COMMERCIAL IN CONFIDENCE

FINAL REPORT

ACT Budget Review 2013-14

Prepared for
Select Committee on Estimates 2012-13
ACT Legislative Assembly

27 June 2013

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Summary

The 2013-14 Budget seeks to reprioritise spending and smoothly bring the budget back into surplus in 2015-16.

The return to surplus will only occur through an adjustment to build in expected future returns on superannuation investment assets, which are not yet realised. Without this, a trend toward Budget balance is forecast, rather than Budget balance itself.

Overall, expenditure is moderately stimulatory and the balancing of the budget reflects greater confidence in strong revenue growth rather than substantially parred back expenditure.

Overall, the revenue projections appear achievable, but are not conservative.

Moderate but robust expenditure has been committed to stimulate the ACT economy in light of softening in economic fundamentals

The ACT Government Budget 2013-14 reprioritises expenditure to achieve financial savings whilst investing in substantial new capital works and programs to help protect the ACT economy, which is arguably more susceptible to economic downturn than at the same time last year.

Overall the profile of expenditure looks at least mildly to moderately stimulatory.

While in growth terms, expenditure increases at 3.5 per cent annually over the forward estimates period, in dollar terms, there is more funding allocated in each year compared to last years' Budget ($100.6 million more in 2013-14, $39.6 million more in 2014-15 and $41.6 million more in 2015-16). This is largely because spending in 2012-13 came in $77 million higher than expected, increasing the base level of spending for this Budget.

Total expenditure for 2013-14 is $4.578 billion.

The 2013-14 Budget is a 'refocusing' budget. It contains $127.7 million of net new spending initiatives.

A large proportion of new spending is for healthcare (largely public hospital related) which accounts for 38.6 per cent of expenditure over the forward estimates period and 25.6 per cent in 2013-14. The 2013-14 Budget also allows for preliminary but substantive work towards the Capital Metro Light Rail.

Other major spending reflects ongoing commitments to previous announcements and funding of ACT Government contributions towards national commitments for education and disability reform.

Savings appear substantial but are less ambitious than previously and are largely reliant on efficiency savings from agencies

New spending is offset against savings of $142.6 million over the forward estimates period, with the rate of savings ramping up each year rather than being expected to be principally borne in the more immediate period.

This is the opposite to the profile of new spending initiatives, which are primarily funded in 2013-14 and 2014-15.

Saving expectations are more conservative and less ambitious than they were in last years' Budget, particularly in the outer years of the forward estimates period.

Almost half (46.6 per cent) are expected from general agency savings (effectively an efficiency dividend), with 'areas of focus' being reduced consultancy expenses, better utilising Worksafe Funds, energy savings measures, outsourcing vehicles efficiently, reducing corporate overheads, organisational restructure of the CIT, and various demand management measures.

It is difficult to assess the achievability of expected savings measures because of the lack of detail provided in the 2013-14 Budget. For instance, there is no information provided on the assumptions that underpin expected Procurement Whole of Government savings, which comprise 21 per cent of total savings over the forward estimates period. If these savings were unrealised, there could be a one-year delay in achieving a net operating surplus, even if superannuation investments successfully revert back to achieving long run returns.

Capital spending remains strong but reflecting previous commitments. Health infrastructure is the major recipient of new capital spending

The vast majority of the $1.27 billion capital spending in the 2013-14 Budget reflects ongoing funding of previous capital works commitments, which are rapidly being expended. The total capital works program for the forward estimates period in the 2013-14 Budget is $990 million (44 per cent) less than the 2012-13 Budget.

Almost all of total capital works spending in the 2013-14 Budget (91 per cent) is expected to be released within the next two years (and an even higher 94.3 per cent for *new* capital works spending).

- 51.9 per cent of total capital works spending over the forward estimates period relates to projects carried over from 2012-13 and in prior years.
- 15.8 per cent is for rollovers and reprofiling from 2012-13, lower proportionally to last years' Budget indicating greater success in achieving on-time delivery.
- 21.4 per cent of the total capital spend relates to new capital works. The Health Directorate represents the largest agency spend over the forward estimates period (37 per cent)
- 10.9 per cent relates to spending on information and communication technology (ICT) and plant and equipment (P&E).

Revenue expectations are strong

Revenue is projected to increase by approximately 5.9 per cent in 2013-14 and an even stronger 6.7 per cent in 2014-15. In absolute terms, revenue is estimated to be $4 237.3 million in 2013-14 compared with $3 999.9 million in 2012-13.

The projected increases are driven by higher Commonwealth Government funding and own-source taxation revenue which together account for 73 per cent of revenue.

Higher Commonwealth Grants amount to $140.1 million, from an increase in GST and funding for the Majura Parkway construction.

An increase of own-source taxation revenue of 5.0 per cent is forecast (worth $62.3 million) driven by an *increase* in general tax of 10 per cent, including an increase in payroll tax of 6.8 per cent ($22.1 million), despite the rate remaining unchanged at 6.85 per cent, reflecting expectations of positive employment and wages growth in the private sector.

The increase in revenue from Commonwealth grants and own-source taxation is slightly offset by a reduction in interest income and dividend and tax equivalents income of approximately 5 per cent in 2013-14.

Overall, the revenue projections appear achievable but not conservative.

The projections are exposed to downside risks such as a delay to the recovery of the property market beyond 2014-15, which may change the timing/level of Land Development Agency dividends and conveyance duty revenue, and a change in national consumption levels which could impact GST revenue.

These risks have already been experienced over the past year.

For instance, own-source taxation revenue was revised downwards for 2012-13 from the original 2012-13 Budget, by $41.6 million, reflecting the softening of the property market (reduced conveyance revenues). Dividends from the Land Development Agency for 2013-14 were also revised down by $29.2 million because of the moderating property market.

Is the return to surplus achievable and reasonable?

The 2013-14 Budget indicates that a surplus will be achieved in 2015-16. The Budget builds in additional revenue which will not be realised, or realised in that period, in order to return to surplus in the forward years. The additional revenue is associated with the adjustment to interest revenue on the Superannuation Provision Account to bring interest returns in line with long-run expected performance.

The return to surplus is dependent on strong year-on-year revenue growth, a key driver of which is Commonwealth government revenue. While many components of Commonwealth Government funding are predictable, there is a risk to GST revenue because it is exposed to reductions in the GST pool from changes in national consumption expenditure. This is significant because GST revenue represents 24 per cent of the ACT's revenue.

Other assumptions associated with own-source taxation revenue growth may be more exposed to changes in state macroeconomic conditions such as the outlook for the property market, which may affect the timing and level of conveyance duty collection and Land Development Agency dividends.

Growth assumptions are strong for property-related income streams, although they are starting from a basis point that was revised downwards, and taking that into account they are more reasonable.

The Budget assumes a return to long run macroeconomic assumptions in 2014-15, which is reasonable, however exposes the budget to potential downwards adjustments and/or alterations in the pathway to surplus if long run forecasts are not achieved.

Debt will rise due to higher borrowings although steady progress is being made to address unfunded superannuation liabilities

The majority of General Government Liabilities are made up of unfunded superannuation (54.4 per cent) and borrowings (32.3 per cent). Borrowing is undertaken through the issuance of debt securities in the domestic markets with long-term fixed interest and short-term discount securities with a mix of durations.

At the end of 2012-13, General Government Sector (GGS) borrowings are estimated to be $1.344 billion in terms of debt issued to the domestic capital markets and $86 million of debt to the Commonwealth Government.

New additional GGS borrowings in 2013-14 are expected to be $396 million, which are estimated to increase GGS borrowings from approximately $1.4 billion to $1.8 billion in 2013-14. This is a significant increase of approximately 30 per cent. This is also significant when compared to previous GGS borrowings of less than $0.5 billion in 2010-11. Under the budget revenue and expenditure projections, GGS borrowings is expected to decline to 2012-13 levels around 2016-17.

However, net debt over the budget and forward estimates is positive.

This means that cash reserves and investments are lower than gross debt liabilities. Net debt grows over the period indicating that more revenue will be diverted to paying off borrowings and interest, which is positive for the underlying budget position.

Net Financial Liabilities is a more encompassing measure of debt, taking into account all financial liabilities including accrued unfunded superannuation liabilities. Just over half of superannuation liabilities are currently funded.[1]

The superannuation liabilities at the end of 2012-13 are expected to be $5.1 billion, whereas the investments available to fund these are expected to be $2.6 billion. In 2016-17, these liabilities are expected to increase to $6.15 billion while the investments available to fund these are expected to be $3.42 billion.

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[1] Superannuation expenses that are incurred in each period are contained in the expenditure items of the budget. Accrued superannuation liabilities are factored into the Budget through the reporting of Net Financial Liabilities.

In order to smooth out the returns to the Superannuation Provision Account (SPA) over the long run, the budget bottom line utilises an adjustment to interest income on the superannuation account to bring interest levels in line with the long run expectations.

The estimated total liability and unfunded liability in aggregate terms increases over the budget, while the share of liabilities that is unfunded reduces from approximately 49 per cent in 2012-13 to 44 per cent in 2016-17.

The true extent of the superannuation liability is inevitably uncertain. The Budget Statement of Risk suggests that the estimated superannuation liability is most sensitive to inflation, wages growth, rates and patterns of retirement and resignation and the proportion of benefits taken in pension form.

Estimates of the superannuation liability are also sensitive to the discount rate used. Current estimates of total liabilities may increase by approximately $1.7 billion if a more moderate discount rate is used. While there is a significant buffer before an AAA credit rating may be threatened, there are also considerable risks to the net position of the ACT Government which are associated with unfunded superannuation liabilities.

Credit rating risk

In order to retain its AAA credit rating, the Government expects that it needs to:

- maintain the Net Financial Liabilities to Revenue Ratio *below* 111 per cent. The ACT Treasury estimates this ratio is currently around 85 per cent.
- achieve a Net Worth to Revenue Ratio of *at least* 292 per cent. The ACT's Net Worth in 2012-13, which reflects the value of all assets less liabilities, is estimated to be around $16.5 billion or approximately 4 times revenue.

Net Financial Liabilities rise in 2013-14 and remain higher in 2016-17 than in 2012-13. However, according to the forward estimates provided in the Budget, Net Financial Liabilities would have a sufficient buffer to rise with respect to revenue forecasts over the period before the AAA rating would be threatened.

The Net Worth to Revenue Ratio is expected to reduce over time to around 3.5 times revenue. This remains significantly above the minimum ratio required to maintain the AAA credit rating (292 per cent).

Tax reform delivers a positive change in revenue

The taxation reform package delivers an overall increase in revenue of 4.8 per cent in 2013-14 and 7.1 per cent in 2014-15. In order to achieve this, the budget relies on year-on-year collections in General Rates of almost 16 per cent in 2013-14 and around 11 per cent over the forward years.

The Budget allows for a reasonable reduction in conveyance duties in 2013-14 and very modest reductions to properties valued at less than $0.5 million in subsequent years. There is no reduction to the rate of conveyance duties on properties valued between $0.75 million and $1 million over the period.

However, the moderate pace of reform enables the government to progressively implement the removal of insurance duties to zero by 2016-17, while maintaining strong growth in own-source taxation revenue.

Workforce capacity should accommodate capital spending requirements, supplemented by cross border migration

Delivering the capital works program is likely to require a range of technical skills found in the scientific and technical services sector and construction industries, as well as administrative skills found in the Public Administration and Safety sector.

Approximately half of the ACT workforce is employed in these industries indicating that there could be a considerable pool of resources to draw on for the ACT's capital works program. Unemployment estimates suggests there is some underutilisation of the workforce in these industries, which makes the capital works program stimulatory to workforce participation and indicates that there is workforce supply capacity to help meet demand.

Community service spending is relatively conservative

In 2013-14, the ACT Government has identified $117 million of CSOs for the financial year, equivalent to $313.74 per ACT resident. Comparisons across states and territories of CSOs are not always straight forward, although compared to Queensland and the Northern Territory (with CSOs equivalent to $446.55 per person and $419.91 per person respectively), CSO spending in the ACT is relatively modest.

Net new spending on community services in the 2013-14 ACT Government Budget is $20.0 million over the forward estimates period and $7.9 million in 2013-14. On a per capita basis, this is equivalent to $28.54 in 2013-14 and $72.6 per capita over the 4 years.

Comparisons with other states on the level of new community service spending is very difficult. The larger states report total agency spending rather than net new spending on community services. Tasmania appears to show community spending of $41.02 per capita in 2013-14 and $212.7 per capita over the forward estimates period. Jurisdictions such as South Australia and Western Australia report substantially lower levels of community spending, indicating a lack of data comparability. On balance, it appears that community services spending in the ACT is moderate.

The ACT community will be impacted by all of the initiatives in the Budget. A high-level triple bottom line analysis of various initiatives is provided in Appendix A, which rates the financial, environmental and social impact of each major initiative.

1 Economic outlook for the ACT

The economic outlook for the ACT is for weaker growth in 2013-14 prior to a recovery in 2014-15. While the ACT economy has performed better than other 'non-mining' states in 2012-13, it is expected to weaken below the national average in 2013-14. The macroeconomic assumptions underpinning this year's budget appear reasonable given key risks to employment and demand.

The 2013-14 budget provides a forecast of the financial position of the ACT government from 2013-14 to 2016-17. A number of macroeconomic variables affect the forecast financial position of the ACT. Table 1.1 shows the forecasts for changes in key macroeconomic variables in 2013-14, compared to estimates for parameter growth in 2012-13 and 2011-12. As table 1.1 shows, the budget relies on long run averages for the projection years 2014-15 to 2016-17.

While it is appropriate to use long run averages for planning purposes, in order to meet budget targets for the forward period adjustments changes may be required to accommodate actual economic circumstances in particular where these affect potential revenue. For instance, conveyance duties, land sales and payroll tax revenue are significant components of the budget that are sensitive to the performance of the ACT economy and therefore, whether long run average economic performance is achieved in 2014-15.

1.1 Economic forecasts for ACT, percentage change

	Actual		Forecasts	Projections
Annual Growth	2011-12	2012-13	2013-14	2014-15 to 2016-17
Gross State Product	3.5	2.75	1.75	3.0
Employment	0.5	1.5	0.25	1.75
State Final Demand	4.2	2.75	0.25	4.75
Consumer Price Index	2.5	2.0	2.25	2.5
Wage Price Index	3.3	4.0	3.0	3.75
Population	1.8	1.5	1.5	1.5

Source: ACT Budget 2013-14

Growth and demand outlook for the ACT and Australia

Gross State Product (GSP) in the ACT for 2012-13 is expected to be 2.75 per cent, which is just less than the forecast growth in Australian Gross Domestic Project (GDP) of

3 per cent. In contrast, in 2013-14 GSP is forecast to grow at 1.75 per cent and one percentage point less than the forecast GDP growth of 2.75 per cent.

The ACT Treasury's GDP growth forecasts are consistent with the expectations of key economic institutions which forecast GDP growth for 2013-14 of between 2.75 and 3.1 per cent (see table 1.2).

1.2 Forecasts of Australian GDP growth, percentage change

	2012-13	2013-14f
ACT Budget forecast	3	2.75
Treasury Budget forecast	3 [a]	2.75
OECD forecast	3.1	2.9
RBA forecast	2.75	2.75-3.0
IMF forecast	3.3	3.1

[a] Outcomes predicted for the year by Treasury in the 2013-14 Budget were 3.4 per cent growth in real gross domestic product.

