



**LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS AND
ADMINISTRATION**

(Reference: [Inquiry into Annual and Financial Reports 2024–25](#))

Members:

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

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 21 NOVEMBER 2025

**Secretary to the committee:
Mr A Walker (Ph: 620 74843)**

By authority of the Legislative Assembly for the Australian Capital Territory

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

APPEARANCES

Chief Minister, Treasury and Economic Development Directorate	70
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Amended 20 May 2013

The committee met at 1.00 pm

Appearances:

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

Chief Minister, Treasury and Economic Development Directorate

Campbell, Mr Russ, Under Treasurer, Treasury

Austin, Mr Scott, Executive Group Manager, Finance and Budget Group, Treasury

Pirie, Mr Mitch, Executive Group Manager, Economic and Financial Group, Treasury

Holmes, Ms Lisa, Executive Group Manager, Revenue Management Group, Treasury; Commissioner for ACT Revenue

McAuliffe, Mr Patrick, Executive Branch Manager, Investments and Borrowings, Treasury

Roberts, Mr Chris, Executive Branch Manager, Macroeconomics, Modelling and Federal Financial Relations, Economic and Financial Group, Treasury

Bourke, Ms Natasha, Executive Branch Manager, Financial Reporting and Frameworks Branch, Finance and Budget Group, Treasury

THE CHAIR: Good afternoon and welcome to the public hearings of the Standing Committee on Public Accounts and Administration for the Inquiry into the Annual Reports 2024-2025. The committee today will hear from the Treasurer, Mr Chris Steel, and officials.

The committee wishes to acknowledge the traditional custodians of the land which 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 this city and this region. We would also like to acknowledge and welcome other Aboriginal and Torres Strait Islander people who may be attending today's event or watching via online.

These hearings are a legal proceeding of the Assembly and have the same standing as proceedings of the Assembly itself. Therefore, today's evidence attracts parliamentary privilege. Giving false or misleading evidence is a serious matter and may be regarded as contempt of the Assembly. The hearings are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and webstreamed live. We all know the routine: if there are any questions that you would like to take on notice, please state that.

As I have said, we have got Mr Chris Steel here, the Treasurer, and officials, for this hearing. We have got a bit of time for this session. We have got an hour and a half, so what I will be doing is allocating, let's say, 10 minutes to each member to ask questions. The substantive question may change while they have got that 10-minute period, and then we will go to supplementaries if there are any after that, and then we will go to the next member. That just gives them a bit more of an opportunity to get through their questions and, you never know, they might leave early because they have done all the questions and let you off the hook! We have one person that might not let you off the hook, and that is certainly my colleague down the other end of this table, Mr Cocks. I will now pass my substantive across to him.

MR COCKS: Thank you, Chair. I want to get straight into the territory financial performance. What I have been working through is the consolidated financial reports. Before I kick off, I want to understand this: I know those consolidated statements have been circulated across MLAs; have they been published yet?

Mr Austin: Yes, Mr Cocks, they are on the website under Treasury publications.

MR COCKS: Yes, okay. What date were they published on?

Mr Austin: Very recently, I think—in the last couple of weeks, so very recently. I can check, but it was very recently.

MR COCKS: If you could provide on notice what date they were actually published on the website, it would be helpful.

Mr Austin: I could probably look it up now actually—

MR COCKS: The territory financial performance, and across a whole lot of the tables in this document—the fiscal status of the ACT—is not great. The UPF net operating balance, total territory operating result, is sitting at a deficit of \$1½ billion. We have previously had a discussion, and, Mr Steel, I think you were suggesting that you believed that total liabilities were still at prudent levels. Do you still consider that our total liabilities in the ACT are at prudent levels?

Mr Steel: We continue to work towards the budget strategy that we have outlined in the budget outlook, and that will, of course, continue to see the ACT moving to a more sustainable path across a wide range of metrics in the budget. One of the key things that we will be looking at as part of that is consolidation of net debt and, of course, returning to both cash operating surpluses and HNOB surpluses, as well as what is forecast in the budget, and that is the work that we are focused on. Of course, we present the state of the budget in a range of different ways, and we are rated against the published metrics in the budget, which we will update continually as part of budget review and budget processes.

MR COCKS: Okay. I do not think you have actually managed to get to the question. I am just having trouble pulling up the right table at this second. Can you remind me: what is the current total liability for the ACT, total territory?

Mr Austin: It is \$29.4 billion, Mr Cocks.

MR COCKS: Could you repeat that?

Mr Austin: It is \$29.4 billion.

MR COCKS: It is \$29.4 billion?

Mr Austin: Yes, total liabilities for the total territory.

Mr Steel: And the ACT government also has very substantial assets, Mr Cocks, as well,

so cherrypicking one line of the budget and not considering the other parts of the ACT's finances does not provide a full context of our current position.

MR COCKS: Okay, but \$29.4 billion. And is our net worth increasing or decreasing? Is it going up or down?

Mr Steel: Can we provide some—

Mr Austin: I will just go to this annotation—

MR COCKS: It should be a fairly easy answer, given that the Pegasus report in the budget this year pointed out that we have been on a declining trend for some years. I would expect that that is something Treasury is across. Perhaps we can simply try and answer the question I asked at the outset. At \$29.4 billion, Treasurer, do you believe that we are at prudent levels of liabilities? And if so, maybe you can outline what the benchmarks are?

Mr Steel: Yes, we are, and we continue to take steps as outlined in the budget outlook towards a fiscal strategy as we outlined in the budget, which was adjusted in the budget, to further improve the ACT government's finances by taking steps towards each of those measures, including moving back to HNOB surpluses, moving back to cash operating surpluses, consolidating government debt and a range of other measures.

MR COCKS: That is what you will do. What is your objective benchmark?

Mr Steel: No, that is what we have done in the budget. That is what we have done in the budget, and we will continue to do.

MR COCKS: Yes, a budget sets out the direction you are heading. Now, what—

Mr Steel: Yes, and also takes decisions—

MR COCKS: is the objective benchmark that you are using to define prudent?

Mr Steel: And we also made decisions in the budget that go along with the budget strategy that we outlined, and we will continue to do that.

MR COCKS: Again, I ask: what definition are you using for prudent? You have said that you are at prudent levels. Based on what? What is the benchmark? How do you consider what is prudent?

Mr Steel: We have set out the fiscal strategy—

MR COCKS: No, that is your direction. What is the benchmark?

Mr Steel: and that is what we will be judged against. And the Financial Management Act, of course, also outlines those broad requirements of me as Treasurer and the government and the budget.

MR COCKS: Certainly, and it has requirements around keeping within prudent levels,

but it does not necessarily define what that benchmark is. That is what I am trying to get to. At what number, in terms of liabilities, specifically, or maybe you have got a different way of measuring it? What number is prudent?

Mr Steel: We do not provide a specific number, and the decisions that we made are always made in the context of the budget that we are considering. We have outlined the broad parameters in the fiscal strategy, and that is what we will continue to work towards.

MR COCKS: There is no benchmark there, though. Are you suggesting—

Mr Steel: They have broad benchmarks in the fiscal strategy.

MR COCKS: They are broad objectives. There are no specific numbers there in terms of what is prudent. Are you suggesting that prudent is whatever you have decided prudent is?

Mr Steel: I think it is very specific around surpluses being achieved. That has a very defined part of the budget—

MR COCKS: Treasurer, no surplus has been achieved in over a decade.

Mr Steel: I do not agree with you on that, and you know that. You know that.

MR COCKS: On a UPF basis, no surplus has been achieved.

Mr Steel: I reject the premise of the question. I reject it.

MR COCKS: You do not get to reject the data. You do not get to reject the facts.

Mr Steel: Well, you are. You are rejecting the data under the HNOB—

MR COCKS: No, I said that—

Mr Steel: data that is reported in the budget papers.

MR COCKS: No, that is your preferred measure. On a UPF measure, which is the standard measure across states and territories, it is the measure that the Auditor-General audits against—

Mr Steel: Do you have a question?

MR COCKS: You have not achieved that.

Mr Steel: Do you have a question?

MR COCKS: So if, Treasurer, the measure is achievement of a surplus, how are you currently at prudent levels?

Mr Steel: Because we are showing a return to a sustainable path to surplus in alignment

with the fiscal strategy that we outlined in the budget.

MR COCKS: Okay. What internal thresholds or targets does Treasury use for UPF net operating balance?

Mr Steel: Again, while we do report against the UPF to provide transparency of the ACT government's finances in the budget, our preferred metric is around the headline net operating balance. And the reason for that, as you are well aware, is it takes into account the unique circumstance of the ACT having inherited the superannuation liability of the commonwealth.

MR COCKS: I understand why you prefer it, Treasurer—

Mr Steel: So Treasury might have some further—

MR COCKS: I am trying to get to the bottom of what your benchmarks are. Now, maybe we can try again. Over the last 10 years, has Treasury at any point formally advised cabinet or the Treasurer that the territory is not at prudent levels?

Mr Campbell: I would not prefer to disclose cabinet deliberations, Mr Cocks. As part of our—

MR COCKS: Have you advised the Treasurer then? Not all of your advice going to the Treasurer is cabinet information.

Mr Campbell: Every year, as a part of the budget process, we will make an assessment of the expenses lines, the revenue lines and the likely trajectory of those, taking into account the circumstances of the particular economy that we are facing. When we provide advice around decisions for the cabinet process, which would include matters like the scene-setting, about what actually the outlook is looking like, we will consider whether there are risks to the outlook and we would provide that advice to the Treasurer and to the ERC process.

MR COCKS: So at any point have you provided any advice that suggests liabilities are not at prudent levels?

Mr Steel: I think he has answered that question, actually, Mr Cocks.

MR COCKS: Okay. At any time has Treasury made an assessment that liabilities are not at prudent levels?

Mr Campbell: I would not characterise the assessment that we make in those in such narrow terms. We actually look at the capacity to pay, the capacity to seek funding from the marketplace, what the risks are around going to market and what the likely interest rates would be. But, fundamentally, if you look at all of the Standard and Poors reporting across all the jurisdictions, there is not a risk around capacity to pay, which would absolutely trigger concerns around prudence—

MR COCKS: Sorry, I want to step back just a minute, because you have just said that you do not characterise it in that way. My question was about whether you assess that

the territory liabilities are not at prudent levels. Do you not assess whether we are at prudent levels, given that is a requirement in the FMA?

Mr Campbell: We provide advice around the levels and the trajectory and whether there are risks around that.

MR COCKS: But not whether they are prudent?

Mr Campbell: I am not prepared to go to the nature of exact advice we give to government, but we will talk about the risks.

MR COCKS: It would seem to be a pretty important question, given the obligations in the FMA are tied to whether we are at prudent levels of liability.

Mr Campbell: We would certainly provide advice that is fully consistent with the act. We will cover all the advice that is required.

MS CARRICK: When it comes to the superannuation return adjustment, which is in the budget but not in the consolidated financial statements—and we all know that ACT does it in the budget and nobody else does—that that is presumably an increase in the value of the investments that you make to pay the superannuation liability. Is that what it is—the superannuation return adjustment? I thought it was a forecast increase in the value of the assets you hold to pay the superannuation liability.

Mr Austin: That might be best placed—

Mr Steel: We will Invite Patrick McAuliffe—

Mr Campbell: I am just wondering whether we might call our colleagues to the table who can provide advice on the superannuation return adjustment. There is a very detailed explanation of what it is, though, in a previous budget. So we might be able to draw—

MS CARRICK: Yes, I know, I have read it, so that is where my mind goes to: that it is a forecast of the increase in value of the assets you hold to pay the liability.

Mr McAuliffe: I have read the privilege statement. The super return adjustment—I will just go back a step. When we are setting an estimate in the budget for our investment earnings return, we establish a long-term target objective, and at the moment that objective is CPI plus 4.75 per cent. So, in simple maths, that rate by a balance of funds will give you a return estimate.

When we have to then allocate that return in the budget estimates, that return is made up of two components: one will be an income component, so your dividends distributions; the other component will be a capital gain. You are making an assumption you are going to get that return, so part of your return will be a capital gain. To calculate the super return adjustment, the amount that goes above the line under the UPF is your income component—so just say, hypothetically, the earnings are \$500 million, \$200 million of that is income and \$200 million goes above the line. The super return adjustment becomes the balance, which is the \$300 million. So it is not a new valuation

on top of a return estimate; it is a component of the total return estimate.

MS CARRICK: So, it is an assumption of the capital gain?

Mr McAuliffe: Yes.

MS CARRICK: Okay. And do you ever annually value the asset so that you know whether you have achieved that capital gain or not?

Mr McAuliffe: The investments get valued every day.

MS CARRICK: Yes, so where does that increase in capital appear then? It is above the line in the budget, but it is not above the line in the—

Mr McAuliffe: If you have a look at the consolidated territory statements there, on the statement that Mr Cocks is referring to—

MS CARRICK: Yes; the balance sheet?

Mr McAuliffe: No, on the income—the operating statement. You have got below the line, below the UPF line, there is an asset re-evaluation component, so you can see in there, there is gains on financial investments and liabilities. There is a line item in there which is your gains.

MS CARRICK: And does that correlate to the same scope of what is in the superannuation return adjustment in the budget, or does it include other return valuations?

Mr McAuliffe: The majority of it is the capital gains on the investments.

MS CARRICK: Last time I looked at it, I thought it was exactly the same as the superannuation return adjustment but—

Mr McAuliffe: In the forward estimates it probably is, but on an actuals basis it will be different.

MS CARRICK: So if you put in the increase in value—the assumption of the increase of the capital gain—for the super stuff, why don't you put the assumption for the increase in value of other capital that you hold?

Mr McAuliffe: That is not me, sorry.

Mr Campbell: Could you repeat the question?

MS CARRICK: You put in an assumption of the capital gain on the super assets that you hold, or the assets you hold to pay the super liability, so why don't you put in an assumption, a forecast, a guesstimate, of the capital gain on other assets that you hold?

Mr Campbell: We might ask Natasha Bourke, because some of this componentry might occur in the net worth calculation. We will get our colleague up to the table.

Ms Bourke: I have read and understood the privilege statement. Just turning to the capital gains, as Mr McAuliffe mentioned, they are picked up in the consolidated financial statements under the “Net gain/(loss) on sale/(disposal)” of financial assets, line item.

MS CARRICK: What page is that, sorry?

Ms Bourke: If you are looking at the territory’s consolidated annual statements, in the PDF it is page 1 of the operating statement. If we just go under the “UPF net operating balance”, it is part of the operating result. Within that line, the super return adjustment is part of that, so those capital gains on those super investments are reflected there. There are other gains on the territory’s investments picked up in that line as well, so the super return adjustment would be a portion of what is captured in that line item, but it does equal itself out in the forward estimates of a budget—you will see the same figure there. And that is going back to fixing that return at the seven per cent—it is currently 7.54 per cent for the investment balance—for the opening balance of the investments.

The reason we separate out the super return adjustment and have that as part of that key fiscal measure is that in the UPF net operating balance under our expenses, we are required, as transactions in there, to recognise the full amount of expenses on that super liability. So we have got our nominal interest on the liability that we are required to measure, and then we have got our super service cost as well, so 100 per cent of the expense is in that UPF net operating balance, but 100 per cent of the revenue is not. It is only that revenue that is classified under government finance statistics as a transaction that we can capture in the UPF. So that is our dividends distributions on investments, but we cannot book that capital gain in the UPF because that is another economic flow. That is the reason we have the headline net operating balance in place for that longstanding measure so that we can actually pick up and recognise to offset against that expense that we have to book 100 per cent of in that UPF result.

MS CARRICK: Okay; thank you.

MR PARTON: This is just a supplementary on the back of Mr Cocks’s question. Minister, you have point blank refused to give any clarity on just what a prudent level of liability would be. It is currently sitting at \$29.4 billion. Are you able to tell me what would be considered an imprudent number? So, if our liability sat at forty thousand million, would that be imprudent?

Mr Steel: Well, it is a hypothetical question. I just point you towards—

MR PARTON: Well, it is, but standing orders are—

Mr Steel: I will just point you towards the budget papers, including page 46 in the budget outlook, the last budget. We have a positive net worth in 2025-2026 equivalent to 31.5 per cent of GSP. There is a comparison made in the document—there is a chart presented there—showing the comparison between the ACT and other jurisdictions, and we sit around the middle of the pack in relation to net financial liabilities to gross state product. Of course, in every budget we will need to look at the ACT’s finances and make sure that we are complying with the FMA and looking, at the moment, at how

we meet the fiscal strategy that we have set out and are continuing to take steps towards that in the decisions that we make.

MR PARTON: Given how pivotal a “prudent level of liability” is to the Financial Management Act as it applies to the management of ACT government finances, do you believe that it would be imprudent to not fully articulate how it is defined?

Mr Campbell: Look, can I just interject there? I think one of the issues with the Financial Management Act is trying to deal with a set of principles and frameworks. It is not designed to come up with specific numbers, for very good reason, and I would like to explain it. Let’s go back to COVID or the global financial crisis.

MR PARTON: Please, let’s not! But carry on.

Mr Campbell: But just to illustrate the point—

MR PARTON: I understand.

Mr Campbell: If we were to say a particular level of debt at a particular point in time was prudent or imprudent, and that was the only metric that was relevant for the definition of prudence or the assessment of the risks around the outlook and the budget at a point in time, we would absolutely end up in a wrong place. We would overreact to a number purely because of that, or it would be a near-meaningless figure because of that.

Mr Steel: And, of course, there are other requirements in the Financial Management Act that need to be considered, as well, in making decisions. And, of course, I will continue to be advised by Treasury around the risks that are present. The risks are also published in the budget outlook quite transparently. This is a matter of debate every time we have a budget—around the current financial circumstances of the territory. I am sure that some people will put their views as to whether they support a particular number or not, but we have clearly outlined the approach that we are taking, and the sustainable path that we have set out, and the fiscal strategy that we have adjusted in the budget outlook.

MR PARTON: So, in closing, your position is that, given how badly you are swimming against the tide, specificity in this instance regarding prudence or imprudence is somewhat inconvenient?

Mr Steel: We have actually improved the specificity of the fiscal strategy in the budget. We changed the fiscal strategy in the budget.

MR COCKS: Compared to your predecessor.

Mr Steel: We have been more specific about some of the key areas that we need to address and we have already started to address in the decisions that we made in the previous budget, and we will continue to do that through future budget processes.

MR PARTON: Thank you for the answers, Minister and officials.

THE CHAIR: Mr Rattenbury?

MR RATTENBURY: Yes, I am pretty sure this is linked to Mr Cocks's original question. I just want to test—on the UPF network operating balance on page 1 of the consolidated statements, we have ended up with a \$540-odd million difference between the budget estimate and the final outcome. How come we have such a dramatic difference between the two results?

Mr Steel: Are you comparing HNOB to the UPF?

MR RATTENBURY: No, I am using all the lines just on page 20. So, on page 1 of the statement, two-thirds the way down there is the figure of budget estimates of \$854 million, and the outcome is \$1.398 billion. I believe I am comparing equivalent measures. My question is, why is there such a dramatic difference?

