LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS AND ADMINISTRATION

(Reference: Inquiry into Appropriation Bill 2024-2025 (No 2))

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 7 MARCH 2025

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.

WITNESSES

AUSTIN, MR SCOTT, Acting Deputy Under Treasurer, Budget, Procurement, Investments and Finance, Chief Minister, Treasury and Economic Development Directorate **25**

BARR, MR ANDREW, Chief Minister, Minister for Economic Development and Minister for Tourism and Trade **17**

CAMPBELL, MR RUSS, Acting Under Treasurer, Chief Minister, Treasury and Economic Development Directorate **25**

CROSS, MS REBECCA, Director-General, ACT Health Directorate **1**

PEFFER, MR DAVE, Chief Executive Officer, Canberra Health Services **1**

HUGHES, MS ROSALIE, Chief Financial Officer, Canberra Health Services **1**

PETTERSSON, MR MICHAEL, Minister for Business, Arts and Creative Industries, Minister for Children, Youth and Families, Minister for Multicultural Affairs and Minister for Skills, Training and Industrial Relations **44**

PIRIE, MR MITCHELL, Acting Deputy Under Treasurer, Economic, Revenue and Insurance, and Coordinator-General, Housing, Chief Minister, Treasury and Economic Development Directorate **25**

RULE, MS CATHERINE, Director-General, Community Services Directorate **44**

SABELLICO, MS ANNE MAREE, Acting Deputy Director-General, Children, Families and Strategic Reform, Community Services Directorate **44**

STEEL, MR CHRIS, Treasurer, Minister for Planning and SustainableDevelopment, Minister for Heritage, and Minister for Transport **25**

STEPHEN-SMITH, MS RACHEL, Minister for Health, Minister for Mental Health, Minister for Finance, and Minister for the Public Service **1**

ZAGARI, MS JANET, Deputy Chief Executive Officer, Canberra Health Services **1**

Privilege statement

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

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"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 10.01 am

STEPHEN-SMITH, MS RACHEL, Minister for Health, Minister for Mental Health, Minister for Finance, and Minister for the Public Service
CROSS, MS REBECCA, Director-General, ACT Health Directorate
PEFFER, MR DAVE, Chief Executive Officer, Canberra Health Services
HUGHES, MS ROSALIE, Chief Financial Officer, Canberra Health Services
ZAGARI, MS JANET, Deputy Chief Executive Officer, Canberra Health Services

THE CHAIR: Good morning and welcome to this public hearing of the Standing Committee on Public Accounts and Administration for its inquiry into Appropriation Bill 2024-25 (No 2).

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

The proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and web-streamed live.

This morning, we welcome the Minister for Health, Ms Rachel Stephen-Smith, and officials from the ACT Health Directorate and Canberra Health Services. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink 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 will not be starting with opening statements. Mr Cocks, would you like to start?

MR COCKS: Thank you, Chair. Minister, I am going to start at the end in some way. I think it is very important for the Assembly to understand the full implications of what happens around this bill when we are considering whether to pass it, as we do with any bill. Is there a date that the health system—either in its entirety or parts of the health system—would run out of money if this bill were not approved?

Ms Stephen-Smith: Mr Cocks, I believe that I have responded to that question. A question on notice response should have been lodged and provides that information. I can pull that up. I do not have it in front of me.

MR COCKS: For the purpose of this inquiry, I think it is very clear.

Ms Stephen-Smith: Mr Cocks, I can pull that up. I do not have it in front of me right now, but the answer will not have changed.

MR RATTENBURY: I believe it is 7 May, Minister. I read the question—

Ms Stephen-Smith: Thank you very much, Mr Rattenbury. I have responded to a lot of questions on notice in the last 48 hours.

MR COCKS: Thank you. Along with that, one of the key things to understand is how we got to this place. Maybe you or officials can tell me: does the health portfolio or any of the entities within it undertake budgeting or monitoring of programs on a basis that is more frequent than a six-month lag?

Ms Stephen-Smith: Yes. I will hand over to both Mr Peffer and Ms Cross to talk about how the CHS and the directorate manage their budget on a week-to-week, month-to-month and quarter-to-quarter basis.

Mr Peffer: Thank you, Minister. Thank you for the question, Mr Cocks. We monitor a range of indicators and track them within the Health Service. Primarily, the focus is on activity. The finances of the entity are largely a reflection of what happens with activity. They are not independent; they move in different directions. When the business is delivering significant activity or activity is well above what is anticipated, we then monitor that on a monthly basis. However, I have to say that the operational data that comes through on a monthly basis is purely operational data. It is not something that we publish, because it has to go through a verification process and there is always a lag. The data that we find most useful in terms of actually trending what is happening and what we expect will happen throughout the financial year is quarterly data, on the basis that the quarterly data is a submission made to the Commonwealth at regular intervals throughout the year, projecting the activity that is occurring. For that data to be submitted—and Ms Cross might want to talk about this—it goes through a process of taking raw data in terms of patient numbers—

MR COCKS: To be clear: is this for CHS only or across every—

Mr Peffer: This is for Canberra Health Services. We take the raw patient data, which is what we collect and observe from day to day, and it goes through a process of coding and converting into a unit of measure called a National Weighted Activity Unit, which you are probably familiar with. That generally has about a 90-day lag from when the activity occurs.

MR COCKS: But it is being monitored on a regular basis?

Mr Peffer: It is being monitored. We can see patient-level data from day to day. We can see that in real time, but the meaningful data is the National Weighted Activity Unit—converting that to a unit of measure. Perhaps I could provide an example. During COVID—

MR COCKS: In the interest of time, I have a fair—

Ms Stephen-Smith: Could I just clarify? Mr Cocks, I think your question was not so much about activity but how each area monitors their budget.

MR COCKS: That is right.

Mr Peffer: As we progress to activity based funding, which will kick off in the future at some point, we have shifted the organisation to manage on the basis of activity. From month to month, the teams sit down, look at the activity and the budget, and essentially assess performance against what we had anticipated would happen within individual departments, or divisions and services, to see how we are performing—whether the expected number of patients is what we are seeing in practice. Costs are a lagging indicator. What I mean by that is that what has driven us to this point is our utilisation of premium labour: agency nursing, locum medical cover, and so forth. Those invoices are not in real time. There is a delay in actually observing what happens in activity flowing through the finances. As I said before, the most meaningful indication for us is the quarterly based reporting that is done and then published. That is submitted to the Commonwealth and also published.

Ms Cross: I have read and understood the privilege statement. The directorate is responsible for its own budget and for the LHN budget, which is the money that we pass through to CHS. We monitor both of those things pretty much on a monthly basis, but we also rely on the quarterly data that is submitted to the Commonwealth when we have done all of the coding. We do not just look at the ACT budget; we also look at what is happening nationally, because, if other states are under their activity targets, we can potentially access more funding from the Commonwealth.

We look at that data every month at our executive meeting. We have regular reports from the CFO. In terms of monitoring it, most of the time in hospitals, the expenditure goes up and down. You get higher expenditure during winter; you get lower expenditure at different times of the year. From talking to the CFO this morning, we would normally wait until we have three data points before we establish a trend. The quarterly reporting is important for that.

We also tend to have a period at the end of the financial year where we wait for the new budget figures to come through and budgets to be set up. We would often not do forecasting in July or August; we would wait until a bit further on in the year before we started any forecasting. That has been the same year in and year out for both our budget and the LHN budget.

Ms Stephen-Smith: Could I quickly confirm. Mr Rattenbury was right. I now have the question on notice and the date is 7 May.

MS CARRICK: What is the ACT Health Directorate’s $80 million for?

Ms Cross: In terms of providing funding to CHS, the number that we talked about was $227 million of additional funding. Initially, the directorate gave a grant to CHS for $80 million. That is $80 million of the $227 million. When the appropriation bill is passed, that money will flow back to the directorate. We have basically advanced them some money and we will get that $80 million back when the appropriation bill goes through.

MS CARRICK: The ACT Local Hospital Network is getting $250 million and you have already loaned them $80 million?

Ms Cross: No. The $227 million includes the $80 million.

MS CARRICK: The appropriation bill has $250 million plus $80 million, so that is

$330 million.

Ms Stephen-Smith: I cannot remember where it is, but there is a clearer table in the mid-year review papers that we talked about in the annual reports hearings. Ultimately, that had $147 million to CHS, plus the $80 million to the Health Directorate. That was the $227 million. That is on page 9 of the 2024-25 supplementary budget papers. An additional $11 million goes directly to CHS to address unrealised own source revenue. Then there is an additional $105 million that would go to the Local Hospital Network, and that is about addressing the shortfall in the National Health Reform Agreement. The Local Hospital Network's $250 million is made up of $147 million, the $11 million and $105.3 million, offset by some additional cross-border revenue that we are expecting to receive. That is what adds up to the $250 million. The $80 million to the Health Directorate is separate, as Ms Cross talked about.

MS CARRICK: I still do not get it.

Ms Stephen-Smith: It is a little complicated, but, ultimately, all of that—the $250 million, plus the $80 million—is really about the activity in the Local Hospital Network and largely within CHS.

MS CARRICK: So, basically, it is an increase in activity of $330 million? That is how much is being appropriated?

Ms Stephen-Smith: Some of it is increased activity. The $227 million is really about increased activity, and that is the $80 million, plus $147 million. The $11.3 million is not about an increase in activity; it is about activity that we knew was going to occur anyway, which we expected to get some own source revenue for, but that own source revenue has not been realised, and that is for various reasons. It might be own source revenue from the Department of Veterans' Affairs, it might be people using their private health insurance, et cetera. The $105 million is also about activity that we knew was going to occur, but we understood that we would receive funding from the Commonwealth government under the National Health Reform Agreement, based on the reasonable assumptions that we had made about who was going to hit the soft and hard caps—who was going to hit their soft cap nationally as part of the hard cap in Commonwealth funding—and those assumptions have been reassessed based on what we know now, which we did not know in May 2024 when we were putting the original numbers together.

MS CARRICK: In looking at the appropriations, $250 million out of $1.1 billion, there is a 22 per cent increase in funding to the ACT Local Hospital Network, regardless of whether it is an offset or Commonwealth funding. It is a significant increase.

Ms Stephen-Smith: Overall, I do not think that is the right comparator. Ms Cross can talk about the LHN. The LHN funnels through ACT government revenue and National Health Reform Agreement revenue, and revenue that comes from our cross-border agreement. The overall budget for Canberra Health Services is already in the order of $2½ billion. The increase in the budget is around 11 per cent. That is my recollection. Mr Peffer might confirm that and then I will go to Ms Cross.

Mr Peffer: I will just add that there are two components to what moves the cost of running a health service from year to year. One is activity, and, from the current projections for this year, we have activity up by eight per cent. We are expecting that will increase, but that is the current projection we have. At the same time, though, it is a price times volume movement between the years. IHACPA, which is the Commonwealth entity that looks at how price is moving from one year to the next, is currently consulting on the price movement, which I understand is in the order of 11 per cent for healthcare service provision across the country. So you have the eight per cent activity growth and then you have 11 per cent for price growth in the sector.

MS CARRICK: It is large growth and it can be seen in previous years. You can see it in 2023-24. In the last financial year, in the original budget to the actual outcome, there was a 15 per cent increase, and that is probably, as you say, made up of volume and price increases. That trend does not seem to have carried to the 2024-25 forecast. Instead of that trend increasing, it has not maintained the increase. I wonder why that is the case. Secondly, how is the increase in the capacity of the new hospital at Woden factored in? It will be a quite large increase in capacity.

Ms Stephen-Smith: There are a few parts to your question, Ms Carrick. Firstly, you are right that there was a significant increase in funding allocated to the health system in 2023-24, and that flowed through to the 2024-25 budget as well. All of that increased funding that was allocated in 2023-24 forms the base for 2024-25. Then the increase from 2023-24 to 2024-25, the CHS funding, was in the order of a six per cent increase in total income, projected for CHS between 2023-24 and 2024-25.

You are correct in saying that we saw a significant jump in both activity and funding in 2023-24. I think most jurisdictions believed that was a post-COVID bump and that it would not continue to increase at the same rate. We knew demand would continue to increase, but we did not believe it would continue to increase at the rate that we have been seeing. A six per cent increase on top of that significant increase in 2023-24 seemed like a pretty reasonable assumption. Six per cent is still a very high growth rate in funding, and, of course, we continue to look at how we can have a more efficient system as well. What was the second part of your question?

MS CARRICK: Where is the increasing capacity provided by the Canberra Hospital factored in?

Ms Stephen-Smith: We committed, over a number of years, additional funding for Building 5. There was an additional $122 million committed in the 2023-24 mid-year review, I think, and, subsequently, there was additional funding. That was about staffing, an additional 75 full-time equivalent staff—wards people, nurses, doctors and other clinicians. I think that was in the 2023-24 budget, and then, in the 2023-24 budget review, there was some additional funding for things like the Behavioural Assessment Unit and expansion of the MET, the Medical Emergency Team, across the hospital, recognising that the initial transition to Building 5 was effectively a lift and shift. The initial transition to Building 5 was not intended to significantly increase planned activity through the hospital.

We had some inkling, as others did, that building a new emergency department would attract new activity—that has been the experience across jurisdictions—but there was no increase in planned activity associated with the opening of Building 5. That additional expenditure was about recognising the increase in the cost of operating a new building like that, and it also provided a bit of uplift to recognise the activity we were already seeing.

MS CARRICK: In 2023-24, output 1.1—acute services, which is the main game—is where the bulk of the money sits. It has $1.6 billion. The 2024-25 estimate in the 2024-25 budget is $1.6 billion. It does not go up.

