Submission Cover Sheet

Inquiry into the Fiscal Sustainability of the ACT

Submission number: 018

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Select Committee on the Fiscal Sustainability of the ACT
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19 February 2026

Dear Committee,

RE: Inquiry into the Fiscal Sustainability of the ACT

This submission was coordinated by the ACT Council of Social Service (ACTCOSS) and represents the collective views of multiple community organisations, listed at the conclusion of this submission. We appreciate the opportunity to contribute to the *Inquiry into the Fiscal Sustainability of the ACT.*

This inquiry goes directly to the question of what principles govern spending and revenue decisions in the Territory which directly impacts both community organisations and the people we serve. The ACT is in an unsustainable budget position due to a high level of public debt combined with limited means to raise further own-source revenue. While the Government and this committee ought to explore revenue opportunities, recovery of the budget position will likely require changes in expenditure. It is critical that these changes do not overly burden those who can least afford to pay and do not cut the services that allow our community to survive and thrive.

In order to avoid austerity, the Government needs to find ways to be more efficient in the way it administers and delivers services. We therefore pay particular attention to systemic issues impacting the *efficiency* of government spending and service delivery that are also driving poorer outcomes for people experiencing disadvantage.

In this submission, we argue the ACT's fiscal sustainability must be pursued through a wellbeing lens: making decisions that protect and improve quality of life now, while reducing long-term demand for crisis services and cost pressures over time. The ACT Wellbeing Framework was created to broaden the way progress is measured and to focus decision-making on what the community values - not economic growth alone - including improving outcomes for people experiencing lower levels of wellbeing.

We support the Wellbeing Framework as the right direction for the Territory, but its effectiveness depends on full implementation - rather than a publication of indicators. In practice, the Framework must be embedded in the machinery of government: a clear outcomes framework and program logic; consistent alignment across strategies; and transparent links between wellbeing objectives, budget choices and public reporting.

Across this submission, we argue that fiscal sustainability should be assessed and advanced through decision-making principles of:

- **Transparency,**
- **Prevention, and**
- **Accountability.**

This would ensure public investment is demonstrably linked to wellbeing outcomes, especially for communities facing persistent barriers to inclusion and participation.[1] It would also ensure that the ACT is making decisions that

[1] [weall.org]; [treasury.gov.au]

focus on long-term investment in the Canberra community with a view to preventing disadvantage and costs down the line.

In the first part of the submission, we provide a brief introduction to the fiscal position of the ACT as we view it, outlining the current state of spending and challenges moving forward. We then introduce guiding principles for fiscal policy through discussion of the effectiveness of the Wellbeing Framework. The submission proceeds by outlining three areas impacting the efficiency of expenditure in the ACT, including:

- Service delivery: commissioning and contract administration,
- Non-government voices and fiscal decision-making, and
- Commonwealth funding.

These are systemic issues driving poor efficiency at the expense of service quality and the ability to pay down the territory debt that would be ameliorated through more effective implementation of the Wellbeing Framework.

We thank the Committee for the opportunity to present our views and recommendations.

Recommendations

Recommendations for ‘4e review the costs associated with managing and delivering government services’

- **Strengthen planning across Government and commissioned services**
  Where a short-term contract (<2 years) is proposed for a piece of work, a rationale must be provided by the commissioning area to justify the length of contract. This needs to address what happens to the focus area of the piece of work after the contract concludes and analysis of the benefits/costs of a longer contract. If the contract is addressing a long-term need, the contract length should be longer.
- **Strengthen accountability across Government and commissioned services**
  Develop consistent, fit-for-purpose reporting expectations and data access arrangements that allow both Government and community sector to demonstrate contribution to wellbeing outcomes (rather than uneven accountability burdens). This should include consistent reporting requirements on all Government-funded services, whether in-sourced or commissioned.

