



ACT
Government

Australian Capital Territory

Budget 2023–24

Cost of Living Budget Statement

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Acknowledgement of Country



The ACT Government acknowledges the Ngunnawal people as traditional custodians of the ACT and recognise any other people or families with connection to the lands of the ACT and region. We acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.



Accessibility
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Introduction

The rising cost of living, driven by high inflation and rising interest rates is placing pressure on the economy and household budgets across Australia.

While the outlook for the ACT's economy is positive, growth is expected to slow in 2023-24 as Canberrans decrease household spending as a response to increased cost of living and higher interest rates.

Increases to the cost of living, in particular rent, disproportionately affect vulnerable households as a greater proportion of their income is required to meet these costs.

The Government supports vulnerable households by providing a wide range of targeted concessions to assist with living expenses including general rates, utility bills, driver licence fees, motor vehicle registration fees, and public transport fares.

The Government is also addressing the unequal impacts of inflation as an employer for over 27,000 staff – with a pay offer that prioritises increases for lower paid classifications and providing a one-off upfront cost of living payment to all workers.

In this Budget, the Government is introducing new initiatives and expanding existing ones to reduce some of the cost of living pressures faced by the most disadvantaged and vulnerable members of our community.

Energy and Water Bills

- > We are extending the Utilities Concession to Commonwealth Health Care Card holders, benefiting around 12,000 additional low-income and low-wealth households, taking the total number of eligible households to around 43,800.
- > We are also extending the one-off increase to the Utilities Concession for a further year – meaning the total rebate in 2023-24 is \$800.
- > These changes will provide much needed relief from a broad range of cost of living pressures, including the pressures of rising utility costs, particularly natural gas and water prices, for households that need support the most.

- > We have partnered with the Commonwealth Government to provide energy bill relief to Canberrans. Eligible low-income households with an average electricity consumption will receive around \$327 in additional energy assistance in 2023-24. This includes relief for all households, as a return from the ACT Government's Large-scale Feed-in Tariff Scheme (with an estimated benefit of \$152 for a household with average electricity consumption). In addition, there is a benefit of \$175 for eligible households from the Commonwealth Government (eligible households include those receiving income support, pensioners, Commonwealth Seniors Health Card holders, Family Tax Benefit A and B recipients, and all ACT Utilities Concession recipients). Many ACT households receiving energy relief will see an overall reduction in their energy bills in 2023-24 compared to 2022-23.

In addition to concessions, the Government has taken steps to ensure key cost of living drivers, such as water and electricity prices, are fair, through the ACT's regulatory process. This has resulted in the cost of drinking water and sewerage services being held to the efficient and prudent cost to operate the water and sewerage network. A typical household is expected to see an increase of 6.1 per cent to their water and sewerage bill in 2023-24 rather than the more sizeable increase sought by Icon Water.

Further, the Government's decision to source 100 per cent of its electricity needs from renewable energy providers will assist Canberrans to receive lower electricity bills. Without the ACT's Large-scale Renewable Energy contracts, the average household on the regulated standing offer would have faced electricity bills that were around \$225 higher.

Instead, the effect of our Large-scale Renewable Energy contracts, in combination with the Commonwealth National Energy Bill Relief and the increased Government Utilities Concession, means that compared to last financial year:¹

- > around 12,000 households who previously didn't receive the Utilities Concession will see their electricity bill decrease by \$900;

¹ For the average household using the standing offer

- > 31,000 households will see their electricity bill decrease by \$100 and also receive the \$800 Utilities Concession;
- > a further 14,000 households will see their electricity bill decrease by \$100; and
- > the remaining two thirds of households will only see a \$75 annual increase.

Housing

Housing affordability is a priority issue for the Government. Along with utilities, housing is the largest expense for households. The ACT's population is projected to grow at an average rate of 1.75 per cent over the next decade, increasing housing demand over the same period.