Ms Stephen-Smith: Could you tell us what you are referring to, Ms Carrick? It is really had to follow questions if we do not have a reference point.

MS CARRICK: Move on to Caitlin and I will get that one for you.

Ms Stephen-Smith: Thanks.

MS TOUGH: I am going to stick with activity based funding for my line of questioning, but it is about the National Health Reform Agreement. During the annual reports hearing, Minister, you said that there was a technical adjustment made in relation to expected funding under the agreement, which has also been incorporated in the mid-year review. Can you provide some detail about that adjustment and the assumptions underpinning it, please?

Ms Stephen-Smith: Yes. Ms Tough, thanks, for the question. Others may be able to provide more detail, but essentially what happens under the National Health Reform Agreement is that the Commonwealth funding, year on year, is capped at a growth rate of 6½ per cent. It is a complicated funding formula, but that is the basics of it. That is a hard cap on total funding, nationally, for growth. Each of the jurisdictions are subject to a soft cap of 6½ per cent. If one jurisdiction is below that, the excess funding can be redistributed to other jurisdictions to go above their 6½ per cent.

The projections that we had understood for the large jurisdictions of New South Wales and Victoria coming into 2024-25—taking into account that we were trying to make these judgments from May 2024 and were looking to the future year—included a significant pulling back on activities. There were announcements around reducing elective surgery and recruitment freezes. Also, from the information that was provided to the National Health Funding Body—I think that is the one; there are a lot of national bodies—regarding the basis of those projections, our expectation was that the larger jurisdictions would not hit their 6½ per cent cap. Of course, they have the majority of the funding. If there is headroom in their cap, we would be able to go above our 6½ per cent cap. On the basis of the information that was available to us, we made some assumptions that we would actually be funded above the 6½ per cent.

What has actually occurred as we went into the 2024-25 financial year is that both of those jurisdictions have probably been less successful in pulling back on activity than they anticipated, but they have also seen what all of us have seen in price impacts. As Mr Peffer said, the overall picture is a combination of activity and price to reach that 6½ per cent, and the IHACPA has estimated a really significant price impact in the order of 11 to 12 per cent year on year, and that is affecting everybody. Both of those things came together for us and we made a revised assumption that the large jurisdictions will hit the 6½ per cent cap, and therefore we will have a soft cap of 6½ per cent. That is what we brought the projection back to.

Ms Cross: I could add two points. Firstly, at the time we made the assessment, New South Wales and Victoria were over 100,000 activity units below the projection, which is very significant. Secondly, the minister kindly keeps saying "we", but this was the advice of the directorate. We monitor these things all the time, and the government made the decision on the basis of advice that the directorate put forward.

MS TOUGH: Thank you. This is probably a really basic question, but it is to help me understand health funding, and hopefully it is helpful to the committee as well. Ms Cross, in the annual reports hearings and this morning, you were talking about activity based management. Can you explain how the funding works? You have the activity base and the price, but can you explain a bit better how activity based funding works and why that is a beneficial way of counting for health?

Ms Cross: We do not actually have activity based funding yet in the ACT, but a number of other jurisdictions do. Prior to that, what you have is block funding. Basically, we have an amount of money and we just work out how much more we will give the hospital. It is based on new initiatives, what we are seeing in terms of changes in the prevalence of disease—a whole lot of planning things—but it is basically just block funding.

Once we move to activity based funding, we will have a much deeper analysis of where the activity is and what the price is that we are willing to pay for activity. In providing funding to CHS, we can actually say things like, "This low-value care will no longer be funded." The hospital can continue to deliver it if the hospital wants to, but it will not be funded, and that signal generally would tend to have most hospitals redirect their efforts to higher value areas. We can get a deeper analysis of what the impact of hospital acquired complications are and what the actual cost of each one is. If we can provide that information, there is again a powerful incentive for the hospital to look at those areas, reduce the number of hospital acquired complications and become more efficient. We do not go right into the detail; we just provide the activity based funding parameters, and CHS then use that information to determine what they do, but we are sending signals and we have much more granular data so we can track what is happening.

The first thing you see in every hospital since they introduced this is a very strong incentive to properly code all of the activity so that we genuinely understand what is happening. That means we can manage things better. Then the hospitals respond to those signals, but they do it in the context of continuing to provide quality care and safe care, based on clinical decisions. That is why the hospital actually makes those decisions rather than us, sitting in the directorate.

MS TOUGH: That makes sense.

Ms Stephen-Smith: The only other thing I would add is that it gives us the opportunity to do a much more accurate apples to apples comparison in terms of the efficiency of Canberra Health Services with like services, and health networks across the country as well.

MS TOUGH: Thank you. I do not know whether you can actually answer this, Minister. I understand there are further negotiations for the agreement. Are you able to say how the negotiations are going with the states, territories and the Commonwealth? Is that something I can try to get an answer on?

Ms Stephen-Smith: Yes; I can answer that question. We have all now agreed to a one-year extension. The Commonwealth government announced that one-year extension to the National Health Reform Agreement, with additional funding for the states and territories. We are getting an additional $50 million in funding as part of that. That is not where we would have hoped to be. Health ministers were working very hard to get to a new five-year agreement which would have provided additional funding, but, as the Commonwealth have very clearly stated, they wanted to see agreement on the NDIS alongside a new five-year National Health Reform Agreement, and they were not able to achieve that agreement on the NDIS with the Council for the Australian Federation or the state and territory premiers and first ministers.

MR COCKS: I think we are starting to discuss some of my questions as well. One of the defining attributes over the past three budget updates is that the total amount appropriated for the health portfolio is increasingly out of whack. With what has been budgeted in the pandemic years, 2020-21 and 2021-22, there was no adjustment required to the total amount appropriated in the budget update. We then go to 2022-23, and there was a $71 million change. In 2023-24 there was a change of $200-plus million. Now, in this budget update, we are looking at a change of $330 million in the budget update across the health portfolio. It is a pretty concerning trend. From what you were saying, it is not just the number of services through CHS that is driving the increase; is that correct?

Ms Stephen-Smith: It is also costs. That was specifically identified in the 2024-25 budget where there was a specific budget measure that was about recognising the increased cost that the hospital was facing.

MR COCKS: That would not account for the increasing gap between budget and budget update, would it?

Ms Stephen-Smith: Partly, it does. With some of these cost increases, and from what we have seen broadly across the economy, we saw that very rapid escalation in inflation post the pandemic. That takes a while, as Mr Peffer said earlier; some of these reconciliations in the billing that we receive take time to flow through. That is in relation not only to things like agency staffing but also to contracts for goods and other services that are purchased. It is reflected again as a lagging indicator in the IHACPA data, but it comes into effect quite immediately in the impact on CHS's expenditure. You cannot necessarily forecast that when you have a rapid increase in inflation, which is what the health system has experienced. I think that is largely the explanation, but we have also seen that increase in activity post COVID.

Ms Cross: Going back to the National Health Reform Agreement, one of the reasons we had difficulty finalising an agreement was because even the commonwealth estimates of what the future growth in price increases would be were completely out of whack with what happened. When they made their offer at national cabinet of additional funding, they projected that would increase our share of commonwealth funding from 40 per cent to 45 per cent. As the actual price increases came through, we have seen the share of funding drop to 38 or 37 per cent.

This was not unique to the ACT. Even the national funding arrangements, with their best estimates, underestimated the growth in activity in price quite substantially. I do not think it is unique in any sense to the ACT.

Ms Stephen-Smith: No. As I mentioned in question time yesterday or the day before, we have seen exactly the same thing in Tasmania, for example. In their midyear review they have added $350 million to their health system, which is about the same size as ours. They have gone to a $1.3 billion budget deficit for the year, with an additional half-a-billion dollars added to their budget for exactly the same reasons—a combination of activity, price growth and readjusting their expectations about NHRA funding.

Ms Hughes: My name is Rosalie. I understand, agree and comply with the privilege statement. In terms of the overspend of the CHS budget, against what was planned for 2024-25, 80 per cent of that is in supplementary staffing. It is in agency nursing, visiting medical officers and locums, and that relates to a lot of the activity. We are running consistently at eight per cent more beds—that sort of thing. The eight per cent is a really high uplift in volume. I have worked in health in New Zealand for the last 20 years and I have never seen a bump quite like this. Five per cent would be considered high, considering the population of the territory.

MR COCKS: It sounds like you have some factors that have driven the change. Perhaps, in the interests of time, you could provide the breakdown of factors that have contributed to it.

Ms Hughes: Yes.

MR COCKS: Can I get that across each of the three budget updates that have required increases, that I referred to?

Mr Peffer: Mr Cocks, are you asking for a breakdown of where the funding went, from the budget updates?

MR COCKS: What were the factors that drove the need for an increased appropriation in each of those years?

Ms Hughes: Yes, we can.

Ms Cross: For one of those years, the additional funding may have been for the Digital Health Record.

MR COCKS: Yes, that would be useful to understand.

Ms Cross: As with every part of the health system, there were particular cost drivers from the pandemic that we are summarising.

MR COCKS: Yes, and I can see that different years have different charges. With the six per cent increase that you have referred to a number of times recently, is that a six per cent increase budget to budget, or is it a six per cent increase from the budget plus the budget update amount to the following budget?

Ms Stephen-Smith: Yes; it is from the estimated outcome to the following budget.

Mr Peffer: It is on page 51 of the 2024-25 budget.

MR COCKS: Again, looking at the appropriation changes for the LHN, going from the total appropriation across the budget, plus the budget update for 2023-24, and looking at how much was budgeted in 2024-25, the shift there is about two per cent.

Mr Peffer: Do you have a table reference, Mr Cocks?

MR COCKS: It is compiled from each of the years, so it is a bit hard to give you a single page reference.

Ms Stephen-Smith: If you look at page 64 of the 2024-25 budget statement C, it sets out the 2023-24 budget estimated outcome and budget. For the LHN, you are also seeing total income and total expenses, which are the same, increase at seven per cent from the 2023-24 estimated outcome to the 2024-25 budget. If you are looking at something different, Mr Cocks, it would be helpful to get an idea of what you are referring to.

MR COCKS: I am working from the appropriation amounts. When you look at the appropriation in those years, I have, for 2023-24, ACT Local Hospital Network, $1,055,580,000. It adds roughly 75 in the budget update, giving me $1,130,767,000.

Ms Cross: Mr Cocks, I do not think you are looking at the totality of the LHN amount, because, as the minister said earlier, it is around $2 billion.

MR COCKS: I will provide the numbers on notice.

Ms Stephen-Smith: I think you are looking at the controlled recurrent payments element of it. On page 64 of the budget statement, it is quite clear that, while those numbers move around a bit, it is the grants and contribution revenue that significantly grew, by 25 per cent, between the estimated 2023-24 outcome and the 2024-25 budget, which is largely what led to the seven per cent overall income.

I suspect that has been partly in relation to the assumptions that were made about commonwealth revenue, but there has always been an understanding that if commonwealth revenue is not achieved, that is made up by ACT government revenue. So it is the amount of total income that you should be looking at, to get an accurate picture of what we expect. While assumptions are made about who is going to contribute what, within that, if they contribute more than we are expecting, we contribute less, and vice versa.

MR COCKS: I will provide it on notice. Can I ask a final—

THE CHAIR: No, we are going to move on. If you want to provide a question on notice, by all means do so. We will move on to Mr Rattenbury.

MR RATTENBURY: Minister, overall, we are now seeing pressure on the health budget of around $330 million this year, when you combine the shortfall from the commonwealth with the pressure you have described. I am interested in what your forecasts are for the future at this point. Obviously, this puts significant pressure on the ACT's bottom line. In future years, we may be able to come back to a surplus, but this structural deficit, almost, in the health budget will undermine that. Do you have any future expectations at this point?

Ms Stephen-Smith: That is what we are working through, looking towards the 2025-26 budget. The review that we have in place between the ACT Health Directorate, Canberra Health Services and Treasury is looking at how we can bring the growth in the health budget back to a more sustainable level. I have been saying for some time—indeed, I said it through the election campaign, as anyone who was at events with me will know—that difficult decisions need to be made to balance our budget because there are pressures all over the place. It is not only in health. As you would be well aware, there are pressures all over the place, but health is a particular one.

We have talked about reducing our reliance on high-cost agency staff and locums. There has been a really successful effort to undertake permanent recruitment, to try to reduce that delta. I have talked publicly about the need to have a good look at where we can address low-value care. We have support from the Health Care Consumers Association to look at low-value care and how we can divert people to the services and supports that will be at least as good if not better for them, and more efficient for the health system.

A good example of that was the implementation of the GLA:D program for people with knee osteoarthritis. By going through a physio, nutrition and lifestyle program, for many people, it means they avoid the need for an expensive knee replacement because they can manage their pain and mobility without that surgery which can be very difficult and challenging to recover from. For other people, they are in a position to have that surgery, if they do need it. Those are the kinds of things where sometimes you have to invest to reduce the pressure. It is not really about investing to save; it is about investing to reduce the growth pressure.

MR RATTENBURY: Certainly, in the supplementary budget papers, the additional expenses for this year are not reflected in the outyears at all.

Ms Stephen-Smith: No. That is because we are doing that work for the 2025-26 budget. It is fair to say we do expect that we will see considerable growth above what is currently reflected in the forward estimates for the health budget. As you would be aware, it has previously been the case that the forward estimates for Canberra Health Services or the LHN have not reflected the full amount that we expect to spend because we had a central health provision that we would then allocate year to year. We expect that that, effectively, will have to be replenished. Through the 2025-26 budget, we are looking at what that looks like—what we can expect to see that growth look like over the next four years.

MR RATTENBURY: You said earlier that you have signed off on a lot of questions on notice in the last 24 hours or so.

