LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY

# SELECT COMMITTEE ON THE FISCAL SUSTAINABILITY OF THE ACT

**(Reference: Inquiry into the Fiscal Sustainability of the ACT)**

**Members:**

**MS J CLAY (Chair)**
**MR E COCKS (Deputy Chair)**
**MS F CARRICK**
**MS C TOUGH**

**PROOF TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**THURSDAY, 5 MARCH 2026**

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**Secretary to the committee:**
**Dr D Monk (Ph: 620 50129)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

## WITNESSES

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*Amended 20 May 2013*

**The committee met at 12.30 pm**

**SHARMA, MR AJAY,** Auditor-General, ACT Audit Office

**THE CHAIR**: Good afternoon and welcome to the second public hearing of the Select Committee on the Fiscal Sustainability of the ACT. Our witnesses today include the Treasurer, the Minister for Health, the Auditor-General and the Productivity Commission.

The committee wishes to acknowledge the traditional custodians of the lands we are meeting on, the Ngunnawal people. We wish to acknowledge and respect their continuing culture and the contribution they make to the life of the city and this region. We would also like to acknowledge and welcome any other Aboriginal and Torres Strait Islander people who may be attending today's event or who may be watching from somewhere else.

This is a legal proceeding of the Assembly and it has the same status as proceedings of the Assembly itself. Therefore, today's evidence attracts parliamentary privilege. Giving false or misleading evidence is a serious matter and may be regarded as contempt of the Assembly. Our hearing is being recorded and transcribed by Hansard and will be published, and our proceedings are also broadcast and web streamed live. We also have the *Canberra Times* here, who may be taking some pictures. I hope that is okay?

**Mr Sharma**: Yes

**THE CHAIR**: Great. We are not inviting opening statements, but we have your various reports and your submission and so we will proceed straight to questions. We have commissioned the independent adviser Saul Eslake who has given us a fairly clear and direct view, in his opinion, of the state of the ACT's fiscal situation. Similarly, your office presented the financial audit program report in December last year, and when I read those two documents and when I read documents from the government, I get two very different pictures of the ACT's financial situation. At the outset, have you read Mr Eslake's report and do you think that is a pretty fair and accurate version of the ACT's fiscal situation, given that your office recently looked at similar material?

**Mr Sharma**: Yes, I have read the report, and to the extent that the report is reporting the amounts that we have included in our report, it is consistent.

**THE CHAIR**: The Treasurer's midyear budget review in February said we are on track to deliver an improvement in the budget bottom line from a deficit of $1.1 billion in 2024-25 to a deficit of $499 million in 2025-26, a $630 million turnaround. At the time, the Treasurer said:

> Today's mid-year Budget update shows the Government's sensible fiscal strategy is working, as we deliver services and infrastructure Canberrans expect and continue to improve our fiscal position.
>
> Our local economy continues to perform strongly, growing faster than any state or territory in the country.

Does that your observations of the ACT's fiscal position at the moment?

**Mr Sharma**: From looking at the midyear budget we have seen that there is a 50 per cent improvement in the operating balance from 2024-25 actual results to what is presented in the midyear budget. The improvement in results is mostly predicated on growth in revenue. So there is a 12 per cent growth in revenue and only 3.4 per cent growth in expenses or increase in expenses.

Now, if you have a look at the trend over the past decade or so where the territory has been making operating deficits, there has been significant increase in expenses and not so much increase in revenue. We can clearly see that the expenses were outpacing revenue. So this is contrary to that trend, and the two things that are contributing in terms of the revenue is commonwealth grants and taxation revenue. They are the two areas where the midyear budget is showing that there will be growth in revenue. So it is 47 per cent, which is $39 million coming from commonwealth grants and which includes share of GST, and 32 per cent coming from taxation revenue. It appears from looking at the midyear budget that the growth in taxation appears to be in the area of payroll tax and some from general rates.

The report that we tabled on the financial audit program, report No 7 of 2025, shows that on average per capita the taxation in ACT is close to that of other states. So if there is a further increase in taxation that is going to put further pressure or burden on taxpayers with the already existing cost of living pressures, I think it is going to create a significant burden on taxpayers.

**THE CHAIR**: I might drill down into the expense side of that. The Eslake report noted that the government's budgets have not been very accurate in predicting future expenditure, which has been an observation made in multiple hearings in this parliament over multiple years. Your job is to look back at what has happened in the past, so based on what has happened in past ACT government budgets, do you think the three per cent growth in expenses expenditure in the ACT mid-year review is an accurate predictor?

**Mr Sharma**: Based on the audited financial statements and looking at the past trend, we have seen since 2021 there has been a significant growth in the number of employees. So employee expenses is the area where there has been growth, and there has been a 44 per cent increase in the actual cost. So if we have a look at the numbers since 2021, the average full-time employees within the ACT Public Service was 24,689 and it has grown to 30,245 by 30 June 2025. So there has been a significant increase in the number of full-time equivalent employees, and the growth has been mostly in the health and the education directorates, mostly in the health sector. So with that increase and considering enterprise agreement wage increases, I am not sure where the 3.4 per cent figure is coming from.

**THE CHAIR**: The metrics used in the Eslake report note that we are spending more than other jurisdictions on health and education but that we are not performing as well—in fact, we are performing worse in health and education. I do not know if you have done a performance audit on this, but it is one of your roles. Do you have a view on that growth in expenditure health and education? Does it look to you like the ACT has been getting good money by getting better services out of that increased expenditure?

**Mr Sharma**: It is very hard to assess value for money in those sectors. Although our observation is that there has been an increase in employee costs, and in the health sector through the pandemic era from 2020-21 we have seen a significant increase in employee costs. Whether there should have been a better tightening of controls in terms of employee costs since then is a question for the government to look into. I think the increase at the time might have been justified because of the health response required but from that period onwards there has been a continuation of growth in employee expenses, hence our report is saying there needs to be tighter control in terms of expenses and a more disciplined look at where the growth is and whether it is actually contributing to the economy.

**MR COCKS**: I want to go to report No 7 of 2025. One of the issues that was mentioned that is not really dealt with in the independent adviser's report is the deterioration and the trend in net financial worth. Can you help us understand what that means and what sort of impact that trajectory can have?

**Mr Sharma**: When we are looking at fiscal sustainability and when we are particularly looking at the balance sheet and looking at assets and liabilities, your net worth is essentially how much liabilities you have compared to your assets. We have seen in the territory there has been a significant growth in borrowing expenses—it has grown about 67 per cent over the past five years. So when your liabilities are increasing and your assets are not increasing by the same amount, then your net worth is going to decline over a period of time.

When the credit rating agencies are looking at the territory and making assessments, they pay attention to the net debt and they also look at the net worth. The net debt, which is your ability to be able to pay your borrowings using your cash and advances, declines when your borrowing is increasing, and that contributes to your net worth, because your liabilities are increasing at a higher rate compared to your assets.

**MR COCKS**: There are two measures of net worth in the budget—there is net worth and net financial worth. I know the government likes to point out that there is a positive net worth, but it strikes me that the net financial worth is much lower.

**Mr Sharma**: Yes, the difference between the net financial worth and net worth is essentially the inclusion of assets that cannot be converted to cash immediately to make payments. So your infrastructure assets and those assets that are used to provide services to the community are included in the net worth, whereas when you are looking at the net financial worth you are basically looking at those assets, for example, cash and advances, that can be converted into money to pay for your borrowings or the liabilities that can be paid off.

**MR COCKS**: So in terms of financial sustainability this seems to go to that question of if you cannot convert an asset to cash, if you are not willing to or able to sell it, it really does not support that long-term sustainability because you cannot use it to pay your liabilities?

**Mr Sharma**: That is correct, because the government is using those assets to provide essential services, for example health, education, the schools and the buildings that are costed in net worth as assets. They cannot be sold off to pay for your liabilities because it will compromise the ability to provide those services.

**MS TOUGH**: I am also looking at report No 7 of 2025. You talk about the superannuation investments liability ratio and that the territory is unlikely to achieve its objective of fully funding the defined benefits super liability by 2030. Can you explore what you found and why the government might not reach it by that date?

**Mr Sharma**: With the superannuation liabilities there are some assets that have been quarantined aside to pay for those liabilities, and these assets are invested and they are growing over a period of time. There is a projection in terms of how much those assets are going to earn in the future. At the moment, the government is using about 7.54 per cent as the rate at which they are likely to grow. So essentially, when looking at the ability of those investments to pay for the liabilities, it is reliant on the ability of the assets to grow. So over a long period of time if it is only going to grow by 7 per cent it may not generate sufficient cash on its own to be able to pay for those liabilities.

This also is another difference when you are looking at the net operating balance that is reported in our report versus what has been published in the mid-term budget as the headline operating balance because the rate we are using for the projection of supply and emission assets is totally unrealised at the moment. So it is based on the forecast growth. And if you use that to adjust your deficit it will show an improvement at this point in time. However, it is only the expected return you would get at the time you would realise. So our report is only presenting information in terms of the revenue and expenses that the government has control over and it is not adjusting using these unrealised gains from superannuation investments.

**MS TOUGH**: The government is predicting that over the forward estimates that is going to be achieved, and your report is saying it may or may not be, depending on how it grows.

**Mr Sharma**: Depending on the market factors, and we have seen that the market can go both ways. If you are too optimistic in terms of your projections then you may not be able to realise those investments.

**MS TOUGH**: And the current predicted rate you said is 7.5 per cent?

**Mr Sharma**: Yes.

**MS TOUGH**: And do you feel that is too optimistic, or it just depends?

**Mr Sharma**: I think the long-term rate is seven and a half per cent. However when you have seen the budget forecast over four years, five per cent seems to be the rate that has been used, and that is based on the government bond rates.

**MS CARRICK**: I would like to ask about the fiscal strategy in the budget and the budget review, and Mr Eslake in his report talks about the targets. Do you think it would be handy for fiscal constraint to have very clear targets, like the metrics we are using? Are we using net operating balance or headline net operating balance or cash surplus or deficit, as Mr Eslake states would be the best measure? Then there are things like using debt to GDP or debt to revenue or using net debt. Do you think we should have a suite of measures that we can all understand?

**Mr Sharma**: I think it would make sense to have a suite of measures. The problem we have at the moment is for reporting purposes under the accounting standards there is a unified framework which allows us to compare across jurisdictions and across governments, including overseas. That is a GFS concept from the Australian Bureau of Statistics. And when we are looking at the headline operating balance, it is not one of those indicators there.

For us, I think it would be easier to keep it simple. For example, when we are looking at the net operating balance, we are saying what revenue and expenses are in the control of government, and it provides better accountability from that perspective. If your net operating balance is showing deficits and if you are projecting for deficits, that means you are going to continue to make deficits over a period of time, and in the long term that is not sustainable.

We are also seeing where there is a projection of deficits and the actual deficits are exceeding those amounts as well. When you have your revenue and expenses under your control, I think if you are looking at the control aspect of it there needs to tighter control in terms of either your expenses or looking at your revenue. From a structural perspective we have seen that there are few options in terms of revenue because it is taxation and commonwealth grants.

On the expenditure side, one of the other areas that has a big influence is the borrowing. And when we have a budget that relies on borrowings to fund some of your operational costs as well as infrastructure, in the longer term that is going to result in a sustainability issue.

**MS CARRICK**: On the expense side, do you think the reporting from the directorates is strong enough for Treasury to understand what is going on in the directorates' budgets to be able to review particular components, move money and savings around, roll over funds? Do you think the reporting could be better so there is more clarity to the Treasury about what is actually happening in the directorate's appropriations?

**Mr Sharma**: When we have a look at the annual financial statements, the directorates are required to explain any variances from budget. So there is an accountability there that talks about what are the differences from the budget and why did that actually happen. So the extent to which that gets explained is contained in the financial statements for the readers. I am not sure what Treasury actually does with that information and the interaction between government and the directorates in terms of looking at the net cost of services.

Our report is trying to highlight what it is costing the government to provide those services. What we are finding is that in most of the instances agencies are exceeding their budgeted net cost of services. So I think there has to be tighter control in terms of when an agency is about to exceed or they are exceeding their budgets what the processes are between the government and the directorate and at what point in time there has to be discussion and looking into the reasons for it.

As I alluded to before, it is mostly in the area of employee expenses the . In terms of tighter controls, there might be some hard decisions that the government might need to make, but that would be a policy decision.

**MS CARRICK**: When you look at the annual reports and the budget statements, the appropriation is broken down into outputs. Some of them are very high level and the accountability indicators might be produced in a ministerial statement. Are you aware of whether they ever review an output or a program? They do not report in program average—there are some—but do they have a program of reviewing their outputs in newer programs?

**Mr Sharma**: When the framework was initially set up for performance reporting, there was quantity of things to be produced, quality, timeliness and cost. So each of the outputs would be linked to the accountability indicators in terms of the total cost of producing that output. When we are looking at net cost of providing services there is a methodology that divides the agency's total cost into those output classes. So there is not a clear link in terms of the quantity of goods or services to be produced to the actual appropriation that is provided to the output. So it is very hard to have that kind of accountability with the current framework to say this is the amount of appropriation that was provided and this is what was supposed to be produced.

**MS CARRICK**: I struggle with the output—what exactly are the services they are producing. To me it is opaque between an output and exactly what the services and programs are, how it they are being delivered and whether they are being delivered well. Where is it all reviewed? But on trying to show fiscal restraint on infrastructure, do you think it would be a good idea, as Mr Eslake indicates, to have a cap on the infrastructure spend so we can pick the best projects that the community needs within a cap so that we can try and bring the borrowings back in line.

**Mr Sharma**: I think it is a policy decision for the government. But from my perspective, if we are using borrowings to fund for infrastructure, I think it needs to be looked at in the full for longer term sustainability and whether that is how we want to fund for the infrastructure and whether the benefits the infrastructure we are investing in would realise enough over a period of time to be able to pay back the borrowing and the funding. So it is the cost-benefit analysis that needs to be done in that space.

**MS CARRICK**: I am not advocating that it should be a legislative cap and you could not break it. There has to be flexibility, and sometimes it would be better to invest otherwise if you leave it, it would cost more money.

**MR COCKS**: It seems to me one of the challenges and the constraints you would experience with the structure of the budget and the Financial Management Act is that the entire appropriation is at the directorate level. Does that mean that is the only level you are able to look at when you go back and reconcile the financial statements around the appropriation?

**Mr Sharma**: So when we are looking at the appropriation we go to the statement for appropriation, which is part of the financial statements. So there is a statement that starts from what was the original appropriation provided to the directorate and what were the variations to that. That takes you to the total appropriated, and then there is a reconciliation to how much has been drawn down. In the reconciliation information is provided on the reasons as to why appropriation was not drawn down.

If there was ever more appropriation drawn down, then that would result in a breach of appropriation. That rarely happens because there are controls at the Treasury level. But from our auditing perspective, we are just looking at the original budget to see how much money was appropriated and whether that is the amount that the agency has drawn down.

**MR COCKS**: And that happens at the directorate level? There are not appropriations for outcome 1, outcome 2, as there are in other jurisdictions, for example?

**Mr Sharma**: Yes, at the directorate level.

**THE CHAIR**: On that comparison, Saul Eslake has described the ACT's current fiscal strategy as vague, and it is sort of set out in words in the budget papers. He has referred to the South Australian government's fiscal strategy which has some metrics for what the fiscal strategy is. Have you got any views on whether the ACT's current fiscal strategy is adequate and whether it should have some metrics to measure against?

**Mr Sharma**: We have not done any work in that area so I cannot comment from that perspective. However, for me, when you look at the actual results, and if the forecast result is not met and if the actual deficit is more than what was forecast, it is showing that one of the metrics is not met, which is basically there is not a control that has resulted in holding to account in terms of what was forecast versus what is the actual result.

**THE CHAIR**: And is there another the jurisdiction that is doing that really well?

**Mr Sharma**: Again, we have not looked at that at this stage.

**MS CARRICK**: I wonder about public financial corporations which are not included in the general government sector so the government will put the general government sector as opposed to total territory—and some of those public non-financial corporations, it is not as if their primary source of revenue is from sale of goods and services. So Transport Canberra—I know other people have them as non-financial or public non-financial corporations—but it does not recover much money as compared to its costs so it is just kept out of the general government sector. The City Renewal Authority if they have a block of land to sell, they might make some but as time goes by I cannot see how they maintain their status as a non-financial corporation.

**Mr Sharma**: The status is purely a GFS concept in terms of heights defined for reporting purposes. So it does not necessarily look at the operations from the perspective of layman's term in terms of whether that should be a public trading enterprise or not. There is a classification and a definition, so we have to go back to the definition, and that is how the distinction between GGS and PTE is made.

**MS CARRICK**: I looked it up last night, it said 50 per cent primarily sale of goods and services, and then I looked up their annual reports. Anyway, I guess that is just how it is.

**MR COCKS**: Reflecting on the report, would it be unreasonable to say that the ACT Audit Office has concerns about the fiscal sustainability of the budget on its current trajectory?

**Mr Sharma**: I think if you have a look at our report checklist for the last five years and even further than that, you will see we have raised concerns in terms of the expenses outpacing revenue and we have raised concerns about borrowings. They are key concerns that go to the heart of the fiscal sustainability at the moment.

**THE CHAIR**: Mr Sharma, thank you so much for your time. I think this might be the first time you have appeared before a parliamentary committee in the capacity as the Auditor-General. Welcome, and thank you very much.

**Mr Sharma**: Thank you very much.

**JOHNSON, MR PETER,** Assistant Commissioner, GST Distribution Review, Productivity Commission
**YEOW, MS SOOK-LING,** Acting Assistant Commissioner, Commonwealth-State Reporting and Review, Productivity Commission

**THE CHAIR**: I welcome our witnesses from the Productivity Commission. As witnesses, you are protected by parliamentary privilege, and you are bound by its obligations. You must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly.

We are not inviting opening statements, but we have your submission. Are you okay if we proceed straight to questions? That is great.

We got some different evidence from the Productivity Commission on expenditure than we have had from other sources. We have had the Commonwealth Grants Commission data suggesting that the ACT is spending above the average on services, and we have had quite similar feedback from the independent adviser who has been hired to look at this, Saul Eslake, who suggested that, particularly in health and education, we are spending more than all the other jurisdictions when, demographically, we should be in a position to spend less. Saul Eslake drilled down a little bit further and suggested that we were not perhaps getting great performance outcomes from that. He looked at some of the performance outcomes that we are getting in health and education.

You have put in some different evidence on expenditure. Can you tell me what you think about the ACT's expenditure and what that might mean for us?

**Ms Yeow**: I think there are multiple parts to that question.

**THE CHAIR**: I am sorry.

**Ms Yeow**: I will do my best; I might ask you to repeat some of them. Within the submission, the data we have used is based on the RoGS, the *Report on government services*. The report covers selected service areas, so it is not necessarily all government services. From our estimates, around 70 per cent of total recurrent expenditure is covered within our report, so it is based on those selected services.

**THE CHAIR**: Have you looked at two of the biggest areas of expenditure here, health and education, and drawn any conclusions about that, or is that outside your area?

**Ms Yeow**: With the *Report on government services*, we have a compendium of all the data, but we do not make an evaluation of that.

**THE CHAIR**: That is fair. I will hand over to Mr Cocks.

**MR COCKS**: You have suggested embedding long-term affordability analysis by linking expenditure trends to projected GSP growth and demographic trends. That is something that seems fairly consistent across different reports that I have been looking at. What would a practical ACT version of that look like in a budget process? I am trying to understand how it could be used to support economic growth at the same time as maintaining fiscal sustainability.

**Ms Yeow**: That is precisely what the RoGS is for—annual reporting, developing a long-term time series and utilising that data to understand expenditure and the key performance indicators that we report on.

**Mr Johnson**: The other thing that might be worth mentioning is that you will be aware that some states have a version of an intergenerational report. New South Wales has one. Tasmania has a similar thing, but they do not call it an intergenerational report; they call it a fiscal sustainability report, or something like that. You will be able to go to their website and find it there, but it does exactly the sorts of things that are mentioned in that paragraph.

**MR COCKS**: It seems to indicate that there is real value in taking that medium to longer term perspective rather than just the budget period snapshot that we tend to use at the moment. Is that part of the idea there?

**Mr Johnson**: It is always better to have more information than less. As I said, two states have those sorts of reports. There are at least six others that do not, so different jurisdictions will have different views about the value or otherwise of that information.

