 587
Revenue of Associates and Joint Ventures	46 961	42 200	42 781	43 380
Other Revenue	28 720	25 234	18 995	18 593
Resources Received free of charge	50	50	50	50
Total Ordinary Revenue	451 901	452 762	453 719	466 745
Expenses				
Employee Expenses	74 650	76 500	78 903	80 585
Superannuation Expenses	9 350	9 674	10 006	10 188
Supplies and Services	93 343	93 258	95 864	96 055
Depreciation and Amortisation	43 654	45 943	47 094	47 946
Borrowing Costs	29 803	30 042	28 844	27 879
Cost of Goods Sold	71 903	74 956	77 565	80 652
Grants and Purchased Services	10 882	2 673	2 716	2 752
Other Expenses	25 063	24 473	24 453	24 886
Transfer Expenses	18 733	18 908	19 085	19 265
Total Ordinary Expenses	377 381	376 427	384 530	390 208
Operating Result From Ordinary Activities	74 520	76 335	69 189	76 537
Extraordinary Revenue	0	0	0	0
Income Tax Equivalent	13 788	14 199	13 410	14 526
Operating Result	60 732	62 136	55 779	62 011

2004-05 Pre-Election Budget Update

Public Trading Enterprise Sector Statement of Financial Position

	2004-05 Revised 30/06/2005 \$'000	2005-06 Revised 30/06/2006 \$'000	2006-07 Revised 30/06/2007 \$'000	2007-08 Revised 30/06/2008 \$'000
Current Assets				
Cash	22 123	21 706	22 994	25 028
Receivables	39 968	30 310	21 551	14 730
Investments	54 091	38 823	42 199	48 662
Inventories	114	117	121	124
Other	10 186	10 196	10 203	10 219
Total Current Assets	126 482	101 152	97 068	98 763
Non Current Assets				
Receivables	35 460	35 460	35 460	35 460
Investments	369 132	370 832	374 112	374 992
Property, Plant and Equipment	3 989 344	4 130 231	4 255 695	4 387 063
Intangibles	698	373	48	0
Capital Works in Progress	62 182	62 182	62 182	62 182
Tax Assets	13 560	13 560	13 560	13 560
Other	43 160	42 659	42 157	42 296
Total Non Current Assets	4 513 536	4 655 297	4 783 214	4 915 553
TOTAL ASSETS	4 640 019	4 756 450	4 880 283	5 014 317
Current Liabilities				
Payables	34 588	34 955	35 025	34 949
Interest Bearing Liabilities	17 899	18 969	19 882	21 368
Finance Leases	599	629	660	128
Employee Benefits	17 473	17 999	18 438	18 875
Other Provisions	22 446	15 195	14 529	15 823
Income Tax Payable	7 623	7 465	7 503	7 468
Other	4 759	4 759	4 758	4 759
Total Current Liabilities	105 388	99 972	100 796	103 371
Non Current Liabilities				
Payables	903	903	903	903
Interest Bearing Liabilities	466 774	449 758	431 830	412 416
Finance Leases	1 505	876	216	88
Employee Benefits	24 588	24 811	24 895	24 982
Other Provisions	835	835	835	835
Non Current Income Tax Payable	9 402	9 191	8 871	8 428
Other	328	244	160	76
Total Non Current Liabilities	504 335	486 618	467 710	447 728

2004-05 Pre-Election Budget Update

	2004-05 Revised 30/06/2005 \$'000	2005-06 Revised 30/06/2006 \$'000	2006-07 Revised 30/06/2007 \$'000	2007-08 Revised 30/06/2008 \$'000
TOTAL LIABILITIES	609 723	586 590	568 506	551 099
NET ASSETS	4 030 296	4 169 860	4 311 777	4 463 218
REPRESENTED BY FUNDS EMPLOYED				
Accumulated Funds	1 894 480	1 915 685	1 932 226	1 950 921
Reserves	2 135 816	2 254 175	2 379 551	2 512 297
TOTAL FUNDS EMPLOYED	4 030 296	4 169 860	4 311 777	4 463 218

