Submission Cover Sheet

Inquiry into the Fiscal Sustainability of the ACT

Submission number: 002

Submitter: Inner South Canberra Community Council

Date authorised for publication: 10 February 2026

Inner South Canberra Community Council

Select Committee on the Fiscal Sustainability of the ACT

Inquiry into the fiscal sustainability of the ACT

Submission by The Inner South Canberra Community Council (ISCCC)

The ISCCC welcomes the long overdue inquiry into the fiscal sustainability of the ACT and makes this submission.

Summary

As we have pointed out in our recent budget submissions, the ACT's financial situation is precarious. There is an urgent need for budget repair. Poor financial management and a cluster of major prestige capital projects are crowding out funding for essential services, which should take priority. Rate increases in recent years have been excessive, and ratepayers should not be expected to carry the burden of profligate Government spending and poor financial management. The current situation is unsustainable.

Recommendations

1) ACT Government spending should be subjected to a rigorous audit by a Commission of external financial management experts, independent of both the Government and political parties.

2) The Government should pause all spending on inessential major projects outside the health and education portfolios at the end of current contracts, and there should be a full risk and cost benefit analysis of those projects before any further expenditure is committed.

3) No new major capital projects should be started until the budget cash deficit is reduced significantly. They should be subjected to independent risk and cost benefit analysis before any funding is committed to them.

4) ACT rate increases should be limited to CPI or if considered more appropriate WPI (Wage Price Increase) at maximum.

5) The Government should commit to eliminating the budget deficit within 5 years.

6) The Committee should require from the Government a detailed response to the critique of its financial management by Mr Khalid Ahmed and Mr Jon Stanhope, as described in this submission and detailed in a number of media articles by these analysts in recent months.

Background

It has been obvious to our community for some time now that the ACT budget has been deteriorating rapidly. In our submission for the 2024-25 budget we therefore called for the Government to increase its efforts to deliver responsible fiscal discipline and financial management.

2. We observed that the Government had seen its credit rating downgraded, leading to increased borrowing costs. We pointed out that recent audit reports had drawn attention to serious shortcomings in the Government's approach to financial and project management, which needed to be addressed on a whole of Government basis, overseen personally by the Treasurer.

3. Of particular concern, we pointed out that the lack of reliable cost and benefit information about Light Rail Stage 2, and other major projects, such as West Basin, casts a big shadow of uncertainty over the forward estimates. We called on the Government to do much more to reassure the community that its proposed outlays are affordable, will not drain health, education and other critical services of necessary investment, and represent good value for money.

4. We pointed out that rate rises over recent years had been punitive and well above CPI, to which many residents' incomes are pegged. Responsible financial management should enable rate rises to be capped at CPI.

5. We called for a package of financial management reforms including these elements:

- Rate rises in future years should be limited to, or below, CPI.
- New spending unfunded by the Commonwealth should be offset by identified compensating savings elsewhere in the ACT budget.
- All significant programs should require a rigorous, objective, transparent risk analysis and risk management process, monitored by a risk manager independent of line responsibility for the program, whose progress reports should be made public.

6. In our submission for the 2025-26 budget we re-endorsed what we had said the year before. Our top priority was for the Government to urgently implement a thorough program of improvements to its financial management processes. We called on the Government to pause all spending on inessential major projects outside the health and education portfolios at the end of current contracts, until the financial position improved. A pause would give the Government breathing space to carry out a full risk and cost benefit analysis on major projects such as the light rail extension, West Basin redevelopment and the projected new sports stadium. We proposed that no new projects should be planned or commenced until the current account deficit is reduced significantly.

7.Since those submissions, the budget situation has further deteriorated, such that the ACT has suffered another downgrade in its credit rating, adding yet more to borrowing costs. We are aware of plausible arguments that the ACT has been unfairly treated in federal funding agreements over a number of years. But unless the Select Committee can devise a strategy for convincing the States that Canberra deserves more generous funding, pursuing these arguments does not seem likely to be productive in current circumstances.

