

CHAPTER 2

FISCAL STRATEGY

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2.1 BUDGET OUTLOOK

2015-16 Budget Overview

The 2015-16 Budget is *For Canberra*. It continues to deliver core services such as health, education, community and emergency services, and justice, and is investing in the future through new and ongoing infrastructure projects that will renew our city and contribute to economic growth and employment.

The forecast Headline Net Operating Balance in 2015-16 is a deficit of \$407.6 million, with increasingly smaller deficits expected in 2016-17 and 2017-18 before the budget returns to surplus in 2018-19.

Table 2.1.1 below provides estimates for the Headline Net Operating Balance over the forward estimates.

Table 2.1.1
General Government Sector Headline Net Operating Balance

	2014-15 Est. Outcome \$'000	2015-16 Budget \$'000	2016-17 Estimate \$'000	2017-18 Estimate \$'000	2018-19 Estimate \$'000
Revenue	4,491,504	4,609,541	4,870,140	5,056,550	5,258,508
Expenses	5,217,471	5,148,547	5,140,234	5,287,311	5,401,827
Superannuation return adjustment ¹	128,578	131,440	154,022	179,596	193,660
HEADLINE NET OPERATING BALANCE	-597,389	-407,566	-116,072	-51,165	50,341
HEADLINE NET OPERATING BALANCE (excluding the Asbestos Eradication Scheme)	-210,941	-348,994	-104,734	-41,645	58,681
Net Cash from Operating Activities	-14,699	-5,879	352,547	420,415	646,583
Net Debt (excluding superannuation)	1,347,994	2,425,710	2,848,612	3,130,016	2,867,342
Net Financial Liabilities	4,641,805	5,663,926	6,140,969	6,432,291	6,247,858

Notes: Table may not add due to rounding.

1. The Headline Net Operating Balance incorporates the impact of long-term superannuation investment earnings to provide an accurate assessment of the longer-term sustainability of the budget position. Further details are provided later in this chapter.

The Government's balance sheet remains strong with net worth forecast to be \$16.5 billion and net debt expected to be \$1.3 billion at 30 June 2015.

The Context of the 2015-16 Budget

In the past two years, there have been a number of significant fiscal and economic shocks which have adversely affected the ACT Budget. Last year, the Commonwealth Government announced that it would not only progressively contract spending, but it would also substantially reduce the number of its employees. In addition to these indirect negative impacts on the ACT, the Commonwealth also reduced the Territory's expected National Health Reform Agreement (NHRA) funding by approximately \$248 million over four years.

Table 2.1.2 provides a summary of the direct impact of decisions, announced in the 2015-16 Commonwealth Budget, on the ACT.

Table 2.1.2
Summary of the direct impact of Commonwealth Government funding on the ACT Budget

	2014-15	2015-16	2016-17	2017-18
	Estimated	Estimate	Estimate	Estimate
	Outcome			
	\$'000	\$'000	\$'000	\$'000
National Health Reform Agreement grants ¹	15,549	-19,693	-50,264	-116,732
Financial Assistance Grants (Local Government) ²	36	-81	-104	-175
General Revenue Assistance ²	-247	-133,290	-130,555	-90,674
Other grants ³	321	9,600	27,223	38,261
Total	15,659	-143,464	-153,700	-169,320

Notes: Table may not add due to rounding.

1. ACT Treasury estimate of the difference between guaranteed funding under the National Health Reform Agreement and funding announced in the 2015-16 Commonwealth Budget.
2. For further information on Financial Assistance Grants and General Revenue Assistance, refer to Federal Financial Relations (Chapter 7).
3. Other grants include National Special Purpose Payments (excluding Health) and National Partnership Payments (excluding Financial Assistance Grants). Additional funding mainly reflects increased assistance for DisabilityCare Australia and ARI financial incentives (ACT Treasury estimates).

The Commonwealth has not increased the pace of its fiscal consolidation announced in its 2014-15 Budget. Nonetheless, the 2015-16 Budget has again been framed in an uncertain environment with further funding reductions from the Commonwealth, this time a reduction of nearly \$560 million over four years in relation to our Goods and Services Tax (GST) revenue as a result of a Commonwealth Grants Commission review of relativities.

This, combined with the Asbestos Eradication Scheme, announced as part of the 2014-15 Budget Review at a net cost of up to \$400 million, will put pressure on our public finances over the short-term. The Territory is meeting the net cost of the Asbestos Eradication Scheme after the Commonwealth reneged on a cost sharing arrangement which was set out in the 1991 Memorandum of Understanding between the two Governments on this matter. The Memorandum of Understanding stipulated that costs above \$30 million would be apportioned \$2 to \$1 by the Commonwealth and Territory, respectively.

The prudent financial management of the Government has to some extent mitigated the impact of these shocks. In particular, the Government has bolstered the balance sheet through past operating surpluses and targeted investments. This laid a solid foundation and provided the Government with sufficient capacity to reduce the effect of the series of economic shocks that have adversely impacted the ACT economy and budget over the past two years.

Health services in particular have been negatively affected as a result of the cuts in 2014-15 to the health funding guaranteed by the previous Commonwealth Government. While the ACT Government decided to maintain the level of funding allocated to health services in 2014-15 and again in 2015-16 – effectively funding these Commonwealth cuts from its own budget – in the longer-term the ACT Government will be forced to reduce growth from historic growth in Commonwealth funding of around 11 per cent to around 5 per cent per annum, consistent with the revised Commonwealth funding arrangements.

To continue to provide stability to the ACT economy, the Government has not cut programs nor reduced services. Rather, it is supporting and stimulating the Canberra community by continuing to fund existing services and introducing a range of new initiatives in the 2015-16 Budget. This approach, while necessitating deficits in the short term, aims to boost employment and bolster the economy through targeted spending initiatives.

The return to a surplus from 2018-19 is consistent with the Government's commitment to maintain sound public finances and a strong balance sheet.

Headline Net Operating Balance

The Government is forecasting a headline net operating deficit of \$407.6 million in 2015-16, an increase of \$157.8 million from the deficit of \$249.8 million that was forecast in the 2014-15 Budget Review. This movement reflects a forecast increase in expenses of \$94.1 million and an expected decrease in revenue of \$79.9 million.

Table 2.1.3 provides an overview of variations in the General Government Sector (GGS) Headline Net Operating Balance (HNOB) since the 2014-15 Budget.

Table 2.1.3
Summary of Movements in the GGS HNOB from the 2014-15 Budget

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
2014-15 Budget	-332,835	-117,803	-26,276	77,470
Revenue	33,363	35,372	14,848	1,521
Expenses	-82,496	-17,726	-7,674	-1,163
Asbestos Eradication Scheme	-384,613	-141,760	-5,148	1,009
Superannuation Return Adjustment	-3,887	-7,835	1,410	1,521
2014-15 Budget Review	-770,468	-249,752	-22,840	80,358
Commonwealth Grants ¹	1,208	-137,599	-133,163	-136,191
Revenue				
Policy Decisions	0	14,234	21,607	31,621
Technical Adjustments	50,190	38,297	22,937	-76,475
Expenses				
Policy Decisions	0	-123,998	-66,922	-25,305
Technical Adjustments	104,710	-48,038	48,245	49,510
Asbestos Eradication Scheme	-1,835	83,188	-6,190	-10,529
Superannuation Return Adjustment	18,806	16,102	20,254	35,846
2015-16 Budget	-597,389	-407,566	-116,072	-51,165
HNOB excluding the Asbestos Eradication Scheme				
2014-15 Budget Review	-385,855	-107,992	-17,692	79,349
2015-16 Budget	-210,941	-348,994	-104,734	-41,645

Notes: This table may not add due to rounding.

1. Includes general revenue assistance, financial assistance grants and municipal grants only. National Partnerships and Special Purpose Payments are included under technical adjustments.

Table 2.1.4
Summary of major technical adjustments since the 2014-15 Budget Review

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Revenue				
ACTTAB Licence Fees	46,790	0	0	0
Conveyance duty parameters	-3,574	-6,477	-11,075	-14,463
Icon Water dividend and income tax equivalent	-3,040	-10,118	-1,409	-15,966
LDA dividend, income tax equivalent and contributed assets	851	45,093	45,096	158
Payroll tax parameters	5,092	11,788	10,486	8,939
Superannuation Provision and Territory Bank Account earnings	-1,552	2,153	-7,097	-10,490
Other parameters and technical adjustments	5,623	-4,142	-13,064	-44,653
Total Revenue Technical Adjustments	50,190	38,297	22,937	-76,475
Expenses				
ACTIA liabilities – actuarial update	41,418	-10,836	1,762	4,738
Revised funding profiles and rollovers	45,629	-58,390	-5,869	-4,451
Treasurer's advances	-11,953	0	0	0
Other parameter and provision adjustments	22,450	31,393	51,134	57,335
Other technical adjustments	7,166	-10,205	1,218	-8,112
Total Expenses Technical Adjustments	104,710	--48,038	48,245	49,510

Revenue

The Government is forecasting revenue of \$4.6 billion in 2015-16, a reduction of \$79.9 million since the 2014-15 Budget Review. This lower revenue forecast reflects the following reductions:

- Commonwealth grant revenue for GST relativities (\$137.6 million);
- Icon Water dividend and income tax equivalent (\$10.1 million); and
- an expected fall in conveyancing duties (\$6.5 million).