**MS TOUGH**: I am interested in the 2018 GST distribution reforms inquiry. I know that it is an ongoing inquiry, so you probably cannot tell me the actual details of what you have been learning so far. I am interested in what the inquiry is looking at and potentially what it will find. In 2018, in the redistribution, WA got the extra bit; now we have had a briefing on how that works, and it seems very complicated, as to how you then make sure there are top-up payments for everyone. I am wondering what that inquiry is looking at, without going into what you cannot tell me.

**Mr Johnson**: The terms of reference for that were issued late last year, in about November. In that we were asked to look at the 2018 legislative reforms, and to determine whether they are operating as intended, and efficiently and effectively. That is the main part of what we are looking at. In the terms of reference there is also a request for us to look at fiscal sustainability. As we identified in our submission to this committee, we will also be looking at that.

Just to be really clear—again, some of this is in our submission—we put out an issues paper, and we sought responses and submissions. Submissions closed last Friday. We have the ACT government submission, so thank you very much for that. We have received around 54 submissions. We will work our way through those, and the responses, as well as our own research, to work out whether we believe the reforms are working as they were intended to, and that they are efficient and effective. We will also be considering fiscal sustainability.

**MS TOUGH**: Your submission states that you will have an interim report in August, with a report at the end of the year.

**Mr Johnson**: That is correct.

**MS TOUGH**: Will the interim report be public, as well as the final report?

**Mr Johnson**: Yes, the interim report is released publicly. The final report is provided to the Treasurer, who commissioned the inquiry. From that time, the Treasurer has 25 sitting days to make that public.

**MS CARRICK**: I want to build on Ms Tough's question about the reforms. When you consider revenue, expenditure and debt, along with demographic change, and examine ways in which the federal financial relations system can best promote fiscal sustainability, would you look at a suite of measurements that can be comparable across states? I know that there is GFS. Would you provide a suite of measurements? When we are assessing our fiscal sustainability in the future, there are measurements; we use headline net operating balance, while nobody else does. There is net operating balance, there is cash surplus or cash deficit, debt to DGP, debt to revenue. There is a range of different metrics. Is there anything consistent across Australia that we can all use? It would be handy to have a suite of measurements against which we can assess our budgets.

**Mr Johnson**: Yes, we will. That is the short answer. We will be looking at an assessment, because we do have to look across all the states and territories and the commonwealth to determine whether the reforms have an impact on fiscal sustainability.

As you pointed out, there are a host of ways to do that. With some of the things that we look at, there is GFS data. You will be aware that there is the Uniform Presentation Framework. The system is set up in such a way that it is meant to be uniform. You may or may not consider how uniform the information is. One of the things that we are looking at goes to the point around the *Report on government services* data, in that it is not using the data that is in the ABS GFS. I will let my colleague explain where the RoGS data comes from.

**Ms Yeow**: It is collected directly from states and territories.

**MS CARRICK**: I know that you work with them to make sure the data is of good quality. I know that, when I look at ACT mental health data, I often do not see anything there. With the GFS and the uniform presentation, you have the general government sector, the non-financial corporations and total territory or total state, I guess. Can we find some consistency in what we use? There is reporting on the general government sector, but what about S&P ratings? With Auditor-General's reports, there is total territory. With Icon Water, they own it. They have all those liabilities.

Would you be recommending those sorts of things when it comes to how we report these things? There is a whole range of things. The problem is that if there is no best practice, there is deflection.

**Mr Johnson**: We will definitely be looking at all those things. Whether we will make recommendations on that or not, I cannot say at this point in time. Certainly, we are awake to all of those issues you raised.

**MS CARRICK**: Similarly, with total territory, you do not get a functional split, a functional expense split—well, we do not. You are forced to use general government sector. Maybe it is up to us to seek more information.

**THE CHAIR**: Your submission makes the point that, even if expenditure looks sustainable in dollar terms, services are not sustainable in practice if outcomes are deteriorating or if there is unmet need that is increasing. That is certainly what we are seeing here in the territory. We appear to have a public housing program and targets that are not based on actual need, and the public housing waitlist is increasing. Even if the government does what it says it will, it is not based on need. I certainly have similar concerns with a lot of other areas of government services. Can you elaborate on concerns about outcomes deteriorating or needs-based budgeting, needs-based service provision?

**Ms Yeow**: I do not think that our submission goes to the views and concerns—

**THE CHAIR**: The detail.

**Ms Yeow**: in that sense. It outlines the data in the RoGS, the expenditure that we see and the outcome indicators. We have not made that evaluation in terms of expenditure up or down being necessarily better or worse—linking to outcomes.

**THE CHAIR**: Do you have any views on how we could do that better? My colleagues quite often have raised the difficulty where we get accountability indicators, but they are not necessarily measuring any kind of accountability indicator that the community would value, like whether we are actually decreasing homelessness. They are often measuring how many ministerial statements we get in parliament. Do you have any views on how governments, when they are doing their budgets and working out where to put their resources, should be tapping that accountability back in, to make sure they are, in actual fact, delivering things that are useful?

**Ms Yeow**: We are not here to offer our opinions on matters like that. The *Report on government services* does try to bring a lot of data, various data, together from various sources to find comparable best-practice measurements, where possible. It is a collaborative exercise across all the jurisdictions to be able to do that.

Within the Productivity Commission, we operate as the secretariat for the steering committee that oversees the *Report on government services*. To support the steering committee, we have nine subject-specific working groups to cover the different selected service areas. We meet two or three times a year to discuss indicators, indicator development and data sourcing. Data sourcing can sometimes be dependent on funding, as well.

**THE CHAIR**: What is the outcome of that? Do individual governments then go off and use this source of information to set their accountability indicators or do they go off and do their own thing, anyway?

**MS CARRICK**: With the accountability indicators, are they what every state uses? They all use different ones?

**THE CHAIR**: Yes, they all use different ones. There is not a lot of uniformity in it, anyway.

**Ms Yeow**: Yes. The RoGS brings that program logic model, in terms of measuring outputs with effectiveness, equity and efficiency indicators. We do have some technical efficiency indicators, but not cost-effectiveness indicators.

**THE CHAIR**: Value for money.

**Ms Yeow**: Yes.

**MR COCKS**: Coming back to expenditure versus GSP, I have heard a few concerns with using GSP as the measure of the health of the economy, particularly in the ACT, because of the very large contribution of the public sector to the ACT's GSP growth. I think that pretty much all of it, at this stage, comes from the public sector. In making your broad comments here about expenditure versus GSP, have you looked at the health of the economy side of the equation as well as the spending, or have you only looked at the RoGS data around expenditure, and then just used GSP as the baseline?

**Ms Yeow**: For the purposes of the submission, that is what we did. We used the RoGS data, and the GSP as the baseline. Within the report at a high level, we used GDP as the baseline. For this submission, we used GSP as the equivalent baseline.

**MR COCKS**: Has the commission done any other work around reliance on public sector versus private sector and what potential risks there may be in that?

**Ms Yeow**: Not for the purposes of the RoGS.

**Mr Johnson**: Not that I am aware of. We could have a look, but not that I am aware of.

**MR COCKS**: I am very keen to understand, particularly from a productivity perspective, the health of the economy side of the equation. It seems to be pretty important in the consideration of whether the budget is sustainable and whether it will continue to be into the future, given that it is fairly dependent on what the economy does. The ACT cannot tax what happens, coming from commonwealth spending. It sounds like that is not something where you have any data that you can go to.

**Mr Johnson**: Not immediately. Obviously, as part of the GST inquiry, we will be looking at fiscal sustainability. For some of those things, we will be taking that into account.

**MR COCKS**: There might be something to come at some point in the future.

**Mr Johnson**: Yes.

**MS TOUGH**: I have a question about the RoGS report. It reports against services that all jurisdictions are delivering. Does it account for alternative breadth of delivery or does it just standardise the similar services? Different states and territories are offering different things within different services. Here in the ACT, in health, we have the nurse-led walk-in centres and we have free abortions, whereas other states might not have those kinds of services being offered. With the RoGS data, how does it account for that different breadth in services?

**Ms Yeow**: That is quite a granular level that you have described. We do what we call disaggregation by—and it does not apply so much to the ACT—remoteness.

**MS TOUGH**: We do not have remote, but we do have other things.

**Ms Yeow**: Yes. With equity groups, it is not to the level of granularity that you are describing. There may be contextual information on occasion as to the differences in service provision across the jurisdictions. We try to account for the general ones, like geographical differences and demographic differences.

**Mr Johnson**: The steering group also gives an opportunity for discussion around those sorts of things.

**Ms Yeow**: Yes, the working groups and the steering group.

**MR COCKS**: Does RoGS have any measures of outcomes or is it all focused on activity spending?

**Ms Yeow**: The ideal would be to have outcomes, and there are some outcomes measures, but not to the breadth of the activity.

**MR COCKS**: There are some outcomes measures, but for the most part we are looking at spending; is that right? Are they looking at activity? Are we measuring, "We're spending this much on health and getting these outcomes." Are people living three years longer for every dollar extra?

**Ms Yeow**: Through the steering committee and the working groups, we agree on indicators to measure. For example, in the hospital section, there is one outcomes measure agreed, which is hospital mortality, but we do not have data on that. We have about a dozen other indicators on accreditation, patient satisfaction and the cost per patient outcome care. They are more of the input-output type indicators.

**MR COCKS**: It has been too long since I have looked at RoGS, I am afraid.

**Ms Yeow**: With outcomes measures, it is more difficult to find agreeable data that captures the services and makes that connection between the input and the outcome. It often reflects not just what the government can do but other broader aspects within the economy.

**MS CARRICK**: Do any other jurisdictions use your RoGS data—the metrics that you capture—in their internal reporting? Could we suggest that some of the RoGS metrics that you use be used internally in our jurisdiction? I feel that your metrics are good. Do other jurisdictions use your metrics?

**Mr Johnson**: I am not aware of it. I am certainly aware that they use RoGS data in a number of different ways. Whether or not that is within the budget context is probably a question that we do not have an answer for right now.

**Ms Yeow**: I would agree with that. I have no specific awareness. We do get a lot of queries about confirming definitional items. In that sense, they may be trying to understand it and use the data in their own way. But there is no direct contact.

**MS CARRICK**: I am interested in the intergenerational conversation that we were having before. When you look at sustainability, would you expect that debt gets paid off at some time, when we are talking about the intergenerational aspect? We have conversations in our government about it being intergenerational infrastructure; therefore, the future generations can pay for it, and we do not pay for it now. It is all borrowings. The interest is just accumulating. We do pay, in the context of interest. In the intergenerational context, what is your view of the impact of debt just accumulating for future generations?

**Mr Johnson**: At this point, we do not have a view. We may have a view, as we go through our inquiry. I do not think it is in the way you put it, in terms of whether it is leaving debt for future generations. It is about the whole context of fiscal sustainability of state, territory and commonwealth budgets. That intergenerational aspect is in terms of thinking about the things that are going to influence budgets in the future. Debt is obviously one of those issues that we will be taking into account.

**THE CHAIR**: In your August interim report, will you be making recommendations about increasing commonwealth revenue across the board? There is a lot of conversation about how revenue should be distributed, but it is primarily because the GST was meant to be a growth tax, and it is not. In actual fact there is a lot of conflict because there is not enough revenue to cover the services that we need to provide. Is that likely to be covered?

**Mr Johnson**: They are certainly issues that have been raised in submissions that have been made to us, so we will be considering that. I could not say whether or not we will make recommendations at this point.

**THE CHAIR**: Have any of your submissions raised the idea of resources taxes, sovereign wealth funds—those issues?

**Mr Johnson**: Certainly, resources taxes, but I cannot recall off the top of my head whether there have been any calls for sovereign wealth funds. I will point out that all the submissions made to our inquiry are public, so they are available to look at, if you are interested in that.

**MR COCKS**: This may be something that you have looked at; it may not. The IMF recently had a report that raised concerns around Australian jurisdictions carrying debt, and the risk of the federal government being seen as a backstop for that debt. In any of your work, are you considering that level of fiscal relationship—in particular, what impacts jurisdictional debt and liabilities could have for the commonwealth?

**Mr Johnson**: When we look at the fiscal sustainability of the commonwealth, that is something that we will be taking into account, despite there not necessarily being a direct legal liability for the commonwealth.

**MR COCKS**: I think that was the point that the IMF were making—that, while there is not a direct legal liability, it is somewhat perceived as a backstop. I want to know whether you have looked at that report at this stage or whether it is feeding into your work.

**Mr Johnson**: Certainly, we have looked at the IMF report. We have looked at the recent OECD Australian country survey as well. It raises similar points.

**MR COCKS**: It sounds like, at this stage, you are probably not in a position where you can share any particular perspectives.

**Mr Johnson**: Not at this stage.

**MR COCKS**: I understand; thank you.

**MS TOUGH**: I am interested in your thoughts on state revenues, state taxes and the value of tax reform for productivity at that state level. Obviously, states and territories are limited in what taxes can be collected. The ACT is in quite a tough position, in not having payroll tax from the commonwealth, which is the largest employer. Most things really come from the land revenue and rates side of things. I am curious about tax reform on productivity and how different states and territories are able to do it.

**Mr Johnson**: As part of our inquiry, we will be looking at that from the perspective of fiscal sustainability, as well as whether the HFE system has incentives or disincentives in terms of tax reform.

**MS TOUGH**: Whether states and territories have that incentive or disincentive to change what they are doing?

**Mr Johnson**: Yes.

**MS TOUGH**: I am really looking forward to reading your report.

**MS CARRICK**: When it comes to something like health, for example, and you have all your indicators, from your learnings, from talking to all the states and getting all the data in, and your analysis, are there lessons learned that go back to the states regarding how they manage their health expenditure?

**Ms Yeow**: That is the ideal when it comes to utilising the RoGS data—for each jurisdiction to take it back and be able to see the data there, side by side, and make their evaluations as to how they are progressing over time, compared to national and other jurisdictions.

**MS CARRICK**: With respect to health, education, emergency services or whatever, if a jurisdiction says, "Goodness, we're not performing very well compared to the other jurisdictions," could they come to you and say, "In the data, have you got any clues as to where our performance might not be so good?" Can they get help?

**Ms Yeow**: The data that we publish in RoGS essentially is most of the data that we have. It is not like we have more data hidden away from the public. Often the data does come from the states and territories; otherwise it comes from national data providers who do the national collections. We would probably, if it is related to their collections, provide those contexts for them to delve into the data a bit more, as they might have more holdings in terms of more disaggregated-level data.

**MS CARRICK**: Maybe they could go to a state that is going really well and say, “How do you do it?”

**THE CHAIR**: On behalf of the committee, thank you so much for your attendance today. I do not think we have had any questions taken on notice. We will now suspend the hearing until 1.40 pm.

## Short suspension

**STEPHEN-SMITH, MS RACHEL,** Minister for Health, Minister for Mental Health, Minister for Finance and Minister for the Public Service
**HUDSON, MS ROBYN,** Deputy Director-General, Health and Community Services Directorate
**HUGHES, MS ROSALIE,** Chief Financial Officer, Canberra Health Services
**JACOBI, MS SKYE,** Executive Group Manager, Health System Innovation and Performance, Health and Community Services Directorate
**LOPA, MS LIZ,** Deputy Chief Financial Officer, Canberra Health Services
**ZAGARI, MS JANET,** Chief Executive Officer, Canberra Health Services

**THE CHAIR**: Welcome, Ms Rachel Stephen-Smith MLA, Minister for Health and Minister for Mental Health, and officials. As witnesses, you are protected by parliamentary privilege and you are bound by its obligations. You must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly. We are not inviting opening statements; so we might just kick straight into questions.

Minister, we had a lot of evidence about preventative health care and whether lack of preventative health care is perhaps putting budget pressure on our acute healthcare services and hospital services. We also had a pretty detailed conversation with some of our witnesses earlier in the week about the application of the Wellbeing Framework and whether we are using that in a particularly toothy way to drive some of our preventative healthcare measures. Do you think a lack of investment in preventative health care has contributed in any way to our increasing hospital costs?

**Ms Stephen-Smith**: I think it is the case across all jurisdictions and most places around the world that increasing investment and increasing activity in public preventative and primary health care has the potential to take pressure off acute systems. Part of the challenge that everybody has is drawing the links through good evidence and the time lag between investing in health promotion and prevention and the impact that that is going to have on the acute system. I have probably said it before in committee hearings but, having been working in social policy for I think it is coming up to 30 years—it is coming up to 30 years since I was at PM&C—and made the observation to one of my seniors when they were talking about early intervention that you have to invest in both to make the transition and you actually have to put quite a significant investment in prevention and early intervention to make a difference in the relatively short term. So I absolutely agree that there is more opportunity to invest in early intervention, prevention, health promotion and to do better in primary care. Obviously, if people can stay well in the community, that is both better for them and more cost effective for the system.

**THE CHAIR**: What proportion of our health budget at the moment are we spending on preventative health care?

**Ms Stephen-Smith**: That is a good question. Ms Hudson, do you—

**Ms Hudson**: No; I do not know the answer to that question, I am afraid.

**THE CHAIR**: Is that perhaps a question you could take on notice: what proportion of the health budget is being spent on preventative health versus acute health?

**Ms Hudson**: We could provide a number in that direction. We would have to recognise the commonwealth contribution as well.

**Ms Stephen-Smith**: I think there are probably multiple challenges in drawing a conclusion around that in a definitive way. This is often a space where the commonwealth has primary responsibility. That will be a very small part of the story of what proportion of our budget is spent in that space, given the split of responsibilities. Also, as we know, the social determinants of health often are not in the health system. So, when we talk about health promotion, prevention—

**THE CHAIR**: It may be in somebody else's budget. Understood.

**Ms Stephen-Smith**: We are actually talking much broader than the health budget. We can find the answer—

**Ms Hudson**: We could find out up to the proportion.

**Ms Stephen-Smith**: Yes.

**THE CHAIR**: I do understand the complexity. We had one witness suggest that maybe five or 10 per cent of the health budget should be spent on prevention or possibly—I would have to go back and check the transcript—they meant five to 10 per cent of the budget. I am not sure. We have had witnesses suggest a metric, and it is difficult for us to know if we have an acknowledgement that, yes, it is better value to spend more money on preventative health than acute health, if we do not have that information. The government must surely be measuring this to get a different outcome. So we would love any information that you can provide on that and how you are monitoring that now, how you are changing the settings to make sure, understanding that we will have to do the double investment, but how you are increasing our expenditure on preventative health right now and how you are costing that.

**Ms Stephen-Smith**: I think what we can say, just as a bit of information for the committee, is that data that we have indicates that as of March this year, there is around $83 million committed to 80 community health organisations across about 120 individual contracts. We know that one in two Canberrans lives with a chronic disease, and so there is investment in chronic disease support, and then there is investment in preventative health in programs like the infant pilot program around evidence-based health literacy, intention to promote healthy eating for babies to two year olds. There are all of the e-cigarettes and healthy choices work and e-cigarette vaping and smoking cessation, healthier choices around healthy eating, First Nations preventative health, school-based health promotion resources and Healthy Canberra Grants, and then there are things like preventative screening—things like the newborn blood spot screening program, which is funded by the commonwealth. You might not think of it as being preventative health. So I guess that is going to be the complexity. There is bowel cancer screening, there is lung cancer screening and there is immunisation. There is a whole bunch of things, and where we draw the line around that is going to be—

**THE CHAIR**: It is a great list. I am happy for you to use your discretion as to where you draw the line. I feel like it is a better thing to come back on notice. The question is going to the heart of what proportion are we spending on preventative health care as a number versus acute health care as a number, and maybe has that proportion shifted. I am not going to give you a really prescriptive timeline, but maybe in the last three years or in the last five years or something like that, so that we can see, having had this point raised so many times, what is going on. Minister, do you know of any other jurisdiction that is costing the cost of lack of preventative health care or is measuring this. Is there anyone in Australia or around the world who is doing this really well right now?

**Ms Stephen-Smith**: There are academic and advocacy organisations and governments doing it around the world. Wales is probably an example of where there has been a very deliberate shift towards value-based care. If you would like, Ms Hudson can talk about some of the presentation that we had at the ACT Health Forum last year on the work that they are doing to implement value-based care in Wales. Part of the work that they are doing is really significantly shifting their investment from acute care to primary and preventative health care. My understanding is that the result of that in the short term is that they have seen really significant increases in their waiting list for things like elective surgery. So that is the price you pay if you shift resources. That is a deliberate decision that they have made, but it is a hard one.