Mr Campbell: Probably the best place that explains it, and I can read this out, is in the management discussion and analysis that accompanies the documents. There is a comparison of the 2024-25 budget, both the revenue side and the expense side. That is on page 1 and page 2 of that management discussion. If you look at the revenue side, the total revenue, some of the variance was coming through from commonwealth grants revenue and some of the land revenue estimates. There was also a lower-than-expected contribution from the National Health Reform Agreement, which I think we have been through a couple of times previously.

MR RATTENBURY: Yes, in mid-year, thank you.

Mr Campbell: There was quite a lot more detail, which I will not chew up time now with, but if that is a helpful pointer—

MR RATTENBURY: Thank you for that pointer. I will have a look at that and come back to it. Thanks, Chair.

MS CARRICK: Regarding the change between the budget of 2024-25 and the actuals in 2024-25, the revenue was two per cent less than forecast and the expenses were more. Have you looked at the trends of that sort of optimism bias for revenue and expenses to see if, from the budget to actuals, revenue is less and expenses are more. The surplus or the deficit impacts on the bottom line. Have you looked at the last five years? Or could you provide us with the last five years of the budget income, expenses and actuals from the consolidated financial statements to see what the trend is?

Mr Campbell: That would be available now and it would be published on the website.

MS CARRICK: As a trend?

Mr Campbell: For every year.

MS CARRICK: Where would I find that?

Mr Campbell: We might come back at the end of this with the link. It is on the Treasury website. It will be under "Publications". Basically, if we go to "Publications", there

should be a set of items, one of which will be “Annual reports”. If you scroll further down, there will be “Consolidated annual financial statements”.

MS CARRICK: I go there all the time. I have the consolidated financial statements.

Mr Campbell: There should be historical data there as well.

MS CARRICK: No. There are different—

Ms Bourke: Not in a separate sheet as a trend, but the statements are published with the prior year’s actual comparative next to them, for each year. They will be in separate documents—

MS CARRICK: I can do that, but have you guys done that—seen the trend to see the optimism bias in your forecasts?

Mr Campbell: We would have it in our data system when we look at it. Every time we update the budget, we look at that. In terms of publicly available material that is available to the committee, that would be the best source.

MS CARRICK: Can you provide us with what you look at to check the trends? How do you moderate it? If there is constant over-forecasting of the revenue and under-forecasting of the expenses, that impacts on the bottom line. What advice do you provide to the minister about the trends and whether they should be moderated?

Mr Austin: Year on year, there are always specific circumstances. This year, for example, we had issues around expenses for CHS and schools. If you read the management discussion and analysis that Mr Campbell referred to, a big story around expenses is that growth in service delivery. That does not necessarily occur every year. There will be extenuating circumstances in each year that we would take into account.

MS CARRICK: Fair enough.

Mr Austin: I am not sure that looking at the trends would help me predict some of those challenges.

MS CARRICK: If there is a trend of this happening, it would be handy to know what you are advising and whether you moderate it or not. The change is quite significant, as Mr Rattenbury pointed out.

Mr Steel: The change in relation to expenditure has been well-articulated and ventilated around the 2024-25 financial year, as well as the national trend that we have seen across hospitals and the increasing demand in costs that needed to be met, in terms of additional expenditure in our healthcare system. We are talking about an 11 per cent increase. That was not anticipated. I appreciate what you are saying about trends. In relation to revenue—

MS CARRICK: Isn’t this just due diligence—transparency around your due diligence process?

Mr Steel: I am saying there was an exceptional set of circumstances in relation to health funding, which obviously makes up a large part of the budget, that needed to be considered in that financial year. Then, in relation to revenue, I am updated, from time to time, from the Treasury around how revenue lines are tracking. Some are more volatile than others. The variation charge is a particularly volatile measure. Stamp duty often depends on whether there has been a large transaction—particularly commercial stamp duty—at a particular point in time.

MS CARRICK: I appreciate that.

Mr Steel: Some of that is hard to forecast, but I have a lot of confidence that the Treasury will make best efforts in making those forecasts. At the end of the day, they are forecasts and they will not be absolutely correct at every point in time.

MS CARRICK: Do you know what I expect? I expect that you will do a forecast and that it will not be correct because you cannot forecast properly, and that you can explain every single variance. That is what I expect. And I expect that, if you have a trend of overestimating your income and underestimating your expenses, you would know that trend exists and you would be able to look at that trend and what you might do about it. By doing that, you are saying that your prudent financial management will return you back to surplus every time, but it does not happen.

Mr Steel: Those forecasts are updated in the budget review and the budget.

MS CARRICK: That is true.

Mr Steel: That is done.

MS CARRICK: But do you know what: you were 64 per cent out on your budget deficit and your actuals. Sixty-four per cent out is a lot, and, if that is a trend—being that far out at budget—

Mr Steel: I do not think we are suggesting—

MS CARRICK: And you are telling us that you are coming back to a surplus, but you are 64 per cent out. Maybe we should know about that.

Mr Steel: I do not think we are saying it is a trend, though. This is the point. There was an exceptional circumstance in that year. I do not think it would be characterised as a trend.

MS CARRICK: You do not know, though; you “do not think”. Let’s be a bit more specific about this. Let’s know what we are doing in our \$22 billion borrowing.

Mr Steel: It is one financial year. I do not think it could be considered a trend. I am not—

MS CARRICK: As Mr Cocks pointed out from the consolidated financial statements, you have not had a surplus since around 2011-12.

Mr Steel: Yes, and there have been extenuating circumstances. There was a global pandemic during that period. There has been—

MS CARRICK: We are just talking about how you are going to manage that going forward.

Mr Steel: There has been the response to Mr Fluffy, which was not anticipated over a range of years, and now—

Mr Austin: There has been the health—

Mr Steel: Yes—the health pressures, which, of course, were not anticipated to be as high. And there has been a range of measures that the ACT government has put in place to address each of those issues, including through expenditure measures, but also revenue measures as well.

MS CARRICK: We know all this. You are not telling us anything, so do not tell us how to suck eggs.

Mr Steel: I am saying that the government reacts—

MS CARRICK: Just tell us what the evidence is, what the trends are and what the data is.

Mr Steel: What I am saying is that the government reacts to the circumstances that we face and makes active decisions which then affect future budgets. That is why simply suggesting that there will be an ongoing trend to something when intervening decisions are made that affect the future budget outcomes—

MS CARRICK: I am suggesting it, but I want you to rebut it and tell me there is not. If you would rebut my suggestion, that would be good. A net gain on financial assets or liabilities at fair value—that is the one where the superannuation return adjustment is. Would you be able to split the superannuation return adjustment out of those numbers?

Ms Bourke: For the 2024-25 outcome?

MS CARRICK: For all of them, going back as far as you can go back, so we can see what you are reporting and we can see the impact it has on the net operating result.

Mr Campbell: We will take that on notice.

THE CHAIR: Perhaps that is something you can take on notice. If you can, come back after our break, if you have time.

Mr Campbell: No—it will not be able to be done in that time frame. We will need to go back to our databases to pull it out.

THE CHAIR: Okay. No worries.

Ms Bourke: It is published in the budget review, if that is helpful.

MS CARRICK: Sorry—could you say that again?

Ms Bourke: It is published in the budget review each year as part of the actual final audited outcomes. We will present that UPF net operating balance, and we will also present the super return adjustment as a comparator for those budget review estimates. In each budget review, you will see the actual outcome.

MS CARRICK: We have the budget review here.

Ms Bourke: You will not see the one for 2024-25 until we do the 2025-26 budget review. That is when it is—

THE CHAIR: Come back to us with something.

MS CARRICK: But not a forecast; the actual outcome. That is the—

Ms Bourke: That is the actual outcome—correct. We can come back with that in—

MS CARRICK: That would be terrific. Thank you.

MR COCKS: Treasurer, you were saying that the health cost issue was only a one-year problem.

Mr Steel: No. That is not what I was saying.

MR COCKS: That is what it sounded like you were saying. You were saying it was not a trend?

Mr Steel: No. I said the extent of the increase was not anticipated in that financial year.

MR COCKS: When you go back over multiple years—and you mentioned the budget update process—in 2022-23, there was a \$71.8 million increase at the budget update, in 2023-24 there was a \$200 million increase, and in 2024-25 there was a \$330 million increase. That looks very much like a trend.

Mr Steel: There is no doubt that there is a trend in terms of pressure on healthcare systems, including the hospital system.

MR COCKS: That is the trend in your incorrect estimates of how much needed to go to health.

Mr Steel: But the extent of the increase was larger in that financial year.

MR COCKS: Than you expected; than you were planning?

Mr Steel: Than we expected. There is—

MR COCKS: What I am saying is that the total appropriation in 2023-24, after that

budget update process, was higher than what you have allocated in the budget for the 2024-25 year, and we have the same problem in this year's budget.

Mr Steel: The extent of the increase was much larger than anticipated two budgets ago.

MR COCKS: Will there be an additional appropriation necessary to cover health expenditure again in February?

Mr Steel: The government will, of course, continue to provide updates to the community, including through the budget review, but we have put in place, through the budget, a health sustainability taskforce, which is working on a range of measures. There have already been savings measures introduced in CHS to make sure the level of growth is more sustainable. That continues to be worked through actively, and we will continue to provide updates through the budget processes on CHS's financial performance.

MS TOUGH: Changing track a little bit, I want to follow up on a matter raised through the budget estimates process relating to how the commonwealth calculates our population for the purposes of the GST. Can you update the committee on any further engagement with the commonwealth about getting a fair share of GST funding?

Mr Steel: I will invite Chris Roberts to talk to the ongoing conversation with the commonwealth at various levels, at the ministerial level and also between officials, and not just with the Commonwealth Grants Commission but also with the Australian Bureau of Statistics. My most recent engagement was with the assistant minister, Dr Andrew Leigh, in relation to this. I continue to raise it with Katy Gallagher, the Minister for Finance, and officials have had some ongoing conversations. There was a positive update in our budget around some of the population being recognised, but certainly not all of it. There are also reviews underway into the GST and horizontal fiscal equalisation. The Productivity Commission is undertaking work on that, and we will continue to raise the issue to try to improve the methodology for calculating net interstate migration, which is the major issue that we have in population forecasting. I will hand over to Mr Roberts to give an update on some of the more recent engagements with the commonwealth.

Mr Roberts: Thank you, Treasurer. I have read and understood the privilege statement. We regularly monitor the ABS data that comes through on our population. It comes through on a quarterly basis. As the Treasurer mentioned, one of the key issues is how they estimate net interstate migration, which is a key driver of population growth in the territory. We have one of the most porous borders across any jurisdiction. There is an average of about five per cent flowing across our borders every year, and that is the equivalent of the ACT public service, basically. There are a lot of people flowing back and forth. It is the highest percentage in Australia. The average is that around 1.4 per cent of our population flows across the border. It is a challenge for ABS methodologies to capture that level of flow, using the mechanisms that they do. The methodology that they use is monitoring Medicare data.

In Medicare, there is a change of address function, and there is not really a compulsion to do so. If you go to a health service—say, a doctor or a pharmacist—they will ask if your current address is right on the Medicare card. If you are a young healthy person,

you tend not to need those health services, and, if you come into the ACT, you might not know your Medicare details. That seems to be a particular uniqueness of our young working population, so they kind of miss out on capturing this transfer of people into the ACT. That underestimation was around five per cent at census time, as you know, so they missed 23,000 people in the population. It is a big number. For a very long time, we have been engaging with the ABS on a collaborative basis to look at how we can improve their methodology for estimating.

They regularly acknowledge, within their own reviews post-census, when they look at data sources, that this estimate is one of their weakest. It is a particular issue for the ACT, as I mentioned, because there are such high flows. Each time a data release comes out, we raise the issue again of how we are tracking against what we think is going on. We certainly look at our own sources, such as driver's licence transfers. That is a good indicator of who is coming and who is going within the states. We have written, in support of the Treasurer, to commonwealth ministers to try to improve the situation. One way is to possibly look at how that could be captured in the Commonwealth Grants Commission's estimates of populations as well. Are there any other things you want me to mention?

Mr Steel: I raised that directly with the commonwealth Treasurer, around the option of providing an assumption about the current undercount in the Commonwealth Grants Commission's work in carving out the GST, which could then be trued up at census time if we got that amount wrong, but we are waiting to hear back from the commonwealth about whether they would consider that proposal. I think there is a way of doing this within the current methodology for GST sharing that is consistent with that. It does not require a complete tear-up of the methodology for distributing the GST. It is one of the priorities that our government has in trying to get our fair share of funding for the delivery of services to our actual population. We are not getting that at the moment. It is a substantial amount of money when added up over a period of years. Of course, at census time we have the correct level of population reflected, but between censuses there is a variance, and that ends up costing the ACT budget considerably.

MS TOUGH: You mentioned driver's licences. I understand that, when people update their driver's licence, there is some work in the background with Elections ACT, and therefore updating addresses flows on to the Electoral Commission. Is there a way to use that data to work with the ABS or someone to say, "We already have this flow-on to the Electoral Commission. Can this flow on as well?" Or is there a way of encouraging the federal government, or even just the ACT government, to work with people and say, "You've moved to Canberra. Here are the three things you have to do: your driver's licence, your Medicare card, your rego"—or whatever it is, to have that more prominent for people?

Mr Steel: There is the educational piece, and that has been undertaken by the ACT government over a long period of time to try to encourage people to update their details. You can expect only a certain benefit from that. Not everyone is going to respond to that kind of education campaign. It is completely voluntary. The touch points are limited. The opportunity has arisen in more recent times as we have collaborated with the commonwealth on, particularly, some of the ICT projects and information-sharing provisions, which previously were very difficult.

New processes have been worked out to address privacy issues. That opens the opportunity for the discussion about whether we could potentially provide some ACT data to help improve, for example, Medicare's dataset so that it better reflects the addresses of people in Medicare's system. The ACT has collaborated with the commonwealth government on the Birth of a Child Pilot Project. That involved a safe data-sharing arrangement to enable people who have a birth in one of the ACT hospitals to be automatically enrolled in Medicare. We have had that arrangement before and we think it could potentially be used. I have written to the commonwealth about that opportunity to try to provide them with an update that they would also find useful, so that they can then send out information to people who are signed up for Medicare about health matters, but it would also have a benefit for us in terms of our proper population being reflected, particularly in federal financial grants. There have already been meetings at an official level to discuss what those opportunities could be.

Mr Roberts: We have started conversations with Services Australia to scope out what it might involve. Of course, Medicare is a national system and there is a lot of infrastructure established around that. We are suggesting a way to improve the currency of the Medicare address data. One way is to look at our data sources, such as driver's licences. When we are doing this, you can imagine that there are privacy considerations and there are legal considerations. There is a lot involved in that, particularly with data-sharing across jurisdictions. That is a process that has begun. It is quite embryonic at the moment, but it is another channel that we are exploring to improve the accuracy of the ACT population, particularly as it has such a financial benefit in terms of the proper allocation of the GST.

MS TOUGH: Thank you. Can you provide an update on any further funding that the ACT has been provided by the commonwealth since the budget?

Mr Steel: Yes. There have been some announcements that occurred after the budget. They will be reflected in what is anticipated, in terms of revenue from the commonwealth, in either the budget review or the budget. There has been an announcement by Minister Catherine King in relation to funding around the planning for the Canberra railway station precinct. Work will be undertaken by the Suburban Land Agency to plan for more housing and mixed-use development in that area. There may be some other commonwealth grants that officials may wish to comment on that they are aware of that will be picked up and we will be reporting on in the budget review. We may include those as initiatives.

MS CARRICK: Minister, I am so pleased that you are so persistent about the population forecast methodology. You updated our methodology and our forecast, so that was really good for the fair share of funding that the ACT gets for services. Now that you have updated the population forecast and there is so much more growth in the south, will you advise, for example, the Minister for Sport and Recreation that the population numbers in Woden, Weston and the broader region are enough to now warrant a 50-metre pool?

Mr Steel: The forecasts are presented to help inform government decisions, so, yes, as they look at an aquatic strategy, I am sure that will help to inform the development of sport and recreational facilities that may be required as the population grows. The forecasts indicate the point in time that those sorts of facilities might be required, so

that would help to inform decisions about that. It may be for the current government or a future government, depending on where the population is at a particular point in time. That is the purpose of the forecast, and that will be used in a range of areas of government to inform decision-making, in relation to infrastructure investment but also service delivery across agencies.

MS CARRICK: Thank you.

MR RATTENBURY: In terms of the population adjustment and how the amount of revenue we get is calculated, I understand the Commonwealth Grants Commission has a number of factors they take into account, and population is one of them. One of the other factors is what they think the jurisdiction needs to spend on services for its population. The ACT is getting \$3½ billion from the commonwealth, which is around 37 per cent of our expenses. Have you done any comparison on how that lines up against other states and territories? Is that a factor where there is a degree of evenness or are we being undersold? Are we doing particularly well in that space?

Mr Steel: Because our population has been undercounted—

Mr Roberts: Is the question relating to the assessment methodology?

MR RATTENBURY: Yes, it is. In terms of population, there is a range of factors they take into account. How are we going on this one?

Mr Roberts: The Commonwealth Grants Commission is a commonwealth independent statutory authority and it is responsible for making an assessment each year on the distribution of GST. That is then presented to the Treasurer and sent to us for agreement. The methodologies are openly available online. There are major reviews every five years and there are annual updates as we go through. You mentioned how we track against other jurisdictions. That is transparently available on the website. You can easily see what the assessed expense needs are across jurisdictions and across expense categories. You have picked up that there are cases where we have an assessed lower expense need relative to other jurisdictions. That is certainly true. It is coming through in the data.

MR RATTENBURY: It is true that we have a lower need? It is true that their assessment—

Mr Roberts: No. It is true that the CGC has assessed the ACT as having a lower assessed expense need, compared to other jurisdictions, according to their methodology.

MR RATTENBURY: And why have they drawn the conclusion that we need less than we are actually spending?

Mr Roberts: They try to look at what is called policy neutrality, in terms of revenue raising and also expenses. If you look at the other side of the ledger, we are assessed as having much lower revenue-raising capacity. Because of that, we receive more than an equal per capita share of GST. I take your point that we lose on the expense side, but we also gain more that offsets that loss on the revenue side. Consequently, we receive

a higher-than-equal per capita share of GST. We are a net recipient.

MR RATTENBURY: Thanks.

MS CARRICK: It is the expense side because we have higher-than-average incomes, so they think that we have the private capacity to pay expenses?

Mr Roberts: This is an interesting question. It is about the philosophy of the calculation—what are they trying to ensure that they are allocating GST for, where there are challenges in meeting an average service level across Australia. A lot of the calculation picks up regionality. There are costs involved in delivering services in very remote locations. They also pick up indigeneity, with First Nations people, and whether there are any additional costs required in that. They pick up relative differences across jurisdictions, and those relative differences are assessed in different ways, in terms of how money flows across.

Mr Campbell: One way to think about it is that, because we are relatively compact geographically, they assess that in terms of police force distributions and all of that kind of thing. That comes into it.

MS CARRICK: Does our higher-than-average wage come into it?

Mr Roberts: Interestingly, we are rewarded for that. They recognise that it is a high-cost jurisdiction, and our higher wage component goes with those expenses. Because of that, we receive a GST distribution to us for higher wages.