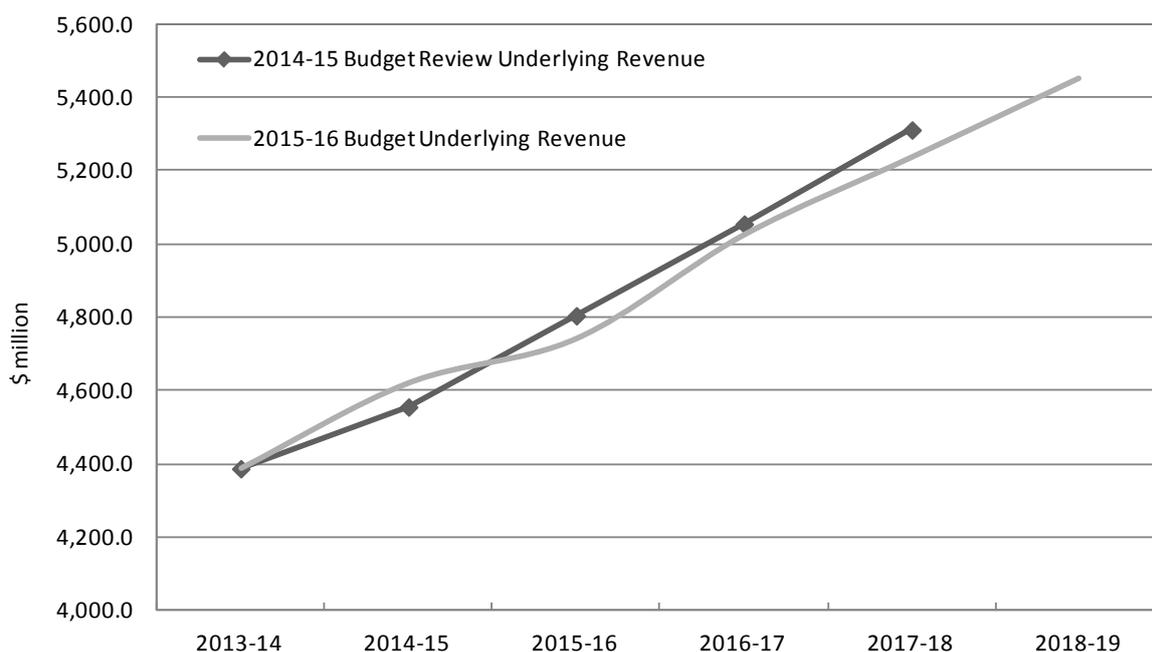
These forecast reductions in revenue are partially offset by expected increases in:

- revised dividend and income tax equivalents from the Land Development Agency (\$45.1 million);
- the policy impact of Government decisions (\$14.2 million);
- an increase in payroll tax due in part to growth in employment and wages in relevant sectors of the ACT economy and the payroll tax harmonisation initiative which commenced on 1 January 2015 (\$11.8 million); and
- investment earnings from the Superannuation Provision Account (\$7.8 million).

Across the Budget and forward estimates period, underlying revenues (which exclude the one-off ACTIA actuarial update) are forecast to grow at 4.5 per cent per annum, 0.8 percentage points lower than expected at the time of the 2014-15 Budget.

Figure 2.1.1 depicts a comparison between the underlying revenue in the 2014-15 Budget Review and the 2015-16 Budget.

Figure 2.1.1
Underlying Revenue, 2014-15 Budget Review and 2015-16 Budget



Expenses

The Government is forecasting expenses of \$5.1 billion in 2015-16, an increase of \$94.1 million since the 2014-15 Budget Review. This increase largely reflects:

- policy initiatives to invest in Canberra and support the ACT economy and jobs (\$124.0 million); and
- the reprofiling and rollovers of agency expenses, including those associated with capital works (\$58.4 million).

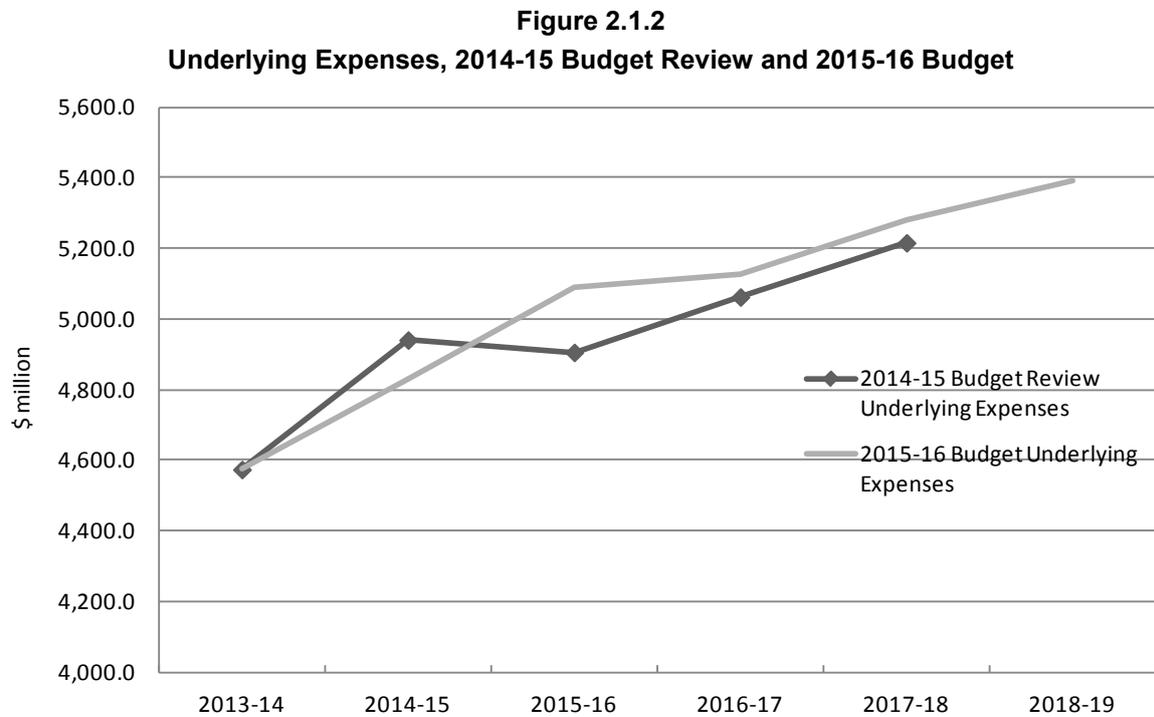
These forecast increases in expenses are partially offset by expected decreases arising from updating the accounting treatment of the Asbestos Eradication Scheme (\$83.2 million).

The 2015-16 Budget also contains \$45.2 million in savings over four years which will mainly arise from the benefits of procurement and administrative efficiencies across the ACT Public Service. This will allow the Government to redirect funding to areas of high priority.

The most significant policy decisions by the ACT Government include additional investment in health services (\$101.2 million) over the four years – managing demand for acute services, boosting community mental health services, expanding access to elective surgery and medical treatment, and the improved integration of hospital and community services – which are all offset by the provision for future health expenditure, and boosting operational capacity for government agencies such as the Emergency Services Agency (\$15.6 million) over the four years and ACTION (\$17.2 million) in 2015-16.

Across the estimates period, compared to the 2014-15 Budget underlying expenses (which excludes the Asbestos Eradication Scheme) are forecast to grow at an annual average rate of 2.8 per cent. This growth reflects targeted spending focussed on areas of service delivery where the Government believes it can meet the Territory’s priority needs and also deliver maximum economic benefit.

Figure 2.1.2 depicts a comparison between the underlying expenses in the 2014-15 Budget Review and the 2015-16 Budget.



2.2 FISCAL STRATEGY

Fiscal Strategy

The Government remains committed to a fiscal strategy that establishes an objective of achieving an operating balance over time by offsetting temporary deficits with surpluses in other periods, and focuses on managing the public finances of the Territory responsibly.

