

CHAPTER 2

FISCAL STRATEGY

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2.1 BUDGET OUTLOOK

2014-15 Budget Overview

The 2014-15 Budget invests in Canberra. It invests in new and continuing infrastructure projects that will contribute to economic growth and employment. It also invests in the Canberra community through new health, education, community services and preventative justice initiatives, as well as targeted investments in business development.

The forecast Headline Net Operating Balance in 2014-15 is a deficit of \$332.8 million, with a smaller deficit expected in 2015-16 before the budget broadly returns to balance from 2016-17.

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

	2013-14	2014-15	2015-16	2016-17	2017-18
	Est. Outcome	Budget	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m
Revenue	4,245.1	4,411.9	4,653.7	4,912.1	5,177.6
Expenses	4,586.2	4,858.3	4,894.7	5,070.7	5,242.4
Superannuation return adjustment ¹	75.8	113.7	123.2	132.4	142.2
HEADLINE NET OPERATING BALANCE	-265.3	-332.8	-117.8	-26.3	77.5
Net Cash from Operating Activities	449.9	189.9	393.3	561.1	622.7
Net Debt (excluding superannuation)	527.3	1,227.5	1,614.7	1,705.0	1,799.0
Net Financial Liabilities	3,677.5	4,435.6	4,857.8	4,997.5	5,111.1

Note: Table may not add due to rounding.

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.

The Government's balance sheet remains strong with net worth forecast to be \$16.7 billion and net debt expected to be \$1.2 billion at 30 June 2014.

The Context of the 2014-15 Budget

Since taking office in 2001, the Government has managed the public finances in a prudent and fiscally responsible manner. Through sustained operating surpluses and targeted investments, the Government has built a strong balance sheet and provided scope to reduce the effect of economic shocks, such as the global financial crisis, on the ACT. Over this time the ACT economy has grown strongly, with our output increasing by an average of 3.2 per cent in real terms, notably higher than for Australia as a whole.

Despite this underlying strength, the 2014-15 Budget has been developed in an uncertain environment, affected by a number of factors beyond the ACT Government's control. With the Commonwealth Government's fiscal restraint and public sector staffing cuts, and its reduction in grants and payments to the ACT, we are now seeing a weakening of economic conditions, with most indicators easing from their long-run averages.

The impact of Commonwealth decision making on the ACT has been both direct and indirect.

There is a direct impact of cuts to the health funding guaranteed by the previous Commonwealth Government. This, combined with the decision to introduce co-payments for service provided under Medicare, will put pressure on the ACT health system, which cannot yet be fully understood. The ACT Government has decided to maintain the level of funding allocated to health services in the 2014-15 Budget – effectively funding the Commonwealth cuts from its own budget. The Government did not wish to immediately reduce health funding as a result of the Commonwealth cuts, due to the community and health system impact.

The ACT Budget can sustain funding this cut from the Commonwealth in 2014-15 and has maintained previous levels of total health funding in the forward estimates. It does, nevertheless, have a clear and direct impact on the ACT Budget Headline Net Operating Balance. If the Commonwealth does not change its funding arrangements with the ACT beyond 2014-15, the Government will have to consider a longer-term response to managing the reductions in service payments from the Commonwealth.

While the Commonwealth has provided some additional funding for infrastructure investment and environmental works, it will not offset the effect of the reduction in health funding.

The Commonwealth is also having an indirect effect on the ACT budget through its decision to reduce the size of the Australian Public Service. As discussed earlier in the Budget Papers, the reduction in employment leads to lower economic activity, lower land sales and longer-term reductions in the Territory's revenue base.

Table 2.1.2 provides a summary of the direct impact of various decisions on the ACT economy and public finances.

Table 2.1.2
Summary of direct impact of Commonwealth Government decisions

	2014-15	2015-16	2016-17	2017-18	Total
	Estimate	Estimate	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Land Release (LDA dividend)	-40,391	-86,004	-55,082	-62,534	-244,011
National Health Reform Agreement grants ¹	-39,748	-53,048	-68,582	-86,721	-248,098
Financial Assistance Grants (Local Government) ²	-1,807	-4,031	-6,359	-6,592	-18,789
General Revenue Assistance	8,337	9,476	10,677	11,891	40,381
Other grants ³	6,165	31,916	33,269	24,335	95,685
Total	-67,444	-101,691	-86,077	-119,621	-374,832

Notes: Table may not add due to rounding.

1. Estimated impact arising from reduction in health funding.

2. For further information on Financial Assistance Grants, refer to Federal Financial Relations (Chapter 7).

3. Excluding the bring forward of funding for the Majura Parkway.

To provide stability to the ACT economy, the Government is investing in Canberra through the 2014-15 Budget. The increased deficits in the short term reflect the Government's efforts to support the economy and jobs through targeted spending initiatives.

The return to a broadly balanced budget from 2016-17 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 \$332.8 million in 2014-15, an increase of \$223.3 million from the deficit forecast in the 2013-14 Budget Review. This movement primarily reflects a forecast increase in expenses of \$139.2 million and an expected decrease in revenue of \$85.5 million.

Table 2.1.3 provides an overview of variations in the General Government Sector Headline Net Operating Balance since the 2013-14 Budget and the 2013-14 Budget Review.

Table 2.1.3
Summary of Movements in the GGS Headline Net Operating Balance from the 2013-14 Budget

	2013-14 Estimate \$m	2014-15 Estimate \$m	2015-16 Estimate \$m	2016-17 Estimate \$m
2013-14 Budget	-253.6	-99.5	29.3	47.1
Parameter Impacts				
Commonwealth Revenue				
Commonwealth Grants	-22.7	19.4	-18.9	1.0
Financial Market and Monetary Policy Impacts				
Interest (net)	10.6	-3.2	-4.8	-5.7
Superannuation Investment Earnings	3.9	19.5	21.0	22.7
Superannuation Expenses	-50.4	0.0	0.0	0.0
Economic Activity				
Taxation Revenue	7.3	-1.5	-3.7	-2.8
ACTEW – Revised Dividends	-22.4	-28.4	-32.9	-37.0
ACTEW – Revised Income Tax Equivalents	-10.1	-12.8	-14.8	-16.6
Indexation – CPI and WPI Parameter Update	-0.1	-2.1	-2.1	-1.9
Other				
Revised Depreciation	-6.0	-6.0	-6.0	-6.0
Estimated Outcome / Other	-0.7	2.4	-0.8	-2.1
Appropriation Transfers	-6.4	0.0	0.0	0.0
Operating Impact of Capital Works Re-Profiling	9.9	-8.7	0.0	-0.9
Appropriation Rollovers (2012-13 to 2013-14)	-19.9	0.0	0.0	0.0
Sub-Total Parameter Impacts	-106.9	-21.4	-62.9	-49.4
Policy Impacts				
Savings	0.0	11.4	13.2	13.5
Sub-Total Policy Impacts	0.0	11.4	13.2	13.5
<hr/>				
2013-14 Budget Review	-360.6	-109.5	-20.5	11.2
<hr/>				
Parameter Impacts				
Commonwealth Revenue				
Commonwealth Grants – National Health Reform	-7.6	-47.4	-62.6	-79.5
Commonwealth Grants – GST	6.2	21.4	23.4	25.8
Commonwealth Grants – Water for the Future	0.0	0.0	3.3	27.0
Commonwealth Grants – Other	41.5	-34.2	24.7	1.3
Financial Market and Monetary Policy Impacts				
Investments and Interest (net)	3.7	-1.0	-15.0	-28.1
Superannuation Expenses	0.0	-12.9	-13.2	-13.8

<i>Economic Activity</i>				
Taxation Revenue	2.5	-14.0	-5.1	-2.6
Land Development Agency – Dividends and Income Tax	-8.0	-40.4	-86.0	-55.1
Contributed Asset Gains	-34.7	-16.6	0.0	10.0
ACTEW Corporation - Dividends and Income Tax	3.5	3.1	-4.3	-10.0
ACTTAB – Dividends and Income Tax	0.0	-1.5	-1.8	-1.1
Indexation – CPI and WPI Parameter Update	0.0	-2.5	-2.5	-2.6
<i>Other</i>				
Operating Impact of Re-profiling and Rollovers	43.3	-37.9	-9.0	-1.0
Agency Estimated Outcome / Other	58.3	61.8	58.7	68.9
Schools Enrolment Adjustment	0.0	-6.2	-6.4	-6.5
<i>Sub-Total Parameter Impacts</i>	108.7	-128.3	-95.8	-67.3
<i>Policy Impacts</i>				
Recurrent and Capital Initiatives	-13.4	-120.6	-47.5	-34.9
Revenue Initiatives	0.0	25.6	27.9	33.6
Savings Initiatives	0.0	0.0	18.1	31.1
<i>Sub-Total Policy Impacts</i>	-13.4	-95.0	-1.5	29.8
2014-15 Budget	-265.3	-332.8	-117.8	-26.3

Note: This table may not add due to rounding.

Revenue

The Government is forecasting revenue of \$4.4 billion in 2014-15, a reduction of \$85.5 million since the 2013-14 Budget Review. This lower revenue forecast reflects the following reductions:

- Commonwealth Specific Purpose Payments and National Partnership payments, particularly in relation to the National Health Reform Agreement (net \$81.6 million);
- LDA dividends and income tax equivalent payments following a reduction in the land release program to take account of forecast lower demand for land following the Commonwealth Government cuts (\$40.4 million); and
- contributed assets from land developments (\$16.6 million).

