



Budget 2006-2007

Australian Capital Territory | Paper No 2 Budget at a Glance

Presented on 6 June 2006 by Jon Stanhope MLA
Treasurer of the Australian Capital Territory

Structure and content of the 2006-2007 Budget Papers

The 2006-2007 Budget is presented in four budget papers.

PAPER N° 1

SPEECH

The Treasurer's speech to the Legislative Assembly highlights the Government's Budget strategies and key features of the Budget.

PAPER N° 2

BUDGET AT A GLANCE

A summary of the overall budgetary position together with information on the Government's expenditure in key service delivery areas.

PAPER N° 3

BUDGET OVERVIEW

Summarises the 2006-2007 Budget and forward estimates for the general government sector, the public trading enterprise sector and the total Territory Government. Details of the projected 2006-2007 Budget results are provided, as well as background information on the development of the 2006-2007 Budget, including economic conditions and intergovernmental financial relations.

The Appropriation Bill 2006-2007 is appended.

PAPER N° 4

BUDGET ESTIMATES

Information on each department and its respective output classes, including descriptions of functions, roles and responsibilities, together with major strategic priorities. Full accrual financial information is provided for the general government sector as well as details of the Territory's public trading enterprises.

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The 2006-07 Budget: For the Future

The Budget outlook for 2006-07 is for an operating deficit of \$80.3 million.

	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Net operating balance*	-80.3	-40.7	18.3	67.7

*The budget net operating balance incorporates the impact of long term superannuation investment earnings to place it on a consistent basis with the GFS estimates presented by state governments.

In framing this Budget, the Government based its decisions on the medium to long term, rather than the short term. Significant longer term challenges exist in relation to:

- increasing health care costs and the needs of an ageing population;
- the continued decline of land revenue as a proportion of the Territory's revenue base; and
- the continued need to set aside funding to cover the Territory's superannuation liabilities.

The Government is determined to strengthen the Budget so that it can meet these future pressures.

- Important public services can only be sustained if the Budget is sound.
- The Budget therefore is framed to remove reliance on land sales receipts and unexpected windfall investment returns on superannuation assets.
 - While financial markets have performed exceptionally strongly recently, the Budget is exposed to a market downturn.
 - Land sales are an important source of cash receipts, and while they provide capacity to support operating expenditure in the short to medium term, they cannot be relied on in the longer term.
- Land sales are asset sales. A government cannot finance its operating budget from asset sales indefinitely. Rather, the proceeds from asset sales should be used to help support capital investments.

Highlights of the 2006-07 Budget

Consistent with the Government's commitment to responsible financial management, the 2006-07 Budget includes significant measures to strengthen the budget to meet future pressures.

- The 2006-07 Budget includes new sources of revenue, and revenue alignment with other jurisdictions.
- Revenue measures totalling \$63.2 million will be introduced.

- The 2006-07 Budget also includes measures aimed at improving efficiency and delivering budget savings. These total \$56 million by 2009-10. Broadly, these include:
 - integration of structures to deliver more streamlined services;
 - streamlined grants;
 - rationalisation of accommodation and vehicles; and
 - reform of cash management procedures.
- The budget also includes agency-based savings of \$35 million in 2006-07, increasing to \$75 million in 2009-10.
- The savings measures will require some public sector employment reductions. These will be achieved partially through natural attrition, but voluntary redundancies are likely to be required. Additional provision has been made in the Budget to fund the restructuring process.
- The Budget delivers targeted new spending to address high priority needs. Recurrent initiatives total \$56.9 million.
- The value of the 2006-07 New Capital Works Program is \$272.2 million, with cash provided for new works of \$112.3 million in 2006-07.
- Altogether, the Budget provides for \$337 million to be spent in cash for 2006-07 once the New Works Program is added to existing Capital Works in Progress.
- The *Towards 2020: Renewing our Schools* initiative provides an investment package of \$90 million over four years to upgrade school facilities, in addition to \$45 million for a school on the site of the old Ginninderra District High School and a \$21 million primary school for Gungahlin. The initiative will involve a major school rationalisation and renewal program.
- Strategic funding for Health has been provided, with the establishment of a funding envelope with a reasonable level of growth. Funding for Health in the forward estimates has been increased by a total of \$277.3 million over the next four years.
 - This will provide a sustainable funding envelope for Health. However, it will require ACT Health to reduce its hospital cost structure over the next five years towards national benchmarks.
- From 1 July 2006 all new entrants to the public service will have an employer superannuation contribution rate of 9 per cent. This rate will increase by a further 1 per cent if the employee contributes 3 per cent. All public servants will have access to salary sacrifice provisions if they wish to take advantage of these to further increase their contribution.

- This Budget delivers on the Government's commitment to responsible budget management.
- There are no new general government borrowings.
- The General Government Balance Sheet remains strong.
- The Budget delivers significant operating cash surpluses.

Objective: Maintain strong operating cash surpluses

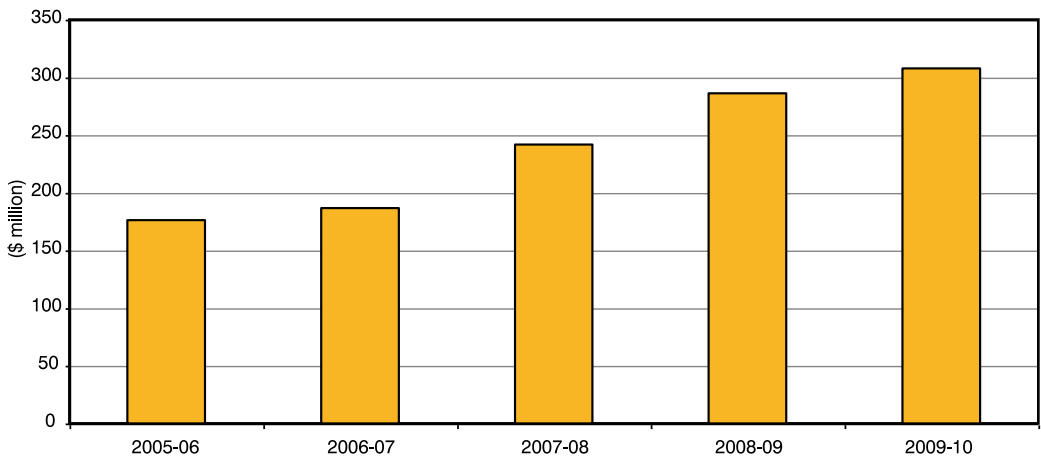
The Government's objective is to maintain strong operating cash surpluses in the general government sector at all times.

The figure below shows that the general government sector operating cash surplus is expected to be \$187 million in 2006-07, rising to \$308 million by 2009-10.

A revised operating cash surplus of \$176 million is estimated for 2005-06.

These operating cash surpluses are calculated on a GFS basis and do not include land sale cash receipts.

Net Cash Flows From Operating Activities: General Government Sector



Objective: Maintain a strong balance sheet

The ACT has one of the strongest balance sheets of any government in Australia. The measures announced in the 2006-07 Budget will ensure that the balance sheet remains strong and the ACT continues to maintain the capacity to support high priority investments in the future.

Net debt

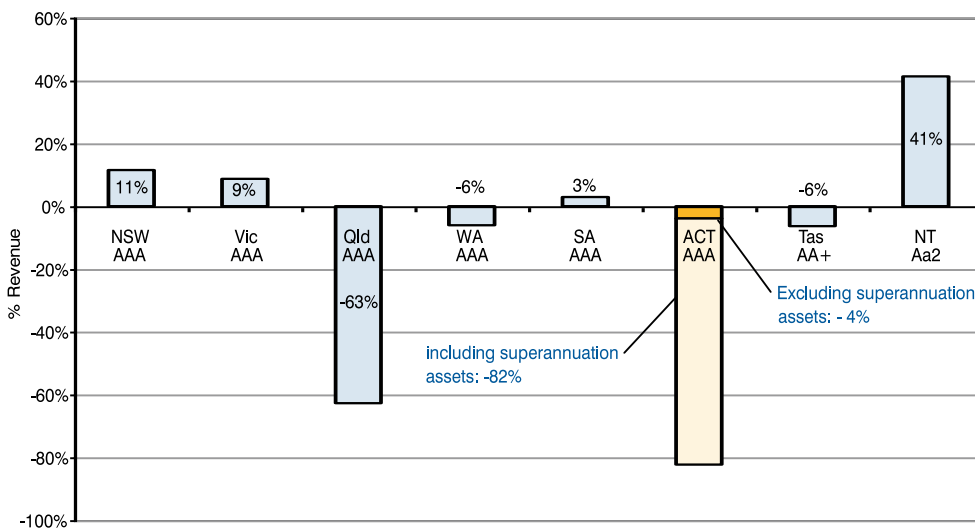
Net debt takes into account gross debt liabilities as well as assets (such as cash reserves and investments).