MR COCKS: As much as I enjoy a philosophical discussion of how the GST is carved up and economic principles around fiscal imbalance, my question gets back to the real-world, practical, day-to-day problem of the budget and the real situation—how you intend to get the budget back on track after delivering a \$1½ billion deficit. In previous hearings, you basically said, “Trust us. We’re going to do better,” but Canberra did trust you at the last election and we have seen the deficit grow larger than we have seen before. It is not just about health; it is across just about every area of government. What are you doing at a practical level to stop the problem getting worse, and what are you planning to cut?

Mr Steel: We have gone through this at length in budget estimates hearings, but I am happy to go through it again and go through the budget and outline all of the measures that we took and all of the tough decisions that we made in the budget to put the budget on a sustainable path. That includes, of course, the whole-of-government expenditure reform initiative. That will continue beyond one financial year and will be a consistent feature over the forward years of the budget as well. All directorates are engaged in that process at the moment and are putting in place measures to achieve the savings outline. That will be different in every agency and we will see the benefit of that in the budget when we report in the budget review and future budgets. There is the ongoing work in relation to the health sustainability review and there is work happening in education around the budget review, and we expect we will see improved financial sustainability of those agencies into the future.

There is a significant amount of work on the expenditure side that the government has

announced and, of course, we also undertook work in the budget around a range of revenue measures to support the growing demands in our healthcare system and delivering the services that Canberrans expect. Those have all been very well ventilated, so I will not go into every revenue line and decision that we made in the budget, but they are the key highlights. Of course, we adjusted the fiscal strategy as well in the budget. The decisions that we made are very much aligned with that strategy, and we will continue to pursue that in due course as well.

MR COCKS: Notwithstanding the lack of specificity in some of those things, in your budget speech—and I am glad you mentioned the budget—you said, “We will not slash the public service,” but, when you look at some of the detail, such as the new Health and Community Services Directorate, it has 1,404 FTEs, but actuals for the previous year show that its two predecessor directorates had a total of 1,785. Treasurer, are you using the MoG processes to hide cuts?

Mr Steel: No; that is not what I said in the budget speech. I said that there will be no deep cuts to the public service. That is what I said, and—

MR COCKS: This is a quote from—

Mr Steel: that is what we will be doing. But we have also outlined that we will be undertaking whole-of-government expenditure reform. The measures every agency takes to achieve the savings will be, as I said, different. You are also misinterpreting the nature of the machinery of government changes, which were made to address key priorities that the government has around, particularly, housing delivery, by bringing together the Transport Canberra and City Services Directorate with the Environment, Planning and Sustainable Development Directorate in the City and Environment Directorate. That is one example of the priority to try to make sure that we can build more homes more quickly and deliver more efficient processes, particularly in referral agencies that are contained within that new directorate—ones that are part of the planning process—which is important to the broader economy as well.

I am happy to go into detail. If you think we have not gone into enough detail, I will point you towards the budget and we can go through it in detail. I can point out all the measures that we have taken. I gave a highlight of some of them, but, if you think we will need to provide more, we can. We can do that right now and spend the entire session literally reading out the budget papers.

THE CHAIR: Maybe we can go to the next question.

MR COCKS: The point I am trying to get to, Treasurer, is simply that you, the Minister for Finance and the Chief Minister all went to great lengths to say that this MoG process would not result in redundancies, and it very clearly, from the numbers, looks like it will.

Mr Steel: No. You are again mischaracterising the nature of the change. Another example was the move to establish Digital CBR to improve the capacity centrally within the ACT public service to deliver infrastructure projects. The ACT government is also working through, with each agency, the prioritisation of their existing resources to deliver on areas of priority for the community. That work is underway and was

anticipated in the budget. Our existing FTEs, when a particular program or priority may have ended, were resources to then work on other things within the ACT public service. That greater mobility within the ACT public service to respond—

MR COCKS: It is about the people, not just the FTEs.

Mr Steel: That is right—the people who may have been working on one particular project—utilising their expertise and keeping it within the public service, but moving them to work on another priority for the government, whether that is within the agency that they are currently working for or, indeed, a new agency. Of course, there has been some movement of public servants associated with machinery of government changes as well. This is about being a nimble and flexible public service to respond to community needs and priorities, and all government agencies will continue to look at reprioritisation to areas of need.

Mr Campbell: Mr Cocks, I might help to clarify. Pages 321 and 322 talk about the movement of—

MR COCKS: Of?

Mr Campbell: Of the *Budget outlook*. It talks about the transfer of the Digital Health Division from Health to Digital Canberra. That was the other move. That is why you see a difference in the numbers.

MR PARTON: Minister, the position you have stated about jobs and public service cuts does not line up with the feedback that I am getting on the ground. I understand that we are putting questions to you today as the Treasurer. I received communication during the week from two staff members of Housing ACT, and they informed me that they had been communicated to in recent days about “the dire budgetary situation” which had led to a tightening of staffing in Housing ACT.

These staff have shared with me that pretty much all external contractors had been let go earlier in the year. I was then told that all government contractors would be let go as of December. I now understand that that has potentially been pushed out to June next year, but that is the feedback that they gave me. From your Treasury position, and despite the statements that you have made, are you about to preside over deep cuts to the public service?

Mr Steel: No. We have been clear that the public service will continue to grow, and the expenditure on employee expenses will continue to grow. It will just not grow at the same rate. That was the savings measure that we took in the budget, and each agency will respond to that. There are unique circumstances in every agency, and I would not want to comment on Housing ACT. That is probably a matter to raise with the Minister for Homes, Homelessness and New Suburbs.

MR PARTON: I am sure she will look forward to it. Why has the CPSU, this week, physically posted posters in various locations around Canberra with a heading, “Job and HDA Cuts in Housing”? The poster has details of online meetings for affected workers to talk to them about these cuts and how to fight them. If you are not slashing the public service, why is the CPSU advising its members on how to fight against your

slashing of the public service?

Mr Steel: I do not agree, but you can put those questions to the responsible minister.

MR PARTON: You are just not going to answer?

Mr Steel: If you want me to take it on notice and provide it to the responsible minister to answer, but I do not make a habit of speaking outside my—

MR PARTON: It is a fairly broad question. You have said—

Mr Steel: It is a very specific question about a specific agency that is not directly in my portfolio responsibilities. I am happy to take that on notice, and we can come back to you via the responsible minister.

MR PARTON: It appears that the union believes that you are slashing the public service.

Mr Steel: I have taken it on notice.

THE CHAIR: Are you happy to take it on notice and come back?

Mr Steel: Thank you.

MR RATTENBURY: I want to ask a question about some line items in the consolidated annual financial statements. The general government sector dividends are shown on page 5 of the hard copy. It talks about dividends and market gains on land sales; the budgeted amount was \$75 million-odd, and the actual actuals were \$97,000, about 0.13 per cent of the anticipated figure. Can you explain this very large variance?

Mr Campbell: You are on page 5, did you say?

MR RATTENBURY: On page 5, two-thirds of the way down.

Mr Campbell: That may have been a settlement from one of the agencies.

Mr Austin: I think it was a settlement from CRA that was delayed; that is my understanding. Ms Bourke might have more details, but we can take it on notice, Mr Rattenbury. My understanding is that it was a delayed settlement. It was expected to occur, but it has not occurred.

MR RATTENBURY: Thank you. In my earlier question about the difference in the UPF final figure, when I asked what the variance was, you pointed me to the management discussion analysis. I paused at the time because I thought I must have missed that when I read it. I have gone back through the document, and I cannot find that specifically. Can you give me a page reference, so that I am in the right place?

Mr Austin: Mr Rattenbury, it is a separate document on the website.

MR RATTENBURY: Right.

Mr Austin: It is loaded up with the consolidated statements, but it is a separate document. While I have the opportunity, in terms of Mr Cocks's question about when they were loaded up, it was on 7 November—the consolidated statements.

MS CARRICK: I think the law says it has to be done within seven days of the 12 months after the end of the financial year or something like that.

Mr Steel: Yes, there is a timeframe.

Mr Campbell: We will come back to the committee to make sure everyone has the links to the documents, because it is possible that management discussion—

Mr Austin: It is a separate link on the website.

MR RATTENBURY: That is how I have missed it.

Mr Campbell: We will make sure we give the right link, so that you have it.

MR RATTENBURY: Following on from my other question about these figures, I am now on page 7 of the consolidated annual financial statements. In a similar vein, two-thirds of the way down the page, under other economic flows included in the operating statement, there is land revenue, market gains on land sales. Again, there is a similar discrepancy. The budgeted figure was \$113 million, and the actuals are \$141,000. It may be a related issue; I am not sure—

Mr Campbell: I think it is the related—

Mr Austin: It is the same issue, I think. We could take both on notice and get some details.

Mr Campbell: We will clarify for you.

MR RATTENBURY: That would be fine.

MR COCKS: Which line was that?

MR RATTENBURY: I am on page 7 of the hard copy, two-thirds of the way down, land revenue.

MR COCKS: Yes.

MS CARRICK: \$113 million difference.

MR COCKS: My question goes to the land-related dividends. If we look at the management discussion and analysis, it points to lower land sales than expected, rather than a specific settlement. Is that the settlement that you are talking about?

Mr Austin: There is an issue about land sales more broadly, but the question Mr Rattenbury asked relates to a specific transaction, as I understand it, for CRA.

MR COCKS: Can you explain the main reasons for those lower-than-expected land sales and the extent to which Treasury has assessed that these are temporary timing issues versus broader problems with the land release program?

Mr Austin: We might have to take that on notice because I think there would be a fair bit of detail wrapped up in that, unless Ms Bourke knows, off the top of her head.

Mr Campbell: I do not know the answers directly. I suspect we will have to take that on notice, Mr Cocks.

MR COCKS: Okay. Can you tell me how much revenue was forgone in 2024-25 because of deferred settlements? Has that full amount been assumed to now land in 2025-26?

Mr Austin: We will take that on notice as well.

MR COCKS: Thank you. How are dividends—that is, market gains on land sales—derived? What risks do they pose to revenue volatility if property market conditions soften?

Mr Austin: We will take that on notice as well.

MR COCKS: Thank you. Were any additional expenses ticked off based on the expected land sale income? To what extent did you offset expenses by not getting that land sale income?

Mr Campbell: We do not budget in that way.

MR RATTENBURY: I have another question in this vein. In terms of tax revenue received—we are now back on page 1 of the document—there is a variance between the budget and the taxation revenue. It is right at the top of the page.

Mr Austin: What was your question?

MR RATTENBURY: My question is: can you tell me about this variance? What were the drivers? In later tables, the range of expected revenue lines have gone up from the previous financial year to this financial year, in the actuals, but the overall figure is still lower than in the budget. I am interested in why—where the variance came from.

MS CARRICK: Where is that, Mr Rattenbury? Which table?

MR RATTENBURY: I am on page 1 of the statements, at the top, under revenue. Taxation revenue is estimated at 2.75, but it came in at 2.71. Is this a material issue or would you describe that as a rounding issue?

Mr Campbell: Ms Bourke might have access to some of the underlying detail there. If we cannot unpack it in enough detail, we will come back to you on notice as well.

MR RATTENBURY: Sure.

Ms Bourke: The question was about the taxation revenue variance to budget?

MR RATTENBURY: Revenue, yes.

Ms Bourke: Most of that is made up of our general taxes, which are sitting in payroll tax. Compared to the original budget, the growth was not as strong as anticipated. There are also some movements there in the lease variation charge, which is due to some deferral amounts that have been assessed against each application. We had a partial offset there as well against higher residential conveyance duty, due to market growth being stronger than anticipated.

Of course, the issue with looking at these numbers is that we are looking at the original budget as a comparison point. That is what we are required to do under the accounting standards. But in the budget review and the subsequent budget, we will update those estimates, as part of the estimated outcome, which you do not see in these consolidated financial statements. Some of those movements will be reflected in the estimated outcome data as well.

MR RATTENBURY: Thanks; that is helpful. In terms of payroll, we have seen a reasonably strong employment market in the ACT, as I understand it. Unemployment continues to be low, so why did our payroll come out lower than anticipated? What is your understanding of that outcome?

Ms Bourke: I do not have the answer to that. Mr Roberts might know a bit more about what is happening with payroll.

Mr Pirie: We will take the specifics of that on notice, Mr Rattenbury. The labour market continues to perform soundly. Payroll tax collections are remaining resilient, so we are probably comfortable with how things are tracking. We will take the specifics of that variance on notice.

MR RATTENBURY: Thanks, because your analysis then is my understanding as well. We are tracking okay, so why did we end up with a shortfall compared to our estimates? That is at the heart of my question, just to be clear.

Mr Pirie: Yes, that is fine.

Mr Austin: There are difficulties with some of these comparison points. By the time we got to budget, I think we had established that the commonwealth government was moving further into recruiting on their own books rather than through consultancies. A lot of that had already been baked in, but there was still some more to come, and I think that is the additional amount that was captured. Because we are comparing it right back to the original budget, we might have to—

MR RATTENBURY: That goes to Ms Bourke's earlier point about the midyear being more correct.

Mr Austin: Yes. There will be more information to come on that specific comparison that you are talking about.

MR RATTENBURY: Thank you; that is helpful.

MR COCKS: What variables do you use in your modelling of payroll tax, in terms of forecasts in particular?

Mr Austin: The key one is the forecast for employment growth and wages. Specifically, we look at private compensation of employees. That tends to feed through pretty closely to our forecasts for growth in payroll.

MR COCKS: It is just those three?

Mr Austin: There will always be an element of judgement in any forecasts that we put around that, but they are the key economic drivers.

MR COCKS: They are the variables that you look at, and which ones of those did not stand up? When comparing the forecast to the actuals, which one of those was the driver of the change?

Mr Austin: I will take that on notice.

MR COCKS: Thank you. Over the past four years, the ACT's S&P credit rating has moved from AAA to AA+. Most recently, in September, we landed at AA. At the same time territory borrowings and interest costs have increased. What are the key policy and fiscal decisions over the last 10 years that, in Treasury's assessment, have most contributed to the weakening of the territory's credit rating, and what concrete steps are you taking to arrest any further deterioration?

Mr Campbell: Standard & Poor's do not provide the metrics over the 10-year horizon, so you can really only talk to—

MR COCKS: That is why I am looking for Treasury's assessment.

Mr Campbell: Certainly, when you look at their commentary, it is about the pace of the return to surplus. As we have mentioned to them in the past, part of the difficulty is that, when you are dealing with the health spike that we have had in a number of years, dealing with the COVID return-to-surplus challenges, with a lot of those factors, if you look at 10 years in isolation, they are going to be some of the most prominent ones that affect how Standard & Poor's at a particular point in time will make an assessment about the outcome. AA is still a recognition that there is a very strong capacity to meet financial commitments.

MR COCKS: It is equal lowest amongst the states and territories, though, isn't it?

Mr Steel: It is equal with other—

Mr Austin: Of those rated by S&P, yes, but Northern Territory is not rated by S&P.

Mr Campbell: Fundamentally, it will go to the size of the capital program and what the government is committing to in terms of supporting a growing population, as well

as some of the recurrent expenditure on health. They are probably the key drivers, I would say.

MR COCKS: Has Treasury done any analysis of what level of net debt to revenue or interest to revenue might be inconsistent with maintaining the current rating?

Mr Campbell: We are providing advice through the ERC process to government about particular metrics; that is true.

Mr Steel: But S&P comments on these things, and that is one of the metrics that they look at.

MR COCKS: I am trying to understand Treasury's analysis at this stage, outside the analysis that you have done—

Mr Steel: Also, Treasury do not operate in a vacuum. They understand what S&P is looking at. Of course, that would help to inform their advice as well.

MR COCKS: That is why I am asking the questions, Treasurer. Outside advice provided to ERC, have you done any analysis that is not specifically driven by that cabinet process?

Mr Campbell: Not that I am aware of.

MR COCKS: What additional cost to the budget through higher interest do you estimate at this stage arises from the downgrade from AAA to AA over the period, noting that the Treasurer had previously suggested that the market had already factored in a downgrade? Compared with AAA, what would that difference be?

Mr Steel: We have had this discussion before, Mr Cocks. There are a range of different factors that contribute to the cost of borrowing, interest rates being one of those, volumes in the market, which particular subnational jurisdictions are in the market—

MR COCKS: Let me rephrase that. Has Treasury done any analysis of the cost of higher interest due to credit rating downgrades?

Mr Campbell: No. When we undertake the analysis of our approach to market, we will look at the differences that flow through as a result of the timing of going to market.

MR COCKS: You have not done any analysis of the interest impacts from the credit rating downgrade?

Mr Campbell: Mr Cocks, all you can really do is look at the day-after effect, and that did not move.

Mr Steel: I will invite Mr McAuliffe to talk about the actual prices that we are achieving in the bond market, which is a pretty good indicator of—

MR COCKS: I do not know that we are getting directly to the question. I have just been told that you cannot do that.

Mr Steel: You have been asking what the impact is. The price is a pretty good indicator of what the cost of borrowing is, I would have thought

MR COCKS: You are saying that Treasury has done some analysis?

Mr Steel: No, we have tested the market by going out and issuing bonds, extending existing bond lines, and that is—

MR COCKS: Compared with under a AAA scenario?

Mr Steel: Yes, of course. We have issued bonds prior, with different credit ratings to what we have now, and we have issued bonds under the current credit rating. We have the actual price information.

MR COCKS: Okay.

MS CARRICK: But do you have it with a different, higher rating?

MR RATTENBURY: I think that is what he is saying.

MS CARRICK: Okay. I thought he was just saying he has what he has now, under this rating.

Mr McAuliffe: When we have been looking at going to market over the last 12 months or so—back in February, for example—and compare our spreads, which is what we look at when we are borrowing money, our spreads to our peers are what investors look at. They will look at what ACT are going to buy, and what they are in terms of an issuer. They will look at New South Wales and Queensland, and they have the spreads built in between the difference in bonds.

With the change in spreads from February to September, in the 10-year market, we were always gradually just drifting a little bit wider. That was before any credit rating downgrade. That was just a function of what was happening in the markets, and how investors viewed our bonds compared to other bonds, as mentioned by the Treasurer. With volumes in the market, liquidity is a key driver, in terms of how investors look at some of these bonds. If they want to buy some of these bonds, they can trade them actively. Ours are very liquid, so there is a little bit of a penalty that goes towards that. It is a perverse thing. The more debt we have, the better our liquidity, and probably the better our cost of funds.

If I look at the spreads between September, when we got downgraded, and now, because we have just borrowed—we have done two transactions in the last couple of months—the spreads have hardly changed at all. There has been no change from—

MR COCKS: This is why I asked about the AAA comparison point, because the Treasurer has previously indicated that the market was already factoring in the downgrade.

Mr McAuliffe: The problem with the AAA is that our cost of funds, way back when

we were AAA, was never equal to some of the other AAA semis at the same time, anyway. There has always been a differential in rates because of our liquidity issues. It is not quite as—

MR COCKS: It sounds like, again, similarly to the previous question, it is not an analysis that you can do.

Mr McAuliffe: We can look at where the spreads are in the market at any one time, so we can have an idea of where we are going to borrow. But if we sit back and think, “We’re going to get a credit rating downgrade; that’s going to equal X change in our cost of funds,” it does not actually work that way. There are a whole lot of other factors that drive the cost of funds in the market.

