2025

THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY

ELEVENTH ASSEMBLY

STATEMENT BY THE TREASURER
PURSUANT TO ORDER OF THE ASSEMBLY ON 2 SEPTEMBER 2025

Chris Steel MLA
Treasurer
4 September 2025

Consistent with previous budgets, the 2025-26 Budget was prepared in accordance with the *Financial Management Act 1996* (FMA). The Government has met all of its obligations under the FMA, including in relation to responsible fiscal management.

Section 11 (5) of the FMA requires the Government to take account of the principles of responsible fiscal management in preparing the Territory's budget. This includes prudent management of the Territory's fiscal risks and ensuring that total liabilities are maintained at prudent levels to provide a buffer against factors that may impact adversely on the level of these liabilities in the future.

It also includes ensuring, that once prudent levels of total Territory liabilities have been achieved, the total operating expenses of the Territory do not exceed its operating income levels, on average, and over a reasonable period of time.

The term "prudent" is not defined in the FMA or in the Legislation Act 2001. However, the general meaning of the term is to take care in making decisions for the future, exercising judgment, and avoiding unnecessary risks.

As with the Government's previous budgets, the 2025-26 Budget meets the requirements set out in the FMA for responsible fiscal management.

A prudent approach to fiscal management ensures that the Territory can manage adverse economic and financial shocks when they occur. Our capacity to manage the significant dislocation associated with the COVID-19 pandemic and, subsequently, the recent significant increase in public health costs reflected the strength of our financial position.

These were unanticipated events with significant financial impacts. Starting in the 2020-21 Budget, the Government made policy decisions to support the health response to COVID-19 and to ensure that the community, particularly the most vulnerable, and businesses avoided the impacts of the pandemic.

In the context of the pandemic and associated high inflation, the Government has used the Territory's budget to stabilise the economy. Increasing infrastructure investment and community support programs, required through the peak of the pandemic – together with pausing, reducing or waiving a broad range of fees and charges – provided much needed economic stimulus.

These broad-based economic support measures ensured continued economic growth, low unemployment and strong labour market participation rates that have put the ACT economy on a strong forward trajectory. This provides the foundation to improve our fiscal position.

The 2025-26 Budget included record levels of investment, of over $1.19 billion over four years to 2028-29, to meet unanticipated, and unprecedented, cost pressures in our public hospitals. These cost pressures are not unique to the Territory. Across Australia, all jurisdictions have experienced challenges in meeting increased activity in our public hospitals in recent years, including catching up on deferred care from the COVID-19 pandemic and challenges in accessing affordable primary and aged care.

We made difficult decisions to ensure this record investment was made in the most fiscally responsible way. Policy decisions in the 2025-26 Budget are estimated to raise $722 million from 2025-26 to 2028-29, including $521.3 million of new tax measures, and initiatives incorporating fees and charges amendments.

We have also taken a responsible approach to manage expenditure growth, without undertaking public service cuts that would impact on service delivery or the capacity of the ACT Public Service. Savings of $282.2 million over four years to 2028-29 will be achieved by constraining the rate of growth in expenditure across a range of agencies and directorates.

This will be a multi-year exercise supported by whole of government principles for the reprioritisation and rebasing of expenditure and enhanced budgetary control processes. These prioritisation principles will ensure that there is a structured assessment approach to align expenditure with Government priorities and maintain a sustainable trajectory into the future.

While the health care pressures, reflecting demand increases and cost increases, are largely beyond our control, we have taken steps in the 2025-26 Budget with a transformation program to support targeted interventions that enable more efficient delivery of care and improved revenue generation across the public health system.

In this way, we have responsibly met the challenges associated with health funding. And we have not ignored the ongoing impact of these challenges, with the full impact reflected in expense estimates going forward. Despite this, as outlined in the 2025-26 Budget, the Headline Net Operating Balance (HNOB) will return to surplus in 2027-28 and the net operating cash balance will return to surplus in 2026-27.

In the context of the recent significant economic and financial shocks impacting the Territory, the Government considers this projected return to surplus to be reasonable, as required under section 11 (5) of the FMA.

Our fiscally responsible approach to these challenges has ensured that the Territory's balance sheet remains strong. As outlined on page 45 of the Budget Outlook, the Territory's net debt to Gross State Product (GSP) is around the average for all states and territories. The Headline Net Operating Balance (HNOB) to GSP ratio is also forecast to be similar to most other states and territories across the forward estimates period.

As outlined on page 224 of the 2025-26 Budget net worth, the broadest measure of financial strength, is expected to be 26.3 per cent of GSP by 2028-29. The reflects the prudent investment decisions made by the Government on behalf of the people of the Territory and our current investment pipeline will add to our net worth as these projects are delivered.

Consistent with our responsible management of the Territory's balance sheet, we are also prudently managing our defined benefit superannuation liability we have with the Commonwealth and we are on track to extinguish this liability over the next decade. This will provide the Government with increased fiscal capacity.

The Government remains committed to ensuring that the financial position of the Territory remains strong through its fiscal strategy. The fiscal strategy was substantially amended in the Budget, reflecting the changing fiscal and economic environment. It is outlined on page 31 of the 2025-26 Budget Outlook and responds directly to each of the core principles as defined in the FMA.

The fiscal strategy is based on the following principles:

- a commitment to support economic growth and employment;

- returning the Budget to operating cash surpluses over the forward estimates period;
- returning the Headline Net Operating Balance to surplus over the forward estimates period;
- ensuring net debt is at sustainable levels over time, while delivering once in a generation infrastructure projects in health and transport;
- to extinguish the Territory’s unfunded defined benefit superannuation liability over the next decade; and
- to deliver sustainable public finances through efficient expenditure alongside revenue measures supporting critical services and the needs of our community.

On the basis of the financial metrics outlined above, the Government has met the requirements of Section 11(5) of the FMA.

However, this section is broader than financial metrics. Under this section, the budget must also be prepared taking into account:

- the object of providing a basis for sustainable social and economic services and infrastructure fairly to all ACT residents; and
- the object of ecologically sustainable development.

Through its policy decisions the Government has also met these requirements, including through navigating the Territory through the unprecedented circumstances of the COVID-19 pandemic. Through our Wellbeing Framework, the first for an Australian jurisdiction, our Budget process is focused on delivering improved outcomes for our community including through social and economic services that deliver improved outcomes and foster ecologically sustainable development.

Section 11 of the FMA also sets out rigorous requirements for what must be reported in the Budget papers. The Government has complied with all these requirements in the 2025-26 and earlier budgets. In providing the economic and financial forecasts that underpin the budget documents, ACT Treasury employs robust processes including providing information that is consistent with Australian Accounting Standards and with the Government Financial Statistics Framework administered by the Australian Bureau of Statistics.

In addition, to provide further useful information for the Canberra community, the Budget papers report the HNOB to account for the impact of the unique superannuation circumstances the Territory inherited from the Commonwealth at self-government. To ensure transparency, page 40 of the 2025-26 Budget Outlook includes detail on use of the HNOB.

The Budget Outlook also provides comprehensive detail on the Government's fiscal strategy, which will support the return to HNOB surplus within the forward estimates period. In this way, we are ensuring that the people of Canberra have a clear view of how this Government will deliver responsible fiscal management.