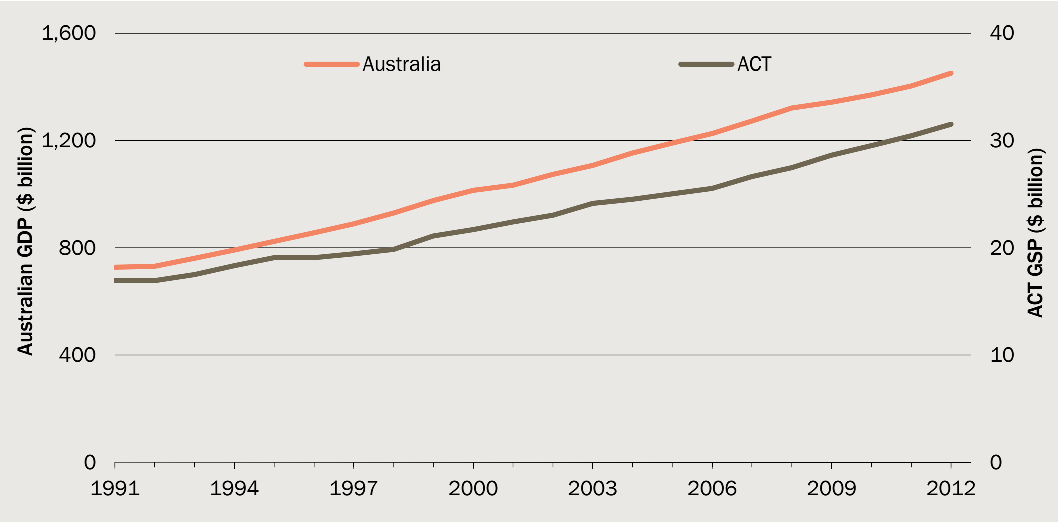
Note: OECD estimate is an average of the two financial years.

Source: OECD Economic Outlook, May 2013. Treasury Budget 2013-14. RBA Economic Outlook February 2013. RBA Board Minutes 6 November 2012.

The growth trajectory of Australian GDP and the ACT Gross State Product have been very similar over time (see chart 1.3). However, a differential of one per cent between gross state product and GDP would be considered reasonable when compared with the historical differential between the economic performance of the ACT economy compared to the Australian economy as a whole (see chart 1.4).

The performance of the ACT economy is expected to worse relative to Australia as a whole. While the mining states are expected to continue to perform above the national average, the economic outlook for NSW is also expected to improve in 2013-14. That is, the relative position of the ACT is also deteriorating relative to NSW (AIG Group, 2013).

1.3 ACT and Australian GDP ($ billion)

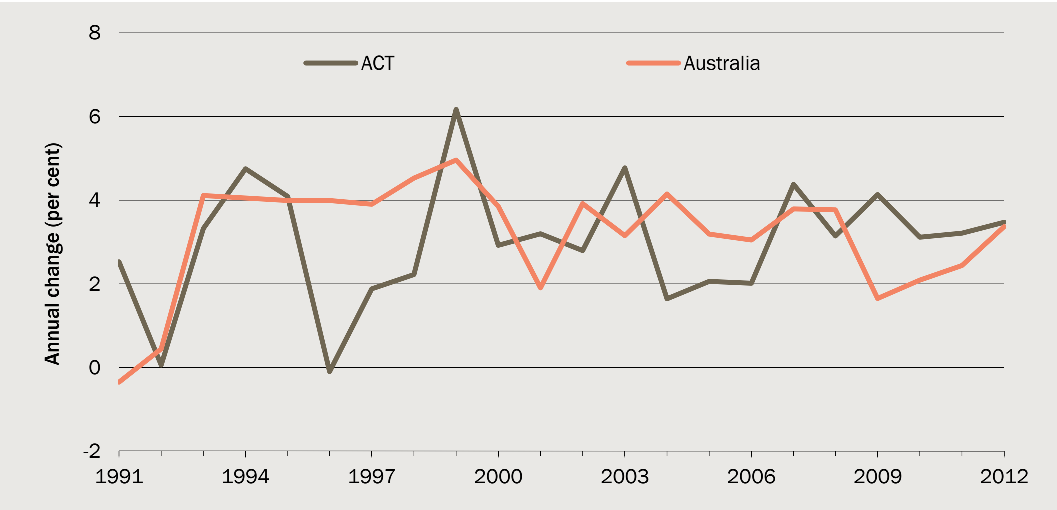


Data source: ABS National Accounts and State Accounts

The annual change in Gross State Product for the ACT and National Gross Domestic Product from 1991-2012 is provided in chart 1.4. It shows that, when compared to historic growth levels in Gross State Product, estimates of GSP growth for 2013-14 of 1.75 per cent are very conservative, with the growth expectations lower than actual GSP growth for the past 17 years (since 1996).

The ACT economy has experienced a sharp decline in GSP growth to between 0 and 1.75 per cent in only two years since 1991. As shown in chart 1.4, following the decline in GSP in 1992 and 1996, GSP appears to have recovered by approximately 2 per cent, which is consistent with ACT's budget assumptions of a recovery in 2014-15.

1.4 Annual change in GSP and National GDP (%)



Data source: ABS National Accounts and State Accounts

The conservative growth forecasts for the ACT economy may be well founded. There are two key risks driving the outlook for the ACT economy in 2013-14:

- *low employment growth*. The Budget factors in the downside risks to employment growth, with employment growth forecast at 0.25 per cent in 2013-14, compared to actual growth of 0.5 per cent in 2011-12 and forecast growth of 1.5 per cent in 2012-13. The growth projections are at the lower end of employment growth rates realised over the past decade, which have ranged between 0.25 and 4.5 per cent.
- *lower levels of investment and consumption*. State Final Demand (SFD) is forecast to grow by just 0.25 per cent in 2013-14, compared to 2.75 per cent in 2012-13. In light of SFD in previous years, estimates for State Final Demand appear conservative for 2012-13 and very conservative for 2013-14. The latest data suggests that for the year ending in the March Quarter 2012-13, State Final Demand has grown by 3.8 per cent in the ACT, which is significantly above budget estimates of 2.75 per cent for the year ending in the June Quarter of 2012-13. In addition, estimates for 2013-14 may be overly conservative given that the growth in State Final Demand has not been lower than 1.2 per cent (which was in 1995-96) over the past two decades.

1.5 Annual ACT State Final Demand growth

Year	ACT SFD growth (%)
2005-06	3.8
2006-07	11.6
2007-08	2.2
2008-09	3.1
2009-10	2.6
2010-11	3.6
2011-12	3.6

Source: ABS State Accounts, Chain Volume Measures.

Conservative estimates of State Final Demand and employment growth may be justified. The growth in government sector expenditure is forecast to decline relative to the previous year. It is widely recognised that there is a downside risk to employment in the Public Administration and Safety sector, which accounts for 30 per cent of Industry Value Added, due to Commonwealth fiscal consolidation and uncertainty about the extent to which the public service will be impacted by the fiscal policy direction. Due to the impact of this sector on other sectors and due to the lack of diversification in the ACT economy, this may also affect private sector hiring intentions.

In addition, the growth in private sector investment is expected to decelerate but remain positive. The construction sector accounts for approximately 10 per cent of gross value added in the ACT economy. Dwelling investment growth declined in 2012-13. The ABS Housing Price Index for Canberra suggests that from March 2012 to March 2013, housing prices in Canberra grew by just 1.5 per cent (ABS, 2013). In the most recent quarter, the March Quarter of 2013, the index increased by just 0.2 per cent showing further softening in the housing market (ABS, 2013). Housing price growth is expected to be very soft in 2014-15. The outlook for non-dwelling construction is also for a moderation in demand.

Employment growth

Year-on-year employment growth for the ACT using the most recent data from April 2013 was 1.8 per cent (ACT Treasury, 2013a). This is substantially higher than the forecast growth of 0.5 per cent in last year's budget.

The forecast employment growth of 0.5 per cent in 2013-14, which is moderately higher than the previous estimate of zero per cent, is plausible given the downside risks associated with fiscal consolidation. The Australian Government's deferral of a return to a surplus, due to weaker than expected revenue growth, is expected to reduce the larger cuts to total public spending in the near term. Nonetheless, the RBA expects subdued growth in public demand over the next two years, particularly if commodity prices continue to ease (RBA, 2013). In addition, there remains the potential for policy adjustments following the Federal Government election.

While the Federal Government is estimated to have employed around 82 000 public servants in Canberra in 2011-12, almost 25 000 in this same year were employed by the

State government. Private sector employment has a close association with public sector expenditure and employment, and there is a tendency for contractions in the public sector to impact growth in private sector employment in the ACT.

Previous Budgets introduced significant cuts to wages expenditure to be implemented in 2013-14 and across the forward years. However, additional savings measures introduced in the 2013-14 budget focus on general savings such as whole of government procurement, which may have less of a direct impact to employment than the wage-related savings introduced in previous years.

Outlook for inflation and wage growth

Wage inflation represents a significant cost driver, due to the significant labour cost component in the services delivered by the government. Annual growth in CPI for Canberra to the March quarter was 2.2 per cent (ACT Treasury, 2013b), which supports the ACT Treasury's view of CPI of 2.2 per cent in 2013-14. Continuing investment in infrastructure is expected to provide stimulus to cost inflation, despite the conservative outlook for employment growth and demand.

Wage inflation is expected to rise by 4.0 per cent in 2012-13 and by 3.0 per cent in 2013-14. The Wage Price Index increased by approximately 2.7 per cent in the private sector and 3.8 per cent in the public sector in the year ending March 2013 (ACT Treasury, 2013c). Lower employment growth is expected to ease wage inflation, however, growth in wages is to an extent locked in through the annual indexation in public sector enterprise agreements.

2 Revenue projections

Revenue is projected to increase by approximately 5.9 per cent in 2013-14 and 6.7 per cent in 2014-15. The budget is projected to return to surplus in 2015-16 only through an adjustment to build in expected future returns on superannuation investment assets, which are not yet realised. The projected increases are driven by higher Commonwealth Government funding and own-source taxation revenue which together account for 73 per cent of revenue. Overall, the revenue projections appear achievable but not conservative. The projections are exposed to downside risks such as a delay to the recovery of the property market beyond 2014-15, which may change the timing/level of Land Development Agency dividends and conveyance duty revenue, and a change in national consumption levels which could impact GST revenue.

Despite the risk of further consolidation to federal expenditure being factored into this budget, the forecast is for strong revenue growth particularly in 2013-14 and 2014-15. The Budget Plan, introduced in 2009-10, adopted a long-term approach of constraining expenditure below the revenue trajectory in order to return to the Budget to surplus. The Budget and forward estimates have been revised from the Budget Plan parameters.

- Despite the conservative outlook for the ACT economy, revenue is forecast to grow by 5.8 per cent per annum, 0.55 of a percentage point higher than the Budget Plan.
- Expenses, on the other hand, are forecast to increase at 3.5 per cent each year, compared to 4 per cent outlined in the 2012-13 Budget and 4.5 per cent in the Budget Plan.

The budget's objective is to smooth out the expected reduction in employment growth and government expenditures in 2013-14. The Headline Net Operating Balance is a deficit of $253.6 million in 2013-14. The Budget suggests there will be a return to surplus in 2015-16 – allowing for only 2 years of deficit.

However, the Budget is reported in terms of the Headline Net Operating Balance, which reflects the Net Operating Balance and an adjustment for superannuation investment earnings not realised in the current period but expected to be realised on average over the longer term. The expectation is for superannuation investment earnings to deliver a long run targeted nominal rate of return on assets of 7.5 per cent. The target rate of return appears ambitious if the superannuation returns are managed in low risk assets. According to SuperRatings, a firm that rates superannuation products, over the 10 years to April 2013 a capital stable index returned 5.88 per cent annually in nominal terms. An even more conservative index returned 4.40 per cent over the period (SuperRatings, 2013). Due to the shortfall in investment returns from 2012-13 to 2016-17, the rationale for utilising the 7.5 per cent rate of return could be further examined and explained. Further information should be provided on how the target rate of the return was set and whether it has been reviewed to take into consideration the global economic downturn experienced in the previous 5 to 6 years and continuing soft fundamentals.

Without incorporating these *potential* returns, the budget remains in *deficit* in 2016-17 by approximately $61.8 million. The Budget position in summarised in table 2.1 and illustrated in chart 2.2. Chart 2.2 provides revenue, expenses and adjusted revenue which incorporates the adjustment for superannuation investments to reflect expectations of long run returns (discussed above).

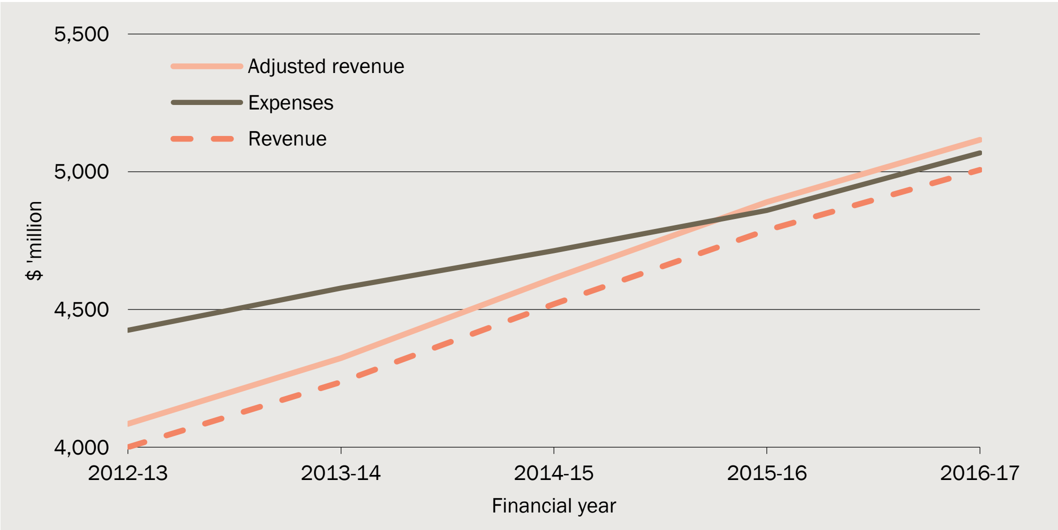
2.1 General Government Sector Net Operating Surplus/Deficit

	2012-13 $m	2013-14 $m	2014-15 $m	2015-16 $m	2016-17 $m
Revenue	3999.9	4237.3	4519.6	4788.3	5006.8
Expenses	4424.3	4577.9	4713.5	4860.2	5068.6
UPF Net Operating Balance [a]	-424.5	-340.6	-193.9	-71.9	-61.8
Investment returns from differential adjustment on superannuation investments	84.7	87.0	94.4	101.1	108.9
Headline Net Operating Balance [b]	-339.8	-253.6	-99.5	29.3	47.1

[a] UPF refers to Uniform Presentation Framework [b] The Headline Net Operating Balance incorporates the impact of long-term superannuation investment earnings that are not achieved/realised but are expected from each period.

Source: ACT Budget 2013-14

2.2 Budget position 2013-14 and forward years



Data source: ACT Budget 2013-14

Lower taxation revenue and higher expenditures for 2013-14

Since last year's budget papers, the Net Operating Balance for 2013-14 has been revised downwards by $123.4 million due to:

- a reduction in revenue expectations of $22.9 million in aggregate

- an increase in expenditures of $100.6 million in aggregate.

Although an adjustment to revenue expectations of $22.9 million in aggregate does not appear to be a large change from the previous year, this incorporates many large changes:

- a reduction in own-source taxation revenue of $48.1 million. The most significant change in taxation revenue is the reduction in stamp duties by $67.7 million due to the weakening in the property market. This is partially offset by an increase in general rates of $12.6 million above that announced in 2012-13. It should be noted that there was no downwards revision to payroll collections
- a reduction in dividend and tax equivalents income of $25.5 million. The most significant change was a downwards revisions of $29.2 million to dividends from the Land Development Agency, reflecting a moderating property market
- a reduction in interest income of $8.8 million mainly due to lower levels of funds to be held on investments during the year and lower estimated investment returns.

These reductions to revenue are partially offset by a revision to Commonwealth grants and other income, including from additional GST revenue of approximately $28.1 million.