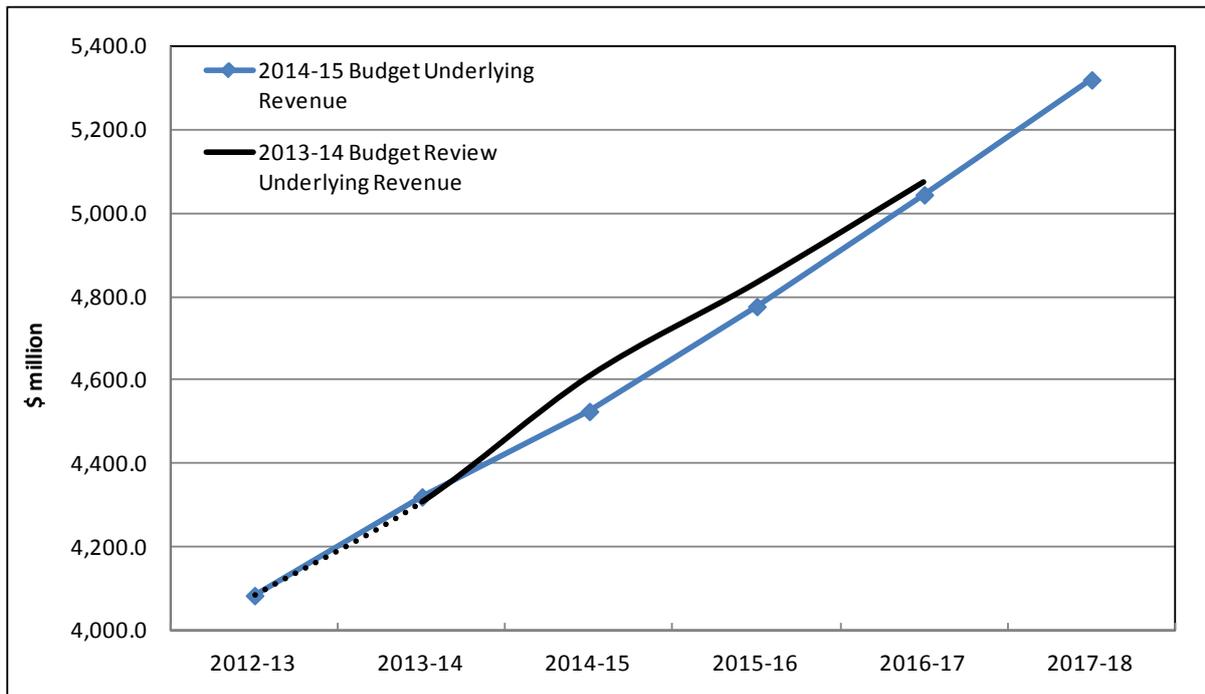
These forecast reductions in revenue are partly offset by expected increases in:

- revenue initiatives announced in this budget to ensure that the ACT Government can provide quality services to the people of Canberra (\$25.6 million); and
- GST payments from the Commonwealth (\$21.4 million).

Across the Budget and forward estimates period, aggregate revenues are forecast to grow at 5.3 per cent per annum, 0.5 percentage points lower than expected at the time of the 2013-14 Budget.

Figure 2.1.1 depicts a comparison between the underlying revenue in the 2013-14 Budget Review and the 2014-15 Budget.

Figure 2.1.1
Underlying Revenue, 2013-14 Budget Review and 2014-15 Budget



Expenses

The Government is forecasting expenses of \$4.9 billion in 2014-15, an increase of \$139.2 million since the 2013-14 Budget Review. This increase largely reflects:

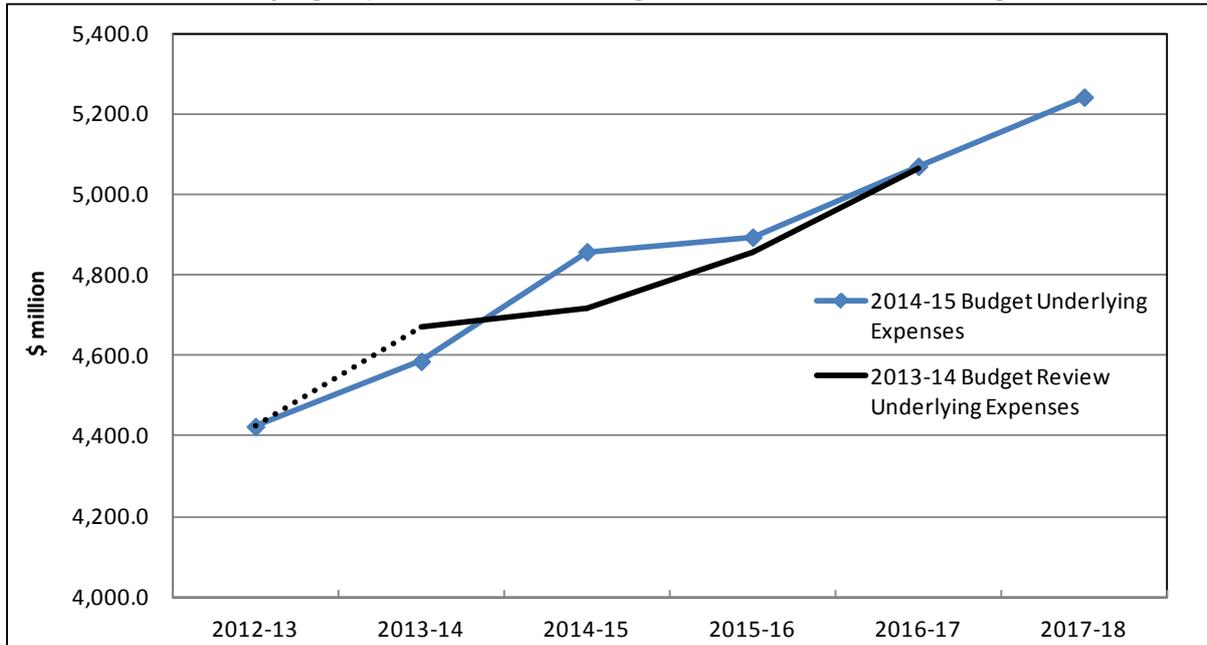
- policy initiatives to invest in Canberra and support the ACT economy and jobs (net \$95.0 million); and
- the reprofiling and rollovers of agency expenses, including those associated with capital works (net \$37.9 million).

The 2014-15 Budget also contains \$93.6 million in savings over four years which will mainly arise from improving administrative efficiencies across the ACT Public Service, and reaping a digital dividend from investment in technology. This will allow the Government to redirect funding to areas of high priority.

Across the Budget and forward estimates period, expenses are forecast to grow at 3.4 per cent per annum, 0.1 percentage points lower than forecast in the 2013-14 Budget. This growth reflects targeted spending, focussed on areas of service delivery where the Government believes it can meet the Territory's priority needs but also deliver maximum economic benefit.

Figure 2.1.2 depicts a comparison between the underlying expenses in the 2013-14 Budget Review and the 2014-15 Budget.

Figure 2.1.2
Underlying Expenses, 2013-14 Budget Review and 2014-15 Budget



2.2 FISCAL STRATEGY

Fiscal Strategy

The Government's fiscal strategy focuses on managing the public finances of the Territory in a rigorous and prudent manner, and establishes an objective of achieving an operating balance over time by offsetting temporary deficits with surpluses in other periods.

The key objectives of this strategy are to achieve net operating surpluses over the medium term, prudently manage the ACT's balance sheet, make targeted investments to achieve economic growth, maintain taxation revenues at sustainable levels, and continue to plan for the delivery of high quality services to meet the needs of the ACT community. These factors collectively influence our credit rating – currently assessed as triple-A stable – one of only three States and Territories to hold this rating in Australia.

The strategy for the 2014-15 Budget focuses particularly on the principles of:

- sustaining a strong operating balance over the medium term;
- using the strong balance sheet to invest in important city transformational projects; and
- supporting the ACT economy in the short term following the significant economic shock of changes in Commonwealth Government activity levels.

Over recent years, a number of economic and fiscal shocks have negatively affected the ACT's public finances. Of greatest significance are decisions by the Commonwealth Government to reduce the size of the Australian Public Service and, more recently, to reduce funding to the ACT for the provision of health and hospital services.

While the Government remains committed to returning to a net operating balance in the longer term, it sees its priority – given the impact of the Commonwealth contraction – in the shorter term as securing the ACT's economic future.

For this reason, instead of cutting spending and adding to the negative impact of the Commonwealth's decisions in the ACT, the Government is investing in Canberra to minimise the impact of the Commonwealth Government's fiscal consolidation. Rather than add to economic uncertainty in the ACT by attempting to return to a net operating balance more quickly, the Government has chosen instead to invest in Canberra.

By continuing to implement major transformational projects and striving to improve service delivery through streamlined processes and technological advances, the Government is supporting our economy and our people.

To emphasise the Government's commitment to investing in Canberra, it has included provisions in the budget for major, commercially sensitive, projects. This provides greater certainty by ensuring that the balance sheet and net operating balance take account of this investment rather than delaying the inclusion of such estimates until the projects are formally agreed by the Government and about to commence.

This approach will increase our forecast borrowings as these projects will involve large financial outlays. However, because these borrowings will be directed towards productive infrastructure projects, they will create employment opportunities, improve services and generate long lasting benefits as Canberra heads into its second century.

While our debt increases over the budget and forward years, it remains contained and targeted towards the funding of these important capital projects. Our debt is not being used to fund the delivery of services or wages. Our net debt remains at prudent levels as a share of Gross State Product (GSP) and is broadly in line with, or lower than, 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.

With this longer-term perspective in mind, the Government's fiscal strategy can be grouped into five high level objectives. These are:

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

These five objectives encapsulate the detailed measures that were previously reported in the fiscal strategy. 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 the level of investment currently in the pipeline 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 progressive and modern city.

