COMMERCIAL IN CONFIDENCE

FINAL REPORT

Review of the 2021-22 ACT Budget

Prepared for
Standing Committee on Public Accounts, Legislative Assembly for the Australian Capital Territory

15 October 2021

THE CENTRE FOR INTERNATIONAL ECONOMICS
www.TheCIE.com.au

The Centre for International Economics is a private economic research agency that provides professional, independent and timely analysis of international and domestic events and policies.

The CIE's professional staff arrange, undertake and publish commissioned economic research and analysis for industry, corporations, governments, international agencies and individuals.

CANBERRA

Centre for International Economics
Ground Floor, 11 Lancaster Place
Canberra Airport ACT 2609

Telephone +61 2 6245 7800
Facsimile +61 2 6245 7888
Email cie@TheCIE.com.au

Website www.TheCIE.com.au

SYDNEY

Centre for International Economics
Level 7, 8 Spring Street
Sydney NSW 2000

Telephone +61 2 9250 0800
Email ciesyd@TheCIE.com.au

Website www.TheCIE.com.au

Contents

BOXES, CHARTS AND TABLES

Summary

The ACT 2021-22 Budget has deteriorated over the past year, worsening the deficit over the forward estimates period.

Key factors driving the deficit position include the direct and indirect effects of the COVID-19 pandemic (increased health spending, falling revenue, reduced migration, capital works to offset private investment), and an increase in the superannuation liability.

By and large the economic outlook assumptions in the ACT 2021-22 Budget appear reasonable, and we agree that the ACT will continue to perform relatively well compared to most other states and territories.

Downside risks identified in the 2021-22 Budget Outlook are reasonable, and include softening growth, susceptibility to the opening of international borders, rising inflation and credit growth, private sector uncertainty, and decentralisation of Commonwealth Government employment outside the ACT.

Net migration is particularly important to the ACT. We have undertaken detailed modelling that indicates that the Budget population and net migration assumptions are conservative. This should mitigate these risks and support the likelihood of achieving the Budget's forecast financial position.

ACT Budget will remain in deficit over the forward estimates period

As is the case for most governments during the COVID-19 pandemic, the ACT Budget is in deficit, and will remain in deficit over the forward estimates period.

The General Government Sector (GGS) headline net operating balance (HNOB) is the key measure of government finances.

In 2020-21, the GGS HNOB is shown to be in deficit by $363 million.

GGS HNOB is forecast to deteriorate substantially to a deficit of $952 million in 2021-22, which is $477 million higher (worse) than forecast in the last budget. However, HNOB is expected to improve to a deficit of $564 million in 2023-24 and $474 million in 2024-25, despite a deficit position over the forward forecast periods.

The deterioration evident in the 2021-22 Budget is principally pandemic related, due to:

- ongoing and expanded provision of health, economic and financial supports, and
- significant reductions in own-source revenue collections, for example, downward revisions to general rates, payroll tax, and gambling taxes.

Expanded expenses are primarily attributable to:

- additional funding of $760 million for an expanded policy commitment in the Fiscal Strategy and Wellbeing Initiatives in 2021-22 ($1 282 million over three years), and
- technical adjustments reflecting revised funding profiles and rollovers of prior funding due to projects delayed by the pandemic, as well as latest triennial liability valuation review and changes in the financial and demographic assumptions in the superannuation provision account.

Net financial liabilities is a broader measure (than net debt) of the net financial obligations of the ACT Government. The increase in net financial liabilities reported in the 2021-22 Budget mainly represents the growth in the superannuation liability.

We note that projected superannuation liabilities are uncertain and sensitive to the assumptions used. The calculations involved rely on discount rates used for the present value of superannuation payments, as well as assumptions on salary growth.

As a case in point, the 2021-22 Budget has increased the estimated superannuation liability due to the latest triennial liability valuation review which adopts a lower long-term average discount rate of 4 per cent (from 5 per cent). Applying a lower discount rate to the superannuation liability increases the cost of the financial obligation and implies a rapid recognition of emerging cost payments in line with financial market expectations.

The gradual decline in expenditure over the forecast period is attributed to decreases in economic affairs, environmental protection, housing and community amenities, recreation, culture and religion and social protection. However, expenditure will increase for general public services, education, transport and health.

New policy decisions are forecast to increase expenses by $2.0 billion over the Budget and forward estimates, or $1.4 billion after accounting for offsets. A summary of the key Budget metrics is shown in table 1.

1 Summary of key ACT Government metrics ($m)

	2020-21 Budget	2021-22 Interim Outcome	2022-23 Budget	2023-24 Estimate	2024-25 Estimate
	$m	$m	$m	$m	$m
Flows associated with GGS HNOB flows					
Revenue	5 981	6 308	6 597	6 542	6 696
Expenses	6 750	6 794	7 765	7 337	7 474
Superannuation return adjustment	166	124	216	231	248
GGS HNOB	-363	-952	-564	-530	-474
Other flows					
Net cash from operating activities	-220	238	-328	-130	-42
Stocks					
Net debt (excluding superannuation)	4 665	4 353	5 721	6 876	8 245
Net financial liabilities	9 302	13 301	11 748	12 675	13 970

Source: ACT Government (2021) Budget Outlook Table 3.1.1.

The deficit position of the ACT 2021-22 Budget over the forward estimates period is not unusual when compared to other State and Territory Government Budgets, with only those jurisdictions not bearing the brunt of the pandemic able to achieve a surplus in the outer years (table 2).

2 Budget position of State and Territory Governments

	Currently in deficit	In deficit over the forecast period
Australian Capital Territory	☒	☒
New South Wales	☒	☒
Northern Territory	☒	☒
Queensland	☒	☒
South Australia	☒	☐
Tasmania	☒	☒
Victoria	☒	☒
Western Australia	☐	☐

Note: NSW projects a surplus in the Budget in 2024-25. QLD projects a surplus in 2024-25.

Source: ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Forecast improvements in revenue appear reasonable

ACT Government revenue is projected to increase from $6.30 billion in 2020-21 (Interim Outcome) to $6.95 billion in 2024-25, mainly due to increasing income from Commonwealth Government Grants to help the pandemic response, and residential, and commercial conveyance duty and land tax on the back of the robust property market.

Own-source tax revenue is forecast to increase by 14 per cent ($303.6) million from 2021-22 to 2024-25, driven by increases to general tax revenue, gambling taxes and other taxes. Duties are forecast to decrease. Generally, other revenue components are flat overall, with some elements increasing, offsetting contractions in others.

Of note, the ACT 2021-22 Budget highlights:

- an increase in GST revenue of $67 million in 2021-22 ($103 million over three years) due to stronger national consumption growth
- an increase in other Commonwealth grants of $139 million in 2021-22 ($339 million over three years) due to Commonwealth's contribution to COVID-19 business support grants, continuing payments under the HomeBuilder Scheme and additional funding for Light Rail Stage 2A and duplication of William Hovell Drive
- an increase in dividends and income tax equivalents due to major infrastructure assets transferred to the GGS
- an increase in own-source taxation revenue due to increases in revenue from conveyance duties and land tax, and
- revised cash and investment balances.

As the economy and labour market recover, most sources of revenue are expected to return to more normal growth rates, but overall general government sector revenue growth is not expected to return to its pre-pandemic level over the forecast period.

Overall, the revenue forecasts appear reasonable, noting upside and downside analysis and associated commentary and conservative GST assumptions.

Outlook for debt servicing appears positive

Market expectations on the capacity of the ACT Government to service debt is positive. ACT has a high level of creditworthiness compared to other states, indicating confidence in the Government meeting its current and future estimated debt obligations.

It is also noted that when measured relative to GSP, the ACT Government Budget position is generally in line with, or better, than that of other Australian States and Territories for net debt, net financial liabilities, and net worth.

Economic forecasts appear reasonable, if not conservative

Looking forward, the 2021-22 Budget forecasts economic growth in the ACT to return to pre-COVID levels as vaccination rates rise and health restrictions are eased. The Delta outbreak and associated lockdown temporarily interrupted ACT's recovery in the September quarter 2021, but the interruption is not expected to continue into 2022.

Overall economic activity is forecast to soften, which is reasonable. Several downside risks have been identified in the 2021-22 Budget Outlook, including:

- the reliance of improved confidence and economic activity on gradual opening of Australia's domestic and international boarders from December 2021
- possible high inflation adversely affecting the housing market
- growth in credit outpacing growth in household income over an extended period, posing medium-term risks to the economy
- dampened business interest in investment due to lack of confidence, delaying capital replacement and new or ongoing business venture, and
- the Commonwealth decentralisation agenda to relocate more public sector jobs outside the ACT, posing a downside risk to the ACT's economic outlook in the medium term.

Notwithstanding the reasonableness of these identified risks, we believe that the employment forecasts appear reasonable, inflation forecasts appear reasonable, and net migration and population assumptions appear reasonable, if not conservative.

We have undertaken detailed modelling on overseas student commencements. It indicates that the ACT 2021-22 Budget projections on the timing and rate of net migration recovery are conservative, and that it may well be higher, and better, for the ACT Governments financial position, and the ACT economy.

Infrastructure and capital spending is a significant economic stimulus

Capital expenditure in the ACT 2021-22 Budget is significant, with total spending of $6.4 billion over the next five years, including $5 billion by General Government Sector (GGS) and $1.4 billion by Public Trading Enterprise (PTEs).

This is allocated over a period of five years, as opposed to previous Budgets that have allocated spending over four.

Compared to the 2020-21 Budget, total infrastructure and capital investment expenditure is down by $153 million for 2021-22 and $12 million for 2022-23 but is higher in 2023-24 by $204 million.

Overall, the 2021-22 Budget provides a minor boost to investment over the comparable forecast period in last years' Budget.

The fall in total investment for 2021-22 is driven by the reduction in capital provisions. In terms of funding areas, there is a relocation of investment from Transport ACT and City Services Directorate to Major Projects Canberra.

Impacts of the 2021-22 Budget on the cost of living

Decisions made by the ACT Government in the 2021-22 Budget will result in a net increase in rates, fees and duties that will add to the cost of living of ACT households.

The Cost-of-Living analysis indicates that most vulnerable households should not be worse off as a result of 2021-22 Budget measures.

While this appears reasonable, it is noted that the Cost-of-Living analysis is unable to analyse the impact of the Budget on all lower income groups, aside from observing increases in concessions that are made available to those who qualify for a relevant Commonwealth Government program.

That said, the ACT Government does more than other State and Territory Governments to quantify the impact of budget measures on vulnerable household types, which only report on Budget measures that reduce the cost of living.

1 Economic outlook

By and large the economic outlook assumptions in the ACT 2021-22 Budget appear reasonable.

The ACT will continue to perform relatively well compared to other states and territories.

Population forecasts (subject to net migration) are deemed to be particularly conservative over the forward estimates, indicating that economic growth assumptions are reasonable, if not conservative.

ACT sensitivity to Australian economic conditions

Business and consumer confidence, and economic conditions and growth in the ACT, are impacted by Australian economic conditions. The Australian economy weakened considerably in 2020-21 due to the COVID-19 pandemic, but with considerable government stimulus is expected to rebound strongly with forecast growth of 4.25 per cent in 2021-22, then moderating to 2.5 per cent in 2024-25 (table 1.1).

These official forecasts (Commonwealth Treasury forecasts, adopted by the ACT Treasury) are stronger than the International Monetary Fund (IMF) outlook for the next two years, but lower than the Reserve Bank of Australia (RBA).

1.1 Economic outlook for the Australian economy

	2020-21 (actual)	2021-22	2022-23	2023-24	2024-25	2025-26
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
ACT Treasury	1.25	4.25	2.5	2.25	2.5	
Commonwealth Treasury	1.25	4.25	2.5	2.25	2.5	
RBA	1.25	4.5	4.0			
IMF	N/A	3.6	2.5	2.3	2.3	2.4

Source: ACT Government (2021-22) Budget Outlook, Table 1.1.1; Commonwealth Treasury; RBA; IMF (reported calendar activity is converted into financial year forecasts by CIE).

Table 1.2 shows the changes in key economic variables out to 2025-26 estimated by the ACT Government, noting that *projections* for 2023-24, 2024-25 and 2025-26 are an indication for future movements, but are not considered as rigorous as a *forecast*.

1.2 Economic outlook: Australia and ACT, annual growth

	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Budget	Forecast	Projection	Projection
Australia					
GDP growth	1.25	4.25	2.5	2.25	2.5
ACT					
Gross state product	3	2.5	3.25	3	3
State final demand	3.8	2	3	2.25	2.5
Employment	1.8	0.5	1	1.25	1.25
Wage price index	1.7	1.75	2	2.25	2.5
Consumer price index	4.8	1.75	1.75	2	2.25
Population	0.25	0.25	1	1	1

Source: Source: ACT Government (2021-22) Budget Outlook, Table 2.2.1.

ACT GSP forecasts

The 2021-22 Budget attributes strong recovery in the ACT to a rebound in household consumption, as economic activities recovered quickly after health restrictions lifted in July 2020.

Overall, growth in GSP is expected to increase from 3.0 per cent in 2020-21, to 2.3 per cent in 2021-22 and to 3.3 per cent in 2022-23, and then is projected to grow at 3.0 per cent per year thereafter. Growth in State Final Demand (SFD) is expected to reach 3.8 per cent in 2021-22, and move towards 2.5 per cent in 2024-25.

The ACT Treasury is forecasting economic conditions to improve, and for growth in GSP to continue. According to the Budget Papers, the expected increase in growth is due to the stimulative effects of:

- a rebound in household consumption as health restrictions are gradually eased, and consumer confidence returns
- a significant pipeline of public investments to infrastructure and services, and
- a ramp-up in government spending to prevent and control coronavirus, and provide support for households and businesses.

ACT is impacted by growth in Australia, but it is not an exact match

Traditionally, ACT GSP growth has been broadly consistent with growth in Australian GDP growth.

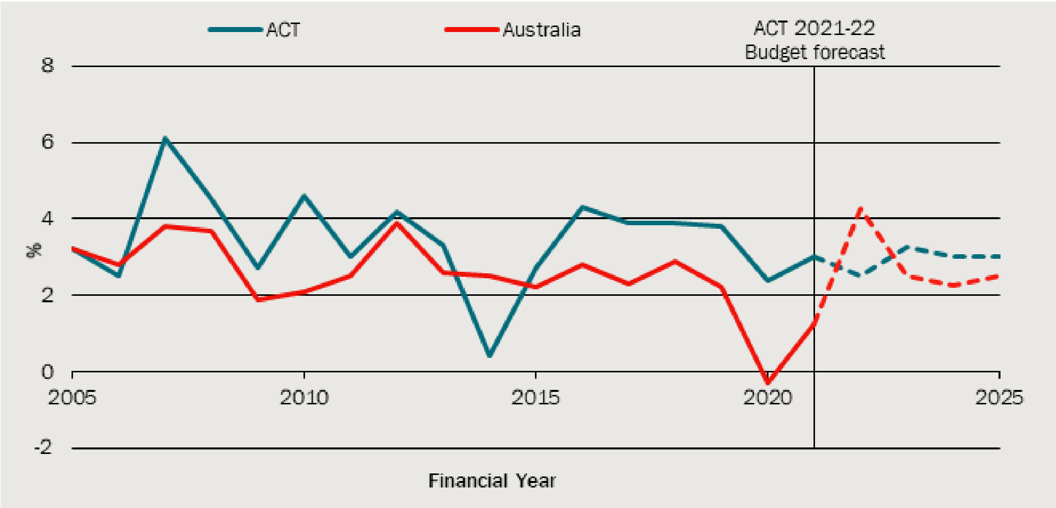
In 2012-13, the Commonwealth Government's spending cuts and downsizing of the Australian Public Service interrupted employment and consumption. As a result, ACT GSP growth dropped significantly relative to the national growth.

From 2015 onwards, the ACT Government's infrastructure and capital program, the Commonwealth's support package for jobs, businesses and families, and strong population growth have managed to diversify growth sources, and bring ACT onto a stronger, relatively more independent growth footing.

From 2019-20 to 2020-21, recurrent COVID-19 outbreaks throughout Australia have resulted in setbacks in economic activity, which have been less pronounced in the ACT than the national economy.

Looking forward, economic growth is expected to return to pre-COVID levels as vaccination rates rise and health restrictions are eased. The Delta outbreak and associated lockdown temporarily interrupted ACT's recovery in the September quarter 2021, but the interruption is not expected to continue into 2022.

1.3 Real economic growth in the ACT and in Australia



Data source: ABS Australian National Accounts: State Accounts; ACT Government (2021-22) Budget Outlook, Table 2.2.1.

Comparison to other jurisdictions

Table 1.4 shows the historical and forecast GDP/GSP for all Australian jurisdictions. ACT maintained strong growth relative to most other states and territories prior to the pandemic, and fared relatively well compared to other jurisdictions when COVID-19 struck the nation in 2019-20.

1.4 Comparison of GDP/GSP growth between states

Jurisdiction	17-18	18-19	19-20	20-21	21-22	22-23	23-24	24-25
Australian Capital Territory	3.9	3.8	2.4	3	2.5	3.25	3	3
New South Wales	2.4	2.6	-0.7	0.8	3.3	1.0	3.3	3.3
Victoria	3.4	3.1	-0.5	-2.0	6.5	3.3	2.8	2.8
Queensland	3.9	0.9	-1.1	3.3	2.8	2.8	2.8	2.8
South Australia	2.4	1.1	-1.4	2.3	3.5	2.3	2.3	2.3
Western Australia	2.4	1.6	1.4	3.3	3.5	1.0	1.3	1.5
Tasmania	3.2	3.3	0.3	2.0	4.0	2.0	2.3	2.3
Northern Territory	1.8	-1.3	5.3	4.7	2.3	3.1	-0.3	2.3

Note: Forecasts and projections are highlighted in teal.

Source: ABS Australian National Accounts: State Accounts; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Assessment of the outlook for GSP

The forecast of moderating growth in ACT GSP is believed to be reasonable. It recognises uncertainty arising from the coronavirus, noting that several important factors that will affect the ACT economy in 2021-22 shown in table 1.5.

1.5 Identified risks to ACT growth

Risk	Anticipated impact
Efficient control of COVID 19 with minimal lockdown, high vaccination rate across Australia and the globe	Upside
Less effective control of disease spread in other states, along with strict health restrictions through to the end of 2021	Downside
Longer lasting effects from the Delta strain and possible emergence of more contagious strains (near-term risk)	downside

Source: ACT Government (2021-22) Budget Outlook.

Several other downside risks have been identified in the budget outlook, including the following.

- The stimulus measures will be withdrawn progressively, and improved confidence and economic activity will depend on gradual opening of Australia's domestic and international boarders from December 2021.
- If inflation rises faster and higher than anticipated, ACT economic growth and the housing market could be adversely affected.
- If credit growth materially outpaces growth in household income over an extended period, it could impose medium-term risks to the economy by impacting demand for credit and the housing market.
- A prolonged period of uncertainty and low demand could dampen business interest in investment, delaying capital replacement and new or ongoing business venture.
- The Commonwealth decentralisation agenda to relocate more public sector jobs outside the ACT, posing a downside risk to the ACT's economic outlook in the medium term.

Employment growth

The labour market in the ACT is weak, as soft economic conditions have resulted in weak demand for labour. Total employment grew by 2.3 per cent in 2020-21 and ACT Treasury expects total employment to grow by 0.5 per cent in 2021-22. This is due to the slight fall in public employment (accounting for 49 per cent of total ACT employment in 2020-21), despite strengthened growth in private employment (chart 1.6).

1.6 ACT public and private sector employment growth

Note: 'Public' employment is total employment in 3 ANZSIC industries: public administration and safety, education and training and healthcare and social assistance. 'Private' employment is total employment in all other industries.

Data source: ABS Labour Force, Australia, Detailed 2021 August release.

According to the Commonwealth Government Budget, the average staff level of the Commonwealth Government (general government sector, excluding military and reserves) increased from 166.7 thousand in 2019-20 to 170.4 thousand in 2020-21. Commonwealth Government staffing levels are expected to increase to 174.3 thousand in 2021-22. This means that Commonwealth Government employment is increasing more outside of the ACT than within it.[1]

In 2020-21, a strong employment growth has been seen in retail trade, Transport, Postal and Warehousing, financial and insurance, and Arts and Recreation Services.[2] The 2020-21 Budget notes that a strong recovery in 2021-22 will be driven by household consumption in hospitality and retail trade, as well as public investments in community services and private investments in dwelling, which will support an ongoing employment boost in retail and construction.

The prospects for employment in other states are generally weaker, due to the weaker outlook for activity (table 1.7). Partially, this reflects heightened uncertainty around current Delta outbreak, and the variable pace of rebound in economic conditions.

The Commonwealth Treasury expects national employment growth to be 6.5 per cent in 2021-22, and 1.0 per cent after that.

1.7 Comparison of employment growth forecasts between states

State	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Capital Territory	1.8	1.5	1.0	1.2	1.3
New South Wales	0.3	1.3	1.5	1.3	1.8

[1] The Commonwealth 2021-22 Budget Paper No.4, table 2.2, p. 166.

[2] ABS Labour Force, Australia, Detailed 2021 August release.

State	2020-21	2021-22	2022-23	2023-24	2024-25
Victoria	1.0	2.5	1.3	1.8	1.8
Queensland	2.3	3.0	1.8	1.8	1.8
South Australia	1.0	2.0	1.3	1.3	1.3
Western Australia	1.7	2.5	1.5	1.3	1.3
Tasmania	1.7	2.0	1.0	1.0	1.0
Northern Territory	-0.6	1.8	1.7	1.1	0.7

Source: ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Assessment of the employment outlook

There are downside risks to the outlook for GSP growth in the ACT.

This means there is also downside risks to the outlook for ACT employment, which could make it more difficult for the ACT Government to continue to support jobs (in line with its stated aim).

On balance, the employment forecasts appear reasonable.

Firstly, it is reasonable to expect that the ACT labour market will continue to diversify to private sector employment (in line with recent trends), with private sector employment accounting for 49.3 per cent of total employment in ACT in 2019-20 and 50.6 per cent in 2020-21.

Secondly, the ACT has had relative success in experiencing smoother COVID-19-related fluctuations in economic activity relative to other jurisdictions.

Outlook for inflation and wage growth

Weak demand in the ACT economy is expected to see prices slow after a very bullish CPI result in 2020-21.

The ACT 2021-22 budget noted that the 4.8 per cent CPI spike in 2020-21 (1.8 percentage points higher than estimated in the last budget paper) reflected an increase in childcare fess following the unwinding of free childcare in July 2020, as well as an increase in automotive fuel prices and domestic holiday travel and accommodation.[3]

This inflation spike is expected to be temporary, given inflation remains low nationally (excluding pandemic-driven pressures).

Forecasts for inflation appear reasonable.

The factors that drove the 2020-21 spike were temporary, and forecasts are consistent with other jurisdictions and the RBA (table 1.8).

3 ACT 2021-22 Budget Outlook, p. 32.

1.8 Comparison of forecast inflation between states and the RBA

Jurisdictions	2020-21	2021-22	2022-23	2023-24	2024-25
Commonwealth	3.5	1.8	2.3	2.5	2.5
RBA	3.8	1.5	2.0		
Australian Capital Territory	4.8	1.8	1.8	2.0	2.3
New South Wales	1.5	1.8	1.8	2.3	2.3
Victoria	1.5	1.5	1.8	2.0	2.3
Queensland	2.0	1.8	1.8	2.0	2.3
South Australia	1.3	1.8	1.8	2.0	2.5
Western Australia	1.6	1.8	1.8	2.0	2.0
Tasmania	1.8	2.5	2.0	2.3	2.3
Northern Territory	0.7	1.8	1.4	1.8	2.2

Source: Commonwealth 2021-22 Budget paper 1; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Wage inflation represents a significant cost driver of cost pressure in the ACT, due to the significant labour cost component in the services delivered by government. Table 1.9 shows Wage Price Index (WPI) over the past two years and forecasts over the forward estimates for each Australian jurisdiction.

1.9 Comparison of historical and forecast wage price inflation by jurisdiction

Jurisdiction	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Capital Territory	2.0	1.7	1.8	2.0	2.3	2.5
New South Wales	2.0	1.5	2.0	2.3	2.3	2.5
Victoria	2.4	1.3	1.8	2.0	2.3	2.5
Queensland	1.9	1.8	2.3	2.3	2.5	2.8
South Australia	2.4	1.6	n.a	n.a	n.a	n.a
Western Australia	1.7	1.5	2.3	2.3	2.5	2.5
Tasmania	2.4	1.9	n.a	n.a	n.a	n.a
Northern Territory	2.3	1.7	1.7	1.4	1.3	1.4
Australia	1.8	1.3	1.5	2.3	2.5	2.8

Source: ABS Wage Price Index, Australia, 2021 August Release; Commonwealth 2021-22 Budget paper 1; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

The ACT WPI increased by 1.7 per cent in the year ending June 2021,[4] compared to an average increase of 1.6 per cent for other jurisdictions.

ACT Wage inflation is expected to rise by 1.8 per cent in 2021-22 and by 2.0 per cent in 2022-23. In comparison, other jurisdictions are forecasting wage inflation growth of 2.0 per cent in 2021-22 on average, and 2.1 per cent in 2022-23.

4 Australian Bureau of Statistics June 2021, Wage Price Index, Cat. No. 6345.0, ABS, Canberra

Hence, forecast ACT WPI is in line with the average pressure in Australian states and territories.

Outlook for population

The ACT population is expected to continue to grow, but at a moderated rate of 0.3 per cent in 2021-2022. This compares to other Australian jurisdictions with an average growth of 0.5 per cent in 2021-22 (table 1.10).

1.10 Comparison of forecast population growth across states (annual change)

Jurisdiction	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Capital Territory	0.3	0.3	1.0	1.0	1.0
New South Wales	0.0	-0.1	0.7	1.1	1.2
Victoria	0.0	0.3	1.2	1.7	1.7
Queensland	1.0	1.0	1.3	1.5	1.5
Western Australia	0.8	0.7	0.8	1.1	1.3
Tasmania	0.6	0.5	0.6	0.6	0.6
Northern Territory	0.3	0.5	0.8	1.9	1.0

Note: South Australia's budget (2021-22) does not provide population forecasts.

