

AUSTRALIAN CAPITAL TERRITORY



ACT
Government

Budget

2013–14

Speech

BUDGET PAPER

I

GUIDE TO THE BUDGET PAPERS

Structure and content of the 2013-2014 Budget Papers

The 2013-2014 Budget is presented in four papers.

Budget Paper No. 1: Speech

The Treasurer's speech to the Legislative Assembly highlights the Government's Budget strategies and key features of the Budget.

Budget Paper No. 2: Building and transforming Canberra

A summary of the overall budgetary position together with information on the Government's expenditure priorities in key service delivery areas.

Budget Paper No. 3: Budget Overview

Summarises the 2013-2014 Budget and forward estimates for the general government sector, the public trading enterprise sector and the total Territory Government. Details of the projected 2013-2014 Budget results are provided, as well as background information on the development of the 2013-2014 Budget, including economic conditions and federal financial relations.

Also provides an overview of the Territory's infrastructure investment program and details of the 2013-2014 expenditure, revenue and capital initiatives.

The Appropriation Bill 2013-2014 and the Appropriation (*Office of the Legislative Assembly*) Bill 2013-2014 are appended.

Budget Paper No. 4: Budget Estimates

Information on each directorate and Territory authority and corporation is provided. This includes output classes (where relevant), descriptions of functions, roles and responsibilities, together with major strategic priorities. Full accrual financial statements and notes are provided for the general government sector as well as details of the Territory's public trading enterprises.

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BUILDING AND TRANSFORMING CANBERRA

4 June 2013

The first Budget of this parliamentary term is focussed on building a stronger economy and creating opportunity and fairness for all Canberrans.

The Budget delivers important social reforms and major infrastructure projects.

And it begins the transformation of our city to meet the challenges of our second century.

The Centenary of Canberra in 2013 is an opportunity to reflect on our journey to date and to set the direction for our city for the years to come.

In this Budget the Gallagher Government begins implementing a plan for the transformation and future growth of Canberra – growth that is sustainable, and continues to deliver a high quality of life and opportunity for all.

Canberra is a great place to live, work, study and do business. The fundamentals of our economy are strong. And Canberrans are on average the healthiest, best paid and best educated people in Australia.

As such, the Territory is well placed to meet the challenges posed by continuing global economic uncertainty, restrained Commonwealth spending, and the prospect of deep cuts to the federal public service.

But we need to act prudently and act for the long term.

The Government is restructuring the Budget to support our economy and to meet future priorities for the transformation of Canberra.

This Budget cements reforms such as DisabilityCare and the National Education Reform Agreement, and continues investment in vital infrastructure such as new health centres and schools.

It progresses new and transformational projects, notably the University of Canberra public hospital, Capital Metro and City to the Lake, and delivers significant projects such as the Majura Parkway.

We are returning to a balanced budget in a measured way, to ensure we can continue to provide high quality services and create the capacity to invest in the infrastructure that will transform our city.

Importantly, these transformational projects will create thousands of jobs.

Conservative states such as New South Wales, Victoria and Queensland have slashed their public service. And the Coalition, if elected, has promised to cut at least 12,000 Commonwealth public service jobs directly from Canberra.

Our priorities are different.

Despite tight global economic times and our fiscal consolidation and reform – this Budget maintains the size of the public service.

And it lays the foundations for the creation of thousands of private sector jobs over the next decade.

Budget principles

The Budget balances the short term and long term, and fiscal discipline with support for our community. Discipline in this and coming budgets will allow us to fund productive infrastructure.

Making savings, and reforming taxation, contribute to a balanced budget.

Net new spending of \$127.7 million over the next four years is offset against savings of \$142.6 million over the same period.

The Budget begins the delivery of our election commitments and items in the Parliamentary Agreement.

It continues the Gallagher Government's record spending on schools, hospitals and community services, ensuring we support the most vulnerable in our community.

Economic outlook in the ACT and Australia

Let me turn to the economic outlook facing the Territory.

The recovery in advanced economies continues to be slow and uncertain.

