

APPENDIX C: STATEMENT OF RISKS

OVERVIEW

Full details and explanations of fiscal risks, contingent liabilities and assets, and Government loans are provided in Statement 8 of Budget Paper No. 1, *Budget Strategy and Outlook 2016-17*. This section updates (where necessary) those fiscal risks, contingent liabilities and assets, and Government loans that have arisen or materially changed since the 2016-17 Budget, and other risks that may have an effect on the fiscal outlook.

DETAILS OF FISCAL RISKS AND CONTINGENCIES

New or revised fiscal risks and contingent liabilities and assets with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, that have changed since the 2016-17 Budget are listed below.

Information on contingent liabilities is also provided in the annual financial statements of departments and non-budget entities.

Fiscal risks

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

A number of Commonwealth payments to the States and Territories, such as certain National Partnership Agreements and payments related to natural disasters, may be triggered by the achievement of milestones and receipt of claims, including audited claims. Depending on when milestones are achieved and claims submitted and assessed, the profiles of payments across the forward estimates may need to be varied. The profiles of payments reflected in the forward estimates reflect milestones and estimates current at the time of issuance of the writs for the general election.

The planned growth in the number of clients of the National Disability Insurance Scheme, from around 30,000 to around 460,000 over the forward estimates, introduces a number of risks that could result in the costs of the scheme varying from existing estimates. In the short term, the pace of the rollout, the characteristics of cohorts that transition into the scheme and the development of the market to provide key services could all impact on costs. Over the longer term, key cost risks relate to the number of clients accessing the scheme and average package costs. The Productivity Commission will conduct a review of costs in 2017 that may provide further information to inform forecast scheme expenses.

Unlegislated measures

As reported in the 2016-17 Budget, \$13 billion worth of expenditure savings and \$1.5 billion worth of revenue increases announced prior to the 2016-17 Budget, expressed in fiscal balance terms and as originally reported in the relevant budget update, have not yet been passed by Parliament.

In line with normal practice, the forward estimates in the PEFO, as was the case at the 2016-17 Budget, include the impact of all policy decisions, including those that remain unlegislated. The indicative net impact of all unlegislated policy decisions included in forward estimates in the PEFO is around \$18.0 billion in underlying cash terms over the five years to 2019-20 and taking account of parameter changes since the original announcement. This comprises:

- policy decisions made prior to the 2016-17 Budget, which have a net positive impact on the underlying cash balance of around \$15.8 billion over the five years to 2019-20; and
- new policy decisions announced in the 2016-17 Budget, which have a net positive impact on the underlying cash balance of around \$2.2 billion over the five years to 2019-20. This includes an estimated net positive impact of \$1.2 billion that will only require the annual appropriations bills to be implemented.

Consistent with normal practice, the estimates in the PEFO assume that unlegislated policy decisions will be legislated and take effect from the next possible commencement date. Where legislation is not passed in time to enable commencement at that date, is passed with amendments to the original decision, or is rejected, there is a risk of a variation to the fiscal position outlined in the PEFO.

There are a number of tax measures included in the 2016-17 Budget that take effect on or before 1 July 2016. Many of these measures can be legislated at a later time within 2016-17 without materially affecting the estimates. However, the Commissioner has indicated that the *Ten Year Enterprise Tax Plan – targeted personal income tax relief* measure requires the relevant legislation to be passed before the change will be incorporated into the income tax withholding schedules. As the timing of this is uncertain, there is a risk that some of the revenue cost of this measure will slip from 2016-17 into 2017-18 (improving the 2016-17 bottom line with a commensurate worsening in 2017-18).

CONTINGENT LIABILITIES — UNQUANTIFIABLE

A revised contingent liability with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, that has changed since the 2016-17 Budget is listed below.

Industry, Innovation and Science

Australian Nuclear Science and Technology Organisation — Indemnity

On 21 April 2016, the Minister for Industry, Innovation and Science signed a Deed of Indemnity between the Commonwealth Government, Australian Nuclear Science and Technology Organisation (ANSTO) and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the government has formally agreed to indemnify ANSTO and ANSTO Officers, and ANM and ANM Officers, from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until April 2026.

GOVERNMENT LOANS

A revised Government loan that is estimated to exceed \$200 million at 30 June 2016 and that has changed since the 2016-17 Budget is listed below.

Department of Agriculture and Water Resources

Drought Concessional Loans

The Drought Concessional Loans Scheme provides loans to drought affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014, and in 2014-15, operated in all States and Territories except Tasmania and the ACT. The Government is providing up to \$150 million for Drought Concessional Loans until 31 October 2016, covering all States and Territories except the ACT. All eligible jurisdictions have opened the scheme for 2015-16. Loans have a maximum loan term of five years with interest only payments required during the loan term.

To give effect to the scheme, loans from the Commonwealth are made to the State and Northern Territory governments that on-lend to eligible farm businesses through state delivery agencies.

The variable concessional interest rate on loans to eligible businesses will remain 0.5 per cent below the Farm Finance Concessional Loan concessional interest rate. Since 1 August 2015, the interest rate has been 3.05 per cent. The interest rate will continue to be reviewed on a six-monthly basis and revised in accordance with changes to the Farm Finance Concessional Loans interest rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two year extension to the loan at commercial rates.