**THE CHAIR**: Wales, I understand, also has a wellbeing framework that is being applied really well. So they are probably using their wellbeing framework in order to drive the changes. Is that your understanding too?

**Ms Stephen-Smith**: Yes.

**MR COCKS**: We are looking at fiscal sustainability, and one of the really key things is quite simply about how much we are expecting when we see a budget to spend on health versus what we end up spending by the end of the year. One of the problems we have talked about over a long time is that we had a number of years in a row where the difference was growing significantly between initial appropriation and final appropriation. We went from an original appropriation in 2020-21 of $1.296 billion and landed at roughly the same. But then you have an increasing gap between the two. In 2024-25 you had a very significant increase of $330 million, and that was across the ACT Local Hospital Network, the ACT Health Directorate and Canberra Health Services all combined.

**Ms Stephen-Smith**: Yes.

**MR COCKS**: This year there has been a significant change in the structure of the government—so I imagine it is a bit more difficult to compare with those numbers—but I am keen to understand what was driving that increasing disparity?

**THE CHAIR**: I will just mention that we now have the Canberra Times here. Please continue.

**Ms Stephen-Smith**: There have been a number of different things over the different years: COVID and the post-COVID inflation increase in the cost of doing business—and, just as inflation impacts households and other businesses, it impacts the health system as well and sometimes more so—and impacts of supply chain disruptions also increase the cost of delivering health care. There have been some quite specific things, including in relation to elective surgery catch-up and direct COVID response, in that period that you are talking about. In the last year—and we have talked about this a number of times now in the context of the 2025-26 budget—it was really about a significant increase in demand for hospital services, which we have seen across the country, combined with those higher costs of delivering services.

Part of the $300 million was also around change in the reflection of the National Health Reform Agreement. When we put the budget together, we thought we would land an agreement last financial year for this financial year but we did not. So we had to downgrade what our expectation was around funding through the National Health Reform Agreement. Now that we know what that looks like, that will actually go back up again. So there was a combination of things. The $227 million for CHS, which we talked about a lot, which was about demand at a higher cost, reflected what we have seen in other jurisdictions. I think our overall increase was 11 per cent; other jurisdictions ranged between a nine and 14 per cent increase in health expenditure from what they estimated at the beginning of 2024-25 to what they ended up with in the 2025-26 budget. I think New South Wales was the only one that was below that nine per cent mark.

**MR COCKS**: This is really core to my concern. The forward estimates in the budget do not reflect that same degree of growth that we have seen over recent years out into the future. There is a baseline increase, but it does not reflect that rate of growth that we have seen. From a fiscal sustainability perspective, my concern is: how are we actually constraining the expenditure side of that growth?

**Ms Stephen-Smith**: I will hand over to Ms Zagari and Ms Hughes to talk about that in just a moment. I think it is a fair question to be asking. Part of the answer is that we had this period of COVID and we had this period of uncertainty. We knew post COVID that we were going to have to get a handle back on efficiency. During the COVID period, there was a lot of money spent. There was obviously a high level of increase in the demand for PPE use, the models of care changed to be more expensive, there was a lot of staff burn out and then a lot of leave taken post the pandemic. All of those things had a cost associated with them. Last financial year was really the first year where we would have expected that to settle down, but instead what we saw was this big increase in demand, coupled with an increase in cost.

We have been working for some years—and Ms Zagari can talk about this—on how we build a more efficient health and hospital system. We have seen the results of that in our emergency department performance. That is now starting to flow through in the overall way that CHS are managing, which means that now they are managing within their budget for this year so they can—

**MR COCKS**: Just to be really clear, what I am looking at is not necessarily the COVID period. We all recognise that was a particular period. We seemed to predict things really well in that period, but the disparity has been growing since.

**Ms Stephen-Smith**: Getting to what I thought your question was about—the future and whether we are confident that we are actually going to be able to constrain that growth—I guess the context for being more confident about it is that, although we have had these significant increases, there has been a lot of work in the background to understand what is driving those increases and then to start addressing some of that.

**Ms Zagari**: We have done a lot of work on starting to improve our efficiency, and we are seeing our cost per delivery per NWAU reducing.

**Ms Stephen-Smith**: That is National Weighted Activity Unit.

**Ms Zagari**: Thank you. Our ability to deliver care fundamentally at a lower cost is improving. Part of the way that we have done that—and I have spoken about it here before—is focusing on premium payment labour—for example, reduction in agency nursing, directly employing staff, reduction in locum costs, improving business processes and procurement and value for money. There are a raft of initiatives that we have been using—which Ms Hughes will speak to in more detail in one moment—that mean that we will land on our budget for this year. So we are very confident, appreciating that it is a supplemented budget. The team have put a lot of work into the precision of that estimating so that we have a great deal of confidence in where we are going to finish the financial year.

**MR COCKS**: Okay. So expenditure will be at or below what the prediction was in the budget?

**Ms Hughes**: Yes. We are on track. We are overall, including all the non-controllable expense that comes from elsewhere, we are $8.6 million favourable to the budget set after seven months to the end of January, and we are on track. Our cash is on track as well. While last year, the 2024-25 actual expenditure was several hundred million more than the previous year, the budget we have set for CHS is in total $10 million more. We spent $2.545 billion last year and we are on track to spend $2.555 billion.

Within the 2024-25 year, there was the opening of new capacity, and often health costs are a step—they are not a linear; you will understand that. So there will be future step costs that we need to describe and understand. We have a $74 million efficiency program. Year to date, we have saved $29 million on agency nursing and we are on track to save $50 million of that $74 million. That is a good news story, because not only have we reduced to a third the hours of agency nursing—so we have reduced that by 8,000 hours a week—but we have also employed 470 more nurses. If you think about that, the cost of an agency nurse is so much more expensive than someone who works on staff, and that is the reason for the saving.

**MR COCKS**: Maybe on notice, you could provide a breakdown of what that $74 million is composed of.

**Ms Hughes**: Yes, we can do that.

**MR COCKS**: I am also keen to know whether that—

**Ms Stephen-Smith**: Yes, we will take that on notice.

**MR COCKS**: Thank you. I am also keen to understand to what extent that is offset by additional expenditure internally. If you move from an agency nurse to an employed nurse, there is going to be an additional expenditure on the other side.

**Ms Hughes**: The $29 million is a net improvement.

**MR COCKS**: The 29 is a net?

**Ms Hughes**: A net. We count both when we do it.

**MR COCKS**: Thank you.

**MS TOUGH**: I have questions about Mr Eslake's interim report. On, I think, page 32, there is a table of expenditure per person that is taken from the 2026 Productivity Commission *Report on Government Services*, the RoGS data. The RoGS report itself says that the ACT's expenditure per person is over-estimated as it does not account for the significant portion of New South Wales patients and so it should be treated with caution. But that caveat is not in the interim report; it just looks at per population—ACT population and ACT spending. Do you agree with the Productivity Commission's take or the interim report take? What do we know about surrounding regions' health and demographics and their usage of Canberra Health Services and health in the ACT?

**Ms Stephen-Smith**: I think that is a really important footnote in the Productivity Commission report. The reality is that for 20 per cent to 25 per cent, and sometimes higher, of some of our most expensive acute services like intensive care, trauma intensive care and cancer services, the patients come from New South Wales, because Canberra Hospital is the tertiary hospital for the wider region. Of course, for those people in surrounding New South Wales who rely on the ACT, that does seem to be an older and lower socioeconomic status population from that region than the ACT population would suggest.

**Ms Zagari**: I might just add briefly to that. As the regional referral centre, the minister is correct that many of the services that are accessed by New South Wales residents are our higher-cost services. By way of example, in the ICU, an hour before we came into this session, 38 per cent of the current patients are from New South Wales, and it does drive some of our highest cost services. When Ms Hughes talked about that step-wise cost, the step-wise cost of opening ICU capacity is significant. We see that patients that come from New South Wales, accessing maternity services for example, are the complex presentations; they are not routine maternity presentations because those are dealt with within the region, and they only need to come to Canberra Health Service if they meet a threshold for complexity, which comes with an associated increase in cost. So it is important that the patients in the region that represent some 30 per cent of our activity, depending on the particular area that you are talking about, are considered in that total spend, because the amount that flows through in the true-up between jurisdictions does not cover the cost of provision by the ACT.

**MS TOUGH**: So the money that is then flowing back from New South Wales does not match the actual cost of provision of services?

**Ms Zagari**: Correct.

**MS TOUGH**: Then, obviously, that is not being captured in what the expenditure is.

**Ms Zagari**: That is right, yes, and it is not spread across the breadth of the services at all expenses. It is the upper end of services.

**MS TOUGH**: Just further on the interim report, the report talks about private health insurance, and that the ACT is quite a highly insured population compared to others. Why isn't that then taking the burden off the health system—by having such a high level of insurance?

**Ms Stephen-Smith**: We do have a higher level of private health insurance membership but we have a low level of private health insurance use. That is for multiple reasons. We have the lowest proportion of services in the nation capped with no gap—so just over 70 per cent below the national average of more than 85 per cent. We have the highest gap payment where a gap is paid—an average of $382 compared to a national average of $277—and we have the highest cap payment across all services—of $111 compared to the national average of $39. That is across services that do and do not have a gap. All of that results in the low usage of private health insurance and the significant gap. The way that these things are billed results in a payment to income ratio, or payment to premium ratio, of around 70 per cent for the ACT. So, of all of the premiums that are paid in the ACT, only about 70 per cent is paid back in payouts from private health insurers. That compares to a national average of around 88 per cent.

So just looking at membership does not give you the whole story about how Canberrans use their private health insurance. This is the data, and we can all have our theories about it more broadly, but I would like to think that it also reflects that people have a level of confidence in the public system and know that they can rely on the public system—it is a town full of public servants—and so they do that rather than using their private health insurance.

**MS TOUGH**: Yes, so people are happy to use—

**Ms Stephen-Smith**: But it is expensive if you do use your private health insurance, yes.

**MS TOUGH**: I have one last thing on the interim report. From the elective surgery and emergency department figures in the report, the ED performance looks much better than other jurisdictions. I would like your thoughts on how we compare to others on those measures.

**Ms Stephen-Smith**: I know it is a frustration for CHS, because they have done a really incredible job improving ED performance. "Seen on time" is one measure. You can see from the chart that was included in the Eslake report that the national average is driven by the three larger jurisdictions. We have got relatively close to them, but it is hard for any of the smaller jurisdictions to get to that level of "seen on time" because of the diversity of hospitals that they have and that some of those are just going to basically see everybody as soon as they arrive.

We are the best of all of the smaller jurisdictions, other than New South Wales, Victoria and Queensland. We are also now I think the best in the country in terms of the combination of "wait to be seen" and treatment time before being admitted or discharged. That is actually the best measure of quality and safety in an emergency department. The team has done an incredible job getting that four-hour rule number to pretty much the best in the country now.

**MS TOUGH**: So that was the time between being seen and being treated, not the time just waiting?

**Ms Stephen-Smith**: The time between arriving and being either admitted or discharged.

**MS TOUGH**: Thank you.

**MR COCKS**: Jumping back to the cross-border costs question, you gave some indicative percentages for a couple of types of services. Do you have a percentage of the total health spend that is for New South Wales patients?

**Ms Zagari**: Total health spend or total percentage of patients?

**MR COCKS**: Total health—the spend because that is the question that goes to the—

**Ms Stephen-Smith**: Total. The best indication would be the number of NWAU's—the National Weighted Activity Units—attributed to New South Wales patients, and that will give you the most accurate reflection of the proportion of activity that they take up.

**Ms Zagari**: That is right, as a percentage of.

**MR COCKS**: So that will give us a dollar value, will it?

**THE CHAIR**: On notice?

**Ms Zagari**: We will take that on notice.

**MR COCKS**: Thank you very much. Do you have any data around—I am sure it is a much smaller proportion—the number of patients that go from the ACT to be treated in New South Wales?

**Ms Zagari**: We will also take that on notice—and, yes, we can provide those numbers.

**MR COCKS**: Finally, who negotiates the deal around how much we get paid from New South Wales?

**Ms Stephen-Smith**: The directorate largely does the negotiation with New South Wales Health. Maybe Ms Jacobi can talk about that, noting that she was not here the last time the cross-border agreement was negotiated and the sort of final negotiation was a bit of a minister-to-minister "we need to get this done" conversation. The detail of it really sits with officials, and I have to give credit to the team who did that work at the time. We were going into the negotiation with a cap on activity growth year on year that New South Wales would pay for at two per cent—so they would only increase the amount of activity they paid for by two per cent a year—when we were seeing significant activity growth. Now they at least pay for all of the activity. They still pay at National Efficient Price, which is part of the challenge that we have. It is good that the commonwealth has recognised that we cannot deliver at National Efficient Price. Until the Independent Health and Aged Care Pricing Authority builds that into the formula, New South Wales will continue to pay us at National Efficient Price. One of the things we have not succeeded in getting any funding for is capital. Ms Jacobi may want to talk about some of the other things—the teaching, training, research et cetera.

**MR COCKS**: I am conscious that others want to ask questions as well. The core of my question is: why aren't we getting a better deal if it is such a big problem?

**Ms Hudson**: There are changes in the NHRA that will improve the mechanism for all cross-border flows nationally at this time and that will assist us, but the IHACPA reference that the minister made will be the key piece, which is recognition that small states have challenges beyond those of the larger states. That provision will be worked through in the next two years. Until then, we have a contribution directly from the commonwealth to cover the small state consequences that we feel.

**THE CHAIR**: Is that contribution fully covering the gap?

**Ms Stephen-Smith**: No—certainly not the gap that we had estimated.

**THE CHAIR**: Are you able to take on notice the gap that is not covered?

**Ms Stephen-Smith**: It will depend on a combination of what our actual activity is and what the activity payment from the commonwealth is—obviously from New South Wales as well—and how much of that gap the $75 million covers. We will not necessarily be able to answer the question up-front, because we will not know what our activity was for the year. We know how much we are going to get for 2026-27—we know we are going to get $75 million—but we will not know what our activity is. We can provide an estimate of what we think the activity is and what the remaining gap will be.

**THE CHAIR**: That would be great. Maybe for last year and estimated for this year, on notice.

**Ms Stephen-Smith**: The budget papers included our expected gap for this year.

**Ms Jacobi**: As my colleagues and the minister said, cross-border agreement negotiations are triggered by the National Health Reform Agreement. The new addendum for that agreement naturally triggers cross-border agreement negotiations amongst all jurisdictions. The New South Wales agreement is the most important agreement and sizeable agreement for the ACT. The initial provisions in the agreements are informed by the Health Reform Agreement. Initially, the NEP is the starting point under that agreement, but jurisdictions such as the ACT and New South Wales will then negotiate around important elements around patient flows for them. It will encompass the right price, understanding the important patient flows around southern New South Wales and the arrangements that should inform them, and patient flows from Canberra, such as our very sick children who go to Sydney Children's Hospital. It has a range of provisions, including things that we will be starting to talk with New South Wales about, around teaching, training and research, around capital, and around the overall price, as well as anything else that is of relevance to how we can improve patient flow and arrangements across the region.

**THE CHAIR**: We need to move on to another question from our colleague. You are welcome to put more context into the question on notice, if you think we need that.

**Ms Stephen-Smith**: I suspect that Ms Hudson was just going to say that it depends on what you are counting the gap from. We have counted it previously from 45 per cent, which no-one was expecting to get to.

**Ms Hudson**: Yes. In addition, we are trending towards the National Efficient Price. The gap will diminish as we get closer to that.

**MS CARRICK**: This probably builds on some of the stuff already said. The Statement of Risks in the last Budget Outlook talks about risks in a number of ways. One of them is enterprise bargaining. Given that the hospital has a large employment base, how are you going to manage that in the context of the current estimates having an average growth rate of around 1.6 per cent? The base went up and the growth reduced. On average, it is about 1.6 per cent, from what I can remember from the last time I looked at it. You would think that two to three per cent would be the average, but health grows very quickly, so the reality would be even higher. With enterprise bargaining coming up, how are you going to keep that significant expense on track with what the current budget estimates are?

**Ms Stephen-Smith**: In terms of the enterprise agreement, that is costed as a process in its own right. Canberra Health Services is funded for the outcome of the enterprise agreement. It is not expected that the full outcome of the enterprise agreement will be absorbed within existing indexation. Does that answer your question?

**MS CARRICK**: If you are not absorbing it within existing indexation, does that mean that there will be additional new money added to the expenses as the budgets are updated?

**Ms Stephen-Smith**: It depends on the outcome. The Treasurer has previously indicated that there is a provision in the budget for enterprise agreement outcomes. Obviously, we hope to negotiate within that provision.

**MS CARRICK**: Can you tell us where that provision is in the budget or how much it is?

**Ms Stephen-Smith**: For reasonably obvious reasons, that provision is not published.

**MS CARRICK**: How do we have confidence that the provision is adequate for the potential increase in wages coming up in the forward estimates?

**Ms Stephen-Smith**: I am not sure how publishing a single number could give you that confidence, given that you do not know what the outcome of the enterprise agreement bargaining is going to be.

**MS CARRICK**: True.

**Ms Stephen-Smith**: But, once it is completed, that outcome will be reflected in the next budget.

**MS CARRICK**: We could do a generic thing like: X amount of employees in the ACT public service times two per cent per year—sensitivity analysis. Can we not get how much that provision is in confidence?

**Ms Stephen-Smith**: It is not a question for me. That would be a question for the Treasurer and the Treasury.

**MS CARRICK**: There are the expenses outside of the salaries. You gave us some generic efficiencies across the hospital. It is an integrated system. How do you look at specific programs or divisions or parts of it to try to work out whether there are any ways of finding more efficiencies or savings?

**Ms Stephen-Smith**: Ms Lopa, I think this might be a question for you.

**Ms Lopa**: I am very sorry—can you please repeat the question for me?

**Ms Stephen-Smith**: How are we trying to find efficiencies in the transformation program?

**Ms Lopa**: Thank you. The health system transformation project is being run as a joint project between the ACT Health and Community Services Directorate and Canberra Health Services and is overseen by a governance committee that includes the Treasury, the Director-General of Health and Community Services and the CEO of Canberra Health Service. And we have an independent member on that committee, Nigel Lyons, overseeing what we are doing around transforming and reforming our services.

Under the sustainability umbrella, we are looking at short-term financial reforms. There are lots of things that Ms Hughes talked about: looking at our procurements, looking at whether we are claiming everything from the commonwealth we can, looking at agency nurses, and those kinds of things. What I am looking at is more of those medium to longer term reforms. What we started talking about at the beginning of this committee hearing is: what can we invest in here that we think is going to have an impact here, and how do we measure it and how do we do it?

It is not so much in the preventative health space, but it is maybe the next step, when somebody is already sick. I will give you the example of COPD and lung disease. If somebody is already sick, we know they come to hospital a lot and they stay quite a long time, so could we do a program earlier where they get pulmonary rehab and we teach them how to manage their COPD? That might prevent as many hospital admissions or mean the admissions would be for shorter periods of time. We are looking at those kinds of reforms, where you can go into the community and deliver services that help people manage their conditions better. It is not quite preventative, but it is preventative to having to come into hospital or use acute care.

**MS CARRICK**: How are you reporting that to the government or to the people or to the Assembly? How do people know what is going on?

**Ms Lopa**: Our internal reporting goes to the committee and we say, "Is this the sort of thing that you would support?"—because there is a bucket of money that the committee has to approve. If they say yes, we set it up as a project. As part of that project, we look at the data and then we look at the metrics we will measure. It is really hard with some of these things. It cannot just be: "Fewer people came to hospital with COPD." In one that we are looking at, we are looking at working with the University of Canberra to see if they can run a research project at the same time to look at things. But I am not sure where we are publicly reporting any of the outcomes of this program.

**Ms Stephen-Smith**: As you know, I regularly report to the Assembly on a range of things, and we provide regular budget updates to the Assembly. In terms of internal reporting, there is a requirement to report to the Expenditure Review Committee regularly around health system sustainability, and I meet fortnightly with Canberra Health Services about whether we are on track on our fiscal sustainability targets—the risks that are emerging or the opportunities that are emerging. We talk about the transformation program opportunities there as well.