Sustainable Economic Growth

As part of its fiscal strategy, the Government is committed to building a productive and competitive economy through targeted investments that support economic growth.

With the reduction in employment and spending by the Commonwealth Government, now is not the time to cut spending. Instead, the ACT Government is investing in Canberra in the 2014-15 Budget.

The temporary deficits over the next three years reflect the Government's investment in jobs and services. The return to surplus reflects the fact that sustainable public finances are a necessary factor for long-term economic growth and stability.

The Government is supporting jobs and the economy by investing in infrastructure that will transform the city in preparation for the challenges of Canberra's second century. Historic capital works in the courts, public amenities, public transport, education and health will provide employment and support ongoing services for the people of Canberra.

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 can create capacity on the Territory's balance sheet and help deliver the Government's priorities. This approach will be supported by the Commonwealth Government's Asset Recycling Initiative, which will provide financial incentives to state and territory governments to divest assets and reinvest the proceeds in additional productive infrastructure.

The Government will consider which assets could be included under the initiative to support new investment. Potential options include assets such as ACTTAB; ageing public housing stock; government office buildings; street lights and surface car parks. The Government will be considering options over the coming months and has included a provision in the budget for potential 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; temporary deficits must only occur if they are offset by surpluses at other times.

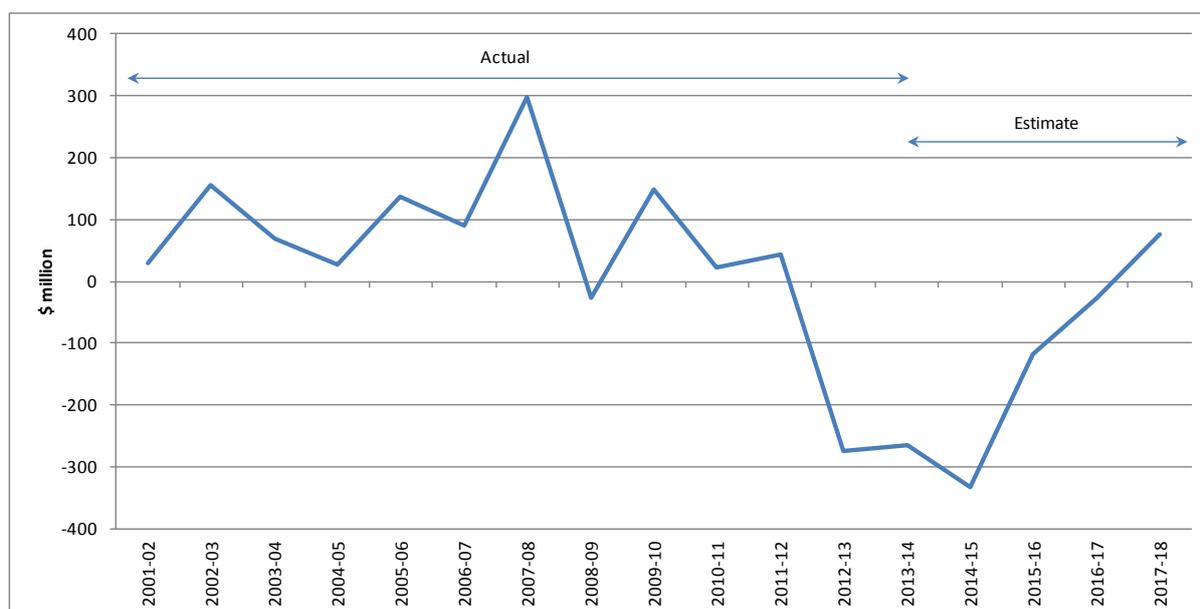
The General Government Sector Headline Net Operating Balance is forecast to be in deficit by \$332.8 million in 2014-15 reflecting the cost of supporting the economy, jobs and public services in the ACT.

Notwithstanding this important program of investment in health and education, and infrastructure projects, the Headline Net Operating Balance is forecast to be a surplus of \$77.5 million in 2017-18. 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.

To adhere to its fiscal strategy, maintain fiscal discipline and return the budget to balance, the Government has offset a significant proportion of the cost of the new initiatives in this Budget with savings. 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. Refer to Savings (Chapter 4.2) for more information.

As demonstrated by Figure 2.2.1 below, the Government has a longstanding history of prudent and targeted decision making, reflected by a significant period of net operating surpluses. Moreover, on those occasions where 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. In these circumstances, the focus of the Government has been to support the economy and jobs through targeted spending initiatives and 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 ACT Government’s key measure of the public finances is the Headline Net Operating Balance (HNOB). The HNOB includes an adjustment for long-term expected superannuation investment earnings (consistent with the long-term expected return objective of CPI plus 5 percentage points).

The HNOB has been consistently presented in this way in the ACT Government’s Budget Statements since 2006-07. The continued use of this presentation ensures that comparable, comprehensive and informed assessments can be made of the Territory’s financial performance over time.

The measure 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. 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 necessary to provide an accurate assessment of the longer term sustainability of the budget position.

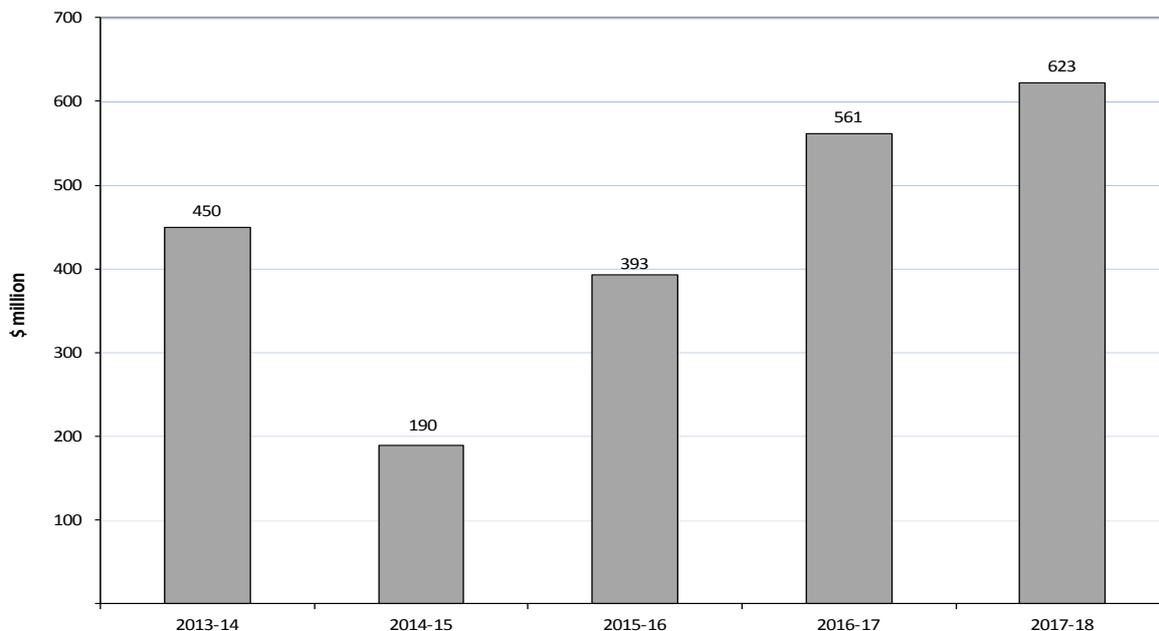
The Government considers that the HNOB provides the most relevant and meaningful information for making long-term budget and resource allocation decisions.

Operating Cash Surplus

The Government is committed to maintaining operating cash surpluses in the General Government Sector. 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). 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.

Figure 2.2.2 below shows that the General Government Sector Operating Cash Surplus is expected to be \$189.9 million in 2014-15, with surpluses across the forward estimates. A revised operating cash surplus of \$449.9 million is estimated for 2013-14.

Figure 2.2.2
Net Cash Flows from Operating Activities: General Government Sector



Quality and Efficient Public Services

The Government remains committed to delivering high quality services, with an objective of delivering more efficient and productive public services.

As part of this goal, the Government has included initiatives in the 2014-15 Budget to boost public sector productivity by reviewing administrative expenditure, eliminating duplication, and reducing internal red tape. To achieve this result, the Government has announced a regulatory reform initiative that will examine the regulatory impact on the public sector.

Additional efficiencies are expected from investment across the ACT Public Service in transformational service delivery and moving the delivery of government services to a digital platform. The Government is also reviewing its own structures and processes to identify ways of delivering services more efficiently.

There are a number of reviews being conducted under the auspices of the Expenditure Review Committee of Cabinet and in turn through the Expenditure Review Steering Committee which oversees the work of the dedicated project teams. One recently completed review was undertaken on the Parks and City Services Division (PACS) of the Territory and Municipal Services Directorate to inform the Government of issues around PACS service delivery, standards and sustainability. This followed a one-off investment in the 2013-14 Budget of \$5.5 million to support operational capacity.

In this Review a PACS Review Steering Committee was convened to guide the operation of the Review and included senior representation from the Chief Minister and Treasury Directorate, PACS and unions representing the PACS workforce.

The Government commissioned the Review to establish expected levels of service delivery to maintain a growing asset base and available funding for the services. The Review examined PACS' financial performance, service delivery and standards, and future sustainability issues.

The Review considered options to more efficiently deliver PACS services and found that, to reasonably sustain core PACS functions and continue to deliver important municipal services to the Canberra community, an increase in base funding was required alongside some adjustment to service levels.

The outcome of the Government's consideration of the Review is that PACS is being provided with supplementation of \$15.2 million over four years in the 2014-15 Budget. This will be used to manage Canberra's national parks and reserves, and maintain urban parks, trees, shopping centres and other community open space areas. This is in addition to funding of \$58.3 million that the Government is providing PACS in 2014-15 for direct service delivery.