Recommendations for ‘4g. assess the effectiveness of the Wellbeing Framework at delivering on its intended objectives’

- **Use wellbeing evidence to prioritise prevention and community-based investment**
  This would reduce long-run fiscal pressure and improving equity in outcomes - consistent with the Framework’s long-term intent.
- **Align strategies and reporting to wellbeing outcomes**
  Ensure major strategies and directorate plans are explicitly aligned to the Wellbeing Framework, with measurable targets and evaluation plans so progress can be tracked and compared over time.
- **Embed wellbeing into budget and fiscal decision-making (with transparency)**
  Introduce a consistent requirement (in budget papers and Cabinet processes) to demonstrate how wellbeing objectives guided investment choices and publish that rationale in accessible form. We suggest this ought to be consistent with the intent reflected in New Zealand’s public finance approach.
- **Adopt a clear Outcomes Framework and Program Logic**
  Define outcomes and causal pathways that connect policy initiatives and service investments to measurable change in wellbeing domains and priority indicators. This should apply to both in-sourced and commissioned services and incentivise investment across directorates (e.g. investment in community social services for better health outcomes).

Recommendations for ‘4h. any other matter related to the financial management of the ACT’

- **Establish a Portfolio Budget Office (PBO)**
  As with the Commonwealth, the ACT PBO would be responsible for costings by non-Government parliamentarians, publishing budget data and formalisation and publication of the budget process.
- **Better monitoring of Commonwealth Funding Opportunities**
  Establish a function in CMTEDD to monitor Commonwealth funding opportunities and ensure they are taken up by the ACT Government.
- **Develop guidance and support for community input to the budget**
  Work with the community sector to develop a submission template, written guidance and support for members of the public, businesses and the community sector to more effectively and transparently contribute to the budget.

1 – Fiscal position and sustainability of the ACT

This inquiry was established because of the growth in ACT Government debt and its potential impact on the budget. The ACT has not recorded a budget surplus since 2011-12 and has now recorded 14 consecutive deficits (including 2025–26 forecast) — the longest run of any Australian jurisdiction.[2] Budget deficits are not necessarily a problem unless the cost of servicing that debt starts to seriously impinge on the capacity to spend or cannot be recovered through increased revenue as is the case in the ACT. Net debt (excluding superannuation investments) has risen from $1.7 billion to $11 billion in the past 10 years in the ACT — projected to reach $13.6 billion by 2028-29.[3] Interest costs are rising sharply — from $629 million in the 2025-26 financial year to a projected $974 million by 2028.[4] The growing imbalance in the budget bottom line has resulted in the recent downgrading of the ACT's credit rating from AA+ to AA by the international credit rating agency, S&P Global Ratings, further increasing the ongoing cost of interest repayments.

Beyond the headline figures, we can see that from 2018-19 to 2024-25, expenditure grew faster than revenue, with overall annual budget expenditure increasing by approx. $3.79b in that span, notably:

- Annual health spending grew by 76 per cent (up $1.2b),
- Education by 47 per cent (up $0.6b),
- General public services by 61 per cent (up $0.73b), and
- Infrastructure by 92 per cent (up $0.69b).[5]

These four categories alone account for an increase in annual spending of $3.22b, or about 85 per cent of the increase in budget expenditure. While much of this may be attributable to inflation and the pressures of COVID-19, a considerable proportion of this increase is the result of policy choices and decisions.

The rising debt figure is particularly problematic in the ACT-context because the territory has lower revenue-capacity relative to other jurisdictions as two of the largest forms of own-source revenue are less applicable in the ACT: mining royalties and payroll tax. The former is reliant on natural resources, while income from payroll tax is lower because one of the largest employers in the ACT, the Commonwealth, is exempt. Thus, despite having one of the most progressive taxation systems in the country, only 34 per cent of ACT revenue is own-source, well below most other states and territories. The ACT does not have obvious means for substantially increasing own-source revenue within the current taxation structure beyond continuing to increase rates. The Government has been proactive in recent years already in finding new avenues to increase revenue where they can, including increases to the ambulance levy, land tax and payroll tax.

In the absence of further clear options for increasing revenue, we anticipate any pathway towards managing debt and interest payments will include better managing expenditure. As we argue in this submission, there are many places where the ACT Government might manage existing resources more efficiently.