Source: ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

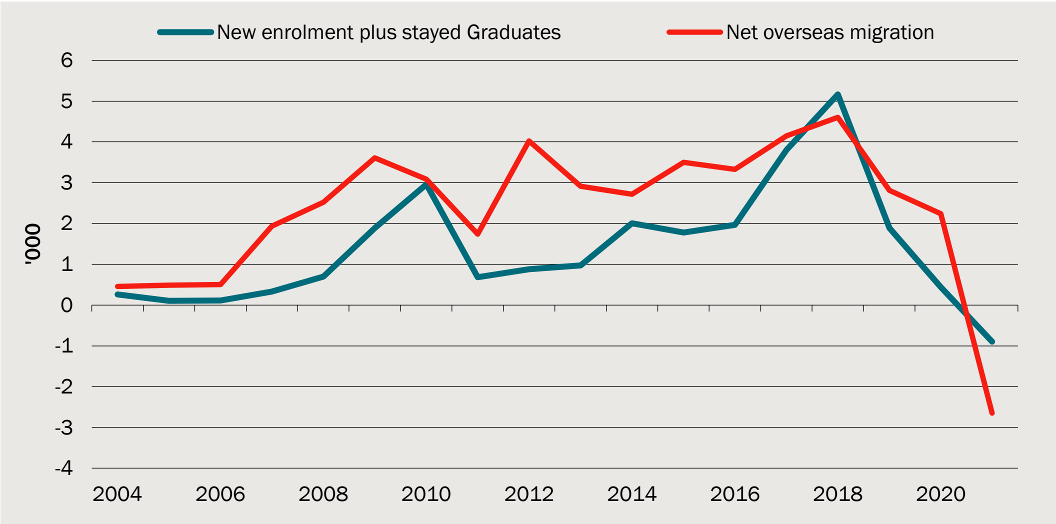
Drivers of population growth include natural increase, international migration and interstate migration.

Net overseas migration accounts for almost half of the ACT population in an average year, and a significant drop in arrivals due to the pandemic will further reduce net overseas migration, and slow population growth in the ACT.

While high vaccination rates look set to result in an earlier reopening of borders than anticipated in the 2020-21 Budget (with students returning from early 2022), ACT still needs some time for population growth to return to pre-pandemic levels.

As shown in chart 1.11, international students (on average) account for about half of net overseas migration in ACT historically. Hence, net ACT overseas migration in a given year is significantly driven by the number of new international students, and the number of 'staying on' graduates (that do not leave).

1.11 Change in enrolment plus stayed graduates versus net overseas migration



Data source: CIE compilation based on data from DESE, DHA and ABS.

We have undertaken student overseas migration modelling to the ACT to test the population assumptions in the ACT 2021-22 Budget. Our analysis of student migration (detailed in Appendix A) shows that the **ACT 2021-22 Budget projections on the timing and rate of net migration recovery are conservative**. **That is, it may well be higher, and better, for the ACT Governments financial position, and the ACT economy.**

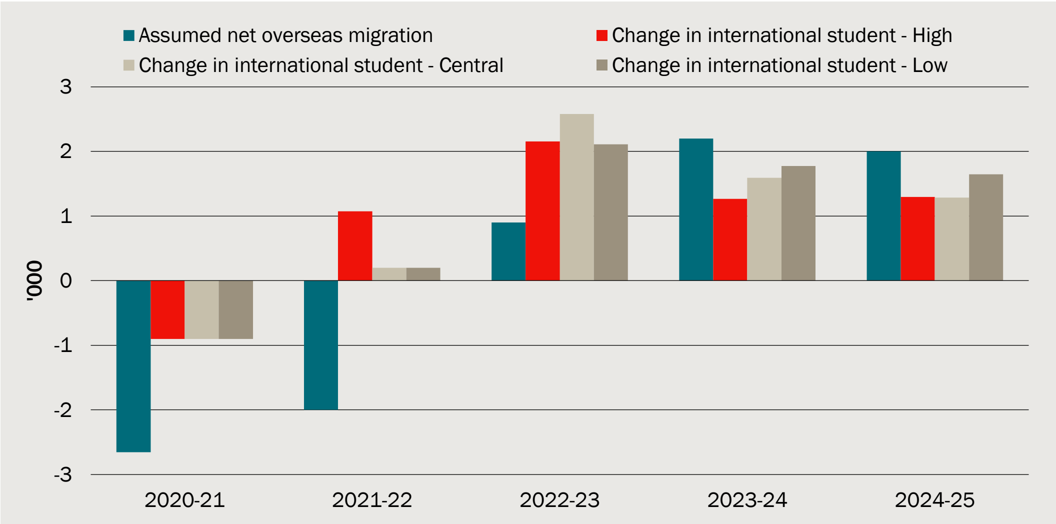
Chart 1.12 compares the assumed net overseas migration in the ACT 2021-22 Budget with our projected change in international student numbers.

The Budget's net migration assumptions are shown in the colour teal. Our international student modelling (high, central and low come-back scenarios) are shown in red, light grey, and dark grey.

From 2021-22, we anticipate much higher numbers of international students than the ACT 2021-22 Budget. The ACT Budget expects total net migration to remain negative (of which international students, less Temporary Graduate Visa holders account for 50 per cent on average). Our modelling shows that the student component of net migration is likely to improve total net migration.

The outer years (2022-23 to 2024-25) reflect different rates of 'bounce-back', but the consistent story is that the ACT 2021-22 Budget assumptions on net migration are conservative, and international student numbers are likely to result in a better return rate than the Budget anticipates.

1.12 Assumed net overseas migration versus projected change in international student numbers



Data source: CIE compilation.

Hence the population projections seem reasonable, if not conservative.

That is, it is conservative to assume that ACT will experience below-trend population growth, which is (conservatively appropriately) factored into the forecasts for other economic parameters.

Further, we have modelled the contribution of faster-than-Budget-forecast returning international students to the ACT economy using the CIE-REGIONS, a general equilibrium model of the Australian economies.

Detailed further in Appendix A, we estimated that the return of international students will increase ACT's GSP by between $630 million and $990 million per year and employment by between 4 000 and 6 400 FTE (full-time equivalent).

This is GSP and employment that is not fully captured in the ACT 2021-22 Budget forecasts because of its conservative population forecasting.

2 Budget aggregates

The ACT Budget will remain in deficit over the forward estimates period, influenced by the COVID-19 pandemic, and an increase in the superannuation liability.

However, key indicators (net debt, net financial liabilities, and net worth), when measured as relative to GSP, generally remain in line with, or better than, other jurisdictions.

ACT has a high level of creditworthiness compared to other states, indicating there is confidence in the ACT Government meeting its current and future estimated debt obligations.

General Government Sector net headline operating balance

The ACT 2021-22 Budget notes that the fiscal position of the ACT Government will remain in deficit over the forward estimates period, despite a relatively rapid economic recovery.

This results from ongoing and expanded government support due to the pandemic. Table 2.1 shows a summary of total revenue, expenses, and the headline net operating balance (HNOB). Note that the General Government Sector (GGS) HNOB is the key measure of government finances, which incorporates the impact of long-term superannuation investment earnings to provide an accurate assessment of the long-term sustainability of the budget position.

2.1 Summary of key ACT Government metrics ($m)

	2020-21 Budget	2021-22 Interim Outcome	2022-23 Budget	2023-24 Estimate	2024-25 Estimate
Flows associated with GGS HNOB flows					
Revenue	5 981	6 308	6 597	6 542	6 696
Expenses	6 750	6 794	7 765	7 337	7 474
Superannuation return adjustment	166	124	216	231	248
GGS HNOB	-363	-952	-564	-530	-474
Other flows					
Net cash from operating activities	-220	238	-328	-130	-42
Stocks					
Net debt (excluding superannuation)	4 665	4 353	5 721	6 876	8 245
Net financial liabilities	9 302	13 301	11 748	12 675	13 970

Source: ACT Government (2021) Budget Outlook Table 3.1.1.

Financial position of the ACT Budget remains in deficit

In 2020-21, the GGS HNOB is estimated to be in deficit by $363 million. In 2021-22, the GGS HNOB is forecast to a deficit of $952 million, which is $477 million higher than the forecast in the last budget. **HNOB is expected to improve to a deficit of $564 million in 2023-24 and $474 million in 2024-25, despite a deficit position over the forward forecast periods.**

Since the last budget, GGS HNOB for 2020-21 and the outlook for the GGS HONOB for 2021-22 and beyond has deteriorated (table 2.2).

Instead of focusing on individual years, to get a sense of the total change contained in ACT Budget 2021-22, we sum the GGS HNOB that is forecast for each of the four forecast years (2020-21, 2021-22, 2022-23 and 2023-24), and compare this to the last Budget.

The deterioration evident in the 2021-22 Budget is principally pandemic related, due to:

- ongoing and expanded provision of health, economic and financial supports, and
- significant reductions in own-source revenue collections, for example, downward revisions to general rates, payroll tax, and gambling taxes.

A breakdown of changes between the 2021-22 and 2020-21 budgets is also presented in the table 2.2. Expanded expenses are primarily attributable to:

- additional funding of $760 million reflecting an expanded policy commitment in the Fiscal Strategy and Wellbeing Initiatives in 2021-22 ($1 282 million over three years), for example
  - COVID-19 Business Support Grants
  - Small Business Hardship Scheme, and
  - COVID-19 Tourism, Accommodation Provider, Hospitality, Arts and Events and Fitness Industry Grants, and
- technical adjustments reflecting revised funding profiles and rollovers of prior funding due to projects delayed by the pandemic, as well as latest triennial liability valuation review and changes in the financial and demographic assumptions in the superannuation provision account.

Significant changes in forecast revenue include:

- an increase in GST revenue of $67 million in 2021-22 ($103 million over three years) due to stronger national consumption growth
- an increase in other Commonwealth grants of $139 million in 2021-22 ($339 million over three years) due to Commonwealth's contribution to COVID-19 business support grants, continuing payments under the HomeBuilder Scheme and additional funding for Light Rail Stage 2A and duplication of William Hovell Drive
- an increase in dividends and income tax equivalents due to major infrastructure assets transferred to the GGS
- an increase in own-source taxation revenue due to increases in revenue from conveyance duties and land tax, and
- revised cash and investment balances.

2.2 Level and change across budget announcements ($m)

Item			2020-21	2021-22	2022-23	2023-24	Sum
Level of GGS HNOB							
2020-21 Budget			-603	-475	-406	-369	-1 853
2021-22 Budget			-363	-952	-564	-530	-2 409
2021-22 Budget changes to CCG HNOB, compared to those announced in the 2020-21 Budget							
Single items	Super. return adjustment			24	26	29	36
Sum of other items	Technical adjustments	Revenue		400	208	134	741
		Expenses		-166	-132	-68	-366
	Policy decisions	Revenue		25	3	2	31
		Expenses		-760	-263	-259	-1 282
Total change				**-477**	**-158**	**-162**	**-840**

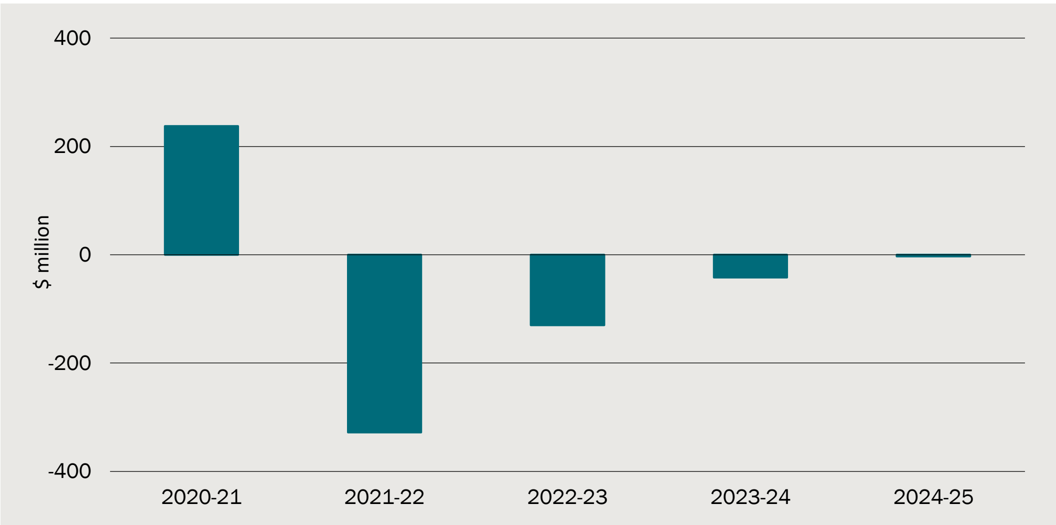
Source: ACT Government (2021-22) Budget Outlook Table 3.1.1 and Table 3.1.2.

Net cash from operating activities

Net cash from operating activities measures cash receipts from operations (including taxes, fees and fines and operating grants from the Commonwealth Government) less all operating cash payments (including wages and salaries, cash superannuation payments and payments for goods and services). Maintaining a positive cash balance ensures there is sufficient cash from operations to cover the net cash outlays for capital investment, debt repayment, and to save cash to address unfunded superannuation liabilities.

As shown in Chart 2.3, net cash from operating activities is expected to be negative in 2021-22 and expected to be on a road back to zero over the forward estimates. As net operating cash is the cash counterpart to the accrual net operating balance, this cash deficit reflects the deficit HNOB position discussed above.

2.3 Net cash from operating activities



Data source: ACT Government (2021) Budget Out Table 3.1.1.

A strong balance sheet for the ACT

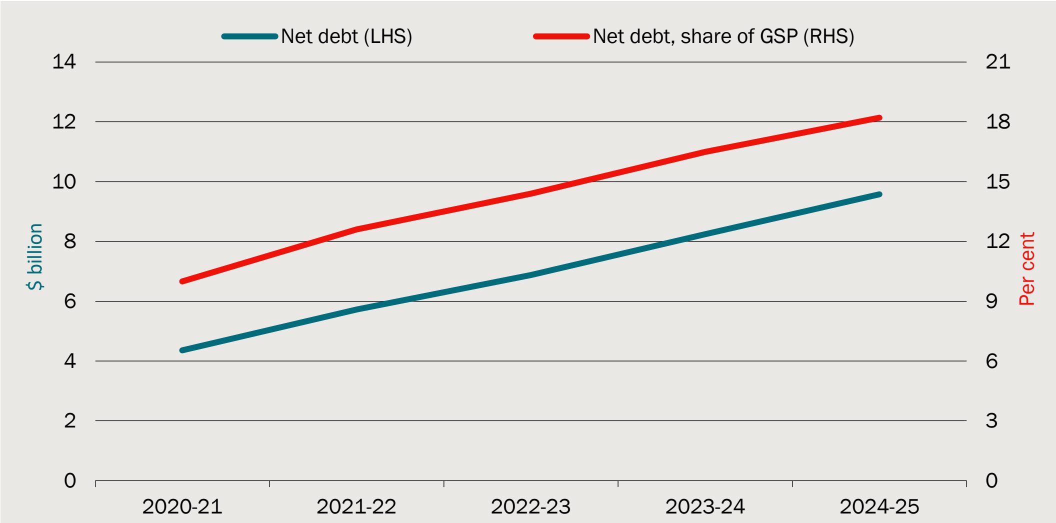
According to the Budget Papers, the ACT continues to maintain a strong balance sheet. **It is noted that key indicators (net debt, net financial liabilities, and net worth), when measured as relative to GSP, generally remain in line with, or better than, other jurisdictions.**

Net debt

Net debt is the balance of gross debt liabilities and financial assets (such as cash reserves and investments). It does not include accrued superannuation liabilities.

Chart 2.4 shows that forecast Net Debt is positive, which means gross debt liabilities are greater than financial assets. Net debt is forecast to rise in line with the deficit position in HNBO which has indicated gross debt to increase over the next four years. The increase in net debt is largely attributable to expanded Government policy decisions in the Fiscal Strategy and Wellbeing Initiatives.

2.4 ACT Government net debt



Data source: ACT Government (2021-22) Budget Outlook Table 3.8.1.

The ACT net debt as share of GSP is smaller than that for the Northern Territory, Victoria, and South Australia (table 2.5).

2.5 Net debt comparison across jurisdictions (per cent of GSP)

Jurisdictions	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Capital Territory	10.0	12.6	14.4	16.5	18.2
New South Wales	6.3	9.3	11.6	13.0	13.7
Victoria	16.7	20.3	22.7	24.9	26.8
Queensland	4.2	6.4	8.4	9.6	10.2
South Australia	12.6	15.1	16.3	17.5	18.3
Western Australia	9.1	9.0	11.5	11.5	11.4

Jurisdictions	2020-21	2021-22	2022-23	2023-24	2024-25
Tasmania	1.4	5.0	7.3	8.6	9.6
Northern Territory	28.0	32.1	35.2	37.7	38.7

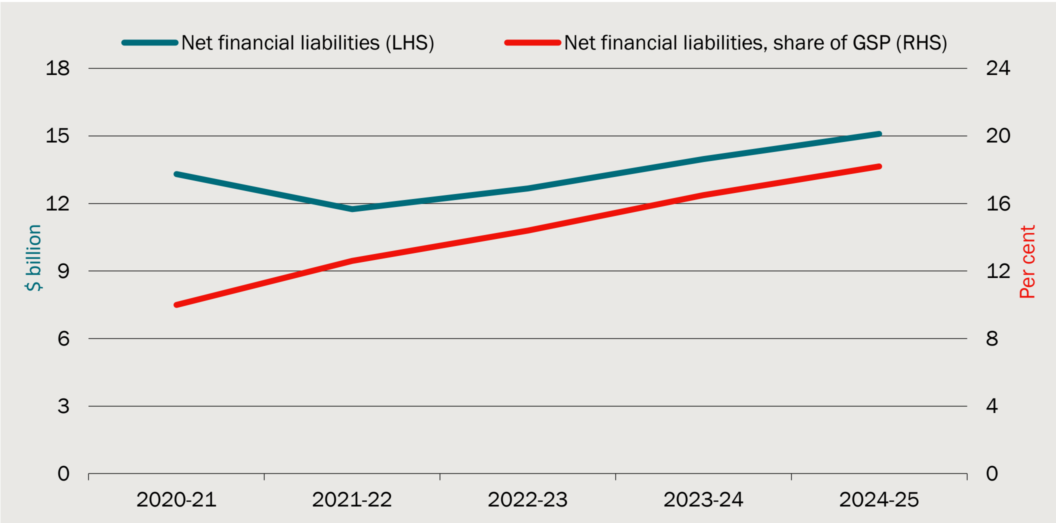
Source: ABS Australian National Accounts: State accounts FY 2019-20; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Net financial liabilities

Net financial liabilities is a broader measure (than net debt) of the net financial obligations of the ACT Government. It includes net debt and superannuation liabilities. It can also be expressed as a ratio (or share) of state GSP, which provides an indicator of the sustainability of ACT Government debt.

As shown in Chart 2.6, net financial liabilities as a share of GSP is forecast to rise each year. The budget paper noted a change in the discount rate for the superannuation liability between the 2020-21 and 2021-22 budgets. **The increase in net financial liabilities mainly represents the growth in the superannuation liability**.[5]

2.6 ACT Government net financial liabilities



Data source: ACT Government (2021-22) Budget Outlook Table 3.8.2.

Table 2.7 compares ACT net financial liabilities as a share of GSP with other State and Territory Governments, and their credit rating of their debt. **It shows that the ACT currently has a high level of creditworthiness compared to other states. There is confidence in ACT meeting its current and future estimated debt obligations.**

[5] ACT Government (2021-22) Budget Outlook Table 3.8.2, page 295.

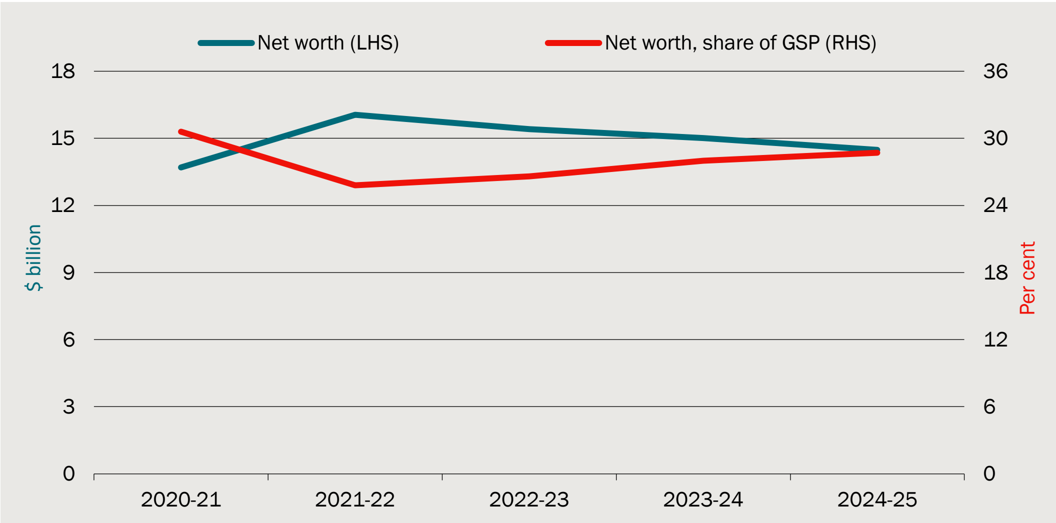
2.7 Credit rating of state debt, and net financial liabilities

State/territory	Credit rating of debt	Net financial liabilities, share of GSP (per cent, 2020-21)
Australian Capital Territory	AAA	30.6
New South Wales	AA+	21.7
Victoria	AA	33.7
Queensland	AA+	16.5
South Australia	AA+	27.4
Western Australia	AA+	10.4
Tasmania	AA+	31.4
Northern Territory	Aa3 (Moody's)	41.7

Source: Tasmania 2021-22 Budget Paper No,1 Appendix 1.1; ABS Australian National Accounts: State accounts FY 2019-20; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2Net worth.

Net worth is an economic measure of wealth. It is equal to total assets less liabilities. Table 2.8 shows the ACT Government has a positive net worth, meaning that it has more financial and non-financial assets than liabilities. Net worth is expected to reach around $16 billion in 2021-22 and gradually decrease to $14.5 billion in 4 years.

2.8 Net worth



Data source: ACT Government (2021-22) Budget Outlook Table 3.8.3.

Table 2.9 shows the net worth, as a share of GSP, of State and Territory Governments in Australia. ACT's net worth is generally below that of other jurisdictions.

2.9 Net worth across jurisdictions per cent of GSP

Jurisdictions	2020-21	2021-22	2022-23	2023-24	2024-25
Australian Capital Territory	31.5	35.3	32.3	30.0	27.5
New South Wales	35.9	34.5	35.0	36.1	36.4
Victoria	36.3	31.0	30.0	29.4	29.5
Queensland	54.5	52.7	51.2	50.1	49.4
South Australia	39.7	37.6	37.2	37.3	37.3
Western Australia	36.6	37.0	37.5	38.3	38.6
Tasmania	28.7	23.3	23.1	23.2	24.0
Northern Territory	35.6	33.5	31.3	30.5	28.7

Source: ABS Australian National Accounts: State accounts FY 2019-20; ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

Superannuation liability

The ACT Government has liabilities created by defined benefit superannuation schemes. The Government has established a superannuation provision account to hold and invest funds, which are used to meet the Government’s ongoing superannuation benefit obligations.

Table 2.10 shows in 2021-22 the Government estimates the superannuation liability to be $10.1 billion, and this is expected to rise gradually over the forecast period. The gap between the superannuation liability and investment assets represents the level of unfunded superannuation liability. The funding percentage represents share of investments out of total superannuation liability.

2.10 Summary table: key ACT Government metrics ($m)

	2020-21	2021-22	2022-23	2023-24	2024-25
Superannuation liability	13 230	10 102	10 345	10 566	10 764
Investments	5 132	5 488	5 870	6 279	6 717
Unfunded liability	8 098	4 613	4 474	4 287	4 046
Funding percentage	39	54	57	59	62

Source: ACT Government (2021-22) Budget Outlook Tables 3.8.5 to 3.8.7.

It is worth noting that the projected superannuation liabilities are uncertain and sensitive to the assumptions used.

The calculations involved rely on discount rates used for the present value of superannuation payments, as well as assumptions on salary growth. The Budget noted that the estimated superannuation liability is valued higher for 2020-21 due to the latest triennial liability valuation review and the adoption of higher inflation, salary growth and discount rate (2.3 per cent) assumptions.

Expected liability from 2021-22 onwards is higher, compared to the forecasts in 2020-21 Budget, due to the adoption of a lower long-term average discount rate of 4 per cent rather than 5 per cent. The application of a lower discount rate to the superannuation liability estimates increases the ultimate cost of financial obligation and implies a rapid recognition of emerging cost payments in line with financial market expectations.

Superannuation liability vs other government liabilities

The superannuation liability makes up around 43 per cent of the total liabilities of the ACT Government (table 2.11).

2.11 General Government Liabilities of the ACT Government

	$m	Per cent
Superannuation	10 103	43
Borrowings	10 830	47
Other	2 348	10
Total liabilities	**23 281**	**100**

Source: ACT Government (2021-22) Budget Outlook Table 4.1.2.

3 Revenue

ACT Government revenue is projected to increase from $6.30 billion in 2020-21 (Interim Outcome) to $6.95 billion in 2024-25, mainly due to increasing income from Commonwealth Government Grants to help the pandemic response, and residential, and commercial conveyance duty and land tax on the back of the robust property market.

Own-source tax revenue is forecast to increase by 14 per cent ($303.6 million) from 2021-22 to 2024-25, driven by increases to general tax revenue, gambling taxes and other taxes. Duties are forecast to decrease. Generally, other revenue components are flat overall, with some elements increasing, offsetting contractions in others.

As the economy and labour market recover, most sources of revenue are expected to return to more normal growth rates, but overall general government sector revenue growth is not expected to return to its pre-pandemic level over the forecast period.

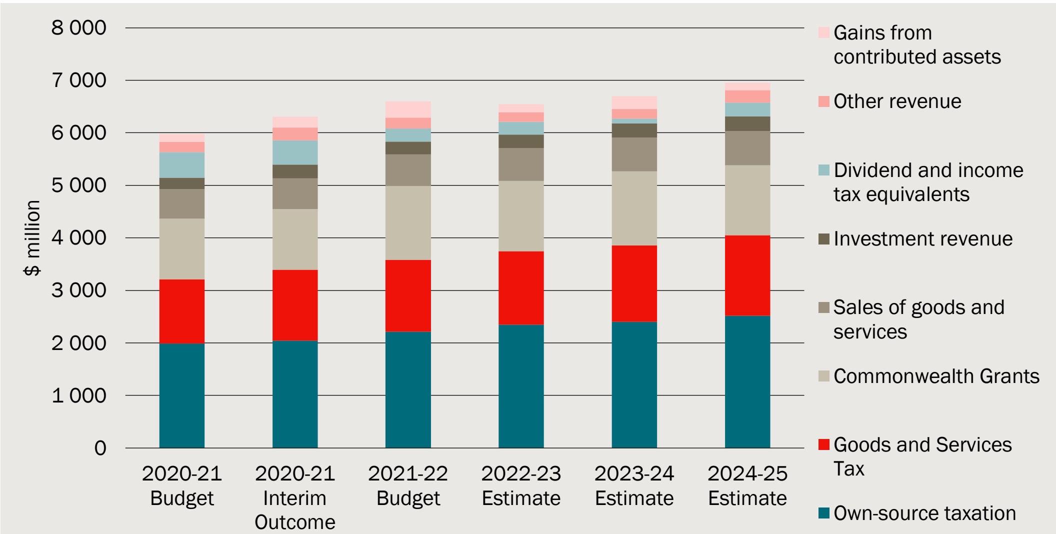
On a per capita basis, taxes are higher in the ACT than in any other jurisdiction, and are estimated to remain so over the 2021-22 Budget and forward estimates period.

