

CHAPTER 2

FISCAL STRATEGY

Chapter	Page
2.1 Budget Outlook	31
2.2 Fiscal Strategy	39
2.3 Cost of Living Statement	51

2.1 BUDGET OUTLOOK

2016-17 Budget Overview

The 2016-17 Budget is building a better future for Canberra.

In this budget, the Government is continuing to create jobs and support the economy, deliver the health, education, transport, community safety and other government services that Canberrans expect, and ensure that everyone can participate in our society to the fullest extent possible. The Government is also providing the infrastructure investments that will transform our city into a modern, intelligent and even more liveable place.

While continuing to enhance services and build new infrastructure, the Government is also delivering on its fiscal strategy and maintaining its record of sound management of public finances. The forecast Headline Net Operating Balance (HNOB) in 2016-17 is a deficit of \$94.3 million, on the same basis as that published in previous years, including the 2015-16 Budget and Budget Review.

Importantly, the Government remains on track to return to balance from 2017-18, with the HNOB forecast to be higher in every year compared to the 2015-16 Budget and 2015-16 Budget Review estimates.

In formulating its 2016-17 Budget, the Government decided, for the first time, to foreshadow a variation to the 2016-17 Budget by anticipating the difference between current interest rates and the long-term discount rate used to value our superannuation liabilities. This technical adjustment has traditionally not been made until the actual outcomes for each year are published and, in recent years, it has reduced the bottom line by a material amount due to the low interest rate environment (in 2015-16, it was \$56.2 million).

By including the estimated impact of this Superannuation Liability Valuation (\$87.7 million) in its 2016-17 Budget, the Government has revised its headline net operating deficit to \$182 million. In terms of comparing estimated headline net operating balances for previous budget years, the appropriate headline net operating deficit for 2016-17 is \$94.3 million.

Table 2.1.1 below provides estimates for the HNOB over the forward estimates.

Table 2.1.1: General Government Sector Headline Net Operating Balance

	2015-16 Est. Outcome \$'000	2016-17 Budget \$'000	2017-18 Estimate \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000
Revenue	4,732,430	5,058,184	5,103,827	5,379,250	5,581,821
Expenses	5,130,825	5,403,749	5,312,167	5,528,706	5,711,559
Superannuation return adjustment ¹	165,927	163,566	173,305	182,797	195,782
HEADLINE NET OPERATING BALANCE (excluding the Superannuation Liability Valuation²)	-232,468	-94,346	-35,035	33,341	66,044
HEADLINE NET OPERATING BALANCE (including the Superannuation Liability Valuation²)	-232,468	-181,999	-35,035	33,341	66,044
Net Cash from Operating Activities	-58,563	269,260	522,588	410,367	667,916
Net Debt (excluding superannuation)	1,832,488	2,080,158	2,103,762	2,902,704	2,581,315
Net Financial Liabilities	8,871,123	5,496,506	5,659,621	6,411,478	6,226,722

Notes: Numbers may not add due to rounding.

1. The Headline Net Operating Balance incorporates the impact of long-term superannuation investment earnings to provide an accurate assessment of the longer-term sustainability of the budget position. Further details are provided later in this chapter.
2. This adjustment is to reflect the estimated Superannuation Liability Valuation outcome at 30 June 2016 and the flow-on impact to superannuation expenses in 2016-17 based on prevailing interest rates. The final figure is expected to be included in the Pre-Election Budget Update. Further details are provided later in this chapter.

The Government's balance sheet is in a strong position, with net debt peaking at 7.1 per cent of Gross State Product in 2018-19, and forecast to be \$1.8 billion at the end of June 2016.

The Context of the 2016-17 Budget

The 2016-17 Budget has been framed against a stronger economic outlook than at the time of the 2015-16 Budget. While Commonwealth spending and job cuts weighed heavily on the ACT economy over the past two years, there are now more positive signs that the economy is strengthening, with solid growth in service exports building sector activity and consumption recorded in recent months.

The forecast increase in economic activity pays testament to the Government's fiscal strategy of creating jobs in Canberra through improved service delivery, a record capital investment program, and regulatory reform to make it easier to do business in the Territory. Sustaining these efforts will be necessary, particularly in light of the increased efficiency dividend announced in the 2016-17 Commonwealth Budget, which poses the risk of further reductions in Commonwealth employment in the ACT in coming years.

Consistent with the improving economic outlook, the budget outlook has also improved. The resilience of the ACT economy, in part due to the support provided by the ACT Government, has improved taxation revenue collections. In addition, the Government is expecting an additional \$160 million of GST revenue over the four years from 2015-16 as a result of changes in state and territory relativities by the Commonwealth Grants Commission. These factors, combined with higher than previously expected dividends and tax equivalent payments from Icon Water and the Land Development Agency, have significantly reduced the headline net operating deficit in 2015-16.

The budget outlook also reflects the Government's successful management of the significant challenges posed by the need to implement the Loose-fill Asbestos Insulation Eradication Scheme. The purchase phase of the Scheme is now almost complete and the demolition phase is well advanced; in fact, it is running ahead of the original schedule. The Government also recently commenced the process of selling the remediated blocks. While the impact of the scheme on the HNOB significantly diminishes from 2016-17, there remains an overall cash cost from the Scheme of around \$400 million to the Territory.

Headline Net Operating Balance

The Government is forecasting a headline net operating deficit of \$94.3 million in 2016-17 on the same basis as that published in previous years, including the 2015-16 Budget and Budget Review.

As noted above, the Government has decided, for the first time, to foreshadow a variation by anticipating the difference between current interest rates and the long-term discount rate used to value our superannuation liabilities. This technical adjustment will have the effect of increasing the forecast headline net operating deficit by \$87.7 million to \$182.0 million for 2016-17. It is expected that this will be confirmed in the Pre-Election Budget Update.

For the purposes of comparing forecast Headline Net Operating Balances included in all previous budgets, the appropriate Headline Net Operating deficit for 2016-17 is \$94.3 million.

Tables 2.1.2 and 2.1.3 provide an overview of the major variations in the General Government Sector (GGS) HNOB since the 2015-16 Budget.

Table 2.1.2: Summary of Movements in the GGS Headline Net Operating Balance

	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
2015-16 Budget	-407,566	-116,072	-51,165	50,341
Revenue	-7,964	23,275	44,362	44,274
Expenses	-91,960	-48,075	-55,565	-68,578
Superannuation Return Adjustment	28,880	18,153	6,755	6,829
2015-16 Budget Review	-478,610	-122,719	-55,613	32,866
Commonwealth Grants ¹	9,387	51,139	47,706	43,662
Revenue²				
Policy Decisions	0	-7,527	5,001	3,964
Technical Adjustments	121,466	121,157	-49,792	28,842
Expenses³				
Policy Decisions	0	-110,520	-76,318	-63,047
Technical Adjustments	109,682	-17,267	107,027	4,746
Superannuation Liability Valuation ⁴	0	-87,653	0	0
Superannuation Return Adjustment	5,607	-8,609	-13,046	-17,692
2016-17 Budget (excluding the Superannuation Liability Valuation)	-232,468	-94,346	-35,035	33,341
2016-17 Budget (including the Superannuation Liability Valuation)	-232,468	-181,999	-35,035	33,341

Notes: Numbers may not add due to rounding.

1. Includes general revenue assistance, financial assistance grants and municipal grants only. National Partnerships and Special Purpose payments are included under technical adjustments.
2. A positive number represents an increase in revenue.
3. A negative number represents an increase in expenses.
4. This adjustment is to reflect the estimated Superannuation Liability Valuation outcome at 30 June 2016 and the flow-on impact to superannuation expenses in 2016-17 based on prevailing interest rates.

Table 2.1.3: Summary of major Technical Adjustments since the 2015-16 Budget Review

	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Revenue¹				
LDA dividend, income tax equivalent and contributed assets	53,205	94,022	-40,783	35,429
Icon Water dividend and income tax equivalent	41,589	3,469	5,930	21,245
Taxation revenue	28,405	42,044	34,986	38,167
Territory Banking Account revenue	6,490	-16,919	-16,739	-20,470
Other parameter and technical adjustments	-8,223	-1,459	-33,186	-45,529
Total Revenue – Technical Adjustments	121,466	121,157	-49,792	28,842
Expenses²				
ACTIA liabilities – actuarial update and premium savings	44,512	-1,545	-1,578	-1,328
Revised funding profiles and rollovers	24,764	-40,043	4,708	48
Territory Banking Account expenses	11,407	28,409	39,799	37,230
Depreciation expense	7,030	9,546	24,817	21,819
ACT contribution to the National Disability Insurance Scheme	0	-10,695	10,663	-22,226
Public Private Partnerships expenses	-36	4,195	-2,074	-56,947
School enrolment adjustment	0	-6,266	-6,455	-6,649
Parameter and provision adjustments	18,771	10,318	8,070	5,056
Other technical adjustments	3,234	-11,186	29,077	27,743
Total Expenses – Technical Adjustments	109,682	-17,267	107,027	4,746

Notes: Numbers may not add due to rounding.