The revisions to taxation revenue assumptions reflect a softening property market due to uncertainty around the ACT economic and employment outlook. This is reasonable given the significant revisions to the economic outlook, compared with the long run averages that were utilised in the projections for 2013-14 in the 2012-13 Budget. This suggests that if market conditions do not improve in 2014-15, as implicitly assumed in the current budget, there is a risk of deviating from the proposed timeframe to surplus.

Drivers of increasing revenue in 2013-14

The budget projects an *increase* in revenue for 2013-14 compared to 2012-13 of $237.4 million or 5.9 per cent (see table 2.3). In absolute terms, revenue is estimated to be $4237.3 million in 2013-14 compared with $3999.9 million in 2012-13.

2.3 Revenue, expenses and Net Operating Balance – Change from previous year

Year-on-year change		2012-13 to 2013-14	2013-14 to 2014-15	20145-15 to 2015-16	2015-16 to 2016-17
Revenue	$m	237	282	269	219
	%	+5.9	+6.7	+5.9	+4.6
Expenses	$m	154	136	147	208
	%	+3.5	+3.0	+3.1	+4.3
UPF Net Operating Balance	$m	+84	+147	+122	+10

Data Source: ACT Budget 2013-14

The estimates for 2012-13 reflect the estimated actual outcome, rather than the budget estimates from the 2012-13 budget. It should be noted that own-source taxation revenue was also revised downwards for 2012-13 from the original 2012-13 Budget, by

$41.6 million, reflecting the softening of the property market (reduced conveyance revenues). Changes to own-source taxation in 2013-14, particularly conveyance duty, should be understood as changes from this revised starting point.

In addition, for 2012-13 the 2013-14 Budget anticipates higher Commonwealth Grants ($84.8 million). This is attributable to an increase in GST and funding for the Majura Parkway construction, as well as higher-than-expected dividends ($38.2 million) in particular from the Land Development Agency

From the $237.4 million increase in forecast revenue for 2013-14, approximately $140.1 million is associated with an increase in Commonwealth grants. This represents a year-on-year increase of 8.5 per cent. This includes:

- an extra $51.2 million in GST revenue due, in part, to an increase in per capita funding by $46.75 per person from 2013.
- an increase in other Commonwealth government grants of 14 per cent ($88.2 million), including $50 million for the Majura Parkway construction.

Another significant component of the increase in revenue is from an increase (of 5.0 per cent) in ACT government taxation revenue. The forecast increase of $62.3 million in own-source taxation revenue is driven by:

- an *increase* in general tax of 10 per cent, which accounts for 58 per cent of own-source taxation revenue. This includes an increase in payroll tax of 6.8 per cent ($22.1 million), despite the rate remaining unchanged at 6.85 per cent, reflecting expectations of positive employment and wages growth in the private sector.
- a *reduction* in duties of 6 per cent, which account for a smaller proportion of own-source taxation revenue (22 per cent).

General rates which are incorporated in ‘general tax’ are forecast to increase by around 16 per cent in 2013-14, while conveyance duties incorporated in ‘duties’ appear to fall just by around 4 per cent reflecting downwards adjustment in the rate of duty and expectations of reasonable dwelling turnover. General rates increase by $46.4 million while conveyance duty reduces by just $9.2 million. While the expected fall in conveyance duty appears reasonable, this budget does not accommodate a collapse in the property market. However, a significant adjustment to conveyance duty revenue was made between the 2012-13 and 2013-14 budgets to accommodate the weaker property market over 2012-13.

The increase in revenue from Commonwealth grants and own-source taxation is slightly offset by a reduction in interest income and dividend and tax equivalents income of approximately 5 per cent in 2013-14. This is due to lower levels of funds to be held on investments during the year, in particular lower levels of bank interest, and a reduction in dividends from the Land Development Agency.

Assumptions underpinning sustained revenue growth

As shown in table 2.3 above, the budget position is expected to substantially improve in 2014-15 with the Net Operating Deficit improving by $147 million. Underpinning the improvement to the bottom line is a small reduction of 0.5 per cent in expenditure growth (3 per cent growth) and, more significantly, an increase in revenue growth of 0.8 per cent to 6.7 per cent.

GST revenue is a significant component of increasing Commonwealth funding

GST revenue represents approximately 24 per cent of the ACT's revenue. It is exposed to changes in national consumption expenditure as well as variations in the ACT's relative share of the total pool. It remains subject to revision on a yearly basis.

Commonwealth government revenue is forecast to increase at an even greater rate of 7.7 per cent in 2014-15 ($137.9 million). This is driven by $64.5 million in grants for the Majura Parkway construction and an increase in forecast GST revenue of $57.1 million.

It appears reasonable that in 2015-16 growth in Commonwealth funding returns to 3.1 per cent in 2015-16, with only a small payment for the Majura Parkway in this year but a commensurate year-on-year increase in GST revenue of $65.7 million. In 2016-17, growth in funding is strong at 6.0 per cent in 2016-17 which is associated with a significant increase in the National Healthcare Reform Payments and an increase in forecast GST revenue of $63.9 million.

Tax reform relies on sustained increase in general rates

Own-source taxation revenue is expected to grow at 6.6 per cent in 2014-15 ($85 million), or by 1.6 per cent above the previous year, and remain at a similar rate of growth for 2015-16 and 2016-17. This is reflects an increase in General Rates of 11 per cent each year from 2014-15 to 2016-17 which signals further adjustments to rates, given that the stock of housing increases at only approximately 2 per cent each year. However, revenue from conveyance duties also increases by 7 per cent in 2015-16 and continues increasing in subsequent years, offsetting the reduction in revenue associated with the phasing out of general and life insurance duties.

The positive growth of between 5 and 7 per cent in conveyance duty projected for 2015-16 to 2016-17 reflects the halt to further reductions in conveyance duty rates for properties valued at greater than $500 000. Nonetheless, conveyance duty rates will fall across lower value properties such as land and apartments, suggesting expectations of an offsetting increase in market turnover as market conditions improve and in response to duty cuts in the lower end of the market.

The net impact of taxation reform package is:

- an increase in revenue of 7.1 per cent for 2014-15 or an extra $42.2 million
- a further increase of 6.3 per cent in 2015-16 or $39.8 million
- an increase of 7.1 per cent for 2016-17 or $47.8 million.

2.4 Net impact of tax reform

	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue ($'000)					
General rates	291 974	338 377	376 262	417 300	461 805
Conveyance duty	225 653	216 493	231 908	242 975	259 846
General insurance	44 927	35 381	24 767	13 002	0
Life insurance	2140	1653	1147	596	0
Total revenue	**517 627**	**554 870**	**609 170**	**660 275**	**721 651**
Year-on-year change (%)					
General rates		+15.9	+11.2	+10.9	+10.7
Conveyance duty		-4.1	+7.1	+4.8	+6.9
General insurance		-21.2	-30.0	-47.5	-100.0
Life insurance		-22.8	-30.6	-48.0	-100.0
Total growth in revenue		**+4.8**	**+7.1**	**+6.3**	**+7.1**

Data Source: ACT Budget 2013-14

Supporting these increases, other government charges will also rise by an average of 6 per cent which reflects indexation of charges to inflation such as the Wage Price Index and population growth assumptions.

Payroll taxes continue to increase over the period

Payroll tax is collected on the non-government sector. In the 2013-14 Budget, it is assumed that payroll tax increases by 6.8 per cent in 2013-14 and continues to increase annually by approximately 7.3 per cent from 2014-15 to 2016-17. The increase is a factor of assumed wage growth and employment growth for the industries that are subject to payroll taxes. The budget implies that there is slightly lower wage and employment growth in the non-government sectors in 2013-14, albeit still reasonable, before returning to strong increases over the longer term.

While these assumptions may be reasonable, if the private sector is impacted more than anticipated we would expect payroll taxes to fall. The Budget does not provide detail on the assumptions underpinning the growth forecasts for payroll tax collections from contributing private sectors.

The annual increase in payroll taxes over the forward years indicates that there is no provision in this budget for increasing the tax-free threshold for payroll tax.

Revenue projections underpinned by Land Development Agency income

Another important expectation outlined in the budget projections for 2014-15 and 2015-16 is for a significant increase in dividend and tax equivalents income. In 2015-16, there are provisions for an improvement in interest income of 4 per cent, which appears to be reasonable and conservative. More notable is that the budget also provides for an increase of *33 per cent* in dividend and tax equivalents income, or an additional

$113.1 million, in 2015-16. This is primarily due to a significant increase in dividends to the Land Development Agency Income, increasing by $72.5 million in 2015-16.

This suggests the Agency is expecting an increase in land releases and profitability of land released in this period. This is equivalent to roughly 60 per cent of the improvement in the bottom line between 2014-15 and 2015-16, suggesting that the delivery of the projected Net Operating Balance for 2015-16 in the budget relies on the property market meeting the expectations underpinning the Land Development Agency's revenue projections. In 2016-17, the forecast dividends from the Land Development Agency reduce but remain high relative to returns earlier in the period.

There is no detail on the assumptions or metrics utilised to forecast the improvement in dividend income for the Land Development Agency in 2015-16 and 2016-17, relative to previous years.

Risk to ACTEW dividend income

The Independent Competition and Regulatory Commission (ICRC) has reviewed water and sewerage prices in the ACT for 2013 to 2018. In their draft report, the ICRC proposed for volumetric water prices to reduce by approximately 17 per cent and for sewerage prices to reduce by approximately 24 per cent. The Budget acknowledged that this could have a significant impact on the profitability of ACTEW and therefore pose a risk to asset values and future dividend income. However, on 26 June 2013 the ICRC announced that water prices would increase by 5 per cent and sewerage prices would fall by 18 per cent in 2013-14. This represents a significant moderation to the original price movements proposed by the regulator.

However, the CIE understands the prices determined through the ICRC ruling remain lower than what was proposed by ACTEW upon which the budget forecasts were based. This may still impact revenue as dividends from ACTEW are forecast to be $99.4 million in 2013-14 and grow by 7.7 per cent in 2014-15.

Other market risks to revenue projections

A significant majority of the Territory's financial investment and borrowing transactions are conducted in the global financial markets, which expose investment and borrowings to the associated risks. While investments provide revenue through interest and dividend income, the risks also expose the Territory to lower-than-expected revenue in a given period as well as asset devaluation which impacts future revenue potential. Interest income and dividends from financial investments are estimated to account for approximately 5 per cent of all income ($219.2 million) in 2013-14.

Status of tax implementation

The budget allows for significant growth in own-source revenue while funding a moderate program of reform to duties.

Conveyance duty

The Government's taxation reforms announced in 2012-13 included abolishing conveyance duty, over a 20 year period. The change in the rate of duty over the next four years is modest, particularly with respect to properties valued at between $0.5 million and $1.65 million. The conservative rate of change in conveyance duty allows for other taxation reform objectives, the removal of duty on insurance policies, to be realised.

The 2013-14 Budget accelerates the rate of reduction applying to sales of properties above $1.65 million, which will be reduced to 5.5 per cent in 2013-14. It also confirms a small reduction in the rates of conveyance duty in 2013-14 for properties valued at less than $750 000. There is no change in the rate of duty for properties between $0.75 million and $1.0 million in 2013-14 or across subsequent years. There are no further reductions over the subsequent three years for properties valued above $0.5 million.

This suggests that, with the median value of a Canberra house approximately $550 000 (Australian Property Monitors, 2011), the rate of the conveyance duty for more than half of Canberra houses will not decrease between 2014-15 and 2016-17. Stamp duty on a house valued at $500 000 would fall by $3750, rather than $7000 as previously announced (ACT Government, 2012).

Importantly, the tax rate for dwellings valued between $1.0 million and $1.65 million remains higher than for properties valued over $1.65 million in 2013-14 and across the subsequent three years.

2.5 Reduction in conveyance duty rates

Threshold	Existing rate 2012-13	Percentage change from existing rate			
	%	2013-14	2014-15	2015-16	2016-17
Up to $200 000	2.4	-8.3	-16.7	-25.0	-38.3
$200 001 to $300 000	3.75	-1.3	-6.7	-20.0	-33.3
$300 001 to $500 000	4.75	-5.3	-12.6	-15.8	-15.8
$500 001 to $750 000	5.5	-9.1	-9.1	-9.1	-9.1
$750 001 to $1 000 000	6.5	0	0	0	0
$1 000 001 to $1 649 999	7.25	-3.4	-3.4	-3.4	-3.4
$1 650 000 and above	7.25	-24.1	-24.1	-24.1	-24.1

Date Source: ACT Budget 2013-14

Insurance policies

The ACT Government also plans to abolish duty on insurance policies over five years. Duties on general insurance will reduce from 8 per cent in 2012-13 by 2 per cent each year until reaching zero in 2016-17. Life insurance duties will fall from 5 per cent in 2012-13 by 1 per cent each year until reaching zero in 2016-17.

To offset the loss in revenue, the Government will increase general rates, in particular on large commercial properties. Rates on dwellings will increase by 10 per cent, while large commercial properties will experience rate increases of around 20 per cent.

Other reforms

In 2012-13, the ACT Government abolished commercial land tax and increased the tax-free threshold for payroll tax.

The ACT Government also announced significant reform in the 2012-13 Budget to residential land tax, payroll tax and the Utilities Network Facilities Tax. No further reforms are made to these taxes in the 2013-14 Budget.

However, one of the objectives announced in 2012-13 was to make the General Rates system and the land tax system more progressive. The CIE confirms that the General Rates increases announced for 2013-14 to fund the reduction in conveyance and insurance duties are progressive.

The Budget replaces the First Home Owner Grant, which will be discontinued from 31 August 2013, with a scheme retargeted to new and substantively renovated properties. The value of the grant will be increased from $7000 to $12 500.

The Home Buyer Concession Scheme, which provides a concession on conveyance duty, will also be retargeted to new homes only. The income eligibility criteria for will be increased from $150 000 to $160 000, and the value of properties eligible for the full duty concession will rise to $425 000.

The grants aim to promote an increase in the supply of new properties in order to increase the stock of housing and/or make housing more affordable for new market entrants. It should be noted that an important constraint to the extent to which the production of housing can increase is the release of land and length of approvals processes. As a result, grants can be stimulatory to demand but result in a substantive increase to the price of housing.

Table 2.6 compares the concessions for home buyers available in other states.

2.6 Stamp duty concessions

State	Concession
Queensland	A concession on transfer duty is available for first home purchases. Up to a purchase price of $505 000 the concession is $8750. The level of the concession reduces as the purchase price increases, so that from a purchase price of $550 000 there is no concession. For the first home purchase of vacant land valued at up to $250 000 100 per cent of transfer duty is waived. The level of the waiver decreases at the value of the land increases, so that for values of $400 000 or more there is no concession. There is also a concession on the transfer duty for homes.
New South Wales	First home purchases for a home or vacant land are given a stamp duty concession in NSW. In the case of a home there is no stamp duty for values up to $500 000, and a reduced amount for values up to $600 000. Vacant land of value less than $300 000 does not attract stamp duty. Some concession is given for land purchases up to a value of $450 000.
Victoria	First home buyers are given a 50 per cent reduction in the transfer duty for property values less than $600 000.
South Australia	The South Australian government provides a first home owner grant in lieu of a stamp duty concession. It is up to $15 000 for new homes, and up to $5 000 for established homes. There is also a stamp duty concession for off-the-plan purchases within certain geographic areas. The value of this concession can be as much as $21 330, which is the stamp duty payable on a $500 000 apartment
Western Australia	A full stamp duty concession is provided to first home buyers for values under $500 000, and a reduced rate is provided for values under $600 000. Vacant land with a value of less than $300 000 does not have stamp duty charged on it, and the concession reduces up to a value of $400 000.

Source: Various state government websites.

