

ACT Budget 2014–15

On Tuesday 2 June 2014, Deputy Chief Minister and Treasurer Andrew Barr MLA delivered the 2014–15 ACT Budget, his third Budget as ACT Treasurer.

The Budget responds to the challenges presented by the Commonwealth Government’s policies to reduce spending. Key features include \$2.5 billion in infrastructure investment to maintain growth in the ACT economy and support jobs, increased support for vital services and facilities, and investment in long-term transformational projects for the Territory.

The Budget, including the Treasurer’s speech, is available in full [here](#).

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Budget Strategy

The major economic challenge for the ACT in 2014–15 will be responding to the compounding effects of the Commonwealth Government’s policy to reduce spending.

This reduction in spending will have both direct and indirect effects on the ACT. There is a direct impact of cuts to the health funding guaranteed by the previous Commonwealth Government and the introduction of Medicare co-payments.

More broadly, the Commonwealth Government’s strategy will also have an indirect effect on the ACT Budget through reductions in the size of the Australian Public Service and the concomitant reduction in employment, economic activity, land sales and, in the longer-term, the Territory’s revenue base.

The ACT Government is responding to this economic challenge by:

- maintaining a balanced budget over the medium-term;
- leveraging its strong balance sheet to invest in infrastructure and urban renewal, and stimulate economic activity and employment; and
- providing the Territory with assistance and support in the short-term to help counter the impact of job cuts by the Commonwealth Government.

Economic Context

The Budget predicts that the Territory’s economic growth in 2014–15 will be significantly constrained by the level of Commonwealth Government spending and uncertainty weighing on household consumption growth.

The 2014–15 Budget forecasts a \$332.8 million deficit. Current Budget projections see these deficits falling through 2015–16. The increased deficits in the short term reflect the ACT Government’s efforts to support the economy and jobs through targeted spending initiatives.

The ACT Government’s debt level will increase as it borrows fund investments, however it will remain among the lowest of all Australian states and territories.

Consistent with the Government’s commitment to maintain sound public finances and a strong balance sheet, the Budget will return to balance in 2016–17 and surplus in 2017–18.

General Government Sector Headline Net Operating Balance

	2013-14 Est. Outcome \$m	2014-15 Budget \$m	2015-16 Estimate \$m	2016-17 Estimate \$m	2017-18 Estimate \$m
Revenue	4,245.1	4,411.9	4,653.7	4,912.1	5,177.6
Expenses	4,586.2	4,858.3	4,894.7	5,070.7	5,242.4
Superannuation return adjustment ¹	75.8	113.7	123.2	132.4	142.2
HEADLINE NET OPERATING BALANCE	-265.3	-332.8	-117.8	-26.3	77.5
Net Cash from Operating Activities	449.9	189.9	393.3	561.1	622.7
Net Debt (excluding superannuation)	527.3	1,227.5	1,614.7	1,705.0	1,799.0
Net Financial Liabilities	3,677.5	4,435.6	4,857.8	4,997.5	5,111.1

Revenue

In 2014–15, the ACT Government will receive total revenue of \$4.4 billion. Commonwealth Government grants will provide 43 per cent of revenue, while a further 32 per cent will be raised through rates, taxes and charges.

The remaining 25 per cent of revenue in 2014–15 comprises receipts from the sales of goods and services; dividend and income tax equivalent payments from Territory-Owned Corporations and Authorities (such as ACTEW); and interest on investments.

Taxation Reform

In 2012–13 several taxes were abolished, and the phase out of other taxes began, notably insurance tax and stamp duty. Further changes to the ACT's taxation and transfer system are being introduced in the 2014–15 Budget to form part of the next step towards achieving the long-term objectives of tax reform.

The 2014–15 Budget aims to support growth in the wider economy by removing the burden of inefficient taxes. Key measures include:

- reductions in stamp duty with the release of reduced rates for 2017–18, and a new lower flat rate of 5.25 per cent for transactions of greater than \$1.455 million;
- reductions in rates on general insurance by a third from 6 per cent to 4 per cent from 1 July 2014;
- reductions in the duty on life insurance by a third from 3 per cent to 2 per cent; and
- the abolition of insurance taxes by 1 July 2016.

