2026-27 Budget – Business Case

Proposal Name:	Whole of Government Restructure Fund		
Basis of authority for consideration in the 2026-27 Budget:	Included in the Treasurer's budget authority letter from the Chief Minister *Redundancy Fund (proposal details and dollars to come)*		
Sponsoring Minister:	Steel	**Portfolio:**	Treasurer
Supporting Minister(s)	N/A	**Portfolio(s):**	N/A
Lead Agency	Chief Minister, Treasury and Economic Development Directorate	**Supporting Agencies:**	
Year to cease funding/ongoing:	[redacted]	**Funding Category:**	[redacted]
Electorate:	All	**Lead Wellbeing Domain:**	Governance and institutions
Link to Wellbeing Budget Priorities	Supports the Governance and institutions wellbeing domain by reducing structural spending pressures and improving fiscal sustainability		
Existing program(s):	Yes – the Restructure Fund is an existing fund held by Treasury within CMTEDD, established via Cabinet Decision 187 in the 2002-03 Budget.		
Link to Budget Consultation:	No		
Does this proposal respond to a report response or recommendation?	No, however it does respond to the Machinery of Government changes.		
Contact officer (SES):	Thomas Callaghan	**Contact officer (SOG or above):**	Rowena Mele/Zachary Thomas

Ministerial endorsement

Ministerial Endorsement	**Signature and date of endorsement**
Lead Minister: Steel **Portfolio:** Treasurer	6/5/26

Agency CFO and SES Contact Officer Agreement

Name of CFO(s) and SES Contact Officer agreeing to accuracy of the financials and contents of the business case
Lead agency CFO: Sally Druhan
Supporting agency CFO: n/a **Supporting Agency:** n/a
SES Contact Officer: Thomas Callaghan

* Remove if not required or duplicate for multiple supporting CFOs/Agencies.

1. Executive Summary

This proposal [redacted]

The Fund was established in 2002–03 and reimburses agencies for the severance component of voluntary redundancy payments associated with restructuring directorate activity that ensures Directorates manage their budgets and return genuine savings to the Budget. This business case proposes [redacted]

Current base funding for the Fund is approximately $1.5 million per year, which is insufficient to support large-scale restructuring within the ACTPS. It is estimated that there is approximately $80–$100 million in unfunded employee expenses across the ACTPS annually.

The preferred option [redacted]

[redacted]

2. Financial Impacts Summary ($'000)

Minister(s) preferred option: detailed financial impact summary ($'000)

PREFERRED OPTION	2026-27	2027-28	2028-29	2029-30	Total
Expense Impacts					
Expense	[redacted]				
Expense – Offsets [c]					
Savings					
Net Expense					
*Notional Avoided new spending (not budgeted)**					
Staffing Impact					
Total Additional FTEs (number) [e]					

Further guidance on the detailed financial table is available at Appendix 2 .

Breakdown of expenses ($'000)

Breakdown of expenses	2026-27	2027-28	2028-29	2029-30	Total
Reimbursement for severance payments[1]	[redacted]				
Employee expenses – Shared Services resourcing					
Employee expenses – Treasury resourcing					
Total expenses					

Notes

1. This represents the reimbursement of the severance component of voluntary redundancy payments only. Agencies would be required to cash manage the payment of annual and long service balances, noting these liabilities have been appropriately provisioned on agency balance sheets and would be neutral from an operating result/HNOB perspective. Section 16A instruments under the FMA may be applicable in the event that the total amount of employee entitlements paid exceeds amounts appropriated through this business case. It should also be noted that to extinguish annual and long service leave entitlements, capital appropriation will be required.

3. Identifying the need for Government intervention

The Territory is facing significant fiscal challenges associated with structural budget pressures across ACTPS agencies resulting from unfunded employee expenses. The ACTPS has grown significantly, with annual growth averaging 5.27% between 2020-21 to 2024-25 (at an average of 1,936 more FTE than budgeted each year). Slowing attrition and tight labour market conditions in the ACT market, including through Commonwealth Public Service redundancies, means that reductions in FTE will not be met through normal processes. This requires specific action and intervention to return agency budgets to a more sustainable basis.

