LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS AND ADMINISTRATION

(Reference: Inquiries into Annual and Financial Reports 2023-24)

Members:

MR J MILLIGAN (Chair)
MS F CARRICK (Deputy Chair)
MS C TOUGH

PROOF TRANSCRIPT OF EVIDENCE

CANBERR

THURSDAY, 13 FEBRUARY 2025

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.

Secretary to the committee:
Ms S Milne (Ph: 6205 0435)

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.

APPEARANCES

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 2.00 pm.

Appearances:

Steel, Mr Chris, Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage and Minister for Transport

Chief Minister, Treasury and Economic Development Directorate
Austin, Mr Scott, Acting Deputy Under Treasurer, Budget, Procurement, Investment and Finance, Treasury
Campbell, Mr Russ, Acting Under Treasurer, Office of the Under Treasurer, Treasury
Pirie, Mr Mitch, Acting Deputy Under Treasurer, ERI, and Acting Coordinator-General for Housing, Office of the Deputy Under Treasurer, ERI, Treasury
Salisbury, Mr Kim, Executive Group Manager, Revenue Management, Treasury

THE CHAIR: Good afternoon, Mr Steel. We welcome officials who are here from the Chief Minister, Treasury and Economic Development Directorate and the Independent Competition and Regulatory Commission. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement. Witnesses must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly. When you first speak, please confirm that you understand the implications of the statement and that you agree to comply with it.

We are not starting with opening statements, so we will go straight to questions.

MR COCKS: Treasurer, I want to get this out of the way at the outset. A government MLA appeared on radio this morning and made a number of unusual comments, including regarding fiscal responsibility and the state of the budget. Treasurer, firstly, what are the most appropriate jurisdictions to benchmark the ACT's economic performance and fiscal responsibility against?

Mr Steel: There are a number of comparisons made in the budget review that we have just handed down that compare us to all state jurisdictions on a range of different metrics, including the credit rating, net debt levels, and so forth. But I did not hear those comments on radio this morning, so I will not comment on them.

MR COCKS: Before I get to those specifically, what criteria does the government use to determine the most appropriate jurisdictions to benchmark against?

Mr Steel: As I said, we compare ourselves against a range of other jurisdictions.

MR COCKS: By and large, it sounds like that would be Australian jurisdictions.

Mr Steel: Yes, but we know that the credit rating agencies are assessing a range of other subnational jurisdictions around the world as well, so there are opportunities to look at those reports from time to time, to look at what other jurisdictions are doing in terms of their fiscal metrics. Russ, I do not know whether you want to comment.

Mr Campbell: I have read and understand the privilege statement. Obviously, one of the challenges for the ACT is the fact that we cover both state and local government issues. That is a feature that distinguishes us from others, so we need to take account of that when we look at interstate comparisons.

MR COCKS: That MLA this morning was comparing us with the USA in terms of fiscal responsibility and deficits. Do you agree with the position that it seemed your MLA was taking this morning, that, if it is happening in the US, we should accept eternal deficits here in the ACT?

Mr Steel: I think you are asking me for a statement of opinion, so I am not going to provide too much comment on that. We certainly look at what other jurisdictions are doing in relation to the management of their budgets, but we will obviously have a different fiscal strategy here than jurisdictions take overseas. There is no doubt about that. We set out our fiscal strategy in the budget review and we will continue to update that in future budgets as appropriate, depending on what the local circumstances are. Of course, there is always a section in the budget review and the budget that looks at the international context as well. The budget review that I handed down in the last sitting week is no different to that. It has a section on some of the challenges that we are seeing and risks to Australia and the ACT from international decisions, particularly including protectionist decisions that have been made over the last few weeks.

MR COCKS: Here in the ACT under previous treasurers, the fiscal strategy section of the budget contained a statement saying:

> The Government's objective is to achieve an operating surplus: temporary deficits must only occur if they are offset by surpluses at other times.

Treasurer, in that discussion this morning, the member of the government disparaged the value of a surplus as an indicator of the health of the budget. Added to that, your predecessor in the role of Treasurer removed the statement I have just read out to you. It no longer appears in the budget papers. Will you reinstate a commitment to deliver surpluses that offset the deficits that have been accrued by Labor over many years?

Mr Steel: Our objective remains the same, which is to return the budget back to balance over the medium term. I certainly agree with the view that surpluses are not an end in themselves. We run the budget to support government services and to support the economy. Over the past 10 years, and particularly during the COVID-19 pandemic, we used the budget, including deficit spending, to support the economy through business support grants—to support businesses to continue at a time when there were significant health-related restrictions in place. We used it as a way to manage some of the economic shocks.

The biggest potential economic shock that could come to the ACT is in the form of the outcome of the federal election. If we have a Dutton coalition government in place that wants to cut 30,000 Commonwealth public service jobs, that will have a massive impact on the ACT, and that is a massive risk that we face. Because of the difficult fiscal circumstances and the work that we have put into supporting the economy in the past for previous shocks, it is going to be more difficult to support the economy if that happens. It is a major risk for the ACT and it is why we need to continue to have an Albanese Labor government.

MR COCKS: Treasurer, I appreciate you trying to make the federal political campaign part of this hearing, but I would rather—

Mr Steel: It is directly relevant to the budget. That is why.

MR COCKS: actually focus on the levers that you control, the budget update you have presented, and also the track record of the government thus far.

Some of this might need to be taken on notice. I understand you are currently predicting a surplus for 2026-27 and then 2027-28 on your preferred measure of around $50 million and then $175 million, respectively. This might need to be taken on notice. How much of that surplus is achieved because currently funded programs or services end or come up for review between now and then or are otherwise not included in that forward estimates period?

Mr Steel: There is a range of different programs that have ongoing funding and others that do not. Those are actually outlined in the pre-election budget update, so you can already see those for yourself.

MR COCKS: Do you have a list of how many of those are usually renewed or ongoing?

Mr Steel: You will be able to see that in previous budget decisions, but there will be programs for which we need to make a decision in the budget about whether we want to continue them, provide additional funding or, indeed, not continue them.

MR COCKS: And those have not necessarily been included already in those numbers for the forward estimates?

Mr Steel: You will be able to see that in the budget papers around what programs have ongoing funding and which do not. That was provided before the election in the PEBU.

MR COCKS: With a surplus of $175 million per year, how long will it take to pay back the roughly $13 billion of net debt that we hit in 2027-28?

Mr Steel: That assumes that no other decisions are made over that period. Of course we continue to take decisions in every budget. We consider the economic circumstances and what is required to support the broader economy and make decisions on government services. We will continue to do that and will make decisions in the budget. The budget process is only just getting underway, so no decisions have been made at this point; but we know that there are pressures, particularly in health care, that we need to manage. Going into the budget, we try to get an understanding about what impact that might have on a longer-term basis beyond this year. That work is happening now, as well as what savings measures and so forth need to be undertaken to manage that.

MR COCKS: I am trying to see whether you have a real understanding of exactly how long—and I note you switched the language earlier to “balance” rather than “surplus”—it would take, at that $175 million rate, to pay back $13 billion in debt.

Mr Steel: You are assuming that no other decisions are made during that period—

MR COCKS: I am trying to find out whether you understand what it takes.

Mr Steel: that might impact on the level of the surplus. Also, we know that, over time, the Commonwealth superannuation liability will be paid down in the future. That will provide more room in the budget as well. A range of things will impact on the ACT's ability to pay down debt at varying rates, whether it is a faster rate or not. That is something that we have noted in the budget papers before and is well known. We have used the budget in recent years, particularly during COVID, when there was a direction given to use state budgets to support stimulating activity in the economy to invest in infrastructure—

MR COCKS: On the actual question, Minister—

THE CHAIR: Mr Cocks, we will let the minister continue.

Mr Steel: We have a view that we need to support infrastructure spending for the growth of the city. We have had rapid growth in the population, and it is important to be able to invest in infrastructure. It is infrastructure that will benefit generations to come. They will get the benefit of that infrastructure spending, but they will also make a contribution to the cost of that infrastructure spending.

MR COCKS: To be clear, the length of time it would take is roughly 75 years, at best estimate, and, in that supposedly surplus year, net debt still increases by $800 million. Why is that?

Mr Steel: Again, you are making assumptions about future decisions, which I am just not going to stray into, Mr Cocks.

MR COCKS: Treasurer, in your papers it says that net debt increases by $800 million in a year that supposedly presents a surplus of $175 million. It is an increase. How do those two equate? Why does the net debt continue to go up?

Mr Steel: Because there is investment, particularly in the infrastructure pipeline.

MS CARRICK: Treasurer, I would like to start with population forecasts. Decisions are currently being made using population forecasts—for example, on the Phillip pool. The last population forecast said that they would be looked at in late 2023, or they would be updated in early 2024. There is a range of other documents that I can find that talk about updating the population forecasts. At the moment, they are very odd. There is massive growth in the Inner North of 80,000 people; 70,000 people in Belconnen; 61,000 people in Gungahlin; 80,000 people in North Canberra; and yet we see Tuggeranong going backwards by 2060, and Weston Creek is flatlining. Given you have government policies about upzoning and densification, why is it that Tuggeranong is going backwards? And when will we see updated forecasts for decisions to be made?

Mr Steel: The short answer is that an older population report came before the development and finalisation of the district strategies and the new planning system.

There has been a piece of work the Treasury has been undertaking, consulting with EPSDD, on population forecasting, based on what is predicted out of the district strategy work. Quite a bit of work was done to look at where new houses will be built. We always said, regarding that older population report, that it was not a fait accompli. Those numbers could be changed if you took different policy decisions, particularly planning policy decisions, to allow more housing in an area where it is currently not permitted, for example, or to release more sites—in particular, the key sites and change areas that have been identified in the district strategies. That has flowed into some work that is going on at the moment into a new population estimate. I expect that it will see a change, particularly in areas like Tuggeranong where there was potentially a decline in the number of people. Part of that is demographic change as well.

The Treasury is looking specifically at updating the methodology to get a better understanding of how that will affect each district. The methodology will take into account changes in people's movements. In some areas, where there was typically an older demographic, newer families are moving in. We might see downsizing-type behaviour happening. The previous population model did not necessarily take some of those things into account in the most refined way possible. We expect the new population data will be able to do that. It is important to get that right so that we can start planning all the other things we need to do around planning policy, including infrastructure and so forth. I do not know whether you want to say anything more on that.

Mr Pirie: I have read and acknowledge the privilege statement. I do not have a lot to add to what the Treasurer said, but the modelling is being updated and we will finalise that shortly. As the Treasurer mentioned, the methodology is being updated to better embed consideration of different household formation rates in response to demographic changes across different parts of the territory. That is also in recognition of present planning changes.

MS CARRICK: With the different planning changes, the different demographics and significant investigation areas through Woden, how can the population forecasts used to decide to change a pool from 50 metres to 25 metres not be flawed, due to the underlying assumptions using those current population forecasts being flawed? How can that decision be made on those forecasts?

Mr Steel: We always have to make decisions based on the best data that we have at the time, but I do not necessarily think that fed into any particular decision on that matter. Treasury certainly was not involved in the specific decision on that matter, which was a planning decision that occurred as part of the formation of a new Territory Plan.

MS CARRICK: I will raise it again tomorrow in the planning session, but it justifies the decision to downgrade the pool from 50 metres to 25 metres on the basis of population forecasts.

Mr Steel: Sure. The decisions that are made are always made on the best data that you have at a particular point in time, and we update that from time to time. That will enable people to have a better reference that is more up to date, and that will then inform future planning as well.

MS CARRICK: But it is too late by then. It was made on a flawed population forecast.

Mr Steel: But the population projections will also be assumed, based on planning decisions. We have a strategy, but those planning policies have not actually been implemented yet. They will have to come through the Assembly, in terms of major plan amendments and so forth. That will need to be updated based on how many of those major plan amendments are supported and whether they generate the actual level of housing that was expected in the district strategies. There are a range of assumptions there, and we will obviously see whether they bear themselves out.

MS CARRICK: I would like to move on to fiscal management and intergenerational equity. Underpinning this is the government's commitment to the principles of strong fiscal management to promote intergenerational equality and ensure the wellbeing of Canberrans in the medium to longer term. With the level of debt, how are we approaching this in terms of intergenerational equity when future generations will be needing to pay this debt off?

Mr Steel: Again, I go to the comment that I made: we make investments for the long term, and we have to consider each individual project on its merits through the business case process, through the budget. But many of these projects are not short-term projects that just benefit people today; they will benefit people in generations to come. We are investing in a new hospital in Woden. That was just completed. That is an asset that will benefit the ACT for 50 or 60-plus years to come, if not longer.

Yes, that has meant that some of those projects will be debt funded, but that means they will also be paid for by the people who will be using them over a long period of time, and they will get the benefit of them. We certainly use the debt sheet as a way to help fund those long-term infrastructure needs of the territory that will benefit all Canberrans. At some point in the future, we are all going to have to use the hospital, unfortunately, whether it is at the beginning of life, at the end of life or somewhere in between. That is worth investing in.

We have to make sure that we have a strong fiscal position as well. There is a balance to be struck there, and we have to make the right decisions. Certainly, we think that the infrastructure pipeline that we have is a good one. It gives a level of certainty about what is to come over the next 10 years, not only for the construction sector, which benefits whilst building them, but also for Canberrans and what they might expect to do to contribute to the cost of building them.

MS CARRICK: The level of outstanding borrowings is influenced—this is according to the papers—by the investment required in infrastructure assets to generate economic growth, which is what you have just referred to. It also talks about cash liquidity provisions to meet day-to-day and medium-term financial obligations. Is debt used to fund operating expenses?

Mr Steel: Of course, we want to minimise that as much as possible, but there may be times when, for a short, temporary period of time, it may be needed to meet those cash needs, when there is an unexpected call on the budget and pressure that we need to manage. I will hand over to Russ.

Mr Campbell: A large element of that statement also deals with the fact that, when you have a particular set of borrowings, they are also rolling over and maturing, so you are actually meeting those financial commitments as they fall due. That is primarily what that is pointing to—that item.

MS CARRICK: Is debt used to fund super pensions? I noticed that there is a greater call on super that is going out now than public servants are putting into super. I always used to think that what went into super funded what people were drawing out, but it appears that what is going in is not as much as what is being drawn out.

Mr Campbell: I do not have my super adviser with me today, and I may be able to get something to you shortly. Yes, the unfunded liability is something that still needs to be done, so there is a plan to get to that in the 2030s, but that is still a work in progress. Yes, there are certainly amounts of money being put aside to invest in assets so that there will be a return coming from those assets, which will eventually offset the total liability over time.

MS CARRICK: Is debt being used to fund super payments, pensions, that are being made now?

Mr Campbell: With the total super return adjustment, I will come back to you and confirm that, but in terms of the outyears, the cash is in operational surplus. I will check that and come back to you on that.

MS CARRICK: I was wondering whether the ACT government does monthly reporting.

Mr Campbell: We have quarterly reporting to the Assembly. A September quarter financial report would have been released around mid-November. There will be another one shortly for the December quarter. The Assembly is provided with those updates. In terms of internally to government, we monitor with Treasury in monthly report updates, which we then compile to prepare the quarterly release, as it goes out.

MS CARRICK: The monthly reporting is not publicly available?

Mr Campbell: No. It is not at the level of detail of a quarterly report. In the quarterly report, we get a lot more information, management comments about what has actually moved outside normal variances. It is really just a checking in to make sure things are on track, and the quarterly is where you bring all of that together. It is a useful tool for Treasury to have conversations with the chief financial officers in each of the relevant directorates to see how things are tracking, and whether it is heading outside what we would see as normal boundaries. In terms of it being a reliable data source to publish, the ones that we are confident in are the quarterly reports that we put to the Assembly.

MS CARRICK: How do you track your expenditure? I read somewhere that there was going to be a review of programs. Do you track expenditure by programs, indicators or outputs? How do you track your expenditure?

