

## ACT 2021-22 Budget

October 2021

On 6 October 2021, Chief Minister and Treasurer Andrew Barr delivered the 2021-2022 ACT Budget. This is the tenth budget handed down by Mr Barr. The budget was originally scheduled for release on August 31 2021, however this was postponed due to COVID-19 lockdown restrictions. Restrictions in the ACT are expected to lift by October 15 2021.

The 2021-22 Budget focuses on a continued public health response, including further investment in healthcare and essential services. This Budget also oversees the Territory's largest-ever infrastructure investment program of \$5 billion over five years, to 2025-2026. This investment alongside other election commitments hope to accelerate economic growth and help the ACT work towards its target of 250,000 local jobs by 2025.

Chief Minister Barr's Budget speech can be found [here](#).

The full Barr Government 2021-21 Budget is available [here](#).

### Budget Outlook:

Since the beginning of the pandemic, the ACT has provided over \$475 million in economic support, through measures such as business support grants to for impacted businesses and industries. In an effort to accelerate post-pandemic economic growth, the Government will invest a further \$500m over four years to address short term demand and longer-term challenges in the public health space. This includes continued support for the vaccination program, COVID-19 cleaning, and quarantine services.

The pandemic, specifically the recent Delta outbreak and subsequent lockdown, have posed a significant economic shock to the Territory and as such, the Territory's fiscal position will remain in deficit over the forward estimates period. The deficit increases in the 2021-22 period as a consequence of the Government's extensive business support packages and vulnerable persons assistance, with possible extensions of these measures factored in. 10,000 businesses are currently receiving support from the ACT Government, and 63,000 Canberrans are receiving the Commonwealth's Pandemic Disaster Leave Payment.

Any setbacks to economic activity are considered temporary, and major improvements are seen in 2022 as household consumption increases due to eased restrictions, and skilled labour shortages are addressed through an opening of borders.



### *Projected Budget Outlook:*

- 2021-22 estimated operating deficit of \$951.5 million
- 2022-23 estimated operating deficit of \$564.3 million
- 2023-24 estimated operating deficit of \$530.4 million
- 2024-25 estimated operating deficit of \$474.1 million

### *Growth*

Overall economic growth is estimated to be 2.5% in 2021-22, which is only slightly lower than estimated at the 2020-21 Budget. Gross State Product (GSP) in the ACT performed more strongly in 2020-21 than was expected at the time of the 2020-21 Budget, anticipated to have grown by 3% as opposed to the 2% forecast. GSP is set to continue an average of 3% across the forward estimates.

### *Revenue*

Despite impacts of the virus, total revenue is expected to be \$425.3 million higher in 2021-22, and \$772.6 million higher over three years to 2023-2024 than forecast in the 2020-21 Budget. This is due to a number of factors including increased GST revenue from strong national consumption and increased commonwealth contributions to grants and infrastructure in the Territory.

### *Other Economic Aggregates*

The Wage Price Index is forecast to grow further by 2% in 2022-23 and 2.25% in 2023-24, which is stronger than expected at the time of the last budget. This is likely a reflection of a lower population growth and therefore a tightening labour market.

The Consumer Price Index grew by 4.8% in 2020-21, 1.8% higher than the estimate in the last Budget. This inflationary spike is expected to be temporary and a result of national supply chain issues, which push up prices of items such as food, and the current property market.

As the economy recovers and borders open, employment is expected to grow by 0.5% in 2021-22. Following that, 1% in 2022-23 and 1.25% in 2023-24.

Following the 2020-21 Budget, on 17 March 2021, the ACT's AAA long-term and A1+ short-term local currency credit ratings were reaffirmed by S&P Global Ratings.



## **Budget Commitments:**

### COVID-19 Response

In addition to significant funding for the public health response and for Canberran businesses, the ACT Government will provide a number of further direct hardship measures:

- One-off increase of \$200 in utilities concession will be provided to 31,000 in-need households.
- Residential landlords who reduced rent for in-need tenants will be provided land tax credits of 50% of the rent reduction, equalling up to \$100 per week until the end of 2021.
- Persons who have lost work due to being tested for, or contracting COVID-19, can receive payments of up to \$1500 until June 2022.

### Public Health

An additional \$461 million over the forward estimates will be provided to support Canberra's health services.

- \$65 million will be allocated to manage the virus and support the work of the Chief Health Officer. This includes funding for contact tracing teams, COVID testing, cleaning, and quarantine costs.
- \$51 million over the forward estimates will be invested to improve nurse-to-patient ratios at Canberra Hospital and Calvary Public Hospital. This will oversee employment of a further 90 nurses and midwives.
- \$43 million over the forward estimates to provide for ten additional mental health inpatient beds and a refurbished ward 12B. In addition, funding will support increased capacity at the High Dependency Adult Mental Health Unit, to meet increased demand for mental health treatment.
- A further \$22.5 million will be provided to expand the ACT's vaccination program to ensure it reaches all eligible Canberrans.

### Infrastructure

The ACT Infrastructure Investment Program includes \$5 billion of investment in the General Government Sector and \$1.4 billion of investment by Public Trading Enterprises over the next five years. This is the ACT's largest ever program with a record \$1.3 billion in 2021-22.

- Funding of \$1.4 billion will allow for extensive transport upgrades including works on the first stage two light rail stop.
- \$950 million of funding for CIT and education infrastructure over the next five years. This includes design works for a new primary school in Strathnairn.
- \$877 million over five years towards additional health infrastructure, including significant Canberra Hospital Expansion, and a new Cancer Research Centre.



- \$580 million over the forward estimates will be allocated to upgrading the ACT's public housing properties.

### Education

An additional \$51 million will be allocated over the forward estimates to achieve increased school equity as part of the government's new 10 year Future Education Strategy.

- \$21 million over the next four years so that all Year 7 to 12 students have access to a Chromebook. This includes \$2.8 million to provide internet access to any secondary school student who needs it, and to fund a new e-safety program.
- \$12.5 million over four years to continue the ACT's 10-year plan for early childhood education, Set up for Success. The funds will support providers and services that cater for vulnerable or disadvantaged three-year-old children.
- 25 more youth and social workers will be employed at a cost of \$7.4 million over the next four years to provide early intervention and support for students and their families.
- \$445,000 to provide ongoing free and confidential legal advice to public college students, in response to pandemic related domestic and family violence increases.

### Climate Change

\$63 million will be spent over the next four years to reduce emissions and to keep Canberra's bushland, suburbs, and waterways safe habitats for animals.

- \$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.
- \$14 million will go towards planting 54,000 new trees by 2024 in order to increase canopy by 2045.
- 5 new low-emissions vehicles will be added to the ACT Ambulance fleet.



## Business

In August 2021, the Government released its Jobs and Economic Recovery Plan (the Plan) which committed to achieving a jobs target of more than 250,000 in employment by 2025.

- In addition to over \$290 million in co-funded business support grants, \$46.5 million will go towards additional extension payments of \$10,000 for eligible employing businesses and \$3750 for non-employing business for the September 18 to October 15 2021 period. Larger businesses may be eligible to apply for a \$60,000 support grant.
- COVID-19 Tourism, Accommodation Provider, Hospitality, Arts and Events, and Fitness Industry Grants of up to \$25,000 will be awarded to eligible businesses.
- A further \$6 million will be allocated to waive rents for eligible community and business tenants of ACT government-owned properties between September 1 to December 31 2021.
- \$920,000 towards a specific Aboriginal and Torres Strait Islander business support package.

## **Further information**

For more information, please contact your Hawker Britton consultant Simon Banks on +61 419 638 587.