In recent years, agencies have consistently reported significant cash pressures, with employee expenses a key driver, and there is an increasing reliance on Treasurer's Advance (TA) as an operational funding source. In December 2025, agencies reported indicative cost pressures of $121.8 million, exceeding available TA funding of $88 million. In response, in 2025-26, the Government introduced recruitment and cash management measures to mitigate pressures on Treasurer's Advance and the Budget, including recruitment delays/freezes and reductions in discretionary expenditure.

While these measures have assisted in temporarily reducing cash pressures this financial year, supported through regular reporting to ERC under the Budget Control Framework, ongoing structural issues remain. Without intervention to address these issues, the Territory's Budget will be exposed to increasing fiscal risk. For example, the City and Environment Directorate (CED) advises that without additional funding through the 2026-27 Budget (noting initiatives currently under consideration in the 2026-27 Budget process may impact this amount), its workforce would need to be reduced by approximately 500 FTE to bring its employee expense budget in line with its funded envelope.

Based on recent modelling undertaken for enterprise bargaining and supported by actual results for the six-month period ending 31 December 2025, Treasury estimates there is approximately $80–$100 million in unfunded employee expenses across the ACTPS in 2025-26, representing around 800 FTE positions (or around 2½ per cent of funded FTE). While 2026-27 Budget business cases have prioritised funding unfunded but currently occupied positions, there are still unfunded expenses that need to be addressed. Taking into account expected pay increases from the new Enterprise Agreement currently being negotiated, it is expected that forecast actual employee expenses in 2026-27 will exceed budget estimates by $260 million.

Identifying Efficiencies and Savings

As part of the 2025–26 Budget, the Government agreed to the *Whole of Government Expenditure Reform* initiative, providing savings of $282.173 million over four years from 2025–26 by constraining expenditure growth across directorates. Measures included reducing the growth of non-employee expenses to 1.25 per cent (from 2.5 per cent), and reducing the growth of employee expenses outside of CHS and school-based staff to an average rate of 0.86 per cent (from 1.41 per cent), in the absence of any rebasing of expenditure.

Agencies are expected to deliver these savings through a large-scale expenditure prioritisation exercise, with the intent that lower-priority activities are ceased or scaled back and resources redirected. Following ERC consideration of [redacted]. Given the quantum of unfunded FTE across the ACTPS, measures focused primarily on mobility and redeployment would be insufficient to deliver the savings task and align agency budgets with funded staffing envelopes.

Current Restructure Fund Arrangements

Treasury currently manages a central *Restructure Fund* that is designed to reimburse agencies and directorates for the severance component of voluntary redundancy payments, subject to certain criteria including:

1. the position being made redundant (and abolished) as part of a restructuring exercise;
2. the officer holding that position being made excess to requirements;
3. the officer having been offered the opportunity for redeployment due to personal considerations but declined;

4. the redundancy and associated processes having been discussed with the relevant union/s, with their agreement for the offer being made; and
5. the redundancy returning an explicit saving to the budget.

The fund was established in the 2002-03 Budget via Cabinet Decision 187 to aid (and incentivise) the restructuring of the public service. The original decision provided for central funding of $10 million to be held by Treasury and refunded to agencies after redundancy payments are made.

The fund was significantly increased in 2005-06 and 2006-07 following a functional review to assist with one-off costs and redundancies associated with a Government restructure during that period. The fund has remained largely unchanged since that time and now has a base budget of approximately $1.5 million per year (with higher amounts in 2025-26 and 2026-27 as a result of historical reprofiling). The fund is currently available to all Directorates, with claims for reimbursement subject to the agreement of the Under-Treasurer.

