

Chapter 4:

BUDGET EXPENSES AND ASSET ACQUISITIONS

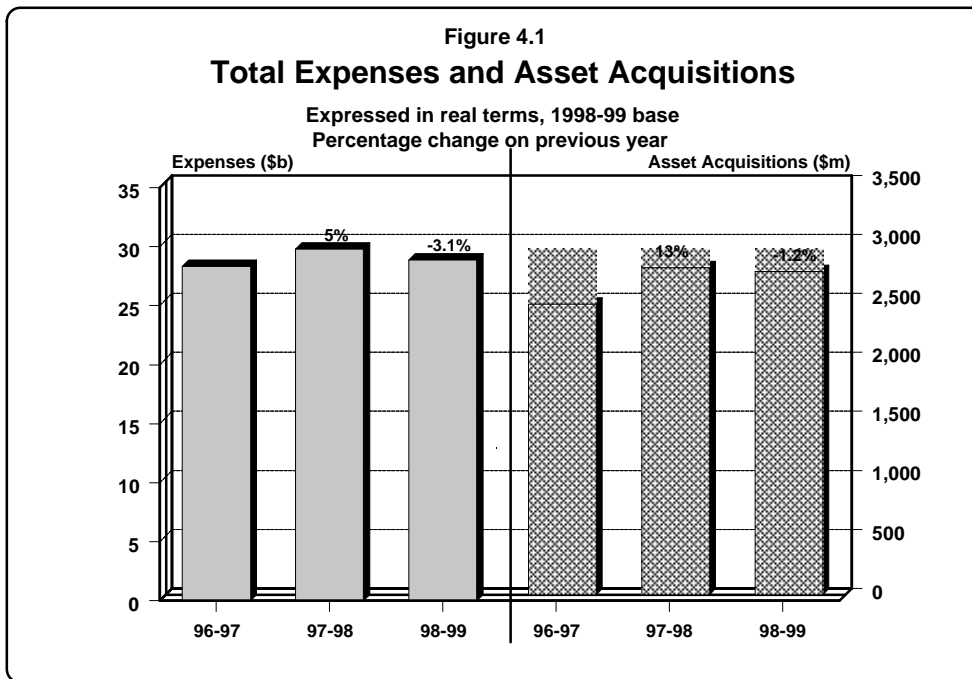
- 4.1 Trends in Expenses and Asset Acquisitions**
- 4.2 Expenses and Asset Acquisitions by Policy Area**
- 4.3 Expenses and Asset Acquisitions by Minister and Agency**
- 4.4 Budget Current Expenditure Forward Estimates**

4.1 TRENDS IN TOTAL EXPENSES AND ASSET ACQUISITIONS

INTRODUCTION

This section provides an overview of recent trends in the major Budget aggregates of total expenses and asset acquisitions. 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 expenses. Where a new asset is to expand services, operating expenses may also increase; where it is replacing an obsolete asset, there may be reductions in operating expenses;
- 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
- there has been refinements in the capitalisation policy in 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.



TOTAL EXPENSES

Total expenses from 1996-97 to 1998-99 are shown in shown 4.1. Expenses will decline in real terms over this period by 1.7 per cent. This is the net result of real growth in Social and Community Services, Health, Education and General Public Services policy areas offset by real reductions in the Transport and Communication and Other Economic Services policy areas.

Total expenses will decrease in 1998-99 by 3.1 per cent in real terms. There will be significant real growth in the priority policy areas of Health and Education. Real growth will also occur in Housing, Water and Sewerage and Environment (housing grants), Social and Community Services and Mining, Energy and Construction policy areas (coal compensation expenses).

These increases will be more than offset by the significant reductions in the General Public Services (lower superannuation and interest expenses), Recreation and Culture (reflects a one off payment of \$50 million to the Racecourse Development Fund in 1997-98) and Transport and Communication policy areas (subsidies to transport authorities) and Law, Order and Public Safety areas.

ASSET ACQUISITIONS

The State's asset acquisition program comprises capital expenditures of both General Government agencies and Public Trading Enterprises. This chapter covers the General Government Sector only. (Budget Paper No. 4 *State Asset Acquisition Program* provides an overview of the entire asset acquisition program, as well as project details for both sectors.)

The nature of major capital projects is such that expenditure on them will vary considerably over the period of construction. Where a project (or a grouping of related projects) is significant, this can impact on the overall level of General Government Sector asset acquisitions in one or more years. An analysis of movements in individual policy areas is provided in Section 4.2.

Asset acquisition expenditures from 1996-97 to 1998-99 are shown in Figure 4.1. Asset acquisitions will increase by \$277 million or 11.3 per cent in real terms over the two years to 1998-99. The major policy areas experiencing growth over the last two years are Law, Order and Public Safety, Housing, Water and Sewerage and the Environment and Transport and Communication.

The asset acquisition program grew strongly in real terms in 1997-98. The most significant areas of growth were Housing, Water and Sewerage and the Environment (land purchases by the Sydney Region Development Fund), Recreation and Culture (Olympic and related expenditure at Homebush Bay) and Transport and Communication (road network developments and Olympic related transport infrastructure projects). Decreases occurred in Education and Health while other areas were relatively stable.

The asset acquisition program will decline slightly in 1998-99, by 1.2 per cent in real terms. This result is attributable to a 15.8 per cent reduction in the Recreation and Culture area (physical completion of the Royal Agricultural Society's new Showground at Homebush Bay) offset by a 33.1 per cent real increase in the Law, Order and Public Safety policy area, a 6.8 per cent real increase in Education and an 11.7 per cent real increase in Housing, Water and Sewerage and the Environment.

The increase in the Law, Order and Public Safety policy area reflects the replacement and upgrade of police computer systems, expansion of correctional and juvenile justice facilities, improvements in equipment used by State Emergency Services and the establishment of new Fire Stations in the Greater Sydney area.

The increase in the Education policy area reflects the redevelopment of the Sydney Conservatorium High School and the Conservatorium of Music. The increase in the Housing, Water and Sewerage, and the Environment policy area reflects further land purchases by the Sydney Region Development Fund in the Horsley Park and Eastern Creek corridors, increased housing stock acquisitions by the Office of Community Housing, and purchase of land to consolidate the Willandra Lakes World Heritage Area.