

2.1 BUDGET OUTLOOK

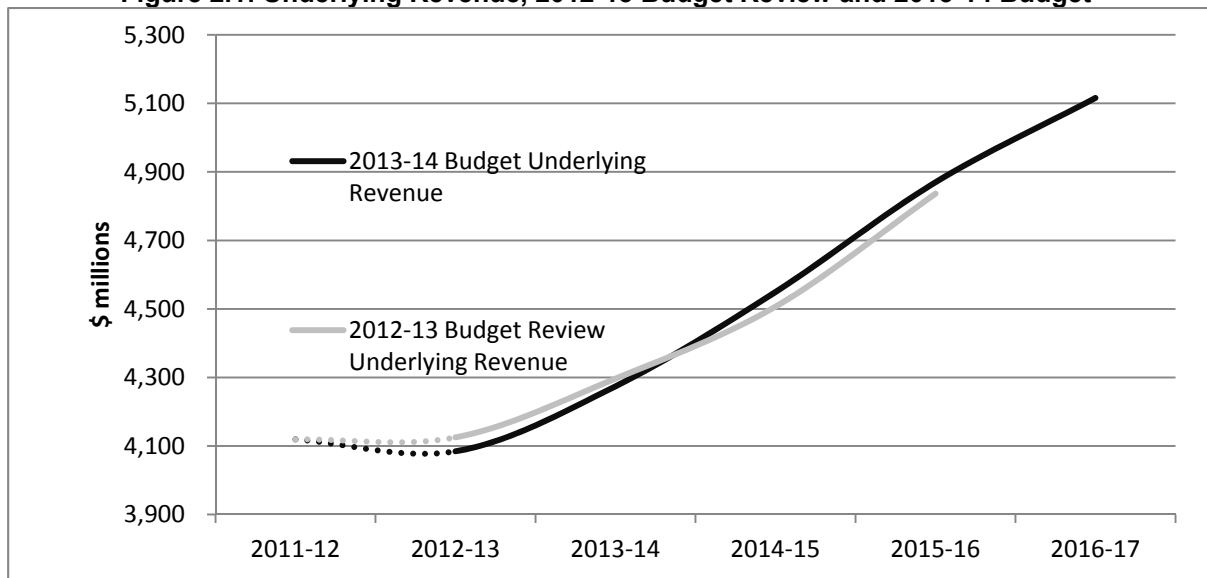
The Context of the 2013-14 Budget

The Territory's budget has been shaped in the context of an expected fragile economic outlook in 2013-14 due to continued fiscal consolidation by the Commonwealth. A number of downside risks do exist and the Territory's outlook is dependent on decisions following the upcoming Federal election. However, the Territory maintains strong economic fundamentals.

The underlying foundations of the Budget Plan remain and the Territory has maintained a forecast return to surplus in 2015-16 which is also maintained in 2016-17.

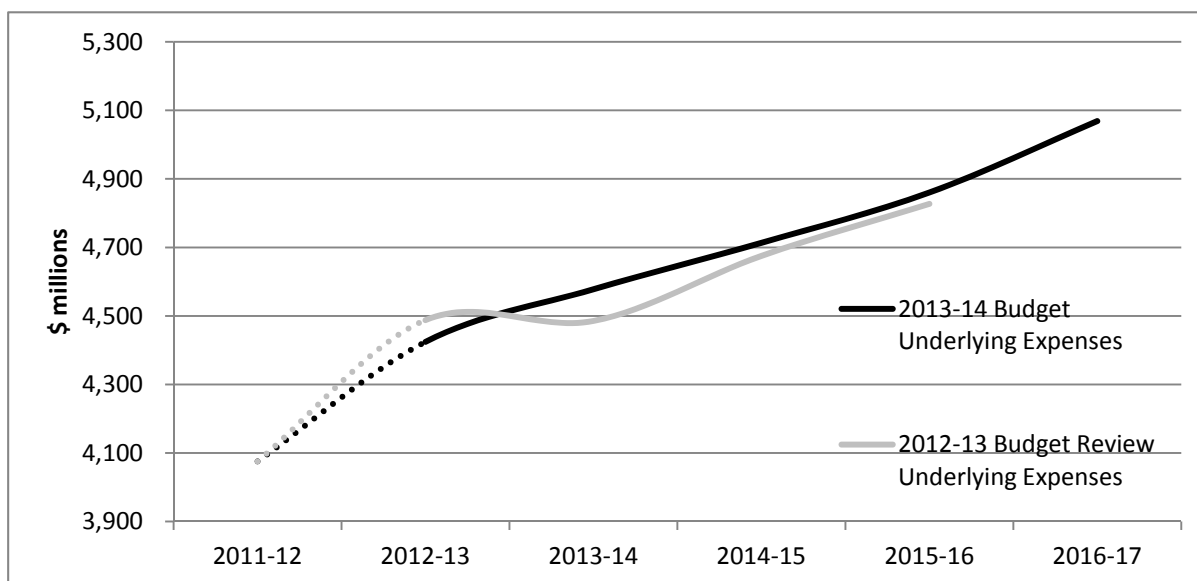
Compared to the 2012-13 Budget Review, revenue is expected to be slightly weaker in 2013-14 but slightly stronger from 2014-15 onwards.