Ms Stephen-Smith: Yes, a lot last night; there will be a lot outstanding.

MR RATTENBURY: One that I have asked both in the chamber and at the annual reports hearings was around the 85,000 additional episodes of care. The budget papers reference 33,000 of them; they have some breakdown there. Is that breakdown of what the rest of the 85,000 is in that list of the ones you have already signed? Do we expect to see that, or do I need to ask it again?

Ms Stephen-Smith: I do not think it is.

MR RATTENBURY: I was surprised that I have not seen it.

Ms Zagari: I have read and acknowledge the privilege statement. I do know, Minister, that there is some clarification being sought by your office. Currently, there is a question with us. It will be with the minister shortly.

MR RATTENBURY: Thank you.

Ms Stephen-Smith: In response to the first part of your question, the examples that were given in the supplementary budget papers are about both additional activity that we have seen—the projection of additional emergency department activity—and things like additional endoscopies that we will deliver that we would have had to pull back on if we had not allocated this additional funding.

MR RATTENBURY: Ms Tough asked about activity-based funding as part of the National Health Reform Agreement. You have talked about the benefits. Are there any downsides to that system that we need to watch out for, in terms of risks that either the directorate or CHS identify that are of concern for the future?

Ms Cross: The activity-based funding has been used by many jurisdictions for over 10 years. We are a little bit late to the party. Most jurisdictions would agree that it has been beneficial for the health system and the way that it is managed. In fact, I think all jurisdictions would agree with that, and it will still be a fundamental part of the new health reform agreement.

The commonwealth is, however, looking at whether, for some episodes of care, we are better off having bundled payments. Rather than breaking down every element of having a baby, you would have a bundled payment. It is about whether that incentivises people to say, "Actually, let's do the birth at home," because that is better for the mother and baby, and slightly less than the bundled payment amount, rather than doing it in hospital.

There are some things that they are doing with bundled payments which will take a couple of years to work through. As you say, there will be some episodes of care where we will get better, more efficient care if we create that incentive through a bundled payment. That is not to replace activity-based funding; that is really to supplement it. The vast majority of services will still involve activity-based funding.

Ms Stephen-Smith: We talked at the other hearing about the early days of activity-based funding. What was seen in some health systems was that it was incentivising additional activity, because hospitals were just being funded on the basis of the activity that they undertook, so they did more activity. That is not how activity-based funding works anymore. We are now saying, "This is the activity you're funded for; you're not going to be funded for any more than that, so do what you need to do as efficiently as you can within that." It does not work the same way as it did originally.

The other point I would make is that there is this ongoing conversation about value-based care and value-based funding, but unless you understand the cost of the activity that you are delivering, you cannot shift in that direction. A few years ago, when I first came into the portfolio and we were talking about this, I said, "Can't we just skip activity-based funding and go straight to value-based funding?" The answer was, "No, we need to understand the activity-based funding," in order to make that shift to the kinds of things that Ms Cross is talking about, around bundled payments. Until you understand the activity, you cannot understand the impact of that type of shift and where you should implement it.

MS CARRICK: There is something that I do not understand; if you could help me to understand it, that would be good. If you go to the annual report for Canberra Health Services, at page 190, it says that the 2023-24 budget was $1.4 billion; the actual result was $1.6 billion, on rounding. It was a 15 per cent increase. This is all about output 1.1 in CHS acute services. It is the big one—the big-dollar one. I dare say that that one is picking up the staff, the visiting medical, the contract nurses, the eight per cent more beds. The increase in activity is probably in output 1.1, acute services. You can see there that the actual result for 2023-24 was $1.567 billion, a 15 per cent increase.

If you go to the CHS 2024-25 budget document, at page 38, it has the budget for 2024-25 at $1.6 billion, so it is hardly bigger; it is growth of 1.8 per cent. Given the trend of a 15 per cent increase just in the 2023-24 budget, by the time the June 2024 budget was done, you must have had an idea of what the outcome for 2023-24 would have been. But it is an increase of only 1.8 per cent, so it was never going to hold up. Why is that?

Ms Stephen-Smith: Ms Carrick, this is one of those things about the timing of when budget decisions are made. If you look at page 38 of the budget statement, the increase that you are looking at between the estimated outcome for 2023-24 and the 2024-25 budget is a $100 million increase. It goes from $1.495 billion to $1.596 billion. That is an increase of $100 million from the estimated outcome in 2024-25 to the 2024-25 budget.

By the time you get to the annual report, you have more information to reconcile what the actual outcome is. You can only make decisions, in the context of the budget, based on what you think has happened for the year; then, as everyone has talked about, those things take some time to work through, in terms of invoices arriving and activity being finalised. The final actual result for 2023-24 reflected in the annual report is higher than the estimated outcome, but, of course, the budget remains the same, and that is part of the challenge that we are addressing through the midyear review.

MS CARRICK: I understand that. If it was a May budget or a March budget—an earlier budget—then you could see the variance, but this is a mid-June budget, so the outcome should be reasonably close. The increase in expenditure still does not bring it up to what you would have known by that point.

Ms Stephen-Smith: I understand the point you are making. I think it points to the challenges with those lags in understanding what has happened and then being able to project that.

MS TOUGH: I want to start with a quote from the local AMA President, Dr Kerrie Aust, who, in the AMA's national *2025 Public Hospital Report Card*, released last week, said:

> The ACT has seen significant improvements in both the number of patients completing their ED presentation within four hours or less and the percentage of Category 3 patients being seen on time. Noting a worrying fall in national performance, the territory has risen from the worst performer to above average in terms of the "four-hour rule".

It is great to see that the ACT has gone from pretty much the worst to above average now, across the country. That is really great. I did ask about emergency times overall and for mental health during annual reports hearings. Can you provide an update on how our emergency departments are performing compared with other jurisdictions? Obviously, we have gone from the bottom to above average. How is that comparing with everyone else? Obviously, someone else has fallen to the bottom. How are we going? How is that happening?

Mr Peffer: Thanks for the question. Rather unfortunately, the general trend nationally is that performance is worsening for timeliness of emergency care right across hospitals, across most jurisdictions at this point. We are particularly pleased that the ACT has been heading in the other direction. I think that is a credit to the teams that have been working very hard on that. We might give a bit of context and provide you with some insight into why that matters. I will ask Ms Zagari to talk about some examples through benchmarked peer hospital analysis.

Ms Zagari: If we look at the Health Roundtable data, which is where we compare the performance of our hospitals with hospitals that see similar types of patients—so you are looking at your direct peers—it is evident that we are improving consistently, while other services, unfortunately, are deteriorating. There is almost a directly opposite trend line on the graphs, and there are some particularly pleasing examples of performance in terms of ensuring patient safety and wellbeing.

If we look at an indicator which is the length of time that someone spends in the emergency department when they present with a fractured hip, we are the exemplar service amongst our peers by a significant number of hours. Someone presenting with a fractured hip—typically, our elderly, vulnerable patients after a fall—will spend a significantly shorter length of time in the emergency department, which contributes to improvements in morbidity and mortality. We continue to improve, including in this financial year, and it is a real and material difference for our vulnerable patients.

MS TOUGH: Wonderful. How do the investments across the 2024 budget and now the budget review ensure that we continue to build on the significant improvements that we have made?

Ms Zagari: The investments are in that provision of acute care. Rosalie talked about the increase in bed numbers. We do have additional multiday beds that are open to be able to address the increased presentations through the emergency department—those increases in non-elective care, so that we can continue to provide care. The alternative, if those beds are unavailable, or those services are unavailable, that we will see is increasing waiting times and bed block in the emergency department, preventing other Canberrans from accessing care.

Ms Stephen-Smith: I would note that, for the 2024-25 budget, one of the specific investments that was made was the expansion of the acute medical unit, which has really improved that flow through the emergency department. That has had a big impact as an innovation in CHS. Expanding that was a specific measure in the 2024-25 budget.

MR COCKS: In the interests of time, I think it is important for the committee also to be able to consider the evidence taken during the annual report hearings and within the chamber as well. Building on Mr Rattenbury's question before, it sounds like the updated data, the growth and new assumptions around what the future will look like, has not been incorporated into forward estimates at this stage.

One of the principles in accounting is that you use conservative assumptions. I would like to understand the degree of uncertainty in each of the forward estimates years. What is the maximum that you expect those budget amounts could grow by, for the health portfolio?

Ms Stephen-Smith: We certainly cannot answer that question now. I might take it on notice and come back to you with what we can provide. I suspect the answer will be that we would be pre-empting the budget process, because that is exactly the work that we are doing through the 2025-26 budget process, to understand what that looks like. In the interests of time, I will take the question on notice, and you may want to come back to the Treasurer on it this afternoon as well.

MR COCKS: Okay. The other half of the question is: why hasn't that growth in predicted expenditure been incorporated into the budget update? Usually, in budgets, you would include the situation as it stands, rather than waiting until you have all of your offsets in the budget as well.

Ms Stephen-Smith: I understand that, in a full-year budget, that is how it would work. The level of uncertainty we have at the moment about how we are going to manage these pressures over the forward estimates meant that, in the time available to us, we could not include that in the budget. Again, you would probably want to refer that question to Treasury officials later today.

MR RATTENBURY: I have a follow-up question to my earlier one. Minister, I am a patient soul. You were quoted in the *Canberra Times* on 30 January as saying we had 85,000 more patients. I have asked twice now what that breakdown is. Presumably, you said that on the basis of somebody's calculation. Why is it taking me weeks and weeks to get the answer?

Ms Stephen-Smith: That is a very reasonable question, Mr Rattenbury.

Mr Peffer: I can read out some numbers, Mr Rattenbury, if that would be helpful.

MR RATTENBURY: I would be happy for you to table it, Mr Peffer, for the committee, and we can look at it later. I do not think it is in anybody's interests to sit here and read a table.

Ms Stephen-Smith: I will ensure that it is tabled by the end of the hearing today.

MR RATTENBURY: Thanks.

Ms Stephen-Smith: I would note that we have not actually exceeded the question on notice time from the last sitting, either.

THE CHAIR: On behalf of the committee, thank you, Minister, and thank you, officials, for attending. We have a little bit of a dilemma, in the sense that, typically, for any questions taken on notice, you have five working days from receiving the transcript to then getting the answers through to the secretary in time. Due to our very tight time frame, we are tabling our report on Wednesday of next week. Given Monday is a public holiday, it makes it very tough.

Could I ask for any questions taken on notice to be forwarded to us by the end of business today? If there are any areas where you do have additional information regarding questions that were asked that were not taken on notice, and if you do have time and are willing to do so, can you also submit those? That will help the committee and the secretary to put together a report, if we have more content.

Ms Stephen-Smith: We will do our very best.

THE CHAIR: Do your best. We will reconvene at 12.15.

Hearing suspended from 11.03 am to 12.15 pm.

BARR, MR ANDREW, Chief Minister, Minister for Economic Development and Minister for Tourism and Trade

THE CHAIR: Good afternoon, and welcome to this hearing. Thank you for taking the time to be here. We are examining the Chief Minister, Treasury and Economic Development Directorate.

I remind you of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink 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 have only 30 minutes, so we will not have opening statements. We will kick off, and I will offer my substantive question to Mr Cocks.

MR COCKS: Thank you very much, Chair. Chief Minister, last term you held essentially both the Treasury portfolio and what is now the finance portfolio. I can understand from a smaller jurisdiction point of view why that might have been the case. Clearly, now, you have chosen to split that subject matter between two different ministers. I want to understand exactly why you made that choice.

Mr Barr: Balancing workload across the government.

MR COCKS: Are there any drawbacks to that division?

Mr Barr: No, not on the face of it. The delineation in the last parliament included the Special Minister of State roles that Minister Steel had that covered many of the areas that are within the finance stream. In light of the post-election negotiations in relation to the nature of the government, the number of ministers, the relative balance of workloads, and a series of public statements from candidates before the election and sitting MLAs that there was a view that the portfolio should be split away from me, I did that in the machinery of government and administrative arrangements changes.

MR COCKS: During that period when you held both of those portfolios, essentially, this was a period when a lot of the information that was flowing into other directorates informed the position in which we find ourselves now, in terms of a significant downgrade to the position around the budget deficit. Did you have any inkling or any awareness? Was there any information flowing to you from either of those directions that suggested, both this year and, it seems, into the forward estimates, that the budget position was not what we thought it would be?

Mr Barr: We were certainly aware of a number of risks, and they were outlined in the statement of risks in the 2024-25 budget. They included, amongst other things, a risk that the capped commonwealth contribution to the health system would be reached by other jurisdictions, effectively; that New South Wales, Victoria and Queensland could crowd out that available pool of funds. That was explicitly referenced in the budget papers. So, too, were risks associated with interest rates and the GST pool, amongst other things. Yes, they were all outlined in the statement of risks in the 2024-25 budget.

MR COCKS: One of the principles around budgeting and accounting is to take a conservative approach to the numbers that are in the budget. In retrospect, do you think that the budget that you put together was somewhat ambitious in what it expected to achieve?

Mr Barr: No. It was based on the best information at that time, including the agreement that had been reached at national cabinet in relation to health funding. NDIS foundational supports and provisions were set aside for those, and they are outlined in the PEBU. I also draw your attention to the conservative bias allowance. That is a provision that is put in place that has a quantum of money in the hundreds of millions over the forward estimates that is set aside, and that was also outlined in the pre-election budget update.

MR COCKS: Do you think it is a conservative approach to assume that other jurisdictions will not see growth in their hospitals to the same extent that—

Mr Barr: You would go on past experience and the soft cap; we were able to access funding beyond the 6.5 per cent growth rate in previous years, so there was a lived experience. Clearly, though, with respect to what we have seen in other jurisdictions, our closest peer equivalent is Tasmania. Their midyear update had a $350 million injection into the health system, and their budget deficit has blown out to nearly $1.4 billion.