In a practical sense, this strategy aims to achieve net operating surpluses over the medium term, make targeted investments to achieve economic growth, manage the ACT's balance sheet in a prudent manner, maintain taxation revenues at sustainable levels, and support the Canberra economy while delivering the high quality services needed by the community. The ACT's credit rating, which is currently assessed as triple-A stable – one of only three States and Territories to hold this rating in Australia – is collectively influenced by these factors.

The principles underlying the 2015-16 Budget strategy include:

- supporting and boosting the ACT economy in the short term, with particular focus on creating jobs and continuing to deliver appropriate services to the community;
- sustaining a strong operating balance over the medium term; and
- continuing to invest in important infrastructure projects to allow the Canberra community to enjoy the benefits of these assets in the longer-term.

The Government's immediate focus is restoring confidence in the people and businesses of the ACT as the economy recovers from the Commonwealth's fiscal consolidation and revenue reductions. Notwithstanding the significant impact that the diminished GST and health funding will have on the ACT's finances, the Government's objective is to boost employment and maintain delivery of essential services.

This shorter-term priority does not detract from the Government's commitment to return to a net operating balance in the longer-term but, with lower Commonwealth grants to assist the funding of the services that the Canberra community needs, the Government must continue to support and stimulate the ACT economy and thereby secure its economic future.

The Government has again demonstrated its fiscal responsibility by including provisions in the 2015-16 Budget for major, commercially sensitive, projects. These adjustments ensure that the balance sheet and net operating balance in each of the forward years take account of long-term investments such as Capital Metro and the new Law Courts rather than waiting until the projects are contracted by the Government and about to commence.

While our debt is forecast to increase over the budget and forward years, it remains contained and targeted towards the funding of these important capital projects. It is not being used to fund the delivery of services or wages and, as these borrowings will be directed towards productive infrastructure projects, they will create employment opportunities, improve services and generate long lasting benefits for our citizens. Furthermore, our net debt remains at prudent levels as a share of Gross State Product and is broadly in line with other jurisdictions.

The growth in our operating cash balance over the forward years will provide a strong base to reduce our debt after the budget returns to surplus following this very important period of investment.

The Government's fiscal strategy can be grouped into five high level objectives:

- sustainable economic growth;
- sound public finances;
- quality and efficient services;
- sustainable taxation revenue; and
- a strong balance sheet.

By adhering to these five objectives, the Government will continue to allow short-term responsiveness to economic conditions, manage debt prudently, and fully fund the Territory's unfunded superannuation liability by 2030. It will strive to maintain a triple-A credit rating in the long term and, while recognising that the current and planned level of investment will lead to an expansion of the Territory's balance sheet in the short to medium term, it will be a catalyst for a better future for our modern and evolving city.

Sustainable Economic Growth

The Government continues to demonstrate its commitment to building a productive and competitive economy through targeted investments that support economic growth.

While the reduction in Commonwealth public sector employment and cuts to our revenue by the Commonwealth Government have delayed our timeframe for returning the budget to surplus, the temporary deficits over the next three years reflect the Government's investment in jobs and services.

The Government is supporting jobs and the economy by investing in programs and infrastructure that will modernise and benefit our city. Historic capital works in education, health, the courts, public amenities, public transport, roads and car parks will boost employment and provide ongoing quality services for the people of Canberra.

The return to surplus reflects the fact that sustainable public finances are a necessary factor for long-term economic growth and stability.

The Government's Infrastructure Investment Program will be supported by the sale of existing assets. Where it is in the community's interest, the sale of assets will create capacity on the Territory's balance sheet and help deliver services and facilities for Canberrans. This approach will be 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 Government has already sold ACTTAB as part of this program and will divest itself of further assets such as ageing public housing stock and government office buildings in 2015-16. Consistent with past practice, the Government has included a provision in the budget for future asset sales.

The Government is supporting private sector investment through programs to develop Canberra as a place to do business. Programs to support local business, encourage tourism, stage international sporting events, promote business opportunities and encourage innovation, will broaden and strengthen our economy.

Sound Public Finances

Headline Net Operating Balance

The Government's objective is to achieve a net operating balance over the medium to long term. However, given the fragile state of the ACT economy in the wake of the Commonwealth's job cuts and significant reductions to our GST revenue, the Government sees its priority in the shorter-term as bolstering the ACT's economic future, particularly supporting and creating job opportunities.

In 2015-16, the Headline Net Operating Balance is forecast to be in deficit by \$407.6 million. This balance is estimated to improve progressively each year until 2018-19 when the budget is forecast to return to surplus. This is consistent with the Government's fiscal strategy and clearly signals the Government's intention to support the economic development and wellbeing of the Territory both now and in the future.

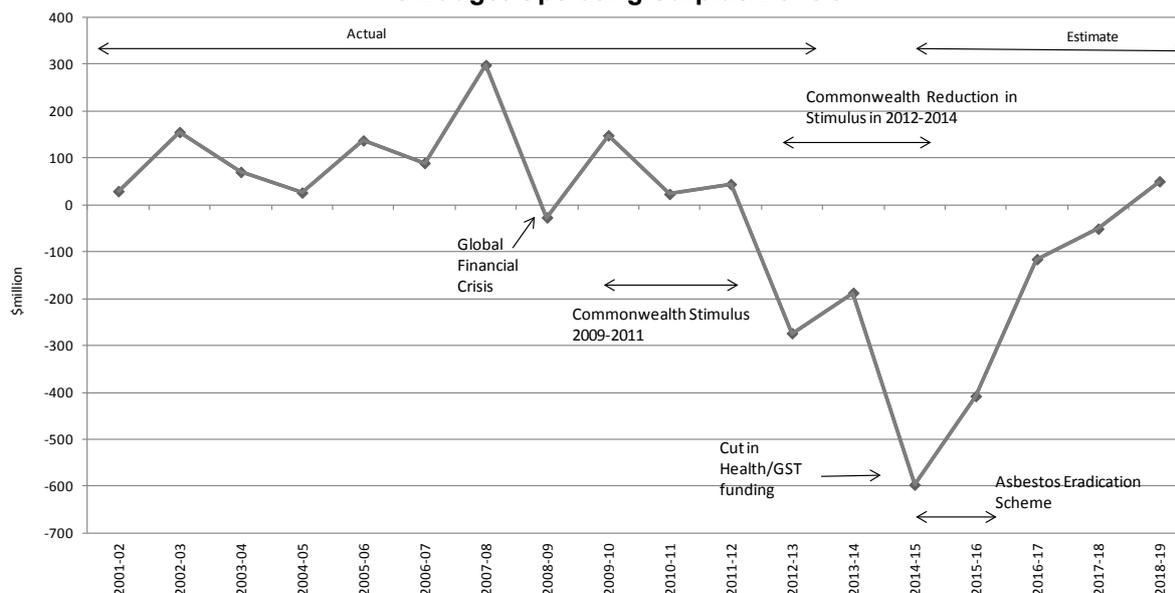
Figure 2.2.1 depicts the Government's longstanding history of prudent and targeted decision-making, demonstrated by a significant period of net operating surpluses.

On those occasions when the Government has decided to go into deficit, it has largely been in response to external events beyond its direct control. In particular, the Global Financial Crisis in 2008 – which led to the sharpest slowdown in the world economy since the great depression of the 1930s – resulted in a budget deficit in 2008-09.

Similarly, the unwinding of the Commonwealth stimulus package in 2012-13 had a significant impact on both the ACT economy and government finances while reductions in health and hospital funding in 2014-15, together with sizeable Commonwealth public sector staffing cuts, further impacted on our fiscal situation. The 2015-16 Budget sees further reductions in Commonwealth grants with GST revenue falling by \$558.9 million over the budget and forward years as well as the financial burden of the Asbestos Eradication Scheme, notably repayment of the \$1 billion loan from the Commonwealth.

In each of these circumstances, the focus of the Government has been to support the economy and jobs through targeted spending initiatives and to endeavour to return the budget to balance as soon as practicable.

Figure 2.2.1
The Budget Operating Surplus/Deficit



Note: The Net Operating Balance is presented on an Australian Accounting Standards (AAS) basis up until 2005-06 and reflects the Annual Consolidated Financial Statements. From 2006-07, the Net Operating Balance is presented on a Headline basis, the ACT's key fiscal indicator. This indicator is a representation of the AAS Net Operating Balance from transactions adjusted for the investment return differential on superannuation investments. The Headline Net Operating Balance is not available prior to 2006-07.

The Headline Net Operating Balance (HNOB), which is the ACT Government's key measure of the public finances, includes an adjustment for long-term expected superannuation investment earnings (consistent with the long-term expected return objective of CPI plus 5 percentage points). This presentation has been adopted in the ACT Government's Budget Papers since 2006-07, and the consistent and continued use of the HNOB for budget purposes ensures that comparable, comprehensive and informed assessments can be made of the Territory's financial performance over time.