The Budget will also introduce a system of fixed and marginal rate charges for the land tax system. This will share the land tax burden more fairly between units and houses.

Other taxation measures include:

- an increase the payroll tax threshold to \$1.85 million to support private sector jobs;
- the harmonisation of the calculation of payroll tax for employment agents, forecast to raise a further \$10 million per annum; and
- an increase to the Fire and Emergency Services Levy by \$4.8 million per annum.

Expenditure

The Government is forecasting expenses of \$4.9 billion in 2014–15, an increase of \$139.2 million since the 2013–14 Budget Review. This increase is a result of:

- policy initiatives to invest in Canberra and support the ACT economy and jobs (\$95 million); and
- the re-profiling and rollovers of agency expenses, including those associated with capital works (\$37.9 million).

The 2014–15 Budget includes, over four years, \$182.7 million of new expense initiatives, \$415.2 million of new infrastructure and capital initiatives, and \$121.8 million of new revenue initiatives.

In addition to these new initiatives, the Budget also provisions \$1.3 billion for future capital works, including University of Canberra Public Hospital, Capital Metro, and the Courts project.

Health

In 2011 the ACT Government, along with other the states, signed the National Health Reform Agreement with the Commonwealth government.

The Commonwealth Government in its 2014–15 Budget unilaterally walked away from that agreement, resulting in a \$248 million reduction in funding for ACT hospitals over the next four years.

The ACT Government has taken the gap in funding left by the Commonwealth onto the ACT Budget's bottom line.

Key investments in the 2014–15 Budget include:

- \$54.6 million for more general inpatient beds and Hospital in the Home;
- \$34.1 million towards elective surgery, including bariatric surgery;
- \$15.1 million in expansion of intensive and critical care services; and
- \$10.4 million for more cancer services and staff.

The Hawker Britton Occasional Paper on the 2011 National Health Reform Agreement is available [here](#).

Infrastructure investment

The ACT Government will continue to invest in a significant infrastructure program, with \$2.5 billion in funding over four years for infrastructure and capital projects included in the 2014–15 Budget. This funding builds on the work of the ACT Government in developing the *ACT Government Infrastructure Plan 2011–2021*, which provides an overview of \$10 billion of key infrastructure projects that the ACT Government has funded or is considering for funding over the next decade.

The 2014–15 Budget includes new major health infrastructure projects, including:

- \$43.5 million for a Secure Mental Health Unit;
- \$27.7 million for the Health Infrastructure Program;
- \$24.3 million to finance Canberra Hospital Redevelopment;
- \$19.1 million for the Calvary Public Hospital car park;
- \$18.9 million for the upgrade and relocation of the Emergency Services Agency Station

Other major infrastructure investments include:

- \$54.1 million for additional facilities at the Alexander Maconochie Centre;
- \$47.3 million for construction funding for the Coombs P-6 School; and
- \$17.3 million for fitouts to the ACT Government Office Building at Gungahlin.

The Hawker Britton Occasional Paper on the most recent update of the *ACT Government Infrastructure Plan 2011–2021* is available [here](#).

Roads and Transport funding

The 2014–15 ACT Budget also included a \$69.9 million investment into roads and transport across Canberra, including improvements to public transport and significant funding for the upgrade of key intersections and transport corridors.

Funding for major roads projects in the 2014–15 Budget includes:

- \$20 million for improvements to the Civic to Gungahlin Corridor;
- \$17 million for Molonglo Infrastructure Investment;
- \$10.1 million for upgrades to the Isabella Weir Spillway;
- \$10 million for the William Slim/Barton Highway Roundabout Signalisation; and
- \$9.9 million for construction of the Majura Parkway to Majura Road–Link.

