

TERRITORY BANKING ACCOUNT

Purpose

Treasury provides services to the Government including financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination and implementation of investment and borrowing activities. This includes the effective management of capital market functions through the maximisation of returns on investments, within relevant risk tolerances, to achieve competitive borrowing rates commensurate with the Territory's credit rating and to develop effective financial risk management strategies.

Treasury, through the Territory Banking Account (TBA), recognises and manages the general government's investment assets and debt liabilities. Revenues on behalf of the Territory are transferred to the TBA and fortnightly appropriation disbursements are made to agencies from the TBA.

2012-13 Priorities

Strategic and operational issues to be pursued in 2012-13 include:

- managing Territory borrowings and associated risks; and
- managing, monitoring and reviewing, as necessary, the TBA investment portfolio in accordance with the established investment policies.

Estimated Employment Level

Functions of the TBA are performed by officers from the Treasury Directorate, and are included in Treasury's FTE.

Strategic Objectives and Indicators

Strategic Objective 1

Effective Management of Investment and Borrowing Activities

Strategic Indicator 1: Investment Returns Meeting or Exceeding Benchmark

The investment performance is measured against a standard market benchmark. The conservative policy for general government investments is such that returns equal to or marginally in excess of the benchmark are expected.

Strategic Indicator 2: Borrowing Portfolio in Line with Benchmark

General government borrowings are managed to minimise excess interest rate and market risk. The strategy for managing the general government debt portfolio is to strike an appropriate balance between the risks associated with debt that has a floating (variable) interest rate and is therefore exposed to volatility in market interest rates and the costs associated with a fixed rate of interest.

The strategic indicator for the management of the debt portfolio is a target in the order of 30 per cent of the general government debt portfolio is exposed to floating (variable) interest rates.

Output Class

	Total Cost		Payment for Expenses on Behalf of the Territory	
	2011-12	2012-13	2011-12	2012-13
	Est. Outcome \$'000	Budget \$'000	Est. Outcome \$'000	Budget \$'000
EBT 1				
Territory Banking Account	4,025,605	4,332,154	17,848	33,261
Output EBT 1.1 Territory Banking Account	4,025,605	4,332,154	17,848	17,849

Description

This output includes the management of the investment and borrowing activities.

The key outputs to be delivered in 2012-13 include:

- managing and reporting on the investment assets and borrowing liabilities of the Territory Banking Account;
- raising new Territory borrowings as required; and
- cash flow management, bank reconciliations and associated accounting and financial reporting functions.

Accountability Indicators

	2011-12 Targets	2011-12 Est. Outcome	2012-13 Targets
EBT 1: Territory Banking Account			
Output EBT 1.1: Territory Banking Account			
a. Difference between the net investment earnings rate and the benchmark is to be ≥ 0 ¹	≥ 0	0.09	≥ 0
b. Exposure of debt portfolio to floating interest rates ²	< 30%	26%	< 30%

Notes:

1. The difference between the actual annual portfolio investment earnings rate and the established benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
2. This indicator reflects the amount of floating rate debt in the portfolio which will determine the degree to which changes in interest rates will impact on budgeted interest costs. The targeted floating versus fixed exposure ratio is considered to meet a general objective of stability in budgeted interest costs, but also provides some flexibility to strategically manage the debt portfolio in response to changes in economic conditions and other financial objectives.

Changes to Appropriation

Changes to Appropriation - Territorial

	2011-12	2012-13	2013-14	2014-15	2015-16
Payment for Expenses on Behalf of Territory	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2011-12 Budget	17,848	37,767	49,300	48,721	48,721
Borrowing Costs	-	(4,506)	3,191	7,906	(6,961)
2012-13 Budget	17,848	33,261	52,491	56,627	41,760

Changes to Appropriation - Territorial

	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Injections	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2011-12 Budget	214	214	214	214	214
2012-13 Budget	214	214	214	214	214

