

4.2 TOTAL EXPENSES AND ASSET ACQUISITIONS BY POLICY AREA

INTRODUCTION

The Policy Area Classification

Financial data can be presented on various bases.

Under the Westminster system, the structure of Government is based on individual Ministers having control over a number of agencies. Presenting data according to this hierarchy allows Parliament to see the resources being made available to each Minister and agency (in particular the moneys to be appropriated from the Consolidated Fund) and informs each Minister and agency of the financial resources they have available to devote to their programs.

While this presentation may be useful in the short term, changes in agency responsibilities and structures and in Ministerial portfolios make longer-term comparisons difficult. This is particularly the case when trying to analyse expenditures on functional areas (e.g. Law, Order and Public Safety) which cover a number of Ministers and agencies that may change over time.

The basis of the information presented in this section is the *Government Finance Statistics* (GFS) coding of payments according to the *Government Purpose Classification* (GPC). This classification system is that used by the IMF in comparing government outlays over time and across jurisdictions.

The 1997-98 and 1998-99 policy area data used in the following analyses are shown in Appendix E.

1998-99 Total Expenses

Estimated total expenses by policy area in 1998-99 are shown in Figure 4.3, together with the share of the total for the respective areas. Estimated expenses of \$28,885 million represent a real decrease of 3.1 per cent compared with 1997-98 forecast expenses.

1998-99 Asset Acquisitions

Estimated asset acquisitions by policy area in 1998-99 are shown in Figure 4.3, together with the share of the total for the respective areas. Total estimated asset acquisitions of \$2,737 million in 1998-99 represent a real decrease of 1.2 per cent compared with 1997-98 forecast payments.

Figure 4.2

Total Expenses 1998-99 by Policy Area

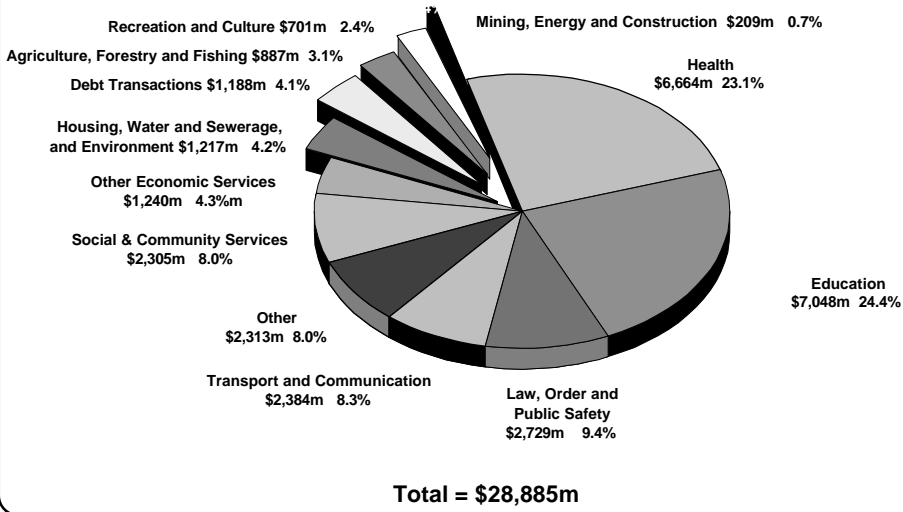
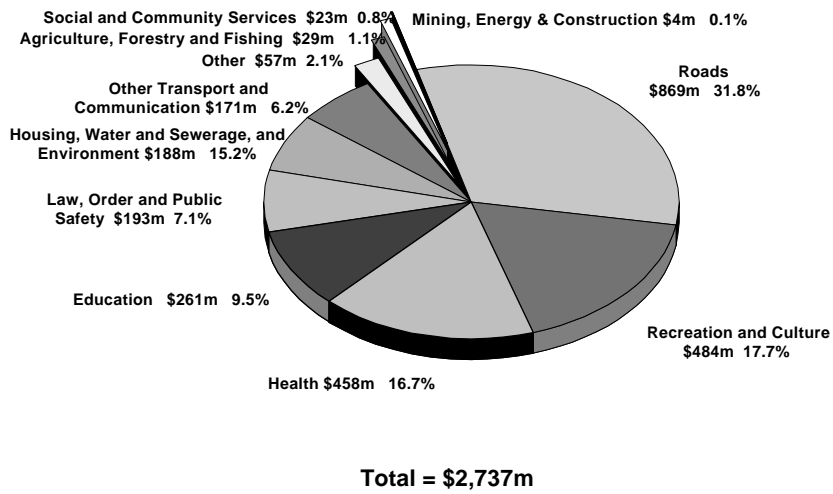


