

## 1.3 THE BUDGET PLAN UPDATE

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### Overview

In the 2009-10 Budget, the Government developed its Budget Plan in response to the impact of the global financial crisis on the Territory's finances. The objective of the Budget Plan was to return the budget to surplus over a longer time frame, with flexibility to respond to changing circumstances.

The 2009-10 Budget Plan foreshadowed savings commencing in 2010-11 to return the Budget to surplus in 2015-16. In the 2010-11 Budget, this target was advanced by two years to 2013-14.

The target is met in this Budget.

The underlying expenditure trajectory has been lowered, with compound annual average growth rate over the Budget and forward estimates period being reduced by around  $\frac{3}{4}$  per cent per annum.

The gradual and sustained adjustment is a key feature of the Government's Plan which ensures that no sharp and unnecessary adjustments are made, and that priority services to the community are preserved and in fact enhanced where necessary.

The Government will continue to adhere to the key principles adopted in the development of the Budget Plan.

### The Budget Plan Objectives

The objectives of the Budget Plan are to:

- adopt a measured approach to addressing the deficit;
- achieve a balanced budget by the target year of 2013-14 (original target 2015-16);
- identify annual saving targets over the forward estimates period that set the aggregate revenue and expenditure trajectories to meet over the planning period;
- ensure that in restoring the surplus, core services, community safety, and risk mitigation and protection are maintained to the high standard the community expects; and
- plan for adequate growth in expenditures to meet the needs of a growing population, and in particular, in the priority service areas such as health and education.

## Budget Plan Targets and Update

Under the Plan, the savings task was to be progressively undertaken and completed by 2012-13. Beyond the forward estimates period, the expenditure and revenue trajectories were projected to converge through expenditure growth being constrained below the revenue growth rate.

The Plan's savings targets were updated following the release of the Commonwealth Budget on 12 May 2009, and as part of the 2010-11 Budget.

The circumstances in which the 2009-10 Budget Plan was developed changed considerably. The extent of the economic slowdown both nationally and locally was not as severe as predicted at that time. The revenue outlook also improved.

In view of the improvement in revenues, the Government advanced its target to return the budget to surplus by two years to 2013-14. The target is being met in this Budget.

Implementing the plan has involved budget discipline and restraint, and pursuit of efficiencies for investment in priority community services. New policy initiatives in this Budget are largely funded through savings.

The savings measures incorporated in the 2009-10 and subsequent Budgets have resulted in the expenditure trajectory being gradually lowered with compound annual average growth rate over the Budget and forward estimates period being reduced by around  $\frac{3}{4}$  per cent per annum.

Table 1.3.1 shows Government savings implemented since the 2009-10 Budget.

**Table 1.3.1**  
**2011-12 Budget Savings Initiatives**

Across Government Savings	2011-12	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m
<i>2009-10 Budget</i>				
Wages Policy	25	35	35	35
Efficiency Dividend (commencing 1 July 2010)	18	19	19	19
<i>2010-11 Budget</i>				
Efficiency Dividend <sup>1</sup> (commencing 1 July 2011)	8	14	22	22
Treasurer's Advance Reduction	9	8	8	8
Deferral of Tree Planting	4	4	0	0
<i>2011-12 Budget</i>				
Savings Initiative	33	38	38	40
<b>Total Savings</b>	<b>97</b>	<b>118</b>	<b>122</b>	<b>124</b>

<sup>1</sup> Revised in the 2011-12 Budget