



**ACT**  
Government

AUSTRALIAN CAPITAL TERRITORY

# BUDGET

## 2014-15

INVESTING **IN** CANBERRA

BUDGET SPEECH

BUDGET PAPER



# GUIDE TO THE BUDGET PAPERS

## STRUCTURE AND CONTENT OF THE 2014-15 BUDGET PAPERS

The 2014-15 Budget is presented in three papers and a series of agency Budget Statements.

### BUDGET PAPER 1: BUDGET SPEECH

The Treasurer's speech to the Legislative Assembly highlights the Government's Budget strategies and key features of the Budget.

### BUDGET PAPER 2: BUDGET IN BRIEF

A summary of the overall budgetary position together with information on the Government's expenditure priorities in key service delivery areas.

### BUDGET PAPER 3: BUDGET OUTLOOK

Summarises the 2014-15 Budget and forward estimates for the general government sector, the public trading enterprise sector and the total Territory Government. Details of the projected 2014-15 Budget results are provided, as well as background information on the development of the 2014-15 Budget, including economic conditions and federal financial relations.

Also provides an overview of the Territory's infrastructure investment program and details of the 2014-15 expense, infrastructure and capital, and revenue initiatives.

Full accrual financial statements and notes are provided for all sectors.

### BUDGET STATEMENTS

Information on each directorate and Territory authority and corporation is broken up into several smaller documents. This includes output classes (where relevant), descriptions of functions, roles and responsibilities, together with major strategic priorities.

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# INVESTING IN CANBERRA

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3 June 2014

### INTRODUCTION

Canberra is facing a significant economic challenge.

The Commonwealth's cuts will hurt our city. They hurt the most vulnerable in our community, they hurt our businesses, they hurt households and they hurt our economy.

The Gallagher Government believes in the brilliant possibilities that Canberra offers.

We believe in the role of government to support fairness and opportunity.

We are more than just consumers operating in an economy.

We are people living in a community.

We believe in the good that comes from a community that has the opportunity to grow, to learn and to think big.

We have enshrined these values in our Budget.

That is why this city always does better under Labor governments.

All Budgets are about choices – choices that show how much faith governments have in their community.

We are not choosing the austerity path taken by conservative governments around Australia, who cut services and harm their community.

We will not add to the pain caused by the Commonwealth. We will not sacrifice essential services for the sake of the budget bottom line.

Instead, we are taking the path that good governments take.

That is why our Budget is about investing in Canberra.

This Budget invests record funding in the vital areas of health, education and community services. And it invests in transformative infrastructure to create jobs and economic activity.

This investment will maintain growth in our economy and support jobs, which is particularly important given the Commonwealth's contraction.

This investment will provide the services, the facilities and the infrastructure our community deserves.

And this investment will help our economy to modernise and grow productively in the future.

These decisions are sustainable and planned for the long term.

Failing to act now will jeopardise our long-term growth and the health of our community.

The Government's investment will make a real difference for Canberrans.

It will provide the jobs, deliver the services, create the opportunities, and build the confidence that makes all the difference for households and businesses.

This Budget makes the right choices for challenging economic times.

Choices based on this Government's belief in supporting jobs and supporting our community.

They are decisions based on the confidence that our city will not only withstand this federal government, but prosper in the wake of it.

## **ECONOMIC OUTLOOK IN THE ACT**

Direct budget and staffing cuts to Commonwealth government departments, and the consolidation of agencies, will hurt not only individuals and households but also the Territory economy. They will dampen growth, and will in turn flow to other parts of the ACT economy.

Concerns over job security may limit consumption and consumer confidence, and may delay businesses hiring and investing.

However, the investment pipeline appears to have stabilised – encouraged by the ACT Government's tax reforms and stimulus measures.

The Government's capital program will also support growth, as will low interest rates.

Gross State Product is forecast to grow by 1¼ per cent in 2014–15. This reduced growth largely reflects slower growth in the public sector and household consumption.

Investment is forecast to rebound slightly in 2014–15, driven by both dwelling and non-dwelling investment.

The Commonwealth job cuts will impact on employment growth, which is forecast to moderate to ½ of a percentage point in 2014–15.

## FISCAL OUTLOOK

This Budget recognises the need to support the Territory economy through a challenging period.

Now is not the time to compound the Commonwealth cuts with further deep cuts.

Instead our focus is on building confidence in the economy.

After taking office the Government ran sustained operating surpluses and built a strong balance sheet. This has provided the ability to respond to economic shocks and support the economy.

We are now doing this by making sustained, prudent and transformational investments in services and infrastructure.