[2] ABS (2025) Government Finance Statistics, Annual.
[3] ACT Government (2017) 2017-18 Budget Paper no. 3, Table 2.2.1: General Government Sector headline net operating balance, 2016-17 Est. outcome, pg 32.
[4] ACT Government (2025) 2025-26 Budget Outlook pg 164.
[5] All figures based on rounded budget actuals drawn from the ACT Budget Outlook 2018-19 through 2025-26.

2 - Guiding Principles for Fiscal Policy Reform: The Wellbeing Framework

Fiscal policy, broadly defined, is the Government's approach to taxation and spending. It is about the accumulation and distribution of community resources. This is not merely an accounting exercise, but rather an expression of the particular values and priorities of the community. We think those values are already well articulated through the Government's own Wellbeing Framework. However, to be more effective, the Framework needs to be more systematically embedded in the way Government makes decisions, especially in the way it chooses to spend.

2.1 – Assessing the effectiveness of the Wellbeing Framework at delivering on its intended objectives

A central challenge for this Inquiry is that **the ACT Wellbeing Framework cannot be meaningfully assessed for "effectiveness" if it is not consistently embedded in decision-making, budgeting, evaluation and reporting.** While the Framework sets out a clear intent - to guide decisions using measures of quality of life and to lift outcomes, particularly for those with lower wellbeing - the evidence base for effectiveness depends on implementation maturity.[6]

We recommend the Committee consider this term, implementation maturity, across two questions:

- *Is the Wellbeing Framework being implemented as an operating decision framework?*
- *If not, what reforms are required before its effectiveness can be fairly judged?*

What the Framework is intended to do (and what effectiveness *could* look like)

The ACT Wellbeing Framework was designed to "measure what matters" so the ACT can focus decision-making on quality of life and the factors that sustain it over time. The Government has also described wellbeing as guiding decisions that balance immediate needs with long-term considerations and equity.

If the Framework were effective in delivering on its objectives, we would expect to observe:

- **Clear lines of sight** from budget investments → targeted wellbeing domains → measurable indicators and distributional impacts (who benefits, who is left behind).
- **Transparent trade-offs**: where government explains how wellbeing evidence shaped choices, including across directorates, not just that wellbeing is referenced.
- **Cross-government alignment**, where strategies, directorate plans and service reforms are coherently tied to shared wellbeing outcomes (rather than operating in silos).
- **Accountability systems** that apply consistently across government and commissioned/funded services, with fit-for-purpose data access and reporting requirements.[7]

[6] [gov.scot]; [carersact.org.au]
[7] [weall.org]; [weall.org]

The gap: why the Framework's effectiveness is currently constrained

From a community sector perspective, there is a key gap in that the Framework has not yet been consistently operationalised as:

- an **outcomes framework**,
- a **program logic and evaluation framework**, and, critically,
- a **budget and investment decision framework** tied to wellbeing outcomes.[8]

Where wellbeing is used primarily as narrative framing - without explicit links between spending decisions and measurable wellbeing outcomes - it becomes difficult for the community, the sector, or the Assembly to determine whether the Framework is genuinely shaping priorities and investment.[9]

Why this matters for fiscal sustainability

A wellbeing approach is not "nice to have" - it is a fiscal strategy. The Framework is explicitly about sustaining and improving quality of life over time. If implemented properly, it should support a shift toward investments that reduce downstream demand, through prevention and early intervention, rather than entrenching high-cost crisis responses.[10]

As noted in MHCC ACT's contribution to this inquiry, without a mechanism to repurpose funding and align new investments with a coherent outcomes framework, the ACT risks duplication, confusion, and under-utilised expenditure - all of which undermine both wellbeing and fiscal sustainability.[11] These problems are already embedded, to an extent, in the current way budgets are organised for directorates – there are few incentives for directorates to work together on fiscal policy. The Wellbeing Framework is one opportunity to bridge that gap by re-aligning funding around collective outcomes rather than individual directorate metrics.

