Supplementary information

This document provides supplementary information in response to questions asked by the Committee on 10 August.

Other State and Territory CPI/Inflation Forecasts

The Committee asked for a comparison of CPI and inflation forecasts employed in recent State and Territory Budgets. This information is set out in the table below.

CPI/inflation forecasts in recent State and Territory Budgets, August 2022

States	Date of 2022-23 Budget	Forecast*
New South Wales	21 June 2022	5½%
Victoria	3 May 2022	3%
Queensland	21 June	3¼% (year average)
South Australia	2 June	5%
Western Australia	12 May	2.75%
Tasmania	26 May	5½% (year average)
Northern Territory	10 May	3.1%

* Through the year unless otherwise specified.

With the exception of Queensland, the lower CPI/inflation forecasts were all provided within one month of the then most recent Commonwealth Government economic forecasts published on 20 April 2022 in the *Pre-election Fiscal and Economic Outlook* (PEFO) and generally consistent with the PEFO national forecast of CPI growth of 3% in 2022-23. More than a month following the publication of the PEFO, budget forecasts in NSW, South Australia and Tasmania were for much higher increases in the CPI and are more aligned with the most recent Commonwealth Government and Reserve Bank national forecasts for the CPI. The notable exception to this is Queensland that stuck with a CPI/inflation forecast consistent with PEFO.

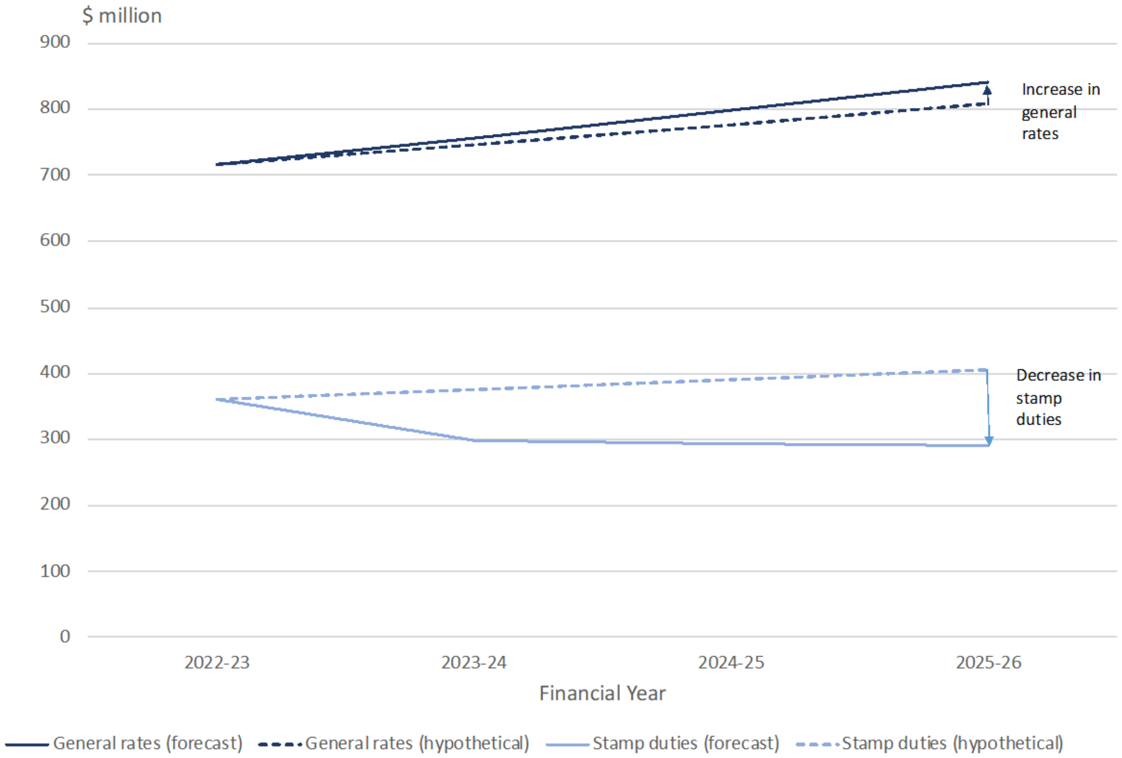
Wages Increases for ACT public servants

The Budget Outlook provides very little detail in relation to wage increases for ACT public servants. According to page 218 of the Budget Outlook, ACT public servant employee expenses are forecast to grow by $57.7 million in the 2022-23 Budget compared to the 2021-22 estimated outcome, with the increase attributed to “a combination of changes in staffing numbers and changes in costs.” A question has been prepared on this issue that the Committee may wish to use in its examination of officials.

Trends in stamp duty and land tax revenue

The Committee sought further information on the apparent discrepancy between trends in revenue from general rates and stamp duties when expressed in nominal dollars and when expressed as a percentage of total own-source revenue. Amendments have been made to the draft report to provide more clarity around our explanation of the trends. The following additional information is provided for the information of the Committee.

