



ACT
Government

Government Response to Pegasus Economics

Report:

Review of the ACT Budget 2024-25

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Treasurer

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Introduction

In its *Inquiry into Appropriation Bill 2024-2025 and Appropriation (Office of the Legislative Assembly) Bill 2024-2025*, the Select Committee on Estimates 2024-2025 commissioned Pegasus Economics (Pegasus) to review the [ACT's 2024-25 Budget](#)¹, consistent with the Committee's [resolution of establishment](#)² (paragraph 4). Pegasus produced the *Review of the ACT Budget 2024-25* (the Pegasus Report) for the Committee's consideration, and a copy of the report can be found on the Legislative Assembly [website](#)³.

The Pegasus Report provides a range of assessments regarding the 2024-25 Budget. As stated by Pegasus, the report has been prepared "... to assist the Select Committee on Estimates in its consideration of the 2024-25 Budget ... and to identify major features of the Budget that the Committee may wish to explore". Pegasus further notes that its report is based on a desk-top review of ACT Budget documentation as presented to the Assembly on Tuesday 25 June 2024, supplemented by additional details provided through a meeting with ACT Treasury officials on 27 June 2024.

The Government remains committed to open, transparent and accountable practices in its management of the Territory's public finances, ensuring that service delivery levels are appropriate and supported through sustainable taxation revenues. The independent review of the 2024-25 Budget undertaken by Pegasus provides a number of important observations, and the Government wishes to present this response to the matters raised by Pegasus for the Committee's consideration.

¹ <https://www.treasury.act.gov.au/budget/budget-2024-25>

² <https://www.parliament.act.gov.au/parliamentary-business/in-committees/committees/select-committee-on-estimates-2024-2025#tab2457405-1id>

³ https://www.parliament.act.gov.au/_data/assets/pdf_file/0011/2531828/Pegasus-Economics-Report-2024-ACT-Budget-15-July-24.pdf p. 1.

Pegasus Economics Review of the ACT Budget 2024-25

Economics Assumptions

Pegasus considers most of the economic forecasts included in the 2024-25 Budget appear reasonable. Pegasus has, however, identified some concerns, including that:

- there may be some risk attached to the forecast for the Canberra CPI in 2024-25 which is lower than the most recent national forecast from the Reserve Bank of Australia;
- while the population forecasts presented by the ACT Government may not be unreasonable, they may be on the high side based on forecasts by the Centre for Population (CPOP); and
- since the onset of the economic disruption caused by the COVID-19 pandemic, the ACT economy has generally become much less diverse and more dependent on the public sector, with the Commonwealth and ACT governments now accounting for around 56 percent of final demand, as compared to 53 per cent pre-COVID.

Response:

CPI Growth

- The CPI forecast is broadly in line with RBA and Treasury forecasts for CPI at the national level and there are a range of downside and upside risks to the forecast.
- Page 29 of the Budget Outlook outlines different scenarios for key macroeconomic variables relative to the central estimates, including the forecasts for the CPI.

Population growth

- Forecasts for population were downgraded in the 2024-25 Budget compared to 2023-24 Budget Review.
- The CPOP forecasts are based on ABS data. However, the ACT Treasury considers that the ABS is underestimating net interstate migration (NIM) to the ACT and, as a result, the ACT's population. The ABS estimate for NIM is inconsistent with alternative administrative data including driver licence data. See pages 27-28 in the Budget Outlook for additional information.

Economic diversity

- Public consumption does not provide a full picture of economic diversity as it incorporates front line services such as health and education (including universities). Industry level data is more appropriate for considering the diversity of an economy.

Fiscal position and metrics

Pegasus considers the ACT to have a strong balance sheet, with net financial liabilities at the lower end of the range reported by other States and Territories and net worth as a proportion of Gross State Product (GSP) is also within the range reported by other States and Territories. Nonetheless, Pegasus has raised concerns including:

- the increase in the Territory's debt and associated debt servicing costs and decrease in budget flexibility;
- a suggested weakening of the Government's balance sheet over time;
- growing net financial liabilities and net debt; and
- a projected future decrease in net worth.

