



**Legislative Assembly for the  
Australian Capital Territory**

Standing Committee on Public Accounts  
and Administration

# **Inquiry into Appropriation Bill 2024-2025 (No 2)**

Legislative Assembly for the Australian Capital Territory  
Standing Committee on Public Accounts and Administration

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**Approved for publication**

Report 1  
11th Assembly  
March 2025



# About the committee

## Establishing resolution

The Assembly established the Standing Committee on Public Accounts and Administration on 3 December 2024.<sup>1</sup>

The Committee is responsible for the following areas:

- Accounts and expenditure of the ACT and its authorities
- All reports of the Auditor-General which have been presented to the Assembly
- ACT Public Service
- Procurement policy
- Insurance policy
- Chief Digital Officer
- Digital and Data Strategy
- Finance
- Treasury (including taxation and revenue)

You can read the full establishing resolution [on our website](#).

## Committee members

Mr James Milligan MLA, Chair

Ms Fiona Carrick MLA, Deputy Chair

Ms Caitlin Tough MLA

## Secretariat

Ms Sophie Milne, Committee Secretary

Ms Cherelyn Brearley, Assistant Secretary

Ms Teena Palanivel, Administrative Officer

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<sup>1</sup> ACT Legislative Assembly, *Minutes of Proceedings*, No 2, 3 December 2024, p 27.

## About this inquiry

Standing Order 174 refers all bills presented to the Assembly to the relevant standing committee for inquiry. A Committee has three weeks from the date of presentation, or one week after the tabling of the relevant scrutiny report, whichever is later, to advise the Speaker on whether it will undertake an inquiry.

If the Committee does decide to undertake an inquiry, it must report within three months from the date of presentation of the bill, with the exception of bills presented in the last sitting period of a calendar year, in which case the Committee has four months to inquire and report.

The Appropriation Bill 2024-2025 (No 2) was presented in the Assembly on 6 February 2025 and referred to the Standing Committee on Public Accounts and Administration.

The Committee decided to inquire into the bill on 12 February 2025. Pursuant to resolution of the Assembly of 6 February 2025, the reporting date is 13 March 2025.

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## Acronyms & Abbreviations

| Acronym or Abbreviation | Long form                                                     |
|-------------------------|---------------------------------------------------------------|
| ACT                     | Australian Capital Territory                                  |
| AFP                     | Australian Federal Police                                     |
| CHS                     | Canberra Health Services                                      |
| CMTEDD                  | Chief Minister, Treasury and Economic Development Directorate |
| CSD                     | Community Services Directorate                                |
| EA                      | enterprise agreement                                          |
| IHACPA                  | Independent Health and Aged Care Pricing Authority            |
| NHRA                    | National Health Reform Agreement                              |
| QTON                    | Question Taken On Notice                                      |

# Executive Summary

On 12 February 2025, the Committee resolved to conduct an Inquiry into Appropriation Bill 2024-2025 (No 2).

The Inquiry into the Appropriation Bill 2024-2025 (No 2) focused on the supplementary appropriation allocation to:

- the ACT Local Hospital Network, due to unexpected rise in costs alongside a decrease in expected revenue in the first half of the financial year;
- the Community Services Directorate for funding of out of home care and associated services for children and young people;
- the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) for funding of a central reserve fund; and
- the Justice and Community Safety Directorate for funding wage increases and benefit changes for ACT Policing.

To ascertain further detailed information on the specifics of the allocations, a public hearing was held on Friday 7 March 2025. Providing evidence at the hearing, representatives of the executive branch of government included the Chief Minister, the Treasurer, the Minister for Health, and the Minister for Children, Youth and Families, together with the relevant senior directorate staff.

This report contains three recommendations including the passing of the Appropriation Bill 2024-2025 (No 2), together with suggesting changes to the budget process for the ACT Government to improve transparency and development of future budgets.

# Recommendations

## Recommendation 1

9

The Committee recommends that the ACT Legislative Assembly pass the Appropriation Bill 2024-2025 (No 2).

## Recommendation 2

10

The Committee recommends that the ACT Government improve financial transparency and forecasts for each Directorate by providing a greater level of detail for each output class in the budget papers, using methods such as programs or activity-based management systems.

## Recommendation 3

12

The Committee recommends that the ACT Government adopt a balanced budget objective over the forward estimates and beyond, with the aim of reducing interest on borrowings.