Mr Campbell: It probably helps if I separate Treasury from the directorates themselves. In CMTEDD, for example—Treasury is part of the Chief Minister and

Economic Development department—we have a central finance area, which will actually track particular subitems to some degree of detail by program and output lines. I can get further detail on that for you, to understand the finer detail.

For Treasury, we will generally look at higher level aggregates, to see how they are tracking, as information comes in from each of the directorates. It depends on the directorate as to how much detail they go into. Some will have quite explicit program lines. Others may largely be labour and policy advice, so most of the lines there will be around employee expenses; and to the extent that they are drawing on contractors or consultants, they will have line items for those

Where you effectively have administered funds rather than departmental or directorate funds, there will be more explicit, direct lines attributed to those programs. But they will still be quite aggregated.

MR COCKS: Treasurer, in the intergenerational equity discussion you did mention that you make investment for the long term, but it seems to ignore the fact that we are in a cash-operating deficit; that is the position we are in. We are debt-funding government services. It is not just long-term assets. What is the impact on intergenerational equity and the capacity of future governments, future generations, to fund further infrastructure and services if they are still stuck paying for the services we receive today?

Mr Steel: There has been quite a significant pressure in the healthcare system that we have had to manage and inject further funding into, through the budget review, to deliver in the short term. But, no, over the long term, the intention is not to do that and to bring the budget back into balance so that we can have the opportunity to start paying down that debt.

There has been a lot of infrastructure investment. We have been a big infrastructure government. There is no doubt about that. And that has been important because the city has been growing very rapidly, and we do need to build new schools and hospitals to support the community and better public transport. We have got a housing supply crisis. We need to invest in more housing now, and that has meant that we have had to make those investments, but we do need to make sure that we bring it back to balance in the medium term, and the pathway for us in the budget ahead is to look at how we can manage any further pressure in the system.

MR COCKS: And what proportion of that debt financing over the past four years has been interest only versus principal and interest?

Mr Steel: I don't know if you want to comment on that, Russ?

Mr Campbell: We can come back to your question on notice on that. I will take that on notice.

MR COCKS: Thank you. My understanding is that it has been a pretty high proportion in interest only, and my concern—perhaps you might like to go to it, Mr Steel—is that if we are funding everything interest only, we never pay off the debt, and that has a clear impact on intergenerational equity.

Mr Steel: Well, it assumes that that continues; I do not have that assumption at all.

MS TOUGH: Treasurer, I am interested in getting an update on the current labour market in the ACT and how it is supporting the economy more broadly.

Mr Steel: We have got a very strong labour market in the ACT, and that has continued in terms of the budget review and the outlook ahead. Of course, that is a good thing. There are more jobs in the economy. But it also means there is a tight labour market, and that presents some challenges in terms of skills and workforce shortages, which has already been discussed a fair bit when Minister Pettersson came to appear.

I will hand over to Treasury to provide a bit of information about what we are seeing in the labour market ahead. Wages are also growing, which is a good thing, particularly as it gives households the opportunity—when there has been inflation and wages had not been growing as strongly under the previous coalition federal government—to get ahead of where they were.

Mr Pirie: The outlook for the labour market, as presented in the budget review, is a really strong outlook. Employment growth for 2025-26 is 1¾ per cent. That is probably in line with population growth. The unemployment rate as of December 2024 was sitting at 3.2 per cent, which is a very low number. As the Treasurer suggested, that does mean there is tightness in the labour market; but a low unemployment rate, nonetheless, is a positive thing. As mentioned, we see the outlook for the labour market as being very strong, and that is also providing important support for some of our key revenue lines, including payroll tax.

MS TOUGH: Thank you. Where is the strongest job growth being seen in the economy?

Mr Pirie: I might take that one on notice.

MS TOUGH: Fair enough; thank you. I was going to ask about what is happening to wages, but the Treasurer has covered that wages growth is strong.

Mr Steel: Yes. The wage price index growth was 4.1 per cent in 2023-24, which is consistent with the estimates in the last budget, but it is starting to ease now. It is still fairly high, 3.6 per cent to the September quarter 2024. But the good news is that inflation, of course, has come down quite considerably in terms of the estimates. So the fact that wage growth is running ahead of inflation is a good thing, in terms of buying power, and gives a lot of optimism and shows that the economy in the ACT is still strong.

The risk is, I think, one of the contributors to the strong labour market, which has been the insourcing work that the commonwealth government has done of federal commonwealth public servants. That could change dramatically if there is a federal election and a change of government, and that may send some of these figures in a different direction. Of course, the push that the federal Labor government has had in relation to getting wages growing is being seen across the economy in Australia. We would hope that that would continue.

Mr Campbell: I might just add to the Treasurer's comment. If you wanted to look at that real wage story, page 15 of the budget review shows that, and you can see the table which shows the wage price index running quite well ahead of the CPI. It grows from about 0.75 percentage points up to a full one percentage point in 2027-28, so that is a pretty strong result in terms of supporting future consumption growth in the ACT.

MS TOUGH: Thank you.

MR COCKS: You have mentioned the insourcing of government jobs, both at a federal and ACT level. What is the impact on payroll tax, in terms of quantity currently and forecast?

Mr Steel: Yes, it does have an impact on payroll tax, and one of the reasons for that is that the ACT is not able to charge its largest employer, the commonwealth, payroll tax, but it also has other benefits for the economy more broadly. Does the Treasury want to comment on what we have seen over recent years there?

Mr Pirie: Yes. We did see in 2023-24 a particular hit to our payroll tax collections as a result of that insourcing—

MR COCKS: What was the scale of that? How much was that?

Mr Pirie: I might take that on notice to provide that detail.

MR COCKS: Okay; yes.

Mr Pirie: We have revised down our 2024-25 estimate for payroll tax slightly; an expected $15.4 million lower in 2024-25. We attribute that largely to ongoing effects of the labour market practices at the commonwealth level, but we are seeing that impact moderating and dissipating now. Looking forward, we have strong growth in the payroll tax base across the forward estimates, and that is reflecting a strong outlook for employment growth and a strong outlook for wages in particular, and also some tax measures that are in there around payroll tax surcharges.

MR COCKS: Has the ACT government done anything to try and insulate the ACT from the impact of both the federal government insourcing agenda, as well as the general vagaries of federal governments of both stripes that, over time, have cut or grown or changed the profile of the public service?

Mr Steel: The contribution of the commonwealth and the ACT government to economic growth has been pretty strong, and in fact it has been revised up. The outlook for 2023-24 has been revised up to 4.5 per cent. I think it is 3.5 per cent for four consecutive financial years, so both governments are playing a role there, as well as the private sector, in contributing to the economic growth of the territory, and that is a good thing. We have public sector workers that are paid reasonably well and are buying things in the economy and contributing to the growth. That is a good thing. We think insourcing workers is a good thing.

MR COCKS: So, the question is this: what have you done to insulate the ACT against any potential change from the federal government position? We are now heading towards 60 per cent of the economy being centralised in the public sector. That seems to be a significant vulnerability to what federal governments decide to do in terms of public service jobs, no matter their stripe.

Mr Steel: Well, I am glad to hear that you are advocating for an Albanese Labor government being elected at the election, Mr Cocks! I hope to see that more publicly.

MR COCKS: I have always advocated for a strong public service in the ACT.

Mr Steel: Certainly, and I will be advocating for that. I will be out campaigning with them to make sure that we can continue the significant economic growth that we have seen in the territory with an Albanese Labor government in power and undertaking those sorts of policies.

MR COCKS: And does that include advocating to ensure we do not see the sorts of cuts that we saw under, for example, the Kevin Rudd government?

Mr Steel: I do not think we are seeing that right now, so I am not expecting any major changes to policy if there is continuation of the current government policies.

MISS NUTTALL: We were really pleased to see that the government will implement a new levy on short-term rentals this year and reflecting that that has been Greens policy for a while. I heard that we have been previously unable to convince ACT Labor to measure the data on short-term rentals or implement a new levy. I am really excited it is happening now. What modelling and research have Treasury done leading to this new tax?

Mr Campbell: We are still in the final stages of formalising the advice to the Treasurer about the implementation of this. There are currently consultations underway with the sector around some of the issues that we need to ensure we have covered properly in the legislation for the purpose of implementation. I think once we have had a good response to that feedback, we will be in a pretty strong position internally to then brief about exactly the timeframes and likely impacts from the implementation of the policy. Mitch, is there anything you would like to add to that?

Mr Pirie: I think the key point is that we are currently engaging with industry on the design of the levy, subject to government consideration and implementation on 1 July this year. There are revenue estimates for the levy in the budget papers, but in terms of broader modelling we have not done anything of that nature.

MISS NUTTALL: Got you, okay. Just to confirm, so far, who has the consultation been with for this levy?

Mr Pirie: Quite a few providers in the sector, so I might take that on notice, if you like, and we can provide you with that detail.

MISS NUTTALL: Yes, please, if that is okay. Do you mind me asking: how many short-term rentals do we currently have in Canberra?

Mr Pirie: I will take that on notice as well.

MISS NUTTALL: Yes, sweet, thank you. I think you mentioned that the money that it is expected to raise will be in the budget estimates. Is that correct?

Mr Pirie: I can give you that data, if you would like.

MISS NUTTALL: If that is alright, thank you.

Mr Pirie: It is on page 62 of the budget review. It is estimated to raise $3,819,000 in 2025-26, $3,993,000 in 2026-27 and $4,175,000 in 2027-28.

MISS NUTTALL: Got you; awesome. Do you mind me asking how you arrived at those calculations if the modelling is still happening?

Mr Pirie: We have got analysis to enable those estimates, which is based on an estimate of the number of properties that we expect to be subject to the levy and rents that are generated by those properties, so we could provide you with that detail as well if that would be helpful.

MISS NUTTALL: If that is possible, that would be wonderful, thank you. Do you expect at this point in time—I appreciate that it is still early days—it may lead to more short-term rentals entering the long-term rental market?

Mr Pirie: I do not think I would want to speculate on that at this point in terms of second-round effects for the housing market more broadly.

MISS NUTTALL: Got you. Is that an estimation that might be part of the modelling that you are doing and the research and consultation?

Mr Campbell: Not at this stage. We have not planned for that in our second-round effect modelling.

MISS NUTTALL: Got you.

Mr Pirie: We will get you the specific number, but we know the stock is relatively small in the context of the total rental market in the territory.

MISS NUTTALL: Got you, thank you.

Mr Steel: I guess the rental data that comes out on a semi-regular basis in the future may show some of the impact, if there is any, and can then be monitored.

MISS NUTTALL: Yes, I would be interested to see that analysis. Lastly, other than the predictions in the budget review, have you published any additional work about this issue—any publicly available information?

Mr Pirie: There was a review undertaken by a Better Regulation Taskforce a couple of years ago, but I might take that on notice in terms of what is publicly available that we can provide you with. There was some work done a couple of years ago that looked at that.

MISS NUTTALL: Alright. That is all from me.

MR RATTENBURY: Can I just clarify: you said that to implement this measure you require a legislative reform?

Mr Pirie: A new bill will need to be introduced and legislation passed, yes.

MR RATTENBURY: A new bill, yes. So, that will need to be done before the implementation date of 1 July?

Mr Pirie: That is correct, yes.

MR RATTENBURY: Good luck!

Mr Pirie: We are working hard.

MR COCKS: You have said that you are not looking at second-round effects, but I am really keen to understand what are the objectives and the targets for this levy?

Mr Steel: Well, it obviously raises revenue, which helps the sustainability of the ACT's revenue base, which is important to deliver—

MR COCKS: So it is a revenue-raising measure?

Mr Steel: That is one objective, to help to deliver sustainable government services, which we think is important. But also, of course, it may have a positive effect in terms of the rental market as well and making sure that greater consideration is given by those who are looking to rent out their properties to longer-term rentals over short-term rental accommodation.

MR COCKS: Will you be undertaking evaluation work to determine how this levy performs against the government's stated objectives?

Mr Steel: Well, as I said, there is data that will come out—rental data that we may be able to use to evaluate the outcomes.

MR COCKS: But there is no evaluation built into the current arrangements?

Mr Steel: I think Treasury would look at that data, absolutely.

MR COCKS: So it is just internal data?

Mr Campbell: Yes. As a matter of course, with any tax measure, we would look at it. We would not necessarily put it in terms of a standard evaluation framework, but we would look at: is it achieving its objectives; are the revenue estimates broadly in line with expectations? We would do that generally for most of our taxes. We would be looking at them pretty much every revenue update.

MR COCKS: How often do you do that?

Mr Campbell: Every revenue update, we would look at how something is—

MR COCKS: For each of the taxes, levies—

Mr Campbell: Yes.

MR COCKS:—you go back and check that.

Mr Campbell: Yes.

MR COCKS: Thank you. That is useful. I am trying very hard to understand how the government could possibly have been taken by surprise by such a negative downgrade in the budget position between when the budget came out, the pre-election work that was done, and then suddenly after the election we see a huge hit to the budget bottom line. Maybe just in general terms to start with, how was the government taken by surprise?

Mr Steel: Well, it is no surprise that there is pressure on the healthcare system. What was not anticipated was the level of growth in activity and cost in Canberra Health Services. Once it was known, once it became clear that there was that pressure, it had to be factored into budget review decision-making to be able to provide a cash injection that then resulted in a further extension of the deficit that was originally forecast for this year. So the deficit itself was not a surprise. It was the extent of the health care pressure that was, and then we had to make a deliberate decision about whether we wanted to continue those important hospital services to the community by injecting an additional $227 million into Canberra Health Services. We have made that decision because we think that is important for this year. The government has also made some savings decisions as well associated with that but that has resulted in the deficit increasing, as well as some other smaller decisions.

MR COCKS: Now, what makes it so hard for me to understand is going through annual reports and going through previous appropriation bills, the trajectory of health spending as an example of what is happening—because I do not think the problems are limited to health spending—seems to be fairly clear. So going back all the way to 2020, you are looking at a total appropriation of about $1.3 billion—well, just shy of. That stayed fairly steady in the appropriation in 2020-21, through to 2022-23, where there was an appropriation initially of $1.478 billion, which had to be increased by roughly $72 million in the budget update for that year, pushing it to roughly $1.55 billion. The following year, we had a budget appropriation of $1.54 billion, which had to be increased by $200 million to near enough $1.75 billion. For some reason, in 2024-25, the appropriation was $100 million lower than the previous year. Why would Treasury accept that—in the context of increasing—over a long time—an increasing health budget, which had a history of under-predicting the expense—why would Treasury accept that somehow, we would have $100 million lower expenses in 2024-25 than the previous year?

Mr Campbell: So, the way we pull our estimates together, we work very closely with, particularly Canberra Health Services, to understand their bottom line estimates.

Fundamentally though, we are not the experts in presentations data and the data that they have available to them. They also then report to the commonwealth. Some of it can relate to actual volume. Sometimes it can relate to price. It depends on what factors they have put into their projections. We will rely on the advice from them because there are particular types of activities that they are going to be facing through the door that we cannot see. Obviously, we are not managing that facility. I think, as Scott may be able to point to, whenever there is an issue that we see in the presentations data, we will respond to it based on the best advice we get at the time, and we can only respond to the best advice we are provided with.

Mr Austin: I think part of that issue is that we also get revenue from the commonwealth, and the appropriation—I mean, you talked about the decline by $100 million—we were assuming we would get extra funding from the commonwealth in that year, and that is part of the appropriation now.

MR COCKS: So funding that feeds in from the commonwealth—

Mr Austin: Yes, from the National Health Reform Agreement.

MR COCKS:—does not factor into that appropriation?

Mr Austin: We get it from the commonwealth, so it factors through the local health network, yes.

MR COCKS: Yes, but it is still very stark that the trajectory of funding was very clear for a long time.