Response:

- While net debt has increased, the ACT is well placed to service that debt and to reduce it over time. The growth in debt reflects the ACT Government's significant investments in infrastructure to meet the needs of a growing population.
- While these investments require borrowings to meet the upfront cost of their construction, the community benefits generated by these investments will extend for many years, during which a growing economy and revenue base will support the Government's ability to meet its debt obligations.
- The Government is committed to the principles of sound fiscal management and is continuing to balance strategic investment needs and improving the fiscal position by progressively narrowing the deficit and reducing debt over the long-term.
 - The ACT maintains levels of net debt and net financial liabilities around the average of all Australian states and territories. The forecasts for net debt are comparable to the 2023-24 Budget Review. The change in net financial liabilities is influenced by a revaluation on the superannuation liability estimate.
- The increase in interest expenses is due to several factors, including the increase in interest rates for new borrowings as well as the projected increase in borrowings. The level of outstanding borrowings reflects the investment required in infrastructure and assets to generate economic growth.
- Historically the Territory's net worth has increased, as evidenced in Appendix F to the 2024-25 Budget Outlook, which shows the General Government Sector (GGS) – Key Aggregates History⁴. GGS net worth has increased by over \$8.3 billion between 2006-07 and 2022-23. It is also important to note that the budget estimates do not anticipate the extent to which the Territory's property, plant and equipment assets will be revalued in future

⁴ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf Appendix F – General Government Sector – Key Aggregates History.

years which is undertaken and updated on an annual basis as part of the preparation of the Annual Financial Statements and then translated through to the budget estimates.

- Key measures of the balance sheet including net financial liabilities and net worth are sensitive to changes in assumptions, the most sensitive of which being the discount rate used to value the superannuation liability.
- Net financial liabilities (NFL) take into account unfunded superannuation liabilities as well as net debt. NFL are calculated as total liabilities less financial assets (such as cash reserves and investments). It includes all non-equity financial assets but excludes the value of equity held by the GGS in public corporations.
 - The growth in net financial liabilities is due to the increase to the superannuation liability following the most recent defined benefit superannuation liability valuation review and changes in the demographic assumption.
 - The NFL to GSP increase is projected to stabilise from 2025-26 and starts to improve in 2027-28 as inflation starts to ease.
 - The Government maintains a funding plan to extinguish the unfunded superannuation liability obligation over time, in conjunction with meeting the current annual retirement benefit payment obligations.

Credit rating and cost of borrowing

Pegasus noted the ACT still has a strong capacity to meet its long and short-term financial commitments, but the downgrade to AA+ in 2023 could be expected to slightly increase the ACT's cost of borrowing.

Response:

- With a AA+ rating, the ACT has a 'very strong' to 'extremely strong' capacity to meet its financial commitments as recognised in the S&P Global Ratings investment grade ratings scale, and this is significantly stronger than the 'strong capacity' as inferred by Pegasus. A 'strong' capacity is aligned with an 'A' credit rating.
- Credit ratings are just one of multiple inputs investors use in their decision-making process.
 - For entities with very high credit ratings, such as the ACT, many factors have a more material influence on the Territory's cost of new borrowings in the Australian financial markets beside the credit rating, including monetary policy, global economic and financial conditions, supply and demand dynamics, the term of a borrowing, and critically the liquidity of issued bonds.
- Due to increasing uncertainty in relation to the outlook for inflation and the timing of central bank interest rate cuts (higher for longer), the cost of debt remained volatile over the course of the 2023-24 financial year, with an overall increase in longer term borrowing costs for all Australian government issuers, including the Commonwealth and semi-government issuers.

- All Australian semi-government issuers experienced an increase in the cost of funding relative to the Commonwealth.
- Major drivers of the increased cost relative to the Commonwealth included increased market uncertainty and volatility, as well as the elevated and ongoing significant borrowing tasks for Semi-Governments over coming years.