1. A positive number represents an increase in revenue.
2. A negative number represents an increase in expenses.

Revenue

The Government is forecasting revenue of \$5.1 billion in 2016-17, an increase of \$164.8 million since the 2015-16 Budget Review. This higher revenue forecast reflects:

- updated revenue estimates from the Land Development Agency following revisions to the land sales program (\$94.0 million);
- higher Commonwealth grant revenue for GST (\$51.1 million); and
- increased taxation revenue, mainly due to higher forecast conveyance duty collections associated with higher activity and sales prices, particularly in the commercial sector of the market (\$42.0 million).

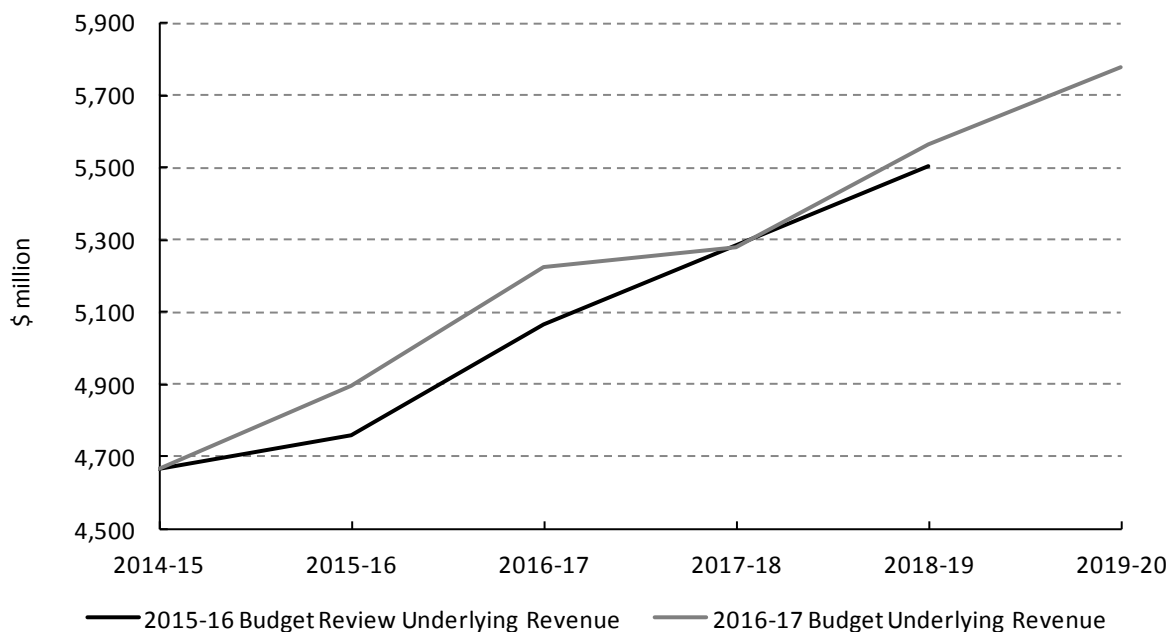
These forecast increases in revenue are partially offset by:

- lower Territory Banking Account revenue, mainly due to estimated lower investment balances and rates of return, and lower loan interest from advances (\$16.9 million); and
- the impact of Government policy decisions largely associated with tax reform initiatives (\$7.5 million).

Across the forward estimates period, underlying revenues are forecast to grow at an average annual rate of 3.3 per cent.

Figure 2.1.1 depicts a comparison between the underlying revenue in the 2015-16 Budget Review and the 2016-17 Budget.

Figure 2.1.1: Underlying Revenue as at the 2015-16 Budget Review and as at the 2016-17 Budget



Expenses

The Government is forecasting expenses of \$5.4 billion in 2016-17, an increase of \$215.4 million since the 2015-16 Budget Review. This increase largely reflects:

- the impact of Government policy decisions to provide more and better services to ACT residents (\$110.5 million);
- the inclusion of the foreshadowed Superannuation Liability Valuation (\$87.7 million); and
- the re-profiling and rollovers of agency expenses, including those associated with capital works (\$40.0 million).

These increases are partially offset by a decrease in Territory Banking Account expenses mainly due to lower levels of new market borrowings and a reduction in the cost of borrowings (\$28.4 million).

The most significant policy decisions taken by the ACT Government include:

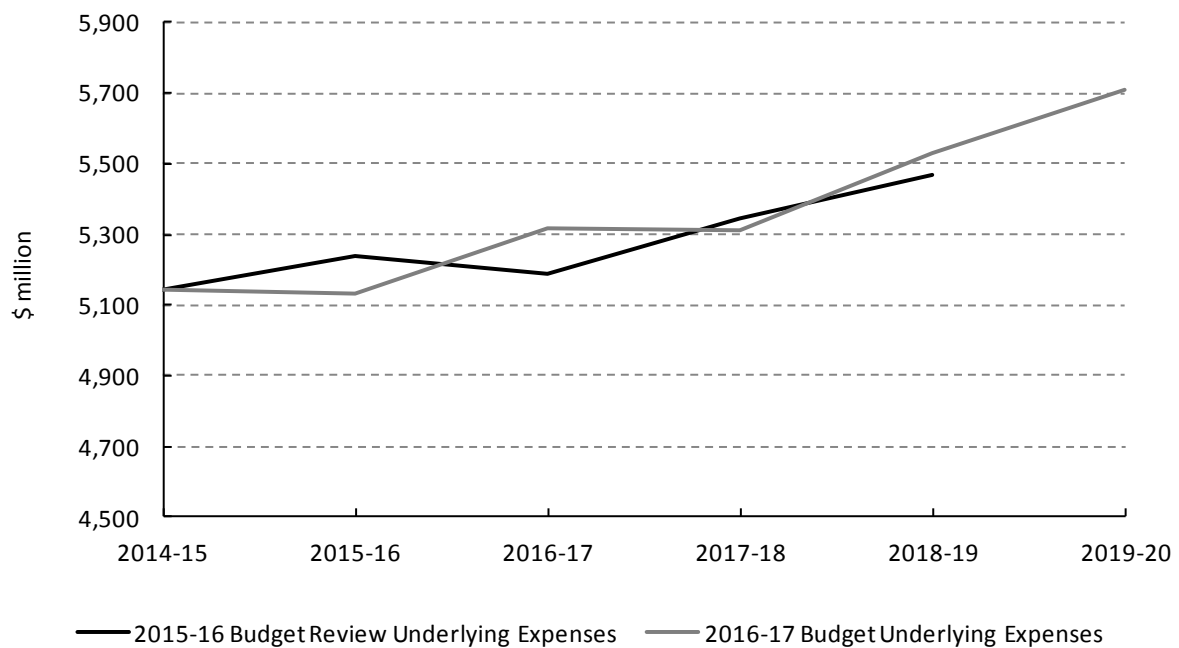
- additional investment in health services (\$139 million over the budget and forward years) – for example, support for mental health and expansion of the Canberra Hospital emergency department – which is all offset by the provision for future health expenditure;
- additional support for the concessions program (\$35.1 million);
- expenditure to prepare sites for sale and relocate tenants as part of the Better Public Housing program (\$34.2 million); and
- the Safer Families package of initiatives (\$21.4 million).

Further information on policy decisions is provided in New Initiatives (Chapter 3).

Underlying expenses (which exclude the Superannuation Liability Valuation) are forecast to grow at an annual average rate of 2.7 per cent, broadly consistent with the forecast in the 2015-16 Budget.

Figure 2.1.2 depicts a comparison between the underlying expenses in the 2015-16 Budget Review and the 2016-17 Budget.

Figure 2.1.2: Underlying Expenses as at the 2015-16 Budget Review and as at the 2016-17 Budget



2.2 FISCAL STRATEGY

The 2016-17 Budget reinforces the Government's commitment to a fiscal strategy that achieves an operating balance over time, offsetting temporary deficits with surpluses in other periods. The keystone of this strategy, as for prior years, remains the responsible management of the Territory's public finances, balancing sustainable taxation revenues with service delivery levels that are consistent with community expectations.

In recent years, the ACT has faced a number of economic challenges. The Commonwealth's cuts to spending and employment have had a significant downward impact on economic growth – with flow-through effects to the ACT's public finances. The Government is also delivering the Loose-fill Asbestos Insulation Eradication Scheme (the Asbestos Eradication Scheme), involving the purchase and remediation of around 1,000 contaminated properties. The Asbestos Eradication Scheme is a coordinated and compassionate response to the complex community, social, financial and health issues associated with asbestos removal. However, this Scheme comes at a significant cost to the ACT community – this is expected to be around \$400 million, even after the sale of remediated properties.