Mr Austin: Part of the appropriation we have at the moment is that we assumed we would get about $100 million more this year than we actually got from the commonwealth, so that is part of the issue that we were appropriating for at the moment. It was based on an assumption that our activity levels were quite high and other jurisdictions would not pick up that funding. The way it works is there is a soft cap of 6.5 per cent on the funding we get from the commonwealth. That applies to the overall program as well. So if other jurisdictions' activity levels are not so high, we pick up that revenue, or we could pick up that revenue. Until quite late in 2023-24, other jurisdictions were not delivering the activity levels we were, so the assumption was that we would pick up about $100 million more, and that goes directly from the commonwealth to the local health network.

MR COCKS: How does that align with the argument the government has been presenting that all jurisdictions are going up if, on a comparative basis, they were not?

Mr Steel: The reason is because they are hitting their cap, and so there is no room, therefore, to then divert money out of the National Health Reform Agreement to states that have a higher activity, like ourselves, that are above the cap. That is the reason.

MR COCKS: It seems like a fairly risky assumption to be taking into a budget. It is a $100 million assumption, and the $100 million would be to just have exactly the same level of activity. How was the government unaware before the election that we would have—was there any reporting mechanism that would possibly have indicated that the expenses in health were not going to be within the predicted budget allocation any time before the election?

Mr Campbell: The pre-election budget update—maybe I will sort of unpack and step back to that. The pre-election budget update is signed off on data up to 11 September, and so you are really only looking at July and August data that would be available at that point in time. We did not have updated financial data, and there is a reason for that. Only CHS can provide that. They turn their presentations data into activity and clinical linked data, which then allows you to generate the financial implications of it, because you cannot distinguish just purely on presentations what the actual activity is. That coding can take between 60 and 90 days to land. So by the time you are saying, "Well, what is the sum total of the July-August data?" you are really into mid-October, which is well and truly after the pre-election budget update. The first set of data that we were able to discuss with CHS, in terms of their understating of the likely projection for the full financial year, was post-election.

We had year-to-date data, which has also been published in the Assembly, on 18 October. So we had our quarterly reporting for the first three months of the year that gives a first estimate of the year-to-date spend, and that did show an increase, but that data does not actually get compiled and published until mid-November. That is available to the Assembly now. It is part of the September quarter data. There will be another update for the December quarter data.

The use of that activity-based data is the best estimate that we can then provide and make an assessment to government about: is this the sort of expenditure outside planned or budgeted or appropriated expenditure that is likely to be sustained, or can decisions and activity be taken to bring spending back within budget? Part of the work that we are doing now with CHS is to understand what options there are in that space, and that will form part of future decisions, as the Treasurer has indicated in the context of the 2025-26 budget.

MR COCKS: But, of course, this is not the first time that we have hit this situation. The previous budget update was, what, half a billion dollars that we had to inject?

Mr Campbell: Again, we can only rely on the presentation of people at hospitals. We are not—

MR COCKS: It is not just the hospitals that are driving problems in the budget. There are other areas throughout the government—when you go through the annual reports—that have missed what they have said they are going to spend. How is it that year after year, it seems, the government is being taken by surprise and having to drastically amend the budget amounts, and we keep on seeing these huge impacts on the deficit?

Mr Steel: I am sorry, but the budget review and the decisions that were taken—there were a small number of new expense decisions that were taken—it is driven, in a large majority, by the health pressure: $227 million, and then also the technical adjustment that is being made in relation to what was expected under the National Health Reform Agreement.

MR COCKS: But you missed it on the previous year too.

Mr Steel: What you are saying is just not true in terms of the budget review just gone. It has been driven by health expenditure that has been at a level that is unanticipated.

MS TOUGH: Treasurer, what factors, global and local, could have impacted the cost of health delivery in the timeframe Mr Cocks referred to, of between 2019-20 and today?

Mr Steel: The global pandemic. We have seen a range of healthcare costs going up over time. It is not just a volume issue but an increase in activity in the system, and also costs. We are seeing that across Australia. In fact, there has to be an update to the level of the efficient price for the delivery of episodes of care because that cost has gone up. It is significant and it is going to be a pressure on our budget, but also the budgets of every other government. I know Tasmania, in their midyear review equivalent, have also had to address that pressure with an extra injection for their healthcare system, and have also had to address the issue of a technical adjustment in relation to what they were expecting to come out of the NHRA as well. So there are a range of different things.

I do not know whether you want to talk further about that. Minister Stephen-Smith and CHS will be better placed to talk about what they are experiencing within our own healthcare system more directly than Treasury can, but we have responded by, for this year, funding those healthcare services, because we think it is important to continue them for this year. But we are going to have to look at what further savings and efficiencies may be required in the future to make sure it is sustainable.

MR RATTENBURY: The public comments that both yourself, Treasurer, and the Minister for Health made around the increasing health expenditure—you talked about 85,000 additional episodes through the health system. On page 52 of the budget review paper, it outlines funding for 33,000 episodes of health care. What is Treasury's understanding of the difference between those two numbers? I am in the middle of the page. The paragraph that says: "This initiative supports the delivery of an additional 1,700 endoscopy services," and then it goes on with some other numbers. That paragraph details 33,000 health episodes. The public figures are 85,000 episodes. What are we paying for, I guess, is the question I am asking.

Mr Steel: I think you have just added up those ones there.

MR RATTENBURY: Yes, I have.

Mr Steel: There may be others. You may have to ask the Health Directorate about them.

MR RATTENBURY: Yes, I will. Treasury is sort of putting forward a figure that is different to what the Minister for Health is putting forward.

Mr Steel: I think it is a subset potentially of what CHS has provided, so you may wish to ask them about that when they appear.

Mr Campbell: We have sourced this information from CHS as part of the budget review. So if there is another figure being used, it may well be accounting for total versus additional in this particular reporting period; but I cannot talk to the number that is not published here.

MR RATTENBURY: Have you been provided with a number from Canberra Health Services that is more detailed than what—I accept this might be a summary, then. Does Treasury have an account of 85,000 episodes?

Mr Campbell: Not in detail.

Mr Steel: What I have said, publicly as well, is that there is quite an extensive piece of work that Treasury and Canberra Health Services are doing right now to get an understanding about what the detailed drivers are of both the activity and the costs of delivering each episode of care, particularly with a view of looking forward to the next budget, to get a better understanding about whether that level and surge in demand is going to continue, and then also what we need to manage that, in terms of whether there are any savings or controls that need to be put in place. That work is actually underway at the moment. The benefit of that will be for the budget process, rather than the budget review that has just occurred. It attempts to explain some of the demand, but obviously there will be further work to do, and data that we will be looking at—and reflecting on the whole financial year once it has actually finished as well.

MR RATTENBURY: I appreciate that there is quite a bit of work to do there, and Treasury has got a job to work with Health. But, in signing off this appropriation bill, presumably there was a business case that outlines the necessity of $227 million.

Mr Campbell: That is correct.

MR RATTENBURY: Would that provide that detailed analysis of the service breakdown?

Mr Campbell: I will have to take that on notice. The material would have gone to the cabinet; so I will have to take that on notice about what additional can be provided. I cannot speak to the minister's numbers, but it may well be that there are also year-to-date estimates that she has got in her figures as well, because this is not a static thing. We are getting more and more data each time. More and more of that NHRA consistent data is coming through which matches the presentations to financial implications. As I say, at the table today, I cannot necessarily compare those figures.

Mr Steel: The financial year has not finished. The supplementary appropriation is based on forecasts of what we expect the costs will be of delivering healthcare services over the year, and that has not yet finished. I cannot take that on notice, because—

MR RATTENBURY: No; I will take it up with health minister. I just wanted to understand Treasury's perspective on it. I understand I will have to ask the health minister other questions.

THE CHAIR: Are you able to take on notice and provide any reasons for the discrepancy?

Mr Campbell: In what?

THE CHAIR: In relation to—

Mr Steel: I cannot take it on notice, because I am not the responsible minister. But, certainly, the Minister for Health and CHS will be able to answer that either in person or on notice.

MS CARRICK: With the monthly reporting that you get, is there not the ability to see some level of trends? Even though there will be blips and things up and down, usually in a graph you can get a bit of a trend line—and with population growth too. With the $227 million, there are no estimates in the forward estimates. Why is there not even just like a partial amount of it in the forward estimates—the bit that could be known, as opposed to the unknown?

Mr Campbell: Part of it is what mitigating actions you can take, which is part of the work that we are undertaking with CHS. There may well be cost savings you can make in other parts of the health system that may not relate to a particular set of activities or, as I think the minister herself has referred to, different types of care. There is a range of things we will need to consider in the context of the budget. There are significant amounts of uncertainty around those figures, and we will not have a reliable estimate to put into the forward estimates until we have done that work with Health.

MS CARRICK: I note, too, that there are other categories that have contributed to the around $270 million this year. In addition to the $227 million for Health, there is $24 million for more support for out-of-home care. Why would out-of-home care not have any forward estimates? Presumably, that is a piece of work that is growing too.

Mr Steel: Health and out-of-home care have ongoing appropriations over the forward estimates. But what is being dealt with here is, again, a large increase in demand and costs in that area. There has been a lot of pressure in that area for a number of years and that has continued to grow. So we have had to provide more funding for it in a decision. But, again, if you want further detail about that, I encourage you to talk to the minister responsible and the Community Services Directorate as well.

MS CARRICK: Yet again on the Payroll Capability and Human Resource Management System, there is the capital on that and then there is the net cost. On the capital compared to the cost, is delivering payroll capability the human side of it—like, people to actually manage the new payroll as opposed to the capital to implement it? It has $17 million for 2024-25. If that is an expense as opposed to capital and it is people managing the system or managing the payroll, why would that not be ongoing?

Mr Steel: There are ongoing costs that are not for publication whilst the work continues on that program, which is the responsibility of the Minister for Finance. I understand she may be appearing on Monday in annual reports and can talk to that program. Obviously, with an IT program like that there will be a capital component and an expense component that will not all relate to wages.

Mr Pirie: To be clear—and Scott may want to clarify—this is about the program to update the system. This is not about the staffing. There are people that currently sit with the system. There will be people that sit with the new system. This is about establishing a new system. It is effectively a bring-forward of existing funding.

Mr Austin: It is a bring forward of funding, because the project is advancing more quickly.

MS CARRICK: Where you have an NFP, not for publication, has that actually hit the bottom line; it is just that we do not see it?

Mr Pirie: It is there, but we do not publish it because there might be commercial sensitivities and because there is going to be a contract negotiated with someone.

Mr Austin: We do not want to compromise the negotiating position of the territory. If we flag an amount of money we are prepared to pay someone, they will bid to that amount.

THE CHAIR: We might move on to the next substantive.

MS CARRICK: I have got one more, just about the payroll of the police on the same thing—not for publication. Why would the police pay and conditions not be—

Mr Pirie: It is also negotiations.

MISS NUTTALL: Back on the $85,000 presentations, how are you able to forecast the rest of the financial year if you are not sure what the $85,000 presentations were? What basis do you use to forecast?

Mr Campbell: We will take the best estimate of our understanding from the CHS. They will have their own internal projections, which is what is actually in the bottom line. The question we are wrestling with, and which needs to be part of the discussion for budget, is understanding what we can do about it and whether there are mitigating actions that can be taken to change the trajectory. As the Treasurer said previously, we cannot live with double-digit increases. So what can we do to bring that back? That is the question that we have. The best estimates are the budget review estimates that we have today.

MISS NUTTALL: What is the money being spent on, in the context of having the $85.000 as the best estimate?

Mr Campbell: If you are wanting to know what precisely the money is being spent on, I would direct that to the health minister and her staff.

Mr Steel: My understanding was the $85,000 was the first six months of the year, and a comparison to 2023. It is in there for the same period in 2023. I encourage you to talk to CHS about what figures they are seeing and projecting.

MR RATTENBURY: Treasurer, since you took on the role, have you met with ratings agencies in your new capacity?

Mr Steel: Not at this point in time, but they have been publicly commenting on our state's financial position, particularly as they have seen the budget reviews and updates come through around the middle of the year. But Treasury might be able to comment on their engagement, if they have had any.

Mr Campbell: Our normal process is largely through the budget process—so the budget review update. Standard and Poor's have their own internal processes about how much attention they pay to particular updates and how many inquiries they need to make. I have seen public reporting from them through various newspapers about statements that are being made, but we would not ordinarily engage unless they want to talk to us during the budget review process. They monitor what is released and they will have seen the statements made, particularly around the actions that we need to explore during the 2025-26 budget process. That is usually when we have a more extensive engagement with them.

MR RATTENBURY: I am asking because I have not seen those public statements from them. What is the tenor of their commentary on the ACT?

Mr Steel: I would encourage you to have a look yourself. I am not going to speak for them on that. They, obviously, updated our position to still remain AA plus last year with a negative outlook, and they made some comments in that which, of course, we will consider in terms of future budget strategy and the upcoming budget as well. That is useful as an input into what policy decisions we need to make around the budget going forward.

MR RATTENBURY: How much does the revenue side of the equation factor into the considerations of the ratings agencies?

Mr Steel: My understanding is that, at the moment, they are very much focused on the expenditure side. You may wish to comment on that.

Mr Campbell: That is right. They have made broader commentary across all states and territories. They have made comments around revenue in relation to Queensland and WA, particularly around the spike in revenues that they will see from, particularly, commodities. That exposure provides those states with greater capacity. Fundamentally, they look at what the operating capacity is and then the capital spend. So, obviously, if the WA, for instance, is getting a stronger revenue flow from commodities, they will note that as a factor that they can be more confident about managing that expenditure. But, if you do not have access to that, then the focus is more on the expenditure side.

MR RATTENBURY: According to the ABS, the ACT territory taxes in 2021-22 were lower as a GSP percentage than all other states and territories, bar Western Australia and Tasmania. So it puts us very much towards the bottom of the table. Is that something that the Treasury is taking into account and offers opportunities to try and address the fiscal issues that are arising for the territory?

Mr Steel: I think that partially reflects the fact that we do not have some of the revenue lines of the other states—royalties being one of those. I am not sure whether royalties were included in that specific graph as own-source revenue compared to GSP. But, as we mentioned before, we also cannot charge payroll tax of our largest employer in the commonwealth, and that is a challenge. We have a strong economy, and that is great.

But we also need to serve our population in terms of delivering government services—health, education, transport, community services et cetera—with a narrow revenue base. That is something that we are going to have to continue to look at. Each budget we will look at it and we have been talking about the revenue measure that we took in recent budgets around short-term rental accommodation. We have continued to look at opportunities to make sure we have a sustainable revenue base to support the level of services that Canberrans expect.

MR RATTENBURY: I guess that goes to the heart of my question. You reference a narrow revenue base, but we seem to be having a narrow revenue base in five other jurisdictions per this measure under the ABS of territory taxes. So I am interested in the policy decisions around where we sit in that table.

Mr Steel: We do not have some of the revenue lines that the other jurisdictions have. We do not have many mines in the ACT that we can charge royalties on, quite frankly. That puts us in a position where the opportunities for own-source revenue just are not as widely available. But we have published in the budget review some charts which show our comparison with other jurisdictions in relation to that. It is worth having a look at that. We are generally middle of the pack when it comes to the revenue, on average.

MR RATTENBURY: Thank you.

MR COCKS: What the ratings agency have said is that the negative outlook reflects their views that the ACT's fiscal outcomes could underperform their forecasts over the next two years and that they could lower their ratings on the ACT again if the ACT's fiscal outcomes do not meet their base case expectations. There is a fairly clear warning in the ratings agency's assessments, their communications and their public statements. What would be the impact of a further downgrade to the ACT's credit rating? What would be the practical impact? What would happen?

Mr Steel: I am not going to hypothesise about what the impact is going to be.

MR COCKS: I would assume that it is a known factor. There are known impacts.

Mr Steel: If you go back to the *Hansard* and have a look at the discussion in the last annual reports hearing with the previous Treasurer and the previous opposition leader, there was very extensive discussion about this. So I am not intending to go over in that level of detail that same discussion, but it is there for you to read if you are interested.