Budget estimates

Pegasus considers that past trends suggest that a return to surplus would require a shift in policy settings and a continuation of favourable economic circumstances. A return to surplus in the medium term cannot be assumed.

Response:

- The Government continues to focus on strengthening our fiscal position over time, while continuing to invest prudently to meet the immediate needs of our community.
- Consistent with previous budget updates, the Government's investment decisions appropriately balance the need to continue to improve our fiscal position while providing necessary services for a growing Canberra.
- Forward estimate projections are subject to increased uncertainty the further into the future they are presented, due to a combination of factors, such as new Government decision-making, or the impact of factors outlined as economic or fiscal risks as presented in Appendix I to the ACT 2024-25 Budget Outlook (page 345). Some risks noted for 2024-25 include interest rates and persistent inflation, with potential flow-on impacts to own-source revenue and GST grants from the Commonwealth.

Dividend revenue

Pegasus notes that substantial increases in dividends are forecast across the out-years for both the Suburban Land Agency and ICON Water and that little explanation is provided in the Budget Outlook for these estimates.

Response:

- Icon Water dividends are forecast to resume 'normal' levels over the forward estimates after 2024-25. The 2024-25 dividend forecast is low due to temporary factors including:
 - Substantial investment by Icon Water to in-source a range of corporate services.
 - Lower revenue from Icon Water's investment in the energy joint venture as savings generated through the large-scale feed-in tariff scheme in recent years are returned to customers.
- Suburban Land Agency dividends are impacted by a forecast increase in land sales over the forward estimates in line with an acceleration in land release.

Contributed assets

Pegasus notes that gains from contributed assets other than Large-scale Generation Certificates (LGCs) increase significantly in 2025-26 and steadily decrease across 2026-27 and 2027-28 and that gains from LGCs are forecast to taper off over the forward years.

Response:

- Gains from contributed assets in 2025-26 increased from \$122.8 million in the 2023-24 Budget to \$187.0 million in the 2024-25 Budget. This is primarily associated with the transfer of the remediated West Belconnen Landfill site from the SLA to TCCS, which is part of a \$96 million Capping and Development project to facilitate land release. The transfer was recognised in the 2023-24 Budget Review process.
- Gains from LGCs reduce over the forward estimates due to changes in the spot price for the certificates. It should be noted revenue from LGCs is fully offset through certificates surrendered and there is a net neutral impact on the Headline Net Operating Balance from changes in the spot price.

Other revenue

Pegasus notes that revenue from fines is expected to increase from an estimated \$52 million in 2023-24, to an estimated \$108 million by 2027-28 (ACT Government, 2024, p. 217). This is an increase in excess of 109 per cent across the forward estimates. Fines includes monies collected from traffic offences arising from mobile detection cameras.

Response:

- The increase in other revenue is primarily driven by fines, which are due to the inclusion of traffic offences from mobile detection cameras.

Accounting assumptions, presentation, and disclosure

Pegasus has raised a number of matters in terms of how the ACT Government has opted to present a range of financial matters in the Budget Papers. These considerations may be seen to extend to:

- accounting policies and assumptions that relate to key assets such as investments and loans, investments in other public sector entities, produced and non-produced property plant and equipment and liabilities such as advances received, borrowings, superannuation and employee compensation;
- the usage of notes accompanying the financial statements to outline bases of accounting, key accounting policies and a disaggregation of key assets and liabilities; and

- clarity associated with term arrangements for Light Rail – Stage 1 contracts and the schedule for taking these assets and liabilities on to the Territory’s balance sheets is not clear from the Budget documentation.