The rationale for the use of this measure is that it takes into account the full impact of the long-term expected earnings on financial investment assets dedicated to fund and support the accruing costs associated with servicing the Government's long-term defined superannuation obligations. As superannuation expenses will be paid over the next 40 to 60 years, the objective of the Government's financial investment assets held in the Superannuation Provision Account is to fund these future cash payments. The inclusion of the full amount of the long-term investment earnings is therefore considered necessary to provide an accurate assessment of the longer term sustainability of the budget position.

On this basis, the Government considers that the HNOB provides the most relevant and meaningful information for making long-term budget and resource allocation decisions.

To adhere to its fiscal strategy, maintain fiscal discipline and return the budget to balance, the Government has partially offset the cost of its new initiatives in this Budget with savings and revenue proposals. Savings are necessary in light of the Government's strategic objective of achieving net operating surpluses over the longer term, and retaining some degree of capacity to accommodate a change in policy position should it be necessitated by a shift in economic circumstances. Details on the revenue initiatives can be found in Chapter 3.4 while information on savings can be found in Chapter 4.2.

Operating Cash Surplus

The operating cash balance measures all operating cash receipts each year (for example, taxes, fees and fines, and operating grants from the Commonwealth Government) less all operating cash payments (including wages and salaries, cash superannuation payments and payments for goods and services).

The Government is committed to maintaining operating cash surpluses in the GGS on the basis that a strong operating cash balance ensures that there is sufficient cash generated from operations to cover the net outlay of the capital investment, to repay debt, and to put aside to address unfunded superannuation liabilities.

The GGS net operating cash is expected to be negative in 2014-15 and 2015-16, returning to surplus in the remaining three forward years. The initial deficit cash position is largely caused by the outlays under the Asbestos Eradication Scheme.

Quality and Efficient Services

The Government aims to deliver more efficient and productive public services, and remains committed to delivering high quality services to the community.

In delivering for Canberra, this Budget will continue to invest in the provision of necessary services including public transport, education and healthcare to ensure that appropriate service quality is retained while being delivered in an efficient manner. To augment existing services, the Government will implement a transport reform package and expand municipal services in new suburbs. It will support teachers to allow them to be more effective and provide assistance for students with disabilities.

The Government will also expand access to women's and children's services, elective surgery and medical treatment, and improve the integration of hospital and community services. Community mental health services will be boosted and the demand for acute services managed more effectively. There will be strategies to support dying at home and the Government will invest in specialist drug treatment services.

The ACT community will be reassured that the capacity for a number of particularly important operational areas are being enhanced; these include the Emergency Services Agency (see further details below), ACT Policing, and the ACT Supreme Court.

As part of its regular review of its own structures and processes in order to identify ways of delivering services more efficiently, the Government has created Access Canberra in the Chief Minister, Treasury and Economic Development Directorate. This unit will combine customer and regulatory services into a single entry point for the community and businesses. It will work with policy and administrative areas to reduce red tape and deliver coordinated, integrated services for permits, licences and applications.

To enable Access Canberra to provide digital solutions for ACT agencies, the Government is providing funding, as part of the 2015-16 Budget, to invest in systems which will facilitate efficiency gains and boost public sector productivity. Similarly, there is a service-wide feasibility study to modernise the information and communication technology across the ACT network.

Expenditure Review Committee

There were a number of reviews conducted under the auspices of the Expenditure Review Committee of Cabinet which have informed the 2015-16 Budget – the Emergency Services Agency, ACTION and the Concessions Program.

Emergency Services Agency

The review of the Emergency Services Agency (ESA) was undertaken to inform the Government of issues around service delivery, standards and sustainability. This followed significant cuts by the Commonwealth Government to the Commonwealth Fire Payment, and one-off investments in previous budgets to support operational capacity.

The outcome of the Government's consideration of this review is that ESA's operational capacity is being supported by supplementation of \$15.6 million over four years in the 2015-16 Budget. This funding will allow ESA to maintain the quality and effectiveness of its services and ensure it has capacity to maintain its operational capabilities at the current levels for response standards. ESA will also progress a number of reforms aimed at improving its future sustainability by delivering an increasingly efficient and high quality service.

ACTION

A review of ACTION was commissioned following significant ongoing cost pressures requiring funding supplementation. The review identified options for improvements to ACTION's business practices that would enhance public transport bus services in the ACT while placing them on a sustainable financial footing.

The outcome of the review is that the Government will provide additional funding of \$17.2 million for ACTION in 2015-16 to meet the cost of delivering public transport services to the community. The Government will consider longer-term funding subject to the outcomes of business improvements outlined in the review, and within the broader context of the Government's public transport reform agenda.

Concessions

A review of the ACT Concessions Program was undertaken to explore options to improve the effectiveness and overall sustainability of the program while continuing to support those most in need. The review was undertaken following cuts to the Concessions Program by the Commonwealth Government, and a period of higher than forecast growth in the cost of the Program, averaging around nine per cent per annum between 2008-09 and 2013-14.

The review examined the nature, eligibility, usage and costs of the ACT Concessions Program, the current and future demand profiles for concessions, and the impacts on the ACT Budget in the context of current fiscal pressures.

The outcomes from the Government's consideration of the review is the provision of additional funding of \$6.9 million in 2015-16 to meet the Program's expected costs while community consultation is undertaken during 2015-16 on a range of options to ensure the Concessions Program is sustainably funded and appropriately targeted.

Sustainable Taxation Revenue

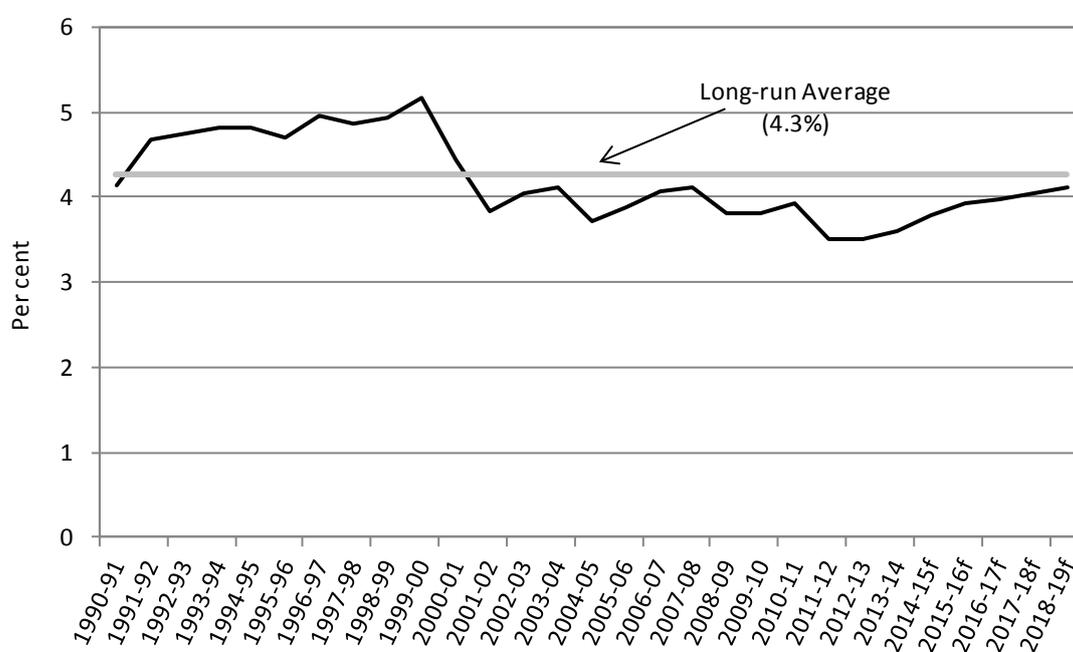
The Government is committed to making the Territory's taxation system fairer, simpler and more efficient. Importantly, the Government's fiscal strategy also depends on ensuring taxation revenue is at sustainable levels.

The significant reforms to the Territory's taxation system, which began in 2012-13, have been continued in the 2015-16 Budget. Under this program of reform, the Government is abolishing conveyance duty and insurance duty and replacing the revenue through the collection of general rates. This approach will preserve the capacity for the Government to deliver public services in the future, while reducing the impact of inefficient taxes on the economy.

Following the implementation of these reforms, taxation revenue in 2015-16 is expected to be \$1.5 billion, or 3.9 per cent of nominal Gross State Product (GSP).

Figure 2.2.2 presents the Territory's taxation revenue relative to nominal GSP.