We are not the only jurisdiction experiencing both increased demand for health and challenges. In fact, outside Western Australia and perhaps South Australia, all the other state budgets are under a degree of pressure. I note that, in Queensland, the incoming government decided to release an update that immediately resulted in a credit rating downgrade, and they were accused of politicising that process. These things will always be a matter of political contention, Mr Cocks. In the end, Treasury are obligated under the Financial Management Act to present a pre-election budget update. They did so, and everyone went into the election with that understanding.

MS CARRICK: Chief Minister, what is the $19.9 million for your directorate? It just says that it is a "central reserve". I note that in the budget review document, on page 49, it says that it will be offset from existing resources, yet it appears in the budget bills.

Mr Barr: Yes. This is a matter for the Treasurer. There is perhaps a bit of confusion. When I was initially invited to appear by the committee, I was invited as Treasurer. Obviously, I am no longer the Treasurer. This provision is one for the Treasurer, and I understand he is appearing later, so he will be able to address that for you. It is not relevant to me in my role as Chief Minister.

MS CARRICK: Okay; thank you. I note that, in the original budget in 2023-24 for output 1.1, acute services—this is when you were Treasurer, in 2023-24—the outcome was 15 per cent higher, so there was a large increase through 2023-24 in output 1.1, acute services, where a lot of the money sits.

Mr Barr: This is in the health portfolio?

MS CARRICK: Yes.

Mr Barr: I am sorry; I cannot assist with that. The health minister appeared. Even though I was the Treasurer, it does not mean I am across the detail of every output class in other people's portfolios.

MS CARRICK: Okay. What level of sight is there from the appropriations, as in how that is broken down? Can the Treasurer see, for an appropriation for a directorate, how that is broken down? In the budget papers, you only get four outputs. For Health, for example, it is a lot of money. Basically, most of it is in 1.1, acute services. From a Treasurer's point of view, how do they know what is going on when the reporting is at such a high level?

Mr Barr: On one level, they do not. That is not the role of the Treasurer; that is the role of the portfolio minister. The level of detail that is broken down beyond that would be within an annual report document for that directorate, but the principal accountability sits with the portfolio minister. That is why we have estimates for those portfolios.

MS CARRICK: How would you know if there were savings in a directorate on a particular measure, if that sort of reporting does not come through?

Mr Barr: You would not, necessarily, unless the agency brought it forward, or the ERC had specifically tasked that. There is quarterly reporting that is required, but that is done to the minister rather than to the Treasurer.

MS CARRICK: When was the last time there was a line-by-line review of the budget?

Mr Barr: Depending on how you categorise line by line, there is, every year, but by the agencies responsible for each of those lines, unless the ERC specifically undertakes an exercise in reviewing a particular area, which has happened from time to time, or there are savings identified, and they are outlined in the budget papers, as they were last year.

MS TOUGH: I want to confirm that the line item for CMTEDD is the Treasurer's, and he will answer questions this afternoon.

Mr Barr: Yes, that is correct.

MR COCKS: Chief Minister, you are also Minister for Economic Development, and have a role around economic development, strategy and policy. We heard some evidence that made me a bit concerned that a surplus may not be achievable in the forward estimates without some significant cuts from the government, whether in health or in whatever portfolio, because of the growth we are expecting to see. Is a surplus or achieving at least a balanced budget, as in reaching no deficit, an element of an economic strategy that you would endorse?

Mr Barr: It would be an element of a budget strategy. In an economic context for the territory economy, it is hard to see what private sector expenditure the ACT government is crowding out. The extent to which we operate a deficit, in fact, would lead to a greater level of both public investment and consumption, as recorded by state final demand.

In pure economic statistic terms, no, I do not think it is crowding anything out. Certainly, the experience of the ACT economy is that, in large part, the total level of state final demand is a combination of private consumption, private investment, public consumption and public investment. Obviously, the commonwealth are the biggest public consumers, and the ACT government would be the second biggest, but the private consumption is the next biggest part of our economy, outside government consumption.

MR COCKS: Does the increasing size of interest payments as a share of government expenses present any concerns for you, from that economic perspective?

Mr Barr: From an economic development perspective, no, provided the money that has been borrowed is invested in activities that would increase the productive capacity of the economy. Infrastructure is an obvious example there. Given we are a knowledge-based economy, investment in enhancing the city's infrastructure will generally lead to improved productivity. With respect to whether that is time based, we discussed at some length in the Assembly yesterday that, presumably, people are less productive if they are caught in traffic, so investing in transport infrastructure would be an example of a debt-financed government infrastructure project that would improve the productive capacity of the economy.

Equally, there would be investment in education, skills and training that would improve the productive nature of our largest source of economic growth, which is the human capital of the city. I do not think you can mount a monetarist, hard right argument about state- and territory-level spending.

MR COCKS: I am not sure people will be expecting you to do so.

Mr Barr: This argument, in theory, is more legitimate at a national level, because the scale of government expenditure at a commonwealth level has the potential to crowd out private investment. In the context of an economy of our size and a budget of our size, no, I do not think so. My evidence of that is that, if we were to curtail all of that expenditure, that would probably have a negative impact on our economy rather than a positive one, because what would fill the gap? Who else will invest in infrastructure in the ACT, if it is not the territory government?

MR COCKS: Do you have any concerns about federal government expenditure and demand crowding out the private sector and other sectors in the ACT?

Mr Barr: Not at the moment, because it has been the only thing that has been propelling economic growth. Our state final demand grew by five per cent, and that was off the back of a fair amount of commonwealth government investment, both public investment and public consumption. Again, to put it in very simple terms, if there is more commonwealth government employment in the ACT then our labour market is larger and there are more wages and salaries flowing into our economy and, presumably, a significant proportion of that is consumed on goods and services in our economy, which ultimately—

MR COCKS: Does that bear out when there is such low unemployment?

Mr Barr: It would, because we are not at full employment. We are close, but I am not sure you can say we are at full employment when we still have about 9,000 people looking for work, and we have a proportion of the labour market that would like more work. But we are pretty close. I think the lowest I have seen unemployment in my time is about 2.7 per cent, and we are sitting at a little over three at the moment. The labour market is tight, but it is not as tight as it has been historically.

MR RATTENBURY: Given the obvious pressures on the ACT budget, I was interested in asking you, in your role as Chief Minister, about Commonwealth-state and -territory relations in that context. One of the key issues for the ACT is, having the Commonwealth as such a large employer. We have just touched on it to an extent. The fact that they do not pay payroll tax provides a significant difference for our jurisdiction. Have you sought to have any discussions with the Commonwealth about that issue and their willingness to pay payroll tax in the territory?

Mr Barr: The short answer is that there is a constitutional arrangement in the context of self-government that we cannot levy taxes on the Commonwealth. If they were to extend that to us, then presumably they would need to do that to the other states and territories. The benefit would be proportionally greater for us, given the Commonwealth is a much greater share of total employment. About one in four jobs in the territory are directly employed by the Commonwealth government. The Commonwealth Grants Commission process does make an adjustment for that reality for the territory, but in the way that the GST distribution works means there is a lag indicator. So, what we have experienced as part of insourcing is that the territory's payroll revenue has reduced by about 10 per cent.

MR RATTENBURY: And the budget papers outline that pressure.

Mr Barr: They do, and the GST will lag that. I am perhaps straying a little into the Treasurer's space here, but that there is an expectation that future Commonwealth Grants Commission updates will reflect the fact that our capacity—the share of our labour market that we can apply payroll tax to—has reduced as a result of insourcing, and the GST will creep up to fill that gap. That is the theory of the Grants Commission distribution process. The problem is that it does not happen in real time; it will happen as a lag, but it will happen. But then, of course, there are other moving parts of the Grants Commission process.

MR RATTENBURY: Yes. In that vein, it does seem that Western Australia continues to get an extraordinarily good deal on a range of tax arrangements. Is there any scope in your view for that to be reconsidered?

Mr Barr: Both sides of federal politics have ruled that out. I think if you ask any MP from Western Australia, even in your own party, they would probably be reluctant to go out and face the electors in their own state and say, "Actually, we think we have got too good a deal." The politics of the GST is fraught. This has come up every year since the GST was established. And even before there that there were the old premiers' councils, as they used to be back in the day, when it was said that the most unsafe place in Australia was between a premier and a bucket of money. Now it is more in the sphere of treasurers than it is first ministers, but I think it would be idealistic to think that the system is going to change from what has currently been legislated.

If it does, it will happen as a stampede, when everyone decides that Western Australia is no longer politically relevant. If and when that will happen is an interesting question, but I think they just got an extra seat in the federal parliament in this last redistribution cycle, so their share of the federal pie is going to grow bigger, I suspect.

MR RATTENBURY: Indeed.

THE CHAIR: Ms Carrick, do you have a substantive question?

MS CARRICK: I just have a couple of questions about some of the tables in the budget review document. The interest revenue is around $300 million, and then by the outyears it is $360 million. Is that interest revenue used for anything, like building up the super?

Mr Barr: This is directly a question for the Treasurer. The short answer is that there is a provision made every year in a big payment to meet the super liability. But, again, I am straying into the Treasurer's space here. I understand he is appearing later this afternoon, so these are questions for the Treasurer.

MS CARRICK: All right; I will try my next one. You might say the same thing, but we were talking about payroll tax just a moment ago. Maybe you can explain this to me. On page 62 of the budget review paper, it has payroll tax at $737 million last year through to $1.1 million in 2027-28 and that—

Mr Barr: I presume you mean $1.1 billion.

MS CARRICK: One billion, sorry. What did I say?

Mr Barr: Million.

MS CARRICK: I mean billion.

Mr Barr: I do not think it is diminishing to zero.

MS CARRICK: Yes, $737 million through to $1 billion. That is a $360 million increase over the four years—49 per cent. It is a 12 per cent increase per annum, on average, of payroll tax. I thought we were discussing before that it was not going up.

Mr Barr: Again, that is a matter for the Treasurer, but, of course, it is not just the taxable payroll, as in the number of people; it is their wages and salaries as well. So wage and salaries grow every year, and so that feeds into growth in the payroll tax base.

MS CARRICK: Okay. It is higher, though: 12 per cent per annum.

Mr Barr: And employment grows. We have actually had very strong employment growth. It has been in both payroll taxable and not payroll taxable areas of the economy, but clearly, historically—aside from very big structural changes such as wholesale insourcing, as we have seen in this three-year cycle—generally speaking, payroll tax has been growing quite rapidly because we have a very strong labour market, and we have had reasonable wages growth in the last three years, in particular—a bit less so in the period before; it was more subdued. But you can definitely explore that in further detail with Treasury.

MS CARRICK: Yes, because it is very strong growth to get that level of increase. And, similarly, rates; it goes up by $209 million—28 per cent—over the four years. No, hang on, that is the wrong line item. It goes up $612 million over the four years—36 per cent, averaging nine per cent a year.

Mr Barr: Again, that is a matter for the Treasurer, but I will just point out that obviously every year the number of rate-paying properties increases, so when we talk about a 30,000 increase in dwelling numbers, that is a 15 per cent increase in the number of rate-paying households over the forward estimates period. For example, we have 200,000 households, and then all of the commercial rate-paying businesses. So the combination of the two grows every year. A decade ago, we only had 150,000 rate-paying households. Now, we have 200,000, so that is a contributing factor to the revenue base.

MR COCKS: Chief Minister, I would like to understand. I note that we have the Head of Service here as well. There has been some pretty strong messaging around the need to get the government's expenditure back under control, and, it sounds like, to at least reduce the deficit. What will your role be in that process, in particular around guiding the strategy and the approach to the number of public servants, the distribution and the types of public servants? Will you have a role in that process?

Mr Barr: Well, yes, under the Public Sector Management Act, I do have such a role in relation to the structure of the public service. I have already announced, and I did so before the election, a series of machinery of government changes. We will have something further to say on that once that consultation process has concluded. I also chair the Expenditure Review Committee. It consists of myself, the Deputy Chief Minister, the Treasurer, and the Minister for Finance. So, I will play a role in the decision-making around the construction of the budget, but fiscal strategy obviously sits with the Treasurer. Expenditure monitoring sits principally with the finance minister. So I will take responsibility for my portfolio areas, if you like, within the Chief Minister, Treasury and Economic Development Directorate, but they are a narrower band and a smaller amount of expenditure than was the case previously.

MR COCKS: Okay. And if I recall correctly, I think it was the Treasurer who clarified that the guarantee of no job losses was tied to the MOG changes—the machinery of government changes—in particular. Is that correct? Do you have a guarantee, over the term of the government or over the next 12 months, around job losses?

Mr Barr: Certainly, we are not proposing, outside of the machinery of government changes in the senior executive service, to reduce the overall size of the public service, but we do have some areas where the public service will expand, particularly in health, where we have a commitment of around 800 positions.

MR COCKS: And do you anticipate that will require offsets elsewhere?

Mr Barr: No; that presumption was factored into the forward estimates, but beyond that it would be my expectation that the public service would not be growing significantly in size. But there are some areas that are demand driven—education, for example. For every 21 enrolments, a new teaching position effectively is created by the class-size policy. So the number of teachers is somewhat reflective of the number of enrolments in public schools, as an example.

And there are some areas where there are existing commitments to additional staff. They do not always come up in the ACTPS numbers, because, for example, in policing we are constitutionally required under the self-government act to use the Australian Federal Police for our policing, and we have a contract with them, but we have indicated—and it is in the forward estimates—that we will be expanding the number of police officers.

