TABLE OF CONTENTS

[Acknowledgement of Country 7](#_Toc84281192)

[1.1 Overview 9](#_Toc84281193)

[Chapter](#_Toc84281193) 2 Economic Outlook 13

[2.1 Economic Overview 15](#_Toc84281193)

[2.2 ACT Economic Outlook 17](#_Toc84281193)

[2.3 Australian Economic Outlook 39](#_Toc84281193)

[2.4 International Economic Outlook 41](#_Toc84281193)

[[Chapter](#_Toc84281193) 3 Budget Outlook 43](#_Toc84281193)

[3.1 Budget Outlook 45](#_Toc84281193)

[3.2 Fiscal Strategy and Wellbeing Initiatives 53](#_Toc84281193)

[3.3 Cost of Living Statement 21](#_Toc84281193)9

[3.4 Expenses 229](#_Toc84281193)

[3.5 Revenue 237](#_Toc84281193)

[3.6 Federal Financial Relations 263](#_Toc84281193)

[3.7 Infrastructure and Capital 279](#_Toc84281193)

[3.8 Key Balance Sheet Metrics 295](#_Toc84281193)

[[Chapter](#_Toc84281193) 4 GGS Harmonised Financial Statements 305](#_Toc84281193)

[4.1 GFS/GAAP Harmonised Financial Statements 307](#_Toc84281193)

[4.2 Other GGS Statements 313](#_Toc84281193)

[Appendices 319](#_Toc84281193)

[Appendix A Budget Consultation 323](#_Toc84281193)

[Appendix B Better Infrastructure Fund 329](#_Toc84281193)

[Appendix C Infrastructure Investment Program – Works-in-Progress 337](#_Toc84281193)

[Appendix D Consolidated Financial Statements – Public Trading Enterprises 349](#_Toc84281193)

[Appendix E Consolidated Financial Statements – Total Territory 356](#_Toc84281193)

[Appendix F General Government Sector – Key Aggregates History 365](#_Toc84281193)

[Appendix G Key Accounting Treatments 369](#_Toc84281193)

[Appendix H Safer Families 375](#_Toc84281193)

[Appendix I Statement of Risk 385](#_Toc84281193)

[Appendix J Statement of Sensitivity 395](#_Toc84281193)

[Appendix K Whole of Government Staffing 401](#_Toc84281193)



*Together,* 2019 by **Selina Walker**

Artwork for the CMTEDD Stretch Reconciliation Action Plan 2020-2023

## ACKNOWLEDGEMENT OF COUNTRY

Yuma (Hello).

The ACT Government pay our respects to the Traditional Custodians of the ACT, the Ngunnawal People, on whose lands we live and work. We acknowledge that these lands are Aboriginal lands and pay our respect and celebrate their ongoing cultural traditions and contributions to the ACT.

We also acknowledge that many other Aboriginal and Torres Strait Islander Peoples from across Australia have now made Canberra their home, and we pay respect and celebrate their cultures, diversity and contributions to the ACT.

We support the Aboriginal and Torres Strait Islander Peoples’ right to self-determination and acknowledge the valuable contribution they make to our social, economic and cultural life.

As we reflect on the continuing impact of government policies and practices, both past and present, we affirm our commitment to working together with Aboriginal and Torres Strait Islander Peoples, families and communities, to deliver improved social, cultural and economic wellbeing.

## OVERVIEW

### A Plan for Recovery

This has been another challenging year for Canberrans. The ongoing COVID-19 pandemic, together with the risks posed by the Delta variant and the associated need for lockdown restrictions, continues to be the most serious public health and economic emergency the Territory has faced.

The 2021-22 Budget continues to be guided by the principles that have underpinned our response over the past 18 months:

* Investing in healthcare and essential services;
* Protecting and creating jobs; and
* Protecting our most vulnerable.

**The 2021-22 Budget lays the groundwork for a rapid and sustained economic and jobs recovery – as we work towards our target of 250,000 local jobs by 2025.**

This Budget continues the Government’s investment in healthcare and essential services, including more than $500 million over four years to meet immediate challenges and, in the longer term, to respond to growing demand for core services and the increased complexity of health service delivery. This includes the continuation of essential COVID-19 health initiatives such as the vaccination program, the Health Emergency Control Centre, quarantine and compliance activities, hospital and testing services, additional cleaning of public schools and public transport, and Pandemic Response and Public Information teams.

Since the start of the pandemic the ACT Government has provided over $475 million in economic support. Most recently, this includes, the COVID-19 Business Support Grants, Small Business Hardship Scheme and the COVID-19 Tourism, Accommodation Provider, Hospitality, Arts and Events and Fitness Industry Grants that will provide economic and financial support for adversely affected ACT businesses enabling them to get back on their feet as restrictions are gradually eased. In a joint partnership with the Commonwealth Government, the COVID‑19 Business Support Grants will be paid to all eligible businesses that have been significantly impacted by the health orders and restrictions until we achieve the high vaccination rates that will allow us to ease restrictions, consistent with the Pathway Forward. Additional support for businesses and households is also being provided through residential and commercial tenancy relief and the waiver of a range of fees and charges.