Overall, the revenue forecasts appear reasonable, noting upside and downside analysis and associated commentary and conservative GST assumptions.

Overview

ACT Government revenue is projected to increase from $6.30 billion in 2020-21 (Interim Outcome) to $6.95 billion in 2024-25 (chart 3.1).

3.1 ACT Government revenue



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.1 General Government Sector revenue, p. 239.

The 2021-22 Budget notes the Delta-related COVID-19 lockdowns in the ACT, NSW and Victoria have had an impact on the contributions to different sources of revenue.

For Own-source revenue:

- Payroll tax is expected to be slightly lower, reflecting softer labour market conditions
- ACT Government's support measures for businesses and households has either:
  – increased revenue outlays (the small business hardship scheme), or
  – increased foregone revenue in the form of residential and commercial tenancy relief and the waiver of a range of fees and charges
- Gambling revenue is expected to be lower in 2021-22, due to decreased gaming tax payments associated with the lockdown, and
- Residential, and commercial conveyance duty and land tax are forecast to be stronger on the back of the robust property market.

GST revenue remains weaker than expected prior to the pandemic, due to falls in consumption across Australia, particularly the Eastern States, which has in turn reduced the total GST funding available to all states.

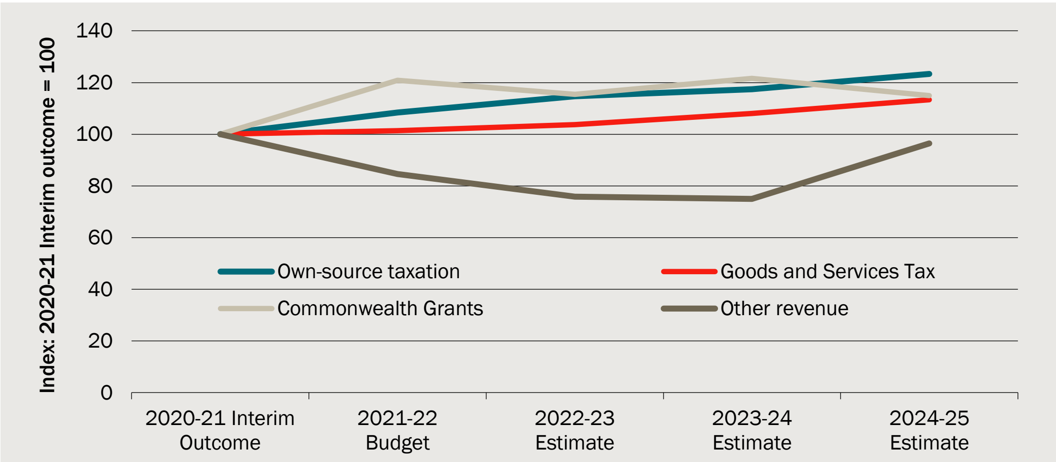
Commonwealth Grants have increased due the Commonwealth's joint contribution to business support during the lockdown, as well as COVID-19 related health payments.

For Other revenue:

- court fines have decreased in 2020-21, but are expected to increase in the later part of 2021-22, post the end of lockdown, and
- parking fines have decreased during lockdown, but are expected return to pre-pandemic levels from 2022-23.

Chart 3.2 shows the relative changes in the above-mentioned revenue sources, compared to the 2020-21 Interim Outcome.

3.2 Relative changes to COVID-19 lockdown revenue sources



Data source: CIE based on ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.1 General Government Sector revenue, p. 239, October.

As the economy and labour market recover, most sources of revenue are expected to return to more normal growth rates, but overall general government sector revenue growth is not expected to return to its pre-pandemic level over the forecast period.

Own-source taxation revenue

Own-source tax revenue is forecast to increase by 14 per cent ($303.6 million) from 2021-22 to 2024-25, driven by increases to general tax revenue, gambling taxes and other taxes. Duties are forecast to decrease (table 3.3).

3.3 Own-source tax sources

	2020-21 Budget	2020-21 Interim Outcome	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	$'000	$'000	$'000	$'000	$'000	$'000
General tax	1 335 090	1 337 714	1 411 991	1 542 765	1 635 567	1 737 172
Duties	248 108	285 075	385 424	360 672	309 502	310 988
Gambling taxes	67 414	69 222	62 211	74 305	75 750	77 159
Other taxes	336 618	351 417	356 537	366 413	379 017	394 455
Total	**1 987 230**	**2 043 428**	**2 216 163**	**2 344 155**	**2 399 836**	**2 519 774**

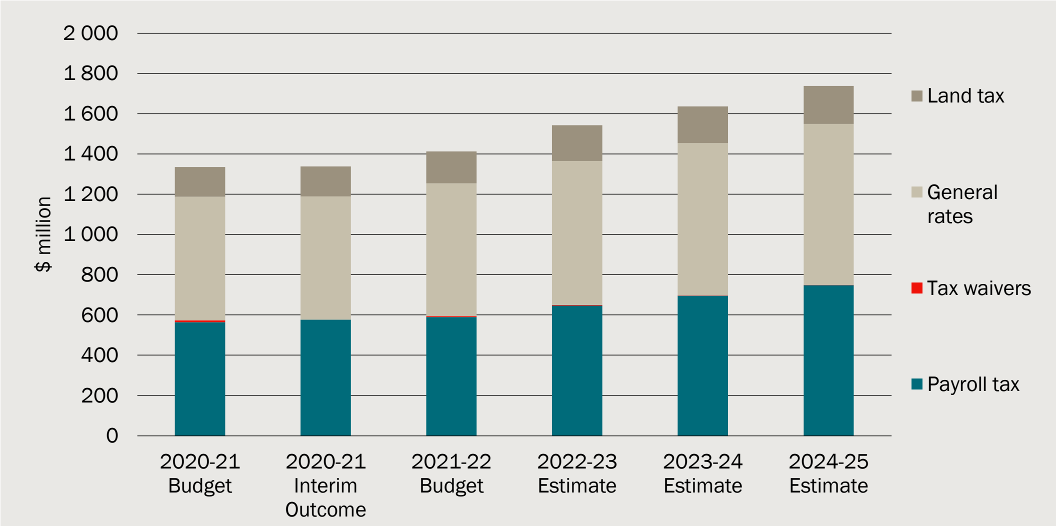
Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.2 Own-source taxation revenue, p. 239, October.

General tax

Chart 3.4 shows general tax components over the Budget and forward estimate. General tax is forecast to increase by 23 per cent ($0.3 million) from 2021 22 to 2024-25, driven by increases to:

- Payroll tax
- General rates, and
- Land Tax.

3.4 General tax revenue



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.2 Own-source taxation revenue, p. 239, October.

Payroll tax

Payroll tax revenue is forecast to be $588.8 million in 2021-22, a 2.2 per cent increase from the interim outcome in 2020-21 of $576.3 million. Over the forward estimates period, total payroll tax revenue is forecast to increase to $747.3 million in 2024-25.

Despite these increases, payroll tax revenue is now expected to be lower by $18.1 million in 2021-22 and $19.1 million (0.8 per cent) lower over the four-year period to 2023-24 than expected at the time of the 2020-21 Budget. The 2021-22 Budget states the reduction reflects the estimated impact of the Delta strain outbreaks and the associated lockdowns on economic activity and employment in exposed sectors including construction, retail and tourism in 2021-2022.

Further, the Government has provided payroll tax relief in response to COVID-19 lockdowns in the form of:

- payroll tax waivers and deferrals
- exempting payroll tax on wages paid to apprentices or trainees employed after 1 August, from the start of their employment to 30 June 2022
  - forecast to cost $0.2 million in 2021-22, and
- offsets for government and utility fees and charges up to a maximum of $10 000.

The payroll tax revenue improvement over the forward estimates is associated with anticipated stronger employment and wages growth post lockdown.

General rates

The interim outcome for general rates revenue in 2020-21 is $612.3 million, $2.2 million less than forecast in the 2020-21 Budget. The Budget states this reflects:

- fewer commercial properties in the property base than was anticipated, associated with redevelopment of commercial properties into residential units, and
- COVID-19 support through the commercial rates relief program.

General rates increase in the 2021-22 and the forward estimates period includes:

- the increase in average annual general rates of 3.75 per cent under Stage 3 of tax reform, and
- the addition of properties into the property base.

However, general rate increases over the 2021-22 Budget and forward estimates are offset by:

- COVID-19 commercial tenancy assistance, expected to result in $5.5 million in foregone revenue in 2021-22, and
- Pensioner general rates rebate cap increase by $50, expected to result in an average 0.75 million of annual foregone revenue over the 2021-22 Budget and forward estimates.

Land tax

The interim outcome for land tax revenue is $149.1 million in 2020-21, which is $1.7 million (1.1 per cent) higher than the 2020-21 Budget estimate. This reflects the buoyant ACT property market, driven by record low interest rates.

The strong ACT property market, in terms of house price growth and investor activity, is anticipated to persist, and as such continue to increase land tax revenue.

Other own source taxes

Other own-source taxation revenue is forecast to be $356.5 million in 2021-22, an increase of $5.1 million over the 2020-21 interim outcome of $351.4 million. This is largely driven by increases in revenue collected from the Fire and Emergency Services Levy, the Safer Families Levy and the City Centre Marketing and Improvements Levy, partially offset by a decline in revenue from the Lease Variation Charge. Over the forward estimates period, total other own-source taxation revenue is forecast to be $1.1 billion, progressively increasing to $394.4 million in 2024-25. The annual average growth rate for other own-source taxation revenue is expected to be 2.9 per cent, lower than the pre-pandemic growth rate of 8.9 per cent per annum on average.

Risks

The 2021-22 ACT Budget acknowledges potential upside and downside risks associated with employment, wages, population and economic growth uncertainties on payroll tax and land tax as shown in table 3.5.

3.5 Payroll tax and land tax upside and downside risks

	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	Per cent	Per cent	Per cent	Per cent
Payroll tax				
Downside change	-2	-3	-4	-5
Upside change	0	1	2	2
Land tax				
Downside change	-1	-3	-2	-3
Upside change	1	2	4	4

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.12: Selected own-source taxation revenue and GST Revenue Grant from the baseline due to economic parameters – forecast scenarios, p. 255, October.

Taxation per capita across states

Per capita taxes are anticipated to increase across all Australian jurisdictions (table 3.6). However, the ACT's taxation per capita[6] [7] is higher than its intestate peers in 2020-21 and continues to maintain its top taxing position over the 2021-22 Budget and forward estimates period. This indicates lower competitiveness of ACT's taxation regime in relation to other states and territories, posing downside risks on population growth and job creation.

3.6 Taxation per capita

State	2020-21	2021-22	2022-23	2023-24	2024-25
	$/resident	$/resident	$/resident	$/resident	$/resident
Australian Capital Territory	4 732	5 119	5 361	5 434	5 649
New South Wales	4 156	4 432	4 609	4 600	4 575
Victoria	3 530	3 985	4 306	4 531	4 646
Queensland	3 055	3 309	3 268	3 281	3 392
South Australia	2 671	2 703	2 776	2 850	2 909
Western Australia	3 779	3 732	3 733	3 813	3 936
Tasmania	2 465	2 659	2 788	2 875	2 981
Northern Territory	2 089	2 237	2 328	2 411	2 501

Source: ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

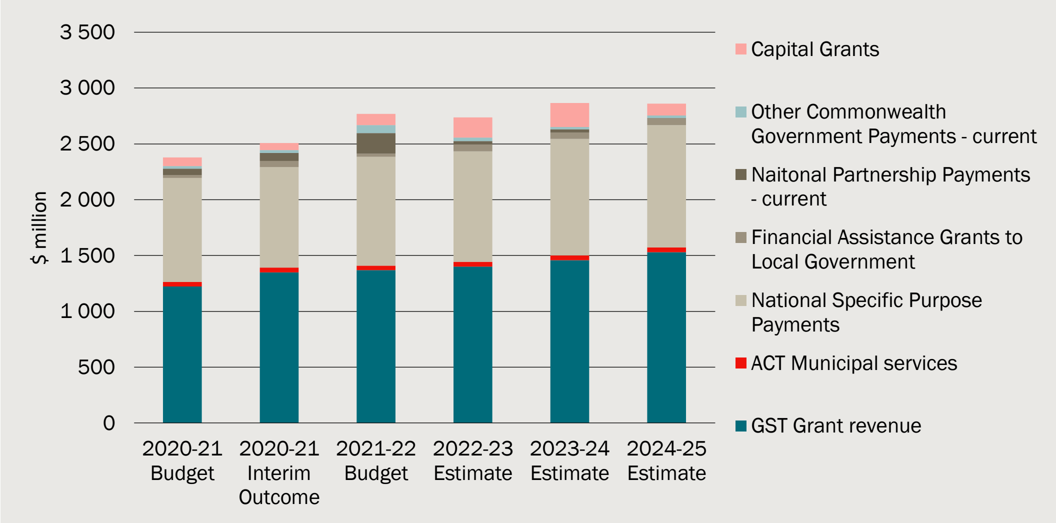
6 Taxation per capita for a state is derived by revenue of all tax types, divided by population of the state. It is used to measure tax competitiveness.

7 Noting ACT taxes include municipal rates.

Commonwealth Grants

Total revenue received from Commonwealth Government Grants in 2021-22 is estimated to be $2 273 million, and is forecast to decline to $2 737 million, before increasing over the last two years of the Budget estimates.

3.7 Commonwealth Grants



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.13: Commonwealth Government grants, p. 256, October.

Key revenue components for 2021-22 are:

- jointly funded COVID-19 Business Support Grants for businesses affected by lockdowns which complement a range of support measures being provided by the ACT Government to local businesses (described above and in chapter 4)
  - The Commonwealth has announced that its contribution to business and individual COVID-19 support will cease as the ACT reaches vaccination coverage of the adult population of 80 per cent and income support will step down over a period of two weeks before ending (anticipated to be October 25, 2021)
  - Note, Commonwealth Business support funding differs to Commonwealth COVID-19 financial assistance provided to subsidise lost wages during lockdown periods, known as of JobKeeper and COVID-19 Disaster Payments.
    - Appendix B discusses the implication of reducing JobKeeper and COVID-19 Disaster Payments in the ACT context.
- supporting the ACT's COVID-19 health response through the National Partnership on COVID-19 Response, with an estimated $36.4 million in financial support in 2021-22. This agreement includes Commonwealth funding for:
  - hospital services payments, with the Commonwealth contributing half of the costs incurred for the diagnosis and treatment of COVID-19 (including for services delivered to public patients in private hospitals)
  - public health payments, with the Commonwealth contributing half of the costs incurred for other activity undertaken by the public health system to manage the COVID-19 outbreak, and

– funding for the COVID-19 vaccination program based on vaccination doses delivered.

National Health Reform Funding

The Commonwealth's National Partnership on COVID-19 response is in addition to Commonwealth funding provided to ACT Local Health Network, via the National Health Reform Agreement (NHRA) box 3.8.

3.8 National Health Reform Agreement (NHRA) and public hospital funding

The National Health Reform Agreement (NHRA), agreed in 2012, defines the Commonwealth, State, and Territory Governments' shared commitment to work together to enhance health outcomes for all Australians and ensure the health system's long-term viability.[8] In July 2017, amendments were introduced to the NHRA through a time–limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. A new 2020–25 NHRA was announced in May 2020 which prolongs the public hospital funding arrangements.

The NHRA determines Government public hospital service funding using an Activity Based Funding (ABF) method based on the number of weighted services provided to patients, and the price to be paid for delivering those services.

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the Independent Hospital Pricing Authority (IHPA), and the level of activity as represented by the National Weighted Activity Unit (NWAU).[9]

An NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an Emergency Department presentation, admission or outpatient episode), by weighting it for clinical complexity.

Over the 2021-22 Budget and forward estimates National Health Reform Funding is forecast to increase by 21 per cent (table 3.9). This funding will supplement the ACT's own increased health expenditure, described in chapter 4.

8 See, https://www.publichospitalfunding.gov.au/public-hospital-funding/about-agreement

9 The Independent Hospital Pricing Authority 2021, 'IHPA releases Pricing Framework and National Efficient Price and National Efficient Cost Determinations 2021–22', https://www.ihpa.gov.au/media-releases/ihpa-releases-pricing-framework-and-national-efficient-price-and-national-efficient

3.9 National Health Reform Funding

	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	Per cent change 2021-22 Budget to 2024-25 Estimate
	$'000	$'000	$'000	$'000	Per cent
National Health Reform Funding - Hospital Services	426 044	472 568	503 285	535 999	21
National Health Reform Funding - Public Health	7 354	7 976	8 494	9 046	21
COVID-19 public health response	37 672	36 414	0	0	-100
Total	**471 070**	**516 958**	**511 779**	**545 045**	**12**

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.6.2: Total Commonwealth Funding to the ACT, p. 273, October.

GST

The ACT Budget notes 2021-22 and forecast GST revenue is lower than that published in the Commonwealth Budget papers, due to a decline in the anticipated global GST funding pool available to all States/Territories. The 2021-22 Budget anticipates ACT GST revenue to increase by 12 per cent from $1 368 million in 2021, to $1 529 million in 2024-25.

The 2021-22 ACT Budget acknowledges potential upside and downside risks associated with employment, wages, population, and economic growth uncertainties on GST revenue, as shown in table 3.10.

3.10 GST upside and downside risks

	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	Per cent	Per cent	Per cent	Per cent
Downside change	-2	-2	-2	-2
Upside change	1	1	1	2

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.5.12: Selected own-source taxation revenue and GST Revenue Grant from the baseline due to economic parameters – forecast scenarios, p. 255, October.

4 Expenditure

The 2021-22 Budget expenditure profile has expenditure peaking in 2020-21, then declining till 2022 23, and gradually increasing thereafter.

This pattern differs to historical ACT Budgets, which have typically seen gradual expenditure increases over the forward estimates.

Spending in 2021-22 is forecast to be 14 per cent higher than the 2020-21 Interim Outcome, with expenditure of $7.76 billion in 2021-22, compared to 6.79 billion in 2020-21.

Key 2021-22 expenditure uplift drivers are the superannuation interest cost (44 per cent higher), supplies and services (up 30 per cent uplift), grants and purchased services (up 27 per cent uplift) and interest expense other operating expenses (up 20 per cent).

By 2024-25, expenditure is forecast to par back to $7.69 billion.

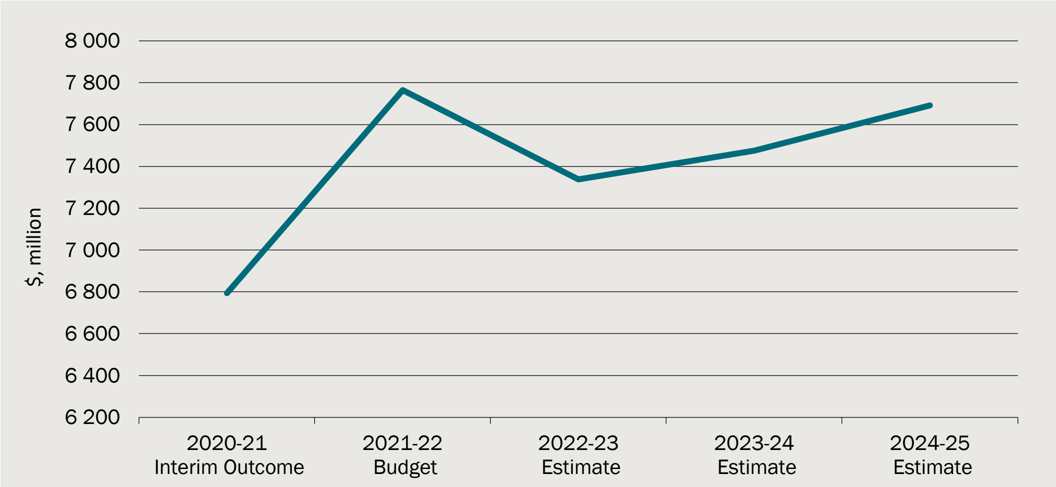
The gradual decline in expenditure over the forecast period is attributed to decreases in economic affairs, environmental protection, housing and community amenities, recreation, culture and religion and social protection. However, expenditure will increase for general public services, education, transport and health.

New policy decisions are forecast to increase expenses by $2.0 billion over the Budget and forward estimates, or $1.4 billion after accounting for offsets.

Overview

The 2021-22 Budget forecast expenses of $7.76 billion is $971 million (14.3 per cent) higher than the 2020-21 Interim Outcome of $6.79 billion. Expenditure is forecast to fall in 2022-23 to $7.33 billion, before rising over the forward estimates to $7.47 billion in 2023-24 and $7.69 billion in 2024-25 (chart 4.1).

4.1 Budget and forecast expenses, 2020-21, 2021-22 and 2022-23 to 2024-25



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 4.1.1: Australian Capital Territory General Government Sector – Operating Statement, pp. 235-236, October.

The peak in 2021-22 reflects additional support provided to the ACT community and business during the COVID-19 pandemic, which is anticipated to reduce in 2022-23 before progressively declining further out to 2024-25. The reduction in temporary COVID-19 expenditure is offset by increased expenditure over the period 2021-22 to 2024-25 associated with:

- general public services (13.2 per cent increase)
- education (9 per cent increase)
- transport (4.3 per cent increase), and
- health (4 per cent increase).

Overview of major areas of substantial new spending

New policy decisions are forecast to increase expenses by $2.0 billion over the Budget and forward estimates, or $1.4 billion after accounting for offsets. Most new expenditure occurs in the first year of the Budget, with $876 million (44 per cent of all new expenditure) and $561 million (41 per cent) of net service costs (table 4.2). The higher proportion of expenditure in 2021-22 is attributed to temporary COVID-19 associated health response and stimulus measures.

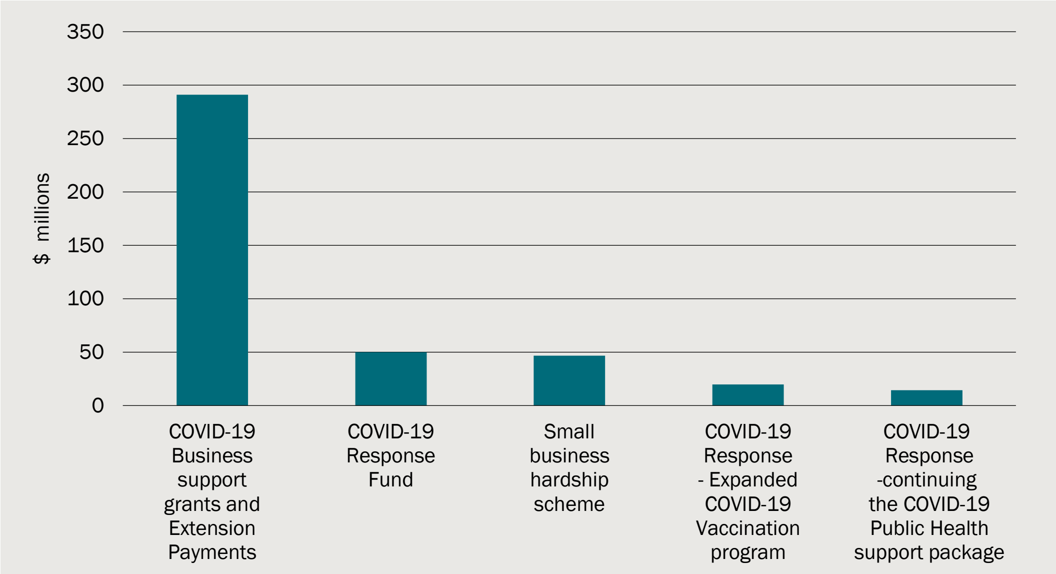
4.2 New policy decision expenditure

	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	Total
	$'000	$'000	$'000	$'000	$'000
Total expenses	876 026	375 774	365 567	388 564	2 005 931
% of total new expenses	44	19	18	19	
Total offsets	-314 743	-115 731	-109 499	-106 087	-646 060
Net cost of service	**561 283**	**260 043**	**256 068**	**282 477**	**1 359 871**
% of total net cost of services	**41**	**19**	**19**	**21**	

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.2.1 Financial impacts of new policy decisions, p. 105, October.

Chart 4.3 shows **the top five 2021-22 initiatives by value are all temporary COVID-19 support initiatives.**

4.3 Top five spending initiatives in 2021-22

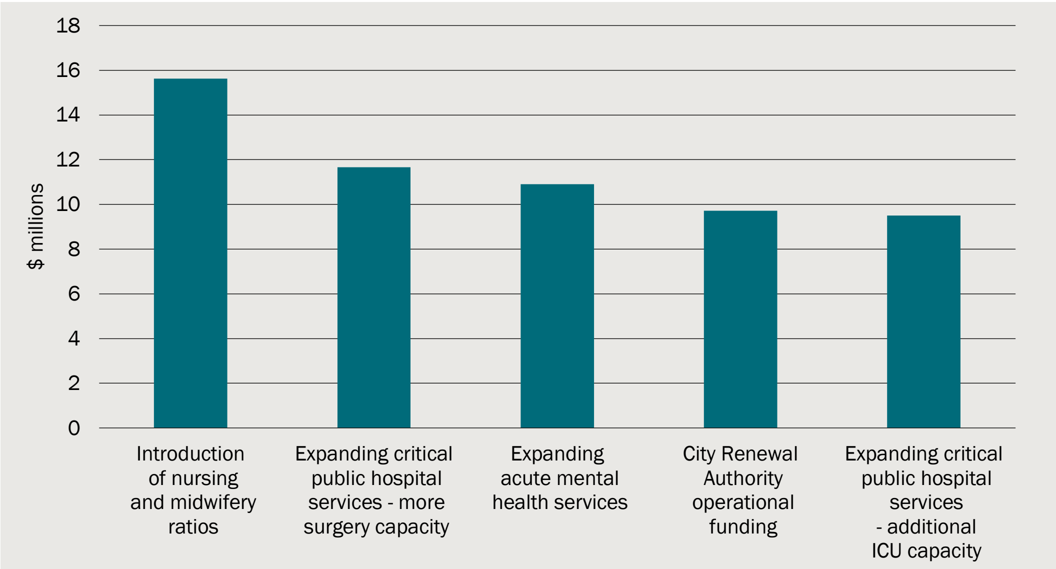


Note: COVID-19 Business support grants and extension payments equally funded (50/50) with the Commonwealth. That is, the ACT share is $146.3 million.

Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 4.1.1: Australian Capital Territory General Government Sector – Operating Statement, pp. 118-218, October.

By the end of the forecast period, the focus of spending changes dramatically, with the **top five 2024-25 initiatives associated with health and transport** (chart 4.4).