Figure 2.1: Underlying Revenue, 2012-13 Budget Review and 2013-14 Budget



Forecast expenses over the five year period have marginally increased compared to the 2012-13 Budget Review. The Government has constrained expenditure in this budget to an underlying growth of 3.5 per cent per annum as a result of limiting new initiatives to only high priority activity and implementing a range of savings measures involving the ceasing of initiatives that no longer align with Government priorities, further administrative savings and the reprioritisation of program expenditure.

Figure 2.2: Underlying Expenses, 2012-13 Budget Review and 2013-14 Budget



2013-14 Budget

The 2013-14 Budget remains committed to the original budget plan target of a return to surplus in 2015-16. The Government has taken a sharper focus in this budget on restructuring the Territory's expenditure and revenue base to plan for future challenges.

The forecast Headline Net Operating Balance in 2013-14 is a deficit of \$253.6 million, and return to surpluses in 2015-16 and 2016-17 of \$29.3 million and \$47.1 million.

**Table 2.1.1
General Government Sector – Headline Net Operating Balance**

	2013-14 \$m	2014-15 \$m	2015-16 \$m	2016-17 \$m
Headline Net Operating Balance ¹	-253.6	-99.5	29.3	47.1

Note:

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

Across the Budget and forward estimates period, aggregate revenues grow at around 5.8 per cent per annum, 0.55 of a percentage point higher than the Budget Plan parameters.

Forecast expense growth across this period of 3.5 per cent per annum compares to the Budget Plan forecast of 4.5 per cent per annum and 2012-13 Budget forecast of 4 per cent.

2013-14 Headline 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 2013-14 and 2014-15. In 2009-10 the Government accepted these temporary deficits as part of the Budget Plan and targeted a return to a balanced budget in 2015-16. This objective has been maintained.

Since the 2012-13 Budget Review, the Net Operating Balance has decreased in 2013-14, largely due to a reduction in forecast taxation revenue growth, revised funding profiles and dividends. Aggregate revenues over this period are broadly in line with those of the 2012-13 Budget Review. Aggregate expenses are temporarily higher compared to the 2012-13 Budget Review over the period from 2012-13 to 2015-16. Expenses over this period have been affected by higher employee, supplies and services, grants and interest expenses.

Table 2.1.2 below provides the Headline Net Operating Balance for the 2012-13 estimated outcome, the 2013-14 Budget and the forward estimates.

Table 2.1.2
2013-14 Budget – GGS Headline Net Operating Surplus/Deficit

	2012-13 Est. Outcome \$m	2013-14 Budget \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
Revenue	3,999.9	4,237.3	4,519.6	4,788.3	5,006.8
Expenses	4,424.3	4,577.9	4,713.5	4,860.2	5,068.6
UPF Net Operating Balance	-424.5	-340.6	-193.9	-71.9	-61.8
Investment Return Differential	84.7	87.0	94.4	101.1	108.9
Adjustment on Superannuation Investments					
HEADLINE NET OPERATING BALANCE	-339.8	-253.6	-99.5	29.3	47.1

Note: Table may not add due to rounding.

Table 2.1.3 provides an overview of variations in the General Government Sector Headline Net Operating Balance since the 2012-13 Budget and 2012-13 Budget Review.

Table 2.1.3
Summary of Movements in the GGS Headline Net Operating Balance from the 2012-13 Budget