**MS CARRICK**: You mentioned risk. Is there a risk register that you keep about where you might be blowing out your costs in the context of fiscal sustainability?

**Ms Stephen-Smith**: I do not know if it is a risk register, as such.

**Ms Lopa**: We can look at the data. In our budget reporting, for example, the CFO will be able to say, "We're over in ED and we are under in mental health," or whatever. But we also have access to data that can show us where the services that we deliver are significantly more expensive than in any other jurisdiction. We can then start to look at why that is. Is it because we have some inefficiency in the way we do it or is it that there are just so few people? We can do that.

**MS CARRICK**: Does that come back to the activity based costing that we were talking about in previous hearings? How is that coming along—in 25 words or fewer?

**Ms Lopa**: Really well.

**Ms Hudson**: It might be worth mentioning that there is a bigger system that sits around CHS that supports the reporting of many of these programs of work. I cannot specifically speak to pulmonary rehab, which you have mentioned, but there are other systems that look at what are called, in health terms, but not talked out publicly, low-value care initiatives—things that look at hospital acquired complications. It is at a national level. Those things are known to extend the length of stay for people in hospital. There is delivery of poor-quality care, which we all care about. Those bigger systems sit around the work that Liz and Janet, and others, are doing in the hospital. It is good to remember that assurance and scrutiny occur at that level too.

**Ms Stephen-Smith**: On reporting—I did not connect these dots—there is the report that Michael Walsh is doing. I tabled his progress report, as I think he described it, in the Assembly's last sitting week. He will report back by the end of June. I am required to table that report in the Assembly. In tabling that report, I expect I will also make a ministerial statement that will provide some updates on all of the work. One of the key areas that he is focusing on is financial sustainability. He will provide a more thorough assessment of where we are up to on financial sustainability.

**MS CARRICK**: With MoG and merging Health and Community Services, are you updating your accountability indicators? We talked about that at previous hearings. The health one has $2 billion plus. One accountability indicator says, “Funding and performance agreements in place with all ACT Local Hospital Network non-government providers—100 per cent.” Are we going to break that down at all and get more accountability indicators for the $2 billion?

**Ms Stephen-Smith**: The accountability indicators for the actual expenditure of funding for delivery of services would sit in Canberra Health Services. One of the things that we have done over recent years is try to remove some of the accountability indicators that CHS controls from the health directorate accountability indicators and put them in the place where there is actual control over the outcome. More broadly, in HCSD we are looking at accountability indicators. Ms Arthy may want to talk about that from a directorate perspective.

**MS CARRICK**: The one I am looking at is the ACT Local Hospital Network accountability indicators. Should that be where it is broken down?

**Ms Hudson**: Ms Arthy will, by far, have a better answer for the directorate. The Local Hospital Network is defined under the National Health Reform Addendum, and there are other agreements that exist with the ACT budget papers that ascribe the kinds of accountabilities that are required in order to draw down on the commonwealth funding. I am sure that Ms Jacobi will jump in and correct me any minute now. That is the system where you will see the number of NWAU that CHS is to deliver for us. Queen Elizabeth also has the same arrangement in place. There are other agreements outside of these particular indicators. Maybe Ms Arthy would like to make a comment regarding the directorate.

**MS CARRICK**: This is the report to the Assembly and to the community.

**Ms Hudson**: No. I take your point about it being 100 per cent. That is not a very sensitive indicator. What I am trying to say is that the accountability for the LHN has other elements sitting outside that will give you oversight or insight into what is happening through those parallel agreements.

**Ms Jacobi**: It is particularly worth highlighting the publicly available service funding agreement that has been established as part of the rollout of activity based funding. We have a service funding agreement which informs the level of activity that the minister is seeking for Canberra Health Services to deliver the performance indicators and the broad strategic directions for the service, as well as the assurance functions. Ms Lopa also highlighted the committee of the relevant directors-general and chief executives of the Treasury, the Health and Community Services Directorate and the CEO of Canberra Health Services. They meet regularly to look across the service funding agreement, as well as also oversighting the broader transformation program and how that is all married together.

**MS CARRICK**: Thank you.

**Ms Stephen-Smith**: To respond to one of the questions taken on notice, I am advised that, in 2024-25, 24 per cent of NWAU was accounted for by patients from New South Wales.

**Ms Zagari**: Sorry, Minister—I am going to correct you. In 2023-24, it was 24 per cent.

**MR COCKS**: My question was about bulk health spending, not NWAU. I am looking for—

**Ms Zagari**: That relates to CHS.

**Ms Stephen-Smith**: NWAU is what—

**Ms Hudson**: The currency.

**Ms Stephen-Smith**: Yes. We will come back on notice with an explanation.

**MR COCKS**: As much detail as possible.

**THE CHAIR**: Thank you.

**Short suspension.**

**NORTHAM, MS MADELINE,** Regional Secretary, Community and Public Sector Union
**PIGGOTT, MR JORDAN,** Lead Organiser, Community and Public Sector Union

**THE CHAIR**: Welcome witnesses from the Community and Public Sector Union. As witnesses you are protected by parliamentary privilege, and you are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly.

We are not taking opening statements, so we will go straight to questions, if that is okay.

**Ms Northam**: Of course.

**THE CHAIR**: Excellent. In your submission, you talked about reducing reliance on external consultants and contractors.

**Ms Northam**: Yes.

**THE CHAIR**: Can you tell me a bit more about that? Have you quantified that at all? Have you got any numbers that go with that?

**Ms Northam**: It took us a while to find it, but we have actually just found this document. I am assuming since it is under privilege, we are able to share it. We might send it through separately, through the secretariat.

**THE CHAIR**: Yes, you could send it through, or you could table it.

**Ms Northam**: I have not got it printed out—

**THE CHAIR**: Sure.

**Ms Northam**: Essentially, what we have seen across the ACT public service is, unfortunately, a reliance on labour hire and contractors. The government has a commitment in the enterprise agreement, in policy, to permanent public servants. You are probably not going to be surprised by what I say, of course: a permanent job means that you can get a rental, you can have a mortgage, you can put food on the table and pay your school fees—all of that. It means you can engage more in the community as well.

Alongside that, having a secure job means you are much more likely to raise issues at work, because you are not thinking, "Oh, they're just going to punt me." That is why it is disappointing that we are seeing this influx of these workers.

I have not got the date that it goes up to—but, anyway, we have got a list of 310 contract or labour hire workers. This will have changed a bit because it came through a few months ago, but this was as of—what was it, Jordan?

**Mr Piggott**: It was as of August 2025, I believe.

**Ms Northam**: Yes. It will be a different number now, but that is a point in time. They are doing work that permanent public servants should be doing.

**THE CHAIR**: Yes.

**Ms Northam**: The government is paying big money to these private companies that come in and they say, “Okay, we’ll give you an ASO 3 to go and work in Housing ACT.”

**THE CHAIR**: Yes.

**Ms Northam**: And—I can tell you what—that ASO 3 is not getting the big bucks that this company is getting. They are getting paid a lot less. There is obviously a gap; they get the rest. They are going in and doing what should be permanent public service work, but they are there on a labour hire contract that might be for three months—six months. Then they finish up; their organisational knowledge is out the door. There is, at the moment in Housing ACT, no-one filling those vacancies, and it means a worse outcome for the community.

**THE CHAIR**: Thank you. You have described the problem really well, and I think we do understand the problem.

**Ms Northam**: Yes.

**THE CHAIR**: Are the 310 labour service contracts across all of government—

**Ms Northam**: Yes, across the government.

**THE CHAIR**: Across the entire government?

**Ms Northam**: Yes.

**THE CHAIR**: So across the entire workforce?

**Ms Northam**: Yes, as of August last year.

**THE CHAIR**: Out of how many positions?

**Ms Northam**: We have got—and it is obviously in flux—around about 30,000 employees.

**THE CHAIR**: Yes.

**Ms Northam**: We also see directorates that rely heavily on contractors, where we think, “You could be growing your own.”

**THE CHAIR**: Yes.

**Ms Northam**: They are really—

**THE CHAIR**: And that is not part of the 310?

**Ms Northam**: They would be. They would be part of the 310.

**THE CHAIR**: Yes, okay.

**Ms Northam**: Digital Canberra—

**THE CHAIR**: Yes.

**Ms Northam**: This is a space where there is a growing directorate; that is great.

**THE CHAIR**: Yes.

**Ms Northam**: We are seeing more and more projects coming through, but, unfortunately, we have not got the workers that we are starting off at lower levels and developing ourselves. Instead, we are paying really large sums to private contractors who come in for a short period of time, with their expertise, do a project, and then they go. So none of that knowledge is staying in the service. If you invest now in what we call ITO 1—that is a lower classification—those people are going to be doing that work, and you are not going to have to pay for it down the track.

**THE CHAIR**: Yes.

**Mr Piggott**: And we stop paying for the same skills over and over again like we currently do.

**THE CHAIR**: Yes, sure. You probably do not have a cost for what that costs government—for those 300 out of the 30,000?

**Ms Northam**: No.

**THE CHAIR**: This is probably a question for me to ask government, I think.

**Ms Northam**: Yes, it would be. You could go through Tenders ACT to go through the procurement side of things, but it is—

**THE CHAIR**: It’s all right. I think we can probably ask the Treasurer to do that.

**Ms Northam**: Yes. It is intensive.

**THE CHAIR**: Yes. Thank you.

**Ms Northam**: Similarly—and it is listed in our paper—is the amount of money that the government spends on executive recruitment and recruitment for filling board positions across the government. I have got some examples, because I think it is ridiculous.

We have got teams that are dedicated to recruitment processes and filling those roles—making sure they are inducted appropriately and all of that. Then for board positions, we have got the Diversity Register that any Canberran, or anyone, can register for, and then they can apply for board jobs. Of course, there are also the normal ways you can do things—SEEK, LinkedIn, and all of those. But the government is spending hundreds and hundreds of thousands of dollars going out privately. We can table some of these.

**Mr Piggott**: Yes.

**Ms Northam**: The CMTEDD DDG—$39,600 to an external recruitment fund. The Digital Canberra Director-General—$75,900. The DDG at Education—$46,000. For another DDG at CMTEDD, another $39,600. And this one I find shocking—the CIT Board, $53,400.

**THE CHAIR**: Yes.

**Ms Northam**: That to me is a waste of money. We have got in-house capacity. Why on earth are we going out and spending that sort of money, rather than investing back in our services that the community relies on?

**THE CHAIR**: Thank you.

**MR COCKS**: I want to turn to overall staffing levels as a question.

**Ms Northam**: Yes, sure.

**MR COCKS**: I did see the material I think CPSU was distributing recently around supporting safe staffing in the public service.

**Ms Northam**: Out the front of this building yesterday morning.

**MR COCKS**: Indeed.

**Ms Northam**: Yes.

**MR COCKS**: The government has consistently told us that they are not doing redundancies to try and cover the savings they need to make to make the budget add up.

**Ms Northam**: Yes.

**MR COCKS**: I have a concern that we have a projected wage price index of 3¼ per cent, and the budget currently assumes employee expenses going up at 1.2 per cent. Are you hearing about redundancies? What are you hearing on the ground?

**Ms Northam**: There are certainly no widespread redundancies happening. You hear about targeted ones occasionally, but generally speaking, the way our enterprise agreement is set up, there is a whole range of steps that a directorate has to go through before they can even think about offering a redundancy.

It is certainly not something across the board, but, unfortunately, we are seeing what we think may be the beginnings of something like we saw last year with the recruitment freeze, which was really difficult for workers and is kind of what led to the flyer that you saw yesterday.

**MR COCKS**: Excellent. I guess that is where I did want to go next, because one of the negatives I saw in the federal public service, when I was there, was arbitrary efficiency dividends—

**Ms Northam**: Yes.

**MR COCKS**: and recruitment freezes, meaning that instead of the government making the difficult decisions about what to do and what not to do, you ended up with everyone trying to do all the same amount of work just with fewer people than they needed. Is that the sort of concern that you are seeing?

**Ms Northam**: I need to get you to come to the bargaining table with us! Yes, that is absolutely the concern.

**MR COCKS**: Yes.

**Ms Northam**: While there have been conversations at the highest levels of government, and I am sure if you ask any minister walking around the building today, they will say, “Well, things should be prioritised; there should be re-prioritisation,” and there are these buzz words, it does not happen. So all these workers are still being expected to deliver the exact same thing as they were this time last year, when there was a recruitment freeze in place and they lost a whole bunch of their colleagues, who have never been filled—but the expectation is still there.

Absolutely, the government needs to make the call: you either staff them to the level that is appropriate for the work they are doing—and one of our claims in bargaining is having a process to figure out what that looks like—or tell them, “Okay, you are not doing x, y, and z, until we can bring up staffing levels,” or have a conversation with the community that that is not what we are offering anymore.

**MR COCKS**: Thank you.

**Ms Northam**: Yes.

**MS TOUGH**: But just going on from the vacancies—

**Ms Northam**: Sure.

**MS TOUGH**: You described staff picking up the workload due to the vacancies, and that that often falls on the frontline staff, and there is the idea, “Don’t cut frontline services.” But someone still has to do all the work. Do you have data on vacancy rates across directorates?

**Ms Northam**: I do not, but, again, that is something you should be able to pull.

**MS TOUGH**: Yes.

**Ms Northam**: I would also be very interested in seeing it. You have to be targeted with the way you ask the question—

**MS TOUGH**: Yes.

**Ms Northam**: because directorates will want to paint you a picture that everything is all good. Or some may not, because we are coming into budget season, and they want that money. So perhaps it is worth asking what the difference is between the number of workers you have in each area between now and December 2024. Something like that, I think, might show up what you are looking for, because they are simply not advertising for a lot of these. It is not that there are vacancies they are trying to fill—they are just saying, “not happening”.

**THE CHAIR**: Recruitment freeze.

**Ms Northam**: And when we talk about “knocking the frontline”, this absolutely hits the frontline. Because the government is in such a tight financial position, we have an issue at the moment where workers who have been on a number of contracts, temporary contracts with the government, are being knocked back for conversion to permanent work because the government is in a precarious financial position. The flow-on effect is that there is only short-term funding for things. So the directorate is saying, “Well, we’ve only got funding for another six months, or another 12 months, so we will just extend your contract by that much”—and by “that much”, and by “that much”. Then you get up to five or six contracts. You have been working for the government for four or five years, and they have not given you a permanent job.

**THE CHAIR**: Isn’t that a breach of the legislation?

**MS TOUGH**: Yes, I was just about to say—

**Ms Northam**: There is new legislation—after two contracts. But around funding, there are certain things—very technical things—that the government does to make sure that they are just in line with the Fair Work Act. Jordan, feel free to add—

**MS TOUGH**: Has anyone tested that?

**Ms Northam**: We have not taken it to the commission yet. Unfortunately, it often ends up in very late-night conversations the day that someone’s contract finishes—with directors-general and minister’s offices—with us saying, “We need to find a solution here, because this is not good enough. This worker is losing their job.”

A few weeks ago, one of our member’s—and I will not give the directorate to identify them—contract was ending, and he got in touch and said, “Please can you help me? I have been here so long. I have got twin babies coming in a few weeks.” And the directorate said, “No, we cannot do it—no, no, no,” up until 6.00 pm. He knocked off at 5.00 pm that night, on the Friday, of his last day at work. I got a call from the directorate after 6.00 pm, saying, “Okay, we have just converted him to permanency.” It is traumatising workers—that they have to do that. We have to go through this all the time, because the budget cycle is really difficult for directorates to manage.

**Mr Piggott**: These are not short-term. These are not project-based roles, either. These are frontline services that are there every day. These jobs need to get done every day. They are just funded short-term, and that is often enough to get past all those provisions in the act as well.

**MR COCKS**: Can I just clarify?

**THE CHAIR**: Yes.

**MR COCKS**: It sounds like what you are saying is that we are not talking about a contract for a specific length of a task—

**Ms Northam**: No.

**MR COCKS**: This is ongoing work—

**Ms Northam**: Absolutely it is.

**MR COCKS**: and so there is going to be an ongoing need for the role.

**Ms Northam**: Yes. I will give you a really great example—something we are trying to work through at the moment. We have got, in our parks team, a biosecurity team. They are the ones who deal with the varroa mite—and when there were all the issues with the chickens and everyone was literally killing the chickens. Do you know what I mean?

**MR COCKS**: Yes.

**Ms Northam**: They are doing all that really critical work. That work does not go away, but it is funded year to year, so those workers are not permanent. Some of them have been told that their jobs are too specialised to be converted to permanent work—too specialised! They specialise too much in plant-based diseases—the government does not want to give them a permanent contract. These are the issues that are coming up over and over again, and it all comes back to the way that their funding comes through, because their managers want to give them permanent work.

**MR COCKS**: Thank you.

**MS TOUGH**: On the changes to the Fair Work Act, has that seen any change in behaviour of managers?

**Ms Northam**: It has, but I would say in the negative, unfortunately. Generally, at the DG level it is pretty good, but as you come down, it is problematic. Now what we see are people who would have been given a third contract being told, “We can’t breach the Fair Work Act. We’ve got to let you go.” We have the argument with HR teams and the Office of Industrial Relations that, actually, that is breaching the anti-avoidance provisions of the act, and that is when we go in and have a fight.

**MS TOUGH**: Yes.

**Ms Northam**: That is what is happening. And I hear from very high-level public servants that they feel like they are torn. They have got the FMA on one hand, and they have got people saying, “You have to keep your budget like this,” and on the other hand, they have got the Fair Work Act, and they have got the Work Health and Safety Act;

they are saying, “I am going to breach one of them, and which one do I pick?”

**MS TOUGH**: Yes.

**THE CHAIR**: One imagines there is a happy place in the middle where you do your budgeting right and do not have to break any rules.

**Ms Northam**: Wouldn’t that be nice.

**MS CARRICK**: In light of all that, are there more psychosocial, mental health issues amongst the workforce?

**Ms Northam**: Yes. Unfortunately, we are seeing a real increase in that as people are getting more and more burnt out. In shift work settings, in particular, like at the hospital, the amount of overtime the workers are being asked to do is awful. I will give you an example that came up in a meeting yesterday with some members. We have got members in the hospital setting who do really specialised work. It is understaffed. A member gave me an example: they have a day off, and they get a phone call saying, “We need you to come in. A patient at the hospital needs this procedure. If you do not come in, it will not happen.” Our member knows if that procedure does not happen, this patient will not make it.

Can you imagine the psychosocial impact that has on them? Do you disappoint your kid, when you promised you would go to their soccer game on Saturday morning and who you have not seen all week because you have already done a whole lot of overtime, and then have a really negative outcome for a patient and their family, or do you go in and do another shift? These are decisions our members are making every single day.

**MS CARRICK**: Thank you. It says in your submission about the MoG changes and the expectation of productivity increases. Are we seeing that with the MoG changes?

**Ms Northam**: Not yet. What we are trying to get to in this is that on paper the headline might be, “Look we are doing all these things to make the public service more efficient, and we are bring these directorates together,” which in the long-term may work, but it is certainly not going to create efficiencies, or productivity increases, from day one, because there is a huge amount of change that happens—in people’s roles, which directorate they are in, where their main work is, who they are reporting to, and all of that—that naturally decreases productivity temporarily. Then all the work that goes into that organisational change, and everyone you have got to bring in to manage it, increases the costs. What we are saying is, do not just bank on this—do not take it to the bank in year one. This is something that you have to spread out across the forwards, because you are going to be sorely mistaken if you think it is going to help you straight away; it is not.

**MS CARRICK**: How is it going? Have teams merged, and have people all been allocated meaningful work? This is difficult.

**Mr Piggott**: It varies across the board. I will use Digital Canberra as an example. Obviously, it is a good example of one that does not just suddenly exist when you undertake a MoG change; there is so much work to establish it after that. But then we still have members reaching out who work in those ICT spaces across the government who still do not know if, when, how and where they are going within Digital Canberra from their, say, home agency, where they have been previously. It is inconsistent across the board. There is not a hard and fast rule across government. But areas like that have been very slow to be stood up, and our members are still, in a lot of cases, in the dark about when and where they are going.