**Territory Banking Account
Statement of Income and Expenses on Behalf of the Territory**

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
Income							
Revenue							
17,848	Payment for Expenses on behalf of Territory	17,849	33,261	86	52,491	56,626	41,760
123,549	Interest	132,559	106,393	-20	104,940	111,010	115,797
139,537	Other Revenue	159,702	138,828	-13	134,209	128,697	119,665
3,594,485	Transfer Revenue	3,386,950	3,207,167	-5	3,586,488	3,747,811	3,978,472
3,875,419	Total Revenue	3,697,060	3,485,649	-6	3,878,128	4,044,144	4,255,694
3,875,419	Total Income	3,697,060	3,485,649	-6	3,878,128	4,044,144	4,255,694
Expenses							
122,991	Borrowing Costs	124,473	131,772	6	152,074	163,180	153,270
814	Other Expenses	13,395	1,326	-90	872	522	522
4,180,760	Transfer Expenses	3,887,737	4,199,056	8	3,922,087	3,757,568	3,693,421
4,304,565	Total Ordinary Expenses	4,025,605	4,332,154	8	4,075,033	3,921,270	3,847,213
-429,146	Operating Result	-328,545	-846,505	-158	-196,905	122,874	408,481
-3	Inc/Dec in Asset Revaluation Reserve Surpluses	-982	571	158	1,931	0	0
-3	Total Other Comprehensive Income	-982	571	158	1,931	0	0
-429,149	Total Comprehensive Income	-329,527	-845,934	-157	-194,974	122,874	408,481

Territory Banking Account
Statement of Assets and Liabilities on Behalf of the Territory

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
Current Assets							
1	Cash and Cash Equivalents	0	0	-	0	0	0
381,087	Receivables	263,391	255,714	-3	309,298	333,869	360,584
454,754	Investments	943,471	466,177	-51	505,365	648,452	694,426
3,180	Other Current Assets	0	0	-	0	0	0
839,022	Total Current Assets	1,206,862	721,891	-40	814,663	982,321	1,055,010
Non Current Assets							
1,404,068	Receivables	1,433,617	1,426,998	..	1,427,022	1,480,232	1,525,965
156,085	Investments	165,373	160,779	-3	154,089	147,016	142,264
1,560,153	Total Non Current Assets	1,598,990	1,587,777	-1	1,581,111	1,627,248	1,668,229
2,399,175	TOTAL ASSETS	2,805,852	2,309,668	-18	2,395,774	2,609,569	2,723,239
Current Liabilities							
7,399	Payables	12,030	12,030	-	12,030	12,030	12,030
602,498	Interest-Bearing Liabilities	863,353	673,217	-22	714,168	859,594	896,752
609,897	Total Current Liabilities	875,383	685,247	-22	726,198	871,624	908,782
Non Current Liabilities							
1,819,362	Interest-Bearing Liabilities	1,867,737	2,402,953	29	2,636,379	2,572,726	2,234,051
1,515	Other	2,431	1,860	-23	0	0	0
1,820,877	Total Non Current Liabilities	1,870,168	2,404,813	29	2,636,379	2,572,726	2,234,051
2,430,774	TOTAL LIABILITIES	2,745,551	3,090,060	13	3,362,577	3,444,350	3,142,833
-31,599	NET ASSETS	60,301	-780,392	#	-966,803	-834,781	-419,594
REPRESENTED BY FUNDS EMPLOYED							
-30,009	Accumulated Funds	62,803	-778,461	#	-966,803	-834,781	-419,594
-1,590	Reserves	-2,502	-1,931	23	0	0	0
-31,599	TOTAL FUNDS EMPLOYED	60,301	-780,392	#	-966,803	-834,781	-419,594

Territory Banking Account
Statement of Changes in Equity on Behalf of the Territory

Budget as at 30/6/12 \$'000		Est. Outcome as at 30/6/12 \$'000	Planned as at 30/6/13 \$'000	Var %	Planned as at 30/6/14 \$'000	Planned as at 30/6/15 \$'000	Planned as at 30/6/16 \$'000
Opening Equity							
386,636	Opening Accumulated Funds	378,459	62,803	-83	-778,461	-966,803	-834,781
3	Opening Asset Revaluation Reserve	0	0	-	0	0	0
-1,587	Opening Other Reserve	-1,520	-2,502	-65	-1,931	0	0
385,052	Balance at the Start of the Reporting Period	376,939	60,301	-84	-780,392	-966,803	-834,781
Comprehensive Income							
-429,146	Operating Result for the Period	-328,545	-846,505	-158	-196,905	122,874	408,481
-3	Inc/Dec in Asset Revaluation Reserve Surpluses	-982	571	158	1,931	0	0
-429,149	Total Comprehensive Income	-329,527	-845,934	-157	-194,974	122,874	408,481
0	Movement in Asset Revaluation Reserve	982	-571	-158	-1,931	0	0
-3	Movement in Other Reserves	-982	571	158	1,931	0	0
-3	Total Movement in Reserves	0	0	-	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
214	Capital Injections	214	214	-	214	214	214
12,284	Capital Distributions to Government	12,675	5,027	-60	8,349	8,934	6,492
12,498	Total Transactions Involving Owners Affecting Accumulated Funds	12,889	5,241	-59	8,563	9,148	6,706
Closing Equity							
-30,009	Closing Accumulated Funds	62,803	-778,461	#	-966,803	-834,781	-419,594
-1,590	Closing Other Reserve	-2,502	-1,931	23	0	0	0
-31,599	Balance at the End of the Reporting Period	60,301	-780,392	#	-966,803	-834,781	-419,594

