

TERRITORY BANKING ACCOUNT

Purpose

The Chief Minister and Treasury Directorate (CMTD) 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 cash management, investment and borrowing activities.

CMTD, 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.

2013-14 Priorities

Strategic and operational issues to be pursued in 2013-14 include:

- managing Territory borrowings and associated risks;
- managing, monitoring and reviewing, as necessary, the TBA investment portfolio in accordance with the established investment policies; and
- procuring required external services including investment asset custody, investment management and investment advice.

Estimated Employment Level

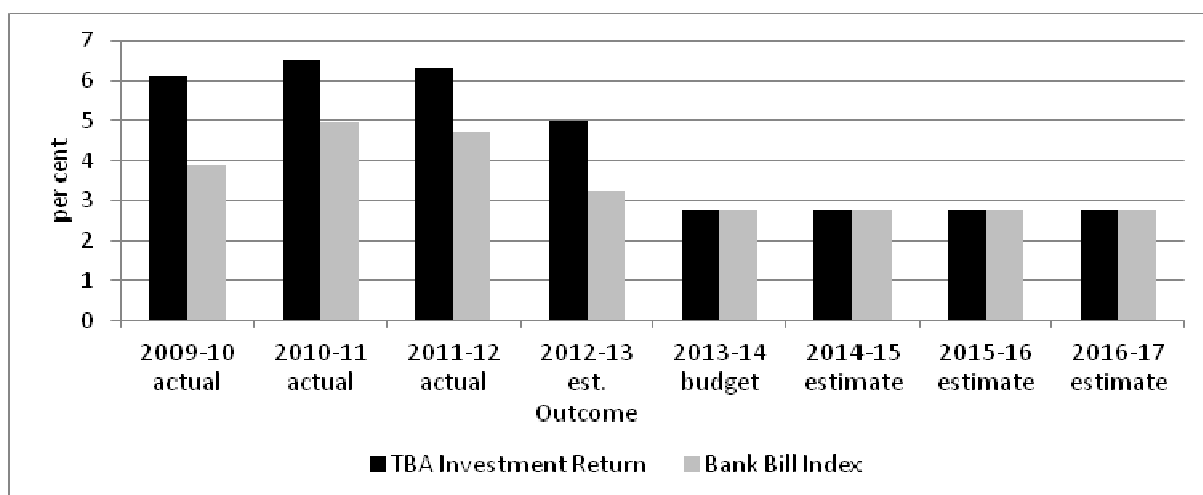
Functions of the TBA are performed by officers from CMTD and those employees are included in CMTD's FTE levels.

Strategic Objectives and Indicators

Strategic Objective 1

Achievement of Investment Return Objective

Strategic Indicator 1: To Achieve an Annual Investment Return (net of fees) Equal to or Greater than the UBSA Bank Bill Index¹



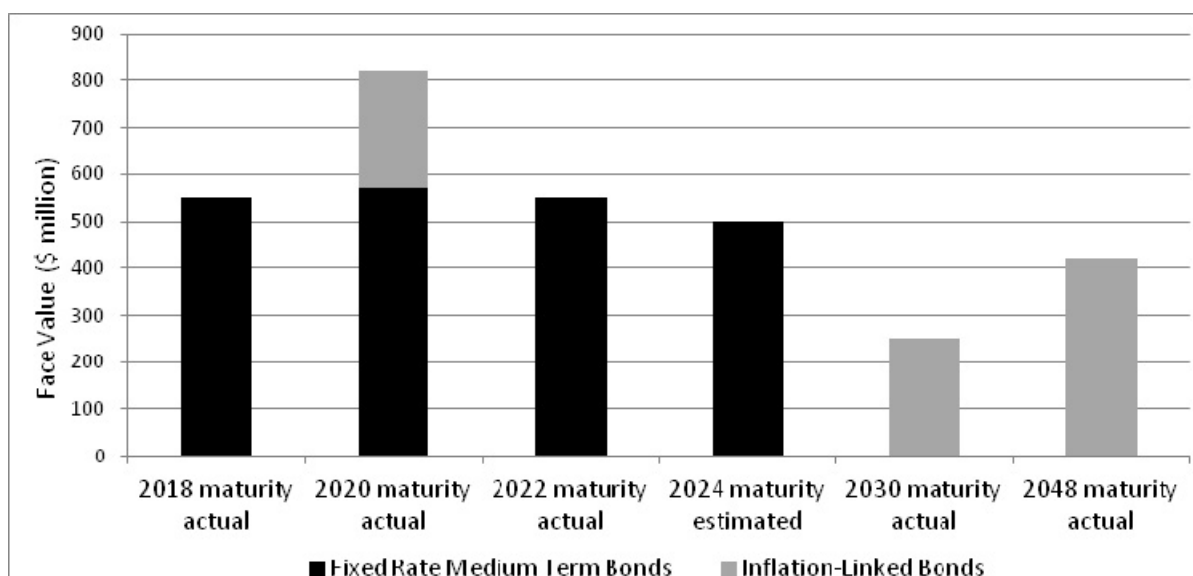
Note:

1. The investment return objective for the TBA investment portfolio is to achieve a return on a net of fee basis equivalent to, or greater than the UBSA Bank Bill Index. This objective is targeted by limiting the investment portfolio to defensive, income producing, minimal volatility assets ranging from cash to domestic fixed interest with no requirement for high return-seeking investments.

Strategic Objective 2

Implement a Borrowing Program that Facilitates Access to Debt Funding in Domestic Capital Markets

Strategic Indicator 2: To Establish Select Debt Maturity Bond Lines¹



Note:

- The establishment of select bond lines is an important feature of the borrowing strategy. Select bond lines with volume around \$500 million, with varying maturities, increases the liquidity and appeal of Territory bonds to investors as well as mitigating refinancing risk to the Territory. Varying maturities also provide relative pricing guidance (comparative cost of funds to peers) to investors.

Output Classes

	Total Cost		Payment for Expenses on Behalf of the Territory	
	2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	2012-13 Est. Outcome \$'000	2013-14 Budget \$'000
EBT 1:				
Territory Banking Account	4,323,780	4,394,783	33,261	66,620
Output EBT 1.1 Territory Banking Account	4,323,780	4,394,783	33,261	66,620

Description

This output includes the management of the ACT's investment and borrowing activities.

The key outputs to be delivered in 2013-14 include:

- managing and reporting on the investment assets and borrowing liabilities of the TBA;
- raising new Territory borrowings as required;
- cash flow and liquidity management, and settlement of all financial obligations; and
- managing and reporting on the financial operations of the TBA.

Accountability Indicators

	2012-13 Targets	2012-13 Est. Outcome	2013-14 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	1.8	≥ 0
b. Cash and Liquidity management of the Territory Banking Account ^{2,3}	n/a	n/a	100%
c. Completion of new Territory Borrowings ^{2,4}	n/a	n/a	100%
d. Completion of Debt Servicing Obligations ^{2,5}	n/a	n/a	100%
e. Completion of Budget Appropriation Disbursements ^{2,6}	n/a	n/a	100%
f. Completion and delivery of Monthly Financial Reporting ^{2,7}	n/a	n/a	11
g. Completion and delivery of unqualified Annual Financial Statements ^{2,8}	n/a	n/a	1
h. Exposure of debt portfolio to floating interest rates ⁹	< 30%	10%	n/a

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. New indicators.
3. Maintaining a positive aggregate cash and investment balance of the TBA to meet ongoing cash payment obligations. For performance measurement purposes, the actual daily aggregate cash and investment balance of the TBA will be counted as the result. If the aggregate cash and investment balance is not positive at the end of a day, this will not be counted in the result.
4. Raising all new Territory borrowing requirements in accordance with approved borrowing limits and guidelines. The measure will be the actual number of conforming borrowing transactions compared to the total borrowing transactions completed.
5. The payment of Territory debt serving interest and principal repayment obligations to be completed accurately and within required timeframes. The measure will be the actual number of conforming debt servicing settlement transactions compared with the total number of debt servicing settlement transactions completed.
6. The payment of budget appropriation disbursement payments to agencies to be completed accurately and within required timeframes. The measure will be the actual number of conforming disbursement payments compared with the total number of disbursement transactions completed.
7. Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to Finance and Budget Division, CMTD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to Finance and Budget Division by business day nine of the next month.
8. Involves the preparation of the annual financial statements for auditing and inclusion in the CMTD annual report. The objective is to receive an unqualified audit opinion during the year.
9. Discontinued indicator replaced with improved performance monitoring indicators.