Note: results are updated to reflect the interim results for 2003-04 published in the June Quarterly Report

2004-05 Pre-Election Budget Update

Public Trading Enterprise Sector Statement of Cashflow

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Cash from Government for Outputs	29 987	30 307	30 607	30 891
Cash from Government for Outputs (PTE)	0	0	0	0
User Charges	314 901	327 350	338 472	350 497
Interest Received	4 442	3 447	2 166	2 587
Grants Received from the Commonwealth	18 733	18 908	19 085	19 265
Other Revenue	59 610	56 511	56 336	57 664
Extraordinary Receipts	500	500	0	0
Operating Receipts	428 173	437 023	446 666	460 904
Payments				
Related to Employees	83 158	85 391	88 349	90 210
Related to Supplies and Services	95 640	95 494	98 129	98 293
Borrowing Costs	29 791	30 042	28 844	27 879
Grants and Purchased Services	10 882	2 673	2 716	2 752
Other	110 310	114 420	116 693	121 463
Territory Receipts to Government	18 733	18 908	19 085	19 265
Extraordinary Payments	0	0	0	0
Operating Payments	348 514	346 928	353 816	359 862
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	79 659	90 095	92 850	101 042
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds from Sale of Property, Plant & Equipment	65 465	65 249	57 340	58 620
Proceeds from Sale/Maturities of Investments	13 569	569	669	669
Investing Receipts	79 034	65 818	58 009	59 289
Payments				
Purchase of Property, Plant and Equipment	121 616	94 189	72 101	73 826
Purchase of Land and Intangibles	0	0	0	0
Purchase of Investments	258	352	351	351
Investing Payments	121 874	94 541	72 452	74 177

2004-05 Pre-Election Budget Update

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	- 42 840	- 28 723	- 14 443	- 14 888
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Capital Injection from Government	8 945	8 600	5 000	5 000
Borrowings Received	24 798	45	60	60
Receipt of Transferred Cash Balances	0	0	0	0
Finance Lease	0	0	0	0
Financing Receipts	33 743	8 645	5 060	5 060
Payments				
Dividends to Government	77 647	69 638	61 540	64 509
Repayment of Borrowings	14 712	16 096	17 165	18 078
Repayment of Finance Lease	1 008	521	551	582
Financing Payments	93 367	86 255	79 256	83 169
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	- 59 624	- 77 610	- 74 196	- 78 109
NET INCREASE/(DECREASE) IN CASH HELD	- 22 805	- 16 238	4 211	8 045
CASH AT BEGINNING OF REPORTING PERIOD	70 545	47 741	31 503	35 714
CASH AT THE END OF THE REPORTING PERIOD	47 741	31 503	35 714	43 759

2004-05 Pre-Election Budget Update

Total Territory Statement of Financial Performance

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
Revenue				
Taxes Fees and Fines	802 214	831 363	876 311	923 906
User Charges - Non ACT Government	413 193	427 861	439 995	452 948
User Charges - ACT Government	0	0	0	0
Grants from the Commonwealth	1 092 093	1 139 518	1 185 213	1 244 794
Interest	59 602	49 633	42 824	42 907
Revenue of Associates and Joint Ventures	48 561	53 200	53 281	50 380
Other Revenue	312 958	325 720	346 585	382 740
Resources Received free of charge	0	0	0	0
Total Ordinary Revenue	2 728 621	2 827 295	2 944 209	3 097 675
Expenses				
Employee Expenses	966 244	991 789	1 013 785	1 038 319
Superannuation Expenses	270 904	282 556	297 809	315 046
Supplies and Services	654 687	687 868	730 628	773 378
Depreciation and Amortisation	206 143	214 586	218 474	218 416
Borrowing Costs	53 260	52 018	50 293	48 726
Cost of Goods Sold	80 216	99 162	88 846	91 843
Grants and Purchased Services	418 769	417 517	423 201	437 664
Other Expenses	93 412	89 171	98 506	100 980
Expenses of Associates and Joint Ventures	0	0	0	0
Total Ordinary Expenses	2 743 635	2 834 667	2 921 542	3 024 372
Operating Result From Ordinary Activities	- 15 014	- 7 372	22 667	73 303
Extraordinary Expense	102	0	0	0
Operating Result	- 15 116	- 7 372	22 667	73 303

