

5.1 2005-06 BUDGET AND FORWARD ESTIMATES

This chapter provides a summary of the 2005-06 Budget and forward estimates for the General Government Sector. Information presented for the 2005-06 Budget is based on generally accepted accounting principles.

Consolidated financial statements for the General Government Sector, Public Trading Enterprise Sector and the Total Territory are provided in Chapter 5.5.

Highlights of the 2005-06 Budget

- The 2005-06 Budget provides for a balanced budget over the next four years, with an aggregate surplus of \$22m projected from 2005-06 to 2008-09.
- A deficit of \$91.5m is forecast for 2005-06, an increase on the \$53.5m deficit estimated at the Mid Year Review.
- The larger deficit is primarily due to downwards revisions to taxation revenue (principally reflecting lower housing conveyance duty) and a deferral of some expenditure from 2004-05 to 2005-06.
- The Government is introducing a number of measures to address the deficit and restore the budget to surplus. This includes savings measures from improving the efficiency of government agencies and increases in revenue.
- By implementing measures to restore the budget to surplus the Government is delivering a responsible budget. Sound financial management is necessary to preserve the future capacity to deliver priority services to the ACT community, particularly in areas such as health and social services.
- A commitment to responsible budget management will continue the AAA credit rating for the Territory.
- The budget delivers targeted new spending to address high priority needs. Recurrent initiatives total \$57.598m, which includes \$12.190m of initiatives funded from within agency's existing resources. Capital initiatives total \$18.154m, mainly relating to vehicle replacement and information technology projects.
- No new general government borrowings: the projected deficit in 2005-06 can be funded from cash accumulated from previous budget surpluses.

2005-06 Budgeted Operating Result and Forward Estimates

Table 5.1.1 below provides the operating result for the 2004-05 estimated outcome, 2005-06 Budget and forward estimates.

**Table 5.1.1 - General Government Sector
2005-06 Budget and Forward Estimates**

2004-05 Budget \$m		2004-05 Est. Outcome \$m	2005-06 Budget \$m	Var %	2006-07 Estimate \$m	2007-08 Estimate \$m	2008-09 Estimate \$m
2 592	Total Revenue	2 720	2 716	..	2 851	2 999	3 146
2 590	Total Expenses	2 668	2 807	5	2 851	2 960	3 073
2	Operating Result	52	- 91	-275	1	39	73

NB. Total revenue includes share of operating result from joint ventures. Total expenses includes extraordinary expenses. The budget financial statements include variations up to 15 April 2005. The ACT has more recently proposed a schedule for the further removal of business taxes to the Australian Government. This would have an aggregate cost of \$13m across the forward estimates period. See part 4.2 for further information.

The budget is expected to record a General Government Sector operating deficit of \$91.5m in 2005-06, before returning to surplus in the forward years.

Including all government owned trading enterprises and agencies, the total Territory operating deficit in 2005-06 is expected to be \$112.5 million.

Consistent with the Government's commitment to responsible financial management, the 2005-06 Budget includes significant measures to restore the budget to surplus:

- a range of savings measures will be implemented, with a particular focus on improving the efficiency of government agencies in delivering services. In 2005-06 this will mostly be achieved from general savings in agencies, but it also includes removing duplication and inefficiencies in the provision of IT and procurement services. The roles of InTACT (the Government's central IT provider) and Procurement Solutions (the central procurement service) will be strengthened; and
- an increase in rates above the CPI for residential, rural and commercial properties, and an increase in gaming machine taxation from 2007-08.

The savings measures will require some public sector employment reductions. These will be achieved partly through natural attrition, but voluntary redundancies are likely to be required. Additional provision has been made in the budget to fund the restructuring process.

By taking these measures to restore the budget to surplus the Government is acting responsibly to preserve the capacity to fund future priority services for the ACT community.

The budget is projected to be broadly balanced over the forward estimates period, with a small aggregate surplus of \$22m in the four years to 2008-09.

Total General Government Sector revenue in 2005-06 is expected to be \$2.716 billion; a decrease of \$4.3m (0.2%) from the estimated outcome for 2004-05.