	2012-13 Estimate \$m	2013-14 Estimate \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
2012-13 Original Budget Papers	-318.3	-130.2	-51.3	25.2	
Parameter Impacts					
GST Revenues	17.1	14.5	17.2	20.1	
Other Commonwealth Revenue	-5.5	0.0	0.0	0.0	
Superannuation Expenses	-83.0	0.0	0.0	0.0	
Superannuation Investment Earnings	0.0	-6.6	-6.7	-6.8	
Taxation Revenue – Conveyance	4.3	-5.1	-2.7	0.0	
Taxation Revenue – Payroll	3.7	3.9	4.1	4.4	
Taxation Revenue – Other	0.3	-0.5	-1.3	-2.2	
Land Rent Scheme	1.6	2.1	2.1	2.1	
Dividends and Income Tax Equivalents	-2.8	9.1	-2.7	-2.7	
Territory Banking Account – Interest (net)	-2.0	-3.1	-2.5	-1.6	
Insurance Claims Expense	3.4	7.5	8.7	9.2	
Policing Agreement Indexation	0.0	0.0	0.0	3.5	
Other / End of Year Outcome Flow-on	2.3	0.2	0.3	0.3	
Sub-Total (Parameter Impacts)	-60.7	22.0	16.5	26.2	
Policy Impacts					
Grant to Pace Farm	0.0	-3.8	0.0	0.0	
National Disability Insurance Scheme – Respite Pilot	0.0	-3.7	-3.7	-3.7	
Revenue Reduction – Extension of Time to Commence and Complete Fees	-2.1	-2.2	-2.3	-2.4	
University of Canberra – Extension of Borrowings	0.1	0.3	0.4	0.4	
Sub-Total (Policy Impacts)	-2.0	-9.4	-5.6	-5.7	
2012-13 Pre-Election Budget Update	-381.1	-117.6	-40.4	45.6	
2012-13 Budget Review					
Parameter Impacts					
GST Revenues	26.7	9.2	11.2	13.6	
Other Commonwealth Revenue	-1.2	-0.8	-0.5	-1.4	
Superannuation Investment Earnings	-7.6	4.4	4.3	4.2	
Interest (net)	9.6	-5.3	-9.1	-18.7	
Revised Conveyance Estimates	-10.4	-12.3	-14.6	-9.9	
Revised Payroll Tax Estimates	1.5	1.6	1.7	1.8	
Revised General Rates Tax Estimates	-5.0	0.0	0.0	0.0	
Revised Taxation Revenue – Other	-0.4	-0.4	-0.4	-0.4	
Revised Lease Variation Charge Estimates	-4.0	0.0	0.0	0.0	
Revised Gambling Tax Estimates	2.1	0.6	0.6	0.6	
Revised Waste Management Fees	-1.9	-2.0	-2.2	-2.4	
LDA – Revised Dividends and Income Tax Equivalents	33.0	-5.0	-60.6	-12.7	

	2012-13 Estimate \$m	2013-14 Estimate \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
ACTEW – Revised Dividends and Income Tax Equivalent	24.5	-15.0	0.3	0.5	
ACTTAB – Revised Dividends and Income Tax Equivalent	-2.1	-1.1	-0.8	-0.5	
Health – Revised Outcome	-11.6	0.0	0.0	0.0	
Education and Training – Revised Depreciation	-7.9	-7.9	-7.9	-7.9	
Impact of Other Audit and Estimated Outcome	1.6	-0.7	-0.9	-0.6	
Appropriation Rollovers (2011-12 to 2012-13)	-35.5	0.0	0.0	0.0	
Operating Impact of Capital Re-profiling and Rollovers	12.5	0.1	2.2	3.3	
Sub-Total (Parameter Impacts)	23.9	-34.6	-76.6	-30.5	
Policy Impacts					
Reduction in Treasurer's Advance Expenditure Reduction	0.0	3.4	3.6	3.7	
Supplementary Appropriation	-5.8	0.0	0.0	0.0	
Sub-Total (Policy Impacts)	-5.8	13.4	13.8	14.2	
2012-13 Budget Review	-362.9	-138.7	-103.2	29.3	
2013-14 Budget					
Parameter Impacts					
Commonwealth Revenue	-13.5	-6.1	10.2	11.5	17.7
Investments and Interest (net)	1.1	4.8	5.0	-2.0	6.3
Taxation Revenue	-37.2	-38.3	-22.0	-16.4	5.0
Land Rent	0.1	0.8	1.0	0.5	0.7
PTE – Dividends and Income Tax	-13.5	-32.5	6.3	-12.8	78.4
Contributed Asset Gains	17.0	16.9	13.4	33.4	33.4
Revised Funding Profiles	45.6	-40.4	-6.4	-0.2	-0.3
Estimated Outcome / Other	24.3	44.3	18.5	-13.2	11.2
Sub-Total (Parameter Impacts)	23.9	-50.5	26.0	0.8	152.4
Policy Impacts					
Government Policy Decisions (net)	-0.5	-64.4	-22.4	-0.8	0
Sub-Total (Policy Impacts)	-0.5	-64.4	-22.4	-0.8	0
2013-14 Budget	-339.8	-253.6	-99.5	29.3	47.1

Note: This table may not add due to rounding.