# 1. Introduction

## Conduct of the inquiry

- 1.1. On 12 February 2025, the Committee resolved to conduct an Inquiry into Appropriation Bill 2024-2025 (No 2) and called for submissions.
- 1.2. The Committee held a public hearing on 7 March 2025. The Committee heard evidence from witnesses listed in [Appendix A](#). The transcript and video recordings are available on the Legislative Assembly website.
- 1.3. The Committee had 2 Questions Taken On Notice (QTONs) from the public hearings. The details of the QTONs are listed in [Appendix B](#).
- 1.4. Statistics on the gender of witnesses, collected in response to an audit by the Commonwealth Parliamentary Association, are at [Appendix C](#). The information is collected to determine whether committee inquiries are meeting the needs, and allowing the participation of, a range of genders in the community. Participation is voluntary and there are no set responses.
- 1.5. In this report, references to Committee Hansard are to proof transcripts of evidence. Page numbers may vary between proof and official transcripts.

## 2024-2025 budget

- 1.6. According to the *Australian Capital Territory (Self-Government) Act 1988* (Cth), the executive branch of the ACT Government is responsible for authorising the spending of public money.<sup>2</sup> Each year as part of the budget process, the Treasurer presents two appropriation bills for the purposes of allowing this expenditure, one for government directorates and agencies, and one for the Office of the Legislative Assembly and its associated independent bodies.
- 1.7. Two appropriation bills for the financial year 2024-2025 were passed by the Legislative Assembly on 4 September 2024.<sup>3</sup> As 2024 was an election year for the Territory, the ACT Government passed into caretaker mode soon afterwards.
- 1.8. In early October, the Health Minister's office was alerted of a growth in Canberra Health Service activity which could possibly result in a funding 'gap'.<sup>4</sup>
- 1.9. On 6 November 2025, the first sitting of the 11<sup>th</sup> Assembly took place, and the ACT Government resumed under the leadership of the Chief Minister.<sup>5</sup>
- 1.10. The Expenditure Review Committee, which looks into specific areas of Government spending as required,<sup>6</sup> reviewed the financial situation of the health services.<sup>7</sup> It was decided that a supplementary appropriation would be required to remedy the funding shortfall.<sup>8</sup>

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<sup>2</sup> *Australian Capital Territory (Self-Government) Act 1988* (Cth), s 58(1).

<sup>3</sup> Minutes of Proceedings No 132 (10<sup>th</sup> Assembly), 4 September 2024, p 2085.

- 1.11. The Appropriation Bill 2024-2025 (No 2) (the Bill), which is the subject of this inquiry, was presented by the Treasurer on 6 February 2025, along with a mid-year Budget Review and Supplementary Budget papers. No supplementary bill was presented for the Office of the Legislative Assembly.<sup>9</sup>
- 1.12. The Committee is aware that debate over the supplementary appropriation has included questions of the timing of the provision of information from the Health Directorate to the Minister for Health, and then to other Members of the Legislative Assembly (MLAs) and the public. The Assembly has established a Select Committee on Caretaker Conventions to look into this topic, including the timing of the pre-election budget update.<sup>10</sup> As such, these matters will not be canvassed in this report.

## The Appropriation 2024-2025 Bill (No 2)

- 1.13. The Bill allocates monies as follows:<sup>11</sup>

| column 1<br>territory entity      | column 2<br>net controlled<br>recurrent<br>payments | column 3<br>payments on<br>behalf of<br>Territory | column 4<br>total |
|-----------------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------|
|                                   | \$                                                  | \$                                                | \$                |
| <b>Part 1.1</b>                   | 250 006 000                                         |                                                   | 250 006 000       |
| ACT Local Hospital<br>Network     |                                                     |                                                   |                   |
| <b>Part 1.2</b>                   | 80 000 000                                          |                                                   | 80 000 000        |
| ACT Health<br>Directorate         |                                                     |                                                   |                   |
| <b>Part 1.3</b>                   | 24 277 000                                          |                                                   | 24 277 000        |
| Community Services<br>Directorate |                                                     |                                                   |                   |

<sup>4</sup> Standing Committee on Social Policy, *Inquiry into Annual and Financial Reports 2023-2024*, Exhibit 1.

<sup>5</sup> Minutes of Proceedings No 1, 6 November 2024, p 3.