Response:

- There is no specific Australian accounting standard or authoritative view for the preparation and presentation of prospective financial statements, including the use of notes. On this basis, the Territory’s budget papers have been prepared having regard to applicable Australian Accounting Standards.
- Detailed notes to the financial statements can be found in the Territory’s Consolidated Annual Financial Statements at <https://www.treasury.act.gov.au/publications>⁵, including disclosure in relation to new or amended accounting standards applicable in the future.
- The assets and liabilities associated with Light Rail – Stage 1 have been recognised in the 2024-25 Budget in the Public Trading Enterprise Sector (PTE, Appendix D) which then flows through to the Total Territory Budget estimates (Appendix E)⁶. As such, they are not recognised in the GGS.
- The completed Light Rail – Stage 1 assets and associated liabilities were initially recognised by Transport Canberra and City Services (TCCS) in 2018-19 as leased assets and leased liabilities. The Light Rail – Stage 1 leased assets and associated lease liabilities were transferred from TCCS to Transport Canberra Operations (TCO) in 2019-20.
- With the introduction of AASB 1059 ‘Service Concession Arrangements: Grantor’ in 2020-21, TCO reclassified the Light Rail – Stage 1 leased assets and associated leased liabilities to Service Concession Assets and associated Service Concession Liabilities. TCO is in the Public Trading Enterprise (PTE) Sector of the ACT Government.
- The Territory anticipates construction for Light Rail Stage 2A to be completed in 2027-28, at which point the Stage 2A assets and associated liabilities will be transferred to TCO in the PTE sector. During construction, the service concession liability, associated interest and capital works in progress asset will be recognised in the GGS as it has been designated a major project and will be managed by Major Projects Canberra. On completion of construction the service concession assets and remaining liabilities will transfer to TCO in the PTE sector for ongoing operations.

⁵ <https://www.treasury.act.gov.au/publications> Consolidated annual financial statements.

⁶ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/2024-25-Budget-Outlook.pdf Appendix D – Consolidated Financial Statements – Public Trading Enterprises and Appendix E – Consolidated Financial Statements – Total Territory.

Cost of living

Pegasus noted that if the analysis in the Cost of Living Chapter were conducted in real terms, the apparent increase in net disposable income would be dramatically reduced.

Response:

- Both real and nominal are legitimate methods of presenting this information. However, because we have also presented rates, duties and concessions on a nominal basis, it is more appropriate to represent disposable income in the same way. Using nominal terms also makes the information more easily digestible for the average reader. Presenting the disposable income in real terms could run the risk of confusing the reader into thinking that their entitlement to some concessions is greater than what they received.

Tax reform

Pegasus has raised concerns around the Government's tax reform program, including:

- that general rates are not rising quickly enough to replace the amount of revenue lost from changes in commercial and residential conveyance thresholds and rates; and
- that Pegasus considers the Government may be backpedalling to some degree on its tax reform by not increasing rates sufficiently to make up for the reduction in stamp duty, with the difference appearing to be made up through an increasing reliance on payroll tax.

Response:

- The Government is continuing the tax reform program. The program is designed to be revenue neutral in aggregate over the full long-term transition from insurance and conveyance duty to general rates.
- As part of stage 3 of tax reform, residential stamp duty tax rates have decreased to offset increases in revenue from residential general rates above the increase in the WPI and the Government will continue to reduce stamp duty for owner-occupier transactions every year. Decreases have been specifically targeted to support owner-occupiers and off-the-plan purchases. This includes changes announced in the 2024-25 Budget that support housing affordability, such as:
 - increasing the Home Buyer Concession Scheme (HBCS) income eligibility threshold from \$170,000 to \$250,000, and the additional income allowance per child from \$3,330 to \$4,600, from 1 July 2024;
 - temporarily increasing the property price thresholds for the Off-the-plan unit and RZ1 unit duty exemptions to \$1 million from 1 July 2024 to 30 June 2025;
 - enabling people fleeing domestic and family violence to access the HBCS without regard to their previous property holdings or the income of the alleged perpetrator, from 1 July 2024;