The figure below shows that the ACT is estimated to have negative general government sector net debt in 2006-07. This indicates that the Territory's general government sector cash reserves and investments are greater than its gross debt liabilities.

As indicated in the figure, net debt for some states, including the ACT and Queensland, is reduced because of the impact of investments held to fund superannuation liabilities.

However, even if these assets are excluded, the ACT has negative net debt (equivalent to around 4 per cent of revenue).

Net Debt to Revenue Ratio
General Government Sector: 2006-07

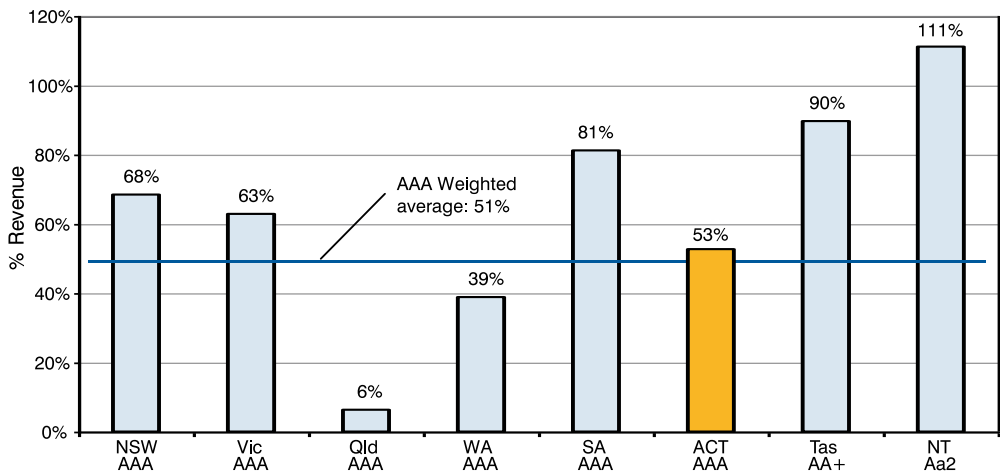


Net financial liabilities

Net financial liabilities is calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets but excludes the value of equity held by the general government sector in public corporations (for example, ACTEW).

The figure below compares the ACT's net financial liabilities as a proportion of revenue with other jurisdictions. It shows that the ACT has a lower level of net financial liabilities than most jurisdictions (and around the weighted average level for all AAA rated jurisdictions).

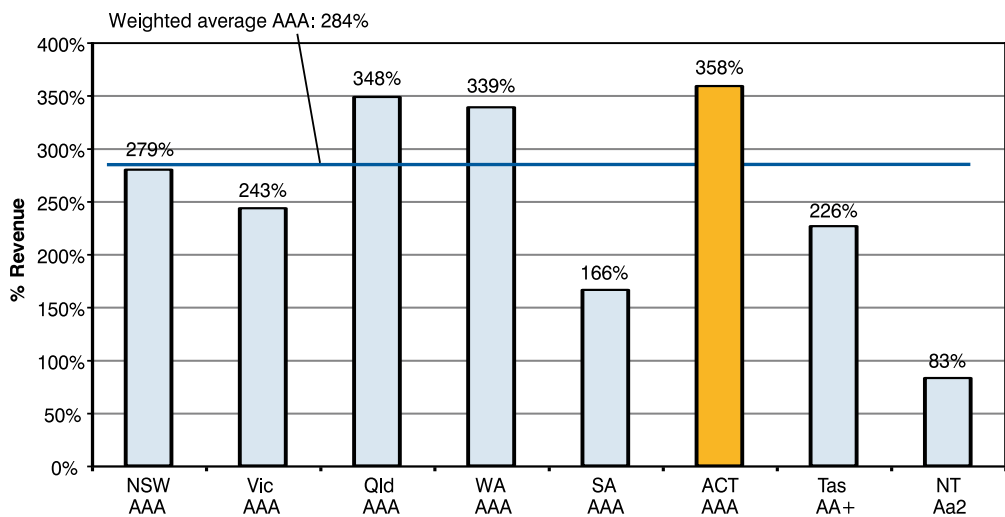
Net Financial Liabilities to Revenue Ratio
General Government Sector: 2006-07



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 revenue, the strongest of all Australian jurisdictions.

Net Worth to Revenue Ratio General Government Sector: 2006-07



Structural Reform

The ACT is a city-state, with a service-based economy. This has advantages and disadvantages. It creates some diseconomies of scale, but on the upside, the ACT is compact and does not have the high costs associated with servicing rural and remote areas. Our community is generally more affluent, more highly educated, younger and healthier than the Australian average. On the whole, our expenditure needs are assessed to be roughly at national average. We receive a small net subsidy from the GST funding arrangements.

Since self government, the ACT has consistently spent more on services than other Australian states. Despite lower cost-drivers, the ACT has maintained expenditure roughly 20 per cent above national benchmarks, across all areas of service delivery.

Health costs in particular have grown rapidly – at an average rate of more than 10 per cent over the past few years.

The ACT public service superannuation arrangements are more generous than those available to public sector employees in other Australian states. This higher level of employer contribution imposes significantly higher direct costs on the ACT Budget, as well as contributing to higher service delivery costs. The superannuation costs to Government are forecast to increase significantly over the next two decades, from around \$60 million in 2005–06 to around \$350 million by 2025–26. Unless addressed, an increase of this magnitude would severely restrict any budget flexibility to respond to emerging needs and unforeseen pressures.

This ACT's higher cost structure is not supported by a correspondingly strong revenue base. It was initially funded through transitional funding from the Commonwealth, and in more recent years has been funded either through land sales, temporary stock market windfall gains on superannuation investments or through deficits. This is unsustainable. Revenue from land sales has declined, and over the longer term will decrease as a proportion of the Territory's revenue.

The ACT's high-cost structures cannot be maintained. The population is ageing, health pressures are mounting and there is a need to better structure services to meet emerging needs, while maintaining the high-quality of services. The Territory's growing superannuation costs also need to be addressed.

Simply cutting expenditure across all service areas to national averages would be simplistic, and contrary to community expectations. The focus should be on targeting services, streamlining processes and meeting high-priority needs. High quality need not mean high cost.

The Government's strategy is to introduce both revenue and expenditure measures as part of a broader structural reform package. Revenue measures introduced in this budget are designed to expand the revenue base, achieve parity with other jurisdictions where appropriate, and recover costs incurred in delivering services.

Expenditure reform will refocus programs to achieve effective outcomes, particularly in the priority areas of health and education.

Revenue Measures

- **General Rates (\$10.4 million)** – In future general rates will be indexed by the Wage Price Index (WPI), instead of the Consumer Price Index. A 6 per cent increase has also been applied to existing properties to better reflect the increase in the cost of providing municipal services.
- **Fire and Emergency Services Levy (\$20 million)** – A new levy will help cover the cost of providing services.
- **Ambulance Levy Increases (\$3.3 million)** – Increases will assist in meeting the cost of ambulance services.
- **ACT Home Buyer Concession Scheme (\$3.5 million)** – The Home Buyer concession will be targeted towards eligible home buyers purchasing entry level properties.
- **Administrative Fees and Charges (\$2 million)** – A number of fees and charges will be indexed by WPI to reflect increases in the cost of service-delivery.
- **Utility Land Use Permit (\$8 million)** – Utility providers will be charged rent for lands used for electricity, gas, water and telecommunications infrastructure.
- **False alarm fee (\$0.3 million)** – A callout fee for the third and subsequent callouts of the fire brigade where the callout is due to the same system fault.
- **ACT Workcover Fees and Charges (\$0.1 million)** – Cost recovery fees will apply for Workcover activities undertaken under the *Dangerous Substances Act 2004*.
- **Water Fee (\$14.0 million)** – Water users will be charged a fee to better reflect the value of water and to encourage demand management.
- **Development Application Fees (\$1.2 million)** – Will be increased to the level of adjoining local councils.