Despite these challenges, the Government has remained true to its fiscal strategy. In the 2015-16 Budget, the Government set out a plan to weather the financial impact of the Commonwealth cuts and the remediation of asbestos contaminated properties but also to return the budget to balance in 2017-18. The 2016-17 Budget confirms that the Government's fiscal strategy – and the budget outlook – remains on track. The Government is continuing to invest in Canberra and provide high quality services while at the same time returning the budget to balance by 2017-18.

Our net debt also remains at prudent levels as a result of considered financial management, creating the capacity for the Government to continue to invest in Canberra's infrastructure and to build a city for all Canberrans, now and in the future.

Throughout the challenges of recent years, the Territory has retained its AAA stable credit rating (as assessed by Standard & Poor's). The fact that the ACT is one of only three states and territories to hold this rating in Australia reflects confidence in the Government's commitment to sound financial and economic management.

For these reasons, the Government's 2016-17 Budget strategy remains focused on:

- supporting and boosting the ACT economy in the short term, with particular focus on creating jobs and continuing to deliver appropriate services to the community;
- sustaining a strong operating balance over the medium term; and
- continuing the investment in infrastructure projects/assets that generate economic growth and allows the Canberra community to enjoy the benefits of these assets in the longer term.

As in previous years, the Government's overarching fiscal strategy can be grouped into five high-level objectives:

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

In observing these five objectives, the Government will be able to respond flexibly and prudently to shifts in the Territory's economic circumstances and meet its longer-term goals, such as fully funding the Territory's superannuation liability by 2030. Targeted investment will focus on opening up and diversifying our local economy, all within the context of maintaining a AAA credit rating.

Sustainable Economic Growth

The Government has a strong history of developing and supporting a productive and competitive economy. The economic outlook, supported by sound investment by the ACT Government, is looking better than in recent years. However, there remain challenges for the Territory. The increase in the Commonwealth's efficiency dividend announced in its 2016-17 Budget is anticipated to result in an additional 1,400 Australian Public Service job losses for the Territory over the three years from 2017-18 to 2019-20, bringing total losses in the Territory to over 10,000 since June 2012. Moreover, the ACT will also be affected by the flow-on effects of the challenges facing the Australian economy, such as the downturn in commodity prices.

For this reason, the Government will again invest in strategies that act to expand and diversify the Territory's economy. The Government will provide additional funds to implement the priorities outlined in its business development strategy *Confident & Business Ready: Building on Our Strengths* to grow and diversify Canberra's economy. The new investment will focus particularly on supporting development of the Territory's information and communication technology, higher education and research sector key capability areas.

International linkages will be further strengthened, with additional funding provided to support international flights to Canberra (following the announcement by Singapore Airlines of direct flights to and from Canberra Airport from September 2016). Funding will also be provided to support various activities (such as sales missions and seeking partnership agreements) which promote Canberra as a destination of choice in the international market, with the Southeast Asian market being a particular area of interest.

The recent launch of the Canberra International Support Network, with its focus on Singapore, is one such example of the Government's efforts to provide new opportunities for local businesses to connect with key markets overseas and expand their international reach, drawing further investment into the region.

The construction of the light rail, along with the other elements of the Government's infrastructure program, will also provide a significant stimulus to the ACT economy. Moreover, the light rail project will accelerate the process of urban renewal and transformation of our city, and enhance Canberra's capacity to become a knowledge-based city that attracts highly skilled employees from around the world.

Sound Public Finances

Headline Net Operating Balance

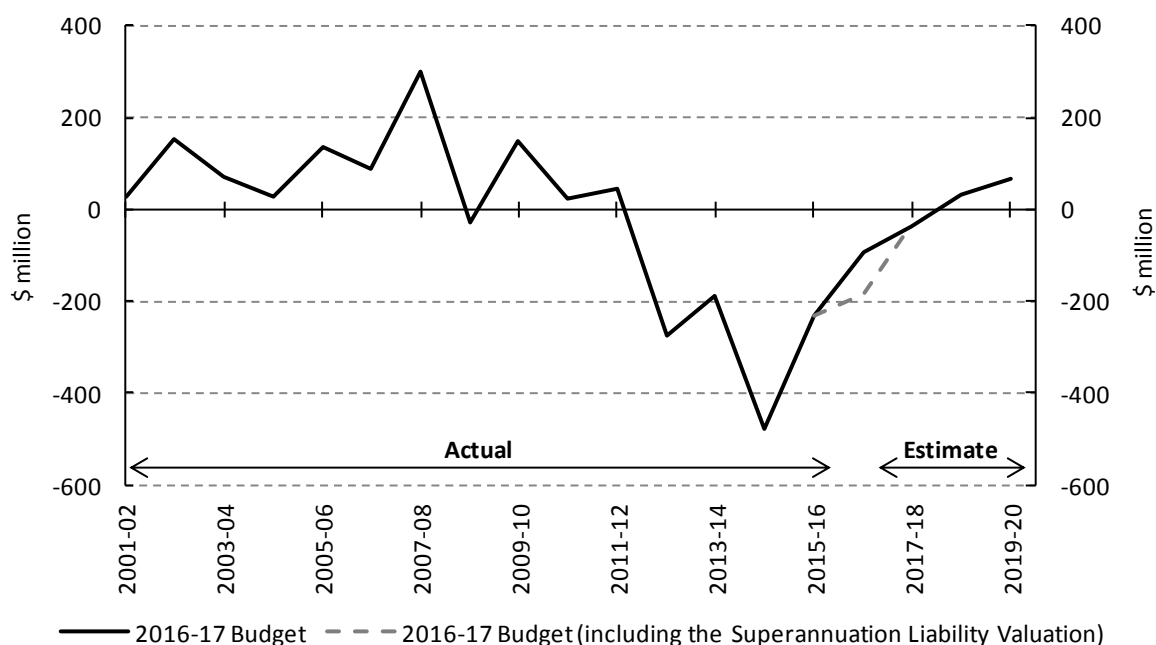
The Government's objective remains to achieve a net operating balance over the medium to long term. This objective is consistent with the need to support the ACT economy in meeting recent challenges while recognising the importance of sound financial management in the longer term.

In 2016-17, the Headline Net Operating Balance (HNOB) is forecast to be in deficit by \$94.3 million. As set out in Chapter 2.1, the Government has decided to foreshadow the Superannuation Liability Valuation estimate of \$87.7 million for the first time to better reflect the expected outcome for 2016-17, increasing the forecast deficit to \$182.0 million. This is a technical adjustment and does not impact the Territory's cash position.

Importantly, the Government remains on track to return the budget to balance in 2017-18, with forecast outcomes slightly improved in all years from those reported in the 2015-16 Budget Review.

The strength of the Government's commitment to return the budget to balance is consistent with its strong record of prudent financial management. Figure 2.2.1 shows that the Government has a long-standing history of running budget surpluses, only going into deficit by taking targeted spending decisions when it has been necessary to support jobs and the economy.

Figure 2.2.1: Headline Net Operating Balance



The HNOB, which is the ACT Government’s key measure of the public finances, includes an adjustment for long-term expected superannuation investment earnings (consistent with the long-term expected return objective of the Consumer Price Index plus 5 percentage points). This presentation has been adopted in the ACT Government’s Budget Papers since 2006-07, and the consistent and continued use of the HNOB for budgetary purposes ensures that comparable, comprehensive and informed assessments can be made of the Territory’s financial performance over time.

The rationale for the use of this measure is that the Government does not operate a superannuation fund for employees and, under the Government Finance Statistics (GFS) reporting framework, capital growth on financial assets is not included as transactional revenue in the net operating balance. Applying the GFS approach understates the expected investment revenue, which includes interest, dividends, distributions and capital growth, and therefore overstates the net superannuation expense related to the superannuation liability. The inclusion of the full amount of the long-term investment earnings is therefore considered necessary to provide an accurate assessment of the longer-term sustainability of the budget position.

An additional adjustment made in this year’s budget reflects the estimated Superannuation Liability Valuation outcome at 30 June 2016 and the flow-on impact to superannuation expenses in 2016-17 based on the prevailing low domestic interest rates. The estimated discount rate as at 30 June 2016 is 3.2 per cent. The Government still considers that the use of a long-term discount rate for the budget and forward year estimates removes significant valuation volatility, and presents a realistic estimate of the liability’s valuation and associated expense.

The Territory's Credit Rating

International ratings agency Standard & Poor's Ratings Services affirmed the ACT's AAA long-term and A-1+ short-term local currency credit ratings on 25 September 2015 with the rating outlook retained as stable.

The AAA and A-1+ ratings are the highest ratings assigned by Standard & Poor's and the ACT remains one of a small number of governments in the world to hold this rating.

In affirming the Territory's AAA stable rating, Standard & Poor's considered that the Territory would broadly achieve its financial forecasts as set out in the 2015-16 Budget, particularly in terms of revenue targets associated with the land release program, and completing the Asbestos Eradication Scheme within budget. The rating reflects the Territory's very strong economy and financial management, strong budget flexibility and exceptionally high liquidity.

