

Chapter 4:

BUDGET PAYMENTS

- 4.1 Trends in Current and Capital Payments**
- 4.2 Current and Capital Payments by Policy Area**
- 4.3 Current and Capital Payments by Minister and Agency**
- 4.4 Sydney 2000 Olympic and Paralympic Games**
- 4.5 Budget Current Expenditure Forward Estimates**
- 4.6 Budget Concessions**
- 4.7 Payments to Government Trading Enterprises under the Social Program Policy**

4.1 TRENDS IN CURRENT AND CAPITAL PAYMENTS

INTRODUCTION

This section provides an overview of recent trends in the major Budget aggregates of current and capital payments. While trends in the two aggregates are discussed separately, it should be understood that the aggregates are not fully independent of one another. In particular -

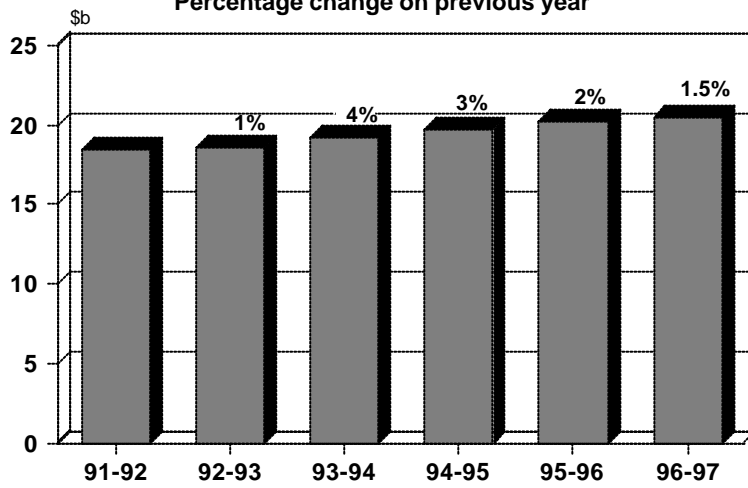
- new assets constructed or acquired by an agency may have implications for its annual operating costs - where a new asset is to expand services, operating costs may also increase; where it is replacing an obsolete asset, there may be operating cost savings;
- services can be provided in different ways - over time the mix may vary between asset-intensive and labour-intensive methods of service delivery or between in-house provision (which may involve some capital expenditure) and contracted provision (where the full costs of the contractor are reflected in the agency's operating costs); and
- the classification between current and capital has been refined over recent years - while every effort has been made to adjust previous years' data when this occurs, it is not always possible to fully do so.

CURRENT PAYMENTS

Trends in total current payments from 1991-92 to 1996-97 are outlined in Figure 4.1. Total current payments will increase in real terms over this period by 11.4 per cent and are estimated to increase in 1996-97 by 1.5 per cent.

Figure 4.1
Total Current Payments

Payments expressed in real terms, 1996-97 base
Percentage change on previous year



There has been relatively modest real growth in total current payments since 1991-92. This reflects the net impact of a decline in interest payments and in subsidies to Non Budget Sector agencies, partly offset by increasing superannuation payments, and real growth in other current payments of around 4 per cent per annum up to 1994-95 and moderating in 1995-96 and 1996-97.