In our report we noted (page 27) that in nominal dollars the increase in revenue from general rates over the period from 2022-23 to 2025-26 exceeds the decline in revenue from stamp duties but that when expressed as a percentage of total own-source taxation revenue the increase in revenue from general rates was less than the decline in revenue from stamp duties. The relevant section has been expanded to explain that comparing nominal results ignores the growth that would have been expected in the absence of the policy change. The following chart illustrates this. The two dashed lines show the projected revenue had each item increased in line with the overall growth in own-source taxation revenue. The solid lines show the actual forecasts from the Budget. It can be seen that revenue from general rates is only slightly above what would have been projected under an assumption of growth in line with total revenue. On the other hand, stamp duties are well below what they would have been had they increased in line with overall growth and this decrease is significantly greater than the increase in revenue from general rates.



Interest payments and debt servicing

The Committee asked for information on the Territory's debt service costs and borrowing program into the outyears.

Debt service costs

Forecasts for interest payments are provided in Table 3.4.2 on page 218 of the Budget Outlook. These expenses represent the cost of borrowing to fund accumulated deficits, new infrastructure investments and finance charges on leases and public private partnerships. The table at 3.4.2 shows interest payments increasing from an estimated outcome of $257.7 million in 2020-21 to $501.8 million in 2025-26, an increase of 95%.

The Budget papers note that the increase of $18.6 million in the 2021-22 estimated outcome from the original budget is mainly due to the impact of higher interest rates on new borrowing transactions during the year and interest costs on inflation-linked bonds. The increase of $61.5 million in the 2022-23 Budget from the 2021-22 estimated outcome is mainly due to the impact of higher interest rates on a higher level of borrowing.

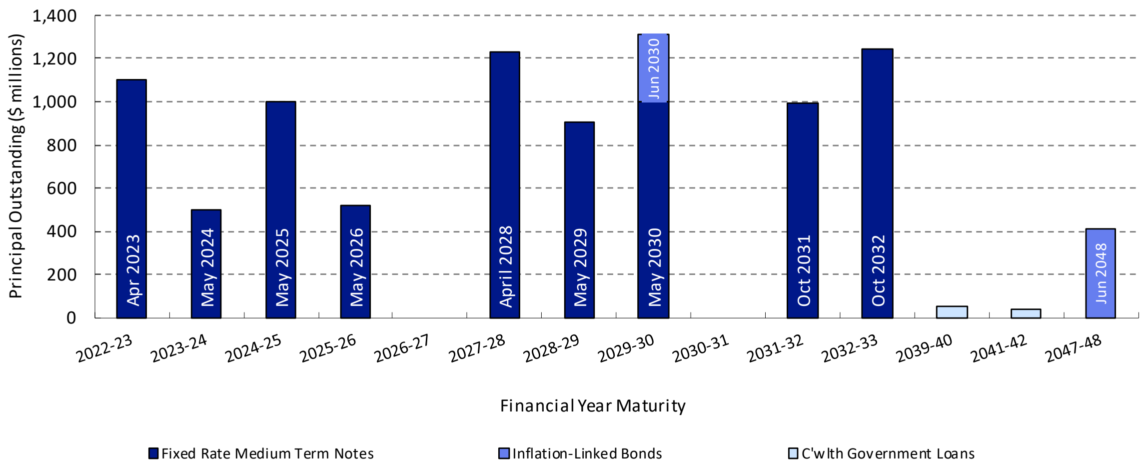
Information on the sensitivity of the Budget to different borrowing cost assumptions is shown at Table J.4 on page 381 of the Budget Outlook.

Source of borrowings

The Committee also asked about the source of ACT Government borrowings. Table 3.8.8 on page 291 of the Budget Outlook shows the principal outstanding on Territory borrowings from the market, Commonwealth loans and leases.

Information on the maturity of Territory borrowings is provided in the Budget papers Figure 3.8.3 on page 292 of the Budget Outlook which shows the total estimated outstanding principal value of market borrowings and loans by funding type and year of maturity as at 30 June 2022. This chart is copied below for convenience.

Figure 3.8.1: Total external Territory market borrowings and loans – principal value



Projected market borrowings

The Territory's projected gross borrowing program in the Australian capital markets is set out in Table 3.8.13 on page 293 of the Budget Outlook, as shown below (without notes):

Table 3.8.1: Territory debt funding program

	2021-22 Estimated Outcome $'000	2022-23 Budget $'000	2023-24 Estimate $'000	2024-25 Estimate $'000	2025-26 Estimate $'000
New Borrowings	1,577,135	898,467	1,710,966	984,332	940,746
Maturities	348,691	1,101,533	499,034	1,000,668	524,254
Total	**1,925,826**	**2,000,000**	**2,210,000**	**1,985,000**	**1,465,000**