Housing remains relatively affordable in the ACT relative to average income levels, despite having the third highest median property and second highest median weekly rental price of all Australian capital cities in the March quarter 2023.²

In March 2023³, the proportion of family income required to meet average loan repayments in the ACT was 34.6 per cent, the third most affordable jurisdiction, compared with 44.9 per cent nationally. The proportion of family income required to meet average rent payments was 20.8 per cent, the second most affordable jurisdiction, compared with 23 per cent nationally. However, many households in lower income quintiles struggle to find housing that is affordable.

To combat this, the Government has invested \$345 million this Budget in initiatives that will improve housing choice, access and affordability, particularly for households in the first and second-lowest income quintiles who are experiencing rental stress in the private market.

In this budget, we have established a \$60 million Affordable Housing Project Fund to support the delivery of long-term affordable rental dwellings in Build-to-Rent developments. We will also release a new Build-to-Rent site in the Gungahlin Town Centre. This is in addition to our existing initiatives designed to provide a diverse mix of housing at a range of price points, including the Affordable, Public and Community Housing Targets we established as part of the Indicative Land Release Program.

The \$60 million Affordable Housing Project Fund will support the Government's commitment to working with the Commonwealth to implement the National Housing Accord, a key feature of which is the delivery of 350 affordable rental properties over five years from 2024.

- > We are also lifting the price cap for the Owner Occupier Duty Concession for stamp duty on off-the-plan purchases by \$100,000 to \$700,000 in 2023-24 and have further reduced stamp duty for all owner-occupier purchases under \$1,455,000.

ACT Public Service and Service Delivery

The Government is also negotiating new Enterprise Agreements for the ACT Public Service – with a pay offer that combines multiple fixed-dollar and percentage increases over the life of the agreement. The Government also recognises the immediate impact of cost of living pressures on workers and has offered an initial \$1,250 cost of living supplement upon agreement commencement.

This combination results in significant pay rises for all employees, and importantly, provides workers on lower salaries with higher increases than would otherwise be provided if a percentage-only increase were applied. For example, employees on a salary of \$53,868 will receive a pay rise of 7.5 per cent in year one, and 17.1 per cent over the proposed three-year term of the agreement. In May 2023, the first of these new agreements was balloted, with 97 per cent of participating employees voting to approve the agreement.

The Government also contributes to the wellbeing of Canberrans by providing high-quality health, education and public transport services at little or no cost, to reduce the need for private spending on these essential services. In addition, the Government provides social housing services to meet the needs and circumstances of low income and disadvantaged people, helping to create a safer, stronger and more inclusive community.

- > We are also increasing the Taxi Subsidy Scheme cap by 15 per cent and allowing members access to 854 trips per year without requiring them to continually apply for additional trips, to support social inclusion of community members at risk of isolation.

² Real Estate Institute of Australia (REIA) *Real Estate Market Facts* March quarter 2023.

In the March quarter 2023, the median house price in the ACT was \$940,000, behind Sydney (\$1,460,000) and Melbourne (\$956,000). The median price of other dwellings in the ACT was \$600,000, behind Sydney (\$759,000) and Melbourne (\$611,000). The median weekly rent in Canberra was \$650 for a house, the highest in Australia and \$580 for all other dwellings, the second highest behind Sydney (\$650).

³ REIA *Housing Affordability Report*, March quarter 2023.

Cost of living in the ACT

The ACT Wellbeing Framework helps us to understand the financial wellbeing of Canberrans and our standard of living through changes to the Consumer Price Index (CPI), our financial position and prosperity by average equivalised weekly disposable income, our income levels by average weekly disposable household income and our net worth.

The Framework also supports our understanding of what life in the Territory is like for people through a range of other Wellbeing domains that influence our financial wellbeing such as the Economy and Housing and home domains.

Prices of goods and services

The prices of essential products have increased significantly in the last two years and households need to spend more to maintain the same standard of living.