Operating Cash Balance

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).

The Government is committed to maintaining operating cash surpluses in the General Government Sector (GGS) on the basis that a strong operating cash balance ensures that there is sufficient cash generated from operating activities to cover the net outlay of the capital investment, to repay debt, and to put funds aside to address unfunded superannuation liabilities.

The GGS net operating cash balance is forecast to be in surplus in all years from 2016-17 onwards.

Quality and Efficient Services

The Government aims to deliver more efficient and productive public services, and remains committed to delivering high quality services to the community.

In its 2016-17 Budget, the Government continues to invest in the provision of necessary services, including public transport, education and healthcare to ensure that appropriate service quality is retained while being delivered in an efficient manner. The budget also includes a wide range of new initiatives that will enhance the range of services provided to the community.

A key focus of the 2016-17 Budget is services to address domestic and family violence. The Government is expanding its efforts to ensure that those in need can readily access support when faced with domestic and family violence, that responses to incidents are better coordinated, and that police are resourced to respond to, assist in, and investigate matters of domestic violence. Funding will also be provided to a number of community sector service providers to ensure that they are able to maintain valuable education, counselling, court support and advocacy services.

The Government is continuing to enhance transport services. The creation of the Transport Canberra and City Services Directorate will consolidate oversight of light rail, ACTION buses, roads, community paths, and traffic management to enhance the connections between all forms of transport in Canberra. The construction of stage one of the light rail network will also commence, accelerating the process of urban renewal and revitalisation of the city. In addition, the Government continues to invest in the ACTION bus network and is undertaking road projects designed to improve road connectivity around Canberra.

Health services will be enhanced through additional emergency department resources at Canberra and Calvary Hospitals as well as the expansion of intensive care, trauma, stroke, mental health and other services. The Government is also undertaking a series of works designed to ensure the sustainability of hospital and other health facilities.

The Government continues to expand school capacity to meet growing student enrolments, particularly in Gungahlin. In addition, the Government is enhancing the ability of schools to support students and families with complex needs through a dedicated program focusing on training, support services and other resources to help achieve better educational outcomes for students with complex and challenging behaviours.

Digital Canberra remains a priority, as the Government promotes Canberra as a city of digital opportunity by creating digital networks and partnerships, accelerating the digital economy, building a city of innovation and connected communities and collaborating to ensure better citizen engagement and services. This budget provides additional resources for the Chief Digital Officer, including \$500,000 in seed funding to allow for the investigation and implementation of digital initiatives across the ACT Government. The Government is also commencing a trial of data storage and analytics capability across the whole of government to improve ease of access and usability of data and acquiring a software tool to improve the security of information stored in Government databases.

Expenditure Reviews

Concessions

An additional \$35 million over four years has been allocated to the Concessions Program to continue to support vulnerable members of the community in need of assistance. This follows the review of the Concessions Program, and community consultation on ten options to improve fairness and targeting. Community feedback highlighted the important role that concessions play in supporting those most in need, and raised concerns that reducing concessions could adversely impact on the most vulnerable households.

For the 2016-17 Budget, most concessions – including those for public transport, motor vehicle registrations, driver licences, taxis, spectacles and funeral assistance – will not be changing. The maximum capped general rates rebate and the Fire and Emergency Service Levy rebate will remain unchanged at \$700 and \$98, respectively.

The Government is making some changes to the Concessions Program to create a fairer, more sustainable and more accessible system to support vulnerable Canberrans. Changes include: maintaining ‘uncapped’ general rates rebates at 2015-16 levels where they are above the maximum capped amount; introducing a combined Utilities Concession from 2017-18 that will provide the same level of support to renters as home owners; and increasing the eligibility age for the ACT Seniors Card to 61 from 1 July 2017, and then increasing it by one year every two years until it reaches 65 in 2025.

Sustainable Taxation Revenue

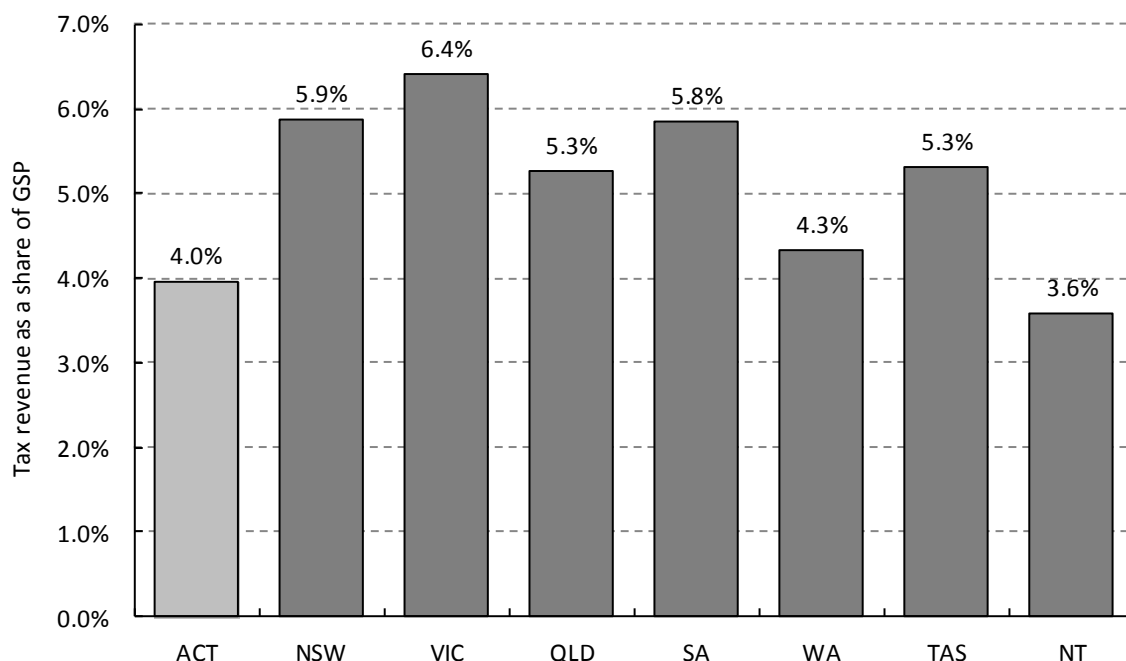
The Government is committed to making the Territory’s taxation system fairer, simpler and more efficient. Importantly, the Government’s fiscal strategy also depends on ensuring taxation revenue is at sustainable levels.

In the 2016-17 Budget, the Government continues the reform process it started in 2012-13. Stage One of the reforms includes the abolition of inefficient taxes on conveyances and insurance premiums, with the revenue lost replaced through the general rates system. This change in the taxation mix is ensuring a stable and efficient revenue base to fund provision of high quality government services into the future. In addition, the abolition of inefficient taxes will result in significant economic gains in the wider economy through increased productivity.

Stage Two of the reform program will commence in 2017-18 and build on the progress made in Stage One. A key aspect of the Stage Two reforms is the separation of residential and commercial conveyance duty rates from 2017-18 onwards. This will allow taxation to be adjusted to better reflect the differences in each sector. Further reductions in residential and commercial conveyance duty rates will significantly reduce the upfront costs of property purchases. The Government is also increasing the payroll tax free threshold to \$2 million from 2016-17 to support small to medium businesses in the ACT. The Government is also introducing changes to the general rates system to create a more equitable treatment between different housing types.

The ACT remains a relatively low taxing jurisdiction and, with our own source tax revenue as a share of Gross State Product, is the second lowest compared to other jurisdictions.

Figure 2.2.2: Comparison of tax revenue as a share of Gross State Product, total state and local government, 2014-15



Sources: ABS 5506.0, 5520.0.

Notes:

1. Gross State Product is in nominal terms.
2. This comparison is made on the basis of total state and local government own source tax revenue. The ACT undertakes both state and local functions.

Further information on the significant reforms to the Territory’s taxation system can be found in Taxation Reform (Chapter 6.3). Details of the revenue initiatives announced in the 2016-17 Budget can be found in Revenue Initiatives (Chapter 3.4).

Strong Balance Sheet

The ACT’s balance sheet continues to perform relatively well compared to other jurisdictions, which enables the Government to maintain its flexibility to support high priority investments.

Net Debt

Net debt is a key balance sheet measure in the Government Finance Statistics framework. It takes into account gross debt liabilities as well as financial assets (such as cash reserves and investments).

General Government Sector net debt is estimated to be 5.6 per cent of GSP in 2016-17, compared to the 2015-16 estimated outcome of 5.1 per cent. Over the forward estimates, net debt is expected to be consistent with the levels forecast in the 2015-16 Budget Review.

The increase in net debt as a percentage of GSP in 2016-17 is influenced by a decrease in investments to meet forecast cash flow requirements.

