



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mr Ed Cocks MLA (Chair), Mr Michael Pettersson MLA (Deputy Chair),
Mr Andrew Braddock MLA

**Inquiry into Appropriation Bill 2023-2024 (No 2) and
Appropriation (Office of the Legislative Assembly) Bill 2023-2024 (No 2)
ANSWER TO QUESTION ON NOTICE**

Asked by Elizabeth Lee MLA:

Ref: Budget Review 2023-24, Page 39

In relation to: Net Operating Cash Balance

1. Can the Treasurer outline the impacts of having a deficit of \$182.2 million for the territories Net Operating Cash Balance?
 - a. Has this had any implications in the 2023-24 year on:
 - i. Borrowings
 - ii. capital works funding and completion dates
 - iii. policy initiative funding and implementation
 - b. If not, why not?
2. Can the Treasurer explain the increase in net Operating cash across the forward estimates?
3. What level of Net Operating Cash does S&P analyse to determine their short term local credit rating?
4. Does Treasury provide any analysis on Net Operating Cash Balance against other jurisdictions and if so, can you provide this analysis?

Andrew Barr MLA: The answer to the Member's question is as follows:

1. a.
 - (i) A deficit on the Net Operating Cash Balance is not the only fiscal measure that may give rise to a financing requirement. As a result, it is not possible to attribute new borrowings to a specific Net Operating Cash position.
 - (ii) No, capital payments are reflected under investing activities in the Statement of Cash Flows.
 - (iii) No, implementation of policy initiatives are the responsibility of the relevant delivery agency.

As part of the standard budget process and estimate updates, existing policy initiatives are reviewed for deliverability and funds may be reprofiled to future years for a range of reasons such as weather and procurement and recruitment delays. Conversely, the delivery of some initiatives may be accelerated under certain circumstances.

While these changes may result in a reprofiling of payments, and subsequently result in a revision to estimates of the net operating cash position, they are not the result of any changes in that fiscal measure.

b. Refer to responses above.

2. The increase in net operating cash across the forward estimates reflects increased taxation receipts, mainly payroll tax and general rates, growth in grants and contributions, mainly GST revenue and specific purpose payments, and growth in investment receipts.

This growth in receipts is partially offset by growth in net operating payments.

3. S&P considers a range of metrics in determining its credit ratings. However, it does not assess the level of Net Operating Cash as a determinative, stand-alone rating factor.
4. In making interjurisdictional comparisons, the ABS has noted the need to consider the real differences between the administrative and accounting arrangements of the various governments. In doing so, it specifically identified that in the ACT both the state level of government exists, as well as acknowledging that certain functions performed by the ACT Government are undertaken by local government authorities in other jurisdictions ([Government Finance Statistics, Australia methodology, December 2023 | Australian Bureau of Statistics \(abs.gov.au\)](#)). Other factors also limit the ability to make meaningful comparisons, including unique public sector superannuation arrangements in the ACT, the high proportion of ACT residents employed by the Commonwealth public service and the significant provision of health services to residents of NSW. Other jurisdictions will also have specific circumstances that limit meaningful comparisons.

Noting these challenges, Treasury has not provided any analysis on Net Operating Cash Balance positions against other jurisdictions.

Approved for circulation to the Standing Committee on Public Accounts

Signature: 

Date: 15.3.24

By the Treasurer, Andrew Barr MLA