



**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

TUESDAY, 2 JUNE 2026

This is a **PROOF TRANSCRIPT** that is subject to suggested corrections by members and witnesses. The **FINAL TRANSCRIPT** will replace this transcript within 20 working days from the hearing date, subject to the receipt of corrections from members and witnesses.

Committee Secretary:
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

AUSTIN, MR SCOTT , Executive Group Manager; Finance and Budget; Treasury; Chief Minister, Treasury and Economic Development Directorate.....	152
BOURKE, MS NATASHA , Executive Branch Manager, Financial Reporting and Framework Branch, Finance and Budget, Treasury, Chief Minister, Treasury and Economic Development Directorate	152
CAMPBELL, MR RUSS , Under Treasurer, Treasury, Chief Minister, Treasury and Economic Development Directorate	152
DOWDELL, MS MICHELLE , Deputy Under Treasurer, Treasury, Chief Minister, Treasury and Economic Development Directorate.....	152
PIRIE, MR MITCH , Executive Group Manager; Economic and Financial Group; Treasury; Chief Minister, Treasury and Economic Development Directorate	Error! Bookmark not defined.
ROBERTS, MR CHRIS , Executive Branch Manager, Macroeconomics, Modelling, and Federal Financial Relations	152
STEEL, MR CHRIS , Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage and Minister for Transport.....	152

Privilege statement

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

“Parliamentary privilege” means the special rights and immunities which belong to the Assembly, its committees and its members. These rights and immunities enable committees to operate effectively, and enable those involved in committee processes to do so without obstruction, or fear of prosecution.

Witnesses must tell the truth: giving false or misleading evidence will be treated as a serious matter, and may be considered a contempt of the Assembly.

While the committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

Amended 20 May 2013

The committee met at 4.00 pm

STEEL, MR CHRIS, Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage and Minister for Transport

AUSTIN, MR SCOTT, Executive Group Manager; Finance and Budget; Treasury; Chief Minister, Treasury and Economic Development Directorate

BOURKE, MS NATASHA, Executive Branch Manager, Financial Reporting and Framework Branch, Finance and Budget, Treasury, Chief Minister, Treasury and Economic Development Directorate

CAMPBELL, MR RUSS, Under Treasurer, Treasury, Chief Minister, Treasury and Economic Development Directorate

DOWDELL, MS MICHELLE, Deputy Under Treasurer, Treasury, Chief Minister, Treasury and Economic Development Directorate

PIRIE, MR MITCH, Executive Group Manager; Economic and Financial Group; Treasury; Chief Minister, Treasury and Economic Development Directorate

ROBERTS, MR CHRIS, Executive Branch Manager, Macroeconomics, Modelling, and Federal Financial Relations

THE CHAIR: Good afternoon and welcome to the fourth public hearing of the Standing Committee on Fiscal Sustainability for its inquiry into the fiscal sustainability of the ACT. We wish 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 this 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.

We welcome Mr Chris Steel, Treasurer, and witnesses from the Chief Minister, Treasury and Economic Development Directorate. 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 will be treated as a serious matter and may be considered contempt of the Assembly. These proceedings are being recorded and transcribed by Hansard and will be published. We are also broadcasting and web-streaming live. If you take a question on notice, please say, "I will take that on notice." That helps our secretariat track down the answers. We are not inviting opening statements. We did get the government's supplementary submission. Thank you very much for that. We are not inviting opening statements, and so we might jump straight into questions.

Treasurer, I want to ask you about a couple of the smaller line items that the government are funding. I am trying to work out how the government are setting their priorities in this difficult fiscal position that we find ourselves. Has the government decided if they are going to fund the next horseracing MOU yet?

Mr Steel: I think that is still yet to come to government. It sits with Minister Paterson. I am happy to take that one on notice and provide some further information.

THE CHAIR: That would be great. I am not expecting anything that you cannot yet announce, but I am assuming that, if this is in the current budget, there would have

been a justification as to how that funding amount of \$8.5 million stacked up. Are you able to tell us how the government looked at that funding of \$8.5 million and decided?

Mr Steel: There was a review, I understand, of the methodology which led to the current arrangements. We can provide some further information on that.

THE CHAIR: Was that a public review? I do not remember seeing that.

Mr Steel: This goes back quite a long way. We are happy to provide that information on notice.

THE CHAIR: Do you mean the horseracing industry's economic review into their—

Mr Steel: No.

THE CHAIR: Something different?

Mr Steel: I think it was a review into the previous arrangements funding the industry.

THE CHAIR: It would be great if you could take it on notice and also say when that was published.

Mr Steel: Yes.

THE CHAIR: If it is a very old thing, we may have just missed it perhaps.

Mr Steel: I think you were aware of it. It was a long time ago. I think it was prior to—

THE CHAIR: The 2011 Productivity Commission work.

Mr Steel: Yes; it was prior to that work.

THE CHAIR: I am probably more looking, Treasurer, at what decisions you are making in this budget and going forward, rather than what decisions government made 15 years ago that led us to this point. Is that something you can provide? Did you want to take on notice what the reasons are?

Mr Steel: I am happy to take on notice where the current arrangements are up to with the thinking around the next MOU.

THE CHAIR: And how government is justifying that \$8.5 million in each budget at the moment?

Mr Steel: It was part of an MOU that was struck over a period of time. The decision was made effectively when the MOU was decided on.

THE CHAIR: So it is not a decision government would ever revisit?

Mr Steel: During the MOU?

THE CHAIR: Yes.

Mr Steel: Yes; that is right. Obviously, the timeframe for the MOU is coming up—which is what you are alluding to—and there will need to be government consideration about the next MOU. But it is not a matter that is directly in my portfolio, and I have not seen anything about it recently. So I will take that on notice.