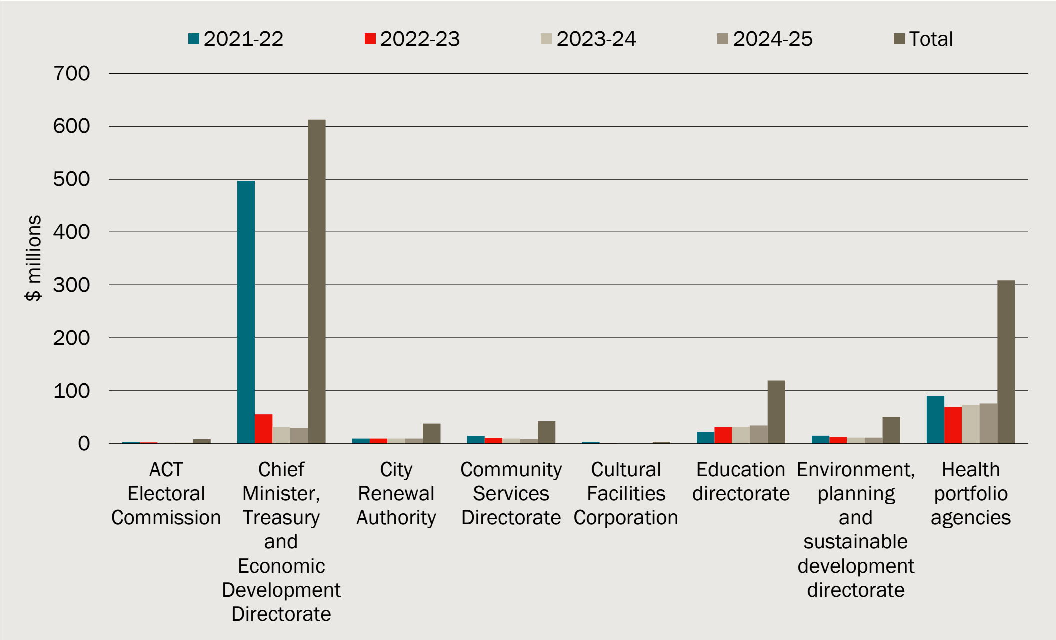
4.4 Top five spending initiatives in 2024-25



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 4.1.1: Australian Capital Territory General Government Sector – Operating Statement, pp. 118-218, October.

This is consistent with spending by lead agency. Chart 4.5 shows the Chief Minister, Treasury and Economic Development Directorate have the highest share of new net cost of services by lead agency in 2021-22. By the end of the forward estimates, Health portfolio agencies, Education Directorate, and Environment Planning and Sustainable Development Directorate account for the largest spending components.

4.5 Expenses by lead agency



Note: COVID-19 Business support grants and extension payments equally funded (50/50) with the Commonwealth. That is, the ACT share is $146.3 million.

Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 4.1.1: Australian Capital Territory General Government Sector – Operating Statement, pp. 118-218, October.

Operating expenditure trends

Table 4.6 shows General Government Sector expenses.

4.6 General Government Sector expenses

	2020-21 Budget	2020-21 Interim Outcome	2021-22 Budget	2021-22 % over Interim Outcome	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	$'000	$'000	$'000	Per cent	$'000	$'000	$'000
Employee expenses	2 369 825	2 467 070	2 532 911	3	2 537 053	2 607 817	2 679 854
Superannuation interest cost	210 537	210 537	302 379	44	404 714	413 652	421 708
Other superann. expense	484 230	492 935	549 002	11	426 127	420 271	417 460

	2020-21 Budget	2020-21 Interim Outcome	2021-22 Budget	2021-22 % over Interim Outcome	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	$'000	$'000	$'000	Per cent	$'000	$'000	$'000
Depreciation and amortisation	498 236	497 192	539 817	9	570 141	597 296	623 503
Interest expense	201 989	198 566	239 084	20	260 767	295 439	323 049
Supplies and services	1 190 416	1 091 789	1 415 144	30	1 397 940	1 436 812	1 487 512
Other operating expenses	279 076	374 517	327 334	-13	303 577	310 236	318 918
Grants and purchased services	1 515 435	1 461 525	1 859 018	27	1 437 017	1 392 837	1 419 973
Total expenses	**6 749 744**	**6 794 131**	**7 764 689**	**131**	**7 337 336**	**7 474 360**	**7 691 977**

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.4.2: General Government Sector expenses, p. 233, October.

The main reasons for the change in the forecast level of expenses between the 2021-22 Budget and forward estimates, compared to the 2020-21 Interim Outcome are:

- Superannuation expenses
- Supplies and services
- Depreciation and amortisation
- Grants and purchased services
- Interest expense, and
- Employee expenses.

Superannuation expenses

The 2021-22 Budget Outlook attributes the increase in the superannuation expense between the 2021-22 Budget and 2020-21 Interim Outcome audited outcome to the latest triennial liability valuation review, and the use of the lower long-term average discount rate assumption, which has decreased from 5 per cent to 4 per cent, offset by lower long-term salary growth and inflation assumptions.[10]

It is unclear what the actual changed valuation review parameter changes, salary growth and inflation assumptions are.

Supplies and services

Supplies and services are forecast to increase by $323.3 million in 2021-22 compared to the 2020-21 Interim Outcome. This increase is largely due to new and continuing initiatives, including the COVID-19 Response Fund, and the impact of reprofiling of initiatives.

10 ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', p. 298, October

Depreciation and amortisation

Depreciation and amortisation expenses are estimated to increase in 2021-22 by $42.6 million more than the 2020-21 Interim Outcome. This increase mainly reflects new and continuing initiatives including the Technology-Enabled Learning program, commencement of the lease for Nara House, and the full year impact of leases for the Civic and Allara House government office blocks.

Grants and purchased services

Grant expenses are expected to increase by $397.5 million in 2021-22 compared to the 2020-21 Interim Outcome. This is mainly attributable to the introduction of new policy initiatives, especially COVID-19 Business Support Grants.

Interest expense

Interest expense entails interest paid on ACT Government borrowings and interest expenses of agencies related to finance leases. Interest expenses are forecast to increase by $40.5 million in 2021-22 from the 2020-21 Interim Outcome mainly due to a projected increase in the outstanding level of borrowings.

The share of interest expense in total revenue remains relatively low across all states and territories (table 4.7). This indicates good financial positions for State and Territory Governments, with confidence in meeting their outstanding financial obligations, despite increasing borrowing for expanded Government commitments for economic support and recovery.[11]

That said, **interest expenses are in more of an upward trajectory for the ACT, SA, NSW and Victorian Governments** compared to other states and territories.

4.7 Interest expense as share of revenue across states

State	2020-21	2021-22	2022-23	2023-24	2024-25
	Per cent	Per cent	Per cent	Per cent	Per cent
Australian Capital Territory	3.1	3.6	4.0	4.4	4.6
New South Wales	2.7	2.9	3.3	3.9	4.5
Victoria	4.2	4.1	4.4	4.9	5.6
Queensland	7.0	6.8	6.9	6.8	6.9
South Australia	2.2	2.4	2.9	3.2	4.0
Western Australia	2.0	1.9	2.0	1.9	1.9
Northern Territory	2.4	1.8	1.7	1.7	1.6

Note: Tasmania 2021-22 Budget does not provide overall estimates for interest expenses.

Source: ACT Government (2021-22) Budget Outlook; NSW Treasury Economic Outlook; Department of Treasury and Finance Victoria Macroeconomic Indicators; QLD Government Budget Strategy and Outlook 2021-22; SA State Budget 2021-22 Budget Paper 3; WA State Budget 2021-22 Budget Paper 3; TAS Government Budget 2021-22 Budget Paper 1; NT Budget 2021-22 Budget Paper 2.

11 All states expect a growing series of interest expense over the forecast periods. Along with longer-term interest rates, this indicates increases in borrowings.

One are of cost risk is the sensitivity of interest expenses to interest rates changes. A 0.25 percentage point interest rate uplift is estimated to increase 2021-22 interest expenses by $4.2 million (1.7 per cent) and vice versa. The magnitude impact of a 0.25 percentage point interest rate increase is substantially higher in 2024-25 at $21.3 million (6.6 per cent) (table 4.8).

4.8 Borrowing interest expense +/-0.25 percentage point sensitivity

	2021-22	2022-23	2023-24	2024-25
	$'000	$'000	$'000	$'000
Change in interest expense ($'000)	4 157	10 244	15 743	21 255
Change in interest expense (per cent)	1.7	3.9	5.3	6.6

Source: ACT Government 2021, '2021-22 ACT Budget Outlook, Table J.4: Impact of a 0.25 percentage point increase or decrease in the borrowing interest rate assumptions, p. 397, October; CIE.

Employee expenses

Employee expenses are forecast to grow by $65.8 million (3 per cent) in the 2021-22 Budget, compared the 2020-21 Interim Outcome (table 4.6). The underlying cause are increases to Health and Chief Minister, Treasury and Economic Development Directorate staff numbers and associated employee payments. Specifically:

- delivering the COVID-19 clinical health response and vaccination program by increasing health agencies:
  - full time equivalents by 3.4 per cent (table 4.9), and
  - employee payments by 10 per cent (table 4.10), and
- delivering new and continuing initiatives, including those that assist with COVID-19 recovery, such as new business support grants and the Jobs for Canberrans program by increasing Chief Minister, Treasury and Economic Development Directorate staff full time equivalents by 1.2 per cent (table 4.9).

4.9 Estimated employment levels by Government agency

	2019-20	2020-21	2020-21	2021-22	2021-22 % over Interim Outcome
	Actual Outcome	Budget	Interim Outcome	Budget	Per cent
ACT Health Directorate staffing	613	683	807	829	2.7
Canberra Health Services	6 667	6 752	6 888	7 127	3.5
ACT Local Hospital Network	N/A	N/A	N/A	N/A	N/A
Health total	**7 280**	**7 435**	**7 695**	**7 956**	**3.4**
Chief Minister, Treasury and Economic Development Directorate	**2 462**	**2 461**	**2 566**	**2 598**	**1.2**
Total	**9 742**	**9 896**	**10 261**	**10 554**	**2.9**

Note: Full time equivalents.

Source: ACT Government 2021, '2021-22 ACT Budget Statement C Health', ACT Health Directorate Table 1: Estimated Employment Level, p. 3; ACT Government 2021, '2021-22 ACT Budget Statement C Health', Canberra Health Services Table 1: Estimated Employment Level, p. 32; ACT Government 2021, '2021-22 ACT Budget Statement B Cheif Minister Treasury and Economic Development', ACT Chief Minister, Treasury and Economic Development Directorate Table 1: Estimated Employment Level, p. 8.

4.10 Estimated employee expenses by Government agency

	2020-21 Budget	2020-21 Interim Outcome	2021-22 Budget	2021-22 % over Interim Outcome	2022-23 Estimate	2023-24 Estimate
	$'000	$'000	$'000	Per cent	$'000	$'000
ACT Health Directorate staffing	86 547	80 985	95722	18	80 922	82 300
Canberra Health Services	813 133	834 801	907 841	9	894 285	914 414
ACT Local Hospital Network	N/A	N/A	N/A	N/A	N/A	N/A
Health total	**899 680**	**915 786**	**1 003 563**	**10**	**975 207**	**996 714**
Chief Minister, Treasury and Economic Development Directorate	**256 211**	**272 156**	**273 095**	**0**	**259 839**	**263 102**
Total	**1 155 891**	**1 187 942**	**1 276 658**	**7**	**1 235 046**	**1 259 816**

Source: ACT Government 2021, '2021-22 ACT Budget Statement C Health', Table 26: ACT Health Directorate: Cash Flow Statement , p. 24; ACT Government 2021, '2021-22 ACT Budget Statement C Health', Table 24: Canberra Health Services: Operating Statement , p. 52; ACT Government 2021, '2021-22 ACT Budget Statement B Chief Minister Treasury and Economic Development', ACT Chief Minister, Treasury and Economic Development Directorate Table 62: Chief Minister, Treasury and Economic Development Directorate: Operating Statement, p. 73.

Expenses by function

Table 4.11 shows the estimates of General Government Sector expenses by function under the Classification of the Functions of Government Australia methodology over the period 2020-21 to 2024-25.

4.11 General Government Sector expenses by function

	2020-21 Interim Outcome	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	$'000	$'000	$'000	$'000	$'000
Health	1 907 561	2 116 739	2 087 864	2 141 483	2 201 385
Education	1 462 307	1 591 604	1 627 189	1 666 653	1 735 100
General Public Services	1 185 075	1 376 775	1 430 017	1 477 490	1 558 972
Public Order and Safety	550 900	620 084	603 609	612 149	617 205
Social Protection	539 025	556 884	490 162	491 604	490 833
Transport	459 419	487 253	486 397	496 677	508 246
Environmental Protection	311 579	233 584	206 008	181 042	173 779
Recreation, Culture and Religion	173 237	216 617	190 337	189 462	190 058
Economic Affairs	112 572	461 474	132 124	133 293	131 719

	2020-21 Interim Outcome	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	$'000	$'000	$'000	$'000	$'000
Housing and Community Amenities	92 458	103 675	83 629	84 509	84 680
Total expenses	**6 794 132**	**7 764 689**	**7 337 336**	**7 474 360**	**7 691 977**

Source: ACT Government 2021, '2021-22 ACT Budget Outlook', Table 3.4.1: General Government Sector expenses by function, p. 231.

Consistent with previous budgets, Health, Education, and General Public Service functions have forecast expenditure growth, along with economic affairs. The growth in these areas largely reflects:

- additional support to businesses and community in response to the COVID-19 pandemic:
  - jointly-funded Commonwealth and ACT Government business support grants
  - an additional extension payment of $10 000 for eligible employing businesses and $3 750 for non-employing businesses per two-week period is available for September 18 to October 15, 2021
- continuing the COVID-19 Public Health support package and Expanded COVID-19 Vaccination program
- new health initiatives
  - Better care in the community:
    - Expansion of palliative care services at Clare Holland House
    - Drug and Alcohol Court - more support
  - Improving our public health system:
    - Expanding acute mental health services
    - Introduction of nursing and midwifery ratios
  - Expanding critical public hospital services:
    - Additional ICU capacity
    - Additional neonatology cots
    - Delivering a better Canberra Hospital emergency department
    - More emergency surgery capacity
- Education initiatives:
  - investing in Public Education - Set Up for Success – Early Childhood Program
  - Investing in Public Education - Digital Access and Equity, and
- underlying increases in wages and superannuation expenses for the ACT Government's workforce (explained above).

Many functions experience declining expenditure over the forward estimates period, including Social Protection, Environmental Protection, Recreation, Culture and Religion, and Housing and Community Amenity.

Discussion on ACT health expenditure

Health spending is forecast to increase by 4 per cent over the forward estimates, driven by COVID-19 new health initiatives and increased staffing levels.

The extent to which increased spending is fit for purpose depends on if it is associated with a cost-effective improvement in health outcomes.

Historically, ACT health services have been identified as comparatively more expensive, and in some cases, below clinical performance measures. For example:

- expenditure per person for providing services in ACT public hospitals is the second most expensive in Australia after Northern Territory at $3 556 dollars per person in 2018-19[12]
- access to some services is impacted by long wait times in ACT, with the Productivity Commission highlighting the ACT as one of the worst performers when it comes to seeing patients on time within the recommended 10 minutes of presentation for urgent and semi urgent cases at 34 per cent and 50 per cent respectively[13]
- the ACT average cost per admitted case presentation in the Emergency Department is among the highest across all the states and territories at $1 412 in 2018-19, the only exception being Tasmania which is the highest at $1 544.[14] The cost for NSW is $934 per admitted case presentation in the Emergency Department, the lowest in Australia,[15] and
- average cost per non-admitted presentation in the Emergency Department has gone down from a national high of $615 in 2014-15 to $520 in 2018-19 for ACT (lower than the national average at $559 in 2018-19). On the other hand, the cost in NSW has gone up from $396 in 2014-15 to $569 in 2018-19.[16]

This apparent underperformance may well reflect an under-resourcing of the health sector, which bodes well for the appropriateness of the new expenditure boost into frontline health services.

One of the important factors impacting on the appropriateness of health spending is the vaccination rate, principally in the ACT but also in jurisdictions where resident travelling is frequent (such as NSW). As at 11 October 2021, the ACT vaccination rate was at

---

12 Productivity Commission on Government Services, ROGS data. See, Table 12A.2 Recurrent expenditure per person, public hospital services (including psychiatric), 2018-19 dollars

13 Ibid. See, Table 12A.13 Emergency department waiting times, by triage category, public hospitals

14 Productivity Commission on Government Services report, ROGS data. Table 12A.60 Average cost per admitted acute emergency department presentation in public hospitals, 2018-19 dollars (a), (b)

15 Ibid.

16 Ibid.

71.1 per cent (2 doses, aged 12 and over).[17] On 9 October 2021, 73.5 per cent of the over 16 population of NSW were fully vaccinated.[18]

While data on the mortality rate of COVID-19 continues to emerge, the World Health Organization estimates that the mortality rate of COVID-19 is substantially higher (10 times or more) than that of most strains of the flu,[19] hence vaccinations are essential to the capacity of the health system to improve health outcomes.

ACT cross-border health arrangements with NSW

The ACT Local Health Network receives funding for the provision of public hospital services to cross-border residents from the:

- Commonwealth Government
  - paid directly to the ACT as part of the NHRA payments, and
- and cross border recipient resident State and Territory Governments (namely NSW)
  - paid via specifically identified "cross-border payments" (box 4.12).

4.12 Cross-border public hospital arrangements

The NHRA includes a section on cross-border arrangements (clause A88-A101) such that, when a resident of one State or Territory receives hospital treatment in another State or Territory, the 'resident' State or Territory compensates the 'provider' State or Territory for its share of the cost of the service. This is known as a cross-border payment.[20]

Funding from other State and Territory Governments is received from the NSW Government for patients accessing ACT public hospital services from the surrounding NSW Local Health Districts, particularly Southern NSW and the Murrumbidgee, as:

- Canberra Hospital is the principal referral centre for the southern NSW region, and
- both the Canberra Hospital and Calvary Public Hospital Bruce provide care to people from the surrounding NSW region and other interstate patients.

Annual ACT cross-border funding has increased from $118.4 million ($2020-21) in 2013-14 to $140.9 million ($2020-21) in 2020-21 (chart 4.13), an increased compound annual growth rate of 2.5 per cent.

Some ACT residents also seek medical treatment in other State and Territory Government hospitals. For example, patients presenting to an ACT Emergency Department requiring specialised burn care will be treated according to the Canberra

---

17 See ACT COVID-19 statistics - COVID-19.

18 See COVID-19 (Coronavirus) statistics - News (nsw.gov.au).

19 See COVID-19 vs. the Flu | Johns Hopkins Medicine.

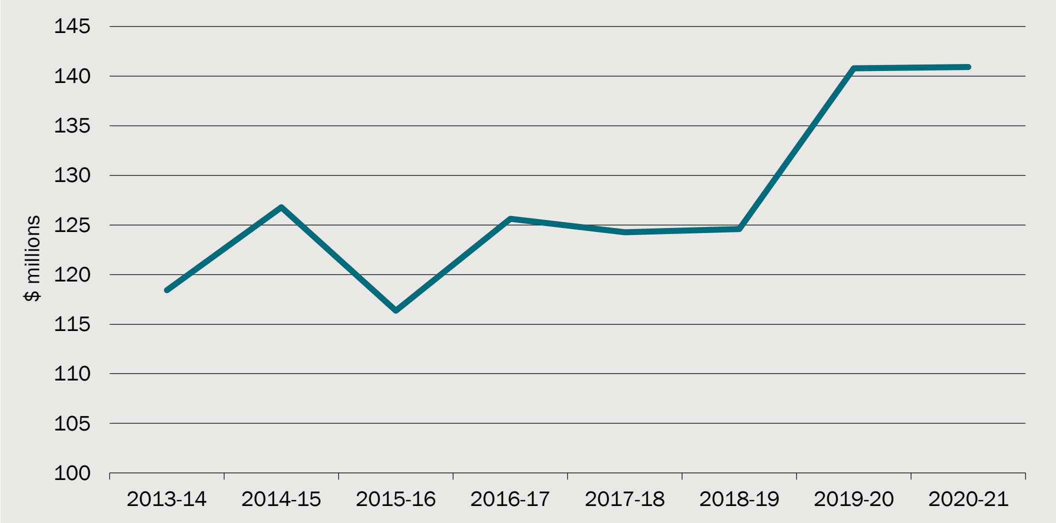
20 Administrator National Health Finding Pool, 'Funding Types: Cross-border funding', https://www.publichospitalfunding.gov.au/public-hospital-funding/funding-types

Health Services, 'Burn Patient Management Guideline'[21], and where necessary will be transferred to the Intensive Care Unit (ICU) for initial management, then transferred to a Sydney Hospital that specialises in treatment and management of burns.

Annual ACT cross-border payments remained stable around $20 million ($2020-21) over the period 2013-14 to 2018-19, before increasing to $26.5 million in 2019-20 and $111.8 million in 2020-21 (chart 4.14).

It is unclear what caused the recent increase in cross-border payments.

4.13 ACT cross-border public hospital funding received

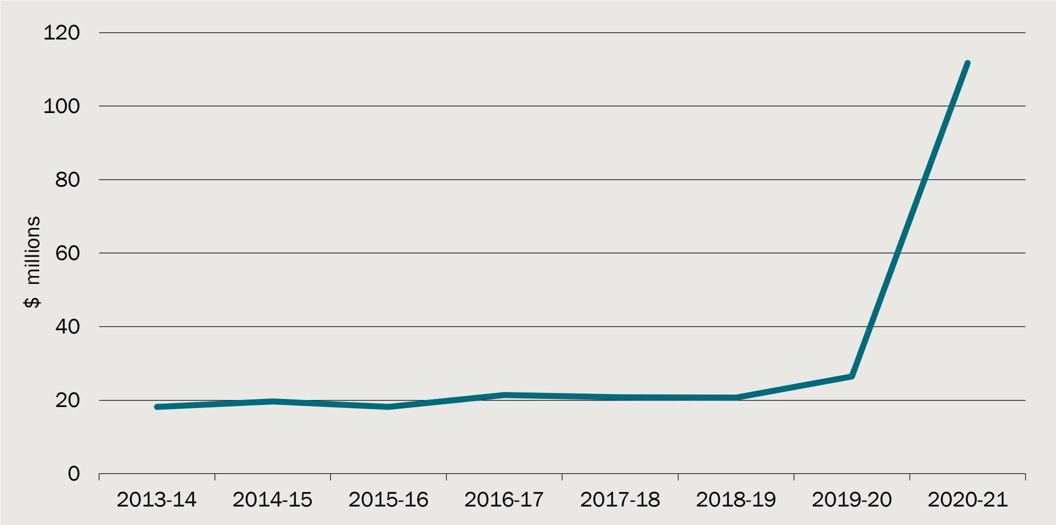


Note: Figures are inflated to $2021 using the ABS Health Price Index for Canberra.

Data source: Administrator National Health Funding Pool 2021, 'National Health Reform public hospital funding Australian Capital Territory report - June 2021: NHR funding and payments by service category, monthly and YTD, https://www.publichospitalfunding.gov.au/public-hospital-funding-reports/87504/87665/national-health-reform-public-hospital-funding-australian-capital-territory-report-june-2021; CIE.

21 ACT Government, 'Burn Patient Management: NSW Agency for Clinical Innovation Clinical Practice Guideline, Canberra Health Services, https://cms.health.act.gov.au/sites/default/files/2021-02/Burns%20Patient%20Management%20-%20Canberra%20Health%20Services.docx

4.14 ACT cross-border public hospital payments



Note: Figures are inflated to $2021 using the ABS Health Price Index for Canberra.

Data source: Administrator National Health Funding Pool 2021, 'National Health Reform public hospital funding Australian Capital Territory report - June 2021: NHR funding and payments by service category, monthly and YTD, https://www.publichospitalfunding.gov.au/public-hospital-funding-reports/87504/87665/national-health-reform-public-hospital-funding-australian-capital-territory-report-june-2021; CIE.

Transparency in the number of cross-border residents treated in ACT public hospitals and associated procedures could be improved with updated publicly reported data. In 2015–16 (the latest available data):[22]

- 14 480 NSW patients presented to ACT Public Hospital Emergency Departments for treatment, accounting for 11 per cent of all Emergency Department presentations and 15 per cent of all Emergency Department admissions
  – these proportions have remained consistent from 2013-14 to 2015-16.
- NSW patients accounted for:
  – 17 per cent of all ACT public hospital admitted separations, and
  – 30 per cent of all surgical procedures (6 303 of 21 565) performed in ACT Public Hospitals.

The ACT Government identify the need to streamline access to critical health care services across the ACT and NSW through a strengthening of shared care arrangements, formalised networks and clear pathways for patients who need to access specialist care across state borders, particularly access to paediatrics services in the case of ACT residents.[23]

---

22 ACT Government 2016, 'ACT Public Health Services Quarterly Performance Report 2015-16, June 2016', p. 14, https://www.health.act.gov.au/sites/default/files/2018-09/Quarterly%20Report%20Q4%20July%20to%20June%202015-16.pdf

23 ACT health Territory-wide Health Services Plan 2021–2026, p24, https://www.health.act.gov.au/sites/default/files/2021-06/Consultation%20Draft%20Territory-wide%20Health%20Services%20Plan_May%202021.pdf

To this end, the NSW and ACT Governments have signed a Memorandum of Understanding (MOU) for Regional Collaboration[24] on Shared Priority Focus Area Plans outlined under:

- Addendum A[25]
  - which a regional approach to health outcomes is described as a Shared Priority Focus, and
- Addendum B[26]
  - which commits to:
    - progress the execution of a Service Agreement to create an Intensive Care Network
    - Finalise the Heads of Agreement between NSW and ACT Health in relation to aeromedical retrieval services, and
    - Discuss and review interstate reciprocal arrangements for ambulance service charges.

Progress on implementing agreed MOU outcomes is unclear, with:

- an early 2021 timeframe stated in Addendum A for the commencement of a revised cross-border partnership agreement, and
- no timing stated for Addendum B items.

Community service obligations

The 2020-21 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.

The 2021-22 Budget CSO allowance is $277.55 million,[27] an estimated $643 per ACT resident.[28]

---

24 ACT Government and NSW Governments, 'ACT and NSW Memorandum of Understanding for Regional Collaboration', http://www.cmd.act.gov.au/__data/assets/pdf_file/0004/265225/ACT-NSW-MoU-regional-collaboration.pdf

25 ACT Government and NSW Governments, 'ACT and NSW Memorandum of Understanding for Regional Collaboration: Priority Focus Area Plans', https://www.cmtedd.act.gov.au/__data/assets/pdf_file/0010/1754866/addendum-a-priority-focus-area-plans.pdf

26 ACT Government and NSW Governments, 'ACT and NSW Memorandum of Understanding for Regional Collaboration: Ongoing Cross Border Issues – FY 2020-21', https://www.cmtedd.act.gov.au/__data/assets/pdf_file/0011/1754867/addendum-b-ongoing-cross-border-issues.pdf

27 ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2021-22 Budget, pp. 235-236, October

28 2021-22 CSO Budget amount divided by the ABS estimated residential population for the ACT as at March 2021 (431 826 residents).