8. In the meantime, the Territory must live within its means. However, the Government's track record gives us little confidence that its financial targets are likely to be achieved. The Government's repeated waste of money through failures in project and risk management have been highlighted by a series of adverse audit reports including on the botched implementation of

MyWay+. The Government has added to its list of financial liabilities by pressing ahead with light rail and with other lavish capital projects such as West Basin, the new theatre, new convention centre and the proposed aquatic centre in Commonwealth Park. The Government's expenditure record and future plans deserve very close scrutiny by the Select Committee.

9. We have particular concern for the impact the light rail project is likely to have on the ratepayer in the future. Only a thorough and independent cost benefit analysis can fully assess the claimed benefits against such likely costs as future maintenance and replacement requirements and potential contingent liabilities to the Canberra Metro Consortium. Claimed benefits need particularly careful analysis as these will accrue directly to only a small part of the Canberra population, and indirectly largely to private entities such as developers. The costs and benefits should be assessed against alternatives including electric buses. The value of anticipated Commonwealth contributions needs to be assessed against the equalisation provisions of the Commonwealth-States GST agreement. Specific questions which the Select Committee should address relating to the Light Rail extension are outlined in the note at Attachment B by Professor Beatrice Bodart-Bailey.

10. Analysis of the most recent budget documentation provided to the ISCCC by Mr Khalid Ahmed, former senior ACT Treasury Official, has shown that:

- The 2024-25 audited outcomes reveal a deterioration of $543 million, driven by a revenue shortfall of $174 million and expenditure blowout of $369 million against the original budget forecasts.
- Net Debt (excluding superannuation) increased by $1.9 billion from June 2024 to June 2025, i.e., an increase of 25.5% in one year.
- Net Debt to Revenue Ratio increased from 96% as at June 2024 to 115% at the end of June 2025.
- Interest expenses increased by $114 million (30%) from 2023-24 to 2024-25.
- There is loss of budget flexibility with 16% of the expenditure growth consumed by interest costs.
- The projected budget improvement for 2025-26, exceeding $700 million (8% of the budget), is premised on achieving revenue growth of 12% and containing expenditure growth at 2.6%. Both are unrealistic.
- The budget forecast shows the Net Debt to Revenue Ratio increasing to 135% in 2027-28. The forecast stabilisation in 2028-29 is unrealistic, given that it is premised on a turnaround of $1.4 billion in the operating budget.
- Interest costs are forecast to increase at 18.5% per annum, reflecting a doubling period of four years. This will increasingly limit budget flexibility and capacity for new initiatives. Borrowing will be required to pay interest.
- Total borrowings are forecast to grow at 10% per annum and reach $21.9 billion.
- The implications of this analysis are obvious, and constitute a formidable indictment of the Government's record of financial management. Continuing down the path being pursued by the Government is unsustainable.

11. As well as the likely impact of looming funding difficulties on essential services, of great concern to the ISCCC are the consequences for ratepayers. Ratepayers in the Inner South carry a particularly heavy burden in financing the ACT Government's programs. Rates paid by residents of the Inner South, notably those in unit developments, have already seen elevated rises in recent years.

12. A higher tax rate is now being applied to properties with an AUV of $1 million or more, which is likely to disproportionately affect the Inner South. According to Mr Michael Moore (City News

27/8/25) "…at the high end, Forrest ratepayers face an increase this year of 18 per cent. In Griffith and Yarralumla, the increase is 10 per cent". As Mr Moore points out "many people who live in older suburbs bought their houses 30 or 40 years ago. The land values have increased. However, the ability to pay has decreased substantially as people retire, rely on superannuation, savings and pensions for their income." Recent rates increases come on top of several years of punitive rate hikes. Steep increases in AUV values in our area have also played a part, as has a recalibration of the rating system to the disadvantage of unit owners. 60% of dwellings in the Inner South were apartments or town houses at the last census.

13. Over the past 8–10 years, general rates for Inner South residential properties have increased by between 150% and 220%, compared with CPI growth of approximately 25–30% over the same period. In examples we can verify:

- For an apartment in Griffith, rates paid have risen by 219% in the nine years since 2016/17 to the current year. In that time CPI has increased around 30%.
- For a house in Griffith, rates increased 186% over 8 years

Further analysis of the disproportionate effect of rates increases on our community, with more examples, is set out in Attachment A to this submission.