2004-05 Pre-Election Budget Update

Total Territory Statement of Financial Position

	2004-05 Revised 30/06/2005 \$'000	2005-06 Revised 30/06/2006 \$'000	2006-07 Revised 30/06/2007 \$'000	2007-08 Revised 30/06/2008 \$'000
Current Assets				
Cash	72 547	83 092	99 482	112 400
Receivables	159 560	127 890	124 729	121 378
Investments	687 536	531 443	499 977	560 199
Inventories	46 246	15 033	31 619	62 627
Other	32 787	32 778	32 679	32 766
Total Current Assets	998 676	790 236	788 486	889 370
Non Current Assets				
Receivables	86 514	84 118	82 033	80 169
Investments	1 976 693	2 166 638	2 368 988	2 594 409
Property, Plant and Equipment	9 941 284	10 304 184	10 581 197	10 714 394
Intangibles	27 418	20 661	15 208	11 256
Capital Works in Progress	163 343	162 529	70 494	62 294
Other	43 160	42 659	42 157	42 296
Total Non Current Assets	12 238 412	12 780 789	13 160 077	13 504 818
TOTAL ASSETS	13 237 088	13 571 025	13 948 563	14 394 188
Current Liabilities				
Payables	141 016	143 621	145 984	148 124
Interest Bearing Liabilities	33 814	35 566	36 888	38 980
Finance Leases	36 478	36 710	36 674	34 231
Employee Benefits	205 533	216 441	225 679	236 295
Other Provisions	20 450	13 743	13 441	14 248
Other	36 293	36 081	35 737	35 619
Total Current Liabilities	473 583	482 161	494 402	507 496
Non Current Liabilities				
Payables	61 014	65 671	72 279	80 182
Interest Bearing Liabilities	788 003	764 869	740 546	713 950
Finance Leases	48 394	48 858	44 457	42 097
Employee Benefits	2 386 340	2 596 709	2 814 063	3 039 582
Other Provisions	5 720	5 820	5 920	6 020
Other	327	243	159	75
Total Non Current Liabilities	3 289 799	3 482 171	3 677 425	3 881 907
TOTAL LIABILITIES	3 763 382	3 964 332	4 171 827	4 389 403

2004-05 Pre-Election Budget Update

	2004-05	2005-06	2006-07	2007-08
	Revised	Revised	Revised	Revised
	30/06/2005	30/06/2006	30/06/2007	30/06/2008
	\$'000	\$'000	\$'000	\$'000
NET ASSETS	9 473 706	9 606 693	9 776 736	10 004 785
REPRESENTED BY FUNDS EMPLOYED				
Accumulated Funds	6 623 435	6 638 063	6 682 730	6 778 033
Reserves	2 850 271	2 968 630	3 094 006	3 226 752
TOTAL FUNDS EMPLOYED	9 473 706	9 606 693	9 776 736	10 004 785

Note: results are updated to reflect the interim results for 2003-04 published in the June Quarterly Report