<sup>6</sup> ACT Government Directory, *Subunit "Expenditure Review Branch"*, undated, : [https://www.directory.act.gov.au/cgi-bin/webdua.cgi?ea2\\_&organizationalUnit&ou%3DEXPENDITURE%20REVIEW%20BRANCH%20Cou%3DFINANCE%20AND%20BUDGET%20Cou%3DBUDGET%5C%2C%20PROCUREMENT%5C%2C%20INVESTMENT%20AND%20FINANCE%20%28BPIF%29%20Cou%3DTREASURY%20Cou%3DCHIEF%20MINISTER%5C%2C%20TREASURY%20AND%20ECONOMIC%20DEVELOPM%20DIRECTORATE%20-%20CMTEDD%20Cou%3DACT%20GOVERNMENT%20DIRECTORATES%20Co%3DAustralian%20Capital%20Territory%2Cc%3DAU](https://www.directory.act.gov.au/cgi-bin/webdua.cgi?ea2_&organizationalUnit&ou%3DEXPENDITURE%20REVIEW%20BRANCH%20Cou%3DFINANCE%20AND%20BUDGET%20Cou%3DBUDGET%5C%2C%20PROCUREMENT%5C%2C%20INVESTMENT%20AND%20FINANCE%20%28BPIF%29%20Cou%3DTREASURY%20Cou%3DCHIEF%20MINISTER%5C%2C%20TREASURY%20AND%20ECONOMIC%20DEVELOPM%20DIRECTORATE%20-%20CMTEDD%20Cou%3DACT%20GOVERNMENT%20DIRECTORATES%20Co%3DAustralian%20Capital%20Territory%2Cc%3DAU) (accessed 7 March 2025).

<sup>7</sup> Mr Russ Campbell, A/g Under Treasurer, CMTEDD, *Proof Committee Hansard*, 7 March 2025, p 42.

<sup>8</sup> Mr Chris Steel, Treasurer, *Proof Committee Hansard*, 7 March 2025, p 42.

<sup>9</sup> Minutes of Proceedings No 7, 6 February 2025, p 95.

<sup>10</sup> Minutes of Proceedings No 9, 5 March 2025, pp 112-114.

<sup>11</sup> Appropriation Bill 2024-2025 (No 2), sch 1.

| column 1<br>territory entity                                                                 | column 2<br>net controlled<br>recurrent<br>payments | column 3<br>payments on<br>behalf of<br>Territory | column 4<br>total |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------|
|                                                                                              | \$                                                  | \$                                                | \$                |
| <b>Part 1.4</b><br>Chief Minister,<br>Treasury and<br>Economic<br>Development<br>Directorate | 19 935 000                                          |                                                   | 19 935 000        |
| <b>Part 1.5</b><br>Justice and<br>Community Safety<br>Directorate                            |                                                     | 9 658 000                                         | 9 658 000         |
| <i>Total appropriated to<br/>territory entities</i>                                          | 374 218 000                                         | 9 658 000                                         | 383 876 000       |
| <b>Part 1.6</b><br>Treasurer's advance                                                       |                                                     |                                                   | 3 838 000         |
| <i>Total appropriations</i>                                                                  | 374 218 000                                         | 9 658 000                                         | 387 714 000       |

## 2. Breakdown of the supplementary appropriation

### ACT Local Hospital Network

- 2.1. The majority of the supplementary appropriate, \$250,006,000, is allocated to the ACT Local Hospital Network, which faced an unexpected rise in costs alongside a decrease in expected revenue in the first half of the financial year.

### Expenditure

- 2.2. In the period 1 July 2024 to 31 December 2024 there were an additional 85,000 patient presentations to Canberra Health Services (CHS), including both admitted and non-admitted patient care.<sup>12</sup> At the time of the Committee hearing, it was estimated that the number of additional presentations for the financial year exceeds 100,000.<sup>13</sup>

- 2.3. The uplift in volume corresponds to a growth rate of eight percent, which, according to Ms Rosalie Hughes, Chief Finance Officer at CHS, is unusually high. She said:

I have worked in health in New Zealand for the last 20 years and I have never seen a bump quite like this. Five per cent would be considered high, considering the population of the territory.<sup>14</sup>

- 2.4. According to Ms Hughes, eighty percent of the current overspend is for supplementary staffing to respond to this increase in activity – agency nursing, visiting medical officers, and locums.<sup>15</sup>

- 2.5. Some of this growth might be explained by increased activity at the new North Canberra Hospital emergency department – ‘Build it and they will come,’ as stated Grant Howard, Chief Operating Officer of Canberra Health Services, at a hearing before the Standing Committee on Social Policy.<sup>16</sup> However, the new Building 5 at Woden Hospital, which was not intended to significantly increase activity, also experienced an uplift.<sup>17</sup>

- 2.6. Other jurisdictions have reported similar unexpected growth, according to Minister for Health, who explained that a ‘post-COVID bump’ in health service presentations had been expected by many to slow in 2024-2025.<sup>18</sup> The Tasmanian Government, for example, has had to fund ‘an additional over budget expenditure of \$345 million in response to continued high levels of demand for hospital services.’<sup>19</sup>

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<sup>12</sup> Response to Question Taken on Notice, Question Time — 4 February 2025. Ms Stephen-Smith MLA, *answer to QTON: Additional Episodes Across CHS*, 4 February 2025 (received 11 March 2025), p 1.