14. The Government has sought to justify elevated rates demands as a means to reduce stamp duty. However, it appears that the Government has in fact been receiving more revenue from stamp duty, despite reductions in individual payment rates (see comments by Mr Khalid Ahmed, quoted in The Australian newspaper, 30 October 2023). The Government has clearly benefitted greatly from the harvesting of stamp duties payable on high and escalating property sales values in our area.

Conclusion

15. The ISCCC welcomes this opportunity to place on record its substantial concerns about the ACT's fiscal sustainability, and commends to the Committee the recommendations set out above.

Inner South Canberra Community Council
27 January 2026

Attachment A

Impact of ACT rates increases on residents of the Inner South

The Inner South has been disproportionately impacted by the rates increases imposed by the ACT Government in recent years. A number of factors have interacted to produce excessive rates increases for Inner South residents. We disregard the effect of cosmetic measures such as the health levy, which are an attempt to disguise the increasing rates burden. Factors with a particular impact on rates payable in the Inner South are:

1. **Long-run cumulative impact of rates increases compared with CPI**

The cumulative effect of rate increases over time demonstrates a structural problem:
· Across much of the Inner South, general rates have increased by between 150% and 220% over roughly 8–10 years, compared with CPI growth of approximately 25–30% over the same period - see the examples cited below.
· This represents a five to sevenfold divergence from CPI, indicating that rates are no longer functioning as a stable revenue base, but as a mechanism compensating for broader budget failure.

2. **Apartment and townhouse bias**
The Government has deliberately increased the loading of the rates burden onto unit owners in recent years. Inner South ratepayers are disproportionately affected because of housing typology:
· Around 60% of dwellings at the last census were apartments or townhouses, meaning rate increases fall heavily on households with:
o No land subdivision flexibility or ability to extend vertically or horizontally.
o Limited capacity to downsize without leaving their community.
o Lower median incomes than detached-house owners in the same suburbs.
· Unit owners often face rates increases layered on top of strata levies also rising faster than CPI, due partly to cladding and insurance issues, thus amplifying cost pressures that are not captured by headline "average rate" figures.

3. **Concentration of retirees and asset-rich / income-poor households**
A recurring Inner South pattern:.
- Many residents purchased homes 30–40 years ago and now live on superannuation, pensions or fixed investment income.
- Rising AUVs push these households into higher rate brackets, despite no corresponding increase in capacity to pay.
- Unlike stamp duty, rates are unavoidable and non-deferrable, forcing some households to draw down savings simply to remain in their homes.

- 4. **Bracket creep driven by AUV revaluations**

Recent policy changes compound the issue:
· Introduction of higher marginal rates for properties with AUVs above $1 million has resulted in:
o Entire Inner South suburbs being progressively reclassified into higher tax bands.
o Rate increases driven by valuation effects rather than service expansion.
- This constitutes a form of bracket creep, where rising asset values, not policy choice or income growth, drive higher taxation.

Two general points should be added regarding the ACT Government's record of excessive rate increases in recent years:

5. **Weak linkage between rates growth and service delivery**
A key fiscal sustainability point:
· Rate increases have not been associated with measurable improvements in core local services such as:
o Municipal infrastructure maintenance.
o Local traffic and parking management.
o Community facilities upkeep.
· Instead, rising rate revenue has coincided with:
o Growing operating deficits.
o Rising interest costs.
o Expansion of debt-funded capital programs for inessential facilities including light rail, new theatre, West Basin, Convention Centre.
Increased rates are in fact funding fiscal drift, not service enhancement.

6. **Rates as a substitute for disciplined budget repair**

· Above-CPI rate increases have become a default revenue lever, reducing pressure on Government to:
o Control expenditure growth.
o Improve project governance.
o Sequence capital works responsibly.
· This undermines fiscal sustainability by masking structural deficits rather than resolving them.

7. **Intergenerational and tenure impacts**

· Renters ultimately bear rate increases through higher rents, particularly in high-AUV suburbs.
· Younger households and key workers are indirectly priced out of Inner South areas, exacerbating:
o Workforce distribution problems.
o Social equity concerns.
o Demand pressures elsewhere in the ACT.