Figure 2.2.2
Taxation Revenue as a Share of Nominal GSP



Source: ABS Cat No. 5220.0; Chief Minister, Treasury and Economic Development Directorate.

The taxation initiatives announced in the 2015-16 Budget are those necessary to ensure that the Government is able to deliver quality public services, while continuing its commitment to reform the Territory's taxation system. Details of these revenue initiatives can be found in Chapter 3.4.

Strong Balance Sheet

The ACT Government continues to have a strong balance sheet, both in absolute terms and relative to other jurisdictions, providing the Government with the flexibility to invest in high priority infrastructure projects.

Net Debt

Net debt is a key balance sheet measure in the Government Financial Statement (GFS) framework. It takes gross debt liabilities as well as financial assets (such as cash reserves and investments) into account.

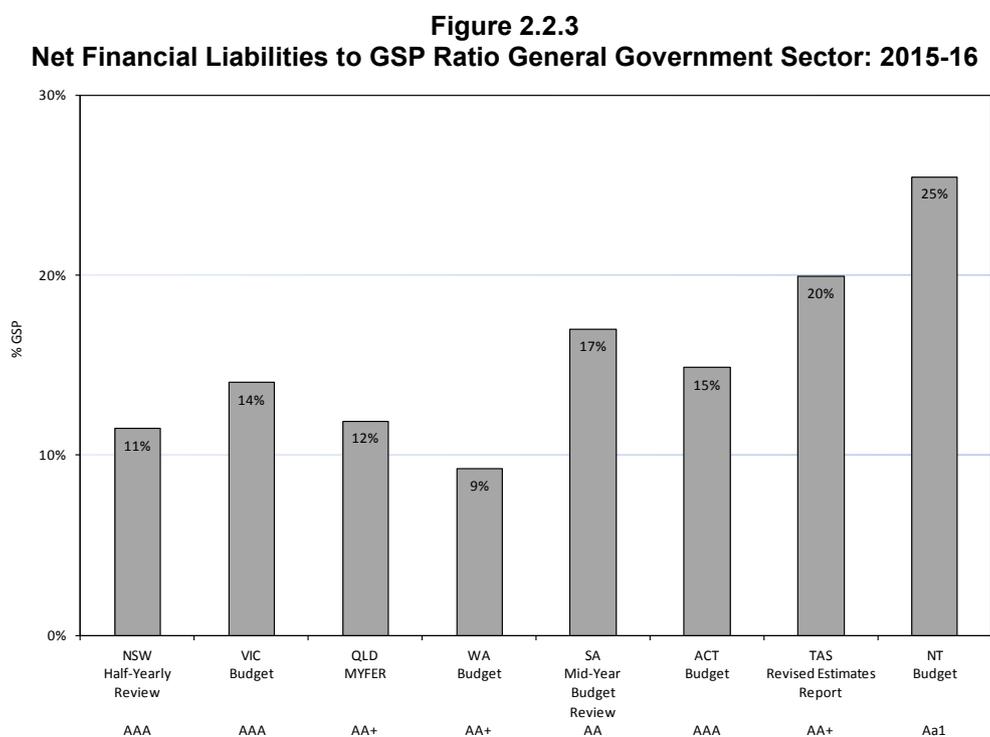
General Government Sector net debt, as a percentage of GSP, is estimated to be 6 per cent in 2015-16 compared with the 2014-15 estimated outcome of 4 per cent.

Net Financial Liabilities

Net financial liabilities are a broad measure of General Government Sector liabilities, including net debt and superannuation liabilities. The net financial liability to GSP ratio is estimated to be 15 per cent in 2015-16 compared with the 2014-15 estimated outcome of 13 per cent.

Net financial liabilities are calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets, but excludes the value of equity held by the General Government Sector in public corporations (for example, Icon Water).

Figure 2.2.3 below compares the ACT's net financial liabilities as a proportion of GSP with other jurisdictions. The ACT remains broadly in line with other AAA rated jurisdictions.



Source: The inter-jurisdictional data utilised in this comparison is taken from each jurisdiction's most current Budget documentation. Differing sources have been employed as not all jurisdictions have released their 2015-16 Budgets. Nominal GSP has been calculated based on jurisdictions' most recent budget publications. In some instances assumptions based on growth factors have been applied.

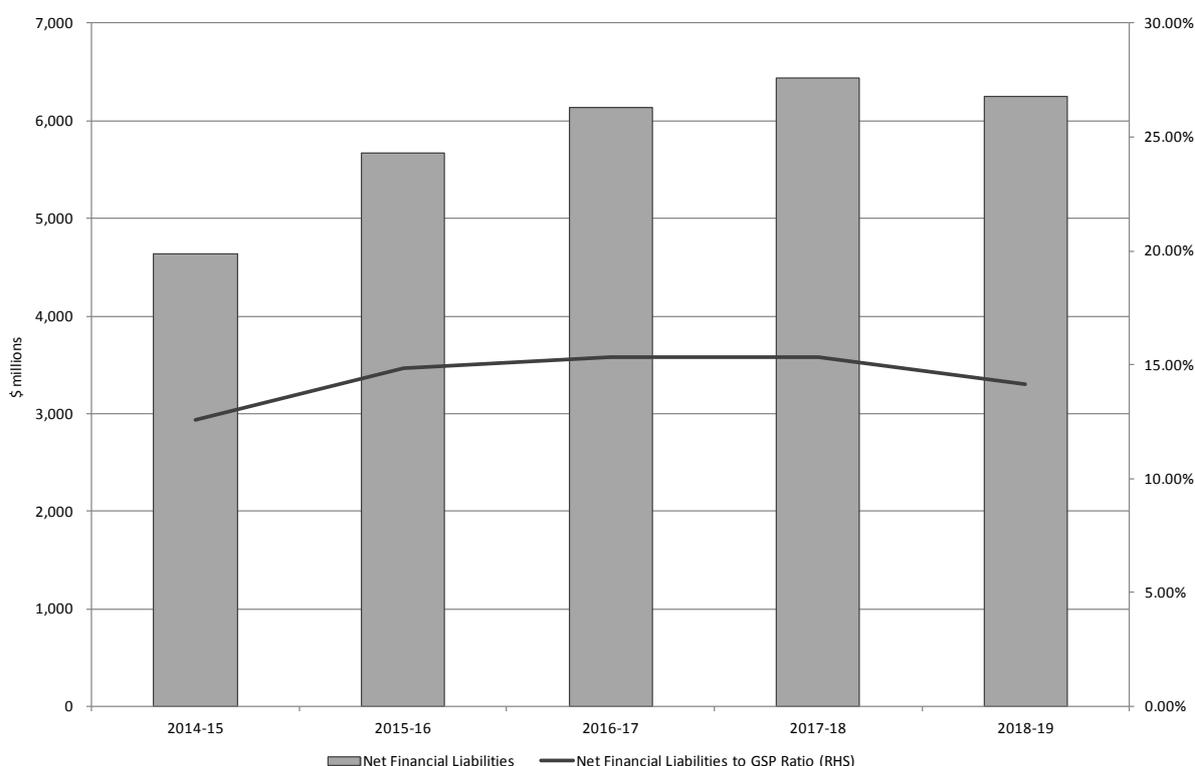
There is general acceptance of the proposition that governments with strong balance sheets can responsibly incur some debt - provided it is used to finance high quality assets in areas of community need. Such assets (for example, public transport, new roads, schools and hospital facilities) generate benefits to the community over a long period of time, offsetting the cost of the borrowing. It is important, however, that the level of debt remains sustainable.

An indicator of that assessment is the ratio of net financial liabilities to GSP. While this ratio is subject to volatility (in particular, net financial liabilities can fluctuate - sometimes substantially - depending on the condition of financial markets), it is desirable that it remains broadly stable over time while maintaining sustainable levels of borrowings.

The 2015-16 Budget and forward estimates anticipate a net increase in General Government Sector borrowings for capital purposes of \$1.2 billion (excluding the Commonwealth loan supporting the Asbestos Eradication Scheme) by 2018-19. The continued investment in infrastructure, funded by debt, as required, will strengthen the ACT economy and enhance service delivery for ACT residents. This trend in debt is a major driver in the level of net financial liabilities as displayed below at Figure 2.2.4.

As noted in the introduction, this arrangement is possible and sustainable through the strength of the Territory's balance sheet. Over time, net financial liabilities as a share of GSP will decline as the Government progressively reviews its asset base and divests assets that are no longer required.

Figure 2.2.4
General Government Sector – Net Financial Liabilities to GSP



Net Worth

The broadest measure of a jurisdiction's balance sheet is net worth, which measures the total value of all financial and non-financial assets less all liabilities. The ACT has strong positive net worth and, as a proportion of GSP, continues to be one of the strongest of all Australian jurisdictions. At the end of 2015-16, net worth is expected to be \$16.2 billion.