MR COCKS: Are you refusing to answer?

Mr Steel: No; I am answering the question by referring you to the answer that has already been provided on the same matter.

THE CHAIR: So you obviously support what was said then, and there is no change to it now?

Mr Steel: I encourage you to have a look and see for yourself about it, and you can ask further questions as time goes on.

MR COCKS: Okay. What would the tangible impact on the forecast interest payments be if the credit rating was downgraded?

Mr Steel: That was exactly the question that was asked in the last hearings and there was an answer provided.

MR COCKS: We are up to a different budget forecast at this stage.

Mr Steel: The ratings remains the same. So I encourage you to have a look at that discussion.

MR COCKS: The quantity of debt, the quantity of deficit, has changed, and so I would appreciate an answer as to what the impact on our interest payments would be under this—

Mr Steel: This is the exact discussion that was had in the last annual reports hearing.

MR COCKS: About a different budget and a different annual report.

Mr Steel: I will help you by summarising the discussion. The discussion was that, in the bond market, there is a range of different factors that result in higher rates and lower rates. Interest rates play a massive role, not just the credit rating. Sometimes, depending on the jurisdiction that is going out to the market, they may get a better rate than others with a lower credit rating or a higher credit rating, depending on which jurisdiction is going out. It is more complicated and it cannot just be boiled down to a percentage amount. But there was an extensive discussion about it in the last hearing, and I refer you to that. I do not know whether Treasury wants to provide any further detail about the nature of that market and the borrowings and the impact of the credit rating as well?

Mr Campbell: To be clear: the interest repayments that are in the bottom line are relating to previous borrowings, which would have been at fixed coupon rates and fixed yields. So all we are talking about is what is happening to any potential new borrowings. What you pay depends on the circumstances in the market at the time you approach the market. So you will have—

MR COCKS: That is helpful. So the interest payments on new borrowings are not factored into the budget?

Mr Campbell: They are. I will take you to the page so I can be clear about it. If you go to page 78 of the budget review, dot point 2 talks about the average cost of borrowings assumed for any future issuance of ACT bonds. That talks about our current projections, if you were going to market, based on the yield curve at a point in time. But that is just an operational assumption, because what happens when you actually go to market will depend on which investors are in the market and whether you have a deep market, whether people are actually looking at engaging in subnational bonds at the time, and the level of liquidity of your particular bonds versus other bonds in the market. As the Treasurer was saying, those factors can potentially swamp any credit rating impact on any given day you go to market. There are probably four or five key variables which will impact on the interest borrowings that you will get from a particular issuance that you make as the government.

MR COCKS: That is helpful. Thank you.

MS TOUGH: Treasurer, where does the ACT sit compared to other jurisdictions when it comes to our credit rating?

Mr Steel: We are in the middle of the pack when it comes to the credit rating, and that is articulated on page 39 of the budget review papers. At one end, there is Western Australia. It has significant mining royalties and is in a AAA credit rating position. Victoria is on AA, at the bottom of the pack in terms of the ratings, together with the Northern Territory, which I do not think is rated by S&P. We are between, with a number of other jurisdictions, on AA+ at the moment. All jurisdictions are facing some of the same issues that we are around pressures on the healthcare system and the investment that we made during COVID to be able to support the economy at a time when we needed it, and now we need to make sure we are putting our budgets in a sustainable position. We will continue to consider the recommendations of the rating agencies in the approach we need to take in future budgets to address those issues. I do not know whether you want to provide any further commentary.

Mr Campbell: That is about right. Yes—we are in about the middle of the pack. On interest rates generally, as you would probably have seen in media reporting post the election in the United States, there has been a general uptick in inflation projections and interest rate expectations as well, getting back to our domestic market.

MS TOUGH: Thank you.

MS CARRICK: On the theme of the debt, I note that there has been an increase in net debt, from $7.2 million in the 2023-24 actual to the forecast in 2027-28 of $12.8 billion. That is an increase of $5.5 billion over four years, so we are averaging an increase of $1.4 billion a year. Is that more than the capital investment? Does that include operating expenses?

Mr Campbell: Sorry—I unfortunately missed the first part of your question.

MS TOUGH: The increase in net debt—it has gone up by $5.5 billion over four years.

Mr Campbell: If I take you to page 78 of the budget review, we can show you the debt funding program. That helpfully splits it into the new borrowings that are feeding into the borrowing profile as well as the maturity. As I was describing earlier, sometimes you will have existing debt rolling over and maturing, and then you will also have new borrowings, which will largely be related to capital expenditure for new capital items. Decisions around, say, a new investment in parts of the hospital in the future will trigger that, but you will also need to go to the market. We do not attribute debt to particular buckets. What you are seeing there is the total call on borrowings, which will capture both.

MS CARRICK: While we are on page 78, one cannot help but look at the interest expense—$886 million a year by the end of the forward estimates. How much of our own source revenue would that be? What is the percentage?

Mr Campbell: I do not have that off the top of my head, but I can come back to you on notice.

MS CARRICK: That would be good. Given our own source revenue in that year is $3.3 billion, 0.886—close to 0.9—of $ 3.3 billion is a very high percentage of our own source revenue being spent on interest. I assume we are not spending the Commonwealth grants on our interest?

Mr Campbell: No. What matters for our borrowing capacity is our total revenue. It is not just own source revenue. Every time you go to the market, people know your capacity to repay, and they will not just look at your own source revenue; they will look at your total revenue source.

MS CARRICK: I appreciate that. I moved on from the borrowings to the net interest and interest expense. It is very high—$886 million per annum. It gets to that by 2027-28, with an increasing debt profile. That is growing, and that is a significant portion of our own source revenue being spent on interest.

MR STEEL: A Question?

MS CARRICK: Could you take on notice the percentage of our own source revenue that is being spent on interest?

Mr Campbell: Yes; I can do that.

MR EMERSON: We are now into phase 3 of the ACT Aboriginal and Torres Strait Islander Agreement, with phase 2 having ended in December 2023, I believe. Priority Action 9, in the phase 2 focus area action plan, was to ensure that decision-making processes, including through the budget and cabinet, are informed by the impacts of policies, projects and programs and the wellbeing of Aboriginal and Torres Strait Islander Canberrans, including input from partners and the community and the Treasury's perspective. Does this happen?

Mr Campbell: I may throw to my colleague Scott in a moment. We have quite a detailed process around engagement in the development of the budget. Going into the preparation of the budget, we have a formal budget consultation process. That has actually kicked off this week for this year's budget. We have a specific session with the Elected Body and related parties in the Aboriginal community. We take information through that process. It is obviously not just the Treasury in that consultation; we make sure we have all the relevant directorates that are hearing feedback as well. Also, through their engagement with ministers, directorate by directorate, they will have their own engagement processes. That can probably be talked to when you have people appearing in front of the committee, in terms of their specific engagement processes.

In the Treasury, we certainly engage them through the budget consultation process. We have also established a bespoke one-on-one debrief post budget to show where money has been spent and how it has been spent. CMTEDD, the broader organisation that we sit within, also has the Aboriginal and Torres Strait Islander budget update document which will outline in some detail areas of new initiatives and also areas of existing expenditure. Within that, there is a general call for more engagement in the development of greater engagement with ACCOs as part of a number of policy areas that are not necessarily within the direct domain of the Treasury. Mitch, do you want to speak to any conversations we are having on housing? On the development of housing, we also have direct engagement with the sector.

Mr Pirie: Yes; that is right. The housing policy team that sits in the Treasury is working closely with Aboriginal community controlled organisations to look at opportunities to establish ACCO-led community housing in the territory. That is certainly currently a big focus for our housing policy team.

MR EMERSON: My understanding of this action item is that it is not to have a dedicated stream of Aboriginal and Torres Strait Islander related budget bids but to ensure all proposals are infused with this level of consultation.

Mr Pirie: Yes.

MR EMERSON: Do you have the mechanisms to ensure compliance with this requirement?

Mr Pirie: Yes. Going to Mr Campbell's first point, we have consultation next Friday. But, in terms of the budget process, we brief on any budget business case that comes to ERC. Part of that process is to identify particular groups that might benefit from that proposal, including Aboriginal and Torres Strait Islander people. We liaise. We have been liaising with the policy team inside CMTEDD that deals with Aboriginal and Torres Strait Islander issues to make sure that the wellbeing framework we use is fit for purpose. Within the advice we provide to government, we specifically identify not just Aboriginal and Torres Strait Islander people but also other people that might benefit from that proposal.

MR EMERSON: You have said that this either does or it does not affect.

Mr Pirie: Yes; that is right.

Mr Campbell: There is more to it than that.

Mr Pirie: Yes. It is part of the wellbeing—

MR EMERSON: And you will then give an explanation of what that might be.

Mr Pirie: That is right. As part of the business case development, the proponents would need to develop the impacts and the why, and then that is fed through into the business case and the Treasury briefing process that then goes through to cabinet.

MR EMERSON: Would you perhaps be able to take on notice the proportion of successful budget proposals where that box was effectively ticked?

Mr Campbell: That might get into cabinet decision-making.

Mr Pirie: We might have to take that on notice and see what is available.

MR EMERSON: Thank you. Treasurer, have you met with the Aboriginal and Torres Strait Islander Elected Body since becoming Treasurer?

Mr Steel: Not since becoming Treasurer, but certainly in the past. Their work continues to feed into each minister's development of business cases that can be brought forward to the budget process. I am still meeting with the relevant stakeholders, but I am very happy to meet with the Elected Body.

MR EMERSON: Do you know when the last time was that you met with them?

Mr Steel: I do not off the top of my head—no. But they have certainly, at times, met with the entire cabinet or representatives of them.

MR EMERSON: Would you be able to take that on notice?

Mr Steel: Yes; I am happy to take that on notice.

MR EMERSON: Thank you. I have another question on this line of inquiry. We know how important the community sector is for Aboriginal and Torres Strait Islander people and also other people facing disadvantage in the ACT. I have read data indicating that only four per cent of community sector organisations say they are able to meet current levels of demand, and less than 10 per cent believe that their funding actually covers the full cost of service delivery. Are you able to provide an indication—it might have to be on notice—of what proportion of the 2024-25 budget was invested in and through the community sector?

Mr Campbell: We might need to take that on notice.

Mr Austin: Yes. It is quite a complex question to answer. The government funded ACTCOSS to do the *Counting the Costs* report in 2023, to answer that question. We do not collect that data directly. What the budget contains is the funding that agencies get and, through their commissioning process, they determine how much funding and which NGOs get the funding. It is not something we can answer directly, but, within the "Budget at a Glance" paper we put out with the budget, there is compartmentalising of funding for community services. That gives you a starting point to look at.

MR EMERSON: That was put to me by the community sector. They are looking for an update on the numbers and a comparison over, say, the last 10 years. I have asked this of other directorates. This is why it is complex. They can say, "I can tell you what we have done," but ACT Health, the Community Services Directorate, and Housing—everyone has contributions to the sector. Is that the kind of analysis that you might be able to provide on notice?

Mr Campbell: We would have to think about what is possible. We do not have visibility in the Treasury of particular contracts and engagements that other directorates will have. It will actually be directorate by directorate. We will take on notice seeing what might be possible and what the implications of preparing it might look like.

MR EMERSON: Even by asking each directorate and adding them up.

Mr Campbell: I will see what I can come back with.

MR EMERSON: Thank you.

MR COCKS: Treasurer, the budget position is clearly not in a healthy state. You have flagged on multiple occasions that the ACT government will need to make "tough decisions" in the near future and that options have not been ruled out. The former Treasurer, the current Chief Minister, also flagged that a healthy debate was required regarding the public service. Treasurer, all these things mean that I have heard from a few public servants who are genuinely apprehensive about what the government might be considering, including that there is potential for the government to use superannuation funds to fund its commitments and debts. Can you rule out that the ACT government will raid public servants' super to fund its capital expenditure, government services or pay down debt?

Mr Steel: No decisions have been made or are in process, so, no, we have not made that decision.

MR COCKS: So you cannot rule out raiding public servants' super?

Mr Steel: We have not made that decision, Mr Cocks. I think you have answered your own question in the lead-up. The budget process is only just getting underway, as Mr Campbell just mentioned. We will have to consider the full budget context. Where we have obligations to former public servants and current public servants, we will meet those obligations.

MR COCKS: How can the ACT government justify using that very important account that is essentially to meet future obligations and future commitments to public servants in the ACT? How can you justify being willing to use that to service your debts?

Mr Steel: I have not suggested that we are willing to use it.

MR COCKS: But you cannot rule it out, though.

Mr Steel: Do you have a question? I have just said—

MR COCKS: I am trying to understand, because—

Mr Steel: No decisions have been taken along those lines for the next budget process.

MR COCKS: Thank you.

MS CARRICK: Earlier, you mentioned departmentally administered—which is federal language. In administered, we will have an outcome and then we will have a range of programs underneath. The administered bucket is where a department delivers the programs on behalf of the government, and it is usually way bigger than the departmental, which is the salaries and the secretary's discretional bucket to deliver those programs. Because I come from the federal government I am trying to understand how it works here. Do you have a list of programs that you track? Through CBMS in the feds every month everybody puts in their expenditure against the programs and it is all collated. Mr Emerson's question was about the community sector. I used as an example over the last couple of days the Women's Action Plan, which, understandably, is delivered by different directorates because they do different parts of the action plan. But where does that program, for example, come together financially so you can see how it is tracking financially?

Mr Campbell: I will throw to my colleague in a minute but it might be worth stepping back. To come back to the general question you had earlier around reporting against themes, you may have a cross-cutting policy relating to the policy for women in the ACT, and there will be a range of other wellbeing metrics that are identified in each budget that might relate to mental health support, support for women and support for children at risk. The issue with reporting against concepts like that is that multiple domains will have a claim on that same dollar. Say there is $10 being spent on support for housing. That will help four different domains. You cannot add them all up because you will double- or triple- or quadruple-count the reporting. So the only way you can report is against the specific policy program.

MS CARRICK: Yes, the programs. I read somewhere that there was going to be a program review.

Mr Campbell: Not that I am aware of.

Mr Austin: No; I have come across that.

Mr Campbell: I am not sure where you heard that from.

MS CARRICK: I will dig it out where I saw it.

Mr Austin: Essentially, reporting is against outputs. That is basically the basis of the annual reports; so you can see expenditure against outputs. But the other thing we track is against initiatives, which probably is the closest things to programs in the commonwealth. You will notice in the budget review that there are a few initiatives. We can track all of those against the estimated spend, I guess. We do not track actuals to that level. We only track actuals against the outputs and whether it is controlled, recurrent or capital.

Mr Campbell: I would just add to that. I have just heard from our colleagues that there is actually directorate tracking at a lower level. We will get the output class reporting that Scott was referring to, but there will be lower level detail for actuals and internal budgets by directorate. So each of the central finance areas within each directorate will be tracking at a much lower level of detail.

MS CARRICK: And that is monthly, so presumably the directorates would do it monthly?

Mr Austin: Theirs would potentially be monthly.

Mr Campbell: Yes, theirs would be, but we do not necessarily see that level of detail.

Mr Austin: Yes; we will not see that level of detail.

MS CARRICK: Do you just have a list of all the outputs, just like in a table of all the outputs and their annual budget, their year-to-date budget, their year-to-date expenditure and a variance for where there is a greater than five per cent variance?

Mr Campbell: There is a system called the GBMS, where we actually receive that tracking data. I am happy to take it on notice and come back to you in some detail about what is there, just to help inform.

MS CARRICK: Yes, because I am interested in how you track your expenditure and where it is—

Mr Austin: A lot of what you just asked for is in the annual reports. So you can see some of that tracking there against the actuals versus the budget. But we can come back to you on—

MS CARRICK: But it is like scattered all over the place.

Mr Austin: Yes, there are quite a lot of outputs across the ACT public service.