**Territory Banking Account
Statement of Cash Flows on Behalf of the Territory**

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
17,848	Cash from Government for EBT	17,848	33,261	86	52,491	56,627	41,760
117,221	Interest Received	123,981	102,003	-18	98,201	103,750	108,500
138,576	Other Receipts	146,618	136,598	-7	131,681	125,638	115,973
3,547,341	Territory Receipts Transferred from Agencies	3,394,375	3,233,068	-5	3,553,221	3,745,980	3,977,120
3,820,986	Operating Receipts	3,682,822	3,504,930	-5	3,835,594	4,031,995	4,243,353
Payments							
116,698	Borrowing Costs	117,547	127,396	8	145,324	155,920	145,943
53,575	Payments to PTE Agencies for Outputs	53,726	52,882	-2	51,824	52,552	53,002
2,477,667	Payments to GGS Agencies for Outputs	2,476,618	2,466,239	..	2,410,299	2,452,026	2,484,445
506,118	Payments to Agencies for EBT	485,472	539,665	11	617,369	693,829	732,016
450	Other	498	916	84	461	111	111
3,154,508	Operating Payments	3,133,861	3,187,098	2	3,225,277	3,354,438	3,415,517
666,478	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	548,961	317,832	-42	610,317	677,557	827,836
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
385,935	Proceeds from Sale/Maturity of Investments	92,840	481,889	419	0	0	0
87,836	Repayment of Advance	87,215	18,005	-79	18,769	20,359	22,375
1,739	Other	19,135	0	-100	32,493	136,456	30,370
12,136	Capital Distributions from Government Agencies	12,675	5,027	-60	8,349	8,934	6,492
487,646	Investing Receipts	211,865	504,921	138	59,611	165,749	59,237
Payments							
0	Purchase of Investments	0	0	-	32,498	136,013	61,224
230,350	Advances Issued to Government Agencies	259,329	3,946	-98	10,108	65,108	60,108
1,156,607	Capital Payments to Government Agencies	886,482	1,155,927	30	859,172	577,267	443,926
209,099	Repayment of Investments to Agencies	25,428	195,383	668	0	0	0
1,596,056	Investing Payments	1,171,239	1,355,256	16	901,778	778,388	565,258
-1,108,410	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-959,374	-850,335	11	-842,167	-612,639	-506,021
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
214	Capital Injections from Government	214	214	-	214	214	214

Territory Banking Account
Statement of Cash Flows on Behalf of the Territory

2011-12 Budget \$'000		2011-12 Est. Outcome \$'000	2012-13 Budget \$'000	Var %	2013-14 Estimate \$'000	2014-15 Estimate \$'000	2015-16 Estimate \$'000
442,274	Borrowings Received	472,489	532,843	13	232,190	0	0
442,488	Financing Receipts	472,703	533,057	13	232,404	214	214
	Payments						
554	Repayment of Borrowings	554	554	-	554	65,132	322,029
554	Financing Payments	554	554	-	554	65,132	322,029
441,934	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	472,149	532,503	13	231,850	-64,918	-321,815
2	NET INCREASE / (DECREASE) IN CASH HELD	61,736	0	-100	0	0	0
-1	CASH AT THE BEGINNING OF REPORTING PERIOD	-61,736	0	100	0	0	0
1	CASH AT THE END OF REPORTING PERIOD	0	0	-	0	0	0

Notes to the Budget Statements

Many of the variations within the TBA budget statements are driven by agency activity during and between financial years. Significant variations are as follows:

Statement of Income and Expenses on Behalf of the Territory

- payment for expenses on behalf of the Territory: represents the appropriation paid to meet the debt servicing expenses incurred on general government borrowings:
 - the actual debt servicing interest costs are directly influenced by prevailing market interest rates and the level of outstanding borrowings; and
 - variances reflect the difference between budgeted interest rates and actual interest rates and the timing and amount of new borrowing transactions.
- interest: represents investment interest returns received from banks and investment managers and interest paid by agencies for loans provided from the TBA:
 - the net increase of \$9.010 million in the 2011-12 estimated outcome from the original budget is mainly due to higher levels of investment balances held during the year offset by lower loan interest from ACTEW Corporation (ACTEW) due to the timing of the 2011-12 borrowings; and
 - the net decrease of \$26.166 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to an expected decrease in investment earnings due to a lower level of funds to be held on investments during the year, offset by an increase in loan interest from ACTEW from the new 2011-12 borrowings.
- other revenue: represents market gains from investments, revised notional superannuation contributions from agencies and other once off revenues:
 - the increase of \$20.165 million in the 2011-12 estimated outcome from the original budget is due to capital gains from investments and revised superannuation parameters. The 2011-12 budget and estimated outcome also includes the repayment of the balance of loan monies from the Default Insurance Fund provided in relation to the collapse of HIH Insurance in 2001 (\$13.7 million); and
 - the decrease of \$20.874 million in the 2012-13 Budget from the 2011-12 estimated outcome is mainly due to a return to normal investment returns for the investment portfolio with no capital gains estimated, revised superannuation parameters and no other once-off revenue items.
- transfer revenue: represents the transfer from agencies of revenue received on behalf of the Territory and includes taxes, fees, fines and grants. Variances are driven by agency activity.
- borrowing costs: represents interest payments made in respect of borrowings for the general government sector and ACTEW, and investment interest payments to agencies:
 - the net increase of \$1.482 million in the 2011-12 estimated outcome from the original budget is mainly due to higher payments of investment interest to agencies due to higher than expected investment returns and higher investment balances, offset by lower borrowing interest costs due to the timing of the general government and ACTEW borrowings; and

- the net increase of \$7.299 million in the 2012-13 Budget from the 2011-12 estimated outcome is mainly due to increased interest payments for general government and ACTEW borrowings, offset by lower payments of investment interest to agencies due to lower balances of funds under investment and lower expected investment returns than 2011-12.
- other expenses: represents investment and borrowing fees and unrealised investment capital losses:
 - the increase of \$12.581 million in the 2011-12 estimated outcome from the original budget is due to unrealised investment capital losses and higher investment management fees as a result of higher balances of invested funds; and
 - the decrease of \$12.069 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to a return to normal investment returns for the investment portfolio with no capital losses estimated.
- transfer expenses: represents the transfer of appropriated funds to agencies for outputs, expenditure on behalf of the Territory and capital injections. Variances are driven by agency activity.

Statement of Assets and Liabilities on Behalf of the Territory

- current and non current receivables:
 - the net decrease of \$88.147 million in the 2011-12 estimated outcome from the original budget is mainly due to a decrease in accrued revenue receivable from general government sector agencies in relation to transfer revenues, offset by an increase in loans receivable from ACTEW; and
 - the net decrease of \$14.296 million in the 2012-13 Budget from the 2011-12 estimated outcome is mainly due to a decrease in accrued revenue receivable from the general government sector agencies in relation to transfer revenues, and a decrease in loans receivable from ACTEW due to scheduled loan repayments, offset by an increase in trade receivables from general government sector agencies.
- current and non current investments:
 - the increase of \$498.005 million in the 2011-12 estimated outcome from the original budget is due to higher than expected balance of funds under investment at the end of the financial year mainly in relation to the TBA balance and the cash investments of the Superannuation Provision Account (SPA) which are invested through the TBA; and
 - the decrease of \$481.888 million in the 2012-13 Budget from the 2011-12 estimated outcome is due to a reduction in the cash investments of the SPA as they are reallocated to other asset classes and a reduction in the cash investments of the TBA as a result of the net cash flow requirements.

- current and non current interest bearing liabilities: comprises agencies' investment deposits with the TBA and external market borrowings.
 - the 2011-12 estimated outcome comprises \$1,910.905 million external borrowings (\$1,870.687 million original budget) and \$820.185 million agency investments (\$551.173 million original budget). The increase of \$309.230 million in the 2011-12 estimated outcome from the original budget comprises: an increase of \$40.218 million for external borrowings mainly due to higher ACTEW borrowings; and an increase of \$269.012 million higher agency investment deposits is due to higher than expected balance of funds under investment at the end of the financial year mainly in relation to the SPA and other agency investments.
 - the 2012-13 Budget comprises \$2,451.368 million external borrowings and \$624.802 million agency investments. The net increase of \$345.080 million in the 2012-13 Budget from the 2011-12 estimated outcome comprises: an increase of \$540.463 million for external borrowings mainly due to new general government sector borrowings; and a decrease of \$195.383 million mainly due to a reduction in cash investments of the SPA as they are transferred to other investment asset classes and other agencies investment expectations.
- other non current liabilities: represents the fair value of the interest rate swap transacted to manage the interest rate and duration of the general government component of the borrowing portfolio.

Statement of Changes in Equity on Behalf of the Territory

Variations in the statement are explained in the notes above.

Statement of Cash Flows on Behalf of the Territory

Variations in the statement are explained in the notes above.