Restructure Fund – Current Funding Profile	2026-27 ($m)	2027-28 ($'000)	2028-29 ($'000)	2029-30 ($'000)	Total ($'000)*
Controlled Recurrent Payments (CRP)	3,000	1,453	1,489	1,526	**7,468**

**Amount does not include potential rollover of unused funding from 2025-26 to 2026-27.*

4. What solution should the Government pursue?

Preferred approach[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]

Minister(s) alternate option(s): Net financial impacts summary ($'000)

[redacted]

ALTERNATE OPTION	2026-27	2027-28	2028-29	2029-30	Total
Net Operating Impact	[redacted]				
Net Cash Impact					
Expense (a)					
Expense - Offsets (b)					
Notional Savings					
Staffing - Total Additional FTEs (number)					

5. Collaboration and policy alignment

Stakeholder	Purpose
OIRWS	Consultation on whole-of-government workforce policy implications, redundancy processes and operational parameters
CED	Engagement was undertaken around the best approach to actioning a broader restructure fund and the challenges in the agency

6. What risks are associated with this proposal and how will good governance be ensured?

Risk	Likelihood	Consequence	Mitigation/s
Low number of redundancies taken up	Medium	- Fiscal improvement will not be achieved and unfunded FTE will continue to be a significant risk to the Budget	- Greater use of involuntary redundancies
Fund insufficient for restructuring needs	Low	- Fiscal improvement will not be achieved and unfunded FTE will continue to be a significant risk to the Budget	- Reprofiling options to address any acceleration in activity or additional funding provided

Positions made redundant are backfilled and FTE continue to grow	Medium	- Fiscal improvement and savings will not be met - Unfunded FTE will continue to grow	- Revised recruitment policies and guidelines would be required to ensure FTE growth is contained
Unclear parameters lead to inconsistent application	Low	- Inconsistent and/or inefficient application of restructuring activities - Slower than anticipated take up of voluntary redundancies.	- Clear guidelines and mandate from ERC/Cabinet - Restructuring activities led by DG - Additional resourcing within Treasury and Shared Services to provide guidance.
Implications on enterprise bargaining and relationships with workforce/union	Medium	- Enterprise Bargaining is currently underway and restructuring/redundancies may adversely impact relationships with the ACTPS workforce and unions	- Clear communication strategy - Directorate level engagement - Any restructuring or redundancies would need to be commensurate with a reduction in services/deliverables
Adverse media attention	Medium to High	- Large scale restructuring activities/redundancies would likely bring significant media attention, particularly as a number of Commonwealth departments are also undertaking these activities currently.	- A clear communication plan would be required - The process would provide options to look redeployment and/or mobility initially where an FTE does not want to leave the ACTPS

7. Measuring and evaluating our success

The success of this proposal will be assessed against its objective of enabling agencies to align staffing to funded envelopes while maintaining fiscal discipline. Performance will be monitored through defined KPIs and reported via existing governance mechanisms (including the Budget Control Framework) and periodic reporting to the Under-Treasurer.

Quantitative measures (tracked quarterly unless otherwise specified):

- Voluntary redundancies supported (approved/reimbursed), by quarter/year
- Fund utilisation: reimbursements vs appropriation (forecast vs actual)
- Processing time: claim submission to reimbursement
- Budget Control Framework metrics (employee expense; funded vs actual FTE; HNOB/cash where relevant)

Qualitative measures:

- Eligibility/abolition compliance (roles abolished, not backfilled)
- Appropriate use vs demonstrated pressure/restructuring plan (not routine turnover)

- Stakeholder feedback on clarity, timeliness and consistency

Reporting and review:

- Under-Treasurer reporting: utilisation, volumes, compliance, risks; periodic parameter review

Appendix 1 – Options analysis

Option 1: [redacted]

Maintain current fund quantum and parameters (capacity of approximately $1.5 million per year, capable of reimbursing 20-25 redundancies).

This option is unlikely to meet anticipated restructuring demand and would not provide directorates with a workable mechanism to right-size work programs and staffing (including to reduce or cease lower-priority activities).