MS CARRICK: Yes. If there is just one document that had a table of the outputs and how they were going—

Mr Austin: We will see what we can do, yes.

MS CARRICK: That would be great. Thank you.

Mr Austin: The other thing is, with the financial statements on a quarterly basis we can track against agencies as well. So you will be able to see—

MS CARRICK: Yes, I saw that. It is against agency but it is such high level. How do you know where your pressures are at that level?

Mr Campbell: We will take that on notice. I think it would probably help everyone if we just stepped through what is collected, who collects it and what information flows are—quarterly, monthly and that sort of thing.

MS CARRICK: It dials back into the forecast because, without knowing your trends and your pressures and not putting any expenses in the forward estimates, it makes your bottom line look better.

Mr Campbell: I am not sure what you mean by not putting expenses in the forward estimates.

MS CARRICK: Well, your 227 does not go forward. I mentioned them all before—the $24 million for the supportive out-of-home care. There is no forward estimates for them. I know there are forward estimates—

Mr Campbell: There are—

MS CARRICK: There are but not for these surge elements.

Mr Campbell: Surge elements relate to the surge.

MS CARRICK: So?

Mr Campbell: So is the surge permanent? That is the question.

MS CARRICK: That is right, and that is where the underpinning data informs these decisions. I am just trying to work out what your underpinning data is that you look at.

Mr Campbell: Yes, but I would not want it thought that the estimates are not the best estimates at a point in time, because they are.

MS CARRICK: Fair enough. If you look at the own-source revenue, it goes up over the forward estimates from $2½ billion to $3.3 billion by 2027-28. It is a 30 per cent increase over four years—eight per cent. You have got it all there in your things and you break it down. We were mentioning payroll tax before. That goes up over four years by 49 per cent—12 per cent per annum. I know they are larger businesses—over $2 million I think—but that is a significant increase. Rates go up 28 per cent over four years.

Mr Steel: Yes, but there have been some policy decisions in budgets around the payroll tax surcharge. So there are reasons that are underpinning some of the assumptions about forward estimate forecasts.

Mr Campbell: That is correct.

MS CARRICK: I assume there is. General rates go up 28 per cent.

Mr Steel: What is the question, though? What is the question in relation to revenue?

MS CARRICK: Do you think these high levels of own-source revenue forecast will hold as the years go by? They are high.

Mr Campbell: They are our central estimates, absolutely, and we describe the risks to the outlook in the statement of risks.

Mr Steel: And they are updated in the half-yearly budget review into the budget based on the best estimates at the time, and things change in the economy.

MS CARRICK: I appreciate that.

Mr Steel: That needs to be factored into the updated forecasts. That is the purposes of budgeting.

MS CARRICK: I appreciate that but annual general rates go up 28 per cent—an average of seven per cent a year. That is high. Total general tax for ACT residents goes up 36 per cent over the four years. So that is an average nine per cent per annum increase in general tax for ACT taxpayers. It is reasonably significant.

Mr Steel: Have you got a question?

MS CARRICK: No; I am just making the comment. I sort of hope those forecasts, in a way, do not hold, because they are very high forecasts for our own-source revenue.

Mr Steel: That means we cannot deliver the services that are important to the community.

MS CARRICK: Well, maybe they need to look at the expense side of it.

Mr Steel: So you want cuts to the community? Is that what you are asking for?

MS CARRICK: No; I am not saying cuts to the community. When was the last time there was a line-by-line review of the budget expenditure on the programs?

Mr Campbell: Are you talking about a formal external review?

MS CARRICK: Well, yes; an independent review.

Mr Steel: We review the budget in the budget process and make decisions about the budget every year and in the half-yearly budget review. We made some very difficult decisions in the budget review.

MS CARRICK: I appreciate that. I was just wondering when there was—

Mr Steel: There are different views on it, but it is the government of the day that ultimately makes the decisions on the budget and brings it forward to the Assembly. We have to balance a range of different factors and we have to have a sustainable revenue base to be able to support government services and continue support for people in the hospital system. That is the biggest pressure that we face at the moment.

MS CARRICK: I appreciate that. I just asked when was the last time there was an independent line-by-line review of the budget.

Mr Steel: So you were asking about an independent review. We can provide that on notice.

Mr Campbell: Yes, we will do it.

Mr Steel: But I just note on the independent reviews, for the larger part, the purpose of these independent reviews, often initiated by coalition governments, is to cut public service jobs, cut government services and programs.

MS CARRICK: No; it is just to review and inform—

Mr Steel: That is the purpose of them and—

MS CARRICK: No, one has to be informed. If you do not do work to have a look at it, you need to be informed.

Mr Steel: I think that undermines the role of the public service, who actually can provide really good advice to government to make decisions in the budget process.

MS CARRICK: We have a very high debt that is forever increasing and a review at some point, after 20 years of government, would not hurt.

THE CHAIR: And, on that note, it is 3.45.

MR RATTENBURY: Well played, Chair.

THE CHAIR: Thank you very much. The committee will now suspend proceedings.

The committee suspended from 3.45 to 4.00 pm.

Appearances:

Steel, Mr Chris, Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage and Minister for Transport

Chief Minister, Treasury and Economic Development Directorate
Austin, Mr Scott, Acting Deputy Under Treasurer, Budget, Procurement, Investment and Finance, Treasury
Campbell, Mr Russ, Acting Under Treasurer, Office of the Under Treasurer, Treasury
Pirie, Mr Mitch, Acting Deputy Under Treasurer, ERI, and Acting Coordinator-General for Housing, Office of the Deputy Under Treasurer, ERI, Treasury
Salisbury, Mr Kim, Executive Group Manager, Revenue Management, Treasury

Independent Competition and Regulatory Commission
Phillips, Mr Lachlan, Chief Executive Officer, Independent Competition and Regulatory Commission

THE CHAIR: We are back for the afternoon shift of the annual financial reports for 2023-24. We are here with Minister Steel and officials from the Chief Minister, Treasury and Economic Development Directorate, and the Independent Competition and Regulatory Commission. We finished with Ms Carrick on her substantive, so we will flick to Ms Tough.

MS TOUGH: Thank you, Chair. Many Canberrans have been keeping an eye on inflation. Treasurer, can you provide an update on the recent inflation figures for the ACT?

Mr Steel: Yes. Inflation figures for the ACT have been updated in the budget review and they are coming down, which is good news. Nationally, that has also been the case, and, while it has not been passed on in terms of interest rate cuts at this point, we certainly hope that will be the case when the RBA make their decision. There are some assumptions in the forward estimates that are in line with market expectations around potential changes to interest rates. I will hand over to the Treasury to talk a little bit about that and what is driving the CPI decline that we have seen, in terms of the various groups—what is underpinning the CPI in the basket of goods that makes up the consumer price.

Mr Pirie: Thanks, Treasurer. Through the year to the December quarter last year, the CPI increased by 2.2 per cent, which was less than the number for Australia, which was 2.4 per cent through the year, in growth. The CPI increased by just 0.1 per cent in the December quarter. That was driven by increases in the price of tobacco, domestic holiday travel and accommodation, restaurant meals and new dwelling purchases by owner-occupiers. But the quarterly growth was mostly offset by large decreases in electricity prices. There was a 9.5 per cent fall in electricity prices in the quarter.

As the Treasurer mentioned, we have revised down our forecast for inflation in the CPI this financial year off the back of that December quarter result. We are now forecasting 2¼ per cent growth in the CPI this financial year and then remaining around the middle of the RBA target band of between two and three per cent across the rest of the forward estimates. They are positive developments in terms of the CPI and, as the Treasurer mentioned earlier, the fact that wages are now growing above the CPI is a positive development. We are seeing real wages growing now.

MS TOUGH: Wonderful. How do these figures compare to other jurisdictions?

Mr Pirie: Through the year to the December quarter, as I mentioned, in Canberra the figure was 2.2 per cent. In Sydney, it was 2.4 per cent through the year; in Melbourne it was 2.5 per cent through the year, in Brisbane it was 1.8 per cent through the year; in Adelaide it was 2.5 per cent through the year; in Perth it was 2.9 per cent through the year; in Hobart it was 1.5 per cent through the year; and in Darwin it was 1.7 per cent through the year.

MS TOUGH: Thank you. Treasurer, what steps has the government already taken to support the cost of living since the election?

Mr Steel: A couple of measures and decisions were taken through the budget review, particularly to support people with transport costs—basically making one day of the five-day working week free on public transport through Fare Free Fridays. That is not just about supporting the cost of living for people using public transport but also about helping to support the broader economy on a day when we see more people working from home and not everyone traveling into the city. It is a way of encouraging people to take up public transport, particularly on a Friday, and to use local businesses near their workplaces, when they go out for a drink or a meal afterwards, and those sorts of things. We will continue to evaluate that. It is a one-year trial to look at what the benefits of that have been. The other initiative was announced by Minister Berry—a decision that we have taken in the budget review in relation to a free school camp, to take a bit of pressure off families, particularly by providing them with a camping opportunity at Birrigai for their children.

We will continue to look at how we can provide cost-of-living support in line with our election commitments. We know that some households and businesses are doing it tough at the moment. The outlook is good, though, in terms of CPI coming down. There is still growth in inflation, but it is not as high as expected. The prospect of potential interest rate cuts will certainly make a significant difference for people, if that does occur, and that would be welcome news for the economy.

MS TOUGH: Thank you.

MS CARRICK: On the free school camps at Birrigai, is that for all public schools?

Mr Steel: It is probably best to direct some of the questions, on the specifics of that policy, to Minister Berry.

MS CARRICK: Why are there no estimates in the papers? It is in the budget review. There is nothing against it. Why is that? It is in the budget review table, but there is no cost against it. Will they have enough money at Birrigai? Presumably, to give every public schoolchild a free school camp, they would need a significant amount of money.

Mr Steel: It is being funded with an offset by the Education Directorate for one year.

MS CARRICK: Hopefully they get enough to provide all the camps for those children.

MR COCKS: When the data came out around inflation coming down, as you mentioned, it was very clear in the release that part of what makes the number look so low was the government subsidies on a range of things, including energy rebates and increases in Commonwealth rental assistance and public transport subsidies, as you have just been talking about. Do you know what ACT inflation would be at in the absence of those subsidies?

Mr Steel: The various CPI groupings are made up of a range of inputs. Public transport would be only one in the transport grouping. It would include other transport costs as well.

Mr Campbell: Sorry, Treasurer—I was just going to say that we have not modelled the counterfactual—

MR COCKS: The point that was coming out at that time was that, essentially, inflation was still a problem but that a lot of inflation had been hidden by government subsidies. The other factor that seemed to drive the drop in inflation for those last numbers was fuel prices. Clearly, fuel prices have done completely the opposite more recently and we now back up at around $2 a litre. Do you expect inflation to increase as a result of that change?

Mr Campbell: We will update our inflation forecast in the context of the budget, and a lot of things will happen between now and then.

MR COCKS: It sounds like there is still a fair bit of uncertainty, then.

Mr Campbell: No. The forecast is our best estimate at the time of the budget review. It is just that—

MR COCKS: At the time.

Mr Campbell: There will be a number of factors, which will be ons and offs all the way through.

MR COCKS: You mentioned earlier the global impact of inflationary pressures in the US, for example. Do you expect those to have an impact on inflation here?

Mr Campbell: There is a lot in that question. It will depend a lot on what happens to our exchange rate as well. We have not made a new forecast, subsequent to the budget review, to account for any developments in the US. Obviously, we would look at that when we think about the budget forecasts.

MR COCKS: Do the adjustments in the exchange rate present risks in terms of our economy? In particular, I am thinking about our service industries that are very exposed, like higher education.

Mr Campbell: I do not want to speculate on future migration flows in this forum. Decision-making for students around access to education is not so much a point-in-time decision. One thinks about a three- or four-year commitment to a location. I would be surprised if we would have much of an adjustment in relation to a spike that might occur from time to time in the exchange rate. I do not want to speculate on migration flows as a result of the exchange rate. It is not something we forecast formally.

MR COCKS: Thank you.

MISS NUTTALL: Let's us talk about the climate. In 2019-20, the estimates committee recommended that government ensure budget funding decisions are explicitly considered in the context of the zero-emissions target by 2045 and interim targets and that the cost of carbon emissions are factored into Treasury and directorate cost-benefit analyses. The update on this recommendation is agreed but still in progress. It is five years on. When will this recommendation be fully implemented?

Mr Campbell: There has not been a change to our budget business case processes. We can take on notice what has changed, but we will also consult with EPSDD around climate change policy to make sure that we get you the right information.

MISS NUTTALL: To clarify, are budget funding decisions currently explicitly considered in the context of zero-emissions targets? Is there a mechanism within the Treasury for that?

Mr Austin: It is more in terms of how the business cases are developed, and, if they contribute to that target, they will identify that in the business case. It is all part of the business case process that agencies or ministers bring forward.

MISS NUTTALL: Is there a checkpoint in the business case process that identifies whether that has been explicitly considered? Is there any recourse if, for example, a business case does not consider that context—that there might be a reminder for people to consider it or a reconsideration?

Mr Austin: We have lots of tick-boxes in our business cases. I just cannot remember if that is one of them. We can look at that as part of the answer we provide back to you, if that is all right. We will check that.

MISS NUTTALL: That would be really nice. Thank you.

MR COCKS: I want to direction a little bit. I want to understand a bit more about the outstanding amounts that we have for residential and commercial rates at the moment. Firstly, at any one point, how much is overdue by more than a month?

Mr Campbell: I will call on our revenue commissioner to join us at the table.

Mr Steel: I note that the responsibility for tax administration sits with the finance minister, who is coming to an annual reports hearing, but—

MR COCKS: I understand that.

Mr Salisbury: I have read and understand the privilege statement. Your question goes to overdue rates and you asked a question about the levels. I will take that question on notice. I do not have that data with me.

MR COCKS: Thank you. We charge interest on those overdue rates. If I recall correctly, roughly 12½ per cent is the interest rate that applies, at least for residential rates that are overdue. Can you confirm that is the correct rate and whether that interest rate applies to other debts to the territory?

Mr Salisbury: The standard interest rate that applies is 12.42 per cent at the moment.

MR COCKS: How is that calculated? How do you set that interest rate?

Mr Salisbury: That is a legislated amount. It is the 90-day bank bill rate plus a standard eight per cent.

MR COCKS: So it is eight per cent above the bank bill?

Mr Salisbury: Correct.

MR COCKS: Is that the same rate that applies to overdue stamp duty?

Mr Salisbury: Yes; that is a standard rate that applies to most of our tax lines.

MR COCKS: This probably partly fits in the finance minister's hearing, but perhaps you could take on notice what quantity of debt there is in terms of stamp duty in arrears?

Mr Steel: Stamp duty for what?

MR COCKS: Residential and commercial properties.

Mr Steel: Conveyancing duty?

MR COCKS: Yes. Would you be able to take that on notice as well or provide information on that, and for how many people or entities?

Mr Salisbury: Certainly; yes.

MR COCKS: Thank you. Again, this might be in the other hearing, but I am interested in finding out the policy around recovering stamp duty. Is there a time limit on when the government would pursue an outstanding debt?

Mr Salisbury: There is a due date on an assessment and, following that due date, we would be pursuing that debt.

MR COCKS: Does the government have the power, as we have seen interstate, to forcibly sell someone's home, for example, to recover that debt?

Mr Salisbury: We do have a range of powers in relation to rates and land tax. That does include the right to sell somebody's house.

MR COCKS: In terms of all debts, including stamp duty and rates, does that include the power to directly approach someone's bank, for example?

Mr Salisbury: There are also garnishee powers that we have.

MR COCKS: Where would I find those garnishee powers in legislation?

Mr Salisbury: The Tax Administration Act would be the first place to start. But perhaps I will take that question on notice and we can list the legislation and related legislation.

MR COCKS: That would be useful. Thank you.