The ACT's CPI increased by 6.2 per cent from March 2022 to March 2023, compared to 7.0 per cent nationally⁴. This is significantly higher than the five-year ACT average annual increase of 3.4 per cent⁵. Consistent with the national CPI trend, the recent underlying increase in the CPI is primarily driven by the rising costs of housing (including energy bills), food and non-alcoholic beverages, recreation and culture, and home furnishing expenses. Part of the CPI increase is attributable to wholesale electricity, gas and petrol prices which increased sharply in 2022 largely due to the crisis in Ukraine. The crisis has led to higher gas prices and disruptions in the supply of electricity to the National Electricity Market from large coal-fired generators – the ACT is shielded from these impacts through 2023-24 prices because of our large-scale Renewable Energy contracts. Goods inflation has moderated but services inflation remains elevated. Improvements in global supply chains and local weather conditions have assisted in reducing goods inflation. However, prices for market services such as rents, travel and restaurants have increased due to post pandemic demand.

In response to the current increase in the CPI, the Government is providing significant additional assistance in this Budget to households and homebuyers which can be found in Investing in the Wellbeing of Canberrans (Chapter 3.2).

⁴ Australian Bureau of Statistics, *Consumer Price Index, Australia*. ABS, March quarter 2023.

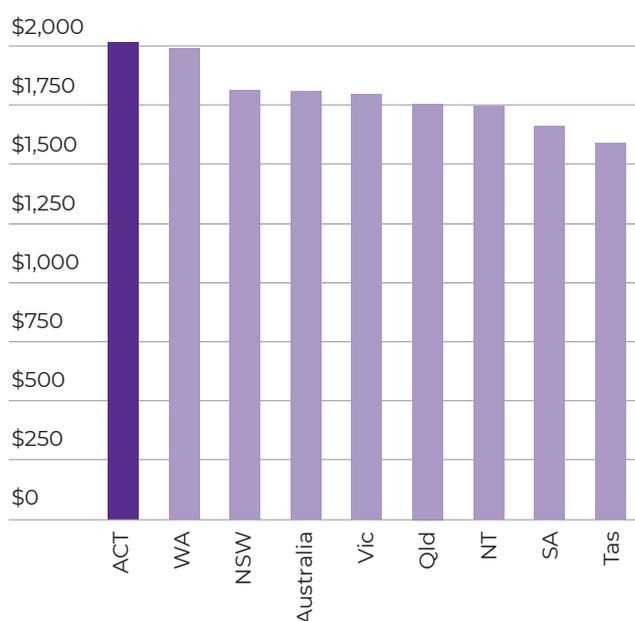
⁵ Compound annual growth of CPI from March 2018 to March 2023 calculated from ABS data on *Consumer Price Index, Australia*, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>.

Income levels

Income is a key measure of wellbeing, as it is the main financial resource used to meet daily expenses and provide for economic freedoms.

Average income levels in the ACT are the highest of all Australian jurisdictions. The Average Weekly Ordinary Time Earnings (AWOTE) for full-time employed adults was \$2,014 in the ACT in November 2022, the highest of all states and territories and higher than the national average of \$1,808 (see Figure 1).

Figure 1: Average Weekly Ordinary Time-Earnings, by state and territory, November 2022