**MS CARRICK**: That has been eight months, has it?

**Ms Northam**: Yes.

**THE CHAIR**: It is a while.

**MS CARRICK**: Yes.

**MR COCKS**: A lot of uncertainty.

**MS CARRICK**: Yes. IT is a good example of where you need to build your skills—

**Ms Northam**: Absolutely.

**MS CARRICK**: and another area where costs tend to blow out with respect to financial sustainability.

**Ms Northam**: That is a very diplomatic way of putting it.

**MS CARRICK**: Yes. Have you got any concerns about the IT side of things—about how Digital Canberra is going and its ability to service the needs of the ACT government with complex IT projects like MyWay?

**Ms Northam**: Definitely. Our members over at Digital Canberra do such a variety of work. I am not an IT expert. I cannot get my head around it all—everything from managing the traffic lights through to you guys calling with an issue with your work issued laptop. You get a little VIP line; that is good! But it is not the same experience across the public service.

What our members there are seeing are, again, people on temporary government contracts—not through labour hire firms as much—at the junior level. Then they come up to two contracts, when they try and get rid of them, so then you start the cycle all over again and you are losing all that knowledge. At the same time, they are taking on all these extra contracts, but they have not always got the staff to manage them appropriately.

And we know that—I should remember—there was a piece of infrastructure that physically blew up last year and impacted a whole range of ACT government systems.

**MS CARRICK**: Yes, they went out, didn't they? CIT went out, I remember.

**Ms Northam**: Yes; CIT and a range of others.

**MS CARRICK**: Yes.

**Ms Northam**: The workers—the stories they tell of the amount of time they did, and the hours and hours of overtime, just because they had to. There was not enough staff. They are quite harrowing, some of their stories. They are here because they really believe in the work they do as public servants. They could go out and earn a lot of money. They could become one of those contractors, who come in and get paid a whole lot of money, but they do it because they really like the work. So we believe that they need to be staffed appropriately to manage all that or that they should not do as many projects. This is what it comes back to.

**MS CARRICK**: Yes.

**Ms Northam**: You have to manage expectations, otherwise you are stretching people too thin, and they will break.

**MS CARRICK**: Because there is low growth in the budget for employees—it is only 1.2 per cent growth; it is low—the government says that they have got a fund provision somewhere for wage rises.

**Ms Northam**: Yes.

**MS CARRICK**: Are you aware of that? Is that concerning? Do you think it will be adequate?

**Ms Northam**: I hope so. We actually had a bargaining meeting this morning. We were told that, probably by this time next week, we will have a new pay offer. The government's first pay offer in December last year was, over three years, three, 2½, two. We know that is not keeping up with cost of living. Our members are acutely aware. They voted. It was something like over 90 per cent of our members who engaged in our surveys around it who said, "Thanks, but no thanks. Try again." So they are coming back to try again. I really hope that there is provision, because, otherwise, they are going to have real industrial issues across the board in the ACT government, probably at a time they really do not want them.

**MS CARRICK**: Thank you.

**THE CHAIR**: You mentioned in your submission that you would like to see the ACT government being a little bit more successful in getting commonwealth funding, which I think is a desire shared by many people.

**Ms Northam**: Ministers included, I am sure.

**THE CHAIR**: Yes. Everybody, I think, across the board, except the commonwealth.

**MR COCKS**: Just about everyone at this table.

**THE CHAIR**: You mentioned specifically early intervention mental health funding. There was an April 2025 federal Labor funding round for mental health—$1 billion—and the ACT got zero from that. I think this is an excellent sentiment. Why did you pick early intervention mental health in particular? Have you noticed that there is a particular need, or did you notice also that we were doing particularly badly in getting mental health funding?

**Ms Northam**: We have got members I can get to give you some more information on this, because members pulled this submission together.

**THE CHAIR**: Yes, great.

**Ms Northam**: If you want to ask anything particular, I will get them to come back to you. Essentially, we cover psychologists—not school psychologists—social workers, counsellors and all those allied health professions. They are CPSU members, and they are the ones that came forward and said that we need to focus on this. Originally, the submission had more around the hospital funding as well, but we were sending it in a day or two after that more recent funding came through, so we took that bit out.

**THE CHAIR**: Yes, some funding has come through—

**Ms Northam**: Yes.

**THE CHAIR**: Cool. I am happy to run with this, but if they have—

**Ms Northam**: More information?

**THE CHAIR**: If there is anything more specific, feel free to send it through.

**Ms Northam**: Absolutely.

**THE CHAIR**: I was just fascinated that this observation matches the observation I have had.

**Ms Northam**: Yes.

**THE CHAIR**: If there is anything more to that, we would love to see it.

**Ms Northam**: It is our members. You are right—they keep an eye on the exact same things.

**THE CHAIR**: Yes. Thank you.

**Ms Northam**: They are really conscious of it.

**MS CARRICK**: I want to ask about your submission.

**Ms Northam**: Yes.

**MS CARRICK**: I want to ask about the procurement and the local—

**Ms Northam**: The Secure Local Jobs Code?

**MS CARRICK**: Yes. We have had some people come in over past inquiries who have talked about having it as a requirement—when it comes to, say, a local Landcare group. You have got the local Landcare group that is full of just volunteers that weed their local mountain, so there are not people from other parts of the country coming to do the weeding.

**Ms Northam**: Yes.

**MS CARRICK**: So I am wondering about your view on the use of the Secure Local Jobs Code as a blanket across everything and whether it could be targeted to where we want to have the local jobs. There are other organisations, like the domestic violence centre, and they will say that they are using local people and that having to go through the process of the Secure Local Jobs Code is costly and onerous for these sorts of organisations. I am wondering if you have a view on that?

**Ms Northam**: It is primarily in the purview of other unions—mainly the United Workers Union and the CFMEU. They would probably be really good to direct those specific questions to.

**MS CARRICK**: It is more a construction sort of thing.

**Ms Northam**: Yes. It does touch us a little bit, but I do not sit on the board of it—the body around it; I am not sure what it is called. But, generally speaking, I am very in favour of all employers who fall under its remit doing it because it has those worker protections in there, and that is what we have got to be really conscious of.

I was not aware about the Landcare side of things. I would be interested to look into that more as well. But, certainly, where there is an employment situation, it is really important.

**MS CARRICK**: When they get their block funding, or their grant, there might be two people that work in the office, and they manage 10 projects full of volunteers.

**Ms Northam**: So they get something through tenders? They tender for money?

**MS CARRICK**: They get an ACT government grant—

**Ms Northam**: They get a grant, I should say.

**MS CARRICK**: to manage their local Landcare area, but they have to go through the Secure Local Jobs Code, and they are just local volunteers.

**Ms Northam**: Yes, okay. Interesting. I have not heard of it, but it is interesting.

**THE CHAIR**: Ed, did you have another question?

**MR COCKS**: No.

**THE CHAIR**: Caitlin might have another question.

**MS TOUGH**: No, I think you have covered everything

**THE CHAIR**: Fiona might have another question.

**MR COCKS**: I think we all asked each other’s.

**MS TOUGH**: Too many ex-public servants!

**MS CARRICK**: We all wanted to know, basically, how the wage rise is going to sit in the budget—

**THE CHAIR**: Where is it coming from?

**MS CARRICK**: given fiscal sustainability is what this is about.

**Ms Northam**: Yes, absolutely. The other thing is that we have got a retain our workforce, particularly in spaces like health. Those workers could up and leave tomorrow, and they will be hired the next day. So we have got to make sure there is an offer attractive enough to keep them and show them they are valued here. They have been really clear—our members—that it is not just about the pay rise and the super rise; it is about being treated properly at work with safe staffing levels. They are not asking for thousands more jobs at all. What they are asking for is to have a conversation with their manager about what something looks like on the ground in their area, because what staff here at the Legislative Assembly need is different to what staff at correction facilities need, which is different to staff in schools. We think: if you are not for safe staffing, what are you for?

**MR COCKS**: Right staffing profile, right job.

**THE CHAIR**: Awesome. Thank you very much. On behalf of the committee, thank you for your time today and for your evidence.

**Ms Northam**: Thank you.

**Mr Piggott**: Thank you.

**THE CHAIR**: We did not take questions on notice. We do not usually give questions on notice to our non-government witnesses.

## Short suspension

**KALOGEROPOULOS, MR NIKOS,** Director, Molonglo Group

**THE CHAIR**: I welcome our witness from Molonglo Group. As a witness, you are protected by parliamentary privilege, and you are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly. You have a short opening statement for us. Please go ahead.

**Mr Kalogeropoulos**: Chair and members of the committee, thank you for the opportunity to appear. My submission makes a straightforward fiscal point. When the territory approves a development through the planning system, but then a late LVC assessment renders that approved project economically unfeasible, the ACT ends up worse off. It loses the development, it loses the LVC that it sought to collect, and it loses the broader revenue stack that only exists if delivery occurs.

Let me be clear on principle: we support value capture. When government decisions and investment create uplift, it is reasonable that a portion is captured for the benefit of the community. The issue is not value capture as a concept; the issue is how it is applied and when. The problem is concentrated in the non-codified assessments, V1 and V2. They are the pathways where proponents cannot obtain reliable LVC certainty early enough to price, finance and commit capital with confidence.

With a codified charge, you can model the liability up-front, before you spend years and often millions progressing a design, so that the market can make an informed decision about whether to proceed. By contrast, V1 and V2 require a design, a DA lodgement first, and then an LVC valuation assessment by the AVO, meaning the LVC outcome often only crystallises late in the process. Then, after an 18-month to two-year approvals journey, the assessment can arrive as a late-stage bill shock—in Dairy Road's case, $101 million, a feasibility disaster that renders the project unfeasible. The predictable response is a delay, a redesign, appeal or abandonment.

From a fiscal sustainability lens, the key point is that realised revenue is what matters for the territory. A charge that prevents delivery is a charge that is not realised, and the losses extend well beyond the LVC—construction jobs, local supply chain activity, building, compliance receipts, stamp duty on end sales and, more importantly, the compounding effect of an expanded rates base. A stalled project is a stalled revenue base.

The risk will only become more prevalent. As urban renewal becomes a priority, more projects will require complex lease variations and will fall into the V1-V2 pathway. If those pathways continue to produce late-stage, non-codified outcomes, we will keep converting approvals into delay and non-delivery, which is not only a short-term financial loss, but creates a structural long-term fiscal risk for the ACT.

That risk is not theoretical. The territory has consistently fallen well short of LVC budget forecasts. In the latest example, the $41.8 million forecast of LVC in 2024-25 was revised to an estimated outcome of $20.6 million.

Finally, the objective is not to weaken value capture; it is to make value capture reliable, bankable and deliverable so that the community actually receives the intended benefits in real projects delivered on the ground, supported by bankable, realised revenue for the territory.

**THE CHAIR**: Thank you very much. I note that, with the matter that is currently on foot, we will not be going into the details; but, in the public domain, it was originally assessed as LVC of $37 million. There was a review, and government said it should be $101 million. It went to ACAT. ACAT said it was a miscalculation, and now it is on appeal before the courts, after a subsequent government decision. There has certainly been a wide range of different figures attributed to this.

**Mr Kalogeropoulos**: Yes.

**THE CHAIR**: I am interested to know: this situation is only applying to LVC in the V1-V2 non-codified decisions.

**Mr Kalogeropoulos**: Yes.

**THE CHAIR**: What sorts of developments are those and how many of them are there? What is a V1-V2 type development?

**Mr Kalogeropoulos**: Generally, it is where you have a Crown lease and that Crown lease does not have the use that you intend to deploy in the potential development. I will give an example. In the city, we have a lot of Crown leases within a mixed zoning. Within the mixed zoning of the city, you are allowed to undertake a number of uses—commercial, residential, retail and others. Your Crown lease might specifically only have commercial, for example, and you have, let us say, a 1970s commercial building. The commercial market is not performing well; you basically have an empty commercial building. You want to be able to draw from the menu of uses that are permitted in that zoning—for example, residential. You want to convert the commercial building to a residential building.

That is not codified. The codified charges are only for where you have a use, and you want subsequently to add more development rights for that specific use. If you have commercial, and in your Crown lease it says you have an entitlement of 10,000, and you want to put another 5,000, it is pretty easy. They are instruments that are tabled. You go to your suburb, you go to the particular use—commercial—and it says "per square metre you will be required to pay".

As a developer, or even a property owner, I look at that and I think, "For me to undertake this work, before I do anything, I know that the development rights that I should pay the territory are X." If I want to convert that to residential, even though I am entitled under the zoning to convert that into residential, I first need to apply for the use. In order to apply for the use and get a determination, I need to then submit a development application. You submit a development application: "I want to convert this commercial building into a residential building." You go through a whole approvals process in the planning journey on the basis that it gets approved.

At this point, you still do not know what LVC you are paying. You do not know what portion of that community uplift you are going to pay back to the territory. You only know that right at the end. You have done all the hard work. You have satisfied all agencies, and all stakeholders have commented on the development. You have an approval and, before you can commence, you need to get an LVC assessment. Really, it is a dark art. I do not understand how so-called professionals can have such discrepancies on valuations.

There are two issues here. One is the dark art of valuation—uncertainty—and the other is timing. We are happy to pay tax; I just want to know what tax I am supposed to pay at the front of the process. I can then make a decision about whether I allocate the resources and capital effectively to implement that development or deploy that capital.

**THE CHAIR**: I can see the problem here. You have to spend two years of work on doing the DA and all of that investment before you can get the assessment.

**Mr Kalogeropoulos**: Yes, correct.

**THE CHAIR**: And the assessment might vary, for instance, from $37 million to $101 million. No-one knows, until you start.

**Mr Kalogeropoulos**: Just on that, the ACAT decision was that it varied from $37 million to $26 million, and the government is appealing on $101 million, so it is a pretty big discrepancy.

**THE CHAIR**: It is a big range. A better system, clearly, would be if you could get certainty at the start of the two years.

**Mr Kalogeropoulos**: Absolutely.

**THE CHAIR**: What sort of information do you think that the government would realistically need to be able to work out what the value capture is, what the developer rights are? How would government be able to make that decision before we have the DA and the design work?

**Mr Kalogeropoulos**: In the instance where you have a commercial building, if the market has significantly changed, you have an empty building in the middle of the city. The broader government policy is an urban renewal policy, about activating the city and bringing in more households. "Great; I want to convert that." There should just be a charge. I do not know why it is any different to the lot next door that is residential, it has 200 already approved, and that person wants to add another 10. They go and pay $46,000 per dwelling, for example. I do not know why I cannot just—

**THE CHAIR**: You could have a codified system for V1 and V2, the same as we have a codified system for—

**Mr Kalogeropoulos**: What I am saying is that we should get rid of V1-V2, because all it has done is put projects at risk, and it does not deliver developments. We should have a completely codified system. If you are an economist, you might sit down and say, "The Crown lease next door that is residential can access codified uses. Yours is commercial. You can't access codified uses. What is the value of introducing new dwellings to your site vis-a-vis this site?"

Taking it from that perspective, it does not make sense; hence that is why, in 2011, when they implemented the regime change with the LVC, they said that that was too difficult to work out. For me as a practitioner, at the end of the day, just determine an amount. If I own a commercial building in the city which is empty and I want to have an adaptive reuse to residential, come up with a number. The number matters, but at least I know a number, and I can determine whether it is feasible for me to start this design journey, because it requires an investment of time and capital to realise it.

With the mechanics of it, I would not be differentiating. If a dwelling development right in the city for that particular zoning is X, it should be X for every Crown leaseholder that has access to that use.

**THE CHAIR**: Have government put up any reasons to you as to why they could not just codify V1 and V2?

**Mr Kalogeropoulos**: No.

**MR COCKS**: I was very interested in one of the words you used a little while ago, in looking at value capture. You were talking about whether it is bankable. One of the trends I have noticed is a tendency to forecast more LVC revenue than we are actually receiving. I wonder whether part of that is because, with the degree of uncertainty, you do not have a bankable revenue train, because developers are having to make judgements well in advance of knowing what is going on.

**Mr Kalogeropoulos**: For us, when I mention bankable revenues, I am talking about bankable revenues for the territory. I have a lot going on, but in my spare time I did read Mr Eslake's report, and it is interesting. I think it makes a lot of sense. There is very little political capital, no doubt, to continue increasing taxes. The response should be to have some fiscal restraint, and I certainly agree with that. With the taxes that we do have, all I am saying is that the territory could bank those taxes that it projects if it implements a regime that actually operates for industry.

We are not talking about implementing new taxes or a new regime; we are just saying that the regime is inefficient in collecting the taxes. Its inefficiency in collecting that LVC means that it is not just missing out on the LVC; it is missing out on the downstream benefits—the development. There is no development—the development that community groups, with the support of others, and the planning department have approved. There are no homes, no places for work—no development. There is no construction, so there are no jobs associated with that. There are no BA fees and other government fees that are involved in the delivery. Ultimately, there is no expanded revenue rate space. There are not any more new homes or new commercial properties where the government can then bank on annual property rates.

From an inefficient application of the LVC, particularly through V1 and V2, they are not only not getting LVC; they are not getting all the downstream benefits. It is quite embarrassing that, as a practitioner, I need to come here and explain this. The current LVC regime has been in place since 2011 and there has not been any change. I do not know whether that sits with the bureaucracy, in terms of the advice that they provide, or with the ministers responsible, but there has certainly been a failure. For me, it is pretty simple. Someone just needs to spend some time looking at it, and they can unlock this. We are not talking about cutting costs and we are not talking about increasing taxes.

**MR COCKS**: It seems that, with the degree of uncertainty that you have to deal with now, everyone is losing, because projects are not continuing and we are not getting to that bankable stage.

**Mr Kalogeropoulos**: Yes, absolutely. I should add that it has become more acute recently, as I said in my opening statement. Previously, there was not that much adaptive reuse or urban renewal. Residential developers were operating in residential zone areas, commercial developers were operating in commercial zone areas and industrial developers were in industrial zones. We had a separation of uses, so the V1-V2 exercise was not as prevalent in the early years.

Now, collectively as a community—certainly as a government and I think as a community—we have accepted that we cannot continue greenfield expansion of the city as the only pathway for delivering housing, so we need urban renewal. And urban renewal is that exact situation. I have a use that is probably not meeting the community needs. I have a 1970s commercial building and, as people are working differently nowadays, I want to reuse that so that I can meet the demand in the housing market. Those instances are what drive V1-V2, and there will be more of them. Maybe it is because it has not been as prevalent previously. Certainly, attention should be 100 per cent focused on this issue.

**MS TOUGH**: Following on from that, how widespread is the withdrawal, redesign or just the leaving behind of projects because of the LVC uncertainty, or getting to the LVC stage and then saying, “I can’t do this”?

**Mr Kalogeropoulos**: I cannot talk for my peers. Generally, we do not. Apart from the Property Council and the Master Builders Association, there is no peak body for people undertaking development. I am not sure why that is the case. I am not really across how many there are. I just know from our own experience that this has happened several times. Obviously, the biggest one, without going into the details, is Dairy Road. If it stays where the government is persisting with it to stay, we will not have that development. That is a big example of the negative impact of the way this LVC has been structured.

**MS TOUGH**: You said you have had a few examples; it has come up a few times before. Does it impact your ability to borrow money or finance projects if you are not entirely sure what the cost will be up-front?

**Mr Kalogeropoulos**: Yes, absolutely. Typically, when you go to seek finance, a financier—a bank, for example—will want feasibility. They will pressure-test that feasibility. Inevitably, we would provide an estimate. We would say, “Based on the way that the legislation is drafted, what is the potential lease variation charge under V1-V2 that we would be required to pay?”

Generally, what happens is that you will receive a terms sheet, an in-principle agreement, based on those terms. If I have said it is $1 million, and it triples, all of a sudden, that terms sheet falls over. I need to negotiate a new finance agreement. I might not get the financier to provide it. It is pretty simple. You want to know all known costs, and particularly taxes, up-front; then you can calibrate the development. If it has a higher cost base, because there are higher development rights that you need to pay, the development gets re-calibrated in a certain way.

We talk about building quality and so forth. Generally, sometimes, because you are so knee-deep in the process, you have your LVC determination, and you say, "Do you know what? We'll just proceed and we'll bite the bullet." Do you know what happens? You need to make up that feasibility loss somewhere else. Often, that is then putting pressure on the builder, subbies, to find savings downstream, and that is not an outcome that you want, either.