That will not come up in the public service data, because they are not ACT public servants, but they are an example of an area where there will be more staff. If there is an expectation that there can just be more staff everywhere, then the answer to that is, no, there cannot, but there will be increases in areas that are priorities and where we are experiencing increased demand. That is the nature of this level of government.

THE CHAIR: Thank you, Chief Minister. We have to wait until the next group.

Mr Barr: One minute to wait.

THE CHAIR: One minute. There could have been some curly ones. On behalf of the committee, thank you for attending. Were there any questions taken on notice? I do not think there was. No; you are off the hook on that one, too. So, once again, thank you very much for attending.

Hearing suspended from 12.44 pm to 2 pm.

STEEL, MR CHRIS, Treasurer, Minister for Planning and Sustainable Development, Minister for Heritage, and Minister for Transport
AUSTIN, MR SCOTT, Acting Deputy Under Treasurer, Budget, Procurement, Investments and Finance, Chief Minister, Treasury and Economic Development Directorate
CAMPBELL, MR RUSS, Acting Under Treasurer, Chief Minister, Treasury and Economic Development Directorate
PIRIE, MR MITCHELL, Acting Deputy Under Treasurer, Economic, Revenue and Insurance, and Coordinator-General, Housing, Chief Minister, Treasury and Economic Development Directorate

THE CHAIR: Welcome to today's committee hearing. Today we have the Treasurer, Mr Chris Steel, and officials from the Chief Minister, Treasury and Economic Development Directorate. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink privilege statement. Witnesses must tell the truth. Giving false or misleading information 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 privilege statement and that you agree and comply with it.

We are not starting with opening statements. I would like to pass my first substantive to Mr Cocks.

MR COCKS: Thank you, Chair. Who would I ask about the internal budgeting process? Who leads the budget process? Which official would be the best person to—

Mr Austin: I have read and acknowledge the privilege statement. My team pulls together the ACT budget, and it is based on information we are provided by agencies.

MR COCKS: Excellent. Maybe you can help me understand: at what stage of the budgeting process does the expected cost of construction of infrastructure land in the budget?

Mr Austin: There are a couple of aspects to that. In terms of agreeing to a new infrastructure project, that would be considered as part of the budget process itself. The government would agree to a new infrastructure project. As projects are developed—say, the government has agreed to a project—and if costs change over time, there will be a project contingency that may meet those costs. If there is a need to increase funding, that would need to come back to government to get that decision. There is also the Asset Renewal Program. Each agency has an allocation, and that is published in the budget. It enables agencies to draw on it for specific projects. It is a combination of existing funding that they can access, consistent with government authority, or they can get a government decision to increase their budget.

MR COCKS: Where would I find how much is allocated to the Asset Renewal Program each year?

Mr Austin: It is in the budget papers.

MR COCKS: I am happy for a table reference.

Mr Austin: I will have to look it up. It is in the infrastructure chapter of the budget outlook.

MR COCKS: That is fine.

Mr Austin: We also have an online database for the capital program, and that is available through the Treasury website as well.

MR COCKS: Where a major infrastructure project is proposed and it needs to go through a feasibility design and then, at some stage, a construction process, does any indication of the potential total cost of construction land in the budget before you get to that specific stage?

Mr Austin: The decision to start building or the decision for planning and development? There will be phases when an agency will come forward or a minister will come forward for a construction project, for design funding only, and that will inform the cost of the project. Then, at the point at which the government makes a decision to go ahead, it would normally provision funding in the budget for that project, based on the assessment taken to that point.

Mr Steel: Then there is procurement of the infrastructure project itself. Going to contract provides the final expected cost, and the provision would then be tapped into it.

MR COCKS: You have a very clear commitment to take light rail from the City to Woden. At what stage does the funding to actually build that land in the budget so that we can get a clear idea of what the actual budget position is into the future?

Mr Steel: When an investment decision is made. In the case of stage 2A, we have gone through the planning process, and then, in a similar way that Mr Austin described, there was funding provision. We went out to market. We obviously had the Commonwealth funding contribution as well during that period, which had to be topped up to meet the final procurement outcome for that project. For stage 2A, though, there is a slightly different approach, which we have been clear about, in terms of wanting to do the design and planning work first so that we can understand the scope of the project. A business case would have been considered—

MR COCKS: That is all right. It was just in general terms.

Mr Steel: You asked me about stage 2A.

MR COCKS: It was as an example of the process. Can someone tell me—

Mr Steel: Except it is a different process. That is what I am saying. It is a slightly different process in the sense that the planning and design work is happening to understand the full scope, because there are planning decisions that are outside of the ACT government's remit. There are decisions by third parties that may affect the scope of the project. Once we know the scope of the project and we have passed through those approvals, that will inform a business case with the final scope, which will look at how the project will be implemented, based on that scope, including the infrastructure financing elements. That fell outside of the forward estimates.

MR COCKS: That is all right. In the interest of time, that is slightly to one side of what I am trying to get to. Maybe someone can provide, on notice even, a list of construction and infrastructure projects where a feasibility study or design process is underway or has recently been underway but there is not yet funding in the budget for the construction of that project.

Mr Austin: We could probably refer you to our online database. We can do that, Mr Cocks.

Mr Steel: Yes. There are a number of data checks.

Mr Austin: Yes. Just for clarity, the detail on the ARP is on page 295 of the *Budget outlook*.

MR COCKS: Thank you very much. I really appreciate that.

MS CARRICK: I am going to ask about some of the line items in the appropriation bill. What is the $19.9 million for in the Chief Minister's directorate?

Mr Steel: I think you are referring to the central reserve.

MS CARRICK: Yes; that is right. What is the central reserve? I also note that, in the budget review—I think that is where it is—the measure says it is to be offset, but then it appears in the appropriation.

Mr Steel: It is a reprioritisation of existing provisions.

Mr Campbell: I have read and understood the witness statement. The reason it is in the appropriation bill, even though it is coming from existing funding, is that it was centrally provisioned, so you need the appropriation bill to draw it out to the specific agency. The appropriation bill is the tool to allocate it from a central pool to a particular directorate. There is no new money. It is basically offset from existing provisions.

MR RATTENBURY: But it is still appropriated.

MS CARRICK: Yes. It is new money being appropriated.

MR RATTENBURY: It is adding to the headline net operating balance.

Mr Campbell: It is not new money. It is there basically to address any significant priorities in this financial year as they emerge. That can be in a number of different areas. For this financial year, we have sought to look at existing provisions which were not required for other directorates, to provide for an opportunity to use that for any unexpected spending in critical priority areas.

MS CARRICK: Do you mean you have $20 million worth of savings somewhere else?

Mr Campbell: Yes; in essence. That is a way to describe it. There were provisions originally in the budget.

MR RATTENBURY: Or offsets.

Mr Austin: Offsets.

MS CARRICK: But where did the offsets go, if you are getting new money here. I understand that, when you offset something, you say, "It has been appropriated. I am not going to spend it on this; I am going to spend it on that." You move it. But this is new money, so you must have some savings somewhere else.

Mr Campbell: There will be a number of provisions. We do not have them published in front of us today, and I am not sure if we have any—

Mr Austin: Maybe I could help. For the budgeting purpose, we made provisions for things we planned to spend, but agencies did not come back for those provisions in the budget review, so we have backed them out. We have not ceased activities; we have made provision for expenses and we have backed those out, and that is the offset, effectively. There are about eight of them—

MS CARRICK: Like a contingency or something?

Mr Austin: Exactly. There are about eight separate provisions. Some of them are NFP, because they relate to commercial projects that did not need us to access them. The requirement to be in the appropriation bill is because they are centrally provisioned, just for budget planning purposes, but they need to be appropriated.

MS CARRICK: What is the $19.9 million going to be spent on?

Mr Steel: The answer is that, at this stage, nothing is planned. It is almost like an insurance, in case it needs to be accessed for unforeseen pressures. A lot of work has been happening by the Treasury and across government on looking at cash management to make sure that agencies outside of Canberra Health Services are managing within their existing appropriations. Pressures outside of Health could emerge that we are not necessarily aware of at this point in the financial year, but they may need to be supported. We do not want to come back with a third appropriation bill to the Assembly for that. We want to try to manage through the financial year.

MS CARRICK: Why don't you just add it to your Treasurer's Advance? You have $3.8 million for the Treasurer's Advance in column 4, but it is not in columns 2 or 3. Why isn't that $3.8 million in columns 2 and 3? And why wouldn't the $19.9 million be a Treasurer's Advance?

Mr Campbell: The Treasurer's Advance is treated as a proportion of the appropriation amount. The $3.8 million is effectively the residual of one per cent. I cannot remember the exact number.

Mr Austin: Yes; it is one per cent.

Mr Campbell: It is one per cent of the appropriation bill that is brought forward. This is in addition to that.

MS CARRICK: The existing Treasurer's Advance of $79 million went to Health, as I understand it.

Mr Austin: That is right. Yes; that was directed to Health to deal with the cash urgency pressures they had.

MS CARRICK: Do you know what part of Health it went to? Output 1.1, acute services, seems to be the big one where the increases in demand might be. Do you know where it went?

Mr Austin: To CHS, I think. I do not think it is specific about which output it goes to.

MS CARRICK: How do you report on it, then?

Mr Austin: The Treasurer's Advance itself will be an instrument that is reported on in the March financial statements, in May. You will see that then, and CHS report on their own funding through their financial statements.

MR RATTENBURY: There has also been a $79 million Treasurer's Advance to Health. Does that mean we have the $332 million that is in this appropriation, plus another $75 million to top up Health? That would suggest the overall Health cost pressure is, in fact, near $410 million. Is that a reasonable interpretation of what I think you have just said?

Mr Campbell: I will show you where this is offset in the appropriate bill.

MR RATTENBURY: Mr Campbell, I appreciate that, but, so that I am clear on my question, and maybe to save time, I am trying to understand whether the Treasurer's Advance has also gone to Health. That is another $79 million to top up the Health budget. That is what I am trying to ask.

Mr Campbell: I need to make sure I get the language right. Maybe it is easier if I take you to the front page.

MR RATTENBURY: Sure.

Mr Campbell: The $250 million that we have on page—

MR RATTENBURY: On page 9.

Mr Campbell: Yes. That $250 million includes the positive payment of $79 million and then a subtraction of it, so it is washed out. It is a zero in the table. The total ask is $250 million. Maybe there is another page I can show you. It is not added on top of the $250 million. That is probably the cleanest way to say it. I will get you the exact page.

MR RATTENBURY: Thank you. That is the question I am trying to ask.

MS TOUGH: I know that the budget review identifies that wages are growing, inflation is down and the economy continues to show strong growth. What are the biggest risks to this continued growth for us here?

Mr Steel: There is a range of factors. The risks for the fiscal position are outlined and updated in the budget review but for the broader economy as well. Obviously, a federal election is happening. The risk is, of course, that there is the potential, with a change of government, to have significant Commonwealth public service cuts, and that would have an impact on the broader economy. We know that the Commonwealth contribution to state final demand has been quite significant. That may have an impact on overall economic metrics, and it may also affect the labour market. I do not think the budget review has assumed that has happened. That is something, if there is a change of government and those decisions are made—and it is unclear, if there were a new government, exactly how quickly those decisions would be made—that has not been factored into the budget review. The Treasury would need to consider what the economic impact is. I will hand over to the Treasury to see whether they want to provide any commentary on how it could potentially affect the economic metrics.

Mr Pirie: I have read the privilege statement and understand it. Page 13 of the budget review talks through some of the risks to the outlook. One of the key ones that it calls out is uncertainty around the global outlook for the economy, particularly around geopolitical risks and how that may flow through to trade and then prices as well, and inflation. There is still some uncertainty around the outlook for inflation. It is much improved, but there is uncertainty, so that means there is some uncertainty around where interest rates might go. That is a risk to the outlook. Changes in recruitment practices at the Commonwealth level are a potential risk to the economy. We would work through that as part of our normal annual budget update. We would review the update when we are looking at our forecasts. At this point, we would couch that as a risk, but we have not reflected it in the numbers in any way yet.

MS TOUGH: Thank you. On the Commonwealth's hiring practices, as one of many former Commonwealth public servants, and being on this side of the table now, if there were a cut in the number of federal public servants, what does that mean for the economy more broadly, and for local businesses in particular?

Mr Steel: It certainly could impact consumption. I could probably only reflect on the relatively recent past. In the 2014 budget, there were some impacts to the economy. Over time, the government got on with their other priorities and it led to an increase again in the public service, but there was certainly an impact at that time, when there was a reduction in the size of the public service. That did have an impact.

Mr Pirie: That certainly happened. We would need to consider implications for overall aggregate consumption at the Commonwealth level and how that may or may not flow through to the local economy. The Commonwealth spends on a range of things. We would have to look at that. But, regarding any reduction in Commonwealth consumption, in the absence of an offset elsewhere in the economy, you could expect that to flow through, to some extent, to the local economy.

MS TOUGH: Thank you.

MR COCKS: This is probably one for Mr Austin again. The FOI request of the incoming government briefs following the election revealed no sign that the Treasury considered there would be any need to increase appropriations through the budget update. On what date did the Treasury first become aware that the original Health appropriation would be insufficient?

Mr Steel: I can address the premise of the question for Mr Austin. On 11 November, my portfolio briefing pack—the incoming government brief—says:

> Treasury understands that there may be significant cost pressures across agencies for the 2024-25 financial year. In particular, we have been recently advised of significant cost pressures in Canberra Health Services which may necessitate additional funding in this financial year. We are working with CHS to develop robust estimates of these cost pressures.

So, that is not quite correct; they did actually advise of that in the incoming minister's brief, but I will hand over to Mr Austin to answer the second part of your question.

