AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2026

The Management Discussion and Analysis (MD&A) reflects the consolidated Total Territory financial results.

Total Territory Financial Performance

Table 1.1 shows the Uniform Presentation Framework (UPF) net operating balance for the Total Territory is a deficit of $1,021.5 million, which is $183.1 million (21.8 per cent) higher than the Budget estimate deficit of $838.4 million but an improvement of $509.9 million (33.3 per cent) from the 2024-25 deficit of $1,531.4 million. More detailed information on these variances can be found below.

Administrative Changes

The ACT Government issued the *Administrative Arrangements 2025 (No. 1) Notifiable Instrument* (NI2025-350) on 25 June 2025, which took effect from 1 July 2025. This was subsequently superseded on 19 December 2025 by the *Administrative Arrangements 2025 (No 2) Notifiable Instrument* (NI2025-686).

Under these arrangements, the former ACT Health Directorate (ACTHD), Community Services Directorate (CSD), Environment, Planning and Sustainable Development Directorate (EPSDD), and Transport Canberra and City Services (TCCS) ceased as separate administrative entities. Their functions, together with the associated assets, liabilities, appropriation funding, employees and administrative responsibilities were redistributed to three newly established Directorates: Health and Community Services Directorate (HCSD), Digital Canberra (DCBR) and City and Environment Directorate (CED).

In addition, several functions such as Access Canberra, the Office of the LGBTIQA+ Affairs, ACT Heritage Library, Health Research and Ethics, and Affordable Housing Policy Coordination (AHPC) Branch were transferred between several directorates following the implementation of these arrangements.

Table 1.1: Total Territory Operating Result 2025-26

	2025-26 Actual $'000	2025-26 Budget $'000	2024-25 Actual $'000
Total revenue	9,268,588	9,388,434	8,365,914
Total expenses	10,290,119	10,226,796	9,897,320
UPF net operating balance	**(1,021,531)**	**(838,362)**	**(1,531,406)**
Economic inflows/(outflows)	482,318	346,013	515,731
Operating (deficit)	**(539,213)**	**(492,349)**	**(1,015,675)**

Revenue

Total revenue of $9,268.6 million for the 2025-26 financial year was $119.8 million lower than the 2025-26 Budget estimate of $9,388.4 million. The variance is mainly due to lower payroll tax revenue ($67.9 million), and general rates ($54.5 million).

Payroll tax collections were lower than expected from the professional services and university sectors, which were impacted by Commonwealth policies. General rates revenue also fell short of estimates, largely reflecting the Government's decision to reduce the Health Levy from $250 to $100 per property post the 2025-26 Budget.

Total revenue in 2025-26 was $902.7 million (10.8 per cent) higher than the 2024-25 financial year result of $8,365.9 million.

The actual result has increased mainly due to higher commonwealth grants revenue ($510.8 million) largely due to GST revenue ($184.2 million) reflecting growth in the National GST funding pool and an increased share of the population-based distribution by the Territory's updated population.

National partnership payments were $179.1 million higher primarily driven by funding received for the Light Rail Stage 2A project linked to delivery milestones, and various Commonwealth grants related funding agreements including Essential Vaccines, Smoking and Vaping Cessation, Illicit Tobacco Compliance and Enforcement Uplift and Commonwealth Preschool Reform Agreement.

National specific purpose and reform grants were $92.4 million higher, reflecting increased funding for health activity, including a higher national efficient price (the benchmark price for efficiently delivering public hospital services), and additional funding under the Better and Fairer Schools Agreement.

