

## ACT 2020-21 Budget February 2021

On 9 February 2021, the Chief Minister and Treasurer Andrew Barr delivered the 2020-21 ACT Budget. This is the ninth budget handed down by Mr Barr and the first official pandemic budget following the August 2020 Economic and Fiscal update (EFU).

The 2020-21 ACT Budget is predominately focused on Coronavirus recovery and restoring the Territory to full economic health. Underpinning the Budget is a significant public health response and a number of initiatives to further grow and diversify the Territory's employment and industry bases.

The Territory has experienced economic growth including both an increased local labour market and a better fiscal position than previously projected.

The Budget speech can be found [here](#).

The full Barr Government 2020-21 Budget is available [here](#).

### **Budget Outlook:**

The ACT's strong economic performance is a consequence of its successful handling of the COVID-19 pandemic to date. The Government has invested \$100 million into the response, including for the provision of testing sights and funds to facilitate the future vaccine rollout.

The Budget Outlook is dependent on the successful implementation of the COVID-19 vaccination strategy and the eventual and gradual re-opening of Australia's international borders. In particular, the latter has benefits for local industry especially the higher education and tourism sectors. The vaccination program is a joint initiative with the Commonwealth. International borders are ultimately a decision for the Commonwealth Government.

The Headline Net Operating Balance shows an improvement of \$306.4 million when compared to the August 2020 EFU. A deficit of \$603.1 million is forecast in 2020-21 is set to decrease to a deficit of \$369.1 million by 2023-24. This variation from the August 2020 announcement can be attributed to strong sales activity including higher than expected returns received from the Suburban Land Agency and both higher dividends and income tax equivalents from groups such as ICON Water.

### *Projected Budget Outlook:*

- 2020-21 estimated operating deficit of \$603.1 million
- 2021-22 estimated operating deficit of \$474.4 million
- 2022-23 estimated operating deficit of \$406 million
- 2023-24 estimated operating deficit of \$369.1 million



Total revenue in 2020-21 is expected to be \$401.1 million higher than forecast in August 2020 and \$960.7 million higher over the four years, through to 2023-23.

Gross State Product in the ACT grew by 2.4% in 2019-20 and is set to maintain a positive trajectory throughout the forward estimates, peaking in 2023-24 at 3%. This is currently the second highest growth rate amongst jurisdictions nationwide and reflects business and consumer confidence in the Territory.

The Consumer Price Index is also forecast to grow by 3% in 2020-21. Further subdued inflation is predicted in the forward estimates.

Employment in the ACT has recovered to mostly pre-COVID levels. The ACT's unemployment rate is currently 3.7% and remains the lowest in the country. Employment growth is expected to continue and reach 4% for the year to June. A reduction in population growth will inevitably constrain employment growth, however this will slowly rise again by the end of the forward estimates period.

The Wage Price Index is forecast to grow at around 1.5% in 2020-21, stronger than the forecast nationally. The budget has also reaffirmed the S&P Global Ratings AAA credit rating. ACT remains as the only Australian state or territory jurisdiction to hold this rating.

### **Budget Commitments:**

In addition to the ongoing COVID-19 support measures and outstanding measures announced in the August 2020 EFU, the 2020-21 Budget includes a number of key initiatives in line with emerging public health priorities such as this year's vaccination roll-out and the priorities outlined in the Government's post-election *Parliamentary and Governing Agreement for the 10th ACT Legislative Assembly*.

#### Public Health

The ACT Government has committed \$152 million in 2020-21 and \$347 million over four years for major health infrastructure investment and improvements.

- \$19 million towards delivering an efficient COVID-19 vaccination program, including the establishment of clinics across the Territory and the safe storage of the vaccines. This initiative will be funded through a Commonwealth and ACT cost sharing arrangement.
- Commitment to front-line service improvements including the continued expansion of Canberra Hospital, construction of a new Coombs Walk-in Centre and an outpatient imaging service at the Weston Creek Walk-in Centre. The Weston Creek Walk-In Centre will provide increased access to commonly required diagnostic imaging services that would ordinarily only be available at Canberra Hospital.
- The 'ACT Hardship Fund' will be extended in order to provide assistance to those who cannot work as a result of being tested for or contracting COVID-19 and are ineligible for other forms of support.
- \$1.95 million to support the extension of the COVID-19 'Mental Health Support Package' which will expand mental health support services for young Canberrans at risk.