Expenditure reforms – whole of government savings

The Government is pursuing a range of initiatives across the public service which will significantly reduce expenditure. The following table summarises the main efficiency savings targeted in this budget. In addition to these whole of government savings, there are also substantial agency specific savings.

Expenditure Reforms – Savings	2006-07 Estimate \$'000	2007-08 Estimate \$'000	2008-09 Estimate \$'000	2009-10 Estimate \$'000
Integration of Functions	3,811	4,902	5,012	5,134
Consolidating Human Resource and Finance Functions	1,000	3,750	5,570	5,640
Consolidating Information Technology Services	7,259	10,316	10,375	10,435
Consolidating Procurement Services	3,972	5,978	5,978	5,989
Reducing General Procurement	4,979	10,209	10,459	10,721
Rationalising Boards and Committees	1,000	2,000	2,000	2,000
Reducing Motor Vehicle Expenses	1,494	2,070	2,393	2,431
Rationalising Accommodation	1,606	3,416	3,551	6,251
Cash Management Reforms	4,080	3,921	4,028	4,142
Streamlined Grants Administration	500	940	964	988
Streamlined Community Sector Purchasing	249	1,743	1,797	1,831
Total Expenditure Reforms – Savings	29,950	49,245	52,127	55,562

Integration of functions: The Government is taking steps to reduce the size and complexity of the ACT public sector. A number of existing functions will be integrated, and the number of statutory authorities will be reduced. Benefits will be generated through better coordination and communication of policy, overhead reductions, amalgamation of back office functions and reduced governance arrangements.

Shared Services Centre: A Shared Services Centre will be established to deliver quality standardised services to multiple agencies and create greater professional opportunities for corporate services staff. Services to be provided include human resource management, finance, information technology and communications, procurement and records management.

Rationalising boards and committees: Agencies are reviewing their board and committee structures (both internal and external), with the aim of reducing associated overheads.

Reducing motor vehicle expenses: The Government currently has a vehicle fleet of 1,220. Savings will be achieved through the progressive replacement of six-cylinder sedans with four-cylinder cars, reductions in management fees, and a reduction in the size of the fleet.

Rationalising accommodation: The Government has set a target to reduce the current average occupational density across the Government Service of 20.6m² per person. With a number of leases to be renewed over the next 18 months, this will be reduced to 18.3m² per person. Over the longer term, further rationalisation will aim to reduce occupational density to 15m² per person.

Cash management reforms: Cash management reforms will ensure that cash balances are used more effectively and will strengthen the transparency and accountability of cash management. Agency cash balances will be held to a minimum, with appropriation provided on a “just-in-time” basis. Each department will develop an appropriate cash buffer to suit operational circumstances and working capital needs, and departments will generally not earn interest.

To support these reforms, a large proportion of departmental cash balances will be returned to the Territory Bank Account. Agencies will make savings equal to the reduction in their interest revenue from holding reduced cash balances.

Streamlined grants administration: Grants administration will be streamlined and standardised across departments, with the total cost of administration to be set at a benchmark of 3 per cent per grant. New funding of \$0.1 million has been allocated towards the establishment of an ACT GrantsLink portal and a whole-of-government register of grants within the Department of Disability, Housing and Community Services.

Streamlined community sector purchasing: Savings will be made by reducing the level of complexity in the administration of contracts with community service providers. Management will be centralised in a designated unit in each relevant department reducing transactional costs. New funding of \$0.250 million has been allocated to improve management and contractual arrangements with the community sector.

The health and well-being of our community is important. Our quality public hospital and health services will be maintained and adapted to the needs of a changing community. The Government is committed to ensuring all people have access to quality health services regardless of economic circumstances.

The current level of growth in health expenditure is not sustainable. Reforms in the public health system will remove duplication in service delivery, and will:

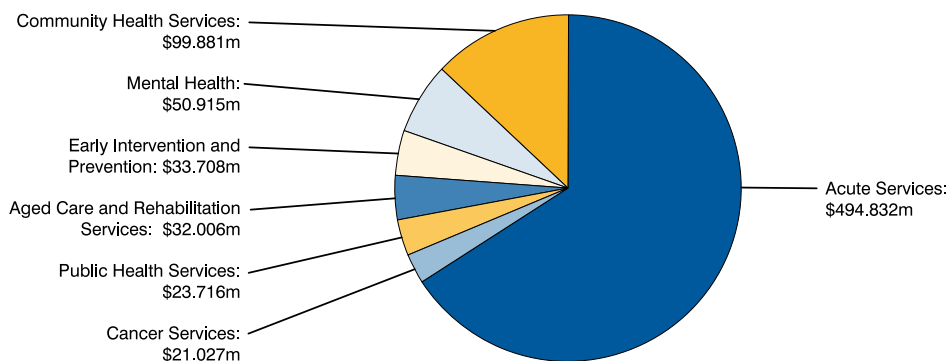
- provide for a sustainable level of growth in expenditure;
- ensure clients receive the appropriate care in the appropriate place; and
- cater for growth in areas of emerging pressure, including acute care, mental health, cancer services and aged care.

The 2006-07 Budget places health funding on a long-term sustainable growth path. ACT Health has been allocated an overall budget envelope within which priorities for new expenditure can be accommodated. A number of new initiatives will be funded in 2006-07. It includes a significant base increase in the future funding envelope for Health, and also allocates to Health provisions previously accounted for at a whole of government level.

The new budget arrangements will provide more certainty in health funding while requiring health expenditure to move within 10 per cent of the benchmark cost of acute hospital services over the next five years.

The funding allows for projected growth in demand and price increases in a number of pressure areas including acute services (8 per cent), mental health (6 per cent) and cancer services (8 per cent). Community services and public health are provided growth of 2.5 per cent and 3 per cent respectively. As care in the home is a growth area, the Health and Community Care (HACC) program is provided growth of 9 per cent based on recent trends.

Government expenditure on Health services during 2006-07



2006-07 Total Expenses: \$756.1 million

* The above figures include \$4.9 million provided to Calvary Hospital.

2006-07 Budget Highlights

Funding for new measures to improve the range of health services include:

- **Elective Surgery Reform (\$2.5 million)** – ensuring patients with the highest clinical need get quick access to surgery.
- **Home and Community Care (\$1.8 million)** – Commonwealth and ACT shared funding for growth in aged care services.
- **Increasing Access and Capacity to Acute Care (\$2.9 million)** – providing additional acute care capacity across the ACT public hospital and health care system.
- **Health Service-Wide Aged Care Support (\$1.4 million)** – expanding of acute care for older patients admitted to The Canberra Hospital.
- **Critical Care Capacity (\$1.2 million)** – enhancing capacity in emergency and intensive care services across the ACT public hospital and health care system.
- **Mental Health Capacity (\$1.2 million)** - increasing access to specialist mental health services in both hospital and community settings.
- **Mental Health Promotion, Prevention and Early Intervention (\$0.8 million)** - boosting prevention and early intervention in mental health.

The 2006-07 Health Budget will provide...

- hospital treatment for 76,520 inpatients and 273,350 outpatients;
- 92 per cent of one-year-old children with the primary immunisation schedule;
- 200,320 mental health non-admitted occasions of service; and
- breast cancer screening for 12,000 women.

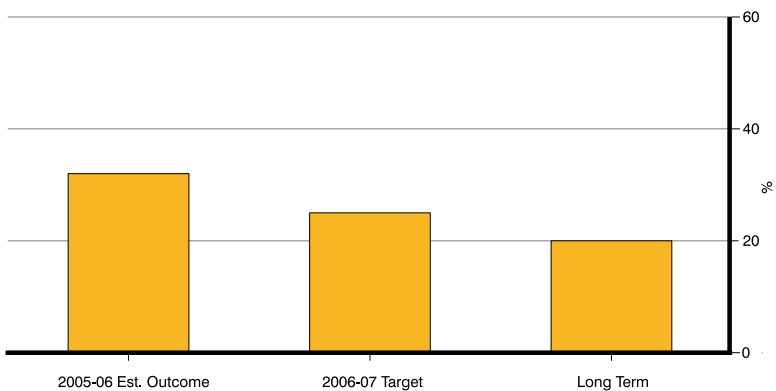
Key strategic indicators for ACT Health in 2006-07 include...

