2.3 THE BUDGET PLAN AND SAVINGS

Budget Plan

The Budget Plan was introduced in the 2009-10 Budget in response to the impact of the global financial crisis on the Territory's finances. The objectives of the Budget Plan are to:

- adopt a measured approach to addressing the deficit;
- achieve a balanced Budget by 2015-16;
- identify annual savings over the forward estimates period that align revenue and expenditure trajectories;
- ensure that in returning to surplus government services are maintained to a high standard; and
- plan for adequate growth in expenditure to meet priority services such as health and education and to meet the needs of growing community.

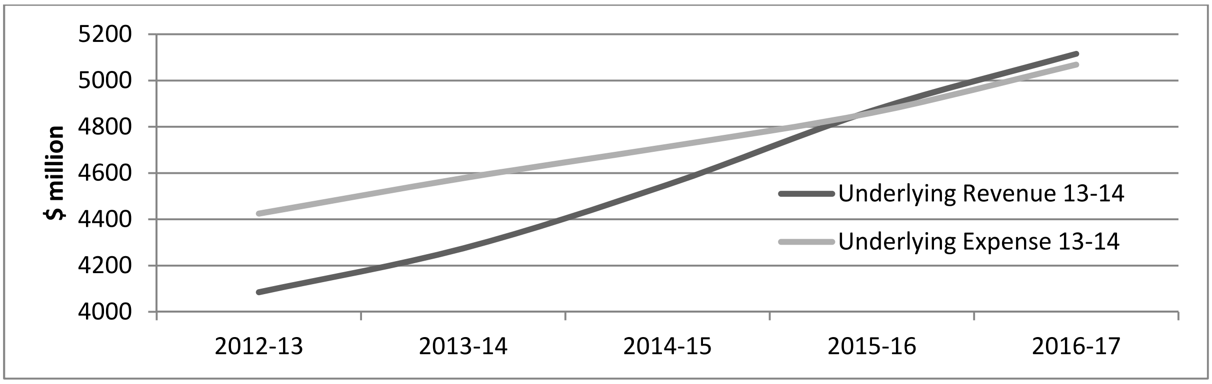
The Budget Plan accepted temporary deficits to allow the flexibility to preserve service levels and meet growth in demand. The Budget Plan adopted a long term approach of constraining expenditure below the revenue trajectory.

The 2013-14 Budget recommits to the original target of a return to surplus in 2015-16. It takes a sharper focus on restructuring the Territory's expenditure and revenue base and plan for the future challenges ahead. In the 2013-14 Budget:

- work on tax reform, commenced in the last budget, continues with further initiatives to make our system fairer, simpler and more efficient;
- includes $142.6 million in additional savings over four years;
- net borrowings of $192 million over the 2013-14 budget and forward estimates are supporting service delivery and key infrastructure projects;
- the focus on services is maintained. Funding for growth has been included for health and government school education at around 7 per cent and 3 per cent respectively; and
- allowance is made for the ACT's participation in the National Education Reform and the National Disability Insurance Scheme (now DisabilityCare Australia).

The revenue and expenditure trajectories of the 2013-14 Budget are shown below and are separately discussed.

Figure 2.3.1: Underlying Revenue and Expenditure – 2013-14 Budget



Aggregate underlying revenue across the budget and forward estimates grows at a compound average annual rate of 5.8 percent, which is above the original planning parameters of 5.25 per cent.

This is also above the 2012-13 Budget's forecast annual average revenue growth rate of 4.75 per cent, which was largely attributed to expected flat revenue growth in 2012-13.

At the aggregate level, underlying revenue in the 2013-14 Budget and forward estimates remains largely consistent with the 2012-13 Budget projections. However, over the forward estimates, there are variations from the 2012-13 Budget associated with increases in Commonwealth grants, offset by reduced taxation and lower dividend revenue.