Debt and liabilities

The majority of General Government Liabilities are made up of unfunded superannuation (54.4 per cent) and borrowings (32.3 per cent). Borrowing is undertaken through the issuance of debt securities in the domestic markets with long-term fixed interest and short-term discount securities with a mix of durations.

At the end of 2012-13, General Government Sector (GGS) borrowings are estimated to be $1.344 billion in terms of debt issued to the domestic capital markets and $86 million of debt to the Commonwealth Government.

New additional GGS borrowings in 2013-14 are expected to be $396 million, which are estimated to increase GGS borrowings from approximately $1.4 billion to $1.8 billion in 2013-14. This is a significant increase of approximately 30 per cent. This is also significant when compared to previous GGS borrowings of less than $0.5 billion in 2010-11. Under the budget revenue and expenditure projections, GGS borrowings is expected to decline to 2012-13 levels around 2016-17. However, worsening of the Net Operating Surplus would impact this projection.

In addition, the Public Trading Sector is estimated to have approximately $1.5 billion in borrowings in 2012-13. Borrowings for Public Trading Enterprises in 2013-14 are expected to increase very modestly at 2.5 per cent (by approximately $36 million).

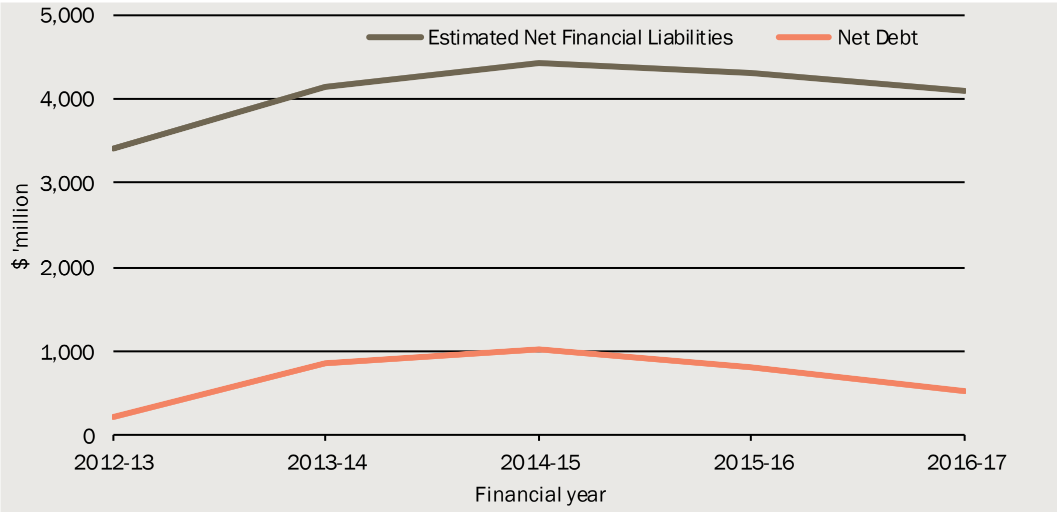
There a multiple measures of the debt position. The first is net debt, which includes the sum of selected financial liabilities, such as loans, net of financial assets such as cash reserves and investments. It does not include accrued superannuation liabilities.

Net debt over the budget and forward estimates is positive, indicating that cash reserves and investments are lower than gross debt liabilities. Net debt grows over the period indicating that more revenue will be diverted to paying off borrowings and interest.

Net Financial Liabilities is more encompassing, taking into account all financial liabilities including accrued unfunded superannuation liabilities. Chart 2.7 shows current and projected Net Financial Liabilities and Net Debt for the ACT Government. Net Financial Liabilities and Net Debt are forecast to increase temporarily due to higher borrowings associated with this additional expenditure. Superannuation liabilities account for the substantive difference between the two debt measures.

The Budget acknowledges uncertainty around the value of ACTEW's assets associated with the IRCR's review of water and sewerage prices. The Budget papers highlight a risk of a potential downgrade to the value of ACTEW's assets by up to $650 million, which could impact net debt measures. However, the risk is expected to have been significantly lessened following the final pricing decision of the regulator on 26th June 2013.

2.7 ACT Government Net Financial Liabilities and Net Debt



Data source: ACT Budget 2013-14.

Funded and unfunded superannuation in the Budget

Superannuation is incorporated into the Budget in several areas. The Government established a Superannuation Provision Account (SPA) for the purpose of holding and investing financial assets set aside to meet the emerging cost payments associated with the Government's employer superannuation benefit obligations[2]. Interest earned on the SPA is incorporated into the interest income component of revenue.

2 These obligations are from superannuation owing under the Defined Benefit Superannuation Schemes and the Public Sector Superannuation Scheme whereby the benefit is unfunded by the employer and the benefit is not required to be paid until a member takes their benefit entitlement.

The long run nominal revenue expectation for the SPA is 7.5 per cent. As previously discussed, in order to smooth out the returns over the long run, the budget bottom line utilises an adjustment to interest income on the superannuation account to bring interest levels in line with the long run expectations. A small amount of revenue is also received by the PTE sector and external sector (ActewAGL) which are based on annual actuarially determined employer contribution rates.

Superannuation expenses that are incurred in each period are also contained in the expenditure items of the budget.

Accrued superannuation liabilities are factored into the Budget through the reporting of Net Financial Liabilities. The total value of accrued superannuation liabilities is calculated as the present value of the future payment of benefits that have actually accrued in respect of service at the calculation date. Just over half of superannuation liabilities are currently funded. The superannuation liabilities at the end of 2012-13 are expected to be $5.1 billion, whereas the investments available to fund these are expected to be $2.6 billion.

In 2016-17, these liabilities are expected to increase to $6.15 billion while the investments available to fund these are expected to be $3.42 billion.

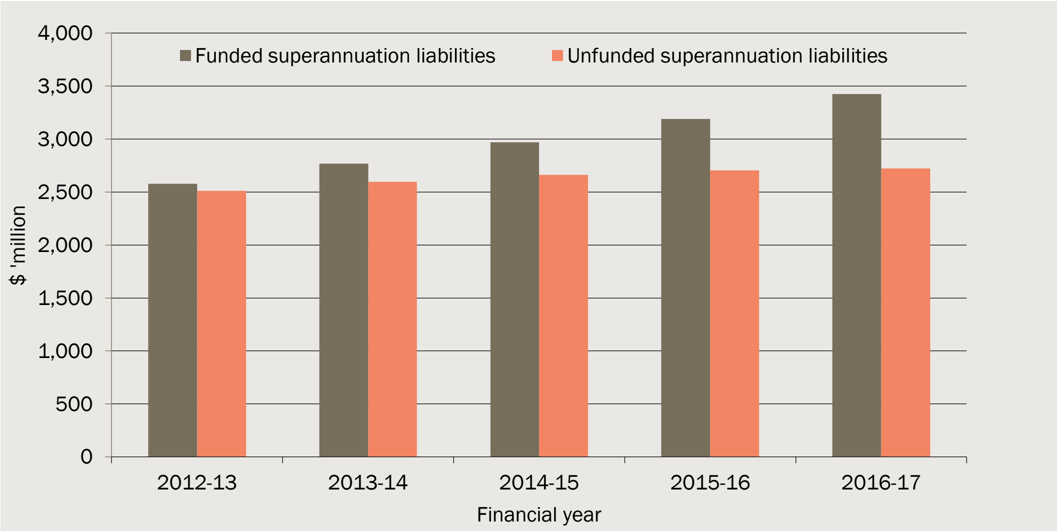
Funded and unfunded components of superannuation liabilities are shown in chart 2.8. The estimated total liability and unfunded liability in aggregate terms increases over the budget, while the share of liabilities that is unfunded reduces from approximately 49 per cent in 2012-13 to 44 per cent in 2016-17.

It should be acknowledged that there the extent of the liability is uncertain and these are only projections. The Budget Statement of Risk suggests that the estimated superannuation liability is most sensitive to inflation, wages growth, rates and patterns of retirement and resignation and the proportion of benefits taken in pension form.

In addition, the superannuation liability is affected by the assumed discount rate, which reflects the estimated average timing of the benefit payments and the time value of money. The Net Financial Liabilities reported in the budget has been prepared using an estimate of the 20-year average discount rate of approximately 6 per cent to reflect the long-term nature of superannuation investment, whereas the current discount rate measured as the Commonwealth Government long-term bond rate is approximately 4 per cent.

If the discount rate remains at around 4 per cent, the value of the liability at the end of 2012-13 increases by approximately $1.7 billion. Changes to the discount rate would also flow through to defined annual superannuation expenses.

2.8 Funded and unfunded superannuation liabilities ($m)



Data source: ACT Budget Review 2013-14

Credit rating risk

In order to retain its AAA credit rating, the Government expects that it needs to:

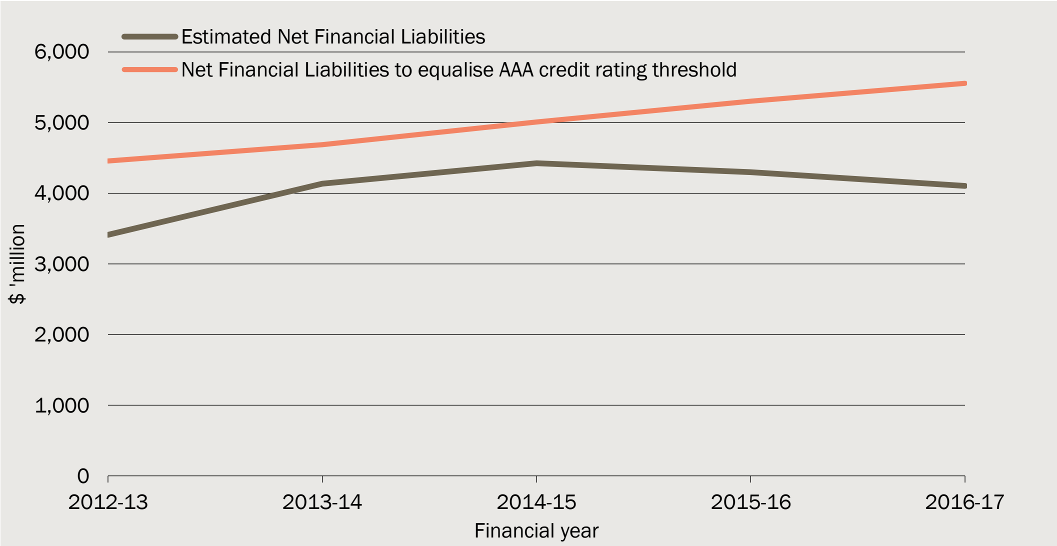
- maintain the Net Financial Liabilities to Revenue Ratio *below* 111 per cent. The ACT Treasury estimates this ratio is currently around 85 per cent.
- achieve a Net Worth to Revenue Ratio of *at least* 292 per cent. The ACT's Net Worth in 2012-13, which reflects the value of all assets less liabilities, is estimated to be around $16.5 billion or approximately 4 times revenue.

Net Financial Liabilities rise in 2013-14 and remain higher in 2016-17 than in 2012-13. However, according to the forward estimates provided in the budget, Net Financial Liabilities would have a sufficient buffer to rise with respect to revenue forecasts over the period before the AAA rating would be threatened.

Chart 2.9 provides an illustration of the extent to which Net Financial Liabilities could rise in dollar terms before the AAA credit rating may be threatened, holding revenue constant. The minimum buffer over the forward period is $549 million in 2013-14. Alternatively, revenue could deteriorate by $1.1 billion in 2013-14 keeping Net Financial Liabilities constant. While this buffer appears large, a change in the discount rate utilised to estimate future superannuation liabilities would impose an increase in superannuation liabilities exceeding this buffer.

The Net Worth to Revenue Ratio is expected to reduce over time to around 3.5 times revenue. This remains significantly above the minimum ratio required to maintain the AAA credit rating (292 per cent). Chart 2.10 illustrates that Net Worth may potentially deteriorate with respect to revenue by around $4.3 billion in 2013-14 before threatening the rating.

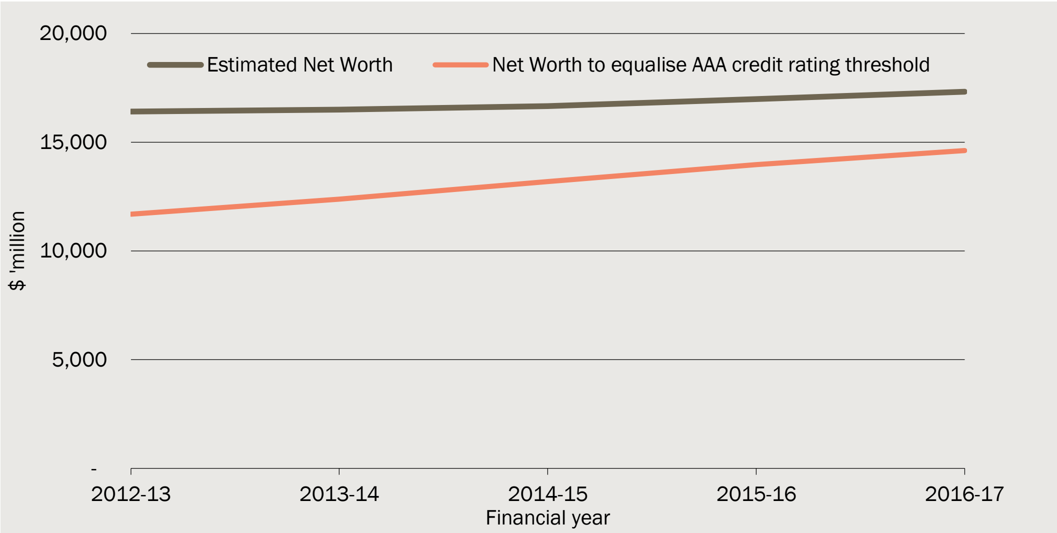
2.9 Net Financial Liabilities to Revenue Ratio and AAA threshold differential



Note: The differential between Estimated Net Financial Liabilities and the maximum Net Financial Liabilities that may allow the AAA credit rating to be maintained is based on the information provided in the ACT Budget 2013-14.

Data source: The CIE, ACT Budget Review 2013-14.

2.10 Estimated Net Worth relative to AAA credit rating threshold



Note: The differential between Estimated Net Worth and the Net Worth required to sustain AAA credit rating is based on the information provided in the ACT Budget 2013-14.

Data source: The CIE, ACT Budget Review 2013-14.

3 Expenditure projections

Expenditure commitments remain strong enough to stimulate the ACT economy in light of softening in economic fundamentals.

Health spending in particular remains high and the ACT Government continues to invest in preliminary work towards the Capital Metro Light Rail.

Other major spending reflects ongoing commitments to previous announcements and funding of ACT Government contributions towards national commitments for education and disability reform.

Overall, expenditure is largely stimulatory and the balancing of the budget reflects greater confidence on the revenue front rather than substantially parred back expenditure.

The ACT Government Budget 2013-14 reprioritises expenditure to achieve financial savings whilst investing in substantial new capital works and programs to help protect the ACT economy, which is arguably more susceptible to economic downturn than the same time last year.

Overall, the profile of expenditure looks at least mildly stimulatory, whilst seeking to better focus on new and emerging priorities.

In growth terms, expenditure is relatively conservative, increasing at a compound annual growth rate (CAGR) of 3.5 per cent over the forward estimates period.

However, in dollar terms, there is more funding allocated in each year compared to last years' Budget ($100.6 million more in 2013-14, $39.6 million more in 2014-15 and $41.6 million more in 2015-16).

The estimated expenditure outcome for 2012-13 came in at $4,424 million, which was $77 million higher than expected this time last year. This means that expenditure growth can appear modest, but it comes off a higher base and overall the expenditure profile has increased over the forward estimates period.

A large proportion of new spending is for healthcare (largely public hospital related) which accounts for 38.6 per cent of expenditure over the forward estimates period and 25.6 per cent in 2013-14.