- changing the Pensioner Duty Concession Scheme and Disability Duty Concession Scheme to provide a full concession up to the duty on a \$1 million purchase, from 1 July 2024;
 - introducing a new stamp duty exemption for persons with severe disability and their carers, from 1 July 2025; and
 - changing the definition of income for eligibility for the HBCS to ‘taxable income’ and requiring homebuyers to have not held an interest in property in the previous five years to be eligible for the concession, from 1 July 2024.
- Details for stage 4 of tax reform will be outlined before its commencement in 2026-27. The Government will continue to prioritise stamp duty reductions for owner-occupier transactions particularly for first home buyers, pensioners, and new land and Off-the-plan transactions.
 - [A study released in August 2020](#) demonstrated the tax switch had been broadly revenue neutral. This study will be updated at the end of stage 3 of tax reform.
 - Using the share of total own source revenue to measure the revenue neutrality of tax reform is not appropriate as there are non-tax reform related factors that influence changes in general rates and conveyance duty revenue.
 - In particular, stamp duty revenue is affected by price and turnover changes. All else being equal, this can change the stamp duty share of total own source revenue regardless of whether tax reform is revenue neutral.
 - There are also other own source revenue streams outside of the scope of the tax reform program. Significant increases in payroll tax revenue, reflecting growth in economic activity and the labour market, as well as the introduction of a surcharge, have no bearing on the tax reform program.

Superannuation Liabilities

Pegasus has expressed the opinion that if long-term financial assumptions are altered, estimates should be produced on both the previous and new assumptions.

Response:

- The long-term financial assumptions adopted for the Budget liability valuation projections have remained relatively stable over time, except when under the unprecedented financial conditions experienced during the global pandemic with ultra-low inflation, salary growth and interest rates.
- The annual actuarial liability valuation review reports are published on the [Treasury Publications Website](#)⁷ following the release of each annual Budget.

⁷ <https://www.treasury.act.gov.au/publications> Defined benefit superannuation.

- These reports document all the financial and demographic assumptions, as well as providing a reconciliation of the impacts to the liability valuation results.

Superannuation Liability Valuation

Pegasus has expressed the opinion that it would be expected that the closing liability reporting in the financial statements for 2023-24 will be significantly higher than that included in the Budget documents, and accordingly an adjustment to the estimated liability in the order of \$1.7 billion could be expected.

Response:

- Based on the actual relevant Government bond rate at 30 June 2024, it is suggested that this comment significantly overstates what the final outcome will be. The final liability valuation will be reported in the audited annual financial statements which will be included in the 2023-24 Annual Report.

Superannuation Return Adjustment

Pegasus notes the ACT is unique in reporting its fiscal position in terms of the Headline Net Operating Balance (HNOB). This measure is derived by adjusting the Uniform Presentation Framework (UPF) operating balance to include an estimate of expected returns from the Territory's Superannuation Provision Account (SPA); and the superannuation return adjustment (SRA) has had the effect of producing surpluses in the 2026-27 and 2027-28 years that under the agreed UPF would have been reported as deficits.

Pegasus consider if the SRA is to be included in the HNOB, it should not lead to a bias in outcomes. This would mean calculating the SRA on an assumption that the total return on the assets of the SPA is identical to the long-term discount rate used in valuing the liability. In the Budget year, this would imply an SRA of \$83 million. Thus, using the projected long-term investment return rather than the long-term valuation discount rate of 5% per annum reduces the reported deficit by around \$150 million.

Response:

- The total investment returns recognised in the HNOB ensure superannuation expenses and investment revenue are reported on a consistent basis.
- The Government continues to maintain that the HNOB provides the most relevant and meaningful information for making long-term budget allocation decisions, and the inclusion of the SRA ensures the superannuation expenses and the associated investment revenues are reported on a more consistent basis.
- The Government further notes that it publishes both the GGS UPF Net Operating Balance estimates and the HNOB estimates. It also publishes cash operating statements and the

Government takes all measures into account when considering the sustainability of its Budget position⁸.

- For detailed explanation of the HNOB, refer to Box 3.1.1⁹ in the 2024-25 Budget Outlook.