Case Studies

The following case studies, which we can verify in detail if required, illustrate long-term divergence between rates growth and household income growth.

Over the past 8–10 years, general rates for Inner South residential properties have increased by between 150% and 220%, compared with CPI growth of approximately 25–30% over the same period.

Example 1. House, Griffith

Rates Increase 44% 2020-2025

Example 2. House Griffith

Rates increase 186% 2017-2025

Example 3. Apartment, Kingston Foreshore

Rates increase 50% 2017-2025

Example 4. Apartment, Barton

Rates increase 37.47% 2019 -25

Example 5 Apartment, Griffith

Rates increase 219% 2016 -2025

Example 6 House, Forrest

Rates increase 46%   2020 - 2025
(Increase AUV   71%.   2020- 2025)
(Actual Rates 2025-2026. $ 13,487
Comparison offered - relation's house, similar size bigger block Roseville, Sydney. Rates 2025-2026. $2836 including special levies.)

Example 7. House Yarralumla
Rates increase 62% 2018 to 2025.

Example 8. Apartment Barton
Rates Increase 189% 2015 to 2025

Example 9. House Forrest
Rates doubled 2019 - 2025

This scale of divergence indicates that rates are no longer rising in line with economy-wide cost pressures, but are instead being used to compensate for broader fiscal imbalance. Such cumulative increases far exceed income indexation for most households and raise concerns about the long-term sustainability of reliance on rates as a primary revenue lever.

Attachment B

<u>Light rail extension project and climate change issues, questions for the Select Committee.</u>

Note by Professor Beatrice Bodart-Bailey, ISCCC Committee member.

Firstly, the Select Committee should investigate and identify which specific contributions from the Commonwealth to the costs of the Light Rail project (and other major capital projects) are genuine additional contributions, and which will be deducted from the ACT's share of the GST under the agreed Commonwealth- State funding arrangements.

Secondly, the Light Rail project is being financed by the Canberra Metro Consortium and paid off during the first 20 years of operation. Consequently, with the completion of every section, the annual amount to be paid to the consortium will increase. This will of course make it increasingly difficult to balance the budget in the future. The Select Committee should ask the Government to identify the increased payments that will be required in the forward estimates period and beyond.

Thirdly, the Select Committee should ask the Government to estimate increased costs arising for the Light Rail project from climate change. As the light rail system will not be climate resilient, there

will be considerable expenses to repair what weather events destroy. The AECOM EIS noted that, under increasing temperatures, the tram tracks will buckle. If the tracks are not constantly surveyed in summer, buckling can lead to derailment and loss of life. If detected in time, replacement is expensive and will disrupt operation for months, if not years. In addition, however, the AECOM EIS fails to mention that overhead tram wires in Melbourne are continually brought down by storms and fallen trees are blocking the line. Just a few examples: Overhead powerlines cause explosion on Melbourne tram, (SEP 2017) Melbourne train chaos: Passengers furious after overhead cable 'snaps' and 'whips' peak-hour train | 7NEWS (MAY 2019)
Wild weather affects Melbourne trains - Rail Express (JUN 2021)

Melbourne trams operate mainly in the inner city where overhead wires are protected by high-rise on both sides. Canberra's extension to Woden has a considerable area where the tracks are not sheltered by buildings. Hence the high-voltage overhead wires coming down (with the possibility of causing fire) and trees falling over the tracks are likely to occur even more often. This will cause constant expenditure for repairs and replacement of trains by buses, and this cost needs to be added to the actual amount of extending and operating the line.

Finally, an expense which must be included in future ACT planning is increased use of ambulances and the hospital for patients with heat stroke. Unfortunately, the ACT government is planning further heat sinks by increasing high-density housing rather than mediating rising temperatures with vegetation.

The government is ignoring the CSIRO warning about the increase in temperature to the extent of not even ordering a renewal of the 2017 temperature map, presumably because it would show the drawbacks of their high-density housing policy. At least the Select Committee should plan for the rising cost of health care on account of the increasing heat of climate change.