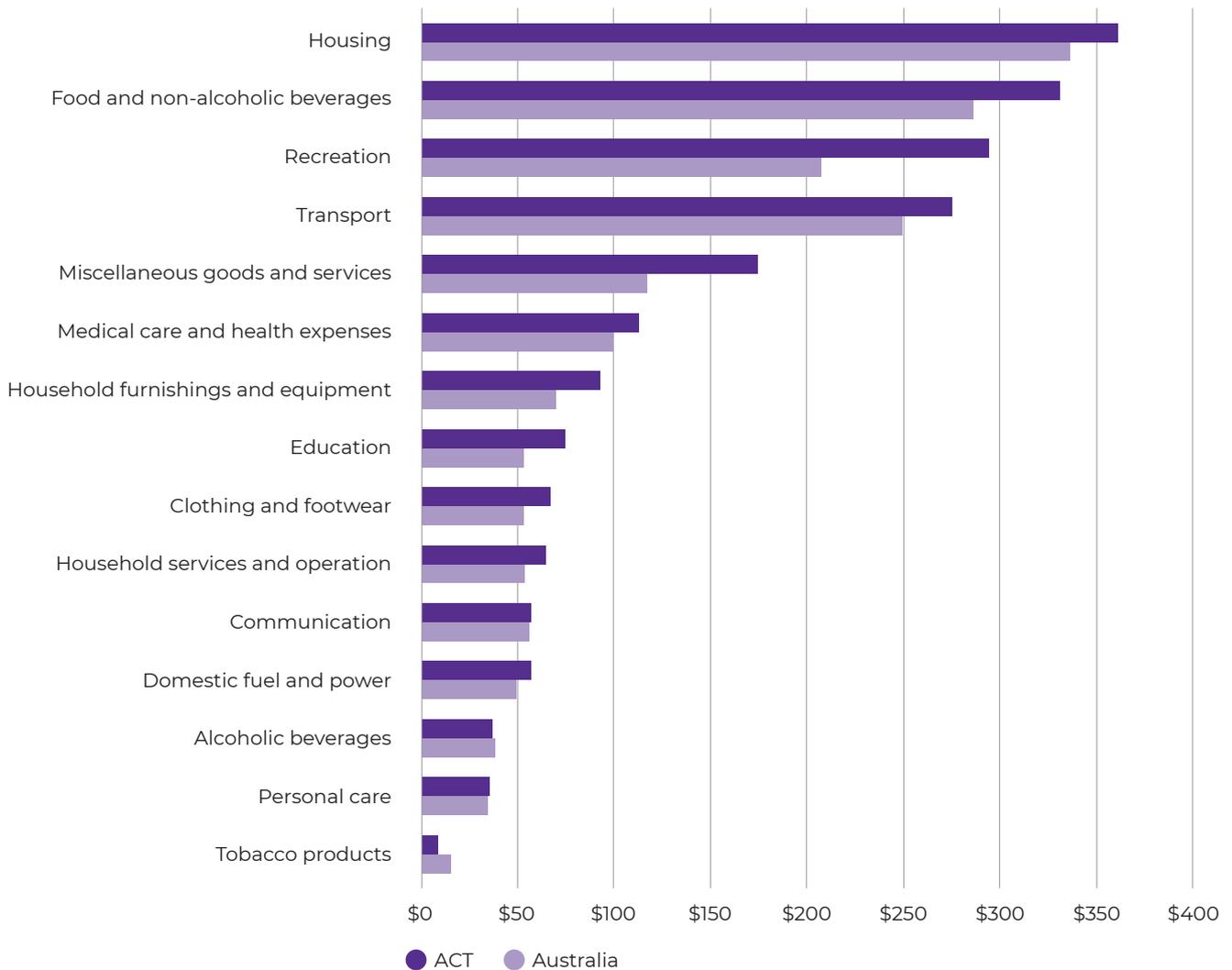
AWOTE increased by 2.2 per cent per year on average in the ACT from November 2018 to November 2022.

ACT household spending

ACT households spend significantly more on average (\$2,043 per week in 2022-23) than households nationally (\$1,719 per week in 2022-23: see Figure 2). ACT households spend more compared with the national average in all categories except for alcoholic beverages and tobacco products. This higher level of spending is consistent with a higher standard of living and reflects our above-average wage levels.

As shown in Figure 2, the largest expenditure group in the ACT and Australia was housing costs, which includes rent, mortgage payments, rates, and utilities. This is followed in the ACT by food and non-alcoholic beverages, recreation and transport.

Figure 2: Average weekly household expenditure, ACT and Australia, 2022-23



Source: Derived from ABS Household Expenditure Survey, 2015-16 and increased by CPI for each year up to 2022-23.

Impact of ACT Government taxes and fees and utilities on households

ACT Government taxes and fees

Overall, Government taxes, fees and charges are a relatively small proportion of household costs. Per capita taxation as a proportion of gross household disposable income in the ACT was 5.9 per cent in 2021-22, compared with 9.6 per cent in New South Wales and 10.7 per cent in Victoria⁶.

Most Government taxes and fees generally increase each year in line with the Wage Price Index (WPI), forecast to be 3.75 per cent in 2023-24. This ensures taxes and fees keep pace with the cost of providing Government services, while remaining affordable for the ACT community. General rates will increase by 3.75 per cent on average in 2023-24 – consistent with each year of stage three of tax reform. General rates provide a stable and secure revenue base to fund essential services into the future and a simpler, fairer tax system.