Technical adjustments

Pegasus notes that the Budget Papers include technical adjustments that appear to indicate changes to previous decisions relating to the funding of programs and projects. The adjustments appear to move funding across years as well as changes to appropriations across years. Whilst examples of this practice are not unusual in other jurisdictions; for instance, the re-phrasing of appropriations and the movement of previous decisions to out years, the level of adjustments appears substantial.

Response:

- Technical adjustments by definition reflect those items impacting agencies for material, non-discretionary changes in the net cost (or timing) of expenditure on existing programs or capital projects and revenue and expenses where parameter assumptions have changed. Technical adjustments are adjustments which are typically outside the Government's control and are not triggered by an explicit decision by Cabinet and can result in appropriation variations.
- Technical adjustments since the 2023-24 Budget are summarised in Table 3.1.2 of the Budget Outlook, and more detail on the changes since the 2023-24 Budget Review is shown in Table 3.1.3 and in the 'Technical revenue and expense variations' section¹⁰.
- The revenue technical adjustments in the 2024-25 Budget include revised estimates of own source taxation revenue, GST and other Commonwealth grant revenue and dividends from the Suburban Land Agency and Icon Water. Predominantly these adjustments reflect changed assumptions regarding economic parameters including land sales.
- The expenses technical adjustments are driven in part by changes in the superannuation liability expense and interest costs, again reflecting changed economic parameters and higher interest and insurance costs.
- Other expense adjustments reflect reprofiling and other adjustments based on revisions to program delivery assumptions, including updates to parameters and timing.

⁸ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf Chapter 4 GGS Harmonised Financial Statements.

⁹ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf Box 3.1.1 p. 43

¹⁰ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf pp. 44-46.

New initiatives and wellbeing

Pegasus has raised concerns around the presentation of financial impacts within chapter 3.2 of the Budget Outlook, including:

- That while all the individual initiatives are listed under their primary wellbeing domain, neither the Budget Outlook nor the Wellbeing statement provide a comprehensive summary table that shows the total investment across the 12 domains, resulting in a gap in transparency as readers of the Budget or the general taxpayer may want to know how much of the Government's new investment is being directed to each domain.
- That the presentation of 'net cost of services' is different from the normal presentation of information in Australian Budgets, which treat revenue and expenses as separate items, and which generally focus on the impact on the fiscal balance rather than the 'net cost of services'.
- To the extent that a provision has already been included in the forward estimates, contemporary Budget and accounting practice would not normally count that provision again as a savings against a new measure.
- Because different protocols are employed in section 3.2 from the rest of the Budget Outlook, there is no one-to-one correspondence between the presentation of the new wellbeing initiatives and the expense, revenue and capital figures reported elsewhere in the Budget Outlook.

Response:

Summary of financials against their primary wellbeing domain

- As noted in the Pegasus Report, initiatives are not intended to be aggregated by their primary domain, as in practice, most initiatives will contribute to multiple wellbeing domains. As such, aggregating financial impacts by the primary domain listed against each initiative would result in misleading information on the total wellbeing impacts of new initiatives.

Inclusion of the 'net cost of services' line for new initiatives

- The ACT Budget presentation of new initiatives is explained on page 81 of the ACT 2024-25 Budget Outlook¹¹. The presentation provides a greater level of disaggregation/transparency of the financial impacts of initiatives than any other state or territory. 'Net cost of services' and/or 'net capital' summary lines are also included to assist readers to understand the overall financial impacts of initiatives. This presentation has been used since 2020 and was developed with reference to the approaches taken by other jurisdictions.

¹¹ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf pp. 81.

- In particular, the inclusion of summary ‘net cost of services’ and ‘net capital’ summary lines is consistent with the approach taken by various other jurisdictions in their budgets. For example, South Australia includes ‘impact of net operating balance’ and ‘impact on net lending’ lines (for new policy decisions at an agency level)¹² and the Commonwealth Government includes ‘net cost of services’ information (for total funding including new policy decisions at an agency budget level)¹³. ‘Net cost of outputs’, which is conceptually identical to ‘net cost of services’ at an output level, is widely used by other jurisdictions and is a well-recognised concept in public sector budgeting.

