

Central Holding Authority

Overview

The Central Holding Authority (CHA) records, on behalf of the Territory:

- assets, which are not assigned to agencies, such as the Territory's investment portfolio;
- liabilities, where it is not practical or effective to assign them to individual agencies. The CHA has two major liabilities – Territory borrowings and unfunded employee liabilities. Territory borrowings comprise the stock of general government debt that has accumulated since Self-Government and has been used to fund major infrastructure in the Territory over this period. Unfunded employee liabilities are those which have accrued but are not yet due to be paid, such as superannuation and long service leave;
- revenue classified as Territory revenue. The main categories are taxation, fines revenue, untied grants (predominantly GST revenue) and National Partnership (NP) and Specific Purpose Payments (SPP) from the Commonwealth; and
- expenses, limited to those managed on behalf of the Territory. The main expense is appropriation to agencies. Other expenses are interest on Territory borrowings, interest on cash balances of government businesses and superannuation and long service leave costs.

Appropriations from Central Holding Authority

The *Appropriation Act* provides the CHA with the authority to pay appropriations for Purposes. The main Purposes are output, capital and Commonwealth.

Output appropriation is the operating payment to each agency for the outputs they provide. Capital appropriation is the payment for capital investment. Capital works for most general government agencies are centrally managed by the Department of Planning and Infrastructure, which receives a capital appropriation for the capital works that it manages on behalf of other agencies. General government agencies also receive capital appropriation for capital items and payments of advances.

Commonwealth appropriation was introduced in 2008-09. Effective 1 January 2009, the Intergovernmental Agreement on Federal Financial Relations (IGA) has resulted in SPP and NP payments being made by the Commonwealth Treasury to state treasuries, in a manner similar to arrangements for GST payments. These payments are received by Treasury on behalf of the CHA and then on-passed to the relevant agencies as Commonwealth appropriation.

Other appropriation Purposes include those paid for employee entitlements, interest, taxes, other administrative payments and Treasurer's Advance.

Performance

The CHA's performance in both years has been predominantly affected by both the deepening global financial crisis and the Intergovernmental Agreement (IGA) on Federal Financial Relations.

The global financial crisis has resulted for both years in:

- lower GST revenue as a result of an expected decline in national collections, with growth not expected until 2010-11;
- declining returns on investments; and
- increasing liabilities, predominantly related to superannuation.

Although the downturn in the economy impacts both years the affects are more pronounced in 2008-09, largely reflective of the recent sharp fall in the Australian national economy that has occurred since the start of the 2008-09 financial year. For 2008-09 this has resulted in:

- a significant increase in superannuation expenses due to the fall in the 10-year bond rate which is required to be used by accounting standards in valuing the Territory's superannuation liability. The increase in the liability resulting from the bond rate drop of around 2 per cent has flowed through the operating statement in 2008-09. As the bond rate used in valuing the liability in 2009-10 is consistent with that used in 2008-09 no such expense is incurred in 2009-10. It should also be noted that such movements in the bond rate are purely revaluation base changes that affect the operating statement only and do not affect the level of budget funding actually required for benefit payments as reflected in the cash flow statement;
- larger unrealised losses on investments than are predicted to occur in 2009-10 resulting in negative interest revenue of \$47 million in 2008-09; and
- GST budget balancing assistance of around \$90 million estimated to be received in 2009-10 related to GST levels in 2008-09 falling below the guaranteed minimum amount.

The new IGA arrangements have also contributed to the variation in the two years operating result as although all Commonwealth SPP and NP revenue is now recorded as Territory revenue in the CHA, and immediately on-passed to agencies as appropriation, a growing proportion relates to capital spending and is therefore on-passed in the form of capital appropriation that is recorded in the cash flow statement. The increase in the level of Commonwealth funding received in 2009-10 is also a direct consequence of the new arrangements not being effective until 1 January 2009.