Transport Canberra Operations accounts for the largest proportion of CSO allowances of $202.2 million (72.9 per cent) (chart 4.15) to subsidise operations and passenger fares, including:

- $191.7 million for light rail and bus network services, and
- 10.5 million for passenger fares.

Payments to energy providers account for the second largest proportion of the CSO allocation at 22.8 per cent, with $63.2 million allocated to:

- rebates on energy bills for concession card holders and community groups, and
- remissions provided by the ACT Civil and Administrative Tribunal.

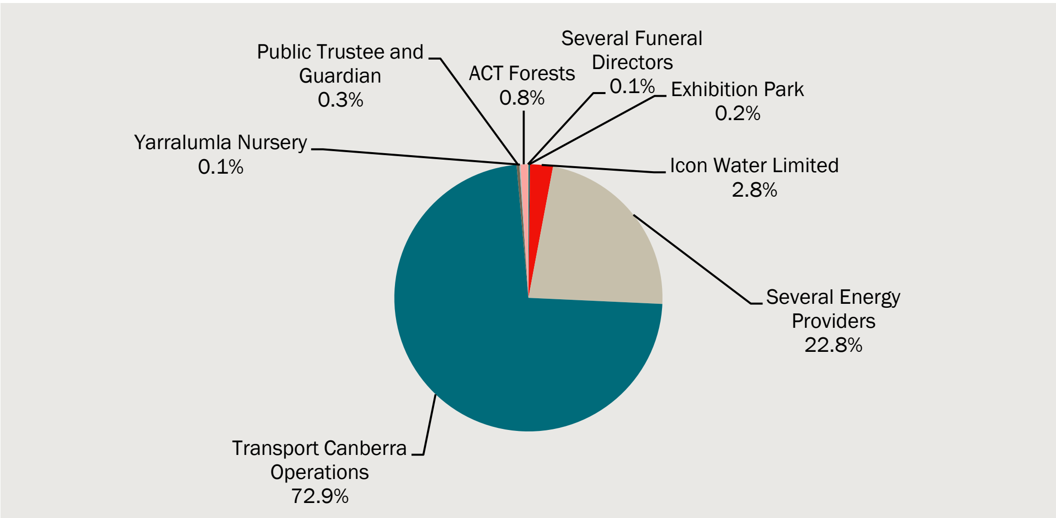
A further $11 million (2.8 per cent of CSOs) is provided to Icon Water Limited for:

- rebates on water a sewerage charges for concession card holders, schools, churches, hospitals, benevolent and charitable institutions, and
- remissions provided by the ACT Civil and Administrative Tribunal.

The remaining 1.5 per cent ($4.4 million of CSOs) is paid to:

- ACT Forests ($2.3 million, 0.8 per cent) for the provision and upkeep of public use areas within ACT Forests
- Public Trustee and Guardian ($1.0 million, 0.3 per cent) for law-and-order purposes
- Exhibition Park ($0.5 million, 0.2 per cent) to subsidise charging users below market rates
- Funeral directors ($0.4 million, 0.1 per cent) to subsidise some funeral services under the Funeral assistance program, and
- Yarralumla Nursery ($0.3 million, 0.1 per cent associated with free plant issue).

4.15 2021-22 Budget Community Service Obligations shares



Data source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2021-22 Budget, pp. 235-236, October; CIE.

The 2021-22 allowance of $277.55 million (an estimated $643 per ACT resident) in CSOs is 9 per cent higher than the 2020-21 CSO allocation of $254 million (an estimated $588 per ACT resident).

The CSO uplift is associated with a 47 per cent increase in energy provider account CSOs (table 4.16).

4.16 2021-22 and 2020-21 Budget Community Service Obligations

	2020-21 Budget	2021-22 Budget	Variance
	$ million	$ million	Per cent
Exhibition Park	0.5	0.5	4.1
Icon Water Limited	11.4	7.7	-48.5
Several Energy Providers	33.5	63.2	47.0
Transport Canberra Operations	204.7	202.2	-1.2
Public Trustee and Guardian	0.9	1.0	2.5
Yarralumla Nursery	0.3	0.3	2.5
ACT Forests	2.3	2.3	0.0
Several Funeral Directors	0.4	0.4	0.0
Total	**254.0**	**277.6**	**8.5**
CSO per person ($ per ACT resident)[a]	588.1	642.7	8.5

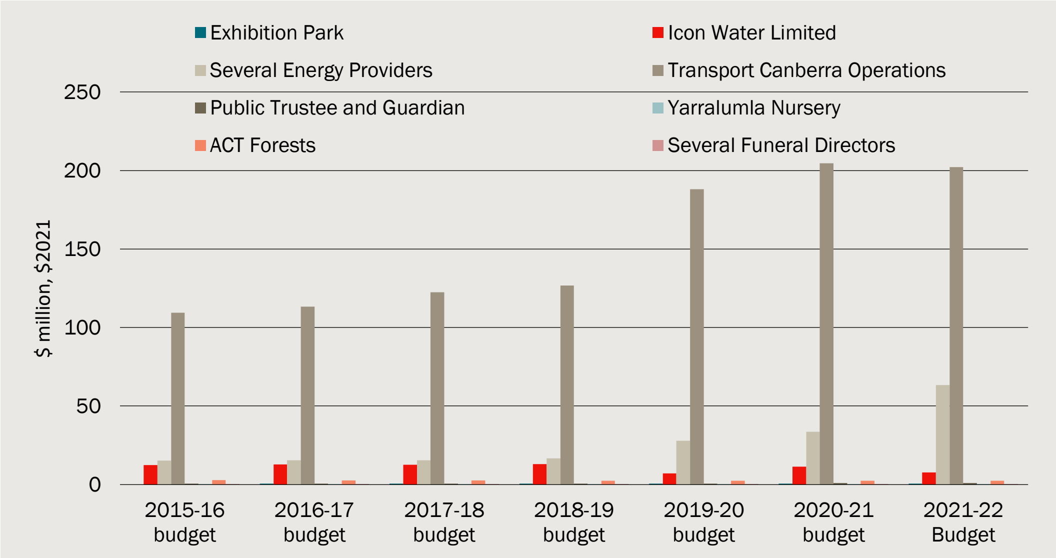
[a] Calculated by dividing the 2021-22 CSO Budget amount by the ABS estimated residential population for the ACT as at March 2021 (431 826 residents).

Source: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2021-22 Budget, pp. 235-236, October; ACT Government 2021, 'ACT Budget 2020-21: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2020-21 Budget, p. 132, February.

Over the period 2015-16 to 2021-22, ACT Government CSOs have increased by an 11 per cent annual compound growth rate, associated with:

- an 11 per cent annual compound growth rate in Transport Canberra Operations CSOs due to the commencement of ACT Light Rail in 2019-20, and
- a 27 per cent annual compound growth rate in energy provider account CSOs due to rebates on energy bills for concession card holders and community groups (chart 4.17).

4.17 Community Service Obligations 2015-16 to 2021-22



Note: Figures have been inflated to $2021 ABS 2021, 'Consumer Price Index, Australia: TABLE 5. CPI: Groups, Index Numbers by Capital City' (Canberra June to June), https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#data-download

Data source: "Sources: ACT Government 2021, 'ACT Budget 2021-22: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2021-22 Budget, pp. 235-236, October; ACT Government 2021, 'ACT Budget 2020-21: Budget Outlook', Table 3.4.3: Community Service Obligations funded in the 2020-21 Budget, p. 132, February; ACT Government 2019, 'ACT Budget 2019-20: Budget Outlook', Table 4.2.3: Community Service Obligations funded in the 2019-20 Budget, pp. 189-190, June; ACT Government 2018, 'ACT Budget 2018-19: Budget Outlook', Table 4.2.3: Community Service Obligations funded in the 2018-19 Budget, pp. 192-193, June; ACT Government 2017, 'ACT Budget 2017-18: Budget Outlook', Table 4.2.3: Community Service Obligations funded in the 2017-18 Budget, pp. 179-180, June; ACT Government 2016, 'ACT Budget 2016-17: Budget Outlook', Table 4.2.3: Community Service Obligations funded in the 2016-17 Budget, pp. 179-180, June; ACT Government 2015, 'ACT Budget 2015-16: Budget Outlook', Table 4.1.3: Community Service Obligations funded in the 2015-16 Budget, pp. 155-156, June; "

5 Infrastructure and Capital

Capital expenditure in the ACT 2021-22 Budget is significant, with total spending of $6.4 billion over the next five years, including $5 billion by General Government Sector (GGS) and $1.4 billion by Public Trading Enterprise (PTEs).

However, this is allocated over a period of five years, as opposed to previous Budgets that allocated over four.

Compared to the 2020-21 Budget, total infrastructure and capital investment expenditure is down by $153 million for 2021-22 and $12 million for 2022-23, but is higher in 2023-24 by $204 million.

Overall, the 2021-22 Budget provides a minor boost to investment over the comparable forecast period in last years' Budget.

The fall in total investment for 2021-22 is driven by the reduction in capital provisions. In terms of funding areas, there is a relocation of investment from Transport ACT and City Services Directorate to Major Projects Canberra.

Overview

The ACT 2021-22 Budget has allowed for an extensive capital and infrastructure spend of $5 billion in General Government Sector (GGS) and $1.4 billion by Public Trading Enterprises (PTEs) over the next five years. This represents the ACT's largest ever program. The components of the investment are:

- $776 million for New Capital Works
- $404 million for Better Infrastructure Fund (BIF)
- $2.3 billion for continuing Works-in-Progress
- $1.5 billion for Central Capital Provisions, and
- $1.4 billion by PTEs.

Table 5.1 provides a summary of the infrastructure investment program.

Capital Delivery Provisions have a net zero impact over the five years to 2025-26.

The Budget also provides for a capital works reserve, which allows agencies with multi-year budget allocations for capital works to draw on future funding if an agency's capital expenditure in a budget year exceeds that agency's allocation for that year. Funds available under the capital works reserve are not included in the GGS Infrastructure Investment Program until they are drawn by agencies. The amount available from the reserve in 2021-22 is $190 million, and unused reserve funding lapses at the end of the financial year.

5.1 Summary of GGS and PTE Infrastructure Investment Program, $m

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
GSS Infrastructure Investment Program						
New Capital Works	220	249	164	112	32	**776**
Better Infrastructure Fund	99	77	75	80	74	**404**
Works-In-Progress	710	881	553	169	16	**2 330**
Central Capital Provisions	-	351	394	348	362	**1 456**
GSS Total investment	**1 029**	**1 558**	**1 186**	**710**	**484**	**4 966**
Capital Delivery Provision	-60	-490	-50	400	200	-
PTE Infrastructure Investment Program	372	381	354	255	84	**1 446**
Total GGS and PTE Investment	**1 341**	**1 449**	**1 490**	**1 365**	**768**	**6 413**

Source: ACT Budget 2021-22 Outlook, table 3.7.1.

The PTE programs are funded outside of the Budget through each entity's own-source revenue or borrowing.

Table 1.9 provides a comparison of investment with relevant years in last year's Budget. Total infrastructure investment allocated for 2021-22 in the current budget is $153 million lower than that in last year's Budget. This is largely due to the change in capital provisions ($435 million in the 2020-21 Budget compared to zero in 2021-22 Budget.

5.2 Comparison with Budget 2020-21

	2021-22			2022-23			2023-24		
	22BP	21BP	Diff	22BP	21BP	Diff	22BP	21BP	Diff
	$m	$m	$m	$m	$m	$m	$m	$m	$m
New works	220	253	- 33	249	217	32	164	155	9
BIF	99	60	38	77	63	13	75	65	10
Works-in-progress	710	539	171	881	264	617	553	75	479
Capital provisions	0	435	- 435	351	569	- 218	394	695	- 301
Total infrastructure investment	**1 029**	**1 287**	**- 259**	**1 558**	**1 113**	**445**	**1 186**	**990**	**197**
Capital delivery provision	- 60	- 150	90	- 490	0	- 490	- 50	0	- 50
Total GGS	**969**	**1 137**	**- 169**	**1 068**	**1 113**	**- 45**	**1 136**	**990**	**147**
PTE	372	357	16	381	348	33	354	297	57
Total GGS and PTE	**1 341**	**1 494**	**- 153**	**1 449**	**1 462**	**- 12**	**1 490**	**1 286**	**204**

Source: based on Budget 2021-22 (22BP) and Budget 2020-21 (21BP).

There is minor change to investment allocation to 2022-23 compared to last year's Budget. Total GGS investment is higher by $445 million, and is offset by lower capital provisions ($490 million).

The allocation to 2023-24 is $204 million higher than in last year's budget — $147 million higher for GGS investment, and $47 million for PTE investment.

GGS investment

Table 5.3 provides a summary of 2021-22 Budget funded investments over the next five years by Agency. Table 5.4 provides a further breakdown of capital work type.

A total of $3.5 billion over five years are allocated to relevant agencies, with the most significant allocations being:

- $920 million or 26.2 per cent of total allocated GGS investments to Major Projects Canberra
- $555 million or 15.8 per cent to Education Directorate, and
- $241 million or 6.9 per cent to Chief Minister, Treasury and Economic Development Directorate.

The central capital provisions are held by ACT Treasury until they are allocated to the delivery agencies.

5.3 GGS program by agency

Agency	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$000	$000	$000	$000	$000	$000
ACT Electoral Commission	263	0	0	0	0	**263**
ACT Health Directorate	76 235	69 982	8 977	6 514	1 543	**163 251**
ACT Integrity Commission	390	731	0	0	0	**1 121**
Canberra Health Services	67 847	73 045	11 034	4 545	4 658	**161 129**
Canberra Institute of Technology	5 441	4 247	4 321	4 398	4 477	**22 884**
Chief Minister, Treasury and Economic Development Directorate	101 868	74 013	35 309	19 559	10 538	**241 287**
City Renewal Authority	17 823	16 220	5 751	0	0	**39 794**
Community Services Directorate	7 471	448	459	470	482	**9 330**
Cultural Facilities Corporation	2 787	2 516	808	473	485	**7 069**
Education Directorate	183 119	208 853	92 202	40 954	29 778	**554 906**
Environment, Planning and Sustainable Development Directorate	16 373	9 679	1 574	1 257	1 189	**30 072**
Housing ACT	95 548	25 000	25 000	5 000	5 000	**155 548**
Justice and Community Safety Directorate	47 019	45 455	34 079	7 356	5 266	**139 175**
Major Projects Canberra	176 565	351 868	336 536	51 249	4 217	**920 435**
Office of the Legislative Assembly	327	334	342	350	358	**1 711**

Agency	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$000	$000	$000	$000	$000	$000
Office of the Work Health and Safety Commissioner	350	0	0	0	0	**350**
Transport Canberra and City Services Directorate	229 173	324 274	235 708	219 278	53 709	**1 062 142**
Total all Agencies	1 028 599	1 206 665	792 100	361 403	121 700	**3 510 467**
Central Capital Provisions	0	351 374	394 159	348 484	361 985	**1 456 002**
Total GGS investments	**1 028 599**	**1 558 039**	**1 186 259**	**709 887**	**483 685**	**4 966 469**

Source: Based on ACT Government (2021) Budget Outlook, Table 3.7.2.

5.4 Total GGS investment by agency and type over 2021-22 to 2025-26

	New Capital Works	Better Infrastructure Fund	Works-in-progress	Total	Share
	$000	$000	$000	$000	%
ACT Electoral Commission	0	0	263	**263**	**0.01**
ACT Health Directorate	36 831	8 010	118 410	**163 251**	**4.65**
ACT Integrity Commission	1 121	0	0	**1 121**	**0.03**
Canberra Health Services	19 627	22 719	118 783	**161 129**	**4.59**
Canberra Institute of Technology	0	15 332	7 552	**22 884**	**0.65**
Chief Minister, Treasury and Economic Development Directorate	96 159	48 652	96 476	**241 287**	**6.87**
City Renewal Authority	2 800	0	36 994	**39 794**	**1.13**
Community Services Directorate	2 582	3 446	3 302	**9 330**	**0.27**
Cultural Facilities Corporation	2 042	2 308	2 719	**7 069**	**0.20**
Education Directorate	188 794	122 816	243 296	**554 906**	**15.81**
Environment, Planning and Sustainable Development Directorate	11 914	8 192	9 966	**30 072**	**0.86**
Housing ACT	101 760	0	53 788	**155 548**	**4.43**
Justice and Community Safety Directorate	41 668	11 496	86 011	**139 175**	**3.96**
Major Projects Canberra	8 824	19 587	892 024	**920 435**	**26.22**
Office of the Legislative Assembly	0	1 536	175	**1 711**	**0.05**
Office of the Work Health and Safety Commissioner	350	0	0	**350**	**0.01**
Transport Canberra and City Services Directorate	261 950	139 979	660 213	**1 062 142**	**30.26**
Total all Agencies	776 422	404 073	2 329 972	**3 510 467**	**100.00**
Central Capital Provisions	139 555	0	1 316 447	**1 456 002**	
Total GGS investments	**915 977**	**404 073**	**3 646 419**	**4 966 469**	

Note: over five years from 2021-22 to 2025-26.

Source: Based on ACT Government (2021) Budget Outlook, Table 3.7.2.

Changes in GGS investment

Table 5.5 compares the investment allocation to agencies in this year's Budget to last year's.

In 2021-22, allocation to Major Projects Canberra increases by $120 million compared to last year's Budget, representing the largest increase in the Budget. By contrast, the allocation to Transport Canberra and City Services Directorate reduces by $103 million.

Housing ACT is allocated $84 million more than last year's Budget, representing the second largest increase. It is followed by Chief Minister, Treasury and Economic Development Directorate with $56 million more investment.

Justice and Community Safety Directorate has $48 million less allocation compared to last year's Budget, representing the largest reduction in allocation.

5.5 Comparison of allocations between 2021-22 and 2020-21 Budgets

	2021-22			2022-23			2023-24		
	22BP	21BP	Diff	22BP	21BP	Diff	22BP	21BP	Diff
	$m	$m	$m	$m	$m	$m	$m	$m	$m
ACT Electoral Commission	0	0	0	0	0	0	0	0	0
ACT Health Directorate	76	66	10	70	36	34	9	5	3
ACT Integrity Commission	0	0	0	1	0	1	0	0	0
Canberra Health Services	68	62	5	73	35	38	11	4	7
Canberra Institute of Technology	5	6	0	4	4	0	4	4	0
Chief Minister, Treasury and Economic Development Directorate	102	46	56	74	19	55	35	10	25
City Renewal Authority	18	23	- 5	16	11	5	6	3	2
Community Services Directorate	7	2	5	0	0	0	0	0	0
Cultural Facilities Corporation	3	2	1	3	1	2	1	0	0
Education Directorate	183	143	40	209	91	118	92	28	64
Environment, Planning and Sustainable Development Directorate	16	7	10	10	3	7	2	1	0
Housing ACT	96	12	84	25	5	20	25	5	20
Justice and Community Safety Directorate	47	95	- 48	45	12	34	34	4	30
Major Projects Canberra	177	56	120	352	84	268	337	92	245
Office of the Legislative Assembly	0	0	0	0	0	0	0	0	0
Office of the Work Health and Safety Commissioner	0	0	0	0	0	0	0	0	0
Transport Canberra and City Services Directorate	229	332	- 103	324	244	81	236	135	101
Total all Agencies	**1 029**	**852**	**176**	**1 207**	**544**	**662**	**792**	**295**	**497**
Capital provisions [a]	0	435	- 435	351	569	- 218	394	695	- 301
Total GGS	**1 029**	**1 287**	**- 259**	**1 558**	**1 113**	**445**	**1 186**	**990**	**197**

[a] Capital provisions are held by ACT Treasury in the Budget 2021-22 (22BP).

Source: Based on budget papers for 2021-22 Budget (22BP) and 2020-21 (21BP).

Investment by priority areas and significant projects

Table 5.6 provides a summary of infrastructure investment by wellbeing domain and government priority areas.

5.6 Total infrastructure investment by wellbeing domain/government priority

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Access and connectivity	320 084	436 831	423 289	408 950	328 932	**1 918 086**
Education and life-long learning	237 604	329 495	253 533	106 253	36 318	**963 203**
Health	223 339	384 860	234 918	28 008	6 201	**877 326**
Housing and home	249 946	208 714	140 819	59 652	5 000	**664 131**
Economy	147 967	184 958	160 855	128 891	13 755	**636 426**
Other	- 60 000	- 416 000	30 000	480 000	300 000	**334 000**
Time	17 614	77 634	67 690	108 850	44 180	**315 968**
Safety	95 899	85 688	63 601	22 649	5 266	**273 103**
Environment and climate	32 157	106 181	80 781	12 327	25 788	**257 234**
Social connection	19 549	30 683	22 927	3 743	967	**77 869**
Governance and institution	51 283	7 705	7 342	5 660	1 328	**73 318**
Identity and belonging	5 222	12 703	4 200	30	30	**22 185**
Total	**1 340 664**	**1 449 452**	**1 489 955**	**1 365 013**	**767 765**	**6 412 849**

Source: Based on ACT Budget (2021) Infrastructure Investment Program master data.

The top wellbeing domain receiving the investment funding is access and connectivity. With a total investment of $1.9 billion, it accounts for almost 30 per cent of total infrastructure investment.

Most ($1.2 billion out of $1.9 billion) of access and connectivity projects are related to road. Time is also related to road. Combining these two components together, road has the highest investment, accounting for 23.9 per cent of total infrastructure investment.

Infrastructure investment in education and training is the second largest, accounting for 15 per cent of total investment. It is followed by hospital (13.7 per cent) and housing (10.4 per cent).

Table 5.7 provides a summary of total infrastructure investment by project type.

5.7 Total infrastructure investment by project type

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Public Transport and Active Travel	87 843	221 214	182 824	169 266	192 017	**853 164**
Health Services	216 068	379 353	229 016	21 958	0	**846 395**
Education	209 924	307 544	231 086	83 296	12 838	**844 688**
Urban Infrastructure	166 687	157 707	186 159	217 233	83 700	**811 486**

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Economic Growth	183 016	221 044	174 787	122 834	1 535	**703 216**
Public Housing	248 590	204 744	140 819	59 652	5 000	**658 805**
Major Roads	94 304	137 712	127 187	118 633	67 780	**545 616**
BIF	87 014	67 874	69 984	71 811	73 553	**370 236**
Other	- 60 000	- 416 000	30 000	480 000	300 000	**334 000**
Environmental Measures	22 504	94 859	77 611	12 299	25 788	**233 061**
Community Services	65 912	58 611	39 202	7 631	5 554	**176 910**
Urban Roads	18 802	14 790	1 280	400	0	**35 272**
Total	**1 340 664**	**1 449 452**	**1 489 955**	**1 365 013**	**767 765**	**6 412 849**

Source: Based on ACT Budget (2021) Infrastructure Investment Program master data.

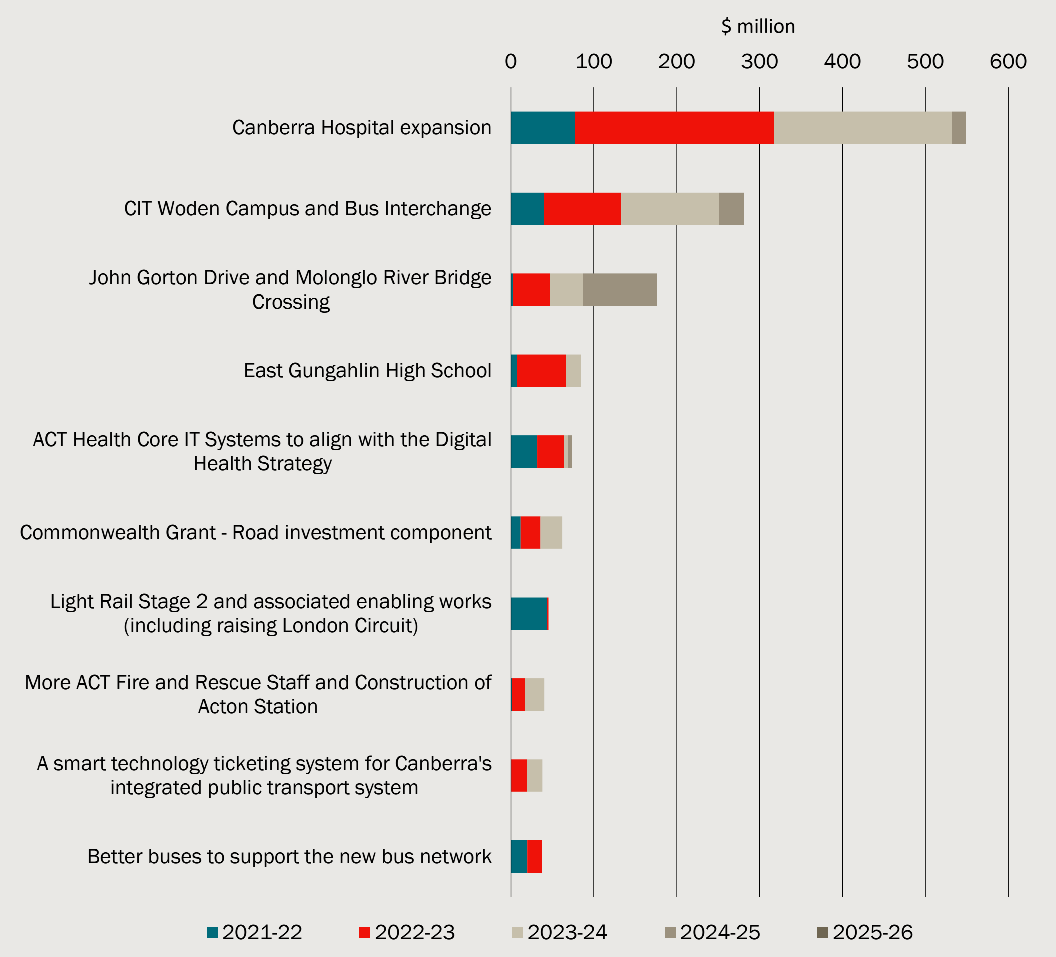
Chart 5.8 provides an overview of the 10 largest works-in-progress projects announced in the 2021-22 Budget.

Canberra Hospital expansion is the largest project, with a total works-in-progress investment of $549 million, accounting for 23.6 per cent of total works-in-progress investment.

It is followed by CIT Woden Campus and Bus Interchange with a total of $281 million, accounting for 12.1 per cent.

John Gorton Drive and Molonglo River Bridge Crossing project, including both ACT and Commonwealth funding (each funding $88 million), is the third largest project.