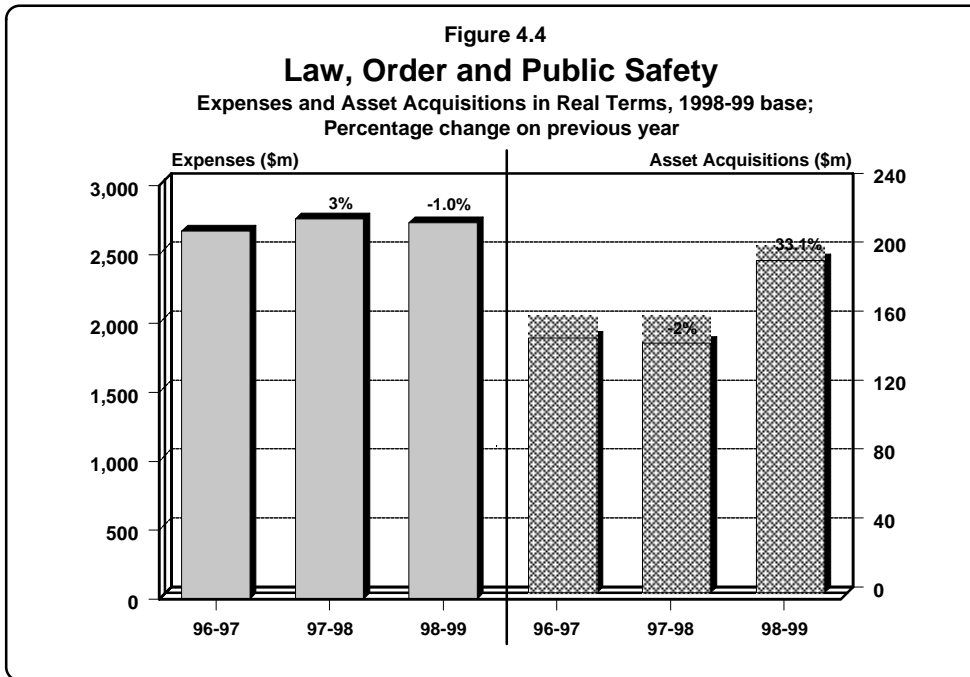
Figure 4.3

Total Asset Acquisitions 1998-99 by Policy Area



LAW, ORDER AND PUBLIC SAFETY

The Law, Order and Public Safety policy area covers the cost of maintaining the State's police service, corrective services, fire fighting and emergency services, as well as administration of court systems and legal processes throughout the State. The policy area includes expenses of the Ministry for Police, Police Integrity Commission, NSW Police Service, NSW Crime Commission, Department of Corrective Services, Department of Juvenile Justice, NSW Fire Brigades, NSW Rural Fire Service, State Emergency Service, Attorney General's Department, Judicial Commission of NSW, Legal Aid Commission of NSW and the Office of the Director of Public Prosecutions as well as the Land Titles Office, the Public Trust Office and the Registry of Births, Deaths and Marriages.



Total expenses for this policy area will increase by 2.4 per cent in real terms over the two year period to 1998-99, including a modest decrease in 1998-99 of 1 per cent in real terms. The overall trend reflects the continuing appointment of additional police, the expansion of correctional facilities, the expansion of fire protection facilities in both metropolitan and rural areas and a significant improvement in services for juvenile offenders.

The 3 per cent increase in 1997-98 mainly reflects the flow-on of initiatives commenced in 1996-97. These initiatives include increased funding for the Police Service to provide for additional police, substantial salary increases arising from award increases and payments made under the Guns Buyback Scheme (which are reimbursed by the Commonwealth). Growth in total expenses in 1997-98 would have been greater if not for a Commonwealth funding reduction of 25 per cent for the Legal Aid Commission.

In 1998-99 total expenses in this policy area will decline slightly, mainly due to reduced expenditure associated with the Government's program to modernise correctional facilities. Also, expenditure by the NSW Rural Fire Service is anticipated to decline relative to 1997-98 levels, reflecting the unusually high payments for disaster welfare relief as a result of bushfires in 1997-98. In 1998-99, expenditure will increase in the areas of Juvenile Justice, NSW Fire Brigades and Emergency Services.

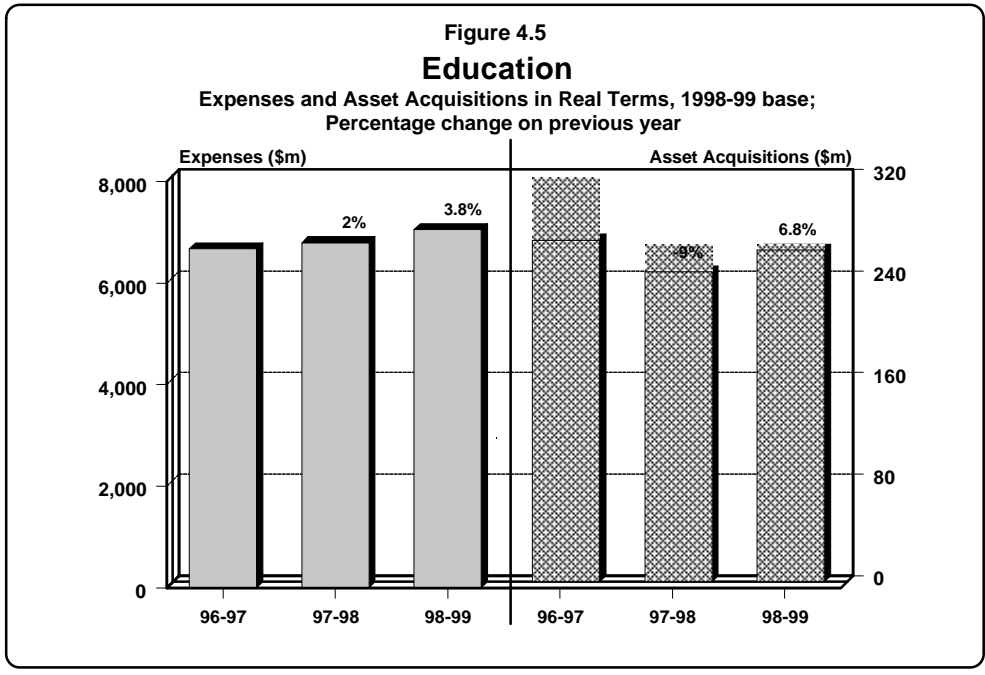
Asset acquisitions for this policy area will increase by 30.4 per cent in real terms over the two years to 1998-99.

There is a strong increase of 33 per cent in real terms for this policy area in 1998-99. This mainly reflects the replacement and upgrade of police computer systems and new property projects deferred pending resolution of the new structure of the Police Service. Other increases include the expansion of correctional and juvenile justice facilities, improvements in equipment used by Emergency Services and the establishment of new Fire Stations in the Greater Sydney Area.

EDUCATION

The Education policy area incorporates -

- Primary and Secondary Education services provided by the Department of Education and Training, the Office of the Board of Studies and provision of assistance to non-Government schools;
- Tertiary and Vocational Education services provided by the Department of Education and Training and the educational activities of the Department of Agriculture;
- Pre-school Education services including pre-schools administered by the Department of Education and Training and the Department of Community Services;
- the School Student Transport Scheme which encompasses payments for student conveyance to various Government and non-Government service providers funded primarily through the Department of Transport; and
- the training and educational policy activities of the Department of Education and Training.