MR COCKS: I do not recall reading that. Where was that reference?

Mr Steel: That was in my portfolio briefing pack—the incoming government brief on 11 November.

MR COCKS: Okay. Thank you.

Mr Austin: I think the first time Treasury was aware of any potential issues was the day before the election—18 October. As we have mentioned previously, we get updates from agencies with narratives on their spending pressures. The first time we heard, it was the day before the election, but the Under Treasurer and I, and the then Deputy Under Treasurer, met with Health on the Monday after the elections—21 October, I guess—to discuss what they identified as health cost pressures.

MR COCKS: What format did the advice that you received on the 18th take?

Mr Austin: On the 18th, it was input from the agencies. They put it in through regular reporting. Their management analysis supports our analysis for the financial reports on a quarterly basis, so it is a standard form they provide to the financial reporting team.

MR COCKS: Thank you.

Mr Campbell: Sorry, just to be clear on that, that is part of the quarterly reporting process. What that shows you is the year-to-date expenditure. It is not an estimate of the full financial year spend. That was the subject of discussions with CHS after the election because we wanted to understand: is this year-to-date spend likely to persist, and to what degree? So we were, probably for the three weeks after that, in discussions around: what are your best estimates of the outlook for 2024-25, and do we need to go into a budget review process, given the significance of it?

MR COCKS: I understand. In the quarterly reporting process, does the government do any budgeting—with a small B—or monitoring of programs that divide up when expenditure is likely to occur throughout the year? And if so, how often? What is the breakdown of that? Do you monitor, on a monthly basis, what is expenditure versus expected?

Mr Austin: As we mentioned at the annual report hearings, there are monthly reports from agencies that support the quarterly reporting, except in July and August, when we are doing the consolidated audit report. So it takes the form of agencies telling us if there are pressures. If we get that information early in the year, it does not necessarily mean that it is going to continue. Obviously, there is a full year to go, and agencies can do things to remedy those changes, but it is just part of our regular budget reporting process. As part of that, obviously, if agencies are in difficulty or feeling the need for additional funding, they will come through, either in the budget review or to seek a Treasurer's advance.

MR COCKS: But is that reporting against an expected figure? Is there a process that maps when expenditure is likely throughout the year?

Mr Austin: It is about the year-to-date sort of expenditure.

MR COCKS: For example, can an agency look at their figures and say that by March they expected to have spent this much, but they have actually only spent two-thirds of that amount? That is the sort of scenario I am talking about.

Mr Austin: It is reporting against the annual budget. So it is year-to-date sort of reporting.

MR COCKS: So it is just, "We have only spent 50 per cent of the annual budget." That is the level of detail it goes to.

Mr Austin: Yes. That is right.

MR COCKS: There is no prediction of when funding would expect to be going to—

Mr Austin: Not provided to us, but it is a matter for agencies to manage their own budgets.

MR COCKS: That could be a process that happens through agencies. Is that right?

Mr Austin: That is right.

MR COCKS: Perhaps you can take on notice, on behalf of other agencies, whether there were any programs across the government, as at 1 January this year, that were 10 per cent or more over their expected expenditure at that stage?

Mr Campbell: I am not entirely sure whether they will have that level of detail. Maybe I could explain the process. There is now a reporting process that we have in place which talks about the estimate through to the end of the financial year. It is a process we have put in place quite recently to ensure the ERC and cabinet were apprised of emerging issues and to ensure that cash management processes were managed effectively.

But, as a standard matter, the usual process was that we would have a year-to-date expenditure, and then Mr Austin, through his CFA networks, would be discussing in qualitative terms whether they need to bring forward a bid in the context of the mid-year update for further funds or whether that is something that can wait till the annual budget update. Most of the time, the issues that emerge between those two periods reflect as a TA or a Treasurer's advance because of some unexpected or unforeseen measure. That is why we have put in place a stronger process now, but that would not have been the usual course. So I suspect it will be a case-by-case situation.

MR COCKS: Is there a red traffic light system? How do you know whether something is going to go over budget?

Mr Austin: I guess from the year-to-date perspective, it is up to agencies to manage within their budgets. The program may be running over, but it is up to them to manage it within their entire agency budget.

MR COCKS: The response we have just had was that there is a discussion. How do you know what to discuss? What is the reporting? What reporting is happening so that you know that something is at risk?

Mr Austin: Again, it is the responsibility of agencies to reach out to Treasury and let us know if they are having difficulties. Obviously, the answer will not be, "We'll appropriate more funding." The answer will be, "Let's look at your entire budget and see how you are managing that program."

MR COCKS: So you do not have any sort of traffic-light reporting coming back to you?

Mr Austin: Again, it is a matter for agencies to bring it up with us, either through budget review or the budget process.

MR COCKS: So is that a no—you do not have any traffic lights?

Mr Austin: We do not have a traffic light system; no.

MR COCKS: Nor any mechanism to inform you if there are risks other than on the agency's own behalf?

Mr Austin: That is right. Well, agencies need to tell us—

MR COCKS: So it is only at the agencies' initiative?

Mr Austin: We cannot see under the hood of their operations, so they need to tell us that.

MR COCKS: And you never ask the question.

Mr Austin: Well, we are always asking questions, I guess, but—

Mr Campbell: That is true.

THE CHAIR: We can continue to prosecute this at the next round, but I will move along to Mr Rattenbury.

MR RATTENBURY: Thank you. I feel I should know the answer to this question. I am going to pick up where Ms Carrick was before, and come back just to be clear about the role of the Treasurer's advance. My understanding is that the Treasurer's advance is already appropriated through Appropriation Bill 2024-2025 (No 1), so there is the bucket of $79 million to $80-odd million sitting there. You said earlier, Mr Campbell—and I am sure I am missing something here—that then was allocated to Health to help them with their cost pressures.

Mr Austin: That is right. Yes.

MR RATTENBURY: And the way a Treasurer's advance works is that agencies and ministers can apply when unexpected costs come up, and it sort of sits there as a contingency. So that money has then been allocated. But then I missed the bit where you said that is rolled into the $250 million that is in the appropriation, because the appropriation is allocating an additional $250 million to cover cost expenses in Health. So how is that $79 million that is already appropriated part of that?

Mr Campbell: Maybe I can take you to page 20 of the appropriation bill.

Mr Steel: This is in the budget review or the supplementary budget papers?

Mr Austin: Yes, the supplementary budget papers; sorry.

MR RATTENBURY: Your point is that the Treasurer's advance has been given back on page 20.

Mr Campbell: That is right.

MR RATTENBURY: And so it has not been allocated to Health. It was a cash flow loan.

Mr Campbell: It was a cash flow; that is right.

MR RATTENBURY: Thank you. That is where I misunderstood you earlier.

Mr Campbell: Sorry. Okay, I understand what you are asking.

MR RATTENBURY: We are on the same page, now. Thank you for that. There is another question I wanted to ask, Treasurer. We spoke with the health minister this morning, and clearly there is a significant pressure on health this year, through demand that they did not see coming and the like. The question we asked the health minister is, "What is going to happen in the future?" I know they are still trying to work that out, but clearly this presents a significant risk to the ACT's budget going forward, in what might be seen as a structural deficit in the health portfolio. What thinking is Treasury doing about how to contain that problem?

Mr Steel: Yes. As the health minister mentioned, Treasury is currently working with CHS to review what the demand pressures are, and also to look at sustainability of expenditure in the health portfolio. That process is designed to inform the 2025-26 budget decision-making about decisions the government might have to make about what we fund over the forward estimates for health. There is a level of uncertainty around that at the moment. That work is underway to give us more certainty to be able to make a decision.

MR RATTENBURY: Okay, thank you.

Mr Steel: I do not know whether you wanted to add anything.

Mr Campbell: No. There will be a range of options that we will need to develop to put to ministers in the context of the budget. It is probably not appropriate for me to flag where we might be heading, because we are still working that through. But, yes, as the Treasurer said previously, some tough decisions are going to be required, given the size of the task.

MR RATTENBURY: And just coming back to the Treasury advance question, given, on the Treasury advance, you said you come back to the Treasurer now—because it was a loan to Health, it comes back through this appropriation is perhaps the way to describe it—if the Treasurer's advance has been restored, essentially, why are you creating an additional $20 million or $19 million central reserve? Is that an indication that you think there are other cost pressures in other agencies that you are going to need a Treasurer's advance of $79 million plus another $19 million? Is that essentially what that indicates?

Mr Campbell: We are certainly not making a prediction that it will be required. That is the first point. The reason there is a central provision is that we do not want to be seeking any use of that. We have put cash management measures in place to ensure that agencies are sticking to their budgets and not drawing on any additional funds. Basically the best outcome will be that we bring that back to budget.

MR RATTENBURY: Yes, and so it will come back next year as a credit, essentially, under the budget. Would it be unspent?

Mr Campbell: It would be an unspent allocation.

MR RATTENBURY: Unallocated. Yes, yes. Thank you.

MS CARRICK: Can I have a supplementary question on that? Interestingly enough—where are we?—I think we are in March.

MR RATTENBURY: It is all a blur.

MS CARRICK: I think we are in March. By the time this money is appropriated, there is going to be a contingency or Treasurer's advance of about $100 million sitting there. So that means that you must have some level of uncertainty about the whole budget this financial year, to want to have $100 million sitting there for the last three months, just in case.

Mr Campbell: The way I would characterise it is that we are trying to not allocate more through a supplementary appropriation bill. We are trying to minimise the call on the budget. We could have asked for more in the supplementary appropriation. We are saying that we want to ensure cash management measures are put in place so that agencies are not going beyond their existing appropriation. This is not to be used. It is, basically—in the standard way—thinking about whether there are additional pressures that could emerge, but that is not our expectation.

MS CARRICK: Well, it is interesting that you start the year with a $79 million Treasurer's advance, which is, assumedly, supposed to cover the 12-month period for any urgent or unforeseen matters that occur over the 12-month period. But with three months left to go, we are, in effect, upping it to $100 million, just in case there are some urgent and unforeseen things in those last three months.

Mr Campbell: Well, no, the supplementary appropriation is basically there to provide for the extra funding that is directed to the health portfolio issues. We are deliberately setting up systems so that we are not calling on the Treasurer's advance. The Treasurer's advance process is triggered by the passage of the supplementary appropriation, but if you did not have the supplementary appropriation, you would not have sufficient funds for the health spend. So it is sort of a—

MS CARRICK: No, I understand that. You are having the $250 million plus another $80 million, in fact, for ACT Health Directorate. What is that for? Are you able to tell me what—

Mr Steel: Sorry, that was discussed in that last hearing.

MR RATTENBURY: That is the cash flow component?

Mr Steel: Yes. That is right, ACT Health is supporting Canberra Health Services with $80 million until the supplementary appropriation bill is passed.

MS CARRICK: I will just go back to the timing of things. This is all about the supplementary appropriation bill, so I am going to stick with that. In the 2023-24 year, I am focusing on output 1.1, acute services, because that is where the bulk of the money sits and where I think the demand moves. Potentially, that is where some of this extra 250 million is going, I would think, but I do not know. Could you provide us with a breakdown of where the $250 million is going to go across the ACT local hospital network—because that then gets passed through to Canberra Health Services, from what I can work out?

Mr Campbell: Treasury probably is not the best place to provide you with an allocation within CHS.

MS CARRICK: Yes, but assumedly we know where the pressures are and who we are appropriating this to. Can you provide us the breakdown of the $250 million, and what output it is going to?

Mr Steel: I think the appropriation is broad for CHS to use to manage the pressure that it has.

Mr Campbell: Yes, that is right.

MS CARRICK: But assumedly they have to report it against their outputs. It has to go somewhere.

Mr Steel: I am sure that they will report in time on what they used the money for in the financial year, but the financial year has not yet ended at this point in time, so, of course, there is more activity that is yet to happen.

MS CARRICK: But they must still have a budget for this $250 million. They must have gone through a budgeting internal process to go, "This is our pressure. This is where the pressure is coming from and where we need the money." Sure, things might change a bit.

Mr Austin: Sorry, Ms Carrick. It is on page 23 of the supplementary budget papers—the variation by output class.

MS CARRICK: Brilliant, thanks.

Mr Campbell: Output class 1, health and community care.

MS CARRICK: Okay, so it slips in there somewhere. I will have a look at that. That is good. In 2023-24, there was a 15 per cent increase in output 1.1, acute services, from the original budget to the budget outcome. And then in June, when the 2024-25 budget was done, it does not increase much at all from the 2023-24 outcome. So it has sort of flatlined. It did not follow a trend up. You get a 2023-24 outcome, and then the 2024-25 budget does not show the increase in the expenditure. Assumedly, when the emergency building came online, which increased capacity, there was a forecast to say that there will be more funding required, because we have more beds now that we can use. So how come—

Mr Steel: I think Minister Stephen-Smith addressed that in the earlier hearing, around what the baseline was for ACT Health. There was funding provided in the last financial year, which took that into account. Then, I think, we assumed a 6 per cent increase in funding for this financial year, but obviously the extent of the pressure that has been experienced by CHS has been above what was forecast; hence the need for the supplementary appropriation.

MS CARRICK: Then when we get to the election update, it only increases expenditure for the whole thing—not just that output—by $17 million. That pressure must have been known by that point.

Mr Campbell: No, no.

Mr Steel: I think we have previously discussed that issue as well. It is just around the timing of the PEBU. There is not a huge amount of time to be able to make those sorts of trend forecasts into the future.

Mr Campbell: Yes. Just to add to that, there is a timing mismatch in some of the estimates you are pointing to. When you have an outcome, that is usually many months after the end of the financial year. We are doing the budgeting and tracking—

MS CARRICK: Yes, I know. We have been through all of this—I appreciate that—but I cannot help but think that when you get a 2023-24 outcome that is 15 per cent higher than you think, that it would trigger in your mind, that that is going to impact on the 2024-25 forecast. But maybe I am dreaming.

