

## ACT Budget 2012-2013

On Tuesday 5 June 2012, Deputy Chief Minister and Treasurer Andrew Barr MLA delivered the 2012-13 ACT Budget, his first Budget as ACT Treasurer. The Budget, including the Treasurer's speech, is available in full [here](#).

The Budget Papers include a 'Cost of Living Statement,' which details changes in major government and utility charges on a household, and the concessions available to offset these costs. The Cost of Living statement is available [here](#) (PDF).

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### Economic Context

The Budget papers note substantial change in the economic and financial circumstances of the Territory, based on a significant contraction in Commonwealth consumption; a moderating economy; increased superannuation liabilities; and softening revenue base.

Accordingly, the 2012-13 ACT Budget is one based on a fiscal strategy designed to maintain reasonable levels of expenditure and investment in the economy. The Government has accepted a temporary deterioration in the operating position in order to achieve this.

Most significantly, the Treasurer announced that the Budget would not be returned to surplus until 2015-16. 2015-16 was the original timeframe earmarked for the return to surplus in the 2009-10 Budget Plan developed in response to the global financial crisis; however since then the Government had predicted an earlier return in 2013-14. The forecast Budget Net Operating Balance in 2012-13 is a deficit of \$318 million.

## General Government Sector – Headline Net Operating Balance

	2012-13 \$m	2013-14 \$m	2014-15 \$m	2015-16 \$m
<b>Headline Net Operating Balance<sup>1</sup></b>	<b>-318.3</b>	<b>-130.2</b>	<b>-51.3</b>	<b>25.2</b>
Net Impact of Majura Parkway Commonwealth Funding	0.0	50.0	64.5	20.0
<b>Underlying Net Operating Balance<sup>1</sup></b>	<b>-318.3</b>	<b>-180.2</b>	<b>-115.8</b>	<b>5.2</b>

### Financing the Budget

The estimated outcome for 2011-12 new borrowings is \$350 million. It is estimated that new borrowings of up to \$790 million will be required over 2012-13 to 2013-14. This is an increase of \$490 million from the 2011-12 Budget. It is forecast that \$490 million will be repaid by the end of 2015-16 reflecting only a short term need for additional borrowings.

### Savings Initiatives

Although the overall Budget aims to maintain expenditure and investment in the economy, it did include some significant savings measures, namely found in the ACT Public Service. The Public Service and agency savings initiatives introduced in this Budget total \$180.5 million over four years, and include:

- savings in administrative costs of \$37.3 million, through continuing to improve the efficiency of back office functions and reducing input costs such as travel, accommodation, fleet, printing, stationery, advertising and marketing expenditure;
- savings in employee costs of \$73.9 million, through the redirection of resources to higher areas of need and new priority initiatives;
- savings from extending the operating life of ICT equipment \$4.8 million;
- future agency savings of \$45.9 million; and
- a reprioritisation of program expenditures of \$18.6 million, achieved through the cessation of lower priority program and initiatives from past budgets, to invest in higher priority activities and service delivery.

### Taxation Reform

A significant feature of the 2012-13 Budget was the commencement of long-term reform of the Territory's taxation system, following the recommendations of the [ACT Taxation Review](#) (PDF). The ACT Taxation Review was undertaken by a panel led by former ACT Treasurer and Deputy Chief Minister Ted Quinlan, and was released in May 2012. It found that there are risks to the long-term sustainability of the Territory's taxation systems: namely that the GST base is eroding; the cost of health services is rising faster than the economic growth rate; and significant taxation lines, such as duty on conveyances, are volatile, unfair and unsustainable.

The reforms initiated in the 2012-13 Budget are designed to remove inefficient taxation measures in favour of a more simplified taxation system. The key reform measures to commence in 2012-13 include:

- abolishing duty on insurance over 5 years;
- phasing out conveyance duty;
- abolishing commercial land tax;
- reducing payroll tax;
- abolishing duty on short term leases;
- abolishing duty on transfer of sub leases; and
- aligning treatment of wholesale unit trusts with NSW.

The changes in taxation listed above will be funded through increased General Rates for the commercial and residential sectors and adjustments to the Utilities Network Facilities Tax to reflect land value appreciation.

The taxation reforms are designed to have no impact on overall revenue, but rather to reduce the share of inefficient taxes and progressively increase the share of efficient taxes as a proportion of own-source revenue.