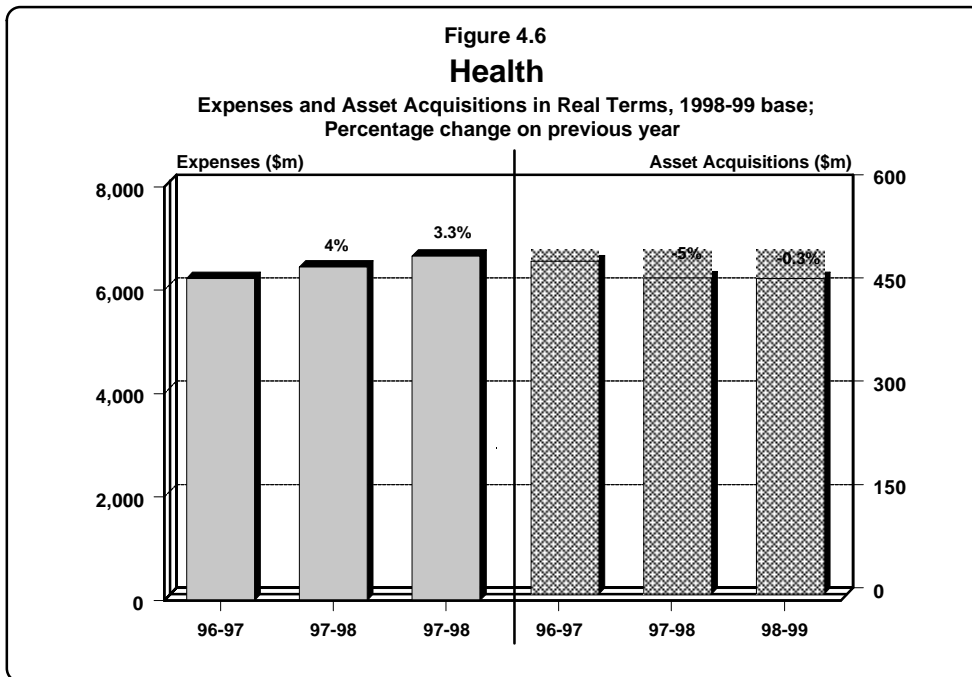
Expenses for Education increased by 2 per cent in real terms in 1997-98 and will increase by 3.8 per cent in 1998-99. The increase in 1997-98 was mainly due to the appointment of additional teachers and the introduction of the \$50 per student Back to School Allowance.

The increase in 1998-99 largely reflects the impact of an additional 239 teaching positions in the year, as part of the Government's commitment to an additional 1,405 teaching positions; increased expenditures on per capita allowances to non-Government schools, reflecting the growth in enrolments in the non-Government schools sector and redundancy payments for the Adult Migrant English Service as a result of non renewal of Commonwealth contracts for teaching services.

Asset acquisitions fluctuate in line with overall capital priorities, the availability of Commonwealth funding, the need for new educational facilities and on-going requirements for the upgrading of existing infrastructure. Asset acquisitions declined by 9 per cent in 1997-98, but will increase by 6.8 per cent in 1998-99. The increase mainly reflects major expenditure (almost \$40 million) in relation to the redevelopment of the Sydney Conservatorium High School and the Conservatorium of Music.

HEALTH

The Health policy area includes all payments and receipts for the health system and includes health-related activities associated with the Health Care Complaints Commission, the NSW Medical Board and the NSW Cancer Council.



The public health system continues to experience a significant growth in demand for services, reflecting the combined effects of population growth, the ageing of the population, advances in medical technology and the decline in private health insurance coverage.

Spending on Health is expected to increase by 7 per cent in real terms over the period from 1996-97 to 1998-99. The main component of this increase is enhancement funding of \$183 million provided in the 1997-98 Budget to expand and improve overall health services, particularly in growth areas of the State. Other factors contributing to the real growth in expenses include award increases, including retrospective 1996-97 award increases for certain employees following delayed settlement of the award negotiations; increased Commonwealth receipts, primarily for high cost drugs; motor vehicle lease costs following sale of the Department of Health's motor vehicle fleet in 1998-99 and increased workers' compensation charges.

The growth in expenses over this period has been moderated by declining private patient revenues and the Commonwealth's failure under the Medicare Agreement to compensate States for declines in private health insurance.

Asset acquisitions continue to be directed to both redistribution and general upgrading of health care facilities throughout the State. Operating funds are being progressively transferred to growth areas and major capital projects have similarly been targeted to these areas with the aim of ensuring the most effective future delivery of health care services. Other capital projects are aimed at upgrading substandard facilities and supporting changes in modern medical practice.

Over the period from 1996-97 to 1998-99, Health asset acquisitions will decrease by 5.2 per cent in real terms. The decrease is primarily associated with the completion of some major projects, notably the Illawarra Regional Hospital Clinical Services Block, the Liverpool Hospital redevelopment, the Inner West New Canterbury Hospital and the Prince of Wales Ambulatory Care Clinic.

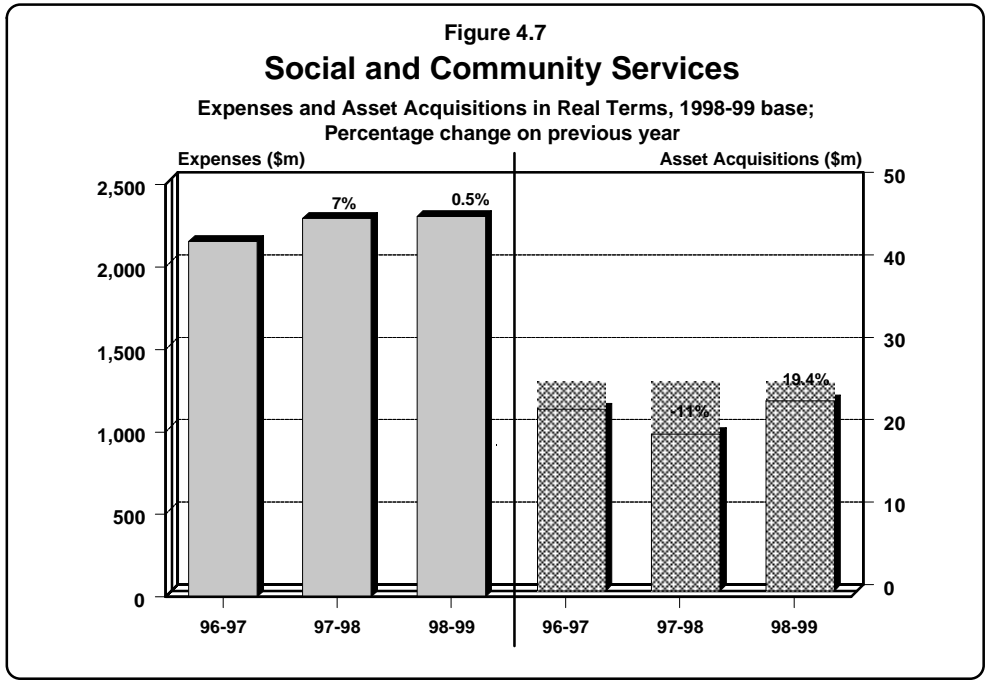
Nevertheless, the 1998-99 program maintains a substantial level of activity and allows the continuation of all works in progress. Projects under way with a significant budget impact in 1998-99 include the redevelopment of Blacktown and Mt Druitt Hospitals, the Central Sydney Resource Transition Program and construction of a new women and children's building at Nepean Hospital.