Property related taxes and fees

Average residential general rates will increase by 3.75 per cent in the ACT in 2023-24.

The residential and rural Police, Fire and Emergency Services Levy (PFESL) will increase by 3.75 per cent in 2023-24. Changes to the levy beyond 2023-24 are outlined in Investing in the Wellbeing of Canberrans (Chapter 3.2). The Safer Families Levy will increase by \$5 in 2023-24.

Car related fees

Car related fees, including driver licence fees, registration fees, and the road rescue fee will increase by 3.75 per cent in 2023-24. The Lifetime Care and Support Levy will increase by \$30 for 2023-24 and the Motor Accident Levy will decrease by \$2. The increase in the Lifetime Care and Support Levy reflects the higher than expected number of participants entering the scheme and the associated cost of providing lifetime care.

Public transport fares

With rising cost of living pressures the Government will not apply any indexation to public transport fares for 2023-24.

Utilities

Utilities are a major household cost and ACT households typically have higher annual energy consumption compared with households in other states and territories due to climate conditions in the ACT, including hot summers and very cold winters.

The Government does not set the price of electricity, gas, and other utilities. Water and sewerage prices are determined by the independent regulator. Other utility charges are primarily set by the market but incorporate the costs of generation and distribution, as well as the impact of various Commonwealth, state and territory energy and environmental programs.

⁶ Calculated based on ABS data from *Taxation Revenue, Australia 2021-22*, <https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia/latest-release> and *Australian National Accounts: State Accounts 2021-22*, <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release>.

Electricity

In the ACT, the Independent Competition and Regulatory Commission (ICRC) regulates the maximum allowable percentage change that ActewAGL can apply to its standing offer tariffs for electricity each year. This tariff applies, by default, to customers who do not choose a market price from an electricity retailer.

From 1 July 2023, standing offer tariffs are expected to rise by 4.15 per cent, which will translate to an annual bill increase of \$75 for a typical Canberra household consuming 6,500 kWh per year not eligible for the concessions outlined above.

The price increase is driven by a significant rise in wholesale electricity costs, which is largely offset by the reduction in the ACT Government Large-scale Feed-in Tariff Scheme costs.

Despite this increase, the average annual bill for Canberrans on standing offers will remain the lowest in Australia compared to the average standing offer bills faced by customers in New South Wales, Victoria, Queensland and South Australia.

The interaction of the regulated electricity standing offers, a lower cost of renewable energy, together with the introduction of the Energy Bill Relief Fund, should significantly insulate ACT customers from wholesale electricity price increases in 2023-24. Households eligible for support through the Energy Bill Relief Fund are expected to experience an overall reduction in their electricity costs.

Natural gas

Retail gas prices increased substantially in 2022 to \$40 per gigajoule: that is, four times higher than 2020 prices, before moderating.

Gas prices are expected to increase in 2023-24, noting the Australian Energy Regulator has approved an 11 per cent price increase to gas distribution charges, which comprises around a third of the eventual retail price.

The Commonwealth Government has introduced a \$12 per gigajoule price cap on wholesale gas, which is the main contributor towards retail gas prices, until December 2023.

The Commonwealth Government's 2023-24 Budget noted the introduction of a \$12 per gigajoule price cap on wholesale gas (which is the main contributor to retail gas prices) and forecast a 4 per cent increase to retail gas prices in 2023-24.

Water and sewerage

Water and sewerage prices are regulated by the ICRC. For a typical household using 200 kilolitres of water per year, the 2023-24 prices will result in their combined water and sewerage bill increasing by 6.1 per cent, which is around \$72 per year. This increase is largely due to the recent high levels of inflation, higher than expected financing costs for Icon Water's investments and a significant increase in proposed capital spending by Icon Water.

Concessions

The Government provides a wide range of concessions to households and individuals to assist with living expenses such as general rates, conveyance duty, utility bills, driver licence fees, motor vehicle registration fees, and public transport fares.

Table 1 shows a summary of some of the assistance available and the estimated annual costs.

