

2.1 BUDGET AND FINANCIAL PROJECTIONS

2011-12 Budget Net Operating Balance and Forward Estimates

One of the key financial objectives for the Government is to achieve an operating surplus: temporary deficits must only occur if they are offset by surpluses at other times. The Budget is in deficit in 2012-13.

Following the global financial crisis, the Government accepted deficits over the period 2009-10 to 2014-15 as part of its Budget Plan. Return to surplus was targeted for 2015-16.

The Budget forecasts a surplus in 2015-16, consistent with the original Budget Plan target.

Since the 2011-12 Budget, the Net Operating Balance has deteriorated. Aggregate revenues have reduced from the previous forecasts, relating mainly to commercial activities in land development and supply. Returns on investments in the financial markets and interest earnings have also decreased.

Aggregate expenses have been impacted by the valuation of superannuation liabilities, and the outcomes of wage negotiations.

In the context of the planned fiscal consolidation by the Commonwealth, and a moderating economy, the Government has accepted the further deterioration in the Budget Net Operating Balance.

Total revenue for the 2011-12 estimated outcome is marginally higher than the original budget. This is mainly due to the bringing forward of a number of Commonwealth Grants from future years into 2011-12, including the Financial Assistance Grants, Constitution Avenue and funding for the National Arboretum Canberra.

The underlying revenue (including the long term gains on superannuation investments) is flat. This is mainly due to the delays in revenue returns from the land release program, and decrease in interest earnings.

Expenditure growth in 2012-13 is 5.3 per cent, reflecting new policy initiatives and wage outcomes. Around 1 per cent of this growth relates to rollover of expenditure across the years.

The Net Operating Balance in 2012-13 is \$318.3 million, improving across the forward years due to saving measures, and expenditure growth being constrained below the revenue growth rate.

To further assist in the alignment of revenue and expenditure trajectories, the 2012-13 Budget incorporates additional saving measures of around \$27 million in 2012-13, increasing to \$61 million in 2015-16, or around 1¼ per cent of the total expenses.

Across the Budget and forward estimates period, new savings total \$180.5 million and fully offset new recurrent initiatives. Further detail on savings is provided in Chapter 1.6 and Chapter 6.3.

The underlying revenue grows across the budget and forward estimates at 4¾ per cent, compared to the expenditure growth of 4 per cent.

The gradual and sustained adjustment continues to be a key feature of the Government's Plan, which ensures that no sharp and unnecessary adjustments are made, infrastructure investment continues to support the economy and jobs and priority services to the community are preserved, and in fact, enhanced where necessary.

Table 2.1.1 below provides the Headline Net Operating Balance for the 2011-12 estimated outcome, the 2012-13 Budget and the forward estimates.

Table 2.1.1
2012-13 Budget - GGS Headline Net Operating Surplus/Deficit

	2011-12 Est.Outcome \$m	2012-13 Budget \$m	2013-14 Estimate \$m	2014-15 Estimate \$m	2015-16 Estimate \$m
Revenue	3,994.0	3,951.7	4,260.2	4,530.6	4,746.8
Expenses	4,126.9	4,347.4	4,477.3	4,673.9	4,818.7
UPF Net Operating Balance	-132.9	-395.7	-217.1	-143.3	-71.9
Expected Long Term Capital Gains on Superannuation Investments	7.4	77.4	86.9	92.0	97.0
HEADLINE NET OPERATING BALANCE	-125.5	-318.3	-130.2	-51.3	25.2
<i>Less: Impact of the Commonwealth Contribution to Majura Parkway</i>	0	0	50.0	64.5	20.0
UNDERLYING NET OPERATING BALANCE	-125.5	-318.3	-180.2	-115.8	5.2

Note: Numbers may not add due to rounding.