- improving emergency department access block;
- maximising the quality of hospital services;
- reducing death rates for breast and colon cancers; and
- reducing youth smoking rates.

Emergency Department Access Block

Over the longer term, ACT Health is committed to improving emergency department access block.

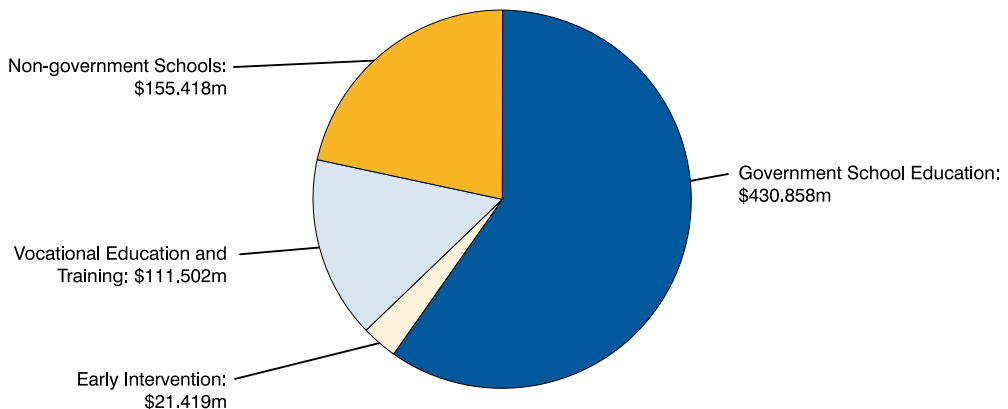
The following shows the proportion of persons who are admitted via the emergency department who wait more than 8 hours from commencement of treatment to admission in a ward. This provides an indication of the effectiveness of public hospitals in meeting the need for acute care and emergency department care. The long-term target is to reduce this proportion to 20 per cent.



The Government is committed to creating a sustainable and responsive education network to meet the needs of students of the 21st century. The *Towards 2020: renewing our schools* initiative will deliver a range of innovative educational options and improve educational opportunities. The 2006-07 Budget makes a substantial investment to support the reforms. There will be some rationalisation and a \$90 million capital injection to improve infrastructure. A total of \$66 million will be invested in the construction of schools in Belconnen and Gungahlin and there will be a feasibility study for a secondary college in Gungahlin. The Government will consult the community on this exciting program of renewal from June 2006 until December 2006 as required by the *Education Act 2004*.

The \$90 million provided for the *Towards 2020: renewing our schools* initiative is in addition to the existing capital upgrades, and repairs and maintenance programs. Over and above this, the Government will boost repairs and maintenance funding for schools by \$3 million per annum from 2008-09. A further \$20 million has been provided over four years for Information Technology services across the school system.

Government expenditure on Education and Training during 2006-07



2006-07 Total Expenses: \$719.2 million

2006-07 Budget Highlights

- **Schools Infrastructure Refurbishment (\$90 million capital funding over four years) and increase school repairs and maintenance funding (\$3 million per annum from 2008-2009)** – additional funding to improve and maintain the quality of government school infrastructure.
- **Transitional assistance (\$1 million per annum)** – to manage the *Towards 2020: renewing our schools program* and assist students and families moving to new schools.
- **Pacific School Games (\$0.550 million)** – to host the 2008 Pacific School Games, a significant international multi-sports event for primary and secondary students.
- **Smart Schools, Smart students (\$5 million per annum)** – to improve the information technology infrastructure in ACT Government schools.
- **Gungahlin East Primary School (\$21.050 million capital funding over two years)** – for construction of a new primary school and preschool to open in 2008.

The 2006-07 Education Budget will provide....

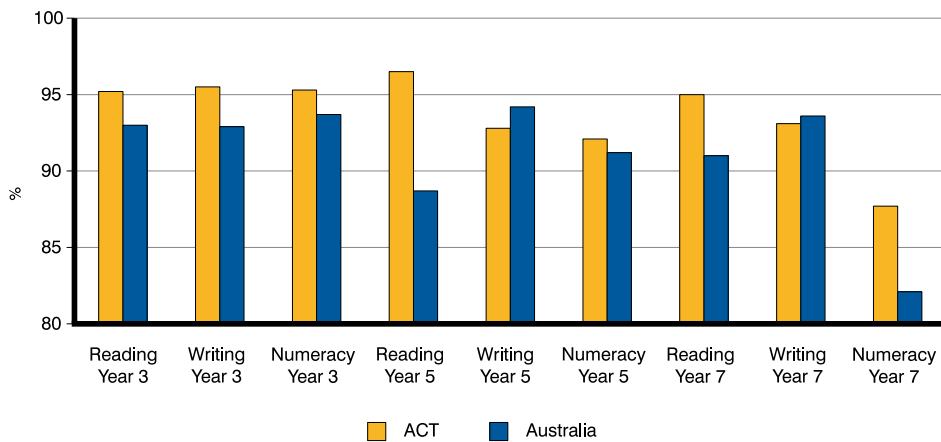
- education places for 35,141 students in government schools;
- grants to support 24,679 students in 44 non-government schools;
- special needs services for 1,698 students, including 322 students in 4 special schools and 1,376 students in mainstream schools;
- 5,337,907 annual student curriculum hours provided by the Canberra Institute of Technology and other vocational education training providers;
- education for 3,535 preschool children (including the Jervis Bay and Cooperative preschools); and
- early intervention programs for 450 children with developmental delays and disabilities.

Key Strategic Indicators for Education include....

- meeting literacy and numeracy benchmarks;
- maintaining a high level of academic performance against international benchmarks;
- students achieving Year 12 or equivalent completion; and
- vocational training leads to employment or further study.

ACT years 3, 5 and 7 reading and numeracy benchmark results for 2004 were among the highest in the country and confirm the high literacy and numeracy levels of students in our schools. ACT students performed very well against the reading, writing and numeracy benchmarks in all year levels tested.

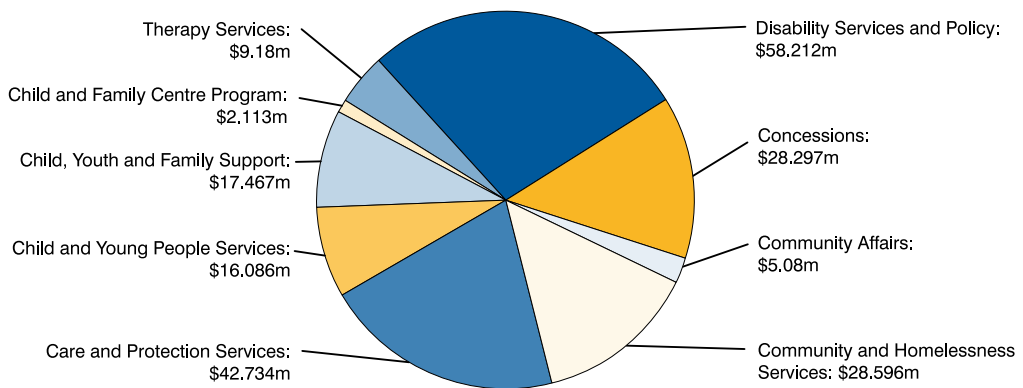
Students who achieved national reading, writing and numeracy benchmarks in 2004



The most recent reported figures are for 2004, as published in the National Report on Schooling 2004, Preliminary Paper.

The Government is committed to assisting the most vulnerable members of our community by targeting the causes of poverty and exclusion. This includes reducing Indigenous disadvantage and ensuring that people with disabilities have access to services regardless of economic circumstances. The Government also recognises the importance of, and is committed to, supporting and protecting children who are in need and are vulnerable.

Government expenditure on Disability and Community Services during 2006-07



2006-07 Total Expenses \$207.8m

2006-07 Budget Highlights

- **Improving Community Sector Service Purchasing (\$0.3 million)** – simplifying service purchase agreements between Government and the community sector, and enhancing performance measures and reporting mechanisms.
- **Helping Younger People with Disabilities in Residential Aged Care Services (\$0.220 million)** – implementing a joint initiative of the ACT and Australian Governments to reduce the number of younger people with disabilities living in residential aged care facilities.
- **ACT GrantLink Portal (\$0.1 million)** – establishing ACT GrantLink, an ACT Government grants portal to provide a whole-of-government grants register.