THE CHAIR: Sure. We get contacted by a lot of community and professional sporting bodies, as I am sure does every minister in government and you, Treasurer, for organisations that want funding.

Mr Steel: Yes.

THE CHAIR: I am interested in knowing whether, in the 2025-26 budget or the 2026-27 budget, there have been any professional or community sporting bodies who have sought a grant, tender or funding in any form that have not been granted funding. Is that information that you can tell me? I am trying to work out how government sets these priorities.

Mr Steel: Every year there is a budget consultation process where the community organisations can come forward and request consideration for funding priorities and, indeed, make any other comment about the budget that they wish and that is taken into consideration. Obviously, not all of them can be funded, but it is an opportunity for organisations to come forward throughout the year now. The process goes throughout the year. That enables organisations to come forward early in the process so that they are not coming forward five seconds to midnight and then expecting a funding request to be supported. In terms of whether we would have information about the requests made, we would have to take that on notice and come back.

Ms Dowdell: Yes. Any formal submissions made through the consultation process are published on the budget website.

THE CHAIR: Sure. We can go through those, but I am looking for probably a handy list. I would imagine that, when you are putting together the budget and sitting on the expenditure review committee and you are looking at the whole balance of community and sporting groups that you need to fund, you must surely have something other than the government website. You must have a list: “Here are all the claims; how do we weigh these up against each other?” Is that not a process that you run through?

Mr Steel: The portfolio minister has to sponsor the business cases that come up—so they obviously look at those—and Treasury considers those as part of the process as well. Yes, there is a process of prioritisation, which is obviously critical at the moment with the fiscal constraints that we have.

THE CHAIR: Yes; it is getting more critical the harder the situation is. Is that a list then that you can table of the amounts that were asked for?

Mr Steel: They are already published on the Treasury website. This is the

submissions made by community organisations.

THE CHAIR: Sure. What I am trying to get to is that, when you put together your budget and you are working out which groups to fund, you are probably not just scrolling through the website, right?

Mr Steel: They are submissions that are made to government as part of the budget process. This is the process that we go through.

THE CHAIR: So look at the website. That is fine.

Mr Steel: But that is not the only input into the budget process. The government has election commitments in those areas that you are talking about that we want to deliver. They are considered, obviously, as a high priority in the budget process as well. They obviously generally align with what the community is also asking of us through the budget process as well. So there are a range of different inputs.

THE CHAIR: I might ask you about another bit of the budget decisions the government has made which is similarly a small amount of money. The community environmental organisations received between them a total of \$3.18 million. I think that was the total amount was \$3.18 million. In order for the community environmental organisations to get that \$3.18 million they all had to go through a fairly elaborate tender process. We actually looked at some FOI released information, and the internal desktop review before government put them through that tender process said that the increased project budgets were noted by you in a brief; there is a need for a funding increase above current levels and that would be appropriate; however, the budget does not allow for the proposed increased funding above current levels. Then that tender was put out for the same amount—so no increase. I am wondering how the government, on the one hand, made that decision to hand out \$8.5 million to the horseracing industry with no procurement or grant process and on the other hand got advice given to it saying, “The funding is insufficient; we are not going to increase it; and everybody has to go through a very elaborate procurement process.” What was the different valuation there that went into requiring these people to do this and giving these people money?

Mr Steel: Procurement processes and commissioning processes are obviously an important feature of our system of government and they generally apply across the board in order to achieve value for money for the supply of goods and services and infrastructure. Obviously, with the horseracing industry, there was an MOU process where we established the outcomes that we wanted to achieve through the MOU in exchange for funding being provided by the ACT government.

THE CHAIR: So advice maybe for community groups and sporting organisations and environmental organisations is they should come forward and ask for an MOU instead perhaps? I am just trying to work out how different people—

Mr Steel: No, they should come forward as part of the budget process and through procurement commissioning processes to put forward their needs and they will be considered by government fairly.

THE CHAIR: Except the ones that did that did not get any increase in funding and had to do a whole lot of procurement work and the one that did not do that just got money under an MOU. So is it good advice to go through the procurement process?

Mr Steel: We will have more to say about what we are funding in the budget, but we do take into consideration the needs of the community, including those who are part of the recreational sector in the ACT and their needs, and those are considered against other priorities in the budget process.

THE CHAIR: Did the horseracing industry engage in the budget process?

Mr Steel: We will be publishing information as part of the budget papers about those who have made submissions. So we can confirm that on budget day.

THE CHAIR: Thank you.

MR COCKS: One of the really concerning things that has come up across both of Mr Eslake's reports but also dates back to many previous things has been what has been called the unreliability of forward estimates. I am not sure that is actually the right term because it seems that actually what is happening is decisions are being made between one set of estimates and future years that add expenditure and then there are assumptions which change around the amount of revenue coming in and that sort of thing. My first question goes to a big worry that I have, which is GST. One of the things that has been pointed out is we are heading toward a potential GST funding cliff should the current arrangements not continue. Have you factored in that potential risk into the budget? Are we looking at, potentially, forward estimates that change completely when we get to that point? What trajectory are we on there?

Mr Steel: Mr Eslake was absolutely right to point out that this is a significant risk for all states and territories, bar WA—

MR COCKS: Bar one, yes.

Mr Steel: —of the “no worse off” guarantee ending, which is I think what you are referring to.

MR COCKS: That is the one.

Mr Steel: This really cannot happen. I think all states and territories have been pretty clear to the commonwealth that those arrangements cannot end because it would leave many jurisdictions in the circumstances where that gap, that hole, cannot be plugged with alternative revenue sources. It is something that we are advocating on as Treasurers directly to the commonwealth. It is the major priority, amongst other priorities, including continuing to discuss the implementation of Foundational Supports and a range of other things.