Growth in Australia is uneven and hampered by fragile consumer confidence, a weakening labour market and fiscal restraint.

The ACT economy and the Government's fiscal position are not immune to this.

We currently have low unemployment and inflation, strong population growth and high, albeit slowing, investment.

But we face the Commonwealth's post-stimulus package contraction and potential severe job cuts if there is a change of government federally.

Gross State Product growth is forecast to moderate in 2013-14 to 1¼ per cent, reflecting, among other things, the impact of Commonwealth contraction.

State final demand growth is forecast to moderate to ¼ per cent in the coming year due to lower Commonwealth expenditure and below-trend growth in household consumption and investment.

Wage growth is expected to be constrained, and consumer price inflation is expected to be well contained at 2¼ per cent due to below-average final demand growth, the high dollar and continuing retail discounting.

The ACT labour market has softened, and leading indicators point to subdued labour demand, with labour market activity forecast to ease in 2013-14.

In the long term, the ACT Budget faces issues of sustainability.

Our ageing population and rising demand for services are increasing the demand on government outlays.

On the revenue side the level and growth of GST revenue continues to erode.

In the short term, the outlook for tax revenue remains soft because of challenging economic conditions.

In particular, below average growth in residential and commercial activity has reduced taxation revenue.

While conveyance revenue has fallen significantly compared to the estimates contained in the 2012-13 Budget, the Government will not seek to recover this loss in revenue which has arisen because of lower activity in the property market. Increases in residential general rates will be limited to that envisaged in the tax reform program.

Fiscal outlook

In this Budget the Government has maintained its commitment to return the Budget to balance, as planned, in 2015-16.

The operating deficit will be approximately \$340 million in 2012-13, an improvement of \$23 million from the Budget Review.

A deficit of \$253.6 million is forecast for 2013-14.

While an improvement on the 2012-13 outcome, the Government has decided to operate a slightly higher deficit than forecast in the Budget review because of falling revenues and decisions to invest now in new services and transformative initiatives.

Ongoing restraint sees the deficit shrink to \$100 million in 2014-15 before returning to a modest surplus in 2015-16 and a growing surplus thereafter.

Importantly, this budget continues the Government's record infrastructure investment program.

This Budget funds an extra \$272 million over four years in new capital works on top of the existing billion-dollar program.

The total infrastructure spend in 2013-14 is \$775 million, with \$598 million allocated for works in progress and \$177 million for new works.

The ACT's debt levels are proportionally the second lowest in Australia – behind only resource rich Western Australia.

And we have a Triple-A stable credit rating, one of only two Australian jurisdictions to enjoy this highest possible rating.

Structural reforms for fiscal sustainability

This Budget contains structural reforms to make government more efficient.

Last year, my first Budget as Treasurer began the task of reforming revenue, through taxation reforms.

My second Budget continues the reform challenge by stepping up the process of critically reviewing expenditure.

The changes are balanced and responsible. They will ensure our public service is cost effective, targeted, high quality and directed to priority areas.

To continue to invest in transformative projects and deliver high quality services, the process of seeking out new efficiencies and new savings will be ongoing and embedded into the thinking of the public sector – the more efficiently we can deliver our services, the more services we can enjoy for any given level of taxation.

Savings initiatives total \$142.6 million over four years.

This includes ceasing some programs, making savings across directorates, reprioritising spending to higher priority areas, and further improving procurement.

Parks and City Services, ACTION, the Emergency Services Agency, and Corrective Services will be reviewed to ensure each is efficiently providing high quality services, including addressing demand management, service level provision, or other aspects of service delivery or program management – while maintaining quality.

The Gallagher Government is meeting its promise to maintain the size of the ACT Public Service – overall staffing levels will remain stable in the coming years.

Fees for some services will rise to recoup more of the cost of providing these services. This includes raising the Victims Support Levy on traffic and court-imposed fines to fully fund important support services for victims of crime.

Taxation reform

The Budget continues the Government's nation-leading reforms, unveiled in last year's Budget, to make taxes fairer, simpler and more efficient, and sustainable for the long run.