- **Crisis Accommodation – Minosa House (\$0.387 million)** – continuing to provide crisis accommodation services at Minosa House for single men.
- **Integrated Indigenous Service Delivery (\$0.136 million)** – fostering an integrated and coordinated approach to service delivery across identified health, education and family support services.
- **Child Protection Services** – continuing to improve the capacity to respond to public demand for statutory child protection intervention.
- **Out of Home Care Services** – enhancing service models for children and young people in out of home care.
- **Children and Young People in Detention** – commencing the construction of a new youth detention centre and developing a new service model for children and young people in detention.
- **Aboriginal and Torres Strait Islander (ATSI) Services** – increasing the focus on services to the ATSI children and young people and their families.

The 2006-07 Disability and Community Services Budget will provide...

- 327 accommodation places for people with a disability;
- 37,000 hours of home-based and 7,846 bed nights of centre-based respite care;
- 105,089 community access hours for people with a disability;
- 47,200 hours multidisciplinary therapy services;
- 80 parenting sessions and 80 community development and education programs;
- targeted early intervention services for 536 children and young people;
- capacity to handle 10,000 child protection reports annually;
- 140,000 days of out-of-home care used annually;
- 5,800 custody days used annually; and
- \$28.3 million for concessions to low-income earners for services including public transport, electricity, water and sewerage, and rates.

Housing ACT

The Government is committed to improved public and community housing in order to reduce homelessness.

2006-07 Total Expenses: \$104.7 million

2006-07 Budget Highlights

- **Investment in Public Housing (\$30 million over three years)** – expanding the public housing property portfolio. This expenditure will be made possible by reinvesting savings from operating expenditure and through additional capital injections from the budget.
- **Helping Younger People with Disabilities in Residential Aged Care Services (\$0.288 million)** – implementing a joint initiative of the ACT and Australian Governments to reduce the number of younger people with disabilities living in residential aged care facilities.

The 2006-07 Housing Budget will provide...

- management of 11,272 public and 295 community housing managed properties; and
- 87 per cent of public housing tenants with a rental rebate or subsidy.

Territory and Municipal Services

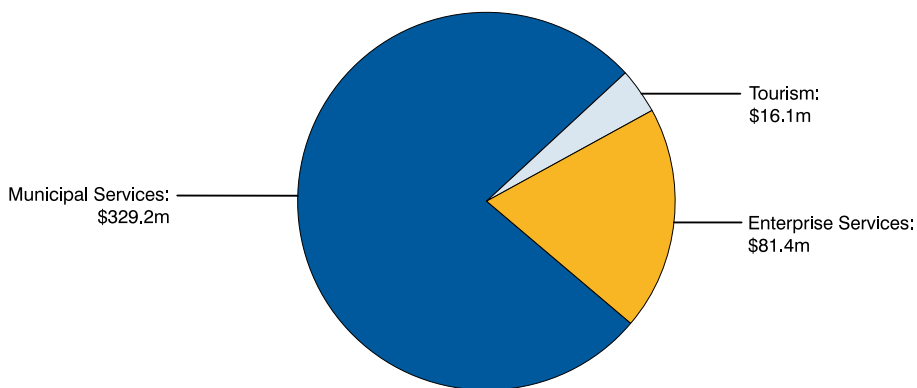
The Government will continue to deliver effective, efficient and sustainable municipal services.

Government expenditure on Territory and Municipal Services during 2006-07

Municipal Services	\$329.2m
Information services	\$15.1m
Office of Transport	\$189m
Waste and Recycling	\$16.8m
Parks and Places	\$46.7m
Environment, Sustainability, Heritage and Forestry Services	\$41.8m
Sport and Recreation	\$15.6m
Ranger Services	\$4.2m

Enterprise Services	\$81.4m
Canberra Connect	\$12.9m
Government services	\$68.5m

Tourism	\$16.1m
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2006-07 Total Expenses: \$426.7 million

MUNICIPAL SERVICES

2006-07 Budget Highlights

- **Increased Repairs and Maintenance Capacity (\$5 million)** – expanding on the existing annual maintenance program for the Territory’s road network and infrastructure assets.
- **Harrison Primary School Access Roads and Neighborhood Oval (\$5.020 million over two years)** – providing a recreational facility, access and services to nearby Harrison Primary School.
- **Staffing for the New Civic Library (\$0.409 million)** – providing additional staffing for the new three-level Civic Library, scheduled to open in late 2006.
- **Removal of Unsafe Burnt Trees from Rural Roads (\$0.6 million)** – continuing the removal of a significant number of trees adjacent to rural roads damaged in the 2003 bushfire.
- **Drought-Affected Sportsgrounds (\$0.5 million)** - restoration of over 40 hectares of identified drought-affected sportsgrounds to a fully operational condition.
- **ACT Accessible Taxi Scheme (\$0.220 million)** - improving taxi services for people in wheelchairs who are unable to use standard taxis.

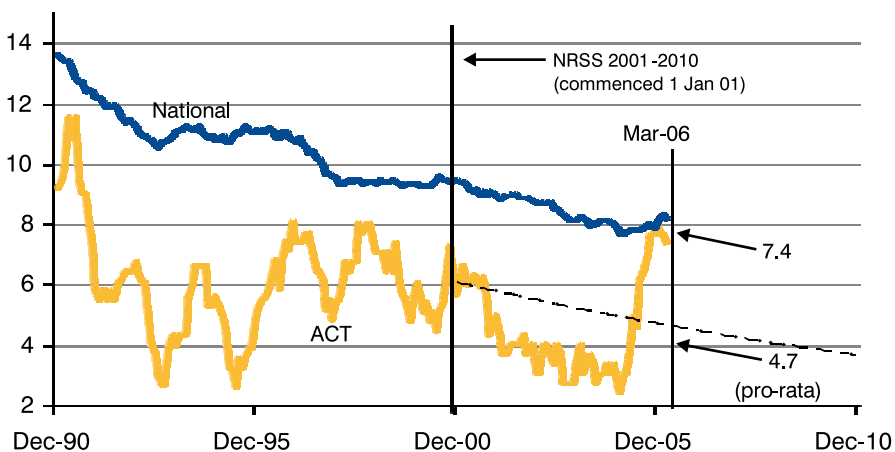
The 2006-07 Municipal Services Budget will fund...

- maintenance of the City’s urban infrastructure including parks, trees, playgrounds and sportsgrounds;
- increased traffic safety measures and road transport infrastructure to promote user safety and road user efficiency;
- tourism development programs aimed at maintaining and enhancing Canberra’s position as a preferred tourist destination;
- household waste and recycling services to 131,500 households; and
- 2,600,000 public library loans to library customers.

Annual number of road fatalities

The Territory's road safety programs aim to maintain the ACT's trend reduction in the annual number of road deaths, less than the target in the National Road Safety Strategy.

Road fatalities per 100,000 population - ACT and Australia



ENVIRONMENT

2006-07 Budget Highlights

- **Fire trails (\$3.91 million over four years)** – developing and upgrading the fire access network in line with the requirements of the Strategic Bushfire Management Plan.
- **Bushfire Fuel Management and Fuel Reduction (\$1.31 million)** – maintaining capacity for Bushfire Management work including the implementation of the Bushfire Operations Plan for 2006-07.
- **Riparian Habitat Renewal (\$0.318 million)** – the final year of a three-year program to facilitate riparian zone renewal and revegetation after the 2003 bushfire.
- **Threatened Species Recovery (\$0.1 million)** – facilities at the Tidbinbilla Nature Reserve for recovery programs for the Brush-tailed Rock-wallaby and Northern Corroboree Frog.
- **Predator free sanctuary (\$0.35 million)** – construction of a predator proof enclosure at the Mulligans Flat Reserve.

The 2006-07 Environment Budget will fund...

- continued implementation of the water resources strategy and improved catchment management;
- the delivery of sustainable natural and cultural resources management;
- programs for recovery of threatened species such as the Northern Corroboree Frog and the Brush-tailed Rock-wallaby; and
- the implementation of fire fuel management measures.

PUBLIC TRANSPORT

Government expenditure on Public Transport during 2006-07

2006-07 Total Expenses: \$85.8 million

2006-07 Budget Highlights

- **Safety and Security Measures (\$1.716 million)** – enhancing security and safety for users of public transport in the ACT, both at depots and on buses.
- **Diesel Fuel Supplementation (\$1.0 million)** - increasing the base funding of diesel fuel for ACTION buses to reflect increases in diesel prices.
- **New Ticketing System (\$0.2 million)** - a detailed analysis of ticketing systems required for ACTION's current and future fleet.