The Government is also continuing to invest in the provision of necessary public services including public transport, education and healthcare to ensure that an appropriate service quality is retained while they are delivered in an efficient manner.

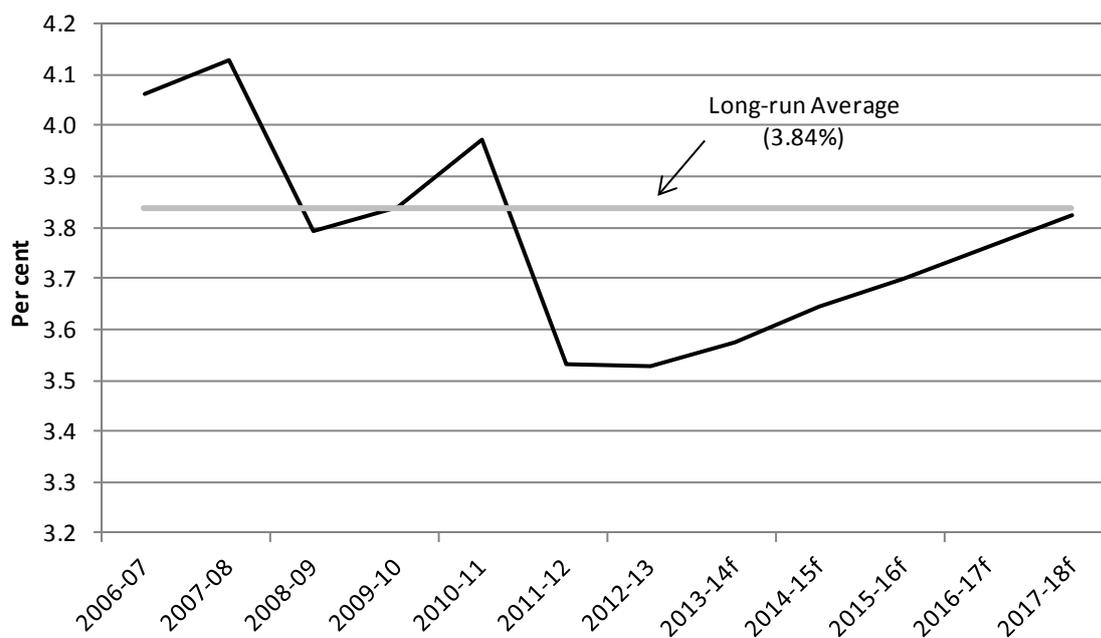
Sustainable Taxation Revenue

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

The significant reforms to the Territory's taxation system, which were commenced in 2012-13, have been continued in the 2014-15 Budget. Under this program of reform, the Government is abolishing a number of inefficient taxes, including 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 the taxation system on the economy.

Following the implementation of these reforms, taxation revenue in 2014-15 is expected to be \$1.4 billion, or 3.7 per cent of nominal Gross State Product (GSP). This level of collections is broadly consistent with that in 2012-13 but remains below the long-run average. Figure 2.2.3 below presents the Territory's taxation revenue relative to the nominal GSP.

Figure 2.2.3
Taxation Revenue as a Share of Nominal GSP



Source: ABS Cat No. 5220.0 and Chief Minister and Treasury Directorate

The taxation initiatives announced in the 2014-15 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.

Strong Balance Sheet

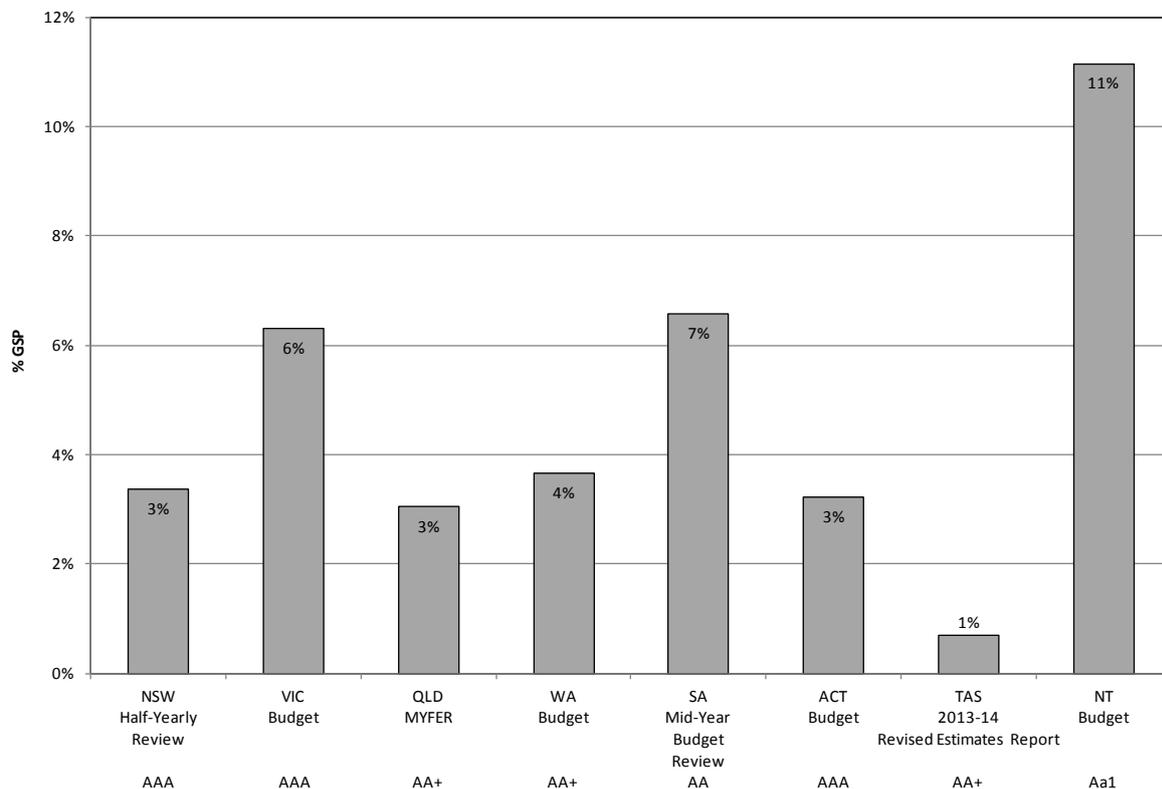
The ACT's Balance Sheet continues to perform well compared to other jurisdictions and maintains flexibility to support high priority investments.

Net Debt

A key balance sheet measure in the Government Financial Statement (GFS) framework is net debt, which takes into account gross debt liabilities as well as financial assets (such as cash reserves and investments). The General Government Sector net debt as a percentage of GSP is estimated to be 3 per cent in 2014-15 compared with the 2013-14 estimated outcome of 1 per cent.

Figure 2.2.4 below compares the ACT's net debt as a proportion of GSP with other jurisdictions. The ACT's net debt remains at prudent levels as a share of GSP and is broadly in line with, or lower than other jurisdictions.

Figure 2.2.4
Net Debt to GSP Ratio General Government Sector: 2014-15



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 2014-15 Budgets. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

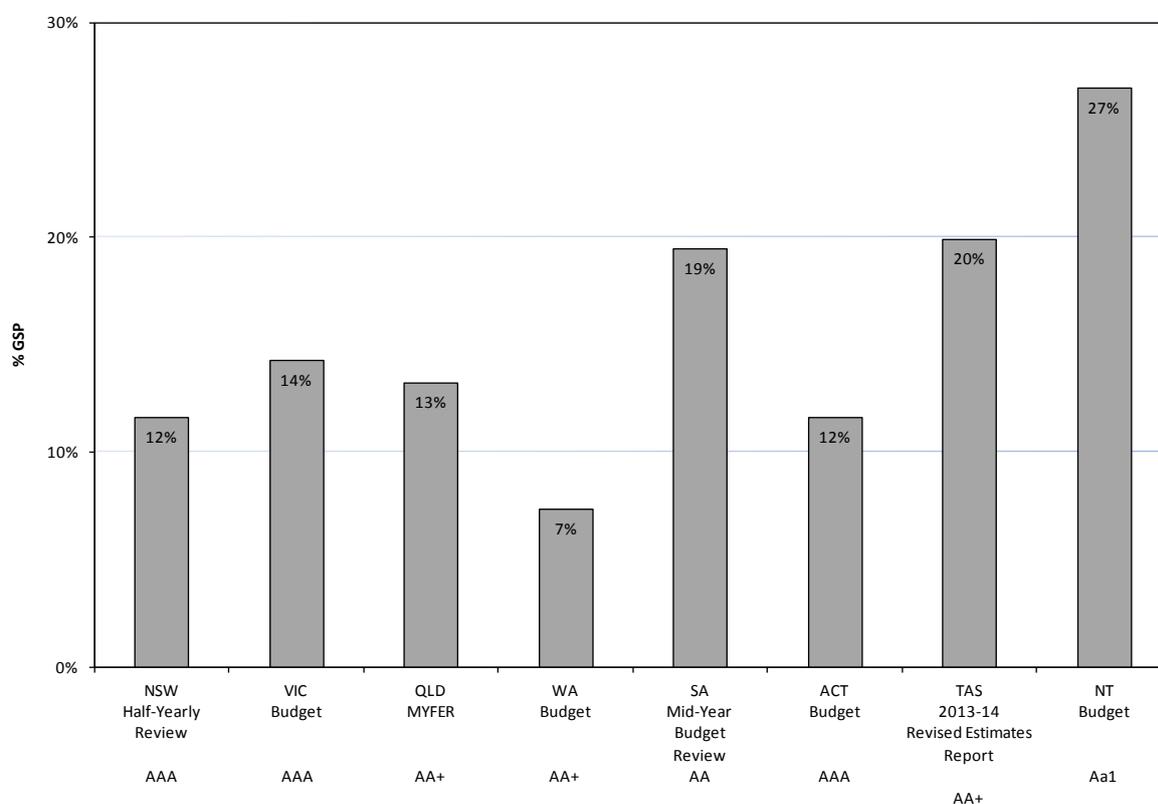
Net Financial Liabilities

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 12 per cent in 2014-15 compared with the 2013-14 estimated outcome of 10 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, ACTEW Corporation).