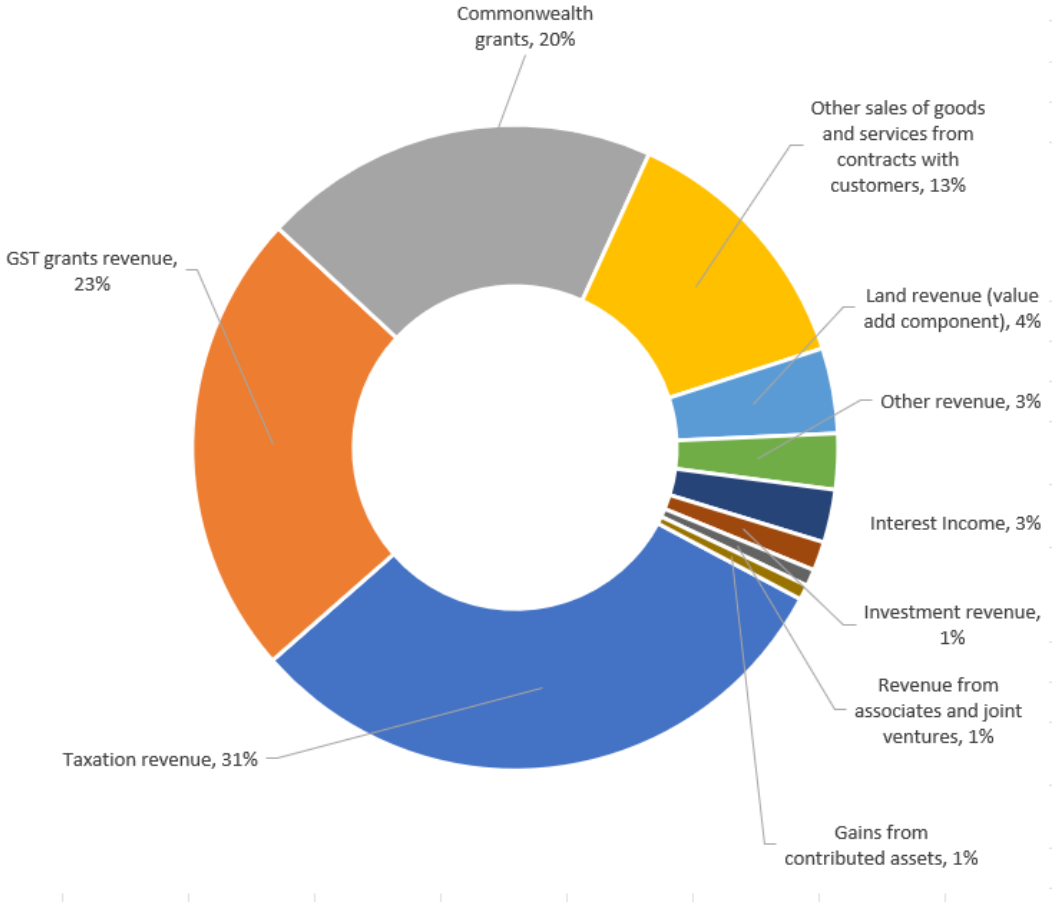
Finance Assistance Grants increased ($52.9 million) following the Commonwealth Government's decision to bring forward a portion of the 2026-27 funding to 2025-26.

Land sales ($190.6 million) were also higher primarily reflecting higher land sales volumes, particularly in Whitlam, Macnamara, Taylor and Denman Prospect.

Own-source taxation revenue was $196.5 million higher than in 2024-25 mainly due to increased payroll tax collections driven by prevailing labour market conditions, as well as increased residential conveyance duty and motor vehicle transfer duty arising from strong market demand and transaction activity. General rates revenue increased due to annual rates indexation associated with the ACT Government's tax reform program, with average general rates increasing by 3.75 per cent for residential and commercial properties. Land tax revenue also increased due to higher average unimproved land values and increased demand for rental properties underpinned by population growth.

Chart 1.1 below demonstrates that 43 per cent of the Territory's revenue comes from Commonwealth grants and GST grants revenue, followed by 31 per cent from own source taxation revenue. This is broadly consistent with 2024-25.

Chart 1.1: Total Territory Revenue Sources 2025-26



Expenses

Total expenses for the 2025-26 financial year were $10,290.1 million. This was in line with the 2025-26 Budget estimate of $10,226.8 million.

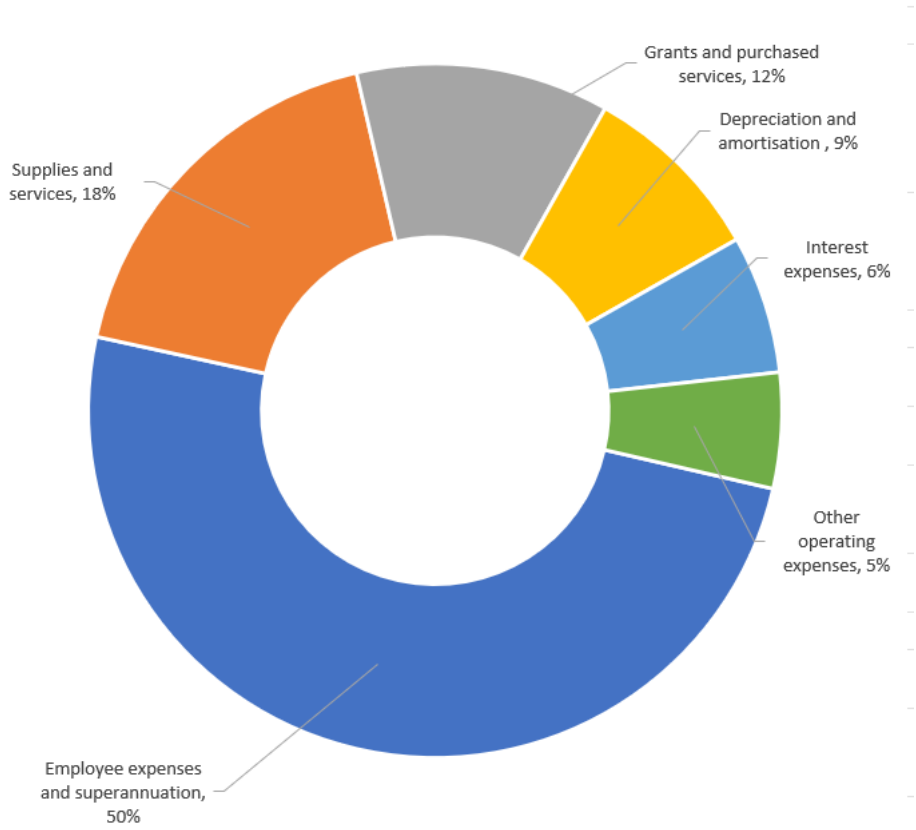
Total expenses increased by $392.8 million (4.0 per cent) from the 2024-25 outcome of $9,897.3 million. This increase was largely related to higher employee expenses ($188.2 million) associated with demand-driven services across Government, including health services and school front-line staff. This increase was also attributed to Enterprise Bargaining outcomes.