<sup>13</sup> Mr Dave Pepper, Chief Executive Officer, Canberra Health Services, Standing Committee on Social Policy, Inquiry into Annual and Financial Reports 2023-2024, *Proof Committee Hansard*, 20 February 2025, p 286.

<sup>14</sup> Ms Rosalie Hughes, Chief Finance Officer, Canberra Health Services, *Proof Committee Hansard*, 7 March 2025, p 9.

<sup>15</sup> Ms Hughes, Canberra Health Services, *Proof Committee Hansard*, 7 March 2025, p 9.

<sup>16</sup> Dr Grant Howard, Chief Operating Officer, Canberra Health Services, Standing Committee on Social Policy, Inquiry into Annual and Financial Reports 2023-2024, *Proof Committee Hansard*, 20 February 2025, p 284.

<sup>17</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 5.

<sup>18</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 5.

<sup>19</sup> Tasmanian Government, Department of Treasury and Finance, ‘Expenditure Risks’, *2024-25 Revised Estimates Report (including December Quarterly Report)*, February 2025, p 69.

- 2.7. The rise in the cost of health services has also had a large impact on the health budget over the past years. As in other sectors of the economy, inflation has had an impact on goods and services as well as staffing costs. ‘Broadly across the economy we saw that very rapid escalation in inflation post the pandemic,’ explained the Minister for Health.<sup>20</sup>
- 2.8. The Committee was told at the hearing that rapid inflation can be difficult to forecast as there is a lag between the operational data, that is captured monthly, and the corresponding cost analysis, which informs the quarterly budget reviews. This is due to the time needed to verify, invoice, and process the activity information.<sup>21</sup> In practice this means that any funding response to pricing variations is delayed, while the hospital experiences them in real time.<sup>22</sup>
- 2.9. Further to this, the price of services appears to be increasing beyond the expected amount originally determined by bodies such as the Independent Health and Aged Care Pricing Authority (IHACPA).<sup>23</sup> This agency provides advice on the price of hospital and aged care services to the Commonwealth Minister for Health and Aged Care, which in turn influences the amount of Commonwealth funding received by the states and territories.<sup>24</sup>

## Revenue

- 2.10. According to the Budget Review, the ACT’s own-source taxation revenue is estimated to be \$21.7 million lower than the 2024-2025 Budget forecast. It is noted that part of this may be due to the Australian Public Service’s recent insourcing of services, as the Commonwealth Government cannot be charged payroll tax by the ACT Government.<sup>25</sup>
- 2.11. The supplementary appropriation bill allocates \$11.338 million to CHS for this unrealised own source revenue.<sup>26</sup>
- 2.12. Revenue from Commonwealth grants for ACT health services has also been lower than expected. Under the 2020-2025 National Health Reform Agreement (NHRA), which funds public hospitals, grants to states and territories are calculated with an overall cap on yearly growth of 6.5 percent. If any jurisdiction does not reach its individual 6.5 percent cap, the excess grant money can be redistributed amongst the other states and territories. Based on projections by the larger states such as NSW and Victoria, who were expecting a drop in their health activities over the 2024-2025 financial year, the Health Directorate expected that the Territory would receive more than its 6.5 percent capped funding. However, due to the unexpected rise in health costs across the country, this did not eventuate.<sup>27</sup>

<sup>20</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 8.

<sup>21</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 8.

<sup>22</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 8.

<sup>23</sup> Mr Dave Pepper, Chief Executive Officer, Canberra Health Services, *Proof Committee Hansard*, 7 March 2025, p 5.

<sup>24</sup> Independent Health and Aged Care Pricing Authority, *Pricing*, undated, <https://www.ihacpa.gov.au/health-care/pricing> (accessed 7 March 2025).

<sup>25</sup> Australian Capital Territory, *Budget 2024-2025—Budget Review*, pp 61—62.

<sup>26</sup> Supplementary Budget Papers, Table 1: Impact of Additional Appropriations for 2024-25, p 9.

<sup>27</sup> Ms Stephen-Smith, Minister for Health, *Proof Committee Hansard*, 7 March 2025, p 6.

- 2.13. The supplementary appropriation bill allocates \$105.379 million to CHS for this NHRA grant shortfall.<sup>28</sup>

## ACT Health Directorate

- 2.14. The ACT Health Directorate granted \$80.0 million to the ACT Local Hospital Network as an advance. The Health Directorate would recoup this amount through the supplementary appropriation if the Bill is passed.<sup>29</sup>

## Community Services Directorate

- 2.15. The allocation of \$24.277 million to the Community Services Directorate is for the funding of out of home care and associated services for children and young people. According to evidence given by the Directorate, demand for high care arrangements have been higher than expected this financial year. As explained to the Committee at the public hearing, care arrangements are not decided based on the available budget – rather, they are tailored to the needs of the individual first, and then Treasury is approached for more funding if required:

We cannot always forecast the demand of the young people who will come into our system who need very high care arrangements. That can often involve a residential case facility, multiple carers for one young people and some significant therapeutic needs for those your Honour. We do not tailor those needs for those young people based on budget. We go back to Treasury and have the discussion about the money that we need to pay for the young person, not the other way around.<sup>30</sup>

- 2.16. Some of the funding is also being appropriated as a contingency measure for demand for associated services, including payments for daycare, transport, or educational needs. Ms Sabellico, Acting Deputy Director General for Children, Families & Strategic Reform, explained that the increase in demand for these services has been partially driven by investing in diverting children from the care system, in an effort to prevent them from having to be separated from their families.<sup>31</sup>
- 2.17. Overall, the increased expenditure in this area has been driven by rising costs as well as increased demand.<sup>32</sup> Ms Rule said to the Committee that the budget management has been effective:

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<sup>28</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Supplementary Budget Papers*, Table 1: Impact of Additional Appropriations for 2024-25, p 9.

<sup>29</sup> Ms Cross, ACT Health Directorate, *Proof Committee Hansard*, 7 March 2025, p 3.

<sup>30</sup> Ms Catherine Rule, Director-General, Community Services Directorate, *Proof Committee Hansard*, 7 March 2025, p 44.

<sup>31</sup> Ms Anne Maree Sabellico, Acting Deputy Director General, Children, Families & Strategic Reform, Community Services Directorate, *Proof Committee Hansard*, 7 March 2025, p 44.

<sup>32</sup> Ms Sabellico, Community Services Directorate, *Proof Committee Hansard*, 7 March 2025, p 45.

I feel pretty satisfied that Ms Sabellico and her team are across the performance of this budget, and that there is not unnecessary expenditure inhere, it is actually very tightly targeted to where our biggest needs are.<sup>33</sup>

## Chief Minister, Treasury and Economic Development Directorate

- 2.18. The Chief Minister, Treasury and Economic Development Directorate (CMTEDD) has been allocated \$19.935 million for a central reserve fund. The Supplementary Budget Papers state that CMTEDD will:

manage the creation and allocations from a central funding reserve to support the delivery of critical services to the ACT community and address areas of service need in the ACT Public Service to address any additional funding requirements.<sup>34</sup>

- 2.19. It was explained to the Committee at the hearing that this money was a reprioritisations of existing provisions, which were originally centrally provisioned, and must be drawn down through an appropriation for agency use.<sup>35</sup> It has been drawn down for any significant non-health priorities which emerge in the remainder of the financial year:

[N]othing is planned, but it is almost like an insurance in case it needs to be potentially accessed for unforeseen pressures. There has been a lot of work that has been happening by Treasury, across government, looking at cash management to make sure that agencies outside of Canberra Health Services are managing within their existing appropriations.

But we know that, you know, not only—there might be pressures outside of health that could emerge, that we are not necessarily aware of at this point in the financial year, that may need to draw on, may need to be supported. So we do not want to come back in a third appropriation bill to the Assembly for that.<sup>36</sup>

## Justice and Community Safety Directorate

- 2.20. \$9.658 million of the supplementary appropriation has been allocated to the Justice and Community Safety Directorate.<sup>37</sup> This is for funding wage increases and benefit changes for ACT Policing, under a new enterprise agreement (EA) which was made public in November 2024.<sup>38</sup> The total amount of this necessary increase, \$10.645 million, is offset by a \$987,000 contribution from ACT Policing.<sup>39</sup>

<sup>33</sup> Ms Rule, Community Services Directorate, *Proof Committee Hansard*, 7 March 2025, p 45.

<sup>34</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Supplementary Budget Papers*, p 29.

<sup>35</sup> Mr Russ Campbell, Acting Under Treasurer, CMTEDD, *Proof Committee Hansard*, 7 March 2025, p 27.

<sup>36</sup> Mr Steel, Treasurer, *Proof Committee Hansard*, 7 March 2025, p 28.

<sup>37</sup> Appropriation Bill 2024-2025 (No 2), sch 1.

<sup>38</sup> James Day, "We learned some valuable lessons': AFUP union finally ends bargaining with 'yes' vote to wage offer", *Riotact*, 27 November 2024, <https://the-riotact.com/we-learned-some-valuable-lessons-afp-union-finally-ends-bargaining-with-yes-vote-to-wage-offer/828647> (accessed 7 March 2025).

<sup>39</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Supplementary Budget Papers*, Table 3: Change to Appropriation – Expenses on Behalf of the Territory, p 59.