Inclusion of existing provisions as offsets to new initiatives

- As initiatives published within the ACT 2024-25 Budget reflect both the total gross impact and the additional net impact of new policy decisions made by Government, the inclusion of provision offsets is essential to reflect existing funding that has already been included in the forward estimates. This allows for increased transparency where initiatives can then present the gross costs of initiatives (i.e. the value of the activities undertaken), with provision offsets then reducing this cost to reflect the net financial impact (i.e. an accounting view) of new decisions.
- It is not correct that contemporary Budget and accounting practice would not normally count provision offsets as a savings against a new measure.
- Provision offsets are included in other jurisdictions’ budgets, including the Commonwealth Government. For example, Commonwealth budget papers include offsets from the Central Contingency Fund (analogous to the ACT Government’s use of provisions) in measure descriptions. For an example, see the ‘APS Capability Reinvestment Fund’ measure description on page 156 of the Commonwealth 2024-25 Budget Paper 2¹⁴.
- The difference in approach between the ACT and Commonwealth budgets is that the ACT budget provides greater transparency as financial impacts are disaggregated (i.e. both expense and provision offsets are presented) in initiative description tables, with total net impact lines also included.
- By contrast, the Commonwealth budget only includes net impact lines in measure description tables.
 - Under this approach, if a new decision of Government is fully offset by existing provisioned funding, the financial impact table is blank and the reader must instead rely on descriptive text to understand the gross value of the measure.

Link between new initiatives and expense, revenue and capital figures reported elsewhere in the Budget Outlook

¹² https://www.statebudget.sa.gov.au/_data/assets/pdf_file/0020/1014374/2024-25-Budget-Measurement-Statement.pdf

¹³ <https://budget.gov.au/content/pbs/index.htm> Portfolio Budget Statements.

¹⁴ https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf p156 - Budget Paper No. 2

- Headline figures presented in the front section of chapter 3.2 of the Budget Outlook across the six categories are intentionally presented as the total gross cost of Government investment, to provide clarity on the magnitude of Government’s investment across these key policy areas.
- Treasury notes the total net cost of new initiatives is clearly outlined on page 81 of the ACT 2024-25 Budget Outlook, with the impact of these policy decisions on the General Government Sector Headline Net Operating Balance also reflected on page 44 of the ACT 2024-25 Budget Outlook.

Infrastructure and capital

Pegasus notes for 2024-25 the total Infrastructure investment is not fully transparent, except for the Asset Renewal Program, \$7.4 million, and Work-In-Progress of \$320 million. Over 2024-25 and the out-years, the key projects include those indicated above.

Other major projects include: upgrades to public buildings, Canberra Theatre expansion, Light Rail Stages 2A and 2B, CIT Woden Campus and bus interchange, Canberra hospital expansion and design of the new Northside Hospital, better transport services between Belconnen and Gungahlin, and electrification of Government gas assets.

It appears that many of these projects are re-phased from previous Budgets.

Response:

- With each new appropriation bill the Government publishes detailed data on its Capital Works Program¹⁵ using Power-BI on the Treasury website along with Budget Outlook. This data base provides detail of each project's appropriation across the forward estimates, delivery agency, total value of the project and other associated non-financial data.
- Appendix B of Budget Outlook details the Asset Renewal Program for the budget year valued at \$114.8 million. Appendix C itemises all projects that make up Works-in-Progress, valued at \$3.9 billion under the Capital Works Program¹⁶.
- Further transparency is provided through statutory reporting under section 30F of the *Financial Management Act 1996*¹⁷. The performance of projects greater than \$10 million in value that have not reached physical completion are reported to the Legislative Assembly on a minimum of a six monthly cycle (current practice is quarterly).