5.8 Largest works-in-progress projects



Note: John Gorton Drive and Molonglo River Bridge Crossing includes both ACT and Commonwealth funding.

Data source: Based on ACT Government (2021) Budget Outlook, Table C.1.

Central capital provisions

Over the forward estimates, $1.5 billion has been set aside for 'significant capital works projects for which budgets or other details are yet to be settled, or which are commercially sensitive'.

These projects are not specified in the Budget.

Capital expenditure from this allocation is anticipated to be spent in the four years 2022-23 to 2025-26 as outlined in table 5.9.

5.9 Central capital provisions

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$000	$000	$000	$000	$000	$000
Early Planning	0	0	0	0	0	**0**
Design	0	7 000	6 000	0	0	**13 000**

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$000	$000	$000	$000	$000	$000
Construction	0	269 707	312 698	290 876	336 197	**1 209 478**
ICT	0	519	0	0	0	**519**
PP+E	0	36 148	40 461	50 279	0	**126 888**
Capital Grants	0	38 000	35 000	7 329	25 788	**106 117**
Total Central Capital Provisions	**0**	**351 374**	**394 159**	**348 484**	**361 985**	**1 456 002**

Source: Based on ACT Budget (2021) Budget Outlook, Table 3.7.1.

Ninety per cent of the central capital provisions are for works-in-progress projects and the remaining for new capital works (table 5.10). There are no provisions for the Better Infrastructure Fund.

5.10 Central capital provisions by works type

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$000	$000	$000	$000	$000	$000
New Capital Works	0	22 721	66 741	44 764	5 329	**139 555**
Better Infrastructure Fund	0	0	0	0	0	**0**
Works-in-progress	0	328 653	327 418	303 720	356 656	**1 316 447**
Total Central Capital Provisions	**0**	**351 374**	**394 159**	**348 484**	**361 985**	**1 456 002**

Source: Based on ACT Budget (2021) Budget Outlook, Table 3.7.2.

Table 5.11 provides a breakdown of central capital provisions by project type. Almost half of the provisions are for public transport and active travel.

5.11 Central capital provisions by project type

Project Type	2022-23	2023-24	2024-25	2025-26	Total
	$'000	$'000	$'000	$'000	$'000
Other	74 000	80 000	80 000	100 000	**334 000**
Public Transport and Active Travel	160 005	146 853	165 996	192 017	**664 871**
Education	10 652	36 609	28 652	0	**75 913**
Environmental Measures	58 976	51 239	7 329	25 788	**143 332**
Public Housing	22 544	22 419	32 452	0	**77 415**
Community Services	9 405	4 000	0	0	**13 405**
Urban Infrastructure	5 342	23 849	11 905	0	**41 096**
Economic Growth	6 500	6 500	1 500	0	**14 500**
Major Roads	3 950	22 690	20 650	44 180	**91 470**
Total	**351 374**	**394 159**	**348 484**	**361 985**	**1 456 002**

Source: Based on ACT Budget (2021) Infrastructure Investment Program master data.

Changes in Capital Provisions

Table 5.13 provides a summary of the capital provisions that were published in the 2021-22 Budget in comparison to 2020-21 Budget.

The 2021-22 Budget marks the first year of the move to a five-year budget cycle for ACT's infrastructure investment program. The capital provisions are part of the GGS Infrastructure Program.

5.12 Changes in capital provisions from 2020-21 Budget

	2021-22	2022-23	2023-24	Sum
	$'000	$'000	$'000	$'000
2020-21 Budget	434 953	569 052	694 850	**1 698 855**
2021-22 Budget	-	351 374	394 159	**745 533**
Change	**-434 953**	**-217 678**	**-300 691**	**-953 322**

Source: ACT 2021-22 Budget Outlook Table 3.7.1; ACT 2020-21 Budget Outlook Table 3.7.1.

Public Trading Enterprises

As stated in the Budget Papers, the value of Public Trading Enterprises (PTE) capital works for 2021-22 is $372 million. These works are financed by the PTEs through own-source revenue and/or borrowing. Table 5.13 summarises the capital works anticipated by PTEs over the forward estimates.

5.13 Public Trading Enterprises Works

	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cemeteries and Crematoria Authority	331	242	362	367	380	**1 682**
City Renewal Authority	1 360	2 438	708	0	0	**4 506**
Housing ACT	152 800	157 200	93 400	22 200	0	**425 600**
Icon Water	101 652	69 410	112 123	117 100	83 700	**483 985**
Suburban Land Agency	115 922	152 123	147 103	115 459	0	**530 607**
Total	**372 065**	**381 413**	**353 696**	**255 126**	**84 080**	**1 446 380**

Source: ACT Budget (2021) Budget Outlook, Table 3.7.1.

Changes in PTE investment

Table 5.14 provides a comparison of total PTE investment in the 2021022 Budget compared to last year's, and table 5.15 provides a more detailed comparison by each PTE.

Compared to the 2020-21 Budget, total investment by PTEs increases by $16 million, $33 million and $57 million for 2021-22, 2022-23 and 2024-25, respectively.

5.14 Comparison of total PTE investment to previous budget

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	$'000	$'000	$'000	$'000	$'000	$'000
2020-21 Budget	312 014	356 510	348 020	296 767		
2021-22 Budget		372 065	381 413	353 696	255 126	84 080
Difference		**15 555**	**33 393**	**56 929**		

Source: Based on ACT Budget papers.

For 2021-22, Investment by Icon Water increases by $16 million than in last year's budget. Housing ACT increases by $8 million, while Suburban Land Agency reduces by $9 million.

5.15 Comparison of PTE investment by PTE to previous budget

	2021-22			2022-23			2023-24		
	22BP	21BP	Diff	22BP	21BP	Diff	22BP	21BP	Diff
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Cemeteries and Crematoria Authority	0	0	0	0	0	0	0	0	0
City Renewal Authority	1	0	1	2	0	2	1	0	1
Housing ACT	153	145	8	157	120	37	93	106	- 12
Icon Water	102	86	16	69	60	9	112	82	30
Suburban Land Agency	116	125	- 9	152	168	- 15	147	109	39
Total	**372**	**357**	**16**	**381**	**348**	**33**	**354**	**297**	**57**

Source: Based on budget papers for Budget 2021-22 (22BP) and Budget 2020-21 (21BP).

6 *Impact of the budget on the cost of living*

Decisions made by the ACT Government in the 2021-22 Budget will result in a net increase in rates, fees and duties that will add to the cost of living of ACT households.

The Cost of Living analysis indicates that most vulnerable households should not be worse off as a result of 2021-22 Budget measures. While this appears reasonable, it is noted that the Cost of Living analysis is unable to analyse the impact of the Budget on all lower income groups, aside from observing increases in concessions that are made available to those who qualify for a relevant Commonwealth Government program.

The ACT Budget cost of living statement

The Cost of Living Statement acknowledges the uneven distribution of income in the ACT, and the potentially uneven impact of the Budget on the population of the ACT, nothwithstanding that ACT residents have incomes above the national average, *on average*.

The Wellbeing Framework that considers the underpins the Cost of Living Statement uses the CPI as an indicator of the cost of living in the ACT, as well as considers average household expenditure and housing costs.

The Cost of Living Statement in the 2021-22 Budget notes that overall living standards in the ACT have improved.

This is based on:

- low average CPI growth over the past 5 years (1.9 per cent from 2016-2021), which needs to be spent to maintain the same standard of living. While Canberra had the second highest average annual increase in CPI over the period, behind Hobart (2.2 per cent), the rate of increase was low by historical standards
- higher (than CPI) growth in average weekly ordinary time earnings, which increased by 2.0 per cent each year on average from 2016 to 2019, and
- reasonable housing affordability in the ACT relative to other jurisdictions - despite median property prices being the third highest of all capital cities in the March quarter 2021, and median weekly rent being the highest of all capital cities, housing remains affordable relative to (high ACT) income. In March 2021, the proportion of family income required to meet average loan repayments in the ACT was 23.6 per cent, compared with 34.7 per cent nationally, and the proportion of family income required to meet average rent payments was 20 per cent compared with 24.4 per cent nationally.

These indicators do suggest that on average, the cost of living in the ACT has improved and/or is less of a burden than in other jurisdictions.

However, this reflects the ACT population *on average*, and does not examine changes in the cost of living for those in the lower income quartiles, who are more vulnerable to increases in costs.

Drivers of changes in the cost of living

The cost of living in the ACT has changed as a result of the 2021-22 Budget in the following ways:

- ACT Government taxes and fees generally increased by WPI (1.75 per cent) in 2021-22, including:
  - the Fire and Emergency Services Levy (FESL)
  - Car related fees, including driver licence fees, registration fees, and the road rescue fee, and
  - public transport fares, which are scheduled to increase by 1.75 per cent from 1 January 2022
- exceptions included general rates, which were higher (up 3.75 per cent), with increases above WPI used to offset reductions in residential conveyance duty under the Government's tax reform program (important to improve tax system simplicity and equity)
- the safer families levy increased by $5
- the Lifetime Care and Support levy increased by $8.70 for the 2021-22 contribution period.

Changes in utilities charges

It is noted that utilities charges have increased, which is important to the ACT where utilities are a major household cost (high annual energy consumption due to climate conditions in the ACT).

- ActewAGL's standing offer electricity prices increased by 11.95 per cent from 1 July 2021, or $3.76 per week for a typical Canberra household consuming 6,500kWh per year due to increased network costs
- ActewAGL's standard contract gas customers received a 1.35 per cent reduction, or $27 decrease, in their annual bill based on 47.5 GJ usage of gas per year in 2021-22
- Icon Water's combined water and sewerage bills increased 2 per cent in 2021-22, which reflects the net effect of last years' freeze on prices due to COVID and prices changes this year.

Concessions to offset cost imposts for lower income households

Changes to concession arrangements are included in the ACT 2021-22 Budget have benefited ACT residents on lower incomes if they qualify for Commonwealth concession programs.

For Commonwealth concession card holders, the ACT Government provides:

- a rebate of rates of 50 per cent, up to $750 per year, for recipients of the Age Pension, Department of Veterans' Affairs Pension, and the War Veteran's Pension, with the rebate cap increased permanently by $50 from 1 July 2021. Pensioners can also defer the balance of their rates charges at a low interest rate
- a utilities concession rebate on utility bills up to $1,000 in 2021-22 for holders of a Centrelink Pensioner Concession Card, Centrelink Low Income Health Care Card, Veteran's Affairs Pensioner Concession Card or Gold Card, or ACT Services Access Card, with a permanent increase in the Utilities Concession by $50 to $750 from 1 July 2021
- an additional temporary $250 rebate in recognition of the impact of the COVID-19 pandemic and the significant increase in electricity prices in 2021-22, and a permanent extension of the Utilities Concession to eligible asylum seekers who hold an ACT Services Access Card from 1 July 2020.

ACT residents that do not qualify for these Commonwealth Government concession programs do not receive any special dispensation.

This is acknowledged in the Cost of Living Statement which states:

> 'Canberrans who do not qualify for Commonwealth concession cards also face challenges with their cost of living, particularly people with insufficient or insecure work. We support these Canberrans by providing high quality health, education and public transport services at low or no cost to reduce the need for private spending on these essential services, and by keeping government fees and charges as low as possible.'[29]

Net impact of changes on the cost of living

The net impact of concession arrangements in the ACT 2021-22 Budget amount to an additional allocation of $3 350 000, based on the estimated number of individuals or households that would be eligible for each concession type.

The cost of living tables show how the cost of the living of eight hypothetical households in the ACT community can be expected to change as a result of decisions made by the ACT 2021-22 Budget.

It shows that only in one of eight hypothetical households are negatively impacted by the 2021-22 Budget, which is a single person in the third income quartile that has purchased a unit in 2021-22 and has one car. The net cost is primarily driven by the increase in rates, FESL, and SFL which have outstripped the increase in disposable income.

---

[29] ACT 2021-22 Budget Outlook, p. 224.

How does the current methodology compare with other agencies?

The ACT Government is one of the few governments both domestically and internationally that includes a cost of living statement in the Budget. Section 11(1)(f) of the Financial Management Act 1996 states that the Territory is required to provide a statement about the effect of Territory taxes and fees on households and the concessions that offset these.

This is achieved in the 2021-22 Budget through eight case studies that show how households with different characteristics and circumstances are directly affected by changes in taxes, fees, and concessions (as distinct from being indirectly affected by taxes placed on payrolls for example).

At the national level, the Parliament of Australia has published 'Australia's cost of living over the last decade', which analyses the 'cost of living' in Australia can using several indicators from the Australian Bureau of Statistics (ABS), namely the Consumer Price Index and Living Cost Indexes for selected households.

In 2019 it found that at the national level, the overall level of prices has increased 23.4 per cent, which is lower than wage growth, which increased 30.5 per cent over the same period.[30]

Using the ABS's Living Costs Indexes it also showed that 'other government transfer recipient households' (that is, those on a government pension other than the age pension or veterans affairs pension) have experienced the greatest increases in costs over the past decade, and employee households the lowest, although the differences between household types are not huge.

Other States and Territories report on how the Budget impacts on the cost of living, but they do not calculate net financial impacts for certain household types.

For instance, the NSW 2021-22 Budget highlights its *additional* cost-of-living relevant spending which included:

- the new Creative Kids Rebate to provide families with a $100 voucher per school aged child, for extra-curricular activities including music, drama, visual and performing arts, coding and language classes
- establishing an online "one-click energy switch" service through Service NSW, which will allow consumers to find and switch to the best alternative energy deals in the market establishing the Service NSW cost of living service – a one-stop shop, available in Service NSW centres, online or over the phone, to promote easy access to available rebates and concessions across government
- reducing ten of the top parking fines issued by State Government agencies by 25 per cent, ensuring that fines balance fairness and deterrence
- reducing caravan motor vehicle weight tax by 40 per cent, making caravan registration cheaper for families

30 Parliament of Australia, Australia's cost of living over the last decade – Parliament of Australia (aph.gov.au), Accessed 11 October 2021.

- extending universal education access to preschool for three-year-olds, making NSW the first state in Australia to do so, providing an average saving for families of $825 dollars a year from 1 January 2019.[31]

However, net impacts of the Budget on household cost of living is not estimated.

Other states and territories also introduced a suite of concession programs specifically to reduce the cost of living.

The Queensland Government provides concessions to wide community totalled to $6.1 billion in 2021-22, including:

- the Government Managed Housing Rental Rebate targets approx.54 300 households and provides average yearly subsidy of $8 504 per household in 2021-22 to represent the gap between rent charged in market and their estimated affordable rent
- the Textbook and Resource Allowance is available for all parents/caregivers of secondary school age students attending state and non-government schools, and children registered in home education of equivalent age. In 2021, the rates per annum are $130 for students in Years 7 to 10 and $281 for students in Years 11 and 12, and
- the General Public Transport Concessions (Southeast Queensland) provides direct funding contribution to reduce the ticket price paid by all public transport uses on bus, rail, and ferry service.[32]

The Western Australia Government provides social concession valued at $2.7 billion, including $1.6 billion in a form of subsidy for electricity, water, and public transport services, for example:

- public transport fares are set frozen at 2020-21 levels in 2021-22. In addition, from 1 January 2022, the Government will cap Transperth fares at the cost of a 2-Zone ticket, and
- the Off-the-Plan Duty Rebate Scheme has been extended until October 2023, with a 50 per cent duty rebate available to owner-occupiers and investors entering an off-the-plan contract for new resident unit or apartment.[33]

The Tasmania Government provides a variety of measures to provide affordable housing support, including:

- Land tax thresholds are reset to increase the threshold of tax-free, middle tax band and top tax band to $49 999, $50 000, and $400 000 respectively
- a two-year waiver of duty on the purchase of new and second hand electric and hydrogen fuel cell vehicles, and
- the Motor Accidents Insurance Board premium annual duty is capped at $20 to enable quarterly payment of vehicle registration bills.[34]

---

31 The NSW Budget 2021-22, Helping families with the cost of living.

32 The Queensland 2021-22 Budget Strategy and Outlook, Appendix A, pp.212-239

33 The Western Australia 2021-22 Budget Paper No.3, Appendix 6, pp.277-287

34 The 2021-22 Tasmanian Budget Paper No.1, p.43

Victoria, South Australia, and Northern Territory do not outline a specific suite of concession schemes in forms of discounts or waivers, but they are incorporated in funding to economic activities or local stimulus packages that may affect households.

For instance:

- the Victoria 2021-22 Budget notes a temporary land transfer duty concession for new residential properties valued up to $1 million in the Melbourne local government area, in order to reduce costs for home buyers and support the construction sector. In addition, payroll tax cuts will be brought forward to 1 July 2021, supporting thousands of businesses across Victoria,[35] and
- the South Australia 2021-22 Budget updates the land tax system with raised tax thresholds (by 7 per cent).[36]

A comparison of how State and Territory Governments identify the cost of living impacts in their latest Budget is summarised in chart 6.1.

6.1 How States and Territory Budgets report cost of living impacts

	Measure impact of Budget on household types	Report on Budget measures that reduce cost of living
Australian Capital Territory	☒	☐
New South Wales	☐	☒
Northern Territory	☐	☒
Queensland	☐	☒
South Australia	☐	☒
Tasmania	☐	☒
Victoria	☐	☒
Western Australia	☐	☒

Source: CIE.

35 The Victoria 2021-22 State Budget – Strategy and Outlook, p.13

36 The 2021-22 South Australia Budget Paper No.3, table 3.6, p.44

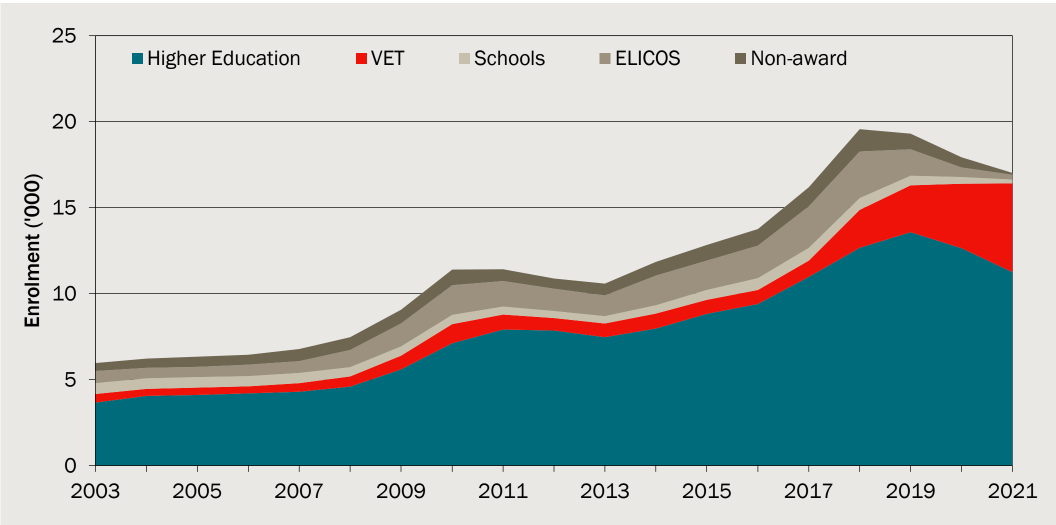
A International students

The following analysis examines the impact of the COVID -19 pandemic on the international education in ACT, the outlook for international education along with the recovery from the pandemic, and the impact of the recovery on population growth in the ACT.

International students in ACT

According to data compiled by the Department of Education, Skills and Employment (DESE),[37] the number of international student enrolments peaked at 19 558 in 2017-18,[38] before falling to 19 292 in 2018-19 and further to 17 025 in 2020-21 (chart A.1).

A.1 Number of international student enrolments in ACT



Note: ELICOSE – English Language Intensive Course for Overseas Students.
Data source: Department of Education, Skills and Employment.

Over the years, between two thirds and three quarters of international student enrolments are for higher education, with the remaining being for schools, VET (vocational education and training), ELICOS (English Language Intensive Course for Overseas Students) and non-award study.

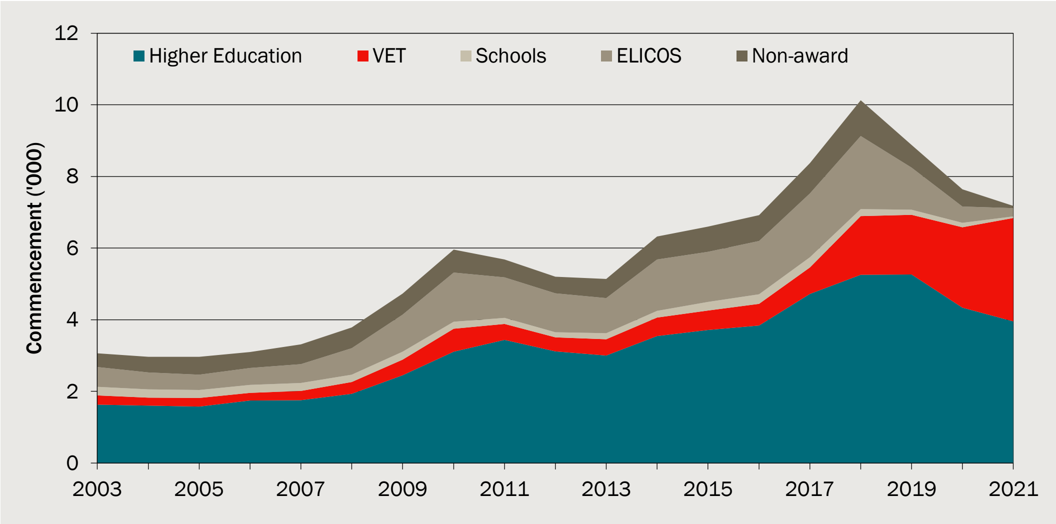
---

37 Department of Education, Skills and Employment (DESE) 2021, *International student data*, https://internationaleducation.gov.au/research/international-student-data/pages/default.aspx, last accessed 10 October 2021

38 Years in tables and charts in this appendix are for financial year, e.g. 2021 for FY2020-21.

Similarly, commencement of new students peaked at 10 125 in 2017-18, followed by a fall over 12 per cent in 2018-19, almost 14 per cent fall from previous year in 2019-20 and a fall of 6 per cent in 2020-21 (chart A.2).

A.2 Number of international student commencement in ACT



Note: ELICOSE – English Language Intensive Course for Overseas Students.
Data source: Department of Education, Skills and Employment.

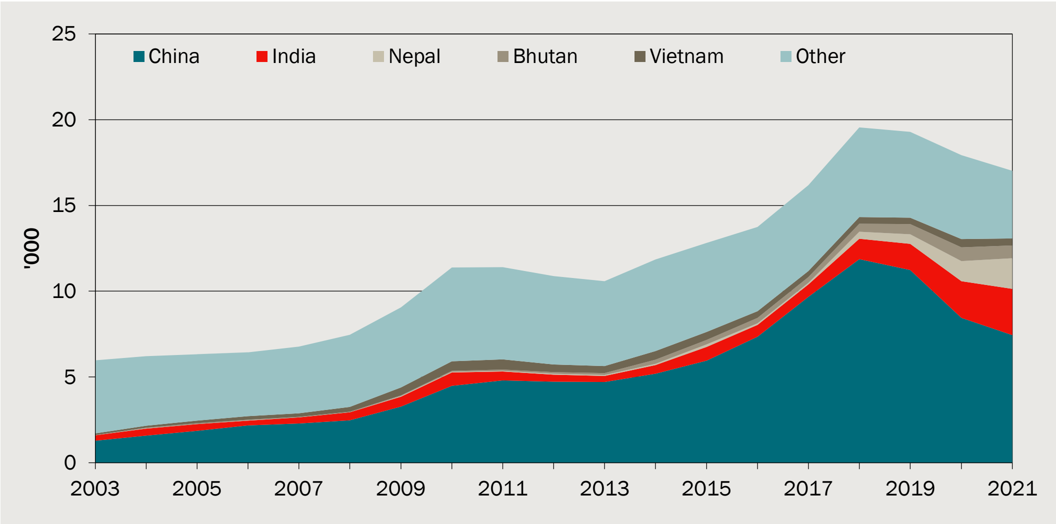
The big fall in commencement in 2018-19 explains the marginal fall in total enrolments in 2018-19. This fall happened before the pandemic, and thus has implications for the outlook post the pandemic.

The falls in 2019-20 and 2020-21 are most likely due to the pandemic. As Australia has closed its border to international travellers since March 2020, most new international students commencing in 2020-21 have been remote learning.

China is the top source of international students in ACT, accounting for over 50 per cent of total international student enrolments and commencements in recent years, followed by India (8-9 per cent), Nepal (4-5 per cent), Bhutan (about 3 per cent) and Vietnam (about 2 and half per cent). The top five countries account for more than 70 per cent of enrolments and commencements (charts A.3 and A.4).

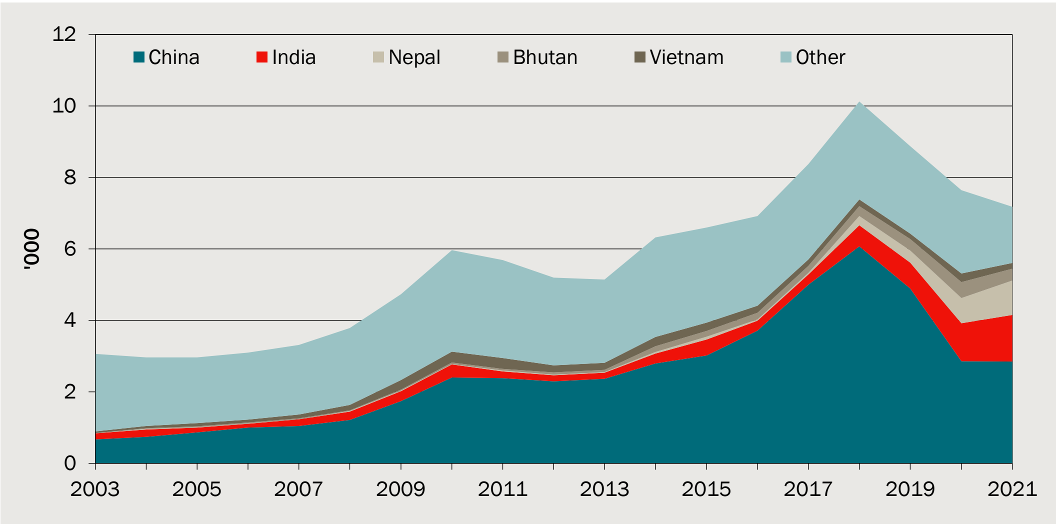
As can be seen from charts A.3 and A.4, the fall in 2018-19 from the previous year was mostly due to the fall of students from China. Chinese student enrolments in ACT in the year fell by 5.4 per cent from the previous year, while enrolments from other countries increased by 4.8 per cent. Chinese student commencements in 2018-19 fell by 19.3 per cent from the previous year, while commencements from other countries fell by only 1.8 per cent.

A.3 Country component of international student enrolments in ACT



Data source: Department of Education, Skills and Employment.