Over the coming four years the Government has allocated \$2.5 billion to the Infrastructure Investment Program, including \$735 million in 2014–15.

This approach requires the Government to borrow funds.

We will leverage our strong credit rating and low net debt to support our community in a time of need.

This borrowing is an investment in the future. It is an investment in the productive capacity of the economy.

Infrastructure projects will help generate employment and better services, and create a legacy for Canberra as we begin our second century.

The forward estimates have been adjusted to reflect the impact of the Commonwealth Budget on the Territory economy and our own fiscal position.

The direct impacts of the Commonwealth's decisions have caused a write down in revenue of \$375 million over four years.

The estimated loss of 6,500 Commonwealth jobs from the ACT in the four years to 2016–17 will have a further impact on economic activity and the Territory's own-source revenue.

Therefore, the General Government Sector Headline Net Operating Balance is forecast to be a deficit of \$332.8 million in 2014–15, improving to \$117 million in 2015–16, returning to balance in 2016–17 and a modest surplus in 2017–18.

The increased deficits in the short term have arisen largely from factors outside the Territory Government's direct control.

Lower Commonwealth health grants, and the reduction in revenue from the land release program due to falling Commonwealth employment, have together added more than \$80 million to the deficit in 2014–15.

The return to balance over the forward estimates reflects that spending is largely offset by savings and revenue initiatives over the next four years, and operating cash surpluses are forecast throughout this period.

## SAVINGS AND SERVICE REFORMS

Canberrans expect and deserve quality services and infrastructure.

But they must be delivered sustainably and responsibly.

To maintain a balanced budget over the long term the Government has offset nearly all new expenditure with savings, and made savings initiatives of \$93.6 million over four years. Savings made in previous budgets for this and future years will continue.

Savings focus on improving the efficiency of service delivery across government and reducing administrative overlap.

There is a concerted push towards efficiencies obtained through greater use of digital and online technology.

A number of savings feature an expenditure component that will fund strategic investments to meet long-term goals.

Full-time equivalent staffing levels for the ACT Public Service won't fall below 2013–14 levels.

To help fill the gap from lost Commonwealth funding and meet the cost of providing services some fees and taxes will rise.

The Government has sought to keep these increases to a minimum and has taken most of the impact of the Commonwealth cuts directly to the budget bottom line.

## TAXATION REFORM

Reforms to make taxes fairer, simpler and more efficient continue in this Budget.

Insurance tax will be cut by one-third this year, and be abolished by 1 July 2016.

Stamp duty will be cut on every property in Canberra, making buying a home cheaper.

The top rate of stamp duty that was slashed to 5.5 per cent last year will be further cut to a flat 5.25 per cent for all properties – residential and commercial – valued above \$1.455 million.

The new Over 60s Home Bonus will provide massive stamp duty cuts, with eligible buyers paying only \$20 in stamp duty, a saving of up to \$20,500.

This will encourage people over 60 to move to more suitable accommodation, freeing up larger housing stock for families and bringing flow-on benefits to the property market and housing affordability.

Concessions to assist low income households will be expanded. This Budget extends eligibility for the sewerage rebate to Low Income Health Care Card holders, and the taxi subsidy will increase.

Local businesses will benefit from acceleration of payroll tax reform. The threshold rises from \$1.75 million to \$1.85 million in 2014-15. Businesses with a payroll of \$2 million will save \$6,850 per year, and about 40 businesses will no longer pay this tax.

This takes the payroll tax cuts delivered to individual Canberra businesses since June 2012 to nearly \$25,000 per annum. About 150 businesses have now been exempted from payroll tax.

Other initiatives include harmonising payroll tax legislation with other jurisdictions, and introducing a new, fairer rating structure for land tax that slashes marginal tax rates and introduces a fixed charge component to provide greater equity between the revenue raised from houses and units.

## **GROWING THE ECONOMY**

This Budget invests in the growth of our economy.

A growing economy is vital to maintaining our way of life and supporting our community – a growing economy creates jobs and allows the Government to fund important services and infrastructure.

The capital program of \$2.5 billion over four years is the largest ever by an ACT government. It will progress transformational projects such as Capital Metro, Australia Forum, City to the Lake and new court facilities.

It also funds spending on a broad range of projects across the Territory, such as a new government office building in Gungahlin, a new school in Coombs and infrastructure to support land release.

Health infrastructure is a priority, with funding for a new sub-acute public hospital at the University of Canberra, a secure mental health unit, extra hospital beds and a car park at Calvary Hospital.

This Budget invests in the opportunities the digital age offers to drive growth.