Mr Campbell: But, as a matter of standard approach, these are last-ditch measures. There is working through with the office around recovery and recovery programs and potential repayment arrangements before you get to any of those stages.

MR COCKS: So you would not expect someone to have their bank approached, for example, without being told it was going to happen?

Mr Salisbury: There are specific rules around how we must go about each of those processes that we undertake.

MR COCKS: Okay, and you have taken on notice to provide where I would find all of those rules?

Mr Salisbury: Yes.

MR COCKS: Thank you.

THE CHAIR: We have a substantial amount of time here so we might go back down the line here, if we can. I am happy to start with you, Ms Carrick, if you are good to go.

MS CARRICK: I will ask some more questions about the own-source revenue. We have talked about the general taxes, but I was also wondering why rates goes up $209 million but conveyances, commercial and residential, as Mr Cocks was talking about, also goes up by $26 million. Can you explain that offset? If I am not mistaken, conveyances were supposed to go down as rates went up—that the rates increased to get that broad-based tax and the conveyancing offsets that and goes down—but it is not.

Mr Steel: The government is committed to tax reform and the gradual phase-out of conveyance duties. That has, to date, been largely revenue-neutral in terms of the change away from those conveyance duties to a land-based tax in terms of rates. But, in terms of the actual numbers, there is a number of different things that affect the amount of revenue from rates—for example, the number of rateable properties. As the city grows, there will be more housing and more rateable properties. Also, there have been some adjustments, I think, in relation to the valuation of those rateable properties that were been made in budget review. But I will hand over to—

Mr Pirie: Just to add to that, the assessment of revenue neutrality of tax reform is focused on collection of additional revenue from general rates above what would have been the case under pre-tax reform settings. There is that additional revenue against cuts to conveyance duty to determine if the tax is a revenue-neutral reform. As the Treasurer mentioned, a report was done in 2020 that showed that the tax switch had been revenue-neutral through that period. We are currently updating our modelling and assessment of that to support the government's considerations of the next stage of tax reform, which will be looked at through upcoming budget process.

MS CARRICK: Will your analysis of how the rates are going compared to the conveyancing charges be made public—how that offset is working? Will we be able to see that?

Mr Steel: We have not seen the report yet. Once we have considered it, yes, we may wish to make it public. But it will be in the context of the budget where we will be making decisions about the next steps we want to take in terms of the phase-out of stamp duty, which has been focused on owner/occupiers, particularly first homebuyers, and providing them with an opportunity to get into the housing market. Obviously, conveyancing duties are affected by the broader property market and the number of transactions that have occurred in the property market. Those are forecast, but, obviously, they are updated. I do not know whether you want to provide an update, based on the budget review changes.

Mr Pirie: We can talk you through the update to the conveyance duty numbers, if you like. That is on page 64. We have revised up the residential conveyance forecast by $161.2 million over the four years to 2027-28, and that is compared to the 2024-25 budget. That reflects ongoing strength in the ACT property market, particularly around higher transaction volumes than were previously expected. So there is strong activity in the established property market. Commercial conveyance duty in 2024-25 is expected to be $4.6 million lower than the 2024 budget estimates. It largely reflects us picking up week-a-year to date collections. In terms of commercial conveyance duty, what we have been seeing over the last little period is that the impact of higher interest rates and uncertainty around the outlook for inflation has tended to dampen activity in the commercial property market. So that has put some downward pressure on commercial conveyance duty collections.

MS CARRICK: Thank you, Mr Pirie. It will be good to see how that offset works. As somebody just looking in on the budget papers, the conveyancing duty appears to go up. So it would be good to see that.

Mr Pirie: Happy to take that on notice and provide you some information around how that works.

MS CARRICK: That would be good. Still on the mid-year budget review forecasts and the levies, the Safer Families Levy goes up 68 per cent over four years. That is an average of 17 per cent a year. That is a significant increase to that levy. Can you say what the policy rationale behind that increase was?

Mr Steel: To support, particularly, those who are victims of family violence. But it is particularly worth asking the questions of the relevant ministers about those initiatives and what is being funded under that levy. But, yes, it has been charged to support those initiatives.

MS CARRICK: It will be good to see where that additional 68 per cent over four years goes to.

Mr Campbell: There is an attachment in the annual budget that talks about where the money goes. So that might be helpful in the first instance. But we can follow up if there is more information you need.

MS CARRICK: Thank you.

Mr Pirie: Just to add to that. I note that page 212 in the 2024-25 budget noted that the safer levy will go up by $10 to $60 in 2025-26 and then it will go up by a further $10 to $70 in 2026-27. That is a partly driving the increase you are talking about there.

MS CARRICK: Thank you. Also, there is a significant increase in the Police, Fire and Emergency Service Levy, which is up 40 per cent over four years—an average of 10 per cent a year. I appreciate that there will be the same response—that that is going towards the police, fire and emergency services.

Mr Campbell: Yes, and supporting the hiring of the new police and their wages as well.

MS CARRICK: Okay.

THE CHAIR: Has there been an agreement for an increase in our ACT Policing wages? When is that due?

Mr Campbell: I will have to take that on notice. We do not negotiate that in Treasury. Our colleagues in the Office of Industrial Relations would have the details on that. I do not know if they have appeared already before the committee. You may be able to redirect that question to them about the status of negotiations.

THE CHAIR: To suggest that their pay is going to go up through this levy and pay more funds to ACT Policing—

Mr Campbell: No; this is the existing staff.

THE CHAIR: Sorry?

Mr Campbell: It is an existing addition to staff from previous decisions to increase the number of police—that alone, just the dollar amounts, regardless of whether there are any future negotiations, because there was already an agreement that has been struck that is being funded in the budget review as well.

Mr Pirie: I would also take you to page 54, which shows you the detail.

MS CARRICK: I have just got one more on unsourced revenue. When we get our rates notice, we get the ring of where our money is going. That includes all money, health and education, so you see a great percentage of it is going on health. Can we eliminate out of that the commonwealth grants and the GST and then just what is left is government own-sourced revenue and where that money is going? Can we like have two rings?

Mr Steel: I think you are conflating two rings. One ring is expenditure, which shows where government expenditure is—34 per cent being spent on health, for example. Then there is another one, which is revenue. You could, I guess, yourself probably eliminate those. But are you asking for specific amounts?

MS CARRICK: Yes. Like the rings. For example, on the rates, it is where our money goes. So it is the expense side of it—the expense ring.

Mr Steel: Yes, that is one ring.

MS CARRICK: Yes, that is one ring. If we were to take out of that ring, the expense ring, the amount of health that is equivalent to the revenue that comes in from the federal government, the amount of education that comes in from the federal government—so if we were to eliminate the expense that is funded by the federal government—we would get back down to our own-source revenue. What does that ring look like? What do we spend our own money on?

Mr Campbell: There is an element of hypothecations—a term that sort of links funding sources to the expenditure. That is only for particular services and particular activity. It would be reported. I might have to check for you about where those national partnership payments were actually recorded in the budget, but they actually pull out the amount that is attributed to particular things—an education agreement or a health agreement. If you are asking about the aggregate, we do not actually do that linking—or how much of a revenue bucket in aggregate is going to that activity. So we do not make that link. We do not hypothecate in that way. The only way there is a direct link is when there is a partnership agreement which links the funding.

MS CARRICK: A lot of the federal government money is under—

Mr Steel: A tied grant.

MS CARRICK: —an agreement.

Mr Steel: Yes, a tied grant.

MS CARRICK: Yes, it is tied. If we take out the tied stuff, what is left and where is the money going? That will change the look and feel of the expense ring. If the tied money came out, it would change it. Sure, we spend some on health and education, but a lot of our own-source revenue would be a lot smaller part of the ring once you have the tied federal money out.

Mr Campbell: And we should not forget the GST revenue for this as well.

MS CARRICK: Yes, I know that is a bit tricky.

Mr Campbell: It is all a bit complicated. It is all trying to address that vertical fiscal imbalance problem that we have between the states, the territories and the commonwealth.

MS CARRICK: Just looking at it simply, where does our unsourced revenue go if you take the tied stuff out? There would have to be some way of dealing with GST.

Mr Campbell: I am not sure we have that. You are basically saying, "Can you attribute a particular own-source revenue line to a particular expenditure?" And that is not how we budget. We basically say, "This is a funding source for health. It is coming from multiple sources. There will be untied GST funds. There will be tied funds from national health agreements," and then we use that funding and spend it in the way that we prioritise as the territory about what we want to spend the money on. But the funding source and the expenditure is not that directly linked.

MR COCKS: Maybe you can provide, perhaps on notice, a breakdown of hypothecated funding from the commonwealth to the ACT, grouped by what area of expenditure it is tied to.

Mr Steel: That is already provided as part of the budget papers.

MR COCKS: Is it is broken down in that way?

Mr Campbell: Well, we have probably got—

MR COCKS: I would be very grateful if you could provide a reference if it is—

Mr Steel: It is also in the federal budget papers as well. There is an entire budget paper that is titled "Financial relations with—

MR COCKS: Just in the interests of being able to tie-up the discussion and get the sort of information we are looking at, because I think there is an issue around trusting and understanding the ACT government's spending versus federal government in some of those expense lines. In terms of conveyancing duties, can someone tell me how many people have received conveyancing duty concessions over the past four years?

Mr Steel: We will take that on notice.

MR COCKS: Yes, thank you. And I am really glad someone else used the word "hypothecated" before I had to! The levies that we were discussing earlier that appear, particularly those that appear on rates notices—please, help me to understand correctly, and make sure I do understand correctly: are any of those hypothecated? Are any of those tied to the thing that their name suggests that they would be?

Mr Campbell: The Safer Families Levy is the most obvious one. I am just thinking if there are any other really obvious ones. I will come back if there is anything else.

MR COCKS: Thank you. And what is a mechanism for hypothecation for the Safer Families Levy now?

Mr Austin: I guess it is decision-making through the budget process, so if you look at the revenue.

MR COCKS: But it is not actually structurally attached. It comes into consolidated revenue still?

Mr Austin: Yes, that is my understanding.

Mr Campbell: It is preserved for that purpose, and then the particular items are spent against that, and how much in each of those sits within the sort of aggregate total for the levy.

MR COCKS: So it still relies on government decision-making to actually decide where it goes?

Mr Campbell: That is correct, yes. I will see if we can point to it in the 2024-25 budget. It will be the Safer Families Levy—

MR COCKS: I understand, and you do not need to go into those details. Thank you.

Mr Campbell: Okay, yes.

MS CARRICK: It would also be good to know how much of that are programs and frontline services, as opposed to the directorate managing the dishing out of the money to the different services to be delivered.

Mr Austin: I think there was a decision taken last year that it is all going to be for frontline services now.

MS CARRICK: Okay, good.

MS TOUGH: Treasurer, I am interested in housing, and the government's goal to support more housing. I note from the budget review that, despite a good supply to population-growth ratio, approvals and commencements are softening. What is the government hearing from industry as the key factors affecting these metrics?

Mr Steel: The major factors have been macroeconomic factors, particularly interest rates, which have been affecting business financing for projects, new housing projects, and have been affecting the demand side of the equation as well, in terms of homebuyers finding it more difficult with purchasing a home that may be less affordable due to higher interest rates. That has been a factor.

But the major issue that has been experienced by the construction industry has been the cost escalation of building materials, and also a tight labour market as well. That has flowed through to what we are seeing in terms of a drop in the level of commencements in the housing sector, but it is also one of the reasons why the government has been pursuing a pretty ambitious program in terms of building new public housing. So, at a time when the private sector may be pulling back a little bit from constructing new housing due to those increased costs, project costs, the government will be playing a role in that space in providing a pipeline which will give the construction sector certainty, and, of course, we have got a big pipeline of broader infrastructure projects as well, which some of that sector will also work on. That has been the government's approach, but also regulatory mechanisms.

We have flagged some quite substantial reform in terms of zoning, as part of the next stage of planning reform, and that is about regulation that actually enables new things to happen that were not permitted before, in terms of building more homes in existing residential areas—so the missing-middle work that is underway, in particular. We hope that will stimulate the market by enabling homes to be built, and you might start to see some, particularly when you are talking about dual occupancies, potential mum-and-dad investors that might be willing to start builds where the broader construction sector may not be building. Of course, with inflation coming down, CPI coming down, and the potential of interest rate cuts in the future, that certainly looks positive in terms of stimulating the economy.

We have got a lot of work to do on skills, to support skills, which Minister Pettersson is leading in terms of supporting more apprentices in the construction industry. We have got some commitments around that, where we are developing the policy, and there have been some reviews, recently, into training subsidies to look at what is needed for the construction trades, in particular, to support businesses with the cost of actually supporting the training, because they ended up paying for the gap in the cost of the subsidy, and it is free for apprentices, which is great, but we need more businesses to take on those apprentices. So, that subsidy will help, as well as the federal government's measures there—the $10,000 that they have announced which will support an apprentice right through in the construction trade. We are coming at it from a range of different angles, but, certainly, at the moment, there has been a bit of a drop-off in commencements there, which we attribute to the macroeconomic factors in the economy.

MS TOUGH: Thank you. You mentioned the softening of private sector investment and looking at building more public housing to make up for that. Is there anything else the government is doing to support more public investment?

Mr Steel: Yes, the bill that I introduced last week—to speed up some of that public housing work so that we can get construction out there and get approvals through—will certainly help to support it. But there are a whole range of initiatives that we have signed up to as a government as part of the National Housing Accord and trying to reach the target of 1.2 million homes over five years, and we want to deliver more than our fair share. There are a whole range of initiatives there that we are reporting on on a regular basis around meeting that. A lot of that is around zoning reform, but there are other initiatives as part of that as well.

The government is basically trying to enable 30,000 new homes. We are going to create the environment for the construction sector to be able to build the homes through planning policy, zoning reforms, providing a pipeline of public housing and stimulating demand with stamp duty removal, particularly for first home buyers. That will, we hope, make a difference in terms of stimulating the demand side, as well, for some of those builds.

Build-to-rent is another one, of course, where we are supporting people and supporting organisations, including some of the super funds, to be able to build more of those developments. And there are negotiations that happen around what tax settings apply to those as well. But I will hand over the housing coordinator-general, who is far better placed to talk about that.

Mr Pirie: I think you have done a pretty good job, Treasurer. To add to that, the growth in construction costs has been really significant, and I have got some data here to highlight that. Over the period from the September quarter 2012 to the March quarter 2022, average growth in house construction prices was two per cent per year. Over the period from the June quarter 2022 to the December quarter last year, this average through-the-year growth was 11.2 per cent—just some context around that. And since the onset of the pandemic, it was 8.1 per cent through the year, so certainly challenging conditions for the private sector.

The other point I would make is the Office of the Coordinator-General for Housing is working really proactively with the community housing sector, looking for opportunities to support growth there; and that includes leveraging the Affordable Housing Project Fund that the government has established, and using the Indicative Land Release Program to identify potential sites to deliver affordable rentals that can be put out to market for the community.

Mr Steel: The chart on page 18 of the budget review generally shows that residential stock is keeping up with the population; that is backward looking, because it is looking from March 2024 back to 2011. There is still a need to continue to do work on supply, because we know the population is growing in the future and we are going to have a population of over 700,000 in the 2050s, so there is a lot more work to do.

The stock that is being produced is mostly single residential and large multi-unit apartments. The challenge is the bit in between, the missing-middle, that we need to address in the territory. So, yes, there is an increase in stock for particularly multi-unit dwellings—and I think that is probably where we have seen a little bit of a drop-off in the numbers in the multi-units and not as many of them necessarily commencing—but we are going to have to provide different choices—for Canberrans to be able to have a garden, maybe in a townhouse—and not just provide apartments. This is part of the housing supply equation. It is not just the sheer number of dwellings; it is the type of dwellings that we provide that people want to live in and where they want to live. That is the challenge that we have got, and that is not picked up in that neat chart, but it is helpful in terms of telling the broader story.

MS TOUGH: Thank you.