MR COCKS: That is great, and I would expect no less. The key question is: are we budgeting based on the current trajectory continuing or, when we see budgets that factor in forward estimates, does it take into account that funding cliff that comes with that?

Mr Steel: It is taken into account as a risk, and I think it will be reflected that way.

Mr Campbell: That is the way we have done it in the past, and I think pretty much every jurisdiction will work on that basis.

MR COCKS: And is it quantified?

Mr Campbell: No; only because there are a lot of factors that will go into—

MR COCKS: So why don't you quantify it?

Mr Campbell: It is hard to know what the outcome would be. It is an unknown outcome. We know that—

MR COCKS: That is the same for any risk, isn't it?

Mr Campbell: Yes, but this one actually depends on other states and territories and their impact. It is the same reason that we do not try and forecast the relativities. Because they change so markedly year to year, we would hold the relativity as determined by the Commonwealth Grants Commission each year and then that holds through the forward estimates. We do not then make an assessment about whether WA's housing prices are going to go up relative to ours. The CGC does that work. It is the same sort of rationale.

MR COCKS: Okay; but it would seem that there could be some degree of quantification around the change in the model. It just seems like a strange thing not to have quantified the risk of—so that you know how much you have available to spend as you head into those forward years, particularly in the context of having some very significant infrastructure projects that would hit around the same time.

Mr Campbell: As I say, I do not know that there would be much more information we could utilise.

MR COCKS: Okay. I will go to a similar point around what I will call the accuracy of forecasts. There are two things that happen—firstly, commitments that have been made in terms of intent but have not been through the budget process yet do not land in the budget. Is that a fair way of characterising what happens? Labor took a whole series of election commitments, a lot of which had funding attached to them, but, when we see the budget, there is not funding in there. That does not hit until the point at which cabinet makes a decision to include it in the budget.

Mr Steel: Yes, that is right. Government makes the decision to fund it—because, prior to that, it is not a government decision. It was made by the Labor Party at the election. We have committed to do it. We are pretty good at delivering on the commitments that we have made, but with each budget you need to weigh up all of the decisions and priorities, and decisions are made in each budget as to whether they can fit into that budget. Some of them have a timeframe attached to them; some of them do not—and so there is more flexibility as to which budget they might be funded in so that things can move around flexibly to accommodate things that are not

commitments but are also priorities that need to be delivered. Things come up during a term that need to be considered, and that is considered through the budget process. The war in the Middle East has been something that was not necessarily anticipated before the 2024 election and something that has obviously had impacts on costs to government. That is something that we have had to grapple with.

MR COCKS: I am trying to focus on the things that we can control and take into account to some extent. Are those promises made but not decided by government a risk to the financial position?

Mr Steel: Only up until the point that the government makes a decision and takes into account all of the impacts that that decision will have at the point that it is made.

MR COCKS: Presumably you have costings for all of the promises you make when you go to an election and would have some quantified idea about the impact to the budget bottom line if that were impacted that way.

Mr Steel: Those often need to be updated. Costs change over time. There are a range of different factors that are taken into consideration.

MR COCKS: But it is quantifiable.

Mr Steel: Sometimes there are modifications to the policy simply because there has been further policy work that has been done that has suggested a different pathway to achieving the same objective. All of that is worked through the quite rigorous budget business case process.

MR COCKS: Okay. The other thing that seems to keep on coming up is programs that cease during the life of the budget that are likely to continue but will require a decision of government to continue. Some of those relate to spending promises from elections as well. Is there a clear listing of all the programs or budget measures that are ongoing and those that are due to cease over the forward estimates—a single list?

Mr Campbell: There was certainly an original list that was public through the pre-election budget outlook. We would not ordinarily put forward estimates into measures until a decision is taken, though.

MR COCKS: That is right. One of the problems I had was trying to ask a question about the budget measures that are coming off housing, when they did not seem to be able to understand what a budget measure is. They did not understand that some things would come off the budget over time and need to be topped up by budget decisions. Is there a single list of the budget measures that are currently incorporated in the budget and what is coming off over the forward estimates?

Mr Campbell: That is in our government budget management system. We know which measures are continuing and which ones are not.

MR COCKS: I guess the question is: is there a public list?

Mr Campbell: I do not know that it is public. As part of advice to government about

the circumstances they would want a measure to continue or not continue, we take it as read that, if the decision is for funding for only a year, that is the nature of an annual budget process and you will fund it for a year. You have a choice to do that the following year, if it is a measure that government wants to continue with, but we would not, on our own, make interpretations about ongoing versus not ongoing.

MR COCKS: Is that something that you can provide us on notice: a list of the current status of those budget measures? It is extremely helpful in understanding the trajectory of the budget and what is coming off and going on.

Mr Steel: The budget initiatives are published in the budget, so you can look in the budget papers and—

MR COCKS: Yes—but what I am looking for is a consolidated list of where things are at now.

Mr Steel: look at the initiative and, if it is funded for one year, you know that it does not have any funding for the rest of the forward estimates. Then it is—

MR COCKS: Is there a reason you do not want to provide the consolidated list?

Mr Steel: It is published already.

MR COCKS: Is it published as a single list of all the budget measures currently in place and when they come—

Mr Steel: All the initiatives are published in the *Budget outlook* each year, so you can look through the *Budget outlook* for each year.

MR COCKS: Does it have the end date across the—

Mr Steel: It has a profile broken down by years and it will show the budget amount in that year for that initiative.

MR COCKS: Just confirming: that is for all of the initiatives up to this date? Mr Campbell's response makes me a bit uncertain, if it seems to be something that is only in the budget management system, not a clear published—

Mr Steel: No—the initiatives are funded in the budget. They are published in the budget papers, so you can see them.