**MS CARRICK**: With schedule 1 and schedule 2 of the disallowable instrument for the lease variation charge, schedule 1 has $30,000 per dwelling, $40,000 or $7½ thousand. Schedule 2 is so much per suburb, it is by suburb—maybe $2½ thousand or $9,000. It is more the inner south.

**Mr Kalogeropoulos**: Yes.

**MS CARRICK**: What is the difference between those two schedules? How are they applied differently or when are they applied?

**Mr Kalogeropoulos**: Read it out again?

**MS CARRICK**: Schedule 1 will have $40,000 per dwelling. Schedule 2 will be by suburb—an amount, locality A, B, C, and there are maps and—

**Mr Kalogeropoulos**: Yes. I am not across the detail of the way that the instrument is drafted. Typically, a codified charge is usually by suburb. There is a determination within government to say that, if you want to buy development rights—and it is not just with dwellings; say, for example, that you want to add an additional commercial or industrial area—it is done by suburb, and it is done on the basis of the value of that development right that gets bestowed to the landowner—what it is worth.

**MS CARRICK**: I think I get it now. I have not gone through it recently, but I am assuming that if you wanted a development in Forrest, for example, and you wanted a development in Gowrie, you would be paying less in Gowrie per dwelling, for example, than you would in Forrest. With the other one, per unit, it is where you have a multi-unit thing and you are, as you said before, adding to something, and not changing the use; then you would pay the $40,000 per unit.

**Mr Kalogeropoulos**: Yes.

**MS CARRICK**: My other question is this: before the 2011 change to the lease variation charge, it was the capital use charge—the CUC.

**Mr Kalogeropoulos**: Change of use charge.

**MS CARRICK**: Change of use charge. My understanding is that that had incentives in it so that, if you invested in some amenity around, say, a residential tower, the investment in that amenity around the tower would reduce the amount that you would pay for your betterment levy or whatever you want to call it—CUC in those days. Was that a good system that provided incentives for investment around developments?

**Mr Kalogeropoulos**: Yes, and it occurred after 2011. For example, for a period of time, where there were community benefit or sustainability initiatives that you undertook, there would be an offset. These levers are good if they are used properly. When they are codified, it is a lever that government can use. For example, if we feel that we need more housing or we need more community benefits in terms of amenity, these are good levers to use, because you then incentivise developers to be told, "We'll allow you this development right at a cheaper rate on the basis that you achieve this outcome."

It is a good thing on the basis that it aligns with where the market is at or where the market is not providing. That is why the codified rates are very good. Commercial is really challenging at the moment. If I were the government, I would be reducing the rates for commercial square metres to make it a bit easier for offices to be brought on the market, if that is what the government wanted. If the government did not want any more offices then they can increase it. If they want more housing, it is a lever that they can reduce. If they want housing that produces sustainable or green benefits, on the basis that you demonstrate that in your D-application, there should be some sort of reduction.

They are great levers. Generally, that is what government should be doing: they should be at the steering wheel all the time, looking at what the community needs are and adjusting those tax signals so that they can get the development that they want. At the moment it is a little bit of "set and forget". We just increase them notionally, with some sort of indexation. That is not a responsive way to address community needs. Community needs post COVID and pre COVID are completely different. The way we arrange ourselves in our homes and the way we arrange ourselves in our places of work have changed dramatically. You think, "How have the tax levers that are available to the government changed to reflect that?"

There is a mechanism to do so. With V1-V2, they are actually out of it. They do not have a mechanism to do it. It is a bunch of valuers that determine an amount by arguing amongst themselves as to what the actual value should be, in terms of what you pay.

**THE CHAIR**: Thank you very much. On behalf of the committee, thank you for coming in, and thank you, as a property developer, for telling us how to tax you properly! It is refreshing.

**Mr Kalogeropoulos**: I appreciate it. Any time.

**BRISBANE, MS KAMLA,** Chief Strategy Policy and Engagement Officer, Carers ACT
**GIBBS, MR PAUL,** Mental Health Policy Officer, Carers ACT, Mental Health Carers Voice

**THE CHAIR**: Welcome. Thank you very much for joining us. As witnesses, you are protected by parliamentary privilege and you are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly. We have your submissions and we were not going to take an opening statement. Is it okay if we go straight to questions?

**Ms Brisbane**: Absolutely fine with us.

**THE CHAIR**: That is great. I have read the submissions from you two and there was also another submission from another organisation in this same space. I am interested in the impact of our unpaid carers in Canberra, where we are not including that in our costings in our health system and the impact that has in terms of preventative health. Is that something you can talk me through?

**Ms Brisbane**: Yes. We welcome the opportunity to talk about the value of unpaid care. We have referenced the previous inquiry last year or the year before—the years are blurring a little bit—that actually covered off on that conversation. Family, friends and neighbours contribute a significant amount to the national economy in the care that they provide—anything from service navigation to administration and to personal care. We think that they are an important pillar in the community that needs to be considered. That is why we are here: to make sure that their contribution is considered in the fiscal evaluation.

**THE CHAIR**: We have got about 58,000 unpaid carers.

**Ms Brisbane**: Yes, we have about 58,000 carers. Not all of them know that they are carers, but that is the estimate that we have.

**THE CHAIR**: Does that include parents?

**Ms Brisbane**: No.

**THE CHAIR**: That is huge then.

**Ms Brisbane**: Yes. We are talking about people who care for people who are experiencing mental health challenges, which are episodic often; people who care for people with disability; and people who care for people who are older who have chronic ill health—and, obviously, there is some overlapping situations there.

**THE CHAIR**: Yes. Our carers are not always recognised in our activity-based health pricing system, I understand. We have had a whole lot of evidence from lots of witnesses saying we need to invest more in preventative health care, and I would say that caring is a huge part of that. We have had the health minister agreeing that we need to do that, but we have not really got details on how that is rolling out. I am interested in and concerned about the number of unpaid carers in the community that are not really recognised by the health system and that are also not appearing in our health activity unit system. Is that what you have found—that the value of this work is not really being accounted for in that preventative health and health system?

**Ms Brisbane**: That is true. The MHCV, the Mental Health Carers Voice submission highlighted that particular example. I think we are improving. There are three components of a health system: the consumer, the carer and the clinician. The carer often is not recognised as part of that. On building that into the systems, from an administrative point of view to the conversations that happen between clinicians to then providing the supports, the example in the Mental Health Carers Voice submission highlights how that can actually shine a light on the activity that happens. If you collect the data on that, some funding could actually be delivered in that space.

**THE CHAIR**: Absolutely; it should have been recognised and funded. If I am thinking of the right example, in that particular example, the carer was not part of the diagnosis, admission and discharge story and so we ended up with a really bad outcome for the patient and the carer, I would imagine. Was that the problem there?

**Mr Gibbs**: In part. When we talked about the numbers, 58,000 sounds like a lot but that is quite conservative. It also does not count people under the age of 18, and we know that that is a very significant group as well. I saw research recently that said it could be as high as one in five young people. We really need to understand in a much more definitive way what the numbers actually are. If we are not collecting the data around that, that is actually a really problematic thing for us to understand. I know it is a big number, but it is a low number.

**THE CHAIR**: It is an underestimate.

**Mr Gibbs**: Yes. I that is really an important thing, and we have tried to be really consistent about explaining that. We know in the mental health space that structured care has been something that has been around since about 2012 but, because of the complexity of that, it has been a very slow implementation. That actually speaks to the level of complexity. I would just use the example that I gave. When someone walks into the emergency department and they are suicidal and they need an assessment, they get an assessment and then they might go on to a whole range of other care depending on how they are presenting at the time. For each phase of that, the data can be collected and matched against phased care. But, to do that, we really need the administrative capacity and the staffing capacity, and you would imagine that that also takes a lot of time. Then you need to work out how often the data needs to be reported against. We know in each jurisdiction, we are on the way in being able to do that. It is just taking a lot of time, and it takes that time because it is just a really complex thing to do. Am I making that point?

**THE CHAIR**: Yes, you are.

**MS CARRICK**: I did not quite get it. What is the structured care that is taking such a long time to do?

**Mr Gibbs**: It is the phased care approach. Each time someone is presenting, there are four different phased types of care that can actually happen across that. To track and document that and then report against that is quite a complex thing to implement. That is what we are trying to emphasise here. But just because it is complex does not mean that we should not be putting in all of the resources that we can to actually to support that, because that will give us a really good picture of what is actually happening.

**THE CHAIR**: Yes; thank you.

**MR COCKS**: Ms Brisbane, in your submission there was a discussion around the Wellbeing Framework. I think you were saying that the Wellbeing Framework provides no data for its own unpaid work, including a caring indicator. Is there a dataset that the committee should be looking at? How do we start to address these problems or deficiencies in the Wellbeing Framework?

**Ms Brisbane**: The time domain is a little bit sparse in that, and that is very tricky. What has happened in the past is that carers have responded to their view of their quality and their view of the time they have had, which is good. It is good to have their opinion on that and how they feel about the time they spend caring. But, if we actually have a measure of the time they spend caring, it is without a value judgement, and it can be economically evaluated. Doing that requires a different set of questions.

There are two main national surveys that we use to talk to carers or at least hear from carers. One is the Carers Australia Carer Wellbeing Survey—this year's version was just launched yesterday—which focuses on the wellbeing of carers. It is a voluntary survey. In the ACT, we got a bit over 200 responses last year. Carers New South Wales also runs a national survey. That is focused a bit more on service delivery and how carers interact with services. Again, it is a voluntary survey and I think they got around 180—do not quote me exactly. But carers are time poor, which is why they are not really that into, you know filling in surveys. So it is about how we go about doing that. The ACT did the regional survey, through UC, in maybe 2023. But, again, that was around your view of time. Maybe it is time to do that again and re-evaluate.

**MR COCKS**: Yes. My next question starts to go to your broader comments around the Wellbeing Framework. The quote I scrolled down was, "It cannot meaningfully guide investment decisions." One of the discussions we have been having is around the usefulness of the Wellbeing Framework—how useful it is for guiding practice and investment versus—I hesitate to use the phrase—spin and narrative building. What do you see as good practice for demonstrating wellbeing in a way that can connect back to those budget choices and making sure we are getting the right money going into the things that are actually going to deliver the best outcomes?

**Ms Brisbane**: Carers ACT is very supportive of the Wellbeing Framework, because that is how we actually speak about carers. It is their wellbeing—their financial wellbeing, their emotional wellbeing and their social wellbeing. All of those characteristics are very important to us, and that is what we are here to improve. We work very hard to communicate that in the best and most respectful way that we can to bring about change.

Where we can struggle is where there are gaps—for example, in that time domain—and having things up to date. The other is how we can see the outcomes change. That is what we look to when we write our budget submissions as we are focusing on the wellbeing of carers and the people they care for and how that can be fed back to our community. I think we are all trying as a community, but we can do better in that space.

**MR COCKS**: It sounds like the outcomes element is pretty important.

**Ms Brisbane**: It is, yes—in all of our strategies and the work we do. We have a mental health carers voice strategic plan. We are focused on the outcome, not just on talking about what the problems are. We are trying to help government and help ourselves to understand and communicating that in a message. We think that the message that government understands goes to those fiscal levers. It is not our area of expertise, but it is why we are here—to try and help translate the wellbeing part into the fiscal conversation.

**MR COCKS**: Thank you.

**MS TOUGH**: Following on from that, what are the practical risks of not measuring carers' time and time spent caring—not just for carers and the people they care for but also then following on to the government and for planning?

**Ms Brisbane**: We are actually at quite a crucial time. At the moment, we are looking at a system change, which we are supportive of, where people would like to age at home. We think it is really important to start the evaluation of the impact on carers as soon as we can, so that we can make sure that, as that family, community, neighbour and neighbourhood changes to support people aging at home, we can see if—let's not make any assumptions—there are some impacts on carers going forward. That would be one: a long-term perspective of how caring is changing through systems. Did you want to add anything to that?

**Mr Gibbs**: The way that we have tried to understand what the numbers are is around using instruments like the census, for example. That has still failed for us to completely understand, because some people might not acknowledge that they are in that role or they are under the age of 18. So we really need to do a lot more thinking around how we get the data, and we are clearly just not there yet.

**MS TOUGH**: Do people providing care to an older relative or an older neighbour might not see themselves as a carer, but that time they are providing and that support they are providing is essential.

**Mr Gibbs**: Yes. They might just think, "I am just being kind and helping a neighbour," but in fact that is actually what they are doing. Of course, we know that, if that has to be replaced by someone who is paid in that role, then that is a whole other thing.

**Ms Brisbane**: The other thing is that, when we are looking at the time that carers spend caring, we might then understand better the impact of that on their work, because we can compare that data on their superannuation, on their education level or participation. Some of that we know, but it is reflecting those two together and having a stronger picture of the real impact on caring. To reiterate that: sometimes the message we actually need to be using is that every year in Australia, it is about $78 billion—and this was data from a couple of years ago—worth of caring that carers do, if we were to replace that. That is why it is such a huge pillar in the community.

**MS TOUGH**: Thank you.

**MS CARRICK**: It is crucial that we support our carers. I talked to the parents of the Malkara School and the Woden School who have been at home because of COVID, been at home because of the sand and now because of the recent flooding. It is really serious when you do 24/7 care. If they cannot go to school—which is the parents' respite; so they get to go to work—what back-up facilities are there? What is the back-up for these people—and some of these families are really at the edge—if there is no respite if there is no school? What respite is there for them?

**Ms Brisbane**: I feel like that is a rhetorical question to some degree.

**MS CARRICK**: Why—because there is none? Is that the reason?

**Ms Brisbane**: There is emergency respite that, in certain situations, we can put in through federally funded programs like the—

**MS CARRICK**: So where would they go, though?

**Ms Brisbane**: That is through the Carer Gateway.

**MS CARRICK**: Yes, but what place would they go to?

**Ms Brisbane**: I am not aware of a dedicated place, and that is part of the problem for the families that were impacted by Malkara School. We have mentioned in other submissions that the availability of respite for complex care at short notice is very difficult to get in the ACT—actually anywhere in Australia.

**MS CARRICK**: The Australian government's policy, in the new Aged Care Act 2024, is to try and keep people at home as long as possible or as long as they want, assuming as long as they have a carer—and, the longer you are at home, potentially the more complex your needs become. How do we do we support the carers who are caring for more and more complex needs? Where is the respite facility for them? That is more aged care as opposed to disability.

**Ms Brisbane**: Yes. What you are identifying is that respite is an issue across the board, from childhood through to older age. I do not think the system has kept up with the needs of carers. We continue to advocate. Carers ACT cannot provide all of those services themselves, nor can the ACT government. We talk about the community sharing the responsibility for respite and we talk about the need for it to be flexible and for people to have choice—and that is the carers and the people who are being cared for. It is often the case that people would like to age at home, and it is up to us as a community to find a way to support them to do that. But we do not want that to be at the detriment of the health and wellbeing of carers. It is an ongoing conversation and a problem requiring a solution. I do not have the answer to that.

**MS CARRICK**: Maybe the government could invest in some places that they can go—for example, Burrangiri. That at least has 24/7 registered nursing care and 15 beds. It is going to close, and we will lose 15 beds that a carer can book into.

**Ms Brisbane**: Yes. That is right.

**MS CARRICK**: That is that higher level of care than a cottage provides, and we are going to lose it.

**Ms Brisbane**: That is right. It is an important and significant problem. I agree.

**THE CHAIR**: I have a question, though it may not be in your patch—and that is okay. Generally speaking, the commonwealth is responsible for paying for health, disability and aged care. We do not have data on how much unpaid caring is going on in our community in those patches, but it is obviously a lot. That means we are not getting any commonwealth funding for any of that unpaid caring. Is that how that is working at the moment?

**Ms Brisbane**: Carers who are eligible receive a carer payment and a carer allowance, and the federal government also funds the Carer Gateway, which also provides support to carers. Is that what you are asking?

**THE CHAIR**: You are giving me exactly the right information. I am actually going to lodge a question on notice to the health minister to find out what our gap is, and you have given me the right words to put into that question on notice. Thank you. So there is a commonwealth carers allowance for those who are eligible and there is a commonwealth-funded Carer Gateway.

**Ms Brisbane**: Yes; carers allowance and carer payment, which are for people who are not able to work and are full-time carers effectively.

**THE CHAIR**: Thank you. I am going to take that information and ask our health minister what the gap is and see if she actually knows the difference is between the people receiving this and the people who are doing the unpaid services who are not receiving this. I am outside my patch in this particular area; so thank you.

**MS CARRICK**: Are you able to tell us how Carers ACT funding from the federal government works? What is the gateway funding and what is the cottage? How is it broken down in that ACT government funding?

**Ms Brisbane**: I can talk broadly. I have stepped into this role most recently; so I am not across the details of each of the contracts. Our Chief Services Manager and CEO are more across each of the individual contracts. But I can tell you that we are the ACT provider of the Carer Gateway. We also do some support coordination—so that is NDIS funding. We run a disability day program, which is again NDIS funding. We have some overnight respite cottages and we have a day respite facility in Spence as well. We also provide some social groups through our CATS funding. That is territory funding. So it is really quite a mix of funding. We supplement that with some philanthropy support as well, where we are not able to draw on particular funds for things that sort of fit outside a prescription. No one carer's life often fits into the nice funding brackets. So we rely on that as well. So it is a diverse funding. For more detail, I would have to come back to you, Fiona, but it is available on our website in the annual report.

**MS CARRICK**: I could not find the split between commonwealth and the ACT in there or what gets funded.

**Ms Brisbane**: We have probably broken it up program by program.

**MS CARRICK**: Do you know how the block funding works for the cottages?

**Ms Brisbane**: That is not my area of expertise; I am sorry, But, again, I can come back to you if you—

**MS CARRICK**: Yes, no worries.

**THE CHAIR**: Do you want to ask our busy volunteers to take that on notice, or do you want to ask our health minister or somebody else?

**MS CARRICK**: I have asked, but I do not think she will give it to me. You guys are not ACT government—

**Ms Brisbane**: No.

**MS CARRICK**: You get some funding from the ACT government.

**Ms Brisbane**: Yes, that is right.

**MS CARRICK**: . If you could provide information on how your funding works, that would be really terrific.

**THE CHAIR**: If you can come back to us with that information, that would be most helpful.

**MS CARRICK**: A commonwealth and ACT program sort of split.

**Ms Brisbane**: How should I format that so that it is a useful way for you to interpret?

**MS CARRICK**: By program and then how much is commonwealth and how much is ACT government would be handy. We are talking about sustainability. With a cottage, what sort of level of funding makes it sustainable? I am just curious to know what they get. Assumably, it is sustainable funding. I know it is all going to change in 2027 because the block funding runs out then. Anyway, I just do not have a concept of how the cottages particularly are funded.

**Ms Brisbane**: So it is the cottages in particular you are interested in.

**MS CARRICK**: Primarily. I know you have day programs, but it is primarily the cottages that are of interest and perhaps the Carers Gateway.

**MR COCKS**: The other thing that is very interesting from this committee's perspective is the efficiency of funding that gets provided to organisations, particularly when you have funding coming from multiple sources that have overlapping reporting requirements and you run into a bit of a productivity problem.

**Ms Brisbane**: We do a lot of reporting.

**MR COCKS**: Yes; spending a lot of the money and a lot of the resources you are getting on reporting a million times instead of doing the things that would be delivering good for the community. That is the other angle I think we are interested in.

**Ms Brisbane**: Sure. Okay.

**THE CHAIR**: The irony of a question on notice about how much reporting you do is not lost on us! But we are trying to get you more money. We will do our best.

**Ms Brisbane**: We appreciate that. We are willing to do that.

**THE CHAIR**: On behalf of our committee, thank you very much for your attendance today and your evidence. It has really helped us. Thank you.

## Short suspension

**STEEL, MR CHRIS,** Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage and Minister for Transport
**BOURKE, MS NATASHA,** Executive Branch Manager, Financial Reporting and Framework, ACT Treasury
**CAMPBELL, MR RUSS,** Under Treasurer, ACT Treasury
**DOWDELL, MS MICHELLE,** Deputy Under Treasurer, ACT Treasury
**McAULIFFE, MR PATRICK,** Executive Branch Manager, Investments and Borrowings, ACT Treasury

**THE CHAIR**: We welcome Mr Chris Steel MLA, Treasurer, and officials. As witnesses, you are protected by parliamentary privilege and you are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence is a serious matter and may be considered contempt of the Assembly. We are not having opening statements. We have your submission. Thank you very much. We will proceed straight to questions.