While expenditure is by no means excessive, it is largely revenue expectations that position the ACT Government Budget to become balanced 2015-16.

While some expenditure initiatives require recurrent spending only in 2013-14, the vast majority require spending throughout the forward estimates period, often in relatively equal amounts, suggesting a possible ongoing role beyond the forward estimates period.

This is somewhat different to the treatment of new capital initiatives, which are considered and announced in each Budget with most funding typically allocated in the first year, and parred back substantially thereafter.

It is not possible to speculate on whether any continuing role of the recurrent initiatives would affect the underlying budget position, although potentially they could. The future potential surplus will reflect future spending decisions (including decisions on whether to continue to support the recurrent spending initiatives in the 2013-14 Budget), as well as future revenue outcomes.

Expenditure projections

Total expenditure in the General Government Sector is estimated to increase by 3.5 per cent in 2013-14 to $4.578 billion — weaker than the previous years' growth of 5.3 per cent, which was stronger than anticipated.

The forward estimates period also expects expenditure growth to ease, (3.0 per cent in 2014-15 and 3.1 per cent in 2015-16) before picking up more strongly in 2016-17 (4.3 per cent growth).

Forth-eight per cent of expenditure relates to employees' wages and superannuation and functionally 55 per cent will go to health and education including vocational, slightly higher than in previous years.

A summary of the components of expenditure over the forward estimates period is set out in table 3.1.

3.1 General government expenditure

2012–13 Budget $'000	Expenses	2012–13 Est. Outcome $'000	2013–14 Budget $'000	Var %	2014–15 Estimate $'000	2015–16 Estimate $'000	2016–17 Estimate $'000
1 527 566	Employee expenses Superannuation expenses	1 544 167	1 583 362	3	1 621 453	1 670 382	1 749 612
297 660	Superannuation Interest cost	264 214	313 777	19	330 007	345 899	361 386
236 567	Other Superannuation expense	346 794	242 113	-30	244 906	248 675	257 892
324 488	Depreciation and Amortisation	320 838	338 863	6	360 671	366 250	369 092
112 728	Interest expense	123 618	149 775	21	166 662	172 665	168 894
	Other operating expenses						
888 385	Supplies and services	869 974	919 472	6	965 030	1 013 421	1 078 533
199 840	Other operating expenses	180 317	199 788	11	203 513	210 117	208 131
760 187	Grants expenses	774 419	830 726	7	821 225	832 825	875 035
4 347 421	**Total expenses**	**4 424 341**	**4 577 876**	**3**	**4 713 467**	**4 860 234**	**5 064 575**

Source: ACT Government Budget 2013-14: Budget Paper 3

Key expenditure drivers

The main factors affecting expenditure levels are:

- ***Employee expenses.*** Employee expenses are slightly higher than last year ($1.544 billion in 2012-13) due to changes in the workforce profile and the salary costs embedded in increased expenditure in health related initiatives. Wages growth is forecast to remain reasonably strong (3 per cent in 2013-14 and 3.75 per cent in the following two years) due to the partial locking in of wages growth through indexation arrangements in public sector enterprise agreements, which will see wages growth stay relatively robust despite softening employment expectations.
- ***Superannuation interest costs and expenses***. Superannuation expenses have been revised up in the Budget (as they were last year) by $76.8 million, due to the discount rate used for the annual superannuation liability valuation coming in at a much lower 3.41 per cent than the long term average rate of 6 per cent used in the 2012-13 Budget.
- ***Depreciation and amortisation***. Depreciation and amortisation costs largely reflect the timing (and delays) of major infrastructure projects. While depreciation and amortisation costs are lower than the estimated cost in last year's budget ($3.7 million lower, and coming in at $320.8 million for 2012-13), they will rise in following years (up 5.6 per cent in 2013-14) reflecting the completion of major infrastructure projects and asset purchases.
- ***Interest expenses***. Borrowings have been higher than expected over the past year, and as a result, interest expenses for 2012-13 have come in $10.9 million higher than expected at $123.6 million. Higher levels of borrowing have also pushed higher expected borrowing costs for 2013-14 (up $26.2 million or 21.2 per cent more than 2012-13), although growth in interest costs will ease in following years with total interest costs expected to fall by 2016-17. Overall, interest costs account for a small proportion of total expenditure (2.8 per cent in 2012-14).
- ***Supplies and services***. Expenditure on supplies and services (such as pharmaceuticals, repairs and maintenance, consultants and contractors expenses and payments for ACT Policing) have been softer than expected in the 2012-13 year ($18.4 million lower than expected). However, the implementation of new initiatives in the current budget will push these costs up in 2013-14 when they are forecast to rise by $49.5 million or 5.7 per cent. These costs have a substantial impact on total expenditure costs, accounting for 19.7 per cent of total expenses in 2012-13 and expected to account for a larger proportion of costs over the forward estimates period. This means that even small proportional revisions will have a relatively large impact on the expenses line. The growth in supplies and service costs suggests that the refocusing of the Budget into new areas brings with it higher implementation and operating costs than the previous suite of funded services, at least in the near term.
- ***Grants expenses.*** Grant expenses are sizeable, accounting for 17.5 per cent of total expenses in 2012-13 ($14.2 million higher than previously budgeted, although mainly due to a reclassification of expenses to the most appropriate expense line plus grants to the Calvary Hospital for capital works in their Emergency Department). The bigger lift in grant expenses comes in 2013-14, which represents a peak in grants as a per cent of total expenditure over the forward estimates period (at 18.1 per cent), again due to

the impact of new Government initiatives as well as increased community sector grants. Given the current and expected softening in underlying economic activity in the ACT, the increase in grant expenses (assuming they are prudent) is likely to be an appropriate stimulus to economic growth in the ACT.

Overview of major areas of substantial new spending

The 2013-14 Budget is a 'refocusing' budget. It contains $127.7 million of net new spending initiatives, offset against savings of $142.6 million (discussed further below).

The ACT Government has highlighted four key policy initiatives in the 2013-14 Budget to promote growth and sustainability in the ACT economy. These include:

- Liveability and Opportunity – including DisabilityCare Australia
- Healthy and Smart – including hospital expansions and National Education Reform
- Growing the economy – including SME support, tourism programs and tax reform and
- Urban Renewal – including the Capital Metro Program.

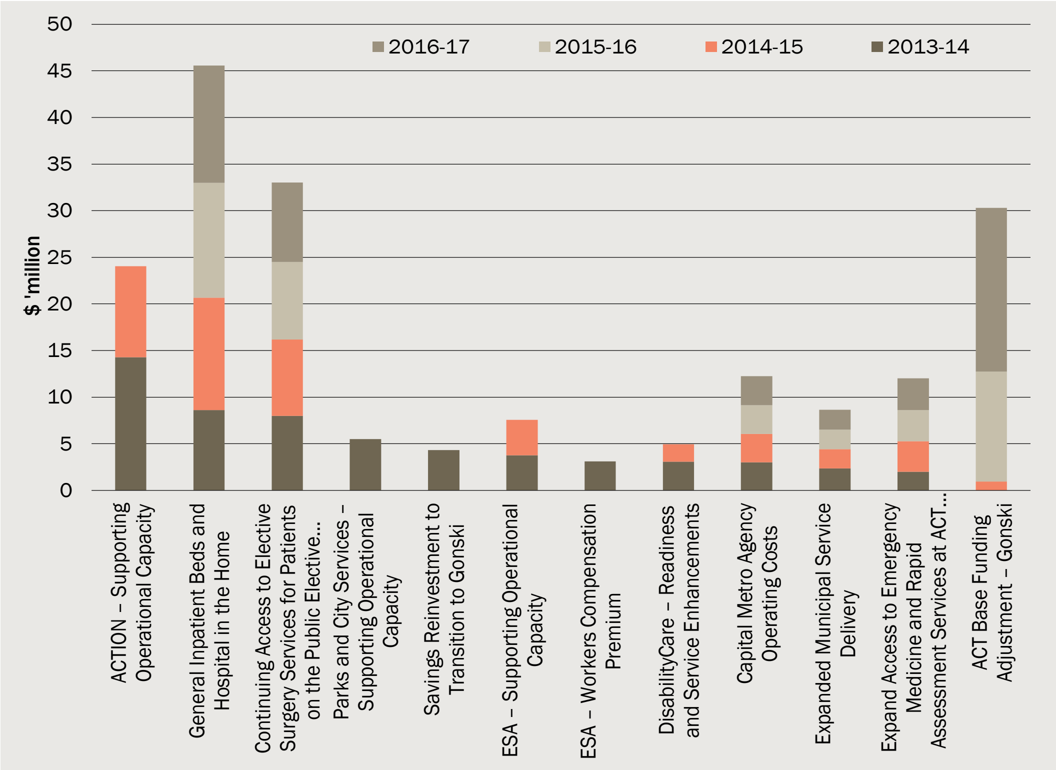
The Healthy and Smart Initiative accounts for the largest proportion of 2013-14 expenditure initiatives ($42.5 million), followed by Urban Renewal ($31 million), Liveability and Opportunity ($26 million) and Growing the economy ($4.8 million). Note that these figures do not include capital initiatives.

Across the entire ACT Budget, the key policy directions and funding allocations for 2013-14 that have been noted are:

- improvements in the scale and quality of hospital based health care ($56.6 million)
- improvements in education services ($4.3 million)
- expansion of disability support services ($3.7 million)
- construction of Common Ground Supportive Housing for the homeless ($7.5 million)
- design and operation of the Capital Metro Light Rail network ($8.4 million);
- construction of Canberra College Cares, Phillip Campus support network for young parents and pregnant girls ($5 million).

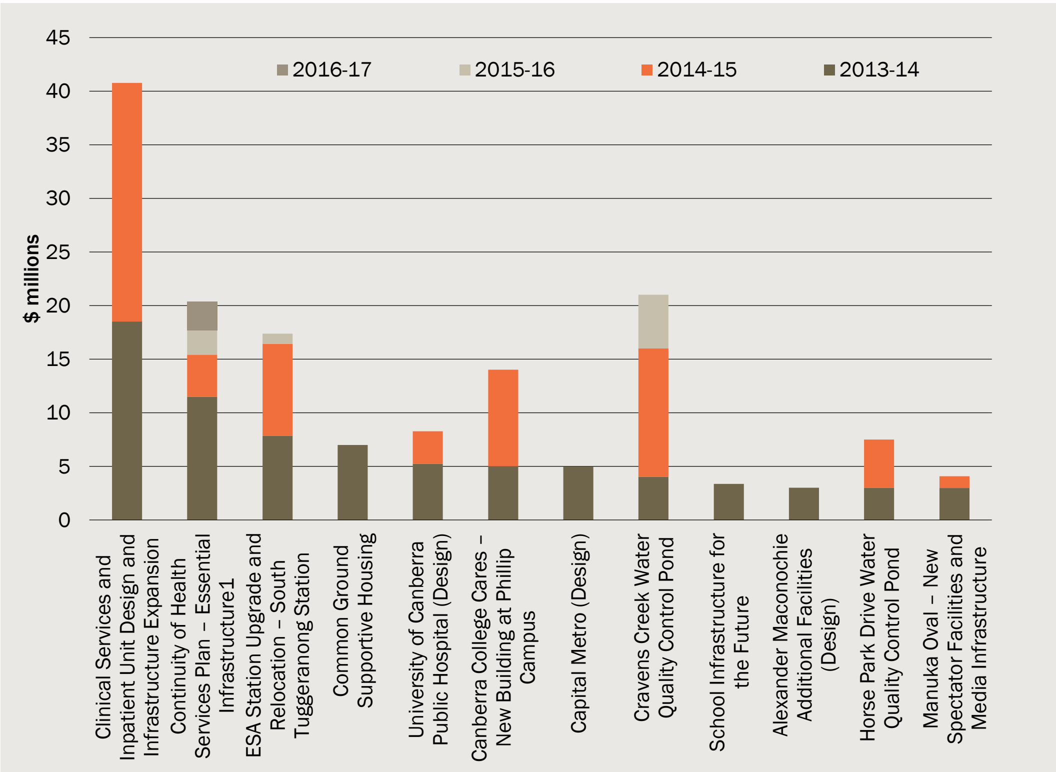
Chart 3.2 provides an overview of the largest expenditure based policy announcements, ranked in order of expenditure announced for the 2013-14 financial year. Chart 3.3 provides the same overview for major capital works initiatives.

3.2 Major recurrent expenditure items 2013-14 budget



Data source: Data source: ACT Government (2013) Budget Paper 3, 2013-14, Table 5.2.2

3.3 Major Capital Works Initiatives in 2013-14 budget



Data source: ACT Government (2013) Budget Paper 3, 2013-14, Table 6.4.3

Big spending for health care

The 2013-14 Budget across the forward estimates period is a big spending budget for health care.

Health care (through the Health Funding Envelop) accounts for 38.6 per cent of expenditure over the forward estimates period and 25.6 per cent in 2013-14.[3]

The ACT Government's healthcare budget targets a number of areas of improved service delivery and facilities. Over the forward estimates, expenditure targets:

- an expansion in in-patient hospital beds and hospital in the home services
- improved access to elective surgery, reducing elective surgery waiting lists, and
- expansion in emergency medicine facilities and frontline medical services.

The major capital initiatives being proposed to support these expenditures include design and construction of in-patient facilities and the preliminary design stages of the University of Canberra Public Hospital.

The expansion of inpatient and service delivery facilities in ACT public hospitals has been allocated $56.6m in 2013-14, almost the entire expenditure and capital budget for the Health Directorate for the financial year.[4]

Table 1.3 provides a summary of the key healthcare policy initiatives by new expenditure initiatives and capital works requirements.

3.4 Major Health Directorate expenditure and capital works items

Expenditure initiative		Capital works	
Total Health Directorate expenditure	$27m 2013-14 $128m forward estimates	Total Health Directorate capital works	$37.5m 2013-14 $71.7m forward estimates
General inpatient beds and hospital in the home	$8.6m in 2013-14 $45.6m forward estimates	Clinical services and inpatient unit design and infrastructure expansion	$18.5m in 2013-14 $40.8m forward estimates
Access to elective surgery	$8m in 2013-14 $33m forward estimates	Continuity of Health Services Plan – Essential Infrastructure (design and construction of additional in-patient bed facilities)	$11.5m in 2013-14 $20.4m forward estimates
Emergency & rapid response medicine services in hospitals	$2m 2013-14 $12m forward estimates	Design of Canberra University Public Hospital	$5.2m in 2013-14 $8.3m forward estimates
Belconnen Health Centre and Walk-in clinic	$1.6m 2013-14 $9m forward estimates		

Source: ACT Government (2013) Budget Paper 3, 2013-14, Table 5.2.2 and Table 6.4.3

3 The Health Funding Envelop is funded through ACT Government revenue, the major sources of which are Commonwealth Government grants (mainly GST) and Own Source Revenues. Its purpose is to fund indexation and growth funding for the Health Directorate.

4 Includes Capital: Calvary Hospital Carpark (Design), University of Canberra Public Hospital (Design), Continuity of Health Services Plan, Clinical Services and Inpatient Unit Design and Expenditure: General inpatient beds and hospital in the home, Centenary Hospital, Emergency Medicine, Elective surgery.

Large health infrastructure projects, like any large projects, can pose some budgetary risk to the budget, often impacting on the timing of large capital spending initiatives.

The health infrastructure commitments are notoriously susceptible to delays because of their complexity and sequencing needs to ensure that patient outcomes are not impacted by the work program.

There is no mention in the Budget as to how the larger health infrastructure investments are progressing. For instance, for the Canberra Hospital extensions there is little information available on what has been achieved, particularly recently. The plans for Stage Two cover work over the extended period from 2008-2022.[5] In March 2013, the Chief Minister announced that while $41 million had been anticipated to be spent on a new tower at the Canberra Hospital, the government would instead focus on new beds at Calvary Hospital and the UC campus because of uncertainty as to whether work was immediately necessary, as well as cost risks.[6]

Investment in key steps towards a Capital Metro Light Rail for the ACT

A total of $18.4 million has been allocated across the forward estimates towards the Capital Metro program to fund preliminary design work and a co-ordinating agency.