MS CARRICK: I would just like to ask a question about the lease variation charge, because people tell me that it is an impediment to developing their blocks. I understand that it is 75 per cent of the land value uplift, and I am not aware of any other jurisdiction that has a lease variation charge that high. Do we have the highest lease variation charge—or betterment levy, whatever you want to call it—that the government takes on the uplift in value of the land?

Mr Steel: The rationale for this charge is that our government thinks that developers should contribute to the services and infrastructure that those residents will need, particularly if you are talking about developers building new homes. The lease variation charge enables that. It is unique to some degree, because we have a leasehold system in the ACT, and it enables us, at the point of a lease change, to actually then trigger the charge.

There have been some changes to the LVC arrangements around deferrals and so forth to try to make sure that it aligns with the cash-flow needs of some of the developers as well, but it does make a contribution to some of the infrastructure that we need to build. Those people that live in the new homes will need access to health care in our hospitals. That has to be paid for from somewhere, and the developers, we think, who are making a windfall gain as a result of a lease change, should have to contribute to funding those community services and infrastructure. That is the rationale for it.

In terms of the actual LVC methodology, there is obviously the codified rate that is available. There are very detailed, codified arrangements for housing across Canberra, which you can have a look at, and there have been some specific initiatives to try to support the missing-middle that have been put in place there as well. Then there is the alternative, which is to look at a valuation method. V1 and V2 is how it is described—looking at what the value was before the lease variation occurred and the value after, and then seeking to apply the charge. I will hand over to Treasury to provide some further information about what the rate is in relation to the 75 per cent.

MS CARRICK: Yes, I am curious, because this is one line item that does not go up very much. It goes up by 15 per cent over four years and four per cent over the average—

Mr Steel: It is highly volatile, and it depends on exactly what variations there have been across the market. It is subject to the market; it is not perhaps as predictable as rates.

MS CARRICK: Yes. Interestingly enough, it only goes up $4.9 million over four years, so that, on the face of it, does not seem like much. I appreciate that there is a balance to be had between the government having a part of the uplift in the value of the land and not impeding mum-and-dad investors wanting to develop their blocks. That is the policy that you want, so there is a balance in it. I would be curious to know: can we get the details of the lease variation charges paid, particularly for really big residential towers?

Mr Pirie: I might ask the commissioner to come up, if that is okay, on that particular point.

Mr Steel: Not every residential tower will require a lease variation, because it may already be permitted within the lease and the zoning on that block.

MS CARRICK: When we refer to the lease and the lessee, is that the same as the Territory Plan? We have what was the old precinct code; it is the district policy. It is the law; it is the part that is in the Territory Plan, and it sets building heights. Is that the same thing? When people talk about the Phillip pool, they talk about the lessee and the lease, but I think it is actually what is in the Territory Plan. Is it? I do not know. I am a bit confused about that.

Mr Steel: They have to be consistent.

MS CARRICK: They have to be consistent. Okay.

Mr Salisbury: I was just going to answer the specific question on whether we can provide information on who has paid. The answer is no. That would be protected by taxpayer secrecy provisions, so we would not be able to provide that information.

MS CARRICK: Can you do it anonymously, then, somehow?

Mr Salisbury: Perhaps, but sometimes anonymously can identify a particular—

MS CARRICK: I note that we have nearly 40 residential towers now, so we are pretty safe.

Mr Salisbury: That would be a decision for me to make, as the commissioner, weighing up the tax secrecy provisions that we have. It is unlikely that we would release that information, because I would be concerned that individual taxpayers could be identified.

MS CARRICK: I guess there is some sample size with which they cannot be identified, because we have so many.

Treasurer, you mentioned the lease variation charge and how the government takes that to reinvest in the community, for schools and services that people need; but it is not hypothecated. We have nearly 40 residential towers in Woden, either built or on the books, in planning, and their money is not hypothecated to come back to Woden. There is a feeling that we are paying a lot of rates and a lot of lease variation charge, but it is not coming back into facilities for us.

Mr Steel: It is. Thirty-four per cent goes into health, quite a significant plurality goes into education, and four per cent goes into transport, in expenditure that we were talking about earlier, so it is across the community. Various people within each district will be using those services. It also includes local infrastructure as well, like the new community centre that we are building in Woden and the new hospital that we just built in Woden and opened—all those sorts of things.

MS CARRICK: Yes, but the new hospital is for everybody.

Mr Steel: Exactly, and everyone will benefit from that as well.

MS CARRICK: It is not just for Woden; it is the tertiary hospital for south-east New South Wales.

On the pipeline, if there is a softening in the private market that we were talking about before, for various reasons, then the pipeline of projects that are government funded could include—I have a great idea—the community centre, an indoor sports stadium, a 50-metre pool and an arts centre in Woden. That could help keep the construction industry going.

Mr Steel: We have a revenue base and we have to make decisions around priorities in every budget, and we have to make those decisions based on the whole ACT community.

MS CARRICK: It is a pipeline.

Mr Steel: It is in our charter as individual members of the Assembly and as ministers. We have to think about what is in the best interest of Canberra, and that means looking after the health care of all Canberrans. That is a particular pressure on the budget at the moment, and we do need a sustainable revenue base to fund that. The lease variation charge is a very small part of the revenue mix, but it is still significant. It sends the right signal that developers should make a contribution, through the windfall gain that they are getting, to government services right across the board, not in just one area but across the community.

MS CARRICK: Interestingly, though, we have the aquatic centre in Commonwealth Park, we have the upgrade or new—

MR COCKS: Chair, I just want to flag that I have supps on this too.

MS CARRICK: I will just finish on this one. We have the new theatre in town; we have the upgrade of EPIC; we have the health, education and sports precinct in Bruce; and we have the expansion of the basketball stadium in Belconnen. A lot of this infrastructure and social and economic activity is going into what I call the golden triangle between Bruce, Dickson and the lake. Most of it is going there. I agree: we need to spread that around Canberra. What is there already and what is in the pipeline is very concentrated.

Mr Steel: The priorities across the board are looked at as part of the budget process. It is not just about regional infrastructure; there are priorities like pressures in out-of-home care.

MS CARRICK: I understand that, Chris.

Mr Steel: We have to fund that, and the revenue has to come from somewhere to fund it.

MS CARRICK: I am not saying we do not understand that.

Mr Steel: The revenue has to come from somewhere and this is one more—

MS CARRICK: Treasurer, I never said we should not fund community services.

Mr Steel: You were just suggesting that we should cut revenue and then cut expenditure at the same time, which is completely unsustainable, so—

MS CARRICK: No; I said we should be informed about our expenditure base by having a review into it.

THE CHAIR: Mr Cocks, a supplementary?

MR COCKS: I will try to keep these quick. Please feel free to take any on notice that you need to. I will start from the end. A few topics have been covered. Regarding lease variation charges, has anyone undertaken an analysis of the cost to the community in terms of the barrier that the lease variation charge presents, particularly in terms of additional costs for developers and the inflated cost of homes for homebuyers?

Mr Steel: There is only one input to the cost of constructing a new home and, as we have discussed before, one of the major inputs is the actual construction material, which is—

MR COCKS: I understand. That is my next question.

Mr Steel: Cost escalation has been dramatic in that area. The cost of labour has been going up and we have a tight labour market. We are struggling to attract the skills, and that is part of the mix.

MR COCKS: Sorry, Minister—I tried to make it simple. I just want to know whether there has been any analysis into that specific input.

Mr Steel: It is just one input into the cost of housing. Yes, the cost of taxes is just one input into the overall cost of a residential housing project.

MR COCKS: Regarding the cost to the community of developments that may not be built, has there been any analysis, because of the added cost of having to comply with lease variation charges? Have you done any analysis?

Mr Pirie: The Treasury has not undertaken any specific analysis.

MR COCKS: Thank you. In terms of growth in construction costs, you mentioned a few things earlier that have impacted the sector. One of the big things is that building companies have been making decisions not to build in the ACT due to, in their words, regulatory complexity. That has been reported in media. Have you undertaken any analysis of the cost to the ACT economy or the number of builders that have chosen not to build in Canberra due to those regulatory complexities?

Mr Steel: We do not think that is the major driver. We think the macroeconomic settings are. That is largely driven by the cost escalation in building materials—

MR COCKS: I will take that as no.

Mr Steel: interest rates, which I mentioned, which affect project investment—

MR COCKS: I heard the argument.

Mr Steel: I am still answering your question. We have been talking with industry about what can provide them with the regulatory settings that they need to be able to build more homes. One of those things is planning reform in terms of planning regulation—actually allowing homes to be built in places where they were not permitted. That is what is on the table. What the Assembly will need to consider this year is: do we want to actually allow, through regulation, more homes to be built in the city? That is something for which there has been quite a lot of support from the property industry. But we also want to make sure the design is right, so there will be regulation around the design that comes with it. But, if you are talking about the property developers licensing bill—

MR COCKS: No; I am not.

Mr Steel: which is usually what the property developing industry is talking about when they are talking about over-regulation, I am sorry, but I thought your party supported that bill in the Assembly. We did—

MR COCKS: Very clearly, as I said already, that is not what I am talking about.

Mr Steel: Be specific about the regulation. What regulation are you talking about? That is the one that they talk about.

MR COCKS: They are talking about regulatory complexity across the sector. That includes the additional regulations that were linked to that. But you also hear complaints about the regulatory cost of complying with increasingly complex environmental regulations and often contradictory regulations in planning around things like plot ratios, the amount that needs to be dedicated to trees—all those things.

Mr Steel: That is being addressed through the planning reform that is underway.

MR COCKS: That is what I am saying: across the regulatory system, you hear a lot of complaints in the sector. I am just trying to find out whether you have undertaken any analysis of how that is impacting building in the ACT.

Mr Steel: You are not being specific enough, because, if you are talking about the property developers licensing bill, which is what the construction industry talks about, it is about protecting consumers from dodgy builders.

MR COCKS: Treasurer, I have already said that is not what I am talking about. I am talking about across the entire spectrum.

Mr Steel: If we are going to build more housing, which is what we want to do, then they have to be built well.

MR COCKS: You can verbal me all you like, but that is not the question that I asked. You can—

Mr Steel: If you can name the regulations that you are specifically talking about, we can take it on notice.

MR COCKS: I have just been through a number of them and I put to you that it is across the entire sector.

Mr Steel: So all regulations are bad, according to you. Is that what you are saying?

THE CHAIR: I will jump in for a sec. Mr Cocks has outlined a few of the regulations that he is referring to. Please check the *Hansard* and look through it to get the gist of the question that he was asking.

Mr Steel: It is hard to answer something that is so vague. I am happy to answer it on notice if there is a specific act and regulation that he can refer to.

MR COCKS: The question is about whether you have undertaken any analysis across them.

Mr Steel: Across what? That is what I am asking.

MR COCKS: Across the regulatory environment for builders and developers.

Mr Steel: We have the Better Regulation Taskforce that is working on that. We have been meeting with the construction industry. We had a roundtable last year with all the relevant ministers, and we will continue to take that approach. I met with part of the construction industry this week in a roundtable. Some of the regulations that I mentioned were brought up—things like the property developers licensing bill. If there is a specific regulation that you want us to look at, we are happy to take it on notice.

MR COCKS: I will put the other bits on notice.

THE CHAIR: That would be great.

MR EMERSON: I have a question about the Treasurer's Advance. How much is that? What has it been used for in 2024-25, and has it been fully exhausted?

Mr Steel: It is around $79 million, and it will be used to support the extra investment in health care that is required. It is there for the purpose of supporting those sorts of pressures. Obviously, $79 million is not enough to cover the $227 million call on the budget from Canberra Health Services. That is the reason supplementary appropriation is required. As part of that, we always have the practice of appropriating one per cent of the appropriation for Treasurer's Advance. There is an additional $3.5 million in the supplementary appropriation for Treasurer's Advance.

MR EMERSON: As a kind of top-up?

Mr Steel: Yes. I note that, once the bill passes, there may be a further call on Treasurer's Advance by other directorates, depending on what pressures they have before the end of the year. We do not want to come back and have a third supplementary appropriation before the end of the year. Mr Austin, I do not know whether you want to add anything.

Mr Austin: As you said, it has been fully used for the health pressures; but, as a result of this appropriation, that original $75 million will be returned so it can be used for other purposes, if there are further cost pressures in the year.

MR EMERSON: So there is a return and a small addition as well?

Mr Austin: Yes; that is right. It is under section 18A of the Financial Management Act.

MR EMERSON: It is always one per cent in each appropriation—

Mr Austin: That is right. It is one per cent of the total appropriation for the year.

MR EMERSON: Yes, okay. Is there reporting on exactly what that is used—apologies if there is and I have not seen it. There are a lot of documents through this whole process. Is there reporting each year on what that is used for?

Mr Austin: So the Treasurer signs an instrument that give effect to it, and the next financial statements are attached to that, so you can see what it is being used for.

MR EMERSON: If you would not mind, would you be able to provide on notice what it was used for over the last, say, five years in each period? I understand you already have the information. Off the top of your head, do you know what it was used for, last year, of the breakdown months?

Mr Austin: It was a broad range of costs across all agencies, including CHS.

MR EMERSON: Okay.

Mr Austin: But it was—yes, it was split across agencies, so we will probably have to take that on notice.

MR EMERSON: The process for accessing that, effectively, is through a normal approach to Treasury?

Mr Campbell: And then for the Treasurer to make a decision.

MR EMERSON: Yes, and that can be made by any directorate at any time?

Mr Austin: Yes, well I mean, and it being a pretty high threshold of demonstration, but—

Mr Campbell: Except for the fact that if we got an application at the beginning of the financial year, we would probably say, "Well, come back later. Have a go at trying to manage that first and come back later."

MR EMERSON: So normally you will kind of manage it and escalate it as needed to the Treasurer to solve?

Mr Campbell: Usually you will have a budget review process to consider if someone is actually going off track. You may actually want to take policy decisions to get back on track, if it cannot be done any other way. So there are a number of things you would consider in that half year review as well.

MR EMERSON: One final question on that. Is it always habitually used or exhausted each year, or is there sometimes a surplus?

Mr Austin: We might have to check that. I think last year it was—I am pretty sure—but I will have to check on previous years.

Mr Steel: There have been previous supplementary appropriation bills in recent years though, because of a need to supplement the appropriation because it may have gone too close to being a full amount of the Treasurer's Advance. That is partially the reason for some of those supplementary appropriations bills, as it has been quite a volatile period that we had been in with COVID, with the need to supplement the budget to support COVID initiatives.

Mr Austin: Yes, so during COVID it was actually temporarily increased to five per cent.

MR EMERSON: It is like a contingency almost, that you put in to manage it.

MS CARRICK: Can we also get the dates when the applications were made for the Treasurer's Advance?

Mr Austin: We can do that, yes.

MS CARRICK: Because, effectively, we have about $300 million now supplementary for health, if you look at the $227 million for this bill, plus the Treasurer's Advance.

Mr Austin: Yes, we can do that.

MR COCKS: Does the Treasurer's Advance allow the government to continue operating in the event that passage of an appropriation bill is delayed?

Mr Steel: It depends on the circumstances. The risk is, if the amount of expenditure—they call it the cash position of the territory—is too much, and the supplementary bill has not been passed, then there would not be any type of cash to operate, hence the need for a supplementary appropriation bill. It is the entire point of the bill, to get more money to allow the government to continue to operate and deliver services with those pressures.

MR COCKS: Yes; that is okay, the context was generic—for example, it could apply to the passage of a budget as well. I am interested in how many weeks of operating do we actually have available to the public service in the event that there is a delay to anything? So how long can the public service continue operating with this?

Mr Campbell: It would depend at the point of time. That questioning only makes sense as you are getting closer towards the end of the financial year, because you have had a lot of developments that can go up and down in particular expending lines, so it is hard to answer that in a hypothetical—

MR COCKS: Are there provisions that allow the public service to keep operating if the bill is before the Assembly?