2.3 COST OF LIVING STATEMENT

In this Budget, the ACT Government sets out a plan to ensure Canberra remains the world's most liveable city, a place all Canberrans can be proud of, with a growing and diversified economy. The funding in this Budget for Canberra ensures we have the right services, facilities and infrastructure that our residents and businesses deserve and expect.

This year's Budget protects Canberra against the Commonwealth Government's fiscal consolidation, by safeguarding jobs for Canberra and growing the economy. The ACT is continuing to build new infrastructure, and plan for the Canberra of tomorrow through long-term projects by renewing and expanding our hospitals, schools and roads.

The ACT Government delivers a wide range of services and infrastructure for Canberrans, including schools, hospitals, public transport, municipal services, emergency services and community events. It also delivers services and programs to support the vulnerable and disadvantaged in our community, promote social inclusion, and ease cost of living pressures for those who need assistance.

While the Government is committed to supporting families and individuals through targeted assistance and concessions, there are a range of cost of living pressures that are outside the influence of the ACT Government. Examples include changes to interest rates, petrol prices, and decisions of independent pricing authorities.

This Cost of Living Statement provides five case studies of Canberra households. It outlines the effect of the ACT Government's taxes and charges and the various concessions available in 2015-16.¹ The impact of Commonwealth Government taxes, fees or concessions are not taken into account.

ACT Households

ACT residents on average are relatively younger, have a higher level of education and higher incomes than the rest of Australia. As at June 2014, 11.7 per cent of the ACT's population was 65 years of age or over, and 24.6 per cent were under 20 years of age.² At the 2011 Census, Canberra families had an average of 1.8 children, and 47 per cent of residents were married.

ACT residents are more engaged with the labour market than average Australians – the ACT has a workforce participation rate of 70.2 per cent compared to 64.8 per cent nationally. Of these, 73 per cent are working full-time and 27 per cent are working part-time.³ At the 2011 Census, median weekly household income for ACT families with children was \$3,060 while for the rest of Australia it was \$2,310.⁴ Wages in the ACT have continued to rise with the Wage Price Index, increasing by 1.8 per cent from the March quarter 2014 to the March quarter 2015, compared to 2.3 per cent nationally.⁵

The majority of households (67.3 per cent) own their own home, with or without a mortgage, while 30.6 per cent of households rent. The vast majority (91.8 per cent) of households own at least one motor vehicle.⁶

¹ As required under Section 11(1)(f) of the *Financial Management Act 1996*.

² Australian Demographic Statistics, Australian Bureau of Statistics Cat. No. 3101.0.

³ Labour Force – April 2015, Australian Bureau of Statistics Cat. No. 6202.0.

⁴ 2011 Census Australian Capital Territory STE QuickStats.

⁵ Wage Price Index - March quarter 2015, Australian Bureau of Statistics Cat. No. 6345.0.

⁶ 2011 Census Australian Capital Territory STE QuickStats.

ACT Government

Public services

The ACT Government continues to provide high quality public services across the Territory. Government expenditure on health services has increased by around 8.8 per cent per year over the decade to 2013-14, and expenditure on education by 5.4 per cent each year over the same period.⁷ The provision of these public services protects households from some cost of living pressures. For example, households with school age children in public education receive its benefit at little cost, and households using public medical services and facilities are significantly shielded from increases in the cost of health care. Table 2.3.1 below shows where ACT Government services and infrastructure are delivered.

Table 2.3.1
What your money delivers

Area of Expenditure 2015-16	\$ million	% of total	\$ per capita
Health	1,471.5	31	3,802
Education	1,123.9	24	2,904
Justice and Safety	483.3	10	1,249
Disability and Community Services	289.3	6	747
Territory and Municipal Services	275.5	6	712
Delivering Government Services	253.3	5	654
Environment, Sustainability and Land Management	232.5	5	601
Housing	160.2	4	414
Planning and Regulation	157.8	3	408
Public Transport	152.4	3	394
Events, Tourism and Investment	90.9	2	235
Sport and Recreation	53.5	1	138
Total	4,744.20	100	12,257

Source: Chief Minister, Treasury and Economic Development Directorate.

ACT Government taxes and fees

The ACT Government collects revenue directly via taxes and fees. This revenue is used to support the provision of high quality services and infrastructure to the community as detailed throughout the Budget papers. About 32 per cent of ACT Government revenue is derived from own-source taxation, and another 40 per cent is provided by the Commonwealth Government. Please refer to Revenue and Forward Estimates (Chapter 6.1) for more information on own-source taxation, and Federal Financial Relations (Chapter 7.1) for more information on Commonwealth grants. The remainder is derived from a range of other income sources including the sales of goods and services, interest and dividend income.

⁷Government Finance Statistics 2013-14, Australian Bureau of Statistics Cat. No. 5512.0.

The ACT Government generates most of its own-source revenue from taxes levied on businesses, households and investors. Taxes levied on businesses include payroll tax and general rates. Taxes levied on households include general rates on property. Businesses and households pay conveyance duty when purchasing property in the ACT. Annual fees are charged for the licensing and registration of motor vehicles. Investors who own residential properties are subject to land tax. Other administrative fees, charged on a one-off-basis, cover the costs of transactions and include such things as commemorative certificates and land title fees.

ACT Government taxation forms a small part of overall household costs. The most recent Australian Bureau of Statistics data shows average taxation per capita in the ACT compares favourably with other jurisdictions. The ACT per capita taxation of \$3,376 is below the Australian average of \$3,563.⁸

The ACT Government is continuing to implement the taxation reforms announced in the 2012-13 Budget. The reforms improve the overall fairness of the taxation system and set the Territory's taxation system on a more sustainable footing.

Utilities

The cost of providing gas, electricity and other utilities is largely outside the direct control of the ACT Government. These are generally determined by market forces and the decisions of independent pricing tribunals. Both international and domestic markets contribute to utility costs in the ACT.

Water and sewerage service charges and electricity charges are determined by the Independent Competition and Regulatory Commission (ICRC). Though the ACT Government is able to and does make submissions to the ICRC during the determination process, prices are set independently of the ACT Government. Natural gas prices are not regulated in the ACT. All utility charges incorporate the costs of factors of production, the impact of various Commonwealth, state and territory energy and environmental programs, as well as taxes and charges.

The ACT Government recognises that utility bills are a significant cost of living consideration for many households. That is why the ACT Government provides a range of utility concessions for eligible households.

A wide range of everyday living expenses are outside the direct influence of the ACT Government such as food and fuel prices. The Statement does not attempt to capture the impacts of these expenses.

Assistance to households through concessions

The ACT Government provides a wide range of concessions to households, to assist with living expenses such as general rates, utility bills, driver's licence fees, motor vehicle registration fees and public transport fares, as outlined in Table 2.3.2 below. Concessions are also available to eligible individuals for spectacles, assisted transport, the Taxi Subsidy Scheme and a range of other expenses. Information is available at the ACT Government's Assistance website: www.assistance.act.gov.au

⁸ Taxation Revenue, Australia 2013-14, Australian Bureau of Statistics - Cat. No. 5506.0.

**Table 2.3.2
ACT Government Concessions (2013-14)**

	No. of recipients	Cost \$'000
Energy and utility concession	28,530	12,146
Water and sewerage rebate	15,121	10,715
ACT Taxi Subsidy Scheme	3,103	1,513
ACT Spectacle Subsidy Scheme	10,419	1,450
Dental Services Scheme	18,178	9,706
Special Needs Transport	565	6,204
ACTION bus concession (number of trips)	5,250,000	7,673
Motor Vehicle Registration	36,417	3,544
Driver licence concessions	8,197	505
General Rates Rebate	14,221	8,664
First Home Owner Grant	1,850	14,683
Home Buyer Concession Scheme	1,129	9,868

Source: Chief Minister, Treasury and Economic Development Directorate.

A range of Commonwealth concessions and assistance programs are also available to offset eligible households' living costs; however these payments have not been included in the tables that follow.

Cost of Living Statement

Under Section 11(1)(f) of the *Financial Management Act 1996*, the Territory is required to provide a statement on the effect of Territory taxes and fees on households and the concessions that offset these taxes and fees.

The Government is mindful that in calculating the impact of taxes, fees and utility charges on a hypothetical household, it is not possible to capture the full range of household types, financial circumstances or specific usage patterns of government services. A number of household scenarios are presented as a basis for highlighting the differential impact for various household types and circumstances.

ACT Household Scenarios

The scenarios below present the estimated impact of Territory taxes, fees and utility charges and the concessions which offset them on five representative households. Other potential savings, which can reduce cost of living pressures, are also outlined.