A.4 Country component of international student commencement in ACT



Data source: Department of Education, Skills and Employment.

Outlook for international students in the ACT

We have developed a projection model to estimate the international students in the ACT over the forward estimates period (to 2024-25) using the following two steps:

- constructing a baseline based on historical trends, assuming no COVID -19 pandemic, and
- constructing a pathway back to the baseline in line with the ACT and national roadmaps to open up.

A counterfactual baseline without the pandemic

Prior to the pandemic, international students, student enrolments, and commencements in ACT had already shown retraction, particularly for Chinese students.

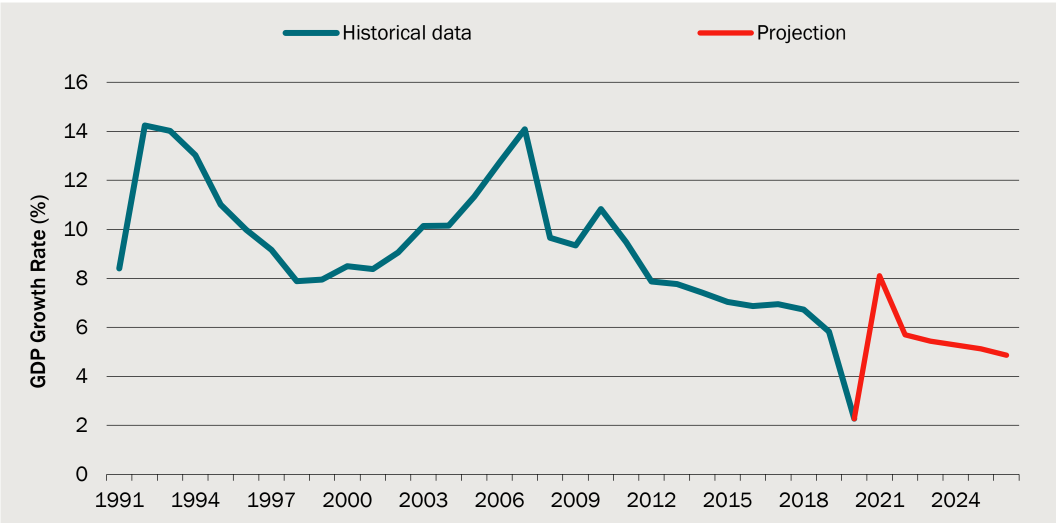
Before 2018-19, ACT had seen rapid growth in the number of Chinese students studying in the ACT for five consecutive years. Chinese student enrolments and commencements in the ACT grew by an average rate of 20 per cent per annum.

Hence, the fall in Chinese students studying in the ACT in 2018-19 may be due to the consolidation effect of previous fluctuations. For example, Chinese student commencements in the ACT grew by 43.8 per cent in 2008-09 and 37.6 per cent 2009-10, and then followed by a fall of 0.6 per cent in 2010-11, another fall of 3.9 per cent in 2011-12 and a moderate growth of 3.2 per cent in 2012-13 (chart A.4).

Similarly, Chinese student enrolments in the ACT grew by 32.5 per cent in 2008-09 and 37.2 per cent in 2009-10, followed by a smaller growth of 7.1 per cent in 2010-11, and two consecutive falls — -1.6 per cent in 2011-12 and -0.7 per cent in 2012-13 (chart A.3).

This may be related to the slowing down of the Chinese economy — economic growth in China has been slowing since 2010 and the growth rate in 2019 was below 6 per cent for the first time since 1991 (chart A.5). According to the IMF, this slowing is projected to continue after the pandemic.[39]

A.5 Economic growth in China



Data source: IMF World Economic Outlook, April and October 2021.

Associated with slowing economic growth, China's population growth has also been falling, ultimately leading to less people for schooling and studying overseas.

---

39 International Monetary Fund (IMF) 2021a, *World Economic Outlook: April 2021 Edition*, https://www.imf.org/en/Publications/WEO/weo-database/2021/April;
IMF 2021b, *World Economic Outlook: July 2021 Update*, https://www.imf.org/en/Publications/WEO/Issues/2021/07/27/world-economic-outlook-update-july-2021, last accessed 10 October 2021

These factors suggest that even if there were no COVID-19 pandemic, the number of Chinese students may continue to trend downward after 2018-19.

Our projection model assumes that the number of Chinese students in ACT will

- fall in 2019-20 by the same rate as in 2018-19
- continue to fall in 2020-21 to 2021-22 by half the rate in the previous year, and
- stabilise after 2022-23.

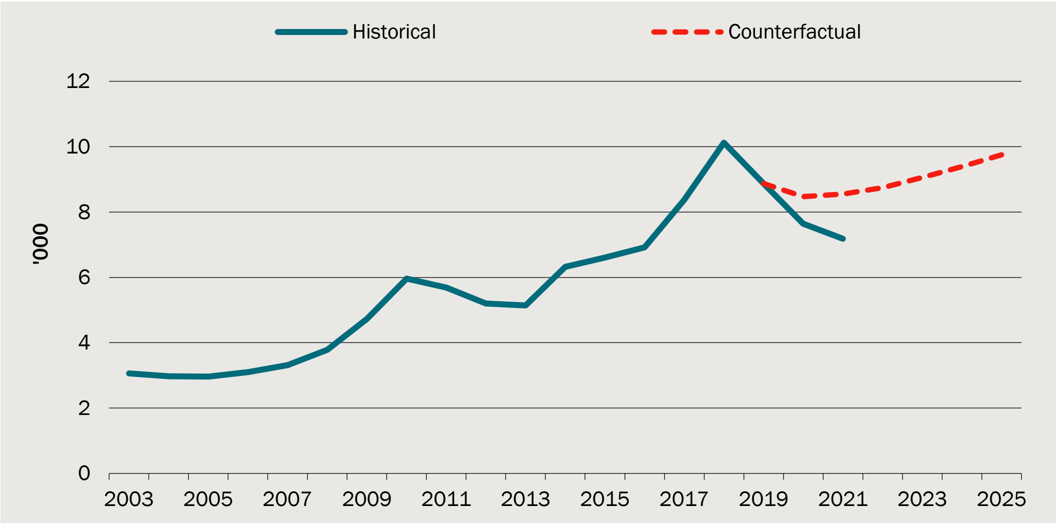
For other countries, we assume that the average growth in students in the ACT before 2018-19 will continue in 2019-20 and onwards as if there were no COVID -19 pandemic.

With these assumptions, it is projected that the counterfactual baseline of international student commencements in ACT (student commencements if the ACT had not experienced the pandemic) would further reduce from 8 877 in 2018-19 to 8 476 in 2019-20 (still 836 higher than the actual data) and then increase slightly to 8 547 in 2020-21 (1 368 higher than the actual data), and gradually increase to 9 754 in 2024-25 (A.6).

The point we make here is that only some of the recent drop in student commencements was due to the pandemic, and the difference between the two series in chart A.6 for 2021 is attributed to the pandemic.

This has important implications for our analysis of ACT Government projections on the comeback of net migration after the pandemic. Hence, the 'comeback trail' of net migration (for the student **commencement** component) is about a return to the series shown in red, not back to the trendline as it was up to 2018-19.

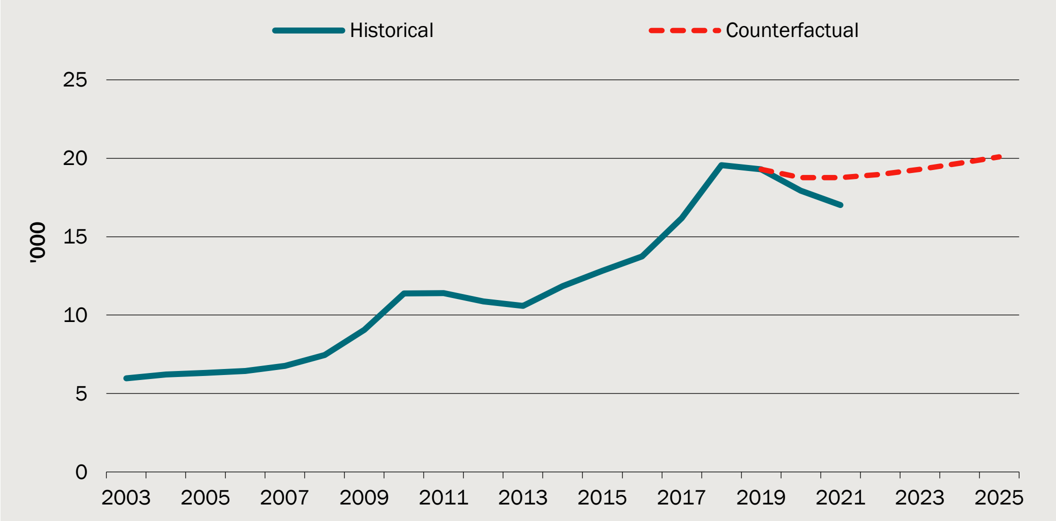
A.6 Historical and non-pandemic trajectory for international student commencements in ACT



Data source: DESE data and CIE assumptions.

A similar story applies to international student **enrolments** in the ACT, where the difference between the two series in chart A.7 represents the proportion of the recent reduction of international student enrolments attributable to the pandemic, with recent trends in Chinese student enrolments already feeding through to some softening in activity.

A.7 Historical and and non-pandemic trajectory for international student enrolments in ACT



Data source: DESE data and CIE assumptions.

Outlook for international students after the pandemic

The outlook for incoming international students depends on when and how Australia opens its international borders.

The *National Plan to transition Australia's National COVID-19 Response* has set up four phases into opening up against the rate of vaccination for the population aged 16 years and over.[40] In relation to international travel, the *National Plan* specifies:

- At Phase B (Vaccination Transition Phase) when 70 per cent double dose is achieved, international border caps and low-level international arrivals remain, with safe and proportionate quarantine to minimise the risk of COVID entering
- At Phase C (Vaccination Consolidation Phase) when 80 per cent double dose is achieved
  - abolish caps on returning vaccinated Australians
  - allow increased capped entry of **student**, economic, and humanitarian visa holders
  - lift all restrictions on outbound travel for vaccinated Australians
  - extend travel bubble for unrestricted travel to new candidate countries (Singapore, Pacific)
  - gradual reopening of inward and outward international travel with safe countries and proportionate quarantine and reduced requirements for fully vaccinated inbound travellers, and

40 https://www.pm.gov.au/sites/default/files/media/national-plan-to-transition-australias-national-covid-19-response-30-july-2021.pdf

- At Phase D (Final Post-Vaccination Phase), international borders will be fully open with quarantine requirements for high-risk inbound travel and allowing uncapped inbound arrivals for all vaccinated persons without quarantine and uncapped arrivals of non-vaccinated travellers subject to pre-flight and on arrival testing.

Importantly, the Therapeutic Goods Administration (TGA) has announced that two additional vaccines – Coronavac (Sinovac of China) and Covishield (AstraZeneca/Serum Institute of India) – should be considered as 'recognised vaccines' for the purpose of determining incoming international travellers as being appropriately vaccinated.[41] This paves the way for international students from two most important sources to come to Australia.

As of 9 October 2021, 61.93 per cent of the population of 16 year and over have been fully vaccinated and 82.22 per cent received their first dose, according to data compiled by the Department of Health (DoH).[42] Because people who received the first dose vaccination are booked for the second dose and the interval time for Pfizer can be as short as three weeks, it is more likely that the whole nation achieve 80 per cent double dose for 16 year olds and over by mid-November.

For example, the Guardian predicts that the whole nation will achieve 70 per cent double dose by 23 October and 80 per cent double dose by 11 November.[43]

However, there is significant variation in vaccination progress across states (chart A.8).

ACT is leading the nation in first dose vaccination. As of 9 October 2021, 96.72 per cent of people aged 16 years and over in ACT has received their first dose, and 72.83 per cent are fully vaccinated. As shown in the left panel of chart A.8, ACT has the highest first dose vaccination rate while the double dose rate is only marginally less than NSW (73.53 per cent).

For young people 12 to 15 years old, ACT has achieved a first dose rate of 87.03 per cent, significantly higher than other states (right panel of chart A.8). Given that this age group has been eligible for Pfizer vaccine for less than a month (from 13 September), this pace of vaccination suggests that this age group will also have a very high vaccination rate soon.

Accordingly, the expected dates of achieving the vaccination targets vary significantly across state and territory. ACT is expected to be the first jurisdiction to achieve 80 per

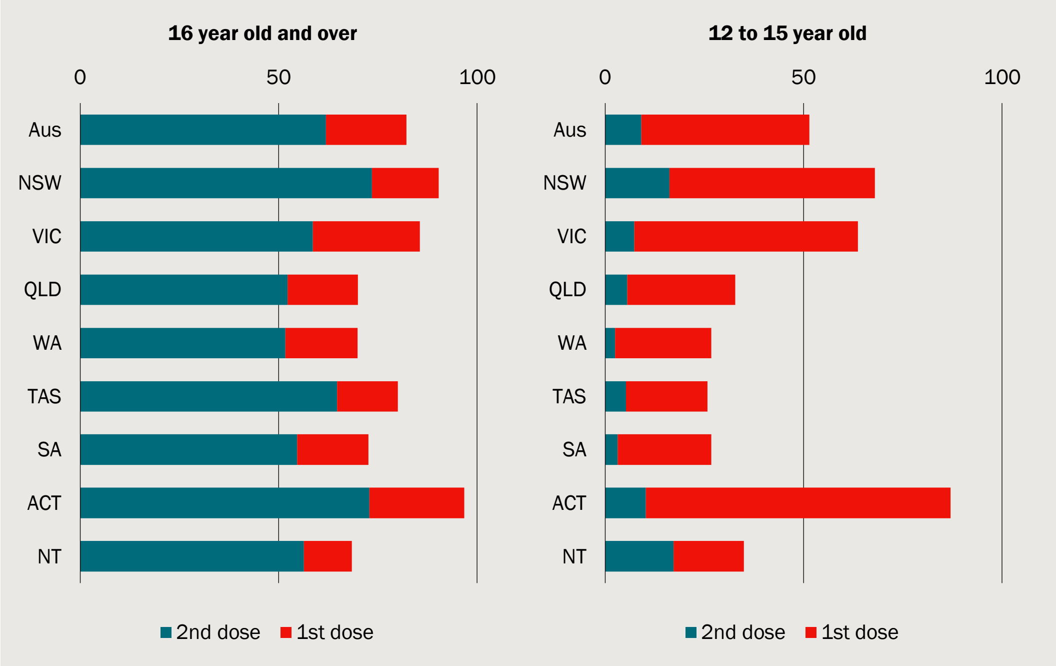
41 TGA 2021, *TGA advice on recognition of COVID-19 vaccines not registered in Australia but used internationally*, https://www.tga.gov.au/media-release/tga-advice-recognition-covid-19-vaccines-not-registered-australia-used-internationally, last accessed 10 October 2021.

42 Department of Health 2021, *Covid-19 vaccination daily rollout update*, https://www.health.gov.au/resources/collections/covid-19-vaccination-daily-rollout-update#july-2021

43 The Guardian 2021, *Covid-19 vaccine Australia rollout tracker by state: total number of people and per cent vaccinated, daily vaccine does and rate of progress*, https://www.theguardian.com/australia-news/datablog/ng-interactive/2021/oct/08/covid-19-vaccine-rollout-australia-vaccination-rate-progress-how-many-people-vaccinated-percent-tracker-australian-states-number-total-daily-live-data-stats-updates-news-schedule-tracking-chart-percentage-new-cases-today, last accessed 11 October 2021

cent target of double dose on 19 October 2021, immediately followed by NSW (20 October). On the other hand, Northern Territory may achieve the 80 per cent target by 2 January 2022 (chart A.9).

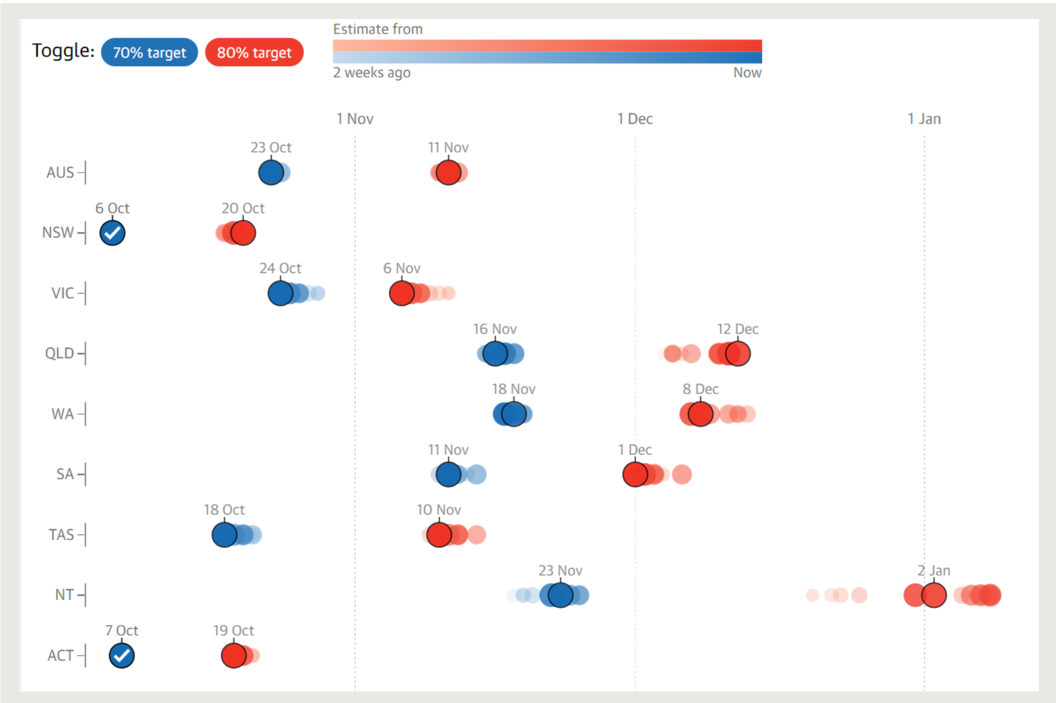
A.8 Vaccination rate for people of 16 year and over



Note: as of 9 October 2021.

Data source: Department of Health, *Covid-19 vaccination daily rollout update*.

A.9 Expected dates achieving vaccination targets by state and territory



Data source: Guardian analysis.

Because of the different pace of vaccination progress and other concerns such as people under 16 are not included in the vaccination target, there were different views in the National Cabinet regarding the implementation of the National Plan.

Nevertheless, the NSW Government has fully embraced the National Plan, and becomes the first state to follow the open up roadmap by easing some restrictions on 11 October after the state achieved 70 per cent double dose target on 6 October.

NSW's move has implications for the ACT. As the largest state, NSW's stance would add more certainty to the implementation of the National Plan nationwide.

More importantly, ACT is within NSW and almost all international students in ACT would have arrived through Sydney Airport from overseas.

The ACT's initial *Pathway Forward*[44] was developed closely in line with the *National Plan*. A refined, more detailed pathway from 1 October 2021 further states that by end November and early December 2021, '[f]urther easing of travel restrictions – any interstate or overseas travel will be subject to the decisions of the Commonwealth and other State and Territory Governments'.[45]

In sum, Australia may enter into Phase C as early as mid-November 2021 when the 80 per cent double dose target is achieved nationwide, or at latest at the new year of 2022 if the 80 per cent double dose target is required for every state or territory. With this progress, it is more likely that the country will be fully open for international travel as defined by the Phase D by mid-2022.

Given the timing of open up, and that there is not enough time for processing the application for commencement at the beginning of 2022, it is assumed that the gap between counterfactual (expected student activity without the pandemic) and actual in 2020-21 will remain for 2021-22. That is, the number of international students will increase from the 2020-21 actual by the same amount as suggested by the counterfactual (expected student activity without the pandemic) from 2020-21 to 2021-22.

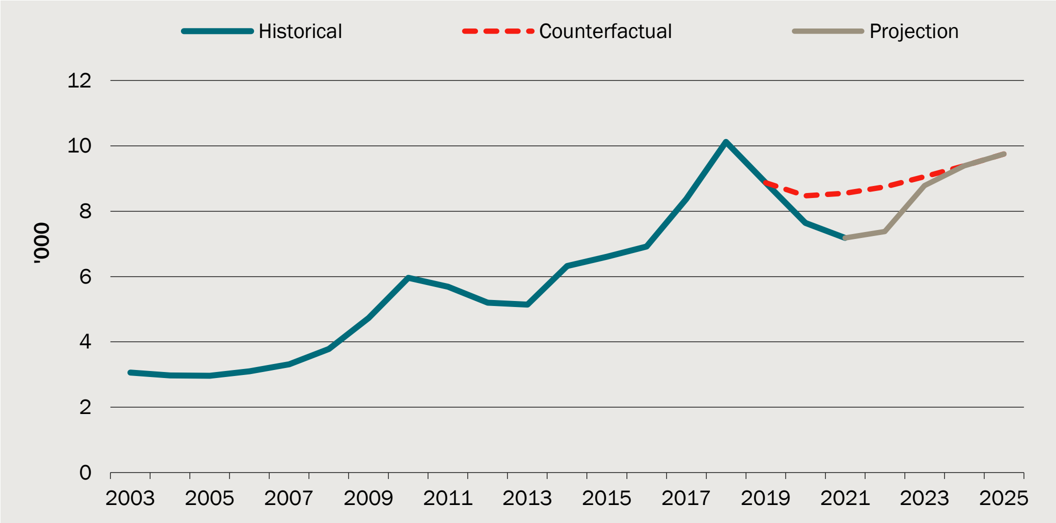
In 2022-23, projected numbers will be very close to the counterfactual baseline — it is assumed that only 20 per cent of the original gap would remain. From 2023-24, international student numbers are expected to have fully reverted to the counterfactual baseline.

Charts A.10 and A.11 illustrate the projected international student commencements and enrolments, respectively.

44 https://www.covid19.act.gov.au/act-status-and-response/the-acts-pathway-forward

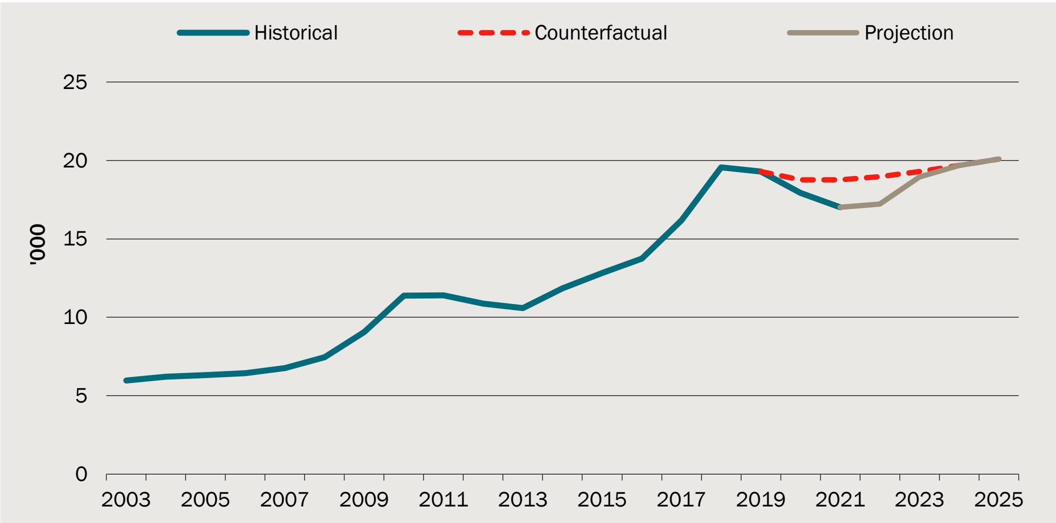
45 https://www.covid19.act.gov.au/__data/assets/pdf_file/0007/1861621/ACTs-Pathway-Forward-270921.pdf

A.10 Projection for international student commencements in ACT



Data source: DESE data and CIE assumption

A.11 Projection for international student enrolments in ACT



Data source: DESE data and CIE assumption.

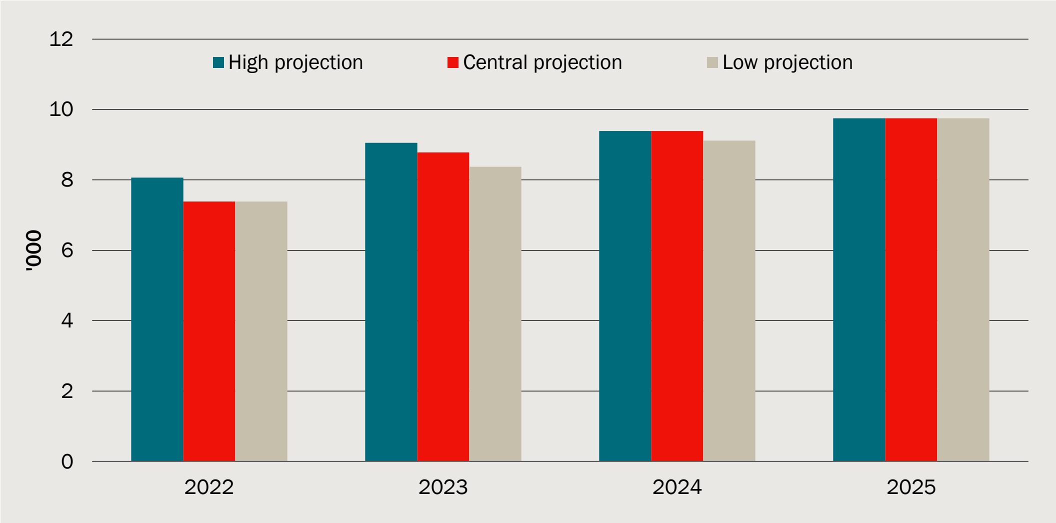
Scenarios

To assess the reasonableness of ACT Government population projections in the 2021-22 Budget, we consider two additional scenarios for possible student returns:

- 'High' projections — with quicker open of international borders, assuming half of the original gap will remain in 2021-22, and no gap in 2022-23 and onwards, and
- 'Low' projections — with slower opening up, assuming that the original gap will remain in 2021-22, half of the original gap will remain in 2022-23, 20 per cent in 2023-24, and back to the counterfactual baseline in 2024-25.