MR COCKS: Mr Steel, I appreciate that. I am asking about the detail that Mr Campbell said is in the budget management system. Can we please be provided with a list of all the measures, out of the budget management system, and the forward profile of them?

Ms Dowdell: We would have to take on notice what we could provide, but that would go back to an indefinite period. The initiative description is published for three years, four years or ongoing. There will be ongoing measures.

MR COCKS: Essentially, that is the detail that you would need to understand—what is ongoing—

Ms Dowdell: It is all published in the initiative descriptions.

Mr Steel: I appreciate it is a bit of work for your office to go through each budget paper and look at the initiatives, but, if there is one you are particularly interested in—

MR CAIN: If it is a problem for the government to provide that information—

Mr Steel: No—it is published for you to look at. It is just a question of whether you want to do the work. That is all.

MR COCKS: Mr Steel, I believe the problem is that you are attempting to send us down a particular line, which is just the current information in your budget papers. It sounds like there is more information than that, and that is what I think the—

Mr Steel: No; I do not think there is. We are talking about the initiatives.

THE CHAIR: I will jump in and remind everybody: we are going to talk one at a time; we are going to finish our sentences and then pause to let the other person speak. Treasurer.

Mr Steel: I think we are talking about the same initiatives—the budget initiatives. There is no other—

Mr Campbell: Basically, each initiative is published and initiatives will be added over time, but they are all public at the time.

MR COCKS: That includes every recurrent budget measure that is in place, in the budget now—it will be in this year's budget papers?

Ms Dowdell: No. It will be in the budget paper for when it was announced.

Mr Steel: The new initiatives.

MR COCKS: That is precisely my point. What I am looking for is a consolidated list.

Mr Steel: All of the budget papers, for each of the years, is consolidated on the website. You can go through them and look at what initiatives—

MR COCKS: Is there any reason you do not want to provide the information to the committee?

Mr Steel: Because they are already published. That is why.

THE CHAIR: This is getting unhelpful. I am going to pause for a second and get some advice from my—

Mr Steel: We have taken it on notice and we will see what we can provide, but I am

just saying: it is public. We have been very transparent. The initiatives are all published in the budget papers every year—new initiatives and how they are funded.

MR COCKS: New initiatives only?

THE CHAIR: We understand, Treasurer. I think the problem is that, if you do not know when the new initiative started, you have to go through every single budget to spot it.

Mr Steel: Yes.

THE CHAIR: I think this is not an unreasonable question, so I would encourage you to provide a useful answer on notice—one that would allow a committee to see which initiatives are on foot at the moment and what the period of time is for them, if that is possible. Mr Cocks, I would encourage you to lodge something on notice if you get something back that does not answer your question. Fiona.

MS CARRICK: Thank you, Chair. My questions are about expenditure controls. Saul Eslake talks about the expenditure being greater than the revenue and that, in the case of the ACT, expenditure is what we should look at. Do you review the outputs regularly?

Mr Campbell: Sorry—“review” in what sense?

MS CARRICK: I do not like to use the word “program”—a review that looks at the objective of the output. Is it achieving the objective? Are there any tweaks that you could make to the output to better achieve the output? Is it achieving value for money? Could there be some re-prioritisation? Could any savings be re-allocated? Think “program” like a normal program review, but think “output”, because we do not have programs.

Mr Steel: An evaluation?

MS CARRICK: An evaluation—that is right. Audit and compliance and an evaluation—ongoing evaluations to determine whether there needs to be some tweaking of the output.

Mr Campbell: There are a couple of elements to that. The first is that, ordinarily, each of the policy agencies will be doing that as part of their budget bids. When we at Treasury query what is in the budget proposals, we will actually ask those questions: “What existing programs do you have in this space? How much have you added to that space before? How effective is it at delivering on it?” That is part of the usual annual budget process. Then a separate, additional process is undertaken. It commenced last year. It is an ongoing piece that the government has pointed to: prioritisation work within directorates. That is directed at looking at how much funding is attached to particular activities and trying to prioritise that within the government’s overall priority-setting framework in each budget as well. There are two elements to it. The second part is an ongoing piece of work that is going to be crucial going forward.

MS CARRICK: Do you intend to try to rationalise the language a bit? We have appropriations, we have outputs and we have output classes; you mentioned trying to tag money to activities; there are some programs, there are action plans and there are initiatives at a very low level. Is there any intent to try to standardise the language at a level of reporting that can be reviewed, to determine whether the objectives are being met and therefore tweaked?

Mr Campbell: As in a number of committee hearings with you, this is something that would be nice to have. We are of the same view, but it is a very large piece of work to standardise across all directorates. Some of the work that is being undertaken as part of the prioritisation process will help get us towards a world where we can do that in a more cost-effective way. To do it for, say, next year's budget would require us to effectively take half of Treasury offline—those within our agency. It would be a very large task. It is not an undesirable task, but it would be a very large task to undertake in a short period of time. Fundamentally, in advising government, I would say that we need to build off the prioritisation framework as a way forward on this, but it is not something that is going to happen in a short period.

Mr Steel: It is not an area where nothing has been done across government. Health's work on activity based funding, for example—moving to that—was a significant piece of work that has made reporting against activities much more transparent. It aligns with funding arrangements as well, so that is helpful, and it properly captures all the activity that is occurring in the system as well, which helps to understand the output under a class. It is important to acknowledge that piece of work that has been going on and the bottom-up reporting that has been occurring in Health as well. The other parts of government have been learning quite a bit from it.

MS CARRICK: Visibility of expenditure at a level is really important to identify the costs. Do you have any documents that the directorates have done when it came to the budget and they were asking for their existing appropriations, justifying what is in them, and telling you where they can prioritise—such as when there is a new measure and they ask, “Where does the money come from?” Is there a document that shows the work that they are doing?