A number of significant new works will commence in 1998-99 including the replacement of Hickman House at Wollongong Hospital, redevelopment of Sutherland Hospital, rebuilding of the Emergency Department and Intensive Care Unit at John Hunter Hospital and commencement of a strategy to redevelop mental health facilities across the State.

SOCIAL AND COMMUNITY SERVICES

Funding provided under this policy area is primarily for -

- services for children, older people, people with disabilities and families (it includes the operations of the Department of Community Services, the Ageing and Disability Department, the Community Services Commission and the Home Care Service);
- people with special needs or requiring a particular focus and commitment (services provided by the Department of Aboriginal Affairs, the Ethnic Affairs Commission and the Department for Women);
- compensation to victims of crime; and
- Budget-funded concessions to social security beneficiaries (including payments by the Department of Transport and pension rebates for rates and for electricity, water and sewerage services).



Over the period from 1996-97 to 1998-99, current expenses for social and community services will increase by 7 per cent in real terms. This movement mainly reflects increased funding for child and family support services and additional supported accommodation and other services for people with disabilities, as well as increases in the Home and Community Care program.

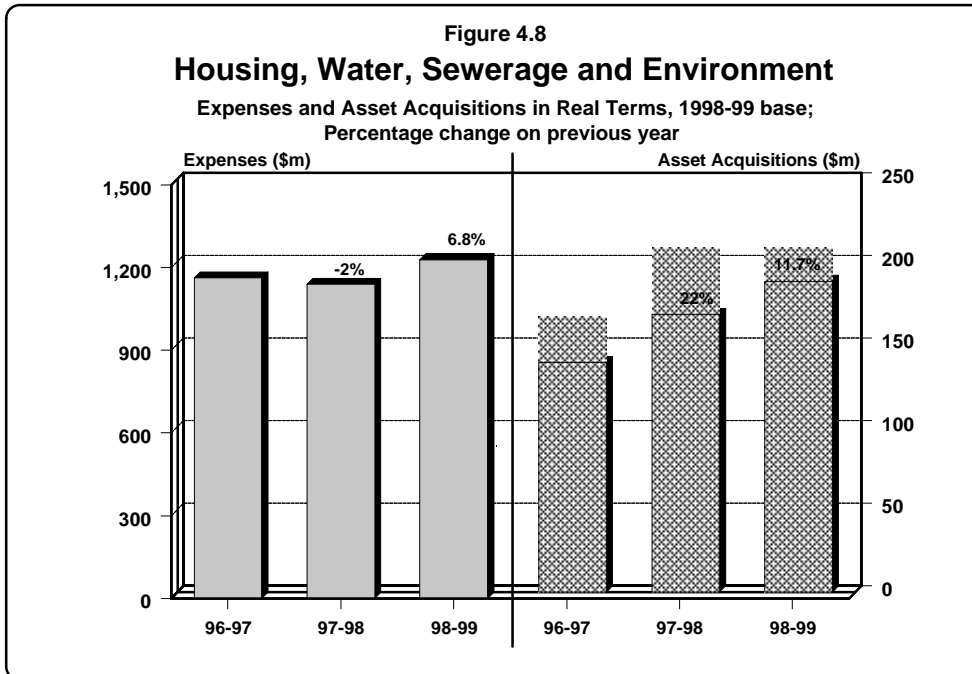
Payments since 1996-97 also have also been higher due to the inclusion of the cost of pensioner electricity rebates in the Budget following corporatisation of electricity distribution authorities.

The minor real increase in total expenses in 1998-99 largely reflects additional funding provided for the Home and Community Care Program and for other services for the disabled. This has, in part, been offset by reduced funding for Aboriginal Affairs following the cessation of payments to the NSW Aboriginal Land Council, under the Aboriginal Land Rights Act 1983, in 1998.

The largest component of asset acquisitions within the Social and Community Services policy area relates to capital projects undertaken by the Department of Community Services. The real increase of 19.4 per cent forecast for 1998-99 primarily reflects additional funding provided to the Department for the maintenance and continued upgrading of its large residential and other facilities.

HOUSING, WATER AND SEWERAGE, AND THE ENVIRONMENT

The Housing, Water and Sewerage, and the Environment policy area covers programs relating to assistance for housing, urban development, water and sewerage schemes, protection of the environment and State and regional planning.



Growth in expenses from 1996-97 to 1998-99 of \$52 million in real terms, or 4 per cent, reflects increased funding for the environment area.

Major changes in expenses between 1996-97 and 1997-98 are a reduction of \$33 million by the City West Development Corporation predominantly reflecting completion of several major projects in 1996-97, a reduction of \$47 million in Housing Policy and Housing Assistance due largely to a reduction in Commonwealth funding under the Commonwealth State Housing Agreement of \$31.4 million, offset by an increase of \$12 million reflecting increased funding for the National Landcare Program and soil conservation grants.

Expenses are expected to increase between 1997-98 and 1998-99 by \$76 million or 6.8 per cent in real terms.

This is partly attributable to an increase of \$30 million in grants for housing projects. This increase comprises a special contribution from the Rental Bond Board for affordable housing initiatives and carry forward of 1997-98 funding for both of the Aboriginal and Community Housing projects. Other increases are \$10.8 million for commencement of the Aboriginal Communities Development Program, which will provide water, sewerage, housing and infrastructure in Aboriginal communities and \$19 million in expenditure on public domain and infrastructure for local government by City West Development Corporation.

The increase also reflects additional expenditure of around \$10 million for water reform-related activities of the Department of Land and Water Conservation and the Environment Protection Authority. Remaining water reform-related expenditure is reflected under the Agriculture, Forestry and Fishing policy area.