Women's Budget Statement

The ACT Women's Budget Statement (ACT Government, 2024a¹⁸) provides an overview of policy initiatives and programs specifically targeted and relevant to women. The statement appears more clearly targeted to women's programs than the comparable statement in last year's Budget.

Response:

- Noted.

¹⁵ <https://www.treasury.act.gov.au/budget/budget-2024-25/budget-papers/infrastructure-investment-program>

¹⁶ https://www.treasury.act.gov.au/_data/assets/pdf_file/0019/2513521/Budget-Outlook.pdf pp. 296 - 315.

¹⁷ <https://www.legislation.act.gov.au/View/a/1996-22/current/html/1996-22.html> section 30F Capital works report of Territory.

¹⁸ https://www.treasury.act.gov.au/_data/assets/pdf_file/0014/2513111/Budget-2024-25-Womens-Statement.pdf

Public housing

The stock of public housing in the ACT has not kept pace with ACT population growth, and has remained stagnant since 2018 while the ACT resident population has grown by almost 27 percent between 2011 and 2023. Even if the ACT Government is successful in adding another 400 public homes, it will still not keep pace with population growth.

Response:

- The ACT is growing rapidly, with the fastest growing population of any Australian state or territory over the last ten years. Despite this, the ACT continues to have the highest number of public housing dwellings relative to population of any jurisdiction in Australia (23.03 dwellings per 1,000 people compared to 11.07 nationally)¹⁹ and continues to spend the second highest per capita on social housing after the Northern Territory and almost two times the national average²⁰.
- The ACT is looking to address housing challenges by improving access to housing and increasing supply and choice, including affordable, community and public housing.
- The ACT Government's investment in growing and renewing its public housing stock is targeted at delivering more accessible and sustainable properties which meet the individual needs of public housing tenants and those on the waitlist. This includes an improvement in the alignment between newly delivered public housing and expressed demand, improved energy efficiency and more accessible public housing properties to support the broadest range of tenants and aging in place.
- In addition to the Government's investment of more than \$1.2 billion from 2015 to 2027 for the renewal of over 20 per cent of the ACT public housing portfolio, the Government is also invested in supporting and growing the community housing sector in Canberra as an efficient and cost-effective solution to increasing affordable housing.

¹⁹ [18 Housing - Report on Government Services 2024 - Productivity Commission \(pc.gov.au\)](#) Australian Productivity Commission, Report on Government Services 2024, Table 18.3; [National, state and territory population, December 2023 | Australian Bureau of Statistics \(abs.gov.au\)](#) Australian Bureau of Statistics National, state and territory population, December 2023.

²⁰ [18 Housing - Report on Government Services 2024 - Productivity Commission \(pc.gov.au\)](#) Australian Productivity Commission, Report on Government Services 2024, Table 18A.1

Correction of several typographical errors in the Pegasus Report

Pegasus stated, “the Budget forecasts a headline net operating deficit of \$642.1 million in 2024-25...” (pages vi and 11).

Response:

- The deficit is \$624.1 million in 2024-25.

Pegasus’ Table 1 Current outcomes and economic estimates and forecasts in the 2024-25 ACT Budget, percentage change (page 2):

- Current outcomes for State Final Demand are reflected as 2.4.
- Employment figure in 2023-24 Forecasts is 2 and in 2024-25 Budget Forecast is 1¾.
- Population figure referenced to be through the year to the end of December 2024.

Response:

- The average current outcomes for State Final Demand is 2.8²¹
- Employment figure in 2023-24 is 1¾ and in 2024-25 Budget is 2.
- Population is through the year to the June quarter growth.

Pegasus stated “financial assets are forecast to exceed net financial liabilities by approximately 1.65 times in 2024-25 to approximately 1.43 times in 2027-28” (page 19).

Response:

- The correct ratios are 1.67 in 2024-25, and 1.63 in 2027-28

²¹ . [Economic Indicator Summary \(act.gov.au\)](https://act.gov.au) Economic Indicator Summary, ACT and Australia – *Statistics shown are the latest available as at 4 July 2024.*