Mr Campbell: I would not say there is standalone document that does that. It is probably more measure by measure or initiative by initiative. For every business case that comes forward, we would ask for that and for information that is relevant to that proposal. We do not go into each of the appropriations through that process. It is for the new policy proposals coming through ERC. To answer your question directly, there is no standalone document; it is done on an initiative-by-initiative basis.

MS CARRICK: So how, on the expenditure side, do you determine that you are getting value for money—that the spend is effective and that it should not be re-allocated to higher value services?

Mr Campbell: That is part of the process of going through the ERC: identifying those trade-offs. One of the factors would be to consider: why is new funding required or can funding be redirected? That is precisely the question that is asked as part of the process.

MS CARRICK: How do you identify duplication in the expenditure?

Mr Campbell: Largely by asking the questions—“Is this funding going to this particular activity?” “How is it performing?” “Have you already got funding in this area?” “How effective is that being used?”—before we even get to the question of a new flow of funds.

MS CARRICK: What incentives are there for directors-general to allow appropriations to lapse or to not use it all or to use existing funds instead of rollovers?

Mr Campbell: Fundamentally, just getting a decision through an ERC process. It is quite a large, extensive process to get a measure up. If I were a director-general, I would not want to go through that process; I would rather reprioritise before I got to that point.

MS CARRICK: That is your very stringent scrutiny. I went through all the 16B rollovers and a lot of them are small amounts—“They are for work done last financial year, so we need the money this year.” Do you have a document that outlines to cabinet whether you support or do not support the rollovers that come through?

Mr Campbell: I will hand over to my colleagues, but, yes, we go through a process.

Mr Steel: Just to clarify: Mr Campbell’s response was about requests for additional appropriations through the budget process, not necessarily about section 16B, which is a separate process.

MS CARRICK: Yes; I know, because, with 16B, we are talking about—

Mr Steel: An appropriation has already been made, but there is undispersed money and they are asking to—

MS CARRICK: If it is undispersed, it is good, because it stays in the bank account and it does not add to the appropriation for the next year. What is your scrutiny process to determine whether you support or do not support a rollover?

Mr Austin: As I mentioned previously at one of these hearings, we get letters from ministers asking for the rollovers and we work with the agency to identify whether the rollover is required or whether alternative funding is available. It is, as I said before, a cash management tool within the year. We talk to agencies, we understand their funding, we talk about the project that might have been delayed and try to work through whether it is legitimate. As I said previously, it is a cash management tool and we brief the Treasurer on that basis.

MS CARRICK: In previous financial years—not the current one; the one before that and the one before that—there were very large rollovers. There was over \$100 million each year. This year, there has only been \$150,000. Why is that?

Mr Austin: Potentially, those instruments have not been signed yet. That might be the reason.

MS CARRICK: If those instruments have not been signed yet, they will not be made available to the Assembly until next financial year, when they are related to the last financial year. There is a 14-month gap. Why is there such a long timeframe?

Mr Austin: It depends on when we receive the section 16B requests.

MS CARRICK: Can you go to the directorates and ask them: “Come on—bring them in.” A lot of them say, “It was an invoice. It’s a timing issue. The work was done last financial year and the invoice came this financial year.” They should know a lot of it pretty quickly.

Mr Austin: We put out a memo—and I think I have mentioned this previously as well—around September. It is post us doing the financial statements and post them doing the work on the financial statements, and we normally start getting requests from around December on those things. We work through them through the budget process, but there is also a question of the very small teams working on the budget itself.

MS TOUGH: I have some questions around GST distribution and how it is decided, particularly in the context of cross-border schooling. How is cross-border school attendance accounted for in the GST distribution?

Mr Steel: I will invite Mitch and also Chris to provide some information about the GST methodology. For New South Wales school students who are enrolled in ACT schools, the enrolments are taken into account as part of the needs assessment by the Commonwealth Grants Commission, and that forms part of the broader methodology for distributing the GST. I will hand over to Treasury officials to explain how that occurs.

Mr Pirie: I have read and acknowledge the privilege statement. The Treasurer has done a pretty good job, but, to add to it, the CGC recognise that students will use education services outside their home state. They acknowledge that because it increases the provider’s state expenses and it reduces the home state’s expenses. They do account for that. For the school’s assessment, students are counted when they are enrolled. That is the data that underpins the assessment. For the post-secondary assessment, there are two components to the education assessment that the CGC look at. They look at national data from the National Centre for Vocational Education Research—it provides information on where students reside—and they account for that in a slightly different way as part of that assessment.

MS TOUGH: To clarify: post-secondary, it accounts for where they are enrolled and where they reside, but, for schooling up to year 12, it is just based on where they are enrolled?

Mr Pirie: It is based on where they are enrolled.

MS TOUGH: So it does not look at where they reside and where they—

Mr Pirie: That is correct. A key factor that ultimately influences our allocation of the GST, or the re-allocation we see away from the territory through this assessment, is

that it reflects our relatively low socio-economic disadvantage compared to other jurisdictions. That really is the key factor. It is partly offset by the fact that we have higher wages here in the territory, but we still see re-allocation due to that factor.

Mr Steel: Part of the assessment takes into account the wage costs for teachers.

Mr Pirie: There is a separate wage cost assessment that the CGC undertakes that looks at the higher costs from the higher wages that we face here in the territory.

MS TOUGH: So it accounts for the difference between what ACT teachers are being paid and what New South Wales and other state teachers are being paid?

Mr Pirie: That is correct.

MS TOUGH: And given that, unlike a lot of other cross-border situations across the country, we have got a higher number of students coming in than we do going out, does the GST allocation actually cover the cost of delivering education for cross-border students?

Mr Pirie: The way the CGC assessment is structured is not so much focused on that question. It is all about our assessed need to deliver services—

MS TOUGH: To the number of students.