A major expected reduction in 1998-99 is \$46 million arising from decreased servicing costs associated with the decline in the size of the Homefund portfolio. A further reduction of \$12.8 million is due to completion of the Wollongong Showground and the cessation of expenses associated with establishment of the Willandra Lakes World Heritage Area.

Over the two years to 1998-99, asset acquisitions in this policy area will increase by \$49 million or 35.3 per cent in real terms.

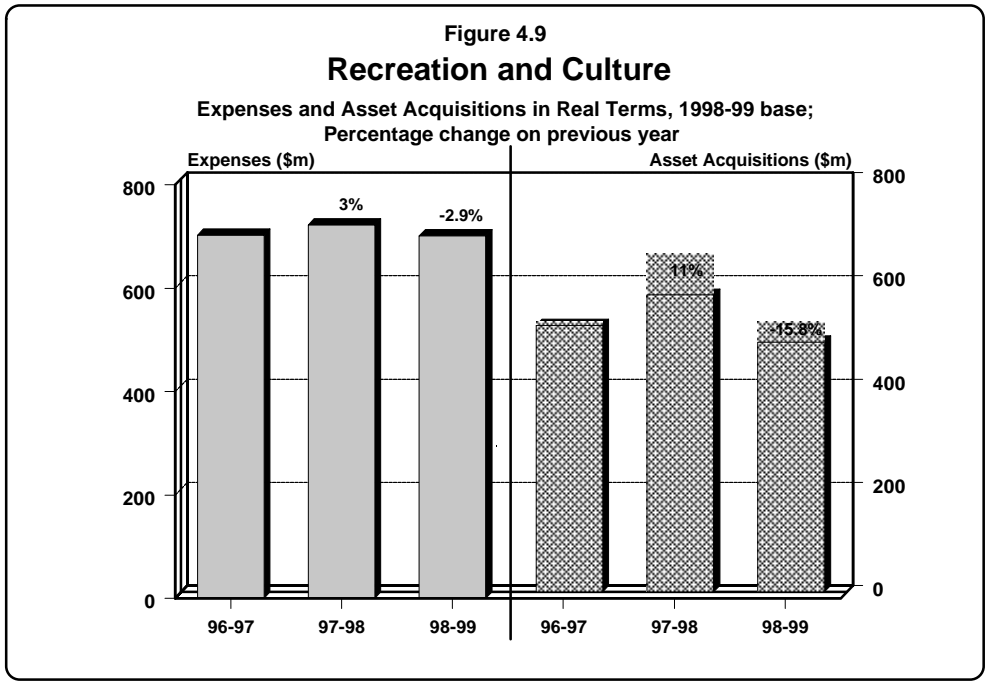
The increase of 22 per cent in 1997-98 reflects land purchases by the Sydney Region Development Fund of \$23.7 million for open space (expansion of Horsley Park Regional Park to preserve the Cumberland forest woodland vegetation), and the commencement of work on the Millenium Parklands project at Homebush Bay.

Asset acquisitions are expected to increase by 11.7 per cent in 1998-99, reflecting further land purchases by the Sydney Region Development Fund in the Eastern Creek corridor (\$10 million), increased housing stock acquisitions by the Office of Community Housing (\$6.2 million), and purchase of land to finalise the Willandra Lakes World Heritage Area (\$3 million).

RECREATION AND CULTURE

The Recreation and Culture policy area includes funding for the operating costs of recreation facilities and services and for cultural facilities and support of the arts. The policy area includes major functions of the National Parks and Wildlife Service, the Department of Sport and Recreation, the Olympic Co-ordination Authority, the Casino Control Authority, the Ministry for the Arts and the State's cultural and historical institutions.

This policy area also includes funding for the Royal Botanic Gardens and the Domain Trust, the Centennial Park and Moore Park Trust, the Bicentennial Park Trust and the Zoological Parks Board.



Total expenses for this policy area will show no variation in real terms over the period from 1996-97 to 1998-99.

Expenses in this policy area include the addition of new parks and wilderness areas to the National Parks and Wildlife estate, preservation of threatened species and the fourth year of substantial additional funding for the National Parks and Wildlife Service for fire management, pest species management and neighbour relations.

In 1998-99, there will be a major reduction in expenses (from \$62.3 million to \$2.4 million) in relation to the development, control and regulation of the racing industry. This is due to the winding up of the Racecourse Development Fund which includes estimated capital grants payments of \$59.3 million in 1997-98. The Racecourse Development Fund and Racing Assistance Fund will be wound up by 30 June 1998 under the provisions of the Totalizator Act 1997. Under the winding up arrangements there will be a \$50 million payment in 1997-98 by the TAB to the racing industry.

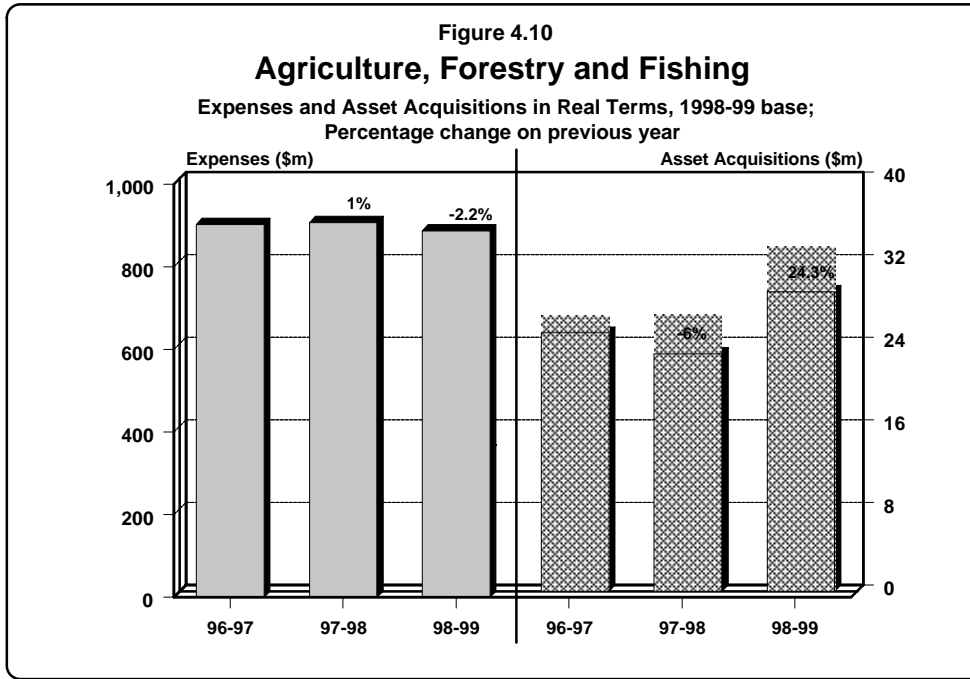
In relation to asset acquisitions, there has been a reduction of 6.2 per cent in real terms in the two year period to 1998-99.