The pandemic has impacted the mental health of Canberrans. This is why the Government has again increased its investment in essential support measures for mental health and community services. We have worked closely with our community service delivery partners to develop a mental health and community health care package that will boost existing services and provide greater support for vulnerable Canberrans and improve the community’s wellbeing.

The extension of the JobTrainer program will continue to provide free courses over the next two years to support young people to gain critical skills and assist them in the employment market, with the provision of 2,500 additional training places.

Through this Budget, the Government has established our largest-ever Infrastructure Investment Program with funding of $5 billion over the five years to 2025‑26. Priority projects funded through this program include: progressing Light Rail Stage 2; the Canberra Hospital Expansion; the new CIT Woden Campus; growing and renewing more public housing; planning for new hospital infrastructure in Canberra’s north; additional walk-in centres; and building new and expanding schools in Gungahlin for current and future generations.

### 2021-22 Budget Context

The 2021-22 Budget, like the previous budget, is framed in the context of an ongoing, and evolving, global health pandemic. Across most Australian jurisdictions, COVID‑19 response packages have resulted in substantial increases to public expenditure and, together with tax concessions and other measures to forgo revenue, have had significant impacts on public finances.

Delivery of the 2021-22 Budget was initially scheduled for 31 August 2021. However, the lockdown restrictions that were put in place in the Territory on 12 August 2021 have needed to be progressively extended, and are now expected to lift on 15 October 2021. As a result, the 2021 Assembly sitting program was revised and the delivery of the Budget rescheduled to 6 October 2021. The deferral of the budget acknowledged the need to develop and implement additional public health and business and community support initiatives.

To provide for the continuing operation of government, time-limited amendments to the *Financial Management Act 1996* (FMA) were introduced and passed in the ACT Legislative Assembly on 16 September 2021, increasing the funding available during the 2021-22 supply period to 75 per cent of the appropriation available in 2020-21. This temporary increase in the appropriation available under the supply provisions ensures the continued operation of Government services, including those that are essential to the ACT community. Similar arrangements were put in place for the 2020-21 Budget.

Other amendments were also made to increase the limit to Treasurer’s Advance funding for the 2021-22 financial year to 5 per cent of the Appropriation Acts for the year and extend the timeframes for the 2020-21 annual financial statements of the Territory by one month, with the Auditor-General’s audit opinion due to the Treasurer by 30 November 2021.

Financial estimates in the budget and forward years are prepared to reflect existing operations and the impact of new policy decisions taken by Government, where the financial impact can be reliably estimated. The estimates also consider other economic and financial data available until the time of preparation, including Commonwealth Government funding decisions announced in the 2021-22 Commonwealth Budget.

The financial statements included in this document are consistent with the requirements of the Uniform Presentation Framework. The 2020-21 interim outcome, which was unaudited at the time of preparation of these Budget Statements, is used in the financial statements for comparison purposes and elsewhere in the document where possible.

Where significant issues have been identified but are not certain, or are unable to be quantified with reasonable certainty, they have been identified as potential risks to the estimates. These risks may have either positive or negative budgetary implications.

### Fiscal Outlook

The COVID-19 pandemic is the most significant shock faced in the Territory’s history.

The Territory’s fiscal position will remain in deficit over the forward estimates period, with a significant increase in 2021-22, as a consequence of the Government’s ongoing and expanded support efforts in response to the pandemic. Given the uncertainty around the evolving public health situation, additional support measures may be required and the Government has made provision for these.

### The ACT economy

The ACT economy has weathered the first 18 months of the COVID-19 pandemic reasonably well. Strong public sector spending has bolstered growth, both directly in responding to the public health impacts of the pandemic and through the provision of support to households and businesses while private sector activity has progressively recovered.

Although uncertainty remains around the public health outlook, the economy is expected to display similar resilience in the face of the Delta-variant outbreak and associated lockdown restrictions.

**While economic activity is expected to decline sharply in the September quarter 2021, this setback to growth is expected to be temporary, with the recovery gathering significant momentum into 2022.** Household consumption is expected to rebound as restrictions are eased, which in turn is expected to encourage businesses to invest. There is also a significant pipeline of public investment that will support activity and jobs through the recovery and into the future.

Border closures, both domestic and international, have significantly affected the labour market, resulting in the emergence of labour shortages for both skilled and unskilled jobs. The expected opening of international borders and greater freedom of movement domestically as vaccination thresholds are reached will be an important part of addressing this issue which will be key to the recovery of the economy.