Figure 2.2.5 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.

Figure 2.2.5
Net Financial Liabilities to GSP Ratio General Government Sector: 2014-15



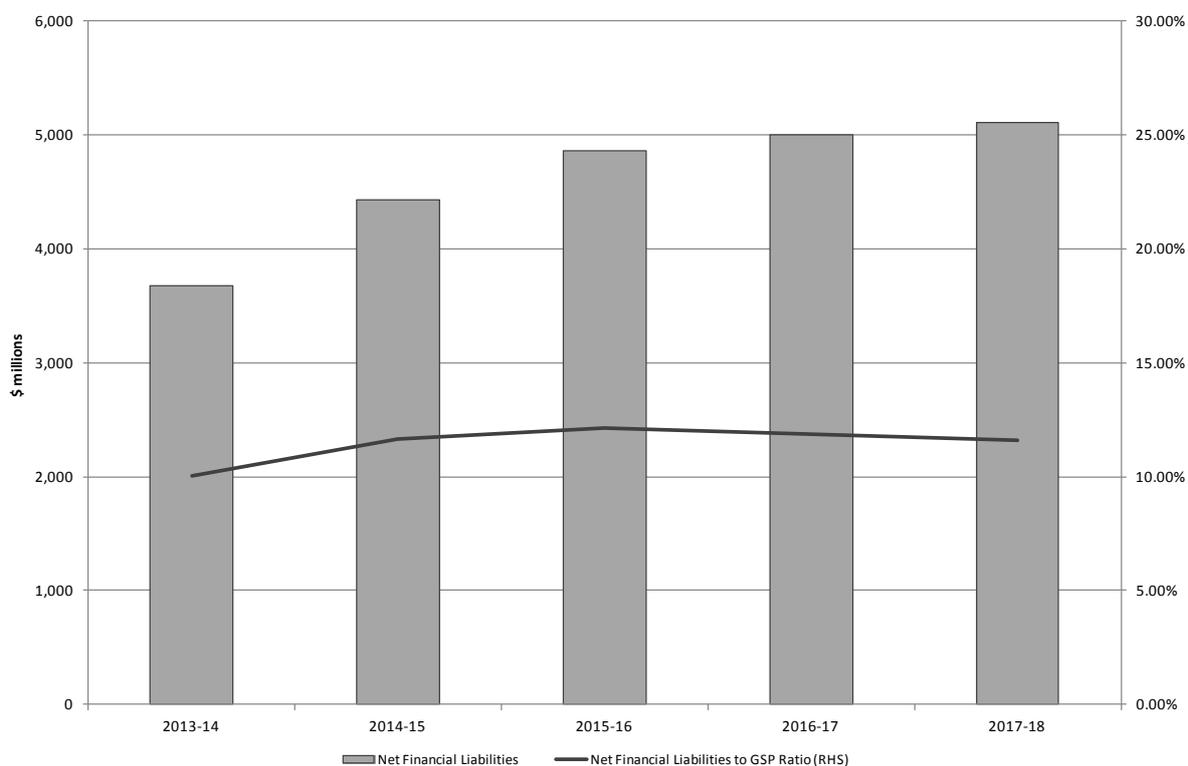
Source: The inter-jurisdictional data utilised in this comparison is taken from each jurisdiction's most current Budget documentation. Differing sources have been employed as not all jurisdictions have released their 2014-15 Budgets. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

A key question for governments is whether to borrow to invest in new capital assets. It is widely recognised as appropriate for governments with strong balance sheets to incur some debt, provided the debt is used to finance high quality assets in areas of community need. This is because these assets (for example, public transport, new roads, schools and hospital facilities) provide benefits to the community over a long period of time.

It is important, however, that the level of debt is sustainable. The ratio of net financial liabilities to GSP provides an indicator of the sustainability of a jurisdiction’s debt. 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 2014-15 Budget and forward estimates anticipates a net increase in general government sector borrowings for capital purposes of \$1.094 billion by 2017-18. 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 2.2.6. 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 divest assets that are no longer required, or can be operated more efficiently by the private sector.

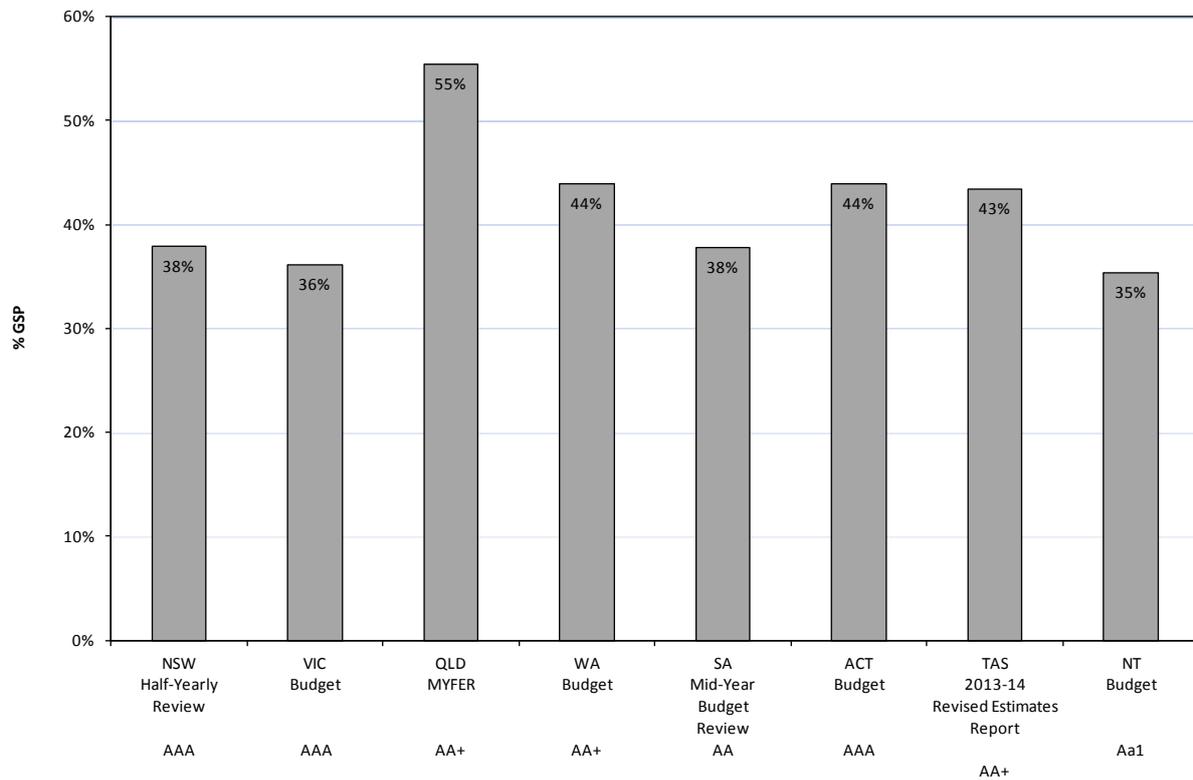
Figure 2.2.6
General Government Sector – Net Financial Liabilities to GSP



Net Worth

The broadest measure of a jurisdiction's balance sheet is net worth, which measures the total value of all assets less all liabilities. The ACT has strong positive net worth (Figure 2.2.7), and as a proportion of GSP, continues to be one of the strongest of all Australian jurisdictions. At the end of 2014-15, Net Worth is expected to be \$16.7 billion.

Figure 2.2.7
Net Worth to GSP Ratio General Government Sector: 2014-15



Source: The interjurisdictional 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 2014-15 Budgets. Nominal GSP has been calculated based on jurisdictions most recent budget publications. In some instances assumptions based on growth factors have been applied.

2.3 COST OF LIVING STATEMENT

The ACT Government delivers a wide range of services and infrastructure to Canberrans: from schools and hospitals, buses and municipal services, emergency services, to sports, arts and cultural events. It delivers services to support the most vulnerable and disadvantaged in our community. The Government also delivers programs to stimulate job and business growth and promote economic investment in the ACT. These services, programs and supports boost the ACT economy and generate local jobs. The services improve the quality of living for ACT residents. The Government also provides support to ease cost of living pressures and help those who need assistance.

On average, ACT residents have the highest incomes in the country and are among the healthiest, best educated and most productive members of the Australian community¹. Canberrans also donate more money and volunteer more time to community activities than their counterparts across the country. The ACT has the lowest unemployment rate and the second highest participation rate in Australia.

However, the Government is committed to making sure taxes and fees remain affordable for all Canberrans. The Government is also committed to ensuring important and essential services are available to low income households and that assistance is provided to those who need it. The Government is aware of the impact that changes made in the recent Commonwealth Budget will have on the more vulnerable members of our society. Many of the changes announced will have flow on implications to these low income households. The Government will ensure that when families and individuals find themselves in difficult situations, appropriate support programs, targeted assistance and concessions will be provided.

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 rate levels, general market conditions and decisions of independent pricing authorities.

This Cost of Living Statement provides five case studies of representative Canberra households. It outlines the effect of ACT Government's taxes and charges and the various concessions available in 2014-15². The impact of Commonwealth Government taxes, fees or concessions are not taken into account.