The 2006-07 Public Transport Budget will provide for...

- 17.1 million public transport passenger boardings;
- 17.4 million public bus transport in-service kilometres;
- late/night/weekend services and concession and special needs transport;
- school services;
- improved security for public transport users; and
- continuing implementation of the Sustainable Transport Plan.

The Government is committed to providing a planning and land system that contributes to the orderly and sustainable development of the ACT.

Government expenditure on the Planning and Land Authority during 2006-07

2006-07 Total Expenses: \$60.3 million

2006-07 Budget Highlights

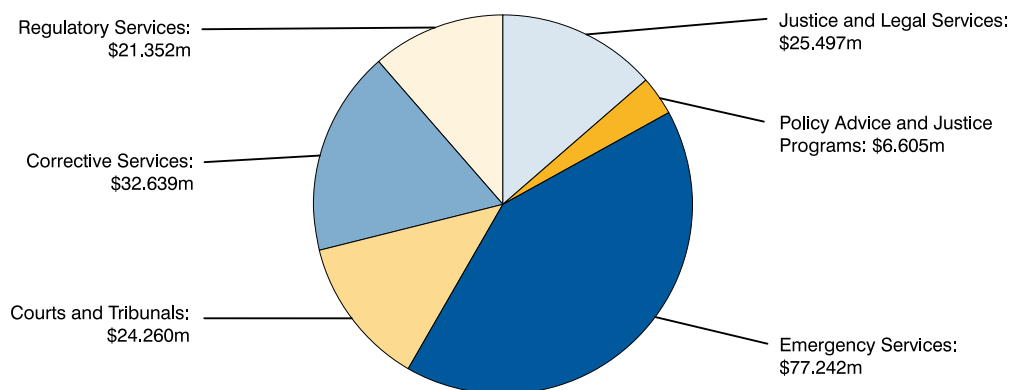
- **Reform of the Planning and Land Administration System (\$0.585 million)**
 - providing for the final development and implementation of the new planning and land administration system. A more streamlined and efficient system will provide significant benefits for business and residents.

The 2006-07 Planning Budget will fund...

- continuing reform of the planning and land administration system;
- ongoing implementation of the *Canberra Spatial Plan*, including the next stages of the Molonglo study and assessment of the urban development opportunities within East Lake;
- continued implementation of the *Canberra Central Program*;
- continued coordination of land release planning and infrastructure delivery to ensure the Territory is able to satisfy demand for new land; and
- evaluation of the Garden City Provisions.

The Government is committed to a fair legal system based on the principles of equity, access, participation and rights.

Government expenditure on Justice and Community Safety during 2006-07



2006-07 Total Expenses: \$187.6 million

2006-07 Budget Highlights

- **Reinvestment into Regulatory Reforms (\$1 million)** – integrating the Office of Fair Trading, Registrar General’s Office, Workcover, the Independent Competition and Regulatory Commission, Parking Operations, outdoor café, and tobacco licensing and charitable collections.
- **Alexander Maconochie Centre (AMC) One Off Setup Costs (\$0.5 million)** – providing the resources needed to prepare the Centre for commencement of operations in late 2007.
- **Child Protection legal support (\$0.250 million)** – delivering improved outcomes for the protection of children in need of care and ensuring the interests of the child are paramount and are properly regarded in the court process.
- **Director of Public Prosecutions (\$0.5 million)** – providing increased funding to enable the Office to perform its functions in an effective manner.

Key strategic indicators for Justice and Community Safety during 2006-07

- Productively manage cases in the ACT Courts and Tribunals.
- Provide a safe environment for people and property in the community.
- Provide offender programs and services to target offender behaviour.
- Reduce the rate of significant workplace injuries.

ACT Policing provides policing services to the community under an agreement between the ACT Government and the Australian Government.

Government expenditure on Policing during 2006-07 will be \$99.5million

2006-07 Budget highlights

- **AFP Increased Police Numbers (\$3.721 million)** – Police numbers will be boosted by 60.
- **AFP Closed Circuit Television (CCTV) Coverage (\$0.095 million)** – provides for a CCTV controllers' console.
- **Upgrades to ACT Policing Facilities (\$0.478 million)** – provides for building improvements.

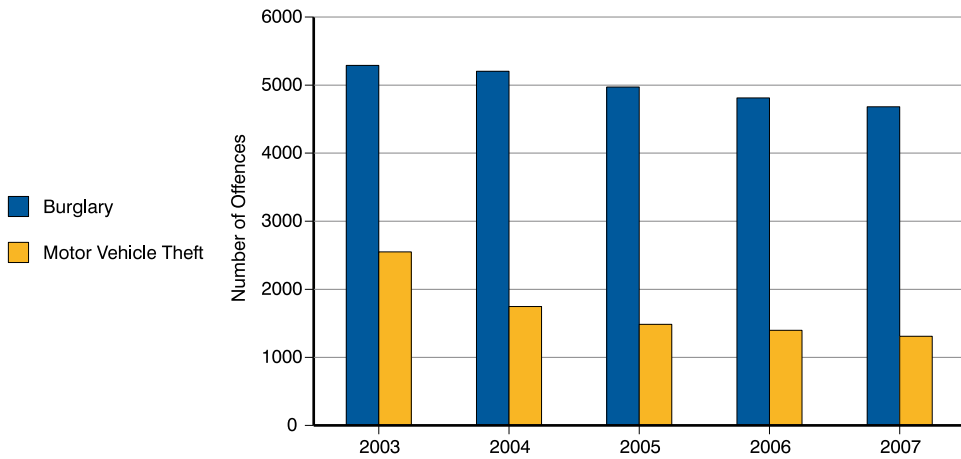
The key strategic indicator for ACT Police during 2006-07 is to create a safer and more secure community.

The 2006-07 Budget ACT Policing Budget will provide for a safe and secure community through:

- crime detection and investigation;
- police support to the Director of Public Prosecutions and the courts;
- traffic and road safety management to reduce road fatalities and injuries; and
- crime prevention strategies, including supporting the ACT Property Crime Reduction Strategy 2004-07.

Crime Prevention strategies aim to achieve and sustain a 10 per cent reduction in burglary and 25 per cent reduction in motor vehicle theft by December 2007.

ACT Property Crime Reduction Strategy: Reduction Targets 2006-07



The Government remains committed to improving community safety, providing funds to establish a new emergency services headquarters, replace and update emergency vehicles, clothing and equipment and establish additional recruitment colleges to increase the number of front-line Fire Brigade staff and Rural Fire Service and State Emergency volunteers.

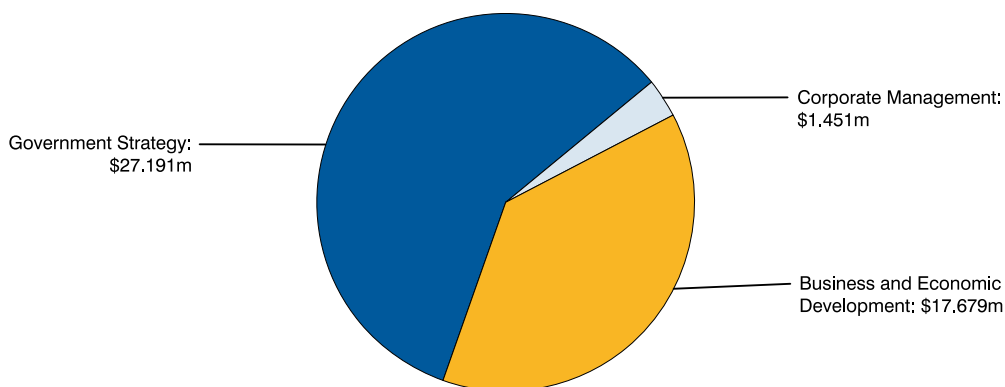
Government expenditure on Emergency Services during 2006-07

2006-07 Total Expenses: \$77.242 million

2006-07 Budget Highlights

- **New Headquarters (\$17.329 million capital over two years and \$2.187 million recurrent)** – establishing new emergency services headquarters at Fairbairn.
- **Replace Aerial Fire Fighting Appliance (\$1.450 million capital)** – replacing current equipment with more modern and up-to-date equipment.
- **Additional Recruitment Colleges (\$0.811 million recurrent)** – recruiting additional permanent staff and volunteers as follows: 16 Fire Brigade fire fighters, 80 volunteers for the State Emergency Service and 50 volunteers for the Rural Fire Service.
- **Operational Station Upgrades (\$0.700 million capital)** – improving building compliance and upgrading building functionality.
- **Personal Protective Clothing and Equipment (\$0.080 million recurrent)** – upgrading personal protective clothing and equipment.