Mr Campbell: The main driver, as we said at the previous annual report hearings, is coming from activity data. Basically, the presentations data go from CHS through the ACT health department, and they convert that into what they call the NWAU figures. That attaches it to particular activity classes which have the dollars attached to them.

As I may have mentioned at the annual reports hearings, it can take 60 to 90 days to do that coding. Let's say, for instance, that you had July and August presentations data, which you would have had by the time we had PEBU. You do not get that converted into the financial data until well into October. We had to rule off the PEBU on 11 September, so we did not actually have access to that data in order to make a contemplation about whether the financial year should be uplifted or not. We did not have the financial data until later. So there are timing issues around the publication dates.

MS CARRICK: Yes.

Mr Steel: This goes to the Chief Minister's comments in relation to the inquiry, which will get underway, on the caretaker conventions and the timing of PEBU and the option that he has put on the table for consideration. That is around the timing of the election, because there is not a huge amount of time to be able to undertake an updated PEBU, based on the September quarter information.

MS TOUGH: Since the budget review was handed down, Tasmania, which is another small jurisdiction, has handed down their midyear fiscal update as well. Similarly, they required significant further investment in health care. How does the situation in Tasmania compare with what is happening here?

Mr Steel: I think that the budget review in Tasmania came out at about the same time as the one in the ACT, in February as well. They saw, I think, a $503 million increase in their deficit compared to their budget, which took it out to $1.3 billion. That was largely driven by increased health expenditure as well. We are not the only jurisdiction. That is a jurisdiction of a similar size, in terms of their budget and economy.

We are, obviously, looking at what is happening in the other states. The other states typically report a little bit earlier, in the half-yearly review. As to whether we see some of that pressure flowing into their budgets, in the middle of the year, it will be interesting to see whether they are also experiencing that similar type of pressure and whether there is a national trend in relation to healthcare expenditure across the budgets.

That goes to the discussion earlier today about the federal financial relations and the need to make sure that those pressures are taken into account in the continued negotiation of a five-year National Health Reform Agreement. A one-year agreement is in place, which is welcome and understandable, but these pressures are significant, particularly the rising costs. There will be a need to have a commonwealth contribution rate that reflects a genuine partnership with the commonwealth in delivering acute hospital services in particular.

One of the reasons we are coming to the Assembly with this second appropriation bill is to make up for the fact that the commonwealth will not be investing at the level that we thought they would be in the ACT's hospital system. That level is nowhere near 45 per cent. It is dropping down, potentially, to as low as 35 per cent, having regard to the commonwealth contribution rate. It may decline further in the future, unless something is done by the commonwealth to restructure the way that they finance states and territories for their health care.

That will become an increasing problem. In the budget review, health care is 34 per cent of expenditure. It is growing over time. I looked back at, I think, the 1989-90 budget, the earliest budget of the Assembly. The proportion spent on both health care and community services combined was in the 20s, not the 30s. Obviously, as a proportion of budget, it is significant, and it has an effect on the overall sustainability of the budget, if it continues to grow at the rate that it has without the additional commonwealth expenditure that is needed to support it.

MS TOUGH: Coming from that, and needing commonwealth funding for health, what does our position as a city state mean? All the other jurisdictions have more rural areas as well, and a much broader economy. What does us being a city state mean for the budget, from both a revenue and expenditure perspective, in the short and long term?

Mr Steel: That is probably best directed to Canberra Health Services and the health minister. I understand that we have higher costs, and we are delivering a higher level of care, particularly through Canberra Hospital, as a large tertiary hospital for the entire region.

MS TOUGH: More broadly, with our economy being that of a city state, we have more limited revenue.

Mr Steel: Yes, and the healthcare costs are potentially lower in some regional areas than they are here, with the costs associated with operating in a city environment. We also have potentially a narrower revenue base to be able to fund that extra expenditure in our particular circumstances as a capital territory. Yes, there are a range of issues there.

The health minister has previously ventilated the issues around New South Wales residents in particular utilising the health system and the existing agreement that is in place to manage that. Obviously, it does not take into account the capital costs of having to build health infrastructure, which does have an impact on our budget, and for which we are not fully compensated by the New South Wales government. There are further discussions that we will be having in that space as well.

MR COCKS: Treasurer, the budget papers, on your preferred measure, the HNOB measure, predict reaching surplus in 2026-27. That is a $51.4 million surplus. Is that correct?

Mr Steel: I believe that is correct, yes; on page 33.

MR COCKS: The following year it is $176.7 million in that year. That is on your preferred measure. We have disagreements around what the appropriate measure is here, but—

Mr Steel: Which is also presented, if I can, in a different way—

MS CARRICK: What page are you looking at?

Mr Steel: in the budget review on page 81.

MR COCKS: Yes.

Mr Steel: It provides the universal performance framework, NOB—

MR COCKS: Yes.

Mr Steel: measure as well. We provide both, to provide transparency in the ACT's finances. Obviously, our preferred measure is the HNOB position.

MR COCKS: It certainly looks better. With the numbers in 2026-27, in the budget review, has there been any work done on incorporating Labor election promises in that?

Mr Steel: The Labor election promises will be considered through each budget—

MR COCKS: Okay, so they are not in there yet?

Mr Steel: so we will make decisions of government, and those decisions of government will be reflected in each budget—

MR COCKS: That is what I thought was the case.

Mr Steel: in terms of new initiatives and the expenditure associated with them, or indeed revenue associated with them.

MR COCKS: I am somewhat concerned. Do you think that a surplus in any year over the forward estimates is possible? Labor has a number of election promises that I assume you intend to keep. We have just been speaking about the impact of health expenditure. There is a range of infrastructure projects where we have worked out that the construction end of them has not been incorporated into the budget at this stage, let alone any further work on light rail.

Mr Steel: All I can say is that, when those election commitments were made, we were actually quite conservative. The Chief Minister was clear that we did not promise the world.

MR COCKS: I understand—

Mr Steel: Compared to other parties, we were quite conservative, noting the fiscal position of the budget. Obviously, there have been further pressures since the election that have been identified in relation to healthcare expenditure. That will need to be taken into account in the budget. We will try and deliver on our election commitments as well as supporting a strong fiscal position. That was the intent at the election and it is still the intention today.

MR COCKS: Do you intend to achieve a surplus over the forward estimates?

Mr Steel: Our position remains that we want to see the budget return to balance over the medium term.

MR COCKS: The reason I ask is that, when you look at 2026-27, Labor election commitments total, based on the costings document, about $111.1 million. That is roughly double the surplus. In 2027-28 it is not quite so bad because there is a predicted surplus then of $176.7 million. But there are $150.3 million of election commitments from Labor in that year. That brings down the predicted surplus quite significantly. You are looking at about $26 million that would be the surplus there. When you add on the range of factors that we have just discussed, how can you get to a balanced position over the course of the forward estimates?

Mr Steel: Because there are a range of offsets that were identified for our spending. We are confident; obviously, in each budget we will need to make decisions in the context of that budget—

MR COCKS: To be clear, that included all of your offsets. Those are bottom-line numbers.

Mr Steel: There is a range of different offsets that were identified. We will, of course, need to consider each of those election commitments in the budget, and the budget context that we are making them in. Things will change over four years, and we will need to factor in those changes. Of course, we want to get on and deliver as many of our election commitments as possible. We think we had quite a conservative approach in terms of not promising the world at the election, and the commitments that we have made are ones that we think we can deliver on.

MR COCKS: I understand that is the line you are bringing.

Mr Steel: We will need to consider those through a proper business case project for each initiative that requires expenditure. Not all of them do require expenditure. We will do that in every budget.

MR COCKS: To be clear, I have used the bottom line. I have noted every time that those projects are offset through the asset recycling program, for example. I am only talking about bottom-line numbers. We have just had a $330 million shift in the health expenses for a single year. If you extrapolate that over the forward estimates, I see no possible way, without significant cuts in other areas, that the government can achieve a balanced budget—

Mr Steel: That is your view, but we will—

MR COCKS: Is there anything off the table here? You have just said—

Mr Steel: We have not had a budget yet, so we have not made any decisions yet. But we will consider our election commitments through the budget process, and we will do that in every budget of the term. Each one of those will require a business case. That will need to be considered in the context of each budget when we are making a decision. With the sequencing of those projects over the term, or beyond the term, it will depend on what the commitment is, in terms of whether there was any particular timing attached to it, whether it had any expenditure attached to it, what the offsets that were identified were or whether there are any additional offsets that we may identify that were not identified through the election commitment process. We may find other offsets that are available.

You are talking about hypothetical decisions that have not yet been made, and that will be considered in the budget process. They are decisions for government to make.

MS CARRICK: With the $80 million that was lent to CHS that is now being reappropriated, can you tell me or take on notice when they approached CHS and said, “Could you lend us some money, $80 million?” The same with the $79 million from the Treasurer’s advance: when did they come forward and say, “Hey, we have some pressures. Could we draw down the Treasurer’s advance?” Could you tell me when those conversations began?

Mr Campbell: With the latter one, the conversations would have been in the context of the final ERC process, leading in to budget review. Every year the budget review has to be published by no later than 15 February. It would have been in the context of that final ERC, around mid-January. That is when the Treasurer’s advance issue would have been resolved, as well as decisions in relation to advancing from ACT Health to CHS. It was around that time.

MS CARRICK: They got basically $160 million; $80 is getting reimbursed and then $79 million went back to the Treasurer’s advance. Is that right—$160 million from those two sources?

Mr Campbell: With the timing, that is right. Both of those were to deal with the cash flow management issue.

Mr Steel: They do not add up to $227 million; hence the need for a supplementary appropriation, for support. ACT Health also need to continue their functions.

MS CARRICK: I appreciate that. That was at a point in time when there were some pressures, and that was the way it was dealt with. My other question is: with the interest revenue, that is building up. Is that used for the super liability? What is the interest revenue line used for?

Mr Austin: Both the investment revenue and the interest revenue line go back to the territory banking account. A lot of that does go to the superannuation provision account. You have to look at the financial investments category, because a lot of that is also a return on physical assets. To make a sensible comparison, if you look at 2024-25, for example, of those two totals, $156 million plus $270 million, about $233 million of that is returns on financial investments. About three-quarters of that goes back to the superannuation provision account.

That is not all that goes in, because we have the superannuation return adjustment that goes into the HNOB. The capital gains on the assets also go into the superannuation provision account.

MS CARRICK: There is a big interest expense, and I was wondering whether I should offset the interest revenue from the interest expense. But if it is going towards super then I should not offset it.

Mr Austin: They are probably two different transactions. We are borrowing, but we also have to asset certain interests. They are two separate transactions. We have to account for them on both sides of the transaction.

MS CARRICK: I do not necessarily offset them because the interest revenue is being used for—

Mr Austin: No, it has already been taken account of.

THE CHAIR: Thank you very much for taking the time to appear at this hearing. If any questions have been taken on notice, please get the answers to us as soon as possible. I know it says five working days, but we are tabling this report within those five working days, so if you can get any answers to questions taken on notice through to the committee secretary by close of business today, or, at the latest, by 9 am on Tuesday, that would be greatly appreciated. We will now suspend the hearing.

Hearing suspended from 3.00 to 4.16 pm.

PETTERSSON, MR MICHAEL, Minister for Business, Arts and Creative Industries, Minister for Children, Youth and Families, Minister for Multicultural Affairs and Minister for Skills, Training and Industrial Relations
RULE, MS CATHERINE, Director-General, Community Services Directorate
SABELLICO, MS ANNE MAREE, Acting Deputy Director-General, Children, Families and Strategic Reform, Community Services Directorate

THE CHAIR: Good afternoon, ladies and gentlemen. Welcome to our final session today. We are joined for the Minister for Children, Youth and Families, Mr Pettersson, and we have some officials here from the Community Services Directorate. 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 pink privilege statement and that you agree to comply with it. I will pass to Ms Tough because she has to leave during this meeting.

MS TOUGH: Thank you, Chair. I noticed the funding for out-of-home care in the supplementary appropriation. Could you provide some examples of what the out-of-home care funding is being used for?

Ms Rule: I have read and understand the implications of the privilege statement. The supplementary appropriations contain just over $24 million in additional appropriation for out-of-home care. This is for a range of activities that Ms Sabellico can provide significant detail on. At a high level, the biggest line item is extraordinary residential care. We cannot always forecast the demand for young people who come into our system and need very high-care arrangements. That can often involve a residential care facility, multiple carers for one young person, and some significant therapeutic needs for young people. We do not tailor needs for young people based on budget. We go back to the Treasury and have a discussion about the money that we need to pay for the young people, not the other way around. We make sure that we are in a position to provide the right kind of therapeutic care for those young people, regardless of their needs, but as I said, it is not always possible.

In fact, it is always impossible for us to predict the demand for young people. When you are talking about 24/7 care, that can sometimes require multiple carers for one young person, plus a place for that care to happen, plus other specialised therapeutic care needs. It can get expensive very quickly. Ms Sabellico, do you want to add any other things that are included in that $24 million?

Ms Sabellico: I have read and acknowledge the privilege statement. In terms of some of the other components to the funding that has been provided, we also have some funding to supplement the contingency costs across Children, Youth and Families. Contingency costs are used to support families across the continuum, including the diversionary end in order to sustain children and young people at home. As well, once they are in child protection for the purpose of undertaking an independent assessment, there is supervised contact and transport arrangements for family connection. If they are in care, there are contingencies to help support other needs outside of the home. There is payment of the carer allowance and the funding made available to NGOs to deliver care arrangements. That can include things like educational costs, tutoring, extracurricular activities, day care, and those sorts of things. It covers a wide remit of services and supports.