Changes to Appropriation

Changes to Appropriation – Territorial

	2012-13	2013-14	2014-15	2015-16	2016-17
Payment for Expenses on Behalf of Territory	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2012-13 Budget	33,261	52,491	56,627	41,760	41,760
Borrowing Costs	-	14,129	23,956	39,955	32,301
2013-14 Budget	33,261	66,620	80,583	81,715	74,061

Changes to Appropriation – Territorial

	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Injections	Est. Out.	Budget	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
2012-13 Budget	214	214	214	214	214
2013-14 Budget	214	214	214	214	214

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

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
Income							
Revenue							
33,261	Payment for Expenses on behalf of Territory	33,261	66,620	100	80,583	81,715	74,061
106,393	Interest	128,636	107,377	-17	111,531	117,036	118,834
138,828	Other Revenue	153,038	133,078	-13	125,211	120,868	112,621
3,207,167	Transfer Revenue	3,317,333	3,470,998	5	3,609,276	3,853,540	3,998,756
3,485,649	Total Revenue	3,632,268	3,778,073	4	3,926,601	4,173,159	4,304,272
3,485,649	Total Income	3,632,268	3,778,073	4	3,926,601	4,173,159	4,304,272
Expenses							
131,772	Borrowing Costs	147,757	164,748	11	182,302	189,333	186,509
1,326	Other Expenses	6,972	1,090	-84	1,249	655	513
4,199,056	Transfer Expenses	4,169,051	4,228,945	1	3,991,754	3,809,688	3,896,436
4,332,154	Total Ordinary Expenses	4,323,780	4,394,783	2	4,175,305	3,999,676	4,083,458
-846,505	Operating Result	-691,512	-616,710	11	-248,704	173,483	220,814
Other Comprehensive Income							
<i>Items that will not be reclassified subsequently to profit or loss</i>							
571	Inc/Dec in Asset Revaluation Reserve Surpluses	1,055	1,918	82	0	0	0
571	Total Other Comprehensive Income	1,055	1,918	82	0	0	0
-845,934	Total Comprehensive Income	-690,457	-614,792	11	-248,704	173,483	220,814

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

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Current Assets							
255,714	Receivables	373,350	431,767	16	425,785	422,580	715,826
466,177	Investments	861,499	523,723	-39	608,302	603,769	686,283
721,891	Total Current Assets	1,234,849	955,490	-23	1,034,087	1,026,349	1,402,109
Non Current Assets							
1,426,998	Receivables	1,506,216	1,578,023	5	1,652,585	1,759,373	1,541,815
160,779	Investments	172,719	165,380	-4	157,163	151,104	144,975
1,587,777	Total Non Current Assets	1,678,935	1,743,403	4	1,809,748	1,910,477	1,686,790
2,309,668	TOTAL ASSETS	2,913,784	2,698,893	-7	2,843,835	2,936,826	3,088,899
Current Liabilities							
12,030	Payables	14,168	14,608	3	14,666	14,675	14,673
673,217	Interest-Bearing Liabilities	718,890	779,403	8	893,016	699,741	1,193,322
0	Other Liabilities	5,791	5,791	-	5,790	5,791	5,791
685,247	Total Current Liabilities	738,849	799,802	8	913,472	720,207	1,213,786
Non Current Liabilities							
2,402,953	Interest-Bearing Liabilities	2,703,352	3,035,584	12	3,306,412	3,411,997	2,842,474
1,860	Other	1,847	0	-100	0	0	0
2,404,813	Total Non Current Liabilities	2,705,199	3,035,584	12	3,306,412	3,411,997	2,842,474
3,090,060	TOTAL LIABILITIES	3,444,048	3,835,386	11	4,219,884	4,132,204	4,056,260
-780,392	NET ASSETS	-530,264	-1,136,493	-114	-1,376,049	-1,195,378	-967,361
REPRESENTED BY FUNDS EMPLOYED							
-778,461	Accumulated Funds	-528,346	-1,136,493	-115	-1,376,049	-1,195,378	-967,361
-1,931	Reserves	-1,918	0	100	0	0	0
-780,392	TOTAL FUNDS EMPLOYED	-530,264	-1,136,493	-114	-1,376,049	-1,195,378	-967,361