The Pensioner General Rates Rebate provides Age Pension, Department of Veterans' Affairs Pension and War Veteran's Pension recipients a 50 per cent rates rebate up to \$750 per year. Pensioners can also defer the balance of their rates charges at a low interest rate.

In providing cost of living assistance to Canberrans, the Government primarily targets Commonwealth concession card holders as we do not have access to the data to

undertake our own income and asset-based means testing to determine eligibility. We understand that some people who do not qualify for Commonwealth concession cards also face challenges with their cost of living, particularly people with insufficient or insecure work. We also support the whole community by providing high quality health, education, and public transport services at low or no cost to reduce the need for private spending on these essential services, and by keeping government fees and charges as low as possible.

Table 1: Summary of available assistance and estimated annual take-up and costs

Assistance	Description	Estimated take up 2023-24	2022-23 \$'000	2023-24 \$'000
Utilities Concession ¹	\$750 rebate on utility bills, additional \$50 in 2023-24.	43,800 households	31,300	41,800
Pensioner General Rates Rebate, PFESL Rebate	50 per cent rates rebate up to \$750 per year, \$98 PFESL rebate per year.	15,300	11,400	11,600
Conveyance duty concession	Up to 100 per cent discount on conveyance duty payable.	4,800	85,000	65,000
Spectacles Subsidy Scheme	Subsidy up to \$200 on spectacle purchases once every two years.	10,600 spectacles	1,700	1,700
Taxi Subsidy Scheme ²	Assistance for people with a disability or significant mobility restriction.	95,000 trips	2,100	2,250
Motor vehicle registration concessions	Up to 100 per cent discount on motor vehicle registration fees.	63,900 registrations	11,700	12,000
Driver licence concessions	Up to a 100 per cent discount on driver licence fees.	6,000 licences	1,300	1,300
Public transport concessions	Reduced or free fares on Transport Canberra bus and light rail services.	Over 5.9 million trips	6,100	9,500
Priority Housing ACT Waiting List booster payment ³	One-off \$250 booster payment in 2023-24 to households on the priority housing waitlist.	160 households	-	40
Total			150,600	145,190

Notes:

1. The Utilities Concession will be extended to Commonwealth Health Care Card holders along with the existing eligible concession cards from 2023-24. In 2022-23 the Government provided an additional temporary \$50 rebate in response to rising consumer prices. In 2023-24, the Government is providing an additional one-off \$50 rebate in response to the increased cost of living pressure on low-income households.
2. The Taxi Subsidy Scheme increases the subsidy cap by 15 per cent and removes the requirement to apply for additional trips.
3. Temporary support in 2023-24.

ACT household scenarios

Under section 11(1)(f) of the *Financial Management Act 1996*, the annual budget must provide a statement on the effect of ACT taxes and fees on households and the concessions that offset them. Examples of how Government taxes and fees, utilities, and the offsetting concessions impact ACT households are in Table 2 below. The Government is mindful that it is not possible to capture the impact of taxes, fees, and utility charges on every type of household, as financial circumstances or specific usage patterns of government services will vary. Therefore, eight scenarios are presented as a basis for highlighting the different impacts for various household types and circumstances.

Table 2: Estimated impact of territory taxes and fees, and utility charges on households in 2023-24