International best practice: WEGo and New Zealand's system-level embedding

Internationally, this shift reflects recognised best practice. Governments including Scotland, Iceland, New Zealand, Wales and Finland (with Canada actively participating) collaborate through the Wellbeing Economy Governments partnership (WEGo) to share practical methods for integrating wellbeing evidence into policymaking and budgets. New Zealand's approach shows what "embedding" can look like in a public finance system through the *Public Finance (Wellbeing) Amendment ACT 2020*, including legislative requirements to explain how wellbeing objectives guided budget decisions and to report periodically on the state of wellbeing and risks to its sustainability over time.[12]

In practice, New Zealand's "ways of working" include:

- **Redesigning Budget documentation** to show how policies and investments (including balance sheet and asset management) contribute to wellbeing improvements, with this practice spreading across the public service and Treasury communicating how assets contribute to wellbeing.

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[8] [weall.org]; [treasury.gov.au]
[9] [treasury.gov.au]; [gov.scot]
[10] [gov.scot]; [carersact.org.au]; [weall.org]; [treasury.gov.au]
[11] [weall.org]
[12] [weallscotland.org]; [legislation.govt.nz]; [newsroom.co.nz]; [weall.org]

- **Ministers and agencies developing initiatives** targeting wellbeing outcomes, analysed using the **Living Standards Framework (LSF)**.
- **Selecting statistical indicators for each outcome** to monitor trends over time.
- **Cross-agency collaboration in Budget bids**, including multi-agency bids demonstrating contribution to priority areas (e.g., agencies collaborating on a joint bid to address family and sexual violence).
- **Cabinet agreeing an integrated programme of policies** to deliver prioritised wellbeing outcomes.[13]

Implication for the ACT: effectiveness depends on whether the ACT implements comparable mechanisms—clear outcomes and indicators, cross-government budgeting discipline, transparent documentation, and accountability structures that make wellbeing central to fiscal decision-making rather than an add-on.

Recommendations

- **Use wellbeing evidence to prioritise prevention and community-based investment**
  This would reduce long-run fiscal pressure and improving equity in outcomes - consistent with the Framework's long-term intent.
- **Align strategies and reporting to wellbeing outcomes**
  Ensure major strategies and directorate plans are explicitly aligned to the Wellbeing Framework, with measurable targets and evaluation plans so progress can be tracked and compared over time.
- **Embed wellbeing into budget and fiscal decision-making (with transparency)**
  Introduce a consistent requirement (in budget papers and Cabinet processes) to demonstrate how wellbeing objectives guided investment choices and publish that rationale in accessible form. We suggest this ought to be consistent with the intent reflected in New Zealand's public finance approach.
- **Adopt a clear Outcomes Framework and Program Logic**
  Define outcomes and causal pathways that connect policy initiatives and service investments to measurable change in wellbeing domains and priority indicators. This should apply to both in-sourced and commissioned services and incentivise investment across directorates (e.g. investment in community social services for better health outcomes).

[13] [bills.parliament.nz]

3 – Systemic expenditure inefficiencies

There are a range of systemic issues in public sector procurement and administration that are driving down service quality while also being inefficient. These inefficiencies highlight both where public money might be better spent and where a more focused implementation of the Wellbeing Framework would positively impact fiscal sustainability.

3.1 – Non-government voices and fiscal decision-making

The central process for the Government to make fiscal decisions is the annual Territory budget. An effective budget process is critical to ensuring principles of wellbeing are embedded in fiscal decisions. As with commissioning, budget processes would be better served by transparent and collaborative engagement with the community sector. In both cases we instead typically find processes that are opaque, and where it is difficult to engage in two-way conversations that advance the policy concerns of disadvantaged people. The budget process, by design, only includes voices without inside knowledge at the invitation of Ministers and the public sector. People experiencing poverty and marginalisation require the most support from Government but Government has least visibility of these cohorts.

This lack of transparency is driven not by ill-will but by the fragmented, inward-looking organisation of the budget process that is centred around the public sector and the secrecy rules of Cabinet. The formal mechanisms for budget engagement – the YourSay website – provides limited guidance on submission quality and is often only available relatively late in the budget cycle, well after directorates have been formulating their business cases. Without some inside knowledge of the workings of the public sector and government, members of the community find it difficult to engage and present policy ideas in ways that actually make it to the budget. Instead of systematically engaging with community voices, this structure tends to empower those with the resources and privilege to engage with senior administrators and members of the Government.