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

Budget as at 30/6/13 \$'000		Est. Outcome as at 30/6/13 \$'000	Budget as at 30/6/14 \$'000	Var %	Estimate as at 30/6/15 \$'000	Estimate as at 30/6/16 \$'000	Estimate as at 30/6/17 \$'000
Opening Equity							
62,803	Opening Accumulated Funds	155,925	-528,346	-439	-1,136,493	-1,376,049	-1,195,378
0	Opening Asset Revaluation Reserve	0	0	-	0	0	0
-2,502	Opening Other Reserve	-2,974	-1,918	35	0	0	0
60,301	Balance at the Start of the Reporting Period	152,951	-530,264	-447	-1,136,493	-1,376,049	-1,195,378
Comprehensive Income							
-846,505	Operating Result for the Period	-691,512	-616,710	11	-248,704	173,483	220,814
571	Inc/Dec in Asset Revaluation Reserve Surpluses	1,055	1,918	82	0	0	0
-845,934	Total Comprehensive Income	-690,457	-614,792	11	-248,704	173,483	220,814
-571	Movement in Asset Revaluation Reserve	-1,055	-1,918	-82	0	0	0
571	Movement in Other Reserves	1,055	1,918	82	0	0	0
0	Total Movement in Reserves	0	0	-	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
214	Capital Injections	214	214	-	214	214	214
5,027	Capital Distributions to Government	7,027	8,349	19	8,934	6,974	6,989
5,241	Total Transactions Involving Owners Affecting Accumulated Funds	7,241	8,563	18	9,148	7,188	7,203
Closing Equity							
-778,461	Closing Accumulated Funds	-528,346	-1,136,493	-115	-1,376,049	-1,195,378	-967,361
-1,931	Closing Other Reserve	-1,918	0	100	0	0	0
-780,392	Balance at the End of the Reporting Period	-530,264	-1,136,493	-114	-1,376,049	-1,195,378	-967,361

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

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
33,261	Cash from Government for EBT	33,261	66,620	100	80,583	81,715	74,061
102,003	Interest Received	127,137	103,785	-18	111,074	116,603	118,433
136,598	Other Receipts	141,087	131,250	-7	122,928	118,370	110,056
3,233,068	Territory Receipts Transferred from Agencies	3,312,093	3,431,495	4	3,640,314	3,880,375	4,030,039
3,504,930	Operating Receipts	3,613,578	3,733,150	3	3,954,899	4,197,063	4,332,589
Payments							
127,396	Borrowing Costs	144,024	164,453	14	182,405	189,354	186,531
52,882	Payments to PTE Agencies for Outputs	53,128	53,690	1	52,627	52,851	53,699
2,466,239	Payments to GGS Agencies for Outputs	2,622,384	2,543,098	-3	2,494,023	2,502,642	2,597,103
539,665	Payments to Agencies for EBT	506,521	589,578	16	671,974	734,289	769,234
916	Other	348	664	91	823	229	85
3,187,098	Operating Payments	3,326,405	3,351,483	1	3,401,852	3,479,365	3,606,652
317,832	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	287,173	381,667	33	553,047	717,698	725,937
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
481,889	Proceeds from Sale/Maturity of Investments	99,767	345,115	246	0	10,594	0
18,005	Repayment of Advance	17,711	19,128	8	20,350	26,120	28,553
0	Other	0	0	-	53,856	39,899	34,398
5,027	Capital Distributions from Government Agencies	7,027	8,349	19	8,934	6,974	6,989
504,921	Investing Receipts	124,505	372,592	199	83,140	83,587	69,940
Payments							
0	Purchase of Investments	0	0	-	76,358	0	76,379
3,946	Advances Issued to Government Agencies	81,813	88,175	8	100,272	135,663	113,319
1,155,927	Capital Payments to Government Agencies	1,002,277	1,059,043	6	790,355	538,249	496,051
195,383	Repayment of Investments to Agencies	136,634	47,072	-66	0	0	0
1,355,256	Investing Payments	1,220,724	1,194,290	-2	966,985	673,912	685,749
-850,335	NET CASH INFLOW/ (OUTFLOW) FROM INVESTING ACTIVITIES	-1,096,219	-821,698	25	-883,845	-590,325	-615,809