Mr Pirie: to the students that we have in per capita terms. And then they consider that assessed cost, or that assessed need, against the cost of other jurisdictions—their assessed need—and that influences how GST is distributed.

Ms Dowdell: I think it also recognises that the funding we receive from the commonwealth, again, is based on enrolments, not on where those students reside—so they are both contributing to the funding.

MS TOUGH: Yes, so it is still covering the actual cost of delivering; it is just worked out in a different—

THE CHAIR: I wonder if you can provide on notice what the GST allocation is per student? That might actually give you the information. If you could provide that on notice?

Ms Dowdell: I do not know about that—

Mr Roberts: It is a bit of a different—

MS TOUGH: It does not quite go that—

Mr Roberts: It is a bit of a different—sorry, I have read and acknowledge the privilege statement. GST does not fund education per se. The relativities are a composite of an assessment of expenditure categories, and they try to be policy-agnostic. They will look at what would be a normal education expense in a territory, and then they will say that on a per capita basis. And then they say, “It appears that

the ACT has a lower cost per average to the rest of Australia because it has less needs for its students.” And the GST is split up, and part of that is removed away for the education expenditure.

So we get a GST allocation; it is divided across all expenditure categories. It is not saying, “We fund education.” It is just saying “Across these expenditure categories, in some things, it should be cheaper.” They assess that it should be cheaper. I say that as an “assessed need”. They use a particular conglomerate of drivers to calculate that assessed need, and they are saying, in the education sector, that it should be a lower cost for us based on their assessed need.

MS TOUGH: Do you have oversight of what factors they use to assess what the need is for education in the ACT? Whether it is how rural or regional someone is—

Mr Roberts: That is right, yes.

MS TOUGH: You mentioned their socioeconomic status.

Mr Roberts: Within the socioeconomic status, there are a few subcategories. And, with socioeconomic status, our relative disadvantage is much lower in the ACT, in general. So they are assessing the ACT against other jurisdictions, and because of that, we have GST allocated away from us for that expenditure category.

Mr Pirie: A very concrete example is that the assessed need per capita in the Northern Territory will be much higher than the assessed need here in the ACT because of their demographic characteristics, and we see GST distributed away because of that.

MS TOUGH: Yes, that makes sense. I am just working out in my head. The demographics, though, are purely within the borders of the ACT. So that does not account for the demographics of the students that might be travelling across the border, who might be travelling up to an hour from a rural town to receive education in the ACT, because they would be counted under New South Wales, I guess.

Mr Roberts: So that is two populations we are talking about. One is, of course, the enrolled cohort, and the other one is the allocation on a per capita basis. They look at expenditure on that per capita basis, so that is one of the distributing factors.

MS TOUGH: Thank you. I am just trying to work out in my head how the calculation works. I guess, on another side of being surrounded by New South Wales, not so much on the education side of things but GST—

THE CHAIR: We maybe have just a couple more minutes.

MS TOUGH: Yes, it is just one more thing. Are there any benefits, then, that the ACT is receiving from being surrounded by New South Wales that might be then taken into account with GST allocation? Whether it is, I guess, infrastructure, roads—things that the ACT is using on a daily basis and the GST is allocated away and is funded by someone else.

Mr Pirie: Nothing comes immediately to mind. We would probably want to take that on notice and come back to you.

Mr Roberts: I think with the central issue around GST allocations—there are three key components. One is the relativity, and, as I mentioned, there are components to the relativity that make up a single relativity. The next one is the national GST pool, of course—collection and consumption. And the third one is the population.

These relativities are applied to the population to distribute to the national GST pool. And you will be aware that for a number of years we have been speaking with the ABS and with other commonwealth agencies to try and get an accurate population count. If we are undercounted, we are not getting the fair amount of GST that we should be getting. There have been great efforts to improve that population assessment methodology. As you know, a census only happens every five years, and in between years the ABS estimates the resident population, and we have seen that consistently between census publications there has been an undercount in the ACT population. That undercount does affect our GST allocation.

And as I mentioned, consistently throughout the years we have been engaging with commonwealth agencies to: (a) see what the underlying problem is; (b) see if there is an improved methodology; and (c) see how that can be reconciled going forward—so, a significant amount of effort to ensure that the ACT gets its fair share of GST allocation based on population.

MS TOUGH: Perfect. Thank you.

THE CHAIR: Excellent—thank you very much for your explanation.

Treasurer, I would love to have a chat about tax concessions and revenue sources. The 2024-25 tax expenditure statement was published last Friday. Your top three tax concessions are to the business sector, homebuyers and the charitable sector. I was interested to see that the non-government school sector was the fourth biggest recipient, and they get around \$50 million in tax concessions each year. Have I got that correct? Everyone is looking it up; I will keep going.

Mr Steel: Sounds right—without looking at the statement.

THE CHAIR: Great. I am wondering: has government considered whether those tax concessions are at the right settings at the moment? Is that the right way to be redistributing revenue at the moment? Has government revisited that in recent times?

Mr Steel: This is mainly in relation to payroll tax, I understand, which is the major concession for the non-government school sector—

THE CHAIR: Payroll tax and not rates?

Mr Steel: But I will hand over to officials—

Mr Pirie: Payroll tax is the largest one—

THE CHAIR: The primary one.

Mr Pirie: that is driving that.

THE CHAIR: And has that been looked at any time recently?

Mr Pirie: In what regard?

THE CHAIR: In regard to whether it is the correct and equitable setting to provide \$50 million of tax concessions to the non-government school sector, given the fiscal environment we are in.

Mr Pirie: I would not want to speculate on that specifically, as to the merits of that.

THE CHAIR: The question was not a speculation.

Mr Steel: The answer is no.