On July 1 duty on insurance premiums will be cut by a further 20 per cent. Duty on general insurance falls from 8 per cent to 6 per cent, and duty on life insurance drops from 4 per cent to 3 per cent.

A household with insurance premiums totalling \$2,500 will save \$100 in 2013-14 compared to before tax reform, and a business with insurance premiums totalling \$20,000 will save \$800.

Insurance tax will be completely abolished by 1 July 2016.

From tomorrow, conveyance duty will be further cut for residential and commercial properties.

Tomorrow, the buyer of a \$500,000 home will save \$3,400 on stamp duty compared to before tax reforms began; by 2016 the saving will be over \$7,000.

To boost investment the Government is accelerating the abolition of conveyance duty on transactions valued over \$1.65 million.

A flat 5.5 per cent rate will apply, substantially cutting the amount payable.

From tomorrow our city will go from having the highest stamp duty rate in Australia to one of the lowest.

Healthy and smart

This Budget invests heavily in health and education to meet both present and future challenges.

Health and education will always be two of the Gallagher Government's highest priorities.

We are proud they make up 51 per cent of the spending in this Budget.

This Budget continues the Government's transformation of our health system, with \$1.3 billion in funding.

This Budget funds design work on the University of Canberra Public Hospital, a state-of-the-art facility to help meet our city's needs for years to come.

There will be more beds at the Canberra Hospital, Calvary Public Hospital and Centenary Hospital for Women and Children.

Elective surgery services will be improved and waiting times reduced, the Emergency Department at Canberra Hospital will be expanded, and there will be increased rapid assessment services at Calvary.

There is extra funding for increased mental health services provided through non-government organisations and community health programs, and funding to support and expand Community Health and the successful nurse-led Walk-in Centres. A mobile dental clinic will help people who cannot access a dentist surgery.

A Centenary Chair in Cancer Research will be established at the John Curtin School of Medical Research, and outreach services for cancer sufferers will be expanded.

This Budget also ensures that Canberrans remain the most active people in the country.

Local sporting organisations and facilities will receive more funding – including netball, soccer and cycling, among others. Work begins on the innovative sports hub at the University of Canberra.

Canberra is a smart city, with internationally renowned education and research institutions and the best public education system in the country.

Last week the ACT Government agreed to partner with the Commonwealth to implement the National Education Reform Agreement.

This will provide a total increase of \$190 million in Government funding to all ACT schools by 2019.

ACT Government schools are already above the national resourcing benchmark – this Budget maintains growth in per student funding of 3 per cent, and includes funds to transition to the new model.

The agreement provides particular help to Catholic systemic schools, and the Budget provides an \$8.6 million funding boost for non-government schools over the next four years.

The Budget also funds more professional development for teachers, more assistance to students with special needs, including transport and financial assistance, and establishes a new Introductory English Centre in Tuggeranong.

There is extra funding for students with a disability and for non-government students and schools, including the establishment of new pre-schools.

Liveability and opportunity

Canberra has a deserved reputation as one of the most livable and accessible cities in the world.

It is a city we locals are particularly proud of, especially in a year of celebration such as this.

This Budget provides substantial funding to ensure our quality of life remains second to none.

The Government is committed to supporting vulnerable and disadvantaged people, and people who need extra assistance and a hand up.

The Government has agreed with the Commonwealth for the ACT to be a launch site for DisabilityCare – one of the most important social reforms ever in Australia.

The Gallagher Government will contribute significant resources to the scheme in coming years.

This Budget prepares for the roll-out, with eligible ACT residents beginning to transfer to DisabilityCare from July 2014.

The Budget also expands youth engagement and family support services, with funding allocated for more supported accommodation and outreach assistance for homeless persons.

Design and construction of Common Ground, a safe place for young homeless people, will start.

Community safety remains a priority.

More ACT Worksafe Inspectors will be employed to make our worksites as safe as possible and ensure workers return home at the end of the day.

There are funds to target drink and drug driving, and safe drivers will be rewarded with a discount on their driver's licence fee.

