QTON No. 33

Legislative Assembly for the Australian Capital Territory
Standing Committee on Public Accounts and Administration

Inquiry into Annual and Financial Reports 2023–2024

Answer to question taken on notice

Asked by: MR ED COCKS MLA

Addressed to: Mr Russ Campbell, Acting Under Treasurer, Treasury, CMTEDD

In relation to: DEBT FINANCING – TERRITORY BANK ACCOUNT

Hearing: 13 February 2025
Uncorrected Proof Transcript pp 67
Transcript provided: 20 February 2025
Answer Due: 27 February 2025

Mr Russ Campbell took on notice the following question:

Mr Cocks: All right. One or two. Can I ask, what were the key drivers behind the $1.663 million loss for the territory banking account in 2023-24?

Mr Campbell: We will have to take that on notice.

Mr Cocks: Okay. How does the government plan to manage the significant rise in total liabilities—so this is up 17 per cent from 2022-23—while maintaining financial stability?

Mr Campbell: This would be—hang on, sorry. You are looking at the liabilities total?

Mr Cocks: Yes.

Mr Campbell: Could you just refer to the page you are talking to, sorry?

Mr Cocks: I am afraid I do not have a page number. I cut and pasted.

Mr Campbell: No, that is okay. Yes, look, I can take that on notice in terms of the particular components of it, because some will relate to the undertaking of additional debt financing, so it will be related to the policy decisions, partly.

Mr Cocks: So you will probably need to take the next bit on notice as well, which is, what role did higher borrowing costs and agency investment expenses play in these losses, and how will the trends be managed?

Mr Campbell: Yes, okay. Look, we will come back to you on that.

MR CHRIS STEEL MLA: The answer to the Member's question is as follows:

<u>What were the key drivers behind the $1.663 billion dollar loss for 2023/24?</u>

The Territory Banking Account is the central public account for the Territory.

The Territory Banking Account is a multi-purpose reporting entity responsible for territorial revenues and transfer of appropriation cash flow transactions, as well as financial investment activities and the financial debt liabilities of the Territory. The functions and financial transaction activities are established through the provisions of the *Financial Management Act 1996*.

The Territory Banking Account's financial results capture a diverse range of transactions on behalf of the whole government. The financial result and financial position are an aggregate of the financial investment and borrowing transactions as well as the receipt of transfers of territorial related revenues from agencies and the payment of budget appropriation disbursements to agencies.

The operating result and the net liability position of the Territory Banking Account can only be viewed in conjunction with the total Territory financial results and budget estimates as the Territory Banking Account is effectively a subset of the total Territory.

The key reason for the ongoing net liability position is because the Territory Banking Account is the 'funding' entity responsible for the issuance of debt instruments in the Australian capital markets to meet the Government's financing requirements and managing the aggregate daily cash balances of the Territory Banking Account to ensure the settlement and payment of debt obligations of the Government can be met.

The Territory Banking Account accounts for the financial market borrowings for which there is no matching asset held directly by the Territory Banking Account. The assets that contribute to the Total Territory having a positive net financial asset position, and support the Territory Banking Account borrowing liabilities, are disclosed across other 'agency' financial reports and ultimately consolidated into the Total Territory financial statements.

The operating result reported in the statement of income and expenses on behalf of the Territory comprises a mix of transactions, including cash at bank interest, investment income and investment capital gains which is offset by agency investment expenses[1], the receipt of revenues received on behalf of the Territory, budget appropriation expenses to agencies, interest from loans provided to agencies and debt interest expenses. The following table highlights these components.

	Income		Expense	Operating result
Cash at bank interest	**87,647**			
Loan Interest (Icon)	**90,384**	Debt Interest expense	347,182	
		Other debt expense	4,670	
			351,852	
Investment income[1]	193,452	Agency invest expense[1]	697,961	
Investment gains[1]	516,591	Other invest expense[1]	12,629	
	710,043		**710,590**	
Transfer revenue	5,850,136	Appropriation expense	**7,503,982**	
Other revenue	164,868			
	6,015,004			
	6,903,078		**8,566,424**	**-1,663,346**

Source: Territory Banking Account 2023-24 Financial Statements found in the 2023–24 CMTEDD Annual Report Volume 2.1

Note: [1] The majority of funds available for investment across the Territory are managed through the Territory Banking Account. ACT Government agency investment deposits from directorates and Territory authorities are pooled together under a centralised investment structure to provide economy-of-scale benefits and access to a range of investment options. The aggregate financial investment assets comprise the financial investment assets invested for the Superannuation Provision Account, ACT Lifetime Care and Support Fund, ACT Insurance Authority and Public Sector Workers' Compensation Fund. Investment earnings (income and gains) from the total assets are paid as distributions (investment expense) to the agency unit holder investors.

<u>How does the Government plan to manage the rise in liabilities while maintaining stability?</u>

The Government's fiscal strategy is set out in the 2023-24 Budget papers and is further updated in the 2023-24 Budget Review.

<u>What role does higher financing costs and agency investment expenses play in the Territory Banking Account losses and how will the trends be managed?</u>

Please refer to response above.

Approved for circulation to the Standing Committee on Public Accounts and Administration

Signature: Date: 7/3/25

By the Treasurer, Chris Steel MLA