In testing that, we were in the market just two weeks ago, and our spreads that we got on that borrowing, again, were very similar to the spreads that we were seeing back at the end of September, pre the credit rating downgrade.

MR COCKS: Does Treasury have a medium-term goal to return to a stronger rating or is the working assumption that AA is locked in; it is normal from here on?

Mr Campbell: We do not make a projection on a forecast. We will work with the government on the—

MR COCKS: Goals rather than forecasts? Are you aiming to improve it?

Mr Campbell: Basically, Treasury is not the independent decision-maker. We will provide the advice to government. We do not independently set our own goals. We will provide advice to government about the trajectory for the budget bottom line, based on policy decisions and parameters.

MR COCKS: Treasurer, does the government have a goal to return to a stronger rating?

Mr Steel: Of course, Treasury’s goal is always to improve the financial position of the territory, but we have a range of goals that we seek to achieve through the budget, and we will continue to achieve those, whether it is in relation to service delivery or investment in infrastructure, as well as making sure that the budget is on a financially sustainable basis. We will continue to work on opportunities, using the fiscal strategy that we have outlined, and update it, to improve the condition of the territory’s budget, as conditions allow. We will continue to meet with S&P to make the case to them about the work that we are undertaking to improve the budget position.

MR COCKS: Congratulations again on not answering the question. The question was: do you have a goal to improve the credit rating?

Mr Steel: Yes, of course, we continue to work to improve the budget’s financial position on which the credit rating is based. We will continue to do that, but we will also continue to deliver services that we committed to deliver to the people of Canberra. That particularly includes delivering health and hospital services, which people rely on in their time of need, and which do need to be funded.

MR COCKS: We are still struggling to get a straight answer. Can you give me a yes or no? You proceeded to add a whole bunch of qualifications. Is it a goal to improve the credit rating?

Mr Steel: The credit rating is based on the finances of the territory, and we have set out in the fiscal strategy what we intend to do to put the budget on a sustainable path, while we continue to invest in the services that Canberrans expect. There are a range of different factors that go into our budgeting. We are not basing the entire budget around a credit rating, if that is what you are suggesting should happen.

MR COCKS: That is not the question. The question is, and it seems a fairly straightforward one—

Mr Steel: I think I have answered the question pretty clearly, that the S&P credit—

MR COCKS: Actually, you have not. What you have said is a whole lot of detail around where you think the government might go. At the moment I have not heard any statement that the credit rating, and improving the credit rating, is a goal. Is it a goal?

Mr Steel: It is one of a range of different factors that go into the budget.

MR COCKS: So yes, it is. Thank you.

Mr Steel: It is not the only goal of government to improve the credit rating, because we have to make sure that we are delivering services to Canberrans.

MR COCKS: No, I understand. Your goal—

Mr Steel: You may disagree with that, and you should be clear to the community about that, if that is your position.

MR COCKS: That is not what I am saying, Treasurer, no matter what you say. The next question is: if it is a goal, when are you aiming to improve the credit rating by?

Mr Steel: We have not set out a timeframe for that. What we have set out is a fiscal strategy. That is what the S&P credit rating agency will look at. They will look at our finances and whether they have improved. We have set out a fiscal strategy, which they are aware of. We will continue to engage with S&P in relation to the position of the budget and make the best case possible.

MR COCKS: Thank you. I think we got there.

MS TOUGH: I want to confirm what effect, if any, the change to the credit rating materially has on the ACT's ability to finance.

Mr Steel: We continue to have success in the bond market, in being able to finance the territory's debt, including through a recent issuance. I will ask Mr McAuliffe to give some specific details about what was achieved on the market in recent times.

Mr McAuliffe: Based on the current market, we have been to market twice, in August

and recently, a couple of weeks ago. Based on those two transactions, with the first transaction we issued \$750 million. We had an order book almost 3½ times oversubscribed, from about 28 different orders. That is offshore and in Australia as well. It showed really strong demand for our bonds. We followed up a couple of weeks ago with a \$1.1 billion issue. Again, that bond was around two times oversubscribed, from 40 orders. Again, there were a range of different investors, a different mix.

From the feedback we have had, with the strategy we have in place this year, we are increasing some of our existing bond lines, mixing up some of our issuance. It is attractive to investors because one of the fundamental things it is doing is increasing liquidity in those bond lines. From an investor's point of view, it is providing good diversity. The rates we have achieved have been, as I say, within those spread ranges that we are expecting them to be, based on the current market.

With an example of a spread difference, the market will look at different liquidity. With somewhere like Victoria, they are AA-rated as well, but they can probably borrow 10 basis points cheaper than us, at the same rating. That is an example of how the market views various bonds.

MS TOUGH: How has what we have been able to achieve in the market compared to forecasts?

Mr McAuliffe: When we budget, in our estimated cost of funds in the budget, we are taking a long-term estimated cost of funds, generally in the 10-year area. These couple of issues we have done at the moment have been those shorter bonds, so the rate we have got is lower than our budgeted estimate. That will be a positive factor that will come through in budget review, once we put through those numbers. All in all, it has been a very conducive time to borrow, and that is across the board. All semi-governments are in the same boat. They all have large programs to do, and everyone has been able to achieve a good outcome at the moment.

MS CARRICK: Is the S&P assessment public? I have tried looking for it, in S&P, and I think there is a firewall.

Mr McAuliffe: We can provide the link to the committee. You need to register. They operate under a wholesale licence. That means when you log onto their website to get one of their reports, you are effectively signing off to say that you are not a retail investor. That is why we cannot provide reports publicly, because—

MS CARRICK: Can you just provide the assessment—the latest downgrade and the assessment that went with it?

Mr Campbell: It is proprietary, but you can get it for free.

Mr McAuliffe: Yes, it does not cost anything.

Mr Campbell: It is imposed under the—

MR COCKS: You can provide a link on notice?

MS CARRICK: Yes, but we still have to sign up.

Mr McAuliffe: Just provide a link. It is a few seconds to register, and you can get access to all the reports. You can get access to our reports, and those of other semi-governments. You can get access to their research, methodologies—all that information.

Mr Campbell: It is because the federal financial laws require various disclosures of issuing rating entities. That is the reason we cannot, unfortunately, share it directly.

MS CARRICK: Could you provide a breakdown of all the borrowings by due dates, interest rates and the type, whether they are fixed or whether they are—

Mr McAuliffe: It is all in the budget paper, in the budget outlook.

MS CARRICK: Does it have them all in there?

Mr McAuliffe: Yes.

MS CARRICK: Is that it? There is just a little bit. Okay; it has the amount, and it adds up to \$22 billion?

Mr McAuliffe: No.

MS CARRICK: That is what we have borrowed; our borrowings are \$22 billion. That is by the outyear; that is by 2028-29. I will check it; I will add it up.

Mr McAuliffe: What is in the budget paper will be the estimated outstanding borrowings as at 30 June.

MS CARRICK: Current borrowings.

Mr McAuliffe: That table will be updated in the budget review.

MS CARRICK: Yes. I was thinking of 2028-29. Can you also tell us how we compare the rate that we are getting with these issuances that you are doing with other states? You mentioned Victoria and how they can be 10 points lower than us.

Mr McAuliffe: As I say, we see other transactions as they come through, so we can see what we have actually borrowed at. We can see how they have borrowed, and that is something that we keep checking, to make sure that, when we are going to market, our pricing that we are setting around our bonds is a fair price, and relative to all the other peers. It is important that we do that because as soon as you go to market and you issue something that is a little bit too cheap, there is the expectation to invest, the next time you go out. Those are the sort of margins we are looking at. It is a pretty fine process to try to get those rates settings right.

MS CARRICK: In the latest S&P assessment, we were the second lowest in borrowings to Victoria. They were the worst, as far as borrowings per capita or debt per capita. What was that measure?

Mr McAuliffe: With the measure that S&P look at, there are a couple of different metrics. One of them on the debt measure is gross debt to total revenue, and there is a ratio calculated out of that. So that is—

MS CARRICK: Is that the one where we are second worst to Victoria?

Mr Campbell: I think you are thinking of the—

MR COCKS: Debt per capita.

MS CARRICK: Is that debt per capita?

MR COCKS: I think so.

Mr Campbell: To GSP, so it is effectively debt to—

MS CARRICK: Debt to GSP, okay.

THE CHAIR: On that note, I think we all need a bit of a break. We will reconvene at 3 pm.

Hearing suspended from 2.34 to 3.00 pm.

THE CHAIR: We are back, and hopefully we are all recharged, having had coffee and cookies, and are ready for the final session of this annual reports hearing. We are back with the Treasurer and officials, and, of course, we have our committee and our visiting guests here as well. It is your time now, Ms Carrick.

MS CARRICK: I want to go back to the revenue and expenses forecast. Interestingly, if you take the outcome for 2024-25 and you compare it to 2027-28, there is a 22 per cent increase. That is only three years. That is the revenue. On expenses, there is a five per cent increase. Why would revenue increase by 22 per cent? Do you look at that and say, “Recent trends show that we have not met our revenue forecasts.” Twenty-two per cent is pretty high over three years.

Mr Steel: Are you talking about total revenue—

MS CARRICK: Yes, I am.

Mr Steel: or are you talking about taxation revenue?

MS CARRICK: No; I am talking about total revenue. The 2024-25 total revenue was \$7.971 million and the budget was—

MR COCKS: It was \$8.145 million.

Mr Campbell: I think there are policy measures. This probably gets back to the broader issue of what is actually in the expense and revenue lines. There are two factors. You have all of the drivers, which are the parameters—that is, what is the state of the

economy, what is the economic outlook, and how much wages and employment is growing. If you just had a parameter change, you could think of it in the way you are thinking about it, Ms Carrick, that you can then do historical trends—how does it compare to historical trends? As soon as you layer a policy decision into it, you will have a policy change as well as a parameter change in the numbers. I suspect, and I can get it confirmed by a colleague, that a lot of that growth in the outyears will be from, effectively, measures coming into place in future years.

MS CARRICK: Okay. There is 22 per cent growth in revenue and only five per cent growth in expenses, so is the expense line undercooked or is the revenue line overcooked? I wonder. Perhaps you could take it on notice and look at that and then come back to me about what you think about the increase in revenue and the increase in expenses from the 2024-25 actuals to the forward estimates?

Mr Campbell: There is probably not much more than I have said though, because, basically—and I do not know if my Revenue colleagues want to talk to this—there will be a very significant payroll income tax change in there. From memory, I think it is largely payroll tax that is coming in in future years. That will step up the base, and the next year you will grow employment and wages, and then there will be another policy change which lifts your base again. It is not just a matter of set-and-forget from the 2024-25 year; you have policy changes kicking in in future financial years.

MS CARRICK: I appreciate that, but it is—

Mr Pirie: Sorry to cut in, Ms Carrick. It is not uncommon for taxation revenue to grow broadly in line with nominal GSP or GDP growth. That tends to average around five or 5½ per cent. Those are the economic parameters that we are talking about in the broad. As Mr Campbell said, we then have to overlay that with revenue measures that will add revenue to the base across the forward estimates.

MS CARRICK: Okay.

Mr Steel: Are you disputing the decisions made by government around revenue or are you disputing—

MS CARRICK: No. I am just saying there is very high growth, and the expenses are only growing by five per cent. The revenue is growing by 22 per cent and we have not seen that trend in the past. We have seen the revenue go back to its estimate and expenses being higher than what was forecast. All I am saying is that it looks a bit weird on the face of it. Let's move on. If you do not want to look at it, then we will look at it.

Mr Campbell: It is published.

Mr Steel: No—I am just trying to work out the point you are trying to make—

MS CARRICK: I am trying to make the point that the—

Mr Steel: because revenue is lower than expenses in the short term. So what is the point—

MS CARRICK: It is the growth rate. It is the very high growth rate of revenue, and there is not a very high growth rate in expenses. And when we look—

Mr Steel: But it is behind expenses at the moment.

MS CARRICK: What do you mean by “it is behind expenses”? The revenue is lower.

Mr Steel: The revenue is not keeping up with expenses. That is why we are in a deficit in the short term.

MR COCKS: That is why we have a huge deficit.

Mr Steel: We are obviously trying to chart a pathway back to surplus, and that means—

MS CARRICK: I know, but will you achieve that? You did not achieve it this year. The revenue—

Mr Steel: It means reducing the rate of expenditure growth, but it also means increasing revenue. They are the measures that we took in the budget. So are you disputing the measures in the budget or are you disputing the broader economic parameters that are used? As the population grows, the level of revenue will grow, and all that—

MS CARRICK: I am disputing whether you will actually achieve it. Anyway, let’s move on. Let’s move on to interest. The 2024-25 actual was almost half a billion dollars—\$493 million. It was a bit under what you forecast, so that is good. And the 2028-29 estimate is \$974 million, so a billion dollars. It basically increased by \$500 million in four years. That is a 24 per cent increase, on average. That is a really high percentage increase in interest. Then, if you extrapolate that, before you know it, there is \$2 billion in interest. How do you stop that increasing trend? It is the same in the debt, except it is a bit lower. It is 52 per cent, or, on average, a 13 per cent increase in the borrowings. You have a pretty big infrastructure program. How do you bring the borrowings and the interest into line? At the moment, the interest is \$500 million. You can try to stabilise it at that sort of level or let it keep increasing.

Mr Steel: We have outlined that in the fiscal strategy, to return the budget to both a HNOB surplus and a cash operating surplus, and that can be used to pay down net debt or, indeed, fund infrastructure. Consolidating net debt is also part of that strategy, but there is an alternative path, which is to cut the infrastructure program massively, and that is not what we are proposing. Are you proposing that?

MS CARRICK: No, I am not. Everything is about prioritisation.

Mr Steel: Yes, so what would you deprioritise?

MS CARRICK: I am the one asking the questions, Minister, not you.

Mr Steel: I am just trying to work out what you are trying to get at here with your question so I can provide you with an answer that might be useful.

MS CARRICK: Okay. When you talk about the—

MR COCKS: There is a difference between questions and debating.

MS CARRICK: You say you are trying to achieve a cash operating surplus. Why not just a normal old operating surplus? Why does it have to be a cash one? The main difference between a normal operating surplus and a cash operating surplus is the non-cash items, such as depreciation. If you are not spending on maintenance to keep the value of assets—I mean, is that what happens if you are only aiming for a cash operating surplus?

Mr Steel: We are not only aiming for a cash operating surplus.

MS CARRICK: So you are actually aiming for an operating surplus. What do we call it?

Mr Steel: We have set out the parameters in the fiscal strategy, which are multifold.

MS CARRICK: You keep saying “a cash operating surplus”, but you are actually aiming for a UPF operating surplus?

Mr Steel: And a HNOB surplus. That is the particular metric that we are pointing to in the fiscal strategy.

MS CARRICK: You talk about consolidation of net debt. What exactly do you mean by that?

Mr Steel: Obviously, we need to continue to monitor net debt levels as we move the budget towards returning to a surplus. That may provide opportunities to reduce the level of debt needed to fund the infrastructure program. That is what we will continue to do. All of it will work together. We will continue to look at opportunities to make sure that the infrastructure program is deliverable and achievable in each year, and that is a process that is undertaken in the budget—smoothing the infrastructure pipeline. We will continue to do that. We did that in the budget and we will look at that again in a future budget review.

MS CARRICK: Thank you.

MR COCKS: Treasurer, I think the line that Ms Carrick has been going to is around the reliability of the assumptions and the forecasts in the budget, which is something we have been trying to work through with you for some time. There is the specific total revenue line in the consolidated statements. I was just looking at that. Total revenue was forecast to increase by 7.2 per cent in 2023-24 to 2024-25, but it actually increased by 4.9 per cent. That is a significantly lower growth in revenue. What drove that? Why did you miss—

Mr Campbell: The total revenue in 2024-25 was \$8.365 million—

MR COCKS: I am looking at page 1. I am looking at the general government sector at the moment.

Mr Campbell: Okay.

MR COCKS: That is the increase from \$7.598 million, which was budgeted to increase to \$8.145 million, and it was actually under \$8 million, at \$7.971 million.

Mr Campbell: We might have to take some of the key drivers. You are asking for a comparison of that growth rate to the future growth rates?

MR COCKS: No. What I am trying to get at is: why did you miss by so much? It is a fairly significant miss.

Mr Steel: Beyond the sub-items that are listed there? There is a breakdown of exactly what parts make up that \$8.971 million and there is a difference between them.

MR COCKS: That is right.

Mr Steel: So you want more detail than what is in the table with the sub-elements? Is that right?

MR COCKS: What I want to know is: why are the forecasts that far out? With those sub-elements that are the most significant, why did we miss so badly?

Mr Pirie: It is probably important to talk about different elements of revenue: tax revenue and non-tax revenue from the commonwealth—what drives differences and variations in those. With regard to tax revenue—

MR RATTENBURY: You took that on notice earlier.

Mr Pirie: Yes. An overarching comment is that analysis, looking back over time, shows that the tax revenue estimates—own-source taxation—tend to be relatively accurate and unbiased, meaning that we had misses both on the upside and on the downside. That is generally the approach to assessing the quality of tax revenue forecasts. We would have to take the other elements on notice. It might go to things like GST—

Mr Campbell: There would be GST. There are three elements in GST which are very hard for us to have visibility of. There is the national pool, which is based on consumption nationally. Then there is what they call the relativities, which we can only see after the event, from the Commonwealth Grants Commission. Some of those key external variables are very hard to have a handle on. As Mr Pirie was pointing to, some of the own-source revenues are much more able to be forecast within a reasonably tight band, but, when you have commonwealth grants revenue, which can be brought forward quite rapidly or pushed out quite rapidly, that can move the total revenue number quite significantly.

MR COCKS: What I am trying to get to is: does the Treasury track the accuracy of forecast metrics over time and/or report those internally?

Mr Pirie: With regard to the tax lines that we forecast, the own-source tax revenue, we take a keen interest in the accuracy of our forecasts. As part of the updates we do twice a year, we look at refining those forecasts as we need to, to take into account new

information.

MR COCKS: And were any of those variances of a magnitude that, in retrospect, should have been foreseeable at budget review time?

Mr Pirie: I would not want to speculate.

Mr Roberts: We certainly look at the year to date baseline numbers that come through on actuals. We look at the latest economic data coming out of the ABS and we update all information available at that point in time. We use rigorous frameworks. We forecast twice a year, as you know, with the budget and the budget review. At each forecasting round, we review the performance. We look at what we forecast last time and how it is tracking with year-to-date data. There are obviously environmental factors that can push around economic parameters. We take those into consideration. We forecast at a point in time with information known at that point in time. We certainly use very high and rigorous standards and we publish in the budget any updates to those forecasts.

MR COCKS: How do you ensure that those are conservative assumptions?

Mr Roberts: We do not take a conservative—

MR COCKS: It seems that the forecast is for more revenue than we get and lower expenditure than actually happens.

Mr Roberts: There are two parts to that. When you talked about forecasting, you referred back to a previous forecast—actuals that occurred—and you mentioned that there could be a bias in the revenue forecasts. We present a central case. We do not look at having a conservative bias or an optimistic bias in the forecasts. We look at presenting the base case to the government, based on the fundamentals that we have in front of us, and we estimate with performance and the information that we have at the time. There is no built-in bias, so to speak.

