QON No. 9

Legislative Assembly for the Australian Capital Territory
Select Committee on the Fiscal Sustainability of the ACT

Inquiry into the Fiscal Sustainability of the ACT

Answer to question taken on notice

Asked by: Ms Jo Clay MLA

Addressed to: Treasurer

In relation to: Agencies exceeding budgeted costs

Hearing: 05 March 2026
Transcript provided: 12 March 2026
Answer Due: 20 March 2026

In hearings, the Auditor-General noted that in most instances, "agencies are exceeding their budgeted net cost of services. So I think there has to be a tighter control in terms of when agency is about to exceed or they are exceeding, what the processes are between the government and the directorate, and what one point in time there has to be discussion and looking into the reasons for it... there is not a control that has resulted in holding to account in terms of what was forecast versus what is the actual result."

The Under Treasurer later noted that Treasury gets quarterly reports from agencies around variations and reasons for variations. Ms Bourke then noted that Treasury also collects data or adjustments at the initiative level on capital projects as well.

a) What processes is Treasury using to hold agencies to account on their budgeted net cost of services?
b) What happens when an agency is likely to exceed its budgeted net cost of services?
c) Why have these processes failed to prevent agencies from exceeding their budgeted net cost of services in the past?
d) Is there a difference in how Treasury tracks capital variations versus recurrent expenditure variations and if so, what is the difference and why?

MR CHRIS STEEL MLA: The answer to the Member's question is as follows:

(a) Under the *Financial Management Act 1996* (FMA), agencies are accountable for management of their budgets. Specifically, the responsible director-general of a directorate:

a. is accountable to the responsible Minister of the directorate for the efficient and effective financial management of the public resources for which the directorate is responsible (Section 31(1)); and

b. is responsible, under the responsible Minister, for ensuring that, as far as practicable, the operations of the directorate for a financial year are consistent with, and comparable to, the budget for the directorate for the year (Section 31(4)(b)).

Similar provisions are in place for Chief Executive Officers of Territory Authorities under section 55(4)(c) and for Governing Boards under section 56(4)(c).

Treasury works closely with agencies on financial management issues, including managing emerging cost pressures. However, the information on cost pressures in agency budgets is provided by the relevant agency Chief Financial Officer who has oversight of those budgets.

As part of the process in collating annual and quarterly financial statements for the Territory, agencies report to Treasury on variance explanations between the year-to-date budget and year-to-date actual outcome based on their revenues, expenses and cash flow receipts and payments where the variance is greater than $2 million and greater than 5 per cent on a monthly basis from September to June. On a quarterly basis, a high-level Management Discussion and Analysis is also prepared and submitted to Treasury to assist in monitoring and preparing the Quarterly Consolidated Financial Statements required under section 26 of the FMA.

In addition, agencies are required to submit cash appropriation draw down forecasts to Treasury on a periodic basis with strategies to manage any forecast overspends. This information, along with other key metrics are reported by agencies, form the basis of Treasury advice to the Government.

(b) In these circumstances, agencies are required to identify strategies to manage these pressures, consistent with accountable authority responsibilities under section 31 of the FMA. Treasury monitors these pressures, based on information provided by agencies, and reports on them to ERC.

The FMA recognises the potential need for additional funding in response to unanticipated cost or demand pressures. Consideration may be given to a Treasurer's Advance or other means of appropriation (such as a supplementary appropriation). This consideration is subject to conditions of the FMA being met, Treasury's assessment that alternative funding sources are not available and a government decision.

(c) Increases in the net cost of services can reflect unanticipated changes in the demand or costs of service delivery that are beyond agency control. For example, the 2024-25 Budget Review and the 2025-26 Budget, included substantial additional funding to address the growing demand for, and rising cost of, public hospital services.

As noted above, the FMA also provides for a Treasurer's Advance to meet unanticipated cost pressures.

(d) There is a difference in tracking of capital and recurrent expenditure.

Both types of expenditure are tracked at an initiative/project and/or Commonwealth grant level where relevant, in the budget estimates since implementation of the Government Budget Management System (GBMS) in 2017-18.

Capital expenditure is tracked at a project level on an actuals basis based on information provided by agencies in the GBMS Capital Works Expenditure module. This information enables Treasury to fulfil capital works reporting obligations under the FMA.

Recurrent expenditure on an actuals basis is reported to Treasury based on the whole of government chart of accounts for the Operating Statement, Balance Sheet and Cash Flows. This information is either transferred and mapped from the central finance system for agencies using Shared Services Finance or directly input into the Treasury Actual Reporting System for those agencies who do not use the central finance system. This information is used to prepare the consolidated financial statements required on a quarterly and annual basis under the FMA.

Agencies who use the central finance system can use project codes and cost centres to track actual expenditure for their own internal financial management purposes. However, this level of detail is not required for Treasury to produce the Territory's financial statements. A recurrent initiative in GBMS does not necessarily correlate on a one-to-one basis with a cost centre or project code. Agencies also use their own internal budget processes and allocations to advise business units of recurrent initiative budget funding available.

Approved for circulation to the Select Committee on the Fiscal Sustainability of the ACT

Signature: Date: 23/3/26

By the Treasurer, Chris Steel MLA