This includes:

- $1.4 million through the Environment and Sustainable Development Directorate for the ACT Light Rail Master Plan (Feasibility) in 2013-14, which will consider a Canberra-wide light rail network, identifying issues and assessing its feasibility
- $5 million in capital funding to the Capital Metro Agency for design works in 2013-14 to support preliminary design studies and a delivery strategy for the Gungahlin to City Light Rail Transit corridor
- $3 million in operating funds to the Capital Metro Agency in 2013-14 and a total of $12.2 million over the forward estimates is to support the recruitment of staff for the Agency.

The investment appears to signal a commitment to the Light Rail project on behalf of the ACT Government.

Press reports have emerged suggesting the ACT taxpayers will bear the patronage risk of the project, which would be in line with risk sharing arrangements for similar projects in other jurisdictions. However, this does identify a future financial risk for the ACT Government Budget if the financial commitment to preliminary works leads to the eventual (expected) delivery of the network to commuters in the ACT.[7]

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[5] http://health.act.gov.au/about-us/health-infrastructure-program/your-health-our-priority-stage-two/stage-two-major-priorities

[6] For instance, the sterilisation facility was put on hold because it was found likely to cost $7 million more than budgeted. http://www.abc.net.au/news/2013-03-15/new-hospital-tower-on-hold/4575880

[7] http://www.canberratimes.com.au/act-news/light-rail-risk-set-to-weigh-on-taxpayers-20130609-2nymx.html

The delivery of transport infrastructure projects is often subject to potentially large risks that may jeopardise the delivery and acceptability of these projects, which can add substantially to project costs. Many problems and cost over-runs of major infrastructure projects have been shown to be due in large part to underdeveloped Terms of Reference, inadequate understanding of community expectations and anticipated usage, as well as uncertain or ineffective risk sharing arrangements across governments, head contractors and subcontractors. This makes it difficult to anticipate total costs of a project such as this and any consequent impact for the underlying budget position.

More funding for support services for homeless people

In 2013-14, $7 million of capital works funding has been allocated for the construction of the Common Ground Supportive Housing project to construct a housing complex for singles and couples without children who are either homeless or at risk of becoming homeless. This is the major capital initiative for Housing ACT for 2013-14, with no capital works scheduled for the remainder of the forward estimates.

Recurrent expenses of $566 000 have been allocated to Housing ACT in support of the construction of the Common Ground project.

There are some early signs that the project is building momentum, which bodes well for achieving the spending expectations in the Budget. Previous ACT Government Budgets have allowed for a feasibility study (2011-12 and later published in May 2012), and further design and planning (2012-13). There is a reference group charged with responsibility for the Common Group project and a preferred site has been identified and is now available, suggesting that construction can commence when appropriate.[8]

Gonski reforms require transitional funding from the ACT Government

The ACT Government's major education policy initiative within the budget is to fulfil requirements under the National Education Reform Agreement (Gonski Reforms). However, the ACT Base Funding Adjustments do not begin until 2014-15 with a total recurrent expenditure of $30.3 million over the three years 2014-17. In 2013-14 a total of $4.3 million has been allocated as a 'Saving reinvestment to Transition to Gonski'.

These expenditure items have been made in line with the agreement with the Commonwealth Government to provide 'needs-based' funding to ACT schools, focussing on high quality education.

Allocations for the Gonski reforms in the first year of the 2013-14 Budget appear to be from reallocations from other initiatives that would have been implemented in the absence of the Gonski reforms, rather than 'new money' per se.

The Commonwealth National Education Funding Reform funding will replace National Schools Specific Purpose Payments (SPPs), which for Education and Early Childhood were previously budgeted to be $60.4 million in 2013-14 for the Government sector and $167.8 million for the non-Government sector.

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8 http://gallery.mailchimp.com/9585bc99e4e73058a9340eb71/files/Newsletter_6th_2013.pdf

The Chief Minister has commented that a large component of Gonski-related funding in the ACT will be funded through the redirection of existing revenues from SPPs plus additional Commonwealth funding for the national plan for school improvements, which in previous Budgets appear to have been at least partly provisioned for in National Partnership Payments.[9]

It is difficult to ascertain the difference in Commonwealth education funding for the ACT between the National Schools SPP and funding associated with national education reform. This difficulty has been acknowledged by the Chief Minister given the ongoing state of negotiations with the Commonwealth over this matter, although it appears that there will be a modest overall increase in Commonwealth funding for education in the ACT,[10] as opposed to any increase (or possible reduction) in ACT Government expenditure.

Capital spending on Canberra College Cares to promote participation in education

The largest capital works initiative within the Education and Training Directorate is the construction of a Woden Campus for the Canberra College Cares program, providing education and support services for young pregnant women and parenting students to continue their education. A total of $14 million in construction funds have been allocated to the initiative over the two years 2013-15.

The facility will accommodate 80 students, 80 children 12 teaching and ancillary staff and allowance for 15 additional adults.

Early signs are that the project is tracking reasonably well. The design was initially anticipated to take two years, and for construction to take five years. The budget allocations allow for funding for construction to be completed 2 years from delivery of the designs. In September 2012 GHD were commissioned to undertake a Peer Review Consultancy for designs.[11]

Expansion of disability support services

Approximately $3.7 million of recurrent expenditure has been allocated to DiabilityCare (National Disability Insurance Scheme) initiatives in 2013-14. That largest portion of this ($3.1 million) has been allocated to ‘Readiness and Service Enhancement’ to increase the resources available to people and their carers that will eventually transition to the DisbailityCare program from 2014.

In total, DisabilityCare funding accounts for 47 per cent of the expenditure allocated to the Community Services Directorate. By 2019-20, the ACT Government is anticipating

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[9] http://www.hansard.act.gov.au/hansard/2013/week07/2035.htm

[10] http://www.hansard.act.gov.au/hansard/qtime/pq130515.pdf

[11] http://www.procurement.act.gov.au/__data/assets/pdf_file/0010/347941/Services_Consultant_Agreement_-_2012.17547.510.pdf

approximately $167 million of ACT expenditure on DisabilityCare, boosted by $175 million of Commonwealth funding.

Funding to upgrade ACT Emergency Services

Across the Justice and Community Safety Directorate, $7.9 million of capital funds have been allocated in 2013-14 towards the upgrade and relocation of the South Tuggeranong ESA Station, with a further $8.6 million allocated in 2014-15 and $924 000 allocated in 2015-16.

Continued development in the Molonglo area

Over the forward estimates, a large proportion of the ACT Government's allocation to the Molonglo area is $21 million for a water quality control pond for Cravens Creek. This work is required to treat urban stormwater runoff from the newly constructed suburbs prior to it entering the Molonglo River. This capital investment is distributed over three years with $4 million in 2013-14, $12 million in 2014-15 and $5 million in 2015-16.

Community service spending is relatively conservative

Community Service Obligations

The2013-14 Budget makes allowance for Community Service Obligations (CSOs) to allow Public Trading Enterprises, or Public Non-Financial Corporations to carry out activities with identified public benefit objectives, which it would not elect to do on a commercial basis.

In 2013-14, the ACT Government has identified $117 million of CSOs for the financial year, equivalent to $313.74 per ACT resident. These are drawn from the activities of ACTEW, ACTION, Yarralumla nursery, ACT forests, Exhibition Park Corporation and the Public trustee.

Comparisons across States and territories of CSOs are not always straightforward. As identified by the Productivity Commission in 2008, 'The clarity of CSO payment information in State and Territory budget papers varies considerably'[12] Some States such as Victoria do not publish details of public non-financial corporations separately within the budget, and other States such as New South Wales, while discussing the operations of Public Trading Enterprises, do not specifically mention CSOs.

Both Queensland and the Northern Territory publish clearly identifiable statements for CSO payments across their financial year budgets. In 2013-14, Queensland has identified a total of $2.047 billion of CSOs, equivalent to $446.55 per person, and the Northern

[12] Productivity Commission (2008) Financial Performance of Government Trading Enterprises 2004-05 to 2006-07. Productivity Commission Research Paper, p47.

Territory has identified a total of $99 million, equivalent to $419.91 per person.[13] Both are slightly higher than the ACT Government identified CSO per person for 2013-14. CSO payments for South Australia and Tasmania have been omitted because of vast discrepancies in per capital allocations indicating lack of comparability in the data.

Spending on human services initiatives

Net new spending on community services in the 2013-14 budget is $20.0 million over the forward estimates period and $7.9 million in 2013-13. On a per capita basis, this is equivalent to $28.54 in 2013-14 and $72.6 per capita over the 4 years.

Comparisons with other states on the level of new community service spending is very difficult. The larger states tend to report total agency spending rather than net new spending on community services.

Smaller states like Tasmania combine their reporting of health and community services initiatives, although netting out health spending suggests per capita spending in Tasmania was $41.02 in 2013-14 and $212.7 per capita over the forward estimates period.

The South Australian budget reports new spending on communities and social inclusion which indicates per capita spending of $5.41, likely excluding many of the categories of spending in the ACT Budget.

Recognising the substantial limitations of this comparative analysis, it does appear that community services spending in the ACT is moderate.

Savings measures

The savings measures in the 2013-14 Budget are substantial — totalling $142.6 million over four years, mostly (64.0 per cent) achieved in the last two years of the forward estimates period.

However, saving expectations are more conservative and less ambitious than they were in last years' Budget, particularly in the outer years of the forward estimates period.

- **2013-14** Budget savings are estimated at **$21.8 million** compared to $41.9 million expected in last years' Budget;
- **2014-15** Budget savings are estimated at **$29.6 million** compared to $50.4 million expected in last years' Budget;
- **2015-16** Budget savings are estimated at **$41.0 million** compared to $61.4 million expected in last years' Budget;
- **2016-17** Budget savings are estimated at **$50.2 million**.

[13] Queensland Government (2013) Budget Strategy and Outlook 2013-14, page 134 and Northern Territory Government (2013) The Budget 2013-14, Budget Paper No. 3 p 332

Compared to previous years, there is very little detail provided in the 2013-14 Budget about savings measures.

There is no guidance on where savings are expected on an agency-by-agency basis, or any information provided regarding the specific savings categories (such as travel and accommodation, printing and stationary, consultants and contractors, recruitment, advertising, fleet costs etc).

Table 3.5 sets out the only information available on where savings are expected to be made.

- Just 4.3 per cent relate to ceasing initiatives, such as withdrawing from unnecessary memberships and reducing grant programs.
- 28.1 per cent of savings are expected from the reprofiling of services, from redirecting lower priority programs, refining the ACTSmart program to gain efficiencies, increasing electronic processing of invoices, consolidating out-of-home care providers, and achieving reductions in red tape.
- Almost half (46.6 per cent) are expected from general agency savings, with 'areas of focus' being reduced consultancy expenses, better utilising Worksafe Funds, energy savings measures, outsourcing vehicles efficiently, reducing corporate overheads, organisational restructure of the CIT, and various demand management measures.
- 21 per cent are expected from Procurement Whole of Government Savings. No detail on this source of savings is provided aside from the pursuit of additional whole-of-government contracts, bundling of goods and services across agencies, and better examination of current spending patterns and demand analysis. Expected savings are presented in round numbers (making them appear illustrative) with $5 million earmarked to be achieved in 2014-15, $10 million in 2015-16 and $15 million in 2016-17.

It is not possible to properly assess the expected savings measures because of the lack of detail provided. Savings across the various Directorates. Ideally these should be provided in future Budgets. There is perhaps comfort that the savings measures are relatively conservative compared to last years' Budget when more detail was provided.

The largest information gap likely lies with the Procurement Whole of Government savings expectations, for which the least guidance is provided on how these round number savings will be achieved.

Given that whole-of-government procurement savings make up 21 per cent of total savings over the forward estimates period, the assumptions behind these savings should be better specified. If these savings were unrealised, there could be a one-year delay in achieving a net operating surplus, even if superannuation investments successfully revert back to achieving long run returns.

3.5 2013–14 Budget savings initiatives

	2013–14 Budget $'000	2014–15 Estimate $'000	2015–16 Estimate $'000	2016–17 Estimate $'000	Total $'000
Ceasing Initiatives	988	1 678	1 704	1 731	6 101
General Savings	14 993	14 695	17 102	19 586	66 376
Service Reprofiling	5 778	8 220	12 198	13 882	40 078
Total Agency savings	21 759	24 593	31 004	35 199	112 555
Procurement Whole of Government Savings	0	5 000	10 000	15 000	30 000
Total 2013–14 Budget Savings	**21 759**	**29 593**	**41 004**	**50 199**	**142 555**

Source: ACT Government Budget 2013-14, Budget Paper 3.

4 Capital works program

The vast majority of the $1.27 billion capital spending in the 2013-14 Budget reflects ongoing funding of previous capital works commitments, which are rapidly being expended. The total capital works program for the forward estimates period in the 2013-14 Budget is $990 million (44 per cent) less than the 2012-13 Budget.

Almost all of total capital works spending in the 2013-14 Budget (91 per cent) is expected to be released within the next two years (and an even higher 94.3 per cent for new capital works spending). This is because new capital initiatives are considered and announced in each Budget so the vast bulk of commitments from the 2013-14 Budget are provisioned for in the more immediate period.

Most (51.9 per cent) of total capital works spending over the forward estimates period relates to projects carried over from 2012-13 and in prior years. Sixteen per cent is for rollovers and reprofiling from 2012-13, lower proportionally to last years' Budget indicating greater success in achieving on-time delivery. Twenty-one per cent of the total capital spend relates to new capital works. Eleven per cent relates to spending on information and communication technology (ICT) and plant and equipment (P&E).

The Health Directorate represents the largest agency spend over the forward estimates period (37 per cent).

The total infrastructure Investment Program for the 2013-14 Budget is $1.2709 billion over four years. While this includes some post–election commitments (21.4 per cent of capital works over the forward estimates), most relate to rollout of previously announced and budgeted capital works (78.6 per cent of forward estimates).

A breakdown on the capital spending program is provided in table 4.1.

The capital works program is dramatically front loaded over the four-year forward estimates period, with 61 per cent earmarked for spending in 2013-14 and another 30 per cent in 2015-16, reflecting the desire (yet pragmatic timing issues) of spending on newly announced initiatives in the current Budget year.

The total rollover amount from the 2012-13 Budget is $241.6 million. This is largely associated with the:

- Health Directorate ($100.7 million net rollover), offset by $7.2 million due to the early completion of Phase 1 of the Integrated Cancer Centre
- Economic Development Directorate ($74 million net rollover), offset by $7.4 million from various projects progressing ahead of schedule.

4.1 Summary of the 2013-14 Budget Infrastructure Program

	2013-14 '000	2014-15 '000	2015-16 '000	2016-17 '000	Total forward estimates '000
Total new works incl. plant and equipment	$177,331	$79,265	$11,937	$3,665	$272,198
% of total capital works	22.9%	20.6%	13.6%	16.8%	21.4%
Allocation of new works by type					
New works	$108,366	$72,800	$8,715	$3,665	$193,546
Capital upgrades	$49,098	$-	$-	$-	$49,098
New ICT and plant and equipment	$19,867	$6,465	$3,222	$-	$29,554
Total works in progress	$598,182	$306,079	$75,866	$18,101	$998,228
% of total capital works	77.1%	79.4%	86.4%	83.2%	78.6%
Allocation of in-progress works by type					
2012-13 and prior year programs	$458,070	$166,440	$30,006	$4,442	$658,958
2012-13 rollovers and reprofiling	$80,116	$100,308	$20,605	$-	$201,029
ICT and plant and equipment in progress	$59,996	$39,331	$25,255	$13,659	$138,241
Total capital works program value	**$775,513**	**$385,344**	**$87,803**	**$21,766**	**$1,270,426**

Source: ACT Government Budget Paper 3.

