

7.2 NET DEBT AND NET FINANCIAL LIABILITIES

Table 7.2.1 provides a summary of the key balance sheet measures for the General Government Sector (GGS).

**Table 7.2.1
GGS Key Balance Sheet Measures**

	2012-13 Est. Outcome \$m	2013-14 Budget \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
Net Financial Liabilities	3,411.7	4,137.0	4,422.6	4,299.3	4,104.1
Net Debt (excluding super)	207.9	847.1	1,022.0	800.5	528.4
Net Worth	16,408.0	16,503.0	16,664.4	16,984.3	17,325.5

The ACT continues to maintain one of the strongest balance sheets in Australia. For the 2013-14 Budget, key measures as a portion of revenue are among the top three jurisdictions in Australia when compared to each jurisdiction's most current budget documentation.

Net Financial Liabilities

Net Financial Liabilities are a broad measure of GGS liabilities, including net debt and superannuation liabilities. Table 7.2.2 below presents Net Financial Liabilities and net financial liabilities to revenue for the GGS.

**Table 7.2.2
General Government Sector Net Financial Liabilities**

	2012-13 Est. Outcome \$m	2013-14 Budget \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
Net Financial Liabilities	3,411.7	4,137.0	4,422.6	4,299.3	4,104.1
Net Financial Liabilities to Revenue	85%	98%	98%	90%	82%

Over the budget and forward estimates Net Financial Liabilities are forecast to temporarily increase as further borrowings are undertaken to support continued investment in essential infrastructure supporting the ACT economy, consumer confidence and enhanced service delivery. Net Financial Liabilities begin to decline in 2015-16 mainly as result of a lower level of outstanding borrowings. Net Financial Liabilities are also impacted by forecast growth in the superannuation liability.

The net financial liabilities to revenue ratio has remained stable at 98 per cent compared to the 2012-13 Budget of 97 per cent. The ACT continues to maintain one of the strongest net financial liabilities to revenue ratios of all jurisdictions in Australia, second only to Western Australia at 75 per cent (based on the Western Australia 2012-13 Mid Year Projections Financial Statement).

The ratio of net financial liabilities to revenue provides an indicator of the sustainability of a jurisdiction's debt. The Government's objective is to maintain this ratio within the range of all AAA rated jurisdictions in Australia, currently 111 per cent. While this ratio is subject to volatility (in particular, Net Financial Liabilities can fluctuate, sometimes substantially,

depending on the condition of financial markets), it is desirable that it remains broadly stable over time while maintaining sustainable levels of borrowings.

Further comparative details to other jurisdictions can be found in chapter 2.2 Fiscal and Economy Strategy.

Net Debt

Net Debt is a key balance sheet measure taking into account gross debt liabilities as well as financial assets (such as cash reserves and investments). The Commonwealth Government, for example, highlights net debt as the key measure of government debt. Table 7.2.3 below presents Net Debt and net debt to revenue for the GGS.

**Table 7.2.3
General Government Sector Net Debt**

	2012-13 Est. Outcome \$m	2013-14 Budget \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
Net Debt (excluding super)	207.9	847.1	1,022.0	800.5	528.4
Net Debt to Revenue	5%	20%	23%	17%	11%

Net Debt over the budget and forward estimates period is positive indicating that GGS cash reserves and investments are lower than gross debt liabilities. Compared to the 2012-13 Budget Net Debt has increased reflecting a net increase in borrowings over the Budget and forward years. Net Debt improves from 2015-16 as a result of a stronger cash position as the Budget returns to surplus.

The ACT's portion of net debt to revenue of 20 per cent is among the strongest in Australia. Further comparative details to other jurisdictions can be found in chapter 2.2 Fiscal and Economy Strategy.

Net Worth

Net Worth reflects the broadest measure of the balance sheet taking into account the value of all assets less liabilities. The ACT maintains strong positive net worth. Table 7.2.4 below presents Net Worth and net worth to revenue for the GGS.

**Table 7.2.4
General Government Sector Net Worth**

	2012-13 Est. Outcome \$m	2013-14 Budget \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
Net Worth	16,408.0	16,503.0	16,664.4	16,984.3	17,325.5
Net Worth to Revenue	410%	389%	369%	355%	346%

Net Worth over the budget and forward estimates is forecast to increase from \$16.5 billion to \$17.3 billion mainly as a result of a stronger investment and cash position and the lower level of outstanding borrowings.

With Net Worth to revenue at 389 per cent, the ACT has the second highest Net Worth ratio behind resource rich Western Australia at 449 per cent (based on the Western Australia 2012-13 Mid Year Projections Financial Statement).

The Government's objective is to maintain this ratio above the weighted average of all AAA rated jurisdictions in Australia, currently 292 per cent.

Further comparative details to other jurisdictions can be found in chapter 2.2 Fiscal and Economy Strategy.