The increase in 1997-98 reflected significant expenditure on Olympic and related projects.

The reduction in 1998-99 largely relates to the physical completion of the Royal Agriculture Society's new premises at Homebush Bay. This reduction, however, is partly offset by the creation of an Olympic funding reserve (\$22.6 million in 1998-99). Further details in relation to the Olympic funding reserve are provided in Section 4.3.20.

AGRICULTURE, FORESTRY AND FISHING

The Agriculture, Forestry and Fishing policy area consists of the major functions performed by the Department of Agriculture, NSW Fisheries and the Rural Assistance Authority plus certain activities of the Department of Land and Water Conservation (rural water management and infrastructure and catchment management activities) and the Ministry for Forests and Marine Administration (including the Forestry Industry Structural Adjustment Package).



From 1996-97 to 1998-99, total expenses in this policy area will decrease by 1.7 per cent in real terms. This decrease reflects reduced drought relief expenditure, which is partly offset by increased expenditure on a number of programs. Excluding drought expenditure, total expenses in this policy area will increase by 5.1 per cent in real terms.

In 1996-97, \$56 million was provided to rural communities for drought relief. Due to improvements in drought conditions, drought assistance in 1998-99 is anticipated to be around \$14 million.

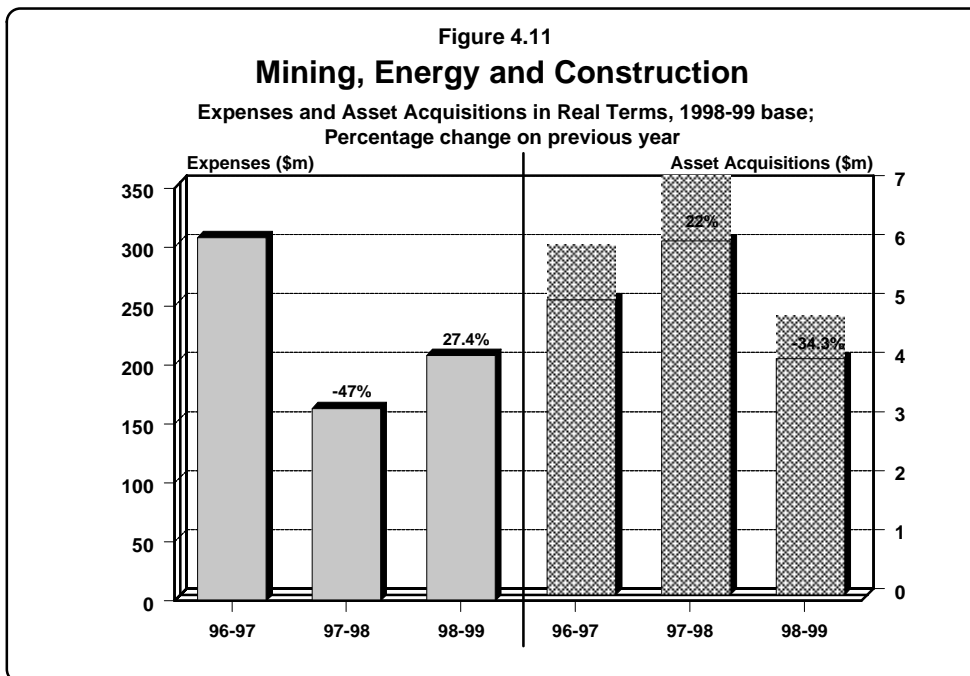
After adjusting for drought expenditure, increased expenditure in this policy area reflects a number of factors. Specifically, the increase in 1998-99 (over 1996-97) reflects increased expenditure on the Native Vegetation Management Fund (\$5 million), the Drought Regional Initiatives Program (\$3 million), the WEST 2000 Program (\$3.5 million) and the Acid Soil Action Program (\$2.5 million). The increase also reflects additional expenditure of around \$15 million for water reform related activities. Remaining water reform related expenditure is reflected under the Housing, Water and Sewerage, and Environment Policy area.

A key component of expenditure in this policy area is the Forestry Industry Structural Adjustment Package. This package is being jointly funding on a dollar for dollar basis by the State and Commonwealth Governments. Under this package, \$120 million is being provided over 5 years for training, redeployment, relocation and redundancy benefits for workers, as well as compensation for owner drivers of logging trucks and incentives for value adding in the forestry industry. In 1998-99, \$25.4 million is being provided for forestry industry restructuring.

Asset acquisitions in this policy area will increase by 16 per cent between 1996-97 and 1998-99. The key factors for this increase are \$3.8 million for water reform related works, and an additional \$1.8 million for dam infrastructure works through the Department of Land and Water Conservation.

MINING, ENERGY AND CONSTRUCTION

The Mining, Energy and Construction policy area encompasses mineral resources assessment, allocation and management, energy management, utilisation and adverse environmental impact reduction, compensation for former owners of coal rights acquired by the State, capital project risk management services and performance assessment and policy development for the building and construction industry.



Over the three-year period to 1998-99 expenses in this policy area will decrease by 32 per cent in real terms. The decline in expenses between 1996-97 and 1997-98 is due to variations in the level of recognition of coal compensation expense. In 1996-97 the Coal Compensation Board incurred \$141.6 million of coal compensation expense. Only \$50 million was actually paid out in that year. The balance is being paid out in 1997-98 and 1998-99. Coal compensation expenses are estimated to be nil in 1997-98.

In 1998-99 coal compensation expense is estimated to be \$44.2 million which is partially offset by an anticipated decline in long service leave expenses incurred by the Building and Construction Industry Long Service Leave Payments Corporation.