MR COCKS: But the trend seems to be that that is where we have landed over time.

Mr Roberts: When we look at the revenue forecasts—own-source and other sources such as GST, which is the area that I am responsible for—and look at those through history and track actuals against forecasts, they tend to go up through time. We had a COVID event, of course, and forecasting during that was very difficult, to see what the future would look like. We got through that. And then we had a census update which improved our revenue. The revenue forecasts are actually very tight, regarding the actuals, and I would not say that there is a particular bias under or over. Again, we present the central case.

Mr Campbell: I need to come back to this point: we are not dealing with a revenue line that is unimpacted by policy change. Going back to the COVID period, one of the policy decisions at the time was to pause increases in a number of rates and charges. That will immediately impact the revenue forecast. Was that foreseeable in a forecasting sense? Absolutely not. It is a combination of parameter change and policy change that we are being assessed against, but we cannot anticipate the policy change unless we are in the budget year and are making the forecast, because we know the policy changes that are

in place.

MS CARRICK: Could I make one comment. It is very hard to forecast, and that is the truth, but, with the overestimating of the revenue and the underestimating of the expenses, on this occasion for 2024-25, it led to a \$543 million difference between the deficit and the outcome of the deficit. That is over half a billion dollars difference, and that wipes out the superannuation return adjustment. The problem is that you will say that we are coming back to surplus in the forward estimates, but we see this over and over, and we do not get back to surplus. We are just highlighting that issue.

Mr Steel: I refer to the information on the Treasury website. There is an explanation of this for the 2024-25 financial year. It explains that the variance is mainly due to commonwealth grants revenue, which was \$156.4 million lower than the budget amount, and land revenue, which was \$81.9 million lower than the budget amount. There were lower than expected commonwealth contributions from the National Health Reform Agreement for the provision of public and community health services. It was \$105.4 million. The shortfall was also due to the timing of capital grant payments for light rail stage 2A under the commonwealth rail investment. Land sales were lower, primarily due to the deferral of some land settlements to the 2025-26 financial year. Each of those issues in the financial year would have been difficult to predict.

MS CARRICK: I appreciate that. The problem is that it happens every year.

Mr Steel: There are also decisions that have been made by the commonwealth, independent of the ACT government. It is about what is in the control of the ACT government as opposed to the broader economy, other governments and other third parties. There is explanation of that. It is hard to anticipate some of those things, but, of course, the Treasury will do what they can with the information they have available to them at the time they make the forecast.

MS CARRICK: I appreciate that, but, as Mr Cocks was saying before about prudent management of the budget, there were surpluses sometimes, then deficit, deficit, deficit, surplus, surplus, deficit, surplus, deficit—a few deficits and a few surpluses; a mixed bag. You could say, “It’s a mixed bag. It’s hard to forecast,” but there are always deficits, and we are getting way into debt.

Mr Steel: We have gone from talking about revenue to the broader budget and expenditure. The government has made deliberate decisions around budget expenditure to support people accessing health services. If you disagree with that, you should say that, but that is the decision that we made, and we have very transparently explained that on many occasions, including through the budget process.

MS CARRICK: We will see how it goes. The opportunity cost of that interest is huge. We want to be able to spend money on services for people and not on interest.

Mr Steel: If that is a question, that interest represents an investment in infrastructure, schools, hospitals and community facilities—

MR COCKS: It is paying for current services.

MS CARRICK: And current services, because the operating costs are being funded by loans.

Mr Steel: that can be delivered now for the community to benefit now and in the future. That is what it represents.

THE CHAIR: We will go to a new substantive question. We are up to Ms Tough.

MS TOUGH: Thank you, Chair. Treasurer, can you provide an update on the latest economic figures and what they say about economic growth and wage growth in the ACT?

Mr Steel: Talking about accurate forecasting, in the budget we forecasted that there would be GSP growth of 3.5 per cent, and just this week we have seen the latest figures come out, showing that growth in the ACT for the last financial year was 3.5 per cent.

MS CARRICK: Congratulations.

Mr Steel: It is the highest of all jurisdictions, and it is the 29th year of continuous economic growth in the territory. By way of comparison, the next highest growth was in Queensland, at 2.2 per cent, and many were much lower than that. That has been driven by a range of factors. There has been growth in the education sector, in health and community services, and also in public sector employment, particularly in the commonwealth. We are seeing a very strong level of growth there. I will hand over to officials to provide some further detail about what is driving the growth.

Mr Pirie: As the Treasurer noted, GSP increased by 3.5 per cent in 2024-5. That is in chain volume terms. That is a measure of actual activity happening in the economy. It is the highest growth rate of all jurisdictions. GSP per capita increased by 2.1 per cent in 2024-5, which was the highest growth rate of all jurisdictions. It is an important metric because it tends to be used to indicate improvements in living standards. The fact that we are seeing that is a really positive sign for the economy. In terms of the industries contributing to GSP growth in 2024-25, public administration and safety contributed strongly. Health care and social assistance also contributed strongly.

In terms of state final demand, which is another important component of GSP, it increased by 4.1 per cent across 2024-25. Again, it is a really strong growth rate, and that was driven by increases in public consumption, public investment and also household consumption. That is supported by strong growth in nominal household disposal income per capita of 6.6 per cent. So we are starting to see the fundamentals coming into play, in terms of recovery in household consumption coming out of the higher interest rate environment following the COVID pandemic. They are really positive signs for the local economy.

Mr Roberts: That is a good segue to wage growth in the ACT. We have seen positive wage growth in both the public and the private sector, and it is growing faster than inflation. There is real income growth for households, so that is very positive to see. We have a very strong economy in the ACT. I would not say that it is cycle-proof, but its cycles are more muted than the rest of Australia, and that certainly is of benefit for the ACT.

MS TOUGH: What was the rate of wage growth?

Mr Pirie: Wage prices increased in total by 3.9 per cent through the year to the September quarter. Private sector wages increased by 3.7 per cent over that same period and public sector wages increased by 4.1 per cent. In comparison to the national numbers, private growth for Australia was 3.2 per cent through the year and public sector wages growth was 3.8 per cent through the year. Looking across jurisdictions, the ACT had the highest growth rate, with the exception of Western Australia, which was sitting at four per cent growth through the year.

MS TOUGH: Wonderful. I know the GSP was the same percentage in the budget as the outcome.

Mr Steel: The estimated outcome.

MS TOUGH: Yes. Was the WPI predicted in the budget?

Mr Pirie: The numbers I just referred to were through the year to the September quarter, which is different to how they were presented in the budget.

MS TOUGH: That makes sense.

Mr Steel: WPI was essentially 3½ per cent in the *Budget outlook*.

Mr Pirie: Tracking with the forecasts.

Mr Steel: And ¾ per cent for 2025-26—so 0.9 per cent ahead of that.

MS TOUGH: Wonderful. Thank you. Speaking of other jurisdictions and nationally, I am curious for an update on the ACT's involvement in the national conversation around productivity and economic reform. Obviously, we are doing well and wages are growing, but how are we fitting in the national conversation around economic reform?

Mr Steel: There has been a discussion between treasurers and also at the first ministers' level about re-enlivening the national competition policy, which has existed for some time. There is currently formalisation of that agreement, and the first tranches are being organised around what the states and territories might be responsible for in delivering under that policy, noting that not all of the actions will be for the states; some of it will be for the commonwealth. A range of things is included within that. There is an interest in supermarket competition and how that can be supported, following the review that was undertaken at the commonwealth level. I am not suggesting we are returning to the days of the Stanhope supermarket policy in its exact detail here, but there is an opportunity to look at the current policy settings, particularly in the planning system, to look at ways that we can encourage competition in that area but also more broadly in the construction sector to support productivity.

This broad national piece of work aligns very well with the work that we are doing locally around the construction productivity agenda to streamline planning and building systems, which will also have the benefit of improving competition here in the territory.

It also aligns with work that we are doing around occupational licensing. One of the aims of this new, refreshed national competition policy is to improve labour market mobility, so we will look at further opportunities in the ACT to do that. We intend to go out for consultation next year around the expansion of occupational licensing, but, at the same time, across the border in New South Wales, where they have more occupations licensed than we do here in the ACT in that sector, they are looking at paring back a few of those. It is good that we are all having the conversation at the same time, so that we can align better and, where there are occupations that are licensed, make sure that there are opportunities to move between jurisdictions to work. In a jurisdiction like ours, where people work across the border, particularly in the construction sector, we want to make sure that there is mobility—basically a borderless economic market. We are working through the details.

A lot of this is also associated with broader planning reform that the government is doing around housing. There have been quite a few inquiries and reviews into the productivity of the construction sector. Zoning reforms are important to improving productivity, because they, in some cases, if they are too restrictive, literally stop economic activity from happening, but they may also discourage competition in the market. We hope that this will see more entrants into the ACT market, delivering things like missing middle housing, for example, which was effectively prohibited in the past.

There is a big focus on commercial activity and construction. There is a piece of work the ACT government will do that aligns with the refresh policy around looking at opportunities in shopping centres—to improve and hopefully renew some shopping centres at the same time—to provide more opportunities for commercial development. We will outline the detail of that and then seek agreement from the commonwealth for those measures, and then they will also provide the opportunity for us to tap into a source of funding we can use to actually deliver some of those reforms.

MS TOUGH: When you say “shopping centres”, do you mean operating shopping centres or also the centres that are derelict and could be shopping centres again, such as at Richardson?

Mr Steel: Existing designated shopping centres in our local group centres and town centres, but there is the potential that it could also include greenfield shopping centres, in terms of looking at what the constraints are. It aligns well with the work that we are trying to do to stimulate activity at the centres and will provide opportunities for potentially more supermarkets. There are restrictions around supermarket sizes. It differs throughout the territory. It was a bone of contention at Coombs some years ago around the size of the supermarket that was permitted under the planning regulations there.

MR COCKS: That is because it was changed the week before.

Mr Steel: We are looking at the constraints that currently exist and whether there might be further opportunities to improve competition. There are a couple of smaller supermarkets there at the moment. And we will learn from the national review that has been undertaken recently. That had a lot of work focused on local planning provisions and the provision of land. The major supermarket chains often, as reported in that piece of work, buy up land and potentially land-bank some of that, which may be detrimental

to competition. Some of those risks are not as prevalent in the ACT because we have a leasehold system and we have the ability to enforce those lease conditions under the Planning Act. We have a unique environment, so the schedule of actions we will be taking under the refreshed national competition policy will be different to other states. There will be discussions between officials to understand what other states are doing, so, if they have some good reforms that they are undertaking, we may seek to adopt those in later tranches. There is also a piece of work under this around the right to repair. That is being progressed under the work, and that has already been a discussion nationally between, I think, responsible ministers for consumer law. There is a bit of work to do across a range of areas, but planning and construction is a big part of it.

MS TOUGH: Thank you.

MS CARRICK: It is great to stimulate activity at the shops. That is terrific. I heard you talk about local planning and provision of land. We often talk about transport and land use planning. When we have those big proposals coming forward, such as by Scentre Group, will the government do transport and land use planning? Will the Southern Gateway actually do land use planning to inform the private sector about land use for the community?

Mr Steel: Obviously there is the existing land use plan, under the Territory Plan, and the district strategy that applies to that area. So there is not an absence of policy, but there is further work to do, noting population growth and the extension of infrastructure like light rail, to look at opportunities to provide more housing, commercial development, mixed use development, in a key area of Canberra that will be better connected and to try to create more sustainable communities. That includes looking at community infrastructure and recreational infrastructure that might be required for the future population, and existing residents as well. That is happening. The CED is undertaking that work on integrated land use and transport planning. We expect to have something around the middle of the year to consult on next year, which would be a draft Southern Gateway planning and design framework that would be somewhat similar to the northern one but very much focused on the context of the Southern Gateway, including the Woden town centre, which already has a range of sites for community facilities, some of which have been developed and some of which have not been. We will identify other opportunities through that process.

Building use planning is flexible. Part of the discussion and review that we will need to undertake under the national competition work is: is it flexible enough? Community facilities can be delivered in commercial zones. In some cases, that has already been the case in some of our town centres, and that is what Scentre Group is proposing to do. We are expecting them to bring forward a major plan amendment. I am not sure what they will bring forward in terms of changing land use zones to support the facilities that they are consulting on with the community, but that would need to be considered in detail. And it would be considered against the district strategy, the Planning Strategy, and, of course, any consultation with the community that is undertaken. They are doing their own private consultation at the moment, but it will have to go through a formal process. The Southern Gateway work will be happening around the middle of next year. There will be quite a bit of consultation around that which might help to inform that work as well.

MS CARRICK: We mentioned earlier the population forecasts and how our population now warrants a 50-metre pool and perhaps an indoor sports stadium. Is the government identifying sites for the future population or are we relying on the commercial sector, like Scentre Group, to identify sites for the community?

Mr Steel: No. I think you had that discussion with the Chief Minister. I was not there for the discussion in an earlier hearing, but, no, we do not rely on them. We have a range of directly government funded and contracted projects underway for community facilities, including the work that will be happening in the future on a new Civic pool, for example. That does not preclude the private sector coming forward with their ideas around delivering community facilities for consideration by government, but those have not yet been considered by government. There is a process around that and we will need to have deliberation about what they are proposing, but at this stage they have not formally come to government around those things. They have, of course, informed us of their plans, but they are undertaking consultation with the community at the moment.

MR COCKS: I want to come back to some of the earlier comments you made around the economic indicators. I am assuming that the data you have quoted so far has been from the economic indicator summary as at 20 November 2025. Is that correct?

Mr Austin: Data I was referring to—

MR COCKS: In particular, things like the GSP and wages. That seems to be the data that is summarised in that economic indicator summary.

Mr Pirie: That is correct—19 November, with a release date of 20 November.

MR COCKS: The GSP data that you were talking about seems fairly old. That is from June. Is that—

Mr Pirie: It was released this week. There is a lag.

Mr Steel: Yes; it was released this week.

MR COCKS: The data that I am looking at in that summary that came out yesterday says it is from June.

Mr Steel: There is a lag in the ABS figures. That would be explained on their website, I would imagine.

Mr Roberts: That is right. It has just been released, but it refers to the period ending in June. GSP is reported only once a year for states, but state final demand comes out quarterly. The missing part is the balancing item. The net trade that we do overseas and with other jurisdictions is the key update.

Mr Campbell: That is the bit that takes time to reconcile.

MR COCKS: A lot of the data in this summary does not, from my reading, look that great for the ACT. Particularly, private sector job vacancies are down 13.1 per cent from the previous period or 12.2 per cent through the year. There is a drop in total job

vacancies by 6.4 per cent in the period and by 1.2 per cent through the year. Public investment seems to have dropped quite significantly. And then you hit the data around building approvals. These building approval numbers seem quite stark. You have residential approvals currently sitting 84.1 per cent lower than the previous period and 54.3 per cent lower than the previous year, and dwelling commencements are down 35.9 per cent year-on-year. Is this the sign of a healthy economy?

Mr Steel: I appreciate you think it is your role to talk down the ACT economy.

MR COCKS: No—my question is: is that a sign of a healthy economy?

Mr Steel: You cherry-picked a few things. At the end of the day, the economy is growing stronger than every other economy in the nation, and that underpins a strong construction and housing sector. We have a growing participation rate in the economy. We are referring to that labour market statistic.

MR COCKS: Are you suggesting that a fall of 84.1 per cent in residential approvals is a sign of a healthy construction sector?

Mr Steel: There was a 0.2 percentage point increase through the year in the participation rate. People participating in work is very good. We have a very strong labour market here in the ACT, and we expect to see improvements in the housing market, not just because we have a strong, growing economy but also because of the reforms that the government is putting in place, particularly around zoning reforms, which have not yet been passed. I encourage everyone to support them when they come forward to the Assembly. They are major reform—the largest in self-government in terms of setting up the Territory Plan to enable new housing. Part of the reason we are seeing a bit of a lull in the commencements and some of the housing market data is that some builders are waiting for some of the reforms to go through in order to then go through the planning process, if required, and start work on building the homes.

Also, a large number of approvals were given some time ago—not within the yearly reporting period—which are yet to flow into commencements. And there were very strong approvals in previous years, and we expect that some of those will move into commencements once capacity in the market allows. What we have seen in the most recent data that has come out is very strong take-up of home loans by first home buyers here in the ACT. It is a very good sign that first home buyers are getting a rung on the housing ladder and are able to participate in owning a home by way of taking out a mortgage. We hope that there will be further opportunities for them as well. And, of course, the population continues to grow, so we think demand will be there in the future to support—

MR COCKS: You have suggested residential approvals are strong on a yearly basis. How does this compare to previous years?

Mr Steel: As I explained, it is outside of the year. There were previous approvals that have not yet flowed into commencements. We expect some of that to flow into commencements in the future, but ultimately market capacity is part of the decision-making that each individual developer will make about whether to commence a development. We expect that the projects that have been approved will move forward

once capacity allows, and they will have to make a decision about that. That is not for government to make. Our role is to provide the policy framework to enable them to build houses; hence our commitment to enabling 30,000 new homes through land release and zoning reform, and that is what we are doing.

MR COCKS: That is why the question is about the difference between the public and the private sector.

THE CHAIR: We will now go to the next substantive question. Mr Cocks, you have a substantive.

MR COCKS: When the Assembly resolved to establish the Select Committee on Estimates, there was a range of additional requirements attached to that resolution, including a requirement to publish 10-year forecasts of specific budget metrics. I think the specific wording is contained in the estimates committee report. Treasurer, when you tabled your government response on 21 October related to that, you have provided no 10-year medium-term projections. Why is that?

Mr Steel: I will hand over to Scott Austin to provide some feedback there, but we responded to the resolution, and we outlined what we intended to do there. Obviously, we have not had the opportunity to have a budget review at this stage. We will be considering those matters as part of that process.

Mr Austin: A lot of work will go into doing those forecasts. As part of the Treasurer's response, he did say that we will be looking at that in the upcoming budget. We are looking at how we can best address that resolution.

MR COCKS: Okay, but the resolution of the Assembly—which the Treasurer did not oppose, I have to say—required those estimates to be published in October. The Treasurer could have taken a motion back to the Assembly to seek an extended time. He has not done so. I am looking for clarification as to why he has chosen not to table those forecasts.

Mr Austin: I do not have the motion in front of me, Mr Cocks, but I think it said either come back with a response to the motion or a reason why it could not be delivered by 21 October.

Mr Steel: Yes, that is right. I responded to the Assembly and provided a reasonable timeframe to undertake that work. I also spoke at the time when the resolution was being passed, in order to provide some context about what we would do.

MR COCKS: Okay.

Mr Steel: I appreciate that you are not acknowledging that, but that is to provide the full context.

MR COCKS: Allow me to read the relevant part of the resolution. It was, "The Treasurer must, where available, by the day of the budget, or otherwise by 17 October." If it was available by the day of the budget; otherwise by 17 October 2025. This was provided after that date, as it stands. It continued, "Publish a medium-term 10-year

forecast of revenue, expenses, the net operating balance, excluding the superannuation return adjustment, and total government debt.” That was not provided, and I would like to understand why the Treasurer did not provide that. Was Treasury not in a position? Did Treasury not provide the necessary information, or did the Treasurer just decide it was an inconvenient number to provide?