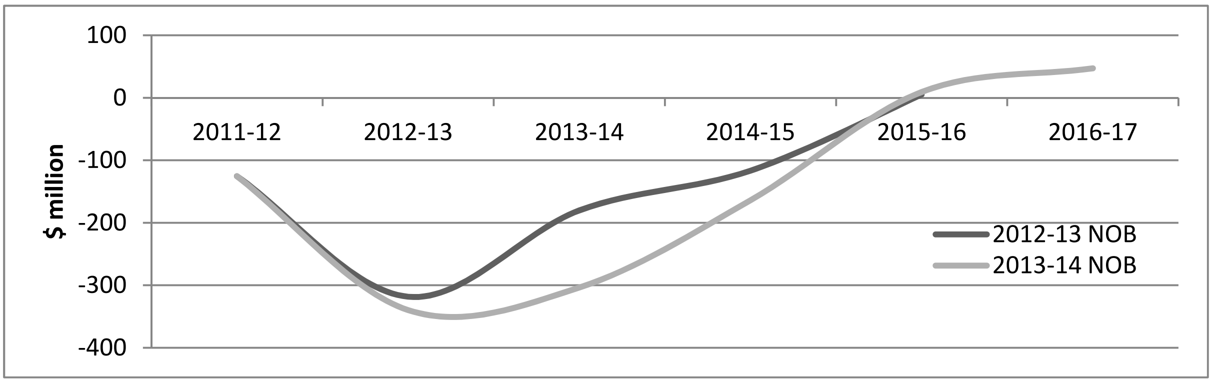
Aggregate underlying expenditure across the budget and forward estimates grows at a compound average annual rate of 3 ½ percent, which is below the original planning parameters of 4 ½ per cent.

This is also below the 2012-13 Budget annual average growth rate of 4 per cent.

At the aggregate level, underlying expenditure in the 2013-14 Budget and forward estimates is above the 2012-13 Budget projections. The 2012-13 total estimated outcome is $77 million above the original budget largely due to superannuation expenses resulting from the increased 30 June 2012 superannuation liability. Across the forward estimates expenditure remains higher, primarily due to increases in employee, supplies and services, grants and interest expenses.

Compared to the 2012-13 Budget, the 2013-14 Budget net operating balance has deteriorated between 2012-13 and 2014-15. This is primarily due to the growth in expenditure discussed above, with the budget returning to surplus in 2015-16.

Figure 2.3.2: Underlying Net Operating Balance – 2012-13 Budget and 2013-14 Budget



Savings

The ACT Government has continued to seek out ways to improve the efficiency of services delivered to the Territory. The 2013-14 Budget introduces a range of savings initiatives totalling $142.6 million over four years. These initiatives focus on reducing input costs, both in staff and non-staff resources consumed, to facilitate a redirection of expenditure to higher priority areas of Government.

Table 2.3.1 shows Government savings implemented since the 2009-10 Budget.

Table 2.3.1
2013-14 and Past Budget Savings Initiatives

Across Government Savings	**2012-13 $m**	**2013-14 $m**	**2014-15 $m**	**2015-16 $m**	**2016-17 $m**
2009-10 Budget					
Wages Policy	35	35	35	35	35
Efficiency Dividend (commencing 1 July 2010)	19	19	19	19	19
2010-11 Budget					
Efficiency Dividend[1] (commencing 1 July 2011)	14	22	22	22	22
Treasurer's Advance Reduction	8	8	8	8	8
Deferral of Tree Planting	4	0	0	0	0
2011-12 Budget					
Savings Initiative	38	38	40	40	40
2012-13 Budget					
Agency Savings	25	37	46	54	54
Ceasing Initiatives	2	4	5	7	7
2013-14 Budget					
Ceasing Initiatives	0	1	2	2	2
General Savings including Whole of Government procurement	0	15	20	27	35
Service Reprofiling	0	6	8	12	14
Total Savings	145	185	205	226	236

Note: Savings introduced in Budget Review are included in the totals for the 2013-14 Budget

Further details in relation to the 2013-14 savings are presented in Chapter 5.3.

[1] Revised in the 2011-12 Budget