2.1 BUDGET AND FINANCIAL PROJECTIONS

2011-12 Budget Net Operating Balance and Forward Estimates

One of the key financial objectives for the Government is to achieve an operating surplus: temporary deficits must only occur if they are offset by surpluses at other times. The Budget is in deficit in 2011-12.

The Budget forecasts a surplus in 2013-14 due in part to the saving measures incorporated into this and past budgets and revenue recovery.

While Territory revenues have grown, GST revenues are forecast to decline substantially in this Budget over previous estimates. Commonwealth financial assistance now only provides the ACT with 39 per cent of total revenue, compared to 44 per cent in the 2010-11 Budget and 47 per cent in the 2009-10 Budget.

Total revenue for the 2010-11 estimated outcome is 5.6 per cent higher than the original budget. A significant contribution to this increase is from the duty on the transfer of marketable shares and securities, relating to a large transaction from previous years.

Excluding this one-off revenue and Commonwealth stimulus funding, the increase in aggregate revenue is 3.4 per cent. The below trend growth in the underlying revenue in 2010-11 is largely reflective of decreases in GST revenue, offset by better than anticipated housing market activity.

Underlying revenue in the 2011-12 Budget is forecast to increase by 8.1 per cent. Beyond the Budget year, growth in the underlying revenue is 4.4 per cent per annum, again below trend.

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 to 2013-14.

The Budget Plan targets are forecast to be met in this Budget.

To assist in the alignment of revenue and expenditure trajectories, the 2011-12 Budget incorporates saving measures of around $217 million over four years, including:

- the efficiency dividend introduced in the 2010-11 Budget which comes into effect on 1 July 2011. This will deliver savings of $66.6 million over four years; and
- further savings of $150.7 million in agency expenditures. These savings will be achieved through a mix of administrative and employee costs, improving the efficiency of back office functions, and improving the efficiency of land development.

The cumulative effect of the saving measures adopted in this and the previous budgets will lower the underlying expenditure trajectory by around ¾ 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.

Table 2.1.1 below provides the Headline Net Operating Balance for the 2010-11 estimated outcome, the 2011-12 Budget and the forward estimates.

Table 2.1.1
2011-12 Budget - GGS Headline Net Operating Surplus/Deficit

	2010-11 Est.Outcome $m	2011-12 Budget $m	2012-13 Estimate $m	2013-14 Estimate $m	2014-15 Estimate $m
Revenue	3,873.4	3,982.2	4,116.5	4,286.0	4,512.5
Expenses	3,861.7	4,097.9	4,229.3	4,378.9	4,555.9
UPF Net Operating Balance	**11.7**	**-115.6**	**-112.8**	**-92.9**	**-43.4**
Expected Long Term Capital Gains on Superannuation Investments	7.9	78.7	88.9	94.5	100.0
HEADLINE NET OPERATING BALANCE	**19.7**	**-36.9**	**-23.9**	**1.6**	**56.6**
Less: Impact of Stimulus Initiatives	*-95.9*	*-16.0*	*0.0*	*0.0*	*0.0*
UNDERLYING NET OPERATING BALANCE	**-76.2**	**-52.9**	**-23.9**	**1.6**	**56.6**

Note: Numbers may not add due to rounding.