¹Source: 2011 Census of Population and Housing, Australian Bureau of Statistics.

²As required under Section 11(1)(f) of the *Financial Management Act 1996*.

ACT Households

ACT residents are, on average, relatively younger, have a higher level of education and higher incomes than the rest of Australia. Canberran families have an average of 1.8 children and 47.3 per cent of people aged 15 and over are married.

ACT residents are more engaged with the labour market than average Australians – with 65 per cent of the labour force working full-time and 25 per cent working part-time. The majority of households (67.3 per cent) own their own home, with or without a mortgage, while 30.6 per cent rent. The vast majority (91.8 per cent) of households own at least one motor vehicle.³

In the ACT, the median weekly family income for families with children is \$3,060, compared to the national average of \$2,310⁴. Wages in the ACT have continued to increase with the Wage Price Index increasing by 2.3 per cent from the March quarter 2013 to the March quarter 2014, compared to 2.6 per cent nationally⁵. Households have also benefited from lower interest rates, which helps reduce pressure on mortgage holders and improve housing affordability.

ACT Government

Public Services

Canberrans expect and experience a high standard of public services. The ACT Government continues to provide high quality public services to meet these expectations. The provision of these public services shields households from some cost of living pressures. For example, households with school age children in public education receive its benefit at nil cost. In the Territory, ABS data indicates health care costs are rising by 8.9 per cent per annum⁶ hence households using public medical services and facilities are significantly shielded from this increasing cost of health care.

Box 2.3.1 below shows ACT Government expenditure in 2014-15. It demonstrates that a significant proportion of this expenditure goes to providing essential services, such as health (30.9 per cent of expenditure), and education and training (23.6 per cent of expenditure).

³2011 Census Australian Capital Territory STE. QuickStats.

⁴2011 Census Australian Capital Territory STE. QuickStats.

⁵Australian Bureau of Statistics Cat. No. 6345.0 Wage Price Index (December quarter 2012 to December quarter 2013), Australia, Series ID A2640849K

⁶CAGR for Health Costs from 2002-03 to 2011-12 – Australian Bureau of Statistics Cat. No. 5512.0 ACT General Government Expenditure by Purpose

Box 2.3.1
What Your Money Delivers

Total General Government Expenditure is \$4,858.3 million in 2014-15 and total Government Expenditure on services (as shown below) is \$4,492.5 million in 2014-15.

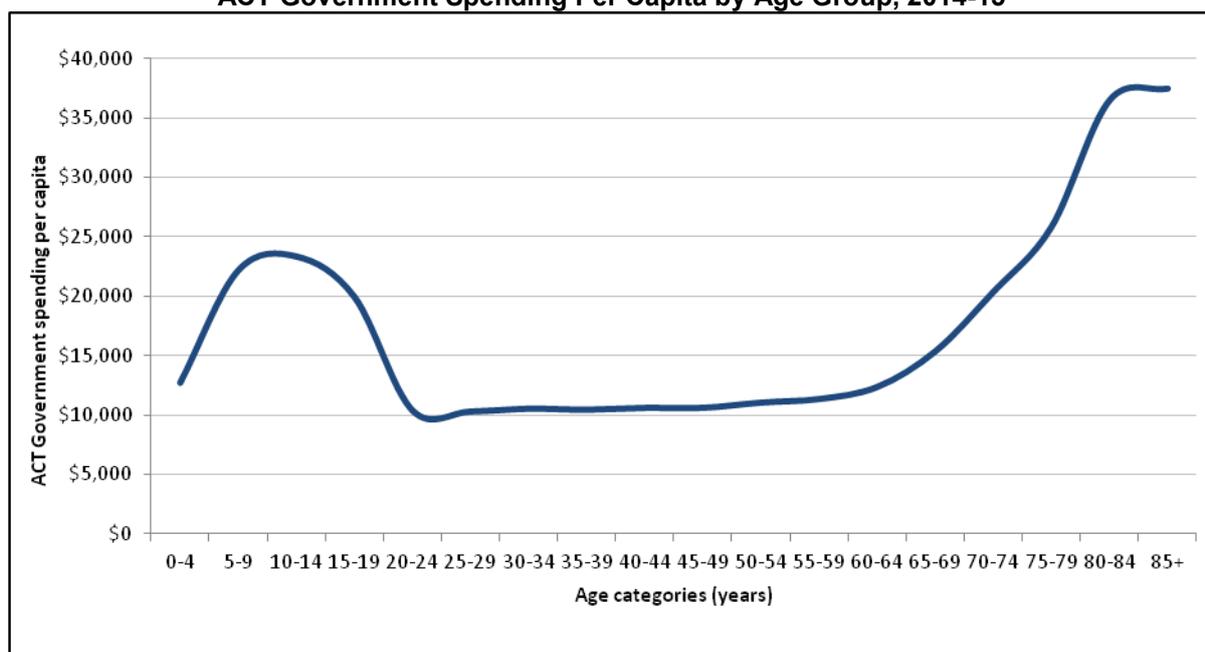
	\$million	Per cent of total expenses on services
Health and Community Care	1,389.4	30.9
Government Schooling	675.0	15.0
Territory and Municipal Services	363.5	8.1
Disability and Community Services	288.7	6.4
Non Government Schooling	237.2	5.3
Justice and Community Safety	217.1	4.8
Housing	176.3	3.9
Public Transport	166.5	3.7
Environment, Sustainability and Land Management	162.7	3.6
Policing	154.6	3.4
Vocational Education and Training	148.8	3.3
Emergency Services	131.0	2.9
Planning and Regulation	90.1	2.0
Chief Minister and Treasury	89.1	2.0
Sport and Recreation	53.9	1.2
VisitCanberra, Venues and Events	37.7	0.8
Arts, Culture and Heritage	30.3	0.7
Land and Property Services	19.8	0.4
Legislative Assembly	16.5	0.4
Business, Innovation, Trade and Investment	11.6	0.3
Executive	8.3	0.2
Auditor-General	6.6	0.1
Electoral Commissioner	2.7	0.1

Source: Chief Minister and Treasury Directorate

Figure 2.3.1 below shows how ACT Government expenditure on services and infrastructure is distributed across different age groups. Government expenditure on services is highest for the population aged under 20 and over 60. This is due to high government expenditure costs associated with education for school aged students and health care costs for older Canberrans. The average ACT Government spending per capita in 2014-15 is \$12,690⁷. At the 2011 Census, 10.7 per cent of the ACT's population was 65 years of age and over and 25.3 per cent were 19 years of age or under.

⁷Source: ACT Chief Minister and Treasury Directorate.

**Figure 2.3.1
ACT Government Spending Per Capita by Age Group, 2014-15**



Source: Chief Minister and Treasury Directorate

ACT Government Taxes and Fees

The ACT Government collects revenue directly via taxes, fees and charges. The 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. Another 43 per cent is provided by the Commonwealth Government, as outlined in Federal Financial Relations (Chapter 7). The remainder is provided from a range of other income sources including the sales of goods and services, interest and dividend income.

The ACT Government's own-source revenue is generated mostly from annual taxes levied on businesses, households and investors. Annual taxes levied on businesses include commercial conveyance duty, general rates, insurance duty, and payroll tax. Investors are subject to land tax (included in rates for the commercial sector) and, where relevant, the Lease Variation Charge. The annual taxes levied on households are on property conveyance, general rates and other insurance. Annual fees are charged for motor vehicles licensing and registration and public transport. There are also a number of other small administrative fees that are charged on a one-off-basis that 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. Per capita taxation as a proportion of gross household disposable income in the ACT is 5.3 per cent – among the lowest in the country – compared with 6.7 per cent nationally⁸. Average taxation per capita in the ACT (\$3,272) is below the national average (\$3,377) and lower than Western Australia, Victoria and New South Wales⁹.

The ACT Government is continuing to undertake important taxation reform to make the Territory's taxes fairer, simpler and more efficient. The first 5 year phase of the changes was released in the 2012-13 Budget, which set out a plan to improve the overall fairness of the taxation system. The plan sets the Territory's taxation system on a more sustainable footing, and includes enhanced concessions and targeted support to ameliorate the impact of reform.

Other Taxes and Fees – Utilities

The cost of providing gas, electricity and other utilities is generally outside the direct control of the ACT Government. These are generally determined by supply and demand driven market forces. 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 costs 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 remains committed to ensuring that concessions and appropriate levels of support are provided to those most in need. That is why the ACT Government provides a number of concessions to eligible Canberrans, as outlined in Table 2.3.1 below. This Statement does not attempt to capture Commonwealth Government concessions.

⁸Chief Minister and Treasury Directorate calculation. Source: Taxation Revenue, Australia 2011-12, Australian Bureau of Statistics – Cat. No. 5506.0. Taxation data includes state and local government taxes.

⁹Taxation Revenue, Australia 2012-13, Australian Bureau of Statistics – Cat. No. 5506.0. Taxation data includes state and local government taxes.

**Table 2.3.1
ACT Government Concessions (2012-13)**

	No. of recipients	Cost \$'000
Energy and utility concession	24,963	9,350
Water and sewerage rebate	15,096	6,120
ACT Taxi Subsidy Scheme	3,914	1,200
ACT Spectacle Subsidy Scheme	7,514	1,600
Life support rebate	1,817	236
No Interest Loan Scheme	81	71
ACTION bus concession (number of trips)	5,400,000	7,450
Motor Vehicle Registration	53,057	8,000
Driver licence concessions	6,728	915
General Rates Rebate	17,776	910
First Home Owner Grant	2,775	18,160
Home Buyer Concession Scheme	1,749	13,804

Cost of Living Statement

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

The Government is mindful that in calculating the impact of taxes and fees on a representative 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 different household types and different circumstances.