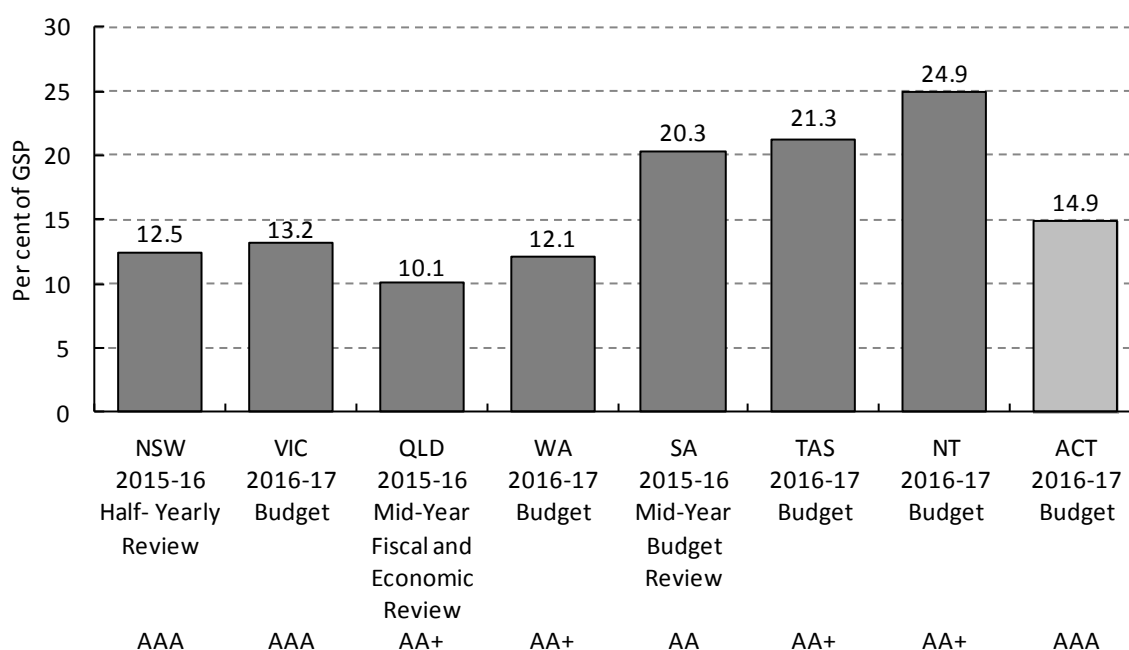
Net Financial Liabilities

Net Financial Liabilities are calculated as total liabilities less financial assets (such as cash reserves and investments). They take into account all non-equity financial assets, but exclude the value of equity held by the GGS in public corporations. The Net Financial Liabilities to GSP ratio is largely unchanged from the 2015-16 Budget estimate at 14.9 per cent.

In 2016-17, net financial liabilities are forecast to decrease by \$3,375 million to \$5,497 million compared to the 2015-16 estimated outcome of \$8,871 million. This decrease is largely due to a return to the long-term discount rate assumption of 6 per cent to value the superannuation liability.

Figure 2.2.3 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 (New South Wales and Victoria).

Figure 2.2.3: General Government Sector Net Financial Liabilities as a percentage of GSP – 2016-17 State and Territory Comparison



Source: The data and the calculation of nominal GSP used in this figure is taken from each jurisdiction's most current Budget documentation. In some instances assumptions based on growth factors have been applied.

There is general acceptance of the proposition that governments with strong balance sheets can responsibly incur some debt – provided it is used to finance high quality assets in areas of community need. Such assets (for example, public transport, new roads, schools and hospital facilities) generate benefits to the community over a long period of time, offsetting the cost of the borrowing. It is important, however, that the level of debt remains sustainable.

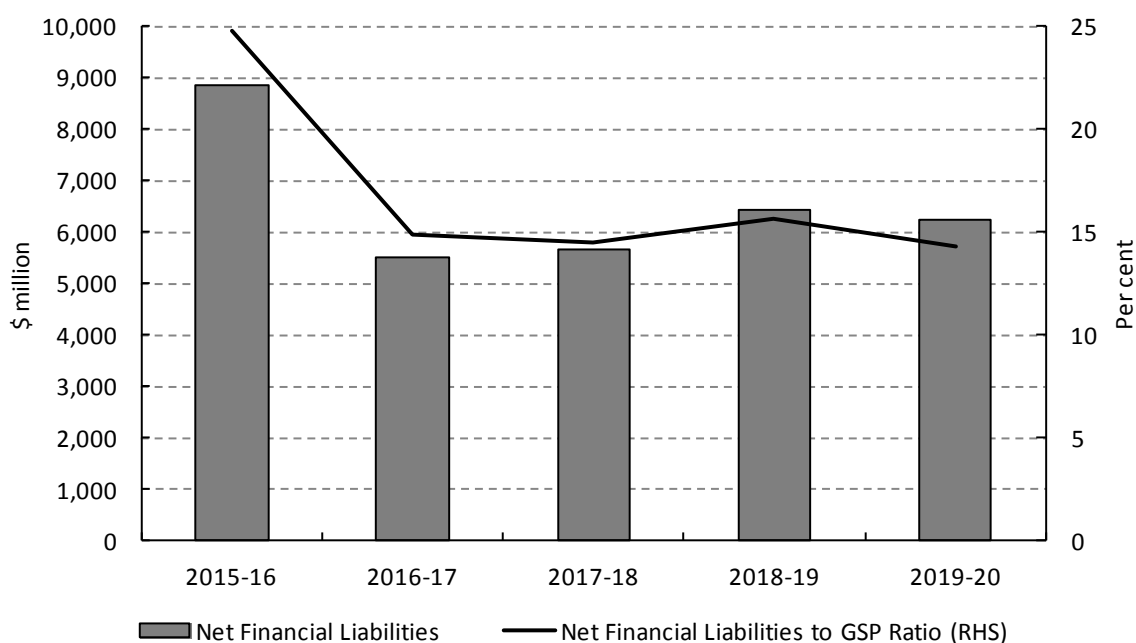
An indicator of that assessment is the ratio of net financial liabilities to GSP. While this ratio is subject to volatility (in particular, net financial liabilities can fluctuate – sometimes substantially – depending on the condition of financial markets), it is desirable that it remains broadly stable over time while maintaining sustainable levels of borrowings.

The 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 2.2.4.

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 is forecast to decline.

In 2016-17, net financial liabilities is forecast to decrease by \$3,375 million compared to the 2015-16 estimated outcome. This decrease is largely due to a return to the long-term discount rate assumption of 6 per cent to value the superannuation liability and higher other provisions resulting from a revision to the estimated timing of settlements from the Asbestos Eradication Scheme.

Figure 2.2.4: General Government Sector Net Financial Liabilities



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 and, as a proportion of GSP, continues to be one of the strongest of all Australian jurisdictions.

Net worth is forecast to be \$17,100.2 million at the end of 2016-17, \$3,879.6 million higher than the 2015-16 estimated outcome. This increase is largely due to a reduction in the superannuation liability associated with a change in the discount assumption used to value the liability. The discount rate assumption used in the estimated outcome is 3.2 per cent compared to a long-term discount rate assumption of 6 per cent. This rate has been used to better reflect the expected value of the superannuation liability at 30 June 2016. The increase is also attributed to an increase in capital works-in-progress due to the impact of Government policy decisions and the re-profiling of capital works from 2015-16.

2.3 COST OF LIVING STATEMENT

In this budget, the ACT Government sets out a plan for Canberra's future. We have worked hard to support jobs and economic growth, and our strategy is paying off. The ACT has the lowest unemployment rate in Australia, retail trade is strong, and the economy is resilient and stabilising. This budget will build on these successes.

We are also making sure that everyone has the opportunity to fully participate in our community and continue to provide a range of services and programs to support vulnerable and disadvantaged Canberrans, promote social inclusion, and ease cost of living pressures for those who need assistance.

The Government is announcing a range of family violence prevention initiatives to keep our families safer. We are supporting law enforcement to provide practical support to victims, and to counter domestic violence before it happens, by achieving cultural change in our attitudes towards women and violence. The Safer Families Levy of \$30 per annum will be applied to all residential and rural properties from 1 July 2016. The Safer Families Levy will support a range of family violence prevention initiatives.

This Cost of Living Statement provides five case studies of Canberra households. It outlines the effect of the ACT Government's taxes and charges, and the various concessions available in 2016-17¹. The impact of Commonwealth Government taxes, fees or concessions are not taken into account.

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 rates, petrol prices, and decisions of independent pricing authorities on the price of utilities such as electricity, water and sewerage.

ACT Households

ACT residents on average are relatively younger, have a higher level of education and higher incomes than the rest of Australia. As at June 2015, 33.9 per cent of the ACT's population was between 20 and 40 years of age compared to only 29.7 per cent nationally. The ACT's largest demographic cohort is aged between 20 and 29 years². At the 2011 Census, Canberra families had an average of 1.8 children, and 47 per cent of residents were married.