Funding of $43.0 million is withdrawn from the Capital Works Program with various projects delivered under Budget.

Capital works spending continues to be financed through borrowings, which totalled a net $794 million in 2012-13. Additional borrowings to cover capital works expenditure over the forward estimates period will be $192 million.

Unlike in recent years, there is no information provided in the Budget on rollovers. Ideally this would be made available in future Budgets as it provides useful guidance on risks associated with the timing of future capital investments, and the potential impact on the underlying Budget financial position.

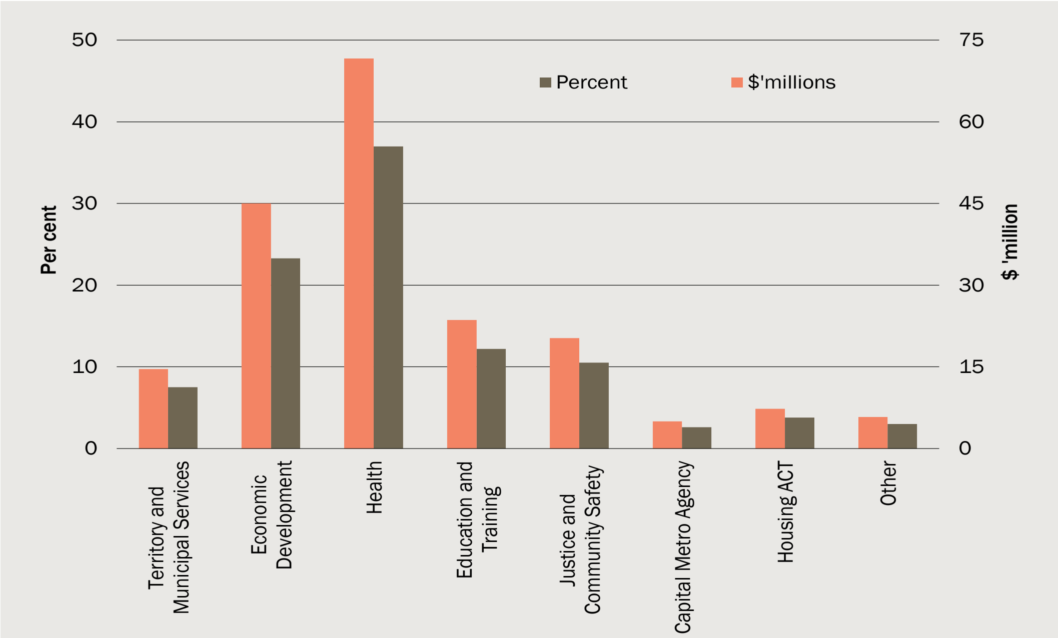
Capital works spending concentrated in public hospitals and community infrastructure

The Health and Economic Development Directorates together account for over 60 per cent of total capital works spending over the forward estimates period (chart 4.2).

The majority of the Health Directorate capital works relates to the Clinical Services and Inpatient Unit Design and Infrastructure Expansion at Canberra Hospital (57 per cent) and the continuity of the Health Services Plan: Essential Infrastructure (28 per cent), designed to allow additional bed capacity across the public health system in the ACT.

Capital works spending for the Economic Development Directorate is more diffuse, spread across a wide range of projects such as the Cravens Creek Water Quality Control Pond, the Horse Park Drive Water Quality Control Pond, new spectator facilities and media infrastructure at Manuka Oval, the Woden Bus Interchange Redevelopment, as well as eighteen other discrete capital works projects and another four agency funded upgrades and projects.

4.2 Capital works spending by Directorate: total for the forward estimates period

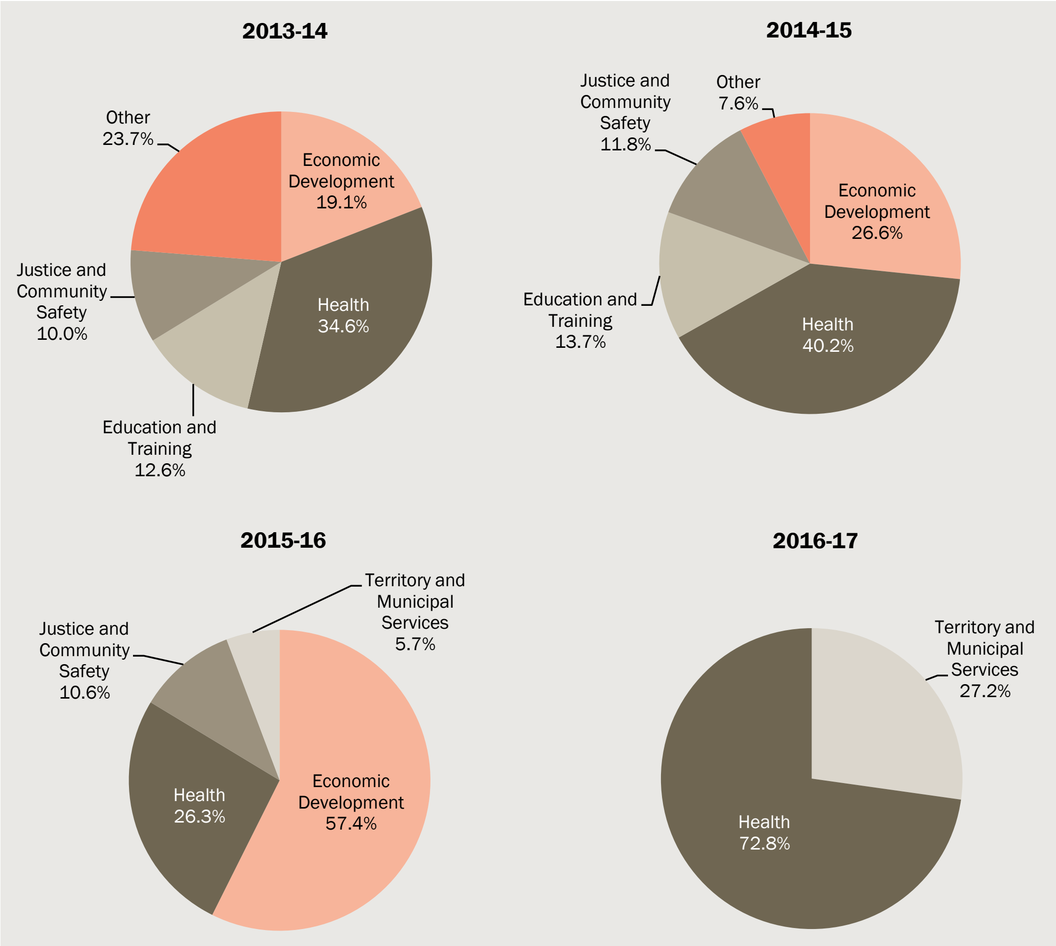


Note: Excludes funding for plant and equipment, ICT, and recurrent expenditure associated with new capital works

Data source: ACT Government 2013-14 Budget Paper 3.

As shown in chart 4.3, the distribution of capital works spending by Directorate fluctuates on a year-on-year basis. While more evenly spread in the first couple of years, it is really only the Health and Economic Development Directorates that still have capital works monies to be expended in the outer years.

4.3 Year by year capital works spending by Directorate



Note: Excludes funding for plant and equipment, ICT, and recurrent expenditure associated with new capital works

Data source: ACT Government 2013-14 Budget Paper 3.

Some Directorate also require funded expenses associated with new capital initiatives. Those relating specifically to new capital works are shown in table 4.4.

Expense requirements are particularly high for the Education and Training Directorate (largely for depreciation associated with Sustaining Smart Schools) and Justice and Community Safety, mainly also due to depreciation.

4.4 New capital works spending and associated expenses by Directorate

Directorate	2013-14	2014-15	2015-16	2016-17	Total forward estimates period
	$'000	$'000	$'000	$'000	$'000
Territory and Municipal Services					
Capital initiatives	$9,387	$3,716	$499	$998	$14,600
Associated expenses	$146	$268	$463	$514	$1,391
Total	$9,533	$3,984	$962	$1,512	$15,991

(Continued on next page)

Directorate	2013-14 $'000	2014-15 $'000	2015-16 $'000	2016-17 $'000	Total forward estimates period $'000
Economic Development					
Capital initiatives	$20,646	$19,400	$5,000	$-	$45,046
Associated expenses	$35	$145	$324	$862	$1,366
Total	$20,681	$19,545	$5,324	$862	$46,412
Health					
Capital initiatives	$37,446	$29,245	$2,292	$2,667	$71,650
Associated expenses	$199	$432	$494	$535	$1,660
Total	$37,645	$29,677	$2,786	$3,202	$73,310
Education and Training					
Capital initiatives	$13,695	$10,000	$-	$-	$23,695
Associated expenses	$87	$2,094	$2,677	$3,300	$8,158
Total	$13,782	$12,094	$2,677	$3,300	$31,853
Justice and Community Safety					
Capital initiatives	$10,847	$8,589	$924	$-	$20,360
Associated expenses	$205	$462	$810	$1,041	$2,518
Total	$11,052	$9,051	$1,734	$1,041	$22,878
Capital Metro Agency					
Capital initiatives	$5,000	$-	$-	$-	$5,000
Associated expenses	$-	$-	$-	$-	$-
Total	$5,000	$-	$-	$-	$5,000
Housing ACT					
Capital initiatives	$7,365	$-	$-	$-	$7,365
Associated expenses	$566	$-	$-	$-	$566
Total	$7,931	$-	$-	$-	$7,931
Environment and Sustainable Development					
Capital initiatives	$600	$1,150	$-	$-	$1,750
Associated expenses	$-	$100	$360	$360	$820
Total	$600	$1,250	$360	$360	$2,570
Community Services					
Capital initiatives	$2,480	$600	$-	$-	$3,080
Associated expenses	$-	$-	$-	$-	$-
Total	**$2,480**	**$600**	**$-**	**$-**	**$3,080**

(Continued on next page)

Directorate	2013-14	2014-15	2015-16	2016-17	Total forward estimates period
	$'000	$'000	$'000	$'000	$'000
Canberra Institute of Technology					
Capital initiatives	$180	$-	$-	$-	$180
Associated expenses	$-	$-	$-	$-	$-
Total	$180	$-	$-	$-	$180
Cultural Facilities Corporation					
Capital initiatives	$300	$100	$-	$-	$400
Associated expenses	$-	$-	$-	$-	$-
Total	$300	$100	$-	$-	$400
Exhibition Park Corporation					
Capital initiatives	$420	$-	$-	$-	$420
Associated expenses	$-	$13	$17	$17	$47
Total	$420	$13	$17	$17	$467
Total All Directorates	**$108,366**	**$72,800**	**$8,715**	**$3,665**	**$193,546**

Note: Excludes spending on plant and equipment and ICT and capital upgrades.

Source: ACT Government 2013-14 Budget Paper 3.

Workforce capacity to deliver the proposed capital works program

Delivering the capital works program is likely to require a range of technical skills found in the scientific and technical services sector and construction industries, as well as administrative skills found in the Public Administration and Safety sector.

Approximately half of the ACT workforce is employed in these industries indicating that there could be a considerable pool of resources to draw on for the ACT's capital works program. Although they should be used with caution, unemployment estimates suggests there is some underutilisation of the workforce in these industries, which makes the capital works program stimulatory to workforce participation and indicates that there is workforce supply capacity to help meet demand.

Various aspects of the capital works programs are likely to require specialist skills that may not reside in the ACT, and will need to be imported from other states.

As shown in table 4.5 , the largest workforce cohorts are in Public Administration and Safety, Health Care and Social Assistance, Professional, Scientific and Technical Services, Education and Training, and Construction.

4.5 Employment and unemployment, by sector, in the ACT as of February 2013

Sector	Employed	Unemployed
	'000	'000
Agriculture, Forestry and Fishing	0.68	-
Mining	0.32	-
Manufacturing	3.60	0.16
Electricity, Gas, Water and Waste Services	2.91	-
Construction	15.08	0.63
Wholesale Trade	2.83	-
Retail Trade	13.71	1.20
Accommodation and Food Services	10.18	0.95
Transport, Postal and Warehousing	4.31	-
Information Media and Telecommunications	3.89	0.14
Financial and Insurance Services	4.00	0.34
Rental, Hiring and Real Estate Services	2.73	-
Professional, Scientific and Technical Services	20.93	1.29
Administrative and Support Services	5.78	0.10
Public Administration and Safety	66.50	0.73
Education and Training	19.10	0.53
Health Care and Social Assistance	21.43	0.72
Arts and Recreation Services	4.30	0.11
Other Services	6.14	-
Total	**208.43**	**11.25**

Note: These data should be used with caution. The economic structure and size of the ACT means that some sectors have a considerable amount of sampling error.

Source: ABS - 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Feb 2013, Tables 05 and UQ2_may01.

There is no information provided in the Budget as to whether the ACT has the workforce capacity to meet the considerable needs of the capital works program in the early years of the forward estimates period. There is also no information provided on whether the estimated capital costs include any potential premium payable for labour scarcity. However, given the mobility of labour and lack of barriers to market entry, particularly given the geographic proximity of New South Wales, there is no evidence to suggest that a skills shortage will prevent the capital works program from being realised.

Impact of expenditure on the cost of living

ACT residents enjoy relatively high incomes, health status, and workforce participation rates.

Average taxation per ACT resident is also below the national average, and lower than per capita taxation in Western Australia, New South Wales and Victoria.

The Cost of Living Statement in the 2013-14 Budget shows that ACT Government expenditure by per capita by age group for 2013-14 is well above that in 2007-08, and has increased more substantially for residents over 85 years of age, when people become most 'costly' (higher users of government funded services).

The Budget also makes allowances for lower income households in the ACT, by providing a First Home Owner Grant (increased from $7 000 to $12 500) for first time property purchases under a given level, providing rental concessions through affordable housing programs, and a Targeted Assistance Strategy to protect low income households from 'financial shock'.

Despite this, the various household scenarios provided in the Cost of Living Statement show only moderate increases in household costs (around 10 per cent), or in some cases decreases.

Hence, there is little evidence to suggest that the 2013-14 Budget imposes a substantive financial strain on ACT residents, although this could change if large capital projects like the Capital Metro require more significant future funding and subsidy by the ACT Government. There is certainly little evidence that Cost of Living savings are being extracted from households in the 2013-14 Budget.