ACT Household Scenarios

The scenarios below present the estimated impact of Territory taxes, fees and utility costs and the concessions which offset them on five representative households. A range of other concessions provided by the ACT Government are also outlined.

Household One

Bairavi and Daha are a single income family renting a house in Monash. They have a household income of \$45,000 a year and access to Health Care Cards. Their daughter, Hansa, has a disability and the family currently receives support through Disability ACT, their local school and other community organisations.

At 1 July 2014, they will be able to access the following grants as part of the ACT's transition to the National Disability Insurance Scheme:

- up to \$12,000 to purchase flexible supports and services (through to December 2014);
- up to \$10,000 for aids, equipment and minor modifications; and
- up to \$5,000 for items, activities and supports which may enhance their quality of life.

Table 2.3.2 shows the costs of taxes, fees and concessions for Bairavi, Daha and Hansa in 2014-15.

Table 2.3.2
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2014-15 on Household One

Government Taxes and Fees, and Utility Charges	Net of Concessions 2013-14	Savings 2013-14	Gross 2014-15	Concessions 2014-15	Net of Concessions 2014-15	Change	Savings 2014-15
Property							
Savings: Duty on contents insurance		-\$13.64					-\$7.16
Transport							
Fees: Driver license fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, Lifetime care levy and ACTION fares	\$1,559.08		\$2,304.62		\$1,645.76	5.56%	
Concessions: ACTION fares				-\$658.86			
Savings:							
Reduction in duty on car insurance		-\$28.00					-\$14.70
Reduction from Rewards for Safe Driving							-\$6.68
Utilities							
Fees: Electricity, natural gas	\$3,185.34		\$3,882.56		\$3,456.10	8.50%	
Concessions: Energy and utility				-\$426.46			
Other Concessions Potentially Available							
Flexible supports and services through to December 2014				\$12,000.00			
Aids, equipment and minor modifications				\$10,000.00			
Items, activities and supports which may enhance their quality of life				\$5,000.00			

Source: Chief Minister and Treasury Directorate

Other concessions available to Bairavi and Daha include:

- being a priority household for the purposes of the Energy Efficiency Improvement Scheme to help manage utility costs;
- Special Needs Transport to and from school for Hansa;
- free ambulance travel;
- a range of free dental health services for all family members;
- the No Interest Loan Scheme to purchase essential household items; and
- access to the Land Rent Scheme, if the family decides to enter the property market.

Household Two

Casey and Josh are currently renting and will buy their first house in Jacka in 2014-15 for \$410,000. Their household income is \$120,000.

Casey and Josh will have access to the First Home Owner Grant which is \$12,500 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 their conveyance duty from \$12,065 to \$20.

Casey works full time and Josh studies and works part-time. Casey catches the bus to work, to save on parking costs. Josh cycles to work and university.

Table 2.3.3 below shows the costs of taxes, fees and concessions for Casey and Josh in 2014-15.

Table 2.3.3
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2014-15 on Household Two

Government Taxes and Fees, and Utility Charges	Net of Concessions 2013-14	Savings 2013-14	Gross 2014-15	Concessions 2014-15	Net of Concessions 2014-15	Change	Savings 2014-15
Property							
Fees: General Rates, Fire and Emergency Services Levy	\$1,189.13		\$1,294.18		\$1,294.18	8.83%	
Savings:							
Duty on home and contents insurance and life insurance		-\$66.00					-\$34.65
Home Buyer Concession Scheme							-\$12,045.00
First Home Owner Grant							-\$12,500.00
Transport							
Fees: Driver license fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, Lifetime care levy and ACTION fares	\$2,213.06		\$2,338.04		\$2,338.04	5.65%	
Savings:							
Reduction in duty on car insurance		-\$28.00					-\$14.70
Rewards for Safe Driving		-\$10.78					-\$13.37
Utilities							
Fees: Electricity, natural gas, water and sewerage	\$4,059.09		\$4,333.75		\$4,333.75	6.77%	

Source: Chief Minister and Treasury Directorate

Household Three

Paul and Christine own their own house in Waramanga and both receive a full pension. Paul and Christine both have an ACTION Gold Card which provides them with free travel on ACTION buses. Christine catches the bus to Woden most weekdays to volunteer and twice a week they drive to local community-run Seniors Groups.

They will downsize their house to a unit, worth \$380,000. They will be able to access the Over 60s Home Bonus, which charges conveyance duty at a concessional rate, reducing their conveyance duty from \$10,820 to \$20.

Table 2.3.4 below shows the costs of taxes, fees and concessions for Paul and Christine in 2014-15.

Table 2.3.4
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2014-15 on Household Three

Government Taxes and Fees, and Utility Charges	Net of Concessions 2013-14	Savings 2013-14	Gross 2014-15	Concessions 2014-15	Net of Concessions 2014-15	Change	Savings 2014-15
Property							
Fees: General Rates, Fire and Emergency Services Levy	\$1,067.50		\$1,911.33		\$1,171.33	9.73%	
Concessions: General Rates, Fire and Emergency Services Levy				-\$740.00			
Savings: Duty on home and contents insurance		-\$60.00					-\$31.50
Transport							
Fees: Driver license fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care levy and Action fares	\$609.70		\$2,033.32		\$644.30	5.67%	
Concessions: Driver license fee, vehicle registration and ACTION fares				-\$1,389.02			
Savings: Reduction in duty on car insurance		-\$28.00					-\$14.70
Utilities							
Fees: Electricity, water and sewerage	\$1,908.86		\$2,764.19		\$1,924.86	0.84%	
Concessions: Energy, utility, water and sewerage				-\$839.33			
Other Concessions Potentially Available							
Spectacles Subsidy Scheme				-\$200.00			
Over 60s Home Bonus							-\$10,800.00

Source: Chief Minister and Treasury Directorate

Other concessions available to Paul and Christine include:

- being a priority household for the purposes of the Energy Efficiency Improvement Scheme to help manage utility costs;
- if one or both of the couple have a disability that prevents them, for a minimum period of six months, from using public transport, they would be entitled to access the Taxi Subsidy Scheme. The scheme provides a 50 per cent to 75 per cent subsidy towards the cost of taxi transport. This is up to \$24 or \$37 per trip, depending on whether they can use a standard taxi or not, or a maximum of \$3,090 or \$4,738 respectively per year;
- as Paul and Christine age, if one of them find themselves needing to use electrically operated life support equipment at home (such as a dialysis machine or respirator, as prescribed by an ACT medical practitioner), they would be entitled to a Life Support Rebate of \$121.87 per annum on their electricity account. If the equipment depended on a fresh supply of water, they may also be entitled to a reduction in water usage charges;
- if Paul and Christine decide to purchase a dog as a pet, they would be eligible to register their dog for a reduced fee; and
- an exemption from the Emergency Ambulance Service fee, if they use an ambulance to travel to hospital in an emergency.

Household Four

Sarah and Ben live in Kaleen. They have an annual household income of \$156,000, own their own home and both work full time. They have two children: Megan in primary school and Kathleen in high school. Megan is dropped off at school by Ben, while Sarah and Kathleen catch the bus. They have building and contents insurance for their home and life insurance.

Table 2.3.5 below shows the costs of taxes, fees and concessions for Sarah, Ben and their family in 2014-15.

Table 2.3.5
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2014-15 on Household Four

Government Taxes and Fees, and Utility Charges	Net of Concessions 2013-14	Savings 2013-14	Gross 2014-15	Concessions 2014-15	Net of Concessions 2014-15	Change	Savings 2014-15
<u>Property</u>							
Fees: General Rates, Fire and Emergency Services Levy	\$1,660.00		\$1,812.73		\$1,812.73	9.20%	
Savings: Reduction in duty on home and contents insurance		-\$60.00					-\$31.50
Reduction in duty on life Insurance		-\$6.00					-\$3.15
<u>Transport</u>							
Fees: Driver license fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, parking, lifetime care levy and ACTION fares	\$4,621.14		\$4,870.58		\$4,870.58	5.40%	
Savings: Reduction in duty on car insurance		-\$28.00					-\$14.70
Rewards for Safe Driving		-\$10.78					-\$13.37
<u>Utilities</u>							
Fees: Electricity, natural gas, water and sewerage	\$5,378.93		\$5,745.79		\$5,745.79	6.82%	

Source: Chief Minister and Treasury Directorate

Household Five

Noreen 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 2.3.6 below shows the costs of taxes, fees and concessions for Noreen in 2014-15.

Table 2.3.6
Estimated Impact of Territory Taxes and Fees, and Utility Charges 2014-15 on Household Five

Government Taxes and Fees, and Utility Charges	Net of Concessions	Savings	Gross	Concessions	Net of Concessions		Savings
	2013-14	2013-14	2014-15	2014-15	2014-15	Change	2014-15
Transport							
Fees: ACTION fares	\$269.88		\$1,310.86		\$321.14	18.99%	
Concessions: ACTION fares				-\$989.72			
Utilities							
Fees: Electricity	\$1,009.46		\$1,432.32		\$1,005.86	-0.36%	
Concessions: Energy and utility				-\$426.46			

Source: Chief Minister and Treasury Directorate

TABLE NOTES

ACT Household Scenarios

General

Costs for 2013-14 are as per the 2013-14 Budget Cost of Living Statement unless otherwise indicated.

Transport

2013-14 calculations last year assumed NRMA as the sole CTP insurance provider. 2013-14 figures have been updated to reflect the new insurers entering the market on 15 July 2013. An average of the four providers in the market, including NRMA, APIA, GIO and AAMI has been used for both 2013-14 and 2014-15 (\$590.70). At this stage no application for a CTP premium increase has been submitted by insurers.