Mr Campbell: Sorry, could you say that again.

MR COCKS: I know federally that the public service is not allowed to spend money unless an appropriation has been approved, or unless there is a bill before the parliament for that appropriation. Does a similar provision apply here in the ACT?

Mr Campbell: Well you have to stay within your appropriation, that is true. If someone is going to go above that, they would need to take actions. If they felt there was no chance that any funding would be available, they would then, within the directorate, be required to start to take actions to ensure that did not happen, but you can imagine that might look pretty severe.

MR COCKS: I would imagine so. Who needs to sign off on those?

Mr Campbell: Well ultimately, the appropriation is for the directorate, and the director works with the minister on the appropriation they have.

MR COCKS: Okay, but assuming the head of the directorate would sign off if they were going to overspend on something?

Mr Campbell: So sign off on their likely overspend? They would need to be working with their directorate continuously, and the minister all the time, to make sure they know when that eventuality might occur. They would need to consult with their minister about what actions they could take: that might be delaying some expenditure or some programs into the following financial year; they might need to move things from lower priority to higher priority;—

MR COCKS: That makes sense.

Mr Campbell: are there current vacancies they might want to think about filling in another couple of weeks' time? There is a whole range of things they might want to contemplate.

Mr Austin: Sorry, Mr Cocks. Is your question about the time between when the budget bills are presented and when they are actually passed by the Assembly? Is that your question, the annual budget?

MR COCKS: That kind of goes to the heart of it, yes.

Mr Austin: Yes. So we have supply bills as well that cover off on 50 per cent of the previous year's appropriation that the Treasurer signs around budget time. The budgets can include them in late June, so the bills probably will not pass until September or something like that. In the meantime, there are supply bills that can keep the government going, and that is the same as in the commonwealth.

MR COCKS: Tax reform: what is the timeframe for when we expect to get rid of stamp duty? When will it be gone?

Mr Steel: Well we are currently considering, as part of the next budget process, the next stage of tax reform. Famously the Chief Minister—at each budget we make a decision to do more on phasing out conveyance duty. We will continue to consider those in budgets ahead.

MR COCKS: So a timeframe—

Mr Steel: We are about halfway through a 20-year program, is what I understand. Mitch can provide a—

Mr Pirie: That is correct, yes.

MR COCKS: There were timeframes set out at the very outset of that tax reform program. Are we still on track in line with that schedule?

Mr Campbell: Well, we will need to take that into account when we are developing the proposal in the 2025-26 budget. So it will depend on the circumstances at the time when we make those decisions about whether we are on track or not, because the decision will be, "What is the proposal?" So it is a bit of a chicken and egg thing. We will develop that as part of the budget—

Mr Pirie: The pathway is contingent on government decision, which is yet to be taken.

MR COCKS: Yes, that is right. Has there been any decision to date that has shifted any aspect of the timeframe? Happy for you to take it on notice if you need to.

Mr Campbell: I might take it on notice.

MS CARRICK: Yes, can we get the program and the outcomes, the actual results, of the last 10 years?

Mr Campbell: Yes.

Mr Steel: That is part of the reviews that have been done, but yes. We have put it in our election platform—our intentions in relation to phasing out stamp duty. I know that is not supported by the opposition, but we think it is important for first homebuyers to have less to pay when they are buying a home so they can get into the market at a time when it is a challenge. We think this is going to support the construction industry and support first home buyers and we will continue to take measures to support them.

MR COCKS: Was that commitment in your platform costed as part of the election commitments?

Mr Steel: We will have to cost it as part of the budget process—

MR COCKS: Sorry, I am just—you put it in the context of the election.

Mr Pirie: Yes, absolutely, yes.

MR COCKS: Was it costed through the Treasury election table of costings?

Mr Steel: Yes, you can have a look at our costings that were presented—

MR COCKS: So it was costed through that?

Mr Steel: —but in terms of making a government decision, because it is a Labor policy, the budget process is where we make that decision. It will have to have its own business case attached to it with all of those costings updated as well.

MR COCKS: Thank you. Just quickly, the main mechanism that seems to have happened with conveyancing duty—the eliminating conveyancing duty step in tax reform—seems to have been concessions for first home buyers and raising thresholds. Is that the main approach that has been taken so far? Is there anything else that you have done to try to eliminate conveyancing duty?

Mr Steel: It is not the only duty that we have eliminated. We have eliminated insurance duty as well as part of the tax reform process, so—

MR COCKS: Just in relation to conveyancing duty, I am interested in that one.

Mr Pirie: Over the program, there have also been cuts to the factors at the bottom end, to give more broad based cuts to conveyancing.

Mr Steel: Everyone has notionally had a cut in stamp duty.

MR COCKS: Have you analysed that—

Mr Steel: but we are now focusing on elimination, and the target area for us is first home buyers, because they are the people who need the support the most at the moment in the market, and then we will move to others.

MR COCKS: Have you done any analysis?

Mr Steel: Investors are not our priority at the moment. We think the support needs to go to first home buyers, and that is why we will be looking at the decisions we need to make to continue that process. It may mean looking at the thresholds as well.

MR COCKS: But have you analysed the impact of the changes that you have made so far, to compare it to the increasing costs that we have seen in housing over the life of the tax reform?

Mr Steel: I think that has been demonstrated in the decisions that have been made on the thresholds.

MR COCKS: What I am trying to understand is: have the adjustments that you have made compensated for the movement in the market? There are thresholds that apply that are based on the cost of houses. The cost of houses has gone up fairly substantially over the past decade. I am interested in whether you done any analysis that looks at those two concurrent factors?

Mr Pirie: What I could point you to—and I am happy to provide this—is a review that was done in 2020 that looked at the impacts of reforms on the housing market, in terms of how transaction volumes have been affected. I think that would be a useful document for us to point you towards.

MR COCKS: Is that the one that you were saying is being updated at the moment?

Mr Pirie: There were a couple of pieces of work done in 2021 that looked at the economic effects of the tax reform program and also revenue neutrality. We are currently focused on updating the neutrality work to inform government considerations on the next stage of the program.

MR COCKS: Thank you.

Mr Pirie: In response to your earlier question, just to clarify: the first two stages of tax reform were mostly changes in the tax rates. Stage 3 was a combination of concessions and some changes to the tax rates.

MR COCKS: Are you able to provide, on notice, the details of what those changes were?

Mr Pirie: I am happy to take it on notice and see what we can find.

MR COCKS: I really appreciate that.

MS CARRICK: I might change the line of questioning to the Independent Competition and Regulatory Commission. You can guess where I am going with this. What assessment is done when we have private pools and public pools—the impact of public pools on private pools, and vice versa. When we talk about competition, people will say that the Phillip pool suffered from Stromlo and the Lakeside Leisure Centre being built. Does the commission do any work around the impacts on a facility when the government supplies the services?

Mr Phillips: I have read and understood the privilege statement. The question relates to competitive neutrality issues, which is an issue for the commission, but we do not look at those matters offhand. We rely on either complaints or referrals, and we have not had either of those on the matter of public pools.

MS CARRICK: So, if we wanted you to look at it, we would write to you and say, “Could you look at this issue in the context of competitive neutrality”?

Mr Phillips: I would be happy to provide you with the process as to how those investigations take place.

MS CARRICK: I guess that would be for a range of topics in the community.

Mr Phillips: Yes.

MS CARRICK: That is all I have on that.

MR COCKS: What were the key drivers behind the $1.663 million loss for the Territory Banking Account in 2023-24?

Mr Campbell: We will have to take that on notice.

MR COCKS: How does the government plan to manage the significant rise in total liabilities, which is up 17 per cent from 2022-23, while maintaining financial stability?

Mr Campbell: Are you looking at the liabilities total?

MR COCKS: Yes.

Mr Campbell: Could you refer to the page you are talking to?

MR COCKS: I am afraid I do not have a page number. I have cut and pasted.

Mr Campbell: I can take on notice the particular components of it. Some will relate to the undertaking of additional debt financing, so it will mainly be related to policy decisions.

MR COCKS: You will probably need to take the next bit on notice as well. What role did higher borrowing costs and agency investment expenses play in these losses? And how will the trends be managed?

Mr Campbell: We will come back to you on that.

MR COCKS: Thank you. That is all I have on that question.

Mr Campbell: Chair, I was just going to say that we have an update on a question from Mr Cocks.

Mr Pirie: Mr Cocks, my team has just sent this through. In the 2024-25 budget, page 209, there is a table at the top that shows the savings for property purchases without tax reform and with tax reform for different property price thresholds. For example, the table shows that, for a $700,000 property, without tax reform, $32,000 in duty would have been paid. With tax reform, it is $17,360, as an example. So that table is useful in terms of understanding.

MR COCKS: Thank you. I will take a look at that and put something through on notice if it does not go to the question that I am talking about. I guess the key outstanding thing for me is generally in relation to the fiscal position that we saw in the annual reports. There are a number of expenses across different agencies. One of the key ones I looked at was employee expenses, where there are a lot of agencies and directorates seem to have much higher than expected and much higher than budgeted amounts in there. One of those examples is Health, and that is across both ACT Health and Canberra Health Services. I noticed a similar trend to what we were talking about earlier in the overall costs, where, for some reason, it seems like the expected expenditure on employee expenses was lower than the previous year. What measures does Treasury have in the budget process to be reassured that the forecasts that directorates are making around employee expenses are reliable?

Mr Campbell: As I said earlier, there is a quarterly and then a monthly reporting system that we take on board. As we prepare each budget review or budget update, we will provide the government with advice around the trends in expected outcomes versus what a budget amount was. That will factor into potential decisions around future expenditure.

The expectation is that directorates will manage their finances within their appropriation. In circumstances where they are likely to go beyond that, we would need to take decisions in the context of the budget or the budget review. If someone is consistently going over, we would take that into account in the advice that we would give to the government about decisions that would need to be taken, which might mean, "We cannot actually afford to do that, because we are seeing BAU growth in this area that will not allow for that, because we have got limited capacity to finance that." But, ultimately, that is part of our advice that we would give to government through the ERC and cabinet process.

MR COCKS: Another one that stood out was Community Services Directorate. Its annual report shows, if I remember correctly—and I may be off—roughly, a $50 million overspend compared with the originally budgeted amount. These seem to be fairly significant deviations. Going to the question of trust in the budget process that Ms Carrick was going to earlier, were they any requests across the government to bring forward any expenditure from 2024-25 into 2023-24?

Mr Campbell: There may have been. I expect there probably would have been. We can take it on notice.

MR COCKS: Okay. What would be the justification for increasing an overspend in a year—expending more than budgeted—rather than having that in the budget for the planned year?

Mr Campbell: It may be because a project is delayed or something like that and you need to move the funding forward or it may be that you run a case of recruitment that has been delayed.

Mr Austin: Are you talking about pushing funding out into the next financial year?

MR COCKS: No; bringing it to—

Mr Austin: Bringing it forward?

MR COCKS: Yes.

Mr Steel: Early delivery of a project may be the reason.

MR COCKS: One of the things that was observed throughout the Rudd-Gillard period federally amongst public servants was a tendency to bring forward expenditure into a current year in order to make a budget look better the following year. I am trying to find out whether there have been any request to bring forward any possible expenditure between years?

Mr Steel: To appropriate more than you had in your original appropriation?

MR COCKS: To deal with the flack of an overspend in favour of a better looking budget?

Mr Steel: The result of the previous financial year is reported on as well. So it is not really getting away from the fact that the expenditure may be in a different financial, but—

MR COCKS: It does make it look nicer, though.

Mr Steel: We can take the question on notice for those particular financial years that you are talking about.

MR COCKS: Thank you.

Mr Austin: Any requests like that would have to be scrutinised by Treasury first and agreed by the Treasurer. It is a process; it is not just the agencies doing that.

MR COCKS: So that would be agreed by the Treasurer?

Mr Austin: Yes.

MR COCKS: Thank you.

THE CHAIR: It would appear that Ms Carrick has a substantive for you guys.

MS CARRICK: Yes, thank you, Chair. It is about the Commonwealth Grants Commission data. On total expenses, aside from the Northern Territory—which is double everybody else—the ACT is higher than all the other jurisdictions per capita on that actual expenditure. Why do you think that is?

Mr Steel: Are you relating that to the Commonwealth Grants Commission?

MS CARRICK: Yes; their data—which, presumably, we have input into.

Mr Steel: There is an issue with the population statistics that the commonwealth uses, which has been a perennial issue that has been going on for years. We have been working as closely as we can with the commonwealth to try and resolve where they are effectively undercounting our population. So, when you are talking about per capita kind of matrix, it is affected by that undercounting in between censuses. The census provides an accurate reading of our population, but it is in between the forecast that the commonwealth. They are inaccurate, and it has been undercounting for a number of years.

That issue of the undercounting, particularly for net interstate migration is noted in the budget review on page 21. It is a problem. It affects some of those matrix, potentially, but also affects the actual grants provided by the Grants Commission because they base a lot of those grants based on our population size, or relative population size to the rest of the country. If the commonwealth thinks it is lower, then we get less grants, It is a problem. It is worth a considerable amount of money, and we are continuing to work with the commonwealth on a way to fix that. To date, there has not been an absolute resolution to that issue.

Mr Campbell: To add to what the Treasurer was saying, the entire purpose of the redistribution using the Commonwealth Grants Commission is taking from the larger states to the smaller states because of the high fixed costs of providing services in small jurisdictions. That is the main driver.

MS CARRICK: But there are other smaller states, aside from the Northern Territory in this case.

Mr Campbell: Tasmania would be similar.

MS CARRICK: We are higher than Tassie and well higher than SA.

Mr Campbell: That is true—the population and size.

MS CARRICK: Yes. Interestingly, we end up back with population, and I did not know that it was going to go here. But it is a problem, even in the ACT where population forecasts are not updated and we are told that we need 70,000 to 100,000 people for a publicly owned 50 metre pool. The population forecasts are not updated. So we have a big problem in that decisions are made on out-of-date population data.

Mr Steel: It is something we have been raising with the commonwealth and will continue to advocate, because, if we do not have the revenue, we have a narrower base of revenue to fund the sorts of things that you are talking about.

We are continuing that work and providing ideas about how that methodology can be changed or how we can work with the methodology that they have—which is based on Medicare addresses, which typically are out of date for ACT, which has a transient population—and how we address that with them. But it seems the methodology seems seem to work for the rest of the country. It is a sort of ACT-specific issue, possibly because of our smaller geographical size and because of the nature of the public service and people coming in and out of and working for the public service and then leaving without changing their Medicare address. It is something that we really need addressed urgently so that we can get the revenue, particularly from GST allocations that we deserve for our population, to be able to fund health care and other services.

MS CARRICK: I would bring it back to the ACT population forecasts. We need it fixed so that we get the social infrastructure that we deserve because—

Mr Steel: That is happening. That work is underway at the moment to update—

MS CARRICK: Yes, but decisions have been made that have cherry-picked the population data to not even include Weston Creek into the town centre, and it is their town centre too.

Mr Steel: There are always decisions that we made at a point in time based on the best data available. We will continue to update the data. But, in this case, the commonwealth is the one that is looking at their own data and their data is not correct for the ACT. That is critical and has a real dollar impact.

MS CARRICK: I will finish it up with the data is not correct for the Woden Valley and we have lost out. I will get that on record.

THE CHAIR: That brings us to the conclusion of this afternoon's hearings. On behalf of the committee we would like to thank you, Minister Steel and officials, for your attendance today. Of course, for any questions taken on notice, please provide your answers to the committee secretary within five business days of receiving the uncorrected proof.

Also on behalf of the committee, we would like to thank all witnesses who have assisted the committee through their experience and knowledge. We also want to thank Hansard up the top there for their support. If any visiting members or any members of the committee would like to upload any questions on notice, please do so through the parliamentary portal no later than five days from today. This meeting is now adjourned.

The committee adjourned at 5.28 pm.