Treasurer, your submission says that you will be returning the budget to operating cash surpluses over the forward estimates period. We have evidence from the independent advisor Saul Eslake, who said:

> The ACT's general government fiscal position has been, and is forecast to remain, worse than the average of all states and territories

and:

> The 2025-26 Budget Review forward estimates imply an unprecedented degree of spending restraint

I guess the small print is that he is not convinced we will exert that spending restraint. He also said:

> Budget forecasts, particularly of spending, have become an increasingly inaccurate guide to eventual outcomes …

We have also had evidence from the Auditor-General and the Commonwealth Grants Commission. The way they frame things is a much closer match to the way Saul Eslake has framed things. What is going on with the different statements we are getting from the ACT government and the Treasury versus the Auditor-General, the Commonwealth Grants Commission and Saul Eslake on our fiscal position, our expenditure and our debt position?

**Mr Steel**: The government transparently reports the state of the ACT's finances in the budget and in the most recent budget review, and through the quarterly financial reports as well. I refer members to page 81 of the *Budget review*. This is for the general government sector, but it also presents it for the PTE sector and total territory—the net cash from operating activities, investments in non-financial assets, and also the cash deficit. We present the finances, looking at some of the metrics that Mr Eslake mentioned and homed in on in his report. We will consider that in each budget, as to where the fiscal sustainability of the budget is up to, and that informs decisions as we make them through the budget process.

Obviously, investments in non-financial assets include not just the net cash from operating activities but also the borrowings that are undertaken for investment in infrastructure. It is reasonable to borrow for infrastructure, particularly when it is generational infrastructure that is going to be used by generations to come. We have been investing in things like hospitals. It is reasonable to present that in a range of ways to be transparent, and that is what we have done in the budget. We will continue to do that. And, of course, we will take Mr Eslake's suggestions seriously—his recommendations in the interim report and anything that comes out in his final report—and, indeed, the committee's recommendations as well. But, if the suggestion is that we should not be borrowing at this time for infrastructure investment—

**THE CHAIR**: I did not ask you about borrowing, Treasurer. Can I—

**Mr Steel**: I am making a valid point. If the suggestion is that we, as a government, should not be investing in infrastructure and using borrowings to fund that infrastructure, then I suggest to members of the Assembly that they be very specific about what infrastructure projects the government should not proceed with, defer or cut entirely. That is really important. We think it is reasonable to use borrowings to support that infrastructure investment, but of course we need to make sure that it is sustainable, and that is, I think, where Mr Eslake is going.

**THE CHAIR**: Thank you. I might bring it back a bit. I hit you with quite a lot of information in that opening. On the expenditure side, one of the things Mr Eslake has pointed out is that the government's ability to predict its expenditure has not been terribly accurate. He is raising some concerns about whether, over the forwards, we will, in fact, deliver that level of expenditure. This is something that has come up a lot in the estimates processes. Do you have any comment on that?

**Mr Steel**: Yes, I do. We have had a fairly turbulent time over the last five years as a result of a global pandemic, and that meant that the government had to make what I think Mr Eslake has called "policy decisions" to not raise additional revenue and to support the economy, including businesses and the community, and to also invest directly in health for unexpected expenses that were required during the pandemic, and in business support measures, including direct cash payments and so forth. Then, in the inflationary period that followed, we also had to respond to that. That is the nature of a dynamic economy. Things are going to come up from time to time. At the moment, we are experiencing a war in the Middle East that we did not expect to erupt in the way that it has, and that may mean that there are implications for the broader economy and the budget. That is something we will have to think about as we pull together the 2026-27 budget.

So, yes, things happen that mean that sometimes the forecasts are not met. But I have also heard the counterfactual—and Mr Cocks noted this in his speech in the last sitting week—that the forecasts in the budget were pretty good, because we did not end up needing a supplementary appropriation bill in the end, because the level of expenditure was within 0.75 per cent of total expenditure in the budget. We did not require a supplementary appropriation bill this year, so that was certainly welcome, and that is because of a huge amount of effort to make sure that directorates were operating within their budgets, and that continued effort will be occurring.

A lot of work has been done around putting in place new budget control measures and a new budget control framework. The work on the whole-of-government savings measures that we announced in the budget has also involved significant effort, looking at expenditure across agencies which will assist in that task, particularly expenditure around employee expenses, which is something that we are really focusing on. You have had a few comments about that in the hearings thus far.

**THE CHAIR**: We have. What visibility does the Treasury have over directorate budgets and whether directorates are exceeding their budgets—whether directorates, on a program level, are delivering the program within the expected budget, and whether a long-term funding service is maybe being funded on a short-term basis, and so, in two years, when it drops off the books, it may actually need to come back? Does the Treasury have visibility over all that?

**Mr Steel**: There is quite a bit to unpack in that question. Certainly, capital expenditure is generally tracked pretty well. There is reporting along those lines to the Assembly as well.

**THE CHAIR**: Probably talking more about operating—

**Mr Steel**: In terms of recurrent expenses for particular programs, we have had a discussion at length before in estimates hearings about how we report in relation to an initiative basis, and that is tracked, but we do not report in the same way as the commonwealth, at a program level. I will hand over to the Under Treasurer to provide some further information.

**Mr Campbell**: Thanks, Treasurer. I might also ask my colleague Ms Bourke to join me at the table to give you a bit more detail about our interactions on a more regular basis with directorates. As part of our engagement at the Treasury, we do not replicate everyone's budget. Basically, we have engagement with them through our quarterly reporting framework, where we get updated advice on how spending is tracking against their budget. There will be discussions in that context around any variations that agencies have seen and what might be driving some of that.

**THE CHAIR**: The Treasury sees the variations and then the Treasury asks questions?

**Mr Campbell**: That is correct. Natasha may want to add something further.

**Ms Bourke**: To elaborate on that a little further, certainly in the budget context when we are preparing the estimates, we disclose initiatives in the budget papers, but we also collect data or adjustments at the initiative level in our system. So we have visibility of individual initiatives in a budget estimates context and whether they have a terminating year, or how long the estimates are travelling against an appropriation for an initiative. It is broken down to that level and collected at that level in the government budget management system.

When we talk about actuals and reporting back into the Treasury against the actuals, as was mentioned in a capital context, we certainly have visibility of actuals at the capital project level. Agencies are asked to input that information to the Treasury. But, when it comes to actuals in our consolidated financial reports, it is at a higher level to serve the purpose of preparing the consolidated financial statements. That will come in at a trial balance level from the central source system, which is currently Oracle Financials. We will draw a trial balance through and we will see items at the operating statement, balance sheet and statement of cash flow level. That will be tracked against a year-to-date budget at that level and the system will identify if there is a variance over a certain amount or under a certain amount, and agencies will be asked to identify the drivers for that variance. To support that process, they will also provide us with a quarterly management discussion analysis report, which the Treasury sets the format for, and that will ask them at a high level: "How is your total expenditure tracking against your year-to-date budget and your total revenue, and what are the drivers for those variances?"

**THE CHAIR**: Thank you.

**MS CARRICK**: If data comes in at P&L level—

**Ms Bourke**: To the Treasury, for actuals.

**MS CARRICK**: Is that what you are saying—a trial balance level?

**Ms Bourke**: Yes. A whole-of-government reference dataset.

**MS CARRICK**: Does it come in at output level?

**Ms Bourke**: No. It comes in at directorate or agency level. The output project level is tracked more by directorates in the central system, but we do not bring that in at the Treasury level to serve the whole-of-government reporting.

**MS CARRICK**: How do you know where you might have savings or efficiencies at a program level? You do not get visibility of that yourselves. You rely on the directorates?

**Ms Bourke**: It would be fair to say we rely on the directorates for expenditure—yes. For capital, we have initiative-level information.

**MS CARRICK**: How often would they be required to review an output? Initiatives are so small. They can be a couple of hundred bucks. They are nothing.

**Ms Bourke**: Yes—there are some risks.

**MS CARRICK**: How does the directorate review it when they have these tiny little things and then they have big outputs? How do they manage?

**Ms Bourke**: There are a couple of things in the directorate world that the Treasury does not pull through into our systems—where they are, for example, in their internal budgets. They would allocate their internal budgets out to their business units based on initiatives that they have received funding for, and they would track it at that level in their directorate. In the central finance system, they can create project codes or cost centres and they can track initiatives against those. But we do not have visibility of those in the Treasury. We do not pull that through—

**MS CARRICK**: Assumably, the initiatives roll up to something? They must roll up to an output.

**Ms Bourke**: In terms of the central finance system, they roll up to an entity structure. They could consolidate up to an agency, or an agency might have multiple entities sitting under it at that level, based on the size of the directorate or the business units. As an example, CMTEDD might have an entity code for Revenue Management Division—

**MS CARRICK**: Does the Treasury have discussions about how reporting could be improved to get greater visibility of where expenditure could be reviewed? Programs are reviewed for a lot of reasons: to work out whether it is delivering the outcomes that it is supposed to deliver and what could be tweaked to make it better, or whether savings could be allocated somewhere else. Are there discussions about how you might get better visibility over it?

**Ms Bourke**: There was certainly a lot of discussion—I am going back a while—when we replaced our budget management system. Historically, prior to our current system, everything was at the output class output level, so visibility was lower. We moved to the initiative level on implementation of GBMS. There was certainly a lot of discussion at that time about striking the right balance between what we needed and having more visibility over those items to better inform that. In an actuals context, we had a good look at whether we could look at initiatives and map them back against a budget initiative, but we are not mature enough yet to do that. A project code does not necessarily align one-for-one with a budget initiative. You could have a budget initiative that has multiple project codes because it might impact multiple business areas in a directorate. It might even impact multiple directorates, for example. It is about getting that mapping correct.

**MS CARRICK**: The coding is tricky—getting it right.

**Ms Bourke**: Yes; that is right.

**Ms Dowdell**: In addition to the formal reporting processes, there are other ways in which we engage with agencies. As business cases are considered each budget, part of that will be: "What does that represent in terms of existing funding and other programs that are in place, and does that represent value for money?" There is some engagement that is not a formal reporting process. The expenditure prioritisation work that the Minister for Finance has flagged was also working for agencies to look more broadly at what their activities are and how they can identify opportunities for efficiencies and savings.

**MS CARRICK**: Thank you.

**MR COCKS**: The Chief Minister was in earlier this week. This is going to questions about what is in and what is not in the budget. He said that one of the reasons we did not have to worry so much about the future of the budget on a cash basis was that—if I recall his words correctly—the ACT government is paying down the superannuation account by half a billion dollars per year. I asked if that was on a cash basis. Is that the number in the budget and in the financial statements that is listed underneath or alongside benefits paid?

**Mr Campbell**: There is actually a table which has this number in it.

**MR COCKS**: While you are looking for it, perhaps I can put it this way. When I look through the numbers, the only cash payment I can see with respect to the superannuation account is the payment for the amount of benefits paid. Is that incorrect?

**Mr McAuliffe**: I have read and understood the privilege statement. I do not have the budget papers in front of me. There is a table in the Budget Outlook and the balance sheet metrics and it shows that, each year, we have to make an emerging cost reimbursement payment to the commonwealth. Let me go back a step. There are two things going on. We have a liability to the commonwealth. In the balance sheet, it is the best part of $10 billion, or whatever it is.

**MR COCKS**: Lots of money.

**Mr McAuliffe**: Each year, we reimburse the commonwealth the amount of benefits that they pay to former ACT government employees that have a benefit, and we reimburse them for their share of service with the ACT government. There is a schedule built into the budget. At the moment, it is about $500 million a year.

**MR COCKS**: In the interest of time, I have done a lot of looking at how the system works. I am interested in knowing, very simply: is that number the only transaction that we are actually making—

**Mr McAuliffe**: Yes. That is the only transaction we need to make.

**MR COCKS**: the cost of the benefits paid?

**Mr McAuliffe**: Yes; that is right—the reimbursement each year of the benefits paid. At the moment, the Super Provision Account receives budget appropriation for that amount of money. So $500 million comes in and we pay $500 million to the commonwealth.

**MR COCKS**: Noting that it is not precisely $500 million.

**Mr McAuliffe**: Yes—whatever the schedule of numbers is. With the funding plan, we are building an asset pool to cover the overall liability. When we reach that full funding—we are on target at the moment—in the early 2030s, we will be able to stop the budget appropriation coming into the SPA and then meet all future emerging cost payments out of the SPA to free up that appropriation.

**MR COCKS**: To be clear, the Auditor-General was not convinced about the timeline—that we would have that fully funded. But, putting that aside, the government is not actually paying down the liability in cash; we are paying the benefits and then we are relying on whatever growth we get from the account itself to offset the liability.

**Mr McAuliffe**: No. We are paying out our cash flow that we need to pay out. The government is not obliged to pay a cent more of that accruing liability. It is a defined benefit scheme, so the liability will continue to accrue until such time as there are no more current contributors. Over time, that liability will tail off.

**MR COCKS**: So the amount of money coming out of the budget is precisely what goes out in benefits, on a cash basis, and then whatever growth happens in the account is what builds up.

**Mr McAuliffe**: It is building up the pool of money to help make the future payments once we reach that fully funded position. Then we do not have to rely on budget appropriation.

**MR COCKS**: That is a bit different to paying things down in cash out of the budget, though.

**Mr McAuliffe**: We are paying the emerging cost. It is being paid out of the budget now. There is an appropriation line for it.

**Mr Steel**: But the point is this: in the early 2030s—I think it is currently predicted to be 2033—

**Mr McAuliffe**: Thereabouts.

**Mr Steel**: I think Pegasus said that. They made that finding in their report in the lead-up to the budget. There will be significant headroom in the budget at that point in time, because that appropriation will not need to be made. So there will be more—

**MR COCKS**: The point that I made to the Chief Minister was that, even if you do that on a cash basis, which is what this report from the independent advisor says is the right way to look at fiscal sustainability—not net cash; on a cash basis—that is not even half of the deficit you are running now. So that does not provide headroom. It is a little less bad at that stage.

**Mr Steel**: It will provide headroom in the budget to both return to surplus and, potentially, build a surplus to then pay down debt, or invest in infrastructure that may be required at that particular point in time. It is an important, unique feature of the ACT's finances that needs to be understood. Because we have had this inherited liability of people who are part of the CSS and PSS schemes from the commonwealth, prior to self-government, it needs to be understood. This headroom will be provided—not too far away—but, in the interim, of course, we need to make sure that the budget is sustainable. We will have that extra headroom in the budget at that particular point in time, and it can be used by a future government to do a range of things at that time.

**MR COCKS**: Even on your numbers, a cash surplus is just about inconceivable.

**Mr Steel**: On page 81, a cash surplus is currently forecast for 2026-27, in terms of—

**MR COCKS**: No, it is not. That is net cash.

**Mr Steel**: net cash from operating activities.

**MR COCKS**: Yes. That is a very different measure to what the—

**Mr Steel**: That gives us a true picture of the operating state of the budget: $171 million in 2026-27.

**MR COCKS**: That is why I was very clear, right at the start, that I am not talking about net cash. I am talking about cash and the same sort of measure that the commonwealth uses when it is looking at surplus and deficit.

**Mr Steel**: But the commonwealth is very different. The commonwealth—

**MR COCKS**: Indeed, which is why it is adjusted to be even worse.

**Mr Steel**: The commonwealth does not deliver the same range of services or infrastructure, directly, that the territory does. Of course, it contributes to infrastructure that is delivered by the states and territories and local government. So it is not accurate to suggest that we are the same as the commonwealth. But, in relation to the—

**MR COCKS**: That would be a straw man you are building up, because I am not saying that it is the same. Indeed, if you are arguing that, you are building up a straw man to argue against.

**Mr Steel**: If the amount is $500 million in 2033 that will not necessarily need to be appropriated, that will have a very positive impact on all lines in the budget, including investments in non-financial assets, which would see the numbers return very close to a significant surplus.

**MR COCKS**: The assumption would be that no additional capital expenditure comes into the budget to achieve those numbers.

**Mr Steel**: That is a future decision of governments.

**MR COCKS**: I am talking about the assumption behind what you just told us, not the decisions. To achieve the numbers and achieve the outcome you have just said, no extra expenditure could land on the budget—no extra capital and no extra services—other than what is factored into the budget and the appropriations now.

**Mr Steel**: Any headroom in the budget will improve the financial position of the territory that is created by paying down the unfunded superannuation liability.

**MR COCKS**: It is a straightforward question.

**Mr Steel**: That is what I am saying. It will see a significant improvement in the budget, and it will not be for just one year; it will be ongoing. We are talking about year on year on year that will enable the territory to not have to make that investment. Of course, future governments will need to take that into account when they are making decisions about capital investment and investment in recurrent expenditure on new programs and services.

**THE CHAIR**: Treasurer and Mr Cocks, I wonder if the question was: what assumptions have you made right now? Was that the question?

**MR COCKS**: To achieve the forecast of landing at or very close to a surplus on that timeline seems to assume that no extra capital comes into the spending trajectory.

**THE CHAIR**: Is that a question that can be taken on notice, perhaps?

**Mr Steel**: We report on all of the different ways of reporting the budget. What we are focused on is: what is the fiscal strategy? That is the headline net operating balance and return to surplus, which recognises that, when we do invest in capital, there is an asset that comes on to the books. We are focused on that. We are also focused on the net cash from operating activities, which truly affects the operating status of the budget. Those are things in the fiscal strategy. I think Mr Cocks is trying to, again, cherry-pick one line of the budget for a particular metric that he prefers rather than what the government prefers—to assess the true condition of the budget.

**MR COCKS**: Once again, you are building up a straw man argument rather than engaging with the question.

**THE CHAIR**: Treasurer and members, we have very limited time. Two members have not asked a question. We will have more questions lodged on notice if we need to.

**MS TOUGH**: I have a question around population undercount. A lot of the interim report talks about expenditure per population. What is the risk if we do not have a proper number for our population, for planning services and providing services? Then there is the flow-on of deciding how much a service is costing per population, if that is not what the underlying population actually is.

**Mr Steel**: It is a fundamental problem that our population continues to be systemically undercounted between censuses, and that directly affects both the sustainability of the ACT budget and our ability to deliver services and infrastructure to the true size of the community that we serve. The budget has reported on that. From 2016-17 to 2022-23, the ACT cumulatively lost around $550 million in GST revenue grants due to population undercounts. It primarily reflects GST revenue, but a range of other grants from the commonwealth is also based on population size. If the population size is wrong, the amount coming from the commonwealth to the territory is also incorrect. This is something we have been raising time and time again. If this were rectified, it would not be a silver bullet that fixes the budget woes overnight—it would not—but it would significantly help amongst a whole range of other measures that the government is taking to make sure that the budget is on a sustainable path.

We will continue to raise this at every opportunity. The latest opportunity is the Productivity Commission's review into horizontal fiscal equalisation and the methodology around HFE. That methodology starts with population, so, if you get that wrong, it follows that the rest of the methodology is not going to necessarily address that. We will be raising this every time we meet with the commonwealth and every time that we make a submission to commonwealth parliamentary committees, which we have done recently, and also with the Productivity Commission, the Commonwealth Grants Commission, and, of course, the Australian Bureau of Statistics as well, who are involved in that. There has been some limited change to the methodology, and that has seen an improvement, but, once we see the results of the upcoming census, it will clearly show that, in relation to net interstate migration, there is substantial variance, and we need that addressed.

We have suggested that there could be a method of effectively forecasting what the potential variance is, and then, if the census shows that we did not have the population that we expected, there might be a way that we could pay back any additional funds that the commonwealth had given us. A true method is something that could be looked at. It is not something that affects the other states and territories much, but it does affect us.

**MS TOUGH**: Could I confirm. You said we missed out on about $500 million. When the census comes out and we see the increase in population is way more than expected, there is no extra money from the commonwealth—"Sorry. We were wrong. Here is the money." It is a case of: "Too bad, so sad." We have those figures for next time, but there is no rebalancing backwards, is there?

**Ms Dowdell**: That is right.

**Mr Steel**: The issue is that the GST pool of money, when it is shared, would have to come from other states and territories that have already received it.

**MS TOUGH**: Yes—so there is no way of getting that money.

**Mr Steel**: Yes. That is why we are suggesting that, if a new methodology were set up that expected this variance to happen, which tends to happen every census, then we could address it in a different way. We are not talking about radical changes to increasing the pool of GST or the rate of GST; we are simply saying that the ACT government should be receiving our fair share of funding based on our population before other relativities are taken into account.