Household One

Tabib and Ruby are a single income family renting in Monash. They have a household income of \$65,000 a year and access to Centrelink Health Care cards. Their daughter, Mirza, has a disability and the family currently receives support through the Community Services Directorate, their local school and other community organisations. Mirza has joined the National Disability Insurance Scheme (NDIS), which commenced in the ACT on 1 July 2014. The NDIS will fund reasonable and necessary supports including therapies, equipment and home modifications, as per the tailored plan of support.

Table 2.3.3 below shows the costs of taxes, fees and charges net of concessions and the percentage change from 2014-15 to 2015-16 for Tabib, Ruby and Mirza.

Table 2.3.3
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2015-16 on Household One

Government Taxes and Fees, and Utility Charges	Net of Concessions 2014-15 \$	Savings 2014-15 \$	Gross 2015-16 \$	Concessions 2015-16 \$	Net of Concessions 2015-16 \$	Change \$	Savings 2015-16 \$
Property							
Savings:							
Duty on contents insurance		-7.16					-7.52
Transport							
Fees: Drivers licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	1,646.22		2,357.25		1,684.77	38.55	
Concessions: ACTION fares				-672.48			
Savings:							
Reduction in duty on car insurance		-14.70					-15.44
Reduction from Rewards for Safe Driving		-6.68					-6.85
Utilities							
Fees: Electricity, natural gas	3,136.95		3,439.36		3,012.90	-124.05	
Concessions: Energy, utility				-426.46			

Source: Chief Minister, Treasury and Economic Development Directorate

Household Two

Laura and Sam are currently renting in Gungahlin and will buy their first house in Moncrieff in 2015-16. They plan to buy a townhouse for \$410,000. Their household income is \$120,000.

Laura and Sam will have access to the First Home Owners Grant which is valued at \$10,000 for the purchase of a new home. They will also be eligible for the Home Buyer Concession Scheme (HBCS) which will allow them to reduce conveyance duty on their home purchase from \$11,000 to \$20.

Laura works full time and Sam works part time while studying. Laura catches the bus to work, to save on parking costs. Sam cycles to work and university most days. Table 2.3.4 below shows the costs of taxes, fees and charges net of concessions and the percentage change from 2014-15 to 2015-16 for Laura and Sam.

**Table 2.3.4
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2015-16 on
Household Two**

Government Taxes and Fees, and Utility Charges	Net of Concessions 2014-15 \$	Savings 2014-15 \$	Gross 2015-16 \$	Concessions 2015-16 \$	Net of Concessions 2015-16 \$	Change \$	Savings 2015-16 \$
Property							
General Rates,	1,164.18		1,257.61		1,257.61	93.43	
Fire and Emergency Services Levy	130.00		196.00		196.00	66.00	
Savings:							
Duty on home and contents insurance and life insurance		-34.65					-36.39
Home Buyer Concession Scheme		-12,045.00					-10,980.00
First Home Owner Grant		-12,500.00					-10,000.00
Transport							
Fees: Drivers licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	2,338.50		2,391.51		2,391.51	53.01	
Savings:							
Reduction in duty on car insurance		-14.70					-15.44
Rewards for Safe Driving		-13.37					-13.70
Utilities							
Fees: Electricity, natural gas, water and sewerage	4,073.30		3,977.51		3,977.51	-95.79	

Source: Chief Minister, Treasury and Economic Development Directorate

Household Three

Diego and Aurelia live in their own home in Waramanga and both receive a full pension. Both have an ACTION Gold Concession Card which provides them with free travel on ACTION buses. Aurelia catches the bus to Woden most weekdays to volunteer, and twice a week they drive to the local community-run seniors groups.

If they downsize their home in 2015-16, they can access the Pensioner Duty Concession Scheme (PDCS)/Over 60s Home Bonus, saving \$9,780.00 in conveyance duty.

Table 2.3.5 below shows the costs of taxes, fees and charges net of concessions and the percentage change from 2014-15 to 2015-16 for Diego and Aurelia.

**Table 2.3.5
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2015-16 on
Household Three**

Government Taxes and Fees, and Utility Charges	Net of Concessions 2014-15 \$	Savings 2014-15 \$	Gross 2015-16 \$	Concessions 2015-16 \$	Net of Concessions 2015-16 \$	Change \$	Savings 2015-16 \$
<u>Property</u>							
General Rates,	1,106.33		1,924.13		1,224.13	117.80	
Fire and Emergency Services Levy	65.00		196.00		98.00	33.00	
Concessions: General Rates, Fire and Emergency Services Levy				-798.00			
Savings: Duty on home and contents insurance		-31.50					-33.08
<u>Transport</u>							
Fees: Drivers licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	644.30		2,357.25		648.05	3.75	
Concessions: Drivers licence fees, vehicle registration and ACTION fares				-1,709.20			
Savings: Reduction in duty on car insurance		-14.70					-15.44
<u>Utilities</u>							
Fees: Electricity, water and sewerage	1,785.01		2,523.30		1,672.25	-112.76	
Concessions: Energy, utility, water and sewerage				-851.05			
<u>Other Concessions Potentially Available</u>							
Spectacles Subsidy Scheme	-200.00			-200.00			
Over 60's Home Bonus/PDCS		-10,800.00					-9,780.00

Source: Chief Minister, Treasury and Economic Development Directorate.

Household Four

Sienna and Jacob live in Kaleen. They have an annual household income of \$156,000, own their own home (valued at \$555,000) and both work full time. They have two children, Amelia in primary school and Enrik in high school. They share school drop offs for Amelia, and Enrik catches the bus to school. Most days one of them catches the bus to work and the other drives their family sedan.

They have building and contents insurance for their home and life insurance. Both children belong to local sporting clubs and play sport at ovals around the city. The whole family regularly use their local library.

Table 2.3.6 below shows the costs of taxes, fees and charges net of concessions and the percentage change from 2014-15 to 2015-16 for Sienna, Jacob and their family.

Table 2.3.6
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2015-16 on Household Four

Government Taxes and Fees, and Utility Charges	Net of Concessions 2014-15 \$	Savings 2014-15 \$	Gross 2015-16 \$	Concessions 2015-16 \$	Net of Concessions 2015-16 \$	Change \$	Savings 2015-16 \$
Property							
General Rates,	1,682.73		1,817.66		1,817.66	134.93	
Fire and Emergency Services Levy	130.00		196.00		196.00	66.00	
Savings: Reduction in duty on home and contents insurance, reduction in duty on life insurance		-34.65					-36.39
Transport							
Fees: Drivers licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	4,868.84		5,166.61		5,166.61	297.77	
Savings: Reduction in duty on car insurance		-14.70					-15.44
Rewards for Safe Driving		-13.37					-13.70
Utilities							
Fees: Electricity, natural gas, water and sewerage	5,378.55		5,242.60		5,242.60	-135.95	

Source: Chief Minister, Treasury and Economic Development Directorate

Household Five

Susan lives in public housing in Narrabundah and is on full Centrelink benefits. She uses the local bus at a full concessional rate and participates in a range of community programs to improve her skills and interact with other members of the local community.

Table 2.3.7 below shows the costs of taxes, fees and charges net of concessions and the percentage change from 2014-15 to 2015-16 for Susan.

Table 2.3.7
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2015-16 on Household Five

Government Taxes and Fees, and Utility Charges	Net of Concessions 2014-15 \$	Savings 2014-15 \$	Gross 2015-16 \$	Concessions 2015-16 \$	Net of Concessions 2015-16 \$	Change \$	Savings 2015-16 \$
Transport							
Fees: ACTION fares	325.66		1,342.64		409.68	84.02	
Concessions: ACTION fares				-932.96			
Utilities							
Fees: Electricity	893.50		1,227.56		801.10	-92.40	
Concessions: Energy and utility				-426.46			

Source: Chief Minister, Treasury and Economic Development Directorate

TABLE NOTES

ACT Household Scenarios

General

Costs for 2014-15 are as per the 2014-15 Budget Cost of Living Statement, except for the following items which have been updated as more current information became available: drivers licence fee, motor vehicle registration, CTP insurance, ACTION off peak concession fare and utilities.

Transport

Drivers licence fees have been calculated by dividing the cost of a five year drivers licence by five to determine the annual cost. For 2015-16, drivers are assumed to receive the 20 per cent Rewards for Safe Driving discount.

For CTP insurance, an average of the four providers in the market (NRMA, APIA, GIO and AAMI) has been used (\$585.55). ACTION bus fares for 2015-16 reflect the expected pricing increase that will come into effect in January 2016.