- 2.21. Policing services are performed by the Australian Federal Police (AFP), who were under negotiations with the Commonwealth Government (as their employer) for a new EA at the time the 2024-2025 budget was handed down. The 2024-2025 budget papers did make note of this in the Statement of Risks, saying that while provisions had been made for this and other ongoing public service payment negotiations, the final costs presented risk to the financial outlook.<sup>40</sup>

## Treasurer's Advance

- 2.22. A treasurer's advance is used for emergency expenditure that was not foreseen or was not allocated for under the primary appropriation. Directorates must apply to the Treasurer for them, and the Treasurer must be satisfied of certain conditions under the *Financial Management Act 1996* to grant them, including that:
- a) there is an immediate need for the payment; and
  - b) the payment was unforeseen until after the last day when it was practicable to provide for it in the relevant Appropriation Bill before the bill was introduced into the Legislative Assembly.<sup>41</sup>
- 2.23. The treasurer's advance is a limited amount of not more than one percent of the total amount appropriated by all appropriation acts for the financial year.<sup>42</sup>
- 2.24. Under the *Appropriation Act 2024-2025*, the treasurer's advance appropriated was \$79.386 million.<sup>43</sup> This amount in its entirety was applied for and approved for use by the ACT Local Health Network on 14 January and 22 January 2025, respectively. It was authorised to 'meet cash requirements related to sustained and increased cost pressures at Canberra Health Services.' In the previous financial year, treasurer's advances were authorised for the ACT Local Hospital Network, Community Services Directorate, Justice and Community Safety Directorate, and the Transport and City Services Directorate.<sup>44</sup>
- 2.25. The Appropriation Bill 2024-2025 (No 2) allocates \$3.838 million to the Treasurer's Advance fund.<sup>45</sup>

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<sup>40</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Outlook*, Statement of Risks, p 346.

<sup>41</sup> *Financial Management Act 1996*, s 18.

<sup>42</sup> *Financial Management Act 1996*, s 18.

<sup>43</sup> Appropriation Bill 2024-2025 (No 2), sch 1.

<sup>44</sup> Mr Chris Steel MLA, Inquiry into Annual and Financial Reports 2023-2024, *answer to Question Taken on Notice 30*, 13 February 2025 (received 3 March 2025).

<sup>45</sup> Appropriation Bill 2024-2025 (No 2), sch 1.

### 3. Committee Comment and Recommendations

- 3.1. As discussed earlier in this report, there are provisions apart from supplementary appropriations for directorates which over-spend the funds appropriated for them. In this financial year 2024-2025, monies from the Treasurer's Advance and the ACT Health Directorate have been used to service unexpected budgetary pressures on the local hospitals.
- 3.2. If the Appropriation Bill 2024-2025 (No 2) is not passed, the Treasurer's Advance of \$79.386 million received by the ACT Local Hospital Network remains in effect, as per section 18 of the *Financial Management Act 1996*.<sup>46</sup>
- 3.3. As it stands, despite receiving these cash advances from the Health Directorate and Treasurer's Advance, the health portfolio estimates that their current cash reserves will be exhausted by 7 May 2025,<sup>47</sup> which will be several months before the 2025-2026 appropriation comes into effect.
- 3.4. It is clear to the Committee that it is essential that the Appropriation Bill 2024-2025 (No 2) be passed. The health, out of home care, and policing services which have been allocated funding under this supplementary appropriation are essential services which support the people of the ACT as well as the wider capital region.

#### Recommendation 1

The Committee recommends that the ACT Legislative Assembly pass the Appropriation Bill 2024-2025 (No 2).

- 3.5. The Committee was concerned that the Government was not able to provide sufficient detail on what is driving the trends in demands for health services. The Committee believes that this will lead to underestimation in the forecasts for deficit, debt, and interest payments.
- 3.6. The largest single output identified in the 2024-2025 Supplementary Budget Papers is \$1,596,165,000 for 'Acute Services', without any further breakdown provided.<sup>48</sup> The Committee believes that budgetary pressures on output classes need to be further broken down to manage the Territory budget, especially for health, which has been a major driver of the increase in costs requiring additional funding.
- 3.7. The Committee does acknowledge that, currently, ACT health funding is allocated with a block-funding method, in which the Commonwealth grants a certain amount of funds to the Territory for the implementation of each category of health service. The ACT Government is planning to move to an activity-based funding model in the future, whereby health activities will be tracked more accurately. This should enable a more accurate

<sup>46</sup> *Financial Management Act 1996*, s 18.

<sup>47</sup> Standing Committee on Social Policy, *Inquiry into Annual and Financial Reports 2023-2024*, Ms Rachel Stephen-Smith MLA, *answer to Question Taken on Notice 68*, 20 February 2025 (received 4 March 2025).