The Lifetime Care and Support Levy (LTCS) of \$34 will come into effect 1 July 2014 and has been included for 2014-15.

Drivers licence fees have been calculated by dividing the cost of a five year drivers licence by five to determine the annual cost. For 2014-15, drivers are assumed to receive the 20 per cent Rewards for Safe Driving discount.

The ACTION bus fares for 2013-14 have been updated to reflect the pricing increase that came into effect as at 4 January 2014.

The concession fare for a single off peak trip is increasing from \$0.62 to \$0.79. This is a \$2.05 discount on the full passenger fare.

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.

Average electricity consumption has been revised to assume 8,000 kWh (rather than 8,200 kWh) for 2013-14 and 2014-15. This change arises from the latest consumption figures provided by the Australian Energy Regulator, which has recently assumed responsibility for retail energy market regulation as a result of national energy market reforms.

Pricing

At the time of preparing the 2013-14 Budget, utility costs for 2013-14 were unknown. In the various scenarios included in this statement, the actual 2013-14 cost has been presented and may differ from the previous statement.

2014-15 electricity prices assumed an increase of 1.18 per cent, consistent with the Independent Competition and Regulatory Commission's draft 2014-15 electricity price determination.

2014-15 gas prices assumed an increase of 17 per cent, consistent with the Independent Pricing and Regulatory Tribunal's draft 2014-15 determination for ActewAGL for the regions of NSW serviced by ActewAGL, such as Queanbeyan.

Water and sewerage prices for 2014-15 are based on the assumption that 2013-14 prices will increase by the change in the Consumer Price Index, as outlined in the Independent Competition and Regulatory Commission's June 2013 price direction for water and sewerage services. The energy and utilities concession will increase by 5 per cent in 2014-15.

Household One (Table 2.3.2)

Property

For 2014-15, savings comprise a reduction in duty on contents insurance from 6 per cent to 4 per cent (\$7.16).

Assumptions

As Bairavi and Daha are renting, they do not pay general rates or the Fire and Emergency Services Levy.

Insurance premiums are \$358.08 for contents insurance only. Building insurance is not required as they are renting.

Transport

For 2014-15, transport fees comprise: driver licence fee (\$33.42); vehicle registration (\$316.04); Road Rescue Fee (\$16.60); Road Safety Contribution (\$2.00); CTP insurance (\$590.70); the CTP Regulator Levy (\$1.00); and the Adult 5 Days a Week ACTION fare (\$1,310.86).

The Lifetime care and support levy (LTCS) commences 1 July 2014 (\$34.00). This was not included in 2013-14.

For 2014-15, concessions comprise: ACTION's concession fare (\$658.86).

For 2014-15, savings comprise the impact of reducing the duty on car insurance from 6 per cent to 4 per cent on a \$735 premium (\$14.70).

Assumptions

Fees are calculated on a vehicle with a tare weight of 1,155kg to 1,504kg.

The Centrelink Healthcare Card provides access to ACTION's concession fare. Bairavi travels twice a day at peak time 5 days a week and reaches the monthly travelling cap of 40.

The driver is eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$6.68).

Utilities

For 2014-15, utility charges comprise: electricity (\$2,043.34); and natural gas (\$1,839.22).

For 2014-15, applicable concessions include: energy and utility concessions (\$426.46).

Assumptions

Consumption per year: electricity (8,700 kWh) and natural gas (51 GJ).

As Bairavi and Daha are renting, no water or sewerage charges have been included for 2013-14 or 2014-15.

Household Two (Table 2.3.3)

Property

For 2014-15, property fees comprise: general rates (\$1,164.18); and Fire and Emergency Services Levy (\$130.00).

For 2014-15, property savings include: the impact of reducing the duty on home and contents insurance from 6 per cent to 4 per cent (\$31.50); reducing the duty on life insurance from 3 per cent to 2 per cent (\$3.15); access to the First Home Owners Grant (\$12,500) and the Home Buyer Concession Scheme (\$12,045).

Assumptions

A townhouse with an Average Unimproved Value (AUV) of \$180,000 in Jacka.

Insurance premiums for 2014-15 are: \$1,575.00 for home and contents insurance; and \$315.00 for life insurance.

Transport

For 2014-15, transport fees comprise: driver licence fees (\$66.84); vehicle registration (\$316.04); Road Rescue Fee (\$16.60); CTP insurance (\$590.70); Road Safety Contribution (\$2.00); CTP Regulator Levy (\$1.00); and ACTION fares (\$1,310.86).

The Lifetime care and support levy (LTCS) commences 1 July 2014 (\$34.00). This was not included in 2013-14.

For 2014-15, transport savings comprise the impact of reducing the duty on car insurance from 6 per cent to 4 per cent (\$14.70).

Both drivers are eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$13.37).

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 2014-15 are \$735.00 for comprehensive car insurance.

Utilities

For 2014-15, utility charges comprise: electricity (\$1,737.82); natural gas (\$1,569.57); water (\$521.76); and sewerage (\$504.60).

Assumptions

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

Concessions

Casey and Josh do not qualify for any concessions aside from the First Home Owner's Grant and the Home Buyer Concession Scheme.

Household Three (Table 2.3.4)

Property

For 2014-15, property fees comprise: general rates (\$1,781.33); and the Fire and Emergency Services Levy (\$130.00).

For 2014-15, concessions consist of the Rates Rebate (\$675.00) and a 50 per cent reduction in the Fire and Emergency Services Levy (\$65.00).

For 2014-15, property savings comprise: reduced duty on home and contents insurance from 6 per cent to 4 per cent (\$31.50).

Assumptions

A house with an AUV of \$344,000 in Waramanga.

In 2014-15, insurance premiums are \$1,575 for home and contents insurance.

Transport

For 2014-15, transport fees comprise: driver licence fee (\$33.42); vehicle registration (\$316.04); Road Rescue Fee (\$16.60); Road Safety Contribution (\$2.00); CTP insurance (\$590.70) and CTP Regulator Levy (\$1.00).

The Lifetime care and support levy (LTCS) commences on 1 July 2014 (\$34.00). This was not included in 2013-14.

For 2014-15, transport savings comprise the impact of reducing the duty on car insurance (\$14.70).

For 2014-15, concessions comprise: drivers license (\$33.42); vehicle registration (\$316.04); and ACTION bus fares (\$1,039.56).

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 2014-15 are \$735.00 for comprehensive car insurance.

Christine accesses the off-peak single trip 5 days a week and reaches the monthly travelling cap of 40 and is entitled to free travel under the ACTION Gold Card.

Utilities

For 2014-15, utility charges comprise: electricity (\$1,737.83); water (\$521.76); and sewerage (\$504.60).

For 2014-15, concessions include: energy and utility concessions (\$426.46); water rebate (\$69.74); and sewerage rebate (\$343.13).

Assumptions

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

Other Concessions

Paul and Christine are eligible to access the Spectacles Subsidy Scheme, which provides a \$200 rebate every two years on the purchase of glasses.

Paul and Christine are eligible to access the Over 60's Home Bonus, which charges conveyance duty at a concessional rate, as announced in the 2014-15 Budget.

Household Four (Table 2.3.5)

Property

For 2014-15, property fees comprise: general rates (\$1,682.73); and Fire and Emergency Services Levy (\$130.00).

For 2014-15, property savings include the impact of reducing the duty on life insurance from 3 per cent to 2 per cent (\$3.15) and home and contents insurance from 6 per cent to 4 per cent (\$31.50).

Assumptions

A house with an AUV of \$321,000 in Kaleen.

Insurance premiums for 2014-15 are: \$1,575.00 for home and contents insurance; and \$315.00 for life insurance.

Transport

For 2014-15 transport fees comprise: driver licence fees (\$66.84); vehicle registration (\$316.04); Road Rescue Fee (\$16.60); CTP premium (\$590.70); Road Safety Contribution (\$2.00); CTP Regulator Levy (\$1.00); School Student ACTION fare (\$338.04); Adult ACTION fare (\$1,310.86) and Parking (\$2,194.50).

The Lifetime care and support levy (LTCS) commences 1 July 2014 (\$34.00). This was not included in 2013-14.

For 2014-15, transport savings comprise the impact of reducing the duty on insurance from 6 per cent to 4 per cent (\$14.70).

The drivers are eligible for a discount on the cost of their driver's licence under the Rewards for Safe Driving Program (\$13.37).

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 2014-15 are \$735.00 for comprehensive car insurance.

A 30 ride paid cap for students is reached taking rides to and from school.

Sarah catches the bus and reaches the monthly travelling cap of 40.

Parking fees have been calculated using the Zone B, Off Street, City Centre rate, which has been assumed to increase to \$9.50 per day in 2014-15.

Utilities

For 2014-15, utility charges comprise: electricity (\$2,348.86); natural gas (\$2,108.87); water (\$783.46); and sewerage (\$504.60).

Assumptions

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

Concessions

Sarah and Ben are not eligible for any concessions.

Household Five (Table 2.3.6)

Transport

For 2014-15, transport fees comprises the Adult 5 Days a Week ACTION fare (\$1,310.86). Concessions comprise ACTION's concession fare (\$989.72). The total annual cost for Noreen is \$321.14.

The increase in the off peak concession fare in 2014-15 is due to a realignment of the MyWay off peak single concession fare to reach 50% of the standard fare by 2016-17.

Assumptions

The Centrelink Card provides access to ACTION's off-peak concession fare. Noreen is assumed to travel off peak time twice a day, 5 days a week and reaches the monthly travelling cap of 40.

Utility Charges

For 2014-15, utility charges comprise: electricity (\$1,432.32).

For 2014-15, applicable 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 ACT, and are valued at \$430.06 and \$504.60 respectively.