2004-05 Pre-Election Budget Update

Total Territory Statement of Cashflow

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Taxes, Fees and Fines	803 552	832 647	877 574	925 015
User Charges	419 317	434 044	446 205	459 359
Interest Received	58 610	48 937	42 181	42 241
Grants Received from the Commonwealth	1 101 118	1 149 149	1 195 490	1 255 772
Other Revenue	412 267	409 725	407 847	412 116
Extraordinary Receipts	0	0	0	0
Operating Receipts	2 794 864	2 874 502	2 969 297	3 094 503
Payments				
Related to Employees	1 024 930	1 053 718	1 086 328	1 117 824
Related to Supplies and Services	653 733	684 508	719 971	761 897
Borrowing Costs	52 972	52 017	50 293	48 727
Grants and Purchased Services	423 809	423 190	429 520	444 684
Other	384 855	371 059	385 355	396 375
Extraordinary Payments	102	0	0	0
Operating Payments	2 540 401	2 584 492	2 671 467	2 769 507
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	254 463	290 010	297 830	324 996
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds from Sale of Property, Plant & Equipment	70 104	65 349	57 462	58 720
Proceeds from Sale/Maturities of Investments	17 797	9 842	10 817	7 317
Repayment of Home Loan Principal	2 852	2 531	2 248	2 001
Investing Receipts	90 753	77 722	70 527	68 038
Payments				
Purchase of Property, Plant and Equipment	414 414	373 490	244 201	187 624
Purchase of Land and Intangibles	6 427	77	77	77
Purchase of Investments	110 647	99 288	91 131	85 900
Investing Payments	531 488	472 855	335 409	273 601

2004-05 Pre-Election Budget Update

	2004-05 Revised Forecast \$'000	2005-06 Revised Estimate \$'000	2006-07 Revised Estimate \$'000	2007-08 Revised Estimate \$'000
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	- 440 735	- 395 133	- 264 882	- 205 563
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowings Received	16 413	272	234	180
Finance Lease	29 920	29 920	29 920	29 920
Financing Receipts	46 333	30 192	30 154	30 100
Payments				
Repayment of Borrowings	11 172	21 652	23 272	24 770
Repayment of Finance Lease	47 439	46 696	45 535	45 749
Financing Payments	58 611	68 348	68 807	70 519
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	- 12 278	- 38 156	- 38 653	- 40 419
NET INCREASE/(DECREASE) IN CASH HELD	- 198 550	- 143 279	- 5 705	79 014
CASH AT BEGINNING OF REPORTING PERIOD	948 704	750 153	606 874	601 169
CASH AT THE END OF THE REPORTING PERIOD	750 153	606 874	601 169	680 183

Attachment C: Guarantees and Contingent Liabilities

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.

Australian Capital Tourism Corporation

Pursuant to an agreement with the National Capital Authority regarding the use of Commonwealth Park for the 2004 Floriade event, the corporation has given a guarantee to meet the cost of repair of any damage to the park that may be caused by contractors engaged by the Corporation to perform work at the site.

ACTEW

ACTEW Corporation Ltd has underwritten a \$25m (\$25m at 30 June 2003) standby debt facility for TransACT Communications.

Totalcare Industries Limited

The company has provided a number of bank guarantees in past years, these have now all be extinguished (\$1.095m at 30 June 2003).

Land Development Agency

Guarantee for Gold Creek Country Club Pty Ltd, this is a guarantee by the Treasurer under Section 47 of the Financial Management Act 1996 'to give a guarantee for the payment of money or the performance of an obligation in accordance with this Act'. The ACT Government guarantees the operations of Gold Creek Country Club Pty Ltd.

The Agency has undertaken to construct major infrastructure works on its Kingston project in future years at an estimated cost of approximately \$30m. The construction of these works is required to achieve the paramount objectives of the development described in Variation to the Territory Plan No 113. This undertaking has not been reflected in the financial statements as no relevant development applications have been approved and consequently no contractual commitments have been entered into as at balance date.

Contingent Liabilities

Contingent liabilities are possible liabilities that arise from past events, and can only be confirmed by the incidence or non-occurrence of uncertain future events, which are not within the control of the entity.

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 there has been no provision.

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.