<sup>48</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Supplementary Budget Papers*, Table 1: Revised Output Classes – Total Cost and Controlled Recurrent Payments, p 23.

breakdown of the price for each activity and allow more precise budget transparency and management.<sup>49</sup>

- 3.8. The Committee welcomes this improvement to health budgeting and would like to see it increase accurate costings of health services as well as other government activities. It is important for there to be transparency around the pressures that are leading to increasing costs across all directorates to enable confidence in the budget decisions.

## Recommendation 2

The Committee recommends that the ACT Government improve financial transparency and forecasts for each Directorate by providing a greater level of detail for each output class in the budget papers, using methods such as programs or activity-based management systems.

- 3.9. The Committee is also concerned about the rise in the ACT debt and subsequent interest payments, which the supplementary appropriation adds to.

- 3.10. Recent supplementary appropriations have been around five percent of the budget:

| Appropriations              | 2022-2023       | 2023-2024       | 2024-2025       |
|-----------------------------|-----------------|-----------------|-----------------|
| Original Appropriation      | \$7,182,828,000 | \$8,112,219,000 | \$8,254,057,000 |
| Supplementary Appropriation | \$300,696,000   | \$452,956,000   | \$387,714,000   |
| Increase (0.00%)            | 4.18%           | 5.58%           | 4.69%           |

- 3.11. By 2027-28 the net debt is forecast to be \$12.8 billion<sup>50</sup> and the interest paid on the Territory's borrowings will be \$886 million.<sup>51</sup>

<sup>49</sup> Ms Cross, ACT Health Directorate, *Proof Committee Hansard*, 7 March 2025, p 7.

<sup>50</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Review*, Table 3.5.1: Net debt (excluding superannuation), p 75.

<sup>51</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Review*, Table 3.5.6: Total Territory Borrowings – Interest expense, p 78.

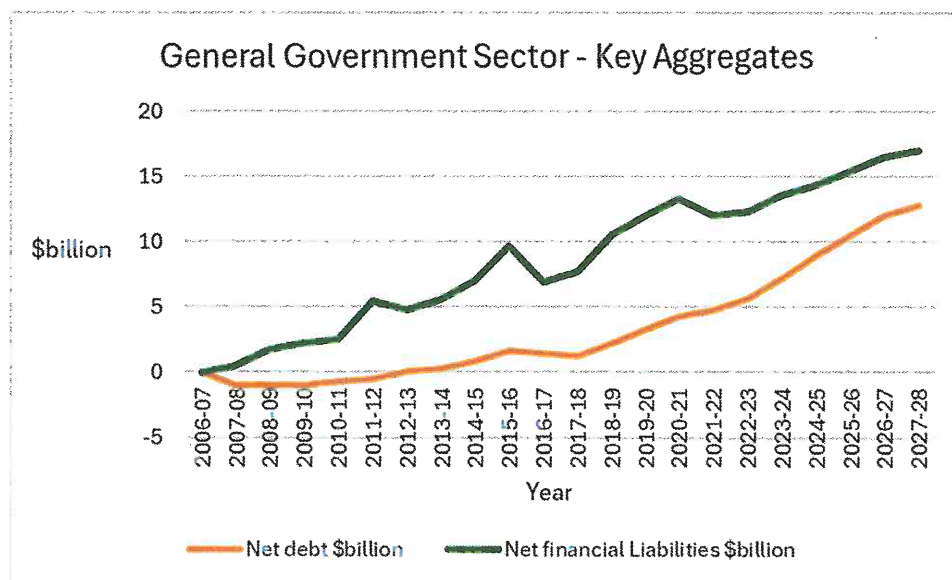


Figure 1 Net debt and Net financial liabilities forecast [Source: ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Outlook*, Table F.9: General Government Sector – Key Aggregates History, p 327]

- 3.12. The Territory's borrowings are being used to meet operating costs all well as for infrastructure.<sup>52</sup>
- 3.13. The revised 2024-25 interest expense is 32 percent higher than the 2023-24 actual outcome and the interest is forecast to increase each year by nearly twenty percent.<sup>53</sup> The Committee is concerned that if this trend continues, the annual interest expense could be higher than rates revenue by 2028-29.