While some cost pressures associated with unfunded FTE may be addressed through 2026–27 Budget decisions, this would not resolve the underlying structural employee-expense/FTE pressures within agency budgets. Upward pressure on FTE is also likely to continue under current industrial settings (for example, secure workforce conversion and insourcing).

Unfunded FTE pressures would continue across the forward estimates, increasing Budget risk and putting further pressure on both the Headline Net Operating Balance (HNOB) and the Territory's cash position. Treasurer's Advance is likely to remain heavily utilised, with employee expenses a key driver.

Absent an offsetting improvement in revenue, the Territory's fiscal position would remain exposed (including potential credit rating impacts). Over time, this would constrain the Government's capacity to sustainably deliver essential services.

Option 2 [redacted] Temporarily increase Restructure Fund to $60 million over 4 years (900 redundancies)

Increase the Fund on a time-limited basis to reimburse the *severance component* of approximately 900 voluntary redundancies over four years. This would reduce Territory employee expenses by around $150 million per year from 2030–31 (notional).

Guidelines would be updated to support broader, agency-led restructuring so directorates can align staffing to funded envelopes consistent with CAB26/259. This option supports delivery of the 2025–26 Budget initiative Whole of Government Expenditure Reform savings task by enabling agencies to scale down or cease lower-priority activities with unfunded FTE.

This option directly targets the estimated unfunded workforce pressure across the ACTPS (around 800 FTE). By reducing ongoing employee expenses, it improves the likelihood of better HNOB and cash outcomes across the forward estimates and demonstrates fiscal discipline relevant to the Territory's annual credit rating assessment. Over time, stronger fiscal settings can reduce borrowing costs and protect capacity to fund essential services.

To administer the expanded Fund and manage higher reimbursement volumes, additional resourcing is required (total $1.673 million over four years):

- Shared Services ($984,000 over 4 years)
    - 0.5 FTE SOG B: quality assurance, case management, and liaison with directorates and employees
    - 2 x 0.5 FTE AS06: severance calculations and cessation documentation
- Finance and Budget Group ($1.959 million over 4 years, indexed and ongoing)

- 2 x FTE SOG C and 1 x FTE AS06: to manage the administration of the fund, reimbursements to agencies and confirming they align with agreed parameters, and undertake whole-of-government budget modelling and financial analysis, including improved Budget Control Framework metrics to evidence reductions in employee expenses and quantify parameter-driven pressures (e.g., enterprise bargaining impacts and unfunded FTE)
- Without additional capacity, planned improvements to the Budget Control Framework and performance tracking will be limited as the team would be diverted to administering the Fund.

Option 3 [redacted]: Temporarily increase Restructure Fund to $79.3 million over 4 years (1,200 redundancies)

As per Option 2, but with a higher funding level to reimburse the severance component of approximately 1,200 voluntary redundancies over four years. This would reduce Territory employee expenses by around $200 million per year from 2030–31 (notional).

This option would deliver a deeper rightsizing of the ACTPS workforce, increasing the likelihood that agencies can fully acquit savings targets, cease or scale down lower-priority activities, and create additional Budget capacity for future policy decisions. It provides the same but increased benefits when compared to Option 2, but higher upfront costs and with greater implementation/industrial complexity associated with larger separation volumes.

Appendix 2 – Financial information

Detailed financials ($'000)

PREFERRED OPTION	2026-27	2027-28	2028-29	2029-30	Total
Expense Impacts	[redacted]				
Expense					
Expense – Offsets [c]					
Net Expense					
*Notional Avoided new spending (not budgeted)**					
Staffing Impact					
Total Additional FTEs (number) [e]					

Breakdown of expenses ($'000)

Breakdown of expenses	2026-27	2027-28	2028-29	2029-30	Total
Reimbursement for severance payments[1]	[redacted]				
Employee expenses – Shared Services resourcing					
Employee expenses – Treasury resourcing					
Total expenses					

Detailed costings for this proposal are provided at Attachments B1 and B2. In summary:

Severance Payments

Whole of Government FTE data was provided to Treasury by the HR Data and Reporting team within OIRWS. This report provides key information all FTE across the ACT Government for the pay period ending 28 January 2026, including classification, salary, age and length of service. Staff within North Canberra Hospital are on a different payroll system and not included in OIRWS' data, but representative data from August 2025 was separately sourced by Treasury and added to the data set prior to performing the key calculations underpinning the business case costings.