Digital infrastructure

The ACT Government will invest \$75 in transformational ICT projects over the next four years. This builds on the \$25 million investment in the Territory’s digital infrastructure contained in the 2013–14 Budget.

The Budget includes funding to implement faster, more efficient digital services to improve links between government and the community, including:

- \$21.8 million for *iConnect*, a new online government service to improve the way individuals and businesses communicate and transact with government;
- \$2.2 million for invoice automation, delivering an automated accounts payable system that will simplify and speed up payments to business;
- \$34 million to replace the existing ACT Government revenue collection system, using new technology to make collection of taxes more efficient;
- \$2.4 million to further develop the new court management system, reducing court waiting times and allowing documents to be filed electronically;
- \$110 000 to deliver a new electronic tendering system that will save suppliers’ time and money when tendering for government work; and
- \$340 000 to further enhance the Government’s open data platform ‘Data.Act’, making more government datasets accessible and useful to the public, industry, and academia.

The Budget also includes \$16.5 million in funding for workplace systems to improve efficiency and boost productivity across the ACT Public Service.

This includes funding for the following initiatives:

- \$8.6 million for a combined public and private ‘cloud service’ to reduce the growing costs of data storage;
- \$6.2 million to enable improvements to the Government’s HR and payroll system;
- \$686 000 to enhance systems used to protect the Government’s networks;

- \$180 000 for the introduction of better IT 'self-help tools' for ACT public servants;
- \$534 000 to fund the deployment of software across the ACT Government to actively monitor and report on energy use, with the ultimate goal of reducing energy consumption; and
- \$300 000 for feasibility study to identify the most effective option for digitising ACT Public Service records.

Other digital infrastructure investments include:

- \$6 million to upgrade of the Rego.ACT system, the government's transport regulation and licensing system; and
- \$1.4 million to replace 994 on-street single bay parking meters with 150 solar powered parking bays with credit card facilities.

Asset sales

The Government's Infrastructure Investment Program will be supported by the sale of existing assets. This approach is supported by the Commonwealth Government's Asset Recycling Initiative, which provides financial incentives to state and territory governments to divest assets and reinvest the proceeds in additional productive infrastructure.

The 2014–15 Budget announces that Government will be considering assets could be included under the initiative to support new investment. Potential options highlighted in the 2014–15 Budget include assets such as:

- ACTTAB;
- ageing public housing stock;
- government office buildings;
- street lights; and
- surface car parks.

The Government will be considering options over the coming months and has included a provision in the Budget for potential asset sales.

Land Release

In response to the Commonwealth Government's decision to significantly reduce the size of the Australian Public Service, the ACT Government will reduce the overall size of its Indicative Residential Land Release Program by 3 000 dwelling sites across the next three years.

The Indicative Residential Land Release Program now includes a sale target of 13 500 dwelling sites between 2014–15 and 2017–18.

The ACT Government has also brought forward a Stimulus Package of civil works contracts at Moncrieff, which will accelerate \$150 million of construction activity. This will help to drive economic activity and will contribute towards new housing supply.

Two additional transformational projects that will support land release in future years include:

- City to the Lake; and
- Civic to Gungahlin Corridor Improvements.

In addition to the capital investments in the 2014–15 Budget, the Land Development Agency (LDA) is also budgeting for significant infrastructure works in its program. In 2014–15, the value of works to be funded by the LDA will be in the order of \$96.3 million.

Capital Metro

The Budget reiterates the Government’s commitment to investing in the development of the Capital Metro project.

The 2014–15 Budget provides \$21.3 million of specific funding to bring the project to an investment ready decision point. This includes additional funding of \$907 000 for increased staffing for work associated with operational, finance and advisory services to improve the financial and commercial impacts associated with the Capital Metro project.

The Hawker Britton Occasional Paper on the Capital Metro project is available [here](#).

Further Information

The Hawker Britton Occasional Paper on the ACT 2013–14 Budget is available [here](#).

The Hawker Britton Occasional Paper on the most recent update of the *ACT Government Infrastructure Plan 2011–2021* is available [here](#).

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