Operating Statement

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
INCOME		
Taxation revenue	489 743	478 329
Commonwealth revenue		
GST revenue	2 244 100	2 319 400
Specific purpose payments	63 840	358 858
National partnerships agreements	116 125	438 836
Current grants	22 573	9 246
Capital grants	18 516	5 399
Fees from regulatory services	12 930	12 328
Interest revenue	- 47 337	24 996
Royalties, rents and dividends	247 614	185 879
Superannuation contributions	41 035	40 495
Other revenue	23 078	10 178
TOTAL INCOME	3 232 217	3 883 944
EXPENSES		
Long service leave expense	42 393	32 663
Superannuation expense	816 756	209 395
Other salary expenses	3 739	3 339
Administrative expenses	21 415	21 339
Interest expense	111 364	103 770
Appropriation expenses	2 708 997	3 204 073
TOTAL EXPENSES	3 704 664	3 574 579
NET SURPLUS(+)/DEFICIT(-)	- 472 447	309 365

Balance Sheet

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
ASSETS		
Cash and deposits	52 953	54 553
Receivables	53 632	57 245
Prepayments	387	387
Advances and investments	747 656	504 332
Equity investments	4 915 901	5 404 632
Other assets		
TOTAL ASSETS	5 770 529	6 021 149
LIABILITIES		
Deposits held	372 170	240 269
Creditors and accruals	2 845	2 847
Borrowings and advances	1 496 954	1 495 662
Superannuation liability	2 944 280	3 010 020
Provision for long service leave	193 477	202 183
Provision for workers' compensation	57 706	57 706
Other Liabilities	8 924	8 924
TOTAL LIABILITIES	5 076 356	5 017 611
NET ASSETS	694 173	1 003 538
EQUITY		
Capital		
Reserves		
Accumulated funds		
Opening balance	1 166 620	694 173
Current year surplus(+)/deficit(-)	- 472 447	309 365
Accounting policy changes and corrections		
TOTAL EQUITY	694 173	1 003 538

Cash Flow Statement

	2008-09 Estimate	2009-10 Budget
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating receipts		
Taxes received	511 040	476 686
Commonwealth revenue received		
GST receipts	2 244 100	2 319 400
Specific purpose payments	63 840	358 858
National partnership agreements	116 125	438 836
Current grants	22 573	9 246
Capital grants	39 345	5 399
Receipts from regulatory services	28 375	22 930
Interest received	71 485	53 807
Royalties, rents and dividends received	256 003	183 470
Superannuation contributions	41 035	40 495
Total operating receipts	3 393 921	3 909 127
Operating payments		
Long service leave payments	21 860	24 418
Superannuation benefits paid	134 388	143 655
Other salary payments	4 386	2 878
Payments for goods and services	19 893	21 324
Interest paid	115 613	103 768
Appropriation payments	2 708 997	3 204 073
Total operating payments	3 005 137	3 500 116
NET CASH FROM OPERATING ACTIVITIES	388 784	409 011
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing receipts		
Repayment of advances		
Equity withdrawals from agencies	58 210	13 159
Total investing receipts	58 210	13 159
Investing payments		
Advance payments	- 108 914	- 214 513
Appropriation payments	333 503	501 531
Equity injections to agencies	61 428	359
Total investing payments	286 017	287 377
NET CASH FROM INVESTING ACTIVITIES	- 227 807	- 274 218
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing receipts		
Proceeds of borrowings		
Deposits received	- 122 871	- 131 901
Total financing receipts	- 122 871	- 131 901
Financing payments		
Repayment of borrowings	101 160	1 292
Total financing payments	101 160	1 292
NET CASH FROM FINANCING ACTIVITIES	- 224 031	- 133 193
Net increase(+)/decrease(-) in cash held	- 63 054	1 600
Cash at beginning of financial year	116 007	52 953
CASH AT END OF FINANCIAL YEAR	52 953	54 553