Interest expenses increased by $144 million, reflecting higher borrowings compared to the previous year mainly reflecting the impact of net borrowings to meet budget funding requirements of the Territory.

Higher grants and purchased services ($43.9 million) mainly reflected the increase in demand-driven residential care plan contingencies for Out of Home care, consistent with prior year trends.

Chart 1.2 demonstrates the largest proportion of the Territory's expenses is for employee related expenses (50 per cent) which is consistent with 2024-25.

Chart 1.2: Total Territory Areas of Expenditure 2025-26



Total Territory Financial Position

Table 1.2: Total Territory Key Balance Sheet Measures 2025-26

	2025-26 Actual $'000	2025-26 Budget $'000	2024-25 Actual $'000
Financial assets	13,856,161	12,504,382	12,608,346
Non-financial assets	39,068,276	38,671,119	37,756,966
Total assets	52,924,437	51,175,501	50,365,312
Total liabilities	31,436,801	31,031,445	29,353,340
Net assets	**21,487,636**	**20,144,056**	**21,011,972**
Net financial liabilities	**18,716,384**	**19,589,049**	**17,851,379**
Net debt	**12,985,417**	**13,289,585**	**11,189,617**

Net assets at 30 June 2026 of $21,487.6 million were $1,343.5 million (6.7 per cent) higher than the 2025-26 Budget estimate of $20,144.1 million, and $475.6 million (2.3 per cent) higher than the 2024-25 outcome of $21,012.0 million.

The variance to the 2025-26 Budget is primarily attributed to higher financial assets driven by increased investment balances and higher cash balances reflecting the operational and liquidity needs of the Territory. The variance is also influenced by the impact of revaluations across the Territory for land, buildings and heritage and community assets.

Total Territory Financial Position continued

Compared to the 2024-25 outcome the net assets position increase was also influenced by the impact of revaluations across the Territory mentioned above.

Net financial liabilities at 30 June 2026, were $872.7 million lower than the 2025-26 Budget estimate of $19,589.1 million, and $865.0 million (4.8 per cent) higher than the 2024-25 outcome of $17,851.4 million.

The variance compared to the 2025-26 Budget is mainly due to higher financial assets due to the reasons discussed at Net Assets above, partially offset by higher borrowings.

Compared to the 2024-25 outcome, the increase mainly reflects higher net borrowings to meet budget funding requirements of the Territory which include significant investments in health, education, public transport and roads infrastructure and housing infrastructure.