THE CHAIR: Has government looked at that?

Mr Steel: The answer is no—

THE CHAIR: Yes, that is fine.

Mr Steel: We are not actively looking at changes to—

THE CHAIR: Yes, so I am not asking for a—

Mr Steel: payroll tax for non-government schools at this time. If the committee wants to make recommendations for us to consider, then we will of course consider those, but there has been no active look or review of those arrangements at this point in time.

THE CHAIR: Excellent. Are there any other tax concessions that are not in that statement that you published last Friday? Are there any other groups that get tax concessions that are not set out in that document?

Mr Steel: I will ask Treasury officials.

THE CHAIR: It is a comprehensive—

Ms Dowdell: I think it is an extensive—

Mr Pirie: It is intended to be comprehensive.

THE CHAIR: Does the airport get tax concessions? Is that one listed in there?

Mr Steel: From the ACT government?

THE CHAIR: Yes, from the ACT government.

Ms Dowdell: I might have to take that on notice—

Mr Pirie: We might take that on notice.

Ms Dowdell: as to whether it is an active concession, or that because it is commonwealth land, we cannot tax it. So it might be due to the status of the—

THE CHAIR: I wonder if you could take on notice whether the airport gets any tax concessions, and if they do, whether you could tell me what they are or alternatively point me to the page that I have misread. That would also be an acceptable way to answer that.

Mr Steel: Are you just talking about the airport itself, or the company that owns the airport?

THE CHAIR: I reckon, if there are ACT government tax concessions to both of those, I would love both of those. And if there are any other ACT government tax concessions that are not in that document, if you could also take that on notice.

Mr Campbell: We might be able to talk broadly; we will not be able to talk about individual tax breaks, of course.

THE CHAIR: Sure; but categories that are not reported in that document, maybe—tax concessions.

Ms Dowdell: Yes, we can do—

Mr Campbell: Yes, we can do that. We can come back.

THE CHAIR: Yes, something disaggregated; thank you. I am also wondering about the new payroll tax—the Greens big corporations payroll tax—which raised the rate to 8.75 per cent for businesses that have payroll over \$150 million and if Treasury has modelled how much we are raising from that change which came in on 1 January. Do you know how much we are raising?

Mr Steel: That was reflected in the budget review.

Mr Pirie: Yes, it was in the previous budget—that measure. I can locate it.

THE CHAIR: If you can look it up for me during the hearings, you will not have to take it on notice.

Mr Pirie: The team will come back to me if we give it a sec.

THE CHAIR: Yes, that would be great. And I do not know if government thinks that will be a consistent amount from here on in—we have had it in for six months—and if government is modelling that we will get this amount every 12 months from here on in or if government has modelled that that might change.

Ms Dowdell: I think in general, we can provide the estimates for the decision, but

once it is part of the base, we do not model the separate components of that over time. It would be then the new base for the payroll tax.

THE CHAIR: So we will only know what it was in the first six months?

Ms Dowdell: I think we have published the estimates of what it was going to be over the forward estimates, but whether that component changes relative—

THE CHAIR: You do not track it.

Ms Dowdell: We do not track—

Mr Steel: We will report on the actuals, but it will be the whole amount collected in payroll tax, not broken out.

THE CHAIR: How do you tell if it has any consequences? If you make a change like that, surely you do track what happens?

Ms Dowdell: We would track what is happening with the overall. We have better understanding and look at who is paying, but we do not do an ongoing modelling exercise of that component. We would look at a number of other factors that drive the payroll tax collections, but we would not model that line specifically to have an isolated—

THE CHAIR: And when you make a change to a tax setting do you not monitor what happens over the next couple of years?

Ms Dowdell: As I said, we do monitor. We look at a number of the factors, but it would not be a recalculation of the costing of that component of the base.

Mr Pirie: But we will look at factors influencing outcomes for payroll tax in this instance, and if there any particular trends emerging in the data, we would be alert to that. It is part of updating our estimates.

THE CHAIR: And where would I see that information? Would that be in the budget papers? If I was interested in what was happening, where would I see that information?

Mr Pirie: The revenue chapter in the budget papers.

THE CHAIR: In the budget—yes, okay.

Mr Pirie: The team has sent through the answer to that question, too.

THE CHAIR: Good on them.

Ms Dowdell: I think the problem is that the revenue measure on page 42 of the budget review combined the health levy changes.

Mr Pirie: It is consolidated actually—so we will come back to you.

THE CHAIR: That would be great. If you can take that on notice, that would be great.

Mr Roberts: There is an element of taxpayer privacy as well. And when we go to forecast the budget, once the measures are put through, then that forms part of the base, and we actually forecast payroll tax as a top-down calculation. So it is sort of a macro forecast; we do not forecast by sectors or by different tax groups.

THE CHAIR: Yes, okay—I will leave that one alone; that is complicated. The other thing I was noticing in the Eslake report is that we seem to have a bit of a sharp deterioration from about 2024 on. I wonder if you also noticed that in a lot of our measures, everything got worse in 2024. Did you also read that information, Treasurer?

Mr Steel: Across the budget as a whole or are you talking about revenue?

THE CHAIR: Across the budget as a whole—sorry, not revenue, but across the budget as a whole. So, the net operating balance, the headline net operating balance, the general government fiscal balance, the government cash balance, the general government net debt and interest, the total net operating balance, the total cash balance, and the total territory net debt and interest, all seem to take a sharp turn from around 2024. Do you have a comment on why that was?

Mr Steel: Yes. We saw a very significant growth in demand in our health system that has necessitated a significant investment in our hospitals.

THE CHAIR: Yes. So the primary factor there was the hospital.