Expenses in 2005-06 are expected to be \$2.807 billion. This is a \$139.3m increase or 5.2% higher than the projected 2004-05 outcome.

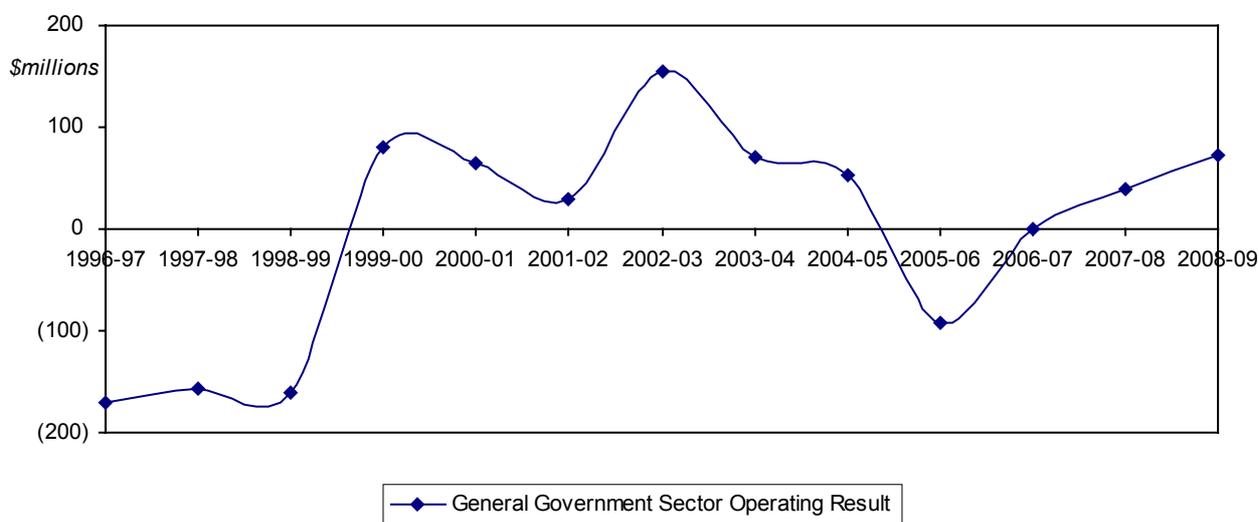
The projected operating deficit of \$91.5m in 2005-06 has deteriorated from the original estimate as published in the 2004-05 Budget Papers of -\$25.9m, and from the estimate published in the 2004-05 Mid Year Review of -\$53.5m due to:

- the loss of Special Revenue Assistance for Corporate Affairs received from the Australian Government of \$4.3m;
- deferred expenditure from 2004-05 of \$15m;
- increased superannuation expenses of \$36m;
- an increase in insurance expenses of \$5m; and
- a reduction in estimated conveyance revenue of \$11m.

The impact of new initiatives in 2005-06 of \$47.9m (above those announced as part of the 2004-05 Appropriation Act No.2) is offset by \$12.2m in re-prioritisation of agency expenditure to absorb a component of new proposals, a savings target of \$22.7m applied across agencies and a net increase in rates that will generate \$12.9m in additional revenues.

Figure 5.1.1 shows the movement of the forecast operating result for the Budget and forward estimates period.

**Figure 5.1.1 - General Government Sector
2005-06 Budget and Forward Estimates Operating Result**



The following table provides a summary of the movement in the operating result from the original estimates as published in the 2004-05 Budget Papers.