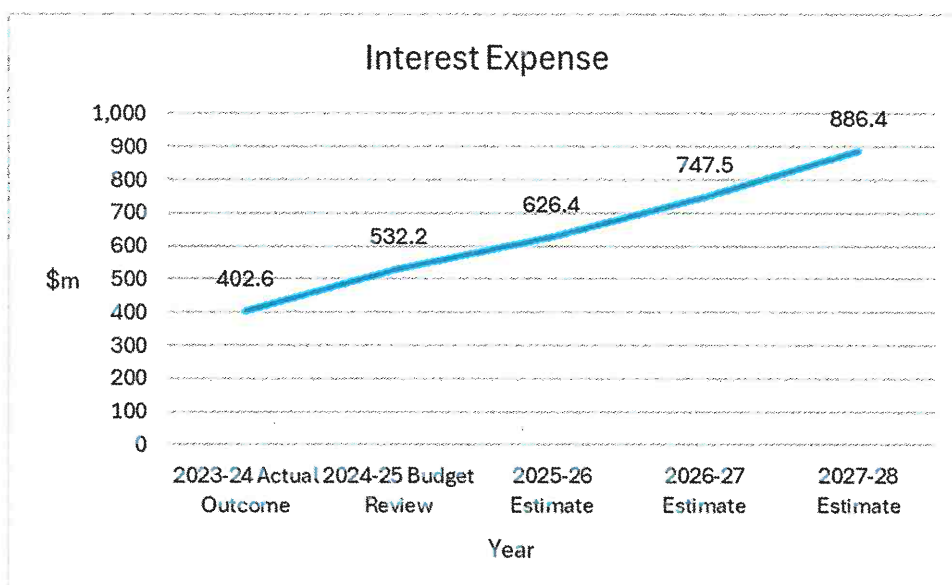


Figure 2 Interest Expense Forecast [Source: Australian Capital Territory, *Budget 2024-2025—Budget Review*, Table 3.5.6: Total Territory Borrowings – Interest expense, p 78.]

<sup>52</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Outlook*, p 261.

<sup>53</sup> ACT Government, *Australian Capital Territory Budget 2024-2025—Budget Review*, Table 3.5.6: Total Territory Borrowings – Interest expense, p 78.

- 3.14. The Committee is concerned that for small jurisdictions for as the ACT, the lower issuance volume can translate to potentially less favourable borrowing conditions than larger issuers can obtain, with increasing interest payments mainly due to the impact of higher interest rates and additional borrowings.

### **Recommendation 3**

The Committee recommends that the ACT Government adopt a balanced budget objective over the forward estimates and beyond, with the aim of reducing interest on borrowings.

## 4. Conclusion

- 4.1. In the 2024-2025 financial year to date, the ACT Government has faced unexpected budgetary pressures, due to unexpected increases in volume and cost on health services, changes to ACT Policing pay and conditions, and increasing in spending for children needing out of home care. The Appropriation Bill 2024-2025 (No 2) is necessary for the public service to continue to provide these essential services to the people of Canberra and its surrounding regions.
- 4.2. The Committee would like to express its thanks to all those who attended as a witness at the public hearing.
- 4.3. The Committee has made three recommendations in the report.



Mr James Milligan MLA

Chair, Standing Committee on Public Accounts and Administration

18 March 2025

# Appendix A: Witnesses

**Friday, 07 March 2025**

**Ms Rachel Stephen-Smith MLA**, Minister for Health

## **ACT Health Directorate**

- **Ms Rebecca Cross**, Director-General

## **Canberra Health Services**

- **Mr Dave Pepper**, Chief Executive Officer
- **Ms Janet Zagari**, Deputy Chief Executive Officer
- **Ms Rosalie Hughes**, Chief Finance Officer

**Mr Andrew Barr MLA**, Chief Minister

**Mr Chris Steel MLA**, Treasurer

## **Chief Minister, Treasury and Economic Development Directorate**

- **Mr Russ Campbell**, Acting Under Treasurer
- **Mr Scott Austin**, Acting Deputy Under Treasurer, Budget, Procurement, Investments & Finance
- **Mr Mitchell Pirie**, Acting Deputy Under Treasurer, Economic, Revenue and Insurance & Coordinator-General, Housing

**Mr Michael Pettersson MLA**, Minister for Children, Youth and Families

## **Community Services Directorate**

- **Ms Catherine Rule**, Director General
- **Ms Anne Maree Sabellico**, Acting Deputy Director General, Children, Families & Strategic Reform

## Appendix B: Questions on Notice and Questions Taken on Notice

### Questions Taken on Notice

| No. | Date     | Asked of                    | Subject                                    | Response received |
|-----|----------|-----------------------------|--------------------------------------------|-------------------|
| 1   | 07/03/25 | Ms Rachel Stephen-Smith MLA | Forward estimates for the health portfolio | 11/03/25          |
| 2   | 07/03/25 | Ms Rachel Stephen-Smith MLA | Factors in change in budget                | 11/03/25          |

## Appendix C: Gender distribution of witnesses

Beginning in April 2023, in response to an audit by the Commonwealth Parliamentary Association, Committees are collecting information on the gender of witnesses. The aim is to determine whether committee inquiries are meeting the needs, and allowing the participation of, a range of genders in the community. Participation is voluntary and there are no set responses.

| Gender indication | Total |
|-------------------|-------|
| Female            | 6     |
| Male              | 7     |