ACT residents are more engaged with the labour market than average Australians – the ACT has a workforce participation rate of 69.7 per cent compared to 64.8 per cent nationally. Of those employed, 73 per cent are working full time and 27 per cent are working part time³.

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

² Australian Demographic Statistics, Australian Bureau of Statistics Cat. No. 3101.0.

³ Labour Force - April 2016, Australian Bureau of Statistics Cat. No. 6202.0.

At the 2011 Census, median weekly household income for ACT families with children was \$3,060 while, for the rest of Australia, it was \$2,310.⁴ The Wage Price Index in the ACT increased by 1.8 per cent from the March quarter 2015 to the March quarter 2016, compared to 2.1 per cent nationally.⁵

The majority of households (67.3 per cent) own their own home, with or without a mortgage, while 30.6 per cent of households rent. The vast majority (91.8 per cent) of households own at least one motor vehicle.⁶

ACT Government

Public services

The ACT Government continues to provide high quality public services across the Territory. Government expenditure on health services has increased by around 8.5 per cent per year over the decade to 2014-15, and expenditure on education by 5.7 per cent each year over the same period.⁷

The provision of these public services protects households from some cost of living pressures. For example, households with school age children in public education receive its benefit at little cost, and households using public medical services and facilities are significantly shielded from increases in the cost of health care. Table 2.3.1 below shows ACT Government expenditure by area for 2016-17.

Table 2.3.1: What your money delivers

Area of Expenditure 2016-17	\$ million	% of total	\$ per capita
Health	1,553.0	30.2	3,962
Education	1,158.2	22.5	2,955
Justice and Safety	510.5	9.9	1,302
Disability and Community Services	326.3	6.3	832
Environment, Sustainability and Land Management	322.3	6.3	822
Territory and Municipal Services	308.4	6.0	787
Delivering Government Services	267.4	5.2	682
Public Transport	186.5	3.6	476
Housing	184.0	3.6	469
Planning and Regulation	179.4	3.5	458
Events, Tourism and Investment	102.5	2.0	261
Sport and Recreation	48.9	0.9	125
Total	5,147.4	100.0	13,132

Source: Chief Minister, Treasury and Economic Development Directorate.

Note: Numbers may not add due to rounding. Expenses by key priority area above do not equal total general government sector expenses as they do not include superannuation and other expenses that do not directly correlate to functions.

⁴ 2011 Census Australian Capital Territory STE QuickStats.

⁵ Wage Price Index - March quarter 2016, Australian Bureau of Statistics Cat. No. 6345.0.

⁶ 2011 Census Australian Capital Territory STE QuickStats.

⁷ Government Finance Statistics 2014-15, Australian Bureau of Statistics Cat. No. 5512.0.

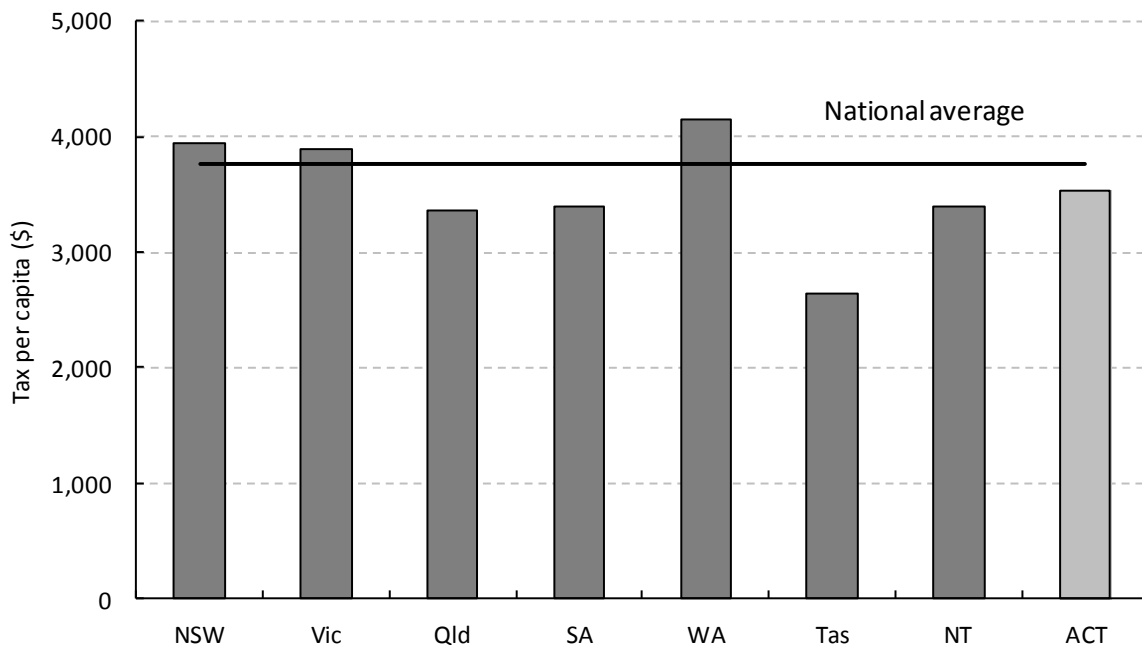
ACT Government taxes and fees

The ACT Government collects revenue directly via taxes and fees. This 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, and another 41 per cent is provided by the Commonwealth Government. Refer to Revenue and Forward Estimates (Chapter 6.2) for more information on own-source taxation, and Federal Financial Relations (Chapter 7.1) for more information on Commonwealth grants. The remainder is derived from a range of other income sources, including the sales of goods and services, interest and dividends.

The ACT Government generates most of its own-source revenue from taxes levied on businesses, households and investors. Taxes levied on businesses include payroll tax and general rates. Taxes levied on households include general rates on property. Businesses and households pay conveyance duty when purchasing property in the ACT. Annual fees are charged for the licensing and registration of motor vehicles. Investors who own residential properties are subject to land tax. Other administrative fees, charged on a one-off basis, 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. The most recent Australian Bureau of Statistics data show average taxation per capita in the ACT compares favourably with other jurisdictions. The ACT per capita taxation of \$3,524 is below the average across Australia of \$3,755, and below that of New South Wales, Victoria and Western Australia, as shown in the following figure.

Figure 2.3.1: Taxation per capita, 2014-15



Source: Chief Minister, Treasury and Economic Development Directorate estimates based on ABS Cat. No. 3101.0 Australian Demographic Statistics and ABS Cat. No. 5506.0 Taxation Statistics, Australia.

The ACT Government is continuing to implement the taxation reforms announced in the 2012-13 Budget. The reforms improve the fairness of the taxation system and set the Territory's taxation system on a more sustainable footing.

Utilities

The cost of providing gas, electricity and other utilities is largely outside the direct control of the ACT Government. These are generally determined by market forces and the decisions of independent pricing tribunals. Utility charges incorporate the costs of production, the impact of various Commonwealth, State and Territory energy and environmental programs, taxes and charges, and international and domestic markets.

Water and sewerage charges are determined by the Independent Competition and Regulatory Commission (ICRC). The ICRC also regulates the price for the supply of electricity to small customers in the ACT purchased from ActewAGL Retail. Natural gas prices are not regulated in the ACT.

The ACT Government recognises that utility bills are a significant cost of living consideration for many households, and provides a range of utility concessions and programs for eligible households.

Assistance to households through concessions

The ACT Government provides a wide range of concessions to households and individuals to assist with living expenses such as general rates, utility bills, drivers' licence fees, motor vehicle registration fees, and public transport fares. Information is available at the ACT Government's Assistance website: www.assistance.act.gov.au.

In 2016-17, ACT Government expenditure on concessions is estimated at \$53.5 million. Refer to the Fiscal Strategy (Chapter 2.2) for more information on the ACT Concessions Program.

A range of Commonwealth concessions and assistance programs are also available to offset eligible households' living costs; however these payments have not been included in the tables that follow.

Cost of Living Statement

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

The Government is mindful that, in calculating the impact of taxes, fees and utility charges on a hypothetical 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 various household types and circumstances.

ACT Household Scenarios

The scenarios below present the estimated impact of Territory taxes, fees and utility charges and the concessions which offset them on five households. Other potential savings, which can reduce cost of living pressures, are also outlined. Further details on the costs and assumptions are provided in the Table notes later in this chapter.

Household One

Lee and Charlotte are a single income family renting in Monash. They have a household income of \$65,000 a year and access to Centrelink Health Care cards. Their daughter, Cecilia, has a disability and the family currently receives support through the Community Services Directorate, their local school and other community organisations. Cecilia has joined the National Disability Insurance Scheme (NDIS), which commenced in the ACT on 1 July 2014. The NDIS funds reasonable and necessary supports, including therapies, equipment and home modifications, as per the tailored plan of support.

Table 2.3.2 below shows the costs of taxes, fees and charges, net of concessions, and the change from 2015-16 to 2016-17 for Lee, Charlotte and Cecilia.