A Triple bottom line analysis of key Budget initiatives

A.1 Triple bottom line analysis of key Budget initiatives

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Recurrent Initiatives						
Chief Minister and Treasury Directorate						
Centenary Chair for Cancer Research	$1.5m to support the Chair associated with the John Curtain School of Medical Research, uncertain economic impact	●		●	Promotion of the importance of cancer research programs	○
Directorate Operational Reviews	$1.7m for targeted reviews of ACT government activities, improving efficiency	○		●		●
Study Canberra	$2.1m to promote Canberra as a study destination, enhancing Canberra's capacity for tertiary education and research	○		●	To promote increased student population diversity, culture and social life	○
Health						
Enhanced Cancer Outpatients Services	$4.7m for cancer outpatient services, improving population health, efficient restructuring of service delivery	○		●	Improved facilities to assist management of cancer treatment in the community	○
General Inpatient Beds and Hospital in the Home	$45.6m for additional 31 inpatient beds and equivalent of 6 beds in hospital in the home, improving population health and restructure of service delivery	○		●	Increased access to inpatient health services and treatment	○
Establish an Outpatient Service for Drug and Alcohol Services	$744,000 expenditure to improve population health, increase output	○		●	Assisting in rehabilitation of drug and alcohol issues	○
Expand Services at the Centenary Hospital for Women and Children	$6.3m for additional services, improving population health	○		●	Increased access to inpatient health services and treatment	○
Enhancement of Services for Women, Youth and Children	$3.2m for additional community based care, improving population health and increasing output	○		●	Increased access to community based care and treatment	○

Positive	○	No discernible impact	●	Negative	●

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Establishment of a Public Obesity Management Service	$3.6m for improving population health and increasing output	○		●	Improved support services and health promotion facilities	○
Enhanced Belconnen Health Centre and Walk-in Centre	$9.0m directed at additional capacity, improving population health, reducing output losses from poor health	○		●	Improved access to frontline health services	○
Expand Access to Emergency Medicine and Rapid Assessment Services at ACT Public Hospitals	$12m directed at additional capacity, reducing treatment delays more efficient targeting of medical services	○		●	Improved accessibility for emergency medicine	○
Continuing Access to Elective Surgery Services for Patients on the Public Elective Surgery Waiting List	$33m for management of elective surgery waiting lists, improving population health and reducing productivity losses from treatment delay	○		●	Improved access to elective surgery reduced social costs of poor health	○
Growth in Community Mental Health Services	$4.1m directed at improved population health, productivity	○		●	Improved access to mental health services and research findings	○
Growth in Outpatient Services	$4.1m for additional capacity at TCH, reducing demand on inpatient services	○		●	Improved health care delivery	○
Aboriginal and Torres Strait Islander Smoking Cessation Program	$400,000 for continued implementation	○		●	Promotion of improved health outcomes in ATSI population	○
Advanced Care Planning	$1.2m					
Economic Development Directorate						
International Tourism Marketing Campaigns – Phase One (New Zealand and Singapore)	$500,000 to increase tourism numbers	○		●	Increased cultural diversity and business promotion	○
Horsefest	$100,000					○
Enlighten Festival	$3.6m for major tourism event	○		●	Increased cultural diversity and business promotion	○
Increased Funding for the Canberra Convention Bureau	$400,000 to promote business events in Canberra	○		●	Increased cultural diversity and business promotion	○
Tourism Major Events Fund	$2m for partnership funding, promoting increased tourism	○		●	Increased cultural diversity and business promotion	○
National Capital Educational Tourism Project	$300,000 to encourage interstate school visits, boosting tourism	○		●	Increased cultural diversity and business promotion	○
Global Connect	$1.5m to promote further diversification of ACT economy,	○		●	Social benefits of more economic resilience and economic security	○

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
	increasing resilience					
University of Canberra Sports Commons	$5m for increased community sporting facilities	●	Better maintained open spaces	○	Increase social activity and inclusion and promotion of healthy lifestyles	○
Increasing Maintenance of Our Sportsgrounds	$500,000 additional spending	●	Better maintained open spaces	○	Increase social activity and inclusion and promotion of healthy lifestyles	○
Increased Sports Grants (Asset Repair and Maintenance Grants)	$400,000 additional spending	●	Better maintained open spaces	○	Increase social activity and inclusion and promotion of healthy lifestyles	○
Commerce and Works Directorate						
Increase Tax Compliance Activity	$2.3m for increased tax compliance, leading to additional tax revenue (transfer)			●		
Increase in Application Fee for Certificate of Rates, Land Tax and Other Charges	$1m for fee revision, leading to increased collection (transfer)			●		
Justice and Community Safety Directorate						
More Police Safer Roads (RSOT expansion)	$5m for increased observation and compliance enforcement of road rules, increased infringement revenue is a transfer	●		●	Improved road safety	○
Community Legal Centres Hub Accommodation	$1m for rental assistance			●	Improved access to legal services by disadvantaged people	○
ACT Fire & Rescue Platform on Demand Staffing	$4.1m for additional staffing			●	Improved emergency service provision	○
Motor Vehicle Infringement Management	$3.6m for flexible management of infringement notices (transfer)	●		●	Reduced disruption to transport options for lesser traffic infringements	○
Statutory Office Holders – Remuneration Tribunal Adjustment	$780,000 increased remuneration for work undertaken			●		
Eastman Inquiry	$2.8m for Board of Inquiry	●		●	Provision of legal services	●
Official Visitor Scheme	$1.5m for increased support services, possibly improving productivity and participation of at risk people	○		●	Increased provision of support services for at risk and disadvantaged people	○
Rewards for Safer Driving	$4.4m of transfers back to drivers	●		●		
ESA – Supporting Operational Capacity	$7.6m to maintain quality and effectiveness, potentially leading to reduced damage from events	○		●	Improved community safety from ongoing and improved ESA services	○

Positive	○	No discernible impact	●	Negative	⚫

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
ESA – Workers Compensation Premium	$3.1m possibly leading to reduced time off work for recovery	○		●	Improved management of ESA worker's injury	○
Alcohol Interlocks	$1.5m additional spending, possibly reducing road incidents			●	Improved road safety	○
12 Additional Worksafe Inspectors	$5.7m for increased regulation and review of complex construction breaches, potentially limiting losses	○		●	Potentially leading to improved community perception of construction safety and compliance record	○
Corrective Services – Supporting Operational Capacity	$6.1m to meet increased demand to maintain effectiveness and efficiency	○		●	Improved community safety and support	○
Corrective Services – Workers' Compensation Premium Costs	$942,000 possibly leading to reduced time off work for recovery	○		●	Improved management of corrective services worker's injury	○
Probation and Parole Officers and Community Services Work Unit	$294,000 to support parole or court ordered sanctions, possibly reducing economic losses	○		●	Improved community safety and security, while also promoting community engagement	○
Environment and Sustainable Development Directorate						
Canberra Urban and Regional Futures	$500,000 for research into improved capacity and adaptation to climate change issues	○	The initiative is directed at economic and social impacts of climate change, not environmental improvement	●	Improved social management and adaptation to climate change through improved policy and planning process	○
Support for Construction Services	$851,000 for operating equipment to improve safety inspections, reduce safety incidents	○		●		●
Extension of Energy Efficiency Scheme Administration	$1.6m					
Government Architect	$100,000 possibly leading to increased productivity from improved planning and design	○	Potential improved environmental outcomes from improved planning and design activities	○	Improved social impacts from better regional planning and design services	○
Supporting Business Systems Transition	$1.5m					
Capital Metro Agency						
Capital Metro Agency Operating Costs	$12m for delivery of light rail between Gungahlin and the City					
Education and Training Directorate						
Secondary Bursary Scheme	$559,000 supporting students from low SES to improve education	○		●	Improved access to education and social inclusion	○

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Certificate III in Children's Services	$240,000 for upskilling workforce, potentially generating productivity benefits	○		●		
Supporting Non-Government Preschools	$5.4m for capital grants to improve preschool education services	○		●		
Degree Scholarships for Early Childhood Educators	$295,000 to improve skill levels and productivity	○		●		
Special Needs Transport	$1.6m to improve access to schools	○		●	Increased social inclusion for disabled	○
ACT Base Funding Adjustment – National Schools Reform	$0m in 2012-13, $30.3m 2014-17 for improved education quality	○		●	Improved education services for families and communities	○
Savings Reinvestment to Transition to Gonski	$4.3m transfer from savings from previously allocated education funds	●		●		●
Community Services Directorate						
Intervention Services	$29m to establish Trauma Recovery and Research Centre, promoting the wellbeing of young people	○		●	Improved emotional, social and economic outcomes expected for young people	○
Youth Engagement and Family Support for Youth	$4.9m to support young people transitioning from care to boost productivity	○		●	Improved social and emotional outcomes for targeted at risk groups and young people transitioning from care	○
Parents as Teachers Program	$1.3m promoting at-home education	○		●	Increased support for parents and families to achieve child education	○
National Multicultural Festival	$200,000 to promote tourism	○		●	Increased social and cultural activities	○
Micro-credit Program	$416,000 in support for establishing or expanding small businesses	○		●	Promotion and support of social and economic activity by target groups	○
Community Helping Aboriginal Australians to Negotiate Choices Leading to Employment and Success (CHANCES)	$880,000 funding for training and promotion of economic participation	○		●	Support for social, educational and economic participation by at risk groups	○
Indigenous Scholarship Program	$400,000 support for training	○		●	Support for social, educational and economic participation	○
Children and Young People Equipment Loan Scheme (CAYPELS)	$104,000 for operational costs, possibly contributing to participation	○		●	Support for increased social, community and possibly economic participation	○
Fourth Unit at Bimberi Youth Justice Centre	$2m assistance in moving from custody to the community, improving employment outcomes	○		●	Improved social and economic outcomes for youths transitioning back to the community	○

Positive	○	No discernible impact	●	Negative	●

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Out of Home Care Strategy	$200,000 for operational framework	●		●	Improved service delivery for children in out of home care	○
Community Facilities – Management, Repairs and Maintenance	$520,000 for maintenance	●		●	Allowing ongoing provision of community facilities	○
Children and Young People Death Review Committee	$439,000 for ongoing studies, to avoid preventable deaths	○		●	Leading to increased understanding and support for young people	○
DisabilityCare – Mobile Attendant Care and Evening Services (MACES)	$360,000 for drop-in services for mobility impaired to live more independently	○		●	Increased support and services for the disabled and their carers to participate and live independently	○
DisabilityCare – Additional Support for Post-school Options	$245,000 to help young people with a disability move from school to work	○		●	Increasing the chances of social and economic participation	○
DisabilityCare – Readiness and Service Enhancements	$4.9m preparation for DiabilityCare	○		●	Increased support and services for the disabled and their carers to participate and live independently	○
Housing ACT						
National Partnership Agreement on Homelessness Extension	$580,000 for housing support, promoting chances of employment	○		●	Increased support for social and economic participation through housing services	○
Housing and Homelessness Advocacy and Policy Services	$162,000 for advocacy aiming to improve efficiency of service delivery	○		●	Aim to improve services for homeless people, improving social inclusion	○
Territory and Municipal Services Directorate						
Transport for Canberra – Public Transport Improvements	$1.3m for multiple transport initiatives				Improved free and reduced fare public transport options	○
Additional Park Rangers	$1.5m additional funding	●	Improved environmental and heritage values of protected areas	○	Improved quality of public and open spaces, improving cultural and natural awareness	○
Enhanced Biodiversity Stewardship	$1.3m additional funding	●	Targeting resilience of parks and reserves to threats	○	Improved quality of public and open spaces	○
Canberra's Urban Treescape	$1m additional funding, promoting efficiency in delivery	○	Improving the quality of existing tree population	○	Improved quality of public and open spaces	○
Expanded Municipal Service Delivery	$8.6m additional funding for new suburbs	○		●	Creation of urban and liveable areas	○
Support for RSPCA Services	$344,000 additional funding	●	Continued management of stray animals	○	Provision of animal care facilities	○
ACTION – Supporting Operational Capacity	$24m additional funding for services	●		●	Ongoing provision of public transport services	○

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Transport for Canberra – Real Time Passenger Information System Operations	$2.8m expenditure to assist passengers planning journeys	●	Potential increase in demand for public transport	●	Increased ease of access to public transport	○
Transport for Canberra – MyWay System Management	$2.6m to promote use of MyWay Services	●	Potential increase in demand for public transport	●		
Kerbside Waste Collection	$2.1m funding	●	Increase in recycling and waste management services	○		
Parks and City Services – Supporting Operational Capacity	$5.5m funding	●	Ongoing land management of national parks and reserves	○	Improved quality of public and open spaces	○
Continuation of Bulky Waste Collection Service	$235,000 for continued services	●	Management of waste collection	○	Provision of services for eligible concession holders	○
Legal Aid Commission (ACT)						
Expensive Cases Fund	$200,000 funding	●		●	Provision of legal services	○
Eastman Inquiry	$516,000 to investigate conviction	●		●	Provision of legal services	○
Initiatives – Capital Works						
Health Directorate						
Calvary Hospital Car Park (Design)	$1.3m capital funding	○		●	Increased accessibility to healthcare facilities	○
University of Canberra Public Hospital (Design)	$8.2m capital funding to increase scale and efficiency of health care service delivery	○		●	Increased accessibility to healthcare facilities	○
Continuity of Health Services Plan – Essential Infrastructure1	$20.4m for design and construction of additional bed facilities and campus infrastructure, increasing scale and efficiency of health care services	○		●	Increased accessibility to healthcare facilities	○
Clinical Services and Inpatient Unit Design and Infrastructure Expansion	$40.1m proof of concept funding for clinical facilities at Canberra Hospital	○		●	Increased accessibility to healthcare facilities	○
Economic Development Directorate						
Manuka Oval – New Spectator Facilities and Media Infrastructure	$4.1m to increase spectator capacity and promote commercial viability	○		●	Increased capacity for large sporting events and community engagement	○
Cravens Creek Water Quality Control Pond	$21m for storm water treatment	●	Ensuring the quality of storm water runoff into the Molonglo River	○		●
Horse Park Drive Water Quality Control Pond	$7.5m for storm water treatment and flood protection	○	Ensuring the quality of storm water runoff from new suburbs	○		●

Positive	○	No discernible impact	●	Negative	●

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Woden Bus Interchange Redevelopment (Finalisation of Design)	$2.5m to improve safety, infrastructure and support urban development	○	Potential increase in demand for public transport through provision of better services	○	Increased service quality to existing public transport users	○
Molonglo 2 – Water Quality Control Ponds, Sewers and Cyclepath (Design)	$1m to support infrastructure development	○	Maintenance of environmental quality, water quality and sewerage	○	Provision for urban spaces and development	○
Throsby – Access Road (Design)	$1m for access road to new suburb	○		●		●
Justice and Community Safety Directorate						
ESA Station Upgrade and Relocation – South Tuggeranong Station	$17.4m for new, expanded facilities to improve efficiency and delivery	○		●	Improved provision of emergency services	○
Alexander Maconochie Centre Additional Facilities (Design)	$3m for design of additional accommodation	●		●	Improved provision of corrective services	○
Capital Metro Agency						
Capital Metro (Design)	$5m for design and delivery plan					
Education and Training Directorate						
Canberra College Cares – New Building at Phillip Campus	$14m to promote and expand education services to young mothers and families	○		●	Increased social, educational and economic inclusion	○
School Infrastructure for the Future	$3.3m for improvements to school facilities, potentially improving education outcomes	○		●		○
Belconnen High School Modernisation – Stage 1	$2m for improvements potentially improving education outcomes	○		●		○
Childcare Centre Upgrades – Stage 2	$2m for expansion and upgrades, improving support for parents returning to work	○		●		○
Tuggeranong Introductory English Centre	$1.8m to improve English and further educational outcomes	○		●	Promotion of social and educational inclusion for young students	○
Community Services Directorate						
Ainslie Music Hub	$1.5m funding to promote access to music, including for young developing musicians	○		●	Increasing access to music and cultural facilities	○

Budget Measure	Financial and economic impact		Environmental impact		Social impact	
Housing ACT						
Common Ground Supportive Housing	$7m for homelessness support, promoting economic participation	○		●	Promotion of social and economic participation through addressing homelessness	○
Territory and Municipal Services Directorate						
National Arboretum Canberra – Water Security	$3.6m for irrigation, promotion of tourism	○	Improved environmental service provision through the Arboretum	○	Enhancement of public and open spaces	○
Transport for Canberra – Bus Stop Upgrades to Disability Standards Stage 3	$2m to assist people with disabilities access transport, possibly promoting economic participation	○	Possible promotion of public transport use	○	Promotion of social inclusion and independent living	○
Transport for Canberra – Walking and Cycling Infrastructure Stage 4 (Design)	$1.7m to promote modal transport shift	●	Possible promotion of reduced use of motorised transport	○		
Yarralumla – Canberra Brickworks Site Remediation	$2.9m for removal of hazardous waste and increase longevity of use of the site	○	Clean up of environmentally hazardous materials	○	Increase longevity of use of public space	○

Source: The CIE.

Positive	○	No discernible impact	●	Negative	●

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