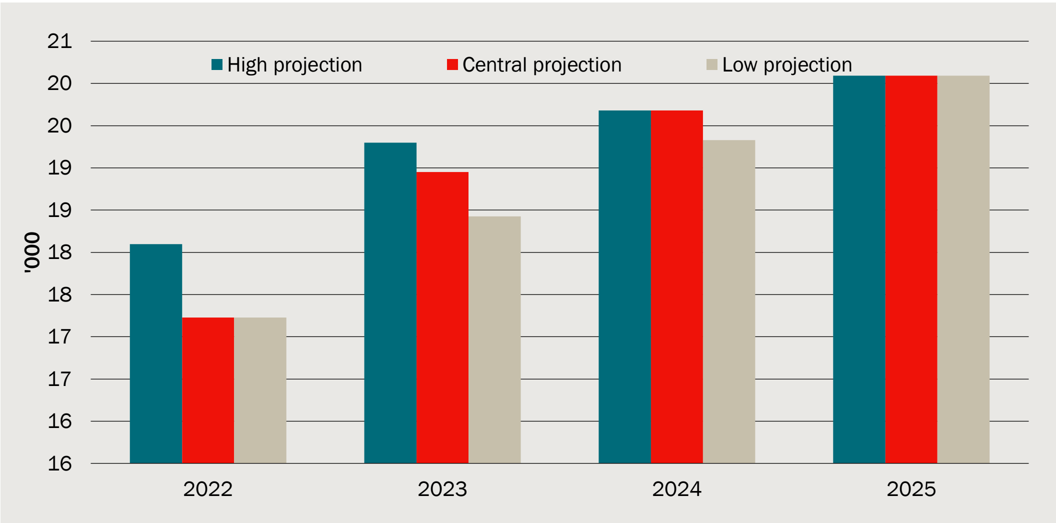
Charts A.12 and A.13 illustrates these scenarios along with our expected (central) projection. The low projection sees about 520 fewer international student enrolments in 2022-23, while the high projection sees about 870 more enrolments in 2021-22.

A.12 Scenarios for international student commencements in ACT



Data source: CIE assumptions.

A.13 Scenarios for international student enrolments in ACT



Data source: CIE assumptions.

Impact on population growth

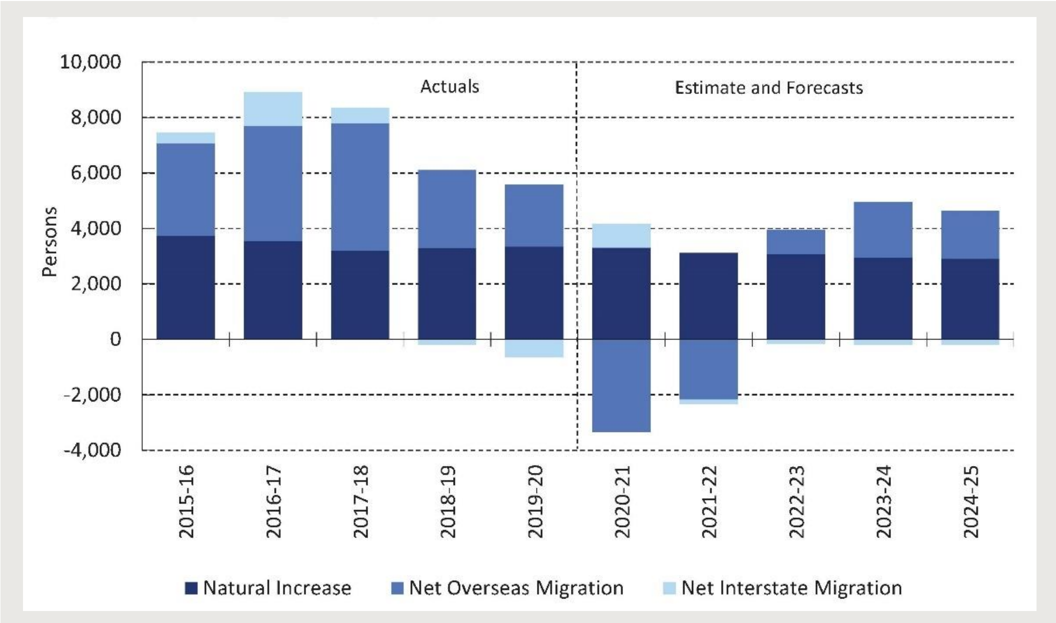
As stated the ACT 2021-22 Budget, '[n]et overseas migration accounts for around 50 per cent of the ACT's total population growth in a typical year',[46] making the Budget

46 ACT Government, *Australian Capital Territory 2021-22: Budget Outlook*, p30

assumption on net overseas migration critical to the appropriateness of population growth assumption.

Chart A.14, which is a copy of Figure 2.28 in the Budget Outlook report, shows the Budget assumption of population growth by component. Net overseas migration is expected to fall in 2020-21 and 2021-22, followed by smaller growth compared to pre-COVID-19 average in 2022-23 and onwards.

A.14 Population growth by component, ACT



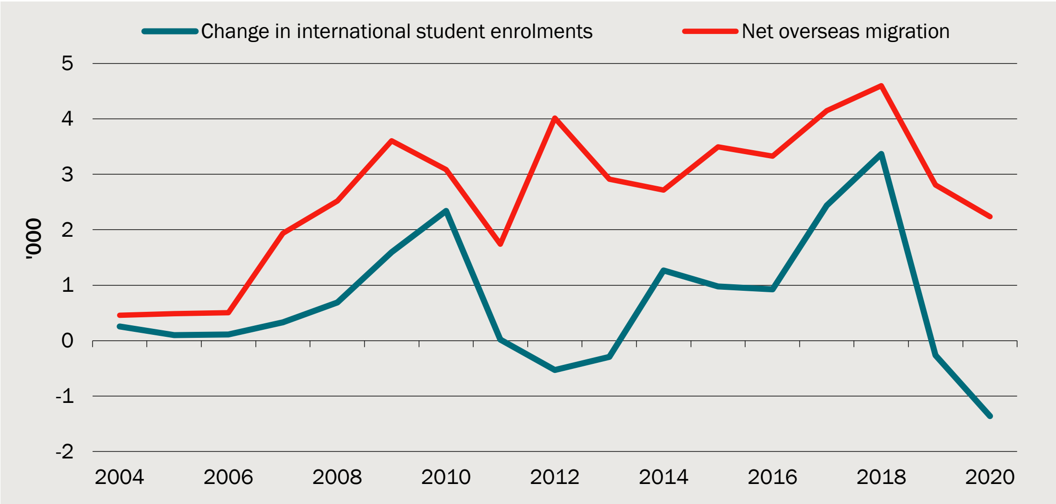
Data source: ACT Budget Outlook, Figure 2.2.8, p.31.

The ACT 2021-22 Budget population projects are conservative

Our analysis of student migration shows that the ACT 2021-22 Budget projections on the timing and rate of net migration recovery are conservative. That is, it may well be higher, and better, for the ACT Governments financial position, and the ACT economy.

Changes in international student enrolments (the growth from the previous year) is not a powerful predictor of the net overseas migration movement because many students 'stay on' applying for Temporary Graduate visa (Subclass 485), but the relationship is still apparent (chart A.15). The change in international student enrolments accounts for about a quarter of net overseas migration on average.

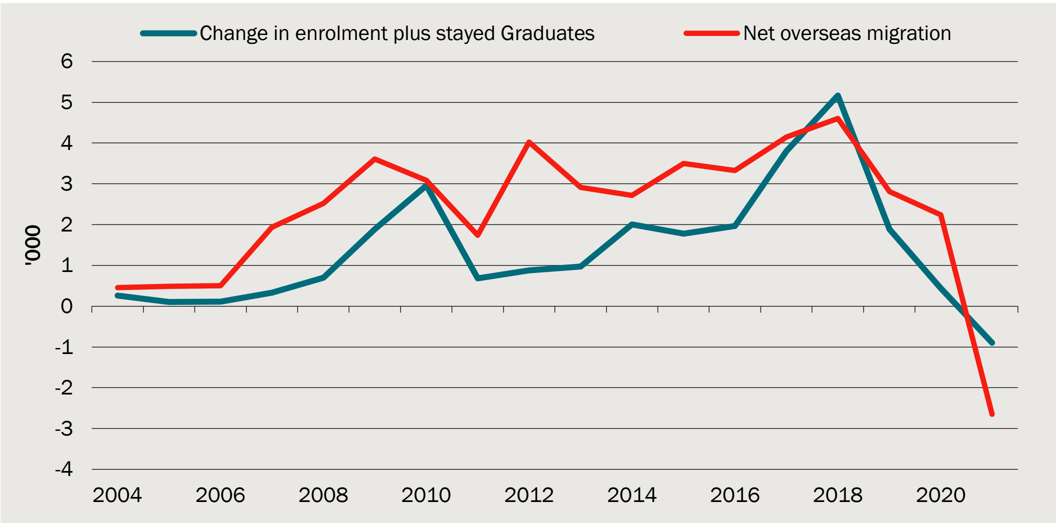
A.15 Change in international student enrolments versus net overseas migration



Data source: CIE compilation based on data from DESE and ABS.

According to data compiled by the Department of Home Affairs (DHA),[47] the number of Temporary Graduate visa granted account for 30-40 per cent of higher education graduates. Adjusted for these staying graduates, the international student series is much closer to the net overseas migration series in the ACT (chart 1.11). On average, it accounts for **more than half of the net overseas migration**.

A.16 Change in enrolment plus stayed graduates versus net overseas migration



Data source: CIE compilation based on data from DESE, DHA and ABS.

Chart 1.12 compares the assumed net overseas migration in the Budget with the projected change in international student numbers.

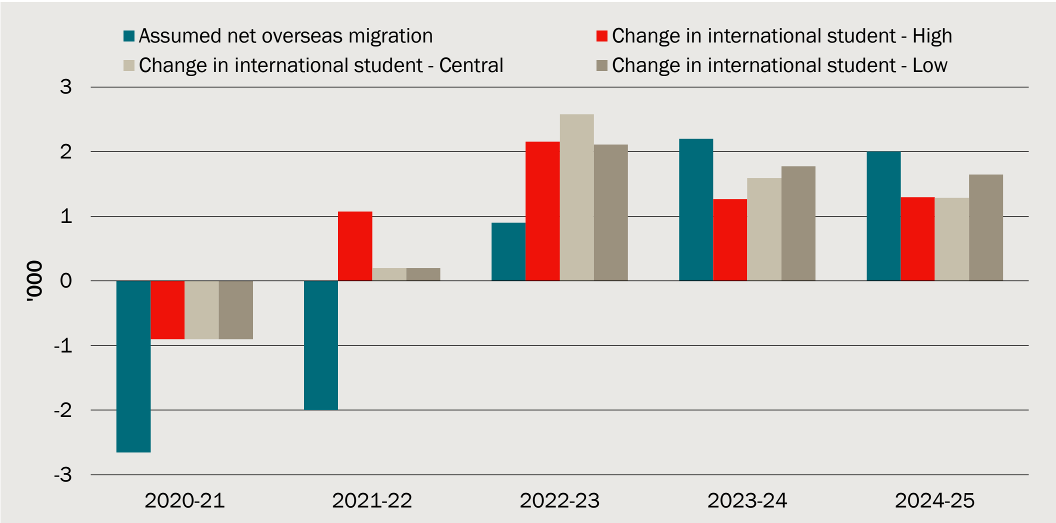
47 Department of Home Affairs (DHA) 2021, *Visa statistics - Study*, https://www.homeaffairs.gov.au/research-and-statistics/statistics/visa-statistics/study, last accessed 10 October 2021.

The net migration assumptions are shown in the colour teal. Our international student modelling (high, central and low come-back scenarios) are shown in red, light grey, and dark grey.

From 2021-22, we anticipate much higher numbers of international students than the ACT 2021-22 Budget. The ACT Budget expects total net migration to remain negative (of which international students, less Temporary Graduate Visa holders account for 50 per cent). Our modelling shows that the student component of net migration is likely to improve total net migration.

The outer years (2022-23 to 2024-25) reflect different rates of 'bounce-back', but the consistent story is that the ACT 2021-22 Budget assumptions on net migration are conservative, and international student numbers are likely to result in a better return rate than the Budget anticipates.

A.17 ACT Budget net migration assumptions versus projected international students



Data source: CIE compilation.

Impact on ACT economy

We have modelled the contribution of international students to the ACT economy using the CIE-REGIONS, a general equilibrium model of the Australian economies.

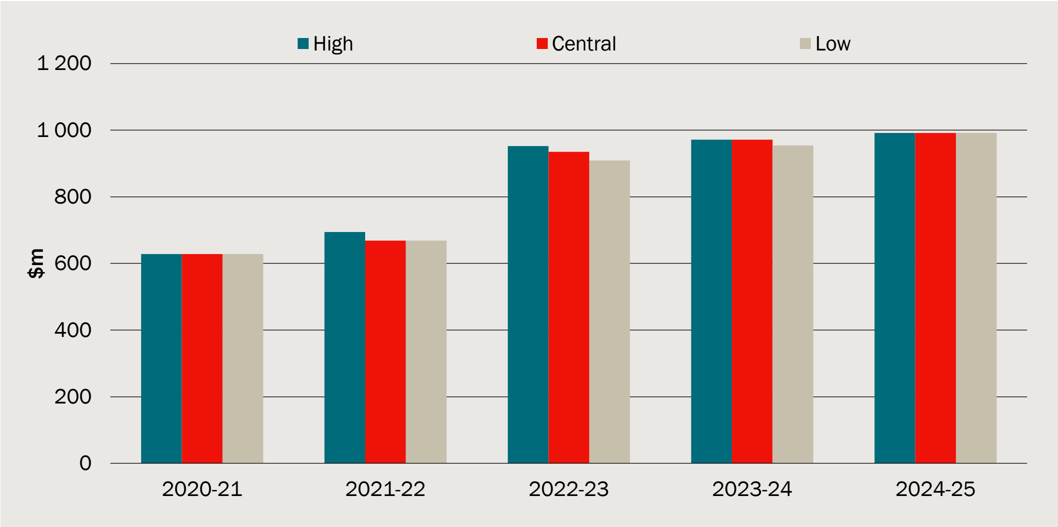
The contribution of international students to the economy are estimated around following three aspects:

- higher demand for the services provided by the education sector (education exports)
- higher demand for accommodation and other living spending which further contribute to local economy, and
- higher labour supply to the local economy.

Charts A.18 and A.19 presents the results for gross state product (GSP) and employment.

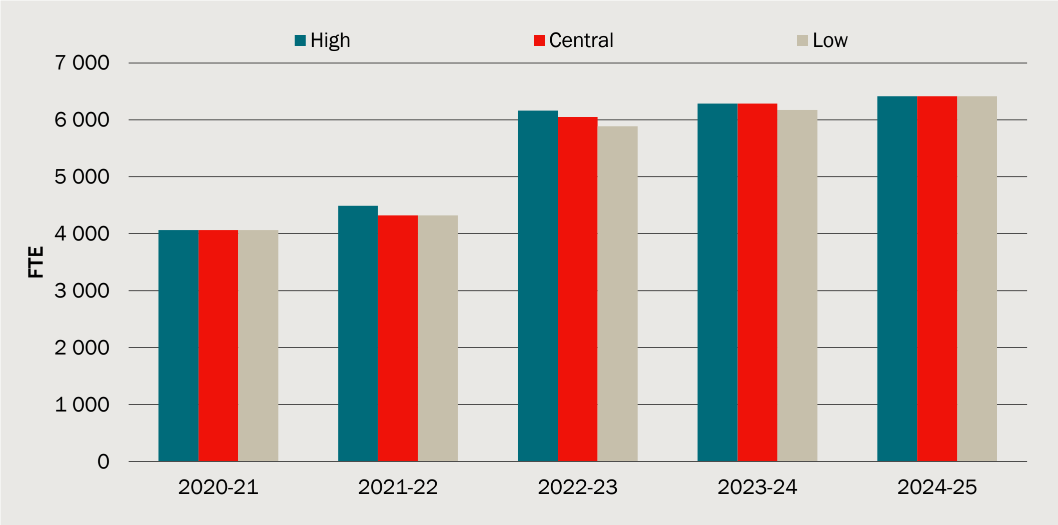
It is estimated international students will increase ACT's GSP by between $630 million and $990 million per year (chart A.18) and employment by between 4 000 and 6 400 FTE (full-time equivalent).

A.18 Estimated contribution to GSP from international students in ACT



Data source: CIE estimates.

A.19 Estimated contribution to employment from international students in ACT



Data source: CIE estimates.

B Discussion on JobKeeper and COVID-19 Disaster payments in the ACT context

An important factor impacting the appropriateness of COVID-19 expenditure is the policy intent, public health risks and economic consequences of public health actions, all of which are dependent on the jurisdictions COVID-19 context.

When COVID-19 was first detected in Australia in January 2020, the public health response was in its infancy, due to:

- uncertainty how COVID-19 would impact Australia's health system
- insufficient mass contract tracing and testing, and
- the lack of a vaccine.

In response, the Australian Government, and State/Territory counterparts implemented forced business closures for some industries, coupled with restrictions on large gatherings and other containment measures that limit economic activities.[48]

The Australian Government implemented several policy measures designed to avoid a sharp and collapse in economic activity and mass unemployment. The headline policy was JobKeeper (Box B.1), an estimated $86 billion program[49] over the 2019-20 and 2020-21 financial years, ending on March 28 2021.

48 Prime Minister of Australia 2020, 'Press Conference – Australian Parliament House ACT Transcript', 22 March 2020, https://www.pm.gov.au/media/press-conference-australianparliament-house-act-220320

49 Australian Government 2020, 'Economic and Fiscal Update July 2020: Summary of key policy measures', Treasury, https://budget.gov.au/2020-efu/downloads/fact_sheet_overview.pdf

B.1 JobKeeper

JobKeeper's objective was to temporarily offset wage costs to support businesses retain staff, continue paying them and facilitate quick businesses recommencement post the COVID-19 pandemic.[50]

JobKeeper commenced as a pre-tax payment of $1 500 per fortnight available for the period 30 March 2020 to 27 September 2020 for eligible employees of Australian businesses that could demonstrate actual declines in GST turnover. The Australian Government subsequently announced two extensions of the JobKeeper Payment, with two tiered rates:[51]

- Extension 1 - 28 September 2020 until 3 January 2021 (subject to proving actual GST turnover has fallen in the September 2020 quarter)
  - tier 1 rate $1 200 per fortnight (payable to those who satisfy an average weekly 20-hour work test)
  - tier 2 rate $750 per fortnight (payable to all other eligible recipients)
- Extension 2 - 4 January 2021 until 28 March 2021 (subject to proving actual GST turnover fell in the December 2020 quarter)
  - tier 1 rate $1 000 per fortnight (payable to those who satisfy an average weekly 20-hour work test)
  - tier 2 $650 per fortnight (payable to all other eligible recipients)

State and Territory governments also implemented COVID-19 government assistance packages to businesses within their jurisdictions, in the form of (table B.2):

- waiver of:
  - taxes
  - licence fees, and
  - rent on Government land.
- grants to subsidise business fixed costs during imposed trading restrictions
- grants to subsidise re-opening, upscaling, or diversify operations post COVID-19
- imposed restrictions, and
- subsidised re-training and upskilling.

50 Commonwealth of Australia 2020, 'Coronavirus Economic Response Package (Payments and Benefits) Rules 2020 Explanatory Statement,' https://www.legislation.gov.au/Details/F2020L00419/Explanatory%20Statement/Text

51 Australian Taxation Office 2020, Extension of the JobKeeper Payment, https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Extension-of-the-JobKeeperPayment/

B.2 State and Territory COVID-19 government assistance

State/Territory	Government assistance to businesses
New South Wales	▪ Support4Work Grant to help manage the recovery at work of an injured employee. ▪ Fee and Licence Relief ▪ Small Business COVID-19 Recovery Grant ▪ COVID-19 Tax Relief Measures ▪ Land tax relief for commercial landlords
Victoria	▪ COVID-19 Tax Relief Measures (land tax, payroll tax and liquor licencing fees) ▪ Hospitality Business Grant Program ▪ Dairy Farm Induction Program ▪ Business Support Fund – Expansion ▪ Tourism Accommodation Support Program ▪ Commercial Tenancy Relief Scheme
Queensland	▪ COVID-19 Payroll Tax Relief ▪ Coronavirus Land Tax Relief ▪ State Land Rent Relief - COVID-19 Assistance ▪ Small Business COVID-19 Adaption Grant Program ▪ Market Diversification and Resilience Grants for QLD commercial fishing, charter fishing and aquaculture businesses ▪ Tourism Lease and Licence Holder Assistance ▪ Small Business Skills Hub ▪ Fees and charges relief for tourism operators and hospitality providers
South Australia	▪ Regional Growth Fund - Strategic Business Round 2020 ▪ Financial support to hire and maintain apprentices ▪ COVID-19 Tax Relief Measures (payroll and land tax) ▪ Waiver of annual liquor licensing fees
Western Australia	▪ Payroll Tax relief ▪ International Competitiveness Co-Investment Fund ▪ Apprenticeship and Traineeship Re-engagement Incentive ▪ COVID-19 Business Recovery and Growth Round for supplier to priority industry sectors
Australian Capital Territory	▪ Economic Survival Package[a]
Northern Territory	▪ Small Business Survival Fund ▪ Business Hardship Package (relief from payroll tax, subsidised utilities, and deferred council rates) ▪ Business Improvement Grant

[a] Includes access to online business development resources, waivers for various business licensing fees, payroll tax deferrals and waivers for various industries, rental relief to tenants of ACT government owned properties and electricity rebates.

Source: https://www.business.gov.au/Risk-management/Emergency-management/Coronavirus-information-and-support-for-business/Coronavirus-state-and-territory-information-and-assistance

These public health measures were subsequently rolled back commencing May 2020, via a staged approach in line with COVID-19 associated health outcomes.[52] However, some restrictions on business activities, movement across state borders and social gatherings were re-introduced for the Eastern States (NSW, Victoria and eventually the ACT), following increased COVID-19 cases in declared "hot spots".

In response to State Government/Territory initiated lockdowns following new outbreaks of COVID-19, commonly referred to as "Delta outbreaks", the Australian Government announced the COVID-19 Disaster Payment on 3 June 2021 (Box A.15).

B.3 COVID-19 Disaster Payment

The Covid-19 Disaster Payment is a lump sum payment for those who have lost work or income because of a COVID-19 lockdown, as defined by the Australian Chief Medical Officer, associated with a state or territory government public health order restricting the movement of persons.

The COVID-19 Disaster Payment has three different rates based on the number of hours of work lost by an eligible recipient and whether or not they are receiving an income support payment:

- $200 per week for those in receipt of an income support payment who lost eight or more hours of work per week or a full day of their usual hours per week (what the person was scheduled to work including shifts of less than eight hours) as a result of the lockdown
- $450 for those who lost between eight and less than 20 hours of work per week or a full day of their usual work hours per week as a result of the lockdown and
- $750 for those who lost 20 hours or more of work as a result of the lockdown.

These are flat rates paid for those who lose work in an eligible lockdown period.

ACT residents began receiving COVID-19 Disaster Payments in the week after 12 August 2021, following the ACT Government's announcement of the Territory wide lockdown.[53]

The Australian Government announced that its contribution to business support will cease as the ACT reaches vaccination coverage of the adult population (defined in this instance as people 16 years and over) of 80 per cent and income support will step down

---

52 Prime Minister of Australia 2020, 'Update on Coronavirus measures – Media Statement', 8 May 2020, https://www.pm.gov.au/media/update-coronavirus-measures-08may20

53 ACT Government 2021, 'Lockdown in the ACT', https://www.covid19.act.gov.au/act-status-and-response/lockdown; Australian Government 2021, 'COVID-19 Disaster Payments available for the ACT lockdown', Senator the Hon Bridget McKenzie, 12 August 2021, https://ministers.pmc.gov.au/mckenzie/2021/covid-19-disaster-payments-available-act-lockdown; Australian Government 2021, 'COVID-19 hotspots', Department of Health, https://www.health.gov.au/news/health-alerts/novel-coronavirus-2019-ncov-health-alert/covid-19-hotspots-for-commonwealth-support-purposes/covid-19-hotspots

over a period of two weeks before ending, even if an area goes back into lockdown. The ACT is expected to reach the 80 per cent vaccination target on 25 October 2021.

We estimate:

- 11 000 JobKeeper monthly recipients at the schemes peak (April to September 2020)
- 39 000 COVID-19 Disaster payment recipients, and
- a total of $1 280 billion of combined JobKeeper and COVID-19 disaster payments were paid to ACT residents over the period 2019-20 to 2021-22.
  - This represents:
    - 1 per cent, 2 per cent and 1 per cent of the ACT's annual GSP in 2019-20, 2020-21 and 2021-22, and
    - 10 per cent and 3.2 per cent of the ACT's revenue (table B.4).

B.4 JobKeeper and COVID-19 Disaster payments to ACT residents

	2019-20	2020-21	2021-22	Total
	$, million	$, million	$, million	$, million
JobKeeper payments [a]	418	656	0	1 074
ACT COVID-19 Disaster Payments [b]	0	0	206	206
Total	**418**	**656**	**206**	**1 280**
Per cent of GSP	**1**	**2**	**1**	
Per cent of revenue		**9.9**	**3.2**	

[a] JobKeeper recipient numbers sourced from Australian Taxation Office as quoted in, ABC 2020, 'Number of Australians on JobKeeper falling ahead of the scheme's end, new figures show', https://www.abc.net.au/news/2021-02-14/number-of-australians-on-jobkeeper-falling-ahead-of-scheme-end/13154186 and CIE estimates for the third phase (January to March)

[b] ACT COVID-19 Disaster Payment reciepent numbers based on ABS 2021, 'Labour Force, Australia, August Detailed: EM2b - ACT Employed persons who worked fewer hours than usual by hours actually worked in all jobs, state and territory, January 1991 onwards (pivot table)', https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release. Figures are from summing the categories, "counting No work, not enough work available, or stood down," "Worked fewer hours than usual for other reasons" and "Began, left or lost a job during the week." Based on a 9 week lockdown, which commenced 12 August 2021 and anticipated to end 15 October 2021.

Source: CIE

Both JobKeeper and the COVID-19 Disaster Payment were temporary in nature, in response to the health crises at the time. More than 18 months on from the initial COVID-19 outbreak, Australia's health preparedness and response has matured, such that we have:

- modelled outcomes on the impact of COVID-19 outbreaks on:[54]
  - the impact on our hospital network, and
  - mortality and morbidity outcomes
- well versed and resourced COVID-19 mass contract tracing and testing, and

[54] Doherty Institute 2021, 'Doherty Modelling Report Revised 10th August 2021, https://www.doherty.edu.au/uploads/content_doc/DohertyModelling_NationalPlan_and_Addendum_20210810.pdf

- increasing COVID-19 vaccination coverage[55].

Arguably, therefore, as vaccination rates improve, and as a result, a significant reduction in the likelihood COVID-19 associated hospitalisation, morbidity and/or mortality, large scale “lockdowns” are less likely to be needed as a health response measure to prevent overloading state and territory health systems, short of a new, health threat (for example a new, vaccine resistant more virial variant). In turn, large scale Government stimulus are also therefore less likely over the Budget forward estimates.

55 As of 12 October 2021, 72.1 per cent of ACT’s population aged 12 and over are “fully vaccinated” after having received 2 doses of a COVID-19 vaccine.

THE CENTRE FOR INTERNATIONAL ECONOMICS
www.TheCIE.com.au