Mr Steel: The \$1.19 billion additional funding into the hospital system in the ACT was probably the major contributor, as well as some other health initiatives—certainly the major factor. It was a very significant investment that had to be made to support that growth in demand—absolutely no doubt about it. Every state and territory faced that; hence the national discussion that has been occurring around the National Health Reform Agreement. And obviously the outcomes of that will be reflected in the budget—the coming.

THE CHAIR: I might hand over to Mr Cocks.

MR COCKS: One of the things that Mr Eslake points out is the assumptions built into the budget around staffing costs. Over the weekend—or it might have been Friday—we saw the news about 130 positions leaving the City and Environment Directorate. I know that this is not specifically about your directorate, so you might need to take it on notice. The number that was put out was that there was a workforce of 4,200 people. I went back to some numbers. Can you please tell me whether that takes the FTE below what was forecast at budget for that directorate or does it take it to roughly what was included in the budget for that directorate?

Mr Steel: For all agencies across government, the government has been focused on making sure that the agencies meet their budgets and making sure that they are sustainable. All directorates are focused on this, and the City and Environment

Directorate is taking steps, like other agencies are, to make sure that they are meeting their budget. This is part of the steps that they are taking. We made some tough decisions in the budget last year on the expenditure side of the budget. We had the whole-of-government savings initiatives to reduce public service growth. That was built into agency budgets going forward, so—

MR COCKS: I am hesitant to interrupt, but I really want to get to the question, which is: is this a reduction that gets us back to the level of staffing that was in the budget, or thereabouts, or is it from the level of staffing that was in the budget to a lower level of staffing?

Mr Steel: It really depends on who puts their name forward, in terms of the voluntary redundancy process—to see the outcome we get and whether they are, of course, accepted by the City and Environment Directorate and the director-general.

MR COCKS: That is a very strange response, Treasurer.

Mr Steel: They are working to their budget, and those budgets have been set taking into account the whole-of-government savings measures that we announced in the last budget. They will also take into account the decisions made by government through policy decisions in every budget that we make around new programs, extensions of existing programs and the staff attached to them. So the—

MR COCKS: Treasurer, I am going to try this one more time in a different way, in the hope that I get something other than a non-answer. After reducing staffing by 130 FTE in the City and Environment Directorate, will they have fewer FTE than was in the 2025-26 budget or about the same?

Mr Steel: It depends on the decisions made in the budget around new programs and those sorts of things. There may be a need to recruit or continue staff through those decisions, many of which are not announced because the budget has not yet been handed down. In the budget, you will be able to see the decisions the government has made in relation to each directorate.

MR COCKS: I know you are smiling, Treasurer, but that is not a response to be proud of.

Mr Steel: No—I am being factual about policy decisions. There is a lot of discussion in Mr Eslake's work around policy decisions. The purpose of a budget is to report on the new policy decisions that we have made, which we do in every budget, and that then informs what the budget for the directorate is—

MR COCKS: I am not asking about the budget; I am asking about the announcement on the weekend.

Mr Steel: in the next financial year and the appropriation that is required for the agency to deliver the services that the government has agreed to in the budget. We have not announced those decisions. We have not handed down the budget. You will be able to see that once the budget is handed down.

THE CHAIR: Thank you, Treasurer. Fiona, do you have a short question or should we wrap up?

MS CARRICK: I have a short one, then. Will you be looking at stronger fiscal rules and targets, as per the ones that S&P ratings use, to manage the sustainability of the budget going forward?

Mr Steel: We updated the fiscal strategy in last year's budget, and obviously we have now seen the final report by Mr Eslake and his thoughts on fiscal strategy and rules. We will take those suggestions on board and consider them. I note the timing of the report. More broadly, the whole report will be considered over several budgets, but we will be looking very closely at the particular suggestions that were quite specific. Some of his other suggestions were not so specific and will require further work to be undertaken by Treasury to develop a response. We would also take into account any recommendations of the committee, noting that the committee has not yet reported in relation to Mr Eslake's report. I think you are reporting in August, so we would respond to any of those recommendations after that point.

MS CARRICK: I have one more short question. Will you be looking at how you manage some discipline around capital funding to try to bring borrowing back in line?

Mr Steel: Sorry—you will have to provide a bit more clarity.

THE CHAIR: I feel that might be a long question, Fiona. I am so sorry, but I do not think that is going to be a 30-second question, but we will have the Chief Minister here for another hearing. That might be a good question.

Mr Steel: Yes. He will be focused on the federal financial relations element.

THE CHAIR: I am so sorry.

MS CARRICK: No worries.

Ms Dowdell: We can you give an answer to the question about the payroll tax costs.

THE CHAIR: Then you do not have to take it on notice. That is great.

Ms Dowdell: Yes.

Mr Pirie: We also have a response on the airport one.

THE CHAIR: Read them out.

Ms Dowdell: Page 42 of the budget review has the line on sustainable revenue. It is the revenue line. The \$158.4 million over the forward estimates was the additional payroll tax. It is a minus because it is a revenue line.

THE CHAIR: From the recent change that was made?

Ms Dowdell: Yes.

PROOF

THE CHAIR: That is excellent. Thank you. The other one?

Mr Pirie: The Rates Act specifies a formula for determining general rates for the airport. It defines what is airport land and how the AUV of the land is calculated. We would not pick that up as a tax expenditure in the framework that we use.

THE CHAIR: It is a special rates calculation that does not appear anywhere in the budget papers?

Mr Pirie: It is outlined in the general Rates Act.

THE CHAIR: Excellent. Thank you for that. On behalf of the committee, thank you for your attendance. We had a few questions taken on notice and some answers. Thank you. If you can provide the other answers within five business days of receiving the proof *Hansard*, that would be great. I thank witnesses and thank broadcasting and Hansard staff. If anybody wants to lodge a question on notice, lodge it within five business days.

The committee adjourned at 5.03 pm.