### Infrastructure

The Government has invested a total of \$914 million in 2020-21 and \$4.3 billion through the forward estimates into the Territory's largest ever infrastructure investment program. Throughout the pandemic, the ACT has continued to job create and diversify local industry through the 'Fast-track Infrastructure Program'.

- \$172 million has been allocated in 2020-21 to support a number of priority transport projects such as the progress of the Light Rail Stage 2 to Woden, which is expected to secure more than 1000 new jobs. In addition, the Budget proposes raising London Circuit, testing the feasibility of a Light Rail extension to Mawson and both upgrading and improving main roads such as the Monaro Highway.
- \$105 million has been allocated through to 2023-23 to boost public housing infrastructure and urban renewal, including \$11.4 million for public housing property and energy efficiency upgrades.
- The Government's 'Zero Emissions Vehicles' movement will also require significant infrastructure including investing over \$2.7 million for the installation 50 publicly accessible charging stations across the Territory.

### Education

International border closures have directly impacted key exports such as education. Net overseas migration typically accounts for almost 50% of the ACT's total population growth and from 2020-21 to 2023-24, 19,200 fewer people are expected to reside in the ACT than forecast in the last Budget.

- \$25 million has been outlined representing the reinvestment of estimated savings associated with a reduction in the Government's share of non-government schools funding into the newly revised 'ACT Early Childhood Strategy'. Under this model, the Commonwealth will absorb further costs associated with non-government schools over time.
- As per 2020 election commitments, the Government will establish a 'Future Jobs Fund' and invest \$9.2 million over two years into the Higher Education and Tertiary sector through the provision of grants. These grants will be awarded for projects or proposals that aim to protect or create jobs in the University sector.
- The Government has committed to school building and expansion including the construction of a new high school in Taylor by the 2024 school year. This is expected to provide 800 permanent places for Year 7 to Year 10. Funding will also be provided to meet costs of the new Kenny High School, set to open in 2023, and to expand the Margaret Hendry Primary School.

### Climate Change

The ACT Government will aim for 100% renewable electricity to transition to net zero emissions by 2045. To advance this commitment, the 2020-21 Budget provides \$87 million for environmental measures to enhance infrastructure that supports management of waste, lakes, waterways and urban forests. In addition:

- \$150 million will be invested under the 'Sustainable Household Scheme' to encourage energy efficient building practices and implement a program of zero interest loans of up to \$15 000. These loans will assist with the costs of rooftop solar panels, household battery storage, zero emission vehicles and efficient electric appliances. The Government will also provide two years free registration for zero emission vehicles.
- \$100 million will be invested over the next five years to establish the 'Big Canberra Battery'. The battery will offer 250 megawatts of new battery storage system capacity.



- \$50 million will be used to establish the 'Vulnerable Household Energy Support' initiative. This initiative will improve efficiency and sustainability for social and public housing, and for low-income owner-occupiers.

#### Business and Taxation

The ACT continues to implement its nation-leading tax reform program in order to encourage buyers to the Territory property market. By 2019-20, 51% of insurance and stamp duty previously collected has been replaced with general rates. In addition to the ongoing stamp duty reductions:

- First home buyers with a household income under \$160 000 will pay no stamp duty on the purchase of their first home, regardless of whether the home is new, existing or the purchase price. In addition, eligible pensions will pay zero or reduced stamp duty and owner-occupiers can continue to receive temporary stamp duty concessions for new land and off-the plan unit purchases.
- Extended revenue related initiatives such as payroll tax waivers and deferrals, waivers of licence fees, residential and commercial rates rebates and utility bill rebates. \$25.3 million worth of deferrals for general rates or payroll tax has been granted to support household and business cashflow.
- Under the 'More Than' campaign, the Government will promote Canberra as a COVID-safe tourist destination and provide direct financial assistance to local venues and businesses to help develop COVID-safe tourism.

#### **Further information**

For more information, please contact your Hawker Britton consultant [Simon Banks](#) on +61 419 638 587.