### **Expenditure**

Net new expenditure initiatives in the 2012-13 Budget total \$155.1 million over four years. The Budget provides for expenditure initiatives totaling \$84.4 million in 2012-13 and \$252.2 million across the Budget and forward estimates. This includes \$86.1 million covered by the Health Funding Envelope, and \$11 million covered by revenue and other offsets resulting from the new initiatives. Additionally, \$5.2 million of agency funded initiatives are provided for in 2012-13 and across the forward estimates.

### **Health**

The 2012-13 Budget provides \$109.5 million over four years in recurrent funding to meet growing demand for health services.

Increased services in health will create jobs for an additional 150 nurses, doctors and allied health professionals during 2012-13.

The Budget will provide the following recurrent funding over the next four years:

- \$31.6 million to meet growth in demand for acute services, including \$21.1 million for an additional 28 beds across the public hospital system, and \$2.9 million for another 15 beds for the hospital-in-the-home program at Canberra and Calvary hospitals;
- \$10.5 million for four additional intensive care unit beds to meet increasing demand for critical care services for adults and children;
- \$12.6 million to meet the four hour emergency department rule, including additional capacity within emergency departments, more doctors and nurses in the emergency department and a four-bed cardiac assessment unit;
- \$12.6 million to meet growth in demand for surgical and interventional services, including \$1.3 million for an extra 140 elective surgery operations, \$0.5 million to fund an expansion of



endoscopy services at Canberra Hospital, and a new neuro-interventional coiling service at Canberra Hospital, which will provide non-surgical intervention for stroke patients, increasing the options available to our community; and

- \$12.1 million for the new Women's and Children's Hospital, to be opened in 2012-13.

### **Development of Northbourne Avenue**

Furthering the Government's commitment to improve the City to Gungahlin corridor, this Budget provides for the creation of a Gungahlin to City Project Office to coordinate the development and delivery of rapid transport and the redevelopment along the corridor.

### **Land Release**

The 2012-13 Budget makes significant infrastructure investments to support the ACT Government's ongoing program of land release. Land release in Gungahlin and Molonglo is supported with \$119 million for essential infrastructure including:

- \$11.5 million to extend Horse Park Drive from Burrumarra Avenue to Mirrabai Drive;
- \$17 million for upgrades to Uriarra Road, as part of Molonglo Stage 2; and
- \$15.9 million for sewer connections in Molonglo Stage 2, along with a pedestrian bridge.

### **Transport**

The Budget provides an additional \$63.7 million to further progress the goals of the Transport for Canberra Plan, which aims to make Canberra a truly sustainable and creative city. The key elements of transport funding in the 2012-13 Budget include \$100,000 for a feasibility study into a third major bus terminal in the Gungahlin or Mitchell area, and the replacement of 90 buses at a total cost of \$48.5 million between now and June 30, 2017.

### **Urban Improvement Program**

The new Urban Improvement Program provides \$96 million across the Budget and Forward Estimates (\$22 million in 2012-13) to improve recreational facilities, upgrade parks and shopping centres, and respond to the growing urban environment, including investments in roads, paths and cycling infrastructure. This new program is funded from revenues raised from the Lease Variation Charge.

### **Infrastructure**

Other significant infrastructure investment commitments made in the 2012-13 Budget include:

- Enhancing Hospital Facilities (\$43.6 million);
- Emergency Services Agency Station Upgrade and Relocation – Charnwood Station (\$21.3 million);
- Mugga Lane – Landfill Extension – Stage 5 (\$19.9 million);
- Molonglo 2 – Uriarra Road Upgrade (\$17 million);
- Molonglo 2 – Sewer and Stormwater infrastructure (\$15.9 million);
- Rectification and Upgrade of Taylor Primary School (\$12.9 million);



- Horse Park Drive Extension from Burrumarra Avenue to Mirrabai Drive (\$11.5 million);
- North Weston – Road Intersection Reconstruction (\$10.5 million);
- Gungahlin Enclosed Oval Grandstand Construction (\$6.5 million);
- Manuka Oval Lighting Upgrade (\$5.3 million);
- Expansion of Social Housing (\$5 million);
- Carbon Neutral Government (\$5 million) / Carbon Neutral Schools (\$3.5 million); and
- Canberra Theatre Centre Upgrades (\$3.1 million).