For ease of reference and comparative purposes, FTE have been grouped in the costings based on salary banding. Below $86,750 (essentially all levels below AS04), between $86,750 and $127,597 (essentially all levels from AS04 up to but not including SOG C), $127,597 to $172,246 (all levels from SOG C up to but not including SOG A) and $172,246 (SOG A and above).

Under Section L6.8 of the *ACT Public Sector Administrative and Related Classifications Enterprise Agreement 2023-2026*, officers electing to be made redundant are entitled to the greater of 26 weeks pay, or an amount equal to 2 weeks for each completed year of service (pro-rated) up to a maximum of 48 weeks pay. The costings hypothecate severance benefits for each FTE based on their salary, length of service and the clause above.

Notional Savings

Notional savings were calculated based off the average ACTPS salary in 2025-26 ($112,100) indexed and adjusted for super and on-costs in line with assumptions the Whole of Government Average Salary Costing Template. Savings calculations assume that redundancies each year will happen evenly throughout the financial year, with prior year savings cumulating as redundancies increase over time.

	TOTAL TERRITORY					Average
Summary	**2020-21 ($'000)**	**2021-22 ($'000)**	**2022-23 ($'000)**	**2023-24 ($'000)**	**2024-25 ($'000)**	
Budget vs Actual Employee Expenses						
Budgeted Employee Expenses	2,585,501	2,744,955	2,876,598	3,288,366	3,552,490	
Actual Employee Expenses	2,675,536	2,918,484	3,006,005	3,472,611	3,842,731	
Variance	**90,035**	**173,529**	**129,407**	**184,245**	**290,241**	**$173,491**
Actual over Budgeted as %	**3.48%**	**6.32%**	**4.50%**	**5.60%**	**8.17%**	**5.62%**
Gross Budget vs Actual FTE Growth	**FTE**	**FTE**	**FTE**	**FTE**	**FTE**	
Budgeted FTE (Appendix K - BP3)	23,347	24,141	24,541	25,687	28,396	
Actual FTE (Financial Statements)	24,689	25,044	26,448	29,365	30,245	
Variance	**1,342**	**903**	**1,907**	**3,678**	**1,849**	**1,936**
Actual over Budget as %	**5.75%**	**3.74%**	**7.77%**	**14.32%**	**6.51%**	**7.62%**
Net FTE Growth	**FTE**	**FTE**	**FTE**	**FTE**	**FTE**	
Net Actual FTE Growth		355	1,404	2,917	880	**1,389**
Net Actual FTE Growth %		1.44%	5.61%	11.03%	3.00%	**5.27%**

Appendix 3 - Impacts

Overall Impacts

This proposal would contribute to improved fiscal sustainability over the medium to long term. A more appropriate and sustainably sized public sector workforce reduces ongoing budget risk, strengthens the Territory's financial position, and supports broader economic stability. More stable government finances will improve Government's capacity to invest in priority services and infrastructure over time, supporting economic resilience and confidence across the ACT economy.

ACT Government Directorates

This initiative would primarily impact ACT Government directorates undertaking workforce restructuring exercises, who will have access to a fit-for-purpose fund to support necessary workforce transitions without creating unfunded cost pressures within their budgets. The initiative supports a more effective, efficient, and sustainable ACT Public Service by enabling agencies to proactively align staffing profiles with funded service delivery priorities. This will allow a greater focus on priority activities, service delivery, and strategic planning. For employees, a clear and transparent restructuring process will reduce uncertainty and administrative burden during periods of organisational change.