The ACT’s key economic aggregates are set out in Table 1.1.1 below.

Table 1.1.1 Economic parameters, 2021-22 Budget, baseline forecasts, percentage change

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | 2019-20Actual | 2020-21Estimate | 2021-22 Budget | 2022-23Forecast | 2023-24Projection | 2024-25Projection |
| ACT |  |  |  |  |  |  |
| Gross State Product1 | 2.4 | 3 (2) | 2½ (2¾)  | 3¼ (2¾)  | 3 (3)  | 3  |
| State Final Demand1,2 | 3.3 | 3.8 (3¼) | 2 (2¼)  | 3 (2)  | 2¼ (2¼)  | 2½  |
| Employment3,4 | 0.5 | 1.8 (4) | ½ (½) | 1 (1) | 1¼ (1¼) | 1¼ |
| Wage Price Index3,4,5 | 2.0 | 1.7 (1½) | 1¾ (1¾) | 2 (1¾)  | 2¼ (2) | 2½  |
| Consumer Price Index3,4 | -0.6 | 4.8 (3) | 1¾ (1¼)  | 1¾ (1½)  | 2 (1¾)  | 2¼  |
| Population3 | 1.2 | ¼ (¼)  | ¼ (¼) | 1 (¾)  | 1 (1) | 1 |
| **Australia** |  |  |  |  |  |  |
| Gross Domestic Product1,2,6 |  | 1¼ (¾)  | 4¼ (3½) | 2½ (2½) | 2¼ (2¾) | 2½ |

**Sources:** ABS Australian National Accounts: National Income, Expenditure and Product; Australian National Accounts: State

Account; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; National, State and

Territory Populations; CMTEDD estimates; 2020-21 MYEFO; and 2021-22 Commonwealth Budget.

**Notes:** Forecasts and projections are rounded to a ¼ of a percentage point. Numbers in brackets are the estimates published in the 2020-21 Budget.

1. Real values.
2. Year average basis (average of the current financial year relative to the previous financial year).
3. Through the year growth (current quarter relative to the same quarter in the previous year).
4. Actuals for 2020-21.
5. Total hourly rates of pay, excluding bonuses.
6. 2021-22 Commonwealth Budget forecasts, comparisons in brackets are to 2020-21 MYEFO forecasts.

### The 2021-22 Budget position

Spending on health and economic support, including the additional initiatives required to respond to the current outbreak of COVID-19, continues to significantly impact the Territory’s finances. The General Government Sector (GGS) Headline Net Operating Balance (HNOB) deficit is estimated to be $951.5 million in 2021-22. This is $476.7 million higher than the forecast in the 2020-21 Budget and reflects the costs associated with these additional supports.

Expenses in 2021-22 are expected to be $925.6 million higher than forecast in the 2020‑21 Budget and $1,647.3 million higher over the three years to 2023-24. Despite the current outbreak and the reintroduction of lockdown restrictions, revenue is expected to be $425.3 million higher in 2021-22, and $772.6 million higher over the three years to 2023-24, than forecast in the 2020‑21 Budget largely as a result of continuing strength in the property market.

Net debt is forecast to increase to $5.7 billion in 2021-22 and to $9.6 billion by 2024-25. However, underlying this increase is a trend of decreasing HNOB deficits across the forward estimates reflecting a stronger economic outlook in the ACT and nationally as temporary spending initiatives for the public health emergency are no longer required.

The General Government Sector Headline Net Operating Balance is detailed in Table 1.1.2 below.

Table 1.1.2: General Government Sector Headline Net Operating Balance

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2020-21 Budget$m | 2020-21Interim Outcome$m | 2021-22 Budget$m | 2022-23Estimate$m | 2023-24Estimate$m | 2024-25Estimate$m |
| Revenue | 5,981.1 | 6,307.5 | 6,597.1 | 6,541.7 | 6,696.3 | 6,952.6 |
| Expenses | 6,749.7 | 6,794.1 | 7,764.7 | 7,337.3 | 7,474.4 | 7,692.0 |
| Superannuation return adjustment | 165.6 | 123.5 | 216.1 | 231.4 | 247.7 | 265.3 |
| HEADLINE NET OPERATING BALANCE  | **-603.1** | **-363.1** | -951.5 | **-564.3** | **-530.4** | **-474.1** |
| Net cash from operating activities | -219.8 | 237.6 | -328.4 | -130.3 | -42.3 | -3.3 |
| Net debt (excluding superannuation) | 4,665.0 | 4,352.8 | 5,721.0 | 6,875.9 | 8,245.2 | 9,580.9 |
| Net financial liabilities  | 9,301.8 | 13,301.0 | 11,747.8 | 12,674.8 | 13,969.8 | 15,092.4 |

**Note:** Numbers may not add due to rounding.