	2004-05	2005-06	2006-07	2007-08
2004-05 Original Budget Papers	7.9	-25.9	7.1	53.4
Commitment to Child Protection	-5.7	-5.9	-6.0	-6.2
Wage Negotiations	-6.4	-5.6	-3.6	-6.1
GST Revenue	24.9	21.3	19.1	23.6
Superannuation Investments	2.6	3.0	3.2	4.0
Superannuation - Actuarial Review Reserve	2.3	2.3	2.3	2.3
Taxes, Fees and Fines	4.0	4.3	4.7	5.0
Interest Revenue	2.9	3.0	2.4	1.6
Commercialisation Investment Fund	-10.0	0.0	0.0	0.0
Other	-1.6	-3.1	-1.1	-1.0
Pre-election result	20.9	-6.6	28.1	76.6
Superannuation Investments	58.0	2.8	2.2	1.7
Land Revenue	7.0	-4.6	5.1	3.7
Land Revenue - Audit Adjustment	17.9	0.0	0.0	0.0
GST Revenue	-1.9	-0.1	0.7	-2.7
National Competition Payments	1.2	-0.2	-13.0	-13.4
Taxes, Fees and Fines	-3.6	2.4	2.4	2.5
Interest Revenue	2.6	-4.2	-3.8	-5.7
2004-05 2nd Appropriation	-25.9	-1.8	-2.5	0.9
Superannuation Liabilities	-15.8	-36.0	-29.2	-25.9
PTE Dividends	-4.4	1.0	0.5	0.3
Insurance	-6.5	0.0	0.0	0.0
Other	-1.9	-6.3	-2.8	-6.1
Mid Year Review	47.6	-53.5	-12.3	31.9
Parameter and technical changes				
Land Revenue	-9.6	-3.2	-26.7	-21.4
Special Revenue Assistance	0.0	-14.5	-14.9	-15.3
GST Revenue	1.4	10.6	10.2	9.4
Superannuation Investments	0.0	3.8	17.3	1.6
Taxes, Fees and Fines	-5.2	-12.3	-4.5	-1.0
PTE Dividends	0.8	-3.6	8.8	10.7
Insurance	-7.2	-5.0	-3.8	-3.8
Interest	-2.4	2.9	-3.4	-4.1
Other	10.1	10.8	16.4	-0.4
Deferrals	17.2	-15.0	-2.2	0.0
<i>Sub-total</i>	<i>5.1</i>	<i>-25.5</i>	<i>-2.9</i>	<i>-24.2</i>
Policy changes				
New spending - 2005-06 Initiatives	-0.5	-47.9	-43.3	-44.1
New spending - agency offsets	0.0	12.2	15.7	16.3
Rates increase (net)	0.0	12.9	13.3	13.7
Gambling tax increase	0.0	0.0	0.0	5.3
Restructure Fund	0.0	-12.3	-6.0	0.0
Savings	0.0	22.7	36.4	40.4
<i>Sub-total</i>	<i>-0.5</i>	<i>-12.4</i>	<i>16.1</i>	<i>31.6</i>
2005-06 Budget Papers	52.2	-91.5	0.9	39.3

2005-06 Initiatives

The 2005-06 Budget allows for initiatives totalling \$57.598m. This includes \$45.408m of recurrent funded initiatives and \$12.190m of agency funded initiatives. Also included are \$1.936m of revenue proposals and \$18.154m of capital funded initiatives.

Government initiatives are outlined in Part 6 of this Budget Paper.

Financial Position

Total General Government Sector assets are expected to be \$9.304 billion at the end of 2005-06, an increase of \$165m over the estimated opening balances for the year. Total General Government Sector liabilities are anticipated to be \$4.118 billion, an increase of \$270m from the estimated opening balance.

The net assets of the General Government Sector are budgeted to be \$5.186 billion as at 30 June 2006.

These are further discussed in Chapter 5.4 - Financial Position.

Appropriations

Appropriations in 2005-06 of \$2.605 billion have increased from the 2004-05 Appropriations of \$2.447 billion. Appropriations for 2004-05 include the amendments to the Appropriation Bill included in the 2004-05 Budget Papers and the Appropriation Act 2004-2005 (No.2).

Territory Unencumbered Cash

The Territory's Unencumbered Cash (TUC) is the measure of the Territory's cash balance, which is not allocated to an operating or investing requirement at that point in time, and therefore is a measure of liquidity.

The forecast for TUC at the end of 2004-05 is \$383m and \$154m for 2005-06.

**Table 5.1.2 - General Government Sector
Territory Unencumbered Cash**

	2004-05	2005-06	2006-07	2007-08	2008-09
	Est. Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
Territory Unencumbered Cash	383	154	24	42	110