	Disposable income	Rates, PFESL, SFL	Rates and PFESL Concessions	Conveyance Duty	Conveyance Duty Concession	Vehicle Charges	Vehicle Concession	Public Transport Fares	Public Transport Concession	Utilities	Utilities concession	Net Disposable Income
1. Belconnen – Single, pensioner, in own unit, no car												
2022-23	\$25,700	\$1,727	\$848	\$0	\$0	\$0	\$0	\$1,533	\$1,533	\$4,082	\$800	\$21,539
2023-24	\$27,700	\$1,777	\$848	\$0	\$0	\$0	\$0	\$1,533	\$1,533	\$4,269	\$800	\$23,302
											Change	\$1,763
2. Bruce – Couple, pensioners, in own house, two cars, downsizing to unit in 2023-24												
2022-23	\$38,700	\$3,736	\$848	\$0	\$0	\$1,143	\$927	\$0	\$0	\$5,026	\$800	\$31,370
2023-24	\$41,700	\$2,287	\$848	\$10,210	\$10,210	\$1,236	\$962	\$0	\$0	\$5,253	\$800	\$35,534
											Change	\$4,164
3. Banks – Single parent, first income quintile, in own house, one car, two children who catch the bus to school												
2022-23	\$32,300	\$2,497	\$0	\$0	\$0	\$572	\$0	\$766	\$0	\$5,106	\$800	\$24,159
2023-24	\$33,500	\$2,598	\$0	\$0	\$0	\$618	\$0	\$766	\$0	\$5,338	\$800	\$24,980
											Change	\$821
4. Cook – Single, fixed income retiree, in own house, one car												
2022-23	\$56,300	\$3,827	\$0	\$0	\$0	\$572	\$46	\$0	\$0	\$4,082	\$0	\$47,865
2023-24	\$60,300	\$3,971	\$0	\$0	\$0	\$618	\$48	\$0	\$0	\$4,269	\$0	\$51,490
											Change	\$3,625
5. Kingston – Single, second income quintile, in own unit, no car												
2022-23	\$55,200	\$2,399	\$0	\$0	\$0	\$0	\$0	\$1,533	\$0	\$4,082	\$0	\$47,186
2023-24	\$57,200	\$2,486	\$0	\$0	\$0	\$0	\$0	\$1,533	\$0	\$4,269	\$0	\$48,912
											Change	\$1,726

	Disposable income	Rates, PFESL, SFL	Rates and PFESL Concessions	Conveyance Duty	Conveyance Duty Concession	Vehicle Charges	Vehicle Concession	Public Transport Fares	Public Transport Concession	Utilities	Utilities concession	Net Disposable Income
6. Turner – Single, third income quintile, one car, purchasing first unit in 2023-24												
2022-23	\$73,600	\$0	\$0	\$0	\$0	\$572	\$0	\$0	\$0	\$4,082	\$0	\$68,946
2023-24	\$76,300	\$2,388	\$0	\$16,670	\$16,670	\$618	\$0	\$0	\$0	\$4,269	\$0	\$69,025
											Change	\$79
7. Ainslie - Couple, fourth income quintile, in own house, 2 cars, 2 children who catch the bus to school												
2022-23	\$189,500	\$3,986	\$0	\$0	\$0	\$1,143	\$0	\$766	\$0	\$6,102	\$0	\$177,503
2023-24	\$196,600	\$4,285	\$0	\$0	\$0	\$1,236	\$0	\$766	\$0	\$6,376	\$0	\$183,937
											Change	\$6,434
8. Forrest - Couple, fifth income quintile, 2 cars, 2 children who catch the bus to school												
2022-23	\$281,300	\$3,638	\$0	\$0	\$0	\$1,143	\$0	\$766	\$0	\$6,102	\$0	\$269,651
2023-24	\$291,900	\$3,824	\$0	\$0	\$0	\$1,236	\$0	\$766	\$0	\$6,376	\$0	\$279,698
											Change	\$10,047

Notes:

1. Disposable income is gross income minus income tax, the Medicare levy, and the Medicare levy surcharge. Disposable income levels are based on the ABS Survey of Income and Housing 2019–20, indexed by WPI.
2. Utilities include electricity, water, and gas. Household expenditure on utilities is based on the number of people in a household.
3. For household 2, rates are lower in 2023-24 than 2022-23 as they are downsizing from a house to a unit.
4. Income from pension refers to Basic Age Pension only and excludes other benefits. Pension data by suburb is not available.
5. Non-pension income data for retirees is unavailable. Non-pension incomes are set at a level above the Age Pension income eligibility thresholds.
6. Conveyance duty calculations are based on median unit prices in Bruce and Turner as of May 2023.
7. Vehicle Charges include registration fees, road rescue fee, lifetime care and support levy, and licence fees, but excludes MAI premiums charged by private sector insurers. Pensioners are assumed to be eligible for registration concessions.
8. Bus fares are calculated on the basis of monthly capped trips. Retirees are assumed to be aged 70+ and qualifying for free travel on Transport Canberra buses.