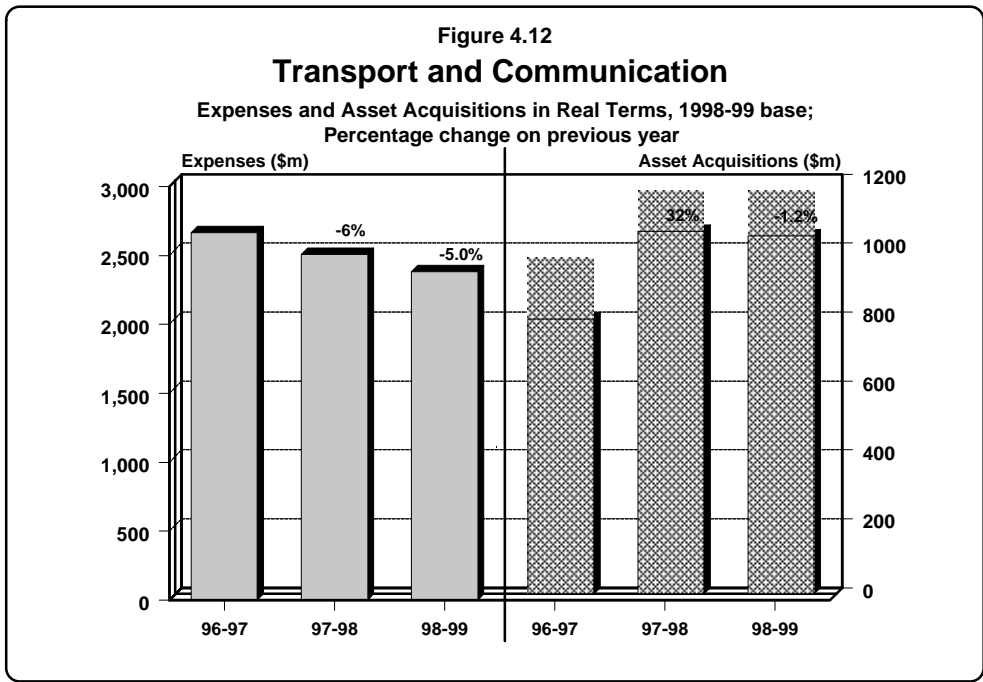
Over the two-year period to 1998-99, asset acquisitions in this policy area will decrease by 20 per cent in real terms. The increase to 1997-98 is due to increased asset acquisitions by the Department of Fair Trading including costs related to the fitout of regional fair trading centres. The small decrease in asset acquisitions between 1997-98 and 1998-99 is due to minor reductions in asset purchases across a number of agencies.

TRANSPORT AND COMMUNICATION

Budget funding provided for this policy area encompasses -

- the Roads and Traffic Authority's (RTA) motor registry services, construction and maintenance of the State's road network, road safety and traffic management activities and rebates paid through the Government's M4 and M5 Cashback scheme;
- the activities of the Department of Transport, which includes the development, planning and coordination of transport services, and the payment of subsidies to public and private transport operators, community groups and certain individuals. It excludes concessions and subsidies provided for school student transport services;
- transport planning and support services for the 2000 Olympics and Paralympics provided by the Olympic Roads and Transport Authority (ORTA) and infrastructure development of Homebush Bay and related sites undertaken by the Olympic Co-ordination Authority (OCA);
- the operations of the Office of Information Technology; and
- the operations of the Office of Marine Administration, the Marine Ministerial Holding Corporation and the Waterways Authority within the portfolio of the Minister for Ports.

The Transport and Communication policy area also includes the activities of the Motor Accidents Authority, the Motor Vehicle Repair Industry Council and the Tow Truck Industry Council.



Over the period 1996-97 to 1998-99, total expenses are forecast to decrease by 10.6 per cent in real terms, with a projected 5 per cent reduction between 1997-98 and 1998-99. This reduction relates primarily to the purchase of public transport services and assistance for general track and freight rail services and reflects cost savings arising from the reforms which have been introduced into the public transport sector and, in particular, the progressive introduction of competition in rail operations.

Between 1996-97 and 1998-99, asset acquisitions for Transport and Communications are projected to increase in real terms by 30 per cent. For 1998-99, funding for asset acquisitions is forecast to increase by \$2.7 million, representing a real terms reduction of 1.2 per cent.

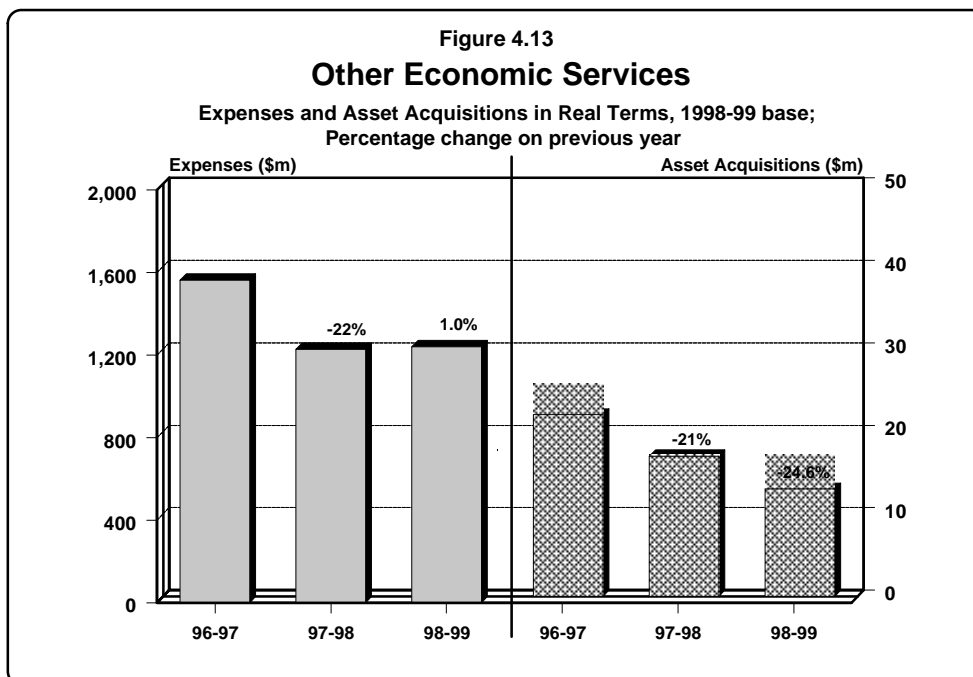
The 32 per cent real terms increase in asset acquisitions between 1996-97 and 1997-98 related primarily to a 20 per cent real terms increase in road network developments and a significant increase in expenditure on Olympic related transport infrastructure projects. Overall funding levels for Transport and Communication for 1998-99 have remained stable relative to 1997-98, although there has been disparate movement for individual policy areas within the overall category. Investment in the Olympics and related sites is forecast to increase by \$10 million. Investment in road network development and maintenance is projected to increase by approximately \$10 million, while funding for traffic management asset acquisition is projected to fall by \$23 million.