Clear and consistent parameters for accessing the Restructure Fund will promote equitable treatment across directorates, reduce reliance on ad hoc cash-management measures and the need for mechanisms such as Treasurer's Advance to fund operations, and reinforce whole-of-government governance frameworks including the Budget Control Framework.

ACT Government Employees

ACT public servants will also be impacted by this initiative.

While the proposal involves workforce reductions, impacts on individual employees are expected to be mitigated through the use of voluntary (not forced) redundancy arrangements, clear processes, and timely administration of employee entitlements. Affected staff will receive severance and accrued leave payments in accordance with existing industrial and legislative frameworks, providing financial certainty during periods of transition.

Broader Community

The broader ACT community is expected to benefit from a public service that is better positioned to adapt its workforce to changing needs while maintaining fiscal discipline. Over time, this strengthens the Government's capacity to deliver services efficiently and sustainably.

Appendix 4 – Policy alignment

How does this proposal align with Priority alignment categories?

Identify which Government priority alignment and Wellbeing budget priority categories are predominately or disproportionately impacted below.

Priority alignment

☐ Election commitment	☐ *National Agreement on Closing the Gap*	☐ *ACT Aboriginal and Torres Strait Islander Agreement 2019-2028*	☐ *ACT Women's Plan 2016-2026*
☐ Housing	☐ Physical and mental health	☐ Early years	☐ Women
☐ Cost of Living	☐ Addressing marginalisation and disadvantage		

What sections of the following groups does the proposal target?

Gender impacts: Women ○-○-●-○-○ Men

Education levels: Lower-education ●-● Higher-education

Income levels: Lower income ○-●-○ Higher income

Age: Adults ○-○-●-●-●-●

It is anticipated that additional voluntary redundancies as a result of this proposal would occur relatively evenly across the existing ACTPS workforce, with no level of disproportionate impact on employees based on gender, education or income levels. There may be a higher interest/take up in voluntary redundancy in the older cohort of the workforce, particularly those that may be nearing retirement age. However, it is difficult to hypothecate anticipated take-up rates at this time.

Appendix 5 – Implementation, risk management, procurement, governance and recruitment

Implementation plans

n/a – the fund is already in place within Treasury. Implementation of redundancies and the mechanics of restructuring within the ACTPS will be developed by OIRWS and agencies.

Procurement plans

N/A – No procurement is required for this proposal.

Risk management

A risk management plan will be developed by Treasury and OIRWS in early 2026-27 following the conclusion of the Budget process.

Governance

Appropriate governance processes and structures will be developed by Treasury and OIRWS in early 2026-27 following the conclusion of the Budget process, noting they will build on existing processes Treasury has in place for the current fund. Recruitment

Recruitment for the resourcing sought under this proposal would commence as soon as practical following the release of the 2026-27 Budget. Costings for resources have allowed for 3 month lead time for these processes to take place.

Organisational Chart

The Budget Assurance and Analytics Team (BAAT) within the Budget Infrastructure and Coordination branch currently comprises 3 staff members (1 x SOG A, 1 x AS06, 1 x AS05). This team is responsible for modelling, financial analysis and reporting under the Budget Control Framework, modelling for enterprise agreement processes, budget process reporting, including tracking financial and FTE impacts of proposals and also provides whole-of-government advice on Commonwealth payments through national agreements and specific purpose payments.

The SOG C position sought as part of this business case would contribute to improved Budget Control Framework reporting and metrics, including in relation to reductions in employee expenses and quantify parameter-driven pressures (e.g., enterprise bargaining impacts and unfunded FTE)

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Appendix 6 – Communications

Treasury will be responsible for communicating revised fund parameters to directorates. Following Budget approval, Treasury will issue a Budget Memorandum advising of the updated fund quantum, eligibility criteria, and claim process.

Treasury will work closely with OIRWS and Communications & Engagement, as well as the Chief Minister and Treasurer's offices, in developing relevant communication material and guidance regarding the process for voluntary redundancies across Government. OIRWS will coordinate relevant industrial relations matters, including consultation with unions as required.