Utilities

Consumption

Electricity consumption figures are based on a 'per person per household' basis for the ACT sourced from the energymadeeasy.gov.au website and rounded to the nearest 100 kWh. Natural gas and water consumption figures are derived using electricity consumption proportion as a proxy for determining a base level, and per person consumption differentials calculated using average residential consumption and average number of persons per household.

Pricing

2015-16 electricity prices are assumed to fall by 7 per cent, consistent with the Australian Energy Market Commission Report.

2015-16 gas prices are assumed to increase by 0.4 per cent, consistent with the Independent Pricing and Regulatory Tribunal final report on regulated retail gas prices in NSW for the period 1 July 2014 to 30 June 2016.

2015-16 water prices are assumed to fall by around 1.5 per cent (depending on consumption) and sewerage prices rise by 3.53 per cent, consistent with the terms of the Industry Panel's substituted price direction and price path for regulated water and sewerages services in the ACT.

Household One

Property

For 2015-16, property savings comprise reducing the duty on contents insurance from 4 per cent to 2 per cent (\$7.52).

Assumptions

As the family is renting, they do not pay general rates or the Fire and Emergency Services Levy. Insurance premiums for 2015-16 are \$375.99 for contents insurance only. Building insurance is not required as they are renting.

Transport

For 2015-16, transport fees comprise: driver licence fee (\$34.26); vehicle registration (\$332.30); Road Rescue Fee (\$25.00); Road Safety Contribution (\$2.50); CTP insurance (\$585.55); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$34.00) and ACTION fares (\$1,342.64).

For 2015-16, concessions comprise: ACTION's concession fare (\$672.48). For 2015-16, savings comprise reducing the duty on car insurance from 4 per cent to 2 per cent (\$15.44). The driver is eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$6.85).

Assumptions

Fees are calculated on a vehicle with a tare weight of 1,155kg to 1,504kg. Insurance premiums for 2015-16 are \$771.75 for comprehensive car insurance. The Centrelink Healthcare Card provides access to ACTION's concession fare, with travel twice a day at peak time five days a week, reaching the monthly travelling cap of 40.

Utilities

For 2015-16, utility charges comprise: electricity (\$1,738.25); and natural gas (\$1,701.11). Concessions include: energy and utility concessions (\$426.46).

Assumptions

Consumption per year: electricity (8,700 kWh) and natural gas (51 GJ). As the family is renting, no water or sewerage charges have been included.

Household Two

Property

For 2015-16, property fees comprise: general rates (\$1,257.61); and Fire and Emergency Services Levy (\$196.00).

For 2015-16, property savings comprise: reducing the duty on home and contents insurance from 4 per cent to 2 per cent (\$33.08); reducing the duty on life insurance from 2 per cent to 1 per cent (\$3.31); access to the First Home Owners Grant (\$10,000); and the Home Buyer Concession Scheme (\$10,980).

Assumptions

A townhouse with an Average Unimproved Value (AUV) of \$180,000 in Moncrieff. Insurance premiums for 2015-16 are: \$1,653.75 for home and contents insurance; and \$330.75 for life insurance.

Transport

For 2015-16, transport fees comprise: driver licence fee (\$68.52); vehicle registration (\$332.30); Road Rescue Fee (\$25.00); Road Safety Contribution (\$2.50); CTP insurance (\$585.55); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$34.00); and ACTION fares (\$1,342.64).

For 2015-16, savings comprise reducing the duty on car insurance from 4 per cent to 2 per cent (\$15.44). Both drivers are eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$13.70).

Assumptions

Fees are calculated based on two drivers and one car with a vehicle tare weight of 1,155kg to 1,504kg. Insurance premiums for 2015-16 are \$771.75 for comprehensive car insurance.

Utilities

For 2015-16, utility charges comprise: electricity (\$1,482.90); natural gas (\$1,454.21); water (\$517.15); and sewerage (\$523.25).

Assumptions

Consumption per year: electricity (7,200 kWh); natural gas (42 GJ); and water (160 kL).

Household Three

Property

For 2015-16, property fees comprise: general rates (\$1,924.13); and Fire and Emergency Services Levy (\$196.00). Concessions consist of the rates rebate (\$700.00) and a 50 per cent reduction in the Fire and Emergency Services Levy (\$98.00).

For 2015-16, property savings comprise reducing the duty on home and contents insurance from 4 per cent to 2 per cent (\$33.08).

Assumptions

A house with an Average Unimproved Value (AUV) of \$344,000 in Waramanga. Insurance premiums for 2015-16 are \$1,653.75 for home and contents insurance.

Transport

For 2015-16, transport fees comprise: driver licence fee (\$34.26); vehicle registration (\$332.30); Road Rescue Fee (\$25.00); Road Safety Contribution (\$2.50); CTP insurance (\$585.55); the CTP Regulator Levy (\$1.00); and the Lifetime Care and Support Levy (\$34.00).

For 2015-16, transport savings comprise reducing the duty on car insurance from 4 per cent to 2 per cent (\$15.44). Concessions comprise: drivers license (\$34.26); vehicle registration (\$332.30); and ACTION bus fares (\$1,342.64).

Assumptions

Fees are calculated based on one driver and one car with a vehicle tare weight of 1,155kg to 1,504kg. Insurance premiums for 2015-16 are \$771.75 for comprehensive car insurance.

ACTION fares are calculated as off-peak single trips five days a week, reaching the monthly travelling cap of 40 and an entitlement to free travel under the ACTION Gold Card.

Utilities

For 2015-16, utility charges comprise: electricity (\$1,482.90); water (\$517.15); and sewerage (\$523.25). Concessions include: energy and utility concessions (\$426.46); water rebate (\$68.78); and sewerage rebate (\$355.81).

Assumptions

Consumption per year: electricity (7,200 kWh); and water (160 kL).

Other Concessions

They are eligible to access the Spectacles Subsidy Scheme, which provides a \$200 rebate every two years on the purchase of glasses. They are also eligible to access the Over 60's Home Bonus, which charges conveyance duty at a concessional rate, to downsize to a unit worth \$380,000.

Household Four

Property

For 2015-16, property fees comprise: general rates (\$1,817.66); and Fire and Emergency Services Levy (\$196.00).

For 2015-16, property savings comprise reducing the duty on home and contents insurance from 4 per cent to 2 per cent (\$33.08) and life insurance from 2 per cent to 1 per cent (\$3.31).

Assumptions

A house with an Average Unimproved Value (AUV) of \$321,000 in Kaleen. Insurance premiums for 2015-16 are: \$1,653.75 for home and contents insurance; and \$330.75 for life insurance.

Transport

For 2015-16, transport fees comprise: driver licence fee (\$68.52); vehicle registration (\$332.30); Road Rescue Fee (\$25.00); Road Safety Contribution (\$2.50); CTP insurance (\$585.55); the CTP Regulator Levy (\$1.00); Lifetime Care and Support Levy (\$34.00); school student ACTION fare (\$349.60); adult ACTION fare (\$1,342.64) and parking (\$2,425.50).

For 2015-16, transport savings comprise reducing the duty on insurance from 4 per cent to 2 per cent (\$15.44). Both drivers are eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$13.70).

Assumptions

Fees are calculated based on two drivers and one car with a vehicle tare weight of 1,155kg to 1,504kg. Insurance premiums for 2015-16 are \$771.75 for comprehensive car insurance.

A 30 ride paid cap for students is reached taking rides to and from school. The monthly travelling cap of 40 applies to the adult fare calculation.

Parking fees have been calculated using the Zone B, Off Street, City Centre rate, which has been assumed to increase by 6 per cent from 2014-15 to 2015-16.

Utilities

For 2015-16, utility charges comprise: electricity (\$1,993.59); natural gas (\$1,948.01); water (\$777.75); and sewerage (\$523.25).

Assumptions

Consumption per year: electricity (10,200 kWh); natural gas (60 GJ); and water (230 kL).

Household Five

Transport

For 2015-16, transport fees comprises the adult five days a week ACTION fare (\$1,342.64). Concessions comprise ACTION's concession fare (\$932.96). The total net annual cost is \$409.68

The increase in the off peak concession fare in 2015-16 is due to a realignment of the MyWay off peak single concession fare to reach 50 per cent of the standard fare by 2016-17.

Assumptions

The Centrelink concession card provides access to ACTION's off-peak concession fare. Assumed travel is at off peak time twice a day, five days a week, reaching the monthly travelling cap of 40.

Utilities

For 2015-16, utility charges comprise: electricity (\$1,227.56). Concessions include: energy and utility concessions (\$426.46).

Assumptions

Consumption per year: electricity (5,700 kWh); and water (125 kL). Water and sewerage charges are paid by Housing and Community Services ACT, and are valued at \$426.15 and \$523.25 respectively.