In the past, we have seen increases in the cost of everything. We have seen the increases in the cost of transport, supervised contact, access to day care, before and after school care, and educational costs. All of those things have increased in cost. At the same time, we have also seen an increase in the use of funding for those in the diversionary space of our work, in order to keep more children and young people at home without having to bring them into care for services. That is funded for a shorter period of time rather than longer term years in care. Our work is more focused at that end, particularly given agreements under Closing the Gap to divert families. As well, it is just better practice in child protection to do more work at the front end. We have some costs associated with that, plus there are the independent assessment reports that we need for the purposes of court. We have seen those costs increase as well.

MS TOUGH: Thank you. To follow up, what would happen if the government did not fund these services? And what has been done to ensure expenditure has the intended benefit and does not increase further?

Ms Rule: We cannot necessarily make sure it does not increase further if it is demand driven, but the premise of the Next Steps strategy is around family preservation and early intervention. As you know, in social services systems, that kind of early intervention over time ideally leads to reduced cost at the other end of the system. Part of our strategy is to invest more up-front so that, hopefully, fewer young people end up in these sorts of circumstances.

Some of this expenditure is through contracts with service providers. There is a whole range of parameters within those service providers about performance indicators and making sure the money is being spent effectively on what it can be spent on. We are very diligent in managing this budget, because it is always tight. I feel pretty satisfied that Ms Sabellico and her team are across the performance of this budget and that there is not unnecessary expenditure. It is very tightly targeted to where our biggest needs are.

MS TOUGH: Thank you.

MS BARRY: Thank you for that comprehensive response. It was one of the questions that I had. It is interesting to see that the cost is driven by demand, which you cannot control, which I understand. That was really good. Thank you. I have a question around some of the savings that have been indicated. On pages 47 and 48 of the supplementary budget papers, savings are identified of around $851,000. The description in the forward years, 2025 and 2026, says “establishing a disability reform taskforce”. Does that mean that the money is not going to be spent on the taskforce?

Ms Rule: Yes and no. It is not going to be spent on the taskforce in the year in which it was appropriated. We were forecasting the fact that there would be agreement with the Commonwealth and other states and territories about foundational supports as part of the NDIS review and a discussion with government about the kinds of resources that would be needed to allow us to build the foundational support system within the ACT.

That agreement has not yet been reached with the Commonwealth and, given the proximity to a likely federal election, we are not anticipating that the agreement around what comprises foundation supports will be happening this year. The money that was appropriated for that work this year will not be spent on that, so it is being used to offset other things.

MS BARRY: The taskforce was a commitment in the government response to the disability royal commission.

Ms Rule: It is a commitment of the government in response to the NDIS review and the subsequent agreement of national cabinet to set up the foundational support system outside of the NDIS. That has been agreed in principle between the Commonwealth and the states and territories. The next step is to agree on the scope of that work and the timing, such as: what are foundational supports? Foundational supports are things that states and territories will be responsible for delivering. There are funding implications. It is a very complex thing that sits in the portfolio of Minister Orr. That money was to allow us to employ staff to do the work of setting up foundational supports and implementing foundational supports, but the agreement on the detail around what foundational supports will be has not yet been reached and is unlikely to be reached this financial year. So we do not need that money this year to fund that work.

MS BARRY: I note the budget submission for the National Disability Service. Recommendation 1.1 says:

> The Disability Reform Taskforce should release a Reform Roadmap and provide regular updates on the reform agenda.

Stakeholders are obviously expecting this work to happen. Have they been—

Ms Rule: We cannot proceed without the Commonwealth. It is not possible. The NDIS has been set up to provide a range of disability services. The states and territories all cashed out the services that they delivered previously—a decade ago—and gave all that money to the Commonwealth to deliver the NDIS. We no longer have infrastructure around delivering disability services, because that is now the responsibility of the Commonwealth. The NDIS review has found that you need the NDIS, but you also need the foundational supports for people who may be outside of the NDIS and for other reasons. There has been agreement at national cabinet that we will implement foundational supports, but what they will be has not yet been decided, so we cannot implement them.

In terms of a disability reform roadmap, there is a disability ministers council. That disability ministers council meets regularly. There is a roadmap that has been agreed by ministers, but it is still at a high level. In terms of us actually doing the work on the ground, we are not ready for that yet. It is not in our control; it is in the control of the Commonwealth, frankly.

MS BARRY: So no work is currently ongoing around that foundational support work?

Ms Rule: There is. There is plenty of work. We continue to be involved in negotiations with the Commonwealth and other states and territories about the parameters of foundational supports, but that is within the work that we already do in Commonwealth-state relations and in relation to the NDIS. The new money is for the time when decisions are made and we have to implement. One of the things that may be implemented in foundational supports are some additional supports for children aged zero to nine. Autism assessments, other kinds of early interventions, occupational therapy—all of that—have not yet been agreed. Once they are agreed, we then have to set up the workforce and the business processes, get people employed, and work out how those service will be delivered and paid for by ACT government, but we are not there. Until those decisions are made, we do not need the resources to implement that. There is no decision to implement yet. Until there is a decision to implement, we do not need those resources, so they have been used to offset other things.

MS BARRY: Just to confirm, the money was not directly allocated to the establishment of a disability reform taskforce, or you are saying that you have not established a disability reform taskforce yet, but you will in forward years? For now, you are going to spend that money somewhere else?

Ms Rule: That is right.

MS BARRY: Thank you.

MS CARRICK: I am wondering where that is.

MS BARRY: It is on pages 47 and 48. It is identified as a minus, which is a saving.

MS CARRICK: The Office for Disability—1.2?

MS BARRY: No. I will ask this question and then I will give it to you. A disability reform taskforce is already on foot. Has any work been done to let them know that this work has been suspended?

Ms Rule: Yes. We have a Disability Reference Group in the ACT. They are very active and are a very organised disability stakeholder community. We are in regular conversation with them about where the NDIS reform work is up to. In fact, we did some early engagement with them on what the priorities of the ACT disability community would be so that the previous minister could advocate for those things. That work carries on. We update the Disability Reference Group every time we meet on where the national work is up to and the implications for the ACT.

MS BARRY: That reference group obviously provides advice to the government, so there is no way that I, for example, I can reach out to them. Do you monitor how they communicate with the wider disability community? My count now is 55 or so stakeholder groups that I have met, and foundational supports and the disability reform taskforce are things that come up a lot.

Ms Rule: The disability sector is diverse and the Disability Reference Group has a number of stakeholders on it, but you cannot have everybody on it. Our expectation is that they are consulting broadly, but they are an independent group that provides advice to government. They are a very good reference group. Frankly, some stakeholder engagement groups work better than others. That is a high-functioning one because they are very connected as a community. They are very good at checking in with the broader community. Likewise, the broader community is very good at feeding back to them. I feel that—

MS BARRY: You are confident that they are consulting.

Ms Rule: Yes. I have worked in the disability sector for a long time, including at a national level. The sector here is the best organised that I have seen nationally, in terms of being able to put very well informed and representative views to the ACT government but also nationally.

MS BARRY: Thank you very much for that response. Looking again at the budget review, on page 90 there is a comment about out-of-home care. It says:

> The ongoing transition to a new service model for out of home care may result in … future financial impacts.

From what you are seeing, can you identify what those future financial impacts would be?

Ms Sabellico: We are moving from the old contracting arrangements to what will be new contracting arrangements. Previously, we had two contracts with a provider that was delivering services for preservation and restoration. Then there was another contract with a consortia of agencies that came together to provide the continuum of care: foster care, kinship care, extended care, adoptions and EPR. All of those things were in the contract. Now we have moved towards purchasing models, looking at establishing package arrangements so that we can actually track and monitor individual outcomes, not just service level outcomes.

We put all 12 providers that were successful through the tender onto the preferred provider panel and we have deeds of agreement in place with all of them. We are now working with the ones that are coming on in stage 1 to establish service orders. That will give them the volume that they will be undertaking and how it comes together as part of an integrated service system. Our expectation is that we would look at transitioning from the current arrangements to the new arrangements within budget, noting of course that we have more demand in the bespoke residential arrangement, which is where we are seeing the budget pressure. At this point, we are not expecting that we will see any significant increase in the cost for the provision of what would be standard arrangements.

We have worked on looking at what the transition costs will be to move from the current service provision to the new service provision. There might be some more funding than we had estimated, but we expect to be able to manage that within the overall envelope that we have to run that system.

MS BARRY: There are projections around merging these services together—what it will cost to transition to the new service model and essentially more management of providers?

Ms Rule: Yes—all of those things. This section of the budget papers is prepared by the

Treasury and agreed to by us, but it is a standard approach to financial statements to be able to identify things when we might not be 100 per cent certain of the cost. There are some things—

MS BARRY: Like a caveat.

Ms Rule: That is right. We can estimate, in budget papers, what we think the market impact will be, but, until we have actually done procurement, we cannot be that precise. It is the caveat of where risk may lay in the budget statements.

MS BARRY: Thank you. On table 16A.31, under measures, AG3—

Ms Rule: Sorry—could you give us a page number?

MS BARRY: I think it is in the budget review, but it is not on page 90. I can come back to it to confirm. Sorry.

Ms Rule: That is okay. If you ask the question, we can probably follow along.

MS BARRY: I was looking at it when I was coming down, so I probably missed the tab. The question is around the cost for a child receiving family support. The table shows the average cost: $14,782 per child. It is second to Victoria. It is the highest in the country. Is there a reason for that really high cost?

Ms Rule: It is not necessarily that simple to work out the cost per child, but sometimes our scale does not help us. Our numbers are very low compared to others, so our purchasing power compared to other jurisdictions, like Victoria, is lower, so, often, it can be a higher cost per young person. It is sometimes hard to compare apples to oranges, but most often it is an issue of scale for us, which, frankly, is a good problem to have. I would rather have smaller numbers in home care than larger.

MS BARRY: I would hope that we have no-one in out-of-home care. That is the goal. Thank you.

MS CARRICK: Regarding foundational supports—and the planning process will happen—I noticed in the table that it goes for another year. The offset was not just in this financial year but also in next financial year. That means it is not planned to start for over 12 months.

Ms Rule: As I said, it is not something we have control over. There is a whole range of factors, but that is the best estimate at the moment. For example, if, for some reason, this got its skates on and happened faster than we are currently anticipating, we would go back to government and have a discussion about it.

MS CARRICK: Are some of the services that would be provided through the foundational supports being done now?

Ms Rule: Not really, because of that cash out arrangement that I described earlier. There are some services that we continue to provide in the ACT that some other jurisdictions do not provide. I do not have much info on it with me, but I can give it to you in the broad. There are two things that really stand out that we do that others do not. One is called the ISRP, the Integrated Service Response Program. It is where we provide additional support to people with disability who are in the NDIS, but also for those who are not and might need some additional services. They might need some help to coordinate some of those services. That is a program that we run. The second one that we do here in the ACT is autism assessments for children up to the age of 12. It is a relatively small number, and there is significant demand, but many other jurisdictions cashed those services out at the establishment of the NDIS. They are at a small scale. Part of the discussion that is difficult about foundational supports is: what else is needed, and how is that paid for, given the arrangements that were agreed a decade ago on the NDIS?

MS CARRICK: What about respite? Is there much respite for disability carers in Canberra?

Ms Rule: I cannot answer that question. Again, it is not in the budget papers. I do not have my disability people here now. Absolutely, respite is provided. There is some NDIS respite provided. There may well be other programs across ACT government that provide respite, but I do not have that information with me now.

MS CARRICK: Should there be an agreement for foundational supports, is it likely to be significant in terms of dollars? And what is "significant"?

Ms Rule: That is right. That is why I paused on it.

MS CARRICK: Is it $100 million?

Ms Rule: I cannot speculate. We have not costed it yet because we do not yet know what the scope of those services will be, and therefore there is nothing to cost. I cannot answer that question. It could be.

MS CARRICK: It could be a bit of a hit on the budget.

Ms Rule: That is part of the negotiation. As I said, the states and territories cashed out their services and gave the money to the Commonwealth. Some money has been put on the table by the Commonwealth that was part of the agreement reached by national cabinet, but, again, the apportionment of that money, whether it is enough and who gets what—all of those deals—has not been done. That is the purview of first ministers and treasurers, not disability ministers.

MS CARRICK: Can the ACT choose some of its own foundational supports or will it have to be the same as every other jurisdiction? Could we go back to community health centres, where a range of community things were done, if we wanted to?

Ms Rule: Again, it depends on what ends up being agreed—what funding deals are done and what services will be provided. There will need to be scope for individual jurisdictions to design their own things, because some states and territories have done more than others, and there is existing infrastructure that might be able to be used. I think there will be some differences between jurisdictions, but I am speculating.

MS CARRICK: Thank you.

THE CHAIR: Excellent. That brings us to the end of this hearing. On behalf of the committee, I thank you all for attending today. The committee would also like to thank broadcasting and Hansard staff for all the fine work that they do. I am not sure whether any questions were taken on notice during this hearing. I do not think so, so you do not need to worry about that. If any MLAs want to put questions on notice, they can put them on the portal as soon as possible. The report is due to be tabled on Wednesday. If you allow five business days, the answers will not actually come through to us. We have encouraged our other witnesses today to provide answers as soon as possible.

MS CARRICK: At COB today, so you have 15 minutes!

THE CHAIR: Pretty much. Thank you for attending today. Enjoy your long weekend.

Ms Sabellico: Thank you. You too.

Ms Rule: Thank you very much.

The committee adjourned at 4.45 pm.