The Emergency Services Agency will be strengthened; particularly its fire and rescue capability, and a new fire station will be built in southern Tuggeranong.

Canberra celebrates its culture and diversity. There is extra funding in the Budget for festivals and for Ainslie and Gorman House Arts Centres.

The multicultural community will benefit from extra support for the Community Language School, and scholarships will be introduced to train more interpreters.

Corrective services will receive extra funding, including to support staff to effectively manage offenders on parole or court-ordered sanctions.

ACTION patrons will benefit from the introduction of real time passenger information, more My Way recharge stations, trials for fare discounts, and interchange and bus stop upgrades.

Growing the economy

Canberra's economy is strong – thanks to the Government's far-sighted and responsible management we have weathered the global financial crisis.

But we must continue to provide support and funding to ensure we keep growing and meet the challenges ahead.

This Budget helps our private sector to diversify, grow and create jobs through continued implementation of the Business Development Strategy.

There is new funding to boost Global Connect – a suite of programs helping local businesses export their goods and services.

And our considerable capital works program will continue to inject funds into our economy.

We will help ensure Canberra remains the services heart of south-east New South Wales, including through investment in the Canberra Urban and Regional Futures program.

Tourism contributes about \$1.3 billion to our economy each year and is a major employer. This Budget funds specific initiatives to increase promotion for major events and blockbusters, and to help establish direct international flights into Canberra.

There are also specific measures, through the Study Canberra initiative, to boost our higher education sector.

Building more affordable homes

Making buying a home more affordable and encouraging investment in new housing is a priority for the Government.

To further this policy objective, the First Home Owner Grant will rise to \$12,500 from 1 September.

It will be retargeted to new and substantially renovated properties. This will boost the construction sector, and aligns the ACT with New South Wales, Queensland, Victoria, South Australia and Tasmania.

The Home Buyer Concession Scheme is being further expanded – from tomorrow the income threshold rises from \$150,000 to \$160,000 per household, meaning about 70 per cent of Canberra households are eligible for the income test.

The property threshold for which a full concession is available will increase to \$425,000, with a partial concession up to \$525,000.

Due to these changes a household eligible for the First Home Owner Grant and full Home Buyer Concession could save more than \$26,000 when buying a \$420,000 home.

The Land Rent Scheme will be retargeted to lower income households – from 1 October it will only be open at the concessional 2 per cent rate.

And in the coming year the Government will release sites for 4,800 new dwellings right across Canberra.

Urban renewal

This Budget lays the foundations for the urban renewal of Canberra.

The Capital Metro Agency will be established, and initial design work will begin.

City to the Lake is another transformational project. It will create a world-class business, residential and entertainment precinct and finally link our lake to Civic.

The Budget includes funding to progress design work on the remaking of Parkes Way, one of the vital first steps of the project.

Improving Canberra's urban landscape and meeting the needs of our growing city are a priority, with \$45.2 million allocated for infrastructure to support urban renewal.

Our parks, playgrounds, and nature reserves will continue to receive the funding necessary to meet the standards Canberrans expect.

Local shopping centres will be upgraded with improved paving, seating, parking and lighting.

There will also be numerous road upgrades, with almost \$10 million allocated to help improve traffic and pedestrian safety.

Infrastructure in newer suburbs, such as Molonglo, Kenny and Throsby, will continue to be expanded.

Canberra's reputation as the 'bush capital' will be maintained through ongoing sustainable land management and biodiversity programs.

We are also providing funding to preserve our much-loved urban treescape with new planting and maintenance programs, and new park ranger positions.

There is also significant funding of \$28 million for the Cravens Creek and Horse Park Drive water quality control ponds.

Conclusion

Today we enshrine reforms that are vital for Canberra's future, and which ensure that our community can grow and prosper.

The Budget has been restructured to fund key priorities – in disability services and education and to allow the delivery of major infrastructure projects in the future.

Canberra becomes an even more innovative and forward thinking city – and an ever better place to live, work, study and do business.

I commend the Bill to the Assembly.

