



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, Page 109, 110

In relation to: Key Balance Sheet Metrics

1. Can you explain why the decision was made to report (i) net debt (ii) net financial liabilities and (iii) net worth to GSP rather than revenue in 2014-15?
2. Can you explain the difference between the two measures (revenue and GSP)
3. What measure do other jurisdictions in Australia use (revenue or GSP)
4. What measure do S&P use when assessing the Territory?
5. For all key balance sheet metrics on page 109 and 110 of the Budget Review 2023-24 can you provide them as (i) net debt (excluding super) (ii) net debt (including super) (iii) net financial liabilities and (iv) net worth to revenue rather than GSP?
6. For all measures set out in 5, can you provide a comparison to other jurisdictions with a weighted average of AA+ jurisdictions, (For example as reported on page 35, Figure 2.2.3 in the 2013-14 budget)?
7. For each of the ratios mentioned in (5) can you provide a description of what the ratio is showing?
8. For each ratio mentioned in (5) can you provide a description of what an (i) increase in the ratio would mean and a (ii) decrease in the ratio would mean?

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

1 – Gross State Product (GSP) measures output for a state or territory economy, conceptually equivalent to Gross Domestic Product (GDP) which measures output for the national economy. It is calculated by the Australian Bureau of Statistics (ABS) according to its national accounts' methodology. As GSP is also expressed in income terms, it is appropriately used to report on government finance statistics within a jurisdiction (ie. as a share of its own economy) and for comparing across jurisdictions.

In ACT Budget documents, key fiscal indicators, such as net debt, net liabilities and net worth, are measured as a percentage of nominal GSP (which is published in current prices) for the ACT as it is a measure commonly utilised for this purpose.

For example, in collating its Government Finance Statistics, the ABS reports key indicators in dollar terms as well as a proportion of GDP ([Insights Into Government Finance Statistics, Annual, 2021-22 | Australian Bureau of Statistics \(abs.gov.au\)](#)). Commonwealth Budget papers also report key indicators, such as net debt, as a proportion of GDP to facilitate comparisons over time and with other countries.

2 – As noted above, GSP or GDP is commonly used as a metric for standardising comparisons of public debt over time and between jurisdictions. In undertaking analysis of public debt across Australia, the ABS notes that net public sector debt as a percentage of GDP can be used as an indicator of the ability of governments to make future payments on its debt ([Public sector debt analysis 2019-20 | Australian Bureau of Statistics \(abs.gov.au\)](#)). The OECD notes that the debt to GDP ratio is a key indicator for the sustainability of government finance ([General government - General government debt - OECD Data](#)). It is also utilised by the International Monetary Fund and World Bank to facilitate international comparisons (<https://www.imf.org/en/Topics/sovereign-debt>).

Revenue is a narrower concept that relates to income received by the government. It includes own-source taxation revenue, grants received from the Commonwealth, sales of government goods and services and investment and interest income. The ability of revenue to facilitate comparisons over time and between jurisdictions can be limited by changes to taxation arrangements, other fiscal policies, Commonwealth grant sharing arrangements and jurisdiction-specific economic factors.

3-8 – NSW and Victoria present key balance sheet aggregates, such as net debt and net financial liabilities, as a percentage of GSP. The Commonwealth calculates net debt, net financial worth and net worth as a percentage of GDP (conceptually equivalent to GSP). Queensland presents the ratio of borrowing to GSP and revenue, and net debt to revenue. In addition to presenting net debt as a percentage of GSP, Western Australia and Tasmania present it as a percentage of revenue. South Australia calculates net debt as a percentage of both GSP and of revenue and presents net financial liabilities, net financial worth and net worth as a percentage of revenue. The Northern Territory publishes net debt as a percentage of revenue. Comparisons across jurisdictions using new estimates as suggested, have not been included in the 2023-24 Budget Review and would require the diversion of resources from the ACT Treasury Budget teams currently working on the 2024-25 Budget process.

4 – The measures and ratings factors (criteria) used by S&P Global Ratings (S&P) when assessing Local and Regional Governments is set out in its *'Methodology For Rating Local and Regional Governments Outside Of The U.S.'* dated July 15 2019. This is supported by their Guidance for the Methodology, which provides additional information and guidance related to the application of their Local and Regional Government rating methodology.

S&P does not use a single measure, but a range of measures within the key ratings factors comprising institutional framework, economy, financial management, budgetary performance, liquidity and debt burden.

5 – This information can be calculated using the information available in Chapter 4 – GGS Harmonised Financial Statements in the 2023-24 Budget Review (from page 115). Net debt (including superannuation) is not a measure used by the ACT as it does not administer any superannuation schemes on behalf of employees, with the defined benefit employer superannuation obligation being a liability to the Commonwealth Government, in respect of current and former ACT employees who are members of Commonwealth defined benefit superannuation schemes.

6 – 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 only the only the state level of government exists and certain functions it performs 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.

In addition, any weighted-average analysis will inherently require judgment as to the choice of weights, which will depend on the intended purpose of the analysis.

Noting this, it is not possible to provide a meaningful weighted-average comparison with other jurisdictions.

7 – Please see response to question 6.

8 – Please see response to question 6.

Approved for circulation to the Standing Committee on Public Accounts

Signature: 

Date: 15.3.24

By the Treasurer, Andrew Barr MLA