Outside the formal budget process, there are other mechanisms for engagement on fiscal policy questions through individual directorates or engagement with Ministers. However, these are usually tied to either direct advocacy efforts from organisations or linked to engagement within commissioned contracts. Again, these structures favour organisations with resources to engage and are not systematic.

This is a missed opportunity for Government to be able to incorporate valuable ideas and data from both members of the public and from the community sector, who are on front lines of service delivery. Certainly it makes it difficult to hear from the least resourced groups – both small community organisations and, crucially, those experiencing disadvantage. From a fiscal policy perspective, it limits the breadth of ideas entering the policy cycle and especially limits ideas from difficult-to-reach and disadvantaged populations.

We recommend that the Government establish appropriate structures to ensure budget rules, information and timelines are more adequately available. One way to do this would be to establish a Portfolio Budget Office (PBO), similar to the Commonwealth, that can manage those rules, publish information about the budget process and the budget itself and would have the added benefit of adding support for non-government MLAs to cost budget proposals. While not a panacea, a PBO at least makes the budget process and papers more accessible for those outside the Government. In the longer term, more systematic efforts to engaged directly with disadvantaged populations about policy needs to be made.

3.2 – Service Delivery: Commissioning and contract administration

'I'm not really giving good value for money because all I'm doing is trying to secure our funding. Surely we can be doing more than that.' – Community Sector CEO (who preferred not to be identified)

Community services are the backbone of Canberra's social infrastructure, supporting almost every Canberran at some point in their lives. The commissioning and procurement of community services are intended to be a robust process driven by evidence and identified need within the ACT community. ACTCOSS and the community sector have worked closely with Government over a number of years to try to enhance commissioning. We appreciate the steps Government has taken to take our input on board. Intent notwithstanding, reform of commissioning was about refining the $2b investment in community services, without expanding the overall funding envelope, nor investing any additional funding in the process of allocating investment. In other words, no additional resourcing was committed either internally, or to enable the sector or people with lived experience to participate in improving resource allocation. There is increasing recognition in Government and across the community sector that commissioning has not delivered on all the outcomes that everyone hoped for. A significant part of the problem is this absence of investment in improving the *process* of commissioning. It is analogous to purchasing a house without investing in the building report or conveyance expertise. In not investing in getting the process right upfront, it has meant increased costs for Government to address problems which we have seen reoccur across commissioning rounds.

One of the key issues is contract lengths and the ongoing practice of administering short-term contract extensions while awaiting the conclusion of commissioning cycles. Short-term (1 year or less) contracts make sense where there is an identified short-term need and where a resolution can be found in the life of the contract. While the Government has generally increased contract lengths as a result of commissioning, short-term contracts are being applied as extensions because the Government and public sector underestimated the length of time required to complete commissioning. The cycle for procuring this way costs both the service provider and the Government significant resources while taking away from the service who must dedicate resources to re-securing funding. Every procurement requires a new round of administration and approvals that can take six months or more to deliver. The pressure of continuously re-negotiating short-term contracts often leads to this process being rushed, especially where there has been staff turnover, further impacting effective planning and efficient use of resources. Moreover, it also inhibits the capacity for longer-term planning and staff retention by the sector and makes it harder for the Government to evaluate long-term impact and efficiency of its spending.

Part of the problem is that Government is not effectively using the knowledge and input of the sector in the commissioning of services. The community sector is the frontline of service delivery for disadvantaged people and has significant understanding of the circumstances and particular needs of the community. These views are not systematically brought into the design of the service. We see this in particular with the lack of effective monitoring and engagement throughout contracts. Our members report numerous opportunities to adapt or improve processes as a result of issues identified mid-contract, but they either do not have appropriate mechanisms in the management of the contract to raise the issue, or the engagement is not heard. This can occur for a number of reasons, but most commonly it happens as a result of repeated changeover in contract managers leading to poor monitoring and management of the relationship.