OTHER ECONOMIC SERVICES

The Other Economic Services policy area includes expenses incurred in the Industrial Relations Commission and Compensation Court of the Attorney General's Department, the Department of State and Regional Development, Tourism New South Wales, the Department of Fair Trading, the Department of Industrial Relations, WorkCover NSW and the Surveyor General's Department. Some small non-budget dependant, General Government agencies are also included in this policy area. The New South Wales Insurance Ministerial Corporation, which is the largest member, in terms of expenditure, of this policy area, accepts the assets, liabilities, rights and obligations of New South Wales Government insurance activities.

In 1998-99, total expenses of the Other Economic Services policy area are projected to be \$1.24 billion, representing an increase since 1997-98 of 1 per cent, but a decrease since 1996-97 of 20.7 per cent. This downward trend is a result of reduced expenditure by Workcover NSW, due mainly to the transfer of the cost of claims incurred by the Dust Diseases Board to the Dust Diseases Reserve Fund, operated by the Workers Compensation (Dust Diseases) Board. There has also been a substantial reduction in claims expenses of the NSW Insurance Ministerial Corporation since 1996-97.

However, expenditure incurred in 1998-99 by Tourism NSW and the Industrial Relations Commission and Compensation Court of the Attorney General's Department is budgeted to be 11 per cent higher than that of 1997-98.

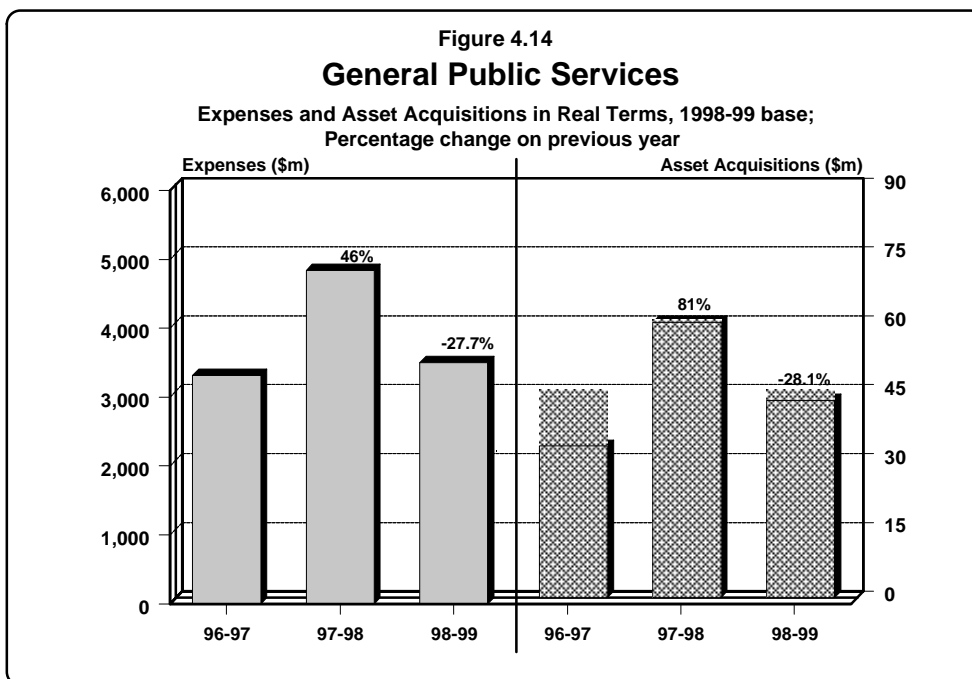


Asset acquisitions in the Other Economic Services policy area are relatively minor, and therefore subject to sharp variations. The decrease in Asset Acquisitions in 1998-99 of 23.2 per cent from 1997-98 is primarily a result of the completion of several projects.

GENERAL PUBLIC SERVICES

The General Public Services policy area covers a range of activities including -

- legislative services including the Legislature and Parliamentary Counsel's Office;
- interest payments of the General Government Sector including the RTA and other transactions such as long service leave and superannuation (administered by Crown Transactions) which cannot be specifically allocated to other policy areas;
- operations of the central agencies, namely Treasury, Cabinet Office, and Premier's Department (excluding the Office of the Director of Equal Opportunity);
- State Electoral Office, Ombudsman's Office, Independent Commission Against Corruption and Archives Authority of New South Wales;
- operations of the Department of Local Government and the policy and development functions of the Department of Gaming and Racing; and
- funding provided to the Department of Public Works and Services for the administration and co-ordination of community and general government services and maintenance of certain Crown assets.



Total expenses in this policy area will increase by 7.3 per cent over the period 1996-97 to 1998-99.

Expenses increased by 46.0 per cent in 1997-98, but will reduce by 27.7 per cent in 1998-99. A major factor in these variations relates to debt servicing costs. These costs will decrease in 1998-99 by 31.1 per cent from \$1.72 billion to an estimated \$1.19 billion. This decrease reflects the repayment in 1997-98 of Commonwealth debt funded by the net proceeds from the sale of the TAB and the savings generated from the maturity of long term debt in a lower interest rate environment.

Another major factor that will result in reduced expenses in 1998-99 is a significantly lower superannuation expense as a result of the proposed distribution of \$570 million from the Contributor Reserve Account (see Chapter 7).

Refunds and remissions of Crown revenue primarily consist of subsidies paid on alcohol and petroleum products as a result of the High Court decision on the operation of Section 90 of the Constitution. In 1998-99, subsidies on alcohol products will decline by \$124 million while subsidies on petroleum products will increase by \$39 million.

Asset acquisitions in this policy area are comparatively small. Over the period 1996-97 to 1998-99, asset acquisitions will increase by 33 per cent. In 1997-98 there were significant capital payments in relation to the Superannuation Administration Authority's computer migration project. In 1998-99 asset acquisitions in this policy area are estimated to decline by 28.1 per cent although the Office of State Revenue will incur major capital payments in relation to the development of its Revenue and Compliance Process System.