Mr Steel: No, it is as per the government response to the resolution, on which I have updated the Assembly. Further work is required by Treasury. It is a substantial amount of work that the Assembly has asked for, and we will be providing that. That was also just one part of the resolution. There were a range of other things that we have delivered—

MR COCKS: Indeed; that is true, but I am focused on what you have not—

THE CHAIR: Let him answer; then you can follow up.

Mr Steel: as soon as possible for the Assembly to consider.

MR COCKS: The question is about the elements that you have not provided and, in particular, these 10-year forecasts. Why did you not bring something back to the Assembly seeking additional time, if you were not in a position to provide—

Mr Steel: I updated the Assembly in response to the resolution, and we will be undertaking that work, but at a later period of time.

MR COCKS: I note, Treasurer, that this resolution was not a “calls on the government to take some action”. This was a resolution that the Treasurer must take an action—a very specific action. You had a considerable amount of time to deliver it. You and the government negotiated to extend the amount of time by the addition of the words “or otherwise by 17 October 2025”. Why did you not go back to the Assembly and seek additional time, if you did not think you were in a position to provide this information?

Mr Steel: Because we provided the Assembly with information about when it would be provided, noting the advice that had been provided from Treasury around the difficulty of providing that in the timeframe.

MR COCKS: That is not publishing a medium-term forecast.

Mr Steel: We are still committed to providing the information, but it will be in the budget review.

MR COCKS: It will be in your own time, not within the time that the Assembly told you that you must deliver it?

Mr Steel: We have undertaken best efforts to be able to get the information required by the resolution. I think Treasury has done a very good job in providing a significant part of that. There is one outstanding matter that we need to provide, and we are committed to doing that.

MR COCKS: Has Treasury provided you with any draft 10-year forecasts?

Mr Steel: Not that I am aware of, no. That work has not been completed.

MR COCKS: Has Treasury commenced work on 10-year forecasts?

Mr Campbell: We have considered what we are required to deliver, but we have not actually finalised forecasts for 10 years at all.

MR COCKS: Have you commenced work on developing those forecasts or just considered what will be necessary?

Mr Campbell: That is the same, in my head, because we need to think about how you would do the forecast in the first place. In order to give some context to this, because I think we are losing a little bit of it, regarding the challenges of pulling it together—

MR COCKS: I think the statement to the Assembly articulates that very well.

Mr Campbell: It does, but it does not understand the consequences of asking for it. There is a substantial body of work that will be required to be undertaken to actually produce them. That is all I am saying.

MR COCKS: I understand, and the question to the Treasurer is: if there was such a substantial body, why did he choose not to? I have heard his response on that, but I will—

Mr Steel: I am not choosing not to provide it; I am still committed to providing it, but I have updated the Assembly. That is why. I have updated the Assembly that we will be doing it, but it will be a later period of time.

MR COCKS: Yes, but you did not seek any additional time from the Assembly, in response to a resolution that says you must—

Mr Steel: We certainly took into account the Assembly resolution and we have provided—

MR COCKS: You took it into account, but you have not complied with it.

Mr Steel: We very transparently provided a response, while noting the realities of the resourcing that Treasury have to be able to undertake the work, which meant it could not be provided in October. It will be provided as part of the budget review, which is a very transparent way to provide the information, and so that it can be published.

MR COCKS: I will ask Treasury: on what date did you provide advice to the Treasurer that it would be difficult to provide this information by the required date?

Mr Campbell: Probably on the same day that it was requested in the resolution.

MR COCKS: Treasurer, given you were told that it would be very difficult to provide that information by that date, why at no time did you seek additional time to comply?

Mr Steel: I will have to go back and check the *Hansard*, but I think I tried to provide context as much as I could on the date of the resolution, that the motion came forward, around the challenges that are anticipated in terms of delivering what is asked for. We will, of course, make best efforts to provide that information on time, but we are committed to getting it here, even though it has not necessarily occurred in October.

In the government's response, part 8(a) of the Assembly resolution called for the publication of the medium-term—10-year—forecast of revenue, and the net operating balance, excluding the superannuation return adjustment, and total government debt. The government carefully explored the options and will provide that information on the fiscal measures. We have committed to do that in the budget, but we will consider that through the budget review process, if we can. The government cautions that—

MR COCKS: “If we can”? That sounds like it is not a commitment to actually do so.

Mr Steel: We have not gone through the process of considering what might be available. We have to look at what Treasury has produced, and the commitment we have made in the government response is that it will be provided as additional information on the key fiscal measures beyond the forward estimates period in the 2026-27 budget.

Mr Campbell: Mr Cocks, can I just confirm, I was just trying to get access to the resolution—

MR COCKS: It is outlined at the start of the estimates report, if you need to find it easily.

Mr Campbell: It says here, under part 8, “The Treasurer must, where available by the day of the budget, or otherwise by 17 October.”

MR COCKS: Yes.

Mr Campbell: It lists items (a) through to (d). Item (e) then references making a statement in the Assembly on the feasibility, cost and the government's plan for reporting the information in (8)(a) to (d). Item (a) is the 10-year forecasts. The statement is about the feasibility and the consideration of the government's plan for doing it.

Mr Steel: We have made that statement—

MR COCKS: Yes, but the resolution applied to each individual point.

Mr Steel: We have made that statement in the Assembly, in accordance with the resolution, that it will be provided in the 2026-27 budget. We will need to consider it, as it comes forward. There may be an opportunity through budget review, if it is complete by then, but we will have to see. It is a substantial body of work, and that has been outlined to the Assembly in the response to the resolution.

MR RATTENBURY: I would like to ask about a few more line items in the consolidated financial report. At page 25, there is a line item of financial assistance grants for local government, which the ACT uniquely gets, given our dual status. It

shows a decline from 2023-24 to 2024-25 of around \$16 million, from \$64 million to \$49 million. Are you able to tell me why we took such a significant decline between those two financial years?

Mr Austin: I think, Mr Rattenbury, that it relates to the fact that the commonwealth often bring forward those payments from the current financial year to the previous financial year. We forecast on the basis that we will see the payments as per the schedule from the commonwealth, but often, in the commonwealth budget, they decide to bring those payments forward.

MR RATTENBURY: That variance, you think, is a particular time shifting—

Mr Austin: Consequence of a commonwealth policy. Yes, shifting it forward, which is something that is often done. But it is not always uniform, as to how much they bring forward, so it is hard to predict.

MR RATTENBURY: On the previous page, page 24, I want to ask about the lease variation charge. It has obviously been a significant topic of policy debate. We see the actuals in 2024-25 are significantly lower than in 2023-24. I cannot remember the budget forecast, but I think the forecast was around \$40 million, and the income was effectively \$13 million. Are you able to tell me why there was such a variation between the two years?

Mr Campbell: They are usually relating to specific large—what do they call them, supernovas? It could be a large project.

Mr Austin: Yes. The lease variation charge, and a discussion around this revenue line, is a very volatile revenue line. As we have talked about, we have very strong, robust frameworks in the ACT Treasury. If any of us were able to forecast a lease variation with any degree of precision, we may not be here. It tends to be the case that it is large mixed-use developments and, as a result of that, that will drive the volatility.

You can see a delay, a movement, in one particular development and it is in the variation of its lease from one financial year to another. You can see a big shift in the revenue we get from it. It is, to some extent, caught up with the property cycle, and that can be both on the price of sites, the value of land and the value uplift that comes from varying a lease, and the number of leases that are being varied.

MR RATTENBURY: Presumably on notice: do you have data on either the number of transactions or the value of each transaction? Obviously, I do not want to ask about individual sites, but is it possible to get a table of the quantum of the transactions? I am interested to understand this: between the two years was there one that was worth \$15 million and blew the figures out, or did we get a whole lot?

Mr Campbell: We will see what is possible. Specifically, because of that issue, if you have got one single large event, and then we come back and say that was the driver of the total, it could identify the taxpayer, and that might be obvious. We will need to consult with the Revenue Commissioner.

MR RATTENBURY: Yes, of course. I have no interest in breaching people's privacy,

but I am interested in understanding the number of transactions and the scale of the transactions.

Mr Campbell: We will see what is possible. We will take it on notice, yes.

Mr Austin: One thing I would note is that the overwhelming majority of the revenue comes from V1, V2 calculations. So there are two ways that this revenue can be recouped through the codified charges, or the V1, V2—that is the large majority of the revenue, and in many instances there can be one or two transactions that drive that, so there could well be taxpayer secrecy issues we will need to consider.

Mr Campbell: We will take that on notice and see what is possible.

MR RATTENBURY: Yes, I appreciate that; thank you.

MS CARRICK: I will just add to that. Could you tell us what comes from the suburbs, RZ1, and then what comes from the town centres, and then what comes from the city—some sort of a break-up like that—so we can see, primarily, where that lease variation charge is coming from?

Mr Campbell: I doubt we collect the data on that basis. The taxpayer reporting will be reporting against their office location.

MS CARRICK: Well, there you go—easy! Office location—that will tell you if it is a town centre, or a city or a RZ1.

Mr Campbell: No, all I am saying is the actual entity themselves—

MS CARRICK: Oh, it could be in Sydney—

Mr Campbell: Yes, it could be, potentially.

MS CARRICK: I can see what you mean, yes.

MR RATTENBURY: Can I now come to page 28 of the reports? I am interested in the line on wages and salaries. It indicates an increase of \$315 million between 2023-24 and 2024-25. There is a note that talks about some of the reasons for that. I guess I am interested in, again, the scale of the increase. Was this anticipated to be this much or did we see unexpected costs in there?

Mr Austin: From memory, Mr Rattenbury, this relates to some of those service delivery costs, so there are schools in there but also health services as well. I think Access Canberra, as well, were part of that. It is, really, frontline staff, from memory, and a little bit of that is in the management discussion as well, and analysis. It is towards the end of the year, and I think the school pressures in particular are something that were emerging towards the end of the financial year.

Mr Steel: I think it is appendix K of the budget that outlines the FTE breakdown.

MR RATTENBURY: Sorry, which page is it?

Mr Steel: I think it is the appendix K of the budget from memory that outlines the detailed breakdown by directorate.

MR RATTENBURY: I will have a further look at that one, thank you. On the same page, there is an expense related to flex time and the note is really interesting. It talks about a substantial increase between 2023-24 and 2024-25. The note talks about a change in calculation. Are you able to talk to me about what that change in calculation methodology was that led to such a substantial increase?

Mr Austin: I am not sure it is a change in methodology, but I think it is recognising those flex time provisions in the EBA, so it is basically picking those up. I do not think it is a change in methodology. Ms Bourke might have a bit more detail on that.

MR RATTENBURY: It says it has been calculated in line with the new whole-of-government policy, so I guess I am interested in what that policy change is.

Mr Austin: I think it is what is in the EBAs—

Mr Campbell: We will take that on notice for OIRWS, but I think that relates to a change in access to flex time for SOGA and SOGB staff, which occurred in that financial year.

Mr Austin: We might take that on notice.

Mr Campbell: I will just check if we have got it at the table though—

Ms Bourke: I can answer that.

Mr Campbell: Go for it.

Ms Bourke: We did introduce an ACT accounting policy in 2024-25. We needed to do some work with an actuary to get some advice on that about how we would actually go about measuring that flex time provision that is in the enterprise agreement, which basically says, “If somebody leaves the service they can be paid out a maximum of one week of flex time.”

So, we have a bunch of enterprise agreements in place, and agencies who are on multiple enterprise agreements with their staffing base, and then we are needing to work out how we would assess which of those FTE and their staffing base were eligible for flex time and how much we should actually measure in the financial statements. The agreed methodology we came up with was that we would apply a shorthand method, which was worked out by an actuary, by an expert, which said, “As a percentage of a workforce for each agency, this is the percentage that would be eligible for flex, and we are going to take a conservative approach and measure that at the maximum of the one week.” So that was actually the change. It was us implementing an accounting policy to say, “This is the measurement basis. We recognise we have got a potential obligation that we need to measure under those enterprise agreements, and this is how we will go about measuring that.” It was bringing that accounting policy into place, backed by the actuary advice, to actually be able to undertake that measurement.

MR RATTENBURY: Terrific; thank you very much. My next question is from page 32. It goes to the grants to non-government schools. Between 2023-24 and 2024-25, it increased from \$362 million to \$391 million. It is an 8 per cent increase, which seems a very substantial increase. Are you able to tell me why it went up such an amount? There has not been a commonwealth agreement, for example, to increase ACT government funding to non-government schools, so what was the nature of those grants that were so substantial?

Mr Austin: That might be one we do need to take on notice, I think, and we will have to talk to Education about that.

MR RATTENBURY: All right; thank you.

Mr Steel: I am not sure whether that picks up the commonwealth funds that we pass through to the schools directly.

MR RATTENBURY: Yes, there may be an explanation there. I am keen to find that out, thank you.

For my next one, I am going backwards to page 26. What we see here are residential housing tenants and rental income. We see a decrease in the income in this space. Housing ACT are increasing their number of properties, slightly, but nonetheless going in one direction, so are you able to tell us, or will you need to take on notice, why Housing has seen a decrease in its rental income in light of an increasing number of properties?

Mr Austin: I suspect we will need to take that on notice, just to give you an exact answer from Housing ACT.

MR RATTENBURY: Okay, thank you.

Ms Bourke: Sorry, was that page 26—a decrease?

MR RATTENBURY: Yes, from 2023-24 to 2024-25. That second line—the table there.

Mr Campbell: So, 14.3 down to 13.3.

Ms Bourke: Yes. That is the general government sector where housing is sitting in “total territory” on the public trading enterprises side, so they are consolidated on the “total territory” on the right, which has gone up slightly from \$108 million to \$114 million.

MR RATTENBURY: You are right, yes.

Ms Bourke: So that would be our general government—our Property Group rent collection would mostly be what is sitting in the general government side.

MR RATTENBURY: Thank you; I appreciate that. My last question. I wanted to ask,

in a quite different space, about ACT government investments. On 26 September, the United Nations Human Rights Office updated their database of businesses involved in Israeli settlements in the occupied West Bank. This is an area that has been raised with the ACT government, about ethical investment policies. The UN Human Rights Office added 68 companies to their list of entities that are considered involved in those settlements and they removed seven. Is the ACT government aware of that update, and how are you acting on it?

Mr Steel: The answer is yes, and the government is currently considering a response to the petitions before the Assembly, which is due in January. The government has not yet been able to consider the response, but we will certainly take into account updates from the United Nations since we last made a decision in relation to our policy on this matter.

Obviously, we already have a new ethical investment framework that is in place that does screen out a number of companies, including some which potentially operate in the occupied territories, and we will need to consider, again, some of the same matters, but also what has changed since that period of time.

I think one of the issues that had come up previously was a concern that the UN may not update their database of companies, and, therefore, would it be an enduring and reliable dataset on which to base investment decisions in the future? Noting that they change over time, depending on what the companies do. We will need to consider and deliberate on that.

I met with some of the community advocates, who have been advocating on this matter and had sponsored the petition, this week and listened to what they had to say. I also acknowledge that I think it was just over the last week or so that HESTA made the decision in relation to this in relation to their investments. They were not the first financial institution to do that, but they were certainly a significant one. We are going to consider the context there, and a range of other matters as well, before we make a decision and report back to the Assembly next year.

MR RATTENBURY: Perfect, thanks Treasurer. Thanks, Chair.

Mr Austin: Chair, in terms of Mr Rattenbury's question about non-government school funding as well, the team has advised me the increase from 2023-24 primarily relates to increased funding associated with the commonwealth government grants in accordance with the Better and Fairer Schools Agreement—Australian Capital Territory bilateral agreement. So it relates to commonwealth funding.

Mr Campbell: So it was a supply through—

MR RATTENBURY: That is essentially a postboxing by the ACT government.

Mr Campbell: That is right, yes.

MR RATTENBURY: Thank you very much.

MS TOUGH: Picking up on what Mr Rattenbury said about LVC earlier, I understand the government is currently looking at reforms in LVC. I am wondering if you could

explain what is currently being explored in that space.

Mr Steel: There are a number of planning reforms that the government is making to support and enable more housing. As part of that there has been quite a lot of work looking at the viability of different types of dwellings being built in different parts of the ACT, to inform that work. Construction costs have gone up. That is a big factor. The cost of construction materials is a big factor. Labour costs are a big one, and labour. There have been skills shortages as well, which have impacted on the ability to construct new homes. But we certainly recognise that taxes and fees and charges are a part of the cost of building. Whilst they may not be a factor in many developments that are viable with them included, for some other developments they may be, which are less viable generally, and are on that sort of edge. There may be an opportunity to look at whether this could incentivise more homes being built sooner.

In the missing middle reforms, there is already an LVC exemption that is in place until 1 July next year. That will expire, and it is timely then to look at it, given that the missing middle reforms are not going to be in place by July—it looks like. Given the maximum timeframe allowable for the committee to undertake their inquiry, it will mean that it potentially gets pushed back until September. In the interim, particularly through the budget process, there is an opportunity to look at what the settings are around missing middle housing from a tax point of view, particularly around LVC.

There is a codified charge already. We have heard that makes it certain and simpler for the sector to understand what the taxes are, but there are different schedules of charges that apply to different types of leases, and that can be often quite complex, particularly for mum-and-dad investors to understand what taxes might be applied to them. And there is probably not a great understanding of the nuances of the different lease arrangements: whether a lease specifies a certain number of dwellings, or whether it does not, and whether adding a new dwelling will lead to a higher charge or not. A simplification of the system, providing more certainty, I think, will be part of the government's consideration there, as well as making sure that it supports a return on investment to encourage that type of build.

In terms of the broader review, we are looking at inclusion rezoning. I released a statement of planning priorities, and part of that is developing an inclusion rezoning policy for the ACT, noting that we currently set aside 15 per cent of land release for community housing, affordable housing and public housing. But over time, that land release is going to dry up. There are only a finite number of blocks to release in the ACT as the city continues to grow and develop, so there is going to have to be another way to enable social housing and public housing to be developed. And as we see precinct-scale development occurring—so, potentially a whole suburb's worth of development occurring—the government's view is that there has to be public housing as part of that, and there has to be some form of affordable housing as part of that. We cannot have suburbs that do not have that element. So you need a lever there—whether that is a strict requirement to provide that for a certain type of development, but also what incentives then attach to that, and the LVC exemption might be part of that as well. We are going to consider that as part of that work.

Then we have seen some large precinct-scale developers coming forward with some proposals for delivering community recreational facilities as part of their developments

and asking government to provide an exemption to LVC to be able to deliver those. There is obviously a very strong framework in place in New South Wales around developer contribution agreements and voluntary developer agreements and the like, both at the state government level and the local government level, so we are going to have a look at what opportunities there are to put a better framework around that to enable government to consider those types of proposals properly and to make sure they are in the public interest. LVC is obviously part of that discussion as well.

Then, more broadly, as we look to streamline planning and development processes as part of our productivity agenda, there is a good alignment there for looking at LVC. For the larger scale developments that would typically have LVC applied through the V1, V2 methodology, that can often be a time-consuming process, both for government and for the proponent, and a costly process to undertake evaluations. And then if they are disputed, there are the ACAT and court processes associated with that and the uncertainty that creates and the delay that creates for new developments to get off the ground.