Government expenditure on the Chief Minister's Department during 2006-07



2006-07 Total Expenses: \$46.321 million

2006-07 Budget Highlights

- **Mentoring and Support to Business (\$1 million)** – establishes new and expanded range of mentoring and information services and connections to entrepreneurial activities and funding sources for potential high-growth business sectors.
- **Across Government Priorities (\$0.529 million)** – supports CMD taskforces to provide advice to Government on emerging whole-of-government strategic issues.
- **Asbestos Project (\$0.2 million)** – develops and delivers the communication, training and support for the non-residential sector to comply with new asbestos management regulations.
- **Workers' Compensation Scheme (\$0.2 million)** – funding a comprehensive review of the ACT Workers' Compensation Scheme.
- **Centenary of Canberra (\$0.2 million)** – planning for the Centenary of Canberra in 2013, including event and project assessment and development.

The 2006-07 Chief Minister's Budget will fund...

- the leadership of whole-of-government implementation and communication of reforms;
- new ways of working across Government to improve policy outcomes and delivery of Government priorities;
- business development initiatives to enhance entrepreneurial and innovation capacity;
- Government participation in the Council of Australian Governments (COAG) national reform agenda; and
- improvements to the regulatory framework for workplace safety through a new Occupational Health and Safety Act.

The 2006-07 Budget provides for the future needs of the ACT by investing in a range of high priority capital projects. Equally, the Budget recognises the need to maintain and improve the Territory's existing infrastructure. At the heart of the Government's infrastructure plan is a \$90 million program to refurbish schools across Canberra. Additional funding will also be provided through the operating budget, boosting the annual school maintenance program by \$3 million a year from 2008-09, and expanding expenditure on IT facilities in schools by \$20 million over the next four years.

The Government is also increasing base asset maintenance funding by \$5 million per annum in the Department of Territory and Municipal Services to improve roads and other infrastructure. A further \$5 million per annum in asset maintenance funding will be provided from 2007-08 for high priority maintenance needs across departments and agencies.

The total value of the New Capital Works Program in 2006-07 is **\$272.2 million**.

Funding of **\$337 million** is provided for Capital Works Projects in 2006-07. This comprises **\$112.3 million** for New Works and **\$224.7 million** for Works-in-Progress.

The 2006-07 New Capital Works program provides for:

Department of Territory and Municipal Services

- Additional funding of \$12 million for the Gungahlin Drive Extension.
- Mugga Lane Landfill – New Waste Disposal Cell – Stage 4 (\$2.4 million).
- Monaro Highway Restoration (\$1.4 million).
- Moore Street Health Building Upgrade (\$2.8 million).
- Harrison Primary School Access Road and Mapleton Avenue Extension (\$4.2 million).
- Harrison Neighbourhood Oval (\$0.8 million).

Department of Justice and Community Safety

- New Emergency Services Headquarters (\$17.3 million).

Cultural Facilities Corporation

- Canberra Theatre Centre Access Improvements (\$1.5 million).

Department of Disability, Housing and Community Services

- Single Therapy Service Accommodation (\$2 million).

Department of Education and Training

- Schools Infrastructure Refurbishment (\$90 million).
- West Belconnen K-10 School (\$45 million).
- New Preschool/Primary School – Gungahlin East (\$21.1 million).

ACT Health

- Linear Accelerator Replacement (\$18.7 million).
- Additional Car Parking at The Canberra Hospital (\$2 million).

Shared Services Centre

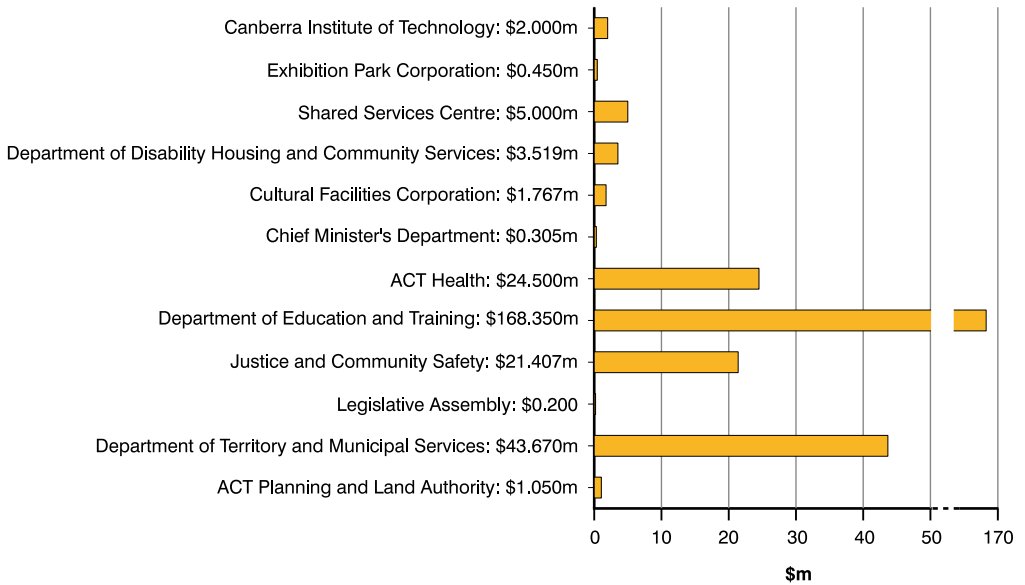
- Fit-out of Shared Services Centre (\$5 million).

Capital Upgrades

As well as approval for new construction works, forward design and feasibility studies, the Capital Works Program funds upgrades to existing infrastructure to extend its useful life or improve service delivery capacity.

A total of \$31.1 million has been appropriated for 2006-07, with a provision of a similar value in each of the forward years, as a rolling program.

Capital Works Program by Department for 2006-07

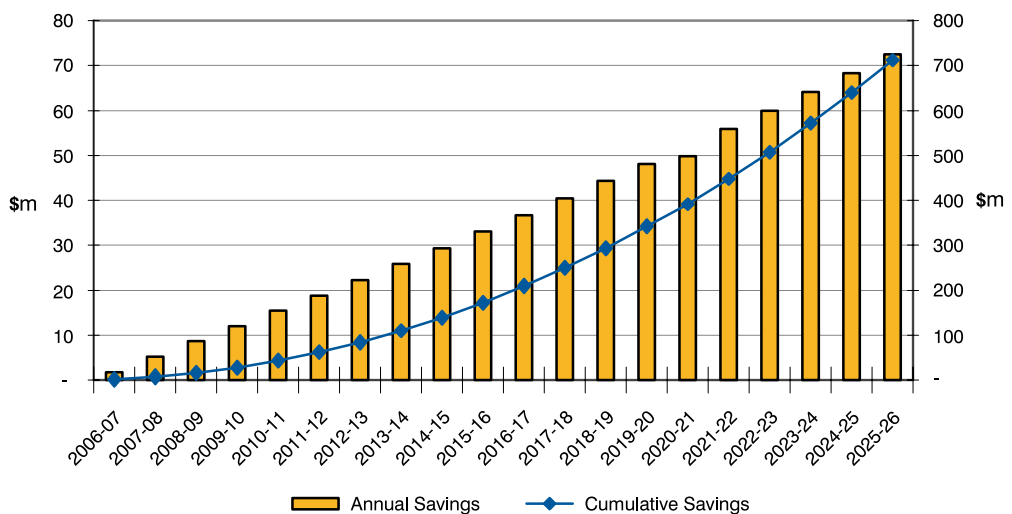


The maintenance of a high-cost public sector superannuation scheme is not affordable in the medium to longer term. Other State and Territory Governments pay their public servants a minimum employer contribution of 9 per cent, in line with most workers in the private sector.

From 1 July 2006 all new entrants to the ACT public service will receive an employer superannuation contribution rate of 9 per cent. This rate will increase by a further 1 per cent if the employee contributes 3 per cent.