Table 2.3.2: Estimated Impact of Territory Taxes and Fees, and Utility Charges in 2016-17 on Household One

Government Taxes, Fees and Utility Charges	Cost net of concessions 2015-16 \$	Savings 2015-16 \$	Cost 2016-17 \$	Value of concessions 2016-17 \$	Cost net of concessions 2016-17 \$	2015-16 to 2016-17 change \$	Savings 2016-17 \$
Property							
<i>Savings:</i>							
Duty on contents insurance		-7.52					-7.36
Transport							
<i>Fees:</i>							
Drivers' licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	1,684.77		2,385.26		1,695.97	11.20	
<i>Concessions:</i>							
ACTION fares				-689.29			
<i>Savings:</i>							
Reduction in duty on car insurance		-15.44					-15.47
Reduction from Rewards for Safe Driving		-6.85					-9.00
Utilities							
<i>Fees:</i>							
Electricity, natural gas	3,012.90		3,288.14		2,861.68	-151.22	
<i>Concessions:</i>							
Energy, utility				-426.46			

Source: Chief Minister, Treasury and Economic Development Directorate.

Household Two

Jack and Sam are currently renting in Gungahlin and will buy their first home in Moncrieff in 2016-17. They will become liable for General Rates and other property taxes when they purchase a house, as shown in the table below. Their household income is \$120,000.

Jack and Sam will have access to the First Home Owners Grant, which is valued at \$7,000 (from 1 January 2017) for the purchase of a new home. They will also be eligible for the Home Buyer Concession Scheme, which will allow them to reduce conveyance duty on their home purchase from \$9,860 to \$20, based on a purchase price of \$410,000.

Jack works full-time and Sam works part-time while studying. Jack catches the bus to work to save on parking costs. Sam cycles to work and university most days. Table 2.3.3 below shows the costs of taxes, fees and charges, net of concessions, and the change from 2015-16 to 2016-17 for Jack and Sam.

Table 2.3.3: Estimated Impact of Territory Taxes and Fees, and Utility Charges in 2016-17 on Household Two

Government Taxes, Fees and Utility Charges	Cost net of concessions 2015-16 \$	Savings 2015-16 \$	Cost 2016-17 \$	Value of concessions 2016-17 \$	Cost net of concessions 2016-17 \$	2015-16 to 2016-17 change \$	Savings 2016-17 \$
Property							
<i>Taxes:</i>							
General Rates	1,496.00		1,535.00		1,535.00	39.00	
Fire and Emergency Services Levy	196.00		252.00		252.00	56.00	
Safer Families Levy			30.00		30.00	30.00	
<i>Savings:</i>							
Duty on home and contents insurance and life insurance		-36.39					-36.59
Home Buyer Concession Scheme				-9,840.00	20.00		
First Home Owner Grant				-7,000.00			
Transport							
<i>Fees:</i>							
Drivers' licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	2,391.51		2,421.26		2,421.26	29.75	
<i>Savings:</i>							
Reduction in duty on car insurance		-15.44					-15.47
Rewards for Safe Driving		-13.70					-18.00
Utilities							
<i>Fees:</i>							
Electricity, natural gas, water and sewerage	3,977.51		3,941.06		3,941.06	-36.45	

Source: Chief Minister, Treasury and Economic Development Directorate.

Household Three

Walter and Olivia live in their own home in Waramanga and both receive a full pension. Both are over 70 years old so are eligible for free travel on ACTION buses. Olivia catches the bus to Woden most weekdays to volunteer, and twice a week they drive to local community-run seniors groups.

If they downsize their home in 2016-17, they can access the Pensioner Duty Concession Scheme, saving \$8,640 in conveyance duty, based on a purchase price of \$380,000. Table 2.3.4 below shows the costs of taxes, fees and charges net of concessions and the change from 2015-16 to 2016-17 for Walter and Olivia.

Table 2.3.4: Estimated Impact of Territory Taxes and Fees, and Utility Charges in 2016-17 on Household Three

Government Taxes, Fees and Utility Charges	Cost net of concessions 2015-16 \$	Savings 2015-16 \$	Cost 2016-17 \$	Value of concessions 2016-17 \$	Cost net of concessions 2016-17 \$	2015-16 to 2016-17 change \$	Savings 2016-17 \$
Property							
<i>Taxes:</i>							
General Rates	1,171.00		1,944.00		1,244.00	73.00	
Fire and Emergency Services Levy	98.00		252.00		154.00	56.00	
Safer Families Levy			30.00		30.00	30.00	
<i>Concessions:</i>							
General Rates, Fire and Emergency Services Levy				-798.00			
<i>Savings:</i>							
Duty on home and contents insurance		-33.08					-33.12
Transport							
<i>Fees:</i>							
Drivers' licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy and ACTION fares	648.05		2,385.26		696.78	48.73	
<i>Concessions:</i>							
Drivers' licence fees, vehicle registration and ACTION fares				-1,760.48			
<i>Savings:</i>							
Reduction in duty on car insurance		-15.44					-5.47
Utilities							
<i>Fees:</i>							
Electricity, water and sewerage	1,672.25		2,562.03		1,710.98	38.73	
<i>Concessions:</i>							
Energy, utility, water and sewerage				-851.05			
Other Concessions Potentially Available							
Spectacles Subsidy Scheme	-200.00						-200.00
Over 60's Home Bonus/PDCS				-8,640.00	20.00		

Source: Chief Minister, Treasury and Economic Development Directorate.

Household Four

Peilin and Billy 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, Dawson in primary school and Hugo in high school. They share school drop offs for Dawson, and Hugo catches the bus to school. Most days, one of them catches the bus to work and the other drives their family sedan.

Table 2.3.5 below shows the costs of taxes, fees and charges net of concessions and the change from 2015-16 to 2016-17 for Peilin, Billy and their family.

Table 2.3.5: Estimated Impact of Territory Taxes and Fees, and Utility Charges in 2016-17 on Household Four

Government Taxes, Fees and Utility Charges	Cost net of concessions 2015-16 \$	Savings 2015-16 \$	Cost 2016-17 \$	Value of concessions 2016-17 \$	Cost net of concessions 2016-17 \$	2015-16 to 2016-17 change \$	Savings 2016-17 \$
Property							
<i>Taxes:</i>							
General Rates	1,864.00		1,972.00		1,972.00	108.00	
Fire and Emergency Services Levy	196.00		252.00		252.00	56.00	
Safer Families Levy			30.00		30.00	30.00	
<i>Savings:</i>							
Reduction in duty on home and contents insurance and life insurance		-36.39					-36.59
Transport							
<i>Fees:</i>							
Drivers' licence fee, vehicle registration, road rescue fee, road safety contribution, CTP insurance, CTP regulator levy, lifetime care and support levy, ACTION fares and parking	5,166.61		5,436.54		5,436.54	269.93	
<i>Savings:</i>							
Reduction in duty on car insurance		-15.44					-15.47
Rewards for Safe Driving		-13.70					-18.00
Utilities							
<i>Fees:</i>							
Electricity, natural gas, water and sewerage	5,242.60		5,186.12		5,186.12	-56.48	

Source: Chief Minister, Treasury and Economic Development Directorate.

Household Five

Susan is an aged pensioner living in public housing in Narrabundah and pays 25 per cent of her monthly income in rent (\$473.36). The indicative market rent for a one bedroom unit in this area is around \$1,600 per month.

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 charges net of concessions and the change from 2015-16 to 2016-17 for Susan.

Table 2.3.6: Estimated Impact of Territory Taxes and Fees, and Utility Charges in 2016-17 on Household Five

Government Taxes, Fees and Utility Charges	Cost net of concessions 2015-16 \$	Savings 2015-16 \$	Cost 2016-17 \$	Value of concessions 2016-17 \$	Cost net of concessions 2016-17 \$	2015-16 to 2016-17 change \$	Savings 2016-17 \$
Property							
<i>Rent:</i> 25% of pension					473.36		
<i>Savings:</i> Difference to market rent							-1,126.64
Transport							
<i>Fees:</i> ACTION fares	409.68		1,375.57		419.28	9.60	
<i>Concessions:</i> ACTION fares				-956.28			
Utilities							
<i>Fees:</i> Electricity	801.10		1,248.43		821.97	20.87	
<i>Concessions:</i> Energy and utility				-426.46			

Source: Chief Minister, Treasury and Economic Development Directorate.

TABLE NOTES

ACT Household Scenarios

Transport

Drivers' licence fees have been calculated by dividing the cost of a five year drivers' licence (\$180.00) by five to determine the annual cost. For 2016-17, drivers are assumed to receive the 25 per cent Rewards for Safe Driving discount. This will offset the cost of the drivers' licence fee for drivers who have no relevant traffic offences recorded for the previous five years.

For Compulsory Third Party (CTP) insurance, an average of the four providers in the market (NRMA, APIA, GIO and AAMI) has been used (\$561.28).