The sector has said very loud and clear, including at the housing summit yesterday, that they want greater certainty. One potential thing to explore as part of that is greater codification for the larger scale developments, which does not exist at the moment. It does apply to the lower end of the market at the moment but can be refined. There is that opportunity for the larger scale: could we codify the charge for the number of homes being built in a large scale development and would that provide the market with certainty there?

There is a range of different things that we are looking at as part of this, but it is going to be several years worth of work. I have been clear to the sector about that. We are going to prioritise the work so that we can try and align it with the reforms that are going through. The missing middle is probably the first priority there. Then as other reforms go through, and for other decisions that the government needs to make, we will make sure that we have got that work occurring at the right time for the government to be able to provide the right taxation settings to support the outcomes that we want to achieve in relation to housing and social housing, making sure that there are community facilities that the government and the community actually want and need to be delivered in the public interest. We will continue to update the Assembly as we progress, and it may result in some changes to legislation, depending on what the reforms are.

MS TOUGH: Awesome; thank you.

THE CHAIR: Mr Cocks?

MR COCKS: I am looking at the management discussion and analysis on page 6, just so everyone can find the right page. That has a discussion in there of the infrastructure spend for the territory, and there is a paragraph that says:

The outcome of the 2024-25 Program was a total infrastructure spend for the Territory of \$1,264.3 million, or 92 per cent of the total funds available within the Program.

Firstly, congratulations to whoever thought of flipping the numbers so that instead of reporting an eight per cent underspend you reported a 92 per cent spend. But, more

importantly, that eight per cent is still a fairly significant amount below what was forecast to be spent. Could you tell me how much of that unspent \$116 million will now be spent in forward years?

Mr Austin: I suspect we will have to take that on notice, Mr Cocks, because it may have been that the projects were delivered with payment falls into the current financial year, rather than the previous financial year. We will have to take that on notice, I think. I do not have the information in front of me.

MR COCKS: And that is what I am interested in. Maybe, alongside that, if you can tell me how much of that \$116 million is actually committed under contract. I am also very keen to understand what the main reasons were for the eight per cent underspend there.

Mr Austin: It will vary across a lot of projects Mr Cocks, so we will have a look at it—

MR COCKS: So what proportion are, as you described it, where those project payments just landed in—

Mr Austin: The Treasury may not have that information at the moment, because this is the time of year when agencies will then seek to roll that funding across, so we will see what we can provide.

MR COCKS: When is that process completed?

Mr Austin: It starts around now, and it will work through to the budget.

Mr Campbell: It is usually done in the context of the budget into next year.

MR COCKS: The budget update?

Mr Campbell: Sorry, not the update, into the next year's budget—

Mr Austin: The process, yes. It is a part of the process, but it starts now.

Mr Steel: It is important to note, firstly, that the range of projects that have contributed to that are listed in that paper on that page you are referring to. Secondly, that 92 per cent performance, largely driven by Infrastructure Canberra, is a significant improvement, and we have seen over time Infrastructure Canberra being established and proving their ability to deliver the projects they have responsibility for and making sure they can deliver in the financial year that they are allocated the funds. They are doing an excellent job in performing and in being able to make sure they deliver the infrastructure projects. I think it is a model that has worked, and that is clearly why the government has made the decision to provide them with the responsibility for more projects than they had previously been responsible for when it was Major Projects Canberra.

MR COCKS: So it sounds like you can confirm that there has previously been a trend of capital underspends.

Mr Steel: Yes, there has been—worse than that in past years. It has been improving as a result of the government's changes that were made to introduce Infrastructure Canberra to have more responsibility and expertise centrally in government to deliver infrastructure projects.

MR COCKS: Has that \$116 million already been rolled into the current year or any changes from that? We are talking about money that was to be spent in 2024-25. If agencies are still spending that on infrastructure, would that already have been moved to the current budget year?

Mr Austin: Not yet Mr Cocks. That is a process we are talking about that will start now, and we will start getting that information from agencies seeking authority to roll that funding across.

MR COCKS: Why has it taken so long? We are five months now from the end of the financial year, essentially. Why are we only now starting to look at money that would have needed to be rolled over from last financial year to this financial year?

Mr Austin: It is part of our standard process.

Mr Steel: Depending on the project, they would also have budget this financial year to continue with the project that they have authorisation to deliver. The authorisation is just around the transfer of funds which we acquired.

MR COCKS: It is not insignificant money we are talking about, and I would assume that it has an impact on what the budget outcome is going to be. Potentially you have got an extra \$116 million going to land in on top of this year's already forecast deficit.

Mr Austin: This is capital spending; it does not impact the HNOB.

MR COCKS: It impacts the overall amount of money that the government is spending on that.

Mr Austin: Yes, in terms of capital, it does. Yes, that is right.

MR COCKS: And in terms of debt and the interest that the government has to pay on that debt, it is all money that has to be dealt with, and it is \$116 million that was not in the budget for this year that now is. When we are looking at outcomes versus what the budget going forward is, there is an impact, isn't there?

Mr Austin: There will be to the extent that this funding is rolled across, but we are working through that process now. It takes a bit of time to work through that.

MR COCKS: Okay. To what extent does the current capital program depend on further increases in debt?

Mr Steel: We have been clear that the infrastructure program has been funded through debt, and there will be a need to do that for the program in the future. But, also, at the same time, we are forecasting that the budget will return to surplus, which will then enable us to either fund the infrastructure program or pay down our net debt. Part of the

fiscal strategy is that within the next 10 years we expect to pay down the outstanding superannuation liability, which will create room in the budget to be able to do those things as well.

MS CARRICK: I would like to look at expenses by function. There is a beautiful breakdown in the budget papers. There are expenses by function in the consolidated financial statement. I refer to note 40. Is it possible to get a lower level of the outcome? The consolidated financial statement has it at a high level, whereas the budget papers break it down further. So can we have the consolidated financial statements at note 40 broken down as per the budget? It is on page 108.

Ms Bourke: We publish under the Uniform Presentation Framework. All the state and territory governments publish an outcome report each year. It follows our audited statements. That will have that four-digit expense by function detail in it, and that will go up on our website. It is with me for clearance at the moment. It is usually within a month of those statements being audited, and then we desegregate that further.

MS CARRICK: Where do I find that? In the Treasury publications, under “Consolidated financial statements”, you have the consolidated financial statements and the management report, so where is the report that you are—

Ms Bourke: Right down the bottom. It is the very last one. It says, “Uniform Presentation Framework tables”. That will have the disaggregation.

MS CARRICK: Brilliant. Does it provide a variance report? The budget for 2024-25 was around \$9 billion and it ended up being \$9.4 billion. I have my finger on the bottom line; I have not compared them all. Transport was \$512 million and it came in at \$611 million. That is about a \$100 million difference. Do you provide variance reports or variance explanations at the function level?

Ms Bourke: We do not in the breakdown in the Uniform Presentation Framework report. It is simply data and tables. In the consolidated financial statements, if something goes over \$25 million and 10 per cent, which is the threshold we set to footnote a variance explanation, there will be a variance explanation in the statements as a footnote under each note, including the expenses by function.

MS CARRICK: Okay. In note 40, if I go down, transport does not have one, even though it was a \$100 million difference.

Ms Bourke: I think transport is just under our threshold of 10 per cent, which is why it would not have one. But we can provide that on notice.

MS CARRICK: It would be good if you could provide that on notice, as well as what the threshold is, because I have forgotten what you said.

Ms Bourke: Twenty-five million dollars and 10 per cent.

MS CARRICK: This is a \$100 million difference.

Ms Bourke: And 10 per cent.

MS CARRICK: So it has to be “and”, not “and/or”.

Ms Bourke: That is right.

MS CARRICK: Can we make it “and/or”?

Ms Bourke: That would be a lot of variance footnotes and a very cluttered set of statements.

MS CARRICK: A lot of variance. I now want to ask about programs. You report at output level and initiative level. At the output level, how do you know that the money being spent is actually meeting community need? The performance indicators often make it very difficult to work out whether it has met the needs of the community. I am back to programs, basically. Perhaps there could be programs underneath each output. I know that you said that is a big job, but, if there is an output, what are the programs you deliver? There is inclusive, in the community, the community sector, multicultural and a range of other things, but you cannot see what programs are actually being delivered and how they are meeting the needs of the community, if that makes sense.

Mr Steel: We had this very comprehensive discussion in a budget estimates hearing. This is the problem with annual reports being so close to the rest of—

MS CARRICK: I know, but when do we get a bit more transparency about how the money is being spent, and what about the—

Mr Steel: The government responded to the estimates report on this as well, from memory.

MS CARRICK: I think I have the government response here. I will quickly check. I think it is note 15. Anyway, the point is: will you look at it? I do not know how you can tell how you assess what is happening in those outputs and how you know whether you are using the money effectively or it could be reallocated somewhere else, or how you are getting value for money. You probably get more detail than we can see in the annual reports, but it is very hard to see what the needs are, how the money is meeting the needs of people, how you assess it, how you review it and how you tweak it. A typical program would have a little assessment you could tweak.

Mr Campbell: At the end of the day, these are the accountabilities of each of the directors-general—to put in place mechanisms to understand their spending and ensure that the funding, for which they have been provided an appropriation, is going to the right areas. A lot of them will have internal evaluation systems and processes in place. There is probably not an aggregate, centralised response. It is actually by directorate, as to how they are spending in particular areas. As I have said a number of times, it would be a very large exercise and it would divert significant resources of each of the directorates to do it. That is not to say that, at the time, there may be more information. As the Treasurer said before about the whole-of-government expenditure prioritisation unit, the extra analysis that people are undertaking now will provide a better data source for people going forward. That may, in the future—I do not know; I would not want to speculate at this point. It is a multi-year exercise, but it needs a good database to start

from, in terms of bringing it forward in an aggregate sense.

MS CARRICK: Does the Treasury get better visibility over how the money is spent than we can see in the annual reports?

Mr Campbell: We will do that usually through our budget process. When we are evaluating a program or the rollover of an existing program, we will ask a whole suite of questions that we feed into the ERC process. It is not quite programmatic, in the sense that you have a database and you just press a button; we actually have to inquire into it as part of our normal diligence processes.

Mr Steel: Health is probably a special case, because they have quite detailed reporting around activity based funding.

Mr Campbell: That is right.

Mr Steel: Minister Stephen-Smith has talked before publicly, in previous committee hearings, about the bottom-up budgeting work that they are doing, which is an opportunity for other directorates to learn about what they are doing and potentially implement it. But it is a big piece of work. As a small government that has both local and state government functions, and has to use its resources effectively, sometimes there is no strict delineation by program for employees, so they have to work across different parts of the organisation to deliver what we need for the community in an efficient way. That is not to say it is impossible or not useful. It potentially is useful, but it is a large piece of work and it needs to be considered with all the other priorities that we have.

There is the reprioritisation piece of work that Mr Campbell mentioned, which is part of the work that ministers and agencies are looking at as part of delivering against the government's whole-of-government expenditure reform initiative from the budget. We will be looking in a greater level of detail at what directorates are doing within their base, not just for those initiatives but also for what was already funded within their base, before those were brought forward. There will be more granular information coming, but it is not quite ready yet.

MS CARRICK: Maybe you could start with some outputs and say, "Here are a few outputs. We don't feel that we have great visibility over the base of that output funding." Have a pilot of a few outputs.

Mr Steel: Health have piloted a model which I think we can learn from. It is a large piece of work. It is not something that can be done quickly.

MS CARRICK: I know. I do not suggest it should be done quickly, but the fact that you are trying to keep—

Mr Steel: The initiatives are there and, over time, a larger number of initiatives will be tracked. So we are on the transition path already in that sense.

MS CARRICK: But the initiatives are at a much lower level than a program. They are tiny. There are so many of them too. It would be like: "Whoa, you're blowing my

mind!”

Mr Steel: There has been some work with the budget management system to better track and bring together some of those initiatives so that there is a better understanding of grouped—

MS CARRICK: You group them into a program.

Mr Steel: Some of them are quite similar. Yes.

MS CARRICK: Get the base, get the initiatives and group them in a program.

Mr Steel: That is only a recent ICT improvement that has been made. That may enable that kind of thing to be done more easily.

MS CARRICK: If you are trying to keep your expenditure down to 1½ per cent or so per annum, you would have greater visibility of where you can reallocate. That might be handy. As an aside, we get hard copies of the budget and the annual reports. Why don't we get a hard copy of the consolidated financial statements?

Mr Steel: If you would like one, we will consider that.

Ms Bourke: We do not actually get them officially printed. We circulate them electronically to members and publish them online.

Mr Campbell: It is a lot of paper.

Mr Steel: There has generally been a move away from paper across the public service.

MS CARRICK: I appreciate that. I just wondered. So many annual reports appear. On page 72, I think it said something about buying some land at the ANU. Did you buy some land at the ANU?

Mr Steel: We might have to take that one on notice.

Mr Campbell: It relates to the CRA, I think. We can take that on notice.

MS TOUGH: In the annual report, in “Highlights”, it says, “Introduced the Short Term Rental Accommodation Levy Act”. I am wondering how the introduction and implementation of that has gone. Have you had any feedback on the process?

Mr Pirie: That might be one for the revenue commissioner, in terms of the implementation.

Ms Holmes: I have read and understood the privilege statement. Seven organisations have registered for that particular tax. All the systems have been set up, such that, for those who do lodgements, the systems are ready and they are using them.

MS TOUGH: Wonderful. So there are no hiccups and everyone is now used to the system and is using it?

Ms Holmes: I am certainly not aware of any issues to do with the system.

MS TOUGH: Awesome. Thank you. That is all.

MR RATTENBURY: Treasurer, I was keen to ask about the new commonwealth health funding agreement. I saw comments from the Prime Minister last week that indicated that states and territories were expected to find savings in their health budgets as part of the agreement. Have you had any insight into where those negotiations are up to?

Mr Steel: Treasurers have been updated. Minister Stephen-Smith and the Chief Minister have been engaged in those. We have significant demand in our emergency departments that need to be met, and elective surgeries and other treatments also need to be delivered. Those have been growing, and that is the problem that we are trying to articulate to the commonwealth: it needs to be addressed in the next NHRA. The suggestion that we should somehow reduce the level of activity is difficult to understand.

We are continuing the negotiation in good faith. It still has a fair way to go. One of the key issues has been around complex patients who remain in our hospitals and are not being supported back into the community, whether that is through NDIS arrangements or the aged-care system or both. That is an issue that we are currently raising with the commonwealth that needs to be addressed. It is their direct responsibility. The comment has been made that hospitals are the responsibility of the states. That is true, but it is also the responsibility of the commonwealth to fund that. There was an agreement for 45 per cent of that funding to be provided by the commonwealth to the states to support their hospital systems. At the moment, it is far below that, so negotiations will continue on that, together with the linked discussion that they would like to have in relation to Foundational Supports, or Thriving Kids, as they are now terming the program to support children with developmental delay and autism.

MR COCKS: Those comments would seem to imply that the chance of the ACT getting increased funding in the near term is fairly low. If there is no increase, what is the impact on the budget? If I recall correctly, there was some assumption built into the budget forecast that there would be, in time, some sort of increase towards that 45 per cent of the Efficient Price.

Mr Steel: As I said earlier in the hearing, the assumptions were adjusted for the last financial year in relation to the NHRA funding.

MR COCKS: If I recall correctly, there was roughly a 10 per cent increase, but not a change to the trajectory of funding.

Mr Steel: The forecast was adjusted down.

MR COCKS: That is the forecast to—

Mr Steel: For the NHRA—for the future years and what might come from an

agreement. I do not know whether officials want to talk to what is in there, in relation to the forecast for the NHRA. There is some explanation in the budget papers, but probably not to that level of detail.

Mr Campbell: I do not think there is any further detail to state on that. We are right in the middle of the negotiations at the moment. Our expectation is that we will keep going as hard as we can on this one.

Mr Steel: To be fair to the commonwealth, there is \$19.9 billion on the table, so there is substantial funding on the table for the agreement, but that is nowhere what is required to get to 45 per cent, or 42½ per cent by 2030. It is nowhere near.

MR COCKS: Could I be clear: are you negotiating for 45 per cent of the National Efficient Price or 45 per cent of ACT's price?

Mr Steel: A 45 per cent commonwealth contribution rate is the agreement that national cabinet had in 2023—within the next 10 years.

MR COCKS: That is based on the National Efficient Price. Is that right?

Mr Steel: Yes. But there is separate work around the National Efficient Price and what that should be set at. There is also the interaction of the growth caps within the NHRA funding methodology, so it is more complicated than just the Efficient Price and the CCR. There is the soft cap that existed at 6½ per cent and, because all states have seen an unexpected increase in hospital activity, the level reached that 6.5 per cent, so there was no ability to then tap in and share the amounts that they had not used within their own jurisdictions, as there had been in the past, because we are all seeing activity that is higher than 6.5 per cent. That needs to be addressed, and it is a key part of the discussion that is occurring between states and territories and the commonwealth.

MR RATTENBURY: You have spoken a number of times about the growth in hospital demand in other jurisdictions as well as the ACT. We have obviously had quite a few discussions about it. What is your data source for all those other jurisdictions? Is it a table you are able to share with us? What is the place from which you are drawing that comparison?

Mr Campbell: We do not have that in the Treasury. There is a dataset that ACT Health does—

MR RATTENBURY: Are you happy to take it on notice?

Mr Campbell: Yes; we might have to.

MR RATTENBURY: It would be useful to understand, because you have made the reference a number of times. It would be good to know what that point of reference is.

Mr Steel: There is the work that the National Hospital Pricing Authority does as well, but there is quite a bit of collaboration between the states in their engagement with the commonwealth.

MR RATTENBURY: I am sure. Safety in numbers!

Mr Steel: Some states have more capacity than the ACT to undertake some of the modelling work. In some cases, they do some of the work for the territory to understand and compare.

Mr Pirie: It might be worth mentioning the Board of Treasurers work. There was a paper released by the Board of Treasurers. Professor Duckett led that work. That is publicly available and certainly worth looking at.

Mr Steel: They looked at some of the drivers of cost in the healthcare system and the demand that we are seeing, which is a national experience. The secretariats of some of the state based councils have some capacity to do some of that work as well. The Board of Treasurers probably has the most capacity.

MR RATTENBURY: Our hospital expenses are growing very fast, as we have discussed on previous occasions. I think we are now at around 17 per cent of our budget, if you look at the lines in the Local Hospital Network part in our budget. I am interested to understand—and it might be in the answer you will give me—whether there is a place where we can compare the ACT's share of budget expenditure on hospitals to that of other jurisdictions.

Mr Steel: Probably in their budget papers, if you brought them together. I saw recently that Tasmania delivered another budget because they did not get the first one through. I think they had a very similar level of expenditure on health and hospitals—about 33 per cent of the budget. That would be potentially available in the state based budget papers.

Mr Pirie: The AIHW, the Australian Institute of Health and Welfare, has good information on hospital expenditure across jurisdictions.

Mr Steel: The point that small jurisdictions have been making, though, is that the costs here are higher to deliver health care.