The figure below illustrates the impact of this measure over the next twenty years.

Actuarial Revision to Estimated Superannuation Liabilities



Where our Money Comes From

2006-07 Budget Revenue

Taxes, Fees and Fines: \$950.5 million

Revenue from taxes, fees and fines will increase from \$868.9 million in 2005-06 to \$950.5 million in 2006-07. Growth in payroll tax, general rates, land tax, fees for regulatory services, fines, other taxes and the introduction of a water fee, is offset by a reduction in lease duties and the change of use charge.

Commonwealth Grants: \$1,203.6 million

Commonwealth Grants of \$1,203.6 million are budgeted to be received in 2006-07, which is an increase of \$65.6 million from the 2005-06 estimated outcome, mainly due to increases in Goods and Services Tax grants and Specific Purposes Payments, offset by the loss of National Competition Payments.

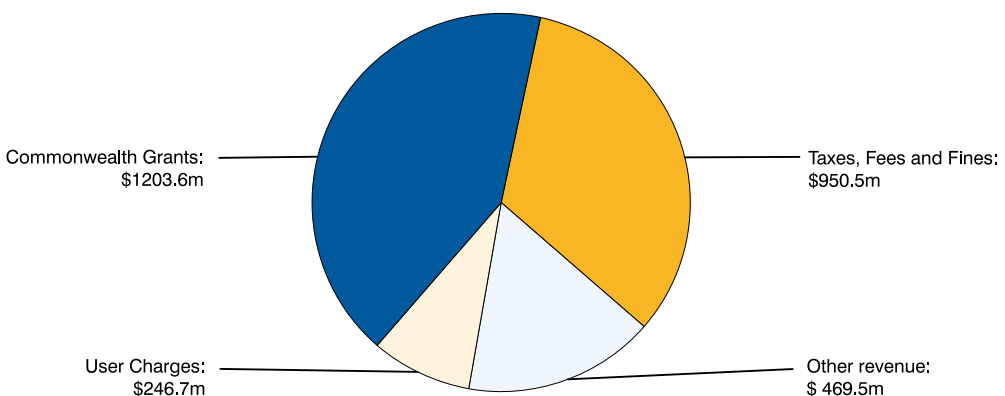
User Charges: \$246.7 million

User charges are estimated to increase by \$11.2 million from the 2005-06 estimated outcome. Charges represent revenues generated from the sale of goods and services to customers.

Other Revenue: \$469.5 million

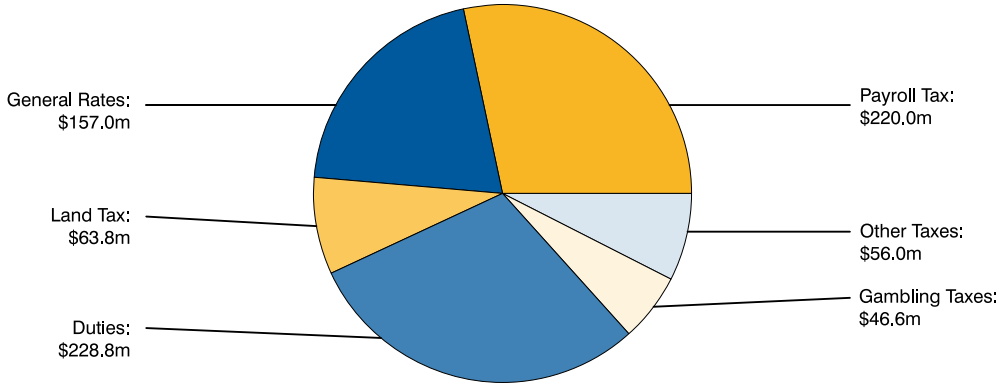
Other revenues include items such as dividends from Territory owned Corporations, revenue from joint ventures, land sales, interest and investment returns. This revenue will decrease by \$207.5 million from the 2005-06 estimated outcome. Reductions are expected across most other revenue components.

2006-07 Government Revenue

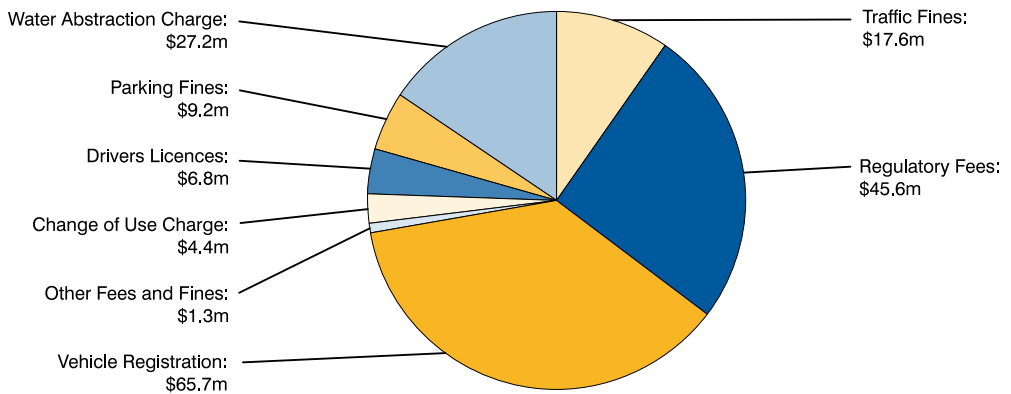


Where our Money Comes From

Taxes: \$772.1m



Fees and Fines: \$177.7m



TOTAL EXPENSES (\$2,886.7m)

Areas of significant expenditure are:

Name	2006-07 Budget
Health and Community Care	\$756.1m
Government Schooling (including Early Childhood and Preschool Education)	\$452.3m
Territory and Municipal Services (excluding Tourism, Environment, Sustainability, Heritage and Forestry Services)	\$368.8m
Disability and Community Services	\$207.8m
Non Government Schooling	\$155.4m
Vocational Education and Training	\$111.5m
Justice and Community Safety	\$110.4m
Housing ACT	\$104.7m
Policing	\$99.5m
Treasury (including administration of the GST and FHOAG)	\$94.0m
Public Transport	\$85.8m
Emergency Services	\$77.2m
Planning	\$60.3m
Environment, Sustainability, Heritage and Forestry Services	\$41.8m
Chief Minister's Department	\$28.6m
Business and Economic Development	\$17.7m
Tourism	\$16.1m
Legislative Assembly	\$10.8m
Executive	\$5.2m
Auditor-General	\$4.6m

Looking ahead

The ACT economy is expected to continue operating at a high level of activity with the unemployment rate remaining around its current historically low level.

In 2006-07 the economy is forecast to grow solidly but with activity constrained by labour shortages. Household consumption and investment are expected to increase moderately, and the Australian Government expenditure is forecast to ease from the strong growth recorded in the previous year.

Business investment is anticipated to grow strongly. Employment prospects are expected to remain positive, while wages growth and inflation remain sustainable.

The ACT economy continues to be supported by strong employment, strong business profitability and sustained wages growth. However, growth is currently being constrained by the limited availability of labour. Tight labour market conditions are expected to continue in 2006-07, holding down the rate of economic growth in the ACT.

Economic Forecasts, Year-average percentage change

	Actual	Forecasts		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
ACT						
State Final Demand	3.2	3½	3	4¾	4¾	4¾
Employment	1.7	¾	¾	1½	1½	1½
Unemployment	3.6	3¼	3¼	4	4	4
Population	0.3	½	¾	¾	¾	¾
Consumer Price Index	2.3	3	2¾	2½	2½	2½
Australia						
Gross Domestic Product	2.5	2½	3¼	3½	3¼	3¼
Memorandum item						
ACT Gross State Product	3.0	2	2½	2½	2½	2½

The ACT Government has, for many years, reported the accrual operating result defined by Australian Accounting Standards as its primary fiscal target. All other Australian Governments now measure their budgets on the Government Finance Statistics (GFS) standard, or equivalent measures. The GFS standard is an internationally recognised standard promulgated by the International Monetary Fund. The Australian Bureau of Statistics (ABS) has responsibility for the application of the standard in Australia.

The ACT Government has decided to base its key budget measures on the GFS system from this year.

To maintain comparability with previous budget presentations, the following chart and table present the current 2006-07 Budget and forward estimates operating result consistent with the previous presentation.