Inconsistencies between service types

A second problem in service delivery is the inconsistency of expectations between in-sourced and commissioned services. Commissioned services have stringent guidelines and are required to demonstrate and report on the outcomes delivered through the contract. In-sourced services have less stringent requirements, do not always report publicly on their outcomes and are not subject to the same practice of repeated short-term contract extensions. While in-sourced services are subject to public sector accountability structures, they are not managed with the same degree of public transparency as commissioned services. These differences make it difficult for the Government to accurately assess the effectiveness and efficiency of different types of services. Ultimately, the goal is to efficiently deliver necessary frontline services for Canberrans and that is difficult to achieve consistently when service standards and outcomes have different reporting structures.

These differences are made all the more obvious in the way commissioning is delivered. The idea of commissioning is to look at all the services in a particular sub-sector and allocate services based on community need. Government services are not considered in this allocation. To genuinely assess whether services are meeting community need and allocate with maximum efficiency and wellbeing in mind, Government services need to be considered at the same time, alongside community services, and, held to the same standards as commissioned community services

These issues highlight a potential cost-saving for Government as well as where a more accountable and transparent implementation of the Wellbeing Framework would benefit the ACT. In an ideal world, the Government would make decisions about services based on community need, with full information about the costs and effectiveness of different options. In the current environment where there are information asymmetries and differential standards applied to different services types, service decisions are not as informed by evidence as they could and should be.

3.3 – Commonwealth funding

In an environment in which there are limited new means to generate revenue, it is critical that the ACT take advantage of all available opportunities to tap into Commonwealth funding, especially where that funding is aligned with ACT priorities. There are multiple instances where this does not seem to be occurring. This is especially where funding is predictable. The Disaster Ready Fund (DRF) is one such example. Through the DRF, the Commonwealth funds projects that address the physical and social impacts of disasters and climate change via partnerships and co-contributions with states and territories. Each territory receives a baseline allocation of $7.5m per year as long as there are sufficient quality projects being applied for. The ACT has failed to obtain the minimum allocation in two of the three rounds the scheme has been in operation, missing out on at least $7.5m for climate projects in the ACT. It is a concern that there is untapped Commonwealth funding available but for appropriate administration.

Recommendations

- **Strengthen planning across Government and commissioned services**
  Where a short-term contract (<2 years) is proposed for a piece of work, a rationale must be provided by the commissioning area to justify the length of contract. Specifically, this needs to address what happens to the focus area of the piece of work after the contract concludes and analysis of the benefits/costs of a longer contract. If the contract is addressing a long-term need, the contract length should be longer.
- **Strengthen accountability across Government and commissioned services**
  Develop consistent, fit-for-purpose reporting expectations and data access arrangements that allow both Government and community sector to demonstrate contribution to wellbeing outcomes (rather than uneven accountability burdens). This should include consistent reporting requirements on all Government-funded services, whether in-sourced or commissioned.
- **Better monitoring of Commonwealth Funding Opportunities**
  Establish a function in CMTEDD to monitor Commonwealth funding opportunities and ensure they are taken up by the ACT Government.
- **Establish a Portfolio Budget Office (PBO)**
  As with the Commonwealth, the ACT PBO would be responsible for costings by non-Government parliamentarians, publishing budget data and formalisation and publication of the budget process.

Conclusions

This inquiry goes directly to the question of what principles govern spending and revenue decisions in the Territory. While there are technical components to fiscal policy, it is primarily about the values that we apply, as a community, in allocating resources. We believe those values have already been agreed and articulated through the ACT Wellbeing Framework. In this submission we made a range of recommendations for implementing this framework more systematically, and especially made the case that this needs to be embedded in expenditure decisions far more thoroughly than at present. In doing so, we have an opportunity to spend more efficiently and effectively, especially with respect to the commissioning of services.

Further engagement

ACTCOSS would welcome the opportunity to engage further with the ACT Government and other stakeholders in the inquiry.

If you would like to discuss any of the issues raised in this submission please contact Dr Jacob Priergaard ([redacted]), (02) 6202 7200.

Yours sincerely

[redacted]

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