Central Financing Unit

The ACT Fleet Financing Facility includes a 'Residual Management Reserve Account' which is currently in deficit. The balance of this account at 30 June 2004 is \$4.598m (\$2.944m at 30 June 2004) and reflects mainly the excess of agreed residual values over net sale proceeds. Liabilities for this amount only exist should the facility be terminated prior to the completion of the agreed commitment term.

ACTEW

There are a number of public liability claims pending which cannot be measured reliably. Should these claims be successful the Corporation estimates the liability will not be significant. There are also a couple of pending actions against the Corporation. Should these actions be successful, the Corporation estimates the liability will not be significant.

Department of Treasury

The Department has contingent liabilities in relation to appeals and objections primarily related to payroll tax and stamp duties.

Chief Minister's Department

The Department estimates the total amounts of claims for Non ACT Business Incentive Fund (ACTBIF) waiver to be approximately \$24.1m. The amount is contributed from two agreements. The Department has entered into agreement with Canberra Raiders and ACT Brumbies to provide payroll tax exemption in return of

certain level of sport activities to be performed by the organisations. The Department has also entered into agreement with National ICT Australia Limited to provide cash grant and payroll tax waiver to this organisation for five years until 2007 for the establishment of an ACT node of the National ICT Australia Centre of Excellence.

Department of Justice and Community Safety

The Department has 33 contingent liabilities in respect of criminal injuries compensation and damages cases, with an assessed value of \$1.101m (28 claims, of \$1.337m, at 30 June 2003).

Canberra Institute of Technology

The estimated liability for known damages and injuries is \$0.260m (\$0.178m at 30 June 2003).

Department of Education and Training

The estimated liability for known personal injury litigation cases not settled is \$2.899m (\$2.750m at 30 June 2003).

Department of Urban Services

The Department has claims with a potential liability of up to \$15.635m as advised by the ACT Government Solicitor (\$10.394m, at 30 June 2003). Estimated insurance claims, in relation to costs resulting from the January 2003 bushfires 2004 is \$1.720m.

ACT Workers' Compensation Supplementation Fund

The Fund has a number of claims pending as at 30 June 2004 where the likelihood of a case proceeding to a hearing was significant, with a total of \$0.668m (\$0.390m at 30 June 2003).

Land Development Agency

An organisation has a claim against the Agency relating to documentation provided in the sale of one of its estates, which the Agency is actively defending. A claim for injury has been brought against Gold Creek Country Club Pty Ltd, which the Agency is actively defending. The sum total of exposure for the above claims is estimated to not exceed \$0.150m.

The Agency 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 for sale. The decision for the Territory to fund such remediation work stems from the difficulty of quantifying the costs of such work and the resultant impact this would have on auction bids. The Territory has chosen to remain liable for such unquantified costs in order to maximise bids for the sale of land.

ACTION Authority

The Authority has contingent liabilities relating to third party accident claims prior to the formation of the ACT Insurance Authority. There are 10 long-term claims and liability has not been admitted by the ACTION Authority at this stage. The total value of these claims as assessed by the Government Solicitor's Office is \$1.040m (\$1.192m, at 30 June 2003).

ACT Health

ACT Health is currently defending 137 actions (last year 210 actions). These actions have an estimated maximum liability of \$59.311m (\$24.663m, at 30 June 2003).

Office for Children, Youth and Family Support

The estimated liability for known litigation cases not settled as at 30 June 2004 is \$0.303m.

ACT Housing

Contingent liabilities for public liability claims arising from operations expected to settle over the next 12 to 18 months have been assessed by the Government Solicitor's Office to be \$0.760m (\$0.896m, at 30 June 2003).

Department of Disability, Housing and Community Services

The contingent liabilities reflect several individual contingent claims against the Department where the final financial ramifications are unclear pending legal settlement. The ACT Government Solicitor's Office had estimated the contingent claims for 2004 as \$1.001m (\$0.151, at 30 June 2003).