Utilities

2016-17 electricity prices are assumed to increase by 1.7 per cent, consistent with the Australian Energy Market Commission Report of December 2015. 2016-17 water and sewerage prices are assumed to increase by the Consumer Price Index of 1.3 per cent, consistent with the ICRC Industry Panel Substituted Price Direction of April 2015.

2016-17 gas prices are assumed to decrease as a result of two factors. The Independent Pricing and Regulatory Tribunal draft report on the review of regulated gas retail tariffs and charges from 1 July 2016 is anticipated to result in a fall in gas prices of 0.1 per cent. In addition, the Australian Energy Regulator's final decision on access arrangements for ActewAGL's gas distribution network is anticipated to reduce gas prices by around \$79 for a customer using 45 gigajoules of gas per year.

Household One

Property

For 2016-17, property savings comprise reducing the duty on contents insurance from 2 per cent to nil (\$7.36).

Assumptions

As the family is renting, they do not pay general rates, the Fire and Emergency Services Levy or the Safer Families Levy. Insurance premiums for 2016-17 are \$367.87 for contents insurance only. Building insurance is not required as they are renting.

Transport

For 2016-17, transport fees comprise: drivers' licence fee (\$36.00); vehicle registration (\$348.92); Road Rescue Fee (\$25.00); Road Safety Contribution (\$2.50); CTP insurance (\$561.28); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$35.00); and ACTION fares (\$1,375.57).

For 2016-17, concessions comprise ACTION's concession fare (\$689.29). For 2016-17, savings comprise reducing the duty on car insurance from 2 per cent to nil (\$15.47). The driver is eligible for a discount on the cost of their drivers' licence under the Rewards for Safe Driving Program (\$9.00).

Assumptions

Fees are calculated on a vehicle with a tare weight of 1,155kg to 1,504kg. Insurance premiums for 2016-17 are \$773.54 for comprehensive car insurance. The Centrelink Healthcare Card provides access to ACTION's concession fare, with travel twice a day at peak time five days a week, reaching the monthly travelling cap of 40 trips. Once the monthly cap is reached, passengers' remaining travel will be free of charge provided they continue to tag on and off with each journey.

Utilities

For 2016-17, utility charges comprise: electricity (\$1,767.80) and natural gas (\$1,520.34). Concessions comprise: energy and utility concessions (\$426.46).

Assumptions

Consumption per year: electricity (8,700 kWh) and natural gas (51 GJ). No water or sewerage charges have been included as the family is renting and it is assumed that the lease specifies that these charges are paid by the landlord.

Household Two

Property

For 2016-17, property fees comprise: general rates (\$1,535.00); the Fire and Emergency Services Levy (\$252.00); and the Safer Families Levy (\$30.00). For 2016-17, property savings comprise: reducing the duty on home and contents insurance from 2 per cent to nil (\$33.12); reducing the duty on life insurance from 1 per cent to nil (\$3.47); access to the First Home Owners Grant (\$7,000); and the Home Buyer Concession Scheme (\$9,840).

Assumptions

General rates are calculated as the average general rates bill in Moncrieff, rather than based on a fixed Average Unimproved Value (AUV) as in previous years. General Rates for 2015-16 have also been adjusted to reflect the average general rates bill in Moncrieff. Insurance premiums for 2016-17 are: \$1,656.22 for home and contents insurance and \$347.29 for life insurance.

Transport

For 2016-17, transport fees comprise: drivers' licence fee (\$72.00); vehicle registration (\$348.92); the Road Rescue Fee (\$25.00); the Road Safety Contribution (\$2.50); CTP insurance (\$561.28); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$35.00); and ACTION fares (\$1,375.57).

For 2016-17, savings comprise reducing the duty on car insurance from 2 per cent to nil (\$15.47). Both drivers are eligible for a discount on the cost of their drivers' licences under the Rewards for Safe Driving Program (\$18.00).

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 2016-17 are \$773.54 for comprehensive car insurance. ACTION fares are calculated as travel twice a day at peak time five days a week, reaching the monthly travelling cap of 40 trips. Once the monthly cap is reached, passengers' remaining travel will be free of charge provided they continue to tag on and off with each journey.

Utilities

For 2016-17, utility charges comprise: electricity (\$1,508.11); natural gas (\$1,379.02); water (\$523.87); and sewerage (\$530.05).

Assumptions

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

Household Three

Property

For 2016-17, property fees comprise: general rates (\$1,944.00); the Fire and Emergency Services Levy (\$252.00); and the Safer Families Levy (\$30.00). Concessions consist of the rates rebate (\$700.00) and the Fire and Emergency Services Levy rebate (\$98.00). For 2016-17, property savings comprise reducing the duty on home and contents insurance from 2 per cent to nil (\$33.12).

Assumptions

General rates are calculated as the average general rates bill in Waramanga, rather than based on a fixed AUV as in previous years. General Rates for 2015-16 have also been adjusted to reflect the average general rates bill in Waramanga. Insurance premiums for 2016-17 are \$1,656.22 for home and contents insurance.

Transport

For 2016-17, transport fees comprise: drivers' licence fee (\$36.00); vehicle registration (\$348.92); the Road Rescue Fee (\$25.00); the Road Safety Contribution (\$2.50); CTP insurance (\$561.28); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$35.00); and ACTION fares (\$1,375.57).

For 2016-17, transport savings comprise reducing the duty on car insurance from 2 per cent to nil (\$15.47). Concessions comprise: drivers' license (\$36.00); vehicle registration (\$348.92); and ACTION bus fares (\$1,375.57).

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 2016-17 are \$773.54 for comprehensive car insurance. ACTION fares are calculated as off-peak single trips five days a week, reaching the monthly travelling cap of 40 trips, and an entitlement to free travel for people aged over 70.

Utilities

For 2016-17, utility charges comprise: electricity (\$1,508.11); water (\$523.87); and sewerage (\$530.05). Concessions include: energy and utility concessions (\$426.46); water rebate (\$68.78); and sewerage rebate (\$355.81).

Assumptions

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

Other Concessions

They are eligible to access the Spectacles Subsidy Scheme, which provides a \$200 rebate every two years on the purchase of glasses. They are also eligible to access the Pensioner Duty Concession Scheme, which charges conveyance duty at a concessional rate, to downsize to a home worth \$380,000.

Household Four

Property

For 2016-17, property fees comprise: general rates (\$1,972.00); the Fire and Emergency Services Levy (\$252.00); and the Safer Families Levy (\$30.00). For 2016-17, property savings comprise reducing the duty on home and contents insurance from 2 per cent to nil (\$33.12) and life insurance from 1 per cent to nil (\$3.47).

Assumptions

General rates are calculated as the average general rates bill in Kaleen, rather than based on a fixed AUV as in previous years. General Rates for 2015-16 have also been adjusted to reflect the average general rates bill in Kaleen. Insurance premiums for 2016-17 are: \$1,656.22 for home and contents insurance; and \$347.29 for life insurance.

Transport

For 2016-17, transport fees comprise: drivers' licence fee (\$72.00); vehicle registration (\$348.92); the Road Rescue Fee (\$25.00); the Road Safety Contribution (\$2.50); CTP insurance (\$561.28); the CTP Regulator Levy (\$1.00); the Lifetime Care and Support Levy (\$35.00); school student ACTION fare (\$358.78); adult ACTION fare (\$1,375.57) and parking (\$2,656.50).

For 2016-17, transport savings comprise reducing the duty on car insurance from 2 per cent to nil (\$15.47). Both drivers are eligible for a discount on the cost of their drivers' licences under the Rewards for Safe Driving Program (\$18.00).

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 2016-17 are \$773.54 for comprehensive car insurance. A 30 ride paid cap for students is reached taking rides to and from school. The monthly travelling cap of 40 trips applies to the adult fare calculation. Once the monthly cap is reached, passengers' remaining travel will be free of charge provided they continue to tag on and off with each journey. Parking fees have been calculated using the Zone B, Off Street, City Centre rate, which has been assumed to increase by around 6 per cent from 2015-16 to 2016-17.

Utilities

For 2016-17, utility charges comprise: electricity (\$2,027.48); natural gas (\$1,840.73); water (\$787.86); and sewerage (\$530.05).

Assumptions

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

Household Five

Property

For 2016-17, rent comprises 25 per cent of the full monthly age pension of \$1,893.45, with the monthly rent payable of \$473.36.

Transport

For 2016-17, transport fees comprises the adult five days a week ACTION fare (\$1,375.57). Concessions comprise ACTION's concession fare (\$956.28).

Assumptions

The Centrelink concession card provides access to ACTION's off-peak concession fare. ACTION fares are calculated as off-peak single trips five days a week, reaching the monthly travelling cap of 40 trips. Once the monthly cap is reached passengers' remaining travel will be free of charge provided they continue to tag on and off with each journey.

Utilities

For 2016-17, utility charges comprise: electricity (\$1,248.43). 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 and Community Services ACT, and are valued at \$431.69 and \$530.05 respectively.