It provides \$75.5 million to progress a range of digital initiatives that will make it easier and cheaper to do business with Government.

Local businesses are the lifeblood of our economy. We will assist them to grow and create jobs through a range of new and continuing programs.

Former government employees will be assisted to start their own business, young entrepreneurs will receive expert support, and there will be a helping hand for businesses who need it.

Invest Canberra – our dedicated investment promotion body – will bring more business and investment to the Territory, and there are new initiatives to boost the tourism and events sector.

The Budget also continues regulatory reforms to improve efficiency, cut red tape and make it easier to do business with government.

## HEALTHY AND SMART

Health and education remain the Government's top priorities.

Although the Commonwealth is withdrawing funding from these areas, this Government is stepping in to fill the gap and will continue to improve health and education outcomes for all Canberrans.

Health services can't be turned off like a tap – and we will not stand by and let Canberrans suffer from the Commonwealth's cruel cuts to health.

This Budget reinforces our commitment to provide the best of health care, no matter what people earn or where they live.

This Budget provides \$1.4 billion for health in 2014-15. This includes about \$40 million to cover the shortfall left by the Commonwealth.

And it includes over \$173 million over four years for growth and new initiatives in the health system.

There will be more services and more staff at local health centres, more outpatient services and more beds at our hospitals.

Services for those who need critical care will be expanded, and there will be new bariatric services.

The Budget delivers \$117 million over four years in capital funding for the Health Infrastructure Program, and includes provision for constructing the University of Canberra Public Hospital.

There is help for Canberrans to live healthier and more active lifestyles, with significant funding for a range of sporting and recreational initiatives, the continuation of healthy weight programs, and more walking and cycling projects.

This Budget invests more than \$961 million in our education system – a 6 per cent rise on last year – to support our educators and improve learning outcomes for all students in all schools, regardless of ability or background.

Childcare centres will be upgraded and there will be improved training for pre-school teachers.

Capital funding of almost \$82 million will improve education infrastructure and enhance information and communication technology in schools.

The Budget also includes the construction of the new Coombs Primary School, a state-of-the-art facility for more than 700 students.

## LIVEABILITY AND OPPORTUNITY

This Budget will maintain Canberra's status as one of the most liveable cities in the world.

It provides accessible, high quality services, and supports those Canberrans who need a helping hand.

More than \$465 million will be provided for community services and housing, including disability and out-of-home care services, community housing and homelessness services.

Children with disabilities will receive extra support, with funding for more school-based therapy intervention services.

Canberrans with disabilities will receive appropriate care in the transition to the National Disability Insurance Scheme.

The Better Human Services initiatives will simplify access to, and help from, community services – ensuring vulnerable Canberrans get the right service, at the right time and for the right duration.

Homelessness services will be boosted, with extra support for people with multiple and complex needs.

The Government is committed to maintaining a safer community.

The capacity of our emergency services will be improved, with a new ambulance and fire station to be built in Aranda, and communications upgraded to better manage emergency responses.

Funding is also provided for a range of justice system reforms and improvements, notably to focus on preventative programs, a new court facility, and upgrades to the Alexander Maconochie Centre.

## URBAN RENEWAL

Canberrans can be rightly proud of their city – and this Budget invests more in our built environment, in our neighbourhoods and in our natural surroundings.

This investment will also boost the economy.

There is more than \$45 million to expand and maintain our roads – particularly in our newer suburbs in Gungahlin and Molonglo – ensuring the network continues to be the best in the country.

There is also significant investment in public transport, including more services to new suburbs, the start of work on the redevelopment of the Woden bus interchange, a new bus station for Erindale, and the establishment of a Community Transport Coordination Centre.

More than \$15 million has been allocated to ensure our urban parks and trees, shopping centres, and other community open spaces continue to be managed and maintained to a high standard.

In particular, we are ensuring our local shops are attractive, clean, safe and 'ready for business'.

This Budget also makes significant investment in environmentally responsible waste and recycling services.

The Government remains committed to maintaining our natural environment and enhancing its biodiversity.

Funding has been provided to ensure the beauty and sustainability of Canberra's parks and reserves is not compromised, and that the environment is protected from threats such as fire.

## CONCLUSION

Through the Budget, the Government makes the choice to support our economy and community during these challenging economic times.

This Budget is about building for growth and maintaining confidence.

It lays the foundations for the future, and positions Canberra for a new phase of development.

This Budget is about being **confident** in our city and our people.

It is about being **bold** in the decisions we take to meet the challenges ahead.

It is about being **ready** as a Government and a community to work together to build a stronger, fairer and more prosperous Canberra.

I commend the Bill to the Assembly.