**MS TOUGH**: Thank you.

**THE CHAIR**: I might just quickly supplement on that. You mentioned that, if we got a better method and we got overpaid, we would possibly consider a true-up. The commonwealth does not true-up with us when they underpay us. We do not get payment back for it. Why would we automatically have to pay them back if they overestimate?

**Mr Steel**: Well, because it would not reflect our population share, I guess.

**THE CHAIR**: Which is what is happening now.

**Mr Steel**: Yes, sure.

**THE CHAIR**: Okay.

**Mr Steel**: It is whether they would agree to that. We put something up that is reasonable that we think that they could agree to, and we hope that they take that into account, and hopefully the Productivity Commission support that position when they undertake their inquiry and final report.

**MS CARRICK**: Just back to the measurements, Mr Eslake in his report talks about the targets—you guys use HNOB—and he suggests using cash surplus. You will keep using HNOB and we will keep using cash surplus. I want to ask about HNOB and something I do not understand. It is an increase in the market value of the investment; so how come other increases in the market value of other investments that are not super are not then included in the HNOB? Why is the super increase in the market value of that investment included in "other"?

**Mr Steel**: I would like to ask our expert, Ms Bourke, to join us at the table again.

**Ms Bourke**: With this super return adjustment, the main objective is to be able to offset what we have in our UPF net operating balance, where we have all of the super expenses being captured under transactions, which we are required to do—so both our super interest costs and the service costs and the liability as well. We are looking at somewhere between $500 million to $600 million a year. In the revenue from transactions, the only thing that we can book in our UPF net operating balance is what has resulted upon those super investments that are related to a transaction. So we have dividends and distributions—those types of earnings on investment—rather than the capital gain.

The reason we count the capital gain and bring that into the HNOB is because we would have a distortion between the amount of revenue we can recognise on the UPF net operating balance and the amount of expense. We are required to recognise 100 per cent of the expense as transactions—that is what we have to live with under government finance statistics and the definition of the expense—but, on the revenue side, the capital component is recognised as an other economic flow under government finance statistics. We are not able to capture that on our key metric if we were to use UPF. That is one of the main reasons.

**Mr Steel**: I think this fundamentally goes to our unique circumstances in the territory, inheriting the superannuation schemes from the commonwealth. Other states have the ability to include those investments and the outcomes of those investments in their net operating balance, and we do not because of the unique circumstances. This arrangement allows us to account for that, so that we can transparently understand the true state of the budget at a particular point in time. That is the fundamental reason for the adjustment. There is a very eloquent explanation of this by former Chief Minister Jon Stanhope in the 2006-07 budget, where he explains this. We are happy to send you the section. I think it is a very good explanation around how the HNOB system was set up to provide that transparency in light of the unique circumstances that we have.

**MS CARRICK**: Okay. I might put a question on notice. Other jurisdictions pay for a lot of public servants super as well.

**Mr Steel**: Yes.

**MS CARRICK**: So they have got to pay the pensions like we do. We pay it to the commonwealth, because they distribute it. Maybe the other jurisdictions just pay it straight to the people. So what is unique about ours?

**Mr Steel**: They do not pay to the commonwealth and we do.

**MS CARRICK**: So what is the difference? We pay to the commonwealth and they pay to the people.

**Mr Steel**: Yes; that is right. They hold the investments themselves and we pay to the commonwealth. That is the difference.

**MS CARRICK**: There is an amount of money that goes out—whether it goes to the commonwealth to distribute or it gets distributed straight away from the states to the people. We have a little extra step to the commonwealth and they distribute.

**Ms Dowdell**: I think it goes to how they manage that asset, because they can then manage that asset and make the payments and the value of those assets will increase. That allows them to do that. We do not hold those separately. We are in a service agreement sort of arrangement rather than managing the pool assets.

**MS CARRICK**: I still do not understand why. Presumably other jurisdictions have assets and stocks and what have you to build up—because they have to pay their pensions as well as they emerge.

**Mr McAuliffe**: I would just add that what we are talking about is defined benefit super schemes. Again, employees in the ACT government who are not in a defined benefit are in choice of fund. Each fortnight we make an employer contribution to that super fund, and the super fund will just deal with it.

**MS CARRICK**: Done, yes.

**Mr McAuliffe**: We are done; we do not have a liability. We had members who were able to access the CSS and PSS up until they closed. They are not super funds for us; they are the commonwealth super schemes. Other states, where they have their old—and most of them are closed—defined benefit schemes—

**MS CARRICK**: But they still have defined benefit schemes on their books.

**Mr McAuliffe**: Yes, but they are their own defined benefit schemes. So they account for them in accordance with the full accounting standard that they are required to in accordance with AAS119. We do not have a super scheme. We do not account for our liability as a super scheme, because it is not our scheme.

**Mr Steel**: Jon Stanhope said:

> This difference arises because state governments generally hold their superannuation investments in forms that allow the expected capital gains on these investments to be implicitly included in the calculation of their GFS net operating balances.

We do not control that, because we have to pay into the CSS and PSS schemes.

**MS CARRICK**: Can you tell me where that is?

**Mr Steel**: My apologies; this is from the 2007-08 budget.

**MS CARRICK**: Okay; the 2007-08 budget. Thank you. On infrastructure, the more cash we spend, the more borrowings we get, and this is part of the problem. The borrowings keep increasing pretty rapidly and so does the associated interest—and that is the problem. With the infrastructure, Mr Eslake suggested some sort of a cap. I am not saying that you would legislate a cap of a billion dollars or something so it is so fixed that you could not have swings and roundabouts—as sometimes it would be better to just pay something because it would cost more if you did not and you might go over the cap. Is there any thought of having some sort of a cap to try and constrain the infrastructure spend and what the priorities would be within a cap? I know you have said that, if we do not think we should invest in something, we should say, but I am just coming at it from a different angle from where Mr Eslake came from—like a cap to try and enforce that sort of constraint.

**Mr Steel**: **W**e look at the capital program very closely in every budget. We look at the profile of expenditure. We look at the capacity of the civil infrastructure market to be able to respond to the infrastructure program and pipeline. We also consider a range of other metrics as well. I will hand over to Mr McAuliffe to talk a little bit about that and also respond to some of the commentary from the Auditor-General earlier as well.

**MS CARRICK**: It is just a way of trying to get some certainty in those forward numbers.

**Mr Steel**: Yes.

**Mr McAuliffe**: One of the things that goes into part of the preparation of the annual budget is a consideration of the key factors that the credit rating agency is going to look at.

**MS CARRICK**: Yes; and this is one of them.

**Mr McAuliffe**: I guess that is where the Treasurer is coming from. One of those factors is budgetary performance. Essentially what the ratings agency does, if you go to the cash flow statement—and I will keep it simple because there are lots of adjustments that go on—is it effectively takes your net operating cash result as a ratio over total revenues. That is effectively your operating ratio. Then, for capital, you take that investment in the capital investments line, again as a ratio over total revenue. So, in the preparation of the budget, we will do those calculations to help inform the government about the sorts of changes that may impact on those ratios, positively or negatively, and that will then form part of the mix of the discussion about certain things on the capital side that will help inform broadly that capital sort of discussion.

**MS CARRICK**: Interestingly enough, the S&P did a ratio of debt—not net debt, but just debt volumes.

**Mr McAuliffe**: S&P do not look at net debt.

**MS CARRICK**: Sorry?

**Mr McAuliffe**: S&P do not look at net debt as a measurer. They look at gross debt.

**MS CARRICK**: No; they looked at borrowings and they looked over revenue.

**Mr McAuliffe**: Yes, over the total revenue.

**MS CARRICK**: So it is over 200 per cent. The borrowings is about $22 billion and the revenue is about $10 billion. So it is like over 200 per cent. That is very high. Do you look at those ratios that the S&P look at?

**Mr McAuliffe**: That is part of it. There are a number of things that S&P look at but, in terms of what we can use to help better inform the government's budget decisions, the key metrics the S&P look at is the institutional framework within which we operate—as with all the other states and the commonwealth. That is always a strong score. They look at the economy—so how our economy stacks up compared to where they see it should stack up, being a government entity. They look at financial management, which is more of a qualitative-type assessment—so they look at the policymakers, the willingness to stick to budget estimates and policies, if you like, and the budgetary performance, which are those two ratios I explained. They look at debt burden—your debt burden is your gross debt over your total revenue—and they look at your interest cost, which is your total interest spent over total revenue. The final one is they look at our liquidity. With liquidity, in terms of our borrowings, they want to make sure that we have our next 12 months worth of debt repayment—maturities and interest—prefunded, That is the same for every state. So we have to carry that much liquidity, and that is to help in the event of something like what is happening at the moment.

**MS CARRICK**: Is there a concern that interest rates may rise and so, as you refinance, that means that it will be refinanced at higher interest rates?

**Mr McAuliffe**: At the end of the day, we are playing in the institutional markets. We don't just go and borrow everything we need in one hit; we look at transacting our requirement over the course of the year. We are trying to find those good opportunities. Interest rates have just risen not quite half a per cent since the original budget. Since the budget review they have just been sort of oscillating; they have not moved too much. This week, with the war in the Middle East, we saw rates spike probably 10 basis points a couple of days ago and over the last 24 hours they have retraced a little bit. So far, the Middle East thing is not tragic on financial markets. It will be a matter of how long this thing plays out, I guess. I think the bigger outcome of what is happening in the Middle East will probably be inflation impacts and the flow-ons of that with oil and supply and those sorts of things. But, in terms of our borrowings, we manage that in accordance with those sorts of events. We have still got some more borrowing to do this financial year, but I am not going to rush out tomorrow and borrow just because. We build up that liquidity provisioning to help to be able to have that better capacity to borrow when we think that the time is right.

**MS CARRICK**: Okay. I just want to ask a question about employment and employees on the P&L. That is a big one, and there is a risk. It is in the budget outlook that employees will be a risk with the enterprise bargaining that is coming up. The CPSU just told us that they rejected whatever was on offer, the last offer, and that another offer is coming. Will there be enough in the provision that they mentioned for the forward estimates? Is the provision already in the forward estimates for the salary? Whereabouts would that be?

**Mr Campbell**: The provision is actually embedded in the existing estimates across. It is not exactly identified, for a very good reason—because you do not want to reveal it.

**MS CARRICK**: But it is in the employee line already?

**Mr Campbell**: It is in the total expenses. If you go to that functional split by health, education and so forth, it is sitting in those total numbers.

**Ms Dowdell**: Yes, it is in the general employee expense line in the operating statement. There is a provision there. Then, as Treasurer said, it is then broken down by function in the expenses by budget.

**MS CARRICK**: So health, education and all the employees sitting in there. Fair enough.

**THE CHAIR**: When the negotiation finishes will you be providing a report about whether the provision was enough and about whether there is any adjustment needed?

**Mr Steel**: It would be reflected in the budget. I hope we can reach agreement before then, but we will see.

**MR COCKS**: On those employee expenses, it has been pointed out that the rate of increase across the forwards is about 1.2 per cent versus 3¼ per cent for WPI inflation—so a 1.2 per cent increase per year, on average, against the wage price index going up at 3¼ per cent, on average. When we run some rough estimates, number one, you cannot make these two line-up, unless you are losing staff. If we run estimates on employee expenses, it equates to somewhere between a seven per cent and an 11 per cent reduction in staffing, if you were going to come in at those numbers based on the wage price index. From the sounds of it, you are not hitting the wage price index. Are we going to have to rely, essentially, on cutting staff numbers to come in at the estimates that you have got in there now?

**Mr Steel**: The whole-of-government expenditure reform measure is probably what I would point to in the budget, which has identified $282 million worth of savings over the forward estimate. The savings will be achieved by constraining the rate of growth in expenditure across a range of agencies and directorates, as well as by looking at expenditure reprioritisation and rebasing of expenditure, and the enhanced budgetary control measures that I have mentioned. There is a whole-of-government effort that is going on to achieve that at the moment. It will be a multi-year effort. That work had excluded schools and hospitals. There are separate pieces of work around healthcare sustainability and the schooling resource review that are underway that will help to inform future efficiencies in those areas and potential savings. We will need to continue to look at those opportunities.

The rate of growth in the public service in terms of FTE has been very high over the last five years. It is something that we certainly acknowledged in the budget—that the rate of growth cannot continue at that level. What we have announced is that we will simply reduce the rate of growth. The public service will still grow, and is still expected to grow, but just not at the same level that it has in the past and certainly not over the five years.

**MR COCKS**: But the expenditure increase of 1.2 per cent per annum, on average, does not stack up with that, because the number of public servants would have to reduce if they are actually getting pay rises.

**THE CHAIR**: How are you going to cover the pay rises? I think that is the point.

**MR COCKS**: Yes. The only way to achieve that seems to be reducing the number of public servants. So let me change the question—

**Mr Steel**: No, it will really depend on the directorate and around what they do, and obviously then—

**MR COCKS**: Across the public service, though. These are public service-wide numbers that we have got, and it is only going up at 1.2 per cent per annum. That is not keeping up with cost of living. It is not keeping up with what you would expect a wage increase to be. It is not keeping up with the last wage increase that you provided in the enterprise agreement process. How are you going to do it?

**Mr Steel**: Through the work that I have just mentioned, all of that work. It really will be looking at the range of things that are delivered and whether they need to continue, and whether—

**MR COCKS**: But those are outside of that.

**Mr Steel**: those resources, those people who were working in those areas, could be then redeployed to areas of need within the public service. But if the suggestion is, Mr Cocks, that we are doing too much to address the restraint on employee expenses, it has been really clear from—

**MR COCKS**: No; again, you are setting up a straw man to try and argue against. It was a really straightforward question about—

**THE CHAIR**: I am going to step in with both witnesses now. Hansard likes to keep a record of our hearings. We are going to go one at a time. Treasurer, if you could stick to the question that you have been asked, that would be extremely helpful.

**Mr Steel**: Thank you. Mr Eslake's report is that we need to focus on the expenditure side, and we have done that already through the whole-of-government savings measure we announced last year. There is further work to do to achieve that; there is absolutely no doubt about that, and we will continue that work. But looking at restraining employee expenses is critical. It is obviously a very large portion of the input costs to delivering services in the territory, so that does need to continue to be a focus for agencies in making sure that they meet their budgets and reprioritise to areas where the community's priority and the government's priority will be a focus, and we are looking at how we can support that with greater labour mobility across the service as well. There is a difference between FTE and the actual people that fulfil those jobs—

**MR COCKS**: It was dollars, not FTE.

**Mr Steel**: so we are looking at how we can support our people to continue to remain employed with the service and to deliver areas of priority for the government and the community.

**MS CARRICK**: We were just hearing from the CPSU that the health staff are under pressure, and they burn out without enough staff, and in the Education Directorate, we hear that there are not enough teachers for relief in the classrooms, and they have to combine classrooms. Those two are the primary employers, with 16,000 between the two of them, so if you cannot reduce in those areas, where is it in the public service that you can?

**Mr Steel**: We have said that there are things we can do within our health and hospital system to improve the efficiency of the system. Not all of that is about employee expenses, but some of it may be. The city is growing; there is greater demand for health services. We have seen that, in presentations to emergency and in other parts of the health system, costs have gone up as well, so in the budget, there was an initiative to look at health sustainability and an investment in that initiative to identify those areas of improvement. That work is underway, and that is why we expect that, despite the very substantial investment that we made in the budget of $1.19 billion over the forward estimates in health, the level of growth, now that that investment has been made, to not be as high, because those measures are being undertaken.

**MS CARRICK**: I guess I was just thinking of the employee line, because of the issues with it growing so flat. The point is that the employee line is very flat, so how do you keep it so flat when you are—

**Mr Steel**: Going to the sorts of issues that the union has raised, we will need to look at genuine workload reduction in certain cases. Where there are fewer staff that are able to deliver the services, of course the level of work that they are doing needs to be less—if there are fewer of them available. That needs to be considered, and there is a piece of work that is being done, led by Minister Stephen-Smith, looking at that. That is part of the reprioritisation work—where do we need the resources of government to be to do urgent tasks and priority tasks?

Other functions we will continue at the same level. Some functions may step back a little bit, and that might mean that we need to reduce the level of work that they have in that particular area, and that could be through removing inefficient processes, unnecessary processes, and those sorts of things. We are looking at that in the planning system at the moment. But it also may mean stopping doing certain things as well. That work is happening, and we need to be mindful of that. We need to have a streamlined and efficient service, but we do not want to burn people out or create OH&S issues for them, so that has to be part of the thinking as we try to achieve the savings targets that we have.

**THE CHAIR**: I have one last question on a new topic. Minister, your submission says that the ACT government will continue to deliver a world-class education system. The Saul Eslake report has a different take on our education system. He has noted that, for demographic reasons, we should be able to provide good education services and spend a lot less, but we are, in fact, spending more than every other state and territory. He did not do this in depth, but he has just looked at a couple of metrics. We have got worse outcomes, according to his report. We have got lower year 12 completion rates and poor NAPLAN results. So where does that world-class education system line come from, and does the ACT government have any comment on why we are spending more than every other state and territory to deliver our education system that 40 per cent of parents have walked out of?

**Mr Steel**: We are constantly reviewing school education to ensure that every dollar spent goes into improving educational outcomes. These figures are not new, and that goes for the *RoGS* data presented on health, which Minister Stephen-Smith, I think, provided some greater context around this morning, particularly in relation to New South Wales patients in the health care system, which Mr Eslake may not have realised.

We have the work underway on Strong Foundations at the moment that Minister Berry is leading, which will use those evidence-based practices to improve educational outcomes in our schools, which are high. But, of course, those figures compare us to some of the peer schools in the Year 9 NAPLAN, and that attempts to get a good comparison, and with other states and territories. Generally speaking, we have very high educational attainment rates; that was a point that Mr Eslake made in his report as well. We have very high outcomes in our schools, and we will continue to put in place measures to improve that.

We have got a schooling resource review underway that I mentioned as well, and that is looking at the investment that we are making in our schools and how it should be directed, to make sure it is sustainable from a budgetary point of view. There is quite a lot of work underway in that area. It is reasonable to raise those things, but it is not new information that is out there in the public domain. I am sure Minister Berry will be happy to provide some further input to the committee, if you wished, on that.

**THE CHAIR**: Sure. Partly the reason I asked it here was to find out, when we have Minister Berry, who we should ask these questions of. In terms of why we are spending more than every other state and territory, is that a question for you or is that a question for Minister Berry?

**Mr Steel**: Happy to come back with some further information, given the time, about that, if we can take that on notice.

**THE CHAIR**: The time, yes—

**Mr Steel**: Generally speaking, one of the great features of the ACT's economy is that we are some of the best paid people in Australia. That does have an effect, in our economy, on wage prices, and it affects the amount charged in the private sector and the amount that we have to pay our staff in government, to be able to attract people to deliver the services that our community requires.

We compete with the commonwealth government in terms of wages and for people, as does the private sector, and that does mean that people are generally paid more. We are proud that our teachers are paid really well here in the ACT, and we attract some of the best teaching staff in Australia as a result. But there is more work to do in education to continue to improve performance in the schools. The work that is underway with Strong Foundations has a good evidence base behind it to be able to achieve that in literacy and numeracy.

**THE CHAIR**: I would love if you could take on notice specifically why it is that we are paying more than every other state and territory. It might be that our teachers are paid more; that is okay, if that is the answer, but if you could take that on notice, that would be great.

**Mr Steel**: It is up to you. I can take it on notice, or I think the government may wish to respond to any interim report of the committee as well, if there is one—

**THE CHAIR**: We would love you to take that on notice. I think that would help us, because then, when Saul Eslake is doing his final report, we will have more information to put into that final report. I think that would actually be extremely helpful if you could take that on notice, thank you.

**Mr Steel**: Yes, okay.

**THE CHAIR**: That brings us to the end of our hearings. On behalf of the committee, thank you for your attendance today and for your evidence. We have had a couple of questions taken on notice. The answers within five business days of receiving the uncorrected proof would help us out, thank you.

Thank you to all our witnesses who have assisted our committee hearings this week. Thank you, Broadcasting and Hansard. Members, upload your questions on notice within five working days. We are adjourned.

**The committee adjourned at 5.15 pm**