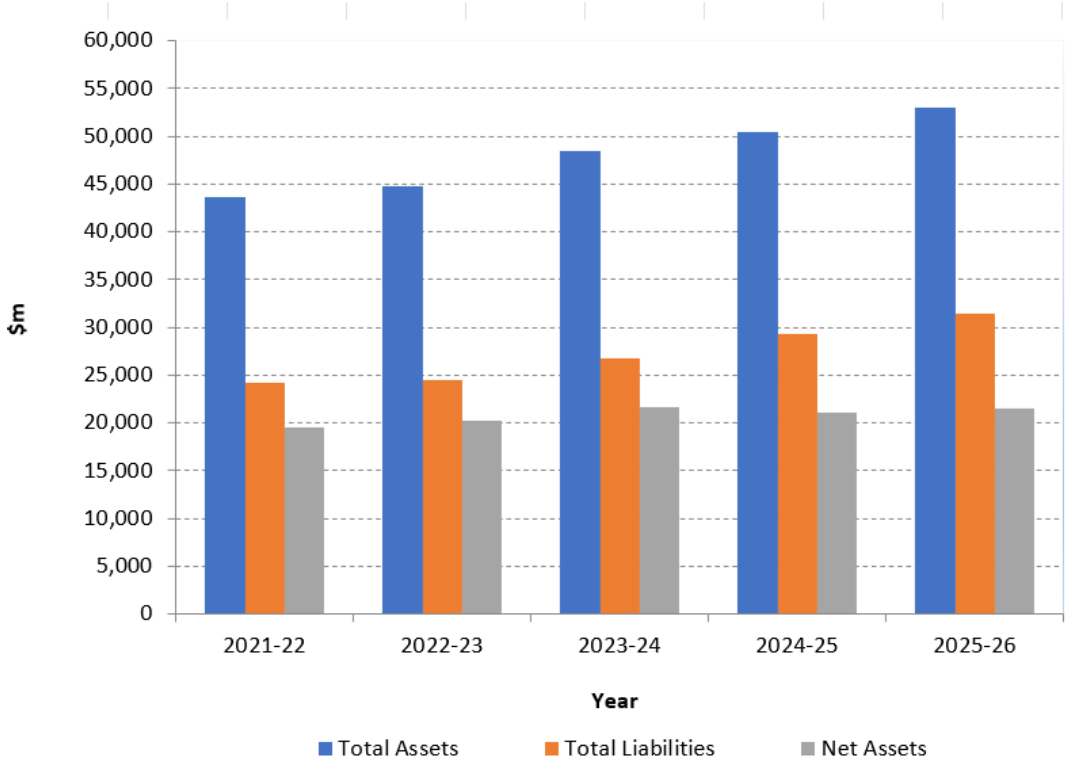
Net debt at 30 June 2026 was $12,985.4 million. This was $304.2 million (2.3 per cent) lower than the 2025-26 Budget estimate of $13,289.6 million, and $1,795.8 million (16.0 per cent) higher than the 2024-25 outcome of $11,189.6 million.

The decrease in net debt compared to the 2025-26 Budget reflects a higher level of cash and deposit holdings partially offset by higher borrowings.

The increase in net debt compared to the 2024-25 outcome reflects a higher level of borrowings due to the reasons discussed above.

Chart 2.1 demonstrates the Territory's assets and liabilities over the period 2021-22 to 2025-26.

Chart 2.1: Total Territory Assets and Liabilities 2025-26



Total Territory Infrastructure Program

Table 1.3: Total Territory Capital Works Program

	2025-26 Actual $'000	2024-25 Budget $'000	2024-25 Actual $'000
Capital works program	1,080,234	1,387,066	1,264,315

The 2025-26 capital works program (the Program) annual budget totalled $1,387.1 million.

Adjustments associated with funding variations, program savings and the impact of the 2025-26 Budget Review resulted in the total funds available for the 2025-26 Program of $1,379.3 million.

The outcome of the 2025-26 Program was a total infrastructure spend for the Territory of $1,080.2 million, or 78 per cent of the total funds available within the Program.

A major driver of the 2025-26 Program underspend is Infrastructure Canberra's Canberra Theatre Redevelopment – Delivering a new lyric theatre project, following a revised project schedule under which most construction activities are now expected in later financial years. Other drivers of Program underspends are project delays due to environmental and statutory approval timing and procurement and market constraints. Underspends included (but were not limited to) the following projects:

- Canberra Theatre Redevelopment – Delivering a new lyric theatre
- Delivering Light Rail to Woden
- New and expanded schools – Telopea Park High School modernisation
- Delivering the Electric Vehicle TAFE Centre of Excellence
- Improved bus services – More electric buses to grow the bus network
- Improving Canberra's Health Infrastructure – Northside Hospital Development

The capital works reserve (the Reserve) was set at $265 million in 2025-26. The Reserve permits agencies with multi-year budget allocations for capital works to advance their program of works by drawing on their future funding if their capital expenditure exceeds their budgeted program allocation. The 2025-26 capital works reserve provided total capital advances of $15.44m during the financial year for accelerated works under the Investing in Public Housing Repairs and Maintenance capital works project.

Major infrastructure investments physically completed in 2025-26 included:

- Improving Canberra's health infrastructure - Canberra Hospital Expansion
- Better community infrastructure – Gungahlin Community Centre – design and construction
- Raising London Circuit
- ACT Fire & Rescue Staff and Development and Acton Station
- Well-prepared emergency services - Molonglo Station and Casey Station
- Better transport infrastructure - New light rail vehicles and depot expansion