MR RATTENBURY: Yes. We had a discussion with the health minister about that, I think last week.

Mr Steel: And we do not have the efficiencies of scale that other jurisdictions have, with larger hospitals, multiple LHNs and multiple hospitals, to manage patients and bulk-buy medical products and all that sort of stuff. The Grattan Institute released a paper this week around opportunities to improve the efficiency of healthcare services. Certainly, there has been a discussion, allied to the NHRA, around the need for those higher costs in small jurisdictions to be recognised by the commonwealth in their funding arrangements under the NHRA, particularly through a small jurisdiction's Efficient Price—effectively loading to make sure that we are properly funded for the actual cost of the delivery of services, which the National Efficient Price does not necessarily take into account.

MR RATTENBURY: Going back to commonwealth negotiations, in correspondence that we had with the assistant minister for the Treasury, Minister Leigh, at the federal

level, he indicated that the commonwealth government hoped to finalise negotiations by the end of this year. I suspect last week's announcement may have changed that. Do you have any indication of whether the commonwealth has a goal or a timeline for completing this agreement?

Mr Steel: I do not have the steer, but I know that ministers are meeting very late in December to try to hash it out. There are active negotiations happening and there will be, right to the end of December, to try to progress our work on this. This is a priority for the states and territories and the commonwealth, in relation to getting a deal on the NDIS and Thriving Kids.

MR RATTENBURY: Thanks.

MR COCKS: Those comments, do they make it easier to navigate the negotiations that are currently going on? Is it usual to have that sort of comment while this type of negotiation is still underway?

Mr Steel: What comment in particular? Are you talking about the Prime Minister's comment?

MR COCKS: Around state health ministers; states needing to rein in their health spending.

Mr Steel: It is a robust discussion. States and territories have been having a public discussion as well, about some of the commonwealth's responsibilities which I mentioned—around supporting complex patients who are in our hospital systems only for the reason that they do not have an aged care place or cannot be supported in the community through the NDIS.

Yes, some of those conversations will play out publicly. A lot of those conversations will happen in the room. I think the commonwealth has done a really good job of communicating publicly about the pressure that they are facing in relation to the NDIS.

I do not think it is as well known in the public domain about the pressures that state and territories face in our hospital systems. I think one of the reasons that the Board of Treasurers put out that piece of research, led by Stephen Duckett, is because we wanted the public to be able to gain a better understanding of what is actually happening in our hospital systems, and the demand in costs that we are facing and that do need to be addressed by the commonwealth in this negotiation.

Yes, there will be public commentary. Minister Stephen-Smith has made some public commentary over the last week. She is involved heavily in those negotiations. I think it is a good thing that we are discussing the demands and costs in our healthcare system, because it is the biggest pressure that we face in our budget. It is the biggest risk that we face in ongoing budgeting in the territory. It affects everything else in the budget as well, because if we are having to spend 33 per cent, increasing over time, on health care, it means that there is a smaller amount of room to be able to fund other services and infrastructure that the community needs in so many other areas.

We do need to address this as a nation, and it is a good thing to have a conversation

about it. We, of course, recognise that there are always things we can do to improve the efficiency of our hospital systems and health systems. We have a review underway that is looking into this, that we funded in the budget ourselves, to improve the efficiency of our hospital systems. But the commonwealth also needs to contribute to the cost of delivering those healthcare services. At the moment, they are not to the level that they agreed to in their commitment to national cabinet.

MR COCKS: I guess what I am concerned about is that we are 18 years on from Labor's famous promise to end the blame game on health funding and, if you look at this discussion and the negotiations playing out in the context of these points being made publicly, it seems like the blame game is alive and well.

Mr Steel: I think there is always going to be discussion and negotiation in relation to an agreement of this size. It is in the commonwealth's interest to come to the table with the states and territories who, at the end of the day, are fundamental to delivering direct services to the community—particularly in the area that they would like us to, around supporting children with developmental delay and children on the autism spectrum.

I think there is a negotiation that has been respectful thus far. There has been an offer that has been put on the table. There is further work to do on that. And I think it is important the community understands what is happening in the negotiation, and what is happening in relation to our hospitals. And state and territory ministers—I think New South Wales minister has probably been one of the most active—having that discussion and advocacy. I think that is a good thing, so that people understand the gravity of this discussion with the commonwealth, just as they have been discussing the pressures on the NDIS now for a number of years.

THE CHAIR: We have got about 20 minutes left. Do any of our committee members or visiting members have substantives?

MS CARRICK: I was just wanting to go back to note 40, on transport. Why would the total territory be lower than the general government sector? It is the same for a couple of other ones too, so maybe it is a general thing. For public order, the total territory is just a little bit under.

Mr Austin: It relates to transfers before—obviously between the two sectors. I do not know if Ms Bourke has specific information on transport but—

MS CARRICK: I am comparing the 2024-25 actual for the general government sector and the total territory. I would have thought the total territory would have been a bigger number, because you have got more; you have got the PNFCs in there. So why it would be smaller?

Ms Bourke: I do not have it in front of me but off the top of my head, on the general government side, we do have the light rail stage 2A project sitting in the general government sector at the moment. So that is contributing to general government expenses, under that service concession arrangement that is currently recognised in the GGS, which will transfer across to the PTE at a later date. That could be one of the drivers. And on the general government side, we have got the service purchase payment that is an on-pass from the general government sector to Transport Canberra operations

as well. It is an on-pass of appropriation which funds a lot of the expenses on the PNFC side. So that is mainly what is sitting in the general government expenses. Then the light rail stage 2A service concession arrangement is sitting in the general government sector, so there is an expense on that.

MS CARRICK: But why would that not roll into the total territory and be a part of that number as well?

Ms Bourke: It is part of that number as well.

MS CARRICK: It is the functional split: transport, and a couple of other ones, for example, health is a very small drop; economic affairs, again another small one; and public order, another very small one. I am not questioning the materiality of the drop, just why the total territory would not be bigger than the general government sector.

Ms Bourke: I will take that detail on notice.

MS CARRICK: Thank you. When you clear the document and it becomes part of the Treasury publications, will it also do the table below, about the assets by function?

Ms Bourke: No. Assets by function are only ever published at that two-digit, higher level. There is no requirement in the Uniform Presentation Framework to disaggregate those any further. It is only on the expenses.

MS CARRICK: And I assume that the number is so huge for transport because that is all the valuation of the roads?

Ms Bourke: Yes.

MS CARRICK: Thank you. I was wondering about the wellbeing framework. It is all through the budget, but there does not appear to be any reporting of it in the consolidated financial statements. Do you have another report that goes on Treasury publications that shows some outcome of the wellbeing framework?

Ms Bourke: Not in the consolidated financial statements.

Mr Campbell: I think it would go there as reporting on the wellbeing framework.

Mr Austin: It does not sit with us. It sits with Policy and Cabinet Division, the wellbeing framework.

MR RATTENBURY: We covered it yesterday.

MS CARRICK: But is there some report about the outcomes? Because in the budget papers everything is allocated in the measures to a wellbeing framework category. I think the rate rings also are done by the wellbeing framework categories.

Mr Austin: They are done by service expense categories, not so much wellbeing categories.

MS CARRICK: So that is just another set of categories, is it?

Mr Austin: The wellbeing framework? Yes. It is not the same as the—

MS CARRICK: No, well, you have got the rate ring categories, the functions, the wellbeing, just the normal old expenses. There is a whole range of expenses. Which expense are you talking about?

Mr Austin: Well, I guess the wellbeing framework is intended to be broader. It covers ultimate outcomes that relate to wellbeing. The functional categories go to purpose of funding rather than the ultimate outcome.

MS CARRICK: So, do the wellbeing numbers add up to the numbers in the outcome? Like, are the expenses by function the same as the normal revenue and expenses?

Mr Austin: No, because you will find that some initiatives have multiple wellbeing outcomes attached to them. So, if you add them up you get to more than the total expense.

MS CARRICK: Okay. They are in the budget; is there any reporting of that?

Mr Austin: The outcomes from the initiatives?

MS CARRICK: Yes.

Mr Austin: Other than what the directorate has put out to the annual reports or questioning through estimates processes, no. There is some general work, I think, that the wellbeing team are doing on wellbeing indicators in general, but not specific to the initiatives.

MS CARRICK: Okay. And, as just Joe Public living out in the suburbs, how do I know how that wellbeing framework is being applied, and is benefiting me?

Mr Austin: There is a lot of information on the website, I think, in terms of what the wellbeing framework is. We talk a bit about it in the budget outlook. But the main document would be the budget documents, and we pick up on the wellbeing indicators.

Mr Steel: There is a wellbeing statement that is published with the budget, which outlines the initiatives and how they contribute to wellbeing. In the budget outlook itself, each initiative will have some description around wellbeing and the sub-domains—or the domains—under the wellbeing framework, and how it contributes to them. Obviously, each initiative may contribute to multiple domains, and those are listed in there. Though, it is at a relatively high level. It is a decision-making tool, though, for ministers when considering initiatives in the budget process. It informs budget business cases and helps us to make decisions about where to prioritise investment. Then it is published in the budget.

MS CARRICK: What about the planning framework? Do the wellbeing indicators inform planning? For example, a 25 to 50 metre pool, how did the wellbeing framework apply to that decision?

Mr Steel: It is informing budgeting. We are talking about expenditure decisions in the budget that it would apply to. So, a budget business case would be requesting funding.

MS CARRICK: And they would mention the wellbeing indicator.

Mr Steel: If there was funding associated with the development of a new recreational facility then that would contribute potentially to a certain domain, potentially multiple domains.

MS CARRICK: And is that not that a no-brainer, that these things are contributing to wellbeing—either recreational or economic or social? Is it expensive to maintain the wellbeing framework?

Mr Steel: There is a team in CMTEDD that undertakes that work. Ultimately it is another tool that we use to help to make decisions. There is obviously a range of different things that we will need to consider in making decisions about budget initiatives. We have got commitments that we made at the election to the community, which are obviously a key. We need to consider whether we are delivering our election commitments. We need to consider whether we are meeting our obligations under other agreements, including with the commonwealth. In Closing the Gap, the wellbeing framework does include a focus on investment in the Aboriginal and Torres Strait Islander community. So, all of that will need to be considered.

Also do the consult is about to kick off again. Well, it is ongoing, but the rounds of consultation with the community will start ahead of the budget, to get an understanding of what things they think we need to address—whether it is community sector organisations or broader members of the public. That will also help to inform decision-making.

MS CARRICK: How many staff are there in the wellbeing framework team?

Mr Steel: That is not in my portfolio of responsibility. I am happy to take that on notice for the Chief Minister to come back.

MS CARRICK: Thank you. Regarding that wellbeing framework, it will tell you which part of the framework or budget measure benefits, or that it belongs to, but how does that help you prioritise?

Mr Steel: It is deeper than that. CMTEDD generally, as a central agency, will comment on budget business cases. Treasury will comment on pretty much all of them, but CMTEDD may play a role. There is a greater role being developed for the wellbeing team in that regard, for future processes.

Mr Austin: Every budget business case has a wellbeing impact assessment attached to it, which is meant to get the policy owners to dig a bit deeper into the wellbeing impact assessments, to undertake the proper consultation and indicate how they are going to measure success in the proposal. So, it is a formal part of the budget assessment process for business cases.

MS CARRICK: Fair enough. I can understand the theory of it. I just fail to see the actual reality there, when there are ways of determining what the gaps are in the needs of the community. I do not really see how they do it.

Mr Steel: Some proposals come forward that do not necessarily have a strong basis in terms of the wellbeing framework. That is very clear to ministers when they need to consider it. It may have other reasons and rationale, but—

MS CARRICK: Can we see them?

Mr Steel: I am not commenting on a particular proposal. There might be other considerations as to why that proposal needs to be considered. But it helps as just another decision-making tool, to understand what the priorities should be considered in the budget.

One of the indicators that is tracked is around Aboriginal and Torres Strait Islanders. If it does not support that community, it will be red. That will really clearly indicate that it is not going to have that focus.

MR RATTENBURY: My question goes to page 57 of the annual financial statements. It is about property, plant and equipment values. At the bottom half of that page, there is a table for 2023-24. It has fair value at the beginning of the reporting period, and then fair value at the end of the reporting period. It increases from \$570 million to \$3.3 billion across the course of the year. And there is a particular line there that talks about transfers from level two. Essentially, the value there goes up to \$2.5 billion. It essentially goes up six-fold across the year. I am very keen to understand—

Ms Bourke: That particular disclosure is a breakdown of the property, plant and equipment that is valued under level three of the hierarchy, which means there is a range of unobservable inputs in coming up with that value.

The main reason for that large change is our “land under roads” property, plant and equipment. It is classified as land in the consolidated financial statements, and we transferred that between level two and three in terms of where the valuation was sitting. It does not affect the total value of property, plant and equipment. It is just the category—level two versus level three—of how the valuation is undertaken.

MR RATTENBURY: That was my next question. So, where does this then appear in the consolidated budget papers? What impact does it have on the HNOB and those sorts of things?

Ms Bourke: It is still part of total property, plant and equipment under non-produced assets. We are just disaggregating that property, plant and equipment into the fair value methods that are used to value the assets, under the hierarchy disclosures that we have to make in those statements.

MR RATTENBURY: Thank you. Does that mean it comes off somewhere else? If it has been transferred from one category to the other, where is the “off” for this “on”?

Ms Bourke: It is just off level two in terms of the disaggregation of the total. On page

55, where it has got the values under the different classifications, it has switched between level two and level three on that “land” line there. There are other things in there as well, as part of that total.

MR RATTENBURY: Thank you. Similarly, further across the table on page 57, under “infrastructure assets”, there is around \$1.8 billion movement there under “revaluation permits”. Are you able to explain that one to me?

Ms Bourke: That is the triannual revaluation of the Transport Canberra and City Services assets.

MR RATTENBURY: What are those assets?

Ms Bourke: For example, roads, footpaths, infrastructure, cost of labour, materials. That is why the fair value has gone up so much.

MR RATTENBURY: That is a big increase in our assets.

Ms Bourke: Yes, it is. It is a revaluation.

MR RATTENBURY: It is about one fifth, or thereabouts. How do our assets go up one-fifth in three years; 20 per cent?

Ms Bourke: It just comes down to the cost of labour and materials; to assess the replacement cost of the asset, which is how we undertake fair value. That is just done every once every three years under the accounting policy.

MR RATTENBURY: Thank you. And, again, this one does not impact the bottom-line figures, it just sits in this part of the budget?

Ms Bourke: It sits in the balance sheet, so it will increase our total assets; property, plant and equipment. It will increase our asset revaluation reserves in net worth, as well. It is all on the balance sheet.

MR RATTENBURY: Thank you.

THE CHAIR: Yes, I will open it up to the table for any further questions. Then we will let you off the hook.

MR COCKS: This is mostly just an area I am interested in. Large-scale generation certificates: large-scale feed-in tariff arrangements require the transfer of LGCs, and then the financial impact of those arrangements depends on the LGC prices and market conditions. There seems to have been a very significant drop there, from \$46.50 to \$16.50. Pages 32, 60 and 122 of the financial statement had references. I think page 122 has the actual price change. What assumptions do you have around the electricity prices and LGC prices that underpin the valuation of those large-scale renewable feed-in tariff commitments?

Mr Campbell: I would have to take that on notice, I think. We will have to check with a different financial area.

Mr Austin: It would come from the environment directorate. It would not come from us.

MR RATTENBURY: It is essentially a value on the market of the LGCs.

Ms Bourke: It is a spot price.

MR COCKS: I understand. I am just wondering whether Treasury has looked at the impact of those market fluctuations. It seems like it is something that may have potential for a bit of volatility.

Mr Austin: Yes, but I think it is both an expense and a revenue, which cancels each other out. So, in net terms there is no effect. We can take on notice how those prices are determined. I think we would get that information from the City and Environment Directorate.

MR COCKS: That is fine. I take your point about it being on and off, but are there any financial risks that are associated with those certificates?

Mr Austin: We can take that on notice.

MR COCKS: Thank you.

MS CARRICK: My last couple of questions are about super. You have the big super liability, and you are trying to build up the investment so it offsets the liability. Is that right? What investment is it that you offset the liability with? What asset are you trying to build up to offset the liability?

Mr Campbell: We might ask if Mr McAuliffe wants to come to the table. I mean, these are groups of investments that we are making.

Ms Bourke: In terms of the consolidated financial statements—it will be page 3, off the top of my head, on the balance sheet—in the investments line items is where the asset side is sitting, that is going towards that superannuation liability. That includes the superannuation investments, and also the territory's investments are part of that line.

MS CARRICK: Sorry, say that again. That investment line of \$7.5 billion, is that—?

Ms Bourke: That includes the superannuation investments.

MS CARRICK: Can you say how much of that is the amount you are trying to build up to pay the liability off?

Mr McAuliffe: Probably a better way of looking at that is to have a look at the superannuation provision account, and your financial statements. Again, they are published as part of the CMTEDD annual report. If you go to those, what you will see in there is that the total financial investment assets at 30 June 2025 were \$6.554 billion. And they are building up to offset the liability, which is in the order of \$10.7 billion. If you go to the territory banking account financial statements as well, they have got the

detailed breakdown of all the underlying investments that we have got built up for that.

MS CARRICK: Because it talks about net debt, you know, excluding superannuation—and I always wonder, “What is the net?” What are you netting? Like, you have got the borrowings here, the debt, and then you have got what? What is being offset to make the net? If that makes sense.

Mr McAuliffe: Well, that is probably a different question. But in terms of the funding plan for the super liability, we have got the financial investment assets and we offset those against the liability. And we are trying to build that up to 100 per cent, in the early 2030s. On the balance sheet, there are a number of other different reporting measures that could get completed. I will let Natasha go through those.

MS CARRICK: Would it be possible to take on notice, because we are out of time really. With the net debt, what is the liability? And what is the asset that is offsetting to make the net? The same with the super. In what part of the balance sheet do you see it?

Ms Bourke: If you go to the glossary, which is right at the back of the financial statements, there is a definition of net debt there, which picks up the line items from the balance sheet that make part of that measure. The super liability is not part of the net debt, which is the reason why we exclude those superannuation-related investments, so that we do not over-inflate our measure of net debt.

MS CARRICK: I am keen to know the net debt. If it is buried in a line item, you sort of cannot see it. And what bit is being offset? How do you get to the net? And then with the super, you have the liability and then there is some other thing that is building up in there on the balance sheet to try to pay that liability, but I cannot see that either. So, if you could take that on notice, those two things and where I see them in the balance sheet.

Ms Bourke: Yes, I can.

MS CARRICK: Thank you.

THE CHAIR: And on that note, we have certainly left the most interesting annual reports session to last, I think. On behalf of the committee and our visiting members, we thank the Treasurer and officials for coming along.

There have been many questions taken on notice and I know the directorate are going to be very busy answering those questions, so please provide them back to the secretariat within five business days of receiving the uncorrected proof. Any visiting MLAs that would like to put any questions on notice, please do so and put them on the parliamentary portal no later than five days from today.

The committee would like to thank Broadcasting and Hansard for the amazing work that you have done and, of course, our committee secretariat has done an amazing job. This meeting is now adjourned.

The meeting adjourned at 5.17 pm