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

2012-13 Budget \$'000		2012-13 Est. Outcome \$'000	2013-14 Budget \$'000	Var %	2014-15 Estimate \$'000	2015-16 Estimate \$'000	2016-17 Estimate \$'000
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
214	Capital Injections from Government	214	214	-	214	214	214
532,843	Borrowings Received	821,266	440,371	-46	331,138	0	0
533,057	Financing Receipts	821,480	440,585	-46	331,352	214	214
Payments							
554	Repayment of Borrowings	554	554	-	554	127,587	110,342
554	Financing Payments	554	554	-	554	127,587	110,342
532,503	NET CASH INFLOW/ (OUTFLOW) FROM FINANCING ACTIVITIES	820,926	440,031	-46	330,798	-127,373	-110,128
0	NET INCREASE / (DECREASE) IN CASH HELD	11,880	0	-100	0	0	0
0	CASH AT THE BEGINNING OF REPORTING PERIOD	-11,880	0	100	0	0	0
0	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 increase of \$33.359 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to a higher level of outstanding borrowings and the timing profile of borrowings.
- 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 \$22.243 million in the 2012-13 estimated outcome from the original budget is mainly due to higher levels of investment balances held during the year at a higher rate of investment return than originally estimated; and
 - the net decrease of \$21.259 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to lower investment earnings because of lower estimated investment returns and a lower level of funds to be held on investments during the year.
- other revenue: represents notional employer CSS/PSS superannuation contributions from agencies, market gains from investments and other one off revenues:
 - the increase of \$14.210 million in the 2012-13 estimated outcome from the original budget is due to capital gains from investments and higher than expected employer superannuation contributions; and
 - the decrease of \$19.960 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to a return to normal investment returns that do not include capital gains, and lower employer superannuation contributions.
- 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 Corporation, and investment interest payments to agencies:
 - the net increase of \$15.985 million in the 2012-13 estimated outcome from the original budget is mainly due to higher borrowing interest costs as a result of the timing and level of new borrowings undertaken through the year and higher payments of investment interest to agencies due to higher than expected investment returns and higher levels of investment balances; and
 - the net increase of \$16.991 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to increased interest payments borrowings due to higher levels of borrowings, offset by lower payments of investment interest to agencies due to lower balances of funds under investment and lower investment returns.

- other expenses: represents investment and borrowing fees and unrealised investment capital losses:
 - the increase of \$5.646 million in the 2012-13 estimated outcome from the original budget is mainly due to unrealised investment capital losses; and
 - the decrease of \$5.882 million in the 2013-14 Budget from the 2012-13 estimated outcome reflects a return to normal investment returns for the investment portfolio with no assumption for capital losses.
- 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 increase of \$196.854 million in the 2012-13 estimated outcome from the original budget and the net increase of \$130.224 million in the 2013-14 Budget from the 2012-13 estimated outcome is mainly due to higher amounts of accrued revenue receivable from general government sector agencies in relation to transfer revenues, as well as an increase in loans receivables from ACTEW Corporation and the University of Canberra.
- current and non current investments:
 - the increase of \$407.262 million in the 2012-13 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 \$345.115 million in the 2013-14 Budget from the 2012-13 estimated outcome reflects 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 due to general government cash flow requirements.
- current and non current interest bearing liabilities: comprises agencies' investment deposits with the TBA and external market borrowings:
 - the 2012-13 estimated outcome comprises \$2.732 billion external borrowings and \$690.552 million agency investments. The increase of \$346.072 million in the 2012-13 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 SPA and a higher level of general government borrowings; and
 - the 2013-14 Budget comprises \$3.172 billion external borrowings and \$643.480 million agency investments. The increase of \$392.745 million in the 2013-14 Budget from the 2012-13 estimated outcome is due to higher levels of new general government borrowings offset by a reduction in cash investments of the SPA as they are reallocated to other asset classes.
- other non current liabilities: the decrease of \$1.847 million in the 2013-14 Budget from the 2012-13 estimated outcome reflects the maturity of an interest rate swap.

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.