CAPITAL PAYMENTS

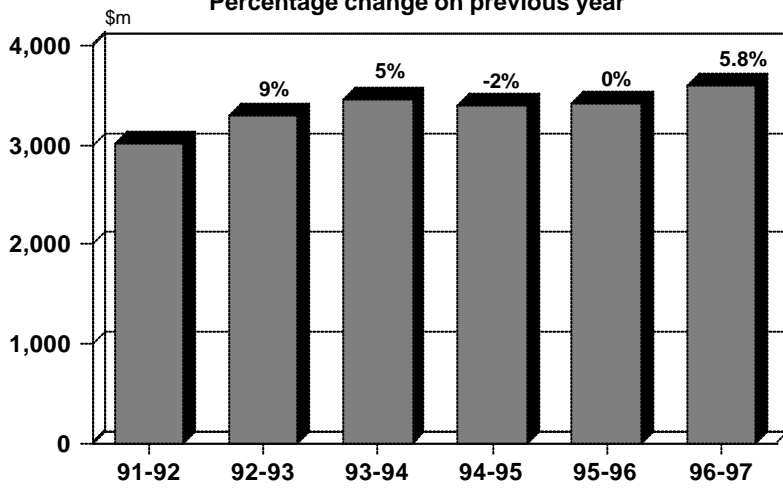
The total State capital program comprises capital expenditures of both Budget and Non Budget Sector agencies. This chapter covers the Budget Sector only. (Budget Paper No. 4 *State Capital Program* provides an overview of both the total capital program and the Non Budget Sector component, as well as project details for both sectors.)

Budget Sector capital payments include capital grants and advances to Non Budget Sector agencies and non State organisations. The major agencies that receive grants are the Department of Housing (for the provision of welfare housing) and the non-commercial arm of the State Rail Authority (for the provision of public rail services).

Trends in total capital payments from 1991-92 to 1996-97 are outlined in Figure 4.2. Over this period, total capital payments will increase in real terms by 20.0 per cent including an estimated increase in 1996-97 of 5.8 per cent.

Figure 4.2
Total Capital Payments

Payments expressed in real terms, 1996-97 base
Percentage change on previous year



The nature of major capital projects is such that expenditure on them will vary considerably over the period of construction. Where the project (or a grouping of related projects) is significant, this can impact on the overall level of Budget Sector capital payments in one or more years. The following text attempts to draw out the more significant factors impacting on year to year movements in the total Budget Sector capital program. More detailed analysis of movements in individual policy areas is provided in Section 4.2.

In the five years up to and including 1996-97, the Budget Sector capital program is forecast to increase by \$262 million (or 5.8 per cent in real terms). The major policy areas growing over the five year period are Health, Transport and Communication, and Recreation and Culture.

Budget Sector capital payments grew significantly in real terms in 1992-93. Areas of real growth were in Health, Social and Community Services (increased payments to the Aboriginal Land Council following the growth in land tax revenue in the previous year), Transport and Communication (particularly roads) and, most strongly, Recreation and Culture (the provision of Olympic bid related facilities at Homebush Bay).

The Budget Sector capital program grew strongly again in real terms in 1993-94. Real growth occurred in the policy areas of Health, Housing, Water and Sewerage and the Environment (due to Commonwealth grants under the Building Better Cities program) and Recreation and Culture. Significant decreases occurred in Social and Community Services (reduced payments to the Aboriginal Land Council reflecting the fall in land tax revenue collections) and in Transport and Communication (reflecting the end of additional Commonwealth roads funding under the One Nation program and for road blackspots).

In 1994-95, the Budget Sector capital program decreased slightly in real terms. Strong real growth occurred in General Public Services (reflecting natural disaster relief following severe storms in the Hunter region in 1992) and again in Health, with lesser growth in Education. Payments associated with Olympic facilities at Homebush Bay decreased substantially reflecting the completion of the Aquatic Centre and Athletics Stadium. Payments in most other policy areas declined in real terms.

The Budget Sector capital program is expected to remain constant in real terms in 1995-96 relative to the previous year. Strong growth in Law, Order and Public Safety reflects the reclassification of the John Maddison Tower as a finance lease - this effectively results in the arrangements being treated as a capital expenditure. The increase in Social and Community Services is due to the purchase of group homes for people with disabilities.

In 1996-97, capital payments in the Budget Sector are forecast to increase by around 5.8 per cent in real terms. This increase is fully driven by the gearing up of expenditure in 1996-97 on Olympic and Homebush Bay facilities. Excluding this factor, capital payments will decrease by 5.6 per cent in real terms.